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Non-consolidated Financial Results for the Nine Months Ended June 30, 2024 (Under Japanese GAAP)

July 25, 2024

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 Listing: Tokyo Stock Exchange
 Securities code: 9795
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Non-consolidated financial results for the nine months ended June 30, 2024 (from October 1, 2023 to June 30, 2024)

(1) Non-consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended June 30, 2024	11,182	4.5	2,729	17.6	2,774	18.9	1,905	17.1
June 30, 2023	10,706	7.0	2,321	(9.4)	2,333	(10.8)	1,627	(9.6)

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
June 30, 2024	117.66	—
June 30, 2023	98.21	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	28,438	25,890	91.0
September 30, 2023	28,634	25,936	90.6

Reference: Equity

As of June 30, 2024: ¥ 25,890million

As of September 30, 2023: ¥ 25,936million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended September 30, 2023	Yen	Yen	Yen	Yen	Yen
Fiscal year ending September 30, 2023	—	24.00	—	48.00	72.00
Fiscal year ending September 30, 2024	—	37.00	—		
Fiscal year ending September 30, 2024 (Forecast)				37.00	74.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	14,892	3.1	3,338	4.6	3,398	5.4	2,409	0.2	149.89

Note: Revisions from financial results forecasts announced most recently: None

*Note

(1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of June 30, 2024	16,670,000 shares
As of September 30, 2023	16,670,000 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	655,958 shares
As of September 30, 2023	356,922 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended June 30, 2024	16,196,341 shares
Nine months ended June 30, 2023	16,573,163 shares

* Review of the Japanese-language originals of the attached quarterly non-consolidated financial statements by certified public accountants or an audit firm: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

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 “Qualitative Information on the Quarterly Financial Results (3) Explanation of forward-looking statements including business forecasts” on page 4 of this report.

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1. Qualitative Information on the Quarterly Financial Results

(1) Explanation of Operating Results

Our company's third quarter (April to June) begins with the new school year enrollment period in April after receiving the results of the entrance examination in March. Recruitment for the new school year is healthy, and the number of students is growing. As of the end of June 2024, the total number of students increased 4.3% year on year. In addition, the average number of students during the third quarter was 33,314 (up 3.6% year on year).

When divided by grade, the number of students in the group class from 5th grade elementary school students to 3rd grade high school students, which account for the majority of students, was up year on year in all classes as of the end of June. In particular, recruitment for 5th grade elementary school students was healthy. One of the reasons behind this is that many schools have grades full to capacity with junior high school students, so families which want to secure a spot early in such areas are applying while their children are still elementary school students. In addition, in the background is the increasing need for learning with additional value to be gained after entering junior high school and the growing need for enhanced learning not limited to entrance exams in households planning to have their children enter public junior high schools amid intensifying competition with private junior high schools in the Tokyo metropolitan area.

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

We became the top tutoring school in terms of the number of students that passed the exam at many top and highly-ranked 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. We continued to outperform other tutoring schools also this spring. In particular, 1,320 students passed the entrance exams for the 8 preparatory schools in Kanagawa that are particularly focused on improving academic performance (Yokohama-Suiran, Shonan, Hakuyo, Kawawa, Atsugi, Yokohama-Midorigaoka, Tama and Odawara high schools), and the number of STEP students who passed the entrance exam was the largest for 7 out of the 8 schools among all the tutoring schools. Furthermore, STEP students accounted for 50.9% (over half) of all of the students who passed the entrance exams for the above 8 preparatory schools (2,595 students). Also, for "schools nominated as candidates for schools particularly focused on improving academic performance," which are top or quasi-top schools that conduct the special "tokushoku kensa test" (writing test) like the above 8 preparatory schools, the number of STEP students who passed the entrance exam was the largest for 8 out of 10 schools, and a total of 1,187 STEP students passed the entrance exams for 10 schools. (STEP students accounted for 41.3% of all of the students admitted to the 10 schools (2,872 students)).

In addition, the number of students who have passed the exam at Tokyo Gakugei University Senior High School, which is a co-ed national high school and has the most difficult entrance exam among the schools within the school commuting area for our students, has reached 214 (excluding returnees and internal admissions; 152 passers, excluding waitlisted applicants, account for 55.5% of a total of 274 students who passed the exam). We have the largest number of students who passed the school among all tutoring schools for 16 consecutive years.

The university entrance examination course (for high school students) was successful also this spring. We were able to pass 14 students for the University of Tokyo, 4 students for Kyoto University, 12 students for Hitotsubashi University, and 18 students for Tokyo Institute of Technology. In addition, 8 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 reached 354 (up 30 from 324 in the previous fiscal year), renewing a record high also this spring. As for the private universities, a total of 594 students passed the entrance exams at Waseda, Keio, and Sophia universities (up 134 from 460 in the previous fiscal year), reaching a record high, and a total of 2,219 students passed the entrance exams at the so-called Ridai MARCH (Tokyo University of Science, Meiji, Aoyama Gakuin, Rikkyo, Chuo, and Hosei) (up 227 from 1,992 in the previous fiscal year), also resulting in a renewed record high.

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. 43 out of 48 students admitted to the University of

Tokyo, Kyoto University, Hitotsubashi University, and Tokyo Institute of Technology were from public high schools. 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, the number of students in all four schools is increasing compared with the previous fiscal year, STEP Kids Chigasaki School (Chigasaki City), too, is expected to move into the black, in addition to the two schools in Fujisawa City. STEP Kids Hakuraku School, which was opened in the previous fiscal year as the first STEP school in Yokohama City, entered the second year. We are brushing up our operation in Yokohama City, where a public after-school childcare facility is established for each elementary school, accumulating know-how for business operation in Yokohama City, and increasing the number of students steadily.

While refining this rich and diverse content, each school will accumulate, share and standardize their operational know-how to build a foundation for future expansion of the after-school care course throughout the prefecture.

During the current fiscal year, four new schools in the high school entrance examination course were opened in March. We have opened 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 Shin-yurigaoka 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 (Kohoku Ward, Yokohama City). The recruitment for these new schools is favorable. In our case, it is common for the number of students to gradually increase in our newly opened schools. However, several schools have grades and classes full to capacity even directly after opening. All four of these schools are off to a good start. We will continue to provide fun and satisfactory classes and attentive support to further increase the number of students in these schools during the summer courses starting in late July.

The number of students in our existing schools is healthy, and we will further enhance the trust from communities for our existing schools and work to improve their occupancy level. 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. We increased floor space in Sagami-ono School in November 2023 and Yokosuka School in March 2024 for the STEP university entrance examination course. We also plan to increase floor space in Yokohama School in December this year. Fujisawa School is the school with the largest number of students for the STEP university entrance examination course. However, Yokohama School with the second largest number of students continues to be full to capacity even though we have increased floor space several times. It is expected that the number of students at the school will increase further in the future. We will continue to strive to be able to accept those who wish to join us without making them wait by improving our readiness to accept high school students from the Yokohama area on an ongoing basis.

In the third quarter, we recorded net sales of 11,182 million yen (up 4.5% year on year), operating profit of 2,729 million yen (up 17.6% year on year), ordinary profit of 2,774 million yen (up 18.9% year on year), and profit of 1,905 million yen (up 17.1% year on year).

(2) Explanation of Financial Condition

(Assets)

Total assets at the end of the third quarter stood at 28,438 million yen, a decrease of 195 million yen from the end of the previous fiscal year.

Current assets decreased 381 million yen from the end of the previous fiscal year to 9,776 million yen because of a decrease in cash and deposits, despite an increase in accounts receivable-trade.

Non-current assets increased 186 million yen from the end of the previous fiscal year to 18,662 million yen because of an increase in investment securities, despite a decrease in buildings.

(Liabilities)

Liabilities at the end of the third quarter decreased 149 million yen from the end of the previous fiscal year to 2,548 million yen.

Current liabilities decreased 73 million yen from the end of the previous fiscal year to 1,940 million yen because of a decrease in advances received, deposits received, despite an increase in income taxes payable, provision for bonuses.

Non-current liabilities decreased 76 million yen from the end of the previous fiscal year to 608 million yen, mainly due to a decrease in long-term borrowings.

(Net assets)

Net assets at the end of the third quarter decreased 45 million yen from the end of the previous fiscal year to 25,890 million yen, mainly due to the payment of dividends, purchase of treasury shares, despite the recording of quarterly profit.

As a result, the equity ratio was 91.0%, up 0.4 percentage points from the end of the previous fiscal year.

(3) Explanation of forward-looking statements including business forecasts

The forecasts for the fiscal year ending September 30, 2024 remain unchanged from those stated in the “Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2023 [Japanese GAAP]” dated October 31, 2023.

From now on, our challenge is to form a network in Kawasaki City, which has the most student-age population next to Yokohama City in Kanagawa Prefecture, and also a school network in the eastern, coastal, and southern areas in Yokohama City such as Tsurumi Ward, Naka Ward, Minami Ward, and Kanazawa Ward, where we have not been able to operate our business sufficiently.

To strategically focus on Yokohama City and Kawasaki City, where there is still much room for opening schools, and form a strong school network, we need to further increase the number of students who pass Yokohama-Suiran Senior High School and Tama Senior High School, which are rated as top public schools in the Yokohama/Kawasaki area, and also need to be even more strongly recognized as a topnotch tutoring school that offers best teaching.

2. Quarterly Financial Statements and Principal Notes

(1) Quarterly Balance Sheets

(Thousands of yen)

	As of September 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	9,725,936	9,063,390
Accounts receivable-trade	83,136	185,548
Inventories	37,762	50,444
Other	311,589	477,769
Allowance for doubtful accounts	(440)	(511)
Total current assets	10,157,983	9,776,641
Non-current assets		
Property, plant and equipment		
Buildings, net	7,444,007	7,308,575
Land	8,616,896	8,616,896
Other, net	210,006	197,568
Total property, plant and equipment	16,270,910	16,123,040
Intangible assets	67,015	119,043
Investments and other assets		
Leasehold and guarantee deposits	643,147	661,661
Other	1,495,031	1,758,550
Total investments and other assets	2,138,178	2,420,212
Total non-current assets	18,476,104	18,662,296
Total assets	28,634,088	28,438,937
Liabilities		
Current liabilities		
Current portion of long-term borrowings	104,700	104,700
Lease obligations	18,537	18,320
Accounts payable-other	185,181	198,742
Income taxes payable	385,403	551,306
Provision for bonuses	99,389	337,189
Other	1,220,337	730,051
Total current liabilities	2,013,547	1,940,310
Non-current liabilities		
Long-term borrowings	140,600	62,075
Lease obligations	48,036	37,310
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligation	351,726	364,793
Other	14,330	14,428
Total non-current liabilities	684,492	608,406
Total liabilities	2,698,040	2,548,717

(Thousands of yen)

	As of September 30, 2023	As of June 30, 2024
Net assets		
Shareholders' equity		
Capital stock	1,778,330	1,778,330
Capital surplus	2,131,859	2,131,859
Retained earnings	22,624,220	23,147,792
Treasury shares	(603,391)	(1,178,303)
Total shareholders' equity	25,931,017	25,879,678
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,029	10,542
Total valuation and translation adjustments	5,029	10,542
Total net assets	25,936,047	25,890,220
Total liabilities and net assets	28,634,088	28,438,937

(2) Quarterly Statements of income
 Nine months Ended June 30

(Thousands of yen)

	For the nine months ended June. 30, 2023	For the nine months ended June. 30, 2024
Net sales	10,706,164	11,182,633
Cost of sales	7,763,771	7,784,091
Gross profit	2,942,393	3,398,541
Selling, general and administrative expenses	620,920	668,547
Operating profit	2,321,472	2,729,994
Non-operating income		
Interest income	19	54
Subsidy income	19,293	19,530
Rental income from buildings	81,752	80,590
Other	10,019	12,384
Total non-operating income	111,084	112,560
Non-operating expenses		
Interest expenses	431	300
Rental expenses	75,411	65,051
Other	23,034	3,161
Total non-operating expenses	98,876	68,513
Ordinary profit	2,333,680	2,774,041
Extraordinary income		
Gain on sale of non-current assets	56,909	—
Total extraordinary income	56,909	—
Extraordinary losses		
Loss on sale of non-current assets	20,486	—
Other	160	—
Total extraordinary losses	20,647	—
Profit before income taxes	2,369,942	2,774,041
Income taxes-current	825,917	953,039
Income taxes-deferred	(83,651)	(84,681)
Total income taxes	742,266	868,358
Profit	1,627,675	1,905,683

(3) Notes to Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes on significant changes in the amount of shareholders' equity)

There is no relevant information.

(Segment information, etc.)

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

(Notes to Statements of Cash Flows)

We have not produced the quarterly statement of cash flows for the third quarter under review. Depreciation in the third quarter under review (including depreciation related to intangible assets) is as described below.

	For the nine months ended June. 30, 2023 (Thousands of yen)	For the nine months ended June. 30, 2024 (Thousands of yen)
Depreciation	386,926	394,180

3. Supplementary Information

Status of production, orders and sales

(1) Results of production and orders received

Our business is conducting classes to students, so there are no relevant items regarding results of production and orders received.

(2) Sales results

As we have a single segment of the tutoring school business, we have no other segments subject to disclose. Sales results for the nine months of the fiscal year under review are shown below by business segment.

Segment	Nine months ended June 30, 2024 (Thousands of yen)	Year-on-year changes (%)
High school entrance examination course	8,856,232	103.7
University entrance examination course	2,326,400	107.4
Total	11,182,633	104.5