

Consolidated Financial Results
for the Three Months of the Fiscal Year Ending March 31, 2015
<under Japanese GAAP>

Company name: **RISO KAGAKU CORPORATION**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 6413
URL: <http://www.riso.co.jp/english/>
Representative: Akira Hayama, President & CEO
Inquiries: Kihachiro Endo, Managing Director and General Manager of Corporate Headquarters
TEL: +81-3-5441-6611 (from overseas)

Scheduled date to file Quarterly Report: August 8, 2014
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, 2015
(from April 1, 2014 to June 30, 2014)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2014	19,829	0.9	1,349	41.0	1,437	26.1	801	15.1
June 30, 2013	19,655	10.4	957	(7.5)	1,139	17.7	696	(19.8)

Note: Comprehensive Income

Three months ended June 30, 2014: 752 million yen / (43.4)%

Three months ended June 30, 2013: 1,329 million yen / – %

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2014	38.31	–
June 30, 2013	30.57	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2014	88,331	64,262	72.8
March 31, 2014	91,740	64,804	70.6

Reference: Shareholders' Equity As of June 30, 2014: 64,262 million yen As of March 31, 2014: 64,804 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, 2014	–	0.00	–	60.00	60.00
Fiscal year ending March 31, 2015	–				
Fiscal year ending March 31, 2015 (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, 2015 (from April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2014	40,300	3.2	2,500	18.0	2,500	6.2	1,600	3.7	76.53
Fiscal year ending March 31, 2015	86,000	2.5	6,500	(1.3)	6,550	(8.9)	4,400	(3.9)	210.48

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: 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 June 30, 2014	23,703,166 shares
As of March 31, 2014	23,703,166 shares

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

As of June 30, 2014	2,801,897 shares
As of March 31, 2014	2,787,177 shares

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

Three months ended June 30, 2014	20,901,269 shares
Three months ended June 30, 2013	22,775,478 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act are in progress.

* 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 expanding sales channels and gaining new customers worldwide.

In RISO's consolidated operating results for the current three months, despite a fall in sales in the printing equipment business due to negative reaction following increased demand before the consumption tax rate increase in Japan, overall net sales grew due to overseas sales growth mainly in the inkjet business and the effect of the weaker yen, also resulting in an increase in operating income. As a result, net sales were 19,829 million yen (up 0.9% year on year), operating income was 1,349 million yen (up 41.0% year on year), ordinary income was 1,437 million yen (up 26.1% year on year), and net income amounted to 801 million yen (up 15.1% year on year).

The average exchange rates during the current consolidated three months period were 102.16 yen (a 3.40 yen depreciation of the yen year on year) for the US dollar and 140.07 yen (a 11.12 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, there were strong sales overseas, mainly in Europe and Asia. On the other hand, sales fell steadily in the digital duplicating business. Net sales in the printing equipment business were 19,467 million yen (up 0.9% year on year), mainly due to yen depreciation. Operating income was 1,244 million yen (up 48.7% year on year).

Japan

Both in the inkjet and digital duplicating businesses, sales decreased due to decrease in orders for consumables as negative reaction following increased demand at the end of the previous year prior to the consumption tax rate increase. Net sales were 10,889 million yen (down 5.4% year on year). Due to the drop in sales, operating income was 1,087 million yen (down 15.1% year on year).

The Americas

In the inkjet business, sales of hardware increased, but the Company struggled with the sales of consumables. As a result, sales in the inkjet business decreased. Sales fell also in the digital duplicating business. Net sales were 1,281 million yen (down 2.3% year on year). Although the Company is strengthening sales capabilities and improving financial structures, the operating loss was 240 million yen (310 million yen operating loss in the same period of the previous year).

Europe

In the inkjet business, sales of both hardware and consumables increased in the advanced countries, and this contributed to the Europe-wide increase in net sales and operating income. Sales decreased in the digital duplicating business. Net sales rose to 4,438 million yen (up 15.9% year on year), partly due to the effect of exchange rates. Meanwhile, expansion of income in the inkjet business and the effect of the weaker yen resulted in an increase in operating income, which rose to 320 million yen (137 million yen operating loss in the same period of the previous year).

Asia

In the inkjet business, sales of consumables grew steadily as installation of hardware went forward in China and Southeast Asia. In the digital duplicating business, Sales held stable at the same level as the previous year. Net sales rose to 2,857 million yen (up 8.2% year on year), and operating income rose to 76 million yen (up 2,121.3% year on year).

b. Real estate business and others

RISO operates a real estate business focusing on leasing of the Omotesando Building and Shin-Osaka Building as well as a print creating business. Net sales in the real estate and others were 362million yen (up 0.1% year on year), and operating income was 104 million yen (down12.8% 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 3,409 million yen to 88,331 million yen, while net assets fell 541 million yen to 64,262 million yen. As a result, the equity ratio moved up 2.2 points to 72.8%.

The main changes in the assets portion include increases of 1,120 million yen in short-term investment securities and 1,153 million yen in buildings and structures, in contrast to decreases of 599 million yen in cash and deposits, 3,476 million yen in notes and accounts receivable-trade and 1,281 million yen in construction in progress. In the liabilities portion, there were decreases of 656million yen in short-term loans payable, 912 million yen in income taxes payable and 782 million yen in provision for bonuses

(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, 2015, which were released on May 8, 2014.

2. Matters Regarding Summary Information (Notes)

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

Changes in accounting policies

The Company adopted the stipulations in Article 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan [ASBJ] Statement No. 26 of May 17, 2012; hereafter, "Accounting Standard for Retirement Benefits") and Article 67 of Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 of May 17, 2012; hereafter, "Guidance") as of the first quarter of the consolidated fiscal year under review. Accordingly, the Company revised its method for calculating retirement benefit obligations and service costs, and changed its method of attributing expected retirement benefits to periods from a straight-line basis to a benefit formula basis. The method for determining the discounting rate has been changed from a method calculated on remaining years of service to one using a single weighted average discount rate reflecting the estimated payment period.

This change had no impact on retirement benefit liabilities and retained earnings at the beginning of the first quarter of the consolidated fiscal year under review, nor on operating income, ordinary income or income before income taxes and minority interests in the first quarter of the consolidated fiscal year under review.

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	12,899	12,299
Notes and accounts receivable-trade	15,596	12,119
Short-term investment securities	2,876	3,997
Merchandise and finished goods	9,781	9,784
Work in process	479	471
Raw materials and supplies	2,373	2,339
Deferred tax assets	2,132	1,703
Other	1,979	2,223
Allowance for doubtful accounts	(338)	(341)
Total current assets	47,780	44,597
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	21,938	23,268
Accumulated depreciation	(12,716)	(12,892)
Buildings and structures, net	9,221	10,375
Machinery, equipment and vehicles	6,095	6,063
Accumulated depreciation	(5,266)	(5,247)
Machinery, equipment and vehicles, net	829	815
Tools, furniture and fixtures	16,164	15,980
Accumulated depreciation	(15,156)	(15,019)
Tools, furniture and fixtures, net	1,008	960
Land	17,071	17,067
Lease assets	356	361
Accumulated depreciation	(151)	(165)
Lease assets, net	205	196
Construction in progress	1,300	18
Other	9,692	9,558
Accumulated depreciation	(6,585)	(6,236)
Other, net	3,106	3,321
Total property, plant and equipment	32,742	32,756
Intangible assets		
Goodwill	679	511
Software	2,232	2,140
Other	1,674	1,587
Total intangible assets	4,586	4,238
Investments and other assets		
Investment securities	1,945	2,069
Long-term loans receivable	182	175
Deferred tax assets	1,142	1,158
Other	3,422	3,394
Allowance for doubtful accounts	(61)	(59)
Total investments and other assets	6,631	6,738
Total noncurrent assets	43,960	43,733
Total assets	91,740	88,331

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,560	9,351
Short-term loans payable	2,615	1,958
Current portion of long-term loans payable	2	2
Income taxes payable	1,286	374
Provision for bonuses	1,657	874
Provision for directors' bonuses	93	22
Provision for product warranties	53	48
Other	6,550	6,680
Total current liabilities	21,819	19,311
Noncurrent liabilities		
Long-term loans payable	33	33
Net defined benefit liability	4,589	4,265
Other	495	458
Total noncurrent liabilities	5,117	4,757
Total liabilities	26,936	24,068
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	42,467	42,013
Treasury stock	(5,935)	(5,974)
Total shareholders' equity	65,426	64,934
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	343	472
Foreign currency translation adjustment	(169)	(368)
Remeasurements of defined benefit plans	(796)	(775)
Total accumulated other comprehensive income	(622)	(671)
Total net assets	64,804	64,262
Total liabilities and net assets	91,740	88,331

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

	(Millions of yen)	
	Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Net sales	19,655	19,829
Cost of sales	8,567	8,207
Gross profit	11,088	11,622
Selling, general and administrative expenses	10,131	10,273
Operating income	957	1,349
Non-operating income		
Interest income	46	40
Dividends income	23	27
Foreign exchange gains	95	-
Other	73	67
Total non-operating income	239	135
Non-operating expenses		
Interest expenses	16	13
Foreign exchange losses	-	20
Other	39	12
Total non-operating expenses	56	47
Ordinary income	1,139	1,437
Extraordinary income		
Gain on transfer of goodwill	44	-
Total extraordinary income	44	-
Income before income taxes and minority interests	1,184	1,437
Income taxes	488	636
Income before minority interests	696	801
Net income	696	801

(Consolidated quarterly statements of comprehensive income)

(Millions of yen)

	Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Income before minority interests	696	801
Other comprehensive income		
Valuation difference on available-for-sale securities	151	129
Foreign currency translation adjustment	481	(199)
Remeasurements of defined benefit plans	–	21
Total other comprehensive income	633	(48)
Comprehensive income	1,329	752
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,329	752
Comprehensive income attributable to minority 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)

No items to report

(Segment information)

1. Three months ended June 30, 2013 (from April 1, 2013 to June 30, 2013)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business					Real estate business and others	Total
	Japan	The Americas	Europe	Asia	Total		
Sales	11,510	1,312	3,829	2,640	19,293	362	19,655
Segment income (loss)	1,281	(310)	(137)	3	836	120	957

Notes: 1. Real estate business and others includes real estate business, print creating business.

2. The main countries and areas included in each segment for the printing equipment business are as follows:

- (1) The Americas U.S. and Canada
- (2) Europe Germany, United Kingdom and France
- (3) Asia China, Thailand, South Korea and India

3. The total amount of segment income (loss) is same as the operating income amount on the consolidated quarterly statement of income.

2. Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business					Real estate business and others	Total
	Japan	The Americas	Europe	Asia	Total		
Sales	10,889	1,281	4,438	2,857	19,467	362	19,829
Segment income (loss)	1,087	(240)	320	76	1,244	104	1,349

Notes: 1. Real estate business and others includes real estate business and print creating business.

2. The main countries and areas included in each segment for the printing equipment business are as follows:

- (1) The Americas U.S. and Canada
- (2) Europe Germany, United Kingdom and France
- (3) Asia China, Thailand, South Korea and India

3. The total amount of segment income (loss) is same as the operating income amount on the consolidated quarterly statement 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 July 31, 2014 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 700,000 shares |
| (4) Total purchase cost: | Up to 2,000,000,000 yen |
| (5) Purchase period: | From August 18, 2014 to October 28, 2014 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |