

**Summary of Consolidated Financial Results**  
**for the Third Quarter of the Fiscal Year Ending March 31, 2021**  
**(Nine Months Ended December 31, 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:

February 15, 2021

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, 2020****(April 1, 2020 – December 31, 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	%
Nine months ended Dec. 31, 2020	8,541	(8.9)	22	(95.3)	17	(96.1)	(77)	-
Nine months ended Dec. 31, 2019	9,374	3.2	469	(22.9)	449	(50.4)	220	(61.1)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2020: (82) (-%)

Nine months ended Dec. 31, 2019: 216 (down 61.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2020	(13.99)	-
Nine months ended Dec. 31, 2019	39.88	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2020	9,465	2,546	26.9
As of Mar. 31, 2020	8,778	2,661	30.3

Reference: Shareholders' equity (million yen) As of Dec. 31, 2020: 2,546 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 Dec. 31, 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 Dec. 31, 2020:	324,060 shares	As of Mar. 31, 2020:	322,560 shares
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3) Average number of shares during the period

Nine months ended Dec. 31, 2020:	5,552,737 shares	Nine months ended Dec. 31, 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 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.

Due to COVID-19, consolidated net sales in the first nine months were 8,541 million yen, 8.9% lower than in the same period of the previous fiscal year. The operating profit decreased 95.3% to 22 million yen, the ordinary profit decreased 96.1% to 17 million yen. There were negative income taxes-deferred of 62 million yen, which reduced total income taxes by this amount, due to the recognition of deferred tax assets following a thorough examination of prospects for recovering deferred tax assets. As a result, loss attributable to owners of parent was 77 million yen compared with a profit of 220 million yen in the same period of the previous fiscal year.

Business segment performance was as follows.

#### 1) Education Services

In November, which is normally when the number of students is the highest, there were 24,492 students at facilities operated directly by the SEIGAKUSHA Group. This was 6.0% lower than in November 2019. Individual tutoring students decreased 5.9% to 16,611, classroom tutoring students decreased 7.7% to 6,975, nursery school students increased 8.0% to 699, and students in other education services increased 5.1% to 207.

Sales in the entrance exam preparation category (individual tutoring and class teaching) decreased because the fiscal year started with a low number of students due to COVID-19. However, sales have been slowly recovering for a number of reasons. Major contributors to sales include a recovery in the number of exam preparation students that started in May, an increase in individual tutoring rates per student, and sales from several optional classes in the class teaching category. In the other education services category, sales decreased. One reason is the continuing inability of most students planning to attend the Kaisei Academy Japanese Language School to enter Japan because of COVID-19 restrictions. A downturn in demand for the use of training facilities also brought down sales.

Expenses were lower than one year earlier. The main reasons are the cancelation of study camps and other special events, the decline in purchases of textbooks and other items for classes due to the smaller number of students, and a decrease in advertising expenses.

Segment sales decreased 8.6% from one year earlier to 8,465 million yen and operating profit decreased 87.5% to 62 million yen.

#### 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. Segment sales increased 10.0% from one year earlier to 31 million yen and operating profit increased 6.9% to 27 million yen.

#### 3) Restaurant Operations

Sales briefly recovered because of the Go To Eat campaign and other reasons. But sales remained sluggish for both lunch and dinner because of the increase in reservation cancelations following the end of this campaign and for other reasons. Segment sales decreased 46.9% to 44 million yen and there was an increase in the operating loss from 13 million yen one year earlier to 25 million yen.

**(2) Explanation of Financial Position**

Total assets at the end of the third quarter of the current fiscal year increased by 686 million yen, or 7.8%, from the end of the previous fiscal year to 9,465 million yen. Current assets increased by 732 million yen, or 22.9%, from the end of the previous fiscal year to 3,937 million yen. This was attributable mainly to an increase of 940 million yen in trade accounts receivable and a decrease of 201 million yen in cash and deposits. Non-current assets decreased by 45 million yen, or 0.8%, from the end of the previous fiscal year to 5,528 million yen. This was mainly attributable to increases of 62 million yen in deferred tax assets included in other of the investments and other assets and 31 million yen in intangible assets, and a decrease of 135 million yen in property, plant and equipment.

Total liabilities increased by 802 million yen, or 13.1%, from the end of the previous fiscal year to 6,919 million yen. Current liabilities increased by 920 million yen, or 27.4%, from the end of the previous fiscal year to 4,283 million yen. This was attributable mainly to increases of 399 million yen in advances received, 370 million yen in short-term borrowings, 285 million yen in current portion of long-term borrowings and 72 million yen in income taxes payable, and decreases of 124 million yen in accounts payable-trade and 100 million yen in provision for bonuses. Non-current liabilities decreased by 118 million yen, or 4.3%, from the end of the previous fiscal year to 2,635 million yen. This was attributable mainly to decreases of 96 million yen in long-term borrowings and 12 million yen in asset retirement obligations.

Net assets decreased by 115 million yen, or 4.3%, from the end of the previous fiscal year to 2,546 million yen. This was attributable mainly to a decrease of 111 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, 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)	Third quarter of FY3/21 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	1,654,845	1,453,005
Trade accounts receivable	1,065,003	2,005,496
Merchandise	90,810	49,598
Work in process	4,877	5,153
Supplies	15,729	19,927
Other	390,993	416,110
Allowance for doubtful accounts	(17,376)	(11,866)
Total current assets	3,204,884	3,937,425
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,268,487	4,313,577
Accumulated depreciation	(1,529,669)	(1,659,055)
Buildings and structures, net	2,738,817	2,654,522
Land	1,107,259	1,107,259
Other	1,077,972	1,065,260
Accumulated depreciation	(781,814)	(820,036)
Other, net	296,158	245,223
Total property, plant and equipment	4,142,234	4,007,005
Intangible assets		
Goodwill	23,869	24,196
Other	138,983	170,051
Total intangible assets	162,852	194,247
Investments and other assets		
Guarantee deposits	948,413	954,873
Other	320,163	371,915
Total investments and other assets	1,268,576	1,326,789
Total non-current assets	5,573,664	5,528,041
Total assets	8,778,548	9,465,466

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	Third quarter of FY3/21 (As of Dec. 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	214,326	89,694
Short-term borrowings	530,000	900,000
Current portion of long-term borrowings	625,122	910,641
Income taxes payable	90,160	162,424
Advances received	752,607	1,152,482
Provision for bonuses	134,680	34,228
Other	1,016,081	1,034,047
<b>Total current liabilities</b>	<b>3,362,980</b>	<b>4,283,518</b>
<b>Non-current liabilities</b>		
Long-term borrowings	2,166,077	2,069,737
Retirement benefit liability	5,752	5,592
Asset retirement obligations	469,764	457,533
Other	112,154	102,877
<b>Total non-current liabilities</b>	<b>2,753,749</b>	<b>2,635,741</b>
<b>Total liabilities</b>	<b>6,116,729</b>	<b>6,919,259</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	2,406,392
Treasury shares	(265,655)	(265,655)
<b>Total shareholders' equity</b>	<b>2,665,221</b>	<b>2,554,194</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,324	2,687
Foreign currency translation adjustment	(5,725)	(10,674)
<b>Total accumulated other comprehensive income</b>	<b>(3,401)</b>	<b>(7,987)</b>
<b>Total net assets</b>	<b>2,661,819</b>	<b>2,546,207</b>
<b>Total liabilities and net assets</b>	<b>8,778,548</b>	<b>9,465,466</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 FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Net sales	9,374,419	8,541,002
Cost of sales	7,481,669	7,195,796
Gross profit	1,892,750	1,345,205
Selling, general and administrative expenses	1,423,381	1,323,200
Operating profit	469,369	22,005
Non-operating income		
Interest income	608	533
Dividend income	720	749
Penalty income	-	6,250
Other	8,489	13,265
Total non-operating income	9,818	20,799
Non-operating expenses		
Interest expenses	22,543	20,239
Other	7,019	5,031
Total non-operating expenses	29,563	25,270
Ordinary profit	449,623	17,534
Extraordinary income		
Gain on sale of businesses	-	3,818
Total extraordinary income	-	3,818
Extraordinary losses		
Impairment loss	18,825	27,806
Total extraordinary losses	18,825	27,806
Profit (loss) before income taxes	430,798	(6,454)
Income taxes-current	208,669	133,928
Income taxes-deferred	1,738	(62,673)
Total income taxes	210,408	71,254
Profit (loss)	220,390	(77,709)
Profit (loss) attributable to owners of parent	220,390	(77,709)

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

(Thousands of yen)

	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Profit (loss)	220,390	(77,709)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,833	363
Foreign currency translation adjustment	(7,158)	(4,948)
Total other comprehensive income	(4,325)	(4,585)
Comprehensive income	216,065	(82,294)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	216,065	(82,294)
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 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) 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 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.

**II. First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 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	8,465,493	31,070	44,438	8,541,002	-	8,541,002
Inter-segment sales and transfers	-	20,851	-	20,851	(20,851)	-
Total	8,465,493	51,921	44,438	8,561,853	(20,851)	8,541,002
Segment profit (loss)	62,608	27,434	(25,865)	64,177	(42,172)	22,005

Notes: 1. The minus 42 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 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 FY3/21 was 27 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.*