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

July 28, 2021

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 Stock exchange listing: Tokyo Stock Exchange  
 Stock code: 9795  
 URL: <https://www.stepnet.co.jp/>  
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 Scheduled date of filing quarterly securities report: August 3, 2021  
 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, 2021

(October 1, 2020 to June 30, 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 third quarter ended June 30, 2021	9,370	25.4	2,260	206.4	2,330	207.7	1,603	215.3
June 30, 2020	7,473	(10.3)	737	(53.0)	757	(52.7)	508	(53.5)

	Profit per share	Diluted earnings per share
For the third quarter ended June 30, 2021	Yen 97.15	Yen —
June 30, 2020	30.81	—

#### (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2021	25,712	22,005	85.6	1,333.19
As of September 30, 2020	26,036	21,060	80.9	1,275.93

(Reference) Equity: As of June 30, 2021: ¥ 22,005million  
 : 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)	—	—	—	24.00	44.00

(Note) Revision to dividend forecast announced most recently: Yes

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	12,958	18.6	3,447	78.6	3,529	79.3	2,411	79.5	146.07

(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, 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 June 30, 2021: 164,283 shares

As of September 30, 2020: 163,983 shares

3) Average number of shares during the period:

As of June 30, 2021: 16,505,917 shares

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

Our company's third quarter (April to June) begins with the new school year enrollment period in April following the results of entrance examinations in March. In the third quarter of the fiscal year ended September 2020 (the 42nd period), the spread of COVID-19 had a major impact on student recruitment and sales. However, the trust from students' parents gained by our response to COVID-19 was strong, and our results of the entrance examinations in March were favorable. As a result of these factors, for the third quarter of the fiscal year ending September 2021 (the 43rd period) student recruitment trends remained favorable.

With regard to student recruitment, the number of students exceeded 30,000 during the current third quarter for the first time since our foundation, and the number of students at the end of June 2021 was up by 10.5% year on year. In addition, the average number of students during the third quarter was 28,905 (up by 5.1% year on year).

In the third quarter of the fiscal year ended September 2020 (the 42nd period), since schools were closed due to the declaration of the first State of Emergency caused by COVID-19, our student recruitment in the new school year was greatly affected. However, the number of students began to recover gradually from last autumn, and the number of elementary school students, which had been slowing due to COVID-19, also turned positive from January 2021, and it was up by 23.6% year on year at the end of June. Likewise, the number of the 1st-grade high school students who were promoted from the junior high school, which had dropped significantly in the previous year due to COVID-19, recovered this spring. At the end of June, the number of high school students promoted from the junior high school increased by 15.9% year on year.

One reason for this is that families who had postponed enrolling their children in tutoring schools due to COVID-19 have decided to start attending face-to-face classes at the time of the change of the school year, judging that it will take a long time to cope with the concurrent classes under COVID-19.

Another reason for this is that the Company's efforts to enhance online classes (distribution of over 40,000 videos), the operation of a hybrid system that allows students to choose between face-to-face classes and live online classes, and the reduction of tuition fees by 60-80% under the State of Emergency in April and May 2020, were supported by many students' families and gained trust for the Company.

The results of entrance exams this spring were favorable for both high school and university entrance exams, which helped to increase student recruitment.

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 Gakugei University Senior 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.

As for the response to COVID-19, we are continuing to implement thorough infection prevention measures at each school. While still focusing on face-to-face classes, we are keeping on making it possible for students to participate in live online classes according to their family's preference. With regard to online live classes, we are able to utilize our experience when we shifted to the online classes under the first State of Emergency in 2020, and each school is able to respond flexibly. 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.

In addition, our company conducted vaccinations against COVID-19 in the workplace from late June to late July, mainly for our employees, including part-time employees, and employees of major client companies. We were able to take speedy action for the safety and security of our students and for the peace of mind of our employees so that they could get on with their work.

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 : Motosumiyoshi School (Tokyu Toyoko Line Motosumiyoshi 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 Municipal Subway Kaminagaya Station, Konan-ku, Yokohama City) in Yokohama City. Motosumiyoshi and Kaminagaya schools began their classes in March and Hi-STEP Kawasaki in April. All of these openings have gotten off to a smooth start. Motosumiyoshi and Hi-STEP Kawasaki are the first schools to open in the former Kawasaki South School District.

As a result of the opening of these new schools, there are currently 154 schools, including 135 schools 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.

As a result of the above, in the third quarter, we recorded net sales of 9,370 million yen (up by 25.4% year on year), operating income of 2,260 million yen (up by 206.4% year on year), ordinary income of 2,330 million yen (up by 207.7% year on year), and net income of 1,603 million yen (up by 215.3% year on year).

## (2) Explanation of Financial Condition

### (Assets)

Total assets at the end of the third quarter stood at 25,712 million yen, a decrease of 324 million yen from the end of the previous fiscal year.

Current assets decreased 359 million yen from the end of the previous fiscal year to 7,855 million yen, mainly due to a decrease in cash and deposits.

Non-current assets increased 35 million yen from the end of the previous fiscal year to 17,857 million yen, mainly due to an increase in deferred tax assets.

### (Liabilities)

Liabilities at the end of the third quarter decreased 1,268 million yen from the end of the previous fiscal year to 3,707 million yen.

Current liabilities increased 164 million yen from the end of the previous fiscal year to 3,222 million yen, mainly due to increases of income taxes payable and the provision for bonuses, despite a decrease in the current portion of long-term loans payable.

Non-current liabilities decreased 1,433 million yen from the end of the previous fiscal year to 484 million yen, mainly due to the repayment of long-term loans payable.

### (Net assets)

Net assets at the end of the third quarter of the current fiscal year increased 944 million yen from the end of the previous fiscal year to 22,005 million yen, mainly due to the recording of quarterly net income, despite the payment of dividends.

As a result, the equity ratio was 85.6%, up by 4.7 percentage points from the end of the previous fiscal year.

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

In the fiscal year ended September 2020 (the 42nd period), sales were reduced for the first time since its establishment in 1979 due to the effects of COVID-19. In the second quarter, however, both sales and profits increased substantially year on year. This trend remained in the third quarter under review, and student recruitment was also strong.

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.

In particular, Kawasaki City, where we will be focusing on in the future, has a population of 1,542,323 (as of June 1 this year) and a junior high school student population of 29,974 (as of May 1 this year). On the other hand, Fujisawa City, where we have been focusing on developing schools for many years since our founding, has announced that it has a population of 440,244 (as of July 1 this year) and a junior high school student population of 10,779 (as of May 1). Since we have 14 schools for the high school entrance examination course in Fujisawa City and 8 in Kawasaki City at the moment, it simply means that there is room in Kawasaki City for 30 or more schools in the high school entrance examination course.

In order to steadily expand the number of schools in Kawasaki City and the northern part of Yokohama, we will need to further strengthen our brand power in this region. This spring, we achieved the number one position in the Yokohama Suiran High School's pass record for the third consecutive year, and we believe that this will greatly contribute to enhancing our brand power in this region. We will continue to focus on the quality of our classes and on enhancing the academic abilities of our students, thereby further strengthening our brand power.

## 2. Quarterly Financial Statements and Principal Notes

### (1) Quarterly Balance Sheets

(Thousand yen)

	As of September 30, 2020	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	7,877,599	7,482,277
Accounts receivable-trade	67,811	147,767
Inventories	26,497	40,706
Other	244,436	186,164
Allowance for doubtful accounts	(1,111)	(1,366)
Total current assets	8,215,233	7,855,549
Non-current assets		
Property, plant and equipment		
Buildings, net	7,711,467	7,596,467
Land	9,083,408	9,083,408
Other, net	194,452	210,514
Total property, plant and equipment	16,989,329	16,890,391
Intangible assets	39,983	42,995
Investments and other assets		
Leasehold and guarantee deposits	514,650	576,508
Other	277,597	347,137
Total investments and other assets	792,248	923,645
Total non-current assets	17,821,561	17,857,032
Total assets	26,036,794	25,712,582
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	1,871,868	1,681,243
Lease obligations	16,217	14,139
Accounts payable-other	124,762	113,916
Income taxes payable	302,751	546,026
Provision for bonuses	88,306	311,661
Other	654,048	555,302
Total current liabilities	3,057,953	3,222,288
Non-current liabilities		
Long-term borrowings	1,518,839	55,575
Lease obligations	18,140	28,437
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligation	237,228	256,848
Other	14,293	14,318
Total non-current liabilities	1,918,301	484,979
Total liabilities	4,976,255	3,707,267

(Thousand yen)

	As of September 30, 2020	As of June 30, 2021
Net assets		
Shareholders' equity		
Share capital	1,778,330	1,778,330
Capital surplus	2,082,726	2,082,726
Retained earnings	17,417,676	18,360,991
Treasury shares	(216,718)	(216,718)
Total shareholders' equity	21,062,013	22,005,328
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,474)	(14)
Total valuation and translation adjustments	(1,474)	(14)
Total net assets	21,060,538	22,005,314
Total liabilities and net assets	26,036,794	25,712,582



## (2) Quarterly Statements of income

(For the Nine-month Period)

(Thousand yen)

	For the nine months ended June. 30, 2020	For the nine months ended June. 30, 2021
Net sales	7,473,633	9,370,107
Cost of sales	6,148,175	6,521,634
Gross profit	1,325,457	2,848,473
Selling, general and administrative expenses	587,540	587,622
Operating profit	737,917	2,260,850
Non-operating income		
Interest income	26	17
Subsidy income	14,443	18,626
Rental income from buildings	77,021	80,114
Other	7,352	33,190
Total non-operating income	98,844	131,948
Non-operating expenses		
Interest expenses	1,084	2,448
Rental expenses	77,892	58,870
Other	371	1,122
Total non-operating expenses	79,348	62,442
Ordinary profit	757,413	2,330,357
Profit before income taxes	757,413	2,330,357
Income taxes-current	292,329	816,385
Income taxes-deferred	(43,547)	(89,584)
Total income taxes	248,782	726,801
Profit	508,630	1,603,555

### (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.

### 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 30,2021 (Thousand yen)	Year-on-year changes (%)
High school entrance examination course	7,446,222	124.2
University entrance examination course	1,923,885	130.3
Total	9,370,107	125.4