

Securities code: 9470



Financial Results for the Six Months Ended March 31, 2021

May 27, 2021

Gakken Holdings Co., Ltd.

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Financial Results for the Six Months Ended March 31, 2021

Yoshinobu Adachi
Director

Summary of Consolidated Financial Results for the Six Months Ended March 31, 2021

Double-digit increase in operating profit
despite the COVID-19 pandemic

**Net
sales**

78,077 million yen
(3.0% increase year on year)

**Operating
profit**

4,970 million yen
(15.8% increase year on year)

**Ordinary
profit**

4,826 million yen
(13.5% increase year on year)

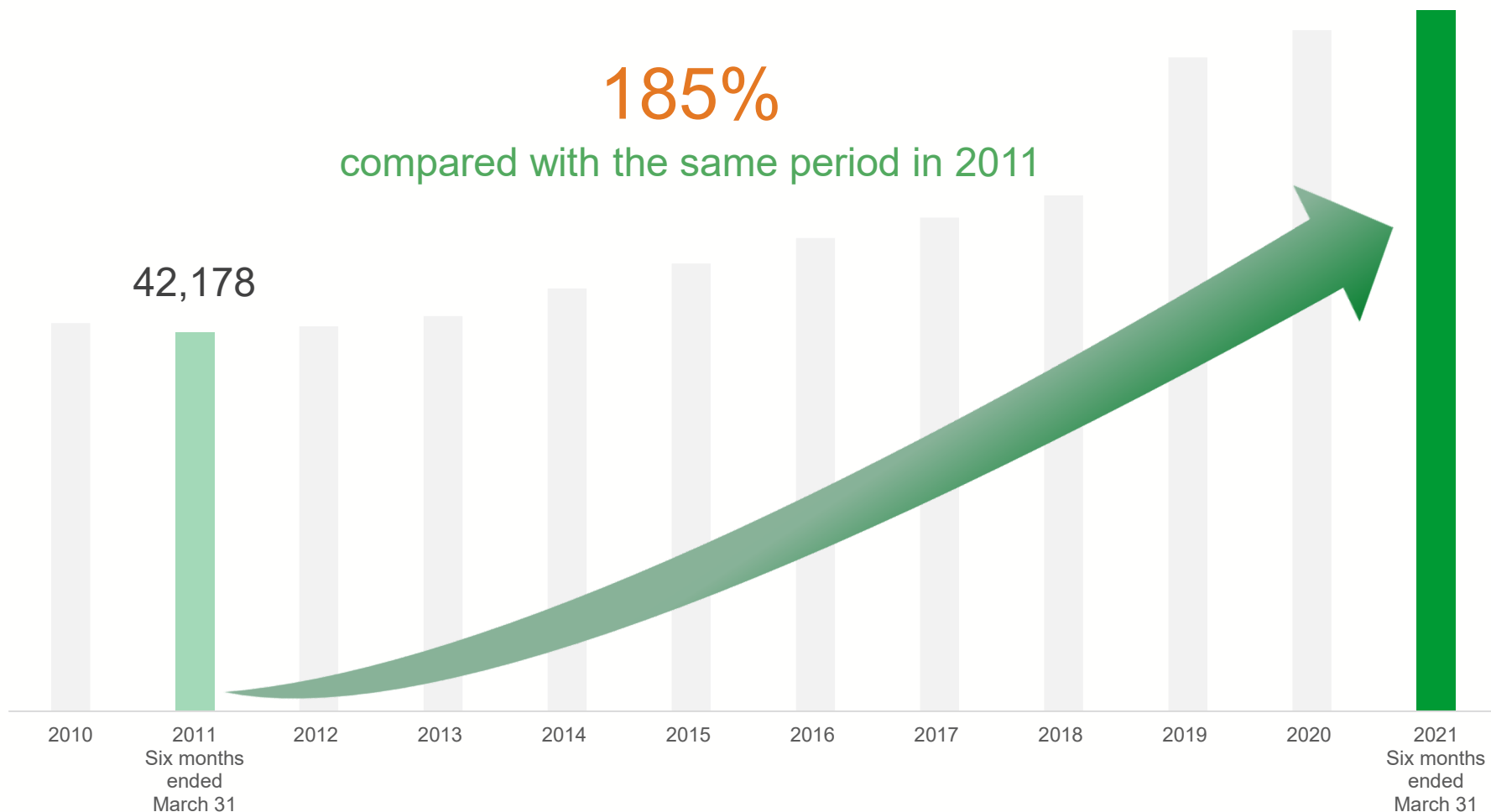
**Profit
attributable
to owners of
parent**

2,344 million yen
(1.4% decrease year on year)

Net Sales Trends (for the Six Months Ended March 31)

(Million yen)

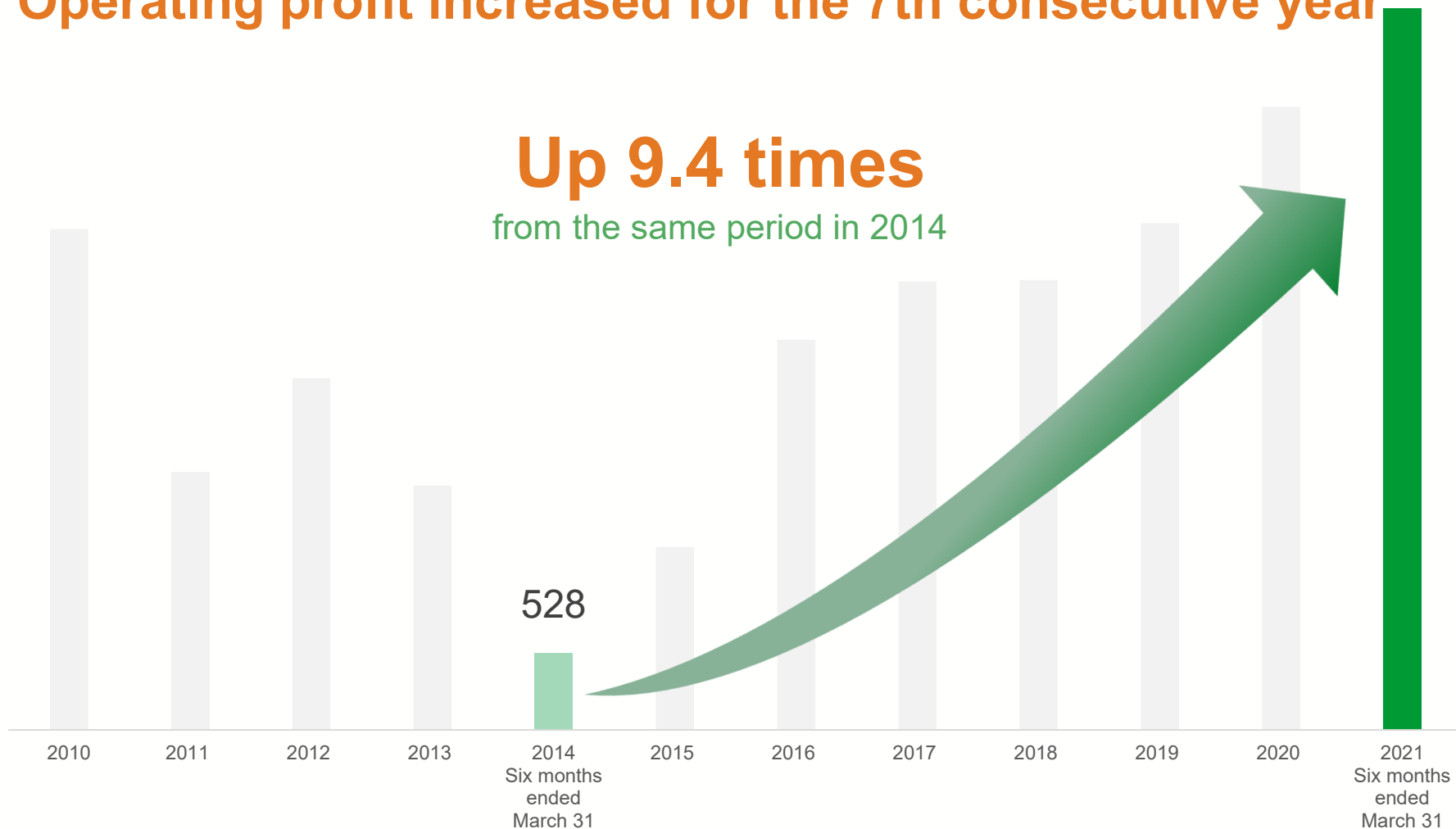
Revenue increased for the 10th consecutive year **78,077**



Operating Profit Trends (for the Six Months Ended March 31)

(Million yen)

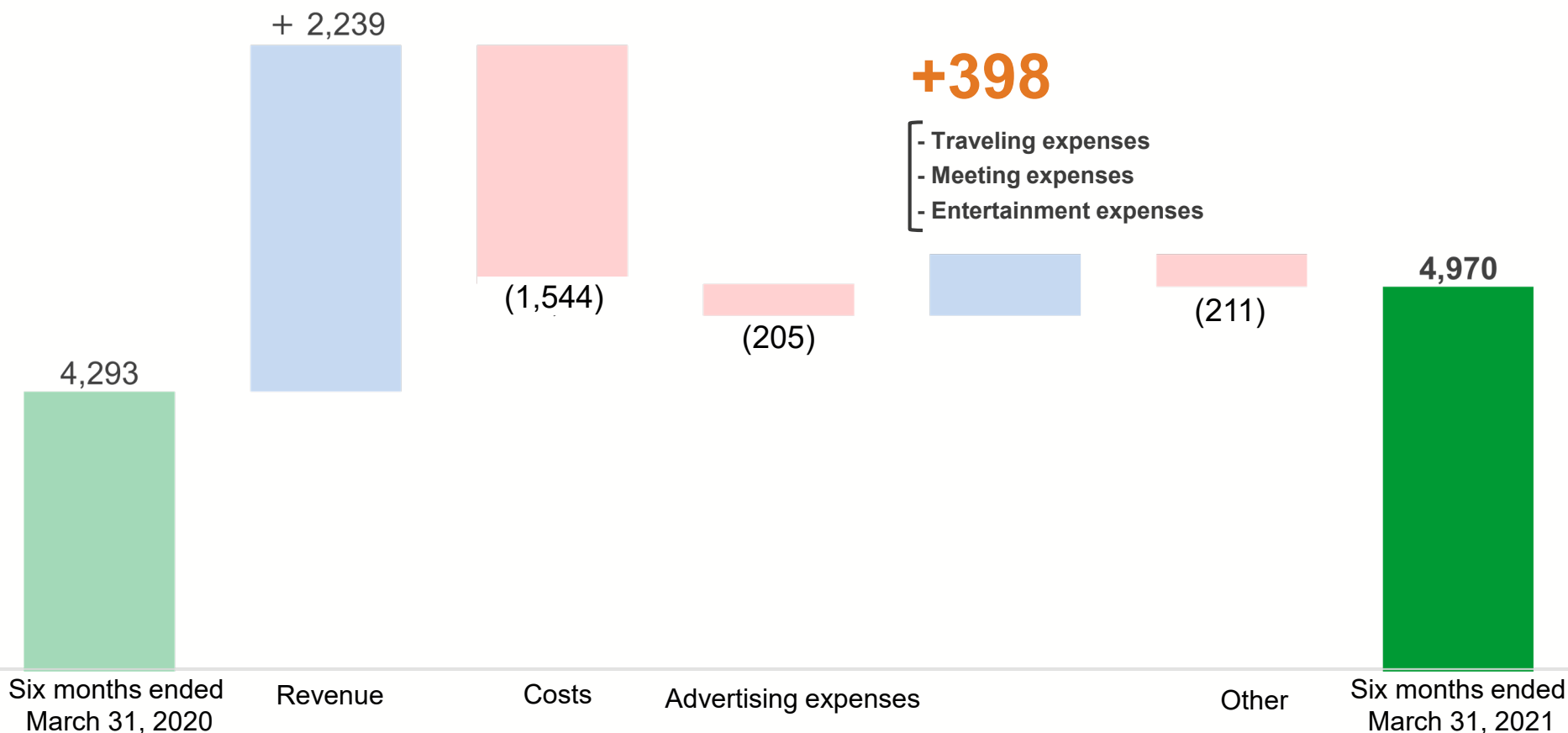
Operating profit increased for the 7th consecutive year



Factors Behind Changes in Operating Profit (Year on Year)

(Million yen)

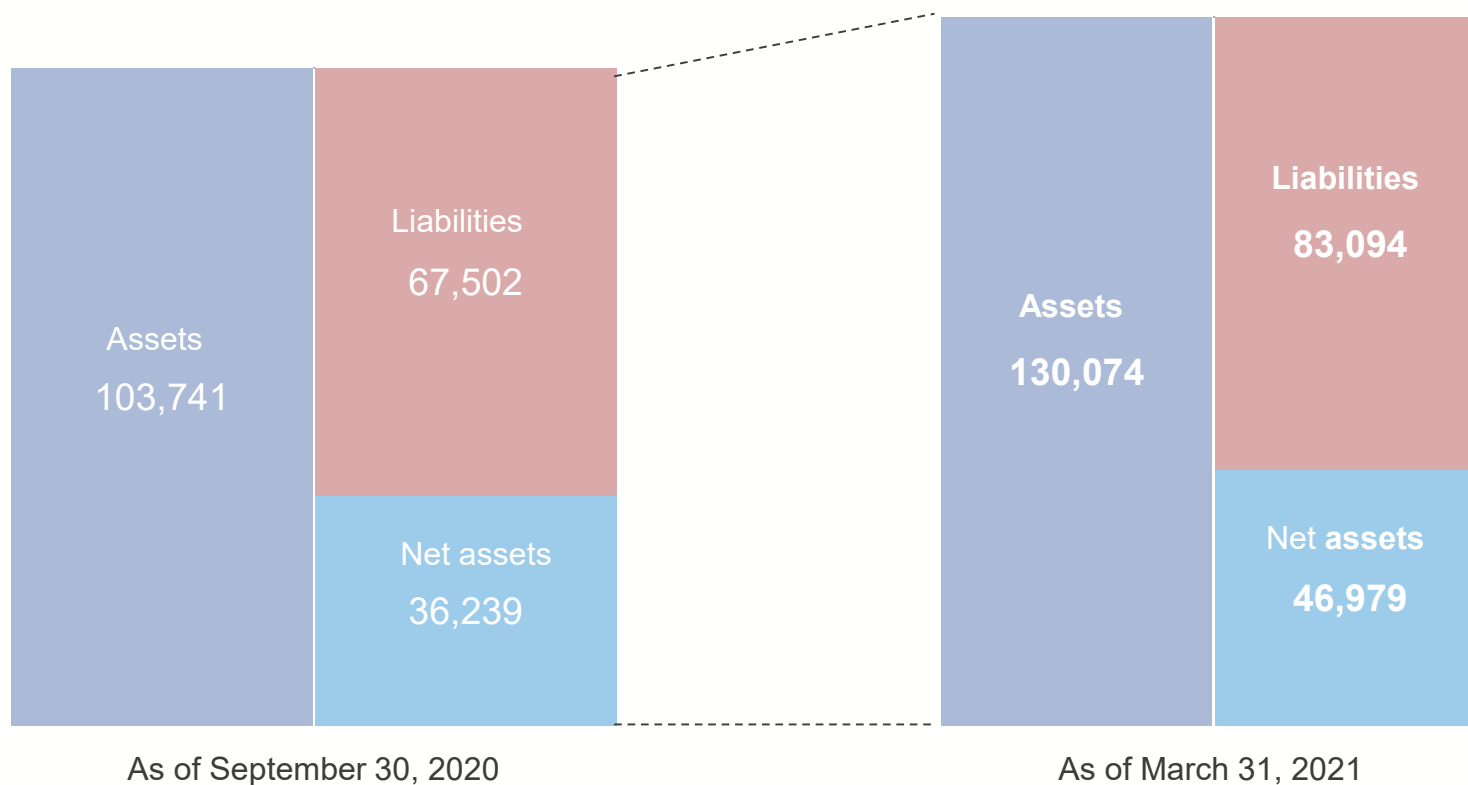
Cost reduction due to increased use of online services



Consolidated Financial Position

(Million yen)

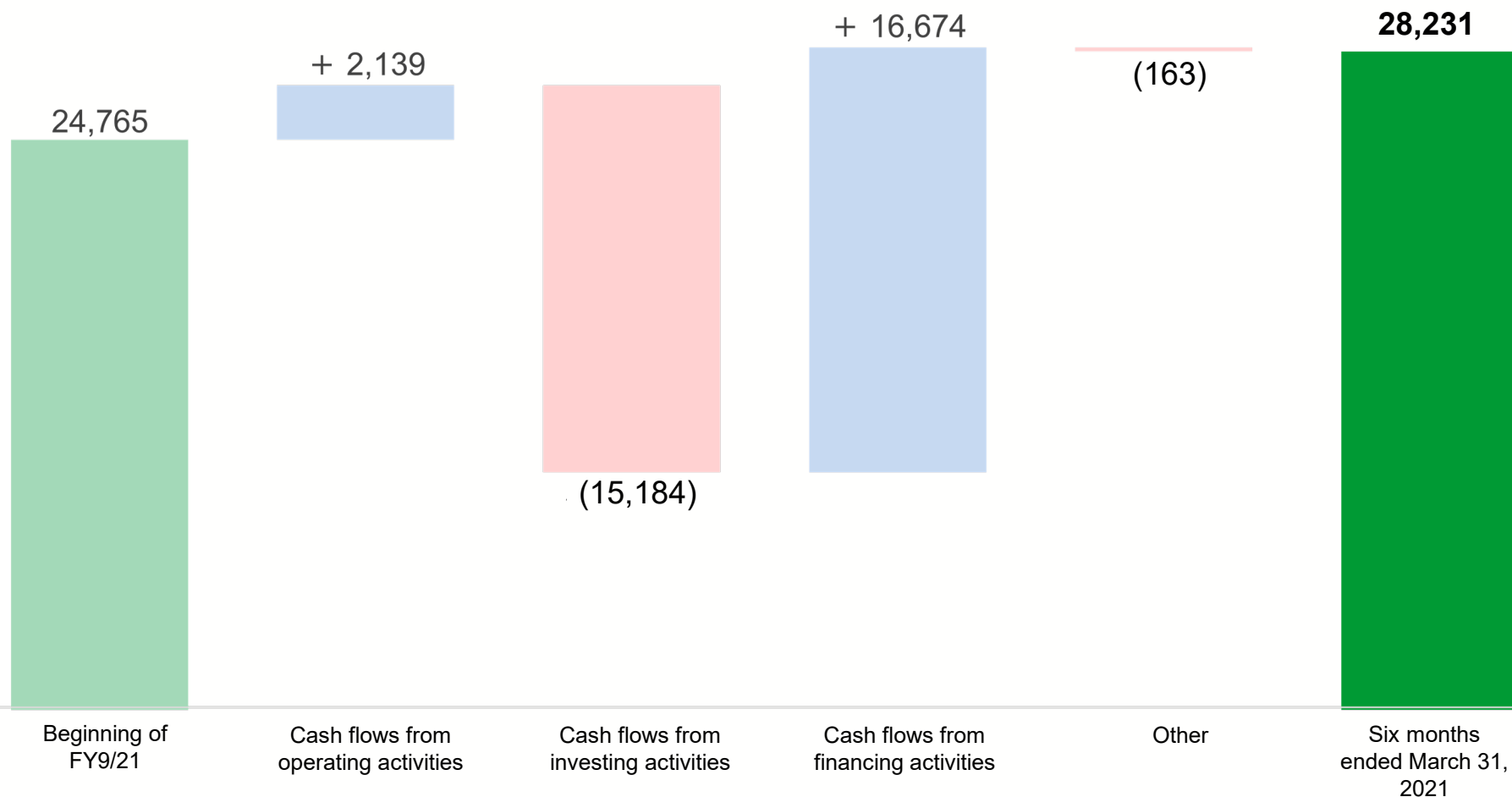
Increase in assets due to acquisition of JP-HOLDINGS shares



Consolidated Cash Flows

(Million yen)

Financing through acquisition of JP-HOLDINGS shares



Summary of Results by Segment for the Six Months Ended March 31, 2021

(Million yen)

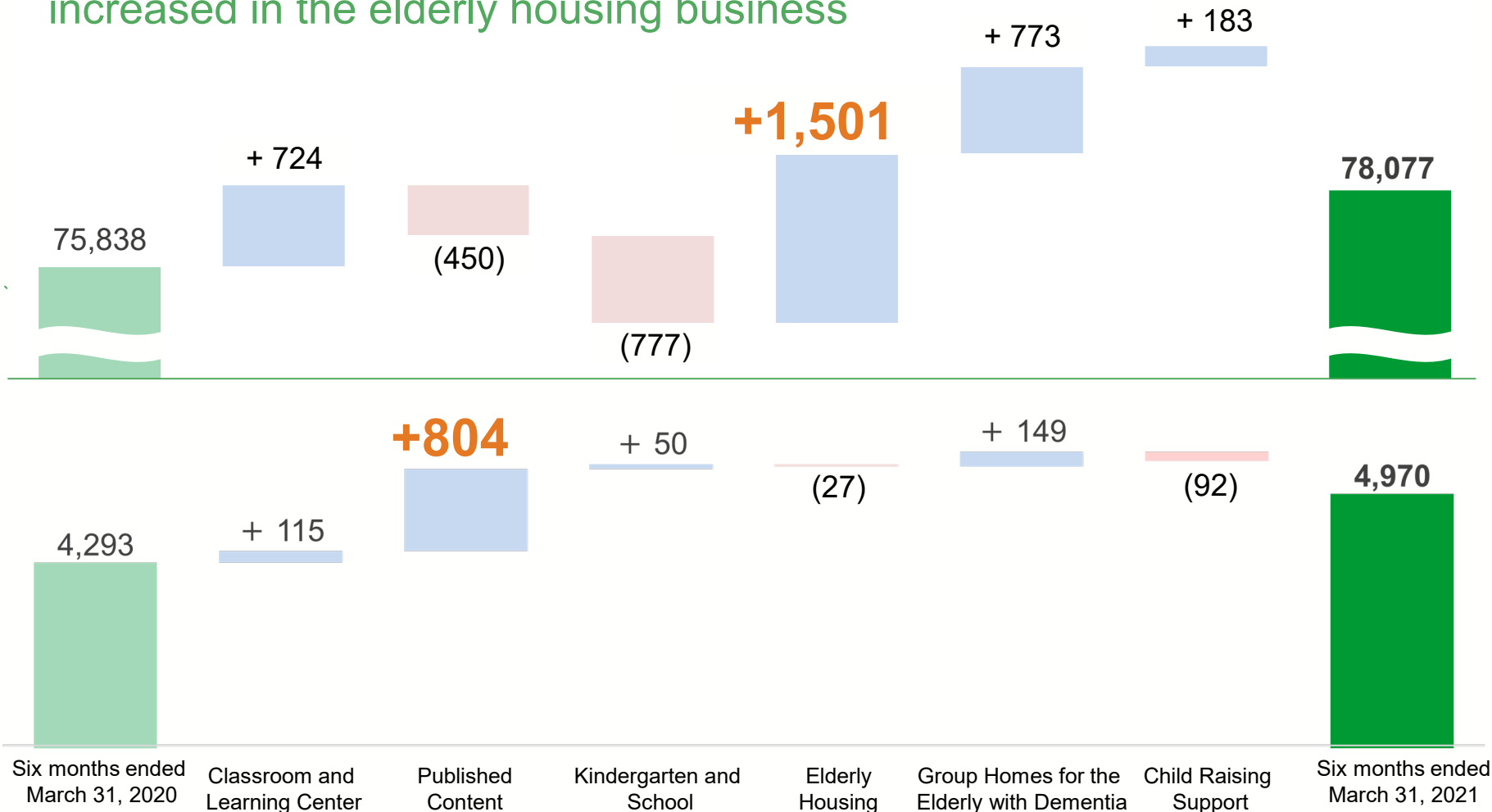
Operating profit increased in the educational domain, and net sales increased in the healthcare and nursing domain

Segment	Business	Six months ended March 31, 2020		Six months ended March 31, 2021		Change	
		Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational Domain		43,543	2,845	43,040	3,843	(503)	+997
	Classroom and Learning Center	14,949	370	15,673	485	+724	+115
	Published Content	18,209	1,512	17,758	2,317	(450)	+804
	Kindergarten and School	10,385	1,156	9,608	1,206	(777)	+50
Healthcare and Nursing Domain		29,648	1,255	32,106	1,285	+2,458	+30
	Elderly Housing	11,443	408	12,944	381	+1,501	(27)
	Group Homes for the Elderly with Dementia	15,841	1,065	16,614	1,215	+773	+149
	Child Raising Support	2,363	13	2,547	(78)	+183	(92)
Other		2,646	192	2,930	(158)	+284	(360)
Group total		75,838	4,293	78,077	4,970	+2,239	+677

Results by Business Segment (Top: Net Sales; Bottom: Operating Profit)

(Million yen)

Operating profit increased in the published content business, and net sales increased in the elderly housing business

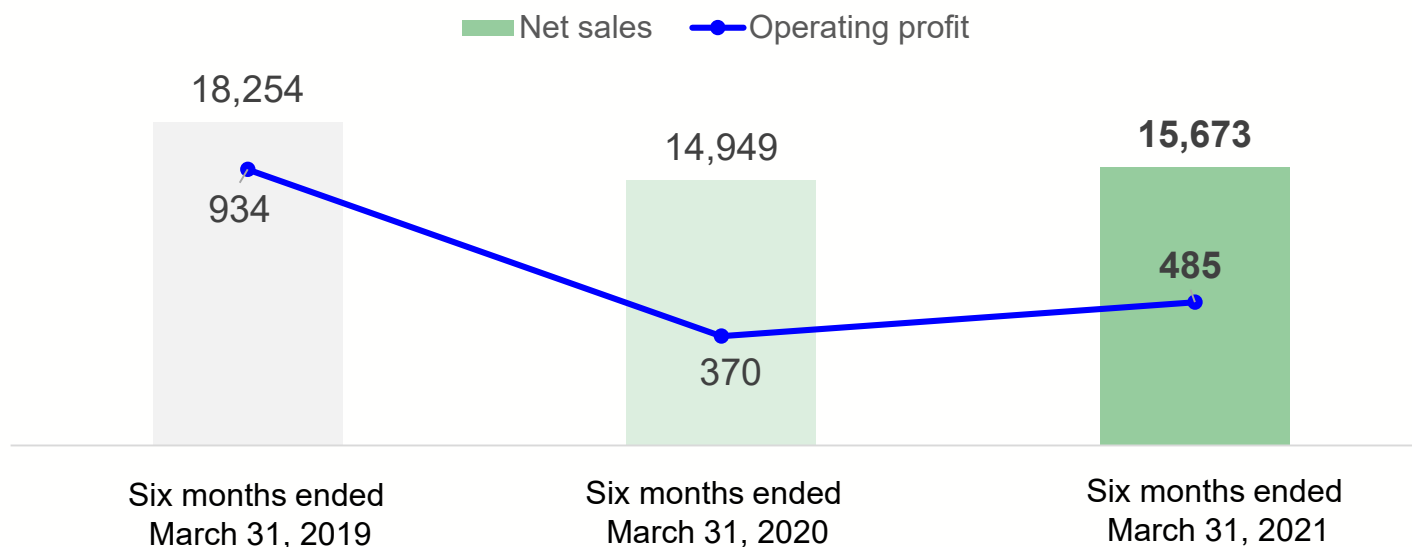


Educational Domain

Classroom and Learning Center Business

*Please see Appendix for details of the business.

(Million yen)



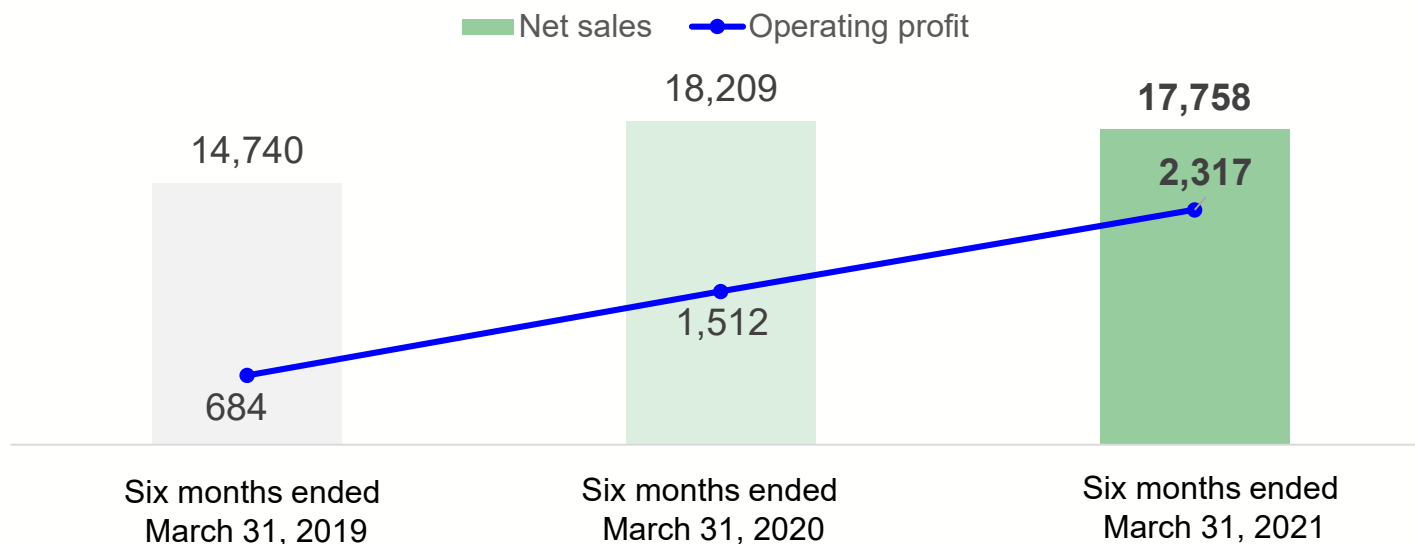
Business	Net sales	Operating profit
Gakken Classroom	<ul style="list-style-type: none"> +Transfer of toddler classes for kindergartens from the kindergarten and school business Acquisition of Shogakukan Academy - Decrease in the number of Gakken Classroom members 	+Increase in net sales
Learning Center	<ul style="list-style-type: none"> - Decrease in the total number of students 	<ul style="list-style-type: none"> +Increase in net sales at successful learning centers +Reduction of costs, such as advertising expenses

Educational Domain

Published Content Business

*Please see Appendix for details of the business.

(Million yen)



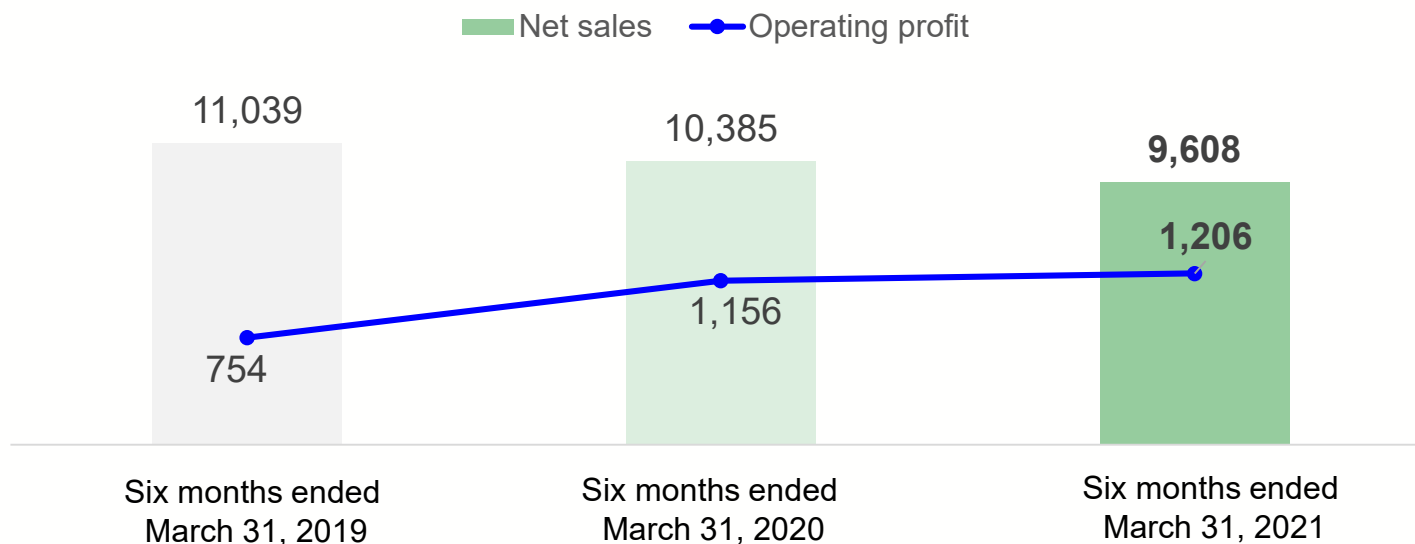
Business	Net sales	Operating profit
Publishing	<ul style="list-style-type: none"> - Company split of the media business (July 2020-) + Strong sales of children's books and how-to guides - Decrease in study-aid books 	Remained roughly flat year on year
Medical and nursing	+ Increase in the number of hospitals that made a contract for e-learning targeting nurses	+ Increase in net sales
Businesses other than publishing	+ Growth of the English business	<ul style="list-style-type: none"> + Increase in net sales + Reorganization of unprofitable stationary card and letter products

Educational Domain

Kindergarten and School Business

*Please see Appendix for details of the business.

(Million yen)

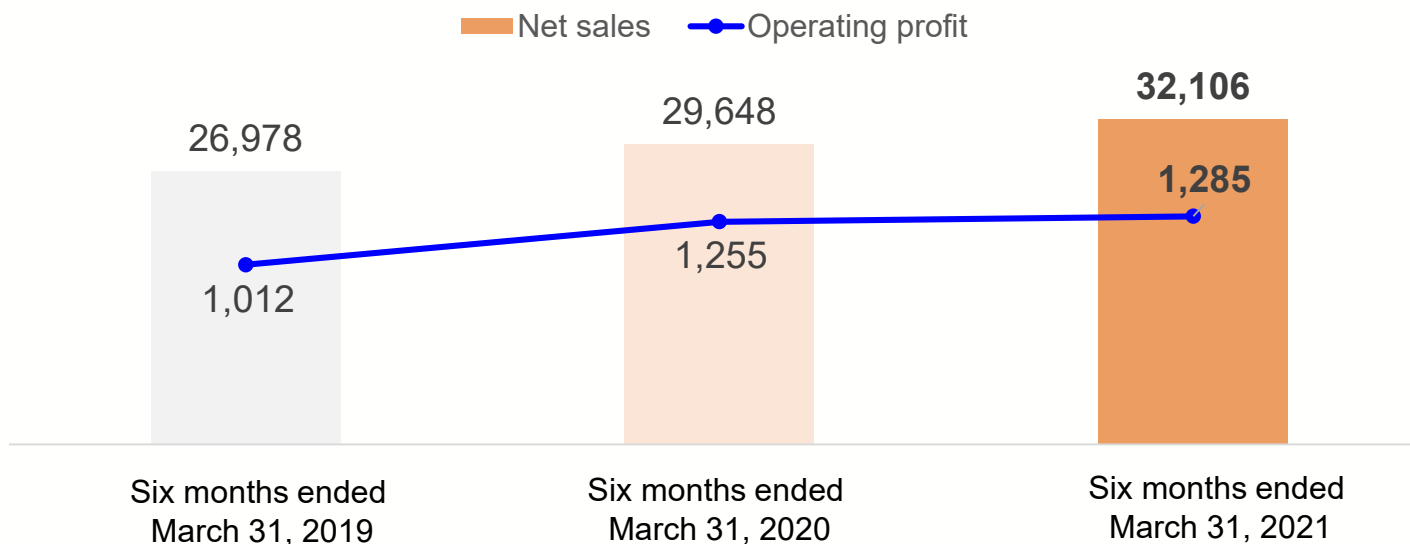


Business	Net sales	Operating profit
Toddler education	<ul style="list-style-type: none"> - Transfer of toddler classes for kindergartens to the classroom and learning center business + Kindergarten building designing works, clothing for teachers and hygiene products for preventing the new coronavirus infection 	+ Increase in net sales in successful domains
School education	<ul style="list-style-type: none"> - Decrease in the number of textbooks and instruction guides for teachers accepted (FY9/21: Junior high school; FY9/20: Elementary school) 	- Decrease in net sales
Social education	<ul style="list-style-type: none"> - Decline in orders received for corporate training 	+ Suppression of cost of sales (digitalization of products and services)

Healthcare and Nursing Domain

*Please see Appendix for details of the business.

(Million yen)



Business	YoY change	Net sales	YoY change	Operating profit
Elderly housing	+13.1%	+3 new sites opened during 2Q Increase in the use of elderly care insurance services such as home-visit care - Decrease in occupancy rates	(6.7%)	Remained roughly flat year on year
Group homes for the elderly with dementia	+4.9%	+Continued high occupancy rates +Sale of two facilities held by the Company	+14.1%	+Increase in net sales - Increase in costs for recruitment of workers and infection prevention
Child raising support	+7.8%	+Obtained authorizations for unauthorized nursery schools Closure of unprofitable nursery schools	—	- Increase in expenses for preparing new nursery schools opened in April, recruitment, and countermeasures on the new coronavirus infection



**Outlook for the Fiscal Year Ending
September 30, 2021
Progress of Gakken 2023**

Hiroaki Miyahara
President, Representative Director

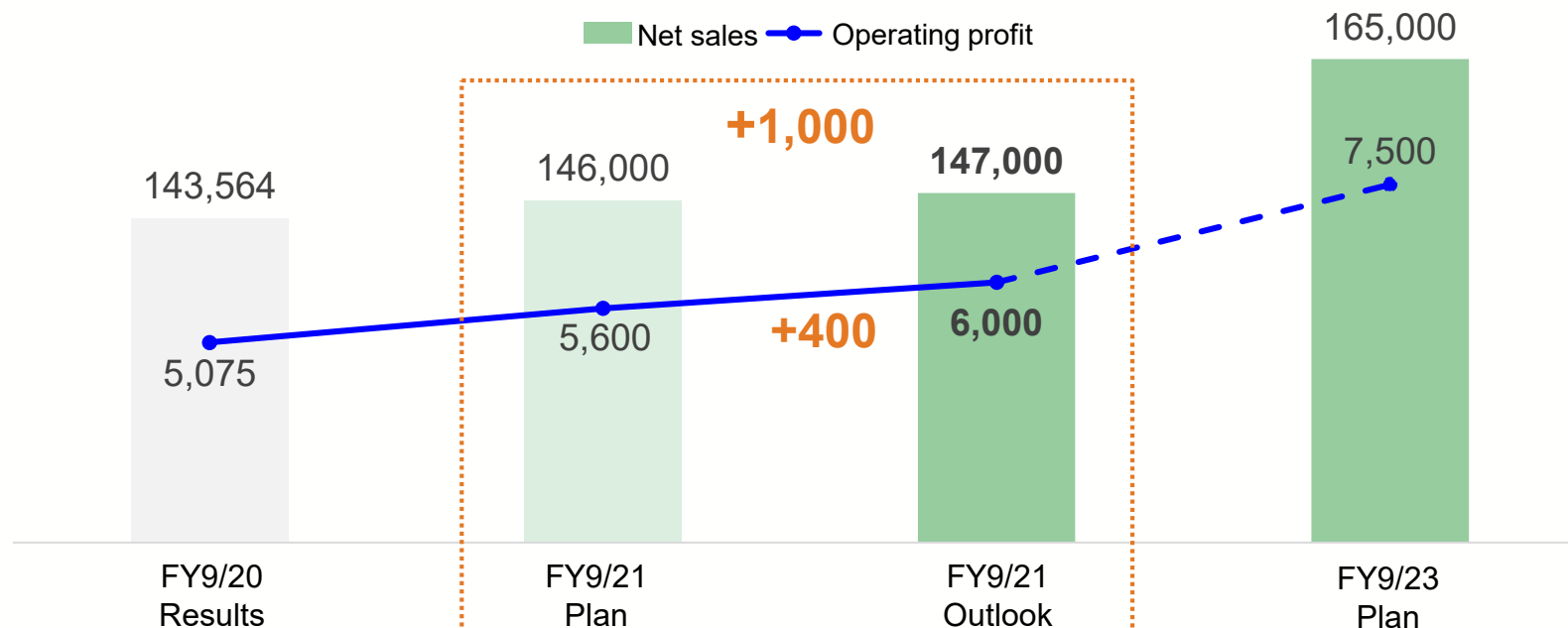
Impact of the New Coronavirus on Our Business

Change in external environment	Impact	Business
Decrease in demand for learning centers among non-exam-taking students	-	Classroom and learning center
Spread of online lessons in private tutoring, group lectures, and learning support at home	+	
More time being spent on reading at home	+	Published content
Increase in demand for e-learning	+	
The elderly refrain from going out	-	Elderly housing

Outlook for the Fiscal Year Ending September 30, 2021

(Million yen)

Steady progress of Gakken 2023 despite the COVID-19 pandemic



Segment	Item	FY9/20 Results	FY9/21 Plan	Change	FY9/21 Outlook
Educational domain	Net sales	78,710	76,000	800	76,800
	Operating profit	2,291	3,300	400	3,700
Healthcare and nursing domain	Net sales	60,786	65,000	200	65,200
	Operating profit	2,562	3,000	0	3,000
Other	Net sales	4,067	5,000	—	5,000
	Operating profit	221	(700)	—	(700)
Total	Net sales	143,564	146,000	1,000	147,000
	Operating profit	5,075	5,600	400	6,000

“Establishment of a solid foundation for growth”

Education

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

Healthcare and nursing

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

DIGITAL

Acceleration of DX and global business development

GLOBAL

Reinforcement of Group governance and capital cost-conscious management



Sustainable improvement of corporate value

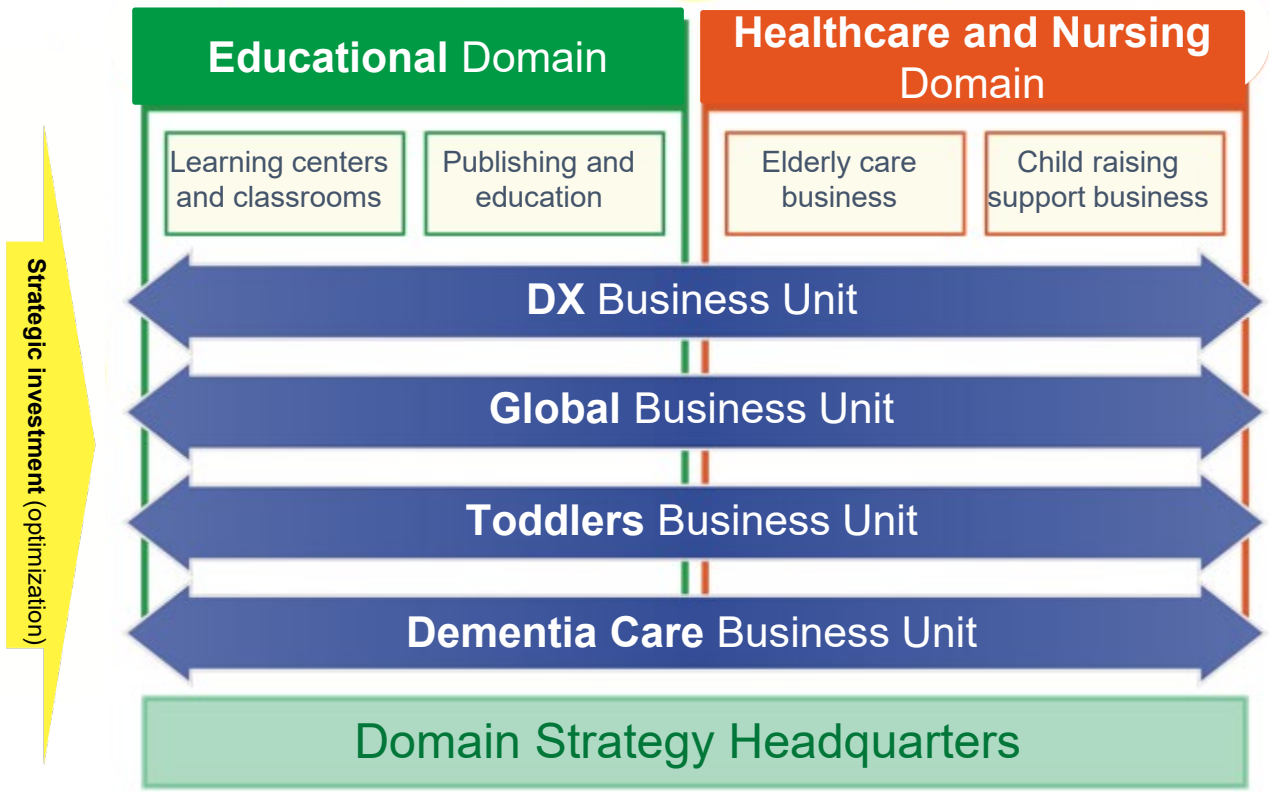
Gakken 2023 Reorganization of the Group's Business Operation Structure

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

Same slide in previous presentation



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**

Gakken 2023 Educational Domain Basic Policy and Priority Initiatives

Same slide
in previous
presentation

“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.

Gakken 2023 Healthcare and Nursing Domain Basic Policy and Priority Initiatives

Same slide
in previous
presentation

“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%

○ 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

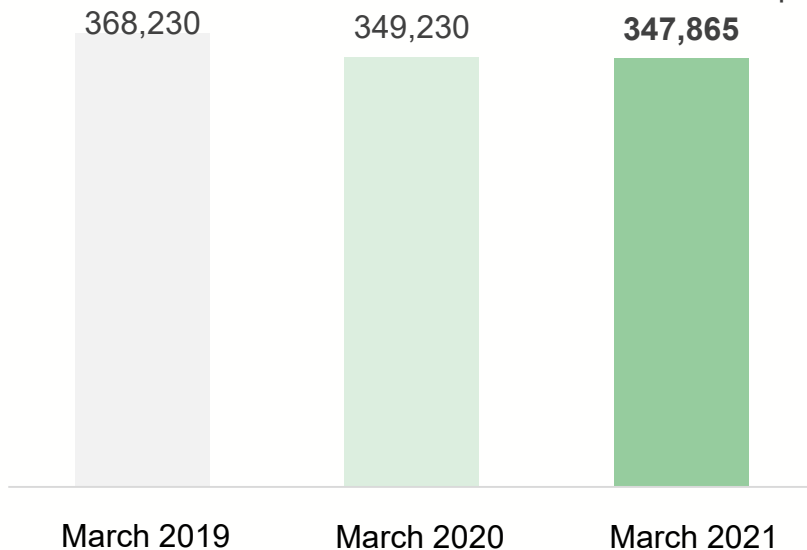
- ▶ Strengthen sales capabilities; expedite site opening; and develop hub-type services
- ▶ Strengthen building management; enhance brand recognition; and develop new projects
- ▶ Strengthen town developing capabilities and develop overseas business

Priority initiatives

Gakken 2023 Progress in Educational Domain Classroom and Learning Center Business

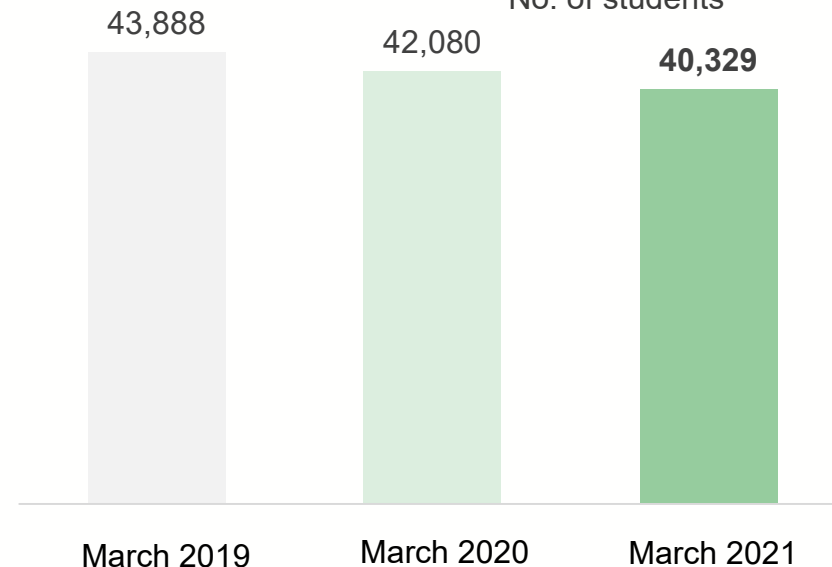
[Gakken Classroom]

*No. of members enrolled in course programs



[Learning Centers]

No. of students



Measures to increase No. of members	<p>Enhanced focus on directing customers from classes for toddlers and elementary school students to Gakken Classrooms</p> <ul style="list-style-type: none"> - Transfer of classes for kindergartens, nursery schools, and children's daycare centers - Acquisition of Shogakukan Academy and Mebae Classes
DX	<p>Distribution of networked tablet devices to all Gakken Classrooms</p> <p>App to watch over learning that connects with parents (Manamil, start in April)</p>

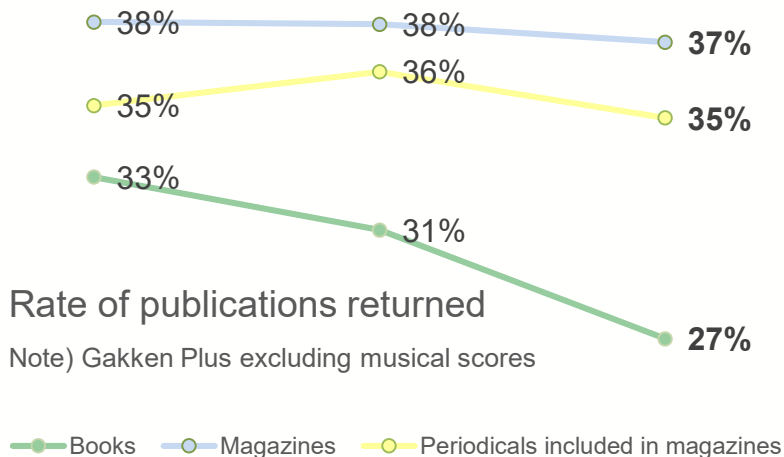
Improvement of profitability	<p>Sharing of expertise of successful learning centers with struggling centers</p> <p>Closure of centers in the red</p> <p>Business transfer</p>
DX	<p>Start of Gakken ON AIR, which offers interactive online live lessons</p>

*No. of members enrolled in course programs: Based on the number of course programs members are enrolled in. If a member is enrolled in two course programs, the number is counted as 2, and if a member is enrolled in three course programs, the number is counted as 3.

Gakken 2023 Progress in Educational Domain

Publishing Content Business

[Publishing]



April 2018–
March 2019

April 2019–
March 2020

April 2020–
March 2021

Strong sales
Decrease in
rate of
publications
returned

Children's books: Workbooks for preschoolers, educational comics
Study-aid books: Revision of junior high school textbooks

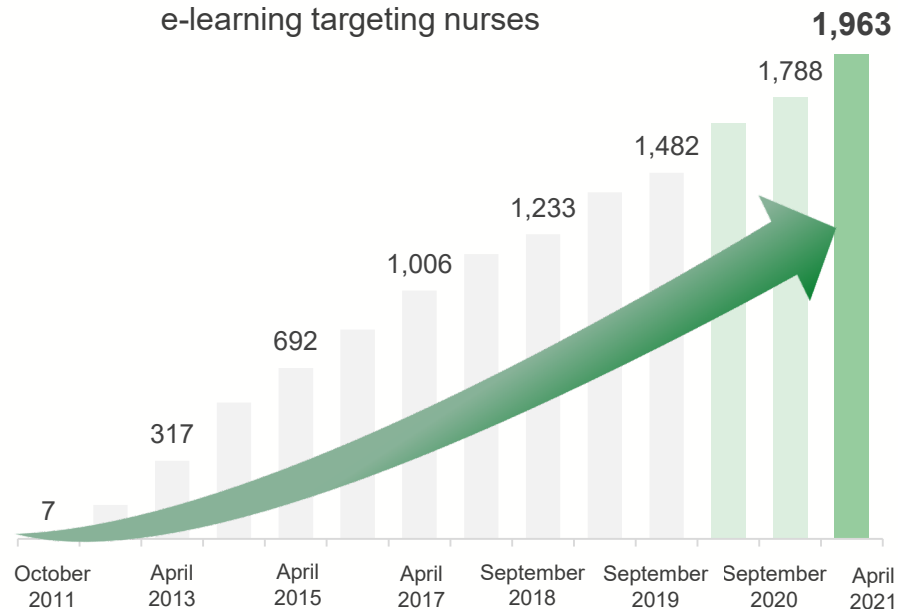
Businesses other than publishing

Improvement of
profitability

Withdrawal from stationary card and letter businesses
Expansion of online English conversation

[Medical and nursing]

No. of hospitals that made a contract for e-learning targeting nurses



DX

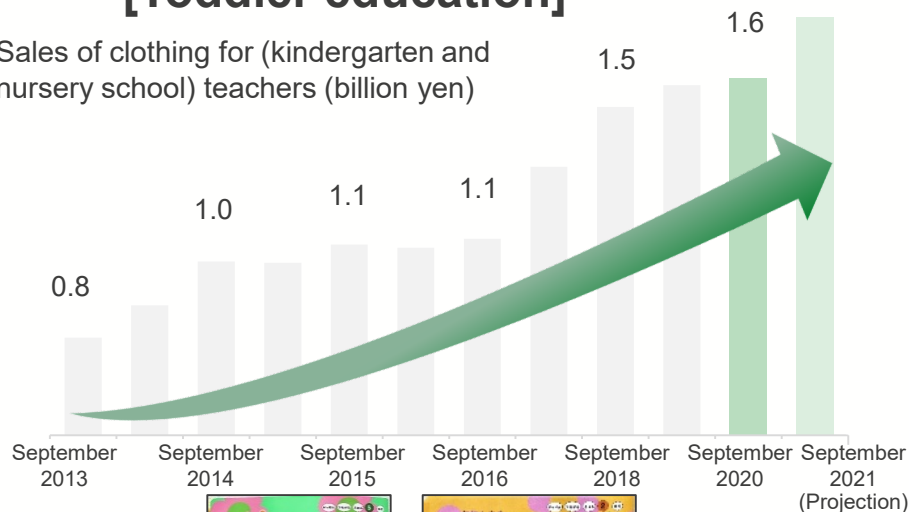
E-learning targeting nurses
- Number of new contracts grew more than planned
- Shift to online sales activities

Gakken 2023 Progress in Educational Domain

Kindergarten and School Business

[Toddler education]

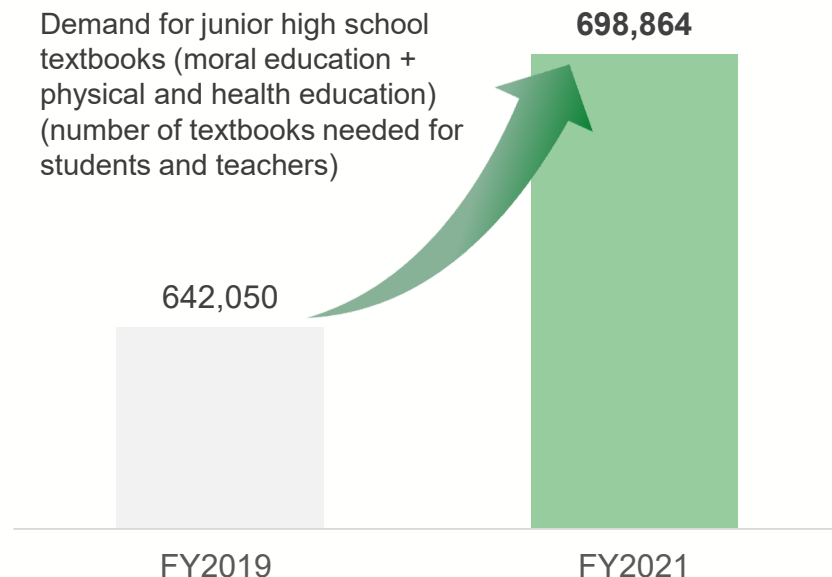
Sales of clothing for (kindergarten and nursery school) teachers (billion yen)



Monthly picture books for kindergartners and nursery schoolers

[School education]

Demand for junior high school textbooks (moral education + physical and health education) (number of textbooks needed for students and teachers)



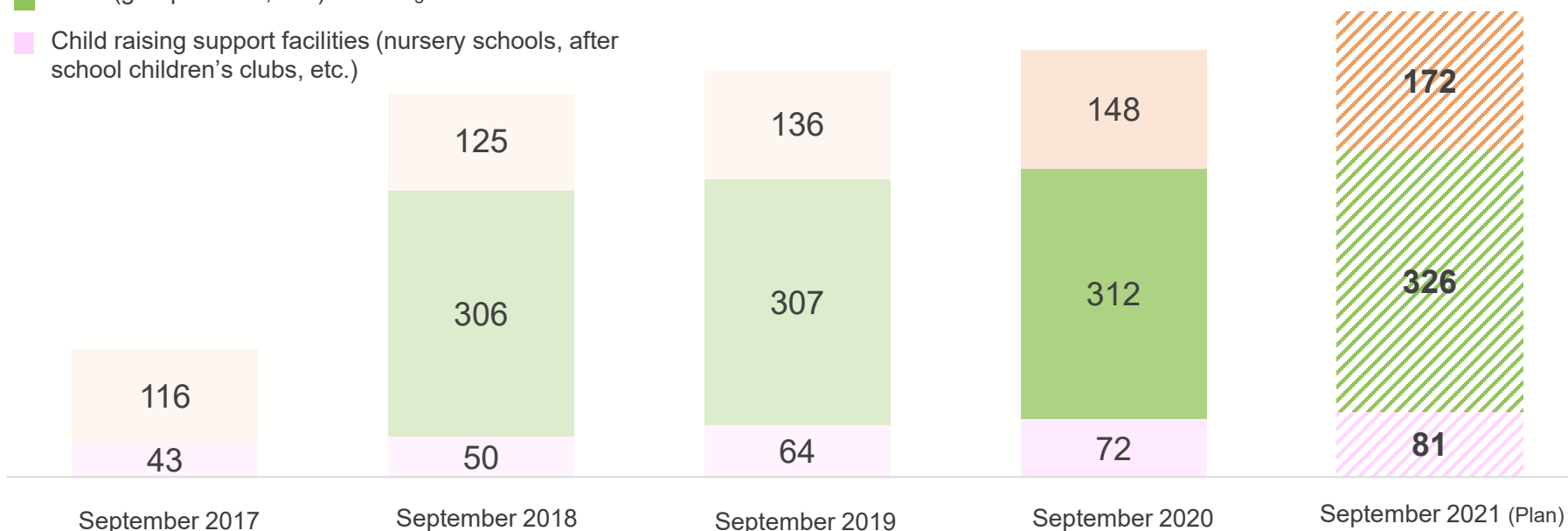
Enhance sales of goods targeting kindergartens, nursery schools and children's daycare centers	Revamp of picture books for kindergartners and nursery schoolers Increase in sales of kindergarten building designing works and large playground equipment Expansion of digital catalogs for clothing for teachers
DX	Acquisition of the hugmo business, a cloud service for child raising

Junior high school textbooks	Increase in demand for moral education and physical and health education textbooks
DX	Preparation for the GIGA School Program Rollout of digital encyclopedias and workbooks

Gakken 2023 Progress in Healthcare and Nursing Domain

[No. of facilities]

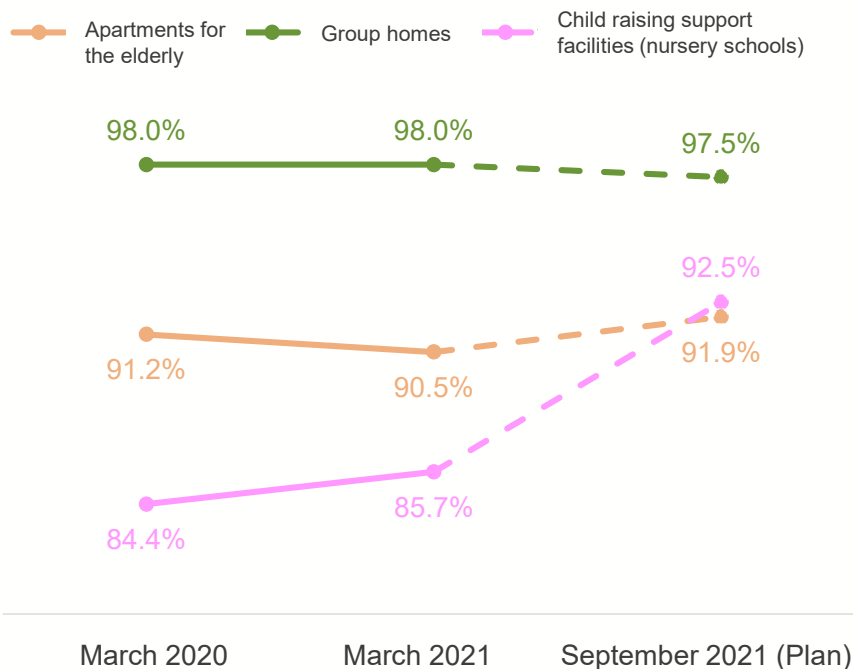
- Apartments for the elderly, etc.
- MCS (group homes, etc.) *MCS: August
- Child raising support facilities (nursery schools, after school children's clubs, etc.)



Apartments for the elderly	Plan for FY9/21: 24 new sites
Group homes for the elderly with dementia	Plan for FY9/21: 10 new group home facilities
Child raising support	Plan for FY9/21: 5 new nursery schools, 9 new after school children's clubs, etc.

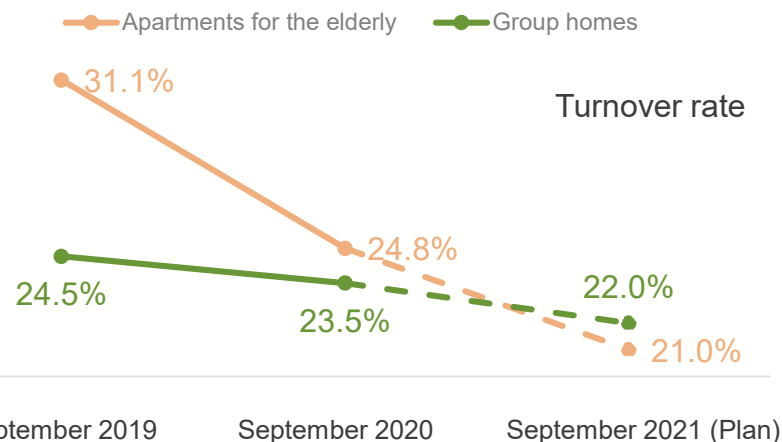
Gakken 2023 Progress in Healthcare and Nursing Domain

[Occupancy rate and utilization rate]



Apartments for the elderly	Delay in occupancy due to the self-supporting elderly refraining from taking facility tours
Group homes for the elderly with dementia	Continued high occupancy rates
Child raising support	Utilization rate increased due to closure of unprofitable nursery schools

[Staffing]



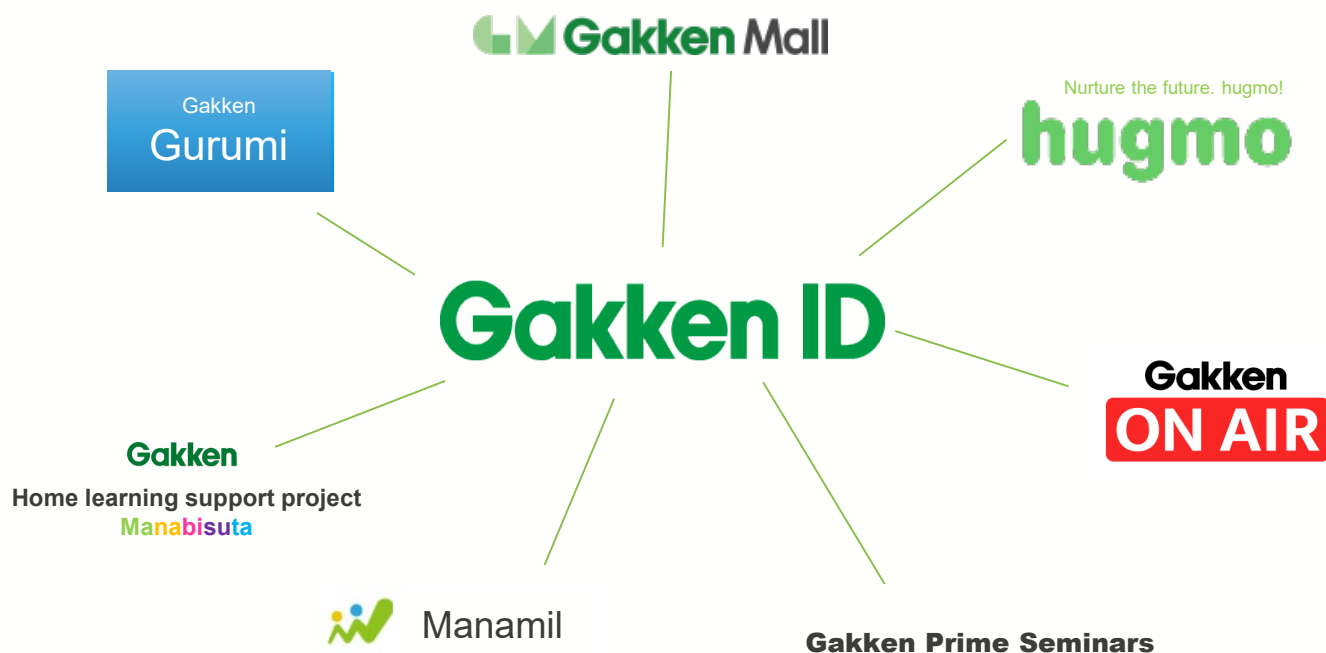
Reduction in turnover	Increase in the amount of communication through periodic interviews Improvement of employee satisfaction
Recruitment	Launch of a website for finding nursing care jobs, arranged by five companies in the industry Employment of graduates of Gakken Academy Certified Care Worker and Nursery School Teacher Training Courses
DX	Improvement of operational efficiency by digitalizing nursing care records

Gakken 2023 Progress in DX Strategy

No. of Gakken ID members exceeded 200 thousand

The ID integrates Group customers and is valid for all services

Unification of registration and settlement, improved convenience for customers, improvement of user experience (UX), and retention of fans



Gakken 2023 Progress in DX Strategy

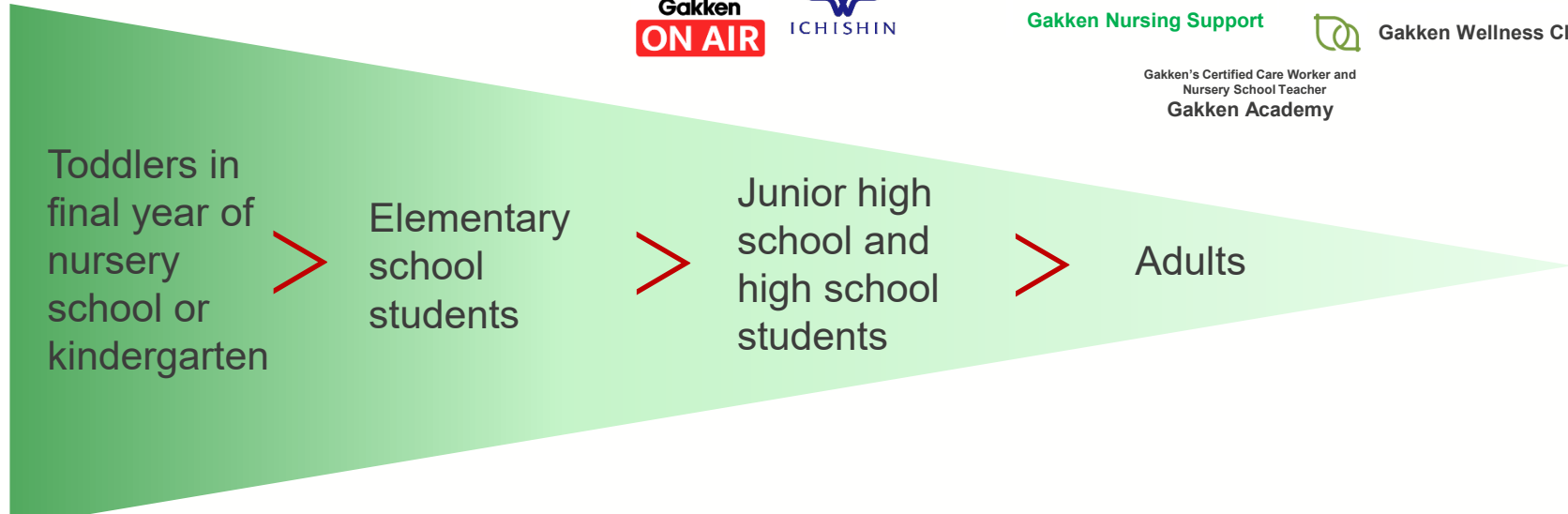
Gain customers when they are toddlers, retain them, and maximize customer LTV

Infants and toddlers	Nursery school Kindergarten	Elementary school 1st-3rd grade	Elementary school 4th-6th grade	Junior high school	High school	College	Adults	Senior citizens	The elderly
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Provide consistent Gakken experience

Logos of various Gakken services and partners:

- Mebae Classes
- Shogakukan Academy (English, math, and Japanese classes)
- Gakken toddler classes (Playing is learning)
- Gakken Classroom (Ability to read and think cultivates academic ability; Toddlers/Math and Japanese/English)
- Edic Sozogakuen
- NEA Networks of Educational Alliance
- Gakken ON AIR
- ICHISHIN
- Gakken Nursing Support
- Gakken Wellness Club
- Gakken's Apartments for the Elderly
- Gakken Cocofump
- Gakken Academy (Gakken's Certified Care Worker and Nursery School Teacher)



JP-HOLDINGS

Gakken 2023 Progress in Toddler Business Strategy

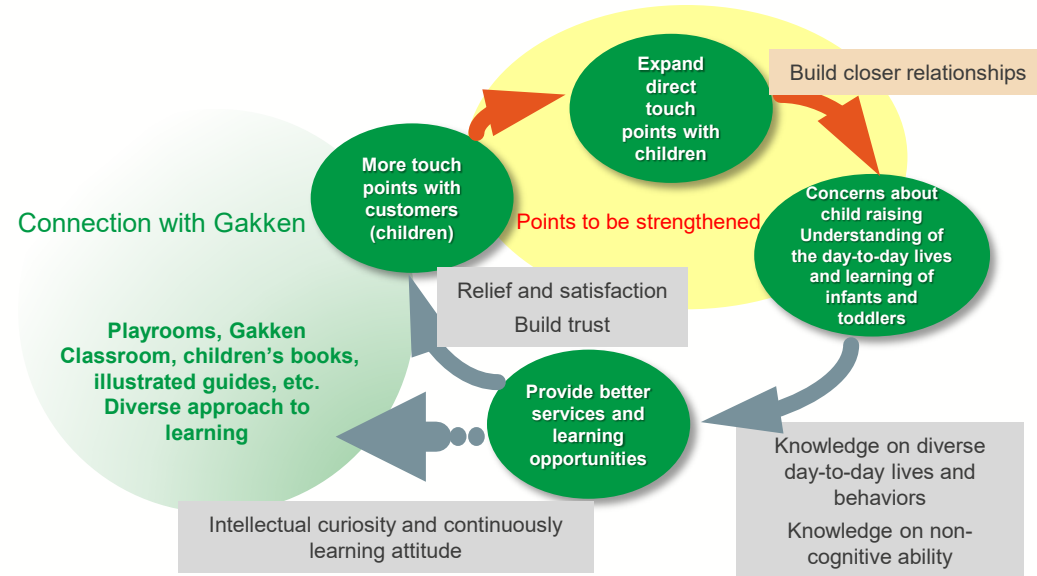
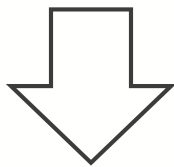
January 2021 Acquisition of shares of JP-HOLDINGS, INC.
 Shareholding ratio: 30.72%; Total acquisition price: 9,851 million yen

Learning cycle that begins from the preschool period

Maturation of the nursery school market

Transformation to nursery schools chosen by parents by ensuring quantitative growth and improving quality

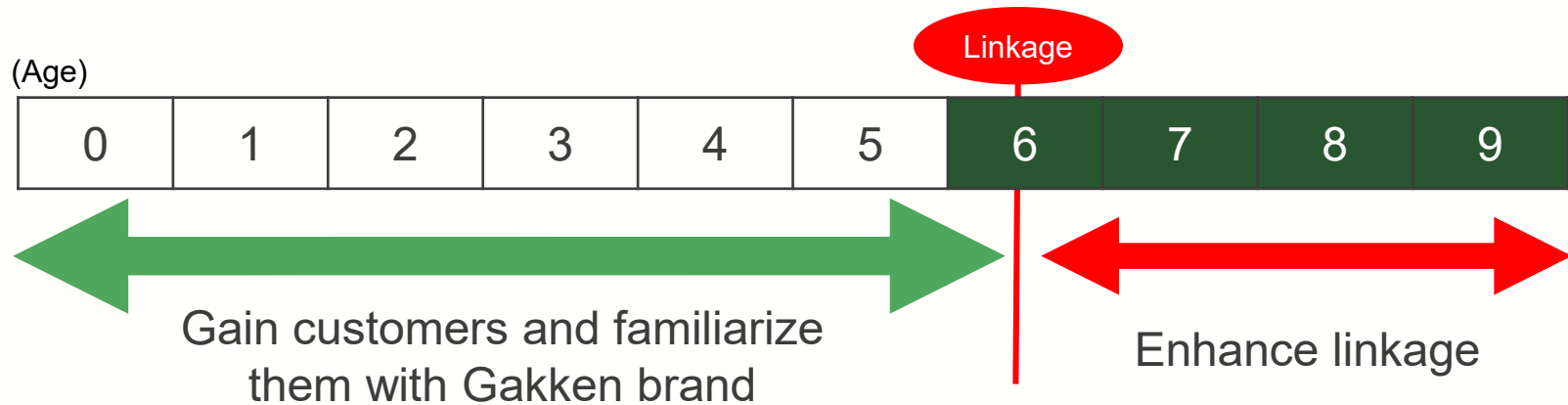
Enhance toddler education in nursery schools and establish de-facto standard



<p>Synergy strategy</p>	<ul style="list-style-type: none"> - Retain customers (Direct children to Gakken Classrooms after graduation from nursery school) - Offer educational content and learning materials for toddlers to nursery schools and preschools (Toddler classes, picture books, etc.) - Improve quality (safety management) and productivity by sharing expertise in management
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Gakken 2023 Progress in Toddler Business Strategy

Maximization of No. of toddler customers × linkage rate between kindergartens/nursery schools and elementary schools



Maximization of value provided to kindergarteners and nursery schoolers, as well as to their parents



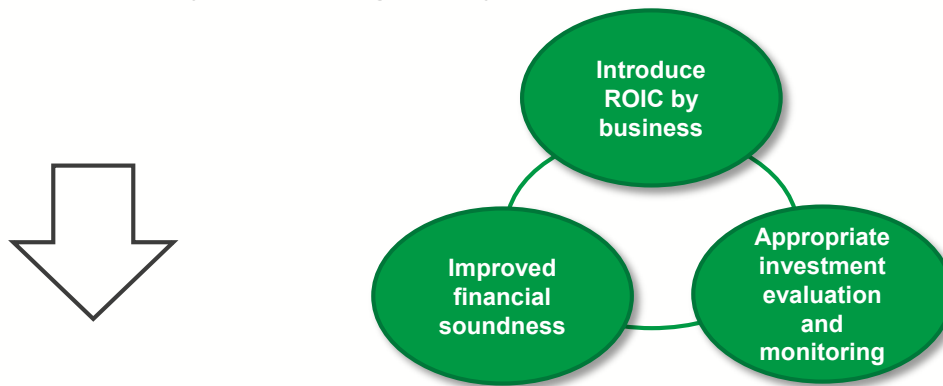
Sales expansion of products and services for elementary school students through data coordination and introduction of learning materials for linkage

Gakken 2023 Progress in Financial strategy

Raised 8.1 billion yen through social equity financing

Secure capital investment funds for further growth

Strengthen financial base by enhancing equity



Creation of social value

Gakken Social Value

Create a society where everyone can live fulfilling lives



Education

- Fostering of talent for building a sustainable society
- Correction of educational disparities in and outside Japan
- Fostering of innovators for the Society 5.0 era

Healthcare and nursing

- Diffusion of dementia care services
- Fostering of talent for healthcare and nursing
- Reduction of welfare-related costs

Communities

- Creation of sustainable towns where a diverse range of people support each other

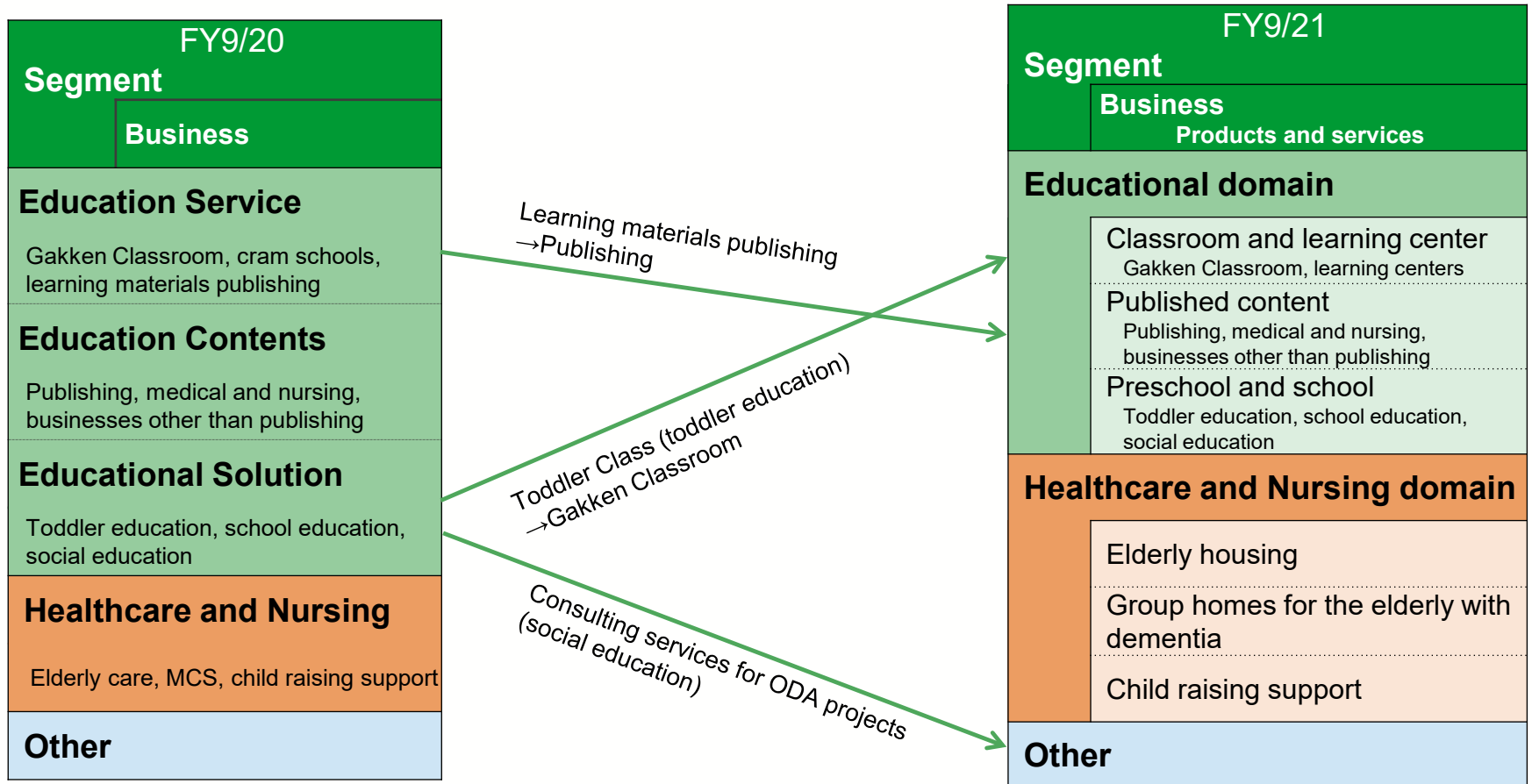
How funds are spent	- Serviced apartments for the elderly	
	Capital investment for opening new apartments	1.45 billion yen
	Repayment of borrowings for capital investment	3.65 billion yen
	Expenses related to M&A	0.9 billion yen
	- Acquisition of shares of JP-HOLDINGS, INC.	2.1 billion yen

Gakken

Appendix

Changes in Reportable Segments

Concentration of educational segments (3→1)



*Medical Care Service Company Inc.(MCS) is reported separately as the group homes for the elderly with dementia business of Healthcare and Nursing domain from the current fiscal year.

Details of Each Business

Educational Domain

Classroom and learning center

Gakken Classroom (mainly for elementary school students)
Classes for toddlers and elementary school students
Cram schools (for elementary to high school students)



Published content

Publications (children's books, study-aid books, etc.)
Learning materials for learning centers
Books on nursing and medicine
E-learning for training programs targeting nurses
Publication of digital content
Educational toys



Preschool and school

Picture books, childcare products, playing and other equipment, clothing for teachers
Textbooks, instruction guides for teachers, supplementals, ICT learning materials, learning materials for students with special needs, short essay exams, recruitment support services, corporate training programs



Healthcare and Nursing Domain

Elderly housing

Serviced apartments for the elderly
Bases for elderly care services



Group homes for the elderly with dementia

Group homes for the elderly with dementia, etc.



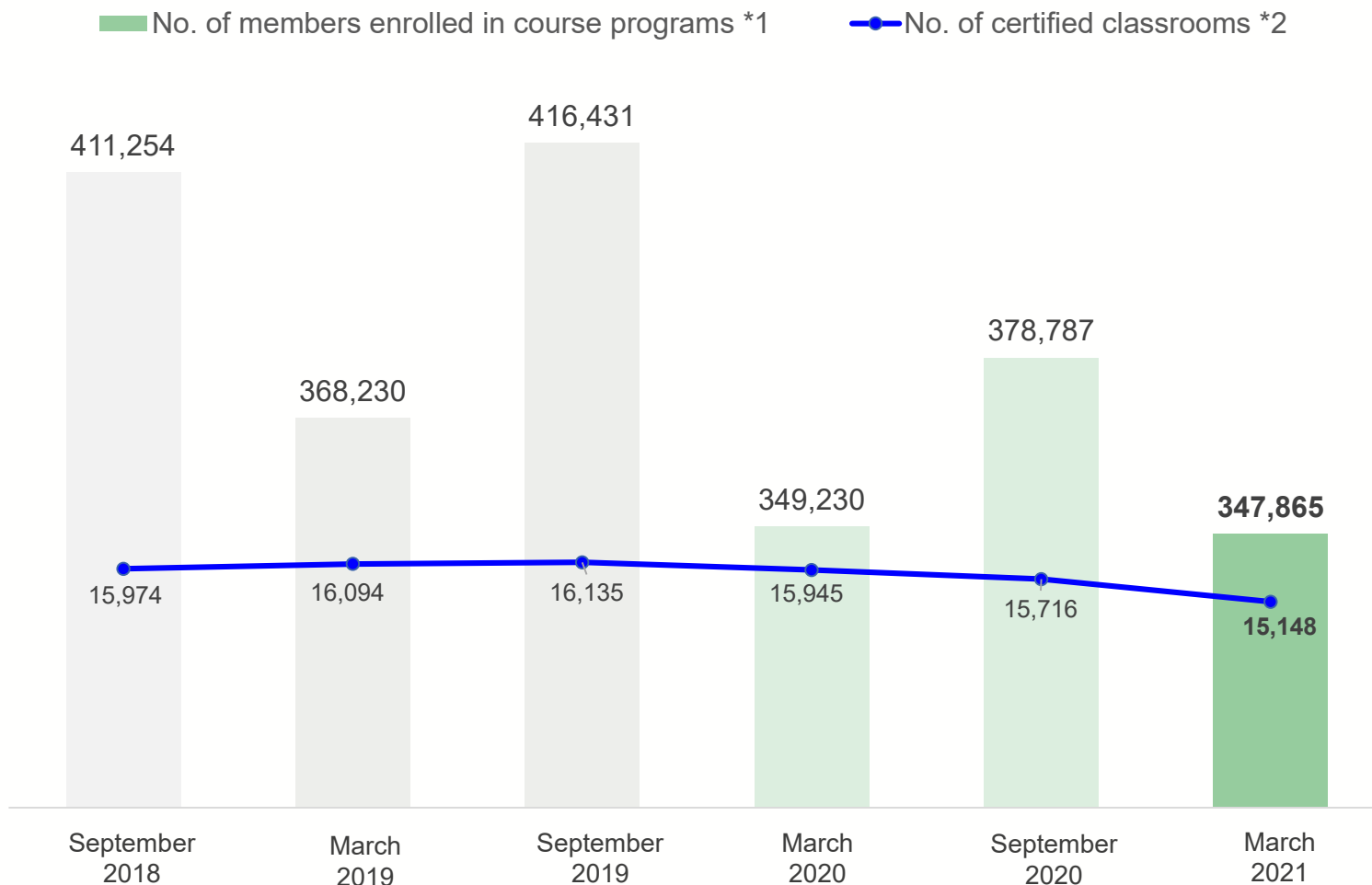
Child raising support

Nursery schools, children's daycare centers, after-school children's clubs



Educational Domain

Gakken Classroom: No. of Members Enrolled in Course Programs and No. of Certified Classrooms

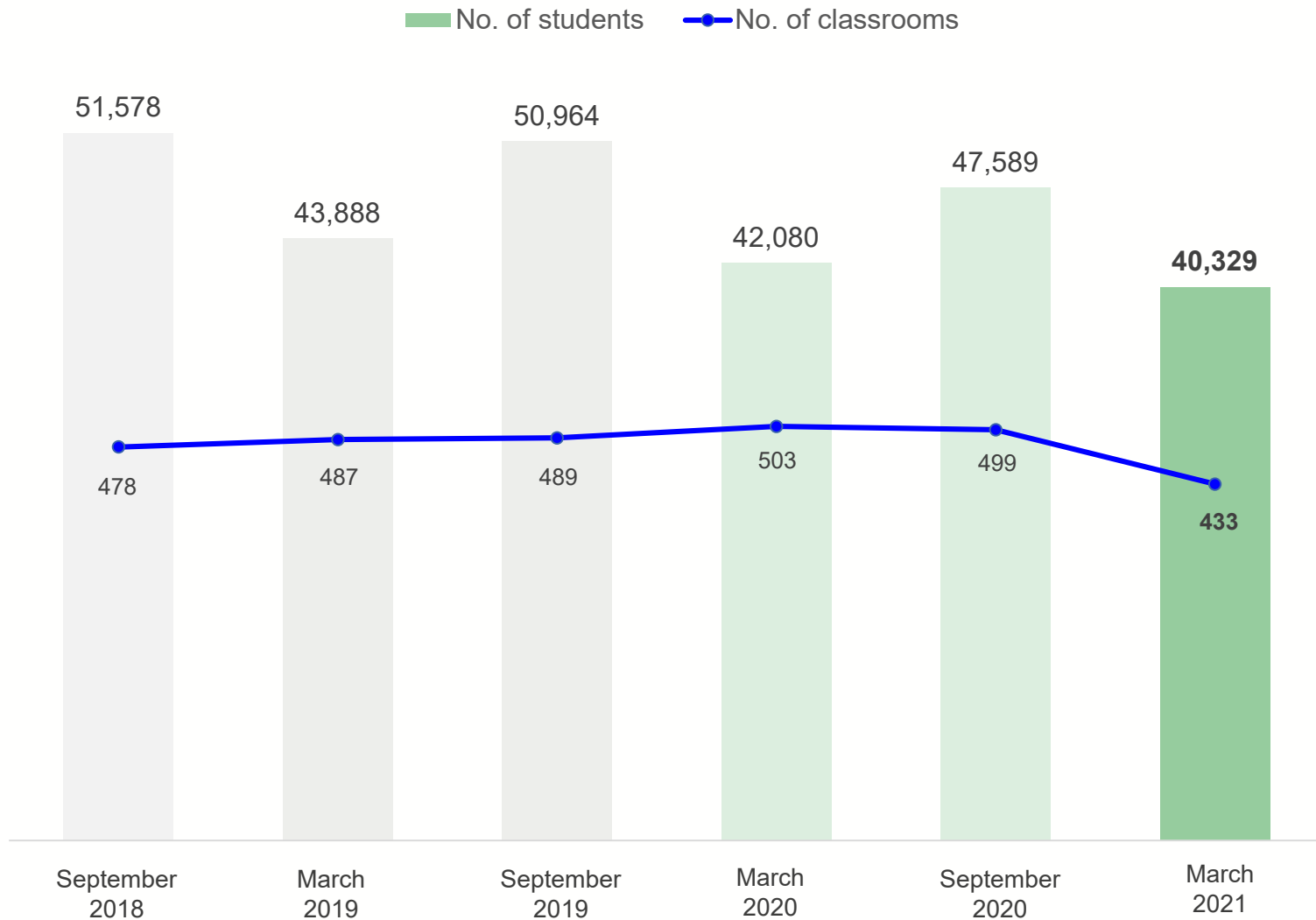


*1: No. of members enrolled in course programs: Based on the number of course programs members are enrolled in. If a member is enrolled in two course programs, the number is counted as 2, and if a member is enrolled in three course programs, the number is counted as 3.

*2: No. of certified classrooms: Based on the number of certifications acquired. There are two certification categories for Gakken Classroom: (1) Math and Japanese and (2) English. A classroom certified in both categories is counted as 2.

Educational Domain

Learning Centers: No. of Students and No. of Classrooms

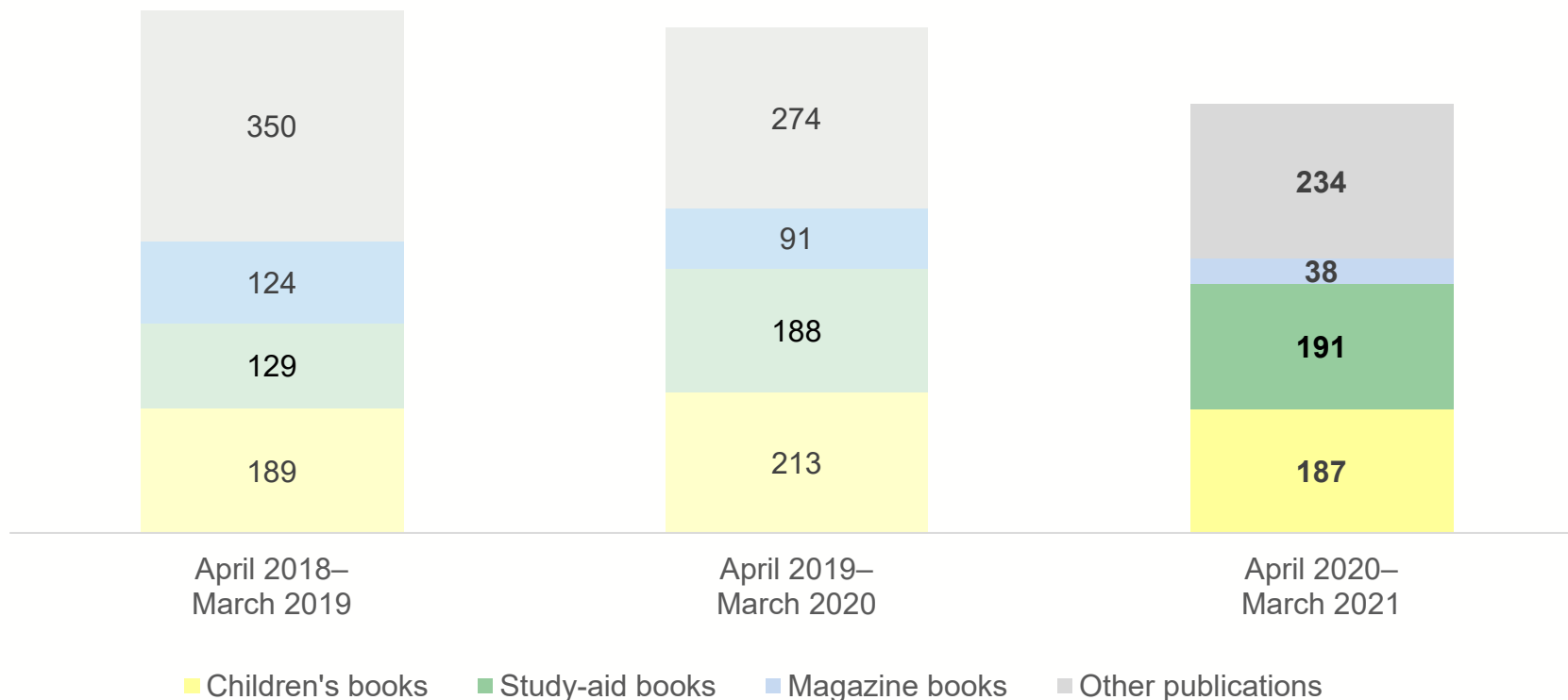


Educational Domain

No. of New Publications

No. of new publications

Note) Gakken Plus excluding periodicals and musical scores



Educational Domain

School Textbook Publication Schedule

FY		2018	2019	2020	2021	2022	2023	2024	2025
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: Review by the Ministry of Education, Culture, Sports, Science and Technology (appropriateness as a textbook)

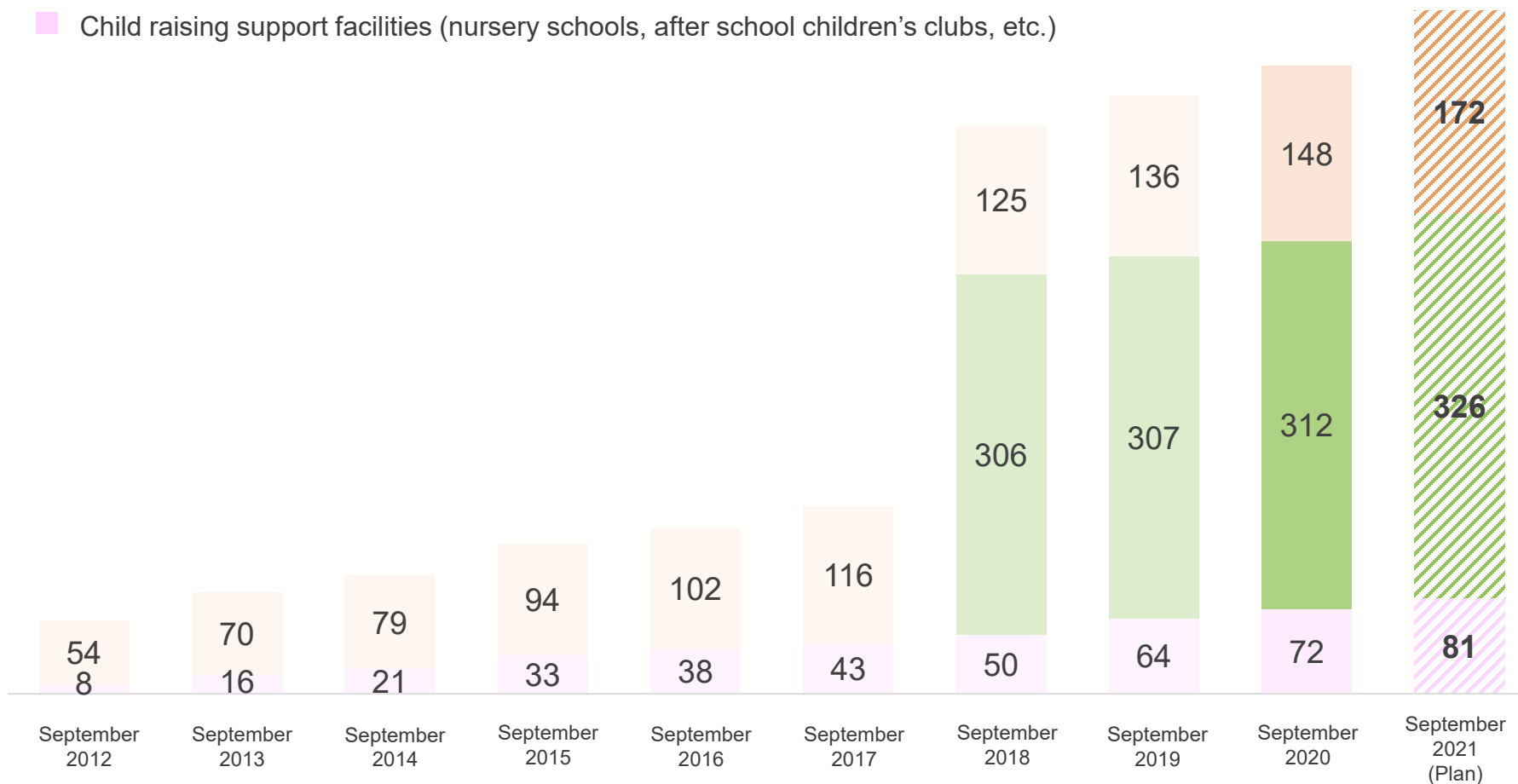
● Adoption: Decision by competent boards of education and principals on which textbook to use

◎ Start of use: Delivery to each school and students

Healthcare and Nursing Domain

No. of Facilities

- Apartments for the elderly, etc.
- MCS (group homes, etc.) *MCS: August
- Child raising support facilities (nursery schools, after school children's clubs, etc.)



Healthcare and Nursing Domain

Occupancy Rate and Utilization Rate

			March 2019	March 2020	March 2021	September 2021 (Plan)
Apartments for the elderly (Gakken Cocofump)	Greater Tokyo Area	Total no. of units	3,464	3,855	4,441	5,041
		No. of occupied units	3,308	3,538	4,003	4,593
		Occupancy rate	95.5%	91.8%	90.1%	91.1%
	Shonan	Total no. of units	991	1,098	1,165	1,235
		No. of occupied units	894	1,014	1,063	1,146
		Occupancy rate	90.2%	92.3%	91.2%	92.8%
	Western Japan	Total no. of units	1,689	1,945	2,111	2,232
		No. of occupied units	1,542	1,737	1,919	2,079
		Occupancy rate	91.3%	89.3%	90.9%	93.1%
	Total	Total no. of units	6,144	6,898	7,717	8,508
		No. of occupied units	5,744	6,289	6,985	7,818
		Occupancy rate	93.5%	91.2%	90.5%	91.9%
Group homes (MCS)		No. of units	5,156	5,192	5,246	5,426
		Occupancy rate	97.4%	98.0%	98.0%	97.5%
Child raising support facilities (Nursery schools)		Maximum no. of children	2,497	2,497	2,788	2,718
		No. of children enrolled	2,108	2,107	2,389	2,515
		Utilization rate	84.4%	84.4%	85.7%	92.5%

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 joyfully with a sense of security in the same community.

Gakken Group contributes to the development of sustainable towns from the perspective of local residents.





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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.