

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [Japanese GAAP]

Company name: SEIGAKUSHA CO.,LTD. Listing: Tokyo Stock Exchange
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Scheduled date of Annual General Meeting of Shareholders: June 27, 2024

Scheduled date of payment of dividend: June 28, 2024

Scheduled date of filing of Annual Securities Report: June 27, 2024

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, 2024 (April 1, 2023–March 31, 2024)

(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, 2024	13,102	3.4	702	(1.3)	711	(2.3)	433	2.9
Fiscal year ended Mar. 31, 2023	12,671	2.7	712	11.2	727	11.0	421	27.1

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2024: 419 (up 2.1%)

Fiscal year ended Mar. 31, 2023: 411 (up 26.9%)

	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, 2024	78.19	–	13.1	8.2	5.4
Fiscal year ended Mar. 31, 2023	75.95	–	14.1	8.6	5.6

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2024: – Fiscal year ended Mar. 31, 2023: –

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2024	8,863	3,474	39.2	626.27
As of Mar. 31, 2023	8,512	3,151	37.0	568.04

Reference: Shareholders' equity (million yen) As of Mar. 31, 2024: 3,474 As of Mar. 31, 2023: 3,151

(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, 2024	1,038	(538)	(227)	1,656
Fiscal year ended Mar. 31, 2023	802	(419)	(437)	1,398

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, 2023	–	8.50	–	8.50	17.00	94	22.4	3.2
Fiscal year ended Mar. 31, 2024	–	9.00	–	9.00	18.00	99	23.0	3.0
Fiscal year ending Mar. 31, 2025 (forecast)	–	9.50	–	9.50	19.00		26.5	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024–March 31, 2025)

(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	6,328	4.9	(17)	–	(24)	–	(42)	–	(7.65)
Full year	13,791	5.3	746	6.2	733	3.2	397	(8.3)	71.7

*** Notes**

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

Newly added: – Excluded: –

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of issued shares (common stock)

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

As of Mar. 31, 2024: 5,876,000 shares As of Mar. 31, 2023: 5,876,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2024: 328,102 shares As of Mar. 31, 2023: 327,760 shares

3) Average number of shares during the period

Fiscal year ended Mar. 31, 2024: 5,547,993 shares Fiscal year ended Mar. 31, 2023: 5,549,653 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024

(April 1, 2023–March 31, 2024)

(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, 2024	12,645	3.2	713	4.0	675	0.7	397	8.7
Fiscal year ended Mar. 31, 2023	12,253	2.3	686	3.8	670	4.6	365	34.6

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2024	71.60	–
Fiscal year ended Mar. 31, 2023	65.86	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2024	8,501	3,386	39.8	610.41
As of Mar. 31, 2023	8,099	3,086	38.1	556.29

Reference: Shareholders' equity (million yen) As of Mar. 31, 2024: 3,386 As of Mar. 31, 2023: 3,086

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2025

(April 1, 2024–March 31, 2025)

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	6,074	4.7	0	(99.4)	(18)	–	(3.31)
Full year	13,281	5.0	726	7.5	389	(1.9)	70.23

* 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 5, 2024. 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, 2024, the Japanese economy showed a gradual recovery as the COVID-19 pandemic restrictions were eased due to increased personal consumption and inbound demand. However, the outlook for the economy is still unclear because of geopolitical risks such as the Ukraine situation and issues relating to China and Taiwan, rapid inflation, and fluctuation in financial and capital markets.

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 childcare services such as nursery schools and after-school day care centers.

Under such circumstance, 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. In addition to the FreeStep Individual Tutoring Institute, which is our major branded tutoring school, the Group operates Kaisei Education Seminar entrance exam preparation schools, Kaisei Nursery School certified nursery schools, and Kaisei Academy Japanese Language School for foreign students in Japan.

As a result, consolidated net sales were 13,102 million yen, 3.4% higher than in the previous fiscal year. Operating profit was 702 million yen, 1.3% lower than in the previous fiscal year due to increased advertising expenses, job advertisement expenses, and other general and administrative expenses. Ordinary profit was 711 million yen, 2.3% lower than in the previous fiscal year, and profit attributable to owners of parent was 433 million yen, 2.9% higher than in the previous fiscal year due to decreased impairment losses.

Business segment performance was as follows.

1) Education services

Number of Students at SEIGAKUSHA Group Schools

Category	Nov. 30, 2022	Nov. 30, 2023	Change
Individual tutoring	18,094	18,441	Up 1.9%
Class teaching	6,910	6,429	Down 7.0%
Nursery schools	732	741	Up 1.2%
Other education services	256	415	Up 62.1%
Total	25,992	26,026	Up 0.1%

- Notes: 1. Figures shown are as of the end of November, which is normally when the number of students is the highest.
2. The number of students is only for examination preparation schools and other education services locations operated by the SEIGAKUSHA Group and does not include students at franchised schools.

In the individual tutoring category, the number of entrance exam preparation students increased. The major reason was continuous marketing activities emphasizing the ability to raise scores and pass university entrance exam, which is a key strength of FreeStep Individual Tutoring Institute, the primary brand in this category, which helped make a difference from competitors. 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 member site. In the class teaching category, while the program for Osaka City Integrated Junior and Senior High School students continued to perform well, the number of students decreased as a result of slow enrollment for other courses. In the nursery school category and other education service category, the number of newly admitted children and students increased.

Number of Schools

Category	Mar. 31, 2023	Increase	Decrease	Mar. 31, 2024
Individual tutoring	226	8	6	228
Class teaching	76	—	4	72
Nursery schools	17	—	—	17
Other education services	5	—	—	5
Directly operated schools	273	8	6	275
Franchised schools	43	12	—	55

Note: Totals for directly operated schools do not match the number of schools in each category because some schools provide two or more types of education services.

The sales area was expanded following new open of Free Step Individual Tutoring Institute in Kanagawa Pref.

During the fiscal year that ended on March 31, 2024, 8 directly operated schools were opened (1 in Osaka, 3 in Tokyo, 3 in Kanagawa, and 1 in Saitama), 5 schools were closed (1 in Osaka, 1 in Tokyo, 1 in Hyogo, 1 in Shiga, and 1 in Saitama), and 1 directly operated school was converted to a franchised school (Kyoto). As a result, the number of directly operated schools as of March 31, 2024 was 275.

In the franchised school category, 3 new schools were opened (1 in Kanagawa, 1 in Saitama, and 1 in Chiba), 1 school converted to a franchised school as described above, and 8 kindergartens (Vietnam) were opened. As a result, the number of franchised schools as of March 31, 2024 was 55.

Segment Sales and Earnings

The individual tutoring category covered the slow enrollment of students in the class teaching category. This was attributable to an increase in the number of students, a revision of the tuition fees in response to rising prices, and a steady increase in the number of franchised schools. As a result, sales in the entrance exam preparation category increased. In the nursery school category, sales increased due to an increase in the number of children and increased subsidy associated with revised official prices. In the other education service category, sales increased. This was attributable to a progress in enrollments of new students at the Kaisei Academy Japanese Language School and strong advertisement-related orders from schools won by a subsidiary. Also, restart of economic activities enabled operations of kindergartens to begin to be on the track in Vietnam.

Expenses in this segment increased because of higher personnel expenses due to salary revisions to improve compensation for employees, higher advertising and marketing expenses due to increased web advertising activities to increase the number of students, higher recruitment advertising expense resulting from enhanced recruitment of teachers for new year classes, and restart of in-person events accompanied with convergence of the COVID-19 pandemic.

Consequently, although segment sales increased 3.3% from one year earlier to 12,999 million yen, expenses for stable operations, as described above, increased. Accordingly, operating profit decreased 1.5% from one year earlier to 743 million yen.

2) Real estate leasing

Segment sales increased 0.8% from one year earlier to 40 million yen due to an increase in the number of tenants but operating profit decreased 3.7% to 22 million yen mainly due to increased expenses for repairs to maintain the buildings' value.

3) Restaurant operations

Segment sales increased 26.0% from one year earlier to 62 million yen due to an increase in the number of customers coming to dinners thanks to revisions to menus. While expenses increased due to major repairs of certain stores, higher personnel expenses, and higher raw material costs, sales growth offset the increase in expenses. As a result, operating loss improved from 11 million yen one year earlier to 9 million yen.

(2) Financial Position

Assets, Liabilities and Net assets

1) Assets

Current assets increased by 247 million yen, or 7.6%, from the end of the previous fiscal year to 3,518 million yen. This was attributable mainly to an increase of 294 million yen in cash and deposits and a decrease of 59 million yen in accounts receivable and contract assets.

Non-current assets increased by 103 million yen, or 2.0%, from the end of the previous fiscal year to 5,344 million yen. This was attributable mainly to increases of 73 million yen in buildings and structures, net, and of 20 million yen in guarantee deposits.

As a result, total assets increased by 350 million yen, or 4.1%, from the end of the previous fiscal year to 8,863 million yen.

2) Liabilities

Current liabilities increased by 235 million yen, or 7.5%, from the end of the previous fiscal year to 3,388 million yen. This was attributable mainly to increases of 105 million yen in current portion of long-term borrowings, 101 million yen in accounts payable-other, and 58 million yen in advances received.

Non-current liabilities decreased by 208 million yen, or 9.4%, from the end of the previous fiscal year to 2,000 million yen. This was attributable mainly to a decrease of 231 million yen in long-term borrowings.

As a result, total liabilities increased by 27 million yen, or 0.5%, from the end of the previous fiscal year to 5,388 million yen.

3) Net assets

Net assets increased by 322 million yen, or 10.2%, from the end of the previous fiscal year to 3,474 million yen. This was attributable mainly to an increase of 336 million yen in retained earnings.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year increased by 257 million yen from the end of the previous fiscal year to 1,656 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 1,038 million yen (an increase of 236 million yen compared with the previous fiscal year). Major positive factors include profit before income taxes of 652 million yen, depreciation of 337 million yen, an increase of 86 million yen in accounts payable-other, impairment losses of 64 million yen, and an increase of 59 million yen in advances received. Major negative factors include income taxes paid of 258 million yen.

2) Cash flows from investing activities

Net cash used in investing activities was 538 million yen (an increase of 119 million yen compared with the previous fiscal year). Major factors include purchase of property, plant and equipment of 396 million yen, purchase of intangible assets of 64 million yen, and payments of guarantee deposits of 53 million yen.

3) Cash flows from financing activities

Net cash used in financing activities was 227 million yen (a decrease of 209 million yen compared with the previous fiscal year). Major negative factors include repayments of long-term borrowings of 875 million yen and payments of dividends of 97 million yen. Major positive factors include proceeds from long-term borrowings of 750 million yen.

Reference: Cash flow indicators

	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
Equity ratio (%)	30.3	29.0	33.2	37.0	39.2
Equity ratio based on market value (%)	46.6	53.5	50.6	45.7	46.8
Interest-bearing debt to cash flow ratio (%)	1,042.7	1,361.9	272.6	308.9	227.0
Interest coverage ratio (times)	11.5	9.8	39.9	33.9	45.8

Notes: The above figures are calculated as follows.

- Equity ratio: Shareholders' equity / Total assets
 - Equity ratio based on market value: Market capitalization / Total assets
Market capitalization is calculated by multiplying the closing share price at the period end by the number of shares issued at the period end (less treasury shares)
 - Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows
 - Interest coverage ratio: Operating cash flows / Interest payments
- All indicators are calculated based on consolidated figures.
Operating cash flows are the figures for operating cash flows in the consolidated statement of cash flows.
Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest. Interest payments use the amount of interest expenses paid stated on the consolidated statement of cash flows.

(4) Outlook

In the next fiscal year, we expect the business environment to remain challenging due to macroeconomic factors such as geopolitical risks, rising prices, and fluctuations in financial and capital markets, as well as changes in entries in and leaves from schools caused by diversified entrance examination systems and other factors.

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." We will expand our businesses further, especially in the Tokyo area.

1) Education services

In the education services segment, we plan to open 11 directly operated schools and to increase the number of students to 26,705 as of the November peak period, 2024, a 2.6% increase compared to one year earlier.

In the individual tutoring category, we plan to open 11 directly operated schools and 4 franchised schools and will focus on developing schools in the Tokyo area. In addition, we will raise the percentage of prospective students who register for classes and improve customer satisfaction by operating a guarantee system for raising university entrance exam scores. Also, we will further strengthen the FreeStep brand value by increasing the number of students who pass university entrance examinations as a provider of classes that are successful at enabling students to pass university examinations. In the class teaching category, we will close unprofitable locations. In addition, we will increase the number of students in each class by utilizing classes such as programming and English conversation based on high demands. Accordingly, we will strengthen efficiency of our operations. In the nursery school category, amid expected stable steady growth in the number of children in our nursery schools, we will assign staff members efficiently and continue to provide childcare services matching the needs of parents and guardians. In doing so, we intend to improve qualities of childcare services and stabilize revenue of the nursery school business. In the other education services category, Kaisei Academy Japanese Language School, we will strive to secure a stable number of students by expanding the number of countries where we recruit students and strengthen its curriculum to meet the diversifying needs of international students.

2) 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.

3) Restaurant operations

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

Based on this outlook, we forecast an increase of 5.3% in net sales to 13,791 million yen, a 6.2% increase in operating profit to 746 million yen, a 3.2% increase in ordinary profit to 733 million yen, and an 8.3% decrease in profit attributable to owners of parent to 397 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 9.00 yen per share. As year-end dividends, we plan to submit a resolution at the shareholders meeting for a year-end dividend of 9.00 yen per share. If this resolution is approved, the total annual dividend will be 18.00 yen per share. For the fiscal year ending March 31, 2025, we plan to pay interim and year-end dividends of 9.50 yen per share each, resulting in the total annual dividend of 19.00 yen per share.

In addition to receiving dividends, all shareholders who have at least 100 shares as of the record date of March 31 receive a 1,000 yen QUO card.

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)	
	FY3/23 (As of Mar. 31, 2023)	FY3/24 (As of Mar. 31, 2024)
Assets		
Current assets		
Cash and deposits	1,702,576	1,996,744
Accounts receivable and contract assets	1,178,626	1,119,407
Merchandise	57,861	46,146
Supplies	14,603	10,378
Other	326,409	351,552
Allowance for doubtful accounts	(8,282)	(5,395)
Total current assets	3,271,795	3,518,834
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,361,422	4,586,840
Accumulated depreciation	(1,865,860)	(2,018,176)
Buildings and structures, net	2,495,562	2,568,664
Land	1,107,259	1,107,259
Leased assets	232,090	82,878
Accumulated depreciation	(178,305)	(25,090)
Leased assets, net	53,784	57,788
Construction in progress	2,889	2,662
Other	857,176	840,291
Accumulated depreciation	(719,608)	(691,477)
Other, net	137,567	148,813
Total property, plant and equipment	3,797,062	3,885,187
Intangible assets		
Goodwill	15,534	9,978
Other	171,639	179,962
Total intangible assets	187,173	189,940
Investments and other assets		
Investment securities	10,620	10,620
Long-term loans receivable	38,006	33,729
Deferred tax assets	229,894	224,522
Guarantee deposits	907,964	928,019
Other	70,435	72,209
Total investments and other assets	1,256,921	1,269,101
Total non-current assets	5,241,157	5,344,229
Total assets	8,512,952	8,863,064

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	FY3/24 (As of Mar. 31, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	157,221	166,662
Current portion of long-term borrowings	823,912	929,432
Lease liabilities	5,344	5,285
Income taxes payable	177,156	133,644
Advances received	782,361	841,172
Provision for bonuses	226,452	191,549
Accounts payable-other	558,174	659,938
Asset retirement obligations	4,232	2,335
Other	418,151	458,557
Total current liabilities	3,153,007	3,388,577
Non-current liabilities		
Long-term borrowings	1,615,179	1,383,691
Lease liabilities	33,854	39,886
Retirement benefit liability	7,412	8,110
Deferred tax liabilities	37,650	36,182
Asset retirement obligations	490,613	509,021
Other	23,595	23,136
Total non-current liabilities	2,208,304	2,000,028
Total liabilities	5,361,311	5,388,605
Net assets		
Shareholders' equity		
Share capital	235,108	235,108
Capital surplus	178,349	178,349
Retained earnings	3,027,852	3,364,570
Treasury shares	(265,655)	(265,687)
Total shareholders' equity	3,175,654	3,512,339
Accumulated other comprehensive income		
Foreign currency translation adjustment	(24,013)	(37,881)
Total accumulated other comprehensive income	(24,013)	(37,881)
Total net assets	3,151,640	3,474,458
Total liabilities and net assets	8,512,952	8,863,064

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

(Thousands of yen)

	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)
Net sales	12,671,448	13,102,403
Cost of sales	10,001,971	10,299,475
Gross profit	2,669,477	2,802,927
Selling, general and administrative expenses	1,957,304	2,099,976
Operating profit	712,172	702,950
Non-operating income		
Interest income	2,818	2,386
Commission income	4,308	8,754
Insurance claim income	211	6,759
Foreign exchange gains	13,754	13,338
Gain on adjustment of accounts payable	12,433	–
Other	16,659	6,145
Total non-operating income	50,184	37,385
Non-operating expenses		
Interest expenses	23,865	22,724
Provision of allowance for doubtful accounts	1,751	–
Other	8,963	6,485
Total non-operating expenses	34,580	29,210
Ordinary profit	727,777	711,125
Extraordinary income		
Settlement income	–	2,400
Gain on sale of businesses	14,512	3,772
Total extraordinary income	14,512	6,172
Extraordinary losses		
Loss on valuation of investment securities	–	0
Impairment losses	111,271	64,621
Total extraordinary losses	111,271	64,621
Profit before income taxes	631,017	652,676
Income taxes-current	257,939	214,963
Income taxes-deferred	(48,422)	3,903
Total income taxes	209,517	218,867
Profit	421,500	433,809
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	421,500	433,809

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY3/23	FY3/24
	(Apr. 1, 2022–Mar. 31, 2023)	(Apr. 1, 2023–Mar. 31, 2024)
Profit	421,500	433,809
Other comprehensive income		
Foreign currency translation adjustment	(10,261)	(13,867)
Total other comprehensive income	(10,261)	(13,867)
Comprehensive income	411,238	419,941
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	411,238	419,941
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statement of Changes in Equity

FY3/23 (Apr. 1, 2022–Mar. 31, 2023)

(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	2,681,275	(265,655)	2,829,077
Changes during period					
Dividends of surplus			(74,923)		(74,923)
Profit attributable to owners of parent			421,500		421,500
Purchase of treasury shares				–	–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	346,576	–	346,576
Balance at end of period	235,108	178,349	3,027,852	(265,655)	3,175,654

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	(13,751)	(13,751)	2,815,325
Changes during period			
Dividends of surplus			(74,923)
Profit attributable to owners of parent			421,500
Purchase of treasury shares			–
Net changes in items other than shareholders' equity	(10,261)	(10,261)	(10,261)
Total changes during period	(10,261)	(10,261)	336,315
Balance at end of period	(24,013)	(24,013)	3,151,640

FY3/24 (Apr. 1, 2023–Mar. 31, 2024)

(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	3,027,852	(265,655)	3,175,654
Changes during period					
Dividends of surplus			(97,091)		(97,091)
Profit attributable to owners of parent			433,809		433,809
Purchase of treasury shares				(32)	(32)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	336,717	(32)	336,685
Balance at end of period	235,108	178,349	3,364,570	(265,687)	3,512,339

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	(24,013)	(24,013)	3,151,640
Changes during period			
Dividends of surplus			(97,091)
Profit attributable to owners of parent			433,809
Purchase of treasury shares			(32)
Net changes in items other than shareholders' equity	(13,867)	(13,867)	(13,867)
Total changes during period	(13,867)	(13,867)	322,817
Balance at end of period	(37,881)	(37,881)	3,474,458

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/23	FY3/24
	(Apr. 1, 2022–Mar. 31, 2023)	(Apr. 1, 2023–Mar. 31, 2024)
Cash flows from operating activities		
Profit before income taxes	631,017	652,676
Depreciation	336,028	337,926
Impairment losses	111,271	64,621
Amortization of goodwill	4,975	5,059
Increase (decrease) in allowance for doubtful accounts	1,120	(2,887)
Increase (decrease) in provision for bonuses	64,276	(34,903)
Interest expenses	23,865	22,724
Decrease (increase) in trade receivables	(70,221)	48,541
Increase (decrease) in trade payables	(76,914)	9,441
Increase (decrease) in advances received	40,923	59,146
Increase (decrease) in accounts payable-other	97,656	86,731
Other, net	(11,504)	57,266
Subtotal	1,152,495	1,306,346
Interest paid	(23,697)	(22,681)
Income taxes paid	(336,954)	(258,491)
Other, net	10,361	13,510
Net cash provided by (used in) operating activities	802,206	1,038,683
Cash flows from investing activities		
Payments into time deposits	(39,003)	(36,503)
Purchase of property, plant and equipment	(319,846)	(396,873)
Purchase of intangible assets	(57,159)	(64,063)
Payments for asset retirement obligations	(8,175)	(28,923)
Payments for acquisition of businesses	(2,568)	–
Proceeds from sale of businesses	21,099	3,772
Payments of guarantee deposits	(50,430)	(53,410)
Proceeds from refund of guarantee deposits	31,502	35,449
Other, net	4,974	1,559
Net cash provided by (used in) investing activities	(419,607)	(538,992)
Cash flows from financing activities		
Proceeds from long-term borrowings	500,000	750,000
Repayments of long-term borrowings	(857,959)	(875,967)
Dividends paid	(74,801)	(97,020)
Other payments	(5,140)	(4,923)
Net cash provided by (used in) financing activities	(437,901)	(227,911)
Effect of exchange rate change on cash and cash equivalents	(12,321)	(14,115)
Net increase (decrease) in cash and cash equivalents	(67,624)	257,663
Cash and cash equivalents at beginning of period	1,466,511	1,398,887
Cash and cash equivalents at end of period	1,398,887	1,656,550

(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 are used; provided, however, that the necessary consolidation adjustments are made for all significant transactions that occurred between their fiscal year-end and the fiscal year-end for the consolidated financial statements.

Reclassifications

Consolidated Statement of Income

“Commission income” and “Insurance claim income”, which were included in “Other” under “Non-operating income” in FY3/23, are separately presented in FY3/24, as they have become material. To conform to these changes, the consolidated financial statements for FY3/23 have been reclassified.

Accordingly, “Other” (21 million yen) under “Non-operating income” shown on the consolidated statement of income in FY3/23 have been reclassified to “Commission income”(4 million yen), “Insurance claim income” (211 thousand yen), and “Other” (16 million yen).

Segment and Other Information

Segment information

1. Overview of reportable segment

The reportable segments of the SEIGAKUSHA Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

Based on financial information for SEIGAKUSHA and each consolidated subsidiary, the SEIGAKUSHA Group conducts business activities by dividing these operations into business categories.

Consequently, there are three reportable business segments: Education Services, Real Estate Leasing, and Restaurant Operations.

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting policies for reportable business segments comply with those used for the preparation of the consolidated financial statements. Segment profit for reportable segments is based on operating profit.

Inter-segment sales are based on an arm’s length price.

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

FY3/23 (Apr. 1, 2022–Mar. 31, 2023)

(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	10,769,708	–	–	10,769,708	–	10,769,708
Nursery schools	1,388,401	–	–	1,388,401	–	1,388,401
Other education services	423,606	–	–	423,606	–	423,606
Restaurant	–	–	49,698	49,698	–	49,698
Revenue from contracts with customers	12,581,716	–	49,698	12,631,415	–	12,631,415
Other revenue	–	40,033	–	40,033	–	40,033
External sales	12,581,716	40,033	49,698	12,671,448	–	12,671,448
Inter-segment sales and transfers	1,325	22,080	–	23,405	(23,405)	–
Total	12,583,041	62,114	49,698	12,694,854	(23,405)	12,671,448
Segment profit (loss)	754,639	23,065	(11,118)	766,586	(54,413)	712,172
Segment assets	6,167,008	568,301	8,081	6,743,392	1,769,560	8,512,952
Other items						
Depreciation	300,728	5,970	248	306,948	29,080	336,028
Increase in property, plant and equipment and intangible assets	388,168	14,029	472	402,670	59,386	462,056

Notes: 1. Adjustments are as follows.

- (1) The minus 54 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) The 1,769 million yen adjustment to segment assets is corporate assets that are not allocated to reportable segments.
- (3) The 59 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.

FY3/24 (Apr. 1, 2023–Mar. 31, 2024)

(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	11,042,990	–	–	11,042,990	–	11,042,990
Nursery schools	1,436,339	–	–	1,436,339	–	1,436,339
Other education services	520,119	–	–	520,119	–	520,119
Restaurant	–	–	62,596	62,596	–	62,596
Revenue from contracts with customers	12,999,448	–	62,596	13,062,045	–	13,062,045
Other revenue	–	40,357	–	40,357	–	40,357
External sales	12,999,448	40,357	62,596	13,102,403	–	13,102,403
Inter-segment sales and transfers	1,795	22,092	–	23,887	(23,887)	–
Total	13,001,243	62,450	62,596	13,126,290	(23,887)	13,102,403
Segment profit (loss)	743,602	22,221	(9,863)	755,960	(53,009)	702,950
Segment assets	6,300,735	432,077	13,239	6,746,052	2,117,012	8,863,064
Other items						
Depreciation	298,261	6,155	649	305,066	32,860	337,926
Increase in property, plant and equipment and intangible assets	463,272	6,702	1,105	471,079	26,274	497,353

Notes: 1. Adjustments are as follows.

- (1) The minus 53 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) The 2,117 million yen adjustment to segment assets is corporate assets that are not allocated to reportable segments.
- (3) The 26 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

FY3/23 (Apr. 1, 2022–Mar. 31, 2023)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Impairment loss	111,271	–	–	–	111,271

FY3/24 (Apr. 1, 2023–Mar. 31, 2024)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Impairment loss	64,621	–	–	–	64,621

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

FY3/23 (Apr. 1, 2022–Mar. 31, 2023)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Amortization for the period	4,975	–	–	–	4,975
Balance at end of period	15,534	–	–	–	15,534

FY3/24 (Apr. 1, 2023–Mar. 31, 2024)

(Thousands of yen)

	Education Services	Real Estate Leasing	Restaurant Operations	Elimination or corporate	Total
Amortization for the period	5,059	–	–	–	5,059
Balance at end of period	9,978	–	–	–	9,978

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per Share Information

(Yen)

	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)
Net assets per share	568.04	626.27
Net income per share	75.95	78.19

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

(Thousands of yen)

	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)
Net income per share		
Profit attributable to owners of parent	421,500	433,809
Amounts not available to common shareholders	–	–
Profit attributable to owners of parent available to common shares	421,500	433,809
Average number of common shares during the period (Shares)	5,549,653	5,547,993

Subsequent Events

Business Combination through Acquisition

SEIGAKUSHA made a resolution at the meeting of Board of Directors held on April 19, 2024, for acquiring all shares of Ichie-Juku Co.,Ltd. (the “Ichie-Juku”) to make it our wholly owned subsidiary. At the same date, SEIGAKUSHA concluded the share purchase agreement with Ichie-Juku.

1. Summary of business combination

(1) Name and Business of Acquired Enterprise

Name of acquired enterprise: Ichie-Juku Co.,Ltd.

Description of its business: Operation of preparatory schools dedicated to preparation for university entrance exams, focusing on entrance exams of medical schools and other competitive universities

(2) Main reasons for business combination

Ichie-Juku whose shares we acquired operates two schools of “ICHIE-JUKU Academy” focusing on preparation of entrance exams for medical schools and competitive universities. Ichie-Juku establishes tutoring styles suitable for individual students (tutoring in small classes, one-to-one tutoring), implementing uniquely developed curriculum regarding entrance exams for medical schools and other competitive universities. It has impressive track records of success every year.

We will aim at further development of the SEIGAKUSHA Group by moving in the market of preparation of entrance exams for medical schools and competitive universities and leveraging know-hows of both companies.

(3) Date of business combination

June 1, 2024 (scheduled)

(4) Legal form of business combination

Acquisition of shares carried out for consideration in cash

(5) Name of combined enterprise

Unchanged

(6) Ratio of acquired voting rights

100.0%

(7) Main grounds for determining acquiring enterprise

SEIGAKUSHA acquires shares for consideration in cash.

2. Acquisition costs of acquired enterprise and breakdown by type of consideration

Consideration for acquisition	Cash	182 million yen
Acquisition cost		182 million yen

3. Details of major acquisition-related expenses and amounts

Advisory expenses, etc.: 25 million yen

4. Amount of goodwill that occurred, cause for occurrence, amortization method and period thereof

Not determined at this time.

5. Amount of assets acquired and liabilities assumed on date of business combination

Not determined at this time.

Reductions in Amount of Share Capital

At the meeting of Board of Directors held on May 15, 2024, SEIGAKUSHA resolved to submit a proposal to reduce its amount of share capital to 38th Annual General Meeting of Shareholders to be held on June 27, 2024, as described below.

1. Purpose of reductions in share capital

SEIGAKUSHA will reduce its share capital to maintain a flexible and dynamic capitalization strategy and to keep financial soundness through application of appropriate tax systems in accordance with its current operation scale. This will be conducted in accordance with Article 447, Paragraph 1 of the Companies Act. There will be no change in the number of shares issued and in net asset value.

2. Outline of reductions in share capital

(1) Amount of reduced share capital

Share capital will be reduced by 135,108,320 yen from 235,108,320 yen. Post-reduction stated capital will be 100,000,000 yen.

(2) Method of reducing amount of share capital

As the method employed will be share capital reduction without compensation, the total number of shares issued will not be changed and the entire amount of share capital to be reduced will be transferred to "Other capital surplus".

3. Schedule

- | | |
|------------------------------------------------|--------------------------------|
| (1) Resolution at Board of Directors meeting | May 15, 2024 (Today) |
| (2) Annual General Meeting of Shareholders | June 27, 2024 (scheduled) |
| (3) Final Date for Stating Creditor Objection | September 30, 2024 (scheduled) |
| (4) Effective Date for Share Capital Reduction | October 1, 2024 (scheduled) |

4. Future outlook

As this share capital reduction is to be conducted via transfer between items classified under net assets, it will result in no change in total net assets and in immaterial impact on financial results. This matter is subject to approval at the Annual General Meeting of Shareholders to be held on June 27, 2024.

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.