
Financial Results

for the Three Months Ended December 31, 2022

February 10, 2023
Gakken Holdings Co., Ltd.

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Executive Summary of the financial results for the Three Month Ended December 31, 2022

Net sales : 38.2 billion yen (3.6% increase year on year)
Operating profit : 0.61 billion yen (54.3% decrease year on year)
Ordinary profit : 0.58 billion yen (49.3% decrease year on year)
Profit : 0.23 billion yen (67.0% decrease year on year)

- Consolidated net sales maintained its upward trend. Active opening of new facilities in the Healthcare and nursing Domain contributed to this result
- Operating profit declined due to the impact of increased costs caused by soaring prices such as for utilities, infection prevention costs, and raw materials, in addition to the major impact of slow sales of children's books and study-aid books in the publishing business in October-December
- Profit was 0.23 billion yen, due to the fall in operating profit, as well as the absence of gain on the sale of investment securities in the previous fiscal year

Topics for the Three Months Ended December,31,2022

In the Healthcare and nursing Domain,
growth continued even in the severe external environment,
thanks to active promotion of new facility openings

- **11** new facilities opened. Numbers expanded even amid of the 8th wave of COVID-19 and soaring construction costs
- Occupancy rate of elderly housing reached a record-high of **94.5%**
- 0.25 billion yen increase* in utility costs offset by strong business earnings and cost control

In the Educational Domain, the emergence of factors negatively impacting earnings, such as higher raw material costs, but the recovery of travel demand and DX initiatives softened the degree of that profit decline

- In the publishing business, thanks to the recovery in travel demand, sales of “Chikyu-no Arukikata” series were strong. But profit resulted in decline due to the slump in other genre
- In learning centers and classrooms, introduction of virtual smart campus (ViSC) progressed
- The kindergarten and school business has started to recover from prolonged impact of Omicron variant

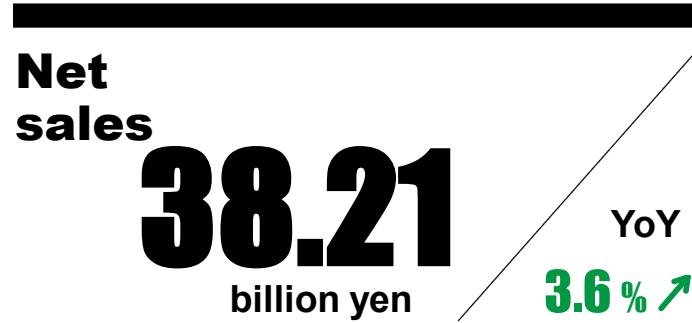
*Compared with existing facilities

Overview of Financial Results

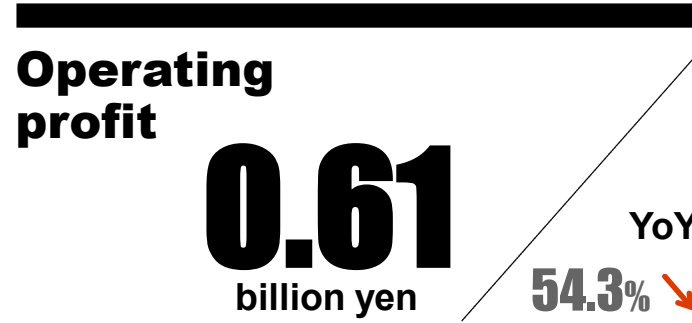
for the Three Months Ended December,31, 2022

Summary of Consolidated Financial Results for the Three Month Ended December 31, 2022

*Numbers are rounded to the nearest hundred million.



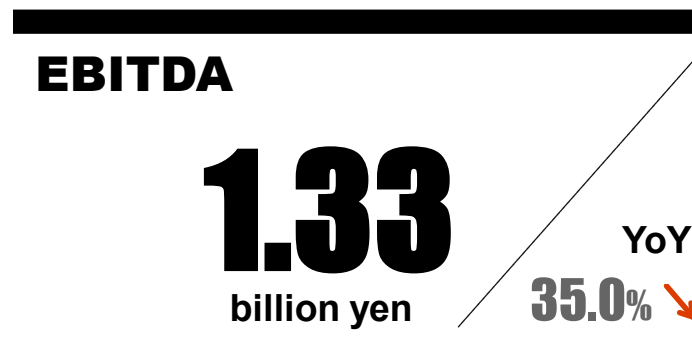
Steady increase in Healthcare and nursing Domain with active opening of new facilities



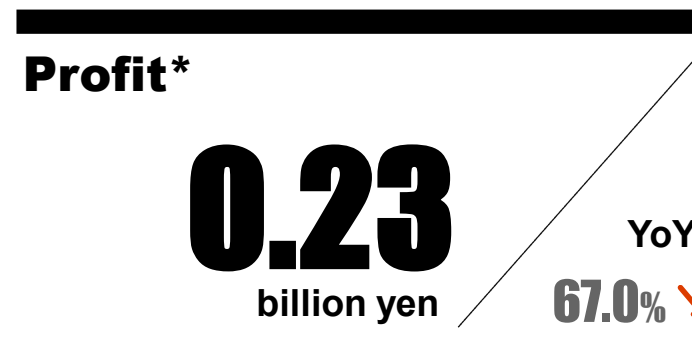
Down due to cost increases and slow book sales of main genres in publishing business



Drop in share of profit of entities accounted for using the equity method



Down due to fall in operating profit



Loss of profit due to sale of investment securities conducted in the previous fiscal year

* Profit attributable to owners of parent

Summary of Results by Segment for the Three Month Ended December 31, 2022

(Billion yen)

Segment	Business	FY2022 1Q		FY2023 1Q		Change (YoY)	
		Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational Domain		18.14	0.79	17.72	0.30	-0.42	-0.49
	Classroom and learning center	7.94	0.66	7.67	0.48	-0.26	-0.18
	Publishing and content	6.71	0.18	6.63	-0.18	-0.08	-0.36
	Kindergarten and school	3.49	0.04	3.41	0.05	-0.08	+0.01
	Goodwill	—	-0.08	—	-0.04	—	+0.04
Healthcare and Nursing Domain		17.19	0.67	19.00	0.64	+1.82	-0.04
	Elderly housing	7.42	0.23	8.69	0.18	+1.27	-0.06
	Group homes for the elderly with dementia	8.40	0.53	8.84	0.55	+0.44	+0.02
	Child raising support	1.37	0.02	1.48	0.03	+0.11	+0.00
	Goodwill	—	-0.12	—	-0.12	—	±0.00
Other		1.56	0.28	1.48	0.15	-0.07	-0.12
Adjustments		—	-0.42	—	-0.49	—	-0.07
Group total		36.89	1.32	38.21	0.61	1.32	-0.72

*Numbers are rounded to the nearest decimal place.

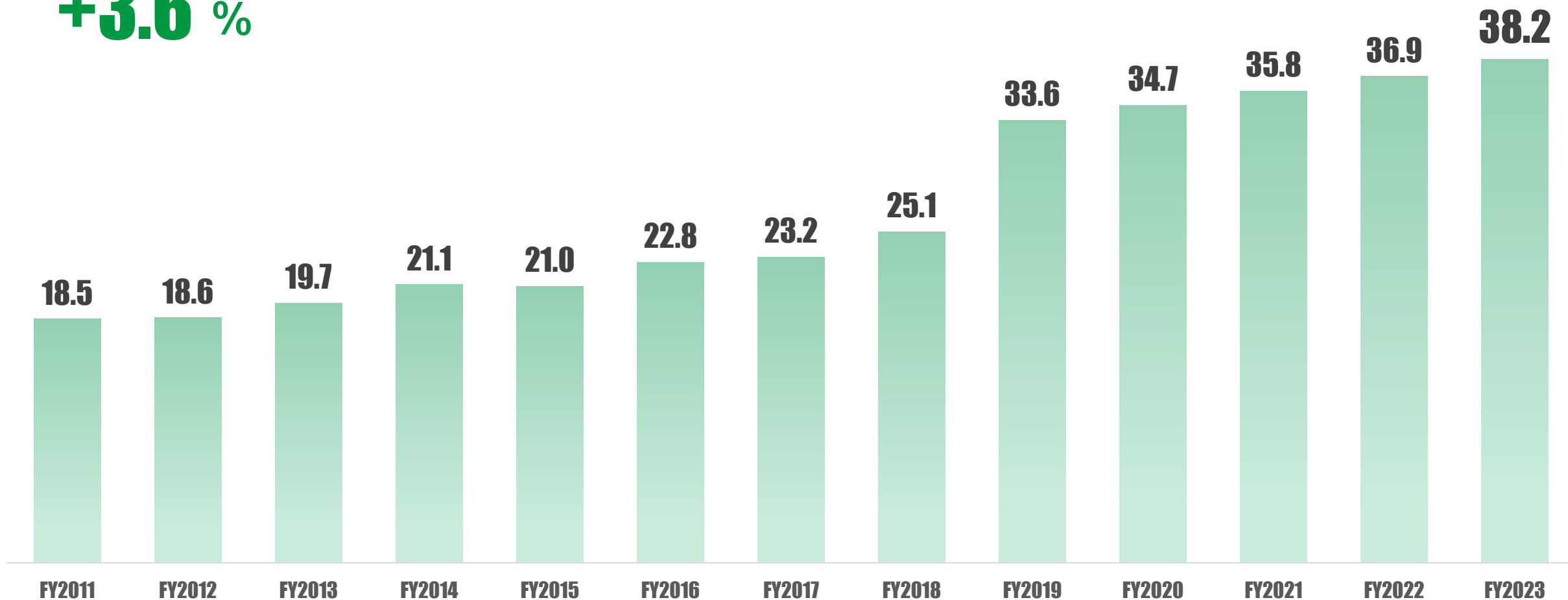
*Numbers may not add to the totals due to rounding.

Trends of Net Sales

(Billion yen)

Compared with
FY2022

+3.6 %



*Numbers are rounded to the nearest hundred million.

Trends of Operating Profit

(Billion yen)

Compared with
FY2022

-54.3 %



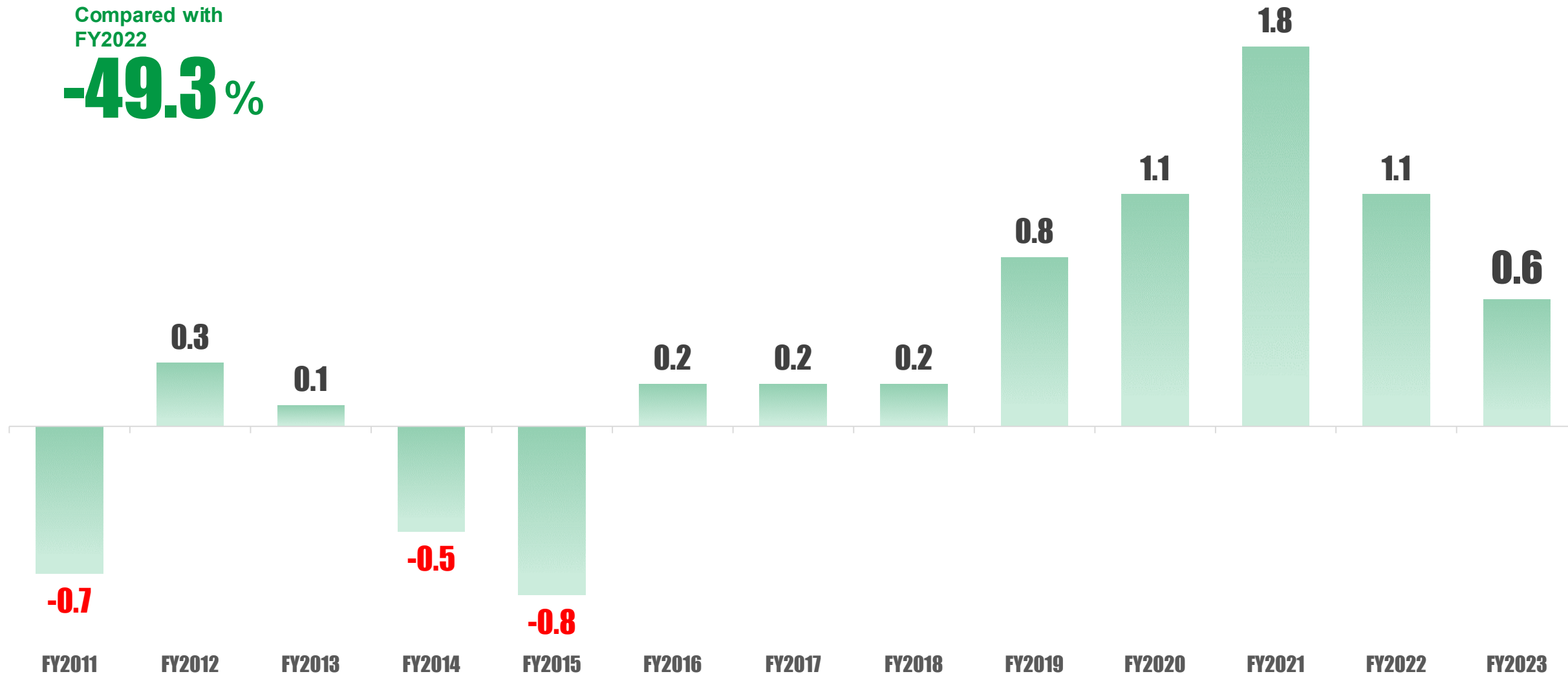
*Numbers are rounded to the nearest decimal place.

Trends of Ordinary Profit

(Billion yen)

Compared with
FY2022

-49.3%



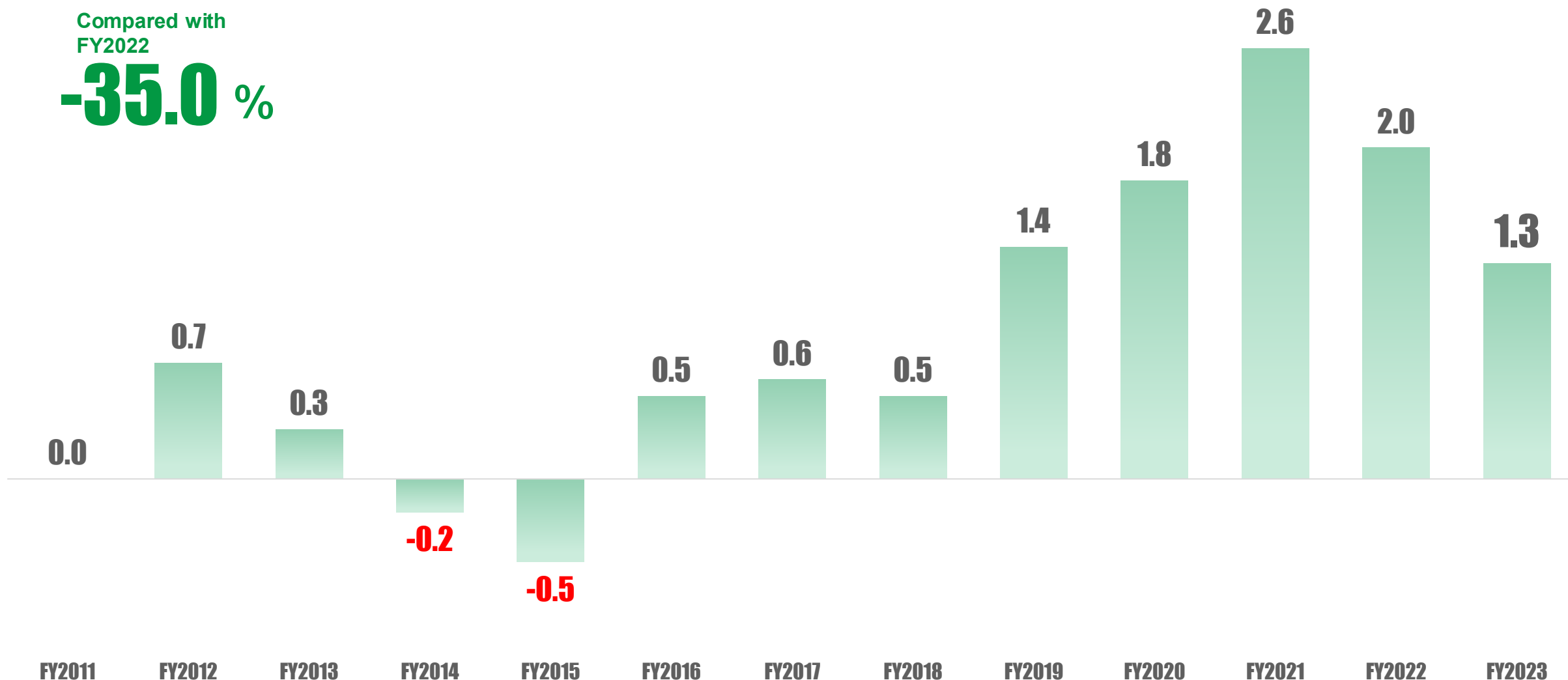
*Numbers are rounded to the nearest hundred million.

Trends of EBITDA*

(Billion yen)

Compared with
FY2022

-35.0 %



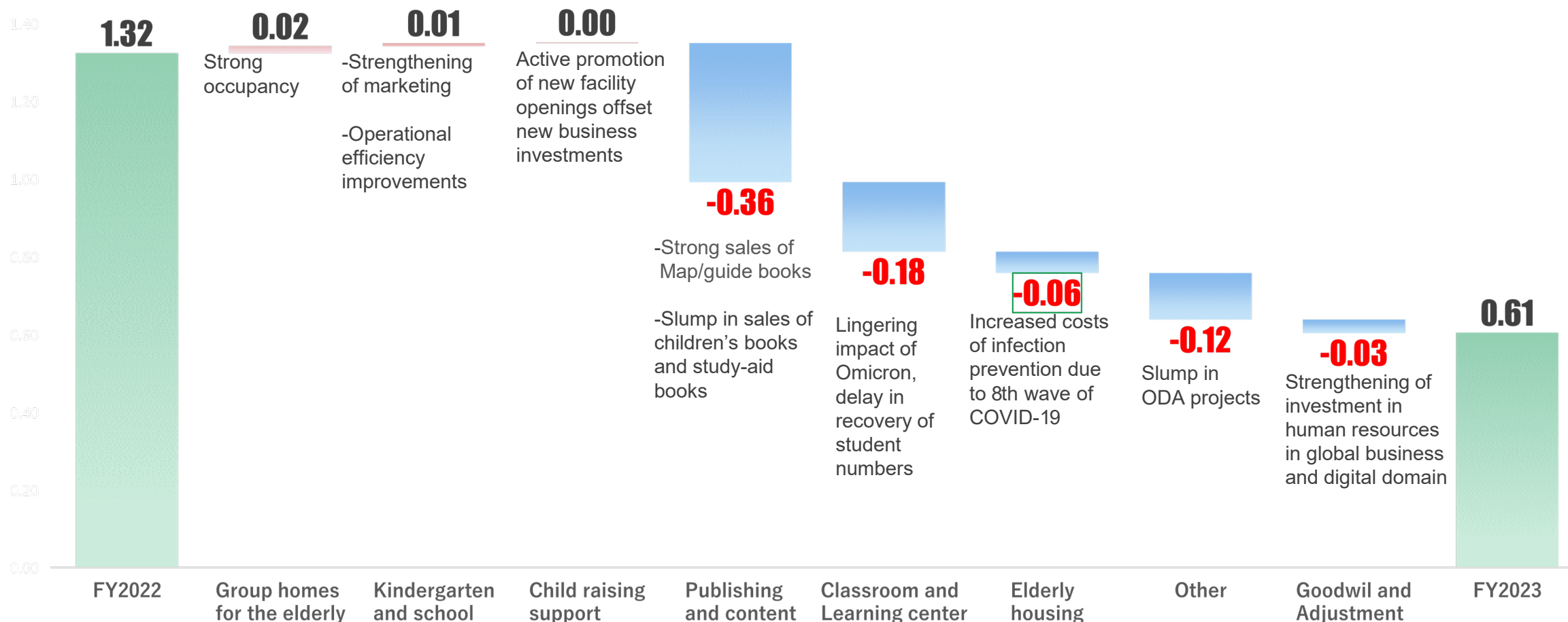
*A total of operating profit, depreciation, and goodwill amortization.

*Numbers are rounded to the nearest hundred million.

Factors Behind Changes in Operating Profit

(Billion yen)

Profit was down in a wide range of businesses due to the prolonged impact of the spread of the Omicron variant and the sudden sharp rises in prices

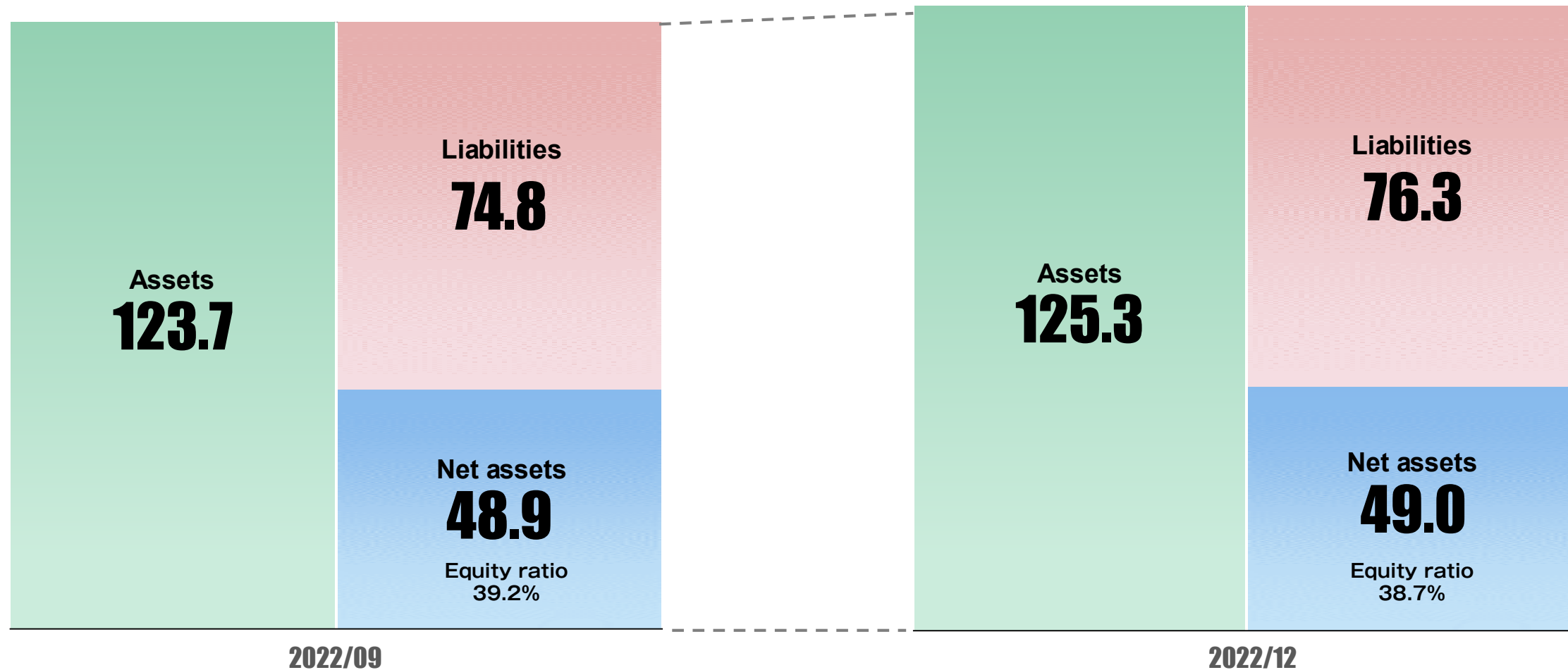


*Numbers are rounded down to the nearest hundred million.

Consolidated Financial Position

(Billion yen)

Assets increased with growth investments and a rise in working capital associated with growth in net sales



*Numbers are rounded to the nearest hundred million.

Educational Domain Financial Results

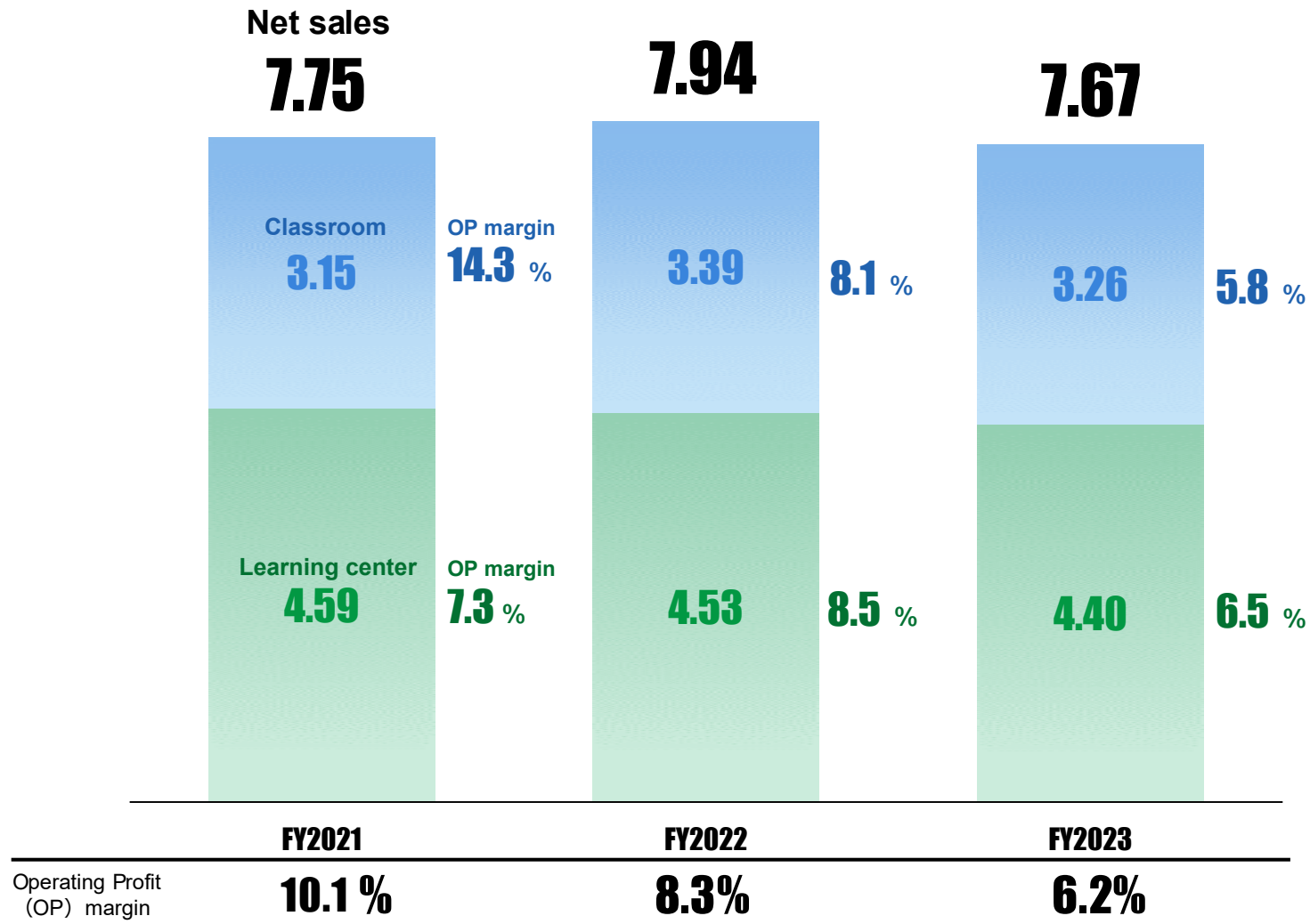
for the Three Months Ended December 31, 2022

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 Three Month Ended December 31, 2022.

(Billion yen)



Positives

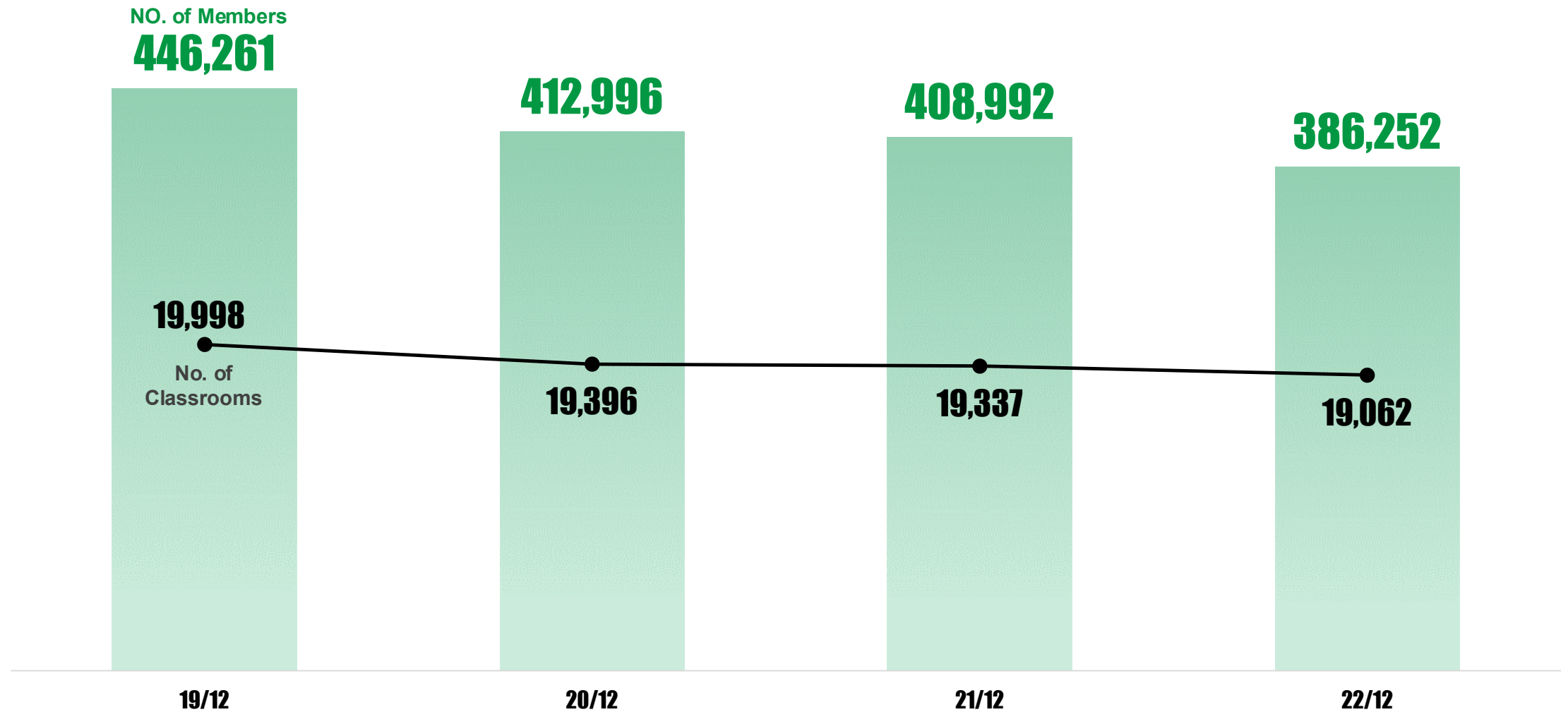
- In the mid to top levels, student numbers were strong
- Steady progress is being made in the introduction of virtual smart campuses (ViSC)

Negatives

- Peak recruitment season for new students in spring and summer coincided with increases in COVID-19 cases, resulting in delays in recovery of the number of students

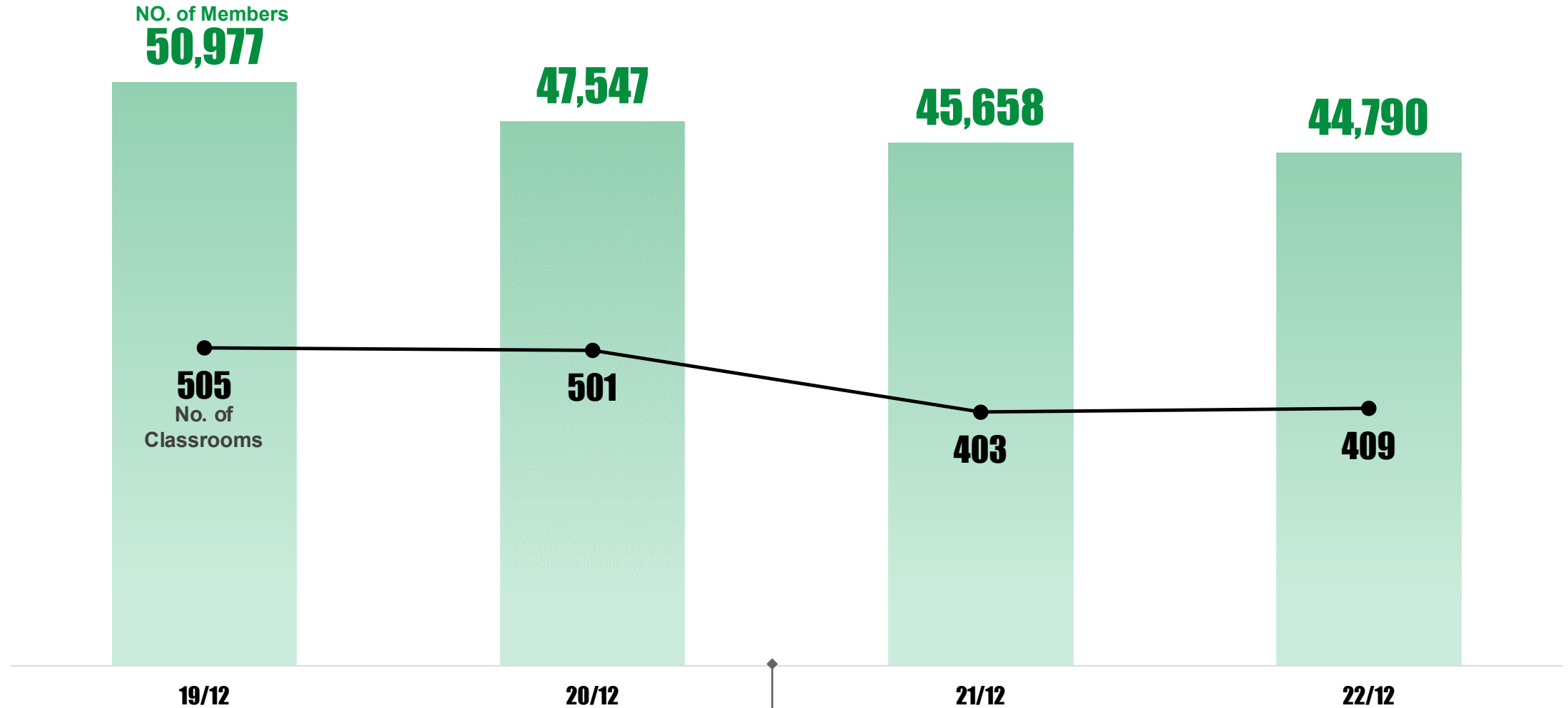
*Numbers are rounded down to the nearest second decimal place.

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.

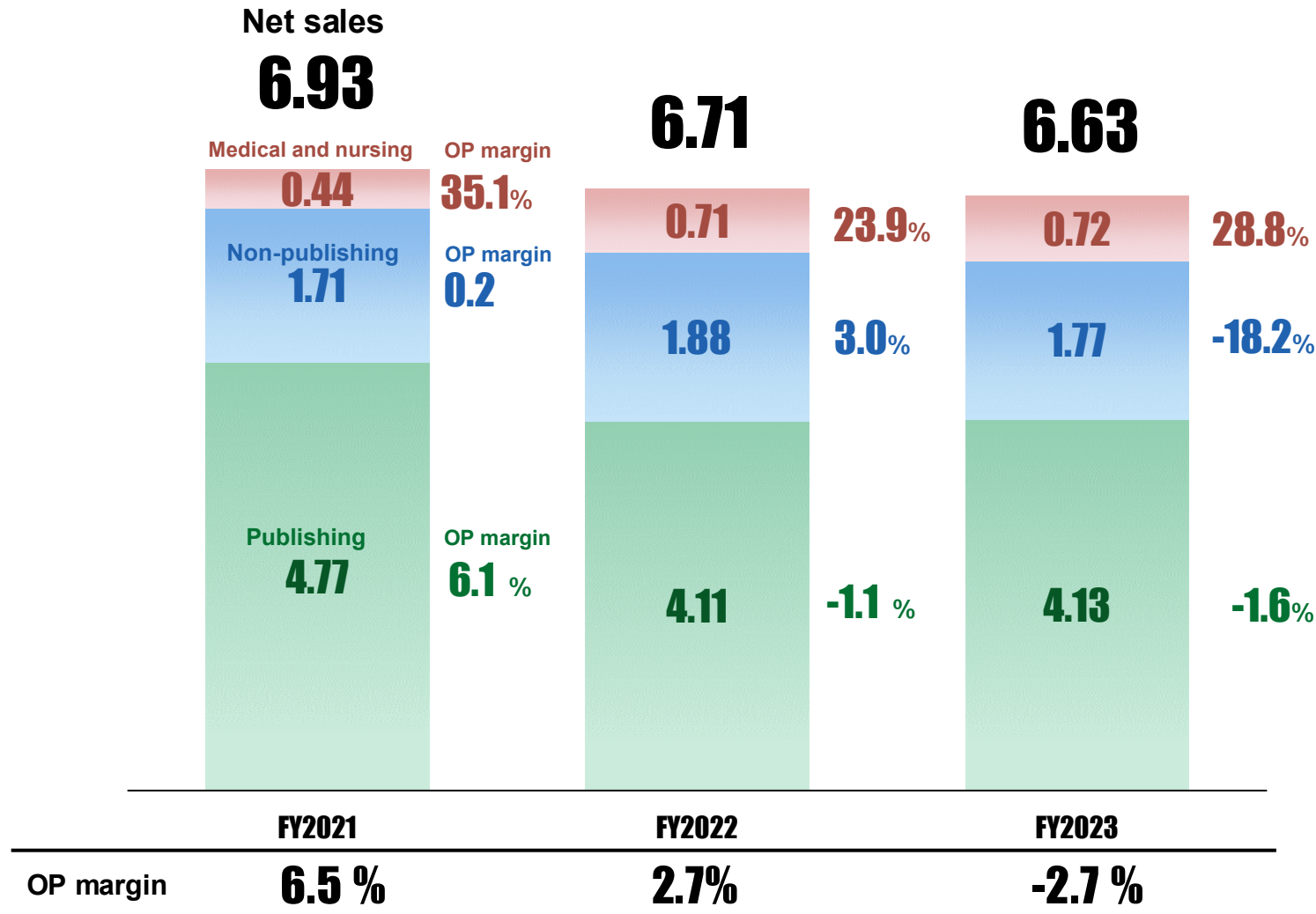
Learning Centers: No. of Members and No. of Classrooms



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

Publishing and Content Summary for the Three Month Ended December 31, 2022.

(Billion yen)



Positives

- Map/guide books of Arukikata. Co., Ltd. continued to perform strongly
- Steady performance of e-learning business targeting nurses
- Online English conversation lessons business performed strongly
- Recovery trend in the number of users of TGG, experience-based English learning facility

Negatives

- Sales of children's books, study-aid books and dictionaries were slow
- Slump in market condition of toy products
- Rising trend of raw material costs and logistic costs

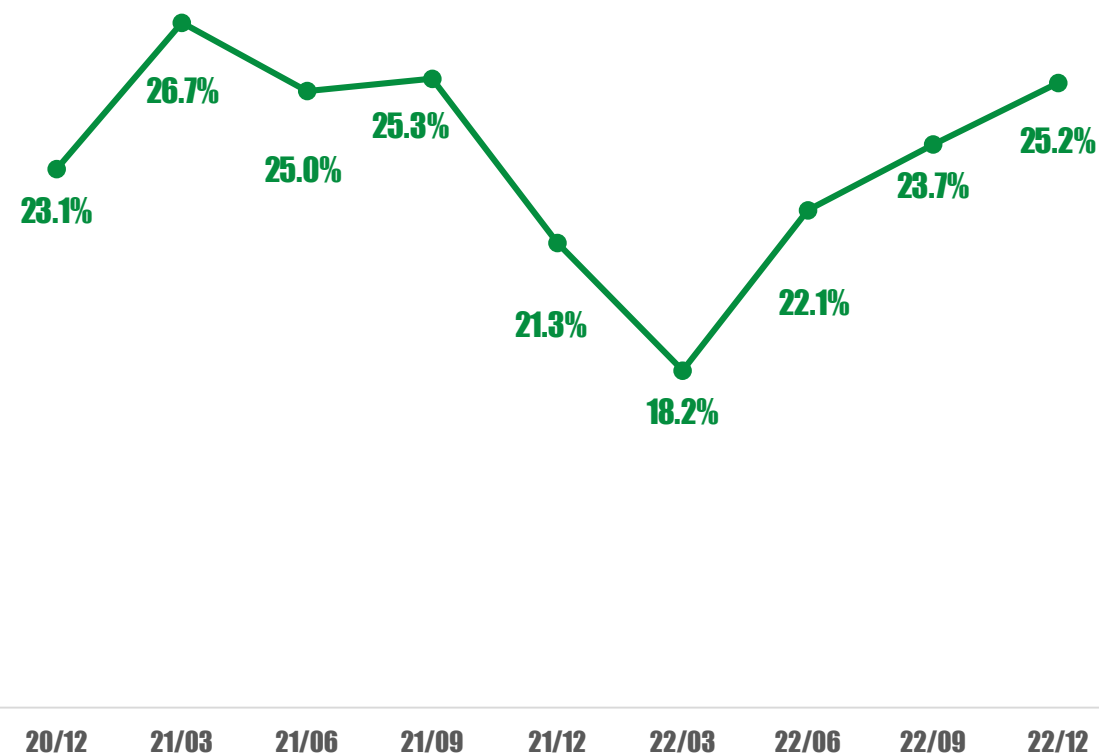
*Numbers are rounded down to the nearest second decimal place.

No. of New Publications and Rate of Returns

No. of new publications ^{*1}

	20/12	21/12	22/12
Children's books	43	56	46
Study-aid books	37	19	27
How-to guides	38	40 ^{*2}	60
Magazine books	8	7	6
Other publications	19	19	24
Total	145	141	163

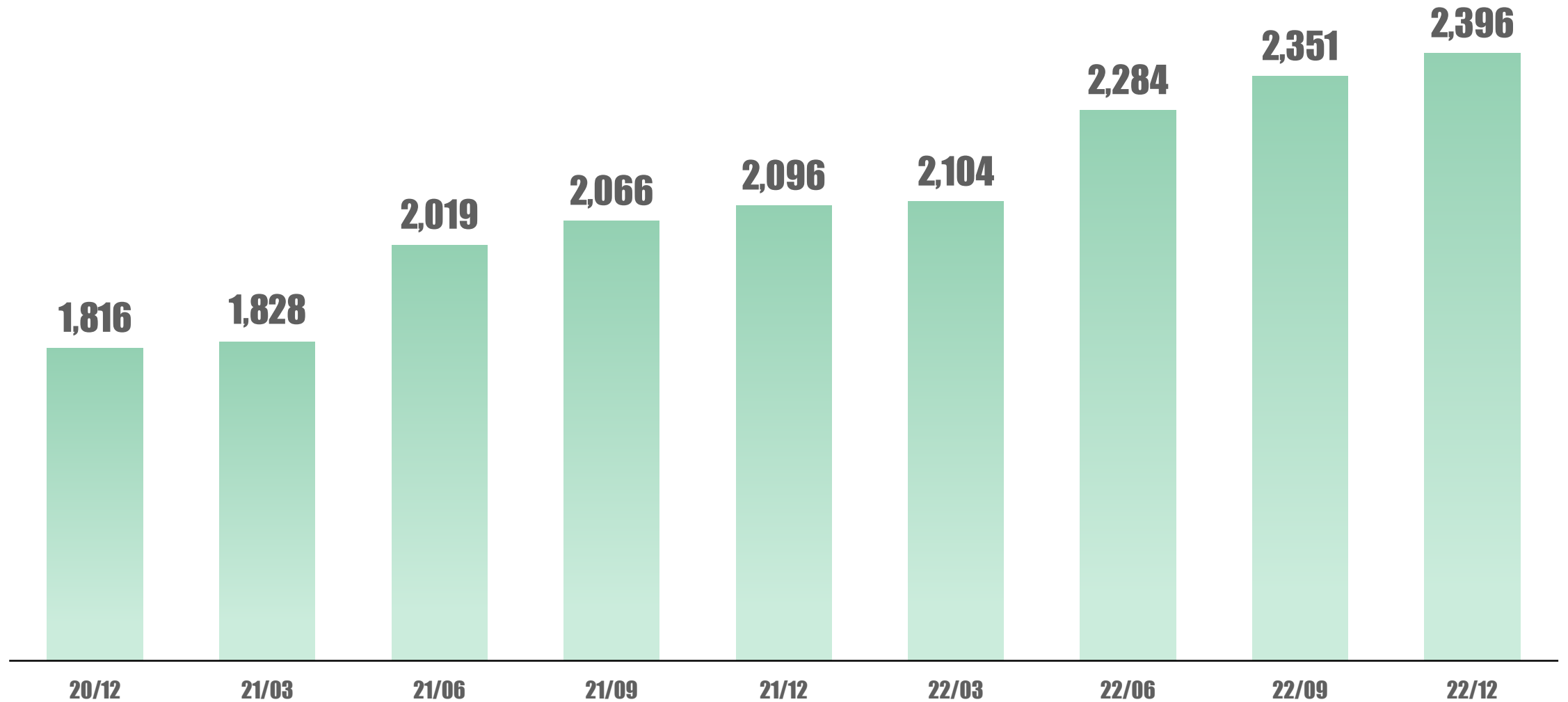
Rate of publications returned ^{*1}



^{*1} Numbers of new publications and the rate of publications returned for books (excluding magazines) are for those of Gakken only and do not include numbers for medical books and Bunri Co., Ltd.

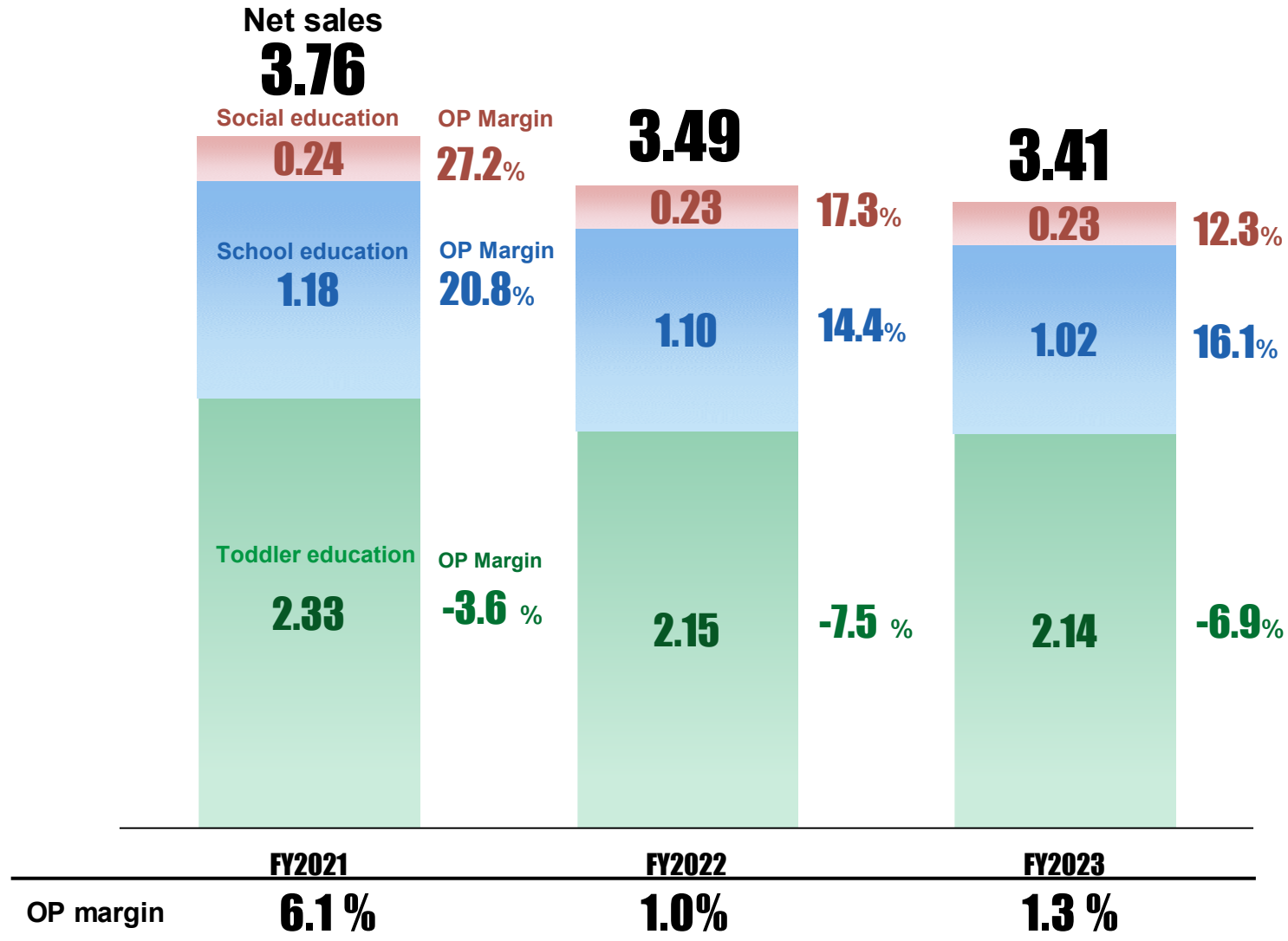
^{*2} As for the number of new how-to guides published by Arukikata Co., Ltd., the number of new publications associated with the change in publisher/distributor when it joined the Group in 2021 is deducted

No. of Hospitals using E-learning Programs for Nurses



Kindergarten and School Summary for the Three Month Ended December 31, 2022

(Billion yen)



Positives

- Strengthened marketing frameworks
- Operational efficiency improvements and cost control

Negatives

- Transitional period of textbook revisions
- Slump in orders for equipment and child-care products from nursery schools and kindergartens due to lingering impact of Omicron variant
- Corporate training business at TOASU Co., Ltd. sluggish

*Numbers are rounded down to the nearest second decimal place.

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 on which textbook to use

◎ Start of use: Delivery to each school and students

	2019	2020	2021	2022	2023	2024	2025	2026
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.”

Healthcare and Nursing Domain Financial Results

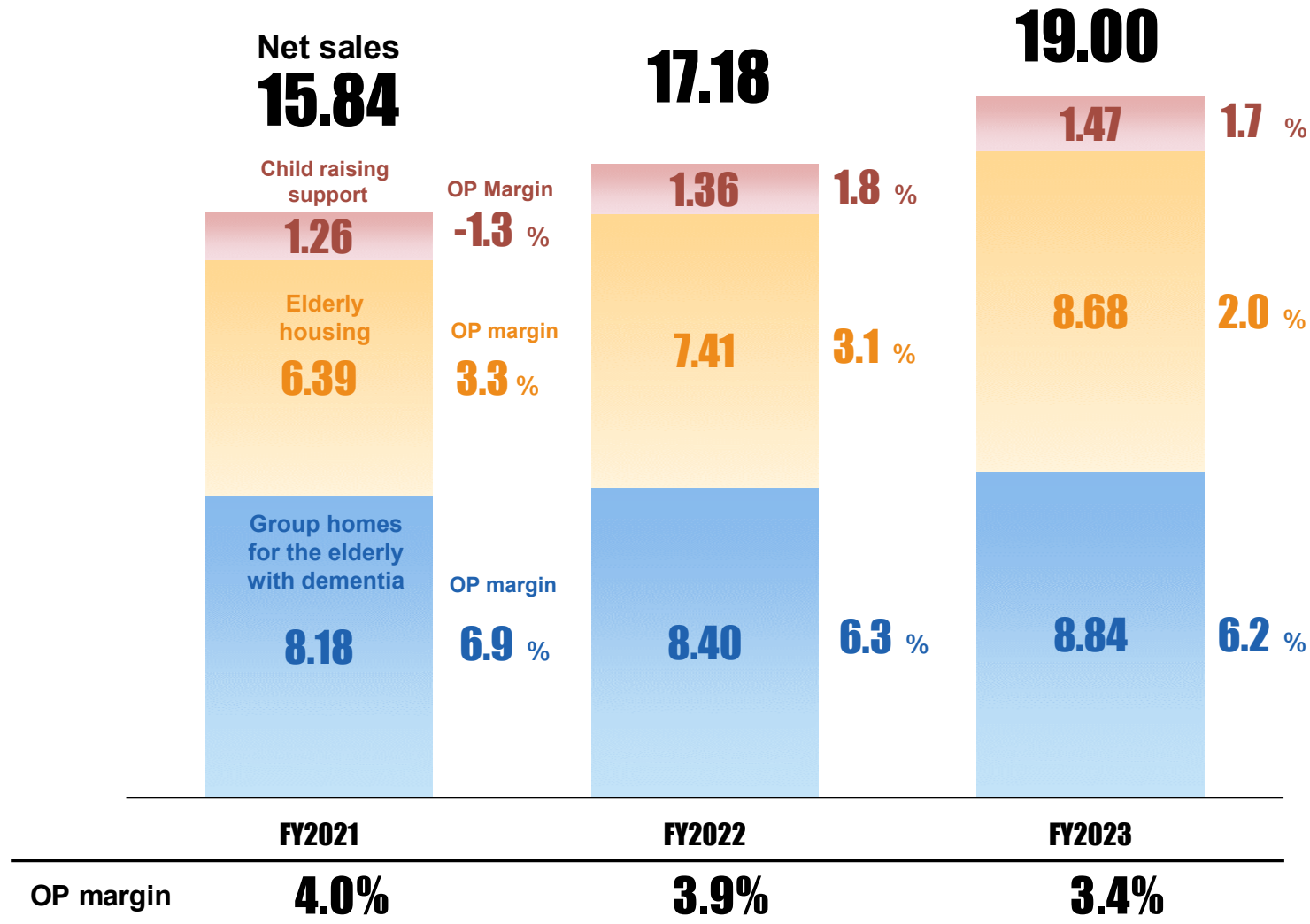
for the Three Months Ended December 31, 2022

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 Three Month Ended December 31, 2022

(Billion yen)



Positives

- New openings as scheduled
 - Elderly housing (4)
 - Group homes (3)
 - Child raising facilities (4)
- Occupancy and utilization rates at record-high levels
 - Elderly housing : 94.5%
 - Group homes : 97.3%
 - Nursery schools: 92.2%

Negatives

- Costs increased due to higher utility costs (up roughly 0.25 billion yen at existing facilities)
- Impact on new facility openings of soaring construction costs

*Numbers are rounded down to the nearest second decimal place.

Healthcare and Nursing Domain

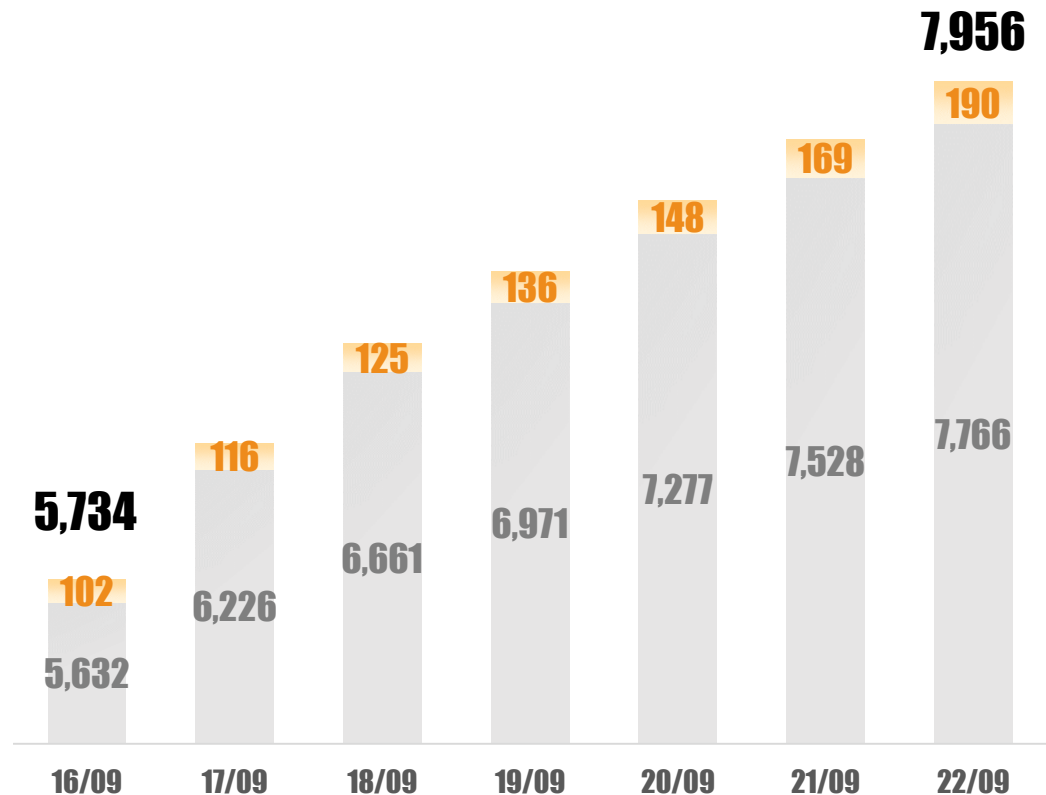
Gakken's Presence in Overall Elderly Housing Business

Serviced apartments for the elderly
Trend in registered buildings *1

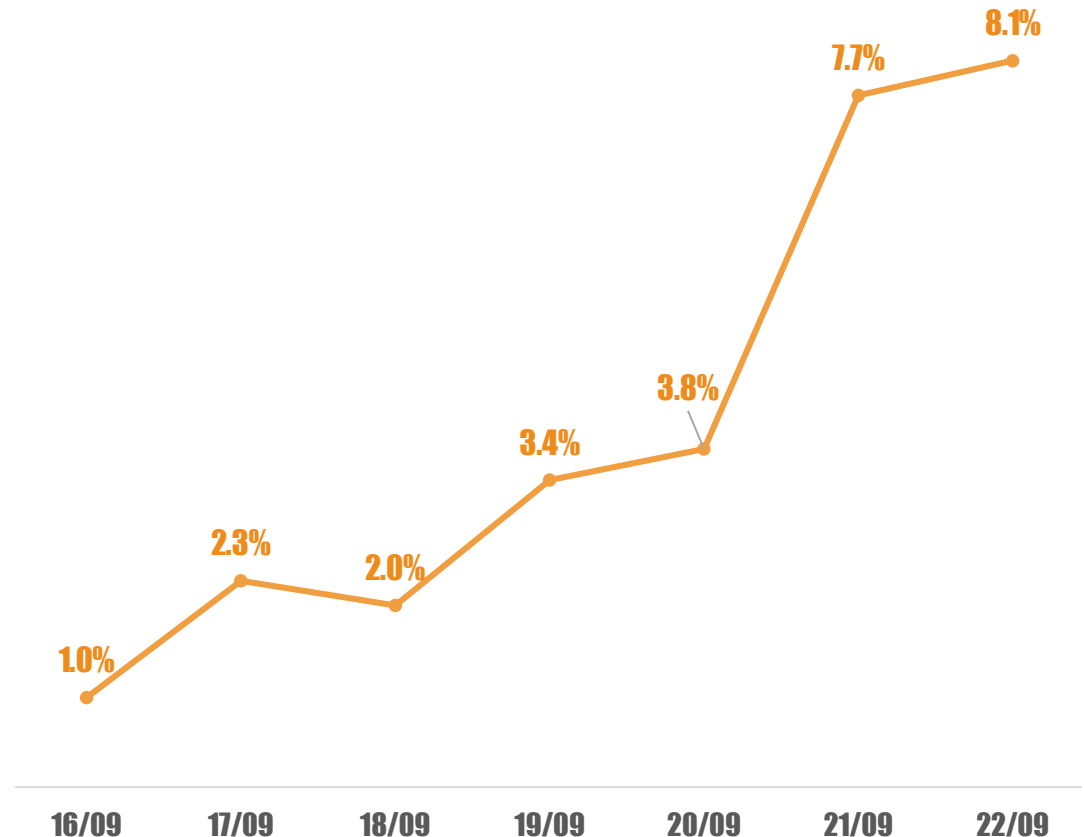
(Buildings)

Gakken Cocofump

Other companies' buildings



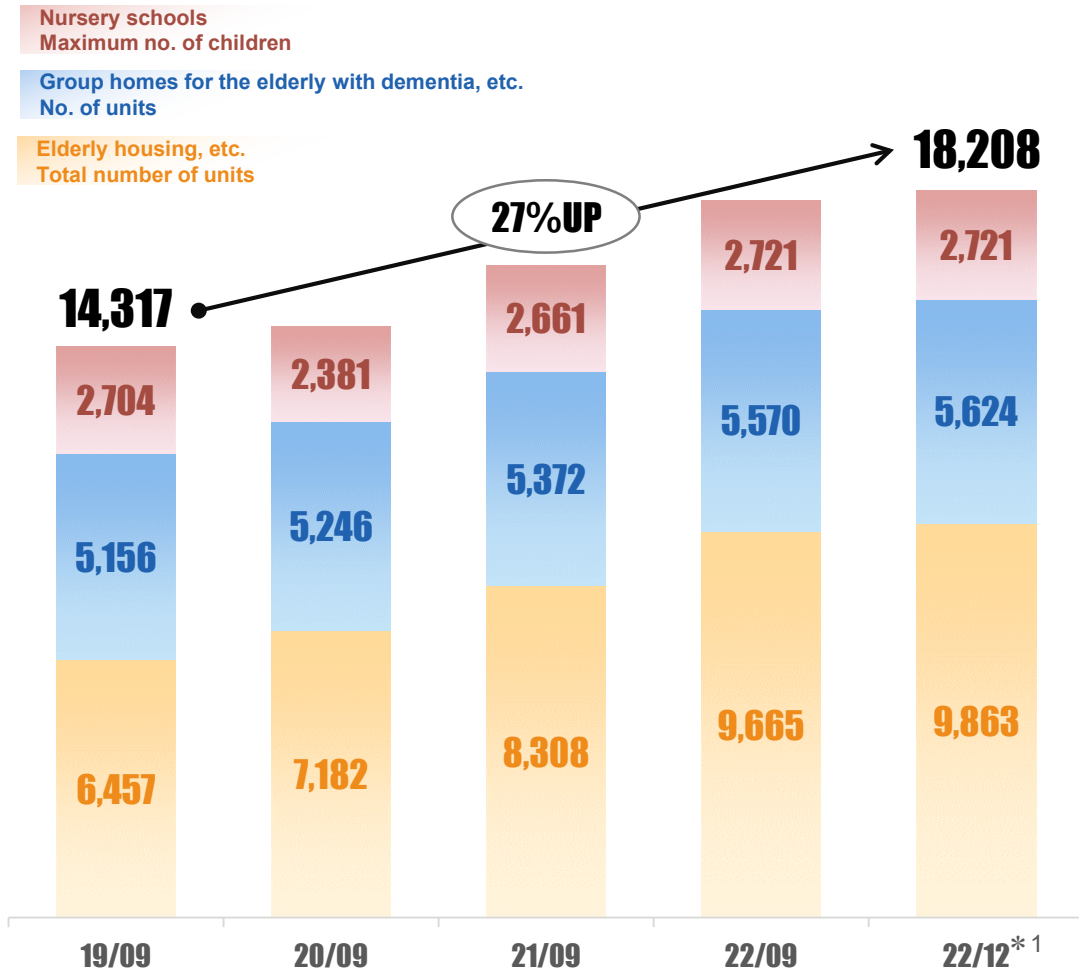
The Company's share in industry-wide growth
in facility numbers *1



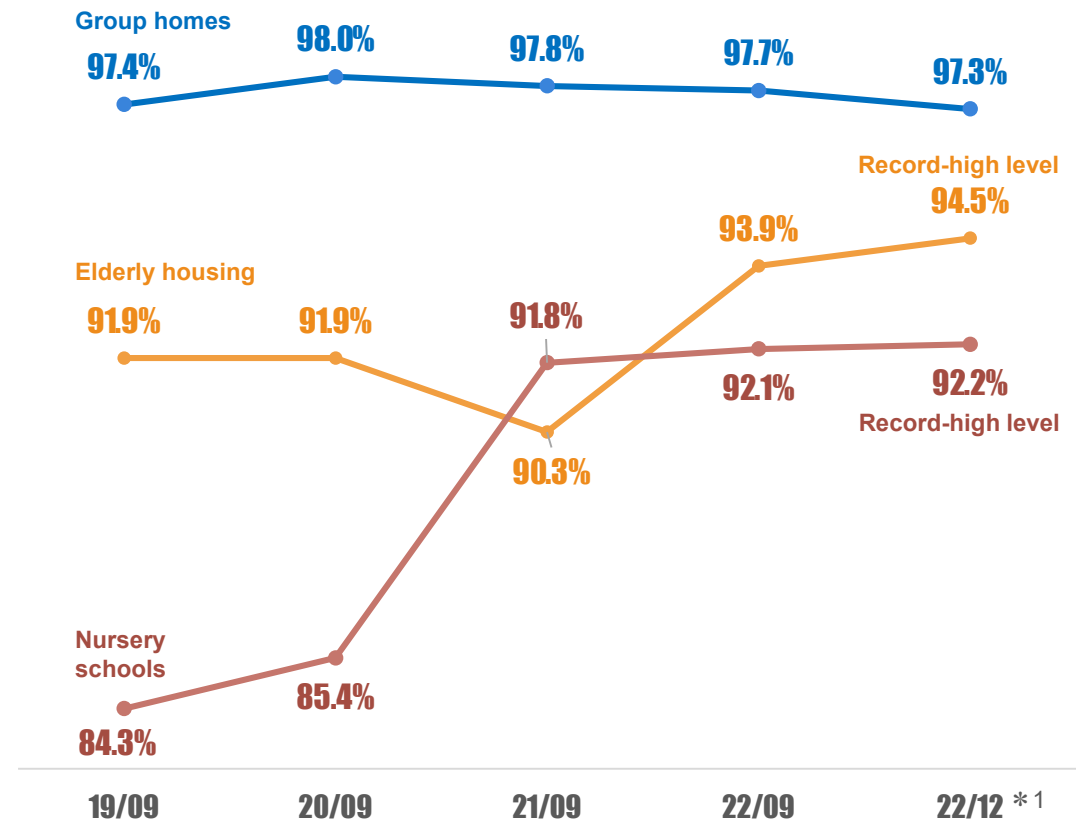
* Created with reference to statistics on registrations of serviced apartments for the elderly on the Ministry of Land, Infrastructure, Transport and Tourism website (<https://www.mlit.go.jp/en/index.html>)

Healthcare and Nursing Domain Capacity Expansion and Improvement in Status of Operations

Trend in total number of units and maximum number of children



Trend in occupancy rate and utilization rate



* Figures for 2022/12 are for three-month period

Plans and Progress of New Facility Openings

- Maintaining aggressive planned pace of new facility openings in response to an increase in demand due to growing elderly population
- Certain number will be shifted from in-house development to M&A to increase the number of new openings, with an aim to add to forecasts for the fiscal year under review

(Number of developed facilities)

	FY2022	FY2023	FY2023			
	Full-year openings (results)	Forecast	1Q Results	2Q Results	3Q Results	4Q Results
Elderly housing	21 facilities (22 buildings)	16~22	4			
Group homes for the elderly with dementia	11	12~15	3 (including 1 M&A)			
Child raising support facilities	3	4	4			
Total	35	32~41	11			

*Numbers for child raising support facilities are the totals for nursery schools, after-school children's clubs, child development support facilities, and child-raising stations.

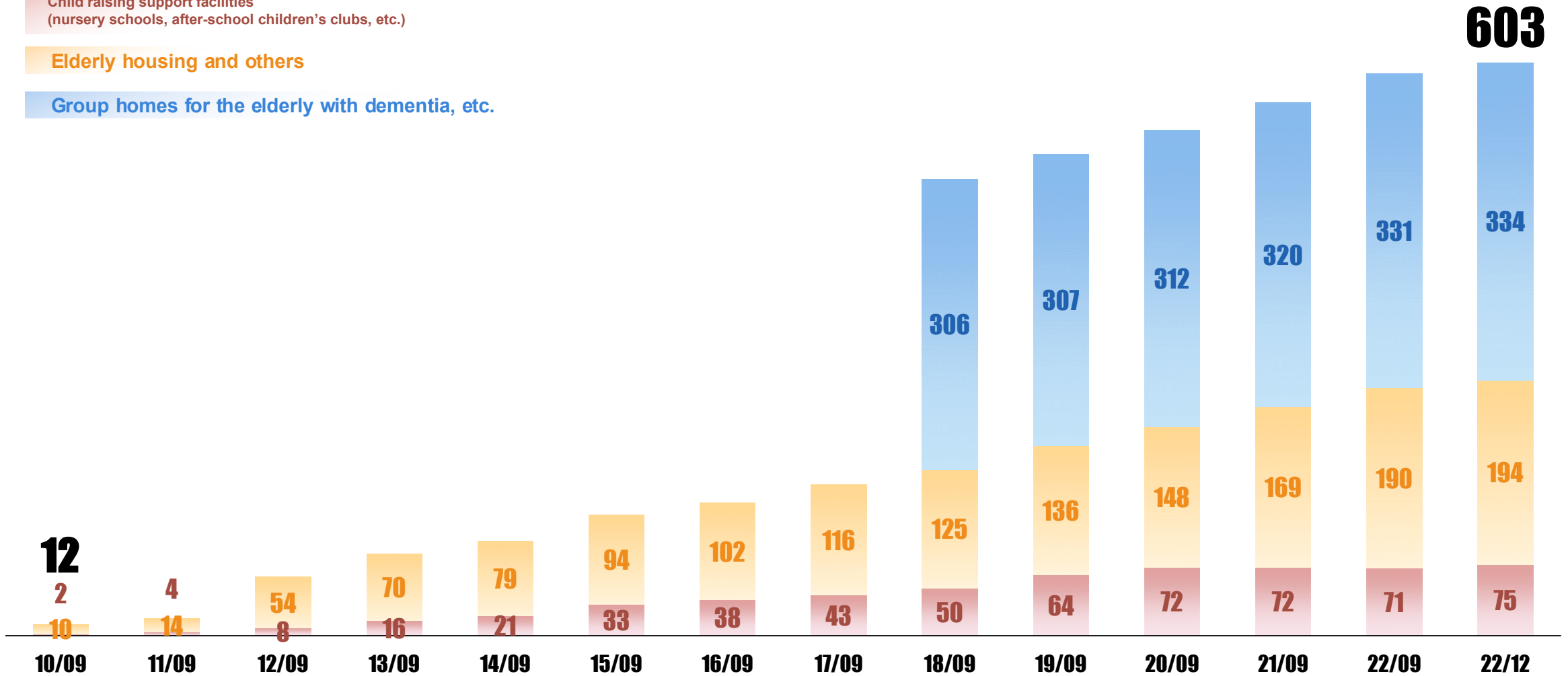
*Facilities that closed during the period have not been deducted from the stated figures.

No. of Facilities

Child raising support facilities
(nursery schools, after-school children's clubs, etc.)

Elderly housing and others

Group homes for the elderly with dementia, etc.



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

Supplementary Materials

Gakken 2023

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

Acceleration of DX and global business development

Reinforcement of Group governance and capital cost-conscious management

**Sustainable
Improvement of
Corporate value**

Performance Trends for Three Years Covered Under Gakken 2023

In the FY 2021, both sales and profit targets were achieved

In the FY 2022, both net sales and operating profit fell short of targets due in part to the Omicron variant outbreak and soaring utility costs

The plan for the FY 2023 takes into account the impacts of the resurgence of COVID-19 and cost increases stemming from growing inflation

(Billion yen)

Consolidated	FY 2021		FY 2022		FY 2023	Compared with year-earlier results
	Plan	Results	Plan	Results	Plan	
Net Sales	146.0	150.3	157.0	156.0	162.0	+6.0
Operating profit	5.60	6.24	6.70	6.43	6.70	+0.27
Operating Profit margin	3.8%	4.2%	4.2%	4.1%	4.1%	±0.00%
Ordinary profit	5.70	6.13	6.80	6.93	7.00	+0.07
Profit	2.80	2.62	3.40	3.44	3.60	+0.16
ROE	6.5%	6.3%	7.1%	7.2%	7.2%	±0.0%

*Numbers are rounded to the nearest decimal place.

Plan by Segment for the Fiscal Year Ending September 30, 2023

In the Educational domain, improve earning power with businesses for working adults and DX

In the Healthcare and nursing domain, maintain the good balance between new openings, cost, and quality

(Billion yen)

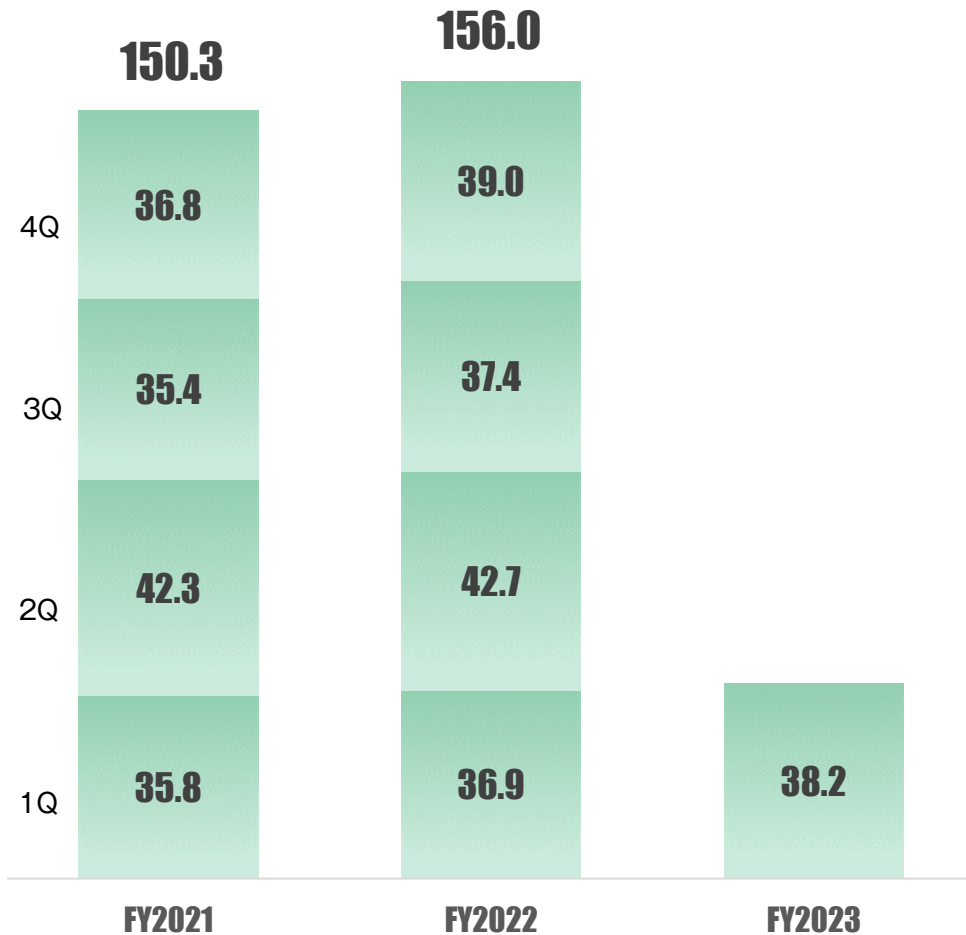
Segment		FY2022 Result		FY2023 Plan		Change (YoY)	
	Business	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational Domain		78.17	4.43	79.81	4.98	+1.64	+0.56
	Classroom and learning center	31.44	1.27	31.60	1.41	+0.16	+0.14
	Publishing and content	32.37	3.17	33.36	3.26	+0.99	+0.10
	Kindergarten and school	14.36	0.30	14.85	0.46	+0.49	+0.16
	Goodwill	—	-0.31	—	-0.15	—	+0.16
Healthcare and Nursing Domain		72.24	3.15	75.85	3.51	+3.62	+0.36
	Elderly housing	32.37	1.42	35.23	1.76	+2.86	+0.34
	Group homes for the elderly with dementia	34.10	2.07	34.63	2.09	+0.53	+0.02
	Child raising support	5.76	0.12	6.00	0.12	+0.24	+0.00
	Goodwill	—	-0.46	—	-0.46	—	+0.00
Other		5.63	0.81	6.33	0.41	+0.70	-0.40
Adjustments		—	-1.96	—	-2.19	—	-0.23
Group total		156.03	6.43	162.00	6.70	+5.97	+0.27

*Numbers may not add to the totals due to rounding. *Numbers are rounded to the nearest decimal place.

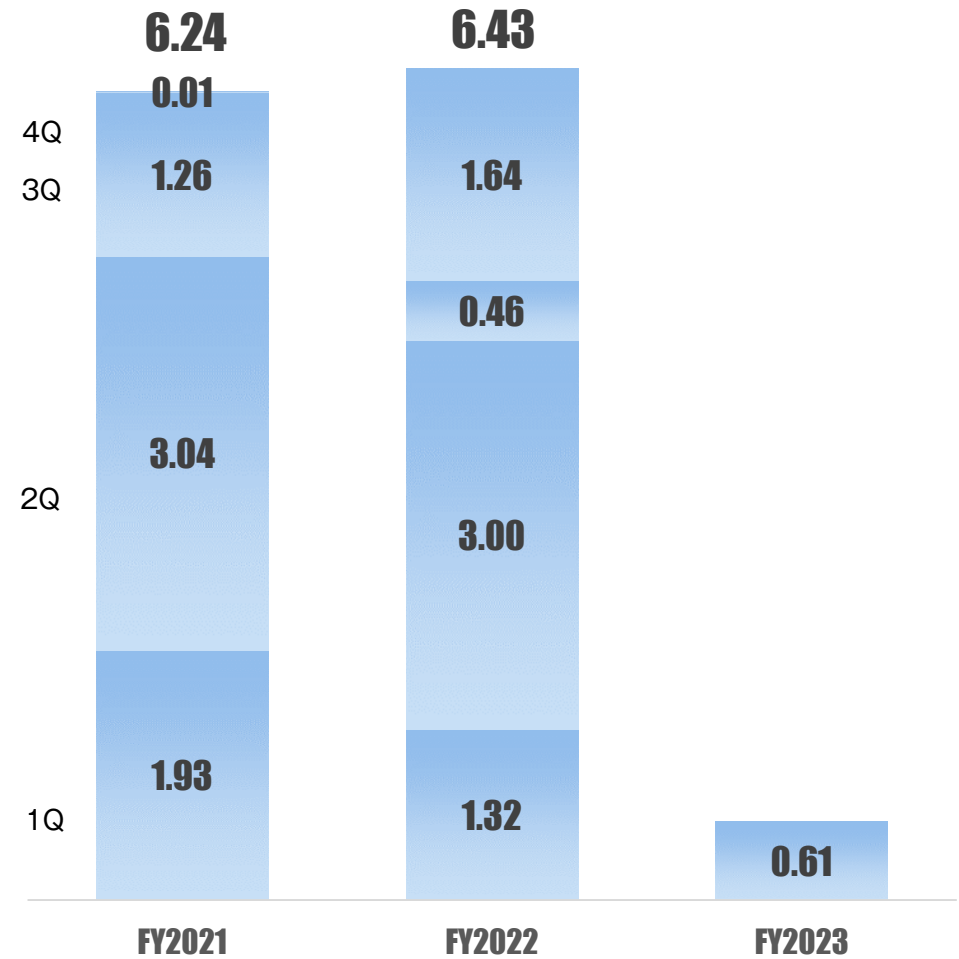
Quarterly Performance Trends

(Billion yen)

Net sales



Operating Profit



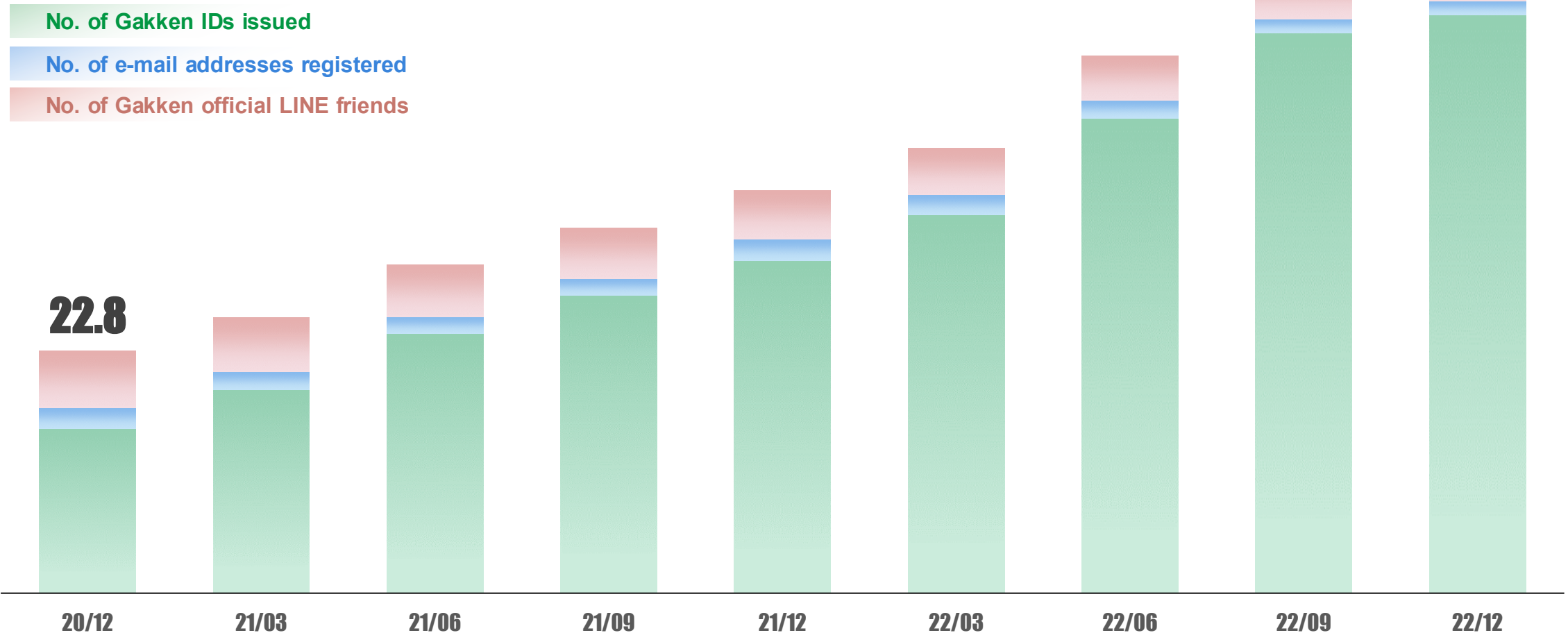
*Numbers are rounded down to the nearest hundred million.

DX Strategy: Group Direct Touchpoints

Issuing of IDs for individual services topped 600,000.

Aim to improve customer LTV by enhancing coordination among services

(in 10,000)



Healthcare and Nursing Domain

Occupancy Rate and Utilization Rate

		20/03	20/09	21/03	21/09	22/03	22/09	22/12
Elderly housing	Total no. of units	6,898	7,182	7,717	8,308	9,037	9,665	9,863
	No. of occupied units	6,289	6,600	6,985	7,505	8,345	9,073	9,323
	Occupancy rate	91.2%	91.9%	90.5%	90.3%	92.3%	93.9%	94.5%
Group homes for the elderly with dementia*1	No. of units*2	5,210	5,246	5,300	5,372	5,444	5,570	5,624
	Occupancy rate	97.9%	98.1%	97.6%	97.8%	97.6%	97.7%	97.3%
Child raising support facilities	Maximum no. of children*3	2,497	2,788	2,788	2,661	2,664	2,721	2,721
	No. of children enrolled	2,107	2,381	2,389	2,443	2,441	2,505	2,509
	Utilization rate	84.4%	85.4%	85.7%	91.8%	91.6%	92.1%	92.2%

* MCS changed the fiscal year end in FY2021. Before March 2021, figures for September, March are those for August and February, respectively.

*2 No. of units in group homes for the elderly with dementia does not those in overseas facilities and facilities in other categories.

*3 Maximum no. of children in child raising support facilities is for nursery schools only.

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.**