

Consolidated Financial Results for the Nine 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: February 12, 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 nine months of the fiscal year ending March 31, 2014 (from April 1, 2013 to December 31, 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	%
Nine months ended								
December 31, 2013	59,052	11.6	3,220	12.0	3,809	17.5	2,327	15.2
December 31, 2012	52,917	(1.1)	2,875	33.4	3,241	55.0	2,020	9.4

Note: Comprehensive Income

Nine months ended December 31, 2013: 4,141million yen / 60.2%

Nine months ended December 31, 2012: 2,585million yen / 467.3%

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2013	105.79	–
December 31, 2012	85.90	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2013	90,641	64,903	71.6
March 31, 2013	95,452	66,033	69.2

Reference: Shareholders' Equity As of December 31, 2013: 64,903 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	–	0.00	–		
Fiscal year ending March 31, 2014 (Forecasts)				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
Fiscal year ending March 31, 2014	82,000	8.7	5,700	16.1	5,950	7.9	3,850	(20.2)	176.27

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 December 31, 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 December 31, 2013	2,340,277 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)

Nine months ended December 31, 2013	21,977,706 shares
Nine months ended December 31, 2012	23,524,380 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 Nine Months

(1) Explanation about 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 nine months, in the printing equipment business, sales increased both domestically and overseas. Operating income increased due to the effects of the weaker yen. Net sales were 59,052 million yen (up 11.6% year on year), operating income was 3,220 million yen (up 12.0% year on year), ordinary income was 3,809 million yen (up 17.5% year on year), and net income was 2,327 million yen (up 15.2% year on year).

The average exchange rates during the current consolidated nine months period were 99.39 yen (a 19.39 yen depreciation of the yen year on year) for the US dollar and 132.23 yen (a 30.06 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, sales of new products were strong both domestically and overseas, making up for the sales decline in the digital duplicating business. Net sales in the printing equipment business were 57,859 million yen (up 12.0% year on year). Despite an increase in selling, general and administrative expenses, due to the effects of the weaker yen, operating income was 2,853 million yen (up 14.6% year on year).

Japan

In the inkjet business, sales of hardware as well as consumables increased strongly. In the digital duplicating business, although we expanded our market share by means of differentiation based on high value-added products, sales decreased. Net sales were 33,638 million yen (up 1.6% year on year). Due to an increase in selling, general and administrative expenses, operating income was 3,401 million yen (down 9.7% year on year).

The Americas

In the inkjet business, sales of hardware increased. In the digital duplicating business, meanwhile, sales decreased. Due to the effect of exchange rates, net sales were 4,270 million yen (up 24.2% year on year). The operating loss was 305 million yen (536 million yen operating loss in the same period of the previous year).

Europe

In the inkjet business, sales of hardware were strong, and this strength was the driver of business growth. In the digital duplicating business, sales in emerging countries increased, but Europe-wide sales decreased. Net sales increased considerably above the previous year's figure, reaching 11,632 million yen (up 35.2% year on year), also due to the effect of the exchange rate. The operating loss was 330 million yen (776 million yen operating loss in the same period of the previous year).

Asia

In the inkjet business, sales of hardware increased due to an expansion of our sales channels. In the digital duplicating business, on the other hand, sales fell below the previous year's figure. Due to the effect of exchange rates, net sales exceeded the previous year's figure, reaching 8,317 million yen (up 27.7% year on year). Meanwhile, because of the effect of the weaker yen, operating income was 87 million yen (up 139.4% 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 and others were 1,193 million yen (down 3.9% year on year), and operating income was 367 million yen (down 4.7% year on year).

(2) Explanation about 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 4,810 million yen to 90,641 million yen, while net assets declined 1,129 million yen to 64,903 million yen. As a result, the equity ratio moved up 2.4 points to 71.6%.

The main changes in the assets portion include increases of 2,002 million yen in merchandise and finished goods and 3,804 million yen in buildings and structures, in contrast to decreases of 1,264 million yen in cash and deposits, 2,762 million yen in notes and accounts receivable-trade, 5,481 million yen in short-term investment securities and 1,850 million yen in construction in progress. In the liabilities portion, there was a decrease of 2,014 million yen in income taxes payable.

(3) Explanation about future prediction information of consolidated results forecasts

There has been no revision to the consolidated forecasts for the fiscal year ending March 31, 2014, which were released on November 6, 2013.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2013	As of December 31, 2013
Assets		
Current assets		
Cash and deposits	13,901	12,636
Notes and accounts receivable-trade	14,936	12,174
Short-term investment securities	8,987	3,505
Merchandise and finished goods	9,304	11,306
Work in process	486	677
Raw materials and supplies	2,421	2,739
Deferred tax assets	2,045	1,817
Other	1,638	1,803
Allowance for doubtful accounts	(291)	(360)
Total current assets	53,429	46,302
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	17,914	21,994
Accumulated depreciation	(12,290)	(12,566)
Buildings and structures, net	5,624	9,428
Machinery, equipment and vehicles	7,547	7,872
Accumulated depreciation	(6,523)	(6,839)
Machinery, equipment and vehicles, net	1,024	1,032
Tools, furniture and fixtures	14,940	14,770
Accumulated depreciation	(14,051)	(13,754)
Tools, furniture and fixtures, net	889	1,016
Land	17,129	17,129
Lease assets	263	344
Accumulated depreciation	(124)	(146)
Lease assets, net	138	197
Construction in progress	2,978	1,127
Other	10,021	9,747
Accumulated depreciation	(7,483)	(6,595)
Other, net	2,537	3,152
Total property, plant and equipment	30,323	33,084
Intangible assets		
Goodwill	1,344	846
Software	2,404	2,148
Other	1,887	1,800
Total intangible assets	5,636	4,796
Investments and other assets		
Investment securities	1,824	2,122
Long-term loans receivable	190	183
Deferred tax assets	898	963
Other	3,207	3,248
Allowance for doubtful accounts	(58)	(59)
Total investments and other assets	6,062	6,458
Total noncurrent assets	42,022	44,339
Total assets	95,452	90,641

(Millions of yen)

	As of March 31, 2013	As of December 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,149	10,677
Short-term loans payable	2,839	2,831
Current portion of long-term loans payable	2	2
Income taxes payable	2,384	369
Provision for bonuses	1,631	846
Provision for directors' bonuses	66	60
Provision for product warranties	48	46
Other	6,847	6,747
Total current liabilities	24,969	21,581
Noncurrent liabilities		
Long-term loans payable	35	34
Provision for retirement benefits	3,807	3,573
Other	605	548
Total noncurrent liabilities	4,448	4,155
Total liabilities	29,418	25,737
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	39,159	40,216
Treasury stock	(935)	(4,935)
Total shareholders' equity	67,118	64,174
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	249	491
Foreign currency translation adjustment	(1,334)	237
Total accumulated other comprehensive income	(1,085)	729
Total net assets	66,033	64,903
Total liabilities and net assets	95,452	90,641

(2) Consolidated quarterly statements of (comprehensive) income

(Consolidated quarterly statements of income)

	(Millions of yen)	
	Third Quarter ended December 31, 2012 (From April 1, 2012 to December 31, 2012)	Third Quarter ended December 31, 2013 (From April 1, 2013 to December 31, 2013)
Net sales	52,917	59,052
Cost of sales	22,845	25,442
Gross profit	30,072	33,609
Selling, general and administrative expenses	27,196	30,389
Operating income	2,875	3,220
Non-operating income		
Interest income	111	104
Dividends income	32	35
Foreign exchange gains	38	445
Other	302	208
Total non-operating income	484	794
Non-operating expenses		
Interest expenses	40	50
Loss on disposal of fixed assets	32	61
Other	45	94
Total non-operating expenses	118	205
Ordinary income	3,241	3,809
Extraordinary income		
Gain on transfer of goodwill	22	44
Total extraordinary income	22	44
Extraordinary loss		
Business structure improvement expenses	101	-
Total extraordinary losses	101	-
Income before income taxes and minority interests	3,162	3,854
Income taxes	1,141	1,527
Income before minority interests	2,020	2,327
Net income	2,020	2,327

(Consolidated quarterly statements of comprehensive income)

	(Millions of yen)	
	Third quarter ended December 31, 2012 (From April 1, 2012 to December 31, 2012)	Third quarter ended December 31, 2013 (From April 1, 2013 to December 31, 2013)
Income before minority interests	2,020	2,327
Other comprehensive income		
Valuation difference on available-for-sale securities	(28)	242
Foreign currency translation adjustment	592	1,571
Total other comprehensive income	564	1,814
Comprehensive income	2,585	4,141
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,585	4,141
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 third quarter. As a result, treasury stock increased 4,000 million yen during the third quarter and amounted to 4,935 million yen at the end of the current third quarter.

(Segment information)

1. Third quarter ended December 31, 2012 (from April 1, 2012 to December 31, 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	33,122	3,438	8,600	6,512	51,674	1,242	52,917
Segment income (loss)	3,767	(536)	(776)	36	2,490	385	2,875

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. Third quarter ended December 31, 2013 (from April 1, 2013 to December 31, 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	33,638	4,270	11,632	8,317	57,859	1,193	59,052
Segment income (loss)	3,401	(305)	(330)	87	2,853	367	3,220

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 January 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 500,000 shares |
| (4) Total purchase cost: | Up to 1,000,000,000 yen |
| (5) Purchase period: | From February 12, 2014 to March 24, 2014 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |