Summary of First Half Business Results for the Fiscal Year Ending February 28, 2023 [Japan GAAP] (Consolidated)

October 11, 2022

Company	Tokyo Individualized Educational Institute, Inc.		Listed on the TSE Prime
Stock Code	4745	URL	https://www.tkg-jp.com/en/ir/
Representative	Katsuki Saito, President and Representative Director		
Contact	Takeharu Tsutsumi, Director	Tel: +81 3 6911 3216	

Expected submission date of the 1H report: October 12, 2022
Expected date of dividend payment: November 15, 2022
Preparation of 1H supplementary financial document: Yes
1H results briefing: Yes (For analysts/institutional investors)

(Rounded down to million yen)

1. First half consolidated business results for the fiscal year ending February 2023 (March 1, 2022 through August 31, 2022)

(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 2023	10,472	(3.8)	71	(89.7)	74	(89.4)	88	(79.4)
1H, Fiscal year ended February 2022	10,890	33.0	695	–	699	–	427	–

Note: Comprehensive income
1H, Fiscal year ending February 2023: 89 million yen (-79.2%)
1H, Fiscal year ended February 2022: 428 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
1H, Fiscal year ending February 2023	1.62	–
1H, Fiscal year ended February 2022	7.88	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	million yen	million yen	%
1H, Fiscal year ending February 2023	11,337	7,999	70.4
Fiscal year ended February 2022	12,679	8,616	67.8

Reference: Shareholders' equity:
1H, Fiscal year ending February 2023 7,982 million yen
Fiscal year ended February 2022 8,600 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 2022	–	13.00	–	13.00	26.00
Fiscal year ending February 2023	–	13.00			
Fiscal year ending February 2023 (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 2023 (March 1, 2022 through February 28, 2023)

(% 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 2023	23,858	6.1	2,632	9.8	2,633	9.6	1,687	6.9	31.08

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.: Yes
   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)	1H, fiscal year ending February 2023	54,291,435 shares	Fiscal year ended February 2022	54,291,435 shares
2) Treasury stock at the end of period	1H, fiscal year ending February 2023	136 shares	Fiscal year ended February 2022	136 shares
3) Average number of shares during period (quarterly cumulative total)	1H, fiscal year ending February 2023	54,291,299 shares	1H, fiscal year ended February 2022	54,291,299 shares

* 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.

(Note on obtaining supplementary materials to quarterly financial statements)
Supplementary materials to quarterly financial statements (fact sheet) will be provided on the Company's website from October 11, 2022.

Contents of Attachment

1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

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

While the Japanese economic outlook for the first half of the fiscal year ending February 2023 is showing signs of a gradual recovery, continued caution is needed due to the risk of an economic slowdown both in Japan and abroad driven by monetary tightening across the globe, coupled with the impact of price increases on households. Further, the situation concerning the impact of COVID-19 remains unpredictable, with the further spread of the omicron variant continuing to progress at a rapid pace.

With regard to the education system in Japan, Japan's new school curriculum guidelines for middle schools were implemented across the board in FY2021, and the new school curriculum guidelines for high schools were implemented beginning in FY2022. This transition in the education system has further accelerated the shift to online learning, which was already in high demand as a result of COVID-19, and has increased the need for digital learning materials that facilitate the effective learning of curriculum subjects, and has diversified the entrance exam system. The prep school market also needs to adopt a flexible, rapid response to these changes, and is faced with intensifying competition between participants, including new entrants from other industries.

Amidst these circumstances, we have looked to provide teaching services closely aligned to individual customer needs based on our core 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.

During the first half of the fiscal year ending February 2023, we were impacted by the new variant strain of the novel coronavirus, omicron. We work to manage classrooms while prioritizing the safety and security of students and employees alike above all else by ensuring that infectious disease control measures were stringently followed. To help our students achieve their learning goals, we have focused on improving the quality of our educational services through human resource development, and the introduction of curriculum focused on achieving results.

Our competitive advantage is in our “business of ‘Creating Shared Value’ with university students”, a business process that serves as the foundation for our business activities. A key initiative under this arm of our business is the TEACHERS’ SUMMIT Annual Class Plan, which is continually being improved upon.

In terms of human resources development for improving the quality of our educational services, we held training seminars from August through to September covering know-how on “coaching” skills and other dialogue-based communication skills to all school employees, and all teachers providing individualized teaching services, totaling some 12,800 participants in all. This is aimed at bolstering our teachers’ instructional capabilities to aid in student growth as students capable of “self-learning” through dialogues that motivate students, and improve their understanding of the subject matter. At the same time, we look to facilitate the growth of university student teachers by providing opportunities for them to acquire skills that also serve a practical purpose in wider society.

In terms of school expansion, we continued to look to open dominant schools focused primarily on metropolitan centers as part of efforts to bolster the strength of our brand in regional areas to further expand the business. In June 2022, we opened two Tokyo Individualized Educational Institute schools (TIEI) in Tokyo, the Ikegami School and the Kagurazaka School. Further, in October we will open a new TIEI school in Ebina (Kanagawa).

With regard to student recruitment, the extended impact of the omicron strain of COVID-19, behavioral changes in high school students associated with changes to university entrance exams, and a drop in student recruitment inflows from prep school comparison websites have served to blunt student inquiries, and the average number of enrolled students for the 1H of the fiscal year ending February 2023 was 31,695 (down 1.2 % year-on-year).

In online education services, we will continue with strategy restructuring efforts to ensure we are playing to our strengths. As part of these efforts, as of August 30 we stopped taking new customer inquiries for our 1online business for online individualized teaching, which had been initiated on a trial basis.

Due to the above, results for the first half of the fiscal year ending February 2023 saw a year-on-year decline in net sales of 417 million yen (3.8%) to end at 10,472 million yen resulting from the decline in student enrollments. In terms of operating income, while efforts to streamline teacher class placements have begun to bear fruit, reduced earnings as a result of a reduction in revenues and an increase in depreciation and amortization expenses pertaining to the redevelopment of the student placement system, and the corresponding increase in operating and maintenance costs have led to operating income falling to 71 million yen, a 623 million yen (89.7%) reduction year-on-year. Likewise, ordinary income dropped 625 million yen (89.4%) year-on-year to end at 74 million yen. Quarterly net income attributable to owners of the parent company was 88 million yen, a decline of 339 million yen (79.4%) year-on-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

1) Assets, Liabilities, and Net Assets

[Assets]

Total assets at the end of the first half of the current fiscal year were 11,337 million yen, a 1,342 million yen (10.6%) decline from the end of the previous fiscal year.

Current assets were at 6,705 million yen, a 1,451 million yen (17.8%) decline from the end of the previous fiscal year. This decline was despite an increase in accounts receivable of 839 million yen and inventories of 11 million yen, and was primarily driven by a decline of 2,286 million yen in cash and deposits, and a further 16 million yen decline in “other” assets.

Tangible fixed assets were 815 million yen, a 11 million yen (1.5%) increase from the end of the previous fiscal year. This increase was primarily due to capital investments for opening new schools and expanding classrooms at existing schools.

Intangible fixed assets were 1,859 million yen, a 130 million yen (7.5%) 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 1,957 million yen, a 32 million yen (1.6%) decline from the end of the previous fiscal year. Despite an increase in the security deposit for new school openings of 3 million yen, this decline was primarily the result of a 36 million drop in “other” investments and assets.

[Liabilities]

Total liabilities at the end of the first half of the current fiscal year were 3,337 million yen, a 725 million yen (17.9%) decline from the end of the previous fiscal year. While there was an increase of 390 million yen in accrued expenses and 500 million yen in contractual liabilities, this decline was primarily the result of a decline of 703 million yen in accrued tax payable, etc., 832 million yen in “other” liabilities, and a decrease of 79 million yen in the reserve for shareholder benefits.

[Net assets]

Net assets at the end of the first half of the current fiscal year were 7,999 million yen, a 616 million yen (7.2%) 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 income attributable to owners of the parent company totaling 88 million yen.

2) Cash Flows

Cash and cash equivalents at the end of the first half of the current fiscal year (hereafter, “Cash”) were 4,816 million yen, a decline of 2,286 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 the current fiscal year was 1,157 million yen (60 million yen in cash expenditures during the first half of the previous fiscal year). This was primarily the results of 185 million yen in depreciation and amortization expenses, an increase in contractual liabilities of 500 million yen, an increase in accounts receivable of 839 million yen, a decrease in consumption tax payable of 386 million yen, and 613 million yen in income taxes, etc. paid.

When compared to the previous corresponding period, while there was a decline in accounts receivable of 239 million yen, the decline in income before income taxes of 628 million yen and consumption tax payable of 407 million yen, and an increase in income taxes, etc. paid of 398 million yen resulted in an increase in cash used in operating activities of 1,096 million yen.

[Cash flow from investing activities

Cash used in investing activities during the first half of the current fiscal year was 424 million yen (493 million yen in cash expenditures during the first half of the previous fiscal year). This mainly resulted from expenditures of 96 million yen for acquisition of tangible fixed assets for opening new schools, 31 million yen in expenditures for lease and guarantee deposits, 279 million yen in expenditures for acquisition of intangible fixed assets for building a student placement system and billing platform system, and 18 million yen in expenditures for acquisition of long-term prepaid expenses.

When compared to the previous corresponding period, expenditures for acquisition of tangible fixed assets of 14 million yen and expenditures for acquisition of intangible fixed assets of 54 million yen resulted in a decline of 69 million yen in cash used in investing activities.

[Cash flow from financing activities

Cash used in financing activities during the first half of the current fiscal year was 704 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

With regard to the forecast of consolidated business results for the term ending February 2023, 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 Fiscal Year Ended February 28, 2022 [Japan GAAP] (Consolidated) disclosed April 12, 2022.

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, 2022)	End of the first half of the current consolidated fiscal year (As of August 31, 2022)
Assets		
Current assets		
Cash and deposits	7,103,309	4,816,580
Accounts receivable	586,225	1,425,851
Inventories	35,574	46,966
Other	441,027	424,863
Allowances for bad debts	(9,057)	(9,045)
Total current assets	8,157,080	6,705,215
Fixed assets		
Tangible fixed assets	803,179	815,031
Intangible fixed assets		
Goodwill	184,000	173,777
Other	1,545,628	1,686,000
Total intangible fixed assets	1,729,628	1,859,778
Investments and other assets		
Lease and guarantee deposits	1,601,797	1,605,602
Other	388,225	351,627
Total investments and other assets	1,990,022	1,957,230
Total fixed assets	4,522,831	4,632,039
Total assets	12,679,911	11,337,255
Liabilities		
Current liabilities		
Accounts payable	8,357	14,813
Accrued expenses	864,273	1,255,102
Accrued tax payable, etc.	823,548	119,681
Contractual liabilities	859,611	1,360,124
Reserve for bonuses	116,244	132,736
Reserve for officer bonuses	20,790	–
Reserve for shareholder benefits	86,842	7,426
Other	1,256,728	423,886
Total current liabilities	4,036,397	3,313,772
Fixed liabilities		
Other	26,852	23,541
Total fixed liabilities	26,852	23,541
Total liabilities	4,063,249	3,337,313
Net assets		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,944,447	6,326,699
Treasury stock	(121)	(121)
Total shareholder's equity	8,600,048	7,982,301
Minority interest	16,613	17,640
Total net assets	8,616,662	7,999,941
Total liabilities and net assets	12,679,911	11,337,255

(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 2022 (March 1, 2021 to August 31, 2021)	1H, fiscal year ending February 2023 (March 1, 2022 to August 31, 2022)
Net sales	10,890,074	10,472,112
Cost of goods sold	7,079,590	6,974,860
Gross profit	3,810,483	3,497,252
Selling, general and administrative expenses	3,114,931	3,425,326
Operating income	695,552	71,926
Non-operating income		
Interest income	1	1
Gain on disposal of unpaid dividends	339	247
Subsidy income	1,400	285
Gain on bad debts recovered	2,104	1,890
Other	48	12
Total non-operating income	3,894	2,437
Ordinary income	699,447	74,363
Extraordinary loss		
Impairment losses	–	* 3,532
Total extraordinary loss	–	3,532
Quarterly income before income taxes	699,447	70,830
Corporate income, inhabitant and enterprise taxes	250,624	(59,373)
Adjustment of corporate taxes, etc.	20,088	41,137
Total accrued tax payable	270,712	(18,235)
Quarterly net income	428,734	89,066
Quarterly net income attributable to minority interests	801	1,027
Quarterly net income attributable to owners of the parent company	427,933	88,039

Quarterly statement of comprehensive income

Second quarter consolidated cumulative period

(Unit: Thousands of yen)

	1H, fiscal year ended February 2022 (March 1, 2021 to August 31, 2021)	1H, fiscal year ending February 2023 (March 1, 2022 to August 31, 2022)
Quarterly net income	428,734	89,066
Quarterly comprehensive income	428,734	89,066
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	427,933	88,039
Quarterly comprehensive income attributable to minority interests	801	1,027

(3) Quarterly Consolidated Cash Flow Statements

(Unit: Thousands of yen)

	1H, fiscal year ended February 2022 (March 1, 2021 to August 31, 2021)	1H, fiscal year ending February 2023 (March 1, 2022 to August 31, 2022)
Cash flow from operating activities		
Income before income taxes	699,447	70,830
Depreciation and amortization expenses	94,696	185,020
Goodwill amortization	10,222	10,222
Impairment losses	―	3,532
Amortization of long-term prepaid expenses	31,926	32,476
Subsidy income	(1,400)	(285)
Increase (Decrease) in allowances for bad debts	219	(12)
Increase (Decrease) in reserve for bonuses	12,772	16,492
Increase (Decrease) in reserve for officer bonuses	–	(20,790)
Increase (Decrease) in reserve for shareholder benefits	(54,645)	(79,416)
Interest and dividends received	(1)	(1)
Gain on disposal of unpaid dividends	(339)	(247)
Decrease (Increase) in accounts receivable	(1,078,973)	(839,625)
Decrease (Increase) in inventories	(5,627)	(11,392)
Decrease (Increase) in other current liabilities	(32,101)	24,171
Increase (Decrease) in accounts payable	4,929	6,455
Increase (Decrease) in contractual liabilities	497,046	500,512
Increase (Decrease) in consumption tax payable, etc.	20,447	(386,703)
Decrease (Increase) in consumption tax receivable, etc.	1,195	–
Increase (Decrease) in other current liabilities	(46,770)	(55,375)
Subtotal	153,044	(544,134)
Interest and dividend income received	1	1
Subsidies received	1,400	285
Income taxes, etc. paid	(215,422)	(613,518)
Cash flow from operating activities	(60,975)	(1,157,365)
Cash flow from investing activities		
Expenditures for acquisition of tangible fixed assets	(110,989)	(96,628)
Expenditures for acquisition of intangible fixed assets	(333,896)	(279,199)
Expenditures for lease and guarantee deposits	(33,764)	(31,519)
Income from refund of lease and guarantee deposits	3,095	1,102
Expenditures for acquisition of long-term prepaid expenses	(18,258)	(18,167)
Cash flow from investing activities	(493,814)	(424,442)
Cash flow from financing activities		
Dividends paid	(705,680)	(704,921)
Cash flow from financing activities	(705,680)	(704,921)
Net increase (decrease) in cash and cash equivalents	(1,260,470)	(2,286,729)
Cash and cash equivalents at beginning of period	6,562,644	7,103,309
Cash and cash equivalents at end of period	5,302,173	4,816,580

(4) Notes Concerning Quarterly Consolidated Financial Statements

(Notes on Quarterly Consolidated Income Statements)

* Impairment losses

1H, fiscal year ended February 2022 (March 1, 2021 to August 31, 2021)

Not applicable

1H, fiscal year ending February 2023 (March 1, 2022 to August 31, 2022)

The Company recorded an impairment loss for the first half of the current fiscal year.

Application	Type	Location	Breakdown (thousands of yen)
Business asset	Building	Fukuoka City, Fukuoka	3,532

The Group groups schools – the smallest cash flow producing units. Individual assets are used as the grouping unit for unemployed capital.

As the Company stopped accepting new customer inquiries for the 1online business for online individualized teaching service as of August 30, the recoverable amount for this service was determined to be zero, and its entire book value was written off as an impairment loss.

(Notes Regarding the Company as a Going Concern)

Not applicable

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

Not applicable

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, dated March 31, 2020) was applied from the beginning of the first quarter of the fiscal year ending February 2023. Under this change, monetary amounts expected to be received in exchange for goods and services are recognized as revenue at the moment control of the promised goods and services is transferred to the customer.

While the Accounting Standard for Revenue Recognition has been applied in accordance with the provisions on transitional handling prescribed in the provision to paragraph 84 of the Accounting Standard for Revenue Recognition, said application does not affect the balance of retained earnings at the beginning of the first quarter of the fiscal year ending February 2023. Further, this change does not affect profit and loss statements for the first half of the fiscal year ending February 2023.

With the application of the Accounting Standard for Revenue Recognition, “advances received”, which had previously been listed under “other” in “current liabilities” in the consolidated balance sheet for the previous consolidated fiscal year, is now included in “contractual liabilities”. Further, “Increase (Decrease) in advances received” presented under “Cash flow from operating activities” in the Quarterly Consolidated Cash Flow Statements for preceding periods is presented as “Increase (Decrease) in contractual liabilities” from the first half of the current fiscal year.

(Application of the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, dated July 4, 2019) was applied from the beginning of the first quarter of the fiscal year ending February 2023. The new accounting standards prescribed by the Accounting Standard for Fair Value Measurement shall be applied prospectively in accordance with the provisions on transitional handling prescribed in the provision to paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, dated July 4, 2019). Further, said changes shall have no effect on quarterly consolidated financial statements.

(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. However, there remains the potential for future losses should the above supposition fail to 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.

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 1H, fiscal year ending February 2023 is as follows:

Segment name	1H, fiscal year ending February 2023		
	Net sales (thousands of yen)	Composition ratio (%)	Year-on-year comparison (%)
Individualized teaching			
Primary school students	1,154,413	11.0	101.9
Middle school students	3,538,892	33.8	98.7
High school students	5,564,077	53.1	93.3
Total individualized teaching	10,257,383	97.9	96.0
Other business total	214,729	2.1	104.6
Total	10,472,112	100.0	96.2

(Note) Other business activities include science labs, writing classes, online individualized learning, and corporate human resource development activities provided by HRBC Co., Ltd.