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FY23 Consolidated Financial Results [JGAAP]

November 05, 2024

Company Name: Insource Co., Ltd. Stock Exchange Listing: Tokyo
Code number: 6200 URL: https://www.insource.co.jp/index.html
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Scheduled date of the ordinary general shareholders' meeting: December 20, 2024
Scheduled date to commence dividend payments: December 23, 2024
Scheduled date to submit annual securities report: December 23, 2024
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. FY23 Consolidated Financial Results (October 1, 2023 - September 30, 2024)

(1) Consolidated Financial Results(cumulative) (% 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	%
FY23	12,474	15.7	4,937	25.3	4,940	24.5	3,355	25.4
FY22	10,783	14.5	3,941	17.0	3,937	17.7	2,676	19.8

(Note) Comprehensive income: FY23 3,354 million yen (25.0%) FY22 2,683million yen (20.1%)

	Earnings per share	Fully diluted earnings per share	Return on equity	Return on Assets	Operating profit to sales ratio
	yen sen	yen sen	%	%	%
FY23	39.98	－	37.6	40.9	39.3
FY22	31.79	31.78	38.1	40.3	36.5

(Note) The Company conducted a stock split on January 1, 2023, 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 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
FY23	13,177	9,935	75.4	118.41
FY22	10,795	7,929	73.5	94.19

(Reference) Shareholders' equity: FY23 9,935 million yen FY22 7,929 million yen

(Note) The Company conducted a stock split on January 1, 2023, 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
FY23	4,032	(447)	(1,394)	5,705
FY22	2,902	(2,304)	(909)	3,515

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	%	%
FY22 Full-year	—	0.00	—	13.00	13.00	1,094	40.9	15.6
FY23 Full-year	—	0.00	—	20.00	20.00	1,678	50.0	18.8
FY24 (forecast)	—	0.00	—	23.50	23.50		52.6	

3. Consolidated Financial Forecast for FY24 (October 1, 2024 - September 30, 2025)

(% 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 FY24 (Cumulative)	6,890	14.5	2,590	7.9	2,590	7.7	1,760	0.4	20.98
FY24 Full-year	14,500	16.2	5,520	12.7	5,520	12.6	3,750	11.7	44.69

* 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 : None
(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 stocks)	FY23	85,243,000 shares	FY22	85,243,000 shares
(ii) Total number of treasury stocks at the end of the period	FY23	1,332,369 shares	FY22	1,055,089 shares
(iii) Average number of shares during the period (cumulative)	FY23	83,938,783 shares	FY22	84,191,431 shares

(Note) We conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares. The above calculations assume 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 career training market shows solid demand, driven by efforts to improve labor productivity, reskilling initiatives, and enhancing corporate value through human capital management. During the current consolidated fiscal year (from October 1, 2023, to September 30, 2024), the career training market is expanding, supported by an increase in face-to-face training sessions.

Amid this situation, to help clients solve various management issues, the Group developed new products and services in the areas of training and e-Learning content for DX, including utilization of ChatGPT, reskilling, health and productivity management, and MBA-related courses. We also strengthened alliances with other companies, and our community-based sales by opening eight new offices.

Regarding On-Site Training Business, the number of face-to-face trainings increased for both private and public sectors. In addition, the number of highly profitable DX training increased throughout the year, particularly in the private sector. As a result, the number of training sessions increased by 9.2% YoY

In Open Seminars Business, the number of attendees increased by 14.3% YOY due to an increase in the number of trainings conducted. In particular, the number of attendees for DX-related training increased by 27.6% YOY.

About IT Services, the total active “Leaf” (HR support system, LMS *1) users exceeded 4.07 million, with the start of operation of large-scale customized projects for the Ministry of Education, Culture, Sports, Science and Technology, and Ministry of Health, Labour and Welfare. As a result, the number of paid subscribers increased to 741 organizations (+103, +16.1% YoY). Leaf’s monthly subscription fees (MRR *2) increased steadily, and ARR (*3) grew 44.8% YoY to 1,174 million yen. The number of “Leaf” customization projects increased by 9.0% YOY to 133, as a result of the acquisition of new projects at central government agencies and affiliated organizations.

In Other Businesses, the number of organizations using assessment and consulting services increased to 381 (+113 organizations, or +42.2% YoY) due to the establishment of Insource Consulting Corporation in October 2023. Regarding e-Learning, the video production solutions performed well, with the number of productions increasing by 187.3% YoY to 227.

Operating profit increased as the SG&A expense ratio was 37.5% (- 2.4pt YoY).

As a result of the above, consolidated financial results for the current consolidated fiscal year is as follows; net sales were 12,474,662 thousand yen (+15.7% YoY), operating profit was 4,937,091 thousand yen (+25.3% YoY), ordinary profit was 4,940,930 thousand yen (+25.5% YoY), profit attributable to owners of parent was 3,355,877 thousand yen (+25.4% YoY). This fiscal year’s sales broke the previous record.

*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 (cumulative)

(Unit: thousand yen)

Business	The 21th consolidated fiscal year (Oct.1, 2022 – Sep.30, 2023)	YoY(%)	The 22nd consolidated fiscal year (Oct.1, 2023 – Sep.30, 2024)	YoY (%)
On-Site Training	5,275,059	113.1	5,884,813	111.6
Open Seminars	2,617,779	118.0	3,060,065	116.9
IT Services	1,304,087	108.9	1,822,044	139.7
Other Businesses	1,586,769	118.7	1,707,738	107.6
Total	10,783,695	114.5	12,474,662	115.7

(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

In the career training market, there is a firm need for improvement in labor productivity, efforts to reduce risks, and improvement of corporate value through human capital management. The same trend is expected to continue in the next fiscal year (from October 1, 2024 to September 30, 2025). To meet these needs, our company will make the most of its Content IP network, which is one of the largest in Japan, to provide the most appropriate solution for each customer at the most appropriate time. The sales structure was reorganized into five profit centers with the aim of providing strong and detailed solutions tailored to customer segments. We will solve the management issues of each organization by implementing product development, sales promotion and proposal activities specific to the issues of each customer segment, such as training of successors and next generation executives, health management, and recruitment and retention. In addition, we will position DX-related services as the most important field for all client segments and use our advanced content development capabilities to enhance service options, such as training for the use of Genera AI for each job and job, video materials, and consulting. In addition, we will strengthen our content development and sales organization for the government. In addition, “Rising Next”, a new growth area, will promote existing services and develop new growth areas.

For the training business, we expect the ratio of online training to decrease, and the number of face-to-face training to increase even further. In addition, we expect to see an increase in demand for career training due to the high level of interest in “developing the next generation of management” and “reskilling and DX promotion”, and the number of training and attendees is expected to increase. We will aim to strengthen our relationships with clients more than ever before, thoroughly implement cross-selling proposals, and increase sales per organization.

As for the IT Services business, we will strengthen our sales promotion, especially in the LE (Large Enterprise) market, by taking advantage of the stable operation, affordable price, and multi-functionality of our products. Our main product, “Leaf Lightning”, is an LMS with over 176 functions that have been designed to meet the detailed educational management system in Japan. In addition to the number of functions, it has robust security that is recognized by central government agencies and financial institutions, and is extremely competitive at a low price.

For the Other Businesses, we will develop products and strengthen sales promotion in the consulting business, video business, Regional Revitalization Service, Online Seminar Support Service, BPO business support, and staffing services, with the aim of increasing sales and growing these businesses to become the next pillars of our company, following the Training Business and IT Services Business.

As a result, for FY24, the Group estimate the net sales of 14,500 million yen, operating profit of 5,520 million yen, ordinary profit of 5,520 million yen, and profit attributable to owners of parent of 3,750 million yen.

(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 2,269,919 thousand yen compared to the end of the previous consolidated fiscal year to 7,405,642 thousand yen (+44.2% compared to the previous consolidated fiscal year). This was mainly due to an increase of 2,189,852 thousand yen in cash and deposits.

(Non-current assets)

Non-current assets at the end of the current consolidated fiscal year increased by 112,692 thousand yen compared to the end of the previous consolidated fiscal year to 5,772,205 thousand yen (+2.0%). This was mainly due to a 240,220 thousand yen increase in land.

(Current liabilities)

Current liabilities at the end of the current consolidated fiscal year increased by 376,992 thousand yen compared to the end of the previous consolidated fiscal year to 3,199,330 thousand yen (+13.4%). This was mainly due to an increase of 150,761 thousand yen in Income taxes payable.

(Non-current liabilities)

Non-current liabilities at the end of the current consolidated fiscal year decreased by 359 thousand yen compared to the end of the previous consolidated fiscal year to 43,037 thousand yen (-0.8%). This was mainly due to a decrease of 359 thousand yen in asset retirement obligation.

(Net assets)

Net assets at the end of the current consolidated fiscal year increased by 2,005,978 thousand yen compared to the end of the previous consolidated fiscal year to 9,935,479 thousand yen (+25.3%). This was mainly due to an increase of 2,261,435 thousand yen in retained earnings.

(ii) Overview of Cash Flows

Cash and cash equivalents increased by 2,189,852 thousand yen during the current consolidated fiscal year, and amounted to 5,705,369 thousand yen at the end of the current consolidated fiscal year. The status of each cash flow and its 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 4,032,447 thousand yen (a cash inflow of 2,902,577 thousand yen in the previous consolidated fiscal year). This was mainly due to the profit before income taxes of 4,787,343 thousand yen.

(Cash flow from investing activities)

Cash flow from investing activities for the current consolidated fiscal year resulted in a cash outflow of 447,594 thousand yen (a cash outflow of 2,304,832 thousand yen in the previous consolidated fiscal year). This was mainly due to expenditures of 307,924 thousand yen for the acquisition of tangible fixed assets.

(Cash flow from financing activities)

In the current consolidated fiscal year, cash flow from financing activities resulted in a cash outflow of 1,394,974 thousand yen (a cash outflow of 909,954 thousand yen in the previous consolidated fiscal year). This was mainly due to the payment of 1,094,442 thousand yen in dividends.

(3) Profits Distribution Policy and Current Dividend Payment

Starting from July 22, 2024, the Company has adopted a shareholder return policy that incorporates a capital efficiency perspective as our basic dividend policy, aiming for a "dividend payout ratio of 50% and a shareholder return on equity (ROE) of 18%." In consideration of the full-year consolidated results for the fiscal year ending September 2024, we have revised the dividend forecast announced on July 22, 2024, for the fiscal year-end dividend. The revised dividend will be increased from 19.50 yen per share to 20.00 yen per share representing a dividend payout ratio of 50.0% and a shareholder return on equity of 18.8%.

(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, the Group's 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

The services provided by the Group are related to the human resources development of companies and organizations, and therefore tend to be susceptible to economic trends and profits of companies and organizations. If the economic environment deteriorates and the budget for education and training of our clients is reduced, this could affect our business performance. In response to these changes in the economic environment, our group will provide a variety of services with high added value by developing innovative services utilizing AI and digital technologies, providing flexible training formats that integrate online and offline training, and designing highly customizable training programs that meet client needs. We will also promote operational efficiency and cost optimization to maintain and improve profitability.

(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. Cyber Security

Our Group has taken security measures to prevent system failures and data breaches caused by cyberattacks. However, with the increasing sophistication and complexity of recent cyberattacks, the risk of business interruptions and data encryption due to ransomware, as well as the leakage of personal and confidential information through unauthorized access, is increasing. Should such incidents occur, they could disrupt the Group's business operations and potentially 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.

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 inhouse 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 the web)

In the course of our sales activities, the Group is 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 believes 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. Also, in the unlikely event of an infringement of a third party's intellectual property rights, the Group may lose public trust and incur losses due to claims for damages, which may affect the Group's business performance.

(Securing trainers)

One of the most important factors that determine 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 promoting M&A. In doing so, the Group strives 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.

(iv) Risks related to sustainability

From a medium to long-term perspective, the Group has identified five sustainability-related risks: “human rights violations,” “damage to business sites and servers due to large-scale natural disasters,” “bribery and corruption,” “decline in competitiveness due to delays in the use of Generative AI,” and “cost increases due to changes in the external environment.” We will regularly monitor these risks and work to avoid them occurring and to respond to them if they do occur.

Priority	Risks related to sustainability	Financial impact
1	Human rights violations	Major
2	Damage to business sites and servers due to large-scale natural disasters	Medium
2	Bribery and corruption	Medium
2	Decline in competitiveness due to delays in the use of Generative AI	Medium
3	Cost increases due to changes in the external environment	Minor

(v) Compliance Violations and Misconduct

The Group considers compliance to be one of the key management priorities, and we ensure that each officer and employee maintains a strong awareness of compliance in their daily work. However, it is challenging to completely eliminate the risk of misconduct such as embezzlement or breach of trust by officers or employees, violations of laws and regulations such as insider trading restrictions, human rights violations such as harassment, or corrupt practices including bribery. Should any of these incidents occur, they could lead to a loss of social trust in our group, claims for damages, or administrative sanctions, potentially having a significant impact on the Group's performance. To minimize these risks, the Group is committed to continuously improving our compliance system by enhancing compliance education, developing internal reporting systems, and strengthening internal audits.

(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

If 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 seven subsidiaries. The overview of consolidated subsidiaries is as follows;

Name	Address	Business
Mitemo Co., Ltd	Chiyoda-ku, Tokyo	・Regional Revitalization Business ・Workshops/ Consulting Business ・e-Learning Business ・Production of Training Materials Business
Rashiku Corporation	Chiyoda-ku, Tokyo	・Recruitment Support Business
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
Insource Business Rep Corporation	Chiyoda-ku, Tokyo	・Call center Service ・Setup Service ・IT Support
Insource Consulting Corporation	Chiyoda-ku, Tokyo	・Human resources strategy ・Consulting ・Training of specialized personnel
Insource Creative Solutions Corporation	Chiyoda-ku, Tokyo	・Training content and video production ・Homepage Creation ・Consulting

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

(Note) In the current consolidated fiscal year, Insource Consulting Corporation and Insource Creative Solutions Corporation were established, and both companies have been included in the scope of consolidation. In addition, MIRAISOUZOU & COMPANY, Inc., which was previously a consolidated subsidiary, was excluded from the scope of consolidation as it was dissolved through an absorption-type merger with Insource Digital Academy Corporation, another consolidated subsidiary, effective December 1, 2023.

3. Basic Approach in Choosing Accounting Standard

Since most of the Group's stakeholders are domestic shareholders, creditors, business partners, etc., 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)

	FY22 (As of Sep.30, 2023)	FY23 (As of Sep.30, 2024)
Assets		
Current assets		
Cash and deposits	3,515,516	5,705,369
Notes receivable - trade	3,862	2,461
Accounts receivable - trade	1,385,239	1,540,922
Merchandise	5,598	14,836
Work in process	69,143	42,184
Prepaid expenses	135,154	66,726
Other	22,809	34,475
Allowance for doubtful accounts	(1,602)	(1,333)
Total current assets	5,135,722	7,405,642
Non-current assets		
Property, plant and equipment		
Buildings	1,823,515	1,842,197
Accumulated depreciation	(182,686)	(265,014)
Buildings, net	1,640,828	1,577,183
Tools, furniture and fixtures	98,068	107,243
Accumulated depreciation	(63,118)	(54,017)
Tools, furniture and fixtures, net	34,949	53,226
Land	1,734,192	1,974,413
Total property, plant and equipment	3,409,970	3,604,822
Intangible assets		
Leasehold interests in land	769,778	769,778
Goodwill	21,420	13,631
Software	148,724	149,228
Other	346	346
Total intangible assets	940,270	932,984
Investments and other assets		
Investment securities	324,370	169,326
Long-term prepaid expenses	16,930	24,323
Leasehold and guarantee deposits	591,105	727,582
Deferred tax assets	376,081	312,381
Other	784	784
Total investments and other assets	1,309,271	1,234,398
Total non-current assets	5,659,513	5,772,205
Total assets	10,795,236	13,177,848

(Unit: thousand yen)

	FY22 (As of Sep.30, 2023)	FY23 (As of Sep.30, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	193,432	206,445
Accounts payable - other	645,148	660,444
Income taxes payable	784,461	935,222
Accrued consumption taxes	228,889	337,987
Advances received	850,350	948,134
Deposits received	96,663	87,232
Other	23,392	23,863
Total current liabilities	2,822,337	3,199,330
Non-current liabilities		
Asset retirement obligations	43,397	43,037
Total non-current liabilities	43,397	43,037
Total liabilities	2,865,735	3,242,368
Net assets		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	893,072	904,576
Retained earnings	6,666,433	8,927,868
Treasury shares	(442,399)	(708,300)
Total shareholders' equity	7,917,728	9,924,767
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,772	10,712
Total accumulated other comprehensive income	11,772	10,712
Total net assets	7,929,500	9,935,479
Total liabilities and net assets	10,795,236	13,177,848

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Unit: thousand yen)

	FY22 (As of Sep.30, 2023)	FY23 (As of Sep.30, 2024)
Net sales	10,783,695	12,474,662
Cost of sales	2,541,472	2,860,722
Gross profit	8,242,223	9,613,939
Selling, general and administrative expenses	4,300,848	4,676,848
Operating profit	3,941,374	4,937,091
Non-operating income		
Interest income	35	380
Dividend income	523	713
Foreign exchange gains	226	―
Subsidies for employment adjustment	2,667	1,449
Income from base station installation	2,008	2,008
Surrender value of insurance policies	23	1,447
Other	767	2,164
Total non-operating income	6,252	8,164
Non-operating expenses		
Interest expenses	469	―
Foreign exchange losses	―	24
Commission for purchase of treasury shares	―	899
Loss on extinguishment of stock-based compensation expenses	9,742	3,211
Other	102	189
Total non-operating expenses	10,314	4,325
Ordinary profit	3,937,312	4,940,930
Extraordinary losses		
Loss on valuation of investment securities	20,005	153,554
Loss on retirement of non-current assets	―	32
Total extraordinary losses	20,005	153,586
Profit before income taxes	3,917,306	4,787,343
Income taxes - current	1,320,472	1,366,970
Income taxes - deferred	(79,570)	64,495
Total income taxes	1,240,902	1,431,465
Profit	2,676,403	3,355,877
Profit attributable to owners of parent	2,676,403	3,355,877

(Consolidated Statements of Comprehensive Income)

(Unit: thousand yen)

	FY22 (As of Sep.30, 2023)	FY23 (As of Sep.30, 2024)
Profit	2,676,403	3,355,877
Other comprehensive income		
Valuation difference on available-for-sale securities	7,004	(1,059)
Total other comprehensive income	7,004	(1,059)
Comprehensive income	2,683,408	3,354,817
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,683,408	3,354,817
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

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	874,680	4,895,118	(449,751)	6,120,670	4,767	4,767	6,125,437
Restated balance								
Changes during period			(905,088)		(905,088)			(905,088)
Dividends of surplus			2,676,403		2,676,403			2,676,403
Profit attributable to owners of parent				(400)	(400)			(400)
Purchase of treasury shares		18,391		7,752	26,144			26,144
Disposal of treasury shares						7,004	7,004	7,004
Net changes in items other than shareholders' equity	—	18,391	1,771,315	7,351	1,797,058	7,004	7,004	1,804,063
Total changes during period	800,623	893,072	6,666,433	(442,399)	7,917,728	11,772	11,772	7,929,500

FY22 (October 1,2022 to September 30, 2023)

(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	893,072	6,666,433	(442,399)	7,917,728	11,772	11,772	7,929,500
Restated balance								
Changes during period			(1,094,442)		(1,094,442)			(1,094,442)
Dividends of surplus			3,355,877		3,355,877			3,355,877
Profit attributable to owners of parent				(299,952)	(299,952)			(299,952)
Purchase of treasury shares		11,504		34,052	45,556			45,556
Disposal of treasury shares						(1,059)	(1,059)	(1,059)
Net changes in items other than shareholders' equity	—	11,504	2,261,435	(265,900)	2,007,038	(1,059)	(1,059)	2,005,978
Total changes during period	800,623	904,576	8,927,868	(708,300)	9,924,767	10,712	10,712	9,935,479

(4) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	3,917,306	4,748,343
Depreciation	167,358	177,515
Amortization of goodwill	14,698	7,789
Share-based payment expenses	142,399	88,675
Loss on retirement of non-current assets	—	32
Loss (gain) on valuation of investment securities	20,005	153,554
Increase (decrease) in allowance for doubtful accounts	346	(269)
Interest and dividend income	(558)	(1,094)
Foreign exchange losses (gains)	(226)	24
Decrease (increase) in trade receivables	(200,384)	(154,282)
Decrease (increase) in inventories	(36,805)	17,635
Increase (decrease) in trade payables	32,199	13,012
Other, net	187,343	176,177
Subtotal	4,243,683	5,266,115
Interest and dividends received	558	1,094
Interest paid	(469)	—
Income taxes paid	(1,341,194)	(1,234,767)
Net cash provided by (used in) operating activities	2,902,577	4,032,447
Cash flows from investing activities		
Purchase of investment securities	(262,267)	(122)
Purchase of property, plant and equipment	(1,110,390)	(307,924)
Purchase of intangible assets	(466,023)	—
Payments of leasehold and guarantee deposits	(469,471)	(163,883)
Proceeds from refund of leasehold and guarantee deposits	17,744	27,406
Loan advances	—	(1,470)
Proceeds from collection of loans receivable	173	340
Other, net	(14,598)	(1,941)
Net cash provided by (used in) investing activities	(2,304,832)	(447,594)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(2,340)	—
Repayments of long-term borrowings	(2,125)	—
Purchase of treasury shares	(400)	(300,852)
Proceeds from disposal of treasury shares	—	320
Dividends paid	(905,088)	(1,094,442)
Net cash provided by (used in) financing activities	(909,954)	(1,394,974)
Effect of exchange rate change on cash and cash equivalents	226	(24)
Net increase (decrease) in cash and cash equivalents	(311,982)	2,189,852
Cash and cash equivalents at beginning of period	3,827,499	3,515,516
Cash and cash equivalents at end of period	3,515,516	5,705,369

(5) Notes to Consolidated Financial Statements

(Notes related to the Going Concern Assumption)

Not applicable

(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, 2022 - Sep. 30, 2023)	Current fiscal year (Oct. 1, 2023 - Sep. 30, 2024)
Net assets per share	94.19 yen	118.41 yen
Earnings per share	31.79 yen	39.98 yen
Fully diluted earnings per share	31.78 yen	－

(Note) We conducted a stock split on January 1, 2023, 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, 2022 - Sep. 30, 2023)	The current consolidated fiscal year (Oct. 1, 2023 - Sep. 30, 2024)
Earnings per share		
Profit attributable to owners of parent (thousand yen)	2,676,403	3,355,877
Amount not attributable to common shareholders (thousand yen)	－	－
Profit attributable to owners of parent attributable to common stock (thousand yen)	2,676,403	3,355,877
Average number of shares during the period (shares)	84,191,431	83,938,783
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent (thousand yen)	－	－
The increase in the number of common stocks (shares)	24,398	－
(including stock acquisition rights (shares)	(24,398)	(－)
Latent shares not included in the calculation of fully diluted earnings per share due to the lack of dilution effect	－	－

(Significant subsequent events)

There is no applicable information.