

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



Stock code: 2179

June 5, 2019

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



One-to-one teaching



Individualized teaching exclusively for entrance exams



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, %)

	FY3/18 Results	FY3/19 Plan	FY3/19 Results	YoY change	YoY (%)	Vs. plan	% achieved
Net sales	11,243	11,959	11,890	+647	+5.8	-68	99.4
Operating profit	20	282	384	+363	-	+101	136.1
Operating margin	0.2	2.4	3.2	+3.0	-	+0.9	-
Ordinary profit	317	577	679	+362	+114.3	+102	117.7
Ordinary margin	2.8	4.8	5.7	+2.9	-	+0.9	-
Profit	102	311	396	+294	+288.2	+84	127.2
Profit margin	0.9	2.6	3.3	+2.4	-	+0.7	-

Net sales

Sales growth was attributable to increases in the number of individual tutoring and nursery school students

Operating profit

Personnel and other school operating expenses were higher, due partly to the larger number of schools, but operating profit was much higher because of a decline in up-front investments and sales growth

Profit

The big increase in operating profit and a reduction in the asset impairment loss resulted in a much higher profit

Business Segment Sales

(Millions of yen, %)

	FY3/18 Results	FY3/19 Plan	FY3/19 Results	YoY change	YoY (%)	Vs. plan	% achieved
Education Services	11,094	11,811	11,741	+646	+5.8	-69	99.4
Individual tutoring	7,307	7,688	7,616	+308	+4.2	-71	99.1
Classroom tutoring	2,946	2,853	2,896	-49	-1.7	+43	101.5
Nursery school	639	984	970	+330	+51.7	-14	98.6
Other education services	201	285	257	+56	+28.2	-27	90.4
Real Estate Leasing	35	36	36	+1	+3.7	+0	100.9
Restaurant Operations	113	112	113	-0	-0.8	+0	100.8

Education Services	Individual tutoring	More exam prep students at directly operated FreeStep Individual Tutoring Institute schools and more franchised schools; start of access to Yozemi Sateline Exam Preparation School classes at FreeStep also contributed to sales growth
	Classroom tutoring	Although the market is shrinking, sales were basically flat mainly due to the introduction of new courses
	Nursery school	Contributions from four nursery schools opened in April 2018 during FY3/19
	Other education services	Higher sales because Kaisei Academy Japanese Language School, now in its second year of operations, has both first and second-year students for the first time; language teacher staffing service sales increased because of new customers
Real Estate Leasing	Occupancy was generally as expected during FY3/19	
Restaurant Operations	Small decline in sales, but in line with the outlook	

Sales by Brand

(Millions of yen, %)

	FY3/18 Results	FY3/19 Plan	FY3/19 Results	YoY change	YoY (%)	Vs. plan	% achieved
Individual tutoring	7,307	7,688	7,616	+308	+4.2	-71	99.1
FreeStep	6,538	6,702	6,645	+106	+1.6	-56	99.2
Yozemi Sateline Exam Preparation School	542	643	633	+90	+16.7	-10	98.4
Franchise business	129	214	214	+84	+65.4	-0	99.8
Other brands	96	127	123	+26	+27.7	-4	96.4
Classroom tutoring	2,946	2,853	2,896	-49	-1.7	+43	101.5
Kaisei Education Seminar	2,834	2,754	2,796	-37	-1.3	+42	101.6
Yell Exam Preparation School	112	99	99	-12	-11.1	+0	100.5
Nursery school	639	984	970	+330	+51.7	-14	98.6
Certified nursery schools	265	555	555	+289	+109.2	-0	99.9
Certified small-scale nursery schools	373	428	414	+40	+11.0	-13	96.8
Other education services	201	285	257	+56	+28.2	-27	90.4

Expenses

	FY3/18 Results	FY3/19 Plan	FY3/19 Results	YoY change	YoY (%)	Vs. plan	% achieved
Personnel expenses	6,235	6,511	6,410	+175	+2.8	-100	98.5
% to sales	55.5	54.4	53.9	-1.5	-	-0.5	-
Rents	1,496	1,577	1,553	+56	+3.8	-23	98.5
% to sales	13.3	13.2	13.1	-0.2	-	-0.1	-
Advertising expenses	564	544	551	-13	-2.3	+6	101.2
% to sales	5.0	4.6	4.6	-0.4	-	+0.1	-
Other expenses	2,926	3,043	2,990	+64	+2.2	-52	98.3
% to sales	26.0	25.4	25.2	-0.9	-	-0.3	-
Total cost of sales and SG&A expenses	11,223	11,677	11,506	+283	+2.5	-170	98.5
% to sales	99.8	97.6	96.8	-3.0	-	-0.9	-

Personnel expenses

Big improvement in the personnel expense ratio resulting mainly from smaller up-front personnel expenditures and more efficient operations

Rents

Below the plan because of the smaller than expected number of new schools

Advertising expenses

Decreased due to the use of only carefully selected advertising media

Other expenses

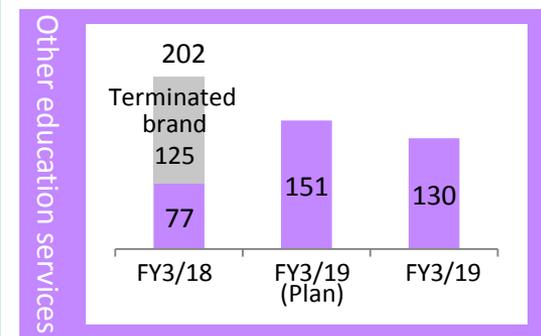
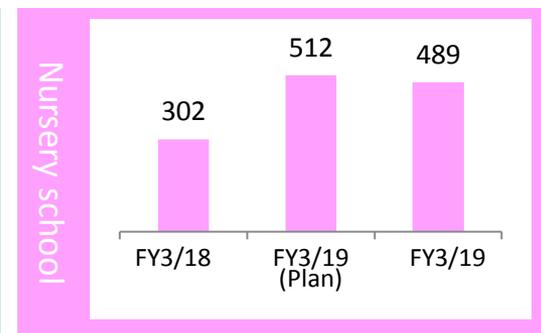
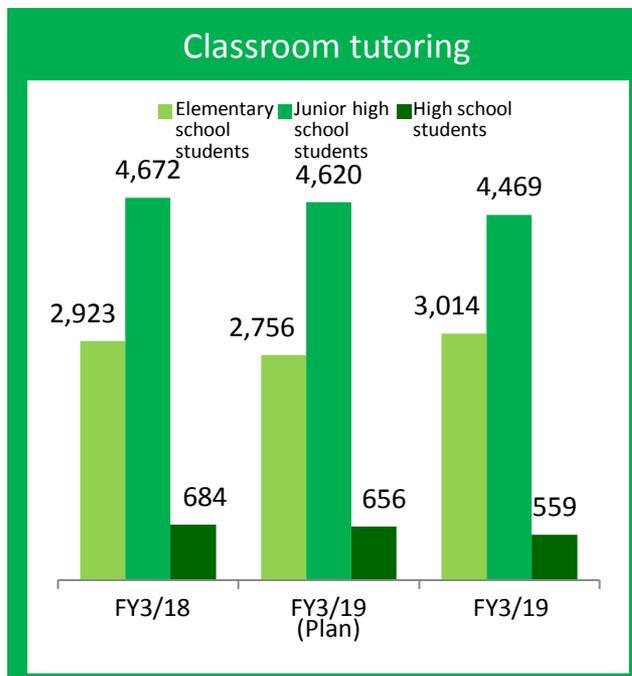
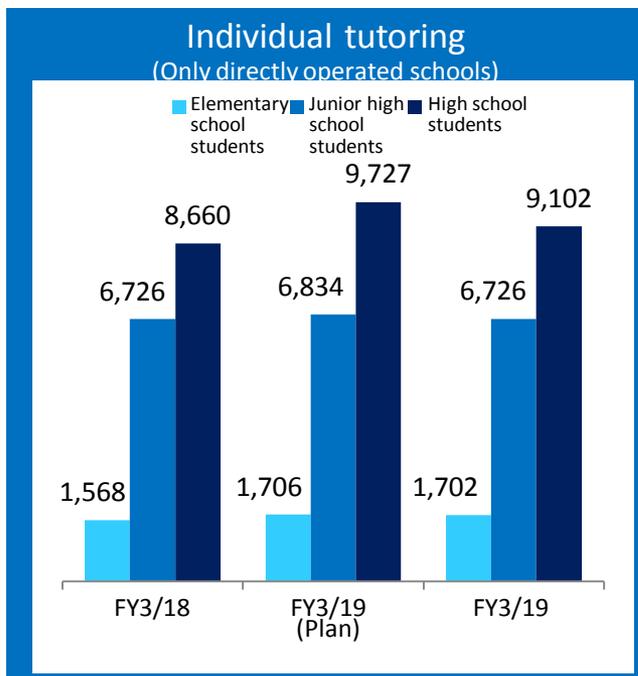
Decline in expenses for opening certified nursery schools, where start-up expenses are high, and higher expenses for teaching materials and other supplies caused by the increasing number of SEIGAKUSHA Group students and franchised schools

Number of Students at SEIGAKUSHA Group Schools

(As of Nov. 30, 2018)

(Number of students, %)

	FY3/18 Results	FY3/19 Plan	FY3/19 Results	YoY change	YoY (%)	Vs. plan	% achieved	
Directly operated schools	Number of Students	25,737	26,962	26,191	+454	+1.8	-771	97.1
	Individual tutoring	16,954	18,267	17,530	+576	+3.4	-737	96.0
	Classroom tutoring	8,279	8,032	8,042	-237	-2.9	+10	100.1
	Nursery school	302	512	489	+187	+61.9	-23	95.5
	Other education services	202	151	130	-72	-35.6	-21	86.1
Franchised schools	1,010	1,464	1,502	+492	+48.7	+38	102.6	



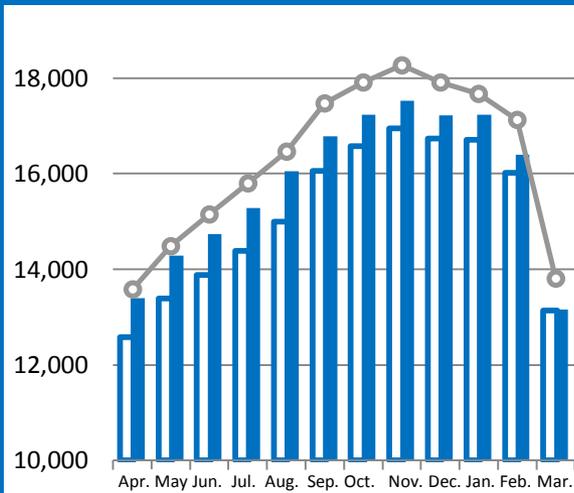
Monthly Trend in Number of Students at SEIGAKUSHA Group Schools

(Only directly operated schools)

□ FY3/18 ○ Plan ■ Results

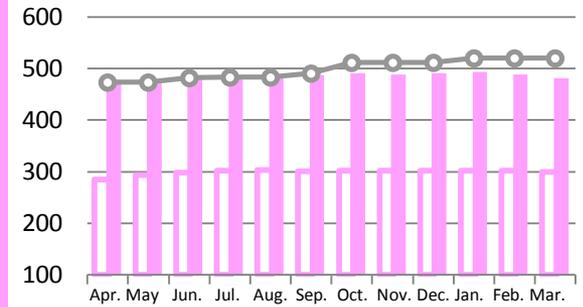
(Number of students)

Individual tutoring



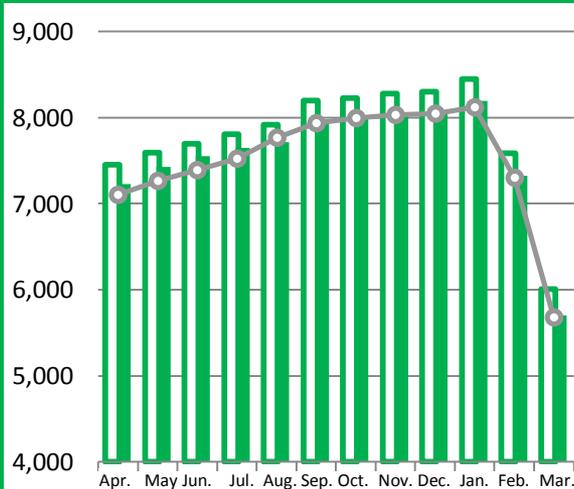
- Below the plan because of slower than expected growth in students using FreeStep Sateline Course following the start of this course at 44 schools in May
- The number of students was below the plan, but this category is posting steady growth backed by more exam prep students, mainly high school students

Nursery school



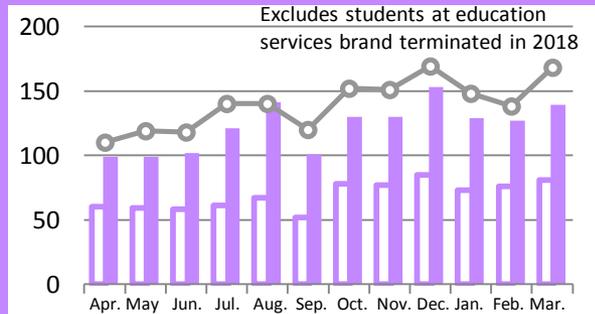
- Far higher than one year earlier due to the increasing number of schools and growing number of students at schools as the years of operation increase
- Number of students was generally as planned because schools opened in areas where nursery school demand is high

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

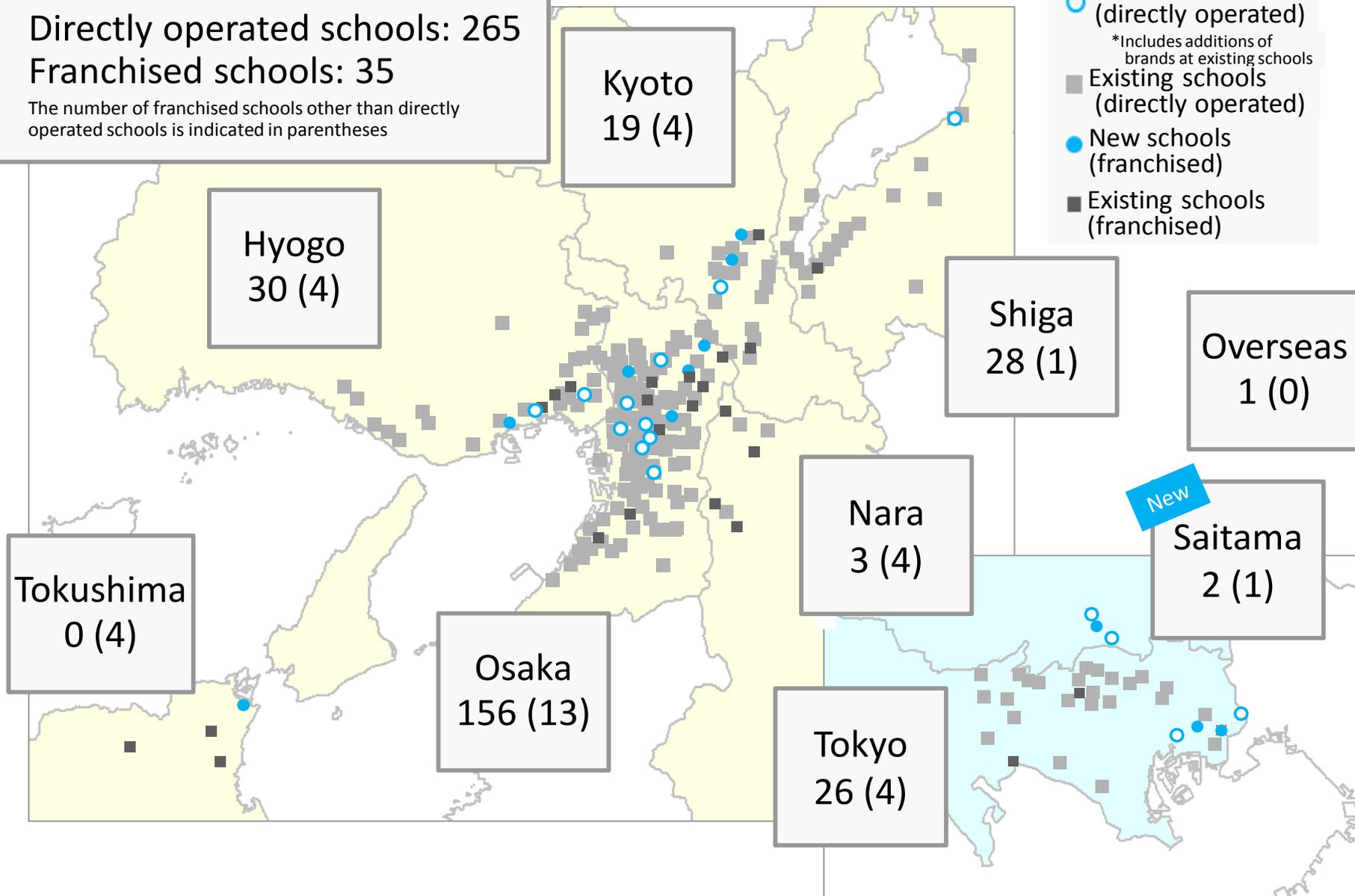
Number of Schools 1

Directly operated schools: 265

Franchised schools: 35

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

-  New schools (directly operated)
*Includes additions of brands at existing schools
-  Existing schools (directly operated)
-  New schools (franchised)
-  Existing schools (franchised)



Number of Schools 2

	FY3/18 Year-end	FY3/19		Year-end	Plan
		Opened	Closed		
Total no. of locations	256	12	3	265	276
Osaka	151	5	0	156	
Shiga	28	0	0	28	
Hyogo	29	2	1	30	
Kyoto	20	1	2	19	
Nara	3	0	0	3	
Tokyo	24	2	0	26	
Saitama	0	2	0	2	
Overseas	1	0	0	1	
Individual tutoring	203	8	4	207	216
Classroom tutoring	101	2	3	100	104
Nursery school	11	4	0	15	16
Other education services	3	1	0	4	3
Total no. of locations	24	11	0	35	34
Osaka	9	4	0	13	
Shiga	1	0	0	1	
Hyogo	3	1	0	4	
Kyoto	2	2	0	4	
Nara	4	0	0	4	
Tokushima	3	1	0	4	
Tokyo	2	2	0	4	
Saitama	0	1	0	1	

Directly operated schools

Franchised schools

New schools

 **個別指導学院 フリーステップ**
FreeStep Individual Tutoring Institute (Directly operated)*1
Mukonosu, Setsumotoyama (Hyogo) Higashimuko (Kyoto)
Monzennakacho, Shinozaki (Tokyo)
Todakoen, Musashiurawa (Saitama)

ハイグレード個人指導
ソファ
 Sophia 1on1

Kyobashi (Osaka)

 **開成教育セミナー**
Kaisei Education Seminar

Kireuriwari (Osaka) Hikone Bell Road (Shiga)*2

 **かいせい保育園**
Kaisei Nursery School

Seiwa, Higashinari, Yoshino,
(Osaka)

 **かいせいぷち保育園**
Kaisei Puchi Nursery School

Mikunihonmachi (Osaka)

 **IVYKIDS**
アイビーキッズ

Ibaraki (Osaka)*2

 **個別指導学院 フリーステップ**
FreeStep Individual Tutoring Institute (Franchised)

Kozenji-Ekimae, Momoyamadai, Makino-Ekimae,
Kadomaminami (Osaka), HAT Kobe (Hyogo),
Saiin, Kitaoji (Kyoto), Naruto (Tokushima)
Funabori, Ojima (Tokyo), Kitatoda (Saitama)

*1 All schools provide the FreeStep Sateline Course.

*2 These brands were added to existing schools.

Balance Sheet and Cash Flow Statement

(Millions of yen)

	Mar. 31, 2019	Mar. 31, 2018	Change		FY3/19	FY3/18
Current assets	3,247	2,716	+531	Cash flows from operating activities	817	356
Non-current assets	5,610	5,271	+338	Cash flows from investing activities	-606	-1,126
Property, plant and equipment	4,259	3,813	+446	Cash flows from financing activities	228	673
Intangible assets	120	141	-21	Effect of exchange rate change on cash and cash equivalents	-2	1
Investments and other assets	1,230	1,316	-86	Net increase (decrease) in cash and cash equivalents	437	-94
Total assets	8,858	7,988	+869	Cash and cash equivalents at beginning of period	882	977
Current liabilities	3,606	3,693	-86	Cash and cash equivalents at end of period	1,319	882
Non-current liabilities	2,582	1,960	+621			
Total liabilities	6,188	5,653	+534			
Shareholders' equity	2,665	2,327	+338			
Capital stock	235	235	-			
Capital surplus	175	175	-			
Retained earnings	2,543	2,205	+338			
Treasury shares	-288	-288	-			
Accumulated other comprehensive income	3	7	-3			
Valuation difference on available-for-sale securities	4	5	-1			
Foreign currency translation adjustment	-0	1	-1			
Total net assets	2,669	2,334	+334			
Total liabilities and net assets	8,858	7,988	+869			

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, %)

	1H			Full year				
	FY3/19 Results	FY3/20 Plan	YoY change	YoY (%)	FY3/19 Results	FY3/20 Plan	YoY change	YoY (%)
Net sales	5,407	5,672	+264	+4.9	11,890	12,641	+750	+6.3
Operating profit	-114	-266	-152	-	384	223	-160	-41.9
Operating margin	-2.1	-4.7	-2.6	-	3.2	1.8	-1.5	-
Ordinary profit	65	-279	-344	-	679	189	-490	-72.2
Ordinary margin	1.2	-4.9	-6.1	-	5.7	1.5	-4.2	-
Profit	31	-294	-325	-	396	13	-382	-96.5
Profit margin	0.6	-5.2	-5.8	-	3.3	0.1	-3.2	-

Net sales

Forecast higher sales based on outlook for continuation of growth in the individual tutoring and nursery school categories

Operating profit

Forecast lower profit based on outlook for higher expenses caused primarily by up-front expenditures, including personnel at new businesses, and the use of new educational content

Ordinary profit
Profit

Forecast a larger decline because there will be no subsidy income (269 million yen in FY3/19)

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, %)

	1H				Full year			
	FY3/19 Results	FY3/20 Plan	YoY change	YoY (%)	FY3/19 Results	FY3/20 Plan	YoY change	YoY (%)
Education Services	5,342	5,598	+256	+4.8	11,741	12,482	+741	+6.3
Individual tutoring	3,370	3,456	+86	+2.6	7,616	7,927	+310	+4.1
Classroom tutoring	1,358	1,324	-33	-2.5	2,896	2,822	-73	-2.5
Nursery school	467	575	+107	+23.1	970	1,171	+201	+20.7
Other education services	146	242	+95	+65.3	257	560	+302	+117.4
Real Estate Leasing	18	18	+0	+2.0	36	37	+0	+1.3
Restaurant Operations	47	55	+8	+17.4	113	121	+8	+7.9

Education Services	Individual tutoring	Planning on higher sales due to measures to sign up a higher pct. of prospective students and reduce the student attribution rate and to increase the number of exam prep students Planning to stabilize the operation of the FreeStep Sateline Course
	Classroom tutoring	Placing priority on reinvigorating the performance of existing schools and stepping up activities for increasing the number of elementary school students, especially in lower grades
	Nursery school	Forecast higher sales by opening two new nursery schools and increasing the number of students advancing to the next year
	Other education services	Plan to open the second Kaisei Academy Japanese Language School (Hyogo-Kawanishi) in October 2019 Planning on starting operations in South Korea and other countries with a strong interest in learning Japanese
	Real Estate Leasing	Forecast flat sales as no significant changes involving tenants are anticipated
	Restaurant Operations	Forecast higher sales due to new menu items, extensive marketing activities and other measures

Sales by Brand

	1H			Full year				
	FY3/19 Results	FY3/20 Plan	YoY change	YoY (%)	FY3/19 Results	FY3/20 Plan	YoY change	YoY (%)
Individual tutoring	3,370	3,456	+86	+2.6	7,616	7,927	+310	+4.1
FreeStep	2,950	3,008	+57	+2.0	6,645	6,818	+172	+2.6
Yozemi Sateline Exam Preparation School	253	253	-0	-0.1	633	665	+32	+5.1
Franchise business	111	121	+9	+8.7	214	270	+56	+26.3
Other brands	53	72	+19	+35.6	123	172	+49	+39.9
Classroom tutoring	1,358	1,324	-33	-2.5	2,896	2,822	-73	-2.5
Kaisei Education Seminar	1,310	1,290	-20	-1.5	2,796	2,750	-46	-1.7
Yell Exam Preparation School	47	34	-13	-28.1	99	72	-26	-27.0
Nursery school	467	575	+107	+23.1	970	1,171	+201	+20.7
Certified nursery schools	267	348	+81	+30.4	555	697	+142	+25.7
Certified small-scale nursery schools	199	226	+26	+13.2	414	473	+58	+14.2
Other education services	146	242	+95	+65.3	257	560	+302	+117.4

Expenses

(Millions of yen, %)

	1H			Full year				
	FY3/19 Results	FY3/20 Plan	YoY change	YoY (%)	FY3/19 Results	FY3/20 Plan	YoY change	YoY (%)
Personnel expenses	3,105	3,287	+182	+5.9	6,410	6,828	+417	+6.5
% to sales	57.4	57.9	+0.5	-	53.9	54.0	+0.1	-
Rents	772	801	+28	+3.7	1,553	1,627	+73	+4.7
% to sales	14.3	14.1	-0.2	-	13.1	12.9	-0.2	-
Advertising expenses	213	270	+57	+26.7	551	621	+69	+12.7
% to sales	4.0	4.8	+0.8	-	4.6	4.9	+0.3	-
Other expenses	1,430	1,579	+149	+10.4	2,990	3,341	+350	+11.7
% to sales	26.5	27.8	+1.4	-	25.2	26.4	+1.3	-
Total cost of sales and SG&A expenses	5,522	5,939	+417	+7.6	11,506	12,418	+911	+7.9
% to sales	102.1	104.7	+2.6	-	96.8	98.2	+1.5	-

Personnel expenses

Expect the personnel expense ratio to increase as people are assigned for new businesses

Rents

Maintaining a proper level of rental expenses while operating schools in prime locations with reasonable rent

Advertising expenses

Flexible use of advertising media based on results of ads, focusing on advertising activities that attract more students

Other expenses

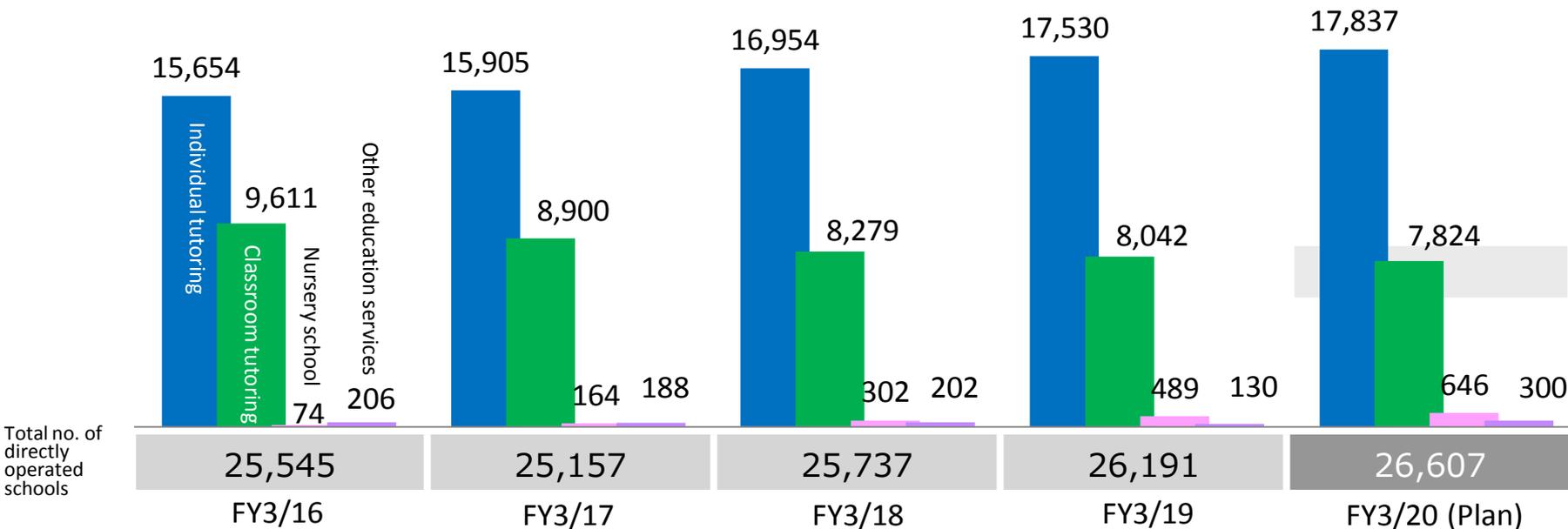
Higher expenses for teaching materials, new educational content, such as the start of “programming education,” and other items

Number of Students at SEIGAKUSHA Group Schools

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

(Number of students, %)

		FY3/19 Results	FY3/20 Plan	YoY change	YoY (%)
Directly operated schools	Number of Students	26,191	26,607	+416	+1.6
	Individual tutoring	17,530	17,837	+307	+1.8
	Classroom tutoring	8,042	7,824	-218	-2.7
	Nursery school	489	646	+157	+32.1
	Other education services	130	300	+170	+130.8
Franchised schools		1,502	1,937	+435	+29.0



Number of Schools

(Number of locations)

	FY3/19	FY3/20 (Plan)		Mar. 31, 2020	
		1H	2H		
Number of locations	265	12	11	288	
Directly operated schools	Individual tutoring	207	8	8	223
	Classroom tutoring	100	1	0	101
	Nursery school	15	2	0	17
	Other education services	4	1	3	8
Franchised schools	35	5	7	47	

Individual tutoring	Plan to open 11 FreeStep Individual Tutoring Institute schools Plan to launch a new brand in or after July 2019 (opening five schools every year)
Classroom tutoring	Placing priority on reinvigorating the performance of existing schools
Nursery school	Opening of two nursery schools in April 2019 Higashi-Mikuni Kaisei Nursery School (Yodogawa-ku, Osaka) and Aiterasu Nursery School Konanyamate-en Nursery School (Higashinada-ku, Kobe)
Other education services	Kaisei Academy Japanese Language School in Hyogo-Kawanishi will open in Oct. 2019; planning on operations in South Korea and other countries with a strong interest in learning Japanese
Franchised schools	Plan to continue adding about 10 franchised schools every year

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

Shareholder Distributions

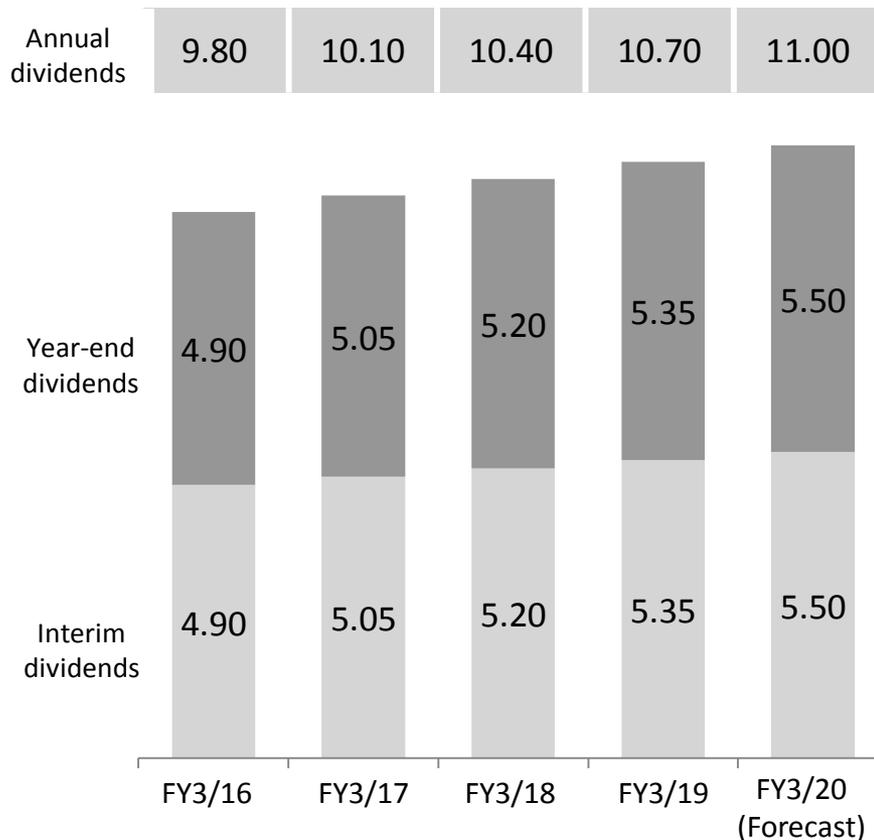
Policy 1: Dividends

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

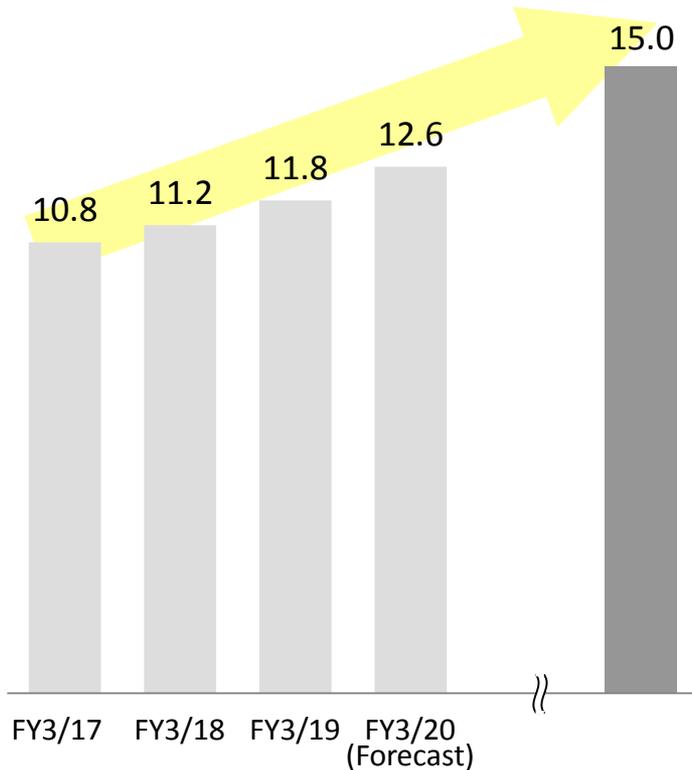
➤ Benefits

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

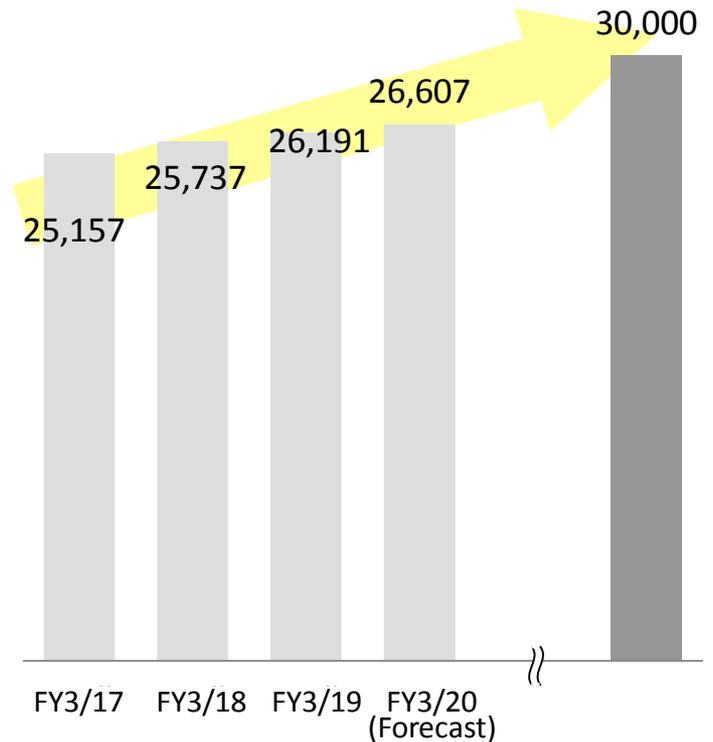
(Billions of yen)



Number of Students at SEIGAKUSHA Group Schools:
30,000

(Number of students)

As of November, not including students of franchised schools



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

- More students at group schools by using existing brands for growth and targeting more customer segments

New Brands



Brand concept

An English conversation school with child care and nursery school services for pre-school and elementary school age children
Native English speakers conduct activity-centered classes that allow children to learn English naturally while having fun

Start of operations

March 2019

Business plan

- Plan to open three of four schools every year
- Goal is about 20 schools in the Kinki area during the next five years



Class Benesse

Brand concept

(uses a franchising agreement with Benesse Corporation)

- A learning assistance format with the goal of enhancing the ability to learn on one's own; this business is for children using Shinkenzeni for studying at home.
- An instructor monitors each student's progress with Shinkenzeni to provide support that seamlessly links schools and home study.
- Class Benesse also includes counseling and guidance regarding entrance exams and other plans in order to enable students to achieve their goals.

Start of operations July 2019 (tentative)

Business plan

- Initially for fourth grade through junior high school
- Plan to open five schools during the first year

New Group Companies



Company name

SEIGAKUSHA KOREA CO.,LTD.

Established

November 2018 (Operations started March 2019)

Objective and activities

Established as a subsidiary in Seoul, Korea to meet the demand in other countries for learning Japanese

- Assistance for foreigners to locate jobs in Japan
- Operation of Japanese language schools outside Japan

Shareholding ratio

100%



Company name

Knospear Inc.

Acquired

April 2019

Reason for acquisition

- Knospear adds digital content, such as e-learning materials that use artificial intelligence, and big data analysis technologies to the SEIGAKUSHA Group
- This company's e-learning software for SPI aptitude tests (often required in Japan when looking for a job) will be used to assist part-time instructors find work in Japan and assist other foreigners to locate jobs in Japan

Shareholding ratio

100%

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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