

Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2022
(Nine Months Ended December 31, 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:

February 14, 2022

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting:

None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021**(April 1, 2021 – December 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	%
Nine months ended Dec. 31, 2021	9,276	8.6	642	-	665	-	401	-
Nine months ended Dec. 31, 2020	8,541	(8.9)	22	(95.3)	17	(96.1)	(77)	-

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2021: 399 (-%)

Nine months ended Dec. 31, 2020: (82) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2021	72.28	-
Nine months ended Dec. 31, 2020	(13.99)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2021	9,370	2,891	30.9
As of Mar. 31, 2021	8,689	2,519	29.0

Reference: Shareholders' equity (million yen) As of Dec. 31, 2021: 2,891 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)				5.00	8.30

Note: Revisions to the most recently announced dividend forecast: Yes

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	12,388	6.4	587	-	591	-	283	-	51.04

Note: Revisions to the most recently announced consolidated forecast: Yes

*** 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 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) 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 Dec. 31, 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 Dec. 31, 2021:	324,960 shares	As of Mar. 31, 2021:	324,760 shares
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3) Average number of shares during the period

Nine months ended Dec. 31, 2021:	5,551,202 shares	Nine months ended Dec. 31, 2020:	5,552,737 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 3 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, Kaisei Academy Japanese Language School for foreign students in Japan and Kaisei Academy Korean Language School, a Korean language school specializing in medium to advanced level Korean language instruction.

Consolidated net sales in the first nine months were 9,276 million yen, 8.6% higher than in the same period of the previous fiscal year. The operating profit was 642 million yen, compared with operating profit of 22 million yen in the same period of the previous fiscal year, the ordinary profit was 665 million yen, compared with ordinary profit of 17 million yen in the same period of the previous fiscal year, and profit attributable to owners of parent was 401 million yen, compared with a loss of 77 million yen in the same period of the previous fiscal year.

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, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” for details.

Business segment performance was as follows.

1) Education Services

In November, which is normally when the number of students is the highest, there were 25,715 students at facilities operated directly by the SEIGAKUSHA Group. This was a significant increase of 5.2% compared to November 2020. Individual tutoring students increased 7.2% to 17,767, class teaching students increased 0.8% to 7,034, nursery school students increased 4.1% to 728, and students in other education services decreased 10.1% to 186. Beginning with the current fiscal year, the students the FreeStep at-school online individual tutoring service are no longer included in the number of students at SEIGAKUSHA Group schools. The number of students in the prior fiscal year have been revised to reflect this change.

In the entrance exam preparation category (individual tutoring and class teaching), the number of students has been recovering and we have also raised individual tutoring rates per student. As a result, sales in this category were higher than a year earlier. In the other education service categories, demand for the dispatch of instructors to schools has been strong. But total sales declined in this category because of the inability of students planning to attend the Kaisei Academy Japanese Language School to enter Japan due to COVID-19 restrictions. Higher sales pushed up segment costs. In response, we focused on running our business more efficiently by cutting back recruitment advertising expenses as the recruitment environment was favorable and slashing other expenses.

Segment sales increased 8.9% from one year earlier to 9,215 million yen and the operating profit increased 980.0% from one year earlier to 676 million yen, a significant improvement in profit levels.

2) Real Estate Leasing

There were no significant changes during the first nine months in the amount of space available for leasing or the occupancy rate. Segment sales increased 3.5% from one year earlier to 32 million yen and operating profit decreased 28.1% to 19 million yen due to the impact of properties that were partially leased.

3) Restaurant Operations

While the business climate remained challenging because of the COVID-19 pandemic, we have been able to attract a steady stream of customers for lunch on weekdays, and customers for dinner are also gradually recovering. Sales decreased 35.2% from one year earlier to 28 million yen because one restaurant was closed in

April 2021. The operating loss decreased from 25 million yen to 13 million yen because we held down costs by raising operating efficiency at existing locations and other reasons.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased by 680 million yen, or 7.8%, from the end of the previous fiscal year to 9,370 million yen. Current assets increased by 746 million yen, or 22.5%, from the end of the previous fiscal year to 4,058 million yen. This was attributable mainly to increases of 1,023 million yen in trade accounts receivable and contract assets and 69 million yen in accounts receivable-other included in other current assets, and decreases of 314 million yen in cash and deposits, 20 million yen in prepaid expenses included in other current assets and 19 million yen in merchandise. Non-current assets decreased by 66 million yen, or 1.2%, from the end of the previous fiscal year to 5,311 million yen. This was mainly attributable to an increase of 20 million yen in deferred tax assets included in other of the investments and other assets, and decreases of 51 million yen in property, plant and equipment, 22 million yen in investment securities included in other of the investments and other assets and 16 million yen in guarantee deposits.

Total liabilities increased by 308 million yen, or 5.0%, from the end of the previous fiscal year to 6,478 million yen. Current liabilities increased by 93 million yen, or 2.5%, from the end of the previous fiscal year to 3,781 million yen. This was attributable mainly to increases of 371 million yen in advances received, 144 million yen in income taxes payable, 121 million yen in accounts payable-personnel expenses included in other current liabilities, 112 million yen in deposits received included in other current liabilities and 58 million yen in accrued consumption taxes included in other current liabilities, and decreases of 450 million yen in short-term borrowings, 97 million yen in provision for bonuses, 83 million yen in accounts payable-trade, 47 million yen in accounts payable-other included in other current liabilities and 36 million yen in current portion of long-term borrowings. Non-current liabilities increased by 214 million yen, or 8.6%, from the end of the previous fiscal year to 2,697 million yen. This was attributable mainly to an increase of 210 million yen in long-term borrowings.

Net assets increased by 371 million yen, or 14.8%, from the end of the previous fiscal year to 2,891 million yen. This was attributable mainly to an increase of 373 million yen in retained earnings.

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

We have revised the consolidated earnings forecasts for the fiscal year ending March 31, 2022 which were announced on May 14, 2021. For more details, please refer to the “Notice concerning revisions of the full-year consolidated forecasts and dividend forecast (dividend increase)” (Japanese version only) released today (February 10, 2022).

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)	Third quarter of FY3/22 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,754,567	1,440,531
Trade accounts receivable	1,123,207	-
Trade accounts receivable and contract assets	-	2,146,978
Merchandise	63,949	44,010
Work in process	1,664	477
Supplies	12,216	18,037
Other	365,148	415,167
Allowance for doubtful accounts	(9,142)	(7,042)
Total current assets	3,311,611	4,058,160
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,213,114	4,309,848
Accumulated depreciation	(1,625,608)	(1,759,086)
Buildings and structures, net	2,587,506	2,550,762
Land	1,107,259	1,107,259
Other	1,052,036	1,075,168
Accumulated depreciation	(822,656)	(860,685)
Other, net	229,379	214,482
Total property, plant and equipment	3,924,144	3,872,504
Intangible assets		
Goodwill	22,681	21,424
Other	160,892	183,569
Total intangible assets	183,573	204,993
Investments and other assets		
Guarantee deposits	931,322	914,607
Other	339,079	319,744
Total investments and other assets	1,270,401	1,234,352
Total non-current assets	5,378,119	5,311,850
Total assets	8,689,731	9,370,011

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Third quarter of FY3/22 (As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	185,129	101,535
Short-term borrowings	700,000	250,000
Current portion of long-term borrowings	887,678	851,022
Income taxes payable	139,999	284,709
Advances received	742,560	1,114,519
Provision for bonuses	129,923	32,721
Other	902,710	1,147,305
Total current liabilities	3,688,002	3,781,814
Non-current liabilities		
Long-term borrowings	1,911,739	2,122,437
Retirement benefit liability	7,945	6,274
Asset retirement obligations	462,815	463,401
Other	99,955	105,020
Total non-current liabilities	2,482,455	2,697,133
Total liabilities	6,170,458	6,478,948
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	2,377,534	2,750,847
Treasury shares	(265,655)	(265,655)
Total shareholders' equity	2,525,337	2,898,649
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,138	-
Foreign currency translation adjustment	(11,203)	(7,587)
Total accumulated other comprehensive income	(6,064)	(7,587)
Total net assets	2,519,272	2,891,062
Total liabilities and net assets	8,689,731	9,370,011

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

(Thousands of yen)

	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)
Net sales	8,541,002	9,276,358
Cost of sales	7,195,796	7,330,695
Gross profit	1,345,205	1,945,663
Selling, general and administrative expenses	1,323,200	1,303,383
Operating profit	22,005	642,279
Non-operating income		
Interest income	533	1,294
Dividend income	749	725
Penalty income	6,250	11,000
Subsidy income	-	15,351
Other	13,265	17,078
Total non-operating income	20,799	45,451
Non-operating expenses		
Interest expenses	20,239	20,680
Other	5,031	1,687
Total non-operating expenses	25,270	22,368
Ordinary profit	17,534	665,362
Extraordinary income		
Gain on sale of non-current assets	-	92
Gain on sale of investment securities	-	7,894
Gain on sale of businesses	3,818	8,064
Total extraordinary income	3,818	16,050
Extraordinary losses		
Loss on sale of investment securities	-	315
Impairment losses	27,806	4,917
Loss on store closings	-	1,100
Total extraordinary losses	27,806	6,333
Profit (loss) before income taxes	(6,454)	675,080
Income taxes-current	133,928	295,227
Income taxes-deferred	(62,673)	(21,394)
Total income taxes	71,254	273,833
Profit (loss)	(77,709)	401,246
Profit (loss) attributable to owners of parent	(77,709)	401,246

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

	(Thousands of yen)	
	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)
Profit (loss)	(77,709)	401,246
Other comprehensive income		
Valuation difference on available-for-sale securities	363	(5,138)
Foreign currency translation adjustment	(4,948)	3,615
Total other comprehensive income	(4,585)	(1,522)
Comprehensive income	(82,294)	399,723
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(82,294)	399,723
Comprehensive income attributable to non-controlling interests	-	-

(3) 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 59 million yen and cost of sales increased 15 million yen. Operating profit, ordinary profit and profit before income taxes increased 44 million yen each in the first nine months of the current fiscal year. In addition, the new standard increased retained earnings at the beginning of the current fiscal year 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 nine months 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 nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 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	8,465,493	31,070	44,438	8,541,002	-	8,541,002
Inter-segment sales and transfers	-	20,851	-	20,851	(20,851)	-
Total	8,465,493	51,921	44,438	8,561,853	(20,851)	8,541,002
Segment profit (loss)	62,608	27,434	(25,865)	64,177	(42,172)	22,005

Notes: 1. The minus 42 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 nine months of FY3/21 was 27 million yen.

II. First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 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	8,006,466	-	-	8,006,466	-	8,006,466
Nursery schools	971,473	-	-	971,473	-	971,473
Other education services	237,477	-	-	237,477	-	237,477
Restaurant	-	-	28,780	28,780	-	28,780
Revenue from contracts with customers	9,215,417	-	28,780	9,244,197	-	9,244,197
Other revenue	-	32,160	-	32,160	-	32,160
External sales	9,215,417	32,160	28,780	9,276,358	-	9,276,358
Inter-segment sales and transfers	-	17,496	-	17,496	(17,496)	-
Total	9,215,417	49,656	28,780	9,293,854	(17,496)	9,276,358
Segment profit (loss)	676,176	19,734	(13,938)	681,972	(39,693)	642,279

Notes: 1. The minus 39 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 nine months of FY3/22 was 4 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 nine months of FY3/22 increased by 59 million yen and 44 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.