

Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2023
(Nine Months Ended December 31, 2022)

[Japanese GAAP]

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Listing: Tokyo Stock Exchange
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Scheduled date of filing of Quarterly Report: February 14, 2023
 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, 2022**(April 1, 2022 – December 31, 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	%
Nine months ended Dec. 31, 2022	9,387	1.2	662	3.2	667	0.2	416	3.7
Nine months ended Dec. 31, 2021	9,276	8.6	642	–	665	–	401	–

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2022: 421 (up 5.4%)
 Nine months ended Dec. 31, 2021: 399 (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2022	74.99	–
Nine months ended Dec. 31, 2021	72.28	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2022	9,552	3,161	33.1
As of Mar. 31, 2022	8,488	2,815	33.2

Reference: Shareholders' equity (million yen) As of Dec. 31, 2022: 3,161 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 Dec. 31, 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 Dec. 31, 2022:	326,660 shares	As of Mar. 31, 2022:	325,860 shares
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3) Average number of shares during the period

Nine months ended Dec. 31, 2022:	5,549,836 shares	Nine months ended Dec. 31, 2021:	5,551,202 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment and Other Information	8
Additional Information	9

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 Kaisei Education Seminar classroom tutoring schools, Kaisei Nursery School certified nursery schools, Kaisei Academy Japanese Language School for foreign students in Japan, and Kaisei Academy Korean Language School specializing in a medium to advanced level Korean language instruction, in addition to the FreeStep Individual Tutoring Institute, which is our core brand of tutoring school .

Consolidated net sales in the first nine months were 9,387 million yen, 1.2% higher than in the same period of the previous fiscal year. Operating profit increased 3.2% from one year earlier to 662 million yen, ordinary profit increased 0.2% to 667 million yen despite the absence of penalty income and subsidy income, which were recorded during the same period of the previous fiscal year, and profit attributable to owners of parent increased 3.7% to 416 million yen due to reduced income tax burden.

Business segment performance was as follows.

1) Education Services

In November, which is normally when the number of students is the highest, there were 25,992 students enrolled at facilities operated directly by the SEIGAKUSHA Group. This was a steady increase of 1.1% compared to November 2021. Individual tutoring students increased 1.8% to 18,094, class tutoring students decreased 1.8% to 6,910, nursery school students increased 0.5% to 732, and students in other education services increased 37.6% to 256.

In the individual tutoring category, despite the impact of delays involving attendance at Kaisei Education Yozemi Sateline Exam Preparation School, sales increased mainly due to increases in the number of students and franchised schools. In the class teaching category, sales of entrance exam preparation schools decreased because of weak sales of Winter Classes due to a decline in the number of students. In the nursery school category, sales increased mainly because of higher subsidies. In the other educational services category, sales increased mainly because of an increase in Japanese language school students due to the acceptance of foreign students from new regions, and a recovery in the use of training facilities.

Expenses in this segment increased because of higher personnel expenses mainly due to salary revisions to improve compensation for employees, more advertising activities to increase the number of students, an increase in utility expenses due to higher electricity costs, and other reasons. In response, we focused on running our business more efficiently by slashing other expenses.

Segment sales increased 1.1% from one year earlier to 9,320 million yen and operating profit increased 3.0% to 696 million yen.

2) Real Estate Leasing

The number of tenants decreased in the first nine months, resulting in a 7.2% decrease from one year earlier in segment sales to 29 million yen and operating profit decreased 12.6% to 17 million yen.

3) Restaurant Operations

Restaurants performed well amid the prolonged COVID-19 pandemic thanks to a steady stream of weekday lunch time customers, recovery of dinner time customers, and price revision as well. Sales increased 27.9% from one year earlier to 36 million yen. Operating loss improved to 8 million yen compared to operating loss of 13 million yen from one year earlier as sales growth offset the increase in expenses due to rising raw material costs.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased by 1,064 million yen, or 12.5%, from the end of the previous fiscal year to 9,552 million yen. Current assets increased by 982 million yen, or 30.2%, from the end of the previous fiscal year to 4,241 million yen. This was attributable mainly to increases of 1,082 million yen in accounts receivable and contract assets and 86 million yen in accounts receivable-other included in other of current assets, and decreases of 164 million yen in cash and deposits and 12 million yen in merchandise. Non-current assets increased by 81 million yen, or 1.6%, from the end of the previous fiscal year to 5,311 million yen. This was mainly attributable to increases of 54 million yen in deferred tax assets included in other of the investments and other assets and 40 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 increased by 717 million yen, or 12.7%, from the end of the previous fiscal year to 6,390 million yen. Current liabilities increased by 854 million yen, or 27.3%, from the end of the previous fiscal year to 3,987 million yen. This was attributable mainly to increases of 475 million yen in advances received, 450 million yen in short-term borrowings, 131 million yen in deposits received included in other of current liabilities, and 80 million yen in accounts payable-personnel expenses included in other of current liabilities, and decreases of 141 million yen in accounts payable-trade, 105 million yen in provision for bonuses, and 39 million yen in income taxes payable. Non-current liabilities decreased by 136 million yen, or 5.4%, from the end of the previous fiscal year to 2,403 million yen. This was attributable mainly to a decrease of 137 million yen in long-term borrowings.

Net assets increased by 346 million yen, or 12.3%, from the end of the previous fiscal year to 3,161 million yen. This was attributable mainly to an increase of 341 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)	Third quarter of FY3/23 (As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	1,731,197	1,567,015
Accounts receivable and contract assets	1,100,585	2,182,717
Merchandise	59,810	47,027
Work in process	191	-
Supplies	17,690	21,812
Other	371,472	431,457
Allowance for doubtful accounts	(22,341)	(8,715)
Total current assets	3,258,607	4,241,315
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,272,294	4,443,109
Accumulated depreciation	(1,767,101)	(1,897,830)
Buildings and structures, net	2,505,192	2,545,278
Land	1,107,259	1,107,259
Other	1,092,044	1,097,520
Accumulated depreciation	(871,353)	(901,629)
Other, net	220,691	195,891
Total property, plant and equipment	3,833,142	3,848,429
Intangible assets		
Goodwill	20,100	16,831
Other	178,922	176,478
Total intangible assets	199,022	193,309
Investments and other assets		
Guarantee deposits	885,945	913,362
Other	311,734	356,170
Total investments and other assets	1,197,680	1,269,532
Total non-current assets	5,229,845	5,311,271
Total assets	8,488,452	9,552,587

	(Thousands of yen)	
	FY3/22 (As of Mar. 31, 2022)	Third quarter of FY3/23 (As of Dec. 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	234,134	92,148
Short-term borrowings	–	450,000
Current portion of long-term borrowings	839,219	860,404
Income taxes payable	254,903	214,952
Advances received	741,607	1,216,936
Provision for bonuses	162,176	56,643
Other	900,696	1,096,141
Total current liabilities	3,132,738	3,987,226
Non-current liabilities		
Long-term borrowings	1,957,831	1,820,025
Retirement benefit liability	6,718	6,513
Asset retirement obligations	476,359	480,084
Other	99,480	97,015
Total non-current liabilities	2,540,388	2,403,638
Total liabilities	5,673,127	6,390,865
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	2,681,275	3,022,542
Treasury shares	(265,655)	(265,655)
Total shareholders' equity	2,829,077	3,170,344
Accumulated other comprehensive income		
Foreign currency translation adjustment	(13,751)	(8,623)
Total accumulated other comprehensive income	(13,751)	(8,623)
Total net assets	2,815,325	3,161,721
Total liabilities and net assets	8,488,452	9,552,587

(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 FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)
Net sales	9,276,358	9,387,446
Cost of sales	7,330,695	7,345,004
Gross profit	1,945,663	2,042,442
Selling, general and administrative expenses	1,303,383	1,379,548
Operating profit	642,279	662,894
Non-operating income		
Interest income	1,294	2,406
Dividend income	725	0
Penalty income	11,000	–
Gain on adjustment of account payable	–	12,433
Other	32,430	14,249
Total non-operating income	45,451	29,089
Non-operating expenses		
Interest expenses	20,680	18,905
Other	1,687	6,068
Total non-operating expenses	22,368	24,973
Ordinary profit	665,362	667,009
Extraordinary income		
Gain on sale of non-current assets	92	–
Gain on sale of investment securities	7,894	–
Gain on sale of businesses	8,064	14,512
Total extraordinary income	16,050	14,512
Extraordinary losses		
Loss on sale of investment securities	315	–
Impairment losses	4,917	5,393
Loss on store closings	1,100	–
Total extraordinary losses	6,333	5,393
Profit before income taxes	675,080	676,128
Income taxes-current	295,227	314,548
Income taxes-deferred	(21,394)	(54,611)
Total income taxes	273,833	259,937
Profit	401,246	416,190
Profit attributable to owners of parent	401,246	416,190

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

	(Thousands of yen)	
	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)
Profit	401,246	416,190
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,138)	–
Foreign currency translation adjustment	3,615	5,128
Total other comprehensive income	(1,522)	5,128
Comprehensive income	399,723	421,318
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	399,723	421,318
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 FY3/22 (Apr. 1, 2021 – Dec. 31, 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	8,006,466	–	–	8,006,466	–	8,006,466
Nursery schools	971,473	–	–	971,473	–	971,473
Other education services	237,477	–	–	237,477	–	237,477
Restaurant	–	–	28,780	28,780	–	28,780
Revenue from contracts with customers	9,215,417	–	28,780	9,244,197	–	9,244,197
Other revenue	–	32,160	–	32,160	–	32,160
External sales	9,215,417	32,160	28,780	9,276,358	–	9,276,358
Inter-segment sales and transfers	–	17,496	–	17,496	(17,496)	–
Total	9,215,417	49,656	28,780	9,293,854	(17,496)	9,276,358
Segment profit (loss)	676,176	19,734	(13,938)	681,972	(39,693)	642,279

Notes: 1 The minus 39 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 FY3/22 was 4,917 thousand yen.

II. First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 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	7,972,704	–	–	7,972,704	–	7,972,704
Nursery schools	1,041,630	–	–	1,041,630	–	1,041,630
Other education services	306,444	–	–	306,444	–	306,444
Restaurant	–	–	36,823	36,823	–	36,823
Revenue from contracts with customers	9,320,779	–	36,823	9,357,603	–	9,357,603
Other revenue	–	29,843	–	29,843	–	29,843
External sales	9,320,779	29,843	36,823	9,387,446	–	9,387,446
Inter-segment sales and transfers	920	16,567	–	17,487	(17,487)	–
Total	9,321,699	46,411	36,823	9,404,934	(17,487)	9,387,446
Segment profit (loss)	696,587	17,248	(8,783)	705,051	(42,157)	662,894

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 FY3/23 was 5,393 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.