

Summary of First Half Business Results for Fiscal Year Ending February 28, 2022
[Japan GAAP] (Consolidated)



October 14, 2021

Listed on the TSE 1

Company Tokyo Individualized Educational Institute, Inc.
 Stock Code 4745 URL <https://www.tkg-jp.com/en/ir/>
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 Expected submission date of the 1H report: October 14, 2021
 Expected date of dividend payment: November 15, 2021
 Preparation of 1H supplementary financial materials: Yes
 1H results briefing: Yes (For analysts/institutional investors)

(Rounded down to million yen)

1. First half consolidated business results for fiscal year ending February 2022
(March 1, 2021 through August 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	%
1H, Fiscal year ending February 2022	10,890	33.0	695	–	699	–	427	–
1H, Fiscal year ended February 2021	8,186	–	(828)	–	(798)	–	(711)	–

Note: Comprehensive income

1H, Fiscal Year ending February 2022: 428 million yen (–%)

1H, Fiscal year ended February 2021: (712) million yen (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
1H, Fiscal year ending February 2022	7.88	–
1H, Fiscal year ended February 2021	(13.11)	–

Note: In the fiscal year ended February 2021, provisional accounting practices were finalized in relation to a corporate merger. Figures for the first half 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	%
As of August 2021	11,830	8,170	68.9
As of February 2021	11,687	8,447	72.2

Reference: Shareholders' equity:

As of August 31, 2021: 8,155million yen

As of February 28, 2021: 8,433million yen

2. Dividends

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

Note: Revisions to the most recent dividend forecast: None

3. Forecast of consolidated business results for fiscal 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
Fiscal 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 first half of fiscal year ending February 2022: 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)

(Number of shares)

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

As of August 31, 2022	54,291,435	As of February 28, 2021	54,291,435
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2) Treasury stock at the end of period

As of August 31, 2022	136	As of February 28, 2021	136
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3) Average number of shares during period (quarterly cumulative total)

1H, Fiscal year ending February 2022	54,291,299	1H, Fiscal year ending February 2021	54,291,299
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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 report 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 First Half Results

(1) Explanation of Operating Results

Information related to future events in this report is based on judgments made by the Company as of August 31, 2021.

The provisional accounting treatment applied to the first half of fiscal year ended February 2021 for the business combination with HRBC Co., Ltd. on January 24, 2020 was finalized at the end of fiscal year ended February 2021. The amounts after revision for finalization are therefore used in the analysis and comparison with the consolidated results for the first half of the previous fiscal year.

The Japanese economic outlook for the first half of the current fiscal year remains severe due to continued effects of the novel coronavirus outbreak. While progress is being made on vaccination, the virulent Delta variant is spreading. A State of Emergency has been declared and other key measures implemented in various regions to prevent infection and spread, and it is still difficult to predict the future.

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 provide teaching services that are closely attuned to the needs of each student centered around our corporate philosophy: "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 use this year to propel the business forward, accelerating progress toward the realization of "VISION 2030" based on two core pillars: Business growth and promotion of the strategy laid out in the new medium-term management plan.

During the first half of the current fiscal year, the spread of the novel coronavirus (COVID-19) necessitated continued precautions. The Company kept all schools operating as normal while prioritizing the peace of mind and safety of students and employees alike above all else, implementing exhaustive protective measures against the spread of COVID-19. We also continued to provide online individualized teaching services so students could attend personalized learning classes from their own homes, adding high value in improving convenience and learning efficiency, while also ensuring a greater level of peace of mind and safety.

For employee development, the backbone of our teaching services, our TEACHER'S SUMMIT was held online. This is a cocreation program where employees and teachers learn and grow together through practical learning exercises, and we are making continued efforts to further bolster these activities. In site development, we have employed a dominant strategy focused primarily on metropolitan centers looked to boost the strength of our brand within the region. In March 2021, we opened two Tokyo Individualized Educational Institute schools (TIEI) in Tokyo, the Chitose Karasuyama South Exit School and the Kokuryo School. In June 2021, TIEI opened two more schools, the Musashi Nakahara School in Kanagawa and the Mita School in Tokyo. Two new TIEI schools in Tokyo were opened in September, the Kanamachi School, and October, the Myogadani School. While the number of new students has been impacted by the COVID-19 pandemic, average student enrollments during the period reached 32,069 during the first half, an increase of 13.0% year-on-year. This represents 0.6% growth from the average student enrollments of 31,888 during the first half of the previous fiscal year, and a return to the pre-COVID-19 level.

Persistence in these business activities resulted in a 2.7 billion yen (33.0%) year-on-year increase in net sales for the first half of the current fiscal year, to 10.9 billion yen, boosted by increase in total tuition fees from higher student enrollments and strong sales from summer courses.

Despite increases in rent, labor costs, and other fixed expenses, and an increase in teacher salaries, operating income was 695 million yen (compared to an operating loss of 828 million yen in the first half of the previous fiscal year), ordinary income was 699 million yen (compared to an ordinary loss of 798 million yen in the first half of the previous fiscal year), and quarterly net income attributable to owners of the parent company was 427 million yen (compared to first half net loss attributable to owners of the parent company of 711 million yen in the first half of the previous fiscal year).

The individualized teaching business is the only business segment reported. Other business segments have been omitted because they are not of material significance.

On July 9, 2021, the Company received the results of the primary determination of applicability for maintaining listing under the new market segments from the Tokyo Stock Exchange. This confirmed that the Company meets the requirements for listing on the Prime Market. Based on this determination, the Board of Directors approved application for Prime Market selection and submitted the application materials to the Tokyo Stock Exchange on September 6.

The Company will continue our efforts to disclose information appropriately in a timely manner and engage in sincere investor relations to enhance corporate value over the medium and long term and earn the support of all shareholders.

(2) Explanation of Financial Standing

1) Assets, Liabilities, and Net Assets

Assets

Total assets as of August 31, 2021 were 11,830 million yen, a 143 million yen (1.2%) increase from the end of the previous fiscal year.

Liquid assets were 7,419 million yen, a 153 million yen (2.0%) decline from the end of the previous fiscal year. This decline was primarily caused by a decrease of 1,260 million yen in cash and deposits, which was not covered by the increase of 1,078 million yen in accounts receivable.

Tangible fixed assets were 832 million yen, a 15 million yen (1.9%) increase from the end of the previous fiscal year. This increase was primarily due to capital investments for opening new schools and relocating existing schools.

Intangible fixed assets were 1,619 million yen, a 282 million yen (21.1%) increase from the end of the previous fiscal year. This increase was primarily due to capital investments in development of a student placement system and a billing platform system.

Liabilities

Total liabilities as of August 31, 2021 were 3,660 million yen, a 420 million yen (13.0%) increase from the end of the previous fiscal year. This increase was primarily due to increases of 420 million yen in accrued expenses and 497 million yen in advances received, and a decrease of 475 million yen in Other (accounts payable-other, etc.).

Net assets

Net assets as of August 31, 2021 were 8,170 million yen, a 277 million yen (3.3%) decline from the end of the previous fiscal year. This decline was the result of surplus dividend payments of 705 million yen and 427 million yen in first half net income attributable to owners of the parent company.

2) Cash Flows

Cash and cash equivalents as of August 31, 2021 (hereafter, "Cash") were 5,302 million yen, a decline of 1,260 million yen from the end of the previous consolidated fiscal year. The status of each type of cash flow and the main factors involved are described below.

Cash flow from operating activities

Cash used in operating activities during the first half of fiscal year ending February 2022 was 60 million yen (2,264 million yen in cash expenditures during the first half of the previous fiscal year). This mainly resulted from 699 million yen in first half income (loss) before income taxes, 94 million yen in depreciation and amortization expenses, a decrease of 54 million yen in reserve for shareholder benefits, increases of 1,078 million yen in accounts receivable and 497 million yen in advances received, and payment of 215 million yen in income taxes, etc.

This resulted in a reduction in cash used of 2,203 million yen, compared to the first half of the previous fiscal year, due to increases of 1,635 million yen in first half income (loss) before income taxes, 109 million yen in accounts receivable, 339 million yen in consumption tax payable, etc., and payment of 367 million yen in income taxes, etc.

Cash flow from investing activities

Cash used in investing activities during the first half of fiscal year ending February 2022 was 493 million yen (538 million yen in cash expenditures during the first half of the previous fiscal year). This mainly resulted from expenditures of 110 million yen for acquisition of tangible fixed assets for opening new schools, relocating existing schools, and other such investments, 33 million yen in expenditures for lease and guarantee deposits, and 333 million yen in expenditures for acquisition of intangible fixed assets for building a student placement system and billing platform system.

A reduction in expenditures on the acquisition of tangible fixed assets, expenditures for lease and guarantee deposits, and other expenditures resulted in a reduction in expenditures of 45 million yen, compared the first half of the previous fiscal year.

Cash flow from financing activities

Cash used in financing activities during the first half of fiscal year ending February 2022 was 705 million yen (705 million yen in cash expenditures during the first half of the previous fiscal year). This resulted from the payment dividends.

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

There have been no changes to the forecast of consolidated business results for fiscal year ending February 2022 announced on April 12, 2021 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 Sheets

(Unit: Thousands of yen)

	End of previous consolidated fiscal year (As of February 28, 2021)	End of the first half of the current consolidated fiscal year (As of August 31, 2021)
Assets		
Liqud assets		
Cash and deposits	6,562,644	5,302,173
Accounts receivable	562,627	1,641,601
Inventories	30,677	36,304
Other	425,737	448,343
Allowances for bad debts	(9,194)	(9,414)
Total liqud assets	7,572,492	7,419,008
Fixed assets		
Tangible fixed assets	817,170	832,440
Intangible fixed assets		
Goodwill	204,444	194,222
Software suspense account	951,430	1,200,365
Other	180,823	224,705
Total intangible fixed assets	1,336,697	1,619,292
Investments and other assets		
Lease and guarantee deposits	1,603,746	1,615,874
Other	357,367	344,325
Total investments and other assets	1,961,114	1,960,200
Total fixed assets	4,114,982	4,411,933
Total assets	11,687,475	11,830,942
Liabilities		
Current liabilities		
Accounts payable	9,176	14,105
Accrued expenses	895,077	1,315,947
Accrued tax payable, etc.	312,541	331,815
Advances received	727,744	1,224,790
Reserve for bonuses	134,360	147,132
Reserve for shareholder benefits	60,547	5,902
Other	1,065,287	589,296
Total current liabilities	3,204,734	3,628,991
Fixed liabilities		
Other	35,169	31,431
Total fixed liabilities	35,169	31,431
Total liabilities	3,239,903	3,660,422
Net assets		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,777,605	6,499,752
Treasury stock	(121)	(121)
Total shareholder's equity	8,433,207	8,155,354
Minority interest	14,364	15,165
Total net assets	8,447,571	8,170,519
Total liabilities and net assets	11,687,475	11,830,942

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

Quarterly Consolidated Income Statements

First half of consolidated fiscal year

(Unit: Thousands of yen)

	1H, Fiscal year ended February 2021 (March 1, 2020 to August 31, 2020)	1H, Fiscal year ending February 2022 (March 1, 2021 to August 31, 2021)
Net sales	8,186,094	10,890,074
Cost of goods sold	6,225,293	7,079,590
Gross profit	1,960,801	3,810,483
Selling, general and administrative expenses	2,789,567	3,114,931
Operating income (loss)	(828,766)	695,552
Non-operating income		
Interest income	230	1
Gain on disposal of unpaid dividends	373	339
Subsidy income	22,015	1,400
Refund of premium for canceled insurance	8,026	–
Gain on bad debts recovered	–	2,104
Other	9	48
Total non-operating income	30,655	3,894
Ordinary income (loss)	(798,111)	699,447
Extraordinary income		
Temporary employee leave subsidies received	*1 70,213	–
Total extraordinary income	70,213	–
Extraordinary loss		
Loss on compensation for temporary employee leave	*2 208,149	–
Total extraordinary loss	208,149	–
Income (loss) before income taxes	(936,048)	699,447
Corporate income, inhabitant and enterprise taxes	37,543	250,624
Adjustment of corporate taxes, etc.	(260,710)	20,088
Total accrued tax payable	(223,166)	270,712
Net income (loss)	(712,881)	428,734
Net income (loss) attributable to minority interests	(1,320)	801
Net income (loss) attributable to owners of the parent company	(711,561)	427,933

Quarterly statement of comprehensive income
 Second quarter consolidated cumulative period

(Unit: Thousands of yen)

	1H, Fiscal year ended February 2021 (March 1, 2020 to August 31, 2020)	1H, Fiscal year ending February 2022 (March 1, 2021 to August 31, 2021)
Net income (loss)	(712,881)	428,734
Comprehensive income	(712,881)	428,734
(Breakdown)		
Comprehensive income (loss) attributable to owners of the parent company	(711,561)	427,933
Comprehensive income (loss) attributable to minority interests	(1,320)	801

(3) Quarterly Consolidated Cash Flow Statements

(Unit: Thousands of yen)

	1H, Fiscal year ended February 2021 (March 1, 2020 to August 31, 2020)	1H, Fiscal year ending February 2022 (March 1, 2021 to August 31, 2021)
Cash flow from operating activities		
Income (loss) before income taxes	(936,048)	699,447
Depreciation and amortization expenses	110,991	94,696
Goodwill amortization	10,222	10,222
Loss on compensation for temporary employee leave	208,149	–
Amortization of long-term prepaid expenses	31,113	31,926
Subsidy income	(22,015)	(1,400)
Employee leave subsidies	(70,213)	–
Increase (Decrease) in allowances for bad debts	246	219
Increase (Decrease) in reserve for bonuses	25,433	12,772
Increase (Decrease) in reserve for officer bonuses	(10,390)	–
Increase (Decrease) in reserve for shareholder benefits	(34,602)	(54,645)
Interest and dividends received	(230)	(1)
Gain on forfeiture of unclaimed dividends	(373)	(339)
Decrease (Increase) in accounts receivable	(969,795)	(1,078,973)
Decrease (Increase) in inventories	(5,652)	(5,627)
Decrease (Increase) in other liquid assets	(51,392)	(32,101)
Increase (Decrease) in accounts payable	4,892	4,929
Increase (Decrease) in advances received	490,400	497,046
Increase (Decrease) in consumption tax payable, etc.	(319,453)	20,447
Decrease (Increase) in consumption tax receivable, etc.	(38,744)	1,195
Increase (Decrease) in other current liabilities	11,176	(46,770)
Subtotal	(1,566,284)	153,044
Interest and dividend income received	233	1
Expenditures on compensation for temporary employee leave	(208,149)	–
Subsidies received	22,015	1,400
Temporary employee leave subsidies received	70,213	–
Income taxes, etc. paid	(582,931)	(215,422)
Cash used in operating activities	(2,264,904)	(60,975)
Cash flow from investing activities		
Expenditures for acquisition of tangible fixed assets	(185,325)	(110,989)
Expenditures for acquisition of intangible fixed assets	(313,602)	(333,896)
Expenditures for lease and guarantee deposits	(35,135)	(33,764)
Income from refund of lease and guarantee deposits	328	3,095
Expenditures for acquisition of long-term prepaid expenses	(5,157)	(18,258)
Cash used in investing activities	(538,892)	(493,814)
Cash flow from financing activities		
Dividends paid	(705,036)	(705,680)
Cash used in financing activities	(705,036)	(705,680)
Net increase (decrease) in cash and cash equivalents	(3,508,832)	(1,260,470)
Cash and cash equivalents at beginning of period	8,753,497	6,562,644
Cash and cash equivalents at end of period	5,244,664	5,302,173

(4) Notes Concerning Quarterly Consolidated Financial Statements

(Notes on Quarterly Consolidated Income Statements)

*1 Notes on Subsidies for Temporary Employee Leave

First half of consolidated fiscal year ended February 2021 (March 1, 2020 to August 31, 2020)

The Company temporarily closed all schools under the State of Emergency declared by the Japanese government due to the COVID-19 pandemic. Extraordinary income was posted for the subsidy received to provide temporary employee leave compensation (casual teachers and part-time employees).

First half of consolidated fiscal year ending February 2022 (March 1, 2021 to August 31, 2021)

Not applicable

*2 Notes on Compensation for Temporary Employee Leave

First half of consolidated fiscal year ended February 2021 (March 1, 2020 to August 31, 2020)

The COVID-19 pandemic 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 leave from work for temporary employees (casual teachers and part-time employees).

First half of consolidated fiscal year ending February 2022 (March 1, 2021 to August 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 COVID-19 pandemic would not pose a significant impact. Since it remains unclear when the COVID-19 outbreak will subside, there is still a potential risk of future losses if the assumptions stated above do not materialize.

(Segment Information, etc.)

[Segment Information, etc.]

The individualized teaching business is the only business segment the Group reports. Other business segments have been omitted because they are of material significance.

(Business Combinations, etc.)

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

The provisional accounting treatment applied for the first half of the previous fiscal year concerning accounting for the business combination with HRBC Co., Ltd. on January 24, 2020, 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 half of the current fiscal year. The provisional goodwill amount of 262,033,000 yen was reduced by 47,366,000 yen to 214,666,000 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 71,648,000 yen, and an increase in fixed liabilities and other liabilities of 24,783,000 yen.

As a result, the consolidated income statement for the first half of the previous consolidated fiscal year recorded an increase of 1,959,000 yen in selling, general and administrative expenses, and an increase of 1,457,000 yen in the adjustment of corporate taxes, etc. Further, operating loss, ordinary loss, and quarterly loss before income taxes each decreased by 1,959,000 yen, and first half net loss and first half net loss attributable to owners of the parent company both decreased by 501,000 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 first half of fiscal year ending February 2022 is as follows:

Segment name	First half of fiscal year ending February 2022		
	Sales (thousands of yen)	Composition (% of total)	Year-on-year comparison (%)
Individualized teaching			
Primary school students	1,132,889	10.4	147.1
Junior high school students	3,585,012	32.9	132.9
High school students	5,966,803	54.8	129.7
Total individualized teaching	10,684,705	98.1	132.4
Other business totals	205,368	1.9	174.8
Total	10,890,074	100.0	133.0

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

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