

FY2023 3Q Results Q&A Summary

We have prepared answers to some of the questions we anticipate from shareholders and investors regarding the announcement of FY2023 3Q results. Please refer to them in conjunction with the supplementary materials.

Overall results

1. Are the 3Q performance in line with the plan?

Net sales fell short of the plan due to factors including a decline in cumulative enrollment in Shinkenzemi and in Kodomo Challenge in Japan and China. Operating income was generally in line with the plan thanks to various cost reductions and other measures.

As announced on January 29, 2024, we expect full-term net sales to fall short of the plan announced on May 12, 2023. This is mainly due to a decline in cumulative enrollment in Shinkenzemi and in Kodomo Challenge in Japan and China, despite an expected improvement in revenue due mainly to an increase in orders in the University and Working Adult Business. We also expect full-term operating income to be, despite an increase in income from the review of costs in each business and other factors, lower than previously announced. This is due to lower income from lower revenue, in addition to factors such as additional investment in selling expenses for Shinkenzemi.

Education Business in Japan

2. What is the current status of Shinkenzemi and Kodomo Challenge enrollments?

FY2023 started with April enrollment down YoY. Based on this, we expect cumulative enrollment for the current term to be down YoY as well. For the 3Q, with slightly-lower-than-planned numbers in Kodomo Challenge and Shinkenzemi Elementary School Course, the cumulative enrollment was down 11.9% YoY.

3. What is the status of School & Teacher Support business?

In 3Q, they are generally in line with our targets.

4. What is the status of Prep Schools & Classroom business?

Tokyo Individualized Educational Institute, INC., our consolidated subsidiary, is performing slightly below the plan. Others are generally in progress as planned.

University & Working Adult

5. What is the status of University & Working Adult business?

We position the University and Working Adult Business as a growth business. It is expanding steadily this term as well. As we have been making investments for further growth, operating income was lower YoY. However, we expect to have increased income for the full-term, and it is generally in line with the plan.

Nursing Care and Childcare

6. What is the current occupancy rate situation in Nursing business?

It is generally proceeding as planned. Occupancy rates have been roughly in line with the plan, and there is no change to the occupancy rate plan (occupancy rate: 94%) for the end of FY2023.

Other

7. What is the situation for Kodomo Challenge (Preschool Courses) in China?

Due to the impact of the rapidly declining birthrate and changes in the economic conditions in China, it is proceeding with lower-than-planned numbers, particularly in new member acquisition.