



Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2021 [Japanese GAAP]

April 27, 2021

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 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 9795
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 Availability of supplementary briefing material on quarterly financial results : Yes
 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 Second Quarter of the Fiscal Year Ending September 30, 2021

(October 1, 2020 to March 31, 2021)

(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, 2021	6,307	10.2	1,707	35.7	1,749	35.5	1,204	36.3
March 31, 2020	5,722	0.5	1,258	5.2	1,290	5.2	883	4.9

	Profit per share	Diluted earnings per share
For the second quarter ended March 31, 2021	Yen 72.99	Yen —
March 31, 2020	53.53	—

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	26,911	21,937	81.5	1,329.06
As of September 30, 2020	26,036	21,060	80.9	1,275.93

(Reference) Equity: As of March 31, 2021: ¥ 21,937million
 : As of September 30, 2020: ¥ 21,060million

2. Dividends

	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended September 30, 2020	Yen —	Yen 20.00	Yen —	Yen 20.00	Yen 40.00
Fiscal year ending September 30, 2021	—	20.00	—	—	—
Fiscal year ending September 30, 2021 (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, 2021 (October 1, 2020 to September 30, 2021)

(% 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	12,211	11.7	2,706	40.2	2,741	39.2	1,848	37.6	111.96

(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, 2021: 16,670,000 shares

As of September 30, 2020: 16,670,000 shares

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

As of March 31, 2021: 163,983 shares

As of September 30, 2020: 163,983 shares

3) Average number of shares during the period:

As of March 31, 2021: 16,506,017 shares

As of March 31, 2020: 16,506,745 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.

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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 3rd-grade junior high school and high school students took entrance exams under unprecedented circumstances due to the COVID-19 crisis. 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.

First of all, in regard to the entrance exams in the high school entrance examination course (for elementary and junior high school students) this spring, we were able to be the top tutoring school for the third consecutive year in "the number of students passing the entrance exams at Yokohama Suiran High School, which is an outstanding school with strong influence in the Yokohama and Kawasaki areas," and "the number of students passing the entrance exams at the top public high schools in Yokohama City." In addition, as for the number of students passing the entrance exams at Kawawa High School, the top-level school in the northern area of Yokohama, we have reached the top among all the tutoring schools for the second consecutive year, steadily strengthening the foundation as a top brand in Yokohama. We also reached the top in the number of students passing the entrance exams at all five of the preparatory schools in Kanagawa that are particularly focused on improving academic performance (Yokohama Suiran, Shonan, Hakuyo, Kawawa, and Atsugi high schools).

In addition, a total of 2,192 students passed the exam at the top public high schools in Kanagawa Prefecture, and we remained at the top among all the tutoring schools in Kanagawa. As a result, 42.9% of our students passed the top schools, among those who passed the prefectural public high schools. Looking in detail, we became the top tutoring school in terms of the number of students that passed the exam at 15 of the 19 top high schools in Kanagawa and 15 of the 19 of the schools that underwent the special "tokushoku kensa test" (descriptive test) that characterizes the current exam system. We continued to outperform other tutoring schools this spring. In addition, the number of students who have passed the exam at the Tokyo Gakugeidai High School, which is co-ed and has the most difficult entrance exam among the schools within the school commuting area for our students, has reached 131 in the end (the number of our students who have passed the exam at the first selection was 91, 41.2% of 221 in all at that time). We have the largest number of students who passed the school among all tutoring schools for 13 consecutive years.

In the university entrance examination course (for high school students), this spring's entrance exam was more stressful than usual for the students, as it was the first year of the new entrance exam system (Common Entrance Examination for University Admission) in addition to the COVID-19 factors. Under such circumstances, we were able to pass 10 students for Tokyo University, 4 students for Kyoto University, 10 students for Hitotsubashi University, and 11 students for Tokyo Institute of Technology (all from Kanagawa Prefectural High School). In addition, 6 prefectural high school students also passed the Medical Faculty of a national and public university, and the number of students passing the entrance exams for all national and public universities reached a record high of 270 (up 37.8% from 196 in the previous fiscal year). As for the private universities, a total of 438 students passed the entrance exams at Waseda, Keio, and Sophia Universities (up 71.1% from 256 in the previous fiscal year), and a total of 1,462 students passed the entrance exams at the so-called Ridai MARCH Schools (Tokyo University of Science, Meiji, Aoyama Gakuin, Rikkyo, Chuo, and Hosei) (up 27.4% from 1,148 in the previous fiscal year), both record highs. It is noteworthy that most of these pass results are achieved by public high school students, who tend to be inferior to private high schools in their pass results in the Tokyo metropolitan area. The successful results can be proved to be very meaningful for us. Although there was an objective condition that students were able to spend time devoting themselves to their studies during the period when schools are closed and club activities were limited due to COVID-19, the number of public high school students passing the first-choice universities could be increased if we built a certain study system and structure.

The growth in success results has strengthened our brand as a face-to-face live class school in Kanagawa Prefecture, mainly for public high school students. As the university entrance exams continue to change, we will continue to be proactive and realistic, flexibly review the curriculum and teacher training content, and will work to further improve the content of our teaching.

Although student recruitment was a gradual uptrend until the first quarter, the trend toward student increase became clear around the winter course. The number of elementary school students, which had been sluggish amid the COVID-19 crisis, also turned positive from January 2021 onward. As a result, the average number of students during the cumulative second quarter increased by 2.4% year-on-year. As of the end of the second quarter, the total number of students in all grades, including the high school entrance examination course

and the university entrance examination course, increased by 7.1% year-on-year.

Furthermore, from the end of the second quarter to the middle of April, student numbers grew in almost all regions of Kanagawa Prefecture. In particular, the number of students at the 5th to 6th grades in elementary school in the high school entrance examination course, rose 22.0% year-on-year.

Last year, the recruitment of new high school freshmen was directly affected by COVID-19 during the student recruitment period and recorded a year-on-year decrease. However, this year, the high school division was off to a good start, with our classes at 10 of the 15 schools for university entrance exams fully booked in early April when the first semester started.

As a result of these factors, as of mid-April, the total number of students in all grades increased by 9.7% year-on-year. This can be said to be due to the fact that some households who had postponed attending the tutoring school due to COVID-19 have begun to attend face-to-face classes, as they thought it will take more time for the containment of COVID-19.

Another factor is that our efforts under COVID-19 to enhance online classes (with over 40,000 videos), our hybrid system that allows students to choose between face-to-face classes and live online classes, and our drastic reduction of tuition fees under the State of Emergency in April and May 2020. We believe that all of our efforts have been supported by many families and have increased their trust in our company's stance of being close to the students.

With regard to the impact of COVID-19 and the responses against it, Kanagawa Prefecture also declared a State of Emergency on January 7, 2021 (which ended on March 21). Accordingly, in the STEP schools as a matter of course, we have implemented more thorough measures to prevent infectious diseases and made it possible for students to select face-to-face classes and live online classes. There were no major barriers to the implementation of live online classes, as we had a system in place to ensure smooth implementation in all of our school buildings based on our experience and accumulation from the first declaration of the State of Emergency in 2020. Going forward, while mainly focusing on face-to-face live classes, we will continue to closely monitor the situation of COVID-19 and maintain a system that allows us to conduct live online classes in parallel at any time.

STEP kids course opened two schools in March, 2020, the Tsujido School (JR Tokaido Line Tsujido Station) and the Chigasaki School (JR Tokaido Line Chigasaki Station), and began networking. In the first year of the two new schools, we accepted applications only for grades 1 and 2 of elementary school students, and we expect the number of students to increase with the addition of grade 3 from this spring and grade 4 from spring 2022. We will continue to accumulate and share operational know-how at three schools with the aim of achieving higher-quality operations.

Three new schools were opened during the current fiscal year in the high school entrance examination course : Motsumiyoshi School (Tokyu Toyoko Line Motsumiyoshi Station, Nakahara-ku, Kawasaki City), Hi-STEP Kawasaki School (JR Kawasaki Station, Saiwai-ku, Kawasaki City) in the Kawasaki area where we are focusing, and Kaminagaya School (Yokohama City Subway Kaminagaya Station, Konan-ku, Yokohama City) in Yokohama City. Motsumiyoshi and Kaminagaya schools began their classes in March and Hi-STEP Kawasaki in April.

As a result of the opening of these new schools, there are currently 154 schools, including 135 in the high school entrance examination course, 15 in the university entrance examination course, 1 in the individualized instruction course, and 3 in the kids course.

We recorded net sales of 6,307 million yen (up 10.2% year on year), operating income of 1,707 million yen (up 35.7% year on year), ordinary income of 1,749 million yen (up 35.5% year on year), and net income of 1,204 million yen (up 36.3% 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 26,911 million yen, an increase of 874 million yen from the end of the previous fiscal year.

Current assets increased 927 million yen from the end of the previous fiscal year to 9,142 million yen, mainly due to an increase in cash and deposits.

Non-current assets decreased 52 million yen from the end of the previous fiscal year, to 17,769 million yen, mainly due to the implementation of depreciation.

(Liabilities)

Liabilities at the end of the second quarter decreased 1 million yen from the end of the previous fiscal year, to 4,974 million yen.

Current liabilities increased 342 million yen from the end of the previous fiscal year, to 3,400 million yen, mainly due to an increase in the income taxes payable, despite a decrease in the current portion of long-term loans payable.

Non-current liabilities decreased 344 million yen from the end of the previous fiscal year, to 1,574 million yen, mainly due to a decrease in long-term loans payable.

(Net assets)

Net assets at the end of the second quarter increased 876 million yen from the end of the previous fiscal year to 21,937 million yen, mainly due to the recording of quarterly net income, despite the payment of dividends.

As a result, the equity ratio was 81.5%, up by 0.6 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 3,206 million yen (up by 61.0% year on year) to 8,461 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,781 million yen (up by 4.8% year on year).

This was mainly attributable to income before income taxes of 1,749 million yen, depreciation and amortization of 232 million yen, and an increase in advances received of 146 million yen, which were offset by income taxes paid of 256 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 161 million yen (down by 64.7% year on year).

This was mainly due to the purchase of property, plant and equipment of 119 million yen.

(Cash flows from financing activities)

Net cash used in investing activities was 775 million yen (up by 37.3% year on year).

This was mainly attributable to repayments of long-term loans payable of 435 million yen and cash dividends paid of 330 million yen.

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

In the fiscal year ended September 2020, our company experienced its first decline in sales since its establishment in 1979 due to the impact of COVID-19. However, in the second quarter of the fiscal year under review, both sales and profits increased significantly year-on-year, and student recruitment has been also trending favorably. On the other hand, COVID-19 is spreading again, and it is still unclear how it will affect us in the future. As of the date of the release of the Summary of Financial Results for the second quarter, April 27 2021, the impact of COVID-19 was immaterial, but there is still a possibility that our performance could be significantly affected depending on the situation surrounding infections in the future. Therefore, we remain unchanged its full-year business forecasts, and if it becomes necessary to revise the forecasts, we will promptly announce the revised figures.

In the long-term, there are important issues that we must overcome in order to continue to develop in Kanagawa Prefecture, where we operate tutoring schools. 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. This year, our school has been ranked No. 1 in the number of students passing the entrance exam at Yokohama Suiran High School for three consecutive years, which, we believe, will greatly contribute to the enhancement of our brand power in Yokohama and Kawasaki area. We will continue to focus on the quality of our classes and on improving the academic performance of our students, which will further strengthen our brand power.

2. Quarterly Financial Statements and Principal Notes

(1) Quarterly Balance Sheets

(Thousand yen)

	As of September 30, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	7,877,599	8,722,064
Accounts receivable-trade	67,811	56,350
Inventories	26,497	52,595
Other	244,436	312,407
Allowance for doubtful accounts	(1,111)	(923)
Total current assets	8,215,233	9,142,494
Non-current assets		
Property, plant and equipment		
Buildings, net	7,711,467	7,648,338
Land	9,083,408	9,083,408
Other, net	194,452	186,051
Total property, plant and equipment	16,989,329	16,917,799
Intangible assets	39,983	46,181
Investments and other assets		
Leasehold and guarantee deposits	514,650	545,196
Other	277,597	260,097
Total investments and other assets	792,248	805,294
Total non-current assets	17,821,561	17,769,275
Total assets	26,036,794	26,911,770
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,871,868	1,795,440
Lease obligations	16,217	13,246
Accounts payable-other	124,762	166,126
Income taxes payable	302,751	602,264
Provision for bonuses	88,306	21,253
Other	654,048	801,787
Total current liabilities	3,057,953	3,400,118
Non-current liabilities		
Long-term borrowings	1,518,839	1,159,341
Lease obligations	18,140	18,274
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligation	237,228	252,741
Other	14,293	14,084
Total non-current liabilities	1,918,301	1,574,241
Total liabilities	4,976,255	4,974,360

(Thousand yen)

	As of September 30, 2020	As of March 31, 2021
Net assets		
Shareholders' equity		
Capital stock	1,778,330	1,778,330
Capital surplus	2,082,726	2,082,726
Retained earnings brought forward	17,417,676	18,292,344
Treasury stock	(216,718)	(216,718)
Total shareholders' equity	21,062,013	21,936,681
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,474)	728
Total valuation and translation adjustments	(1,474)	728
Total net assets	21,060,538	21,937,409
Total liabilities and net assets	26,036,794	26,911,770

(2) Quarterly Statements of income

(For the Six-month Period)

(Thousand yen)

	For the six months ended March. 31, 2020	For the six months ended March. 31, 2021
Net sales	5,722,445	6,307,956
Cost of sales	4,028,152	4,193,386
Gross profit	1,694,292	2,114,569
Selling, general and administrative expenses	435,492	406,675
Operating profit	1,258,799	1,707,893
Non-operating income		
Interest income	20	14
Subsidy income	10,102	12,243
Rental income from buildings	50,911	52,874
Other	4,775	9,226
Total non-operating income	65,809	74,359
Non-operating expenses		
Interest expenses	462	1,759
Rental expenses	33,240	30,923
Other	161	47
Total non-operating expenses	33,864	32,730
Ordinary profit	1,290,744	1,749,523
Profit before income taxes	1,290,744	1,749,523
Income taxes-current	383,090	538,992
Income taxes-deferred	24,035	5,742
Total income taxes	407,126	544,735
Profit	883,618	1,204,788

(3) Quarterly Statements of Cash Flows

(Thousand yen)

	For the six months ended March. 31, 2020	For the six months ended March. 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,290,744	1,749,523
Depreciation	221,207	232,493
Increase(decrease) in allowance for doubtful accounts	(765)	(188)
Increase(decrease) in provision for bonuses	(63,065)	(67,053)
Interest and dividends income	(260)	(254)
Interest expenses	462	1,759
Subsidy income	(10,102)	(12,243)
Decrease(increase) in notes and accounts receivable-trade	11,188	(53,688)
Decrease(increase) in inventories	(17,987)	(26,098)
Increase(decrease) in accounts payable- other	118,247	39,608
Increase(decrease) in advances received	440,105	146,472
Other, net	65,626	13,769
Subtotal	2,055,401	2,024,099
Interest and dividends income received	247	251
Interest expenses paid	(436)	(1,721)
Proceeds from subsidy income	13,814	14,871
Income taxes paid	(369,302)	(256,058)
Net cash provided by (used in) operating activities	1,699,724	1,781,442
Cash flows from investing activities		
Purchase of property, plant and equipment	(452,685)	(119,198)
Collection of loans receivable	570	940
Payments for lease and guarantee deposits	(2,600)	(31,483)
Proceeds from collection of lease and guarantee deposits	6,152	937
Other, net	(8,771)	(12,778)
Net cash provided by(used in) investment activities	(457,334)	(161,583)
Cash flows from financing activities		
Repayment of long-term loans payable	(242,538)	(435,926)
Repayments of finance lease obligations	(8,616)	(8,787)
Cash dividends paid	(313,509)	(330,400)
Net cash provided by(used in) financing activities	(564,664)	(775,114)
Net increase(decrease) in cash and cash equivalents	677,725	844,744
Cash and cash equivalents at beginning of period	4,577,868	7,616,877
Cash and cash equivalents at end of period	5,255,594	8,461,621

(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 month ended March 31,2021 (Thousand yen)	Year-on-year changes (%)
High school entrance examination course	5,040,652	109.4
University entrance examination course	1,267,303	113.6
Total	6,307,956	110.2