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## Non-consolidated Financial Results for the Three Months Ended December 31, 2024 (Under Japanese GAAP)

January 30, 2025

Company name: STEP CO., LTD.

Listing: Tokyo Stock Exchange

Securities code: 9795

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

Representative: Yousuke Endou, Representative Director and President

Inquiries: Noriaki Arai, Director and Managing Executive Officer

Telephone: +81-466-20-8000

Scheduled date to commence dividend payments: —

Preparation of supplementary material on financial results: None

Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Non-consolidated financial results for the three months ended December 31, 2024 (from October 1, 2024 to December 31, 2024)

(1) Non-consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended December 31, 2024	4,513	9.6	1,665	14.5	1,670	13.2	1,152	13.5
December 31, 2023	4,118	4.8	1,454	3.2	1,475	3.9	1,015	3.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended December 31, 2024	72.68	—
December 31, 2023	62.37	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2024	29,585	26,664	90.1	1,683.18
September 30, 2024	29,260	26,236	89.7	1,651.45

Reference: Equity

As of December 31, 2024: ¥ 26,664million

As of September 30, 2024: ¥ 26,236million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2024	—	37.00	—	40.00	77.00
Fiscal year ending September 30, 2025	—				
Fiscal year ending September 30, 2025 (Forecast)		40.00	—	41.00	81.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Non-consolidated financial results forecast for the fiscal year ending September 30, 2025 (October 1, 2024 to September 30, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	8,052	4.6	2,262	1.3	2,292	0.7	1,573	0.5	99.66
Full year	15,714	4.1	3,674	4.6	3,709	4.1	2,541	1.3	162.51

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

\*Note

(1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements: None

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

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of December 31, 2024	16,670,000 shares
As of September 30, 2024	16,670,000 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2024	828,238 shares
As of September 30, 2024	782,838 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended December 31, 2024	15,859,550 shares
Three months ended December 31, 2023	16,281,159 shares

\* Review of the Japanese-language originals of the attached quarterly non-consolidated financial statements by certified public accountants or an audit firm: Yes (voluntary)

\* Proper use of earnings forecasts, and other special matters

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) 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 first quarter (October to December) of the current fiscal year, we were in the second half of the academic year, 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 35,345 students on average (up 4.6% from the same quarter of the previous fiscal year), indicating steady growth.

In February during the second quarter following the first quarter, entrance exams are held at public high schools in Kanagawa Prefecture and at private and national high schools in the Tokyo metropolitan area, and the announcements of its results will be held simultaneously. The passing results of STEP students in the results of these entrance exams have a significant impact on student recruitment over the next year. We will continue in this term again to ensure as many students as possible pass the entrance exams of their first-choice schools by improving our academic guidance and providing highly accurate career guidance based on in-depth data.

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 (for high school students), the announcement of general entrance examination results for various universities also continues to take place from February to early March. Recently, the proportion of students taking general entrance examinations has been falling. However, public high school students taking general entrance examinations now form the core of the university entrance examination course. We will continue to strengthen a system that can respond to the needs of high school students who wish to "pass the university exams while enjoying high school activities including club activities and school events." While leading cram schools are closing their school buildings in succession in Kanagawa Prefecture, 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 which support public high school students.

In the after-school care course, we are continuously attracting students in each class in a healthy manner. Out of our four existing schools, bookings for the new school year are favorable both at the Shonan School and the Tsujido School, and the classes are already full. Nearing the end of its fifth year since opening, the Chigasaki School also achieved profitability in the previous term. It is seeing a steady increase in its student numbers.

While refining our rich and diverse content, each school will accumulate, share and standardize their operational know-how to build a foundation for future expansion of the after-school care course throughout the prefecture.

We will open Hi-STEP Hiratsuka School (Hiratsuka Station on the JR Line) in March for the high school entrance examination course. We already have five schools in Hiratsuka City. However, this will be the first time we open a Hi-STEP school for students aiming to attend elite national, public and private schools in this region. We will ensure

this school is easy to commute to for students aiming to attend elite schools in the Hiratsuka district to Oiso and Ninomiya districts. We plan to further strengthen our prefectural combined junior and high school preparatory course for fifth and sixth grade elementary school students aiming to attend Kanagawa Prefectural Hiratsuka Secondary School by opening this Hi-STEP school.

Moreover in March, we will relocate Hi-STEP Yokohama Minami School (Gumyoji Station on the Yokohama Municipal Subway) to Kamiooka, the neighboring station. We will rename the school Hi-STEP Kamiooka School. We decided to relocate to Kamiooka, where it will be easy for current students to commute and where we can expect to recruit even more elementary and junior high school students, in light of the aging population of the area and the deteriorating facilities. Kamiooka School for the STEP high school entrance examination course is also doing well in Kamiooka. We can also expect a synergistic effect with the existing school by opening in the building two doors down.

We increased the floor space in Yokohama School for the STEP university entrance examination course and Hi-STEP Yokohama School in December 2024. We will strive to be able to accept those who wish to join us smoothly even though the number of students at the schools increases further in the future.

We will open STEP Kids Shonandai School (Shonandai Station on the Odakyu Line, Sotetsu Line and Yokohama Municipal Subway) in March as our fifth STEP Kids school in the after-school care course. We plan to recruit first and second grade elementary school students in the initial year, third grade elementary school students in the second year and fourth grade elementary school students in the third year. This means classes for all four grades targeted by STEP Kids will be in place two years after opening.

We plan to open only the two new schools above in the current fiscal year, and position the current fiscal year as a period in which we enhance our teaching. We will not be able to achieve our pillar of high-quality classes overnight. We can only achieve this by investing time and energy into teacher training. We will focus on strengthening our teaching so that we can continue to grow even in an increasingly competitive environment due to the declining birthrate by controlling the expansion of our school network, and we will further enhance teacher training. In the fiscal year ending September 30, 2025, we believe that we can surely increase the number of students by raising the rate of attendance for all grades and by offering additional classes for grades full to capacity at existing schools, in addition to the above two new schools.

We raised our salary level in three consecutive years from 2022 to 2024, and also plan to raise the salary level in 2025. Accordingly, the initial salary for new teachers will be increased from 290,000 yen to 302,000 yen in April. We continue to engage in human resource investment including an improvement of treatment, and harness our competitive advantage acquired through our human resources in the cram school industry.

Besides, we are preparing to implement a complete update of our core system to improve the efficiency of all our administrative tasks including the collection of tuition fees. We expect to invest just under 500 million yen in total in this update. (We have already factored this investment into our earnings forecast for this term.)

The sales proportion of a winter course conducted in December of the current fiscal year is larger than that of the previous fiscal year owing to the difference of the number of school days between December and January. Accordingly, the changes from the previous corresponding period are larger for net sales of the first quarter of the

current fiscal year. (Revenue of the winter course is posted on a pro rata basis in each month depending on the number of school days between December and January.)

Meanwhile, the sales proportion of the winter course in January, which corresponds to the second quarter, is smaller than that of the previous fiscal year, and the amount decreases by 135 million yen year on year.

As a result, net sales in the first quarter of the current fiscal year were 4,513 million yen (up 9.6% year-on-year), operating profit was 1,665 million yen (up 14.5% year-on-year), ordinary profit was 1,670 million yen (up 13.2% year-on-year), and profit was 1,152 million yen (up 13.5% year-on-year).

## (2) Explanation of Financial Condition

### (Assets)

Total assets at the end of the first quarter of the current fiscal year were 29,585 million yen, up 325 million yen from the end of the previous fiscal year.

Current assets increased 285 million yen from the end of the previous fiscal year to 10,542 million yen, mainly owing to an increase in deposit for acquisition.

Non-current assets increased 39 million yen from the end of the previous fiscal year to 19,042 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 2,921 million yen, down 102 million yen from the end of the previous fiscal year.

Current liabilities decreased 88 million yen from the end of the previous fiscal year to 2,287 million yen because of a decrease in advance received, despite an increase in provision for bonuses.

Non-current liabilities decreased 13 million yen from the end of the previous fiscal year to 633 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 427 million yen from the end of the previous fiscal year to 26,664 million yen, mainly due to the recording of profit, despite the payment of dividends.

The equity ratio increased 0.4 points from the end of the previous fiscal year to 90.1%.

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

The forecasts for the fiscal year ending September 30, 2025 remains unchanged from that stated in the " Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2024(Under Japanese GAAP)" dated October 31, 2024.

## 2. Quarterly Financial Statements and Principal Notes

### (1) Quarterly Balance Sheets

(Thousands of yen)

	As of September 30, 2024	As of December 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	9,674,288	9,677,111
Accounts receivable-trade	95,339	125,032
Inventories	36,703	52,915
Other	450,833	688,124
Allowance for doubtful accounts	(381)	(500)
Total current assets	10,256,783	10,542,685
Non-current assets		
Property, plant and equipment		
Buildings, net	7,212,017	7,178,961
Land	8,616,896	8,616,896
Other, net	200,204	190,479
Total property, plant and equipment	16,029,118	15,986,337
Intangible assets	118,703	121,594
Investments and other assets		
Leasehold and guarantee deposits	661,570	659,162
Other	2,194,098	2,275,875
Total investments and other assets	2,855,668	2,935,037
Total non-current assets	19,003,489	19,042,969
Total assets	29,260,273	29,585,655
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	136,436	119,636
Lease obligations	18,905	19,218
Accounts payable-other	167,593	161,302
Income taxes payable	705,497	653,685
Provision for bonuses	104,665	368,436
Other	1,242,802	964,888
Total current liabilities	2,375,898	2,287,168
Non-current liabilities		
Long-term borrowings	104,164	86,455
Lease obligations	36,027	32,849
Provision for retirement benefits for directors	129,800	129,800
Asset retirement obligation	363,361	370,981
Other	14,207	13,789
Total non-current liabilities	647,560	633,875
Total liabilities	3,023,458	2,921,043

(Thousands of yen)

	As of September 30, 2024	As of December 31, 2024
Net assets		
Shareholders' equity		
Capital stock	1,778,330	1,778,330
Capital surplus	2,138,466	2,138,466
Retained earnings	23,750,707	24,267,886
Treasury shares	(1,438,020)	(1,529,049)
Total shareholders' equity	26,229,483	26,655,633
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,330	8,978
Total valuation and translation adjustments	7,330	8,978
Total net assets	26,236,814	26,664,611
Total liabilities and net assets	29,260,273	29,585,655



(2) Quarterly Statements of income  
Three months Ended December 31

(Thousands of yen)

	For the three months ended December 31, 2023	For the three months ended December 31, 2024
Net sales	4,118,476	4,513,902
Cost of sales	2,451,283	2,616,620
Gross profit	1,667,192	1,897,282
Selling, general and administrative expenses	212,824	231,956
Operating profit	1,454,368	1,665,325
Non-operating income		
Interest income	4	130
Subsidy income	6,368	6,044
Rental income from buildings	26,996	26,283
Other	4,436	7,935
Total non-operating income	37,805	40,393
Non-operating expenses		
Interest expenses	111	243
Rental expenses	15,449	34,347
Other	855	500
Total non-operating expenses	16,416	35,092
Ordinary profit	1,475,756	1,670,626
Profit before income taxes	1,475,756	1,670,626
Income taxes-current	547,843	607,186
Income taxes-deferred	(87,519)	(89,226)
Total income taxes	460,324	517,960
Profit	1,015,432	1,152,665

### (3) Notes to Quarterly Financial Statements

(Significant matters that serve as the basis for the preparation of quarterly non-consolidated financial statements)

The quarterly non-consolidated financial statements are prepared in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange's standards for preparation of quarterly financial statements, and accounting standards for quarterly financial statements that are generally accepted as fair and appropriate in Japan.

(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.

(Notes to Statements of Cash Flows)

We have not produced the quarterly statement of cash flows for the first quarter under review. Depreciation in the first quarter under review (including depreciation related to intangible assets) is as described below.

	For the three months ended December 31, 2023 (Thousands of yen)	For the three months ended December 31, 2024 (Thousands of yen)
Depreciation	127,321	129,595

### 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, 2024 (Thousands of yen)	Year-on-year changes (%)
High school entrance examination course	3,555,129	109.2
University entrance examination course	958,772	111.2
Total	4,513,902	109.6