



## Non-consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2023 [Japanese GAAP]

January 30, 2023

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, 2023  
 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, 2023

(October 1, 2022 to December 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 first quarter ended December 31, 2022	3,931	14.5	1,408	28.5	1,420	27.7	979	27.7
December 31, 2021	3,432	7.4	1,096	14.6	1,112	13.5	767	13.7

	Profit per share	Diluted earnings per share
For the first quarter ended December 31, 2022	Yen 59.03	Yen —
December 31, 2021	46.48	—

#### (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	28,349	25,399	89.6	1,530.76
As of September 30, 2022	27,573	24,798	89.9	1,494.56

(Reference) Equity: As of December 31, 2022: ¥ 25,399million  
 : As of September 30, 2022: ¥ 24,798million

### 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended September 30, 2022	Yen —	Yen 23.00	Yen —	Yen 23.00	Yen 46.00
Fiscal year ending September 30, 2023	—	—	—	—	—
Fiscal year ending September 30, 2023 (Forecast)	—	24.00	—	24.00	48.00

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

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2023 (October 1, 2022 to September 30, 2023)

(% 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	7,362	7.7	2,214	9.7	2,241	8.5	1,533	7.7	92.39
Full year	14,456	5.9	3,862	5.6	3,900	4.6	2,668	4.1	160.79

(Note) Revisions from financial results forecasts announced most recently: None

\*Note

(1) Application of special accounting treatment for the preparation of the quarterly financial statements: None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

As of December 31, 2022: 16,670,000 shares

As of September 30, 2022: 16,670,000 shares

2) Total number of treasury shares at the end of the period:

As of December 31, 2022: 77,422 shares

As of September 30, 2022: 77,422 shares

3) Average number of shares during the period:

As of December 31, 2022: 16,592,578 shares

As of December 31, 2021: 16,505,433 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 2023 ” on page 4 of this report.

Table of Contents of Appendix

1. Qualitative Information on the Quarterly Financial Results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Condition .....	4
(3) Financial Forecast for 2023 .....	4
2. Quarterly Financial Statements and Principal Notes .....	5
(1) Quarterly Balance sheets .....	5
(2) Quarterly Statements of income .....	7
(3) Notes to Quarterly Financial Statements .....	8
(Notes on going concern assumption) .....	8
(Notes on significant changes in the amount of shareholders' equity) .....	8
(Segment information, etc.) .....	8
3. Supplementary Information .....	8
(1) Results of production and orders received .....	8
(2) Sales results .....	8

## 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 32,853 students on average (up 3.7% from the same quarter of the previous fiscal year).

The number of students keeps growing, but COVID-19 spread rapidly at all schools from December, and the Company, too, is seeing the increase of infection among students and staff. Summer courses in the term ended September 2022 were impacted by COVID-19 and the situation is the same for winter courses, which started in late December. Taking into account possible impact on applications for the new year in January and February, we will assume various circumstances and respond accordingly, for example, by enriching the online courses while implementing thorough measures to prevent infection.

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 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 achieve better results of entrance exams than those in the previous term, in which the record-high number of successful applicants to top schools was recorded. On the other hand, we do not pursue merely the number of successful applicants. We do not unreasonably lead students to highly-ranking schools or make them apply for more high schools than necessary for the sake of results, but provide meticulous guidance according to the feelings and stances of respective students and their family members. Based on guidance with this kind of earnest approach, we gained trust from families and locals, which also encourages students to advance to the university entrance examination course and their younger siblings to join our school.

In the university entrance examination course, 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. In Kanagawa Prefecture, there has been a notable number of closures of major prep schools, but we will continue 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, STEP Kids Tsujido School (Fujisawa City), opened in March 2020, turned profitable in the previous term. As the capacity is full in many grades and applications for the new year from new elementary school students have also promptly reached the maximum number in the STEP Kids Shonan School (Fujisawa City), which is the first school we opened, it has been decided to use the neighborhood STEP Junior Labo as a branch classroom (STEP Kids Shonan North Exit School). In this term, we are going to open STEP Kids Hakuraku School in Yokohama City. While refining this rich and diverse content, each school will accumulate and share their operational know-how to build a foundation for future expansion throughout the prefecture.

During the current fiscal year, four new schools in the high school entrance examination course and one school in the after-school care course are scheduled to open in March. In the high school entrance examination course, we will open Mizonokuchi School (Mizonokuchi Station on the Tokyu Denentoshi Line and Musashi-Mizonokuchi Station on the JR Nambu Line) and Hi-STEP Musashi-Kosugi School (Musashi-Kosugi Station on the Tokyu Toyoko Line and the JR Line) in Kawasaki City. Coupled with Musashi-Shinjo School and Musashi-Nakahara School opened in the last term, the school network along the JR Nambu Line in Takatsu Ward and Nakahara Ward will expand. In Yokohama City, we will open Tsurumi School (Tsurumi Station on the JR Keihin-Tohoku Line), which is the first school to be opened in Tsurumi Ward of Yokohama City, and Idogaya School (Idogaya Station on the Keikyu Line), which is the second school to be opened in Minami Ward of Yokohama City (first if Hi-STEP is excluded). The above four schools are all in the area where we will concentrate our business from now on. We will strive to convey the stance of STEP tutoring schools to the region to lead to the recruitment of students.

In the after-school care course, we will open STEP Kids Hakuraku School (Hakuraku Station on the Tokyu Toyoko Line) in March, which will be the fourth STEP Kids school, as mentioned above. It will be the first STEP Kids school in Yokohama City. We are planning to recruit four grades from the first to fourth grades of elementary school from the first fiscal year by taking advantage of the expertise of our existing three schools at Hakuraku School.

At our existing schools, we plan to continue to consider adding classes, increasing floor space and relocating school buildings where we have not been able to accept enrollment requests due to full capacity. We have decided to relocate STEP high school entrance examination course of Hakuraku School next to STEP Kids Hakuraku School (mentioned above) and enlarge it, while doubling the size of Hi-STEP Shonan School (Fujisawa City) in March.

Moreover, as part of our employee benefits, we provided a special inflation allowance of 48 million yen in total (50,000 yen was provided to each full-time employee on December 16, 2022 (some adjustments based on the number of working days were made) and 20,000 yen was provided to each part-time employee on January 6, 2023). We shall continue to strive for improving the treatment of our teachers and staff and engage in creating an environment where they can concentrate on their work with peace in mind.

As a result, net sales in the first quarter of the current fiscal year were 3,931 million yen (up 14.5% year-on-year), operating profit was 1,408 million yen (up 28.5% year-on-year), ordinary profit was 1,420 million yen (up 27.7% year-on-year), and profit was 979 million yen (up 27.7% year-on-year). Due to the effect of the application of “Accounting Standard for Revenue Recognition, etc.” from the previous fiscal year, net sales in the first quarter increased by 312 million yen, and operating income, ordinary income, and net income before income taxes each increased by the same amount of 312 million yen.

## (2) Explanation of Financial Condition

### (Assets)

Total assets at the end of the first quarter of the current fiscal year were 28,349 million yen, up 776 million yen from the end of the previous fiscal year.

Current assets increased 675 million yen from the end of the previous fiscal year to 10,399 million yen, mainly owing to an increase in cash and deposits.

Non-current assets increased 101 million yen from the end of the previous fiscal year to 17,949 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 2,950 million yen, up 175 million yen from the end of the previous fiscal year.

Current liabilities increased 195 million yen from the end of the previous fiscal year to 2,237 million yen because of an increase in provision for bonuses, despite a decrease in income taxes payable.

Non-current liabilities decreased 20 million yen from the end of the previous fiscal year to 713 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 600 million yen from the end of the previous fiscal year to 25,399 million yen, mainly due to the recording of profit, despite the payment of dividends.

The equity ratio decreased 0.3 points from the end of the previous fiscal year to 89.6%.

## (3) Financial Forecast for 2023

The forecasts for the fiscal year ending September 30, 2023 remains unchanged from that stated in the "Summary of Financial Results for the Fiscal Year Ended September 30, 2022 [Japan GAAP] (Non-consolidated)" dated October 31, 2022.

## 2. Quarterly Financial Statements and Principal Notes

### (1) Quarterly Balance Sheets

(Thousand yen)

	As of September 30, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	9,354,061	9,840,397
Accounts receivable-trade	69,055	117,671
Inventories	35,298	62,722
Other	266,831	379,876
Allowance for doubtful accounts	(434)	(741)
Total current assets	9,724,811	10,399,926
Non-current assets		
Property, plant and equipment		
Buildings, net	7,550,582	7,540,411
Land	9,083,408	9,083,408
Other, net	214,170	211,772
Total property, plant and equipment	16,848,161	16,835,592
Intangible assets	33,123	29,783
Investments and other assets		
Leasehold and guarantee deposits	613,259	630,933
Other	353,791	453,371
Total investments and other assets	967,050	1,084,305
Total non-current assets	17,848,336	17,949,681
Total assets	27,573,147	28,349,608
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	116,550	104,700
Lease obligations	17,722	16,200
Accounts payable-other	119,176	124,775
Income taxes payable	624,710	559,048
Provision for bonuses	95,120	335,974
Other	1,068,227	1,096,623
Total current liabilities	2,041,507	2,237,322
Non-current liabilities		
Long-term borrowings	245,300	219,125
Lease obligations	29,453	27,769
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligation	314,456	322,475
Other	14,059	13,868
Total non-current liabilities	733,069	713,038
Total liabilities	2,774,576	2,950,361

(Thousand yen)

	As of September 30, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Capital stock	1,778,330	1,778,330
Capital surplus	2,120,864	2,120,864
Retained earnings brought forward	20,999,308	21,597,106
Treasury stock	(101,037)	(101,037)
Total shareholders' equity	24,797,465	25,395,263
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,105	3,983
Total valuation and translation adjustments	1,105	3,983
Total net assets	24,798,570	25,399,247
Total liabilities and net assets	27,573,147	28,349,608



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

(Thousand yen)

	For the three months ended December. 31, 2021	For the three months ended December. 31, 2022
Net sales	3,432,967	3,931,581
Cost of sales	2,158,707	2,331,132
Gross profit	1,274,260	1,600,449
Selling, general and administrative expenses	177,852	191,774
Operating profit	1,096,408	1,408,675
Non-operating income		
Interest income	1	2
Subsidy income	6,984	5,681
Rental income from buildings	26,450	26,784
Other	2,007	1,992
Total non-operating income	35,443	34,461
Non-operating expenses		
Interest expenses	373	156
Rental expenses	18,917	22,135
Other	529	379
Total non-operating expenses	19,819	22,672
Ordinary profit	1,112,031	1,420,464
Profit before income taxes	1,112,031	1,420,464
Income taxes-current	400,237	518,845
Income taxes-deferred	(55,298)	(77,808)
Total income taxes	344,938	441,036
Profit	767,092	979,427

(3) Notes to Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes on significant changes in the amount of shareholders' equity)

There is no relevant information.

(Segment information, etc.)

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

3. Supplementary Information

Status of production, orders and sales

(1) Results of production and orders received

Our business is conducting classes to students, so there are no relevant items regarding results of production and orders received.

(2) Sales results

As we have a single segment of the tutoring school business, we have no other segments subject to disclose. Sales results for the three months of the fiscal year under review are shown below by business segment.

Segment	Three months ended December 31,2022 (Thousand yen)	Year-on-year changes (%)
High school entrance examination course	3,122,792	115.4
University entrance examination course	808,789	111.2
Total	3,931,581	114.5