

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2018 (Based on Japanese GAAP)

April 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 of ordinary general meeting of shareholders: May 25, 2018
 Scheduled date to file Securities Report: May 28, 2018
 Scheduled date to commence dividend payments: May 10, 2018
 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, 2018 (from March 1, 2017 to February 28, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 28, 2018	22,584	8.7	2,158	5.2	2,139	5.3	1,381	8.3
Year ended February 28, 2017	20,777	5.8	2,051	8.5	2,032	9.4	1,275	(10.7)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2018	28.08	–	22.0	18.6	9.6
Year ended February 28, 2017	25.12	–	18.1	17.1	9.9

(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, 2018	11,724	6,273	53.5	127.48
As of February 28, 2017	11,250	6,301	56.0	128.04

(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, 2018	2,278	(593)	(1,377)	4,171
Year ended February 28, 2017	2,481	(527)	(2,603)	3,866

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 28, 2017	0.00	12.00	6.00	7.00	25.00	1,263	99.5	17.9
Year ended February 28, 2018	7.00	7.00	7.00	7.00	28.00	1,377	99.7	21.9
Year ending February 28, 2019 (Forecast)	7.50	7.50	7.50	7.50	30.00		98.4	

3. Forecast of consolidated financial results for the year ending February 28, 2019 (from March 1, 2018 to February 28, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	24,200	7.2	2,510	16.3	2,500	16.8	1,500	8.6	30.48

4. Notes

- (1) Changes in significant subsidiaries during the year ended February 28, 2018
(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: No
- 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, 2018	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 February 28, 2018	2,860,618 shares	As of February 28, 2017	2,858,038 shares
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Average number of shares during the period

Year ended February 28, 2018	49,210,431 shares	Year ended February 28, 2017	50,771,346 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of February 28, 2017	As of February 28, 2018
Assets		
Current assets		
Cash and deposits	3,866,056	4,171,521
Operating accounts receivable	739,750	833,705
Inventories	125,894	100,017
Deferred tax assets	527,126	517,310
Other	356,726	444,926
Allowance for doubtful accounts	(17,489)	(15,065)
Total current assets	5,598,064	6,052,415
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,005,952	2,223,157
Accumulated depreciation	(1,009,241)	(1,103,396)
Buildings and structures, net	996,710	1,119,760
Tools, furniture and fixtures	1,377,044	1,485,572
Accumulated depreciation	(514,336)	(533,456)
Tools, furniture and fixtures, net	862,707	952,116
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	2,489,840
Intangible assets		
Other	203,257	162,163
Total intangible assets	203,257	162,163
Investments and other assets		
Investment securities	1,934	1,997
Deferred tax assets	852,857	574,629
Lease and guarantee deposits	2,046,458	2,143,707
Other	202,093	236,094
Allowance for doubtful accounts	(6,312)	(5,892)
Total investments and other assets	3,097,033	2,950,536
Total non-current assets	5,577,672	5,602,541
Deferred assets		
Deferred organization expenses	527	439
Business commencement expenses	66,274	68,718
Share issuance cost	8,005	—
Total deferred assets	74,806	69,157
Total assets	11,250,543	11,724,113

(Thousands of yen)

	As of February 28, 2017	As of February 28, 2018
Liabilities		
Current liabilities		
Accounts payable - other	810,910	761,970
Income taxes payable	254,039	302,613
Advances received	1,090,837	1,331,464
Provision for sales returns	3,635	2,850
Provision for bonuses	179,984	213,175
Provision for cancelation refunds	2,475	358
Provision for loss on litigation	100,000	15,619
Asset retirement obligations	14,787	18,324
Other	706,149	784,449
Total current liabilities	3,162,819	3,430,826
Non-current liabilities		
Net defined benefit liability	942,966	1,101,479
Asset retirement obligations	843,426	918,495
Other	157	–
Total non-current liabilities	1,786,549	2,019,974
Total liabilities	4,949,369	5,450,800
Net assets		
Shareholders' equity		
Capital stock	2,890,415	2,890,415
Capital surplus	822,859	822,859
Retained earnings	3,971,448	3,975,192
Treasury shares	(1,394,246)	(1,396,388)
Total shareholders' equity	6,290,476	6,292,080
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	387	431
Foreign currency translation adjustment	227	870
Remeasurements of defined benefit plans	10,081	(20,068)
Total accumulated other comprehensive income	10,697	(18,766)
Non-controlling interests	0	–
Total net assets	6,301,174	6,273,313
Total liabilities and net assets	11,250,543	11,724,113

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

(Thousands of yen)

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Net sales	20,777,361	22,584,511
Cost of sales	15,072,702	16,242,601
Gross profit	5,704,658	6,341,909
Selling, general and administrative expenses	3,653,346	4,183,692
Operating profit	2,051,312	2,158,217
Non-operating income		
Interest income	49	32
Dividend income	47	47
Gain on forfeiture of unclaimed dividends	7,091	–
Gain on bad debts recovered	4,542	1,297
Commission fee	446	1,496
Miscellaneous income	663	884
Other	1,400	1,932
Total non-operating income	14,241	5,691
Non-operating expenses		
Interest expenses	59	370
Amortization of share issuance cost	31,441	8,005
Foreign exchange losses	–	14,379
Other	1,983	1,187
Total non-operating expenses	33,483	23,943
Ordinary profit	2,032,069	2,139,965
Extraordinary income		
Reversal of allowance for provision for cancelation refunds	41,744	1,848
Total extraordinary income	41,744	1,848
Extraordinary losses		
Loss on retirement of non-current assets	3,622	1,039
Impairment loss	54,049	20,562
Relocation expenses	5,584	12,626
Litigation expenses	21,016	15,604
Provision for loss on litigation	100,000	15,619
Loss on liquidation of business	–	45,009
Loss on insurance cancellation	13,004	–
Other	9,636	11,150
Total extraordinary losses	206,913	121,611
Profit before income taxes	1,866,901	2,020,202
Income taxes - current	298,712	347,484
Refund of income taxes	(18,939)	(9,829)
Income taxes - deferred	311,803	300,901
Total income taxes	591,576	638,556
Profit	1,275,325	1,381,646
Loss attributable to non-controlling interests	–	(0)
Profit attributable to owners of parent	1,275,325	1,381,646

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Profit	1,275,325	1,381,646
Other comprehensive income		
Valuation difference on available-for-sale securities	456	43
Foreign currency translation adjustment	227	643
Remeasurements of defined benefit plans, net of tax	(95,835)	(30,150)
Total other comprehensive income	(95,152)	(29,464)
Comprehensive income	1,180,172	1,352,181
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,180,172	1,352,181
Comprehensive income attributable to non-controlling interests	0	0

Consolidated statements of changes in equity

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

Fiscal year ended February 28, 2018

(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	3,971,448	(1,394,246)	6,290,476
Changes of items during period					
Profit attributable to owners of parent			1,381,646		1,381,646
Dividends of surplus			(1,377,901)		(1,377,901)
Purchase of treasury shares				(2,141)	(2,141)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	3,744	(2,141)	1,603
Balance at end of current period	2,890,415	822,859	3,975,192	(1,396,388)	6,292,080

	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	387	227	10,081	10,697	0	6,301,174
Changes of items during period						
Profit attributable to owners of parent						1,381,646
Dividends of surplus						(1,377,901)
Purchase of treasury shares						(2,141)
Net changes of items other than shareholders' equity	43	643	(30,150)	(29,464)	(0)	(29,464)
Total changes of items during period	43	643	(30,150)	(29,464)	(0)	(27,861)
Balance at end of current period	431	870	(20,068)	(18,766)	–	6,273,313

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Cash flows from operating activities		
Profit before income taxes	1,866,901	2,020,202
Depreciation	208,095	233,061
Amortization of deferred assets	31,441	22,905
Increase (decrease) in allowance for doubtful accounts	12,067	(2,843)
Increase (decrease) in provision for bonuses	35,897	33,190
Increase(decrease) in provision for cancellation refunds	(43,147)	(2,116)
Increase (decrease) in provision for loss on litigation	100,000	15,619
Increase (decrease) in net defined benefit liability	116,016	158,513
Increase (decrease) in other provision	(10,142)	(785)
Interest and dividend income	(96)	(79)
Loss on retirement of property, plant and equipment	3,622	1,039
Impairment loss	54,049	20,562
Interest expenses	59	370
Decrease (increase) in notes and accounts receivable - trade	616,816	(93,955)
Decrease (increase) in inventories	(26,258)	25,876
Decrease (increase) in prepaid expenses	(17,937)	(61,473)
Increase (decrease) in notes and accounts payable - trade	(7,701)	3,243
Increase (decrease) in accrued consumption taxes	(141,828)	26,865
Increase (decrease) in accounts payable - other	(45,252)	32,860
Increase (decrease) in advances received	(64,740)	240,626
Other, net	14,660	65,958
Subtotal	2,702,523	2,739,644
Interest and dividend income received	96	79
Interest expenses paid	(59)	(370)
Litigation settlement paid	–	(109,900)
Income taxes paid	(222,852)	(378,960)
Income taxes refund	1,361	27,978
Net cash provided by (used in) operating activities	2,481,069	2,278,471
Cash flows from investing activities		
Purchase of property, plant and equipment	(216,143)	(324,231)
Purchase of intangible assets	(69,646)	(38,533)
Purchase of insurance funds	(39,441)	(39,441)
Proceeds from cancellation of insurance funds	12,234	–
Payments for lease and guarantee deposits	(148,450)	(191,643)
Proceeds from collection of lease and guarantee deposits	52,300	79,702
Payments for deferred assets	(66,801)	(26,509)
Other, net	(51,113)	(52,732)
Net cash provided by (used in) investing activities	(527,063)	(593,387)

(Thousands of yen)

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Cash flows from financing activities		
Increase in short-term loans payable	–	900,000
Decrease in short-term loans payable	–	(900,000)
Cash dividends paid	(1,418,307)	(1,373,651)
Purchase of treasury shares	(1,334,974)	(2,141)
Proceeds from disposal of treasury shares	155,744	–
Other, net	(6,456)	(1,279)
Net cash provided by (used in) financing activities	(2,603,993)	(1,377,072)
Effect of exchange rate change on cash and cash equivalents	227	(2,545)
Net increase (decrease) in cash and cash equivalents	(649,759)	305,465
Cash and cash equivalents at beginning of period	4,515,815	3,866,056
Cash and cash equivalents at end of period	3,866,056	4,171,521