



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

Q1 Financial Results Briefing for the Fiscal Year Ending February 2025

July 19, 2024

## Event Summary

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[Company Name]	Riso Kyoiku Co., Ltd.	
[Company ID]	4714-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q1 Financial Results Briefing for the Fiscal Year Ending February 2025	
[Fiscal Period]	FY2025 Q1	
[Date]	July 19, 2024	
[Number of Pages]	24	
[Time]	15:30 – 16:07 (Total: 37 minutes, Presentation: 19 minutes, Q&A: 18 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Masahiko Tenbo	President, Representative Director and CEO
	Masaaki Kume	Vice President and CFO

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## Presentation

**Tenbo:** Hello, everyone. I am Tenbo from Riso Kyoiku Co., Ltd. Thank you.

**Kume:** I am Kume from Riso Kyoiku. Thank you.

**Tenbo:** The time has arrived, and we will now begin the presentation of financial results for Q1 of the fiscal year ending February 28, 2025.

Since this is Q1 of the fiscal year, we have decided to hold the financial results presentation online. We apologize for any inconvenience this may cause you, and thank you for your understanding.

**Kume:** As usual, this time, we are holding the event online since it is the closing of the quarter.

In today's online investor relations session, I will first briefly explain the results for Q1 of the fiscal year ending February 28, 2025 and its background, followed by an explanation of our shareholder return policy, and then I will explain the corrections to the prior several years' reports and summaries of financial statements, which we recently announced. After that, I will answer your questions via the Q&A function. Please feel free to send us your questions via the Q&A function even during the explanation.

Well then, Mr. President, please start.

### (1) 2025年2月期 第1四半期 実績 (2024年3月～2024年5月)

(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
2024年2月期 第1四半期	6,692	+249	△364	△20	△357	△32	△273	△13
2025年2月期 第1四半期	6,901	+209	△190	+173	△197	+159	△208	+65

※季節的な変動要因

講習会授業を実施する第2・第4四半期連結会計期間に収益性が大きく膨らむ  
季節的な変動要因があります

**Tenbo:** I would like to start with an explanation of the results for Q1 of the current fiscal year ending February, 2025, which we announced last week on July 12.

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Net sales increased JPY209 million to JPY6,901 million, operating income increased JPY173 million to minus JPY190 million, ordinary income increased JPY159 million to minus JPY197 million, and net income increased JPY65 million to minus JPY208 million.

There are seasonal factors in our business. In Q1, which is the start of the new school year, we tend to have the lowest number of students because we send out students for entrance examinations in February and March, and in Q2 and Q4, when we use the long holidays to conduct training courses, we have a higher number of students and classes.

In addition, Q1 is a period of high expenses due to the opening of new schools, et cetera, which inevitably results in a negative profit during this period. Nevertheless, the current situation is that the Group's deficit is much smaller than before due to the presence of Shingakai and School TOMAS in the Group. We believe that Q1 will be profitable in the near future.

## (2) 実績の背景について ― 売上高・利益 ―

売上高 6,901百万円 前期比 +209百万円 (+3.1%)

・ 学習塾事業、幼児教育事業、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 +2.7%)

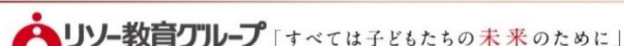
伸芽会 (前期比 +0.1%)

スクールTOMAS (前期比 +21.3%)

プラスワン教育 (前期比 +5.2%)

営業利益 △190百万円 前期比 +173百万円

・ 人件費は増加しているものの、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



4

I will then explain the background of Q1 results.

Net sales increased by JPY209 million YoY, or 3.1%, due to higher sales in TOMAS, Shingakai, School TOMAS, and Plus One Kyoiku, except for Meimonkai.

As for profits, although personnel expenses increased, the deficit narrowed by JPY173 million YoY due to increased sales, as well as a strategic review of expenses.

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## TOMAS — 実績の背景 —


(単位：百万円)

	2023年2月期		2024年2月期		2025年2月期	
	第1四半期	前期増減	第1四半期	前期増減	第1四半期	前期増減
売上高	3,220	+202	3,328	+107	3,416	+88
営業利益	△396	△19	△452	△56	△385	+66

### 【開校状況】

Q1 :  新規開校 1校 (渋谷校)  
 リニューアル 1校 (南浦和校)  
 Q2 : // 新規開校 1校 (用賀校)



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5

By segment, TOMAS sales increased JPY88 million to JPY3,416 million and operating income increased JPY66 million to minus JPY385 million.

In Q1 of the current fiscal year, MEDIC TOMAS Shibuya school was newly opened and TOMAS Minami-Urawa school was renewed, bringing the total number of TOMAS, MEDIC TOMAS, and Spec TOMAS schools, to 103 tutoring schools and 12 Inter TOMAS English conversation schools.

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【生徒数・単価】

- ・ 生徒数は前年同月比 +1.3%
- ・ 2024年3月に授業料改定（平均3%）
- ・ 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 was up 1.3% over the same month last year. We revised our prices by an average of 3% in March of this year, resulting in a 2.1% increase in sales per student compared to the same month last year. In addition, as we have been doing since the previous fiscal year, we are concentrating our sales efforts on priority schools and thoroughly implementing customer service in order to strengthen our profitability. As a result, the number of students, which was flat in the previous fiscal year, is steadily increasing.

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## 名門会 — 実績の背景 —

(単位：百万円)

	2022年2月期		2023年2月期		2024年2月期	
	第1四半期	前期増減	第1四半期	前期増減	第1四半期	前期増減
売上高	1,057	+11	1,043	△13	1,008	△35
営業利益	△76	△24	△8	+67	△50	△41



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7

Next, I will explain about Meimonkai. In Meimonkai, net sales decreased JPY35 million YoY to JPY1,008 million and operating income decreased JPY41 million YoY to minus JPY50 million. The number of schools is 35 Meimonkai, two MEDIC Meimonkai, and 10 TOMEIKAI.

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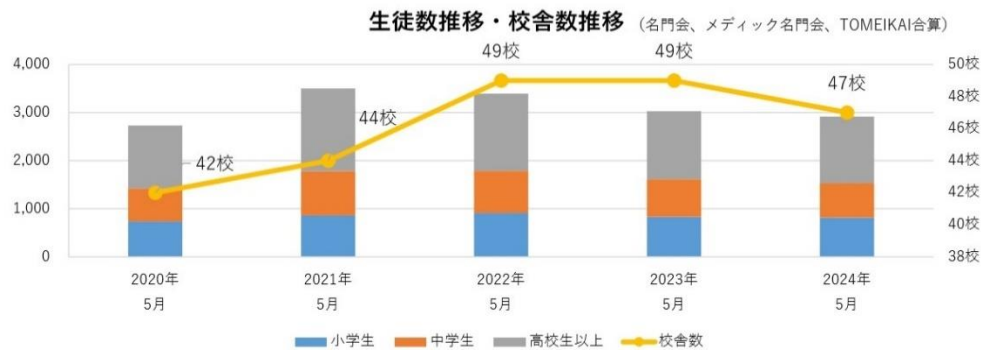
## 名門会 — 実績の背景 —

### 【生徒数・単価】

- ・生徒数は前年同月比△3.2%
- ・生徒 1 人当たり売上高は前年同月比△0.2%

### 【その他】

- ・2024年2月期に名門会の不採算校を統廃合
- ・TOMEIKAI 2 校を閉鎖
- ・営業部門をリソー教育へ集約、一元化  
→ 営業力を強化



The number of students was down 3.2% YoY, partly due to the consolidation of unprofitable schools in the previous fiscal year, ended February 2024. Meimonkai consolidated and centralized its student recruitment department into Riso Kyoiku. It has been strengthening its sales force and conducting efficient student recruitment and solicitation activities, resulting in a steady increase in enrollments.

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## 伸芽会 — 実績の背景 —

(単位：百万円)


	2022年2月期		2023年2月期		2024年2月期	
	第1四半期	前期増減	第1四半期	前期増減	第1四半期	前期増減
売上高	1,339	△48	1,303	△35	1,305	+1
営業利益	111	△122	33	△78	53	+20

### 【開校状況】

Q1：  コナミスポーツ伸芽'Sアカデミー 新規開校 1校（武蔵小杉校）

 伸芽'Sクラブ学童 リニューアル 1校（吉祥寺校）



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9

Next, we explain about Shingakai. At Shingakai, net sales increased JPY1 million YoY to JPY1,305 million and operating income increased JPY20 million to JPY53 million. In this Q1, we opened a new Konami Sports Shinga's Academy Musashi-Kosugi school and renewed Shinga's Club Gakudo Kichijoji school.

The number of school buildings was 22 for Shinga's Club, eight for Shinga's Club childcare centers, and 22 for Shinga's Club Gakudo.

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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△2.6%  
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+3.5%

### 【その他】

- ・計画的な個別面談の徹底による退会防止
- ・教室でも生徒募集の営業を実施



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10

The number of students was minus 2.6% compared to the same month last year. In addition, tuition fees were revised last November, resulting in a 3.5% increase in revenue per student over the same month last year.

Shingakai continues to reiterate its commitment to thorough customer service, including systematic individual interviews, and is also implementing new measures, such as integrating its sales departments.

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	2022年2月期		2023年2月期		2024年2月期	
	第1四半期	前期増減	第1四半期	前期増減	第1四半期	前期増減
売上高	548	+ 111	632	+ 83	767	+ 134
営業利益	△34	+ 42	△4	+ 29	70	+ 75

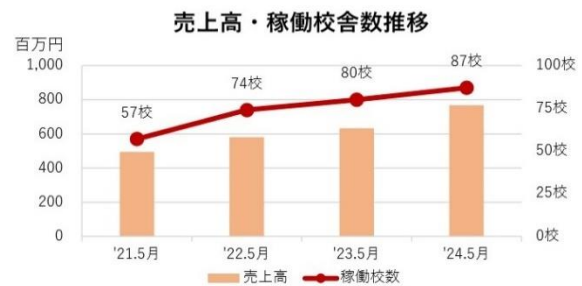
【開校状況】

2024年5月末時点稼働校数 **87校**  
(前年同月比 + 7校)

【単価・その他】

・期中の月額平均売上高は約170万円  
(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 **3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**



Next, we explain about School TOMAS. At School TOMAS, net sales increased JPY134 million to JPY767 million, up 21.3% YoY, and operating income increased JPY75 million to JPY70 million, the first time it has been in the black at this time of year.

The number of schools in operation at the end of Q1 increased by seven schools YoY to 87. The average monthly sales per school during the period were up 16% from the same month last year, to approximately JPY1.7 million, and we believe that the trust of the schools is reflected in the figures.

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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%

**Tenbo:** Next, we would like to explain our shareholder return policy, which will be presented by Mr. Kume, Vice President and CFO.

**Kume:** We have changed our dividend policy as announced last year. As we announced last year, we are aiming for a dividend payout ratio of 50% or more and we plan to pay a dividend of JPY10 for the current fiscal year.

Calculated in this way, that means a dividend payout ratio of 90.3% and ROE of 16.3% for the current profit target. We have always managed our business with ROE in mind, and we would like to maintain an ROE of 10% or more as one indicator.

This dividend is subject to change depending on the business performance, but since the business performance is favorable so far, we believe that we will be able to pay a dividend of JPY10 for this fiscal year as planned.

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- ・ 会計監査人の異動

2025年2月期より会計監査人が異動

「EY 新日本有限責任監査法人」

(ヒューリック株式会社と同じ会計監査人)

- ・ 過年度修正

2025年2月期第1四半期の四半期レビューの過程において以下の指摘

①債務超過となっている子会社の債権に対して貸倒引当金を計上すべき

②当社および連結子会社の減損の兆候の把握方法に誤りがあるのではないか

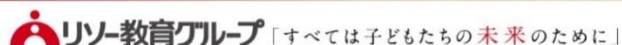
↓

減損損失の計上する時期および金額を修正するとともに棚卸資産の金額を修正

(2024年7月12日付 適時開示)

「過年度の有価証券報告書等の訂正報告書の提出及び過年度の決算短信の訂正に関するお知らせ」

「内部統制報告書の訂正報告書の提出」



14

**Kume:** Next, I would like to talk about the correction of prior period reports and summaries of financial statements.

This has been explained in the disclosure, but I would like to ask President Tenbo to explain it again here. Mr. President, please start.

**Tenbo:** As I have explained before, we became a group company of Hulic Co., Ltd. in May. In line with this change, the accounting auditor was changed to Ernst & Young ShinNihon LLC, the same firm used by Hulic.

Until the previous fiscal year, we had obtained appropriate opinions from Seiei Audit LLC through financial statement audits and internal control audits, and had submitted our annual securities report. However, during the review process for Q1 of the fiscal year ending February, 2025, Ernst & Young ShinNihon LLC pointed out two issues.

The first point is that the Company should have recorded an allowance for doubtful accounts for the receivables of a subsidiary that is insolvent in the Company's non-consolidated financial statements.

The second point is that, in applying the accounting standards for impairment of fixed assets for the Company and its consolidated subsidiaries, there may be an error in the method used to identify signs of impairment.

As a result of confirming these points with Seiei Audit LLC, our predecessor audit firm, we recorded an allowance for doubtful accounts only in the Company's non-consolidated financial statements. We revised the timing and the amount to be recorded concerning the impairment losses.

In addition, there was a matter that should be corrected in the amount of inventories, so the financial statements for prior periods have been corrected, along with this matter.

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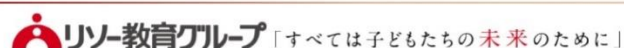
Please refer to the notice of filing of correction reports of annual securities reports, et cetera, for prior periods and the announcement of correction of the summaries of financial statements for prior periods released last week, on July 12, for the amount of impact of this correction. Please check the announcements.

## ヒューリックとの提携強化

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	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**



16

Next, I will explain our medium-term management plan and future outlook.

First, I would like to briefly explain the background to date regarding the strengthening of our alliance with Hulic. It started about four years ago, in September 2020, when our company, Hulic, and Konami Sports formed a three-company business alliance for the purpose of developing an education-specific building, Kodomo Depart. In addition to the business alliance among the three companies, the Company has also entered into a capital and business alliance with Hulic, and in October 2021, Hulic's equity share became 20.66%, with the strengthened capital and business alliance. At that point, the Company became an equity method affiliate.

Through a series of strengthened relationships, Hulic, which handles real estate in prime locations, has introduced us to properties in excellent locations, and we have developed new school buildings that are superior to those of other companies in the same industry.

In May of this year, with the aim of further strengthening the relationship between the two companies, Hulic acquired the Company as a group company through a tender offer and a third-party allotment of new shares.

This will allow us to continue to secure advantageous properties, and the development of Kodomo Depart will further promote differentiation through an enclosure strategy in the education business, which we believe will contribute to the enhancement of our corporate value.

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## 「こどもでば-と」シリーズの展開

2025年春  
開業予定

「(仮称)こどもでば-と 中野」

「(仮称)こどもでば-と たまプラーザ」

2026年  
竣工予定

渋谷区再生ステップアッププロジェクト  
「MITAKE Link Park (渋谷)」へ  
こどもでば-と を展開

その他

上記3件を含め、東京都城南エリアや  
千葉エリアでの計6物件が具体化  
2029年までに20棟まで広げる構想



ロゴ・CG制作：株式会社生活スタイル研究所

Regarding developing the Kodomo Depart series, we plan to open in Nakano in Tokyo and Tama-Plaza in Yokohama in the spring of 2025, respectively. Construction is also scheduled to be completed the following year, in 2026, in Shibuya.

In Shibuya, in addition to developing classrooms in Kodomo Depart, we expect that the building will become a symbol of our company, as it will also set-up a place of learning and art for children.

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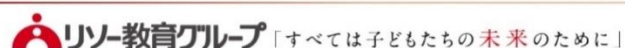
## 中期経営計画について

### 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

※「こどもでばーと」は加味しておりません



18

Next is the medium-term management plan. Regarding the medium-term management plan, on April 8 of this year, we released a notice regarding the formulation of a new medium-term management plan for the three years through the fiscal year ending February 2027.

To give you some specific figures, for the current fiscal year, our first year of operations, we plan net sales of JPY33.96 billion, operating income and ordinary income of JPY2.67 billion, and net income of JPY1.71 billion. For the following year, the second year ending February 2026, we plan net sales of JPY36.22 billion, operating income and ordinary income of JPY3.12 billion, and net income of JPY1.85 billion. For the final 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.

The development of Kodomo Depart, as I explained earlier, has not yet started and is not included in this medium-term management plan.

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## 中期経営計画について

- ・ 売上高増による年平均成長率 5 % を目指す
- ・ 優秀な講師、社員の確保、育成のための  
ベースアップ実施
- ・ 広告宣伝費など費用の見直し、  
最適化・効率化
- ・ コロナ禍や自然災害など非常時に備え  
一定の自己資本を確保



This medium-term management plan states that we will aim to achieve an average annual growth rate of 5% or more by increasing sales through the growth measures to be promoted by each company in the Group.

In terms of profit, we will review and optimize advertising and other expenses to improve efficiency. We are not a company that makes and sells products, but people are our assets and products, so we plan to raise salaries as needed to secure more talented personnel, while improving cost efficiency.

We would also like to maintain a certain level of equity capital, as we need to be prepared for emergencies, such as the COVID-19 pandemic and other natural disasters.

As explained in the section on shareholder return policy, we would like to maintain a dividend payout ratio of 50% or more, and we would like to increase our internal reserves, but we would also like to stick to an ROE of 10% or more. We are trying to have both.

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## 中長期の見通しについて

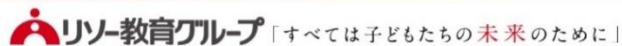
- ・ 少子化の中、首都圏での小学校・中学校受験者数は増加傾向
- ・ しかし少子化は今後も続く見込み



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



こどもでばーとイメージ図



リソ教育グループ「すべては子どもたちの未来のために」

20

Regarding the medium- to long-term outlook, concerning the tutoring school industry, the number of applicants for elementary and junior high school entrance exams is increasing in some areas of the Tokyo metropolitan area. However, the declining birthrate is already accelerating, and this trend is expected to continue, so we must assume that the increase in the number of examinees will be transitory over the next few years.

We intend to continue to grow our business by expanding our vertical axis, which is based on the growth of our existing businesses and our strategy for retaining customers, as well as our horizontal axis, which is based on new businesses, such as Kodomo Depart and others.

Last but not least, we believe that becoming a member of the Hulic Group will allow us to leverage synergies, not only in the increase of our schools in the future, but also in the consideration of new business opportunities. We will continue to provide high-quality educational services, and by driving education, one of Hulic's four Ks, the Group will promote differentiation through further enclosure strategies to develop a new customer base and expand possibilities.

We look forward to your continued support as we continue to enhance our corporate value and expand our growth.

This concludes my explanation. Thank you very much for your attention.

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## Question & Answer

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**Kume [M]:** Okay, we have given you a brief explanation. We will now have a question-and-answer session. First, we have received three questions in advance.

**Participant [Q]:** First, about inbound, in short, overseas study abroad, and then outbound, education from Japan to overseas, is there anything your company is prepared to do?

**Tenbo [A]:** I think the situation is still difficult for foreigners. However, we have heard that there is a great need for Japanese families posted abroad, so we are in the process of offering online classes through our subsidiary, Meimonkai. This is a rather interesting niche, but we hear that there is a considerable need for it, and we would like to expand our business there first.

**Participant [Q]:** Second, can you give us any thoughts on the TSE's P/B ratio measures?

**Kume [A]:** P/B ratio is determined by the ratio of assets to stock price. I think this is one of the criteria for 1x, which, in essence, means 1x in terms of break-up value. In a way, I think P/B ratio is a barometer of popularity.

The P/B ratio for the fiscal year ended February 2020 was 7.4x, and the most recent is 3.96x, which means that the multiple is decreasing. This was a time when the share price was JPY400 or JPY500 around the fiscal year ended February 2020, and the P/B ratio was very high. The tutoring school industry was probably popular at this time. Now with the declining birthrate and the coronavirus, the stock price of the industry as a whole has dropped considerably. The Company's stock price, which was JPY500, is now JPY250, so the price has dropped by about half from its peak. Given that it has gone down in the last four years to five years, I think it means that the P/B ratio will naturally fall, since the net assets have not changed that much.

There are many ways to evaluate whether this is a good or bad thing, but if you consider, for example, banks or electric power companies, there was a long period of time when P/B ratios were below 1x for a long time and the break-up value was high. This is evidence that it was not popular.

But the fact that there are four times as many as there are at the moment suggests that there are still market expectations. In any case, as I mentioned earlier, we will also accumulate assets, be prepared, and aim for an ROE of at least 10% and a dividend payout ratio of at least 50%. If we can do this as our business performance expands, dividends will increase and corporate value will also rise, so we will work toward these two goals as our indicators. We look forward to your continued support.

**Participant [Q]:** Third, what are the industry trends?

**Tenbo [A]:** Thank you. Your question is about the industry trends.

I still think that the declining birthrate will be the keyword altogether now. Therefore, I believe that polarization, will continue to accelerate, and M&A will be considered more than ever in the future.

The situation is said to be good for cram schools for topnotch junior high school entrance examinations, and when it comes to individualized and group cram schools, sales and numbers of students are increasing for individualized cram schools. I have often heard many stories of people who have difficulty with groups but are making do on an individual basis, so I believe that this is the situation.

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In the future, I still believe that we must thoroughly implement a differentiation strategy and make our company firmly clear that we are a preparatory school and a preparatory school with individualized instruction. This is a bit vague, but I think that's what I'm trying to say.

**Participant [Q]:** Is it possible to quantify the synergies from the alliance with Hulic?

**Kume [A]:** It is difficult to say exactly what the synergies will be since we have not started, but if we build 20 buildings as planned, it is easy to imagine that the sales of TOMAS and Shingakai will increase by that amount.

**Tenbo [A]:** If not relocation.

**Kume [A]:** If it is not a relocation, we are in the process of verifying this, but there is definitely no negative impact, so we will announce this somewhere as soon as the numbers are finalized.

Specifically, since Kodomo Depart will open next year, we would like to revise the medium-term management plan while observing various reactions there. For now, we are still prudent as it hasn't started yet so we have not included a number in the medium-term management plan. We will be able to announce an approximate number around the end of this year since Kodomo Depart will open in Nakano and Tama-plaza next year.

**Tenbo [A]:** I think we will inevitably have to show you there.

**Participant [Q]:** Regarding the preschool education business, overall sales have remained flat despite the large price increases. What are the gaps or factors that led to the decline in the number of students?

**Kume [A]:** Regarding Shingakai, as you pointed out, the price increase was quite large, but the number of students for Shingakai as a whole has not decreased so much. The main reason is that the number of students in the examination bureau has decreased by about 200, which is about a 10% decrease as a percentage. The profit margins and the sales of the examination bureau are the highest. They amount to about three times as high as those of after-school childcare programs. The reason why it has remained flat is that the number of in the after-school childcare programs is increasing, but the number of students in the examination bureau is decreasing.

In the meantime, we are trying to increase Shingakai's sales by increasing the number of camps and various events starting from this summer course. Moreover, we will try to change the way Shingakai recruits students and create a student recruitment sales force within Shingakai. The Riso Kyoiku Group has been in charge of recruiting students for Shingakai thus far, but starting in July or August, we will begin recruiting students by integrating them into the Shingakai classrooms in full swing.

If this increases the number of students in the examination bureau, we naturally expect to generate more sales than the price increase. We, too, are taking a wait-and-see approach to this change in our sales approach, and we want to make this a success.

**Tenbo [A]:** I think the current situation is that the decrease in the number of students in the examination bureau is directly related to sales.

**Participant [Q]:** The next question is, can you tell us about your company's industry position and market share in the tutoring industry?

**Tenbo [A]:** Among the listed companies, I think we are now just in second or third place in terms of sales, and there are just two companies in second place.

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It is difficult to give a market share because, in the tutoring industry, there are not only listed companies but also non-listed and very small private tutoring schools doing well locally.

**Kume [A]:** Last time I checked, wasn't the share given by the number of students?

**Tenbo [A]:** In terms of the number of students is about 4%, that is like the situation. I think we need to increase that a little more. That is all I have to answer here.

**Participant [Q]:** Next question, what are your financial management policies and target financial indicators?

**Kume [A]:** In terms of finance, we are very particular about the capital adequacy ratio. We have about JPY10 billion in equity capital at the moment, and the industry average is now 50.6% in terms of equity ratio. In the tutoring school industry. In some places, the rate is as high as 80% to 90%, but in others, it is 20% to 30%. The idea is to use this 50% as one criterion.

In terms of amount, we want to have 1/3 of their annual sales in cash, which means we want to have JPY10 billion of the JPY30 billion, JPY15 billion if our yearly sales amount to JPY50 billion, or about this much, considering risk of the coronavirus pandemic, earthquakes, and so on.

**Participant [Q]:** Next question, other than for children for example, is there any possibility of expanding into the educational field for adults?

**Tenbo [A]:** I think this is very conceivable. Inevitably, students are somewhat separated from us after college entrance exams, and when we think about the important customer base there and the need to surround them, we need to consider such things as well.

Currently, Inter TOMAS provides English conversation and English education services for older students, but I think we need to consider various other options as well.

It is difficult to become the core of the project, so it has been difficult for us to get involved in this area. However, now that we have the backing of HULIC, we believe that various possibilities will emerge in the future.

**Participant [Q]:** Next question, please tell us about the high rate of growth in sales at School TOMAS, the reasons for this growth, and how it will be sustained in the future.

**Kume [A]:** The business School TOMAS was started by us, and we now have the first-mover advantage. This model is now growing as a very solution-oriented function for the problems of today's junior and high schools, especially in Japan. Now we are working with integrated junior high and high schools, mainly private schools, but there is a shortage of teachers at such schools and a desire to increase university entrance exam results in response to the declining birthrate. We enter such places to take care of remedial work, listen to students, and provide individualized services there.

This is one of the subsidiaries we are most excited about. Of course, we make the number of students in existing businesses, like Shingakai, TOMAS, and Meimonkai grow as mainstays, but this is very much in line with the times, and there is a lot of need, so I believe the highest growth rate will be here.

Right now, we have about 90 schools under contract. We would like to increase the number of private schools to 200, if possible, in terms of market share. We would like to do that over about three years to five years and bring it up to double.

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Also, the profit margin here is very high, as a business model our profit margin is now about 8% for the entire group. If we can somehow get a 10% to 15% profit margin here, it would be a great contribution to the entire group.

The only feature of School TOMAS is that it integrates supplementary education and individualized education, a model that no other subsidiary has adopted, and it is currently growing. I believe this is one of the main features of the medium-term management plan from now on. There is plenty of sustainability in the future.

Additionally, if we work with public schools, we will have a little more growth potential, so I hope you understand that this is still a challenge for us. That is all.

**Participant [Q]:** I think 4% of the share by the number of students is admirable.

**Tenbo [A]:** Thank you. However, I think this applies to the listed companies.

**Participant [Q]:** Next, please tell us about your M&A policy.

**Kume [A]:** This means we will do when we have the chance. We believe that it is difficult to respond to the declining birthrate and ensure the business's continuity with only the current businesses, as I mentioned earlier. I think it is to participate in Kodomo Depart as part of doing various things about education in general, not just cram school.

It means that there are many different areas of education. There's dietary education, of course, and then there's things like physical education. There's the Internet, which is so popular nowadays, and all kinds of classes and all kinds of things. I think we need to consider whether we will tie up with such places in the meantime, or whether we will do M&A, but I think we need to collaborate with them in various ways.

Also, thanks to becoming a Hulic Group company, we now have the capital strength and the funds to make acquisitions, so I think we can be proactive if the opportunity arises.

We are discussing this with Hulic and making various assumptions, and hope to make some kind of announcement at some point. We want to be cautious and proactive here for the present. It is hard to say exactly, but we want to be cautious and proactive.

**Tenbo [A]:** In the education industry, since we are not a company that makes and sells products, so I think we have to be very careful in this area.

That is all for your questions. If you have any other questions, please do not hesitate to email or otherwise contact our corporate planning department.

Since there are no further questions, we would like to close this presentation of the financial results for Q1 of the fiscal year ending February, 2025. Thank you very much for your time today.

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

[END]

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3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
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