

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending March 31, 2021**  
**(Six Months Ended September 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:

November 13, 2020

Scheduled date of payment of dividend:

December 9, 2020

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, 2020****(April 1, 2020 – September 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	%
Six months ended Sep. 30, 2020	5,202	(7.9)	(372)	-	(374)	-	(309)	-
Six months ended Sep. 30, 2019	5,645	4.4	(226)	-	(245)	-	(215)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2020: (313) (-%)

Six months ended Sep. 30, 2019: (218) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2020	(55.70)	-
Six months ended Sep. 30, 2019	(38.92)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2020	8,371	2,331	27.9
As of Mar. 31, 2020	8,778	2,661	30.3

Reference: Shareholders' equity (million yen) As of Sep. 30, 2020: 2,331 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	-	3.00	-	-	-
FY3/21 (forecasts)	-	-	-	3.00	6.00

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

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

(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	11,360	(7.0)	(295)	-	(291)	-	(347)	-	(62.66)

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, 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 Sep. 30, 2020:	323,760 shares	As of Mar. 31, 2020:	322,560 shares
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3) Average number of shares during the period

Six months ended Sep. 30, 2020:	5,553,071 shares	Six months ended Sep. 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

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.

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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 half were 5,202 million yen, 7.9% lower than in the same period of the previous fiscal year. The operating loss increased from 226 million yen to 372 million yen, the ordinary loss increased from 245 million yen to 374 million yen and loss attributable to owners of parent increased from 215 million yen to 309 million yen.

Business segment performance was as follows.

#### 1) Education Services

Number of Students at SEIGAKUSHA Group Schools (Note)

Category	Sep. 30, 2019	Sep. 30, 2020	Change
Individual tutoring	17,105	15,762	(7.9)%
Class teaching	7,471	6,856	(8.2)%
Nursery school	649	692	+6.6%
Other education services	164	356	+117.1%
Total	25,389	23,666	(6.8)%

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 entrance exam preparation category (individual tutoring and class teaching), the fiscal year started with a low number of students because of COVID-19. However, the number of new individual tutoring students in August and September was higher than one year earlier. Class teaching is recovering slowly thanks to measures that include free summer classes to attract students who are not currently attending a SEIGAKUSHA Group school.

In the nursery school category, the number of new students increased. In the other education services category, the number of students increased with the contribution of the newly opened kindergarten in Da Nang, Vietnam.

#### Number of Schools

Category	Mar. 31, 2020	Increase	Decrease	Sep. 30, 2020
Individual tutoring	217	3	0	220
Class teaching	96	0	1	95
Nursery school	17	0	0	17
Other education services	7	0	1	6
Directly operated schools	277	3	2	278
Franchised schools	35	0	3	32

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, three franchised schools were converted to directly operated schools (two in Osaka prefecture and one in Nara prefecture). The Kaisei English Academy, which provides English language classes for Japanese students in the city of Cebu in the Philippines closed because there are no prospects for a recovery in demand because of COVID-19.

## Segment Sales and Earnings

Sales in the entrance exam preparation category (individual tutoring and class teaching) decreased because of a decline in the number of students, a shorter period for summer training seminars and the cancelation of summer study camps. Other education services sales were lower because foreign students planning to start classes in April 2020 were unable to come to Japan because of travel restrictions in order to prevent the spread of COVID-19. Expenses also decreased in the first half. This was mainly the result of a decrease in purchases of textbooks and other items for classes as the number of entrance exam preparation students declined, a decrease in trips for their work by SEIGAKUSHA Group employees, the cancelation of summer study camps and other special events, and a decrease in advertising expenses.

Segment sales decreased 7.5% from one year earlier to 5,159 million yen and operating loss increased from 194 million yen to 341 million yen.

### 2) Real Estate Leasing

First half sales increased 8.1% from one year earlier to 20 million yen and operating profit increased 13.9% to 17 million yen thanks to a larger number of tenants as the amount of leased space increased.

### 3) Restaurant Operations

COVID-19 is continuing to hold down the performance of this segment. Weekday lunch sales are beginning to return to normal but dinner sales are still low. First half sales decreased 52.8% to 22 million yen and there was an increase in the operating loss from 13 million yen one year earlier to 19 million yen.

## (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 407 million yen, or 4.6%, from the end of the previous fiscal year to 8,371 million yen. Current assets decreased by 369 million yen, or 11.5%, from the end of the previous fiscal year to 2,835 million yen. This was attributable mainly to decreases of 243 million yen in trade accounts receivable, 70 million yen in cash and deposits and 29 million yen in accounts receivable-other included in other current assets. Non-current assets decreased by 37 million yen, or 0.7%, from the end of the previous fiscal year to 5,536 million yen. This was mainly attributable to a decrease of 122 million yen in property, plant and equipment, and increases of 18 million yen in intangible assets and 66 million yen in investments and other assets.

Total liabilities decreased by 77 million yen, or 1.3%, from the end of the previous fiscal year to 6,039 million yen. Current liabilities decreased by 116 million yen, or 3.5%, from the end of the previous fiscal year to 3,246 million yen. This was attributable mainly to an increase of 310 million yen in current portion of long-term borrowings, and decreases of 127 million yen in accounts payable-trade, 283 million yen in accounts payable-other included in other current liabilities and 104 million yen in accrued consumption taxes. Non-current liabilities increased by 39 million yen, or 1.4%, from the end of the previous fiscal year to 2,793 million yen. This was attributable mainly to an increase of 59 million yen in long-term borrowings, and decreases of 12 million yen in asset retirement obligations and 7 million yen in lease obligations included in other non-current liabilities.

Net assets decreased by 329 million yen, or 12.4%, from the end of the previous fiscal year to 2,331 million yen. This was attributable mainly to a decrease of 325 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 120 million yen from the end of the previous fiscal year to 1,248 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 342 million yen (a year-on-year increase of 94 million yen). Major positive factors include a decrease in trade receivables of 245 million yen and depreciation of 175 million yen. Major negative factors include loss before income taxes of 385 million yen, a decrease in accounts payable-other of 216 million yen, a decrease in trade payables of 127 million yen and a decrease in accrued consumption taxes of 103 million yen.

#### Cash flows from investing activities

Net cash used in investing activities was 180 million yen (a year-on-year increase of 108 million yen). Major factors include purchase of property, plant and equipment of 89 million yen, purchase of intangible assets of 49 million yen and payments into time deposits of 49 million yen.

#### Cash flows from financing activities

Net cash provided by financing activities was 406 million yen (a year-on-year increase of 302 million yen). Major factors include repayments of long-term borrowings of 330 million yen and proceeds from long-term borrowings of 700 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, 2021 that we announced on September 18, 2020.

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)	
	FY3/20 (As of Mar. 31, 2020)	Second quarter of FY3/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	1,654,845	1,584,207
Trade accounts receivable	1,065,003	821,608
Merchandise	90,810	63,911
Work in process	4,877	6,299
Supplies	15,729	20,780
Other	390,993	352,067
Allowance for doubtful accounts	(17,376)	(13,371)
Total current assets	3,204,884	2,835,503
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,268,487	4,268,612
Accumulated depreciation	(1,529,669)	(1,619,547)
Buildings and structures, net	2,738,817	2,649,064
Land	1,107,259	1,107,259
Other	1,077,972	1,061,295
Accumulated depreciation	(781,814)	(797,840)
Other, net	296,158	263,454
Total property, plant and equipment	4,142,234	4,019,778
Intangible assets		
Goodwill	23,869	25,524
Other	138,983	156,098
Total intangible assets	162,852	181,622
Investments and other assets		
Guarantee deposits	948,413	949,366
Other	320,163	385,236
Total investments and other assets	1,268,576	1,334,603
Total non-current assets	5,573,664	5,536,004
Total assets	8,778,548	8,371,508

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	Second quarter of FY3/21 (As of Sep. 30, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	214,326	86,644
Short-term borrowings	530,000	593,336
Current portion of long-term borrowings	625,122	935,227
Income taxes payable	90,160	47,633
Advances received	752,607	840,680
Provision for bonuses	134,680	172,636
Other	1,016,081	570,342
<b>Total current liabilities</b>	<b>3,362,980</b>	<b>3,246,501</b>
<b>Non-current liabilities</b>		
Long-term borrowings	2,166,077	2,225,514
Retirement benefit liability	5,752	5,592
Asset retirement obligations	469,764	457,305
Other	112,154	104,664
<b>Total non-current liabilities</b>	<b>2,753,749</b>	<b>2,793,076</b>
<b>Total liabilities</b>	<b>6,116,729</b>	<b>6,039,578</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	2,517,418	2,191,476
Treasury shares	(265,655)	(265,655)
<b>Total shareholders' equity</b>	<b>2,665,221</b>	<b>2,339,278</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,324	2,771
Foreign currency translation adjustment	(5,725)	(10,119)
<b>Total accumulated other comprehensive income</b>	<b>(3,401)</b>	<b>(7,348)</b>
<b>Total net assets</b>	<b>2,661,819</b>	<b>2,331,929</b>
<b>Total liabilities and net assets</b>	<b>8,778,548</b>	<b>8,371,508</b>



**(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 FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	5,645,865	5,202,580
Cost of sales	4,904,445	4,690,574
Gross profit	741,420	512,005
Selling, general and administrative expenses	968,039	884,478
Operating loss	(226,619)	(372,473)
Non-operating income		
Interest income	404	511
Dividend income	407	433
Penalty income	-	5,650
Foreign exchange gains	-	3,399
Other	3,513	6,293
Total non-operating income	4,324	16,287
Non-operating expenses		
Interest expenses	15,022	13,469
Other	8,120	4,678
Total non-operating expenses	23,143	18,148
Ordinary loss	(245,437)	(374,334)
Extraordinary losses		
Impairment loss	13,819	11,612
Total extraordinary losses	13,819	11,612
Loss before income taxes	(259,256)	(385,947)
Income taxes-current	11,560	2,568
Income taxes-deferred	(55,733)	(79,233)
Total income taxes	(44,172)	(76,665)
Loss	(215,083)	(309,282)
Loss attributable to owners of parent	(215,083)	(309,282)

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

	(Thousands of yen)	
	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Loss	(215,083)	(309,282)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,231)	446
Foreign currency translation adjustment	(2,238)	(4,393)
Total other comprehensive income	(3,469)	(3,946)
Comprehensive income	(218,553)	(313,229)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(218,553)	(313,229)
Comprehensive income attributable to non-controlling interests	-	-

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
<b>Cash flows from operating activities</b>		
Loss before income taxes	(259,256)	(385,947)
Depreciation	180,277	175,080
Impairment loss	13,819	11,612
Amortization of goodwill	1,958	2,504
Amortization of long-term prepaid expenses	4,956	5,143
Increase (decrease) in allowance for doubtful accounts	(118)	(4,005)
Increase (decrease) in provision for bonuses	41,050	37,956
Interest expenses	15,022	13,469
Decrease (increase) in trade receivables	217,259	245,050
Decrease (increase) in inventories	17,518	20,425
Decrease (increase) in prepaid expenses	2,190	21,065
Increase (decrease) in trade payables	(118,778)	(127,682)
Increase (decrease) in accounts payable - other	(310,084)	(216,828)
Increase (decrease) in advances received	203,573	88,773
Increase (decrease) in accrued expenses	(32,959)	(61,730)
Increase (decrease) in accrued consumption taxes	(35,535)	(103,085)
Other, net	(14,276)	(13,963)
Subtotal	(73,382)	(292,159)
Interest and dividends received	157	614
Interest paid	(14,816)	(13,605)
Income taxes paid	(163,780)	(38,436)
Income taxes refund	3,016	604
Net cash provided by (used in) operating activities	(248,805)	(342,982)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(42,006)	(49,509)
Purchase of property, plant and equipment	(299,301)	(89,155)
Purchase of intangible assets	(15,655)	(49,997)
Subsidies received	279,494	620
Payments for asset retirement obligations	(1,069)	(19,887)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	22,531	-
Payments for acquisition of businesses	-	(1,725)
Payments of guarantee deposits	(29,302)	(8,240)
Proceeds from refund of guarantee deposits	7,948	33,101
Other proceeds	5,337	4,732
Net cash provided by (used in) investing activities	(72,023)	(180,062)

(Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(253,332)	63,336
Proceeds from long-term borrowings	758,250	700,000
Repayments of long-term borrowings	(358,805)	(330,457)
Dividends paid	(29,404)	(16,757)
Other payments	(12,840)	(9,604)
Net cash provided by (used in) financing activities	103,866	406,516
Effect of exchange rate change on cash and cash equivalents	(2,201)	(3,618)
Net increase (decrease) in cash and cash equivalents	(219,164)	(120,148)
Cash and cash equivalents at beginning of period	1,319,467	1,368,174
Cash and cash equivalents at end of period	1,100,303	1,248,025

**(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 FY3/20 (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) 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 six months of FY3/20 was 13 million yen.

**II. First six months of FY3/21 (Apr. 1, 2020 – Sep. 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	5,159,308	20,337	22,933	5,202,580	-	5,202,580
Inter-segment sales and transfers	-	13,521	-	13,521	(13,521)	-
Total	5,159,308	33,858	22,933	5,216,101	(13,521)	5,202,580
Segment profit (loss)	(341,182)	17,736	(19,563)	(343,009)	(29,463)	(372,473)

Notes: 1. The minus 29 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 six months of FY3/21 was 11 million yen.

**Additional Information**

There are no significant revisions to assumptions, including for the effects and end of COVID-19, 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.*