

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2022
(Six Months Ended September 30, 2021)

[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 filing of Quarterly Report:

November 12, 2021

Scheduled date of payment of dividend:

December 9, 2021

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly 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 Six Months Ended September 30, 2021****(April 1, 2021 – September 30, 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	%
Six months ended Sep. 30, 2021	5,764	10.8	96	-	118	-	76	-
Six months ended Sep. 30, 2020	5,202	(7.9)	(372)	-	(374)	-	(309)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2021: 72 (-%)

Six months ended Sep. 30, 2020: (313) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2021	13.81	-
Six months ended Sep. 30, 2020	(55.70)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2021	8,029	2,582	32.2
As of Mar. 31, 2021	8,689	2,519	29.0

Reference: Shareholders' equity (million yen) As of Sep. 30, 2021: 2,582 As of Mar. 31, 2021: 2,519

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	3.00	-	3.00	6.00
Fiscal year ending Mar. 31, 2022	-	3.30			
Fiscal year ending Mar. 31, 2022 (forecast)			-	3.30	6.60

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

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
Full year	12,403	6.5	360	-	345	613.9	157	-	28.36

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

*** Notes**

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

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to page 12 “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” for details.

(4) Number of issued shares (common stock)

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

As of Sep. 30, 2021:	5,876,000 shares	As of Mar. 31, 2021:	5,876,000 shares
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2) Number of treasury shares at the end of period

As of Sep. 30, 2021:	324,760 shares	As of Mar. 31, 2021:	324,760 shares
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3) Average number of shares during the period

Six months ended Sep. 30, 2021:	5,551,240 shares	Six months ended Sep. 30, 2020:	5,553,071 shares
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* The current quarterly summary report is not subject to quarterly review 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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 5 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The SEIGAKUSHA Group meets a broad array of education and childcare needs as an education organization centered on education and childcare services extending from pre-school children to adults. 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.

There were significant restrictions on social and economic activity in Japan during the first half of the current fiscal year due to the pandemic because of states of emergency and many other actions to stop the spread of COVID-19. The outlook for the business climate for the SEIGAKUSHA Group remains unclear as a result. Consolidated net sales in the first half were 5,764 million yen, 10.8% higher than in the same period of the previous fiscal year. The operating profit was 96 million yen, compared with operating loss of 372 million yen in the same period of the previous fiscal year, the ordinary profit was 118 million yen, compared with ordinary loss of 374 million yen in the same period of the previous fiscal year, and loss attributable to owners of parent was 76 million yen, compared with a loss of 309 million yen in the same period of the previous fiscal year. This was the first operating profit in the first half of a fiscal year since the first half of the fiscal year that ended in March 2015. A strong performance by the education services segment was the major reason for this accomplishment.

Beginning with the first quarter of the current fiscal year, the group has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021). Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” for details.

Business segment performance was as follows.

1) Education Services

Number of Students at SEIGAKUSHA Group Schools (Note 1)

Category	Sep. 30, 2020	Sep. 30, 2021	Change
Individual tutoring	15,721	17,367	+10.5%
Class teaching	6,856	6,966	+1.6%
Nursery school	692	722	+4.3%
Other education services	356	148	(58.4)%
Total	23,625	25,203	+6.7%

Notes: 1. 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.

2. Beginning with the current fiscal year, the students of the FreeStep Individual Tutoring Institute are no longer included in the number of students at SEIGAKUSHA Group schools. Figures for the prior fiscal year have been revised to reflect this change.

In the individual tutoring category, FreeStep Individual Tutoring Institute, the core brand in this category with an excellent reputation for university entrance exams, set a new record for students who passed examinations for premier universities. In addition, the number of entrance exam preparation students increased by more than 10% from one year earlier. This growth was attributable to the use of My Step Log, which is part of SEIGAKUSHA's proprietary LMS (Learning Management System), upgrades to the website for members, and other actions. In the class teaching category, the program for Osaka City Integrated Junior and Senior High School students continued to perform well, which raised the number of elementary school students attending entrance exam preparation classes for this integrated school. This category also added external students to its summer classes and took other actions. As a result, the number of students in the class teaching category increased even though 11 schools were closed during the previous fiscal year.

In the nursery school category, the number of new students increased. In the other education services category, the number of students decreased because of a change in consulting operations for the operation of a kindergarten in Da Nang, Vietnam

Number of Schools

Category	Mar. 31, 2021	Increase	Decrease	Sep. 30, 2021
Individual tutoring	223	4	2	225
Class teaching	85	0	0	85
Nursery school	17	0	0	17
Other education services	4	0	0	4
Directly operated schools	277	3	2	278
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.

During the first half, one directly operated school was opened (1 in Osaka), three schools were converted to direct operation (2 in Osaka and 1 in Tokyo) and two directly operated school was converted to a franchised school (1 in Osaka and 1 in Tokyo).

In the franchised schools category, one new school was opened (1 in Chiba), two were converted to a franchised school (1 in Osaka and 1 in Tokyo) and three were converted to direct operation (2 in Osaka and 1 in Tokyo).

Segment Sales and Earnings

In the entrance exam preparation category (individual tutoring and class teaching), schools offered both face-to-face and interactive online lessons to meet the needs of students and their parents and guardians. All activities are accompanied by numerous pandemic safety measures.

The number of students has been recovering steadily since July 2020 and summer training seminars posted a strong performance in terms of the number of participants and tuition received for these seminars. As a result, sales in this category were higher than one year earlier. In the nursery school category, sales were lower than one year earlier because of notices from the government of the payment of nursery school operating subsidies were later than usual in 2021. Expenses in this category decreased significantly as a percentage of sales for several reasons. Recruitment advertising expenses decreased because many university students are applying for instructor positions. The growth of personnel expenses was held down by an increase in the share of individual lessons. In addition, the pandemic reduced expenses for business travel, special events and other activities due to numerous restrictions for safety.

Segment sales increased 11.0% from one year earlier to 5,726 million yen and the operating profit was 124 million yen, compared with an operating loss of 341 million yen in the same period of the previous fiscal year.

2) Real Estate Leasing

There were no significant changes during the first half in the amount of space available for leasing or the occupancy rate. Segment sales increased 5.4% from one year earlier to 21 million yen and operating profit decreased 20.6% to 14 million yen due to a reexamination of the standards for determining expenses for this segment.

3) Restaurant Operations

The business climate remained challenging because of the inability to sell alcoholic beverages and other restrictions on restaurant operations because of the pandemic. Restaurants focused operations on weekday lunches, a sector where there is relatively stable demand. Sales decreased 30.3% from one year earlier to 15 million yen because one restaurant was closed in April 2021. The operating loss decreased from 19 million yen to 11 million yen because of closing of a restaurant that was unprofitable, higher efficiency at existing locations and other reasons.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets at the end of the second quarter of the current fiscal year decreased by 659 million yen, or 7.6%, from the end of the previous fiscal year to 8,029 million yen. Current assets decreased by 518 million yen, or 15.7%, from the end of the previous fiscal year to 2,792 million yen. This was attributable mainly to decreases of 308 million yen in trade accounts receivable and contract assets, 164 million yen in cash and deposits, 23 million yen in accounts receivable-other included in other current assets and 16 million yen in merchandise. Non-current assets decreased by 141 million yen, or 2.6%, from the end of the previous fiscal year to 5,236 million yen. This was mainly attributable to decreases of 47 million yen in deferred tax assets included in other of the investments and other assets, 39 million yen in property, plant and equipment, 29 million yen in guarantee deposits and 22 million yen in investment securities included in other of the investments and other assets.

Total liabilities decreased by 723 million yen, or 11.7%, from the end of the previous fiscal year to 5,447 million yen. Current liabilities decreased by 1,066 million yen, or 28.9%, from the end of the previous fiscal year to 2,621 million yen. This was attributable mainly to an increase of 35 million yen in provision for bonuses, and decreases of 590 million yen in short-term borrowings, 242 million yen in accounts payable-other included in other current liabilities, 84 million yen in income taxes payable, 72 million yen in accounts payable-trade, 43 million yen in accounts payable-personnel expenses included in other current liabilities, 38 million yen in accrued consumption taxes included in other current liabilities and 29 million yen in current portion of long-term borrowings. Non-current liabilities increased by 343 million yen, or 13.8%, from the end of the previous fiscal year to 2,825 million yen. This was attributable mainly to an increase of 341 million yen in long-term borrowings.

Net assets increased by 63 million yen, or 2.5%, from the end of the previous fiscal year to 2,582 million yen. This was attributable mainly to an increase of 67 million yen in retained earnings.

2) Cash flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the second quarter of the current fiscal year decreased by 23 million yen from the end of the previous fiscal year to 1,345 million yen.

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

Cash flows from operating activities

Net cash provided by operating activities was 236 million yen (compared with net cash used of 342 million yen in the same period of the previous fiscal year). Major positive factors include a decrease in trade receivables of 280 million yen, depreciation of 165 million yen and profit before income taxes of 129 million yen. Major negative factors include a decrease in accounts payable-other of 204 million yen and income taxes paid of 92 million yen.

Cash flows from investing activities

Net cash provided by investing activities was 41 million yen (compared with net cash used of 180 million yen in the same period of the previous fiscal year). Major factors include purchase of property, plant and equipment of 111 million yen and proceeds from withdrawal of time deposits of 175 million yen.

Cash flows from financing activities

Net cash used in financing activities was 300 million yen (compared with net cash provided of 406 million yen in the same period of the previous fiscal year). Major factors include proceeds from long-term borrowings of 850 million yen, net decrease in short-term borrowings of 590 million yen and repayments of long-term borrowings of 537 million yen.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

At this point, we maintain the full-year consolidated forecasts for the fiscal year ending March 31, 2022 that we announced on May 14, 2021.

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

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

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	1,754,567	1,590,365
Trade accounts receivable	1,123,207	-
Trade accounts receivable and contract assets	-	814,570
Merchandise	63,949	47,047
Work in process	1,664	207
Supplies	12,216	17,690
Other	365,148	330,903
Allowance for doubtful accounts	(9,142)	(7,872)
Total current assets	3,311,611	2,792,913
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,213,114	4,271,524
Accumulated depreciation	(1,625,608)	(1,716,309)
Buildings and structures, net	2,587,506	2,555,214
Land	1,107,259	1,107,259
Other	1,052,036	1,070,661
Accumulated depreciation	(822,656)	(848,648)
Other, net	229,379	222,013
Total property, plant and equipment	3,924,144	3,884,487
Intangible assets		
Goodwill	22,681	22,747
Other	160,892	171,828
Total intangible assets	183,573	194,576
Investments and other assets		
Guarantee deposits	931,322	901,377
Other	339,079	256,417
Total investments and other assets	1,270,401	1,157,795
Total non-current assets	5,378,119	5,236,858
Total assets	8,689,731	8,029,772

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	185,129	112,660
Short-term borrowings	700,000	110,000
Current portion of long-term borrowings	887,678	858,306
Income taxes payable	139,999	55,668
Advances received	742,560	755,352
Provision for bonuses	129,923	165,847
Other	902,710	563,510
Total current liabilities	3,688,002	2,621,346
Non-current liabilities		
Long-term borrowings	1,911,739	2,253,425
Retirement benefit liability	7,945	6,296
Asset retirement obligations	462,815	460,548
Other	99,955	105,575
Total non-current liabilities	2,482,455	2,825,845
Total liabilities	6,170,458	5,447,192
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	2,377,534	2,444,574
Treasury shares	(265,655)	(265,655)
Total shareholders' equity	2,525,337	2,592,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,138	-
Foreign currency translation adjustment	(11,203)	(9,796)
Total accumulated other comprehensive income	(6,064)	(9,796)
Total net assets	2,519,272	2,582,579
Total liabilities and net assets	8,689,731	8,029,772

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Six-month Period)**

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	5,202,580	5,764,341
Cost of sales	4,690,574	4,804,748
Gross profit	512,005	959,593
Selling, general and administrative expenses	884,478	862,829
Operating profit (loss)	(372,473)	96,764
Non-operating income		
Interest income	511	994
Dividend income	433	725
Penalty income	5,650	11,000
Subsidy income	-	13,156
Other	9,692	10,390
Total non-operating income	16,287	36,266
Non-operating expenses		
Interest expenses	13,469	13,748
Other	4,678	937
Total non-operating expenses	18,148	14,685
Ordinary profit (loss)	(374,334)	118,345
Extraordinary income		
Gain on sale of non-current assets	-	94
Gain on sale of investment securities	-	7,894
Gain on sale of businesses	-	8,064
Total extraordinary income	-	16,052
Extraordinary losses		
Loss on sale of investment securities	-	315
Impairment losses	11,612	3,418
Loss on store closings	-	1,100
Total extraordinary losses	11,612	4,834
Profit (loss) before income taxes	(385,947)	129,563
Income taxes-current	2,568	7,637
Income taxes-deferred	(79,233)	45,271
Total income taxes	(76,665)	52,909
Profit (loss)	(309,282)	76,653
Profit (loss) attributable to owners of parent	(309,282)	76,653

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

	(Thousands of yen)	
	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Profit (loss)	(309,282)	76,653
Other comprehensive income		
Valuation difference on available-for-sale securities	446	(5,138)
Foreign currency translation adjustment	(4,393)	1,407
Total other comprehensive income	(3,946)	(3,731)
Comprehensive income	(313,229)	72,921
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(313,229)	72,921
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(385,947)	129,563
Depreciation	175,080	165,452
Impairment losses	11,612	3,418
Amortization of goodwill	2,504	2,740
Amortization of long-term prepaid expenses	5,143	5,329
Increase (decrease) in allowance for doubtful accounts	(4,005)	(1,270)
Increase (decrease) in provision for bonuses	37,956	35,923
Interest expenses	13,469	13,748
Subsidy income	-	(13,156)
Decrease (increase) in trade receivables	245,050	280,615
Decrease (increase) in accounts receivable-other	(2,133)	32,809
Decrease (increase) in inventories	20,425	12,884
Decrease (increase) in advance payments to suppliers	(7,601)	10,357
Increase (decrease) in trade payables	(127,682)	(72,479)
Increase (decrease) in accounts payable-other	(216,828)	(204,177)
Increase (decrease) in advances received	88,773	24,857
Increase (decrease) in accrued expenses	(61,730)	(43,064)
Increase (decrease) in accrued consumption taxes	(103,085)	(34,755)
Increase (decrease) in deposits received	(1,299)	(10,239)
Other, net	18,137	(19,394)
Subtotal	(292,159)	319,165
Interest and dividends received	614	1,201
Interest paid	(13,605)	(13,709)
Income taxes paid	(38,436)	(92,537)
Income taxes refund	604	8,885
Subsidies received	-	13,156
Net cash provided by (used in) operating activities	(342,982)	236,162
Cash flows from investing activities		
Payments into time deposits	(49,509)	(34,502)
Proceeds from withdrawal of time deposits	-	175,012
Proceeds from sale of investment securities	300	22,892
Purchase of property, plant and equipment	(89,155)	(111,602)
Purchase of intangible assets	(49,997)	(33,459)
Payments for asset retirement obligations	(19,887)	(33,054)
Payments for acquisition of businesses	(1,725)	(3,886)
Proceeds from sale of businesses	-	9,143
Payments of guarantee deposits	(8,240)	(9,460)
Proceeds from refund of guarantee deposits	33,101	59,595
Other payments	-	(4,825)
Other proceeds	5,052	5,410
Net cash provided by (used in) investing activities	(180,062)	41,262

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	63,336	(590,000)
Proceeds from long-term borrowings	700,000	850,000
Repayments of long-term borrowings	(330,457)	(537,685)
Dividends paid	(16,757)	(16,608)
Other payments	(9,604)	(6,365)
Net cash provided by (used in) financing activities	406,516	(300,659)
Effect of exchange rate change on cash and cash equivalents	(3,618)	(457)
Net increase (decrease) in cash and cash equivalents	(120,148)	(23,691)
Cash and cash equivalents at beginning of period	1,368,174	1,368,873
Cash and cash equivalents at end of period	1,248,025	1,345,181

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

SEIGAKUSHA started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. Accordingly, SEIGAKUSHA has changed its method of recognizing revenue from some of its courses by multiplying the number of lessons taken by the customer by the unit price, whereas revenue was recognized by dividing the total course fee evenly over the course period in prior years.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales increased 94 million yen and cost of sales increased 15 million yen. Operating profit, ordinary profit and profit before income taxes increased 79 million yen each in the first half of the current fiscal year. In addition, the new standard increased retained earnings at the beginning of the first half by 7 million yen.

Due to the application of the Accounting Standard for Revenue Recognition, "Trade accounts receivable" that was presented in the "Current assets" section of the consolidated balance sheet in the previous fiscal year is, from the first quarter of the current fiscal year, included in "Trade accounts receivable and contract assets." In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), SEIGAKUSHA has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

Application of the Accounting Standards for Measurement of Fair Value

SEIGAKUSHA has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies prescribed in the Accounting Standard for Measurement of Fair Value prospectively in accordance with the transitional measures in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of this change on the quarterly consolidated financial statements.

Segment and Other Information

Segment information

I. First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

1. Information related to net sales, profit or loss for each reportable segment (Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts recorded in quarterly consolidated statement of income (Note 2)
	Education Services	Real Estate Leasing	Restaurant Operations	Total		
Net sales						
External sales	5,159,308	20,337	22,933	5,202,580	-	5,202,580
Inter-segment sales and transfers	-	13,521	-	13,521	(13,521)	-
Total	5,159,308	33,858	22,933	5,216,101	(13,521)	5,202,580
Segment profit (loss)	(341,182)	17,736	(19,563)	(343,009)	(29,463)	(372,473)

Notes: 1. The minus 29 million yen adjustment to segment profit (loss) is corporate expenses that cannot be allocated to any of the reportable segments. These corporate expenses mainly include general and administration expenses that cannot be attributed to any of the reportable segments.

2. Segment profit (loss) is adjusted with operating loss on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

An impairment loss was recognized in the Education Services segment. The amount of this loss in the first six months of FY3/21 was 11 million yen.

II. First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

1. Information related to net sales, profit or loss for each reportable segment and breakdown of revenue (Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts recorded in quarterly consolidated statement of income (Note 2)
	Education Services	Real Estate Leasing	Restaurant Operations	Total		
Net sales						
Entrance exam preparation schools	4,962,061	-	-	4,962,061	-	4,962,061
Nursery schools	598,414	-	-	598,414	-	598,414
Other education services	166,429	-	-	166,429	-	166,429
Restaurant	-	-	15,995	15,995	-	15,995
Revenue from contracts with customers	5,726,906	-	15,995	5,742,901	-	5,742,901
Other revenue	-	21,440	-	21,440	-	21,440
External sales	5,726,906	21,440	15,995	5,764,341	-	5,764,341
Inter-segment sales and transfers	-	11,926	-	11,926	(11,926)	-
Total	5,726,906	33,367	15,995	5,776,268	(11,926)	5,764,341
Segment profit (loss)	124,127	14,090	(11,945)	126,272	(29,507)	96,764

Notes: 1. The minus 29 million yen adjustment to segment profit (loss) is corporate expenses that cannot be allocated to any of the reportable segments. These corporate expenses mainly include general and administration expenses that cannot be attributed to any of the reportable segments.

2. Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

An impairment loss was recognized in the Education Services segment. The amount of this loss in the first six months of FY3/22 was 3 million yen.

3. Information related to revisions for reportable segments

As described in Changes in Accounting Policies, SEIGAKUSHA has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of FY3/22 and changed the accounting method for revenue recognition, so the method for calculating profit or loss in the business segment has been changed as well.

As a result of this change, compared with the previous method, net sales and segment profit in the Education Services segment for the first six months of FY3/22 increased by 94 million yen and 79 million yen, respectively.

Additional Information

There are no significant revisions to assumptions, including for the effects and end of COVID-19, explained in the additional information in the Securities Report for the fiscal year that ended in March 2021.

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.