

Summary of First Half Business Results (Interim) for the Fiscal Year Ending
February 28, 2025
[Japan GAAP] (Consolidated)



October 11, 2024

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Expected submission date of the 1H report: October 11, 2024
 Expected date of dividend payment: November 15, 2024
 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 (interim) for the fiscal year ending February 2025
(March 1, 2024 through August 31, 2024)

(1) Consolidated results of operations (% change from the previous interim period)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company	
	million yen	%	million yen	%	million yen	%	million yen	%
Interim period, fiscal year ending February 2025	10,518	1.7	90	-	95	-	5	-
Interim period, fiscal year ended February 2024	10,342	(1.2)	(75)	-	(74)	-	(110)	-

Note: Comprehensive income

Interim period, fiscal year ending February 2025: 5 million yen (-%)

Interim period, fiscal year ended February 2024: (110) million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Interim period, fiscal year ending February 2025	0.09	-
Interim period, fiscal year ended February 2024	(2.04)	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	million yen	million yen	%
Interim period, fiscal year ending February 2025	11,774	8,011	67.9
As of February 2024	11,688	8,440	72.0

Reference: Shareholders' equity:

Interim period, fiscal year ending February 2025: 7,990 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	-	6.00			
Fiscal year ending February 2025 (forecast)			-	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) Important changes to the scope of consolidation during the interim period: None

(2) Adoption of special accounting treatments for interim 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)

Interim period, fiscal year ending February 2025	54,291,435	As of February 2024	54,291,435
Interim period, fiscal year ending February 2025	136	As of February 2024	136
Interim period, fiscal year ending February 2025	54,291,299	Interim period, fiscal year ended February 2024	54,291,299

2) Treasury stock at the end of period

3) Average number of shares during period (Interim)

* First half financial statements (interim) 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 Interim 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, 2024.

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1. Qualitative Information on Interim 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 interim consolidated accounting period.

With regard to the Japanese economic outlook for the interim consolidated accounting period, although there are signs of a gradual recovery driven by an improvement in the employment and income environment, as well as the effects of various policies, the outlook for the economy remains uncertain, and we must remain vigilant to the impacts of a downturn in overseas economies, rising prices, the prolonged conflict in Ukraine, tension in the Middle East, and fluctuations in local and international financial markets.

In terms of the educational landscape, the digitization of teaching environments is progressing at pace, as birth rates continue to fall, with the widespread introduction of digital textbooks. With regard to entrance exams, with ongoing reforms to university entrance exams, such as the addition of “Information” as an exam subject in common university tests from FY2025, the number of students seeking to enter university through general selection is on the decline, and the number of exam takers opting for School Recommendation Type Selection or Comprehensive Selection recommendation type admissions is expected to continue to increase.

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.

Amidst these circumstances, we have outlined “The confidence that you can do it if you try”, “The joy of taking on a new challenge”, “The importance of having dreams”, and “Hospitality” as the linchpin of our corporate activities, and have looked to provide teaching services closely aligned with each individual based on a view that our corporate philosophy lies in contributing to a happy future for humanity.

Looking ahead, we will focus on fostering a self-sustaining cycle at the core of our values to help each child achieve their goals. We aim to maintain a reputation as a most trusted partner connecting the present with the future.

For the interim consolidated accounting period, as part of initiatives to revitalize our core individualized teaching business, efforts to improve our ability to interview students and make proposals with the aim of improving the quality of our schools to help each individual student achieve their goals and targets resulted in a reduced number of student withdrawals, and marketing reforms drove new inquiries, leading to a recovery in enrollments. As a result, the average number of students for the interim consolidated accounting period was 30,073 (up 0.5% year-on-year).

We promoted the development of services tailored to students taking university entrance exams and students taking high school entrance exams to meet the needs of customers amidst a changing educational landscape. Looking ahead, we will focus on growth markets and pursue the development of educational content by leveraging our unique competitive advantages in utilizing the assets of the Benesse Group with a view to diversifying the lineup of services offered within our business model.

In terms of profits, while we are actively investing in securing outstanding human resources and in advertising campaigns aimed at capturing students, we are also working on reducing costs by promoting the appropriate placement of teachers and consolidating schools.

As a result, operating results for the interim consolidated accounting period saw net sales at 10,518 million yen (up 1.7% year-on-year), operating income was 90 million yen (compared to operating losses of 75 million yen year-on-year), ordinary income was 95 million yen (compared to ordinary losses of 74 million yen year-on-year), and interim net income attributable to owners of the parent company was 5 million yen (compared to interim net losses attributable to owners of the parent company of 110 million yen year-on-year).

Further, the main line of business for our Group is the individualized teaching business. Net sales, segment profit, and other totals have been omitted for other business lines as these represent a small fraction of total earnings.

(2) Explanation of Financial Standing

1) Assets, Liabilities, and Net Assets

[Assets]

Total assets at the end of the interim consolidated accounting period were 11,774 million yen, an 86 million yen (0.7%) increase from the end of the previous fiscal year.

Current assets were 7,908 million yen, a 313 million yen (4.1%) increase from the end of the previous fiscal year. Although cash and deposits decreased by 639 million yen, this increase is primarily attributed to an increase of 887 million yen in accounts receivable, and a 55 million yen increase in "other" current assets.

Tangible fixed assets were 693 million yen, a 7 million yen (1.2%) 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 1,197 million yen, a 210 million yen (14.9%) 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 1,975 million yen, a 25 million yen (1.3%) decrease from the end of the previous fiscal year. This decrease was primarily the result of a 25 million yen decrease in "other" assets.

[Liabilities]

Total liabilities at the end of the interim consolidated accounting period were 3,762 million yen, a 515 million yen (15.9%) increase from the end of the previous fiscal year. Although accrued tax payable, etc. decreased by 279 million yen and "other" current liabilities decreased by 260 million yen, this increase was primarily due to a 656 million yen increase in contractual liabilities, and a 427 million yen increase in accrued expenses.

[Net assets]

Net assets at the end of the interim consolidated accounting period were 8,011 million yen, a 429 million yen (5.1%) decline from the previous fiscal year. This decline was the result of retained earnings of 429 million yen.

2) Cash Flows

Cash and cash equivalents at the end of the interim consolidated accounting period (hereafter, "Cash") were 6,167 million yen, a decline of 639 million yen from the end of the previous 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 interim consolidated accounting period was 89 million yen (compared to cash outflows of 164 million yen year-on-year). This was primarily due to depreciation and amortization expenses of 265 million yen, an increase in accounts receivable of 887 million yen, an increase in contractual liabilities of 656 million yen, a decrease in consumption tax payable, etc. of 107 million yen, an increase in other current liabilities of 252 million yen, and 311 million yen in income taxes, etc. paid.

[Cash flow from investing activities]

Cash used in investing activities for the interim consolidated accounting period was 116 million yen (compared to cash outflows of 78 million yen year-on-year). This mainly resulted from expenditures of 87 million yen for the acquisition of tangible fixed assets and 31 million yen in expenditures for lease and guarantee deposits.

[Cash flow from financing activities]

Cash used in financing activities for the interim consolidated accounting period was 433 million yen (compared to cash outflows of 542 million yen year-on-year). This resulted from the payment of 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 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. Interim Consolidated Financial Statements and Main Notes

(1) Interim Consolidated Balance Sheet

(Unit: Thousands of yen)

	End of the previous consolidated fiscal year (February 29, 2024)	Interim consolidated accounting period (August 31, 2024)
Assets		
Current assets		
Cash and deposits	6,807,375	6,167,692
Accounts receivable	398,423	1,285,749
Inventories	32,154	42,006
Other	362,693	418,618
Allowances for bad debts	(5,701)	(5,637)
Total current assets	7,594,946	7,908,429
Fixed assets		
Tangible fixed assets	685,064	693,054
Intangible fixed assets		
Goodwill	143,111	132,888
Other	1,264,542	1,064,558
Total intangible fixed assets	1,407,653	1,197,447
Investments and other assets		
Lease and guarantee deposits	1,551,875	1,551,905
Other	448,877	423,661
Total investments and other assets	2,000,752	1,975,566
Total fixed assets	4,093,470	3,866,068
Total assets	11,688,417	11,774,498
Liabilities		
Current liabilities		
Accounts payable	9,702	14,040
Accrued expenses	907,403	1,334,417
Accrued tax payable, etc.	397,488	118,034
Contractual liabilities	924,116	1,580,853
Reserve for bonuses	217,450	208,077
Reserve for officer bonuses	18,522	–
Other	738,860	478,137
Total current liabilities	3,213,543	3,733,561
Fixed liabilities		
Other	34,038	29,330
Total fixed liabilities	34,038	29,330
Total liabilities	3,247,581	3,762,892
Net assets		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,764,582	6,335,400
Treasury stock	(121)	(121)
Total shareholder's equity	8,420,184	7,991,002
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	173	(335)
Total accumulated other comprehensive income	173	(335)
Minority interest	20,478	20,939
Total net assets	8,440,836	8,011,606
Total liabilities and net assets	11,688,417	11,774,498

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

Interim Consolidated Income Statements

(Unit: Thousands of yen)

	Previous interim consolidated accounting period (March 1, 2023 to August 31, 2023)	Current interim consolidated accounting period (March 1, 2024 to August 31, 2024)
Net sales	10,342,783	10,518,823
Cost of goods sold	6,852,036	6,903,014
Gross profit	3,490,747	3,615,809
Selling, general and administrative expenses	3,566,593	3,524,851
Operating income (loss)	(75,846)	90,957
Non-operating income		
Interest income	2	11
Gain on disposal of unpaid dividends	353	320
Compensation income	–	3,682
Other	1,383	693
Total non-operating income	1,740	4,708
Ordinary income (loss)	(74,105)	95,666
Extraordinary loss		
Impairment losses	* 23,204	* 25,304
Total extraordinary loss	23,204	25,304
Interim income (loss) before income taxes	(97,309)	70,362
Corporate income, inhabitant and enterprise taxes	43,110	42,970
Adjustment of corporate taxes, etc.	(30,175)	21,781
Total accrued tax payable	12,935	64,752
Interim net income (loss)	(110,245)	5,609
Interim net income attributable to minority interests	461	461
Interim net income (loss) attributable to owners of the parent company	(110,706)	5,148

Interim Consolidated Statement of Comprehensive Income

(Unit: Thousands of yen)

	Previous interim consolidated accounting period (March 1, 2023 to August 31, 2023)	Current interim consolidated accounting period (March 1, 2024 to August 31, 2024)
Interim net income (loss)	(110,245)	5,609
Accumulated other comprehensive income		
Other differences in valuation of equities	–	(509)
Total accumulated other comprehensive income	–	(509)
Interim comprehensive income	(110,245)	5,100
(Breakdown)		
Interim comprehensive income attributable to owners of the parent company	(110,706)	4,639
Interim comprehensive income attributable to minority interests	461	461

(3) Interim Consolidated Cash Flow Statements

(Unit: Thousands of yen)

	Previous interim consolidated accounting period (March 1, 2023 to August 31, 2023)	Current interim consolidated accounting period (March 1, 2024 to August 31, 2024)
Cash flow from operating activities		
Interim income (loss) before income taxes	(97,309)	70,362
Depreciation and amortization expenses	254,310	265,541
Goodwill amortization	10,222	10,222
Impairment losses	23,204	25,304
Amortization of long-term prepaid expenses	36,864	34,878
Increase (Decrease) in allowances for bad debts	100	(63)
Increase (Decrease) in reserve for bonuses	18,355	(9,372)
Increase (Decrease) in reserve for officer bonuses	(5,670)	(18,522)
Interest and dividends received	(2)	(11)
Gain on disposal of unpaid dividends	(353)	(320)
Decrease (Increase) in accounts receivable	(770,656)	(887,325)
Decrease (Increase) in inventories	(9,494)	(9,852)
Decrease (Increase) in other current liabilities	(105,841)	(64,369)
Increase (Decrease) in accounts payable	6,393	4,338
Increase (Decrease) in contractual liabilities	615,231	656,736
Increase (Decrease) in consumption tax payable, etc.	(47,824)	(107,955)
Increase (Decrease) in other current liabilities	163,491	252,613
Subtotal	91,020	222,203
Interest and dividend income received	2	11
Income taxes, etc. refunded	-	0
Income taxes, etc. paid	(255,908)	(311,789)
Cash flow from operating activities	(164,884)	(89,574)
Cash flow from investing activities		
Expenditures for acquisition of tangible fixed assets	(53,002)	(87,001)
Expenditures for acquisition of intangible fixed assets	(29,778)	(4,503)
Expenditures for lease and guarantee deposits	(4,252)	(31,276)
Income from refund of lease and guarantee deposits	14,498	17,455
Expenditures for acquisition of long-term prepaid expenses	(5,917)	(10,888)
Cash flow from investing activities	(78,452)	(116,214)
Cash flow from financing activities		
Dividends paid	(542,734)	(433,894)
Cash flow from financing activities	(542,734)	(433,894)
Net increase (decrease) in cash and cash equivalents	(786,071)	(639,683)
Cash and cash equivalents at beginning of period	6,069,618	6,807,375
Cash and cash equivalents at end of interim period	5,283,547	6,167,692

(4) Notes Concerning Interim Consolidated Financial Statements

(Notes on Interim Consolidated Income Statements)

* Impairment losses

Previous interim consolidated accounting period (March 1, 2023 to August 31, 2023)

The Company recorded an impairment loss for the current interim consolidated accounting period.

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
<u>Total</u>	<u>23,204 thousand yen</u>

Current interim consolidated accounting period (March 1, 2024 to August 31, 2024)

The Company recorded an impairment loss for the current interim consolidated accounting period due to a decline in profitability resulting from the sluggish performance of the following asset group.

Application	Type	Location	Amount (thousands of yen)
Business asset	Buildings, tools, furniture and fixtures, leased assets, and long-term prepaid expenses	Schools in the Tokyo Metropolitan Area and others (three schools)	25,304

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

The recoverable amount for this business asset was determined to be zero due to a negative estimate of pre-discounted future cash flows, and its entire book value was written off as an impairment loss.

(Breakdown of impairment losses)

Buildings	22,274 thousand yen
Tools, furniture and fixtures	48 thousand yen
Leased assets	2,314 thousand yen
Long-term prepaid expenses	665 thousand yen
<u>Total</u>	<u>25,304 thousand yen</u>

(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 interim consolidated accounting period is as follows:

Segment name	Current interim consolidated accounting period		
	Net sales (thousands of yen)	Composition ratio (%)	Year-on-year comparison (%)
Individualized teaching			
Primary school students	1,223,459	11.6	102.7
Junior high school students	3,548,657	33.7	101.9
High school students	5,530,916	52.6	101.1
Total individualized teaching	10,303,033	97.9	101.6
Other business totals	215,789	2.1	106.9
Total	10,518,823	100.0	101.7

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