

Consolidated Financial Results
for the Three Months of the Fiscal Year Ending March 31, 2019
<under Japanese GAAP>

Company name: **RISO KAGAKU CORPORATION**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 6413
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Scheduled date to file Quarterly Report: August 7, 2018
 Scheduled date of dividend payment commencement: –
 Preparation of supplementary information on quarterly business results: None
 Holding of briefing on quarterly business results: None

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the three months of the fiscal year ending March 31, 2019
(from April 1, 2018 to June 30, 2018)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2018	20,564	1.9	1,395	66.0	1,344	44.8	1,042	48.4
June 30, 2017	20,178	3.2	840	(15.9)	928	(19.0)	702	3.4

Note: Comprehensive Income

Three months ended June 30, 2018: 990 million yen / 6.6 %

Three months ended June 30, 2017: 929 million yen / – %

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended		
June 30, 2018	28.53	–
June 30, 2017	18.85	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2018	85,921	61,598	71.7
March 31, 2018	90,089	63,810	70.8

Reference: Shareholders' Equity As of June 30, 2018: 61,598 million yen As of March 31, 2018: 63,810 million yen

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	–	0.00	–	60.00	60.00
Fiscal year ending March 31, 2019	–				
Fiscal year ending March 31, 2019 (Forecasts)		0.00	–	60.00	60.00

Note: Revisions to the forecasts of cash dividends in the current quarter: None

3. Forecasts for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	40,100	(0.1)	1,800	29.8	1,800	13.5	1,300	6.4	35.69
Fiscal year ending March 31, 2019	85,500	(0.0)	4,000	3.3	4,000	1.7	2,800	(7.7)	77.02

Note: Revisions to the forecasts in the current quarter: Yes

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Adoption of peculiar accounting methods for quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatement

a. Changes due to revisions to accounting standards and other regulations: None

b. Changes due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement: None

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

As of June 30, 2018	47,406,332 shares
As of March 31, 2018	47,406,332 shares

b. Number of treasury stock at the end of the period

As of June 30, 2018	11,118,791 shares
As of March 31, 2018	10,704,867 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2018	36,554,295 shares
Three months ended June 30, 2017	37,266,044 shares

* These financial results are outside the scope of audit by a certified public accountant or an audit firm.

* Proper use of the forecasts, and other special matters

The forward-looking statements, including forecasts, contained in these materials are based on information currently available to the Company. These statements do not purport that the Company pledges to achieve such performance. Actual business may differ substantially from the forecasts due to various factors in the future.

Attached Materials

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1. Qualitative Information regarding Consolidated Results for the Three Months

(1) Explanation on consolidated operating results

The RISO Group (RISO) has been following its medium-term management policy of “accomplishing 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”.

Concerning RISO’s consolidated operating results for the current three months, net sales and operating income increased year on year.

Net sales was 20,564 million yen (up 1.9% year on year), operating income was 1,395 million yen (up 66.0% year on year), ordinary income was 1,344 million yen (up 44.8% year on year) and profit attributable to the owners of parent was 1,042 million yen (up 48.4% year on year).

The average exchange rates during the current consolidated three months period were 109.07 yen (a 2.02 yen appreciation of the yen year on year) for the US dollar and 130.06 yen (a 7.87 yen depreciation of the yen year on year) for the euro.

Results by segment are as follows:

a. Printing equipment business

RISO, as part of its printing equipment business, engages in the inkjet business, principally with its ORPHIS high-speed color printers, as well as the digital duplicating business, consisting mainly of its RISOGRAPH digital duplicators.

In the inkjet business, net sales increased. In the digital duplicating business, however, the downward trend in net sales continued. Sales in the inkjet business grew, while in the digital duplicating business the trend of falling sales continued. Compared to the previous fiscal year, gross margins improved and gross profit increased. Although selling, general and administrative expenses increased, operating income rose year on year.

Net sales for the printing equipment business were 20,218 million yen (up 1.6% year on year). Operating income was 1,266 million yen (up 66.6% year on year).

Japan

In the inkjet business, hardware sales decreased and net sales fell below the previous year’s level. In the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 10,918 million yen (down 4.8% year on year). Operating income was 913 million yen (down 4.2% year on year).

The Americas

In the inkjet business, hardware sales increased and net sales increased year on year. In the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 1,238 million yen (down 6.3 % year on year). Operating losses were 227 million yen (compared to operating losses of 184 million yen in the same period of the previous fiscal year).

Europe

In the inkjet business, hardware sales continued to remain strong steadily, and net sales increased year on year. In the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 4,079 million yen (up 17.5% year on year). Operating income was 270 million (compared to operating losses of 98 million yen in the same period of the previous fiscal year).

Asia

In the inkjet business, although hardware sales decreased, net sales increased year on year. In the digital

duplicating business, net sales exceeded the previous year's level. Overall sales were 3,981 million yen (up 9.6 % year on year). Operating income was 310 million yen (up 247.6% year on year).

b. Others

In addition to the printing equipment business, RISO also operates real estate and print creating businesses. Net sales in the others were 345 million yen (up 20.1% year on year), and operating income was 128 million yen (up 60.8% year on year).

(2) Explanation on consolidated financial position

The financial position of RISO at the end of the current quarter compared to the end of the previous fiscal year is as follows.

Total assets fell 4,167 million yen to 85,921 million yen, while net assets fell 2,211 million yen to 61,598 million yen. As a result, the equity ratio moved up 0.9 points to 71.7%.

The main changes in the assets portion include decreases of 767 million yen in cash and deposits and 3,091 million yen in notes and accounts receivable-trade. In the liabilities portion, there were decreases of 777 million yen in notes and accounts payable-trade, 317 million yen in income taxes payable and 834 million yen in provision for bonuses.

(3) Explanation on future estimates information pertaining to consolidated earnings forecasts

The consolidated forecasts for the fiscal year ending March 31, 2019, which were released on May 8, 2018, are changed as follows.

a. Changes to the forecast figures for the six months ending September 30, 2018 (April 1, 2018 to September 30, 2018)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous forecasts	40,100	1,600	1,600	900	24.52 yen
Revised forecasts	40,100	1,800	1,800	1,300	35.69 yen
Difference	–	200	200	400	–
Percentage change	–	12.5	12.5	44.4	–
(Reference) Actual results of the six months ended September 30, 2017	40,128	1,387	1,585	1,221	32.88 yen

b. Changes to the full-year forecast figures for the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous forecasts	85,500	3,800	3,800	2,400	65.39 yen
Revised forecasts	85,500	4,000	4,000	2,800	77.02 yen
Difference	–	200	200	400	–
Percentage change	–	5.3	5.3	16.7	–
(Reference) Actual results of the fiscal year ended March 31, 2018	85,507	3,870	3,931	3,033	81.98 yen

Reasons for changes

In order to reflect the operating results for the current three months and future business environment, operating income, ordinary income and profit attributable to owners of parent for the six months and full-year operating income, ordinary income and profit attributable to owners of parent were each revised upwards.

Foreign exchange rates for the full year in the outlook for the projected results are assumed to be 110 yen and 130 yen for the US dollar and the euro, respectively.

(4) Explanation on research and development activities

Expenses for RISO's research and development activities in the current quarter totaled 1,407 million yen. The main R&D activities were in the printing equipment business.

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	17,047	16,279
Notes and accounts receivable-trade	16,047	12,956
Short-term investment securities	1,400	1,400
Merchandise and finished goods	9,402	9,589
Work in process	891	885
Raw materials and supplies	2,220	2,123
Other	1,956	2,219
Allowance for doubtful accounts	(293)	(289)
Total current assets	48,672	45,165
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	20,909	20,904
Accumulated depreciation	(13,206)	(13,350)
Buildings and structures, net	7,703	7,554
Machinery, equipment and vehicles	6,786	6,709
Accumulated depreciation	(5,323)	(5,351)
Machinery, equipment and vehicles, net	1,463	1,357
Tools, furniture and fixtures	16,381	16,535
Accumulated depreciation	(15,438)	(15,612)
Tools, furniture and fixtures, net	942	923
Land	17,632	17,628
Lease assets	520	524
Accumulated depreciation	(239)	(261)
Lease assets, net	280	263
Construction in progress	54	43
Other	11,226	11,273
Accumulated depreciation	(6,910)	(6,860)
Other, net	4,316	4,412
Total property, plant and equipment	32,393	32,183
Intangible assets		
Software	1,213	1,154
Other	328	263
Total intangible assets	1,541	1,417
Investments and other assets		
Investment securities	1,789	1,774
Long-term loans receivable	21	21
Deferred tax assets	2,701	2,350
Other	3,011	3,050
Allowance for doubtful accounts	(42)	(41)
Total investments and other assets	7,481	7,155
Total noncurrent assets	41,416	40,756
Total assets	90,089	85,921

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,803	12,026
Short-term loans payable	1,100	939
Current portion of long-term loans payable	1	1
Income taxes payable	547	229
Provision for bonuses	1,749	914
Provision for directors' bonuses	40	12
Provision for product warranties	87	82
Other	7,531	7,620
Total current liabilities	23,861	21,826
Noncurrent liabilities		
Long-term loans payable	15	15
Net defined benefit liability	1,781	1,785
Other	620	695
Total noncurrent liabilities	2,417	2,496
Total liabilities	26,279	24,322
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	51,468	50,309
Treasury stock	(15,874)	(16,874)
Total shareholders' equity	64,488	62,329
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	304	288
Foreign currency translation adjustment	(389)	(455)
Remeasurements of defined benefit plans	(593)	(564)
Total accumulated other comprehensive income	(678)	(730)
Total net assets	63,810	61,598
Total liabilities and net assets	90,089	85,921

(2) Consolidated quarterly statements of (comprehensive) income**(Consolidated quarterly statements of income)**

	(Millions of yen)	
	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Net sales	20,178	20,564
Cost of sales	8,846	8,365
Gross profit	11,332	12,198
Selling, general and administrative expenses	10,491	10,803
Operating income	840	1,395
Non-operating income		
Interest income	32	37
Dividends income	26	27
Insurance premiums refunded cancellation	27	35
Other	42	36
Total non-operating income	129	137
Non-operating expenses		
Interest expenses	15	17
Foreign exchange losses	12	124
Loss on retirement of noncurrent assets	5	3
Other	7	43
Total non-operating expenses	40	188
Ordinary profit	928	1,344
Extraordinary income		
Settlement received	—	212
Gain on sales of investment securities	30	—
Total extraordinary income	30	212
Profit (loss) before income taxes	958	1,557
Income taxes	256	514
Profit	702	1,042
Profit attributable to owners of parent	702	1,042

(Consolidated quarterly statements of comprehensive income)

(Millions of yen)

	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Profit	702	1,042
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	(15)
Foreign currency translation adjustment	194	(65)
Remeasurements of defined benefit plans	39	28
Total other comprehensive income	226	(52)
Comprehensive income	929	990
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	929	990
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes on quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

The Company purchased treasury stock during the current first quarter. As a result, treasury stock increased 999 million yen during the first quarter and amounted to 16,874 million yen at the end of the current first quarter.

(Additional information)

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)
Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 of February 16, 2018) and other new rules have been applied since the beginning of this three-month period ended June 30, 2018. "deferred tax assets" are reflected in "investments and other assets" and "deferred tax liabilities" are reflected in "long-term liabilities."

(Segment information)

1. Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business	Others (Note: 1)	Adjustments	Total
Net sales:				
Outside customers	19,890	288	—	20,178
Inter-segment	—	—	—	—
Total	19,890	288	—	20,178
Segment income	760	79	—	840

Notes: 1. "Others" includes real estate business and print creating business.

2. Total amount of segment income coincides with the operating income in the consolidated statements of income.

3. The breakdown by region in the printing equipment business is as follows.

(Millions of yen)

	Printing equipment business				
	Japan	The Americas	Europe	Asia	Total
Sales	11,463	1,320	3,472	3,634	19,890
Operating income (loss)	954	(184)	(98)	89	760

2. Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business	Others (Note: 1)	Adjustments	Total
Net sales:				
Outside customers	20,218	345	—	20,564
Inter-segment	—	—	—	—
Total	20,218	345	—	20,564
Segment income	1,266	128	—	1,395

Notes: 1. "Others" includes real estate business and print creating business.

2. Total amount of segment income coincides with the operating income in the consolidated statements of income.

3. The breakdown by region in the printing equipment business is as follows.

(Millions of yen)

	Printing equipment business				
	Japan	The Americas	Europe	Asia	Total
Sales	10,918	1,238	4,079	3,981	20,218
Operating income (loss)	913	(227)	270	310	1,266

(Subsequent event)

(Purchase of Treasury Stock)

Riso Kagaku Corporation (the “Company”) announced that its Board of Directors resolved at the meeting held on July 31, 2018 to purchase treasury stock as described below, pursuant to the provisions of Article 156 of the Corporate Law as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Law.

- | | |
|--|---|
| (1) Reason for purchase of treasury stock: | The Company will conduct the purchase of treasury stock to carry out capital management that allows the Company to respond quickly to changes in the business environment and to distribute earnings to shareholders. |
| (2) Type of shares to be purchased: | Common stock of the Company |
| (3) Number of shares to be purchased: | Up to 540,000 shares |
| (4) Total purchase cost: | Up to 1,000,000,000 yen |
| (5) Purchase period: | From August 21, 2018 to September 20, 2018 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |