



## Non-consolidated Financial Results for the Third Quarter of the Fiscal Year Ending September 30, 2020 [Japanese GAAP]

July 31, 2020

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 Stock exchange listing: Tokyo Stock Exchange  
 Stock code: 9795  
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 Scheduled date of filing quarterly securities report: August 4, 2020  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary briefing material on quarterly financial results : None  
 Schedule of quarterly financial results briefing session : None

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

### 1. Non-consolidated Financial Results for the Third Quarter of the Fiscal Year Ending September 30, 2020

(October 1, 2019 to June 30, 2020)

#### (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 third quarter ended June 30, 2020	7,473	(10.3)	737	(53.0)	757	(52.7)	508	(53.5)
June 30, 2019	8,328	4.9	1,569	(6.1)	1,600	(7.4)	1,094	(5.4)

	Profit per share	Diluted earnings per share
For the third quarter ended June 30, 2020	Yen 30.81	Yen —
June 30, 2019	66.46	—

#### (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2020	25,017	20,225	80.8	1,225.33
As of September 30, 2019	22,919	20,362	88.8	1,233.57

(Reference) Equity: As of June 30, 2020: ¥ 20,225million  
 : As of September 30, 2019: ¥ 20,362million

### 2. Dividends

	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended September 30, 2019	Yen —	Yen 19.00	Yen —	Yen 19.00	Yen 38.00
Fiscal year ending September 30, 2020	—	20.00	—		
Fiscal year ending September 30, 2020 (Forecast)				20.00	40.00

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

### 3. Financial Results Forecast for the Fiscal Year Ending September 30, 2020 (October 1, 2019 to September 30, 2020)

(% 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	10,967	(5.4)	1,934	(28.1)	1,970	(28.0)	1,319	(32.1)	79.92

(Note) Revisions from financial results forecasts announced most recently: Yes

#### \*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 June 30, 2020: 16,670,000 shares

As of September 30, 2019: 16,670,000 shares

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

As of June 30, 2020: 163,983 shares

As of September 30, 2019: 163,235 shares

3) Average number of shares during the period:

As of June 30, 2020: 16,506,508 shares

As of June 30, 2019: 16,470,730 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 "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
(3) Notes to Quarterly Financial Statements .....	8
(Notes on going concern assumption) .....	8
(Notes on significant changes in the amount of shareholders' equity) .....	8
(Segment information, etc.) .....	8
(Additional information) .....	8
3. Supplementary Information .....	8
(1) Results of production and orders received .....	8
(2) Sales results .....	8

## 1. Qualitative Information on the Quarterly Financial Results

### (1) Explanation of Operating Results

Our business in the nine months of the fiscal year under review progressed smoothly until the end of February, but during March through May, we were greatly affected by the new coronavirus (COVID-19) infection. After the government lifted the state of emergency in the metropolitan area, we resumed the operation to the normal level in June, and the summer course in July and August is expected to be carried out on a roughly the same scale as in the previous year after a thorough review of the schedule.

Regarding the impact of COVID-19, as announced in the "Measures for the new coronavirus infectious and its impact on business performance" dated February 28, we suspended operations at all our tutoring schools for the high school entrance examination course (for elementary and junior high school students) and university entrance examination course (for high school students) from March 2 to 14, and refunded 90% of tuition fees during the period, a total of 280 million yen. Subsequent spring classes were conducted almost as planned, but immediately after the announcement of the state of emergency on April 7, both high school entrance examination course and university entrance examination course were completely shifted from face-to-face live classes to online classes. In the online classes, teachers from each school distributed classes for students attending their own schools on the same day as the actual lesson, and at the same time, they provided home rooms and interactive lessons using the Internet conference system. All-out efforts were made to ensure that student learning was not interrupted. However, the regular face-to-face classes that were promised at the time of admission were not implemented, and we are a late entrant in the online teaching field and improvements in our online teaching capabilities are still required. Therefore, both in the high school entrance examination course and the university entrance examination course, we substantially reduced their tuition fees for April and May compared with the regular fees (reductions of approximately 60% to 80% depending on the school year). As a result of these two-month tuition fee reductions, net sales in April were -366 million yen (down 35.6% year on year), net sales in May were -481 million yen (down 67.1% year on year) and net sales in the third quarter (April 1, 2020 to June 30, 2020) were -882 million yen (down 33.5% year on year).

During the online classes held in April and May, we drastically reduced tuition fees as described above, distributed over 40,000 videos in two months, and provided support for students such as online home rooms, online supplementary classes, online practice exams, and others. As a result, we received an unprecedented amount of appreciation from students and their parents. In the two months, more than 600 staff members have devoted themselves to the video distribution and new types of operation. As a result, our capability for online teaching has dramatically improved, and we have accumulated a great deal of know-how that will lead to the future operation.

At the same time, this series of responses over the past several months has given us an opportunity to rediscover the benefits of live teaching, not only for our staff, but also for our students and parents. This was an opportunity for all the teachers to reaffirm the merits of live teaching, which allows students to learn energetically, to retain what they have learned, to resolve questions and concerns without feeling the distance of time and space, and to encourage each other.

Following the lifting of the state of emergency, there have been two major trends in the industry as a whole: the continuation of online video classes, and the return to face-to-face live classes. We will use the valuable know-how accumulated with the online classes in April and May and will continue to promote hybrid tutoring that focuses on live classes but also utilizes online teaching.

On May 25, the state of emergency was lifted in Kanagawa Prefecture, and the public schools resumed operation. With this, we have gradually resumed the face-to-face classes since June 1, and set tuition fees back to the original price since June. As for the summer classes starting in late July, the summer vacation period differs greatly depending on local governments, making it difficult for tutoring schools that are expanding over a wide area to set up the old-style summer classes that begin during daytime hours. As we decided to offer classes mostly in the late afternoons and in the evenings, we were quick to create a style in which students can attend summer classes with peace of mind in any region. Though these classes are different from the previous year, we will secure classroom hours that are roughly the same as the previous year (some classes have more time than normal years), and we will set the total tutoring fees at the same level as the previous year.

The trend of enrollment, which was slowed due to the COVID-19 infection in the important season for student recruitment from March through May, began to show signs of recovery from June. There is widespread concern among students and parents about the decline in academic performance due to school closures and other factors caused by COVID-19, but we are taking advantage of opportunities such as summer classes and the start of the new school term in September to invigorate recruitment, and to recover the decline in student

enrollment since March. In this process, we believe that the confidence that we have gained from students and parents in our overall response to online classes, etc. during COVID-19 infections will be very helpful to us.

We will continue to thoroughly implement measures to prevent the spread of the infection, and will work to manage risks and respond flexibly to future changes.

In the fourth year of operation of the kids' course, the STEP Kids Shonan School grew steadily and moved into the same building of STEP Fujisawa Station South Exit School for high school entrance exam. In the previous fiscal year, the school returned to profitability for the full year, including expenses for the relocation of the school. In March, we opened two schools, the Tsujido School (JR Tokaido Line Tsujido Station) and the Chigasaki School (JR Tokaido Line Chigasaki Station), and began networking STEP Kids.

During the fiscal year under review, we plan to open a total of 4 new schools: 2 in the high school entrance examination course and 2 in the above mentioned kids' course. The 2 schools in the high school entrance examination course are the Ikuta School (Odakyu Odawara Line Ikuta Station, Tama Ward, Kawasaki City) in the Kawasaki area, where we are currently focusing our efforts, and the Ebina Ogicho School (Odakyu Odawara Line Ebina Station) in our dominant area. All of these began officially at the spring seminar in March, and their launches have been steady.

As a result of the opening of these new schools, there are currently 151 schools, including 132 schools in the high school entrance examination course, 15 schools in the university entrance examination course, 1 school in the individualized instruction course, and 3 schools in the children course.

In the third quarter of the fiscal year under review, the total average number of students increased 2.9% year on year.

In the third quarter of the current fiscal year, we received loans totaling 3,050 million yen from a number of financial institutions in preparation for the prolongation of the impact of COVID-19 infections. In this way, we have accumulated cash on hand to increase the stability of our management.

As a result of the above, we recorded net sales of 7,473 million yen (down 10.3% year on year), operating income of 737 million yen (down 53.0% year on year), ordinary income of 757 million yen (down 52.7% year on year), and net income of 508 million yen (down 53.5% year on year).

## (2) Explanation of Financial Condition

### Assets

Total assets at the end of the third quarter stood at 25,017 million yen, an increase of 2,097 million yen from the end of the previous fiscal year.

Current assets increased 1,953 million yen from the end of the previous fiscal year to 7,084 million yen, mainly due to an increase in cash and deposits.

Non-current assets increased 144 million yen from the end of the previous fiscal year, to 17,932 million yen, mainly due to an increase in buildings associated with the completion of new schools, despite a decrease due to the implementation of depreciation.

### Liabilities

Liabilities at the end of the third quarter increased 2,234 million yen from the end of the previous fiscal year, to 4,792 million yen.

Current liabilities increased 1,047 million yen from the end of the previous fiscal year, to 2,659 million yen, mainly due to an increase in current portion of long-term debt.

Non-current liabilities increased 1,187 million yen from the end of the previous fiscal year, to 2,132 million yen, mainly due to an increase in long-term loans payable.

### Net assets

Net assets at the end of the third quarter of the current fiscal year decreased 136 million yen from the end of the previous fiscal year to 20,225 million yen, mainly due to the payment of dividend, despite the recording of net income.

As a result, the equity ratio was 80.8%, down 8.0 percentage points from the end of the previous fiscal year

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

Since our initial public offering in 1995, we have posted 25 consecutive years of increased sales and 19 consecutive years of increased operating income. However, in Kanagawa Prefecture, where we operate tutoring schools, there are important issues that we must overcome in order to continue to develop in the future. The Japanese society as a whole is experiencing a declining birthrate and an aging population. However, in Kanagawa Prefecture, there are regions where the declining birthrate is continuing without any end in sight, and regions where the population is still continuing to grow over the next 10 years due to population inflows and the aging of the population and the declining birthrate are both progressing more moderately. Our challenge is to strengthen our future business development in areas such as Yokohama and Kawasaki, where the population continues to grow. We have been steadily expanding our business area from the Midwest of Kanagawa Prefecture, and we need to further strengthen our brand power in the Yokohama and Kawasaki regions to achieve the target.

In order to aggressively tackle these challenges, we have positioned the 2 years from the fiscal year ending September 2019 to the fiscal year ending September 2020 as "a period of intensive efforts to build a foundation for future development."

Among the seven measures planned two years ago, the "Suiran Project" and the "Yokohama Project" are the core measures for achieving success. The goal of the Suiran Project is to achieve the track record of passing exams at prestigious school Yokohama Suiran High School, which has a strong influence on the Yokohama and Kawasaki areas, as one of the two top public high schools (Shonan and Yokohama Suiran) in Kanagawa Prefecture. The goal of the Yokohama Project is to achieve the highest number of students that pass the top-level public schools in Yokohama city. In 2019, we achieved the Suiran project one year ahead of schedule and the Yokohama project as planned. Also, we were able to achieve the two goals for the second year in a row in 2020. We will continue to strengthen our brand power in the Yokohama and Kawasaki regions.

Both projects have already produced positive results as described above. Therefore, despite the statement in the Financial Results dated October 31, 2018, "For the next two fiscal years (from the fiscal year ending September 2019 to the fiscal year ending September 2020), we will set sales targets in a restrained manner and will not set profit targets," we have decided to announce both sales and profit targets from the fiscal year ending September 2020.

It goes without saying that the long-term stance of implementing the above-mentioned long-term plans remains largely unchanged.

From April 22 onwards, we announced its full-year business forecasts as "undetermined" due to the spread of COVID-19 infections. However, in response to the resumption of regular classes, we are announcing the business forecasts for the fiscal year ending September 2020.

As announced in October 2018, we plan to pay a dividend of 40 yen per share for the fiscal year ending September 2020.

## 2. Quarterly Financial Statements and Principal Notes

### (1) Quarterly Balance Sheets

(Thousand yen)

	As of September 30, 2019	As of June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	4,838,810	6,693,922
Accounts receivable-trade	66,705	117,902
Inventories	35,068	36,047
Income taxes receivable	—	60,492
Other	191,735	177,519
Allowance for doubtful accounts	(1,307)	(1,411)
<b>Total current assets</b>	<b>5,131,012</b>	<b>7,084,472</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	7,452,405	7,765,043
Land	9,083,408	9,083,408
Other, net	401,831	206,458
<b>Total property, plant and equipment</b>	<b>16,937,645</b>	<b>17,054,910</b>
Intangible assets	31,443	42,651
Investments and other assets		
Leasehold and guarantee deposits	505,796	504,008
Other	313,479	331,329
<b>Total investments and other assets</b>	<b>819,276</b>	<b>835,337</b>
<b>Total non-current assets</b>	<b>17,788,365</b>	<b>17,932,899</b>
<b>Total assets</b>	<b>22,919,378</b>	<b>25,017,371</b>
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	455,756	1,887,537
Lease obligations	16,998	17,030
Accounts payable-other	107,088	93,998
Income taxes payable	425,607	—
Provision for bonuses	83,668	301,971
Other	523,459	359,135
<b>Total current liabilities</b>	<b>1,612,579</b>	<b>2,659,673</b>
Non-current liabilities		
Long-term borrowings	542,872	1,736,818
Lease obligations	32,489	21,703
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligation	224,726	229,655
Other	14,626	14,381
<b>Total non-current liabilities</b>	<b>944,514</b>	<b>2,132,358</b>
<b>Total liabilities</b>	<b>2,557,094</b>	<b>4,792,032</b>

(Thousand yen)

	As of September 30, 2019	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	1,778,330	1,778,330
Capital surplus	2,082,726	2,082,726
Retained earnings	16,718,210	16,583,089
Treasury shares	(216,718)	(216,718)
Total shareholders' equity	20,362,547	20,227,426
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(262)	(2,087)
Total valuation and translation adjustments	(262)	(2,087)
Total net assets	20,362,284	20,225,339
Total liabilities and net assets	22,919,378	25,017,371



## (2) Quarterly Statements of income

(For the Nine-month Period)

(Thousand yen)

	For the nine months ended June. 30, 2019	For the nine months ended June. 30, 2020
Net sales	8,328,447	7,473,633
Cost of sales	6,174,184	6,148,175
Gross profit	2,154,262	1,325,457
Selling, general and administrative expenses	584,483	587,540
Operating profit	1,569,779	737,917
Non-operating income		
Interest income	31	26
Subsidy income	24,971	14,443
Rental income from buildings	74,999	77,021
Other	8,363	7,352
Total non-operating income	108,366	98,844
Non-operating expenses		
Interest expenses	1,255	1,084
Rental expenses	73,869	77,892
Other	3,019	371
Total non-operating expenses	78,144	79,348
Ordinary profit	1,600,001	757,413
Extraordinary losses		
Loss on sales of non-current assets	241	—
Total extraordinary losses	241	—
Profit before income taxes	1,599,759	757,413
Income taxes-current	561,156	292,329
Income taxes-deferred	(56,105)	(43,547)
Total income taxes	505,050	248,782
Profit	1,094,708	508,630

### (3) Notes to Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

There is no relevant information.

(Segment information, etc.)

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

(Additional information)

(Accounting estimates)

The period from March through May 2020 was greatly affected by the COVID-19 infection. However, following the lifting of the state of emergency, we have returned to normal operation since June 2020, and assuming that there will be no significant impact from the infection from July onwards, we have made accounting estimates regarding the depletion of fixed assets and the recoverability of deferred tax assets.

### 3. Supplementary Information

#### Status of production, orders and sales

##### (1) Results of production and orders received

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

##### (2) Sales results

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

Segment	Nine months ended June 30,2020 (Thousand yen)	Year-on-year changes (%)
High school entrance examination course	5,996,780	89.5
University entrance examination course	1,476,853	90.9
Total	7,473,633	89.7