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

July 28, 2022

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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, 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 Third Quarter of the Fiscal Year Ending September 30, 2022

(October 1, 2021 to June 30, 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 third quarter ended June 30, 2022	10,001	6.7	2,563	13.4	2,616	12.3	1,801	12.3
June 30, 2021	9,370	25.4	2,260	206.4	2,330	207.7	1,603	215.3

	Profit per share	Diluted earnings per share
For the third quarter ended June 30, 2022	Yen 109.15	Yen —
June 30, 2021	97.15	—

#### (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2022	25,912	23,883	92.2	1,447.17
As of September 30, 2021	26,790	22,874	85.4	1,385.83

(Reference) Equity: As of June 30, 2022: ¥23,883million

: 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 June 30, 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 June 30, 2022: 166,122 shares
  - As of September 30, 2021: 164,283 shares
- 3) Average number of shares during the period:
  - As of June 30, 2022: 16,504,865 shares
  - As of June 30, 2021: 16,505,917 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. In the third quarter of the fiscal year ended in September 2021 (the 43<sup>rd</sup> period), performance was favorable as we recovered from the impact of COVID-19. In this term, too, we successfully increased the number of students in a steady manner. In June 2021 the total number of students exceeded 30,000 for the first time, and increased 5.0% year on year as of the end of June 2022. In addition, the average number of students during the third quarter was 31,122 (up by 7.7% year on year).

The spring course that began in March was successful for all academic years. In particular, the number of elementary school students grew remarkably, resulting in an increase of the number of students in April. One of the factors in the increase of elementary school students is that the number of classes and courses with full capacity is increasing for junior high and high school students, so parents thinking it may be too late to apply after their children enter junior high school are applying to attend in those areas while their children are still elementary school students.

The results of entrance exams this spring were favorable, which helped to increase student recruitment.

In regard to the entrance exams in the high school entrance examination course (for elementary and junior high school students), 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. We also became the top tutoring school in terms of the number of students that passed the exam at 15 of the 19 public high schools in Kanagawa that utilized the special "tokushoku kensa test" (descriptive test) that characterizes the current exam system. Our students account for about 44.6% of the total number of students who passed the entrance exams of the 19 schools in Kanagawa. Such a tokushoku kensa test is held at top-tier schools and difficult-to-enter schools, and may determine whether or not applicants pass an entrance exam. Accordingly, STEP formed a dedicated team to prepare for the tokushoku kensa test, and the team repeatedly conducts research and produces teaching materials.

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 had 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 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. Consequently, all three STEP kids schools are accepting four grades. As a result, the number of students for the STEP kids course as of the end of June was up 33.9% year on year.

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 targeted for elementary school students from 3rd to 6th grade. We started the programs for mathematics, Japanese, English, science, programming, Eiken test, English conversation, dance, music, flute classes, handicrafts and composition classes. “STEP Junior Labo” is a school that takes new active approaches to a variety of elementary school students’ willingness to learn and grow, and we hope to develop it as a place mainly for researching education of early elementary school students, together with STEP kids.

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.

We also keep concentrating on the increase and relocation of our schools. For the high school entrance examination course, we relocated Hadano School to a newly-constructed spacious building in late June of 2022. For the university entrance examination course, Yokohama School opened the second building in March. Still, first-year and second-year high school students kept increasing, making it necessary to enlarge the classrooms of the first building in July.

In late April, we launched our official YouTube channel, to start information distribution on a full-scale basis. In this channel, we give information about high schools and colleges, introduce our sections and departments, and show the scenes of training of our lecturers. This YouTube channel is aimed at “popularizing STEP and increasing its fans.” We believe that if many students around Japan as well as our students and their guardians get to know the existence and features of STEP, we will be able to reel in applicants more smoothly.

The Company also raised the base salary of teachers this spring. Going forward, the Company will continue to actively improve the treatment of teachers and strive to secure excellent human resources.

At the Board of Directors meeting held on July 21, the Company resolved to dispose of treasury stock in the amount of 153 million yen as restricted stock compensation to 360 employees. For details, please refer to "2. Quarterly Financial Statements and Principal Notes, (3) Notes to Quarterly Financial Statements (Important Subsequent Event)" on page 9.

As a result of the above, in the third quarter, we recorded net sales of 10,001 million yen (up by 6.7% year on year), operating income of 2,563 million yen (up by 13.4% year on year), ordinary income of 2,616 million yen (up by 12.3% year on year), and net income of 1,801 million yen (up by 12.3% year on year). Net sales decreased by 81 million yen due to the application of “Accounting Standard for Revenue Recognition, etc.” Operating profit, ordinary profit, and profit before income taxes and other adjustments also decreased by the same amount of 81 million yen, respectively.

## (2) Explanation of Financial Condition

### (Assets)

Total assets at the end of the third quarter stood at 25,912 million yen, a decrease of 877 million yen from the end of the previous fiscal year.

Current assets decreased 952 million yen from the end of the previous fiscal year to 8,015 million yen, mainly due to a decrease in cash and deposits.

Non-current assets increased 74 million yen from the end of the previous fiscal year, to 17,896 million yen, mainly due to an increase in buildings and an increase in guarantee deposits.

### (Liabilities)

Liabilities at the end of the third quarter decreased 1,887 million yen from the end of the previous fiscal year to 2,028 million yen.

Current liabilities decreased 1,904 million yen from the end of the previous fiscal year, to 1,537 million yen, mainly due to a decrease in the current portion of long-term borrowings.

Non-current liabilities increased 16 million yen from the end of the previous fiscal year, to 491 million yen, mainly due to an increase the asset retirement obligation, despite a decrease due to long-term loans payable.

### (Net assets)

Net assets at the end of the third quarter increased 1,009 million yen from the end of the previous fiscal year to 23,883 million yen, mainly due to the recording of quarterly net income, despite the payment of dividends.

As a result, the equity ratio was 92.2%, up by 6.8 percentage points from the end of the previous fiscal year

## (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 June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	8,646,503	7,643,085
Accounts receivable-trade	69,169	159,518
Inventories	22,236	43,763
Other	230,986	170,081
Allowance for doubtful accounts	(677)	(904)
Total current assets	8,968,218	8,015,544
Non-current assets		
Property, plant and equipment		
Buildings, net	7,618,219	7,626,255
Land	9,083,408	9,083,408
Other, net	207,697	208,101
Total property, plant and equipment	16,909,325	16,917,765
Intangible assets	43,533	36,502
Investments and other assets		
Leasehold and guarantee deposits	582,005	604,965
Other	287,210	337,581
Total investments and other assets	869,216	942,547
Total non-current assets	17,822,075	17,896,815
Total assets	26,790,294	25,912,360
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	1,506,989	55,575
Lease obligations	17,403	18,043
Accounts payable-other	128,281	155,690
Income taxes payable	924,275	320,868
Provision for bonuses	92,887	315,857
Other	771,519	671,010
Total current liabilities	3,441,357	1,537,045
Non-current liabilities		
Long-term borrowings	11,850	—
Lease obligations	42,298	33,729
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligation	276,471	313,823
Other	14,324	14,114
Total non-current liabilities	474,744	491,467
Total liabilities	3,916,101	2,028,512

(Thousand yen)

	As of September 30, 2021	As of June 30, 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	20,237,758
Treasury stock	(216,718)	(216,793)
Total shareholders' equity	22,872,828	23,882,021
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,364	1,826
Total valuation and translation adjustments	1,364	1,826
Total net assets	22,874,193	23,883,847
Total liabilities and net assets	26,790,294	25,912,360



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

(Thousand yen)

	For the nine months ended June. 30, 2021	For the nine months ended June. 30, 2022
Net sales	9,370,107	10,001,595
Cost of sales	6,521,634	6,832,505
Gross profit	2,848,473	3,169,090
Selling, general and administrative expenses	587,622	606,066
Operating profit	2,260,850	2,563,023
Non-operating income		
Interest income	17	13
Subsidy income	18,626	20,006
Rental income from buildings	80,114	79,282
Other	33,190	21,169
Total non-operating income	131,948	120,471
Non-operating expenses		
Interest expenses	2,448	882
Rental expenses	58,870	65,413
Other	1,122	732
Total non-operating expenses	62,442	67,029
Ordinary profit	2,330,357	2,616,466
Profit before income taxes	2,330,357	2,616,466
Income taxes-current	816,385	866,219
Income taxes-deferred	(89,584)	(51,253)
Total income taxes	726,801	814,966
Profit	1,603,555	1,801,500

(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, net sales decreased by 81 million yen in the third quarter of the fiscal year under review. Operating profit, ordinary profit, and profit before income taxes and other adjustments also decreased by the same amount of 81 million yen, respectively.

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.

### (Important Subsequent Event)

#### (Disposal of Treasury Stock as Transfer-restricted Stock Compensation)

We resolved as follows at a meeting of our Board of Directors held on July 21, 2022 to dispose of treasury stock as transfer-restricted stock compensation (hereinafter “the Disposal of Treasury Stock”).

##### (1) Overview of the Disposal of Treasury Stock

1. Payment date	September 20, 2022
2. Type and number of shares to be disposed of	88,700 of our common shares
3. Disposal price	1,735 yen per share
4. Total disposal price	153,894,500 yen
5. Scheduled allottees	360 of our employees (88,700 shares)
6. Other	We have submitted an extraordinary report under the Financial Instruments and Exchange Act about the Disposal of Treasury Stock.

##### (2) Purposes and Reasons for the Disposal of Treasury Stock

We resolved to grant a total of 153,894,500 yen in monetary claims which are equivalent to 88,700 of our common shares (hereinafter the “Allotted Shares”) as the Disposal of Treasury Stock to 360 of our employees who satisfy the prescribed requirements (hereinafter the “Eligible Employees”). The purposes of this are to give an incentive to sustainably improve our corporate value and to promote further sharing of value with our shareholders. This grants up to 300 shares (three units of our company’s tradable shares) to each of the Eligible Employees according to their employment rank. Moreover, we have established transfer restrictions on the Allotted Shares from the perspective of encouraging mid- to long-term and continuous employment. We have set that period to approximately three years.

The Eligible Employees will pay all the paid monetary claims as assets contributed in-kind and will then accept the common shares allotted to them with the Disposal of Treasury Stock by our company. We will also enter into a transfer-restricted share allotment agreement with the Eligible Employees along with the Disposal of Treasury Stock.

We will allot the Allotted Shares only to Eligible Employees who wish to accept them.

### 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 30,2022 (Thousand yen)	Year-on-year changes (%)
High school entrance examination course	7,986,774	107.3
University entrance examination course	2,014,821	104.7
Total	10,001,595	106.7