

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2020
(Six Months Ended September 30, 2019)

[Japanese GAAP]

Company name: SEIGAKUSHA CO.,LTD.

Listing: Tokyo Stock Exchange (JASDAQ)

Stock code: 2179

URL: <https://www.kaisei-group.co.jp/>

Representative: Hiroshi Nagai, Representative Director and President

Contact: Masato Fujita, Managing Director

Tel: +81-6-6373-1595

Scheduled date of filing of Quarterly Report:

November 14, 2019

Scheduled date of payment of dividend:

December 9, 2019

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, 2019****(April 1, 2019 – September 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	%
Six months ended Sep. 30, 2019	5,645	4.4	(226)	-	(245)	-	(215)	-
Six months ended Sep. 30, 2018	5,407	7.0	(114)	-	65	-	31	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: (218) (-%)

Six months ended Sep. 30, 2018: 30 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	(38.92)	-
Six months ended Sep. 30, 2018	5.65	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2019	8,202	2,421	29.5
As of Mar. 31, 2019	8,858	2,669	30.1

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 2,421 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	-	5.50	-	-	-
FY3/20 (forecasts)	-	-	-	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
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 Sep. 30, 2019:	5,876,000 shares	As of Mar. 31, 2019:	5,876,000 shares
----------------------	------------------	----------------------	------------------

2) Number of treasury shares at the end of period

As of Sep. 30, 2019:	350,260 shares	As of Mar. 31, 2019:	350,260 shares
----------------------	----------------	----------------------	----------------

3) Average number of shares during the period

Six months ended Sep. 30, 2019:	5,525,740 shares	Six months ended Sep. 30, 2018:	5,525,740 shares
---------------------------------	------------------	---------------------------------	------------------

* 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Quarterly Consolidated Statement of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	11
Going Concern Assumption	11
Significant Changes in Shareholders' Equity	11
Segment and Other Information	11

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 5,645 million yen, 4.4% higher than one year earlier. The operating loss increased from 114 million yen to 226 million yen, there was an ordinary loss of 245 million yen compared with an ordinary profit of 65 million yen in the same period of the previous fiscal year, and a loss attributable to owners of parent of 215 million yen compared with a profit of 31 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)

Category	Sep. 30, 2018	Sep. 30, 2019	Change
Individual tutoring	16,778	17,105	+1.9%
Class teaching	7,981	7,471	(6.4)%
Nursery school	487	649	+33.3%
Other education services	101	164	+62.4%
Total	25,347	25,389	+0.2%

Note: 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.

In the individual tutoring category, the number of students increased because of continuous marketing activities for attracting more students. These activities emphasize the ability to raise students' examination scores and skill in university entrance examinations, which are the key strengths of FreeStep Individual Tutoring Institute, the primary brand in this category.

In the class teaching category, new categories of students were added by using measures such as starting Prosta Kids (short for "programming study kids"), a course for learning visual programming, as Japan prepares for the beginning of mandatory computer programming lessons at all elementary schools.

In the nursery school category, the number of students increased along with the number of these schools.

In the other education services category, the number of students increased at Kaisei Academy Japanese Language School because the number of foreign students allowed was raised following the certification of this school as a qualified Japanese language education institution.

Number of Schools

Category	Mar. 31, 2019	Increase	Decrease	Sep. 30, 2019
Individual tutoring	207	3	0	210
Class teaching	100	1	0	101
Nursery school	15	2	0	17
Other education services	4	0	0	4
Directly operated schools	265	6	0	271
Franchised schools	35	1	0	36

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, four directly operated schools (two in Osaka and two in Hyogo), one Kaisei Nursery School (Osaka) and one Aiterasu Nursery School (Hyogo), and one franchised school (Hyogo), were opened.

Segment Sales and Earnings

Segment sales increased 4.4% from one year earlier to 5,578 million yen because of the larger number of students at SEIGAKUSHA Group schools and the rise tuition per student. There was an increase in the segment loss from 82 million yen one year earlier to 194 million yen. The loss increased because of higher personnel expenses due to the growth of business, higher expenses for more advertisements to attract entrance exam preparation students, one-time expenses for measures to lower leasing expenses and the cost of electricity, and expenses for the start of operations in South Korea.

2) Real Estate Leasing

There were no significant changes during the first half in the amount of space available for leasing or the occupancy rate. First half sales increased 3.7% from one year earlier to 18 million yen and operating profit increased 9.4% to 15 million yen.

3) Restaurant Operations

The business climate for restaurant operations remained challenging due to lackluster consumer spending as well as the long holiday season and unfavorable weather. First half sales increased 3.0% to 48 million yen but the operating loss increased from 12 million yen one year earlier to 13 million yen because of higher expenses.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets at the end of the second quarter of the current fiscal year decreased by 655 million yen, or 7.4%, from the end of the previous fiscal year to 8,202 million yen. Current assets decreased by 657 million yen, or 20.3%, from the end of the previous fiscal year to 2,589 million yen. This was attributable mainly to decreases of 277 million yen in accounts receivable-other included in other current assets, 199 million yen in trade accounts receivable and 177 million yen in cash and deposits. Non-current assets increased by 2 million yen, or 0.0%, from the end of the previous fiscal year to 5,612 million yen. This was mainly attributable to a decrease of 68 million yen in property, plant and equipment, and increases of 16 million yen in intangible assets and 54 million yen in investments and other assets.

Total liabilities decreased by 407 million yen, or 6.6%, from the end of the previous fiscal year to 5,781 million yen. Current liabilities decreased by 777 million yen, or 21.6%, from the end of the previous fiscal year to 2,828 million yen. This was attributable mainly to an increase of 202 million yen in advances received, and decreases of 520 million yen in accounts payable-other included in other current liabilities, 253 million yen in short-term borrowings, 157 million yen in income taxes payable and 112 million yen in accounts payable-trade. Non-current liabilities increased by 369 million yen, or 14.3%, from the end of the previous fiscal year to 2,952 million yen. This was attributable mainly to an increase of 377 million yen in long-term borrowings.

Net assets decreased by 248 million yen, or 9.3%, from the end of the previous fiscal year to 2,421 million yen. This was attributable mainly to a decrease of 244 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 decreased by 219 million yen from the end of the previous fiscal year to 1,100 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 used in operating activities was 248 million yen (compared with net cash provided of 123 million yen in the same period of the previous fiscal year). Major positive factors include a decrease in trade receivables of 217 million yen, an increase in advances received of 203 million yen and depreciation of 180 million yen. Major negative factors include a decrease in accounts payable-other of 310 million yen, loss before income taxes of 259 million yen, income taxes paid of 163 million yen and a decrease in trade payables of 118 million yen.

Cash flows from investing activities

Net cash used in investing activities was 72 million yen (a year-on-year decrease of 187 million yen). Major factors include subsidies received of 279 million yen, purchase of property, plant and equipment of 299 million yen and payments into time deposits of 42 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 103 million yen (a year-on-year decrease of 120 million yen). Major factors include proceeds from long-term borrowings of 758 million yen, repayments of long-term borrowings of 358 million yen and a net decrease in short-term borrowings of 253 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, 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)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	1,514,622	1,337,465
Trade accounts receivable	1,040,131	841,083
Merchandise	80,879	57,658
Work in process	-	4,202
Supplies	17,042	21,774
Other	613,532	345,968
Allowance for doubtful accounts	(18,257)	(18,159)
Total current assets	3,247,951	2,589,992
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,220,747	4,235,143
Accumulated depreciation	(1,379,458)	(1,471,804)
Buildings and structures, net	2,841,288	2,763,339
Land	1,107,772	1,107,772
Other	1,017,499	1,072,410
Accumulated depreciation	(706,589)	(752,211)
Other, net	310,910	320,198
Total property, plant and equipment	4,259,971	4,191,310
Intangible assets		
Goodwill	1,353	23,062
Other	118,709	113,342
Total intangible assets	120,062	136,405
Investments and other assets		
Guarantee deposits	917,948	935,718
Other	312,288	349,004
Total investments and other assets	1,230,236	1,284,723
Total non-current assets	5,610,271	5,612,438
Total assets	8,858,222	8,202,431

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	198,664	85,881
Short-term borrowings	596,668	343,336
Current portion of long-term borrowings	582,079	652,271
Income taxes payable	206,900	49,596
Advances received	733,509	936,503
Provision for bonuses	129,037	170,088
Other	1,159,252	591,269
Total current liabilities	3,606,113	2,828,947
Non-current liabilities		
Long-term borrowings	1,996,678	2,374,308
Retirement benefit liability	5,890	5,872
Asset retirement obligations	465,729	464,662
Other	114,331	107,277
Total non-current liabilities	2,582,631	2,952,121
Total liabilities	6,188,744	5,781,068
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	175,108	175,108
Retained earnings	2,543,961	2,299,314
Treasury shares	(288,452)	(288,452)
Total shareholders' equity	2,665,725	2,421,078
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,026	2,795
Foreign currency translation adjustment	(273)	(2,511)
Total accumulated other comprehensive income	3,753	283
Total net assets	2,669,478	2,421,362
Total liabilities and net assets	8,858,222	8,202,431

(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 FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	5,407,881	5,645,865
Cost of sales	4,652,104	4,904,445
Gross profit	755,776	741,420
Selling, general and administrative expenses	869,910	968,039
Operating loss	(114,133)	(226,619)
Non-operating income		
Interest income	825	404
Dividend income	401	407
Subsidy income	155,197	580
Other	36,137	2,932
Total non-operating income	192,562	4,324
Non-operating expenses		
Interest expenses	12,806	15,022
Loss on retirement of non-current assets	-	3,555
Other	585	4,564
Total non-operating expenses	13,392	23,143
Ordinary profit (loss)	65,037	(245,437)
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	-	13,819
Total extraordinary losses	-	13,819
Profit (loss) before income taxes	71,915	(259,256)
Income taxes-current	45,663	11,560
Income taxes-deferred	(4,992)	(55,733)
Total income taxes	40,671	(44,172)
Profit (loss)	31,244	(215,083)
Profit (loss) attributable to owners of parent	31,244	(215,083)

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

	(Thousands of yen)	
	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Profit (loss)	31,244	(215,083)
Other comprehensive income		
Valuation difference on available-for-sale securities	510	(1,231)
Foreign currency translation adjustment	(1,261)	(2,238)
Total other comprehensive income	(750)	(3,469)
Comprehensive income	30,493	(218,553)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	30,493	(218,553)
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	71,915	(259,256)
Depreciation	166,187	180,277
Impairment loss	-	13,819
Amortization of goodwill	2,060	1,958
Amortization of long-term prepaid expenses	4,851	4,956
Increase (decrease) in allowance for doubtful accounts	622	(118)
Increase (decrease) in provision for bonuses	31,237	41,050
Gain on maturity of insurance contract	(27,226)	-
Interest expenses	12,806	15,022
Subsidy income	(155,197)	(580)
Decrease (increase) in trade receivables	194,713	217,259
Decrease (increase) in inventories	785	17,518
Decrease (increase) in advance payments-trade	(10,778)	(14,656)
Increase (decrease) in trade payables	(98,313)	(118,778)
Increase (decrease) in accounts payable-other	(217,345)	(310,084)
Increase (decrease) in advances received	186,981	203,573
Increase (decrease) in accrued expenses	(35,239)	(32,959)
Increase (decrease) in accrued consumption taxes	47,926	(35,535)
Other, net	(36,870)	3,150
Subtotal	139,115	(73,382)
Interest and dividends received	503	157
Interest paid	(12,675)	(14,816)
Income taxes paid	(12,599)	(163,780)
Income taxes refund	9,478	3,016
Net cash provided by (used in) operating activities	123,822	(248,805)
Cash flows from investing activities		
Payments into time deposits	(14,505)	(42,006)
Proceeds from cancellation of insurance contract	74,074	-
Purchase of property, plant and equipment	(629,696)	(299,301)
Purchase of intangible assets	(26,019)	(15,655)
Subsidies received	338,298	279,494
Payments for asset retirement obligations	(3,153)	(1,069)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	22,531
Payments of guarantee deposits	(19,650)	(29,302)
Other payments	(2,065)	-
Other proceeds	22,933	13,285
Net cash provided by (used in) investing activities	(259,783)	(72,023)

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(263,668)	(253,332)
Proceeds from long-term borrowings	800,000	758,250
Repayments of long-term borrowings	(275,109)	(358,805)
Dividends paid	(28,728)	(29,404)
Other payments	(7,931)	(12,840)
Net cash provided by (used in) financing activities	224,563	103,866
Effect of exchange rate change on cash and cash equivalents	(1,889)	(2,201)
Net increase (decrease) in cash and cash equivalents	86,712	(219,164)
Cash and cash equivalents at beginning of period	882,402	1,319,467
Cash and cash equivalents at end of period	969,114	1,100,303

(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 FY3/19 (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.

II. First six months of FY3/20 (Apr. 1, 2019 – Sep. 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	5,578,461	18,811	48,593	5,645,865	-	5,645,865
Inter-segment sales and transfers	-	13,748	-	13,748	(13,748)	-
Total	5,578,461	32,559	48,593	5,659,614	(13,748)	5,645,865
Segment profit (loss)	(194,962)	15,573	(13,082)	(192,470)	(34,149)	(226,619)

Notes: 1. The minus 34 million yen adjustment to segment profit (loss) includes 34 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 six months of FY3/20 was 13 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.