

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2014 <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, 2013
 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, 2014 (from April 1, 2013 to June 30, 2013)

(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, 2013	19,655	10.4	957	(7.5)	1,139	17.7	696	(19.8)
June 30, 2012	17,801	(3.2)	1,035	43.4	968	25.2	867	23.9

Note: Comprehensive Income

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

Three months ended June 30, 2012: (30) million yen / –.%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended		
June 30, 2013	30.57	–
June 30, 2012	36.40	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
June 30, 2013	90,804	64,092	70.6	2,886.10
March 31, 2013	95,452	66,033	69.2	2,857.52

Reference: Shareholders' Equity As of June 30, 2013: 64,092 million yen As of March 31, 2013: 66,033 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, 2013	–	0.00	–	55.00	55.00
Fiscal year ending March 31, 2014	–				
Fiscal year ending March 31, 2014 (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, 2014 (from April 1, 2013 to March 31, 2014)

(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, 2013	37,600	6.6	2,000	(9.2)	2,050	(6.5)	1,300	(20.9)	56.26
Fiscal year ending March 31, 2014	79,300	5.1	5,400	10.0	5,500	(0.2)	3,600	(25.4)	155.79

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 June 30, 2013	23,703,166 shares
As of March 31, 2013	23,703,166 shares

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

As of June 30, 2013	1,495,942 shares
As of March 31, 2013	594,498 shares

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

Three months ended June 30, 2013	22,775,478 shares
Three months ended June 30, 2012	23,846,812 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, both domestic and overseas sales were firm. The weakening yen exchange rate was one of the largest factors that contributed to a strong increase in overall sales compared to the previous year. In terms of profitability, meanwhile, selling, general and administrative expenses increased due to the depreciation of yen, increase of the expenses associated with the establishment of the new development base, sales promotion, etc., and operating income was lower year on year. As a result, net sales were 19,655 million yen (up 10.4% year on year), operating income was 957 million yen (down 7.5% year on year), ordinary income was 1,139 million yen (up 17.7% year on year), and net income amounted to 696 million yen (down 19.8% year on year).

The average exchange rates during the current consolidated three months period were 98.76 yen (a 18.56 yen depreciation of the yen year on year) for the US dollar and 128.95 yen (a 26.04 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, both the domestic and overseas sales trends grew strongly. Sales went well for the digital duplicating business in Europe, but fell in other regions. Net sales in the printing equipment business were 19,293 million yen (up 10.7% year on year), mainly due to yen depreciation. Operating income was 836 million yen (down 9.7% year on year).

Japan

In the inkjet business, there were strong sales of the new series that were released in Japan in January this year, resulting in an increase overall sales. Net sales increased to 11,510 million yen (up 1.6% year on year) Operating income, meanwhile, was 1,281 million yen (down 5.8% year on year) as a result of increases in selling, general and administrative expenses.

The Americas

Overall net sales increased due to growth in the inkjet business and the effect of exchange rate. Net sales were 1,312 million yen (up 24.2% year on year), while the operating loss was 310 million yen (compared with an operating loss of 275 million yen in the same period of the previous year).

Europe

Sales of hardware were strong both in the inkjet business and the digital duplicating business. As a result, overall sales grew over the previous year. Net sales were 3,829 million yen (up 32.6% year on year) mainly due to the effect of exchange rate. And operating loss was 137 million yen (compared with an operating loss of 201 million yen in the same period of the previous year).

Asia

Net sales were 2,640 million yen (up 22.3% year on year) due to the effect of exchange rate. Operating income, meanwhile, was 3 million yen (down 92.2% year on year) due to the increase in selling, general and administrative expenses.

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, mainly engaged in the print service business.

Net sales in the real estate and others were 362million yen (down 1.0% year on year), and operating income was 120 million yen (up11.1% 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 4,647 million yen to 90,804 million yen, while net assets fell 1,941 million yen to 64,092 million yen. As a result, the equity ratio moved up 1.4 points to 70.6%.

The main changes in the assets portion include an increase of 4,053 million yen in buildings and structures, in contrast to decreases of 1,327 million yen in cash and deposits, 2,206 million yen in notes and accounts receivable-trade, 3,482 million yen in short-term investment securities and 2,703 million yen in construction in progress. In the liabilities portion, there was a decrease of 2,044 million yen in income taxes payable.

(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, 2014, which were released on May 7, 2013.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
Assets		
Current assets		
Cash and deposits	13,901	12,574
Notes and accounts receivable-trade	14,936	12,730
Short-term investment securities	8,987	5,505
Merchandise and finished goods	9,304	9,632
Work in process	486	505
Raw materials and supplies	2,421	2,654
Deferred tax assets	2,045	1,630
Other	1,638	1,884
Allowance for doubtful accounts	(291)	(312)
Total current assets	53,429	46,804
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	17,914	22,082
Accumulated depreciation	(12,290)	(12,404)
Buildings and structures, net	5,624	9,677
Machinery, equipment and vehicles	7,547	7,706
Accumulated depreciation	(6,523)	(6,674)
Machinery, equipment and vehicles, net	1,024	1,032
Tools, furniture and fixtures	14,940	15,106
Accumulated depreciation	(14,051)	(14,049)
Tools, furniture and fixtures, net	889	1,056
Land	17,129	17,126
Lease assets	263	253
Accumulated depreciation	(124)	(122)
Lease assets, net	138	130
Construction in progress	2,978	275
Other	10,021	9,884
Accumulated depreciation	(7,483)	(7,050)
Other, net	2,537	2,833
Total property, plant and equipment	30,323	32,132
Intangible assets		
Goodwill	1,344	1,179
Software	2,404	2,332
Other	1,887	1,924
Total intangible assets	5,636	5,436
Investments and other assets		
Investment securities	1,824	2,003
Long-term loans receivable	190	227
Deferred tax assets	898	967
Other	3,207	3,290
Allowance for doubtful accounts	(58)	(59)
Total investments and other assets	6,062	6,430
Total noncurrent assets	42,022	43,999
Total assets	95,452	90,804

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,149	11,193
Short-term loans payable	2,839	2,860
Current portion of long-term loans payable	2	2
Income taxes payable	2,384	340
Provision for bonuses	1,631	836
Provision for directors' bonuses	66	18
Provision for product warranties	48	45
Other	6,847	6,969
Total current liabilities	24,969	22,267
Noncurrent liabilities		
Long-term loans payable	35	35
Provision for retirement benefits	3,807	3,846
Other	605	563
Total noncurrent liabilities	4,448	4,444
Total liabilities	29,418	26,712
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	39,159	38,585
Treasury stock	(935)	(2,935)
Total shareholders' equity	67,118	64,543
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	249	400
Foreign currency translation adjustment	(1,334)	(852)
Total accumulated other comprehensive income	(1,085)	(451)
Total net assets	66,033	64,092
Total liabilities and net assets	95,452	90,804

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

	(Millions of yen)	
	Three months ended June 30, 2012 (From April 1, 2012 to June 30, 2012)	Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)
Net sales	17,801	19,655
Cost of sales	7,659	8,567
Gross profit	10,142	11,088
Selling, general and administrative expenses	9,107	10,131
Operating income	1,035	957
Non-operating income		
Interest income	43	46
Dividends income	21	23
Foreign exchange gains	-	95
Other	105	73
Total non-operating income	170	239
Non-operating expenses		
Interest expenses	13	16
Foreign exchange losses	197	-
Other	26	39
Total non-operating expenses	237	56
Ordinary income	968	1,139
Extraordinary income		
Gain on transfer of goodwill	22	44
Total extraordinary income	22	44
Income before income taxes and minority interests	990	1,184
Income taxes	122	488
Income before minority interests	867	696
Net income	867	696

(Consolidated quarterly statements of comprehensive income)

	(Millions of yen)	
	Three months ended June 30, 2012 (From April 1, 2012 to June 30, 2012)	Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)
Income before minority interests	867	696
Other comprehensive income		
Valuation difference on available-for-sale securities	(178)	151
Foreign currency translation adjustment	(720)	481
Total other comprehensive income	(898)	633
Comprehensive income	(30)	1,329
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(30)	1,329
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)

The Company purchased treasury stock during the current first quarter. As a result, treasury stock increased 1,999 million yen during the first quarter and amounted to 2,935 million yen at the end of the current first quarter.

(Segment information)

1. Three months ended June 30, 2012 (from April 1, 2012 to June 30, 2012)

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	11,332	1,056	2,888	2,158	17,435	365	17,801
Segment income (loss)	1,359	(275)	(201)	44	926	108	1,035

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, 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 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, 2013 to purchase treasury stock as described below, pursuant to the provisions of Article 156, Paragraph 1 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 1,000,000 shares |
| (4) Total purchase cost: | Up to 2,000,000,000 yen |
| (5) Purchase period: | From August 9, 2013 to September 20, 2013 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |