

Consolidated Financial Results for the Fiscal Year Ended September 30, 2023 [Japanese GAAP]



November 10, 2023

Company name: Gakken Holdings Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 9470
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 Scheduled date of Ordinary General Meeting of Shareholders: December 22 2023
 Scheduled date of filing annual securities report: December 22, 2023
 Scheduled date of commencing dividend payments: December 25, 2023
 Availability of supplementary briefing material on financial results: Available
 Schedule of financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2023 (October 1, 2022 to September 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended September 30, 2023	164,116	5.2	6,170	(4.0)	6,477	(6.5)	3,194	(7.2)
September 30, 2022	156,032	3.8	6,427	3.0	6,929	13.1	3,440	31.5

(Note) Comprehensive income: Fiscal year ended September 30, 2023: ¥5,694 million [163.6%]

Fiscal year ended September 30, 2022: ¥2,160 million [(44.9)%]

	Profit per share	Diluted profit per share	Rate of return on equity	Rate of return on total assets	Operating profit margin
Fiscal year ended	Yen	Yen	%	%	%
September 30, 2023	72.51	71.90	6.3	5.0	3.8
September 30, 2022	78.67	77.95	7.2	5.8	4.1

(Reference) Equity in earnings of affiliated companies: Fiscal year ended September 30, 2023: ¥347 million

Fiscal year ended September 30, 2022: ¥304 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2023	136,328	55,034	38.7	1,195.91
As of September 30, 2022	123,682	48,888	39.2	1,102.16

(Reference) Equity: As of September 30, 2023: ¥52,748 million

As of September 30, 2022: ¥48,439 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
September 30, 2023	5,459	(4,760)	(6,203)	19,093
September 30, 2022	5,167	(5,798)	2,004	21,672

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
September 30, 2022	—	12.00	—	12.00	24.00	1,052	30.5	2.2
September 30, 2023	—	12.50	—	12.50	25.00	1,102	34.5	2.2
Fiscal year ending September 30, 2024 (Forecast)	—	12.50	—	12.50	25.00		40.8	

The total amount of dividends does not include the dividends paid for the Company's shares held by The Nomura Trust & Banking Co., Ltd. (the dedicated trust account for Gakken Employees' Shareholding Association).

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2024 (October 1, 2023 to September 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	185,000	12.7	6,400	3.7	6,600	1.9	2,700	(15.5)	61.21

The first half performance forecast is omitted due to the nature of the Company's business which is characterized by fluctuations in the first half.

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
Newly added: - (Name) - Excluded: - (Name) -
- (2) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
September 30, 2023: 44,633,232 shares
September 30, 2022: 44,633,232 shares
 - 2) Total number of treasury shares at the end of the period:
September 30, 2023: 525,839 shares
September 30, 2022: 683,987 shares
 - 3) The average number of shares during the period:
Fiscal year ended September 30, 2023: 44,051,105 shares
Fiscal year ended September 30, 2022: 43,734,513 shares

The Company has a trust-type employee shareholding incentive plan in place. The total number of treasury shares at the end of the period includes the number of the Company's shares held under this plan by The Nomura Trust & Banking Co., Ltd. (the dedicated trust account for Gakken Employees' Shareholding Association): — shares at the end of the fiscal year ended September 30, 2023; and 43,400 shares at the end of the fiscal year ended September 30, 2022. The average number of shares during the period is calculated with the number of treasury shares deducted; the number of treasury shares deducted includes the number of the Company's shares held under the same plan by The Nomura Trust & Banking Co., Ltd. (the dedicated trust account for Gakken Employees' Shareholding Association): 5,123 shares at the end of the fiscal year ended September 30, 2023; and 221,962 shares at the end of the fiscal year ended September 30, 2022.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2023 (October 1, 2022 to September 30, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2023	7,548	51.9	2,548	—	2,134	—	1,488	—
September 30, 2022	4,969	7.4	55	(68.0)	(450)	—	60	(81.8)

Fiscal year ended	Profit per share	Diluted profit per share
	Yen	Yen
September 30, 2023	33.80	33.51
September 30, 2022	1.38	1.36

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
September 30, 2023	86,219	38,756	44.7	873.49
September 30, 2022	78,550	37,029	46.8	836.74

(Reference) Equity: As of September 30, 2023: ¥38,527 million

As of September 30, 2022: ¥36,774 million

*These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

(Note on forward-looking statements, etc.)

Financial performance forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions it deems rational. The actual results may vary significantly due to various factors. With regard to the assumptions for the performance forecasts and the notes on the use of the performance forecasts, please refer to “1. Overview of Business Results, etc., (4) Future Outlook” on page 8 of the Attachments.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Current Fiscal Year

1) Explanation of market conditions

The education industry sees an increasing number of families curtailing their education spending along with the rise in all kinds of living costs. Each company in the industry is also accelerating the trend of passing on the increased costs, including raw material and personnel costs, to prices.

In addition to this economic environment, despite the headwinds of rapidly declining Japan's birthrate, there are three new trends gaining momentum at the moment due to changes in social conditions, such as the increase in dual-income households and the greater mobility of human resources. These trends are also related to the Basic Policy on Economic and Fiscal Management and Reform and the "countermeasures of another dimension" against Japan's low birth rate, two of the Japanese government's major policies, and it is hoped that these will provide a boost to the market's expansion.

The first of these trends is the growth of the market for high-income families, particularly in the Tokyo metropolitan area. Even amid soaring commodity prices, high-income families are increasing their investment in education, and needs are growing for toddler classes in preparation for elementary school entrance exams, learning centers for junior high school entrance exams, and high-priced private afterschool children's clubs.

The second trend is digital transformation (DX). In schools, the content built into the tablet devices distributed through the GIGA (Global and Innovation Gateway for All) School Program is being improved, and outside schools, private business operators such as learning centers are focusing their efforts on developing online courses and digital learning materials.

The third trend is the expanding demand for reskilling. As many industries struggle with labor shortages, demand for education for working adults targeting both businesses and individuals is growing. The promotion of reskilling was also included in the Basic Policy on Economic and Fiscal Management and Reform for this fiscal year, with the announcement of a new program to provide subsidies of up to 240,000 yen per person. There are hopes that these moves will create new growth areas and trigger the reinvigoration of the education market as a whole.

In the elderly care industry, the percentage of elderly people aged 65 years and over reached a record high of 29.1% in the 2023 estimates, and the percentage of those aged 80 years and over surpassed 10% for the first time. The total cost of elderly care in fiscal 2022 reached a record high of ¥11,191.2 billion, about 2.5 times the size at the start of the long-term nursing care insurance scheme, and further market expansion is expected as the population ages rapidly.

In September, based on the Basic Act on Dementia to Promote an Inclusive Society passed in June this year, a new meeting, the Council for the Realization of a Happy Aging Society That Faces Dementia, chaired by the Prime Minister was held. Going forward, dealing with dementia will be a national effort as it is an issue not only for the elderly but for the entire public at large, and the role of elderly care service providers is expected to become even more significant.

On the other hand, in terms of the business environment, rises in utility prices have settled down to an extent thanks to measures to alleviate sudden fluctuations in electricity and gas prices, but prices of food and daily essentials continue to soar, and this is still having an impact on the business environment of individual business operators.

In addition, with the nursing care fees scheduled for the next revision in April 2024, full-scale studies are underway at the Ministry of Health, Labour and Welfare and other relevant government ministries and organizations. The industry as a whole continues to face shortages of the caregivers who take a role of providing these services, and there are discussions focused on relaxing staffing standards and reducing workloads, as well as a movement to promote the use of robots and ICT.

2) Explanation of business results

Under the market conditions described above, consolidated net sales for the fiscal year under review amounted to ¥164,116 million (up 5.2% year on year), operating profit was ¥6,170 million (down ¥256 million

or 4.0% year on year), ordinary profit was ¥6,477 million (down ¥452 million or 6.5% year on year), and profit attributable to owners of parent was ¥3,194 million (down ¥246 million or 7.2% year on year).

The Educational Domain recorded an increase in revenue but a decrease in profit. In the classroom and learning center business, revenue and profit increased, partly due to the consolidation of Ichishin Holdings Co., Ltd. and NE Holdings Co., Ltd. from the fourth quarter of the fiscal year. In the publishing and content business, although the “Chikyu-no-Arukikata” and e-learning businesses continued to perform well, sluggish sales in major genres, including children’s books, study-aid books, and learning materials for learning centers, deteriorating rates of goods returned unsold, and rising costs had a significant impact, pushing down the overall results of the Educational Domain. The kindergarten and school business also saw decreases in revenue and profit, mainly due to the impact of the decline in the number of new nursery school openings along with the decline in birthrate.

In the Healthcare and nursing Domain, despite the reactionary decline from the one-off revenue from the sale of real estate of the previous fiscal year and the impact of soaring utilities and food prices, active opening of new locations and strong occupancy rates contributed to increases in revenue and profit in the elderly housing business and the group homes for the elderly with dementia business. The child raising support business secured increases in revenue and profit as utilization rates at nursery schools remained high and stable, even with ongoing upfront investment in new business development. In conjunction with the consolidation of Ichishin Holdings Co., Ltd., the results of its elderly care and welfare service business were added to the Healthcare and nursing Domain.

Classification of the Group’s products and services is as follows:

Educational Domain	Classroom and learning center business	Operation of Gakken Classroom for a range of children from preschoolers to junior high school students (mainly elementary school students)
		Operation of classes for toddlers and children
		Operation of learning centers for a range of children from elementary school students to senior high school students
	Publishing and content business	Publishing and sale of publications including children’s books, study-aid books, and how-to guides through distributors and bookstores
		Development and sale of learning materials for learning centers
		Publishing and sale of books on nursing and medicine, sale of e-learning for training programs targeting nurses
		Development and sale of digital content linked with publishing
	Kindergarten and school business	Production and sale of publications, child-care products, equipment, and playground equipment for kindergartens, nursery schools, and children’s daycare centers, as well as clothing for teachers
		Production and sale of textbooks, instruction guides for teachers, supplementals, ICT learning materials, special needs education materials, short essay exams, etc.
Operation of recruitment support services and corporate training programs		
Healthcare and nursing Domain	Elderly housing business	Planning, development, and operation of serviced apartments for the elderly, bases for elderly care services, etc.
	Group homes for the elderly with dementia business	Planning, development, and operation of various services including group homes for the elderly with dementia
	Child raising support business	Planning, development, and operation of nursery schools, children’s daycare centers, afterschool children’s clubs, etc.

Business performance by segment is summarized below.

(Million yen)

	Fiscal year ended September 30, 2022		Fiscal year ended September 30, 2023		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Reportable segments						
Educational Domain	78,165	4,430	79,485	3,942	1,319	(488)
Healthcare and nursing Domain	72,237	3,148	78,589	3,820	6,352	671
Other	5,628	805	6,042	401	413	(404)
Adjustment	—	(1,957)	—	(1,993)	—	(35)
Group total	156,032	6,427	164,116	6,170	8,084	(256)

[Educational Domain]

Net sales: ¥79,485 million (up 1.7% year on year); operating profit: ¥3,942 million (down ¥488 million or 11.0% year on year)

(Million yen)

	Fiscal year ended September 30, 2022		Fiscal year ended September 30, 2023		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Main businesses						
Classroom and learning center business	31,435	1,273	35,085	1,780	3,650	507
Publishing and content business	32,365	3,165	30,818	2,353	(1,547)	(811)
Kindergarten and school business	14,364	301	13,581	22	(782)	(279)
Goodwill	—	(309)	—	(214)	—	94
Segment total	78,165	4,430	79,485	3,942	1,319	(488)

(Classroom and learning center business)

In the classroom business, revenue and profit declined due to sluggish growth in attracting new students for the new school year and in opening new classrooms for Gakken Classrooms and toddler classes. Despite the impact of the declining birthrate, demand for Gakken Classroom Online, Kotoba Park, and other digital services is expanding.

In the learning center business, although the performance in recruiting students for the new school year and attracting students for summer courses did not reach the previous year's level due to the impact of ordinary families curtailing their education spending, the consolidation of Ichishin Holdings Co., Ltd. and NE Holdings Co., Ltd. in the fourth quarter of the fiscal year resulted in increases in revenue and profit for the business overall. Overseas learning centers targeting Japanese children living outside Japan also maintained strong results.

(Publishing and content business)

In publishing, revenue and profit declined as sales failed to recover especially for children's books, study-aid books, and learning materials for learning centers, which have been in decline since autumn last year. The "Chikyu-no-Arukikata" book series maintained its strong performance, and signs of recovery were seen in study-aid books, but deteriorating rates of goods returned unsold and sluggish growth in children's books, combined with cost increases, pushed down profit.

In the medical and nursing business, sales of e-books are increasing. The number of hospitals subscribing to e-learning programs for nurses reached 2,647 (an increase of 296 hospitals from the previous year), helping to push up revenue. Growth in contract sales, such as system development and content production, resulted in increases in revenue and profit for the business overall.

Businesses other than publishing recorded increases in revenue and profit. The "Kimini" online English conversation business continued to grow in the number of users, resulting in increases in revenue and profit. The Tokyo Global Gateway, an experience-based English learning facility, improved the results with a trend

toward recovery in school use, despite an increase in selling, general and administrative expenses due to new facility openings. Gakken Sta:Ful Co., Ltd., which operates the toy business, became an affiliate accounted for the equity method starting from the fourth quarter of the fiscal year.

(Kindergarten and school business)

In toddler education, both revenue and profit decreased. Poor sales of high-margin apparel items, including teacher's aprons, as well as the sluggish growth of sales of large play equipment and fittings associated with the decline in the number of new nursery school openings pushed down revenue. Measures to increase sales of the "Tsunagaru (Making Connections) Picture books" series for kindergartens, which is one of this business's core offerings, have been promoted throughout the year, and good progress is being made.

In school education, although sales of supplementals and materials for mock short essay exams, etc. were strong, because the period under review was in the transition period for the adoption of new elementary and junior high school textbooks, sales of which are the foundation of this business's profits, there were no sales of instruction guides for teachers, and overall, both revenue and profit decreased.

In working adult education, the Company is developing a recruitment support business and a training business targeting listed companies that are investing in human capital. Although the Company is working to develop content to meet the rapid expansion of demand, this has not yet led to an increase in customers, and net sales remained at the same level as the previous fiscal year, resulting in a decrease in profit.

[Healthcare and nursing Domain]

Net sales: ¥78,589 million (up 8.8% year on year); operating profit: ¥3,820 million (up ¥671 million or 21.3% year on year)

*The utilities costs has been estimated at ¥3,326 million (up ¥597 million year on year, compared with existing facilities, adding serviced apartments for the elderly and group homes for the elderly with dementia together).

(Million yen)

	Fiscal year ended September 30, 2022		Fiscal year ended September 30, 2023		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Main businesses						
Elderly housing business	32,370	1,416	36,025	1,872	3,654	455
Group homes for the elderly with dementia business	34,101	2,074	36,339	2,289	2,237	215
Child raising support business	5,764	120	6,224	130	459	9
Goodwill	—	(462)	—	(471)	—	(8)
Segment total	72,237	3,148	78,589	3,820	6,352	671

(Elderly housing business)

In serviced apartments for the elderly, four new facilities were opened in the fourth quarter of the fiscal year, bringing the total number of sites to 203 including franchise locations, with a total of 10,361 rooms. Although there were some impacts from the external environment, such as delays in some construction periods and construction costs remaining high, the Company continues to actively promote the opening of new facilities. Occupancy rates remain at a high level, reaching a record-high 97.1% (up 3.2 percentage points year on year). Although there were factors that placed pressure on profit due to the soaring cost of living, including utilities and food costs, they were generally absorbed by the receipt of subsidies and the reduction of other inessential expenses, resulting in increases in both revenue and profit for the full fiscal year.

(Group homes for the elderly with dementia business)

In group homes for the elderly with dementia operated by Medical Care Service Co., Ltd., four new facilities were opened in the fourth quarter of the fiscal year, bringing the total number of facilities to 307, with a total of 5,858 rooms. While construction costs remain high, the Company is actively proceeding with structural changes

in construction and the takeover of facilities, having opened 15 new facilities against its plans to open 12 to 15 new locations for the full fiscal year. The occupancy rate has also remained high at around 97%. Although this business has been impacted by soaring prices of utilities, food, and the like, appropriate cost control has ensured profit, and both revenue and profit increased. The net sales and operating profit of the elderly care and welfare service business operated by Ichishin Holdings Co., Ltd., which was consolidated from the fourth quarter of the fiscal year, are included in this business.

(Child raising support business)

In the child raising support business, utilization rates at nursery schools reached 95.3% (an increase of 3.2 percentage points year on year) at the end of September, and good progress is being made to attract more children to these facilities. The afterschool children's club business is also progressing well, including three new locations contracted in April. This business recorded increases in both revenue and profit, while making investment in new business formats such as child development support facilities.

[Other]

Net sales: ¥6,042 million (up 7.3% year on year); operating profit: ¥401 million (down ¥404 million or 50.2% year on year)

With the announcement of ODA projects for emerging countries, which account for the majority of net sales in the global business, delayed until this autumn or later, there was a reactionary decline in the acquisition of new projects after a strong performance in the previous fiscal year. However, collaboration with partners in strategic locations such as Vietnam is progressing steadily. In the digital domain, Gakken LEAP Co., Ltd. is focusing on selling "Shikaku Pass," an online service that supports working adults in reskilling study. The "Other" business segment overall recorded an increase in revenue, helped by increases in orders in the logistics business, but increases in personnel and development costs related to the digital and global businesses led to a decline in profit.

(2) Overview of Financial Position for the Current Fiscal Year

The Company's consolidated financial position for the fiscal year under review is summarized below.

(Million yen)

Item	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023	Change
Current assets	61,700	62,620	920
Cash and deposits	22,520	20,836	(1,683)
Non-current assets	61,982	73,707	11,725
Total assets	123,682	136,328	12,645
Current liabilities	39,838	44,550	4,712
Non-current liabilities	34,955	36,743	1,787
Total liabilities	74,793	81,294	6,500
Interest-bearing debt*1	41,807	43,371	1,563
Total net assets	48,888	55,034	6,145
Total liabilities and net assets	123,682	136,328	12,645
Equity ratio (%)*2	39.2	38.7	(0.5)
D/E ratio (times)*3	0.86	0.82	(0.04)

*1: Interest-bearing debt = Borrowings + Bonds payable + Lease obligations

*2: Equity ratio = Equity / Total assets

*3: D/E ratio = Interest-bearing debt / Equity

The total assets as of the end of the fiscal year under review amounted to ¥136,328 million, increasing by ¥12,645 million from the end of the preceding fiscal year. The main changes were a decrease of ¥1,683 million in cash and deposits, a decrease of ¥323 million in merchandise and finished goods, an increase of ¥888 million in property, plant and equipment, and an increase of ¥4,524 million in investment securities.

The total liabilities amounted to ¥81,294 million, increasing by ¥6,500 million from the end of the preceding fiscal year. The main changes were a decrease of ¥5,290 million in short-term borrowings, an increase of ¥6,674 million in current portion of long-term borrowings, and a decrease of ¥496 million in long-term borrowings.

The total net assets amounted to ¥55,034 million, increasing by ¥6,145 million from the end of the preceding fiscal year. The main changes were an increase of ¥2,120 million in retained earnings and an increase of ¥1,245 million in valuation difference on available-for-sale securities.

(3) Overview of Cash Flows for the Current Fiscal Year

(Million yen)

Item	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023	Change
Net cash provided by (used in) operating activities	5,167	5,459	292
Net cash provided by (used in) investing activities	(5,798)	(4,760)	1,038
Free cash flow	(631)	699	1,330
Net cash provided by (used in) financing activities	2,004	(6,203)	(8,208)
Cash and cash equivalents at end of period	21,672	19,093	(2,578)

Cash and cash equivalents (hereinafter, “CCE”) for the consolidated fiscal year under review decreased by ¥2,578 million from the end of the preceding fiscal year to ¥19,093 million. The status and factors for each type of cash flows are as described below.

Cash flows from operating activities resulted in a net inflow of ¥5,459 million (a net inflow of ¥5,167 million was reported in the preceding fiscal year). The main changes were the recording of profit before income taxes of ¥6,705 million, depreciation of ¥2,333 million, amortization of goodwill of ¥818 million, and income taxes paid of ¥4,871 million.

Cash flows from investing activities resulted in a net outflow of ¥4,760 million (a net outflow of ¥5,798 million was reported in the preceding fiscal year). The main changes were the purchase of property, plant and equipment and intangible assets of ¥2,197 million and the purchase of investment securities of ¥4,232 million.

Cash flows from financing activities resulted in a net outflow of ¥6,203 million (a net inflow of ¥2,004 million was reported in the preceding fiscal year). The main changes were a net decrease in short-term borrowings of ¥5,810 million, proceeds from long-term borrowings of ¥5,523 million, repayments of long-term borrowings of ¥4,695 million, and dividends paid of ¥1,079 million.

(4) Future Outlook

The fiscal year ending September 30, 2024 is the first year of the new medium-term management plan “Gakken 2025,” announced today.

Regarding the future outlook, for the entire Group, the Company expects net sales of ¥185.0 billion, operating profit of ¥6.4 billion, and profit attributable to owners of parent of ¥2.7 billion due to 1) the expansion of the learning center business by Ichishin Holdings Co., Ltd., a firm that the Company made a consolidated subsidiary in July 2023, in the Educational Domain, 2) accelerated ongoing development of new locations for serviced apartments for the elderly and group homes for the elderly with dementia, including Grand UniLife Care Service Co., Ltd., with which the Company signed a stock acquisition agreement in September 2023, in the Healthcare and nursing Domain, and 3) business expansion in Vietnam in the global area.

The above financial performance forecasts are determined based on information currently available to the Company and include potential risks and uncertainties. Please note that actual performance may vary significantly due to various factors.

2. Basic Stance Concerning Choice of Accounting Standards

The Group’s stance for the immediate future is to prepare its consolidated financial statements under Japanese GAAP to maintain comparability of the consolidated financial statements between periods as well as between companies.

Regarding the International Financial Reporting Standards (IFRS), the Group will appropriately determine its adoption while considering various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of September 30, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	22,520	20,836
Notes receivable - trade	437	354
Accounts receivable - trade	20,627	21,564
Merchandise and finished goods	9,929	9,606
Real estate for sale	—	386
Work in process	3,234	2,429
Raw materials and supplies	198	211
Other	4,764	7,271
Allowance for doubtful accounts	(12)	(41)
Total current assets	61,700	62,620
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,718	25,737
Accumulated depreciation	(8,705)	(12,672)
Buildings and structures, net	13,012	13,064
Machinery, equipment and vehicles	536	642
Accumulated depreciation	(488)	(585)
Machinery, equipment and vehicles, net	47	56
Land	4,227	4,499
Construction in progress	197	10
Other	4,824	7,779
Accumulated depreciation	(4,009)	(6,221)
Other, net	815	1,557
Total property, plant and equipment	18,300	19,189
Intangible assets		
Goodwill	6,185	7,754
Other	2,724	3,189
Total intangible assets	8,910	10,943
Investments and other assets		
Investment securities	23,115	27,640
Long-term loans receivable	236	298
Deferred tax assets	2,102	2,266
Retirement benefit asset	2,072	3,303
Guarantee deposits	6,226	8,063
Other	1,185	2,192
Allowance for doubtful accounts	(167)	(190)
Total investments and other assets	34,771	43,574
Total non-current assets	61,982	73,707
Total assets	123,682	136,328

(Million yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,103	6,834
Short-term borrowings	12,247	6,956
Current portion of long-term borrowings	3,570	10,245
Income taxes payable	1,917	1,347
Contract liabilities	2,077	2,367
Provision for bonuses	2,006	2,326
Other	10,916	14,473
Total current liabilities	39,838	44,550
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	19,548	19,052
Long-term accounts payable - other	456	330
Long-term guarantee deposits	3,314	3,448
Retirement benefit liability	3,370	4,684
Deferred tax liabilities	44	53
Other	2,221	3,173
Total non-current liabilities	34,955	36,743
Total liabilities	74,793	81,294
Net assets		
Shareholders' equity		
Share capital	19,817	19,817
Capital surplus	12,333	12,370
Retained earnings	15,313	17,433
Treasury shares	(439)	(315)
Total shareholders' equity	47,025	49,306
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	612	1,857
Deferred gains or losses on hedges	(1)	1
Foreign currency translation adjustment	156	271
Remeasurements of defined benefit plans	646	1,310
Total accumulated other comprehensive income	1,413	3,441
Share acquisition rights	255	229
Non-controlling interests	193	2,056
Total net assets	48,888	55,034
Total liabilities and net assets	123,682	136,328

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended September 30, 2022	For the fiscal year ended September 30, 2023
Net sales	156,032	164,116
Cost of sales	109,606	117,427
Gross profit	46,425	46,689
Selling, general and administrative expenses	39,998	40,519
Operating profit	6,427	6,170
Non-operating income		
Interest income	10	20
Dividend income	195	186
Share of profit of entities accounted for using equity method	304	347
Other	358	249
Total non-operating income	868	804
Non-operating expenses		
Interest expenses	179	225
Sales discounts	2	1
Foreign exchange losses	—	69
Commission expenses	84	66
Other	99	135
Total non-operating expenses	366	498
Ordinary profit	6,929	6,477
Extraordinary income		
Gain on sale of non-current assets	18	447
Gain on sale of investment securities	320	333
Gain on step acquisitions	—	741
Other	18	24
Total extraordinary income	358	1,546
Extraordinary losses		
Loss on sale and retirement of non-current assets	67	36
Impairment losses	696	103
Loss on valuation of investment securities	18	954
Other	60	224
Total extraordinary losses	842	1,318
Profit before income taxes	6,445	6,705
Income taxes - current	2,846	2,824
Income taxes - deferred	133	261
Total income taxes	2,980	3,085
Profit	3,465	3,619
Profit attributable to non-controlling interests	24	425
Profit attributable to owners of parent	3,440	3,194

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended September 30, 2022	For the fiscal year ended September 30, 2023
Profit	3,465	3,619
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,043)	1,296
Deferred gains or losses on hedges	—	1
Foreign currency translation adjustment	154	45
Remeasurements of defined benefit plans, net of tax	(455)	654
Share of other comprehensive income of entities accounted for using equity method	39	76
Total other comprehensive income	(1,304)	2,074
Comprehensive income	2,160	5,694
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,130	5,222
Comprehensive income attributable to non-controlling interests	29	472

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended September 30, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	19,817	12,308	13,033	(920)	44,238
Changes during period					
Dividends of surplus			(1,010)		(1,010)
Profit attributable to owners of parent			3,440		3,440
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		25		482	507
Change in scope of consolidation			(149)		(149)
Net changes in items other than shareholders' equity					
Total changes during period	—	25	2,280	481	2,787
Balance at end of period	19,817	12,333	15,313	(439)	47,025

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,627	0	8	1,087	2,723	275	176	47,413
Changes during period								
Dividends of surplus								(1,010)
Profit attributable to owners of parent								3,440
Purchase of treasury shares								(1)
Disposal of treasury shares								507
Change in scope of consolidation								(149)
Net changes in items other than shareholders' equity	(1,015)	(1)	148	(441)	(1,309)	(19)	17	(1,312)
Total changes during period	(1,015)	(1)	148	(441)	(1,309)	(19)	17	1,474
Balance at end of period	612	(1)	156	646	1,413	255	193	48,888

For the fiscal year ended September 30, 2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	19,817	12,333	15,313	(439)	47,025
Changes during period					
Dividends of surplus			(1,079)		(1,079)
Profit attributable to owners of parent			3,194		3,194
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		20		124	145
Change in ownership interest of parent due to transactions with non-controlling interests		15			15
Change in scope of consolidation			5		5
Net changes in items other than shareholders' equity					
Total changes during period	—	36	2,120	124	2,280
Balance at end of period	19,817	12,370	17,433	(315)	49,306

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	612	(1)	156	646	1,413	255	193	48,888
Changes during period								
Dividends of surplus								(1,079)
Profit attributable to owners of parent								3,194
Purchase of treasury shares								(0)
Disposal of treasury shares								145
Change in ownership interest of parent due to transactions with non-controlling interests								15
Change in scope of consolidation								5
Net changes in items other than shareholders' equity	1,245	3	114	664	2,028	(26)	1,862	3,864
Total changes during period	1,245	3	114	664	2,028	(26)	1,862	6,145
Balance at end of period	1,857	1	271	1,310	3,441	229	2,056	55,034

(4) Consolidated Statements of Cash Flows

(Million yen)

	For fiscal year ended September 30, 2022	For fiscal year ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	6,445	6,705
Depreciation	2,140	2,333
Impairment losses	696	103
Amortization of goodwill	888	818
Loss (gain) on sale and retirement of property, plant and equipment and intangible assets	48	(411)
Loss (gain) on sale and valuation of investment securities	(280)	620
Loss (gain) on step acquisitions	—	(741)
Increase (decrease) in provisions	(676)	(102)
Decrease (increase) in retirement benefit asset	(699)	(289)
Increase (decrease) in retirement benefit liability	28	74
Interest and dividend income	(206)	(207)
Interest expenses	179	225
Commission expenses	84	66
Share of loss (profit) of entities accounted for using equity method	(304)	(347)
Decrease (increase) in trade receivables	(1,119)	295
Decrease (increase) in inventories	(950)	(41)
Increase (decrease) in trade payables	(414)	(399)
Increase (decrease) in accrued consumption taxes	149	(32)
Decrease (increase) in other assets	(633)	(76)
Increase (decrease) in other liabilities	861	1,292
Other, net	89	260
Subtotal	6,327	10,146
Interest and dividends received	367	409
Interest paid	(179)	(225)
Income taxes paid	(1,347)	(4,871)
Net cash provided by (used in) operating activities	5,167	5,459
Cash flows from investing activities		
Payments into time deposits	(273)	(196)
Proceeds from withdrawal of time deposits	327	315
Purchase of property, plant and equipment and intangible assets	(3,313)	(2,197)
Proceeds from sale of property, plant and equipment and intangible assets	318	2,532
Purchase of investment securities	(3,598)	(4,232)
Proceeds from sale of investment securities	602	849
Net decrease (increase) in short-term loans receivable	(80)	(59)
Long-term loan advances	(100)	(118)
Proceeds from collection of long-term loans receivable	230	360
Payments of guarantee deposits	(309)	(159)
Proceeds from refund of guarantee deposits	242	58
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,591)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	7
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	244
Subsidies received	354	598
Other, net	(198)	(1,172)
Net cash provided by (used in) investing activities	(5,798)	(4,760)

(Million yen)

	For fiscal year ended September 30, 2022	For fiscal year ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,133)	(5,810)
Proceeds from long-term borrowings	9,640	5,523
Repayments of long-term borrowings	(4,658)	(4,695)
Proceeds from sale of treasury shares	311	41
Purchase of treasury shares	(1)	(0)
Dividends paid	(1,010)	(1,079)
Dividends paid to non-controlling interests	—	(6)
Other, net	(143)	(177)
Net cash provided by (used in) financing activities	2,004	(6,203)
Effect of exchange rate change on cash and cash equivalents	77	28
Net increase (decrease) in cash and cash equivalents	1,450	(5,475)
Cash and cash equivalents at beginning of period	18,920	21,672
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	1,276	2,896
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	24	—
Cash and cash equivalents at end of period	21,672	19,093

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Changes in Accounting Policies)

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance” is applied from the beginning of the fiscal year ended September 30, 2023. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance, the new accounting policy stipulated in the Fair Value Measurement Guidance is applied prospectively. This does not impact the consolidated financial statements.

(Segment Information)

1. Description of reportable segments

(1) Determination of reportable segments

The Group’s reportable segments are the Group’s business units for which separate financial information can be obtained and which are subject to periodic reviews by the Board of Directors for deciding the allocation of management resources and evaluating business performance.

The Group has adopted a holding company structure. The Company, the holding company, formulates the Group’s management strategies and manages the performance of its operating subsidiaries. The Company’s operating subsidiaries formulate comprehensive strategies regarding their respective products and services and conduct business in and outside Japan.

Based on the business scale and importance for the Group’s management strategy, the Group classifies its businesses into two reportable segments: Educational Domain and Healthcare and nursing Domain. These businesses are positioned as the Group’s core businesses.

(2) Type of products and services belonging to each reportable segment

The Educational Domain is engaged in the classroom and learning center business, which includes operation of Gakken Classroom for a range of children from preschoolers to junior high school students (mainly elementary school students) and operation of learning centers for a range of children from elementary school students to senior high school students, the publishing and content business, which includes publishing and sale of publications including children’s books, study-aid books and how-to guides through distributors and bookstores, and the kindergarten and school business, which includes production and sale of publications, child-care products, equipment, and playground equipment for kindergartens, nursery schools, and children’s daycare centers, as well as clothing for teachers.

The Healthcare and nursing Domain is engaged in the elderly housing business for planning, development, and operation of serviced apartments for the elderly, bases for elderly care services, etc., the group homes for the elderly with dementia business for planning, development, and operation of various services including group homes for the elderly with dementia, and the child raising support business for planning, development, and operation of nursery schools, children’s daycare centers, afterschool children’s clubs, etc.

2. Method of measurement for the amounts of net sales, profit or loss, assets and liabilities, and other items by reportable segment

The accounting treatment method used for the reported business segments is generally the same as the method used for preparing consolidated financial statements.

Profit by reportable segment is based on the values for operating profit. Inter-segment net sales or transfers are based on market prices.

3. Information on the amounts of net sales, profit or loss, assets and liabilities, and other items by reportable segment
For the fiscal year ended September 30, 2022

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Notes) 2 and 3	Amount recorded in consolidated financial statements (Note) 4
	Educational Domain	Healthcare and nursing Domain	Total				
Net sales							
Net sales to external customers	78,165	72,237	150,403	5,628	156,032	—	156,032
Inter-segment net sales or transfers	246	50	297	8,259	8,556	(8,556)	—
Total	78,412	72,288	150,700	13,888	164,589	(8,556)	156,032
Segment profit	4,430	3,148	7,578	805	8,384	(1,957)	6,427
Segment assets	49,874	47,697	97,571	5,659	103,231	20,450	123,682
Other items							
Depreciation	1,172	595	1,768	306	2,074	66	2,140
Amortization of goodwill	352	501	853	34	888	—	888
Impairment losses	691	4	696	—	696	—	696
Investment in entities accounted for using equity method	1,283	9,699	10,982	—	10,982	—	10,982
Increase in property, plant and equipment and intangible assets	1,119	1,616	2,735	242	2,978	52	3,031

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥1,957 million for “Segment profit” includes negative ¥1,954 million in company-wide expenses that were not allocated to specific reportable segments. Company-wide expenses are mainly general and administrative expenses that are not attributable to a reportable segment.
3. The “adjustment” under “segment assets” includes corporate assets (¥20,450 million). The corporate assets consist mainly of surplus funds for management (i.e., cash and deposits), long-term investments (i.e., investment securities), and assets related to administrative departments at the parent company.
4. Total amount of “segment profit” is adjusted based on operating profit reported in the consolidated statements of income.
5. “Depreciation” and “increase in property, plant and equipment and intangible assets” include long-term prepaid expenses.

For the fiscal year ended September 30, 2023

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Notes) 2 and 3	Amount recorded in consolidated financial statements (Note) 4
	Educational Domain	Healthcare and nursing Domain	Total				
Net sales							
Net sales to external customers	79,485	78,589	158,074	6,042	164,116	—	164,116
Inter-segment net sales or transfers	361	81	442	9,193	9,635	(9,635)	—
Total	79,846	78,670	158,517	15,235	173,752	(9,635)	164,116
Segment profit	3,942	3,820	7,762	401	8,163	(1,993)	6,170
Segment assets	55,041	49,352	104,393	8,824	113,218	23,110	136,328
Other items							
Depreciation	1,186	848	2,034	248	2,282	50	2,333
Amortization of goodwill	257	526	784	34	818	—	818
Impairment losses	74	29	103	—	103	—	103
Investment in entities accounted for using equity method	300	9,864	10,165	3,587	13,753	—	13,753
Increase in property, plant and equipment and intangible assets	1,453	771	2,225	92	2,317	10	2,328

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥1,993 million for “Segment profit” includes negative ¥1,987 million in company-wide expenses that were not allocated to specific reportable segments. Company-wide expenses are mainly general and administrative expenses that are not attributable to a reportable segment.
3. The “adjustment” under “segment assets” includes corporate assets (¥23,110 million). The corporate assets consist mainly of surplus funds for management (i.e., cash and deposits), long-term investments (i.e., investment securities), and assets related to administrative departments at the parent company.
4. Total amount of “segment profit” is adjusted based on operating profit reported in the consolidated statements of income.
5. “Depreciation” and “increase in property, plant and equipment and intangible assets include long-term prepaid expenses.

(Per Share Information)

For the fiscal year ended September 30, 2022		For the fiscal year ended September 30, 2023	
Net assets per share	1,102.16 Yen	Net assets per share	1,195.91 Yen
Profit per share	78.67 Yen	Profit per share	72.51 Yen
Diluted profit per share	77.95 Yen	Diluted profit per share	71.90 Yen

(Notes) 1. The basis for the calculation of net assets per share is as follows.

Item	As of September 30, 2022	As of September 30, 2023
Total net assets (Million yen)	48,888	55,034
Deductions from total net assets (Million yen)	449	2,285
(of which share acquisition rights) (Million yen)	(255)	(229)
(of which non-controlling interests) (Million yen)	(193)	(2,056)
Net assets applicable to common stock at end of period (Million yen)	48,439	52,748
Number of shares of common stock at end of period used for the calculation of net assets per share (Thousand shares)	43,949	44,107

2. The basis for the calculation of profit per share and diluted profit per share is as follows.

Item	For the fiscal year ended September 30, 2022	For the fiscal year ended September 30, 2023
Profit per share		
Profit attributable to owners of parent (Million yen)	3,440	3,194
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common stock (Million yen)	3,440	3,194
Average number of shares of common stock during the period (Thousand shares)	43,734	44,051
Diluted profit per share		
Adjustment for profit attributable to owners of parent (Million yen)	—	—
Increase in number of shares of common stock (Thousand shares)	405	371
(of which share acquisition rights) (Thousand shares)	(405)	(371)
Overview of residual shares not included in calculation of diluted profit per share due to lack of dilutive effect	—	—

3. In calculating net assets per share, the Company's shares remaining in the above-described trust, which are recorded as treasury shares under shareholders' equity, are included in the treasury shares deducted from the total number of issued shares at the end of the period. In calculating profit per share, they are included in the treasury shares deducted in calculating the average number of shares during the period.

In calculating net assets per share, the numbers of treasury shares at the end of the period deducted for the preceding fiscal year and the fiscal year under review were 43 thousand shares and – shares, respectively. In calculating profit per share, the average numbers of treasury shares during the period deducted for the preceding fiscal year and the fiscal year under review were 221 thousand shares and five thousand shares, respectively.

(Significant Subsequent Events)

At a meeting of the Board of Directors held on October 27, 2023, it was resolved to sell the Company's shares in JP-HOLDINGS, INC., an affiliate accounted for the equity method, to Duskin Co., Ltd.

1. Reason for the sale
To review the Company's business portfolio and strengthen its financial position, and to shift to investment in the next growth areas
2. Name of the purchasing company
Duskin Co., Ltd.
3. Time of sale
November 30, 2023
4. Name and business of the company being sold
 - (1) Name: JP-HOLDINGS, INC.
 - (2) Business: Consulting business including the management and oversight of subsidiaries, and the opening of child raising support facilities
5. Number of shares sold, sales price, gain or loss on sale, and the equity ratio after the sale
 - (1) Number of shares sold: 26,989,100 shares
 - (2) Sales price: ¥8,933 million
 - (3) Loss on sale: ¥990 million (estimate)
 - (4) Equity ratio after the sale: 0%

4. Other

Changes in Officers

Scheduled for December 22, 2023

1. Candidate of Director to be newly elected

Director: Hitoshi Hosoya (currently Senior Corporate Officer, the Company)