

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2019
(Six Months Ended September 30, 2018)

[Japanese GAAP]

Company name: SEIGAKUSHA CO.,LTD.

Listing: Tokyo Stock Exchange (JASDAQ)

Stock code: 2179

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Scheduled date of filing of Quarterly Report:

November 14, 2018

Scheduled date of payment of dividend:

December 10, 2018

Preparation of supplementary materials for quarterly financial results:

Yes

Holding of quarterly financial results meeting:

Yes (for institutional investors and analysts)

*(All amounts are rounded down to the nearest million yen)***1. Consolidated Financial Results for the Six Months Ended September 30, 2018****(April 1, 2018 – September 30, 2018)****(1) Consolidated operating results***(Percentages represent year-on-year changes)*

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2018	5,407	7.0	(114)	-	65	-	31	-
Six months ended Sep. 30, 2017	5,052	2.6	(323)	-	(18)	-	(33)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2018: 30 (-%)

Six months ended Sep. 30, 2017: (30) (-%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Sep. 30, 2018	5.65		-	
Six months ended Sep. 30, 2017	(6.02)		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of Sep. 30, 2018	7,858		2,336		29.7	
As of Mar. 31, 2018	7,988		2,334		29.2	

Reference: Shareholders' equity (million yen) As of Sep. 30, 2018: 2,336 As of Mar. 31, 2018: 2,334

Note: Starting with the beginning of the first quarter of the current fiscal year, SEIGAKUSHA is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
FY3/18	-	5.20	-	5.20	10.40
FY3/19	-	5.35	-	-	-
FY3/19 (forecasts)	-	-	-	5.35	10.70

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)*(Percentages represent year-on-year changes)*

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full year	12,027	7.0	60	194.6	321	1.3	166	63.3	30.21	

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of issued shares (common stock)

1) Number of shares issued at the end of period (including treasury shares)

As of Sep. 30, 2018:	5,876,000 shares	As of Mar. 31, 2018:	5,876,000 shares
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2) Number of treasury shares at the end of period

As of Sep. 30, 2018:	350,260 shares	As of Mar. 31, 2018:	350,260 shares
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3) Average number of shares during the period

Six months ended Sep. 30, 2018:	5,525,740 shares	Six months ended Sep. 30, 2017:	5,525,740 shares
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* The current quarterly summary report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the SEIGAKUSHA's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The SEIGAKUSHA Group meets a broad array of education and child care needs as an education organization centered on education and child care services extending from pre-school children to adults. The Group operates the FreeStep Individual Tutoring Institute and Kaisei Education Seminar entrance exam preparation schools, Kaisei Nursery School certified nursery schools, and Kaisei Academy Japanese Language School for foreign students in Japan.

Consolidated net sales in the first half were 5,407 million yen, 7.0% higher than in the same period of the previous fiscal year, operating loss was 114 million yen (compared with operating loss of 323 million yen in the same period of the previous fiscal year), ordinary profit was 65 million yen (compared with ordinary loss of 18 million yen in the same period of the previous fiscal year) and profit attributable to owners of parent was 31 million yen (compared with loss attributable to owners of parent of 33 million yen in the same period of the previous fiscal year).

Business segment performance was as follows.

1) Education Services

Number of Students at SEIGAKUSHA Group Schools (Note 1)

Category	Sep. 30, 2017	Sep. 30, 2018	Change
Individual tutoring	16,065	16,778	+4.4%
Classroom tutoring	8,195	7,981	(2.6)%
Nursery school	301	487	+61.8%
Other education services (Note 2)	52	101	+94.2%
	122	-	-
Total	24,735	25,347	+2.5%

Notes: 1. The number of students is only for examination preparation schools and other education services locations operated by the SEIGAKUSHA Group and does not include students at franchised schools.

2. The second line of this category is the number of students at an education services brand that was terminated at the end of March 2018 and is not included in the first line.

In the individual tutoring category, the number of entrance exam preparation students increased. One reason was continuing marketing activities for the FreeStep Individual Tutoring Institute, the primary brand, that emphasized its skill in the university entrance exam sector and ability to raise students' examination scores. Another reason is the provision at almost all FreeStep schools of the FreeStep Sateline Course, which uses satellite links to the classes of Yozemi Sateline Exam Preparation School.

In the classroom tutoring category, the business climate continues to be very difficult because this entire market sector in Japan is shrinking. To target new segments of students, a new program has been started that specializes in education for students at Osaka municipal combined junior and senior high schools, a category where demand for supplementary classes is expected to be strong.

In the nursery school category, the number of children increased because four directly operated nursery schools have been opened since the end of March 2018.

In the other education services category, the number of students increased at Kaisei Academy Japanese Language School because this school, now in its second year of operations, has both first and second-year students.

Number of Schools

Category	Mar. 31, 2018	Increase	Decrease	Sep. 30, 2018
Individual tutoring	203	2	3	202
Classroom tutoring	101	-	-	101
Nursery school	11	4	-	15
Other education services	3	-	-	3
Directly operated schools	256	6	2	260
Franchised schools	24	9	-	33

Note: Totals for directly operated schools do not match the number of schools in each category because some schools provide two or more types of education services.

During the first half of this fiscal year, two directly operated schools (Hyogo and Tokyo), three Kaisei Nursery Schools and one Kaisei Puchi Nursery School, and nine franchised schools (including two directly operated schools that were franchised), were opened.

Segment Sales and Earnings

Segment sales increased 7.2% from one year earlier to 5,342 million yen because of the larger number of students at SEIGAKUSHA Group schools and the increase in the number of franchised schools. There was a big decrease in the segment loss from 304 million yen one year earlier to 82 million yen. This improvement was attributable to a decline in up-front investments for nursery schools and other operations, a decrease in the personnel expense ratio, and a decline in expenses associated with capital expenditures resulting from the smaller number of new and planned schools compared with the same period of the previous fiscal year.

2) Real Estate Leasing

The number of tenants increased in the first half, resulting in a 5.0% increase from one year earlier in segment sales to 18 million yen. However, operating profit was down 5.3% to 14 million yen.

3) Restaurant Operations

The business climate for restaurants continues to be challenging because of Japan's sluggish consumer spending. Unfavorable weather, notably extreme summer heat and typhoons, further impacted the performance of restaurant operations. As a result, sales were down 12.6% from one year earlier to 47 million yen and the operating loss increased from 6 million yen to 12 million yen.

(2) Explanation of Financial Position

1) Assets, liabilities, and net assets

Starting with the beginning of the first quarter of the current fiscal year, SEIGAKUSHA is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

Total assets at the end of the second quarter of the current fiscal year decreased by 129 million yen, or 1.6%, from the end of the previous fiscal year to 7,858 million yen. Current assets decreased by 230 million yen, or 8.5%, from the end of the previous fiscal year to 2,485 million yen. This was attributable mainly to decreases of 194 million yen in operating accounts receivable and 158 million yen in accounts receivable-other included in other current assets. Non-current assets increased by 101 million yen, or 1.9%, from the end of the previous fiscal year to 5,372 million yen. This was mainly attributable to an increase of 158 million yen in property, plant and equipment and a decrease of 49 million yen in investments and other assets.

Total liabilities decreased by 131 million yen, or 2.3%, from the end of the previous fiscal year to 5,522 million yen. Current liabilities decreased by 579 million yen, or 15.7%, from the end of the previous fiscal year to 3,113 million yen. This was attributable mainly to decreases of 263 million yen in short-term loans payable and 322

million yen in operating accounts payable included in other current liabilities. Non-current liabilities increased by 448 million yen, or 22.9%, from the end of the previous fiscal year to 2,409 million yen. This was attributable mainly to an increase of 453 million yen in long-term loans payable.

Net assets increased by 1 million yen, or 0.1%, from the end of the previous fiscal year to 2,336 million yen. This was attributable mainly to an increase of 2 million yen in retained earnings.

2) Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the second quarter of the current fiscal year increased 86 million yen from the end of the previous fiscal year to 969 million yen.

The cash flow components during the first half of the current fiscal year and the main reasons for changes are described as follows.

Cash flows from operating activities

Net cash provided by operating activities was 123 million yen (compared with net cash used of 78 million yen in the same period of the previous fiscal year). Major positive factors include a decrease in notes and accounts receivable-trade of 194 million yen, an increase in advances received of 186 million yen and depreciation of 166 million yen. Major negative factors include a decrease in accounts payable-other of 217 million yen, subsidy income of 155 million yen and a decrease in notes and accounts payable-trade of 98 million yen.

Cash flows from investing activities

Net cash used in investing activities was 259 million yen (a year-on-year decrease of 288 million yen). Major factors include proceeds from subsidy income of 338 million yen and purchase of property, plant and equipment of 629 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 224 million yen (a year-on-year decrease of 244 million yen). Major factors include proceeds from long-term loans payable of 800 million yen, repayments of long-term loans payable of 275 million yen and a net decrease in short-term loans payable of 263 million yen.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

At this point, we maintain the full-year consolidated forecasts for the fiscal year ending March 31, 2019 that we announced on May 15, 2018.

Forecasts are based on all the information currently available, and the actual results may differ due to various factors.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	1,028,544	1,129,762
Operating accounts receivable	1,021,220	826,456
Merchandise	66,856	58,302
Supplies	12,407	20,176
Other	608,556	472,148
Allowance for doubtful accounts	(20,763)	(20,933)
Total current assets	2,716,822	2,485,912
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,562,186	3,670,643
Accumulated depreciation	(1,204,608)	(1,300,747)
Buildings and structures, net	2,357,577	2,369,896
Land	1,107,742	1,107,772
Other	950,316	1,147,887
Accumulated depreciation	(602,384)	(654,175)
Other, net	347,932	493,712
Total property, plant and equipment	3,813,251	3,971,381
Intangible assets		
Goodwill	8,322	6,437
Other	133,096	127,623
Total intangible assets	141,419	134,060
Investments and other assets		
Guarantee deposits	915,748	914,340
Other	401,049	353,156
Total investments and other assets	1,316,798	1,267,497
Total non-current assets	5,271,469	5,372,940
Total assets	7,988,291	7,858,852

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	183,544	84,230
Short-term loans payable	953,668	690,000
Current portion of long-term loans payable	484,063	555,495
Income taxes payable	52,202	87,025
Advances received	683,079	870,061
Provision for bonuses	130,703	161,940
Other	1,205,837	664,493
Total current liabilities	3,693,099	3,113,247
Non-current liabilities		
Long-term loans payable	1,434,868	1,888,327
Provision for directors' retirement benefits	3,570	-
Net defined benefit liability	6,825	6,679
Asset retirement obligations	423,563	431,963
Other	91,873	82,382
Total non-current liabilities	1,960,700	2,409,353
Total liabilities	5,653,800	5,522,601
Net assets		
Shareholders' equity		
Capital stock	235,108	235,108
Capital surplus	175,108	175,108
Retained earnings	2,205,527	2,208,037
Treasury shares	(288,452)	(288,452)
Total shareholders' equity	2,327,291	2,329,801
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,625	6,135
Foreign currency translation adjustment	1,574	313
Total accumulated other comprehensive income	7,199	6,448
Total net assets	2,334,491	2,336,250
Total liabilities and net assets	7,988,291	7,858,852

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Six-month Period)**

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	5,052,959	5,407,881
Cost of sales	4,518,873	4,652,104
Gross profit	534,086	755,776
Selling, general and administrative expenses	857,811	869,910
Operating loss	(323,725)	(114,133)
Non-operating income		
Interest income	471	825
Dividend income	365	401
Subsidy income	313,787	155,197
Other	4,452	36,137
Total non-operating income	319,077	192,562
Non-operating expenses		
Interest expenses	10,920	12,806
Other	3,248	585
Total non-operating expenses	14,168	13,392
Ordinary profit (loss)	(18,816)	65,037
Extraordinary income		
Reversal of provision for directors' retirement benefits	-	1,378
Gain on transfer of business	-	5,500
Total extraordinary income	-	6,878
Profit (loss) before income taxes	(18,816)	71,915
Income taxes-current	15,967	45,663
Income taxes-deferred	(1,510)	(4,992)
Total income taxes	14,456	40,671
Profit (loss)	(33,273)	31,244
Profit (loss) attributable to owners of parent	(33,273)	31,244

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Profit (loss)	(33,273)	31,244
Other comprehensive income		
Valuation difference on available-for-sale securities	1,942	510
Foreign currency translation adjustment	867	(1,261)
Total other comprehensive income	2,810	(750)
Comprehensive income	(30,462)	30,493
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(30,462)	30,493
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Cash flows from operating activities		
Profit (loss) before income taxes	(18,816)	71,915
Depreciation	144,890	166,187
Amortization of goodwill	2,967	2,060
Amortization of long-term prepaid expenses	4,534	4,851
Increase (decrease) in allowance for doubtful accounts	3,082	622
Increase (decrease) in provision for bonuses	5,331	31,237
Gain on maturity of insurance contract	-	(27,226)
Interest expenses	10,920	12,806
Subsidy income	(313,787)	(155,197)
Decrease (increase) in notes and accounts receivable-trade	188,425	194,713
Decrease (increase) in accounts receivable-other	(30,934)	(23,163)
Decrease (increase) in prepaid expenses	(2,470)	(12,167)
Decrease (increase) in advance payments	(10,586)	(10,778)
Increase (decrease) in notes and accounts payable-trade	(85,239)	(98,313)
Increase (decrease) in accounts payable-other	(64,965)	(217,345)
Increase (decrease) in advances received	193,777	186,981
Increase (decrease) in accrued expenses	(50,908)	(35,239)
Increase (decrease) in accrued consumption taxes	(26,473)	47,926
Other, net	17,366	(753)
Subtotal	(32,886)	139,115
Interest and dividend income received	376	503
Interest expenses paid	(10,806)	(12,675)
Income taxes paid	(36,215)	(12,599)
Income taxes refund	1,373	9,478
Net cash provided by (used in) operating activities	(78,158)	123,822
Cash flows from investing activities		
Payments into time deposits	(4,506)	(14,505)
Proceeds from cancellation of insurance contract	-	74,074
Purchase of property, plant and equipment	(537,662)	(629,696)
Purchase of intangible assets	(32,752)	(26,019)
Proceeds from subsidy income	66,605	338,298
Payments for asset retirement obligations	(1,479)	(3,153)
Payments for transfer of business	-	(865)
Proceeds from transfer of business	-	5,940
Payments for guarantee deposits	(43,145)	(19,650)
Proceeds from collection of guarantee deposits	5,805	16,343
Other payments	(1,600)	(1,200)
Other proceeds	-	650
Net cash provided by (used in) investing activities	(548,735)	(259,783)

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	106,664	(263,668)
Proceeds from long-term loans payable	618,000	800,000
Repayments of long-term loans payable	(218,354)	(275,109)
Cash dividends paid	(27,883)	(28,728)
Other payments	(9,663)	(7,931)
Net cash provided by (used in) financing activities	468,762	224,563
Effect of exchange rate change on cash and cash equivalents	837	(1,889)
Net increase (decrease) in cash and cash equivalents	(157,294)	86,712
Cash and cash equivalents at beginning of period	977,272	882,402
Cash and cash equivalents at end of period	819,978	969,114

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

I. First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)**1. Information related to net sales, profit or loss for each reportable segment** (Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts recorded in quarterly consolidated statement of income (Note 2)
	Education Services	Real Estate Leasing	Restaurant Operations	Total		
Net sales						
External sales	4,981,725	17,269	53,965	5,052,959	-	5,052,959
Inter-segment sales and transfers	-	13,160	-	13,160	(13,160)	-
Total	4,981,725	30,429	53,965	5,066,120	(13,160)	5,052,959
Segment profit (loss)	(304,797)	15,032	(6,418)	(296,183)	(27,541)	(323,725)

Notes: 1. The minus 27 million yen adjustment to segment profit (loss) includes 27 million yen in corporate expenses that cannot be allocated to any of the reportable segments. These corporate expenses mainly include general and administration expenses that cannot be attributed to any of the reportable segments.

2. Segment profit (loss) is adjusted with operating loss on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

II. First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)**1. Information related to net sales, profit or loss for each reportable segment** (Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts recorded in quarterly consolidated statement of income (Note 2)
	Education Services	Real Estate Leasing	Restaurant Operations	Total		
Net sales						
External sales	5,342,566	18,137	47,177	5,407,881	-	5,407,881
Inter-segment sales and transfers	-	13,160	-	13,160	(13,160)	-
Total	5,342,566	31,297	47,177	5,421,041	(13,160)	5,407,881
Segment profit (loss)	(82,622)	14,232	(12,390)	(80,780)	(33,352)	(114,133)

Notes: 1. The minus 33 million yen adjustment to segment profit (loss) includes 33 million yen in corporate expenses that cannot be allocated to any of the reportable segments. These corporate expenses mainly include general and administration expenses that cannot be attributed to any of the reportable segments.

2. Segment profit (loss) is adjusted with operating loss on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

Additional Information

First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)

Starting with the beginning of the first quarter of the current fiscal year, SEIGAKUSHA is applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

This financial report is solely a translation of SEIGAKUSHA's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.