

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



October 11, 2023

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Expected submission date of the 1H report: October 12, 2023
 Expected date of dividend payment: November 15, 2023
 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 2024 (March 1, 2023 through August 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	%
1H, fiscal year ending February 2024	10,342	(1.2)	(75)	—	(74)	—	(110)	—
1H, fiscal year ended February 2023	10,472	(3.8)	71	(89.7)	74	(89.4)	88	(79.4)

Note: Comprehensive income

1H, fiscal year ending February 2024: (110) million yen (-%)

1H, fiscal year ended February 2023: 89 million yen (-79.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
1H, fiscal year ending February 2024	(2.04)	—
1H, fiscal year ended February 2023	1.62	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	million yen	million yen	%
1H, fiscal year ending February 2024	11,338	7,803	68.7
As of February 2023	11,410	8,457	74.0

Reference: Shareholders' equity:

1H, fiscal year ending February 2024: 7,784 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	–	8.00			
Fiscal year ending February 2024 (forecast)			–	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)	1H, fiscal year ending February 2024	54,291,435	As of February 2023	54,291,435
2) Treasury stock at the end of period	1H, fiscal year ending February 2024	136	As of February 2023	136
3) Average number of shares during period (quarterly cumulative total)	1H, fiscal year ending February 2024	54,291,299	1H, fiscal year ended February 2023	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 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.

(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 October 11, 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.

The environment facing the Company in the first half of the fiscal year ending February 2024 is becoming increasingly competitive under the impact of educational reforms, including the introduction of new school curriculum guidelines and reforms to university entrance exams, and an influx of new players from other industries spurred on by an increased diversification of learning styles brought about by further development in AI and other information technologies.

Amidst these circumstances, we have repeatedly carried out PDCA on marketing reforms and the development of educational content, both of which had been earmarked as key issues since the previous year, with a short turnaround. As a result, we began providing a mid-term university admissions course in June for mid-term university admissions (General Selection and General Recommendation Type Selection), which has recently seen a significant increase in university exam candidates. In addition, we renewed our website to better communicate the new services we have on offer, and promote our new merchandise. As a result of these efforts, inquiries into our mid-term university admissions plans jumped 90% year-on-year, leading to steady growth in enrollments from our main target, high school students in their senior year.

Consolidated sales for 1H, fiscal year ending February 2024 was 10,342 million yen (down 1.2% year-on-year), with an operating loss of 75 million yen (following an operating income of 71 million yen in the same period of the previous year), an ordinary loss of 74 million yen (after an ordinary income of 74 million yen in the same period of the previous year), and a quarterly net loss attributable to owners of the parent company of 110 million yen (with a quarterly net income attributable to owners of the parent company of 88 million yen in the same period of the previous year).

Further, details into the factors causing year-on-year changes in net sales and operating income and loss in the 2Q of the fiscal year are outlined below.

<Primary factors resulting in changes in net sales>

- Net sales increased 42 million yen compared to the previous year.
- Summer enrollment activities were a success in improving our marketing efforts and promoting our mid-term university admissions courses, lifting the number of enrollments for 1Q of 6,536 (down 5.8% year-on-year) to 8,011 in 2Q (down 0.9% year-on-year).

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

- Operating income rose 64 million yen compared to the previous year.
- In addition to the increase in profit from increased sales, another primary factor was the improvement in the portion of teacher rates to sales.

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 11,338 million yen, a 71 million yen (0.6%) decline from the end of the previous fiscal year.

Current assets were 7,028 million yen, an 89 million yen (1.3%) increase from the end of the previous fiscal year. Although cash and deposits decreased by 786 million yen, this increase is primarily attributed to an increase in accounts receivable of 770 million yen.

Tangible fixed assets were 762 million yen, an 11 million yen (1.5%) decrease from the end of the previous fiscal year. This decrease was primarily due to the decision to close existing schools.

Intangible fixed assets were 1,620 million yen, a 146 million yen (8.3%) decrease from the end of the previous fiscal year. This decrease was primarily due to the commencement, and increased amortization of, student placement system and a billing platform system.

Investments and other assets were 1,926 million yen, a 3 million yen (0.2%) decline from the end of the previous fiscal year. This decline was primarily the result of a decrease of 26 million yen in deposits and security money, offsetting an increase in other assets of 22 million yen.

[Liabilities]

Total liabilities at the end of the first half of the current fiscal year were 3,534 million yen, a 581 million yen (19.7%) increase from the end of the previous fiscal year. This increase was primarily caused by increases of 615 million yen in contractual liabilities and 359 million yen in accrued expenses, and 18 million yen in the reserve for bonuses, which outweighed decreases in accrued tax payable, etc. of 224 million yen and "other" current liabilities of 185 million yen.

[Net assets]

Net assets at the end of the first half of the current fiscal year were 7,803 million yen, a 653 million yen (7.7%) 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 loss attributable to owners of the parent company totaling 110 million yen.

2) Cash Flows

Cash and cash equivalents at the end of the first half of the current fiscal year (hereafter, "Cash") were 5,283 million yen, a decline of 786 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 164 million yen. This was primarily the results of increases in accounts receivable of 770 million yen and contractual liabilities of 615 million yen.

When compared to the previous corresponding period, a decline in income taxes, etc. paid of 357 million yen, and increases in consumption tax payable of 338 million yen and other current liabilities of 218 million yen resulted in an increase in cash used in operating activities of 992 million yen.

[Cash flow from investing activities]

Cash used in investing activities during the first half of the current fiscal year was 78 million yen. This mainly resulted from expenditures of 53 million yen for acquisition of tangible fixed assets and 29 million yen for acquisition of intangible fixed assets.

When compared to the previous corresponding period, decreases in expenditures for acquisition of tangible fixed assets of 43 million yen and expenditures for acquisition of intangible fixed assets of 249 million yen resulted in a decline of 345 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 542 million yen. 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 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 Fiscal Year Ended February 28, 2023 [Japan GAAP] (Consolidated) disclosed April 10, 2023.

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, 2023)	End of the first half of the current consolidated fiscal year (As of August 31, 2023)
Assets		
Current assets		
Cash and deposits	6,069,618	5,283,547
Accounts receivable	483,436	1,254,092
Inventories	31,960	41,454
Other	361,312	457,275
Allowances for bad debts	(7,739)	(7,840)
Total current assets	6,938,587	7,028,529
Fixed assets		
Tangible fixed assets	774,422	762,550
Intangible fixed assets		
Goodwill	163,555	153,333
Software	1,467,161	1,379,176
Other	136,261	87,990
Total intangible fixed assets	1,766,978	1,620,499
Investments and other assets		
Lease and guarantee deposits	1,584,530	1,558,213
Other	345,792	368,643
Total investments and other assets	1,930,323	1,926,857
Total fixed assets	4,471,724	4,309,907
Total assets	11,410,311	11,338,437
Liabilities		
Current liabilities		
Accounts payable	8,471	14,864
Accrued expenses	882,793	1,242,757
Accrued tax payable, etc.	339,935	115,159
Contractual liabilities	902,548	1,517,780
Reserve for bonuses	122,062	140,418
Reserve for officer bonuses	5,670	–
Other	661,517	476,418
Total current liabilities	2,922,998	3,507,399
Fixed liabilities		
Other	30,300	27,183
Total fixed liabilities	30,300	27,183
Total liabilities	2,953,299	3,534,583
Net assets		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,782,542	6,128,922
Treasury stock	(121)	(121)
Total shareholder's equity	8,438,144	7,784,524
Minority interest	18,868	19,329
Total net assets	8,457,012	7,803,853
Total liabilities and net assets	11,410,311	11,338,437

(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 2023 (March 1, 2022 to August 31, 2022)	1H, fiscal year ending February 2024 (March 1, 2023 to August 31, 2023)
Net sales	10,472,112	10,342,783
Cost of goods sold	6,974,860	6,852,036
Gross profit	3,497,252	3,490,747
Selling, general and administrative expenses	3,425,326	3,566,593
Operating income (loss)	71,926	(75,846)
Non-operating income		
Interest income	1	2
Gain on disposal of unpaid dividends	247	353
Subsidy income	285	-
Gain on bad debts recovered	1,890	1,093
Other	12	290
Total non-operating income	2,437	1,740
Ordinary income (loss)	74,363	(74,105)
Extraordinary loss		
Impairment losses	* 3,532	* 23,204
Total extraordinary loss	3,532	23,204
Quarterly income (loss) before income taxes	70,830	(97,309)
Corporate income, inhabitant and enterprise taxes	(59,373)	43,110
Adjustment of corporate taxes, etc.	41,137	(30,175)
Total accrued tax payable	(18,235)	12,935
Quarterly net income (loss)	89,066	(110,245)
Quarterly net income attributable to minority interests	1,027	461
Quarterly net income (loss) attributable to owners of the parent company	88,039	(110,706)

Quarterly statement of comprehensive income

First half of consolidated fiscal year

(Unit: Thousands of yen)

	1H, fiscal year ended February 2023 (March 1, 2022 to August 31, 2022)	1H, fiscal year ending February 2024 (March 1, 2023 to August 31, 2023)
Quarterly net income (loss)	89,066	(110,245)
Quarterly comprehensive income	89,066	(110,245)
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	88,039	(110,706)
Quarterly comprehensive income attributable to minority interests	1,027	461

(3) Quarterly Consolidated Cash Flow Statements

(Unit: Thousands of yen)

	1H, fiscal year ended February 2023 (March 1, 2022 to August 31, 2022)	1H, fiscal year ending February 2024 (March 1, 2023 to August 31, 2023)
Cash flow from operating activities		
Income (loss) before income taxes	70,830	(97,309)
Depreciation and amortization expenses	185,020	254,310
Goodwill amortization	10,222	10,222
Impairment losses	3,532	23,204
Amortization of long-term prepaid expenses	32,476	36,864
Subsidy income	(285)	–
Increase (Decrease) in allowances for bad debts	(12)	100
Increase (Decrease) in reserve for bonuses	16,492	18,355
Increase (Decrease) in reserve for officer bonuses	(20,790)	(5,670)
Increase (Decrease) in reserve for shareholder benefits	(79,416)	–
Interest and dividends received	(1)	(2)
Gain on disposal of unpaid dividends	(247)	(353)
Decrease (Increase) in accounts receivable	(839,625)	(770,656)
Decrease (Increase) in inventories	(11,392)	(9,494)
Decrease (Increase) in other current liabilities	24,171	(105,841)
Increase (Decrease) in accounts payable	6,455	6,393
Increase (Decrease) in contractual liabilities	500,512	615,231
Increase (Decrease) in consumption tax payable, etc.	(386,703)	(47,824)
Increase (Decrease) in other current liabilities	(55,375)	163,491
Subtotal	(544,134)	91,020
Interest and dividend income received	1	2
Subsidies received	285	–
Income taxes, etc. paid	(613,518)	(255,908)
Cash flow from operating activities	(1,157,365)	(164,884)
Cash flow from investing activities		
Expenditures for acquisition of tangible fixed assets	(96,628)	(53,002)
Expenditures for acquisition of intangible fixed assets	(279,199)	(29,778)
Expenditures for lease and guarantee deposits	(31,549)	(4,252)
Income from refund of lease and guarantee deposits	1,102	14,498
Expenditures for acquisition of long-term prepaid expenses	(18,167)	(5,917)
Cash flow from investing activities	(424,442)	(78,452)
Cash flow from financing activities		
Dividends paid	(704,921)	(542,734)
Cash flow from financing activities	(704,921)	(542,734)
Net increase (decrease) in cash and cash equivalents	(2,286,729)	(786,071)
Cash and cash equivalents at beginning of period	7,103,309	6,069,618
Cash and cash equivalents at end of period	4,816,580	5,283,547

(4) Notes Concerning Quarterly Consolidated Financial Statements

(Notes on Quarterly Consolidated Income Statements)

* Impairment losses

1H, fiscal year ended 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	Amount (thousands of yen)
Business asset	Building	School in Fukuoka Prefecture (one school)	3,532

The Group groups schools – the smallest cash flow producing units.

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.

1H, fiscal year ending February 2024 (March 1, 2023 to August 31, 2023)

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

Application	Type	Location	Amount (thousands of yen)
Business asset	Buildings, tools, furniture and fixtures, long-term prepaid expenses, and telephone subscription rights	Schools in the Tokyo Metropolitan Area and others (two schools)	23,204

The Group groups schools – the smallest cash flow producing units.

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	20,235 thousand yen
Tools, furniture and fixtures	328 thousand yen
Long-term prepaid expenses	2,340 thousand yen
Telephone subscription rights	299 thousand yen
Total	23,204 thousand yen

(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 1H, fiscal year ending February 2024 is as follows:

Segment name	1H, fiscal year ending February 2024		
	Net sales (thousands of yen)	Composition ratio (%)	Year-on-year comparison (%)
Individualized teaching			
Primary school students	1,191,101	11.5	103.2
Middle school students	3,481,441	33.7	98.4
High school students	5,468,471	52.9	98.3
Total individualized teaching	10,141,014	98.0	98.9
Other business total	201,769	2.0	94.0
Total	10,342,783	100.0	98.8

(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.