

Consolidated Financial Results for the Fiscal Year Ended September 30, 2024 [Japanese GAAP]



November 8, 2024

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 20, 2024
 Scheduled date of filing annual securities report: December 20, 2024
 Scheduled date of commencing dividend payments: December 5, 2024
 Availability of supplementary briefing material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

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

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	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, 2024	185,566	13.1	6,880	11.5	6,903	6.6	2,260	(29.2)
September 30, 2023	164,116	5.2	6,170	(4.0)	6,477	(6.5)	3,194	(7.2)

(Note) Comprehensive income: Fiscal year ended September 30, 2024: ¥2,379 million [(58.2) %]

Fiscal year ended September 30, 2023: ¥5,694 million [163.6 %]

	Profit per share	Diluted profit per share	Rate of return on equity	Rate of return on total assets	Operating profit margin
	Yen	Yen	%	%	%
Fiscal year ended September 30, 2024	52.99	52.60	4.3	5.2	3.7
September 30, 2023	72.51	71.90	6.3	5.0	3.8

(Reference) Equity in earnings of affiliated companies: Fiscal year ended September 30, 2024: ¥171 million

Fiscal year ended September 30, 2023: ¥347 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2024	130,714	53,653	39.4	1,219.10
As of September 30, 2023	136,328	55,034	38.7	1,195.91

(Reference) Equity: As of September 30, 2024: ¥51,473 million

As of September 30, 2023: ¥52,748 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
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended September 30, 2024	7,158	1,842	(9,375)	18,768
September 30, 2023	5,459	(4,760)	(6,203)	19,093

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, 2023	—	12.50	—	12.50	25.00	1,102	34.5	2.2
September 30, 2024	—	12.50	—	12.50	25.00	1,055	47.2	2.1
Fiscal year ending September 30, 2025 (Forecast)	—	13.00	—	13.00	26.00		30.8	

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, 2024 to September 30, 2025)

(% 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	200,000	7.8	7,000	1.7	7,200	4.3	3,500	54.8	84.51

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) Significant Changes in the scope of consolidation during the period under review: Yes
 Newly added: 2 (Name) Grand Uni-Life Care Service Co., Ltd. , Excluded: – (Name) –
 Kiri-hara shoten K.K.
- (2) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (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, 2024: 44,633,232 shares
 - September 30, 2023: 44,633,232 shares
 - 2) Total number of treasury shares at the end of the period:
 - September 30, 2024: 2,410,576, shares
 - September 30, 2023: 525,839 shares
 - 3) The average number of shares during the period:
 - Fiscal year ended September 30, 2024: 42,663,569 shares
 - Fiscal year ended September 30, 2023: 44,051,105 shares

The Company has a trust-type employee shareholding incentive plan in place. 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.

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2024 (October 1, 2023 to September 30, 2024)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	7,818	3.6	2,771	8.8	2,544	19.2	1,989	33.7
September 30, 2023	7,548	51.9	2,548	—	2,134	—	1,488	—

	Profit per share	Diluted profit per share
Fiscal year ended	Yen	Yen
September 30, 2024	46.64	46.30
September 30, 2023	33.80	33.51

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2024	78,063	37,532	47.8	884.19
As of September 30, 2023	86,219	38,756	44.7	873.49

(Reference) Equity: As of September 30, 2024: ¥37,332 million

As of September 30, 2023: ¥38,527 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 7 of the Attachments.

Table of Contents - Attachments

1. Overview of Business Results, etc.	2
(1) Overview of Business Results for the Current Fiscal Year	2
(2) Overview of Financial Position for the Current Fiscal Year	6
(3) Overview of Cash Flows for the Current Fiscal Year	6
(4) Future Outlook	7
2. Basic Stance Concerning Choice of Accounting Standards	7
3. Consolidated Financial Statements and Primary Notes	8
(1) Consolidated Balance Sheets	8
(2) Consolidated Statements of Income and Comprehensive Income	10
(3) Consolidated Statements of Changes in Equity	12
(4) Consolidated Statements of Cash Flows	14
(5) Notes to the Consolidated Financial Statements	16
(Notes on Going Concern Assumption)	16
(Segment Information)	16
(Per Share Information)	19
(Significant Subsequent Events)	19
4. Other	20
Changes in Officers	20

1. Overview of Business Result

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

In the domestic economy, signs of recovery are emerging and disposable income of working households is on a gradual upward trend. However, prices continue to soar due to the unstable global situation, the effects of climate change, and fluctuations in interest and exchange rates, and people continue to show a cautious attitude toward consumption spending.

Under the market conditions described above, consolidated net sales for the current fiscal year were 185,566 million yen (up 13.1% YoY), operating profit was 6,880 million yen (up 11.5% YoY), ordinary profit was 6,903million yen (up 6.6% YoY), and net profit attributable to owners of the parent was 2,260 million yen (down 29.2% YoY).

Net sales increased 21,449 million yen YoY due to growth in sales of Workforce development and language learning business and textbooks and instructional materials for elementary schools in the School business in the Education domain, an increase in facilities and high occupancy rates in the Healthcare and Nursing domain, and the consolidation of Ichishin Holdings and N.E. Holdings since the fourth quarter of the previous fiscal year and Grand Uni Life Care Service since the second quarter of this fiscal year.

Operating profit increased by 710million yen YoY due to the above-mentioned increase in revenue as well as a restructuring of unprofitable businesses.

Ordinary profit increased by 425million yen YoY due to an increase in operating profit despite a decrease in equity in earnings of affiliates.

Net profit attributable to shareholders of the parent company decreased by 933million yen YoY, partly due to the impact of the loss on sales of shares recorded in the first quarter.

Business performance by segment is summarized below.

(Million yen)

	Fiscal year ended September 30, 2023		Fiscal year ended September 30, 2024		Change	
Reportable segments	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Education domain	79,485	3,942	91,880	4,121	12,394	179
Healthcare and nursing Domain	78,589	3,820	87,513	4,203	8,923	383
Other	6,042	401	6,173	526	131	125
Adjustment	—	(1,993)	—	(1,972)	—	20
Group total	164,116	6,170	185,566	6,880	21,449	710

I. Renaming and removal of businesses (medium classification)

- 1) The former category “medical and nursing business” in the publishing and content business was removed as a result of the reclassification of individual businesses.
- 2) The former category “businesses other than publishing” in the publishing and content business was renamed as “workforce development and language learning business” in the same category.
- 3) The former category “working adult business” in the kindergarten and school business was removed as a result of reclassification of individual businesses.

II. Reclassification and transfer of individual businesses (small category)

- 1) Business of publishing and selling learning materials, etc. for learning centers: [Old] Publishing and content business > Publishing business → [New] Classroom and learning center business > Learning center business
- 2) Business of publishing and selling books on medicine and nursing: [Old] Publishing and content business > Medical and nursing business → [New] Same > Publishing business
- 3) Business of e-learning for nurses: [Old] Publishing and content business > Medical and nursing business → [New] Same > Workforce development and language learning business
- 4) Corporate training business: [Old] Kindergarten and school business > Working adult business → [New] Publishing and content business > Workforce development and language learning business
- 5) Elderly care service business of Ichishin Holdings Co., Ltd.: [Old] Healthcare and nursing Domain > Group homes for the elderly with dementia business → [New] Education domain > Classroom and learning center business > Learning center business

Classification of the Group’s products and services after incorporating the above changes is as follows:

Reporting segment	Large classification	Medium classification	Individual business (small classification)
Education domain	Classroom and learning center business	Classroom business	Operation of classrooms for a range of children from preschoolers to junior high school students (mainly elementary school students)
		Learning center business	Operation of learning centers for a range of children from elementary school students to senior high school students
			Publishing and sale of learning materials for learning centers, assessment, and other materials
	Publishing and content business	Publishing business	Publishing and sale of publications through distributors and bookstores
		Workforce development and language learning business	Operation of e-learning for training programs targeting nurses
			Operation of online English conversation services
			Operation of experience-based English learning facilities
			Sale of corporate training contents and services
	Kindergarten and school business	Preschooler business	Procurement, planning, production, and sale of publications, child-care products, equipment, and playground equipment for kindergartens and nursery schools, as well as apparel items for teachers, Design of facilities and equipment
		School business	Planning, production, and sale of textbooks, instruction guides for teachers, supplemental, digital learning materials, special needs education materials, and short essay tutoring services
Healthcare and nursing Domain	Elderly housing business		Planning, development, and operation of bases for elderly care services, mainly serviced apartments for the elderly
	Group homes for the elderly with dementia business		Planning, development, and operation of bases for elderly care services, mainly group homes for the elderly with dementia
	Child raising support business		Development, and operation of nursery schools, daycare centers, afterschool children’s clubs, etc.
Other Domain			Logistics business, operation of relevant systems, undertaking of contract work, etc.
			Planning, contract work, and implementation of ODA business, and promotion of the Group’s overseas business
			Planning and development of digital products and support for Group DX

[Education domain]

Net sales: ¥91,880 million (Up 15.6% YoY) / Operating profit: ¥4,121 million (Up ¥179 million or 4.6% YoY)

(Million yen)

	Fiscal year ended September 30, 2023		Fiscal year ended September 30, 2024		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Classroom and learning center business	39,746	2,045	52,848	1,959	13,101	(85)
Publishing and content business	27,202	2,291	26,327	2,166	(875)	(124)
Kindergarten and school business	12,536	(179)	12,704	410	168	590
Goodwill	—	(214)	—	(415)	—	(200)
Segment total	79,485	3,942	91,880	4,121	12,394	179

*The figures for the previous fiscal year have been retroactively adjusted due to business reclassification.

(Classroom and learning center business)

Net sales: ¥52,848 million (Up 33.0% YoY) / Operating profit: ¥1,959 million (Down ¥85 million or 4.2% YoY)

In the Classrooms and Learning centers business, the environment has been prone to customer attrition due to the declining birthrate, which led to the enrollment of all public high schools, and the impact of general families spending less on education, but signs of a gradual recovery are beginning to emerge. In the Learning center business, in addition to the strong performance of individual tutoring for high school students, individual tutoring for elementary and junior high school students has been showing a recovery trend since the latter half of the current fiscal year. In addition, each company has been focusing on preventing students from leaving schools, and the results of these efforts are beginning to emerge. In the classroom business, the opening of 980 new classrooms during the year has been a driving force in the recovery of membership, starting with early childhood.

Net sales increased due to the consolidation of Ichishin Holdings and N.E. Holdings, which were included in the group from the previous fiscal year, in the Learning center business, despite the accelerating birthrate decline.

Operating profit decreased due to a halfway recovery in the classroom business and an inventory write-down due to a significant decline in sales via bookshops in the educational material publishing business, despite the contribution of the consolidation of the two new companies mentioned above,

(Publishing and content business)

Net sales: ¥26,327 million (Down 3.2% YoY) / Operating profit: ¥2,166 million (Down ¥124million or 5.4% YoY)

In the Publishing Contents Business, the number of bookstores and print publications are declining, but at the same time, opportunities to acquire information and learn through non-paper media and tools are increasing. The quarterly return rate for the third and fourth quarters has improved over the previous year, and the return rate for the full year is on an improving trend.

Net sales in some businesses grew steadily, such as "Chikyu-no-Arukikata" in the publishing business, which continued to be a hit with the J series focusing on domestic regions and collaborations with popular IPs, an increase in the number of hospitals contracted for e-learning for nurses in the Workforce development and language learning business, and an increase in the number of students of the online English conversation service "Kimini". However, overall sales decreased due to the significant impact of struggling sales of children's books in the publishing business and the impact of the change of an educational toy sales company, formerly in the non-publishing business, to an equity method affiliate from the fourth quarter of the previous fiscal year.

Operating profit decreased due to inventory write-downs in the publishing business, despite the positive effects of higher sales in "Chikyu-no-Arukikata", growth in the Workforce development and language learning business, and a decrease in expenses resulting from the conversion of an educational toy sales company into an equity-method affiliate.

(Kindergarten and school business)

Net sales: ¥12,704 million (Up 1.3% YoY) / Operating profit: ¥410 million (Up ¥590 million YoY)

In the kindergarten and school business, the number of children in kindergartens and kindergartens continues to decline. In school education, there is a need to respond to new learning guidelines, such as the digitalization of textbooks and GIGA school adaptation.

Net sales declined in the preschooler business, due largely to factors that reduced the number of kindergarten and preschool students. However, in the school business, textbooks for elementary schools were revised this fiscal year, resulting in a YoY increase in the number of textbooks sold, as well as subject instruction books, supplementary reading books, etc., and an overall increase in sales of Kindergarten and school business.

Operating profit also increased due to higher revenue from the revision of textbooks in the school business and an increase in the number of instructional books sold.

[Healthcare and nursing Domain domain]

Net sales: ¥87,513 million (Up 11.4% YoY) / Operating profit: 4,203 million yen (Up 383 million yen or 10.0% YoY)
(Million yen)

	Fiscal year ended September 30, 2023		Fiscal year ended September 30, 2024		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Elderly housing business	36,025	1,872	42,495	2,427	6,470	555
Group homes for the elderly with dementia business	36,339	2,289	37,998	2,247	1,658	(42)
Child raising support business	6,224	130	7,019	161	795	31
Goodwill	—	(471)	—	(632)	—	(161)
Segment total	78,589	3,820	87,513	4,203	8,923	383

(Elderly housing business)

Net sales: ¥42,495 million (Up 18.0% YoY) / Operating profit: ¥2,427 million (Up ¥555 million or 29.7% YoY)

In the elderly housing business, although the environment for new openings continues to be difficult due to soaring construction costs, our sales activities in each area are steadily capturing the diverse needs for relocation from independence to nursing care, and we are responding to increasing demand by increasing the number of units per facility and continuing M&A and business succession activities.

Net sales increased significantly due to the opening of 12 new facilities and business succession by the end of the current fiscal year, while the occupancy rate remained high at over 97% due to the early full occupancy of new facilities, and the consolidation of Grand Uni Life Care Service from the 2Q of this fiscal year.

Operating profit also increased due to the consolidation of the above mentioned Grand Uni Life Care Service and high occupancy rates, despite higher prices for foodstuffs and supplies and labor costs.

(Group homes for the elderly with dementia business)

Net sales: ¥37,998 million yen (Up 4.6% YoY) / Operating profit: ¥2,247 million (Down ¥42million or 1.9% YoY)

In the Group homes for the elderly with dementia business, the number of late-stage elderly people aged 75 and over continues to increase, and the importance of dementia care is growing every year. The number of facilities has steadily expanded, with a total of 20 new buildings opened by the end of fiscal year, 13 facilities developed in-house and 5 facilities through mergers and acquisitions.

Net sales increased due to the increase in the number of facilities and the continued high existing occupancy rate of over 96%.

Operating profit decreased slightly despite higher net sales, due to the impact of soaring prices for food ingredients and other items, as well as upfront investments in new businesses.

(Child raising support business)

Net sales: ¥7,019 million (Up 12.8% YoY) / Operating profit: ¥161 million (Up ¥31million or 24.3% YoY)

In the childcare support business, the number of children on waiting lists has largely been eliminated outside of the Tokyo metropolitan area due to the decline in the number of births and the promotion of the development of licensed nursery schools, but the need of children's club for afterschool activities known as the "first grade barrier," is increasing year by year due to the increase in dual-income households.

In this environment, net sales increased due to a continued high and stable nursery school capacity utilization rate of 96%, as well as the stabilization of operations at newly commissioned children's club for afterschool activities.

Operating profit also increased due to an increase in the number of nursery school children.

(Other)

Net sales: ¥6,173 million (Up 2.2% YoY) / Operating profit: ¥526 million (Up ¥125 million or 31.3% YoY)

In the Other Business, in Southeast Asia, the number of children is increasing and demand for investment in education is rising. In addition, the use of digital educational materials and tools at home, Learning centers, and schools is increasing at an accelerating pace, making it imperative to develop a set-up for product and service development.

Net sales increased due to strong growth in ODA for emerging countries in the global business and in the overseas expansion support business for companies in the private sector.

Operating profit increased from the previous year due to the aforementioned growth in the ODA business, despite continued strategic investments in the digital field, particularly in the qualification business.

(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, 2023	Fiscal year ended September 30, 2024	Change
Current assets	62,620	63,112	492
Cash and deposits	20,836	20,385	(450)
Non-current assets	73,707	67,602	(6,105)
Total assets	136,328	130,714	(5,613)
Current liabilities	44,550	43,187	(1,363)
Non-current liabilities	36,743	33,873	(2,869)
Total liabilities	81,294	77,061	(4,232)
Interest-bearing debt*1	43,371	38,353	(5,017)
Total net assets	55,034	53,653	(1,381)
Total liabilities and net assets	136,328	130,714	(5,613)
Equity ratio (%)*2	38.7	39.4	0.7
D/E ratio (times)*3	0.82	0.75	(0.07)

*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 ¥130,714 million, decreasing by ¥5,613 million from the end of the preceding fiscal year. The main changes were a decrease of ¥450 million in cash and deposits, a decrease of ¥361 million in merchandise and finished goods, an increase of ¥763 million in property, plant and equipment, an increase of ¥2,370 million in intangible assets, and a decrease of ¥10,066 million in investment securities.

The total liabilities amounted to ¥77,061 million, increasing by ¥4,232 million from the end of the preceding fiscal year. The main changes were a decrease of ¥2,509 million in short-term borrowings, a decrease of ¥4,953 million in current portion of long-term borrowings, and an increase of ¥2,592 million in long-term borrowings.

The total net assets amounted to ¥53,653 million, decreasing by ¥1,381 million from the end of the preceding fiscal year. The main changes were an increase of ¥1,181 million in retained earnings, an increase of ¥1,872 million in treasury share, and a decrease of ¥233 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, 2023	Fiscal year ended September 30, 2024	Change
Net cash provided by (used in) operating activities	5,459	7,158	1,609
Net cash provided by (used in) investing activities	(4,760)	1,842	6,602
Free cash flow	699	9,001	8,301
Net cash provided by (used in) financing activities	(6,203)	(9,375)	(3,172)
Cash and cash equivalents at end of period	19,093	18,768	(325)

Cash and cash equivalents (hereinafter, “CCE”) for the consolidated fiscal year under review decreased by ¥325 million from the end of the preceding fiscal year to ¥18,768 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 ¥7,158 million (a net inflow of ¥5,459 million was reported in the preceding fiscal year). The main changes were the recording of profit before income taxes of ¥5,634 million, depreciation of ¥3,073 million, amortization of goodwill of ¥1,210 million, and income taxes paid of ¥1,562 million.

Cash flows from investing activities resulted in a net inflow of ¥1,842 million (a net outflow of ¥4,760 million was reported in the preceding fiscal year). The main changes were the purchase of property, plant and equipment and intangible assets of ¥3,955 million, the purchase of investment securities of ¥1,427 million, proceeds from sale of investment securities of ¥10,295 million and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥3,614 million.

Cash flows from financing activities resulted in a net outflow of ¥9,375 million (a net outflow of ¥6,203 million was reported in the preceding fiscal year). The main changes were a net decrease in short-term borrowings of ¥2,519 million, proceeds from long-term borrowings of ¥9,549 million, repayments of long-term borrowings of ¥11,982 million, purchase of treasury shares of ¥2,012 million and dividends paid of ¥1,079 million.

(4) Future Outlook

For the fiscal year ending September 30, 2025, we predict that the growth of the Workforce development and language learning business in the Education Domain, sustainable growth in the Healthcare and nursing Domain, net sales of 200 billion yen, operating profit of 7.0 billion yen, ordinary profit of 7.2 billion yen, and net profit attributable to shareholders of the parent company of 3.5 billion yen, with an increase in both sales and profit for the fiscal year.

	Fiscal year ended September 30, 2024	Fiscal year ended September 30, 2025	Change (YoY)
Net Sales	185,566 million yen	200,000 million yen	+ 7.8 %
Operating Profit	6,880 million yen	7,000 million yen	+ 1.7 %
Ordinary Profit	6,903 million yen	7,200 million yen	+ 4.3 %
net profit attributable to shareholders of the parent company	2,260 million yen	3,500 million yen	+ 54.8 %
Profit per share	52.99 yen	84.51 yen	+ 59.5 %

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, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	20,836	20,385
Notes receivable - trade	354	266
Accounts receivable - trade	21,564	22,889
Merchandise and finished goods	9,606	2,920
Real estate for sale	386	837
Work in process	2,429	2,920
Raw materials and supplies	211	194
Other	7,271	6,405
Allowance for doubtful accounts	(41)	(32)
Total current assets	62,620	63,112
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,737	26,873
Accumulated depreciation	(12,672)	(13,536)
Buildings and structures, net	13,064	13,337
Machinery, equipment and vehicles	642	773
Accumulated depreciation	(585)	(679)
Machinery, equipment and vehicles, net	56	93
Land	4,499	4,975
Construction in progress	10	14
Other	7,779	8,147
Accumulated depreciation	(6,221)	(6,615)
Other, net	1,557	1,532
Total property, plant and equipment	19,189	19,953
Intangible assets		
Goodwill	7,754	9,792
Other	3,189	3,522
Total intangible assets	10,943	13,314
Investments and other assets		
Investment securities	27,640	17,574
Long-term loans receivable	298	534
Deferred tax assets	2,266	2,814
Retirement benefit asset	3,303	3,383
Guarantee deposits	8,063	8,205
Other	2,192	2,007
Allowance for doubtful accounts	(190)	(185)
Total investments and other assets	43,574	34,334
Total non-current assets	73,707	67,602
Total assets	136,328	130,714

(Million yen)

	As of September 30, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,834	6,623
Short-term borrowings	6,956	4,447
Current portion of bonds payable	—	6,000
Current portion of long-term borrowings	10,245	5,291
Income taxes payable	1,347	1,542
Contract liabilities	2,367	2,857
Provision for bonuses	2,326	2,561
Other	14,473	13,863
Total current liabilities	44,550	43,187
Non-current liabilities		
Bonds payable	6,000	—
Long-term borrowings	19,052	21,644
Long-term accounts payable - other	330	233
Long-term guarantee deposits	3,448	3,743
Retirement benefit liability	4,684	5,130
Deferred tax liabilities	53	54
Other	3,173	3,068
Total non-current liabilities	36,743	33,873
Total liabilities	81,294	77,061
Net assets		
Shareholders' equity		
Share capital	19,817	19,817
Capital surplus	12,370	12,102
Retained earnings	17,433	18,615
Treasury shares	(315)	(2,187)
Total shareholders' equity	49,306	48,348
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,857	1,624
Deferred gains or losses on hedges	1	(0)
Foreign currency translation adjustment	271	385
Remeasurements of defined benefit plans	1,310	1,115
Total accumulated other comprehensive income	3,441	3,125
Share acquisition rights	229	199
Non-controlling interests	2,056	1,980
Total net assets	55,034	55,653
Total liabilities and net assets	136,328	130,714

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended September 30, 2023	For the fiscal year ended September 30, 2024
Net sales	164,116	185,566
Cost of sales	117,427	135,668
Gross profit	46,689	49,897
Selling, general and administrative expenses	40,519	43,017
Operating profit	6,170	6,880
Non-operating income		
Interest income	20	32
Dividend income	186	237
Share of profit of entities accounted for using equity method	347	171
Other	249	283
Total non-operating income	804	724
Non-operating expenses		
Interest expenses	225	326
Sales discounts	1	—
Foreign exchange losses	69	63
Commission expenses	66	80
Other	135	232
Total non-operating expenses	498	702
Ordinary profit	6,477	6,903
Extraordinary income		
Gain on sale of non-current assets	447	0
Gain on sale of investment securities	333	924
Gain on step acquisitions	741	—
Other	24	123
Total extraordinary income	1,546	1,048
Extraordinary losses		
Loss on sale and retirement of non-current assets	36	236
Impairment losses	103	193
Loss on valuation of investment securities	954	1,093
Other	224	80
Total extraordinary losses	1,318	2,317
Profit before income taxes	6,705	5,634
Income taxes - current	2,824	3,047
Income taxes - deferred	261	(118)
Total income taxes	3,085	2,928
Profit	3,619	2,706
Profit attributable to non-controlling interests	425	445
Profit attributable to owners of parent	3,194	2,260

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended September 30, 2023	For the fiscal year ended September 30, 2024
Profit	3,619	2,706
Other comprehensive income		
Valuation difference on available-for-sale securities	1,296	(256)
Deferred gains or losses on hedges	1	2
Foreign currency translation adjustment	45	51
Remeasurements of defined benefit plans, net of tax	654	(164)
Share of other comprehensive income of entities accounted for using equity method	76	41
Total other comprehensive income	2,074	(327)
Comprehensive income	5,694	2,379
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,222	1,944
Comprehensive income attributable to non-controlling interests	472	434

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended September 30, 2023 (October 1, 2022 to 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

For the fiscal year ended September 30, 2024 (October 1, 2023 to September 30, 2024)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	19,817	12,370	17,433	(315)	49,306
Changes during period					
Dividends of surplus			(1,079)		(1,079)
Profit attributable to owners of parent			2,260		2,260
Purchase of treasury shares				(2,000)	(2,000)
Disposal of treasury shares		(1)		128	126
Change in ownership interest of parent due to transactions with non-controlling interests		(266)			(266)
Net changes in items other than shareholders' equity					
Total changes during period	—	(267)	1,181	(1,872)	(958)
Balance at end of period	19,817	12,102	17,433	(2,187)	48,348

	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	1,857	1	271	1,310	3,441	229	2,056	55,034
Changes during period								
Dividends of surplus								(1,079)
Profit attributable to owners of parent								2,260
Purchase of treasury shares								(2,000)
Disposal of treasury shares								126
Change in ownership interest of parent due to transactions with non-controlling interests								(266)
Net changes in items other than shareholders' equity	(233)	(1)	114	(195)	(316)	(30)	(76)	(422)
Total changes during period	(233)	(1)	114	(195)	(316)	(30)	(76)	(1,381)
Balance at end of period	1,624	(0)	385	1,115	3,125	199	1,980	55,653

(4) Consolidated Statements of Cash Flows

(Million yen)

	For fiscal year ended September 30, 2023	For fiscal year ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	6,705	5,634
Depreciation	2,333	3,073
Impairment losses	103	193
Amortization of goodwill	818	1,210
Loss (gain) on sale and retirement of property, plant and equipment and intangible assets	(411)	235
Loss (gain) on sale and valuation of investment securities	620	882
Loss (gain) on step acquisitions	(741)	—
Increase (decrease) in provisions	(102)	20
Decrease (increase) in retirement benefit asset	(289)	(345)
Increase (decrease) in retirement benefit liability	74	14
Interest and dividend income	(207)	(270)
Interest expenses	225	326
Commission expenses	66	80
Share of loss (profit) of entities accounted for using equity method	(347)	(171)
Decrease (increase) in trade receivables	295	(900)
Decrease (increase) in inventories	(41)	(116)
Increase (decrease) in trade payables	(399)	(490)
Increase (decrease) in accrued consumption taxes	(32)	(11)
Decrease (increase) in other assets	(76)	(291)
Increase (decrease) in other liabilities	1,292	(354)
Other, net	260	(50)
Subtotal	10,146	8,667
Interest and dividends received	409	372
Interest paid	(225)	(318)
Income taxes paid	(4,871)	(1,562)
Net cash provided by (used in) operating activities	5,459	7,158
Cash flows from investing activities		
Payments into time deposits	(196)	(297)
Proceeds from withdrawal of time deposits	315	437
Purchase of property, plant and equipment and intangible assets	(2,197)	(3,955)
Proceeds from sale of property, plant and equipment and intangible assets	2,532	69
Purchase of investment securities	(4,232)	(1,427)
Proceeds from sale of investment securities	849	10,295
Net decrease (increase) in short-term loans receivable	(59)	(105)
Long-term loan advances	(118)	(109)
Proceeds from collection of long-term loans receivable	360	11
Payments of guarantee deposits	(159)	(207)
Proceeds from refund of guarantee deposits	58	174
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,591)	(3,614)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	7	11
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	244	—
Subsidies received	598	607
Other, net	(1,172)	(48)
Net cash provided by (used in) investing activities	(4,760)	1,842

(Million yen)

	For fiscal year ended September 30, 2023	For fiscal year ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5,810)	(2,519)
Proceeds from long-term borrowings	5,523	9,549
Repayments of long-term borrowings	(4,695)	(11,982)
Proceeds from sale of treasury shares	41	—
Purchase of treasury shares	(0)	(2,012)
Purchase of treasury shares by subsidiaries	—	(890)
Dividends paid	(1,079)	(1,079)
Dividends paid to non-controlling interests	(6)	(65)
Purchase of shares of subsidiaries without change in scope of consolidation	—	(95)
Other, net	(177)	(279)
Net cash provided by (used in) financing activities	(6,203)	(9,375)
Effect of exchange rate change on cash and cash equivalents	28	28
Net increase (decrease) in cash and cash equivalents	(5,475)	(346)
Cash and cash equivalents at beginning of period	21,672	19,093
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	2,896	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	20
Cash and cash equivalents at end of period	19,093	18,768

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(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, 2023 (October 1, 2022 to 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.

For the fiscal year ended September 30, 2024 (October 1, 2023 to September 30, 2024)

(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	91,880	87,513	179,393	6,173	185,566	—	185,566
Inter-segment net sales or transfers	267	90	357	8,404	8,762	(8,762)	—
Total	92,147	87,603	179,750	14,577	194,328	(8,762)	185,566
Segment profit	4,121	4,203	8,325	526	8,852	(1,972)	6,880
Segment assets	58,671	42,004	100,676	9,000	109,676	21,038	130,714
Other items							
Depreciation	1,686	1,095	2,782	248	3,030	42	3,073
Amortization of goodwill	474	701	1,176	34	1,210	—	1,210
Impairment losses	193	—	193	—	193	—	193
Investment in entities accounted for using equity method	238	—	238	3,619	3,858	—	3,858
Increase in property, plant and equipment and intangible assets	1,590	2,450	4,040	247	4,287	75	4,363

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥1,972 million for “Segment profit” includes negative ¥1,972 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 (¥21,038 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, 2023	For the fiscal year ended September 30, 2024
Net assets per share 1,195.91 Yen	Net assets per share 1,219.10 Yen
Profit per share 72.51 Yen	Profit per share 52.99Yen
Diluted profit per share 71.90 Yen	Diluted profit per share 52.60Yen

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

Item	As of September 30, 2023	As of September 30, 2024
Total net assets (Million yen)	55,034	63,653
Deductions from total net assets (Million yen)	2,285	2,179
(of which share acquisition rights) (Million yen)	(229)	(199)
(of which non-controlling interests) (Million yen)	(2,056)	(1,980)
Net assets applicable to common stock at end of period (Million yen)	52,748	51,473
Number of shares of common stock at end of period used for the calculation of net assets per share (Thousand shares)	44,107	42,222

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, 2023	For the fiscal year ended September 30, 2024
Profit per share		
Profit attributable to owners of parent (Million yen)	3,194	2,260
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common stock (Million yen)	3,194	2,260
Average number of shares of common stock during the period (Thousand shares)	44,051	42,663
Diluted profit per share		
Adjustment for profit attributable to owners of parent (Million yen)	—	—
Increase in number of shares of common stock (Thousand shares)	371	315
(of which share acquisition rights) (Thousand shares)	(371)	(315)
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 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 5 thousand shares, respectively.

(Significant Subsequent Events)

There is no relevant information.

4. Other

Changes in Officers

Scheduled for December 20, 2024

1. Candidate of Auditor to be newly elected

Auditor: Takuya Fujishima (currently General manager of Legal division)

2. Retiring Auditor

Auditor: Yoshiaki Kageyama