

1. Qualitative Data Pertaining to this Quarter's Financial Results

(1) Regarding this Quarter's Business Results

In Q3 20/21, the Japanese economy saw initial signs of recovery following an increase in the spread of COVID-19 and a raft of measures introduced to curb the rate of infection as well as stimulate economic activity. However, given a sluggish global economy and a steady rise in the rate of current infections, the risk of another State of Emergency being put into effect by the government, potentially limiting economic activities, is relatively high and it seems it will be hard to say for sure exactly how this will affect the economy for the near future.

Within the cram school and private tuition industry, many companies were forced to temporarily suspend all operations, particularly those specializing in group based instructional lessons. Considering both the problem of Japan's declining birth rate with no readily apparent solution and a revolution in the overall approach to children's education and university acceptance, a large-scale change is occurring in the industry as a whole. With regards to our business model, predicated on the assumption that Japan's birth rate would continue to decline, and bearing in mind our company ethos of "devoting everything to giving children a bright future", we strive to deliver a tangibly beneficial educational service. Utilizing our highly diversified business model, we aim to become the pre-eminent force in our field and tout this goal as the fundamental underlying policy of our financial success.

Initially, we moved to temporarily close schools at the beginning of the pandemic, but we then took measures unseen in any of our competitors' schools to create an environment where our students could study free from risk of infection. These measures included installing 190cm tall walls between all instruction booths, separating students and tutors with transparent plastic curtains, requiring both students and teachers to don surgical masks as well as face shields for tutors, amongst other precautions.

These measures were well received and were broadly displayed in various media. As a result, although our number of students initially fell in response to calls from the government for self-restraint in leaving the house, at the end of Q2 20/21 the number of students had returned to a level slightly above that of the same period in Q2 FY19/20.

Additionally, in the wake of the State of Emergency declared in the wake of the COVID-19 pandemic, we began donating medical grade face shields to Tokyo and three of its surrounding prefectures (Kanagawa, Saitama, Chiba) after reports of equipment shortages in medical facilities countrywide. While continuing our devotion to maintaining a safe environment for our students to study with peace of mind, we will continue to aim for growth in all areas of our group.

As a result of these circumstances, gross sales for Q3 FY20/21 totaled 17,860,000,000 JPY (7.8% down YoY), operating income was 149,000,000 JPY (91.0% down YoY), ordinary income was 338,000,000 JPY (79.8% down YoY), and net profit attributable to owners of the parent company was 40,000,000 JPY (96.2% down YoY).

Our number of students fluctuates shortly after school entrance exams and high school graduation; our first quarter of the financial year, which coincides with the start of the academic year, is generally our least busy financial period. In quarters 2 and 4, the number of students greatly increases with seasonal variance and has an impact on business results.

Business results of individual business segments are as follows. As of the fourth quarter of FY 19/20, following the merger of two subsidiary companies, the results of the “Student Recruitment Business Unit” are now included under the results of the “Private Tuition School Education Business Unit”. Figures given in comparison to results from the same period of the previous financial year are compared against retroactively calculated financial results to reflect this.

① **TOMAS (Private Tuition School Education Business Unit)**

Despite continuing to provide stellar educational services with the aim of helping students to elite education facilities through completely 1-on-1 private tuition, due to the temporary closure of all schools, gross sales amounted to 9,461,000,000 Japanese yen (down 1.3% YoY rising to 5,948,000,000 Japanese yen (8.1% down YoY) when taking internal net sales into account. The Narimasu TOMAS branch moved to a new location and the costs are reflected in this quarter’s financial statement.

② **Meimonkai (Home Dispatch Tutor Business Unit)**

We are making steady progress in expanding our business unit dispatching 100% professional individual tutors to all corners of the country, though due to the school closures enforced earlier this year, gross sales amounted to 3,372,000,000 Japanese yen (7.6% down YoY). Online tutoring was launched in Q3 FY20/21 in addition to the existing face-to-face service.

③ **Shingakai (Childcare and Education Business unit)**

In addition to Shingakai boasting some of the best results in support for passing entrance exams to enter Japan’s top kindergartens and elementary schools, we are continuing to develop our Shinga’s Club brand, offering longtime childcare and schooling for exceptionally gifted children hoping to pass rigorous school entrance exams. Following temporary school closures earlier this year, gross sales amounted to 3,719,000,000 Japanese yen (3.0% down YoY).

④ School TOMAS (In-School Individual Tutoring Business Unit)

We are continuing our promotion and expansion of School TOMAS, our in-school individual tutoring service. However, owing to the aforementioned school closures earlier this year, sales amounted to 923,000,000 Japanese yen (14.8% down YoY), rising to 1,099,000,000 Japanese yen (down 13.0% YoY) when taking internal net sales into account.

⑤ Plus One Kyoiku (Social and Emotional Learning Trips Business Unit)

Plus One Kyoiku offers a wide variety of fulfilling, hands-on character building workshops, however, in light of government requests to refrain from large gatherings in the wake of the COVID-19 pandemic, gross sales amounted to 402,000,000 Japanese yen (down 68.1% YoY), rising to 426,000,000 Japanese yen (down 66.8% YoY) when taking internal net sales into account.

⑥ Additional Miscellaneous Business Units

Net sales accrued through additional business units totaled 8,000,000 Japanese yen (down 9.6% YoY), rising to 61,000,000 Japanese yen (up 2.8% YoY) when taking into account internal net sales.

(2) Analysis of the Current Financial Situation

As of Q3 FY20/21, an increase in accounts receivable, fixed assets, Investment securities and rent and deposits coupled with a decrease in cash and deposits amounted to an increase of 388,000,000 JPY compared to the end of FY 19/20, amounting to 13,602,000,000 JPY. An increase in accounts payable, sales deposits and retirement allowances and a decrease in accrued corporate tax, bonus payments, and other current liabilities (accrued consumption tax etc.) led to an increase in liabilities of 502,000,000 JPY compared to the end of FY 19/20, totaling 7,559,000,000 JPY. Net assets decreased 113,000,000 JP to 6,043,000,000 JPY owing to a reduction in capital surplus.

(3) Regarding Future Forecasting Information for Upcoming Consolidated Business Results

Considering that the financial results for Q3 FY20/21 are generally in line with the predictions laid out on October 10th 2020, we have not made any adjustments to our forecast for FY 20/21 overall business results. Our predictions are based on all available data at the time of writing and results are liable to change owing to various possible factors.