

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

(1) Explanation of Operating Results

During the first quarter of the consolidated cumulative period, the Japanese economy experienced improvements in employment and income conditions, driven by significant wage growth amid a severe labor shortage. However, the outlook remains uncertain due to factors such as rising prices influenced by the depreciation of the yen, leading to a decline in real wages.

In the educational services industry, which is the primary business of our group, the surrounding environment is changing due to these economic conditions, declining birth rates, educational reforms, university entrance examination reforms, and the accelerated introduction of ICT in schools under the GIGA School Program. Despite these changes, the awareness of educational investment in Japan is increasing, and the market for cram schools, which had temporarily stagnated due to the COVID-19 pandemic, is expected to expand.

Under these circumstances, our group, with a business model premised on a declining birth rate, aims to become Japan's leading company by providing high-quality, "genuine" educational services and pursuing a thorough differentiation strategy, all based on the principle of "everything for the future of the children."

Furthermore, our partnership with Hulic Co., Ltd. has strengthened, and through business expansion initiatives with Hulic and Konami Sports Co., Ltd., as well as collaborations with Shingaikai and Konami Sports, we aim to foster children with a rich and balanced education. By promoting partnerships with companies from various industries, we will continue to provide high-value-added services and strive for sustainable growth and enhanced corporate value.

As a result, sales reached 6,901 million yen (a 3.1% increase compared to the same period last year), operating loss was 190 million yen (compared to an operating loss of 364 million yen in the same period last year), ordinary loss was 197 million yen (compared to an ordinary loss of 357 million yen in the same period last year), and quarterly net loss attributable to owners of the parent was 208 million yen (compared to a quarterly net loss attributable to owners of the parent of 273 million yen in the same period last year).

Our group's operating results are affected by seasonal factors, with student numbers fluctuating due to graduations after exams. The first quarter of the consolidated accounting period, which marks the start of the new school term, typically sees the lowest performance, while the second and fourth quarters, which include intensive courses, see significant increases in profitability. Thus, profitability tends to be lower in the first and third quarters compared to the second and fourth quarters.

The operating results by segment are as follows:

TOMAS [Tutoring school business]

By providing high-quality education services through one-on-one individualized instruction, sales were 3,416 million yen (a 2.7% increase compared to the same period last year), and including internal sales, they were 3,448 million yen (a 3.6% increase compared to the same period last year). During the first quarter of the consolidated accounting period, we opened TOMAS Shibuya Campus for the Most Difficult University Entrance Exams (Tokyo) and Medic TOMAS Shibuya Campus (Tokyo), and relocated and renewed TOMAS Minami-Urawa Campus (Saitama Prefecture).

Meimonkai [Private tutor dispatch education business]

In addition to providing educational instruction services by 100% professional adult instructors and expanding our business nationwide, sales were 1,008 million yen (a 3.4%

decrease compared to the same period last year).

Shingaikai [Early childhood education business]

In addition to the existing business "Shingaikai," which boasts top-class pass rates for prestigious kindergarten and elementary school entrance exams, we enhanced the two brands, including the long-term gifted childcare business for exam preparation "Shinga's Club," resulting in sales of 1,305 million yen (a 0.1% increase compared to the same period last year), and including internal sales, they were 1,315 million yen (a 0.8% increase compared to the same period last year). During the first quarter of the consolidated accounting period, we opened Konami Sports Shinga's Academy Musashi-Kosugi Campus (Kanagawa Prefecture) and renewed Shinga's Club Gakudo Kichijoji Campus (Tokyo).

School TOMAS [In-school individual tutoring business]

By promoting the sales development of in-school individualized instruction cram school "School TOMAS," sales were 767 million yen (a 21.3% increase compared to the same period last year).

Plus One Education [Personality and emotion camp education business]

By providing diverse experiential learning services to nurture emotional fields, sales were 399 million yen (a 5.2% increase compared to the same period last year), and including internal sales, they were 402 million yen (a 5.1% increase compared to the same period last year).

Other Businesses

Sales were 4 million yen (a 13.3% increase compared to the same period last year), and including internal sales, they were 35 million yen (a 1.0% increase compared to the same period last year).

(2) Explanation of Financial Position

At the end of the first quarter of the consolidated accounting period, total assets increased by 1,705 million yen compared to the end of the previous consolidated accounting period, reaching 19,801 million yen. This increase was due to increases in cash and deposits, other current assets (prepaid expenses), tangible fixed assets, deferred tax assets, deposits and guarantee money, and decreases in accounts receivable and investment securities.

Liabilities increased by 86 million yen compared to the end of the previous consolidated accounting period, reaching 9,698 million yen. This increase was due to increases in accounts payable, contract liabilities, accrued bonuses, other current liabilities (deposits received), and retirement benefit liabilities, and a decrease in accrued corporate taxes.

Net assets increased by 1,618 million yen compared to the end of the previous consolidated accounting period, reaching 10,103 million yen. This increase was due to increases in capital stock and capital surplus and a decrease in retained earnings.

(3) Explanation of Future Forecast Information such as Consolidated Earnings Forecast

As the performance for the first quarter of the consolidated cumulative period is generally progressing as planned, there are no changes to the full-year earnings forecast announced on April 8, 2024, at this time. However, the earnings forecast is based on information currently available to the company, and actual results may differ due to various factors.

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