

COMPANY RESEARCH AND ANALYSIS REPORT

Riso Kyoiku Co., Ltd.

4714

Tokyo Stock Exchange Prime Market

23-Jul.-2025

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23-Jul.-2025
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Summary

Earnings growth trend expected to continue as the Kodomo Department Store series makes a steady start

Riso Kyoiku Co., Ltd. <4714> (hereafter, also “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 well-known 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. The Company thus provides a diverse range of educational services for all age groups from early childhood to adults.

1. Overview of FY2/25 results

In the FY2/25 consolidated results, net sales increased 3.7% year on year (YoY) to ¥33,394mn, operating profit increased 11.6% to ¥2,933mn, ordinary profit increased 10.7% to ¥2,938mn, and profit attributable to owners of parent increased 4.9% to ¥1,743mn, posting higher sales and profits. Net sales reached a new record high, supported by strong performances in the educational instruction school business, which increased 5.0%, and the in-school one-on-one instruction business, which grew 17.5%. Profits increased for the second straight year, due to the increase in net sales and a strategic review of expenses, such as advertising costs.

2. FY2/26 forecasts

For the FY2/26 results, the Company forecasts increased sales and profits, with net sales to increase 7.8% YoY to ¥36,000mn, operating profit to rise 7.2% to ¥3,145mn, ordinary profit to rise 6.8% to ¥3,140mn, and profit attributable to owners of parent to increase 14.7% to ¥2,000mn. Results will continue to be driven by the educational instruction school business and the in-school one-on-one instruction business. In addition, the young child education business, which had been sluggish through the previous fiscal year, is expected to return to sales growth due to the positive impacts of opening 2 Kodomo Department Store buildings (Nakano, Tama Plaza), which are educational buildings developed through a joint project with Hulic <3003> and Konami Sports Co., Ltd., and launching 1 Shingakai school, 2 Shinga’s Club after-school care facilities, and 1 Shinga’s Club childcare facility. Although the Company plans to improve employee compensation and record costs associated with the planned transition to a holding company structure in September 2025, these expenses are expected to be absorbed by the increase in sales, allowing the operating margin to remain at the same level as in FY2/25.

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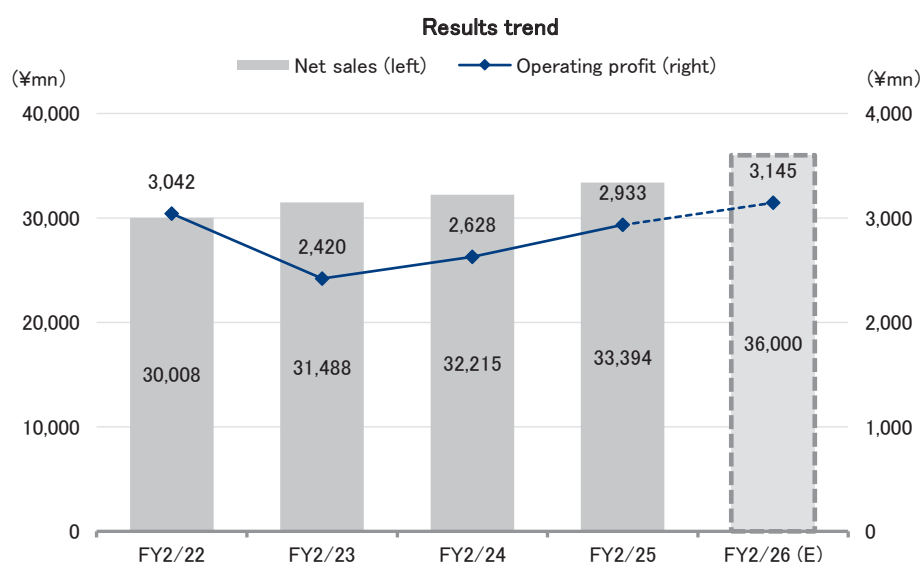
Summary

3. Progress of medium-term management plan

The three-year medium-term management plan that started in FY2/25 targeted net sales of ¥38,260mn, operating profit of ¥3,360mn, and profit attributable to owners of parent of ¥2,000mn in the final year (FY2/27). In the first year, net sales fell slightly below the plan, but all profit items exceeded their targets. In the second year, FY2/26, steady progress is also expected, and the Company plans to achieve its target for profit attributable to owners of parent one year ahead of schedule. Although the shrinking youth population and intensifying competition in the educational instruction school business continue, there has been no change in the Company's policy of providing high-quality educational services to differentiate itself and to pursue steady growth. Growth drivers will be the educational instruction school business and the in-school one-on-one instruction business. Notably, the in-school one-on-one instruction business is expected to continue achieving double-digit annual growth, fueled by an increase in the number of schools introducing the Company's in-school one-on-one instruction service. In comparison with 86 schools introducing this service in FY2/25, the Company is targeting 200 schools over the medium term. The young child education business is also expected to return to a growth trajectory through the expansion of the Kodomo Department Store series. Currently 6 projects are in concrete development, with a goal of opening 20 buildings in the Tokyo metropolitan area by 2029. For shareholder returns, the Company's basic policy is to pay dividends with a dividend payout ratio of 50% or more. For FY2/25, it paid a dividend per share of ¥10.0 for a dividend payout ratio of 95.4%. For FY2/26, the Company plans to pay the same amount of ¥10.0 per share, with a projected dividend payout ratio of 85.0%.

Key Points

- Net sales reached a new record high in FY2/25. All profit items increased, exceeding the Company's forecast
- Sales and profits are also expected to increase in FY2/26, driven by the educational instruction school business and the in-school one-on-one instruction business
- Aims to achieve sustained growth through a retention strategy using the Kodomo Department Store series



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

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Company profile

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

1. History

Mitsugu Iwasa, currently a founder honorary chairperson, took over 14 classrooms from Nihon 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 diversified its educational services. 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) 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), which provides character-building training camp education, in 2002. In 2003, It made Shingakai into a subsidiary. Shingakai offers entrance exam preparation for well-known kindergartens and elementary schools. 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 holding 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.

Most recently, in September 2020, the Company entered into a business collaboration with Hulic and Konami Sports, and announced that it will open the educational building Kodomo Department Store series. Hulic subsequently acquired the Company's shares in several stages, becoming the parent company in May 2024 with a shareholding ratio of 51.0% through a tender offer and third-party allotment of new shares. Hulic decided to acquire the Company, as it has positioned educational services as one of the growth areas in its group strategy, but the Company will retain management independence.

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.

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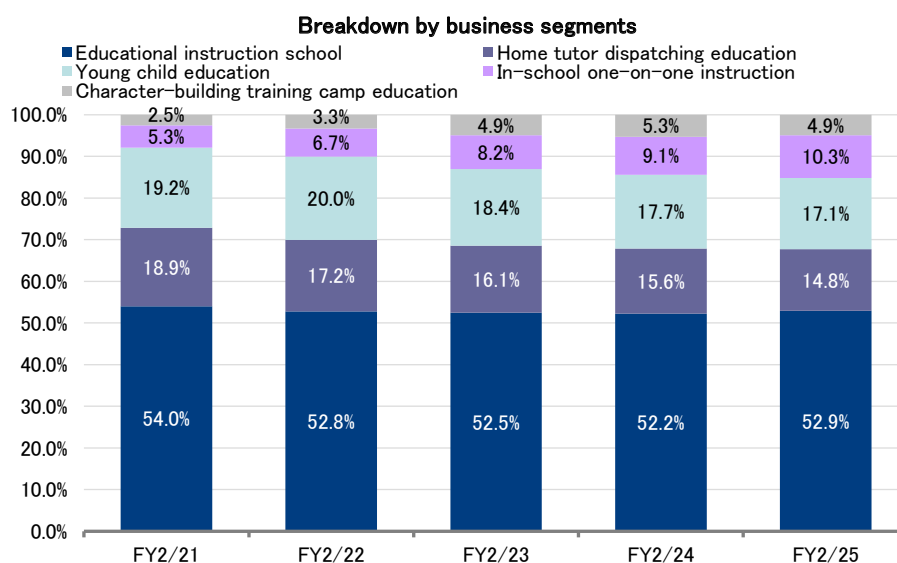
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Company profile

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 (FY2/21–FY2/25), the educational instruction school business provided just over 50% of net sales, while the three main businesses of the educational instruction school business, home tutor dispatching education business, and young child education business provided just under 90% of total net sales. Also, the percentage of the in-school one-on-one instruction school business increased from 5.3% (FY2/21) to 10.3% (FY2/25). This upward trend reflects growing recognition of the service not only as a high-quality educational service, but also as a service that helps alleviate the excessive workloads for schoolteachers and improves students' advancement results. The number of schools introducing this service has been increasing, particularly among private integrated junior and senior high schools.



Note: Ratios are calculated excluding "other."

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

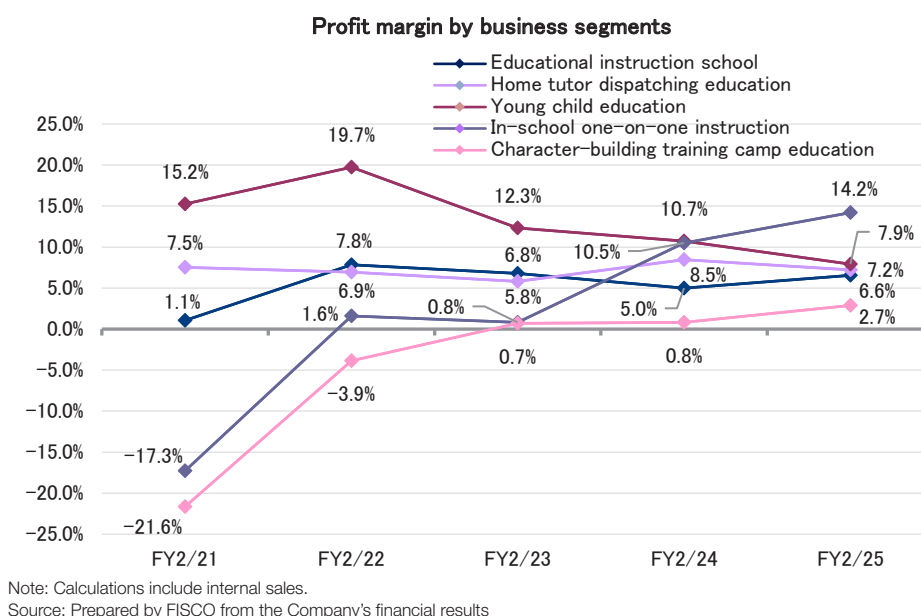
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Looking at the profit margin for the last five years, the mainstay educational instruction business and home tutor dispatching education business have remained relatively stable in the high single-digit range. The young child education business has generally declined from the double-digit to the single-digit range, due partly to the shrinking youth population and intensifying competition. In contrast, the in-school one-on-one instruction business has continued to grow alongside the expansion in sales, becoming the most profitable business with a profit margin of 14.2% in FY2/25. The young child education business has maintained relatively high profitability in the range of 10% to 20%. This reflects the fact that Shingakai, a pioneer in well-known kindergarten and elementary school entrance tests for almost 70 years, has built a strong brand in the field, underpinned by a solid acceptance record that is highly valued by customers. However, profitability has declined since FY2/23 due to intensifying competition and a temporary deterioration in service quality caused by a post-pandemic surge in the number of students. The profit margin in the educational instruction school business has remained stable, excluding FY2/21, when it fell to the 1% level due to expenses to respond to the COVID-19 pandemic.



(1) Educational instruction school business

The educational instruction school business consists of 100 entirely one-on-one instruction TOMAS schools, which is its mainstay business, in the Tokyo metropolitan area (as of the end of February 2025, 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.

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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 about 41% elementary students, 27% middle school students, and 32% 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 refers students who fail the exam to nearby TOMAS schools.

(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 8 TOMEIKAI schools as individualized instruction schools with service areas outside of the Tokyo metropolitan area (5 schools in the Kyushu area, 2 schools in the Tokai area, and 1 school in the Kinki area) and provides Meimonkai Online, an interactive online teaching service.

(3) Young child education business

In the young child education business, Shingakai operates 22 Shingakai schools mainly in the Tokyo metropolitan area (21 schools in the Tokyo metropolitan area and 1 school in Kansai area). 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 30 facilities (22 after-school care and 8 childcare facilities) in the Tokyo metropolitan 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 three Konami Sports Shinga's Academy schools in Konami Sports Club facilities through a business alliance with Konami Sports, which are favored by families who would like their children to excel in sports and academics.

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

In the in-school one-on-one instruction business, School TOMAS provides an individual instruction service at contracted schools after normal class hours with teachers that it dispatches to the schools (for some locations, individual instruction is provided online). Points of difference with competitors are permanent employees in schools engaged in administration and management as well as teachers, 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, in addition to question-based and curriculum-based one-on-one instruction. The service usually starts with one grade in the first year and increases the number of grades each year thereafter. The number of schools in operation was 86 in FY2/25.

(5) Character-building training camp education business

The character-building training camp education business consists of 11 schools for gymnastics and 5 schools for soccer 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 well-known 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 Kansai areas 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

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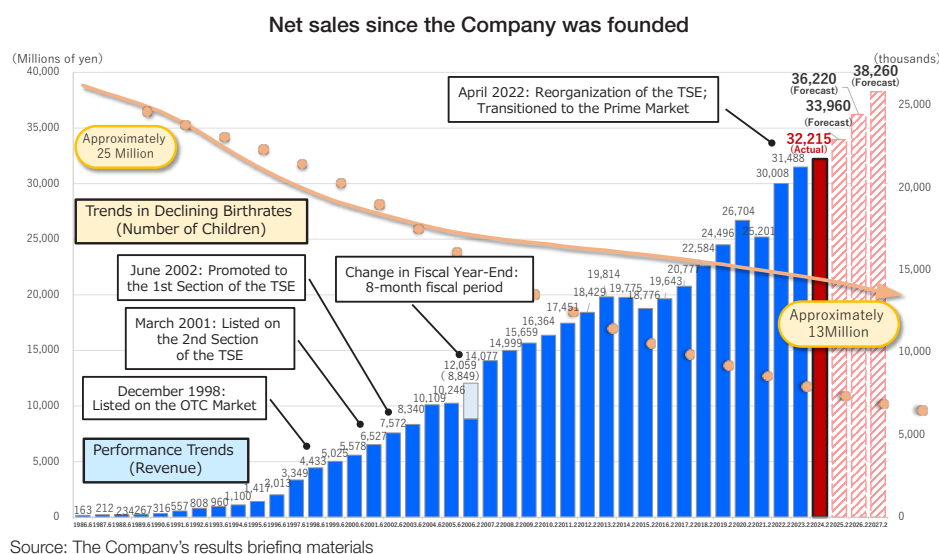
Company profile

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

3. Characteristics and strengths

The Company's two main characteristics are almost consistently increasing income over the long term and realizing high profitability. FISCO thinks 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). 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.



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 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 12.75 million students in FY2019 to 11.19 million students* in FY2024, but during the same period, net sales of the three main businesses (educational instruction school, home tutor dispatching education, and in-school one-on-one instruction) grew by 5.2% per year. The main factor behind the sustained growth 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

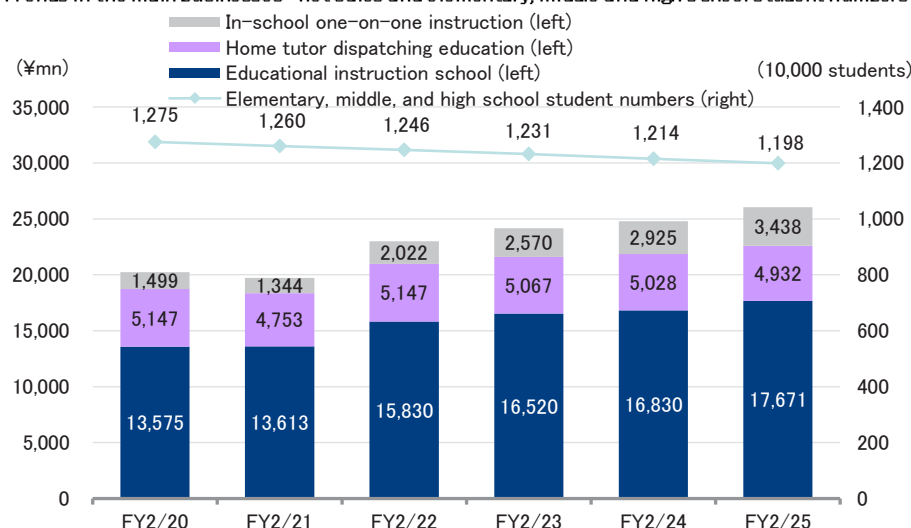
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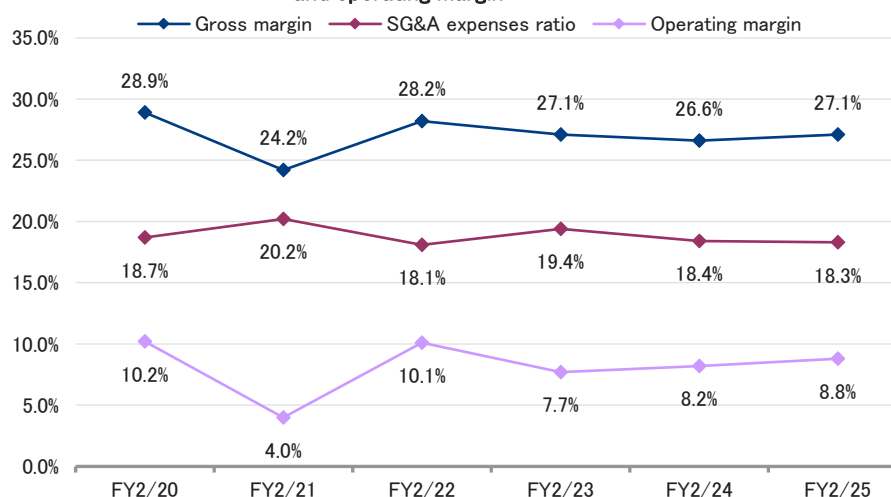
Trends in the main businesses' net sales and elementary, middle and high school student numbers



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% with the exception of FY2/21 when it was 4.0% because of the COVID-19 impact. 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 similar level 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

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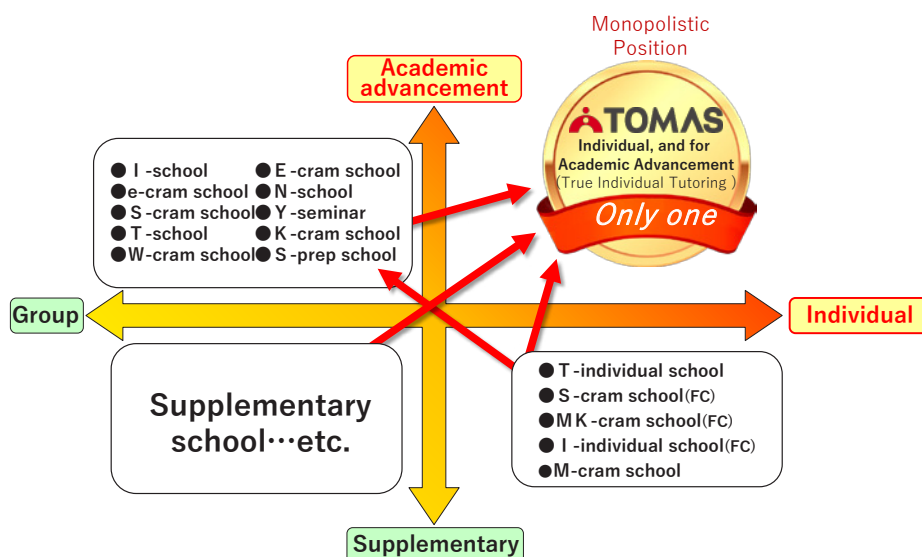
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Company profile

FISCO's understanding is that the same source drives the Company's strengths of stable sales growth and high profitability. When founding the Company, current founder honorary chairperson 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. Based on these insights, it can be said that the Company built a business model that turned the declining birthrate into a tailwind rather than a headwind, and succeeded in achieving sustained sales growth and high profitability.

Important points in harnessing shrinkage of the youth population as a tailwind are provision of high-quality educational services through entirely one-on-one instruction 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. 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: The Company's results briefing materials

The Company's founding purpose was high-quality individualized instruction and thorough application of a mentality that the "educational instruction school industry is a service business," which led to 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.

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Company profile

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. 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. In addition, dedicated employees have been assigned to student recruitment operations to ensure they are carried out efficiently.

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 FISCO has high expectations for it to maintain them within a timeframe of 5 to 10 years. This is because there has consistently been a certain amount of demand for the Company's business model (high-priced, high-quality service) even amid steady shrinkage of the youth population. It is also due to 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 students' advancement results through individualized instruction is the third main characteristic and a strength.

Results trends

Net sales reached a new record high in FY2/25. All profit items increased, exceeding the Company's forecast

1. Overview of FY2/25 results

In the FY2/25 consolidated results, net sales increased 3.7% YoY to ¥33,394mn, operating profit increased 11.6% to ¥2,933mn, ordinary profit increased 10.7% to ¥2,938mn, and profit attributable to owners of parent increased 4.9% to ¥1,743mn. In FY2/25, net sales reached another record high and all profit items exceeded the Company's forecast and increased for the second consecutive fiscal year.

FY2/25 results

	FY2/24			FY2/25			
	Results	Ratio to net sales	Company's target	Results	Ratio to net sales	YoY	vs. forecast
Net sales	32,215	-	33,960	33,394	-	3.7%	-1.7%
Cost of sales	23,656	73.4%	-	24,348	72.9%	2.9%	-
SG&A expenses	5,929	18.4%	-	6,112	18.3%	3.1%	-
Operating profit	2,628	8.2%	2,670	2,933	8.8%	11.6%	9.9%
Ordinary profit	2,655	8.2%	2,670	2,938	8.8%	10.7%	10.1%
Extraordinary gains/losses	-285	-	-	-356	-	-	-
Profit attributable to owners of parent	1,661	5.2%	1,710	1,743	5.2%	4.9%	1.9%

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

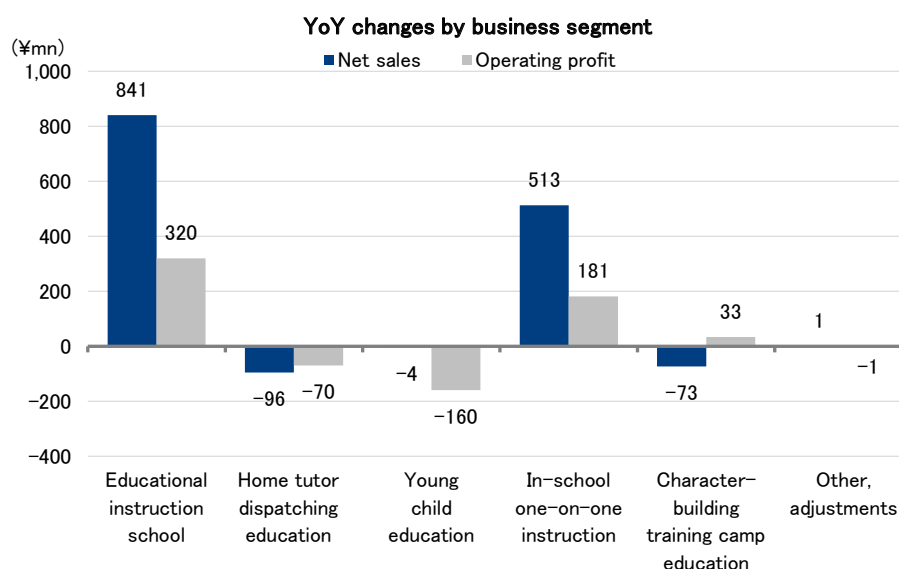
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Results trends

Although net sales in the home tutor dispatching education business and the young child education business were sluggish, this weakness was offset by strong net sales in the educational instruction school business and the in-school one-on-one instruction business. Growth in net sales was also driven by an increase in student numbers and revisions to course fees in some businesses. Specifically, fees were raised by roughly 3% for TOMAS from March 2024 and by around 17% for Shingakai from November 2023. In operating profit, declines in profit in the home tutor dispatching education business and young child education business were more than offset by increased profit in the educational instruction school business and the in-school one-on-one instruction business.



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

The cost of sales ratio declined from 73.4% in FY2/24 to 72.9%, mainly reflecting an increase in student numbers and price hikes, and the SG&A expenses ratio declined from 18.4% in FY2/24 to 18.3%, due to a strategic review of expenses, centered on advertising costs. Looking at changes in the main cost items, personnel expenses increased just over 3% YoY for full-time employees, instructors, and certain other personnel. In addition, audit remuneration costs rose ¥96mn due to a change in the audit firm, among other factors, while advertising costs declined. Furthermore, the Company recorded a ¥44mn gain on the sale of parent company shares and a ¥61mn gain on the sale of non-current assets as extraordinary gains. Meanwhile, it recorded a ¥311mn loss on impairment of non-current assets and ¥96mn* for tender offer-related expenses as extraordinary losses.

* Expenses related to Hulic's tender offer in Apr–May 2024

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Results trends

Higher sales and profits in the educational instruction school business and the in-school one-on-one instruction business

2. Trends by business segment

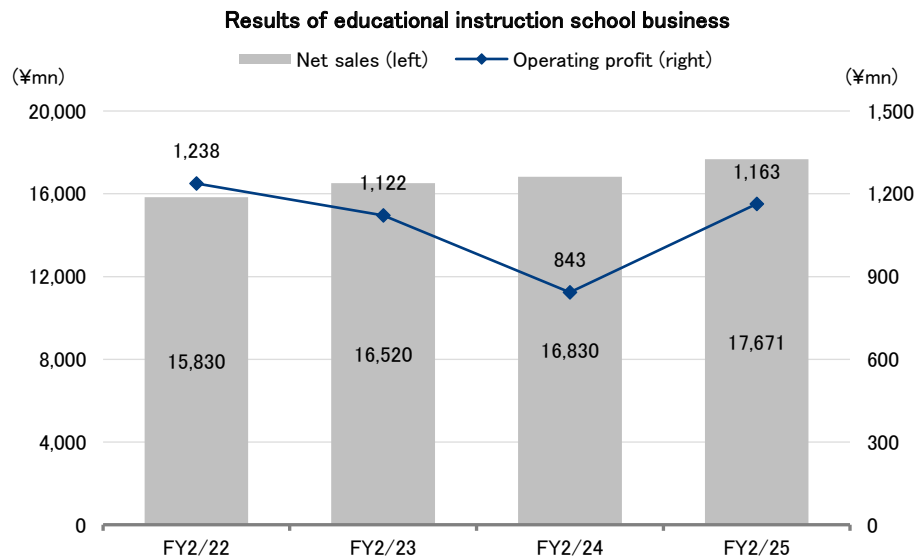
(1) Educational instruction school business

In FY2/25, the educational instruction school business reported net sales of ¥17,671mn, up 5.0% YoY, and operating profit of ¥1,163mn, up 38.0%. Growth in net sales was driven by an upturn in the average number of students during the fiscal year, which rose 2.3% YoY, and an average 3% hike in course fees from March 2024 in response to rising prices and other factors. In terms of the number of students, the Company was able to contain the number of cancelling students by making efforts to prevent contract cancellations by selecting certain priority schools*1 and maintaining rigorous customer service levels*2, including interviews and phone calls for students at these schools. These efforts led to the increase in the number of students. It appears that a similar trend was observed across elementary, junior high, and high school students.

*1 Schools where the number of students acquired is lower than expected relative to potential demand in the local area

*2 Improved communication with students, parents and other related parties through interviews and phone calls to report progress and share issues

In terms of new schools, the Company opened 1 TOMAS school (Yoga) in 2Q and 1 TOMAS school (Ichigao) in 4Q, while 3 TOMAS schools were relocated, expanded, and renovated. In addition, the Company opened 1 MEDIC TOMAS school (Shibuya) in 1Q. The number of schools at the end of February 2025 was up by 2 from the previous fiscal year-end to 100 for TOMAS, and unchanged at 12 for Inter TOMAS, 4 for MEDIC TOMAS, and 1 for Spec. TOMAS.



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

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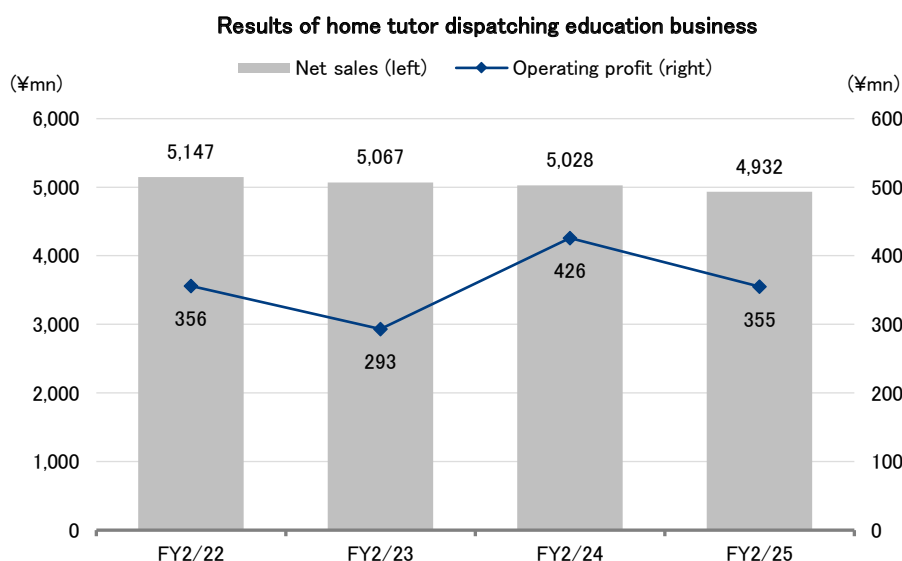
Results trends

(2) Home tutor dispatching education business

Net sales in the home tutor dispatching education business declined 1.9% YoY to ¥4,932mn and operating profit fell 16.6% to ¥355mn. The decline in net sales and profits was due to a decline in the average number of students during the fiscal year, which partly reflected the impact of the consolidation and closure of unprofitable schools. The number of students has declined for three consecutive fiscal years, but the pace of decline has slowed and is showing signs of coming to a halt.

There were no new school openings. The number of Meimonkai locations remained unchanged at 36, while the number of TOMEIKAI locations fell by 4 schools to 8. The number of MEDIC Meimonkai locations was unchanged at 2. In terms of regional schools, the Company plans to make decisions on whether to keep schools open while monitoring the situation in these markets, as the youth population is projected to shrink. It aims to drive a recovery in earnings by developing Meimonkai schools in major cities (Tokyo, Osaka, Nagoya, Fukuoka) and by stepping up marketing of Meimonkai Online, which was launched during the pandemic.

Meimonkai Online is an interactive teaching tool that allows the instructor and student to see not only each other's faces but also their hands. Students can also access Meimonkai Online's high-quality, one-on-one tutoring anywhere in the world where there is an internet connection. Although the number of registered students is still low, at only a few percent of total Meimonkai registrations, it grew steadily with a double-digit increase YoY. At the current pace, Meimonkai Online is on track to account for more than 10% of total registrations in 1–2 years.



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

(3) Young child education business

In the young child education business, net sales decreased 0.1% to ¥5,708mn and operating profit decreased 26.1% to ¥454mn. Student numbers at the mainstay Shingakai schools were sluggish, showing a single-digit decline due to the impact of intensifying competition. However, net sales remained mostly unchanged YoY, supported by the effects of fee revisions and an increase in student numbers at Shinga's Club after-school care schools. Meanwhile, on the profit front, in addition to the sluggish performance at Shingakai schools, profits were weighed down by investment expenses related to the Kodomo Department Store series, which opened in April 2025, being recorded in 4Q.

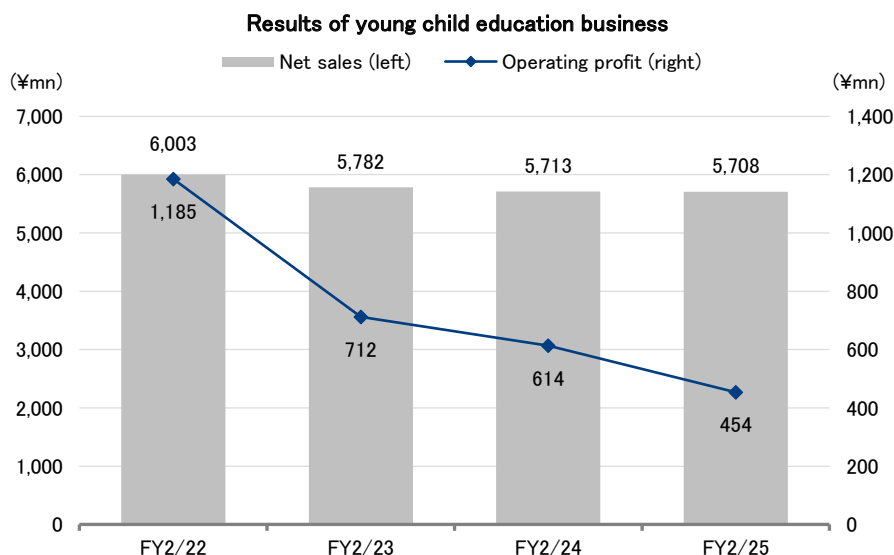
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Results trends

In 1Q, the Company opened 1 new Konami Sports Shinga's Academy (Musashi Kosugi), and renovated 1 Shinga's Club after-school care facility (Kichijoji). As of the end of February 2025, there were 22 Shingakai schools (unchanged YoY), 22 Shinga's Club after-school care schools (up 1; includes 3 Konami Sports Shinga's Academy schools), and 8 Shinga's Club childcare facilities (unchanged).



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

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

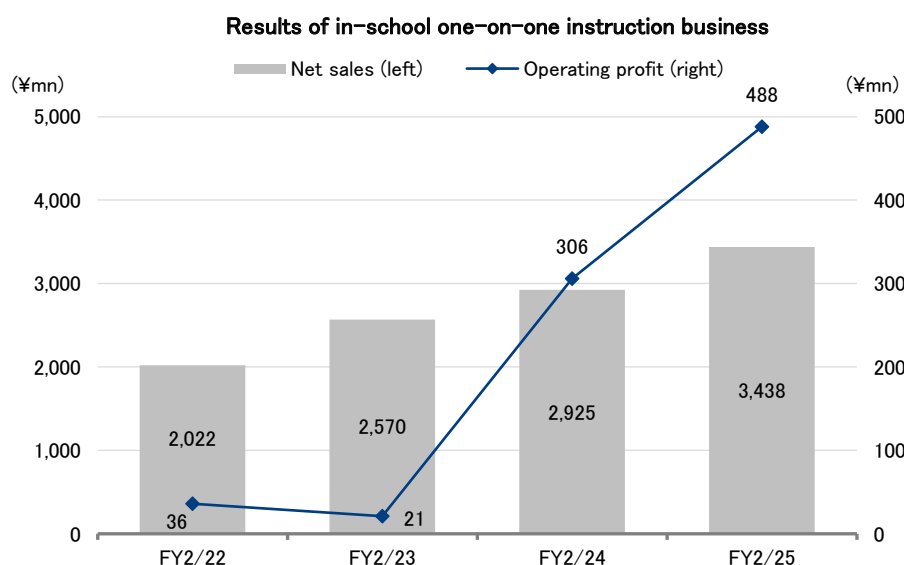
The in-school one-on-one instruction business continued to post strong growth, achieving record-high results, with net sales increasing 17.5% YoY to ¥3,438mn and operating profit climbing 59.1% to ¥488mn. The increase in sales and profit was driven by a steady rise in the number of contracted schools, which grew by 6 from the previous fiscal year-end to 86, in addition to a sustained increase in the number of students using the service at contracted schools year after year due to the extension of the service to additional grade levels at contracted schools. In particular, online one-on-one instruction, which allows students to receive one-on-one instruction by talented instructors even at home, has been well received, especially among schools in regional areas. The service is now in use at more than 50 schools, and the average number of students enrolled during the fiscal year rose 17.1% YoY, indicating continued strong performance.

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Results trends



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

(5) Character-building training camp education business

The character-building training camp education business reported net sales of ¥1,625mn, down 4.3% YoY, and operating profit of ¥47mn, up 243.3%. While experience-type tours performed steadily, sales decreased due to a change in the sales recognition standard from the gross method to the net method beginning in FY2/25. On a comparable basis with the same standard, sales are believed to have increased. As for school operations, there are 11 TOMAS Gymnastics Schools and 5 TOMAS Soccer Schools.

Strengthened and expanded the Company's financial position through third-party allotment of new shares. Funds to be allocated to growth investments including M&A

3. Financial condition

As of the end of FY2/25, total assets were ¥22,109mn, up ¥4,013mn from the end of the previous fiscal year, mainly reflecting ¥3,383mn raised through a third-party allotment of new shares. Looking at other key changes in assets, in current assets, cash and deposits increased ¥3,491mn, trade accounts receivable increased ¥119mn, and prepaid expenses increased ¥108mn. In non-current assets, property, plant and equipment decreased ¥122mn, investment securities decreased ¥117mn, while intangible assets increased ¥167mn, lease and guarantee deposits increased ¥194mn, and deferred tax assets increased ¥163mn.

Total liabilities were up ¥463mn from the end of the previous fiscal year to ¥10,075mn. Income taxes payable decreased ¥111mn, while contract liabilities and retirement benefit liability increased ¥147mn and ¥306mn, respectively. Net assets increased ¥3,549mn to ¥12,034mn. Dividends paid totaled ¥1,543mn, but the Company recorded profit attributable to owners of parent of ¥1,743mn, and the third-party allotment of new shares and other factors increased capital stock by ¥1,700mn and capital surplus by ¥1,708mn.

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Results trends

Looking at management indicators, the equity ratio rose to 54.1% from 46.3% at the end of the previous fiscal year, partly due to the third-party allotment of new shares. The Company's financial position has improved further. It is debt-free and now has just under ¥9.0bn in cash on hand. Funds raised through the third-party allotment will mainly be used for 1) capital investment associated with its new business opening Kodomo Department Store facilities (security deposits for the opening of new classrooms, classroom facility and equipment acquisition costs, initial investment costs); 2) capital investment for creative culture and education facilities (museum, library, etc.) for the MITAKE Link Park (Shibuya) building* to be opened by the Hulic group in 2027 (rental deposit, interior decorating work, design fees, initial costs, etc.); and 3) expenses for DX strategy promotion (integration of customer databases in each business group, development of apps for communicating with customers, installation of classroom IT networks, etc.). The funds will also be used as strategic M&A funds. It has budgeted capital expenditures of ¥2,291mn to open 10 Kodomo Department Stores (some locations not yet finalized) by spring 2028, of which ¥1,000mn has already been used to source locations.

* 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 total floor space of 50,000m², and it is scheduled to consist of various areas including offices, stores, rental housing, creative culture and education facilities and a multi-purpose hall.

Consolidated balance sheet

	FY2/22	FY2/23	FY2/24	FY2/25	(¥mn) Change amounts
Current assets	10,997	9,660	8,954	12,686	3,731
Cash and deposits	8,011	7,308	5,460	8,952	3,491
Non-current assets	7,927	8,465	9,141	9,423	281
Total assets	18,924	18,125	18,096	22,109	4,013
Total liabilities	8,531	8,900	9,611	10,075	463
Interest-bearing debt	-	-	-	-	-
Total net assets	10,392	9,225	8,484	12,034	3,549
Management indicators					
Equity ratio	50.4	50.4	46.3%	54.1%	7.8pp
Operating margin	10.1%	7.7	8.2%	8.8%	0.6pp
ROE	28.6	15.3	19.0%	17.1%	-1.9pp

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

Use of funds raised

Use	Amount	Period
Capital investment associated with opening Kodomo Department Store facilities	¥1,291mn	December 2024 to May 2028
Creative culture and education facilities in Shibuya (rental deposit, interior decorating work, design fees, etc.)	¥710mn	December 2024 to January 2027
DX strategy promotion expenses (customer database integration, application development, classroom networks, etc.)	¥697mn	June 2024 to February 2026
Installation of security cameras in classrooms	¥200mn	June 2024 to July 2024
Investment funds for strategic M&A	¥425mn	June 2024 to May 2028

Source: Prepared by FISCO from the Company's news release

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■ Outlook

Sales and profits are also expected to increase in FY2/26, driven by the educational instruction school business and the in-school one-on-one instruction business

1. FY2/26 forecasts

For the FY2/26 results, the Company forecasts for net sales to increase 7.8% YoY to ¥36,000mn, operating profit to rise 7.2% to ¥3,145mn, ordinary profit to rise 6.8% to ¥3,140mn and profit attributable to owners of parent to rise 14.7% to ¥2,000mn. As the youth population continues to shrink and competition for acquiring students intensifies, the Company aims for steady earnings growth by differentiating itself through providing high-quality educational services centered on its mainstay TOMAS service. By business segment, the educational instruction school business and the in-school one-on-one instruction business will continue to be the main drivers, as in the previous fiscal year. In the young child education business, which has been sluggish, the Company aims to increase student numbers and recover by expanding school sites through the opening of Kodomo Department Store facilities.

On the cost front, personnel expenses are expected to continue rising due to improvements in employee compensation, along with an increase in costs associated with the planned transition to a holding company structure in September 2025. However, the Company will continue to curtail expenses, centered on advertising costs. As a result, the operating margin is projected to remain at 8.7%, mostly unchanged from the level of FY2/25. Since no extraordinary losses are expected to be recorded in FY2/26, the growth rate of profit attributable to owners of parent is expected to be higher than that of ordinary profit.

FY2/26 consolidated forecasts

	FY2/25		FY2/26		
	Results	Ratio to net sales	Company's target	Ratio to net sales	YoY
Net sales	33,394	-	36,000	-	7.8%
Operating profit	2,933	8.8%	3,145	8.7%	7.2%
Ordinary profit	2,938	8.8%	3,140	8.7%	6.8%
Profit attributable to owners of parent	1,743	5.2%	2,000	5.6%	14.7%
Earnings per share (¥)	10.48		11.76		

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

(1) Educational instruction school business

In the educational instruction school business, net sales are forecast to increase approximately 7%, and operating profit is also expected to grow. In terms of new schools, the Company plans to open 3 schools in 1Q (Shonandai, Sengawa, and Shin-Kawasaki) and 1 school in 2Q (Unoki). In April 2025, it also relocated and renovated the Nakano school at the newly opened Kodomo Department Store Nakano. Several other renovations are also planned. Furthermore, the Company will continue its efforts to prevent contract cancellations, while increasing student numbers.

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Outlook

(2) Home tutor dispatching education business

The Company forecasts that earnings in the home tutor dispatching education business will trend flat YoY. In 1Q, one Meimonkai school and one TOMEIKAN school (both in Kyoto) were closed, while one new MEDIC Meimonkai school (Kyoto) was opened. In March 2025, course fees for Meimonkai and TOMEIKAN were raised by approximately 10%. However, in anticipation of a decline in student numbers due to the school closures, mostly flat net sales were factored into the forecast.

As a new initiative, the Company launched the Meimonkai Online Partner System (MOPS), a service that provides the Meimonkai Online system to educational instruction schools nationwide. The service targets a wide range of clients, from major educational instruction school chains to independently operated schools. Under this system, contracted educational instruction schools refer students to Meimonkai, which then uses its proprietary online instruction system to match students with instructors selected from a pool of over 1,000, including professional instructors who are working adults and other instructors who are currently university students, based on each student's needs, and provides online courses. The initial cost ranges from ¥150,000 to ¥450,000. The system returns 20% of the course fees paid to Meimonkai to the participating school. If a student continues to use the Meimonkai Online service after graduating from the referring school, 20% of the course fees will continue to be returned to that school. The service is expected to offer significant advantages for schools facing instructor shortages, and its future course will be watched closely.

(3) Young child education business

The young child education business is expected to see slight increases in sales and profits. Although a shrinking youth population will continue to intensify competition, the opening of two Kodomo Department Store buildings (Nakano and Tama Plaza) in April 2025 is expected to restore growth in student numbers. At Kodomo Department Store Nakano, the Company opened a Shinga's Club after-school care facility. At Kodomo Department Store Tama Plaza, it launched all three brands: a Shingakai school, a Shinga's Club childcare facility, and a Shiga's Club after-school care facility. These facilities appear to have made a strong start, particularly the Shingakai school, which has attracted new students at the fastest pace on record.

Furthermore, the Company is working to enhance its services by incorporating the online English conversation program offered by HugCome, Inc., with whom it entered into a capital and business alliance agreement in December 2024, as one of the optional educational programs at Shinga's Club after-school care facility. In April 2025, the Company began recruiting participants for free trial lessons conducted by bilingual Japanese instructors. Looking ahead, it is considering jointly developing an original Shingakai method and expanding the program nationwide through online delivery.

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

In the in-school one-on-one instruction business, the Company expects net sales and profits to continue growing at a double-digit pace. The number of contracted schools has continued to increase to 91 as of April 2025, and the number of students using the service is projected to increase steadily. The Company appears to be targeting the introduction of the service at 200 schools over the medium term, indicating significant growth potential. Competing services have emerged on the market, but the Company's core business is the dispatch of instructors, which FISCO thinks will give it a competitive advantage with schools seeking high-value-added services by leveraging its expertise in one-on-one instruction for academic advancement.

(5) Character-building training camp education business

The Company forecasts steady net sales growth of the character-building training camp education business due to an increase in the number of experience-type tours held.

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Outlook

Aims to achieve sustained growth through a retention strategy using the Kodomo Department Store series

2. Medium-term management plan

(1) Understanding of market conditions and main initiatives

In April 2024, the Company announced its three-year medium-term management plan ending in FY2/27. Its understanding of market conditions is that trends in the number of children in the Tokyo metropolitan area, which is its main business area, remain firm despite the overall trend of a shrinking youth population, and demand for educational instruction schools for children taking entrance exams for private elementary and middle schools is also robust amid insecurities about public education services. On the other hand, the competition for students in the educational instruction school industry will continue, and the polarization of the industry in terms of performance is expected to accelerate the industry's restructuring.

To flexibly respond to these changes in the business environment and achieve sustainable growth, the Company announced that it will transition to a holding company structure in September 2025, with a view to establishing a group organization that will enhance management efficiency further. The Company will change its name to Riso Kyoiku Group Co., Ltd. and become a holding company that oversees the management of group subsidiaries and related operations. The educational instruction school business, English school business, and student recruitment business will be transferred to the newly established TOMAS Co., Ltd.

The Company is promoting growth strategies such as measures to increase student numbers, reviewing areas where it opens schools or demolishes and rebuilds school buildings, fostering new businesses through collaboration with other industries, and DX strategies. Measures to increase student numbers are opening new schools in areas where demand is expected and improving customer satisfaction through closer communication with students and guardians to reduce the percentage of students leaving and taking steps to recruit and train skilled teachers and employees to improve students' exam pass rates for the most difficult schools. In addition, as part of a cross-industry collaboration with Hulic Co., Ltd. and Konami Sports Co., Ltd., the Company is working to develop Kodomo Department Stores, which are education buildings that provide one-stop services for children, and aims to open 20 such buildings in the Tokyo metropolitan area by FY2029. The buildings will include the Riso Kyoiku Group's TOMAS, Shingakai, and Shinga's Club childcare and after-school care, and Konami Sports, which will make it possible to provide multiple services at the same location to students ranging from infants to high school students. The availability of children's services in the same building will also reduce the burden on parents to pick up and drop off their children. 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 initiative is expected to maximize customer LTV and demonstrate group synergies by attracting and retaining customers from infancy, thereby leading to further earnings growth.

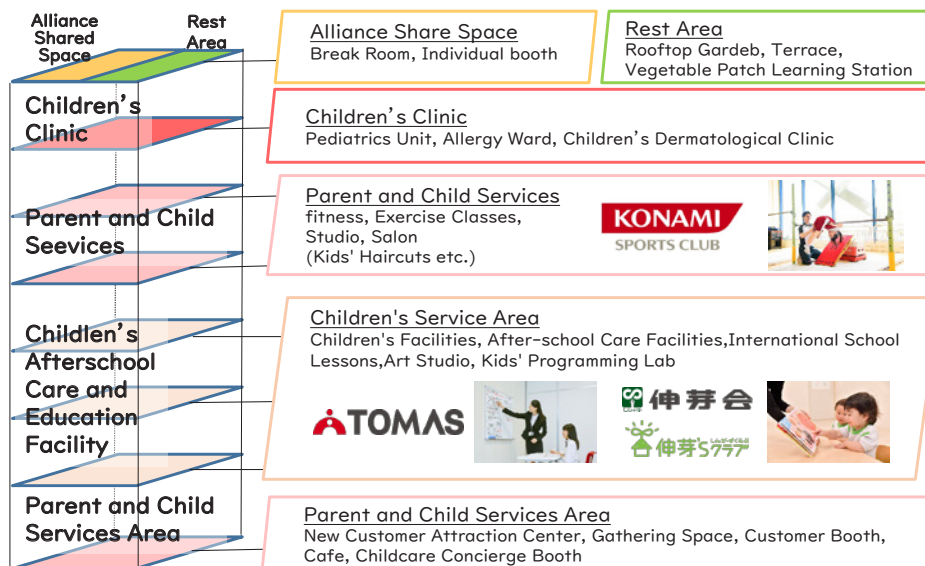
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Outlook

Educational building Kodomo Department Store



Source: The Company's results briefing materials

(2) Numerical management targets

For FY2/27, the Company targets net sales of ¥38,260mn, operating profit of ¥3,360mn, ordinary profit of ¥3,360mn, and profit attributable to owners of parent of ¥2,000mn. Three-year CAGRs are 5.9% for net sales and 8.5% for operating profit (these figures do not include the impact of the new Kodomo Department Store business). The Company aims to raise the operating margin, which was 8.2% in FY2/24, to 8.8% in FY2/27. It plans to absorb the increase in personnel expenses, which will result from the recruitment of skilled instructors and full-time employees and from base salary increases to retain personnel, by optimizing expenses, including advertising expenses, and improving business efficiency by promoting DX.

In FY2/25, the first year of the plan, net sales fell slightly below the plan, but all profit items exceeded their targets. In FY2/26, although the net sales target was slightly lowered in light of the previous year's performance trend, targets for each profit item were revised upward, and the Company is expected to achieve its initial target for profit attributable to owners of parent one year ahead of schedule. In addition, while ROE for FY2/27 is projected to decline slightly to 14.5% from 19.0% in FY2/24, the Company still plans to maintain a level of 10% or higher. FISCO views this as a solid plan with a high likelihood of achieving its profit targets.

Medium-term management plan target

		FY2/25		FY2/26		FY2/27	
	FY2/24 Results	Initial plan	Results	Initial plan	Current plan	Initial plan	CAGRs
Net sales	32,215	33,960	33,394	36,220	36,000	38,260	5.9%
Operating profit	2,628	2,670	2,933	3,120	3,145	3,360	8.5%
Operating margin	8.2%	7.9%	8.8%	8.6%	8.7%	8.8%	-
Ordinary profit	2,655	2,670	2,938	3,120	3,140	3,360	8.2%
Profit attributable to owners of parent	1,661	1,710	1,743	1,850	2,000	2,000	6.4%
ROE	19.0%	16.3%	17.1%	15.3%	-	14.5%	

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

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Outlook

(3) Outlook by segment

a) Educational instruction school business

The Company plans CAGR of around 7% for net sales of the educational instruction school business. The number of new schools planned is 3–5 per year. The Company also plans to renew existing schools by 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. It aims to increase student numbers not only by expanding the number of schools, but also by providing meticulous customer service at existing schools to minimize the percentage of students leaving. With regard to attracting new students, the Company plans to focus on cost-effective advertising by replacing advertising in print media with online ads to boost student numbers.

b) Home tutor dispatching education business

The Company plans CAGR in the lower single digit range for net sales of the home tutor dispatching education business. For its home tutor dispatching service Meimonkai, the Company plans to concentrate on schools in major cities and progress demolition and rebuilding of schools. It plans no new TOMEIKAI schools because of the shrinking youth population in regional areas and difficulty in recruiting university students working as tutors, focusing on improving the performance of existing schools. Against this backdrop, the Company will strengthen student acquisition for Meimonkai Online, its interactive online teaching service, while also advancing its expansion through MOPS, with the aim of returning to a sales growth trajectory beginning in FY2/26.

c) Young child education business

The Company plans CAGR of around 5% for net sales of the young child education business. The Company currently plans to open one Shingakai, one Shinga's Club childcare facility and one Shinga's Club after-school care facility each year (Shinga's Club after-school care also includes Konami Sports Shinga's Academies), but with Kodomo Department Stores starting from spring 2025, the pace of facility openings is likely to accelerate.

Regarding the progress of the Kodomo Department Store series, a total of six projects are now in concrete development in areas including the Jonan area of Tokyo, Yokohama, and the Chiba area. Following the opening of 2 buildings in April 2025, a decision has been made to open a facility within MITAKE Link Park (Shibuya), a mixed-use building scheduled for completion in 2027. Hulic has outlined a vision to expand the series to 20 buildings by 2029, targeting major train stations in the Tokyo metropolitan area. However, because securing sufficient instructor and staff resources to operate schools and classrooms is essential, there is a possibility that efforts may not progress entirely as planned. Even so, the Kodomo Department Store series offers significant advantages from a business efficiency standpoint for the Company, as it does not need to independently search for well-located properties near station fronts and can simultaneously launch multiple educational services at a single site. The series will be watched closely as a key initiative expected to drive the Company's earnings growth.

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

In the in-school one-on-one instruction business, the Company targets an annual sales growth rate of 10%. The Company has received inquiries from private schools across Japan, as the service contributes both to improving their students' advancement results and to alleviating the issue of long working hours for schoolteachers. If the number of schools introducing the service can be increased to 200, net sales of approximately ¥6.0bn to ¥8.0bn are projected (¥3.4bn in FY2/25). The service is therefore expected to contribute to earnings growth over the medium term.

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Outlook

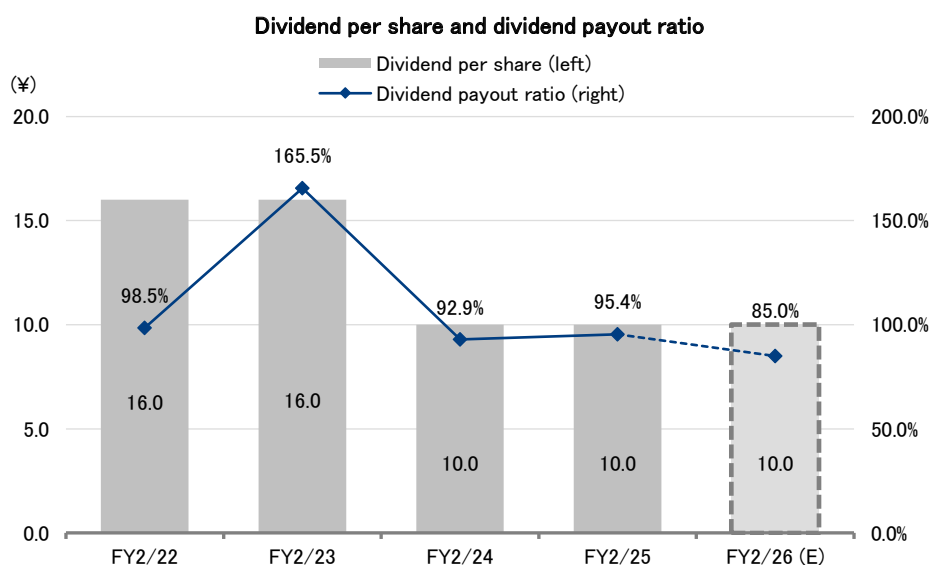
(4) Promoting DX strategy

The Company began promoting a groupwide DX strategy in FY2/24. Specific initiatives include integration of customer databases of group companies, providing a system that allows teachers to use information terminals to input reports that are currently handwritten, develop a smartphone app as a customer touchpoint, and strengthen network equipment that connects classrooms and facilities. Total investment of ¥697mn is planned through FY2/26 and the Company aims to improve operational efficiency and customer satisfaction. It aims to improve customer satisfaction by using DX to reduce the administrative workload of teaching staff, who can allocate the time freed up to following up students and guardians. Integration of customer databases is scheduled for completion and operational launch in June 2025. Once completed, this is expected to not only streamline expenses by integrating duplicated functions but also accelerate the Company's strategy of customer attraction and retention through a cross-brand approach. DX-related expenses are projected to peak in FY2/26.

Shareholder return policy

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 for FY2/24 and beyond is based on a dividend payout ratio of 50% or more. Based on this policy, the Company plans to pay a dividend of ¥10.0 per share (payout ratio of 95.4%) in FY2/25, the same amount as the previous fiscal year, and ¥10.0 per share (payout ratio of 85.0%) in FY2/26. Other than the payment of dividends, the Company plans to use retained earnings and other funds for capital investments associated with the opening of new schools and other initiatives, system investments, and M&A investment and related purposes, as well as reserves to prepare for a spike in expenses to respond to an unexpected event like the COVID-19 pandemic.



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

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