

**Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020****[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 25, 2020

Scheduled date of payment of dividend: June 26, 2020

Scheduled date of filing of Annual Securities Report: June 25, 2020

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: None

*(All amounts are rounded down to the nearest million yen)***1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)****(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, 2020	12,220	2.8	272	(29.1)	251	(63.0)	33	(91.6)
Fiscal year ended Mar. 31, 2019	11,890	5.8	384	-	679	114.3	396	288.2

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2020: 26 (down 93.3%)

Fiscal year ended Mar. 31, 2019: 393 (up 272.4%)

	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, 2020	6.05	-	1.3	2.9	2.2
Fiscal year ended Mar. 31, 2019	71.80	-	15.9	8.1	3.2

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2020: - Fiscal year ended Mar. 31, 2019: -

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	8,778	2,661	30.3	479.31
As of Mar. 31, 2019	8,858	2,669	30.1	483.10

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 2,661 As of Mar. 31, 2019: 2,669

**(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, 2020	324	(292)	22	1,368
Fiscal year ended Mar. 31, 2019	817	(606)	228	1,319

**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, 2019	-	5.35	-	5.35	10.70	59	14.9	2.4
Fiscal year ended Mar. 31, 2020	-	5.50	-	3.00	8.50	47	140.5	1.8
Fiscal year ending Mar. 31, 2021 (forecast)	-	-	-	-	-		-	

Note: SEIGAKUSHA's Articles of Incorporation stipulate the end of the second quarter and the end of the fiscal year as the record dates for dividends. The dividend forecast for these record dates have not been determined at this point.

**3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021****(April 1, 2020 – March 31, 2021)**

SEIGAKUSHA has not disclosed a consolidated earnings forecast for the fiscal year ending March 31, 2021 because it is difficult to establish a reasonable earnings forecast at this time. The consolidated earnings forecast will be disclosed promptly when it becomes possible to determine it.

**\* Notes**

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

Newly added: 1 (SEIGAKUSHA VIETNAM COMPANY LIMITED) 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, 2020: 5,876,000 shares As of Mar. 31, 2019: 5,876,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2020: 322,560 shares As of Mar. 31, 2019: 350,260 shares

3) Average number of shares during the period

Fiscal year ended Mar. 31, 2020: 5,526,421 shares Fiscal year ended Mar. 31, 2019: 5,525,740 shares

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

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020**

**(April 1, 2019 – March 31, 2020)**

(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, 2020	11,773	1.4	396	(12.9)	387	(38.8)	191	(51.3)
Fiscal year ended Mar. 31, 2019	11,606	6.7	455	-	633	90.6	392	118.8

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2020	34.59	-
Fiscal year ended Mar. 31, 2019	70.98	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	8,330	2,679	32.2	482.42
As of Mar. 31, 2019	8,234	2,523	30.6	456.69

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 2,679 As of Mar. 31, 2019: 2,523

**2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021**

**(April 1, 2020 – March 31, 2021)**

SEIGAKUSHA has not disclosed a non-consolidated earnings forecast for the fiscal year ending March 31, 2021 because it is difficult to establish a reasonable earnings forecast at this time. The non-consolidated earnings forecast will be disclosed promptly when it becomes possible to determine it.

\* 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

Due to the spread of the coronavirus (COVID-19) pandemic, SEIGAKUSHA has not yet established an earnings forecast for the fiscal year ending March 31, 2021. Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 5 for details.

SEIGAKUSHA is suspending the financial results meeting for institutional investors and securities analysts to prevent the spread of the COVID-19 pandemic. The financial results information materials are scheduled to be posted on the SEIGAKUSHA website in early June.

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## 1. Overview of Results of Operations

### (1) Results of Operations

During the fiscal year that ended on March 31, 2020, the Japanese economy was in a recovery trend as business confidence restored thanks to improvement in corporate profits and labor markets. However, changes in personal consumption sentiment due to the consumption tax hike and the spread of the COVID-19 pandemic worldwide, has made the economic outlook uncertain.

In Japan's education services sector, competition is intensifying due to the declining number of students as the country's population declines and the diversification of educational needs. In addition to conventional education services, the business environment surrounding the industry is undergoing major changes due to the growing demand for education services that utilize ICT and for child care services such as nursery schools and after-school day care centers. Moreover, as school closures continue to prevent the spread of the COVID-19 pandemic, it is the responsibility of an education services company like the SEIGAKUSHA Group to provide appropriate learning environments.

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.

Consolidated net sales were 12,220 million yen, 2.8% higher than in the previous fiscal year and operating profit decreased 29.1% to 272 million yen due to increases in personnel expenses and advertising expenses. Ordinary profit decreased 63.0% to 251 million yen and profit attributable to owners of parent decreased 91.6% to 33 million yen due to an increase in impairment loss.

Business segment performance was as follows.

#### 1) Education Services

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

Category	Nov. 30, 2018	Nov. 30, 2019	Change
Individual tutoring	17,530	17,660	+0.7%
Class teaching	8,042	7,556	(6.0)%
Nursery school	489	647	+32.3%
Other education services	130	197	+51.5%
Total	26,191	26,060	(0.5)%

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, although the last-minute demand related to university entrance examinations was weak, the number of students remained solid thanks to the marketing activities that consistently emphasized the ability to raise students' examination scores and skill in university entrance examinations, which are the primary strength of the FreeStep brand.

The class teaching category has attracted a new segment of students by establishing a new program that specializes in classes for students at Osaka City Junior and Senior High School, which has been in high demand, and by introducing educational content for the beginning of mandatory computer programming lessons at all elementary schools.

In the nursery school category, the number of students increased along with the number of these schools. In the other education services category, the number of students increased at Kaisei Academy Japanese Language School because the number of foreign students allowed was raised following the certification of this school as a qualified Japanese language education institution.

## Number of Schools

Category	Mar. 31, 2019	Increase	Decrease	Mar. 31, 2020
Individual tutoring	207	12	2	217
Class teaching	100	4	8	96
Nursery school	15	2	0	17
Other education services	4	3	0	7
Directly operated schools	265	20	8	277
Franchised schools	35	1	1	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.

The SEIGAKUSHA Group opened the Gangnam Japanese Language School (Seoul City, South Korea) in November 2019 and a kindergarten (Da Nang City, Vietnam) in January 2020, thereby expanding its network of overseas schools.

During the fiscal year that ended on March 31, 2020, 20 directly operated schools were opened (6 in Osaka, 6 in Hyogo, 3 in Tokyo, 3 in Saitama and 2 overseas) and 8 were closed (5 in Osaka, 2 in Shiga, 1 in Hyogo). The result was a net increase of 12 directly operated schools to 277 as of March 31, 2020.

In the franchised schools category, one new school was opened, and one directly operated school was converted to a franchised school (both in Hyogo). As a result, the number of franchised schools as of March 31, 2020 remained at 35, unchanged from one year earlier.

## Segment Sales and Earnings

Although classes were canceled for about two weeks in early March to prevent the spread of the COVID-19 pandemic, sales increased as the number of students increased in the individual tutoring category and the nursery school category. The enrollment in Japanese language schools was also higher. Knospear Inc., which became a consolidated subsidiary, also contributed to the overall sales growth. As a result, segment sales increased 2.8% to 12,073 million yen.

Operating expenses in this segment increased because of higher personnel expenses due to the growth of business, strengthening of advertising activities to attract entrance exam preparation students, increased royalties resulting from the introduction of new educational content, and expenses incurred for launching the businesses in South Korea and Vietnam. As a result, segment operating profit decreased 27.1% to 313 million yen.

## 2) Real Estate Leasing

There were no significant changes during the fiscal year in the amount of space available for leasing or the occupancy rate. Fiscal year sales increased 3.3% from one year earlier to 37 million yen and operating profit increased 23.4% to 35 million yen.

## 3) Restaurant Operations

Although the business environment of restaurants remained challenging due to lackluster consumer spending, we focused on increasing store appeal to enable stores to attract more customers. However, the spread of the COVID-19 pandemic affected our restaurant operations as people refrained from eating out. Fiscal year sales decreased 3.7% to 108 million yen and there was an increase in the operating loss from 15 million yen one year earlier to 18 million yen.

**(2) Financial Position**

Assets, liabilities and net assets

## 1) Assets

Current assets decreased by 43 million yen, or 1.3%, from the end of the previous fiscal year to 3,204 million yen. This was attributable mainly to increases of 140 million yen in cash and deposits, 24 million yen in trade accounts receivable, 9 million yen in merchandise, and 28 million yen in prepaid expenses included in other current assets, and a decrease of 238 million yen in accounts receivable-other included in other current assets.

Non-current assets decreased by 36 million yen, or 0.7%, from the end of the previous fiscal year to 5,573 million yen. This was mainly attributable to increases of 36 million yen in software included in other non-current assets, 30 million yen in guarantee deposits and 22 million yen in goodwill, and decreases of 102 million yen in buildings and structures, net, 18 million yen in long-term loans receivable, and 16 million yen in software in progress included in other non-current assets.

Total assets decreased by 79 million yen, or 0.9%, from the end of the previous fiscal year to 8,778 million yen.

## 2) Liabilities

Current liabilities decreased by 243 million yen, or 6.7%, from the end of the previous fiscal year to 3,362 million yen. This was attributable mainly to increases of 68 million yen in accrued consumption taxes included in other current liabilities and 43 million yen in current portion of long-term borrowings, and decreases of 258 million yen in accounts payable-other and 116 million yen in income taxes payable.

Non-current liabilities increased by 171 million yen, or 6.6%, from the end of the previous fiscal year to 2,753 million yen. This was attributable mainly to an increase of 169 million yen in long-term borrowings.

Total liabilities decreased by 72 million yen, or 1.2%, from the end of the previous fiscal year to 6,116 million yen.

## 3) Net assets

Net assets decreased by 7 million yen, or 0.3%, from the end of the previous fiscal year to 2,661 million yen. This was attributable mainly to decreases of 22 million yen in treasury shares, 26 million yen in retained earnings and 5 million yen in foreign currency translation adjustment.

**(3) Cash Flows**

Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year increased 48 million yen from the end of the previous fiscal year to 1,368 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 324 million yen (a decrease of 492 million yen compared with the previous fiscal year). Major positive factors include depreciation of 362 million yen and profit before income taxes of 180 million yen. Major negative factors include income taxes paid of 254 million yen and a decrease in accounts payable-other of 119 million yen.

## 2) Cash flows from investing activities

Net cash used in investing activities was 292 million yen (a decrease of 313 million yen compared with the previous fiscal year). Major factors include subsidies received of 279 million yen, purchase of property, plant and equipment of 420 million yen, and payments into time deposits of 91 million yen.

### 3) Cash flows from financing activities

Net cash provided by financing activities was 22 million yen (a decrease of 206 million yen compared with the previous fiscal year). Major factors include proceeds from long-term borrowings of 858 million yen and repayments of long-term borrowings of 694 million yen.

Reference: Cash flow indicators

	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Equity ratio (%)	33.4	33.5	29.2	30.1	30.3
Equity ratio based on market value (%)	72.1	74.0	68.7	58.1	46.6
Interest-bearing debt to cash flow ratio (%)	419.9	478.7	827.9	397.5	1,042.7
Interest coverage ratio (times)	21.7	20.9	15.4	31.2	11.5

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

With the spread of the coronavirus (COVID-19) pandemic continuing, the outlook remains extremely uncertain. At our schools, which constitute the core business of the SEIGAKUSHA Group, we have switched from face-to-face lessons to interactive online lessons to continue operating our business. However, the number of students at the beginning of the current fiscal year was lower than the previous year due to the lack of active student recruitment activities and the suspension of enrollments. Furthermore, it is expected that the start of the new semester at our Japanese language schools as well as recruitment activities for our Japanese language schools will be affected. Furthermore, the administrative authorities in Vietnam have ordered kindergartens to be closed until early May.

In view of the above, it is difficult at this time to reasonably estimate the impact of the spread of the COVID-19 pandemic. Therefore, we have not established forecasts for business results and dividends for the next fiscal year. An announcement will be made as soon as possible.

### 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)	
	FY3/19	FY3/20
	(As of Mar. 31, 2019)	(As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	1,514,622	1,654,845
Trade accounts receivable	1,040,131	1,065,003
Merchandise	80,879	90,810
Work in process	-	4,877
Supplies	17,042	15,729
Other	613,532	390,993
Allowance for doubtful accounts	(18,257)	(17,376)
Total current assets	3,247,951	3,204,884
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,220,747	4,268,487
Accumulated depreciation	(1,379,458)	(1,529,669)
Buildings and structures, net	2,841,288	2,738,817
Land	1,107,772	1,107,259
Leased assets	228,410	237,448
Accumulated depreciation	(136,002)	(152,802)
Leased assets, net	92,407	84,646
Construction in progress	216	216
Other	788,873	840,307
Accumulated depreciation	(570,586)	(629,011)
Other, net	218,286	211,295
Total property, plant and equipment	4,259,971	4,142,234
Intangible assets		
Goodwill	1,353	23,869
Other	118,709	138,983
Total intangible assets	120,062	162,852
Investments and other assets		
Investment securities	34,027	30,695
Long-term loans receivable	74,813	56,724
Deferred tax assets	135,528	138,299
Guarantee deposits	917,948	948,413
Other	67,918	94,443
Total investments and other assets	1,230,236	1,268,576
Total non-current assets	5,610,271	5,573,664
Total assets	8,858,222	8,778,548



(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	198,664	214,326
Short-term borrowings	596,668	530,000
Current portion of long-term borrowings	582,079	625,122
Lease obligations	16,778	20,641
Income taxes payable	206,900	90,160
Advances received	733,509	752,607
Provision for bonuses	129,037	134,680
Accounts payable-other	785,563	527,527
Asset retirement obligations	-	4,587
Other	356,911	463,324
<b>Total current liabilities</b>	<b>3,606,113</b>	<b>3,362,980</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,996,678	2,166,077
Lease obligations	56,401	44,782
Retirement benefit liability	5,890	5,752
Deferred tax liabilities	31,876	41,699
Asset retirement obligations	465,729	469,764
Other	26,054	25,672
<b>Total non-current liabilities</b>	<b>2,582,631</b>	<b>2,753,749</b>
<b>Total liabilities</b>	<b>6,188,744</b>	<b>6,116,729</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	235,108	235,108
Capital surplus	175,108	178,349
Retained earnings	2,543,961	2,517,418
Treasury shares	(288,452)	(265,655)
<b>Total shareholders' equity</b>	<b>2,665,725</b>	<b>2,665,221</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,026	2,324
Foreign currency translation adjustment	(273)	(5,725)
<b>Total accumulated other comprehensive income</b>	<b>3,753</b>	<b>(3,401)</b>
<b>Total net assets</b>	<b>2,669,478</b>	<b>2,661,819</b>
<b>Total liabilities and net assets</b>	<b>8,858,222</b>	<b>8,778,548</b>

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

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	11,890,709	12,220,134
Cost of sales	9,641,722	9,961,704
Gross profit	2,248,986	2,258,429
Selling, general and administrative expenses	1,864,825	1,985,979
Operating profit	384,160	272,449
Non-operating income		
Interest income	1,564	1,351
Dividend income	718	976
Subsidy income	269,632	880
Foreign exchange gains	1,632	1,737
Other	48,959	14,394
Total non-operating income	322,507	19,338
Non-operating expenses		
Interest expenses	26,246	28,431
Loss on retirement of non-current assets	-	8,750
Other	673	3,240
Total non-operating expenses	26,919	40,422
Ordinary profit	679,748	251,366
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	743	879
Loss on valuation of golf club membership	-	1,298
Impairment loss	28,192	68,370
Total extraordinary losses	28,935	70,548
Profit before income taxes	659,651	180,818
Income taxes-current	184,567	139,603
Income taxes-deferred	78,354	7,802
Total income taxes	262,921	147,406
Profit	396,730	33,412
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	396,730	33,412

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Profit	396,730	33,412
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,598)	(1,702)
Foreign currency translation adjustment	(1,847)	(5,452)
Total other comprehensive income	(3,446)	(7,155)
Comprehensive income	393,283	26,256
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	393,283	26,256
Comprehensive income attributable to non-controlling interests	-	-

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of period	235,108	175,108	2,205,527	(288,452)	2,327,291
Changes during period					
Dividends of surplus			(58,296)		(58,296)
Profit attributable to owners of parent			396,730		396,730
Disposal of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	-	-	338,433	-	338,433
Balance at end of 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 period	5,625	1,574	7,199	2,334,491
Changes during period				
Dividends of surplus				(58,296)
Profit attributable to owners of parent				396,730
Disposal of treasury shares				-
Net changes in items other than shareholders' equity	(1,598)	(1,847)	(3,446)	(3,446)
Total changes during period	(1,598)	(1,847)	(3,446)	334,987
Balance at end of period	4,026	(273)	3,753	2,669,478

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	235,108	175,108	2,543,961	(288,452)	2,665,725
Changes during period					
Dividends of surplus			(59,954)		(59,954)
Profit attributable to owners of parent			33,412		33,412
Disposal of treasury shares		3,240		22,797	26,038
Net changes in items other than shareholders' equity					
Total changes during period	-	3,240	(26,542)	22,797	(504)
Balance at end of period	235,108	178,349	2,517,418	(265,655)	2,665,221

	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 period	4,026	(273)	3,753	2,669,478
Changes during period				
Dividends of surplus				(59,954)
Profit attributable to owners of parent				33,412
Disposal of treasury shares				26,038
Net changes in items other than shareholders' equity	(1,702)	(5,452)	(7,155)	(7,155)
Total changes during period	(1,702)	(5,452)	(7,155)	(7,659)
Balance at end of period	2,324	(5,725)	(3,401)	2,661,819

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

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	659,651	180,818
Depreciation	344,814	362,146
Impairment loss	28,192	68,370
Amortization of goodwill	3,094	3,964
Amortization of long-term prepaid expenses	9,564	10,202
Increase (decrease) in allowance for doubtful accounts	(2,053)	(900)
Gain on maturity of insurance contract	(25,226)	(23,999)
Interest expenses	26,246	28,431
Subsidy income	(269,632)	(880)
Decrease (increase) in trade receivables	(18,990)	7,354
Decrease (increase) in accounts receivable-other	(22,394)	(12,180)
Decrease (increase) in inventories	(18,659)	(10,264)
Decrease (increase) in prepaid expenses	(40,973)	(19,591)
Increase (decrease) in trade payables	16,119	9,666
Increase (decrease) in advances received	50,429	20,038
Increase (decrease) in accounts payable-other	27,839	(119,412)
Increase (decrease) in accrued expenses	(511)	31,934
Increase (decrease) in accrued consumption taxes	111,340	71,875
Other, net	(6,765)	(3,948)
Subtotal	872,086	603,626
Interest and dividends received	838	966
Interest paid	(26,191)	(28,253)
Income taxes paid	(39,011)	(254,574)
Income taxes refund	9,566	3,016
Net cash provided by (used in) operating activities	817,287	324,781
Cash flows from investing activities		
Payments into time deposits	(49,012)	(91,516)
Proceeds from cancellation of insurance contract	72,074	23,999
Purchase of property, plant and equipment	(881,950)	(420,204)
Purchase of intangible assets	(36,600)	(31,821)
Subsidies received	338,298	279,494
Repayment of subsidy received	(30,871)	-
Payments for asset retirement obligations	(5,993)	(3,088)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	22,531
Payments for acquisition of businesses	(865)	(3,094)
Proceeds from sale of businesses	8,057	-
Payments of guarantee deposits	(35,749)	(86,580)
Proceeds from refund of guarantee deposits	18,683	13,727
Other payments	(14,837)	(6,167)
Other proceeds	12,244	9,969
Net cash provided by (used in) investing activities	(606,522)	(292,750)

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(357,000)	(66,668)
Proceeds from long-term borrowings	1,234,400	858,250
Repayments of long-term borrowings	(574,573)	(694,186)
Dividends paid	(58,182)	(59,843)
Other payments	(15,896)	(15,124)
Net cash provided by (used in) financing activities	228,746	22,427
Effect of exchange rate change on cash and cash equivalents	(2,446)	(5,751)
Net increase (decrease) in cash and cash equivalents	437,065	48,706
Cash and cash equivalents at beginning of period	882,402	1,319,467
Cash and cash equivalents at end of period	1,319,467	1,368,174

**(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: 6

Names of consolidated subsidiaries

APLIS Co.,Ltd.

global bridge Osaka Co., Ltd.

APLIS INTERNATIONAL EDUCATION CORP.

SEIGAKUSHA KOREA CO.,LTD.

Knospear Inc.

SEIGAKUSHA VIETNAM COMPANY LIMITED

Knospear is included in the scope of consolidation from the current fiscal year following the acquisition of its shares by the Company, and SEIGAKUSHA VIETNAM is 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, the fiscal year-end of SEIGAKUSHA KOREA and SEIGAKUSHA VIETNAM is December 31.

In preparing the consolidated financial statements, the financial statements of these subsidiaries as of December 31 were used, provided, however, that the necessary consolidation adjustments have been made for all significant transactions that occurred between their 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 (Accounting Standards Board of Japan (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 Company 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**

##### Consolidated Statement of Cash Flows

“Increase (decrease) in accrued expenses,” which was included in “Other, net” under “Cash flows from operating activities” in FY3/19, is reclassified as a separate item in FY3/20 as it has become significant. To conform to this change, the consolidated financial statements for FY3/19 has been reclassified.

Accordingly, “Other, net” (7 million yen) under “Cash flows from operating activities” shown on the consolidated statement of cash flows in FY3/19 have been reclassified to “Increase (decrease) in accrued expenses” (-511 thousand yen) and “Other, net” (-6 million yen).

“Long-term loan advances” and “Collection of long-term loans receivable” under “Cash flows from investing activities” presented as a separate item in FY3/19, is included in “Other payments” and “Other proceeds” in FY3/20 as it has become insignificant. To conform to this change, the consolidated financial statements for FY3/19 has been reclassified.

Accordingly, “Long-term loan advances” (-10 million yen), “Collection of long-term loans receivable” (11 million yen), “Other payments” (-4 million yen) and “Other proceeds” (650 thousand yen) under “Cash flows from investing activities” shown on the consolidated statement of cash flows in FY3/19 has been reclassified to “Other payments” (-14 million yen) and “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 comply with those used for the preparation of the 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

FY3/19 (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 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) 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.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(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	12,073,576	37,744	108,812	12,220,134	-	12,220,134
Inter-segment sales and transfers	-	28,020	-	28,020	(28,020)	-
Total	12,073,576	65,764	108,812	12,248,154	(28,020)	12,220,134
Segment profit (loss)	313,156	35,514	(18,795)	329,875	(57,425)	272,449
Segment assets	6,420,613	569,908	17,190	7,007,712	1,770,836	8,778,548
Other items						
Depreciation	324,312	3,641	2,855	330,809	31,337	362,146
Increase in property, plant and equipment and intangible assets	336,518	2,270	600	339,388	31,478	370,866

Notes: 1. Adjustments are as follows.

- (1) The minus 57 million yen adjustment to segment profit 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) The 1,770 million yen adjustment to segment assets is corporate assets that are not allocated to reportable segments.
  - (3) The 31 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

FY3/19 (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

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Impairment loss	61,396	-	6,973	-	68,370

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

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 end of period	1,353	-	-	-	1,353

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Amortization for the period	3,964	-	-	-	3,964
Balance at end of period	23,869	-	-	-	23,869

Information related to gain on bargain purchase for each reportable segment

Not applicable.

**Per Share Information**

(Yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net assets per share	483.10	479.31
Net income per share	71.80	6.05

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

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net income per share		
Profit attributable to owners of parent	396,730	33,412
Amounts not available to common shareholders	-	-
Profit attributable to owners of parent available to common shares	396,730	33,412
Average number of common shares during the period (Shares)	5,525,740	5,526,421

**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.*