



## Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2021 [Japanese GAAP]

October 28, 2021

Company name: STEP CO.,LTD.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 9795

URL: <https://www.stepnet.co.jp/>

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Scheduled date of Ordinary General Meeting of Shareholders: December 18, 2021

Scheduled date of commencing dividend payments: December 21, 2021

Scheduled date of filing securities report: December 20, 2021

Preparation of supplementary briefing material on annual financial results: Yes

Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

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

### 1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2021 (October 1, 2020 to September 30, 2021)

#### (1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended September 30, 2021	13,036	19.3	3,509	81.9	3,593	82.5	2,471	84.0
September 30, 2020	10,927	(5.7)	1,929	(28.2)	1,968	(28.1)	1,343	(30.9)

	Profit per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
September 30, 2021	149.71	—	11.2	13.6	26.9
September 30, 2020	81.38	—	6.5	8.0	17.7

(Reference) Equity in earnings of affiliated companies: Fiscal year ended September 30, 2021: ¥ - million

Fiscal year ended September 30, 2020: ¥ - million

#### (2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	yen
September 30, 2021	26,790	22,874	85.4	1,385.83
September 30, 2020	26,036	21,060	80.9	1,275.93

(Reference) Equity: As of September 30, 2021: ¥ 22,874 million

: As of September 30, 2020: ¥ 21,060 million

#### (3) Non-consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
September 30, 2021	3,720	(401)	(2,549)	8,386
September 30, 2020	1,868	(560)	1,730	7,616

### 2. Dividends

	Annual dividends					Total dividends	Payout ratio	Dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
September 30, 2020	—	20.00	—	20.00	40.00	660	49.2	3.1
September 30, 2021	—	20.00	—	25.00	45.00	742	30.1	3.2
Fiscal year ending September 30, 2022 (Forecast)	—	23.00	—	23.00	46.00		30.4	

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2022  
(October 1, 2021 to September 30, 2022)

(% 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
First half	6,857	8.7	1,995	16.8	2,024	15.7	1,362	13.0	82.52
Full year	13,644	7.1	3,644	13.6	3,692	12.2	2,501	10.5	151.52

Note: From the beginning of the fiscal year ending September 30, 2022, the Company applies the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. The financial forecasts presented above include the effects of the new standards.

\* Notes:

(1) 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

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

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

As of September 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 September 30, 2021: 164,283 shares

As of September 30, 2020: 163,983 shares

3) Average number of shares during the period:

Fiscal Year ended September 30, 2021: 16,505,867 shares

Fiscal Year ended September 30, 2020: 16,506,385 shares

\* These financial results are unaudited by certificated 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. Overview of Operating Results, etc. (4) Future outlook” on page 5 of this report.

Annual financial results briefing sessions for institutional investors and analysts is planned to be held on November 12, 2021.

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## 1. Overview of Operating Results, etc.

### (1) Summary of operating results for the current fiscal year

The current fiscal year was a year of recovery and growth from the fiscal year ended September 2020, which was largely affected by COVID-19. The number of students enrolled gradually recovered from autumn 2020; in June 2021, it exceeded 30,000 for the first time since our foundation. As a result, the number of students at the end of September 2021 was up 10.9% year on year. The average number of students during the period was 29,467 (up 6.6% year on year), approaching 30,000.

The reason for the recovery in student numbers was 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 or may be impossible to exterminate COVID-19.

In addition, it is speculated 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 the entrance exams this spring were favorable for both high school and university entrance exams, which helped to recruit new students.

First of all, regarding 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." Yokohama Suiran High School is one of the nation's top public schools. In 2021, it is ranked 11th nationwide and 2nd among public high schools in the number of students passing Tokyo University. Furthermore, as for the number of students passing the 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, further 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 national and public universities, 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 almost all of these pass results are achieved by public high school students, whose schools tend to get lower pass results than private high schools in the Tokyo metropolitan area. The successful results can be proved to be very meaningful for us.

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 our response to COVID-19, in response to the outbreaks of clusters at tutoring schools in various regions, we have taken measures such as checking the temperature of students and staff, disinfecting their hands, and ensuring that they wear non-woven face masks. By strengthening measures against COVID-19, such as installing a large number of additional circulators since February 2021 for paying special attention to classroom ventilation, we have been able to prevent the outbreak of clusters and continue face-to-face classes.

In addition, our company conducted workplace vaccinations against COVID-19 from late June to late July, mainly for our employees, including part-time staff, and employees of major client companies. As we were one of the first companies to implement the workplace vaccination program, we were able to gain the trust of families through our quick response to managing the health of our employees and preventing infection among students.

On the other hand, due to the spread of the fifth wave of COVID-19, at around August 2021 there was an increase in the number of reports that students were infected with COVID-19 at home or in school club activities. With this, since mid-August we have been posting the infection status of STEP schools on our website every day. The purpose of this is to share information with students and parents on how much infection is spreading in the school daily, so that we can strengthen our infection control measures with the cooperation of students' families. We plan to continue to actively disclose such information since the cooperation of students' families is indispensable for the prevention of COVID-19.

Even amid continuing spread of COVID-19, we have established an environment where students can participate in classes with peace of mind; students have a choice for online classes at any time, although we mainly hold face-to-face classes. We will continue to closely monitor the situation of COVID-19 and maintain a system that allows us to conduct live streaming online classes. In addition to classes, our school will also provide guidance to students, hold parent-teacher conferences and meetings, via both online and face-to-face, depending on the situation.

STEP Kids course opened two schools in March, 2020, the STEP Kids Tsujido School (JR Tokaido Line Tsujido Station) and the STEP Kids Chigasaki School (JR Tokaido Line Chigasaki Station) to start expanding its network. In the two new schools, we accepted applications only for elementary school students in 1st and 2nd grades in the first year of its launch and added 3rd grade students from spring of 2021. Furthermore, we expect the number of students to increase along with the addition of 4th grade students from the spring of 2022.

In the fall of 2020, we launched a new STEP Science Class. This is an experimental school that focuses on the science program of STEP Kids, and is engaged in a variety of experiments once a month at the Shonan School.

In the spring of 2021, we added an English/Eiken test course to the STEP Kids program. The total number of programs implemented throughout the year was 14, including science, English conversation, arithmetic, language, liberal arts, programming, dance, Shogi (Japanese chess), music, sign language, and Hyakunin Isshu (traditional Japanese collection of one hundred poems by one hundred poets). We will continue to accumulate and share operational know-how in three schools and build a foundation for future expansion throughout the prefecture.

In the high school entrance examination course, three new schools were opened during the current fiscal year. Motosumiyoshi School (Tokyu Toyoko Line Motosumiyoshi Station, Nakahara-ku, Kawasaki City), Hi-STEP Kawasaki School (JR Tokaido Line 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 2021 and Hi-STEP Kawasaki in April 2021. 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.

In addition, in response to the increase in the number of students, we increased the floor space of Hi-STEP Aobadai School, Hi-

STEP Yokohama School, STEP Fujisawa School for University Entrance Exam Building No. 2, STEP Sagami-Ono School for University Entrance Exam, and STEP Yokohama School for University Entrance Exam, and relocated and expanded STEP Oiso School, Hi-STEP Ebina School, and STEP Hadano School for University Entrance Exam.

We recorded net sales of 13,036 million yen (up 19.3% year on year), operating income of 3,509 million yen (up 81.9% year on year), ordinary income of 3,593 million yen (up 82.5% year on year), and net income of 2,471 million yen (up 84.0% year on year).

The number of students and net sales by business segment are as follows.

(High school entrance examination course)

The average number of students during the period was 24,217 (up 6.8% year on year) and net sales were 10,430 million yen (up 18.6% year on year).

(University entrance examination course)

The average number of students during the period was 5,250 (up 5.6% year on year) and net sales were 2,605 million yen (up 22.2% year on year).

## (2) Summary of financial condition in the current fiscal year

### Assets, liabilities and net assets

#### (Assets)

Total assets at the end of the fiscal year under review stood at 26,790 million yen, an increase of 753 million yen from the end of the previous fiscal year.

This was mainly due to an increase in cash and deposits.

Current assets increased 752 million yen from the end of the previous fiscal year to 8,968 million yen, mainly due to an increase in cash and deposits.

Non-current assets unchanged from the end of the previous fiscal year to 17,822 million yen, mainly due to a decrease caused by the implementation of depreciation, despite an increase in guarantee deposits.

#### (Liabilities)

Liabilities at the end of the fiscal year under review amounted to 3,916 million yen, a decrease of 1,060 million yen from the end of the previous fiscal year.

Current liabilities increased 383 million yen from the end of the previous fiscal year to 3,441 million yen, mainly due to an increase in income taxes payable, despite a decrease in current portion of long-term borrowings.

Non-current liabilities decreased 1,443 million yen from the end of the previous fiscal year, to 474 million yen, mainly due to a decrease in long-term borrowings.

#### (Net assets)

Net assets at the end of the fiscal year under review increased 1,813 million yen from the end of the previous fiscal year to 22,874 million yen due to the recording of net income despite the payment of dividends. As a result, the equity ratio was 85.4%, up by 4.5 percentage points from the end of the previous fiscal year.

## (3) Summary of cash flow in the current fiscal year

The status of cash flows and their factors for the current fiscal year are as follows.

Cash and cash equivalents were 8,386 million yen, an increase of 769 million yen (up 10.1%) year-on-year.

#### (Cash flows from operating activities)

Net cash provided by operating activities was 3,720 million yen, an increase of 1,852 million yen (up 99.2%) year-on-year. This was mainly due to income before income taxes of 3,593 million yen, depreciation and amortization of 485 million yen, and income taxes paid of 566 million yen.

#### (Cash flows from investing activities)

Net cash used in investing activities totaled 401 million yen, a decrease of 158 million yen (down 28.3%) year-on-year, mainly due to interior work for relocated school buildings.

#### (Cash flows from financing activities)

Net cash used in financing activities amounted to 2,549 million yen (1,730 million yen was provided in the same period of the previous fiscal year), mainly due to repayment of long-term borrowings and payment of dividends.

#### (Reference) Trends in cash flow indicators

	Fiscal year ended September 30, 2017	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Equity ratio (%)	86.1	89.0	88.8	80.9	85.4
Market value equity ratio (%)	117.5	118.0	102.1	101.1	118.8
Cash flow to interest-bearing liabilities ratio (years)	0.5	0.3	0.5	1.8	0.4
Interest coverage ratio (times)	927.4	1,440.1	1,386.8	826.6	1,376.7

Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Cash flow to interest-bearing liabilities ratio: interest expenses paid

Interest coverage ratio: cash flow / interest expenses paid

(Notes 1) Market capitalization is calculated based on the number of shares issued excluding treasury stock.

(Notes 2) Cash flow from operating activities is used for cash flow.

(Notes 3) Interest-bearing debt includes all debt reported on the Non-consolidated balance sheets on which interest is paid.

#### (4) Future outlook

In the fiscal year ended September 2020 (the 42nd term), we took measures to drastically reduce tuition fees for about two months amid the spread of COVID-19, resulting in the first decline in revenue since its establishment in 1979. However, in the fiscal year ended September 2021 (the 43rd term), student recruitment continued to be strong since the second quarter, resulting in record highs in net sales, operating, ordinary and net income.

Regarding the outlook for the future, there is a major challenge to form a network of schools in Kawasaki City, and in the eastern, oceanfront, and southern areas including Tsurumi-ku, Naka-ku, Kanazawa-ku, and other areas in Yokohama City. Kawasaki City has the second-largest population of young people in Kanagawa Prefecture after Yokohama City, but where we have just started full-scale school operations.

Fujisawa City, the birthplace of our company and the city where we have been operating school buildings for many years, has a population of 440,737 (as of October 1, 2021) and 10,779 students attending municipal junior high schools (as of May 1, 2021). The total number of STEP students among them is 2,611 (total of 14 schools in the city), and the share is 24.2%.

On the other hand, looking at the cities of Yokohama and Kawasaki, the population of Yokohama City is 3,776,179 (as of October 1, 2021), and 77,515 students attending municipal junior high schools (as of May 1, 2021); the population of Kawasaki City is 1,541,159 (as of October 1, 2021), and 29,974 students attending municipal junior high schools (as of May 1, 2021). Since our 24.2% of market share in Fujisawa City has been built up over a long period of time, if we assume our share in Yokohama City and Kawasaki City as 15%, in the future there is the potential for the number of students in Yokohama City to be around 11,600 (equivalent to 78 schools if the average number of junior high school students per school is 150) and about 4,500 students (equivalent to 30 schools) in Kawasaki City (see the table below).

Currently, the number of our schools in Yokohama City has increased to 46. However, there are still many areas that have not yet been developed or that have not been sufficiently developed, and our share of the market among municipal junior high schools is 8.4% (6,527 students). In Kawasaki City, our market share is still at 3.0% level (905 students) with eight schools.

Our strategic focus on Yokohama City and Kawasaki City by forming a strong school network will be a major initiative for us over the next 10 years. To achieve this, we need to be even more strongly recognized as a top brand in this region, recognized for our

teaching ability through further increasing the number of students passing the Yokohama Suiran High School, which is highly regarded as a public school in the Yokohama and Kawasaki areas.

#### Expected expansion in Yokohama City and Kawasaki City

	Yokohama City	Kawasaki City
Number of municipal junior high school students (as of May 1, 2021)	77,515 students	29,974 students
Estimated number of our students (share: 15%)	11,627 students	4,496 students
Estimated number of our schools	78 schools	30 schools
Current number of our schools	46 schools (6,527 students in 1st to 3rd grades of junior high school)	8 schools (905 students in 1st to 3rd grades of junior high school)
Room for future school openings	32 schools	22 schools

\*The estimated number of our schools is calculated on the basis of 150 junior high school students per school.

\*All of the above-mentioned number of tutoring schools are for junior high school students only, and in reality 5th and 6th grades students will be added to this.

On September 30, we applied to the Tokyo Stock Exchange to select the Prime Market. The shortfall in trading value remains an issue, but we will work to satisfy the listing criteria in the future.

In the Prime Market, more corporate governance is required than in the past. As we actively engage in this effort and expand to the Yokohama, Kawasaki, and other areas, the improvement of the management system for the high school entrance examination course in particular has become an issue. In terms of labor, for example, from 2022, male employees are legally obliged to actively take childcare leave. We need to strengthen our system to meet the needs of these changes in times by increasing both the quality and quantity of teachers and staff.

We are currently making good progress in our recruitment activities for the new fiscal year, but for the next fiscal year, we will limit the opening of new schools to some schools in Kawasaki City. We will add new personnel to create more room for human resources, and we will make company-wide efforts to develop a system that will allow us to continue to be responsible for our network that extends throughout Kanagawa Prefecture.

For the next fiscal year, we will strive to increase the number of students by increasing the floor area ratio of existing schools and adding some classes in the school buildings where we are currently not accepting specific grade students due to full enrollment.

We will actively work to increase the number of students at our existing schools and improve our governance and organizational management system, making this the year to build a system that can see us through the next 10 years.

## 2. Basic Policies regarding the Selection of Accounting Standards

We prepare our financial statements in accordance with Japanese GAAP because we do not engage in overseas business development or procurement of funds.



### 3. Non-consolidated Financial Statements

#### (1) Non-consolidated Balance Sheets

(Thousand yen)

	As of September 30, 2020	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	7,877,599	8,646,503
Accounts receivable-trade	67,811	69,169
Inventories	26,497	22,236
Prepaid expenses	163,349	173,137
Other	81,086	57,849
Allowance for doubtful accounts	(1,111)	(677)
Total current assets	8,215,233	8,968,218
Non-current assets		
Property, plant and equipment		
Buildings	13,524,267	13,783,978
Accumulated depreciation and impairment loss	(5,812,800)	(6,165,758)
Buildings, net	7,711,467	7,618,219
Structures	331,318	333,234
Accumulated depreciation and impairment loss	(223,884)	(233,017)
Structures, net	107,433	100,216
Machinery and equipment	121,253	123,798
Accumulated depreciation	(94,010)	(101,279)
Machinery and equipment, net	27,242	22,518
Vehicles	20,414	21,028
Accumulated depreciation	(19,413)	(20,455)
Vehicles, net	1,000	573
Tools, furniture and fixtures	247,478	264,881
Accumulated depreciation and impairment loss	(188,702)	(180,493)
Tools, furniture and fixtures, net	58,775	84,388
Land	9,083,408	9,083,408
Total property, plant and equipment	16,989,329	16,909,325
Intangible assets		
Telephone subscription right	233	233
Other	39,749	43,299
Total intangible assets	39,983	43,533
Investments and other assets		
Investment securities	13,223	17,033
Long-term loans receivable	3,245	2,105
Long-term prepaid expenses	36,558	9,375
Deferred tax assets	222,686	256,813
Guarantee deposits	514,650	582,005
Other	1,883	1,883
Total investments and other assets	792,248	869,216
Total non-current assets	17,821,561	17,822,075
Total assets	26,036,794	26,790,294

(Thousand yen)

	As of September 30, 2020	As of September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	1,871,868	1,506,989
Lease obligations	16,217	17,403
Accounts payable-other	124,762	128,281
Accrued expenses	244,306	241,095
Income taxes payable	302,751	924,275
Accrued consumption taxes	231,764	356,294
Advances received	22,460	10,372
Deposits received	150,375	153,790
Unearned revenue	3,321	3,477
Provision for bonuses	88,306	92,887
Other	1,819	6,489
Total current liabilities	3,057,953	3,441,357
Non-current liabilities		
Long-term borrowings	1,518,839	11,850
Lease obligations	18,140	42,298
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligations	237,228	276,471
Other	14,293	14,324
Total non-current liabilities	1,918,301	474,744
Total liabilities	4,976,255	3,916,101
Net assets		
Shareholders' equity		
Share capital	1,778,330	1,778,330
Capital surplus		
Legal capital surplus	1,851,330	1,851,330
Other capital surplus	231,396	231,396
Total capital surplus	2,082,726	2,082,726
Retained earnings		
Legal retained earnings	137,027	137,027
Other retained earnings		
General reserve	97,800	97,800
Retained earnings brought forward	17,182,849	18,993,663
Total retained earnings	17,417,676	19,228,490
Treasury shares	(216,718)	(216,718)
Total shareholders' equity	21,062,013	22,872,828
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,474)	1,364
Total valuation and translation adjustments	(1,474)	1,364
Total net assets	21,060,538	22,874,193
Total liabilities and net assets	26,036,794	26,790,294

## (2) Non-consolidated Statements of Income

(Thousand yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Net sales	10,927,597	13,036,092
Cost of sales	8,247,689	8,771,033
Gross profit	2,679,907	4,265,058
Selling, general and administrative expenses		
Advertising expenses	160,425	142,441
Provision of allowance for doubtful accounts	455	—
Remuneration for directors	105,032	107,432
Salaries and allowances	140,805	146,983
Bonuses	24,776	25,709
Provision for bonuses	2,060	2,375
Retirement benefit expenses	1,698	2,310
Welfare expenses	31,892	41,913
Depreciation	18,391	20,580
Commission expenses	68,169	55,306
Taxes and dues	118,574	140,565
Other	77,983	70,325
Total selling, general and administrative expenses	750,265	755,941
Operating profit	1,929,641	3,509,117
Non-operating income		
Interest income	35	26
Rental income from buildings	104,213	107,340
Subsidy income	18,406	24,650
Compensation income	—	20,782
Other	15,992	15,399
Total non-operating income	138,648	168,201
Non-operating expenses		
Interest expenses	2,048	2,881
Rental expenses	97,203	80,055
Other	443	1,282
Total non-operating expenses	99,696	84,219
Ordinary profit	1,968,593	3,593,098
Income before income taxes	1,968,593	3,593,098
Income taxes-current	619,999	1,157,140
Income taxes-deferred	5,376	(35,096)
Total income taxes	625,375	1,122,043
Profit	1,343,218	2,471,055

Schedule of cost of sales

Class	Note no.	Fiscal year ended September 30, 2020 (from October1, 2019 to September30, 2020)		Fiscal year ended September 30, 2021 (from October1, 2020 to September30, 2021)			
		Amount (Thousand yen)		Composition (%)	Amount (Thousand yen)		Composition (%)
I .Labor cost							
1. Salaries and allowances		3,806,159			3,993,812		
2. Bonuses		935,643			973,244		
3. Provision for bonuses		84,158			88,283		
4. Retirement benefit expenses		98,527			102,391		
5. Other		884,791	5,809,280	70.4	922,031	6,079,763	69.3
II .Cost of teaching materials			423,712	5.1		478,266	5.5
III.Expenses							
1. Supplies expenses		118,481			137,123		
2. Depreciation		376,498			407,252		
3. Rental expenses		920,163			1,009,251		
4. Other		599,553	2,014,696	24.4	659,376	2,213,003	25.2
Cost of sales			8,247,689	100.0		8,771,033	100.0

Notes

Cost of sales are expenses for operating schools.

(3) Non-consolidated Statements of Changes in Equity  
 Previous fiscal year (from October 1, 2019 to September 30, 2020)

(Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of period	1,778,330	1,851,330	231,396	2,082,726	137,027	97,800	16,483,383	16,718,210
Changes during period								
Dividends of surplus							(643,751)	(643,751)
Profit							1,343,218	1,343,218
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	699,466	699,466
Balance at end of period	1,778,330	1,851,330	231,396	2,082,726	137,027	97,800	17,182,849	17,417,676

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(216,718)	20,362,547	(262)	(262)	20,362,284
Changes during period					
Dividends of surplus		(643,751)			(643,751)
Profit		1,343,218			1,343,218
Net changes in items other than shareholders' equity			(1,212)	(1,212)	(1,212)
Total changes during period	—	699,466	(1,212)	(1,212)	698,254
Balance at end of period	(216,718)	21,062,013	(1,474)	(1,474)	21,060,538

Current fiscal year (from October 1, 2020 to September 30, 2021)

(Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of period	1,778,330	1,851,330	231,396	2,082,726	137,027	97,800	17,182,849	17,417,676
Changes during period								
Dividends of surplus							(660,240)	(660,240)
Profit							2,471,055	2,471,055
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	1,810,814	1,810,814
Balance at end of period	1,778,330	1,851,330	231,396	2,082,726	137,027	97,800	18,993,663	19,228,490

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(216,718)	21,062,013	(1,474)	(1,474)	21,060,538
Changes during period					
Dividends of surplus		(660,240)			(660,240)
Profit		2,471,055			2,471,055
Net changes in items other than shareholders' equity			2,839	2,839	2,839
Total changes during period	—	1,810,814	2,839	2,839	1,813,654
Balance at end of period	(216,718)	22,872,828	1,364	1,364	22,874,193

## (4)Non-consolidated Statements of Cash Flows

(Thousand yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,968,593	3,593,098
Depreciation	455,221	485,669
Increase(decrease) in allowance for doubtful accounts	(195)	(434)
Increase(decrease) in provision for bonuses	4,637	4,580
Share-based payment expenses	28,018	26,975
Interest and dividends income	(608)	(629)
Interest expenses	2,048	2,881
Subsidy income	(18,406)	(24,650)
Decrease(increase) in trade receivables	(73,916)	32,027
Decrease(increase) in inventories	8,571	4,261
Decrease(increase) in prepaid expenses	(32,223)	(9,965)
Increase(decrease) in accounts payable- other	138,164	128,330
Increase(decrease) in advances received	7,391	(12,088)
Increase(decrease) in accrued expenses	36,001	(3,211)
Other, net	61,343	40,000
Subtotal	2,584,640	4,266,845
Interest and dividends received	613	629
Interest paid	(2,260)	(2,702)
Subsidies received	19,491	22,728
Income taxes paid	(734,086)	(566,536)
Net cash provided by (used in) operating activities	1,868,399	3,720,965
<b>Cash flows from investing activities</b>		
Payments into time deposits	(257,184)	(257,188)
Proceeds from withdrawal of time deposits	257,162	257,184
Purchase of property, plant and equipment	(532,333)	(309,771)
Proceeds from collection of loans receivable	1,260	2,390
Payments for leasehold and guarantee deposits	(23,632)	(82,867)
Proceeds from refund of leasehold and guarantee deposits	14,368	15,512
Purchase of insurance funds	(0)	(0)
Other, net	(19,748)	(27,134)
Net cash provided by(used in) investing activities	(560,108)	(401,875)
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	3,050,000	—
Repayments of long-term borrowings	(657,921)	(1,871,868)
Repayments of finance lease obligations	(17,369)	(17,518)
Dividends paid	(643,992)	(660,522)
Net cash provided by(used in) financing activities	1,730,716	(2,549,908)
Net increase(decrease) in cash and cash equivalents	3,039,008	769,181
Cash and cash equivalents at beginning of period	4,577,868	7,616,877
Cash and cash equivalents at end of period	7,616,877	8,386,058

## (5) Notes to Non-consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Segment information, etc.)

[Segment information]

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

(Equity in earnings of affiliated companies, etc.)

There is no relevant information.

(Per share information)

(Yen)

	Fiscal year ended September 30, 2020 (from October1, 2019 to September30, 2020)	Fiscal year ended September 30, 2021 (from October1, 2020 to September30, 2021)
Net assets per share	1,275.93	1,385.83
Basic earnings per share	81.38	149.71

Notes:1. Fully diluted profit per share is not stated since the Company does not have residual securities.

2. The basis for calculation

1. The basis for calculation of net assets per share is as follows:

Item	As of September 30, 2020	As of September 30, 2021
Net assets per share		
Total net assets (Thousand yen)	21,060,538	22,874,193
Amount deducted from the total net assets (Thousand yen)	—	—
Amount of net assets related to common stock as of the end of the fiscal year (Thousand yen)	21,060,538	22,874,193
Number of shares of common stock as of the end of the fiscal year (Shares)	16,506,017	16,505,717

2. The basis for calculation of profit per share is as follows:

Item	Fiscal year ended September 30, 2020 (from October1, 2019 to September30, 2020)	Fiscal year ended September 30, 2021 (from October1, 2020 to September30, 2021)
Basic earnings per share		
Profit (Thousand yen)	1,343,218	2,471,055
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit available to common shares (Thousand yen)	1,343,218	2,471,055
Average number of shares of common shares during the period (Shares)	16,506,385	16,505,867

(Significant subsequent events)

There is no relevant information.



#### 4. Segment sales

Segment	Fiscal year ended September 30, 2020 (from October1, 2019 to September30, 2020)			Fiscal year ended September 30, 2021 (from October1, 2020 to September30, 2021)		
	Number of students	Net sales (Thousand yen)	Composition (%)	Number of students	Net sales (Thousand yen)	Composition (%)
Elementary and junior high school section	22,676	8,795,767	80.5	24,217	10,430,741	80.0
High school section	4,971	2,131,830	19.5	5,250	2,605,350	20.0
Total	27,647	10,927,597	100.0	29,467	13,036,092	100.0