

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

(1) Regarding this Quarter's Business Results

Throughout our second financial quarter of the 20/21 financial year, the spread of the COVID-19 greatly impacted the Japanese economy, placing limitations on both social and economic activity. Even now within Japan and abroad, while many are taking great efforts to alleviate the impact of the virus, with no clear end in sight to the pandemic and an unstable global economy, it is likely this period of economic uncertainty will continue for the foreseeable 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.

In the wake of the COVID-19 pandemic, during the first financial quarter of the 20/21 financial year, we were forced to close all of our educational facilities in accordance with a government-mandated State of Emergency. However, considering strongly the need to foster an environment where students could continue their studies with peace of mind, we took measures unseen amongst our competitors and introduced meticulous anti-infection routines and equipment, ensuring the safety of our students' learning environment. After providing medical grade face-shields to our facilities, having received reports of concurrent shortages of critical equipment at medical facilities, we also promptly provided face shields to critical areas in Tokyo and three of its surrounding prefectures. 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.

For Q2 of FY20/21, our gross sales amounted to 11.109 billion Japanese yen (down 14.5% YoY), operating loss totaled 460,000,000 Japanese yen (compared to an operating profit of 1.166 billion Japanese yen for Q2 FY19/20), ordinary loss amounted to 416,000,000 Japanese yen (compared to an ordinary profit of 1,165,000,000 Japanese yen for Q2 FY19/20) and current net loss attributable to shareholders of the parent company amounted to 468,000,000 Japanese yen (compared to a profit of 727,000,000 Japanese yen for Q2 FY19/20). This is partially attributable to the fact that 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.

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 5,947,000,000 Japanese yen (6.3% down YoY), rising to 5,948,000,000 Japanese yen (8.1% down YoY) when taking internal net sales into account.

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 2,062,000,000 Japanese yen (10.5% down YoY).

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 2,326,000,000 Japanese yen (9.4% down YoY) and remained at the same figure when taking into account internal net sales (10.3% down YoY). During the accounting period for Q2 FY 20/21, Shinga’s Club Fujisawa (Kanagawa prefecture) was renovated and moved to a different location.

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 526,000,000 Japanese yen (22.9% down YoY), rising to 644,000,000 Japanese yen (down 19.7% YoY) when taking internal net sales into account.

⑤ Plus One Kyoiku (Social and Emotional Learning Camp 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 241,000,000 Japanese yen (down 77.6% YoY), rising to 257,000,000 Japanese yen (down 76.4% YoY) when taking internal net sales into account. During the accounting period for Q2 FY19/20, TOMAS Gymnastics School Futako-Tamagawa (Tokyo) was officially opened.

⑥ Additional Miscellaneous Business Units

Net sales accrued through additional business units totaled 5,000,000 Japanese yen (down 21.4% YoY), rising to 39,000,000 Japanese yen (down 0.6% YoY) when taking into account internal net sales.

During the accounting period for Q2 FY 20/21, "Cocokara Teachers Co., Ltd.", an enterprise combining the recruitment, management, training and introduction of potential private tutors, was formally established.

(2) Regarding the Present Financial Situation

There was an increase in Accounts Payable, Sales Deposits and Retirement Allowances offset by a reduction in Income Tax Payable and other current liabilities (Consumption Tax Payable, Deposits Received), representing a reduction of 2,000,000 Japanese yen compared to the end of the previous consolidated financial year, equal to 7,054,000,000 Japanese yen. Additionally, there was an increase in capital surplus and a reduction in retained earnings, representing a decrease of 660,000,000 Japanese yen compared to the end of the previous consolidated financial year for a total of 5,496,000,000 Japanese yen.

(3) Cash Flows

(Cash Flows from Operating Activities)

Net cash used in operating activities totaled 623,000,000 Japanese yen (compared to 1,346,000,000 Japanese yen for the same period in FY19/20). This is mainly attributable to a pre-tax adjusted quarterly loss of 413,000,000 Japanese yen, a decrease in accrued consumption taxes of 334,000,000 Japanese yen, an increase in accounts payable of 160,000,000 Japanese yen, an increase in advances received of 324,000,000 Japanese yen, and 437,000,000 Japanese yen of corporate tax paid.

(Cash Flows from Investment Activities)

Net cash used in investment activities totaled 354,000,000 Japanese yen (compared to 287,000,000 Japanese yen for the same period in FY19/20). This is mainly attributable to an expenditure of 184,000,000 Japanese yen on acquisition of tangible fixed assets, an expenditure of 36,000,000 Japanese yen on acquisition of intangible fixed assets, and payments of leasehold and guarantee deposits totaling 104,000,000 Japanese yen.

(Cash Flows from Financial Activities)

Net cash used in financial activities totaled 211,000,000 Japanese yen (compared to 958,000,000 Japanese yen for the same period in FY19/20). This is mainly attributable to proceeds from short-

term borrowings of 4,000,000,000 Japanese yen, repayments of short-term borrowings totaling 4,000,000,000 Japanese yen, payment of dividends amounting to 445,000,000 Japanese yen, acquisition of treasury shares totaling 735,000,000 Japanese yen, and proceeds from disposal of treasury shares amounting to 969,000,000 Japanese yen.

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

As the relative cost of sanitizing spray and masks used in measures to prevent the spread of the COVID-19 virus has settled in the past few months, utilizing the information currently available to use we have adjusted our forecasted figures for operating profit, ordinary profit, and net income attributable to owners of the parent company. For further details, please refer to “Announcement Regarding Forecasted Results for FY20/21” (2021 年 2 月期 業績予想に関するお知らせ) and “Announcement Regarding Dividend Payout for FY20/21” (2021 年 2 月期 配当予想に関するお知らせ).