

Summary of 3Q Business Results for Fiscal Year Ending February 28, 2022
[Japan GAAP] (Consolidated)



January 11, 2022

Company Tokyo Individualized Educational Institute, Inc. Listed on the TSE 1
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 Expected submission date of the 3Q report: January 12, 2022
 Expected date of dividend payment: –
 Preparation of 3Q supplementary financial materials: Yes
 3Q results briefing: No

(Rounded down to million yen)

1. 3Q consolidated business results for fiscal year ending February 2022
(March 1, 2021 through November 30, 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	%
3Q, Fiscal year ending February 2022	15,829	22.2	1,188	–	1,193	–	751	–
3Q, Fiscal year ended February 2021	12,955	–	(339)	–	(305)	–	(380)	–

Note: Comprehensive income

3Q, Fiscal year ending February 2022: 752 million yen (–%)

3Q, Fiscal year ended February 2021: (380) million yen (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q, Fiscal year ending February 2022	13.84	–
3Q, Fiscal year ended February 2021	(7.01)	–

Note: In the fiscal year ended February 2021, provisional accounting practices were finalized in relation to a corporate merger. Figures for the third 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	%
As of November 30, 2021	11,024	7,788	70.5
As of February 28, 2021	11,687	8,447	72.2

Reference: Shareholders' equity:

As of November 30, 2021: 7,772 million yen

As of February 28, 2021: 8,433 million 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 3Q 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 November 30, 2021	54,291,435	As of February 28, 2021	54,291,435
2) Treasury stock at the end of period	As of November 30, 2021	136	As of February 28, 2021	136
3) Average number of shares during period (quarterly cumulative total)	3Q, Fiscal year ending February 2022	54,291,299	3Q, Fiscal year ended February 2021	54,291,299

* 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 3 of the Attachment "1. Qualitative Information on 3Q Results (3) Explanation of the Forecast of Consolidated Business Results and other Future Forecasts.

(How to obtain supplementary information on 3Q business results)

Supplementary quarterly materials (fact sheet) will be published on the Company's website on January 11, 2022.

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1. Qualitative Information on 3Q Results

(1) Explanation of Operating Results

Information related to future events in this report is based on judgments made by the Company as of November 30, 2021.

The provisional accounting treatment applied to 3Q 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.

In terms of the Japanese economic outlook for 3Q of the current fiscal year, while the difficult circumstances brought about by the novel coronavirus are alleviating somewhat, the global spread of the new Omicron variant continues to present warning signs for the future.

In the prep school market, we continue to see intensifying competition in the form of new entrants from outside the industry, as well as continued restructuring within the industry, prompted by the digitization of teaching environments promoted through the GIGA school concept, and the increased needs for online education services caused by the spread of the novel coronavirus.

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 3Q of the current fiscal year, the Company has worked to provide a safe learning environment for all in circumstances that require continued vigilance to prevent the spread of the novel coronavirus (COVID-19), prioritizing the peace of mind and safety of students and employees alike above all else. 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. Further, two new TIEI schools in Tokyo were opened, the Kanamachi School in September, and the Myogadani School in October. This brought the total number of individualized educational classrooms to 266 as of the end of November 2021, all of which are under the direct operation of the Company. The number of students for the cumulative 3Q accounting period (September to November) showed signs of recovery with the lifting of the state of emergency declaration. Average student enrollments during the period reached 33,481, an increase of 10.8% year-on-year. This represents 0.5% growth from the average student enrollments of 33,327 during the same period of the year before last, maintaining the level set prior to the outbreak of COVID-19.

Persistence in these business activities resulted in a 2,873 million yen (22.2%) year-on-year increase in net sales for 3Q of the current fiscal year, to 15,829 million yen.

The ratio in the increase in teacher salaries to net sales has improved, operating income was 1,188 million yen (compared to an operating loss of 339 million yen in 3Q of the previous fiscal year), ordinary income was 1,193 million yen (compared to an ordinary loss of 305 million yen in 3Q of the previous fiscal year), and quarterly net income attributable to owners of the parent company was 751 million yen (compared to a net loss attributable to owners of the parent company of 380 million yen in 3Q of the previous fiscal year).

Further, the main line of business for our Group is the individualized teaching business. Net sales, segment profit, and other totals have been omitted for other business lines as these represent a small fraction of total earnings.

(2) Explanation of Financial Standing

[Assets]

Total assets as of November 30, 2021 were 11,024 million yen, a 663 million yen (5.7%) decrease from the end of the previous fiscal year.

Liquid assets were 6,567 million yen, a 1,005 million yen (13.3%) decline from the end of the previous fiscal year. This decline was primarily caused by a decrease of 811 million yen in cash and deposits and a decrease of 215 million yen in accounts receivable.

Tangible fixed assets were 823 million yen, a 6 million yen (0.7%) increase from the end of the previous fiscal year. This increase was primarily due to capital investments for opening new schools and expanding classrooms.

Intangible fixed assets were 1,660 million yen, a 324 million yen (24.2%) 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.

Investments and other assets were 1,972 million yen, an 11 million yen (0.6%) increase from the end of the previous fiscal year. This increase was primarily due to a 7 million yen increase in leases, etc. related to new school openings.

[Liabilities]

Total liabilities as of November 30, 2021 were 3,235 million yen, a 4 million yen (0.1%) decrease from the end of the previous fiscal year. This decrease was primarily due to decreases of 61 million yen in other and 60 million yen in reserve for shareholder benefits. This comes despite increases of 71 million yen in the reserve for bonuses and 45 million yen in accrued tax payable, etc.

[Net assets]

Net assets as of November 30, 2021 were 7,788 million yen, a 658 million yen (7.8%) decline from the end of the previous fiscal year. This decline was the result of surplus dividend payments of 1,411 million yen and 751 million yen in 3Q net income attributable to owners of the parent company.

(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 3Q of the current consolidated fiscal year (As of November 30, 2021)
Assets		
Liquid assets		
Cash and deposits	6,562,644	5,751,387
Accounts receivable	562,627	347,237
Inventories	30,677	28,717
Other	425,737	449,269
Allowances for bad debts	(9,194)	(9,349)
Total liquid assets	7,572,492	6,567,262
Fixed assets		
Tangible fixed assets	817,170	823,271
Intangible fixed assets		
Goodwill	204,444	189,111
Other	1,132,253	1,471,733
Total intangible fixed assets	1,336,697	1,660,844
Investments and other assets		
Lease and guarantee deposits	1,603,746	1,611,324
Other	357,367	361,672
Total investments and other assets	1,961,114	1,972,996
Total fixed assets	4,114,982	4,457,112
Total assets	11,687,475	11,024,375
Liabilities		
Current liabilities		
Accounts payable	9,176	15,820
Accrued tax payable, etc.	312,541	358,228
Reserve for bonuses	134,360	206,266
Reserve for shareholder benefits	60,547	—
Other	2,688,109	2,626,618
Total current liabilities	3,204,734	3,206,934
Fixed liabilities		
Other	35,169	28,784
Total fixed liabilities	35,169	28,784
Total liabilities	3,239,903	3,235,718
Net assets		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,777,605	6,117,188
Treasury stock	(121)	(121)
Total shareholder's equity	8,433,207	7,772,790
Minority interest	14,364	15,865
Total net assets	8,447,571	7,788,656
Total liabilities and net assets	11,687,475	11,024,375

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

Quarterly Consolidated Income Statements

3Q consolidated cumulative period

(Unit: Thousands of yen)

	3Q, Fiscal year ended February 2021 (March 1, 2020 to November 30, 2020)	3Q, Fiscal year ending February 2022 (March 1, 2021 to November 30, 2021)
Net sales	12,955,835	15,829,164
Cost of goods sold	9,517,350	10,438,905
Gross profit	3,438,485	5,390,258
Selling, general and administrative expenses	3,777,943	4,201,380
Operating income (loss)	(339,458)	1,188,878
Non-operating income		
Interest and dividend income	281	60
Gain on disposal of unpaid dividends	748	612
Subsidy income	24,493	1,400
Refund of premium for canceled insurance	8,026	–
Gain on bad debts recovered	–	2,976
Other	15	54
Total non-operating income	33,565	5,104
Ordinary income (loss)	(305,892)	1,193,982
Extraordinary income		
Temporary employee leave subsidies received	*1 78,960	–
Total extraordinary income	78,960	–
Extraordinary loss		
Loss on compensation for temporary employee leave	*2 208,149	–
Total extraordinary loss	208,149	–
Income (loss) before income taxes	(435,081)	1,193,982
Corporate income, inhabitant and enterprise taxes	56,691	438,809
Adjustment of corporate taxes, etc.	(110,913)	2,514
Total accrued tax payable	(54,222)	441,324
Net income (loss)	(380,858)	752,658
Net income (loss) attributable to minority interests	(283)	1,501
Net income (loss) attributable to owners of the parent company	(380,575)	751,157

Quarterly statement of comprehensive income
3Q consolidated cumulative period

(Unit: Thousands of yen)

	3Q, Fiscal year ended February 2021 (March 1, 2020 to November 30, 2020)	3Q, Fiscal year ending February 2022 (March 1, 2021 to November 30, 2021)
Net income (loss)	(380,858)	752,658
Comprehensive income	(380,858)	752,658
(Breakdown)		
Comprehensive income (loss) attributable to owners of the parent company	(380,575)	751,157
Comprehensive income (loss) attributable to minority interests	(283)	1,501

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes on Quarterly Consolidated Income Statements)

*1 Notes on Subsidies for Temporary Employee Leave

3Q of consolidated fiscal year ended February 2021 (March 1, 2020 to November 30, 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).

3Q of consolidated fiscal year ending February 2022 (March 1, 2021 to November 30, 2021)

Not applicable

*2 Notes on Compensation for Temporary Employee Leave

3Q of consolidated fiscal year ended February 2021 (March 1, 2020 to November 30, 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).

3Q of consolidated fiscal year ending February 2022 (March 1, 2021 to November 30, 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]

The main line of business for our Group is the individualized teaching business. Net sales, segment profit, and other totals have been omitted for other business lines as these represent a small fraction of total earnings.

(Business Combinations, etc.)

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

The provisional accounting treatment applied for 3Q 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 3Q of the current fiscal year. The provisional goodwill amount of 255,794,000 yen was reduced by 46,238,000 yen to 209,555,000 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 69,541,000 yen, and an increase in fixed liabilities and other liabilities of 24,054,000 yen.

As a result, the consolidated income statement for 3Q of the previous consolidated fiscal year recorded an increase of 2,938,000 yen in selling, general and administrative expenses, and an increase of 2,186,000 yen in the adjustment of corporate taxes, etc. Further, operating loss, ordinary loss, and quarterly loss before income taxes each decreased by 2,938,000 yen, and 3Q net loss and 3Q net loss attributable to owners of the parent company both decreased by 751,000 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 3Q of fiscal year ending February 2022 is as follows:

Segment name	3Q of fiscal year ending February 2022		
	Sales (thousands of yen)	Composition (% of total)	Year-on-year comparison (%)
Individualized teaching			
Primary school students	1,659,027	10.5	134.9
Junior high school students	5,196,100	32.8	123.5
High school students	8,657,182	54.7	118.6
Total individualized teaching	15,512,311	98.0	121.8
Other business totals	316,853	2.0	142.5
Total	15,829,164	100.0	122.2

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

2 Other business activities include science labs, writing classes, online-only individualized teaching, and HRBC Co., Ltd.