

Summary of 1Q Business Results for the Fiscal Year Ending February 29, 2024  
[Japan GAAP] (Consolidated)



July 12, 2023

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 (Post) General Manager of the Financial and Accounting Department  
 (Name) Toru Osakabe Tel: +81 3 6911 3216  
 Expected submission date of the 1Q report: July 13, 2023  
 Expected date of dividend payment: –  
 Preparation of 1Q supplementary financial document: Yes  
 1Q results briefing: No

(Rounded down to million yen)

1. 1Q consolidated business results for the fiscal year ending February 2024  
(March 1, 2023 through May 31, 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 ending February 2024 1Q	4,076	(4.0)	(1,038)	–	(1,037)	–	(746)	–
Fiscal year ended February 2023 1Q	4,248	(1.7)	(826)	–	(825)	–	(487)	–

Note: Comprehensive income

Fiscal year ending February 2024 1Q: (746) million yen (–%)

Fiscal year ended February 2023 1Q: (486) million yen (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ending February 2024 1Q	(13.74)	–
Fiscal year ended February 2023 1Q	(8.97)	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	million yen	million yen	%
Fiscal year ending February 2024 1Q	9,817	7,167	72.8
As of February 2023	11,410	8,457	74.0

Reference: Shareholders' equity:

Fiscal year ending February 2024 1Q: 7,149 million yen

As of February 2023: 8,438 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 2023	–	13.00	–	10.00	23.00
Fiscal year ending February 2024	–				
Fiscal year ending February 2024 (forecast)		8.00	–	8.00	16.00

Note: Revisions to the most recent dividend forecast: None

## 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

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)

Fiscal year ending February 2024 1Q	54,291,435	As of February 2023	54,291,435
Fiscal year ending February 2024 1Q	136	As of February 2023	136
Fiscal year ending February 2024 1Q	54,291,299	Fiscal year ended February 2023 1Q	54,291,299

2) Treasury stock at the end of period

3) Average number of shares during period (quarterly cumulative total)

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

(Information on how to obtain supplementary financial documents to quarterly results)

Supplementary financial documents to quarterly results (fact sheet) will be posted on the Company's website on July 12, 2023.

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## 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.

With regard to the Japanese economic outlook for the first quarter of the fiscal year ending February 2024, an improving employment and income environment, coupled with the impact of lowering COVID-19 to a Category V infectious disease under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases and other policies has boosted consumer spending and corporate investment trends, and a gradual economic recovery is expected to continue. However, the global economy continues to lean towards monetary tightening policies which threaten to result in a slowdown in overseas economies, dragging down Japan's economy with it, and there is a need to remain vigilant in the face of rising prices and fluctuations in financial and capital markets.

With regard to the education system in Japan, the GIGA School Program entered its third year in 2023 since its full-fledged launch in 2021. This poses questions on how best to leverage the device for every student, namely in the form of enriching optimized learning experiences for the individual, the use of AI, and the increased application of ICT, DX and other digital solutions in education. With regard to university entrance exams, the number of applicants and universities using the Common Test for University Admissions is on the rise. University entrance exams are also becoming increasingly diverse in other ways, as seen in the increased use of private English exams and mid-term university admissions, such as General Selection and General Recommendation Type Selection admissions. 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.

Net sales for 1Q of the fiscal year ending February 2024 was 4,076 million yen (down 4.0% year-on-year) due to the impact of reduced inquiry flow from external sites, which had been raised as an issue in the previous term. Our business activities focused primarily on the pressing issue of overhauling our marketing efforts, and educational development addressing same-year entrance exams and junior high school entrance exams. While efforts to overhaul our marketing have had some impact, leveraging this to drive a recovery in business performance remains an issue. In terms of educational development, measures were rolled out to stimulate demand for mid-term university admissions study courses in the lead up to the summer recruitment drive. With regard to school expansion, we integrated the Funabashi North Exit School into the Funabashi Station School in March 2023 in an aim to improve the value of our service proposition to customers. Details into the factors causing year-on-year changes in net sales and operating profit and loss are outlined below.

<Primary factors resulting in changes in net sales>

- While per-customer net sales increased as a result of the revised tuition fees introduced in May, a decline in the number of enrolled students reduced net sales to 4,076 million yen (down 4.0% year-on-year).
- While the number of cancellations was kept level with the same period of the previous year, enrollment efforts saw a decline in the number of inquiries from external sites, reducing the average number of enrollments for the first quarter to 27,852 (down 5.6% year-on-year).

<Primary factors resulting in changes in operating profit and loss>

- An operating loss of 1,038 million yen (a decline of 212 million yen year-on-year) was recorded.
- The primary factors causing this include a decline in profits resulting from reduced revenue, an increase in depreciation and associated operating and maintenance expenses driven by system investments, and increased labor costs resulting from proactive hiring efforts to resolve business challenges.

(Note that first quarter operating income for the Company tends to be negative due to how the business is structured and seasonal factors.)

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 at the end of the first quarter of the current fiscal year were 9,817 million yen, a 1,592 million yen (14.0%) decrease from the end of the previous fiscal year.

Current assets were 5,138 million yen, a 1,799 million yen (25.9%) decrease from the end of the previous fiscal year. Although “other” current assets increased by 155 million yen, this decline is primarily attributed to a decrease of 1,779 million yen in cash and deposits, and a 177 million yen decline in accounts receivable.

Tangible fixed assets were 777 million yen, a 3 million yen (0.5%) increase from the end of the previous fiscal year. This increase was primarily due to the replacement of equipment at existing schools.

Intangible fixed assets were 1,679 million yen, an 87 million yen (4.9%) decrease from the end of the previous fiscal year. This decrease was primarily due to depreciation recorded for a student placement system and a billing platform system.

Investments and other assets were 2,221 million yen, a 290 million yen (15.1%) increase from the end of the previous fiscal year. This increase was primarily the result of an increase in other assets of 312 million yen, offsetting a decrease of 21 million yen in deposits and security money.

### [Liabilities]

Total liabilities at the end of the first quarter of the current fiscal year were 2,650 million yen, a 303 million yen (10.3%) decrease from the end of the previous fiscal year. This decline was primarily caused by a decrease in accrued tax payable, etc. of 298 million yen, and a 243 million yen decrease in “other” current liabilities, which outweighed an increase of 65 million yen in the reserve for bonuses.

### [Net assets]

Net assets at the end of the first quarter of the current fiscal year were 7,167 million yen, a 1,289 million yen (15.2%) decline from the end of the previous fiscal year. This decline was the result of surplus dividend payments of 542 million yen, and quarterly net losses attributable to owners of the parent company totaling 746 million yen.

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

With regard to the forecast of consolidated business results for the term ending February 2024, there have been no changes to the forecast of consolidated business results announced for the full year in the Summary of Business Results for the Year Ended February 28, 2023 [Japan GAAP] (Consolidated) disclosed April 10, 2023.

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous consolidated fiscal year (February 28, 2023)	First quarter consolidated accounting period (May 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	6,069,618	4,290,043
Accounts receivable	483,436	306,242
Inventories	31,960	34,731
Other	361,312	516,780
Allowances for bad debts	(7,739)	(8,955)
Total current assets	6,938,587	5,138,841
Fixed assets		
Tangible fixed assets	774,422	777,950
Intangible fixed assets		
Goodwill	163,555	158,444
Software	1,467,161	1,439,435
Other	136,261	81,977
Total intangible fixed assets	1,766,978	1,679,857
Investments and other assets		
Lease and guarantee deposits	1,584,530	1,563,174
Other	345,792	657,932
Total investments and other assets	1,930,323	2,221,106
Total fixed assets	4,471,724	4,678,914
Total assets	11,410,311	9,817,756
<b>Liabilities</b>		
Current liabilities		
Accounts payable	8,471	13,379
Accrued tax payable, etc.	339,935	41,612
Contractual liabilities	902,548	1,070,010
Reserve for bonuses	122,062	187,691
Reserve for officer bonuses	5,670	5,670
Other	1,544,310	1,300,938
Total current liabilities	2,922,998	2,619,302
Fixed liabilities		
Other	30,300	30,911
Total fixed liabilities	30,300	30,911
Total liabilities	2,953,299	2,650,214
<b>Net assets</b>		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,782,542	5,493,528
Treasury stock	(121)	(121)
Total shareholder's equity	8,438,144	7,149,130
Minority interest	18,868	18,411
Total net assets	8,457,012	7,167,542
Total liabilities and net assets	11,410,311	9,817,756

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

## Quarterly Consolidated Income Statements

First quarter consolidated cumulative period

(Unit: Thousands of yen)

	Previous first quarter consolidated cumulative period (March 1, 2022 to May 31, 2022)	Current first quarter consolidated cumulative period (March 1, 2023 to May 31, 2023)
Net sales	4,248,251	4,076,748
Cost of goods sold	3,280,123	3,262,204
Gross profit	968,128	814,544
Selling, general and administrative expenses	1,794,462	1,853,410
Operating loss	(826,334)	(1,038,866)
Non-operating income		
Interest income	1	1
Gain on disposal of unpaid dividends	247	353
Subsidy income	285	–
Gain on bad debts recovered	717	368
Other	4	156
Total non-operating income	1,255	880
Ordinary loss	(825,078)	(1,037,986)
Quarterly losses before income taxes	(825,078)	(1,037,986)
Corporate income, inhabitant and enterprise taxes	(86,329)	19,351
Adjustment of corporate taxes, etc.	(252,007)	(310,780)
Total accrued tax payable	(338,336)	(291,428)
Quarterly net losses	(486,742)	(746,557)
Quarterly net income (loss) attributable to minority interests	446	(456)
Quarterly net losses attributable to owners of the parent company	(487,188)	(746,100)



Quarterly statement of comprehensive income

First quarter consolidated cumulative period

(Unit: Thousands of yen)

	Previous first quarter consolidated cumulative period (March 1, 2022 to May 31, 2022)	Current first quarter consolidated cumulative period (March 1, 2023 to May 31, 2023)
Quarterly net losses	(486,742)	(746,557)
Quarterly comprehensive income	(486,742)	(746,557)
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	(487,188)	(746,100)
Quarterly comprehensive income attributable to minority interests	446	(456)

(3) Notes Concerning Quarterly Consolidated Financial Statements

(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 Accounting Standards in Market Value Calculations)

The "Implementation Guidance on Accounting Standards for Fair Value Measurement" (ASBJ Guidance No. 31 June 17, 2021. Hereafter, "Implementation Guidance on Accounting Standards for Fair Value Measurement") was applied from the beginning of the first quarter of the fiscal year ending February 2024. In accordance with the provisions on transitional handling in item 27-2 of the Implementation Guidance on Accounting Standards for Fair Value Measurement, the new accounting standards prescribed by the Implementation Guidance on Accounting Standards for Fair Value Measurement shall apply prospectively. Further, said changes shall have no effect on quarterly consolidated financial statements.

(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 current first quarter consolidated cumulative period is as follows:

Segment name	Current first quarter consolidated cumulative period		
	Net sales (thousands of yen)	Composition ratio (%)	Year-on-year comparison (%)
Individualized teaching			
Primary school students	528,099	13.0	102.4
Junior high school students	1,442,357	35.4	96.6
High school students	2,022,299	49.6	94.6
Total individualized teaching	3,992,757	97.9	96.3
Other business totals	83,991	2.1	83.6
Total	4,076,748	100.0	96.0

(Note) Other business activities include science labs, writing classes, online-only individualized teaching, in-school tutoring and corporate human resource development activities provided by HRBC Co., Ltd.