

Interim Report 2016

1st half of fiscal 2016



To Our Shareholders



I am pleased to have this opportunity to present our shareholders with the RISO Interim Report 2016.

During fiscal 2016, the final fiscal year of the Fifth Medium-term Management Plan “RISO Vision 16,” the RISO Group is continuing to implement its management policy in which we continued our efforts to “Expand new sales channels and acquire new accounts worldwide.”

In the first half of fiscal 2016, inkjet business sales were stable and together with the effects of yen depreciation resulted in higher overall sales. Sales of inkjet consumables were favorable and contributed to an increase in gross profit. However, operating income fell year on year due to higher selling, general and administrative expenses, primarily an increase in research and development expenditure.

On the sales front, we established sales subsidiaries in Singapore in April and in Turkey in September, respectively. Moreover, amid concerns about an economic slowdown in China, RISO increased sales channels for its high-speed color printer ORPHIS and expanded sales. In the future as well, we will expand RISO product sales channels, which possess unique strengths, both in Japan and overseas and will promote new installations of hardware.

I would like to ask our shareholders for their continued support.

December 2015
Akira Hayama
President & CEO



Fifth Medium-term Management Plan "RISO Vision 16"

(April 1, 2013 – March 31, 2016)

Management Policy

Energize corporate activities through individual ideas and action to expand sales channels and gain new customers worldwide

Numerical Targets

Consolidated net sales: ¥86 billion

Consolidated operating income: ¥7 billion

ROE: 7%

(*Exchange rates:
¥90 to the U.S. dollar, ¥116 to the euro)

Priority Actions

1. Expand RISO business by strengthening overseas sales planning/promotions
2. Increase new inkjet hardware installations by expanding and reinforcing sales channels
3. Maintain revenue in the digital duplicating business by focusing customer management
4. Establish a new production structure and prepare for a changing environment
5. Take on the challenge to create new businesses
6. Involvement of all employees to challenge beyond individual potential to be more involved in RISO business

Management Policies for the Fiscal Year Ending March 31, 2016

(April 1, 2015 - March 31, 2016)

1. Expand new sales channels and acquire new accounts worldwide
2. Accelerate RISO overseas business by focusing on potential regions
3. Develop next-generation products
4. Proceed to the next phase of the new production structure
5. Focus on human resource development to enhance the managerial and leadership capabilities of RISO employees



Business Environment and Performance

Higher Sales owing to Stable Inkjet Business Sales and Effects of Yen Depreciation, Decrease in Operating Income

The RISO Group has been following its medium-term management policy of expanding sales channels and gaining new customers worldwide.

In RISO's consolidated operating results for the current six months, in the printing equipment business, inkjet business sales remained stable from the first quarter and together with the effects of yen depreciation resulted in higher overall sales. Operating income fell year on year due to higher selling, general and administrative expenses. Net sales were ¥40,785 million (up 1.7% year on year), operating income was ¥2,738 million (down 4.7% year on year) and ordinary income was ¥2,699 million (down 12.1% year on year). Profit attributable to owners of parent was ¥1,849 million (down 16.5% year on year).

The average exchange rates during the current consolidated six months period were ¥121.80 (a ¥18.76 depreciation of the yen year on year) for the U.S. dollar and ¥135.07 (a ¥3.85 appreciation of the yen year on year) for the euro.

Business Outlook for Fiscal 2016

Expanding Sales in the Inkjet Business and Aiming for Increased Sales and Profit for the Full Year

In the printing equipment business, despite an anticipated continued downtrend in the digital duplicating business in the future, the inkjet business is expected to achieve solid sales in the Americas and Asia and full-year sales are forecast to increase from the previous fiscal year. Along with this, operating income is expected to rise.

For the entire fiscal year, RISO forecasts net sales of ¥86,100 million (up 0.5% year on year) with operating income of ¥7,370 million (up 7.8% year on year), ordinary income of ¥7,340 million (up 4.9% year on year) and profit attributable to owners of parent of ¥4,810 million (down 14.5% year on year).

The above forecasts are based on exchange rate assumptions of ¥120 to the U.S. dollar and ¥134 to the euro.



Review of Operations

Financial Highlights (Consolidated basis)

Note: Amounts less than the unit expressed are omitted.

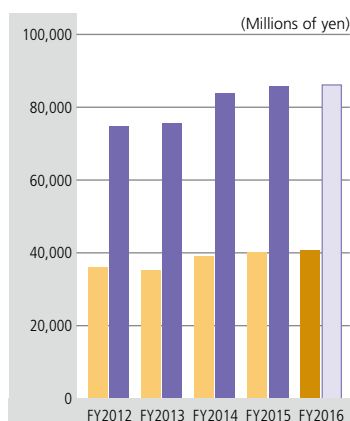
(Millions of yen)

	FY2012		FY2013		FY2014		FY2015		FY2016	
	1st half of FY2012		1st half of FY2013		1st half of FY2014		1st half of FY2015		1st half of FY2016	(Forecast)
Net sales	35,944	74,847	35,268	75,455	39,057	83,938	40,107	85,674	40,785	86,100
Operating income	1,276	4,050	2,203	4,910	2,119	6,588	2,872	6,839	2,738	7,370
Ordinary income	1,095	4,309	2,191	5,512	2,355	7,192	3,072	6,999	2,699	7,340
Profit attributable to owners of parent	1,010	2,886	1,644	4,827	1,542	4,578	2,214	5,624	1,849	4,810
Net income per share (Yen)	40.39	117.40	69.66	205.80	69.11	210.13	106.31	136.99	46.20	120.56

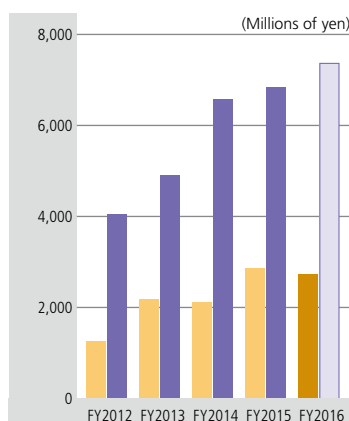
Note 1: Effective January 1, 2015, each share of common stock was split into two shares.

Note 2: Effective from the first quarter of this fiscal year, the Company has accounting standards that include the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), and accordingly, net income will now be presented as profit attributable to owners of parent.

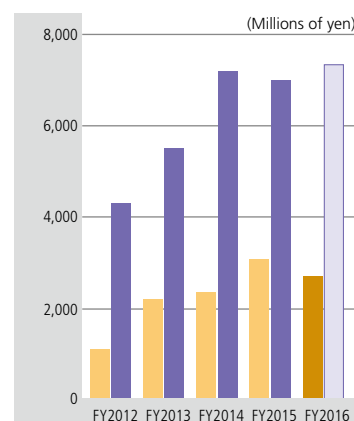
Net sales



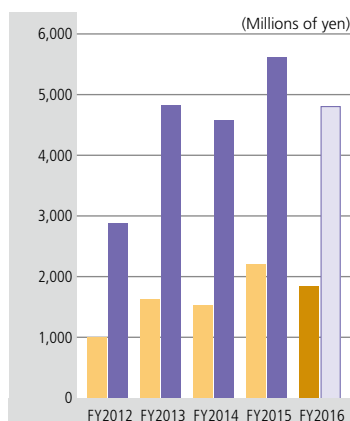
Operating income



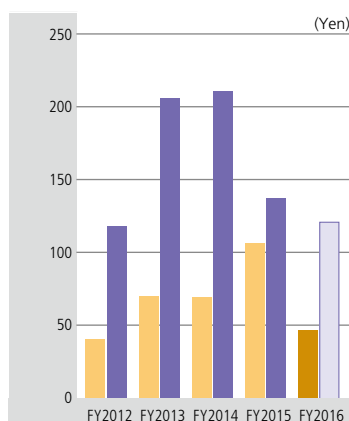
Ordinary income



Profit attributable to owners of parent



Net income per share



■ Interim
■ Annual
■ Annual (Forecast)



Consolidated Financial Statements

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

Balance Sheets

ASSETS			(Millions of yen)
Item	FY2015 (As of Mar. 31, 2015)	1st half of FY2016 (As of Sept. 30, 2015)	
Current assets	¥51,988	¥47,409	
Cash and deposits	14,074	14,211	
Notes and accounts receivable—trade	15,877	13,231	
Short-term investment securities	5,120	3,921	
Inventories	12,763	11,822	
Other	4,488	4,519	
Allowance for doubtful accounts	(335)	(296)	
Noncurrent assets	42,350	42,906	
Total property, plant and equipment	32,790	33,941	
Buildings and structures, net	9,967	9,667	
Machinery, equipment and vehicles, net	980	1,255	
Land	17,031	17,003	
Other	4,810	6,014	
Intangible assets	3,299	3,036	
Goodwill	9	92	
Software	1,965	1,773	
Other	1,324	1,170	
Investments and other assets	6,260	5,928	
Investment securities	2,260	2,261	
Other	4,050	3,716	
Allowance for doubtful accounts	(51)	(49)	
Total assets	¥94,338	¥90,315	

Note: Total amount of depreciation of tangible fixed assets for 1st half of fiscal 2016 was ¥38,996 million.



Consolidated Financial Statements

LIABILITIES

(Millions of yen)

Item	FY2015 (As of Mar. 31, 2015)	1st half of FY2016 (As of Sept. 30, 2015)
Current liabilities	¥22,682	¥20,982
Notes and accounts payable—trade	10,323	9,039
Short-term loans payable	2,586	2,221
Current portion of long-term loans payable	2	1
Other	9,770	9,719
Noncurrent liabilities	2,709	2,185
Long-term loans payable	27	19
Provision for retirement benefits	2,277	1,659
Other	404	506
Total liabilities	¥25,392	¥23,167

NET ASSETS

(Millions of yen)

Item	FY2015 (As of Mar. 31, 2015)	1st half of FY2016 (As of Sept. 30, 2015)
Shareholders' equity	¥67,255	¥65,789
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	46,837	46,870
Treasury stock	(8,475)	(9,975)
Total accumulated other comprehensive income	1,690	1,358
Valuation difference on available-for-sale securities	629	663
Foreign currency translation adjustment	1,114	754
Remeasurements of defined benefit plans	(53)	(59)
Total net assets	68,946	67,148
Total liabilities and net assets	¥94,338	¥90,315

Point ① Treasury stock

A total of 624,000 shares of treasury stock amounting to ¥1,499 million were acquired during the first six months of fiscal 2016.



Consolidated Financial Statements

Statements of Income

(Millions of yen)

Item	1st half of FY2015 (6 months ended Sept. 30, 2014)	1st half of FY2016 (6 months ended Sept. 30, 2015)
Net sales	¥40,107	¥40,785
Printing equipment business	39,388	40,100
Japan	22,442	22,419
Americas	2,780	3,227
Europe	8,433	7,609
Asia	5,731	6,844
Real estate business and others	718	685
Cost of sales	16,737	16,879
Gross profit	23,369	23,906
Selling, general and administrative expenses	20,497	21,168
Operating income	2,872	2,738
Non-operating income	260	211
Non-operating expenses	60	250
Ordinary income	3,072	2,699
Extraordinary income	33	243
Extraordinary loss	59	-
Income before income taxes and minority interests	3,046	2,943
Income taxes	832	1,093
Profit attributable to owners of parent	¥ 2,214	¥ 1,849

Point ② Net sales

Net sales increased approximately ¥678 million versus the previous fiscal year. Of this amount, the effect of foreign exchange rates amounted to approximately ¥1,169 million.

Point ③ Selling, general and administrative expenses

Selling, general and administrative expenses increased ¥670 million versus the previous fiscal year. This was due mainly to an increase in research and development expenditure and the effect of foreign exchange rates.

Statements of Cash Flows

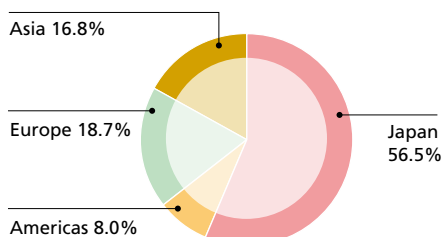
(Millions of yen)

Item	1st half of FY2015 (6 months ended Sept. 30, 2014)	1st half of FY2016 (6 months ended Sept. 30, 2015)
Net cash provided by (used in) operating activities	¥ 5,006	¥ 3,997
Net cash provided by (used in) investment activities	(86)	(1,017)
Net cash provided by (used in) financing activities	(3,667)	(3,671)
Effect of exchange rate change on cash and cash equivalents	248	(77)
Net increase (decrease) in cash and cash equivalents	1,500	(769)
Cash and cash equivalents at beginning of period	14,580	18,127
Cash and cash equivalents at end of period	¥16,081	¥17,357

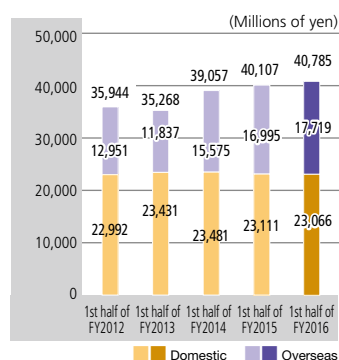
Point ④ Net cash provided by (used in) investment activities

Payments for transfer of business increased along with the establishment of subsidiaries in Singapore and Turkey.

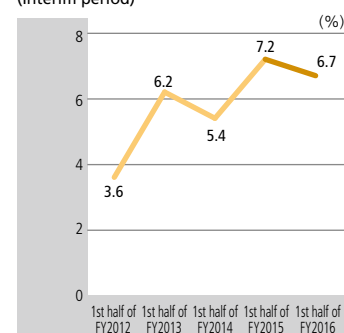
Sales by region (1st half of FY2016)



Net sales (Interim period)



Operating income margin (Interim period)



RISO's After-sales Service

RISO operates a support structure to ensure that customers can conveniently use our products with a sense of reassurance at all times. Here we introduce the RISO Contact Center, which is the first point of contact for customers, and our after-sales service by customer engineers (CEs), who visit customers to provide quick and appropriate responses.



Winning CEs in the RISO Technical Competition

For Providing User-friendly Printing Environments

The RISO Contact Center consolidates and handles operations ranging from receiving maintenance requests to providing support for product usage methods and accepting orders for consumables. When receiving inquiries, the center uses a dedicated database to promptly check on a customer's usage conditions and maintenance history and when necessary arranges for a CE to immediately visit the customer. Our CEs not only make quick and reliable equipment repairs, they also accurately ascertain customer needs and make new proposals.

Additionally, customer feedback is shared with the R&D Departments and is useful in product development. This approach represents a unique strength of RISO, which undertakes integrated operations from development and manufacturing to sales and support.



RISO Contact Center

As a Reliable Partner

Besides advanced technical capabilities, CEs must also possess expert knowledge and high-level communications abilities. For this reason, CEs undergo detailed training and acquire technical skills for each model while continually listening carefully to customer opinions. Moreover, to maintain high technical skills levels, we administer paper tests once per year and practical tests every two years. We also hold the annual RISO TECHNICAL CHAMPIONSHIP, a technical skills contest for CEs in which true professionals who prevailed in qualifying rounds throughout Japan compete in knowledge and skills. Similar competitions of CEs are also held overseas once every two years. In this manner, we are working to maintain and improve the technical skills of CEs.

The presence of these outstanding CEs is becoming essential for building bonds of trust between customers and RISO.



Training held overseas

Approximately 1,200 employees from dealers entered the RISO TECHNICAL CHAMPIONSHIP 2015 held in February 2015 at Bankoku Shinryokan in Nago City, Okinawa.

Mr. Nishino (pictured left) from Hannan Business Machine Co, Ltd. was the winner in the ORPHIS category while Mr. Yoshinari (pictured right) from Mizuno Kyouzaisya, Ltd. won in the RISOGRAPH category.





Launching Digital Duplicator RISO CV3230 for Emerging Markets

RISO launched the new model digital duplicator CV3230 for emerging markets. In June 2015, RISO successively commenced sales of this new model, mainly in Africa, Southeast Asia, China and India.

The RISO CV3230 features enhanced operability and basic performance, which includes the first liquid crystal display (LCD) incorporated into a model for emerging markets. By launching this new model, RISO aims to further expand the number of users of its digital duplicators in emerging markets.



RISO CV3230

Sales Subsidiaries Established in Singapore and Turkey

In April 2015, RISO established RISO (SG) PTE. LTD. in Singapore and this company began operations in July. RISO (SG) is working to strengthen solutions proposals for our mainstay products ORPHIS and RISOGRAPH in Singapore.

Meanwhile, in September 2015 we established RISO TURKEY BASKI COZUMLERI A.S. in Turkey. Beginning in January 2016, this subsidiary will focus on expanding sales in the printing equipment business in the Turkey market.



The opening ceremony at RISO (SG) was attended by approximately 60 guests. (July 2015)

Sustainability Report 2015 Published

RISO published its *Sustainability Report 2015* in Japanese in July 2015. This report extensively introduces various initiatives undertaken in fiscal 2015, beginning with examples of efforts toward the realization of a low-carbon society and a recycling-based society. Just as in past years, we produced this report using color universal design.

RISO also provides information that could not be incorporated into the printed report in addition to information that the Company has provided from the past on its RISO website *Sustainability Report* page.



Sustainability Report 2015
<http://www.riso.co.jp/english/company/eco/report/>
(online report in English)

Relief Donations for Typhoon 18 Heavy Rain Disaster

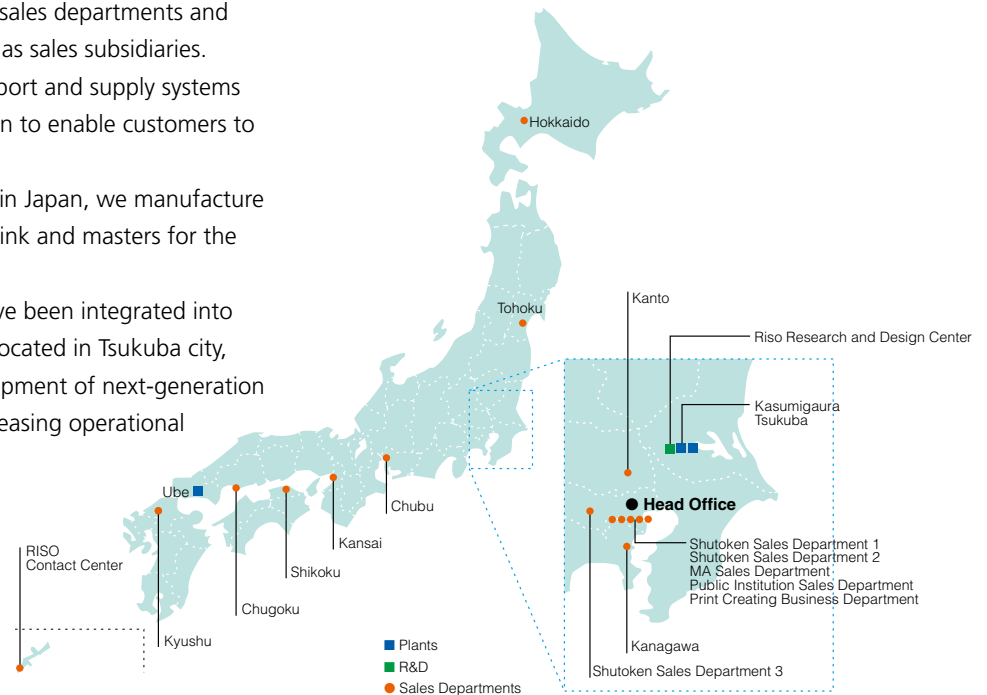
RISO provided ¥3 million in relief donations through the social welfare corporation Ibaraki community chest society to the victims of the typhoon 18 heavy rain disaster that struck Japan in September 2015.

Facilities in Japan

RISO's sales network encompasses 14 sales departments and 46 sales branches and 1 office as well as sales subsidiaries. Additionally, 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.

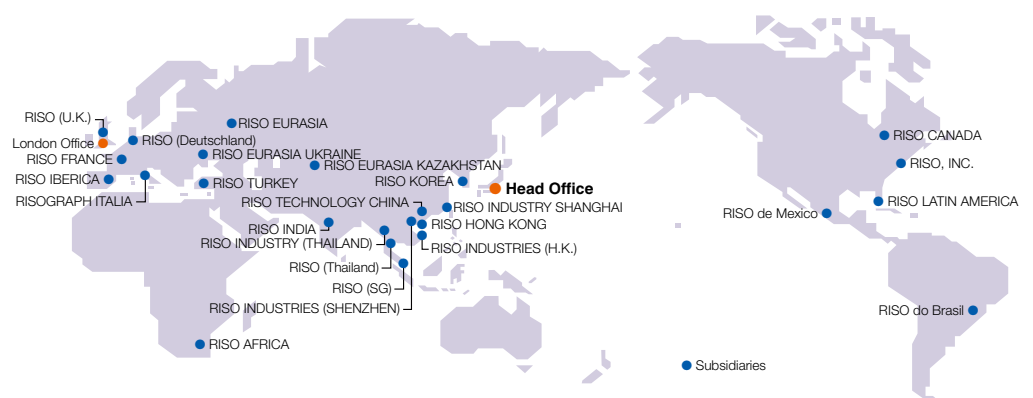
Our development departments have been integrated into the Riso Research and Design Center located in Tsukuba city, Ibaraki Prefecture, in which the development of next-generation RISO products is carried out while increasing operational efficiency.



Global Network

Our wide-spanning network, centering on 26 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.p.A.
RISO EURASIA LLC
RISO EURASIA KAZAKHSTAN LLC
RISO EURASIA UKRAINE LLC
RISO TURKEY BASKI COZUMLERI A.S. (Established September 2015)
RISO AFRICA (PTY) LTD.
RISO INDUSTRIES (H.K.) LTD.
RISO INDUSTRIES (SHENZHEN) LTD.

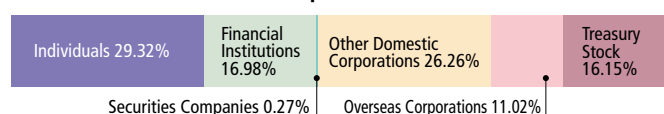
RISO TECHNOLOGY CHINA CO., LTD.
RISO INDUSTRY SHANGHAI CO., LTD.
RISO HONG KONG LTD.
RISO (Thailand) LTD.
RISO INDUSTRY (THAILAND) CO., LTD.
RISO INDIA PRIVATE LTD.
RISO KOREA LTD.
RISO (SG) PTE. LTD.

Number of shares: 135,680,000
(No change from the end of the previous period)

Number of shares issued: 47,406,332
(No change from the end of the previous period)

Number of shareholders: 2,464
(A decrease of 222 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	7,654	16.15
RISO Limited	4,941	10.42
Riso Educational Foundation	2,661	5.61
Akatsuki Kosan Co., Ltd.	1,934	4.08
RISO KAGAKU CORPORATION Employees' Shareholding Association	1,722	3.63
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
Akira Hayama	1,216	2.57
Osamu Hayama	1,194	2.52
Takashi Hayama	1,180	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: 624,000 shares
Total repurchased amount: ¥1,499 million

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 1,731 (3,562 for the RISO Group)
Subsidiaries 28 companies (domestic: 2; overseas: 26)

Board of Directors and Auditors

President & CEO (Representative Director) Akira Hayama
Managing Director Yasuhiro Takahashi
Managing Director Kihachiro Endo
Director Yasunobu Takahashi
Director Shoichi Ikejima
Director Yoshiomi Narumiya
Director Masahiro Ueda
Director Soichiro Hashimoto
Director Naoki Ujiiie
Director Toshiaki Kano
Director Kyoshi Hayashi
Director Kenji Oshima
Director Soichiro Oku*
Standing Auditor Yasuo Tazawa
Auditor Yoshinari Iizuka*
Auditor Shinji Hatta*

Note: "*" refers to outside director and outside auditors, as stipulated under Item 15 and 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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