

Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2022 <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: February 8, 2022
 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, 2022 (from April 1, 2021 to December 31, 2021)

(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	%
Nine months ended								
December 31, 2021	48,920	3.0	2,344	—	2,629	—	2,063	—
December 31, 2020	47,478	(17.6)	(47)	—	214	(87.8)	(215)	—

Note: Comprehensive Income

Nine months ended December 31, 2021: 2,386 million yen / — %

Nine months ended December 31, 2020: 134 million yen / (86.0) %

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2022	60.50	—
December 31, 2021	(6.20)	—

(Note) The Company began applying the accounting standard for revenue recognition (ASBJ Statement No. 29 of March 31, 2020, “Accounting Standard for Revenue Recognition”) at the start of the three months ended June 30, 2021, and amounts for the third quarter of the fiscal year ending March 31, 2022, are shown after the application of the standard. Furthermore, the application of the standard has only a limited impact on net sales, and there is no impact at any profit level below operating income. Calculations for the percentage year-on-year changes are based on consolidated financial results for the nine months of the fiscal year ended March 31, 2021, before the application of this standard.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2021	78,687	60,066	76.3
March 31, 2021	81,764	61,069	74.7

Reference: Shareholders' Equity As of December 31, 2021: 60,066 million yen As of March 31, 2021: 61,069 million yen
 (Note) The Company began applying the accounting standard for revenue recognition (ASBJ Statement No. 29 of March 31, 2020, "Accounting Standard for Revenue Recognition") at the start of the three months ended June 30, 2021, and amounts for the third quarter of the fiscal year ending March 31, 2022, are shown after the application of the standard. The application of the standard does not affect total assets, net assets, or the equity ratio.

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, 2021	–	0.00	–	40.00	40.00
Fiscal year ending March 31, 2022	–	0.00	–		
Fiscal year ending March 31, 2022 (Forecasts)				60.00	60.00

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

For details on the revision of the dividend forecast, please refer to the "Notice Concerning the Revision of the Dividend Forecast" announced on January 31, 2022.

3. Forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	68,700	0.4	3,100	122.2	3,300	71.4	2,600	57.4	76.42

(Note1) Revisions to the forecasts in the current quarter: None

(Note2) The Company began applying the accounting standard for revenue recognition (ASBJ Statement No. 29 of March 31, 2020, "Accounting Standard for Revenue Recognition") at the start of the three months ended June 30, 2021, and amounts for the fiscal year ending March 31, 2022, are shown after the application of the standard. Furthermore, the application of the standard has only a limited impact on net sales, and there is no impact at any profit level below operating income. Calculations for the percentage year-on-year changes are based on consolidated financial results of the fiscal year ended March 31, 2021, before the application of this standard.

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: Yes
 - 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, 2021	45,000,000 shares
As of March 31, 2021	45,000,000 shares

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

As of December 31, 2021	11,263,451 shares
As of March 31, 2021	10,292,931 shares

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

Nine months ended December 31, 2021	34,114,035 shares
Nine months ended December 31, 2020	34,707,113 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 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”.

In the third quarter, overseas sales increased year on year, mainly in the inkjet business, but domestic sales were affected by the new coronavirus infection (COVID-19), and overall sales decreased year on year. Sales for the current consolidated nine months period increased due to the impact of the depreciation of the yen at the exchange rate. In addition, profits increased due to the impact of the depreciation of the yen at the exchange rate and efforts to curb selling, general and administrative expenses.

Net sales were 48,920 million yen (up 3.0% year on year), operating income was 2,344 million yen (compared to operating loss of 47 million yen in the same period of the previous fiscal year), and ordinary income was 2,629 million yen (compared to ordinary income of 214 million yen in the same period of the previous fiscal year). Profit attributable to owners of parent was 2,063 million yen (compared to loss attributable to owners of parent of 215 million yen in the same period of the previous fiscal year).

The average exchange rates during the current consolidated nine months period were 111.10 yen (a 4.99 yen depreciation of the yen year on year) for the US dollar and 130.62 yen (a 8.24 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.

Net sales in the printing equipment business were 47,803 million yen (up 2.8% year on year), and segment profit was 1,859 million yen (compared to segment loss of 455 million yen in the same period of the previous fiscal year).

In Japan, sales in the inkjet business exceeded the same period of the previous year, however, digital duplicating business fell below the same period of the previous year. In overseas, sales in the inkjet business and digital duplicating business exceeded the same period of the previous year.

Net sales in Japan were 24,796 million yen (down 3.0% year on year), in the Americas were 2,830 million yen (up 34.4% year on year), in Europe were 10,458 million yen (up 27.7% year on year), and in Asia were 9,717 million yen (down 8.6% 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 820 million yen (up 10.5% year on year), and segment profit was 615 million yen (up 23.3% 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 296 million yen (up 18.7% year on year), and segment loss was 130 million yen (compared to segment loss of 91 million yen in the same period of the previous fiscal year).

The Company began applying the accounting standard for revenue recognition (ASBJ Statement No. 29 of March 31, 2020, “Accounting Standard for Revenue Recognition”) at the start of the three months ended June 30, 2021; as a result, net sales for that nine-month period were reduced by 352 million yen, cost of sales was reduced by 84 million yen, and selling, general and administrative expenses were reduced by 267 million yen. There was no impact at any profit level below operating income. For details, refer to “2. Consolidated Quarterly Financial Statements (3) Notes on quarterly consolidated financial statements (changes in accounting policies).”

In the consolidated fiscal year under review, changes to the reportable segments were implemented. Details are provided on p.8.

(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 3,077 million yen to 78,687 million yen, while net assets fell 1,002 million yen to 60,066 million yen.

The main areas of change in the assets section were short-term investment securities and merchandise, finished goods and raw materials and supplies, which increased by 400 million yen, 813 million yen and 922 million yen, respectively. Notes and accounts receivable-trade decreased by 4,488 million yen. In the liabilities section, notes and accounts payable-trade, provision for bonuses and others, decreased by 248 million yen, 1,139 million yen and 378 million yen, respectively. In net assets, treasury stock increased by 1,999 million yen.

As a result, the equity ratio moved up 1.6 points to 76.3%.

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

In light of recent earnings trends, RISO has revised the dividend forecasts released on May 14, 2021.

Revisions to dividend forecasts

(Millions of yen)

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
Previous forecast (released on May 14, 2021)	–	–	–	48.00	48.00
Revised forecast	–	–	–	60.00	60.00
Actual in current fiscal year	–	0.00	–		
Actual in previous fiscal year (fiscal year ended March 31, 2021)	–	0.00	–	40.00	40.00

Reasons for revision

The Company has adopted a basic policy consisting of the two following points with respect to distributing profits to its shareholders:

- (1) We will allocate an appropriate portion of earnings in accordance with our business results, while continuing to strengthen or corporate structure.
- (2) We will strive to provide a stable dividend.

We have changed the year-end dividend forecast for the current fiscal year from the previous forecast of ¥48 per share to ¥60 per share.

(4) Explanation on research and development activities

Expenses for RISO's research and development activities in the current quarter totaled 3,414 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, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	18,523	18,606
Notes and accounts receivable-trade	13,578	9,090
Short-term investment securities	0	400
Merchandise and finished goods	8,292	9,106
Work in process	823	760
Raw materials and supplies	1,601	2,524
Other	1,815	1,681
Allowance for doubtful accounts	(394)	(281)
Total current assets	44,241	41,888
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	22,517	22,594
Accumulated depreciation	(14,538)	(14,893)
Buildings and structures, net	7,978	7,700
Machinery, equipment and vehicles	6,974	6,883
Accumulated depreciation	(6,012)	(6,138)
Machinery, equipment and vehicles, net	962	744
Tools, furniture and fixtures	14,124	14,310
Accumulated depreciation	(13,320)	(13,564)
Tools, furniture and fixtures, net	804	746
Land	17,654	17,647
Lease assets	528	446
Accumulated depreciation	(308)	(289)
Lease assets, net	219	156
Construction in progress	13	47
Other	10,327	9,685
Accumulated depreciation	(7,687)	(7,430)
Other, net	2,639	2,254
Total property, plant and equipment	30,273	29,297
Intangible assets		
Software	822	899
Other	203	177
Total intangible assets	1,025	1,076
Investments and other assets		
Investment securities	1,433	1,495
Long-term loans receivable	15	14
Deferred tax assets	1,629	1,605
Other	3,150	3,314
Allowance for doubtful accounts	(5)	(4)
Total investments and other assets	6,224	6,425
Total noncurrent assets	37,523	36,798
Total assets	81,764	78,687

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,522	9,273
Short-term loans payable	317	197
Current portion of long-term loans payable	1	1
Income taxes payable	490	336
Provision for bonuses	2,042	902
Provision for bonuses for directors (and other officers)	31	39
Provision for product warranties	21	20
Other	6,940	6,562
Total current liabilities	19,366	17,333
Noncurrent liabilities		
Long-term loans payable	11	10
Net defined benefit liability	616	671
Other	701	605
Total noncurrent liabilities	1,329	1,287
Total liabilities	20,695	18,620
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	47,900	48,575
Treasury stock	(16,270)	(18,270)
Total shareholders' equity	60,524	59,199
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	261	303
Foreign currency translation adjustment	(457)	(137)
Remeasurements of defined benefit plans	740	700
Total accumulated other comprehensive income	544	866
Total net assets	61,069	60,066
Total liabilities and net assets	81,764	78,687

(2) Consolidated quarterly statements of (comprehensive) income

(Consolidated quarterly statements of income)

	(Millions of yen)	
	Third Quarter ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Third Quarter ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net sales	47,478	48,920
Cost of sales	20,896	21,127
Gross profit	26,582	27,793
Selling, general and administrative expenses	26,629	25,449
Operating income (loss)	(47)	2,344
Non-operating income		
Interest income	82	67
Dividends income	59	61
Foreign exchange gains	22	80
Other	166	154
Total non-operating income	331	363
Non-operating expenses		
Interest expenses	32	29
Loss on retirement of noncurrent assets	18	26
Other	18	22
Total non-operating expenses	69	78
Ordinary income	214	2,629
Extraordinary income		
Subsidy income	373	—
Settlement received	336	—
Gain on transfer of goodwill	85	—
Total extraordinary income	795	—
Extraordinary losses		
Business restructuring expenses	1,241	—
Total extraordinary losses	1,241	—
Profit (loss) before income taxes	(231)	2,629
Income taxes	223	565
Refund of income taxes for prior periods	(240)	—
Profit (loss)	(215)	2,063
Profit (loss) attributable to owners of parent	(215)	2,063

(Consolidated quarterly statements of comprehensive income)

	(Millions of yen)	
	Third Quarter ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Third Quarter ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Profit (loss)	(215)	2,063
Other comprehensive income		
Valuation difference on available-for-sale securities	55	42
Foreign currency translation adjustment	213	320
Remeasurements of defined benefit plans	80	(40)
Total other comprehensive income	349	322
Comprehensive income	134	2,386
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	134	2,386
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. As a result, treasury stock during the nine months of the fiscal year ending March 31, 2022 increased by 1,999 million yen, and was 18,270 million yen at the end of the same period.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The Company began applying the "Accounting Standard For Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020; hereinafter "Revenue Recognition Standard") at the start of the three months ended June 30, 2021. Accordingly, at the point that control of a good or service is transferred to the customer, the Company recognizes revenue equivalent to the amount it expects to receive in exchange for said good or service.

As a result, for transactions in which the Company is deemed to be involved as an agent, the net amount is displayed. In addition, we have changed the treatment of rebates, etc. that were previously recorded in selling, general and administrative expenses, so that sales are now reduced by the amount in question.

With regard to the application of the Revenue Recognition Standard, in accordance with the transitional measures set forth in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first three months of the fiscal year ending March 31, 2022, has been added to or subtracted from retained earnings at the beginning of the first three months of the fiscal year ending March 31, 2022, and the new accounting policy has been applied from the start of this three-month period. However, although the method set forth in paragraph 86 of the Accounting Standard for Revenue Recognition has been applied, the new accounting policy has not been applied retrospectively to contracts for which nearly all revenue amounts had already been recognized prior to the beginning of the first three months of the fiscal year ending March 31, 2022, in accordance with the previous treatment. The Company has also applied the method set forth in the proviso (1) to paragraph 86 of the Accounting Standard for Revenue Recognition. Based on the contract conditions after the application of all changes for contracts made prior to the beginning of the first three months of the fiscal year ending March 31, 2022, the cumulative effect of making these changes in accounting treatment has been added to or subtracted from the beginning balance of retained earnings for said three-month period.

As a result, net sales for the nine-month period decreased by 352 million yen, cost of sales decreased by 84 million yen, and selling, general and administrative expenses decreased by 267 million yen. There was no impact at any profit level below operating income, or in the beginning balance of retained earnings for the period in question.

In accordance with the transitional measures set out in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated to reflect this new method of presentation.

(Application of Accounting Standard for Revenue Recognition)

The Company began applying the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), at the start of the three months ended June 30, 2021, and in accordance with the transitional measures set forth in paragraph 19 of that standard, and the transitional measures set forth in paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), going forward it will apply the new policy determined in the Accounting Standard for Fair Value Measurement. There has been no effect from this.

(Additional information)

There have been no material changes to the hypothesis, which includes the timing of the resolution of the COVID-19 issue, described in "Accounting estimates in relation to the impact of novel coronavirus infectious disease (COVID-19)" section of the "Additional information" section of the securities report for the previous fiscal year.

(Segment information)

1. Nine months ended December 31, 2020(from April 1, 2020 to December 31, 2020)

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	46,486	742	249	—	47,478
Inter-segment	—	—	—	—	—
Total	46,486	742	249	—	47,478
Segment profit (loss)	(455)	499	(91)	—	(47)

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. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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	47,803	820	296	—	48,920
Inter-segment	—	—	—	—	—
Total	47,803	820	296	—	48,920
Segment profit (loss)	1,859	615	(130)	—	2,344

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

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

Because the real estate business that had previously been part of Other has grown in importance, in the fiscal year under review we changed the method of presentation so as to disclose it as a reportable segment. As a result, the reportable segments have now changed to the two categories of printing equipment business and real estate business. Certain digital screen maker and other products handled by overseas subsidiaries were previously included in the printing equipment business, but following the review of the administrative categories they have been moved to the print creating business. In addition, segment information presented for the previous fiscal year is based on the categories after the implementation of these changes.

And, as stated in (Changes in accounting policies), the Company began applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 of March 31, 2020) at the start of the three months ended June 30, 2021, and because it has changed its accounting treatment regarding revenue recognition, it has also

changed the methods used to measure profit and loss in business segments.

Due to these changes, net sales for Printing Equipment Business in the nine months of the fiscal year ending March 31, 2022, decreased by 352 million yen compared with the previous approach, but there was no impact on segment profit or (loss).

(Subsequent event)

(Retirement of Treasury Stock)

The Company announced that, at a meeting of the Board of Directors held on January 31, 2022, a resolution was passed to retire treasury stock pursuant to Article 178 of the Companies Act, as follows.

- | | |
|---|---|
| (1) Reason for retirement of treasury stock: | To implement a more agile capital policy in response to changes in the business environment, and to enhance returns to shareholders |
| (2) Retirement method: | Reduced from retained earnings |
| (3) Type of shares to be retired: | Common stock of the Company |
| (4) Number of shares to be retired: | 5,000,000 shares |
| (5) Scheduled date of retirement: | February 7, 2022 |
| (6) Total number of issued shares after retirement: | 40,000,000 shares |