

Translation

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## Summary of Consolidated Financial Results for the Year Ended February 28, 2017 (Based on Japanese GAAP)

April 10, 2017

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 of ordinary general meeting of shareholders: May 26, 2017  
 Scheduled date to file Securities Report: May 29, 2017  
 Scheduled date to commence dividend payments: May 11, 2017  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the year ended February 28, 2017 (from March 1, 2016 to February 28, 2017)

#### (1) Consolidated operating results

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	%
Year ended February 28, 2017	20,777	5.8	2,051	8.5	2,032	9.4	1,275	(10.7)
Year ended February 29, 2016	19,643	4.6	1,890	87.9	1,857	89.8	1,428	(40.0)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2017	25.12	–	18.1	17.1	9.9
Year ended February 29, 2016	27.69	–	20.7	15.1	9.6

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2017	11,250	6,301	56.0	128.04
As of February 29, 2016	12,493	7,785	62.3	150.84

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended February 28, 2017	2,481	(527)	(2,603)	3,866
Year ended February 29, 2016	1,434	(217)	9	4,515

### 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 29, 2016	0.00	0.00	0.00	10.00	10.00	519	36.1	7.5
Year ended February 28, 2017	0.00	12.00	6.00	7.00	25.00	1,263	99.5	17.9
Year ending February 28, 2018 (Forecast)	7.00	7.00	7.00	7.00	28.00		98.4	

3. Forecast of consolidated financial results for the year ending February 28, 2018 (from March 1, 2017 to February 28, 2018)

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	23,100	11.2	2,420	18.0	2,400	18.1	1,400	9.8	28.45

4. Notes

- (1) Changes in significant subsidiaries during the year ended February 28, 2017  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) 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

(3) Number of issued shares (common shares)

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

As of February 28, 2017	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 February 28, 2017	2,858,038 shares	As of February 29, 2016	452,238 shares
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Average number of shares during the period

Year ended February 28, 2017	50,771,346 shares	Year ended February 29, 2016	51,584,695 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of February 29, 2016	As of February 28, 2017
Assets		
Current assets		
Cash and deposits	4,515,815	3,866,056
Operating accounts receivable	1,356,567	739,750
Inventories	99,636	125,894
Deferred tax assets	100,167	527,126
Other	334,597	356,726
Allowance for doubtful accounts	(11,733)	(17,489)
Total current assets	6,395,050	5,598,064
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,890,504	2,005,952
Accumulated depreciation	(967,660)	(1,009,241)
Buildings and structures, net	922,843	996,710
Tools, furniture and fixtures	1,345,177	1,377,044
Accumulated depreciation	(508,114)	(514,336)
Tools, furniture and fixtures, net	837,062	862,707
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	2,277,381
Intangible assets		
Other	200,430	203,257
Total intangible assets	200,430	203,257
Investments and other assets		
Investment securities	1,274	1,934
Deferred tax assets	1,563,305	852,857
Lease and guarantee deposits	1,952,297	2,046,458
Other	163,750	202,093
Allowance for doubtful accounts	–	(6,312)
Total investments and other assets	3,680,628	3,097,033
Total non-current assets	6,058,928	5,577,672
Deferred assets		
Deferred organization expenses	–	527
Business commencement expenses	–	66,274
Share issuance cost	39,446	8,005
Total deferred assets	39,446	74,806
Total assets	12,493,425	11,250,543

(Thousands of yen)

	As of February 29, 2016	As of February 28, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - other	805,368	810,910
Income taxes payable	127,684	254,039
Advances received	1,155,577	1,090,837
Provision for sales returns	13,777	3,635
Provision for bonuses	144,086	179,984
Provision for cancelation refunds	45,622	2,475
Provision for loss on litigation	–	100,000
Asset retirement obligations	–	14,787
Other	750,648	706,149
<b>Total current liabilities</b>	<b>3,042,766</b>	<b>3,162,819</b>
<b>Non-current liabilities</b>		
Net defined benefit liability	826,949	942,966
Asset retirement obligations	836,410	843,426
Other	1,436	157
<b>Total non-current liabilities</b>	<b>1,664,796</b>	<b>1,786,549</b>
<b>Total liabilities</b>	<b>4,707,563</b>	<b>4,949,369</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,890,415	2,890,415
Capital surplus	822,859	822,859
Retained earnings	4,181,754	3,971,448
Treasury shares	(215,016)	(1,394,246)
<b>Total shareholders' equity</b>	<b>7,680,012</b>	<b>6,290,476</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(68)	387
Foreign currency translation adjustment	–	227
Remeasurements of defined benefit plans	105,917	10,081
<b>Total accumulated other comprehensive income</b>	<b>105,849</b>	<b>10,697</b>
<b>Non-controlling interests</b>	<b>–</b>	<b>0</b>
<b>Total net assets</b>	<b>7,785,861</b>	<b>6,301,174</b>
<b>Total liabilities and net assets</b>	<b>12,493,425</b>	<b>11,250,543</b>

**Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income**

(Thousands of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Net sales	19,643,220	20,777,361
Cost of sales	14,351,245	15,072,702
Gross profit	5,291,974	5,704,658
Selling, general and administrative expenses	3,401,516	3,653,346
Operating income	1,890,458	2,051,312
Non-operating income		
Interest income	669	49
Dividend income	47	47
Gain on forfeiture of unclaimed dividends	6,594	7,091
Gain on bad debts recovered	2,808	4,542
Other	3,994	2,511
Total non-operating income	14,114	14,241
Non-operating expenses		
Interest expenses	201	59
Amortization of share issuance cost	46,292	31,441
Other	697	1,983
Total non-operating expenses	47,191	33,483
Ordinary income	1,857,381	2,032,069
Extraordinary income		
Gain on sales of non-current assets	1,312	–
Reversal of allowance for provision for cancelation refunds	474,922	41,744
Other	9,072	–
Total extraordinary income	485,307	41,744
Extraordinary losses		
Impairment loss	74,439	54,049
Loss on retirement of non-current assets	10,585	3,622
Relocation expenses	10,842	5,584
Litigation expenses	26,446	21,016
Loss on fraud transactions	22,062	–
Business structure improvement expenses	25,394	–
Loss on insurance cancellation	–	13,004
Provision for loss on litigation	–	100,000
Other	–	9,636
Total extraordinary losses	169,771	206,913
Profit before income taxes	2,172,917	1,866,901
Income taxes - current	161,379	298,712
Refund of income taxes	(10,700)	(18,939)
Income taxes - deferred	593,685	311,803
Total income taxes	744,364	591,576
Profit	1,428,552	1,275,325
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,428,552	1,275,325

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Profit	1,428,552	1,275,325
Other comprehensive income		
Valuation difference on available-for-sale securities	(494)	456
Foreign currency translation adjustment	–	227
Remeasurements of defined benefit plans, net of tax	50,736	(95,835)
Total other comprehensive income	50,242	(95,152)
Comprehensive income	1,478,795	1,180,172
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,478,795	1,180,172
Comprehensive income attributable to non-controlling interests	–	0

## Consolidated statements of changes in equity

Fiscal year ended February 29, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,890,415	822,859	2,521,937	(249,069)	5,986,143
Cumulative effects of changes in accounting policies			243,795		243,795
Restated balance	2,890,415	822,859	2,765,733	(249,069)	6,229,939
Changes of items during period					
Profit attributable to owners of parent			1,428,552		1,428,552
Purchase of treasury shares				(2,098)	(2,098)
Disposal of treasury shares		(12,531)		36,151	23,619
Transfer to capital surplus from retained earnings		12,531	(12,531)		-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	1,416,020	34,052	1,450,073
Balance at end of current period	2,890,415	822,859	4,181,754	(215,016)	7,680,012

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	425	55,180	55,606	6,041,749
Cumulative effects of changes in accounting policies				243,795
Restated balance	425	55,180	55,606	6,285,545
Changes of items during period				
Profit attributable to owners of parent				1,428,552
Purchase of treasury shares				(2,098)
Disposal of treasury shares				23,619
Transfer to capital surplus from retained earnings				-
Net changes of items other than shareholders' equity	(494)	50,736	50,242	50,242
Total changes of items during period	(494)	50,736	50,242	1,500,315
Balance at end of current period	(68)	105,917	105,849	7,785,861

Fiscal year ended February 28, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,890,415	822,859	4,181,754	(215,016)	7,680,012
Changes of items during period					
Profit attributable to owners of parent			1,275,325		1,275,325
Dividends of surplus			(1,434,813)		(1,434,813)
Purchase of treasury shares				(1,334,974)	(1,334,974)
Disposal of treasury shares		(50,817)		155,744	104,926
Transfer to capital surplus from retained earnings		50,817	(50,817)		–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	(210,305)	(1,179,229)	(1,389,535)
Balance at end of current period	2,890,415	822,859	3,971,448	(1,394,246)	6,290,476

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(68)	–	105,917	105,849	–	7,785,861
Changes of items during period						
Profit attributable to owners of parent						1,275,325
Dividends of surplus						(1,434,813)
Purchase of treasury shares						(1,334,974)
Disposal of treasury shares						104,926
Transfer to capital surplus from retained earnings						–
Net changes of items other than shareholders' equity	456	227	(95,835)	(95,152)	0	(95,152)
Total changes of items during period	456	227	(95,835)	(95,152)	0	(1,484,687)
Balance at end of current period	387	227	10,081	10,697	0	6,301,174



## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Cash flows from operating activities		
Profit before income taxes	2,172,917	1,866,901
Depreciation	215,969	208,095
Amortization of deferred assets	46,292	31,441
Increase (decrease) in allowance for doubtful accounts	11	12,067
Increase (decrease) in provision for bonuses	31,399	35,897
Increase(decrease) in provision for cancellation refunds	(482,521)	(43,147)
Increase (decrease) in provision for loss on litigation	–	100,000
Increase (decrease) in net defined benefit liability	(54,560)	116,016
Increase (decrease) in other provision	(12)	(10,142)
Interest and dividend income	(716)	(96)
Loss on retirement of property, plant and equipment	10,585	3,622
Impairment loss	74,439	54,049
Interest expenses	201	59
Loss (gain) on sales of non-current assets	(1,312)	–
Decrease (increase) in notes and accounts receivable - trade	(139,470)	616,816
Decrease (increase) in inventories	7,426	(26,258)
Increase (decrease) in notes and accounts payable - trade	10,826	(7,701)
Increase (decrease) in accrued consumption taxes	86,769	(141,828)
Increase (decrease) in accounts payable - other	(124,661)	(45,252)
Increase (decrease) in advances received	(490,502)	(64,740)
Other, net	136,645	(3,276)
Subtotal	1,499,726	2,702,523
Interest and dividend income received	716	96
Interest expenses paid	(201)	(59)
Income taxes paid	(130,359)	(222,852)
Income taxes refund	64,426	1,361
Net cash provided by (used in) operating activities	1,434,308	2,481,069
Cash flows from investing activities		
Purchase of property, plant and equipment	(104,570)	(216,143)
Proceeds from sales of property, plant and equipment	62,264	–
Purchase of intangible assets	(67,327)	(69,646)
Proceeds from sales of investment securities	356	–
Purchase of insurance funds	(52,061)	(39,441)
Proceeds from cancellation of insurance funds	–	12,234
Payments for lease and guarantee deposits	(56,177)	(148,450)
Proceeds from collection of lease and guarantee deposits	65,074	52,300
Payments for deferred assets	–	(66,801)
Other, net	(64,620)	(51,113)
Net cash provided by (used in) investing activities	(217,060)	(527,063)

(Thousands of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Cash flows from financing activities		
Cash dividends paid	(892)	(1,418,307)
Purchase of treasury shares	(2,098)	(1,334,974)
Proceeds from disposal of treasury shares	23,619	155,744
Other, net	(10,726)	(6,456)
Net cash provided by (used in) financing activities	9,902	(2,603,993)
Effect of exchange rate change on cash and cash equivalents	–	227
Net increase (decrease) in cash and cash equivalents	1,227,150	(649,759)
Cash and cash equivalents at beginning of period	3,288,665	4,515,815
Cash and cash equivalents at end of period	4,515,815	3,866,056