

**Summary of Consolidated Financial Results**  
**for the First Quarter of the Fiscal Year Ending March 31, 2021**  
**(Three Months Ended June 30, 2020)**

[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:

August 7, 2020

Scheduled date of payment of dividend:

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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, 2020 (April 1, 2020 – June 30, 2020)****(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, 2020	2,029	(8.5)	(613)	-	(612)	-	(448)	-
Three months ended Jun. 30, 2019	2,216	5.4	(608)	-	(615)	-	(453)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2020: (453) (-%)

Three months ended Jun. 30, 2019: (454) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2020	(80.82)	-
Three months ended Jun. 30, 2019	(81.99)	-

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2020	8,324	2,191	26.3
As of Mar. 31, 2020	8,778	2,661	30.3

Reference: Shareholders' equity (million yen) As of Jun. 30, 2020: 2,191 As of Mar. 31, 2020: 2,661

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/20	-	5.50	-	3.00	8.50
FY3/21	-	-	-	-	-
FY3/21 (forecasts)	-	-	-	-	-

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

SEIGAKUSHA's Articles of Incorporation stipulate the end of the second quarter and the end of the fiscal year as the record dates for dividends. The dividend forecast for these record dates have not been determined at this point.

**3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021****(April 1, 2020 – March 31, 2021)**

SEIGAKUSHA has not disclosed a consolidated earnings forecast for the fiscal year ending March 31, 2021 because it is difficult to establish a reasonable earnings forecast at this time. The consolidated earnings forecast will be disclosed promptly when it becomes possible to determine it.

**\* 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, 2020:	5,876,000 shares	As of Mar. 31, 2020:	5,876,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2020:	322,860 shares	As of Mar. 31, 2020:	322,560 shares
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3) Average number of shares during the period

Three months ended Jun. 30, 2020:	5,553,365 shares	Three months ended Jun. 30, 2019:	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

Due to the spread of the coronavirus (COVID-19) pandemic, SEIGAKUSHA has not yet established an earnings forecast for the fiscal year ending March 31, 2021. 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 details.

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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 quarter were 2,029 million yen, 8.5% lower than in the same period of the previous fiscal year. The operating loss increased from 608 million yen to 613 million yen. The ordinary loss decreased from 615 million yen to 612 million yen thanks to foreign exchange gains. Loss attributable to owners of parent decreased from 453 million yen to 448 million yen thanks to a smaller asset impairment loss.

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.

Business segment performance was as follows.

#### 1) Education Services

In the entrance exam preparation category (individual tutoring and class teaching), schools continued to provide education services even during the state of emergency by using interactive online lessons to prevent the spread of COVID-19. However, activities to attract new entrance exam students were severely restricted by the state of emergency, which was declared during the most important period for adding new students. In addition, there were students who decided not to attend an entrance exam preparation course or who left our school because they did not want to use an online learning format. As a result, the average number of entrance exam preparation students in the first quarter was down 11% from the first quarter of the previous fiscal year. First quarter performance was also affected by the cancelation of a variety of optional classes and multi-day study camps that normally take place during the Golden Week holiday in early May. The result was lower entrance exam preparation sales than one year earlier.

In the nursery school category, the number of students was generally higher at certified nursery schools starting their second year of operations, although some parents decided to keep their children out of nursery school. As a result, sales were higher than one year earlier.

In the other education services category, sales were lower than one year earlier. One cause was the inability of foreign students enrolled in classes starting in April to come to Japan because of the spread of COVID-19. Another reason was downturns in school advertising sales and demand for the use of training facilities.

Operating expenses were lower than one year earlier for several reasons. The smaller number of new students reduced expenses for purchasing textbooks and other items required for classes and cancelations of study camps and special events along with reduced activities for attracting new students held down expenses. Another reason is one-time expenses in the previous year's first quarter for measures for lowering the cost of electricity at schools.

Segment sales decreased 7.8% from one year earlier to 2,011 million yen and operating loss increased from 592 million yen to 597 million yen.

#### 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 0.7% from one year earlier to 9 million yen and operating profit decreased 12.3% to 7 million yen due to expenses for repairs.

### 3) Restaurant Operations

Restaurants met the higher demand for take-out food due to COVID-19 but the increase in take-out sales did not offset the negative impact of the smaller number of customers. First quarter sales decreased 66.4% to 8 million yen and there was an increase in the operating loss from 5 million yen one year earlier to 9 million yen.

#### **(2) Explanation of Financial Position**

Total assets at the end of the first quarter of the current fiscal year decreased by 453 million yen, or 5.2%, from the end of the previous fiscal year to 8,324 million yen. Current assets decreased by 555 million yen, or 17.3%, from the end of the previous fiscal year to 2,648 million yen. This was attributable mainly to decreases of 430 million yen in trade accounts receivable, 66 million yen in cash and deposits and 49 million yen in accounts receivable-other included in other current assets. Non-current assets increased by 102 million yen, or 1.8%, from the end of the previous fiscal year to 5,675 million yen. This was mainly attributable to an increase of 160 million yen in deferred tax assets included in other of the investments and other assets and a decrease of 66 million yen in property, plant and equipment.

Total liabilities increased by 16 million yen, or 0.3%, from the end of the previous fiscal year to 6,133 million yen. Current liabilities increased by 114 million yen, or 3.4%, from the end of the previous fiscal year to 3,477 million yen. This was attributable mainly to an increase of 703 million yen in short-term borrowings, and decreases of 268 million yen in accounts payable-other included in other current liabilities, 151 million yen in accounts payable-trade, 98 million yen in accrued consumption taxes included in other current liabilities and 88 million yen in provision for bonuses. Non-current liabilities decreased by 97 million yen, or 3.5%, from the end of the previous fiscal year to 2,656 million yen. This was attributable mainly to a decrease of 94 million yen in long-term borrowings.

Net assets decreased by 470 million yen, or 17.7%, from the end of the previous fiscal year to 2,191 million yen. This was attributable mainly to a decrease of 465 million yen in retained earnings.

#### **(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

There is still no forecast for the fiscal year ending in March 2021 because of the uncertain outlook as the COVID-19 pandemic continues to grow.

In the SEIGAKUSHA Group's core entrance exam preparation category, we are combining face-to-face lessons with interactive online lessons to meet the needs of students preparing for an examination. In addition, the curricula for summer classes have been structured to reflect the summer vacation periods of public and other schools. Although the fiscal year started with a low number of entrance exam preparation students, the downturn from one year earlier ended in May and the number of students started recovering in June as schools reopened.

We will continue to monitor events involving the COVID-19 pandemic and an announcement will be made promptly when it becomes possible to determine a reasonable forecast.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	1,654,845	1,588,171
Trade accounts receivable	1,065,003	634,107
Merchandise	90,810	69,725
Work in process	4,877	4,180
Supplies	15,729	23,258
Other	390,993	345,850
Allowance for doubtful accounts	(17,376)	(16,303)
Total current assets	3,204,884	2,648,991
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,268,487	4,273,757
Accumulated depreciation	(1,529,669)	(1,580,765)
Buildings and structures, net	2,738,817	2,692,991
Land	1,107,259	1,107,259
Other	1,077,972	1,077,681
Accumulated depreciation	(781,814)	(802,431)
Other, net	296,158	275,249
Total property, plant and equipment	4,142,234	4,075,500
Intangible assets		
Goodwill	23,869	25,513
Other	138,983	151,519
Total intangible assets	162,852	177,032
Investments and other assets		
Guarantee deposits	948,413	947,214
Other	320,163	476,151
Total investments and other assets	1,268,576	1,423,365
Total non-current assets	5,573,664	5,675,898
Total assets	8,778,548	8,324,890

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	214,326	62,888
Short-term borrowings	530,000	1,233,334
Current portion of long-term borrowings	625,122	650,721
Income taxes payable	90,160	16,271
Advances received	752,607	701,006
Provision for bonuses	134,680	45,721
Other	1,016,081	767,118
Total current liabilities	3,362,980	3,477,061
Non-current liabilities		
Long-term borrowings	2,166,077	2,071,497
Retirement benefit liability	5,752	5,463
Asset retirement obligations	469,764	469,516
Other	112,154	110,109
Total non-current liabilities	2,753,749	2,656,587
Total liabilities	6,116,729	6,133,649
<b>Net assets</b>		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	2,517,418	2,051,952
Treasury shares	(265,655)	(265,655)
Total shareholders' equity	2,665,221	2,199,754
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,324	3,679
Foreign currency translation adjustment	(5,725)	(12,193)
Total accumulated other comprehensive income	(3,401)	(8,513)
Total net assets	2,661,819	2,191,240
Total liabilities and net assets	8,778,548	8,324,890

**(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 FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Net sales	2,216,662	2,029,184
Cost of sales	2,300,824	2,195,652
Gross loss	(84,161)	(166,467)
Selling, general and administrative expenses	524,038	446,665
Operating loss	(608,200)	(613,133)
Non-operating income		
Interest income	371	252
Dividend income	369	394
Penalty income	-	1,650
Foreign exchange gains	-	2,468
Other	1,984	2,665
Total non-operating income	2,725	7,430
Non-operating expenses		
Interest expenses	7,048	6,612
Loss on retirement of non-current assets	1,925	-
Other	1,462	512
Total non-operating expenses	10,436	7,125
Ordinary loss	(615,911)	(612,827)
Extraordinary losses		
Impairment loss	3,045	288
Total extraordinary losses	3,045	288
Loss before income taxes	(618,957)	(613,115)
Income taxes-current	5,973	(3,032)
Income taxes-deferred	(171,896)	(161,277)
Total income taxes	(165,923)	(164,309)
Loss	(453,034)	(448,806)
Loss attributable to owners of parent	(453,034)	(448,806)



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

(Thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Loss	(453,034)	(448,806)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,437)	1,355
Foreign currency translation adjustment	(198)	(6,467)
Total other comprehensive income	(1,636)	(5,111)
Comprehensive income	(454,670)	(453,918)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(454,670)	(453,918)
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 FY3/20 (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) is 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.

**II. First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)****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	2,011,098	9,441	8,645	2,029,184	-	2,029,184
Inter-segment sales and transfers	-	6,477	-	6,477	(6,477)	-
Total	2,011,098	15,918	8,645	2,035,661	(6,477)	2,029,184
Segment profit (loss)	(597,353)	7,317	(9,344)	(599,380)	(13,752)	(613,133)

Notes: 1. The minus 13 million yen adjustment to segment profit (loss) is 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 FY3/21 was 288 thousand yen.

**Additional Information**

There are no significant revisions to assumptions, including for the effects and end of the COVID-19 crisis, explained in the additional information in the Securities Report for the fiscal year that ended in March 2020.

*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.*