

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2023
(Six Months Ended September 30, 2022)

[Japanese GAAP]

Company name: SEIGAKUSHA CO.,LTD.

Listing: Tokyo Stock Exchange

Stock code: 2179

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Scheduled date of filing of Quarterly Report:

November 14, 2022

Scheduled date of payment of dividend:

December 9, 2022

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, 2022****(April 1, 2022 – September 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	%
Six months ended Sep. 30, 2022	5,806	0.7	60	(37.1)	56	(51.9)	46	(39.4)
Six months ended Sep. 30, 2021	5,764	10.8	96	-	118	-	76	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2022: 52 (down 28.0%)

Six months ended Sep. 30, 2021: 72 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2022	8.36	-
Six months ended Sep. 30, 2021	13.81	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2022	8,088	2,840	35.1
As of Mar. 31, 2022	8,488	2,815	33.2

Reference: Shareholders' equity (million yen) As of Sep. 30, 2022: 2,840 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	-	8.50			
Fiscal year ending Mar. 31, 2023 (forecast)			-	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
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 Sep. 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 Sep. 30, 2022:	326,260 shares	As of Mar. 31, 2022:	325,860 shares
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3) Average number of shares during the period

Six months ended Sep. 30, 2022:	5,549,938 shares	Six months ended Sep. 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 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 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 half were 5,806 million yen, 0.7% higher than in the same period of the previous fiscal year and operating profit decreased 37.1% to 60 million yen. Ordinary profit decreased 51.9% to 56 million yen and profit attributable to owners of parent decreased 39.4% to 46 million yen.

Business segment performance was as follows.

1) Education Services

Number of Students at SEIGAKUSHA Group Schools (Note)

Category	Sep. 30, 2021	Sep. 30, 2022	Change
Individual tutoring	17,367	17,526	+0.9%
Class teaching	6,966	6,869	(1.4)%
Nursery school	722	729	+1.0%
Other education services	148	223	+50.7%
Total	25,203	25,347	+0.6%

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 individual tutoring category, the number of examination preparation students remained high at the FreeStep Individual Tutoring Institute, which is the primary brand of this category, despite the negative effects of the pandemic. One reason is this institute's record-high performance in 2022 for the fourth consecutive year regarding students who passed university entrance exams, which is this institute's key strength. The large number of students is also attributable to the use of My Step Log, which is part of SEIGAKUSHA's proprietary LMS (Learning Management System) and to service improvements that include upgrades to the website for members. In the class teaching category, the program for Osaka City Integrated Junior and Senior High School students continued to perform well, which raised the number of elementary school students attending entrance exam preparation classes for this integrated school. However, there was a small decrease in the total number of entrance exam preparation students because of a decline in students enrolled in Summer Classes due to a new wave of COVID-19 cases at that time.

In the other education services category, the number of students increased because immigration restrictions eased at the Kaisei Academy Japanese Language School and the December 2021 start of operations of the Kaisei Academy Korean Language School .

Number of Schools

Category	Mar. 31, 2022	Increase	Decrease	Sep. 30, 2022
Individual tutoring	229	3	5	227
Class teaching	83	0	0	83
Nursery school	17	0	0	17
Other education services	6	0	0	6
Directly operated schools	284	3	7	280
Franchised schools	36	5	1	40

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, two directly operated schools were opened (one each in Tokyo and Saitama) and one franchised school was converted to direct operation (Nara), resulting in an increase of three of these schools. Five

schools were converted from direct to franchised operation (two in Osaka and one each in Tokyo, Kyoto and Nara) and there was a decrease of two schools due to the consolidation of schools (Osaka), resulting in a decrease of seven schools.

In the franchised school category, as was explained in the preceding paragraph, there was an increase of five schools due to conversions from direct operation and a decrease of one school.

Segment Sales and Earnings

In the individual tutoring category, there were delays involving attendance at Kaisei Education Yozemi Sateline Exam Preparation School. In the class teaching category, attendance at Summer Classes was held down by the seventh wave of the pandemic. As a result, total entrance exam preparation sales were lower than one year earlier. In the nursery school category, sales increased because of higher school operation subsidies as the number of students increased. In the other educational services category, sales increased because of new Japanese language school students, a recovery in demand for services at training facilities, and the sales of a subsidiary that produces educational and other content. Expenses in this segment increased because of more advertising activities to increase the number of students at entrance exam preparation schools, an increase in utility expenses due to higher electricity costs, and other reasons.

Segment sales increased 0.7% from one year earlier to 5,765 million yen and operating profit decreased 28.7% to 88 million yen.

2) Real Estate Leasing

The number of tenants decreased in the first half, resulting in a 7.3% decrease from one year earlier in segment sales to 19 million yen and the operating profit decreased 22.4% to 10 million yen mainly due to expenses for major 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 30.8% from one year earlier to 20 million yen and the operating loss was 7 million yen, compared with a loss of 11 million yen in the same period of the previous fiscal year.

(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 399 million yen, or 4.7%, from the end of the previous fiscal year to 8,088 million yen. Current assets decreased by 444 million yen, or 13.6%, from the end of the previous fiscal year to 2,813 million yen. This was attributable mainly to decreases of 240 million yen in trade accounts receivable and contract assets, 168 million yen in cash and deposits, 25 million yen in accounts receivable-other included in other current assets and 11 million yen in merchandise. Non-current assets increased by 44 million yen, or 0.9%, from the end of the previous fiscal year to 5,274 million yen. This was mainly attributable to increases of 43 million yen in property, plant and equipment and 22 million yen in guarantee deposits, and a decrease of 9 million yen in deferred tax assets included in other of the investments and other assets.

Total liabilities decreased by 424 million yen, or 7.5%, from the end of the previous fiscal year to 5,248 million yen. Current liabilities decreased by 443 million yen, or 14.1%, from the end of the previous fiscal year to 2,689 million yen. This was attributable mainly to increases of 97 million yen in advances received and 60 million yen in current portion of long-term borrowings, and decreases of 202 million yen in income taxes payable, 150 million yen in accounts payable-trade, 144 million yen in accounts payable-other included in other current liabilities and 81 million yen in accrued consumption taxes included in other current liabilities. Non-current liabilities increased by 18 million yen, or 0.7%, from the end of the previous fiscal year to 2,558 million yen. This was attributable mainly to an increase of 22 million yen in long-term borrowings.

Net assets increased by 24 million yen, or 0.9%, from the end of the previous fiscal year to 2,840 million yen. This was attributable mainly to an increase of 18 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 188 million yen from the end of the previous fiscal year to 1,278 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 23 million yen (compared with net cash provided of 236 million yen in the same period of the previous fiscal year). Major positive factors include a decrease in trade receivables of 216 million yen, depreciation of 161 million yen and an increase in advances received of 97 million yen. Major negative factors include income taxes paid of 209 million yen, a decrease in trade payables of 150 million yen and a decrease in accounts payable-other of 131 million yen.

Cash flows from investing activities

Net cash used in investing activities was 220 million yen (compared with net cash provided of 41 million yen in the same period of the previous fiscal year). Major factors include purchase of property, plant and equipment of 182 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 52 million yen (compared with net cash used of 300 million yen in the same period of the previous fiscal year). Major factors include proceeds from long-term borrowings of 500 million yen and repayments of long-term borrowings of 416 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, 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)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	1,731,197	1,562,669
Trade accounts receivable and contract assets	1,100,585	860,367
Merchandise	59,810	48,788
Work in process	191	2
Supplies	17,690	18,914
Other	371,472	351,370
Allowance for doubtful accounts	(22,341)	(28,269)
Total current assets	3,258,607	2,813,843
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,272,294	4,417,730
Accumulated depreciation	(1,767,101)	(1,847,019)
Buildings and structures, net	2,505,192	2,570,711
Land	1,107,259	1,107,259
Other	1,092,044	1,094,614
Accumulated depreciation	(871,353)	(896,368)
Other, net	220,691	198,246
Total property, plant and equipment	3,833,142	3,876,216
Intangible assets		
Goodwill	20,100	18,129
Other	178,922	177,266
Total intangible assets	199,022	195,395
Investments and other assets		
Guarantee deposits	885,945	908,905
Other	311,734	294,125
Total investments and other assets	1,197,680	1,203,030
Total non-current assets	5,229,845	5,274,642
Total assets	8,488,452	8,088,486

	(Thousands of yen)	
	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	234,134	83,825
Current portion of long-term borrowings	839,219	899,251
Income taxes payable	254,903	52,844
Advances received	741,607	838,991
Provision for bonuses	162,176	193,096
Other	900,696	621,555
Total current liabilities	3,132,738	2,689,565
Non-current liabilities		
Long-term borrowings	1,957,831	1,980,818
Retirement benefit liability	6,718	6,559
Asset retirement obligations	476,359	474,846
Other	99,480	96,649
Total non-current liabilities	2,540,388	2,558,873
Total liabilities	5,673,127	5,248,438
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	2,681,275	2,699,944
Treasury shares	(265,655)	(265,655)
Total shareholders' equity	2,829,077	2,847,746
Accumulated other comprehensive income		
Foreign currency translation adjustment	(13,751)	(7,698)
Total accumulated other comprehensive income	(13,751)	(7,698)
Total net assets	2,815,325	2,840,047
Total liabilities and net assets	8,488,452	8,088,486

(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 FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	5,764,341	5,806,320
Cost of sales	4,804,748	4,802,914
Gross profit	959,593	1,003,406
Selling, general and administrative expenses	862,829	942,563
Operating profit	96,764	60,842
Non-operating income		
Interest income	994	2,125
Dividend income	725	0
Income of celebration money	-	2,860
Penalty income	11,000	-
Foreign exchange gains	1,885	4,040
Other	21,660	4,997
Total non-operating income	36,266	14,023
Non-operating expenses		
Interest expenses	13,748	13,014
Other	937	4,938
Total non-operating expenses	14,685	17,953
Ordinary profit	118,345	56,912
Extraordinary income		
Gain on sale of non-current assets	94	-
Gain on sale of investment securities	7,894	-
Gain on sale of businesses	8,064	14,512
Total extraordinary income	16,052	14,512
Extraordinary losses		
Loss on sale of investment securities	315	-
Impairment losses	3,418	3,841
Loss on store closings	1,100	-
Total extraordinary losses	4,834	3,841
Profit before income taxes	129,563	67,583
Income taxes-current	7,637	12,854
Income taxes-deferred	45,271	8,309
Total income taxes	52,909	21,163
Profit	76,653	46,419
Profit attributable to owners of parent	76,653	46,419

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

	(Thousands of yen)	
	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Profit	76,653	46,419
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,138)	-
Foreign currency translation adjustment	1,407	6,053
Total other comprehensive income	(3,731)	6,053
Comprehensive income	72,921	52,472
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	72,921	52,472
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	129,563	67,583
Depreciation	165,452	161,862
Impairment losses	3,418	3,841
Amortization of goodwill	2,740	2,380
Amortization of long-term prepaid expenses	5,329	4,624
Increase (decrease) in allowance for doubtful accounts	(1,270)	3,522
Increase (decrease) in provision for bonuses	35,923	30,920
Interest expenses	13,748	13,014
Loss (gain) on sale of businesses	(8,064)	(14,512)
Decrease (increase) in trade receivables	280,615	216,434
Decrease (increase) in accounts receivable-other	32,809	28,855
Decrease (increase) in inventories	12,884	9,987
Increase (decrease) in trade payables	(72,479)	(150,310)
Increase (decrease) in accounts payable-other	(204,177)	(131,830)
Increase (decrease) in advances received	24,857	97,563
Increase (decrease) in accrued expenses	(43,064)	(56,264)
Increase (decrease) in accrued consumption taxes	(34,755)	(75,739)
Increase (decrease) in deposits received	(10,239)	(11,305)
Other, net	(14,129)	(7,216)
Subtotal	319,165	193,411
Interest and dividends received	1,201	1,708
Interest paid	(13,709)	(12,911)
Income taxes paid	(92,537)	(209,961)
Income taxes refund	8,885	3,278
Other, net	13,156	1,215
Net cash provided by (used in) operating activities	236,162	(23,260)
Cash flows from investing activities		
Payments into time deposits	(34,502)	(19,501)
Proceeds from withdrawal of time deposits	175,012	-
Proceeds from sale of investment securities	22,892	-
Purchase of property, plant and equipment	(111,602)	(182,839)
Purchase of intangible assets	(33,459)	(29,365)
Payments for asset retirement obligations	(33,054)	(9,640)
Payments for acquisition of businesses	(3,886)	(2,568)
Proceeds from sale of businesses	9,143	21,099
Payments of guarantee deposits	(9,460)	(28,538)
Proceeds from refund of guarantee deposits	59,595	26,574
Other payments	(4,825)	-
Other proceeds	5,410	4,103
Net cash provided by (used in) investing activities	41,262	(220,674)

(Thousands of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(590,000)	-
Proceeds from long-term borrowings	850,000	500,000
Repayments of long-term borrowings	(537,685)	(416,981)
Dividends paid	(16,608)	(27,652)
Other payments	(6,365)	(2,557)
Net cash provided by (used in) financing activities	(300,659)	52,808
Effect of exchange rate change on cash and cash equivalents	(457)	3,097
Net increase (decrease) in cash and cash equivalents	(23,691)	(188,029)
Cash and cash equivalents at beginning of period	1,368,873	1,466,511
Cash and cash equivalents at end of period	1,345,181	1,278,482

(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 FY3/22 (Apr. 1, 2021 – Sep. 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	4,962,061	-	-	4,962,061	-	4,962,061
Nursery schools	598,414	-	-	598,414	-	598,414
Other education services	166,429	-	-	166,429	-	166,429
Restaurant	-	-	15,995	15,995	-	15,995
Revenue from contracts with customers	5,726,906	-	15,995	5,742,901	-	5,742,901
Other revenue	-	21,440	-	21,440	-	21,440
External sales	5,726,906	21,440	15,995	5,764,341	-	5,764,341
Inter-segment sales and transfers	-	11,926	-	11,926	(11,926)	-
Total	5,726,906	33,367	15,995	5,776,268	(11,926)	5,764,341
Segment profit (loss)	124,127	14,090	(11,945)	126,272	(29,507)	96,764

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 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 six months of FY3/22 was 3,418 thousand yen.

II. First six months of FY3/23 (Apr. 1, 2022 – Sep. 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	4,928,239	-	-	4,928,239	-	4,928,239
Nursery schools	627,613	-	-	627,613	-	627,613
Other education services	209,672	-	-	209,672	-	209,672
Restaurant	-	-	20,917	20,917	-	20,917
Revenue from contracts with customers	5,765,525	-	20,917	5,786,443	-	5,786,443
Other revenue	-	19,877	-	19,877	-	19,877
External sales	5,765,525	19,877	20,917	5,806,320	-	5,806,320
Inter-segment sales and transfers	535	10,800	-	11,335	(11,335)	-
Total	5,766,060	30,677	20,917	5,817,655	(11,335)	5,806,320
Segment profit (loss)	88,490	10,936	(7,481)	91,945	(31,103)	60,842

Notes: 1. The minus 31 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 six months of FY3/23 was 3,841 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.