

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



## Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2024 [Japanese GAAP]

April 25, 2024

Company name: STEP CO.,LTD.  
 Stock exchange listing: Tokyo Stock Exchange  
 Stock code: 9795  
 URL: <https://www.stepnet.co.jp/>  
 Representative: Yousuke Endou, Representative Director and President  
 Contact: Noriaki Arai, Director and Managing Executive Officer  
 Phone: +81-466-20-8000  
 Scheduled date of filing quarterly securities report: May 7, 2024  
 Scheduled date of commencing dividend payments: May 13, 2024  
 Availability of supplementary briefing material on quarterly financial results : Yes  
 Schedule of quarterly financial results briefing session : Yes (for institutional investors)

(Amounts of less than one million yen are rounded down.)

### 1. Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2024

(October 1, 2023 to March 31, 2024)

#### (1) Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the second quarter ended March 31, 2024	7,700	2.4	2,233	(2.3)	2,276	(1.5)	1,565	(1.7)
March 31, 2023	7,520	10.0	2,285	13.2	2,311	11.9	1,592	11.8

	Profit per share	Diluted earnings per share
For the second quarter ended March 31, 2024	Yen 96.37	Yen —
March 31, 2023	95.92	—

#### (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	29,268	26,489	90.5	1,636.00
As of September 30, 2023	28,634	25,936	90.6	1,589.89

(Reference) Equity: As of March 31, 2024: ¥ 26,489 million  
 : As of September 30, 2023: ¥ 25,936 million

### 2. Dividends

	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended September 30, 2023	Yen —	Yen 24.00	Yen —	Yen 48.00	Yen 72.00
Fiscal year ending September 30, 2024	—	37.00			
Fiscal year ending September 30, 2024 (Forecast)			—	37.00	74.00

(Note) Revision to dividend forecast announced most recently: None

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2024 (October 1, 2023 to September 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	14,892	3.1	3,338	4.6	3,398	5.4	2,409	0.2	149.89

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

\*Note

(1) Application of special accounting treatment for the preparation of the quarterly financial statements: None

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

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Total number of issued shares (common shares)

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

As of March 31, 2024: 16,670,000 shares

As of September 30, 2023: 16,670,000 shares

2) Total number of treasury shares at the end of the period:

As of March 31, 2024: 478,558 shares

As of September 30, 2023: 356,922 shares

3) Average number of shares during the period:

As of March 31, 2024: 16,248,100 shares

As of March 31, 2023: 16,602,400 shares

\*These quarterly financial results are not subject to auditing by certified public accountants or audit firms.

\*Explanation on the proper use of financial results forecast and other notes.

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

## Table of Contents of Appendix

1. Qualitative Information on the Quarterly Financial Results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Condition .....	3
(3) Explanation of forward-looking statements including business forecasts .....	4
2. Quarterly Financial Statements and Principal Notes .....	5
(1) Quarterly Balance Sheets .....	5
(2) Quarterly Statements of income .....	7
(For the Six-month Period) .....	7
(3) Quarterly Statements of Cash Flows .....	8
(4) Notes to Quarterly Financial Statements .....	9
(Notes on going concern assumption) .....	9
(Notes on significant changes in the amount of shareholders' equity) .....	9
(Segment information, etc.) .....	9
3. Supplementary Information .....	9
(1) Results of production and orders received .....	9
(2) Sales results .....	9

## 1. Qualitative Information on the Quarterly Financial Results

### (1) Explanation of Operating Results

In the second quarter (January-March) of the current fiscal year, the 3<sup>rd</sup> grade junior high school and high school students took entrance exams. As for the student recruitment, this quarter is the time when new students tend to consider attending the tutoring schools for the new school year.

The results of entrance examinations in the high school entrance examination course (for elementary and junior high school students) were excellent also this spring. 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. 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 9 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).

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 two classrooms in Fujisawa City, which have already moved into the black, are continuously attracting students in a healthy manner. This fiscal year, STEP Kids Chigasaki School (Chigasaki City), too, is expected to move into the black. STEP Kids Hakuraku School, which was opened in the previous fiscal year as the first STEP school in Yokohama City, entered the second year this spring. 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.

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). Kashimada School is located in the vicinity of the JR Nambu Line, around which we focus on opening new schools, and it is the second school in Saiwai Ward, Kawasaki City (or the first, if Hi-STEP schools are excluded). Hi-STEP Shin-yurigaoka School is located across the station from Shin-yurigaoka School for the STEP high school entrance examination course, which is always fully occupied, so it is the first Hi-STEP school in the vicinity of a normal school in Kawasaki City. Hiyoshi-honcho School is located close to Hiyoshidai Junior High School, in which over 1,000 students are enrolled (the fifth largest number of students among public junior high schools in Kanagawa Prefecture). Higashi-Totsuka Hirado School is located across Higashi-Totsuka Station from Higashi-Totsuka School, which has an increasing number of students, (renamed Higashi-Totsuka Nase School, when Higashi-Totsuka Hirado School was opened). It is expected that these schools will attract students more effectively, by targeting different junior high schools.

Our existing schools will further enhance their trust from their communities and work to improve their occupancy level. We increased floor space in Yokosuka School for the STEP university entrance examination course in March 2024 following the expansion of Sagami-ono School in November 2023. We plan to continue to consider adding classes, increasing floor space and relocating school buildings where we have not been able to accept enrollment requests due to full capacity.

The situation of student recruitment continues to be strong in each department. As of the end of March 2024, the number of students increased by 4.0% year-on-year. In the second quarter of the current fiscal year, the average number of students during the period increased by 3.3% year-on-year.

In the university entrance examination course, 10 out of 15 schools are full for 1st grade high school student and their remaining capacity is small as of the end of March. The majority were students advancing from the high school entrance examination course. This period is also off to a favorable start.

Through the 3-year plan ending this fiscal year, we have continued to raise salaries. In this period, starting from salaries paid in April 2024, we will raise the salary level (including increases to base salary; instructors: 15,000 to 20,000 yen per month; raising the salaries of administrative staff and others, too) in addition to periodic salary increase. Accordingly, we have increased salaries for three consecutive years as planned, raising the starting salary of instructors by 15,000 yen to 290,000 yen (including allowances).

As a result, net sales in the second quarter of the current fiscal year were 7,700 million yen (up 2.4% year-on-year), operating profit was 2,233 million yen (down 2.3% year-on-year), ordinary profit was 2,276 million yen (down 1.5% year-on-year), and profit was 1,565 million yen (down 1.7% year-on-year).

## (2) Explanation of Financial Condition

### 1) Assets, liabilities and net assets at the end of the second quarter of the fiscal year under review (Assets)

Total assets at the end of the second quarter stood at 29,268 million yen, an increase of 634 million yen from the end of the previous fiscal year.

Current assets increased 669 million yen from the end of the previous fiscal year to 10,827 million yen, mainly due to an increase in cash and deposits.

Non-current assets decreased 35 million yen from the end of the previous fiscal year, to 18,440 million yen, mainly due to a decrease in buildings.

(Liabilities)

Liabilities at the end of the second quarter increased 81 million yen from the end of the previous fiscal year, to 2,779 million yen.

Current liabilities increased 127 million yen from the end of the previous fiscal year to 2,140 million yen because of an increase in income taxes payable, despite a decrease in advance payment.

Non-current liabilities decreased 45 million yen from the end of the previous fiscal year to 638 million yen, mainly from the repayment of long-term borrowings.

(Net assets)

Net assets at the end of the second quarter increased 553 million yen from the end of the previous fiscal year to 26,489 million yen, mainly due to the recording of quarterly net income, despite the payment of dividends.

As a result, the equity ratio was 90.5%, down by 0.1 percentage points from the end of the previous fiscal year.

2) Summary of cash flows

The status of cash flows and their factors for the second quarter of the fiscal year under review are as follows. Cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter increased 254 million yen (up 2.7% year-on-year) to 9,694 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,834 million yen (up 15.9% year-on-year).

This was mainly attributable to profit before income taxes of 2,276 million yen, depreciation of 259 million yen, which were offset by increase in trade receivable 151 million yen and income taxes paid of 321 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 258 million yen (down 66.9% year-on-year).

This was mainly due to purchase of property, plant and equipment of 182 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 1,344 million yen (up 195.6% year-on-year).

This was mainly attributable to purchase of treasury shares of 231 million yen and cash dividends paid of 782 million yen.

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

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

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

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

## 2. Quarterly Financial Statements and Principal Notes

### (1) Quarterly Balance Sheets

(Thousand yen)

	As of September 30, 2023	As of March 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	9,725,936	9,957,139
Accounts receivable-trade	83,136	217,348
Inventories	37,762	73,905
Other	311,589	579,774
Allowance for doubtful accounts	(440)	(274)
Total current assets	10,157,983	10,827,892
Non-current assets		
Property, plant and equipment		
Buildings, net	7,444,007	7,375,095
Land	8,616,896	8,616,896
Other, net	210,006	213,212
Total property, plant and equipment	16,270,910	16,205,205
Intangible assets	67,015	121,415
Investments and other assets		
Leasehold and guarantee deposits	643,147	651,743
Other	1,495,031	1,462,442
Total investments and other assets	2,138,178	2,114,185
Total non-current assets	18,476,104	18,440,806
Total assets	28,634,088	29,268,699
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	104,700	104,700
Lease obligations	18,537	18,496
Accounts payable-other	185,181	164,506
Income taxes payable	385,403	783,049
Provision for bonuses	99,389	23,015
Other	1,220,337	1,047,056
Total current liabilities	2,013,547	2,140,824
Non-current liabilities		
Long-term borrowings	140,600	88,250
Lease obligations	48,036	41,362
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligation	351,726	365,333
Other	14,330	13,862
Total non-current liabilities	684,492	638,608
Total liabilities	2,698,040	2,779,432

(Thousand yen)

	As of September 30, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Share capital	1,778,330	1,778,330
Capital surplus	2,131,859	2,131,859
Retained earnings	22,624,220	23,407,064
Treasury shares	(603,391)	(834,856)
Total shareholders' equity	25,931,017	26,482,397
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,029	6,868
Total valuation and translation adjustments	5,029	6,868
Total net assets	25,936,047	26,489,266
Total liabilities and net assets	28,634,088	29,268,699



(2) Quarterly Statements of income  
(For the Six months Period)

(Thousand yen)

	For the six months ended March 31, 2023	For the six months ended March 31, 2024
Net sales	7,520,772	7,700,178
Cost of sales	4,807,206	5,020,991
Gross profit	2,713,565	2,679,186
Selling, general and administrative expenses	428,180	445,982
Operating profit	2,285,384	2,233,203
Non-operating income		
Interest income	16	24
Subsidy income	12,495	13,168
Rental income from buildings	54,186	54,096
Other	6,593	7,946
Total non-operating income	73,291	75,237
Non-operating expenses		
Interest expenses	298	211
Rental expenses	37,877	30,328
Other	9,421	1,272
Total non-operating expenses	47,598	31,812
Ordinary profit	2,311,078	2,276,628
Profit before income taxes	2,311,078	2,276,628
Income taxes-current	712,088	706,230
Income taxes-deferred	6,516	4,525
Total income taxes	718,604	710,756
Profit	1,592,474	1,565,871

## (3) Quarterly Statements of Cash Flows

(Thousand yen)

	For the six months ended March 31, 2023	For the six months ended March 31, 2024
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,311,078	2,276,628
Depreciation	259,086	259,874
Increase (decrease) in allowance for doubtful accounts	(81)	(165)
Increase (decrease) in provision for bonuses	(73,095)	(76,374)
Interest and dividends income	(422)	(4,124)
Interest expenses	298	211
Subsidy income	(12,495)	(13,168)
Loss (gain) on sale of investment securities	(2,616)	—
Decrease (increase) in trade receivables	(108,115)	(151,211)
Decrease (increase) in inventories	(77,446)	(36,142)
Increase (decrease) in accounts payable- other	(21,577)	(15,317)
Increase (decrease) in advances received	(185,348)	(125,462)
Other, net	31,615	18,461
<b>Subtotal</b>	<b>2,120,879</b>	<b>2,133,209</b>
Interest and dividends received	321	4,907
Interest paid	(286)	(203)
Subsidies received	16,780	17,656
Income taxes paid	(555,383)	(321,342)
<b>Net cash provided by (used in) operating activities</b>	<b>1,582,312</b>	<b>1,834,228</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(219,208)	(182,363)
Purchase of intangible assets	—	(59,994)
Purchase of investment securities	(546,253)	—
Proceeds from sale of investment securities	4,764	—
Proceeds from collection of loans receivable	1,590	1,639
Payments of leasehold and guarantee deposits	(21,549)	(16,212)
Proceeds from refund of leasehold and guarantee deposits	3,401	3,039
Other, net	(2,503)	(4,575)
<b>Net cash provided by (used in) investment activities</b>	<b>(779,758)</b>	<b>(258,467)</b>
<b>Cash flows from financing activities</b>		
Repayments of long-term borrowings	(64,200)	(52,350)
Repayments of finance lease liabilities	(9,268)	(9,493)
Purchase of treasury shares	—	(231,464)
Decrease (increase) in deposits for acquisition treasury shares	—	(268,603)
Dividends paid	(381,390)	(782,837)
<b>Net cash provided by (used in) financing activities</b>	<b>(454,858)</b>	<b>(1,344,748)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>347,696</b>	<b>231,012</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>9,092,197</b>	<b>9,463,403</b>
<b>Cash and cash equivalents at end of period</b>	<b>9,439,893</b>	<b>9,694,416</b>

(4) Notes to Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

There is no relevant information.

(Segment information, etc.)

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

3. Supplementary Information

Status of production, orders and sales

(1) Results of production and orders received

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

(2) Sales results

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

Segment	Six months ended March 31,2024 (Thousand yen)	Year-on-year changes (%)
High school entrance examination course	6,139,436	101.5
University entrance examination course	1,560,741	105.9
Total	7,700,178	102.4