

Summary of 1Q Business Results for the Fiscal Year Ending February 28, 2025

[Japan GAAP] (Consolidated)



July 10, 2024

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Expected submission date of the 1Q report: July 11, 2024

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 2025 (March 1, 2024 through May 31, 2024)

(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 2025 1Q	4,223	3.6	(844)	–	(840)	–	(607)	–
Fiscal year ended February 2024 1Q	4,076	(4.0)	(1,038)	–	(1,037)	–	(746)	–

Note: Comprehensive income

Fiscal year ending February 2025 1Q: (607) million yen (–%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ending February 2025 1Q	(11.19)	–
Fiscal year ended February 2024 1Q	(13.74)	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	million yen	million yen	%
Fiscal year ending February 2025 1Q	10,154	7,399	72.7
As of February 2024	11,688	8,440	72.0

Reference: Shareholders' equity:

Fiscal year ending February 2025 1Q: 7,379 million yen

As of February 2024: 8,420 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 2024	–	8.00	–	8.00	16.00
Fiscal year ending February 2025	–				
Fiscal year ending February 2025 (forecast)		6.00	–	6.00	12.00

Note: Revisions to the most recent dividend forecast: None

3. Forecast of consolidated business results for fiscal year ending February 2025 (March 1, 2024 through February 28, 2025)

(% 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 2025	21,797	0.6	1,271	(20.9)	1,273	(21.2)	757	(21.1)	13.95

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.: None

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 2025 1Q	54,291,435	As of February 2024	54,291,435
Fiscal year ending February 2025 1Q	136	As of February 2024	136
Fiscal year ending February 2025 1Q	54,291,299	Fiscal year ended February 2024 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 10, 2024.

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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 2025, although there are signs of a gradual recovery driven by an improvement in the employment and income environment and an increase in overseas tourists traveling to Japan, the outlook for the economy remains uncertain due to the prolonged conflict in Ukraine and tensions in the Middle East, a rise in the price of raw materials resulting from the continued weakness in the yen and monetary tightening across the globe.

In terms of the educational landscape, with the GIGA school concept now entering its fourth year, the digitization of teaching environments is progressing at pace as birth rates continue to fall, with the full-scale introduction of digital English textbooks for fifth year elementary school students through to third year junior high school students. With regard to entrance exams, while demand for junior high school exams in the Tokyo Metropolitan Area continues to rise, in terms of university entrance exams, the number of students seeking to enter university through general selection is on the decline, with the number of exam takers opting for School Recommendation Type Selection or Comprehensive Selection recommendation type admissions expected to continue to trend upwards.

The prep school market faces the need to promptly respond to environmental challenges, and we are at an inflection point ahead of a period of great change in the industry, with new entrants from other industries entering the market, and moves toward strengthening alliances with other industries through M&As and other activities.

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.

For the 1Q of the fiscal year ending February 2025, we implemented a number of improvements to drive a recovery in student inquiries, which has been earmarked as a challenge for the short-term. In addition to marketing reforms, this includes efforts to improve our ability to interview students and make proposals in schools with the aim of improving quality to help each individual student achieve their goals and targets as part of efforts to revitalize our core individualized teaching business. We also worked to develop new services that utilize the assets of the Benesse Group to leverage our unique competitive advantages to meet the needs of customers amidst a changing educational landscape.

With regard to school expansion, the Tokyo Individualized Educational Institute opened two new schools, Kachidoki School (Chuo-ku, Tokyo) and Koiwa School (Edogawa-ku, Tokyo), in March. At the same time, after carefully considering customer convenience, we merged the two schools in Machida in the vicinity of the same train station in March, integrating the Machida Terminal Exit School into Machida School. Looking ahead, we will consider ways to improve location profitability while opening schools in optimal locations considering future demographic trends.

In terms of the number of students, we saw improvements to student withdrawals following school quality improvements, and this, coupled with an increase in inquiries driven by marketing reforms, was significant in bridging the gap with the number of students for the previous year, from -1,001 students at the end of February 2024 to +4 students at the end of May 2024. Despite this, the average number of students for the first quarter was 27,535 (down 1.1% year-on-year).

In terms of profits, upfront investments for the future included costs associated with opening two new schools and labor costs required to secure and retain outstanding human resources, which were offset by efforts to consolidate schools, promote the appropriate placement of teachers, streamline promotion and advertising activity, as well as other aggressive cost cutting measures.

As a result, net sales were 4,223 million yen (up 3.6% year-on-year), operating losses were 844 million yen (compared to operating losses of 1,038 million yen year-on-year), ordinary losses were 840 million yen (compared to ordinary losses of 1,037 million yen year-on-year), and net losses attributable to owners of the parent company were 607 million yen (compared to net losses attributable to owners of the parent company of 746 million yen year-on-year).

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

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 10,154 million yen, a 1,533 million yen (13.1%) decrease from the end of the previous fiscal year.

Current assets were 5,910 million yen, a 1,684 million yen (22.2%) decrease from the end of the previous fiscal year. Although “other” current assets increased by 111 million yen, this decline is primarily attributed to a decrease of 1,728 million yen in cash and deposits, and a 70 million yen decline in accounts receivable.

Tangible fixed assets were 709 million yen, a 24million yen (3.5%) increase from the end of the previous fiscal year. This increase was primarily due to new school openings and the replacement of equipment at existing schools.

Intangible fixed assets were 1,304 million yen, a 103 million yen (7.3%) 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 2,230 million yen, a 229 million yen (11.5%) increase from the end of the previous fiscal year. This increase was primarily the result of an increase in other assets of 251 million yen, offsetting a decrease of 22 million yen in lease and guarantee deposits.

[Liabilities]

Total liabilities at the end of the first quarter of the current fiscal year were 2,755 million yen, a 492 million yen (15.2%) decrease from the end of the previous fiscal year. This decline was primarily caused by a decrease in accrued tax payable, etc. of 355 million yen, and a 321 million yen decrease in “other” current liabilities, which outweighed increases of 95 million yen in contractual liabilities and 91 million yen in the reserve for bonuses.

[Net assets]

Net assets at the end of the first quarter of the current fiscal year were 7,399 million yen, a 1,041 million yen (12.3%) decline from the end of the previous fiscal year. This decline was the result of surplus dividend payments of 434 million yen, and quarterly net losses attributable to owners of the parent company totaling 607 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 2025, 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 29, 2024 [Japan GAAP] (Consolidated) disclosed April 9, 2024.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	End of the previous consolidated fiscal year (February 29, 2024)	First quarter consolidated accounting period (May 31, 2024)
Assets		
Current assets		
Cash and deposits	6,807,375	5,079,067
Accounts receivable	398,423	327,603
Inventories	32,154	35,471
Other	362,693	474,667
Allowances for bad debts	(5,701)	(6,175)
Total current assets	7,594,946	5,910,635
Fixed assets		
Tangible fixed assets	685,064	709,260
Intangible fixed assets		
Goodwill	143,111	138,000
Software	1,193,270	1,097,120
Other	71,272	69,164
Total intangible fixed assets	1,407,653	1,304,285
Investments and other assets		
Lease and guarantee deposits	1,551,875	1,529,583
Other	448,877	700,876
Total investments and other assets	2,000,752	2,230,460
Total fixed assets	4,093,470	4,244,006
Total assets	11,688,417	10,154,642
Liabilities		
Current liabilities		
Accounts payable	9,702	9,621
Accrued tax payable, etc.	397,488	41,677
Contractual liabilities	924,116	1,019,668
Reserve for bonuses	217,450	309,091
Reserve for officer bonuses	18,522	18,522
Other	1,646,263	1,324,360
Total current liabilities	3,213,543	2,722,940
Fixed liabilities		
Other	34,038	32,477
Total fixed liabilities	34,038	32,477
Total liabilities	3,247,581	2,755,418
Net assets		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,764,582	5,722,774
Treasury stock	(121)	(121)
Total shareholder's equity	8,420,184	7,378,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	173	699
Total accumulated other comprehensive income	173	699
Minority interest	20,478	20,147
Total net assets	8,440,836	7,399,223
Total liabilities and net assets	11,688,417	10,154,642

(2) Quarterly Consolidated Income Statements and Quarterly Consolidated 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, 2023 to May 31, 2023)	Current first quarter consolidated cumulative period (March 1, 2024 to May 31, 2024)
Net sales	4,076,748	4,223,266
Cost of goods sold	3,262,204	3,244,059
Gross profit	814,544	979,206
Selling, general and administrative expenses	1,853,410	1,823,639
Operating loss	(1,038,866)	(844,432)
Non-operating income		
Interest income	1	1
Gain on disposal of unpaid dividends	353	320
Gain on bad debts recovered	368	362
Compensation income	—	3,682
Other	156	44
Total non-operating income	880	4,411
Ordinary loss	(1,037,986)	(840,021)
Quarterly losses before income taxes	(1,037,986)	(840,021)
Corporate income, inhabitant and enterprise taxes	19,351	16,793
Adjustment of corporate taxes, etc.	(310,780)	(249,006)
Total accrued tax payable	(291,428)	(232,212)
Quarterly net losses	(746,557)	(607,808)
Quarterly net losses attributable to minority interests	(456)	(331)
Quarterly net losses attributable to owners of the parent company	(746,100)	(607,477)

Quarterly Consolidated Statement of Comprehensive Income
First quarter consolidated cumulative period

(Unit: Thousands of yen)

	Previous first quarter consolidated cumulative period (March 1, 2023 to May 31, 2023)	Current first quarter consolidated cumulative period (March 1, 2024 to May 31, 2024)
Quarterly net losses	(746,557)	(607,808)
Accumulated other comprehensive income		
Other differences in valuation of equities	–	526
Total accumulated other comprehensive income	–	526
Quarterly comprehensive income	(746,557)	(607,282)
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	(746,100)	(606,950)
Quarterly comprehensive income attributable to minority interests	(456)	(331)

(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

(Segment Information, etc.)

[Segment Information]

The individualized teaching business is the only reported business segment for the Group. 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	552,949	13.1	104.7
Junior high school students	1,490,636	35.3	103.3
High school students	2,093,079	49.6	103.5
Total individualized teaching	4,136,665	97.9	103.6
Other business totals	86,600	2.1	103.1
Total	4,223,266	100.0	103.6

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