

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2020 (Based on Japanese GAAP)

October 8, 2020

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 9, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 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, 2020 (from March 1, 2020 to August 31, 2020)

(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, 2020	11,109	(14.5)	(460)	–	(416)	–	(468)	–
Six months ended August 31, 2019	12,987	10.0	1,166	19.8	1,165	19.0	727	25.3

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2020	(3.23)		–	
Six months ended August 31, 2019	4.93		4.93	

(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, 2020	12,550	5,496	43.4	36.89
As of February 29, 2020	13,214	6,157	45.9	41.35

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 29, 2020	3.00	3.00	3.00	3.00	12.00
Year ending February 28, 2021	0.00	0.00			
Year ending February 28, 2021 (Forecast)			0.00	6.00 ~9.00	6.00 ~9.00

3. Forecast of consolidated financial results for the year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

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	26,000	(2.6)	1,510	(44.4)	1,500	(45.4)	1,000	(48.8)	6.89

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2020
 (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, 2020	156,209,829 shares	As of February 29, 2020	156,209,829 shares
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Number of treasury shares at the end of the period

As of August 31, 2020	8,395,220 shares	As of February 29, 2020	9,433,200 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, 2020	144,983,900 shares	Six months ended August 31, 2019	147,623,315 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of February 29, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	4,837,138	3,649,182
Trade accounts receivable	1,133,803	1,433,012
Inventories	111,399	134,967
Income taxes receivable	106,096	41,330
Other	472,250	448,086
Allowance for doubtful accounts	(15,927)	(16,721)
Total current assets	6,644,759	5,689,859
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,773,988	2,907,773
Accumulated depreciation	(1,275,350)	(1,351,765)
Buildings and structures, net	1,498,638	1,556,007
Tools, furniture and fixtures	1,769,455	1,840,557
Accumulated depreciation	(628,569)	(670,978)
Tools, furniture and fixtures, net	1,140,886	1,169,579
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	3,057,487	3,143,550
Intangible assets		
Other	135,571	148,562
Total intangible assets	135,571	148,562
Investments and other assets		
Deferred tax assets	670,422	748,136
Leasehold and guarantee deposits	2,416,943	2,518,829
Other	257,542	278,576
Allowance for doubtful accounts	(6,072)	(6,072)
Total investments and other assets	3,338,836	3,539,470
Total non-current assets	6,531,895	6,831,582
Deferred assets		
Organization expenses	237	184
Business commencement expenses	37,461	29,215
Total deferred assets	37,699	29,400
Total assets	13,214,354	12,550,842

(Thousands of yen)

	As of February 29, 2020	As of August 31, 2020
Liabilities		
Current liabilities		
Accounts payable - other	1,040,268	1,197,264
Income taxes payable	523,320	222,907
Advances received	1,551,565	1,876,550
Provision for sales returns	3,008	1,577
Provision for bonuses	244,486	265,129
Asset retirement obligations	4,539	9,071
Other	1,131,788	794,517
Total current liabilities	4,498,977	4,367,018
Non-current liabilities		
Lease obligations	6,091	4,996
Retirement benefit liability	1,499,862	1,600,870
Asset retirement obligations	1,052,023	1,074,170
Deferred tax liabilities	–	7,067
Total non-current liabilities	2,557,977	2,687,105
Total liabilities	7,056,954	7,054,123
Net assets		
Shareholders' equity		
Share capital	2,890,415	2,890,415
Capital surplus	822,859	1,105,307
Retained earnings	4,208,207	3,299,221
Treasury shares	(1,724,062)	(1,730,109)
Total shareholders' equity	6,197,419	5,564,835
Accumulated other comprehensive income		
Foreign currency translation adjustment	201	(87)
Remeasurements of defined benefit plans	(127,884)	(112,288)
Total accumulated other comprehensive income	(127,682)	(112,375)
Share acquisition rights	48,364	36,460
Non-controlling interests	39,298	7,797
Total net assets	6,157,400	5,496,718
Total liabilities and net assets	13,214,354	12,550,842

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, 2019	Six months ended August 31, 2020
Net sales	12,987,229	11,109,002
Cost of sales	9,342,537	9,019,192
Gross profit	3,644,692	2,089,809
Selling, general and administrative expenses	2,478,553	2,549,810
Operating profit (loss)	1,166,138	(460,000)
Non-operating income		
Interest income	10	10
Dividend income	0	0
Foreign exchange gains	–	1,491
Gain on forfeiture of unclaimed dividends	1,930	2,100
Gain on bad debts recovered	1,754	1,291
Interest on tax refund	–	1,107
Subsidies for employment adjustment	–	70,204
Miscellaneous income	841	174
Other	1,333	617
Total non-operating income	5,872	76,997
Non-operating expenses		
Interest expenses	50	2,082
Share issuance cost	–	30,100
Foreign exchange losses	6,438	–
Commission expenses	–	1,470
Other	202	311
Total non-operating expenses	6,691	33,964
Ordinary profit (loss)	1,165,319	(416,968)
Extraordinary income		
Other	–	3,181
Total extraordinary income	–	3,181
Extraordinary losses		
Loss on retirement of non-current assets	1,803	–
Total extraordinary losses	1,803	–
Profit (loss) before income taxes	1,163,516	(413,787)
Income taxes	435,916	86,369
Profit (loss)	727,599	(500,156)
Loss attributable to non-controlling interests	–	(31,500)
Profit (loss) attributable to owners of parent	727,599	(468,656)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Profit (loss)	727,599	(500,156)
Other comprehensive income		
Foreign currency translation adjustment	129	(289)
Remeasurements of defined benefit plans, net of tax	10,288	15,595
Total other comprehensive income	10,417	15,306
Comprehensive income	738,017	(484,850)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	738,017	(484,850)
Comprehensive income attributable to non-controlling interests	–	(0)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	1,163,516	(413,787)
Depreciation	141,492	156,032
Amortization of deferred assets	8,499	8,659
Increase (decrease) in allowance for doubtful accounts	11,499	793
Increase (decrease) in provision for bonuses	24,560	20,643
Increase (decrease) in retirement benefit liability	82,795	101,008
Increase (decrease) in other provisions	(897)	(1,430)
Increase (decrease) in remeasurements of defined benefit plans	–	15,595
Interest and dividend income	(11)	(10)
Interest expenses	50	2,082
Share issuance cost	–	30,100
Subsidy income	–	(70,204)
Loss on retirement of property, plant and equipment	1,803	–
Decrease (increase) in trade receivables	(527,823)	(299,241)
Decrease (increase) in inventories	(26,511)	(23,568)
Decrease (increase) in prepaid expenses	(3,280)	11,405
Increase (decrease) in trade payables	12,429	13,406
Increase (decrease) in accrued consumption taxes	40,290	(334,968)
Increase (decrease) in accounts payable - other	226,952	160,434
Increase (decrease) in advances received	475,702	324,985
Other, net	(42,500)	(61,860)
Subtotal	1,588,567	(359,924)
Interest and dividends received	11	10
Interest paid	(50)	(2,082)
Proceeds from subsidy income	–	70,204
Income taxes paid	(280,050)	(437,089)
Income taxes refund	38,188	105,352
Net cash provided by (used in) operating activities	1,346,665	(623,529)
Cash flows from investing activities		
Purchase of property, plant and equipment	(228,665)	(184,783)
Purchase of intangible assets	(14,179)	(36,096)
Proceeds from non-controlling shareholders with a consolidated subsidiary establishment	49,000	–
Payments of leasehold and guarantee deposits	(77,741)	(104,867)
Proceeds from refund of leasehold and guarantee deposits	6,320	3,030
Purchase of insurance funds	(18,863)	(18,863)
Other, net	(3,834)	(12,737)
Net cash provided by (used in) investing activities	(287,963)	(354,318)

(Thousands of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from financing activities		
Proceeds from short-term borrowings	–	4,000,000
Repayments of short-term borrowings	–	(4,000,000)
Dividends paid	(957,818)	(445,461)
Proceeds from exercise of employee share options	–	32
Purchase of treasury shares	(321)	(735,557)
Proceeds from disposal of treasury shares	–	969,923
Net cash provided by (used in) financing activities	(958,139)	(211,063)
Effect of exchange rate change on cash and cash equivalents	(1,569)	954
Net increase (decrease) in cash and cash equivalents	98,992	(1,187,956)
Cash and cash equivalents at beginning of period	4,716,148	4,837,138
Cash and cash equivalents at end of period	4,815,141	3,649,182