

Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2017 (Based on Japanese GAAP)

January 9, 2018

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: January 10, 2018  
 Scheduled date to commence dividend payments: February 13, 2018  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended November 30, 2017 (from March 1, 2017 to November 30, 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                         | %   |
| Nine months ended November 30, 2017 | 16,209          | 8.4 | 1,153            | 0.0 | 1,146           | 0.6 | 707                                     | 0.7 |
| Nine months ended November 30, 2016 | 14,952          | 5.5 | 1,153            | 5.5 | 1,139           | 6.4 | 702                                     | 0.1 |

|                                     | Earnings per share |  | Diluted earnings per share |  |
|-------------------------------------|--------------------|--|----------------------------|--|
|                                     | Yen                |  | Yen                        |  |
| Nine months ended November 30, 2017 | 14.37              |  | -                          |  |
| Nine months ended November 30, 2016 | 13.69              |  | -                          |  |

(2) Consolidated financial position

|                         | Total assets    | Net assets      | Equity ratio | Net assets per share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
|                         | Millions of yen | Millions of yen | %            | Yen                  |
| As of November 30, 2017 | 11,886          | 5,978           | 50.3         | 121.49               |
| 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            | 7.00            |                 |       |
| Year ending February 28, 2018 (Forecast) |                            |                 |                 | 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 nine months ended November 30, 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 November 30, 2017 | 52,069,943 shares | As of February 28, 2017 | 52,069,943 shares |
|-------------------------|-------------------|-------------------------|-------------------|

Number of treasury shares at the end of the period

|                         |                  |                         |                  |
|-------------------------|------------------|-------------------------|------------------|
| As of November 30, 2017 | 2,860,058 shares | As of February 28, 2017 | 2,858,038 shares |
|-------------------------|------------------|-------------------------|------------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

|                                     |                   |                                     |                   |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Nine months ended November 30, 2017 | 49,210,694 shares | Nine months ended November 30, 2016 | 51,281,612 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

|                                     | As of February 28, 2017 | As of November 30, 2017 |
|-------------------------------------|-------------------------|-------------------------|
| Assets                              |                         |                         |
| Current assets                      |                         |                         |
| Cash and deposits                   | 3,866,056               | 4,000,064               |
| Operating accounts receivable       | 739,750                 | 1,018,023               |
| Inventories                         | 125,894                 | 97,368                  |
| Deferred tax assets                 | 527,126                 | 367,775                 |
| Other                               | 356,726                 | 442,264                 |
| Allowance for doubtful accounts     | (17,489)                | (22,620)                |
| Total current assets                | 5,598,064               | 5,902,876               |
| Non-current assets                  |                         |                         |
| Property, plant and equipment       |                         |                         |
| Buildings and structures            | 2,005,952               | 2,207,280               |
| Accumulated depreciation            | (1,009,241)             | (1,076,646)             |
| Buildings and structures, net       | 996,710                 | 1,130,634               |
| Tools, furniture and fixtures       | 1,377,044               | 1,466,681               |
| Accumulated depreciation            | (514,336)               | (524,761)               |
| Tools, furniture and fixtures, net  | 862,707                 | 941,919                 |
| 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               | 2,490,516               |
| Intangible assets                   |                         |                         |
| Other                               | 203,257                 | 176,090                 |
| Total intangible assets             | 203,257                 | 176,090                 |
| Investments and other assets        |                         |                         |
| Investment securities               | 1,934                   | 2,075                   |
| Deferred tax assets                 | 852,857                 | 920,101                 |
| Lease and guarantee deposits        | 2,046,458               | 2,083,616               |
| Other                               | 202,093                 | 237,137                 |
| Allowance for doubtful accounts     | (6,312)                 | (6,012)                 |
| Total investments and other assets  | 3,097,033               | 3,236,918               |
| Total non-current assets            | 5,577,672               | 5,903,525               |
| Deferred assets                     |                         |                         |
| Deferred organization expenses      | 527                     | 465                     |
| Business commencement expenses      | 66,274                  | 79,215                  |
| Share issuance cost                 | 8,005                   | —                       |
| Total deferred assets               | 74,806                  | 79,681                  |
| Total assets                        | 11,250,543              | 11,886,083              |

(Thousands of yen)

|   | As of February 28, 2017 | As of November 30, 2017 |
|---|-------------------------|-------------------------|
| <b>Liabilities</b>                                    |                         |                         |
| <b>Current liabilities</b>                            |                         |                         |
| Accounts payable - other                              | 810,910                 | 994,083                 |
| Income taxes payable                                  | 254,039                 | 211,021                 |
| Advances received                                     | 1,090,837               | 1,926,538               |
| Provision for sales returns                           | 3,635                   | 3,210                   |
| Provision for bonuses                                 | 179,984                 | 53,165                  |
| Provision for cancellation refunds                    | 2,475                   | 2,038                   |
| Provision for loss on litigation                      | 100,000                 | 22,247                  |
| Asset retirement obligations                          | 14,787                  | 18,603                  |
| Other   | 706,149                 | 757,033                 |
| <b>Total current liabilities</b>                      | <b>3,162,819</b>        | <b>3,987,942</b>        |
| <b>Non-current liabilities</b>                        |                         |                         |
| Net defined benefit liability                         | 942,966                 | 1,010,031               |
| Asset retirement obligations                          | 843,426                 | 909,773                 |
| Other   | 157                     | –                       |
| <b>Total non-current liabilities</b>                  | <b>1,786,549</b>        | <b>1,919,805</b>        |
| <b>Total liabilities</b>                              | <b>4,949,369</b>        | <b>5,907,748</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                                     | 3,971,448               | 3,645,294               |
| Treasury shares                                       | (1,394,246)             | (1,395,905)             |
| <b>Total shareholders' equity</b>                     | <b>6,290,476</b>        | <b>5,962,664</b>        |
| <b>Accumulated other comprehensive income</b>         |                         |                         |
| Valuation difference on available-for-sale securities | 387                     | 483                     |
| Foreign currency translation adjustment               | 227                     | 182                     |
| Remeasurements of defined benefit plans               | 10,081                  | 15,005                  |
| <b>Total accumulated other comprehensive income</b>   | <b>10,697</b>           | <b>15,670</b>           |
| <b>Non-controlling interests</b>                      | <b>0</b>                | <b>–</b>                |
| <b>Total net assets</b>                               | <b>6,301,174</b>        | <b>5,978,335</b>        |
| <b>Total liabilities and net assets</b>               | <b>11,250,543</b>       | <b>11,886,083</b>       |

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

**Consolidated statements of income (cumulative)**

(Thousands of yen)

|   | Nine months ended<br>November 30, 2016 | Nine months ended<br>November 30, 2017 |
|---|--|--|
| Net sales   | 14,952,878                             | 16,209,163                             |
| Cost of sales   | 11,102,744                             | 11,932,408                             |
| Gross profit  | 3,850,133                              | 4,276,754                              |
| Selling, general and administrative expenses                | 2,696,776                              | 3,123,170                              |
| Operating income  | 1,153,357                              | 1,153,584                              |
| Non-operating income  |  |  |
| Interest income   | 37                                     | 20                                     |
| Dividend income   | 23                                     | 23                                     |
| Gain on forfeiture of unclaimed dividends                   | 7,091                                  | –                                      |
| Gain on bad debts recovered                                 | 3,752                                  | 1,002                                  |
| Commission fee  | 121                                    | 1,418                                  |
| Miscellaneous income  | 536                                    | 747                                    |
| Other   | 1,445                                  | 1,714                                  |
| Total non-operating income                                  | 13,007                                 | 4,925                                  |
| Non-operating expenses                                      |  |  |
| Interest expenses   | 52                                     | 369                                    |
| Amortization of share issuance cost                         | 25,437                                 | 8,005                                  |
| Foreign exchange losses                                     | –                                      | 3,104                                  |
| Other   | 1,859                                  | 674                                    |
| Total non-operating expenses                                | 27,349                                 | 12,154                                 |
| Ordinary income   | 1,139,016                              | 1,146,355                              |
| Extraordinary income  |  |  |
| Reversal of allowance for provision for cancelation refunds | 8,429                                  | 169                                    |
| Total extraordinary income                                  | 8,429                                  | 169                                    |
| Extraordinary losses  |  |  |
| Loss on retirement of non-current assets                    | 3,049                                  | 1,039                                  |
| Impairment loss   | 6,527                                  | 15,286                                 |
| Litigation expenses   | 17,435                                 | 15,048                                 |
| Relocation expenses   | 5,227                                  | 11,625                                 |
| Provision for loss on litigation                            | –                                      | 23,147                                 |
| Loss on liquidation of business                             | –                                      | 45,009                                 |
| Loss on insurance cancellation                              | 13,004                                 | –                                      |
| Other   | 3,324                                  | 1,250                                  |
| Total extraordinary losses                                  | 48,569                                 | 112,406                                |
| Profit before income taxes                                  | 1,098,875                              | 1,034,118                              |
| Income taxes  | 396,614                                | 326,840                                |
| Profit  | 702,261                                | 707,278                                |
| Loss attributable to non-controlling interests              | –                                      | (0)                                    |
| Profit attributable to owners of parent                     | 702,261                                | 707,278                                |

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

|  | Nine months ended<br>November 30, 2016 | Nine months ended<br>November 30, 2017 |
|--|--|--|
| Profit   | 702,261                                | 707,278                                |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | 331                                    | 95                                     |
| Foreign currency translation adjustment                        | –                                      | (45)                                   |
| Remeasurements of defined benefit plans, net of tax            | (6,529)                                | 4,923                                  |
| Total other comprehensive income                               | (6,198)                                | 4,973                                  |
| Comprehensive income   | 696,063                                | 712,252                                |
| Comprehensive income attributable to                           |  |  |
| Comprehensive income attributable to owners of parent          | 696,063                                | 712,252                                |
| Comprehensive income attributable to non-controlling interests | –                                      | (0)                                    |