

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2017 (Based on Japanese GAAP)

October 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 to file Quarterly Securities Report: October 11, 2017
 Scheduled date to commence dividend payments: November 9, 2017
 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, 2017 (from March 1, 2017 to August 31, 2017)

(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, 2017	10,814	8.5	740	0.8	725	0.6	503	8.6
Six months ended August 31, 2016	9,964	5.6	734	8.4	721	9.0	463	3.7

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2017	10.23		-	
Six months ended August 31, 2016	8.93		-	

(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, 2017	11,664	6,117	52.4	124.31
As of February 28, 2017	11,250	6,301	56.0	128.04

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 28, 2017	0.00	12.00	6.00	7.00	25.00
Year ending February 28, 2018	7.00	7.00			
Year ending February 28, 2018 (Forecast)			7.00	7.00	28.00

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 six months ended August 31, 2017
 (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: No
- 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, 2017	52,069,943 shares	As of February 28, 2017	52,069,943 shares
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Number of treasury shares at the end of the period

As of August 31, 2017	2,859,688 shares	As of February 28, 2017	2,858,038 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, 2017	49,211,004 shares	Six months ended August 31, 2016	51,918,506 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of February 28, 2017	As of August 31, 2017
Assets		
Current assets		
Cash and deposits	3,866,056	3,650,307
Operating accounts receivable	739,750	1,112,730
Inventories	125,894	116,811
Deferred tax assets	527,126	534,196
Other	356,726	387,372
Allowance for doubtful accounts	(17,489)	(27,465)
Total current assets	5,598,064	5,773,952
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,005,952	2,163,776
Accumulated depreciation	(1,009,241)	(1,055,141)
Buildings and structures, net	996,710	1,108,634
Tools, furniture and fixtures	1,377,044	1,440,838
Accumulated depreciation	(514,336)	(522,991)
Tools, furniture and fixtures, net	862,707	917,846
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	2,277,381	2,444,444
Intangible assets		
Other	203,257	191,030
Total intangible assets	203,257	191,030
Investments and other assets		
Investment securities	1,934	1,766
Deferred tax assets	852,857	863,293
Lease and guarantee deposits	2,046,458	2,081,181
Other	202,093	233,372
Allowance for doubtful accounts	(6,312)	(6,312)
Total investments and other assets	3,097,033	3,173,301
Total non-current assets	5,577,672	5,808,776
Deferred assets		
Deferred organization expenses	527	491
Business commencement expenses	66,274	81,080
Share issuance cost	8,005	—
Total deferred assets	74,806	81,572
Total assets	11,250,543	11,664,301

(Thousands of yen)

	As of February 28, 2017	As of August 31, 2017
Liabilities		
Current liabilities		
Accounts payable - other	810,910	1,099,189
Income taxes payable	254,039	228,263
Advances received	1,090,837	1,434,489
Provision for sales returns	3,635	1,886
Provision for bonuses	179,984	210,068
Provision for cancellation refunds	2,475	2,124
Provision for loss on litigation	100,000	900
Asset retirement obligations	14,787	23,928
Other	706,149	666,199
Total current liabilities	3,162,819	3,667,049
Non-current liabilities		
Net defined benefit liability	942,966	989,968
Asset retirement obligations	843,426	889,943
Other	157	–
Total non-current liabilities	1,786,549	1,879,912
Total liabilities	4,949,369	5,546,961
Net assets		
Shareholders' equity		
Capital stock	2,890,415	2,890,415
Capital surplus	822,859	822,859
Retained earnings	3,971,448	3,785,932
Treasury shares	(1,394,246)	(1,395,587)
Total shareholders' equity	6,290,476	6,103,620
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	387	269
Foreign currency translation adjustment	227	188
Remeasurements of defined benefit plans	10,081	13,261
Total accumulated other comprehensive income	10,697	13,719
Non-controlling interests	0	–
Total net assets	6,301,174	6,117,340
Total liabilities and net assets	11,250,543	11,664,301

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, 2016	Six months ended August 31, 2017
Net sales	9,964,978	10,814,024
Cost of sales	7,412,232	7,979,737
Gross profit	2,552,745	2,834,287
Selling, general and administrative expenses	1,818,295	2,093,719
Operating income	734,449	740,567
Non-operating income		
Interest income	27	17
Dividend income	23	23
Gain on forfeiture of unclaimed dividends	3,528	–
Gain on bad debts recovered	3,145	545
Miscellaneous income	411	577
Other	1,081	552
Total non-operating income	8,217	1,716
Non-operating expenses		
Interest expenses	41	368
Amortization of share issuance cost	19,433	8,005
Foreign exchange losses	–	7,856
Other	1,542	86
Total non-operating expenses	21,017	16,316
Ordinary income	721,649	725,968
Extraordinary income		
Reversal of allowance for provision for cancelation refunds	7,461	82
Total extraordinary income	7,461	82
Extraordinary losses		
Loss on retirement of non-current assets	3,049	747
Impairment loss	6,081	2,629
Litigation expenses	7,718	10,694
Relocation expenses	5,852	7,839
Provision for loss on litigation	–	900
Loss on liquidation of business	–	45,009
Loss on insurance cancellation	13,004	–
Other	3,324	–
Total extraordinary losses	39,031	67,820
Profit before income taxes	690,079	658,230
Income taxes	226,447	154,785
Profit	463,632	503,445
Loss attributable to non-controlling interests	–	(0)
Profit attributable to owners of parent	463,632	503,445

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended August 31, 2016	Six months ended August 31, 2017
Profit	463,632	503,445
Other comprehensive income		
Valuation difference on available-for-sale securities	139	(117)
Foreign currency translation adjustment	–	(39)
Remeasurements of defined benefit plans, net of tax	(3,888)	3,179
Total other comprehensive income	(3,749)	3,022
Comprehensive income	459,882	506,467
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	459,882	506,467
Comprehensive income attributable to non-controlling interests	–	(0)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 31, 2016	Six months ended August 31, 2017
Cash flows from operating activities		
Profit before income taxes	690,079	658,230
Depreciation	100,141	111,131
Amortization of deferred assets	19,433	13,992
Increase (decrease) in allowance for doubtful accounts	7,983	9,976
Increase (decrease) in provision for bonuses	19,431	30,083
Increase (decrease) in provision for cancellation refunds	(8,622)	(350)
Increase (decrease) in net defined benefit liability	10,676	47,002
Increase (decrease) in other provision	1,352	(1,749)
Interest and dividend income	(50)	(40)
Interest expenses	41	368
Impairment loss	6,081	2,629
Loss on retirement of property, plant and equipment	3,049	747
Decrease (increase) in notes and accounts receivable - trade	311,045	(373,186)
Decrease (increase) in inventories	1,524	9,083
Increase (decrease) in notes and accounts payable - trade	1,046	9,704
Increase (decrease) in accrued consumption taxes	(213,750)	(66,633)
Increase (decrease) in accounts payable - other	239,623	287,521
Increase (decrease) in advances received	74,523	343,652
Other, net	43,482	27,783
Subtotal	1,307,094	1,109,945
Interest and dividend income received	50	40
Interest expenses paid	(41)	(368)
Litigation settlement paid	–	(100,000)
Income taxes paid	(119,566)	(192,645)
Income taxes refund	–	8,941
Net cash provided by (used in) operating activities	1,187,536	825,913
Cash flows from investing activities		
Purchase of property, plant and equipment	(82,721)	(170,629)
Purchase of intangible assets	(41,397)	(28,289)
Payments for lease and guarantee deposits	(39,707)	(81,098)
Proceeds from collection of lease and guarantee deposits	22,206	22,196
Purchase of insurance funds	(32,300)	(32,300)
Proceeds from cancellation of insurance funds	12,234	–
Payments for deferred assets	–	(26,628)
Other, net	(31,631)	(32,449)
Net cash provided by (used in) investing activities	(193,317)	(349,200)

(Thousands of yen)

	Six months ended August 31, 2016	Six months ended August 31, 2017
Cash flows from financing activities		
Increase in short-term loans payable	–	900,000
Decrease in short-term loans payable	–	(900,000)
Cash dividends paid	(512,214)	(689,534)
Purchase of treasury shares	(237)	(1,340)
Proceeds from disposal of treasury shares	104,926	–
Other, net	(4,083)	(809)
Net cash provided by (used in) financing activities	(411,608)	(691,684)
Effect of exchange rate change on cash and cash equivalents	–	(777)
Net increase (decrease) in cash and cash equivalents	582,610	(215,748)
Cash and cash equivalents at beginning of period	4,515,815	3,866,056
Cash and cash equivalents at end of period	5,098,426	3,650,307