

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2020
(Three Months Ended June 30, 2019)

[Japanese GAAP]

Company name: SEIGAKUSHA CO.,LTD. Listing: Tokyo Stock Exchange (JASDAQ)
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 Scheduled date of filing of Quarterly Report: August 9, 2019
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(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	%
Three months ended Jun. 30, 2019	2,216	5.4	(608)	-	(615)	-	(453)	-
Three months ended Jun. 30, 2018	2,102	8.2	(531)	-	(506)	-	(357)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2019: (454) (-%)

Three months ended Jun. 30, 2018: (358) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	(81.99)	-
Three months ended Jun. 30, 2018	(64.73)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2019	8,043	2,185	27.2
As of Mar. 31, 2019	8,858	2,669	30.1

Reference: Shareholders' equity (million yen) As of Jun. 30, 2019: 2,185 As of Mar. 31, 2019: 2,669

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/19	-	5.35	-	5.35	10.70
FY3/20	-	-	-	-	-
FY3/20 (forecasts)	-	5.50	-	5.50	11.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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
First half	5,672	4.9	(266)	-	(279)	-	(294)	-	(53.29)
Full year	12,641	6.3	223	(41.9)	189	(72.2)	13	(96.5)	2.52

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 Jun. 30, 2019:	5,876,000 shares	As of Mar. 31, 2019:	5,876,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2019:	350,260 shares	As of Mar. 31, 2019:	350,260 shares
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3) Average number of shares during the period

Three months ended Jun. 30, 2019:	5,525,740 shares	Three months ended Jun. 30, 2018:	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 3 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.

As a result, consolidated net sales in the first quarter were 2,216 million yen, 5.4% higher than in the same period of the previous fiscal year. Operating loss increased from 531 million yen to 608 million yen. Ordinary loss increased from 506 million yen to 615 million yen and loss attributable to owners of parent increased 357 million yen to 453 million yen.

There is usually an operating loss in the first quarter of each fiscal year. The main reasons are that the first quarter has a small number of entrance exam preparation students, which are a key source of earnings, and no seminars and special classes, which have a high profit margin. Although there was an operating loss in the first quarter of this fiscal year, results of operations in the first quarter were generally consistent with the fiscal year plan.

Business segment performance was as follows.

1) Education Services

In the individual tutoring category, the number of students increased thanks to marketing activities to attract students by emphasizing the key strength of FreeStep Individual Tutoring Institute, the primary brand in this category, which is the ability to raise students' examination scores and its skill in the university entrance examination sector. In addition, tuition received per student increased because students attended more classes. As a result, sales in this category were higher than one year earlier.

In the classroom tutoring category, the number of students and sales continue to decline in part because this entire market sector in Japan is shrinking. Changes in the lesson framework, hosting of study camps and other activities to raise tuition per student helped reduce the decline in sales in this category.

In the nursery school category, one certified Kaisei Nursery School and one certified Aiterasu Nursery School started operating in April 2019. As a result, the number of children and sales were higher than one year earlier.

In the other education services category, the number of students increased at Kaisei Academy Japanese Language School. Advertising sales to private schools and other organizations also contributed to the performance of this category. As a result, sales were higher than one year earlier.

First quarter sales in this segment were 2,181 million yen, 5.5% higher than one year earlier. The operating loss increased from 519 million yen to 592 million yen because of higher personnel expenses and recruiting expenses for nursery school employees and one-time expenses for measures to lower electricity bills at schools.

2) Real Estate Leasing

There were no significant changes during the first quarter in the amount of space available for leasing or the occupancy rate. First quarter sales increased 3.4% from one year earlier to 9 million yen and operating profit increased 5.8% to 8 million yen.

3) Restaurant Operations

Restaurants made changes to their menus and took other actions to attract more customers. However, sales were up only 0.3% from one year earlier to 25 million yen and the operating loss was 5 million yen, about the same as one year earlier.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year decreased by 814 million yen, or 9.2%, from the end of the previous fiscal year to 8,043 million yen. Current assets decreased by 988 million yen, or 30.4%, from the end of the previous fiscal year to 2,259 million yen. This was attributable mainly to decreases of 353 million yen in trade accounts receivable, 325 million yen in cash and deposits and 285 million yen in accounts receivable-other included in other current assets. Non-current assets increased by 174 million yen, or 3.1%, from the end of the previous fiscal year to 5,784 million yen. This was mainly attributable to an increase of 170 million yen in deferred tax assets included in other of the investments and other assets.

Total liabilities decreased by 330 million yen, or 5.3%, from the end of the previous fiscal year to 5,858 million yen. Current liabilities decreased by 298 million yen, or 8.3%, from the end of the previous fiscal year to 3,307 million yen. This was attributable mainly to decreases of 316 million yen in accounts payable-other included in other current liabilities, 190 million yen in income taxes payable and 145 million yen in accounts payable-trade, while there was an increase of 261 million yen in short-term borrowings. Non-current liabilities decreased by 32 million yen, or 1.3%, from the end of the previous fiscal year to 2,550 million yen. This was attributable mainly to a decrease of 35 million yen in long-term borrowings.

Net assets decreased by 484 million yen, or 18.1%, from the end of the previous fiscal year to 2,185 million yen. This was attributable mainly to a decrease of 482 million yen in retained earnings.

(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, 2020 that we announced on May 15, 2019.

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)	
	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	1,514,622	1,188,940
Trade accounts receivable	1,040,131	686,958
Merchandise	80,879	55,566
Work in process	-	2,396
Supplies	17,042	19,865
Other	613,532	323,582
Allowance for doubtful accounts	(18,257)	(18,195)
Total current assets	3,247,951	2,259,114
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,220,747	4,229,219
Accumulated depreciation	(1,379,458)	(1,429,077)
Buildings and structures, net	2,841,288	2,800,142
Land	1,107,772	1,107,772
Other	1,017,499	1,065,942
Accumulated depreciation	(706,589)	(733,349)
Other, net	310,910	332,592
Total property, plant and equipment	4,259,971	4,240,507
Intangible assets		
Goodwill	1,353	21,149
Other	118,709	121,177
Total intangible assets	120,062	142,327
Investments and other assets		
Guarantee deposits	917,948	930,923
Other	312,288	470,517
Total investments and other assets	1,230,236	1,401,441
Total non-current assets	5,610,271	5,784,275
Total assets	8,858,222	8,043,389

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	198,664	53,308
Short-term borrowings	596,668	858,334
Current portion of long-term borrowings	582,079	566,426
Income taxes payable	206,900	16,019
Advances received	733,509	783,183
Provision for bonuses	129,037	42,522
Other	1,159,252	988,163
Total current liabilities	3,606,113	3,307,957
Non-current liabilities		
Long-term borrowings	1,996,678	1,961,111
Retirement benefit liability	5,890	5,872
Asset retirement obligations	465,729	467,768
Other	114,331	115,434
Total non-current liabilities	2,582,631	2,550,187
Total liabilities	6,188,744	5,858,144
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	175,108	175,108
Retained earnings	2,543,961	2,061,363
Treasury shares	(288,452)	(288,452)
Total shareholders' equity	2,665,725	2,183,127
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,026	2,589
Foreign currency translation adjustment	(273)	(471)
Total accumulated other comprehensive income	3,753	2,117
Total net assets	2,669,478	2,185,245
Total liabilities and net assets	8,858,222	8,043,389

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

(Thousands of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	2,102,544	2,216,662
Cost of sales	2,186,077	2,300,824
Gross loss	(83,532)	(84,161)
Selling, general and administrative expenses	447,487	524,038
Operating loss	(531,020)	(608,200)
Non-operating income		
Interest income	371	371
Dividend income	381	369
Surrender value of insurance policies	25,226	-
Other	5,087	1,984
Total non-operating income	31,067	2,725
Non-operating expenses		
Interest expenses	6,438	7,048
Loss on retirement of non-current assets	-	1,925
Other	505	1,462
Total non-operating expenses	6,944	10,436
Ordinary loss	(506,897)	(615,911)
Extraordinary income		
Reversal of provision for retirement benefits for directors (and other officers)	1,378	-
Gain on sale of businesses	5,500	-
Total extraordinary income	6,878	-
Extraordinary losses		
Impairment loss	-	3,045
Total extraordinary losses	-	3,045
Loss before income taxes	(500,018)	(618,957)
Income taxes-current	6,183	5,973
Income taxes-deferred	(148,512)	(171,896)
Total income taxes	(142,329)	(165,923)
Loss	(357,689)	(453,034)
Loss attributable to owners of parent	(357,689)	(453,034)

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

	(Thousands of yen)	
	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Loss	(357,689)	(453,034)
Other comprehensive income		
Valuation difference on available-for-sale securities	317	(1,437)
Foreign currency translation adjustment	(982)	(198)
Total other comprehensive income	(664)	(1,636)
Comprehensive income	(358,354)	(454,670)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(358,354)	(454,670)
Comprehensive income attributable to non-controlling interests	-	-

(3) 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 three months of FY3/19 (Apr. 1, 2018 – Jun. 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	2,067,837	9,068	25,638	2,102,544	-	2,102,544
Inter-segment sales and transfers	-	6,580	-	6,580	(6,580)	-
Total	2,067,837	15,648	25,638	2,109,124	(6,580)	2,102,544
Segment profit (loss)	(519,926)	7,892	(5,442)	(517,477)	(13,543)	(531,020)

Notes: 1. The minus 13 million yen adjustment to segment profit (loss) includes 13 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 three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)**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	2,181,582	9,375	25,704	2,216,662	-	2,216,662
Inter-segment sales and transfers	-	6,633	-	6,633	(6,633)	-
Total	2,181,582	16,008	25,704	2,223,296	(6,633)	2,216,662
Segment profit (loss)	(592,547)	8,346	(5,669)	(589,870)	(18,330)	(608,200)

Notes: 1. The minus 18 million yen adjustment to segment profit (loss) includes 18 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

An impairment loss was recognized in the Education Services segment. The amount of this loss in the first three months of FY3/20 was 3 million yen.

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.