
Financial Results

for the Fiscal Year Ended September 30, 2023

November 10, 2023
Gakken Holdings Co., Ltd.

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Financial Highlights

for the Fiscal Year Ended

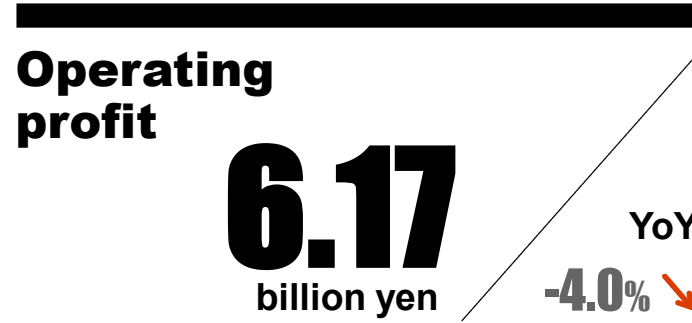
September 30, 2023

Consolidated Financial Results for the Fiscal Year Ended September 30, 2023

*Numbers are rounded to the nearest decimal place.



Increased for the 14th consecutive fiscal year thanks to the growth in healthcare and nursing domain



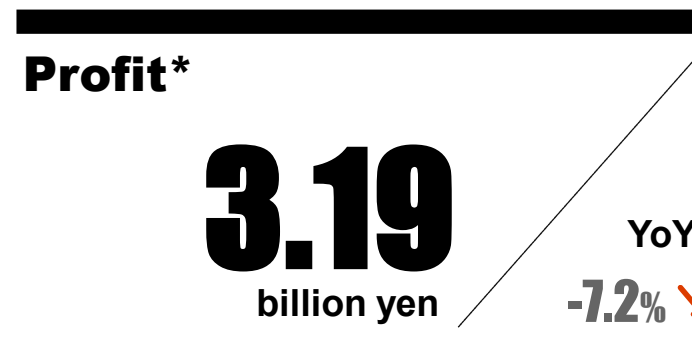
Affected by deterioration in the business environment in publishing business and kindergarten and school business



Down due to fall in operating profit

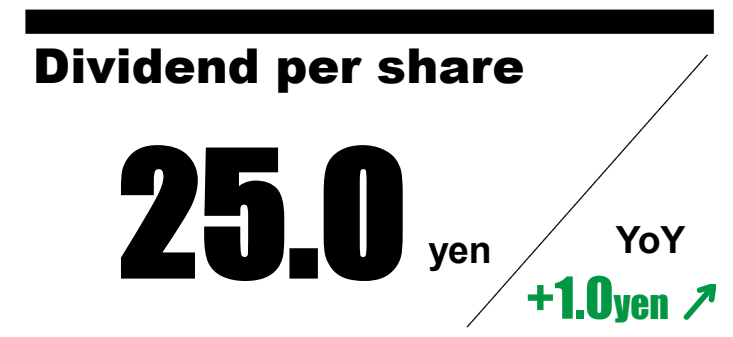


Down due to fall in operating profit



Affected by fall in operating profit and loss on valuation of investment securities

*Profit attributable to owners of parent



Dividend increased as initially projected (payout ratio 34.5%)

Topics for the Fiscal Year Ended September, 30, 2023

[Global] Entered into a business and capital alliance with DTP, a textbook company in Vietnam



In March 2023, Gakken Holdings acquired 35% of the shares of DTP Education Solutions, which holds more than 30% share of the English language learning textbook market in Vietnam, and participated in its management. The major initiatives of the last three years include 1) deployment of STEAM content in local schools, 2) export of high-quality content from the Gakken Group and domestic publishers, and 3) expansion of online English conversation lessons business in Vietnam. We will work on collaboration in Southeast Asian countries over the medium- to long-term.

[Education] NE Holdings and Ichishin Holdings joined the Group to strengthen the learning center business



NE Holdings, which operates learning centers mainly in Nagoya, joined the Group in May 2023. Furthermore, in July 2023, Ichishin Holdings, which offers a wide range of educational services including learning centers mainly in the Tokyo metropolitan area, joined the Group. This significantly strengthened the foundation of the learning center business in urban areas. Going forward, we aim to improve the performance of the Group's learning center business as a whole through sharing management and educational know-how and expanding the use of educational resources of Ichishin.

[Healthcare and nursing] Acquired all shares of Grand UniLife Care Service



In September 2023, Gakken Cocofump, which operates the elderly housing business, signed a contract to acquire all shares of Grand UniLife Care Service. (hereinafter "GUCS"). Gakken Cocofump took over all buildings of GUCS's serviced apartments for the elderly. At the same time, Gakken Holdings entered into a business alliance with J.S.B., the parent company of GUCS. Going forward, we aim to share and utilize real estate information and jointly plan and foster new community development (such as joint housing for students and the elderly, construction of university-linked CCRCs).

Overview of Financial Results

for the Fiscal Year Ended September 30, 2023

Executive Summary of the financial results for the Fiscal Year Ended September 30, 2023

Net sales	: 164.12 billion yen (5.2% increase year on year)
Operating profit	: 6.17 billion yen (4.0% decrease year on year)
Ordinary profit	: 6.48 billion yen (6.5% decrease year on year)
Profit	: 3.19 billion yen (7.2% decrease year on year)

-Consolidated net sales Up 5.2% mainly due to growth in healthcare and nursing domain and consolidation of Ichishin Holdings Co., Ltd.

-Operating profit Down 4.0%. Despite the downturn in publishing business and kindergarten and school business, the increase in profits in Healthcare and nursing domain as well as the effect of Ichishin Holdings Co., Ltd. joining the Group led to recovery in 4Q

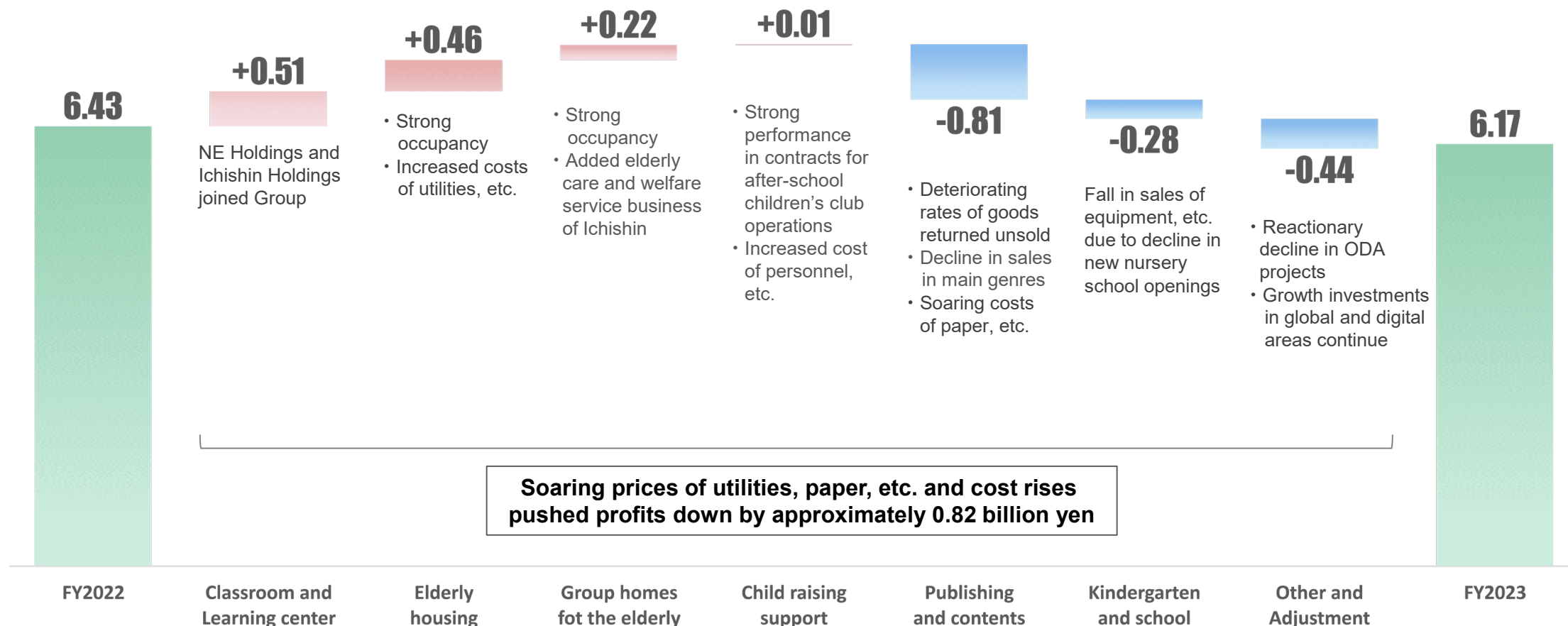
-Ordinary profit: Down due to fall in operating profit

-Profit Down due to fall in operating profit and loss on valuation of investment securities (0.95 billion yen)

Factors Behind Changes in Operating Profit

(Billion yen)

Fall in revenue due mainly to poor sales , deteriorating rates of goods returned unsold in the publishing business, and worsening external environment in the kindergarten and school business



*Numbers are rounded to the nearest decimal place.

Summary of Results by Segment for the Fiscal Year Ended September 30, 2023

(Billion yen)

Segment		FY2022 Results		FY2023 Results		Change (YoY)	
	Business	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational domain		78.17	4.43	79.49	3.94	+1.32	-0.49
	Classroom and learning center	31.44	1.27	35.09	1.78	+3.65	+0.51
	Publishing and content	32.37	3.17	30.82	2.35	-1.55	-0.81
	Kindergarten and school	14.36	0.30	13.58	0.02	-0.78	-0.28
	Goodwill	-	-0.31	-	-0.21	-	+0.09
Healthcare and Nursing domain		72.24	3.15	78.59	3.82	+6.35	+0.67
	Elderly housing	32.37	1.42	36.03	1.87	+3.65	+0.46
	Group homes for the elderly with dementia	34.10	2.07	36.34	2.29	+2.24	+0.22
	Child raising support	5.76	0.12	6.22	0.13	+0.46	+0.01
	Goodwill	-	-0.46	-	-0.47	-	-0.01
Other		5.63	0.81	6.04	0.40	+0.41	-0.40
Adjustments		-	-1.96	-	-1.99	-	-0.04
Group total		156.03	6.43	164.12	6.17	+8.08	-0.26

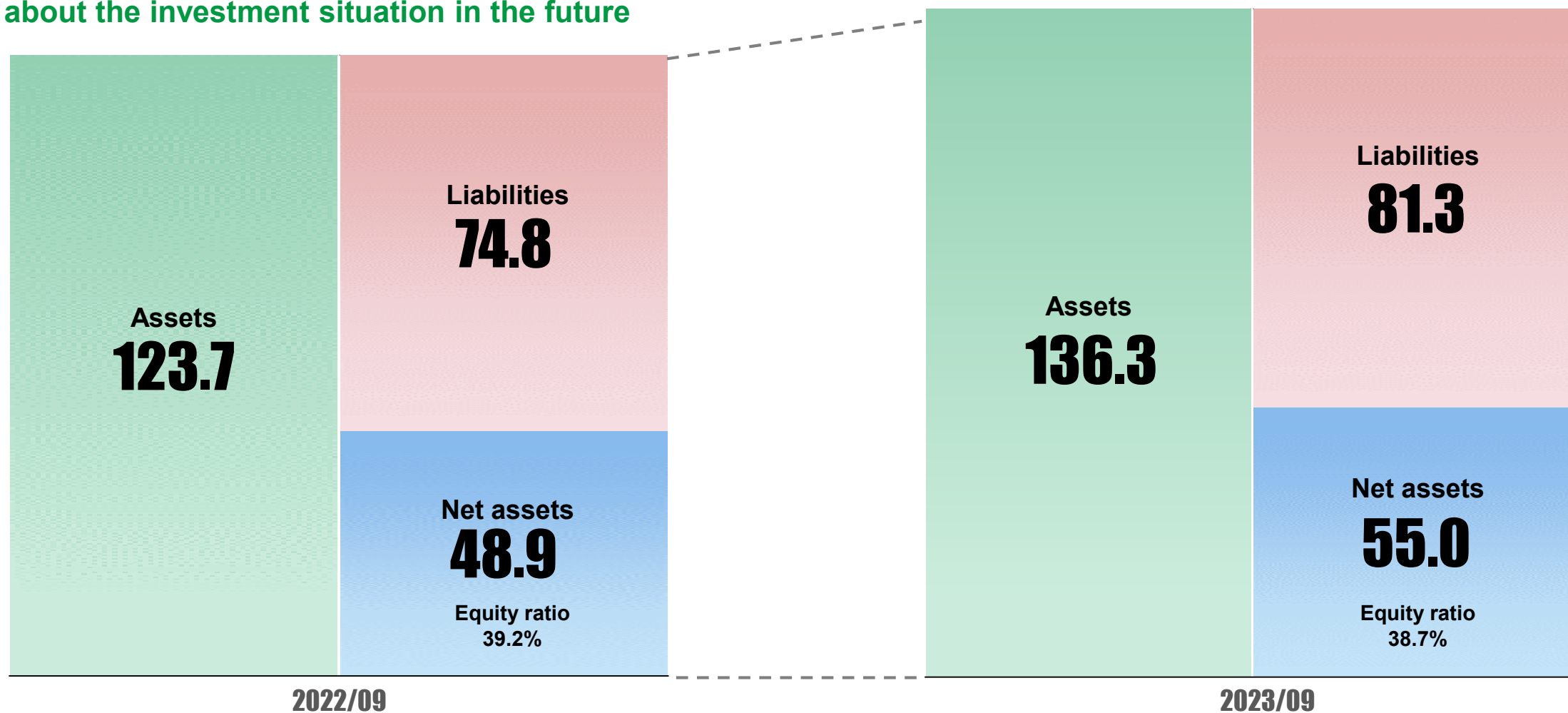
*Numbers are rounded to the nearest decimal place.

*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.

Education Domain Financial Results

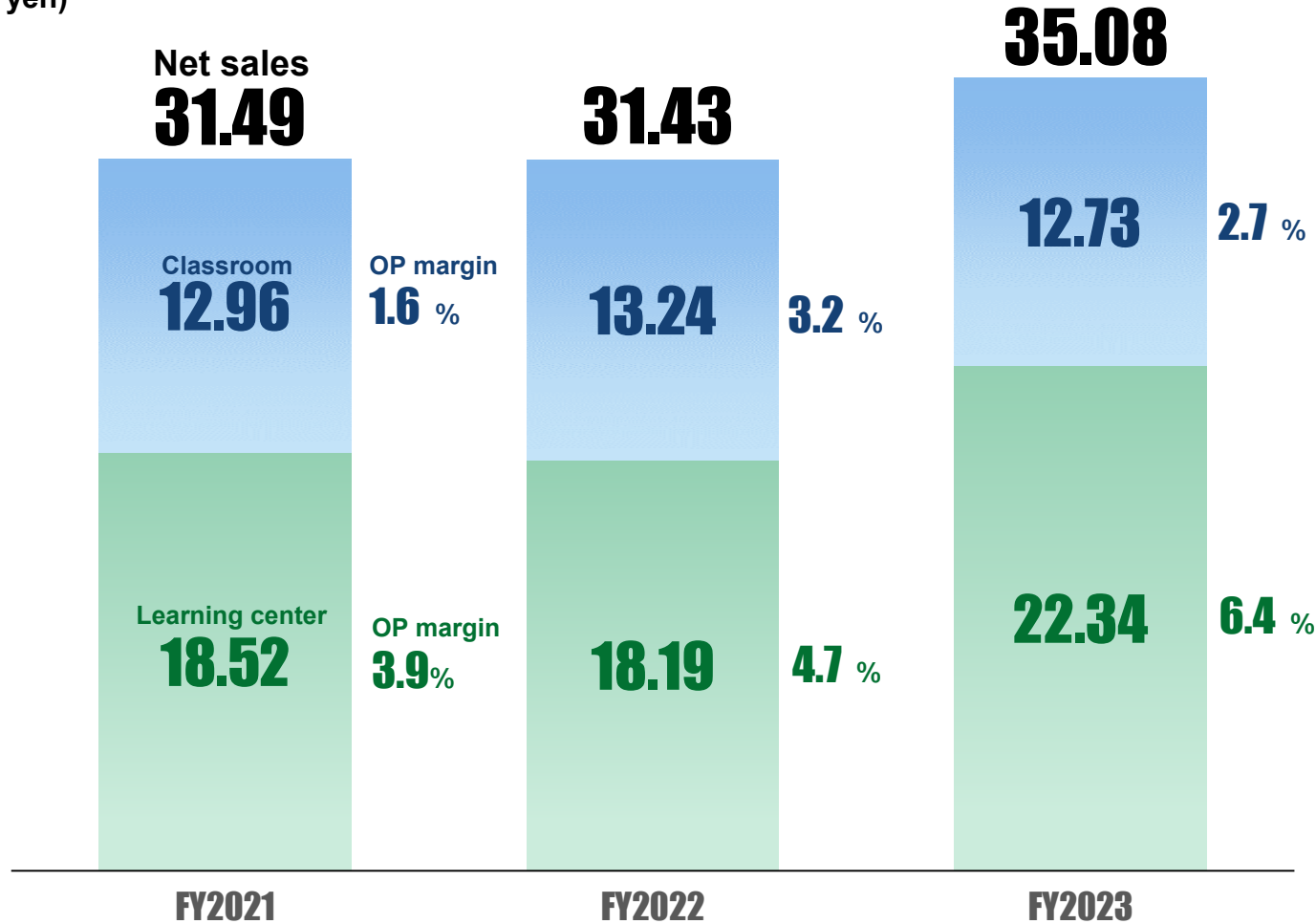
for the Fiscal Year Ended September 30, 2023

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 Fiscal Year Ended September 30, 2023

(Billion yen)



Operating Profit (OP) margin	FY2021	FY2022	FY2023
	3.0%	4.1%	5.0%

*Numbers are rounded down to the nearest decimal place.

Positives

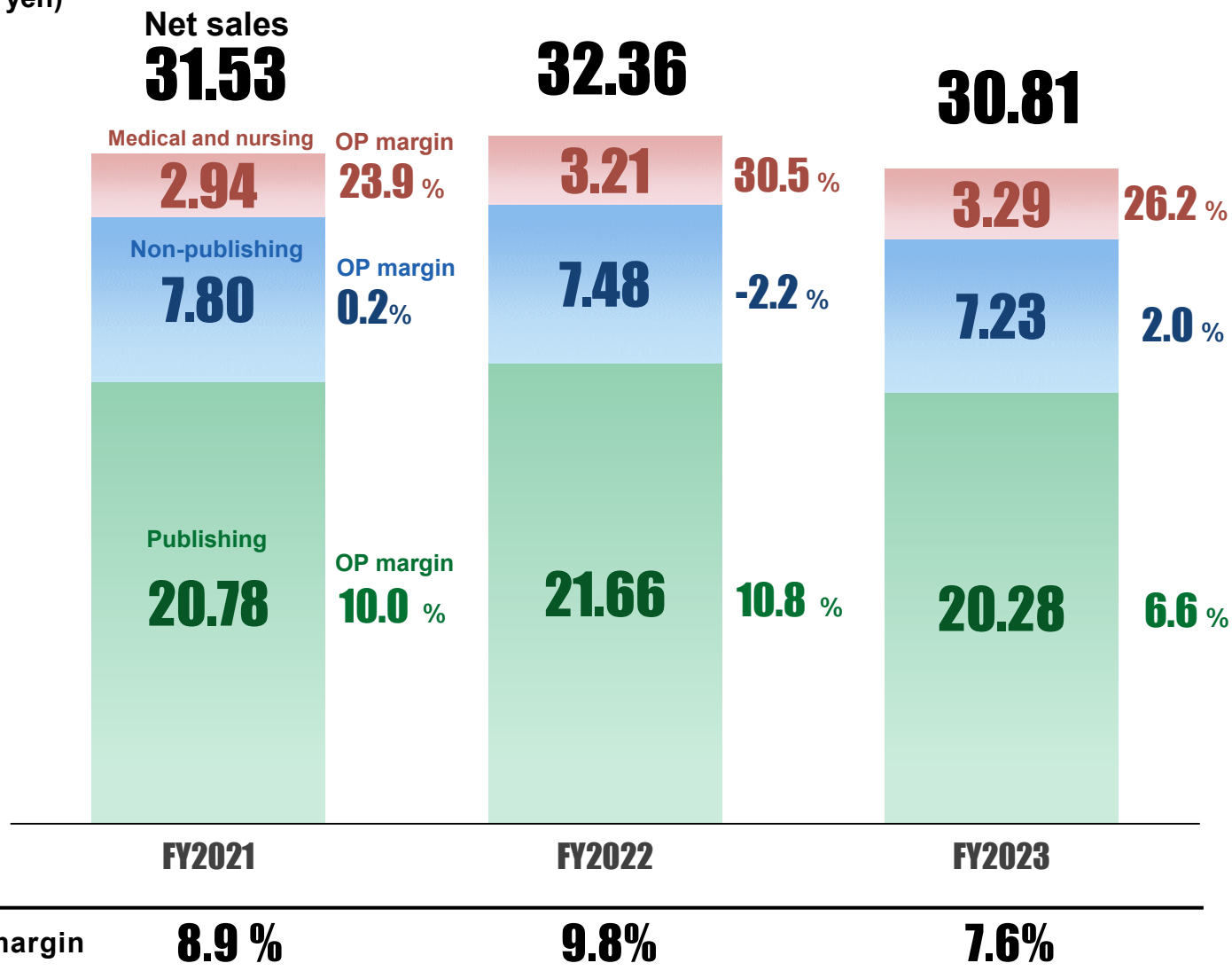
- NE Holdings Co., Ltd. and Ichishin Holdings Co., Ltd. were consolidated in 4Q
- Steady growth in memberships for Kotoba Park, the online Japanese language instruction service
- Increase in number of learning centers introducing ViSC (Virtual Smart Campuses)

Negatives

- Increase in households curtailing education expenses due to rising commodity prices
- Slight decrease in the rate of junior high school students attending learning centers
- Number of students attending seasonal courses such as spring courses and summer courses has plateaued

Publishing and Content Summary for the Fiscal Year Ended September 30, 2023

(Billion yen)



Positives

- Map/guide books of Arukikata. Co.,Ltd. continued to perform strongly
- Steady performance of e-learning business targeting nurses
- Gakken Sta:Ful Co., Ltd. of the toy business became an affiliate accounted for the equity method in 4Q

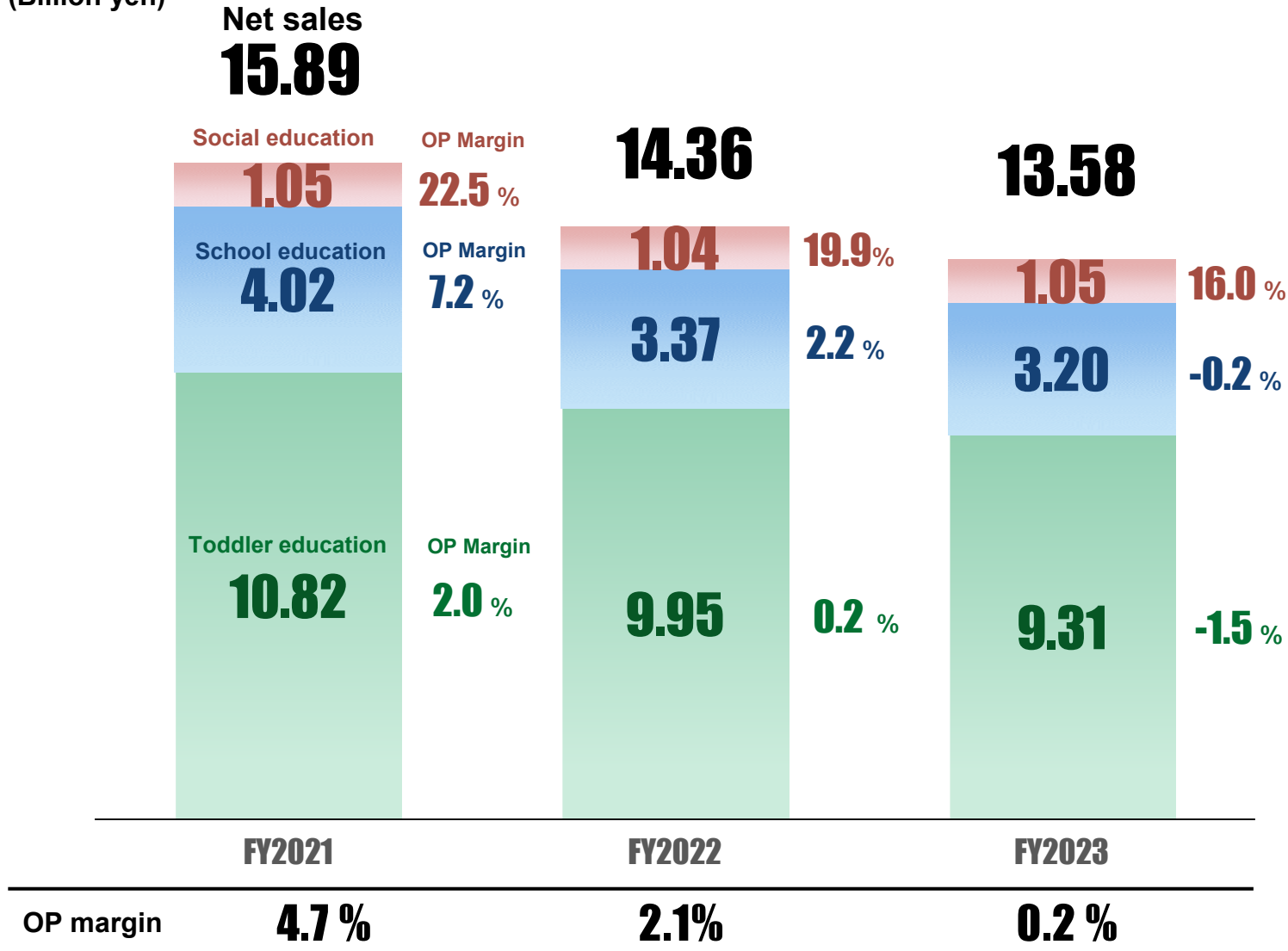
Negatives

- Rate of books returned unsold deteriorated by 3.8%pt YoY
FY2022:23.7% → FY2023: 27.5%
- Sluggish sales in main genres, such as children's books and study-aid books
- Rising costs of raw materials, paper, logistics, etc.

*Numbers are rounded down to the nearest decimal place.

Kindergarten and School Summary for the Fiscal Year Ended September 30, 2023

(Billion yen)



Positives

- “Tsunagaru (Making Connections) Picture books,” core offerings in toddler business, is performing well
- Supplementals and materials for mock short essay exams are trending steadily

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 original products such as aprons due to declines in subsidies and sluggish demand

Healthcare and Nursing Domain Financial Results

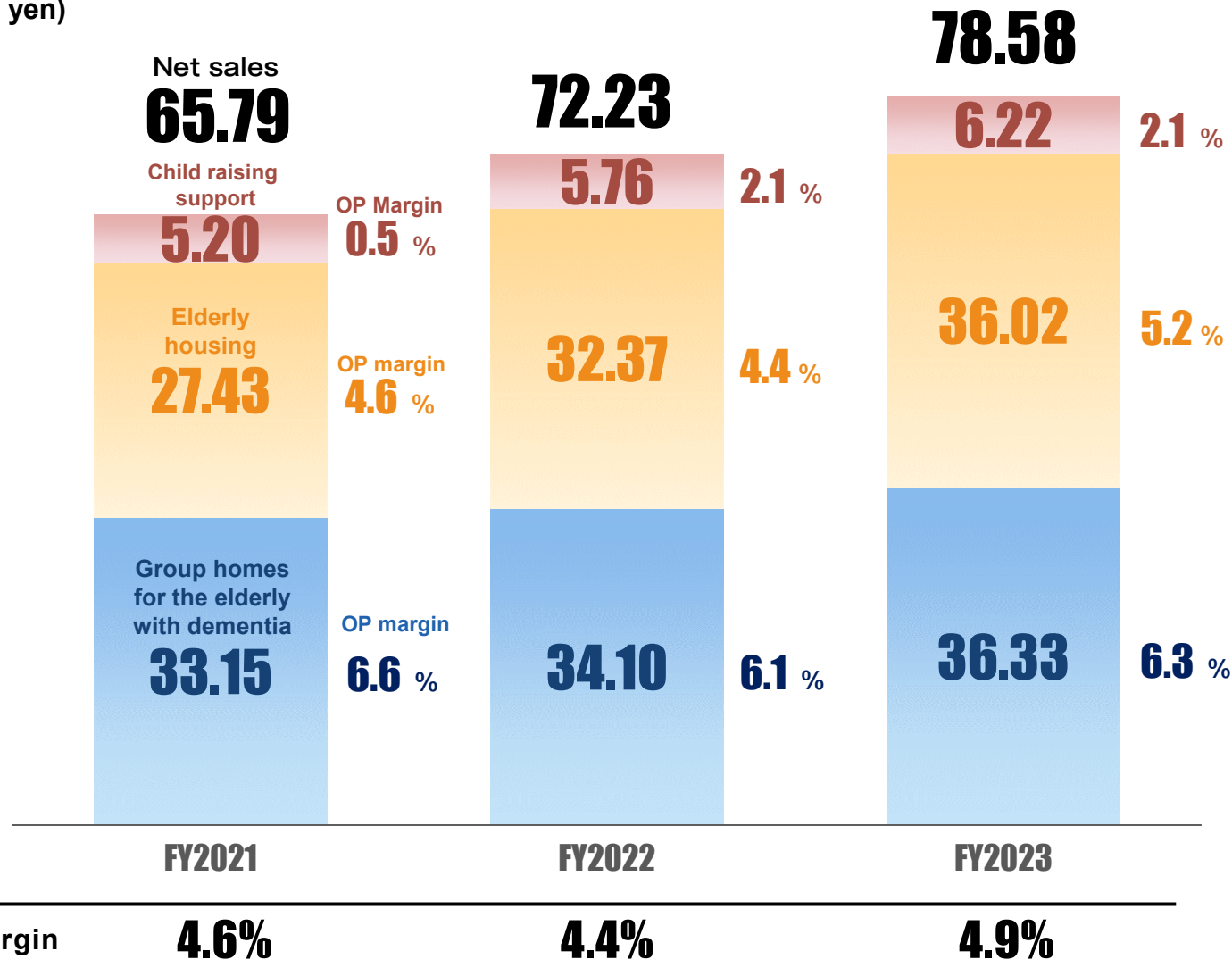
for the Fiscal Year Ended September 30, 2023

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 Fiscal Year Ended September 30, 2023

(Billion yen)



Positives

- New openings as scheduled
 - Elderly housing (13)
 - Group homes (15)
 - After-school children's clubs, etc. (10)
- Occupancy and utilization rates trending at high levels
 - Elderly housing : 97.1%
 - Group homes : 96.8%
 - Nursery schools: 95.3%

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.

*The elderly care and welfare service business of Ichishin Holdings, Co., Ltd., which was consolidated in July 2023, is included in the group homes for the elderly with dementia business.

*The numbers of new openings and occupancy rates in the group homes for the elderly with dementia business do not include the performance of Ichishin Holdings Co., Ltd.

Gakken 2023 Summary

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 sales and profit fell short of targets due in part to the Omicron outbreak and soaring utility costs, but revenue and profit continue to increase

In the FY2023 (final year), the actual results exceeded recent financial results forecasts but did not achieve the initial plan

(Billion yen)

Consolidated	FY2021		FY2022		FY2023				
	Plan	Results	Plan	Results	Initial plan (20/11/13)	Revised forecast (22/11/11)	Revised forecast (23/8/11)	Results	Achievement rate and difference against the initial plan
Net Sales	146.0	150.3	157.0	156.0	165.0	162.0	160.0	164.12	99.4%
Operating profit	5.60	6.24	6.70	6.43	7.50	6.70	5.60	6.17	82.3%
Operating Profit margin	3.8%	4.2%	4.2%	4.1%	4.5%	4.1%	3.5%	3.8%	-0.7%pt
Ordinary profit	5.70	6.13	6.80	6.93	—	7.00	6.10	6.48	—
Profit	2.80	2.62	3.40	3.44	3.80	3.60	3.30	3.19	83.9%
ROE	6.5%	6.3%	7.1%	7.2%	8.0%	7.2%	—	6.3%	-1.7%pt

* Numbers are rounded to the nearest decimal place .

Summary towards the New Medium-Term Management Plan Gakken 2025

- While we worked to establish a solid foundation for growth amid the turbulent changes in the environment such as the COVID-19 pandemic and accelerated birthrate decline, momentum was lost in the second half of the second year
- The Healthcare and nursing domain has established a growth model.
We will continue to aim to be a top company
- Strategic domains for the global business have been identified
Some progress in collaboration with local partners has been made
- In DX, we have continued product development but has not yet made an expansion
- Aggressive growth investments have been made,
but challenges remain in terms of contributions to profits
- The most important themes for sustainable growth are to turn around
the Education domain and improve its earning power
- Establishing new growth axes, such as expanding services and content
in the recurrent and reskilling areas, and reorganizing unprofitable businesses are urgent tasks

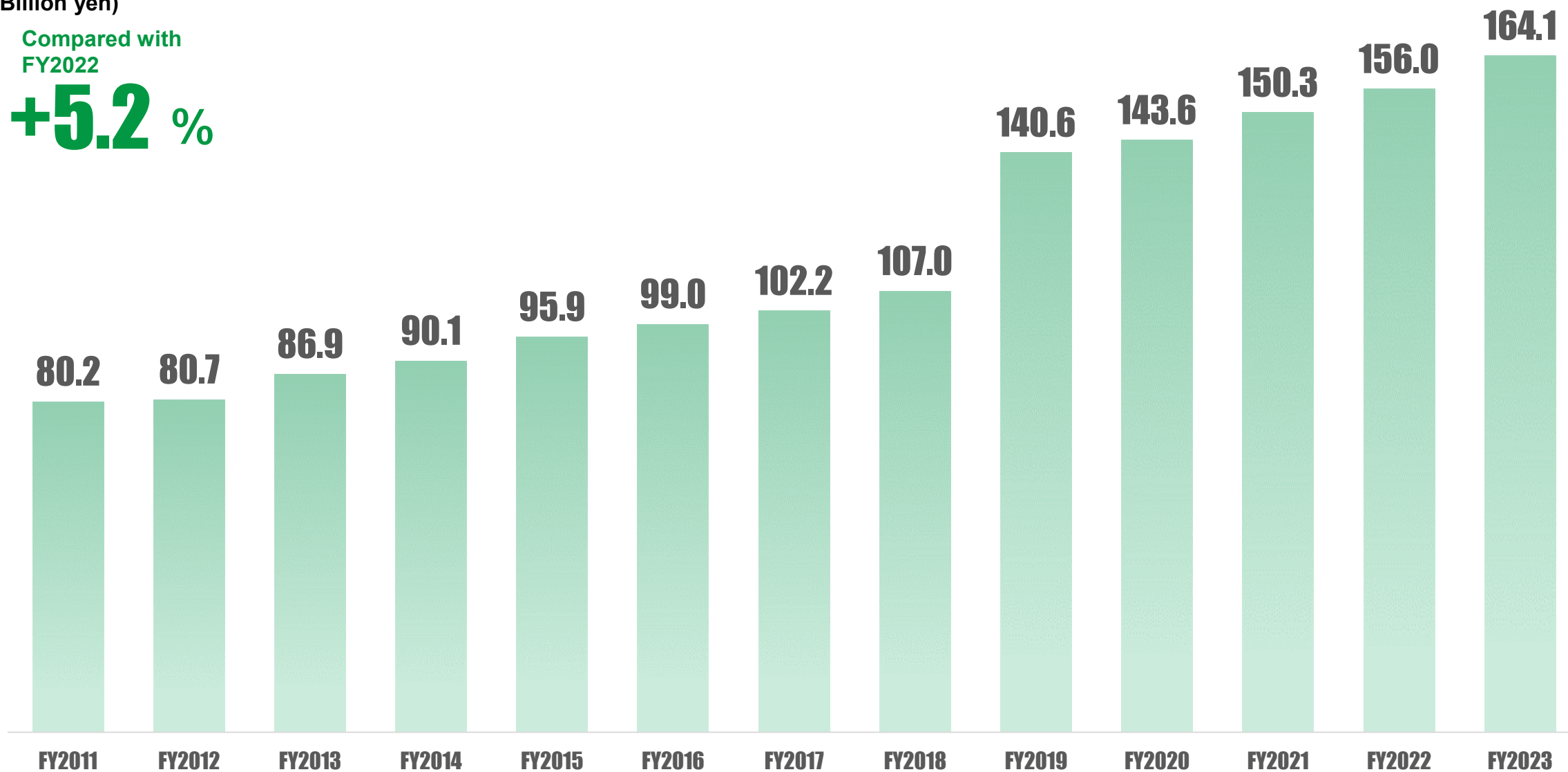
Supplementary Materials

Trends of Net Sales

(Billion yen)

Compared with
FY2022

+5.2 %



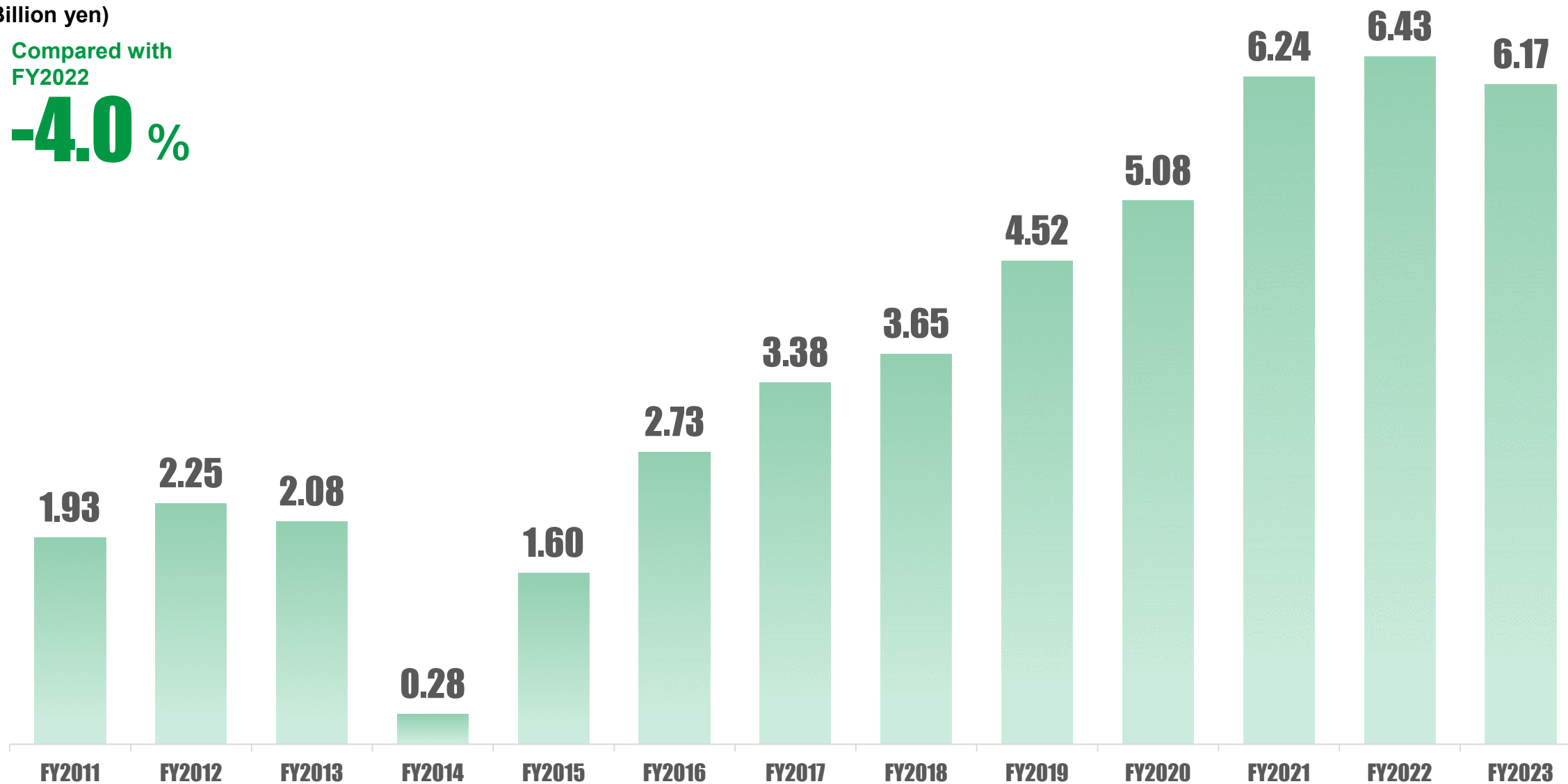
*Numbers are rounded to the nearest decimal place.

Trends of Operating Profit

(Billion yen)

Compared with
FY2022

-4.0 %



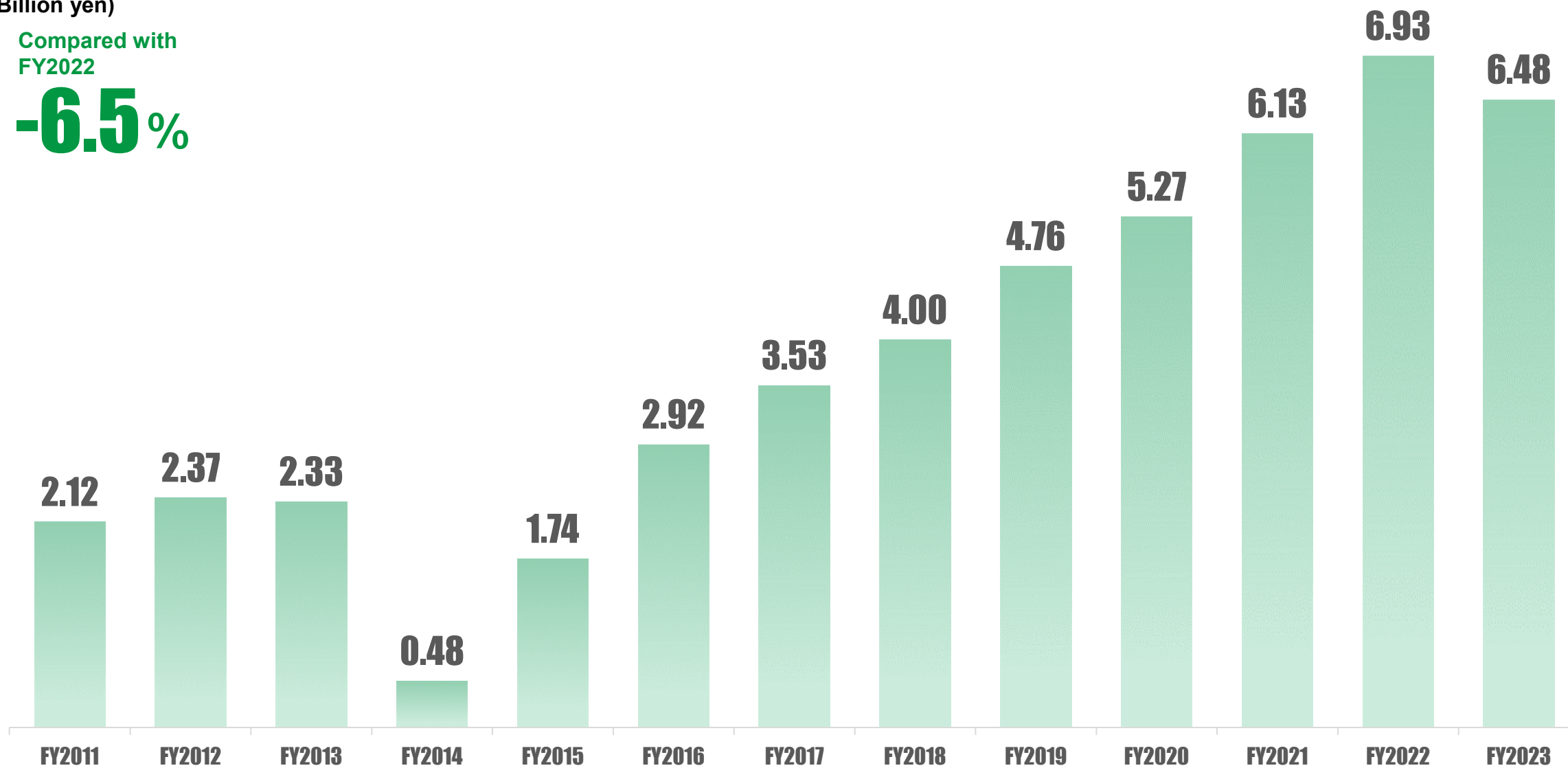
*Numbers are rounded to the nearest decimal place.

Trends of Ordinary Profit

(Billion yen)

Compared with
FY2022

-6.5%



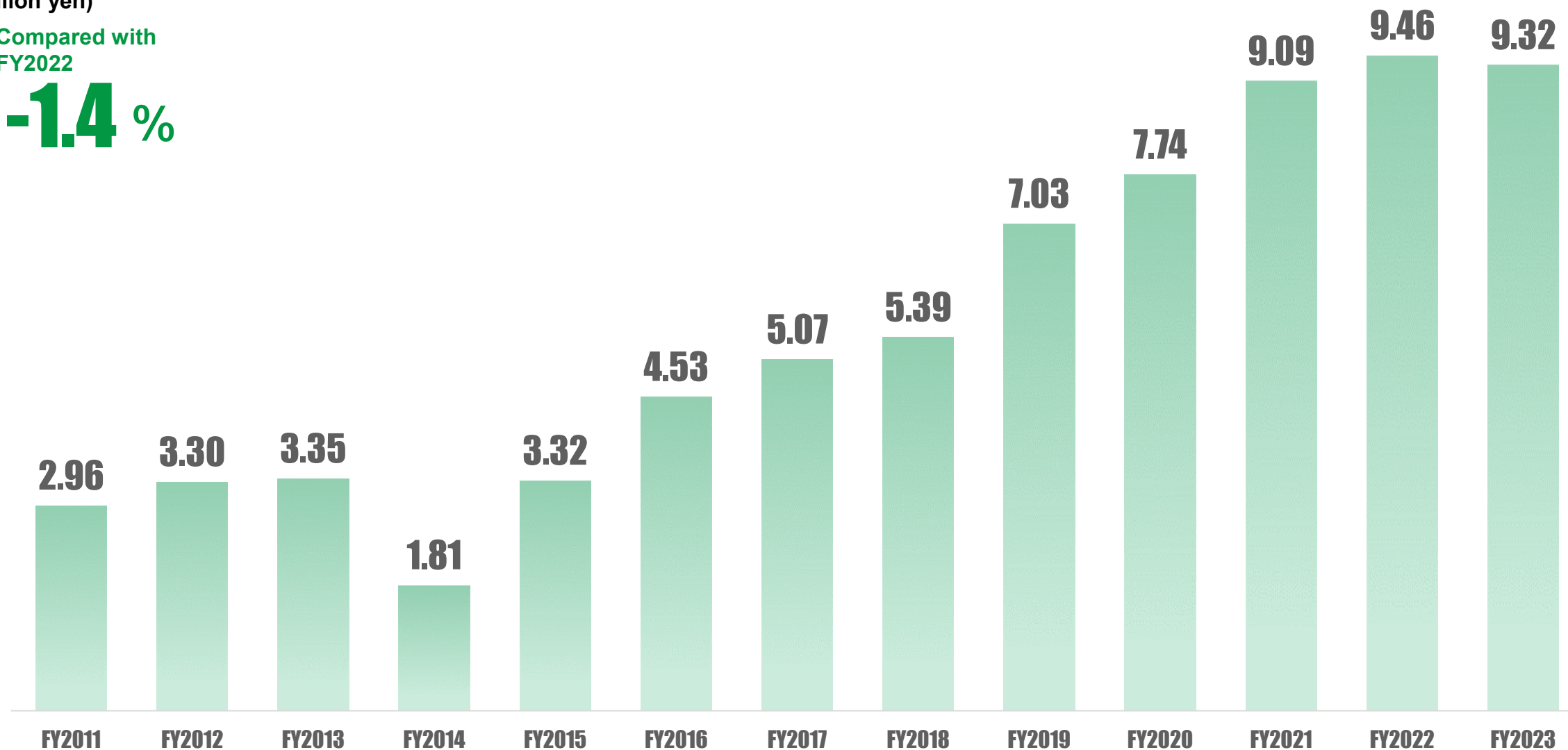
*Numbers are rounded to the nearest decimal place.

Trends of EBITDA*

(Billion yen)

Compared with
FY2022

-1.4 %



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

*Numbers are rounded to the nearest decimal place.

Summary of Results by Segment for the 4th Quarter (single quarter)

(Billion yen)

Segment	Business	4Q FY2022 (single quarter) Results		4Q FY2023 (single quarter) Results		Change (YoY)	
		Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational domain		18.83	1.14	22.22	1.99	+3.38	+0.84
	Classroom and learning center	8.31	0.72	12.70	1.67	+4.39	+0.96
	Publishing and content	7.73	0.67	7.02	0.55	-0.71	-0.12
	Kindergarten and school	2.79	-0.16	2.50	-0.14	-0.29	+0.02
	Goodwill	-	-0.08	-	-0.10	-	-0.02
Healthcare and Nursing domain		18.84	0.90	20.87	1.37	+2.03	+0.47
	Elderly housing	8.65	0.48	9.50	0.89	+0.85	+0.41
	Group homes for the elderly with dementia	8.73	0.55	9.79	0.57	+1.06	+0.02
	Child raising support	1.46	-0.01	1.58	0.04	+0.12	+0.05
	Goodwill	-	-0.12	-	-0.12	-	-0.01
Other		1.35	0.19	1.67	0.07	+0.32	-0.12
Adjustments		-	-0.59	-	-0.56	-	+0.03
Group total		39.02	1.64	44.75	2.86	+5.73	+1.22

*Numbers are rounded to the nearest decimal place.

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

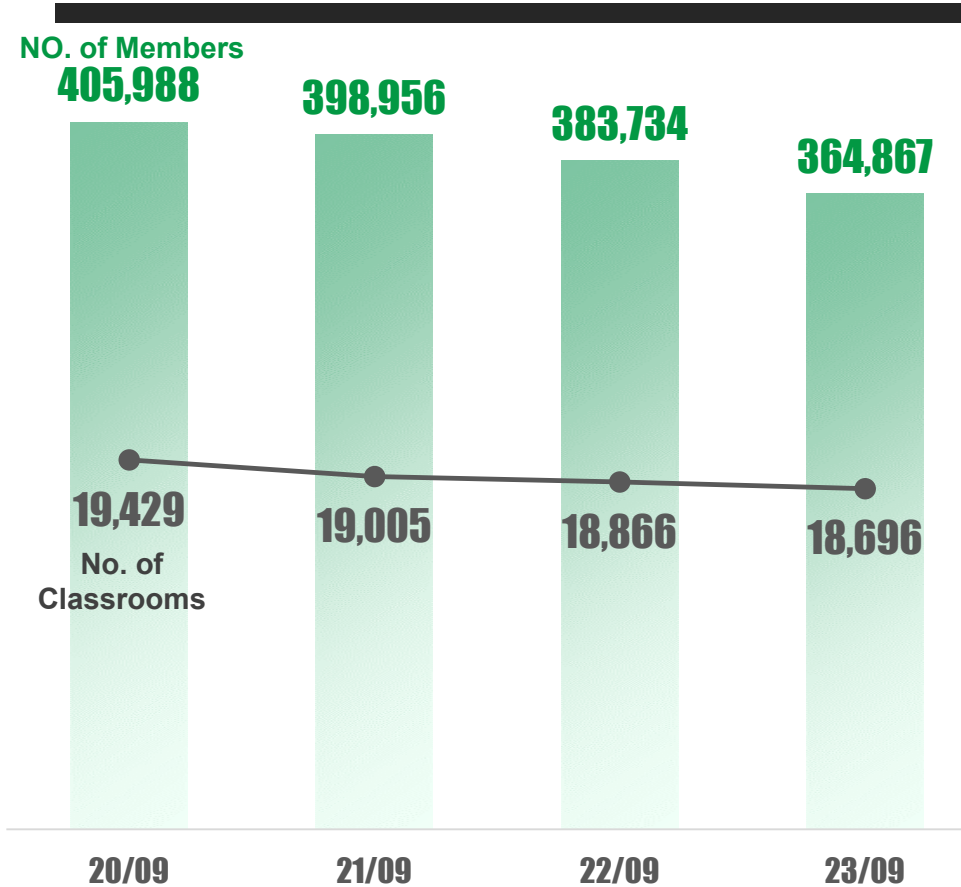
Classrooms and Learning centers

No. of Members and No. of Classrooms

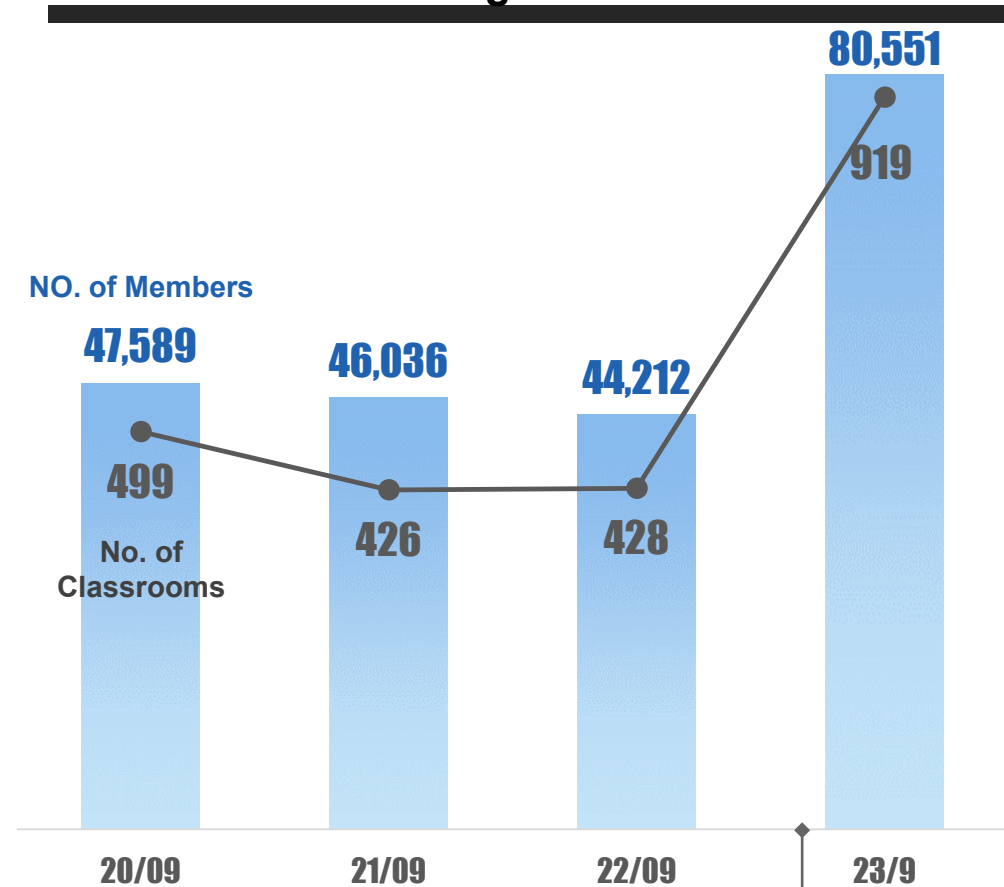
In the learning center business, the number of students and classrooms increased, due to the NE Holdings and Ichishin Holdings joining the Group

Gakken Classroom's student recruitment and developing FC classrooms did not perform well, failing to achieve a recovery trend
 Number of members for toddler classes has stagnated despite increase in number of new classrooms

Classrooms



Learning Centers



*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.

* NE Holdings joined the Group in May 2023 and Ichishin Holdings in July 2023

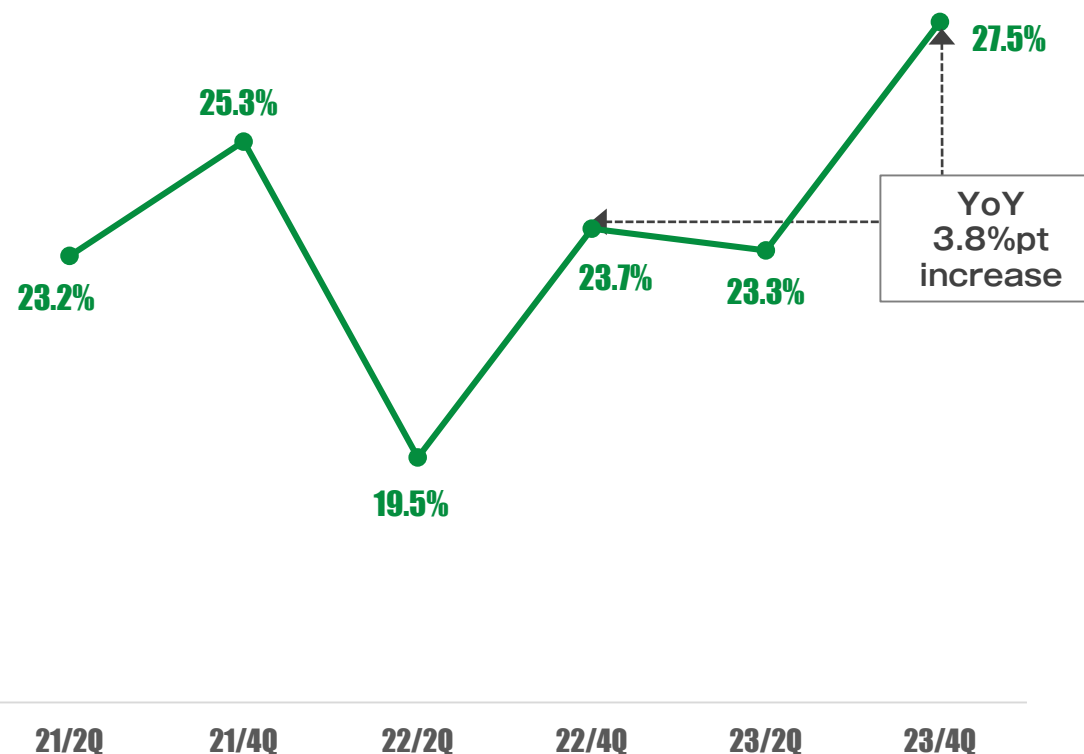
No. of New Publications and Rate of Returns

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 3.8%points year on year

No. of new publications *1

	21/09	22/09	23/09
Children's books	192	194	194
Study-aid books	172	178	207
How-to guides	160 ^{*2}	187	215
Magazine books	46	51	47
Other publications	87	123	170
Total	657	733	833

Rate of publications returned during cumulative period

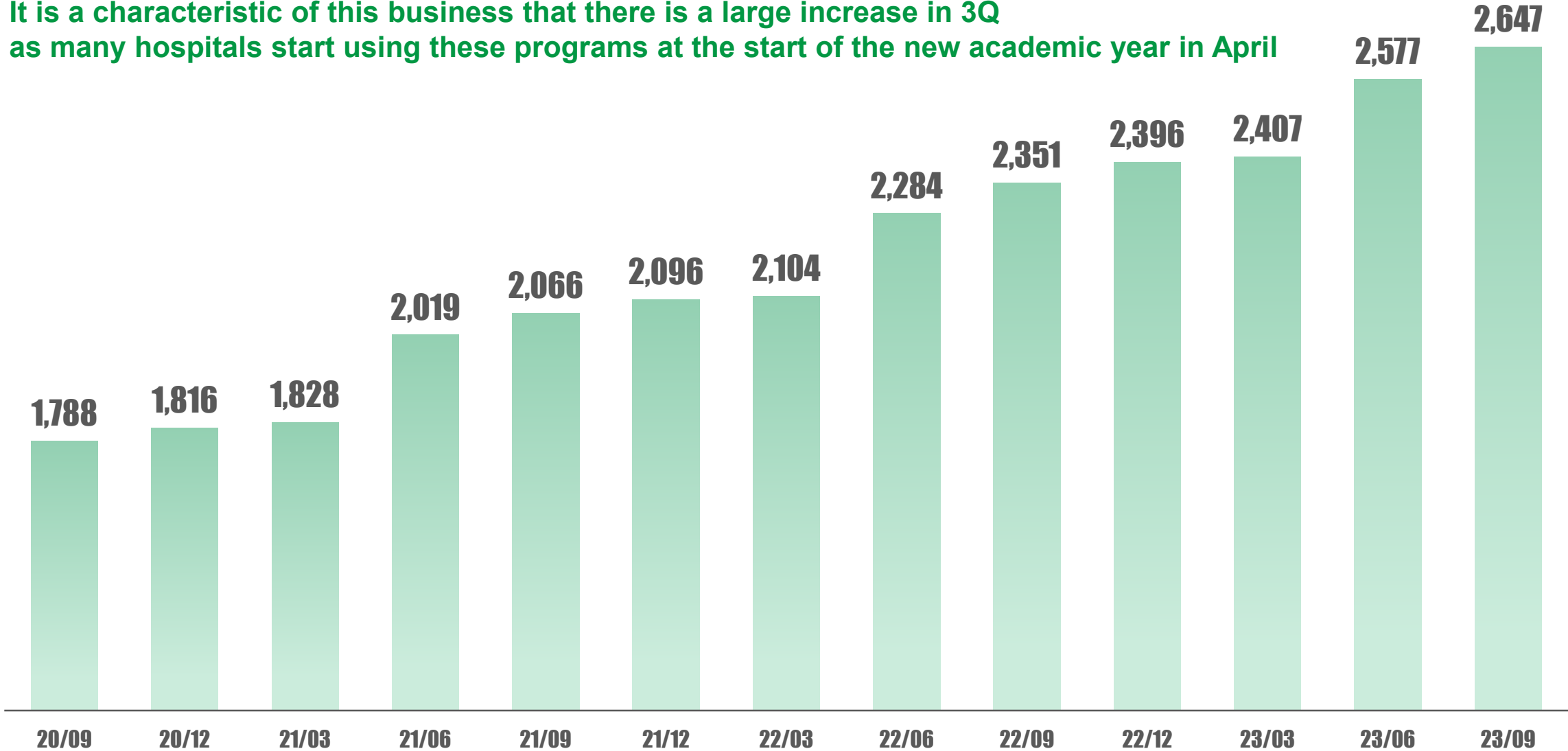


*1 Numbers of new publications and the rate of publications returned for books (excluding magazines) are for those of Gakken only and do not include numbers for medical books and Bunri Co., Ltd.

*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 296 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



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

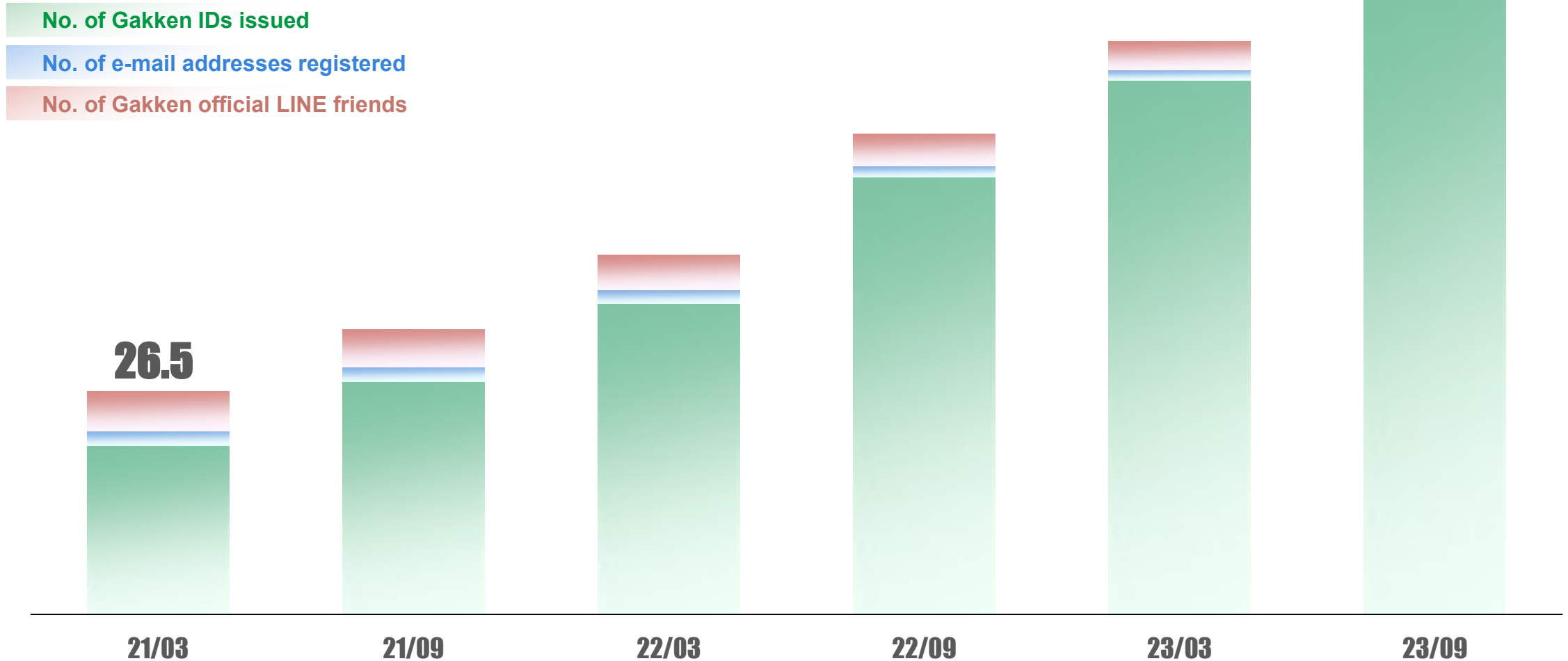
	2019	2020	2021	2022	2023	2024	2025
Elementary school / Health	●	◎		△	●	◎	
Junior high school / Physical and health education	△	●	◎		△	●	◎
Elementary school / Moral education	●	◎		△	●	◎	
Junior high school / Moral education	◎ △	●	◎		△	●	◎

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

DX Strategy: Group Direct Touchpoints

The number of IDs obtained for individual services is approaching 800,000
We will promote collaboration between services to improve customers' LTV

(in 10,000)



Plans and Progress of New Facility Openings

(No. of developed facilities)

- 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
- Achieved 118% of the full-year target with business acquisitions by M&A and new openings of child raising support facilities

	FY2022	FY2023						
	Full-year Results	1Q Results	2Q Results	3Q Results	4Q Results	Full-year Results	Full-year Plan	Achievement rate against the initial plan
Elderly housing	21 facilities (22 buildings)	4	2	3 Including 1 M&A	4	13	16~22	81.3%
Group homes for the elderly with dementia	11	3 Including 1 M&A	3 Including 1 M&A	5 Including 2M&A	4	15	12~15	125.0%
Child raising support facilities	3	4	2	3	1	10	4	250.0%
Total	35	11	7	11	9	38	32~41	118.8%

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

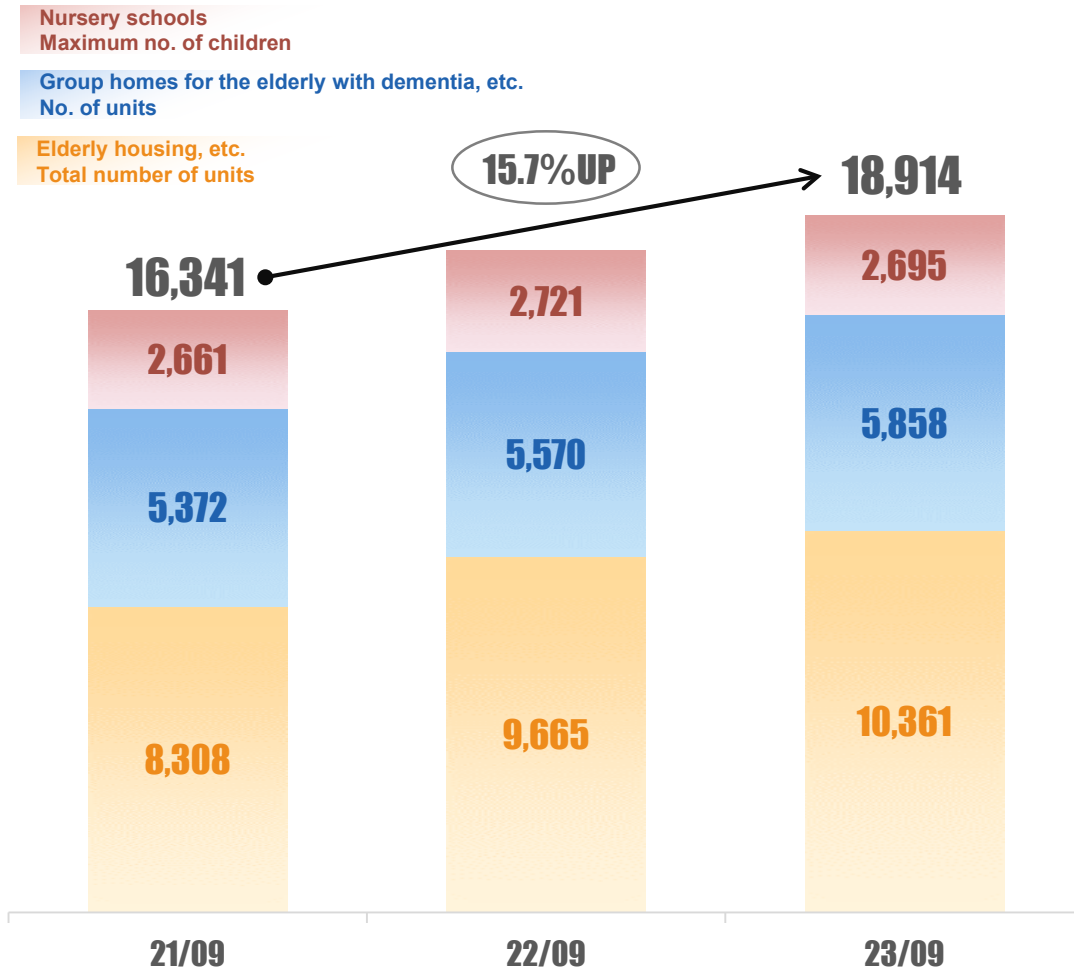
*Does not include locations operated by Ichishin Holdings Co., Ltd.

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

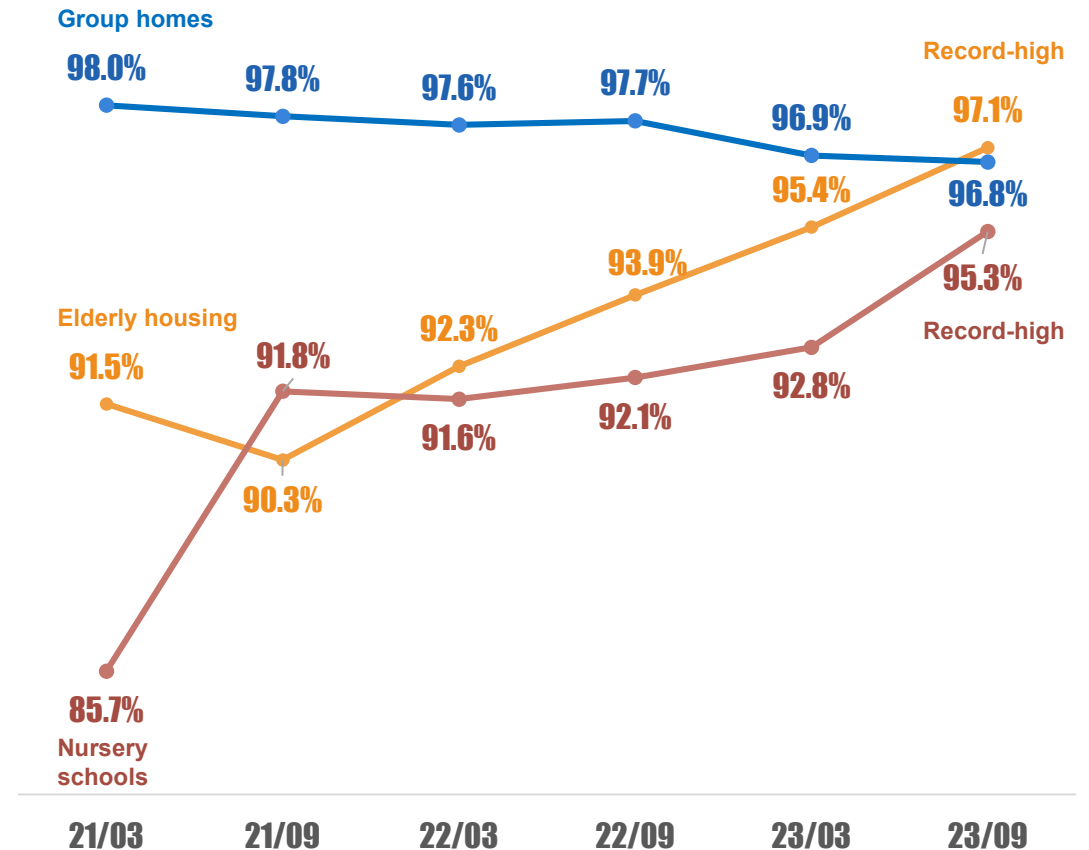
Because learning support facilities were not included in previous disclosure material, the number in 2Q results, namely 0 has been amended to 2. Figures for all other timeframes are unchanged.

Capacity Expansion and Improvement in Status of Operations

Trend in total number of units and maximum number of children

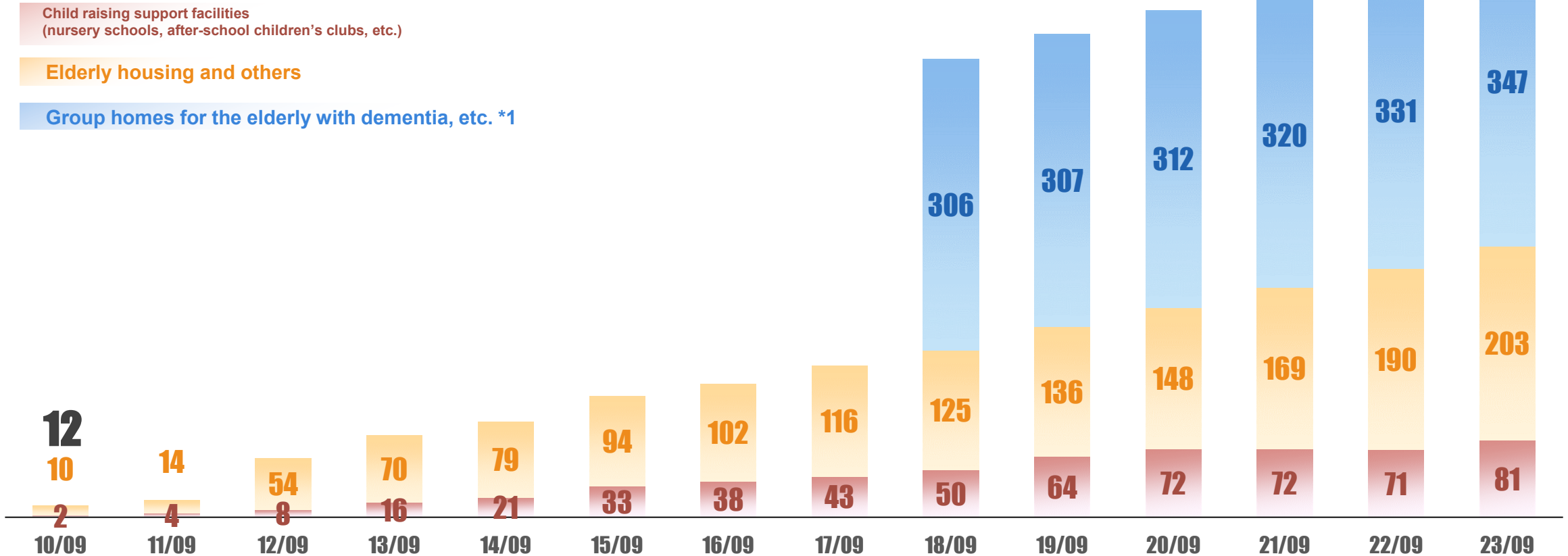


Trend in occupancy rate and utilization rate



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.

Healthcare and Nursing Domain

Occupancy Rate and Utilization Rate

		20/03	20/09	21/03	21/09	22/03	22/09	23/03	23/09
Elderly housing	Total no. of units	6,898	7,182	7,632	8,308	9,037	9,665	9,980	10,361
	No. of occupied units	6,289	6,600	6,985	7,505	8,345	9,073	9,519	10,062
	Occupancy rate	91.2%	91.9%	91.5%	90.3%	92.3%	93.9%	95.4%	97.1%
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	5,858
	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	2,568
	Utilization rate	84.4%	85.4%	85.7%	91.8%	91.6%	92.1%	92.8%	95.3%

*1 Figures for group homes for the elderly with dementia do not include the numbers from the elderly care and welfare service business operated by Ichishin Holdings Co., Ltd.

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.

Education Domain

Measures and Initiatives Under Gakken 2023

Despite challenges to create new approaches to learning and a diverse range of learning opportunities, next-generation foundation products and services have not yet been established

Good: Sufficient progress
 Fair : Initiatives making progress, but effects insufficient
 Poor : Not started / Little effect

Business	Main priority measures and expected benefits	Progress	Assessment
Classroom and learning center	<p>[Priority measure] Establish a competitive advantage in the emerging “bidirectional online” market</p> <p>[Expected benefits] An expanded student base and an increase in the number of classes taken</p>	<p>Despite some new services launch, insufficient contribution to profits</p> <ul style="list-style-type: none"> -In classroom business, Kotoba Park and other online services are expanding -In learning center business, engaged in upselling through combination of in-person and online services -Accelerated roll-out of virtual smart campuses (ViSC) 	Fair
Publishing and content	<p>[Priority measure] Develop systematic educational programs for working adults to propose a lifelong learning environment with a 100-year life in mind</p> <p>[Expected benefits] Pioneer the recurrent education market with around 65 million working adults</p>	<p>Strong performances by e-learning for nurses and “Arukikata” , but development of new services is falling behind</p> <ul style="list-style-type: none"> -Number of hospitals with contracts for e-learning for nurses up 48% (859 contracts) in three years -Expansion of books for working adults, centered on “Arukikata” -Strengthened editing structure for reskilling-related books 	Fair
Kindergarten and school	<p>[Priority measure] Contribute to improving the quality of toddler education by connecting kindergarten and households</p> <p>[Expected benefits] Offer consistent learning experience that better fits various lifestyles and behaviors</p>	<p>Even with digitalization efforts, limited contribution to revenue</p> <ul style="list-style-type: none"> -Increase in number of kindergartens and nursery schools introducing “hugmo” ICT system for nursery schools -Sales of goods to nursery schools and kindergartens struggling for the most part 	Poor
Digital	<p>[Priority measure] Secure of digital human resources / Integrate of IT department / Expand products / link services by Gakken ID</p> <p>[Expected benefits] Services and products that fit to the individual customer’s life stage</p>	<p>Securing of digital human resources and establishment of frameworks progressing well</p> <ul style="list-style-type: none"> -Established Gakken LEAP. Centralization of planning, development, and implementation of digital offerings -Strengthening of LEAP’s recruitment of digital human -Launched “Shikaku Pass” targeting working adults 	Fair
Global	<p>[Priority measure] Secure of global human resources / Identify strategic domains, regions, unprofitable bases</p> <p>[Expected benefits] Expand to new overseas market</p>	<p>Built and invested in frameworks for global business</p> <ul style="list-style-type: none"> -Strengthened recruitment of human resources -Identified strategic focus domains (toddlers, STEAM) and regions (Vietnam, China, Middle East) and accelerated roll-out of locations and partnership tie-ups -Completed withdrawal from unprofitable locations 	Fair

Healthcare and Nursing Domain Measures and Initiatives Under Gakken 2023

Seeking to be a top company, contributing to the development of sustainable towns, we are promoting the improvement of human resources and quality

Good: Sufficient progress
Fair : Initiatives making progress, but effects insufficient
Poor : Not started / Little effect

Theme	Main priority measures	Progress	Assessment
Talent	Improve retention and reduce early separations	Elderly housing: turnover rate of 24.4% (full-year target: 20.0%) GHs for elderly with dementia: turnover rate of 22.1% (full-year target: 20.0%)	Fair
	Enhance recruitment and conduct training operations in broader areas	Strengthened and established recruitment channels that do not depend on recruiting business operators, e.g. training academies for certified care workers and nursery school teachers	Fair
Quality	Streamline work with DX/ICT	Electronic elderly care records introduced at 100% of facilities	Good
	Offer a wide range of services in the child raising domain	Opened first facility in new Child Raising Station business format Strong performance in winning contracts to operate after-school children's clubs	Good
	Promote elderly care that supports self-care	Worked to introduce elderly care focused on self-care at GHs for elderly with dementia, and introduced at 100% of facilities	Good
	Nursing and elderly care without hospitalization	Aiming for 2.0% hospitalization rate, but still at 2.8%	Fair
Development	Enhance sales prowess, accelerate the pace of facility openings*	Opened 13 elderly housing facilities (full-year target: 16-22), 15 GHs for elderly with dementia (full-year target: 12-15), 10 child raising support facilities (full-year target: 4) in Japan	Good
	Enhance building management	Rolling out property management nationwide, making steady progress	Good
	Enhance community development, expand to overseas	Opened one overseas location Opened one complex site in FY2021, followed by three in FY2022, none in FY2023	Good

*New facilities opened in Japan 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.**