

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended August 31, 2019 (Based on Japanese GAAP)

October 9, 2019

Company name: Riso Kyoiku Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 4714 URL <http://www.tomas.co.jp/>
 Representative: President and CEO Shigenori Hirano
 Inquiries: Vice president and CFO Masaaki Kume TEL 03-5996-3701
 Scheduled date to file Quarterly Securities Report: October 10, 2019
 Scheduled date to commence dividend payments: November 7, 2019
 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, 2019 (from March 1, 2019 to August 31, 2019)

(1) Consolidated operating results (cumulative)

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	%
Six months ended August 31, 2019	12,987	10.0	1,166	19.8	1,165	19.0	727	25.3
Six months ended August 31, 2018	11,808	9.2	973	31.5	979	34.9	580	15.3

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2019	4.93		4.93	
Six months ended August 31, 2018	3.93		-	

(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, 2019	13,351	6,041	45.1	40.78
As of February 28, 2019	12,510	6,263	49.9	42.28

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, 2019	7.50	7.50	7.50	3.50	26.00
Year ending February 29, 2020	3.00	3.00			
Year ending February 29, 2020 (Forecast)			3.00	3.00	12.00

3. Forecast of consolidated financial results for the year ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

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	27,000	10.2	3,010	19.0	3,000	18.1	1,800	14.2	12.19

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2019
 (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, 2019	156,209,829 shares	As of February 28, 2019	156,209,829 shares
-----------------------	--------------------	-------------------------	--------------------

Number of treasury shares at the end of the period

As of August 31, 2019	8,586,800 shares	As of February 28, 2019	8,586,160 shares
-----------------------	------------------	-------------------------	------------------

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

Six months ended August 31, 2019	147,623,315 shares	Six months ended August 31, 2018	147,627,243 shares
----------------------------------	--------------------	----------------------------------	--------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of February 28, 2019	As of August 31, 2019
Assets		
Current assets		
Cash and deposits	4,716,148	4,815,141
Operating accounts receivable	924,243	1,452,258
Inventories	102,746	129,257
Income taxes receivable	145,734	107,491
Other	441,968	440,510
Allowance for doubtful accounts	(12,816)	(24,316)
Total current assets	6,318,025	6,920,344
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,507,978	2,692,915
Accumulated depreciation	(1,147,080)	(1,215,444)
Buildings and structures, net	1,360,897	1,477,470
Tools, furniture and fixtures	1,656,340	1,767,844
Accumulated depreciation	(557,721)	(591,494)
Tools, furniture and fixtures, net	1,098,619	1,176,350
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	2,877,480	3,071,784
Intangible assets		
Other	153,609	138,577
Total intangible assets	153,609	138,577
Investments and other assets		
Deferred tax assets	637,347	621,251
Lease and guarantee deposits	2,236,021	2,307,293
Other	239,660	254,383
Allowance for doubtful accounts	(6,072)	(6,072)
Total investments and other assets	3,106,956	3,176,857
Total non-current assets	6,138,047	6,387,218
Deferred assets		
Deferred organization expenses	333	281
Business commencement expenses	54,510	43,765
Total deferred assets	54,844	44,046
Total assets	12,510,917	13,351,609

(Thousands of yen)

	As of February 28, 2019	As of August 31, 2019
Liabilities		
Current liabilities		
Accounts payable - other	1,222,619	1,492,128
Income taxes payable	400,616	484,734
Advances received	1,169,407	1,645,110
Provision for sales returns	3,626	2,728
Provision for bonuses	219,110	243,670
Asset retirement obligations	2,127	–
Other	843,958	936,258
Total current liabilities	3,861,464	4,804,630
Non-current liabilities		
Lease obligations	8,264	7,180
Net defined benefit liability	1,383,449	1,466,244
Asset retirement obligations	994,196	1,031,869
Total non-current liabilities	2,385,910	2,505,294
Total liabilities	6,247,375	7,309,924
Net assets		
Shareholders' equity		
Capital stock	2,890,415	2,890,415
Capital surplus	822,859	822,859
Retained earnings	4,099,827	3,867,874
Treasury shares	(1,397,924)	(1,398,246)
Total shareholders' equity	6,415,178	6,182,903
Accumulated other comprehensive income		
Foreign currency translation adjustment	664	793
Remeasurements of defined benefit plans	(174,637)	(164,348)
Total accumulated other comprehensive income	(173,972)	(163,555)
Share acquisition rights	22,337	22,337
Total net assets	6,263,542	6,041,685
Total liabilities and net assets	12,510,917	13,351,609

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, 2018	Six months ended August 31, 2019
Net sales	11,808,045	12,987,229
Cost of sales	8,569,008	9,342,537
Gross profit	3,239,036	3,644,692
Selling, general and administrative expenses	2,265,375	2,478,553
Operating profit	973,661	1,166,138
Non-operating income		
Interest income	10	10
Dividend income	26	0
Gain on forfeiture of unclaimed dividends	–	1,930
Gain on bad debts recovered	1,325	1,754
Foreign exchange gains	1,880	–
Miscellaneous income	1,017	841
Other	1,646	1,333
Total non-operating income	5,906	5,872
Non-operating expenses		
Interest expenses	0	50
Foreign exchange losses	–	6,438
Other	–	202
Total non-operating expenses	0	6,691
Ordinary profit	979,567	1,165,319
Extraordinary income		
Reversal of allowance for provision for cancelation refunds	80	–
Insurance income	27,970	–
Total extraordinary income	28,050	–
Extraordinary losses		
Loss on retirement of non-current assets	30,273	1,803
Impairment loss	10,006	–
Litigation expenses	31,443	–
Relocation expenses	1,753	–
Total extraordinary losses	73,477	1,803
Profit before income taxes	934,141	1,163,516
Income taxes	353,516	435,916
Profit	580,625	727,599
Profit attributable to owners of parent	580,625	727,599

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended August 31, 2018	Six months ended August 31, 2019
Profit	580,625	727,599
Other comprehensive income		
Valuation difference on available-for-sale securities	(166)	–
Foreign currency translation adjustment	(128)	129
Remeasurements of defined benefit plans, net of tax	(5,624)	10,288
Total other comprehensive income	(5,918)	10,417
Comprehensive income	574,706	738,017
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	574,706	738,017
Comprehensive income attributable to non-controlling interests	(0)	–

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 31, 2018	Six months ended August 31, 2019
Cash flows from operating activities		
Profit before income taxes	934,141	1,163,516
Depreciation	123,508	141,492
Amortization of deferred assets	8,419	8,499
Increase (decrease) in allowance for doubtful accounts	8,248	11,499
Increase (decrease) in provision for bonuses	3,195	24,560
Increase (decrease) in provision for cancellation refunds	(80)	–
Increase (decrease) in net defined benefit liability	10,657	82,795
Increase (decrease) in other provision	887	(897)
Interest and dividend income	(36)	(11)
Interest expenses	0	50
Impairment loss	10,006	–
Loss on retirement of property, plant and equipment	30,273	1,803
Decrease (increase) in notes and accounts receivable - trade	(436,151)	(527,823)
Decrease (increase) in inventories	(8,826)	(26,511)
Decrease (increase) in prepaid expenses	52,488	(3,280)
Increase (decrease) in notes and accounts payable - trade	12,836	12,429
Increase (decrease) in accrued consumption taxes	(77,886)	40,290
Increase (decrease) in accounts payable - other	297,029	226,952
Increase (decrease) in advances received	208,423	475,702
Other, net	(53,022)	(42,500)
Subtotal	1,124,113	1,588,567
Interest and dividend income received	36	11
Interest expenses paid	(0)	(50)
Litigation settlement paid	(15,619)	–
Income taxes paid	(194,355)	(280,050)
Income taxes refund	25,711	38,188
Net cash provided by (used in) operating activities	939,885	1,346,665
Cash flows from investing activities		
Purchase of property, plant and equipment	(260,709)	(228,665)
Purchase of intangible assets	(5,605)	(14,179)
Proceeds from non-controlling shareholders with a consolidated subsidiary establishment	–	49,000
Payments for lease and guarantee deposits	(116,537)	(77,741)
Proceeds from collection of lease and guarantee deposits	25,936	6,320
Purchase of insurance funds	–	(18,863)
Other, net	(13,583)	(3,834)
Net cash provided by (used in) investing activities	(370,499)	(287,963)

(Thousands of yen)

	Six months ended August 31, 2018	Six months ended August 31, 2019
Cash flows from financing activities		
Cash dividends paid	(714,350)	(957,818)
Purchase of treasury shares	(370)	(321)
Other, net	(157)	–
Net cash provided by (used in) financing activities	(714,877)	(958,139)
Effect of exchange rate change on cash and cash equivalents	469	(1,569)
Net increase (decrease) in cash and cash equivalents	(145,020)	98,992
Cash and cash equivalents at beginning of period	4,171,521	4,716,148
Cash and cash equivalents at end of period	4,026,500	4,815,141