

INTERIM REPORT 2007

1st half of fiscal 2007

 RISO KAGAKU CORPORATION

The RISO logo is rendered in a bold, blue, stylized font. The letters are thick and rounded, with a distinctive design for the 'R' and 'S'. The logo is positioned within a light yellow circular area that overlaps the bottom of the page.

The financial information appearing in this review is a translation of the original Japanese text into English and is based on generally accepted accounting standards and practices in Japan.

Forward-looking Statements

Forecasts of future performance contained in forward-looking statements are based on Riso Kagaku Corporation's current expectations, estimates and assessment of the markets in which it operates. A number of factors, many beyond the Company's control, could cause actual results to differ materially from the forecasts contained in these statements.

To Our Shareholders

I am pleased to have this opportunity to present our shareholders with the RISO Interim Report 2007. In fiscal 2007, ending March 31, 2007, the final year of the Riso Group's (hereafter "RISO") "Riso Vision 07" medium-term management plan (see page 3), we will undertake our operations specifically focusing on the following high-priority issues: "Increasing market share and improving profitability in the digital duplicating business," "Accelerating sales of the ORPHIS (RISO) HC series," "Reorganizing operations of the U.S. subsidiary," and "Accelerating new product developments and the advancement of new business projects."



During this interim period, we expanded our RISOGRAPH series with the launch of the top-of-the-line RISOGRAPH MZ970 one-pass two-color printer. For our ORPHIS series, we introduced the ORPHIS HC5500A, a specialized machine with a count charge system, in the domestic market.

Turning to interim business results, RISO maintained domestic sales of the RISOGRAPH series at virtually the same level recorded in the previous interim period. However, in advanced countries overseas, growth in demand was sluggish and China sales declined amid fiercer competition. On the other hand, we recorded robust sales of the ORPHIS series in Japan as well as steady growth in overseas sales of ORPHIS, primarily in Europe and the United States. These results, coupled with the impact of favorable exchange rates, enabled RISO to achieve increases in sales and profits.

Regarding dividends for fiscal 2007, we plan to pay cash dividends per share of ¥40.00, which will include a ¥5.00 dividend increase in addition to a ¥5.00 commemorative dividend to mark our 60th anniversary.

On September 2, 2006, RISO celebrated the 60th anniversary of its establishment. On this noteworthy occasion, I would like to express my sincere appreciation to our shareholders for their long-standing support. In the future as well, we will strive to continue offering appealing products and services, primarily centered on the digital duplicating and inkjet printing business fields.

In the future, we will make our utmost efforts to meet the expectations of our shareholders.

December 2006

Akira Hayama
President & CEO

Medium-term Management Plan “Riso Vision 07”

To expand profits in our core digital duplicating business and establish a foundation for growth within our new inkjet printing business, RISO is currently promoting “Riso Vision 07,” a medium-term management plan set for completion by the fiscal year ending March 31, 2007.

Basic Policies

1. Accelerating new product development and strengthening development system
2. Making challenges for further expansion of digital duplicating business
3. Establishing a new inkjet printing business
4. Building the production and distribution system enabling low operation cost and inventory level
5. Fostering human resources capable of leading our future growth
6. Operating business in compliance with the law and consideration of the environment



Activity Targets

• Research & Development Division •

Promoting new product development
Strengthening concurrent engineering capabilities

• Sales Divisions (Domestic and Overseas) •

Strengthening core business
Creating new market through ORPHIS (RISO)
HC5000

• Manufacturing Divisions •

Strengthening overseas manufacturing system
Working toward tightening inventories

• Head Office •

Fostering and developing human resources
Achieving thorough compliance

Introduction of Count Charge System as a New Service for ORPHIS Series

In May 2006, RISO introduced a count charge system in the domestic market as a new service for our ORPHIS high-speed, full-color printers and launched the ORPHIS HC5500A in Japan as a specialized machine used for the service.

RISO's count charge system features a new fee structure that charges customers based on the number of pages printed, thereby allowing them to hold down their costs when introducing this printer. Moreover, fees for maintenance and consumables are included in this system, which allows the cost of each printed page to be ascertained, thus promoting easy cost management for each department. This count charge system represents a new type of sales system, which even enables customers requiring only a relatively small number of printed pages to introduce new printers.

We offer three model variations in our line-up of ORPHIS HC5500A printers, which boast continuous high-speed printing capabilities of 120ppm for speedy processing of large volumes of printed pages. Customers can choose from these three models in accordance with desired applications and can combine their printers with our existing finisher systems in addition to our newly introduced HC offset stackers.



The ORPHIS HC5500A, used as a specialized model for RISO's count charge system, is connected to an optional HC offset stacker.

Launch of the RISOGRAPH MZ970, High-resolution One-pass Two-color Printer

In April 2006, we launched the RISOGRAPH MZ970 one-pass two-color printer for the domestic market. We have added this to our line-up as our top-of-the-line MZ series of one-pass two-color printers capable of printing 150ppm. The RISOGRAPH MZ970 offers high resolution of 600dpi that enables the precise reproduction of small-sized characters and thin lines. Facilitating work efficiency and effectively utilizing two colors for enhanced appeal, the RISOGRAPH MZ970 can be used for a wide range of applications that include printing flyers as well as educational materials and conference materials.

For black ink, the RISOGRAPH MZ970 utilizes RISO Ink Z Type HD, which allows the expression of black colors with a greater impact than conventional inks. We also offer an abundant line of color inks that include 16 basic colors and 50 customized colors. We are preparing order-made color services for creating inks colored to match specific designated colors, such as corporate colors, as we handle a broad line-up of color inks tailored specifically to the applications required by customers.



The RISOGRAPH MZ970 boasts a high resolution of 600dpi.

Business Environment and Performance

In the term ending March 2007, the final year of RISO's medium-term management plan, we are operating our business with an emphasis on top-priority issues to reform all aspects of our corporate management with the aim transforming our business structure. Specifically, we are focusing on "Increasing market share and improving profitability in the digital duplicating business," "Accelerating sales of the ORPHIS (RISO) HC series," "Reorganizing operations of the U.S. subsidiary," and "Accelerating new product developments and the advancement of new business projects."

During the interim period, in the domestic market we launched the RISOGRAPH MZ970, which achieves a high resolution of 600dpi, as an advanced model in our series of one-pass two-color printers. Regarding ORPHIS, we introduced a count charge system for reducing installation costs and launched the ORPHIS HC5500A, a specialized machine for the system, to broaden the base of the market and to respond to demands of increasing numbers of customers for color printing.

As a result of these activities, net sales rose ¥2,560 million to ¥42,601 million (up 6.4% year-on-year), thanks to the favorable impact of foreign exchange rates and increased sales of ORPHIS. Operating income was ¥2,280 million (up 41.9%), recurring income stood at ¥2,250 million

(up 44.6%), and net income was ¥1,292 million (up 63.1%).

Looking at interim sales by geographic region, domestic sales of RISOGRAPH were almost on par with the results of the previous interim period while domestic sales of ORPHIS rose steadily. Therefore, total domestic sales (including sales in real estate and other businesses) were ¥22,464 million (up 7.0%).

Overseas, sales in the Americas rose to ¥6,720 million (up 9.7%) thanks to the favorable impact of foreign exchange rates and the launch of new products.

In Europe, although RISOGRAPH sales were below the year-ago level in developed countries, ORPHIS sales, especially sales of our French subsidiary, were higher. As a result, overall sales in Europe amounted to ¥8,586 million (up 7.9%).

In Asia, sales in Southeast Asia were as planned, but in China, sales declined from the year-ago level because of tougher competition for sales of RISOGRAPH printers. As a result, overall sales in Asia decreased to ¥4,830 million (down 2.7%).

Business Outlook for Fiscal 2007

In fiscal 2007, RISO is committed to dealing with the priority issues of Riso Vision 07 (page 3).

We will bolster the earnings potential of RISOGRAPH by expanding sales of one-pass two-color printers, and we will also strengthen our business structure. We intend to expand sales of ORPHIS by rolling out the count charge system. Although the U.S. subsidiary is still confronting a challenging situation, we will strive to increase sales by selling high-end machines such as one-pass two-color printers while at the same time reduce selling, general and administrative expenses.

For the entire fiscal year, we plan to post sales of ¥90,900 million (up 3.8% year-on-year), recurring income of ¥5,220 million (up 14.7%), and net income of ¥3,120 million (up 44.8%).

For our full-year forecast, we use the exchange rate of ¥115/U.S. dollar and ¥146/euro.

Financial Highlights (Consolidated basis)

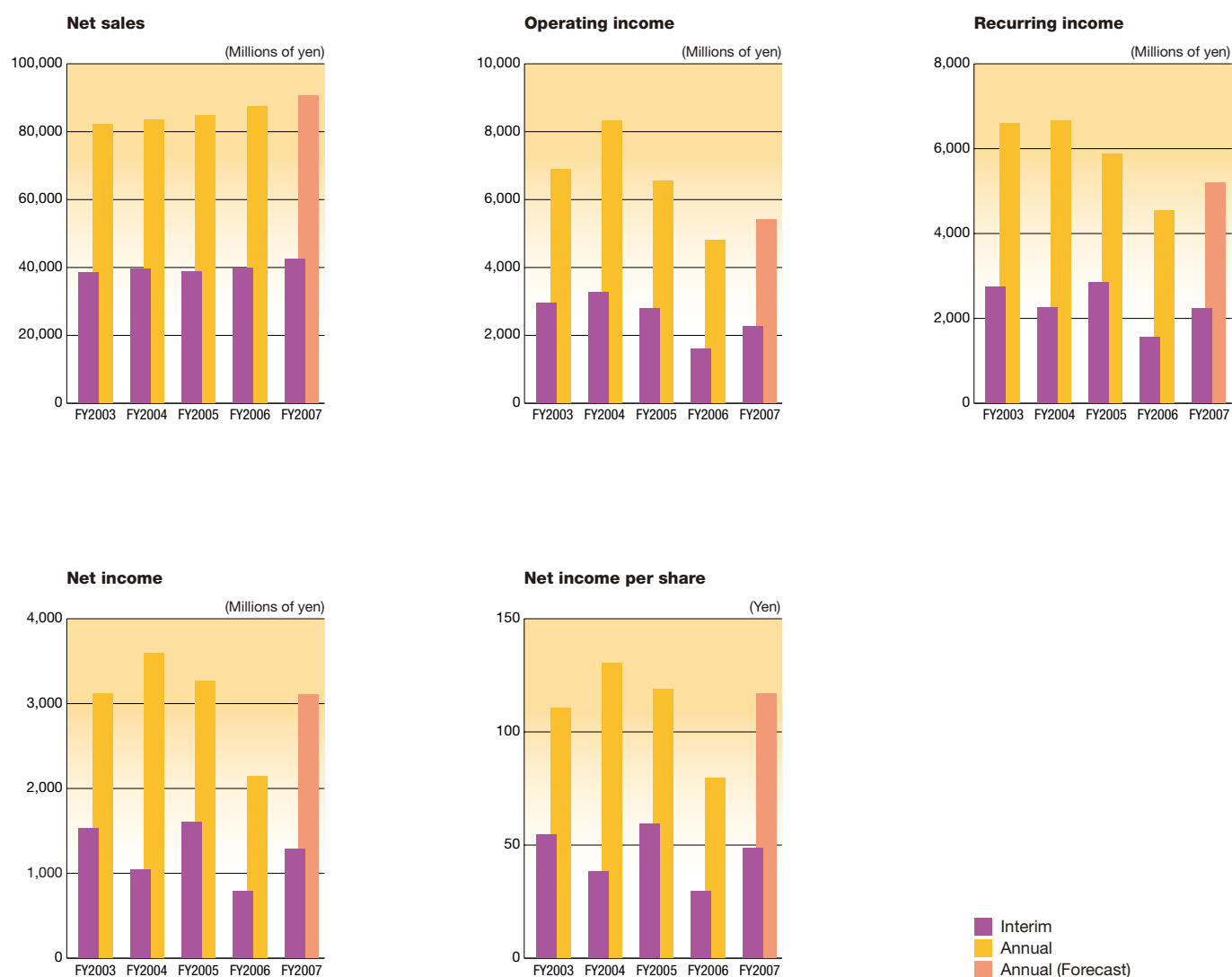
(Millions of yen)

	FY2003		FY2004		FY2005		FY2006		FY2007 (Forecast)	
	1st half of FY2003		1st half of FY2004		1st half of FY2005		1st half of FY2006		1st half of FY2007	
Net sales	38,641	82,414	39,617	83,666	38,932	85,161	40,040	87,601	42,601	90,900
Operating income	2,955	6,918	3,279	8,353	2,792	6,574	1,606	4,812	2,280	5,420
Recurring income	2,750	6,619	2,254	6,680	2,855	5,883	1,556	4,552	2,250	5,220
Net income	1,539	3,124	1,046	3,604	1,609	3,280	792	2,154	1,292	3,120
Net income per share (Yen)	54.84	110.83	38.61	130.64	59.37	119.29	29.74	79.76	48.64	117.45

Notes:

Effective November 18, 2005, each share of common stock was split into two shares.

Net income per share for the full year and 1st half of FY2003, FY2004 and FY2005 as well as for the 1st half of FY2006 was calculated assuming that the stock split was conducted at the beginning of each term.



Balance Sheets

ASSETS

(Millions of yen)

Item	FY2006 (As of Mar. 31, 2006)	1st half of FY2007 (As of Sept. 30, 2006)
Currents assets	¥ 69,846	¥ 72,695
Cash and deposits	30,734	32,440
Notes and accounts receivable	16,917	14,552
Marketable securities	3,311	6,771
Inventories	15,037	14,991
Others	4,139	4,183
Allowance for doubtful receivables	(294)	(244)
Fixed assets	48,599	45,739
Tangible fixed assets	32,037	31,925
Buildings and structures	8,333	8,187
Machinery, equipment and vehicles	1,847	1,891
Land	14,873	14,873
Others	6,982	6,972
Intangible fixed assets	2,332	2,425
Software	1,403	1,714
Others	929	710
Investments and other securities	14,229	11,388
Investment in securities	8,704	5,122
Others	6,556	7,219
Allowance for doubtful receivables	(1,030)	(952)
Total assets	¥118,446	¥118,434

Note: Total depreciation amount of tangible fixed assets was ¥40,169 million.

Point 1

Marketable securities and Investment in securities

A reclassification from Investment securities to Marketable securities was made.

Point 2

Notes and accounts receivable

Because the last day of the fiscal year was a bank holiday, unsettled amounts are included.

LIABILITIES

(Millions of yen)

Item	FY2006 (As of Mar. 31, 2006)	1st half of FY2007 (As of Sept. 30, 2006)
Current liabilities	¥ 28,449	¥ 28,807
Notes and accounts payable	13,150	14,224
Short-term loans	6,305	6,315
Long-term bank borrowings due within one year	51	19
Others	8,942	8,247
Long-term liabilities	20,869	20,004
Convertible bonds	16,675	15,675
Long-term bank borrowings	112	109
Others	4,082	4,219
Total liabilities	¥ 49,318	¥ 48,811

NET ASSETS

(Millions of yen)

Item	FY2006 (As of Mar. 31, 2006)	1st half of FY2007 (As of Sept. 30, 2006)
Shareholders' equity	¥ 66,664	¥ 67,126
Common stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	40,384	40,846
Treasury stock	(2,614)	(2,614)
Other comprehensive income	2,313	2,338
Net unrealized holding gains or losses on securities	2,205	1,916
Foreign currency translation adjustments	108	422
Minority interests	149	157
Total net assets	¥ 69,127	¥ 69,623
Total liabilities, net assets	¥118,446	¥118,434

Notes:

Along with the enforcement of the Corporate Law, previously expressed "minority interests" and "shareholders' equity" are now expressed under net assets. This item has been reclassified for fiscal 2006.

Point 2**Notes and accounts payable and Others (Current liabilities)**

Because the last day of the fiscal year was a bank holiday, unsettled amounts are included.

Point 3**Convertible bonds**

The Company carried out a repurchase and cancellation of convertible bonds.

Statements of Income

(Millions of yen)

Item	1st half of FY2006 (6 months ended Sept. 30, 2005)	1st half of FY2007 (6 months ended Sept. 30, 2006)
Net sales	¥40,040	¥42,601
Cost of sales	18,898	20,635
Gross profit	21,141	21,966
Selling, general and administrative expenses	19,534	19,685
Operating income	1,606	2,280
Other income	447	354
Other expenses	497	383
Recurring income	1,556	2,250
Extraordinary gain	–	–
Extraordinary loss	–	–
Income before income taxes	1,556	2,250
Corporate income tax and other tax expenses	775	667
Corporate income tax and other tax adjustments	(18)	285
Minority interest in net income of consolidated subsidiaries	6	5
Net income	¥ 792	¥ 1,292

Statements of Cash Flows

(Millions of yen)

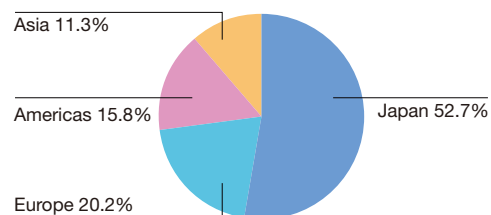
Item	1st half of FY2006 (6 months ended Sept. 30, 2005)	1st half of FY2007 (6 months ended Sept. 30, 2006)
Cash flows from operating activities	¥ 1,680	¥ 5,549
Cash flows from investing activities	(3,461)	(1,608)
Cash flows from financing activities	3	(1,843)
Effect of exchange rate changes on cash and cash equivalents	79	78
Increase (Decrease) in cash and cash equivalents	(1,697)	2,176
Cash and cash equivalents, beginning of term	33,526	32,697
Cash and cash equivalents, end of term	¥ 31,829	¥ 34,874

Point 4

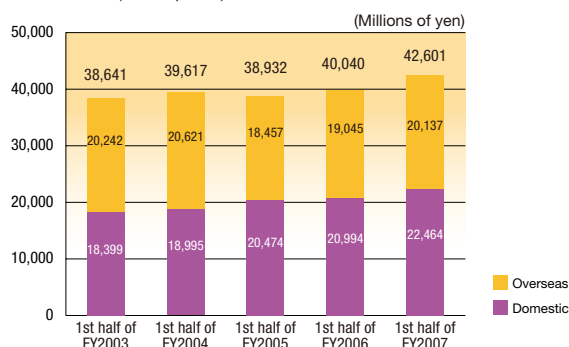
Net sales

Net sales increased ¥2,560 million year-on-year. The impact of foreign exchange rates amounted to approximately ¥1,200 million.

Sales by region
(1st half of FY2007)



Net sales (Interim period)



Domestic

RISO's sales network encompasses 15 sales departments and 48 sales branches as well as sales subsidiaries. Additionally, we provide technical support and develop supply systems for consumables throughout the nation to enable customers to use our products with assurance. Skills development programs for technical staff are carried out nationwide centering on the RISO Education Center.

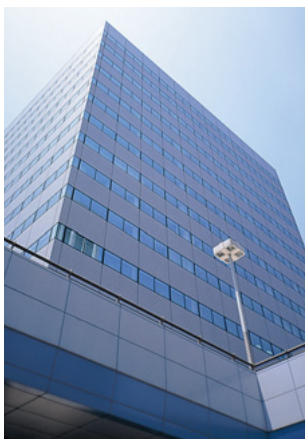
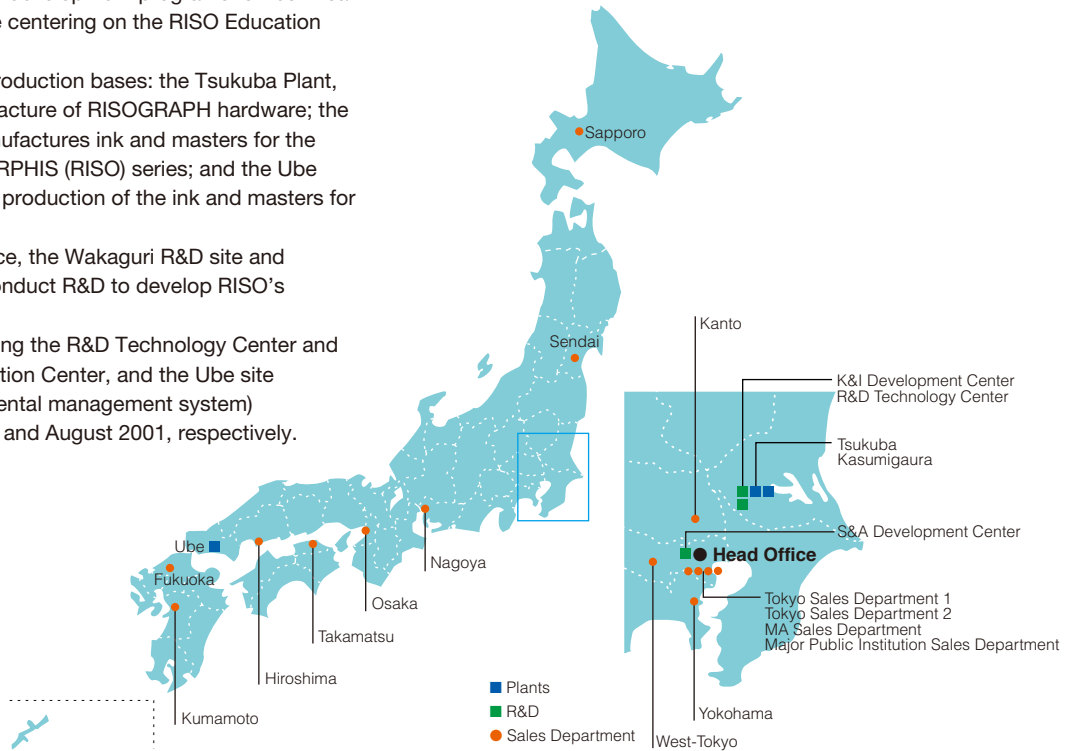
We have three domestic production bases: the Tsukuba Plant, which is engaged in the manufacture of RISOGRAPH hardware; the Kasumigaura Plant, which manufactures ink and masters for the RISOGRAPH and ink for the ORPHIS (RISO) series; and the Ube Plant, which handles the mass production of the ink and masters for the RISOGRAPH.

In addition to the head office, the Wakaguri R&D site and the R&D Technology Center conduct R&D to develop RISO's next-generation products.

The Tsukuba site, comprising the R&D Technology Center and the Tsukuba Plant and Distribution Center, and the Ube site acquired ISO 14001 (environmental management system) certification in December 2000 and August 2001, respectively.

◆ Domestic major subsidiaries

- RISO VEC CORPORATION
- RISO OKINAWA CORPORATION
- RISO AGENCY CORPORATION



Head Office



K&I Development Center (Wakaguri R&D site)



R&D Technology Center



Kasumigaura site



Tsukuba site



Ube site

Overseas

Our wide-spanning network centering on 17 overseas subsidiaries engaged in sales of the ORPHIS (RISO) HC5500 and RISOGRAPH, provides technical support and also acts as a supply route for consumables. Additionally, RISOGRAPH hardware is produced at the manufacturing plant of RISO TECHNOLOGY ZHUHAI CO., LTD. in China. Over 3,000 RISO Group employees value communication with customers and provide customer support in the respective countries where we operate.



◆ Overseas major subsidiaries

- RISO, INC.
- RISO CANADA, INC.
- RISO DE MEXICO, S.A.
- RISO EUROPE LTD.
- RISO (U.K.) LTD.
- RISO (Deutschland) GmbH
- RISO POLAND Sp. zo.o.
- RISO FRANCE S.A.
- RISO IBERICA, S.A.
- RISOGRAPH ITALIA S.p.A.
- RISO AFRICA (PTY) LTD.
- RISO HONG KONG LTD.
- RISO (Thailand) LTD.
- RISO (SHANGHAI)
- INTERNATIONAL TRADING CO., LTD.
- RISO TECHNOLOGY ZHUHAI CO., LTD.
- RISO KOREA LTD.
- RISO INDUSTRIES (H.K.) LTD.



RISO, INC. (Boston, U.S.A.)



RISO (Deutschland) GmbH (Hamburg, Germany)



RISO (Thailand) LTD. (Bangkok, Thailand)



RISO EUROPE LTD. (London, U.K.)



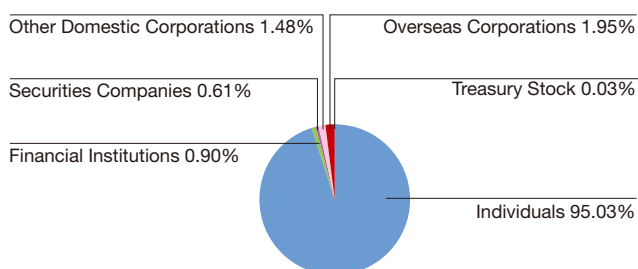
RISO FRANCE S.A. (Lyon, France)



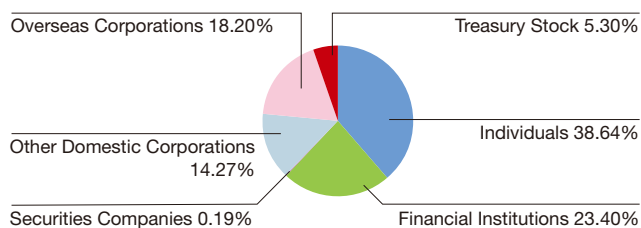
RISO TECHNOLOGY ZHUHAI CO., LTD. (Zhuhai, China)

Number of shares	67,840,000 (No change from the end of the previous period)
Number of shares issued	28,053,166 (No change from the end of the previous period)
Number of shareholders	3,440 (A decrease of 31 from the end of fiscal 2006)

Breakdown of shareholders by type



Breakdown of stock ownership



Major Shareholders (Top 10 Shareholders)

Shareholder name	Number of shares owned (thousands of shares)	Shareholding ratio (%)
Riso Limited	2,470	8.80
Northern Trust Company (AVFC) Sub Account American Client	2,278	8.12
RISO KAGAKU CORPORATION	1,487	5.30
Noboru Hayama	1,372	4.89
Riso Educational Foundation	1,330	4.74
Japan Trustee Services Bank, Ltd. (Trust Account)	1,285	4.58
Akira Hayama	848	3.02
Trust & Custody Services Bank, Ltd. as trustee for the Tokyo Tomin Bank, Ltd. Retirement Benefit Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	783	2.79
The Master Trust Bank Account of Japan, Ltd. (Trust Account)	778	2.77
RISO KAGAKU CORPORATION Employees' Shareholding Association	745	2.65

(Notes)

1. 783 thousand shares owned by the Trust & Custody Services Bank, Ltd. as trustee for the Tokyo Tomin Bank, Ltd. Retirement Benefit Account re-entrusted by Mizuho Trust and Banking Co., Ltd. correspond to the number of shares owned by Tokyo Tomin Bank, Ltd. that were contributed to the employee retirement benefit trust.

2. The Company received a copy of the substantial shareholding report (amended report) dated September 30, 2005 from Silchester International Investors Ltd. However, we have not yet verified the number of shares owned by the company as of the end of 1st half of fiscal 2007, thus the company name is not included in the above list. Summary details of the substantial shareholding report (amended report) are as follows.

Shareholder name	Number of shares owned (thousands of shares)
Silchester International Investors Ltd.	1,398

(The number of shares refers to the number prior to the stock split.)

3. The Company received a copy of the substantial shareholding report (amended report) dated September 15, 2006 from four companies of joint shareholders, including Merrill Lynch Japan Securities Co., Ltd. However, we have not verified the number of shares owned by the companies as of the end of 1st half of fiscal 2007, thus the company name is not included in the above list. Summary details of the substantial shareholding report (amended report) are as follows.

Shareholder name	Number of shares owned (thousands of shares)
Merrill Lynch International	1
Merrill Lynch Investment Managers Co., Ltd.	602
Merrill Lynch Investment Managers, LP	419
Merrill Lynch Japan Securities Co., Ltd.	-
Total	1,023

Corporate Data

(As of September 30, 2006)

Corporate name	RISO KAGAKU CORPORATION
Head office	5-34-7 Shiba, Minato-ku, Tokyo 108-8385 Japan
Established	September 2, 1946
Incorporated	January 25, 1955
Paid-in capital	¥14,114,985,384
Number of employees	1,599
Subsidiaries	23 companies (domestic: 5 overseas: 18)

Board of Directors and Auditors

(As of September 30, 2006)

President & CEO	Akira Hayama
Senior Managing Director	Nobuo Kawai
Senior Managing Director	Nobunari Kuroiwa
Managing Director	Yasuhiro Takahashi
Director	Junji Sakai
Director	Yoshiro Takeuchi
Director	Kazuo Abe
Director	Eigo Ishibashi
Director	Takashi Kunitani
Director	Junichi Ogata
Director	Tadamichi Hosoya
Director	Yoshitaka Okada
Director	Hidetaka Igarashi
Standing Auditor	Kazuko Yoshihara
Standing Auditor	Shogo Hada
Auditor	Takio Suzuki*
Auditor	Yoshinari Iizuka*

Note: *Refers to outside auditors, as stipulated by Item 16 of Article 2 in the Corporate Law.

RISO KAGAKU CORPORATION

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