



## **Riso Kyoiku Co., Ltd.**

Financial Results Briefing for the Fiscal Year Ended February 2024

April 10, 2024

## Event Summary

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<b>[Company Name]</b>	Riso Kyoiku Co., Ltd.	
<b>[Company ID]</b>	4714-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended February 2024	
<b>[Fiscal Period]</b>	FY2024 Annual	
<b>[Date]</b>	April 10, 2024	
<b>[Number of Pages]</b>	24	
<b>[Time]</b>	15:30 – 16:07 (Total: 37 minutes, Presentation: 18 minutes, Q&A: 19 minutes)	
<b>[Venue]</b>	Nikkei Kayabacho Bekkan B1, 2-6-1 Kayabacho Nihonbashi, Chuo-ku, Tokyo 103-0025 (Hosted by The Securities Analysts Association of Japan)	
<b>[Venue Size]</b>	238 m <sup>2</sup>	
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	3	
	Masahiko Tenbo	President, Representative Director and CEO
	Masaaki Kume	Vice President and CFO
	Masaya Ueda	Representative Junior Managing Director

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## Presentation

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**Moderator:** We will now begin the financial results briefing of Riso Kyoiku Co., Ltd. First, I would like to introduce the three attendees from the Company. Masahiko Tenbo,CEO.

**Tenbo:** Thank you.

**Moderator:** Masaaki Kume, Vice President and CFO.

**Kume:** Thank you.

**Moderator:** Masaya Ueda, Representative Junior Managing Director.

**Ueda:** Thank you.

**Moderator:** These three individuals will be presenting today. After the explanation, a question-and-answer session will be held.

Now, Mr. Tenbo will make an explanation.

**Tenbo:** I am Tenbo of Riso Kyoiku. Thank you very much for taking time out of your busy schedule to attend our briefing today. I hope we can share a meaningful time, even if it is short.

I would now like to explain the strengthening of our relationship with Hulic Co., Ltd., which was announced on April 8, the day before yesterday.

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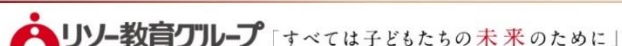


## これまでの経緯

2020年9月	● 当社・ヒューリック・コナミスポーツの3社間で業務提携	こども向けサービスをワンストップで提供する教育特化型ビル「こどもでぱーと」の共同開発へ
	● ヒューリックと資本業務提携（保有割合5.0%）	
2021年10月	● ヒューリックとの資本業務提携強化（保有割合20.66%）	持分法適用関連会社化
2024年5月 （予定）	● 公開買付・第三者割当増資（保有割合51.0%）	ヒューリックとのさらなる関係強化

教育事業における完全な囲い込み戦略による差別化が促進

⇒ 当社の企業価値向上へ



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First, let me explain the background to date. In September 2020, a business alliance was formed among the Company, Hulic, and Konami Sports Co., Ltd. for the development of Kodomo Department Store, a building specializing in education. In addition to the business alliance among the three companies, we also entered into a capital and business alliance with Hulic. In October 2021, the Company became an equity-method affiliate of Hulic with a 20.66% equity interest as a result of the strengthening of the capital and business alliance.

Through a series of strengthened relationships, Hulic, which handles real estate in prime locations, has been able to introduce us to well-located properties, and we have been able to develop new school buildings that give us an advantage over our competitors in the industry.

And in order to strengthen our existing relationship, as announced the day before yesterday, Hulic has made a tender offer to make us a consolidated subsidiary. In addition, the Company has decided to conduct a third-party allotment of new shares to Hulic.

While maintaining our prime market listing, we will become part of the major real estate developer Hulic. This will allow us to continue to secure advantageous properties, and the development of Kodomo Department Store will further promote differentiation through an enclosure strategy in the education business. We believe that this will contribute to the enhancement of our corporate value, and we have agreed to the tender offer.

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## 第三者割当増資の資金使途

項目	内容		金額
こどもでぱーとシリーズの展開	2025年春の中野・たまプラーザを皮切りに2029年までに20棟展開予定		1,291百万円
渋谷創造文化教育施設	こどもでぱーと渋谷での渋谷創造文化教育施設の運営		71百万円
DX戦略の推進	リソー教育グループ各社の顧客データベースを統合 ⇒顧客満足度向上へ		697百万円
M&A戦略強化	ヒューリックによる新たな事業提携先の発掘等のM&Aの支援（予定）		425百万円
教室への防犯カメラ設置	教室へ防犯カメラを設置することでお預かりしている大切なお子様をお守りする		200百万円

The third-party allotment of new shares to Hulic will raise approximately JPY3.4 billion. The funds will be used for capital investment for the development of the Kodomo Department Store series, operation of a library and study space for children and an art and event space to be opened in the same facility as Kodomo Department Store in Shibuya, as well as expenses for promoting DX strategy, strengthening M&A strategy, and installation of security cameras in classrooms.

We believe that strengthening our relationship with Hulic will enable us to respond quickly to the recent changes in the education industry and to changes in the business environment. We will continue to aim to become Japan's leading one-of-a-kind company in the education industry by providing high-quality educational services and our strategy of thorough differentiation.

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## (1) 2024年2月期実績(2023年3月～2024年2月)

(単位：百万円)

	売上高		営業利益		経常利益		四半期純利益	
		前期比		前期比		前期比		前期比
2023年2月期	31,488	+4.9%	2,401	△20.8%	2,442	△19.9%	1,492	△38.6%
<b>2024年2月期</b>	<b>32,215</b>	<b>+2.3%</b>	<b>2,586</b>	<b>+7.7%</b>	<b>2,614</b>	<b>+7.0%</b>	<b>1,703</b>	<b>+14.1%</b>

As in past years, we will now explain our results for the fiscal year ended February 2024.

Net sales increased 2.3% from the previous period to JPY32,215 million, operating income increased 7.7% to JPY2,586 million, ordinary income increased 7% to JPY2,614 million, and net income increased 14.1% to JPY1,703 million.

Mr. Ueda, Representative Junior Managing Director, will explain the background of the results for the period under review.

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## (2) 実績の背景について — 売上高・利益 —

売上高 32,215百万円 前期比 +726百万円 (+2.3%)

・学習塾事業、学校内個別指導事業および人格情操合宿教育事業が  
前期を上回って推移

TOMAS (前期比 +1.9%)

スクールTOMAS (前期比 +13.8%)

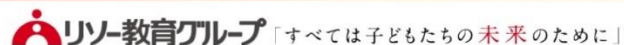
プラスワン教育 (前期比 +10.9%)

営業利益 2,586百万円 前期比 +185百万円 (+7.7%)

・売上高の増加および費用の戦略的な見直しにより前期を上回って推移  
特に名門会およびスクールTOMASで利益が増加

名門会 (前年同期増減 +134百万円)

スクールTOMAS (前年同期増減 +285百万円)



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**Ueda:** I am Ueda. I would like to explain the background of the results for the period under review.

Net sales increased from the previous year due to higher sales in the mainstay tutoring school business, as well as in the in-school one-on-one instruction business and the character-building training camp education business.

Operating income was higher than the previous year due to increased sales as well as a strategic review of expenses. Income increased, especially at subsidiaries Meimonkai Co., Ltd. and School TOMAS Co., Ltd.

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## TOMAS — 実績の背景 —

	2022年2月期		2023年2月期		2024年2月期	
		前期比		前期比		前期比
売上高	15,830	+16.3%	16,520	+4.4%	16,830	+1.9%
営業利益	1,234	+759.1%	1,114	△9.7%	837	△24.9%

### 【開校状況】

- Q1 : TOMAS 新規開校 1校 (中目黒校)  
 // リニューアル 3校 (二子玉川校、センター北校、千葉校)
- Q2 : // リニューアル 2校 (練馬校、四ツ谷校)
- Q3 : // 新規開校 3校 (勝どき校、自由が丘校2号館、御茶ノ水校)
- Q4 : // 新規開校 1校 (船橋校)



As for the background of the results by each company, in the tutoring school business, we opened five new schools and renewed five schools during the period under review.

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【生徒数・単価】

- ・ 生徒数は前年同月比  $\Delta 0.3\%$
- ・ 2023年3月に授業料改定（5～7%）
- ・ 生徒1人あたり売上高は前年同月比+2.1%

【その他】

- ・ 営業部門で重点校舎を選定し営業を集中顧客サービスの徹底（面談・TEL訪問※）により退会防止へ

※電話等での進捗報告、課題の共有などのコミュニケーション



The number of students at the end of February 2024 was down 0.3% from the same month last year.

As a measure for the current fiscal year, tuition fees were revised in March 2023. In addition, the sales department selected priority school buildings and concentrated on them. Furthermore, each school has worked to prevent withdrawal of students by providing thorough customer service through careful communication and interviews with parents, such as by reporting study progress and sharing issues via telephone and other means. As a result, the number of students, which was down 2.1% YoY in Q2, recovered to the same level as in the previous year, resulting in a 2.1% increase in revenue per student YoY.

## 名門会 — 実績の背景 —

	2022年2月期		2023年2月期		2024年2月期	
		前期比		前期比		前期比
売上高	5,147	+8.3%	5,067	△1.5%	5,028	△0.8%
営業利益	353	△1.4%	286	△19.0%	421	+47.1%

### 【開校状況】

- Q1： 名門会 新規開校 1校（京都駅前校 2号館）  
 〃 統廃合 1校（千葉駅前校 → 津田沼駅前校）  
 Q2： 〃 統廃合 1校（西広島駅前校 → 広島駅前校）  
 Q3： —  
 Q4： 名門会 統廃合 1校（岡山サテライト校 → 岡山駅前校）  
 TOMEIKAI 閉校 1校（浜松校）



In the tutor dispatch education business, one new school was opened, six schools were consolidated, and one school was closed.

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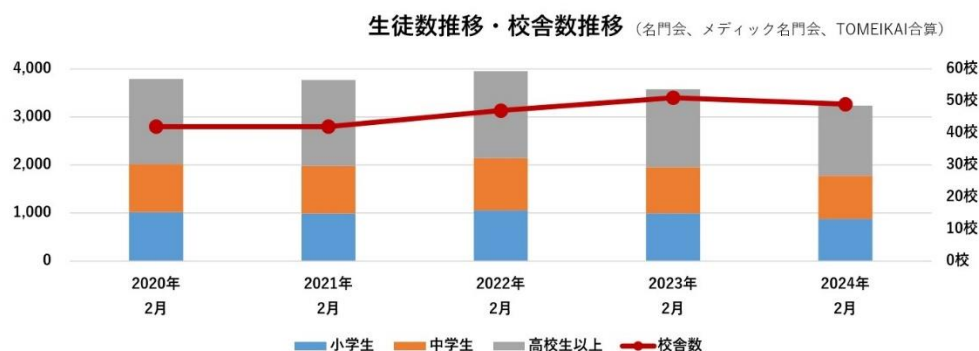
## 名門会 — 実績の背景 —

### 【生徒数・単価】

- ・ 生徒数は前年同月比△9.4%
- ・ 2023年3月に授業料改定（5～7%）
- ・ 生徒1人当たり売上高は前年同月比+9.6%

### 【その他】

- ・ 広告宣伝費等、経費の効率的使用による費用削減により利益が前年同期比で+134,944千円となった



The number of students at the end of February was down 9.4% from the same month last year.

Measures implemented during the period included a revision of tuition fees in March 2023 and cost reductions through more efficient use of advertising and other expenses. As a result, revenue per student increased 9.6% YoY, and profit per student increased JPY134 million YoY.

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## 伸芽会 — 実績の背景 —

	2022年2月期		2023年2月期		2024年2月期	
		前期比		前期比		前期比
売上高	6,003	+24.0%	5,782	△3.7%	5,713	△1.2%
営業利益	1,180	+59.9%	707	△40.1%	584	△17.4%

### 【開校状況】

- Q1 :  伸芽会学童 新規開校 1校 (二子玉川校)  
 伸芽会アカデミー 新規開校 1校 (西宮校)  
 伸芽会 リニューアル 1校 (二子玉川教室)  
 伸芽会アカデミー リニューアル 1校 (品川校)  
Q2 : —  
Q3 :  伸芽会 閉校 2校  
(四条烏丸教室、西宮北口教室)  
Q4 : —

 伸芽会  
22教室

 伸芽会学童  
託児  
8校

 伸芽会学童  
21校



In the preschool education business, two new schools were opened, two schools were renovated, and two schools were closed.

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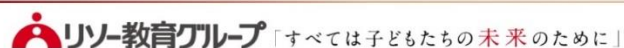
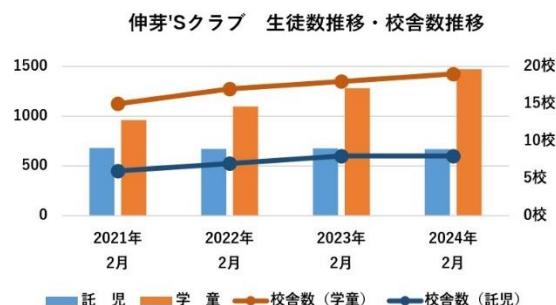
## 伸芽会 — 実績の背景 —

### 【生徒数・単価】

- ・ 生徒数は前年同月比 $\Delta$ 2.4%
- ・ 夏期講習会で価格改定（20%）  
2023年11月より授業料改定（17%）
- ・ 生徒1人あたり売上高は前年同月比 $+1.6\%$

### 【その他】

- ・ 計画的な個別面談の徹底による退会防止
- ・ 教室での営業実施



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The number of students decreased by 2.4% YoY.

Measures implemented during the period included price revisions for summer seminars and tuition revisions in November 2023, as well as the implementation of systematic individual interviews to prevent withdrawal of students. As a result, revenue per student increased by 1.6%.

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【開校状況】

2024年2月末時点稼働校数 82校

【単価・その他】

- ・期中の月額平均売上高は約280万円  
(前年同月比 +16.0%)
- ・月額平均売上高300万円以上の校舎数が前年同月比で 8校増加  
月額平均売上高500万円以上の校舎数が前年同月比で 1校増加



スクール TOMAS の強み・差別化ポイント

- ・「TOMAS」の進学個別指導ノウハウで学校の進学実績向上に貢献
- ・学校の先生方の長時間労働問題を解決する一つ的手段として評価されている

In the in-school one-on-one instruction business, the number of schools in operation as of the end of February 2024 was 82. Average sales during the period were up 16% from the same month last year to approximately JPY2.8 million, with 38 schools with average monthly sales of JPY3 million or more, up eight schools from the same month last year, and nine schools with average monthly sales of JPY5 million or more, up one school from the same month last year.

Recently, we have seen quite a few other companies in the same industry entering the market. We believe that School TOMAS's differentiation lies in the fact that its employees properly manage students' learning progress based on TOMAS's know-how of individualized instruction, thereby contributing to the improvement of the school's performance of sending students to the next educational tier.

In addition to supporting the school's performance, our program is also being evaluated as a means of solving the problem of long working hours for schoolteachers. Currently, we have received inquiries from many schools, and with our sales activities well underway, we are on track to introduce the system at 100 schools. Furthermore, future revenues are expected to increase as our program is introduced each year for more grades at schools that have already adopted it.

Next, Mr. Kume, Vice President and CFO, will explain our shareholder return policy.

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### (3) 株主還元策

- ・ 株主の皆様に対する利益還元は経営の重要課題の一つ
- ・ 内部留保の充実度合い、利益の状況および経営環境等を総合的に考慮し、配当性向50%以上を目途に配当  
(ROE10%以上の高水準は維持)

	配当額	配当性向	ROE
2024年2月期 (実)	10円	90.6%	19.1%
2025年2月期 (予)	10円	90.3%	16.3%

**Kume:** Hello, everyone. I am Kume. Thank you.

As for shareholder return policy, as already announced, the dividend for the fiscal year under review is JPY10, and the dividend forecast for the next fiscal year remains unchanged at JPY10.

The dividend payout ratio is about 90%. ROE is about 16%. Regarding dividends, we believe that we are paying sufficient dividends to our shareholders compared to the market average.

The dividend payout ratio of 50% or more announced last April will remain unchanged even after the TOB with Hulic.

As stated above, the dividend payout ratio is 90%, and the dividend for the current fiscal year is JPY10. If there is a change in performance, this could change, of course, but for now, we believe we can achieve what we project.

Next, Mr. Tenbo will give a detailed explanation of the mid-term plan, and our company's operating policy.

**Tenbo:** I would like to explain the outlook for the future.

Regarding the medium-term management plan, on April 8, 2024, we released a notice regarding the formulation of a new medium-term management plan. This is a new three-year medium-term management plan starting in the fiscal year ending February 2025.

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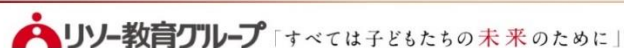
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## 中期経営計画について

### 3カ年期経営計画 (2025年2月期 — 2027年2月期)

(単位：百万円)

	2024年2月期 (実績)	2025年2月期 (予算)	2026年2月期 (計画)	2027年2月期 (計画)
売上高	32,215	33,960	36,220	38,260
営業利益	2,586	2,670	3,120	3,360
経常利益	2,614	2,670	3,120	3,360
親会社に帰属する 当期純利益	1,703	1,710	1,850	2,000



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I will give you specific figures. The budget for the first year is JPY33.96 billion in sales, JPY2.67 billion in operating income and ordinary income, and JPY1.71 billion in net income. For the second fiscal year, ending February 2026, the Company plans net sales of JPY36.22 billion, operating income and ordinary income of JPY3.12 billion each, and net income of JPY1.85 billion.

For the last year, the fiscal year ending February 2027, the Company plans net sales of JPY38.26 billion, operating income and ordinary income of JPY3.36 billion, and net income of JPY2 billion.

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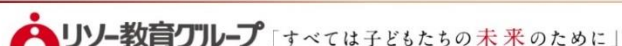


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## 中期経営計画について

- ・各社で推し進める成長施策による売上高増で年平均成長率5%以上を目指す
- ・当社は「人」が資源であり商品  
→仕事の社会的価値を高めるためベースアップを実施
- ・広告宣伝費等費用の見直し、最適化・効率化を図る  
→3ヵ年の営業利益率8%以上
- ・コロナ禍のような非常時に備えるため、一定の自己資本を確保  
→ROE10%以上の水準は維持



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We aim to achieve an average annual growth rate of 5% or more by increasing sales through growth measures promoted by each group company.

In terms of profit, since people are our resources as well as our products, we plan to increase salaries in order to secure more excellent human resources.

In other expenses, we will review, optimize, and improve the efficiency of advertising and other expenses, aiming for an operating margin of 8% or more for the three-year period.

And we would like to maintain a certain level of equity capital to be prepared for emergencies such as the COVID-19 pandemic, which has lasted for several years since 2020, and natural disasters. As explained in the section on shareholder return policy, we will maintain a dividend payout ratio of 50% or more, enhance internal reserves, and maintain a ROE of 10% or more.

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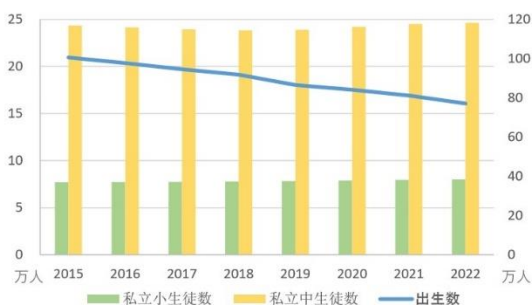


## 中長期の見通しについて

- ・ 少子化の中、首都圏での小学校・中学校受験者数は増加傾向
- ・ しかし少子化は今後も続く見込み



囲い込み戦略による縦軸（既存事業）だけではなく  
異業種との提携等による横軸（新規事業）も  
拡大させることにより、継続的な成長を目指す



出典：以下の資料をもとに当社作成

- ・ 私立小学生生徒数：文部科学省「文部科学統計要覧 小学校」令和5年版
- ・ 私立中学生生徒数：文部科学省「文部科学統計要覧 中学校」令和5年版
- ・ 出生数：厚生労働省「人口動態総覧の年次推移」



こどもでばーとイメージ図

As for the medium- and long-term outlook, the tutoring school industry is partially in the midst of an upward trend in the number of students taking entrance exams for elementary and junior high schools in the Tokyo metropolitan area. However, there is no doubt that the trend of declining birthrates itself will continue. So, we are sure that we must consider that increase in the number of examinees to be transitory.

We intend to achieve continuous growth by expanding both the vertical axis through our enclosure strategy and the horizontal axis through alliances with other industries. The vertical axis is the further growth of existing businesses that we have been promoting, and the horizontal axis is new businesses that we will develop, such as Kodomo Department Store.

## 新たな取り組みについて

### ① TOMAS 中高生専用会員制自習室スタート

現役東大生に質問できる質問対応型会員制自習室



### ② DX戦略の推進

グループ各社で持っている顧客データベースを統合  
→顧客満足度の貢献へ



### ③ 異業種との提携 — こどもでば-とシリーズの展開 —

2025年春の開業を皮切りに2029年までに20棟展開予定



### ④ 異業種との提携 — コナミスポーツ伸芽'Sアカデミーの展開 —

コナミスポーツ施設内に伸芽'Sクラブ学童を展開  
首都圏、関西エリアで20校まで展開予定



I would like to briefly explain our new initiatives.

In November last year, we launched the TOMAS Self-Study Room for Junior and Senior High School Students, a membership-based self-study room with current students of Tokyo University as tutors, where students can ask questions at any time. Furthermore, we will improve customer satisfaction by promoting the DX strategy I explained earlier. In addition, as a partnership with other industries, we will develop the Kodomo Department Store series, which is being developed in collaboration with Hulic and Konami Sports.

Kodomo Department Store will be realized in the spring of 2025. This will open in Nakano and Tama Plaza. Starting with this, we plan to increase the number of buildings to 20 by 2029. Incidentally, the development of this Kodomo Department Store was not firmly incorporated into the medium-term plan mentioned earlier. Therefore, we believe that the results for 2025 and 2026 may be slightly higher than our forecast due to Kodomo Department Store.

In addition, we plan to increase the number of Konami Sports Shinga's Academy schools in the Tokyo metropolitan area and Kansai area from the current 3 to 20.

That's all for the explanation. As I mentioned at the outset, by strengthening our relationship with Hulic, we hope to further promote differentiation through our enclosure strategy, while continuing to provide high-quality educational services, thereby enhancing our corporate value and continuing to expand our growth and the potential to develop a new customer base.

We appreciate your continued support. This concludes our explanation. Thank you very much for your kind attention.

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## Question & Answer

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**Moderator [M]:** Thank you very much for your explanation. We will now move on to the question-and-answer session.

Please raise your hand if you have any questions. I will bring a microphone. Please note that this briefing will be transcribed in full and made available to the public. If you give your company name or your name when asking a question, it will be published as is.

Now please ask your questions.

**Participant [Q]:** Thank you very much for your explanation today. I am afraid that this is a bit much, but I have four questions.

First of all, it was reported that Chairman Iwasa, the founder of the Company, applied for TOB in connection with the consolidation of the Company as a consolidated subsidiary. What kind of relationship will he have with the Company, including whether or not he will be involved in management in the future even after the capital relationship is terminated?

Second, is there any change in the capital and business alliance with Sundai Preparatory School?

Third, on page four of the document, it states that the funds will also be used to strengthen the M&A strategy. What areas are you focusing on?

Fourth, I would like to know what your thoughts are regarding the revision of tuition fees to reflect the increased costs associated with inflation.

**Tenbo [A]:** Thank you. We received four questions. Let me explain.

I think your first question is about the relationship with the founder, Iwasa, following the conversion to a subsidiary. As stated in the announcement from Hulic, Mr. Iwasa has applied for the TOB. Nothing has been finalized on our end, but according to an announcement from Hulic, he will be stepping down as a director.

There has been no change in our relationship with Sundai Preparatory School, and we hope to continue our partnership.

M&A strategies as a use of funds will be done on a situation-by-situation basis. We are always looking to do something related to education, so if there is any good deal related to education, we will consider it more actively than ever before.

Each group company has been revising tuition fees for the past two years. We would of course like to consider this in a flexible manner, if necessary, in the future. But in the meantime, TOMAS, Meimonkai, and Shingakai have already completed a series of revisions.

**Participant [M]:** Thank you very much.

**Moderator [M]:** Do you have any other questions?

**Participant [Q]:** Thank you for your explanation. Regarding the mid-term plan, I would like to know the growth rate of sales by major business segment and the business strategy.

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Also, regarding the promotion of DX strategy, you mentioned the integration of customer databases. Please tell us about the timeline and when we can expect to see synergies from this.

**Tenbo [A]:** Thank you. We received two questions.

Your first question is about the growth rate of each company in the mid-term plan. The basic trend is almost the same among the companies, each planning a 5% growth rate. School TOMAS is now a very exciting business, and we expect the growth rate to be significant.

For TOMAS, we would like to consider the same level of stable growth as we have now. We are currently trying various things with regard to the Meimonkai, and we also want to focus on our online business. We expect its growth.

As for Shingakai, we expect a growth rate of 4% to 5%, by first firmly rebuilding the examination bureau and doing a good job in the business for school-age children and infants.

Regarding your second question, the time schedule for the DX strategy, the Vice President will answer.

**Kume [A]:** The current plan is to integrate all customer data information from each company in two years, with administrative efficiency improvements to be completed in three years, at a total project cost of approximately JPY700 million. Since this expense will be incurred in the next fiscal year, it will be recorded on the P&L starting in the next fiscal year and will be amortized over five years.

In other words, the money will go out this fiscal year but will not be recorded on the P&L. We plan to record the amount from the next fiscal year onward.

**Moderator [M]:** Are there any other questions?

**Participant [Q]:** I have a question. Regarding School TOMAS, you mentioned that the number of schools has currently increased to 82, but compared to past figures, the overall number of schools seems to have stagnated. Sales are increasing, and you have provided us with full-year sales figures, so we can see that the contents must be changing.

You also said earlier that you are very close to reaching 100 schools. I would be grateful if you could tell us about the current situation and what kind of pace of implementation you expect in the future.

**Tenbo [M]:** Thank you. Junior Managing Director Ueda will answer about School TOMAS.

**Ueda [A]:** I would like to answer your question. As you said about School TOMAS, the number of 82 may not have changed that much since last year, but this includes schools that have withdrawn. This includes, of course, cases where the school offered to do so, but also cases where we offered to withdraw from the school.

As the participant mentioned, the unit cost per school has increased considerably, and we would like to move in that direction.

**Participant [Q]:** You mentioned that you are close to 100 schools, at what pace can we expect new schools to increase from the current 82 in the future?

**Ueda [A]:** It depends on our annual sales plan. In addition, several schools that signed contracts last year will be added in April and May, so we expect to reach 100 schools probably within about two years.

**Participant [Q]:** I understand. Thank you very much.

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I would also like to ask about the competition. We have confirmed that listed competitors are also participating. Are there any cases emerging now where you are replaced by a competitor? Adversely, there may be cases where you have taken away customers from the competition. I would be grateful if you could tell me about the current situation in that area.

**Ueda [A]:** We are a pioneer in this business, and we cannot continue to be a monopoly forever, so naturally competitors will emerge. We are actually seeing some competition, but we just don't feel very threatened yet. If anything, most of the competitors are imitating School TOMAS and proposing to dispatch instructors.

In this business, if you don't send the right employees and manage them properly, it will be difficult for students to improve their performance. We are still quite differentiated in that area. We will have to evolve in the future, but at the moment we do not see competition as a threat.

**Participant [M]:** I understand. Thank you very much.

**Tenbo [A]:** Naturally, cases of replacement on price grounds are inevitably arising. In this case, it seems that quite a few customers feel that the content was different when they tried the competition. As a result, some customers are returning to us.

**Participant [M]:** I understand. Thank you very much.

**Moderator [M]:** Do you have any other questions?

**Participant [Q]:** I would like to ask about the TOB with Hulic and the third-party allotment. Although you have mentioned it, please tell us once again the background behind your decision to maintain the listing.

In last year's METI guidelines regarding M&A, the elimination of coercion was said. Could you please tell us once again how you came to choose the partial TOB?

**Tenbo [M]:** The Vice President will answer this.

**Kume [A]:** First of all, regarding maintaining the listing, this issue has been under consideration for two or three years, since the Company became an equity method affiliate. Hulic is a real estate company, and Hulic itself, as you know, has only 200 employees.

Hulic is involved in a variety of businesses, including nursing care, but all operations are left to other companies. Moreover, for Hulic, our case is the first TOB where the subsidiary side is a listed company.

The purpose of maintaining the listing is to guarantee independence. As I mentioned earlier, it is clearly stated in the capital and business agreement that the management itself will be left to our management team. As for the persons, only one director and one auditor are recommended by Hulic. Naturally, it is promised that no one will enter the site. Therefore, we maintain our independence in all of our operations.

In addition, Hulic's IR material states that Hulic intends to use Riso Kyoiku as a gateway for restructuring and expansion in the industry.

The Kodomo Department Store that we are creating is not simply a building. For example, this time Konami is taking the lead in trying to include more and more things related to children, such as nutrition education, intellectual education, and medical care. The concept is to create synergy within the building with each other. Riso Kyoiku will play a central role in the education business, including M&A, as a gateway to this business. The biggest advantage is that we can collaborate with such businesses. In this way, we will maintain our listing with the primary goal of guaranteeing our independence. The reason for maintaining our listing is that we are

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going to be at the forefront with regard to the category of education. We may also raise funds for business expansion in various ways in the future. We will maintain our listing for such things.

**Participant [Q]:** With respect to partial TOB, what are your thoughts on the elimination of coercion?

**Kume [A]:** The capital relationship will be so, and I think there are many possibilities like that, but we will discuss it in various ways. So far, we have not felt that.

**Participant [Q]:** I understand. Let me ask another question in a different direction. I understand that you will get the money from the third-party allotment and make a solid investment, but what are your plans for free cash flow trends in the future? Will there be a deficit in the next two to three years as the costs of Kodomo Department Store increase and as you add more systems?

**Kume [A]:** Operation companies are primarily renters. For example, we are not buying the building for the Kodomo Department Store, but rather tenants will move into it. Originally, we have been running everything on operating cash flow and have maintained a debt-free operation, so we do not see any problem with cash flow at all.

Regarding funds, the most certain cash outflow is for DX, security cameras, future M&A, etc. There is no doubt that the construction of the contents of Kodomo Department Store will cost quite a bit of money.

Especially in Shibuya, we are actually thinking of building something like a monument to our company, an art museum, or a library. So, I think there is a possibility that JPY100 million to JPY200 million will be spent here. Since our usual business development will continue within the same cash flow as before, we do not expect any further financial burden, unless there is a major M&A.

**Participant [M]:** Thank you.

**Moderator [M]:** Do you have any other questions? Please take advantage of this opportunity.

Since it appears that there are no questions, we will now conclude the financial results presentation. Thank you all very much. Please do not forget anything. Thank you very much for your time today.

[END]

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### **Document Notes**

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