

**Summary of Consolidated Financial Results**  
**for the Third Quarter of the Fiscal Year Ending March 31, 2020**  
**(Nine Months Ended December 31, 2019)**

[Japanese GAAP]

Company name: SEIGAKUSHA CO.,LTD.

Listing: Tokyo Stock Exchange (JASDAQ)

Stock code: 2179

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

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Scheduled date of filing of Quarterly Report: February 14, 2020

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 Nine Months Ended December 31, 2019****(April 1, 2019 – December 31, 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	%
Nine months ended Dec. 31, 2019	9,374	3.2	469	(22.9)	449	(50.4)	220	(61.1)
Nine months ended Dec. 31, 2018	9,083	6.0	608	82.1	907	41.7	566	48.9

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2019: 216 (down 61.6%)

Nine months ended Dec. 31, 2018: 563 (up 46.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2019	39.88	-
Nine months ended Dec. 31, 2018	102.59	-

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2019	9,487	2,825	29.8
As of Mar. 31, 2019	8,858	2,669	30.1

Reference: Shareholders' equity (million yen) As of Dec. 31, 2019: 2,825 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): Yes

Newly added: 1 (SEIGAKUSHA VIETNAM COMPANY LIMITED) Excluded: -

Note: Please refer to page 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Significant Subsidiaries during the Period” for details.

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

Nine months ended Dec. 31, 2019:	5,525,740 shares	Nine months ended Dec. 31, 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.

Consolidated net sales in the first nine months were 9,374 million yen, 3.2% higher than one year earlier and operating profit decreased 22.9% to 469 million yen. Ordinary profit decreased 50.4% to 449 million yen and profit attributable to owners of parent decreased 61.1% to 220 million yen as non-operating income (expenses) and extraordinary income (losses) were not factors affecting financial results.

Business segment performance was as follows.

#### 1) Education Services

In November, which is normally when the number of students is the highest, there were 26,060 students at facilities operated directly by the SEIGAKUSHA Group. This was 0.5% lower than in November 2018. Individual tutoring students increased 0.7% to 17,660, class teaching students decreased 6.0% to 7,556, nursery school students increased 32.3% to 647, and students in other education services increased 51.5% to 197. In the individual tutoring category, the number of students increased because of continuous marketing activities. These activities emphasize the ability to raise students' examination scores and skill in university entrance examinations, which are the primary strength of the FreeStep brand. In the class teaching category, new categories of students were added by using measures such as a program that specializes in classes for students at Osaka City Junior and Senior High School and educational content 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.

Segment sales increased 3.2% from one year earlier to 9,262 million yen primarily because of increases in tuition per student and the number of students at nursery schools. Operating profit decreased 22.3% to 501 million yen mainly because of higher personnel expenses due to the growth of business and higher expenses for more advertisements to attract entrance exam preparation students.

#### 2) Real Estate Leasing

There were no significant changes during the first nine months in the amount of space available for leasing or the occupancy rate. First nine months sales increased 3.8% from one year earlier to 28 million yen and operating profit increased 17.4% to 25 million yen.

#### 3) Restaurant Operations

Although the business environment remained challenging due to lackluster consumer spending and other factors, we focused on increasing store appeal to enable stores to attract more customers. First nine months sales increased 3.0% to 83 million yen and there was a decrease in the operating loss from 14 million yen one year earlier to 13 million yen.

**(2) Explanation of Financial Position**

Total assets at the end of the third quarter of the current fiscal year increased by 628 million yen, or 7.1%, from the end of the previous fiscal year to 9,487 million yen. Current assets increased by 648 million yen, or 20.0%, from the end of the previous fiscal year to 3,896 million yen. This was attributable mainly to an increase of 1,038 million yen in trade accounts receivable, and decreases of 207 million yen in accounts receivable-other included in other current assets and 167 million yen in cash and deposits. Non-current assets decreased by 19 million yen, or 0.3%, from the end of the previous fiscal year to 5,590 million yen. This was mainly attributable to an increase of 49 million yen in guarantee deposits under investments and other assets and a decrease of 66 million yen in property, plant and equipment.

Total liabilities increased by 472 million yen, or 7.6%, from the end of the previous fiscal year to 6,661 million yen. Current liabilities increased by 251 million yen, or 7.0%, from the end of the previous fiscal year to 3,857 million yen. This was attributable mainly to increases of 228 million yen in short-term borrowings and 218 million yen in advances received, and decreases of 105 million yen in accounts payable-trade and 94 million yen in provision for bonuses. Non-current liabilities increased by 221 million yen, or 8.6%, from the end of the previous fiscal year to 2,803 million yen. This was attributable mainly to an increase of 231 million yen in long-term borrowings.

Net assets increased by 156 million yen, or 5.8%, from the end of the previous fiscal year to 2,825 million yen. This was attributable mainly to an increase of 160 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)	Third quarter of FY3/20 (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	1,514,622	1,347,043
Trade accounts receivable	1,040,131	2,078,297
Merchandise	80,879	50,429
Work in process	-	6,186
Supplies	17,042	17,719
Other	613,532	414,870
Allowance for doubtful accounts	(18,257)	(18,203)
Total current assets	3,247,951	3,896,343
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,220,747	4,294,618
Accumulated depreciation	(1,379,458)	(1,520,479)
Buildings and structures, net	2,841,288	2,774,138
Land	1,107,772	1,107,772
Other	1,017,499	1,086,439
Accumulated depreciation	(706,589)	(774,479)
Other, net	310,910	311,960
Total property, plant and equipment	4,259,971	4,193,870
Intangible assets		
Goodwill	1,353	22,083
Other	118,709	109,004
Total intangible assets	120,062	131,087
Investments and other assets		
Guarantee deposits	917,948	967,735
Other	312,288	298,180
Total investments and other assets	1,230,236	1,265,916
Total non-current assets	5,610,271	5,590,874
Total assets	8,858,222	9,487,218

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	Third quarter of FY3/20 (As of Dec. 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	198,664	93,361
Short-term borrowings	596,668	825,000
Current portion of long-term borrowings	582,079	632,055
Income taxes payable	206,900	141,642
Advances received	733,509	952,200
Provision for bonuses	129,037	34,316
Other	1,159,252	1,179,275
<b>Total current liabilities</b>	<b>3,606,113</b>	<b>3,857,851</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,996,678	2,228,227
Retirement benefit liability	5,890	5,872
Asset retirement obligations	465,729	465,331
Other	114,331	104,345
<b>Total non-current liabilities</b>	<b>2,582,631</b>	<b>2,803,777</b>
<b>Total liabilities</b>	<b>6,188,744</b>	<b>6,661,629</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	235,108	235,108
Capital surplus	175,108	175,108
Retained earnings	2,543,961	2,704,397
Treasury shares	(288,452)	(288,452)
<b>Total shareholders' equity</b>	<b>2,665,725</b>	<b>2,826,161</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,026	6,860
Foreign currency translation adjustment	(273)	(7,432)
<b>Total accumulated other comprehensive income</b>	<b>3,753</b>	<b>(571)</b>
<b>Total net assets</b>	<b>2,669,478</b>	<b>2,825,589</b>
<b>Total liabilities and net assets</b>	<b>8,858,222</b>	<b>9,487,218</b>

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

(Thousands of yen)

	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Net sales	9,083,698	9,374,419
Cost of sales	7,159,837	7,481,669
Gross profit	1,923,860	1,892,750
Selling, general and administrative expenses	1,315,411	1,423,381
Operating profit	608,449	469,369
Non-operating income		
Interest income	1,120	608
Dividend income	700	720
Subsidy income	269,482	730
Foreign exchange gains	2,078	3,660
Other	45,788	4,098
Total non-operating income	319,170	9,818
Non-operating expenses		
Interest expenses	19,562	22,543
Loss on retirement of non-current assets	-	3,839
Other	672	3,179
Total non-operating expenses	20,234	29,563
Ordinary profit	907,384	449,623
Extraordinary income		
Reversal of provision for retirement benefits for directors (and other officers)	1,378	-
Gain on sale of businesses	7,460	-
Total extraordinary income	8,838	-
Extraordinary losses		
Impairment loss	-	18,825
Total extraordinary losses	-	18,825
Profit before income taxes	916,223	430,798
Income taxes-current	337,849	208,669
Income taxes-deferred	11,504	1,738
Total income taxes	349,354	210,408
Profit	566,868	220,390
Profit attributable to owners of parent	566,868	220,390



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

	(Thousands of yen)	
	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Profit	566,868	220,390
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,848)	2,833
Foreign currency translation adjustment	(1,672)	(7,158)
Total other comprehensive income	(3,521)	(4,325)
Comprehensive income	563,347	216,065
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	563,347	216,065
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.

**Changes in Significant Subsidiaries during the Period**

Knospear Inc. is included in the scope of consolidation from the first quarter of the current fiscal year following the acquisition of its shares by the Company.

SEIGAKUSHA VN CO., LTD. is included in the scope of consolidation from the third quarter of the current fiscal year due to its establishment.

**Segment and Other Information**

Segment information

**I. First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 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	8,975,289	27,223	81,185	9,083,698	-	9,083,698
Inter-segment sales and transfers	-	19,775	-	19,775	(19,775)	-
Total	8,975,289	46,998	81,185	9,103,473	(19,775)	9,083,698
Segment profit (loss)	645,411	21,851	(14,501)	652,760	(44,311)	608,449

Notes: 1. The minus 44 million yen adjustment to segment profit (loss) includes 44 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 profit 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 nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 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	9,262,534	28,249	83,635	9,374,419	-	9,374,419
Inter-segment sales and transfers	-	20,905	-	20,905	(20,905)	-
Total	9,262,534	49,154	83,635	9,395,325	(20,905)	9,374,419
Segment profit (loss)	501,299	25,658	(13,022)	513,934	(44,565)	469,369

Notes: 1. The minus 44 million yen adjustment to segment profit (loss) includes 44 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 profit 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 nine months of FY3/20 was 18 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.*