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Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2022 [Japanese GAAP]

October 31, 2022

Company name: STEP CO.,LTD.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 9795

URL: <https://www.stepnet.co.jp/>

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Scheduled date of Ordinary General Meeting of Shareholders: December 17, 2022

Scheduled date of commencing dividend payments: December 20, 2022

Scheduled date of filing securities report: December 19, 2022

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

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2022	13,653	4.7	3,656	4.2	3,728	3.8	2,563	3.7
September 30, 2021	13,036	19.3	3,509	81.9	3,593	82.5	2,471	84.0

	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, 2022	155.27	—	—	10.8	13.7
September 30, 2021	149.71	—	—	11.2	13.6

(Reference) Equity in earnings of affiliated companies: Fiscal year ended September 30, 2022: ¥ - million

Fiscal year ended September 30, 2021: ¥ - 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, 2022	27,573	24,798	89.9	1,494.56
September 30, 2021	26,790	22,874	85.4	1,385.83

(Reference) Equity: As of September 30, 2022: ¥ 24,798 million

: As of September 30, 2021: ¥ 22,874 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, 2022	3,060	(388)	(1,966)	9,092
September 30, 2021	3,720	(401)	(2,549)	8,386

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, 2021	—	20.00	—	25.00	45.00	742	30.1	3.2
September 30, 2022	—	23.00	—	23.00	46.00	761	29.6	3.1
Fiscal year ending	—	24.00	—	24.00	48.00			
September 30, 2023 (Forecast)	—	—	—	—	—		29.9	

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

(% 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	7,362	7.7	2,214	9.7	2,241	8.5	1,533	7.7	92.39
Full year	14,456	5.9	3,862	5.6	3,900	4.6	2,668	4.1	160.79

* 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: Yes
- 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, 2022: 16,670,000 shares

As of September 30, 2021: 16,670,000 shares

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

As of September 30, 2022: 77,422 shares

As of September 30, 2021: 164,283 shares

3) Average number of shares during the period:

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

Fiscal Year ended September 30, 2021: 16,505,867 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 page 6 of this report.

Annual financial results briefing sessions for institutional investors and analysts is planned to be held on November 10, 2022.

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1. Overview of Operating Results, etc.

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

This term was a solid year with the number of students continuing to increase following favorable trends in the previous term. The number of students, which exceeded 30,000 for the first time in June 2021, rose over 33,000 by the end of September 2022. The average number of students in the term was up 6.7% year-on-year to 31,444.

When the Omicron variant of COVID-19 was causing havoc in this term, infections also spread among our staff. That made it difficult to maintain timetables and to establish an online structure. Nevertheless, the impact on our operating figures was minor. We continued with a structure which allowed students who have tested positive for COVID-19 or who have become close contacts to participate in classes in classrooms over Zoom. Accordingly, we were able to provide a sense of security, allowing us to get through this period without causing major problems.

The growth in elementary school students was especially noticeable in our recruitment of students for the new fiscal year this spring. The average number of fifth grade and sixth grade elementary school students in term was up 12.5% year-on-year. One of the factors in the increase of elementary school students 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 the entrance exams this spring were favorable, which helped to recruit new students.

In regard to the entrance exams in the high school entrance examination course (for elementary and junior high school students), a total of 2,395 students (up 203 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. A total of 900 students passed the examination at the five schools in Kanagawa that are particularly focused on improving academic performance (Yokohama Suiran, Shonan, Hakuyo, Kawawa, and Atsugi high schools). That is more than three times the number of other tutoring schools. Furthermore, the average competitive rate of these five schools is 1.50, a high rate for a public high school. In this situation, approximately 80% (79.3%) of STEP students taking the examination passed. That was significantly higher than the pass rate of 56.9% for non-STEP students (calculated from materials published by the prefectoral board of education). We also became the top tutoring school in terms of the number of students that passed the exam at 15 of the 19 public high schools in Kanagawa that utilized the special “tokushoku kensa test” (descriptive test) that characterizes the current exam system. Our students account for about 44.6% of the total number of students who passed the entrance exams of the 19 schools in Kanagawa. Such a tokushoku kensa test is held at top-tier schools and difficult-to-enter schools, and may determine whether or not applicants pass an entrance exam. Accordingly, STEP formed a dedicated team to prepare for the tokushoku kensa test, and the team repeatedly conducts research and produces teaching materials.

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 183 in the end (excluding returnees and internal admissions; the number of our students who have passed the exam at the first selection was 112, 46.7% of 240 in all at that time). We had the largest number of students who passed the school among all tutoring schools for 14 consecutive years.

In the university entrance examination course (for high school students), we were able to pass 13 students for the University of Tokyo, 12 students for Hitotsubashi University, and 22 students for Tokyo Institute of Technology (43 out of 47 are public high school students in Kanagawa Prefecture). In addition, 10 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 307 (up 37 from the previous fiscal year); this number renewed the record high (270) which was marked in the previous fiscal year. As for the private universities, a total of 468 students passed the entrance exams at Waseda, Keio, and Sophia Universities (up 30 from 438 in the previous fiscal year), and a total of 1,958 students passed the entrance exams at the so-called Ridai MARCH Schools (Tokyo University of Science, Meiji, Aoyama Gakuin, Rikkyo, Chuo, and Hosei) (up 496 from

1,462 in the previous fiscal year), resulting in renewed record highs consecutively.

It is one of our fortés that most of these pass results are achieved by public high school students. 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 passing 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 STEP Kids course, the Tsujido School (Tsujido Station on the JR Tokaido Line) and the Chigasaki School (Chigasaki Station on the JR Tokaido Line), which were opened in March 2020, have entered their third year. The recruitment grades were gradually expanded every year. From FY2022, recruitment for four grades from 1st to 4th grade elementary school students has begun. Consequently, all three STEP Kids schools are accepting four grades. As a result, the number of students for the STEP kids course increased by 30.9% year on year on average during the term.

In April 2022, we opened the “STEP Junior Labo Shonan School” in Fujisawa City. We have accumulated experiences in various programs at the STEP Kids course, and this time, we made the relevant departments independent and produced a new classroom targeted for elementary school students from 3rd to 6th grade. We started the programs for mathematics, Japanese, English, science, programming, Eiken test, English conversation, dance, music, etc. “STEP Junior Labo” is a school that takes new active approaches to a variety of elementary school students’ willingness to learn and grow, and we hope to develop it as a place mainly for researching education of early elementary school students, together with STEP kids.

Three new schools were opened in March during the current fiscal year in the high school entrance examination course. Musashi-Shinjo School (Musashi-Shinjo Station on the JR Nambu Line, Nakahara-ku, Kawasaki City), Musashi-Nakahara School (Musashi-Nakahara Station on the JR Nambu Line, Nakahara-ku, Kawasaki City), and Mukogaoka-Yuen School (Mukogaoka-Yuen Station on the Odakyu Line, Tama-ku, Kawasaki City) are schools in the Kawasaki area, which will be the center of our dominant development in the future.

As a result of the opening of these new schools and STEP Junior Labo Shonan School, there are currently 158 schools, including 138 in the high school entrance examination course, 15 in the university entrance examination course, 1 in the individualized instruction course, 3 in the Kids course and 1 in the Junior Labo course.

In addition, we are also focusing on increasing the number and relocation/expansion of school buildings. We relocated Minami-Ashigara School and Hadano School in the STEP high school entrance examination course in this term in order to enlarge school buildings. Furthermore, we opened the third building at Ofuna School and the second building at Yokohama School in the STEP university entrance examination course. We also expanded the size of the first building of Yokohama School and increased the number of classrooms at Higashi-Totsuka School in the STEP high school entrance examination course. We will continue to focus on developing the learning environment including the relocation and expansion of school buildings.

The ratio of advertising expanses to net sales has been gradually declining from the peak of 6.3% in 2000. The ratio of advertising expenses in this fiscal year were 0.98 %. They have finally fallen below 1%. The core of recruitment of new students has shifted to word-of-mouth, local reputation, sibling relationships, networks among parents, and website, Twitter and other Internet information. That means that it is no longer necessary to insert many flyers into newspapers. We will proceed with a policy that values the trust and faith of students and parents in our tutoring schools in the future.

We started the full-scale dissemination of information on our official YouTube channel in late April 2022. In this channel, we give information on high schools and universities and introduce the divisions and departments of the Company. This YouTube channel is aimed at “popularizing STEP and increasing its fans.” We believe that if many students around Japan as well as our students and their guardians get to know the existence and features of STEP, we will be able to reel in applicants more smoothly. To that end, we are also releasing videos to stimulate interest

in our schools for those searching for jobs. These include videos on internships, teacher training and the day in the life of our teachers. We are also using those videos in our hiring activities.

Moreover, we raised our teacher salary level (increase in base pay) this spring. In addition, we resolved to dispose of a total of 153 million yen in treasury stock as transfer-restricted stock compensation for 360 employees in July, and implemented disposition in September. At the end of September, we paid a bonus to teachers and staff who have made efforts to maintain the timetable and continue the online structure during the havoc wrought by the Omicron variant in appreciation of their cooperation during the COVID-19 pandemic for a total of 42 million yen as a token of our gratitude. We will continue to proactively improve working conditions for teachers and staff in the future.

We recorded net sales of 13,653 million yen (up 4.7% year on year), operating income of 3,656 million yen (up 4.2% year on year), ordinary income of 3,728 million yen (up 3.8% year on year), and net income of 2,563 million yen (up 3.7% year on year). Net sales decreased by 312 million yen due to the application of “Accounting Standard for Revenue Recognition, etc.” Operating profit, ordinary profit, and profit before income taxes and other adjustments also decreased by the same amount of 312 million yen, respectively.

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 25,933 (up 7.1% year on year) and net sales were 10,935 million yen (up 4.8% year on year).

(University entrance examination course)

The average number of students during the period was 5,511 (up 5.0% year on year) and net sales were 2,717 million yen (up 4.3% 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 27,573 million yen, an increase of 782 million yen from the end of the previous fiscal year.

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

Current assets increased 756 million yen from the end of the previous fiscal year to 9,724 million yen, mainly due to an increase in cash and deposits.

Non-current assets increased 26 million yen from the end of the previous fiscal year to 17,848 million yen, mainly due to an increase in Long-term prepaid expenses, despite a decrease caused by the implementation of depreciation.

(Liabilities)

Liabilities at the end of the fiscal year under review amounted to 2,774 million yen, a decrease of 1,141 million yen from the end of the previous fiscal year.

Current liabilities decreased 1,399 million yen from the end of the previous fiscal year, to 2,041 million yen, mainly due to a decrease in the current portion of long-term borrowings.

Non-current liabilities increased 258 million yen from the end of the previous fiscal year, to 733 million yen, mainly due to an increase in long-term borrowings.

(Net assets)

Net assets at the end of the fiscal year under review increased 1,924 million yen from the end of the previous fiscal year to 24,798 million yen due to the recording of net income despite the payment of dividends.

As a result, the equity ratio was 89.9%, up by 4.5 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 were 9,092 million yen, an increase of 706 million yen (up 8.4%) year-on-year.

(Cash flows from operating activities)

Net cash provided by operating activities was 3,060 million yen (down by 17.7% year on year).

This was mainly attributable to income before income taxes of 3,728 million yen, depreciation and amortization of 491 million yen, and an increase in advances received of 317 million yen, which were offset by income taxes paid of 1,424 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 388 million yen (down by 3.4% year on year).

This was mainly due to the purchase of property, plant and equipment of 354 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 1,966 million yen (down by 22.9% year on year).

This was mainly attributable to repayments of long-term borrowings of 1,506 million yen and cash dividends paid of 790 million yen.

(Reference) Trends in cash flow indicators

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Equity ratio (%)	89.0	88.8	80.9	85.4	89.9
Market value equity ratio (%)	118.0	102.1	101.1	118.8	107.0
Cash flow to interest-bearing liabilities ratio (years)	0.3	0.5	1.8	0.4	0.1
Interest coverage ratio (times)	1,440.1	1,386.8	826.6	1,376.7	3,700.5

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, and in the eastern, oceanfront, and southern areas including Tsurumi-ku, Naka-ku, Minami-ku and Kanazawa-ku, and other areas in Yokohama City. Kawasaki City has the second-largest population of young people in Kanagawa Prefecture after Yokohama City, but is where we have just started full-scale school operations.

We are looking to strategically focus on the cities of Yokohama and Kawasaki where there is still plenty of room to open schools and to form a strong school network in the medium term. 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 the Company is even more strongly recognized as a top brand for our teaching abilities in this region.

We are planning to open four new schools of the STEP high school entrance examination course in fiscal 2023. We plan to open two of those schools in Kawasaki City and the other two in Yokohama City. We have decided to open Hi-STEP Musashikosugi School (Musashikosugi Station on the Tokyu Toyoko Line), however we will make an announcement on the one more school we will open in Kawasaki City on our website, etc. once we finalize the details. Meanwhile, we have decided to open Tsurumi School (Tsurumi Station on the JR Keihin Tohoku Line) and Idogaya School (Idogaya Station on the Keihin Kyuko Line) in Yokohama City. Tsurumi School will be the first school we will open in Tsurumi-ku in Yokohama City. Idogaya School will be the second school (after Hi-STEP) in Minami-ku in Yokohama City. With these openings as the starting point of our dominant development in both these regions, we will strive to convey the stance of STEP tutoring schools to the region to lead to the recruitment of students.

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.

In addition, we plan to open STEP Kids Hakuraku School (Hakuraku Station on the Tokyu Toyoko Line) in the spring of 2023, which will be our fourth STEP Kids school and will also be our first STEP Kids school in Yokohama City. We are planning to recruit 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.

The Ministry of Health, Labour and Welfare announced the number of births in the first half of 2022 (January to June) on August 30 this year. There were 384,942 births, which was 5.0% less than the same period in the previous year. It is expected that the annual number of births in 2022 will fall below 800,000 from this record in the first half of the year. The decline in the number of births has accelerated during the COVID-19 pandemic. There were 865,239 births in 2019, but 840,835 in 2020 and 811,622 in 2021 and now it is predicted this will be less than 800,000 this year.

The number of births in 2007 and 2008 when current third-grade junior high school students were born was about 1.09 million. Therefore, it is almost certain that the number of third-grade junior high school students 15 years from now will be about 290,000 less than that of current third-grade junior high school students. As a percentage, that is a decrease of more than 26%. This trend for a decrease in the number of students is sure to come even to Kanagawa Prefecture where there is a relatively large social influx. We need to accurately ascertain this trend for a decrease in the population and to then formulate a long-term policy to respond to it. 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; there will not be a need for a low-priced, low-margin mass-produced system with low quality.

Therefore, we would like to once again confirm the basics of our long-term policy.

- (1) We will persistently and sincerely pursue an improvement in the quality of our classes and systems.
- (2) We will continue to mainly develop school buildings in the cities of Kawasaki and Yokohama where the

population is continuing to grow or where there is a large social influx in the prefecture. There is still a lot of room to greatly increase our share of the market in the cities of Kawasaki and Yokohama compared to the cities of Fujisawa, Yamato, Chigasaki and Sagamihara where the Company opened schools early.

- (3) We will gradually decrease the size of school buildings in regions where population is declining. However, we will maintain the quality of instruction there. Although we operate in a moderate manner, we will continue to provide education as a high-quality and solidly profitable tutoring school. We will assign redundant employees as a result of downsizing those school buildings to those in regions with large populations.
- (4) We will increase the number of school buildings in the future due to the expansion of our networks in the Kawasaki and Yokohama regions. However, we will moderate the size of those school buildings. We hope for a situation 15 years from now in which we have spread our high-quality, albeit small, school network over the whole prefecture including Yokohama and Kawasaki.
- (5) At the same time, we will expand school buildings of the university entrance examination course for the current high school students throughout the prefecture and establish an unwavering brand as tutoring schools for the current high school students which provides live classes in the prefecture.
- (6) We will solidify the foundations of our school child classroom network over the next 10 years to prepare for the subsequent period of expansion.

It is essential that we continue to acquire personnel to support and realize the long-term stances described above. We are proceeding strongly with hiring activities this year toward the new fiscal year. We will make more efforts on hiring activities in the future.

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, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	8,646,503	9,354,061
Accounts receivable-trade	69,169	69,055
Inventories	22,236	35,298
Prepaid expenses	173,137	208,910
Other	57,849	57,921
Allowance for doubtful accounts	(677)	(434)
Total current assets	<u>8,968,218</u>	<u>9,724,811</u>
Non-current assets		
Property, plant and equipment		
Buildings	13,783,978	14,100,136
Accumulated depreciation and impairment loss	(6,165,758)	(6,549,554)
Buildings, net	<u>7,618,219</u>	<u>7,550,582</u>
Structures	333,234	336,279
Accumulated depreciation and impairment loss	(233,017)	(244,126)
Structures, net	<u>100,216</u>	<u>92,152</u>
Machinery and equipment	123,798	132,798
Accumulated depreciation	(101,279)	(108,630)
Machinery and equipment, net	<u>22,518</u>	<u>24,167</u>
Vehicles	21,028	21,028
Accumulated depreciation	(20,455)	(21,028)
Vehicles, net	<u>573</u>	<u>0</u>
Tools, furniture and fixtures	264,881	278,158
Accumulated depreciation and impairment loss	(180,493)	(198,798)
Tools, furniture and fixtures, net	<u>84,388</u>	<u>79,359</u>
Land	9,083,408	9,083,408
Construction in progress	—	18,491
Total property, plant and equipment	<u>16,909,325</u>	<u>16,848,161</u>
Intangible assets		
Telephone subscription right	233	233
Other	43,299	32,890
Total intangible assets	<u>43,533</u>	<u>33,123</u>
Investments and other assets		
Investment securities	17,033	16,940
Long-term loans receivable	2,105	965
Long-term prepaid expenses	9,375	111,712
Deferred tax assets	256,813	223,723
Guarantee deposits	582,005	613,259
Other	1,883	450
Total investments and other assets	<u>869,216</u>	<u>967,050</u>
Total non-current assets	<u>17,822,075</u>	<u>17,848,336</u>
Total assets	<u>26,790,294</u>	<u>27,573,147</u>

(Thousand yen)

	As of September 30, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,506,989	116,550
Lease obligations	17,403	17,722
Accounts payable-other	128,281	119,176
Accrued expenses	241,095	272,492
Income taxes payable	924,275	624,710
Accrued consumption taxes	356,294	254,652
Advances received	10,372	327,900
Deposits received	153,790	192,492
Unearned revenue	3,477	3,213
Provision for bonuses	92,887	95,120
Other	6,489	17,475
Total current liabilities	3,441,357	2,041,507
Non-current liabilities		
Long-term borrowings	11,850	245,300
Lease obligations	42,298	29,453
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligations	276,471	314,456
Other	14,324	14,059
Total non-current liabilities	474,744	733,069
Total liabilities	3,916,101	2,774,576
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	231,396	269,534
Total capital surplus	2,082,726	2,120,864
Retained earnings		
Legal retained earnings	137,027	137,027
Other retained earnings		
General reserve	97,800	97,800
Retained earnings brought forward	18,993,663	20,764,481
Total retained earnings	19,228,490	20,999,308
Treasury shares	(216,718)	(101,037)
Total shareholders' equity	22,872,828	24,797,465
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,364	1,105
Total valuation and translation adjustments	1,364	1,105
Total net assets	22,874,193	24,798,570
Total liabilities and net assets	26,790,294	27,573,147

(2) Non-consolidated Statements of Income

(Thousand yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Net sales	13,036,092	13,653,445
Cost of sales	8,771,033	9,217,633
Gross profit	4,265,058	4,435,812
Selling, general and administrative expenses		
Advertising expenses	142,441	133,995
Provision of allowance for doubtful accounts	—	274
Remuneration for directors	107,432	101,472
Salaries and allowances	146,983	154,864
Bonuses	25,709	30,123
Provision for bonuses	2,375	2,270
Retirement benefit expenses	2,310	3,462
Welfare expenses	41,913	39,469
Depreciation	20,580	21,548
Commission expenses	55,306	64,877
Taxes and dues	140,565	145,459
Other	70,325	81,667
Total selling, general and administrative expenses	755,941	779,486
Operating profit	3,509,117	3,656,326
Non-operating income		
Interest income	26	25
Rental income from buildings	107,340	106,734
Subsidy income	24,650	25,987
Compensation income	20,782	—
Other	15,399	22,835
Total non-operating income	168,201	155,583
Non-operating expenses		
Interest expenses	2,881	894
Rental expenses	80,055	81,486
Other	1,282	935
Total non-operating expenses	84,219	83,315
Ordinary profit	3,593,098	3,728,593
Income before income taxes	3,593,098	3,728,593
Income taxes-current	1,157,140	1,132,620
Income taxes-deferred	(35,096)	32,923
Total income taxes	1,122,043	1,165,544
Profit	2,471,055	2,563,049

Schedule of cost of sales

		Fiscal year ended September 30, 2021		Fiscal year ended September 30, 2022	
Class	Note no.	Amount (Thousand yen)	Composition (%)	Amount (Thousand yen)	Composition (%)
I .Labor cost					
1. Salaries and allowances		3,993,812		4,178,409	
2. Bonuses		973,244		1,035,508	
3. Provision for bonuses		88,283		90,910	
4. Retirement benefit expenses		102,391		106,051	
5. Other		922,031	69.3	1,034,242	6445,122
II .Cost of teaching materials		478,266	5.5	476,238	5.2
III .Expenses					
1. Supplies expenses		137,123		121,615	
2. Depreciation		407,252		411,787	
3. Rental expenses		1,009,251		1,091,405	
4. Other		659,376	25.2	671,463	2,296,272
Cost of sales		8,771,033	100.0	9,217,633	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, 2020 to September 30, 2021)

(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	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	17,182,849	17,417,676
Changes during period								
Dividends of surplus							(660,240)	(660,240)
Profit							2,471,055	2,471,055
Purchase of treasury shares								
Disposal of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	1,810,814	1,810,814
Balance at end of period	1,778,330	1,851,330	231,396	2,082,726	137,027	97,800	18,993,663	19,228,490

	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)	21,062,013	(1,474)	(1,474)	21,060,538
Changes during period					
Dividends of surplus		(660,240)			(660,240)
Profit		2,471,055			2,471,055
Purchase of treasury shares					
Disposal of treasury shares					
Net changes in items other than shareholders' equity			2,839	2,839	2,839
Total changes during period	—	1,810,814	2,839	2,839	1,813,654
Balance at end of period	(216,718)	22,872,828	1,364	1,364	22,874,193

Current 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
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

(4)Non-consolidated Statements of Cash Flows

(Thousand yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	3,593,098	3,728,593
, Depreciation	485,669	491,325
Increase(decrease) in allowance for doubtful accounts	(434)	(242)
Increase(decrease) in provision for bonuses	4,580	2,233
Share-based payment expenses	26,975	26,244
Interest and dividends income	(629)	(690)
Interest expenses	2,881	894
Subsidy income	(24,650)	(25,987)
Decrease(increase) in trade receivables	32,027	(3,262)
Decrease(increase) in inventories	4,261	(13,061)
Decrease(increase) in prepaid expenses	(9,965)	(10,787)
Increase(decrease) in accounts payable- other	128,330	(114,010)
Increase(decrease) in advances received	(12,088)	317,527
Increase(decrease) in accrued expenses	(3,211)	31,396
Other, net	40,000	28,818
Subtotal	4,266,845	4,458,993
Interest and dividends received	629	690
Interest paid	(2,702)	(827)
Subsidies received	22,728	26,251
Income taxes paid	(566,536)	(1,424,429)
Net cash provided by (used in) operating activities	3,720,965	3,060,678
Cash flows from investing activities		
Payments into time deposits	(257,188)	(257,192)
Proceeds from withdrawal of time deposits	257,184	257,188
Purchase of property, plant and equipment	(309,771)	(354,284)
Proceeds from collection of loans receivable	2,390	1,200
Payments for leasehold and guarantee deposits	(82,867)	(46,232)
Proceeds from refund of leasehold and guarantee deposits	15,512	14,057
Purchase of insurance funds	(0)	—
Other, net	(27,134)	(3,143)
Net cash provided by(used in) investing activities	(401,875)	(388,407)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	350,000
Repayments of long-term borrowings	(1,871,868)	(1,506,989)
Repayments of finance lease obligations	(17,518)	(18,249)
Purchase of treasury shares	—	(75)
Dividends paid	(660,522)	(790,818)
Net cash provided by(used in) financing activities	(2,549,908)	(1,966,131)
Net increase(decrease) in cash and cash equivalents	769,181	706,139
Cash and cash equivalents at beginning of period	7,616,877	8,386,058
Cash and cash equivalents at end of period	8,386,058	9,092,197

(5) Notes to Non-consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in the accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. since the beginning of the current fiscal year, and recognizes the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer as revenue. Accordingly, we switched from a method of recognizing revenue at a single point in time for sales received as expenses in the first month of each academic year to a method of recognizing revenue throughout a certain period after the fulfillment of said obligation after providing customers with goods or services.

The application of the Revenue Recognition Accounting Standard, etc. follows the transitional treatment specified in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, so the cumulative effect of the retroactive application of the new accounting policy to the period before the beginning of the current fiscal year was adjusted to the retained earnings as of the beginning of the current fiscal year, and the new accounting policy has been applied from said initial balance. However, the method specified in Paragraph 86 of the Revenue Recognition Accounting Standard was applied, so the new accounting policy has not been applied retroactively to contracts in which almost all of revenues were recognized in accordance with the previous method until the beginning of the current fiscal year.

As a result, net sales decreased by 312,623 thousand yen in the fiscal year under review. Operating profit, ordinary profit, and profit before income taxes and other adjustments also decreased by the same amount of 312,623 thousand yen, respectively.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Accounting, we did not include information that breaks down revenues from contracts with customers for the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. since the beginning of the current fiscal year. We will follow the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), and will apply the new accounting policies prescribed by the Fair Value Measurement Accounting Standard, etc.

Furthermore, there will be no impact on the financial statements.

(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, 2021	Fiscal year ended September 30, 2022
Net assets per share	1,385.83	1,494.56
Basic earnings per share	149.71	155.27

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, 2021	As of September 30, 2022
Net assets per share		
Total net assets (Thousand yen)	22,874,193	24,798,570
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)	22,874,193	24,798,570
Number of shares of common stock as of the end of the fiscal year (Shares)	16,505,717	16,592,578

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

Item	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Basic earnings per share		
Profit (Thousand yen)	2,471,055	2,563,049
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit available to common shares (Thousand yen)	2,471,055	2,563,049
Average number of shares of common shares during the period (Shares)	16,505,867	16,507,290

(Significant subsequent events)

There is no relevant information.

4. Segment sales

Segment	Fiscal year ended September 30, 2021			Fiscal year ended September 30, 2022		
	Number of students	Net sales (Thousand yen)	Composition (%)	Number of students	Net sales (Thousand yen)	Composition (%)
Elementary and junior high school section	24,217	10,430,741	80.0	25,933	10,935,627	80.1
High school section	5,250	2,605,350	20.0	5,511	2,717,818	19.9
Total	29,467	13,036,092	100.0	31,444	13,653,445	100.0