

Fiscal 2005 3rd Quarterly Report of Consolidated Results



February 3, 2005

Company Name: RISO KAGAKU CORPORATION

(Listed Stock / Code: 6413)

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

Representative Director: Akira Hayama, President & CEO

Inquiries: Tomoo Saida, Director and General Manager of Finance & Accounting Dept.

TEL (03) 5441-6611

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 : Yes
 - A company has been newly added to the scope of consolidation.

2. Consolidated Three-Quarterly Results (April 1, 2004 to December 31, 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	%
3rd Quarter of FY2005	60,157	[0.0]	3,729	[- 23.1]	3,531	[0.7]
3rd Quarter of FY2004	60,155	[---]	4,851	[---]	3,505	[---]
FY 2004	83,666		8,353		6,680	

	Net Income		Net Income Per Share		Diluted Net Income Per	
	Millions of yen	%	Yen		Yen	
3rd Quarter of FY2005	2,030	[37.8]	149. 77		143. 18	
3rd Quarter of FY2004	1,473	[---]	108. 71		105. 81	
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 3rd quarter of fiscal 2004.

< Overview of Consolidated Operating Results >

The consolidated net sales for this three-quarterly period amounted to ¥60,157 million (0.0% increase on a year-to-year comparison). In Japan, sales were favorable, owing to the additional sales of the full color inkjet printer, RISO HC5000, as well as the stable sales of consumable products. In overseas markets, on the other hand, the revenues remained below the projected level because of the negative effects of exchange rate fluctuation and the increasing competition in Americas and China.

The consolidated operating income for the same period amounted to ¥3,729 million (23.1% drop on a year-to-year comparison), due to the increase of expenses for sales promotion of new products. The corresponding recurring income resulted in ¥3,531 million (0.7% rise), given the decrease of ORTEK-Corporation-related equity-method losses and foreign exchange losses. The net income for this period ended up to be ¥2,030 million (37.8% rise).

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

	Total Assets	Shareholders' Equity	Equity Ratio	Book Value Per Share
	Millions of yen	Millions of yen	%	Yen
December 31, 2004	109,850	65,051	59.2	4,798. 08
December 31, 2003	108,146	61,652	57.0	4,547. 29
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
3rd Quarter of FY2005	4,938	- 734	- 1,085	35,020
3rd Quarter of FY2004	5,863	- 4,457	- 1,812	34,329
FY 2004	6,587	- 5,979	- 3,541	31,832

< Overview of Consolidated Financial Positions >

The financial positions at the end of this three-quarterly period changed as given below since the previous fiscal year end.

The total assets increased ¥2,476 million and the shareholders' equity rose ¥1,318 million, causing the equity ratio to be 59.2%.

The main contributing factors of the above financial position change are 2,979-million-yen increase in cash and deposits,

1,546-million-yen rise in inventories and 1,022-million-yen drop in notes and accounts receivable, on assets' side, along with 1,150-million-yen increase in notes and accounts payable on liabilities' side.

Cash Flows From Operating Activities

Operating activities provided ¥4,938 million as net cash, with the acquisition of ¥5,863-million net cash reported in the same period of the previous year. This position resulted from both the main cash inflows of ¥3,531 million as income before income taxes and of ¥2,112 million as depreciation allowance, and the main cash outflow of ¥2,472 million as payment of corporate income taxes.

Cash Flows From Investing Activities

Investing activities used ¥734 million as net cash, with the use of ¥4,457-million net cash reported in the same period of the previous year. This position resulted from the main cash outflow of ¥1,042 million as acquisition of tangible fixed assets.

Cash Flows From Financing Activities

Financing activities used ¥1,085 million as net cash, with the use of ¥1,812-million net cash reported in the same period of the previous year. 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)

	Net Sales	Recurring Income	Net Income	Net Income Per Share
	Millions of yen	Millions of yen	Millions of yen	Yen
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 November 4, 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	3rd Quarter of FY 2005 (As of Dec. 31, 2004)	3rd Quarter of FY 2004 (As of Dec. 31, 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	33,357	34,374	(1,017)	- 3.0	30,377
2. Notes and accounts receivable	15,131	14,479	651	+ 4.5	16,153
3. Marketable securities	2,007	999	1,008	+ 100.9	2,799
4. Inventories	12,849	11,582	1,266	+ 10.9	11,303
5. Deferred tax assets (short)	2,538	3,016	(477)	- 15.8	2,700
6. Others	1,368	1,638	(270)	- 16.5	1,587
Allowance for doubtful receivables (short)	(1,025)	(933)	(92)	+ 9.9	(851)
Total current assets	66,227	65,158	1,069	+ 1.6	64,070
Fixed assets					
1. Tangible fixed assets					
(1) Buildings and structures	8,618	9,085	(466)	- 5.1	8,934
(2) Machinery, equipment and vehicles	2,060	1,868	192	+ 10.3	1,916
(3) Tools, furniture and fixtures	2,485	2,350	134	+ 5.7	2,400
(4) Land	14,899	14,899	-	-	14,899
(5) Construction in progress	60	394	(334)	- 84.8	291
(6) Others	4,448	4,337	111	+ 2.6	4,315
Total tangible fixed assets	32,572	32,934	(362)	- 1.1	32,758
2. Intangible fixed assets					
(1) Trade rights	352	424	(72)	- 17.1	408
(2) Software	1,223	1,024	199	+ 19.5	1,163
(3) Consolidated adjustment account	47	68	(21)	- 31.1	63
(4) Others	338	315	23	+ 7.4	249
Total intangible fixed assets	1,962	1,833	128	+ 7.0	1,885
3. Investments and other securities					
(1) Investment in securities	3,543	2,947	595	+ 20.2	3,375
(2) Long-term advances	281	398	(117)	- 29.4	375
(3) Deferred tax assets (long)	1,503	1,614	(111)	- 6.9	1,391
(4) Others	4,059	3,536	523	+ 14.8	3,801
Allowance for doubtful receivables (long)	(298)	(276)	(21)	+ 7.8	(283)
Total investments and other securities	9,088	8,220	868	+ 10.6	8,659
Total fixed assets	43,622	42,988	634	+ 1.5	43,303
Total assets	109,850	108,146	1,704	+ 1.6	107,374

Item	3rd Quarter of FY 2005 (As of Dec. 31, 2004)	3rd Quarter of FY 2004 (As of Dec. 31, 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	11,498	12,380	(882)	- 7.1	10,347
2.Short -term loans	4,674	6,517	(1,843)	- 28.3	4,799
3.Long-term bank borrowings due within one year	67	60	7	+ 12.6	67
4.Accrued taxes	313	652	(338)	- 51.9	1,367
5.Accrued bonuses	911	859	51	+ 6.0	1,644
6.Accrued warranty costs	44	34	9	+ 28.7	35
7.Others	6,375	5,439	935	+ 17.2	4,663
Total current liabilities	23,885	25,944	(2,059)	- 7.9	22,925
Long-term liabilities					
1.Convertible bonds	16,915	16,915	-	-	16,915
2.Long-term bank borrowings	193	241	(48)	- 20.0	260
3.Employees' retirement allowances	2,960	2,607	353	+ 13.6	2,724
4.Directors' retirement allowances	269	296	(26)	- 9.1	308
5. Equity -method liabilities	153	113	39	+ 35.1	106
6.Others	284	244	40	+ 16.5	275
Total long-term liabilities	20,776	20,418	358	+ 1.8	20,589
Total liabilities	44,661	46,363	(1,701)	- 3.7	43,515
(MINORITY INTERESTS)					
Minority interests	137	131	6	+ 5.0	126
(SHAREHOLDERS' EQUITY)					
Common stock	14,114	14,114	-	-	14,114
Capital reserve	14,779	14,779	0	0.0	14,779
Retained earnings	37,828	34,542	3,285	+ 9.5	36,673
Net unrealized holding gains or losses on securities	715	476	238	+ 50.1	730
Foreign currency translation adjustments	(983)	(858)	(124)	+ 14.5	(1,163)
Treasury stock	(1,403)	(1,402)	(1)	+ 0.1	(1,402)
Total shareholders' equity	65,051	61,652	3,399	+ 5.5	63,732
Total liabilities, minority interests and shareholders' equity	109,850	108,146	1,704	+ 1.6	107,374

[2] Brief Quarterly Consolidated Statements of Income

Item	3rd Quarter of FY 2005 (3 months ended Dec. 31, 2004)	3rd Quarter of FY 2004 (3 months ended Dec. 31, 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	60,157	60,155	2	0.0	83,666
Cost of sales	27,611	26,307	1,304	+ 5.0	36,538
Gross profit	32,546	33,847	(1,301)	- 3.8	47,128
Selling, general and administrative expenses	28,816	28,995	(179)	- 0.6	38,774
Operating income	3,729	4,851	(1,121)	- 23.1	8,353
Other income	402	454	(51)	- 11.4	525
1.Interest income	65	75	(10)	- 13.5	76
2.Dividend income	62	64	(2)	- 3.2	64
3.Gains on sale of investment securities	-	102	(102)	- 100.0	102
4.Equity method gains	20	-	20	-	-
5.Others	253	211	41	+ 19.7	282
Other expenses	600	1,800	(1,199)	- 66.6	2,198
1.Interest expenses	343	402	(58)	- 14.6	544
2.Equity method losses	-	603	(603)	- 100.0	652
3.Exchange losses	46	492	(446)	- 90.6	569
4.Others	210	300	(90)	- 30.0	431
Recurring income	3,531	3,505	25	+ 0.7	6,680
Income before income taxes	3,531	3,505	25	+ 0.7	6,680
Corporate income tax and other tax expenses	1,488	2,024	(536)	- 26.5	3,070
Minority interest in net income of consolidated subsidiaries	12	7	5	+ 69.0	5
Net income	2,030	1,473	556	+ 37.8	3,604

[3] Quarterly Consolidated Surplus Statements

Item	3rd Quarter of FY 2005 (3 months ended Dec. 31, 2004)		3rd Quarter of FY 2004 (3 months ended Dec. 31, 2003)		FY2004 (Year ended Mar. 31, 2004)	
	Amount (Millions of yen)	Amount (Millions of yen)	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	0	0	0	0	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	2,030	2,030	1,473	1,473	3,604	3,604
Decreases						
1.Dividends	813		745		745	
2.Bonuses to directors	62	875	50	795	50	795
Retained earnings carried forward		37,828		34,542		36,673

[4] Quarterly Consolidated Statements of Cash Flows

	3rd Quarter of FY 2005 (3 months ended Dec. 31, 2004)	3rd Quarter of FY 2004 (3 months ended Dec. 31, 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	3,531	3,505	6,680
Depreciation	2,112	1,580	2,276
Amortization of adjustments on consolidated accounts	13	13	18
Equity method losses (gains)	(20)	603	652
Increase in employees' retirement allowances	236	339	456
Decrease in directors' retirement allowances	(38)	(622)	(610)
Increase (decrease) in allowance for doubtful receivables	178	71	(0)
Decrease in accrued bonuses	(737)	(688)	-
Interest and dividends receivable	(127)	(140)	(140)
Interest payable	343	402	544
Exchange losses	85	168	160
Losses (gains) on sale of investment securities	1	(102)	(102)
Decrease (increase) in accounts receivable	1,337	1,753	(110)
Decrease (increase) in inventories	(1,395)	(76)	96
Decrease in accounts payable	971	1,785	(245)
Increase (decrease) in accrued expenses	390	104	(382)
Directors' bonuses paid	(62)	(50)	(50)
Others, net	801	595	705
Subtotal	7,622	9,243	9,947
Interest and dividends received	127	140	140
Interest paid	(339)	(398)	(539)
Income taxes paid	(2,472)	(3,122)	(2,961)
Net cash provided by operating activities	4,938	5,863	6,587
Cash flows from investing activities			
Increase in time deposits	(307)	(5)	(5)
Decrease in time deposits	6	2	3
Payments for purchase of marketable securities	-	(999)	(2,298)
Proceeds from sale of marketable securities	999	300	1,300
Payments for acquisition of tangible fixed assets	(1,042)	(3,673)	(4,749)
Payments for acquisition of intangible fixed assets	(338)	(412)	(374)
Payments for purchase of investment securities	(300)	(490)	(490)
Proceeds from sale of investment securities	105	589	589
Increase in loans receivable	(16)	(81)	(80)
Decrease in loans receivable	110	51	101
Others, net	49	261	24
Net cash used in investing activities	(734)	(4,457)	(5,979)
Cash flows from financing activities			
Net decrease in short-term loans	(206)	(881)	(2,636)
Proceeds from long-term bank borrowings	-	42	70
Repayments of long-term bank borrowings	(63)	(58)	(61)
Payments for redemption of corporate bonds	-	(169)	(169)
Payments for retirement of treasury stock	(1)	-	-
Cash dividends paid	(813)	(746)	(746)
Others, net	0	0	0
Net cash used in financing activities	(1,085)	(1,812)	(3,541)
Effect of exchange rate changes on cash and cash equivalents	68	(270)	(239)
Increase (Decrease) in cash and cash equivalents	3,187	(676)	(3,173)
Cash and cash equivalents, beginning of term	31,832	35,006	35,006
Cash and cash equivalents, end of term	35,020	34,329	31,832

Segment Information

[Segment Information by Business]

- 3rd Quarter of FY2005 (3 months ended December 31, 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	59,295	861	60,157	-	60,157
(2) Inter-segment sales	-	53	53	(53)	-
[Total]	59,295	915	60,211	(53)	60,157
Costs and expenses	56,126	355	56,481	(53)	56,427
Operating income	3,169	560	3,729	-	3,729

- 3rd Quarter of FY 2004 (3 months ended December 31, 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]

- 3rd Quarter of FY2005 (3 months ended December 31, 2004) -

(Millions of yen)

	Japan	Americas	Europe	Asia	Total	Inter-segment Elimination	Consolidated
Sales and operating income (loss)							
(1) External customer sales	33,377	9,163	11,832	5,783	60,157	-	60,157
(2) Inter-segment sales	15,217	0	334	5,783	21,336	(21,336)	-
[Total]	48,595	9,163	12,167	11,566	81,493	(21,336)	60,157
Costs and expenses	45,182	9,544	11,805	11,302	77,835	(21,407)	56,427
Operating income (losses)	3,412	(380)	361	264	3,658	71	3,729

- 3rd Quarter of FY 2004 (3 months ended December 31, 2003) -

(Millions of yen)

	Japan	Americas	Europe	Asia	Total	Inter-segment Elimination	Consolidated
Sales and operating income (loss)							
(1) External customer sales	31,941	10,222	11,596	6,394	60,155	-	60,155
(2) Inter-segment sales	14,560	0	323	1,154	16,039	(16,039)	-
[Total]	46,502	10,223	11,919	7,549	76,194	(16,039)	60,155
Costs and expenses	42,189	10,636	11,851	7,395	72,074	(16,770)	55,303
Operating income (losses)	4,313	(413)	67	153	4,120	731	4,851

[Overseas Segment Sales Data]

- 3rd Quarter of FY2005 (3 months ended December 31, 2004) -

	Americas	Europe	Asia	Total
Overseas sales (Millions of yen)	9,163	12,006	7,455	28,626
Consolidated net sales (Millions of yen)	-	-	-	60,157
Ratio of overseas sales in consolidated net sales (%)	15.2	20.0	12.4	47.6

- 3rd Quarter of FY 2004 (3 months ended December 31, 2003) -

	Americas	Europe	Asia	Total
Overseas sales (Millions of yen)	10,222	11,727	8,444	30,394
Consolidated net sales (Millions of yen)	-	-	-	60,155
Ratio of overseas sales in consolidated net sales (%)	17.0	19.5	14.0	50.5