

Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2024 <under Japanese GAAP>

Company name: **RISO KAGAKU CORPORATION**
 Listing: Tokyo Stock Exchange Prime Market
 Stock code: 6413
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Scheduled date to file Quarterly Report: November 7, 2023
 Scheduled date of dividend payment commencement: –
 Preparation of supplementary information on quarterly business results: Yes
 Holding of briefing on quarterly business results: Yes (Recorded video of briefing on business results scheduled for distribution)

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

1. Consolidated performance for the Six months of the fiscal year ending March 31, 2024 (from April 1, 2023 to September 30, 2023)

(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	%
Six months ended								
September 30, 2023	34,837	(0.6)	1,841	(23.1)	2,343	(9.8)	1,870	(6.5)
September 30, 2022	35,047	8.5	2,393	71.5	2,596	68.1	2,001	53.1

Note: Comprehensive Income

Six months ended September 30, 2023: 3,594 million yen / 6.3 %

Six months ended September 30, 2022: 3,379 million yen / 158.3 %

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended		
September 30, 2023	56.04	–
September 30, 2022	59.47	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	83,634	63,547	76.0
March 31, 2023	84,773	64,296	75.8

Reference: Shareholders' Equity As of September 30, 2023: 63,547 million yen As of March 31, 2023: 64,296 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, 2023	–	0.00	–	120.00	120.00
Fiscal year ending March 31, 2024	–	0.00			
Fiscal year ending March 31, 2024 (Forecasts)			–	100.00	100.00

(Note) Revisions to the forecasts of cash dividends in the current quarter: Yes

3. Forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	73,300	(1.8)	4,500	(24.4)	5,100	(17.8)	3,900	(15.7)	117.05

(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 September 30, 2023	36,000,000 shares
As of March 31, 2023	40,000,000 shares

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

As of September 30, 2023	2,742,398 shares
As of March 31, 2023	6,598,364 shares

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

Six months ended September 30, 2023	33,381,544 shares
Six months ended September 30, 2022	33,659,085 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 Six Months

(1) Explanation on consolidated operating results

The RISO Group (RISO) formulated the Eighth Medium term Management Plan (RISO Vision 25) with the final fiscal year of the period ending March 31, 2025, and followed its medium term management policy of “1. Expand IJ business 2. Establish a solid customer oriented sales planning structure”.

Both sales and income decreased in the six months of the fiscal year under review compared with the same period of the previous year.

Net sales were 34,837 million yen (down 0.6% year on year), operating income was 1,841 million yen (down 23.1% year on year), and due to the recording of foreign exchange gains, and other items, ordinary income was 2,343 million yen (down 9.8% year on year). Due to the recording of a 432 million yen gain on revision of the retirement benefit plan under extraordinary income, profit attributable to owners of parent was 1,870 million yen (down 6.5% year on year).

The average exchange rates during the current consolidated six months period were 141.00 yen (a 7.03 yen depreciation of the yen year on year) for the US dollar and 153.39 yen (a 14.66 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 printing equipment business, both sales and income decreased in the six months of the fiscal year under review compared with the same period of the previous year, with net sales of 33,970 million yen (down 0.9% year on year), and segment profit of 1,539 million yen (down 26.8% year on year). This was primarily due to a surge in demand at the end of the previous fiscal year, prior to price revisions in Japan in April 2023, and its subsequent drop-off leading to a decline in sales.

In Japan, sales for both the inkjet business and the digital duplicating business decline the same period of the previous year. Overseas, sales in the inkjet business exceeded the same period of the previous year, and sales in the digital duplicating business decline the same period of the previous year. Net sales in Japan were 16,090 million yen (down 4.6% year on year), in the Americas were 2,745 million yen (up 2.9% year on year), in Europe were 8,176 million yen (up 8.0% year on year), and in Asia were 6,958 million yen (down 2.9% year on year).

b. Real estate business

The Group's real estate business consists of the leasing of buildings.

Net sales in the real estate business were 543 million yen (down 0.9% year on year), and segment profit was 385 million yen (down 3.1% year on year).

c. Others

RISO operates a print creating business and a digital communication business as well as printing equipment business and real estate business. Net sales in the others were 323 million yen (up 45.6% year on year), and segment loss was 84 million yen (compared to segment loss of 108 million yen in the same period of the previous fiscal year).

(2) Explanation on consolidated financial position

① 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 1,139 million yen to 83,634 million yen, while net assets fell 748 million yen to 63,547 million yen.

The main areas of change in the assets section were an increase of 923 million yen in investment securities, and a decrease of 2,425 million yen in notes and accounts receivable - trade. In the liabilities section, notes and accounts payable - trade increased by 134 million yen, while there was a 482 million yen decrease in income taxes payable. In the net assets section, retained earnings and treasury shares decreased by 8,781 million yen and 6,309 million yen respectively, while valuation difference on available-for-sales securities and foreign currency translation adjustment increased by 642 million yen and 1,256 million yen respectively.

As a result, the equity ratio moved up 0.1 points to 76.0%.

② Cash flows

Net cash provided by operating activities was 3,829 million yen (up 7.4% year on year). This is mainly attributable to income before income taxes and minority interests of 2,775 million yen, depreciation and amortization of 1,265 million yen, a decrease in notes and accounts receivable-trade of 3,203 million yen, and income taxes paid of 1,218 million yen.

Net cash used in investing activities was 384 million yen (up 50.1% year on year). This is primarily the result of the 228 million yen for the purchase of property, plant and equipment, 267 million yen for the purchase of intangible assets.

Net cash used in financing activities was 4,385 million yen (up 10.6% year on year). The result mainly reflects an expense of 334 million yen for the purchase of treasury stock and payments of 3,992 million yen for cash dividends.

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

We have revised our consolidated earnings forecast for the fiscal year ending March 31, 2024, as we expect to exceed the earnings forecast announced on May 9, 2023.

For details, please refer to the “Notification of Revisions to Earnings Forecasts and Dividend Forecasts” released today (November 2, 2023).

(4) Explanation on research and development activities

Expenses for RISO’s research and development activities in the current quarter totaled 2,117 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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	19,551	19,163
Notes and accounts receivable - trade	13,544	11,118
Securities	1,110	1,153
Merchandise and finished goods	8,763	8,805
Work in process	713	736
Raw materials and supplies	2,398	2,363
Other	1,783	2,368
Allowance for doubtful accounts	(232)	(239)
Total current assets	47,632	45,470
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,805	22,924
Accumulated depreciation	(15,664)	(15,996)
Buildings and structures, net	7,141	6,927
Machinery, equipment and vehicles	6,902	6,991
Accumulated depreciation	(6,285)	(6,403)
Machinery, equipment and vehicles, net	617	587
Tools, furniture and fixtures	13,320	13,470
Accumulated depreciation	(12,765)	(12,908)
Tools, furniture and fixtures, net	555	562
Land	17,679	17,701
Leased assets	470	260
Accumulated depreciation	(144)	(148)
Leased assets, net	326	112
Construction in progress	14	25
Other	9,993	9,948
Accumulated depreciation	(7,929)	(7,574)
Other, net	2,064	2,374
Total property, plant and equipment	28,399	28,291
Intangible assets		
Software	996	994
Other	83	146
Total intangible assets	1,079	1,140
Investments and other assets		
Investment securities	2,008	2,931
Long-term loans receivable	12	12
Deferred tax assets	1,762	1,388
Retirement benefit asset	551	826
Other	3,332	3,577
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	7,662	8,731
Total non-current assets	37,141	38,163
Total assets	84,773	83,634

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,189	9,323
Short-term borrowings	33	14
Current portion of long-term borrowings	1	1
Income taxes payable	1,330	848
Provision for bonuses	1,675	1,758
Provision for bonuses for directors (and other officers)	50	32
Provision for product warranties	29	25
Other	6,670	6,614
Total current liabilities	18,979	18,619
Non-current liabilities		
Long-term borrowings	9	9
Retirement benefit liability	717	744
Other	770	713
Total non-current liabilities	1,497	1,467
Total liabilities	20,477	20,086
Net assets		
Shareholders' equity		
Share capital	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	43,231	34,449
Treasury shares	(10,960)	(4,650)
Total shareholders' equity	61,165	58,693
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	659	1,301
Foreign currency translation adjustment	1,530	2,787
Remeasurements of defined benefit plans	940	765
Total accumulated other comprehensive income	3,131	4,854
Total net assets	64,296	63,547
Total liabilities and net assets	84,773	83,634

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	35,047	34,837
Cost of sales	15,690	15,063
Gross profit	19,356	19,774
Selling, general and administrative expenses	16,963	17,933
Operating profit	2,393	1,841
Non-operating income		
Interest income	69	66
Dividend income	38	44
Foreign exchange gains	34	313
Other	105	104
Total non-operating income	247	527
Non-operating expenses		
Interest expenses	14	4
Loss on retirement of non-current assets	15	7
Other	14	13
Total non-operating expenses	43	25
Ordinary profit	2,596	2,343
Extraordinary income		
Gain on revision of retirement benefit plan	—	432
Insurance return	81	—
Total extraordinary income	81	432
Profit before income taxes	2,678	2,775
Income taxes	676	905
Profit	2,001	1,870
Profit attributable to owners of parent	2,001	1,870

(Consolidated quarterly statements of comprehensive income)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,001	1,870
Other comprehensive income		
Valuation difference on available-for-sale securities	3	642
Foreign currency translation adjustment	1,441	1,256
Remeasurements of defined benefit plans, net of tax	(66)	(175)
Total other comprehensive income	1,378	1,723
Comprehensive income	3,379	3,594
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,379	3,594
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	2,678	2,775
Depreciation	1,356	1,265
Increase (decrease) in retirement benefit liability	741	448
Increase (decrease) in allowance for doubtful accounts	(19)	(10)
Interest and dividend income	(107)	(110)
Interest expenses	14	4
Foreign exchange losses (gains)	(323)	(173)
Gain on revision of retirement benefit plan	—	(432)
Gain on maturity of insurance contract	(81)	—
Decrease (increase) in trade receivables	2,474	3,203
Decrease (increase) in inventories	(241)	685
Increase (decrease) in trade payables	(8)	(664)
Increase (decrease) in accounts payable - other	(350)	(81)
Increase (decrease) in accrued consumption taxes	(233)	(81)
Other, net	(1,481)	(1,883)
Subtotal	4,417	4,946
Interest and dividends received	106	106
Interest paid	(14)	(5)
Income taxes paid	(943)	(1,218)
Income taxes refund	1	0
Net cash provided by (used in) operating activities	3,567	3,829
Cash flows from investing activities		
Payments into time deposits	(877)	(869)
Proceeds from withdrawal of time deposits	900	900
Purchase of property, plant and equipment	(241)	(228)
Proceeds from sale of property, plant and equipment	23	14
Purchase of intangible assets	(218)	(267)
Proceeds from collection of loans receivable	0	3
Proceeds from maturity of insurance funds	152	—
Other, net	3	62
Net cash provided by (used in) investing activities	(256)	(384)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(70)	(21)
Repayments of long-term borrowings	(0)	(0)
Purchase of treasury shares	(499)	(334)
Dividends paid	(3,369)	(3,992)
Other, net	(24)	(37)
Net cash provided by (used in) financing activities	(3,964)	(4,385)
Effect of exchange rate change on cash and cash equivalents	814	633
Net increase (decrease) in cash and cash equivalents	161	(307)
Cash and cash equivalents at beginning of period	18,834	19,676
Cash and cash equivalents at end of period	18,995	19,368

(4) 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)

Based on the resolution of the Board of Directors held on May 9, 2023, the Company retired 4,000,000 shares of treasury stock on May 19, 2023. As a result, retained earnings and treasury shares decreased by 6,644 million yen each. Furthermore, based on a resolution by the Board of Directors at a meeting held on August 1, 2023, the Company purchased 144,000 treasury shares. As a result, treasury shares increased by 334 million yen, and were 4,650 million yen at the end of the first six months of the fiscal year ending March 31, 2024.

(Additional information)

(Transfer of Retirement Benefit Plans)

On April 1, 2023, the Company transferred a portion of its defined benefit pension plan to a defined contribution pension plan. Due to this transfer, the Company applied the "Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (PITF No. 2, February 7, 2007) and has treated the portion transferred to the defined contribution pension plan as a partial termination of the retirement benefit plan.

In connection with this, during the first six months of the fiscal year under review, the Company recorded a gain on revision of the retirement benefit plan of 432 million yen under extraordinary income.

(Segment information)

1. Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business	Real estate Business	Others	Adjustments	Total
Net sales:					
Outside customers	34,276	547	222	—	35,047
Inter-segment	—	—	—	—	—
Total	34,276	547	222	—	35,047
Segment profit (loss)	2,104	397	(108)	—	2,393

Notes: 1. The business segment “Others” encompasses businesses not included in the reportable segments, and includes the print creating business.

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

2. Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business	Real estate Business	Others	Adjustments	Total
Net sales:					
Outside customers	33,970	543	323	—	34,837
Inter-segment	0	—	—	(0)	—
Total	33,970	543	323	(0)	34,837
Segment profit (loss)	1,539	385	(84)	—	1,841

Notes: 1. The business segment “Others” encompasses businesses not included in the reportable segments, and includes the print creating business.

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

(Subsequent event)

(Purchase of Treasury Stock)

RISO KAGAKU CORPORATION (the “Company”) announced that its Board of Directors resolved at the meeting held on November 2, 2023 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 250,000 shares

(4) Total purchase cost: Up to 500,000,000 yen

(5) Purchase period: From November 20, 2023 to January 26, 2024

(6) Purchase method: Purchased on the Tokyo Stock Exchange