

Summary of 1Q Business Results for the Year Ending February 28, 2022
[Japan GAAP] (Consolidated)



July 13, 2021

Company	Tokyo Individualized Educational Institute, Inc.	Listed on the TSE 1
Stock Code	4745	URL https://www.tkg-jp.com/en/ir/
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Expected submission date of the 1Q report:	July 14, 2021	
Expected date of dividend payment:	-	
1Q results briefing:	No	

(Rounded down to million yen)

1. 1Q consolidated business results for the fiscal year ending February 2022

(March 1, 2021 through May 31, 2021)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ending February 2022 1Q	4,322	102.5	(621)	-	(620)	-	(451)	-
Year ended February 2021 1Q	2,134	-	(1,762)	-	(1,753)	-	(1,389)	-

Note: Comprehensive income

Year ending February 2022 1Q: (450) million yen (-%)

Year ended February 2021 1Q: (1,390) million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Year ending February 2022 1Q	(8.31)	-
Year ended February 2021 1Q	(25.60)	-

Note: In the fiscal year ended February 2021, provisional accounting practices were finalized in relation to a corporate merger. Figures for the first quarter of the fiscal year ended February 2021 reflect the provisional accounting practices that were finalized.

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	Million yen	Million yen	%
Year ending February 2022 1Q	9,948	7,290	73.1
As of February 2021	11,687	8,447	72.2

Reference: Shareholders' equity:

Year ending February 2022 1Q: 7,276 million yen

As of February 2021: 8,433 million yen

2. Dividends

	Full-year dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Full year
Year ended February 2021	yen –	yen 13.00	yen –	yen 13.00	yen 26.00
Year ending February 2022	–				
Year ending February 2022 (forecast)		13.00	–	13.00	26.00

Note: Revisions to the most recent dividend forecast: None

3. Forecast of consolidated business results for the year ending February 2022 (March 1, 2021 through February 28, 2022)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending February 2022	22,132	15.6	2,204	259.3	2,205	240.4	1,413	458.5	26.03

Note: Revisions to the most recent performance forecast: None

* Notes

(1) Transfer of important subsidiaries during the current quarterly cumulative consolidated accounting period: None

(2) Adoption of special accounting treatments for quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement

1) Changes in accounting policies associated with the revision of accounting standards, etc.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Shares outstanding (common stock)

1) Number of shares outstanding at the end of period (treasury stock included)

Year ending February 2022 1Q	54,291,435 shares	As of February 2021	54,291,435 shares
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2) Treasury stock at the end of period

Year ending February 2022 1Q	136 shares	As of February 2021	136 shares
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3) Average number of shares during period (quarterly cumulative total)

Year ending February 2022 1Q	54,291,299 shares	Year ended February 2021 1Q	54,291,299 shares
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* Quarterly financial statements are not subject to audits by certified public accountants or audit corporations.

* Explanation regarding appropriate use of business forecasts and other special instructions

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared, and are not intended as a guarantee that the Company will achieve these targets. Further, actual results may differ significantly from the forecasts due to various factors. For notes in using earnings projections and assumptions for premises thereof, refer to page 4 of the Attachment "1. Qualitative Information on Quarterly Results (3) Explanation of the Forecast of Consolidated Business Results and other Future Forecasts.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

Information related to future events as related in the text are based on judgments made by the Company at the end of the quarterly consolidated accounting period.

Provisional accounting treatment was applied for the first quarter of the previous fiscal year and was finalized at the end of the previous fiscal year. The revised amount based on the finalization of said provisional accounting treatment is used in year-on-year comparisons and analysis.

The Japanese economic outlook for the first quarter of the current fiscal year remains severe due to continued effects of the novel coronavirus outbreak. While vaccination efforts are underway, parts of the country remain in a state of emergency, and it continues to be difficult to make forward predictions while it remains unclear when the outbreak will subside.

The prep school market is undergoing a period of significant change, with amendments to Japan's school curriculum guidelines for junior high schools to be introduced in FY2021, the digitization of teaching environments promoted through the GIGA school concept, and increased needs for online education services. Further, while individualized teaching and other forms of personalized learning tailored to the needs of each student are becoming increasingly important, the business environment remains severe with intensifying competition from new entrants from outside the industry.

Amidst these circumstances, we have looked to providing teaching services that are closely attuned to the needs of each student centered around our corporate philosophy of "The confidence that you can do it if you try; The joy of taking on a new challenge; The importance of having dreams - With these three educational ideals and hospitality as the linchpin of our corporate activities, we shall contribute to a happy future for humanity." The current fiscal year represents the first year of our mid- to long-term vision, "VISION 2030", and our new medium-term management plan "Hospitality Management 2023". We will look to use this year to propel the business forward, accelerating progress toward the realization of our "VISION 2030" vision based on two core pillars - business growth, and the promotion of the strategy laid out in the new medium-term management plan.

During the first quarter of the current fiscal year continued concerns regarding the spread of coronavirus were needed, with a state of emergency issued in four prefectures on April 25, which was later extended and expanded in scope to include other regions. The Company kept all schools operating as normal while prioritizing the safety and security of students and employees alike above all else, implementing exhaustive protective measures against the spread of the novel coronavirus. We also continued to provide online individualized teaching services so that students could attend personalized learning classes from their own home. Further, our unique hybrid approach to individualized teaching allows us to switch between online and in-person learning based on school and club activity schedules, and other student needs. This provides high added value in improving convenience and learning efficiency, while also ensuring a greater level of safety and security.

With regard to student recruitment, we implemented a marketing approach that took into account changes in student attitudes toward prep school learning brought about by the spread of novel coronavirus infection, which helped new student inquiries remain steady. Our high quality, personalized teaching services were held in high regard and this, in combination with a low dropout rate drove student enrollments to 30,358 as of the end of May 2021 (up 18.0% year-on-year). The number of student enrollments increased 1.6% from the end of May 2019 (29,866) showing signs of a recovery to pre-coronavirus levels.

With regard to Employee Development, the backbone of our teaching services, our TEACHER'S SUMMIT, a co-creation program where employees and teachers learn and grow together through practical learning exercises, was held online, and we are making continued efforts to further bolster these activities. TEACHER'S SUMMIT 2021, the first summit to be jointly held in East and West Japan, was held online in March 2021, and attracted around 5,000 participants, primarily teachers.

With regard to site development, we have looked to boosting the strength of our brand within the region based on a dominant strategy focused primarily on metropolitan centers. In March 2021 we opened the Tokyo Individualized Educational Institute Chitose Karasuyama Minamiguchi School (Tokyo) and Kokuryo School (Tokyo). In June 2021 we opened the Tokyo Individualized Educational Institute Musashi-Nakahara School (Kanagawa) and Mita School (Tokyo).

As a result of the above, net sales for the first quarter of the current fiscal year increased 2.188 billion yen (102.5%) year-on-year to reach 4.322 billion yen following an increase in tuition fees due to an increase in student enrollments, and strong sales from spring courses.

Despite increases in rent, labor costs, and other fixed expenses, and an increase in teacher salaries, operating loss was 621 million yen (compared to an operating loss of 1.762 billion yen in same quarter of the previous fiscal year), ordinary loss was 620 million yen (compared to an ordinary loss of 1.753 billion yen in same quarter of the previous fiscal year), and quarterly net losses attributable to owners of the parent company was 451 million yen (compared to quarterly net losses attributable to owners of the parent company of 1.389 billion yen in same quarter of the previous fiscal year).

Due to the nature of the education business, the net sales of the Company increase in the second and fourth quarters of the consolidated fiscal year during which time summer and winter courses are held. Conversely, seasonal factors in the first quarter of the fiscal year tend to result in temporary losses caused by concentrated investment in student recruitment and other promotional activities held ahead of the new school year.

The individualized teaching business is the only business segment reported on. As other business segments are of limited relevance, they have been omitted from this report.

(2) Explanation of Financial Standing

[Assets]

Total assets at the end of the first quarter of the current fiscal year were 9.948 billion yen, a 1.738 billion yen (14.9%) decline from the end of the previous fiscal year.

Liquid assets were at 5.504 billion yen, a 2.067 billion yen (27.3%) decline from the end of the previous fiscal year. This decline was primarily caused by a decrease in cash and deposits of 1.954 billion yen, and a decrease in accounts receivable of 173 million yen.

Tangible fixed assets were at 812 million yen, a 5 million yen (0.6%) decline from the end of the previous fiscal year. This decline was primarily caused by the retirement of fixed assets.

Intangible fixed assets were at 1.467 billion yen, a 131 million yen (9.8%) increase from the end of the previous fiscal year. This increase was primarily caused by capital investments into the development of a student placement system and a billing platform system.

Investments and other assets were at 2.164 billion yen, a 202 million yen (10.3%) increase from the end of the previous fiscal year. This increase was primarily caused by an increase of 9 million yen as a security deposit for new school openings, and a further 193 million yen for other activities.

[Liabilities]

Total liabilities at the end of the first quarter of the current fiscal year were 2.657 billion yen, a 582 million yen (18.0%) decline from the end of the previous fiscal year. This decline was primarily caused by a decrease in unpaid corporate taxes, etc. of 267 million yen, and other decreases of 387 million yen, which outweighed an increase of 69 million yen in the reserve for bonuses.

[Net assets]

Net assets at the end of the first quarter of the current fiscal year were 7.290 billion yen, a 1.156 billion yen (13.7%) decline from the end of the previous fiscal year. This decline was the result of surplus dividend payments of 705 million yen, and quarterly net losses attributable to owners of the parent company totaling 451 million yen.

(3) Explanation of the Forecast of Consolidated Business Results and other Future Forecasts

With regard to the forecast of consolidated business results for the term ending February 2022, there have been no changes to the forecast of consolidated business results announced for the full year in the Summary of Business Results for the Year Ended February 28, 2021 [Japan GAAP] (Consolidated).

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous consolidated fiscal year (February 28, 2021)	First quarter consolidated accounting period (May 31, 2021)
Assets		
Liqud assets		
Cash and deposits	6,562,644	4,608,117
Accounts receivable	562,627	389,299
Inventories	30,677	34,768
Other	425,737	484,280
Allowances for bad debts	(9,194)	(11,952)
Total liqud assets	7,572,492	5,504,514
Fixed assets		
Tangible fixed assets	817,170	812,088
Intangible fixed assets		
Goodwill	204,444	199,333
Software suspense account	951,430	1,086,280
Other	180,823	182,264
Total intangible fixed assets	1,336,697	1,467,877
Investments and other assets		
Lease and guarantee deposits	1,603,746	1,613,467
Other	357,367	550,557
Total investments and other assets	1,961,114	2,164,024
Total fixed assets	4,114,982	4,443,990
Total assets	11,687,475	9,948,504
Liabilities		
Current liabilities		
Accounts payable	9,176	14,062
Accrued tax payable, etc.	312,541	44,973
Reserve for bonuses	134,360	203,432
Reserve for shareholder benefits	60,547	60,547
Other	2,688,109	2,300,602
Total current liabilities	3,204,734	2,623,618
Fixed liabilities		
Other	35,169	33,962
Total fixed liabilities	35,169	33,962
Total liabilities	3,239,903	2,657,580
Net assets		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,777,605	5,620,810
Treasury stock	(121)	(121)
Total shareholder's equity	8,433,207	7,276,411
Minority interest	14,364	14,511
Total net assets	8,447,571	7,290,923
Total liabilities and net assets	11,687,475	9,948,504

(2) Quarterly Consolidated Statements of Operations and Quarterly Statement of Comprehensive Income

Quarterly Consolidated Income Statements

First quarter consolidated cumulative period

(Unit: Thousands of yen)

	Previous first quarter consolidated cumulative period (March 1, 2020 to May 31, 2020)	Current first quarter consolidated cumulative period (March 1, 2021 to May 31, 2021)
Net sales	2,134,473	4,322,505
Cost of goods sold	2,526,664	3,322,382
Gross profit or gross loss	(392,191)	1,000,123
Selling, general and administrative expenses	1,370,225	1,621,601
Operating loss	(1,762,416)	(621,478)
Non-operating income		
Interest income	230	1
Gain on disposal of unpaid dividends	373	339
Refund of premium for canceled insurance	8,026	-
Gain on bad debts recovered	-	900
Other	3	41
Total non-operating income	8,632	1,282
Ordinary loss	(1,753,784)	(620,195)
Extraordinary loss		
Compensation for absence from work	*208,149	-
Total extraordinary loss	208,149	-
Quarterly losses before income taxes	(1,961,934)	(620,195)
Corporate income, inhabitant and enterprise taxes	18,754	19,135
Adjustment of corporate taxes, etc.	(590,047)	(188,470)
Total accrued tax payable	(571,293)	(169,335)
Quarterly net losses	(1,390,640)	(450,860)
Quarterly net income attributable to minority interests or quarterly net losses attributable to minority interests	(744)	147
Quarterly net losses attributable to owners of the parent company	(1,389,896)	(451,008)

Quarterly statement of comprehensive income

First quarter consolidated cumulative period

(Unit: Thousands of yen)

	Previous first quarter consolidated cumulative period (March 1, 2020 to May 31, 2020)	Current first quarter consolidated cumulative period (March 1, 2021 to May 31, 2021)
Quarterly net losses	(1,390,640)	(450,860)
Quarterly comprehensive income	(1,390,640)	(450,860)
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	(1,389,896)	(451,008)
Quarterly comprehensive income attributable to minority interests	(744)	147

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes on Quarterly Consolidated Income Statements)

* Notes on Compensation for Absence from Work

Previous first quarter consolidated cumulative period (March 1, 2020 to May 31, 2020)

The spread of the novel coronavirus prompted the Japanese government to request the closure of elementary, junior high, and high schools nationwide, and the Company also closed its schools on a temporary basis following the declaration and extension of the state of emergency. As a result of this measure, we recorded an extraordinary loss on employee compensation for absence from work paid to temporary employees (casual teachers and part-time employees).

Current first quarter consolidated cumulative period (March 1, 2021 to May 31, 2021)

Not applicable

(Notes Regarding the Company as a Going Concern)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Additional Information)

In the current fiscal year the Company made accounting estimates for impaired assets, including goodwill and other fixed assets, and the retrievability of deferred tax assets based on the assumption that the novel coronavirus pandemic would not pose a significant impact. Further, as it remains unclear when the novel coronavirus outbreak will subside, there remains the potential for future losses should the above supposition fail to materialize.

(Segment Information, etc.)

[Segment Information, etc.]

The individualized teaching business is the only business segment the Group reports on. As other business segments are of limited relevance, they have been omitted from this report.

(Business Combinations, etc.)

Significant revisions to the initial allocation of acquisition costs in comparative information

While provisional accounting treatment was applied for the first quarter of the previous fiscal year concerning accounting for the business combination with HRBC Co., Ltd. on January 24, 2020, this was finalized at the end of the previous fiscal year.

The finalization of this provisional accounting treatment has resulted in significant revisions to the initial allocation of acquisition costs being reflected in comparative information included in the quarterly consolidated financial statements for the first quarter of the current fiscal year. The provisional goodwill amount of 268.272 million yen was reduced by 48.494 million yen to 219.777 million yen as a result of the finalization of the accounting treatment. The decrease in goodwill is the result of an increase in intangible fixed assets and other assets of 73.756 million yen, and an increase in fixed liabilities and other liabilities of 25.512 million yen.

As a result, the quarterly consolidated income statement for the previous first quarter consolidated cumulative period recorded an increase of 0.979 million yen in selling, general and administrative expenses, and an increase of 0.728 million yen in the adjustment of corporate taxes, etc. Further, operating losses, ordinary losses, and quarterly losses before income taxes each decreased by 0.979 million yen, and quarterly net losses and quarterly net losses attributable to owners of the parent company both decreased by 0.250 million yen.

3. Other Notes

Circumstances Concerning Orders Received, Sales, and Production

(1) Production and orders received

The Group is primarily involved with providing classes to students, and does not record production and orders received.

(2) Sales

Sales performance by segment for the current first quarter consolidated cumulative period is as follows:

Segment name	Current first quarter consolidated cumulative period		
	Sales (thousands of yen)	Composition ratio (%)	Year-on-year comparison (%)
Individualized teaching			
Primary school students	494,993	11.5	207.3
Junior high school students	1,477,428	34.2	189.9
High school students	2,258,118	52.2	212.1
Total individualized teaching	4,230,540	97.9	203.3
Other business totals	91,964	2.1	173.0
Total	4,322,505	100.0	202.5

(Notes) 1 Amounts listed above do not include consumption tax, etc.

2 Other business activities include science labs, writing classes, and HRBC Co., Ltd.