

Consolidated Financial Results for the Six 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
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Scheduled date to file Quarterly Report: November 12, 2014
 Scheduled date of dividend payment commencement: –
 Preparation of supplementary information on quarterly business results: Yes
 Holding of briefing on quarterly business results: Yes (for analysts, in Japanese)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the six months of the fiscal year ending March 31, 2015 (from April 1, 2014 to September 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	%
Six months ended								
September 30, 2014	40,107	2.7	2,872	35.5	3,072	30.5	2,214	43.6
September 30, 2013	39,057	10.7	2,119	(3.8)	2,355	7.5	1,542	(6.2)

Note: Comprehensive Income

Six months ended September 30, 2014: 3,016 million yen / 36.7%

Six months ended September 30, 2013: 2,206 million yen / 205.5%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended		
September 30, 2014	106.31	–
September 30, 2013	69.11	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2014	90,015	64,699	71.9
March 31, 2014	91,740	64,804	70.6

Reference: Shareholders' Equity As of September 30, 2014: 64,699 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	–	0.00			
Fiscal year ending March 31, 2015 (Forecasts)			–	30.00	30.00

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

As indicated in the Notice Regarding Stock Split, Amendment of Articles of Incorporation, and Revision of Dividend Forecast released on November 5, 2014, the Company plans to execute a two-for-one split of its common shares on January 1, 2015. As a result, the cash dividends per share for the fiscal year ending March 31, 2015 (forecast) was calculated based on the number of shares after the stock split. Not taking the stock split into consideration, the year-end cash dividends for the fiscal year ending March 31, 2015 (forecast) would be 60.00 yen per share, and the annual dividend would be 60.00 yen.

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
Fiscal year ending March 31, 2015	86,000	2.5	6,500	(1.3)	6,550	(8.9)	4,400	(3.9)	106.91

Note: Revisions to the forecasts in the current quarter: None

Net income per share stated in the “Forecasts for the fiscal year ending March 31, 2015” was calculated based on the assumption that the two-for-one stock split that will take effect on January 1, 2015 took place at the beginning of the fiscal year ending March 31, 2015. Not taking the stock split into consideration, net income per share would be 213.82 yen.

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 September 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 September 30, 2014	3,329,276 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)

Six months ended September 30, 2014	20,828,354 shares
Six months ended September 30, 2013	22,316,841 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.

* How to obtain quarterly financial results briefing materials

The Company plans to hold a briefing for securities analysts on November 7, 2014. The briefing material and quarterly financial results used on that day will be made available on the Company's website after the briefing.

* Other noteworthy matters

The Board of Directors resolved at a meeting held on November 5, 2014 to carry out a two-for-one split of its common stock effective January 1, 2015.

Attached Materials

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1. Qualitative Information regarding Consolidated Results for the Six 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 six months, overall net sales increased as a result of higher overseas sales in the printing equipment business, primarily in the inkjet business, and the effects of yen depreciation. Operating income was higher as a result of improved profitability in Europe and the effects from yen depreciation. As a result, net sales were 40,107 million yen (up 2.7% year on year), operating income was 2,872 million yen (up 35.5% year on year), and ordinary income was 3,072 million yen (up 30.5% year on year). Net income was 2,214 million yen (up 43.6% year on year) as a result of tax expense adjustments in conjunction with the sale of underutilized real estate.

The average exchange rates during the current consolidated six months period were 103.04 yen (a 4.19 yen depreciation of the yen year on year) for the US dollar and 138.92 yen (an 8.92 yen depreciation of the yen year on year) for the euro.

Results by segment are as follows:

a. Printing equipment business

RISO, as a part of its printing equipment business, engages in the inkjet business, principally with its ORPHIS high-speed color printers, and the digital duplicating business, consisting mainly of its RISOGRAPH digital duplicators.

In the inkjet business, overseas sales remain strong from the first quarter, particularly in Europe and Asia. In contrast, sales in the digital duplicating business increased in some developing countries, however overall the downward trend continued. Net sales in the printing equipment business were 39,388 million yen (up 2.8% year on year) and operating income was 2,661 million yen (up 41.2% year on year).

Japan

The negative reaction following increased demand at the end of the previous fiscal year prior to the consumption tax rate increase came to an end for the most part during the first quarter, and the impact on second-quarter results was minimal. The estimated impact was approximately 600 million yen. In the inkjet business, demand for consumables recovered and with the development of new applications, sales of optional equipment such as the "Wrapping Envelope Finisher" and the "Perfect Binder" increased, contributing to solid sales. The downward trend for sales in the digital duplicating business continued. Net sales were 22,442 million yen (down 1.6% year on year) and operating income was 2,203 million yen (down 1.8% year on year), as a result of the decline in sales.

The Americas

In the inkjet business, the unit sales of hardware increased, however sales of consumables faced difficult conditions and declined. Sales in the digital duplicating business also fell. Net sales were 2,780 million yen (down 3.4% year on year) and operating losses were 297 million yen (operating losses in the same period of the previous year were 245 million yen).

Europe

In the inkjet business, sales of both hardware and consumables were strong throughout Europe, particularly in France and the United Kingdom. Sales in the digital duplicating business, however, decreased. Net sales were up from the previous year's levels, partly due to the effect of exchange rates, reaching 8,433 million yen (up 14.5% year on year) and operating income was 584 million yen (operating losses in the same period of the previous year were 206 million yen), as a result of increased income from the inkjet business.

Asia

In the inkjet business, sales of hardware and consumables were strong in China and Southeast Asia. Also, sales were firm in the digital duplicating business in India and Southeast Asia. Net sales were 5,731 million yen (up 9.0% year on year) and operating income was 170 million yen (up 81.8% 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, mainly engaged in the print service business.

Net sales in the real estate business and others were 718 million yen (down 3.7% year on year) and operating income was 210 million yen (down 10.0% 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 1,725 million yen to 90,015 million yen, while net assets declined 104 million yen to 64,699 million yen. As a result, the equity ratio increased 1.3 points to 71.9%.

The main changes in the assets portion include an increase of 1,861 million yen in short-term investment securities and 1,049 million yen in buildings and structures, in contrast to decreases of 777 million yen in cash and deposits, 2,437 million yen in notes and accounts receivable-trade and 1,244 million yen in construction in progress. In the liabilities portion, there were decreases of 388 million yen in short-term loans payable, 398 million yen in income taxes payable and 627 million yen in net defined benefit liability

(Cash flows)

Net cash provided by operating activities was 5,006 million yen (up 574.6% year on year). This is mainly attributable to income before income taxes and minority interests of 3,046 million yen, depreciation and amortization of 1,417 million yen, a decrease in notes and accounts receivable-trade of 2,734 million yen, a decrease in net defined benefit liability of 629 million yen and income taxes paid of 1,333 million yen.

Net cash used in investing activities was 86 million yen (down 96.9% year on year). This is primarily the result of the expenses of 845 million yen for payments into time deposits, 701 million yen for the purchase of property, plant and equipment, 342 million yen for the purchase of intangible assets, and proceeds from withdrawal of time deposits of 1,776 million yen.

Net cash used in financing activities was 3,667 million yen (down 32.7% year on year). The result mainly reflects net decrease of 504 million yen in short-term loans payable, an expense of 1,866 million yen for the purchase of treasury stock and payments of 1,255 million yen for cash dividends.

(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 half of the consolidated fiscal year under review.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	12,899	12,121
Notes and accounts receivable-trade	15,596	13,158
Short-term investment securities	2,876	4,738
Merchandise and finished goods	9,781	9,480
Work in process	479	634
Raw materials and supplies	2,373	2,590
Deferred tax assets	2,132	2,165
Other	1,979	2,326
Allowance for doubtful accounts	(338)	(381)
Total current assets	47,780	46,834
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	21,938	23,370
Accumulated depreciation	(12,716)	(13,098)
Buildings and structures, net	9,221	10,271
Machinery, equipment and vehicles	6,095	6,037
Accumulated depreciation	(5,266)	(5,181)
Machinery, equipment and vehicles, net	829	855
Tools, furniture and fixtures	16,164	16,136
Accumulated depreciation	(15,156)	(15,147)
Tools, furniture and fixtures, net	1,008	989
Land	17,071	17,034
Lease assets	356	359
Accumulated depreciation	(151)	(172)
Lease assets, net	205	187
Construction in progress	1,300	56
Other	9,692	9,637
Accumulated depreciation	(6,585)	(6,128)
Other, net	3,106	3,509
Total property, plant and equipment	32,742	32,903
Intangible assets		
Goodwill	679	344
Software	2,232	2,108
Other	1,674	1,488
Total intangible assets	4,586	3,941
Investments and other assets		
Investment securities	1,945	2,136
Long-term loans receivable	182	153
Deferred tax assets	1,142	1,161
Other	3,422	2,940
Allowance for doubtful accounts	(61)	(54)
Total investments and other assets	6,631	6,337
Total noncurrent assets	43,960	43,181
Total assets	91,740	90,015

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,560	9,601
Short-term loans payable	2,615	2,226
Current portion of long-term loans payable	2	2
Income taxes payable	1,286	888
Provision for bonuses	1,657	1,687
Provision for directors' bonuses	93	42
Provision for product warranties	53	43
Other	6,550	6,402
Total current liabilities	21,819	20,894
Noncurrent liabilities		
Long-term loans payable	33	32
Net defined benefit liability	4,589	3,961
Other	495	428
Total noncurrent liabilities	5,117	4,422
Total liabilities	26,936	25,316
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	42,467	43,427
Treasury stock	(5,935)	(7,802)
Total shareholders' equity	65,426	64,518
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	343	529
Foreign currency translation adjustment	(169)	405
Remeasurements of defined benefit plans	(796)	(753)
Total accumulated other comprehensive income	(622)	180
Total net assets	64,804	64,699
Total liabilities and net assets	91,740	90,015

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

	(Millions of yen)	
	Second Quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Second Quarter ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Net sales	39,057	40,107
Cost of sales	17,077	16,737
Gross profit	21,979	23,369
Selling, general and administrative expenses	19,860	20,497
Operating income	2,119	2,872
Non-operating income		
Interest income	82	70
Dividends income	23	27
Foreign exchange gains	154	33
Other	125	129
Total non-operating income	385	260
Non-operating expenses		
Interest expenses	34	27
Loss on disposal of fixed assets	39	21
Other	76	11
Total non-operating expenses	149	60
Ordinary income	2,355	3,072
Extraordinary income		
Insurance return	-	33
Gain on transfer of goodwill	44	-
Total extraordinary income	44	33
Extraordinary loss		
Impairment loss	-	59
Total extraordinary loss	-	59
Income before income taxes and minority interests	2,399	3,046
Income taxes	857	832
Income before minority interests	1,542	2,214
Net income	1,542	2,214

(Consolidated quarterly statements of comprehensive income)

	(Millions of yen)	
	Second quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Second quarter ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Income before minority interests	1,542	2,214
Other comprehensive income		
Valuation difference on available-for-sale securities	144	185
Foreign currency translation adjustment	520	574
Remeasurements of defined benefit plans	-	42
Total other comprehensive income	664	802
Comprehensive income	2,206	3,016
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,206	3,016
Comprehensive income attributable to minority interests	-	-

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Second quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Second quarter ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,399	3,046
Depreciation and amortization	1,472	1,417
Impairment loss	–	59
Amortization of goodwill	333	334
Increase (decrease) in provision for retirement benefits	(15)	–
Increase (decrease) in net defined benefit liability	–	(629)
Increase (decrease) in allowance for doubtful accounts	21	19
Interest and dividends income	(105)	(97)
Interest expenses	34	27
Foreign exchange losses (gains)	(350)	17
Decrease (increase) in notes and accounts receivable-trade	3,419	2,734
Decrease (increase) in inventories	(472)	163
Increase (decrease) in notes and accounts payable-trade	(1,969)	(236)
Increase (decrease) in accounts payable-other	(1,268)	(33)
Other, net	(545)	(554)
Subtotal	2,953	6,269
Interest and dividends income received	103	97
Interest expenses paid	(34)	(27)
Income taxes paid	(2,280)	(1,333)
Net cash provided by (used in) operating activities	742	5,006
Net cash provided by (used in) investing activities		
Payments into time deposits	(720)	(845)
Proceeds from withdrawal of time deposits	1,275	1,776
Purchase of property, plant and equipment	(2,919)	(701)
Proceeds from sales of property, plant and equipment	9	37
Purchase of intangible assets	(444)	(342)
Collection of loans receivable	1	1
Other, net	(27)	(12)
Net cash provided by (used in) investing activities	(2,824)	(86)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(148)	(504)
Repayment of long-term loans payable	(1)	(1)
Purchase of treasury stock	(3,999)	(1,866)
Cash dividends paid	(1,269)	(1,255)
Other, net	(30)	(40)
Net cash provided by (used in) financing activities	(5,450)	(3,667)
Effect of exchange rate change on cash and cash equivalents	295	248
Net increase (decrease) in cash and cash equivalents	(7,236)	1,500
Cash and cash equivalents at beginning of period	21,612	14,580
Cash and cash equivalents at end of period	14,376	16,081

(4) 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 second quarter. As a result, treasury stock increased 1,866 million yen during the second quarter and amounted to 7,802 million yen at the end of the current second quarter.

(Segment information)

1. Second quarter ended September 30, 2013 (from April 1, 2013 to September 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	22,807	2,877	7,365	5,260	38,310	746	39,057
Segment income (loss)	2,243	(245)	(206)	93	1,885	233	2,119

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 AmericasU.S. and Canada
- (2) EuropeGermany, 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. Second quarter ended September 30, 2014 (from April 1, 2014 to September 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	22,442	2,780	8,433	5,731	39,388	718	40,107
Segment income (loss)	2,203	(297)	584	170	2,661	210	2,872

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 AmericasU.S. and Canada
- (2) EuropeGermany, 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 November 5, 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 160,000 shares |
| (4) Total purchase cost: | Up to 500,000,000 yen |
| (5) Purchase period: | From November 18, 2014 to December 15, 2014 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |

(stock split)

Riso Kagaku Corporation (the “Company”) announced that its Board of Directors resolved at the meeting held on November 5, 2014 to carry out a stock split. The details of the stock split are as set forth below.

1. Purpose of the Stock Split

The stock split will be carried out to increase liquidity of the Company’s shares and expand its shareholder base.

2. Overview of the Stock Split

(1) Split method

Shares held by shareholders recorded in the final register of shareholders with December 31, 2014 as the record date will be split into two shares for each share.

(2) Increase in number of shares as a result of the split:

Number of issued shares prior to the split:	23,703,166 shares
Increase in number of shares as a result of the split:	23,703,166 shares
Number of issued shares after the split:	47,406,332 shares
Number of shares authorized to be issued after the split:	135,680,000 shares

3. Stock split schedule

- | | |
|-----------------------------------|-------------------|
| (1) Public notice of record date: | December 16, 2014 |
| (2) Date of record: | December 31, 2014 |
| (3) Effective date: | January 1, 2015 |

4. Impact on per share information

The impact on per share information of the second quarter ended September 30, 2013 and the second quarter ended September 30, 2014 when it is assumed that the stock split was carried out at the beginning of the previous consolidated fiscal year is as set forth below.

	Second Quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Second Quarter ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Net income per share (yen)	34.56	53.15

Note: Diluted net income per share is not indicated since there are no dilutive shares.