

Consolidated Financial Results
for the Three Months of the Fiscal Year Ending March 31, 2020
<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 9, 2019
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, 2020
(from April 1, 2019 to June 30, 2019)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2019	19,105	(7.1)	957	(31.3)	971	(27.7)	605	(42.0)
June 30, 2018	20,564	1.9	1,395	66.0	1,344	44.8	1,042	48.4

Note: Comprehensive Income

Three months ended June 30, 2019: 250 million yen / (74.7) %

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

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2019	16.95	—
June 30, 2018	28.53	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2019	82,959	59,851	72.1
March 31, 2019	87,158	62,248	71.4

Reference: Shareholders' Equity As of June 30, 2019: 59,851 million yen As of March 31, 2019: 62,248 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, 2019	—	0.00	—	60.00	60.00
Fiscal year ending March 31, 2020	—				
Fiscal year ending March 31, 2020 (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, 2020 (from April 1, 2019 to March 31, 2020)

(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, 2019	39,500	(1.5)	1,300	(24.9)	1,300	(21.6)	900	25.27
Fiscal year ending March 31, 2020	83,300	(0.7)	3,100	(17.8)	3,100	(15.3)	2,200	61.86

Note: Revisions to the forecasts in the current quarter: None

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, 2019	47,406,332 shares
As of March 31, 2019	47,406,332 shares

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

As of June 30, 2019	11,889,391 shares
As of March 31, 2019	11,599,991 shares

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

Three months ended June 30, 2019	35,701,251 shares
Three months ended June 30, 2018	36,554,295 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

Index

1. Qualitative Information regarding Consolidated Results for the Three Months.....	2
(1) Explanation on consolidated operating results	3
(2) Explanation on consolidated financial position	3
(3) Explanation on future estimates information pertaining to consolidated earnings forecasts	3
(4) Explanation on research and development activities	3
2. Consolidated Quarterly Financial Statements	4
(1) Consolidated quarterly balance sheets.....	4
(2) Consolidated quarterly statements of (comprehensive) income	6
(3) Notes on quarterly consolidated financial statements.....	8
(Notes on premise of going concern).....	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Segment information).....	8
(Subsequent event).....	10

1. Qualitative Information regarding Consolidated Results for the Three Months

(1) Explanation on consolidated operating results

The RISO Group (RISO) formulated the Seventh Medium-term Management Plan (RISO Vision 22) with the final fiscal year of the period ending March 31, 2022, and followed its medium-term management policy of “Enhance profitability by expanding the inkjet business and improving efficiency on a Group-wide basis”.

Concerning RISO’s consolidated operating results for the current three months, net sales decreased and operating income decreased year on year. Net sales was 19,105 million yen (down 7.1% year on year), operating income was 957 million yen (down 31.3% year on year), ordinary income was 971 million yen (down 27.7% year on year) and profit attributable to the owners of parent was to 605 million yen (down 42.0% year on year) .

The average exchange rates during the current consolidated three months period were 109.90 yen (a 0.83 yen depreciation of the yen year on year) for the US dollar and 123.49 yen (a 6.57 yen appreciation 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 fell below the previous year’s level. In the digital duplicating business, the downward trend in net sales continued. Operating income fell below the previous year’s level partly due to appreciation of the yen. Net sales for the printing equipment business were 18,785 million yen (down 7.1% year on year). Operating income was 823 million yen (down 35.0% year on year).

Japan

In the inkjet business and the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 10,215 million yen (down 6.4% year on year). Operating income was 726 million yen (down 20.5% year on year).

The Americas

In the inkjet business and the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 1,152 million yen (down 6.9 % year on year). Operating losses were 204 million yen (compared to operating losses of 227 million yen in the same period of the previous fiscal year).

Europe

In the inkjet business and the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 3,521 million yen (down 13.7% year on year) partly due to appreciation of the yen. Operating income was 37 million (down 86.3% year on year).

Asia

In the inkjet business, net sales fell below the previous year’s level. In the digital duplicating business, net sales remain unchanged from the previous year. Overall sales were 3,894 million yen (down 2.2% year on year). Operating income was 264 million yen (down 14.6% year on year).

b. Others

RISO operates a real estate business and a print creating business as well as printing equipment business. Net sales in the others were 320 million yen (down 7.3% year on year), and operating income was 134 million yen (up 4.8% 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 4,199 million yen to 82,959 million yen, while net assets fell 2,397 million yen to 59,851 million yen. As a result, the equity ratio moved up 0.7 points to 72.1%.

The main changes in the assets portion include decreases of 989 million yen in cash and deposits and 3,348 million yen in notes and accounts receivable-trade. In the liabilities portion, there were decreases of 473 million yen in income taxes payable and 860 million yen in provision for bonuses and 462 million yen in other current liabilities.

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

There has been no revision to the consolidated forecasts for the fiscal year ending March 31, 2020, which were released on May 10, 2019.

(4) Explanation on research and development activities

Expenses for RISO's research and development activities in the current quarter totaled 1,458 million yen. The main R&D activities were in the printing equipment business.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	17,359	16,370
Notes and accounts receivable-trade	15,246	11,897
Short-term investment securities	2,000	2,000
Merchandise and finished goods	8,604	8,949
Work in process	830	902
Raw materials and supplies	1,988	1,895
Other	2,126	2,200
Allowance for doubtful accounts	(279)	(270)
Total current assets	47,875	43,946
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	21,078	21,171
Accumulated depreciation	(13,727)	(13,863)
Buildings and structures, net	7,351	7,308
Machinery, equipment and vehicles	6,881	6,758
Accumulated depreciation	(5,597)	(5,561)
Machinery, equipment and vehicles, net	1,284	1,197
Tools, furniture and fixtures	14,888	14,896
Accumulated depreciation	(14,075)	(14,081)
Tools, furniture and fixtures, net	813	814
Land	17,651	17,652
Lease assets	463	492
Accumulated depreciation	(197)	(209)
Lease assets, net	266	283
Construction in progress	142	113
Other	11,120	11,198
Accumulated depreciation	(7,429)	(7,334)
Other, net	3,690	3,864
Total property, plant and equipment	31,199	31,233
Intangible assets		
Software	1,065	1,048
Other	48	60
Total intangible assets	1,113	1,109
Investments and other assets		
Investment securities	1,463	1,457
Long-term loans receivable	19	18
Deferred tax assets	2,478	2,247
Other	3,017	2,951
Allowance for doubtful accounts	(8)	(6)
Total investments and other assets	6,969	6,669
Total noncurrent assets	39,283	39,012
Total assets	87,158	82,959

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,546	11,412
Short-term loans payable	821	954
Current portion of long-term loans payable	1	1
Income taxes payable	679	205
Provision for bonuses	1,760	900
Provision for directors' bonuses	38	11
Provision for product warranties	38	34
Other	7,987	7,525
Total current liabilities	22,871	21,045
Noncurrent liabilities		
Long-term loans payable	14	14
Net defined benefit liability	1,324	1,329
Other	699	718
Total noncurrent liabilities	2,038	2,062
Total liabilities	24,909	23,107
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	52,038	50,495
Treasury stock	(18,074)	(18,574)
Total shareholders' equity	62,858	60,815
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12)	(15)
Foreign currency translation adjustment	(478)	(843)
Remeasurements of defined benefit plans	(118)	(105)
Total accumulated other comprehensive income	(609)	(963)
Total net assets	62,248	59,851
Total liabilities and net assets	87,158	82,959

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

	(Millions of yen)	
	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Net sales	20,564	19,105
Cost of sales	8,365	7,662
Gross profit	12,198	11,442
Selling, general and administrative expenses	10,803	10,484
Operating income	1,395	957
Non-operating income		
Interest income	37	40
Dividends income	27	29
Other	72	51
Total non-operating income	137	121
Non-operating expenses		
Interest expenses	17	16
Foreign exchange losses	124	84
Loss on retirement of noncurrent assets	3	3
Other	43	4
Total non-operating expenses	188	108
Ordinary profit	1,344	971
Extraordinary income		
Settlement received	212	—
Total extraordinary income	212	—
Profit (loss) before income taxes	1,557	971
Income taxes	514	366
Profit	1,042	605
Profit attributable to owners of parent	1,042	605

(Consolidated quarterly statements of comprehensive income)

	(Millions of yen)	
	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Profit	1,042	605
Other comprehensive income		
Valuation difference on available-for-sale securities	(15)	(3)
Foreign currency translation adjustment	(65)	(364)
Remeasurements of defined benefit plans	28	13
Total other comprehensive income	(52)	(354)
Comprehensive income	990	250
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	990	250
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 499 million yen during the first quarter and amounted to 18,574 million yen at the end of the current first quarter.

(Segment information)

1. 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

2. Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

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	18,785	320	—	19,105
Inter-segment	—	—	—	—
Total	18,785	320	—	19,105
Segment income	823	134	—	957

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	10,215	1,152	3,521	3,894	18,785
Operating income (loss)	726	(204)	37	264	823

(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, 2019 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 320,000 shares |
| (4) Total purchase cost: | Up to 500,000,000 yen |
| (5) Purchase period: | From August 20, 2019 to September 13, 2019 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |