Summary of 3Q Business Results for the Fiscal Year Ending February 28, 2025 [Japan GAAP] (Consolidated)

January 10, 2025

Company	Tokyo Individualized Educational Institute, Inc.	Listed on the Tokyo Stock Exchange
Stock Code	4745	URL https://www.tkg-jp.com/en/ir/
Representative	Shigeki Matsuo, President and Representative Director	
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Expected date of dividend payment: –
Preparation of 3Q supplementary financial document: Yes
3Q results briefing: No

(Rounded down to million yen)

1. 3Q consolidated business results for the fiscal year ending February 2025 (March 1, 2024 through November 30, 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	%
3Q, fiscal year ending February 2025	15,561	2.4	552	60.9	558	61.3	302	88.7
3Q, fiscal year ended February 2024	15,196	(0.8)	343	(26.9)	346	(27.7)	160	(53.3)

Note: Comprehensive income
3Q, fiscal year ending February 2025: 303 million yen (88.6%)
3Q, fiscal year ended February 2024: 160 million yen (-53.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q, fiscal year ending February 2025	5.56	–
3Q, fiscal year ended February 2024	2.95	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholder’s equity ratio
	million yen	million yen	%
3Q, fiscal year ending February 2025	11,173	7,984	71.3
Fiscal year ended February 2024	11,688	8,440	72.0

Reference: Shareholders’ equity:
3Q, fiscal year ending February 2025: 7,962 million yen
Fiscal year ended 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	22,200	2.5	1,540	(4.3)	1,540	(4.7)	900	(6.2)	16.58

Note: Revisions to the most recent performance forecast: Yes

* Notes

(1) Important changes to the scope of consolidation 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)	3Q, fiscal year ending February 2025	54,291,435	Fiscal year ended February 2024	54,291,435
2) Treasury stock at the end of period	3Q, fiscal year ending February 2025	136	Fiscal year ended February 2024	136
3) Average number of shares during period (quarterly cumulative total)	3Q, fiscal year ending February 2025	54,291,299	3Q, fiscal year ended February 2024	54,291,299

* Reviews of the attached quarterly consolidated financial statements by certified public accountants or audit corporations: None

* 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 January 10, 2025.

Contents of Attachment

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 3Q consolidated cumulative period, although there are signs of a gradual recovery driven by improvements in corporate earnings and 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 in the face of the prolonged conflict in Ukraine, tension in the Middle East, fluctuations in local and international financial markets, rising prices, and future policy trends in the United States.

Concerning the educational environment surrounding the Group, significant changes are being made in the face of a declining birthrate, including revisions to Japan’s revised school curriculum guidelines, the advancement of the GIGA school concept, and reforms to university entrance exams. In this context, the number of students attending correspondence high schools has reached a record high of approximately 290,000, reflecting significant changes in learning preferences and needs. Additionally, in the prep school market, there is a growing demand for swift changes in addressing these environmental changes. At the same time, competition among companies has intensified further due to new entrants from different industries and business expansions through mergers and acquisitions (M&A).

Amidst these circumstances, we have looked to provide teaching services closely aligned with each individual based on educational ideals that promote “The confidence that you can do it if you try”, “The joy of taking on a new challenge”, “The importance of having dreams”. Through this, we strive to serve as a trusted presence that bridges the present with the future by fostering a self-driven cycle for achieving each child's goals as a core value proposition.

In 3Q of the consolidated fiscal year, 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 quarterly consolidated accounting period was 31,475 (up 1.4% year-on-year). With regard to courses, while summer courses struggled, winter courses showed signs of recovery, with applications exceeding expectations.

In order to meet the needs of our customer base amidst changes to the educational environment, and to become a more trusted choice in educational services, we continue active new program development. In September, we launched a “science and social studies support course”, aimed at students taking public high school entrance exams or regular tests. Additionally, in response to the growing demand for university entrance exam preparation, we have refined the content of our “mid-term university admissions course” based on teaching outcomes following its introduction last year. Moving forward, we will continue to focus on “growth markets” and diversify our business model to achieve sustainable development amidst the challenges posed by a declining birthrate.

In terms of profits, while we are actively investing in securing outstanding human resources, advertising campaigns aimed at capturing students, as well as school beautification efforts and other measures aimed at enhancing facilities to provide a safe and welcoming environment for students, we are also working on reducing costs by promoting the appropriate placement of teachers and consolidating schools.

As a result, operating results for 3Q of the fiscal year ending February 2025 saw net sales at 15,561 million yen (up 2.4% year-on-year), operating income was 552 million yen (up 60.9% year-on-year), ordinary income was 558 million yen (up 61.3% year-on-year), and quarterly net income attributable to owners of the parent company was 302 million yen (up 88.7% 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

[Assets]

Total assets as of November 30, 2024 were 11,173 million yen, a 514 million yen (4.4%) decrease from the end of the previous fiscal year.

Current assets were 7,371 million yen, a 223 million yen (2.9%) decrease from the end of the previous fiscal year. This decrease is primarily attributed to a decrease of 271 million yen in cash and deposits, and a decrease of 122 million yen in accounts receivable.

Tangible fixed assets were 700 million yen, a 15 million yen (2.2%) 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 1,096 million yen, a 311 million yen (22.1%) 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 2,005 million yen, a 4 million yen (0.2%) increase from the end of the previous fiscal year. This increase was primarily the result of a 5 million yen increase in “other” assets.

[Liabilities]

Total liabilities as of November 30, 2024 were 3,189 million yen, a 58 million yen (1.8%) decrease from the end of the previous fiscal year. While contractual liabilities increased by 394 million yen, this decrease is primarily attributed to a 353 million yen decrease in accrued tax payable, etc.

[Net assets]

Net assets as of November 30, 2024 were 7,984 million yen, a 456 million yen (5.4%) decrease from the previous fiscal year. This decrease is primarily attributed to surplus dividend payments totaling 760 million yen, and the recording of 302 million yen in quarterly net income attributable to owners of the parent company.

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

Based on the performance for the 3Q consolidated cumulative period of the current fiscal year and the future outlook, we have revised the forecast of consolidated business results for fiscal year ending February 2025, which was announced in the “Summary of Business Results for Fiscal Year Ending February 2024 [Japan GAAP] (Consolidated)”, dated April 9, 2024.

(Unit: millions of yen)

	Net Sales	Operating income	Ordinary income	Net income attributable to parent company	Net income per share (yen)
Previous forecast (A)	21,797	1,271	1,273	757	13.95
Revised forecast (B)	22,200	1,540	1,540	900	16.58
Difference (B-A)	402	268	266	142	
Rate of change (%)	1.8	21.1	21.0	18.8	
(Reference) Previous term results (Fiscal year ended February 2024)	21,661	1,608	1,615	959	17.67

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)	End of 3Q of the current consolidated fiscal year (As of November 30, 2024)
Assets		
Current assets		
Cash and deposits	6,807,375	6,536,192
Accounts receivable	398,423	275,810
Inventories	32,154	34,477
Other	362,693	530,329
Allowances for bad debts	(5,701)	(5,100)
Total current assets	7,594,946	7,371,709
Fixed assets		
Tangible fixed assets	685,064	700,322
Intangible fixed assets		
Goodwill	143,111	127,777
Other	1,264,542	968,264
Total intangible fixed assets	1,407,653	1,096,041
Investments and other assets		
Lease and guarantee deposits	1,551,875	1,551,447
Other	448,877	453,919
Total investments and other assets	2,000,752	2,005,366
Total fixed assets	4,093,470	3,801,731
Total assets	11,688,417	11,173,441
Liabilities		
Current liabilities		
Accounts payable	9,702	20,472
Accrued tax payable, etc.	397,488	44,239
Contractual liabilities	924,116	1,318,983
Reserve for bonuses	217,450	314,002
Reserve for officer bonuses	18,522	–
Other	1,646,263	1,464,872
Total current liabilities	3,213,543	3,162,571
Fixed liabilities		
Other	34,038	26,618
Total fixed liabilities	34,038	26,618
Total liabilities	3,247,581	3,189,189
Net assets		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,764,582	6,306,590
Treasury stock	(121)	(121)
Total shareholder's equity	8,420,184	7,962,191
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	173	179
Total accumulated other comprehensive income	173	179
Minority interest	20,478	21,880
Total net assets	8,440,836	7,984,251
Total liabilities and net assets	11,688,417	11,173,441

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

Quarterly Consolidated Income Statements

(Unit: Thousands of yen)

	3Q, fiscal year ended February 2024 (March 1, 2023 to November 30, 2023)	3Q, fiscal year ending February 2025 (March 1, 2024 to November 30, 2024)
Net sales	15,196,279	15,561,089
Cost of goods sold	10,156,998	10,330,871
Gross profit	5,039,281	5,230,217
Selling, general and administrative expenses	4,695,812	4,677,442
Operating income (loss)	343,468	552,774
Non-operating income		
Interest income	89	130
Gain on disposal of unpaid dividends	751	946
Compensation income	–	3,682
Other	1,943	1,066
Total non-operating income	2,784	5,824
Ordinary income	346,252	558,599
Extraordinary loss		
Impairment losses	* 23,204	* 26,518
Total extraordinary loss	23,204	26,518
Quarterly income (loss) before income taxes	323,048	532,081
Corporate income, inhabitant and enterprise taxes	186,288	232,972
Adjustment of corporate taxes, etc.	(24,294)	(4,378)
Total accrued tax payable	161,994	228,593
Quarterly net income (loss)	161,054	303,487
Quarterly net income attributable to minority interests	999	1,401
Quarterly net income (loss) attributable to owners of the parent company	160,055	302,085

Quarterly Consolidated Statement of Comprehensive Income

3Q of consolidated cumulative period

(Unit: Thousands of yen)

	3Q, fiscal year ended February 2024 (March 1, 2023 to November 30, 2023)	3Q, fiscal year ending February 2025 (March 1, 2024 to November 30, 2024)
Quarterly net income (loss)	161,054	303,487
Accumulated other comprehensive income		
Other differences in valuation of equities	(138)	6
Total accumulated other comprehensive income	(138)	6
Quarterly comprehensive income	160,915	303,493
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	159,916	302,091
Quarterly comprehensive income attributable to minority interests	999	1,401

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes on Quarterly Consolidated Income Statements)

* Impairment losses

Previous quarterly consolidated accounting period (March 1, 2023 to November 30, 2023)

The Company recorded an impairment loss for the current quarterly 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
Total	23,204 thousand yen

Current quarterly consolidated accounting period (March 1, 2024 to November 30, 2024)

The Company recorded an impairment loss for the current quarterly 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 (four schools)	26,518

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.

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	22,671 thousand yen
Tools, furniture and fixtures	295 thousand yen
Leased assets	2,885 thousand yen
Long-term prepaid expenses	665 thousand yen
Total	26,518 thousand yen

(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.

(Notes on Cash Flow Statements)

A Quarterly Consolidated Cash Flow Statement has not been prepared for the 3Q consolidated cumulative period. Further, depreciation and amortization expenses for the 3Q consolidated cumulative period (including amortization expenses on intangible fixed assets, excluding goodwill), and goodwill amortization, are as follows:

	3Q, fiscal year ended February 2024 (March 1, 2023 to November 30, 2023)	3Q, fiscal year ending February 2025 (March 1, 2024 to November 30, 2024)
Depreciation and amortization expenses	396,796 thousand yen	400,985 thousand yen
Goodwill amortization	15,333 thousand yen	15,333 thousand yen

(Subsequent Events)

(Conclusion of an absorption-type company split agreement related to a significant corporate merger)

At a meeting of the Board of Directors held December 18, 2024, the Company resolved to inherit the Shinkenzemi individualized teaching business (hereafter, the "individualized teaching business") from Benesse Corporation (hereinafter referred to as "Benesse"), which shares the same parent company, Benesse Holdings Inc. This transfer will be carried out through a company split (hereinafter referred to as the "company split"), effective as of April 1, 2025, a summary of which is provided below. For further details, please refer to the "Notice Concerning the Inheritance of the Shinkenzemi Individualized Teaching Business from the Benesse Corporation Through an Absorption-type Split Agreement (Simplified Absorption-type Company Split)", dated December 18, 2024.

1. Primary objective of the company split

   The Company provides learning services across 267 schools, with one teacher paired with one to two students. The individualized teaching business provides similar learning services at 39 directly operated schools and 17 franchise schools based on the "Shinkenzemi" correspondence course materials prepared by Benesse.

   This company split is intended to expand the scope of schools and enhance the service lineup with the aim of strengthening our service delivery capabilities by inheriting Benesse's individualized teaching business.

2. Summary of the company split

(1) Schedule for the company split

As the company split is a simplified absorption-type company split as prescribed in Article 796 Paragraph 2 of the Companies Act, the company split is scheduled to proceed without the implementation of approval procedures at General Meeting of Shareholders.

Date of resolution by the Board of Directors	December 18, 2024
Date of conclusion of agreement	December 18, 2024
Planned implementation date (effective date)	April 1, 2025 (planned)

(2) Method of company split

The company split shall be an absorption-type company split, with Benesse as the splitting company, and the Company as the succeeding company.

(3) Details of allocation concerning the company split

There will be no allocation of shares or other monetary or non-monetary compensation as part of this company split.

(4) Handling of share options and bonds with share options in association with the company split

Not applicable.

(5) Changes in capital resulting from the company split

There will be no change in Company capital as a result of the company split.

(6) Rights and obligations inherited by the succeeding company

As a result of the company split, the Company shall inherit the rights and obligations held by Benesse in relation to the individualized teaching business as prescribed in the absorption-type split agreement as of the effective date.

(7) Prospects for the fulfillment of debt obligations

No issues have been identified concerning prospects for the fulfillment of debt obligations to be assumed by the Company following the effective date of the company split.

3. Summary of the business division to be inherited

(1) Business activities of the division to be inherited

Shinkenzemi individualized teaching business

(2) Business performance of the division to be inherited (period ended March 2024)

Net sales 1,156 million yen
Operating income (175) million yen

(3) Assets and liabilities to be split or inherited, and the book value of such

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	29 million yen	Current liabilities	35 million yen
Fixed assets	118 million yen	Fixed liabilities	112 million yen
Total assets	146 million yen	Total liabilities	146 million yen

(Note) Asset and liability amounts to be inherited are listed based on the Balance Sheet as of September 30, 2024. The actual asset and liability amounts to be inherited will be set following adjustments for changes to the above amounts that apply up to the effective date of the company split.

4. Status following the organizational restructuring

   There will be no changes to the Company name, business activities, head office address, representative, capital, and fiscal year as a result of the company split. Further, net assets and total assets have yet to be finalized.

5. Summary of accounting treatment

   The company split is considered a common control transaction under the Accounting Standard for Business Combination, and is not expected to incur goodwill (or negative goodwill).

6. Future outlook

   The impact of the company split on consolidated and non-consolidated business performance is expected to be minimal.

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 3Q of the consolidated fiscal year ending February 2025 is as follows:

Segment name	3Q of the fiscal year ending February 2025		
	Net sales (thousands of yen)	Composition ratio (%)	Year-on-year comparison (%)
Individualized teaching			
Primary school students	1,806,584	11.6	103.9
Junior high school students	5,227,877	33.6	102.8
High school students	8,177,923	52.6	101.5
Total individualized teaching	15,212,385	97.8	102.2
Other business totals	348,703	2.2	111.2
Total	15,561,089	100.0	102.4

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