

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2022 (Based on Japanese GAAP)

October 11, 2022

Company name: Riso Kyoiku Co.,Ltd.
 Stock exchange listing: Tokyo
 Stock code: 4714 URL <https://www.riso-kyoikugroup.com/>
 Representative: President and CEO Masahiko Tenbo
 Inquiries: Vice president and CFO Masaaki Kume TEL 03-5996-3701
 Scheduled date to file Quarterly Securities Report: October 12, 2022
 Scheduled date to commence dividend payments: –
 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, 2022 (from March 1, 2022 to August 31, 2022)

(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, 2022	15,441	5.7	1,007	(24.3)	1,034	(24.7)	636	(27.2)
Six months ended August 31, 2021	14,612	31.5	1,331	–	1,373	–	874	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2022	4.12		4.11	
Six months ended August 31, 2021	5.91		5.90	

(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, 2022	17,645	8,603	48.1	55.02
As of February 28, 2022	19,045	10,513	54.8	67.59

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, 2022	0.00	0.00	0.00	16.00	16.00
Year ending February 28, 2023	0.00	0.00			
Year ending February 28, 2023 (Forecast)			0.00	16.00	16.00

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

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	33,000	10.0	3,610	19.1	3,700	21.4	2,500	2.8	16.20

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2022
(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: Yes
- 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, 2022	156,209,829 shares	As of February 28, 2022	156,209,829 shares
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Number of treasury shares at the end of the period

As of August 31, 2022	1,897,190 shares	As of February 28, 2022	1,897,030 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, 2022	154,312,696 shares	Six months ended August 31, 2021	147,813,598 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	8,011,322	6,259,489
Trade accounts receivable	2,328,853	2,253,004
Inventories	152,476	158,354
Other	513,945	612,005
Allowance for doubtful accounts	(9,571)	(15,254)
Total current assets	10,997,027	9,267,599
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,478,318	3,728,483
Accumulated depreciation	(1,532,583)	(1,631,020)
Buildings and structures, net	1,945,734	2,097,463
Tools, furniture and fixtures	2,093,144	2,202,863
Accumulated depreciation	(787,981)	(841,053)
Tools, furniture and fixtures, net	1,305,162	1,361,810
Land	417,963	417,963
Other	13,668	23,541
Accumulated depreciation	(13,668)	(1,690)
Other, net	0	21,850
Total property, plant and equipment	3,668,860	3,899,087
Intangible assets		
Other	196,804	203,181
Total intangible assets	196,804	203,181
Investments and other assets		
Investment securities	109,306	110,664
Deferred tax assets	1,074,648	1,101,816
Leasehold and guarantee deposits	2,715,012	2,765,758
Other	290,018	303,163
Allowance for doubtful accounts	(6,072)	(6,072)
Total investments and other assets	4,182,914	4,275,330
Total non-current assets	8,048,578	8,377,599
Total assets	19,045,606	17,645,198

(Thousands of yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Accounts payable - other	1,176,548	1,621,235
Income taxes payable	737,696	387,585
Advances received	1,961,988	–
Contract liabilities	–	2,446,759
Provision for sales returns	2,405	–
Provision for bonuses	289,817	318,566
Provision for loss on liquidation of subsidiaries and associates	1,593	1,525
Asset retirement obligations	9,341	23,199
Other	1,266,910	1,024,198
Total current liabilities	5,446,301	5,823,069
Non-current liabilities		
Lease obligations	1,678	560
Retirement benefit liability	1,912,901	2,024,061
Asset retirement obligations	1,162,432	1,184,939
Deferred tax liabilities	8,599	9,214
Total non-current liabilities	3,085,611	3,218,776
Total liabilities	8,531,913	9,041,845
Net assets		
Shareholders' equity		
Share capital	2,890,415	2,890,415
Capital surplus	2,616,453	2,616,453
Retained earnings	5,379,715	3,418,501
Treasury shares	(391,760)	(391,818)
Total shareholders' equity	10,494,824	8,533,551
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,087	4,029
Foreign currency translation adjustment	(1,602)	(667)
Remeasurements of defined benefit plans	(65,727)	(46,845)
Total accumulated other comprehensive income	(64,242)	(43,483)
Share acquisition rights	83,111	113,284
Non-controlling interests	0	0
Total net assets	10,513,693	8,603,352
Total liabilities and net assets	19,045,606	17,645,198

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, 2021	Six months ended August 31, 2022
Net sales	14,612,856	15,441,194
Cost of sales	10,490,623	11,290,987
Gross profit	4,122,232	4,150,207
Selling, general and administrative expenses	2,790,998	3,143,042
Operating profit	1,331,233	1,007,164
Non-operating income		
Interest income	11	13
Dividend income	1,931	2,088
Foreign exchange gains	1,538	–
Gain on forfeiture of unclaimed dividends	2,691	3,732
Compensation income	7,974	–
Subsidy income	27,358	11,379
Recoveries of written off receivables	1,268	507
Compensation income for damage	–	5,465
Miscellaneous income	3,295	2,618
Other	2,338	2,451
Total non-operating income	48,407	28,257
Non-operating expenses		
Interest expenses	1,883	17
Foreign exchange losses	–	151
Litigation expenses	4,142	–
Other	157	559
Total non-operating expenses	6,182	728
Ordinary profit	1,373,458	1,034,694
Extraordinary income		
Gain on sale of non-current assets	–	571
Reversal of provision for loss on liquidation of subsidiaries and associates	7,850	–
Compensation income	41,839	–
Total extraordinary income	49,690	571
Extraordinary losses		
Loss on retirement of non-current assets	315	0
Relocation expenses	2,983	4,105
Other	543	–
Total extraordinary losses	3,841	4,105
Profit before income taxes	1,419,306	1,031,160
Income taxes	545,246	395,048
Profit	874,060	636,111
Profit (loss) attributable to non-controlling interests	0	(0)
Profit attributable to owners of parent	874,060	636,111

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit	874,060	636,111
Other comprehensive income		
Valuation difference on available-for-sale securities	7,388	941
Foreign currency translation adjustment	(1,447)	935
Remeasurements of defined benefit plans, net of tax	24,782	18,882
Total other comprehensive income	30,723	20,758
Comprehensive income	904,783	656,870
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	904,783	656,870
Comprehensive income attributable to non-controlling interests	(0)	0

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,419,306	1,031,160
Depreciation	184,369	206,368
Increase (decrease) in allowance for doubtful accounts	1,398	5,683
Increase (decrease) in provision for bonuses	24,432	28,749
Increase (decrease) in retirement benefit liability	85,070	111,159
Increase (decrease) in remeasurements of defined benefit plans	24,782	18,882
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	(38,551)	(68)
Increase (decrease) in other provisions	432	–
Interest and dividend income	(1,942)	(2,101)
Interest expenses	1,883	17
Subsidy income	(27,358)	(11,379)
Compensation for damage income	–	(5,465)
Gain on sale of non-current assets	–	(571)
Loss on retirement of non-current assets	315	0
Decrease (increase) in trade receivables	371,631	75,849
Decrease (increase) in inventories	(20,455)	(5,878)
Increase (decrease) in accounts payable - other	190,517	407,104
Increase (decrease) in advances received	394,015	–
Increase (decrease) in contractLiabilities	–	484,771
Other, net	23,646	(508,472)
Subtotal	2,633,495	1,835,808
Interest and dividends received	1,942	2,101
Interest paid	(1,883)	(17)
Subsidies received	27,358	11,379
Proceeds from compensation for damage	–	5,465
Income taxes paid	(419,300)	(700,845)
Income taxes refund	37,672	–
Net cash provided by (used in) operating activities	2,279,286	1,153,892
Cash flows from investing activities		
Purchase of property, plant and equipment	(474,880)	(319,205)
Proceeds from sale of property, plant and equipment	–	571
Purchase of intangible assets	(46,828)	(42,445)
Payments of leasehold and guarantee deposits	(112,729)	(59,771)
Proceeds from refund of leasehold and guarantee deposits	6,876	9,025
Other, net	(47,122)	(32,233)
Net cash provided by (used in) investing activities	(674,685)	(444,058)

(Thousands of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from financing activities		
Proceeds from short-term borrowings	2,300,000	–
Repayments of short-term borrowings	(2,300,000)	–
Repayments of lease obligations	–	(1,106)
Dividends paid	(1,398,763)	(2,461,122)
Purchase of treasury shares	(101)	(61)
Proceeds from disposal of treasury shares	–	3
Net cash provided by (used in) financing activities	(1,398,865)	(2,462,287)
Effect of exchange rate change on cash and cash equivalents	824	619
Net increase (decrease) in cash and cash equivalents	206,560	(1,751,833)
Cash and cash equivalents at beginning of period	3,963,694	8,011,322
Cash and cash equivalents at end of period	4,170,254	6,259,489