



# **RISO INTERIM REPORT 2009**

1st half of fiscal 2009

 **RISO KAGAKU CORPORATION**

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 2009.

The Riso Group (hereafter, "RISO") has formulated "Riso Vision 10," our third medium-term management plan (see page 3), which is now in its second year and focuses on the acquisition of new customers as a primary issue.

During the interim period, we concentrated on sales activities designed to achieve an increase in the number of installations of digital printers and high-speed color printers. As part of these efforts, we also promoted sales of such new economy models as RISOGRAPH RZ430 digital printer, which achieves high-speed printing of 130 pages per minute, and the RISO Controller IS300, a dedicated controller for the RISOGRAPH. Although high-speed color printer sales increased both in Japan and overseas, digital printers are experiencing a downward trend. Our results were strongly affected by the higher yen compared with the same period of the previous fiscal year, and regrettably, we posted declines in revenue and income. For these same reasons, RISO also expects full-year revenue and income to decrease.

Due to lower revenue from our digital duplicating business and a stronger-than-expected yen in the foreign exchange market, at present we foresee difficulty in attaining the targets of our medium-term management plan, specifically, net sales of ¥100 billion and an operating income margin of 10% in the fiscal year ending March 2010. Looking ahead, we will continue to undertake initiatives in accordance with issues of major importance and our basic policies of "RISO Vision 10" and work to provide appealing products and services.

We ask for your continued support in the future.



December 2008

Akira Hayama  
President & CEO

## Third Medium-term Management Plan “Riso Vision 10”

RISO considers the acquisition of new customers in both the inkjet and digital duplicating businesses of major importance in achieving further growth. In line with this goal, the basic policies of “Riso Vision 10”, scheduled for completion in the fiscal year ending March 31, 2010, are as follows.

### Basic Policies

- 1. Accelerating our hardware installation in the inkjet business**
- 2. Gaining new customers in the digital duplicating business**
- 3. Creating new businesses that could be our future core businesses**
- 4. Making investments in development, engineering and manufacturing in anticipation of changes in businesses**
- 5. Creating a corporate culture that will nurture future leaders**
- 6. Increasing corporate value through the promotion of CSR activities**

### Major Issues to be Addressed in Fiscal 2009

1. Executing product development with the next generation in mind
2. Establishing a profit base in the inkjet business
3. Securing profit in the digital duplicating business
4. Revitalizing overseas subsidiaries and implementing their internal reformation

## Introduction of RISOGRAPH RZ430 Economy Model for High-Speed Printing

In May 2008, RISO commenced domestic sales of the RISOGRAPH RZ430, the newest model in the RISOGRAPH RZ series of digital printers.

An economy model for B4-sized paper, the RISOGRAPH RZ430 is outstanding in terms of high-speed handling of large-volume printing thanks to its print speed of up to 130 pages per minute, which is on par with other widely used models in the RISOGRAPH RZ series. Additionally, the RISOGRAPH RZ430 is priced to allow affordable installation, which together with economical running costs, allows users to curb the total costs of their printing operations.

To ensure easy operation by all customers, the RISOGRAPH RZ430 was designed with an emphasis on usability, with consideration given to areas ranging from basic printing operations to the replacement of consumables. The RISOGRAPH RZ430 allows the selection of an image processing mode in accordance with the type of original document and desired print quality, and also has a user mode for detailed

adjustments to match the particular requirements of each user. The printer has a broad range of applications in large-volume printing, including for bulletins, information sheets and fliers for organizations such as unions and neighborhood community associations as well as for small stores.



The RISOGRAPH RZ430 digital printer is capable of high-speed, low-cost large-volume printing.

## Sales of the New Model RISO Controller IS300 for RISOGRAPH

In July 2008, RISO commenced sales of the RISO Controller IS300 as a dedicated controller for RISOGRAPH digital printers. This new controller gives printers full compatibility with Adobe Systems Incorporated's PostScript 3.

Targeted at professional customers such as printing companies and print shops that handle DTP data, the RISO Controller IS300 is a new type of Raster Image Processor (RIP) that integrates new functions that enable easy data output operations. This controller allows customers to pre-enter and store their own custom settings, such as for imposition and image adjustments, previously performed through the printer driver, which cuts down on the time-consuming task of adjusting settings for each printing job. By using the stored settings as a hot folder, files and data can be printed directly without activating the

application software.

In addition, the new controller features upgraded functions for responding to various output formats, as well as functions for efficiently managing data, and offers a better output environment for postscript.



RISO Controller IS300 enhances work efficiency in printing operations.

## Business Environment and Performance

RISO carried out activities designating the acquisition of new customers for its printing equipment-related business as an issue of paramount importance.

For the current six-month consolidated accounting period, we focused on sales activities designed to increase the number of installations of digital printers and high-speed color printers. Although high-speed color printer sales are increasing both in Japan and overseas, digital printers are experiencing a downward trend. Because of these factors, and strongly affected by a higher yen compared with the same period in the previous fiscal year, net sales amounted to ¥42,627 million (down 2.1% year on year). Operating income was ¥689 million (down 69.8% year on year) due to falling gross profit on digital printers and rising selling, general and administrative expenses, while ordinary income was ¥883 million (down 62.5% year on year) and net income for the six-month period was ¥192 million (down 85.4% year on year).

Looking at sales by geographic region during the six-month period, domestically, sales of high-speed color printers advanced steadily, but digital printer sales stayed at roughly the same level of the same period for the previous fiscal year. As a result, net sales, including the real estate business and others, were ¥22,703 million (up 2.6% year on year).

In the Americas, sales of high-speed color printers rose, offsetting

the fall in digital printer sales. However, net sales totaled ¥5,515 million (down 11.3% year on year) arising from the effects of the strong yen.

Sales of high-speed color printers expanded in Europe compared with the previous fiscal year, but not enough to compensate for the deficit created by falling digital printer sales. As a result, affected by a strong yen, net sales totaled ¥9,182 million (down 6.5% year on year).

In Asia, affected by unfavorable foreign exchange fluctuations, net sales amounted to ¥5,226 million (down 2.8% year on year) even though sales of digital printers increased mainly in Thailand, India, China and other countries.

## Business Outlook for Fiscal 2009

Due to the lower revenue from our digital duplicating business and a stronger-than-expected yen in the foreign exchange market, at the present time we forecast declines in revenue and income. Under these conditions, the RISO Group will make its utmost efforts in focusing on the priority issues of the "Riso Vision 10" (see page 3) third medium-term management plan.

In high-speed color printers, in February 2009 we will launch advanced sales of the ORPHIS X9050, the world's fastest printer, in the domestic market and will subsequently make efforts to further expand sales of this printer. In the digital duplicating business, we aim to improve profitability and enhance our corporate structure by focusing

on sales of high value-added models in developed nations and low-price models in emerging markets.

For the entire fiscal year, we are forecasting net sales of ¥89,400 million (down 3.5% year on year), operating income of ¥1,360 million (down 74.8% year on year), ordinary income of ¥3,110 million (down 34.0% year on year) and net income of ¥1,500 million (down 9.5% year on year).

The above forecast is based on the exchange rate (average exchange rate during the year) of ¥103 against the U.S. dollar and ¥150 against the euro.

# Financial Highlights (Consolidated basis)

(Millions of yen)

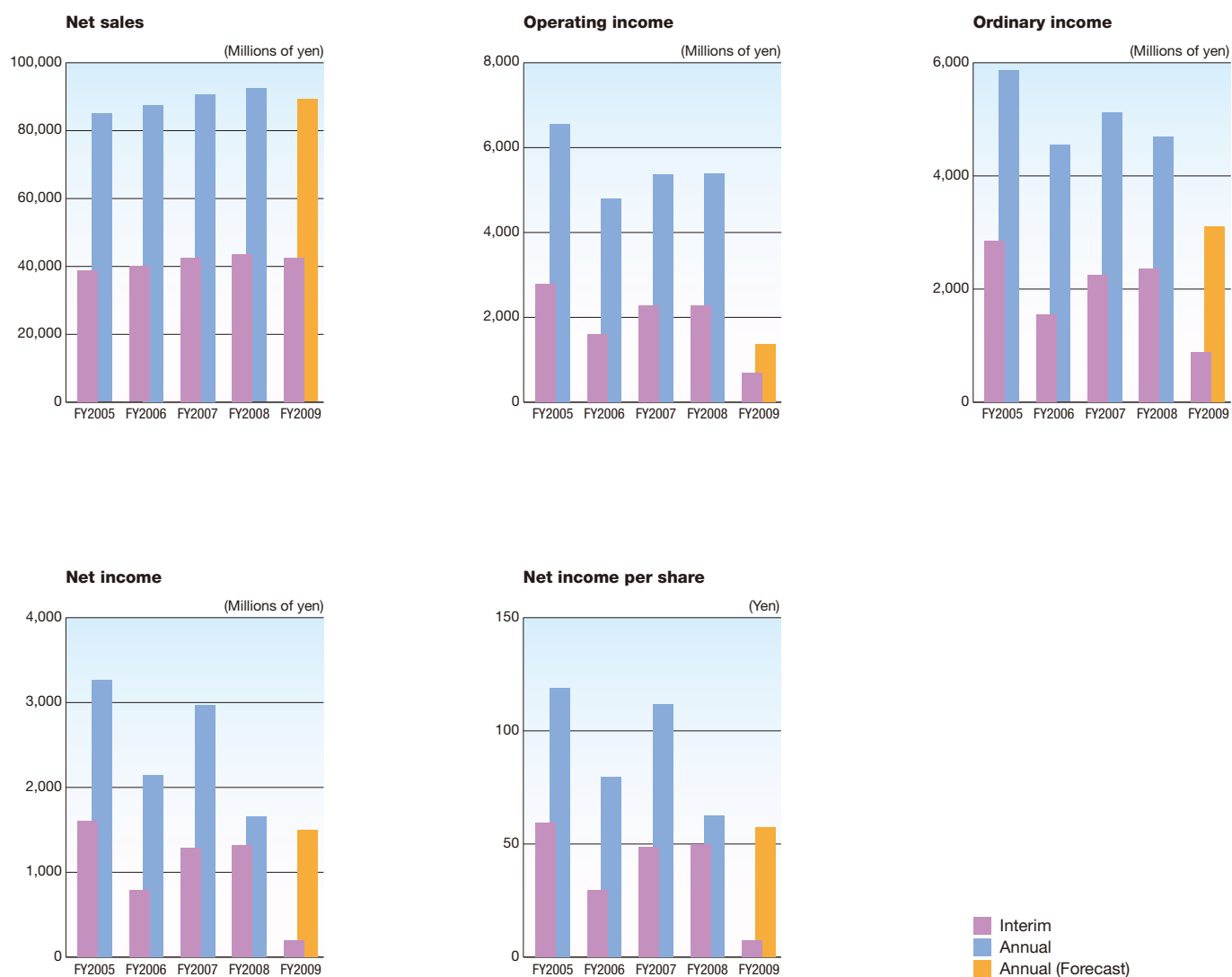
	FY2005		FY2006		FY2007		FY2008		FY2009 (Forecast)	
	1st half of FY2005		1st half of FY2006		1st half of FY2007		1st half of FY2008		1st half of FY2009	
Net sales	38,932	85,161	40,040	87,601	42,601	90,863	43,535	92,621	<b>42,627</b>	<b>89,400</b>
Operating income	2,792	6,574	1,606	4,812	2,280	5,379	2,279	5,397	<b>689</b>	<b>1,360</b>
Ordinary income	2,855	5,883	1,556	4,552	2,250	5,139	2,358	4,709	<b>883</b>	<b>3,110</b>
Net income	1,609	3,280	792	2,154	1,292	2,977	1,321	1,657	<b>192</b>	<b>1,500</b>
Net income per share (yen)	59.37	119.29	29.74	79.76	48.64	112.12	49.93	62.73	<b>7.38</b>	<b>57.40</b>

Notes:

Amounts less than the unit expressed are omitted.

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

Net income per share for the 1st half of fiscal 2005 and fiscal 2006 was calculated assuming that the stock split was conducted at the beginning of each term.



## Balance Sheets

## ASSETS

(Millions of yen)

Item	FY2008 (As of Mar. 31, 2008)	1st half of FY2009 (As of Sept. 30, 2008)
Current assets	¥ 70,381	¥ 68,546
Cash and deposits	24,913	27,016
Notes and accounts receivable—trade	16,147	13,327
Short-term investment securities	12,273	9,912
Inventories	12,977	14,249
Other	4,379	4,296
Allowance for doubtful accounts	(311)	(256)
Noncurrent assets	44,413	44,989
Total property, plant and equipment	33,014	33,198
Buildings and structures	7,676	7,496
Machinery, equipment and vehicles	1,655	1,543
Land	18,053	18,053
Other	5,628	6,105
Intangible assets	2,309	2,256
Software	1,807	1,808
Other	501	448
Investments and other assets	9,089	9,535
Investment securities	2,279	2,054
Other	7,075	7,786
Allowance for doubtful accounts	(265)	(305)
<b>Total assets</b>	<b>¥ 114,795</b>	<b>¥ 113,536</b>

Note: Total amount of depreciation of tangible fixed assets for the 1st half of fiscal 2009 was ¥40,420 million.

**Point 1****Cash and deposits and Short-term investment securities**

Cash and deposits increased due to the sale of short-term investment securities.

**LIABILITIES**

(Millions of yen)

Item	FY2008 (As of Mar. 31, 2008)	1st half of FY2009 (As of Sept. 30, 2008)
Current liabilities	¥ 41,472	¥ 40,601
Notes and accounts payable—trade	14,205	13,910
Short-term loans payable	5,389	5,545
Current portion of long-term loans payable	9	9
Current portion of convertible bonds	13,286	13,286
Other	8,579	7,849
Noncurrent liabilities	3,526	4,761
Long-term loans payable	98	97
Other	3,425	4,664
<b>Total liabilities</b>	<b>¥ 44,998</b>	<b>¥ 45,362</b>

**NET ASSETS**

(Millions of yen)

Item	FY2008 (As of Mar. 31, 2008)	1st half of FY2009 (As of Sept. 30, 2008)
Shareholders' equity	¥ 68,815	¥ 67,580
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	43,131	39,651
Treasury stock	(3,210)	(965)
Valuation and translation adjustments	815	411
Valuation difference on available-for-sale securities	831	617
Foreign currency translation adjustments	(16)	(205)
Minority interests	165	181
Total net assets	¥ 69,796	¥ 68,173
<b>Total liabilities and net assets</b>	<b>¥ 114,795</b>	<b>¥ 113,536</b>

**Point 2****Current portion of convertible bonds**

RISO plans to redeem its Second Unsecured Convertible Bonds on March 31, 2009.

**Point 3****Treasury stock**

RISO retired 1,410,000 shares of treasury stock.



# Statements of Income

(Millions of yen)

Item	1st half of FY2008 (6 months ended Sept. 30, 2007)	1st half of FY2009 (6 months ended Sept. 30, 2008)
<b>Net sales</b>	<b>¥ 43,535</b>	<b>¥ 42,627</b>
Cost of sales	20,954	21,434
Gross profit	22,580	21,193
Selling, general and administrative expenses	20,300	20,504
<b>Operating income</b>	<b>2,279</b>	<b>689</b>
Non-operating income	448	605
Non-operating expenses	369	410
<b>Ordinary income</b>	<b>2,358</b>	<b>883</b>
Extraordinary gain	—	—
Extraordinary loss	—	—
<b>Income before income taxes and minority interests</b>	<b>2,358</b>	<b>883</b>
Corporate income tax and other tax expenses	1,046	147
Corporate income tax and other tax adjustments	(22)	524
Minority interests in income	12	18
<b>Net income</b>	<b>¥ 1,321</b>	<b>¥ 192</b>

## Point 4

### Net sales and Operating income

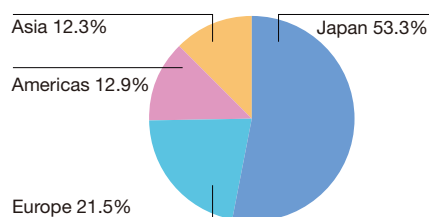
Net sales decreased ¥907 million from the same period of the previous fiscal year and operating income declined ¥1,590 million. The effects of exchange rates reduced sales by approximately ¥1,700 million.

# Statements of Cash Flows

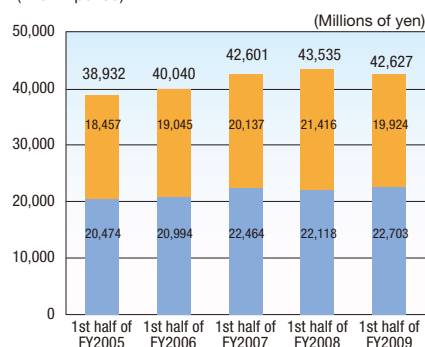
(Millions of yen)

Item	1st half of FY2008 (6 months ended Sept. 30, 2007)	1st half of FY2009 (6 months ended Sept. 30, 2008)
Net cash provided by (used in) operating activities	¥ 2,606	¥ 1,756
Net cash provided by (used in) investment activities	(2,092)	(805)
Net cash provided by (used in) financing activities	(2,498)	(1,182)
Effect of exchange rate changes on cash and cash equivalents	76	(47)
Net decrease (Increase) in cash and cash equivalents	(1,907)	(279)
Cash and cash equivalents at beginning of period	32,667	30,427
Cash and cash equivalents at end of period	¥ 30,759	¥ 30,148

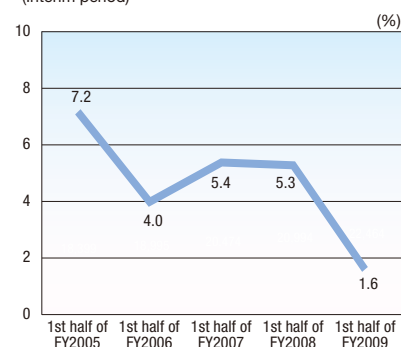
**Sales by region**  
(1st half of FY2009)



**Net sales**  
(Interim period)

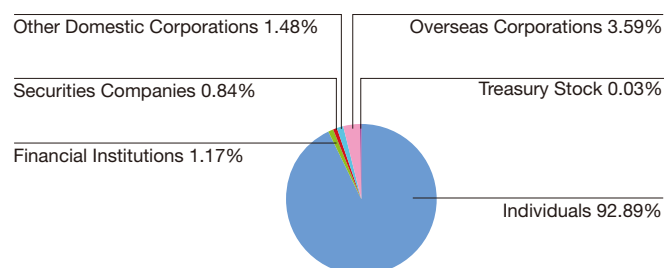


**Operating income to net sales ratio**  
(Interim period)

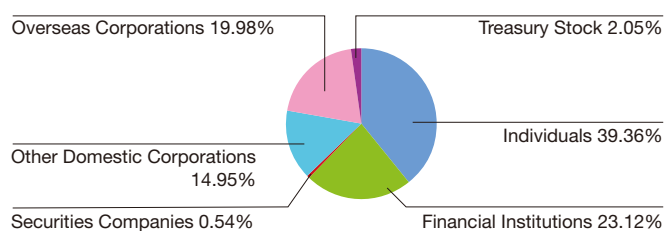


<b>Number of shares</b>	67,840,000 (No change from the end of the previous period)
<b>Number of shares issued</b>	26,643,166 (A decrease of 1,410,000 shares from the end of the previous period)
<b>Number of shareholders</b>	3,319 (An increase of 15 from the end of the previous period)

### Breakdown of shareholders by type



### Breakdown of stock ownership



### Repurchase and Retirement of Treasury Stock

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

Number of shares repurchased:	172,300 shares
Total repurchased amount:	¥244 million
Number of shares retired:	1,410,000 shares
(Ratio against the total number of shares issued prior to the retirement: 5.03%)	
Date of retirement:	July 1, 2008

### Major Shareholders (Top 10 Shareholders)

Shareholder name	Number of shares owned (thousands of shares)	Shareholding ratio (%)
RISO Limited	2,470	9.27
Riso Educational Foundation	1,330	4.99
Noboru Hayama	1,323	4.96
Northern Trust Company (AVFC) Sub Account American Client	1,085	4.07
Akira Hayama	852	3.20
The Silchester International Investors, International Value Equity Trust	826	3.10
RISO KAGAKU CORPORATION Employees' Shareholding Association	820	3.08
The Master Trust Bank Account of Japan, Ltd. (Trust Account)	818	3.07
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	2.94
Northern Trust Company (AVFC) Re U.S. Tax Exempted Pension Funds	779	2.92

Notes:

- 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.
- The Company received a copy of the substantial shareholding report (amended report) dated January 17, 2008 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 2009, 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.	2,812

- The Company received a copy of the substantial shareholding report dated May 18, 2007 from AXA Rosenberg Investment Management Ltd. However, we have not yet verified the number of shares owned by the company as of the end of 1st half of fiscal 2009, thus the company name is not included in the above list. Summary details of the substantial shareholding report are as follows.

Shareholder name	Number of shares owned (thousands of shares)
AXA Rosenberg Investment Management Ltd.	1,412

**Domestic**

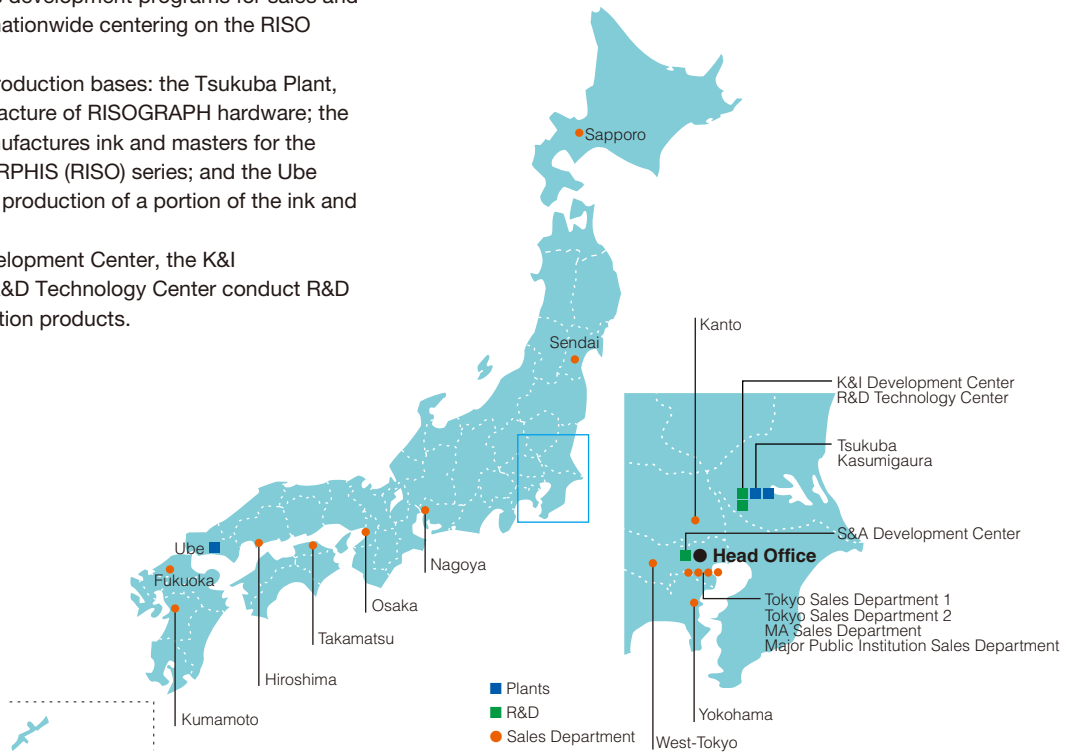
RISO's sales network encompasses 15 sales departments and 48 sales branches as well as sales subsidiaries. Additionally, we provide technological support and develop supply systems for consumables throughout the nation to enable customers to use our products with assurance. Skills development programs for sales and 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 a portion of the ink and masters for the RISOGRAPH.

In addition to the S&A Development Center, the K&I Development Center and the R&D Technology Center conduct R&D to develop RISO's next generation products.

◆ Domestic major subsidiaries

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



Head Office



K&I Development Center



R&D Technology Center



Kasumigaura site



Tsukuba site



Ube site

## Overseas

Our wide-spanning network centering on 18 overseas subsidiaries engaged in sales of the ORPHIS and RISOGGRAPH, provides technological support and also acts as a supply route for consumables. Additionally, RISOGGRAPH 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. de C.V.
- 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 INDIA PVT. 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)

## Corporate Data

(As of September 30, 2008)

<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>	1,675
<b>Subsidiaries</b>	24 companies (domestic: 5; overseas: 19)

## Board of Directors and Auditors

(As of September 30, 2008)

President & CEO (Representative Director)	Akira Hayama
Senior Managing Director	Nobuo Kawai
Managing Director	Yasuhiro Takahashi
Managing Director	Takashi Kunitani
Director	Kazuo Abe
Director	Hidetaka Igarashi
Director	Eigo Ishibashi
Director	Yoshitaka Okada
Director	Kihachiro Endo
Director	Yasunobu Takahashi
Director	Hidenori Fujioka
Standing Auditor	Shogo Hada
Standing Auditor	Takashi Taniguchi
Auditor	Takio Suzuki*
Auditor	Yoshinari Iizuka*

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

## RISO KAGAKU CORPORATION

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