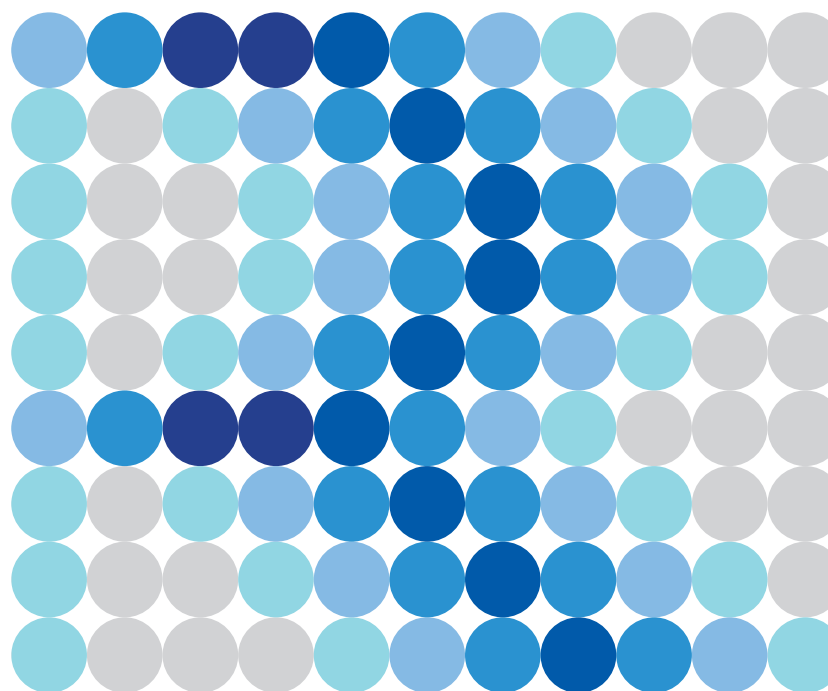




# Interim Report 2017

1st half of fiscal 2017



## To Our Shareholders



I am pleased to have this opportunity to present our shareholders with the RISO Interim Report 2017.

The RISO Group formulated the Sixth Medium-term Management Plan “RISO Vision 19” that will be implemented through the fiscal year ending March 2019. In fiscal 2017, the plan’s first year, we are working to attain the plan’s management objective of “Accomplish the growth of the number of machine installations by taking full advantage of RISO’s utmost unique products to ensure a stable revenue & profit growth.”

During the first half of fiscal 2017 (current consolidated six-months period), in the inkjet business, in September we launched the ORPHIS GD series that achieves higher productivity in addition to our new lineup in the ORPHIS FW series for office use that we introduced in March 2016. In the digital duplicating business, we commenced sales of the RISOGRAPH SF series as standard models from August. To provide numerous customers with a close-up look at these new models, we displayed these at exhibitions in Japan and overseas starting with our new products exhibition in June.

Regarding business results for the first half, despite robust sales in the printing equipment business in Japan and Asia, net sales declined below the level of the previous year due to the effects of exchange rates. Furthermore, operating income fell below that from the corresponding period of the previous year because of increases in depreciation and sales expenses, both of which were due to the introduction of new products, and because of the effects of exchange rates.

For the entire fiscal year we forecast declines in revenue and profits due to the effects of exchange rates and increased expenses because of the introduction of new products. Nevertheless, we are taking a medium-term perspective and will undertake business activities aimed at expanding revenue.

RISO was established in September 1946 and celebrated its 70th anniversary in 2016. On this occasion, I would like to ask our shareholders for your continued understanding and support.

December 2016  
Akira Hayama  
President & CEO

## The Sixth Medium-term Management Plan “RISO Vision 19”

(April 1, 2016 - March 31, 2019)

### Management Objectives

Accomplish the growth of the number of machine installations by taking full advantage of RISO’s utmost unique products to ensure a stable revenue & profit growth

### Priority Actions

- ① Gain new customers and increase the consumable profit, which is the lifeline, to pursue RISO’s future business
- ② Take on the challenge to create new business and pursue every technological possibility by the R&D Division
- ③ Provide opportunities for long-term human resource developments for younger generations and improve organization structures within the Production Division
- ④ Develop human resources to enhance managerial and leadership performance by enriching RISO corporate culture, which will enable RISO employees to bring out their ability at full potential

### Financial Targets

(Fiscal Year Ending March 2019)

- Consolidated net sales: **¥85 billion**
- Consolidated operating income: **¥7 billion**
- ROE: **7%**

\* Exchange rates: 1 U.S. dollar: ¥108.00 1 euro: ¥122.00

### Forecasts for the fiscal year ending March 31, 2017

- Consolidated net sales: **¥80.7 billion**
- Consolidated operating income: **¥3.4 billion**

\* Exchange rates:  
1 U.S. dollar: ¥103.00  
1 euro: ¥116.00

### Management Policies for the Fiscal Year Ending March, 2017

- 1) Ensure successful launching and sales expansion of the new products by R&D, Production and Sales Divisions
- 2) Accomplish the growth of the number of machine installations by taking full advantage of new products

April 2016

FY2017

FY2018

FY2019

# Review of Operations

## Business Environment and Performance

**Sales remained firm due to the introduction of new products. Net sales and operating income fell due to increased expenses and the high value of the yen.**

Concerning RISO's consolidated operating results for the current six months, in the printing equipment business, although sales remained firm in the inkjet business as a result of the introduction of new products, sales in the digital duplicating business declined. Net sales declined due to the effects of exchange rates. Furthermore, operating income fell below that in the corresponding period of the previous year because of increases in depreciation and sales expenses, both of which were due to the introduction of new products, and because of the effects of exchange rates. Net sales were ¥38,590 million (down 5.4% year on year), operating income was ¥1,625 million (down 40.6% year on year), ordinary income was ¥1,721 million (down 36.2% year on year) and profit attributable to the owners of parent was ¥1,125 million (down 39.2% year on year).

The average exchange rates during the current consolidated six months period were ¥105.29 (a ¥16.51 appreciation of the yen year on year) for the U.S. dollar and ¥118.15 (a ¥16.92 appreciation of the yen year on year) for the euro.

## Business Outlook for Fiscal 2017

**Sales are expected to grow thanks to the introduction of new products but revenue and profits are projected to decrease because of increased expenses and the effects of exchange rates.**

Regarding the RISO Group's printing equipment business, full-year net sales in the domestic market are expected to trend firmly due to increased sales in the inkjet business. Overseas, although we anticipate positive results from the introduction of new products, we expect a decrease in revenue because of the effects of exchange rates and forecast a decline in overall revenue. At the profit level, we forecast a decline in profits because of increases in depreciation and sales expenses, both due to the introduction of new products, and because of the effects of exchange rates.

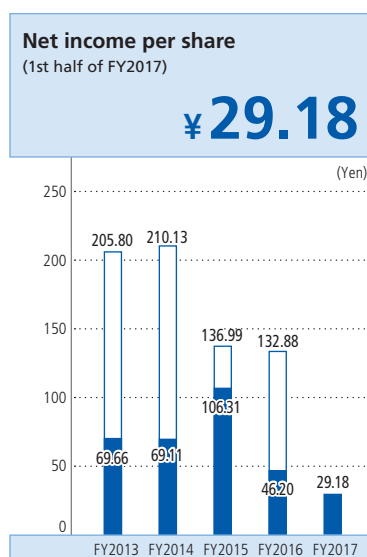
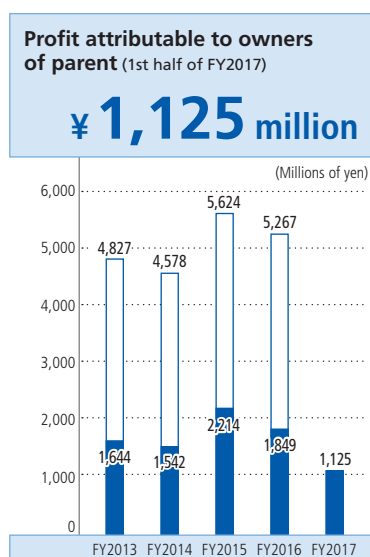
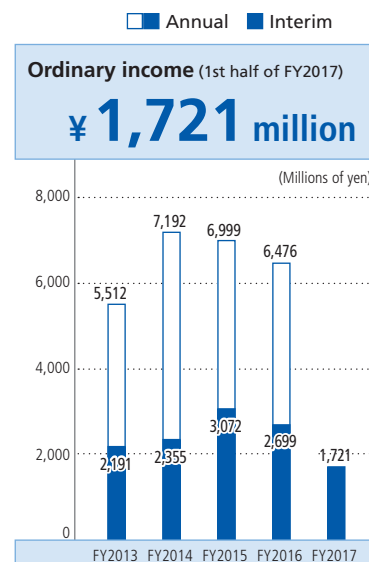
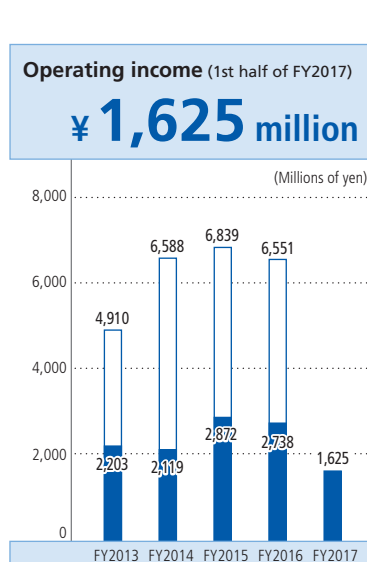
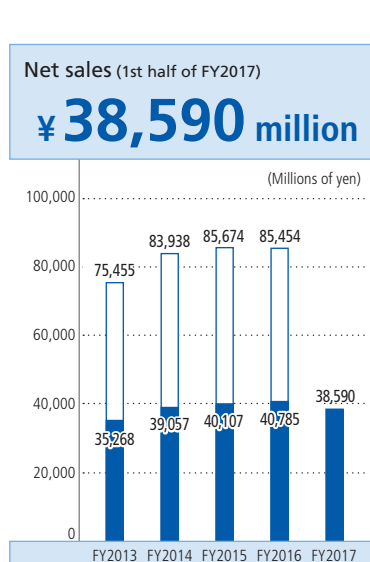
For the entire fiscal year, RISO forecasts net sales of ¥80,700 million (down 5.6% year on year) with operating income of ¥3,400 million (down 48.1% year on year), ordinary income of ¥3,500 million (down 46.0% year on year) and profit attributable to owners of parent of ¥2,600 million (down 50.6% year on year).

The above forecasts are based on exchange rate assumptions of ¥103 to the U.S. dollar and ¥116 to the euro.

# Review of Operations

## Financial Highlights (Consolidated basis)

Note: Amounts less than the unit expressed are omitted.



**Forecasts for the fiscal year ending March 31, 2017**

|   |                  |
|---|------------------|
| Net sales                               | ¥ 80,700 million |
| Operating income                        | ¥ 3,400 million  |
| Ordinary income                         | ¥ 3,500 million  |
| Profit attributable to owners of parent | ¥ 2,600 million  |
| Net income per share                    | ¥ 67.92          |

Note: Effective January 1, 2015, each share of common stock was split into two shares.

# Consolidated Financial Statements

Notes: Amounts less than the unit expressed are omitted. These financial statements show major items only.

## Balance Sheets

| <b>ASSETS</b>                              |                                 | (Millions of yen)                            |  |
|--|---------------------------------|--|--|
| Item                                       | FY2016<br>(As of Mar. 31, 2016) | 1st half of FY2017<br>(As of Sept. 30, 2016) |  |
| <b>Current assets</b>                      | <b>¥50,938</b>                  | <b>¥44,237</b>                               |  |
| Cash and deposits                          | 16,943                          | 15,776                                       |  |
| Notes and accounts receivable—trade        | 15,257                          | 12,149                                       |  |
| Short-term investment securities           | 3,430                           | 900  |  |
| Inventories                                | 11,199                          | 11,582                                       |  |
| Other                                      | 4,407                           | 4,075  |  |
| Allowance for doubtful accounts            | (300)                           | (246)  |  |
| <b>Noncurrent assets</b>                   | <b>40,730</b>                   | <b>40,271</b>                                |  |
| <b>Total property, plant and equipment</b> | <b>32,343</b>                   | <b>32,386</b>                                |  |
| Buildings and structures, net              | 8,701                           | 8,320  |  |
| Machinery, equipment and vehicles, net     | 1,444                           | 1,373  |  |
| Land                                       | 15,921                          | 15,902                                       |  |
| Other                                      | 6,276                           | 6,790  |  |
| Intangible assets                          | 2,671                           | 2,283  |  |
| Goodwill                                   | 83                              | 66   |  |
| Software                                   | 1,582                           | 1,374  |  |
| Other                                      | 1,006                           | 842  |  |
| Investments and other assets               | 5,715                           | 5,601  |  |
| Investment securities                      | 1,604                           | 1,603  |  |
| Other                                      | 4,162                           | 4,041  |  |
| Allowance for doubtful accounts            | (51)                            | (43)   |  |
| <b>Total assets</b>                        | <b>¥91,669</b>                  | <b>¥84,509</b>                               |  |

Note: Total amount of depreciation of tangible fixed assets for the 1st half of fiscal 2017 was ¥38,847 million.

# Consolidated Financial Statements

## LIABILITIES

(Millions of yen)

| Item                                       | FY2016<br>(As of Mar. 31, 2016) | 1st half of FY2017<br>(As of Sept. 30, 2016) |
|--|---------------------------------|--|
| <b>Current liabilities</b>                 | <b>¥22,198</b>                  | <b>¥19,808</b>                               |
| Notes and accounts payable—trade           | 10,538                          | 10,252                                       |
| Short-term loans payable                   | 1,620                           | 1,400  |
| Current portion of long-term loans payable | 1                               | 1  |
| Other                                      | 10,037                          | 8,154  |
| <b>Noncurrent liabilities</b>              | <b>3,591</b>                    | <b>3,044</b>                                 |
| Long-term loans payable                    | 18                              | 18   |
| Provision for retirement benefits          | 3,130                           | 2,619  |
| Other                                      | 442                             | 406  |
| <b>Total liabilities</b>                   | <b>¥25,789</b>                  | <b>¥22,853</b>                               |

## NET ASSETS

(Millions of yen)

| Item  | FY2016<br>(As of Mar. 31, 2016) | 1st half of FY2017<br>(As of Sept. 30, 2016) |
|---|---------------------------------|--|
| <b>Shareholders' equity</b>                           | <b>¥67,506</b>                  | <b>¥64,798</b>                               |
| Capital stock   | 14,114                          | 14,114                                       |
| Capital surplus                                       | 14,779                          | 14,779                                       |
| Retained earnings                                     | 50,287                          | 49,079                                       |
| Treasury stock  | (11,675)                        | (13,175)                                     |
| <b>Total accumulated other comprehensive income</b>   | <b>(1,627)</b>                  | <b>(3,142)</b>                               |
| Valuation difference on available-for-sale securities | 137                             | 144  |
| Foreign currency translation adjustment               | (246)                           | (1,872)                                      |
| Remeasurements of defined benefit plans               | (1,518)                         | (1,415)                                      |
| <b>Total net assets</b>                               | <b>¥65,879</b>                  | <b>¥61,656</b>                               |
| <b>Total liabilities and net assets</b>               | <b>¥91,669</b>                  | <b>¥84,509</b>                               |

### Point ① Treasury stock

A total of 902,200 shares of treasury stock amounting to ¥1,499 million were acquired during the first six months of fiscal 2017.

# Consolidated Financial Statements

## Statements of Income

(Millions of yen)

| Item   | 1st half of FY2016<br>(6 months ended<br>Sept. 30, 2015) | 1st half of FY2017<br>(6 months ended<br>Sept. 30, 2016) |
|--|--|--|
| <b>Net sales</b>   | <b>¥40,785</b>   | <b>¥38,590</b>   |
| Printing equipment business                              | 40,100   | 38,011   |
| Japan  | 22,419   | 22,700   |
| Americas   | 3,227  | 2,721  |
| Europe   | 7,609  | 6,278  |
| Asia   | 6,844  | 6,311  |
| Real estate business and others                          | 685  | 578  |
| Cost of sales  | 16,879   | 16,145   |
| Gross profit   | 23,906   | 22,445   |
| Selling, general and administrative expenses             | 21,168   | 20,819   |
| <b>Operating income</b>                                  | <b>2,738</b>   | <b>1,625</b>   |
| Non-operating income                                     | 211  | 185  |
| Non-operating expenses                                   | 250  | 89   |
| <b>Ordinary income</b>                                   | <b>2,699</b>   | <b>1,721</b>   |
| Extraordinary income                                     | 243  | -  |
| <b>Income before income taxes and minority interests</b> | <b>2,943</b>   | <b>1,721</b>   |
| Income taxes   | 1,093  | 595  |
| <b>Profit attributable to owners of parent</b>           | <b>¥ 1,849</b>   | <b>¥ 1,125</b>   |

### Point ② Net sales

Net sales decreased approximately ¥2,195 million versus the previous fiscal year. Of this amount, the effect of foreign exchange rates amounted to approximately minus ¥3,034 million.

### Point ③ Gross profit

Gross profit declined from the previous year because of increases in depreciation and other expenses due to the introduction of new products.

### Point ④ Selling, general and administrative expenses

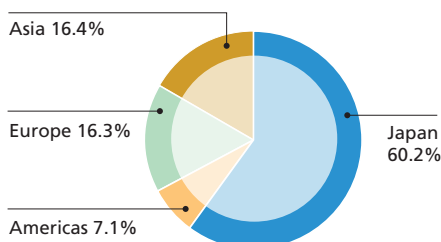
Despite an increase in sales expenses for new products, selling, general and administrative expenses declined from the previous year due to the effects of exchange rates.

## Statements of Cash Flows

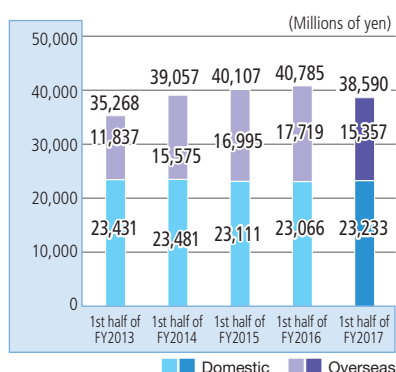
(Millions of yen)

| Item  | 1st half of FY2016<br>(6 months ended<br>Sept. 30, 2015) | 1st half of FY2017<br>(6 months ended<br>Sept. 30, 2016) |
|---|--|--|
| Net cash provided by (used in) operating activities         | ¥ 3,997  | ¥ 2,541  |
| Net cash provided by (used in) investment activities        | (1,017)  | (1,422)  |
| Net cash provided by (used in) financing activities         | (3,671)  | (3,916)  |
| Effect of exchange rate change on cash and cash equivalents | (77)   | (711)  |
| Net increase (decrease) in cash and cash equivalents        | (769)  | (3,508)  |
| Cash and cash equivalents at beginning of period            | 18,127   | 19,388   |
| Cash and cash equivalents at end of period                  | ¥17,357  | ¥15,879  |

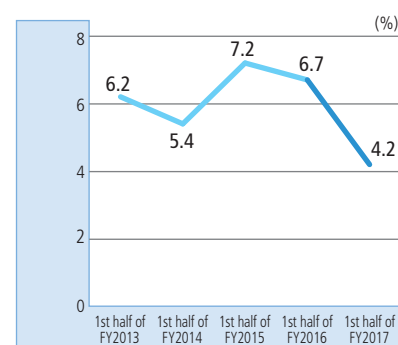
### Sales by region (1st half of FY2017)



### Net sales (Interim period)



### Operating income margin (Interim period)





## ORPHIS GD Series Launched

In September 2016, RISO launched three models in the new ORPHIS GD series of ORPHIS high-speed color printers. The top-of-the line ORPHIS GD9630 realizes the world's fastest color printing speed of 160 pages per minute as ORPHIS continues to set new records for the world's fastest speed following its launch in 2003.

The ORPHIS GD series can output a total of 10 million pages and its outstanding durability that is approximately 1.6 times greater than previous models makes it ideal for supporting high-speed, large-volume print operations. These printers use five ink colors that include gray along with cyan, magenta, yellow and black. Moreover, a newly developed color profile improves the smooth gradation expression of photographs and other items while also achieving economical printing costs. In addition to our compact-sized ORPHIS FW series for offices launched in March 2016, we also aim to increase sales of the ORPHIS GD series in meeting demand for light printing production.



ORPHIS GD9630

## RISOGRAPH SF Series Launched

In August 2016, RISO launched four models of the new RISOGRAPH SF series of RISOGRAPH digital duplicators. This new series significantly enhances its basic performance such as productivity, image features and operability compared with the previous RISOGRAPH SD series. Especially noteworthy, the RISOGRAPH SF series improves its maximum printing speed to 150 pages per minute from 130 pages per minute of conventional models and realizes 600dpi high-resolution reading.

Moreover, for stencil ink, we newly developed RISO INK F type (black), the world's first rice ink that uses domestically produced rice bran oil. This environmentally conscious ink effectively utilizes previously discarded rice bran as a resource.



RISOGRAPH SF935



Obtained the world's first "RICE INK mark" for stencil ink.



## Displaying Products at Overseas Fairs and Events Beginning with the New Products Exhibition

To allow numerous customers to experience its products, RISO displays products at fairs and events in Japan and overseas, beginning with its new products exhibition. The RISO FUTURE LIVE! 2016 new products exhibition was held in seven locations in Japan in 2016, beginning with the Tokyo venue in June 2016. More than 13,000 customers attended these events that introduced the features of the ORPHIS and RISOGRAPH using new product videos and demonstrations of actual models.

Overseas, we exhibited and emphasized the appeal of products at drupa 2016, the largest printing equipment exhibition in the world, held at the end of May 2016 in Düsseldorf, Germany.



New products exhibition held at Belle Salle Tokyo Nihonbashi

## ORPHIS\* FW Series Utilizes Mutual Recognition Agreement to Obtain German Blue Angel Certification Environmental Label

The new lineup of ORPHIS FW series of inkjet printers launched in March 2016 obtained Blue Angel certification utilizing the mutual recognition agreement between Japan's Eco Mark environmental label and Germany's Blue Angel. The ORPHIS FW series is the first imaging equipment (copiers and printers) to use this agreement.

\* Sold under the ComColor brand name overseas.



ComColor FW5230



### Blue Angel

Germany's Blue Angel was commenced in 1978 as the world's first environmental label. This environmental label is highly recognized not only in Germany but also throughout EU countries and has a strong influence on environmental labels across the world.

## "RISO Corporation 70th Anniversary Commemoration Match" Held

RISO marked the 70th anniversary of our establishment in 2016. On August 20, 2016 a J-League official match between the Kashima Antlers and the Shonan Bellmare was held as the "RISO Corporation 70th Anniversary Commemoration Match" at Kashima Soccer Stadium in Ibaraki Prefecture. Original hand towels that were printed using masters produced by the GOCCOPRO digital screen maker through its digital screen making process were presented to the first 15,000 people arriving at the venue on the day of the match.



An event for experiencing products



Flower bouquet presentation before kickoff

### Kashima Antlers

Based in Japan's Kashima City (approximately 80km northeast of Tokyo) in Ibaraki Prefecture, the Kashima Antlers are a club team and member of the JAPAN PROFESSIONAL FOOTBALL LEAGUE (J-League). The team has been a J-League member since the establishment of the league in 1992. The Antlers have won the most titles (18 times) in Japan and many of its athletes have played for Japan's national teams. Former Brazil representative Zico has also been a member of the Antlers, both as a player and a coach.

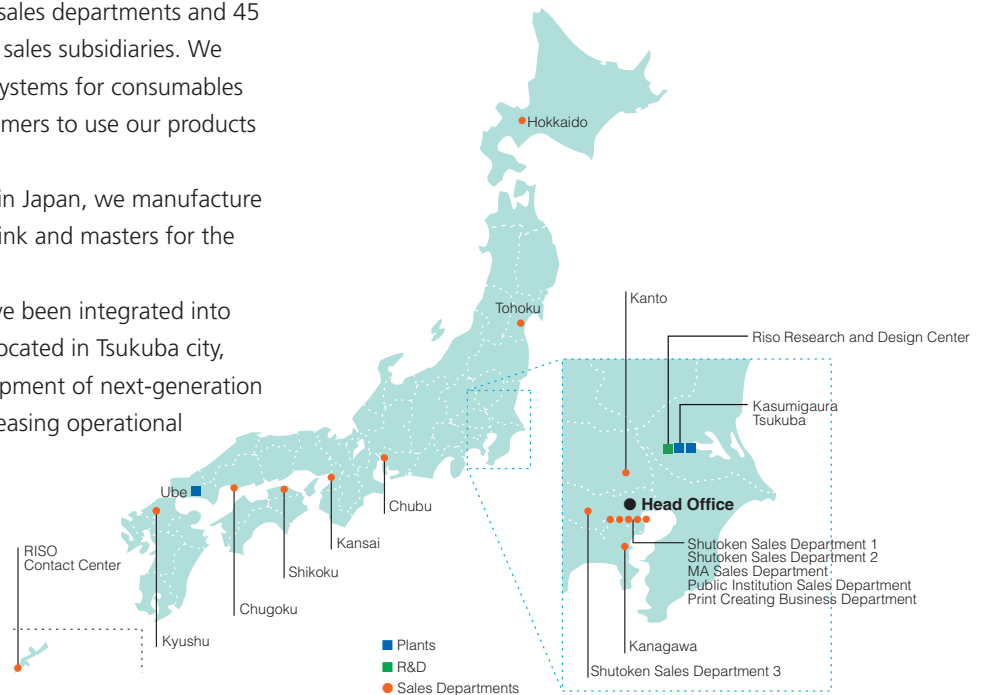


## Facilities in Japan

RISO's sales network encompasses 14 sales departments and 45 sales branches and 2 offices as well as sales subsidiaries. We provide technical support and supply systems for consumables throughout the nation to enable customers to use our products with assurance.

At our three manufacturing bases in Japan, we manufacture hardware and ink for the ORPHIS and ink and masters for the RISOGRAPH.

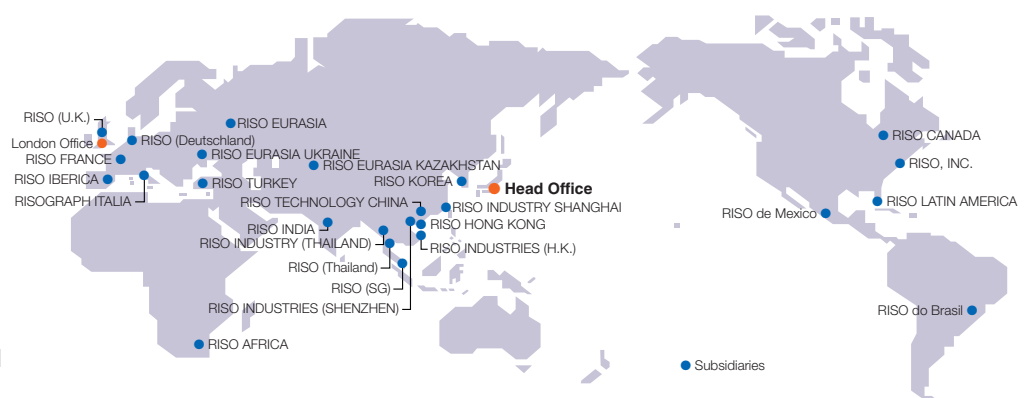
Our development departments have been integrated into the Riso Research and Design Center located in Tsukuba city, Ibaraki Prefecture, in which the development of next-generation RISO products is carried out while increasing operational efficiency.



## Global Network

Our wide-spanning network, centering on 25 overseas subsidiaries, engages in sales of ORPHIS and RISOGRAPH hardware, provides technical support and also supplies consumables. RISOGRAPH hardware is produced at the manufacturing plants of RISO INDUSTRIES (SHENZHEN) LTD. and RISO TECHNOLOGY CHINA CO., LTD. in China and RISO INDUSTRY (THAILAND) CO., LTD. in Thailand.

Over 3,500 RISO Group employees value communication with customers and provide customer support in the respective countries where we operate.



### ● Main subsidiaries

- RISO, INC.
- RISO CANADA, INC.
- RISO LATIN AMERICA, INC.
- RISO de Mexico, S.A. de C.V.
- RISO do Brasil Ltda.
- RISO (U.K.) LTD.
- RISO (Deutschland) GmbH
- RISO FRANCE S.A.
- RISO IBERICA, S.A.

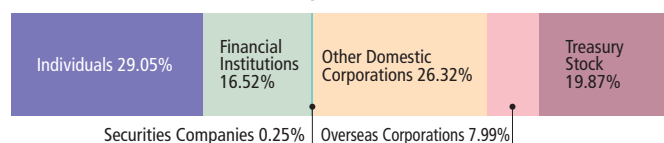
- RISOGRAPH ITALIA S.R.L.
- RISO EURASIA LLC
- RISO EURASIA KAZAKHSTAN LLC
- RISO EURASIA UKRAINE LLC
- RISO TURKEY BASKI COZUMLERI A.S.
- RISO AFRICA (PTY) LTD.
- RISO INDUSTRIES (H.K.) LTD.
- RISO INDUSTRIES (SHENZHEN) LTD.
- RISO TECHNOLOGY CHINA CO., LTD.

- RISO INDUSTRY SHANGHAI CO., LTD.
- RISO HONG KONG LTD.
- RISO (Thailand) LTD.
- RISO INDUSTRY (THAILAND) CO., LTD
- RISO INDIA PRIVATE LTD.
- RISO KOREA LTD.
- RISO (SG) PTE. LTD.

## Stock Information (As of September 30, 2016)

|                                 |   |
|---------------------------------|---|
| <b>Number of shares:</b>        | 135,680,000<br>(No change from the end of the previous period)          |
| <b>Number of shares issued:</b> | 47,406,332<br>(No change from the end of the previous period)           |
| <b>Number of shareholders:</b>  | 3,017<br>(A decrease of 14 persons from the end of the previous period) |

### Breakdown of stock ownership



| Major Shareholders (Top 10 Shareholders)  | Number of shares owned (thousands of shares) | Shareholding ratio (%) |
|---|--|------------------------|
| RISO KAGAKU CORPORATION   | 9,420  | 19.87                  |
| RISO Limited  | 4,941  | 10.42                  |
| Riso Educational Foundation   | 2,661  | 5.61                   |
| Akatsuki Kosan Co., Ltd.  | 1,959  | 4.13                   |
| RISO KAGAKU CORPORATION Employees' Shareholding Association   | 1,678  | 3.54                   |
| 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. | 1,567  | 3.31                   |
| Osamu Hayama  | 1,194  | 2.52                   |
| Takashi Hayama  | 1,180  | 2.49                   |
| Akira Hayama  | 1,179  | 2.49                   |
| Mariko Ito  | 1,170  | 2.47                   |

### Repurchase of Treasury Stock

During the six-month period, RISO repurchased treasury stock as detailed below.

Number of shares repurchased: 902,200 shares  
Total repurchased amount: ¥1,499 million

## Corporate Data (As of September 30, 2016)

|   |   |
|---|---|
| <b>Corporate name</b>                     | RISO KAGAKU CORPORATION                       |
| <b>Head office</b>                        | 5-34-7 Shiba, Minato-ku, Tokyo 108-8385 Japan |
| <b>Established</b>                        | September 2, 1946                             |
| <b>Incorporated</b>                       | January 25, 1955                              |
| <b>Paid-in capital</b>                    | ¥14,114,985,384                               |
| <b>Number of employees</b>                | 1,732 (3,649 for the RISO Group)              |
| <b>Subsidiaries</b>                       | 27 companies (domestic: 2; overseas: 25)      |
| <b>Board of Directors and Auditors</b>    |   |
| President & CEO (Representative Director) | Akira Hayama                                  |
| Managing Director                         | Kihachiro Endo                                |
| Director                                  | Yasunobu Takahashi                            |
| Director                                  | Shoichi Ikejima                               |
| Director                                  | Yoshiomi Narumiya                             |
| Director                                  | Masahiro Ueda                                 |
| Director                                  | Soichiro Hashimoto                            |
| Director                                  | Naoki Ujiie                                   |
| Director                                  | Toshiaki Kano                                 |
| Director                                  | Kyoshi Hayashi                                |
| Director                                  | Kenji Oshima                                  |
| Director                                  | Takehiko Nishiyama                            |
| Standing Auditor                          | Yasuo Tazawa                                  |
| Standing Auditor                          | Nobuyoshi Shirai                              |
| Auditor                                   | Yoshinari Iizuka*                             |
| Auditor                                   | Shinji Hatta*                                 |

Note: "\*" refers to outside auditors, as stipulated under Item 16 of Article 2 of the Corporate Law.

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.

## RISO KAGAKU CORPORATION

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Fax: +81(0)3-5441-6668  
<http://www.riso.co.jp/english/>