COMPANY RESEARCH AND ANALYSIS REPORT

RISO KYOIKU GROUP CORPORATION

4714

Tokyo Stock Exchange Prime Market

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Contents

Summary

Aiming for annual profit growth of 10% through group synergies and the cultivation of new businesses

RISO KYOIKU GROUP CORPORATION <4714> (hereafter, also “the Company”) is an education services company based on a unique high value-added business model by combining entirely one-on-one instruction and academic advancement, with TOMAS Co., Ltd., which operates tutoring schools, as its core. Also under its umbrella are Shingakai Co., Ltd., which provides entrance exam preparation for well-known kindergartens and elementary schools; Meimonkai Co., Ltd., which dispatches professional private tutors; School TOMAS Co., Ltd., which provides in-school individual tutoring; and Plus One Kyoiku Co., Ltd., which plans tour-style experiences and runs gymnastics classes. In September 2025, the Company made the transition to a holding company structure.

1. Overview of FY2/26 results

In the FY2/26 consolidated results, net sales increased 2.5% year on year (YoY) to ¥34,240mn, operating profit decreased 7.8% to ¥2,704mn, ordinary profit decreased 7.0% to ¥2,732mn, and profit attributable to owners of parent decreased 7.3% to ¥1,615mn. Although net sales increased in each business and reached consecutive record highs, the Company was unable to absorb the increase in fixed costs such as personnel expenses and rent, and all profit line items turned to a decrease for the first time in three fiscal years. For TOMAS, Shingakai, and others, the number of students showed a recovery trend entering the second half (2H), and taking the opportunity of the transition to a holding company structure in September 2025, the Company worked to review expenses at each group company. As a result, looking only at 2H, net sales increased 4.0% to ¥17,478mn, and operating profit increased 30.5% to ¥1,924mn, turning to double-digit profit growth and reaching a record high for the first time in four fiscal years.

2. Medium-term management plan

The Company announced a three-year medium-term management plan with FY2/29 as its final year. The performance targets for FY2/29 are net sales of ¥39,100mn and operating profit of ¥3,640mn, aiming for an annual increase of 4.5% in net sales and 10.4% in profit. As a basic strategy, in existing businesses, it aims to achieve steady growth by increasing the number of enrolled students and improving net sales per student through the “systematization of inter-group student referrals,” as well as implementing measures to improve profit through “business efficiency improvement through DX promotion.” Additionally, advancing the cultivation of new businesses will lead to further growth. In new businesses, its policy is to focus on the “group-wide expansion of TOMAS video course content,” “franchise expansion of Meimonkai online courses,” “business expansion of School TOMAS,” and “new expansion of Kodomo Departs.”

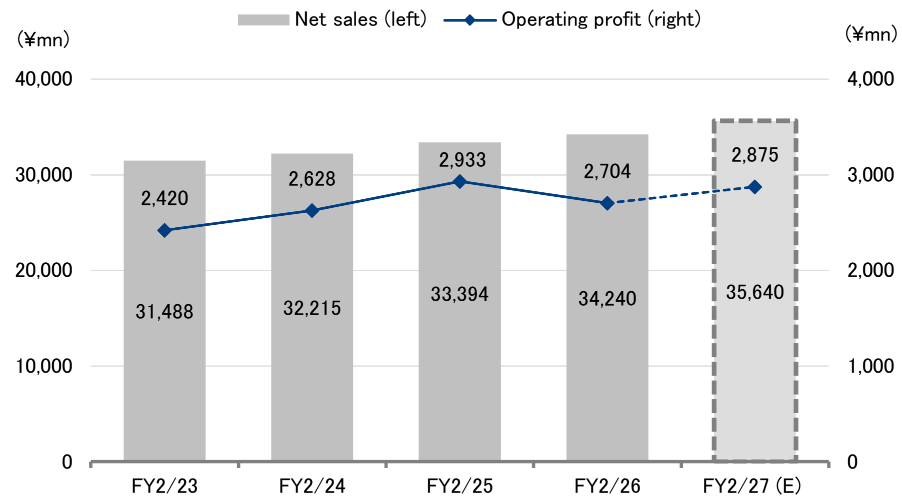
3. FY2/27 forecasts

For the FY2/27 consolidated results, the Company expects net sales to increase 4.1% YoY to ¥35,640mn, operating profit to rise 6.3% to ¥2,875mn, ordinary profit to rise 2.5% to ¥2,800mn, and profit attributable to owners of parent to rise 5.2% to ¥1,700mn. The Company anticipates single-digit net sales growth in each business due to an increase in the number of enrolled students. Although personnel expenses and rent will continue to increase, it plans to absorb them by working to improve business efficiency through DX promotion, such as utilizing generative AI, and reviewing expenses at each group company. Moreover, as the highly profitable in-school individual tutoring business continues to expand and Shingakai's net sales turn to recovery, the operating margin is expected to rise from 7.9% in the previous fiscal year to 8.1%. For shareholder returns, the Company's basic policy is to pay dividends with a dividend payout ratio of 50% or more. For FY2/27, it plans to pay ¥10.0 per share, the same amount as the previous fiscal year, with a projected dividend payout ratio of 100.2%.

Key Points

- For FY2/26 results, profit declined, but 2H profit reached a record high
- Formulated a medium-term management plan through FY2/29, aiming for annual profit growth of 10%
- Forecasts increases in net sales and profit for FY2/27, leaving room for upside

Results trend



Source: Prepared by FISCO from the Company's financial results

Company profile

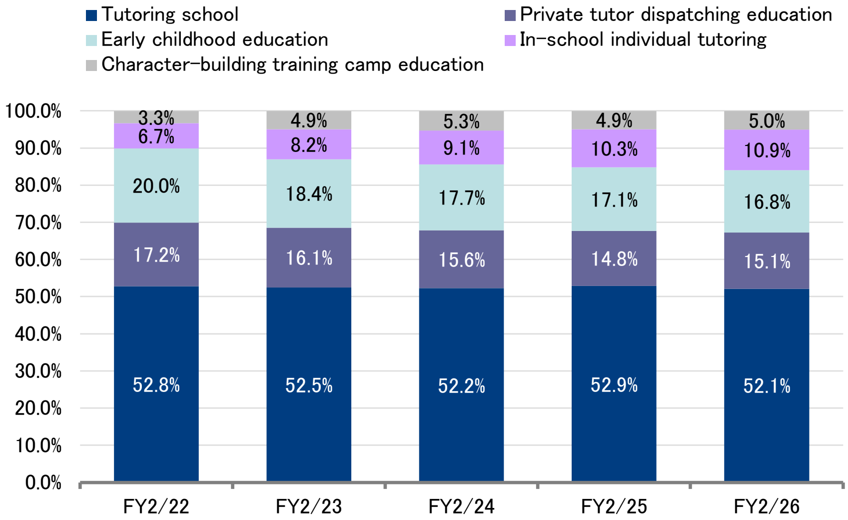
Building educational service businesses mainly through TOMAS, Meimonkai, and Shingakai

1. Business description

The Company made the transition to a holding company structure in September 2025. The Company serves as the management function for its group companies. It has eight subsidiaries under its umbrella: TOMAS, which operates the tutoring school, English school, and student recruitment businesses; Meimonkai, which operates the private tutor dispatching education business; Shingakai, which operates the early childhood education, extended-hour childcare programs, and extended-hours after-school care service businesses; School TOMAS, which operates the in-school individual tutoring business; Plus One Kyoiku Co., Ltd., which operates the character-building training camp education and school businesses (gymnastics and soccer school); Riso Welfare, which operates a membership-based café and employee welfare and benefits businesses; Cocokara Teachers, which operates the instructor recruitment, training, and referral business for group companies; and Sundai TOMAS, which operates the learning guidance business specializing in entrance exams for the most difficult schools. Except for Sundai TOMAS (investment ratio of 51%), which was established as a joint venture with Surugadai Gakuen Educational Institution, all are wholly owned subsidiaries.

In terms of business segments, it discloses information on the tutoring school business, private tutor dispatching education business, early childhood education business, in-school individual tutoring business, and character-building training camp education business. For the percentages of total net sales by business segments in the most recent five years (FY2/22–FY2/26), the tutoring school business provided just over 50% of net sales, and is the mainstay business. In recent years, partly due to the impact of the declining birthrate and intensifying competition, the percentages of the private tutor dispatching education business and the early childhood education business have declined, while the percentage of the in-school individual tutoring business has been on an upward trend from 6.7% in FY2/22 to 10.9% in FY2/26. This upward trend reflects growing recognition of School TOMAS not only as a high-quality educational service, but also as a service that helps alleviate the excessive workloads for schoolteachers and improves students' advancement results. The number of schools introducing this service has been increasing, particularly among private integrated junior and senior high schools.

Breakdown by business segments



Note: Ratios are calculated excluding "other."
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Regarding profitability, the mainstay tutoring school business and private tutor dispatching education business have remained relatively stable with ordinary profit margins in the high single-digit range. The early childhood education business had maintained double-digit profit margins backed by the strong brand power of Shingakai, which has a track record of around 70 years as a pioneer in prestigious kindergarten and elementary school entrance exams, but since FY2/24, they have declined to the single-digit range due to a decrease in student numbers caused by intensifying competition. Conversely, the in-school individual tutoring business saw both an expansion in net sales volume and an increase in profit margin, making it the most profitable business among those of the Group in FY2/26 with a profit margin of 10.4%.

(1) Tutoring school business

The tutoring school business consists of 104 entirely one-on-one instruction TOMAS schools for academic advancement that are operated by TOMAS in the Tokyo metropolitan area (as of the end of February 2026, same below), 12 English conversation Inter TOMAS schools, and 4 one-on-one instruction MEDIC TOMAS schools for medical school exam preparation. Additionally, it operates 1 Spec. TOMAS (a school located in Jiyugaoka), a provider of one-on-one instruction that specializes in entrance exams for the most difficult schools, under Sundai TOMAS.

TOMAS, an entirely one-on-one instruction school for academic advancement aimed at elementary students to high school students, has been the most successful at getting students accepted to the most difficult schools as an individual instruction school thanks to preparation and provision of a curriculum that works out a path to passing exams for individuals to the dream schools they truly wish to attend, according to the Company. The student numbers consist of about 40% elementary students, a little under 30% middle school students, and a little over 30% high school students. Additionally, Spec. TOMAS focuses on 1st–6th grade elementary students with the aim of preparing them to pass exams for the toughest middle schools and hires teachers as full-time employees to support them. It implements an entrance exam and refers students who fail the exam to nearby TOMAS schools.

(2) Private tutor dispatching education business

In the private tutor dispatching education business, Meimonkai operates 35 Meimonkai schools in major cities nationwide. Professional adult teachers provide service as private tutors, and the Company asserts that it is the only private tutor center capable of disclosing advancement results. It has many candidates accepted for the most difficult schools each year, including particularly high acceptance results to medical schools. In 2022, the Company opened MEDIC Meimonkai schools specializing in medical school entrance exam preparation, and currently operates three such schools, one each in Osaka, Kobe, and Kyoto. As well as entirely one-on-one instruction by professional tutors, the schools provide a full support structure with curriculum supporters (general support for putting study plan into practice, including curriculum preparation), teaching assistants (support for students working on exam questions), and concierges (lifestyle management and mental health support) so that students can pass entrance exams to the schools of their choice. It also operates seven TOMEIKAI schools as individualized instruction schools with service areas outside of the Tokyo metropolitan area (five schools in the Kyushu area and two schools in the Tokai area) and provides Meimonkai Online, an interactive online teaching service.

(3) Early childhood education business

In the early childhood education business, Shingakai operates 22 Shingakai schools mainly in the Tokyo metropolitan area (21 schools in the Tokyo metropolitan area and 1 school in Kansai area). It produces some of the top-scoring candidates passing exams for prestigious schools as a result of study programs tailored to individual development and education that nurtures the imagination. It also runs Shinga's Club, a childcare and after-school care business, with 33 facilities (24 after-school care and 9 childcare facilities) in the Tokyo metropolitan area. Childcare programs that incorporate the Shingakai education method and prepare children for school entrance exams are offered. The after-school care service also prepares children for school entrance exams based on a unique study curriculum. Both services are popular among working parents who combine careers with parenting. The 24 after-school care facilities also include three Konami Sports Shinga's Academy schools opened in Konami Sports Club facilities through a business alliance with Konami Sports Co., Ltd.

(4) In-school individual tutoring business

In the in-school individual tutoring business, School TOMAS provides an individual instruction service at contracted schools after normal class hours with teachers that it dispatches to the schools (for some locations, individual instruction is provided online). Points of difference with competitors are permanent employees in schools engaged in administration and management as well as teachers, providing each student with appropriate advice based on an understanding of individual learning situations, and sharing information with schools and guardians, making it a service with high customer satisfaction ratings. Another strength of the Company is the wide range of services it offers to meet its customers' needs, including one-on-one instruction services in combination with the atama+ AI teaching material, in addition to question-based and curriculum-based one-on-one instruction. The service usually starts with one grade in the first year and increases the number of grades each year thereafter. The number of schools in operation was 96 in FY2/26 (88 in FY2/25).

(5) Character-building training camp education business

The character-building training camp education business consists of 11 schools for gymnastics and 5 schools for soccer run by Plus One Kyoiku, and planning and provision of School Tour Ship, an experience-type educational program using weekend days, summer vacation and other extended holidays. This program aims to cultivate action-taking and decision-making capabilities and develop intellectual curiosity through participation in various experiences provided by School Tour Ship.

Overview of business segments and main companies

Business segments	Company name	Business description	Service regions
Tutoring school business	TOMAS	Operating businesses centering on the entirely one-on-one instruction school TOMAS, the one-on-one instruction MEDIC TOMAS school for medical school exam preparation, and the English conversation Inter TOMAS school, among others	Tokyo metropolitan area
	Sundai TOMAS	Operates Spec.TOMAS one-on-one instruction schools that specialize in entrance exams for the most difficult schools	Tokyo metropolitan area (likely to expand in the future)
Private tutor dispatching education business	Meimonkai	Runs private tutor dispatching education business Meimonkai and MEDIC Meimonkai, TOMEIKAI (one-on-one instruction schools outside Tokyo metropolitan area), and interactive online teaching service Meimonkai Online	Meimonkai nationwide TOMEIKAI offers services outside of the Tokyo metropolitan area MEDIC Meimonkai offers services in Kansai area (likely to expand in the future)
Early childhood education business	Shingakai	Operates Shingakai, a school that handles entrance exam instruction for well-known kindergartens and elementary schools, and Shinga's Club, a childcare and after-school care business Shinga's Club after-school care runs Konami Sports Shinga's Academy in collaboration with Konami Sports	Shingakai has schools in Tokyo metropolitan and Kansai areas Shinga's Club runs schools in Tokyo metropolitan area; Konami Sports Shinga's Academy schools are in the Tokyo metropolitan and Kansai areas
In-school individual tutoring business	School TOMAS	Offers in-school individual tutoring	Nationwide
Character-building training camp education business	Plus One Kyoiku	Operates a school business with a soccer school and gymnastics school and a tour business that cultivates action-taking and decision-making capabilities through various experiences	The tour business operates nationwide Soccer/gymnastics schools are in the Tokyo metropolitan area

Source: Prepared by FISCO from the Company's securities report and results briefing materials and others

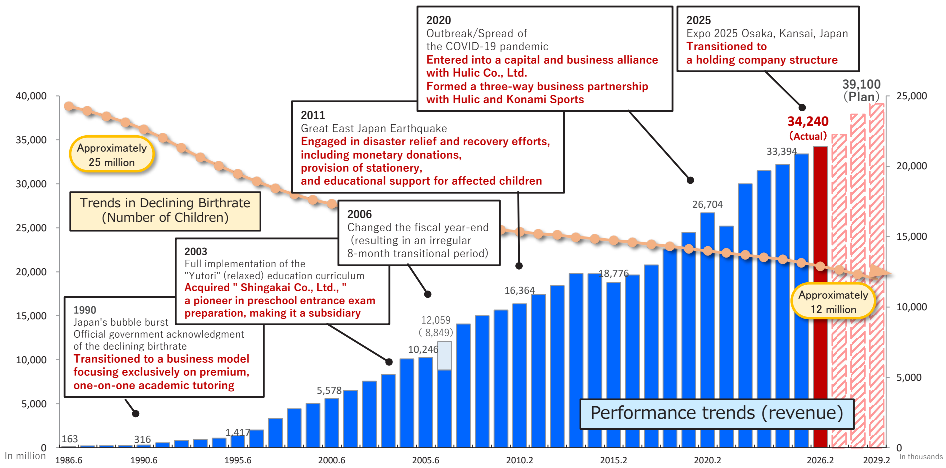
Building educational services based on entirely one-on-one instruction

2. Characteristics and strengths

The Company has largely maintained a trend of expanding results over the long term and realized high profitability. FISCO thinks these are due to the competitive business model built by the Company, and comprehending its structure is important in evaluating the Company's medium- to long-term growth scenario.

The Company recorded ¥163mn in net sales in FY6/86, its founding year, and sustained steady sales growth through FY2/13 (although sales dropped in FY2/06 with its abnormal 8-month period due to the fiscal year change, they were higher on an actual basis that converts sales to a 12-month format). Growth slowed temporarily in several fiscal years since FY2/14 as it revamped internal management operations on discovery of improper accounting issues. Excluding a sales decline in FY2/21 due to the impact of the COVID-19 pandemic, the Company has sustained a growth trend over the long term.

Net sales since the Company was founded

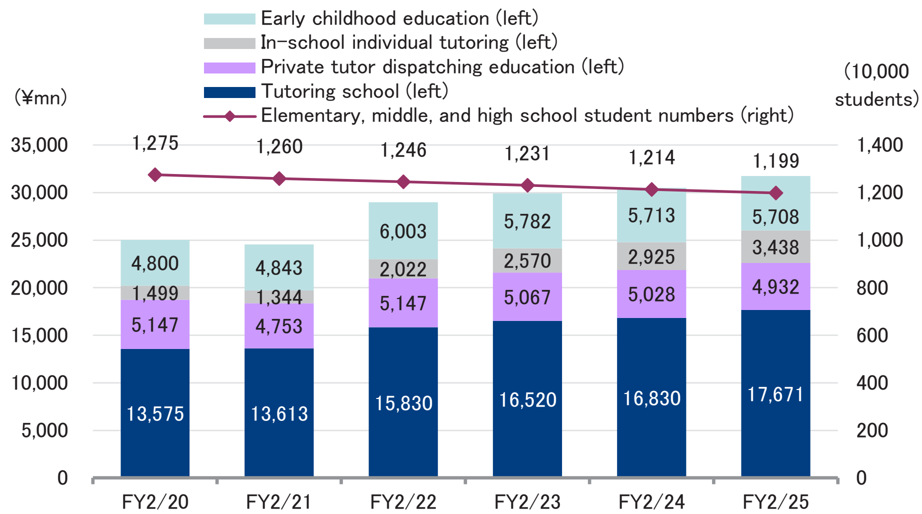


Source: The Company's results briefing materials

The important point here is that even in a situation in which competition to acquire students is intensifying due to the shrinkage of Japan's youth population and the increase in companies entering the market, the main businesses have continued to grow. The number of elementary, middle, and high school students, who are the Company's main targets, trended downward by 1.2% per year, from 12.75 million students in FY2019 to 11.99 million students* in FY2024, but during the same period, net sales of the four main businesses (tutoring school, private tutor dispatching education, early childhood education, and in-school individual tutoring) grew by 4.9% per year. The main factor behind the sustained growth is the Company skillfully meeting the needs for exam preparation in response to changing market conditions, such as an increase in students applying to private schools and increased spending on education per child in a situation in which the future is increasingly uncertain.

* The total value of the number of students attending elementary, middle and high schools in the School Basic Survey by the Ministry of Education, Culture, Sports, Science and Technology

Trends in the main businesses' net sales and elementary, middle and high school student numbers



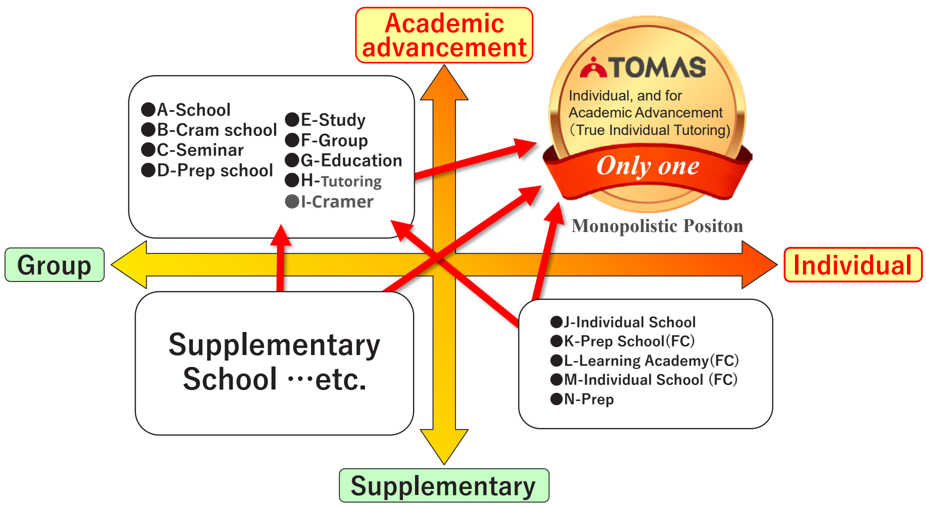
Source: Prepared by FISCO from the Company's financial results. Student numbers from the School Basic Survey by the Ministry of Education, Culture, Sports, Science and Technology

The level of operating margin has been stable at about 10% with the exception of FY2/21 when it was 4.0% because of the COVID-19 impact. The 10% margin level is higher than the industry average for educational advancement and preparatory schools. While multiple listed peers realize higher operating margins than the Company, these firms either use group instruction as the core business model or acquire royalty income through franchise businesses. Very few peers that mainly conduct one-on-one instruction in directly run schools, such as the Company, or utilize a mix of group and individualized instruction, have similar level operating margins.

A citable factor enabling the Company to maintain stable sales growth and high profitability is that, based on the assumption that education spending per child will increase as a result of the declining birthrate, the Company has built a high value-added business model that captures this.

Important points for establishing a competitive advantage in a market environment with a shrinking youth population are provision of high-quality educational services through entirely one-on-one instruction and focus on advancement instruction as the goal. These are common aspects of TOMAS and other business formats. Currently, the number of firms actively promoting individual instruction that combines both aspects appears to be limited. The typical model in the individual instruction market at this point is a quasi-approach with a ratio of one teacher to a few students (two to three), in many cases for the purpose of supplementing school coursework. The main reason it is difficult for other companies to adopt the Company's model is the high business risk. Setting fees at or above a certain level is necessary in order to achieve profitability through entirely one-on-one instruction, but services aimed at supplementing coursework make it difficult to justify these fee levels. The tough reality is that only academic advancement results for the most difficult schools are capable of justifying high course fees. Almost no newcomers are entering the market with the same business model as the Company for this reason, and this is why the Company has solidified its strong brand strength and position as a one-on-one educational advancement and preparatory school.

The Company's position in the market



Source: The Company's results briefing materials

The Company's founding purpose was high-quality individualized instruction and thorough application of a mentality that tutoring schools are not a so-called education business, but a "service business" that meets customer needs, which led to delivering services with a high degree of customer satisfaction. High customer satisfaction in the educational instruction and preparatory school industry means getting into the desired school. Since its founding, the Group has always retained the awareness of being a service business and sees pursuit of academic advancement results as its management goal as a service company. It is considered that the business model of "pursuing academic advancement results" is the true source of the Company's strength and a factor through which it realizes stable sales growth and high profitability mentioned above.

An example of the Company's management approach with high awareness as a service company is its style of having full-time employees focus on management. The TOMAS business utilizes part-time university students and adults as instructors and has full-time employees assigned to each classroom site serve as coordinators between instructors, students and their guardians. Specifically, they engage in the following tasks: 1) identify true aims and goals of students and guardians; 2) develop curriculum with the instructor based on this information; and 3) explain progress updates, subsequent instruction policy, and other details to guardians after lessons begin. Repetition of this cycle maintains a high level of customer satisfaction and contributes to the biggest customer satisfaction of getting into the desired school. In addition, dedicated employees have been assigned to student recruitment operations to ensure they are carried out efficiently.

Regarding whether the Company's stable growth and high profitability will be maintained in the future as well, although they will be affected by the progress of the declining birthrate and future investment policies, FISCO thinks that a certain level of sustainability is expected over the medium term based on the Company's business characteristics and competitive advantage.

Results trends

In FY2/26 results, profit declined, but 2H profit reached a record high

1. Overview of FY2/26 results

In the FY2/26 consolidated results, net sales increased 2.5% YoY to ¥34,240mn, operating profit decreased 7.8% to ¥2,704mn, ordinary profit decreased 7.0% to ¥2,732mn, and profit attributable to owners of parent decreased 7.3% to ¥1,615mn, posting higher sales and lower profits. The number of enrolled students, which was sluggish in the first half of the fiscal year, rallied in the second half, leading to net sales reaching consecutive record highs. However, the Company was unable to absorb the increase in fixed costs such as personnel expenses and rent, and all profit line items decreased for the first time in three fiscal years.

FY2/26 consolidated results

(¥mn)

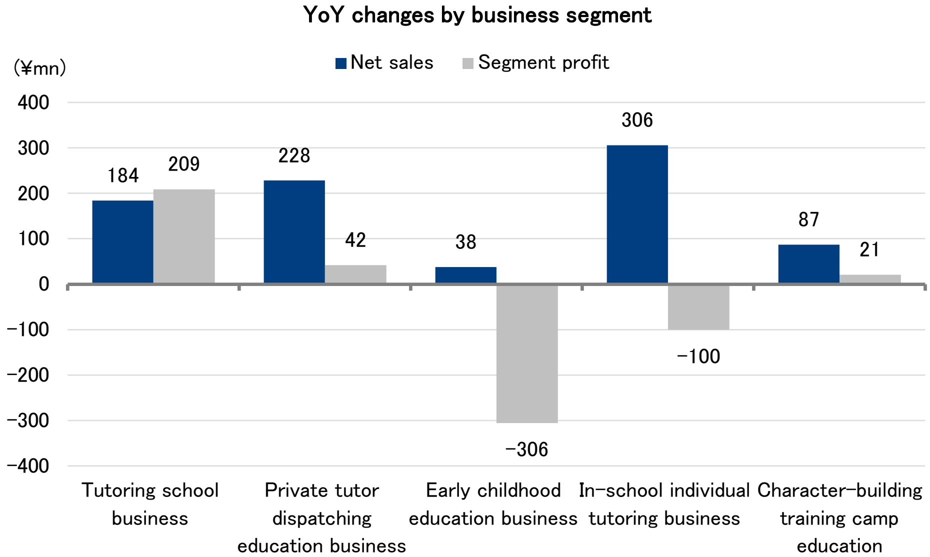
	FY2/25		FY2/26						
	Results	Ratio to net sales	Initial plan	Revised plan*	Results YoY	Ratio to net sales	YoY	Vs. initial plan	Vs. revised plan*
Net sales	33,394	-	36,000	34,200	34,240	-	2.5%	-4.9%	0.10%
Cost of sales	24,348	72.9%	-		25,188	73.6%	3.4%	-	-
SG&A expenses	6,112	18.3%	-		6,348	18.5%	3.9%	-	-
Operating profit	2,933	8.8%	3,145	2,470	2,704	7.9%	-7.8%	-14.0%	9.50%
Ordinary profit	2,938	8.8%	3,140	2,500	2,732	8.0%	-7.0%	-13.0%	9.30%
Extraordinary gains/losses	-356	-	-		-121	-	-	-	-
Profit attributable to owners of parent	1,743	5.2%	2,000	1,540	1,615	4.7%	-7.3%	-19.2%	4.90%

* The revised plan represents the revised values dated January 9, 2026.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Looking at the main factors for the changes in expenses, personnel expenses increased ¥450mn YoY due to reasons including a base salary increase implemented in December 2024 to recruit and retain capable talent. In addition, associated with the opening of new schools, rent increased ¥250mn (including rent revisions at existing schools) and depreciation increased ¥130mn. On the other hand, taking the opportunity of the transition to a holding company structure in September 2025, the Company centralized the management of advertising activities, which were previously conducted independently by each group company, under the holding company and worked to improve efficiency, resulting in advertising expenses decreasing ¥130mn.

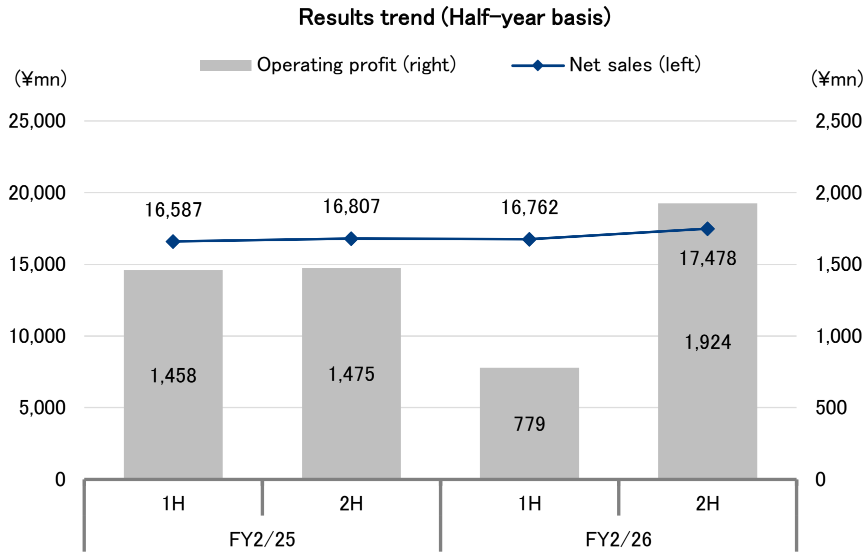
Looking by business segment, net sales achieved increases in all business segments, but for segment profit, although the tutoring school business, private tutor dispatching education business, and character-building training camp education business recorded increased profit, the early childhood education business and in-school individual tutoring business saw decreased profit. Compared to the initial plan, affected by the sluggish number of enrolled students in TOMAS and Shingakai in the first half of the fiscal year, both net sales and all profit figures fell short, but they exceeded the revised consolidated forecasts announced on January 9, 2026 (net sales of ¥34,200mn, operating profit of ¥2,470mn, ordinary profit of ¥2,500mn, and profit attributable to owners of parent of ¥1,540mn) even on a profit basis. The effects of group companies working to control costs, primarily advertising expenses, have emerged.

Results trends



Source: Prepared by FISCO from the Company's financial results

Although the Company posted lower profit for the full year, looking only at 2H, the number of enrolled students was on a recovery trend, and it worked on cost efficiency at each group company under the holding company structure. As a result, net sales reached a record high, increasing 4.0% YoY to ¥17,478mn, and operating profit also reached a record high for the first time in four fiscal years, increasing 30.5% to ¥1,924mn (previously ¥1,699mn in 2H FY2/22).



Source: Prepared by FISCO from the Company's financial results

Net sales increased in all businesses, in-school individual tutoring reached a record high

2. Trends by segment

(1) Tutoring school business

Net sales in the tutoring school business reached consecutive record highs, increasing 1.0% YoY to ¥17,855mn, and segment profit recorded a second consecutive fiscal year of profit growth, rising 17.9% to ¥1,372mn. Although the Company implemented a price revision of approximately 3% from March 2025, the number of students leaving upon the spring graduation and enrollment season increased more than expected. The subsequent prolonged recovery period led to sluggish net sales growth. Although the average number of students during the fiscal year decreased 0.2%, it turned to a slight increase in 2H as a result of efforts to minimize student withdrawals. While there were no major changes in the trends for elementary, middle, and high school students, the ratio of high school students rose slightly. In terms of profit, although there was an increase in fixed costs such as personnel expenses, factors contributing to the profit increase included the effects of price revisions and efforts to control expenses, as well as a decrease in management fees due to a lower percentage of total net sales.

For the expansion of school buildings, the Company opened four new schools (two in Tokyo, two in Kanagawa) and renovated five schools (four in Tokyo, one in Chiba) (compared to two new school openings and five renovations in the previous fiscal year). As a result, the number of schools at the end of the fiscal year was 104, an increase of 4 from the end of the previous fiscal year. Of these, the Nakano School, which relocated and expanded to Kodomo Depart Nakano that opened in April 2025, performed well, with the number of students increasing by a double-digit percentage YoY. In addition, the number of MEDIC TOMAS, Inter TOMAS, and Spec. TOMAS schools remained at the same level as the previous fiscal year.

(2) Private tutor dispatching education business

Net sales in the private tutor dispatching education business increased 4.6% YoY to ¥5,160mn, and segment profit rose 11.8% to ¥397mn. Although the average number of students during the fiscal year decreased 2.0%, net sales turned to an increase for the first time in four fiscal years and reached a record high due to improvements in service content and the effects of price revisions from March 2025. In terms of profit, in addition to the effect of higher net sales, efforts to reduce costs, such as consolidating and closing unprofitable schools, were factors behind the increase in profit.

For the expansion of school buildings, in May 2025, the Company newly opened the MEDIC Meimonkai Kyoto School, and renewed two Meimonkai schools and one TOMEIKAI school. (One Meimonkai and one TOMEIKAI school were integrated into MEDIC Meimonkai Kyoto School.) As of the end of the fiscal year, the number of school buildings was 35 for Meimonkai, a decrease of 1 from the end of the previous fiscal year; 7 for TOMEIKAI, a decrease of 1; and 3 for MEDIC Meimonkai, an increase of 1. As the consolidation of unprofitable locations has largely run its course, for Meimonkai, the Company intends to increase the number of schools in the Kitakyushu and Tokai areas, where management effectiveness is high, including the opening of a new school in Ichinomiya (Aichi Prefecture) in March 2026.

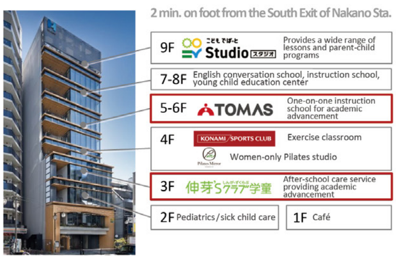
(3) Early childhood education business

In the early childhood education business, net sales increased 0.7% to ¥5,746mn YoY and segment profit decreased 67.4% to ¥148mn. The sluggishness in Shingakai was offset by an increase in the after-school care and childcare services of Shinga's Club, and net sales returned to growth for the first time in four fiscal years. On the other hand, in terms of profit, in addition to the decrease in student numbers at the highly profitable Shingakai, factors contributing to the decline included an increase in fixed costs such as personnel expenses, rent, and depreciation associated with the opening of two Kodomo Depart locations in April 2025.

For the expansion of school buildings, the Company opened a Shingakai school, a Shinga's Club childcare facility, and a Shinga's Club after-school care facility at Kodomo Depart Tama-Plaza. In addition, the Company opened a Shinga's Club after-school care facility at Kodomo Depart Nakano. Additionally, in March 2025, the Company closed 1 Shingakai school and 1 Shinga's Club childcare facility, and in June 2025, it renovated 1 Shinga's Club after-school care facility. As a result, as of the end of the fiscal year, there were 22 Shingakai schools (unchanged YoY), 24 Shinga's Club after-school care facilities (up 2; includes 3 Konami Sports Shinga's Academy schools), and 9 Shinga's Club childcare facilities (up 1).

For the two Kodomo Depart locations, student acquisition has been progressing steadily since they opened. Located within a few minutes on foot from the station, children can develop their talents in one place, from lessons to entrance exam preparation. In addition to this, at Kodomo Depart Nakano, child-oriented services such as Konami Sports, a clinic for children, and an English conversation school on separate floors of the nine-story building, as well as services for parents and guardians including a café and a Pilates studio for women, are also provided. Furthermore, a concierge has been placed, establishing a solid system regarding "peace of mind" and "safety." In this way, their location, co-location of multiple services, and operational structure have been highly evaluated, leading to a steady start.

Kodomo Depart Nakano



Kodomo Depart Tama-Plaza

Source: The Company's results briefing materials

(4) In-school individual tutoring business

In the in-school individual tutoring business, net sales reached consecutive historical highs, increasing 8.9% YoY to ¥3,744mn, and segment profit decreased 20.5% to ¥388mn. The number of schools in operation increased steadily, rising by 8 to 96. In addition, the number of students taking online one-on-one instruction, which enables students, particularly at regional schools, to receive one-on-one instruction from capable instructors at home, expanded. These factors contributed to higher net sales.

At private schools, interest is growing in the Company's service, which contributes both to improving students' academic abilities and reducing the administrative burden on teachers, and the Company is expected to continue expanding the number of schools introducing the service going forward. In addition, in September 2025, School TOMAS concluded a business alliance agreement with J.S.B. Network Corporation (hereafter, JSBNW), a subsidiary of J.S.B. Co., Ltd. <3480>, a leading company in rental apartments for students, that operates and manages apartments, and these efforts are already bearing fruit. Specifically, it launched the "Oheya 'de' Baito" service for students living in properties managed by JSBNW, enabling them to work as online instructors for one-on-one instruction schools. Since residents can work part-time as student instructors from within their own rooms, it is contributing to instructor recruitment. On the other hand, in terms of profit, an increase in management fees due to a higher percentage of total net sales was a factor in the profit decrease, and excluding this factor, profit increased.

(5) Character-building training camp education business

The character-building training camp education business reported net sales of ¥1,712mn, up 5.4% YoY, and segment profit of ¥68mn, up 44.8%. The average number of students during the fiscal year at the highly profitable gymnastics schools and soccer schools increased 6.3%, contributing to higher net sales and profit. As for school operations, there were 11 TOMAS Gymnastics Schools and 5 TOMAS Soccer Schools, remaining at the same level as the end of the previous fiscal year.

Equity ratio is in the 50% range, indicating a sound financial position

3. Financial position

Looking at the financial position at the end of FY2/26, total assets increased ¥557mn from the end of the previous fiscal year to ¥22,667mn. For key changes in assets, in current assets, cash and deposits decreased ¥871mn, while trade accounts receivable increased ¥200mn, and other current assets such as accrued consumption taxes increased. The fact that the last day of February fell on a bank holiday, resulting in funds arriving the following month, was the factor behind the increase in trade accounts receivable and accrued consumption taxes. In non-current assets, property, plant and equipment increased ¥165mn due largely to the opening of new schools. In addition, intangible assets, predominantly software, increased ¥115mn.

Total liabilities were up ¥325mn from the end of the previous fiscal year to ¥10,401mn. Retirement benefit liability decreased ¥173mn, while income taxes payable and asset retirement obligations increased ¥260mn and ¥65mn, respectively, and deferred tax liabilities of ¥132mn were recorded. Net assets increased ¥231mn to ¥12,265mn. Although profit attributable to owners of parent of ¥1,615mn was recorded, paying dividends of ¥1,697mn resulted in a ¥84mn decrease in retained earnings, while remeasurements of defined benefit plans increased ¥287mn.

Looking at management indicators, the equity ratio fell slightly to 53.8% from 54.1% at the end of the previous fiscal year, but FISCO thinks that with debt-free operations and cash on hand at a level exceeding ¥8.0bn, the Company has a high level of financial soundness. The Company's policy for cash on hand going forward is to allocate it to funds for opening Kodomo Depart locations (security deposits accompanying the opening of new classrooms, classroom equipment and fixture purchase costs, and initial investment costs), capital expenditure funds for creative culture education facilities (museum, library, etc.) to be established within MITAKE Link Park (Shibuya)*, which will be opened by the Hulic <3003> Group in 2027, and expenses for promoting its DX strategy in addition to shareholder dividends, and to utilize its cash on hand as funds for strategic M&A and alliances as well.

* Hulic was selected as the development company for the Urban Renewal Step-up Project (Shibuya Area), Shibuya 1-Chome Area Joint Development Project implemented by Tokyo and Shibuya Ward, and it is progressing the development of a multi-purpose building with 2 underground floors and 14 above-ground floors. The building has a site area of 9,670m^2 and total floor space of 50,000m^2, and it is scheduled to consist of various areas including offices, stores, rental housing, creative culture and education facilities and a multi-purpose hall.

Consolidated balance sheet

(¥mn)

	FY2/23	FY2/24	FY2/25	FY2/26	Change
Current assets	9,660	8,954	12,686	12,799	112
Cash and deposits	7,308	5,460	8,952	8,081	-871
Non-current assets	8,465	9,141	9,423	9,867	444
Total assets	18,125	18,096	22,109	22,667	557
Total liabilities	8,900	9,611	10,075	10,401	325
(Interest-bearing debt)	-	-	-	-	-
Total net assets	9,255	8,484	12,034	12,265	231
Management indicators					
Equity ratio	50.4%	46.3%	54.1%	53.8%	-0.3pp
Operating margin	7.7%	8.0%	8.8%	7.9%	-0.9pp
ROE	15.3%	19.0%	17.1%	13.4%	-3.7pp

Source: Prepared by FISCO from the Company's financial results

Outlook

Aiming for annual profit growth of 10% in the medium-term management plan through FY2/29

1. Medium-term management plan

The Company has formulated a three-year medium-term management plan starting from FY2/27. As a basic strategy in existing businesses, its policy is to work on improving business performance by securing enrolled students and improving net sales per student through the "systematization of inter-group student referrals," and implementing measures to improve profit through "business efficiency improvement through DX promotion," in addition to working to expand its growth foundation through the cultivation of new businesses. As performance targets for the final year, FY2/29, it set forth net sales of ¥39,100mn, operating profit of ¥3,640mn, ordinary profit of ¥3,640mn, and profit attributable to owners of parent of ¥2,200mn. The compound annual growth rate (CAGR) is projected at 4.5% for net sales and in the 10% range for all profit line items. Although the upward trend in personnel expenses will continue, by generating group synergies and improving business efficiency through DX promotion and other measures, the Company plans to raise its operating margin from 7.9% in FY2/26 to 9.3% in FY2/29, and maintain ROE in the 10% range. Note that in FY2/28, the second year, the Company plans to revise course fees to respond to increases in personnel expenses and rent, which is planned to accelerate the growth rate of operating profit.

FY2/27–FY2/29 medium-term management plan (announced in April 2026)

(¥mn)

	FY2/26 Results	FY2/27 Plan	FY2/28 Plan	FY2/29 Plan	CAGRs
Net sales	34,240	35,640	37,900	39,100	4.5%
Operating profit	2,704	2,875	3,320	3,640	10.4%
Operating margin	7.9%	8.1%	8.8%	9.3%	-
Ordinary profit	2,732	2,800	3,320	3,640	10.0%
Profit attributable to owners of parent	1,615	1,700	2,000	2,200	10.9%

Source: Prepared by FISCO from the Company's results briefing materials

(1) New business initiatives

In new businesses, the Company's policy is to focus on the "expansion of TOMAS video course content," "franchise expansion of Meimonkai online courses," "business expansion of School TOMAS," and "new expansion of Kodomo Departs."

a) Expansion of TOMAS video course content

In March 2025, TOMAS launched "Sundai Diverse," an in-school video course developed by Sundai (for high school students), at some schools (14 schools). A feature is that it is offered at reasonable prices starting from ¥14,300 (tax included) per course per month. Previously, taking even the secondary subjects required for entrance exams would become expensive, which was a contributing factor to early withdrawals. However, the launch of video courses enables students to take all subjects leading up to their exams, which has not only reduced early withdrawals among high school students, but has also contributed somewhat to improving net sales per student.

During FY2/27, the Company also plans to release new “Recommendation Exam Preparation Courses” that fully utilize AI, and aims to capture new customer bases by strengthening preparation for school recommendation selection. The service is being offered at 24 schools in FY2/27, and the Company plans to offer video courses at all TOMAS schools in FY2/28. It anticipates cumulative net sales of approximately ¥400mn over the three-year period through FY2/29. Note that if demand for Sundai Diverse is determined to be high, the development of independent Sundai Diverse schools by Sundai TOMAS, the operating entity, will also be considered.

b) Franchise expansion of Meimonkai online courses

As a measure to expand earnings at Meimonkai, the Company will develop a franchise business for “MOPS (Meimonkai Online Personal School),” which provides a packaged service of interactive online one-on-one instruction by Meimonkai instructors (approximately 1,000 instructors), targeting small regional tutoring schools suffering from an “instructor shortage” for instruction aimed at the most difficult schools. Participating schools will not need to hire new instructors and have the potential to acquire students aiming for the most difficult schools, meaning the advantages of introduction are significant. First, it plans to open four directly managed schools for “interactive online one-on-one instruction” over three years (including opening the Minamikashiwa School in April 2026), and after establishing an earnings model, it plans to develop franchises.

It aims to acquire 1,000 participating schools over the next 10 years, targeting annual net sales of ¥3.0bn 10 years from now. It plans to record 10% of the net sales of participating schools as royalty income. Net sales for Meimonkai in FY2/26 were approximately ¥5.1bn. Going forward, if the MOPS business enters full swing, further expansion in earnings scale is expected. Note that it anticipates cumulative net sales of ¥340mn over the three-year period through FY2/29.

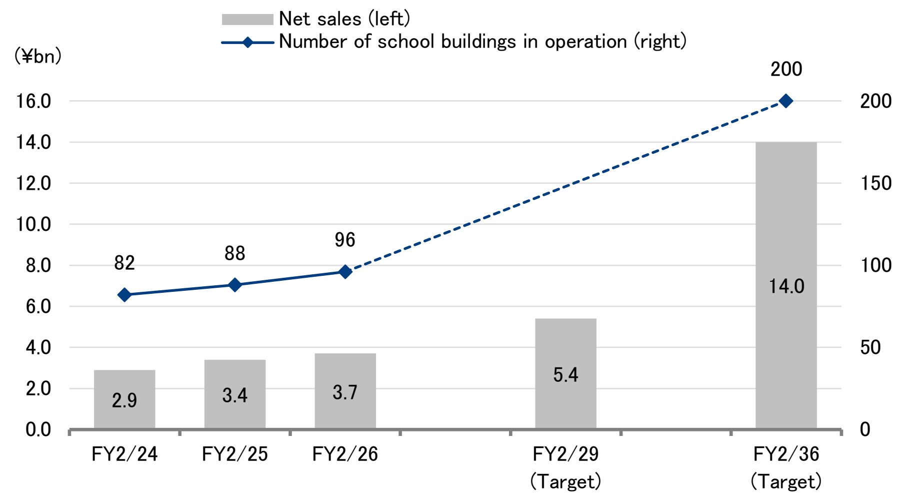
c) Business expansion of School TOMAS

The introduction of School TOMAS’s in-school individual tutoring business is expanding not only in the Tokyo metropolitan area but at private schools nationwide. By region, the breakdown of schools introducing the service is 50% in the Tokyo metropolitan area, 30% in the Kinki region, and the remainder in regional cities, with the number of introducing schools increasing in Aichi and Fukuoka Prefectures recently. The background to this is that as the issue of excessive workloads for teachers becomes increasingly serious even at private schools, the reputation of the Company’s service, which contributes to improving advancement results and reducing the burden on teachers, is growing in regional areas as well. Also, securing instructors tends to be an issue in regional areas, but the Company’s ability to provide online one-on-one instruction is a strength.

The Company is expanding the number of introducing schools at a pace of around 10 schools per year, and aims to have the service introduced at over 200 private schools within 10 years (an over 20% share of private in-school individual tutoring), continuously approaching approximately 1,300 private schools nationwide with a sales staff of 20 personnel. Inquiries from public schools are also increasing, but since the decision-making authority for introduction in the case of public schools rests with the Board of Education of each local government, it needs to consider aspects including pricing strategy and business model, and it plans to prioritize introduction to private schools first.

Note that the online enrollment rate for in-school individual tutoring is expected to rise as introduction to regional schools progresses (current online enrollment rate of 28% -> target of 50% after 5 years), and it will advance the deployment of personnel and utilization of generative AI to accommodate this. As net sales targets, it aims for approximately ¥5.4bn in FY2/29, representing a 1.5-fold increase, and ¥14.0bn 10 years from now, a 4-fold increase compared to FY2/26. For the compound annual growth rate, it anticipates a double-digit growth pace of 13–14%.

Net sales and number of schools in operation for in-school one-on-one instruction



Source: Prepared by FISCO from the Company's results briefing materials

d) New expansion of Kodomo Departs

As one of its growth strategies, the Company plans to develop 20 buildings in the Tokyo metropolitan area for Kodomo Depart, a joint project involving three entities: the Company, Hulic, and Konami Sports. For the three-year period through FY2/29, of the 6 projects that have been established as projects (Jiyugaoka, Motoyawata, Shibuya, Azabu, Chiyoda Ward, and 1 other building), 3 projects resolved by the Board of Directors (Jiyugaoka, Motoyawata, and Chiyoda Ward) have been factored into the performance plan. Combined with the two locations that are already open, it projects cumulative net sales of approximately ¥2.7bn over the three years.

For Jiyugaoka (Meguro Ward, Tokyo), it is scheduled to open in a new building opening in September 2026, and will deploy three brands on the same floor: Shingakai, Shinga's Club after-school care, and Shinga's Club childcare. For Motoyawata (Ichikawa City, Chiba Prefecture), a new building under construction is scheduled for completion in spring 2027, and multiple brands are expected to move in. In addition, completions are scheduled for Shibuya (Shibuya Ward, Tokyo) in 2027 and Azabu (Minato Ward, Tokyo) in 2028, and if things proceed smoothly, they are expected to contribute to net sales within the period of the medium-term management plan. In particular, it appears that development will center on the early childhood education business brand, which is expected to drive sales growth in this business.

(2) Existing business initiatives

As existing business initiatives, its policy is to work on measures to increase the number of enrolled students and improve net sales per student through the "systematization of inter-group student referrals," and to improve profit through "business efficiency improvement through DX promotion."

a) Systematization of inter-group student referrals

The systematization of inter-group student referrals was made possible by realizing the unification of group companies' customer databases in June 2025. While mutual customer referral efforts between group companies were previously carried out under frontline leadership, they were one-off occurrences and lacked continuity. By unifying the customer database and having the Company's Group Management Headquarters lead schedule coordination and progress management, the Company will aim to accumulate a track record of sending students between the group.

As an initial step, when the Company strengthened cooperation, such as by holding briefings at both schools to introduce TOMAS Iidabashi School to students taking the Bright Kids Academy Course (first to third grade elementary school students) at Shinga's Club after-school care Iidabashi School, a certain degree of success was confirmed, such as securing the enrollment of six students. By expanding such efforts to other schools, it aims to increase the number of enrolled TOMAS students by 450 over three years. This initiative is expected not only to yield an increase in net sales of ¥500mn on a cumulative basis over three years, but also to lead to a reduction in student acquisition costs (i.e., improved profitability) through maximizing LTV per student.

b) Business efficiency improvement through DX promotion

Through DX promotion, the Company intends to reduce administrative work hours such as timetable creation and instructor communication, and advance cost reductions by curtailing indirect personnel. A portion of the reduced costs will be used as funds for securing excellent human resources, and although per-capita personnel costs will rise, it will maintain a high profit margin by controlling total personnel expenses. In addition, by enriching service quality, such as allocating the saved time to following up on customers and sales proposal time, it aims to improve customer satisfaction and create a virtuous cycle, such as reducing the number of withdrawals and leading to new student enrollment through quality word-of-mouth.

To flexibly respond to changes in the business environment and achieve sustainable growth, the Company transitioned to a holding company structure in September 2025 with a view to establishing a group structure that aims for further management efficiency. As an initiative to improve management efficiency, the Company established an Advertising and Marketing Department and a Real Estate Management Department, and centralized operations that were previously conducted independently by each group company, such as advertising order placement, website production, securing real estate for classrooms, and rent negotiations. As a result, the cost reduction effect for advertising expenses has begun to appear, which was also a factor in the profit recovery in 2H of the previous fiscal year. As there is still room for reduction in these expenses, the Company's policy is to proceed with cost reductions through the centralization of operations and aim to maintain and improve the profit margin.

Forecasts increases in net sales and profit for FY2/27, leaving room for upside

2. FY2/27 forecasts

For the FY2/27 consolidated results, the Company expects net sales to increase 4.1% YoY to ¥35,640mn, operating profit to rise 6.3% to ¥2,875mn, ordinary profit to rise 2.5% to ¥2,800mn, and profit attributable to owners of parent to rise 5.2% to ¥1,700mn, shifting to increased net sales and profit. In contrast to the double-digit profit growth in 2H of the previous fiscal year, operating profit in FY2/27 is expected to grow in the single digits. It appears that the Company formulated its performance forecasts for FY2/27 based on conservative assumptions, given that its FY2/26 results fell short of its initial plan. For net sales, it anticipates higher sales across all business segments, mainly driven by an increase in the number of students. The number of enrolled students at TOMAS and Shingakai, which was a factor in the profit decline in the previous fiscal year, also exceeded the previous fiscal year's level at the beginning of the period. In terms of expenses, although increases are expected in personnel expenses, rent, and provision for restoration expenses, the Company plans to absorb these through improvements in business efficiency via DX promotion, including the use of generative AI, and by reviewing expenses at each group company. Moreover, as the highly profitable in-school individual tutoring business continues to expand and Shingakai's net sales turn to recovery, the operating margin is expected to turn to an increase from 7.9% in the previous fiscal year to 8.1%.

FY2/27 consolidated forecasts

(¥mn)

	FY2/26		FY2/27		
	Results	Ratio to net sales	Plan	Ratio to net sales	YoY
Net sales	34,240	-	35,640	-	4.1%
Operating profit	2,704	7.9%	2,875	8.1%	6.3%
Ordinary profit	2,732	8.0%	2,800	7.9%	2.5%
Profit attributable to owners of parent	1,615	4.7%	1,700	4.8%	5.2%
Earnings per share (¥)	9.49		9.98		

Source: Prepared by FISCO from the Company's financial results

(1) Tutoring school business

As previously stated, the tutoring school business is trending above the previous fiscal year's level at the beginning of the period, and in addition to working on minimizing withdrawals through the deployment of video course content and raising net sales per student, the Company anticipates an increase in student numbers through stronger inter-group collaboration. It will proceed with new school openings and renovations at a pace of three to five schools each as in typical years, including closing and relocating schools. It aims to improve productivity by consolidating schools with low profitability and reallocating human resources to areas with strong demand. Note that the Company newly opened the MEDIC TOMAS Ikebukuro School in May 2026.

(2) Private tutor dispatching education business

In the private tutor dispatching education business, the consolidation of schools has run its course, and going forward, the Company's policy is to establish a dominant market presence for Meimonkai in Fukuoka and the Tokai area. In March 2026, it opened the Meimonkai Ichinomiya Ekimae School (Ichinomiya City, Aichi Prefecture). In addition, it also opened one directly managed school (Minamikashiwa School) for the MOPS business.

(3) Early childhood education business

In the early childhood education business, in addition to the full contribution of the two Kodomo Depart locations opened in April 2025, Kodomo Depart Jiyugaoka will also open in September 2026, and an increase in the number of students is expected for each brand. Net sales in 4Q of the previous fiscal year returned to growth, increasing 4.1% YoY, and the number of Shingakai students has turned to an increase. Furthermore, Kodomo Departs have received a certain level of praise from both students and parents/guardians, which FISCO thinks will be factors supporting the achievement of the Company's plans.

(4) In-school individual tutoring business

In the in-school individual tutoring business, the number of schools in operation is increasing and target grades at existing schools are expanding. Net sales in 4Q of the previous fiscal year demonstrated high growth, up 11.3% YoY, and FISCO thinks there is a strong possibility that the net sales plan for FY2/27 will see upside. Note that while competing services have emerged on the market, the Company can secure a competitive advantage with schools seeking high-value-added services by leveraging its expertise in one-on-one instruction for academic advancement.

(5) Character-building training camp education business

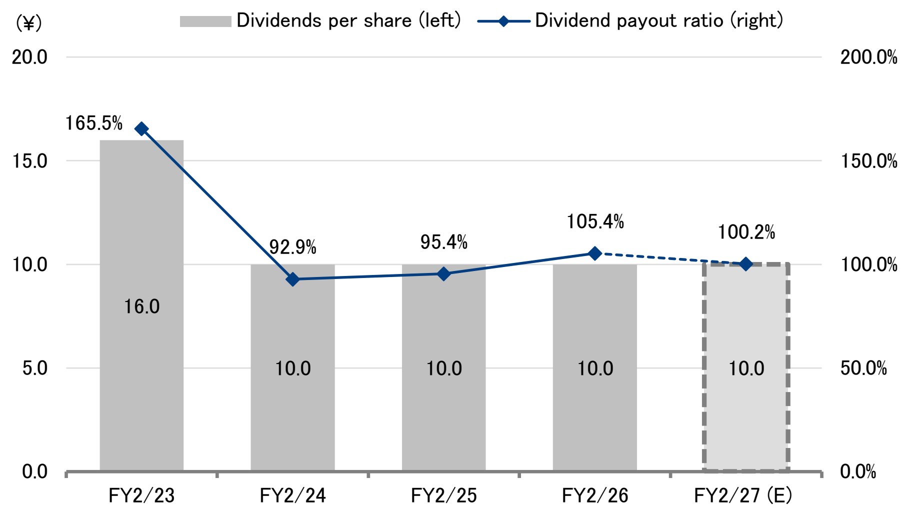
In the character-building training camp education business, the number of students at soccer schools and gymnastics schools is trending steadily. For new school openings, the Company opened the TOMAS Gymnastics School Kichijoji School in April 2026, bringing its network of gymnastics schools to 12.

Shareholder return policy

Dividend policy targets consolidated dividend payout ratio of 50% or more

The Company considers returning profits to shareholders to be one of its most important management issues. Its dividend policy is based on a dividend payout ratio of 50% or more. Based on this policy, the Company paid a dividend of ¥10.0 per share (payout ratio of 105.4%) in FY2/26, the same amount as the previous fiscal year, and plans to pay the same amount of ¥10.0 (payout ratio of 100.2%) in FY2/27. Other than the payment of dividends, the Company plans to use retained earnings and other funds for capital investments associated with the opening of new schools and other initiatives, system investments, and M&A investment and related purposes, as well as reserves to prepare for a spike in expenses to respond to an unexpected event like the COVID-19 pandemic.

Dividends per share and payout ratio



Source: Prepared by FISCO from the Company's financial results

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