

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2024
(Three Months Ended June 30, 2023)

[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, 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 Three Months Ended June 30, 2023**(April 1, 2023 – June 30, 2023)**

(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, 2023	2,365	3.5	(446)	–	(443)	–	(311)	–
Three months ended Jun. 30, 2022	2,284	(0.5)	(453)	–	(447)	–	(305)	–

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2023: (318) (–%)

Three months ended Jun. 30, 2022: (309) (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2023	(56.08)	–
Three months ended Jun. 30, 2022	(55.11)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2023	8,352	2,786	33.4
As of Mar. 31, 2023	8,512	3,151	37.0

Reference: Shareholders' equity (million yen) As of Jun. 30, 2023: 2,786 As of Mar. 31, 2023: 3,151

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	–	8.50	–	8.50	17.00
Fiscal year ending Mar. 31, 2024	–				
Fiscal year ending Mar. 31, 2024 (forecast)		9.00	–	9.00	18.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024**(April 1, 2023 – March 31, 2024)**

(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	6,070	4.6	(24)	–	(32)	–	(54)	–	(9.74)
Full year	13,257	4.6	729	2.4	714	(1.9)	406	(3.6)	73.22

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, 2023:	5,876,000 shares	As of Mar. 31, 2023:	5,876,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2023:	328,060 shares	As of Mar. 31, 2023:	327,760 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2023:	5,548,203 shares	Three months ended Jun. 30, 2022:	5,550,038 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. In addition to the FreeStep Individual Tutoring Institute, which is our major branded tutoring school, the Group operates 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 quarter were 2,365 million yen, 3.5% higher than in the same period of the previous fiscal year, while operating loss was 446 million yen, compared with operating loss of 453 million yen in the same period of the previous fiscal year; ordinary loss was 443 million yen, compared with ordinary loss of 447 million yen in the same period of the previous fiscal year, and loss attributable to owners of parent was 311 million yen, compared with a loss of 305 million yen in the same period of the previous fiscal year, because of the recognition of deferred income taxes.

There is usually an operating loss in the first quarter of each fiscal year. This is mainly because 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

While the class teaching category suffered from slow enrollment, the individual tutoring category increased the number of students and made a revision of the tuition fees, contributing to an increase in sales of the entrance exam preparation category. The nursery school category saw its sales decrease because of factors including decreased subsidy along with a decline in the number of children and an increase in settlement refunds after determination of the amount of operating subsidy. The other educational services category saw its sales increase due to an increase in the number of students of Kaisei Academy Japanese Language School as the government started allowing more foreign nationals to enter Japan and increased orders from schools for services, including producing school guides and creating websites.

Expenses in this segment increased because of higher personnel expenses mainly due to an increase in the number of students, higher recruitment advertising expenses for enhancing recruitment of teachers, as well as a rise in fixtures expense associated with replacement of office computers.

Consequently, segment sales increased 3.4% from one year earlier to 2,339 million yen and operating loss was 434 million yen, compared with operating loss of 439 million in the same period of the previous fiscal year.

2) Real Estate Leasing

Segment sales increased 6.7% from one year earlier to 10 million yen with operating profit of 4 million yen, up 4.5% year on year thanks to an increase in the number of tenants.

3) Restaurant Operations

Segment sales increased 27.8% from one year earlier to 15 million yen thanks to the price revision and an increase in the number of customers following the lifting of activity restrictions to prevent the spread of the COVID-19. While expenses increased due to higher raw material costs and personnel expenses, sales growth offset the increase in expenses. As a result, operating loss improved from 3 million yen one year earlier to 2 million yen.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year decreased by 160 million yen, or 1.9%, from the end of the previous fiscal year to 8,352 million yen. Current assets decreased by 363 million yen, or 11.1%, from the end of the previous fiscal year to 2,908 million yen. This was attributable mainly to an increase of 56 million yen in cash and deposits and decreases of 406 million yen in accounts receivable and contract assets and 17 million yen in merchandise. Non-current assets increased by 203 million yen, or 3.9%, from the end of the previous fiscal year to 5,444 million yen. This was mainly attributable to increases of 134 million yen in deferred tax assets included in other of investments and other assets and 56 million yen in buildings and structures, net.

Total liabilities increased by 205 million yen, or 3.8%, from the end of the previous fiscal year to 5,566 million yen. Current liabilities increased by 226 million yen, or 7.2%, from the end of the previous fiscal year to 3,379 million yen. This was attributable mainly to an increase of 600 million yen in short-term borrowings and decreases of 172 million yen in provision for bonuses and 159 million yen in income taxes payable. Non-current liabilities decreased by 21 million yen, or 1.0%, from the end of the previous fiscal year to 2,187 million yen. This was attributable mainly to an increase of 9 million yen in lease liabilities included in other and a decrease of 31 million yen in long-term borrowings.

Net assets decreased by 365 million yen, or 11.6%, from the end of the previous fiscal year to 2,786 million yen. This was attributable mainly to a decrease of 358 million yen in retained earnings.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

At this point, we remain unchanged the full-year consolidated forecasts for the fiscal year ending March 31, 2024 that we announced on May 15, 2023.

The forecasts are based on all the information currently available, and actual results may differ due to various factors.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY3/23 (As of Mar. 31, 2023)	First quarter of FY3/24 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	1,702,576	1,759,044
Accounts receivable and contract assets	1,178,626	772,555
Merchandise	57,861	40,410
Supplies	14,603	16,296
Other	326,409	327,829
Allowance for doubtful accounts	(8,282)	(8,051)
Total current assets	3,271,795	2,908,084
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,361,422	4,469,976
Accumulated depreciation	(1,865,860)	(1,917,683)
Buildings and structures, net	2,495,562	2,552,292
Land	1,107,259	1,107,259
Other	1,092,155	1,111,686
Accumulated depreciation	(897,914)	(903,566)
Other, net	194,240	208,119
Total property, plant and equipment	3,797,062	3,867,671
Intangible assets		
Goodwill	15,534	14,237
Other	171,639	172,808
Total intangible assets	187,173	187,045
Investments and other assets		
Guarantee deposits	907,964	906,227
Other	348,956	483,724
Total investments and other assets	1,256,921	1,389,952
Total non-current assets	5,241,157	5,444,669
Total assets	8,512,952	8,352,754

(Thousands of yen)

	FY3/23 (As of Mar. 31, 2023)	First quarter of FY3/24 (As of Jun. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	157,221	68,591
Short-term borrowings	–	600,000
Current portion of long-term borrowings	823,912	815,039
Income taxes payable	177,156	17,623
Advances received	782,361	758,302
Provision for bonuses	226,452	53,640
Other	985,902	1,066,201
Total current liabilities	3,153,007	3,379,399
Non-current liabilities		
Long-term borrowings	1,615,179	1,583,240
Retirement benefit liability	7,412	7,365
Asset retirement obligations	490,613	491,912
Other	95,099	104,702
Total non-current liabilities	2,208,304	2,187,221
Total liabilities	5,361,311	5,566,621
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	3,027,852	2,669,568
Treasury shares	(265,655)	(265,655)
Total shareholders' equity	3,175,654	2,817,370
Accumulated other comprehensive income		
Foreign currency translation adjustment	(24,013)	(31,237)
Total accumulated other comprehensive income	(24,013)	(31,237)
Total net assets	3,151,640	2,786,133
Total liabilities and net assets	8,512,952	8,352,754

(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 FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	2,284,579	2,365,179
Cost of sales	2,253,751	2,318,141
Gross profit	30,828	47,037
Selling, general and administrative expenses	483,830	493,261
Operating loss	(453,002)	(446,223)
Non-operating income		
Interest income	1,565	781
Foreign exchange gains	6,289	5,625
Other	5,736	3,784
Total non-operating income	13,591	10,190
Non-operating expenses		
Interest expenses	6,539	5,666
Other	1,469	1,448
Total non-operating expenses	8,008	7,115
Ordinary loss	(447,418)	(443,148)
Extraordinary income		
Gain on sale of businesses	14,512	3,772
Total extraordinary income	14,512	3,772
Extraordinary losses		
Impairment losses	35	948
Total extraordinary losses	35	948
Loss before income taxes	(432,942)	(440,324)
Income taxes-current	6,822	5,235
Income taxes-deferred	(133,896)	(134,435)
Total income taxes	(127,074)	(129,200)
Loss	(305,868)	(311,123)
Loss attributable to owners of parent	(305,868)	(311,123)

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

	(Thousands of yen)	
	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Loss	(305,868)	(311,123)
Other comprehensive income		
Foreign currency translation adjustment	(3,300)	(7,223)
Total other comprehensive income	(3,300)	(7,223)
Comprehensive income	(309,169)	(318,347)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(309,169)	(318,347)
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 FY3/23 (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.

II. First three months of FY3/24(Apr. 1, 2023 – Jun. 30, 2023)

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	1,886,578	–	–	1,886,578	–	1,886,578
Nursery schools	305,034	–	–	305,034	–	305,034
Other education services	148,331	–	–	148,331	–	148,331
Restaurant	–	–	15,044	15,044	–	15,044
Revenue from contracts with customers	2,339,943	–	15,044	2,354,988	–	2,354,988
Other revenue	–	10,190	–	10,190	–	10,190
External sales	2,339,943	10,190	15,044	2,365,179	–	2,365,179
Inter-segment sales and transfers	405	5,512	–	5,917	(5,917)	–
Total	2,340,348	15,703	15,044	2,371,096	(5,917)	2,365,179
Segment profit (loss)	(434,869)	4,810	(2,319)	(432,378)	(13,845)	(446,223)

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 FY3/24 was 948 thousand yen.

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.