
Financial Results

for the Nine Months Ended June 30, 2023

August 10, 2023
Gakken Holdings Co., Ltd.

INDEX

Executive Summary	...P.03
Overview of Financial Results	...P.07
Educational Domain Financial Results	...P.12
Healthcare and Nursing Domain Financial Results	...P.20
Supplementary Materials	...P.26

Executive Summary

for the Nine Months Ended June 30, 2023

Executive Summary of the financial results for the Nine Months Ended June 30, 2023

Net sales	: 119.36 billion yen (2.0% increase year on year)
Operating profit	: 3.31 billion yen (30.9% decrease year on year)
Ordinary profit	: 3.49 billion yen (30.4% decrease year on year)
Profit	: 1.15 billion yen (59.5% decrease year on year)

-Consolidated net sales Up 2.0%, driven by increase in revenue in Healthcare and nursing domain

-Operating profit

- Down 39.3%, affected by deteriorating business environment in publishing business and kindergarten and school business, as well as rising costs, weak yen, and other factors
- Student recruitment for new school year also stagnant in classroom and learning center business

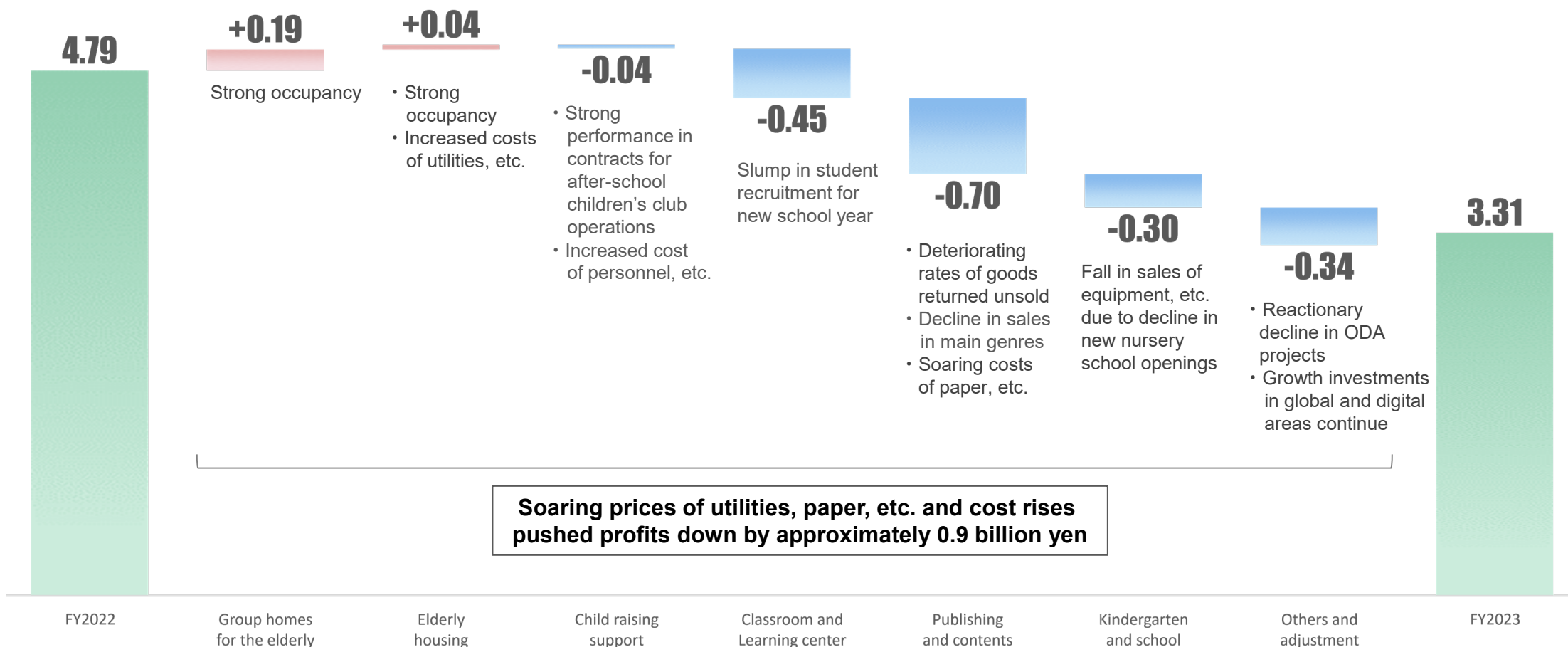
-Ordinary profit: Down due to fall in operating profit

-Profit Down due to fall in operating profit and
loss on valuation of cross-shareholdings (0.68 billion yen)

1-3Q Factors Behind Changes in Operating Profit

(Billion yen)

Fall in revenue due mainly to decline in sales of publications, deteriorating rates of goods returned unsold, and slump in student recruitment for new school year in classroom and learning center in education domain



*Numbers are rounded to the nearest decimal place.

Consolidated financial results forecasts

Consolidated financial results forecasts have been revised as follows due to the widening gap between results and plan resulting from the decline in revenue and profit in the educational business (Billion yen)

Consolidated	FY2022	FY2023 Full-year		FY2023 1 ~ 3Q		
	Results	Initial forecast	Revised forecast August, 2023 ^{*2}	Results	Progress rate against revised forecast	Progress rate against previous year's results
Net Sales	156.0	162.0	160.0	119.36	74.6%	76.5%
Operating profit	6.43	6.70	5.60	3.31	59.1%	51.5%
Operating Profit margin	4.1%	4.1%	3.5%	2.8%	—	—
Ordinary profit	6.93	7.00	6.10	3.49	57.2%	50.3%
Profit	3.44	3.60	3.30	1.15	34.8%	33.5%
ROE ^{*1}	7.2%	7.2%	—	—	—	—

* Numbers are rounded to the nearest decimal place . *1 No quarterly or half-yearly figures are calculated as these are full-year indicators.

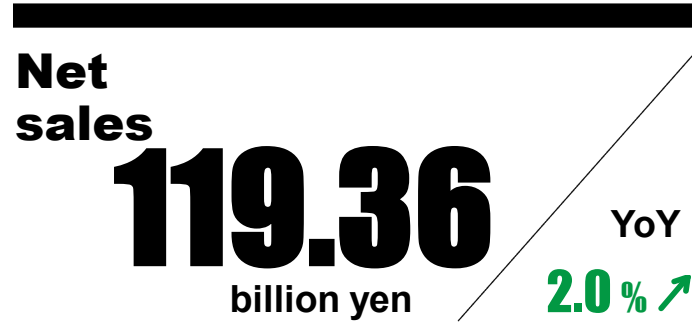
*2 The effects of Ichishin Holdings Co., Ltd., which was made a consolidated subsidiary on July 28, 2023, have not been factored in.

Overview of Financial Results

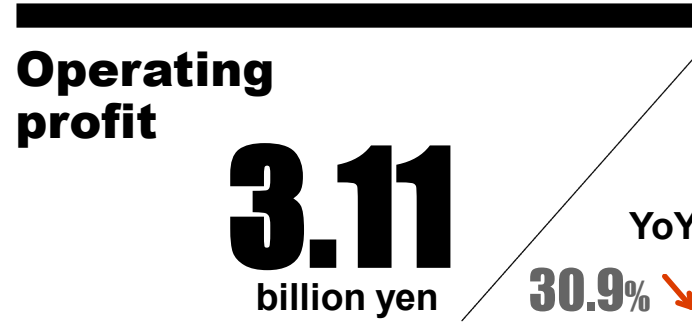
for the Nine Months Ended June 30, 2023

Summary of Consolidated Financial Results for the Nine Months Ended June 30, 2023

*Numbers are rounded to the nearest decimal place.



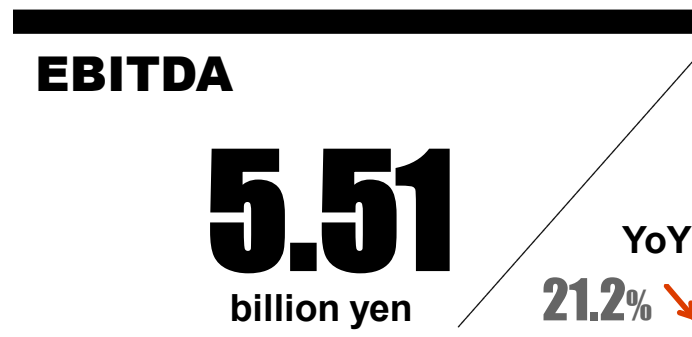
Continued increase in revenue in Healthcare and nursing domain with active opening of new facilities



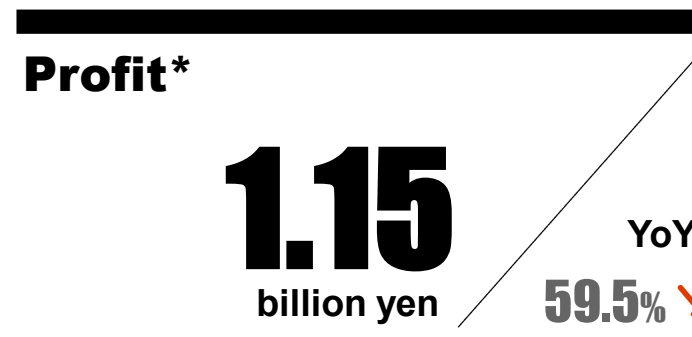
Deteriorating rates of goods returned unsold and cost increases in publishing business, and slump in student recruitment for new school year in classroom and learning center business



Down due to fall in operating profit



Down due to fall in operating profit



Fall in operating profit and loss on valuation of cross-shareholdings were main causes

*Profit attributable to owners of parent

Summary of Results by Segment for the Nine Months Ended June 30, 2023

(Billion yen)

Segment	Business	FY2022 3Q Results		FY2023 3Q Results		Change (YoY)	
		Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational domain		59.33	3.29	57.27	1.96	-2.06	-1.33
	Classroom and learning center	23.12	0.56	22.38	0.11	-0.74	-0.45
	Publishing and content	24.64	2.50	23.80	1.80	-0.84	-0.70
	Kindergarten and school	11.57	0.47	11.08	0.16	-0.49	-0.30
	Goodwill	-	-0.23	-	-0.12	-	+0.12
Healthcare and Nursing domain		53.40	2.25	57.72	2.45	+4.32	+0.20
	Elderly housing	23.72	0.94	26.53	0.98	+2.81	+0.04
	Group homes for the elderly with dementia	25.37	1.53	26.55	1.72	+1.18	+0.19
	Child raising support	4.31	0.13	4.64	0.09	+0.34	-0.04
	Goodwill	-	-0.35	-	-0.35	-	±0.00
Other		4.28	0.62	4.37	0.33	+0.09	-0.28
Adjustments		-	-1.37	-	-1.43	-	-0.06
Group total		117.01	4.79	119.36	3.31	2.35	-1.48

*Numbers are rounded to the nearest decimal place.

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

Summary of Results by Segment for the 3rd Quarter (single quarter)

(Billion yen)

Segment	Business	3Q FY2022 (single quarter) Results		3Q FY2023 (single quarter) Results		Change (YoY)	
		Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational domain		17.89	-0.23	17.08	-0.60	-0.81	-0.37
	Classroom and learning center	7.26	-0.13	7.02	-0.28	-0.24	-0.16
	Publishing and content	7.55	0.21	6.99	-0.01	-0.56	-0.22
	Kindergarten and school	3.08	-0.24	3.07	-0.28	-0.01	-0.03
	Goodwill	-	-0.08	-	-0.03	-	+0.04
Healthcare and Nursing domain		18.19	1.06	19.64	1.07	+1.45	+0.01
	Elderly housing	8.10	0.48	9.10	0.53	+1.01	+0.04
	Group homes for the elderly with dementia	8.60	0.57	8.96	0.63	+0.36	+0.06
	Child raising support	1.49	0.12	1.58	0.03	+0.08	-0.09
	Goodwill	-	-0.12	-	-0.12	-	±0.00
Other		1.29	0.08	1.47	0.04	+0.17	-0.04
Adjustments		-	-0.45	-	-0.43	-	+0.02
Group total		37.38	0.46	38.19	0.08	+0.81	-0.38

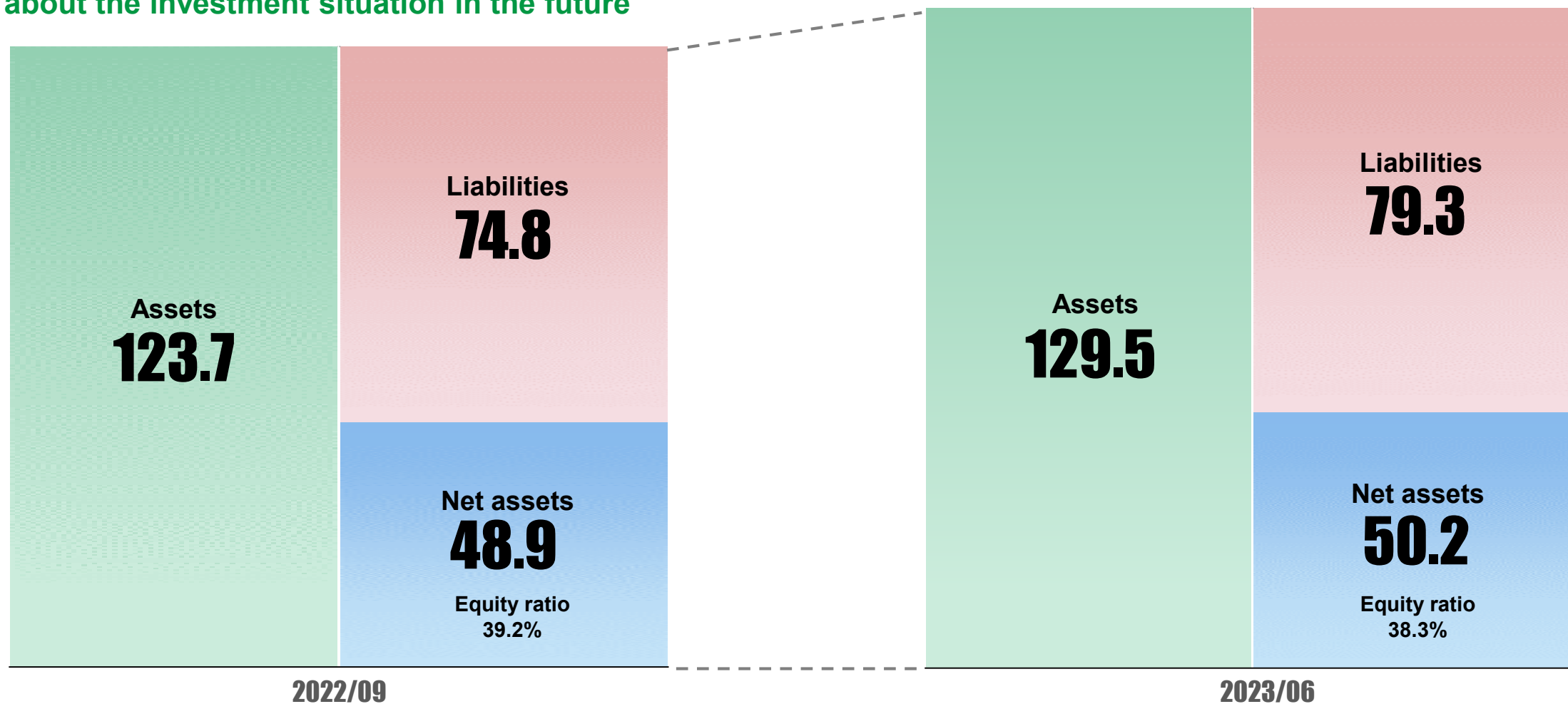
*Numbers are rounded to the nearest decimal place.

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

Consolidated Financial Position

(Billion yen)

As the equity ratio remained at a high level, there is no special concern about the investment situation in the future



*Numbers are rounded to the nearest decimal place.

Educational Domain Financial Results

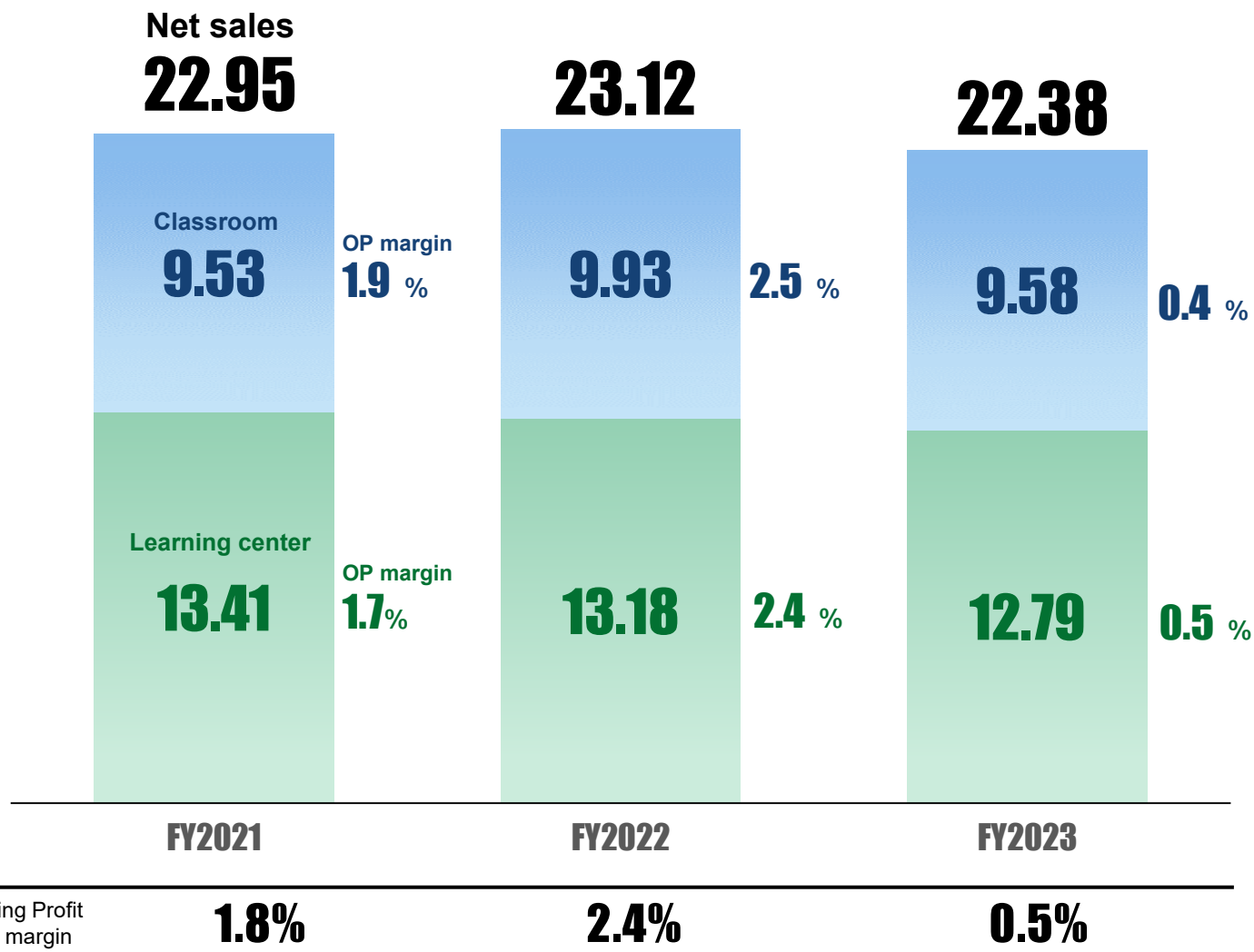
for the Nine Months Ended June 30, 2023

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 corporate training programs

Classroom and Learning Center Summary for the Nine Months Ended June 30, 2023

(Billion yen)



Positives

- Increase in memberships for Kotoba Park, the online Japanese language instruction service
- Steady expansion of business of support for solutions to local governments' educational issues
- Introduction of ViSC (Virtual Smart Campuses) progressing well

Negatives

- Student recruitment for new school year weak
 - Classrooms: down 5.3% YoY
 - Learning centers down 0.2% YoY
- New classroom openings
 - Down 528 classrooms YoY
- Students are starting to attend learning centers later due to rising commodity prices

Operating Profit
(OP) margin

*Numbers are rounded down to the nearest decimal place.

Classrooms and Learning centers

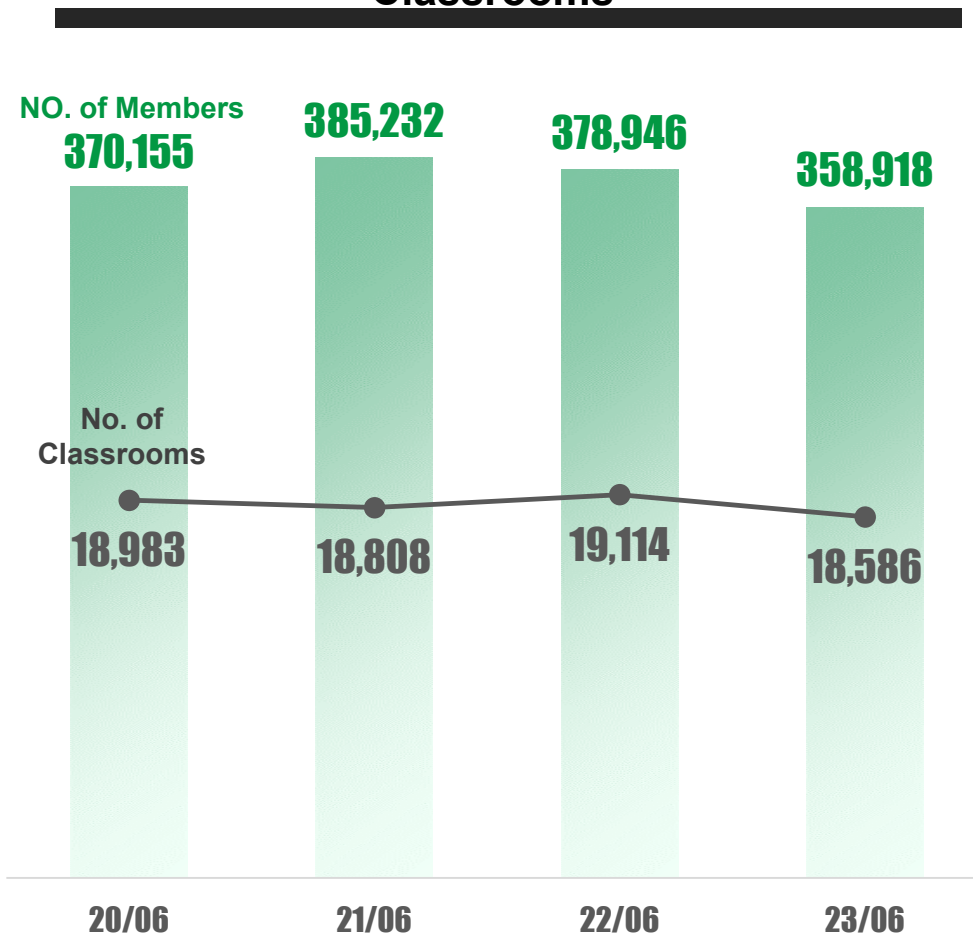
No. of Members and No. of Classrooms

Both classrooms and learning centers suffered slumps in student recruitment for the new school year

Gakken Classrooms struggled to cultivate new franchise classrooms

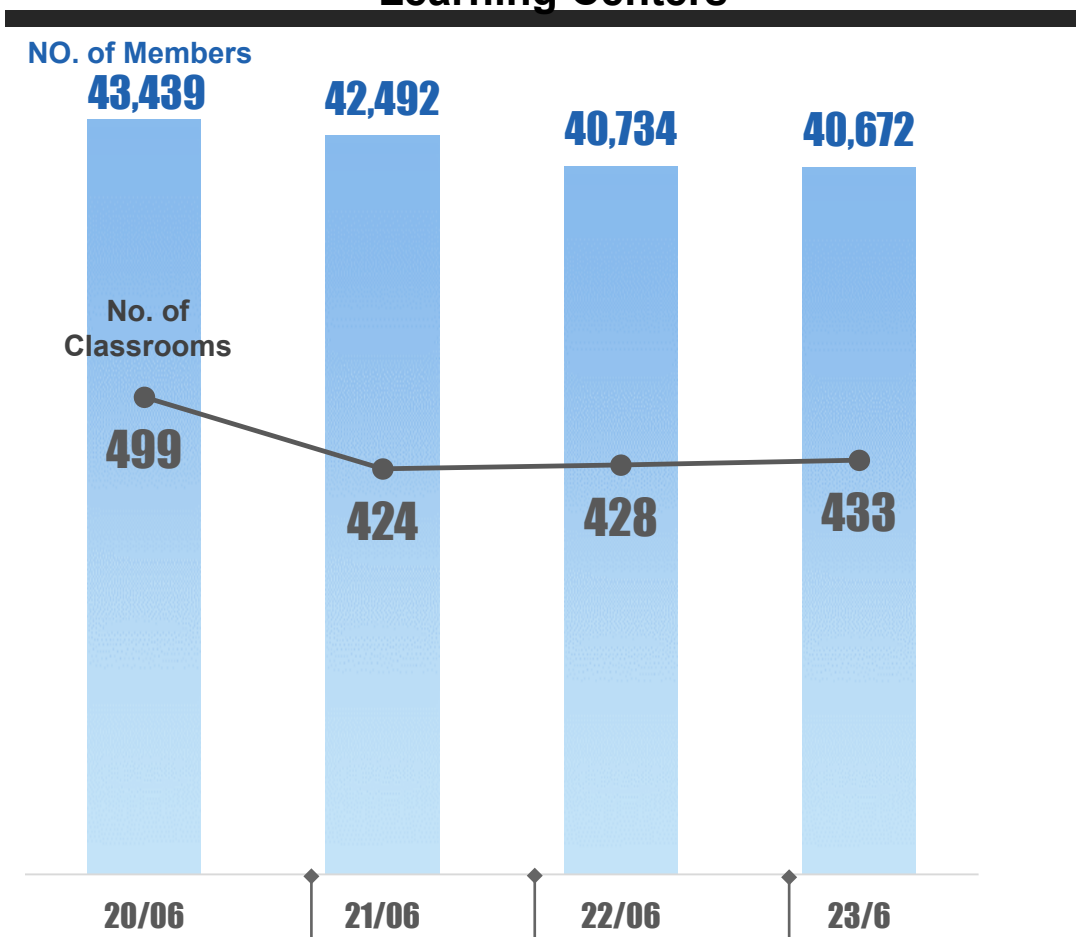
Number of members for toddler classes also sluggish despite increase in number of new classrooms opened

Classrooms



*Numbers of members/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

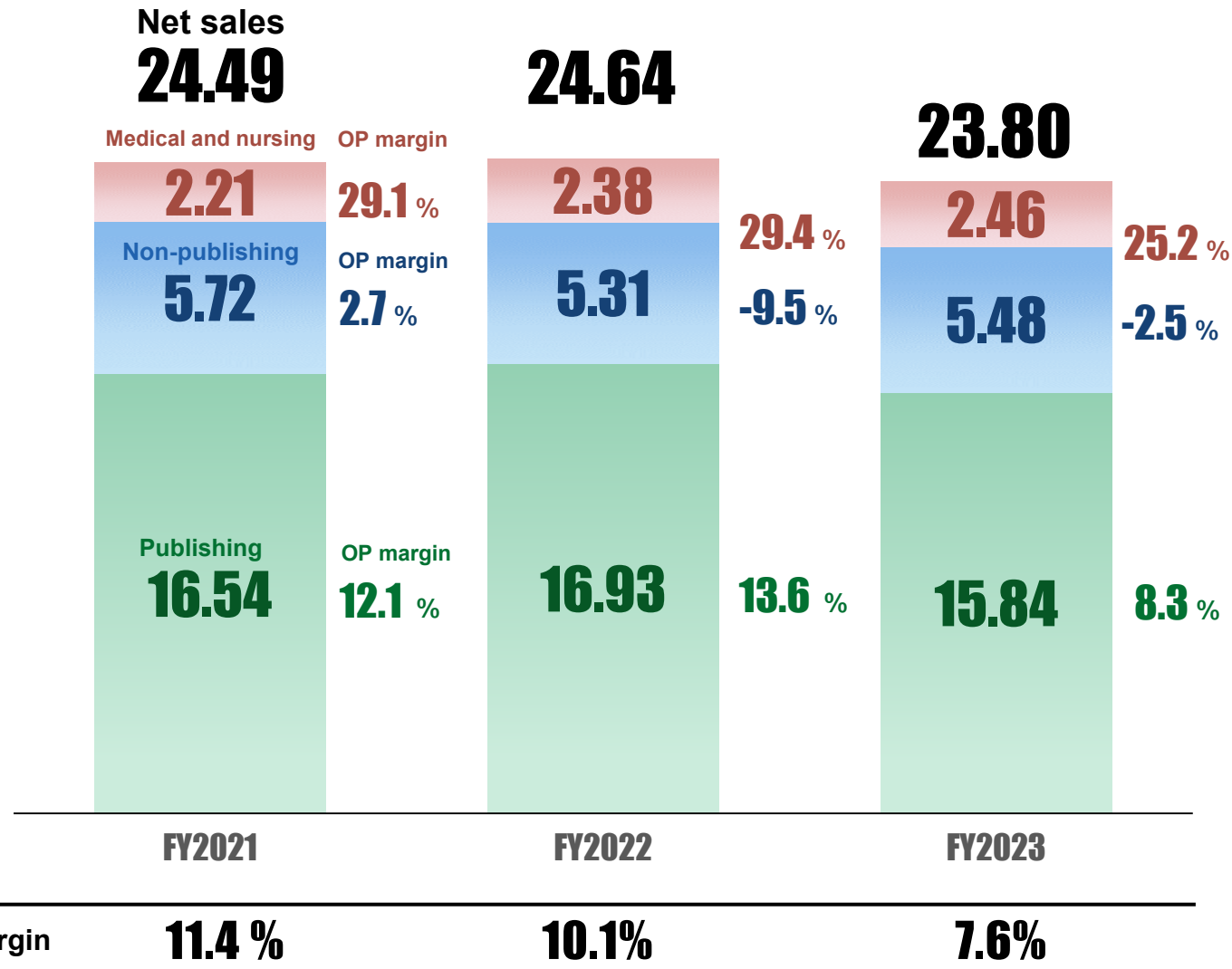


*Gakken AIZ and SIGN-1 were liquidated in February 2021 and March 2021, respectively.

*Syoji joined the Group in April 2022 and NE Holdings in May 2023 respectively.

Publishing and Content Summary for the Nine Months Ended June 30, 2023

(Billion yen)



Positives

- Map/guide books of Arukikata. Co.,Ltd. continued to perform strongly
- Steady performance of e-learning business targeting nurses
- Strong performance in online English conversation lessons business

Negatives

- Rate of books returned unsold deteriorated by 4.4%YoY
- Sluggish sales in main genres, such as children's books and study-aid books
- Slump in toy market conditions
- Rising costs of raw materials, logistics, etc. due to weak yen, etc.

*Numbers are rounded down to the nearest decimal place.

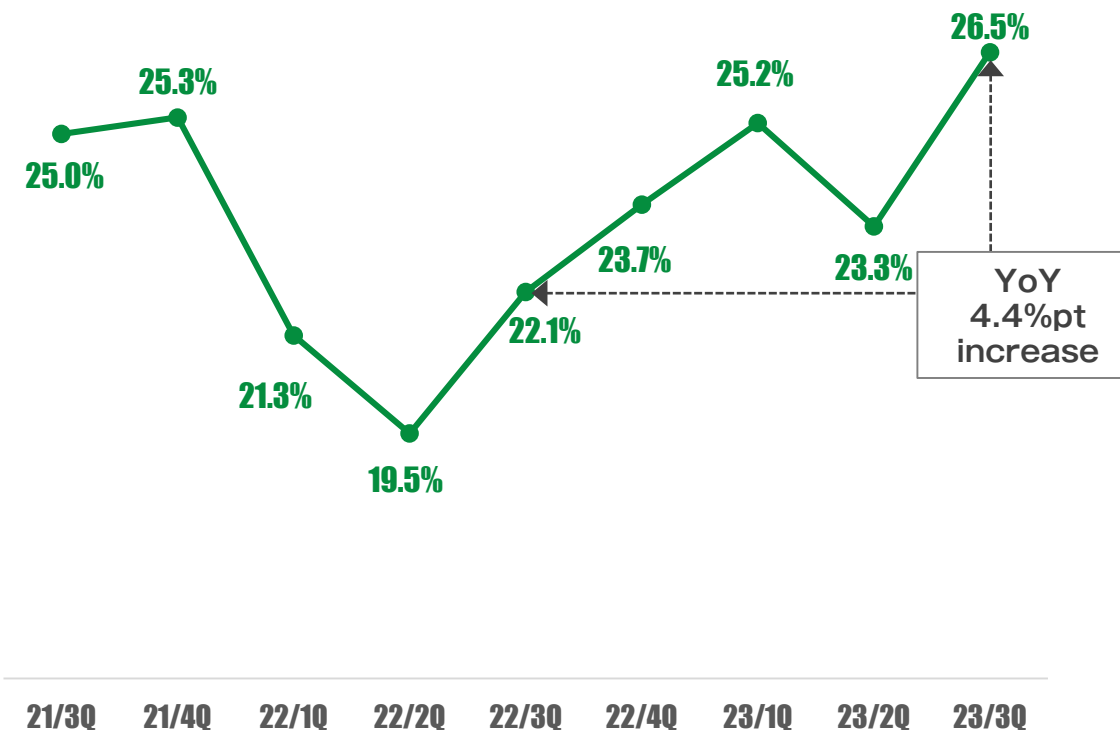
No. of New Publications and Rate of Returns

Increase in number of new publications in how-to guide genre, driven by “Chikyu-no-Arukikata”
 Rate of publications returned during cumulative period deteriorated by 4.4 %points year on year

1-3Q No. of new publications *1

	21/06	22/06	23/06
Children's books	149	138	118
Study-aid books	137	147	128
How-to guides *2	117	136	166
Magazine books	23	26	22
Other publications	66	85	112
Total	492	532	546

Rate of publications returned during cumulative period

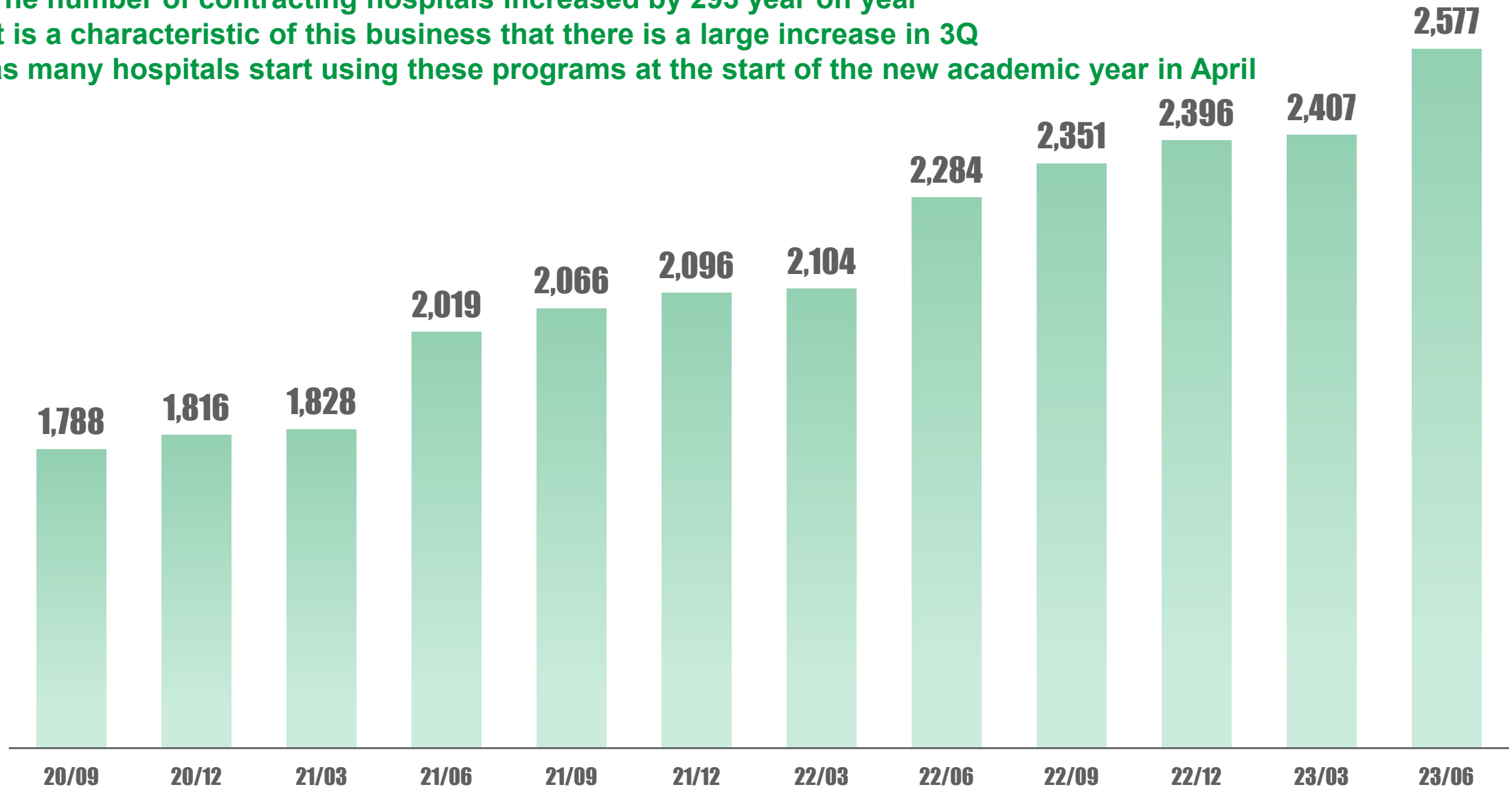


*1 Numbers of new publications and the rate of publications returned for books (excluding magazines) are for those of Gakken only and do not include numbers for medical books and Bunri Co., Ltd.

*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

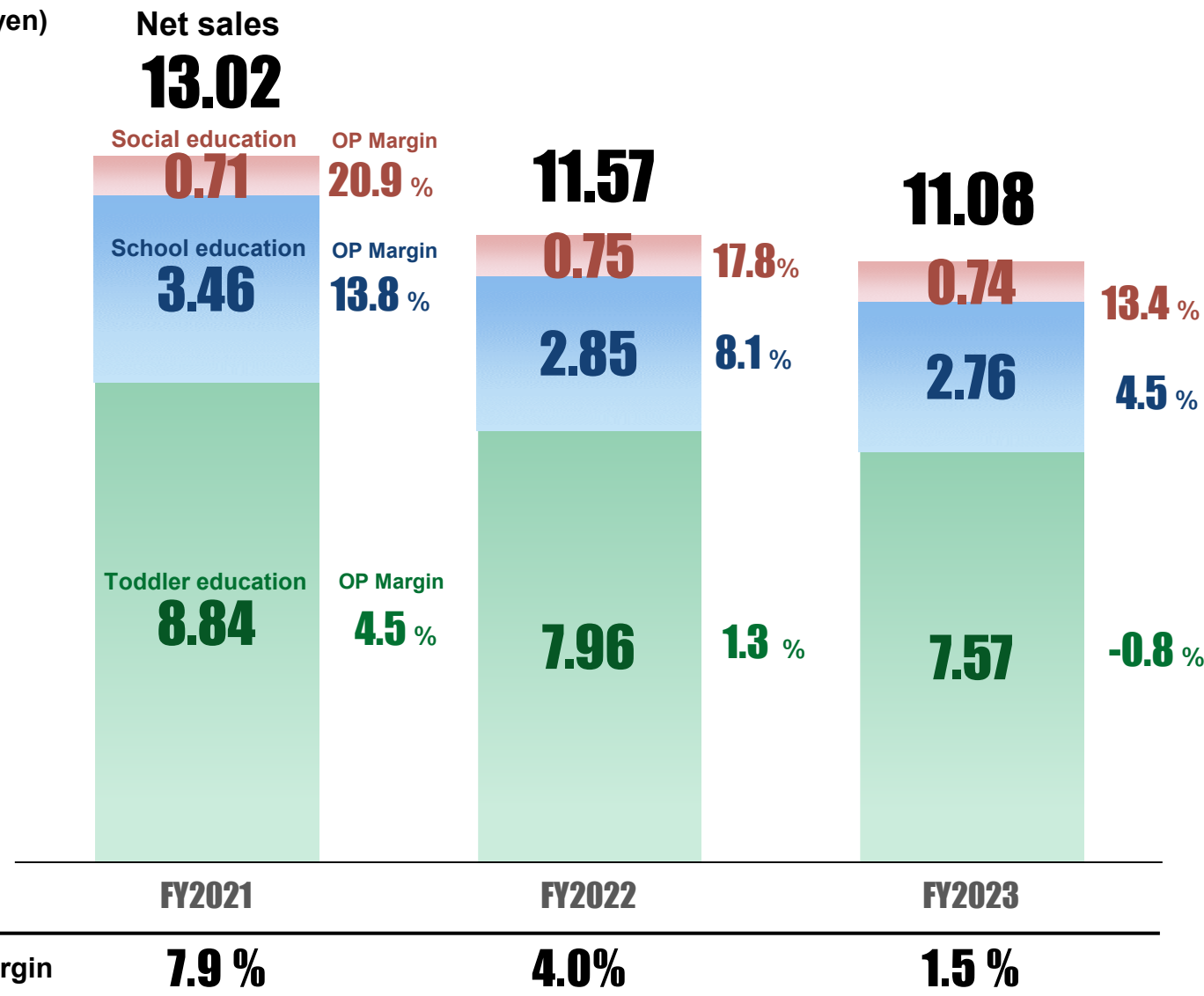
No. of Hospitals using E-learning Programs for Nurses

The number of contracting hospitals increased by 293 year on year
It is a characteristic of this business that there is a large increase in 3Q
as many hospitals start using these programs at the start of the new academic year in April



Kindergarten and School Summary for the Nine Months Ended June 30, 2023

(Billion yen)



Positives

- Number of users of child-care ICT system “hugmo” expanded
- Strengthened sales capabilities to win more sales and share of textbooks and instruction guides for elementary school moral education and health education
- Strong sales of safety support devices to prevent children being left on school buses

Negatives

- No sales of instruction guides for teachers as period under review is in transition period for textbook adoption
- Orders for large play equipment and fittings down due to decline in number of new nursery school openings
- Poor sales of high-margin products such as aprons due to declines in subsidies and sluggish demand

*Numbers are rounded down to the nearest 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

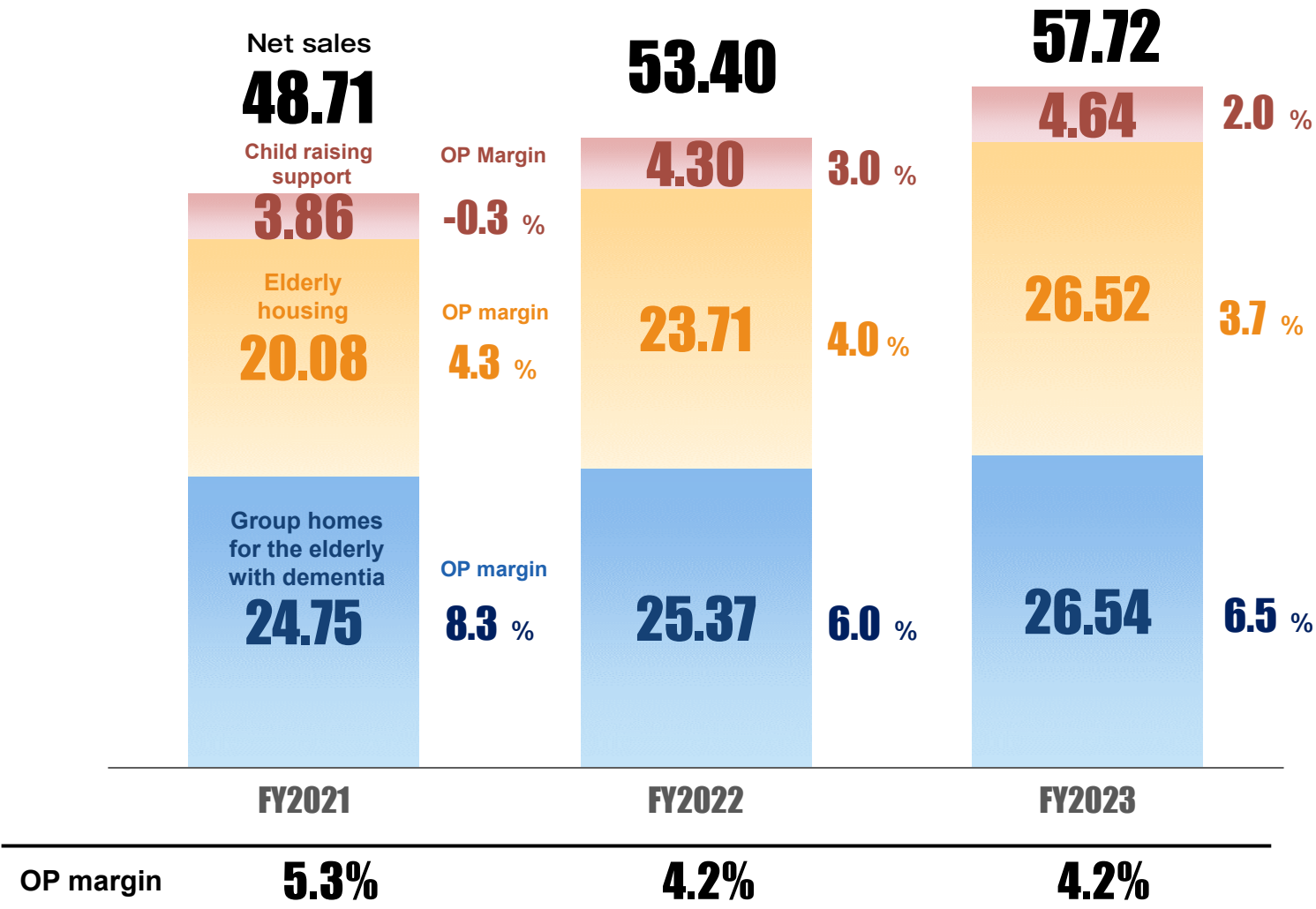
for the Nine Months Ended June 30, 2023

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 Nine Months Ended June 30, 2023

(Billion yen)



Positives

- New openings as scheduled
 - Elderly housing (3)
 - Group homes (5)
 - After-school children's clubs (3)
- Occupancy and utilization rates trending at high levels
 - Elderly housing : 95.6%
 - Group homes : 96.8%
 - Nursery schools: 94.4%

Negatives

- Some owners becoming cautious about construction decisions, including postponement of new facility openings due to soaring construction costs
- Utility costs increases (up roughly 0.6 billion yen at existing facilities)
- Cost increases due to soaring prices of commodities, such as food prices

*Numbers are rounded down to the nearest decimal place.

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 and growing needs for after-school care
- Aim to achieve targets with business acquisitions by M&A and new facility openings of after-school children's clubs, etc.
(Number of developed facilities)

	FY2022	FY2023					
	Full-year openings Results	1Q Results	2Q Results	3Q Results	1-3Q Total	Full-year Forecast	Progress
Elderly housing	21 facilities (22 buildings)	4	2	3	9	16~22	56.3%
Group homes for the elderly with dementia	11	3 Including 1 M&A	3 Including 1 M&A	5 Including 2 M&A	11	12~15	91.7%
Child raising support facilities	3	4	0	3	7	4	175.0%
Total	35	11	5	11	27	32~41	84.4%

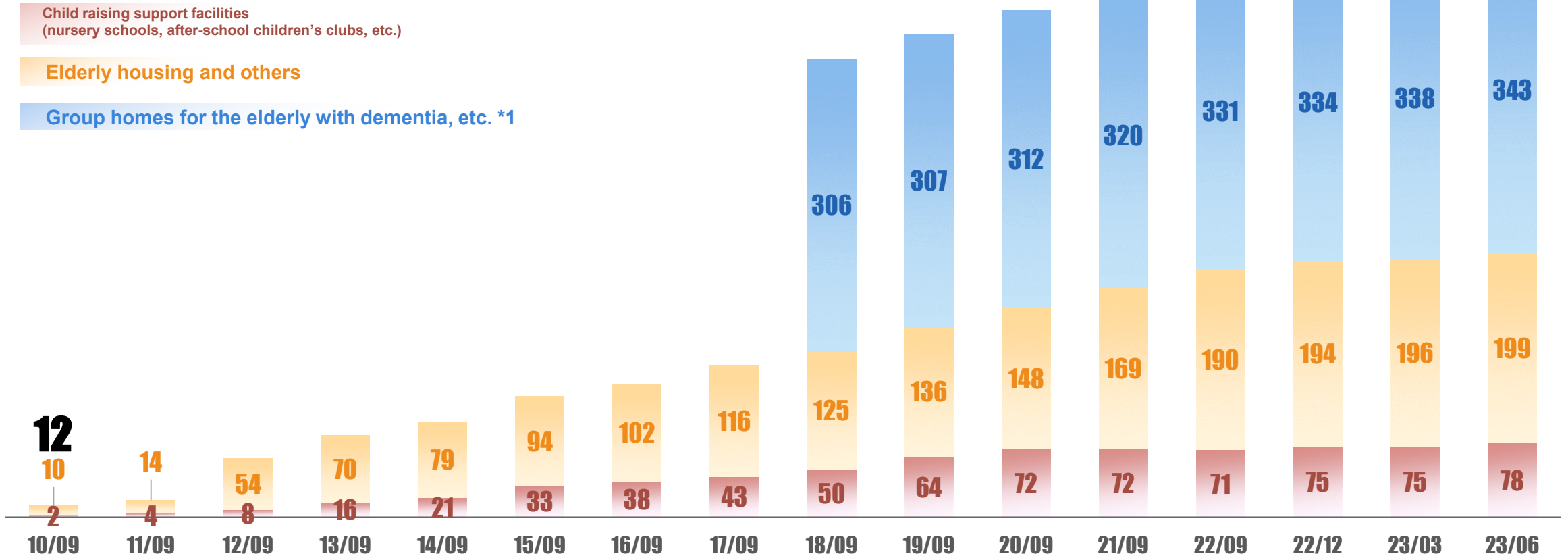
*Facilities that closed during the period have not been deducted from the stated figures. *Numbers are those of domestic facilities only.

*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.

*Because overseas facility was included in the figures in previous disclosure material, the number of group homes for the elderly with dementia in 2Q Results, namely 4 (including 1 overseas facility) has been amended to 3. Figures for all other timeframes are unchanged.

No. of Facilities

New facility openings are progressing well in all three businesses
 Increase in child raising support facilities due mainly to winning contracts to operate after-school children's clubs

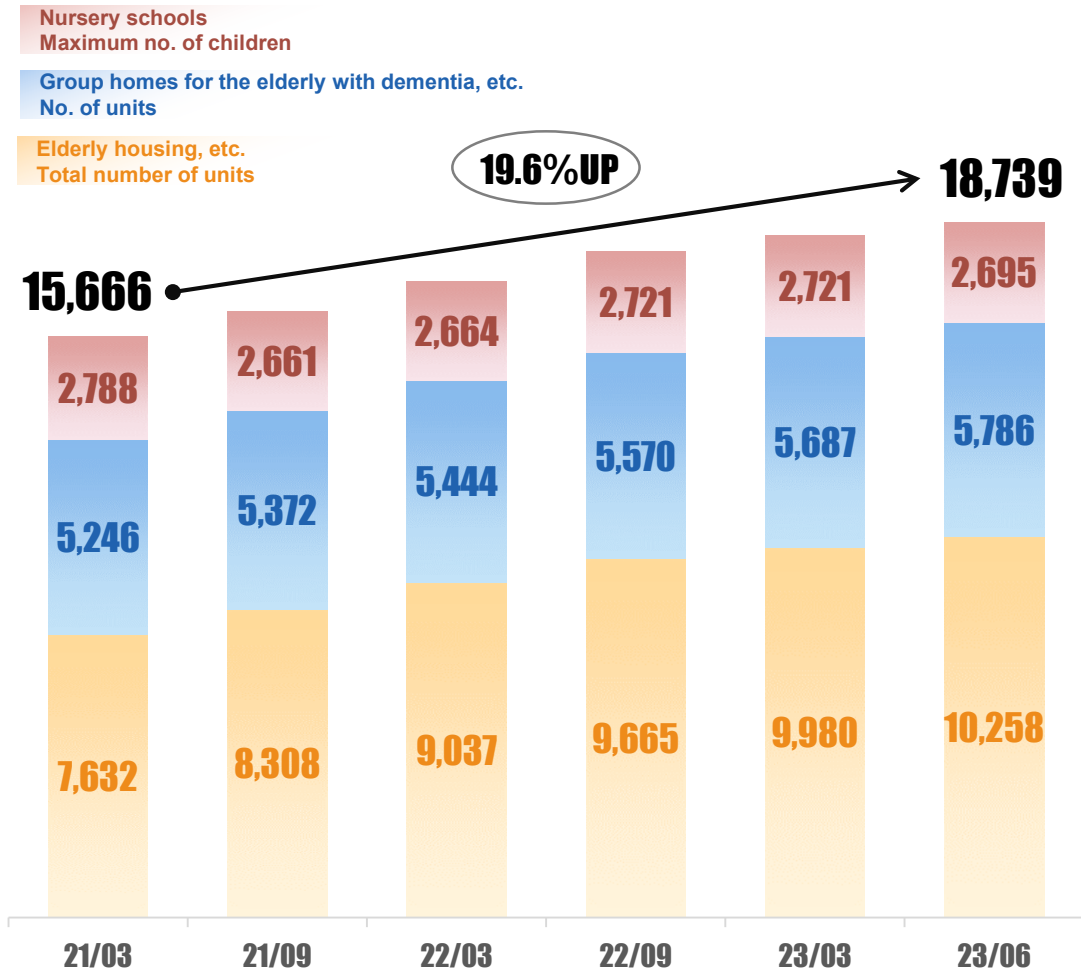


*Numbers are net numbers of new openings which is deducted the number of closures.

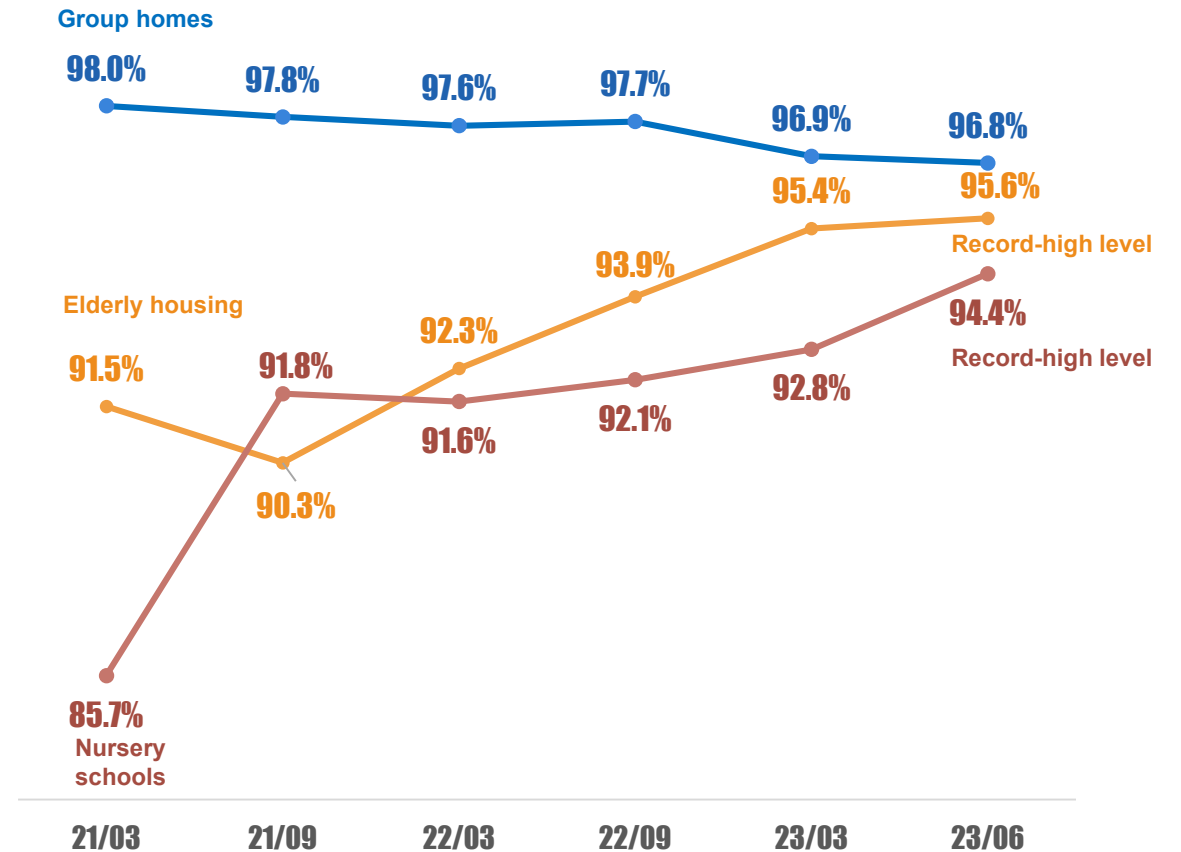
*1 Numbers include oversea facilities.

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



Healthcare and Nursing Occupancy Rate and Utilization Rate

		20/03	20/09	21/03	21/09	22/03	22/09	23/03	23/06
Elderly housing	Total no. of units	6,898	7,182	7,632	8,308	9,037	9,665	9,980	10,258
	No. of occupied units	6,289	6,600	6,985	7,505	8,345	9,073	9,519	9,806
	Occupancy rate	91.2%	91.9%	91.5%	90.3%	92.3%	93.9%	95.4%	95.6%
Group homes ^{*1} for the elderly with dementia	No. of units ^{*2}	5,192	5,246	5,246	5,372	5,444	5,570	5,687	5,786
	Occupancy rate	98.0%	98.0%	98.0%	97.8%	97.6%	97.7%	96.9%	96.8%
Child raising support facilities	Maximum no. of children ^{*3}	2,497	2,788	2,788	2,661	2,664	2,721	2,721	2,695
	No. of children enrolled	2,107	2,381	2,389	2,443	2,441	2,505	2,524	2,544
	Utilization rate	84.4%	85.4%	85.7%	91.8%	91.6%	92.1%	92.8%	94.4%

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

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

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

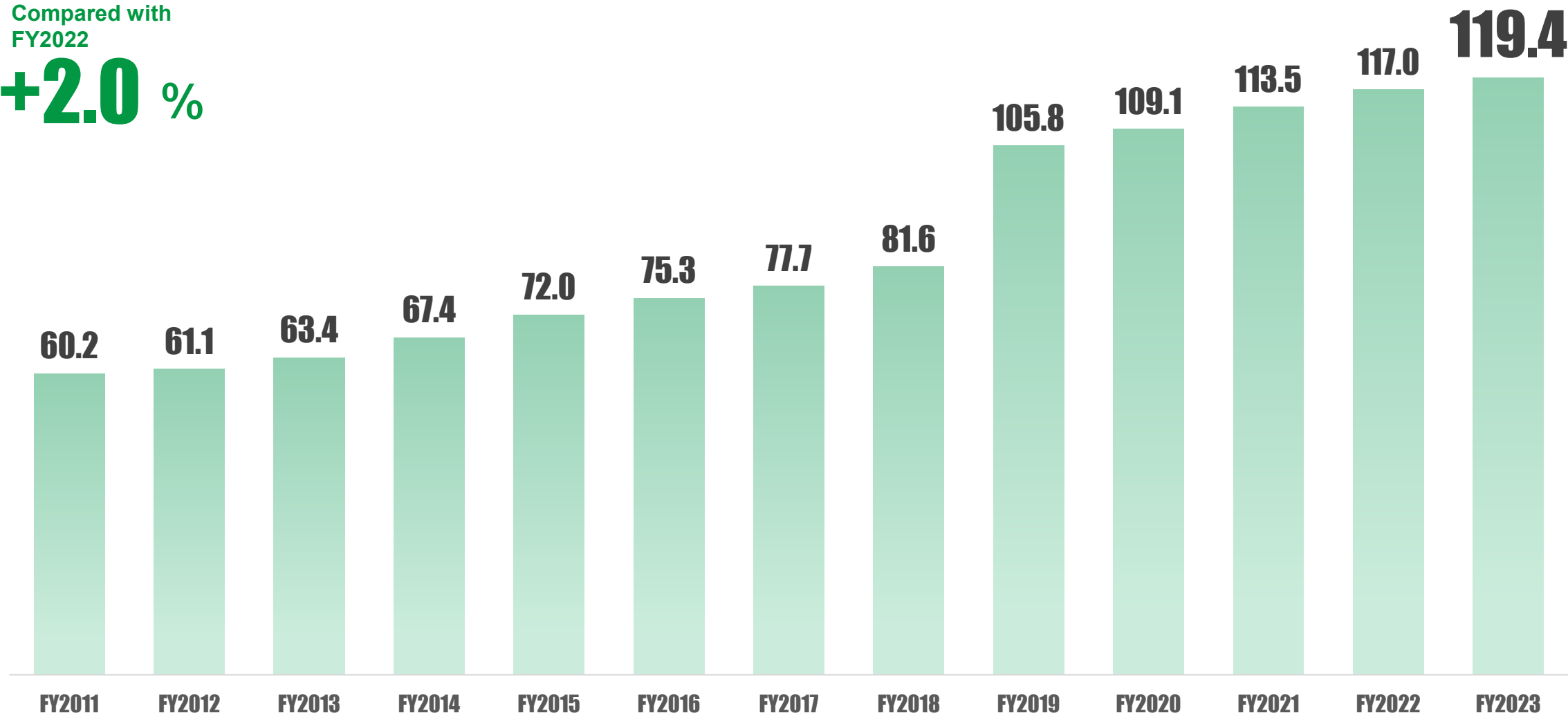
Supplementary Materials

3Q Trends of Net Sales

(Billion yen)

Compared with
FY2022

+2.0 %



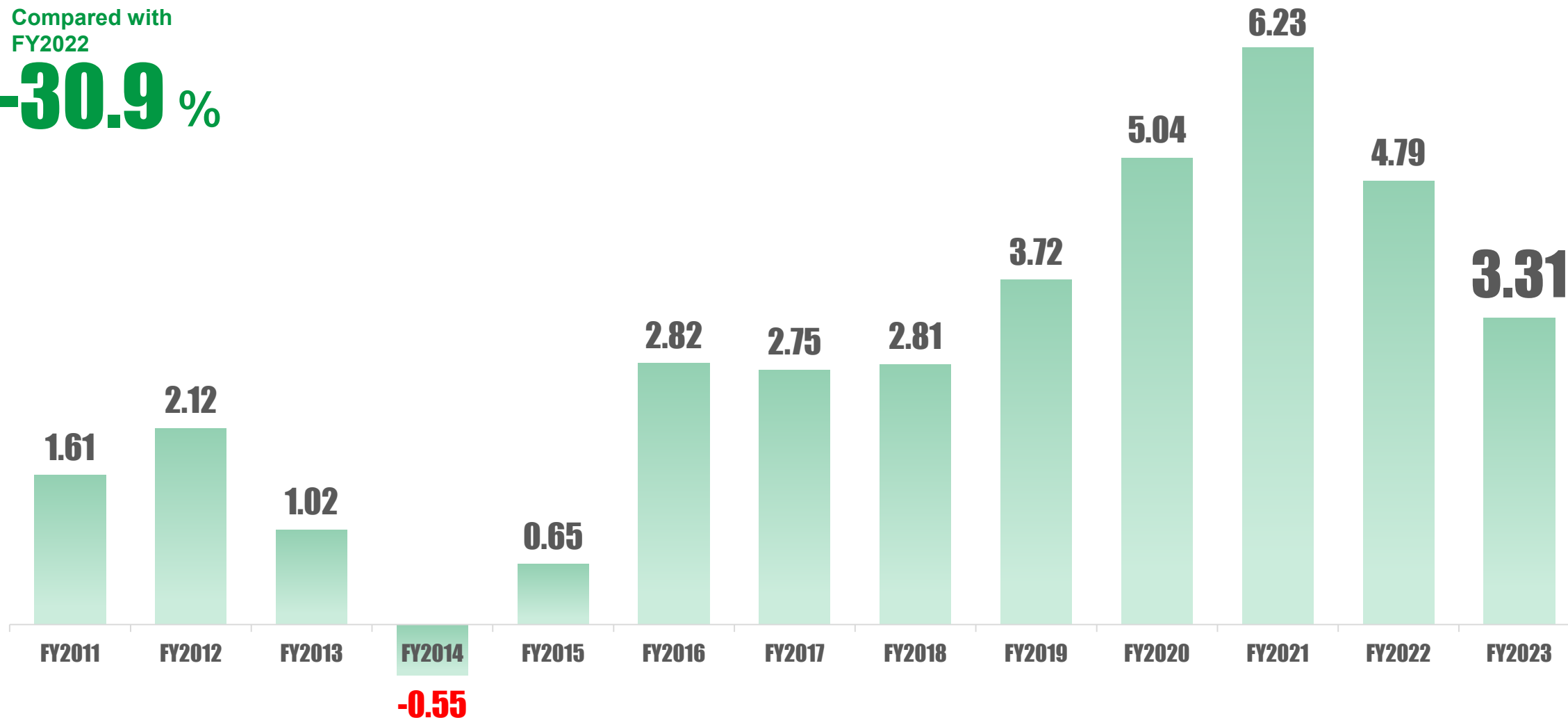
*Numbers are rounded to the nearest decimal place.

3Q Trends of Operating Profit

(Billion yen)

Compared with
FY2022

-30.9 %



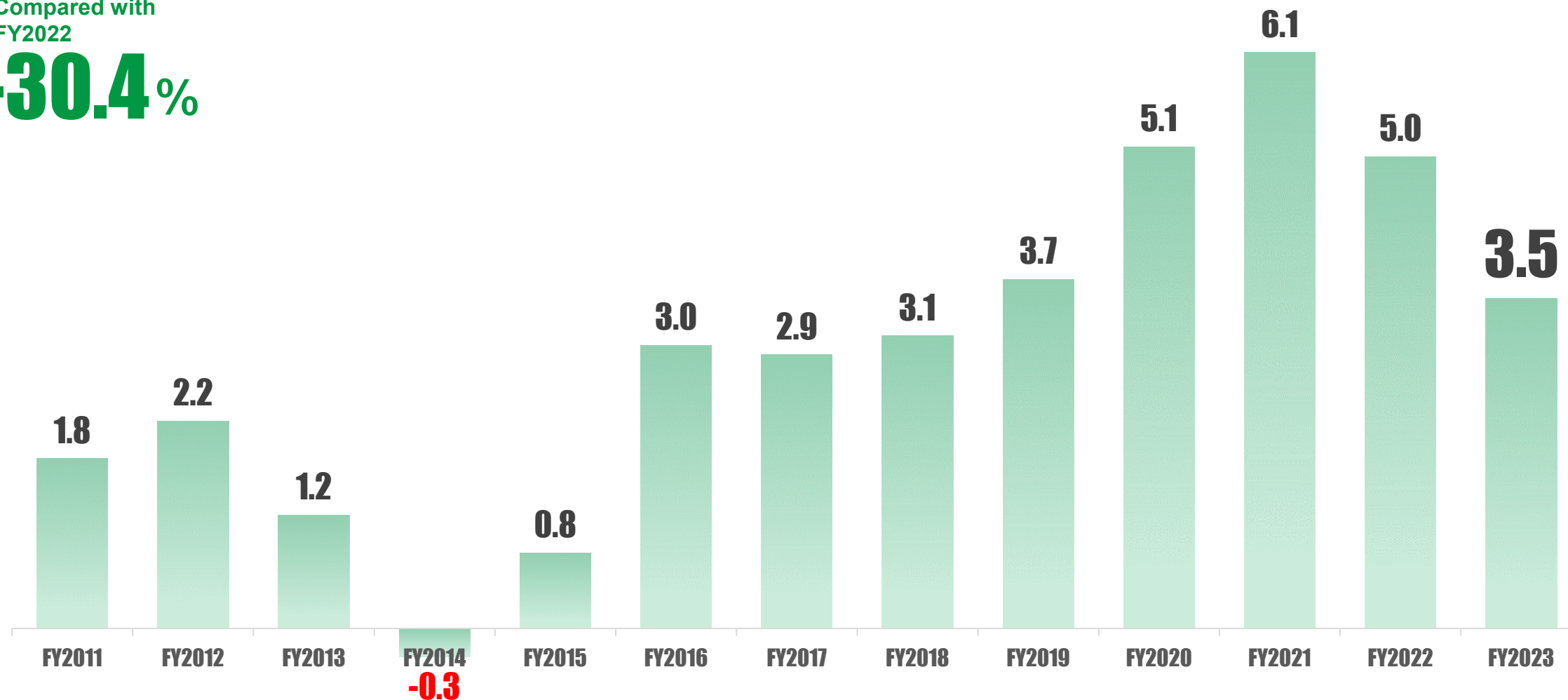
*Numbers are rounded to the nearest decimal place.

3Q Trends of Ordinary Profit

(Billion yen)

Compared with
FY2022

-30.4%



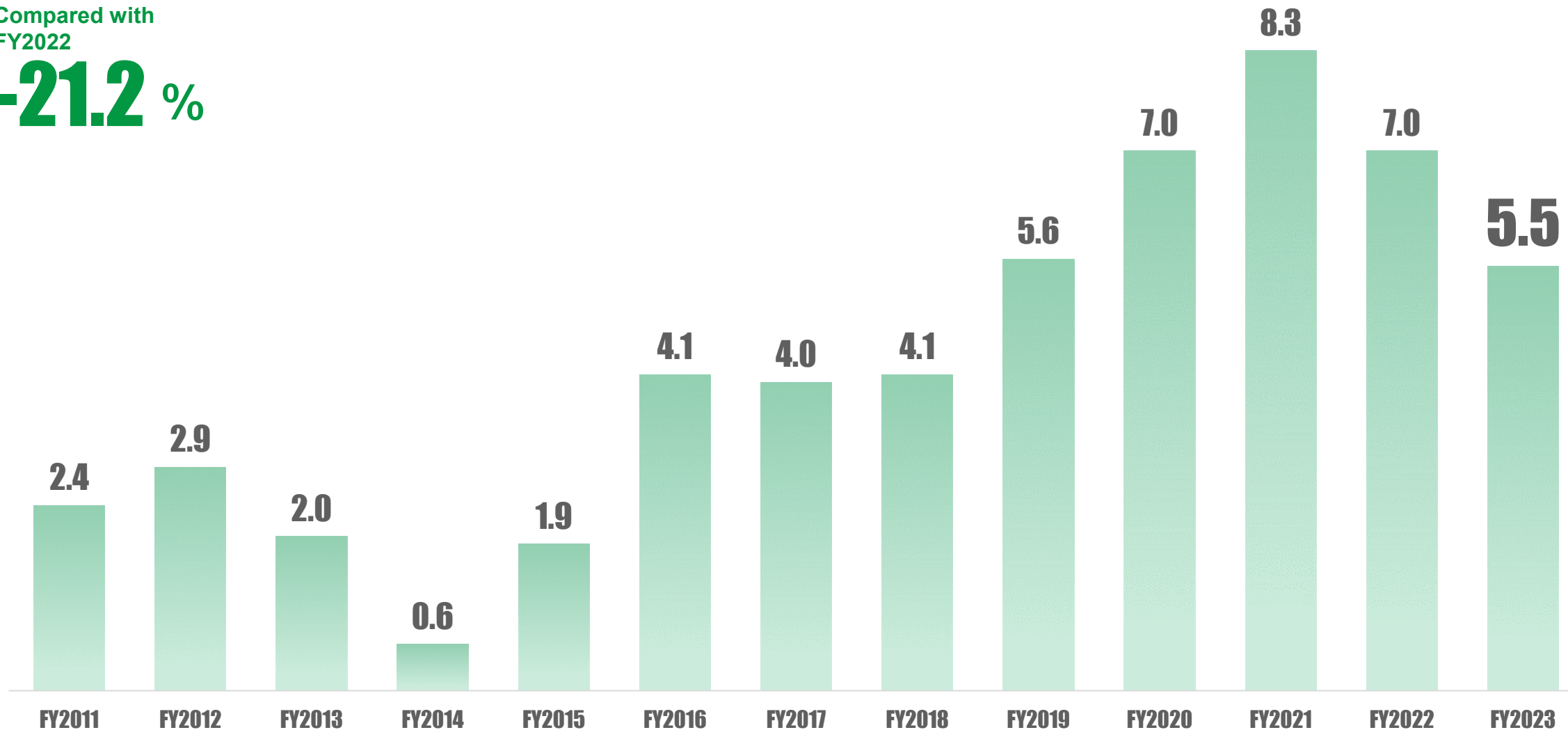
*Numbers are rounded to the nearest decimal place.

3Q Trends of EBITDA*

(Billion yen)

Compared with
FY2022

-21.2 %



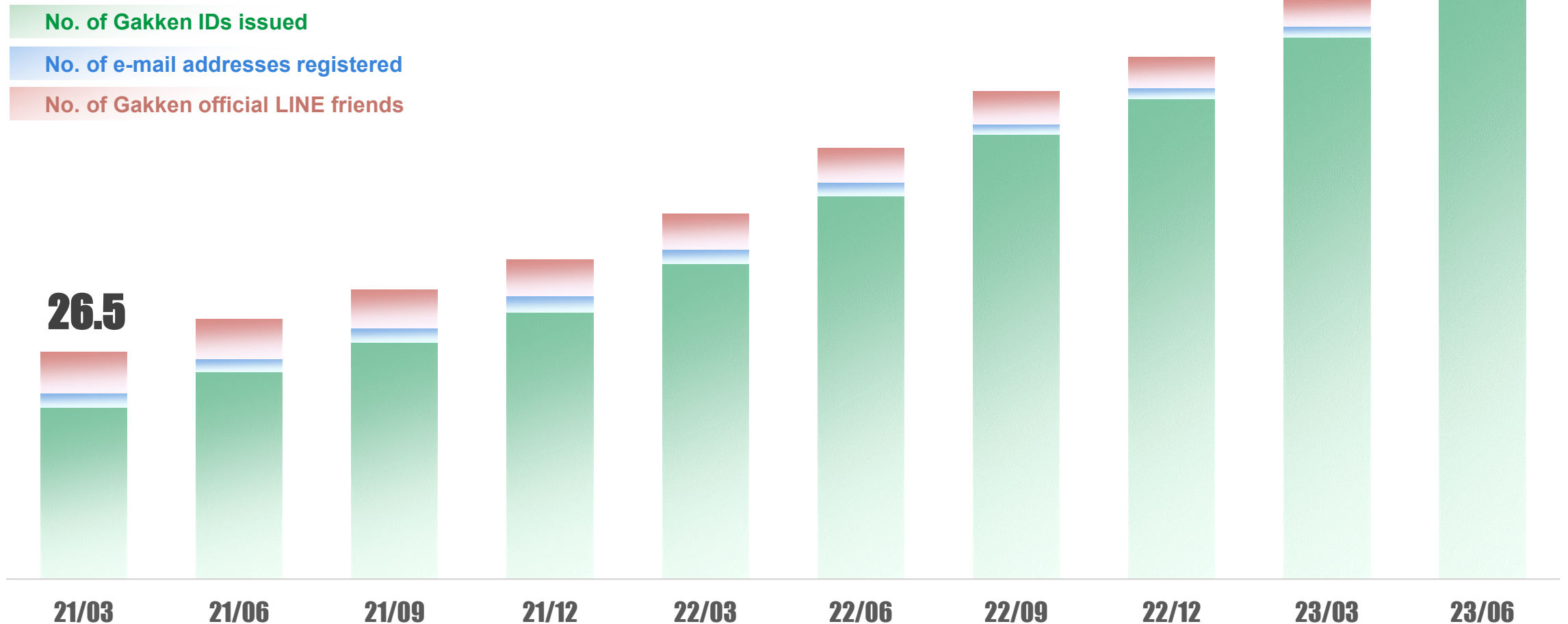
*A total of operating profit, depreciation, and goodwill amortization.

*Numbers are rounded to the nearest decimal place.

DX Strategy: Group Direct Touchpoints

The number of IDs obtained for individual services is approaching 750,000
We will promote collaboration between services to improve customers' LTV

(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.

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.