

1. Overview of Business Performance

(1) Overview of Business Results for the Current Interim Period

During the current consolidated interim accounting period, Japan's economy saw wage increases due to inflation-driven price hikes, improving employment and income conditions. However, the removal of the negative interest rate policy and subsequent additional hikes in policy interest rates have raised concerns about their impact on consumption and investment, resulting in continued uncertainty about the economic outlook.

In the educational industry, which is the core business of our group, factors such as these economic conditions, the ongoing decline in the birthrate, the full implementation of the new curriculum guidelines, and the introduction of ICT in schools through the GIGA School Initiative, as well as the mandatory English education starting from the third grade of elementary school, have heightened awareness of the importance of educational investment in Japan. As a result, the market for tutoring services, which had temporarily stalled during the COVID-19 pandemic, is expected to expand.

Amid these circumstances, our group, which operates under a business model designed with the declining birthrate in mind, adheres to a basic management policy based on the belief that “everything is for the future of children.” We aim to provide high-quality, personalized one-on-one tutoring services tailored to the individuality of each student and strive to differentiate ourselves from competitors with a strategy that seeks to establish our company as a unique, leading player in Japan's educational sector.

Furthermore, becoming part of Hulic Co., Ltd.'s group has strengthened our ties, and we are pushing forward with collaborations across industries. This includes developing the educational-specialized facility “Kodomo Department” in collaboration with Hulic Co., Ltd. and Konami Sports Co., Ltd., and launching initiatives such as “Konami Sports Shinga’s Academy”, a joint project between Shinga's Club and Konami Sports Co., Ltd., to nurture well-rounded children with both academic and physical excellence. Through these efforts, we aim to continue offering high-value-added services while striving for sustainable growth and enhanced corporate value.

During the current consolidated interim period, the number of students enrolled at our flagship "TOMAS" one-on-one tutoring service increased by 2.5% compared to the same period last year, and participation in summer courses progressed smoothly. In addition, the number of students receiving personalized tutoring at "School TOMAS," which operates within schools, increased by 14.8% compared to the same period last year.

As a result, net sales reached 16,587 million yen (an increase of 4.1% compared to the same period last year), operating income was 1,458 million yen (a 39.9% increase year-on-year), ordinary income was 1,456 million yen (a 37.7% increase year-on-year), and net income attributable to the parent company’s shareholders was 893 million yen (an increase of 10.2% year-on-year).

The business performance by segment is as follows:

1) TOMAS [Tutoring Business Division]

We provided high-quality educational services through personalized one-on-one tutoring, resulting in net sales of 8,389 million yen (a 4.7% increase year-on-year) or 8,450 million yen (a 5.5% increase year-on-year), including internal sales.

During this interim consolidated period, we opened new branches, including the TOMAS Shibuya branch (for the most competitive university admissions), the Medic TOMAS Shibuya branch, and the TOMAS Yoga branch in Tokyo. We also relocated and revamped the TOMAS Minami-Urawa branch in Saitama Prefecture and renewed the TOMAS Nishinippori and Iidabashi branches in Tokyo.

2) Meimonkai [Home Tutoring Business Division]

In addition to providing educational instruction by 100% professional tutors, we are

expanding nationwide. Net sales decreased to 2,271 million yen (a 2.7% decrease year-on-year).

3) Shingakai [Early Childhood Education Division]

In addition to our established “Shingakai” brand, which has a top-class track record for admission to prestigious kindergartens and elementary schools, we also enhanced our long-hour, exam-prep childcare services under the “Shinga’s Club” brand. Net sales reached 3,119 million yen (a 0.5% increase year-on-year) or 3,146 million yen (a 0.8% increase year-on-year), including internal sales.

During this interim consolidated period, we opened the Konami Sports Shinga’s Academy Musashi-Kosugi branch (Kanagawa Prefecture) and renovated the Shinga’s Club Gakudo Kichijoji branch (Tokyo).

4) School TOMAS [In-School Personalized Tutoring Business Division]

We expanded the sales of “School TOMAS,” a personalized in-school tutoring service, resulting in net sales of 1,704 million yen (a 19.2% increase year-on-year).

5) Plus One Education [Character Building and Emotional Development Camp Education Division]

We provided a wide range of experiential learning services that foster emotional development, resulting in net sales of 1,093 million yen (a 3.9% increase year-on-year), or 1,099 million yen (a 3.9% increase year-on-year), including internal sales.

6) Other Businesses

Net sales were 9 million yen (a 6.6% increase year-on-year) or 69 million yen (a 1.0% decrease year-on-year), including internal sales.

(2) Overview of Financial Position for the Current Interim Period

At the end of the current consolidated interim period, total assets increased by 3,309 million yen compared to the end of the previous fiscal year, amounting to 21,406 million yen. This increase was mainly due to an increase in cash and deposits, tangible fixed assets, security deposits, and a decrease in accounts receivable and investment securities.

Liabilities increased by 585 million yen compared to the end of the previous fiscal year, totaling 10,197 million yen. This increase was mainly due to an increase in unpaid expenses, contract liabilities, and retirement benefit obligations, partially offset by a decrease in unpaid corporate taxes and bonuses.

Net assets increased by 2,723 million yen compared to the end of the previous fiscal year, reaching 11,208 million yen. This was due to an increase in capital stock, capital surplus, and a decrease in retained earnings.

(3) Overview of Cash Flows for the Current Interim Period

Cash and cash equivalents at the end of the current consolidated interim period increased by 4,715 million yen compared to the end of the previous fiscal year, reaching 10,176 million yen (compared to 5,460 million yen at the end of the previous fiscal year).

The cash flow results for the current interim period and the factors affecting them are as follows:

(Operating Cash Flow)

The net cash generated from operating activities was 3,248 million yen (compared to 1,883 million yen in the same period of the previous year). This was mainly due to factors such as income before income taxes of 1,359 million yen, depreciation expenses of 246 million yen, an increase in retirement benefit obligations of 94 million yen, a decrease in accounts receivable of 1,567 million yen, an increase in unpaid expenses of 542 million yen, an increase in contract liabilities of 186 million yen, and corporate tax payments of 615 million yen.

(Investing Cash Flow)

Net cash used in investing activities was 378 million yen (compared to 629 million yen in the same period of the previous year). This was mainly due to expenditures of 309 million yen for the acquisition of tangible fixed assets, 75 million yen for intangible fixed assets, and 112 million yen for security deposits and guarantee money, offset by income of 149 million yen from the sale of parent company shares.

(Financing Cash Flow)

Net cash generated from financing activities was 1,845 million yen (compared to a net outflow of 2,463 million yen in the same period of the previous year). This was mainly due to income of 3,383 million yen from stock issuance and dividend payments of 1,538 million yen, offset by both income and repayment of short-term loans totaling 500 million yen.

(4) Explanation of Future Projections and Earnings Forecast

Since the current interim consolidated period's results are progressing mostly in line with the plan, there are no changes to the full-year earnings forecast announced on April 8, 2024, at this time.

Please note that the earnings forecast is based on information currently available to the company, and actual results may differ due to various factors.

Note : This document has been translated (machine-translated) from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.