

Riso Kyoiku Co., Ltd.

4714

Tokyo Stock Exchange Prime Market

22-Dec.-2023

FISCO Ltd. Analyst

Yuzuru Sato



FISCO Ltd.

<https://www.fisco.co.jp>

■ Index

■ Summary	01
1. Overview of 1H FY2/24 results	01
2. FY2/24 forecasts	01
3. Medium-term management plan	02
■ Company profile	03
1. Company history	03
2. Business overview	05
3. Characteristics and strengths	08
■ Results trends	12
1. Overview of 1H FY2/24 results	12
2. Trends by business segment	14
3. Financial condition	17
■ Outlook	19
1. FY2/24 forecasts	19
2. Progress of medium-term management plan	21
■ Shareholder returns	24

Summary

In-school one-on-one instruction performed strongly; turn to profit growth forecast in FY2/24 for first time in two years

Riso Kyoiku Co., Ltd. <4714> (hereinafter, “the Company”) is an educational service company that has established a unique high value-added business model by combining entirely one-on-one instruction and academic advancement and is steadily broadening its scope. The Company’s subsidiaries include Shingakai Co., Ltd., which provides entrance exam preparation for kindergartens and elementary schools; Meimonkai Co., Ltd., which dispatches professional home tutors; School TOMAS Co., Ltd., which provides in-school one-on-one instruction; and Plus One Kyoiku Co., Ltd., which plans tour-style experiences and runs gymnastics classes.

1. Overview of 1H FY2/24 results

In the 1H FY2/24 consolidated results (March–August 2023), net sales increased 3.2% year on year (YoY) to ¥15,940mn, operating profit increased 2.5% YoY to ¥1,032mn, ordinary profit increased 1.2% YoY to ¥1,046mn, and profit attributable to owners of parent increased 26.3% to ¥803mn. The Riso Kyoiku Group’s student numbers began to decline from the end of FY2/23 and was down 2.6% YoY at the end of August 2023, but raising course fees for TOMAS and Meimonkai by 5–7% starting in March 2023 and strategic review of expenses (mainly advertising expenses) contributed to sales and profit growth. Looking at results by segment, the in-school one-on-one instruction business posted net sales of ¥1,429mn (up 15.5% YoY) and operating profit of ¥123mn (up ¥129mn YoY). The number of contracting schools was down by 1 to 81 as a result of progress with consolidation of unprofitable schools, but sales per school increased 16.9% YoY, exceeding the company’s expectations.

2. FY2/24 forecasts

For the FY2/24 results, the Company maintained its initial forecast for net sales to increase 8.0% YoY to ¥34,000mn, operating profit to rise 24.9% to ¥3,000mn, ordinary profit to rise 22.8% to ¥3,000mn and net income attributable to owners of parent to rise 38.0% to ¥2,060mn. The Company plans to strengthen sales to attract more students and increase unit value per student, review advertising expenses, and consolidate unprofitable schools for earnings recovery in 2H. In particular, Shingakai, whose profitability had declined, increased course fees by an average 17% from November 2023 and closed two unprofitable schools in Kansai. As a new brand, the Company launched Sundai TOMAS Daigaku Jukenbu targeting students taking entrance exams for the most difficult schools such as the University of Tokyo and national medical schools, opening the Shimokitazawa School in November 2023.

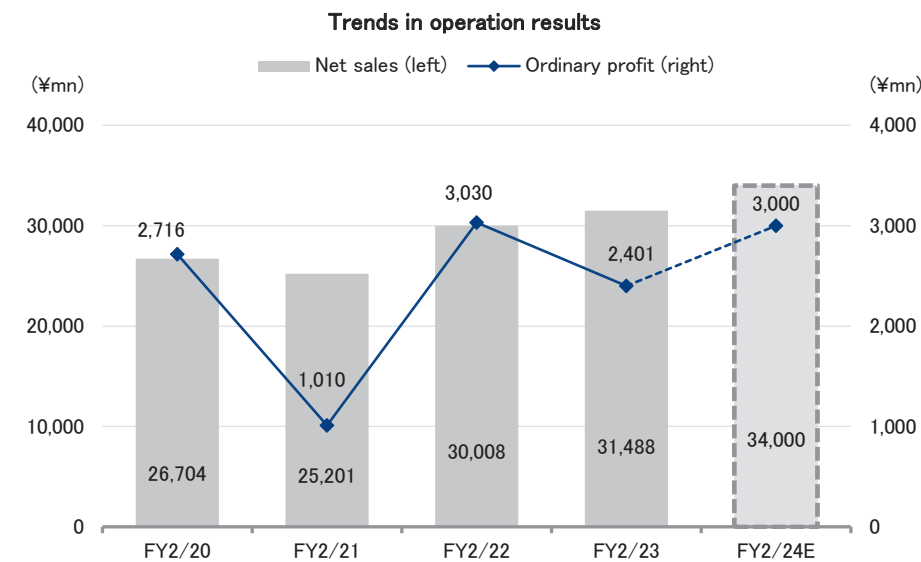
Summary

3. Medium-term management plan

The three-year medium-term management plan starting in FY2/24 targets net sales of ¥39,500mn and operating profit of ¥4,000mn in the final year (FY2/26) for a three-year CAGR of 7.9% for net sales and 18.5% for operating profit. The Company's priority goals in these three years are to revise course fees to absorb the increase in personnel expenses, consolidate unprofitable Meimonkai and Shingakai schools, streamline operations and increase group synergies to enhance profitability by promoting its DX strategy. The Company aims for sustained growth despite the shrinking youth population by delivering services with a high level of customer satisfaction. Kodomo Department Store, an educational building for children (a new business collaboration with HULIC <3003> and Konami Sports Co., Ltd.), is expected to be a positive factor for earnings. Seven projects are underway in the Tokyo area, of which 2 (in Nakano, Nakano-ku, Tokyo and Tama Plaza, Yokohama, Kanagawa Prefecture) are scheduled to open in spring 2025 and one in Shibuya (Shibuya-ku, Tokyo) is scheduled for completion in 2026. The Company plans to open up to 20 Kodomo Department Stores in the Tokyo area by 2029. Providing multiple services under one roof makes it easier to attract regular customers, making it a promising project for maximizing customer LTV and group synergies. For shareholder returns, the Company plans dividend per share of ¥10.0 for a dividend payout ratio of 74.9% in FY2/24, based on a basic policy of paying dividends with a dividend payout ratio of over 50%.

Key Points

- Sales and profit growth in 1H FY2/24 due to price hike effect and expense cuts
- Turn to profit growth expected in FY2/24 thanks to strategic expense revision despite weak student numbers targeting net sales of ¥39.5bn and operating profit of ¥4.0bn in FY2/2026
- Plan to open Kodomo Department Store in spring 2025
- Policy of paying dividend with dividend payout ratio of over 50%



Source: Prepared By FISCO from the Company's financial results

■ Company profile

Established in 1985 for the purpose of delivering high-quality educational services

1. Company history

Mitsugu Iwasa, currently a director and chairman, took over 14 classrooms from Kodomo Pia, a business in which he was part of the management team, and established Nihon Kyoiku Kosha K.K. in 1985 for the purpose of delivering high-quality one-on-one educational services. The Company initially started with a group learning format of classrooms under the name of Riso Kyoiku Kenkyusho (Risoken) that consisted of six students per class, with classes organized by academic capabilities and 100% fulltime teachers. In 1990, the Company developed and began providing a unique “entirely one-on-one individual instruction system” and changed the service name to Tokyo Man-to-man School. The Company subsequently changed the service name to TOMAS (initially adopted as a nickname in 1997 and then as the official name in 2000), which has continued since then.

The Company has actively diversified educational services as well. It opened the Meimonkai home tutor center and entered the home tutoring market in 1989 (in 2003, it spun off the business, operating it as Meimonkai). In 2000, it established Nihon Edunet Co., Ltd. (now, School TOMAS Co., Ltd.) which offers entirely one-on-one instruction in a real-time, interactive format utilizing internet teleconferencing, and School Tour Ship Co., Ltd. (now, Plus One Kyoiku Co., Ltd.), which provides character-building training camp education, in 2002. It also acquired shares of Shingakai, which offers entrance exam preparation for well-known kindergartens and elementary schools, making it into a subsidiary in 2003. In addition, the Company concluded a capital and business alliance with Surugadai Gakuen Educational Institute in 2019 and established Sundai TOMAS, a joint venture (with the Company owning a 51% stake), in an aim to further develop Spec. TOMAS, an individualized instruction school with focus on entrance exams for the most difficult schools.

Recently, the Company has also been actively progressing an alliance strategy. In September 2020, it announced a business collaboration with Hulic and Konami Sports for the joint development of the Kodomo Department Store, an educational building for children. Also, in March 2022, toward the further growth of the young child education business and other businesses, the Company announced a four-company business collaboration with Shingakai, Kids Smile Holdings <7084> and Kids Smile Project Inc. Subsequently, Hulic has been incrementally acquiring the Company's shares, and at the end of August 2023, its share-holding ratio was 20.62%, making it the Company's largest shareholder.

In the stock market, the Company registered its stock as an over-the-counter security with the Japan Securities Dealers Association in 1998, moved to the Second Section of the Tokyo Stock Exchange (TSE) in 2001, and then switched to TSE's First Section in June 2002. It moved to the Prime Market as a result of the market reclassification in April 2022.

Riso Kyoiku Co., Ltd.
4714 Tokyo Stock Exchange Prime Market

22-Dec.-2023

<https://www.riso-kyoikugroup.com/en/ir/>

Company profile

Company history

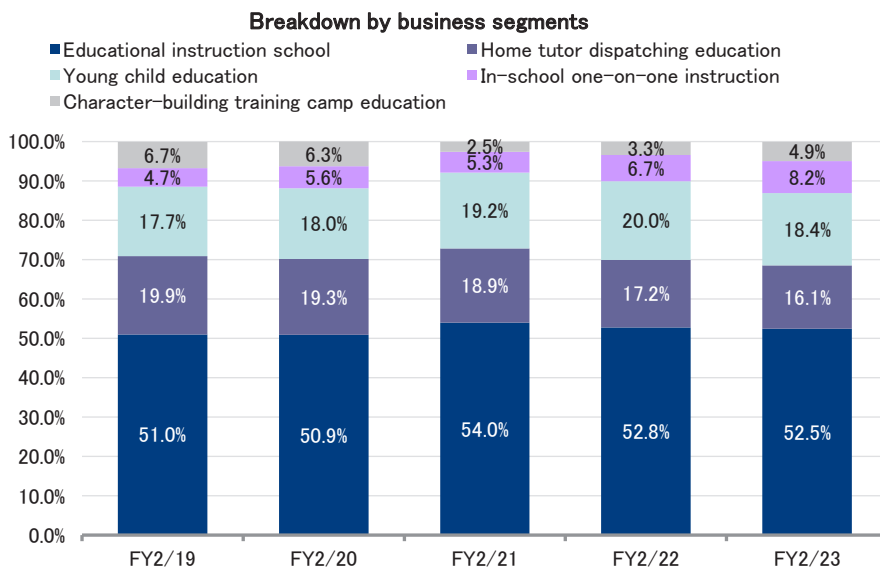
Date	History
July 1985	Established Nihon Kyoiku Kosha K.K. to accommodate the acquisition of 14 classrooms from Nihon Kodomo Pia with the purpose of providing high-quality one-on-one educational instruction services and started opening classrooms under the name of Riso Kyoiku Kenkyusho.
May 1989	Established the Meimonkai home tutor center and entered the home tutor market, began individual instruction with a professional tutor group that differs from student tutors
March 1990	Developed the unique "one-on-one individual instruction system (each equipped with a whiteboard)" and changed the service name to "Tokyo Man-to-man School."
October 1998	Renamed from Nihon Kyoiku Kosha K.K. to Riso Kyoiku Co., Ltd.
December 1998	Conducted OTC registration of shares with the Japanese Securities Dealers Association
July 2000	Established Nihon Edunet Co., Ltd. with the aim of conducting genuine one-on-one instruction in an interactive environment utilizing Internet video conferencing
March 2001	Listed shares on the Tokyo Stock Exchange Second Section (TSE-2)
June 2002	Reassigned to the Tokyo Stock Exchange First Section (TSE-1)
December 2002	Established School Tour Ship Co., Ltd. with the aim of conducting character-building training camp education
January 2003	Established Meimonkai Co., Ltd. as a spin-off of the home tutor dispatching business, acquired Shingakai Co., Ltd., which provides kindergarten and elementary school entrance exam preparation, as a wholly owned subsidiary
July 2005	Transferred the student recruitment business division to School Tour Ship Co., Ltd. and renamed it as Riso Kyoiku Kikaku Co., Ltd.
March 2011	Shingakai began Shinga's Club, a childcare and after-school care business
October 2013	Established Inter TOMAS Co., Ltd. as a spin-off of the English school division, established Plus One Kyoiku Co., Ltd. as a spin-off of the character-building training camp education business, renamed Nihon Edunet Co., Ltd. as School TOMAS Co., Ltd., renamed Riso Kyoiku Kikaku Co., Ltd. as TOMAS Kikaku Co., Ltd.
November 2016	Established TOMAS ENGLISH TRAINING CENTER, INC. (99.99% owned by School TOMAS), an online English conversation business for school operators, in Cebu IT Park
September 2019	Established joint-venture company Sundai TOMAS (owns a 51% stake) based on a capital and business alliance with Surugadai Gakuen Educational Institute
February 2020	Opened the first school for Spec. TOMAS, a new brand, in Jiyugaoka under Sundai TOMAS. Absorbed Inter TOMAS Co., Ltd. and TOMAS Kikaku Co., Ltd.
August 2020	Established Cocokara Teachers Co., Ltd. as a firm specializing in hiring, training and placing teachers to Group companies
September 2020	Formed a capital and business alliance with Hulic Co., Ltd.<3003> and is involved in a business alliance with Hulic and Konami Sports.
April 2021	Shingakai Co., Ltd., and Konami Sports Co., Ltd., announced a business collaboration aiming for the joint development of Konami Sports Shinga's Academies
June 2021	School TOMAS Co., Ltd., and KDDI Matomete Office Co., Ltd., announced a business collaboration to jointly advance the establishment of ICT environments for schools and introductions of an in-school learning-support system
March 2022	Announced a business collaboration with Kids Smile Holdings Inc. <7084> and Kids Smile Project Inc., including in order to strengthen the mutual provision of each other's services
April 2022	Changed its listing to the TSE Prime Market
March 2023	Formed a capital and business alliance with Kids Smile Holdings Inc.

Source: Prepared by FISCO from the Company's securities report and press releases

Building educational service businesses mainly through TOMAS, Meimonkai, and Shingakai

2. Business overview

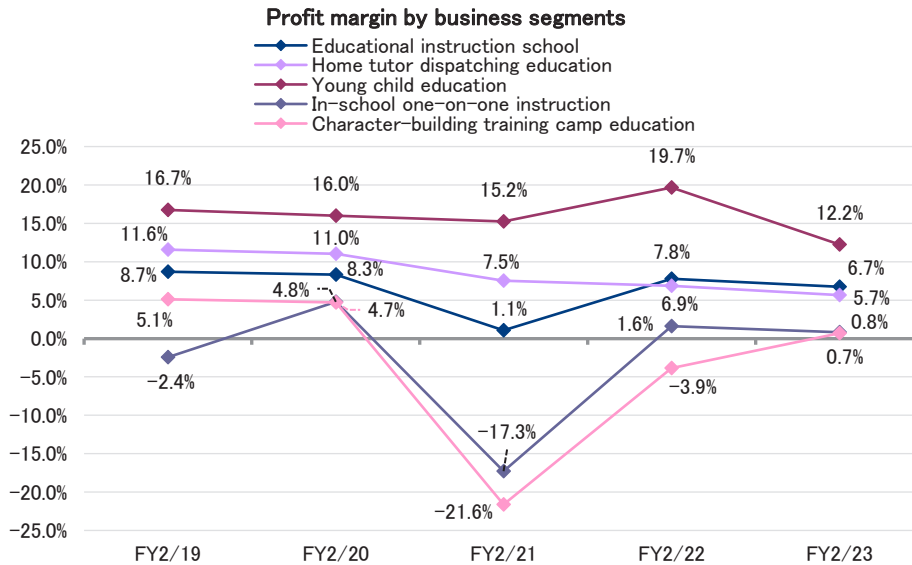
The Company and its five major subsidiaries are developing educational services mainly focused on educational instruction schools. In terms of business segments, it discloses information on the educational instruction school business, home tutor dispatching education business, young child education business, in-school one-on-one instruction school business, and character-building training camp education business. For the percentages of total net sales by business segments in the most recent five years, the educational instruction school business provided more than 50% of net sales, while the three main businesses of the educational instruction school business, home tutor dispatching educational business and young child education business provided roughly 90% of total net sales. Also, looking at how the percentages changed from FY2/19 to FY2/23, the percentage of the home tutor dispatching education business contracted from 19.9% to 16.1%, whereas that of the in-school one-on-one instruction school business increased from 4.7% to 8.2%. Growing awareness of the in-school one-on-one instruction school business as a service that helps to resolve the problem of overworked private school teachers and improve university entrance exam results has led to an increase in the number of contracted schools and grades each year, resulting in sales growth.



Note: Ratios are calculated excluding "other"
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Looking at the profit margin for the last five years from FY2/19 to FY2/23 by business segments, the highest is the young child education business at 17% to 20%. It is considered that the background to this is the fact that Shingakai, which has a track record established about 70 years as a pioneer for entrance exams for well-known kindergartens and elementary schools, has established overwhelming strong brand power. The profit margins of the educational instruction school business trend stably in the upper single-digit range except for FY2/21, when the Company posted a loss due to the COVID-19 pandemic. The home tutor dispatching education business maintained the 10% level until FY2/20, but in the last three years, the profit margin has been declining partly due to the opening of new schools amid stagnant sales growth. Sales in the in-school one-on-one instruction school business are still small scale and it is still at the upfront investment stage, so its profitability is comparatively low and profit fluctuations are large. But at FISCO, we think that if its sales scale grows beyond a certain level, it can maintain a profit margin of at least 10%.

Company profile



Note: Calculations include internal sales
Source: Prepared by FISCO from the Company's financial results

(1) Educational instruction school business

The educational instruction school business consists of 94 entirely one-on-one instruction TOMAS schools, which is its mainstay business, in the Tokyo metropolitan area (as of the end of August 2023, same below), 12 English conversation Inter TOMAS schools, and 4 one-on-one instruction MEDIC TOMAS schools for medical school exam preparation. Additionally, it operates 1 Spec. TOMAS (a school located in Jiyugaoka), a provider of one-on-one instruction that specializes in entrance exams for the most difficult schools, under subsidiary Sundai TOMAS.

TOMAS, an entirely one-on-one instruction school for elementary students to high school students, has been the most successful at getting students accepted to the most difficult schools as an individual instruction school thanks to preparation and provision of a curriculum that works out a path to passing exams for individuals tailored to the skills of each student, according to the Company. With university student and adult part-time instructors as the majority of teaching staff, and full-time employees in charge of academic consultation and support, the Company is capable of delivering trusted, reliable service with a high level of customer satisfaction. The student numbers consist of 45% elementary students, 25% junior high students, and 30% high school students. Additionally, Spec. TOMAS focuses on 1st–6th grade elementary students with the aim of preparing them to pass exams for the toughest middle schools and hires teachers as full-time employees to support them. It implements an entrance exam and refer students who fail the exam to nearby TOMAS schools.

Company profile

(2) Home tutor dispatching education business

In the home tutor dispatching education business, Meimonkai operates 36 Meimonkai schools in major cities nationwide. Professional adult teachers provide service as home tutors, and the Company asserts that it is the only home tutor center capable of disclosing advancement results. It has many candidates accepted for the most difficult schools each year, including particularly high acceptance results to medical schools, and in 2022, opened 2 MEDIC Meimonkai schools specializing in medical school entrance exam preparation in Osaka and Kobe as part of a new initiative. As well as entirely one-on-one instruction by professional tutors, the schools provide a full support structure with curriculum supporters (general support for putting study plan into practice, including curriculum preparation), teaching assistants (support for students working on exam questions), and concierges (lifestyle management and mental health support) so that students can pass entrance exams to the schools of their choice. It also operates 11 TOMEIKAI schools as individualized instruction schools with service areas outside of the Tokyo metropolitan area (5 schools in the Kyushu area, 3 schools in the Tokai area, 2 schools in the Koshinetsu area and 1 school in the Kinki area) and provides Meimonkai Online, an interactive online teaching service.

(3) Young child education business

In young child education business, Shingakai, which possesses top-class acceptance results as a pioneer in well-known kindergarten and elementary school entrance tests, operates 22 Shingakai schools mainly in the Tokyo metropolitan area (21 schools in the Tokyo metropolitan area and 1 school in the Osaka). It produces some of the top-scoring candidates passing exams for prestigious schools as a result of study programs tailored to individual development and education that nurtures the imagination. It also runs Shinga's Club, a childcare and after-school care business, with 27 facilities (19 after-school care and 8 childcare facilities) in the Tokyo area. Childcare programs are offered for long hours, incorporating the Shingakai education method and preparing children for school entrance exams. The after-school care service is also offered for long hours and provides academic advancement instruction based on a unique study curriculum. Both services are popular among working mothers who combine careers with parenting. The Company also runs Konami Sports Shinga's Academy (a new brand in a business alliance with Konami Sports) schools in Shinagawa-ku, Tokyo and Nishinomiya, Hyogo Prefecture, favored by families who would like their children to excel in sports and academics.

(4) In-school one-on-one instruction school business

In the in-school one-on-one instruction school business, School TOMAS provides individual instruction service at contracted schools after normal class hours with teachers that it dispatches to the schools. Points of difference with competitors are permanent employees in schools engaged in administration and management as well as tutors, providing each student with appropriate advice based on an understanding of individual learning situations, and sharing information with schools and guardians, making it a service with high customer satisfaction ratings. Another strength of the Company is the wide range of services it offers to meet its customers' needs, including one-on-one instruction services in combination with the atama+ AI teaching material and "Sundai Satellite Network 21" video teaching material, in addition to question-based and curriculum-based one-on-one instruction.

It has been steadily increasing the number of contracted schools, particularly at private schools that cover middle and high school years faced with the management challenges of recruiting sufficient student numbers and long working hours for instructors. There were 81 contracting schools at the end of August 2023. The service usually starts with one grade in the first year and increases the number of grades each year thereafter.

Company profile

(5) Character-building training camp education business

The character-building training camp education business consists of 11 schools for gymnastics, 5 schools for soccer, and 2 schools for ballschule run by Plus One Kyoiku and planning and provision of School Tour Ship, an experience-type educational program using weekend days, summer vacation and other extended holidays. This program aims to cultivate action-taking and decision-making capabilities and develop intellectual curiosity through participation in various experiences provided by School Tour Ship.

Overview of business segments and main companies

Business segments	Company name	Business description	Service regions
Educational instruction school business	Riso Kyoiku	Educational instruction school business. Mainly operates TOMAS entirely one-on-one instruction schools as well as MEDIC TOMAS medical department entrance exam individualized instruction schools and Inter TOMAS English conversation schools	Tokyo metropolitan area
	Sundai TOMAS	Operates Spec. TOMAS one-on-one instruction schools that specialize in entrance exams for the most difficult schools	Tokyo metropolitan area (likely to expand in the future)
Home tutor dispatching education business	Meimonkai	Runs home tutor dispatching education business Meimonkai and MEDIC Meimonkai, TOMEIKAI (one-on-one instruction schools outside Tokyo metropolitan area), and interactive online teaching service Meimonkai Online	Meimonkai nationwide TOMEIKAI offers services outside of the Tokyo metropolitan area MEDIC Meimonkai offers services in Kansai area (likely to expand in the future)
Young child education business	Shingakai	Operates Shingakai, a school that handles entrance exam instruction for top kindergartens and elementary schools, and Shinga's Club, a childcare and after-school care business Shinga's Club after-school care runs Konami Sports Shinga's Academy in collaboration with Konami Sports	Shingakai has schools in Tokyo metropolitan and Osaka Shinga's Club runs schools in Tokyo metropolitan area; Konami Sports Shinga's Academy schools are in the Tokyo metropolitan and Kansai areas
In-school one-on-one instruction business	School TOMAS	Offers in-school one-on-one instruction	Nationwide
Character-building training camp education business	Plus One Kyoiku	Operates a school business with a soccer school and gymnastics school and a tour business that cultivates action-taking and decision-making capabilities through various experiences	-

Source: Prepared by FISCO from the Company's securities report and results briefing materials and others

Continuing to develop high-quality education service that utilizes an approach of entirely individual instruction as a differentiation strategy

3. Characteristics and strengths

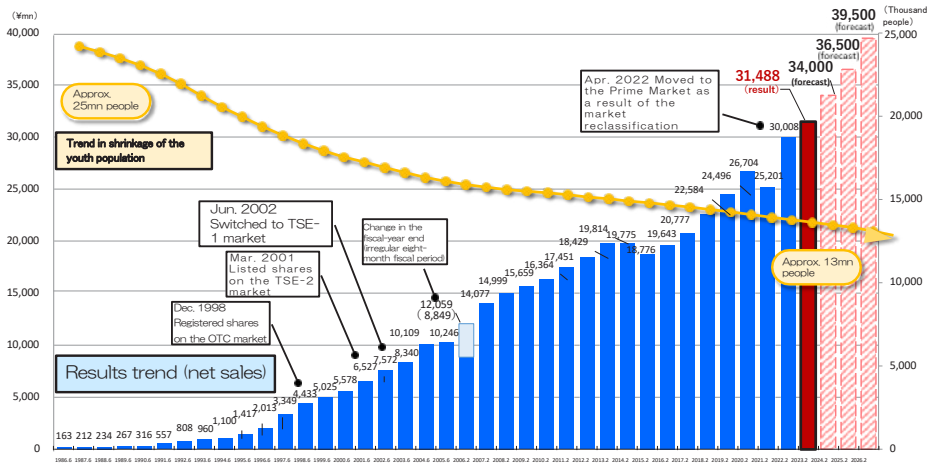
While the Company has a variety of characteristics and strengths, at FISCO, we think the following two are particularly important: 1) consistently increasing income over the long term and 2) realizing high profitability. We think the advantageous business model built by the Company is the source of these two characteristics, and comprehending them is likely to improve understanding and certainty of the medium- to long-term growth scenario.

The Company recorded ¥163mn in net sales in FY6/86, its founding year, and sustained steady sales growth through FY2/13 (although sales dropped in FY2/06 with its abnormal 8-month period due to the fiscal year change, they were higher on an actual basis that converts sales to a 12-month format).

Company profile

Since then, the Company has sustained a growth trend over the long term, excluding temporary sluggishness in several periods since FY2/14 when it revamped internal management operations on discovery of improper accounting issues and sales decline in FY2/21 due to the impact of the COVID-19 pandemic.

Net sales since the Company was founded

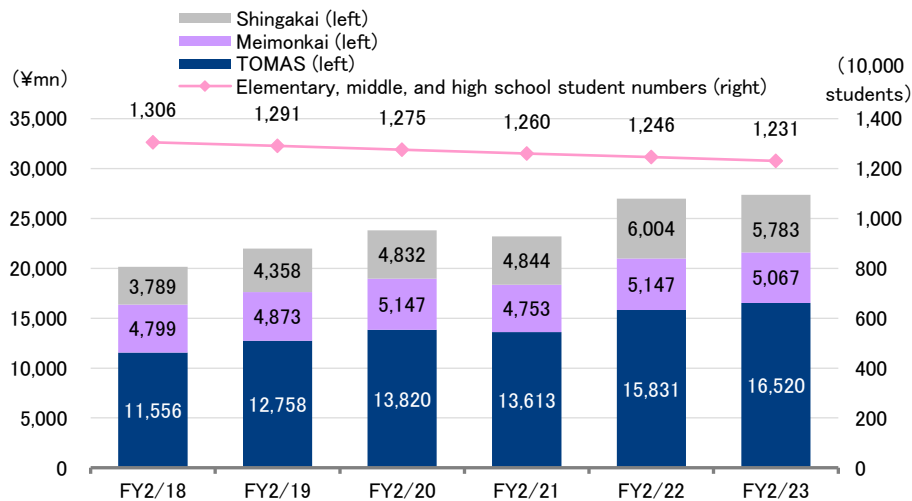


Source: From the Company's results briefing materials

What is important here is that even in a situation in which competition to acquire students is intensifying due to the shrinkage of Japan's youth population and the increase in companies entering the market, the main businesses (TOMAS, Meimonkai, and Shingakai) have continued to grow. The number of elementary, middle, and high school students, who are the Company's main targets, trended downward by 1.2% per year, from 13.06mn students in FY2017 to 12.31mn students* in FY2022, but during the same period, net sales of the three main businesses grew by 6.3% per year. It is considered that the main factor behind this is the Company skillfully meeting the needs for exam preparation in response to changing market conditions, such as an increase in students applying to private schools and increased spending on education per child in a situation in which the future is increasingly uncertain.

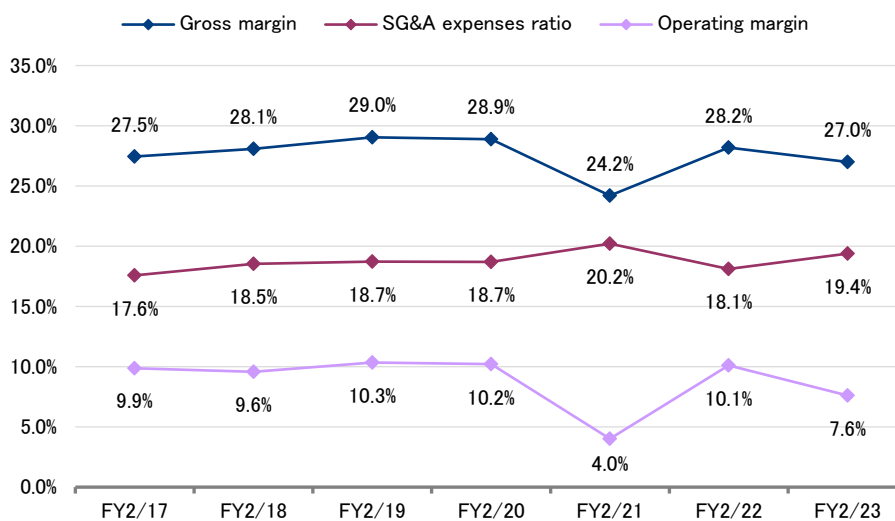
* The total value of the number of students attending elementary, middle and high schools in the School Basic Survey by the Ministry of Education, Culture, Sports, Science and Technology

Company profile

Trends in the main businesses' net sales and elementary, middle and high school student numbers


Source: Prepared by FISCO from the Company's financial results and the School Basic Survey by the Ministry of Education, Culture, Sports, Science and Technology

The level of operating margin has been stable at about 10% since FY2/17 although it temporarily dropped into the single digits in FY2/21 because of the COVID-19 impact and in FY2/23 because of the temporary decline of the Shingakai business. The 10% margin level is higher than the industry average for educational advancement and preparatory schools. While multiple listed peers realize higher operating margins than the Company, these firms either use group instruction as the core business model or acquire royalty income through franchise businesses. Very few peers that mainly conduct one-on-one instruction in directly run schools, such as the Company, or utilize a mix of group and individualized instruction have double-digit operating margins.

Long-term trends in gross margin, SG&A expenses ratio, and operating margin


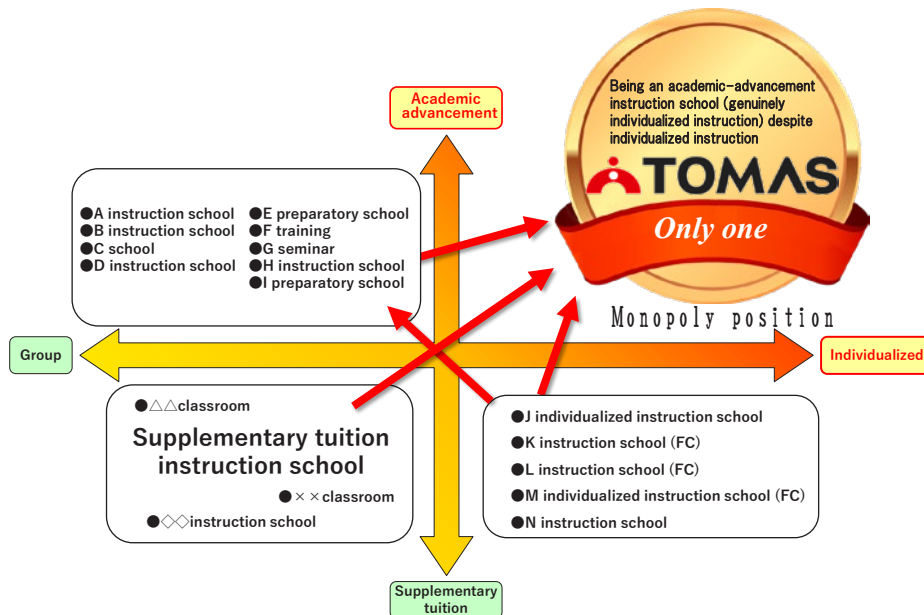
Source: Prepared by FISCO from the Company's financial results

Company profile

Our understanding is that the same source drives the Company's strengths of stable sales growth and high profitability. When founding the Company, current director and chairman Iwasa perceived two major implications from China's one-child policy, which include the prospect of a shrinking youth population and increased spending per child on education costs as a result. Constructing a business model by anticipating the shrinkage of the youth population from the beginning based on this implication has led to its growth up to this point. By forecasting increases in the amount spent per child on education costs as well, the Company has no doubt succeeded in transforming the headwind of a shrinking segment into a tailwind.

Key points in harnessing shrinkage of the youth population as a tailwind are provision of high-quality educational services with genuine individualized instruction using a one-on-one format and focus on advancement instruction as the goal. These two are common aspects of the Company's TOMAS service and other business formats. The Company is currently the only firm actively promoting individual instruction that combines both aspects. The typical model in the individual instruction market at this point is a quasi-approach with a ratio of one teacher to a few students (two to three) for the purpose of supplementing school coursework. We think the major reason why other companies do not adopt this model is clear, which is high business risk. Since service fees must be higher in order to achieve profitability through entirely one-on-one instruction, supplementing coursework is not enough to justify these fees. The tough reality is that only academic advancement results for the most difficult schools are capable of justifying high course fees. Almost no newcomers are entering the market with the same business model as the Company for this reason, and this has solidified the Company's strong brand strength and position as a one-on-one educational advancement and preparatory school.

The Company's position in the market



Source: From the Company's results briefing materials

Company profile

While the Company's founding purpose was high-quality individualized instruction, it initially started with a small group learning format that consisted of six students per class with classes organized by academic capabilities. It was not until 1990, five years after its founding, that the Company began providing the entirely one-on-one individualized teaching system envisioned by Mr. Iwasa. While it is thought that opinions and policy aims clashed internally during this period, adoption and thorough application of a mentality that the "educational instruction school industry is a service business" ultimately led to realization of genuine individual instruction. Based on this mentality, the Company focused on delivering high customer satisfaction. High customer satisfaction in the educational instruction and preparatory school industry means getting into the desired school. Since its founding and to this day, the Company has always retained the awareness of being a service business and sees pursuit of academic advancement results as its management goal as a service company. It is considered that the business model of "pursuing academic advancement results" is a factor in the Company's strength and supports the two characteristics of stable sales growth and high profitability mentioned above.

An example of the Company's management approach with high awareness as a service company is its style of having full-time employees focus on management. As explained above, the TOMAS business utilizes part-time university students and adults as instructors and has full-time employees assigned to each classroom site serve as coordinators between instructors, students and their guardians. Specifically, they engage in the following tasks: 1) identify true aims and goals of students and guardians, 2) develop curriculum with the instructor based on this information, and 3) explain progress updates, subsequent instruction policy, and other details to guardians after lessons begin. Repetition of this cycle maintains a high level of customer satisfaction and contributes to the biggest customer satisfaction of getting into the desired school.

Whether the Company is capable of sustaining stable growth and high profitability in the future depends on the time horizon and scale of investments, but at FISCO, we have high expectations for it to maintain them within a timeframe of 5 to 10 years. Firstly, consistent existence of a certain amount of demand for the Company's business model (high-priced, high-quality service) has been shown even amid steady shrinkage of the youth population. Next is the issue of entry by other companies into this market. As mentioned earlier, risk of excess competition is low. This is because of the significant business risk involved in copying or recreating the business model that the Company has built over many years since its founding. The high barrier to entry for the Company's business model that focuses on advancement results is the third main characteristic and a strength.

Results trends

Sales and profit growth in 1H FY2/24 due to price hike effect and expense cuts

1. Overview of 1H FY2/24 results

In the 1H FY2/24 consolidated results, net sales increased 3.2% YoY to ¥15,940mn, operating profit increased 2.5% to ¥1,032mn, ordinary profit increased 1.2% to ¥1,046mn, and profit attributable to owners of parent increased 26.3% to ¥803mn, with sales and profit increasing.

Results trends

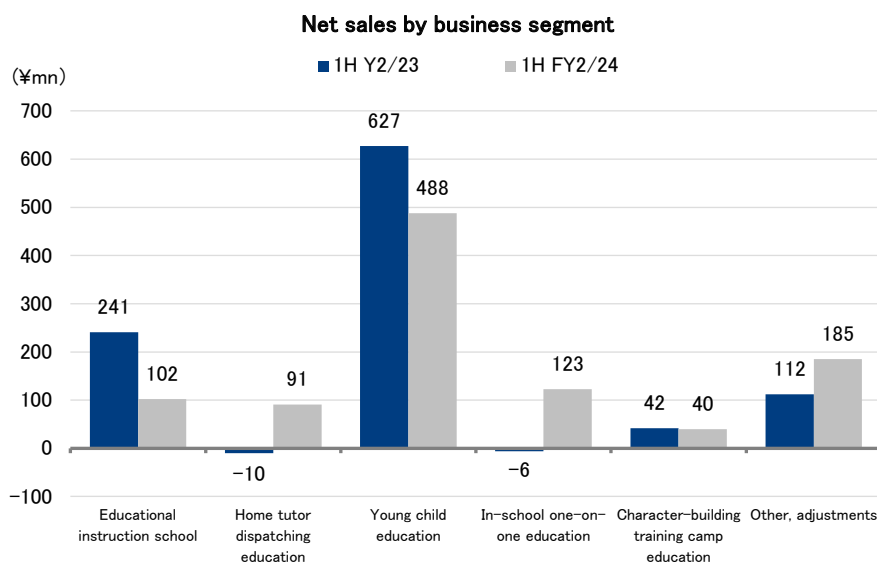
1H FY2/24 results

	1H FY2/23		1H FY2/24		YoY
	Results	Ratio to sales	Results	Ratio to sales	
Net sales	15,441	-	15,940	-	3.2%
Cost of sales	11,290	73.1%	11,804	74.1%	4.6%
SG&A expenses	3,143	20.4%	3,103	19.5%	-1.2%
Operating profit	1,007	6.5%	1,032	6.5%	2.5%
Ordinary profit	1,034	6.7%	1,046	6.6%	1.2%
Profit attributable to owners of parent	636	4.1%	803	5.0%	26.3%

Source: Prepared by FISCO from the Company's financial results

The Company continued to post record highs in half-yearly net sales due to increases in the educational instruction school, in-school one-on-one instruction, and character-building training camp education businesses. The Riso Kyoiku Group's student numbers began to decline from end-FY2/23 and was down 2.6% YoY to 26,113 at the end of August 2023, but raising course fees for TOMAS and Meimonkai by 5–7% starting in March 2023 and Shingakai increasing summer course fees by 20% contributed to sales growth.

The cost of sales ratio went up 1.0pt YoY to 74.1% and gross profit fell 0.3% YoY due to changes in the segment net sales breakdown and increased personnel expenses. However, operating profit turned up for the first time in two years, because SG&A expenses decreased by ¥39mn as a result of a strategic expense review, including a ¥44mn advertising expense cut. Looking at operating profit by segment, profit was down in the educational instruction school and young child education segments, but this was absorbed by increases in the home tutor dispatching education and in-school one-on-one instruction segments.



Source: Prepared by FISCO from the Company's financial results

Results trends

Sales and profit growth of the in-school one-on-one education segment exceeds the Company's expectations

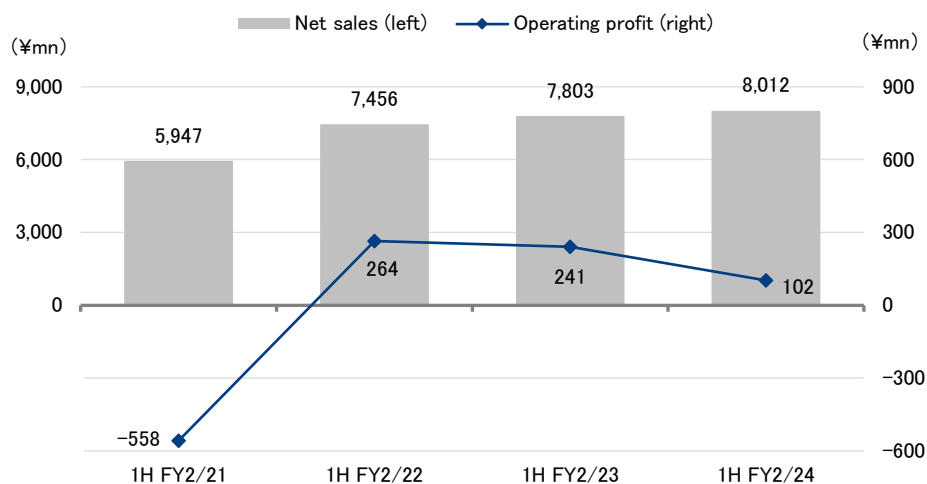
2. Trends by business segment

(1) Educational instruction school business

In the educational instruction school business, net sales increased 2.7% YoY to ¥8,012mn, a record high, but operating profit decreased 57.6% to ¥102mn due to increases in personnel expenses and school building renovation costs. The core group of elementary school students recorded a steady increase, but total student numbers were flat, because senior high school students are leaving educational instruction schools earlier to take AO and university entrance exams for recommended candidates selected by schools. Nonetheless, net sales increased because of a 5–7% fee hike starting in March 2023 to maintain the quality of services.

In terms of new schools, the Company opened one new TOMAS school in April 2023 as well as increasing floor space and renovating five schools. The number of schools at the end of August 2023 was up by 3 YoY to 94 for TOMAS and unchanged at 12 for Inter TOMAS, 4 for MEDIC TOMAS, and 1 for Spec. TOMAS.

Results of educational instruction school business



Source: Prepared by FISCO from the Company's financial results

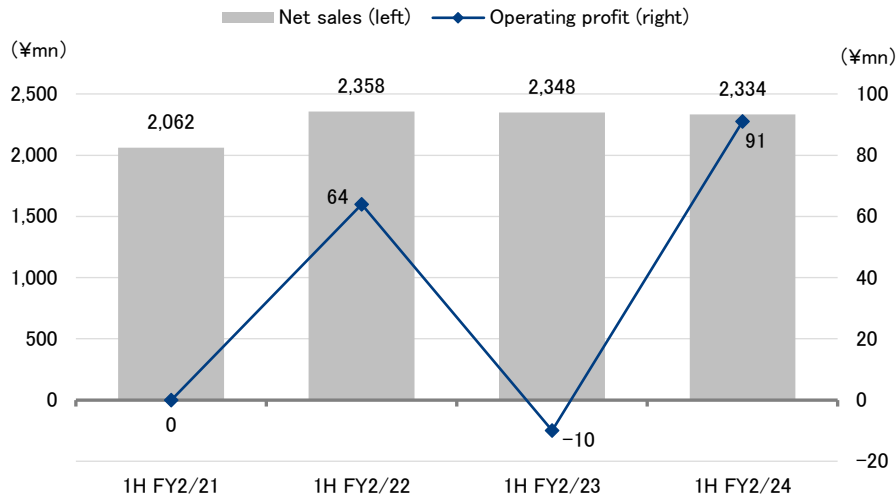
(2) Home tutor dispatching education business

Net sales of the home tutor dispatching education business declined slightly, down 0.6% YoY to ¥2,334mn, but operating profit was up by ¥101 to ¥91mn as a result of expense cuts, mainly advertising expenses. Student numbers turned down at the end of August 2023, impacted by the shrinking youth population in the regions and TOMEIKAI's plans to close several schools, which meant the Company did not actively recruit students in those areas. Nonetheless, the decline in net sales was minimal, because the Company went ahead with a 5–7% fee hike from March 2023 and student numbers of MEDIC Meimonkai (which has a high unit value per student) increased steadily. Student numbers at two MEDIC Meimonkai schools opened in Kansai in spring 2022 are 20–30, but with a higher average annual unit value per student than Meimonkai, the service appears to have contributed to profit growth as well.

Results trends

In terms of new schools, the Company opened 1 Meimonkai school in April 2023 (Kyoto Ekimae No. 2 school) and closed/consolidated 2 schools. As of the end of August 2023, Meimonkai had 36 schools (up 1 YoY), TOMEIKAI had 12 (unchanged) and MEDIC Meimonkai had 2 (unchanged).

Results of home tutor dispatching education business



Source: Prepared by FISCO from the Company's financial results

(3) Young child education business

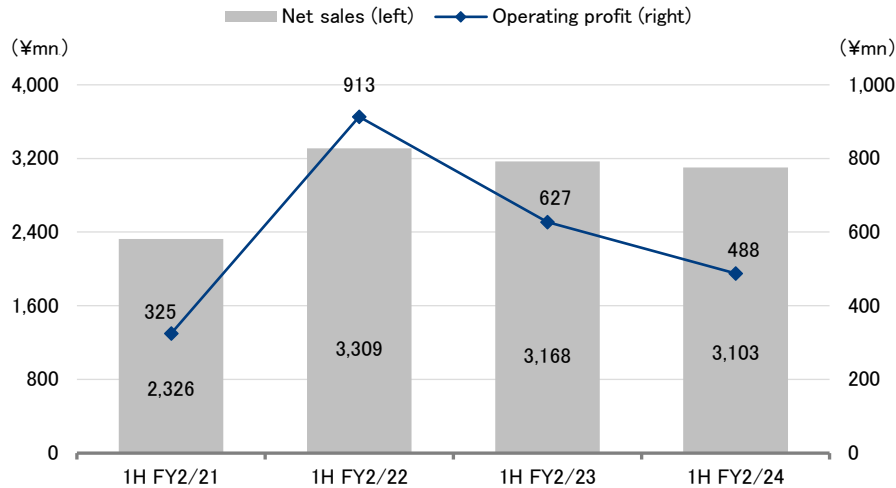
In the young child education business, net sales were down 2.1% YoY to ¥3,103mn and operating profit fell 22.1% to ¥488mn, recording lower YoY net sales and operating profit for two years in a row. The ongoing decline in student numbers at the core Shingakai business was the main reason for the sales and profit decline.

Shingakai student numbers and sales grew in FY2/22, because parents appreciated its operational structure that put rigorous measures into action to prevent COVID-19 infections. However, the quality of service declined, because the Company's efforts to strengthen its personnel structure could not keep up with the increase in student numbers, which resulted in a downturn in numbers in FY2/23, with the impact continuing through FY2/24. The quality of service has now been restored, because the Company strengthened its service structure. It therefore expects earnings to recover to year-ago levels in November 2023 onward after the group of older students (whose numbers fell sharply) leave Shingakai.

In April 2023, the Company opened Shinga's Club after-school care school (Futakotamagawa school) and Konami Sports Shinga's Academy (Nishinomiya school), renovated and relocated one Shingakai school, and increased the floor space and renovated Konami Sports Shinga's Academy (Shinagawa school), which had reached capacity. The number of facilities at the end of August 2023 was 24 for Shingakai, 19 for Shinga's Club after-school care school, and 8 for Shinga's Club childcare sites (all unchanged YoY).

Results trends

Results of young child education business

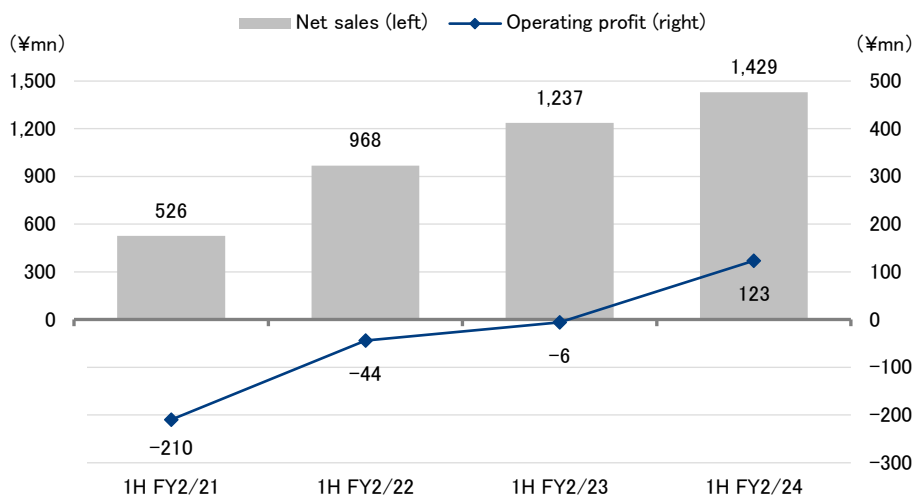


Source: Prepared by FISCO from the Company's financial results

(4) In-school one-on-one instruction business

Net sales of the in-school one-on-one instruction business grew 15.5% YoY to ¥1,429mn and operating profit increased ¥129mn to ¥123mn, both half-yearly record highs. Profit came in ahead of the Company's forecast. The number of contracted schools was down by 5 to 81 (down 1 YoY) as a result of consolidation of almost 10 unprofitable schools, but the number of students at existing schools increased steadily, due in part to the addition of grades, with average sales per school increasing 16.9% YoY, contributing to improved profitability. The number of schools reaching monthly sales of ¥3mn (a target set by the Company for making a fair profit) increased by 7 from a year ago to 37. Some contracted schools have attained monthly sales of ¥5mn.

Results of in-school one-on-one instruction business

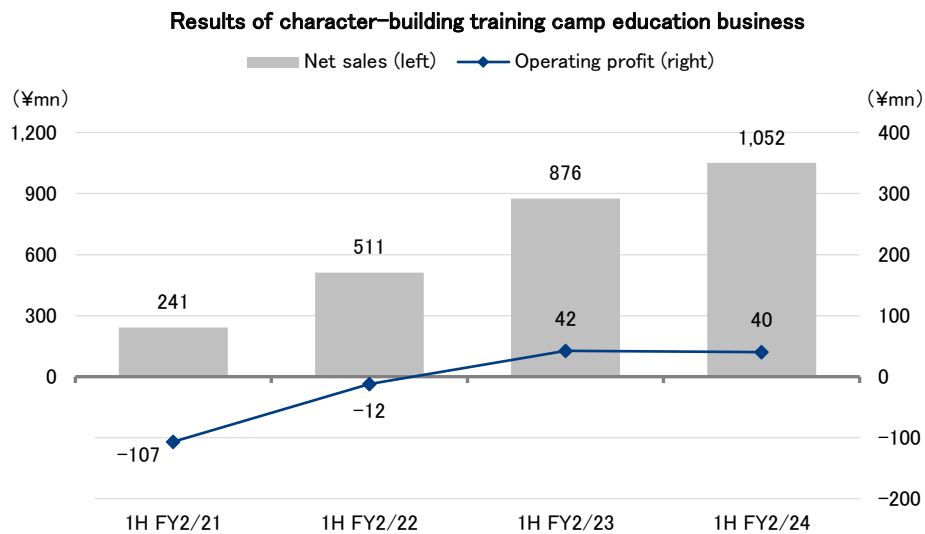


Source: Prepared by FISCO from the Company's financial results

Results trends

(5) Character-building training camp education business

Net sales of the character-building training camp education business grew 20.1% YoY to ¥1,052mn, but operating profit was down 3.8% to ¥40mn. The number of tour-style experiences held and the number of participants recovered as the pandemic subsided, while the TOMAS Gymnastics Schools and TOMAS Soccer Schools performed strongly. As a result, net sales finally recovered close to pre-pandemic levels (1H FY2/20 net sales were ¥1,075mn). The Company opened 1 new TOMAS Gymnastics School, bringing the total to 11, and had 5 TOMAS Soccer Schools and 2 schools for ballschule.



Source: Prepared by FISCO from the Company's financial results

Abundant cash on hand from debt-free management, financial condition is sound

3. Financial condition

Looking at the Company's financial condition at the end of 1H FY2/24, total assets had decreased ¥1,112mn from the end of the previous fiscal period to ¥17,139mn. The main change factors were that in current assets, cash and deposits decreased ¥1,214mn due to dividends paid, etc., and trade accounts receivable decreased ¥468mn. In non-current assets, there were increases of ¥222mn in property, plant and equipment due to new school openings and renovations, as well as ¥148mn in deferred tax assets.

Total liabilities were up ¥526mn from the end of the previous fiscal period to ¥9,426mn. In current liabilities, there were increases of ¥279mn in accounts payable and ¥125mn in income taxes payable. In non-current liabilities, retirement benefit liabilities increased ¥120mn. Net assets decreased ¥1,638mn to ¥7,712mn. The Company recorded profit attributable to owners of parent of ¥803mn, but retained earnings decreased due to the dividend payout of ¥2,469mn.

Results trends

Looking at cash flow conditions, net cash provided by operating activities was ¥1,883mn, an increase of ¥730mn compared to the same period of the previous fiscal year due to a decrease in trade receivables (positive factor) and reduced income tax payments. Net cash used by investing activities was ¥629mn due to new school openings and renovations. Net cash used by financing activities was ¥2,463mn due to dividend payment and other factors. As a result, cash and cash equivalents at the end of 1H FY2/24 decreased ¥1,214mn to ¥6,093mn.

Looking at management indicators, the equity ratio declined from 50.7% at the end of the previous period to 44.4%, mainly due to the decrease in retained earnings. However, the Company's financial condition can be judged to be sound as it practices debt-free management and has cash on hand of more than ¥6.0bn. Its policy for the accumulated cash is to allocate it to capital investment, including new school openings, and to M&A, while it continues to actively return profit to shareholders.

Consolidated balance sheet

	(¥mn)				
	End of FY2/21	End of FY2/22	End of FY2/23	End of 1H FY2/24	Change amounts
Current assets	7,018	10,997	9,660	8,039	-1,621
(Cash and deposits)	3,963	8,011	7,308	6,093	-1,214
Non-current assets	6,922	8,048	8,591	9,100	508
Total assets	13,940	19,045	18,252	17,139	-1,112
Total liabilities	7,365	8,531	8,900	9,426	526
(Interest-bearing debt)	-	-	-	-	-
Net assets	6,575	10,513	9,351	7,712	-1,638
[Management indicators]					
Equity ratio	46.7%	54.8%	50.7%	44.4%	-6.3pt

Source: Prepared by FISCO from the Company's financial results

Cash flow statements

	(¥mn)			
	1H FY2/21	1H FY2/22	1H FY2/23	1H FY2/24
Cash flows from operating activities	-623	2,279	1,153	1,883
Cash flow from investing activities	-354	-674	-444	-629
Cash flow from financing activities	-211	-1,398	-2,462	-2,463
Cash and cash equivalents at end of period	3,649	4,170	6,259	6,093

Source: Prepared by FISCO from the Company's financial results

■ Outlook

Turn to profit growth expected in FY2/24 thanks to strategic expense revision despite weak student numbers

1. FY2/24 forecasts

For the FY2/24 consolidated results, the Company forecasts sales and profit growth. It looks for increases of 8.0% YoY in net sales to ¥34,000mn, 24.9% in operating profit to ¥3,000mn, 22.8% in ordinary profit to ¥3,000mn, and 38.0% in profit attributable to owners of parent to ¥2,060mn, leaving its initial forecast unchanged with expectations of a turn to profit growth for the first time in two years. The Company plans to promote its business strategy to adapt to changing market conditions and enhance its earnings capabilities amid intensifying competition for customers as the youth population continues to shrink.

FY2/24 consolidated forecasts

	FY2/23		FY2/24			1H progress	Five-year average progress rate *
	Results	Ratio to sales	Company's target	Ratio to sales	YoY		
Net sales	31,488	-	34,000	-	8.0%	46.9%	47.8%
Operating profit	2,401	7.6%	3,000	8.8%	24.9%	34.4%	34.4%
Ordinary profit	2,442	7.8%	3,000	8.8%	22.8%	34.9%	34.5%
Profit attributable to owners of parent	1,492	4.7%	2,060	6.1%	38.0%	39.0%	29.3%
Earnings per share (¥)	9.67		13.35				

* Five-year average progress rate = 1H total over past five years ÷ full-year total
 Source: Prepared by FISCO from the Company's financial results

As well as raising prices of TOMAS and Meimonkai, the Company will increase Shingakai prices by an average 17% from November 2023 to improve profits. Although this is a large price increase, it has had no impact on existing customers, because the service targets wealthy families, and current application trends indicate that there has been no negative impact on attracting new students. Consequently, the Company looks for earnings recovery in 2H. It reduced advertising expenses for Meimonkai in 1H and is considering cuts in newspaper insert ads for TOMAS in 2H with a plan to reduce advertising expenses by ¥100mn for the full year. It also plans to close 2 Shingakai schools in November 2023 and 2 TOMEIKAI schools in February 2024. The Company will also strengthen sales to discourage students from leaving and raise unit value per student.

Progress in 1H versus the full-year Company forecast was 46.9% for net sales and 34.4% for operating profit, in line with the five-year average of 47.8% for net sales and 34.4% for operating profit. We at FISCO therefore think that double-digit profit growth is achievable if measures to improve profit progress well in 2H.

(1) Educational instruction school business

In the educational instruction school business, the Company plans to open 4 TOMAS schools (Kachidoki school and Jiyugaoka No.2 building in October 2023, Ochanomizu school in November, and Funabashi school in December), as well as MEDIC TOMAS Shibuya school in February 2024.

Outlook

As a sales strengthening measure, the Company plans to select focus schools for intensive sales activities to attract new students. Focus schools are those that have attracted fewer students than expected based on the potential demand of the trade area. The Company also plans a meticulous schedule of interviews with students and their guardians as well as following up after the interviews, i.e., discourage students from leaving by improving customer service. It is beginning to reap the rewards of these efforts with students who attended summer courses in 2023, with a larger percentage taking subsequent courses as a result of improving follow-up. The Company will continue to implement these measures to recover student numbers.

As a new brand, the Company launched Sundai TOMAS Daigaku Jukenbu targeting students taking entrance exams for the toughest schools such as the University of Tokyo and national medical schools, opening the Shimokitazawa School in November 2023. It is a service staffed by current University of Tokyo students, who are available to answer students' questions. It fulfills demand for advice in answering difficult exam questions that exists even among students who do not need to attend educational instruction schools. The fee is only ¥35,200 (tax included) for a service available on weekdays and Saturdays, because original teaching materials are not required, and demand is expected to grow in the lead-up to university entrance exams. The Company will decide whether to open more schools depending on the performance of the Shimokitazawa school. Although its contribution to earnings is minor, it will help enhance the brand by increasing the number of students who pass entrance exams to the toughest schools as well as providing additional earnings opportunities, because TOMAS one-on-one instruction is offered to students as an option.

(2) Home tutor dispatching education business

The Company expected flat YoY student numbers for the home tutor dispatching education business, due in part to consolidation of unprofitable schools. Net sales may fall short of the Company's forecast, because student numbers continue to trend lower, but the profit forecast appears achievable as a result of the cost reduction effect. The Company is aiming to streamline and strengthen its sales division (no change to amount of expenses), which was consolidated and centralized at Riso Kyoiku, and looks for a recovery in student numbers.

The Company plans to close 2 unprofitable TOMEIKAI schools in February 2024. This will not impact on FY2/24 earnings, but reduce several tens of millions of yen in costs in FY2/25.

(3) Young child education business

The key to the young child education business attaining the Company's targets is to what extent earnings will recover as a result of the course fee hike in November 2023. Course fees are revised in November when new students replace existing students, because entrance exams to elementary schools and kindergartens take place in October and November. We will therefore be watching student number trends closely. The Company is taking action to strengthen sales. It is reinforcing its personnel structure to improve its ability to attract new students, meticulously conducting scheduled private interviews of students and guardians to discourage students from leaving, and working on raising unit value by making sales proposals to guardians in the classroom when students are going home.

Outlook

In November 2023, the Company closed two unprofitable Shingakai schools in Kansai. The one remaining school may also close if it does not become more profitable. Shingakai schools have struggled in Kansai despite prestigious municipal universities establishing elementary schools, because Kansai parents are not as keen to get their children into elite elementary schools as their Tokyo counterparts and are less willing to pay large fees. In the Tokyo metropolitan area, the Company plans to continue opening more schools due to parents' enthusiasm for having their children take entrance exams to elite schools and the rollout of the Kodomo Department Store facilities. It has no plans to open new Shinga's Club facilities in 2H. It also has no concrete plans to open new Konami Sports Shinga's Academy facilities, but says it intends to do so in the Tokyo metropolitan area going forward.

(4) In-school one-on-one instruction business

In the in-school one-on-one instruction business, the steady increase in the number of students at contracted schools and consolidation of unprofitable schools will contribute to profit growth. The Company will continue to pioneer new contracted schools while canceling contracts with schools that are unlikely to become profitable, which will likely improve profitability further.

(5) Character-building training camp education business

The Company forecasts steady net sales growth of the character-building training camp education business in 2H as well due to an increase in the number of tour-style experiences held.

Kodomo Department Store scheduled to open in spring 2025; targets net sales of ¥39.5bn and ¥4.0bn in FY2/26

2. Progress of medium-term management plan

(1) Overview of the medium-term management plan

The three-year medium-term management plan starting in FY2/24 targets in the final year (FY2/26) net sales of ¥39,500mn, operating profit and ordinary profit of ¥4,000mn, and profit attributable to owners of parent of ¥2,700mn. Three-year CAGRs are 7.9% for net sales and 18.6% for operating profit. The Company aims to raise the operating margin, which dropped to 7.6% in FY2/23, to over 10% in FY2/26.

The number of children taking entrance exams to elementary and junior high schools in the Tokyo area continues to increase despite the shrinking youth population. The Company will therefore continue with its basic strategy of a thorough differentiation strategy through continuously providing high quality "authentic" education services to sustain growth. With regard to profit, the Company aims for steady improvement of its operating margin by consolidating unprofitable schools, strategic revision and reduction of its advertising expenses to optimize its profit structure.

FY2/24 – FY2/26 Medium-term management plan (values announced in April 2023)

	FY2/23 Results	FY2/24 Target	FY2/25 Target	FY2/26 Target	Compound annual growth rates
Net sales	31,488	34,000	36,500	39,500	7.9%
Operating profit	2,401	3,000	3,500	4,000	18.6%
Operating margin	7.6%	8.8%	9.6%	10.1%	-
Ordinary profit	2,442	3,000	3,500	4,000	17.9%
Profit attributable to owners of parent	1,492	2,060	2,400	2,700	21.9%

Source: Prepared by FISCO from the Company's results briefing materials

Outlook

(2) Outlook by segment**a) Educational instruction school business**

The Company plans CAGR of 7–8% for net sales of the educational instruction school business. The number of schools has topped 90, but the Company sees potential for a total of 150–180 schools by pursuing the above strategy, with significant scope for net sales growth by opening new schools. It also plans to renew existing schools by steadily expanding floor space or relocation and renovation of schools that have become crowded due to rising student numbers. The Company plans to open Inter TOMAS and MEDIC TOMAS schools in areas where it runs TOMAS schools if it estimates that there is sufficient demand. For Spec. TOMAS and Sundai TOMAS Daigaku Jukenbu, it plans to explore opening schools after the existing schools are on their way to turning profitable.

b) Home tutor dispatching education business

The Company plans CAGR of 7–8% for net sales of the home tutor dispatching education business. Meimonkai, the home tutor dispatch service, has 36 schools in the Tokyo metropolitan area, other major cities such as Osaka and Nagoya, and major regional cities. The Company plans to focus on steady growth of the business by attracting more students and strengthening profitability at existing schools. The Company plans to open 10 or more MEDIC Meimonkai (preparatory school for medical school candidates) schools, because the 2 schools opened so far are performing well. The Company plans a gradual scaling back of TOMEIKAI, which has struggled to attract students amid the shrinking youth population in the regions and suffers from operational inefficiencies, by closing several unprofitable schools per year. This means it will compensate for the decline of TOMEIKAI with the growth of Meimonkai and MEDIC Meimonkai. The Company aims for recovery of the operating margin, which dropped to around 5% in FY2/23, to the pre-pandemic level of over 10%.

c) Young child education business

The Company targets CAGR of 5% in net sales of the young child education business by moving ahead with its alliance strategy. With regard to Shinga's Club after-school care clubs, the Company plans to open around 20 Konami Sports Shinga's Academy schools in facilities operated by Konami Sports in a business alliance with Konami Sports. The collaboration offers significant advantages to the Company, because many guardians like to foster both academic and physical development in their children and the student acquisition cost is minimal. In the longer term, the Company expects an increase in the number of Shingakai and Shinga's Club facilities as part of the Kodomo Department Store, an educational building for children (a new business collaboration with Hulic and Konami Sports).

The Company formed a capital and business alliance with Kids Smile Project Inc. in March 2022 to mutually assign a director and support each other's services, as well as rolling out KID'S PREP PROGRAM, a jointly developed, original education program, at daycare centers and certified early childhood education centers. The Company also aims to attract talented personnel by establishing a recruitment and training program designed to hire childcare workers and strengthen its content, brand power, and customer attraction capabilities by combining the two companies' strengths.

d) In-school one-on-one instruction business

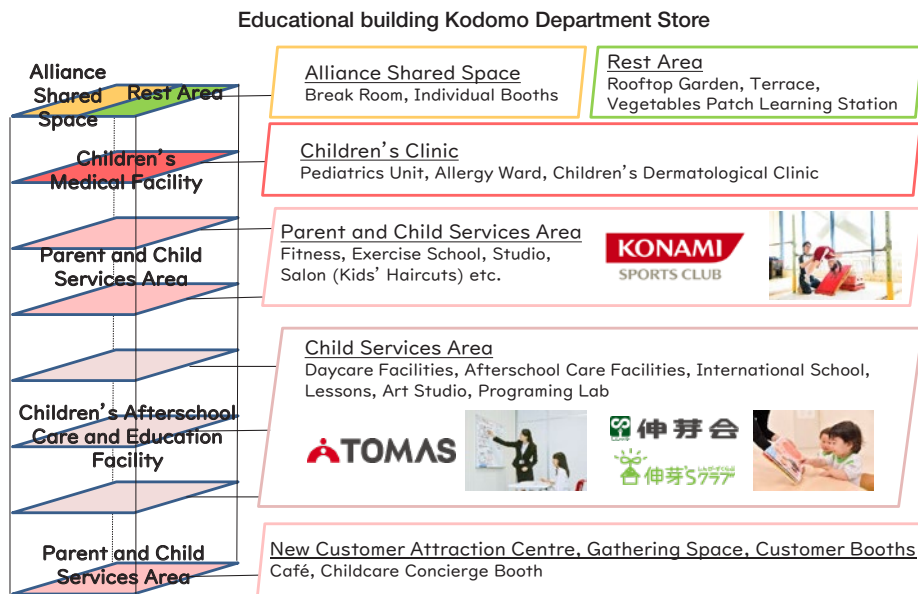
The Company targets CAGR of 15–20% in net sales of the in-school one-on-one instruction business. We see large potential demand for its services, because many private schools are struggling to attract students and reduce teachers' workloads amid the decline in the youth population. We expect more schools to use its services because of their high quality and diverse content.

Outlook

(3) Opening of the Kodomo Department Store series, an educational building

In September 2020, the Company entered into a three-company business collaboration with Hulic and Konami Sports, and it has announced that it will open the educational building “Kodomo Department Store” series to be developed by Hulic in the Tokyo metropolitan area. The buildings will include the Riso Kyoiku Group’s Shinga’s Club childcare and after-school care, Shingakai, TOMAS, and Inter TOMAS, and also the exercise schools* provided by Konami Sports, which will widen opportunities to provide multiple services to students ranging from infants to high school students. Needs are strong for children’s education that provides a good balance between study and exercise, and this building will capture these needs by providing various services in a good location. For the Company, this is a noteworthy effort that will enable it to maximize customer LTV and demonstrate group synergies by attracting and retaining customers from infancy.

* Exercise schools for children with 140 locations nationwide.



Source: From the Company's results briefing materials

Seven Kodomo Department Store projects in Tokyo’s Jonan area, Yokohama, and Chiba have been confirmed so far, of which 2 (Kodomo Department Store Nakano (tentative name) in Nakano-ku, Tokyo, and Kodomo Department Store Tama Plaza (tentative name) in Tama Plaza, Yokohama Kanagawa prefecture) are scheduled to open in spring 2025. They will all be newly built.

Riso Kyoiku Co., Ltd.
4714 Tokyo Stock Exchange Prime Market

22-Dec.-2023

<https://www.riso-kyoikugroup.com/en/ir/>

Outlook

The Company has also confirmed that a Kodomo Department Store will open in MITAKE Link Park*, a multi-use commercial building in Shibuya scheduled for completion in 2026 by Hulic. It will offer Shinga's Club (childcare and after-school care) and Shingakai (existing Shingakai and TOMAS schools in the same area will relocate and reopen with increased floor space). The Company's plan is to open up to 20 Kodomo Department Stores in the Tokyo metropolitan area, which means 4-5 new facilities per year from 2026 onward until 2029. Advantages include not having to search independently for properties in convenient locations near rail stations, capacity to open multiple education services in the same building, and the advantages derived from customers using multiple services, and these efforts are attracting attention for their potential to make a large contribution to earnings growth in FY2/26 and beyond.

* Hulic was selected as the development company for the Urban Renewal Step-up Project (Shibuya Area), Shibuya 1-Chome Area Joint Development Project implemented by Tokyo and Shibuya Ward, and it is progressing the development of a multi-purpose building with 2 underground floors and 14 above-ground floors. The building has a site area of 9,670m² and it is scheduled to consist of various areas including offices, stores, rental housing, children's educational facilities and a multi-purpose hall.

(4) Promoting DX strategy

The Company began promoting a groupwide DX strategy in FY2/24 to strengthen its earnings structure and increase net sales. Specific initiatives include streamlining work processes that previously used paper, such as application forms to join a school, by digitalization. The Company aims to improve customer satisfaction and increase productivity by using DX to reduce the administrative workload of teaching staff, who can allocate the time freed up to following up guardians and making sales proposals.

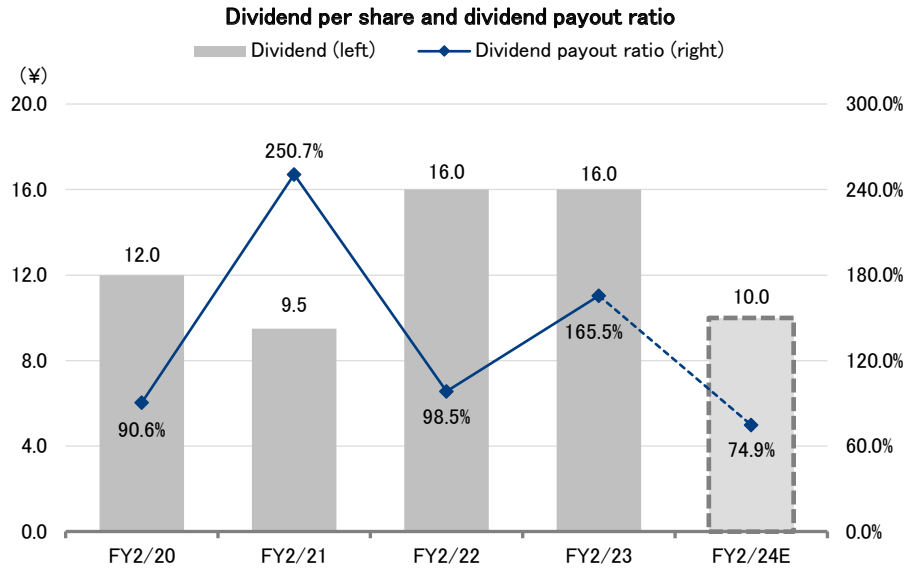
The Company also plans to integrate customer databases of group companies. This will likely accelerate the streamlining of expenses by integrating duplicated functions and its strategy of customer attraction and retention through a cross-brand approach. The new system is scheduled to begin operation in 2026 with total investment of ¥200–300mn.

Shareholder returns

Dividend policy targets consolidated dividend payout ratio of 50% or more

The Company considers returning profits to shareholders to be one of its most important management issues. Its dividend policy is based on a consolidated dividend payout ratio of 50% or more, taking into consideration the level of retained earnings and operating conditions. In FY2/24, the Company forecasts dividend per share of ¥10.0 per share (dividend payout ratio of 74.9%) for dividend yield of 3.9% based on the closing share price on October 18, 2023. This means that a dividend increase is likely if the Company were to maintain earnings growth. Other than the payment of dividends, the Company plans to use retained earnings and other funds for capital investment as part of its alliance strategy and IT investment to move forward with management DX, as well as reserves to prepare for a spike in expenses to respond to an unexpected event like the COVID-19 pandemic.

Shareholder returns



Source: Prepared by FISCO from the Company's financial results



Disclaimer

FISCO Ltd. ("FISCO") offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text hereof, the data and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiry, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp