

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018**[Japanese GAAP]**

Company name: SEIGAKUSHA CO.,LTD.

Listing: Tokyo Stock Exchange (JASDAQ)

Stock code: 2179

URL: <http://www.kaisei-group.co.jp/>

Representative: Akihiro Ota, Representative Director and President

Contact: Masato Fujita, Director

Tel: +81-6-6373-1595

Scheduled date of Annual General Meeting of Shareholders: June 28, 2018

Scheduled date of payment of dividend: June 29, 2018

Scheduled date of filing of Annual Securities Report: June 28, 2018

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for institutional investors and securities analysts)

*(All amounts are rounded down to the nearest million yen)***1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)****(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	%
Fiscal year ended Mar. 31, 2018	11,243	3.3	20	(90.1)	317	18.6	102	(22.8)
Fiscal year ended Mar. 31, 2017	10,888	2.0	206	(48.4)	267	(33.5)	132	(28.3)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2018: 105 (down 21.9%)

Fiscal year ended Mar. 31, 2017: 135 (down 27.3%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2018	18.49	-	4.4	4.3	0.2
Fiscal year ended Mar. 31, 2017	23.94	-	5.9	4.0	1.9

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2018: - Fiscal year ended Mar. 31, 2017: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	7,988	2,334	29.2	422.48
As of Mar. 31, 2017	6,829	2,285	33.5	413.61

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 2,334 As of Mar. 31, 2017: 2,285

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2018	356	(1,126)	673	882
Fiscal year ended Mar. 31, 2017	464	(572)	(108)	977

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2017	-	5.05	-	5.05	10.10	55	42.2	2.5
Fiscal year ended Mar. 31, 2018	-	5.20	-	5.20	10.40	57	56.2	2.5
Fiscal year ending Mar. 31, 2019 (forecast)	-	5.35	-	5.35	10.70		35.4	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)*(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	5,426	7.4	(291)	-	(23)	-	(29)	-	(5.28)
Full year	12,027	7.0	60	194.6	321	1.3	166	63.3	30.21

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: - Excluded: 1 (Komu Co., Ltd.)

(2) 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

(3) Number of issued shares (common stock)

1) Number of shares issued at the end of period (including treasury shares)

As of Mar. 31, 2018: 5,876,000 shares As of Mar. 31, 2017: 5,876,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2018: 350,260 shares As of Mar. 31, 2017: 350,260 shares

3) Average number of shares during the period

Fiscal year ended Mar. 31, 2018: 5,525,740 shares Fiscal year ended Mar. 31, 2017: 5,525,740 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(1) Non-consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2018	10,876	4.6	19	(86.7)	332	55.0	179	87.0
Fiscal year ended Mar. 31, 2017	10,398	1.8	144	(60.4)	214	(42.7)	95	(42.9)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2018	32.45	-
Fiscal year ended Mar. 31, 2017	17.35	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	7,684	2,191	28.5	396.55
As of Mar. 31, 2017	6,415	2,066	32.2	374.06

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 2,191 As of Mar. 31, 2017: 2,066

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,240	9.0	(125)	-	(100)	-	(18.16)
Full year	11,660	7.2	240	(27.6)	117	(34.4)	21.29

* The current financial report is not subject to audit 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 these 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, (4) Outlook" on page 5 for forecast assumptions and notes of caution for usage.

SEIGAKUSHA plans to hold a financial results information meeting for institutional investors and securities analysts on June 13, 2018. Video of this meeting along with materials distributed at this event will be posted promptly on the SEIGAKUSHA website after this meeting.

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1. Overview of Results of Operations

(1) Results of Operations

There were positive signs concerning the Japanese economy during the fiscal year ended March 31, 2018 due to government economic stimulus measures, an improvement in the labor market and other reasons. However, the economic outlook remained unclear because of increasing geopolitical risk and uncertainty about the policies of the United States and countries in Europe.

In Japan's education services sector, competition is becoming increasingly heated because of the uncertain economic outlook, the declining number of students as the country's population declines and the diversification of needs involving education. Furthermore, along with the demand for conventional education services, there is increasing demand for education services utilizing ICT and for nursery schools, after-school day care centers and other child care services. To meet this demand, an increasing number of companies from outside the education services category are starting operations in this business domain.

During the fiscal year, the SEIGAKUSHA Group continued to provide value-added education services primarily by using the two core brands: Kaisei Education Seminar and FreeStep Individual Tutoring Institute. There were also many activities for meeting a broad range of needs concerning education and the care of pre-school children. Examples include the opening of certified nursery schools and the opening of Kaisei Academy Japanese Language School for foreign students in Japan.

Consolidated net sales were 11,243 million yen, 3.3% higher than in the previous fiscal year. Although sales increased, operating profit fell 90.1% to 20 million yen. Ordinary profit was up 18.6% to 317 million yen and profit attributable to owners of parent decreased 22.8% to 102 million yen.

Business segment performance was as follows.

1) Education Services

Number of sStudents at SEIGAKUSHA Group Schools

Category	Nov. 30, 2016	Nov. 30, 2017	Change
Classroom tutoring	8,900	8,279	(7.0)%
Individual tutoring	15,905	16,954	+6.6%
Nursery school	164	302	+84.1%
Other education services	188	202	+7.4%
Total	25,157	25,737	+2.3%

Notes: 1. Figures shown are as of the end of November, which is normally when the number of students is the highest.

2. 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 classroom tutoring category, the number of students decreased in part because this entire market sector in Japan is shrinking. The slow pace of attracting entrance exam preparation students at the beginning of the school term impacted performance throughout the year, resulting in a decline as of the end of November. The number of students was lower than one year earlier during the fourth quarter of the fiscal year as well. However, the number of students started to increase slowly in the final months of the fiscal year due to a decline in the number of students who stopped attending classes.

In the individual tutoring category, a revision to the marketing method for entrance exam preparation students at the FreeStep Individual Tutoring Institute, the primary brand, caused a delay in the registration of students. Although the fiscal year started with fewer students than one year earlier, the number of students has been consistently higher than one year earlier since May. The reason is continuous marketing activities centered on FreeStep's skill in the university entrance exam sector and ability to raise students' examination scores.

In the nursery school category, there was a big increase in the number of children from one year earlier because of the increase in capacity due to the larger number of certified nursery schools.

In the other education services category, there was a decrease in the number of students at IVY English Conversation Schools because this brand was terminated in March 2018. But the total number of students was

higher than one year earlier because of an increase in students at Kaisei Academy Japanese Language School, which started operating in April 2017.

Number of Schools

Category	Mar. 31, 2017	Increase	Decrease	Mar. 31, 2018
Classroom tutoring	100	4	3	101
Individual tutoring	187	17	1	203
Nursery school	9	2	0	11
Other education services	2	2	1	3
Directly operated schools	236	22	2	256
Franchised schools	21	5	2	24

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 fiscal year that ended on March 31, 2018, 21 directly operated schools were opened (8 in Osaka, 3 in Hyogo, 2 in Kyoto, 7 in Tokyo and 1 outside Japan), one school was converted to direct operation (Kyoto), and two schools were closed (1 each in Osaka and Tokyo). The result was a net increase of 20 to 256 as of March 31, 2018.

In the franchised schools category, five schools were opened (1 each in Osaka, Hyogo and Tokyo and 2 in Kyoto), one was converted to direct operation (Kyoto) and one was closed (Kagawa). The result was a net increase of three to 24 as of March 31, 2018.

Segment Sales and Earnings

1) Education Services

Sales in the classroom tutoring category decreased because of the smaller number of entrance exam preparation students. Individual tutoring sales were higher as the number of entrance exam preparation students increased at FreeStep Individual Tutoring Institute, more students were attracted to this institute because about 60% of these schools offer video classes of the Yozemi Sateline Exam Preparation School and franchised locations performed well. Growth in the number of Kaisei Nursery Schools, which are certified child-care facilities, raised nursery school sales and the opening of Kaisei Academy Japanese Language School raised sales in the other education services category. Overall, sales in this segment increased 3.5% to 11,094 million yen.

Several factors exerted downward pressure on earnings. Personnel expenses have been consistently high, there were up-front expenditures for people, equipment and other items at three certified nursery schools that started operating in April 2018, and schools conducted extensive advertising campaigns and other marketing activities. As a result, this segment's operating profit was down 77.2% to 51 million yen.

2) Real Estate Leasing

The leasing of surplus space at real estate owned by group companies is the primary activity in this business segment. During the fiscal year, the amount of space available for leasing decreased because of the increasing amount of floor area used for education services and other group business activities. The result was a 25.2% decrease in sales to 35 million yen and a 16.7% decrease in segment operating profit to 31 million yen.

3) Restaurant Operations

The business climate for restaurants remained challenging during the fiscal year mainly because of lackluster consumer spending in Japan. This business reexamined the management framework for restaurants, made revisions to menus and took other actions. However, these measures did not improve this segment's performance. Sales decreased 10.4% to 113 million yen and there was an operating loss of 11 million yen compared with a 552 thousand yen loss in the previous fiscal year.

(2) Financial Position

Assets, liabilities, and net assets

1) Assets

Current assets increased by 237 million yen, or 9.0%, from the end of the previous fiscal year to 2,874 million yen. This was attributable mainly to increases of 277 million yen in accounts receivable-other included in other current assets and 41 million yen in operating accounts receivable, and a decrease of 85 million yen in cash and deposits.

Non-current assets increased by 922 million yen, or 22.0%, from the end of the previous fiscal year to 5,114 million yen. This was mainly attributable to increases of 699 million yen in buildings and structures and 184 million yen in land under property, plant and equipment, and 59 million yen in guarantee deposits under investments and other assets.

Total assets increased by 1,159 million yen, or 17.0%, from the end of the previous fiscal year to 7,988 million yen.

2) Liabilities

Current liabilities increased by 774 million yen, or 26.6%, from the end of the previous fiscal year to 3,693 million yen. This was attributable mainly to increases of 370 million yen in short-term loans payable and 381 million yen in accounts payable-other.

Non-current liabilities increased by 335 million yen, or 20.6%, from the end of the previous fiscal year to 1,961 million yen. This was attributable mainly to increases of 297 million yen in long-term loans payable and 56 million yen in asset retirement obligations.

Total liabilities increased by 1,110 million yen, or 24.4%, from the end of the previous fiscal year to 5,654 million yen.

3) Net assets

Net assets increased by 48 million yen, or 2.1%, from the end of the previous fiscal year to 2,334 million yen. This was attributable mainly to an increase of 45 million yen in retained earnings.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year decreased 94 million yen from the end of the previous fiscal year to 882 million yen.

The cash flow components during the current fiscal year and the main reasons for changes are described as follows.

1) Cash flows from operating activities

Net cash provided by operating activities was 356 million yen (a year-on-year decrease of 107 million yen). Major positive factors include depreciation of 301 million yen, profit before income taxes of 211 million yen, an increase in accounts payable-other of 133 million yen and impairment loss of 90 million yen. Major negative factors include subsidy income of 315 million yen and income taxes paid of 79 million yen.

2) Cash flows from investing activities

Net cash used in investing activities was 1,126 million yen (a year-on-year increase of 553 million yen). Major factors include purchase of property, plant and equipment of 1,061 million yen and payments for guarantee deposits of 89 million yen.

3) Cash flows from financing activities

Net cash provided by financing activities was 673 million yen (a year-on-year increase of 781 million yen). Major factors include proceeds from long-term loans payable of 841 million yen and repayments of long-term

loans payable of 463 million yen.

Reference: Cash flow indicators

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Equity ratio (%)	36.3	36.8	33.4	33.5	29.2
Equity ratio based on market value (%)	72.3	83.7	72.1	74.0	68.7
Interest-bearing debt to cash flow ratio (%)	530.6	236.1	419.9	478.7	827.9
Interest coverage ratio (times)	12.7	31.8	21.7	20.9	15.4

Notes: The above figures are calculated as follows.

- Equity ratio: Shareholders' equity / Total assets
- Equity ratio based on market value: Market capitalization / Total assets
Market capitalization is calculated by multiplying the closing share price at the period end by the number of shares issued at the period end (less treasury shares)
- Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows
- Interest coverage ratio: Operating cash flows / Interest payments

All indicators are calculated based on consolidated figures.

Operating cash flows are the figures for operating cash flows in the consolidated statement of cash flows.

Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest. Interest payments use the amount of interest expenses paid stated on the consolidated statement of cash flows.

(4) Outlook

In the fiscal year ending in March 2019, we expect the Japanese economy to continue recovering slowly with the support of improvements in corporate earnings and the job market. However, we think the current difficult business climate will continue as the higher cost of national health insurance and pensions, a tax hike, and other factors hold down the pace of a recovery in consumer spending.

The SEIGAKUSHA Group will continue to be guided by the central vision of “becoming one of Japan’s leading companies by conducting business operations that contribute to the growth and development of people.”

In the education services segment, we plan to open 22 schools and to increase the number of students to 26,962 as of the November peak period, 4.8% more than one year earlier. In the classroom tutoring category, we are stepping up measures to attract students in lower grades, chiefly elementary school. We are also giving instructors training in order to provide even higher quality lessons and maintaining the strength of our brands as the entire exam preparation market continues to become smaller. In the individual tutoring category, we are aiming for growth mainly by using FreeStep Individual Tutoring Institute. We plan to make this institute even more appealing to high school students by enabling students to view video lessons using Kaisei Education Yozemi Sateline Exam Preparation School at almost all institute locations. In the nursery school category, we plan to increase the number of schools and in the other education services category we plan to focus on sectors of the education market with particularly strong needs. Two primary goals are increasing the number of foreign students in Japan who attend classes at Kaisei Academy Japanese Language School and the number of students at Kaisei English Academy.

In the real estate leasing segment, activities will continue to focus on earning profits from leasing unused space at properties owned by group companies and the restaurant operations segment is taking actions aimed at further improving efficiency in order to become profitable.

As a result, we forecast net sales of 12,027 million yen (up 7.0% year on year), operating profit of 60 million yen (up 194.6%), ordinary profit of 321 million yen (up 1.3%), and profit attributable to owners of parent of 166 million yen (up 63.3%) for the fiscal year ending March 31, 2019.

(5) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

The basic policy is to pay a consistent and stable dividend while building a strong foundation that can support business operations for many years.

In accordance with this policy, there was an interim dividend of 5.20 yen per share and we plan to submit a resolution at the shareholders meeting for a year-end dividend of 5.20 yen per share. If this resolution is approved, the fiscal year dividend will be 10.40 yen per share. For the fiscal year ending in March 2019, we plan to pay interim and year-end dividends of 5.35 yen, resulting in a fiscal year dividend of 10.70 yen.

We use retained earnings as one way to meet the demand for funds for capital expenditures and other requirements.

In addition to receiving dividends, all shareholders who have at least 100 shares receive a 1,000 yen QUO card based on record dates of September 30 and March 31.

2. Basic Approach to the Selection of Accounting Standards

We expect to employ Japanese accounting standards for the foreseeable future because almost all of our business operations are in Japan. However, we intend to consider the future adoption of International Financial Reporting Standards (IFRS), depending on our percentage of foreign shareholders and the use of these standards by other companies in Japan.

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

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	1,114,402	1,028,544
Operating accounts receivable	980,142	1,021,220
Merchandise	73,733	66,856
Supplies	23,466	12,407
Deferred tax assets	144,595	157,184
Other	320,989	608,556
Allowance for doubtful accounts	(20,775)	(20,763)
Total current assets	2,636,554	2,874,006
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,848,192	3,562,186
Accumulated depreciation	(1,189,752)	(1,204,608)
Buildings and structures, net	1,658,440	2,357,577
Land	923,058	1,107,742
Leased assets	220,406	220,406
Accumulated depreciation	(101,256)	(119,587)
Leased assets, net	119,149	100,819
Construction in progress	-	11,183
Other	613,218	718,726
Accumulated depreciation	(417,968)	(482,797)
Other, net	195,250	235,929
Total property, plant and equipment	2,895,898	3,813,251
Intangible assets		
Goodwill	19,299	8,322
Leased assets	458	-
Other	120,562	133,096
Total intangible assets	140,319	141,419
Investments and other assets		
Investment securities	40,065	35,873
Long-term loans receivable	61,742	73,466
Deferred tax assets	93,863	26,049
Guarantee deposits	856,445	915,748
Other	104,277	108,932
Total investments and other assets	1,156,394	1,160,070
Total non-current assets	4,192,612	5,114,741
Total assets	6,829,167	7,988,748

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	163,606	183,544
Short-term loans payable	583,336	953,668
Current portion of long-term loans payable	403,785	484,063
Lease obligations	20,151	17,375
Income taxes payable	92,135	52,202
Advances received	670,119	683,079
Provision for bonuses	134,060	130,703
Accounts payable-other	521,442	902,546
Other	329,489	285,915
Total current liabilities	2,918,125	3,693,099
Non-current liabilities		
Long-term loans payable	1,137,394	1,434,868
Lease obligations	79,798	63,623
Provision for directors' retirement benefits	3,037	3,570
Net defined benefit liability	8,854	6,825
Deferred tax liabilities	3,042	1,931
Asset retirement obligations	367,151	423,563
Other	26,245	26,775
Total non-current liabilities	1,625,524	1,961,157
Total liabilities	4,543,650	5,654,257
Net assets		
Shareholders' equity		
Capital stock	235,108	235,108
Capital surplus	175,108	175,108
Retained earnings	2,159,974	2,205,527
Treasury shares	(288,452)	(288,452)
Total shareholders' equity	2,281,738	2,327,291
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,031	5,625
Foreign currency translation adjustment	(252)	1,574
Total accumulated other comprehensive income	3,778	7,199
Total net assets	2,285,517	2,334,491
Total liabilities and net assets	6,829,167	7,988,748

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	10,888,371	11,243,646
Cost of sales	8,901,746	9,376,225
Gross profit	1,986,624	1,867,420
Selling, general and administrative expenses	1,779,724	1,846,870
Operating profit	206,900	20,550
Non-operating income		
Interest income	1,216	1,188
Dividend income	598	637
Subsidy income	79,416	315,057
Other	4,578	11,253
Total non-operating income	85,809	328,136
Non-operating expenses		
Interest expenses	22,434	23,367
Foreign exchange losses	-	6,389
Other	2,820	1,804
Total non-operating expenses	25,255	31,561
Ordinary profit	267,455	317,124
Extraordinary income		
Reversal of provision for directors' retirement benefits	32,740	-
Gain on transfer of business	3,914	-
Total extraordinary income	36,655	-
Extraordinary losses		
Loss on valuation of investment securities	-	7,156
Impairment loss	74,171	90,261
Loss on sales of non-current assets	-	8,395
Total extraordinary losses	74,171	105,813
Profit before income taxes	229,939	211,311
Income taxes-current	97,288	55,707
Income taxes-deferred	351	53,411
Total income taxes	97,640	109,119
Profit	132,298	102,191
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	132,298	102,191

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Profit	132,298	102,191
Other comprehensive income		
Valuation difference on available-for-sale securities	3,110	1,593
Foreign currency translation adjustment	(252)	1,827
Total other comprehensive income	2,857	3,420
Comprehensive income	135,156	105,612
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	135,156	105,612
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	235,108	175,108	2,082,656	(288,452)	2,204,420
Changes of items during period					
Dividends of surplus			(54,981)		(54,981)
Profit attributable to owners of parent			132,298		132,298
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	77,317	-	77,317
Balance at end of current period	235,108	175,108	2,159,974	(288,452)	2,281,738

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	921	-	921	2,205,341
Changes of items during period				
Dividends of surplus				(54,981)
Profit attributable to owners of parent				132,298
Net changes of items other than shareholders' equity	3,110	(252)	2,857	2,857
Total changes of items during period	3,110	(252)	2,857	80,175
Balance at end of current period	4,031	(252)	3,778	2,285,517

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	235,108	175,108	2,159,974	(288,452)	2,281,738
Changes of items during period					
Dividends of surplus			(56,638)		(56,638)
Profit attributable to owners of parent			102,191		102,191
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	45,553	-	45,553
Balance at end of current period	235,108	175,108	2,205,527	(288,452)	2,327,291

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	4,031	(252)	3,778	2,285,517
Changes of items during period				
Dividends of surplus				(56,638)
Profit attributable to owners of parent				102,191
Net changes of items other than shareholders' equity	1,593	1,827	3,420	3,420
Total changes of items during period	1,593	1,827	3,420	48,973
Balance at end of current period	5,625	1,574	7,199	2,334,491

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	229,939	211,311
Depreciation	291,450	301,750
Gain on business transfer	(3,914)	-
Impairment loss	74,171	90,261
Amortization of goodwill	9,817	5,677
Amortization of long-term prepaid expenses	10,119	9,051
Increase (decrease) in allowance for doubtful accounts	(2,102)	(12)
Increase (decrease) in provision for directors' retirement benefits	(32,205)	532
Interest expenses	22,434	23,367
Subsidy income	(79,416)	(315,057)
Decrease (increase) in notes and accounts receivable-trade	28,899	(41,067)
Decrease (increase) in accounts receivable-other	(10,300)	(26,550)
Decrease (increase) in inventories	(9,456)	17,936
Increase (decrease) in notes and accounts payable-trade	(7,339)	18,938
Increase (decrease) in advances received	(20,445)	12,960
Increase (decrease) in long-term accounts payable-other	276	133,523
Increase (decrease) in accrued expenses	15,251	(9,691)
Increase (decrease) in accrued consumption taxes	16,050	5,824
Other, net	47,624	18,428
Subtotal	580,853	457,184
Interest and dividend income received	769	673
Interest expenses paid	(22,192)	(23,184)
Income taxes paid	(94,785)	(77,914)
Net cash provided by (used in) operating activities	464,644	356,759
Cash flows from investing activities		
Purchase of investment securities	(10,262)	(668)
Purchase of property, plant and equipment	(420,284)	(1,061,325)
Proceeds from sales of property, plant and equipment	-	6,422
Purchase of intangible assets	(74,298)	(40,833)
Proceeds from subsidy income	7,500	91,824
Payments for asset retirement obligations	(7,679)	(2,454)
Payments for transfer of business	(2,030)	-
Proceeds from transfer of business	4,227	-
Payments of long-term loans receivable	(22,000)	(24,000)
Payments for guarantee deposits	(60,924)	(89,305)
Proceeds from collection of guarantee deposits	20,310	10,103
Other payments	(14,440)	(22,188)
Other proceeds	7,484	6,354
Net cash provided by (used in) investing activities	(572,397)	(1,126,072)

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	140,000	370,332
Proceeds from long-term loans payable	290,000	841,000
Repayments of long-term loans payable	(436,623)	(463,247)
Cash dividends paid	(55,106)	(56,659)
Other payments	(47,041)	(18,384)
Net cash provided by (used in) financing activities	(108,771)	673,040
Effect of exchange rate change on cash and cash equivalents	(252)	1,400
Net increase (decrease) in cash and cash equivalents	(216,777)	(94,870)
Cash and cash equivalents at beginning of period	1,194,049	977,272
Cash and cash equivalents at end of period	977,272	882,402

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Segment and Other Information

Segment information

1. Overview of reportable segment

The reportable segments of the SEIGAKUSHA Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

Based on financial information for SEIGAKUSHA and each consolidated subsidiary, the SEIGAKUSHA Group conducts business activities by dividing these operations into business categories.

Consequently, there are three reportable business segments: Education Services, Real Estate Leasing and Restaurant Operations.

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting policies for reportable business segments are generally the same as those described in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements." Segment profit for reportable segments is based on operating profit.

Inter-segment sales are based on prices used for third-party transactions.

3. Information related to net sales, profit or loss, assets, liabilities and other items for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts recorded in consolidated financial statements (Note 2)
	Education Services	Real Estate Leasing	Restaurant Operations	Total		
Net sales						
External sales	10,714,191	47,111	127,068	10,888,371	-	10,888,371
Inter-segment sales and transfers	-	25,738	-	25,738	(25,738)	-
Total	10,714,191	72,850	127,068	10,914,109	(25,738)	10,888,371
Segment profit (loss)	224,032	38,122	(552)	261,603	(54,702)	206,900
Segment assets	4,804,260	601,917	29,381	5,435,559	1,393,607	6,829,167
Other items						
Depreciation	280,948	5,974	3,285	290,208	1,242	291,450
Increase in property, plant and equipment and intangible assets	642,426	6,000	-	648,406	30,551	678,978

Notes: 1. Adjustments are as follows.

- (1) The minus 54 million yen adjustment to segment profit includes 54 million yen in 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) The 1,393 million yen adjustment to segment assets is corporate assets that are not allocated to reportable segments.
 - (3) The 30 million yen adjustment to increase in property, plant and equipment and intangible assets is capital expenditures associated with the head office.
2. Segment profit is adjusted with operating profit on the consolidated statement of income.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts recorded in consolidated financial statements (Note 2)
	Education Services	Real Estate Leasing	Restaurant Operations	Total		
Net sales						
External sales	11,094,522	35,234	113,889	11,243,646	-	11,243,646
Inter-segment sales and transfers	-	26,350	-	26,350	(26,350)	-
Total	11,094,522	61,584	113,889	11,269,996	(26,350)	11,243,646
Segment profit (loss)	51,053	31,743	(11,939)	70,856	(50,306)	20,550
Segment assets	6,115,261	581,413	29,611	6,726,286	1,262,462	7,988,748
Other items						
Depreciation	263,470	4,552	3,100	271,123	30,627	301,750
Increase in property, plant and equipment and intangible assets	1,194,932	1,805	3,977	1,200,715	56,594	1,257,310

Notes: 1. Adjustments are as follows.

- (1) The minus 50 million yen adjustment to segment profit includes 50 million yen in 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) The 1,262 million yen adjustment to segment assets is corporate assets that are not allocated to reportable segments.
 - (3) The 56 million yen adjustment to increase in property, plant and equipment and intangible assets is capital expenditures associated with the head office.
2. Segment profit is adjusted with operating profit on the consolidated statement of income.

Information related to impairment losses on non-current assets for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Impairment loss	74,171	-	-	-	74,171

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Impairment loss	90,261	-	-	-	90,261

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Amortization for the period	9,817	-	-	-	9,817
Balance at the end of period	19,299	-	-	-	19,299

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Amortization for the period	5,677	-	-	-	5,677
Balance at the end of period	8,322	-	-	-	8,322

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per Share Information

(Yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	413.61	422.48
Net income per share	23.94	18.49

Note: The basis of calculating net income per share is as follows:

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net income per share		
Profit attributable to owners of parent	132,298	102,191
Amounts not available to common shareholders	-	-
Profit attributable to owners of parent available to common shares	132,298	102,191
Average number of common shares during the period (Shares)	5,525,740	5,525,740

Subsequent Events

Not applicable.

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.