



Non-consolidated Financial Results
for the First Quarter of the Fiscal Year Ending September 30, 2022
[Japanese GAAP]

January 27, 2022

Company name: STEP CO.,LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 9795
 URL: <https://www.stepnet.co.jp/>
 Representative: Yousuke Endou, Representative Director and President
 Contact: Noriaki Arai, Director and Managing Executive Officer
 Phone: +81-466-20-8000
 Scheduled date of filing quarterly securities report: February 1, 2022
 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 First Quarter of the Fiscal Year Ending September 30, 2022

(October 1, 2021 to December 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 first quarter ended December 31, 2021	3,432	7.4	1,096	14.6	1,112	13.5	767	13.7
December 31, 2020	3,197	1.5	956	(0.8)	979	0.0	674	0.0

	Profit per share	Diluted earnings per share
For the first quarter ended December 31, 2021	Yen 46.48	Yen —
December 31, 2020	40.86	—

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	26,965	23,227	86.1	1,407.28
As of September 30, 2021	26,790	22,874	85.4	1,385.83

(Reference) Equity: As of December 31, 2021: ¥ 23,227million

: As of September 30, 2021: ¥ 22,874million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended September 30, 2021	Yen —	Yen 20.00	Yen —	Yen 25.00	Yen 45.00
Fiscal year ending September 30, 2022	—	—	—	—	—
Fiscal year ending September 30, 2022 (Forecast)	—	23.00	—	23.00	46.00

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

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) Revisions from financial results forecasts announced most recently: None

Since the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ending September 2022, the above forecasts are based on figures after the application of said accounting standard, etc. The rate of change from the previous fiscal year and the rate of change from the same quarter of the previous fiscal year were calculated based on the assumption that these accounting standard, etc. are applied in the fiscal year ended September 2021.

*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: Yes
- 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 December 31, 2021: 16,670,000 shares
 - As of September 30, 2021: 16,670,000 shares
- 2) Total number of treasury shares at the end of the period:
 - As of December 31, 2021: 164,583 shares
 - As of September 30, 2021: 164,283 shares
- 3) Average number of shares during the period:
 - As of December 31, 2021: 16,505,433 shares
 - As of December 31, 2020: 16,506,017 shares

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

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

The statements regarding forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors. For the suppositions that from the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to “1. Qualitative Information on the Quarterly Financial Results (3) Financial Forecast for 2022 ” 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 first quarter (October to December) of the current fiscal year, we were in the second half of the academic year starting in April, and fluctuations in the number of students are relatively low. In the first quarter of the current fiscal year, the Company's total number of students in the high school entrance examination course (for elementary and junior high school students) and university entrance examination course (for high school students) combined was 31,690 students on average (up 9.9% from the same quarter of the previous fiscal year), showing steady growth.

The number of students has been increasing steadily since the fiscal year ended September 2020, which was greatly affected by COVID-19, through the fiscal year ended September 2021. However, since the beginning of January, COVID-19 infections have been spreading rapidly along with the spread of the Omicron variant, and we will continue to prepare for various contingencies, including an impact on our future business performance, while thoroughly implementing infection control measures.

The current public high school entrance examinations in Kanagawa Prefecture, which were drastically changed nine years ago, initially directed public attention to the changes in the system, such as the complication of the selection system and the introduction of a unique selection test called Tokushoku Kensa test, mainly for the so-called top schools. However, as the examination progressed, the questions on the academic achievement test and especially those on Tokushoku Kensa test became more difficult, and the public entrance examination in Kanagawa Prefecture has become an entrance examination in which the students' abilities on the day of the examination are more important. Popular schools are becoming more difficult to enter, and the entrance examination system is becoming more and more stressful for students. As a result, in the high school entrance examination course (for elementary and junior high school students), the percentage of students in the upper grades attending a cram school is on the rise, and an increasing number of schools see classes for 3rd junior high school students, who will take entrance examinations, and 2nd junior high school students fully attended. Thus, in areas where the classes for the upper grades are still fully attended, the enrollment of 1st junior high and elementary school students is being promoted.

In February during the second quarter, public high schools in Kanagawa Prefecture and private and national high schools in the Tokyo Metropolitan Area hold entrance examinations and announce passers all at once. The success of Step students in these entrance examinations will have a significant impact on the enrollment of students over the next year. In the previous term, we were number one for three consecutive years in terms of the number of students accepted to Yokohama-Suiran Senior High School, a prominent and influential high school in the Yokohama-Kawasaki area, and the number of students accepted to top public schools in Yokohama City. In the current fiscal year, we will continue to improve our academic guidance and provide highly accurate career guidance based on in-depth data in order to increase the track record of passing exams.

In the university entrance examination course (for high school students), we continue to strive to strengthen our system to meet the needs of high school students who want to enrich their multifaceted high school life, including club activities and school events, and pass the entrance examination for the university of their choice. For the entrance examination in 2021, we were able to significantly increase the track record of passing exams in the face of the introduction of a new entrance examination system (the Common Test for University Admissions) amid the COVID-19 pandemic. In Kanagawa Prefecture, there has been a notable number of closures of major prep schools, but we

will continue to proactively review our curriculum and other instructional systems to further enhance our teaching content. In addition, we will further strengthen our position as one of the leading live cram schools in the prefecture, focusing on public high school students.

In the after-school care course, the STEP Kids network was launched in March 2020 with the opening of two new schools: STEP Kids Tsujido Classroom (Tsujido Station on the JR Tokaido Line) and STEP Kids Chigasaki Classroom (Chigasaki Station on the JR Tokaido Line). In the first year of the two new schools, we were only able to enroll students in elementary school grades 1 and 2, but we added grade 3 last spring, and we will add grade 4 this spring. The number of students is expected to increase further as we will start accepting applications for all grades.

Currently, STEP Kids offer 14 annual programs: Science, English/English Proficiency Test, Arithmetic, Arithmetic Thinking, English Conversation, Language, Introductory Liberal Arts, Programming, Dance, Shogi (Japanese chess), Music, Physical Education, Sign Language, and Hyakunin Isshu (traditional Japanese card game). While refining this rich and diverse content, the three schools will accumulate and share their operational know-how to build a foundation for future expansion throughout the prefecture.

During the current fiscal year, three new schools in the high school entrance examination course (for elementary and junior high school students) are scheduled to open in March. Musashi-Nakahara School (Musashi-Nakahara Station on the JR Nambu Line, Nakahara-ku, Kawasaki City), Musashi-Shinjo School (Musashi-Shinjo Station on the JR Nambu Line, Nakahara-ku, Kawasaki City), and Mukogaoka-Yuen School (Mukogaoka-Yuen Station on the Odakyu Line, Tama-ku, Kawasaki City) will be all opened in the Kawasaki area, which will be the center of our dominant development in the future. Mukogaoka-Yuen School will be the third school along the Odakyu Line in Kawasaki City, following Shin-yurigaoka School and Ikuta School, which are both attracting students healthily. Musashi-Nakahara School and Musashi-Shinjo School will be opened in neighboring areas along the JR Nambu Line. This area is home to Nishi-Nakahara Junior High School, the largest public junior high school in the prefecture in terms of the number of students (1,296 students as of May 1, 2021), as well as other junior high schools with some of the largest student populations in the prefecture, and our goal is to capture a large share of the market here.

As a result, net sales in the first quarter of the current fiscal year were 3,432 million yen (up 7.4% year-on-year), operating profit was 1,096 million yen (up 14.6% year-on-year), ordinary profit was 1,112 million yen (up 13.5% year-on-year), and profit was 767 million yen (up 13.7% year-on-year).

(2) Explanation of Financial Condition

(Assets)

Total assets at the end of the first quarter of the current fiscal year were 26,965 million yen, up 175 million yen from the end of the previous fiscal year.

Current assets increased 153 million yen from the end of the previous fiscal year to 9,121 million yen, mainly owing to an increase in accounts receivable-trade.

Non-current assets increased 21 million yen from the end of the previous fiscal year to 17,844 million yen, mainly as a result of an increase in deferred tax assets.

(Liabilities)

Total liabilities at the end of the first quarter of the current fiscal year were 3,737 million yen, down 178 million yen from the end of the previous fiscal year.

Current liabilities decreased 168 million yen from the end of the previous fiscal year to 3,272 million yen because of a decrease in income taxes payable, despite an increase in provision for bonuses.

Non-current liabilities decreased 9 million yen from the end of the previous fiscal year to 465 million yen, mainly from the repayment of long-term borrowings.

(Net assets)

Net assets at the end of the first quarter of the current fiscal year increased 353 million yen from the end of the previous fiscal year to 23,227 million yen, mainly due to the recording of profit, despite the payment of dividends.

The equity ratio increased 0.7 points from the end of the previous fiscal year to 86.1%.

(3) Financial Forecast for 2022

The forecasts for the fiscal year ending September 30, 2022 remains unchanged from that stated in the "Summary of Financial Results for the Fiscal Year Ended September 30, 2021 [Japan GAAP] (Non-consolidated)" dated October 28, 2021.

2. Quarterly Financial Statements and Principal Notes

(1) Quarterly Balance Sheets

(Thousand yen)

	As of September 30, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	8,646,503	8,643,660
Accounts receivable-trade	69,169	113,905
Inventories	22,236	33,605
Other	230,986	331,556
Allowance for doubtful accounts	(677)	(1,116)
Total current assets	8,968,218	9,121,611
Non-current assets		
Property, plant and equipment		
Buildings, net	7,618,219	7,582,355
Land	9,083,408	9,083,408
Other, net	207,697	206,063
Total property, plant and equipment	16,909,325	16,871,828
Intangible assets	43,533	43,261
Investments and other assets		
Leasehold and guarantee deposits	582,005	587,527
Other	287,210	341,435
Total investments and other assets	869,216	928,963
Total non-current assets	17,822,075	17,844,053
Total assets	26,790,294	26,965,665
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,506,989	1,338,532
Lease obligations	17,403	17,587
Accounts payable-other	128,281	116,979
Income taxes payable	924,275	435,751
Provision for bonuses	92,887	327,972
Other	771,519	1,035,698
Total current liabilities	3,441,357	3,272,521
Non-current liabilities		
Long-term borrowings	11,850	—
Lease obligations	42,298	38,905
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligation	276,471	282,271
Other	14,324	14,375
Total non-current liabilities	474,744	465,352
Total liabilities	3,916,101	3,737,873

(Thousand yen)

	As of September 30, 2021	As of December 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	19,228,490	19,582,940
Treasury stock	(216,718)	(216,718)
Total shareholders' equity	22,872,828	23,227,278
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,364	513
Total valuation and translation adjustments	1,364	513
Total net assets	22,874,193	23,227,791
Total liabilities and net assets	26,790,294	26,965,665

(2) Quarterly Statements of income
(For the Three-month Period)

(Thousand yen)

	For the three months ended December. 31, 2020	For the three months ended December. 31, 2021
Net sales	3,197,324	3,432,967
Cost of sales	2,063,833	2,158,707
Gross profit	1,133,491	1,274,260
Selling, general and administrative expenses	177,150	177,852
Operating profit	956,341	1,096,408
Non-operating income		
Interest income	3	1
Subsidy income	6,432	6,984
Rental income from buildings	26,399	26,450
Other	7,157	2,007
Total non-operating income	39,992	35,443
Non-operating expenses		
Interest expenses	919	373
Rental expenses	15,641	18,917
Other	15	529
Total non-operating expenses	16,576	19,819
Ordinary profit	979,757	1,112,031
Profit before income taxes	979,757	1,112,031
Income taxes-current	383,323	400,237
Income taxes-deferred	(77,964)	(55,298)
Total income taxes	305,359	344,938
Profit	674,398	767,092

(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.

(Changes in the accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. since the beginning of the first quarter of the current fiscal year, and recognizes the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer as revenue. Accordingly, we switched from a method of recognizing revenue at a single point in time for sales received as expenses in the first month of each academic year to a method of recognizing revenue throughout a certain period after the fulfillment of said obligation after providing customers with goods or services.

The application of the Revenue Recognition Accounting Standard, etc. follows the transitional treatment specified in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, so the cumulative effect of the retroactive application of the new accounting policy to the period before the beginning of the first quarter of the current fiscal year was adjusted to the retained earnings as of the beginning of the first quarter of the current fiscal year, and the new accounting policy has been applied from said initial balance. However, the method specified in Paragraph 86 of the Revenue Recognition Accounting Standard was applied, so the new accounting policy has not been applied retroactively to contracts in which almost all of revenues were recognized in accordance with the previous method until the beginning of the first quarter of the current fiscal year.

As a result, the adoption of the Revenue Recognition Accounting Standard, etc. will have no impact on the financial statements for the first quarter of the current fiscal year.

In accordance with the transitional treatment set forth in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), we did not include information that breaks down revenues from contracts with customers for the first quarter of the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Measurement Accounting Standard"), etc. since the beginning of the first quarter of the current fiscal year. We will follow the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), and will apply the new accounting policies prescribed by the Fair Value Measurement Accounting Standard, etc.

Furthermore, there will be no impact on the quarterly financial statements.

(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 three months of the fiscal year under review are shown below by business segment.

Segment	Three months ended December 31,2021 (Thousand yen)	Year-on-year changes (%)
High school entrance examination course	2,705,822	107.2
University entrance examination course	727,145	107.9
Total	3,432,967	107.4