

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2016 (Based on Japanese GAAP)

October 11, 2016

Company name: RISO KYOIKU CO.,LTD
 Stock exchange listing: Tokyo
 Stock code: 4714 URL <http://www.tomas.co.jp/>
 Representative: President and CEO Masahiko Tenbo
 Inquiries: Director Kazunori Noto TEL 03-5996-3701
 Scheduled date to file Quarterly Securities Report: October 12, 2016
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 31, 2016 (from March 1, 2016 to August 31, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2016	9,964	5.6	734	8.4	721	9.0	463	3.7
Six months ended August 31, 2015	9,432	2.0	677	105.5	662	108.1	446	(76.4)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2016	8.93		–	
Six months ended August 31, 2015	8.67		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2016	12,785	7,834	61.3	150.81
As of February 29, 2016	12,493	7,785	62.3	150.84

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 29, 2016	0.00	0.00	0.00	10.00	10.00
Year ending February 28, 2017	0.00	12.00			
Year ending February 28, 2017 (Forecast)			6.00	6.00	24.00

3. Forecast of consolidated financial results for the year ending February 28, 2017 (from March 1, 2016 to February 28, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	20,800	5.9	2,100	11.1	2,050	10.4	1,250	(12.5)	24.07

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2016
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2016	52,069,943 shares	As of February 29, 2016	52,069,943 shares
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Number of treasury shares at the end of the period

As of August 31, 2016	123,108 shares	As of February 29, 2016	452,238 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2016	51,918,506 shares	Six months ended August 31, 2015	51,566,704 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of February 29, 2016	As of August 31, 2016
Assets		
Current assets		
Cash and deposits	4,515,815	5,098,426
Operating accounts receivable	1,356,567	1,045,521
Inventories	99,636	98,111
Deferred tax assets	100,167	86,331
Other	334,597	377,336
Allowance for doubtful accounts	(11,733)	(19,717)
Total current assets	6,395,050	6,686,009
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,890,504	1,932,453
Accumulated depreciation	(967,660)	(991,931)
Buildings and structures, net	922,843	940,522
Tools, furniture and fixtures	1,345,177	1,357,832
Accumulated depreciation	(508,114)	(507,869)
Tools, furniture and fixtures, net	837,062	849,962
Land	417,963	417,963
Other	13,668	13,668
Accumulated depreciation	(13,668)	(13,668)
Other, net	0	0
Total property, plant and equipment	2,177,869	2,208,448
Intangible assets		
Other	200,430	208,381
Total intangible assets	200,430	208,381
Investments and other assets		
Investment securities	1,274	1,477
Deferred tax assets	1,563,305	1,519,170
Lease and guarantee deposits	1,952,297	1,948,972
Other	163,750	193,429
Total investments and other assets	3,680,628	3,663,050
Total non-current assets	6,058,928	6,079,880
Deferred assets		
Share issuance cost	39,446	20,013
Total deferred assets	39,446	20,013
Total assets	12,493,425	12,785,902

(Thousands of yen)

	As of February 29, 2016	As of August 31, 2016
Liabilities		
Current liabilities		
Accounts payable - other	805,368	1,040,923
Income taxes payable	127,684	189,639
Advances received	1,155,577	1,230,101
Provision for sales returns	13,777	15,130
Provision for bonuses	144,086	163,517
Provision for cancellation refunds	45,622	36,999
Asset retirement obligations	–	9,713
Other	750,648	584,828
Total current liabilities	3,042,766	3,270,854
Non-current liabilities		
Net defined benefit liability	826,949	837,626
Asset retirement obligations	836,410	842,538
Other	1,436	627
Total non-current liabilities	1,664,796	1,680,791
Total liabilities	4,707,563	4,951,646
Net assets		
Shareholders' equity		
Capital stock	2,890,415	2,890,415
Capital surplus	822,859	822,859
Retained earnings	4,181,754	4,078,391
Treasury shares	(215,016)	(59,509)
Total shareholders' equity	7,680,012	7,732,156
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(68)	70
Remeasurements of defined benefit plans	105,917	102,028
Total accumulated other comprehensive income	105,849	102,099
Total net assets	7,785,861	7,834,256
Total liabilities and net assets	12,493,425	12,785,902

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Net sales	9,432,508	9,964,978
Cost of sales	7,060,853	7,412,232
Gross profit	2,371,655	2,552,745
Selling, general and administrative expenses	1,694,356	1,818,295
Operating income	677,299	734,449
Non-operating income		
Interest income	209	27
Dividend income	23	23
Gain on forfeiture of unclaimed dividends	3,795	3,528
Gain on bad debts recovered	1,396	3,145
Other	2,797	1,492
Total non-operating income	8,221	8,217
Non-operating expenses		
Interest expenses	123	41
Amortization of share issuance cost	23,146	19,433
Other	130	1,542
Total non-operating expenses	23,399	21,017
Ordinary income	662,121	721,649
Extraordinary income		
Gain on sales of non-current assets	1,312	–
Reversal of allowance for provision for cancelation refunds	39,760	7,461
Total extraordinary income	41,072	7,461
Extraordinary losses		
Loss on retirement of non-current assets	–	3,049
Impairment loss	33,162	6,081
Litigation expenses	8,439	7,718
Loss on fraud transactions	22,062	–
Business structure improvement expenses	22,840	–
Relocation expenses	6,629	5,852
Loss on insurance cancellation	–	13,004
Provision for loss on classroom closing	1,890	–
Other	–	3,324
Total extraordinary losses	95,025	39,031
Income before income taxes and minority interests	608,168	690,079
Income taxes	161,226	226,447
Profit	446,941	463,632
Profit attributable to owners of parent	446,941	463,632

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Profit	446,941	463,632
Other comprehensive income		
Valuation difference on available-for-sale securities	62	139
Remeasurements of defined benefit plans, net of tax	(3,705)	(3,888)
Total other comprehensive income	(3,643)	(3,749)
Comprehensive income	443,298	459,882
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	443,298	459,882
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	608,168	690,079
Depreciation	107,877	100,141
Amortization of deferred assets	23,146	19,433
Increase (decrease) in allowance for doubtful accounts	6,385	7,983
Increase (decrease) in provision for bonuses	21,575	19,431
Increase (decrease) in provision for cancellation refunds	(45,328)	(8,622)
Increase (decrease) in net defined benefit liability	(11,130)	10,676
Increase (decrease) in other provision	1,530	1,352
Interest and dividend income	(232)	(50)
Interest expenses	123	41
Loss (gain) on sales of non-current assets	(1,312)	–
Impairment loss	33,162	6,081
Loss on retirement of property, plant and equipment	–	3,049
Decrease (increase) in notes and accounts receivable - trade	320,713	311,045
Decrease (increase) in inventories	(10,129)	1,524
Increase (decrease) in notes and accounts payable - trade	13,579	1,046
Decrease (increase) in consumption taxes refund receivable	99	–
Increase (decrease) in accrued consumption taxes	(80,050)	(213,750)
Increase (decrease) in accounts payable - other	41,717	239,623
Increase (decrease) in advances received	(296,621)	74,523
Other, net	54,410	43,482
Subtotal	787,681	1,307,094
Interest and dividend income received	232	50
Interest expenses paid	(123)	(41)
Income taxes paid	(83,123)	(119,566)
Income taxes refund	63,745	–
Net cash provided by (used in) operating activities	768,413	1,187,536
Cash flows from investing activities		
Purchase of property, plant and equipment	(64,818)	(82,721)
Proceeds from sales of property, plant and equipment	62,264	–
Purchase of intangible assets	(30,920)	(41,397)
Proceeds from sales of investment securities	357	–
Payments for lease and guarantee deposits	(6,950)	(39,707)
Proceeds from collection of lease and guarantee deposits	32,513	22,206
Purchase of insurance funds	(44,920)	(32,300)
Proceeds from cancellation of insurance funds	–	12,234
Other, net	(36,203)	(31,631)
Net cash provided by (used in) investing activities	(88,678)	(193,317)

(Thousands of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Cash flows from financing activities		
Cash dividends paid	(558)	(512,214)
Purchase of treasury shares	(1,227)	(237)
Proceeds from disposal of treasury shares	12,188	104,926
Other, net	(5,652)	(4,083)
Net cash provided by (used in) financing activities	4,749	(411,608)
Net increase (decrease) in cash and cash equivalents	684,484	582,610
Cash and cash equivalents at beginning of period	3,288,665	4,515,815
Cash and cash equivalents at end of period	3,973,149	5,098,426