



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

April 27, 2022

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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 : Yes (for institutional investors)

(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, 2022

(October 1, 2021 to March 31, 2022)

(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, 2022	6,838	8.4	2,018	18.2	2,065	18.1	1,423	18.2
March 31, 2021	6,307	10.2	1,707	35.7	1,749	35.5	1,204	36.3

	Profit per share	Diluted earnings per share
For the second quarter ended March 31, 2022	Yen 86.27	Yen —
March 31, 2021	72.99	—

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	27,265	23,885	87.6	1,447.27
As of September 30, 2021	26,790	22,874	85.4	1,385.83

(Reference) Equity: As of March 31, 2022: ¥ 23,885million
 : As of September 30, 2021: ¥ 22,874million

2. Dividends

	Dividend per share				
	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	—	23.00	—	—	—
Fiscal year ending September 30, 2022 (Forecast)	—	—	—	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
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 March 31, 2022: 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 March 31, 2022: 166,122 shares

As of September 30, 2021: 164,283 shares

3) Average number of shares during the period:

As of March 31, 2022: 16,505,359 shares

As of March 31, 2021: 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 "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 amid the lingering 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, a total of 2,395 students (up 203 students from the previous fiscal year) passed the exam at the top public high schools in Kanagawa Prefecture, and we remained at the top among all the tutoring schools in the prefecture. As a result, 42.8% 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 public high schools in Kanagawa and 15 of the 19 schools that underwent the special “tokushoku kensa test” (descriptive test) that characterizes the current exam system. Accordingly, we continued to outperform other tutoring schools also this spring. 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), a total of 900 STEP students have passed the exam, which is more than three times that of other tutoring schools. Furthermore, in the highly competitive rate of 1.50 in a total of five schools, about 80% (79.3%) of the STEP students were successful, which significantly exceeded the pass rate of 56.9% for Non-STEP students (calculated from the materials released by the Kanagawa Board of Education).

In addition, the number of students who have passed the exam at 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 183 in the end (excluding returnees and internal admissions; the number of our students who have passed the exam at the first selection was 112, 46.7% of 240 in all at that time). We have the largest number of students who passed the school among all tutoring schools for 14 consecutive years.

In the university entrance examination course (for high school students), we were able to pass 13 students for the University of Tokyo, 12 students for Hitotsubashi University, and 22 students for Tokyo Institute of Technology (43 out of 47 are public high school students in Kanagawa Prefecture). In addition, 10 high school students also passed the Medical Faculty/Department of national and public universities, and the number of students passing the entrance exams for all national and public universities has increased to 307 (up 37 from the previous fiscal year); this number renewed the record high (270) which was marked in the previous fiscal year. As for the private universities, a total of 468 students passed the entrance exams at Waseda, Keio, and Sophia Universities (up 30 from 438 in the previous fiscal year), and a total of 1,958 students passed the entrance exams at the so-called Ridai MARCH Schools (Tokyo University of Science, Meiji, Aoyama Gakuin, Rikkyo, Chuo, and Hosei) (up 496 from 1,462 in the previous fiscal year), resulting in renewed record highs consecutively.

It is one of our fortes that most of these pass results are achieved by public high school students. It is generally considered that public high schools tend to be inferior to private high schools in their pass results in the Tokyo metropolitan area. However, because we built a certain study system and structure for entrance exams, the number of public high school students passing the first-choice universities was able to be increased. The successful results achieved also in this spring can be proved to be very meaningful for us.

In Kanagawa Prefecture, the close-down of so-called major preparatory schools is often seen these days. Regardless of such difficult environment surrounding the tutoring schools, we will proactively review the curriculum and teaching systems, further improve the content of our teaching, and strengthen our position as a face-to-face live class school in Kanagawa Prefecture, mainly for public high school students.

In the STEP kids course, the Tsujido School (Tsujido Station on the JR Tokaido Line) and the Chigasaki School (Chigasaki Station on the JR Tokaido Line), which were opened in March 2020, have entered their third year. The recruitment grades were gradually expanded every year. From FY2022, recruitment for four grades from 1st to 4th-

grade elementary school students has begun. As a result, all three STEP kids schools are accepting four grades. We expect that the number of students to increase accordingly. We will continue to accumulate and share operational know-how in three schools and build a foundation for future expansion throughout the prefecture.

In April 2022, we opened the “STEP Junior Labo Shonan School” in Fujisawa City. We have accumulated experiences in various programs at the STEP kids course, and this time, we made the relevant departments independent and produced a new classroom that specializes in multiple programs for elementary school students from 3rd to 6th grade. The programs offered are mathematics, Japanese, English, science, programming, Eiken test, English conversation, dance, music, flute classes, handicrafts, composition classes, and returnee classes. Based on the know-how cultivated in STEP kids, we will provide a new place for children to grow.

The situation of student recruitment continues to be strong in each department. As of the end of the second quarter of the current fiscal year, the average number of students during the period increased by 9.0% year-on-year. In the first half, the number of students has increased significantly since March as the tendency of students to refrain from going to cram school due to the COVID-19 pandemic eased, so the year-on-year increase in the second half is expected to be moderate compared to the first half. However, we expect that the number of students will continue to increase steadily.

Regarding the recruitment of 1st-grade high school students this spring, classes are fully attended in 11 out of 15 schools for high school students as of mid-April, and the start is as good as in the previous fiscal year. In addition, the Yokohama School opened a new building No. 2 in March 2022, allowing more students to attend.

Three new schools were opened in March during the current fiscal year in the high school entrance examination course. Musashi-Shinjo School (Musashi-Shinjo Station on the JR Nambu Line, Nakahara-ku, Kawasaki City), Musashi-Nakahara School (Musashi-Nakahara 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) are schools in the Kawasaki area, which will be the center of our dominant development in the future.

As a result of the opening of these new schools and STEP Junior Labo Shonan School, there are currently 158 schools, including 138 in the high school entrance examination course, 15 in the university entrance examination course, 1 in the individualized instruction course, 3 in the kids course and 1 in the junior Labo course.

Regarding expansion and relocation, the aforementioned Building No. 2 of STEP Yokohama School for the university entrance examination course opened in March 2022. In the same month, we moved STEP Minamiashigara School for the high school entrance examination course (Minamiashigara City) to a larger property near Daiyuzan Station, and added more classrooms to the Higashi-Totsuka School (Yokohama City).

As a result, net sales in the second quarter of the current fiscal year were 6,838 million yen (up 8.4% year-on-year), operating profit was 2,018 million yen (up 18.2% year-on-year), ordinary profit was 2,065 million yen (up 18.1% year-on-year), and profit was 1,423 million yen (up 18.2% 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 27,265 million yen, an increase of 475 million yen from the end of the previous fiscal year.

Current assets increased 457 million yen from the end of the previous fiscal year to 9,425 million yen, mainly due to an increase in cash and deposits.

Non-current assets increased 18 million yen from the end of the previous fiscal year, to 17,840 million yen, mainly due to an increase in buildings and an increase in guarantee deposits.

(Liabilities)

Liabilities at the end of the second quarter decreased 536 million yen from the end of the previous fiscal year, to 3,379 million yen.

Current liabilities decreased 546 million yen from the end of the previous fiscal year, to 2,895 million yen, mainly due to an decrease in the current portion of long-term borrowings.

Non-current liabilities increased 9 million yen from the end of the previous fiscal year, to 484 million yen, mainly due to a decrease in long-term loans payable, despite a increase due to the asset retirement obligation.

(Net assets)

Net assets at the end of the second quarter increased 1,011 million yen from the end of the previous fiscal year to 23,885 million yen, mainly due to the recording of quarterly net income, despite the payment of dividends.

As a result, the equity ratio was 87.6%, up by 2.2 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 267 million yen (up by 3.2% year on year) to 8,728 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,306 million yen (down by 26.7% year on year).

This was mainly attributable to income before income taxes of 2,065 million yen, depreciation and amortization of 241 million yen, and an increase in advances received of 164 million yen, which were offset by income taxes paid of 845 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 183 million yen (up by 13.5% year on year).

This was mainly due to the purchase of property, plant and equipment of 162 million yen.

(Cash flows from financing activities)

Net cash used in investing activities was 780 million yen (up by 0.6% year on year).

This was mainly attributable to repayments of long-term loans payable of 359 million yen and cash dividends paid of 411 million yen.

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

It is expected that recruitment of students will continue to be favorable. However, it is undeniable that it may be affected by the future situation of the COVID-19 pandemic. If it becomes necessary to revise the business forecasts, we will promptly disclose relevant items at an appropriate timing.

From now on, our challenge is to form a network in Kawasaki City, which has the most student-age population next to Yokohama City in Kanagawa Prefecture and where we have just initiated a full-scale foray, and also a school network in the eastern, coastal, and southern areas in Yokohama City such as Tsurumi Ward, Naka Ward, Minami Ward, Kanazawa Ward.

To strategically focus on Yokohama City and Kawasaki City and form a strong school network in a mid-term period, we need to further increase the number of students who pass Yokohama Suiran Senior High School, which is rated as a top public school in the Yokohama/Kawasaki area, and also need to be even more strongly recognized as a topnotch tutoring school that offers best teaching in this area as well.

2. Quarterly Financial Statements and Principal Notes

(1) Quarterly Balance Sheets

(Thousand yen)

	As of September 30, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	8,646,503	8,990,434
Accounts receivable-trade	69,169	53,836
Inventories	22,236	56,857
Other	230,986	324,620
Allowance for doubtful accounts	(677)	(527)
Total current assets	8,968,218	9,425,221
Non-current assets		
Property, plant and equipment		
Buildings, net	7,618,219	7,645,550
Land	9,083,408	9,083,408
Other, net	207,697	216,703
Total property, plant and equipment	16,909,325	16,945,662
Intangible assets	43,533	39,882
Investments and other assets		
Leasehold and guarantee deposits	582,005	597,838
Other	287,210	256,878
Total investments and other assets	869,216	854,717
Total non-current assets	17,822,075	17,840,261
Total assets	26,790,294	27,265,482
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,506,989	1,159,341
Lease obligations	17,403	18,155
Accounts payable-other	128,281	168,255
Income taxes payable	924,275	680,145
Provision for bonuses	92,887	21,570
Other	771,519	847,803
Total current liabilities	3,441,357	2,895,271
Non-current liabilities		
Long-term borrowings	11,850	—
Lease obligations	42,298	37,265
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligation	276,471	304,561
Other	14,324	13,091
Total non-current liabilities	474,744	484,718
Total liabilities	3,916,101	3,379,990

(Thousand yen)

	As of September 30, 2021	As of March 31, 2022
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	20,239,688
Treasury stock	(216,718)	(216,793)
Total shareholders' equity	22,872,828	23,883,950
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,364	1,541
Total valuation and translation adjustments	1,364	1,541
Total net assets	22,874,193	23,885,492
Total liabilities and net assets	26,790,294	27,265,482

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

(Thousand yen)

	For the six months ended March. 31, 2021	For the six months ended March. 31, 2022
Net sales	6,307,956	6,838,112
Cost of sales	4,193,386	4,399,057
Gross profit	2,114,569	2,439,055
Selling, general and administrative expenses	406,675	420,640
Operating profit	1,707,893	2,018,414
Non-operating income		
Interest income	14	12
Subsidy income	12,243	14,049
Rental income from buildings	52,874	52,717
Other	9,226	18,524
Total non-operating income	74,359	85,302
Non-operating expenses		
Interest expenses	1,759	690
Rental expenses	30,923	37,004
Other	47	649
Total non-operating expenses	32,730	38,344
Ordinary profit	1,749,523	2,065,373
Profit before income taxes	1,749,523	2,065,373
Income taxes-current	538,992	611,355
Income taxes-deferred	5,742	30,177
Total income taxes	544,735	641,533
Profit	1,204,788	1,423,840

(3) Quarterly Statements of Cash Flows

(Thousand yen)

	For the six months ended March. 31, 2021	For the six months ended March. 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,749,523	2,065,373
Depreciation	232,493	241,543
Increase(decrease) in allowance for doubtful accounts	(188)	(150)
Increase(decrease) in provision for bonuses	(67,053)	(71,316)
Interest and dividends income	(254)	(252)
Interest expenses	1,759	690
Subsidy income	(12,243)	(14,049)
Decrease(increase) in notes and accounts receivable-trade	(53,688)	(90,127)
Decrease(increase) in inventories	(26,098)	(34,621)
Increase(decrease) in accounts payable- other	39,608	(125,927)
Increase(decrease) in advances received	146,472	164,193
Other, net	13,769	(1,310)
Subtotal	2,024,099	2,134,046
Interest and dividends income received	251	249
Interest expenses paid	(1,721)	(657)
Proceeds from subsidy income	14,871	18,598
Income taxes paid	(256,058)	(845,992)
Net cash provided by (used in) operating activities	1,781,442	1,306,244
Cash flows from investing activities		
Purchase of property, plant and equipment	(119,198)	(162,739)
Collection of loans receivable	940	590
Payments for lease and guarantee deposits	(31,483)	(23,641)
Proceeds from collection of lease and guarantee deposits	937	6,886
Other, net	(12,778)	(4,419)
Net cash provided by(used in) investment activities	(161,583)	(183,324)
Cash flows from financing activities		
Repayment of long-term loans payable	(435,926)	(359,498)
Repayments of finance lease obligations	(8,787)	(9,046)
Purchase of treasury shares	—	(75)
Cash dividends paid	(330,400)	(411,506)
Net cash provided by(used in) financing activities	(775,114)	(780,125)
Net increase(decrease) in cash and cash equivalents	844,744	342,793
Cash and cash equivalents at beginning of period	7,616,877	8,386,058
Cash and cash equivalents at end of period	8,461,621	8,728,852

(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.

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

Segment	Six month ended March 31,2022 (Thousand yen)	Year-on-year changes (%)
High school entrance examination course	5,486,548	108.8
University entrance examination course	1,351,564	106.6
Total	6,838,112	108.4