



Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2023 [Japanese GAAP]

October 31, 2023

Company name: STEP CO.,LTD.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 9795

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Scheduled date of Ordinary General Meeting of Shareholders: December 16, 2023

Scheduled date of commencing dividend payments: December 19, 2023

Scheduled date of filing securities report: December 18, 2023

Preparation of supplementary briefing material on annual financial results: Yes

Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2023 (October 1, 2022 to September 30, 2023)

(1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended September 30, 2023	14,442	5.8	3,192	(12.7)	3,225	(13.5)	2,405	(6.2)
September 30, 2022	13,653	4.7	3,656	4.2	3,728	3.8	2,563	3.7

	Profit per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
September 30, 2023	145.71	—	9.5	11.5	22.1
September 30, 2022	155.27	—	10.8	13.7	26.8

(Reference) Equity in earnings of affiliated companies: Fiscal year ended September 30, 2023: ¥ - million

Fiscal year ended September 30, 2022: ¥ - million

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
September 30, 2023	28,634	25,936	90.6	1,589.89
September 30, 2022	27,573	24,798	89.9	1,494.56

(Reference) Equity: As of September 30, 2023: ¥ 25,936 million

: As of September 30, 2022: ¥ 24,798 million

(3) Non-consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
September 30, 2023	2,850	(1,031)	(1,447)	9,463
September 30, 2022	3,060	(388)	(1,966)	9,092

2. Dividends

	Annual dividends					Total dividends	Payout ratio	Dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
September 30, 2022	—	23.00	—	23.00	46.00	761	29.6	3.1
September 30, 2023	—	24.00	—	48.00	72.00	1,181	49.4	4.6
Fiscal year ending September 30, 2024 (Forecast)	—	37.00	—	37.00	74.00		49.4	

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2024
(October 1, 2023 to September 30, 2024)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	7,626	1.4	1,973	(13.7)	2,011	(13.0)	1,375	(13.7)	84.81
Full year	14,892	3.1	3,338	4.6	3,398	5.4	2,409	0.2	149.89

* Notes:

(1) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: None
- 2) Changes in accounting policies other than 1)above: None
- 3) Changes in accounting estimates: None
- 4) Retrospective restatement: None

(2) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

As of September 30, 2023: 16,670,000 shares

As of September 30, 2022: 16,670,000 shares

2) Total number of treasury shares at the end of the period:

As of September 30, 2023: 356,922 shares

As of September 30, 2022: 77,422 shares

3) Average number of shares during the period:

Fiscal Year ended September 30, 2023: 16,507,620 shares

Fiscal Year ended September 30, 2022: 16,507,290 shares

* These financial results are unaudited by certificated public accountants or audit firms.

* Explanation on the proper use of financial results forecast and other notes.

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 values due to various factors. For the suppositions that from the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to “1. Overview of Operating Results, etc. (4) Future outlook” on page7 of this report.

Annual financial results briefing sessions for institutional investors and analysts is planned to be held on November 9, 2023.

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1. Overview of Operating Results, etc.

(1) Summary of operating results for the current fiscal year

In this term, too, the number of students kept increasing, reaching 33,989 at the end of September 2023, and the average number of students in this term was 32,433, up 3.1% year on year. In this term, the number of students grew steadily in the first half (October 2022 to March 2023), but the increase of students was sluggish in the second half (April 2023 to September 2023) compared with the initial forecast. As a background, “Tutorial fees (for cram schools, preparatory schools, correspondence courses, etc.)” dropped significantly this year, according to the “Family income and expenditure survey” by the Ministry of Internal Affairs and Communications. The actual y/y drop rate in August 2023 was 23.6%. We infer that the inflation fostered a sense of caution among households and the trend of saving money spread, reducing “expenses for education outside school.”

In addition, the category of COVID-19 was changed from Class 2 to Class 5 in May 2023, so schools resumed their events that had been often cancelled in the past 3 years, such as athletic meets, sports fests, school trips, chorus festivals, and cultural festivals, while COVID-19 was still lingering and influenza was spreading. Accordingly, the daily lives of students are still unstable. It is not so easy to break away from the lifestyles nurtured during the pandemic, which lasted over 3 years. The number of truant elementary and junior high school students has increased over 20% year on year in the past 2 years, reportedly reaching 299,048 nationwide and 21,180 in Kanagawa Prefecture in 2022 (Source: Survey Results for Investigation on Student Problems Such as Behavioral Problems and Non-attendance in 2022 by the Ministry of Education, Culture, Sports, Science and Technology).

For the time being, we will make efforts to improve the academic skills of students steadily while carefully tackling respective problems the students are facing and help students grow amid the harsh social situation.

In this situation, a favorable number of fifth grade and sixth grade elementary school students got enrolled in our schools this spring, and the average growth rate in this term was 5.2%. One of the factors is that the number of classes and courses with full capacity is increasing for junior high and high school students. So, a situation may occur that students enroll in our school while they are still elementary school students, because it may be difficult to apply for some classes after they enter junior high school in those areas.

The results of entrance exams this spring were favorable, which helped to increase student recruitment.

In the high school entrance examination, a total of 2,499 students (up 104 students from the previous fiscal year) passed the exam at the top public high schools in Kanagawa Prefecture, and we remained at the top among all the tutoring schools in the prefecture. We became the top tutoring school in terms of the number of students that passed the exam at 17 of the 19 top public high schools in Kanagawa including Yokohama Suiran Senior High School and Shonan Senior High School, which are the most difficult public high schools to enter in Kanagawa, and 17 of the 19 schools that underwent the special “tokushoku kensa test” (writing test) that characterizes the current exam system. Accordingly, we continued to outperform other tutoring schools also this spring.

STEP ranked highest among all the tutoring schools for all five of the preparatory schools in Kanagawa that are particularly focused on improving academic performance (Yokohama Suiran, Shonan, Hakuyo, Kawawa, and Atsugi high schools), and a total of 949 STEP students have passed the exam (up 49 students from the previous fiscal year; 54% of 1,756 total passing examinees), which is more than three times that of other tutoring schools. Furthermore, in terms of our pass rate, 82.9% of STEP students who took the examinations at all five schools passed, which significantly exceeded the pass rate of 60.4% for Non-STEP students (calculated from the materials released by the Kanagawa Board of Education).

In addition, the number of students who have passed the exam at Tokyo Gakugei University Senior High School, which is co-ed and has the most difficult entrance exam among the schools within the school commuting area for our students, has reached 192 in the end (excluding returnees and internal admissions; the number of our students who have passed the exam at the first selection was 132, 49.6% of 266 in all at that time). We have the largest number of students who passed the school among all tutoring schools for 15 consecutive years.

In the university entrance examination, we were able to pass 8 students for the University of Tokyo, 4 students for Kyoto University, 11 students for Hitotsubashi University, and 22 students for Tokyo Institute of Technology (42 out of 45 are public high school students in Kanagawa Prefecture). In addition, 5 high school students also passed the Medical Faculty/Department of national and public universities, and the number of students passing the entrance exams for all national and public universities has increased to 324 (up 17 from the previous fiscal year); this number renewed the record high (307) which was marked in the previous fiscal year. As for the private universities, a total of 459 students passed the entrance exams at Waseda, Keio, and Sophia Universities (down 9 from 468 in the previous fiscal year), and a total of 1,992 students passed the entrance exams at the so-called Ridai MARCH Schools (Tokyo University of Science, Meiji, Aoyama Gakuin, Rikkyo, Chuo, and Hosei) (up 34 from 1,958 in the previous fiscal year), resulting in renewed record high consecutively.

Most of these pass results are achieved by public high school students in Kanagawa, which is one of our characteristic aspects of successful university entrance exams. It is generally considered that public high schools tend to be inferior to private high schools in their pass results in the Tokyo metropolitan area. However, because we built a certain study system and structure for entrance exams, the number of public high school students who passed the first-choice universities was able to be increased. The successful results achieved also in this spring can be proved to be very meaningful for us.

In the after-school care course, we opened the STEP Kids Hakuraku School (Kanagawa Ward, Yokohama City) in late March as the first STEP Kids school in Yokohama City. While refining this rich and diverse content, each school will accumulate and share their operational know-how to build a foundation for future expansion throughout the prefecture. Also, at the end of March, we opened a branch classroom (STEP Kids Shonan North Exit School) of the STEP Kids Shonan School (Fujisawa City). The Shonan School, which is the first one in the STEP kids course, quickly reached its capacity for applications from first grade elementary school students. Thus, the branch school is now accepting these students.

Four new schools were opened in the high school entrance examination course and one new school was opened in the after-school care course in March during the current fiscal year. In the high school entrance examination course, we opened Mizonokuchi School (Mizonokuchi Station on the Tokyu Denentoshi Line and Musashi-Mizonokuchi Station on the JR Nambu Line) and Hi-STEP Musashi-Kosugi School (Musashi-Kosugi Station on the Tokyu Toyoko Line and the JR Line) in Kawasaki City. Coupled with Musashi-Shinjo School and Musashi-Nakahara School opened in the last term, the school network along the JR Nambu Line in Takatsu Ward and Nakahara Ward is expanding. In Yokohama City, we opened Tsurumi School (Tsurumi Station on the JR Keihin-Tohoku Line), which is the first school to be opened in Tsurumi Ward of Yokohama City, and Idogaya School (Idogaya Station on the Keikyu Line), which is the second school to be opened in Minami Ward of Yokohama City (first if Hi-STEP is excluded). The above four schools are all in the area where we will concentrate our business from now on. We will strive to convey the stance of STEP tutoring schools to the region and to be recognized as a topnotch tutoring school that offers best teaching.

Due to the opening of the above two schools this spring, the number of STEP schools in Kawasaki City increased to 13. Next spring, Kashimada School and Hi-STEP Shinyurigaoka School are scheduled to be opened, so the total number of STEP schools in Kawasaki City will reach 15. In the long term, we plan to open around 15 more schools and establish a strong network in Kawasaki City, which has the most student-age population (0 to 14 years old) next to Yokohama City in Kanagawa Prefecture (accounting for 17% in the prefecture according to the “Report on the results of the statistical survey for the population of each age in Kanagawa Prefecture in 2023”). Furthermore, we will continue to strive toward realizing the goal of STEP becoming the top tutoring school in several years in terms of students who pass examinations for Tama Senior High School, which is the most popular school in the Kawasaki area.

In the after-school care course, we opened the STEP Kids Hakuraku School (Hakuraku Station on the Tokyu Toyoko Line) as mentioned above, which is the fourth school of the STEP Kids school. We are recruiting four grades from the first to fourth grades of elementary school from the first fiscal year by taking advantage of the expertise of our existing three schools at Hakuraku School.

As a result of the opening of these new schools, there are currently 163 schools, including 142 in the high school entrance examination course, 15 in the university entrance examination course, 1 in the individualized instruction course, 4 in the Kids course and 1 in the STEP Junior Labo course.

At our existing schools, we plan to continue to consider adding classes, increasing floor space and relocating school buildings where we have not been able to accept enrollment requests due to full capacity. In March, we relocated STEP high school entrance examination course of Hakuraku School next to STEP Kids Hakuraku School (mentioned above) and enlarged it. In April 2023, we increased floor space of the STEP university entrance examination course of Yokohama School, which is constantly at full capacity, for the second consecutive year. Also in July, we added classrooms in the STEP university entrance examination course of Totsuka School. In October, we started increasing floor space in the STEP university entrance examination course of Sagamiono School.

In addition, we are continuously working to make the learning environment more comfortable to students. When Hi-STEP Shonan School (Fujisawa City) doubled in size in March 2023, we not only added more classrooms, but also significantly expanded study rooms and student rest areas. We are developing a comfortable environment for students and staff, for example, by upgrading the restrooms of 58 schools.

On May 17, 2023, we announced the “Notice of Future Management Policy.” The framework of this new management policy consists of the following three pillars.

1. Based on the concept that “Tutoring schools belong to a human resources industry, and the driving force for progress is to have competent teachers and staff to support them,” we are improving the treatment of personnel amid the inflationary trend of the Japanese economy. Specifically, we are actively promoting salary increases. In this period, starting from salaries paid in April 2023, we raised the salary level (including increases to base salary; instructors: 20,000 yen per month; administrative staff: 10,000 to 15,000 yen per month) in addition to periodic salary increase. As a result, the starting salary for instructors increased to 275,000 yen. This increase in salary levels continues from the previous year, and the increase was done in the second year of the three-year plan that runs until 2024.

In addition, we provided special bonuses amounting to 300 million yen in July 2023 in order to show gratitude to our instructors and administrative staff members who have supported classes and administration during the COVID-19 pandemic for over 3 years.

2. In order to continue to be an appealing tutoring school for students, we will actively invest in improving the learning environment. This fiscal year, we invested over 200 million yen in updating classroom projectors to the latest equipment, improving the PC and IT environments, expanding study rooms, increasing school fixtures and books provided for students, and renovating old school buildings.

3. Kanagawa Prefecture is likely to experience a large-scale earthquake within the next 30 years (according to the 2020 National Seismic Hazard Maps for Japan issued by the Headquarters for Earthquake Research Promotion, the probability of an earthquake with a seismic intensity of 6 lower or higher occurring within 30 years from 2020 is classified as the highest, at 26% or higher. The probability of an earthquake with a magnitude of about 7 occurring in the surrounding area is about 70%). Based on these data, we have set a goal of internally accumulating approximately 10 billion yen as crisis management funds. We expect to achieve this goal in the current fiscal year, so we will take this opportunity to strengthen shareholder returns and raise the dividend payout ratio from the previous target of 30% to 50%. We plan to continue this dividend payout ratio for the foreseeable future.

The above three points are the pillars of the above new management policy.

As a result of these measures, the operating profit margin for the current fiscal year is expected to be 22.1%, and we will continue these measures for the foreseeable future.

We recorded net sales of 14,442 million yen (up 5.8% year on year), operating profit of 3,192 million yen (down 12.7% year on year), ordinary profit of 3,225 million yen (down 13.5% year on year), and net profit of 2,405 million yen (down 6.2% year on year). Due to the effect of the application of “Accounting Standard for Revenue Recognition, etc.” from the previous fiscal year, net sales in the current fiscal year increased by 312 million yen, and operating profit, ordinary profit, and profit before income taxes each increased by the same amount of 312 million yen.

The number of students and net sales by business segment are as follows.

(High school entrance examination course)

The average number of students during the period was 26,635 (up 2.7% year on year) and net sales were 11,538 million yen (up 5.5% year on year).

(University entrance examination course)

The average number of students during the period was 5,798 (up 5.2% year on year) and net sales were 2,903 million yen (up 6.8% year on year).

(2) Summary of financial condition in the current fiscal year

(Assets)

Total assets at the end of the fiscal year under review stood at 28,634 million yen, an increase of 1,060 million yen from the end of the previous fiscal year.

This was mainly due to an increase in cash and deposits and an increase in investment securities.

Current assets increased 433 million yen from the end of the previous fiscal year to 10,157 million yen, mainly due to an increase in cash and deposits.

Non-current assets increased 627 million yen from the end of the previous fiscal year to 18,476 million yen, because of an increase in investment securities, despite a decrease in land.

(Liabilities)

Liabilities at the end of the fiscal year under review amounted to 2,698 million yen, a decrease of 76 million yen from the end of the previous fiscal year.

Current liabilities decreased 27 million yen from the end of the previous fiscal year to 2,013 million yen, mainly due to a decrease in income taxes payable.

Non-current liabilities decreased 48 million yen from the end of the previous fiscal year to 684 million yen, mainly from the repayment of long-term borrowings.

(Net assets)

Net assets at the end of the fiscal year under review increased 1,137 million yen from the end of the previous fiscal year to 25,936 million yen mainly due to the recording of net profit despite the payment of dividends.

As a result, the equity ratio was 90.6%, up by 0.7 percentage points from the end of the previous fiscal year.

(3) Summary of cash flow in the current fiscal year

The status of cash flows and their factors for the current fiscal year are as follows.

Cash and cash equivalents (hereinafter referred to as "cash") were 9,463 million yen, an increase of 371 million yen (up 4.1%) year on year.

(Cash flows from operating activities)

Net cash provided by operating activities was 2,850 million yen (down 6.9% year on year).

This was mainly attributable to income before income taxes of 3,261 million yen, depreciation and amortization of 513 million yen, which were offset by income taxes paid of 1,122 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,031 million yen (up 165.6% year on year).

This was mainly due to the purchase of investment securities of 1,146 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 1,447 million yen (down 26.4% year on year).

This was mainly attributable to purchase of treasury shares of 532 million yen and cash dividends paid of 779 million yen.

(Reference) Trends in cash flow indicators

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Equity ratio (%)	88.8	80.9	85.4	89.9	90.6
Market value equity ratio (%)	102.1	101.1	118.8	107.0	98.8
Cash flow to interest-bearing liabilities ratio (years)	0.5	1.8	0.4	0.1	0.1
Interest coverage ratio (times)	1,386.8	826.6	1,376.7	3,700.5	5,285.8

Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Cash flow to interest-bearing liabilities ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / interest expenses paid

(Notes 1) Market capitalization is calculated based on the number of shares issued excluding treasury stock.

(Notes 2) Cash flow from operating activities is used for cash flow.

(Notes 3) Interest-bearing debt includes all debt reported on the non-consolidated balance sheets on which interest is paid.

(4) Future outlook

Regarding the outlook for the future, there is a major challenge to form a network of schools in Kawasaki City, which has the most student-age population next to Yokohama City in Kanagawa Prefecture, and in the eastern, oceanfront, and southern areas including Tsurumi Ward, Naka Ward, Minami Ward and Kanazawa Ward in Yokohama City where we have not yet opened schools to a sufficient degree.

We are looking to strategically focus on the cities of Kawasaki and Yokohama where there is still plenty of room to open schools and to form a strong school network. To achieve that, we need to further increase the number of students who pass examinations at Yokohama Suiran Senior High School and Tama Senior High School, which are highly rated as top public schools in the Yokohama and Kawasaki districts, to ensure that STEP is even more strongly recognized as a top brand for our teaching abilities.

In 2024, too, we plan to open new schools in Kawasaki City and Yokohama City in the new fiscal year. We have decided to open 2 schools in Kawasaki City and 2 schools in Yokohama City, including Kashimada School for the STEP high school entrance examination course (Saiwai Ward, Kawasaki City), Hi-STEP Shinyurigaoka School (Asao Ward, Kawasaki City), Higashi-Totsuka Hirado School for the STEP high school entrance examination course (Totsuka Ward, Yokohama City), and Hiyoshi-honcho School for the STEP high school entrance examination course (Kohuku Ward, Yokohama City).

Our existing schools will further enhance their trust from their communities and work to improve their occupancy level. Moreover, we plan to continue to consider adding classes, increasing floor space and relocating school buildings where we have not been able to accept enrollment requests due to full capacity.

According to the “Plan for Reforming Prefectural High Schools (Phase III)” (October 2022) of the Kanagawa Board of Education, the number of graduates of public junior high schools is forecast to be 63,460 in March 2030, a decrease of about 3,600 from March 2022. In order to accurately respond to the trend of a decrease in the population, we need to formulate a long-term policy. Accordingly, what we first want to clarify is that the preference of parents to raise each one of their children even more carefully is rising in general as the birthrate continues to decline. Consequently, there will be an increasing demand in the future for high-quality classes and systems with which we care for each individual sincerely. We will adhere to the stance of persistently and sincerely pursuing the quality of our classes and systems, thus enhancing our trust in each community.

On the other hand, the northeastern Yokohama and Kawasaki regions are projected to see an increase of about 450 in the number of graduates of public junior high schools during the above-mentioned period, while said number is expected to remain around 21,000 for each academic year. Said number accounts for about one third of the total number of graduates of public junior high schools in Kanagawa Prefecture (which is expected to be 63,460 in March 2030). As there is significant room for opening schools in the northeastern Yokohama and Kawasaki regions, we concentrate on the development of school networks. If we further gain the trust of each community there by offering high-quality classes and systems, the number of students will increase and more students will pass entrance exams. In order to realize it, it is indispensable to keep hiring personnel who would support our business. We will engage in recruitment activities more actively.

2. Basic Policies regarding the Selection of Accounting Standards

We prepare our financial statements in accordance with Japanese GAAP because we do not engage in overseas business development or procurement of funds.

3. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Thousand yen)

	As of September 30, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	9,354,061	9,725,936
Accounts receivable-trade	69,055	83,136
Inventories	35,298	37,762
Prepaid expenses	208,910	236,722
Other	57,921	74,866
Allowance for doubtful accounts	(434)	(440)
Total current assets	9,724,811	10,157,983
Non-current assets		
Property, plant and equipment		
Buildings	14,100,136	14,245,355
Accumulated depreciation and impairment loss	(6,549,554)	(6,801,347)
Buildings, net	7,550,582	7,444,007
Structures	336,279	337,427
Accumulated depreciation and impairment loss	(244,126)	(254,934)
Structures, net	92,152	82,493
Machinery and equipment	132,798	147,358
Accumulated depreciation	(108,630)	(116,137)
Machinery and equipment, net	24,167	31,220
Vehicles	21,028	21,268
Accumulated depreciation	(21,028)	(21,188)
Vehicles, net	0	79
Tools, furniture and fixtures	278,158	311,582
Accumulated depreciation and impairment loss	(198,798)	(215,371)
Tools, furniture and fixtures, net	79,359	96,211
Land	9,083,408	8,616,896
Construction in progress	18,491	—
Total property, plant and equipment	16,848,161	16,270,910
Intangible assets		
Telephone subscription right	233	72
Other	32,890	66,942
Total intangible assets	33,123	67,015
Investments and other assets		
Investment securities	16,940	1,165,350
Long-term loans receivable	965	—
Long-term prepaid expenses	111,712	73,585
Deferred tax assets	223,723	255,644
Guarantee deposits	613,259	643,147
Other	450	450
Total investments and other assets	967,050	2,138,178
Total non-current assets	17,848,336	18,476,104
Total assets	27,573,147	28,634,088

(Thousand yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Current portion of long-term borrowings	116,550	104,700
Lease obligations	17,722	18,537
Accounts payable-other	119,176	185,181
Accrued expenses	272,492	383,065
Income taxes payable	624,710	385,403
Accrued consumption taxes	254,652	201,557
Advances received	327,900	335,909
Deposits received	192,492	273,921
Unearned revenue	3,213	3,479
Provision for bonuses	95,120	99,389
Other	17,475	22,404
Total current liabilities	2,041,507	2,013,547
Non-current liabilities		
Long-term borrowings	245,300	140,600
Lease obligations	29,453	48,036
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligations	314,456	351,726
Other	14,059	14,330
Total non-current liabilities	733,069	684,492
Total liabilities	2,774,576	2,698,040
Net assets		
Shareholders' equity		
Share capital	1,778,330	1,778,330
Capital surplus		
Legal capital surplus	1,851,330	1,851,330
Other capital surplus	269,534	280,529
Total capital surplus	2,120,864	2,131,859
Retained earnings		
Legal retained earnings	137,027	137,027
Other retained earnings		
General reserve	97,800	97,800
Retained earnings brought forward	20,764,481	22,389,393
Total retained earnings	20,999,308	22,624,220
Treasury shares	(101,037)	(603,391)
Total shareholders' equity	24,797,465	25,931,017
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,105	5,029
Total valuation and translation adjustments	1,105	5,029
Total net assets	24,798,570	25,936,047
Total liabilities and net assets	27,573,147	28,634,088

(2) Non-consolidated Statements of Income

(Thousand yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net sales	13,653,445	14,442,008
Cost of sales	9,217,633	10,442,314
Gross profit	4,435,812	3,999,693
Selling, general and administrative expenses		
Advertising expenses	133,995	113,360
Provision of allowance for doubtful accounts	274	505
Remuneration for directors	101,472	100,020
Salaries and allowances	154,864	154,427
Bonuses	30,123	37,812
Provision for bonuses	2,270	2,655
Retirement benefit expenses	3,462	4,044
Welfare expenses	39,469	37,979
Depreciation	21,548	21,508
Commission expenses	64,877	61,279
Taxes and dues	145,459	144,170
Other	81,667	129,593
Total selling, general and administrative expenses	779,486	807,357
Operating profit	3,656,326	3,192,335
Non-operating income		
Interest income	25	36
Rental income from buildings	106,734	109,865
Subsidy income	25,987	25,679
Other	22,835	12,695
Total non-operating income	155,583	148,276
Non-operating expenses		
Interest expenses	894	554
Rental expenses	81,486	92,007
Other	935	23,046
Total non-operating expenses	83,315	115,607
Ordinary profit	3,728,593	3,225,003
Extraordinary income		
Gain on sales of non-current assets	—	56,909
Total extraordinary income	—	56,909
Extraordinary loss		
Loss on sales of non-current assets	—	20,486
Other	—	160
Total extraordinary loss	—	20,647
Income before income taxes	3,728,593	3,261,265
Income taxes-current	1,132,620	889,602
Income taxes-deferred	32,923	(33,649)
Total income taxes	1,165,544	855,952
Profit	2,563,049	2,405,312

Schedule of cost of sales

		Fiscal year ended September 30, 2022		Fiscal year ended September 30, 2023			
Class	Note no.	Amount (Thousand yen)		Composition (%)	Amount (Thousand yen)		Composition (%)
I .Labor cost							
1. Salaries and allowances		4,178,409			4,547,817		
2. Bonuses		1,035,508			1,346,705		
3. Provision for bonuses		90,910			94,455		
4. Retirement benefit expenses		106,051			111,385		
5. Other		1,034,242	6,445,122	69.9	1,135,169	7,235,533	69.3
II .Cost of teaching materials			476,238	5.2		537,130	5.1
III .Expenses							
1. Supplies expenses		121,615			333,413		
2. Depreciation		411,787			435,078		
3. Rental expenses		1,091,405			1,159,154		
4. Other		671,463	2,296,272	24.9	742,004	2,669,651	25.6
Cost of sales			9,217,633	100.0		10,442,314	100.0

Notes

Cost of sales are expenses for operating schools.

(3) Non-consolidated Statements of Changes in Equity
 Previous fiscal year (from October 1, 2021 to September 30, 2022)

(Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of period	1,778,330	1,851,330	231,396	2,082,726	137,027	97,800	18,993,663	19,228,490
Changes during period								
Dividends of surplus							(792,232)	(792,232)
Profit							2,563,049	2,563,049
Purchase of treasury shares								
Disposal of treasury shares			38,138	38,138				
Net changes in items other than shareholders' equity								
Total changes during period	—	—	38,138	38,138	—	—	1,770,817	1,770,817
Balance at end of period	1,778,330	1,851,330	269,534	2,120,864	137,027	97,800	20,764,481	20,999,308

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(216,718)	22,872,828	1,364	1,364	22,874,193
Changes during period					
Dividends of surplus		(792,232)			(792,232)
Profit		2,563,049			2,563,049
Purchase of treasury shares	(75)	(75)			(75)
Disposal of treasury shares	115,755	153,894			153,894
Net changes in items other than shareholders' equity			(259)	(259)	(259)
Total changes during period	115,680	1,924,636	(259)	(259)	1,924,377
Balance at end of period	(101,037)	24,797,465	1,105	1,105	24,798,570

Current fiscal year (from October 1, 2022 to September 30, 2023)

(Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of period	1,778,330	1,851,330	269,534	2,120,864	137,027	97,800	20,764,481	20,999,308
Changes during period								
Dividends of surplus							(780,400)	(780,400)
Profit							2,405,312	2,405,312
Purchase of treasury shares								
Disposal of treasury shares			10,994	10,994				
Net changes in items other than shareholders' equity								
Total changes during period	—	—	10,994	10,994	—	—	1,624,911	1,624,911
Balance at end of period	1,778,330	1,851,330	280,529	2,131,859	137,027	97,800	22,389,393	22,624,220

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(101,037)	24,797,465	1,105	1,105	24,798,570
Changes during period					
Dividends of surplus		(780,400)			(780,400)
Profit		2,405,312			2,405,312
Purchase of treasury shares	(532,500)	(532,500)			(532,500)
Disposal of treasury shares	30,146	41,141			41,141
Net changes in items other than shareholders' equity			3,924	3,924	3,924
Total changes during period	(502,353)	1,133,552	3,924	3,924	1,137,476
Balance at end of period	(603,391)	25,931,017	5,029	5,029	25,936,047

(4)Non-consolidated Statements of Cash Flows

(Thousand yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,728,593	3,261,265
Depreciation	491,325	513,337
Increase(decrease) in allowance for doubtful accounts	(242)	5
Increase(decrease) in provision for bonuses	2,233	4,268
Share-based payment expenses	26,244	69,933
Interest and dividends income	(690)	(2,803)
Interest expenses	894	554
Subsidy income	(25,987)	(25,679)
Loss (gain) on sale of non-current assets	—	(36,422)
Loss (gain) on sale of investment securities	—	(2,616)
Decrease(increase) in trade receivables	(3,262)	(15,015)
Decrease(increase) in inventories	(13,061)	(2,464)
Decrease(increase) in prepaid expenses	(10,787)	(69,309)
Increase(decrease) in accounts payable- other	(114,010)	14,093
Increase(decrease) in advances received	317,527	8,008
Increase(decrease) in accrued expenses	31,396	110,573
Other, net	28,818	117,983
Subtotal	4,458,993	3,945,713
Interest and dividends received	690	2,404
Interest paid	(827)	(539)
Subsidies received	26,251	25,475
Income taxes paid	(1,424,429)	(1,122,839)
Net cash provided by (used in) operating activities	3,060,678	2,850,215
Cash flows from investing activities		
Payments into time deposits	(257,192)	(257,197)
Proceeds from withdrawal of time deposits	257,188	257,192
Purchase of property, plant and equipment	(354,284)	(426,198)
Proceeds from sales of property, plant and equipment	—	613,686
Purchase of intangible assets	—	(46,145)
Purchase of investment securities	—	(1,146,253)
Proceeds from sale of investment securities	—	4,764
Proceeds from collection of loans receivable	1,200	2,060
Payments for leasehold and guarantee deposits	(46,232)	(36,434)
Proceeds from refund of leasehold and guarantee deposits	14,057	6,545
Other, net	(3,143)	(3,542)
Net cash provided by (used in) investing activities	(388,407)	(1,031,519)
Cash flows from financing activities		
Proceeds from long-term borrowings	350,000	—
Repayments of long-term borrowings	(1,506,989)	(116,550)
Repayments of finance lease obligations	(18,249)	(18,703)
Purchase of treasury shares	(75)	(532,500)
Dividends paid	(790,818)	(779,736)
Net cash provided by(used in) financing activities	(1,966,131)	(1,447,489)
Net increase(decrease) in cash and cash equivalents	706,139	371,206
Cash and cash equivalents at beginning of period	8,386,058	9,092,197
Cash and cash equivalents at end of period	9,092,197	9,463,403

(5) Notes to Non-consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Segment information, etc.)

【Segment information】

Description is omitted because the Company operates in a single segment of cram schools.

(Equity in earnings of affiliated companies, etc.)

There is no relevant information.

(Per share information)

(Yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net assets per share	1,494.56	1,589.89
Basic earnings per share	155.27	145.71

Notes:1. Fully diluted profit per share is not stated since the Company does not have residual securities.

2. The basis for calculation

1. The basis for calculation of net assets per share is as follows:

Item	As of September 30, 2022	As of September 30, 2023
Net assets per share		
Total net assets (Thousand yen)	24,798,570	25,936,047
Amount deducted from the total net assets (Thousand yen)	—	—
Amount of net assets related to common stock as of the end of the fiscal year (Thousand yen)	24,798,570	25,936,047
Number of shares of common stock as of the end of the fiscal year (Shares)	16,592,578	16,313,078

2. The basis for calculation of profit per share is as follows:

Item	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Basic earnings per share		
Profit (Thousand yen)	2,563,049	2,405,312
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit available to common shares (Thousand yen)	2,563,049	2,405,312
Average number of shares of common shares during the period (Shares)	16,507,290	16,507,620

(Significant subsequent events)

There is no relevant information.

4. Segment sales

Segment	Fiscal year ended September 30, 2022			Fiscal year ended September 30, 2023		
	Number of students	Net sales (Thousand yen)	Composition (%)	Number of students	Net sales (Thousand yen)	Composition (%)
Elementary and junior high school section	25,933	10,935,627	80.1	26,635	11,538,888	79.9
High school section	5,511	2,717,818	19.9	5,798	2,903,119	20.1
Total	31,444	13,653,445	100.0	32,433	14,442,008	100.0