

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]

Company name: SEIGAKUSHA CO.,LTD. Listing: Tokyo Stock Exchange
 Stock code: 2179 URL: <https://www.kaisei-group.co.jp/>
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Scheduled date of Annual General Meeting of Shareholders: June 28, 2022

Scheduled date of payment of dividend: June 29, 2022

Scheduled date of filing of Annual Securities Report: June 28, 2022

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, 2022 (April 1, 2021 – March 31, 2022)

(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, 2022	12,333	5.9	640	-	655	-	331	-
Fiscal year ended Mar. 31, 2021	11,641	(4.7)	25	(90.7)	48	(80.8)	(106)	-

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2022: 323 (-%)

Fiscal year ended Mar. 31, 2021: (109) (-%)

	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, 2022	59.75	-	12.4	7.6	5.2
Fiscal year ended Mar. 31, 2021	(19.19)	-	(4.1)	0.6	0.2

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2022: - Fiscal year ended Mar. 31, 2021: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	8,488	2,815	33.2	507.25
As of Mar. 31, 2021	8,689	2,519	29.0	453.82

Reference: Shareholders' equity (million yen) As of Mar. 31, 2022: 2,815 As of Mar. 31, 2021: 2,519

(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, 2022	1,042	(190)	(748)	1,466
Fiscal year ended Mar. 31, 2021	260	(380)	126	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, 2021	-	3.00	-	3.00	6.00	33	-	1.3
Fiscal year ended Mar. 31, 2022	-	3.30	-	5.00	8.30	46	13.9	1.7
Fiscal year ending Mar. 31, 2023 (forecast)	-	8.50	-	8.50	17.00		25.7	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	5,902	2.4	75	(22.2)	65	(44.3)	33	(55.8)	6.11
Full year	12,756	3.4	646	0.9	626	(4.4)	367	10.7	66.14

*** 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: 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 15 “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies” for details.

(3) Number of issued shares (common stock)

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

As of Mar. 31, 2022: 5,876,000 shares As of Mar. 31, 2021: 5,876,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2022: 325,860 shares As of Mar. 31, 2021: 324,760 shares

3) Average number of shares during the period

Fiscal year ended Mar. 31, 2022: 5,551,151 shares Fiscal year ended Mar. 31, 2021: 5,552,493 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022

(April 1, 2021 – March 31, 2022)

(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, 2022	11,981	6.3	660	286.7	641	347.0	271	-
Fiscal year ended Mar. 31, 2021	11,267	(4.3)	170	(56.9)	143	(62.9)	(91)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2022	48.93	-
Fiscal year ended Mar. 31, 2021	(16.44)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	8,032	2,795	34.8	503.74
As of Mar. 31, 2021	8,301	2,557	30.8	460.67

Reference: Shareholders' equity (million yen) As of Mar. 31, 2022: 2,795 As of Mar. 31, 2021: 2,557

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2023

(April 1, 2022 – March 31, 2023)

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,693	1.8	93	(34.1)	59	(40.1)	10.74
Full year	12,334	2.9	639	(0.4)	379	39.6	68.31

* 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 9, 2022. Video of this meeting along with materials distributed at this event will be posted promptly on the SEIGAKUSHA website after this meeting.

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1. Overview of Results of Operations

(1) Results of Operations

During the fiscal year that ended on March 31, 2022, the Japanese economy recovered slowly as the COVID-19 pandemic restrictions were eased or ended even as the impact of the COVID-19 pandemic continued. However, the outlook for the economy is still unclear because of geopolitical risk associated with the Ukraine crisis and rapid inflation.

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 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 were 12,333 million yen, 5.9% higher than in the previous fiscal year. Operating profit was 640 million yen, compared with operating profit of 25 million yen in the previous fiscal year, ordinary profit was 655 million yen, compared with ordinary profit of 48 million yen in the previous fiscal year, and profit attributable to owners of parent was 331 million yen, compared with a loss of 106 million yen in the previous fiscal year.

Beginning with 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 "3. Consolidated Financial Statements and Notes, (5) Notes to 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

Category	Nov. 30, 2020	Nov. 30, 2021	Change
Individual tutoring	16,570	17,767	+7.2%
Class teaching	6,975	7,034	+0.8%
Nursery school	699	728	+4.1%
Other education services	207	186	(10.1)%
Total	24,451	25,715	+5.2%

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.

3. 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, the number of entrance exam preparation students increased throughout the fiscal year. The major reason was continuous marketing activities emphasizing the ability to raise students' university entrance exam scores, which is a key strength of FreeStep Individual Tutoring Institute, the primary brand in this category. The increasing number of students was also attributable to the use of My Step Log, which is part of SEIGAKUSHA's proprietary LMS (Learning Management System), and to service improvements that included upgrades to the website for members. In the class teaching category, the number of students increased as

the program for Osaka City Integrated Junior and Senior High School students continued to perform well based on the number of students passing the entrance exam. As a result, the number of elementary school students attending entrance exam preparation classes for this integrated school increased.

In the nursery school category, the number of students increased due to more enrollment of new students. In the other education service categories, the number of students at the Kaisei Academy Japanese Language School decreased mainly because of restrictions on foreigners entering Japan due to the COVID-19 pandemic.

Number of Schools

Category	Mar. 31, 2021	Increase	Decrease	Mar. 31, 2022
Individual tutoring	223	9	3	229
Class teaching	85	1	3	83
Nursery school	17	0	0	17
Other education services	4	4	2	6
Directly operated schools	277	13	6	284
Franchised schools	35	4	3	36

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 fiscal year that ended on March 31, 2022, 10 directly operated schools were opened (3 in Osaka, 4 in Tokyo, 2 in Saitama and 1 in Chiba), three schools were converted to direct operation (2 in Osaka and 1 in Tokyo), four schools were closed (4 in Osaka) and two directly operated schools were converted to franchised schools (1 in Osaka and 1 in Tokyo). As a result, the number of directly operated schools as of March 31, 2022 was 284.

In the franchised school category, two new schools were opened (1 in Osaka and 1 in Chiba), two were converted to franchised schools (1 in Osaka and 1 in Tokyo) and three were converted to direct operation (2 in Osaka and 1 in Tokyo). As a result, the number of franchised schools as of March 31, 2022 was 36.

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. Sales increased because of the larger number of students, more students attending training seminars and optional classes, and the high level of sales per student. In the nursery school category, sales increased because of strong growth in the number of students. In the other educational services category, the negative effect of the decline in Japanese language school students caused by the COVID-19 pandemic was offset by web advertising orders and an increase in dispatch of instructors to school.

Expenses in this segment were higher as salary allowances increased due to the larger number of students, advertising and marketing expenses increased, mainly the result of web advertising and activities to raise awareness of new schools, and for other reasons.

Segment sales increased 6.2% from one year earlier to 12,253 million yen and operating profit was up 675.6% to 682 million yen as sales growth offset the increase in expenses. The big improvement in segment earnings raised the operating profit to more than in the fiscal year that ended in March 2019, which was before the COVID-19 pandemic started.

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 2.6% from one year earlier to 42 million yen and operating profit decreased 17.8% to 27 million yen due to the impact of properties that were partially leased.

3) Restaurant Operations

Restaurants performed well despite the COVID-19 pandemic as prices were revised and actions were taken to increase the number of regular customers. Sales decreased 36.4% from one year earlier to 36 million yen because

one restaurant was closed in April 2021. The operating loss decreased from 42 million yen to 17 million yen because an unprofitable restaurant was closed, efficiency improved at existing restaurants and for other reasons.

(2) Financial Position

Assets, liabilities and net assets

1) Assets

Current assets decreased by 53 million yen, or 1.6%, from the end of the previous fiscal year to 3,258 million yen. This was attributable mainly to decreases of 23 million yen in cash and deposits and 22 million yen in trade accounts receivable.

Non-current assets decreased by 148 million yen, or 2.8%, from the end of the previous fiscal year to 5,229 million yen. This was mainly attributable to an increase of 22 million yen in construction in progress, and decreases of 82 million yen in buildings and structures, net, 45 million yen in guarantee deposits, 30 million yen in tools, furniture and fixtures, net included in other, net of property, plant and equipment and 23 million yen in investment securities.

Total assets decreased by 201 million yen, or 2.3%, from the end of the previous fiscal year to 8,488 million yen.

2) Liabilities

Current liabilities decreased by 555 million yen, or 15.1%, from the end of the previous fiscal year to 3,132 million yen. This was attributable mainly to an increase of 114 million yen in income taxes payable and a decrease of 700 million yen in short-term borrowings.

Non-current liabilities increased by 57 million yen, or 2.3%, from the end of the previous fiscal year to 2,540 million yen. This was attributable mainly to increases of 46 million yen in long-term borrowings and 13 million yen in asset retirement obligations.

Total liabilities decreased by 497 million yen, or 8.1%, from the end of the previous fiscal year to 5,673 million yen.

3) Net assets

Net assets increased by 296 million yen, or 11.8%, from the end of the previous fiscal year to 2,815 million yen. This was attributable mainly to an increase of 303 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 by 97 million yen from the end of the previous fiscal year to 1,466 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 1,042 million yen (an increase of 782 million yen compared with the previous fiscal year). Major positive factors include profit before income taxes of 561 million yen, depreciation of 338 million yen and impairment losses of 108 million yen. Major negative factors include income taxes paid of 140 million yen.

2) Cash flows from investing activities

Net cash used in investing activities was 190 million yen (a decrease of 189 million yen compared with the previous fiscal year). Major factors include proceeds from withdrawal of time deposits of 175 million yen and purchase of property, plant and equipment of 258 million yen.

3) Cash flows from financing activities

Net cash used in financing activities was 748 million yen (compared with net cash provided of 126 million yen in the previous fiscal year). Major factors include proceeds from long-term borrowings of 950 million yen, repayments of long-term borrowings of 952 million yen and a net decrease in short-term borrowings of 700 million yen.

Reference: Cash flow indicators

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22
Equity ratio (%)	29.2	30.1	30.3	29.0	33.2
Equity ratio based on market value (%)	68.7	58.1	46.6	53.5	50.6
Interest-bearing debt to cash flow ratio (%)	827.9	397.5	1,042.7	1,361.9	272.6
Interest coverage ratio (times)	15.4	31.2	11.5	9.8	39.9

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 13 schools and to increase the number of students to 26,629 as of the November peak period, 3.6% more than one year earlier.

In the individual tutoring category, we plan to open 11 directly operated schools and eight 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 improving customer satisfaction. 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, such as by starting an online course for advancing to higher education for these 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 3.4% in net sales to 12,756 million yen, a 0.9% increase in operating profit to 646 million yen, a 4.4% decrease in ordinary profit to 626 million yen and a 10.7% increase in profit attributable to owners of parent to 367 million yen.

(5) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

The basic policy is to pay a consistent and stable dividend while building a strong foundation that can support business operations for many years. The policy for the dividend is to increase the dividend while determining a payout ratio that reflects earnings. Retained earnings are used for increasing corporate value by funding capital expenditures, new businesses, M&A and other activities for the growth of business operations.

In accordance with this policy, there was an interim dividend of 3.30 yen per share and we plan to submit a resolution at the shareholders meeting for a year-end dividend of 5.00 yen per share. If this resolution is approved, the fiscal year dividend will be 8.30 yen per share. For the fiscal year ending in March 2023, we plan to pay interim and year-end dividends of 8.50 yen, resulting in a fiscal year dividend of 17.00 yen.

In addition to receiving dividends, all shareholders who have at least 100 shares receive a 1,000 yen QUO card based on the record date of 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)	
	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	1,754,567	1,731,197
Trade accounts receivable	1,123,207	-
Trade accounts receivable and contract assets	-	1,100,585
Merchandise	63,949	59,810
Work in process	1,664	191
Supplies	12,216	17,690
Other	365,148	371,472
Allowance for doubtful accounts	(9,142)	(22,341)
Total current assets	3,311,611	3,258,607
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,213,114	4,272,294
Accumulated depreciation	(1,625,608)	(1,767,101)
Buildings and structures, net	2,587,506	2,505,192
Land	1,107,259	1,107,259
Leased assets	219,513	231,797
Accumulated depreciation	(158,224)	(170,430)
Leased assets, net	61,289	61,366
Construction in progress	216	22,326
Other	832,306	837,920
Accumulated depreciation	(664,432)	(700,922)
Other, net	167,874	136,998
Total property, plant and equipment	3,924,144	3,833,142
Intangible assets		
Goodwill	22,681	20,100
Other	160,892	178,922
Total intangible assets	183,573	199,022
Investments and other assets		
Investment securities	34,523	10,620
Long-term loans receivable	48,783	42,908
Deferred tax assets	167,474	182,880
Guarantee deposits	931,322	885,945
Other	88,298	75,325
Total investments and other assets	1,270,401	1,197,680
Total non-current assets	5,378,119	5,229,845
Total assets	8,689,731	8,488,452

	(Thousands of yen)	
	FY3/21	FY3/22
	(As of Mar. 31, 2021)	(As of Mar. 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	185,129	234,134
Short-term borrowings	700,000	-
Current portion of long-term borrowings	887,678	839,219
Lease liabilities	13,192	7,026
Income taxes payable	139,999	254,903
Advances received	742,560	741,607
Provision for bonuses	129,923	162,176
Accounts payable-other	472,407	436,716
Asset retirement obligations	6,316	897
Other	410,794	456,055
Total current liabilities	3,688,002	3,132,738
Non-current liabilities		
Long-term borrowings	1,911,739	1,957,831
Lease liabilities	32,974	37,961
Retirement benefit liability	7,945	6,718
Deferred tax liabilities	40,482	39,059
Asset retirement obligations	462,815	476,359
Other	26,498	22,459
Total non-current liabilities	2,482,455	2,540,388
Total liabilities	6,170,458	5,673,127
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	2,377,534	2,681,275
Treasury shares	(265,655)	(265,655)
Total shareholders' equity	2,525,337	2,829,077
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,138	-
Foreign currency translation adjustment	(11,203)	(13,751)
Total accumulated other comprehensive income	(6,064)	(13,751)
Total net assets	2,519,272	2,815,325
Total liabilities and net assets	8,689,731	8,488,452

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

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	11,641,859	12,333,506
Cost of sales	9,748,513	9,846,814
Gross profit	1,893,346	2,486,691
Selling, general and administrative expenses	1,867,982	1,846,239
Operating profit	25,363	640,452
Non-operating income		
Interest income	1,440	2,365
Dividend income	754	1,033
Penalty income	6,250	11,000
Compensation for forced relocation	18,401	-
Subsidy income	12,032	20,579
Foreign exchange gains	2,744	8,912
Other	15,031	17,986
Total non-operating income	56,654	61,877
Non-operating expenses		
Interest expenses	26,570	26,240
Provision of allowance for doubtful accounts	-	15,179
Other	7,115	5,030
Total non-operating expenses	33,686	46,450
Ordinary profit	48,331	655,878
Extraordinary income		
Gain on sale of non-current assets	-	94
Gain on sale of investment securities	-	7,894
Gain on sale of businesses	4,840	8,064
Total extraordinary income	4,840	16,052
Extraordinary losses		
Loss on sale of investment securities	-	315
Loss on valuation of investment securities	226	951
Impairment losses	98,373	108,430
Loss on store closings	-	1,100
Total extraordinary losses	98,600	110,797
Profit (loss) before income taxes	(45,428)	561,133
Income taxes-current	92,771	247,125
Income taxes-deferred	(31,632)	(17,667)
Total income taxes	61,138	229,458
Profit (loss)	(106,567)	331,674
Profit attributable to non-controlling interests	-	-
Profit (loss) attributable to owners of parent	(106,567)	331,674

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY3/21	FY3/22
	(Apr. 1, 2020 – Mar. 31, 2021)	(Apr. 1, 2021 – Mar. 31, 2022)
Profit (loss)	(106,567)	331,674
Other comprehensive income		
Valuation difference on available-for-sale securities	2,814	(5,138)
Foreign currency translation adjustment	(5,477)	(2,548)
Total other comprehensive income	(2,662)	(7,687)
Comprehensive income	(109,229)	323,987
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(109,229)	323,987
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

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)
Loss attributable to owners of parent			(106,567)		(106,567)
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)
Loss attributable to owners of parent				(106,567)
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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(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	2,377,534	(265,655)	2,525,337
Cumulative effects of changes in accounting policies			7,039		7,039
Restated balance	235,108	178,349	2,384,574	(265,655)	2,532,376
Changes during period					
Dividends of surplus			(34,972)		(34,972)
Profit attributable to owners of parent			331,674		331,674
Net changes in items other than shareholders' equity					
Total changes during period	-	-	296,701	-	296,701
Balance at end of period	235,108	178,349	2,681,275	(265,655)	2,829,077

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	5,138	(11,203)	(6,064)	2,519,272
Cumulative effects of changes in accounting policies				7,039
Restated balance	5,138	(11,203)	(6,064)	2,526,311
Changes during period				
Dividends of surplus				(34,972)
Profit attributable to owners of parent				331,674
Net changes in items other than shareholders' equity	(5,138)	(2,548)	(7,687)	(7,687)
Total changes during period	(5,138)	(2,548)	(7,687)	289,014
Balance at end of period	-	(13,751)	(13,751)	2,815,325

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(45,428)	561,133
Depreciation	354,327	338,739
Impairment losses	98,373	108,430
Amortization of goodwill	5,160	5,387
Amortization of long-term prepaid expenses	10,801	10,637
Increase (decrease) in allowance for doubtful accounts	(8,234)	13,198
Increase (decrease) in provision for bonuses	(4,756)	32,252
Interest expenses	26,570	26,240
Compensation for forced relocation	(18,401)	-
Subsidy income	(12,032)	(20,579)
Decrease (increase) in trade receivables	(37,596)	23,314
Decrease (increase) in accounts receivable-other	(38,993)	2,490
Decrease (increase) in inventories	33,586	138
Decrease (increase) in prepaid expenses	39,713	8,851
Increase (decrease) in trade payables	(29,197)	48,986
Increase (decrease) in advances received	(10,004)	11,112
Increase (decrease) in accounts payable-other	(31,223)	(34,662)
Increase (decrease) in accrued expenses	(17,419)	16,638
Increase (decrease) in accrued consumption taxes	(40,492)	28,105
Other, net	28,390	(3,258)
Subtotal	303,144	1,177,155
Interest and dividends received	1,922	2,802
Interest paid	(26,556)	(26,161)
Income taxes paid	(49,297)	(140,881)
Income taxes refund	700	9,023
Proceeds from compensation for forced relocation	18,401	-
Subsidies received	12,032	20,579
Net cash provided by (used in) operating activities	260,346	1,042,517
Cash flows from investing activities		
Payments into time deposits	(99,022)	(54,004)
Proceeds from withdrawal of time deposits	-	175,012
Proceeds from sale of investment securities	300	22,892
Purchase of property, plant and equipment	(209,361)	(258,653)
Purchase of intangible assets	(75,995)	(76,657)
Payments for asset retirement obligations	(27,818)	(37,763)
Payments for acquisition of businesses	(2,590)	(3,886)
Proceeds from sale of businesses	5,863	11,651
Short-term loan advances	-	(15,179)
Payments of guarantee deposits	(26,359)	(32,654)
Proceeds from refund of guarantee deposits	41,600	73,524
Other payments	(4,348)	(4,348)
Other proceeds	17,384	9,472
Net cash provided by (used in) investing activities	(380,348)	(190,593)

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	170,000	(700,000)
Proceeds from long-term borrowings	700,000	950,000
Repayments of long-term borrowings	(691,781)	(952,366)
Dividends paid	(33,427)	(35,071)
Other payments	(18,572)	(11,357)
Net cash provided by (used in) financing activities	126,218	(748,796)
Effect of exchange rate change on cash and cash equivalents	(5,517)	(5,490)
Net increase (decrease) in cash and cash equivalents	699	97,637
Cash and cash equivalents at beginning of period	1,368,174	1,368,873
Cash and cash equivalents at end of period	1,368,873	1,466,511

(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.

KAISEI CHILD CARE CO.,LTD

Knospear Inc.

SEIGAKUSHA KOREA CO.,LTD.

SEIGAKUSHA VIETNAM COMPANY LIMITED

APLIS INTERNATIONAL EDUCATION CORP.

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.

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 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 current fiscal year, is added to or subtracted from retained earnings at the beginning of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales increased 2 million yen and cost of sales increased 6 million yen. Operating profit, ordinary profit and profit before income taxes decreased 3 million yen each in 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 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 89-3 of the Accounting Standard for Revenue Recognition, SEIGAKUSHA has not presented information on revenue from contracts with customers broken down for 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 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 consolidated financial statements.

Reclassifications

Consolidated Statement of Income

“Subsidy income” under “Non-operating income” presented as a separate item in FY3/21, is included in “Other” in FY3/22 as it has become insignificant. To conform to this change, the consolidated financial statements for FY3/21 have been reclassified.

Accordingly, “Subsidy income” (9 million yen) and “Other” (5 million yen) under “Non-operating income” shown on the consolidated statement of income in FY3/21 have been reclassified to “Other” (15 million yen).

Consolidated Statement of Cash Flows

“Increase (decrease) in provision for bonuses,” which was included in “Other, net” under “Cash flows from operating activities” in FY3/21, is reclassified as a separate item in FY3/22 as it has become significant. In addition, “Subsidy income” under “Cash flows from operating activities” presented as a separate item in FY3/21 is included in “Other, net” in FY3/22 as it has become insignificant. To conform to these changes, the consolidated financial statements for FY3/21 have been reclassified.

Accordingly, “Subsidy income” (-9 million yen) and “Other, net” (32 million yen) under “Cash flows from operating activities” shown on the consolidated statement of cash flows in FY3/21 have been reclassified to “Increase (decrease) in provision for bonuses” (-4 million yen) and “Other, net” (28 million yen).

“Proceeds from sale of investment securities,” which was included in “Other proceeds” under “Cash flows from investing activities” in FY3/21, is reclassified as a separate item in FY3/22 as it has become significant. In addition, “Subsidies received” under “Cash flows from investing activities” presented as a separate item in FY3/21 is included in “Other proceeds” in FY3/22 as it has become insignificant. To conform to these changes, the consolidated financial statements for FY3/21 have been reclassified.

Accordingly, “Subsidies received” (8 million yen) and “Other proceeds” (9 million yen) under “Cash flows from investing activities” shown on the consolidated statement of cash flows in FY3/21 have been reclassified to “Proceeds from sale of investment securities” (300 thousand yen) and “Other proceeds” (17 million yen).

Additional Information

The SEIGAKUSHA Group will continue to provide an appropriate learning environment for students as Japan eases and ends restrictions even as the effects of the COVID-19 pandemic persist. Accounting estimates for the impairment of non-current assets, recovering deferred tax assets and other items are based on the assumption that sales and earnings will recover slowly. 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.

As described in Changes in Accounting Policies, SEIGAKUSHA has applied the Accounting Standard for Revenue Recognition from the beginning 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 increased by 2 million yen and segment profit decreased by 3 million yen in the Education Services segment for FY3/22.

3. Information related to net sales, profit or loss, assets, liabilities and other items for each reportable segment and breakdown of revenue

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.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(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						
Entrance exam preparation schools	10,632,485	-	-	10,632,485	-	10,632,485
Nursery schools	1,319,863	-	-	1,319,863	-	1,319,863
Other education services	301,323	-	-	301,323	-	301,323
Restaurant	-	-	36,952	36,952	-	36,952
Revenue from contracts with customers	12,253,672	-	36,952	12,290,625	-	12,290,625
Other revenue	-	42,880	-	42,880	-	42,880
External sales	12,253,672	42,880	36,952	12,333,506	-	12,333,506
Inter-segment sales and transfers	-	23,021	-	23,021	(23,021)	-
Total	12,253,672	65,902	36,952	12,356,528	(23,021)	12,333,506
Segment profit (loss)	682,919	27,992	(17,075)	693,836	(53,384)	640,452
Segment assets	6,129,142	568,005	8,709	6,705,857	1,782,595	8,488,452
Other items						
Depreciation	304,471	5,896	329	310,697	28,041	338,739
Increase in property, plant and equipment and intangible assets	375,765	19,824	-	395,589	33,991	429,581

Notes: 1. Adjustments are as follows.

- (1) The minus 53 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 1,782 million yen adjustment to segment assets is corporate assets that are not allocated to reportable segments.
- (3) The 33 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

FY3/21 (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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Impairment loss	108,430	-	-	-	108,430

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

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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Amortization for the period	5,387	-	-	-	5,387
Balance at end of period	20,100	-	-	-	20,100

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per Share Information

(Yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net assets per share	453.82	507.25
Net income (loss) per share	(19.19)	59.75

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

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net income (loss) per share		
Profit (loss) attributable to owners of parent	(106,567)	331,674
Amounts not available to common shareholders	-	-
Profit (loss) attributable to owners of parent available to common shares	(106,567)	331,674
Average number of common shares during the period (Shares)	5,552,493	5,551,151

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.