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Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2024 (Under Japanese GAAP)

October 31, 2024

Company name: STEP Co.,Ltd.

Listing: Tokyo Stock Exchange

Securities code: 9795

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

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Scheduled date of annual general meeting of shareholders: December 14, 2024

Scheduled date to commence dividend payments: December 17, 2024

Scheduled date to file annual securities report: December 16, 2024

Preparation of supplementary material on financial results: Yes

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

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

1. Non-consolidated financial results for the fiscal year ended September 30, 2024 (from October 1, 2023 to September 30, 2024)

(1) Non-consolidated operating results

(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	%
Fiscal year ended September 30, 2024	15,098	4.5	3,511	10.0	3,564	10.5	2,508	4.3
September 30, 2023	14,442	5.8	3,192	(12.7)	3,225	(13.5)	2,405	(6.2)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
September 30, 2024	155.59	—	9.6	12.3	23.3
September 30, 2023	145.71	—	9.5	11.5	22.1

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended September 30, 2024: ¥ -million

For the fiscal year ended September 30, 2023: ¥ -million

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2024	29,260	26,236	89.7	1,651.45
September 30, 2023	28,634	25,936	90.6	1,589.89

Reference: Equity As of September 30, 2024: ¥ 26,236 million

As of September 30, 2023: ¥ 25,936 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 end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2024	3,383	(937)	(2,498)	9,410
September 30, 2023	2,850	(1,031)	(1,447)	9,463

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio	Ratio of dividends to net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended September 30, 2023	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
September 30, 2023	—	24.00	—	48.00	72.00	1,181	49.4	4.6
Fiscal year ended September 30, 2024	—	37.00	—	40.00	77.00	1,234	49.5	4.7
Fiscal year ending September 30, 2025 (Forecast)	—	40.00	—	41.00	81.00		49.8	

3. Non-consolidated financial results forecast for the fiscal year ending September 30, 2025(October 1, 2024 to September 30, 2025)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	8,052	4.6	2,262	1.3	2,292	0.7	1,573	0.5	99.66
Full year	15,714	4.1	3,674	4.6	3,709	4.1	2,541	1.3	162.51

* Notes:

(1) 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

(2) Number of issued shares (common shares)

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

As of September 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 September 30, 2024	782,838 shares
As of September 30, 2023	356,922 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended September 30, 2024	16,123,049 shares
Fiscal year ended September 30, 2023	16,507,620 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit firm.

* 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 “1. Overview of Operating Results, etc. (4) Future outlook” on page 5 of this report.

Annual financial results briefing sessions for institutional investors and analysts is planned to be held on November 14, 2024.

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1. Overview of Operating Results, etc.

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

In this term, too, the number of students kept increasing, reaching 35,543 at the end of September 2024, and the average number of students in this term was 33,692, up 3.9% year on year. Moreover, the fourth quarter (July to September) coincided with the summer courses (late July to late August). Many students joined in September after the summer courses again this year. The number of students as of the end of September increased by 1,709 (5.1%) compared with June at the end of the third quarter. The increase rate was 4.8% in the same period of the previous fiscal year. Therefore, we can say that we were able to complete the summer courses favorably.

Looking at the number of students by grade, all grades from the fifth grade of elementary school to the third grade of high school, the grades targeted by the high school entrance examination course and university entrance examination course, increased compared with the previous fiscal year. There was even an increase of 4.3% compared with the previous fiscal year in second grade high school students, whose number had remained virtually flat compared with the previous fiscal year since April in the new school year, due to those joining at the end of the summer courses.

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 increased in all four schools compared with the previous fiscal year. STEP Kids Chigasaki School (Chigasaki City) also moved into the black in this fiscal year, in addition to the two schools in Fujisawa City. STEP Kids Hakuraku School, which was opened as the first STEP school in Yokohama City, entered the second year and is increasing the number of students steadily. We will brush up our operation in Yokohama City, where a public after-school childcare facility is established for each elementary school, and accumulate know-how for business operation in Yokohama City.

We will open STEP Kids Shonandai School in March 2025. This will be our fifth STEP Kids school and our third school in our home base of Fujisawa City. We want to build a model which will see the school become profitable within three years of opening.

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. This is a much better start than we originally expected.

As a result of the opening of these new schools, there are currently 166 schools, including 145 in the high school entrance examination course, 15 in the university entrance examination course, 1 in the individualized instruction course, 4 in the after-school care course and 1 in the STEP Junior Labo course.

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 and increasing floor space in the 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, and construction has already begun. Fujisawa School is the school with the largest number of students for the STEP university entrance examination course. Meanwhile, Yokohama School is the school with the second largest number of students and 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 smoothly by improving our readiness to accept high school students from the Yokohama area on an ongoing basis.

We have raised our salary level in a three-year plan since 2022. We have again raised the salary level as we planned in this fiscal year (the final year of the plan). This marks the completion of our initially planned efforts to improve working conditions. Nevertheless, we will strengthen our human resource capabilities on an ongoing basis by striving to improve working conditions as suitable while taking into account the social landscape from the next fiscal year onward as well.

We recorded net sales of 15,098 million yen (up 4.5% year on year), operating profit of 3,511 million yen (up 10.0% year on year), ordinary profit of 3,564 million yen (up 10.5% year on year), and net profit of 2,508 million yen (up 4.3% year on year).

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 27,613 (up 3.7% year on year) and net sales were 11,975 million yen (up 3.8% year on year).

(University entrance examination course)

The average number of students during the period was 6,079 (up 4.8% year on year) and net sales were 3,123 million yen (up 7.6% 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 29,260 million yen, an increase of 626 million yen from the end of the previous fiscal year.

This was mainly due to an increase in investment securities.

Current assets increased 98 million yen from the end of the previous fiscal year to 10,256 million yen, mainly due to an increase in prepaid expenses.

Non-current assets increased 527 million yen from the end of the previous fiscal year to 19,003 million yen, mainly due to an increase in investment securities.

(Liabilities)

Liabilities at the end of the fiscal year under review amounted to 3,023 million yen, an increase of 325 million yen from the end of the previous fiscal year.

Current liabilities increased 362 million yen from the end of the previous fiscal year to 2,375 million yen, mainly due to an increase in income taxes payable.

Non-current liabilities decreased 36 million yen from the end of the previous fiscal year to 647 million yen, mainly from the repayment of long-term borrowings.

(Net assets)

Net assets at the end of the fiscal year under review increased 300 million yen from the end of the previous fiscal year to 26,236 million yen, mainly due to the recording of net profit despite the payment of dividends.

As a result, the equity ratio was 89.7%, down by 0.9 percentage points from the end of the previous fiscal year.

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

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

Cash and cash equivalents (hereinafter referred to as "cash") were 9,410 million yen, a decrease of 52 million yen (down 0.6%) year on year.

(Cash flows from operating activities)

Net cash provided by operating activities was 3,383 million yen (up 18.7% year on year).

This was mainly attributable to income before income taxes of 3,557 million yen, depreciation and amortization of 527 million yen, which were offset by income taxes paid of 766 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 937 million yen (down 9.1% year on year).

This was mainly due to the purchase of investment securities of 600 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 2,498 million yen (up 72.6% year on year).

This was mainly attributable to purchase of treasury shares of 1,000 million yen and cash dividends paid of 1,380 million yen.

(Reference) Trends in cash flow indicators

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Equity ratio (%)	80.9	85.4	89.9	90.6	89.7
Market value equity ratio (%)	101.1	118.8	107.0	98.8	105.0
Cash flow to interest-bearing liabilities ratio (years)	1.8	0.4	0.1	0.1	0.1
Interest coverage ratio (times)	826.6	1,376.7	3,700.5	5,285.8	7,916.3

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

We will open Hi-STEP Hiratsuka School (Hiratsuka Station on the JR Line) in spring 2025 in the next fiscal year. We already have 5 schools in Hiratsuka City. However, this will be the first time we open a Hi-STEP school for students aiming to attend elite national, public and private schools in this region. We will ensure this school is easy to commute to for students aiming to attend elite schools in the Hiratsuka district to Oiso and Ninomiya districts. We plan to further strengthen our prefectural combined junior and high school preparatory course for fifth and sixth grade elementary school students aiming to attend Kanagawa Prefectural Hiratsuka Secondary School by opening this Hi-STEP school.

As mentioned above, we will open STEP Kids Shonandai School (Shonandai Station on the Odakyu Line, Sotetsu Line and Municipal Subway Line) as our fifth STEP Kids school in the spring of 2025 in the after-school care course. We plan to recruit first and second grade elementary school students in the initial year, third grade elementary school students in the second year and fourth grade elementary school students in the third year. This means classes for all four grades targeted by STEP Kids will be in place two years after opening.

We plan to open only the two new schools above in the fiscal year ending September 30, 2025. We have positioned the fiscal year ending September 30, 2025 as “a period in which we control the expansion of our school network in order to further enhance our teaching.” We will not be able to achieve our pillar of high-quality classes overnight. We can only achieve this by investing time and energy into teacher training. We will focus on strengthening our teaching so that we can continue to grow even in an increasingly competitive environment due to the declining birthrate by controlling the expansion of our school network, and we will further enhance training for new teachers and other teachers without much experience. In the fiscal year ending September 30, 2025, we believe that we can surely increase the number of students by offering additional classes for grades full to capacity at existing schools and by raising the rate of attendance for all grades, in addition to the above two new schools.

As another topic, the ratio of advertising expenditure to sales was 0.77%, a figure below 0.8% following the previous year. It is particularly noticeable that the advertising expenses for the university entrance examination

course have become nearly zero, because we do not send any flyers to households or post ads and our advertising method is only the widespread favorable reputation through the word of mouth, etc. However, at the background is the fact that the students in the high school entrance examination course advance to the classes for the first grade of high school students, meaning that there are already many classes full to capacity. So, it is difficult to recruit the same number of students in the high school entrance examination course as that of the university entrance examination course. However, we aim to establish a system which does not require flyers or other ads step by step while enhancing our brand strength by realizing superior pass results and gaining reputation in wider areas.

In the mid-term perspective, 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 Kawasaki City and Yokohama City, where there is still much room for opening schools, and form a strong school network, we will 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 Kawasaki/Yokohama area. To achieve that, we will continue to strengthen our teaching to develop the strengths of our students, and work hard on a daily basis in order to produce even better results than this fiscal year in terms of the pass results next spring.

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

(Thousands of yen)

	As of September 30, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	9,725,936	9,674,288
Accounts receivable-trade	83,136	95,339
Inventories	37,762	36,703
Prepaid expenses	236,722	299,478
Other	74,866	151,355
Allowance for doubtful accounts	(440)	(381)
Total current assets	10,157,983	10,256,783
Non-current assets		
Property, plant and equipment		
Buildings	14,245,355	14,432,283
Accumulated depreciation and impairment loss	(6,801,347)	(7,220,266)
Buildings, net	7,444,007	7,212,017
Structures	337,427	339,057
Accumulated depreciation and impairment loss	(254,934)	(265,296)
Structures, net	82,493	73,761
Machinery and equipment	147,358	168,976
Accumulated depreciation	(116,137)	(126,523)
Machinery and equipment, net	31,220	42,452
Vehicles	21,268	21,838
Accumulated depreciation	(21,188)	(21,648)
Vehicles, net	79	190
Tools, furniture and fixtures	311,582	332,310
Accumulated depreciation and impairment loss	(215,371)	(248,510)
Tools, furniture and fixtures, net	96,211	83,799
Land	8,616,896	8,616,896
Total property, plant and equipment	16,270,910	16,029,118
Intangible assets		
Telephone subscription right	72	72
Other	66,942	118,630
Total intangible assets	67,015	118,703
Investments and other assets		
Investment securities	1,165,350	1,766,356
Long-term loans receivable	—	4,663
Long-term prepaid expenses	73,585	142,923
Deferred tax assets	255,644	279,703
Guarantee deposits	643,147	661,570
Other	450	450
Total investments and other assets	2,138,178	2,855,668
Total non-current assets	18,476,104	19,003,489
Total assets	28,634,088	29,260,273

(Thousands of yen)

	As of September 30, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Current portion of long-term borrowings	104,700	136,436
Lease obligations	18,537	18,905
Accounts payable-other	185,181	167,593
Accrued expenses	383,065	331,346
Income taxes payable	385,403	705,497
Accrued consumption taxes	201,557	269,672
Advances received	335,909	365,337
Deposits received	273,921	234,569
Unearned revenue	3,479	3,347
Provision for bonuses	99,389	104,665
Other	22,404	38,527
Total current liabilities	2,013,547	2,375,898
Non-current liabilities		
Long-term borrowings	140,600	104,164
Lease obligations	48,036	36,027
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligations	351,726	363,361
Other	14,330	14,207
Total non-current liabilities	684,492	647,560
Total liabilities	2,698,040	3,023,458
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	280,529	287,136
Total capital surplus	2,131,859	2,138,466
Retained earnings		
Legal retained earnings	137,027	137,027
Other retained earnings		
General reserve	97,800	97,800
Retained earnings brought forward	22,389,393	23,515,880
Total retained earnings	22,624,220	23,750,707
Treasury shares	(603,391)	(1,438,020)
Total shareholders' equity	25,931,017	26,229,483
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,029	7,330
Total valuation and translation adjustments	5,029	7,330
Total net assets	25,936,047	26,236,814
Total liabilities and net assets	28,634,088	29,260,273

(2) Non-consolidated Statements of Income

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Net sales	14,442,008	15,098,935
Cost of sales	10,442,314	10,713,954
Gross profit	3,999,693	4,384,981
Selling, general and administrative expenses		
Advertising expenses	113,360	115,693
Provision of allowance for doubtful accounts	505	36
Remuneration for directors	100,020	106,496
Salaries and allowances	154,427	159,421
Bonuses	37,812	41,556
Provision for bonuses	2,655	2,588
Retirement benefit expenses	4,044	4,230
Welfare expenses	37,979	39,271
Depreciation	21,508	20,751
Commission expenses	61,279	97,025
Taxes and dues	144,170	152,687
Other	129,593	133,751
Total selling, general and administrative expenses	807,357	873,510
Operating profit	3,192,335	3,511,470
Non-operating income		
Interest income	36	328
Rental income from buildings	109,865	107,654
Subsidy income	25,679	25,971
Other	12,695	16,939
Total non-operating income	148,276	150,894
Non-operating expenses		
Interest expenses	554	381
Rental expenses	92,007	80,432
Settlement payments	—	12,000
Other	23,046	5,522
Total non-operating expenses	115,607	98,336
Ordinary profit	3,225,003	3,564,028
Extraordinary income		
Gain on sales of non-current assets	56,909	—
Total extraordinary income	56,909	—
Extraordinary loss		
Loss on sales of non-current assets	20,486	—
Impairment losses	—	6,591
Other	160	—
Total extraordinary loss	20,647	6,591
Income before income taxes	3,261,265	3,557,436
Income taxes-current	889,602	1,073,911
Income taxes-deferred	(33,649)	(25,073)
Total income taxes	855,952	1,048,838
Profit	2,405,312	2,508,598

Schedule of cost of sales

Class	Note no.	Fiscal year ended September 30, 2023		Fiscal year ended September 30, 2024			
		Amount (Thousands of yen)		Composition (%)	Amount (Thousands of yen)		Composition (%)
I .Labor cost							
1. Salaries and allowances		4,547,817			4,821,190		
2. Bonuses		1,346,705			1,375,656		
3. Provision for bonuses		94,455			99,653		
4. Retirement benefit expenses		111,385			116,603		
5. Other		1,135,169	7,235,533	69.3	1,188,616	7,601,719	71.0
II .Cost of teaching materials			537,130	5.1		578,204	5.4
III .Expenses							
1. Supplies expenses		333,413			144,765		
2. Depreciation		435,078			447,311		
3. Rental expenses		1,159,154			1,214,776		
4. Other		742,004	2,669,651	25.6	727,177	2,534,030	23.7
Cost of sales			10,442,314	100.0		10,713,954	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, 2022 to September 30, 2023)

(Thousands of yen)

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

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

Current fiscal year (from October 1, 2023 to September 30, 2024)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of period	1,778,330	1,851,330	280,529	2,131,859	137,027	97,800	22,389,393	22,624,220
Changes during period								
Dividends of surplus							(1,382,111)	(1,382,111)
Profit							2,508,598	2,508,598
Purchase of treasury shares								
Disposal of treasury shares			6,606	6,606				
Net changes in items other than shareholders' equity								
Total changes during period	—	—	6,606	6,606	—	—	1,126,487	1,126,487
Balance at end of period	1,778,330	1,851,330	287,136	2,138,466	137,027	97,800	23,515,880	23,750,707

	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	(603,391)	25,931,017	5,029	5,029	25,936,047
Changes during period					
Dividends of surplus		(1,382,111)			(1,382,111)
Profit		2,508,598			2,508,598
Purchase of treasury shares	(1,000,723)	(1,000,723)			(1,000,723)
Disposal of treasury shares	166,095	172,702			172,702
Net changes in items other than shareholders' equity			2,301	2,301	2,301
Total changes during period	(834,628)	298,465	2,301	2,301	300,767
Balance at end of period	(1,438,020)	26,229,483	7,330	7,330	26,236,814

(4) Non-consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	3,261,265	3,557,436
Depreciation	513,337	527,790
Increase(decrease) in allowance for doubtful accounts	5	(59)
Increase(decrease) in provision for bonuses	4,268	5,276
Share-based payment expenses	69,933	63,080
Interest and dividends income	(2,803)	(9,787)
Interest expenses	554	381
Subsidy income	(25,679)	(25,971)
Settlement payments	—	12,000
Loss (gain) on sale of non-current assets	(36,422)	—
Loss (gain) on sale of investment securities	(2,616)	—
Decrease(increase) in trade receivables	(15,015)	(9,740)
Decrease(increase) in inventories	(2,464)	1,058
Decrease(increase) in prepaid expenses	(69,309)	(68,222)
Increase(decrease) in accounts payable- other	14,093	49,233
Increase(decrease) in advances received	8,008	29,428
Increase(decrease) in accrued expenses	110,573	(51,719)
Other, net	117,983	44,452
Subtotal	3,945,713	4,124,636
Interest and dividends received	2,404	10,900
Interest paid	(539)	(427)
Subsidies received	25,475	26,353
Settlement paid	—	(12,000)
Income taxes paid	(1,122,839)	(766,290)
Net cash provided by (used in) operating activities	2,850,215	3,383,172
Cash flows from investing activities		
Payments into time deposits	(257,197)	(257,201)
Proceeds from withdrawal of time deposits	257,192	257,197
Purchase of property, plant and equipment	(426,198)	(248,231)
Proceeds from sales of property, plant and equipment	613,686	—
Purchase of intangible assets	(46,145)	(61,824)
Purchase of investment securities	(1,146,253)	(600,000)
Proceeds from sale of investment securities	4,764	—
Proceeds from collection of loans receivable	2,060	2,428
Payments for leasehold and guarantee deposits	(36,434)	(29,678)
Proceeds from refund of leasehold and guarantee deposits	6,545	10,544
Other, net	(3,542)	(10,775)
Net cash provided by (used in) investing activities	(1,031,519)	(937,541)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	100,000
Repayments of long-term borrowings	(116,550)	(104,700)
Repayments of finance lease obligations	(18,703)	(19,046)
Purchase of treasury shares	(532,500)	(1,000,723)
Decrease(increase) in deposit for acquisition of treasury shares	—	(93,290)
Dividends paid	(779,736)	(1,380,816)
Net cash provided by(used in) financing activities	(1,447,489)	(2,498,577)
Net increase(decrease) in cash and cash equivalents	371,206	(52,946)
Cash and cash equivalents at beginning of period	9,092,197	9,463,403
Cash and cash equivalents at end of period	9,463,403	9,410,457

(5) Notes to Non-consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Segment information, etc.)

【Segment information】

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

(Equity in earnings of affiliated companies, etc.)

There is no relevant information.

(Per share information)

(Yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Net assets per share	1,589.89	1,651.45
Basic earnings per share	145.71	155.59

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, 2023	As of September 30, 2024
Net assets per share		
Total net assets (Thousands of yen)	25,936,047	26,236,814
Amount deducted from the total net assets (Thousands of yen)	—	—
Amount of net assets related to common stock as of the end of the fiscal year (Thousands of yen)	25,936,047	26,236,814
Number of shares of common stock as of the end of the fiscal year (Shares)	16,313,078	15,887,162

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

Item	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Basic earnings per share		
Profit (Thousands of yen)	2,405,312	2,508,598
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit available to common shares (Thousands of yen)	2,405,312	2,508,598
Average number of shares of common shares during the period (Shares)	16,507,620	16,123,049

(Significant subsequent events)

There is no relevant information.

4. Segment sales

Segment	Fiscal year ended September 30, 2023			Fiscal year ended September 30, 2024		
	Number of students	Net sales (Thousands of yen)	Composition (%)	Number of students	Net sales (Thousands of yen)	Composition (%)
Elementary and junior high school section	26,635	11,538,888	79.9	27,613	11,975,045	79.3
High school section	5,798	2,903,119	20.1	6,079	3,123,889	20.7
Total	32,433	14,442,008	100.0	33,692	15,098,935	100.0