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## FY20 Consolidated Financial Results [JGAAP]

November 4, 2021

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 17, 2021

Scheduled date to commence dividend payments: December 20, 2021

Scheduled date to submit annual securities report: December 20, 2021

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. FY20 Consolidated Financial Results (October 1, 2020 – September 30, 2021)

#### (1) Consolidated Financial Results

(% 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	%
FY20	7,501	46.5	2,404	206.5	2,416	203.8	1,571	252.7
FY19	5,119	(8.7)	784	(39.8)	795	(38.7)	445	(46.7)

(Note) Comprehensive income: FY20 1,573 million yen (256.9%) FY19 440 million yen (-47.1%)

	Earnings per share	Fully diluted earnings per share	Return on equity	Return on Assets	Operating profit to sales ratio
	yen sen	yen sen	%	%	%
FY20	37.43	37.41	42.6	43.5	32.1
FY19	10.61	10.60	14.9	17.1	15.3

(Note) We conducted a stock split on January 1, 2021, 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 said 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
FY20	6,766	4,500	66.5	106.92
FY19	4,344	2,883	66.4	68.89

(Reference) Shareholders' equity: FY20 4,500 million yen FY19 2,883 million yen

(Note) We conducted a stock split on January 1, 2021, 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
FY20	2,356	(1,544)	(408)	2,624
FY19	191	(624)	(639)	2,219

## 2. Dividends

	Annual cash dividends per share					Total dividend	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Annual			
	yen sen	yen sen	yen sen	yen sen	yen sen	mil yen	%	%
FY19 Full-year	—	0.00	—	18.50	18.50	387	87.2	13.0
FY20 Full-year	—	0.00	—	15.50	15.50	652	41.4	17.7
FY21 (forecast)	—	0.00	—	17.00	17.00		40.9	

(Note) We conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares, but the amount of the year-end dividend for FY19 is the actual dividend amount.

## 3. Consolidated Financial Forecast for FY21 (October 1, 2021 – September 30, 2022)

(% 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
Q2 FY21 (Cumulative)	4,190	14.0	1,230	(2.2)	1,230	(3.4)	830	0.8	19.47
FY21 Full-year	8,900	18.6	2,600	8.1	2,600	7.6	1,770	12.7	41.53

### \* 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 shares)	FY20	42,621,500 shares	FY19	42,621,500 shares
(ii) Total number of treasury shares at the end of the period	FY20	529,534 shares	FY19	767,136 shares
(iii) Average number of shares during the period	FY20	41,979,548 shares	FY19	41,975,330 shares

(Note) We conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares, and the above calculations are based on the assumption 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

As the COVID-19 pandemic continues during FY20 (October 1, 2020 - September 30, 2021), the career training market is still undergoing a structural change in which organizations choose the best education method that suits their environment, such as online training and e-learning/videos, in addition to the traditional face-to-face training.

Under such background, we have enhanced non-face-to-face services including online training, LMS(\*1) “Leaf”(HR supporting system)and e-Learning/videos.

Regarding On-Site training business and Open Seminars business, we proactively developed new products for the time of COVID-19 and strengthened online trainings by establishing special online studios, “Insource Oomori Studio” (52 classrooms in total) in March 2021. Despite some postponements and cancellations of face-to-face training due to the impact of the declaration of a state of emergency in the third quarter, we still achieved a significant growth. About On-Site training business, annual times of trainings conducted increased to 14,224 (+ 24.8% YoY) (online ratio: 49.1%), while about Open Seminars, annual attendees increased to 84,448 (+44.7% YoY) (online ratio: 77.0%). And net sales of On-Site training business increased to 3,797,792 thousand yen (+ 39.4% YoY), and that of Open Seminars increased to 1,827,138 thousand yen (+ 44.2% YoY).

About IT services, “Leaf”(LMS, HR supporting system), we acquired many new large companies which led to paid organizations increase to 412 (+164, + 66.1% YoY) and total users exceed 1.75 million. Leaf ‘s monthly subscription fees (MRR(\*2)) increased steadily, and ARR(\*3) grew 65.4% YoY to 516 million yen. As a result, net sales increased to 1,022,731 thousand yen (+ 56.0% YoY).

In other businesses, the e-Learning and video e-commerce site "Video Department Store" was launched in August 2020, and we actively expanded our e-learning and video contents. Additionally, we launched an online seminar supporting business in March 2021 and a web marketing support service as we grouped Insource Marketing Design Corporation (formerly Marineroad Inc.) in July 2021. Net sales increased to 853,453 thousand yen (+ 80.7% YoY).

As for SG&A expenses, the SG&A ratio was 44.2% (down 11.6% YoY) due to the control of mid-career hiring as a measure against the COVID-19 pandemic.

As a result of the above, net sales for the current consolidated fiscal year were 7,501,115 thousand yen (+ 46.5% YoY), operating profit was 2,404,264 thousand yen (+ 206.5% YoY), ordinary profit was 2,416,638 thousand yen (+203.8% YoY), and profit attributable to owners of parent was 1,571,200 thousand yen (+ 252.7% YoY), reaching a record high.

\*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 for the 18th and 19th consolidated fiscal year

(Unit: thousand yen)

Business	The 18th consolidated fiscal year (Oct. 1, 2019 - Sep. 30, 2020)	YoY (%)	The 19th consolidated fiscal year (Oct. 1, 2020 - Sep. 30, 2021)	YoY (%)
On-Site Training	2,724,345	83.1	3,797,792	139.4
Open Seminars	1,267,433	83.0	1,827,138	144.2
IT Service	655,694	151.9	1,022,731	156.0
Other Businesses	472,304	127.7	853,453	180.7
Total	5,119,777	91.3	7,501,115	146.5

(Note)1. Since our Group has a single business segment, which is the education service business, the information herein is presented by business category instead of segment.

2. Consumption tax is not included in the above amounts.

(ii) Future Outlook

In the following FY21, we assume that the impact of COVID-19 pandemic will continue, but we will keep developing diverse services to meet the needs of society by utilizing our strengths in content development, sales, and IT capabilities. Also, we will focus on acquiring new customers and increasing sales per organization by strengthening our sales and content development systems tailored to customers.

In the training business, demand for face-to-face training is expected to recover, and online trainings are expected to continue to grow as there is a solid demand due to its convenience. Therefore, the number of training conducted and attendees is expected to increase. On the other hand, in the event that a state of emergency is declared again, it's estimated that there will be a 20% decrease from the expectation in the number of On-Site training and Open Seminars. In the IT services business, we expect to see an increase in inquiries for "Leaf" from large companies. At the same time, we will strengthen sales of new versions of "Leaf Lightning(\*1)" and "Leaf Management(\*2)" and development of new functions for small and medium-sized companies, and we expect these to make further contributions to sales and profits. In the other businesses, although there will be a slowdown in the need for e-learning and video services in the COVID-19, we expect sales to grow through the strengthening of the web marketing business, consulting business etc.

As a result, for FY21, we estimate that net sales are 8,900 million yen, operating profit is 2,600 million yen, ordinary profit is 2,600 million yen, and profit attributable to owners of parent is 1,770 million yen.

\*1 An LMS specialized in taking and managing e-learning courses, launched in October 2021.

\*2 A system to support complex human resource management tasks, such as managing employee information, procedures for employment and retirement, and transportation expenses. To be released in spring, 2022.

(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 734,451 thousand yen compared to the end of the previous consolidated fiscal year to 3,759,687 thousand yen ( up 24.3% compared to the previous consolidated fiscal year). This was mainly due to a increase of 404,242 thousand yen in cash and deposits and a increase of 154,938 thousand yen in accounts receivable.

(Non-current assets)

Non-current assets at the end of the current consolidated fiscal year increased by 1,687,688 thousand yen compared to the end of the previous consolidated fiscal year to 3,007,017 thousand yen (up 127.9%). This was mainly due to an increase of 769,679 thousand yen in land.

(Current liabilities)

Current liabilities at the end of the current consolidated fiscal year increased by 822,535 thousand yen compared to the end of the previous consolidated fiscal year to 2,202,311 thousand yen (up 59.6%). This was mainly due to a increase of 671,778 thousand yen in income taxes payable.

(Non-current liabilities)

Non-current liabilities at the end of the current consolidated fiscal year decreased by 17,562 thousand yen compared to the end of the previous consolidated fiscal year to 63,969 thousand yen (down 21.5%). This was mainly due to a decrease of 22,027 thousand yen in asset retirement obligations.

(Net assets)

Net assets at the end of the current consolidated fiscal year increased by 1,617,166 thousand yen compared to the end of the previous consolidated fiscal year to 4,500,424 thousand yen (up 56.1%). This was mainly due to an increase of 1,184,048 thousand yen in retained earnings.

(ii) Overview of Cash Flows

Cash and cash equivalents increased by 404,242 thousand yen to 2,624,111 thousand yen at the end of the current consolidated fiscal year. The status of each cash flow and their 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 2,356,950 thousand yen (a cash inflow of 191,906 thousand yen in the previous consolidated fiscal year). This was mainly due to the profit before income taxes of 2,345,987 thousand yen.

(Cash flow from investing activities)

Cash flow from investing activities for the current consolidated fiscal year resulted in a cash outflow of 1,544,804 thousand yen (a cash outflow of 624,254 thousand yen in the previous consolidated fiscal year). This was mainly due to expenditures of 1,234,726 thousand yen for the acquisition of property, plant and equipment.

(Cash flow from financing activities)

In the current consolidated fiscal year, cash flow from financing activities resulted in a cash outflow of 408,168 thousand yen (a cash outflow of 639,930 thousand yen in the previous consolidated fiscal year). This was mainly due to the payment of 387,152 thousand yen in dividends.

(3) Profits distribution policy and current dividend payment

Our basic policy on dividends is “Dividend payout ratio is targeted at around 40%, and we make sure that our shareholders support us for many years to come.” Despite the impact of the COVID-19, we have decided to prioritize stable dividends and pay a year-end dividend of 15 yen 50 sen (payout ratio of 41.4% for ordinary dividend) as announced on October 4, 2021.

#### (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, our policy is to avoid their occurrence and, if they do occur, to take measures to minimize the impact of such risks; however, we 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

(Regarding the new coronavirus and other infectious diseases)

The Group provides online training and other non-face-to-face services, recognizing the possibility of outbreaks of specific infectious diseases such as the new coronavirus. However, the Group's business performance could be affected in the event that training is cancelled or postponed due to the spread of an infectious disease on a scale that exceeds expectations, or operations are suspended in favor of ensuring the safety of employees.

##### (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 our group, which could have a significant impact on our group's business and business performance.

###### b. Security

Although the Group has implemented security measures to protect against hackers and computer viruses, we cannot deny the possibility that important data, such as customers' personal information, could be erased or obtained illegally due to crimes such as intrusion into the server by illegal means from outside or errors by employees. In the event of such an incident, we may be subject to claims for compensation for damages, and we may lose the trust of society, which may have a significant impact on the business and business performance of our group.

###### 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 in-house standardization may be hindered, which may affect the business performance of our 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 inexpensive support services centered on the human resources & general affairs departments, the Group's business performance may be affected.

(Sales activities using web)

In the course of our sales activities, we are 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 our 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 our Group's business, we believe 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.

In addition, we take the utmost care not to infringe on intellectual property rights such as copyrights and trademarks belonging to third parties, as well as portrait rights, by investigating the rights involved in the creation of original content in advance. However, in the event of infringement of intellectual property rights, portrait rights, etc. of a third party, the Group may lose social credibility and incur losses due to compensation for damages, which may affect the business performance of the Group.

#### (Securing trainers)

One of the most important factors that determine a 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 promotes M&A. In doing so, we strive 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 we 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.

### (5) Others

#### (i) Personal Information and Confidential Information

Due to the nature of the business operations, our 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 our group. For this reason, we have acquired the Privacy Mark as proof that we 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

In the event that 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 suspending 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 five subsidiaries.

The overview of consolidated subsidiaries is as follows;

Name	Address	Business
Mitemo Co., Ltd	Chiyoda-ku, Tokyo	<ul style="list-style-type: none"><li>• Content production (e-Learning)</li><li>• Production of Training Materials</li><li>• Workshops/ Consulting</li></ul>
Rashiku Corporation	Chiyoda-ku, Tokyo	<ul style="list-style-type: none"><li>• Recruitment support business</li></ul>
MIRAI SOUZOU & COMPANY, Inc.	Chiyoda-ku, Tokyo	<ul style="list-style-type: none"><li>• Selected education and training for large companies</li></ul>
Insource Digital Academy Corporation	Chiyoda-ku, Tokyo	<ul style="list-style-type: none"><li>• IT-related On-Site Training and Open Seminars</li></ul>
Insource Marketing Design Corporation	Chiyoda-ku, Tokyo	<ul style="list-style-type: none"><li>• Website Promotion</li><li>• Homepage Creation</li><li>• System Development</li></ul>

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

## 3. Basic Approach in Choosing Accounting Standard

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

	FY19 (As of Sep. 30, 2020)	FY20 (As of Sep. 30, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,219,868	2,624,111
Accounts receivable - trade	684,631	882,846
Merchandise	7,966	9,000
Work in process	16,610	41,853
Prepaid expenses	30,333	171,681
Other	67,309	32,189
Allowance for doubtful accounts	(1,484)	(1,994)
Total current assets	3,025,236	3,759,687
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	389,415	601,090
Accumulated depreciation	(91,488)	(100,687)
Buildings, net	297,926	500,403
Tools, furniture and fixtures	57,278	65,195
Accumulated depreciation	(40,012)	(47,738)
Tools, furniture and fixtures, net	17,266	17,456
Land	409,978	1,179,658
Construction in progress	—	182,160
Total property, plant and equipment	725,171	1,879,678
<b>Intangible assets</b>		
Leasehold interests in land	—	305,984
Goodwill	25,333	53,120
Software	98,813	92,624
Other	12,998	951
Total intangible assets	137,145	452,680
<b>Investments and other assets</b>		
Investment securities	122,821	82,465
Long-term prepaid expenses	—	211,052
Leasehold and guarantee deposits	195,856	163,820
Deferred tax assets	137,260	216,365
Other	1,073	954
Total investments and other assets	457,011	674,658
Total non-current assets	1,319,328	3,007,017
Total assets	4,344,564	6,766,705

(Unit: thousand yen)

	FY19 (As of Sep. 30, 2020)	FY20 (As of Sep. 30, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	88,250	114,029
Accounts payable - other	467,434	399,621
Income taxes payable	87,095	758,874
Accrued consumption taxes	69,396	261,213
Advances received	595,950	599,026
Deposits received	58,259	53,138
Other	13,388	16,405
<b>Total current liabilities</b>	<b>1,379,775</b>	<b>2,202,311</b>
<b>Non-current liabilities</b>		
Asset retirement obligations	81,531	59,504
Other	—	4,465
<b>Total non-current liabilities</b>	<b>81,531</b>	<b>63,969</b>
<b>Total liabilities</b>	<b>1,461,307</b>	<b>2,266,280</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	800,623	800,623
Capital surplus	641,793	854,983
Retained earnings	2,129,879	3,313,927
Treasury shares	(689,856)	(472,612)
<b>Total shareholders' equity</b>	<b>2,882,439</b>	<b>4,496,921</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	817	3,503
<b>Total accumulated other comprehensive income</b>	<b>817</b>	<b>3,503</b>
<b>Total net assets</b>	<b>2,883,257</b>	<b>4,500,424</b>
<b>Total liabilities and net assets</b>	<b>4,344,564</b>	<b>6,766,705</b>

(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income)

(Unit: thousand yen)

	FY19 (Oct. 1, 2019- Sep. 30, 2020)	FY20 (Oct. 1, 2020- Sep. 30, 2021)
Net sales	5,119,777	7,501,115
Cost of sales	1,475,896	1,779,586
Gross profit	3,643,880	5,721,528
Selling, general and administrative expenses	2,859,521	3,317,264
Operating profit	784,359	2,404,264
Non-operating income		
Interest income	511	518
Dividend income	372	275
Subsidies for employment adjustment	2,420	12,850
Subsidy income	13,224	3,216
Foreign exchange gains	—	264
Other	2,553	4,377
Total non-operating income	19,082	21,504
Non-operating expenses		
Interest expenses	—	661
Foreign exchange losses	60	—
Share of loss of entities accounted for using equity method	6,987	—
Commission for purchase of treasury shares	853	—
Loss on extinguishment of stock-based compensation expenses	—	8,324
Other	—	143
Total non-operating expenses	7,901	9,130
Ordinary profit	795,540	2,416,638
Extraordinary income		
Gain on redemption of investment securities	—	1,222
Total extraordinary income	—	1,222
Extraordinary losses		
Loss on valuation of investment securities	85,024	50,859
Loss on retirement of non-current assets	—	387
Impairment losses	—	20,626
Total extraordinary losses	85,024	71,873
Profit before income taxes	710,515	2,345,987
Income taxes - current	270,180	855,077
Income taxes - deferred	(5,116)	(80,290)
Total income taxes	265,063	774,786
Profit	445,452	1,571,200
Profit attributable to owners of parent	445,452	1,571,200

(Consolidated Statements of Comprehensive Income)

(Unit: thousand yen)

	FY19 (Oct. 1, 2019- Sep 30, 2020)	FY20 (Oct 1, 2020- Sep 30, 2021)
Profit	445,452	1,571,200
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,525)	2,685
Total other comprehensive income	(4,525)	2,685
Comprehensive income	440,926	1,573,886
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	440,926	1,573,886
Comprehensive income attributable to non-controlling interests	—	—

## (3) Consolidated Statement of Changes in Equity

FY19 (October 1, 2019 to September 30, 2020)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	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	641,793	2,038,809	(405,161)	3,076,065	5,343	5,343	984	3,082,393
Changes during period									
Dividends of surplus			(336,237)		(336,237)				(336,237)
Profit attributable to owners of parent			445,452		445,452				445,452
Purchase of treasury shares				(304,246)	(304,246)				(304,246)
Disposal of treasury shares			(18,144)	19,551	1,406				1,406
Net changes in items other than shareholders' equity						(4,525)	(4,525)	(984)	(5,510)
Total changes during period	—	—	91,069	(284,695)	(193,625)	(4,525)	(4,525)	(984)	(199,135)
Balance at end of period	800,623	641,793	2,129,879	(689,856)	2,882,439	817	817	—	2,883,257

FY20 (October 1, 2020 to September 30, 2021)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	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	641,793	2,129,879	(689,856)	2,882,439	817	817	—	2,883,257
Changes during period									
Dividends of surplus			(387,152)		(387,152)				(387,152)
Profit attributable to owners of parent			1,571,200		1,571,200				1,571,200
Purchase of treasury shares				(934)	(934)				(934)
Disposal of treasury shares		213,189		218,177	431,367				431,367
Net changes in items other than shareholders' equity						2,685	2,685	—	2,685
Total changes during period	—	213,189	1,184,048	217,243	1,614,481	2,685	2,685	—	1,617,166
Balance at end of period	800,623	854,983	3,313,927	(472,612)	4,496,921	3,503	3,503	—	4,500,424

## (4) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	710,515	2,345,987
Depreciation	100,389	124,750
Amortization of goodwill	9,212	11,159
Share-based payment expenses	—	70,350
Impairment losses	—	20,626
Loss on retirement of non-current assets	—	387
Loss (gain) on valuation of investment securities	85,024	50,859
Loss (gain) on redemption of investment securities	—	(1,222)
Increase (decrease) in allowance for doubtful accounts	(181)	510
Interest and dividend income	(884)	(794)
Share of loss (profit) of entities accounted for using equity method	6,987	—
Foreign exchange losses (gains)	60	(264)
Decrease (increase) in trade receivables	44,662	(185,557)
Decrease (increase) in inventories	(7,364)	(24,471)
Increase (decrease) in trade payables	(42,953)	24,328
Other, net	(33,711)	76,370
Subtotal	871,758	2,513,019
Interest and dividends received	884	794
Interest paid	—	(661)
Income taxes paid	(680,736)	(156,202)
Net cash provided by (used in) operating activities	191,906	2,356,950
Cash flows from investing activities		
Purchase of investment securities	(48,500)	(50,123)
Proceeds from sale and redemption of investment securities	3	21,945
Purchase of property, plant and equipment	(559,495)	(1,234,726)
Purchase of intangible assets	(22,565)	(305,984)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(6,438)
Proceeds from sale of shares of subsidiaries and associates	—	22,768
Payments of leasehold and guarantee deposits	(13,957)	(26,728)
Proceeds from refund of leasehold and guarantee deposits	38,618	60,142
Loan advances	(8,366)	(410)
Proceeds from collection of loans receivable	528	8,146
Other, net	(10,519)	(33,394)
Net cash provided by (used in) investing activities	(624,254)	(1,544,804)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	—	2,340
Proceeds from long-term borrowings	—	4,660
Repayments of long-term borrowings	—	(28,019)
Purchase of treasury shares	(305,099)	(934)
Proceeds from disposal of treasury shares	1,406	937
Dividends paid	(336,237)	(387,152)
Net cash provided by (used in) financing activities	(639,930)	(408,168)
Effect of exchange rate change on cash and cash equivalents	(60)	264
Net increase (decrease) in cash and cash equivalents	(1,072,339)	404,242
Cash and cash equivalents at beginning of period	3,292,208	2,219,868
Cash and cash equivalents at end of period	2,219,868	2,624,111

- (5) Notes to Consolidated Financial Statements  
(Notes related to the Going Concern Assumption)  
Not applicable

(Additional Information)

In assessing and evaluating the recoverability of fixed assets and deferred tax assets, we have made accounting estimates based on the assumption that the impact of the spread of the new coronavirus in the Group's training business will continue for a certain period of time in FY21, but we have made an accounting estimate based on the assumption that demand will recover in 2H FY21. It is possible that results based on actual results in the future may differ from these estimates and assumptions.

(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, 2019 - Sep. 30, 2020)	Current fiscal year (Oct. 1, 2020 - Sep. 30, 2021)
Net assets per share	68.89 yen	106.92 yen
Earnings per share	10.61 yen	37.43 yen
Fully diluted earnings per share	10.60 yen	37.41 yen

(Note) We conducted a stock split on January 1, 2021, 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, 2019 - Sep. 30, 2020)	The current consolidated fiscal year (Oct. 1, 2020 - Sep. 30, 2021)
Earnings per share		
Profit attributable to owners of parent (thousand yen)	445,452	1,571,200
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent attributable to common stock (thousand yen)	445,452	1,571,200
Average number of shares during the period (shares)	41,975,330	41,979,548
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent (thousand yen)	—	—
The increase in the number of common stocks (shares)	51,384	21,797
(including stock acquisition rights (shares))	(51,384)	(21,797)
Latent shares not included in the calculation of fully diluted earnings per share due to the lack of dilution effect	Fourth series of stock acquisition rights by resolution of the extraordinary meeting of the Board of Directors held on February 2, 2018 (expired) Number of new share subscription rights: 810 (Common stocks: 405,000 shares) The above stock acquisition rights expired on September 30, 2020 due to failure to meet the conditions for exercise.	—

(Note) The Company conducted a stock split on January 1, 2021, whereby each share of common stock was divided into 2 shares. In the above, net profit per share and Fully diluted earnings per share are calculated on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(Significant subsequent events)

Not applicable