

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

Company name: SEIGAKUSHA CO.,LTD.

Listing: Tokyo Stock Exchange (JASDAQ)

Stock code: 2179

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

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Scheduled date of Annual General Meeting of Shareholders: June 26, 2019

Scheduled date of payment of dividend: June 27, 2019

Scheduled date of filing of Annual Securities Report: June 26, 2019

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, 2019 (April 1, 2018 – March 31, 2019)

#### (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, 2019	11,890	5.8	384	-	679	114.3	396	288.2
Fiscal year ended Mar. 31, 2018	11,243	3.3	20	(90.1)	317	18.6	102	(22.8)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2019: 393 (up 272.4%)

Fiscal year ended Mar. 31, 2018: 105 (down 21.9%)

	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, 2019	71.80	-	15.9	8.1	3.2
Fiscal year ended Mar. 31, 2018	18.49	-	4.4	4.3	0.2

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2019: - Fiscal year ended Mar. 31, 2018: -

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	8,858	2,669	30.1	483.10
As of Mar. 31, 2018	7,988	2,334	29.2	422.48

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 2,669 As of Mar. 31, 2018: 2,334

Note: At the beginning of the fiscal year ended March 31, 2019, SEIGAKUSHA applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard.

#### (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, 2019	817	(606)	228	1,319
Fiscal year ended Mar. 31, 2018	356	(1,126)	673	882

### 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			
Fiscal year ended Mar. 31, 2018	Yen -	Yen 5.20	Yen -	Yen 5.20	Yen 10.40	Million yen 57	% 56.2	% 2.5
Fiscal year ended Mar. 31, 2019	-	5.35	-	5.35	10.70	59	14.9	2.4
Fiscal year ending Mar. 31, 2020 (forecast)	-	5.50	-	5.50	11.00		436.5	

### 3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	5,672	4.9	(266)	-	(279)	-	(294)	-	(53.29)
Full year	12,641	6.3	223	(41.9)	189	(72.2)	13	(96.5)	2.52

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(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, 2019: 5,876,000 shares As of Mar. 31, 2018: 5,876,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2019: 350,260 shares As of Mar. 31, 2018: 350,260 shares

3) Average number of shares during the period

Fiscal year ended Mar. 31, 2019: 5,525,740 shares Fiscal year ended Mar. 31, 2018: 5,525,740 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)**

(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, 2019	11,606	6.7	455	-	633	90.6	392	118.8
Fiscal year ended Mar. 31, 2018	10,876	4.6	19	(86.7)	332	55.0	179	87.0

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2019	70.98	-
Fiscal year ended Mar. 31, 2018	32.45	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	8,234	2,523	30.6	456.69
As of Mar. 31, 2018	7,684	2,191	28.5	396.55

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 2,523 As of Mar. 31, 2018: 2,191

Note: At the beginning of the fiscal year ended March 31, 2019, SEIGAKUSHA applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard.

**2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)**

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,424	3.1	(200)	-	(212)	-	(38.42)
Full year	12,072	4.0	287	(54.6)	116	(70.3)	21.07

\* 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 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, (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 5, 2019. 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

Japan's economy benefited from improvements in corporate earnings and the job market during the fiscal year ended March 31, 2019. However, the economic outlook remains unclear because of uncertainty about the global economy, trade friction and other sources of concern.

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.

The SEIGAKUSHA Group meets a broad array of education and child care needs as an education organization centered on education and child care services extending from pre-school children to adults. The Group operates the FreeStep Individual Tutoring Institute and Kaisei Education Seminar entrance exam preparation schools, Kaisei Nursery School certified nursery schools, and Kaisei Academy Japanese Language School for foreign students in Japan.

As a result, consolidated net sales were 11,890 million yen, 5.8% higher than in the previous fiscal year. Operating profit increased from 20 million yen to 384 million yen. Ordinary profit was up 114.3% to 679 million yen and profit attributable to owners of parent increased 288.2% to 396 million yen.

Business segment performance was as follows.

#### 1) Education Services

##### Number of Students at SEIGAKUSHA Group Schools

Category	Nov. 30, 2017	Nov. 30, 2018	Change
Individual tutoring	16,954	17,530	+3.4%
Classroom tutoring	8,279	8,042	(2.9)%
Nursery school	302	489	+61.9%
Other education services	77	130	+68.8%
Terminated brand	125	-	-
Total	25,737	26,191	+1.8%

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 individual tutoring category, marketing activities that consistently emphasized its skill in the university entrance examination sector and to raise students' examination scores contributed to the growth in the number of students throughout the fiscal year. Furthermore, almost all FreeStep schools now have satellite links to the classes of the Yozemi Satellite Exam Preparation School. Due to these activities, the number of students in this category increased.

In the classroom tutoring category, a new program has been started that specializes in classes for students at Osaka municipal combined junior and senior high schools, a sector where demand for supplementary classes is expected to be strong. This program allows this category to serve a new segment of students. Although the number of students is continuing to decline, the establishment of this new program reduced the rate of decline.

In the nursery school category, the number of children increased because of the larger number of schools. In the other education services category, the number of students increased because Kaisei Academy Japanese Language School, now in its second year of operations, has both first and second-year students for the first time.

## Number of Schools

Category	Mar. 31, 2018	Increase	Decrease	Mar. 31, 2019
Individual tutoring	203	8	4	207
Classroom tutoring	101	2	3	100
Nursery school	11	4	0	15
Other education services	3	1	0	4
Directly operated schools	256	12	3	265
Franchised schools	24	11	0	35

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.

In July 2018, the operating area of the FreeStep Individual Tutoring Institute was expanded with the opening of the first institute in Saitama prefecture.

During the fiscal year that ended on March 31, 2019, 12 directly operated schools were opened (5 in Osaka, 2 in Hyogo, 1 in Kyoto, 2 in Tokyo and 2 in Saitama) and one was closed in Kyoto. In addition, two directly operated schools were converted to franchised schools (1 each in Hyogo and Kyoto). The result was a net increase of 9 directly operated schools to 265 as of March 31, 2019.

In the franchised schools category, nine schools were opened (4 in Osaka, 1 in Kyoto, 1 in Tokushima, 2 in Tokyo and 1 in Saitama) and two were converted to franchised schools. The result was 35 as of March 31, 2019.

## Segment Sales and Earnings

## 1) Education Services

The number of students increased at FreeStep Individual Tutoring Institute and there was an increase in entrance exam preparation students at FreeStep because almost all of these schools give students access to the video classes of the Yozemi Sateline Exam Preparation School. In addition, sales at franchised locations were higher. An increase in the number of nursery schools and, in the other education services category, more students at the Kaisei Academy Japanese Language School also contributed to sales growth. As a result, segment sales increased 5.8% to 11,741 million yen.

There was a decline in expenditures for up-front investments to open certified nursery schools and lower advertising expenses because of the more focused use of advertising media. Total operating expenses in this segment increased mainly because of higher personnel and real estate leasing expenses due to the larger number of schools, but higher expenses were more than offset by the growth in sales. As a result, segment operating profit increased 741.1% to 429 million yen.

## 2) Real Estate Leasing

The number of tenants increased in the current fiscal year, resulting in a 3.7% increase from one year earlier in segment sales to 36 million yen. However, operating profit was down 9.4% to 28 million yen due to an increase in repair expenses.

## 3) Restaurant Operations

The business climate for restaurants remained challenging because of Japan's sluggish consumer spending and unfavorable summer weather. Although we reexamined restaurant operations, added new menu items and took other steps, there was no improvement in profitability. As a result, sales were down 0.8% from one year earlier to 113 million yen and the operating loss increased from 11 million yen to 15 million yen.

**(2) Financial Position**

## Assets, liabilities and net assets

Starting with the beginning of the current fiscal year, SEIGAKUSHA is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" ASBJ Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

### 1) Assets

Current assets increased by 531 million yen, or 19.5%, from the end of the previous fiscal year to 3,247 million yen. This was attributable mainly to increases of 486 million yen in cash and deposits, 18 million yen in operating accounts receivable, and 14 million yen in merchandise.

Non-current assets increased by 338 million yen, or 6.4%, from the end of the previous fiscal year to 5,610 million yen. This was mainly attributable to an increase of 483 million yen in buildings and structures under property, plant and equipment, and decreases of 47 million yen in deferred tax assets under investments and other assets and 43 million yen in insurance funds included in others of the investments and other assets, and 21 million yen in intangible assets.

Total assets increased by 869 million yen, or 10.9%, from the end of the previous fiscal year to 8,858 million yen.

### 2) Liabilities

Current liabilities decreased by 86 million yen, or 2.4%, from the end of the previous fiscal year to 3,606 million yen. This was attributable mainly to increases of 154 million yen in income taxes payable, 98 million yen in current portion of long-term loans payable and 50 million yen in advances received, and decreases of 357 million yen in short-term loans payable and 116 million yen in accounts payable-other.

Non-current liabilities increased by 621 million yen, or 31.7%, from the end of the previous fiscal year to 2,582 million yen. This was attributable mainly to increases of 561 million yen in long-term loans payable, 42 million yen in asset retirement obligations and 30 million yen in deferred tax liabilities.

Total liabilities increased by 534 million yen, or 9.5%, from the end of the previous fiscal year to 6,188 million yen.

### 3) Net assets

Net assets increased by 334 million yen, or 14.3%, from the end of the previous fiscal year to 2,669 million yen. This was attributable mainly to an increase of 338 million yen in retained earnings.

## (3) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year increased 437 million yen from the end of the previous fiscal year to 1,319 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 817 million yen (a year-on-year increase of 460 million yen). Major positive factors include profit before income taxes of 659 million yen, depreciation of 344 million yen, an increase in accrued consumption taxes of 111 million yen. Major negative factors include subsidy income of 269 million yen.

#### 2) Cash flows from investing activities

Net cash used in investing activities was 606 million yen (a year-on-year decrease of 519 million yen). Major factors include proceeds from subsidy income of 338 million yen, proceeds from cancellation of insurance contract of 72 million yen and purchase of property, plant and equipment of 881 million yen.

#### 3) Cash flows from financing activities

Net cash provided by financing activities was 228 million yen (a year-on-year decrease of 444 million yen).

Major factors include proceeds from long-term loans payable of 1,234 million yen, repayments of long-term loans payable of 574 million yen and a net decrease in short-term loans payable of 357 million yen.

Reference: Cash flow indicators

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Equity ratio (%)	36.8	33.4	33.5	29.2	30.1
Equity ratio based on market value (%)	83.7	72.1	74.0	68.7	58.1
Interest-bearing debt to cash flow ratio (%)	236.1	419.9	478.7	827.9	397.5
Interest coverage ratio (times)	31.8	21.7	20.9	15.4	31.2

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 2020, 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.”

##### 1) Education Services

In the education services segment, we plan to open directly operated 24 schools and to increase the number of students to 26,607 as of the November peak period, 1.6% more than one year earlier.

In the individual tutoring category, we plan to open 11 FreeStep Individual Tutoring Institute schools, take actions aimed at increasing the percentage of prospective students who subsequently register for classes, reducing the student attrition rate, and increasing the total number of students to contribute to the growth of this business. We also plan to stabilize the operation of the FreeStep Sateline Course that we started offering in 2017. Our plan for franchised schools is to add 12 locations in one year. In the classroom tutoring category, we will step up activities for increasing the number of elementary school students, especially in lower grades, and place priority on reinvigorating the performance of existing schools. We are determined to retain our presence in this market sector despite the challenges posed by the decline in the overall size of the classroom tutoring market in Japan. In the nursery school category, we expect an increase in the number of students advancing to the next year because these schools have now been operating for some time. We also expect the provision of child care services that match the needs of parents and guardians to contribute to the growth of the nursery school business. In the other education services category, we are planning to open a second Kaisei Academy Japanese Language School and will target opportunities in countries where there is a strong interest in learning Japanese.

Operating expenses in this segment are expected to increase mainly because of up-front expenditures for hiring people and other activities for starting new businesses, an increase in advertising expenses, and expenses for the addition of new educational content such as “programming education.”

## 2) Real Estate Leasing

In the real estate leasing segment, activities will continue to focus on earning profits from leasing unused space at properties owned by group companies.

## 3) Restaurant Operations

Our goal is to make this business profitable by operating restaurants more efficiently.

Based on this outlook, we forecast an increase of 6.3% in net sales to 12,641 million yen, a 41.9% decrease in operating profit to 223 million yen and, due to the end of subsidies received for the opening of certified nursery schools, a 72.2% decrease in ordinary profit to 189 million yen and a 96.5% decrease in profit attributable to owners of parent to 13 million yen.

## **(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 5.35 yen per share and we plan to submit a resolution at the shareholders meeting for a year-end dividend of 5.35 yen per share. If this resolution is approved, the fiscal year dividend will be 10.70 yen per share. For the fiscal year ending in March 2020, we plan to pay interim and year-end dividends of 5.50 yen, resulting in a fiscal year dividend of 11.00 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)	
	FY3/18	FY3/19
	(As of Mar. 31, 2018)	(As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	1,028,544	1,514,622
Operating accounts receivable	1,021,220	1,040,131
Merchandise	66,856	80,879
Supplies	12,407	17,042
Other	608,556	613,532
Allowance for doubtful accounts	(20,763)	(18,257)
Total current assets	2,716,822	3,247,951
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,562,186	4,220,747
Accumulated depreciation	(1,204,608)	(1,379,458)
Buildings and structures, net	2,357,577	2,841,288
Land	1,107,742	1,107,772
Leased assets	220,406	228,410
Accumulated depreciation	(119,587)	(136,002)
Leased assets, net	100,819	92,407
Construction in progress	11,183	216
Other	718,726	788,873
Accumulated depreciation	(482,797)	(570,586)
Other, net	235,929	218,286
Total property, plant and equipment	3,813,251	4,259,971
Intangible assets		
Goodwill	8,322	1,353
Other	133,096	118,709
Total intangible assets	141,419	120,062
Investments and other assets		
Investment securities	35,873	34,027
Long-term loans receivable	73,466	74,813
Deferred tax assets	182,777	135,528
Guarantee deposits	915,748	917,948
Other	108,932	67,918
Total investments and other assets	1,316,798	1,230,236
Total non-current assets	5,271,469	5,610,271
Total assets	7,988,291	8,858,222

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	183,544	198,664
Short-term loans payable	953,668	596,668
Current portion of long-term loans payable	484,063	582,079
Lease obligations	17,375	16,778
Income taxes payable	52,202	206,900
Advances received	683,079	733,509
Provision for bonuses	130,703	129,037
Accounts payable-other	902,546	785,563
Other	285,915	356,911
<b>Total current liabilities</b>	<b>3,693,099</b>	<b>3,606,113</b>
<b>Non-current liabilities</b>		
Long-term loans payable	1,434,868	1,996,678
Lease obligations	63,623	56,401
Provision for retirement benefits for directors (and other officers)	3,570	-
Retirement benefit liability	6,825	5,890
Deferred tax liabilities	1,474	31,876
Asset retirement obligations	423,563	465,729
Other	26,775	26,054
<b>Total non-current liabilities</b>	<b>1,960,700</b>	<b>2,582,631</b>
<b>Total liabilities</b>	<b>5,653,800</b>	<b>6,188,744</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	235,108	235,108
Capital surplus	175,108	175,108
Retained earnings	2,205,527	2,543,961
Treasury shares	(288,452)	(288,452)
<b>Total shareholders' equity</b>	<b>2,327,291</b>	<b>2,665,725</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	5,625	4,026
Foreign currency translation adjustment	1,574	(273)
<b>Total accumulated other comprehensive income</b>	<b>7,199</b>	<b>3,753</b>
<b>Total net assets</b>	<b>2,334,491</b>	<b>2,669,478</b>
<b>Total liabilities and net assets</b>	<b>7,988,291</b>	<b>8,858,222</b>

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

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net sales	11,243,646	11,890,709
Cost of sales	9,376,225	9,641,722
Gross profit	1,867,420	2,248,986
Selling, general and administrative expenses	1,846,870	1,864,825
Operating profit	20,550	384,160
Non-operating income		
Interest income	1,188	1,564
Dividend income	637	718
Subsidy income	315,057	269,632
Foreign exchange gains	-	1,632
Other	11,253	48,959
Total non-operating income	328,136	322,507
Non-operating expenses		
Interest expenses	23,367	26,246
Foreign exchange losses	6,389	-
Other	1,804	673
Total non-operating expenses	31,561	26,919
Ordinary profit	317,124	679,748
Extraordinary income		
Reversal of provision for retirement benefits for directors (and other officers)	-	1,378
Gain on sale of businesses	-	7,460
Total extraordinary income	-	8,838
Extraordinary losses		
Loss on valuation of investment securities	7,156	743
Impairment loss	90,261	28,192
Loss on sales of non-current assets	8,395	-
Total extraordinary losses	105,813	28,935
Profit before income taxes	211,311	659,651
Income taxes-current	55,707	184,567
Income taxes-deferred	53,411	78,354
Total income taxes	109,119	262,921
Profit	102,191	396,730
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	102,191	396,730

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Profit	102,191	396,730
Other comprehensive income		
Valuation difference on available-for-sale securities	1,593	(1,598)
Foreign currency translation adjustment	1,827	(1,847)
Total other comprehensive income	3,420	(3,446)
Comprehensive income	105,612	393,283
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	105,612	393,283
Comprehensive income attributable to non-controlling interests	-	-

**(3) Consolidated Statement of Changes in Equity**

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	235,108	175,108	2,205,527	(288,452)	2,327,291
Changes of items during period					
Dividends of surplus			(58,296)		(58,296)
Profit attributable to owners of parent			396,730		396,730
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	338,433	-	338,433
Balance at end of current period	235,108	175,108	2,543,961	(288,452)	2,665,725

	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	5,625	1,574	7,199	2,334,491
Changes of items during period				
Dividends of surplus				(58,296)
Profit attributable to owners of parent				396,730
Net changes of items other than shareholders' equity	(1,598)	(1,847)	(3,446)	(3,446)
Total changes of items during period	(1,598)	(1,847)	(3,446)	334,987
Balance at end of current period	4,026	(273)	3,753	2,669,478

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	211,311	659,651
Depreciation	301,750	344,814
Impairment loss	90,261	28,192
Amortization of goodwill	5,677	3,094
Amortization of long-term prepaid expenses	9,051	9,564
Increase (decrease) in allowance for doubtful accounts	(12)	(2,053)
Gain on maturity of insurance contract	-	(25,226)
Interest expenses	23,367	26,246
Subsidy income	(315,057)	(269,632)
Decrease (increase) in notes and accounts receivable-trade	(41,067)	(18,990)
Decrease (increase) in accounts receivable-other	(26,550)	(22,394)
Decrease (increase) in inventories	17,936	(18,659)
Decrease (increase) in prepaid expenses	(5,022)	(40,973)
Increase (decrease) in notes and accounts payable-trade	18,938	16,119
Increase (decrease) in advances received	12,960	50,429
Increase (decrease) in accounts payable-other	133,523	27,839
Increase (decrease) in accrued consumption taxes	5,824	111,340
Other, net	14,291	(7,276)
Subtotal	457,184	872,086
Interest and dividend income received	673	838
Interest expenses paid	(23,184)	(26,191)
Income taxes paid	(79,513)	(39,011)
Income taxes refund	1,599	9,566
Net cash provided by (used in) operating activities	356,759	817,287
<b>Cash flows from investing activities</b>		
Payments into time deposits	(9,012)	(49,012)
Proceeds from cancellation of insurance contract	-	72,074
Purchase of property, plant and equipment	(1,061,325)	(881,950)
Purchase of intangible assets	(40,833)	(36,600)
Proceeds from subsidy income	91,824	338,298
Payments for return of subsidy	-	(30,871)
Payments for asset retirement obligations	(2,454)	(5,993)
Payments for acquisition of businesses	-	(865)
Proceeds from sale of businesses	-	8,057
Payments of long-term loans receivable	(24,000)	(10,000)
Collection of long-term loans receivable	-	11,594
Payments for guarantee deposits	(89,305)	(35,749)
Proceeds from collection of guarantee deposits	10,103	18,683
Other payments	(13,845)	(4,837)
Other proceeds	12,777	650
Net cash provided by (used in) investing activities	(1,126,072)	(606,522)

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	370,332	(357,000)
Proceeds from long-term loans payable	841,000	1,234,400
Repayments of long-term loans payable	(463,247)	(574,573)
Cash dividends paid	(56,659)	(58,182)
Other payments	(18,384)	(15,896)
Net cash provided by (used in) financing activities	673,040	228,746
Effect of exchange rate change on cash and cash equivalents	1,400	(2,446)
Net increase (decrease) in cash and cash equivalents	(94,870)	437,065
Cash and cash equivalents at beginning of period	977,272	882,402
Cash and cash equivalents at end of period	882,402	1,319,467



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

Not applicable.

**Significant Accounting Policies in the Preparation of Consolidated Financial Statements**

## 1. Scope of consolidation

All subsidiaries are included in the consolidation.

The number of consolidated subsidiaries: 4

Names of consolidated subsidiaries

APLIS Co.,Ltd.

global bridge Osaka Co., Ltd.

APLIS INTERNATIONAL EDUCATION CORP.

SEIGAKUSHA KOREA CO.,LTD.

SEIGAKUSHA KOREA was included in the scope of consolidation due to its establishment in the current fiscal year.

## 2. Closing date of consolidated subsidiaries

Of the consolidated subsidiaries, SEIGAKUSHA KOREA' fiscal year ends on December 31.

In preparing the consolidated financial statements, the financial statements of this subsidiary as of December 31 were used, provided, however, that the necessary consolidation adjustments have been made for all significant transactions that occurred between its fiscal year-end and the fiscal year-end for the consolidated financial statements.

**Accounting Standards Issued but Not Yet Applied**

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

## 1. Summary

Accounting Standard for Revenue Recognition is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps:

- Step 1: Identify the contract with the customer.
- Step 2: Identify the performance obligation in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when or as it satisfies performance obligations.

## 2. Effective date

The Group will apply the standard and guidance from the beginning of the fiscal year ending March 31, 2022.

## 3. Effects of the application of the above standard and guidance

Effects of the application are under assessment at the time of preparing the consolidated financial statements for the current fiscal year.

## Reclassifications

Changes Caused by the Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting Starting with the beginning of the current fiscal year, SEIGAKUSHA is applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

As a result, 156 million yen in “Deferred tax assets” (157 million yen) under “Current assets” reported in the consolidated balance sheet as of March 31, 2018, is included in “Deferred tax assets” (26 million yen) under “Investments and other assets,” and the remaining 456 thousand yen is offset by “Deferred tax liabilities” (1 million yen) under “Non-current liabilities”.

### Consolidated Statement of Cash Flows

“Decrease (increase) in prepaid expenses,” which was included in “Other, net” under “Cash flows from operating activities” in FY3/18, is reclassified as a separate item in FY3/19 as it has become significant. “Increase (decrease) in provision for directors’ retirement benefits” and “Increase (decrease) in accrued expenses” under “Cash flows from operating activities” presented as separate items in FY3/18 are included in “Other, net” in FY3/19 as they have become insignificant. To conform to this change, the consolidated financial statements for FY3/18 has been reclassified.

Accordingly, “Increase (decrease) in provision for directors’ retirement benefits” (0 million yen), “Increase (decrease) in accrued expenses” (-9 million yen) and “Other, net” (18 million yen) under “Cash flows from operating activities” shown on the consolidated statement of cash flows in FY3/18 have been reclassified to “Decrease (increase) in prepaid expenses” (-5 million yen) and “Other, net” (14 million yen).

“Income taxes refund,” which was included in “Income taxes paid” under “Cash flows from operating activities” in FY3/18, is reclassified as a separate item in FY3/19 as it has become significant. To conform to this change, the consolidated financial statements for FY3/18 has been reclassified.

Accordingly, “Income taxes paid” (-77 million yen) under “Cash flows from operating activities” shown on the consolidated statement of cash flows in FY3/18 has been reclassified to “Income taxes paid” (-79 million yen) and “Income taxes refund” (1 million yen.)

“Payments into time deposits,” which was included in “Other payments” under “Cash flows from investing activities” in FY3/18, is reclassified as a separate item in FY3/19 as it has become significant.

Accordingly, “Other payments” (-22 million yen) under “Cash flows from investing activities” shown on the consolidated statement of cash flows in FY3/18 has been reclassified to “Payments into time deposits” (-9 million yen) and “Other payments” (-13 million yen).

“Proceeds from sales of property, plant and equipment” under “Cash flows from investing activities” presented as a separate item in FY3/18, is included in “Other proceeds” in FY3/19 as it has become insignificant. To conform to this change, the consolidated financial statements for FY3/18 has been reclassified.

Accordingly, “Proceeds from sales of property, plant and equipment” (6 million yen) and “Other proceeds” (6 million yen) under “Cash flows from investing activities” shown on the consolidated statement of cash flows in FY3/18 has been reclassified to “Other proceeds” (12 million yen).

## 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

FY3/18 (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	6,114,804	581,413	29,611	6,726,286	1,262,462	7,988,291
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 financial statements.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(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	11,741,141	36,541	113,026	11,890,709	-	11,890,709
Inter-segment sales and transfers	-	26,355	-	26,355	(26,355)	-
Total	11,741,141	62,897	113,026	11,917,064	(26,355)	11,890,709
Segment profit (loss)	429,421	28,770	(15,616)	442,575	(58,414)	384,160
Segment assets	6,578,833	573,780	28,552	7,181,165	1,677,057	8,858,222
Other items						
Depreciation	310,093	4,597	3,228	317,919	26,894	344,814
Increase in property, plant and equipment and intangible assets	885,511	407	227	886,145	6,792	892,937

Notes: 1. Adjustments are as follows.

- (1) The minus 58 million yen adjustment to segment profit includes 58 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 1,677 million yen adjustment to segment assets is corporate assets that are not allocated to reportable segments.
  - (3) The 6 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 financial statements.

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

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Impairment loss	28,192	-	-	-	28,192

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

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Amortization for the period	3,094	-	-	-	3,094
Balance at the end of period	1,353	-	-	-	1,353

Information related to gain on bargain purchase for each reportable segment

Not applicable.

**Per Share Information**

(Yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	422.48	483.10
Net income per share	18.49	71.80

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

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net income per share		
Profit attributable to owners of parent	102,191	396,730
Amounts not available to common shareholders	-	-
Profit attributable to owners of parent available to common shares	102,191	396,730
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.*