

Fiscal 2005 1st Quarterly Report of Consolidated Results



August 3, 2004

Company Name: RISO KAGAKU CORPORATION

(Listed Stock / Code: 6413)

(URL: <http://www.riso.co.jp/>)

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1. Drafting Notes of Quarterly Financial Statements

- 1) Simplified Accounting Methods Applied : Yes
 - The simplified tax effect accounting has been applied for tax expenses.
- 2) Changes in Accounting Standards from the Previous Fiscal Year : No
- 3) Changes in Scope of Consolidation and Application of Equity Method : No

2. Consolidated Quarterly Results (April 1, 2004 to June 30, 2004)

(1) Consolidated Operating Results (Millions of yen, rounded down)

| | Net Sales | | Operating Income | | Recurring Income | |
|-----------------------|-----------------|-----------|------------------|------------|------------------|------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| 1st Quarter of FY2005 | 19,477 | [- 3.9] | 1,402 | [- 26.1] | 1,470 | [- 21.7] |
| 1st Quarter of FY2004 | 20,278 | [---] | 1,897 | [---] | 1,879 | [---] |
| FY 2004 | 83,666 | | 8,353 | | 6,680 | |

| | Net Income | | Net Income Per Share | | Diluted Net Income Per Share | |
|-----------------------|-----------------|------------|----------------------|--------|------------------------------|-----|
| | Millions of yen | % | Yen | Yen | Yen | Yen |
| 1st Quarter of FY2005 | 695 | [- 31.5] | 51.33 | 49.00 | | |
| 1st Quarter of FY2004 | 1,015 | [---] | 74.91 | 70.29 | | |
| FY 2004 | 3,604 | | 261.29 | 246.46 | | |

(Notes)

- We started to report the quarterly business results from the 1st quarter of fiscal 2004. Therefore, year-over-year changes are not given for the operating results in the 1st quarter of fiscal 2004.

< Overview of Consolidated Operating Results >

The operating results in the 1st quarter of fiscal 2005 were favorable in Japan, owing to the sales promotion of the full color inkjet printer, RISO HC5000, as well as the stable sales of digital duplicators. In overseas markets, on the other hand, the year-over-year revenues dropped because of the negative effects of exchange rate fluctuation and the below-planned-level unit sales of digital duplicators in Americas and Europe.

As a result, the consolidated net sales for this quarterly period amounted to ¥19,477 million (96.1% on a year-to-year comparison), operating income ¥1,402 million (73.9%), recurring income ¥1,470 million (78.3%) and net income ¥695 million (68.5%).

(2) Consolidated Financial Position (Millions of yen, rounded down)

| | Total Assets | Shareholders' Equity | Equity Ratio | Book Value Per Share |
|----------------|-----------------|----------------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| June 30, 2004 | 105,611 | 63,899 | 60.5 | 4,713.03 |
| June 30, 2003 | 106,625 | 61,427 | 57.6 | 4,530.78 |
| March 31, 2004 | 107,374 | 63,732 | 59.4 | 4,696.16 |

(3) Consolidated Cash Flows (Millions of yen, rounded down)

| | Operating Activities | Investing Activities | Financing Activities | Period-end Cash and Cash Equivalents |
|-----------------------|----------------------|----------------------|----------------------|--------------------------------------|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| 1st Quarter of FY2005 | 1,481 | - 749 | - 794 | 31,832 |
| 1st Quarter of FY2004 | 2,098 | - 878 | - 1,245 | 34,985 |
| FY 2004 | 6,587 | - 5,979 | - 3,541 | 31,832 |

< Overview of Consolidated Financial Positions >

Cash Flows From Operating Activities

Operating activities provided ¥1,481 million as net cash. This position resulted from both the main cash inflows of ¥1,470 million as income before income taxes and of ¥2,820 million as decrease in accounts receivable, and the main cash outflows of ¥1,398 million as payment of corporate income taxes and of ¥838 million as decrease in accrued bonuses.

Cash Flows From Investing Activities

Investing activities used ¥749 million as net cash. This position resulted from the main cash outflows of ¥436 million as acquisition of tangible fixed assets and of ¥300 million as purchase of marketable securities.

Cash Flows From Financing Activities

Financing activities used ¥794 million as net cash. This position resulted from the main cash outflow of ¥813 million as payment of dividends.

3. Forecast for FY 2005 (April 1, 2004 to March 31, 2005) (Millions of yen, rounded down)

| | Net Sales | Recurring Income | Net Income | Net Income Per Share |
|------------------|-----------------|------------------|-----------------|----------------------|
| | Millions of yen | Millions of yen | Millions of yen | Yen |
| Interim Results | 40,000 | 1,500 | 800 | 59.01 |
| Year-end Results | 87,900 | 6,130 | 3,680 | 271.43 |

< Overview of Consolidated Result Forecast >

No change has been made in the fiscal 2005 consolidated result forecast, which was released on May 13, 2004.

[NOTES]

The above forecasts are based on beliefs and assumptions of management in light of information currently available to it at the time of announcement and are subject to a number of uncertainties that may affect future results. A number of factors could cause actual results to differ materially from forecasts.

[Attached Documents]

- Brief quarterly consolidated balance sheets
- Brief quarterly consolidated statements of income
- Quarterly consolidated surplus statements
- Quarterly consolidated statements of cash flows
- Segment information

Quarterly Consolidated Financial Statements

[1] Brief Quarterly Consolidated Balance Sheets

| Item | 1st Quarter of FY 2005 (As of June 30, 2004) | 1st Quarter of FY 2004 (As of June 30, 2003) | Year-over-Year Change | | FY2004 (As of March 31, 2004) |
|-----------------------------------------------|---------------------------------------------------|---------------------------------------------------|-----------------------------|-------------------|---------------------------------------|
| | Amount (Millions of yen) | Amount (Millions of yen) | Amount (Millions of yen) | Percentage (%) | Amount (Millions of yen) |
| (ASSETS) | | | | | |
| Current assets | | | | | |
| 1. Cash and deposits | 30,377 | 35,033 | (4,655) | - 13.3 | 30,377 |
| 2. Notes and accounts receivable | 13,549 | 14,027 | (477) | - 3.4 | 16,153 |
| 3. Marketable securities | 2,799 | - | 2,799 | - | 2,799 |
| 4. Inventories | 11,872 | 11,816 | 56 | + 0.5 | 11,303 |
| 5. Deferred tax assets (short) | 2,658 | 3,024 | (365) | - 12.1 | 2,700 |
| 6. Others | 1,546 | 1,750 | (203) | - 11.6 | 1,587 |
| Allowance for doubtful receivables (short) | (944) | (922) | (21) | + 2.3 | - 851 |
| Total current assets | 61,860 | 64,729 | (2,869) | - 4.4 | 64,070 |
| Fixed assets | | | | | |
| 1. Tangible fixed assets | | | | | |
| (1) Buildings and structures | 8,812 | 5,622 | 3,189 | + 56.7 | 8,934 |
| (2) Machinery, equipment and vehicles | 1,806 | 1,871 | (65) | - 3.5 | 1,916 |
| (3) Tools, furniture and fixtures | 2,362 | 1,469 | 892 | + 60.7 | 2,400 |
| (4) Land | 14,899 | 14,898 | 0 | 0.0 | 14,899 |
| (5) Construction in progress | 54 | 2,859 | (2,804) | - 98.1 | 291 |
| (6) Others | 4,654 | 4,558 | 95 | + 2.1 | 4,315 |
| Total tangible fixed assets | 32,588 | 31,279 | 1,308 | + 4.2 | 32,758 |
| 2. Intangible fixed assets | | | | | |
| (1) Trade rights | 406 | 420 | (13) | - 3.3 | 408 |
| (2) Software | 1,214 | 1,099 | 115 | + 10.5 | 1,163 |
| (3) Consolidated adjustment account | 59 | 77 | (18) | - 23.6 | 63 |
| (4) Others | 399 | 388 | 11 | + 2.9 | 249 |
| Total intangible fixed assets | 2,079 | 1,985 | 94 | + 4.8 | 1,885 |
| 3. Investments and other securities | | | | | |
| (1) Investment in securities | 3,933 | 2,684 | 1,294 | + 46.5 | 3,375 |
| (2) Long-term advances | 352 | 393 | (41) | - 10.4 | 375 |
| (3) Deferred tax assets (long) | 1,297 | 2,055 | (757) | - 36.9 | 1,391 |
| (4) Others | 3,789 | 3,799 | (9) | - 0.3 | 3,801 |
| Allowance for doubtful receivables (long) | (290) | (302) | 11 | - 3.8 | (283) |
| Total investments and other securities | 9,082 | 8,630 | 452 | + 5.2 | 8,659 |
| Total fixed assets | 43,751 | 41,895 | 1,855 | + 4.4 | 43,303 |
| Total assets | 105,611 | 106,625 | (1,013) | - 1.0 | 107,374 |

| Item | 1st Quarter of FY 2005 (As of June 30, 2004) | 1st Quarter of FY 2004 (As of June 30, 2003) | Year-over-Year Change | | FY2004 (As of March 31, 2004) |
|-------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|-----------------------------|-------------------|---------------------------------------|
| | Amount (Millions of yen) | Amount (Millions of yen) | Amount (Millions of yen) | Percentage (%) | Amount (Millions of yen) |
| (LIABILITIES) | | | | | |
| Current liabilities | | | | | |
| 1. Notes and accounts payable | 10,004 | 10,591 | (587) | - 5.5 | 10,347 |
| 2. Short-term loans | 4,965 | 7,695 | (2,730) | - 35.5 | 4,799 |
| 3. Long-term bank borrowings due within one year | 67 | 52 | 15 | + 30.0 | 67 |
| 4. Accrued taxes | 703 | 742 | (38) | - 5.2 | 1,367 |
| 5. Accrued bonuses | 813 | 777 | 36 | + 4.6 | 1,644 |
| 6. Accrued warranty costs | 29 | 47 | (18) | - 37.9 | 35 |
| 7. Others | 4,315 | 5,203 | (887) | - 17.1 | 4,663 |
| Total current liabilities | 20,899 | 25,109 | (4,209) | - 16.8 | 22,925 |
| Long-term liabilities | | | | | |
| 1. Convertible bonds | 16,915 | 16,915 | - | - | 16,915 |
| 2. Long-term bank borrowings | 243 | 297 | (54) | - 18.2 | 260 |
| 3. Employees' retirement allowances | 2,811 | 2,405 | 406 | + 16.9 | 2,724 |
| 4. Directors' retirement allowances | 250 | 147 | 103 | + 70.2 | 308 |
| 5. Equity-method liabilities | 178 | - | 178 | - | 106 |
| 6. Others | 281 | 183 | 97 | + 53.3 | 275 |
| Total long-term liabilities | 20,679 | 19,947 | 731 | + 3.7 | 20,589 |
| Total liabilities | 41,579 | 45,057 | (3,478) | - 7.7 | 43,515 |
| (MINORITY INTERESTS) | | | | | |
| Minority interests | 132 | 139 | (6) | - 4.9 | 126 |
| (SHAREHOLDERS' EQUITY) | | | | | |
| Common stock | 14,114 | 14,114 | - | - | 14,114 |
| Capital reserve | 14,779 | 14,779 | 0 | 0.0 | 14,779 |
| Retained earnings | 36,493 | 34,084 | 2,409 | + 7.1 | 36,673 |
| Net unrealized holding gains or losses on securities | 883 | 38 | 845 | + 2,220.2 | 730 |
| Foreign currency translation adjustments | (969) | (185) | (783) | + 421.4 | (1,163) |
| Treasury stock | (1,402) | (1,402) | 0 | 0.0 | (1,402) |
| Total shareholders' equity | 63,899 | 61,427 | 2,471 | + 4.0 | 63,732 |
| Total liabilities, minority interests and shareholders' equity | 105,611 | 106,625 | (1,013) | - 1.0 | 107,374 |

[2] Brief Quarterly Consolidated Statements of Income

| Item | 1st Quarter of FY 2005 (3 months ended June 30, 2004) | 1st Quarter of FY 2004 (3 months ended June 30, 2003) | Year-over-Year Change | | FY2004 (Year ended Mar. 31, 2004) |
|--------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|-----------------------------|-------------------|-------------------------------------------|
| | Amount (Millions of yen) | Amount (Millions of yen) | Amount (Millions of yen) | Percentage (%) | Amount (Millions of yen) |
| Net sales | 19,477 | 20,278 | (800) | - 3.9 | 83,666 |
| Cost of sales | 8,736 | 8,875 | (138) | - 1.6 | 36,538 |
| Gross profit | 10,740 | 11,402 | (662) | - 5.8 | 47,128 |
| Selling, general and administrative expenses | 9,338 | 9,505 | (166) | - 1.8 | 38,774 |
| Operating income | 1,402 | 1,897 | (495) | - 26.1 | 8,353 |
| Other income | 254 | 208 | 45 | + 21.8 | 525 |
| 1. Interest income | 66 | 74 | (7) | - 10.2 | 140 |
| 2. Exchange gains | 64 | 39 | 24 | + 63.8 | - |
| 3. Gains on sale of investment securities | - | - | - | - | 102 |
| 4. Others | 123 | 95 | 28 | + 29.7 | 282 |
| Other expenses | 186 | 227 | (40) | - 18.0 | 2,198 |
| 1. Interest expenses | 113 | 138 | (24) | - 17.8 | 544 |
| 2. Losses on sale of investment securities | - | 2 | (2) | - | - |
| 3. Equity method losses | 14 | - | 14 | - | 652 |
| 4. Exchange losses | - | - | - | - | 569 |
| 5. Others | 58 | 85 | (27) | - 32.3 | 431 |
| Recurring income | 1,470 | 1,879 | (408) | - 21.7 | 6,680 |
| Income before income taxes | 1,470 | 1,879 | (408) | - 21.7 | 6,680 |
| Corporate income tax and other tax expenses | 774 | 862 | (87) | - 10.2 | 3,070 |
| Minority interest in net income of consolidated subsidiaries | 0 | 1 | (1) | - 72.4 | 5 |
| Net income | 695 | 1,015 | (319) | - 31.5 | 3,604 |

[3] Quarterly Consolidated Surplus Statements

| Item | 1st Quarter of FY 2005 (3 months ended June 30, 2004) | 1st Quarter of FY 2004 (3 months ended June 30, 2003) | FY2004 (Year ended Mar. 31, 2004) | |
|------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------|-------------------------------|
| | Amount (Millions of yen) | Amount (Millions of yen) | Amount (Millions of yen) | Amount (Millions of yen) |
| (CAPITAL RESERVE) | | | | |
| Capital reserve brought forward | | 14,779 | 14,779 | 14,779 |
| Increases | | | | |
| 1. Gains on retirement of treasury stock | - | - | - | 0 |
| Capital reserve carried forward | | 14,779 | 14,779 | 14,779 |
| (RETAINED EARNINGS) | | | | |
| Retained earnings brought forward | | 36,673 | 33,864 | 33,864 |
| Increases | | | | |
| 1. Net income | 695 | 695 | 1,015 | 3,604 |
| Decreases | | | | |
| 1. Dividends | 813 | | 745 | 745 |
| 2. Bonuses to directors | 62 | 875 | 50 | 795 |
| Retained earnings carried forward | | 36,493 | 34,084 | 36,673 |

[4] Quarterly Consolidated Statements of Cash Flows

| | 1st Quarter of FY 2005 (3 months ended June 30, 2004) | 1st Quarter of FY 2004 (3 months ended June 30, 2003) | FY2004 (Year ended Mar. 31, 2004) |
|--------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------|
| Item | Amount (Millions of yen) | Amount (Millions of yen) | Amount (Millions of yen) |
| Cash flows from operating activities | | | |
| Income before income taxes | 1,470 | 1,879 | 6,680 |
| Depreciation | 618 | 528 | 2,276 |
| Amortization of adjustments on consolidated accounts | 4 | 4 | 18 |
| Equity method losses | 14 | - | 652 |
| Increase in employees' retirement allowances | 87 | 137 | 456 |
| Decrease in directors' retirement allowances | (58) | (772) | (610) |
| Increase (decrease) in allowance for doubtful receivables | 85 | 28 | (0) |
| Decrease in accrued bonuses | (838) | (780) | - |
| Interest and dividends receivable | (66) | (74) | (140) |
| Interest payable | 113 | 138 | 544 |
| Exchange losses | 62 | 52 | 160 |
| Losses (gains) on sale of investment securities | - | 2 | (102) |
| Decrease (increase) in accounts receivable | 2,820 | 2,826 | (110) |
| Decrease (increase) in inventories | (378) | 444 | 96 |
| Decrease in accounts payable | (471) | (582) | (245) |
| Increase (decrease) in accrued expenses | (535) | 296 | (382) |
| Directors' bonuses paid | (62) | (50) | (50) |
| Others, net | 54 | (96) | 705 |
| Subtotal | 2,920 | 3,983 | 9,947 |
| Interest and dividends received | 66 | 74 | 140 |
| Interest paid | (107) | (139) | (539) |
| Income taxes paid | (1,398) | (1,820) | (2,961) |
| Net cash provided by operating activities | 1,481 | 2,098 | 6,587 |
| Cash flows from investing activities | | | |
| Increase in time deposits | (0) | (4) | (5) |
| Decrease in time deposits | 6 | 1 | 3 |
| Payments for purchase of marketable securities | - | - | (2,298) |
| Proceeds from sale of marketable securities | - | 300 | 1,300 |
| Payments for acquisition of tangible fixed assets | (436) | (1,133) | (4,749) |
| Payments for acquisition of intangible fixed assets | (74) | (129) | (374) |
| Payments for purchase of investment securities | (300) | - | (490) |
| Proceeds from sale of investment securities | - | 10 | 589 |
| Increase in loans receivable | - | - | (80) |
| Decrease in loans receivable | 25 | 15 | 101 |
| Others, net | 30 | 60 | 24 |
| Net cash used in investing activities | (749) | (878) | (5,979) |
| Cash flows from financing activities | | | |
| Net increase (decrease) in short-term loans | 38 | (350) | (2,636) |
| Proceeds from long-term bank borrowings | - | 20 | 70 |
| Repayments of long-term bank borrowings | (18) | (0) | (61) |
| Payments for redemption of corporate bonds | - | (169) | (169) |
| Cash dividends paid | (813) | (746) | (746) |
| Others, net | - | - | 0 |
| Net cash used in financing activities | (794) | (1,245) | (3,541) |
| Effect of exchange rate changes on cash and cash equivalents | 61 | 4 | (239) |
| Decrease in cash and cash equivalents | (0) | (20) | (3,173) |
| Cash and cash equivalents, beginning of term | 31,832 | 35,006 | 35,006 |
| Cash and cash equivalents, end of term | 31,832 | 34,985 | 31,832 |

Segment Information

[Segment Information by Business]

- 1st Quarter of FY2005 (3 months ended June 30, 2004) -

(Millions of yen)

| | Printing equipment-related business | Real estate business and others | Total | Inter-segment Elimination | Consolidated |
|-------------------------------|-------------------------------------------|------------------------------------|--------|------------------------------|--------------|
| Sales and operating income | | | | | |
| (1) External customer sales | 19,189 | 288 | 19,477 | - | 19,477 |
| (2) Inter-segment sales | - | 17 | 17 | (17) | - |
| [Total] | 19,189 | 305 | 19,495 | (17) | 19,477 |
| Costs and expenses | 17,983 | 108 | 18,092 | (17) | 18,074 |
| Operating income | 1,205 | 196 | 1,402 | - | 1,402 |

- 1st Quarter of FY 2004 (3 months ended June 30, 2003) -

We classify our businesses into two segments, "Printing equipment-related business" and "Others", but do not disclose the segment information by business because the Printing equipment-related business generates more than 90% of total net sales and operating income respectively.

[Segment Information by Geographic Area]

- 1st Quarter of FY2005 (3 months ended June 30, 2004) -

(Millions of yen)

| | Japan | Americas | Europe | Asia | Total | Inter-segment Elimination | Consolidated |
|--------------------------------------|--------|----------|--------|-------|--------|------------------------------|--------------|
| Sales and operating income (loss) | | | | | | | |
| (1) External customer sales | 10,781 | 2,817 | 3,880 | 1,997 | 19,477 | - | 19,477 |
| (2) Inter-segment sales | 4,439 | 0 | 128 | 1,460 | 6,029 | (6,029) | - |
| [Total] | 15,221 | 2,817 | 4,009 | 3,458 | 25,506 | (6,029) | 19,477 |
| Costs and expenses | 13,777 | 2,936 | 3,865 | 3,620 | 24,199 | (6,124) | 18,074 |
| Operating income (losses) | 1,443 | (118) | 144 | (162) | 1,307 | 95 | 1,402 |

- 1st Quarter of FY 2004 (3 months ended June 30, 2003) -

(Millions of yen)

| | Japan | Americas | Europe | Asia | Total | Inter-segment Elimination | Consolidated |
|--------------------------------------|--------|----------|--------|-------|--------|------------------------------|--------------|
| Sales and operating income (loss) | | | | | | | |
| (1) External customer sales | 10,340 | 3,435 | 4,214 | 2,288 | 20,278 | - | 20,278 |
| (2) Inter-segment sales | 4,536 | 0 | 101 | 101 | 4,739 | (4,739) | - |
| [Total] | 14,876 | 3,435 | 4,315 | 2,390 | 25,017 | (4,739) | 20,278 |
| Costs and expenses | 13,356 | 3,647 | 4,225 | 2,360 | 23,590 | (5,209) | 18,380 |
| Operating income (losses) | 1,519 | (211) | 90 | 29 | 1,427 | 470 | 1,897 |

[Overseas Segment Sales Data]

- 1st Quarter of FY2005 (3 months ended June 30, 2004) -

| | Americas | Europe | Asia | Total |
|-------------------------------------------------------|----------|--------|-------|--------|
| Overseas sales (Millions of yen) | 2,817 | 3,987 | 2,542 | 9,347 |
| Consolidated net sales (Millions of yen) | - | - | - | 19,477 |
| Ratio of overseas sales in consolidated net sales (%) | 14.5 | 20.5 | 13.1 | 48.0 |

- 1st Quarter of FY 2004 (3 months ended June 30, 2003) -

| | Americas | Europe | Asia | Total |
|-------------------------------------------------------|----------|--------|-------|--------|
| Overseas sales (Millions of yen) | 3,435 | 4,314 | 3,080 | 10,830 |
| Consolidated net sales (Millions of yen) | - | - | - | 20,278 |
| Ratio of overseas sales in consolidated net sales (%) | 16.9 | 21.3 | 15.2 | 53.4 |