



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

Q2 Financial Results Briefing for the Fiscal Year Ending February 2024

October 12, 2023

## 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>	Q2 Financial Results Briefing for the Fiscal Year Ending February 2024	
<b>[Fiscal Period]</b>	FY2024 Q2	
<b>[Date]</b>	October 12, 2023	
<b>[Number of Pages]</b>	23	
<b>[Time]</b>	15:30 – 16:14 (Total: 44 minutes, Presentation: 18 minutes, Q&A: 26 minutes)	
<b>[Venue]</b>	Kabutocho Heiwa Building 2F, 3-3 Kabutocho Nihonbashi, Chuo-ku, Tokyo 103-0026 (Hosted by The Securities Analysts Association of Japan)	
<b>[Venue Size]</b>	145 m <sup>2</sup>	
<b>[Participants]</b>	25	
<b>[Number of Speakers]</b>	3	
	Masahiko Tenbo	President and CEO
	Masaaki Kume	Vice President and CFO
	Masaya Ueda	Representative Junior Managing Director

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## Presentation

**Moderator:** It is 3:30 PM now, let's start an analyst meeting on Riso Kyoiku Co., Ltd.'s financial results for Q2 of the fiscal year ending February 2024. Firstly, I would like to introduce three guests who have been invited from the firm. First of all, I would like to introduce Mr. Masahiko Tenbo, President and Representative Director.

**Tenbo:** Yes. Thank you for your cooperation.

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

**Kume:** Thank you very much.

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

**Ueda:** Thank you very much.

**Moderator:** Today, I would like these three guests to give their explanations. We will have time for question-and-answer session after the meeting.

Let me start with President Tenbo. Please get started.

### (1) 2024年2月期 第2四半期実績 (2023年3月～8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
2022年2月期 第2四半期	14,612	+31.5%	1,331	—	1,373	—	874	—
2023年2月期 第2四半期	15,441	+5.7%	1,007	△24.3%	1,034	△24.7%	636	△27.2%
<b>2024年2月期 第2四半期</b>	<b>15,940</b>	<b>+3.2%</b>	<b>1,032</b>	<b>+2.5%</b>	<b>1,046</b>	<b>+1.2%</b>	<b>803</b>	<b>+26.3%</b>

**Tenbo:** Well, hello again. I am Tenbo from Riso Kyoiku as you already know. Thank you very much for taking time out of your busy schedule to attend our analyst meeting today. Although it is a short time, thank you for your cooperation in advance.

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I would like to explain the results for Q2 of the current fiscal year ending February 2024.

As announced the day before yesterday, net sales increased 3.2% YoY to JPY15.94 billion. Operating profit rose 2.5% YoY to JPY1.03 billion. Recurring profit inched up 1.2% YoY to JPY1.04 billion. Net income jumped 26.3% YoY to JPY0.803 billion.

## (2) 実績の背景について — 売上高・利益 —

売上高 15,940百万円 前期比 +499百万円 (+3.2%)

・ 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 +2.7%)

スクールTOMAS (前期比 +15.5%)

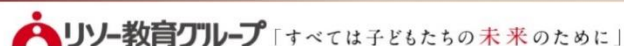
プラスワン教育 (前期比 +20.1%)

営業利益 1,032百万円 前期比 +25百万円 (+2.5%)

・ 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 (前期比 +101百万円)

スクールTOMAS (前期比 +129百万円)



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These are the main factors behind said results.

Net sales were better than the previous year thanks to increased sales in the tutoring schools business segment, which is our mainstay, as well as those in the in-school one-on-one instruction, and the personality camp training education segments.

Profits were higher than the previous year due to greater sales and a strategic review of the Firm's operations. In particular, profits grew sharply in the Meimonkai and School TOMAS divisions.

Mr. Ueda, Representative Junior Managing Director, would like to continue with a more detailed explanation of the student enrollment situation and measures taken in Q2.

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## リソー教育グループ生徒数（2023年8月末）

	前期比	前々期比
26,113人	△2.6%	△0.8%

### 2024年2月期 実施の施策

#### ①授業料改定

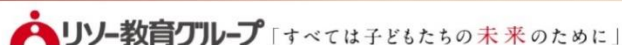
3月 TOMAS・名門会で5～7%  
 7月 伸芽会の夏期講習会で20%  
 11月 伸芽会で平均17%（予定）

#### ②不採算校の統廃合

名門会 名門会千葉駅前校 閉校  
 西広島校→広島駅前校へ統合  
 TOMEIKAIで2校閉校（予定）  
 伸芽会 関西2教室を閉校（予定）

#### ③営業強化

TOMAS 営業部門で**重点校舎**を選定し、**営業を集中**して展開  
 顧客サービスの徹底（面談・フォロー）による**退会防止**  
 名門会 営業部門をリソー教育へ集約・一元化により**効率化・強化**  
 伸芽会 営業部門の**マンパワーアップ**  
 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**



**Ueda:** I will explain the details then. This is the number of students at the end of Q2.

The number of students within the Group as a whole stood at 26,113, falling 2.6% YoY. By segment, those in the tutoring schools business segment fell 2.1% YoY, the tutor dispatched education segment declined 10.2% YoY, and the early childhood education segment decreased 4.1% YoY, while those in the personality camp training education segment rose 4.2% YoY.

In this fiscal year, we have been taking steps to implement the following measures at each firm. Firstly, tuition fees were reviewed in the main businesses: those in TOMAS and Meimonkai had been revised by 5% to 7% since March, and those in Shingakai had been revised roughly 20% for the summer session from July. In addition, regarding Shingakai, we plan to revise the tuition fees by 17% on average from November 2023, which is the changeover period for the school year.

Next, we have been working on reorganization of underperforming schools of two subsidiaries. Meimonkai integrated Chiba Ekimae school into Tsudanuma school. Nishi Hiroshima school was integrated into Hiroshima Ekimae school which had been expanded and renewed. We plan to close two schools of TOMEIKAI next February. As for Shingakai, we are slated to close two schools in Kansai region in November.

Furthermore, as an initiative to strengthen sales, TOMAS has selected emphasis schools and concentrated its sales department there. Additionally, we will further enhance customer service in a bid to prevent membership withdrawal.

Meimonkai will strengthen its sales force and conduct efficient student recruitment solicitation activities by consolidating and centralizing its independent student recruitment sales department to Riso Kyoiku.

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Shingakai will improve the manpower of the sales department to increase the number of new students. In addition, we will thoroughly conduct systematic one-on-one meeting to prevent membership withdrawal.

【2024年2月期  TOMAS 開校・リニューアル】

2023年3月	二子玉川校	<u>リニューアル</u>
4月	中目黒校	<u>新規開校</u>
5月	センター北校	<u>リニューアル</u>
	千葉校	<u>リニューアル</u>
6月	練馬校	<u>リニューアル</u>
	四ツ谷校	<u>リニューアル</u>
10月	勝どき校	<u>新規開校</u>
	自由が丘2号館	<u>新規開校</u>
11月	御茶ノ水校	<u>新規開校 (予定)</u>
12月	船橋校	<u>新規開校 (予定)</u>



Next, we will explain the status of school openings for Q2 of the fiscal year ending February 2024.

TOMAS in the tutoring schools business segment, renewed its Futakotamagawa school in March. It newly opened the Nakameguro school in April. The Center Kita and Chiba schools were renewed in May, and the Nerima and Yotsuya schools were renewed in June. At the end of August 2023, the number of tutoring schools and English conversation schools stood at 99 and 12, respectively.

As for school openings in Q3 and onward, the Kachidoki school and the Jiyugaoka 2 building are slated to be launched this month. Subsequently, the Ochanomizu school is scheduled to be opened in November, followed by the opening of the Funabashi school in December.

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【2024年2月期  駿台TOMAS大学受験部 開校】

2023年11月 下北沢校 **新規開校**



 リソ-教育グループ 「すべては子どもたちの未来のために」

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We will explain later this business detail, we will launch the Sundai TOMAS University Entrance Examination Department in the Shimokitazawa school in November.

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【2024年2月期  開校・リニューアル】

2023年3月	千葉駅前校	津田沼校へ統合
4月	京都駅前校2号館	<b>開校</b>
6月	広島駅前校	<b>拡大リニューアル</b>
	西広島駅前校	広島駅前校へ統合
2024年2月	 TOMEIKAI	2校 閉校 (予定)



Meimonkai in the tutor dispatched education segment integrated its Chiba Ekimae school into Tsudanuma school in March. It opened the Kyoto Ekimae school 2 building in April. In June, we closed the Nishi Hiroshima school and integrated it into the expanded and renewed Hiroshima school.

At the end of August 2023, the number of Meimonkai schools, MEDIC Meimonkai schools, and TOMEIKAI schools stood at 36, 2, and 12, respectively. In Q3 and onward, we plan to close two schools in TOMEIKAI in February 2024.


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【2024年2月期 開校・リニューアル】

 **伸芽会** 2023年3月 二子玉川教室 リニューアル

 **伸芽'sクラブ学童** 2023年4月 二子玉川校 開校

コナミスポーツ  
伸芽'Sアカデミー 2023年4月 品川校 リニューアル

西宮校 開校

 **伸芽会** 2023年11月 2教室 閉校（予定）

 **伸芽会**  
24教室

 **伸芽'sクラブ**  
託児  
8校

 **伸芽'sクラブ**  
学童  
19校



In March, Shingakai in the early childhood education segment renewed its Futakotamagawa classroom at the Shingakai Examination Bureau. In April, Shinga's Club Gakudo (afterschool), the Futakotamagawa school was newly opened. The Konami Sports Shinga's Academy Shinagawa school was also renewed. It newly opened the Nishinomiya school in Hyogo Prefecture.

At the end of August 2023, the number of Shingakai Examination Bureau, Shinga's Club Childcare centers, and Shinga's Club afterschools stood at 24, 8, and 19, respectively. In Q3 and onward, we plan to close two schools in the Kansai region in November.

○ 「学校（集団）」の中に**進学個別指導塾 TOMAS**を設置

○ 「TOMAS」の進学個別指導ノウハウを  
稼働校数81校（2023年8月末現在）

○ 少子化で生き残りをかける学校の  
経営支援と進学実績をサポート



Regarding School TOMAS in the in-school one-on-one instruction segment, it had 81 operating schools at the end of August. Of note, the number of schools with average monthly sales of JPY3 million or more rose by 7 YoY to 37. The average rate per school also increased 16.9% YoY.

School TOMAS is able to support the learning of each student according to his or her individual differences and share learning progress in cooperation with their schools, supporting to solve the teachers' overwork issues. We believe the said services fit with the times and contribute to increase Riso Kyoiku's revenue and profits.

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

### (3) 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
- ・ 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
  
- ・ 2024年2月期は**1株あたり配当10円**を予定

配当性向  
**74.9%**

配当利回り※  
**3.8%**

※2023年10月11日時点

**Kume:** I am Kume. Thank you for your cooperation. As we have disclosed on April 21 regarding our shareholder return policy, we have announced a dividend payout ratio of 50% or more for the current fiscal year.

For the current fiscal year, we have also announced a dividend of JPY10 per share. The dividend payout ratio is set as 50% or more, and it would be 74.9% in real terms. Recently, the stock price is much lower than it used to be but the yield rate is 3.8%.

At the last general shareholders meeting, we received a lot of questions about this shareholder dividend and shareholder return policy. We are trying to figure out our further initiatives. Although I am repeating the same thing as mentioned at the last IR briefing, I would like to add that we are also trying to accumulate retained earnings due to Kodomo department store project and the COVID-19 related issues.

Now, we have set a goal of having about JPY10 billion in equity capital, and we have been making headway with this target over the course of three periods. Since profits have increased this fiscal year as we originally planned, the dividend of JPY10 per share has not changed.

We will think about the dividend this matter each time when our performance improves again. Thus, our commitment to our investors, which means, the dividend payout ratio of 50% or more has not changed.

That's it for the moment.

Tenbo will explain the outlook for the future.

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## 中期経営計画について

	売上高		営業利益		経常利益		当期純利益	
		前期比		前期比		前期比		前期比
2024年2月期（予）	34,000	+8.0%	3,000	+24.9%	3,000	+22.8%	2,060	+38.0%
2025年2月期（計）	36,500	+7.4%	3,500	+16.6%	3,500	+16.6%	2,400	+16.5%
2026年2月期（計）	39,500	+8.2%	4,000	+14.3%	4,000	+14.3%	2,700	+12.5%

- ・ 価格改定、営業強化により売上拡大
- ・ 子会社の不採算校の統廃合や広告宣伝費等費用の戦略的な見直し・削減により利益構造を適正化



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

First, as previously announced, for the fiscal year ending February 2024, we forecast net sales of JPY34 billion, operating profit of JPY3 billion, and net income of JPY2.06 billion.

As per our medium-term business plan, for the fiscal year ending February 2025, we expect net sales of JPY36.5 billion, operating profit of JPY3.5 billion, and net income of JPY2.4 billion. For FY2026, we foresee net sales of JPY39.5 billion, operating profit of JPY4 billion, and net income of JPY2.7 billion.

We will strive to optimize profit growth by expanding sales through price hikes and enhancing sales force as we are implementing this fiscal year, and by reorganizing underperforming schools at subsidiaries, strategically reviewing and substantially reducing advertising and promotional expenses and other costs.

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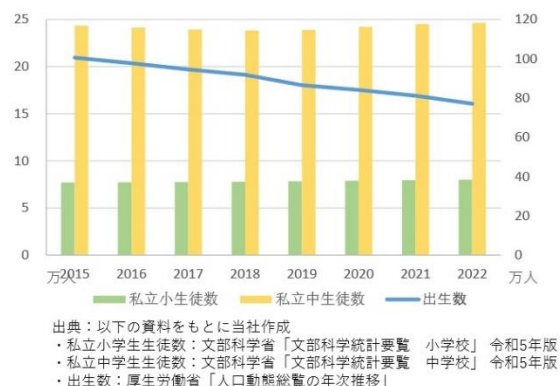
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## 中長期の見通しについて

- ・ 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、継続的に成長



From a medium- to long-term perspective, the number of students taking entrance exams for elementary and junior high schools in the Tokyo metropolitan area is on the rise even despite the current declining birthrate.

However, the birthrate is expected to continue to decline, and we intend to continue to grow our business by enhancing our enclosure strategy and expanding our business alliances with other industries.

The former means the growth of existing businesses that we have been promoting. The latter is the new businesses to be developed, such as the Kodomo department store project.

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## 駿台TOMAS 大学受験部 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
- ・ニーズに合わせたオプションで  
TOMASの個別指導の受講も可能
- ・東大・京大・国立医学部等を志望する  
トップクラスの生徒を対象



### 駿台TOMASとは

2019年にリソー教育と駿河台学園が資本業務提携し、合併会社「株式会社駿台TOMAS」を設立。  
新ブランド最難関受験専門個別指導塾「Spec.TOMAS」を2020年2月に開校。

### spec. TOMASとは

#### TOMAS との違い

- ・入塾選抜テストの実施
- ・超難関校受験対策に特化したエリート個別指導コース
- ・オリジナルカリキュラムとテキストでの指導

I would also like to explain our new business, the Sundai TOMAS University Entrance Examination Department, which will start in November.

Sundai TOMAS is a joint venture company established in 2019 through a capital and business alliance between our company and Surugadai Gakuen, the so-called Sundai Prep School. We are now opening Spec. TOMAS, a private tutoring school specializing in the most difficult entrance examinations, in Jiyugaoka.

Sundai TOMAS plans to open a membership-only, self-study room in Shimokitazawa this November. Such study room has tutors who can handle students' questions. Sundai TOMAS University Entrance Exam Club is a members-only, self-study room for students who wish to enter so-called topnotch universities.

One of the features of this program is that the study room is staffed by the tutors who are studying at the University of Tokyo, and students can ask questions at any time. If you study at home or in the library, you have to ask questions at school or at a prep school on another day. However, if you study at said study room, those tutors are there to support you.

We also collaborate with TOMAS, so that students who wish to gain a deeper understanding of a unit can optionally receive tutoring from TOMAS. We believe that for highly conscious, top-class students who wish to study at the University of Tokyo, Kyoto University, or a national university's medical school, they can study more efficiently there. In our view, we will be able to support students in order to pass the entrance exam to top universities. We are hopeful that the student population that has not previously attended TOMAS may have the potential to become new customers.

This was an explanation of the Sundai TOMAS University Entrance Exam Department.

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## DX戦略の推進

- ・DX戦略推進委員会を設置
  - ・コンサルティング会社のサポートを受けグループ全社でDX化を推進
  - ・グループ各社で持っているデータベースを統合  
→重複機能の統一化により費用の効率化  
ブランド横断的アプローチにより囲い込み戦略を推進
- その他、DX化により業務効率化、顧客満足度向上を図る



I will also explain our DX promotion.

The DX Strategy Promotion Committee was established this fiscal year. We are in the process of discussing future DX strategies while receiving consulting services from a consulting firm.

By integrating databases that are currently managed separately by each group company into a single database, we can unify systems with duplicated functions and reduce unnecessary costs. Above all, we believe that we can further promote our enclosure strategy by effectively utilizing our database and taking a cross-group approach.

We also believe that DX will contribute to the improvement of various operational efficiencies and, ultimately, to the enhancement of customer satisfaction.

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## 異業種との提携

「こどもでばと」シリーズの展開  
HULIC × 株式会社リソ教育 × コナミスポーツ株式会社

「コナミスポーツ伸芽'Sアカデミー」  
伸芽学童 × コナミスポーツクラブ

業務提携  
株式会社リソ教育 × KIDS SMILE HOLDINGS  
伸芽会 × キッズスマイルホールディングス  
KIDS SMILE PROJECT

リソ教育グループ「すべては子どもたちの未来のために」

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Next, I will explain the details of our partnership with different industries.

I have spent a great deal of time explaining this to you in the past. First of all, the Kodomo department store series, which is being developed by our company, Hulic, and Konami Sports. Secondly, Konami Sports Shinga's Academy, developed by Shingakai and Konami Sports. Furthermore, we have formed a business alliance with Shingakai, Kids Smile Holdings and Kids Smile Project.

The Kodomo department store series will be opened in Nakano and in Tama Plaza in 2025. It is slated to be established in Shibuya in 2026.

Along with these three projects, a total of seven other properties are now being fleshed out, and we plan to expand the number of buildings to 20 by 2029.

Last but not least, we are focusing on profits this term, while strategically reviewing expenses and reorganizing underperforming schools in our subsidiaries. In addition, from a medium- to long-term perspective, we intend to enhance our corporate value and continue to grow and expand our businesses by promoting new business development and DX strategies.

We look forward to your continued support as we strive for sustainable growth and increased our corporate value.

That's all so far. Thank you very much for your time today.

**Moderator:** Thank you for your explanation.

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## Question & Answer

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**Moderator [M]:** Okay, we will now have a question-and-answer session.

Please raise your hand if you have any questions. The staff member in charge will bring a microphone, so please speak into the microphone. The full transcript of this meeting, including this question-and-answer session, will be made available to the public. Therefore, if you give your company name or your own name when asking a question, it will be disclosed as is. If you wish to remain anonymous, please do not give your name when asking a question.

Any questions? Yes. First one, please.

**Participant [Q]:** Thank you for your explanation. I have two questions. The first one is about Shingakai. You have mentioned that they will raise the price by 17% from November. I think this is the great price hikes, and would like to know the recent situation regarding the number of applicants for membership, when comparing to the previous year.

The second one is about the promotion of DX strategy. I would like to know the amount of investment here. How much does it cost and what are the impacts including risks, and what are the benefits? I would like to know how soon we can expect this benefit. Thank you in advance.

**Tenbo [A]:** Thank you for your questions. Since you are asking about the reaction to the Shingakai price increase, I will explain this one. Now, the new price hike is scheduled to take place in November, when the current middle-class students will become the senior-class students. Currently, there is no significant impact. But we will have to wait and see what happens when this starts. That is why, what I can tell you right now is that the impact of the price hike is basically not apparent. I hope that I've answered your question.

Mr. Kume will explain the amount of investment in DX and the impact of this investment.

**Kume [A]:** I will explain the details. In terms of DX, we started this initiative this fiscal year by forming a DX Committee with the support of Canon IT Solutions, Inc. to provide consulting services. First of all, the purpose here is digitalization. We still have a lot of paper media, including various enrollment procedures to the Group. That is where we are very far behind. Same can be said for Shingakai, TOMAS, and Meimonkai.

Each company had been creating individual systems for enrollment, class participation management, and curriculum development. However, we decided to bring them together as a whole. The first goal is to improve administrative efficiency. The plan is to reduce the administrative workload of these teaching staff, who deal with parents and instructors, and teaching staff in addition to instructors.

The reduction of administrative work will allow extra time for follow-up with parents, guidance, and curriculum development, which seems to be very effective. We are trying to calculate the monetary effect of this, but we have not been able to do so yet. I'm planning to announce it again as soon as it is ready.

Another goal is to share customer information. We have about 27,000 students in total. The president mentioned that we intend to enhance our enclosure strategy. We have students from 1 year old to 18 years old. The environment is different for each type of business, depending on the age group of the students, and there is no way to share information about the students on the system. By sharing this information, we can refer students to each other, although it is, of course, personal information and we do this with the approval of the client's parents.

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To be more specific, for example, a student started studying at Shingakai at the age of one, took the kindergarten entrance exam, took the elementary school entrance exam, and entered elementary school. When he enters elementary school, he will be asked to go to TOMAS and Meimonkai. Likewise, the children in the soccer class might be helpful for the TOMAS intervention. In short, we are aiming for such a synergistic effect. The goal is to create a bit of dynamism in the Company by doing this.

If we calculate this, for example, there are about 3,500 students in Shingakai, and about 11,000 in TOMAS. Then Meimonkai has roughly 4,000 students. Plus One Education has quite a few gymnastics classes like that. If we can refer 5,000 students to 6,000 students to each other, the so-called student enrollment will increase, and then we can introduce them to each other. This is what we are aiming to develop. At the moment, we have been working on these two points, trying to complete the projects in the next three years.

In terms of administrative efficiency, the actual activities will probably take effect in the next year or so. We are trying to share student information in about three years, although this has a legal aspect.

As for the cost, while this is a rough calculation, we assume that it will likely be roughly JPY200 million to JPY300 million including consulting fees. However, we have not yet calculated how much of a hit it will be because of capitalization and depreciation issues. This is about what we are assuming over the next three years.

I hope that I've answered your question.

**Moderator [M]:** Thank you very much. Do you have any other questions? Yes, please.

**Participant [Q]:** Excuse me. Thank you very much for your detailed clarification. I have the impression that your company is taking various measures regarding the business environment, such as the declining birthrate and aging population. On the other hand, according to your explanation, I got the impression that you have been taking these measures based on the assumption that deflation would take hold further after 30 years of deflation.

I understand that when inflation has increased rapidly over the past year and inflation is set to take hold, there will be some changes in the way of consumption in terms of education expenses and other assumptions. I will not say a lot, but there may be some changes. What changes do you think we might see in the coming year and beyond as this inflation takes hold? I would appreciate it if you could tell us as much as you can. Thank you for your cooperation.

**Tenbo [A]:** Thank you very much. I guess you are wondering what sort of impact from inflation we might have. I would be happy to explain this to you. I think this is a difficult question. I don't mean to imply that our business model is based on deflation at all, but it is true that there has been no inflation for a long time. Consequently, we are forced to raise tuition fees after all.

Of course, the labor cost is a significant portion of the total cost. Still, given that the classes are taught by instructors, the quality of the classes cannot be maintained unless the instructors are of a certain level of quality and are well trained. Therefore, basically, we still have to raise tuition fees. I assume that drags from such a measure can be naturally expected, although that might be already existing, and some people might refrain from enrollment.

Same can be said for the cram schools industry as a whole. The number of students is decreasing as of late. Still, what we can do here is quite limited. We have no choice but to pursue quality, receive the tuition fees we should gain, provide solid lessons, and produce results.

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As I mentioned earlier, we are considering new business opportunities, such as a new trial of a members-only study room.

That's all I can tell you in terms of inflation. I am not sure if I have answered your question, but hope it helps.

**Participant [Q]:** Excuse me, I have another question if possible. I don't think your company's business model is directly related to receiving government subsidies. But in terms of education, in Osaka, for example, there is support for cram school fees, and private schools are made as easy to enter as public schools. From this point of view, I think that the government will have to spend more and more money. Various industries are saying that government will spend money and it will be a tailwind. Still, I assume the government has to give order of priority to this when there is a limit to the amount of money in their wallets. I wonder what will happen to the priorities of the various industries.

From your company's perspective, how do you see the priorities of national and local government spending on education changing over the next 5 years to 10 years compared to the current situation? Do you think it will increase, or do you think it will not come around if the accrued yield on government bonds increases? In what way do you expect it to be positioned amidst the various other expenditures such as medical care for the elderly, national land resilience, and defense spending?

**Tenbo [A]:** Thank you very much. This is a tough question, but we are not expecting much in this area. I don't expect that to be the case, but I do think that, as Mr. Kishida mentioned, education is a key issue, and I believe that it is necessary to improve education in order to overcome the declining birthrate. I believe that the subsidies for education will increase in this area.

However, I am not sure if this will be a tailwind for our company. In the past, there was a significant tailwind for Shingakai and other organizations when educational gifts to grandchildren were exempted from taxes. However, it is difficult to say to what extent such policies will have a significant tailwind. The current situation is that we do not expect that to be the case.

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

**Moderator [M]:** Thank you very much. Now, one more person, please.

**Participant [Q]:** Thank you for your explanation. In terms of the number of students, you mentioned that there were 26,113 students at the end of August. What is the breakdown of the number? I mean, I would like to know the number and/or the percentage of elementary school students and junior high school students, as well as the status of each category. For example, could you tell us the situation by school layer? I mean, elementary school students are relatively strong, but high school students are a little weak and so on.

**Tenbo [A]:** Thank you very much. If I may speak briefly, the category of elementary school students is still robust due to the booming junior high school entrance examinations. However, there are a lot of situations in the area of college entrance examinations. The number of students who have been accepted to all universities is spreading rapidly, and universities are trying to secure students. The form of entrance examinations is diversified including admissions office entrance examination, and the timing of the entrance examinations are advanced. Thus, the third-year high school students are leaving cram school much earlier than before.

However, we are fortunate compared to other cram schools in that respect. We have many students who are preparing for entrance exams to top-ranked universities, and this has not changed much. Still, high school students have been relatively decreasing. By category, or by our group, we see a slight decrease in TOMAS. As for Meimonkai, the number of students is decreasing, including some in slightly rural areas. The number of

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students is increasing in Shingakai's school children, as well as in School TOMAS and Plus One Education. Shingakai is struggling a bit right now with the examinations.

We have provided our response to the above. I hope that I've answered your question.

**Participant [Q]:** I'm sorry, but in terms of numbers, which school is the largest in your company?

**Tenbo [A]:** It's TOMAS. TOMAS is tutoring schools business segment.

**QUESTION [Q]:** Do you mean that the high school entrance exam school of TOMAS is the largest?

**Tenbo [A]:** No, The school for middle school entrance exam is the largest. It's Elementary school students.

**Participant [Q]:** TOMAS for elementary school students has the largest number of students.

**Tenbo [A]:** Yes, that's right.

**Participant [Q]:** Approximately what percentage of the students are TOMAS elementary school students?

**Tenbo [A]:** About 5,000 students. So, I would say that about 40% of the students are elementary school students in TOMAS.

**Participant [Q]:** What is the next most common class range?

**Tenbo [A]:** There are a great number of high school student at TOMAS.

**Participant [Q]:** High school students who are preparing for college entrance examinations are the next most common one.

**Tenbo [A]:** Yes.

**Participant [Q]:** Then, it is like the next most common one is for the junior high school students who are preparing for high school entrance examinations.

**Tenbo [A]:** Yes, that's right.

**Participant [M]:** Yes, understood. Thank you very much.

**Tenbo [M]:** As for the number of students enrolled, the order is usually like elementary, high school, and junior school students. In our case, there are inevitably fewer students who take the high school entrance exam. Those who are in junior high school student classes are usually students of combined junior and senior high schools. Thus, there are fewer junior high school students.

**Moderator [M]:** Are we clear? Okay, next one please.

**Participant [Q]:** Thank you for your explanation. I would like to ask three questions. I understand that your Q2 results show sales of JPY15.9 billion and operating profit of JPY1 billion. In terms of progress against internal full-year results, I think those may have fallen slightly short of the internal expectations. If it is a downturn, let me confirm whether it is possible to recover from H2 onwards. Sorry, we'll start here. Yes.

**Kume [A]:** As you said, the previous year was positive, but it was slightly negative compared to the internal expectations. However, net income is in line with our expectation. Also, you know, there was talk about sales

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earlier, but there will be a tremendous benefit from price hikes. While, as for the students enrolled, it was not so good due to the flu and other factors after the summer course.

For example, in September, we sometimes failed to match about 5,000 courses. So it depends on the spread of the flu, COVID-19, etc. But these things can be just carried over to the next. Also, the number of students enrolled in the previous term was negative, but the range has been shrinking rapidly, and we expect it to be flat by the end of the year. If we do this, we expect to achieve sales of JPY3 billion, recurring profit of JPY3 billion, and operating profit of JPY3 billion.

One more thing. As you can see from the segmental breakdown, the performance of School TOMAS is, after all, doing very well here. This is still about 2.5 times the winter forecast, and it looks like it will stay that way. There are also various other factors that contribute to profit, so we are not worried about the final profit. Therefore, we will be able to drive sales a little more in H2 than in H1. However, as I mentioned earlier, the risk factor one the flu pandemic. And COVID-19 pandemic. Therefore, I am hoping that it will peak out soon.

That is all.

**Participant [Q]:** Second point, you mentioned the dividend policy. It is at least 50%, and your company has a policy of building up retained earnings with the goal of JPY10 billion in net assets. For this reason, you said, you would make it at least 50%. In other words, if you achieve JPY10 billion and net assets, will it be a 100% dividend payout ratio?

**Kume [A]:** As announced, I did not say 50%. I said at least 50%. So, naturally, as business performance improves, the dividend payout ratio will increase. This means that the same can be said about the current term. As for the future, the only thing we have decided now is that it will be at least 50%, so we will decide on the dividend policy for the next fiscal year at the next board meeting. It could be 50% to 100% depending on the budget at that time. We have not announced a dividend payout ratio of 50%, and it will likely be just over 70%. So please do not misunderstand that.

That is all.

**Participant [Q]:** Yes. Also, I understand that you are opening an individual instruction school in Shimokitazawa in November, which is designed especially for the top-ranked schools. What are your thoughts on the future development of these new schools? We would like to hear from you about your plans, including whether or not you plan to open new schools in the future.

**Kume [A]:** Thank you very much. It is more of a study room than an individual instruction school. It is a membership-only self study room where students can ask questions. We are now considering opening a school in Shimokitazawa on a trial basis, and then in Shibuya. We would like to see the situation in Shimokitazawa, and then we can bring it to Shibuya as well. And if it is good enough, we think we can put out a few more stores.

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

**Moderator [M]:** Thank you very much. Do you have any other questions? Yes, please.

**Participant [Q]:** Please, thank you very much. I think you have been reorganizing and closing classrooms quite a bit this term. Please tell us whether there will still be classrooms subject to this reorganization in the next fiscal year and beyond. Since you have done quite a bit of [inaudible] this fiscal year, please tell us how much of an economic cost reduction, etc. will be realized annually.

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**Tenbo [A]:** Yes, thank you. If you ask me if reorganization is still in the works, I think it is safe to assume that it is, since we always want to review that. We always try to withdraw from areas where we can't and put out what we can, without thinking of them as sanctuaries.

As for the actual effect, I don't think it will show up that much yet for this fiscal year. The Shingakai will be held in November and the Meimonkai will be held later, so we won't see the effect this term, but I think the effect will be about JPY50 million from next term onward.

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

**Moderator [M]:** Thank you very much. Do you have any other questions? Can we finish the meeting? There seems to be no further questions. Today's analyst meeting is adjourned.

Thank you for your explanation, President Tenbo and everyone.

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

[END]

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