

Results of Operations  
for the First Half of the Fiscal Year Ending  
March 31, 2019 (FY3/19)



Stock code: 2179

December 6, 2018

# The Businesses of the SEIGAKUSHA Group SEIGAKUSHA Co.,Ltd.

## Education Services

An education organization centered on education and child care services extending from pre-school children to adults

### Individual tutoring

Mainly one instructor for every two entrance exam prep students



Video classes specializing in university entrance exams



Individualized teaching exclusively for entrance exams



One-to-one teaching



### Classroom tutoring

Goal-centered classes that give students confidence when goals are exceeded



### Nursery school



Certified nursery schools



Certified small-scale nursery schools



### Other education services

Japanese language classes for foreign students in Japan



English language classes for Japanese students in the Philippines



Day care for elementary school students



- Teacher staffing service for private schools
- Operation of employee training centers
- Other activities involving staffing and training centers

Real Estate Leasing

Leasing of unused space at properties owned by group companies

Restaurant Operations

Two restaurants in the city of Osaka

## Financial Summary

(Millions of yen, %)

	1H FY3/18 Results	1H FY3/19 Plan	1H FY3/19 Results	YoY change	YoY (%)	Vs. plan	% achieved
Net sales	5,052	5,426	5,407	+354	+7.0	-18	99.7
Operating profit	(323)	(291)	(114)	+209	-	+177	-
Operating margin	(6.4)	(5.4)	(2.1)	+4.3	-	+3.3	-
Ordinary profit	(18)	(23)	65	+83	-	+88	-
Ordinary margin	(0.4)	(0.4)	1.2	+1.6	-	+1.6	-
Profit	(33)	(29)	31	+64	-	+60	-
Profit margin	(0.7)	(0.5)	0.6	+1.2	-	+1.1	-

## Net sales

Sales increased because of the larger number of students at SEIGAKUSHA Group schools and the increase in the number of franchised schools

## Operating profit

Operating profit increased due 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 schools

Ordinary profit  
Profit

Improved because of the smaller first half operating loss

## Business Segment Sales

(Millions of yen, %)

	1H FY3/18 Results	1H FY3/19 Plan	1H FY3/19 Results	YoY change	YoY (%)	Vs. plan	% achieved
Education Services	4,981	5,350	5,342	+360	+7.2	-7	99.9
Individual tutoring	3,171	3,375	3,370	+198	+6.3	-5	99.8
Classroom tutoring	1,393	1,337	1,358	-35	-2.5	+20	101.6
Nursery school	300	463	467	+167	+55.6	+4	100.9
Other education services	116	174	146	+30	+26.5	-27	84.3
Real Estate Leasing	17	18	18	+0	+5.0	+0	100.7
Restaurant Operations	53	58	47	-6	-12.6	-11	81.0

Education Services	Individual tutoring	Sales increased as marketing using the unique characteristics of each brand raised the number of entrance exam preparation students and the number of franchised schools continued to climb
	Classroom tutoring	A decline in the number of entrance exam preparation students caused sales to decrease, but sales were close to the plan
	Nursery school	Sales increased year on year and were more than planned as the number of nursery schools and students increased
	Other education services	Although the number of Kaisei Academy Japanese Language School students increased as expected, sales were below the plan because students at Kaisei English Academy were fewer than planned
Real Estate Leasing	Sales were slightly higher than one year earlier and the plan as the number of tenants increased	
Restaurant Operations	Sluggish customer traffic caused mainly by a hot summer, typhoons and other unfavorable weather brought down sales	

## Sales by Brand

(Millions of yen, %)

	1H FY3/18 Results	1H FY3/19 Plan	1H FY3/19 Results	YoY change	YoY (%)	Vs. plan	% achieved
Individual tutoring	3,171	3,375	3,370	+198	+6.3	-5	99.8
FreeStep	2,879	2,962	2,950	+71	+2.5	-11	99.6
Yozemi Sateline Exam Preparation School	189	250	253	+64	+34.2	+3	101.5
Franchise business	59	98	111	+52	+88.8	+12	112.9
Other brands	44	63	53	+9	+21.4	-10	84.1
Classroom tutoring	1,393	1,337	1,358	-35	-2.5	+20	101.6
Kaisei Education Seminar	1,342	1,291	1,310	-31	-2.4	+19	101.5
Yell Exam Preparation School	51	46	47	-3	-7.1	+1	103.2
Nursery school	300	463	467	+167	+55.6	+4	100.9
Certified nursery schools	123	270	267	+143	+116.5	-3	98.7
Certified small-scale nursery schools	176	192	199	+23	+13.1	+7	104.0
Other education services	116	174	146	+30	+26.5	-27	84.3

## Expenses

(Millions of yen, %)

	1H FY3/18 Results	1H FY3/19 Plan	1H FY3/19 Results	YoY change	YoY (%)	Vs. plan	% achieved
Personnel expenses	3,014	3,192	3,105	+91	+3.0	-86	97.3
% to sales	59.7	58.8	57.4	-2.2	-	-1.4	-
Rents	738	801	772	+34	+4.7	-29	96.4
% to sales	14.6	14.8	14.3	-0.3	-	-0.5	-
Advertising expenses	222	259	213	-8	-3.9	-46	82.3
% to sales	4.4	4.8	4.0	-0.5	-	-0.8	-
Other expenses	1,401	1,464	1,430	+28	+2.0	-33	97.7
% to sales	27.7	27.0	26.5	-1.3	-	-0.5	-
Total cost of sales and SG&A expenses	5,376	5,718	5,522	+145	+2.7	-196	96.6
% to sales	106.4	105.4	102.1	-4.3	-	-3.3	-

## Personnel expenses

The personnel expense ratio decreased as new employees contributed to sales  
Held down total personnel expenses by reviewing assignments and using other measures

## Rents

Rental expenses increased with the number of schools but were below the plan because  
new schools were fewer than planned

## Advertising expenses

Lower despite the planned increase as the timely and appropriate use of advertising  
media held down expenses

## Other expenses

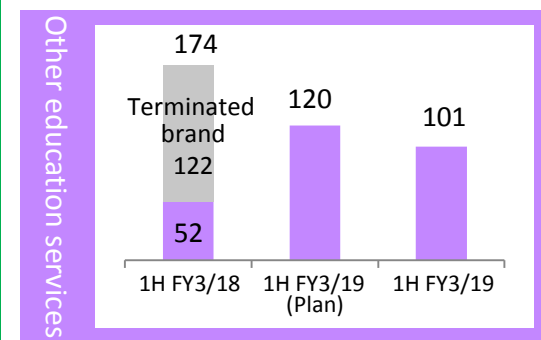
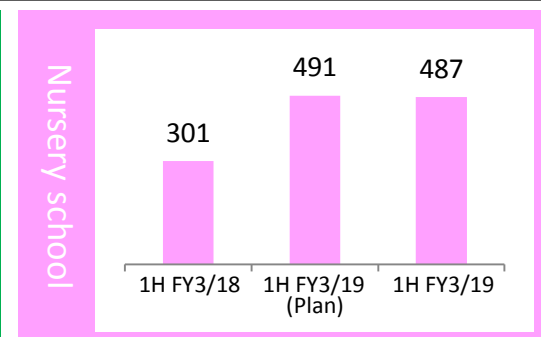
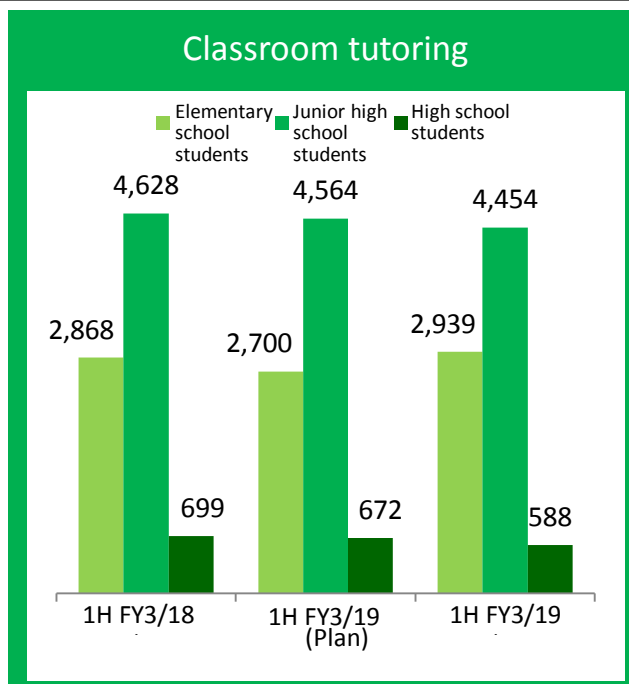
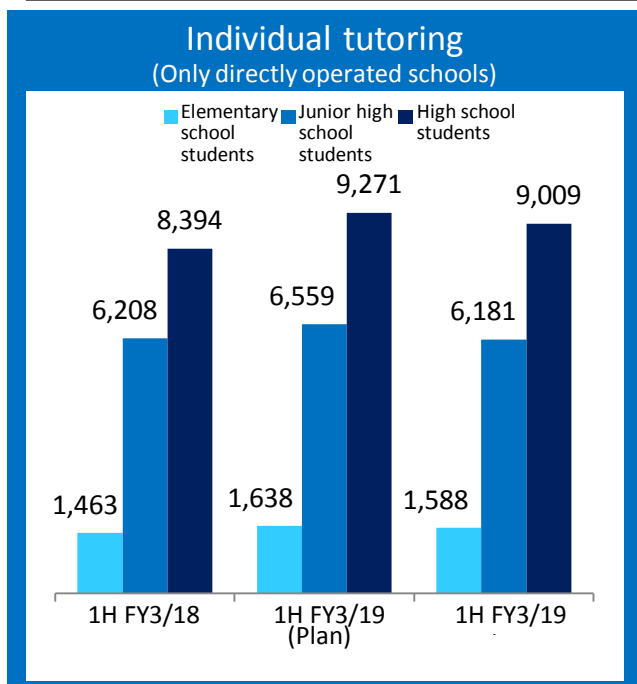
Timely decisions about the need for expenses held down the increase in other expenses

# Number of Students at SEIGAKUSHA Group Schools

(As of Sep. 30, 2018)

(Number of students, %)

	1H FY3/18 Results	1H FY3/19 Plan	1H FY3/19 Results	YoY change	YoY (%)	Vs. plan	% achieved	
Directly operated schools	Number of Students	24,735	26,015	25,347	+612	+2.5	-668	97.4
	Individual tutoring	16,065	17,468	16,778	+713	+4.4	-690	96.0
	Classroom tutoring	8,195	7,936	7,981	-214	-2.6	+45	100.6
	Nursery school	301	491	487	+186	+61.8	-4	99.2
	Other education services	174	120	101	-73	-42.0	-19	84.2
Franchised schools	923	1,342	1,392	+469	+50.8	+50	103.7	



# Monthly Trend in Number of Students at SEIGAKUSHA Group Schools

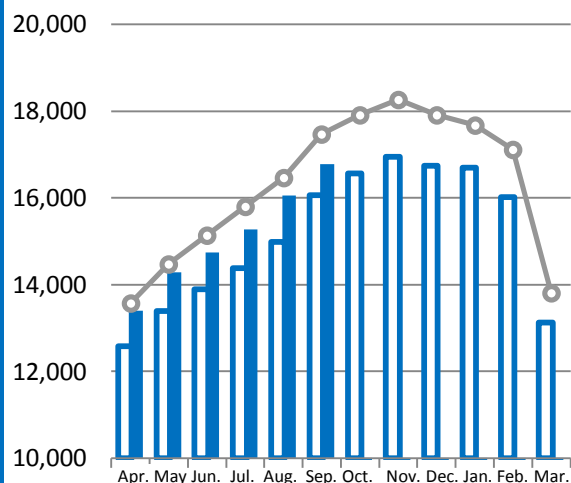
(Only directly operated schools)



□ FY3/18 ○ Plan ■ Results

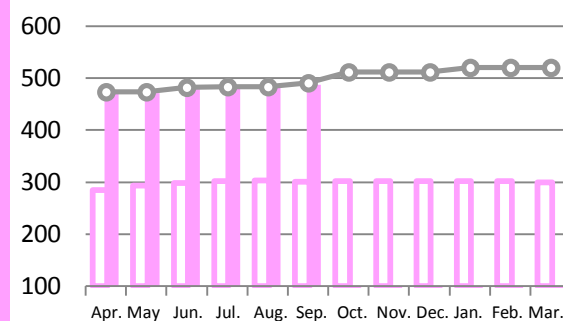
(Number of students)

Individual tutoring



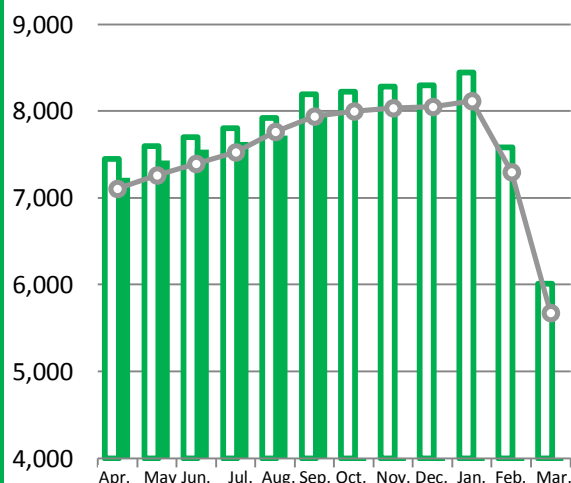
- Initially below plan due to higher than expected loss of entrance exam prep students as they started classes at high schools
- Fewer than expected students at FreeStep Sateline Course (44 schools) when operations started in May
- Number of students was below the plan, but exam prep students were higher than one year earlier, mainly for high school students

Nursery school



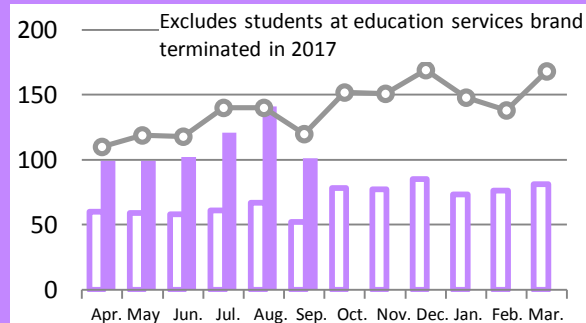
- Far higher than one year earlier due to the increasing number of schools and growing number of students at schools as the years of operation increase
- Number of students was generally as planned because schools are operated in areas where nursery school demand is high

Classroom tutoring



- Number of students was consistently below one year earlier but generally in line with the plan
- A course structured solely for the Osaka municipal combined junior and senior high school entrance exam was started to attract a new category of entrance exam preparation students

Other education services



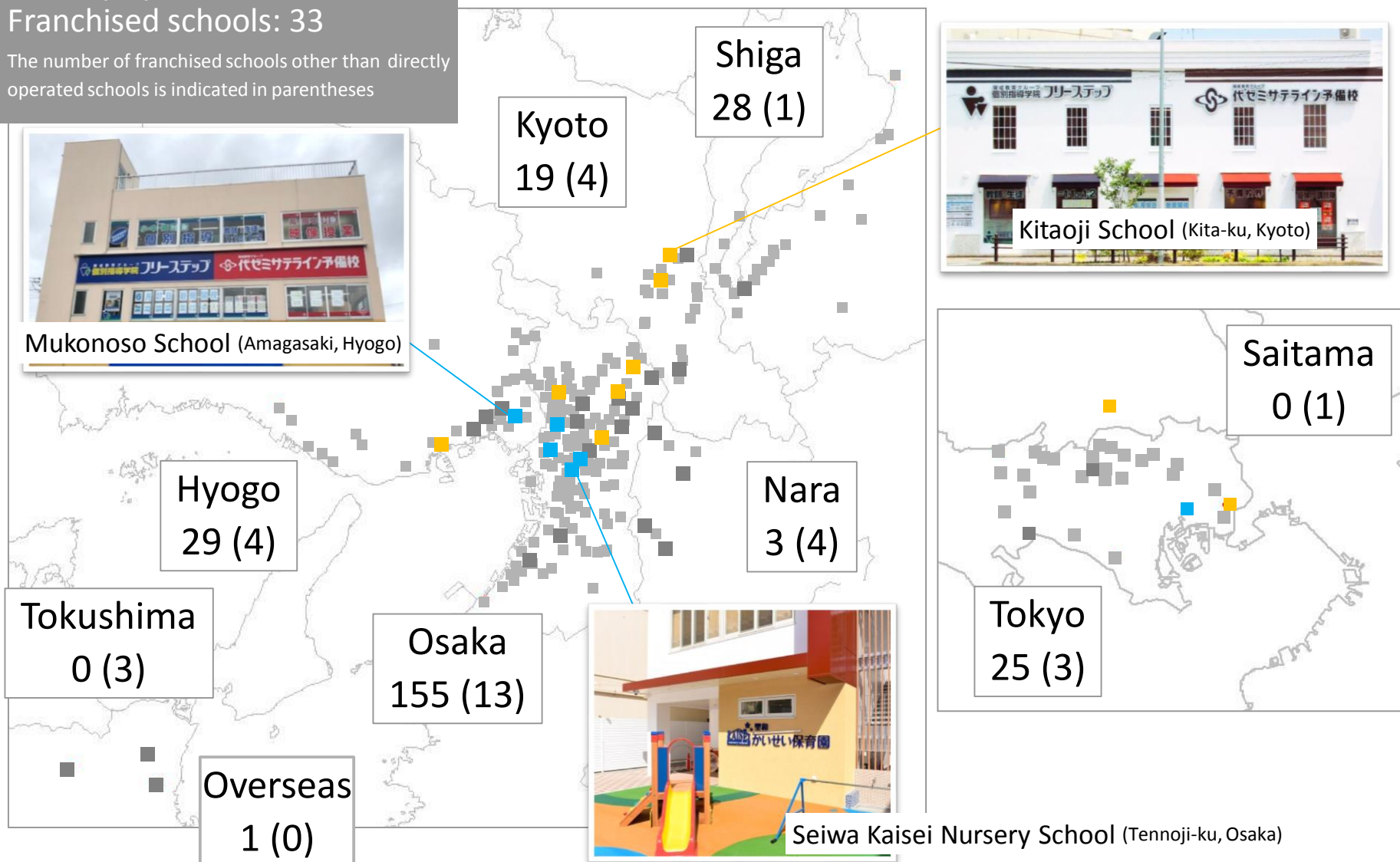
- More students at Kaisei Academy Japanese Language School, now in its second year with its first class of second-year students in addition to first-year students
- Seasonal changes affected Kaisei English Academy, which serves mostly short-term exchange students



# Number of Schools 1

Directly operated schools: 260  
Franchised schools: 33

The number of franchised schools other than directly operated schools is indicated in parentheses



# Number of Schools 2

(Number of locations)

	Directly operated schools					Franchised schools				
	FY3/18		FY3/19			FY3/18		FY3/19		
	Mar. 31	1H		Plan	Mar. 31	1H		Plan		
		Increase	Decrease	Sep. 30	Sep. 30		Increase	Decrease	Sep. 30	Sep. 30
<b>Total no. of locations</b>	<b>256</b>	<b>6</b>	<b>2</b>	<b>260</b>	<b>265</b>	<b>24</b>	<b>9</b>	<b>0</b>	<b>33</b>	<b>31</b>
Osaka	151	4	0	155	-	9	4	0	13	-
Shiga	28	0	0	28	-	1	0	0	1	-
Hyogo	29	1	1	29	-	3	1	0	4	-
Kyoto	20	0	1	19	-	2	2	0	4	-
Nara	3	0	0	3	-	4	0	0	4	-
Tokyo	24	1	0	25	-	2	1	0	3	-
Saitama	0	0	0	0	-	0	1	0	1	-
Overseas	1	0	0	1	-	3	0	0	3	-
Individual tutoring	203	2	3	202	208					
Classroom tutoring	101	0	0	101	101					
Nursery school	11	4	0	15	15					
Other education services	3	0	0	3	3					

Note: Totals of school categories do not match the total number of locations because some schools operate in two or more categories.

New schools



Mukonosu (Hyogo) Monzennakacho (Tokyo)



Seiwa, Yoshino, Higashinari (Osaka)



Mikunihonmachi (Osaka)



Momoyamadai, Kozenji, Makino, Kadomaminami (Osaka)

HAT Kobe (Hyogo)

Saiin, Kitaoji (Kyoto)

Funabori (Tokyo)

Kitatoda (Saitama)

## Balance Sheet and Cash Flow Statement

	Sep. 30, 2018	Mar. 31, 2018	Change		(Millions of yen)	
					1H FY3/19	1H FY3/18
Current assets	2,485	2,716	-230	Cash flows from operating activities	123	(78)
Non-current assets	5,372	5,271	+101	Cash flows from investing activities	(259)	(548)
Property, plant and equipment	3,971	3,813	+158	Cash flows from financing activities	224	468
Intangible assets	134	141	-7	Effect of exchange rate change on cash and cash equivalents	(1)	0
Investments and other assets	1,267	1,316	-49	Net increase (decrease) in cash and cash equivalents	86	(157)
<b>Total assets</b>	<b>7,858</b>	<b>7,988</b>	<b>-129</b>	Cash and cash equivalents at beginning of period	882	977
Current liabilities	3,113	3,693	-579	Cash and cash equivalents at end of period	969	819
Non-current liabilities	2,409	1,960	+448			
<b>Total liabilities</b>	<b>5,522</b>	<b>5,653</b>	<b>-131</b>			
Shareholders' equity	2,329	2,327	+2			
Capital stock	235	235	-			
Capital surplus	175	175	-			
Retained earnings	2,208	2,205	+2			
Treasury shares	(288)	(288)	-			
Accumulated other comprehensive income	6	7	-0			
Valuation difference on available-for-sale securities	6	5	+0			
Foreign currency translation adjustment	0	1	-1			
<b>Total net assets</b>	<b>2,336</b>	<b>2,334</b>	<b>+1</b>			
<b>Total liabilities and net assets</b>	<b>7,858</b>	<b>7,988</b>	<b>-129</b>			

Note: Starting with the beginning of FY3/19, SEIGAKUSHA is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting." FY3/18 figures have been adjusted retroactively to conform with this accounting standard.

## Earnings Forecasts

(Millions of yen, %)

	FY3/18 Results	FY3/19 Plan	YoY change	YoY (%)
Net sales	11,243	12,027	+784	+7.0
Operating profit	20	60	+40	+194.6
Operating margin	0.2	0.5	+0.3	-
Ordinary profit	317	321	+4	+1.3
Ordinary margin	2.8	2.7	-0.1	-
Profit	102	166	+64	+63.3
Profit margin	0.9	1.4	+0.5	-

Net sales	The growing individual tutoring and nursery school sectors are expected to be the primary sources of higher sales
Operating profit	Forecast an increase mainly due to a decline in up-front investments and a lower personnel expense ratio
Ordinary profit	Expect ordinary profit to benefit from the higher operating profit and more subsidy income (non-operating income) as more certified nursery schools are opened
Profit	Forecast an increase because of a decline in the asset impairment loss

Note: Normally, earnings are highest in the third quarter of every fiscal year mainly because the number of students at group schools increases every month from April to the November peak and there are many training seminars, which are highly profitable, in the third quarter.

# Business Segment Sales

(Millions of yen, %)

	FY3/18 Results	FY3/19 Plan	YoY change	YoY (%)
Education Services	11,094	11,868	+774	+7.0
Individual tutoring	7,307	7,732	+425	+5.8
Classroom tutoring	2,946	2,842	-104	-3.5
Nursery school	639	967	+327	+51.3
Other education services	201	326	+125	+62.2
Real Estate Leasing	35	36	+0	+2.3
Restaurant Operations	113	122	+9	+7.9

Education Services	Individual tutoring	Forecast higher sales due to more entrance exam preparation students resulting from synergies with the new FreeStep Sateline Course and to the increasing number of franchised schools
	Classroom tutoring	Signing up new categories of students with activities like the new Osaka municipal combined junior and senior high school entrance exam course
	Nursery school	Increasing number of students as more schools are opened, which is expected to raise sales
	Other education services	Sales will benefit from the expansion to both first-year and second-year students at Kaisei Academy Japanese Language School, which is starting its second year of operation
	Real Estate Leasing	Forecast a small sales increase as the number of tenants increases
	Restaurant Operations	Planning on higher sales due to new menu items and other actions to attract more customers

## Sales by Brand

(Millions of yen, %)

	FY3/18 Results	FY3/19 Plan	YoY change	YoY (%)
Individual tutoring	7,307	7,732	+425	+5.8
FreeStep	6,538	6,744	+205	+3.1
Yozemi Sateline Exam Preparation School	542	646	+103	+19.1
Franchise business	129	196	+66	+51.3
Other brands	96	146	+49	+51.6
Classroom tutoring	2,946	2,842	-104	-3.5
Kaisei Education Seminar	2,834	2,743	-90	-3.2
Yell Exam Preparation School	112	98	-13	-12.5
Nursery school	639	967	+327	+51.3
Certified nursery schools	265	541	+276	+104.1
Certified small-scale nursery schools	373	425	+51	+13.8
Other education services	201	326	+125	+62.2

## Expenses

(Millions of yen, %)

	FY3/18 Results	FY3/19 Plan	YoY change	YoY (%)
Personnel expenses	6,235	6,643	+408	+6.5
% to sales	55.5	55.2	-0.2	-
Rents	1,496	1,624	+127	+8.5
% to sales	13.3	13.5	+0.2	-
Advertising expenses	564	622	+58	+10.3
% to sales	5.0	5.2	+0.2	-
Other expenses	2,926	3,076	+150	+5.1
% to sales	26.0	25.6	-0.4	-
<b>Total cost of sales and SG&amp;A expenses</b>	<b>11,223</b>	<b>11,967</b>	<b>+744</b>	<b>+6.6</b>
<b>% to sales</b>	<b>99.8</b>	<b>99.5</b>	<b>-0.3</b>	<b>-</b>

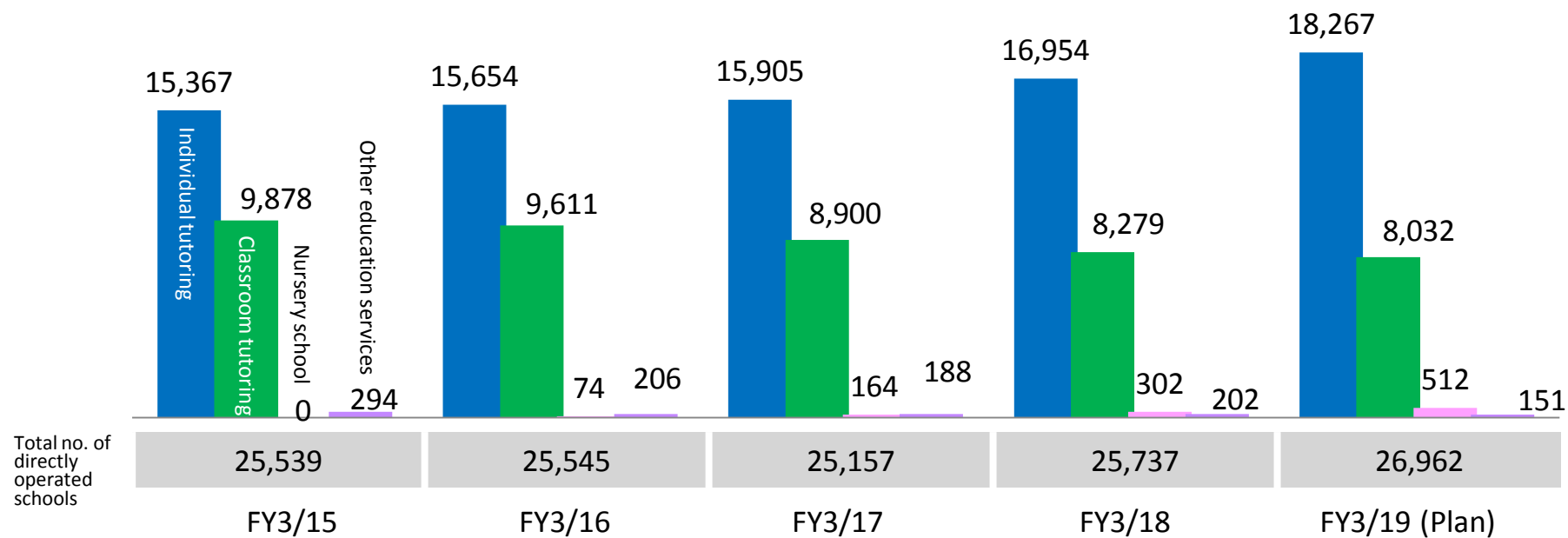
Personnel expenses	Expect the personnel expense ratio to decrease as new employees contribute to sales growth
Rents	A small increase in the rental expense ratio is expected due to the planned opening of many schools, mainly FreeStep
Advertising expenses	Higher planned expenses reflect measures to increase Internet ads, ads to raise awareness of group schools in the Tokyo area, and the use of highly effective advertising activities
Other expenses	Expect higher depreciation expenses due to more nursery schools, which require relatively large investments in depreciable assets

# Number of Students at SEIGAKUSHA Group Schools

(As of Nov. 30, which is normally when the number of students is highest)

(Number of students, %)

	FY3/18 Results	FY3/19 Plan	YoY change	YoY (%)	
Directly operated schools	Number of Students	25,737	+1,225	+4.8	
	Individual tutoring	16,954	+1,313	+7.7	
	Classroom tutoring	8,279	8,032	-247	-3.0
	Nursery school	302	512	+210	+69.5
	Other education services	202	151	-51	-25.2
Franchised schools	1,010	1,464	+454	+45.0	





# Number of Schools

(Number of locations)

	Mar. 31, 2018	Sep. 30, 2018 Results	FY3/19		Mar. 31, 2019 Forecast	Plan Mar. 31, 2019
			2H (includes schools to be opened as of Sep. 30)			
			Increase	Decrease		
Directly operated schools	256	260	2	0	262	276
Individual tutoring	203	202	2	0	204	216
Classroom tutoring	101	101	0	0	101	104
Nursery school	11	15	0	0	15	16
Other education services	3	3	0	0	3	3
Franchised schools	24	33	0	0	33	34

Individual tutoring	Plan to open many schools in the Tokyo metropolitan area, chiefly in Tokyo, where there are still many prospective locations for new schools
Classroom tutoring	Increase locations in Osaka prefecture, where the SEIGAKUSHA Group is ahead of competitors in entrance exam scores and other parameters
Nursery school	Conducting activities for the opening of schools in the spring of 2019
Other education services	Preparations are under way to open the second Kaisei Academy Japanese Language School
Franchised schools	Seeking partners that agree with the SEIGAKUSHA education philosophy in order to increase the number of franchised schools

Note: Totals of school categories do not match the total number of locations because some schools operate in two or more categories.

# Shareholder Distributions

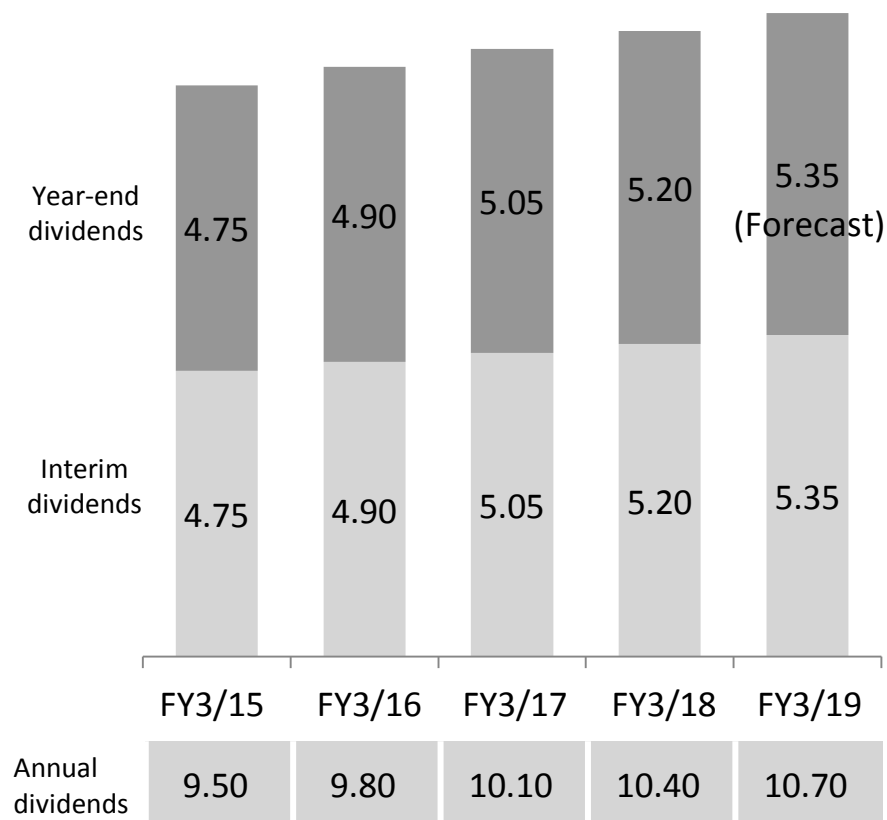
## Policy 1: Dividends

Pay a consistent and stable dividend while building a strong foundation that can support business operations for many years

## Policy 2: Shareholder benefits

Use benefits to increase the number of shareholders by making SEIGAKUSHA stock an even more attractive investment

### Dividend per share (Yen)



### Details

#### ➤ Eligible shareholders

Shareholders who hold at least one trading unit as of each record date

Record dates: Mar. 31 and Sep. 30

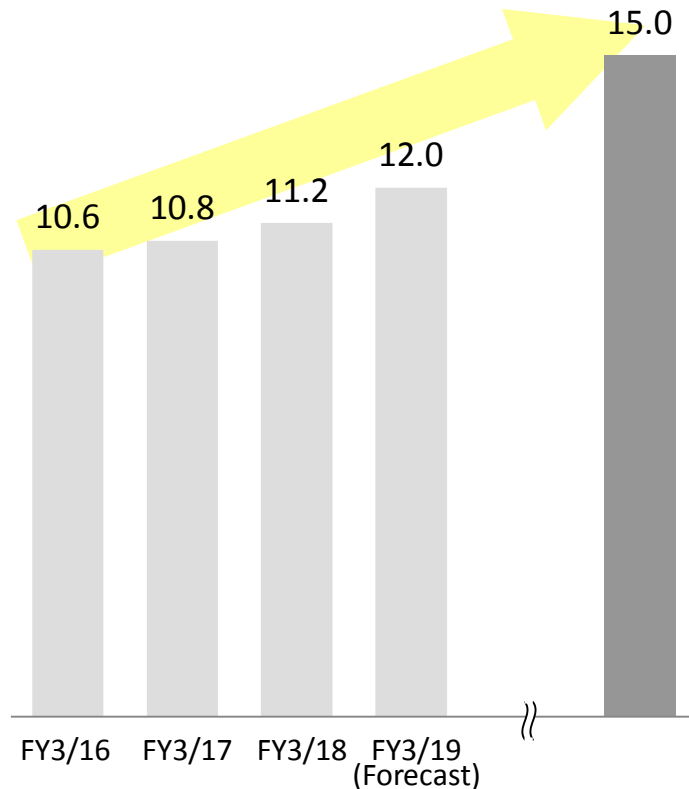
#### ➤ Benefits

All shareholders who hold at least one trading unit receive a 1,000 yen QUO card

# Medium-term Growth Strategy

Consolidated net sales: 15 billion yen

(Billions of yen)

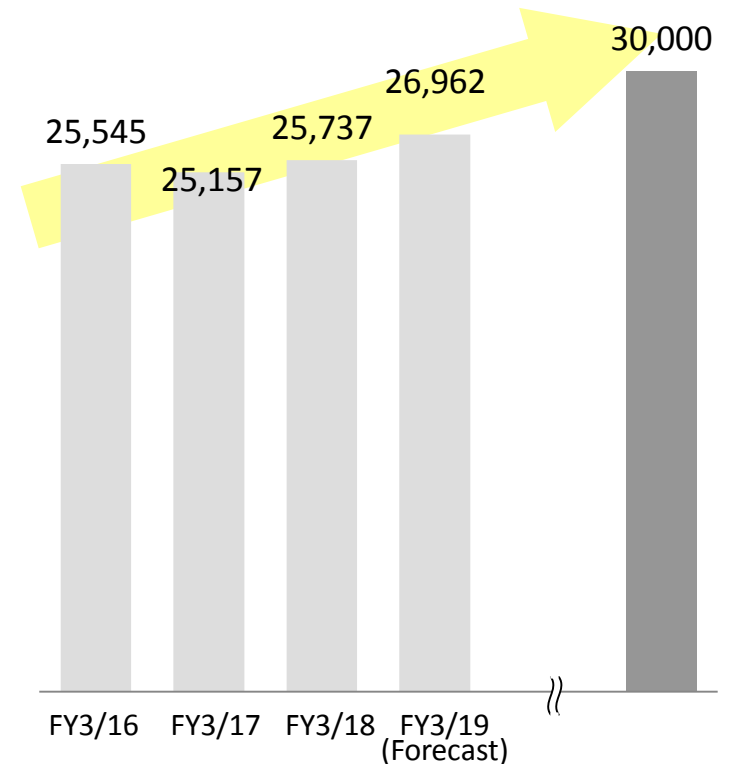


- Grow in business fields involving education
- Next step: Consolidated sales of 15 billion yen

Number of Students at SEIGAKUSHA Group Schools:  
30,000

(Number of students)

As of November, not including students of franchised schools



- More entrance exam preparation students by using existing brands for growth and targeting more customer segments

# Course for Osaka Municipal Combined Junior/Senior High School

## Osaka City Sakuyakonohana Junior High School

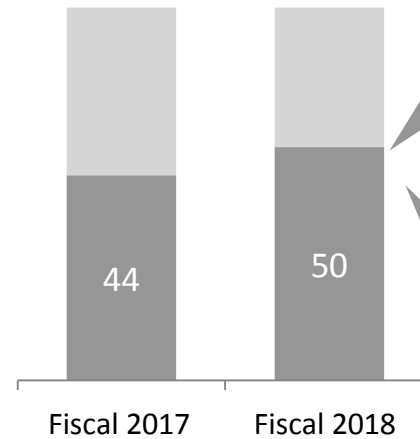
(Konohana-ku, Osaka)

Osaka's first combined junior/senior high school, started in April 2008

The goal is using planned and consistent education over six years to train specialists who can help Osaka prosper in the future. The school focuses on four fields where students often develop an interest at a young age: (1) Manufacturing (science and technology); (2) Sports; (3) Languages; and (4) The arts (art and designs).

Excellent results for this school's extremely difficult entrance exam, which emphasizes thinking, judgments and expressiveness

### Students Passing the Entrance Exam



SEIGAKUSHA students were 62.5% of all students who passed the exam (almost 400 applicants for 80 openings)

28.1% of SEIGAKUSHA course students passed the exam compared with 13.7% for all non-SEIGAKUSHA students who took the exam

New combined junior/senior high school

## Osaka City Suito Kokusai Junior High School

(Suminoe-ku, Osaka)

The first class of 80 students will begin in April 2019 with the goal of developing people who can play key roles in Osaka's future

Suito Kokusai is Japan's first public-sector junior/senior combined high school with private-sector management

Classes focus on foreign languages and acquiring a global understanding and perspective; Suito Kokusai plans to start an international baccalaureate course\* in 2023

\* The international baccalaureate course is an international education program provided by the International Baccalaureate Organization, which is based in Geneva, Switzerland. Established in 1968, the IBO provides a comprehensive and challenging education program that gives students an understanding of the world's complexities and how to deal with them. Students learn about the attitudes and skills needed for responsible behavior to play a role in creating a better future. In addition, students earn the qualification (international baccalaureate qualification) to sit for university entrance examinations worldwide, which gives students a path to a university education.

- A larger market for entrance exam preparations for combined schools
- Use proven superiority for exam preparation to attract more students

# Kaisei Academy Japanese Language School

Certified by the Immigration Bureau as a qualified school for student visas

Kaisei Academy Japanese Language School started operations in April 2017 after receiving certification (notice) from the Ministry of Justice.

The academy enrolled foreign students from China, Vietnam, the Philippines and many other countries.

More than one year after the start of operations, the academy received certification from the Osaka Regional Immigration Bureau as a qualified Japanese language education institution for fiscal 2018.

The Immigration Bureau makes decisions for the qualification of schools based on the percentage of foreign students over a certain number of years who remained in Japan after their visas have expired. Qualified schools receive preferential treatment regarding the length of student visas and can use a simplified procedure to obtain visas for their students.



Learning how to wear a yukata



A bicycle safety class

- Various events outside the school give students contact with everyday Japanese as well as Japanese culture.
- To enable students to live in Japan with confidence and safety, bicycle classes are used to teach the rules of the road.

Forecasts of future performance in this report incorporate risks and uncertainties because these statements are based on assumptions judged to be valid and information available to the SEIGAKUSHA's management at the time these materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons.

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