
Financial Results

**for the Six Months Ended
March 31, 2022**

May 26, 2022
Gakken Holdings Co., Ltd.

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Executive Summary of the financial results for the Six Months Ended March 31, 2022

[Financial results]

Net sales: 79.6 billion yen (102% year on year) / Operating profit: 4.3 billion yen (87% year on year)
Profit: 2.5 billion yen (109% year on year)

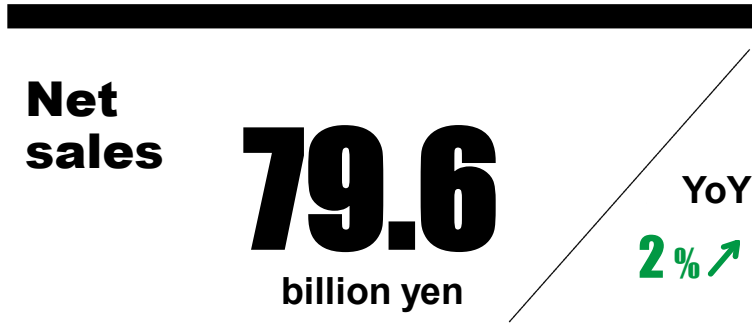
- Revenue increased overall, with a decline in Educational domain being offset by Healthcare and Nursing domain
- The decrease in operating profit is attributable to restrained purchase as many schools and kindergartens were temporarily closed due to the Omicron variant outbreak, a rebound decline in textbook sales in the Educational domain, and investments in new business areas

[Topics]

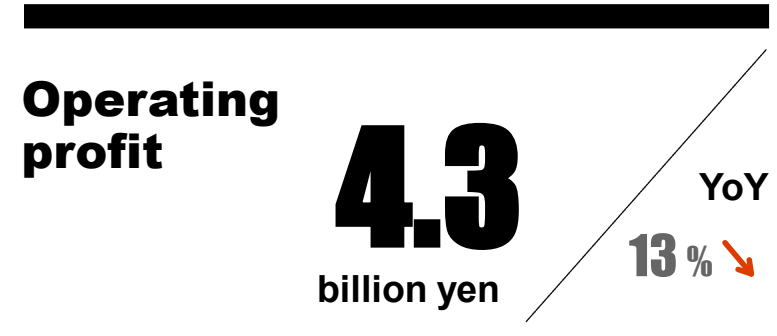
- Accelerated investments in digital and global areas as laid out in Gakken 2023, promoted the strengthening of the Group structure, cooperation with external partners, and the consolidation of new businesses
- In the Healthcare and Nursing domain, maintained the pace of new openings and opened Gakken Square Suita SST, a new site for Gakken's community-based integrated care system
- In the Educational domain, will consolidate four key companies in October 2022 to facilitate inter-group cooperation

Summary of Consolidated Financial Results

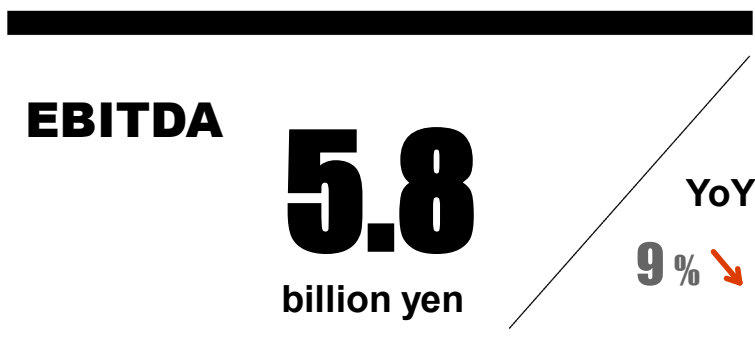
for the Six Months Ended March 31, 2022



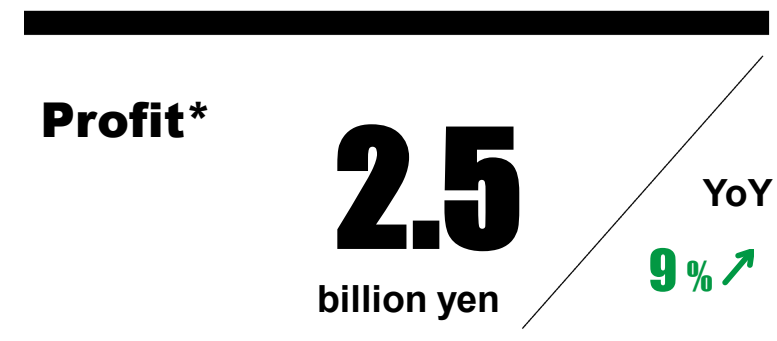
Increased for the 11th consecutive year



Decreased due to the Omicron variant and prior investment



Decreased due to prior investment



Increased due to absence of one-time loss recorded in the previous year

* Profit attributable to owners of parent

*Numbers are rounded to the nearest hundred million.

Summary of Results by Segment for the Six Months Ended March 31, 2022

(Billion yen)

| Segment | Business | Six months ended March 31, 2021 | | Six months ended March 31, 2022 | | Change | |
|--------------------------------------|---|------------------------------------|------------------|------------------------------------|------------------|-------------|------------------|
| | | Net sales | Operating profit | Net sales | Operating profit | Net sales | Operating profit |
| Educational Domain | | 43.0 | 3.8 | 41.4 | 3.5 | -1.6 | -0.3 |
| | Classroom and learning Center | 15.7 | 0.5 | 15.9 | 0.7 | +0.2 | +0.2 |
| | Publishing and content | 17.8 | 2.3 | 17.1 | 2.3 | -0.7 | -0.0 |
| | Kindergarten and school | 9.6 | 1.2 | 8.5 | 0.7 | -1.1 | -0.5 |
| | Goodwill | 0.0 | -0.2 | 0.0 | -0.2 | 0.0 | +0.0 |
| Healthcare and Nursing Domain | | 32.1 | 1.3 | 35.2 | 1.2 | +3.1 | -0.1 |
| | Elderly housing | 12.9 | 0.4 | 15.6 | 0.5 | +2.7 | +0.1 |
| | Group homes for the elderly with dementia | 16.6 | 1.2 | 16.8 | 1.0 | +0.2 | -0.3 |
| | Child raising support | 2.5 | -0.1 | 2.8 | 0.0 | +0.3 | +0.1 |
| | Goodwill | 0.0 | -0.2 | 0.0 | -0.2 | 0.0 | 0.0 |
| Other | | 2.9 | 0.5 | 3.0 | 0.5 | +0.1 | +0.0 |
| Adjustments | | 0.0 | -0.7 | 0.0 | -0.9 | 0.0 | -0.3 |
| Group total | | 78.1 | 5.0 | 79.6 | 4.3 | +1.6 | -0.7 |

*Numbers may not add to the totals due to rounding.

Overview of Financial Results

for the Six Months Ended March 31, 2022

Trends of Net Sales for the Six Months Ended March 31, 2022

(Billion yen)

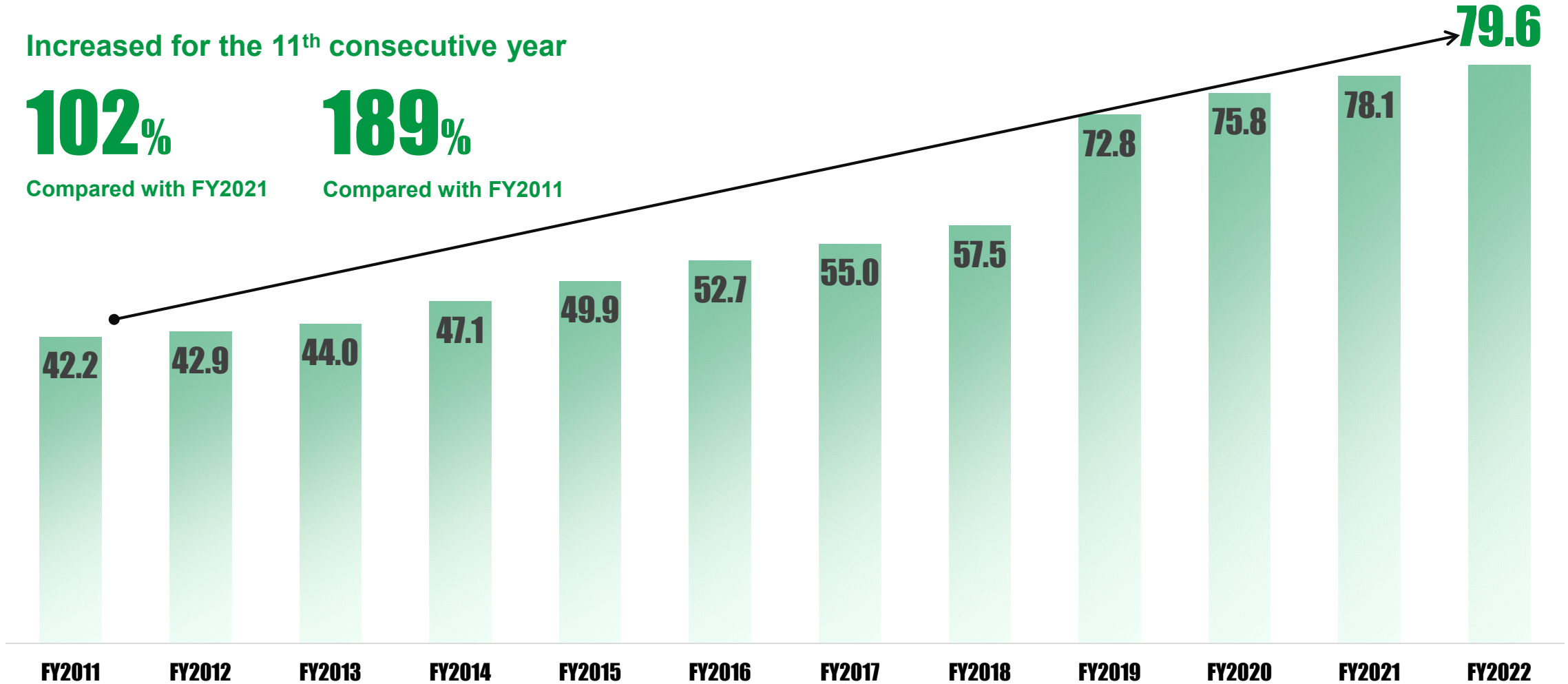
Increased for the 11th consecutive year

102%

Compared with FY2021

189%

Compared with FY2011



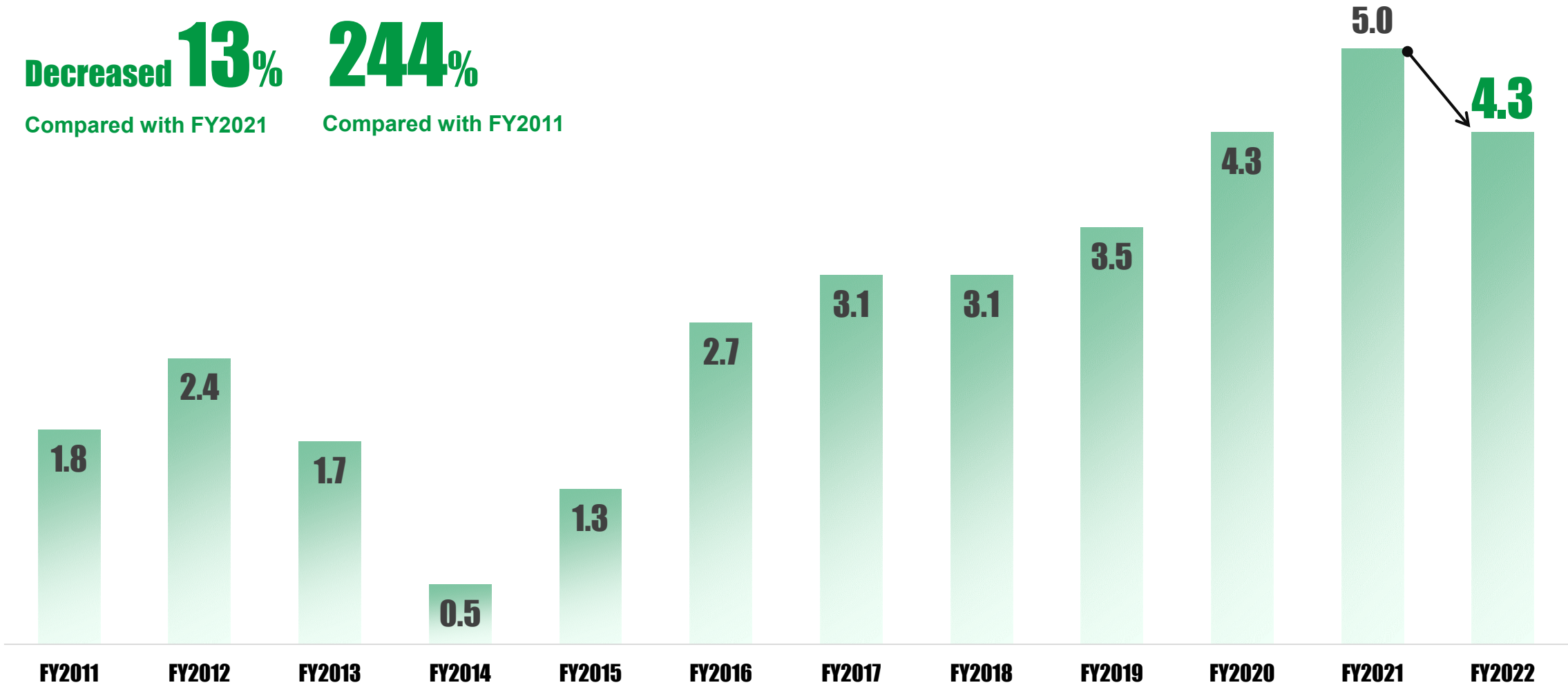
*Numbers are rounded to the nearest hundred million.

Trends of Operating Profit for the Six Months Ended March 31, 2022

(Billion yen)

Decreased **13%**
Compared with FY2021

244%
Compared with FY2011



*Numbers are rounded to the nearest hundred million.

Trends of EBITDA for the Six Months Ended March 31, 2022 *

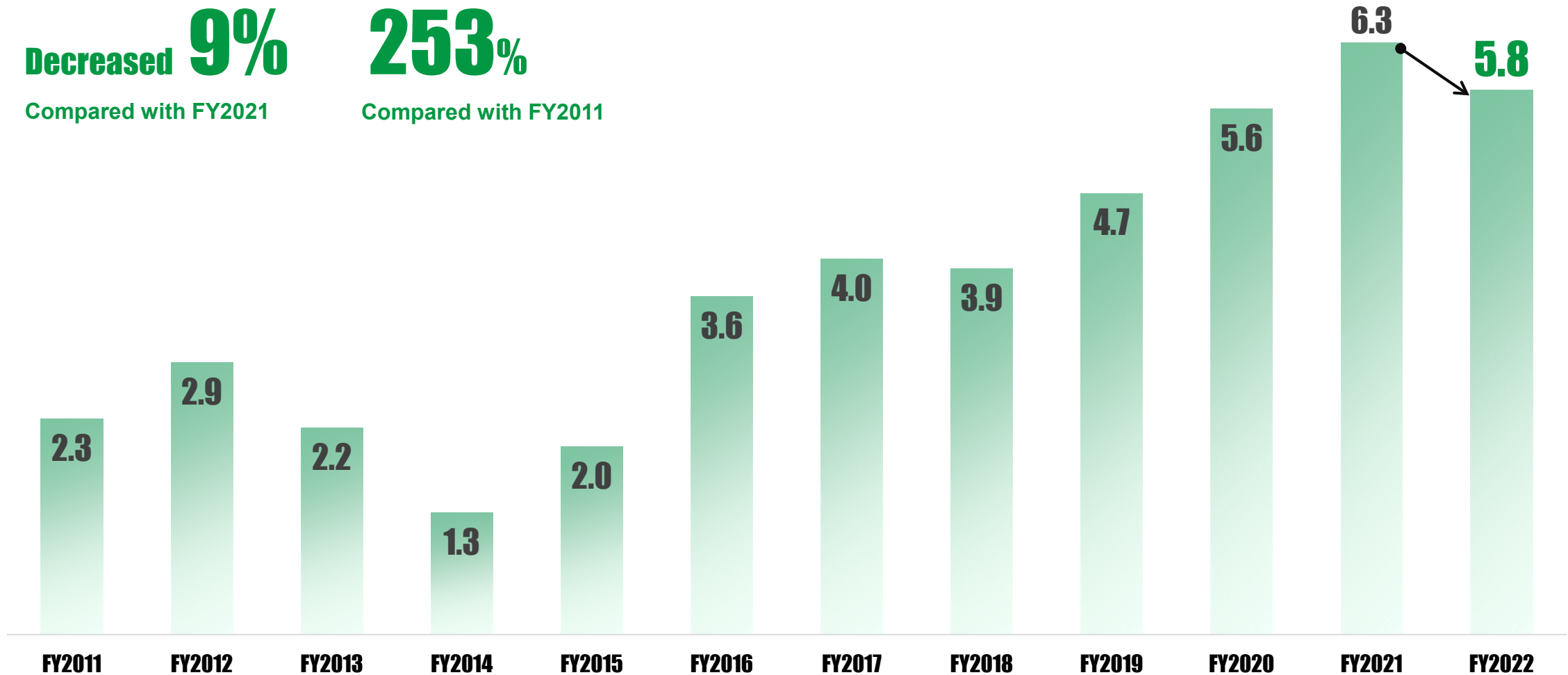
(Billion yen)

Decreased 9%

Compared with FY2021

253%

Compared with FY2011



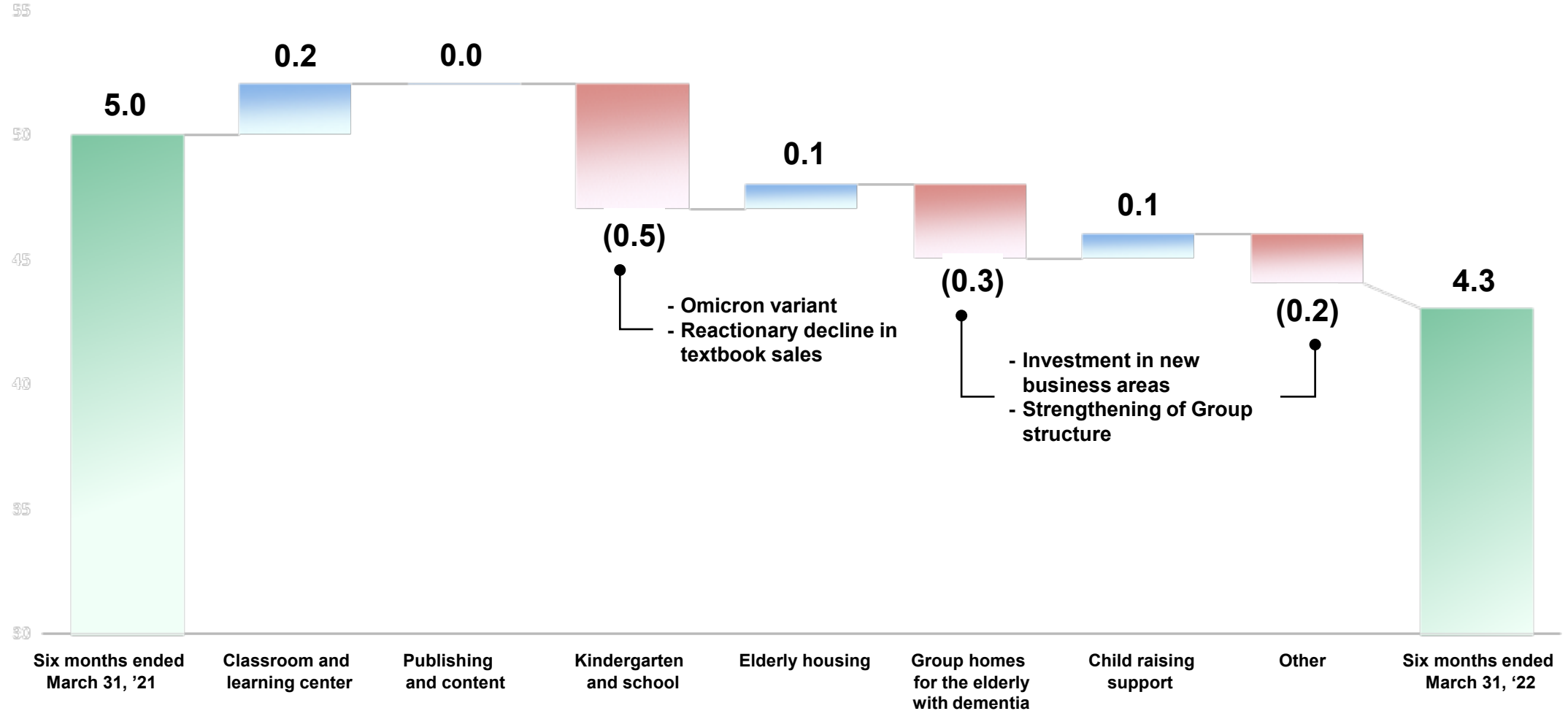
*A total of operating profit, depreciation, and goodwill amortization

*Numbers are rounded to the nearest hundred million.

Factors Behind Changes in Operating Profit for the Six Months Ended March 31, 2022

(Billion yen)

Decreased due to the Omicron variant and investment in new business areas

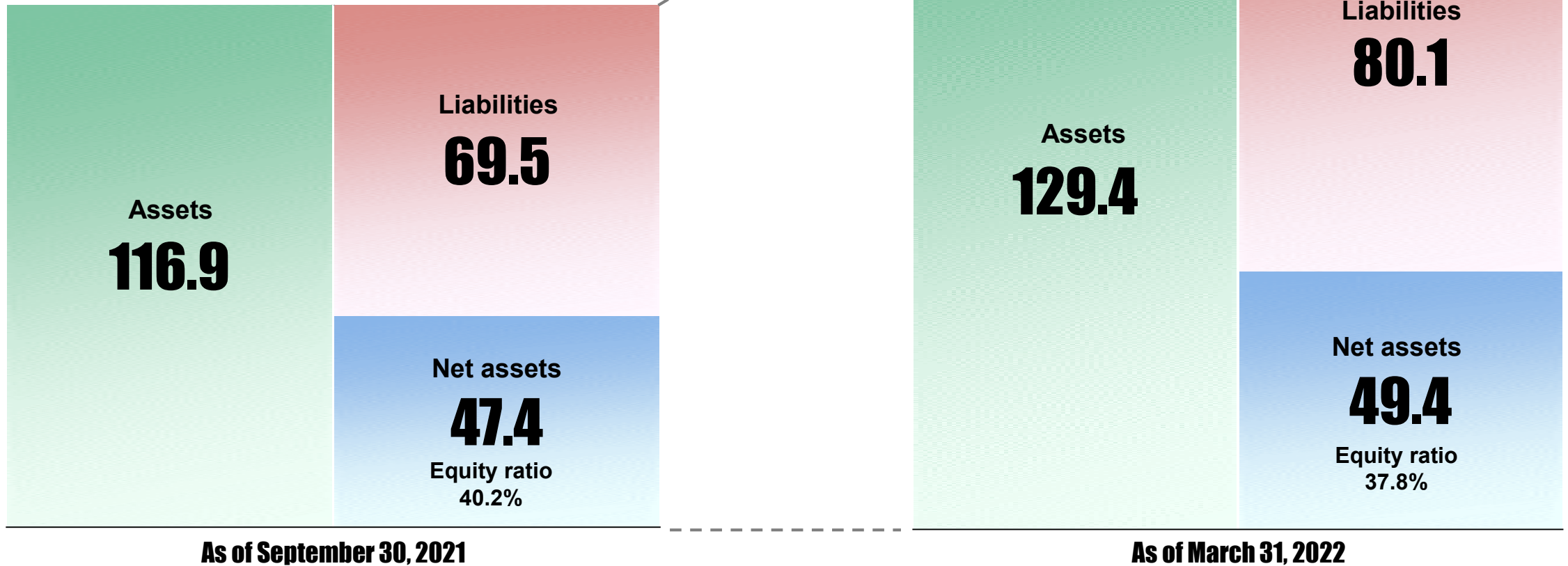


*Numbers are rounded to the nearest hundred million.

Consolidated Financial Position

(Billion yen)

- Assets and liabilities increased due to increases in accounts receivable – trade, products and merchandise following the spring sales season
- Net assets increased as retained earnings grew



*Numbers may not add to the totals due to rounding.

Educational Domain Financial Results

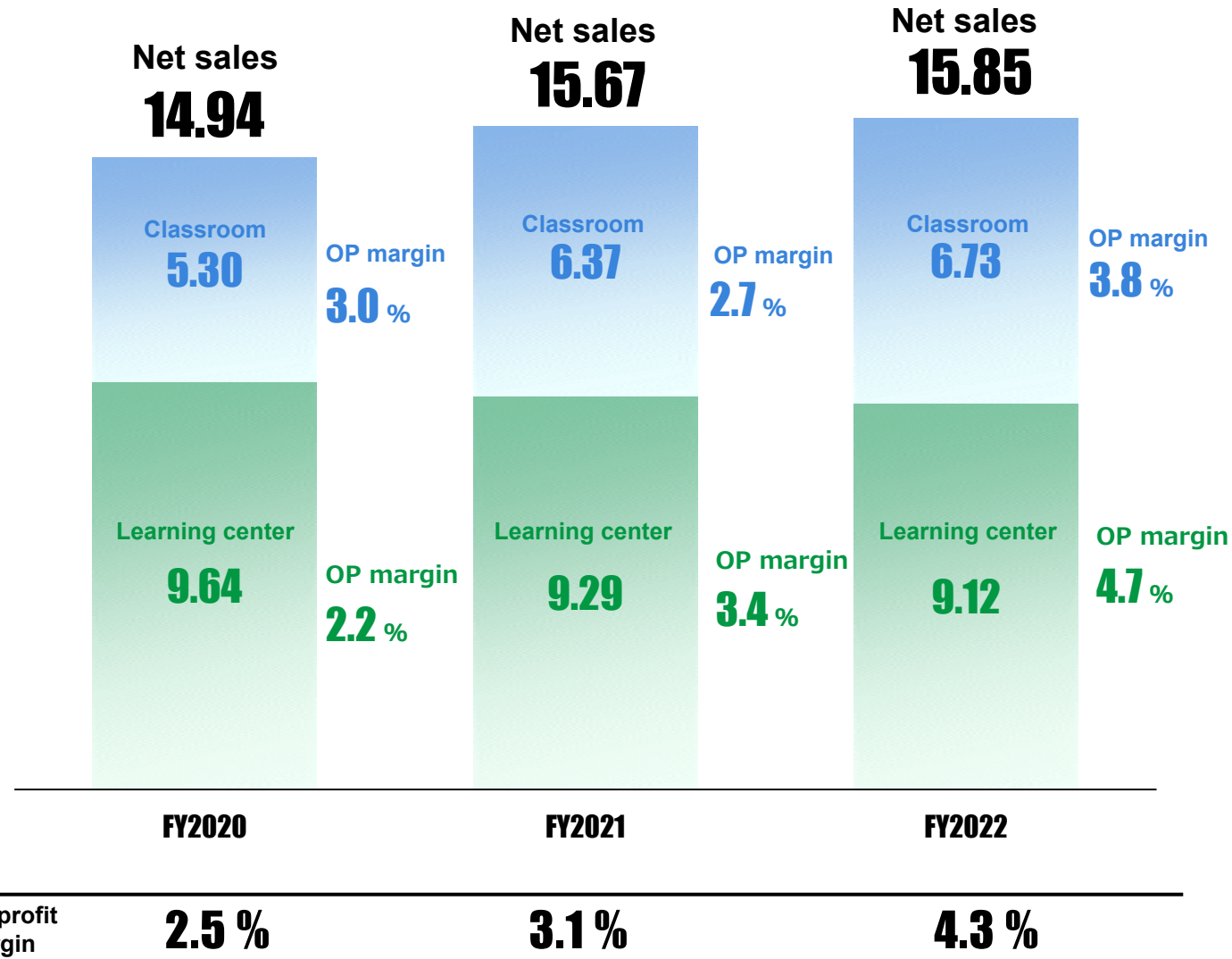
for the Six Months Ended March 31, 2022

Focused on the following three businesses extensively supporting children's learning, with an expanded service menu for working adults

- 1) Classroom and learning center: Operation of toddler classes and Gakken classrooms supporting children's learning in everyday life, and learning centers across Japan
- 2) Publishing and content: Production and sale of children's books, study-aid books, and other publications, as well as e-learning content
- 3) Kindergarten and school: Production and sale of goods for kindergartens and nursery schools, and provision of an employment/recruitment support service

Classroom and Learning Center Summary for the First Half

(Billion yen)



Positives

- Profit margin grew for two years in a row
- Streamlined non-profitable centers
- Sales per customer increased, and online services expanded
- Acquired Mebae Classroom business in 4Q last fiscal year
- Focused on bridging kindergartens with elementary schools by transferring toddler classes internally in 1Q last fiscal year

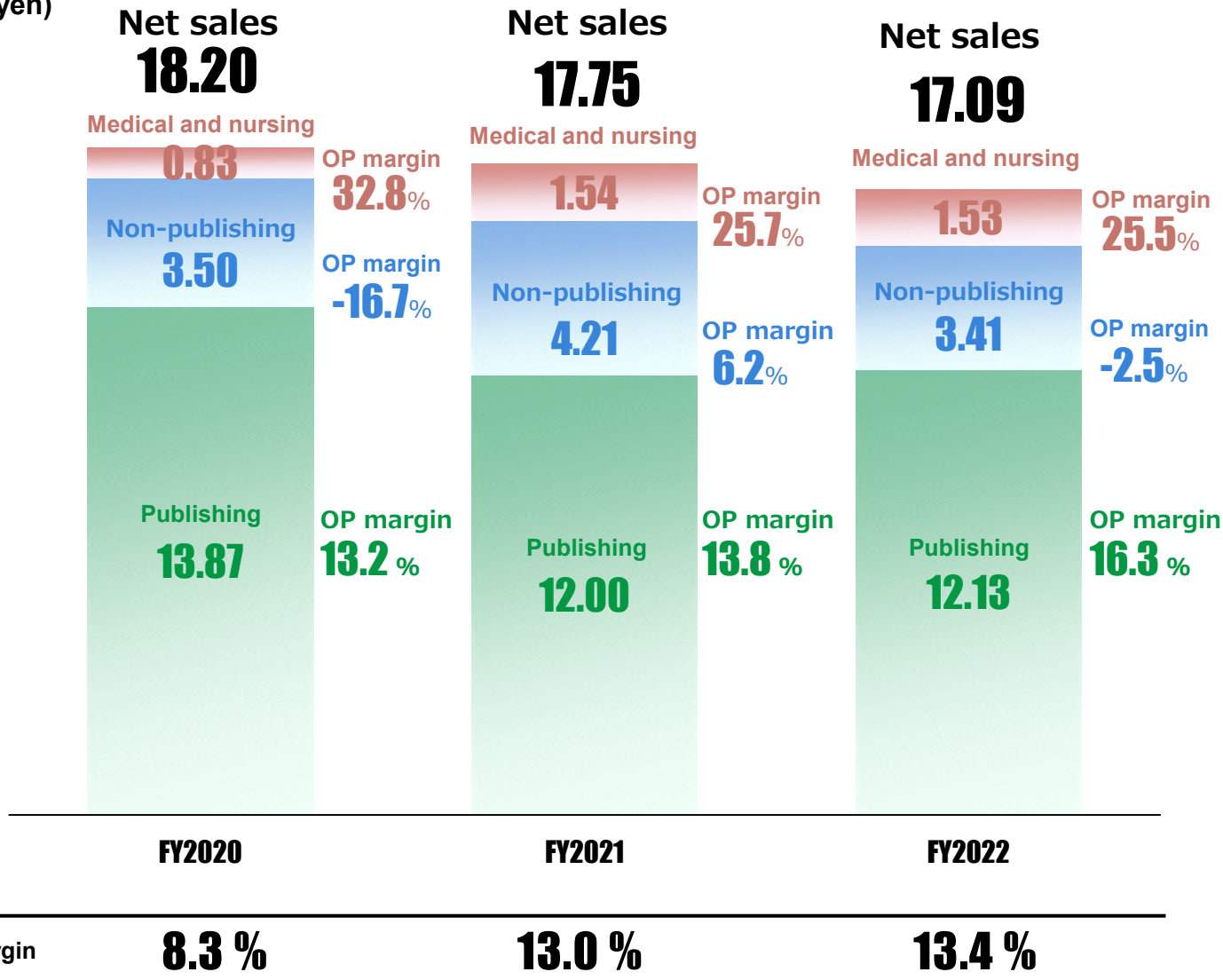
Negatives

- Student recruitment programs and openings of new franchise classrooms partially delayed due to the spread of the Omicron variant

*Numbers are rounded down to the second decimal place.

Publishing and Content Summary for the First Half

(Billion yen)



Positives

- Profit margin continued to improve
- Revenue increased as Arukikata Co., Ltd. joined the Group in 2Q last fiscal year
- Reprinting of study-aid books for junior high school students (revised last fiscal year) lowered cost of sales
- E-learning for nurses performed strongly
- Demand for online English conversation business expanded
- Popular titles from children's books and map/guidebooks

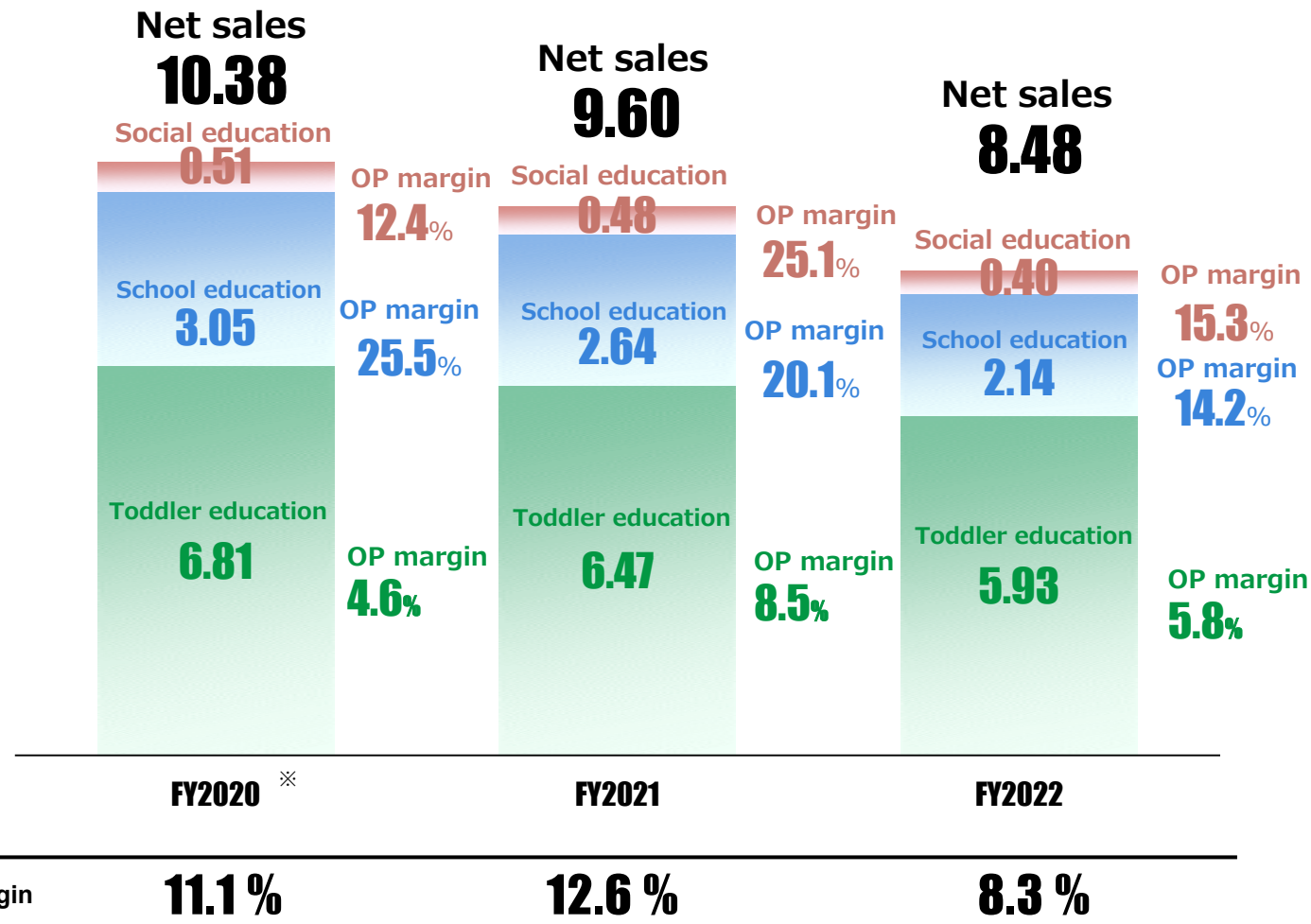
Negatives

- Reservations for a facility to learn English declined due to the Omicron variant
- Sales of toy products produced overseas including China declined due to delayed delivery
- Sales of books on medicine and nursing declined

*Numbers are rounded down to the second decimal place.

Kindergarten and School Summary for the First Half

(Billion yen)



Positives

- Sale of clothing for teachers remained strong
- More kindergartens introduced child-care ICT systems
- More schools purchased digital textbooks
- Corporate training business grew

Negatives

- Orders for equipment and hygiene products from nursery schools and kindergartens decreased greatly due to the Omicron variant
- Reactionary decline in school textbooks and instruction guides for teachers
- E-learning business for the teachers' license renewal system lost as the system was abolished

*Numbers are rounded down to the second decimal place.

*Net sales for FY2020 include sales from the toddler class business of 1.17 billion yen, which was internally transferred.

Healthcare and Nursing Domain Financial Results

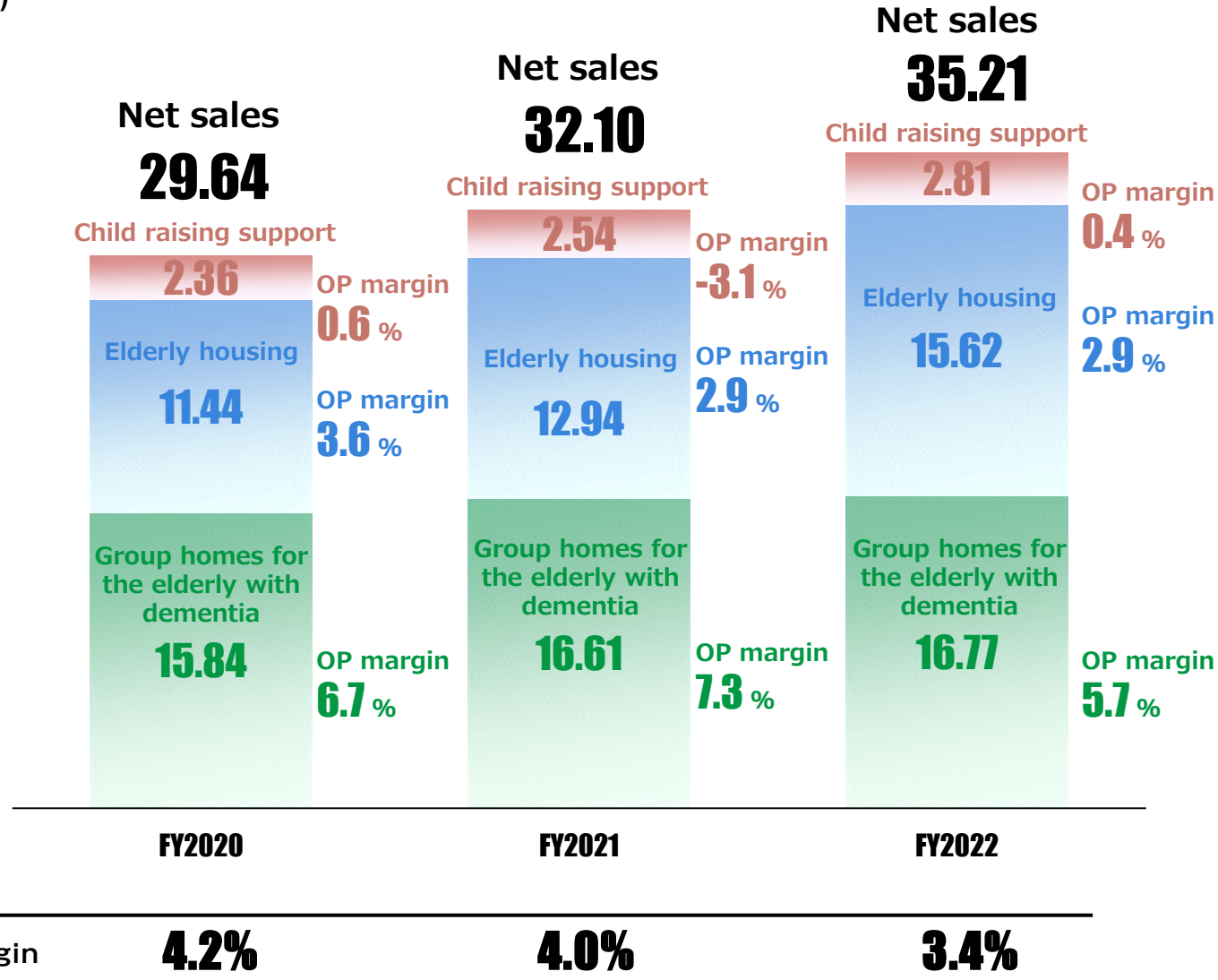
for the Six Months Ended March 31, 2022

Addressed the social issue of aging society with a declining birthrate to create a community where people of all generations can live with peace of mind in three businesses

- 1) Elderly housing: Planning, development, and operation of serviced apartments for the elderly, bases for elderly care services, etc.
- 2) Group homes for the elderly with dementia: Operation of group homes and planning, development, and operation of related services
- 3) Child raising support: Planning, development, and operation of nursery schools, children's daycare centers, after-school children's clubs, etc.

Healthcare and Nursing Summary for the First Half

(Billion yen)



Positives

- New openings as scheduled
 - Elderly housing (10)
 - Group homes (4)
- Occupancy and utilization rates stayed high
 - Elderly housing : 92.3%
 - Group homes : 97.6%
 - Nursery schools: 91.6%
- Profit increased due to rationalization of nursery schools

Negatives

- Fewer users for daycare service due to the resurgence of COVID-19
- Costs increased due to higher utility costs
- Group homes: Profit decreased in reaction to sales of real estate in 2Q of last fiscal year

*All numbers after the second decimal place are disregarded.

Summary for the Six Months Ended March 31, 2022

- ◆ Net sales grew with the decline in the Educational domain being offset by the Healthcare and Nursing domain
- ◆ Operating profit declined due to the Omicron variant and investment in new business areas
- ◆ Profit secured 109% year on year with absence of share of loss of entities accounted for using the equity method and impairment of unprofitable learning center operating company recorded in the previous year
- ◆ In the Educational domain, the Omicron variant spread rapidly among children. As a result, schools were closed and movement restrictions were imposed on a similar scale to those experienced at the outset of the pandemic. This inflicted a greater blow to our business than before, with the result that demand for practical experience services, and purchases for kindergartens and schools were restrained and postponed.

The Publishing and content and Classroom and learning center, on the other hand, using lessons from the early stages of the pandemic, managed to grow flexibly by introducing digital technology and making small changes to their operations.

- ◆ In the Healthcare and Nursing Domain, the pace of new openings was maintained.

Growth strategies for the current fiscal year and the medium-term are in line with the schedule, despite the reactionary decrease from real estate sales last year and investment in new business areas.

- ◆ Rationalization of unprofitable businesses and back-office operations is progressing smoothly. We will use the surplus thus generated to fund the investment in new business areas.

Plan for the Fiscal Year Ending September 30, 2022

(Billion yen)

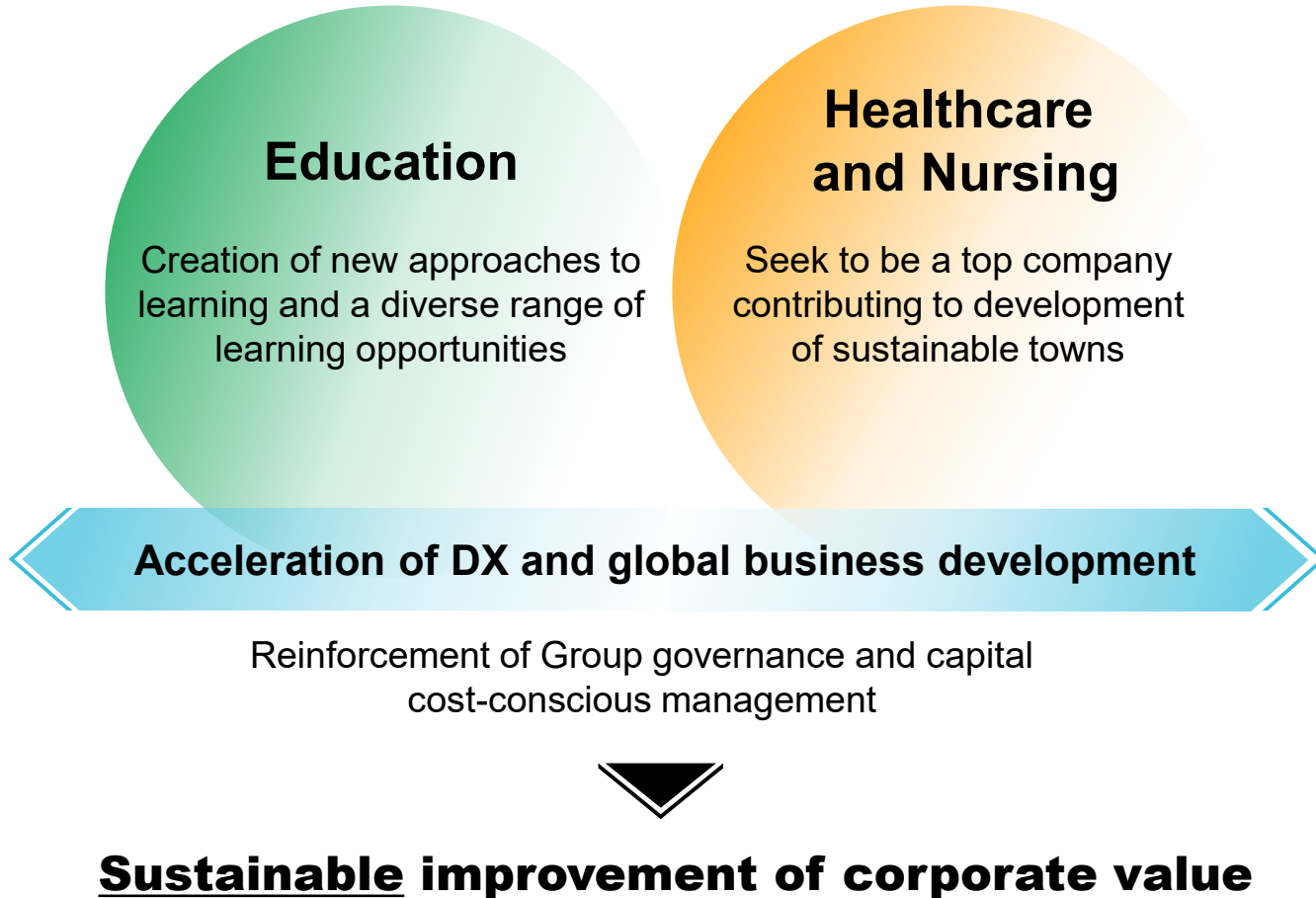
No change from earlier forecasts

| | FY2021 / 9 Results | FY2022 / 9 Plan |
|--------------------|-----------------------|--------------------------|
| Net sales | 150.2 | 157.0 |
| Operating profit | 6.2 | 6.7 |
| Profit | 2.6 | 3.4 |
| ROE | 6.3 % | 7.1 % (forecast) |
| Dividend per share | 22 yen | 24 yen (forecast) |
| Payout ratio | 34.1 % | 30.7 % (forecast) |

Gakken2023 Topics
for the Six Months Ended March 31, 2022

Gakken2023

Establishment of a solid foundation for growth



Performance targets for the fiscal year ending September 30, 2023

Net sales

165.0
billion yen

Operating profit

7.5
billion yen

OP margin

4.5 %

Gakken2023 Digital Domain: Topics

Establishment of Gakken LEAP

G-LEAP

Gakken Holdings established Gakken LEAP in December 2021 to create new businesses for the next generation, including Ed-Tech, G-LEAP is expected to take the lead in DX both within and outside the Group by using state-of-the-art technology to develop new businesses and prototypes, and analyze data.

Invested in three businesses via CVC in and outside Japan



Gakken invested in three emerging businesses: Global Brain Corporation (venture capital), PlusOne, Inc. of the U.S. and Holoeyes, Inc. (high-tech startups). Investment in tech-startups and venture capital should allow us to accelerate the provision of new experience/value as we integrate VR and other types of XR technologies and AI into our services.

Gakken2023 Digital Domain: Topics

Digital x Global x Media GPlusMedia Joins the Group

The logo for GPlusMedia, featuring the word "GPlusMedia" in a bold, sans-serif font. The "G" is dark grey, "Plus" is light blue, and "Media" is dark grey.

In March 2022, Gakken Group welcomed GPlusMedia Inc., a media business with a diverse workforce. Having access to its customer base and service platforms for foreign residents, we will pursue digital and global strategies.

Learning for working adults x digital Bend and Dontokoi Join the Group



In October 2021, we joined hands with Bend Inc., operator of qualification information portal sites, and Dontokoi Inc., operator of a Chinese learning platform, in an effort to expand educational services for working adults.

Gakken2023 Global Domain: Topics

Business/Capital Tie-up with Kiddihub of Vietnam



A vehicle for Gakken Group’s global strategy, IC Net signed a business tie-up with KiddiHub Education Technology Joint Stock Company, the operator of the largest portal sites in Vietnam for information on kindergartens, cultural lessons, and education, in November 2021 and a capital tie-up in April 2022.

By 2025, we will offer STEAM program to up to 1,000 private kindergartens in Hanoi and Ho Chi Minh.

A new subsidiary in China to accelerate STEAM education



In March 2022, Gakken Holdings established its new base in China, Gakken (Shanghai) Trading Co., Ltd.

Following the government policy of reducing “twin pressure” for children, the market is shifting from exam-oriented tutoring to disposition and STEAM education to develop well-rounded individuals. We will take advantage of this trend to market our science classes, educational toys, etc.

Supporting science education in Basra, Iraq



Jointly with JGC Corporation, IC Net commenced a project to enhance science education at elementary schools in Basra, Iraq.

To develop human resources that will underpin the energy industry in the country, they organize science classes, with the intent of sparking children’s interest in science and technology and enhancing the abilities of science teachers there.

Gakken2023 Classroom and Learning Center: Topics

Kicking off a joint venture with the YARUKI Switch Group



In 2021, Gakken Juku Holdings Co., Ltd. and YARUKI Switch Group agreed to jointly establish YGC Inc. to develop and roll out next-generation learning models.

With the help of AI, they are offering a learning system that combines Gakken's learning content optimized for each student and YARUKI Switch Group's method to unlock motivation.

Commencing the service as add-on content, the joint venture has opened first classroom through its own development.

Opening of a virtual learning center FAM campus



In 2021, Gakken Juku Holdings Co., Ltd. and Fujisoft Incorporated commenced a joint demonstration of FAM campus, a brand new online learning environment.

This April saw its practical implementation at Sozogakuen and Waseda School. Students manipulate their avatars at a learning center in a virtual space.

Going forward, they plan to develop a next-generation education platform that will achieve more tailored instruction by using behavioral and learning records.

Shoei-juku of Mie joins the Group



This April saw Syoei-juku, a Mie-based learning center operator, joined the Gakken Group as an outpost in Chukyo district.

This is part of our strategy to strengthen a network of physical touch-points to offer finely-tuned, customized care for each child, while at the same time accelerating the digitalization of the learning center.

Combining the best of the physical and digital spaces, we will seek solutions to issues shared by learning centers in regional cities in Japan.

Gakken2023 Healthcare and Nursing Domain: Topics

Opening of 10 serviced apartments for the elderly



We opened 10 new serviced apartments for the elderly in the first six months of the current fiscal year, bringing the total to 179 sites (including franchise locations) and 9,037 units.

Opening of two nursery schools under the new brand



As part of the ongoing initiative to re-brand the child raising support business to enhance the charm of our nursery schools, we opened two nursery schools under the new “Gakken Hoikuen” brand.

Opening of four group homes for the elderly with dementia



in the first six months of the current fiscal year, we opened four new group homes for the elderly with dementia, bringing the total to 285 facilities and 5,444 units.

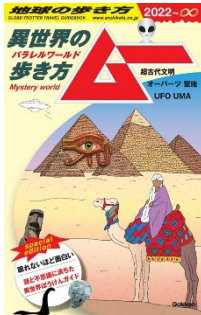
Opening of Suita Sustainable Smart Town (SST)



Gakken Multi-Generation Square Suita SST was opened within Suita SST, a healthy smart town to provide comprehensive educational, healthcare and nursing services.

Gakken2023 Publishing and Content: Topics

Chikyu-no-Arukikata Mu sold over 120,000 copies



The fruit of the improbable collaboration between Chikyu-no-Arukikata, published by Arukikata Co., Ltd. who joined the Group last year, and the super mystery magazine *Mu* hit the jackpot, selling a total of over 120,000 copies. Both first published in 1979, these two long-selling brands teamed up to show us how to walk around the parallel world. Taking the advantage of the pandemic, this free-wheeling idea proved to resonate with plenty of travel lovers. (e-book edition available)

Taiken Pocket, a new service for kindergarten seniors



Taiken (experience) Pocket is a new subscription service for seniors at kindergartens (ages 5-6). A package of Gakken's unique content, including illustrated guides, picture books and experience kits, is delivered to home on a monthly basis. "Why? How come?" "I did it!" "I want to do it more!"— such experiences children have during play develops into an essential base for learning after joining elementary school, which should give them the resilience to get along in unpredictable world.

TGG Green Springs will open in 2023



In January 2023, Tokyo Global Gateway (TGG), our experience-based English learning facility, will open at Green Springs, an urban green space for the future, in Tachikawa, Tokyo. In a setting that combines the latest digital technology and super-real space design, visitors are taken to a far-away foreign country, away from their daily lives, which stimulates motivation to speak English. Up to 320 students may learn during the same time slot.

Gakken2023 Educational Domain: Topics

Consolidating four key education-related companies in October 2022 to accelerate the drive to “create new approaches to learning”

**Gakken Plus Co., Ltd.
Gakken E-miral Co., Ltd.
Gakken Medical Shujunsha Co., Ltd.
Gakken Shuppan Service Co., Ltd.**

**To be consolidated into
one organization to
boost agility!**

<Objectives of the integration>

- Integrate content production divisions to increase overall productivity and to organize the educational syllabus of each educational business in a systematic manner
- Reorganize branches, which are currently placed under each company, to boost the collective strength for regional marketing
- Integrate customer data to promote integrated marketing among publishing, classroom, and kindergarten and school businesses
- Reinforce support for kindergartens / nursery schools, child raising and school education by using digital technology
- Focus on recurrent/reskilling markets, whose social demands are fast growing
- Develop and expand global sales channels and other objectives

Gakken

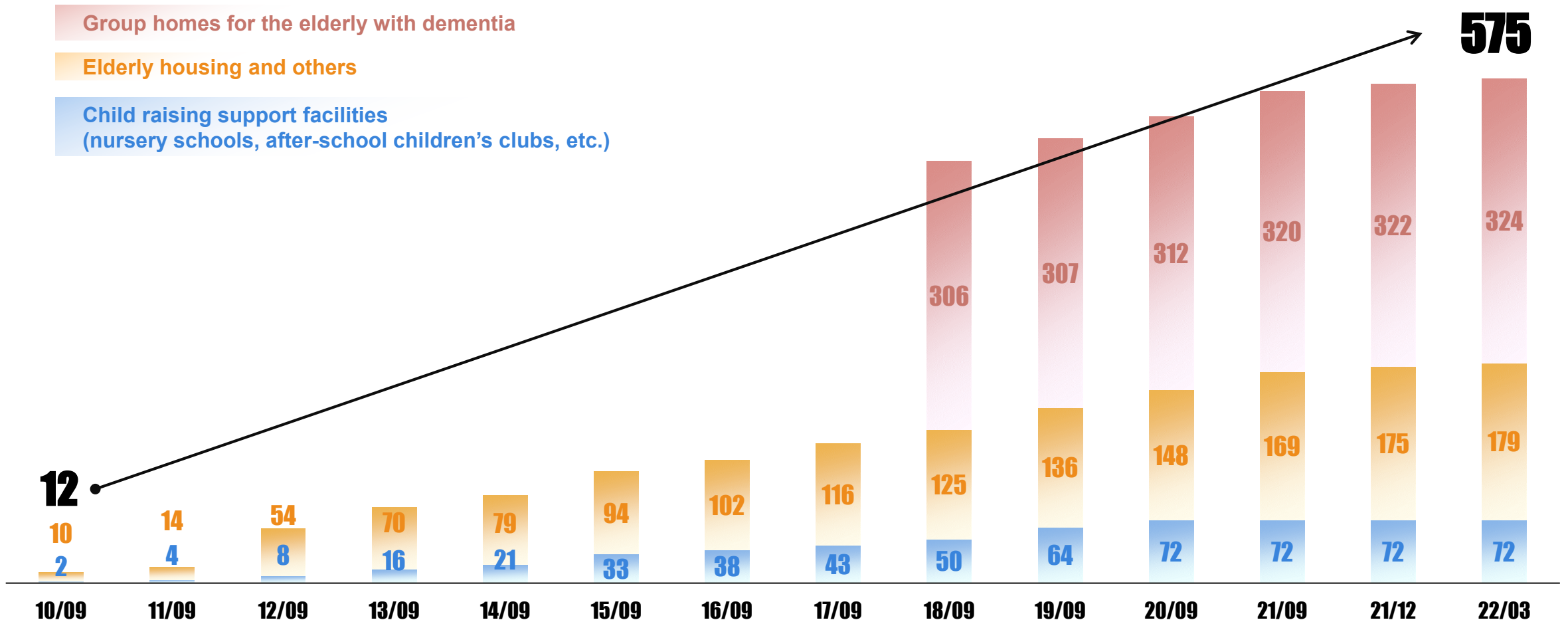
**Gakken Group hopes that everyone has fulfilling lives.
To this end, we provide inspiration, satisfaction, safety for today,
and dreams and hopes for tomorrow.**

Gakken Holdings Co., Ltd.

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.

Supplementary Materials
for the Six Months Ended March 31, 2022

Healthcare and Nursing Domain: No. of Facilities



*Numbers are net numbers: the number of new openings minus the number of closures.

Healthcare and Nursing Domain: New Openings Results and Plans

| | 21/10 – 22/03 First Half Results | 22/04 – 22/09 Second Half Plan | 21/10 - 22/09 Full year plan |
|--|--|--|--|
| Elderly housing | 10 | 15 | 25 |
| Group homes for the elderly with dementia | 4 | 12 | 16 |
| Child raising support facilities* | 1 | 5 | 6 |
| Total | 15 | 32 | 47 |

*A total of nursery schools, after school children's clubs, and child development support facilities

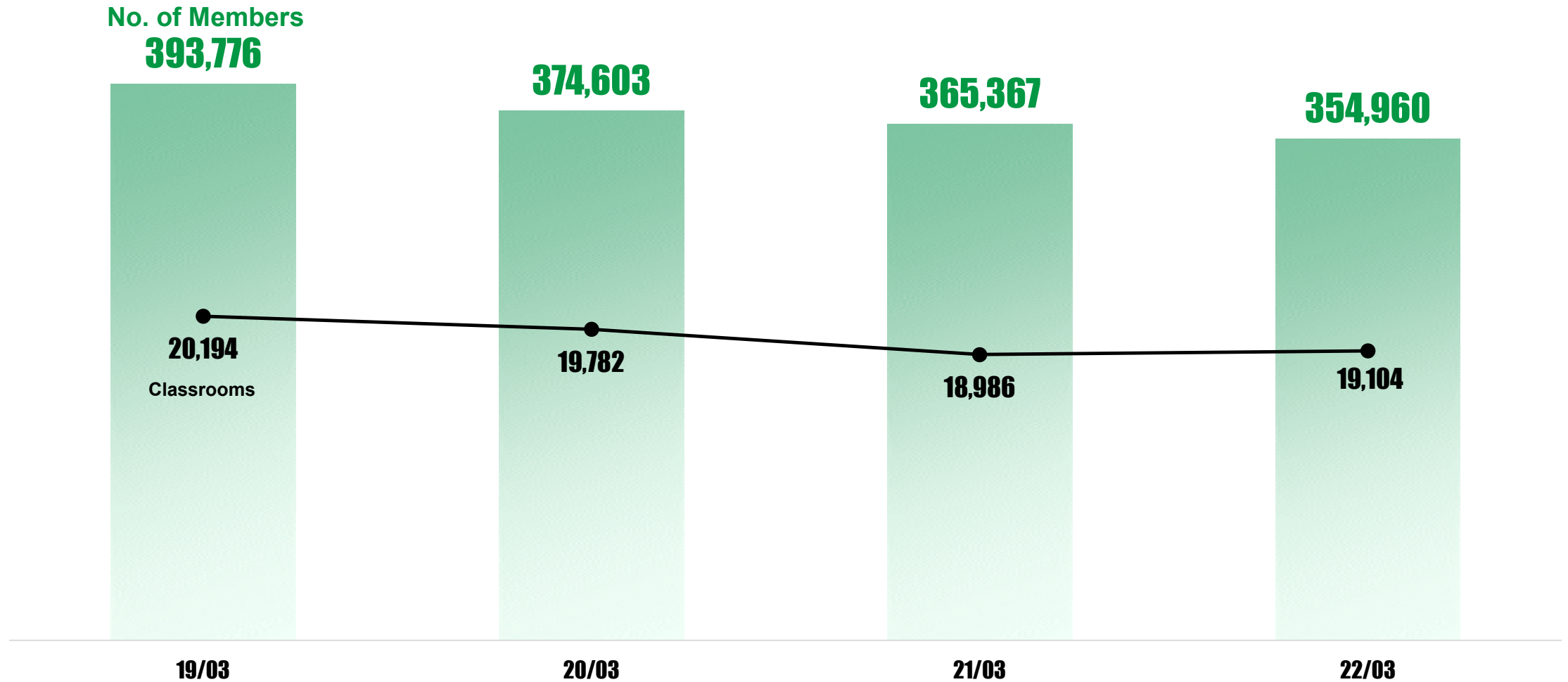
Healthcare and Nursing Domain: Occupancy Rate and Utilization Rate

| | | 20/03 | 20/09 | 21/03 | 21/09 | 22/03 | 22/09 (Plan) |
|--|--------------------------|-------|-------|-------|-------|-------|-----------------|
| Elderly housing | Total no. of units | 6,898 | 7,182 | 7,717 | 8,308 | 9,037 | 9,712 |
| | No. of occupied units | 6,289 | 6,600 | 6,985 | 7,505 | 8,345 | 9,017 |
| | Occupancy rate | 91.2% | 91.9% | 90.5% | 90.3% | 92.3% | 92.8% |
| Group homes for the elderly with dementia* | No. of units | 5,192 | 5,246 | 5,246 | 5,372 | 5,444 | 5,660 |
| | Occupancy rate | 98.0% | 98.0% | 98.0% | 97.8% | 97.6% | 97.5% |
| Child raising support facilities | Maximum no. of children | 2,497 | 2,788 | 2,788 | 2,661 | 2,664 | 2,721 |
| | No. of children enrolled | 2,107 | 2,381 | 2,389 | 2,443 | 2,441 | 2,512 |
| | Utilization rate | 84.4% | 85.4% | 85.7% | 91.8% | 91.6% | 92.3% |

*MCS changed the fiscal year end in the previous fiscal year. Before March 2021, figures for September, March and December are for August, February and November, respectively.

Educational Domain

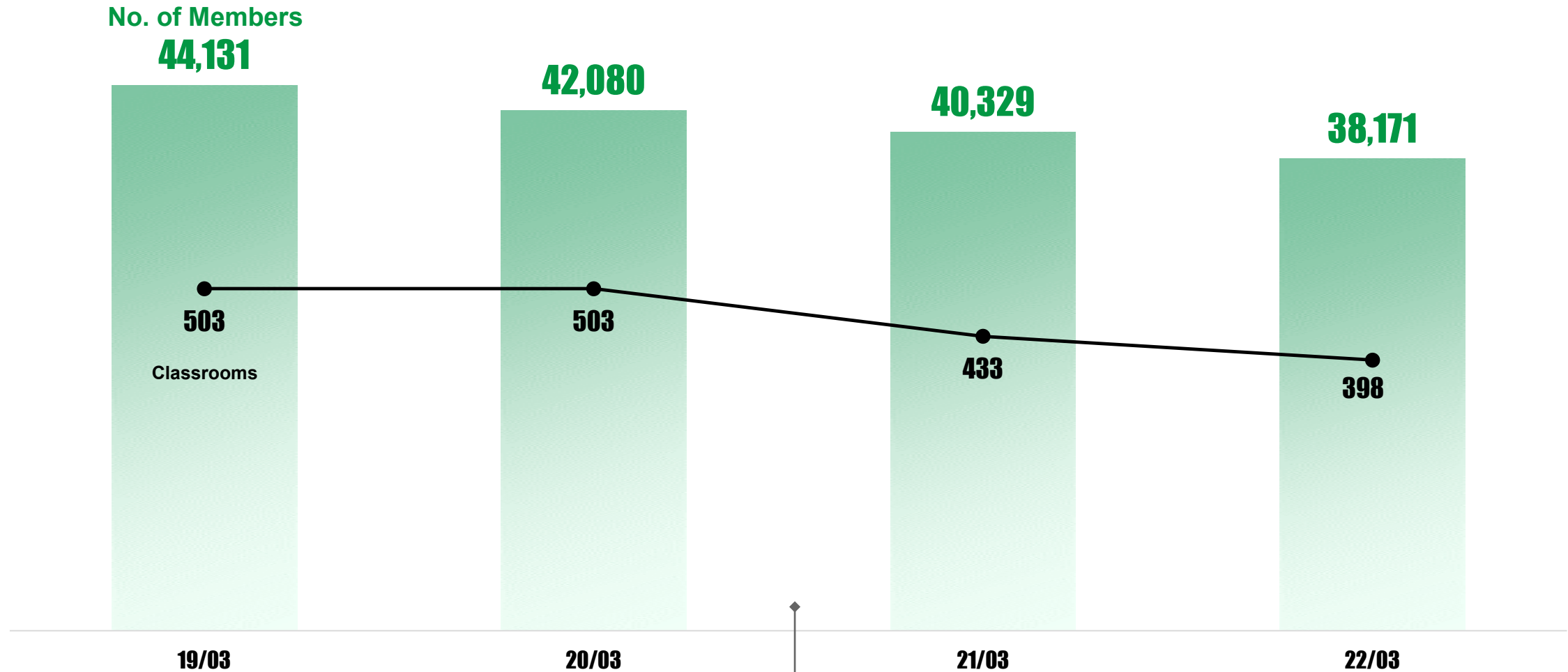
Classrooms: No. of Members and No. of Classrooms



*Numbers of members and classrooms are totals of those for Gakken Classrooms and toddler classes. Following the acquisition of businesses, those numbers include those for Shogakukan Academy and Mebae Classrooms after September 2020 and July 2021, respectively.

Educational Domain

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



*Gakken AIZ and SIGN-1 were consolidated in February 2021 and March 2021, respectively.

Educational Domain

No. of New Publications and Rate of Returns

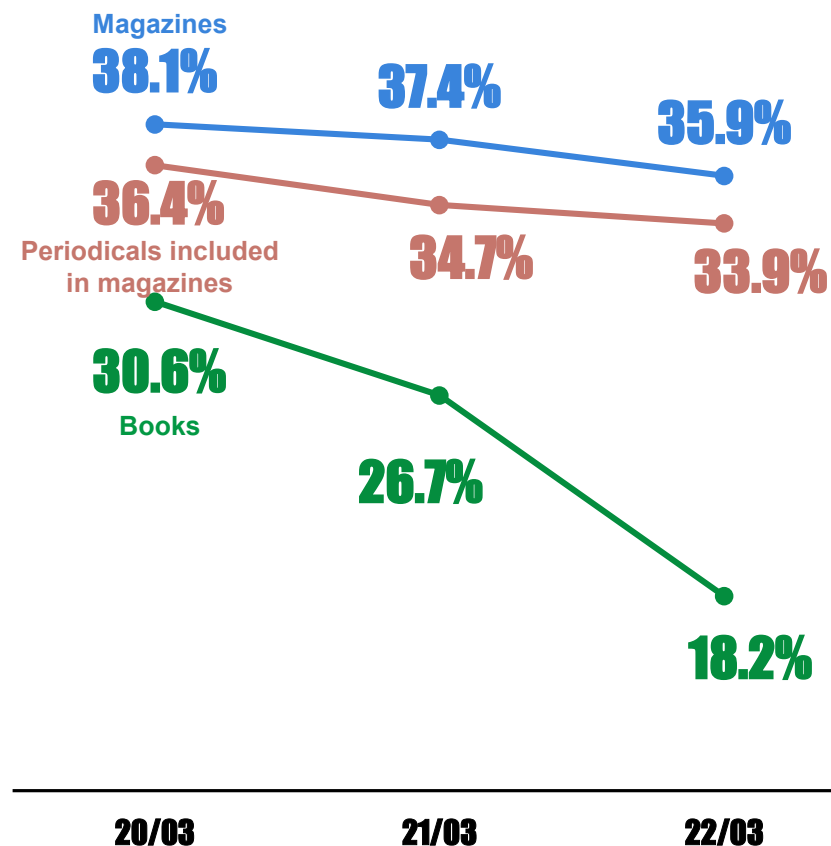
No. of new publications*

For the six months ended March 31

| | 20/03 | 21/03 | 22/03 |
|--------------------|------------|------------|------------|
| Children's books | 97 | 95 | 99 |
| Study-aid books | 135 | 93 | 94 |
| How-to guides | 65 | 87 | 85 |
| Magazine books | 40 | 16 | 16 |
| Other publications | 109 | 50 | 71 |
| Total | 446 | 341 | 365 |

Rate of publications returned*

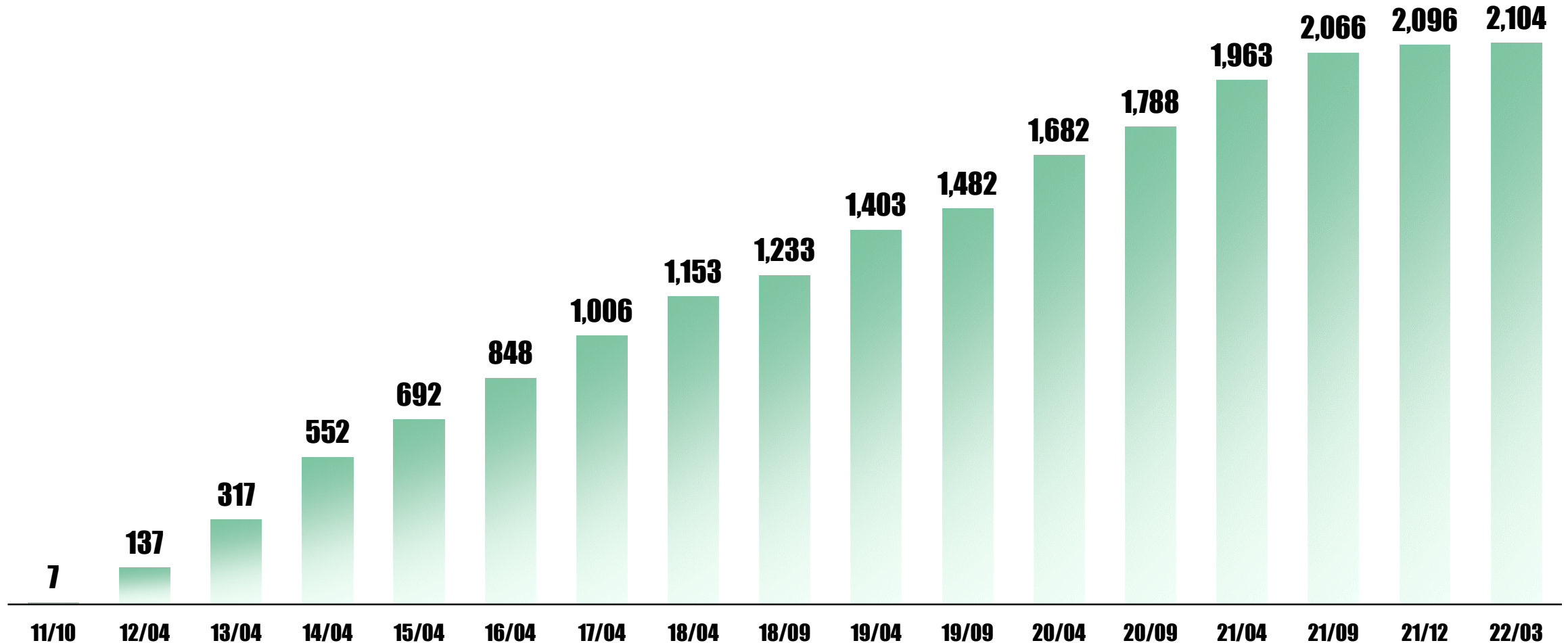
For the six months ended March 31



*Numbers of new publications and the rate of publications returned for books (excluding magazines) are for those of Gakken Plus only and do not include numbers for Gakken Medical Shujunsha Co., Ltd. and Bunri Co., Ltd.

Educational Domain

No. of Hospitals Using E-learning Programs for Nurses



Educational Domain

School Textbook Publication Schedule

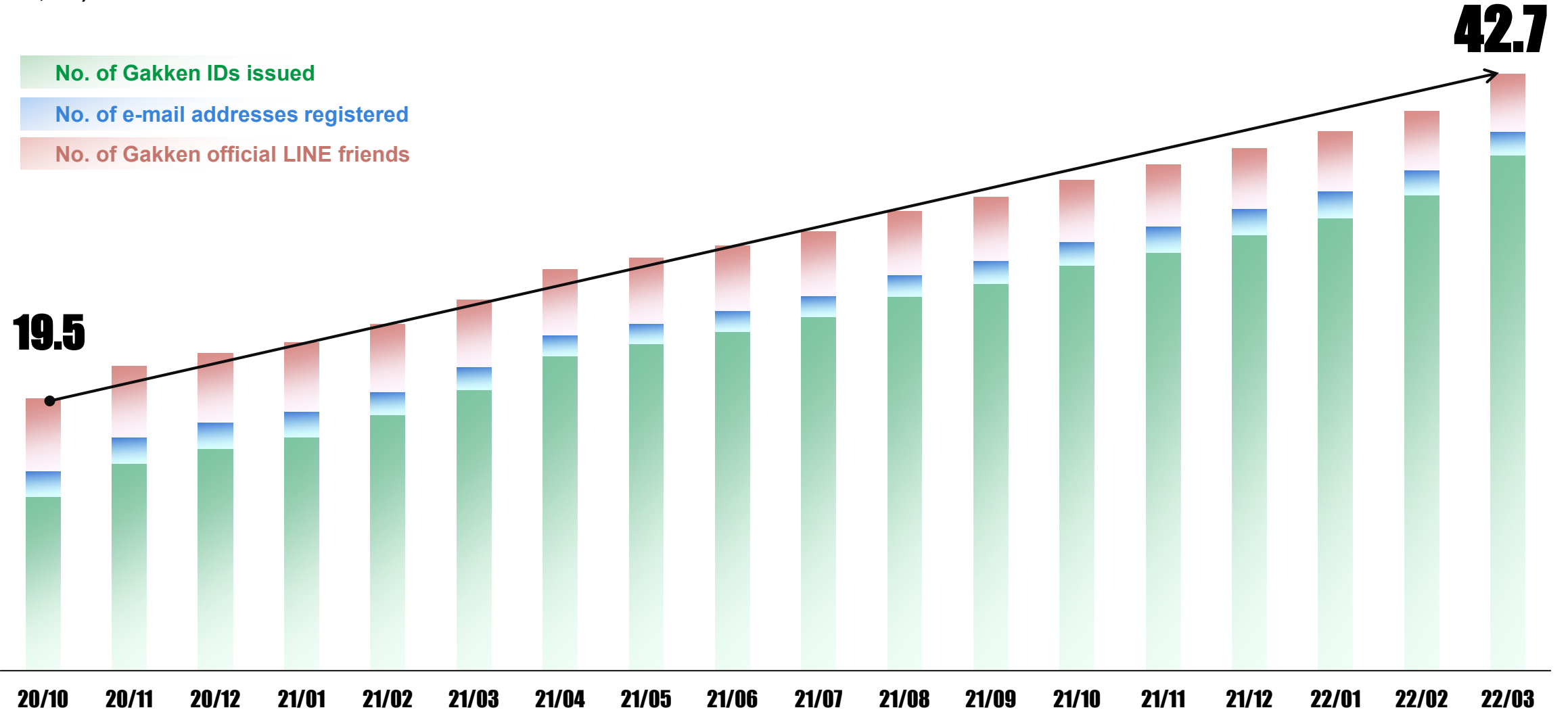
- △ Examination: Review by the Ministry of Education, Culture, Sports, Science and Technology (appropriateness as a textbook)
- Adoption: Decision by boards of education and school principals on which textbook to use
- ◎ Start of use: Delivery to each school and students

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| Elementary school / Health | △ | ● | ◎ | | △ | ● | ◎ | |
| Junior high school / Physical and health education | | △ | ● | ◎ | | △ | ● | ◎ |
| Elementary school / Moral education | △ | ● | ◎ | | △ | ● | ◎ | |
| Junior high school / Moral education | ● | ◎ | | | | △ | ● | ◎ |

*Demand for instruction guides for teachers is concentrated in the years of “◎ Start of use.”

DX Strategy: Group Direct Touchpoints

(in 10,000)



Gakken

**Gakken Group hopes that everyone has fulfilling lives.
To this end, we provide inspiration, satisfaction, safety for today,
and dreams and hopes for tomorrow.**

Gakken Holdings Co., Ltd.

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