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FY21 Consolidated Financial Results [JGAAP]

November 4, 2022

Company Name: Insource Co., Ltd. Stock Exchange Listing: Tokyo
Code number: 6200 URL: https://www.insource.co.jp/index.html
Representative: Takayuki Funahashi, Representative Director, President and CEO
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Scheduled date of the ordinary general shareholders' meeting: December 16, 2022
Scheduled date to commence dividend payments: December 19, 2022
Scheduled date to submit annual securities report: December 19, 2022
Availability of supplementary briefing material: Yes
Scheduled date of Financial Results Briefing: Scheduled (intended for analysts)

(Amounts are rounded down to the nearest million yen)

1. FY20 Consolidated Financial Results (October 1, 2021 – September 30, 2022)

(1) Consolidated Financial Results (% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	mil yen	%	mil yen	%	mil yen	%	mil yen	%
FY21	9,418	25.6	3,367	40.1	3,346	38.5	2,233	42.2
FY20	7,501	46.5	2,404	206.5	2,416	203.8	1,571	252.7

(Note) Comprehensive income: FY21 2,234 million yen (42.0%) FY20 1,573 million yen (256.9%)

	Earnings per share	Fully diluted earnings per share	Return on equity	Return on Assets	Operating profit to sales ratio
	yen sen	yen sen	%	%	%
FY21	53.06	53.04	42.0	43.2	35.8
FY20	37.43	37.41	42.6	43.5	32.1

(Note) The Company conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares. In the above, "Earnings per share" and "Fully diluted earnings per share" are calculated on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	mil yen	mil yen	%	yen sen
FY21	8,729	6,125	70.2	145.51
FY20	6,766	4,500	66.5	106.92

(Reference) Shareholders' equity: FY21 6,125 million yen FY20 4,500 million yen

(Note) The Company conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares. In the above, "Net assets per share" is calculated based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	mil yen	mil yen	mil yen	mil yen
FY21	2,544	(687)	(655)	3,827
FY20	2,356	(1,544)	(408)	2,624

2. Dividends

	Annual cash dividends per share					Total dividend	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	yen sen	yen sen	yen sen	yen sen	yen sen	mil yen	%	%
FY20 Full-year	–	0.00	–	15.50	15.50	652	41.4	17.7
FY21 Full-year	–	0.00	–	21.50	21.50	905	40.5	17.0
FY22 (forecast)	–	0.00	–	12.50	12.50		41.4	

(Note) The Company has resolved at the Board of Directors meeting held on November 4, 2022, to conduct a split of one share of common stock into two shares as of January 1, 2023. The year-end dividend for FY22 is based on the amount after the stock split.

3. Consolidated Financial Forecast for FY22 (October 1, 2022 – September 30, 2023)

(% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	mil yen	%	mil yen	%	mil yen	%	mil yen	%	yen sen
2Q FY22 (Cumulative)	5,370	19.1	1,830	9.3	1,825	10.0	1,245	9.6	14.79
FY22 Full-year	11,050	17.3	3,730	10.8	3,720	11.2	2,540	13.7	30.17

(Note) The Company has resolved at the Board of Directors meeting held on November 4, 2022, to conduct a split of one share of common stock into two shares as of January 1, 2023. The above calculation for "Earnings per share" are based on the assumption that the stock split was conducted at the beginning of FY22.

* Notes

(1) Significant changes in subsidiaries during the current fiscal year
(changes in specific subsidiaries involving changes in the scope of consolidation): None

(2) Changes in accounting policies, estimates and restatements

(i) Changes in accounting policies due to the revision of accounting standards : Yes
(ii) Changes in accounting policies other than (2)-(i) : None
(iii) Changes in accounting estimates : None
(iv) Restatements : None

(3) Total number of issued shares (common stocks)

(i) Total number of issued shares at the end of the period (including treasury shares)	FY21	42,621,500	shares	FY20	42,621,500	shares
(ii) Total number of treasury shares at the end of the period	FY21	524,345	shares	FY20	529,534	shares
(iii) Average number of shares during the period	FY21	42,095,568	shares	FY20	41,979,548	shares

(Note) We conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares, and the above calculations are based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

* These consolidated financial results are outside the scope of audit by certified public accountants and audit corporations.

* Explanation for the appropriate use of financial forecasts and other special notes:

(Cautionary note on forward-looking statement)

The statements regarding forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ materially from forecast figures due to various factors.

(How to obtain supplementary explanatory materials for financial results)

Supplementary materials for financial results are disclosed via TDnet on the same day.

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1. Overview of Business Results

(1) Overview of Business Results for the Current Fiscal Year

(i) Business Results for the Current Fiscal Year

The needs of career training market are strong because of growing concerns for improving labor productivity and reskilling efforts, as well as for human capital management that leads to higher corporate value. Although there was a temporary reduction due to the COVID-19 pandemic, the career training market in the current fiscal year (From October 1, 2021 to September 30, 2022) has been recovering due to the spread of online training and an increase in face-to-face training since April.

Amid this situation, the Group strengthened its non-face-to-face services such as online training, “Leaf”(LMS, HR support system) (*1), e-learning/videos, as well as sales for face-to-face training and the development of new training programs. The Group also established sales structures and developed new services to match customer segments.

Regarding On-Site Training Business, face-to-face training increased for both private sector and public sector from the third quarter, despite postponements and cancellations mainly by public sector in the second quarter due to the impact of the 6th wave of COVID-19. Also, the number of high unit-price DX trainings increased mainly in the private sector throughout the year. As a result, the number of training conducted increased 19.1% YoY, and the composition ratio of online training was 43.3%.

In Open Seminar Business, the total number of attendees increased 20.7% YoY. The ratio of online attendees remained high at 83.1%. This is due to the strong performance of the "Value Pack," a new training plan for small and growing companies released in January 2022, which helped attract more clients. Also, the growth of DX trainings such as "Python Academy" and the increase of face-to-face trainings lead to the overall increase in attendees.

About IT Services, paid organizations of “Leaf”(LMS, HR support system) increased to 522 (+110, +26.7% YoY) and total users exceed 2.11 million. Leaf’s monthly subscription fees (MRR(*2)) increased steadily, and ARR(*3) grew 21.1% YoY to 636 million yen.

In Other Businesses, the needs for e-learning increased steadily, and "Easy Order," a simple customization service for e-learning and videos released in June 2022, performed well, leading to an increase in sales. And Insource Marketing Design Corporation joined in the Group in July 2021 and BAS Corporation joined in June 2022, both of which contributed to sales.

As for SG&A expenses, the SG&A ratio was 40.8% (down 3.4% YoY) due to the increase in sales exceeded the growth in personnel expenses,

As a result of the above, net sales for the current consolidated fiscal year were 9,418,481 thousand yen (+ 25.6% YoY), operating profit was 3,367,383 thousand yen (+ 40.1% YoY), ordinary profit was 3,346,340 thousand yen (+38.5% YoY), and profit attributable to owners of parent was 2,233,615 thousand yen (+ 42.2% YoY), reaching a record high.

*1:LMS (Learning Management System): A system necessary for implementing e-learning.

*2:MRR:Monthly Recurring Revenue

*3:ARR:Annual Recurring Revenue. Calculated by multiplying the MRR of the last month of each term by 12.

■Net sales by business for the 19th and 20th consolidated fiscal year (Unit: thousand yen)

Business	The 19th consolidated fiscal year (Oct. 1, 2020 -Sep. 30, 2021)	YoY (%)	The 20th consolidated fiscal year (Oct. 1, 20201-Sep. 30, 2022)	YoY (%)
On-Site Training	3,797,792	139.4	4,665,297	122.8
Open Seminars	1,827,138	144.2	2,218,265	121.4
IT Services	1,022,731	156.0	1,197,880	117.1
Other Businesses	853,453	180.7	1,337,036	156.7
Total	7,501,115	146.5	9,418,481	125.6

(Note)Since the Group has a single business segment, which is the education service business, the information herein is presented by business category instead of segment.

(ii) Future Outlook

Based on the current growing interest in "human capital management," with the "ITO Report 2.0 for Human Resources" released by the Ministry of Economy, Trade and Industry in May 2022, the Group see this as an opportunity to expand our business in FY22. The Group think that there are two issues for companies in human capital management, namely "improving the value of human capital" and "disclosing information on human capital." To address these issues, the Group will develop and provide diversified services in the three areas, career training including DX training, human capital management tool based on our Leaf, and consulting and assessment. The Group will further strengthen our sales and content development systems to tailor to client segments, and focus on acquiring new clients and increasing sales per organization.

In the training business, the Group expect both face-to-face and online training will coexist, although their proportions will fluctuate, amid the situation in which the number of training and attendees has decreased due to the impact of COVID-19. The Group also expect the number of training conducted and attendees will increase due to the growing demand for career training as a result of the high level of interest in human capital management. However, if a state of emergency is declared again in the future, the number of trainings conducted and attendees may slow down for both On-Site training and Open Seminars.

In the IT Services business, the Group will continue to take advantage of our unique business model of ASP that can be customized, and will further strengthen sales of "Leaf Human Capital Management (*1)" and "Leaf Management/Leaf MY STORY (*2)" to large companies in response to the need for data collection and analysis for human capital disclosure.

In Other Businesses, the Group aim to enhance sales and develop businesses that are potential to become our next core growth areas, such as regional development business, online seminar support business, web marketing business, recruitment business, following the training and IT services.

As a result, for FY22, the Group estimate that net sales are 11,050 million yen, operating profit is 3,730 million yen, ordinary profit is 3,720 million yen, and profit attributable to owners of parent is 2,540 million yen.

*1 A human capital information management system that can link data with Leaf and other companies' core systems.Scheduled to be released in the winter of 2022.

*2 A HR management system that enables centralized management of employee information, including transfer information and interview records etc. Scheduled to be released in the winter of 2022.

(2) Overview of Financial Position for the Current Fiscal Year

(i) Situation of the assets, liabilities and net assets

(Current Assets)

Current assets at the end of the current consolidated fiscal year increased by 1,501,128 thousand yen compared to the end of the previous consolidated fiscal year to 5,260,816 thousand yen (up 39.9% compared to the previous consolidated fiscal year). This was mainly due to a increase of 1,203,388 thousand yen in cash and deposits.

(Non-current assets)

Non-current assets at the end of the current consolidated fiscal year increased by 461,956 thousand yen compared to the end of the previous consolidated fiscal year to 3,468,974 thousand yen (up15.4%). This was mainly due to an increase of 661,100 thousand yen in building, net.

(Current liabilities)

Current liabilities at the end of the current consolidated fiscal year increased by 357,096 thousand yen compared to the end of the previous consolidated fiscal year to 2,559,407 thousand yen (up 16.2%). This was mainly due to a increase of 178,610 thousand yen in other accounts payable.

(Non-current liabilities)

Non-current liabilities at the end of the current consolidated fiscal year decreased by 19,023 thousand yen compared to the end of the previous consolidated fiscal year to 44,945 thousand yen (down 29.7%). This was mainly due to a decrease of 16,683 thousand yen in asset retirement obligations.

(Net assets)

Net assets at the end of the current consolidated fiscal year increased by1,625,012 thousand yen compared to the end of the previous consolidated fiscal year to 6,125,437 thousand yen (up 36.1%). This was mainly due to an increase of 1,581,190 thousand yen in retained earnings.

(ii) Overview of Cash Flows

Cash and cash equivalents increased by 1,203,388 thousand yen to 3,827,499 thousand yen at the end of the current consolidated fiscal year. The status of each cash flow and their factors at the end of the current consolidated fiscal year are as follows.

(Cash flow from operating activities)

In the current consolidated fiscal year, cash flow from operating activities resulted in a cash inflow of 2,544,151 thousand yen (a cash inflow of 2,356,950 thousand yen in the previous consolidated fiscal year). This was mainly due to the profit before income taxes of 3,316,344 thousand yen.

(Cash flow from investing activities)

Cash flow from investing activities for the current consolidated fiscal year resulted in a cash outflow of 687,153 thousand yen (a cash outflow of 1,544,804 thousand yen in the previous consolidated fiscal year). This was mainly due to expenditures of 695,583 thousand yen for the acquisition of property, plant and equipment.

(Cash flow from financing activities)

In the current consolidated fiscal year, cash flow from financing activities resulted in a cash outflow of 655,065 thousand yen (a cash outflow of 408,168 thousand yen in the previous consolidated fiscal year). This was mainly due to the payment of 652,425 thousand yen in dividends.

(3) Profits distribution policy and current dividend payment

Our basic policy on dividends is “Dividend payout ratio is targeted at around 40%, and the Group make sure that our shareholders support us for many years to come.” The Group have decided to prioritize stable dividends and pay a year-end dividend of 21 yen 50 sen (payout ratio of 40.5% for ordinary dividend) as announced on September 20, 2022.

(4) Business Risks

Of the matters concerning the status of business and accounting described in this report, the followings are matters that may have a significant impact on the decisions of investors. Acknowledging the possibility of these risks, our policy is to avoid their occurrence and, if they do occur, to take measures to minimize the impact of such risks; however, the Group believe that investment decisions regarding our company's shares need to be made after carefully considering the following business and other risks, as well as other matters described in this section.

The forward-looking statements in this report are based on the judgment of the Group as of the date of submission of this report.

(i) Business environment

(Regarding the new coronavirus and other infectious diseases)

The Group provides online training and other non-face-to-face services, recognizing the possibility of outbreaks of specific infectious diseases such as the new coronavirus. However, the Group's business performance could be affected in the event that training is cancelled or postponed due to the spread of an infectious disease on a scale that exceeds expectations, or operations are suspended in favor of ensuring the safety of employees.

(ii) About the Group's business

(System)

a. System Failures

The services provided by the Group and the internal operations that support these services make full use of computer and Internet technologies, and are highly dependent on telecommunications network services operated by telecommunications carriers. Therefore, in the event that communication networks or servers become unavailable due to unforeseen problems, the Group may not be able to provide its services. Such an event could result in claims for damages from customers and other parties, as well as a loss of public trust in the Group, which could have a significant impact on the Group's business and business performance.

b. Security

Although the Group has implemented security measures to protect against hackers and computer viruses, the Group cannot deny the possibility that important data, such as customers' personal information, could be erased or obtained illegally due to crimes such as intrusion into the server by illegal means from outside or errors by employees. In the event of such an incident, the Group may be subject to claims for compensation for damages, and the Group may lose the trust of society, which may have a significant impact on the business and business performance of the Group.

c. Development system for in-house standardization

By aggressively promoting in-house standardization, the Group has been able to maintain price competitiveness by minimizing the increase in personnel costs even in the midst of business expansion. However, in the future, if the progress of system development is delayed due to difficulties in securing human resources or other reasons, the efficient promotion of in-house standardization may be hindered, which may affect the business performance of the Group.

(Products and services)

If the Group is unable to maintain its superiority over competitors in terms of its ability to develop a variety of new content, which has been the source of its competitiveness against other companies, or in terms of its support services centered on the human resources & general affairs departments, the Group's business performance may be affected.

(Sales activities using web)

In the course of our sales activities, the Group are expanding our web pages in order to increase the effectiveness of sales promotion. Therefore, if the number of web page sessions decreases due to unforeseen events, the sales promotion effect of the Group may decrease. If such a situation occurs, the Group's sales activities may be hindered and the Group's business performance may be affected.

(Intellectual Property Rights)

In the Group's business, the Group believe that it is important to secure intellectual property such as copyrights and trademarks due to our strength in providing training with original content. However, there is a possibility that imitation of our services by malicious third parties could hinder our business development and affect our business performance.

In addition, the Group take the utmost care not to infringe on intellectual property rights such as copyrights and trademarks belonging to third parties, as well as portrait rights, by investigating the rights involved in the creation of original content in advance. However, in the event of infringement of intellectual property rights, portrait rights, etc. of a third party, the Group may lose social credibility and incur losses due to compensation for damages, which may affect the business performance of the Group.

(Securing trainers)

One of the most important factors that determine a successful training is the quality of the trainer. It is essential to secure trainers with the right skills, knowledge, and experience in order to conduct high-quality training.

However, if the Group is unable to secure such trainers under appropriate contract terms in the future, the Group's ability to conduct training may be severely hindered, which may affect the Group's business performance.

(Mergers and Acquisitions)

The Group believes that it is possible to complement and strengthen the Group's business by conducting M&A (acquisition of subsidiaries, transfer of business, capital participation, etc.) and actively promotes M&A. In doing so, the Group strive to avoid risks as much as possible by conducting detailed due diligence on the target company and its business, as well as on financial, tax, legal, labor, and other issues, and by gathering information, examining investment efficiency, and conducting other studies that the Group consider necessary and sufficient for decision-making.

However, if, after the M&A, problems that the Group is not aware of are revealed, or if for some reason business development does not proceed as planned, it may be necessary to write down the value of the shares of the target company or the assets to be acquired, which may affect the Group's business results.

(iii) Competitors

In the field of education and training for working adults, many companies have entered the market, including other training companies, consulting companies, and think tank training companies. However, in the future, if companies in fields different from the training business enter the market with business models that cause a paradigm shift in training, the Group's sales activities may be hindered and the Group's business performance may be affected.

(5) Others

(i) Personal Information and Confidential Information

Due to the nature of the business operations, the Group holds a large amount of personal information and confidential information of related parties, and the "Act on the Protection of Personal Information" applies to the handling of personal information by the Group. For this reason, the Group have acquired the Privacy Mark as proof that the Group have established a system for appropriately handling personal information.

In the event of a security breach by a third party, hacking, or intentional or negligent misuse by an employee of personal or confidential information held by the Group, the Group may be held liable for damages to customers and other parties, and may be ordered by the authorities to improve its operations. This could have a negative impact on the Group's business, business performance, and social credibility.

(ii) Risks of misconduct, rumors, etc. of trainers and e-learning performers

In the event that a trainer or e-learning performer causes or is involved in an accident, incident, scandal, etc., or significantly damages public reputation by spreading rumors, etc., the Group may need to take measures such as suspending the trainer’s training sessions or the use of e-learning, etc., in which the trainer appears. The Group's business performance may be affected. In addition, regardless of the Group's response to these incidents, if the incidents were to spread to investors, the mass media, the Internet, or society in general in a way that had a negative impact on the Group, social trust in the Group would be damaged, and the Group's business performance could be affected.

2. Overview of Group's Activities

As of the end of the current consolidated fiscal year, the Group consists of the Company and six subsidiaries.
The overview of consolidated subsidiaries is as follows;

Name	Address	Business
Mitemo Co., Ltd	Chiyoda-ku, Tokyo	・Content production (e-Learning) ・Production of Training Materials ・Workshops/ Consulting
Rashiku Corporation	Chiyoda-ku, Tokyo	・Recruitment support business
MIRAISOUZOU & COMPANY, Inc.	Chiyoda-ku, Tokyo	・Selected education and training for large companies
Insource Digital Academy Corporation	Chiyoda-ku, Tokyo	・IT-related On-Site Training and Open Seminars
Insource Marketing Design Corporation	Chiyoda-ku, Tokyo	・Website Promotion ・Homepage Creation ・System Development
BAS Corporation	Chiyoda-ku, Tokyo	・Call center Service ・Setup Service ・IT Support

The Group has a single business segment, which is the education service business.

3. Basic Approach in Choosing Accounting Standard

Since most of the Group's stakeholders are domestic shareholders, creditors, business partners, etc., and there is little need to raise funds from overseas, the Group applies Japanese GAAP for accounting standards.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Unit: thousand yen)

	FY20 (As of Sep. 30, 2021)	FY21 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	2,624,111	3,827,499
Notes receivable - trade	—	678
Accounts receivable - trade	882,846	1,188,038
Merchandise	9,000	4,802
Work in process	41,853	33,030
Prepaid expenses	171,681	183,168
Other	32,189	24,853
Allowance for doubtful accounts	(1,994)	(1,256)
Total current assets	3,759,687	5,260,816
Non-current assets		
Property, plant and equipment		
Buildings	601,090	1,290,823
Accumulated depreciation	(100,687)	(129,320)
Buildings, net	500,403	1,161,503
Tools, furniture and fixtures	65,195	73,422
Accumulated depreciation	(47,738)	(53,716)
Tools, furniture and fixtures, net	17,456	19,706
Land	1,179,658	1,179,658
Construction in progress	182,160	66,143
Total property, plant and equipment	1,879,678	2,427,011
Intangible assets		
Leasehold interests in land	305,984	305,984
Goodwill	53,120	36,118
Software	92,624	104,207
Other	951	346
Total intangible assets	452,680	446,657
Investments and other assets		
Investment securities	82,465	72,012
Long-term prepaid expenses	211,052	83,527
Leasehold and guarantee deposits	163,820	139,378
Deferred tax assets	216,365	299,602
Other	954	784
Total investments and other assets	674,658	595,304
Total non-current assets	3,007,017	3,468,974
Total assets	6,766,705	8,729,790

(Unit: thousand yen)

	FY20 (As of Sep. 30, 2021)	FY21 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	114,029	161,232
Accounts payable - other	399,621	578,232
Income taxes payable	758,874	791,269
Accrued consumption taxes	261,213	199,240
Advances received	599,026	730,681
Deposits received	53,138	80,781
Other	16,405	17,968
Total current liabilities	2,202,311	2,559,407
Non-current liabilities		
Asset retirement obligations	59,504	42,820
Other	4,465	2,125
Total non-current liabilities	63,969	44,945
Total liabilities	2,266,280	2,604,353
Net assets		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	854,983	874,680
Retained earnings	3,313,927	4,895,118
Treasury shares	(472,612)	(449,751)
Total shareholders' equity	4,496,921	6,120,670
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,503	4,767
Total accumulated other comprehensive income	3,503	4,767
Total net assets	4,500,424	6,125,437
Total liabilities and net assets	6,766,705	8,729,790

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Unit: thousand yen)

	FY20 (Oct. 1,2020- Sep. 30, 2021)	FY21 (Oct. 1,2021- Sep. 30, 2022)
Net sales	7,501,115	9,418,481
Cost of sales	1,779,586	2,204,368
Gross profit	5,721,528	7,214,112
Selling, general and administrative expenses	3,317,264	3,846,729
Operating profit	2,404,264	3,367,383
Non-operating income		
Interest income	518	38
Dividend income	275	340
Foreign exchange gains	264	1,456
Subsidies for employment adjustment	12,850	715
Subsidy income	3,216	—
Income from sales of goods	—	1,444
Income from base station installation	1,557	2,008
Surrender value of insurance policies	206	3,045
Other	2,614	800
Total non-operating income	21,504	9,848
Non-operating expenses		
Interest expenses	661	509
Loss on extinguishment of stock-based compensation expenses	8,324	29,297
Other	143	1,084
Total non-operating expenses	9,130	30,891
Ordinary profit	2,416,638	3,346,340
Extraordinary income		
Gain on redemption of investment securities	1,222	—
Total extraordinary income	1,222	—
Extraordinary losses		
Loss on valuation of investment securities	50,859	29,995
Loss on retirement of non-current assets	387	—
Impairment losses	20,626	—
Total extraordinary losses	71,873	29,995
Profit before income taxes	2,345,987	3,316,344
Income taxes - current	855,077	1,166,523
Income taxes - deferred	(80,290)	(83,794)
Total income taxes	774,786	1,082,729
Profit	1,571,200	2,233,615
Profit attributable to owners of parent	1,571,200	2,233,615

(Consolidated Statements of Comprehensive Income)

(Unit: thousand yen)

	F20 (Oct. 1,2020- Sep 30, 2021)	FY21 (Oct 1,2021- Sep 30, 2022)
Profit	1,571,200	2,233,615
Other comprehensive income		
Valuation difference on available-for-sale securities	2,685	1,263
Total other comprehensive income	2,685	1,263
Comprehensive income	1,573,886	2,234,879
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,573,886	2,234,879
Comprehensive income attributable to non-controlling interests	―	―

(3) Consolidated Statement of Changes in Equity

FY20 (October 1,2020 to September 30, 2021)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of period	800,623	641,793	2,129,879	(689,856)	2,882,439	817	817	2,883,257
Restated balance	800,623	641,793	2,129,879	(689,856)	2,882,439	817	817	2,883,257
Changes during period								
Dividends of surplus			(387,152)		(387,152)			(387,152)
Profit attributable to owners of parent			1,571,200		1,571,200			1,571,200
Purchase of treasury shares				(934)	(934)			(934)
Disposal of treasury shares		213,189		218,177	431,367			431,367
Net changes in items other than shareholders' equity						2,685	2,685	2,685
Total changes during period	―	213,189	1,184,048	217,243	1,614,481	2,685	2,685	1,617,166
Balance at end of period	800,623	854,983	3,313,927	(472,612)	4,496,921	3,503	3,503	4,500,424

FY21 (October 1,2021 to September 30, 2022)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of period	800,623	854,983	3,313,927	(472,612)	4,496,921	3,503	3,503	4,500,424
Restated balance	800,623	854,983	3,313,927	(472,612)	4,496,921	3,503	3,503	4,500,424
Changes during period								
Dividends of surplus			(652,425)		(652,425)			(652,425)
Profit attributable to owners of parent			2,233,615		2,233,615			2,233,615
Purchase of treasury shares				(772)	(772)			(772)
Disposal of treasury shares		19,697		23,633	43,330			43,330
Net changes in items other than shareholders' equity						1,263	1,263	1,263
Total changes during period	―	19,697	1,581,190	22,861	1,623,748	1,263	1,263	1,625,012
Balance at end of period	800,623	874,680	4,895,118	(449,751)	6,120,670	4,767	4,767	6,125,437

(4) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	2,345,987	3,316,344
Depreciation	124,750	134,534
Amortization of goodwill	11,159	17,562
Share-based payment expenses	70,350	140,382
Impairment losses	20,626	—
Loss on retirement of non-current assets	387	—
Loss (gain) on valuation of investment securities	50,859	29,995
Loss (gain) on redemption of investment securities	(1,222)	—
Increase (decrease) in allowance for doubtful accounts	510	(889)
Interest and dividend income	(794)	(378)
Foreign exchange losses (gains)	(264)	(1,456)
Decrease (increase) in trade receivables	(185,557)	(288,670)
Decrease (increase) in inventories	(24,471)	13,155
Increase (decrease) in trade payables	24,328	46,212
Other, net	76,370	263,134
Subtotal	2,513,019	3,669,929
Interest and dividends received	794	378
Interest paid	(661)	(509)
Income taxes paid	(156,202)	(1,125,647)
Net cash provided by (used in) operating activities	2,356,950	2,544,151
Cash flows from investing activities		
Purchase of investment securities	(50,123)	(17,723)
Proceeds from sale and redemption of investment securities	21,945	2
Purchase of property, plant and equipment	(1,234,726)	(695,583)
Purchase of intangible assets	(305,984)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	24,677
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(6,438)	—
Proceeds from sale of shares of subsidiaries and associates	22,768	—
Payments of leasehold and guarantee deposits	(26,728)	(34,751)
Proceeds from refund of leasehold and guarantee deposits	60,142	59,920
Loan advances	(410)	(300)
Proceeds from collection of loans receivable	8,146	740
Other, net	(33,394)	(24,134)
Net cash provided by (used in) investing activities	(1,544,804)	(687,153)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	2,340	—
Proceeds from long-term borrowings	4,660	—
Repayments of long-term borrowings	(28,019)	(2,340)
Purchase of treasury shares	(934)	(772)
Proceeds from disposal of treasury shares	937	472
Dividends paid	(387,152)	(652,425)
Net cash provided by (used in) financing activities	(408,168)	(655,065)
Effect of exchange rate change on cash and cash equivalents	264	1,456
Net increase (decrease) in cash and cash equivalents	404,242	1,203,388
Cash and cash equivalents at beginning of period	2,219,868	2,624,111
Cash and cash equivalents at end of period	2,624,111	3,827,499

(5) Notes to Consolidated Financial Statements

(Notes related to the Going Concern Assumption)
Not applicable

(Change in Accounting Policy)
(Application of the Accounting Standard for Revenue Recognition, etc)
The “Accounting Standards for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020. Hereinafter, “Accounting Standard for Revenue Recognition”), etc. has been applied since the beginning of the first quarter of the current consolidated fiscal year. In accordance with this accounting standard, the Company recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. There is no impact of these changes on the Company’s consolidated quarterly financial statements.

(Application of Accounting Standard for Measurement of Fair Value)
The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as "Accounting Standard for Calculation of Fair Value") is applied from the beginning of the first quarter of the fiscal year.
In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Calculation, etc. and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019) the new accounting policy prescribed by the Accounting Standard for Fair Value Calculation, etc. will be applied in future.
There is no impact on the consolidated financial statements.。

(Additional Information)
In assessing and evaluating the recoverability of fixed assets and deferred tax assets, we have made accounting estimates based on the assumption that the needs for the Group's training business will expand in FY22, despite of uncertain COVID situation. It is possible that results based on actual results in the future may differ from these estimates and assumptions.

(Segment Information)
This information is omitted because the Group operates in a single segment of the education service business.

(Per share information)

	Previous fiscal year (Oct. 1, 2020 - Sep. 30, 2021)	Current fiscal year (Oct. 1, 2021 - Sep. 30, 2022)
Net assets per share	106.92 yen	145.51 yen
Earnings per share	37.43 yen	53.06 yen
Fully diluted earnings per share	37.41 yen	53.04 yen

(Note) We conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares. In the above, net assets per share, earnings per share and diluted earnings per share are calculated on the assumption that the said share split was conducted at the beginning of the previous consolidated fiscal year.

The basis for calculating earnings per share and fully diluted earnings per share is as follows.

	The previous consolidated fiscal year (Oct.1, 2020- Sep. 30, 2021)	The current consolidated fiscal year (Oct. 1, 2021 -Sep. 30, 2022)
Earnings per share		
Profit attributable to owners of parent (thousand yen)	1,571,200	2,233,615
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent attributable to common stock (thousand yen)	1,571,200	2,233,615
Average number of shares during the period (shares)	41,979,548	42,095,568
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent (thousand yen)	—	—
The increase in the number of common stocks (shares)	21,797	13,384
(including stock acquisition rights (shares)	(21,797)	(13,384)
Latent shares not included in the calculation of fully diluted earnings per share due to the lack of dilution effect	—	—

(Note) The Company conducted a stock split on January 1, 2021, whereby each share of common stock was divided into 2 shares. In the above, net profit per share and Fully diluted earnings per share are calculated on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(Significant subsequent events)

(Stock Split)

The Company has resolved at the meeting of the Board of Directors held on November 4, 2022, to implement the stock split and partial amendment to the Articles of Incorporation. Details are as follows.

1. Purpose of the Stock Split

The stock split aims to increase the liquidity of stocks and further expand the investor base.

2. Overview of the stock split

(1) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the last shareholder registry as of December 31, 2022(Saturday) (As it is a non-business day, the actual day will be December 30, 2022 (Friday)) will be split into two shares.

(2) Increase in the number of shares by the stock split

① Total number oof issued shares prior to the stock split : 42,621,500 shares

② Increase in the number of shares by the stock split : 42,621,500 shares

③ Total number of issued shares after the stock split : 85,243,000 shares

④ Total number of authorized shares after the stock split : 300,000,000 shares

(3) Schedule of the stock split

① Date of public notice of record date : December 16, 2022(Friday)

② Record date : December 31, 2022(Saturday)

*As it is a non-business day, the actual day will be December 30, 2022 (Friday)

③ Effective date : January 1, 2023(Sunday)

(4) Effect on per share information

Per share information on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year is as follows:

	The previous consolidated fiscal year (Oct.1, 2020- Sep. 30, 2021)	The current consolidated fiscal year (Oct. 1, 2021 -Sep. 30, 2022)
Net assets per share	53.46	72.75
Earnings per share	18.71	26.53
Fully diluted earnings per share	18.70	26.52

3. Others

(1) Change in the amount of capital

There will be no change in capital stock as a result of this stock split.

(2) Adjustment of Exercise Price of Stock Acquisition Rights

In connection with this stock split, the exercise price per share of the following stock acquisition rights will be adjusted as follows on and after January 1, 2023 in accordance with the terms and conditions of issuance of such stock acquisition rights.

	Exercise price before adjustment	Exercise price after adjustment
Third series of stock acquisition rights	63 yen	32 yen

4. Adjustment of the total number of restricted stock

Under the restricted stock compensation plan for directors of the Company (excluding external directors), which was resolved at the 19th Ordinary General Meeting of Shareholders held on December 17, 2021, the total number of common stock to be newly issued or disposed of as restricted stock (annually) in connection with this stock split will be adjusted from January 1, 2023, as described below.

Total number of common shares to be newly issued or disposed of	
Before adjustment	After adjustment
Up to 17,500 shares	Up to 35,000 shares

5. Partial amendments to the Articles of Incorporation in connection with the stock split

(1) Reasons for the amendments to the Articles of Incorporation

As a result of this stock split, the total number of authorized shares stipulated in Article 6 of the Company's Articles of Incorporation will be amended as of January 1, 2023, in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act.

(2) Details of the amendments

The details of the amendments are as follows:

Current Articles of Incorporation Articles	Articles of Incorporation after Amendment
(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company shall be <u>150 million shares</u>.	(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company shall be <u>300 million shares</u>.

(3) Schedule of the amendment

Date of Board of Directors' resolution : November 4, 2022(Friday)
Effective date : January 1, 2023(Sunday)