

May 14, 2021

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021

[Japanese GAAP]

Company name: SEIGAKUSHA CO.,LTD.

Listing: Tokyo Stock Exchange (JASDAQ)

Stock code: 2179

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

Representative: Hiroshi Nagai, Representative Director and President

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Scheduled date of Annual General Meeting of Shareholders: June 29, 2021

Scheduled date of payment of dividend: June 30, 2021

Scheduled date of filing of Annual Securities Report: June 29, 2021

Preparation of supplementary materials for financial results: Yes

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

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(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, 2021	11,641	(4.7)	25	(90.7)	48	(80.8)	(106)	-
Fiscal year ended Mar. 31, 2020	12,220	2.8	272	(29.1)	251	(63.0)	33	(91.6)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2021: (109) (-%)

Fiscal year ended Mar. 31, 2020: 26 (down 93.3%)

	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, 2021	(19.19)	-	(4.1)	0.6	0.2
Fiscal year ended Mar. 31, 2020	6.05	-	1.3	2.9	2.2

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2021: - Fiscal year ended Mar. 31, 2020: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	8,689	2,519	29.0	453.82
As of Mar. 31, 2020	8,778	2,661	30.3	479.31

Reference: Shareholders' equity (million yen) As of Mar. 31, 2021: 2,519 As of Mar. 31, 2020: 2,661

(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, 2021	260	(380)	126	1,368
Fiscal year ended Mar. 31, 2020	324	(292)	22	1,368

### 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, 2020	-	5.50	-	3.00	8.50	47	140.5	1.8
Fiscal year ended Mar. 31, 2021	-	3.00	-	3.00	6.00	33	(31.3)	1.3
Fiscal year ending Mar. 31, 2022 (forecast)	-	3.30	-	3.30	6.60		23.3	

### 3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022

(April 1, 2021 – March 31, 2022)

(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	5,723	10.0	(113)	-	(119)	-	(123)	-	(22.33)
Full year	12,403	6.5	360	-	345	613.9	157	-	28.36

**\* 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, 2021: 5,876,000 shares As of Mar. 31, 2020: 5,876,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2021: 324,760 shares As of Mar. 31, 2020: 322,560 shares

3) Average number of shares during the period

Fiscal year ended Mar. 31, 2021: 5,552,493 shares Fiscal year ended Mar. 31, 2020: 5,526,421 shares

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

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021**

**(April 1, 2020 – March 31, 2021)**

(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, 2021	11,267	(4.3)	170	(56.9)	143	(62.9)	(91)	-
Fiscal year ended Mar. 31, 2020	11,773	1.4	396	(12.9)	387	(38.8)	191	(51.3)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2021	(16.44)	-
Fiscal year ended Mar. 31, 2020	34.59	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	8,301	2,557	30.8	460.67
As of Mar. 31, 2020	8,330	2,679	32.2	482.42

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2021: 2,557

As of Mar. 31, 2020: 2,679

**2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022**

**(April 1, 2021 – March 31, 2022)**

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,521	9.9	(56)	-	(64)	-	(11.67)
Full year	12,009	6.6	421	193.9	231	-	41.72

\* 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 3, 2021. However, the event may be canceled due to the spread of the COVID-19 pandemic. In that case we will post a notice on our webpage.

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## 1. Overview of Results of Operations

### (1) Results of Operations

During the fiscal year that ended on March 31, 2021, the prolonged effect of the COVID-19 pandemic has made the economic outlook for Japan's economy 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. It has become increasingly important to provide appropriate learning environments as the need for online lessons is increasing rapidly amid the spread of the COVID-19 pandemic.

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 11,641 million yen, 4.7% lower than in the previous fiscal year and operating profit decreased 90.7% to 25 million yen. Ordinary profit decreased 80.8% to 48 million yen and loss attributable to owners of parent was 106 million yen compared with a profit of 33 million yen in the previous fiscal year.

Business segment performance was as follows.

#### 1) Education Services

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

Category	Nov. 30, 2019	Nov. 30, 2020	Change
Individual tutoring	17,660	16,611	(5.9)%
Class teaching	7,556	6,975	(7.7)%
Nursery school	647	699	+8.0%
Other education services	197	207	+5.1%
Total	26,060	24,492	(6.0)%

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.

The entrance exam preparation category (individual tutoring and class teaching) recovered gradually as we introduced summer classes and took other measures. However, the number of students at peak were lower than a year earlier as fiscal year started with a low number of students due to the COVID-19 pandemic.

In the nursery school category, the number of students increased due to more enrollment of new students. In the other education services category, the number of students increased at Kaisei Academy Japanese Language School along with higher number of admissions for the current fiscal year.

##### Number of Schools

Category	Mar. 31, 2020	Increase	Decrease	Mar. 31, 2021
Individual tutoring	217	10	4	223
Class teaching	96	0	11	85
Nursery school	17	0	0	17
Other education services	7	0	3	4
Directly operated schools	277	10	10	277
Franchised schools	35	3	3	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 its first FreeStep Individual Tutoring Institute, in Chiba Prefecture, thereby expanding its area of operations.

During the fiscal year that ended on March 31, 2021, seven directly operated schools were opened (2 in Osaka, 1 in Hyogo, 1 in Tokyo, 2 in Saitama and 1 in Chiba), three schools were converted to direct operation (2 in Osaka and 1 in Nara) and nine were closed (4 in Osaka, 1 in Shiga, 1 in Kyoto, 1 in Tokyo and 2 overseas), one directly operated school was converted to a franchised school (Kyoto). As a result, the number of directly operated schools as of March 31, 2021 remained at 277, unchanged from one year earlier.

In the franchised schools category, two new schools were opened (1 in Saitama and 1 in Tokushima), one was converted to a franchised school (Kyoto) and three were converted to direct operation (2 in Osaka and 1 in Nara). As a result, the number of franchised schools as of March 31, 2021 remained at 35, unchanged from one year earlier.

### Segment Sales and Earnings

In the entrance exam preparation category (individual tutoring and class teaching), the number of students at the beginning of the fiscal year was low because of the COVID-19 outbreak during the time that students register for the next year of classes. Cancellations of study camps and other events also held down sales. But the decline in sales was reduced by a strong recovery in the number of new students beginning with summer classes and by attendance at classes that replaced study camps and other events. In the nursery school category, sales increased because of strong growth in the number of students. In the other education services category, sales were lower than one year earlier. One reason is the continuing inability of most students planning to start classes in the fiscal year to enter Japan because of COVID-19 restrictions. A downturn in demand for the use of training facilities also brought down sales.

Expenses were lower than one year earlier. The main reasons are the cancelation of study camps and other special events, suspension of business trips, the decline in purchases of textbooks and other items for classes due to the smaller number of students, and a decrease in advertising expenses.

Segment sales decreased 4.4% from one year earlier to 11,541 million yen and operating profit decreased 71.9% to 88 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. Segment sales increased 10.7% from one year earlier to 41 million yen and operating profit decreased 4.1% to 34 million yen due to expenses for repairs.

#### 3) Restaurant Operations

The challenging business climate continued throughout the fiscal year for restaurant operations due to the spread of the COVID-19 pandemic. Although we reduced operating expenses by reassigning personnel and cutting costs, we were not able to offset the impact of decline in the number of customers. Segment sales decreased 46.6% to 58 million yen and there was an increase in the operating loss from 18 million yen one year earlier to 42 million yen.

## (2) Financial Position

Assets, liabilities and net assets

### 1) Assets

Current assets increased by 106 million yen, or 3.3%, from the end of the previous fiscal year to 3,311 million yen. This was attributable mainly to increases of 99 million yen in cash and deposits, and 58 million yen in trade accounts receivable, and decreases of 29 million yen in prepaid expenses included in other current assets and 26 million yen in merchandise.

Non-current assets decreased by 195 million yen, or 3.5%, from the end of the previous fiscal year to 5,378 million yen. This was mainly attributable to increases of 29 million yen in deferred tax assets and 25 million yen in software in progress included in other non-current assets, and decreases of 151 million yen in buildings and

structures, net, 43 million yen in tools, furniture and fixtures, net included in other, net of property, plant and equipment, 23 million yen in leased assets, net, and 17 million yen in guarantee deposits.

Total assets decreased by 88 million yen, or 1.0%, from the end of the previous fiscal year to 8,689 million yen.

## 2) Liabilities

Current liabilities increased by 325 million yen, or 9.7%, from the end of the previous fiscal year to 3,688 million yen. This was attributable mainly to increases of 262 million yen in current portion of long-term borrowings, 170 million yen in short-term borrowings, and 49 million yen in income taxes payable, and decreases of 55 million yen in accounts payable-other, 42 million yen in accrued consumption taxes included in other current liabilities, 29 million yen in accounts payable-trade, 15 million yen in accounts payable-personnel expenses included in other current liabilities, and 10 million yen in advances received.

Non-current liabilities decreased by 271 million yen, or 9.9%, from the end of the previous fiscal year to 2,482 million yen. This was attributable mainly to decreases of 254 million yen in long-term borrowings and 11 million yen in lease obligations.

Total liabilities increased by 53 million yen, or 0.9%, from the end of the previous fiscal year to 6,170 million yen.

## 3) Net assets

Net assets decreased by 142 million yen, or 5.4%, from the end of the previous fiscal year to 2,519 million yen. This was attributable mainly to a decrease of 139 million yen in retained earnings.

## (3) Cash Flows

### Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year increased 699 thousand 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 260 million yen (a decrease of 64 million yen compared with the previous fiscal year). Major positive factors include depreciation of 354 million yen and impairment loss of 98 million yen. Major negative factors include loss before income taxes of 45 million yen.

#### 2) Cash flows from investing activities

Net cash used in investing activities was 380 million yen (an increase of 87 million yen compared with the previous fiscal year). Major factors include proceeds from refund of guarantee deposits of 41 million yen, purchase of property, plant and equipment of 209 million yen, and payments into time deposits of 99 million yen.

#### 3) Cash flows from financing activities

Net cash provided by financing activities was 126 million yen (an increase of 103 million yen compared with the previous fiscal year). Major factors include proceeds from long-term borrowings of 700 million yen, net increase in short-term borrowings of 170 million yen and repayments of long-term borrowings of 691 million yen.

## Reference: Cash flow indicators

	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Equity ratio (%)	33.5	29.2	30.1	30.3	29.0
Equity ratio based on market value (%)	74.0	68.7	58.1	46.6	53.5
Interest-bearing debt to cash flow ratio (%)	478.7	827.9	397.5	1,042.7	1,361.9
Interest coverage ratio (times)	20.9	15.4	31.2	11.5	9.8

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

We expect that the current challenging business climate will continue in the next fiscal year as no end is in sight to the COVID-19 pandemic.

The SEIGAKUSHA Group is firmly committed to its mission of providing outstanding education services and will continue to base all activities on the central vision of "becoming one of Japan's leading companies by conducting operations that contribute to the growth and development of people."

##### a. Education Services

In the education services segment, we plan to open directly operated 17 schools and to increase the number of students to 25,973 as of the November peak period, 6.0% more than one year earlier.

In the individual tutoring category, we plan to open 15 directly operated schools and 10 franchised schools. To increase the number of students, we will take actions aimed at raising the percentage of prospective students who register for classes and reducing the attrition rate. Another goal is to increase the number of students who pass university entrance examinations in order to make the FreeStep brand even more powerful as a provider of classes that are successful at enabling students to pass these examinations. In the classroom tutoring category, we will close unprofitable locations and upgrade instruction skills in order to increase the number of students in each class. 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, Kaisei Academy Japanese Language School will strengthen its curriculum to meet the diversifying needs of international students.

##### b. 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.

##### c. Restaurant Operations

Our goal is to focus on increasing profitability by operating restaurants more efficiently.

Based on this outlook, we forecast an increase of 6.5% in net sales to 12,403 million yen, operating profit of 360 million yen (compared with a profit of 25 million yen in the current fiscal year), a 613.9% increase in ordinary profit to 345 million yen and profit attributable to owners of parent of 157 million yen (compared with a loss of 106 million yen in the current fiscal year).

## **(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 3.00 yen per share and we plan to submit a resolution at the shareholders meeting for a year-end dividend of 3.00 yen per share. If this resolution is approved, the fiscal year dividend will be 6.00 yen per share. For the fiscal year ending in March 2022, we plan to pay interim and year-end dividends of 3.30 yen, resulting in a fiscal year dividend of 6.60 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)

	FY3/20 (As of Mar. 31, 2020)	FY3/21 (As of Mar. 31, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	1,654,845	1,754,567
Trade accounts receivable	1,065,003	1,123,207
Merchandise	90,810	63,949
Work in process	4,877	1,664
Supplies	15,729	12,216
Other	390,993	365,148
Allowance for doubtful accounts	(17,376)	(9,142)
<b>Total current assets</b>	<b>3,204,884</b>	<b>3,311,611</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	4,268,487	4,213,114
Accumulated depreciation	(1,529,669)	(1,625,608)
<b>Buildings and structures, net</b>	<b>2,738,817</b>	<b>2,587,506</b>
Land	1,107,259	1,107,259
Leased assets	237,448	219,513
Accumulated depreciation	(152,802)	(158,224)
<b>Leased assets, net</b>	<b>84,646</b>	<b>61,289</b>
Construction in progress	216	216
Other	840,307	832,306
Accumulated depreciation	(629,011)	(664,432)
<b>Other, net</b>	<b>211,295</b>	<b>167,874</b>
<b>Total property, plant and equipment</b>	<b>4,142,234</b>	<b>3,924,144</b>
<b>Intangible assets</b>		
Goodwill	23,869	22,681
Other	138,983	160,892
<b>Total intangible assets</b>	<b>162,852</b>	<b>183,573</b>
<b>Investments and other assets</b>		
Investment securities	30,695	34,523
Long-term loans receivable	56,724	48,783
Deferred tax assets	138,299	167,474
Guarantee deposits	948,413	931,322
Other	94,443	88,298
<b>Total investments and other assets</b>	<b>1,268,576</b>	<b>1,270,401</b>
<b>Total non-current assets</b>	<b>5,573,664</b>	<b>5,378,119</b>
<b>Total assets</b>	<b>8,778,548</b>	<b>8,689,731</b>

	(Thousands of yen)	
	FY3/20	FY3/21
	(As of Mar. 31, 2020)	(As of Mar. 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	214,326	185,129
Short-term borrowings	530,000	700,000
Current portion of long-term borrowings	625,122	887,678
Lease obligations	20,641	13,192
Income taxes payable	90,160	139,999
Advances received	752,607	742,560
Provision for bonuses	134,680	129,923
Accounts payable-other	527,527	472,407
Asset retirement obligations	4,587	6,316
Other	463,324	410,794
<b>Total current liabilities</b>	<b>3,362,980</b>	<b>3,688,002</b>
<b>Non-current liabilities</b>		
Long-term borrowings	2,166,077	1,911,739
Lease obligations	44,782	32,974
Retirement benefit liability	5,752	7,945
Deferred tax liabilities	41,699	40,482
Asset retirement obligations	469,764	462,815
Other	25,672	26,498
<b>Total non-current liabilities</b>	<b>2,753,749</b>	<b>2,482,455</b>
<b>Total liabilities</b>	<b>6,116,729</b>	<b>6,170,458</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	2,517,418	2,377,534
Treasury shares	(265,655)	(265,655)
<b>Total shareholders' equity</b>	<b>2,665,221</b>	<b>2,525,337</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,324	5,138
Foreign currency translation adjustment	(5,725)	(11,203)
<b>Total accumulated other comprehensive income</b>	<b>(3,401)</b>	<b>(6,064)</b>
<b>Total net assets</b>	<b>2,661,819</b>	<b>2,519,272</b>
<b>Total liabilities and net assets</b>	<b>8,778,548</b>	<b>8,689,731</b>

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

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net sales	12,220,134	11,641,859
Cost of sales	9,961,704	9,748,513
Gross profit	2,258,429	1,893,346
Selling, general and administrative expenses	1,985,979	1,867,982
Operating profit	272,449	25,363
Non-operating income		
Interest income	1,351	1,440
Dividend income	976	754
Subsidy income	880	9,120
Penalty income	-	6,250
Compensation for forced relocation	-	18,401
Subsidy income	-	12,032
Foreign exchange gains	1,737	2,744
Other	14,394	5,910
Total non-operating income	19,338	56,654
Non-operating expenses		
Interest expenses	28,431	26,570
Other	11,990	7,115
Total non-operating expenses	40,422	33,686
Ordinary profit	251,366	48,331
Extraordinary income		
Gain on sale of businesses	-	4,840
Total extraordinary income	-	4,840
Extraordinary losses		
Loss on valuation of investment securities	879	226
Loss on valuation of golf club membership	1,298	-
Impairment losses	68,370	98,373
Total extraordinary losses	70,548	98,600
Profit (loss) before income taxes	180,818	(45,428)
Income taxes-current	139,603	92,771
Income taxes-deferred	7,802	(31,632)
Total income taxes	147,406	61,138
Profit (loss)	33,412	(106,567)
Profit attributable to non-controlling interests	-	-
Profit (loss) attributable to owners of parent	33,412	(106,567)

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY3/20	FY3/21
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Profit (loss)	33,412	(106,567)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,702)	2,814
Foreign currency translation adjustment	(5,452)	(5,477)
Total other comprehensive income	(7,155)	(2,662)
Comprehensive income	26,256	(109,229)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,256	(109,229)
Comprehensive income attributable to non-controlling interests	-	-

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

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 (loss) 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 (loss) 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

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	235,108	178,349	2,517,418	(265,655)	2,665,221
Changes during period					
Dividends of surplus			(33,317)		(33,317)
Profit (loss) attributable to owners of parent			(106,567)		(106,567)
Disposal of treasury shares		-		-	-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(139,884)	-	(139,884)
Balance at end of period	235,108	178,349	2,377,534	(265,655)	2,525,337

	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	2,324	(5,725)	(3,401)	2,661,819
Changes during period				
Dividends of surplus				(33,317)
Profit (loss) attributable to owners of parent				(106,567)
Disposal of treasury shares				-
Net changes in items other than shareholders' equity	2,814	(5,477)	(2,662)	(2,662)
Total changes during period	2,814	(5,477)	(2,662)	(142,546)
Balance at end of period	5,138	(11,203)	(6,064)	2,519,272

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

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	180,818	(45,428)
Depreciation	362,146	354,327
Impairment losses	68,370	98,373
Amortization of goodwill	3,964	5,160
Amortization of long-term prepaid expenses	10,202	10,801
Increase (decrease) in allowance for doubtful accounts	(900)	(8,234)
Gain on maturity of insurance contract	(23,999)	-
Interest expenses	28,431	26,570
Subsidy income	(880)	(9,120)
Compensation for forced relocation	-	(18,401)
Subsidy income	-	(12,032)
Decrease (increase) in trade receivables	7,354	(37,596)
Decrease (increase) in accounts receivable-other	(12,180)	(38,993)
Decrease (increase) in inventories	(10,264)	33,586
Decrease (increase) in prepaid expenses	(19,591)	39,713
Increase (decrease) in trade payables	9,666	(29,197)
Increase (decrease) in advances received	20,038	(10,004)
Increase (decrease) in accounts payable-other	(119,412)	(31,223)
Increase (decrease) in accrued expenses	31,934	(17,419)
Increase (decrease) in accrued consumption taxes	71,875	(40,492)
Other, net	(3,978)	32,754
Subtotal	603,596	303,144
Interest and dividends received	966	1,922
Interest paid	(28,253)	(26,556)
Income taxes paid	(254,574)	(49,297)
Income taxes refund	3,016	700
Proceeds from compensation for forced relocation	-	18,401
Subsidies received	-	12,032
Net cash provided by (used in) operating activities	324,751	260,346
Cash flows from investing activities		
Payments into time deposits	(91,516)	(99,022)
Proceeds from cancellation of insurance contract	23,999	-
Purchase of property, plant and equipment	(420,204)	(209,361)
Purchase of intangible assets	(31,821)	(75,995)
Subsidies received	279,494	8,520
Payments for asset retirement obligations	(3,088)	(27,818)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	22,531	-
Payments for acquisition of businesses	(3,094)	(2,590)
Proceeds from sale of businesses	-	5,863
Payments of guarantee deposits	(86,535)	(26,359)
Proceeds from refund of guarantee deposits	13,712	41,600
Other payments	(6,167)	(4,348)
Other proceeds	9,969	9,164
Net cash provided by (used in) investing activities	(292,720)	(380,348)

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(66,668)	170,000
Proceeds from long-term borrowings	858,250	700,000
Repayments of long-term borrowings	(694,186)	(691,781)
Dividends paid	(59,843)	(33,427)
Other payments	(15,124)	(18,572)
Net cash provided by (used in) financing activities	22,427	126,218
Effect of exchange rate change on cash and cash equivalents	(5,751)	(5,517)
Net increase (decrease) in cash and cash equivalents	48,706	699
Cash and cash equivalents at beginning of period	1,319,467	1,368,174
Cash and cash equivalents at end of period	1,368,174	1,368,873



**(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. (changed the name to KAISEI CHILD CARE CO.,LTD on April 1, 2021)

APLIS INTERNATIONAL EDUCATION CORP.

SEIGAKUSHA KOREA CO.,LTD.

Knospear Inc.

SEIGAKUSHA VIETNAM COMPANY LIMITED

## 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 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)

## 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.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July

4, 2019)

- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

#### 1. Summary

In order to improve comparability with international accounting standards, the ASBJ developed the “Accounting Standard for Fair Value Measurement” and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” and provided guidance on fair value measurements. These standard and guidance are applied to the fair value of the following items.

- Financial instruments under the Accounting Standard for Financial Instruments
- Inventories held for trading purposes in accordance with the “Accounting Standard for Measurement of Inventories”

In addition, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised to include notes on the breakdown of the fair value of financial instruments by level.

#### 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 standards and guidances

The effects on the consolidated financial statements of the application of the above accounting standards and guidances are under assessment.

### **Reclassifications**

#### Consolidated Statement of income

“Loss on retirement of non-current assets” under “Non-operating expenses” presented as a separate item in FY3/20, is included in “Other” in FY3/21 as it has become insignificant. To conform to this change, the consolidated financial statements for FY3/20 has been reclassified.

Accordingly, “Loss on retirement of non-current assets” (8 million yen) and “Other” (3 million yen) under “Non-operating expenses” shown on the consolidated statement of income in FY3/20 has been reclassified to “Other” (11 million yen).

### **Additional Information**

We expect the difficult business environment to continue as there is no end in sight to the COVID-19 pandemic. Accounting estimates such as impairment of non-current assets and recoverability of deferred tax assets are based on the assumption that operating profit will recover gradually with the start of vaccination in Japan. Nevertheless, there are many uncertainties about the impact of the spread of the COVID-19 pandemic. This may affect the financial position and operating results of the Group in the next fiscal year.

## 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

FY3/20 (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.

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(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	11,541,989	41,790	58,078	11,641,859	-	11,641,859
Inter-segment sales and transfers	-	28,181	-	28,181	(28,181)	-
Total	11,541,989	69,972	58,078	11,670,040	(28,181)	11,641,859
Segment profit (loss)	88,053	34,057	(42,583)	79,527	(54,164)	25,363
Segment assets	6,270,166	565,075	14,212	6,849,454	1,840,276	8,689,731
Other items						
Depreciation	319,747	4,060	1,671	325,479	28,848	354,327
Increase in property, plant and equipment and intangible assets	259,670	10,546	530	270,746	31,817	302,564

Notes: 1. Adjustments are as follows.

- (1) The minus 54 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 1,840 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

FY3/20 (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

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Impairment loss	96,459	-	1,914	-	98,373

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

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

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Amortization for the period	5,160	-	-	-	5,160
Balance at end of period	22,681	-	-	-	22,681

Information related to gain on bargain purchase for each reportable segment

Not applicable.

**Per Share Information**

(Yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net assets per share	479.31	453.82
Net income (loss) per share	6.05	(19.19)

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

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net income (loss) per share		
Profit (loss) attributable to owners of parent	33,412	(106,567)
Amounts not available to common shareholders	-	-
Profit (loss) attributable to owners of parent available to common shares	33,412	(106,567)
Average number of common shares during the period (Shares)	5,526,421	5,552,493

**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.*