

**Summary of Consolidated Financial Results**  
**for the First Quarter of the Fiscal Year Ending March 31, 2023**  
**(Three Months Ended June 30, 2022)**

[Japanese GAAP]

Company name: SEIGAKUSHA CO.,LTD.

Listing: Tokyo Stock Exchange

Stock code: 2179

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

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Scheduled date of filing of Quarterly Report:

August 10, 2022

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, 2022****(April 1, 2022 – June 30, 2022)****(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, 2022	2,284	(0.5)	(453)	-	(447)	-	(305)	-
Three months ended Jun. 30, 2021	2,296	13.2	(445)	-	(424)	-	(291)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2022: (309) (-%)

Three months ended Jun. 30, 2021: (299) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2022	(55.11)	-
Three months ended Jun. 30, 2021	(52.45)	-

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2022	8,034	2,478	30.8
As of Mar. 31, 2022	8,488	2,815	33.2

Reference: Shareholders' equity (million yen) As of Jun. 30, 2022: 2,478 As of Mar. 31, 2022: 2,815

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	-	3.30	-	5.00	8.30
Fiscal year ending Mar. 31, 2023	-				
Fiscal year ending Mar. 31, 2023 (forecast)		8.50	-	8.50	17.00

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

**3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2023****(April 1, 2022 – March 31, 2023)**

(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
First half	5,902	2.4	75	(22.2)	65	(44.3)	33	(55.8)	6.11
Full year	12,756	3.4	646	0.9	626	(4.4)	367	10.7	66.14

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 Jun. 30, 2022:	5,876,000 shares	As of Mar. 31, 2022:	5,876,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2022:	326,160 shares	As of Mar. 31, 2022:	325,860 shares
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3) Average number of shares during the period

Three months ended Jun. 30, 2022:	5,550,038 shares	Three months ended Jun. 30, 2021:	5,551,240 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 childcare needs as an education organization centered on education and childcare 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, Kaisei Academy Japanese Language School for foreign students in Japan.

Consolidated net sales in the first quarter were 2,284 million yen, 0.5% lower than in the same period of the previous fiscal year. Operating loss was 453 million yen, compared with operating loss of 445 million yen in the same period of the previous fiscal year, ordinary loss was 447 million yen, compared with ordinary loss of 424 million yen in the same period of the previous fiscal year when there was penalty income and subsidy income, and loss attributable to owners of parent was 305 million yen, compared with a loss of 291 million yen in the same period of the previous fiscal year because of deferred income taxes.

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 schools category, the number of students were on a par with the same period a year earlier despite the impact of the sixth wave of the COVID-19 pandemic. However, sales were lower because of a decrease in the number of Spring Classes held in April, and lower contribution to sales from Kaisei Education Yozemi Sateline Exam Preparation School because of a decline in the number of students and a slow start of enrollment. In the nursery school category, sales increased because there was an increase in the number of children enrolled in our nursery schools. In the other educational services category, sales increased because admissions to Kaisei Academy Japanese Language School for foreign students in Japan progressed as the government started allowing more foreign nationals/students to enter Japan. In addition, the subsidiary developing educational and other content also contributed to sales.

Furthermore, although advertising expenses increased due to stepped up web advertising, direct mail marketing and other activities, total expenses in this segment decreased due to lower personnel and other expenses resulting from lower net sales.

Segment sales decreased 0.6% from one year earlier to 2,263 million yen and the operating loss was 439 million yen, compared with a loss of 432 million in the same period of the previous fiscal year.

#### 2) Real Estate Leasing

The number of tenants decreased in the first quarter, resulting in a 10.9% decrease from one year earlier in segment sales to 9 million yen and the operating profit decreased 41.1% to 4 million yen due to expenses for repairs.

#### 3) Restaurant Operations

Restaurants performed well despite the COVID-19 pandemic as demand for weekday lunches was firm and prices were revised. Sales increased 23.2% from one year earlier to 11 million yen and the operating loss was 3 million yen, compared with a loss of 7 million yen in the same period of the previous fiscal year.

**(2) Explanation of Financial Position**

Total assets at the end of the first quarter of the current fiscal year decreased by 454 million yen, or 5.4%, from the end of the previous fiscal year to 8,034 million yen. Current assets decreased by 636 million yen, or 19.5%, from the end of the previous fiscal year to 2,622 million yen. This was attributable mainly to decreases of 378 million yen in trade accounts receivable and contract assets, 221 million yen in cash and deposits and 13 million yen in merchandise. Non-current assets increased by 182 million yen, or 3.5%, from the end of the previous fiscal year to 5,411 million yen. This was mainly attributable to increases of 134 million yen in deferred tax assets included in other of the investments and other assets and 75 million yen in buildings and structures, net, and a decrease of 21 million yen in construction in progress included in other, net of property, plant and equipment.

Total liabilities decreased by 117 million yen, or 2.1%, from the end of the previous fiscal year to 5,555 million yen. Current liabilities increased by 48 million yen, or 1.5%, from the end of the previous fiscal year to 3,181 million yen. This was attributable mainly to increases of 500 million yen in short-term borrowings and 171 million yen in accounts payable-personnel expenses in other current liabilities, and decreases of 236 million yen in income taxes payable, 150 million yen in accounts payable-trade, 109 million yen in provision for bonuses, 74 million yen in accrued consumption taxes included in other current liabilities and 36 million yen in accounts payable-other included in other current liabilities. Non-current liabilities decreased by 165 million yen, or 6.5%, from the end of the previous fiscal year to 2,374 million yen. This was attributable mainly to a decrease of 170 million yen in long-term borrowings.

Net assets decreased by 336 million yen, or 12.0%, from the end of the previous fiscal year to 2,478 million yen. This was attributable mainly to a decrease of 333 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, 2023 that we announced on May 16, 2022.

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)

	FY3/22 (As of Mar. 31, 2022)	First quarter of FY3/23 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	1,731,197	1,509,684
Trade accounts receivable and contract assets	1,100,585	722,569
Merchandise	59,810	46,721
Work in process	191	-
Supplies	17,690	21,689
Other	371,472	345,971
Allowance for doubtful accounts	(22,341)	(24,505)
Total current assets	3,258,607	2,622,130
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,272,294	4,394,770
Accumulated depreciation	(1,767,101)	(1,814,216)
Buildings and structures, net	2,505,192	2,580,554
Land	1,107,259	1,107,259
Other	1,092,044	1,086,333
Accumulated depreciation	(871,353)	(884,149)
Other, net	220,691	202,183
Total property, plant and equipment	3,833,142	3,889,997
Intangible assets		
Goodwill	20,100	16,772
Other	178,922	176,802
Total intangible assets	199,022	193,575
Investments and other assets		
Guarantee deposits	885,945	886,505
Other	311,734	441,863
Total investments and other assets	1,197,680	1,328,368
Total non-current assets	5,229,845	5,411,941
Total assets	8,488,452	8,034,071

(Thousands of yen)

	FY3/22 (As of Mar. 31, 2022)	First quarter of FY3/23 (As of Jun. 30, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	234,134	83,246
Short-term borrowings	-	500,000
Current portion of long-term borrowings	839,219	816,944
Income taxes payable	254,903	18,591
Advances received	741,607	760,040
Provision for bonuses	162,176	53,055
Other	900,696	949,143
<b>Total current liabilities</b>	<b>3,132,738</b>	<b>3,181,021</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,957,831	1,786,916
Retirement benefit liability	6,718	6,514
Asset retirement obligations	476,359	482,266
Other	99,480	98,947
<b>Total non-current liabilities</b>	<b>2,540,388</b>	<b>2,374,644</b>
<b>Total liabilities</b>	<b>5,673,127</b>	<b>5,555,665</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	2,681,275	2,347,656
Treasury shares	(265,655)	(265,655)
<b>Total shareholders' equity</b>	<b>2,829,077</b>	<b>2,495,458</b>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	(13,751)	(17,052)
<b>Total accumulated other comprehensive income</b>	<b>(13,751)</b>	<b>(17,052)</b>
<b>Total net assets</b>	<b>2,815,325</b>	<b>2,478,406</b>
<b>Total liabilities and net assets</b>	<b>8,488,452</b>	<b>8,034,071</b>

**(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 FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)
Net sales	2,296,925	2,284,579
Cost of sales	2,301,266	2,253,751
Gross profit (loss)	(4,341)	30,828
Selling, general and administrative expenses	441,527	483,830
Operating loss	(445,868)	(453,002)
Non-operating income		
Interest income	759	1,565
Dividend income	725	0
Income of celebration money	-	2,860
Penalty income	11,000	-
Foreign exchange gains	6,041	6,289
Other	11,040	2,876
Total non-operating income	29,567	13,591
Non-operating expenses		
Interest expenses	6,892	6,539
Other	868	1,469
Total non-operating expenses	7,760	8,008
Ordinary loss	(424,061)	(447,418)
Extraordinary income		
Gain on sale of non-current assets	48	-
Gain on sale of investment securities	7,894	-
Gain on sale of businesses	8,064	14,512
Total extraordinary income	16,007	14,512
Extraordinary losses		
Loss on sale of investment securities	315	-
Impairment losses	3,418	35
Loss on store closings	1,100	-
Total extraordinary losses	4,834	35
Loss before income taxes	(412,888)	(432,942)
Income taxes-current	(1,390)	6,822
Income taxes-deferred	(120,359)	(133,896)
Total income taxes	(121,749)	(127,074)
Loss	(291,139)	(305,868)
Loss attributable to owners of parent	(291,139)	(305,868)



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

	(Thousands of yen)	
	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)
Loss	(291,139)	(305,868)
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,138)	-
Foreign currency translation adjustment	(2,798)	(3,300)
Total other comprehensive income	(7,936)	(3,300)
Comprehensive income	(299,076)	(309,169)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(299,076)	(309,169)
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 FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)

1. Information related to net sales, profit or loss for each reportable segment and breakdown of revenue (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						
Entrance exam preparation schools	1,902,466	-	-	1,902,466	-	1,902,466
Nursery schools	293,662	-	-	293,662	-	293,662
Other education services	80,517	-	-	80,517	-	80,517
Restaurant	-	-	9,558	9,558	-	9,558
Revenue from contracts with customers	2,276,645	-	9,558	2,286,204	-	2,286,204
Other revenue	-	10,720	-	10,720	-	10,720
External sales	2,276,645	10,720	9,558	2,296,925	-	2,296,925
Inter-segment sales and transfers	-	6,374	-	6,374	(6,374)	-
Total	2,276,645	17,095	9,558	2,303,300	(6,374)	2,296,925
Segment profit (loss)	(432,519)	7,815	(7,871)	(432,575)	(13,293)	(445,868)

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 FY3/22 was 3,418 thousand yen.

## II. First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)

## 1. Information related to net sales, profit or loss for each reportable segment and breakdown of revenue (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						
Entrance exam preparation schools	1,834,666	-	-	1,834,666	-	1,834,666
Nursery schools	318,099	-	-	318,099	-	318,099
Other education services	110,485	-	-	110,485	-	110,485
Restaurant	-	-	11,773	11,773	-	11,773
Revenue from contracts with customers	2,263,251	-	11,773	2,275,025	-	2,275,025
Other revenue	-	9,554	-	9,554	-	9,554
External sales	2,263,251	9,554	11,773	2,284,579	-	2,284,579
Inter-segment sales and transfers	210	5,512	-	5,722	(5,722)	-
Total	2,263,461	15,066	11,773	2,290,302	(5,722)	2,284,579
Segment profit (loss)	(439,831)	4,604	(3,467)	(438,694)	(14,308)	(453,002)

Notes: 1. The minus 14 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 FY3/23 was 35 thousand 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 2022.

*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.*