Securities code: 9470

Gakken

Financial Results for the Fiscal Year Ended September 30, 2020
Medium-Term Management Plan "Gakken 2023"

November 25, 2020

Gakken Holdings Co., Ltd.

Agenda

◎ Financial Results for the Fiscal Year Ended September 30, 2020

◎ Medium-Term Management Plan “Gakken 2023”

1. Review of “Gakken 2020,” the Previous Medium-Term Management Plan
2. Long-Term Management Policy: Towards 2030
3. Overview of “Gakken 2023,” the New Medium-Term Management Plan

Gakken

Financial Results for the Fiscal Year Ended September 30, 2020

Satoru Nakamori
Executive Managing Director
Gakken Holdings Co., Ltd.

Consolidated Financial Results for the Fiscal Year Ended September 30, 2020 (Summary)

Net sales: Revenue increased for the 11th consecutive year, led by the healthcare and nursing domain

Operating profit: Rose for 6th consecutive year and achieved a record high since the shift to a holding company structure

Profit: Rose due to the increase in operating profit, causing EPS to rise 20% year on year

(Million yen)

	FY9/19	FY9/20	Change
Net sales	140,559	143,564	+3,005
Operating profit	4,523	5,075	+551
Profit	1,940	2,321	+381
ROE (%)	5.0	6.2	+1.2
Dividend (Yen)	18.75*	20	+1.25
Payout ratio (%)	35.9	31.9	(4.0)
Profit per share (Yen)	52.18*	62.70	+10.52

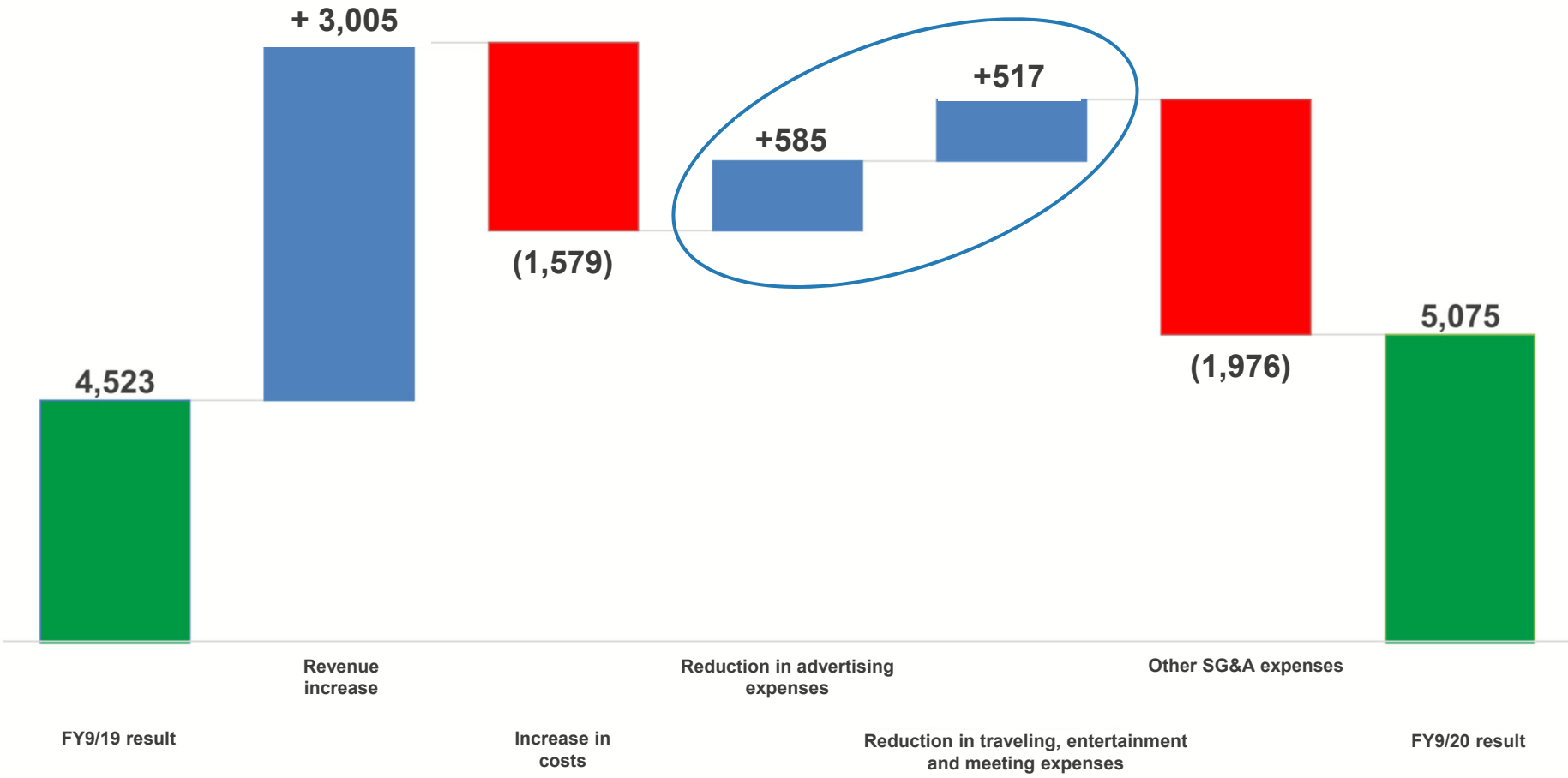
Gakken

* Effective April 1, 2020, the Company implemented a 4-for-1 stock split of its common shares.
FY9/19 figures hypothetically assume that the stock split was executed at the beginning of the same year.

Factors Behind Changes in Operating Profit

(Million yen)

Reduction in SG&A expenses through the use of Zoom and Slack, and thorough cost control



Consolidated Financial Results for the Fiscal Year Ended September 30, 2020 (Difference)

Net sales and operating profit: Ended almost in line with the plan despite the coronavirus crisis

Profit: Underperformed the plan due to impairment loss, loss due to the new coronavirus infection, an increase in tax expenses, etc.

ROE: Profitability improving towards attaining 8% ROE

(Billion yen)

	FY9/19 results	Initial plan for FY9/20*	Revised plan for FY9/20*	Performance forecast for FY9/20*	FY9/20 results	Difference from the revised plan
Net sales	140.5	140.0	143.0	141.0	143.5	+0.5
Operating profit	4.5	5.0	5.1	4.6	5.0	(0.0)
Operating profit margin	3.2%	3.6%	3.6%	3.3%	3.5%	(0.1)%
Profit	1.9	3.3	2.8	1.9	2.3	(0.5)
Net profit margin	1.4%	2.4%	2.0%	1.4%	1.6%	(0.3)%
ROE	5.0%	7.7%	7.0%	—	6.2%	(0.8)%
Payout ratio	35.9%	21.0%	26.4%	—	31.9%	+5.5%

Gakken

* The initial plan, revised plan, and performance forecast for FY9/20 were announced in November 2018, November 2019, and June 2020, respectively.

Consolidated Financial Results for the Fiscal Year Ended September 30, 2020 (Financial Position)

Total assets:	Increase in cash and deposits; increase in property, plant and equipment; and decrease due to sale of investment securities
Interest-bearing debt:	Issued straight bonds (social bonds) totaling 6.0 billion yen
Net assets:	Decrease in capital surplus due to acquisition of additional shares of MCS

(Million yen)

	FY9/19	FY9/20	Change
Total assets	99,349	103,741	+4,392
Interest-bearing debt	30,858	37,808	+6,950
Net assets	39,978	36,239	(3,738)
Equity ratio (%)	38.7	34.6	(4.1)
D/E ratio (times)	0.80	1.05	+0.25

Consolidated Financial Results for the Fiscal Year Ended September 30, 2020 (Cash Flows)

Cash flows from operating activities: Increase in profit before income taxes; decrease in depreciation; increase in impairment loss, etc.
Cash flows from investing activities: Sale of cross-held shares

Cash flows from financing activities: Issuance of bonds; and acquisition of additional shares of MCS

(Million yen)

	FY9/19	FY9/20	Change
Cash flows from operating activities	5,353	5,971	+617
Cash flows from investing activities	(2,825)	(1,588)	+1,237
Free cash flow	2,527	4,383	+1,855
Cash flows from financing activities	(352)	(22)	+329
Cash and cash equivalents at end of period	19,838	24,765	+4,927

Results by Segment for the Fiscal Year Ended September 30, 2020

Educational Domain: Learning center and classroom business was significantly affected by the coronavirus crisis; the publishing business was strong due to the self-quarantine-related demand.

Healthcare and Nursing Domain: Revenue and profit increased due to the growth of the elderly care business

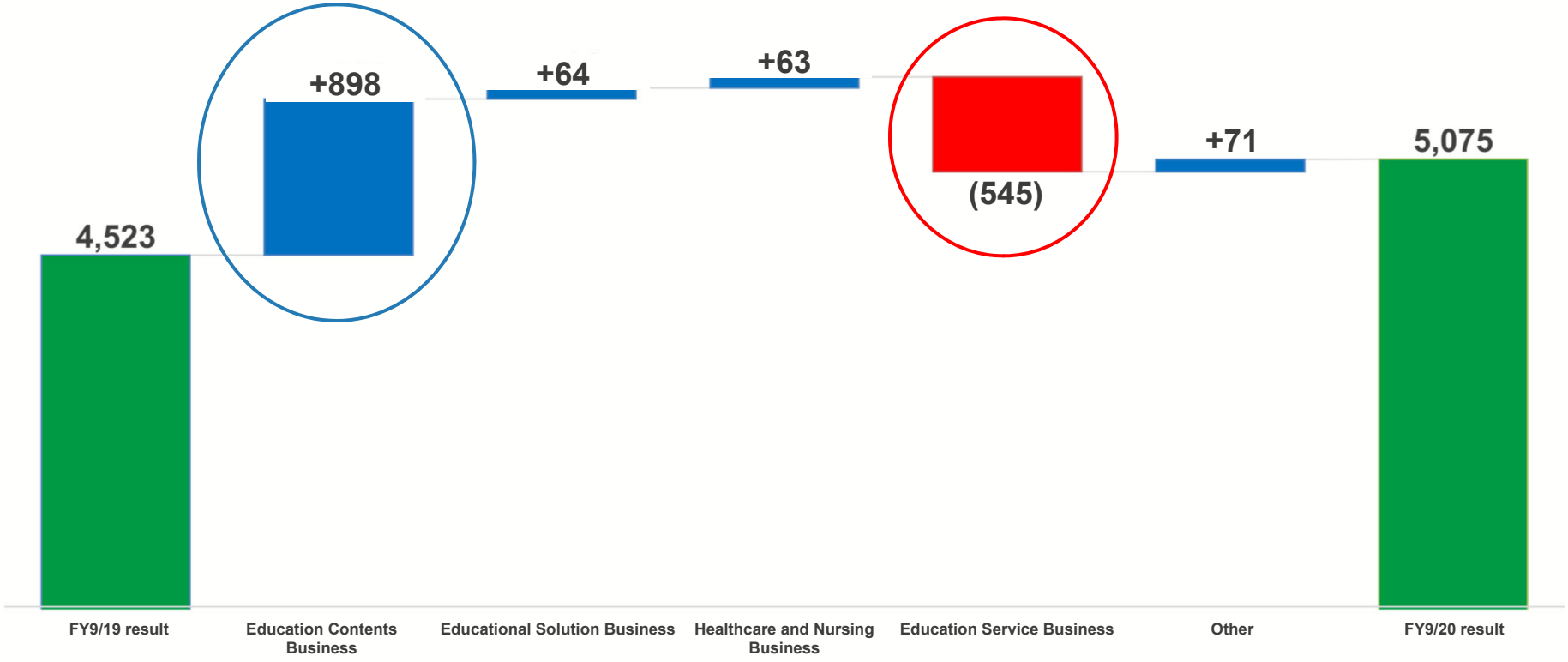
(Million yen)

Segment		Item	FY9/19 results	FY9/20 results	Year-on-year Change
Educational Domain		Net sales	81,627	78,710	(2,916)
		Operating profit	1,873	2,291	+417
	Education Service Business	Net sales	34,232	32,969	(1,263)
		Operating profit	970	424	(545)
	Education Contents Business	Net sales	28,314	26,643	(1,671)
		Operating profit	542	1,440	+898
	Educational Solution Business	Net sales	19,080	19,098	+17
		Operating profit	361	425	+64
Healthcare and Nursing Domain Healthcare and Nursing Business		Net sales	55,430	60,786	+5,355
		Operating profit	2,499	2,562	+63
Other		Net sales	3,500	4,067	+566
		Operating profit	150	221	+71
Total		**Net sales**	**140,559**	**143,564**	**+3,005**
		Operating profit	**4,523**	**5,075**	**+551**

Factors Behind Changes in Operating Profit by Segment

(Million yen)

Education Service Business:	The number of customers of the Gakken Classroom and cram school businesses decreased due to the coronavirus infection
Education Contents Business:	The self-quarantine-related demand contributed to the growth of children's books and study-aid books and to the improved performance of loss-making businesses
Educational Solution Business:	Increase due to the publication of elementary school textbooks (health and moral education) and instruction guides for teachers
Healthcare and Nursing Business:	Achieved business growth in serviced apartments for the elderly



Results by Segment
<Education Service Business>

(Million yen)

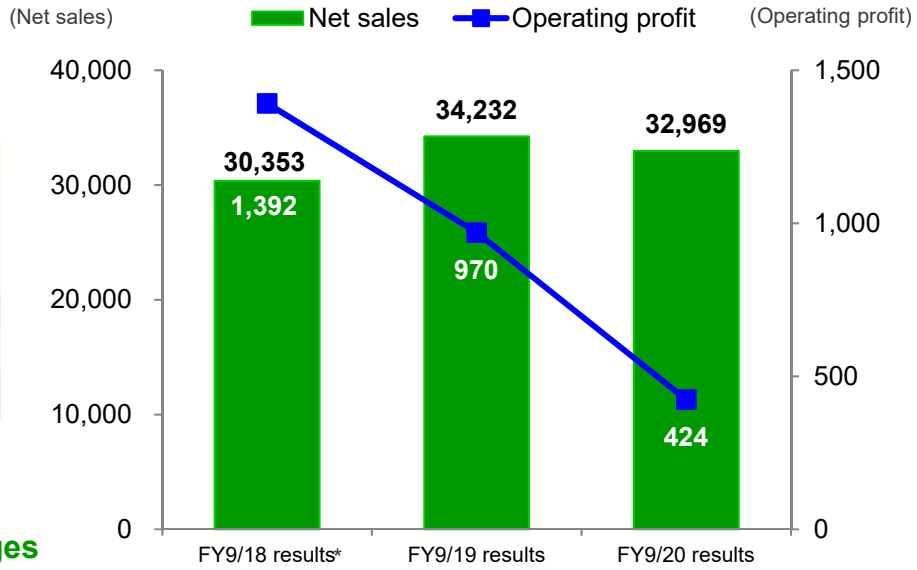
Business overview

- Operation of Gakken Classroom for toddlers, elementary and junior high school students (mainly elementary school students)
- Operation of cram schools for elementary to high school students
- Publication of study-aid books, development and sale of learning materials for learning centers, and assessment business

Tomokazu Harimoto, member of Japan's national table tennis team

Taking lessons at a cram school

Results trends



● Results of main businesses and factors behind changes

	Net sales	Operating profit	YoY change in net sales	YoY change in operating profit	Factors behind changes in net sales	Factors behind changes in operating profit
Gakken Classroom	9,819	(24)	(770)	(676)	• Increase in the number of members who took a leave of absence or withdrew from the program, and decrease in newly enrolled members due to the nationwide temporary school closures ↓	• Profit decrease due to revenue decrease ↓ • Increase in learning material expenses (due to revisions to the Course of Study) ↓
Cram school business	18,567	(55)	(1,115)	(235)	• Decrease in the number of students ↓	• Shortened summer courses and restrictions on camps ↓ • Provision of short intensive courses and cost reduction ↑
Learning materials publishing business	4,581	504	622	366	• Increase in sales of learning materials such as workbooks ↑	• Profit increase due to revenue increase ↑

* FY9/18 results do not include the learning materials publishing business, which was transferred from the Education Contents Business segment.

Results by Segment
<Education Contents Business>

(Million yen)

Business overview

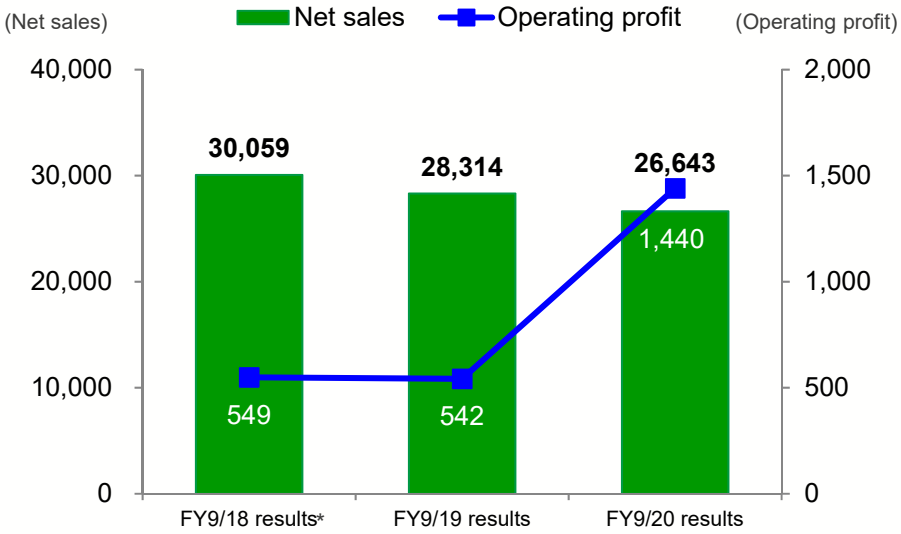
- Publication and distributionof children's books, study-aid books, study materials for adults, etc. through agencies and bookstores
- Publication and distribution of books on medicine and nursing; and sales of e-learning contents for training
- Development and distribution of digital contents and educational toys in conjunction with the publishing business

Illustrated Guide to the Most Powerful Kings Series

Children's Illustrated Guide 777

Hiroshi's Solo Camping

Results trends



● Results of main businesses and factors behind changes

	Net sales	Operating profit	YoY change in net sales	YoY change in operating profit	Factors behind changes in net sales	Factors behind changes in operating profit
Publishing	16,300	2,231	(369)	677	• Company split (periodicals, etc.) ↓ • Growth of children's books and study-aid books ↑	• Profit increase due to growth of children's books, study-aid books, etc., ↑
Medical and nursing business	2,791	451	(37)	(26)	• Decrease in sales of books on medicine and nursing ↓ • Increase in contracts for e-learning for nurses ↑	• Profit decrease due to revenue decrease ↓
Businesses other than publishing	7,550	(1,242)	(1,264)	247	• Business transfer (anime, etc.), and decrease in consignment sales ↓ • Decrease in sales of stationery and toys ↓	• Improved performance of anime and other loss-making businesses ↑

* FY9/18 results include the learning materials publishing business, which was transferred to the Education Service Business segment, but does not include the medical and nursing business, which was transferred from the Healthcare and Nursing Business segment.

Results by Segment
<Educational Solution Business>

(Million yen)

Business overview

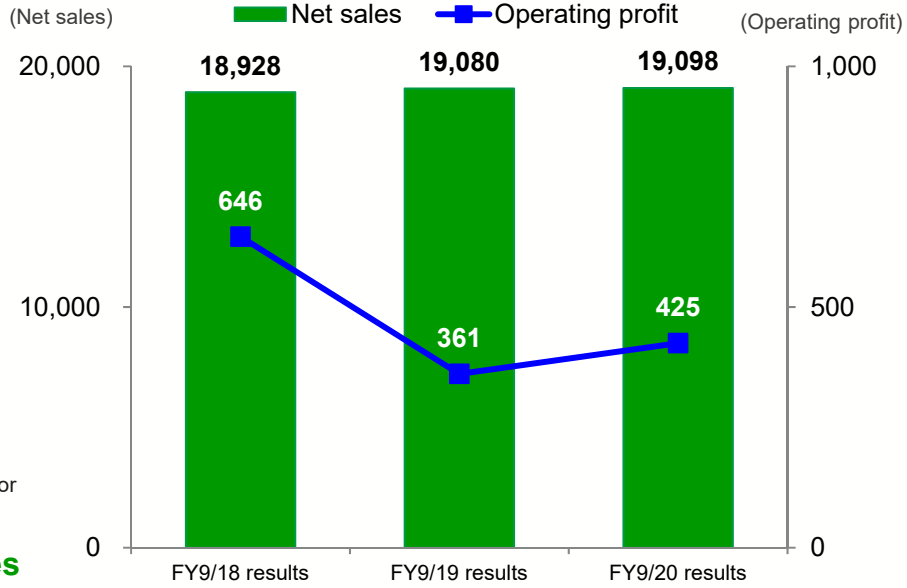
- Production and sales of publications, childcare products, playing and other equipment, and kindergarten and nursery school uniforms; and operation of classroom business for toddlers and elementary school students
- Production and sales of textbooks, instruction guides and supplementals for teachers, learning materials for students with special needs, short essay exams, mock exams, etc.
- Recruitment support service, internal training, ODA consulting business, operation of seminars for teachers

Hygiene items and supplies

Textbooks, and teachers' instruction guides and supplementals adopted for health and moral education at elementary schools

E-learning course for teacher's license renewal

Results trends



● Results of main businesses and factors behind changes

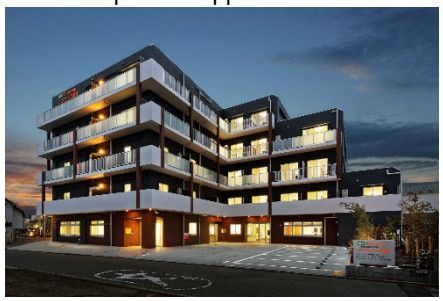
	Net sales	Operating profit	YoY change in net sales	YoY change in operating profit	Factors behind changes in net sales	Factors behind changes in operating profit
Toddler educational business	12,549	(22)	(1,130)	(579)	• Decrease in the number of Toddler Class members • Decrease in kindergarten building designing works as well as supplies and equipment needed for new semesters	• Profit decrease due to revenue decrease
School educational business	4,161	367	(17)	671	• Postponement and cancellation of some mock exams and short essay exams • Publication of elementary school textbooks (health and moral education)	• Increase in shipment of instruction guides for teachers
Social education business	2,387	80	1,166	(26)	• Inclusion of IC Net Co., Ltd., a company offering consulting services for ODA projects, in the scope of consolidation	• Impact of restrictions on overseas travel, etc.

Results by Segment
<Healthcare and Nursing Business>

(Million yen)

Business overview

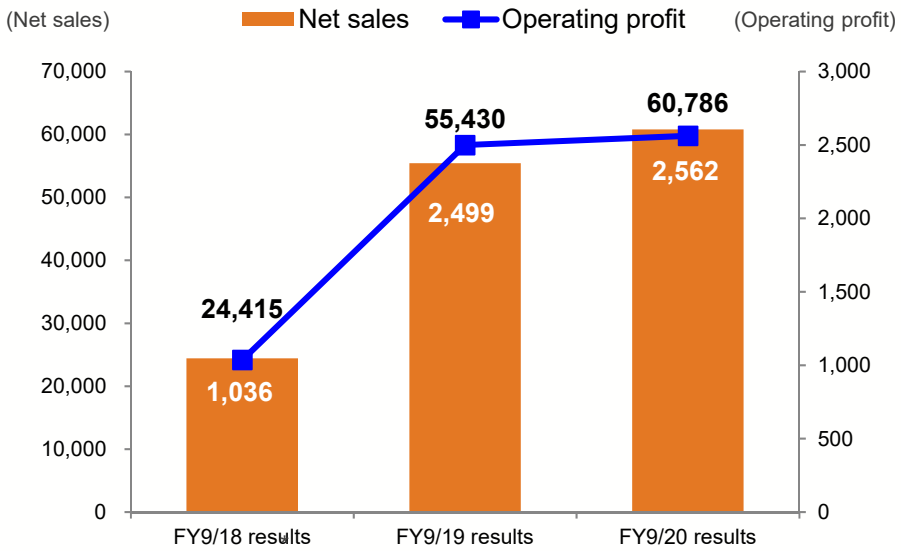
- Planning, development and operation of serviced apartments for the elderly, group homes for the elderly with dementia, bases for home-based care and other services
- Planning, development and operation of child raising support business services including nursery schools, after school children's clubs, and child development support centers



[Opened in April 2020]
Cocofump Mirokuji (Kanagawa Prefecture)

[Opened in April 2020]
Ainoie Group Home Nagano-Tsuruga-Nanase (Nagano Prefecture)

Results trends



● Results of main businesses and factors behind changes

	Net sales	Operating profit	YoY change in net sales	YoY change in operating profit	Factors behind changes in net sales	Factors behind changes in operating profit
Elderly care business	55,805	2,445	4,916	18	• 12 new sites opened/added ↑ • Increase in revenue from home-visit care ↑	• Profit increase due to revenue increase ↑
MCS	31,995	1,284	1,662	(103)	• 4 new sites opened/added ↑	• Increase in personnel costs from revised wages and recruitment of workers ↓ • Increase in costs for infection prevention ↓
Child raising support business	4,980	117	438	44	• 2 new nursery schools opened/added ↑ • Contracts won to newly operate 6 afterschool children's clubs ↑	• Profit increase due to revenue increase ↑

* FY9/18 results include the medical and nursing business, which was transferred to the Education Contents Business segment.

MEMO

Gakken

Medium-Term Management Plan
“Gakken 2023”

November 25, 2020

Hiroaki Miyahara
President, Representative Director
Gakken Holdings Co., Ltd.

Contents

1. Review of “Gakken 2020,” the Previous Medium-Term Management Plan
2. Long-Term Management Policy: Towards 2030
3. Overview of “Gakken 2023,” the New Medium-Term Management Plan
    1. Management Policy
    2. Basic Policy and Priority Initiatives
        - Business Domains
            - Educational Domain
            - Healthcare and Nursing Domain
        - Strategic Areas
            - Acceleration of Digital Transformation (DX)
            - Global Business Development
        - Group Strategy
    3. Performance Targets

Gakken

1 Review of “Gakken 2020,”

the Previous Medium-Term Management Plan

Review of Gakken 2020: Basic Policy And Priority Initiatives

Gakken 2020

Pioneering a new era by mobilizing the Group's resources

Pioneering a new era driven by two growth engines

Educational Domain	Healthcare and Nursing Domain
Proactively change the business and lead new approaches to learning	Pursuit of service expansion and further improvement in quality

Reinforce the management foundation

Enhance capital efficiency and shareholder returns

Increase corporate value through sustainable growth

7 initiatives for reinforcing the management foundation

1	Business strategy monitoring	5	Financial strategy
2	Organizational and personnel reform	6	Investment evaluation
3	Income structure reform	7	Marketing enhancement
4	Portfolio changes		

Review of Gakken 2020: Progress in Achievement of Financial Indicator Targets

- Made good progress throughout FY2019 and until 1H of FY2020
- The adverse impact of the coronavirus crisis was kept below levels anticipated for the 2H (Apr.-Sep.) of FY2020

(Billion yen)

	Results for FY9/18	FY9/19 results	Initial plan for FY9/20	Revised plan for FY9/20	Revised performance forecast as of end of June 2020	**Results for FY9/20**	Vs. the revised plan
Net sales	107.0	140.5	140.0	143.0	141.0	**143.5**	+0.5
Operating profit	3.6	4.5	5.0	5.1	4.6	**50.7**	(0.03)
Operating profit margin	3.4%	3.2%	3.6%	3.6%	3.3%	**3.5%**	(0.1)%
Profit	3.0	1.9	3.3	2.8	1.9	**2.3**	(0.5)
Net profit margin	2.9%	1.4%	2.4%	2.0%	1.4%	**1.6%**	(0.4)%
ROE	8.1%	5.0%	7.7%	7.0%	-	**6.2%**	(0.8)%
Payout ratio	21.4%	35.9%	21.0%	26.4%	-	**31.9%**	+5.5

Review of Gakken2020: Summary

Performance Targets	△+	■ FY2019 saw strong growths in both sales and profit. ■ Kept the impact of the coronavirus crisis limited during the 2H of FY2020 ■ Compared to the revised plan, sales outperformed the target but profit was slightly below the target.
Educational Domain Proactively change the business and lead new approaches to learning	△	■ Selection and concentration implemented in the publishing business (periodicals business, etc.) ■ Market share increased in study-aid books and children's books ■ Learning center and classroom business significantly affected by the coronavirus crisis in the latter half of the period. On the other hand, flexibly and promptly responded to home learning and self-quarantine-related demand.
Healthcare and Nursing Domain Pursuit of service expansion and further improved quality	○	■ Profitability in Greater Tokyo Area and occupancy rate in western Japan improved. ■ Improved quality of dementia care services. ■ Site development temporarily slowed down in 2H of FY2020 due to the coronavirus crisis.
Reinforcement of Management Foundation Seven initiatives	△-	■ Intra-Group monitoring established. Capabilities of responding to changing situations improved. ■ Financing implemented with the issuance of social bonds. ■ Organizational and personnel reform and income structure reform will continue towards producing results.

Tasks to be addressed under the next medium-term management plan

Realize "Group premiums"

- **Refine business portfolio**
- **Create added value based on Group-wide cooperation**
- **Complete both organizational/personnel reform and income structure reform**

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2

Long-Term Management Policy:

Towards 2030

"Education is the key to Japan's postwar reconstruction"

—The conviction of the founder, late Hideto Furuoka

1947 | 1960s | 1980s | 1990s | 2000s

1946: Gakusyu Kenkyusha founded

- Commenced publication of "Gakushu (Learning)"

1947: Published reference books for teachers
Published study-aid books "Mohanzenka (All Subject Norms)"

1963: Commenced the publication of "XXnen no Kagaku (Science for XX grade)"

1967: Ministry of Education began supplying overhead projectors (OHPs) to schools. ⇒ The first OHP made in Japan

1968: Published Japan's first full-color illustrated encyclopedia

1980: Gakken Classroom opened

1995: Developed a DB of textbook questions "GPOS"

1996: Began providing a fax-based distance learning service "Imagine Gakuen (School)"

2008:
Founded "Gakken Cocofump" for the elderly care business

1947: Basic Act on Education abolished; and a new educational system implemented
⇒ New "education" for a new "era"

1960s: Increased interest in education with the increase in household income
⇒ Technologies incorporated into education with the spread of television

1980s: PCs introduced to schools
⇒ ICT began being introduced in education

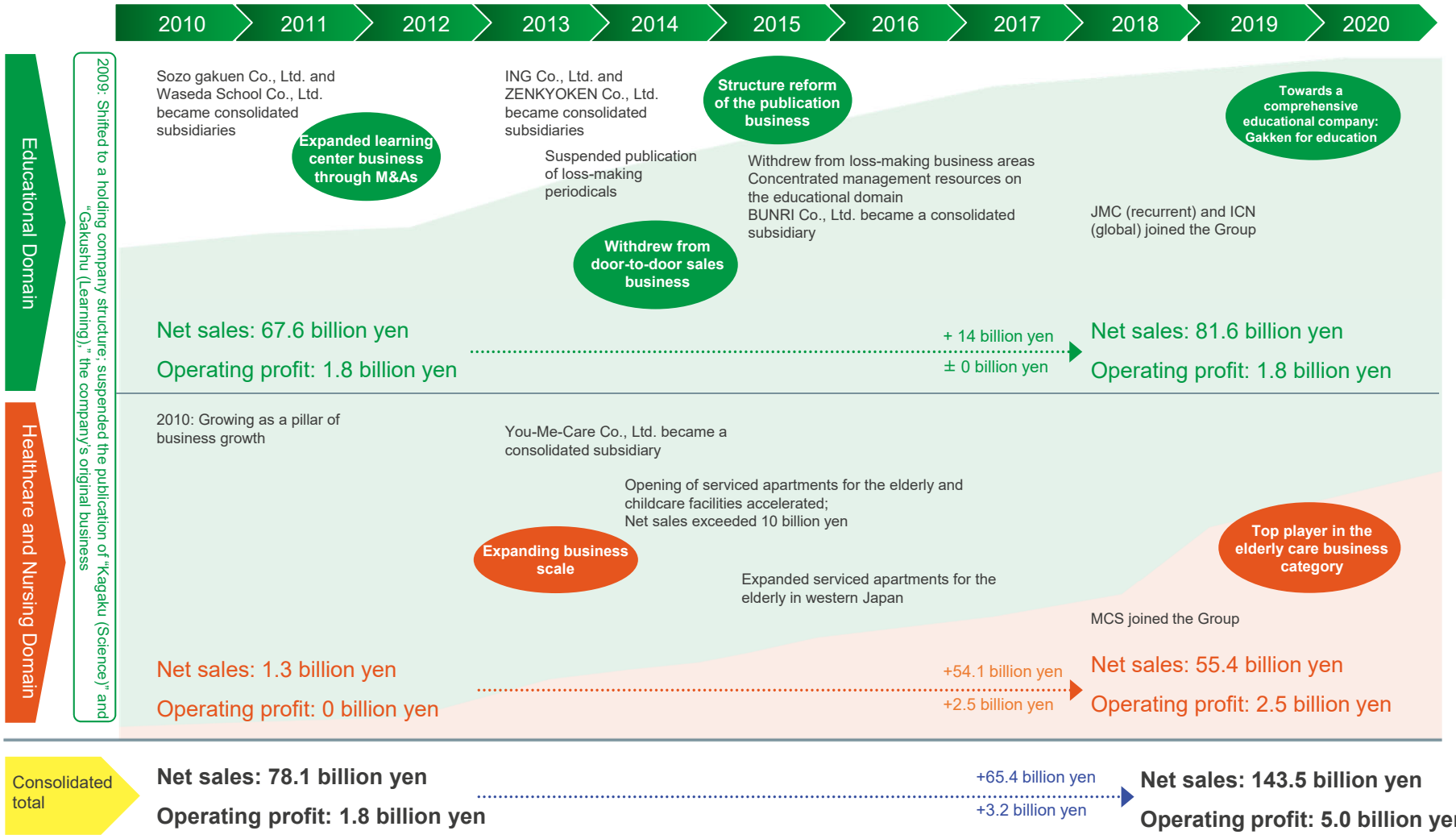
1990s: Digitalization accelerated
⇒ Increased use of ICT at schools

2000s: Aging population with low birthrate highlighted as an issue
⇒Shifted focus of business towards the elderly.

Gakken has always taken on challenges to solve social problems of the times

10 Years of Structural Reform under the Holding Company Structure

Change of business structure has progressed with new business development and proactive M&As



Create Solutions Beyond Your Imagination

[Gakken Spirit]

Think deeply for people and society.

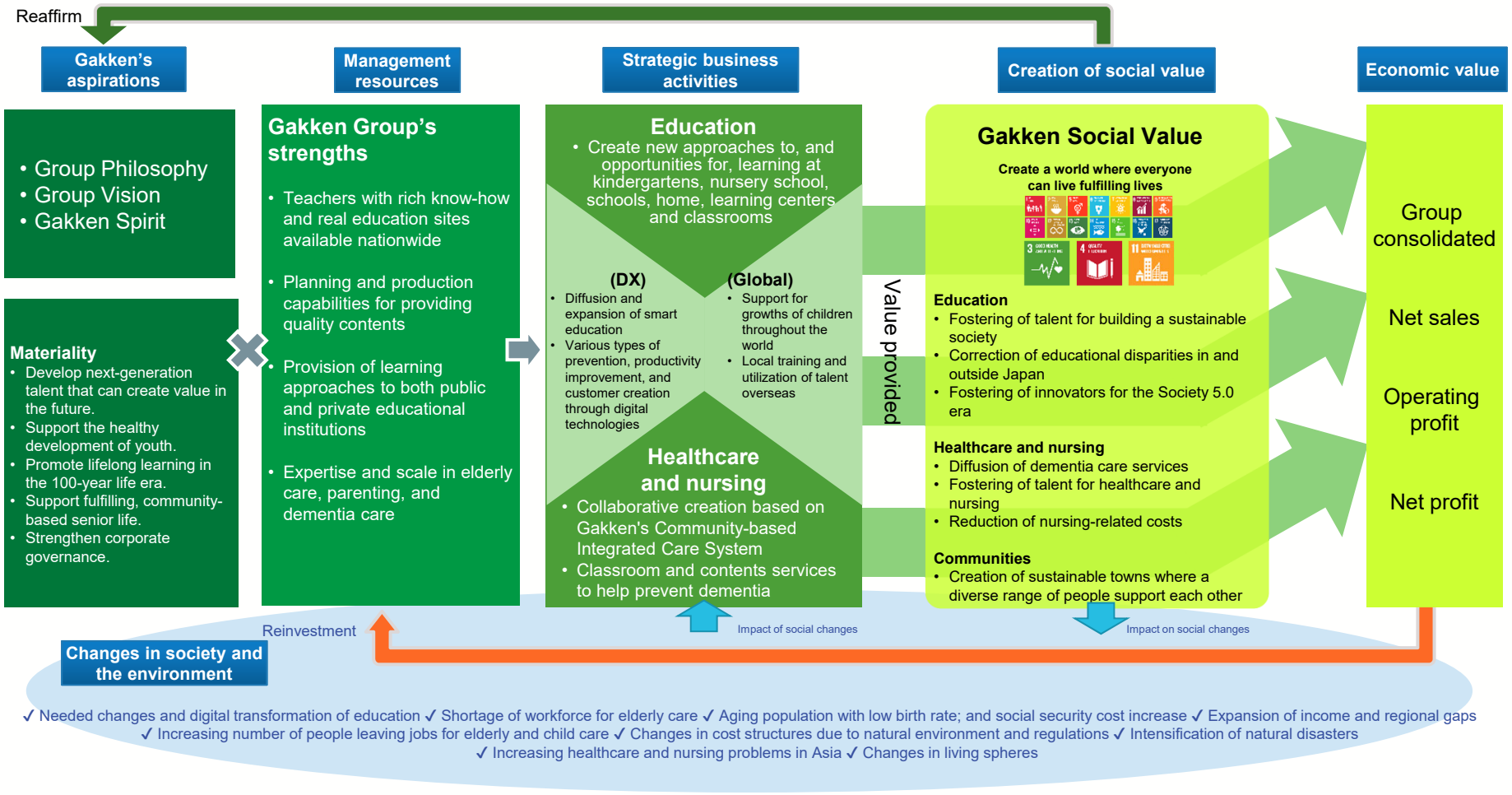
Keep on learning.

Possess passion and speed.

Harness the power of the individual for the strength of the group.

Do not be satisfied with the status quo.

Gakken's Value Creation Model



Both the education business and the healthcare and nursing business seek to create paramount value by developing a society where customers live fulfilling lives. Creating value together with society helps develop a sustainable society and enables us to achieve sustainable growth.

[Long-Term Management Policy] Group's Business in 10 Years Time

- **The digital domain generates over 40% of the Group's earnings.**
- **Globally operated businesses generate over 30% of the earnings.**

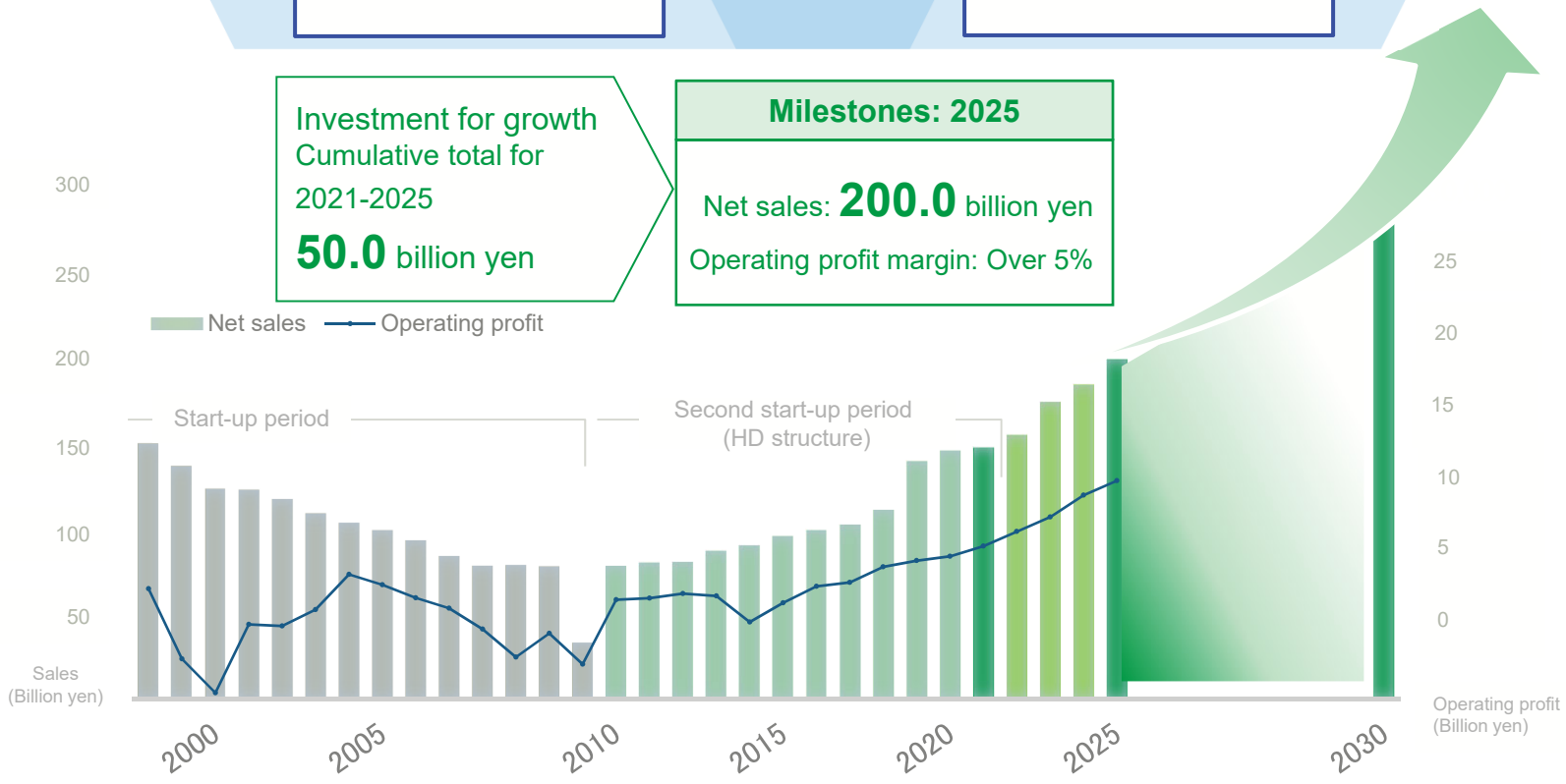
Digital
Over **40%**

Business earning structure in 2030

Global
Over **30%**

Investment for growth
Cumulative total for 2021-2025
50.0 billion yen

Milestones: 2025
Net sales: **200.0** billion yen
Operating profit margin: Over 5%



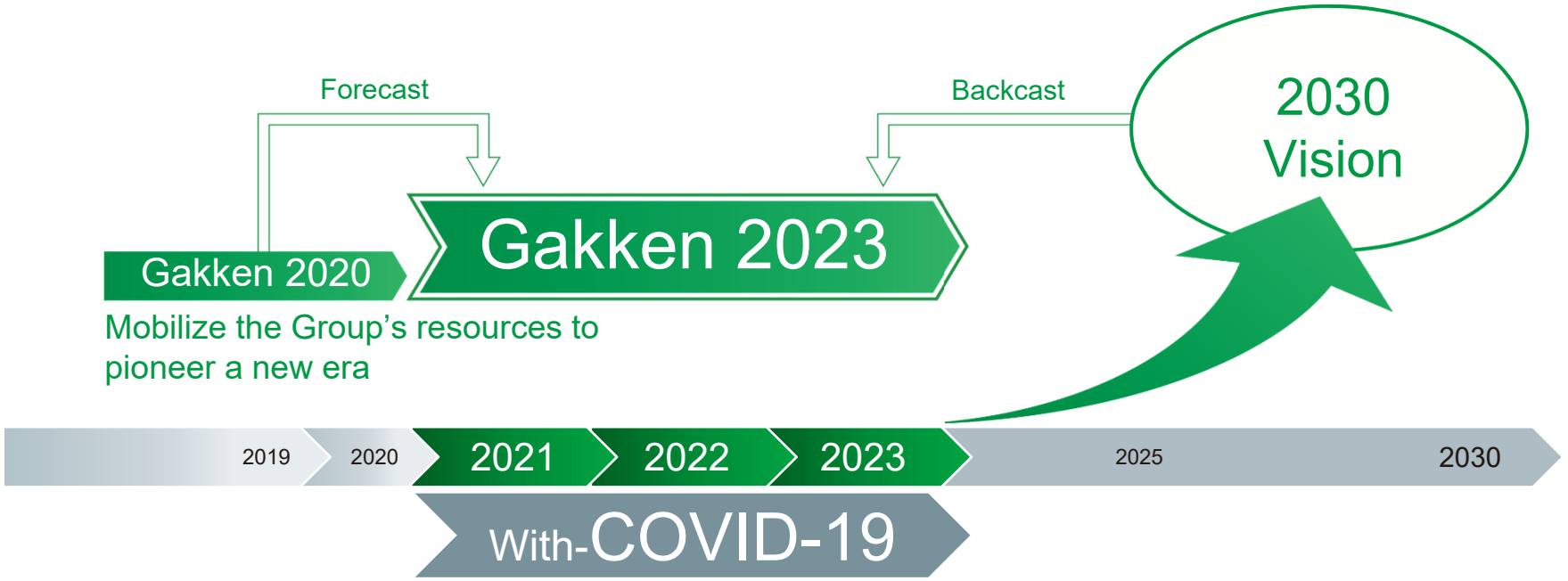
Gakken

3

Overview of “Gakken 2023,”

the New Medium-Term Management Plan

Positioning of Gakken 2023



Uncertainties become the norm. Society and lives change at an accelerated pace.

Major tasks Gakken Group should address

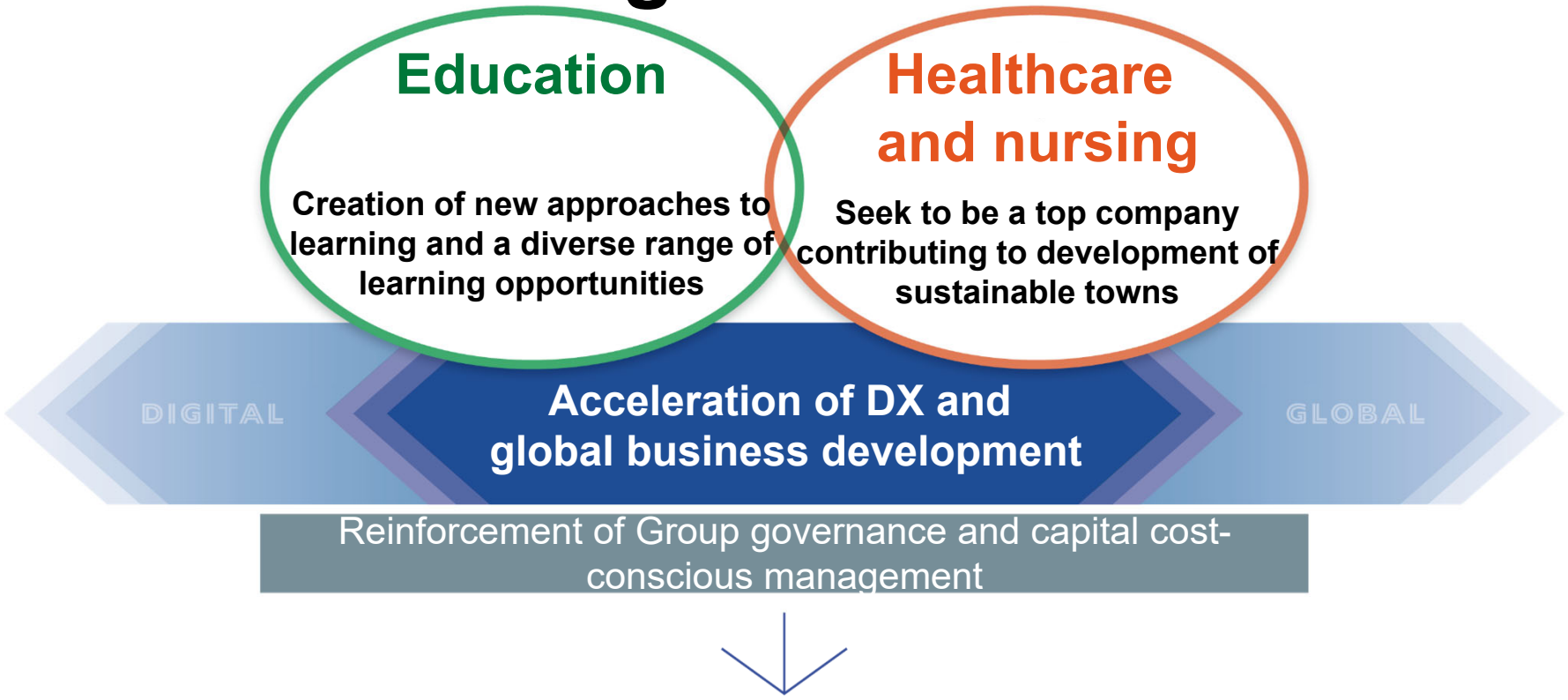
- Adaptation to "new normal" resulting from the coronavirus crisis
- Digital transformation
- Overemphasis on the domestic mature market

▶ Open innovation (collaborative creation)

▶ Business portfolio optimization (selection and growth)

▶ New market development through global business operations

“Establishment of a solid foundation for growth”



Sustainable improvement of corporate value

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Gakken 2023:
Basic Policy and Priority Initiatives

Business Domains

[Educational Domain] **Basic Policy and Priority Initiatives**

“Creation of new approaches to learning and a diverse range of learning opportunities”

Basic policy

- **Promotion of individually optimized learning through “smart education,” digital transformation of education**
- **Development of learning environment for the 100-year life era**
- **Strengthening cooperation between schools, learning centers and homes**

Targeted performance

<Net sales>
77.3 billion yen → 82.0 billion yen
<Operating profit margin>
2.8% → 5.5%

Priority initiatives

◉Learning center and classroom business

- Strictly select offline formats ＋ Concentrate resources on online formats
- Expand cooperation between learning centers and create synergy: Promote cooperation to improve efficiency and profitability

◉Publishing and education business

- Core business (toddlers, elementary, junior high, and high school students): Take educational reform and digitalization as opportunities for completing the transformation.
- Provide education DX services to schools. Help expedite the government’s educational reform with our contents

◉ Toddler and adult businesses

- Build a network of learning: Link kindergartens/nursery schools with homes and contribute to improving the quality of preschool education.
- Develop a systematic approach to adult education and propose a life-long learning environment for the 100-year life era

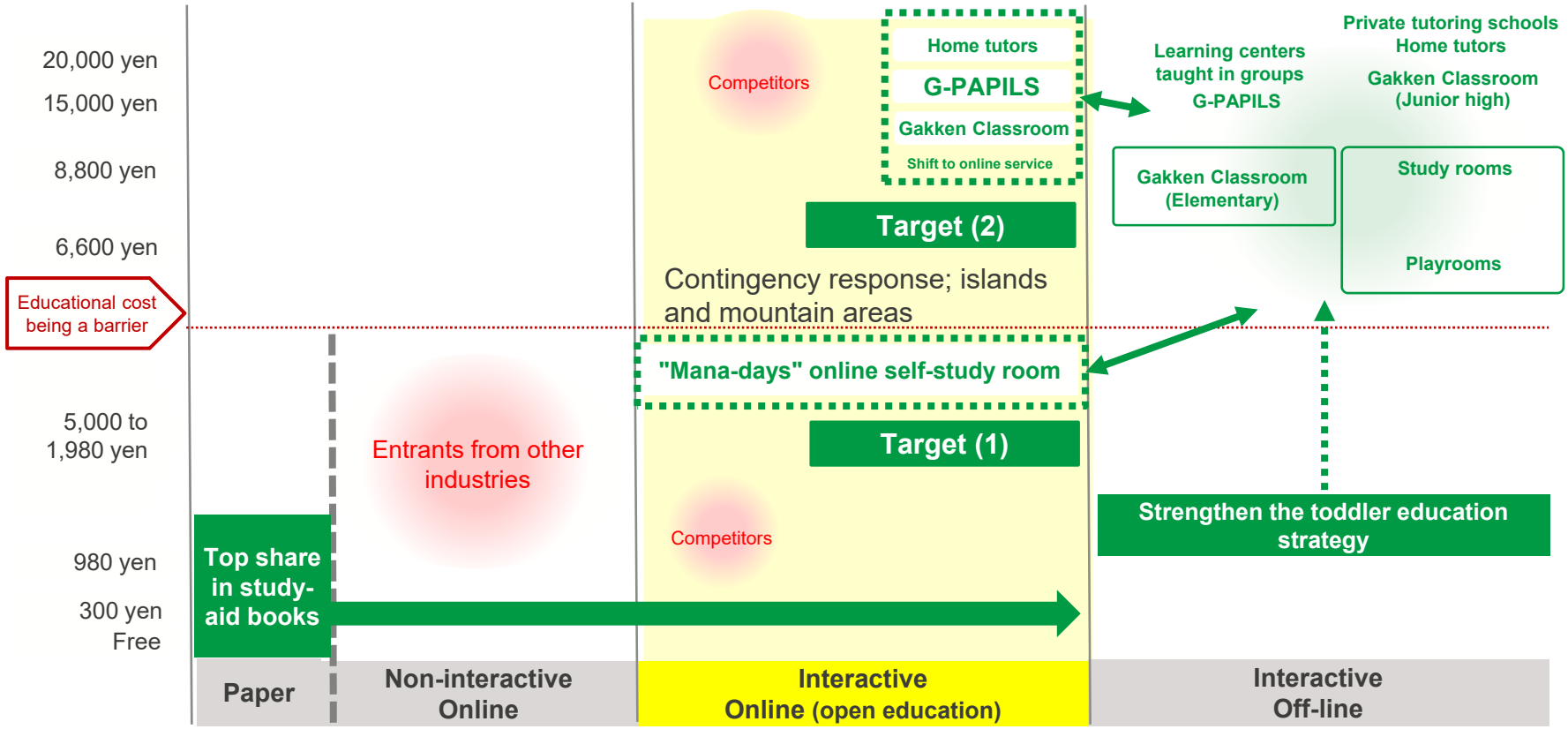
◉Global business

- Roll out Gakken’s contents (education, nursing, and elderly care) globally
- Support the growth of children throughout the world. Introduce to other countries Japan’s quality education developed through public education.

Education DX

(1) Establish our competitive advantage in the 'interactive online' market, a newly developed market
(2) Expand the segments of students and increase retention rates based on a dual approach comprising "real" and "online"

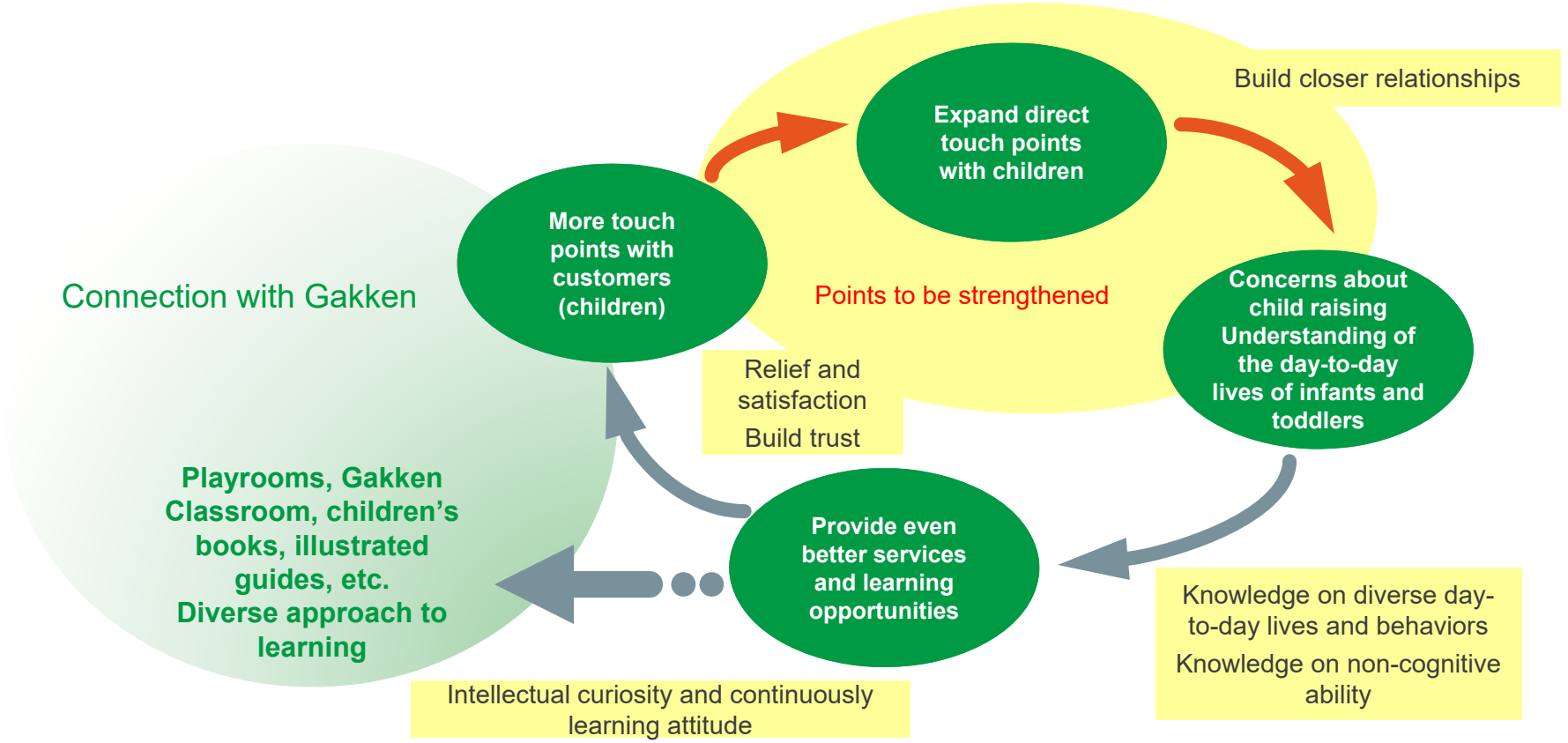
Market positioning of online services



[Educational Domain: Strategic Area] **Toddler Business**

Besides delivering learning contents to kindergartens, nursery schools, and homes, increase opportunities for direct exchanges.
Deepen our understanding of customers' day-to-day lives and behaviors to continue providing consistent learning opportunities

Learning cycle that begins from the preschool period



“Take on the challenge of developing the largest learning market”

Adults

Recurrent

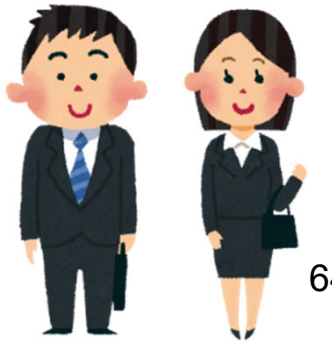
100-year life

Age 0 to 5
5,638 thousand people

Age 6 to 11
6,189 thousand people

Age 12 to 17
6,532 thousand people

Age 18 to 21
4,733 thousand people



Age 22 to 64
64,908 thousand people

Age 65 and up
35,730 thousand

Children’s learning

23 million people
(19%)

Adults’ learning
A market with 65 million people (52%)

Senior citizens’ learning

36 million people
(29%)

JMC

Gakken Medical Support

Gakken Plus

Gakken E-mirai

[Healthcare and Nursing Domain] **Basic Policy and Priority Initiatives**

“Seek to be a top company contributing to development of sustainable towns”

Basic policy

- **Improve customer and employee satisfaction**
- **Collaborative creation based on Gakken's Community-based Integrated Care System**
- **Be a company providing comprehensive services for supporting child raising and the elderly**

Targeted performance

<Net sales>
60.7 billion yen → 76.0 billion yen
<Operating profit margin>
4.5% → 4.7%

Priority initiatives

Talent

- Increase retention rates and reduce early turnover (Strengthen the education system and improve employee satisfaction)
- Strengthen recruitment of new talent; and expand areas to conduct talent development business

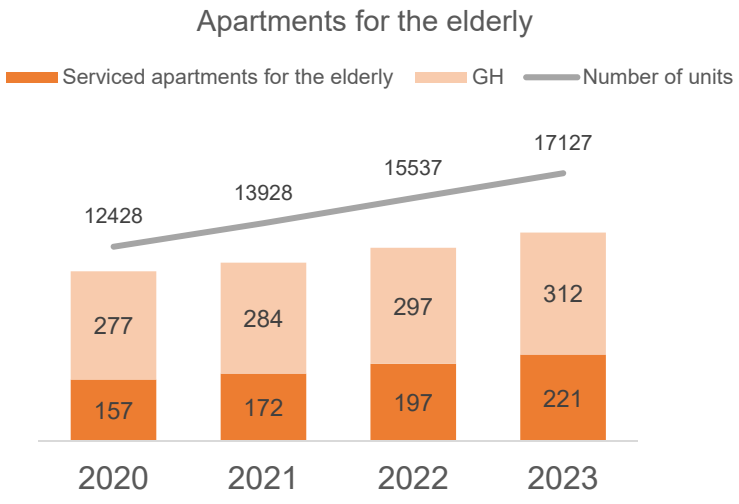
Quality

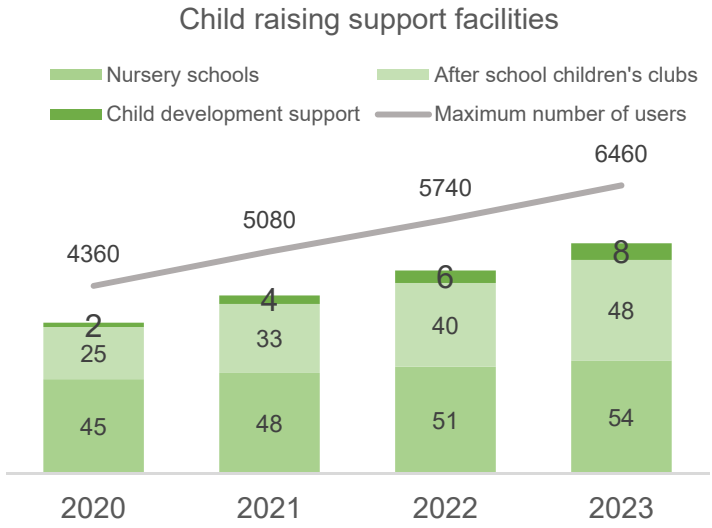
- Improve operation efficiency through DX and ICT; and expand in-home services
- Provide a wide range of services in child raising domain; and diffuse independence support-type care
- Nursing and elderly care and high-standard model that does not require and eliminate the need for hospitalization

Development

- Strengthen sales capabilities; expedite site opening; and develop hub-type services
- Strengthen building management; enhance brand recognition; and develop new projects
- Strengthen town developing capabilities and develop overseas business

[Healthcare and Nursing Domain] Expansion of Sites and DX





◉ Quantitative expansion

- Expand the number of sites by 7% per annum on average and the number of residence units by over 10%.
  Seek to gain a regionally dominant position in each geographical area
- (Overseas) Continue to open new sites in major cities in China
- Increase the number of facilities by 13% per annum on average, including nursery schools, after school children's clubs, and child development support facilities.
  Increase the enrollment capacity by 50% in three years (compared to FY2020)

◉ DX in the existing domains

- Use of digital devices in facilities
- Digitalization of records and introduction of operational dashboards

⇒ Seek to make our in-house developed systems the industry's standard templates

◉ DX in new domains

- Behavioral analyses with smart elderly care and childcare
  Maximize labor efficiency ⇒ Utilize workforce for new development
- Utilization and sales of robots (Expand the sales of Aeolus)
- Health promotion and prevention of dementia
- Development of ICT satellite serviced apartment for the elderly

Dementia Care Business

Prevention → Early detection → Prevention → Alleviation and care
Mobilize the Group's resources to address societal issues.
Create new businesses in the area of prevention

Patients (Parents)

- **Develop a business for prevention of dementia**
  - Dementia care lab, Gakken Wellness Club
- Further deepen joint research on early detection of dementia with Shimane University, SHIMADZU CORPORATION and ERISA; and develop preventive measures (exercise, diet and nutrition)

60s → 70s → 80s → 90s → 100 or over

Retirement; loss of a sense of fulfillment

Potential patients of mild cognitive impairment (MCI)

Onset of dementia

- **Accident prevention**
- **Oral care and nutrition**
- **Independence support-type care**

✓ Anxious feelings about one's brain and health emerge at certain ages.
✓ What people are anxious about differs by age.
✓ Provide an integrated service for individuals from age 65 to 100, changing the details of the care by age.

Number of senior citizens aged 65 and over: 36 million

Children

40s → 50s → 60s → 70s → 80s → 90s

Retire from parenting duties

Feel one's own age and start thinking about the future

Begin paying premium for elderly care insurance

Onset of dementia

Potential patients of mild cognitive impairment (MCI)

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Gakken 2023

Group Strategy

[Group Strategy] Acceleration of DX

- Accelerate the development and implementation of smart education through digitalization, and seek to increase the top line.
- Change the operations of healthcare and nursing with digitalization, and seek to increase the bottom line.
- Concentrate and share the Group's core systems and various IT platforms, and lead the improvement of operational productivity and management efficiency.

Targeted performance	2021-2023 Generate 10% or more of the Group's profit.

Educational domain	Healthcare and nursing domain	New digital domain
To J Solution (learning centers) ▶ Increase added value of classrooms and learning centers with a balance between real and online formats; and approach areas yet to be developed **To H Solution (home)** ▶ Prioritize linkage between kindergartens/nursery schools and elementary schools; provide dual services—paper-based and digital services—that connect readers of commercially available materials with learning centers. **To S Solution (schools)** ▶ Create new services effectively leveraging classrooms/learning centers and publication contents; and reorganize the sales structure.	**To E Solution (kindergartens and nursery schools)** ▶ Improve the efficiency of operations of kindergartens and nursery schools through cooperation with digital companies and increase the value of services provided to customers. **Elderly care service solutions** ▶ Improve physical quality and productivity with digital technologies including IoE, AI and robotics. **Dementia care service solutions** ▶ Effectively and efficiently realize prevention, early detection and alleviation by effectively utilizing cutting-edge technologies.	**Digital solutions for adults** ▶ Expand segments of customers of e-learning for specialists (certified care workers, teachers, etc.) ▶ Promote integration of real and online formats for basic skills training for adults **Expand Gakken e-commerce** ▶ Accelerate the implementation of the e-commerce expansion strategy with a focus on our products and services with brand value **Take on challenges to expand global businesses** ▶ Accelerate collaboration with IT-oriented universities and digital companies in Southeast Asia and other regions; and take on challenges to source talent and create businesses.

★Concentration of IT team with defense functions (One IT)
▶ Promote the development of common ERP, communication infrastructure, etc. and concentrate information systems divisions

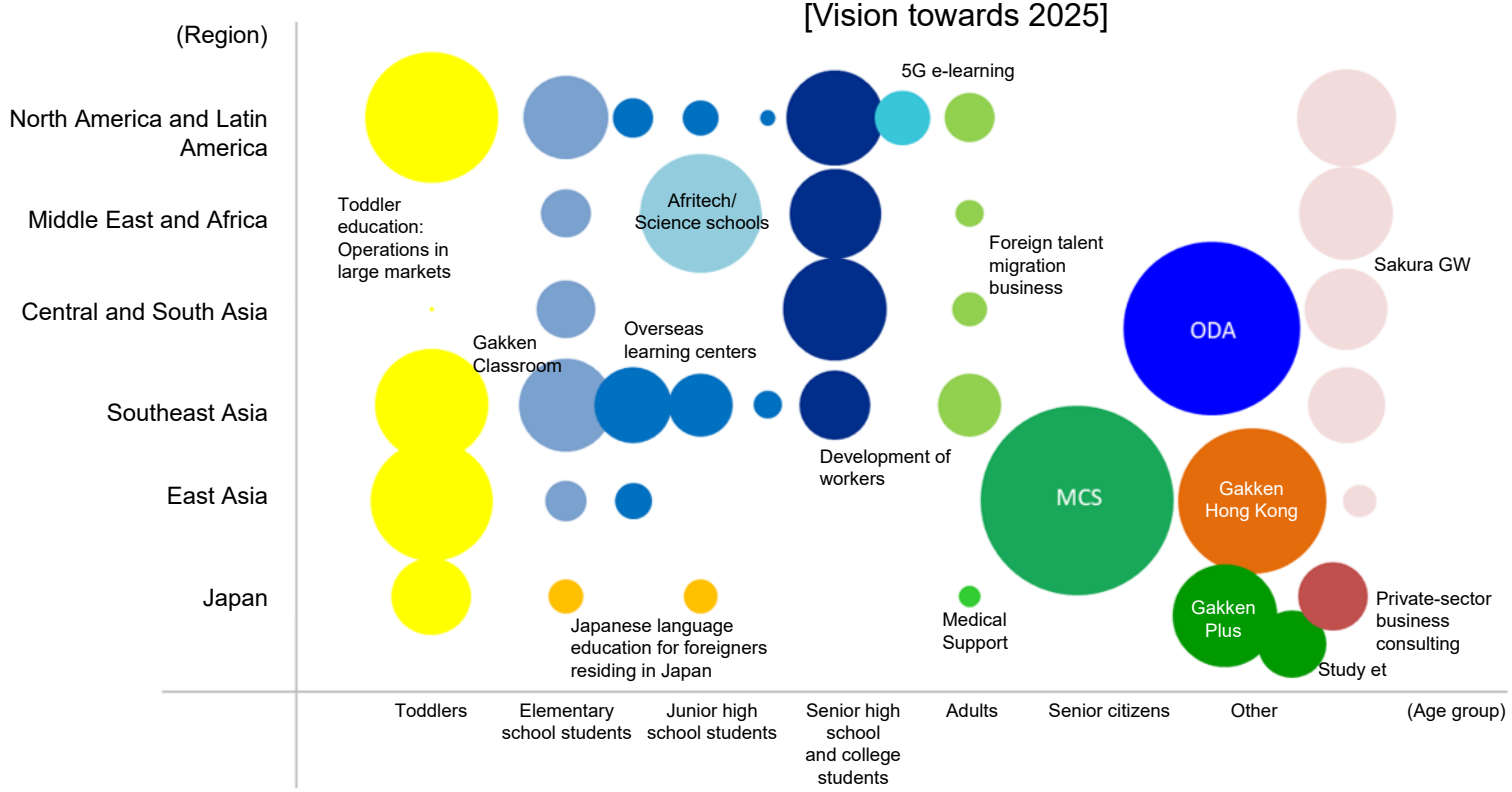
★Source and develop talent for DX (Neo IT)
▶ Secure talent for creating advanced IT solutions such as data science and AI; and provide existing employees with DX training.

[Global Strategy] # Global Business Development

- Share Japan's experiences with the rest of the world: Contribute to the realization of a society in which "no one will be left behind" by fostering talent.
- Share our global experiences with Japan: Leverage our extensive global experience to contribute to "glocalization" of Japan.
- Simultaneous development of multiple overseas bases: Accelerate implementation of localized activities through human networks

Targeted performance (5 years)	2021-2025 Net sales: Roughly 7.0 billion yen → 20.0 billion yen

[Vision towards 2025]

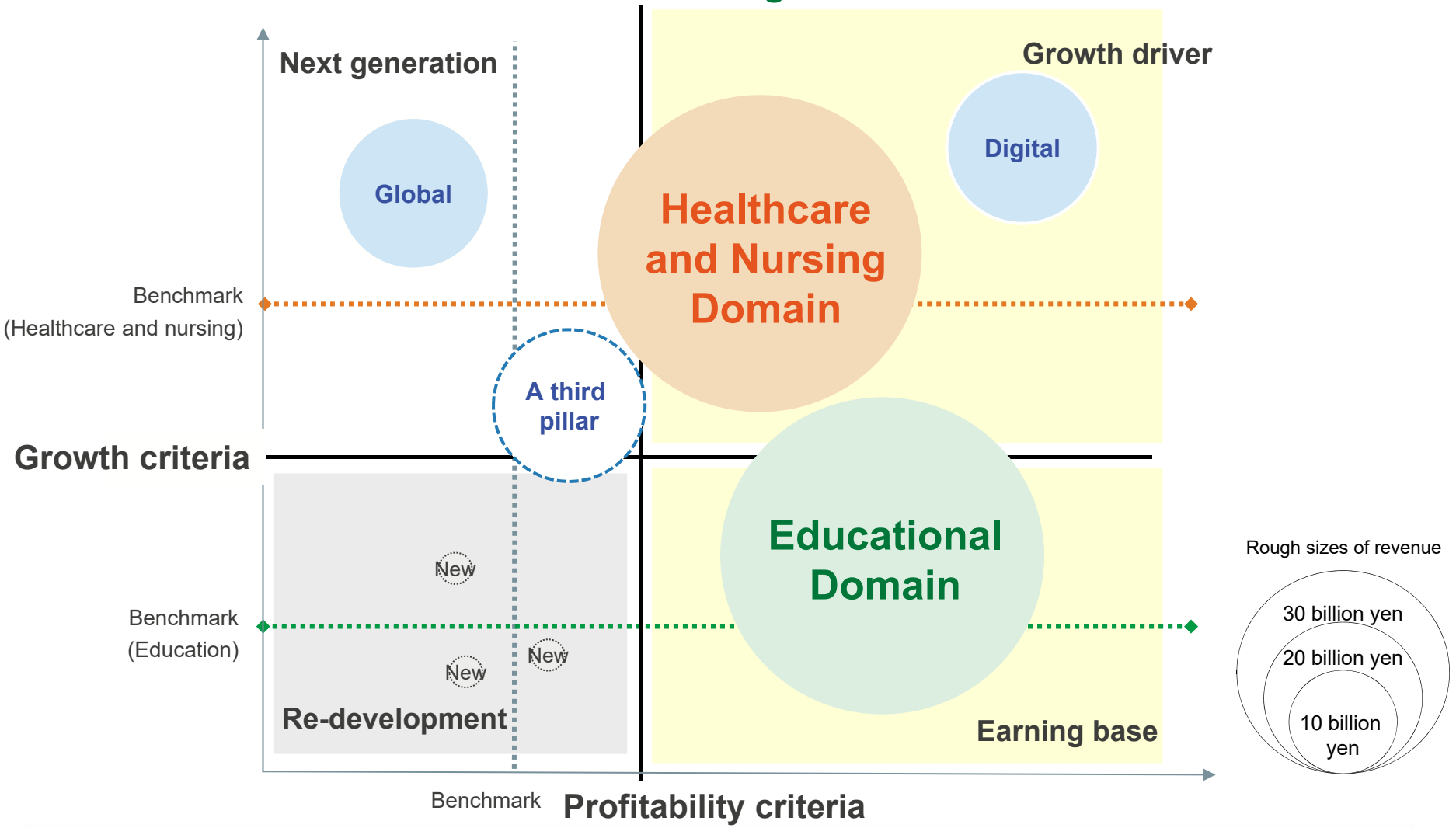


Group Management: Four Priority Initiatives

Reinforcement of Group governance and capital cost-conscious management

Management	**Gakken's approach to refining business portfolio management** Implement management with a focus on ROIC based on a four-quadrant framework
Organizational structure	**Reorganization of the Group's business operation structure** Management based on a matrix of business domains and strategic areas
Talent	**Utilization of human capital** Promote and utilize diverse types of talent; and foster future management members
Finance	**Cash flow generation and capital efficiency enhancement** Emphasize earning power and capital costs

Business portfolio vision based on the implementation of medium-term strategies



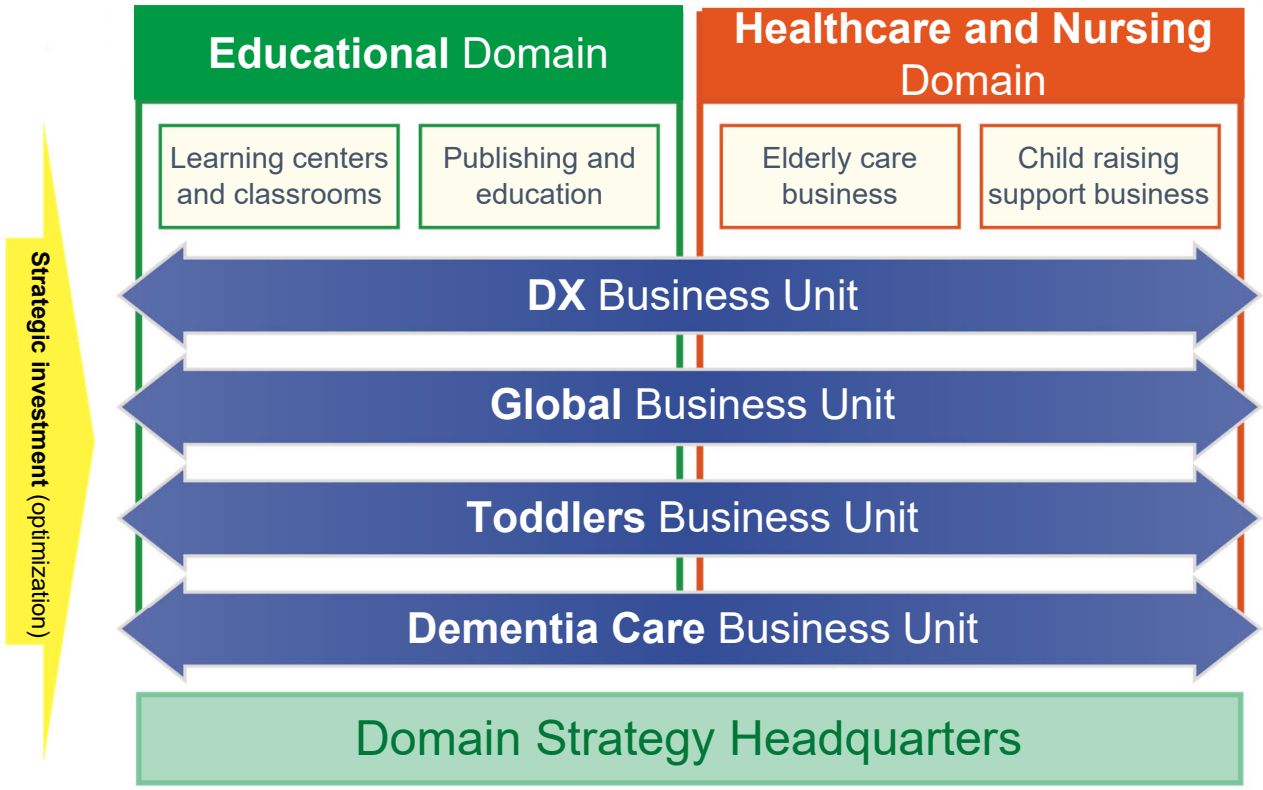
* Growth indicator: Average annual growth of net sales over the coming five years
Profitability indicator: Introduce ROIC by business as an indicator besides operating profit margin

[Group Management] Reorganization of the Group's Business Operation Structure

Optimize management resource allocation from a broader perspective and based on broader thinking.

- Integrate touch points with customers and knowledge
- Avoid scatteration of management resources and investment

Management based on a matrix of business domains and strategic areas



The business unit undertakes reallocation of the Group's management resources by leveraging internal and external knowledge concerning the strategic growth areas. Specifically, it is responsible for:

(1) Formulation of business strategies and plans

(2) Responsibility for business performance

(3) Management of investment returns

[Group Management] Talent Strategy: Utilization of Human Capital

Gakken Group positions human capital as its most important management resources that create added value needed for achieving sustainable growth.

◉ Pursue provision of fulfilling jobs and comfortable work environment to each and every employee

- ▶ Implement diverse, flexible and new workstyles with DX, etc.

◉ Promotion of diversity and inclusion

- ▶ Promotion of diverse talent including employees who can function globally and those with digital expertise and of optimal talent allocation
- ▶ Provision of opportunities for every employee to unleash their capabilities

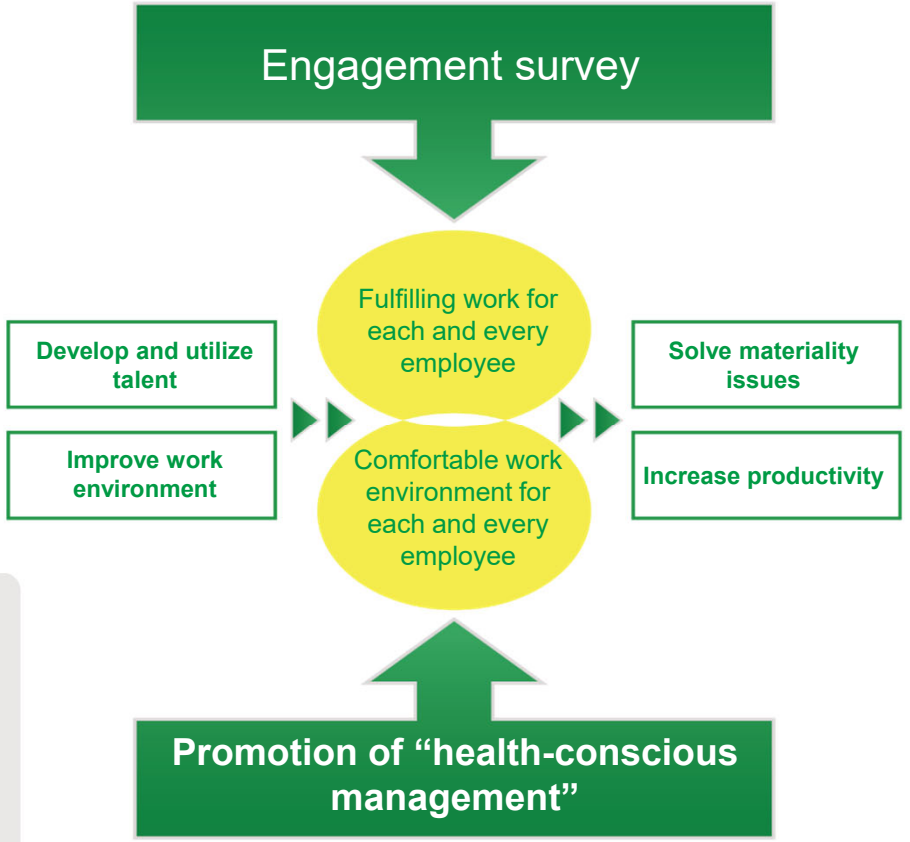
◉ Proactive investment in human capital

- ▶ Enhance the quality and quantity of Gakken Group's human capital to increase economic and social value.

Set indicators for investment in human capital

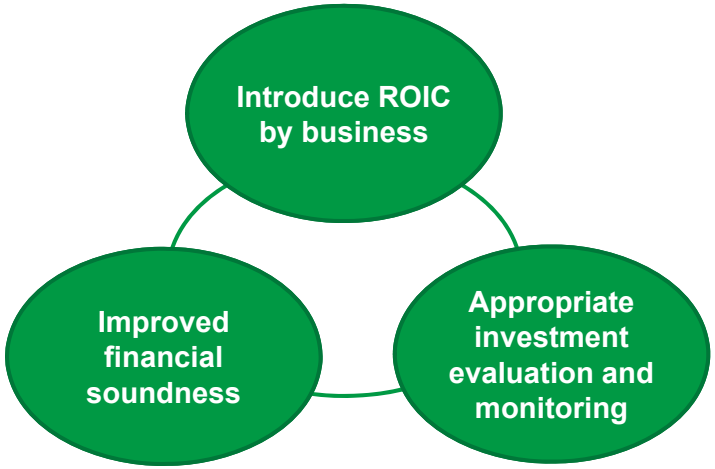
- ☐ Establish a mutual relationship of trust by dialogue with employees through the engagement survey
- ☐ Promote health-conscious management by implementing initiatives for helping employees maintain and promote health
- ☐ Continuous employee-centric investment based on setting indicators for investment in human capital*

* E.g., Human capital investment ratio (%) = Investment in human capital / Profit x 100



[Group Management] Cash Flow Generation and Capital Efficiency Enhancement

Pursue enhanced capital efficiency based on the implementation of management with an awareness of capital costs
Realize sustainable growth in profit and shareholder returns based on proactive investment in strategic areas.



◉ Enhanced capital efficiency

- ▶ Develop a resilient business portfolio based on optimal allocation of resources
- ▶ Targeted ROE for 2023: 8%

2021-2023
Generate 20 billion-yen cash flows from operating activities

Review of the balance sheet, etc.
10 billion yen

◉ Strategic investment and shareholder returns

- ▶ Strategic growth areas: 25 billion yen or more investment
- ▶ Shareholder return policy:
  Increase profit and continue the 30% dividend payout ratio

[Gakken 2023] Performance Targets

Performance targets for FY9/23

Net sales:
165.0 billion yen
Operating profit:
7.5 billion yen
Operating profit margin: 4.5%

(Billion yen)

Education	Net sales	82.0
	Operating profit	4.5
	Operating profit margin	5.5%
Healthcare and nursing	Net sales	76.0
	Operating profit	3.6
	Operating profit margin	4.7%
* Other (Overseas business, logistics business, etc.)	Net sales	7.0
	Operating profit	(0.6)
	Operating profit margin	-

* The operating loss of 0.6 billion yen in “other” includes the Group’s budget for DX of 0.7 billion yen.

[Gakken 2023] Financial Indicators and Targets

(Billion yen)

	FY9/20 results	Outlook for FY9/21	Plan for FY9/23
Net sales	143.5	146.0	165.0
Operating profit	5.0	5.6	7.5
Operating profit margin	3.5%	3.8%	4.5%
Profit	2.3	2.8	3.8
Net profit margin	1.6%	1.9%	2.3%
ROE	6.2%	6.5%	8%
Payout ratio	31.9%	-	30%

Milestones and targets
- Fiscal year ending September 30, 2025 -

- Net sales: 200.0 billion yen

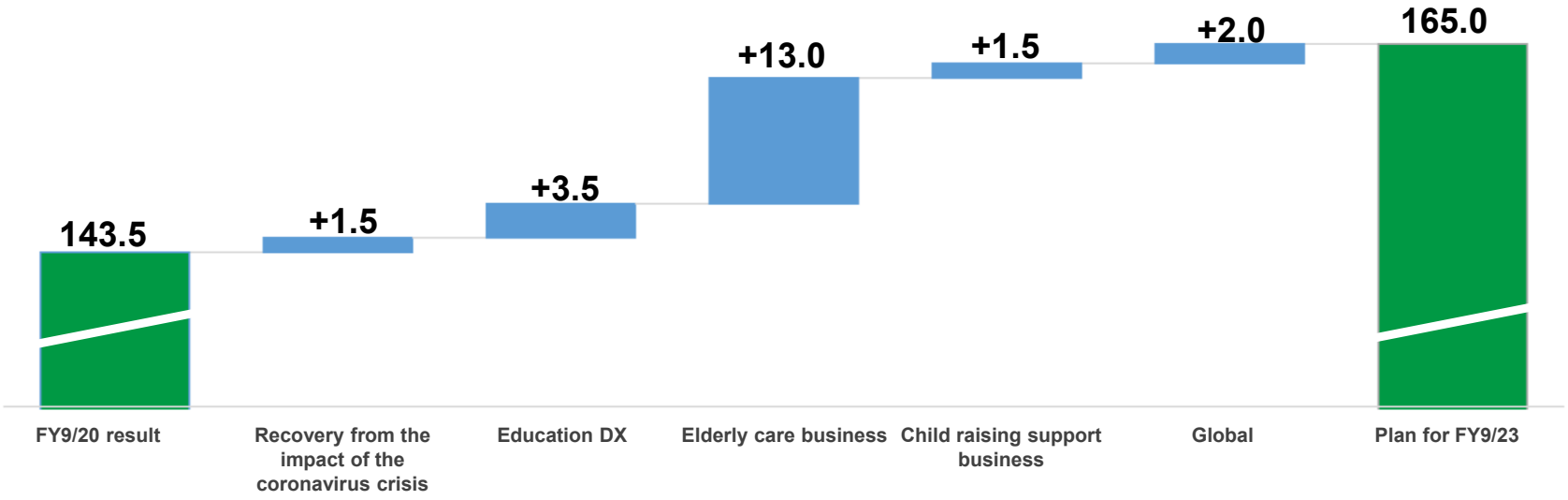
Breakdown
- Education: 100.0 billion yen
- Healthcare and Nursing: 100.0 billion yen

- Operating profit margin: 5% or higher
- ROE: 8% or higher
- Payout ratio: 30% or higher

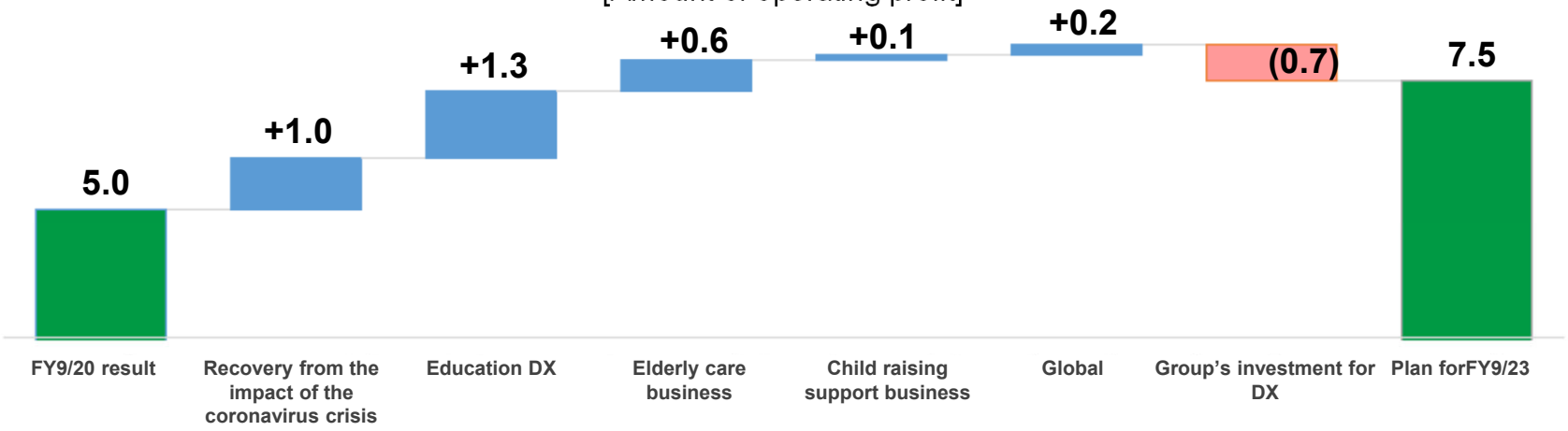
Factors Behind Changes in Anticipated Increase/Decrease in Net Sales and Operating Profit Over the Next Three Years

(Billion yen)

[Net sales]



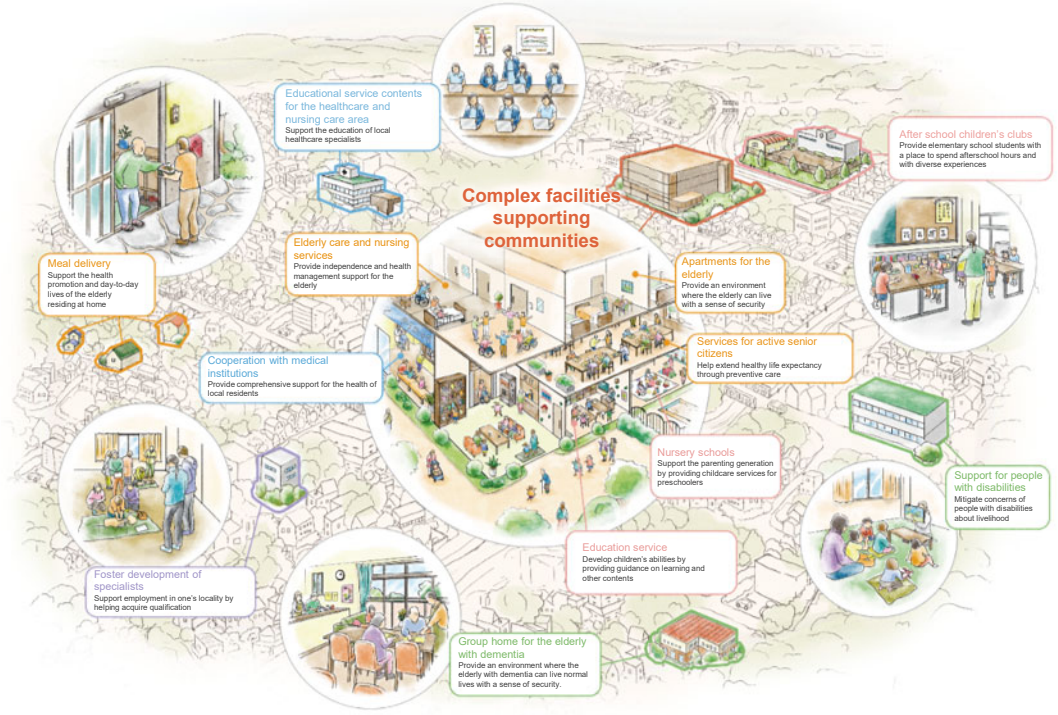
[Amount of operating profit]



[Vision]

Collaborative Creation based on Gakken's Community-based Integrated Care System

Towns where people of different age groups—from 0-year-old babies to senior citizens over the age of 100—and their families can continue to live with a sense of security in the same community.
Gakken Group contributes to the development of sustainable towns from the perspective of local residents.



MEMO

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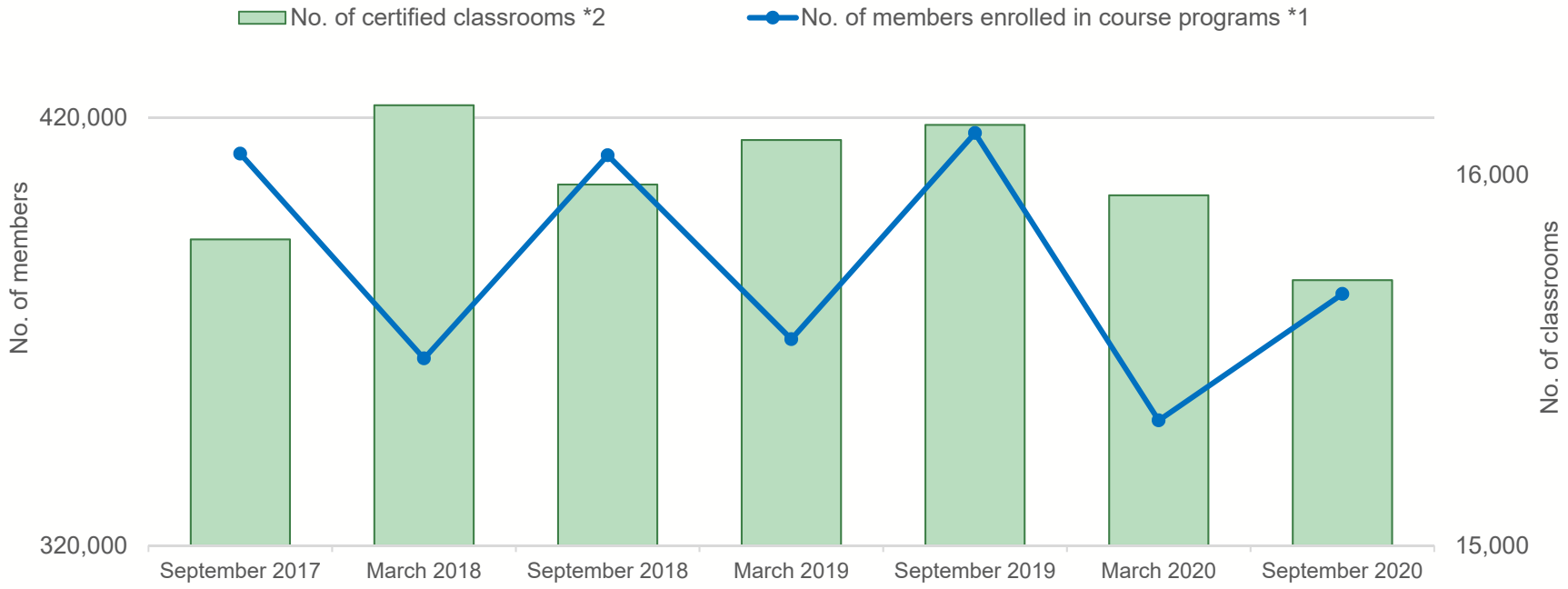
Supplementary Materials

Gakken Classroom: No. of Members Enrolled in Course Programs and No. of Certified Classrooms <Education Service Business>

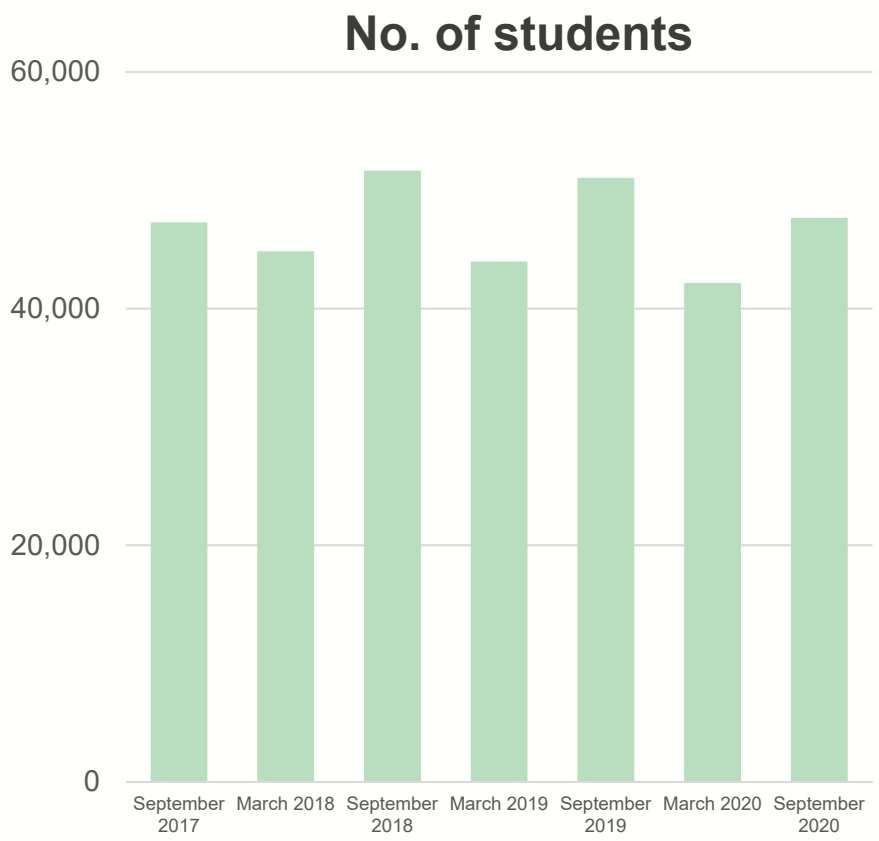


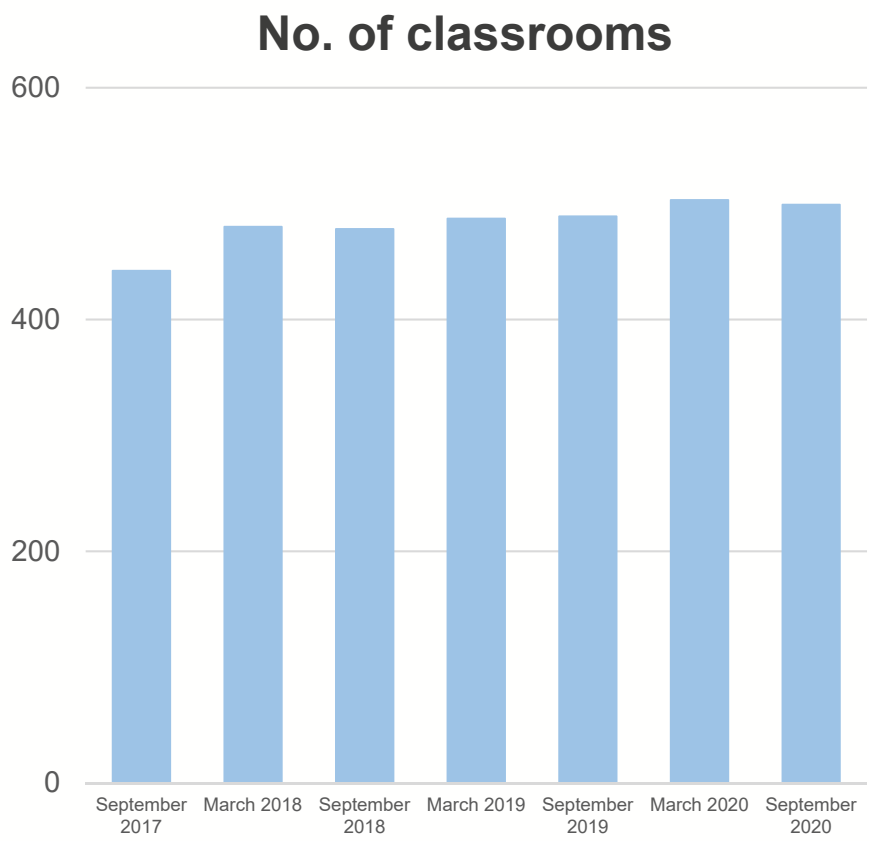
	September 2017	March 2018	September 2018	March 2019	September 2019	March 2020	September 2020
No. of members enrolled in course programs *1	411,626	363,718	411,254	368,230	416,431	349,230	378,787
No. of certified classrooms *2	15,826	16,188	15,974	16,094	16,135	15,945	15,716

*1: No. of members enrolled in course programs: Based on the number of course programs members are enrolled in. Those enrolled in two course programs are counted twice, and those enrolled in three course programs, three times.

*2: No. of certified classrooms: **B**ased on the number of certifications acquired. There are two certification categories for Gakken Classroom: (1) Math and Japanese and (2) English. Classrooms certified in both categories are counted twice.

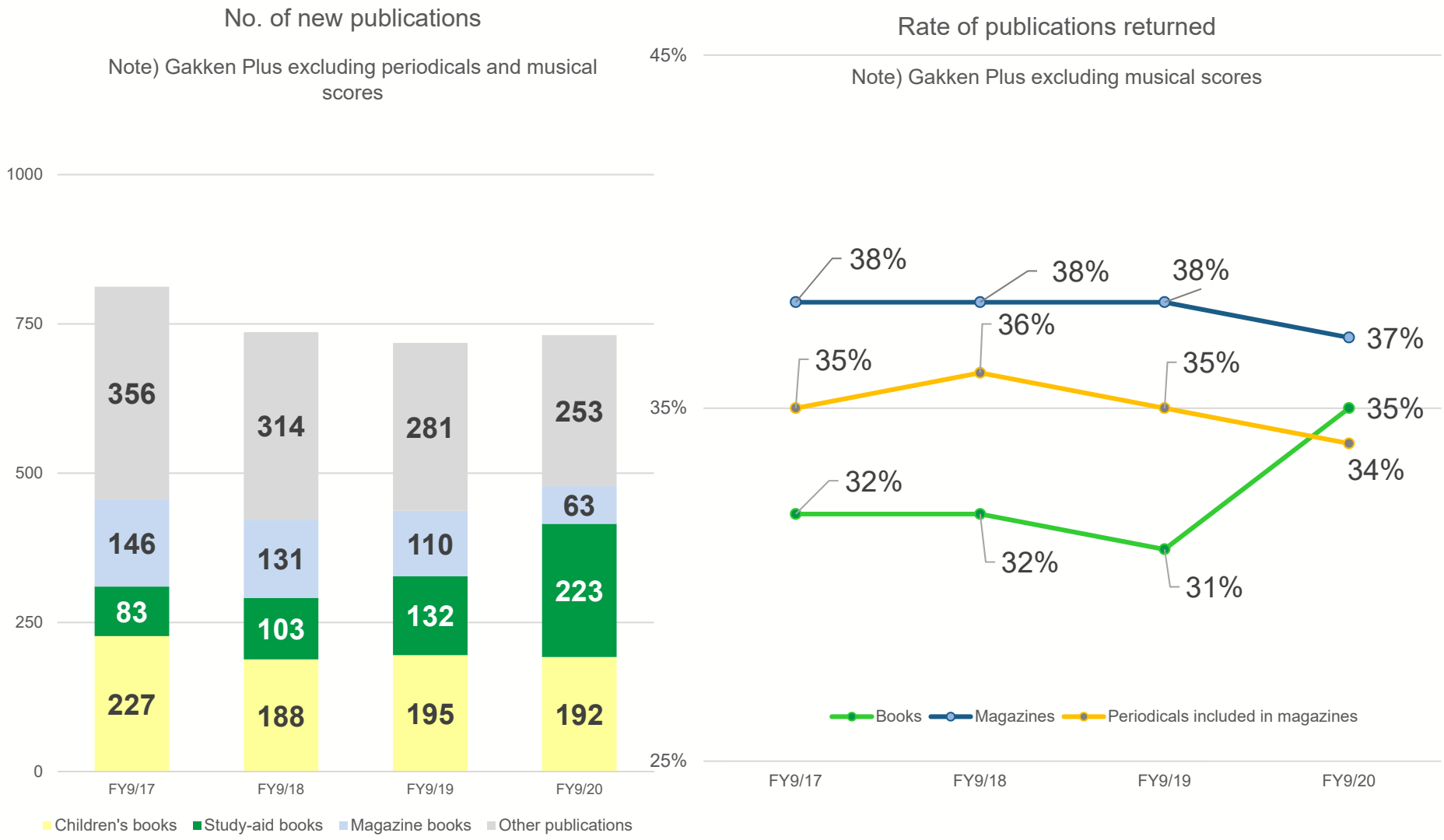
Cram Schools: No. of Students and No. of Classrooms <Education Service Business>



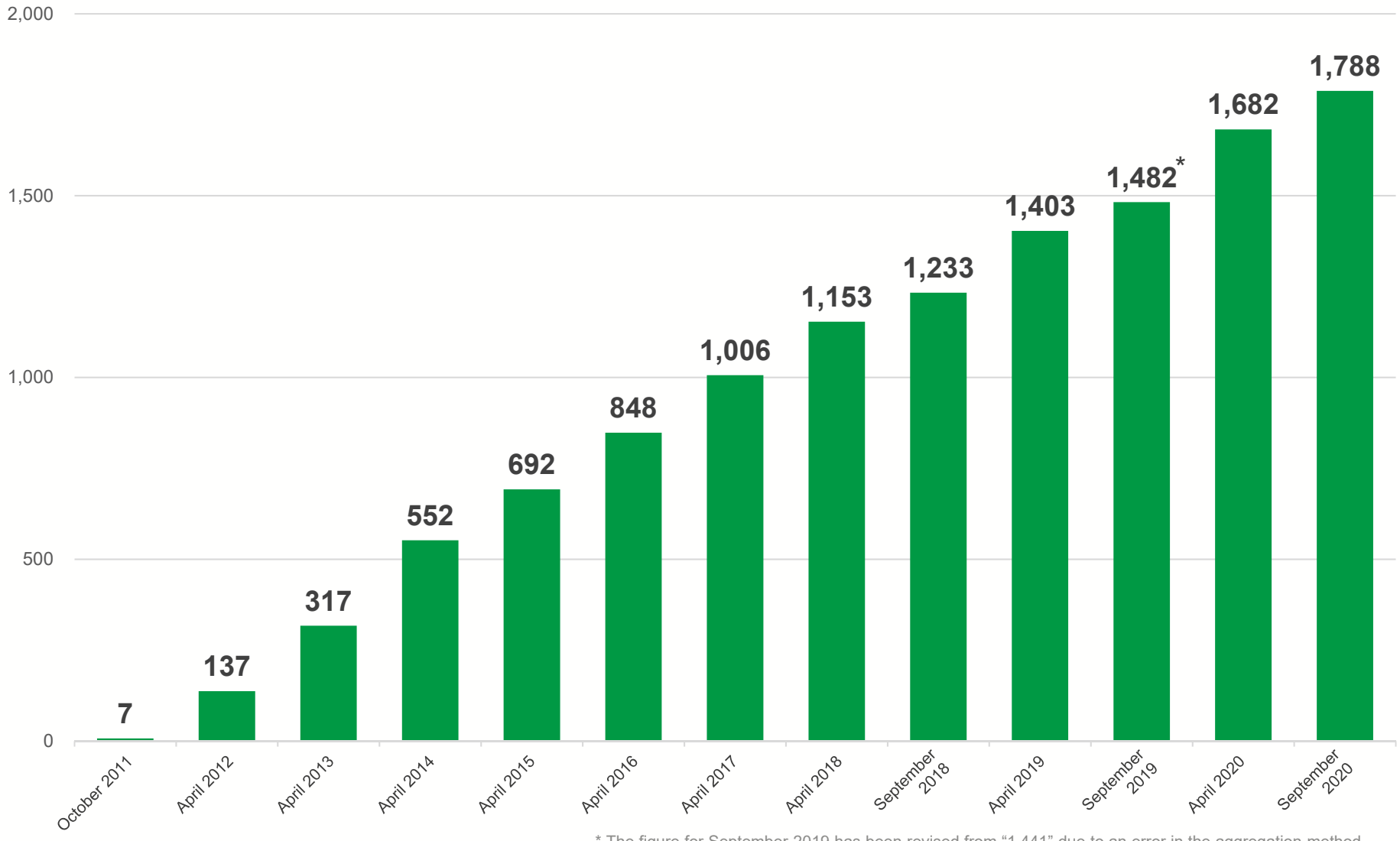


	September 2017	March 2018	September 2018	March 2019	September 2019	March 2020	September 2020
No. of students	47,191	44,765	51,578	43,888	50,964	42,080	47,589
No. of classrooms	442	480	478	487	489	503	499

No. of New Publications and Rate of Publications Returned <Education Contents Business>



No. of Hospitals Contracted for E-learning for Nurses <Education Contents Business>



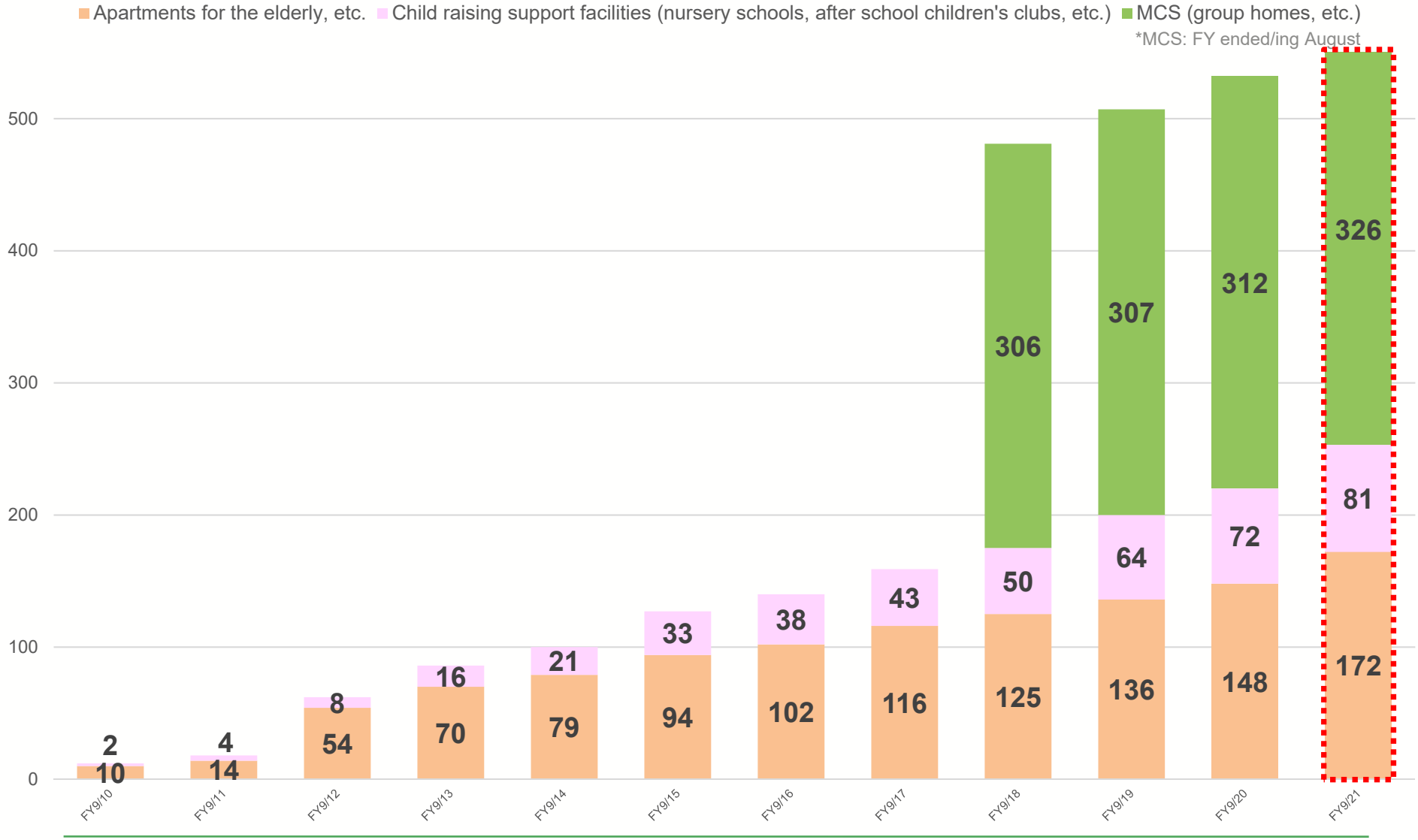
* The figure for September 2019 has been revised from “1,441” due to an error in the aggregation method.

School Textbook Publication Schedule
<Education Solution Business>

	FY	2015	2016	2017	2018	2019	2020	2021	2022	2023
Elementary school health education	Examination				△				△	
	Adoption					●				●
	Start of use	◎					◎			
Junior high school physical and health education	Examination					△				△
	Adoption	●					●			
	Start of use		◎					◎		
Elementary school moral education	Examination		△		△				△	
	Adoption			●		●				●
	Start of use				◎		◎			
Junior high school moral education	Examination			△		△				△
	Adoption				●		●			
	Start of use					◎		◎		

△: Examination; ●: Adoption; ◎: Start of use

No. of Elderly Care and Child Raising Support Facilities <Healthcare and Nursing Business>



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Facility Occupancy Rate and Utilization Rate <Healthcare and Nursing Business>

			End of September 2018 Results	End of September 2019 Results	End of September 2020 Results	End of March 2021 Plan	End of September 2021 Plan
Elderly care business (Gakken Cocofump)	Greater Tokyo Area	Total no. of units	3,533	3,628	4,072	4,441	5,041
		No. of occupied units	3,320	3,407	3,727	4,169	4,593
		Occupancy rate	94.0%	93.9%	91.5%	93.9%	91.1%
	Shonan	Total no. of units	932	991	1,165	1,165	1,235
		No. of occupied units	868	913	1,095	1,107	1,146
		Occupancy rate	93.1%	92.1%	94.0%	95.0%	92.8%
	Western Japan	Total no. of units	1,419	1,838	1,945	2,111	2,232
		No. of occupied units	1,297	1,614	1,778	1,960	2,079
		Occupancy rate	91.4%	87.8%	91.4%	92.8%	93.1%
	Total	Total no. of units	5,884	6,457	7,182	7,717	8,508
		No. of occupied units	5,485	5,934	6,600	7,236	7,818
		Occupancy rate	93.2%	91.9%	91.9%	93.8%	91.9%
Group homes (MCS)		No. of units	5,156	5,156	5,246	-	5,426
		Occupancy rate	96.6%	97.4%	98.0%	-	97.5%
Child raising support business (Nursery schools)		Maximum no. of children	2,486	2,704	2,788	2,788	2,718
		No. of children enrolled	2,102	2,280	2,381	2,381	2,515
		Utilization rate	84.6%	84.3%	85.4%	85.4%	92.5%

* Figures for group homes (MCS) are as of the end of August instead of the end of September.

Gakken

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This document contains statements regarding business plans. These statements were prepared based on certain assumptions such as the economic environment and business policies as of the date of preparation.
Please be aware, therefore, that they involve risks and uncertainties that may cause actual results to differ from these business plans.