



Riso Kyoiku Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending February 2023

October 13, 2022

Event Summary

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[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	2
	Masahiko Tenbo President and CEO
	Masaaki Kume Vice President and CFO

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Presentation

Tenbo: Hello everyone. I am Tenbo from Riso Kyoiku. Thank you for your participation.

Kume: I am Kume from Riso Kyoiku. Thank you for your participation.

Tenbo: It is time, and we will now begin the presentation of financial results for Q2 of the fiscal year ending February 28, 2023.

Like before, as part of our measures to prevent the spread of COVID-19, we will hold our presentation online. We apologize for any inconvenience this may cause, and appreciate your understanding.

Kume: Today, as before, I will first use the materials to explain the results for Q2 of the fiscal year ending February 28, 2023; the background of the results and outlook; the medium-term management plan; shareholder return policy; and prospects. Then, I will use the Q&A system to answer the questions you have sent in. Please feel free to send us your questions through the Q&A system even during the presentation.

First, President Tenbo will explain the results for Q2 of the current fiscal year ending February 28, 2023. President Tenbo, please.

(1) 2023年2月期 第2四半期実績

(単位：百万円)

	売上高		営業利益		経常利益		当期純利益	
		前期増減		前期増減		前期増減		前期増減
2021年2月期	11,109	△1,878	△460	△1,626	△416	△1,582	△468	△1,196
2022年2月期	14,612	+3,503	1,331	+1,791	1,373	+1,790	874	+1,342
2023年2月期	15,441	+829	1,007	△324	1,034	△339	636	△238

Tenbo: I will explain the results for Q2 of the fiscal year ending February 28, 2023.

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Sales increased JPY829 million from the previous period to JPY15,441 million, operating income decreased JPY324 million to JPY1,007 million, ordinary income decreased JPY339 million to JPY1,034 million, and net income decreased JPY238 million to JPY636 million.

(2) 実績・見通しの背景について

	2022年8月末生徒数		
		2021年8月比	2020年8月比
 リソ教育グループ	26,599人	+1.4%	+10.5%

(売上高)

- ・新型コロナ第7波により講師、生徒、社員の感染者が急増
→授業が一部9月以降へずれ込み
- ・グループ全体で生徒数が堅調に推移
⇒売上高が5.7%増加

(利益)

- ・新校開校、既存校のリニューアル、新たな事業への設備投資などの先行投資
- ・優秀な人材確保のための人件費、採用広告費の増加
- ・インフレ圧力による物価上昇
- ・世界情勢に起因する資源価格の高騰による水道光熱費の高騰
⇒費用の増加により前期と比較して利益が減少

As for the background of the results and outlook, the number of students for the entire group remained steady at 26,599, up 1.4% from the same month last year.

The seventh wave of COVID-19 caused a sharp increase in the number of infections among teachers, students, and employees, and some classes were postponed until September or later, but consolidated results for Q2 of the current fiscal year were up 5.7%, demonstrating solid growth. The delayed classes are now being held in order.

Profits decreased from the previous year due to upfront investment in new school openings, renewal of existing schools, and capital investment in new businesses across Riso Kyoiku Group companies, as well as increased personnel and recruitment advertising expenses to secure excellent human resources, rising prices due to the pressures of inflation, and soaring utility costs due to the global situation.

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学習塾事業



【2022年8月末現在】



2022年3月 二俣川校・浜田山校・尾山台校 **開校**

川口校 リニューアル

2022年5月 三鷹校 リニューアル

2022年8月 武蔵小杉校 リニューアル

2022年9月 立川校 リニューアル

2022年10月 海老名校 **開校** (予定)

錦糸町校 リニューアル (予定)



2022年5月 三鷹校 **開校**



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By segment, in the tutoring school business, we opened TOMAS Futamatagawa, Hamadayama, and Oyamadai schools in March 2022, renewed the Kawaguchi school in March, renewed the TOMAS Mitaka school in May, opened the Inter TOMAS Mitaka school, and renewed the Tomas Musashikosugi school in August. As of the end of August 2022, there are 96 tutoring schools and 12 English conversation schools.

As for Q2 and beyond, the TOMAS Tachikawa school was renewed in September; we plan to open the TOMAS Ebina school and renew the Kinshicho school in October.

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家庭教師派遣教育事業

名門会

【2022年8月末現在】

名門会 2022年4月 三宮駅前校 リニューアル

MEDIC 名門会 2022年3月 大阪本部校 開校

2022年4月 神戸校 開校



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Next is Meimonkai, a private tutoring and home-visit education business, where we renewed the Meimonkai Sannomiya Ekimae School in April 2022.

Under the new brand MEDIC Meimonkai, the Osaka Head Office school opened in March and the Kobe school in April, showing that there are 35 Meimonkai schools, 12 TOMEIKAI schools, and two MEDIC Meimonkai schools as of the end of August 2022.

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幼児教育事業



【2022年8月末現在】

 伸芽クラブ 学童 (コナミスポーツ伸芽'Sアカデミー)
2022年4月 品川校 **開校**

 伸芽クラブ 託児 2022年8月 晴海トリトン校 **開校**

 伸芽クラブ 学童 2022年8月 晴海トリトン校 **開校**

 伸芽会
24教室

 伸芽クラブ
託児
8校

 伸芽クラブ
学童
19校



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Next is Shingakai, an early childhood education business. In April 2022, we opened the Shinagawa school of Konami Sports Shinga's Academy, a new brand developed by Shingakai and Konami Sports.

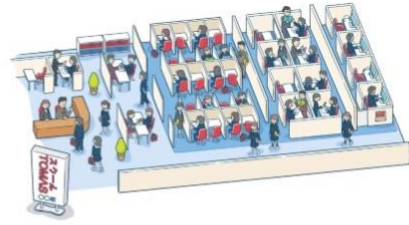
In August, we opened the Harumi Triton school for Shinga's Club daycare and Shinga's Club school-age care, and as of the end of August 2022, there are 24 Shingakai schools, eight schools for Shinga's Club daycare, and 19 schools for Shinga's Club school-age care.

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- ・ TOMAS のノウハウでの学校内完全 1 対 1 個別指導
- ・ いつでも質問できる自習システム
- ・ インターネット教材サポート型個別指導 ・ AI教材型個別指導
- ・ 2022年 8 月末時点導入契約校数 110校 ・ 稼働校数82校

学校内でも
オンラインでも

- 生徒一人ひとりの個人差に合わせ学びをサポート
= 学校の進学実績サポート
- 学校の先生の過重労働問題も解消

Next is in-school tutoring, School TOMAS. In addition to the conventional services such as full and one-on-one in-school tutoring, and a self-study system that allows students to ask questions at any time, we have also developed new services such as online tutoring and AI material-based tutoring. As of the end of August 2022, the number of schools signed up with us is 110, of which 82 are in operation.

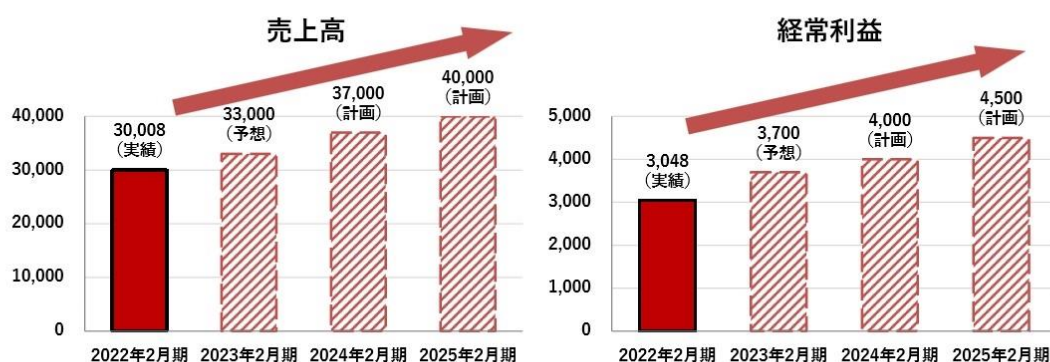
School TOMAS has been recognized not only as a way to support schools' academic performance, but also as a solution to the problem of long working hours for school teachers, and we expect to receive more inquiries in the future.

We also expect an increase in revenues as we anticipate the schools that have already introduced the system will expand the application to more grades year by year.

(3) 中期経営計画

(単位：百万円)

	2022年2月期 (実績)	2023年2月期 (予想)	2024年2月期 (計画)	2025年2月期 (計画)
売上高	30,008	33,000	37,000	40,000
営業利益	3,030	3,610	4,010	4,510
経常利益	3,048	3,700	4,000	4,500
当期純利益	2,431	2,500	2,700	3,000



Next, the medium-term management plan announced in January of this year covers the three-year period beginning with the current fiscal year ending February 28, 2023. For the fiscal year ending February 28, 2023, we forecast sales of JPY33 billion, ordinary income of JPY3.7 billion, and net income of JPY2.5 billion. For the fiscal year ending February 29, 2024, we forecast sales of JPY37 billion, ordinary income of JPY4 billion, and net income of JPY2.7 billion. For the fiscal year ending February 28, 2025, we forecast sales of JPY40 billion, ordinary income of JPY4.5 billion, and net income of JPY3 billion.

We will continue to aggressively launch new schools and provide high-quality, authentic educational services, aiming to achieve our goals through sustainable growth by strengthening our corporate competitiveness and corporate structure.

Next, Mr. Kume, Vice President, will explain the dividend for the fiscal year ending February 28, 2023. Vice President Kume, please.

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(4) 株主還元策

- ・株主の皆様に対する利益還元を経営の重要課題の一つ
- ・2022年2月期の配当をベースに・経営環境を勘案し検討

2021年2月期 配当（実績）	2022年2月期 配当（実績）	2023年2月期 配当（予想）
1株あたり9.5円	1株あたり 16円	1株あたり 16円

Kume: I will now explain our dividend policy for this fiscal year.

The dividend of JPY16 per share initially announced at the beginning of the fiscal year remains unchanged. The Company has sufficient profit available for dividends and its performance is on an increasing trend. Therefore, the dividend of JPY16 per share will remain unchanged and will be paid as a lump-sum year-end dividend of JPY16 per share.

We will continue our efforts to strengthen returns to shareholders and enhance corporate value. That is all.

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ヒューリック株式会社との資本業務提携

☑2020年9月より資本業務提携

☑2021年11月の第三者割当により
当社の株式を20.66%保有 → 筆頭株主へ

☑都心の主要エリア（駅前一等地）に豊富な物件を所有
⇒ 他社より有利な立地での教室展開
⇒ 当社の成長拡大へ



Tenbo: Next, I would like to explain our prospects for business alliances with other industries.

First, I would like to explain the strengthening of our capital and business alliance with Hulic Co., Ltd.

In 2020, we entered into a capital and business alliance with Hulic, a real estate developer, to jointly study new businesses related to education, support real estate strategies, and mutually utilize both parties' knowledge, expertise, and networks.

In addition, Hulic's stake in our company increased to 20.66% through the third-party allocation in November 2021, making Hulic our company's largest shareholder to further strengthen our alliance.

In the future, we expect Hulic to first show us its abundant sites of prestigious station-front properties in major areas of metropolitan Tokyo.

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伸芽'Sアカデミー 学童 × コナミスポーツクラブ

コナミスポーツ 伸芽'Sアカデミー

対象 小1
小2 小3

運動は得意だけど勉強もちゃんとさせたい

勉強だけじゃなくスポーツもできる子になってほしい

希望をかなえる

ワンストップ型学童

コナミスポーツ 伸芽'Sアカデミー



学習指導



習いごと



受験指導



運動

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Next is the business alliance between Shingakai and Konami Sports Co., Ltd. Under this alliance, a new brand "Konami Sports Shinga's Academy" is in business.

Konami Sports Shinga's Academy is a new brand of one-stop school-age childcare services that fulfills the wishes of parents who want their children to study as well as exercise or play sports. We plan to aggressively expand the brand to facilities owned by Konami Sports nationwide.

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「コナミスポーツ伸芽'Sアカデミー」の進捗状況、今後の展開

2022年4月 **品川校（第1号校）** をコナミスポーツ本店へ開校
おかげさまで満員御礼

2023年4月 **西宮校（第2号校）** を
コナミスポーツ本店西宮アネックスへ開校予定
その他、大阪エリア1校、神戸エリア1校を開校予定

今後、上記4校を含め約20校を開校予定



コナミスポーツ伸芽'Sアカデミー品川校
(コナミスポーツクラブ本店)

As I mentioned earlier, Konami Sports Shinga's Academy opened the Shinagawa school as its first school on April 1 of this year at the Konami Sports main store. This has been received very well, and spots were filled up quickly, so we are planning to expand the school and increase the floor space.

The second school is scheduled to open in April 2023 as Nishinomiya school at the Konami Sports Nishinomiya Annex main store. In addition, we are planning to open one school in the Osaka area and one in the Kobe area.

Including these four schools, we plan to open approximately 20 schools in the future. Konami Sports has a large number of child members, and based on this, we will expand Konami Sports Shinga's Academy into Konami Sports facilities, which we hope will contribute to an increase in the number of students and sales.

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教育特化ビル 『  こどもでば-と 』
Kodomo Depart

東京都、神奈川県などの主要駅へ2029年までに20棟まで広げる構想



In addition to the two partnerships with Hulic and Konami Sports, which I have explained up to now, we will now form a business alliance among the three companies to develop the Kodomo Department Store, [inaudible] a building specializing in education and integrating various child-rearing and educational functions that help children foster their diverse intellectual curiosity as well as build up their learning and experiences. Hulic will develop a medium-scale building or renovate an existing property for the place.

At the Kodomo Department Store, we will provide childcare services for children as young as one year old at the Shinga's Club daycare center. As the children get older, they will move on to Shingakai for kindergarten and elementary school entrance exams, and then to Shinga's Club for school-age care for children in the lower grades of elementary school. We are developing each of our brands to help with the transition, such as TOMAS, a full and one-on-one tutoring center for entrance exams, and Inter TOMAS, a one-on-one English conversation school.

The building will also house various children's service providers such as a children's sports gym by Konami Sports, a children's clinic, and a café.


The Kodomo Department Store will reduce the burden on parents who facilitate transportation, as the building will have functions such as tutoring schools, sports lessons, and family doctors in one location. We expect that this will enable us to provide a more child-friendly environment, which will facilitate our enclosure strategy.

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「 こどもでば-と」シリーズの展開

 ヒューリック株式会社 開発の複合施設

“子ども”の“子ども”による“子ども”のための新たな成長拠点
「MITAKE Link Park (仮称)」へ展開

 伸芽クラブ 託児  伸芽会  伸芽クラブ 学童 の開校 (予定)

「創造文化教育施設」の運営 ● Library & Study スペース

● Art & Event スペース



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As for the Kodomo Department Store, it was announced in April of this year that HULIC had been selected as the project proponent for an urban renewal step-up project implemented by Shibuya Ward. The Company also plans to develop a Kodomo Department Store in the MITAKE Link Park building to be developed.

Shingakai, Shinga's Club daycare, Shinga's Club school-age care are among those scheduled to open. Construction is scheduled to be completed in 2026, but we are moving forward separately with the development of Kodomo Department Store through new constructions or renovations of existing properties.

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「こどもでばと」の進捗状況

以下のエリアにて6件、再開発・建替え案件が進行中

城南エリア 3件
(目黒区・港区・品川区)

城西エリア 1件 (中野区)

城東エリア 1件 (江東区)

千葉エリア 1件 (市川市)

東京都、神奈川県などの主要駅へ2029年までに
20棟まで広げる構想

Regarding our progress, a total of six redevelopment/reconstruction projects are underway in the Meguro, Minato, and Shinagawa Wards in the Jounan area of Tokyo, Nakano Ward in the Josai area, Koto Ward in the Joto area, and Ichikawa City in the Chiba area. We plan to expand it to 20 buildings in the metropolitan area by 2029.

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☑2015年2月より伸芽会とKids Smile Projectで業務提携
オリジナル教育プログラム
「KID'S PREP. PROGRAM」を共同開発

☑2022年3月より親会社同士でも業務提携
伸芽会 ⇄ Kids Smile Projectで役員を相互派遣し
さらなる関係強化へ

⇒コンテンツ力、ブランド力、集客力の強化を図り
囲い込み戦略を推進



[inaudible] I would like to explain our business alliance with Kids Smile Holdings inc.

Since 2015, Shingakai has formed a business alliance with Kids Smile Project inc., which operates licensed nursery schools and preschools, and jointly developed Japan's first original educational program for licensed nursery schools, the KID'S PREP. PROGRAM. The program is adopted by licensed nursery schools by Kids Smile Project. In March of this year, we announced a business alliance among four companies, including Riso Kyoiku and Kids Smile Holdings, the parent companies of these two companies. This is a comprehensive partnership to further strengthen our relationship.

Specifically, Shingakai and Kids Smile Project will mutually dispatch executives to each other to develop original educational programs and business schemes to be established through this business alliance, which will then be introduced to nursery schools and certified childcare centers nationwide.

In addition, we are introducing Shingakai, TOMAS, Meimonkai, and other services to approximately 4,000 members of Kids Smile Project, and to members attending nursery schools and certified childcare centers nationwide who wish to take entrance exams for elementary and junior high schools. We have held three information sessions so far, all of which have earned inquiries and enrollment. We will continue to hold information sessions and invite new members to join our service in order to promote our group's enclosure strategy.

In addition to this, we will secure excellent human resources by establishing recruiting and training systems aimed at securing excellent childcare providers, thereby strengthening our content, brand, and ability to attract customers, and laying the foundation for our future growth strategy.


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- ・ コロナ禍で学校へのICT教育インフラ整備が急務



- ・ 大手通信会社KDDI株式会社のグループ会社
KDDI まとめてオフィスが学校へインターネット環境や
 タブレットの手配などICTのインフラ整備（ハード）
- ・  **スクール TOMAS** がハードを活かして学習支援（ソフト）
- ・ 導入校の相互紹介・新規開拓

Next, I would like to explain the business alliance between School TOMAS and KDDI Matomete Office Corporation. The recent COVID-19 pandemic has increased the need for infrastructure development regarding ICT education in schools. The speed of the process is also essential. KDDI Matomete Office provides hardware, such as the network environment and tablet arrangements, to schools, and School TOMAS will use this hardware to provide learning support.

This will be a business alliance in which the two companies will work together to develop the infrastructure for public ICT education. We will not only promote School TOMAS services to schools that have adopted KDDI Matomete Office's services and vice versa, but also cultivate new schools. We believe that this partnership will contribute to an increase in the number of schools introducing School TOMAS services in the future.

Last but not least, this summer has been a tough time for students and lecturers due to the increase in the number of new infections of COVID-19 and the heat wave that exceeded 30 degrees Celsius every day. Applications for the standardized college entrance exam have recently closed, and now is the time when students are becoming more and more aware of the importance of taking this test.

There are passions and atmospheres that cannot be conveyed online, such as seeing each other's faces, understanding where students are struggling, helping them overcome their weaknesses, motivating them and keeping them motivated through communication, and giving them in-depth instruction on various subjects. These are advantages that only face-to-face interaction can provide.

We remain committed to providing authentic educational services through face-to-face instruction, while keeping our own infection prevention measures in place. Thank you very much for your kind attention.

Kume: Thank you very much. Thank you very much for your presentation, Mr. President.

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Question & Answer

Kume [M]: From this point on, we will have time for questions and answers. Please send us your questions through the Q&A section at the bottom of the screen. Now, let's begin.

Tenbo [A]: Do you have any questions?

Assuming that summer classes will be held as scheduled after the delay due to the increase in the number of new infections, how were the results compared to the previous year before the pandemic?

I think your question is about what would have happened if the summer program had been on schedule and not affected by the pandemic.

For TOMAS and Riso Kyoiku on their own, the current situation is better than the previous year, but it would have been even better than that. If it is consolidated, what if there was no pandemic yet? Well, the results compared to the year before the pandemic show an overall increase in revenues, so I think that comparisons to the pre-pandemic era could have gone quite upward.

Kume [A]: Yes, that's right. The increase in revenue would have been much greater. However, I believe that profits have improved, but there is slightly negative growth compared to the previous year. I'd like to explain a little bit about this part of the profit. There are a number of factors, but the biggest reason is an increase in personnel and advertising expenses, which increased by about JPY100 million from the previous year as it was spent ahead of schedule. I believe this will level out if it is for the full year.

Furthermore, there were additional costs of JPY50-60 million that were not incurred last year, so in total, including personnel expenses, there was an increase of about JPY400 million in expenses compared to the previous fiscal year.

Tenbo [A]: I have received a question asking about the current composition of the elementary, middle and high schools.

I think this is for TOMAS. Among elementary, junior high, and high school students, the number of elementary and high school students is about the same, while the number of junior high school students is a little lower, so the total number of students does not make 10, but each number is about four, three, and four for the most recent ones.

Here is the next question: am I correct in understanding that sales for classes that have been delayed to September or later due to the pandemic will be added to Q3?

Basically, I think your understanding is correct. However, Q3 is September, October, and November, so there may be a little delay. Our classes in September, October, and November are held when school is in session, so it remains to be seen if we can finish them all.

However, the number of COVID-19 infections has already decreased drastically, just as in the rest of the world, so in that sense, I hope you consider our classes are being held smoothly.

Kume [A]: I would like to add something. If the number of infections peaked at 10, it is now one. The lecturer's infection rate has the most negative impact for sales, but again, the ratio is one to 10, so please understand that we are proceeding with classes that have been delayed .

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The reason we have not changed the full-year forecast is because, as I mentioned earlier, there was an imbalance in spending of the annual budget and more expenses were spent in H1. We have controlled this so we don't have to change the forecast for the full year.

It would be fine if you understand that we have not changed the revenue forecast because it is highly likely that it will shift just as planned.

Tenbo [Q]: It was mentioned that the decrease in profit was caused by the increase in expenses. What are the expense forecasts for H2? Let me ask the Vice President to answer this.

Kume [A]: Regarding the outlook for expenses in H2, basically, I think this is the easiest way to describe H1: the increase in expenses was considerably greater than the increase in sales. The bottom line is that we have spent the money in advance and the spending is larger than planned, especially on advertising and personnel costs.

Then, for H2, for example, stock option expenses that were recorded in H2 of the last fiscal year were also dropped in H1 of this fiscal year. These expenses are missed, and if the advertising expenses mentioned earlier are used at the same level as the sales growth rate, the expenses will be approximately JPY150 million less than planned. There are various factors that curb costs for H2.

The entire group is aware of the profit level, so this cost needs to be controlled. We are, of course, making positive investments, and we do spend expenses, but we discussed in H1 that we will curb expenses when possible. We have concluded that we can use expenses in a controlled manner as long as they do not exceed the growth rate of sales in the previous year.

Tenbo [M]: Regarding number one, I believe we have explained it earlier?

Kume [A]: Yes, that's right.

Tenbo [Q]: Profits were weak in H1, but we have not changed our full-year forecast of JPY3.6 billion in operating income. Will the plan continue to be achievable? What is the outlook for profit recovery in H2?

Now, I believe this has been explained.

Kume [A]: Yes. That is what we are planning to do.

Tenbo [A]: Then, what is the number of new classrooms planned at this moment for the current period?

I believe the answer is the same as in the presentation materials. Five TOMAS schools, two Meimonkai schools, and three Shingakai schools – a total of 10 schools. That is the current situation. This is not likely to change.

School TOMAS is being introduced in an increasing number of schools. What types of schools are currently using the system and what types of schools do you hope to develop in the future, in terms of region, grade level, class curve?

This will largely be school support, and we would basically like to work with any school. We don't particularly want to specialize in advanced schools or middle-ranked schools; we can handle any school, so we are promoting our services to a variety of schools.

Currently, we only have a few school names that we can reveal, but the one that is easiest to recognize is Nishiyamato Gakuen. We are allowed to give their name. Nishiyamato Gakuen has introduced our system and has achieved considerable results.

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Today, I also received a good review from a high school for girls that said thanks to School TOMAS, their college enrollment rate has improved significantly, and many of them are very grateful.

I believe that our efforts are providing considerable support to schools, and the key will be how we make our support known and spread it in the future. We believe that our versatile system can be applied widely to a variety of schools. We hope we answered your question.

Do you have any other questions?

We have one more question. The COVID-19 pandemic has settled considerably; what upside can we expect for the winter program? What is your future pricing strategy in the face of increasing cost pressures, such as personnel expenses? Considering the strength of our brand, I believe the price increase would be fully accepted.

Kume [A]: Yes, that's right.

Tenbo [A]: Regarding the pricing strategy, cost pressures are enormous, and they are a factor in the current decline in profits. We have taken this into account; however, considering the nature of tutoring schools, we cannot rush to raise prices; we are considering raising tuition fees starting next term. We are already working to make this happen.

Kume [A]: Yes, that's right. This applies to each of our group companies across the entire company: TOMAS, Meimonkai, and Shingakai.

Tenbo [A]: School TOMAS, too.

Kume [A]: School TOMAS, too, yes.

Tenbo [A]: If we don't raise the bar in this area, we won't be able to recruit good human resources. We are considering raising tuition fees, including better treatment of our teachers. We believe that if the pandemic remains as it is for the winter program, we will be able to make a great recovery. We hope we answered your question.

Do you have any other questions? No more? Well, thank you very much for your questions from various perspectives. If you have any other questions, please contact the corporate planning department. We'll be happy to answer them individually.

I would now like to close the presentation of the financial results for Q2 of the fiscal year ending February 28, 2023. Thank you very much for your time today.

Kume [M]: Thank you very much. Goodbye.

[END]

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