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FY22 Consolidated Financial Results [JGAAP]

November 6, 2023

Company Name: Insource Co., Ltd.

Stock Exchange Listing: Tokyo

Code number: 6200

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Scheduled date of the ordinary general shareholders' meeting: December 15, 2023

Scheduled date to commence dividend payments: December 18, 2023

Scheduled date to submit annual securities report: December 18, 2023

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. FY22 Consolidated Financial Results (October 1, 2022 – September 30, 2023)

(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	%
FY22	10,783	14.5	3,941	17.0	3,937	17.7	2,676	19.8
FY21	9,418	25.6	3,367	40.1	3,346	38.5	2,233	42.2

(Note) Comprehensive income: FY22 2,683 million yen (20.1%) FY21 2,234 million yen (42.0%)

	Earnings per share	Fully diluted earnings per share	Return on equity	Return on Assets	Operating profit to sales ratio
	yen sen	yen sen	%	%	%
FY22	31.79	31.78	38.1	40.3	36.5
FY21	26.53	26.52	42.0	43.2	35.8

(Note) The Company conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares. In the above, "Earnings per share" and "Fully diluted earnings per share" are calculated on the assumption that the 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
FY22	10,795	7,929	73.5	94.19
FY21	8,729	6,125	70.2	72.75

(Reference) Shareholders' equity: FY22 7,929 million yen FY21 6,125 million yen

(Note) The Company conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares. In the above, "Net assets per share" is calculated based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	mil yen	mil yen	mil yen	mil yen
FY22	2,902	(2,304)	(909)	3,515
FY21	2,544	(687)	(655)	3,827

2. Dividends

	Annual cash dividends per share					Total dividend	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	yen sen	yen sen	yen sen	yen sen	yen sen	mil yen	%	%
FY21 Full-year	—	0.00	—	21.50	21.50	905	40.5	17.0
FY22 Full-year	—	0.00	—	13.00	13.00	1,094	40.9	15.6
FY23 (forecast)	—	0.00	—	15.00	15.00		41.2	

(Note) The Company conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares, but the amount of the year-end dividend for FY21 is the actual amount of the dividend.

3. Consolidated Financial Forecast for FY23 (October 1, 2023 – September 30, 2024)

(% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	mil yen	%	mil yen	%	mil yen	%	mil yen	%	yen sen
2Q FY23 (Cumulative)	5,970	14.7	2,140	10.9	2,145	11.4	1,455	10.4	17.07
FY23 Full-year	12,530	16.2	4,590	16.5	4,585	16.4	3,105	16.0	36.43

* 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	: Yes
(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)	FY22	85,243,000	shares	FY21	85,243,000	shares
(ii) Total number of treasury shares at the end of the period	FY22	1,055,089	shares	FY21	1,048,690	shares
(iii) Average number of shares during the period	FY22	84,191,431	shares	FY21	84,191,137	shares

(Note) We conducted a stock split on January 1, 2023, 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.

Table of Contents

1. Overview of Business Results	2
(1) Overview of Business Results.....	2
(2) Overview of Financial Position.....	4
(3) Profits Distribution Policy and Current Dividend Payment.....	4
(4) Business Risks.....	5
(5) Other.....	6
2. Overview of Group's Activities.....	7
3. Basic Approach in Choosing Accounting Standard.....	7
4. Consolidated Financial Statements and Notes.....	8
(1) Consolidated Balance Sheets.....	8
(2) Consolidated Statements of Income and Comprehensive Income.....	10
Consolidated Statements of Income	10
Consolidated Statements of Comprehensive Income.....	11
(3) Consolidated Statement of Changes in Equity.....	12
(4) Consolidated Statements of Cash Flows	13
(5) Notes to Consolidated Financial Statements.....	14
(Notes related to the Going Concern Assumption).....	14
(Change in Accounting Policy).....	14
(Segment Information).....	14
(Per Share Information).....	14
(Significant Subsequent Events).....	15

1. Overview of Business Results

(1) Overview of Business Results for the Current Fiscal Year

(i) Business Results for the Current Fiscal Year

The needs of career training market are strong because of growing concerns for improving labor productivity and reskilling efforts, as well as for human capital management that leads to higher corporate value. The career training market has been recovering steadily from the COVID-19 pandemic during the current fiscal year (From October 1, 2022 to September 30, 2023), mainly due to an increase in face-to-face training programs.

Amid this situation, the Group strengthened service development and sales promotion in the areas of DX training, training related to the promotion of women's activities, human capital management support tools based on the "Leaf" (HR support system, LMS (*1)), assessment, and correspondence education in order to resolve issues in the promotion of human capital management. In addition, the company has reorganized its sales structure along client segments to reach more clients.

Regarding On-Site Training Business, face-to-face training increased for both private sector and public sector. Also, the number of high unit-price DX trainings increased mainly in the private sector throughout the year. As a result, the number of training conducted increased 11.3% YoY.

In Open Seminars Business, the total number of attendees increased 18.1% YoY due to an increase in the number of face-to-face training. The number of attendees per training has been recovering from the previous fiscal year, by optimizing the number of trainings held and tightening the decision on whether or not to hold a training.

About IT Services, paid organizations of "Leaf"(HR support system, LMS) increased to 638 (+116, +22.2% , vs end of FY21) and total users exceeded 2.89 million. Leaf's monthly subscription fees (MRR (*2)) increased steadily, and ARR (*3) grew 27.4% YoY to 811 million yen. The number of customization decreased 24.7% YoY due to a decrease in new projects.

About Other Businesses, demand for e-Learning/videos sales grew steadily, Insource Business Rep Corporation, which joined in June 2022, contributed to sales. Also, Online Seminar Support Service and Regional Revitalization business performed well.

As for SG&A expenses, the SG&A ratio was 39.9% (down 1.0pt YoY), resulting in an increase in operating profit.

As a result of the above, net sales for the current consolidated fiscal year were 10,783,695 thousand yen (+ 14.5% YoY), operating profit was 3,941,374 thousand yen (+ 17.0% YoY), ordinary profit was 3,937,312 thousand yen (+17.7% YoY), and profit attributable to owners of parent was 2,676,403 thousand yen (+ 19.8% 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 20th and 21th consolidated fiscal year (Unit: thousand yen)

Business	The 20th consolidated fiscal year (Oct. 1, 2021 -Sep. 30, 2022)	YoY (%)	The 21th consolidated fiscal year (Oct. 1, 2022-Sep. 30, 2023)	YoY (%)
On-Site Training	4,665,297	122.8	5,275,059	113.1
Open Seminars	2,218,265	121.4	2,617,779	118.0
IT Services	1,197,880	117.1	1,304,087	108.9
Other Businesses	1,337,036	156.7	1,586,769	118.7
Total	9,418,481	125.6	10,783,695	114.5

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

(ii) Future Outlook

The career training market is expected to continue recovering in the next consolidated fiscal year (October 1, 2023 to September 30, 2024), as there is a firm need for such training against the backdrop of efforts to improve labor productivity and reskilling, as well as to increase corporate value through human capital management. In response to these needs, we will continue to grow by expanding the range of our target clients beyond the HR department, with one of the largest lineups of content IP in Japan. The Company aims to expand sales per client by responding to a wide range of corporate management issues, including human capital management, recruitment enhancement, DX promotion, sales enhancement, and management enhancement (listing support). In addition, to maximize the value of our content IP, we will strengthen delivery methods to our clients through multiple utilization, multilingual development, and securing partner channels, which will lead to an increase in the number of clients. In addition, we will continue the development and sales promotion of a new growth field, "Rising Next," which we started in the previous fiscal year, and will start full-scale provision of services for individuals to respond to their reskilling needs.

For the training business, we expect face-to-face training and online training to continue to coexist, albeit in varying proportions, as a result of the convergence of COVID-19 infection. Also, the number of training conducted and the number of trainees is expected to increase as demand for career training grows due to the high level of interest in "human capital management" and "reskilling." "We will further subdivide customer segments into smaller ones other than company size and industry, and strengthen product development and sales activities tailored to customer characteristics.

For the IT Services business, the Group will expand sales and profits by maintaining our unique ASP business model that can be customized as a source of our competitiveness, and strengthen sales of "Leaf" in accordance with customer segments. "Leaf" has 11 series of products, including the "Leaf Corporate University*," a tool that provides personalized education and strongly promotes human capital management.

For the Other Businesses, the Group aims to enhance sales and develop businesses that have the potential to become our next growth areas, such as Regional Revitalization business, online seminar support business, web marketing business, recruitment business, following the training business and IT Services.

As a result, for FY23, the Group estimate that net sales are 12,530 million yen, operating profit is 4,590 million yen, ordinary profit is 4,585 million yen, and profit attributable to owners of parent is 3,105 million yen.

*Human capital management support system with assessment functions for clarifying individual employee issues in addition to the training management/administration and e-learning viewing functions of Leaf

(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 decreased by 125,093 thousand yen compared to the end of the previous consolidated fiscal year to 5,135,722 thousand yen (down 2.4% compared to the previous consolidated fiscal year).

This was mainly due to a decrease of 311,982 thousand yen in cash and deposits.

(Non-current assets)

Non-current assets at the end of the current consolidated fiscal year increased by 2,190,539 thousand yen compared to the end of the previous consolidated fiscal year to 5,659,513 thousand yen (up 63.1%). This was mainly due to a 554,534 thousand yen increase in land.

(Current liabilities)

Current liabilities at the end of the current consolidated fiscal year increased by 262,930 thousand yen compared to the end of the previous consolidated fiscal year to 2,822,337 thousand yen (up 10.3%). This was mainly due to an increase of 119,668 thousand yen in advances received.

(Non-current liabilities)

Non-current liabilities at the end of the current consolidated fiscal year decreased by 1,548 thousand yen compared to the end of the previous consolidated fiscal year to 43,397 thousand yen (down 3.4%). This was mainly due to a decrease of 2,125 thousand yen in long-term loans payable.

(Net assets)

Net assets at the end of the current consolidated fiscal year increased by 1,804,063 thousand yen compared to the end of the previous consolidated fiscal year to 7,929,500 thousand yen (up 29.5%). This was mainly due to an increase of 1,771,315 thousand yen in retained earnings.

(ii) Overview of Cash Flows

Cash and cash equivalents decreased by 311,982 thousand yen during the current consolidated fiscal year, and amounted to 3,515,516 thousand yen at the end of the current consolidated fiscal year. The status of each cash flow and its factors at the end of the current consolidated fiscal year are as follows.

(Cash flow from operating activities)

In the current consolidated fiscal year, cash flow from operating activities resulted in a cash inflow of 2,902,577 thousand yen (a cash inflow of 2,544,151 thousand yen in the previous consolidated fiscal year). This was mainly due to the profit before income taxes of 3,917,306 thousand yen.

(Cash flow from investing activities)

Cash flow from investing activities for the current consolidated fiscal year resulted in a cash outflow of 2,304,832 thousand yen (a cash outflow of 687,153 thousand yen in the previous consolidated fiscal year). This was mainly due to expenditures of 1,110,390 thousand yen for the acquisition of tangible fixed assets.

(Cash flow from financing activities)

In the current consolidated fiscal year, cash flow from financing activities resulted in a cash outflow of 909,954 thousand yen (a cash outflow of 655,065 thousand yen in the previous consolidated fiscal year). This was mainly due to the payment of 905,088 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 the Group makes sure that our shareholders support us for many years to come." The Group has decided to pay a year-end dividend of 13 yen 00 sen per share (payout ratio of 40.9% for ordinary dividend) as announced on November 6, 2023.

(4) Business Risks

Of the matters concerning the status of business and accounting described in this report, the followings are matters that may have a significant impact on the decisions of investors. Acknowledging the possibility of these risks, the Group's policy is to avoid their occurrence and, if they do occur, to take measures to minimize the impact of such risks; however, the Group believe that investment decisions regarding our company's shares need to be made after carefully considering the following business and other risks, as well as other matters described in this section.

The forward-looking statements in this report are based on the judgment of the Group as of the date of submission of this report.

(i) Business environment

(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 the Group, which could have a significant impact on the Group's business and business performance.

b. Security

Although the Group has implemented security measures to protect against hackers and computer viruses, the Group 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, the Group may be subject to claims for damages, and the Group may lose the public trust, which may have a significant impact on the business and business performance of the 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 the Group.

(Products and services)

If the Group is unable to maintain its superiority over competitors in terms of its ability to develop a variety of new content, which has been the source of its competitiveness against other companies, or in terms of its support services centered on the human resources & general affairs departments, the Group's business performance may be affected.

(Sales activities using the web)

In the course of our sales activities, the Group is expanding our web pages in order to increase the effectiveness of sales promotion. Therefore, if the number of web page sessions decreases due to unforeseen events, the sales promotion effect of the Group may decrease. If such a situation occurs, the Group's sales activities may be hindered and the Group's business performance may be affected.

(Intellectual Property Rights)

In the Group's business, the Group believes that it is important to secure intellectual property such as copyrights and trademarks due to our strength in providing training with original content. However, there is a possibility that imitation of our services by malicious third parties could hinder our business development and affect our business performance.

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

(Securing trainers)

One of the most important factors that determine successful training is the quality of the trainer. It is essential to secure trainers with the right skills, knowledge, and experience in order to conduct high-quality training.

However, if the Group is unable to secure such trainers under appropriate contract terms in the future, the Group's ability to conduct training may be severely hindered, which may affect the Group's business performance.

(Mergers and Acquisitions)

The Group believes that it is possible to complement and strengthen the Group's business by conducting M&A (acquisition of subsidiaries, transfer of business, capital participation, etc.) and actively promoting M&A. In doing so, the Group strives to avoid risks as much as possible by conducting detailed due diligence on the target company and its business, as well as on financial, tax, legal, labor, and other issues, and by gathering information, examining investment efficiency, and conducting other studies that the Group consider necessary and sufficient for decision-making.

However, if, after the M&A, problems that the Group is not aware of are revealed, or if for some reason business development does not proceed as planned, it may be necessary to write down the value of the shares of the target company or the assets to be acquired, which may affect the Group's business results.

(iii) Competitors

In the field of education and training for working adults, many companies have entered the market, including other training companies, consulting companies, and think tank training companies. However, in the future, if companies in fields different from the training business enter the market with business models that cause a paradigm shift in training, the Group's sales activities may be hindered and the Group's business performance may be affected.

(5) Others

(i) Personal Information and Confidential Information

Due to the nature of the business operations, the Group holds a large amount of personal information and confidential information of related parties, and the "Act on the Protection of Personal Information" applies to the handling of personal information by the Group. For this reason, the Group have acquired the Privacy Mark as proof that the Group have established a system for appropriately handling personal information.

In the event of a security breach by a third party, hacking, or intentional or negligent misuse by an employee of personal or confidential information held by the Group, the Group may be held liable for damages to customers and other parties, and may be ordered by the authorities to improve its operations. This could have a negative impact on the Group's business, business performance, and social credibility.

(ii) Risks of misconduct, rumors, etc. of trainers and e-Learning performers

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 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 six subsidiaries.

The overview of consolidated subsidiaries is as follows;

Name	Address	Business
Mitemo Co., Ltd	Chiyoda-ku, Tokyo	<ul style="list-style-type: none">• Regional Revitalization Business• Workshops/ Consulting Business• e-Learning Business• Production of Training Materials Business
Rashiku Corporation	Chiyoda-ku, Tokyo	<ul style="list-style-type: none">• Recruitment Support Business
MIRAISOUZOU & COMPANY, Inc.	Chiyoda-ku, Tokyo	<ul style="list-style-type: none">• Selected education and training for large companies
Insource Digital Academy Corporation	Chiyoda-ku, Tokyo	<ul style="list-style-type: none">• IT-related On-Site Training and Open Seminars
Insource Marketing Design Corporation	Chiyoda-ku, Tokyo	<ul style="list-style-type: none">• Website Promotion• Homepage Creation• System Development
Insource Business Rep Corporation	Chiyoda-ku, Tokyo	<ul style="list-style-type: none">• Call center Service• Setup Service• IT Support

The 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., 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)

	FY21 (As of Sep. 30, 2022)	FY22 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	3,827,499	3,515,516
Notes receivable - trade	678	3,862
Accounts receivable - trade	1,188,038	1,385,239
Merchandise	4,802	5,598
Work in process	33,030	69,143
Prepaid expenses	183,168	135,154
Other	24,853	22,809
Allowance for doubtful accounts	(1,256)	(1,602)
Total current assets	5,260,816	5,135,722
Non-current assets		
Property, plant and equipment		
Buildings	1,290,823	1,823,515
Accumulated depreciation	(129,320)	(182,686)
Buildings, net	1,161,503	1,640,828
Tools, furniture and fixtures	73,422	98,068
Accumulated depreciation	(53,716)	(63,118)
Tools, furniture and fixtures, net	19,706	34,949
Land	1,179,658	1,734,192
Construction in progress	66,143	—
Total property, plant and equipment	2,427,011	3,409,970
Intangible assets		
Leasehold interests in land	305,984	769,778
Goodwill	36,118	21,420
Software	104,207	148,724
Other	346	346
Total intangible assets	446,657	940,270
Investments and other assets		
Investment securities	72,012	324,370
Long-term prepaid expenses	83,527	16,930
Leasehold and guarantee deposits	139,378	591,105
Deferred tax assets	299,602	376,081
Other	784	784
Total investments and other assets	595,304	1,309,271
Total non-current assets	3,468,974	5,659,513
Total assets	8,729,790	10,795,236

(Unit: thousand yen)

	FY21 (As of Sep. 30, 2022)	FY22 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	161,232	193,432
Accounts payable - other	578,232	645,148
Income taxes payable	791,269	784,461
Accrued consumption taxes	199,240	228,889
Advances received	730,681	850,350
Deposits received	80,781	96,663
Other	17,968	23,392
Total current liabilities	2,559,407	2,822,337
Non-current liabilities		
Asset retirement obligations	42,820	43,397
Other	2,125	—
Total non-current liabilities	44,945	43,397
Total liabilities	2,604,353	2,865,735
Net assets		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	874,680	893,072
Retained earnings	4,895,118	6,666,433
Treasury shares	(449,751)	(442,399)
Total shareholders' equity	6,120,670	7,917,728
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,767	11,772
Total accumulated other comprehensive income	4,767	11,772
Total net assets	6,125,437	7,929,500
Total liabilities and net assets	8,729,790	10,795,236

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

(Unit: thousand yen)

	FY21 (Oct. 1, 2021- Sep. 30, 2022)	FY22 (Oct. 1, 2022- Sep. 30, 2023)
Net sales	9,418,481	10,783,695
Cost of sales	2,204,368	2,541,472
Gross profit	7,214,112	8,242,223
Selling, general and administrative expenses	3,846,729	4,300,848
Operating profit	3,367,383	3,941,374
Non-operating income		
Interest income	38	35
Dividend income	340	523
Foreign exchange gains	1,456	226
Subsidies for employment adjustment	715	2,667
Income from sales of goods	1,444	—
Income from base station installation	2,008	2,008
Surrender value of insurance policies	3,045	23
Other	800	767
Total non-operating income	9,848	6,252
Non-operating expenses		
Interest expenses	509	469
Loss on extinguishment of stock-based compensation expenses	29,297	9,742
Other	1,084	102
Total non-operating expenses	30,891	10,314
Ordinary profit	3,346,340	3,937,312
Extraordinary losses		
Loss on valuation of investment securities	29,995	20,005
Total extraordinary losses	29,995	20,005
Profit before income taxes	3,316,344	3,917,306
Income taxes - current	1,166,523	1,320,472
Income taxes - deferred	(83,794)	(79,570)
Total income taxes	1,082,729	1,240,902
Profit	2,233,615	2,676,403
Profit attributable to owners of parent	2,233,615	2,676,403

(Consolidated Statements of Comprehensive Income)

(Unit: thousand yen)

	F21 (Oct. 1, 2021- Sep 30, 2022)	FY22 (Oct 1, 2022- Sep 30, 2023)
Profit	2,233,615	2,676,403
Other comprehensive income		
Valuation difference on available-for-sale securities	1,263	7,004
Total other comprehensive income	1,263	7,004
Comprehensive income	2,234,879	2,683,408
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,234,879	2,683,408
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

FY21 (October 1,2021 to September 30, 2022)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of period	800,623	854,983	3,313,927	(472,612)	4,496,921	3,503	3,503	4,500,424
Restated balance								
Changes during period			(652,425)		(652,425)			(652,425)
Dividends of surplus			2,233,615		2,233,615			2,233,615
Profit attributable to owners of parent				(772)	(772)			(772)
Purchase of treasury shares		19,697		23,633	43,330			43,330
Disposal of treasury shares						1,263	1,263	1,263
Net changes in items other than shareholders' equity	—	19,697	1,581,190	22,861	1,623,748	1,263	1,263	1,625,012
Total changes during period	800,623	874,680	4,895,118	(449,751)	6,120,670	4,767	4,767	6,125,437

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

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of period	800,623	874,680	4,895,118	(449,751)	6,120,670	4,767	4,767	6,125,437
Restated balance								
Changes during period			(905,088)		(905,088)			(905,088)
Dividends of surplus			2,676,403		2,676,403			2,676,403
Profit attributable to owners of parent				(400)	(400)			(400)
Purchase of treasury shares		18,391		7,752	26,144			26,144
Disposal of treasury shares						7,004	7,004	7,004
Net changes in items other than shareholders' equity	—	18,391	1,771,315	7,351	1,797,058	7,004	7,004	1,804,063
Total changes during period	800,623	893,072	6,666,433	(442,399)	7,917,728	11,772	11,772	7,929,500

(4) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,316,344	3,917,306
Depreciation	134,534	167,358
Amortization of goodwill	17,562	14,698
Share-based payment expenses	140,382	142,399
Loss (gain) on valuation of investment securities	29,995	20,005
Increase (decrease) in allowance for doubtful accounts	(889)	346
Interest and dividend income	(378)	(558)
Foreign exchange losses (gains)	(1,456)	(226)
Decrease (increase) in trade receivables	(288,670)	(200,384)
Decrease (increase) in inventories	13,155	(36,805)
Increase (decrease) in trade payables	46,212	32,199
Other, net	263,134	187,343
Subtotal	3,669,929	4,243,683
Interest and dividends received	378	558
Interest paid	(509)	(469)
Income taxes paid	(1,125,647)	(1,341,194)
Net cash provided by (used in) operating activities	2,544,151	2,902,577
Cash flows from investing activities		
Purchase of investment securities	(17,723)	(262,267)
Proceeds from sale and redemption of investment securities	2	—
Purchase of property, plant and equipment	(695,583)	(1,110,390)
Purchase of intangible assets	—	(466,023)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	24,677	—
Payments of leasehold and guarantee deposits	(34,751)	(469,471)
Proceeds from refund of leasehold and guarantee deposits	59,920	17,744
Loan advances	(300)	—
Proceeds from collection of loans receivable	740	173
Other, net	(24,134)	(14,598)
Net cash provided by (used in) investing activities	(687,153)	(2,304,832)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	—	(2,340)
Repayments of long-term borrowings	(2,340)	(2,125)
Purchase of treasury shares	(772)	(400)
Proceeds from disposal of treasury shares	472	—
Dividends paid	(652,425)	(905,088)
Net cash provided by (used in) financing activities	(655,065)	(909,954)
Effect of exchange rate change on cash and cash equivalents	1,456	226
Net increase (decrease) in cash and cash equivalents	1,203,388	(311,982)
Cash and cash equivalents at beginning of period	2,624,111	3,827,499
Cash and cash equivalents at end of period	3,827,499	3,515,516

(5) Notes to Consolidated Financial Statements

(Notes related to the Going Concern Assumption)

Not applicable

(Change in Accounting Policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Guidance No.31, June 17, 2021, hereinafter referred to as the “Guidance for the Standard for Fair Value Measurement”) since the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional measures specified in Paragraph 27-2 of the Guidance for the Standard for Fair Value Measurement, the Company has decided to apply the new accounting policy stipulated by the Guidance on the Standard for Fair Value Measurement prospectively. There is no impact of these changes on the Company’s consolidated quarterly financial statements.

(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, 2021 - Sep. 30, 2022)	Current fiscal year (Oct. 1, 2022 - Sep. 30, 2023)
Net assets per share	72.75 yen	94.19 yen
Earnings per share	26.53 yen	31.79 yen
Fully diluted earnings per share	26.52 yen	31.78 yen

(Note) We conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares. In the above, net assets per share, earnings per share and diluted earnings per share are calculated on the assumption that the said share split was conducted at the beginning of the previous consolidated fiscal year.

The basis for calculating earnings per share and fully diluted earnings per share is as follows.

	The previous consolidated fiscal year (Oct.1, 2021- Sep. 30, 2022)	The current consolidated fiscal year (Oct. 1, 2022 -Sep. 30, 2023)
Earnings per share		
Profit attributable to owners of parent (thousand yen)	2,233,615	2,676,403
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent attributable to common stock (thousand yen)	2,233,615	2,676,403
Average number of shares during the period (shares)	84,191,137	84,191,431
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent (thousand yen)	—	—
The increase in the number of common stocks (shares)	26,768	24,398
(including stock acquisition rights (shares))	(26,768)	(24,398)
Latent shares not included in the calculation of fully diluted earnings per share due to the lack of dilution effect	—	—

(Significant subsequent events)

(Stock Repurchase)

The Company has resolved at the meeting of the Board of Directors held on November 6, 2023, to repurchase its own shares in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3 of Article 165 of the Companies Act of Japan.

1. Reason for the Stock Repurchase

To improve shareholder returns through improved capital efficiency, to implement flexible capital policies such as M&A, and to secure skillful employees through incentive plans for Board Members and employees.

2. Details of Repurchase

(1)	Type of shares to be repurchased	Common stock of Insource Up to 400,000 shares
(2)	Total number of shares to be repurchased	(0.47% of the total number of shares of common stock outstanding excluding treasury stock)
(3)	Total amount	Up to 300,000,000 yen
(4)	Period	November 17, 2023 – December 29, 2023
(5)	Repurchase method	Market purchase on Tokyo Stock Exchange