

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2025
(Three Months Ended June 30, 2024)

[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 payment of dividend: –
 Preparation of supplementary materials for financial results: None
 Holding of 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, 2024 (April 1, 2024–June 30, 2024)

(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, 2024	2,548	7.8	(512)	–	(506)	–	(314)	–
Three months ended Jun. 30, 2023	2,365	3.5	(446)	–	(443)	–	(311)	–

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2024: (316) (–%)
 Three months ended Jun. 30, 2023: (318) (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2024	(56.65)	–
Three months ended Jun. 30, 2023	(56.08)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2024	8,333	3,107	37.3
As of Mar. 31, 2024	8,863	3,474	39.2

Reference: Equity (million yen) As of Jun. 30, 2024: 3,107 As of Mar. 31, 2024: 3,474

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2024	–	9.00	–	9.00	18.00
Fiscal year ending Mar. 31, 2025	–	–	–	–	–
Fiscal year ending Mar. 31, 2025 (forecast)	–	9.50	–	9.50	19.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024–March 31, 2025)

(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	6,328	4.9	(17)	–	(24)	–	(42)	–	(7.65)
Full year	13,791	5.3	746	6.2	733	3.2	397	(8.3)	71.7

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly added subsidiary: 1 company (Ichie-Juku Co., Ltd.) Excluded: –

(Note) Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Significant Changes in the Scope of Consolidation during the Period” on page 8 for details.

(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 and other regulations: 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, 2024:	5,876,000 shares	As of Mar. 31, 2024:	5,876,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2024:	328,102 shares	As of Mar. 31, 2024:	328,102 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2024:	5,547,898 shares	Three months ended Jun. 30, 2023:	5,548,203 shares
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* Review of the attached quarterly consolidated financial statements by certified public accountants or auditing firms: None

* Appropriate use of earnings forecasts, and other special items

Cautionary note on forward-looking statements

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. Overview of Results of Operations, (3) Consolidated Forecast and Other Forward-looking Statements” on page 3 for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

(1) 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 for the first quarter were 2,548 million yen, 7.8% higher than for the same period of the previous fiscal year, while operating loss was 512 million yen, compared with operating loss of 446 million yen in the same period of the previous fiscal year; ordinary loss was 506 million yen, compared with ordinary loss of 443 million yen in the same period of the previous fiscal year; and loss attributable to owners of parent was 314 million yen, compared with a loss of 311 million yen for in the same period of the previous fiscal year, because of the recognition of deferred income taxes.

There is usually an operating loss for 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

Sales in entrance exam preparation schools category increased mainly thanks to an increase in the number of students and a revision of the tuition fees in the individual tutoring category, and contribution of Ichie-Juku Co., Ltd., which became a consolidated subsidiary in June this year, in the class teaching category. In the nursery school category, sales increased due to an increased subsidy associated with revised official prices and a decrease in settlement refunds after determination of the amount of operating subsidy. In the other education service category, sales increased due to the increased number of new students at the Kaisei Academy Japanese Language School, a steady increase in the number of children at kindergartens operated in Vietnam and an increase in advertising-related orders from schools taken by a subsidiary.

Meanwhile, expenses in this segment increased mainly because of higher personnel expenses to improve compensation for employees, higher advertising and marketing expenses in association with strengthening of web advertising activities to increase the number of students, higher recruitment advertising expense resulting from enhanced recruitment efforts, and expenses associated with the aforementioned consolidation of the subsidiary.

Consequently, segment sales increased 7.7% from one year earlier to 2,521 million yen and operating loss was 500 million yen, compared with operating loss of 434 million yen in the same period of the previous fiscal year.

2) Real estate leasing

Segment sales increased 0.7% from one year earlier to 10 million yen and segment profit (operating profit) increased 1.8% to 4 million yen, without substantial change in the amount of space available for leasing or the occupancy rate.

3) Restaurant operations

Segment sales increased 13.1% from one year earlier to 17 million yen primarily thanks to an increase in the number of dinner customers with higher average spending. 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 2 million yen one year earlier to 1 million yen.

(2) Financial Position

Total assets at the end of the first quarter of the current fiscal year decreased by 529 million yen, or 6.0%, from the end of the previous fiscal year to 8,333 million yen. Current assets decreased by 876 million yen, or 24.9%, from the end of the previous fiscal year to 2,642 million yen. This was attributable mainly to decreases of 483 million yen in cash and deposits, 359 million yen in accounts receivable and contract assets, and 28 million yen in accounts receivable-other included in other of current assets, and 11 million yen in merchandise. Non-current assets increased by 347 million yen, or 6.5%, from the end of the previous fiscal year to 5,691 million yen. This was mainly attributable to increases of 197 million yen in deferred tax assets included in other of investments and other assets, 85 million yen in goodwill, 46 million yen in buildings and structures, net. and 23 million yen in guarantee deposits.

Total liabilities decreased by 162 million yen, or 3.0%, from the end of the previous fiscal year to 5,226 million yen. Current liabilities decreased by 109 million yen, or 3.2%, from the end of the previous fiscal year to 3,278 million yen. This was attributable mainly to an increase of 129 million yen in short-term borrowings and decreases of 130 million yen in provision for bonuses and 103 million yen in income taxes payable. Non-current liabilities decreased by 52 million yen, or 2.6%, from the end of the previous fiscal year to 1,947 million yen. This was attributable mainly to a decrease of 74 million yen in long-term borrowings.

Net assets decreased by 366 million yen, or 10.6%, from the end of the previous fiscal year to 3,107 million yen. This was attributable mainly to a decrease of 364 million yen in retained earnings.

(3) 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, 2025 that we announced on May 15, 2024.

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

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

(Thousands of yen)

	FY3/24 (As of Mar. 31, 2024)	First quarter of FY3/25 (As of Jun. 30, 2024)
Assets		
Current assets		
Cash and deposits	1,996,744	1,513,317
Accounts receivable and contract assets	1,119,407	759,551
Merchandise	46,146	34,183
Work in process	–	265
Supplies	10,378	12,291
Other	351,552	328,807
Allowance for doubtful accounts	(5,395)	(6,407)
Total current assets	3,518,834	2,642,010
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,586,840	4,681,909
Accumulated depreciation	(2,018,176)	(2,066,387)
Buildings and structures, net	2,568,664	2,615,522
Land	1,107,259	1,107,259
Other	925,831	944,907
Accumulated depreciation	(716,567)	(732,990)
Other, net	209,264	211,916
Total property, plant and equipment	3,885,187	3,934,697
Intangible assets		
Goodwill	9,978	95,521
Other	179,962	171,654
Total intangible assets	189,940	267,175
Investments and other assets		
Guarantee deposits	928,019	951,213
Other	341,081	538,812
Total investments and other assets	1,269,101	1,490,025
Total non-current assets	5,344,229	5,691,898
Total assets	8,863,064	8,333,909

(Thousands of yen)

	FY3/24 (As of Mar. 31, 2024)	First quarter of FY3/25 (As of Jun. 30, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	166,662	95,732
Short-term borrowings	-	129,000
Current portion of long-term borrowings	929,432	909,987
Income taxes payable	133,644	30,339
Advances received	841,172	871,448
Provision for bonuses	191,549	61,178
Other	1,126,116	1,181,057
Total current liabilities	3,388,577	3,278,744
Non-current liabilities		
Long-term borrowings	1,383,691	1,308,810
Retirement benefit liability	8,110	8,160
Asset retirement obligations	509,021	518,735
Other	99,205	111,749
Total non-current liabilities	2,000,028	1,947,455
Total liabilities	5,388,605	5,226,199
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	3,364,570	3,000,373
Treasury shares	(265,687)	(265,687)
Total shareholders' equity	3,512,339	3,148,143
Accumulated other comprehensive income		
Foreign currency translation adjustment	(37,881)	(40,433)
Total accumulated other comprehensive income	(37,881)	(40,433)
Total net assets	3,474,458	3,107,709
Total liabilities and net assets	8,863,064	8,333,909

(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 FY3/24 (Apr. 1, 2023–Jun. 30, 2023)	First three months of FY3/25 (Apr. 1, 2024–Jun. 30, 2024)
Net sales	2,365,179	2,548,519
Cost of sales	2,318,141	2,489,542
Gross profit	47,037	58,976
Selling, general and administrative expenses	493,261	571,621
Operating loss	(446,223)	(512,645)
Non-operating income		
Interest income	781	169
Foreign exchange gains	5,625	4,683
Other	3,784	9,045
Total non-operating income	10,190	13,898
Non-operating expenses		
Interest expenses	5,666	6,157
Loss on retirement of non-current assets	106	1,810
Other	1,342	278
Total non-operating expenses	7,115	8,247
Ordinary loss	(443,148)	(506,993)
Extraordinary income		
Gain on sale of non-current assets	–	149
Gain on sale of golf club membership	–	161
Gain on sale of businesses	3,772	2,363
Total extraordinary income	3,772	2,675
Extraordinary losses		
Impairment losses	948	749
Total extraordinary losses	948	749
Loss before income taxes	(440,324)	(505,067)
Income taxes-current	5,235	6,898
Income taxes-deferred	(134,435)	(197,700)
Total income taxes	(129,200)	(190,802)
Loss	(311,123)	(314,265)
Loss attributable to owners of parent	(311,123)	(314,265)

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

	(Thousands of yen)	
	First three months of FY3/24 (Apr. 1, 2023–Jun. 30, 2023)	First three months of FY3/25 (Apr. 1, 2024–Jun. 30, 2024)
Loss	(311,123)	(314,265)
Other comprehensive income		
Foreign currency translation adjustment	(7,223)	(2,552)
Total other comprehensive income	(7,223)	(2,552)
Comprehensive income	(318,347)	(316,817)
Comprehensive income attributable to:		
Owners of parent	(318,347)	(316,817)
Non-controlling interests	–	–

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Significant Changes in the Scope of Consolidation during the Period

Ichie-Juku Co., Ltd. was included in the scope of consolidation from the first quarter of the current fiscal year due to the acquisition of its shares.

Segment and Other Information

Segment information

I. 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 13,845 thousand 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.

II. First three months of FY3/25 (Apr. 1, 2024–Jun. 30, 2024)

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	2,018,134	–	–	2,018,134	–	2,018,134
Nursery schools	337,211	–	–	337,211	–	337,211
Other education services	165,898	–	–	165,898	–	165,898
Restaurant	–	–	17,009	17,009	–	17,009
Revenue from contracts with customers	2,521,244	–	17,009	2,538,254	–	2,538,254
Other revenue	–	10,265	–	10,265	–	10,265
External sales	2,521,244	10,265	17,009	2,548,519	–	2,548,519
Inter-segment sales and transfers	600	5,230	–	5,830	(5,830)	–
Total	2,521,844	15,496	17,009	2,554,350	(5,830)	2,548,519
Segment profit (loss)	(500,454)	4,896	(1,195)	(496,752)	(15,892)	(512,645)

Notes: 1. The minus 15,892 thousand 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

Significant impairment losses on non-current assets

An impairment loss was recognized in the Education Services segment. The amount of this loss in the first three months of FY3/25 was 794 thousand yen.

Significant changes in the amount of goodwill

Ichie-Juku Co., Ltd. was included in the scope of consolidation from the first quarter of the current fiscal year, as we acquired shares in the company and incorporated it into our Education Services segment. The goodwill amount increased by 85,019 thousand yen in the first three months of FY3/25 as a result of acquiring shares.

Notes to the Quarterly Consolidated Statement of Cash Flows

A quarterly consolidated statement of cash flows has not been prepared for the first three months of the current fiscal year. Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the first three months of each fiscal year are as follows.

(Thousands of yen)

	First three months of FY3/24 (Apr. 1–Jun. 30, 2023)	First three months of FY3/25 (Apr. 1–Jun. 30, 2024)
Depreciation	81,062	87,927
Amortization of goodwill	1,297	2,340

Additional Information*Reduction in Share Capital*

At the meeting of Board of Directors held on May 15, 2024, SEIGAKUSHA resolved to submit a proposal to 38th Annual General Meeting of Shareholders to be held on June 27, 2024, regarding a reduction in share capital, as described below, which was approved and passed at the said meeting.

1. Purpose of reduction in share capital

SEIGAKUSHA will reduce its share capital to maintain a flexible and dynamic capitalization strategy and to keep financial soundness through application of appropriate tax systems in accordance with its current operation scale. This will be conducted in accordance with Article 447, Paragraph 1 of the Companies Act. There will be no change in the number of shares issued and in net asset value.

2. Outline of reduction in share capital

(1) Amount of share capital reduction

Share capital will be reduced by 135,108,320 yen from 235,108,320 yen. Post-reduction stated capital will be 100,000,000 yen.

(2) Method of reducing share capital

As the method employed will be share capital reduction without compensation, the total number of shares issued will not be changed and the entire amount of share capital to be reduced will be transferred to “Other capital surplus.”

3. Schedule

(1) Resolution at Board of Directors meeting	May 15, 2024
(2) Annual General Meeting of Shareholders	June 27, 2024
(3) Final date for stating creditor objection	September 24, 2024 (scheduled)
(4) Effective date for share capital reduction	October 1, 2024 (scheduled)

4. Future Outlook

As this share capital reduction is to be conducted via transfer between items classified under net assets, it will result in no change in total net assets and in immaterial impact on financial results.

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.