

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2024
(Six Months Ended September 30, 2023)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: November 14, 2023
 Scheduled date of payment of dividend: December 8, 2023
 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, 2023
(April 1, 2023–September 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	%
Six months ended Sep. 30, 2023	6,032	3.9	98	61.7	98	73.3	42	(9.3)
Six months ended Sep. 30, 2022	5,806	0.7	60	(37.1)	56	(51.9)	46	(39.4)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2023: 42 (down 18.6%)
 Six months ended Sep. 30, 2022: 52 (down 28.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2023	7.59	–
Six months ended Sep. 30, 2022	8.36	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2023	8,448	3,147	37.3
As of Mar. 31, 2023	8,512	3,151	37.0

Reference: Shareholders' equity (million yen) As of Sep. 30, 2023: 3,147 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	–	9.00	–	–	–
Fiscal year ending Mar. 31, 2024 (forecast)	–	–	–	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
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 Sep. 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 Sep. 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

Six months ended Sep. 30, 2023:	5,548,071 shares	Six months ended Sep. 30, 2022:	5,549,938 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. 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 half were 6,032 million yen, up 3.9% year on year with operating profit of 98 million yen, up 61.7% year on year, and ordinary profit of 98 million yen, up 73.3% year on year. Profit attributable to owners of parent, however, decreased 9.3% year on year to 42 million yen due to the release of valuation allowance for deferred tax assets. Notably, the SEIGAKUSHA Group achieved its highest ever first-half sales mainly due to strong performance in the Education Services business.

Business segment performance was as follows.

1) Education Services

Number of Students at SEIGAKUSHA Group Schools (Note)

Category	Sep. 30, 2022	Sep. 30, 2023	Change
Individual tutoring	17,526	17,819	+1.7%
Class teaching	6,869	6,401	(6.8)%
Nursery schools	729	738	+1.2%
Other education services	223	356	+59.6%
Total	25,347	25,314	(0.1)%

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 entrance exam preparation students increased. The major reason was continuous marketing activities emphasizing the ability to raise scores and pass university entrance exam, which is a key strength of FreeStep Individual Tutoring Institute, the primary brand in this category, which helped make a difference from competitors. The increasing number of students was 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 included upgrades to Member site. In the class teaching category, while the program for Osaka City Integrated Junior and Senior High School students continued to perform well, the number of students decreased as a result of factors such as slow enrollment for Summer Classes.

In the other education services category, the number of students increased because of more new students at the Kaisei Academy Japanese Language School and the March 2023 start of operations of kindergartens in Vietnam.

Number of Schools

Category	Mar. 31, 2023	Increase	Decrease	Sep. 30, 2023
Individual tutoring	226	1	2	225
Class teaching	76	0	0	76
Nursery schools	17	0	0	17
Other education services	5	0	0	5
Directly operated schools	273	1	2	272
Franchised schools	43	9	0	52

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, one directly operated school was opened while one school was closed (Tokyo), and one directly operated school was converted to a franchised school (Kyoto), resulting in a decrease of two of these schools.

In the franchised school category, as was explained in the preceding paragraph, there was an increase of one school due to conversion from direct operation (Kyoto) and the opening of eight kindergartens (Vietnam), resulting in an increase of nine schools.

Segment Sales and Earnings

Sales of our mainstay individual tutoring category continued its strong performance mainly due to an increase in the number of students along with the increased average number of courses taken by the students, as well as a revision of the tuition fees in response to rising prices. This offset the slow enrollment in the class teaching category, leading to a year-on-year increase in sales in the entrance exam preparation category. In the nursery school category, sales decreased due to factors such as lower school operation subsidies as the proportion of 0-year-old children in our nursing schools declined. In the other education service category, sales increased mainly due to the sharply-increased number of new students at the Kaisei Academy Japanese Language School as the COVID-19 pandemic has subsided and strong orders from schools taken by a subsidiary. Expenses in this segment increased because the entrance exam preparation category incurred higher salaries and allowances resulting from an increase in the number of students and classes, higher recruitment advertising expense resulting from enhanced recruitment of teachers for Winter Classes, and higher fixtures expense associated with replacement of office computers.

Consequently, segment sales increased 3.8% from one year earlier to 5,983 million yen and operating profit was up 44.3% to 127 million yen as sales growth more than offset the increase in expenses.

2) Real Estate Leasing

The number of tenants increased in the first half, resulting in a 2.5% increase from one year earlier in segment sales to 20 million yen but operating profit decreased 9.8% to 9 million yen mainly due to increased expenses for repairs to maintain the buildings' value.

3) Restaurant Operations

Segment sales increased 33.5% from one year earlier to 27 million yen as demand for weekday lunches remained firm and the number of visitors for dinners increased, while the segment incurred operating loss of 8 million yen, compared with operating loss of 7 million yen in the same period of the previous fiscal year, due to an increase in expenses for major repairs of certain stores.

(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 64 million yen, or 0.8%, from the end of the previous fiscal year to 8,448 million yen. Current assets decreased by 62 million yen, or 1.9%, from the end of the previous fiscal year to 3,209 million yen. This was attributable mainly to an increase of 213 million yen in cash and deposits and a decrease of 285 million yen in accounts receivable and contract assets. Non-current assets decreased by 2 million yen, or 0.0%, from the end of the previous fiscal year to 5,238 million yen. This was mainly attributable to increases of 29 million yen in property, plant and equipment and 14 million yen in guarantee deposits, which were partly offset by a decrease of 43 million yen in deferred tax assets included in other of investments and other assets.

Total liabilities decreased by 60 million yen, or 1.1%, from the end of the previous fiscal year to 5,301 million yen. Current liabilities decreased by 147 million yen, or 4.7%, from the end of the previous fiscal year to 3,005 million yen. This was attributable mainly to a decrease of 124 million yen in income taxes payable. Non-current liabilities increased by 87 million yen, or 4.0%, from the end of the previous fiscal year to 2,295 million yen. This was attributable mainly to an increase of 86 million yen in long-term borrowings.

Net assets decreased by 4 million yen, or 0.1%, from the end of the previous fiscal year to 3,147 million yen. This was attributable mainly to a decrease of 5 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 increased by 196 million yen from the end of the previous fiscal year to 1,595 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 provided by operating activities was 169 million yen (compared with net cash used of 23 million yen in the same period of the previous fiscal year). Major positive factors include a decrease in trade receivables of 251 million yen and depreciation of 162 million yen. Major negative factors include a decrease in accounts payable-other of 144 million yen and income taxes paid of 131 million yen .

Cash flows from investing activities

Net cash used in investing activities was 243 million yen (an increase of 22 million yen compared with the same period of the previous fiscal year). Major factors include purchase of property, plant and equipment of 181 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 270 million yen (an increase of 217 million yen compared with the same period of the previous fiscal year). Major factors include proceeds from long-term borrowings of 750 million yen, which were partly offset by repayments of long-term borrowings of 429 million yen.

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

At this point, we leave 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)	Second quarter of FY3/24 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	1,702,576	1,916,173
Accounts receivable and contract assets	1,178,626	893,289
Work in process	57,861	53,022
Merchandise	-	298
Supplies	14,603	18,568
Other	326,409	334,286
Allowance for doubtful accounts	(8,282)	(5,923)
Total current assets	3,271,795	3,209,716
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,361,422	4,464,505
Accumulated depreciation	(1,865,860)	(1,947,021)
Buildings and structures, net	2,495,562	2,517,484
Land	1,107,259	1,107,259
Other	1,092,155	1,091,903
Accumulated depreciation	(897,914)	(890,537)
Other, net	194,240	201,365
Total property, plant and equipment	3,797,062	3,826,108
Intangible assets		
Goodwill	15,534	12,443
Other	171,639	174,695
Total intangible assets	187,173	187,139
Investments and other assets		
Guarantee deposits	907,964	922,812
Other	348,956	302,560
Total investments and other assets	1,256,921	1,225,372
Total non-current assets	5,241,157	5,238,620
Total assets	8,512,952	8,448,336

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	157,221	99,151
Current portion of long-term borrowings	823,912	1,058,164
Income taxes payable	177,156	52,826
Advances received	782,361	874,237
Provision for bonuses	226,452	194,794
Other	985,902	726,181
Total current liabilities	3,153,007	3,005,355
Non-current liabilities		
Long-term borrowings	1,615,179	1,701,374
Retirement benefit liability	7,412	7,500
Asset retirement obligations	490,613	485,332
Other	95,099	101,597
Total non-current liabilities	2,208,304	2,295,805
Total liabilities	5,361,311	5,301,160
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	3,027,852	3,022,802
Treasury shares	(265,655)	(265,655)
Total shareholders' equity	3,175,654	3,170,604
Accumulated other comprehensive income		
Foreign currency translation adjustment	(24,013)	(23,428)
Total accumulated other comprehensive income	(24,013)	(23,428)
Total net assets	3,151,640	3,147,176
Total liabilities and net assets	8,512,952	8,448,336

(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 FY3/23 (Apr. 1, 2022–Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023–Sep. 30, 2023)
Net sales	5,806,320	6,032,189
Cost of sales	4,802,914	4,961,088
Gross profit	1,003,406	1,071,101
Selling, general and administrative expenses	942,563	972,721
Operating profit	60,842	98,379
Non-operating income		
Interest income	2,125	908
Foreign exchange gains	4,040	5,702
Other	7,857	9,023
Total non-operating income	14,023	15,634
Non-operating expenses		
Interest expenses	13,014	11,770
Other	4,938	3,587
Total non-operating expenses	17,953	15,357
Ordinary profit	56,912	98,655
Extraordinary income		
Gain on sale of businesses	14,512	3,772
Total extraordinary income	14,512	3,772
Extraordinary losses		
Impairment losses	3,841	7,135
Total extraordinary losses	3,841	7,135
Profit before income taxes	67,583	95,293
Income taxes-current	12,854	11,285
Income taxes-deferred	8,309	41,897
Total income taxes	21,163	53,183
Profit	46,419	42,110
Profit attributable to owners of parent	46,419	42,110

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

	(Thousands of yen)	
	First six months of FY3/23 (Apr. 1, 2022–Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023–Sep. 30, 2023)
Profit	46,419	42,110
Other comprehensive income		
Foreign currency translation adjustment	6,053	585
Total other comprehensive income	6,053	585
Comprehensive income	52,472	42,695
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	52,472	42,695
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/23 (Apr. 1, 2022–Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023–Sep. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	67,583	95,293
Depreciation	161,862	162,826
Impairment losses	3,841	7,135
Amortization of goodwill	2,380	2,594
Increase (decrease) in allowance for doubtful accounts	3,522	(2,358)
Increase (decrease) in provision for bonuses	30,920	(31,658)
Interest expenses	13,014	11,770
Decrease (increase) in trade receivables	216,434	251,171
Increase (decrease) in trade payables	(150,310)	(58,069)
Increase (decrease) in advances received	97,563	92,042
Increase (decrease) in accounts payable-other	(131,830)	(144,485)
Other, net	(121,571)	(74,928)
Subtotal	193,411	311,333
Interest paid	(12,911)	(11,769)
Income taxes paid	(209,961)	(131,054)
Other, net	6,201	1,026
Net cash provided by (used in) operating activities	(23,260)	169,534
Cash flows from investing activities		
Payments into time deposits	(19,501)	(17,001)
Purchase of property, plant and equipment	(182,839)	(181,341)
Purchase of intangible assets	(29,365)	(23,320)
Payments for asset retirement obligations	(9,640)	(26,001)
Payments for acquisition of businesses	(2,568)	–
Proceeds from sale of businesses	21,099	3,772
Payments of guarantee deposits	(28,538)	(30,932)
Proceeds from refund of guarantee deposits	26,574	28,493
Other, net	4,103	2,826
Net cash provided by (used in) investing activities	(220,674)	(243,505)
Cash flows from financing activities		
Proceeds from long-term borrowings	500,000	750,000
Repayments of long-term borrowings	(416,981)	(429,552)
Dividends paid	(27,652)	(47,081)
Other payments	(2,557)	(2,830)
Net cash provided by (used in) financing activities	52,808	270,535
Effect of exchange rate change on cash and cash equivalents	3,097	30
Net increase (decrease) in cash and cash equivalents	(188,029)	196,594
Cash and cash equivalents at beginning of period	1,466,511	1,398,887
Cash and cash equivalents at end of period	1,278,482	1,595,481

(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 FY3/23 (Apr. 1, 2022–Sep. 30, 2022)

1. Information related to net sales and 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.

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

1. Information related to net sales and 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	5,089,395	–	–	5,089,395	–	5,089,395
Nursery schools	625,641	–	–	625,641	–	625,641
Other education services	268,841	–	–	268,841	–	268,841
Restaurant	–	–	27,929	27,929	–	27,929
Revenue from contracts with customers	5,983,878	–	27,929	6,011,808	–	6,011,808
Other revenue	–	20,381	–	20,381	–	20,381
External sales	5,983,878	20,381	27,929	6,032,189	–	6,032,189
Inter-segment sales and transfers	850	11,025	–	11,875	(11,875)	–
Total	5,984,728	31,406	27,929	6,044,064	(11,875)	6,032,189
Segment profit (loss)	127,719	9,868	(8,888)	128,698	(30,319)	98,379

Notes: 1. The minus 30 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 FY3/24 was 7,135 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.