

Summary of Business Results for Fiscal Year Ended February 28, 2023
[Japan GAAP] (Consolidated)



April 10, 2023

Company	Tokyo Individualized Educational Institute, Inc.	Listed on the TSE Prime
Stock Code	4745	URL https://www.tkg-jp.com/en/ir/
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Expected date of annual shareholders' meeting:	May 24, 2023	
Expected date of dividend payment:	May 25, 2023	
Expected date of filing of annual securities report:	May 25, 2023	
Preparation of supplementary financial document:	Yes	
Results briefing:	Yes (for analysts and institutional investors)	

(Rounded down to million yen)

1. Consolidated business results for fiscal year ended February 2023
(March 1, 2022 through February 28, 2023)

(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	%
Fiscal year ended February 2023	21,790	(3.1)	1,824	(23.9)	1,834	(23.6)	1,249	(20.8)
Fiscal year ended February 2022	22,495	17.5	2,396	290.7	2,402	270.8	1,578	523.7

Note: Comprehensive income

Fiscal year ended February 2023:	1,251 million yen (-20.8%)
Fiscal year ended February 2022:	1,580 million yen (525.0%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended February 2023	23.02	–	14.7	15.2	8.4
Fiscal year ended February 2022	29.07	–	18.5	19.7	10.7

Reference: Investment earnings/loss on equity method:

Fiscal year ended February 2023:	– million yen
Fiscal year ended February 2022:	– million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 2023	11,410	8,457	74.0	155.42
As of February 2022	12,679	8,616	67.8	158.41

Reference: Shareholders' equity:

As of February 2023:	8,438 million yen
As of February 2022:	8,600 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended February 2023	965	(589)	(1,409)	6,069
Fiscal year ended February 2022	2,754	(802)	(1,410)	7,103

2. Dividends

	Full-year dividend					Total dividends paid (Full year)	Dividend payout ratio (consolidated)	Ratio of total dividend to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Full year			
	yen	yen	yen	yen	yen	Million yen	%	%
Fiscal year ended February 2022	–	13.00	–	13.00	26.00	1,411	89.4	16.6
Fiscal year ended February 2023	–	13.00	–	10.00	23.00	1,248	99.9	14.7
Fiscal year ending February 2024 (forecast)	–	8.00	–	8.00	16.00		94.8	

3. Forecast of consolidated business results for fiscal year ending February 2024
(March 1, 2023 through February 29, 2024)

(% 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 2024	22,164	1.7	1,464	(19.8)	1,465	(20.1)	916	(26.7)	16.88

* Notes

- (1) Transfer of important subsidiaries during the fiscal year (transfers of specified subsidiaries accompanying changes among consolidated companies): None
- (2) 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

(3) Shares outstanding (common stock) (Number of shares)

1) Number of shares outstanding at the end of period (treasury stock included)	As of February 2023	54,291,435	As of February 2022	54,291,435
2) Treasury stock at the end of period	As of February 2023	136	As of February 2022	136
3) Average number of shares during period	Fiscal year ended February 2023	54,291,299	Fiscal year ended February 2022	54,291,299

(Reference) Overview of non-consolidated results

1. Non-consolidated business results for the fiscal year ended February 2023 (March 1, 2022 through February 28, 2023)

(1) Non-consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended February 2023	21,586	(3.2)	1,790	(24.1)	1,800	(23.9)	1,233	(20.9)
Fiscal year ended February 2022	22,309	17.2	2,358	258.3	2,364	247.7	1,560	452.2

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended February 2023	22.73	—
Fiscal year ended February 2022	28.74	—

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended February 2023	11,385	8,473	74.4	156.07
Fiscal year ended February 2022	12,657	8,650	68.3	159.34

Reference: Shareholders' equity:

As of February 2023: 8,473 million yen
As of February 2022: 8,650 million yen

* This financial summary is 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 5 of the Attachment "*1. Summary of Operating Results (4) Future Outlook*".

(Information on how to obtain supplementary financial document and results briefing)

The Company plans to hold an earnings briefing for analysts and institutional investors on April 10, 2023. The materials distributed at this briefing will be post on the Company's website.

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1. Summary of Operating Results

(1) Summary of Operating Results for the Current Fiscal Year

In terms of the Japanese economic outlook for the current consolidated fiscal year, despite the impact of price increases caused by increased energy costs and soaring raw materials costs brought on by the deterioration of the situation in Ukraine, the ongoing depreciation of the yen due to a tightening of fiscal policy, among other factors, consumer spending remains solid, and the Japanese economy showed signs of a slight recovery.

With regard to the education system in Japan, following the change in name of AO Admission to “Comprehensive Selection” and Suisen Admission to “School Recommendation Type Selection” concerning university admissions in FY2021, the environment surrounding university admissions is changing, with an increasing number of newly enrolled students using these so-called “Mid-term Admission” admission programs. In addition, junior high-school entrance examinations continued to trend upwards, with a record number of students taking a junior high-school entrance examination for the 2023 school year in the Tokyo Metropolitan Area. The prep school market faces the need to promptly respond to these changes, and competition among firms, including new entrants from other industries, is only set to intensify.

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.

In terms of human resource development for improving the quality of education services, we continued to implement “coaching” training from the 2Q onwards as part of efforts to improve communication skills through dialog. We aim to leverage coaching training as a pillar of our human resources development program with the aim of accurately understanding each student’s circumstances and setting clear goals, and bolstering the trainee’s teaching abilities to improve student motivation by smoothly engage in teacher-student dialog and other means, in order to achieve a positive outcome for the student.

Operating activities included enhancements to our mid-term admission and junior high-school examination materials, as well as a review of our marketing activities in light of the changes to the business environment. We worked 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. We looked to providing increased opportunities for learning, while focusing on proposing learning strategies to achieve results. In order to make up for lost learning opportunities experienced by many customers following the recurring prevalence of the Omicron strain in the 2Q, the winter course in the 4Q was extended by a month to help customers achieve their study goals.

In terms of school openings, there were three new school openings, primarily in Tokyo, with the Tokyo Individualized Educational Institute school Ikegami School (Tokyo) and Kagurazaka School (Tokyo) opening in June 2022, and the Ebina School (Kanagawa) opening in October, bringing the total number of schools to 269.

As a result of these business activities, despite robust primary school student enrollments, the total number of student enrollments was impacted by soft enrollment figures for the key high school student segment due to a decline in inquiries from students seeking to enter university through admission by general entrance examinations following changes in the university admissions environment, and average student enrollments during the FY2022 period was 32,436 (down 2.6% year-on-year).

The results for the current consolidated fiscal year saw year-on-year decline in net sales of 705 million yen (3.1%) to end at 21,790 million yen resulting from the decline in student enrollments. In terms of operating income, 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 a credit management system, and the corresponding increase in operating and maintenance costs have led to operating income falling to 1,824 million yen, a 571 million yen (23.9%) reduction year-on-year. Ordinary income dropped 568 million yen (23.6%) year-on-year to end at 1,834 million yen. Net income attributable to owners of the parent company was 1,249 million yen, a decline of 328 million yen (20.8%) year-on-year.

The current consolidated fiscal year marked the second year of the “Hospitality Management 2023” medium-term management plan, which is set to end in FY2023. The results of business activities for the current consolidated fiscal year, and the environmental changes behind such, namely the increasing trend toward mid-term admissions over general entrance examination-based university admissions had an adverse impact on the Company, resulting in a decline in inquiries from students seeking to enter university through admission by general entrance examinations. We have undergone a review of our marketing strategy, and the effect of said changes are still being tested, which has prompted a decision to postpone the release of the new medium-term management plan. The new medium-term management plan is currently undergoing careful review, and will be announced promptly once its contents are finalized.

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) Summary of Financial Standing for the Current Fiscal Year

Summary of assets, liabilities, and net assets

[Assets]

Total assets as of February 28, 2023 were 11,410 million yen, a 1,269 million yen (10.0%) decrease from the end of the previous fiscal year.

Current assets were 6,938 million yen, a 1,218 million yen (14.9%) decrease from the end of the previous fiscal year. This decrease was primarily caused by a decrease of 1,033 million yen in cash and deposits, a decrease of 102 million yen in accounts receivable, and a decrease of 81 million yen in prepaid expenses.

Tangible fixed assets were 774 million yen, a 28 million yen (3.6%) decrease from the end of the previous fiscal year. This decrease was primarily due to the increase in depreciation and the rate of increase in amortization expenses despite capital investments in opening new schools and expanding existing schools.

Intangible fixed assets were 1,766 million yen, a 37 million yen (2.2%) increase from the end of the previous fiscal year. This increase was primarily due to capital investments in development of a billing platform system and a student placement system.

Investments and other assets were 1,930 million yen, a 59 million yen (3.0%) decrease from the end of the previous fiscal year. This decrease was primarily due to a decrease of 17 million yen in leases, etc. related to new school openings and expanding existing schools and a decrease of 43 million yen in deferred tax assets.

[Liabilities]

Total liabilities as of February 28, 2023 were 2,953 million yen, a 1,109 million yen (27.3%) decrease from the end of the previous fiscal year.

Current liabilities as of February 28, 2023 were 2,922 million yen, a 1,113 million yen (27.6%) decrease from the end of the previous fiscal year. This decrease was primarily due to a 279 million yen decrease in accounts payable-other, a 483 million yen decrease in accrued tax payable, etc., a 301 million yen decrease in consumption tax payable, and an 86 million yen decrease in reserve for shareholder benefits.

Fixed liabilities as of February 28, 2023 were 30 million yen, a 3 million yen (12.8%) increase from the end of the previous fiscal year. This increase was primarily due to a 7 million yen increase in other liabilities despite a decrease of 4 million yen in deferred tax liabilities.

[Net assets]

Net assets as of February 28, 2023 were 8,457 million yen, a 159 million yen (1.9%) decrease from the end of the previous fiscal year. This decrease was the result of surplus dividend payments of 1,411 million yen and 1,249 million yen in net income attributable to parent company.

(3) Cash Flows for the Current Fiscal Year

Cash and cash equivalents as of February 28, 2023 (hereafter, "Cash") were 6,069 million yen, a decrease of 1,033 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 from operating activities during the fiscal year ended February 2023 was 965 million yen.

This mainly resulted from 1,812 million yen in income before income taxes, 437 million yen in depreciation and amortization expenses, a decrease of 301 million yen in consumption tax payable, and 984 million yen in income taxes, etc. paid.

Cash flow from operating activities decreased by 1,789 million yen, compared to the previous fiscal year, due to decreases of 590 million yen in income before income taxes, 550 million yen in consumption tax payable, and 640 million yen in income taxes, etc. paid.

[Cash flow from investing activities]

Cash used in investing activities during the fiscal year ended February 2023 was 589 million yen.

This mainly resulted from expenditures of 132 million yen for acquisition of tangible fixed assets for opening new schools, 401 million yen in expenditures for acquisition of intangible fixed assets for building a billing platform system and a student placement system, and 31 million yen in expenditures for lease and guarantee deposits.

Compared to the previous fiscal year, cash flow from investing activities decreased by 213 million yen due to decreases in expenditures of 29 million yen for acquisition of tangible fixed assets and expenditures of 170 million yen for acquisition of intangible fixed assets.

[Cash flow from financing activities]

Cash used in financing activities during the fiscal year ended February 2023 was 1,409 million yen.

This resulted from the payment dividends.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended February 2019	Fiscal year ended February 2020	Fiscal year ended February 2021	Fiscal year ended February 2022	Fiscal year ended February 2023
Shareholder's equity ratio (%)	75.2	72.6	72.2	67.8	74.0
Market value-based equity ratio (%)	492.1	228.0	293.6	256.5	249.3
Cash flow to interest-bearing debt ratio (year)	–	–	–	–	–
Interest coverage ratio (multiple)	–	–	–	–	–

Shareholder's equity ratio: Shareholder's equity/total assets

Market value-based equity ratio: Market capitalization/total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt/cash flow

Interest coverage ratio: Cash flow/interest

- (Notes)
1. Figures for the fiscal year ended February 2019 through to the fiscal year ended February 2020 are taken from non-consolidated financial statements.
 2. As the Company has no debt outstanding, figures pertaining to the cash flow to interest-bearing debt ratio and the interest coverage ratio have been omitted.
 3. Market capitalization is calculated based on the number of shares issued, excluding treasury shares.
 4. Operating cash flow is used for cash flow.
 5. Interest-bearing debts include all liabilities on the balance sheet which incur interest payments.

(4) Future Outlook

The operating environment surrounding the Company is undergoing significant changes, influenced by a complex and diverse array of factors including macroeconomic factors, such as COVID-19, price increases, and changes in Japan's demographics, and industry-specific factors, such as changes to the Japanese education system, and the entry of new players from other industries in growth fields such as EdTech (a general term used to describe education and training services that leverage the latest technologies), among others. In particular, the changes to the education system have a significant impact on our operating environment, and require a prompt response.

Against this backdrop in the business environment, the challenges facing individualized teaching, our core business, are as follows.

1. Promotion of teaching and service development

There are two key issues that urgently need addressing. The first is our strategy for addressing junior high-school entrance examinations. The outbreak of COVID-19 saw an increase in demand for admission to private junior high schools and high schools, particularly in the Tokyo Metropolitan Area, as a result of their quick response to the virus. This spurred growth in the junior high school entrance examination market, and the Company has also seen robust growth in primary school student admissions. We will step up our content development for junior high school entrance examinations in a bid to boost our share of this market. The second issue is in relation to our approach to mid-term university admissions. In an era where universities places outnumber university applicants, competition between universities to survive is reaching a fever pitch. Admission quotas for mid-term admissions, such as General Selection and General Recommendation Type Selection, continue to expand. Meanwhile, the approach to being admitted to universities under these schemes differs from the conventional approach to general university admissions, significantly impacting the prep school market. In response, the Company has established an organizational framework to address mid-term admissions, and is leveraging the assets of the Benesse Group for content development.

2. Marketing reforms

The flow of inquiries from external sites are declining, prompting the need to rebuild inquiry input channels to compensate for this drop off. Primarily, this involves evaluating the effect of marketing activities by channels leading to the Company website. We will look to raise mass awareness and strengthen our brand over the medium term.

3. Strengthening human resource development

With the commoditization of individualized teaching, it is becoming increasingly difficult to differentiate based on service content. Amidst this operating environment, university student teachers and school employees delivering value to our customers serve a vital human capital supporting our business operations. Therefore, we view the unique approach to developing these human resources as service providers as a key element differentiating us from our competition. To further differentiate us from our competitors, we will continue to develop human resources capable of delivering our educational ideals to our customers, centered around hospitality as a linchpin.

4. Increased productivity in school administration

To improve the activities of our human resources in providing customer value, continually improving and streamlining our working environment and work processes has emerged as a key issue. Specifically, this involves enhancing added value and promoting the shift to paperless schools through the adoption of IT at points of contact with customers. The productivity improvements achieved through these measures will work to improve the customer experience while also revitalizing the workforce.

We will address the issues raised and work toward the sustainable enhancement of corporate value, and to contribute to a happy future for humanity, as put forth in our corporate philosophy.

With regard to the outlook for the following fiscal year, we expect net sales of 22,164 million yen (1.7% increase year-on-year), operating income of 1,464 million yen (19.8% decrease year-on-year), ordinary income of 1,465 million yen (20.1% decrease year-on-year), and net income attributable to parent company of 916 million yen (26.7% decrease year-on-year).

2. Basic Approach to the Adoption of Accounting Standards

The Group applies Japanese accounting standards in consideration of the potential to compare periods of consolidated financial statements, and for comparisons between companies.

Further, the Group will consider the adoption of International Financial Reporting Standards (IFRS) as appropriate in consideration of future business development and prevailing circumstances both in Japan and abroad.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

	End of previous consolidated fiscal year (As of February 28, 2022)	End of current consolidated fiscal year (As of February 28, 2023)
Assets		
Current assets		
Cash and deposits	7,103,309	6,069,618
Accounts receivable	586,225	483,436
Merchandise	3,732	3,373
Supplies	31,842	28,587
Prepaid expenses	440,387	359,054
Other	640	2,257
Allowances for bad debts	(9,057)	(7,739)
Total current assets	8,157,080	6,938,587
Fixed assets		
Tangible fixed assets		
Buildings and structures	1,728,039	1,753,674
Accumulated depreciation	(1,000,259)	(1,033,885)
Buildings and structures, net	727,780	719,788
Tools, furniture and fixtures	985,459	953,744
Accumulated depreciation	(910,059)	(899,110)
Tools, furniture and fixtures, net	75,399	54,634
Total tangible fixed assets	803,179	774,422
Intangible fixed assets		
Goodwill	184,000	163,555
Software	978,644	1,467,161
Software suspense account	478,335	56,042
Student-related assets	59,004	50,575
Telephone subscription right	29,644	29,644
Total intangible fixed assets	1,729,628	1,766,978
Investments and other assets		
Investment securities	727	727
Investments in capital	25	25
Long-term prepaid expenses	44,939	45,612
Deferred tax assets	342,533	299,427
Lease and guarantee deposits	1,601,797	1,584,530
Total investments and other assets	1,990,022	1,930,323
Total fixed assets	4,522,831	4,471,724
Total assets	12,679,911	11,410,311

(Unit: Thousands of yen)

	End of previous consolidated fiscal year (As of February 28, 2022)	End of current consolidated fiscal year (As of February 28, 2023)
Liabilities		
Current liabilities		
Accounts payable	8,357	8,471
Accounts payable-other	724,449	445,119
Accrued expenses	864,273	882,793
Accrued tax payable, etc.	823,548	339,935
Consumption tax payable	470,897	169,231
Contractual liabilities	859,611	902,548
Deposits received	61,382	47,166
Reserve for bonuses	116,244	122,062
Reserve for officer bonuses	20,790	5,670
Reserve for shareholder benefits	86,842	–
Total current liabilities	4,036,397	2,922,998
Fixed liabilities		
Deferred tax liabilities	17,954	13,808
Other	8,897	16,492
Total fixed liabilities	26,852	30,300
Total liabilities	4,063,249	2,953,299
Net assets		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,944,447	6,782,542
Treasury stock	(121)	(121)
Total shareholder's equity	8,600,048	8,438,144
Minority interest	16,613	18,868
Total net assets	8,616,662	8,457,012
Total liabilities and net assets	12,679,911	11,410,311

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

Consolidated Income Statements

(Unit: Thousands of yen)

	Fiscal year ended February 2022 (March 1, 2021 to February 28, 2022)	Fiscal year ended February 2023 (March 1, 2022 to February 28, 2023)
Net sales	22,495,242	21,790,075
Cost of goods sold	14,229,520	13,975,736
Gross profit	8,265,722	7,814,339
Selling, general and administrative expenses		
Advertising expenses	2,410,518	2,279,787
Remuneration for directors (and other officers)	159,217	171,350
Salaries and allowances	729,669	764,894
Bonuses	40,389	32,257
Provision for bonuses	28,761	29,412
Provision for bonuses for directors (and other officers)	20,790	5,670
Other salaries	226,513	233,843
Rent	117,338	118,120
Depreciation and amortization expenses	169,258	322,659
Hiring expenses	219,866	295,297
Commission expenses	996,579	1,071,372
Rent expenses	26,114	19,298
Provision of allowance for doubtful accounts	8,491	5,477
Provision for shareholder benefit program	82,392	-
Reversal of provision for shareholder benefit program	-	(421)
Goodwill amortization	20,444	20,444
Other	612,914	620,271
Total selling, general and administrative expenses	5,869,259	5,989,738
Operating income	2,396,462	1,824,600
Non-operating income		
Interest and dividend income	61	79
Gain on disposal of unpaid dividends	612	550
Subsidy income	1,400	508
Gain on bad debts recovered	4,013	3,874
Gain on the liquidation of lease and guarantee deposits	-	5,099
Other	191	24
Total non-operating income	6,278	10,137
Ordinary income	2,402,740	1,834,737
Extraordinary loss		
Impairment losses	-	* 22,729
Total extraordinary loss	-	22,729
Income before income taxes	2,402,740	1,812,007
Corporate income, inhabitant and enterprise taxes	849,313	521,124
Adjustment of corporate taxes, etc.	(27,237)	38,959
Total accrued tax payable	822,076	560,083
Net income	1,580,664	1,251,923
Net income (loss) attributable to minority interests	2,249	2,254
Net income attributable to parent company	1,578,415	1,249,669

Consolidated Statement of Comprehensive Income

(Unit: Thousands of yen)

	Fiscal year ended February 2022 (March 1, 2021 to February 28, 2022)	Fiscal year ended February 2023 (March 1, 2022 to February 28, 2023)
Net income	1,580,664	1,251,923
Comprehensive income	1,580,664	1,251,923
(Breakdown)		
Comprehensive income attributable to owners of the parent company	1,578,415	1,249,669
Comprehensive income attributable to minority interests	2,249	2,254

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended February 2022 (March 1, 2021 to February 28, 2022)

(Unit: Thousands of yen)

	Shareholder's equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	642,157	1,013,565	6,777,605	(121)	8,433,207
Changes during period					
Dividends of surplus			(705,786)		(705,786)
Dividends of surplus (Interim dividend)			(705,786)		(705,786)
Net income attributable to owners of parent			1,578,415		1,578,415
Net changes in items other than shareholders' equity					
Total change during period	–	–	166,841	–	166,841
Balance at end of period	642,157	1,013,565	6,944,447	(121)	8,600,048

	Non-controlling interests	Total net assets
Balance at beginning of period	14,364	8,447,571
Changes during period		
Dividends of surplus		(705,786)
Dividends of surplus (Interim dividend)		(705,786)
Net income attributable to owners of parent		1,578,415
Net changes in items other than shareholders' equity	2,249	2,249
Total change during period	2,249	169,090
Balance at end of period	16,613	8,616,662

Fiscal year ended February 2023 (March 1, 2022 to February 28, 2023)

(Unit: Thousands of yen)

	Shareholder's equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	642,157	1,013,565	6,944,447	(121)	8,600,048
Changes during period					
Dividends of surplus			(705,786)		(705,786)
Dividends of surplus (Interim dividend)			(705,786)		(705,786)
Net income attributable to owners of parent			1,249,669		1,249,669
Net changes in items other than shareholders' equity					
Total change during period	-	-	(161,904)	-	(161,904)
Balance at end of period	642,157	1,013,565	6,782,542	(121)	8,438,144

	Non-controlling interests	Total net assets
Balance at beginning of period	16,613	8,616,662
Changes during period		
Dividends of surplus		(705,786)
Dividends of surplus (Interim dividend)		(705,786)
Net income attributable to owners of parent		1,249,669
Net changes in items other than shareholders' equity	2,254	2,254
Total change during period	2,254	(159,649)
Balance at end of period	18,868	8,457,012

(4) Consolidated Cash Flow Statements

(Unit: Thousands of yen)

	Fiscal year ended February 2022 (March 1, 2021 to February 28, 2022)	Fiscal year ended February 2023 (March 1, 2022 to February 28, 2023)
Cash flow from operating activities		
Income before income taxes	2,402,740	1,812,007
Depreciation and amortization expenses	285,945	437,765
Impairment losses	–	22,729
Goodwill amortization	20,444	20,444
Amortization of long-term prepaid expenses	65,744	64,653
Subsidy income	(1,400)	(508)
Increase (Decrease) in allowances for bad debts	(137)	(1,317)
Increase (Decrease) in reserve for bonuses	(18,115)	5,818
Increase (Decrease) in reserve for officer bonuses	20,790	(15,120)
Increase (Decrease) in reserve for shareholder benefits	26,295	(86,842)
Interest and dividends received	(61)	(79)
Gain on forfeiture of unclaimed dividends	(612)	(550)
Decrease (Increase) in accounts receivable	(23,597)	102,789
Decrease (Increase) in inventories	(4,896)	3,614
Decrease (Increase) in other current assets	(24,449)	85,822
Increase (Decrease) in accounts payable	(818)	113
Increase (Decrease) in contractual liabilities	131,867	42,936
Increase (Decrease) in consumption tax payable, etc.	248,832	(301,665)
Decrease (Increase) in consumption tax receivable, etc.	1,195	–
Increase (Decrease) in other current liabilities	(32,333)	(243,072)
Subtotal	3,097,433	1,949,540
Interest and dividend income received	61	79
Subsidies received	1,400	508
Income taxes, etc. paid	(344,631)	(984,887)
Net cash provided by operating activities	2,754,262	965,240
Cash flow from investing activities		
Expenditures for acquisition of tangible fixed assets	(161,907)	(132,742)
Expenditures for acquisition of intangible fixed assets	(572,172)	(401,537)
Expenditures for lease and guarantee deposits	(48,869)	(31,549)
Income from refund of lease and guarantee deposits	12,790	3,856
Expenditures for acquisition of long-term prepaid expenses	(32,532)	(27,410)
Cash used in investing activities	(802,691)	(589,383)
Cash flow from financing activities		
Dividends paid	(1,410,905)	(1,409,548)
Cash used in financing activities	(1,410,905)	(1,409,548)
Net increase (decrease) in cash and cash equivalents	540,665	(1,033,691)
Cash and cash equivalents at beginning of period	6,562,644	7,103,309
Cash and cash equivalents at end of period	7,103,309	6,069,618

(5) Notes Concerning Consolidated Financial Statements

(Notes Regarding the Company as a Going Concern)

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 fiscal year ended 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 fiscal year ended February 2023. Further, this change does not affect profit and loss statements for the fiscal year ended February 2023.

With the application of the Accounting Standard for Revenue Recognition, “advances received”, which had previously been listed in “current liabilities” in the consolidated balance sheet for the previous consolidated fiscal year, is now included in “contractual liabilities”.

(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 fiscal year ended February 2023. The new accounting policies 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 financial statements.

(Notes on Consolidated Income Statements)

* Impairment losses

Fiscal year ended February 2022 (March 1, 2021 to February 28, 2022)

Not applicable

Fiscal year ended February 2023 (March 1, 2022 to February 28, 2023)

The Group recorded impairment loss for the following asset group due to waning profitability caused by a slowdown in business performance.

Application	Type	Location	Amount (thousands of yen)
Business assets	Buildings, tools, furniture and fixtures, leased assets, and long-term prepaid expenses	Schools in the Tokyo Metropolitan Area and others (10 schools)	22,729

The Group primarily groups schools as the smallest cash flow-producing unit.

The recoverable amount of business assets is estimated to be zero due to a negative estimate of undiscounted future cash flows, and its book value is recorded as an impairment loss.

As the Company stopped accepting new customer inquiries for the 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.

Further, the Company's decision to consolidate schools resulted in the entire book value of assets no longer deemed to be recoverable being written off as an impairment loss.

(Breakdown of impairment losses)

Buildings	13,210 thousand yen
Tools, furniture and fixtures	1,361 thousand yen
Leased assets	5,691 thousand yen
Long-term prepaid expenses	2,467 thousand yen
<u>Total</u>	<u>22,729 thousand yen</u>

(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.

(Per-Share Information)

	Fiscal year ended February 2022 (March 1, 2021 to February 28, 2022)	Fiscal year ended February 2023 (March 1, 2022 to February 28, 2023)
Net assets per share	158.41 yen	155.42 yen
Net income per share	29.07 yen	23.02 yen

(Notes) 1 Diluted net income per share is not recorded because there are no dilutive shares.

2 The basis for calculating net assets per share is as follows.

Item	Fiscal year ended February 2022 (February 28, 2022)	Fiscal year ended February 2023 (February 28, 2023)
Total net assets (thousands of yen)	8,616,662	8,457,012
Amount deducted from total net assets (thousands of yen)	16,613	18,868
(of which pertains to non-controlling interests) (thousands of yen)	(16,613)	(18,868)
Closing balance of net assets pertaining to outstanding shares of common stock (thousands of yen)	8,600,048	8,438,144
Shares of common stock used in calculation of net assets per share (thousands of shares)	54,291	54,291

3 The basis for calculating net income per share is as follows.

Item	Fiscal year ended February 2022 (March 1, 2021 to February 28, 2022)	Fiscal year ended February 2023 (March 1, 2022 to February 28, 2023)
Earnings per share		
Net income attributable to owners of parent (thousands of yen)	1,578,415	1,249,669
Net income not attributable to ordinary shareholders (thousands of yen)	—	—
Profit attributable to owners of parent available to common stock (thousands of yen)	1,578,415	1,249,669
Average number of shares of common stock during the period (thousands of yen)	54,291	54,291

(Subsequent Events)

Not applicable

4. 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

Segment name	Fiscal year ended February 2023 (March 1, 2022 to February 28, 2023)			Year-on-year comparison	
	No. of students (people)	Amount (thousands of yen)	Composition (% of total)	No. of students (%)	Amount (%)
Individualized teaching					
Primary school students	4,423	2,433,222	11.2	102.6	102.6
Junior high school students	11,824	7,607,094	34.9	99.5	98.9
High school students	16,189	11,301,782	51.9	94.6	94.2
Total individualized teaching	32,436	21,342,100	97.9	97.4	96.8
Other business totals	–	447,975	2.1	–	101.7
Total	–	21,790,075	100.0	–	96.9

(Notes) 1 The number of students is the average number of students enrolled during the period.

2 Other business activities include science labs, writing classes, online-only individualized teaching, and corporate human resource development activities provided by HRBC Co., Ltd.