

January 31, 2020

Consolidated Financial Results
for the Nine 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
URL: <https://www.riso.co.jp/english/>
Representative: Akira Hayama, President & CEO
Inquiries: Shoichi Ikejima, Director and General Manager of Corporate Headquarters
TEL: +81-3-5441-6611 (from overseas)

Scheduled date to file Quarterly Report: February 12, 2020
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 nine months of the fiscal year ending March 31, 2020
(from April 1, 2019 to December 31, 2019)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2019	57,606	(4.1)	1,749	(28.3)	1,749	(27.6)	738	(59.0)
December 31, 2018	60,056	(1.3)	2,440	18.5	2,418	6.9	1,801	22.6

Note: Comprehensive Income

Nine months ended December 31, 2019: 955 million yen / (32.6%)

Nine months ended December 31, 2018: 1,418 million yen / (41.2%)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2019	20.85	—
December 31, 2018	49.77	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2019	81,909	59,555	72.7
March 31, 2019	87,158	62,248	71.4

Reference: Shareholders' Equity As of December 31, 2019: 59,555 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	—	0.00	—		
Fiscal year ending March 31, 2020 (Forecasts)				48.00	48.00

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
Fiscal year ending March 31, 2020	81,000	(3.5)	3,000	(20.5)	2,900	(20.8)	1,700	(38.7)	48.16

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
- Changes due to revisions to accounting standards and other regulations: None
 - Changes due to other reasons: None
 - Changes in accounting estimates: None
 - 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 December 31, 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 December 31, 2019	12,433,381 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)

Nine months ended December 31, 2019	35,406,710 shares
Nine months ended December 31, 2018	36,196,764 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 Nine Months	2
(1) Explanation on consolidated operating results	2
(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 Nine 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 nine months, net sales decreased and operating income decreased year on year. Net sales was 57,606 million yen (down 4.1% year on year), operating income was 1,749 million yen (down 28.3% year on year), and ordinary income was 1,749 million yen (down 27.6% year on year). And RISO posted extraordinary losses in the second quarter, particularly in the form of losses on revaluation of investment securities. As a result, profit attributable to the owners of parent was 738 million yen (down 59.0% year on year).

The average exchange rates during the current consolidated nine months period were 108.67 yen (a 2.47 yen appreciation of the yen year on year) for the US dollar and 121.05 yen (a 8.44 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. Net sales for the printing equipment business were 56,580 million yen (down 4.2% year on year). Operating income was 1,357 million yen (down 33.8% year on year).

Japan

In the third quarter, the inkjet business and the digital duplicating business both saw a drop in demand, notably for high margin products, as a reaction to the last-minute surge in the second quarter ahead of the consumption tax increase. Overall sales were 30,889 million yen (down 2.3% year on year). Operating income was 1,691 million yen (up 8.3% year on year). We anticipate the reactionary drop to continue in the fourth quarter.

The Americas

Partly due to the effects of the yen’s appreciation, in the inkjet business and the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 3,566 million yen (down 6.3% year on year). Operating losses were 728 million yen (compared to operating losses of 636 million yen in the same period of the previous fiscal year).

Europe

Partly due to the effects of the yen’s appreciation, in the inkjet business and the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 10,575 million yen (down 8.9% year on year). Operating losses were 97 million yen (compared to operating income of 496 million yen in the same period of the previous fiscal year).

Asia

Due to the effects of the yen’s appreciation, in the inkjet business and the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 11,549 million yen (down 3.9% year on year). Operating income was 491 million yen (down 21.8% 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 1,025 million yen (up 1.0% year on year), and operating income was 391 million yen (up 0.3% year on year).

(2) Explanation on consolidated financial position

Assets, Liabilities, Net assets

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 5,249 million yen to 81,909million yen, while net assets fell 2,692 million yen to 59,555 million yen.

The main changes in the assets portion include decreases of 1,684 million yen in cash and deposits, 4,785 million yen in notes and accounts receivable-trade. In the liabilities portion, there was a decrease of 309 million yen in notes and accounts payable-trade, 542 million yen in income taxes payable, 842 million yen in provision for bonuses, 971 million yen in other current liabilities. In the net assets portion, there was an increase of 1,499 million yen in treasury shares.

As a result, the equity ratio moved up 1.3 points to 72.7%.

(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 November 1, 2019.

(4) Explanation on research and development activities

Expenses for RISO's research and development activities in the current six months totaled 4,248 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 December 31, 2019
Assets		
Current assets		
Cash and deposits	17,359	15,674
Notes and accounts receivable-trade	15,246	10,461
Short-term investment securities	2,000	2,500
Merchandise and finished goods	8,604	9,499
Work in process	830	938
Raw materials and supplies	1,988	2,008
Other	2,126	2,004
Allowance for doubtful accounts	(279)	(274)
Total current assets	47,875	42,811
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	21,078	21,158
Accumulated depreciation	(13,727)	(14,070)
Buildings and structures, net	7,351	7,088
Machinery, equipment and vehicles	6,881	6,929
Accumulated depreciation	(5,597)	(5,751)
Machinery, equipment and vehicles, net	1,284	1,177
Tools, furniture and fixtures	14,888	14,519
Accumulated depreciation	(14,075)	(13,708)
Tools, furniture and fixtures, net	813	810
Land	17,651	17,660
Lease assets	463	509
Accumulated depreciation	(197)	(247)
Lease assets, net	266	262
Construction in progress	142	686
Other	11,120	11,012
Accumulated depreciation	(7,429)	(7,451)
Other, net	3,690	3,560
Total property, plant and equipment	31,199	31,246
Intangible assets		
Software	1,065	1,002
Other	48	62
Total intangible assets	1,113	1,065
Investments and other assets		
Investment securities	1,463	1,517
Long-term loans receivable	19	18
Deferred tax assets	2,478	2,305
Other	3,017	2,950
Allowance for doubtful accounts	(8)	(5)
Total investments and other assets	6,969	6,785
Total noncurrent assets	39,283	39,097
Total assets	87,158	81,909

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,546	11,236
Short-term loans payable	821	870
Current portion of long-term loans payable	1	1
Income taxes payable	679	136
Provision for bonuses	1,760	917
Provision for directors' bonuses	38	26
Provision for product warranties	38	70
Other	7,987	7,015
Total current liabilities	22,871	20,276
Noncurrent liabilities		
Long-term loans payable	14	13
Net defined benefit liability	1,324	1,345
Other	699	718
Total noncurrent liabilities	2,038	2,076
Total liabilities	24,909	22,353
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	52,038	50,628
Treasury shares	(18,074)	(19,574)
Total shareholders' equity	62,858	59,948
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12)	352
Foreign currency translation adjustment	(478)	(666)
Remeasurements of defined benefit plans	(118)	(78)
Total accumulated other comprehensive income	(609)	(392)
Total net assets	62,248	59,555
Total liabilities and net assets	87,158	81,909

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

	(Millions of yen)	
	Third Quarter ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Third Quarter ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Net sales	60,056	57,606
Cost of sales	25,185	24,485
Gross profit	34,871	33,121
Selling, general and administrative expenses	32,430	31,371
Operating income	2,440	1,749
Non-operating income		
Interest income	89	89
Dividends income	53	57
Other	137	125
Total non-operating income	280	271
Non-operating expenses		
Interest expenses	50	47
Foreign exchange losses	179	166
Loss on retirement of noncurrent assets	26	18
Other	46	38
Total non-operating expenses	302	271
Ordinary income	2,418	1,749
Extraordinary income		
Settlement received	216	—
Total extraordinary income	216	—
Extraordinary losses		
Loss on valuation of investment securities	—	329
Dismantlement expenses	—	58
Impairment loss	—	52
Total extraordinary losses	—	440
Profit (loss) before income taxes	2,635	1,309
Income taxes	833	571
Profit	1,801	738
Profit attributable to owners of parent	1,801	738

(Consolidated quarterly statements of comprehensive income)

	(Millions of yen)	
	Third Quarter ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Third Quarter ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Profit	1,801	738
Other comprehensive income		
Valuation difference on available-for-sale securities	(320)	364
Foreign currency translation adjustment	(149)	(188)
Remeasurements of defined benefit plans	86	40
Total other comprehensive income	(383)	217
Comprehensive income	1,418	955
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,418	955
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 third quarter. As a result, treasury stock increased 1,499 million yen during the third quarter and amounted to 19,574 million yen at the end of the current third quarter.

(Segment information)

1. Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 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	59,041	1,015	—	60,056
Inter-segment	—	—	—	—
Total	59,041	1,015	—	60,056
Segment income	2,050	390	—	2,440

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	31,605	3,806	11,614	12,015	59,041
Operating income (loss)	1,561	(636)	496	629	2,050

2. Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	56,580	1,025	—	57,606
Inter-segment	—	—	—	—
Total	56,580	1,025	—	57,606
Segment income	1,357	391	—	1,749

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	30,889	3,566	10,575	11,549	56,580
Operating income (loss)	1,691	(728)	(97)	491	1,357

(Subsequent event)

(Purchase of Treasury Stock)

Riso Kagaku Corporation (the “Company”) announced that its Board of Directors resolved at the meeting held on January 31, 2020 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 300,000 shares |
| (4) Total purchase cost: | Up to 500,000,000 yen |
| (5) Purchase period: | From February 12, 2020 to March 13, 2020 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |