

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2018 (Based on Japanese GAAP)

October 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: October 10, 2018
 Scheduled date to commence dividend payments: November 9, 2018
 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, 2018 (from March 1, 2018 to August 31, 2018)

(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, 2018	11,808	9.2	973	31.5	979	34.9	580	15.3
Six months ended August 31, 2017	10,814	8.5	740	0.8	725	0.6	503	8.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2018	11.80		-	
Six months ended August 31, 2017	10.23		-	

(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, 2018	12,080	6,134	50.8	124.65
As of February 28, 2018	11,724	6,273	53.5	127.48

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, 2018	7.00	7.00	7.00	7.00	28.00
Year ending February 28, 2019	7.50	7.50			
Year ending February 28, 2019 (Forecast)			7.50	7.50	30.00

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	24,700	9.4	2,710	25.6	2,700	26.2	1,600	15.8	32.51

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2018
 (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, 2018	52,069,943 shares	As of February 28, 2018	52,069,943 shares
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Number of treasury shares at the end of the period

As of August 31, 2018	2,861,058 shares	As of February 28, 2018	2,860,618 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, 2018	49,209,081 shares	Six months ended August 31, 2017	49,211,004 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of February 28, 2018	As of August 31, 2018
Assets		
Current assets		
Cash and deposits	4,171,521	4,026,500
Operating accounts receivable	833,705	1,269,857
Inventories	100,017	108,844
Deferred tax assets	517,310	426,874
Other	444,926	355,592
Allowance for doubtful accounts	(15,065)	(23,394)
Total current assets	6,052,415	6,164,275
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,223,157	2,391,629
Accumulated depreciation	(1,103,396)	(1,149,485)
Buildings and structures, net	1,119,760	1,242,144
Tools, furniture and fixtures	1,485,572	1,586,971
Accumulated depreciation	(533,456)	(556,074)
Tools, furniture and fixtures, net	952,116	1,030,897
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	2,489,840	2,691,004
Intangible assets		
Other	162,163	136,146
Total intangible assets	162,163	136,146
Investments and other assets		
Investment securities	1,997	1,757
Deferred tax assets	574,629	562,929
Lease and guarantee deposits	2,143,707	2,234,010
Other	236,094	234,233
Allowance for doubtful accounts	(5,892)	(5,812)
Total investments and other assets	2,950,536	3,027,118
Total non-current assets	5,602,541	5,854,270
Deferred assets		
Deferred organization expenses	439	386
Business commencement expenses	68,718	61,353
Total deferred assets	69,157	61,740
Total assets	11,724,113	12,080,285

(Thousands of yen)

	As of February 28, 2018	As of August 31, 2018
Liabilities		
Current liabilities		
Accounts payable - other	761,970	1,069,376
Income taxes payable	302,613	303,946
Advances received	1,331,464	1,539,888
Provision for sales returns	2,850	3,737
Provision for bonuses	213,175	216,370
Provision for cancellation refunds	358	278
Provision for loss on litigation	15,619	–
Asset retirement obligations	18,324	19,634
Other	784,449	720,819
Total current liabilities	3,430,826	3,874,050
Non-current liabilities		
Net defined benefit liability	1,101,479	1,112,136
Asset retirement obligations	918,495	959,981
Total non-current liabilities	2,019,974	2,072,118
Total liabilities	5,450,800	5,946,168
Net assets		
Shareholders' equity		
Capital stock	2,890,415	2,890,415
Capital surplus	822,859	822,859
Retained earnings	3,975,192	3,842,285
Treasury shares	(1,396,388)	(1,396,758)
Total shareholders' equity	6,292,080	6,158,802
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	431	264
Foreign currency translation adjustment	870	742
Remeasurements of defined benefit plans	(20,068)	(25,692)
Total accumulated other comprehensive income	(18,766)	(24,685)
Non-controlling interests	–	0
Total net assets	6,273,313	6,134,117
Total liabilities and net assets	11,724,113	12,080,285

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, 2017	Six months ended August 31, 2018
Net sales	10,814,024	11,808,045
Cost of sales	7,979,737	8,569,008
Gross profit	2,834,287	3,239,036
Selling, general and administrative expenses	2,093,719	2,265,375
Operating profit	740,567	973,661
Non-operating income		
Interest income	17	10
Dividend income	23	26
Gain on bad debts recovered	545	1,325
Foreign exchange gains	–	1,880
Miscellaneous income	577	1,017
Other	552	1,646
Total non-operating income	1,716	5,906
Non-operating expenses		
Interest expenses	368	0
Amortization of share issuance cost	8,005	–
Foreign exchange losses	7,856	–
Other	86	–
Total non-operating expenses	16,316	0
Ordinary profit	725,968	979,567
Extraordinary income		
Reversal of allowance for provision for cancelation refunds	82	80
Insurance income	–	27,970
Total extraordinary income	82	28,050
Extraordinary losses		
Loss on retirement of non-current assets	747	30,273
Impairment loss	2,629	10,006
Litigation expenses	10,694	31,443
Relocation expenses	7,839	1,753
Provision for loss on litigation	900	–
Loss on liquidation of business	45,009	–
Total extraordinary losses	67,820	73,477
Profit before income taxes	658,230	934,141
Income taxes	154,785	353,516
Profit	503,445	580,625
Loss attributable to non-controlling interests	(0)	–
Profit attributable to owners of parent	503,445	580,625

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Profit	503,445	580,625
Other comprehensive income		
Valuation difference on available-for-sale securities	(117)	(166)
Foreign currency translation adjustment	(39)	(128)
Remeasurements of defined benefit plans, net of tax	3,179	(5,624)
Total other comprehensive income	3,022	(5,918)
Comprehensive income	506,467	574,706
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	506,467	574,706
Comprehensive income attributable to non-controlling interests	(0)	(0)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Cash flows from operating activities		
Profit before income taxes	658,230	934,141
Depreciation	111,131	123,508
Amortization of deferred assets	13,992	8,419
Increase (decrease) in allowance for doubtful accounts	9,976	8,248
Increase (decrease) in provision for bonuses	30,083	3,195
Increase (decrease) in provision for cancellation refunds	(350)	(80)
Increase (decrease) in net defined benefit liability	47,002	10,657
Increase (decrease) in other provision	(1,749)	887
Interest and dividend income	(40)	(36)
Interest expenses	368	0
Impairment loss	2,629	10,006
Loss on retirement of property, plant and equipment	747	30,273
Decrease (increase) in notes and accounts receivable - trade	(373,186)	(436,151)
Decrease (increase) in inventories	9,083	(8,826)
Decrease (increase) in prepaid expenses	4,509	52,488
Increase (decrease) in notes and accounts payable - trade	9,704	12,836
Increase (decrease) in accrued consumption taxes	(66,633)	(77,886)
Increase (decrease) in accounts payable - other	287,521	297,029
Increase (decrease) in advances received	343,652	208,423
Other, net	23,273	(53,022)
Subtotal	1,109,945	1,124,113
Interest and dividend income received	40	36
Interest expenses paid	(368)	(0)
Litigation settlement paid	(100,000)	(15,619)
Income taxes paid	(192,645)	(194,355)
Income taxes refund	8,941	25,711
Net cash provided by (used in) operating activities	825,913	939,885
Cash flows from investing activities		
Purchase of property, plant and equipment	(170,629)	(260,709)
Purchase of intangible assets	(28,289)	(5,605)
Payments for lease and guarantee deposits	(81,098)	(116,537)
Proceeds from collection of lease and guarantee deposits	22,196	25,936
Purchase of insurance funds	(32,300)	-
Payments for deferred assets	(26,628)	-
Other, net	(32,449)	(13,583)
Net cash provided by (used in) investing activities	(349,200)	(370,499)

(Thousands of yen)

	Six months ended August 31, 2017	Six months ended August 31, 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	(689,534)	(714,350)
Purchase of treasury shares	(1,340)	(370)
Other, net	(809)	(157)
Net cash provided by (used in) financing activities	(691,684)	(714,877)
Effect of exchange rate change on cash and cash equivalents	(777)	469
Net increase (decrease) in cash and cash equivalents	(215,748)	(145,020)
Cash and cash equivalents at beginning of period	3,866,056	4,171,521
Cash and cash equivalents at end of period	3,650,307	4,026,500