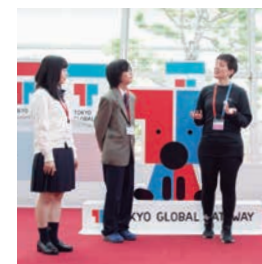


**Gakken Group
INTEGRATED REPORT
2023**

Gakken

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Gakken Group INTEGRATED REPORT 2023

CONTENTS

Gakken Group Mission, Vision, and Action Guidelines	1
Prologue Realization of Group Mission	
Gakken Group History	4
TOP MESSAGE	6
 Chapter 1 Gakken Group Value Creation	
Gakken Group Value Creation Process	12
Six Forms of Capital	14
Materiality Identification and Major Initiatives	16
 Chapter 2 Strategy and Performance	
Gakken Group Management Capital and Business Model for FY 9/2022	20
Initiatives to Improve Financial Performance	22
Business Overview	24
Strengthening Group-wide DX Promotion ...	39
Promoting Gakken Group's Content Worldwide	40
 Chapter 3 Sustainability of Gakken Group	
Sustainability of Gakken Group	44
Environmental Activities	48
Social Initiatives	54
Governance Initiatives	68
 Data	
Financial and Non-Financial Highlights	80
Financial Data	82
Stock Information	87
Non-Financial Data	88
Group Company Information	91

Editorial Policy

Gakken Group has published the Gakken Environmental Report since 2005 and the Gakken CSR Report since 2011 every year to inform its stakeholders of the social responsibilities the Group fulfills and the various initiatives it undertakes to solve social issues.

Furthermore, to show that these initiatives are deeply connected to the Group's Mission and business, we publish our Integrated Report from this year.

We aim to create a report that enables all stakeholders, including shareholders and investors, to understand how the Group's management philosophy, management policies, and medium- to long-term strategies are linked to the initiatives and business strategies of each Group company, and how they generate social value.

About the Cover

The cover of this report symbolizes the growth of Gakken Group, which has been nurtured within a diverse social capital. Starting with the postwar education business, it has since branched out into healthcare and nursing services, much like the branches of a tree growing over time. Both education business and healthcare and nursing services aim to create a world in which everyone has fulfilling lives.

The cover illustration was drawn by Kana, who illustrated the book "Naze Bokura Wa Hatarakunoka (Why We Work)" published by Gakken of our Group, which has been read and loved by many people.

Reference Guidelines and Frameworks

- This report was produced in accordance with the TCFD guidelines, using the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the framework of the Ministry of Economy, Trade and Industry's Guidance for "Collaborative Value Creation" as reference.
- A comparison table with the GRI Standard and ISO 26000 is available at the website below.

Reporting Period and Scope

The reporting period covers the fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022), and the reporting scope includes Gakken Holdings, Co., Ltd. and its consolidated subsidiaries. However, information not covered by the period or information on non-consolidated subsidiaries may be included as necessary, and specific reporting periods are indicated in each section of the report.

Caution Regarding Forecasts: The current plans, forecasts, and strategies presented in this report pertain to future performance projections and are subject to uncertainties.

Gakken

"There is nothing more important than education for post-war (World War II) reconstruction."
Gakken was founded on this strong belief that our founder Hideto Furuoka held for solving social problems. Each and every single employee has held this belief since its founding.

Gakken Group hopes that everyone has fulfilling lives.
To this end, we provide inspiration, satisfaction, safety for today, and dreams and hopes for tomorrow.



Create Solutions
Beyond Your Imagination

Think deeply for people and society.
Keep on learning.
Possess passion and speed.
Harness the power of the individual for the strength of the group.
Do not be satisfied with the status quo.

Create Solutions Beyond Your Imagination

The moment when each person realizes their potential.
A platform that can turn dreams into reality.

We will pursue these infinite solutions that exist beyond your imagination.

We will listen closely to people's worries and issues, and imagine the voices in their heart to offer new perspectives.
To fulfill people's wishes, we sometimes need to question conventional wisdom. We must harness our wisdom and enthusiasm to achieve this.

We believe there is a new way of life that is beyond your imagination.

In this rapidly changing world, we will build new products and services from the ground up that are familiar to people around the world and that will be loved.
That is our wish. That is our mission.

Gakken Group will continue creating priceless value for our clients in such a way that it serves as a beacon of light that shines throughout people's lives.

That is why Gakken Group will continue to strive to create new solutions beyond your imagination.

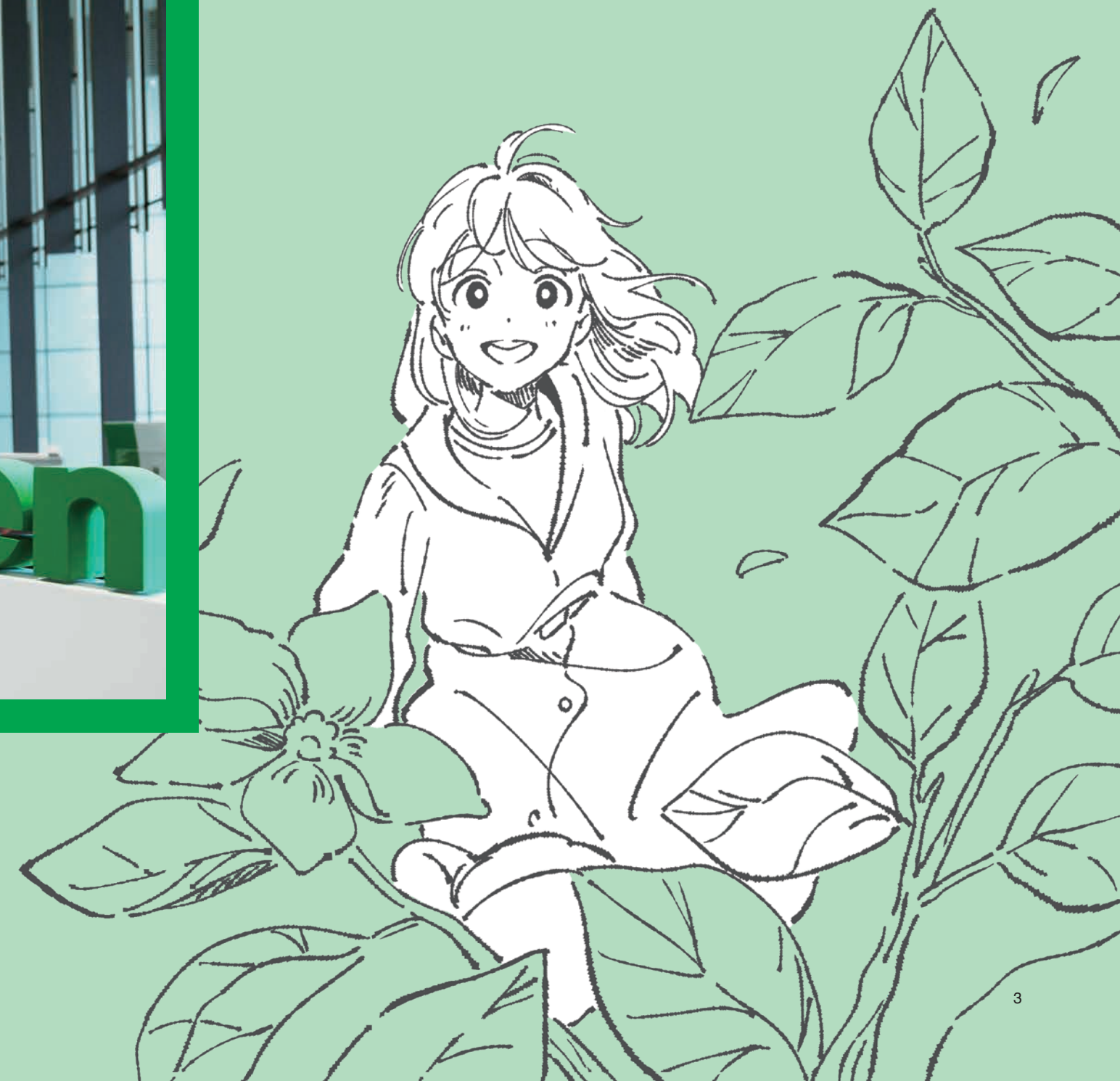
Prologue

Realization of Group Mission

This chapter outlines accomplishments in addressing societal challenges through our business endeavors and our future vision.

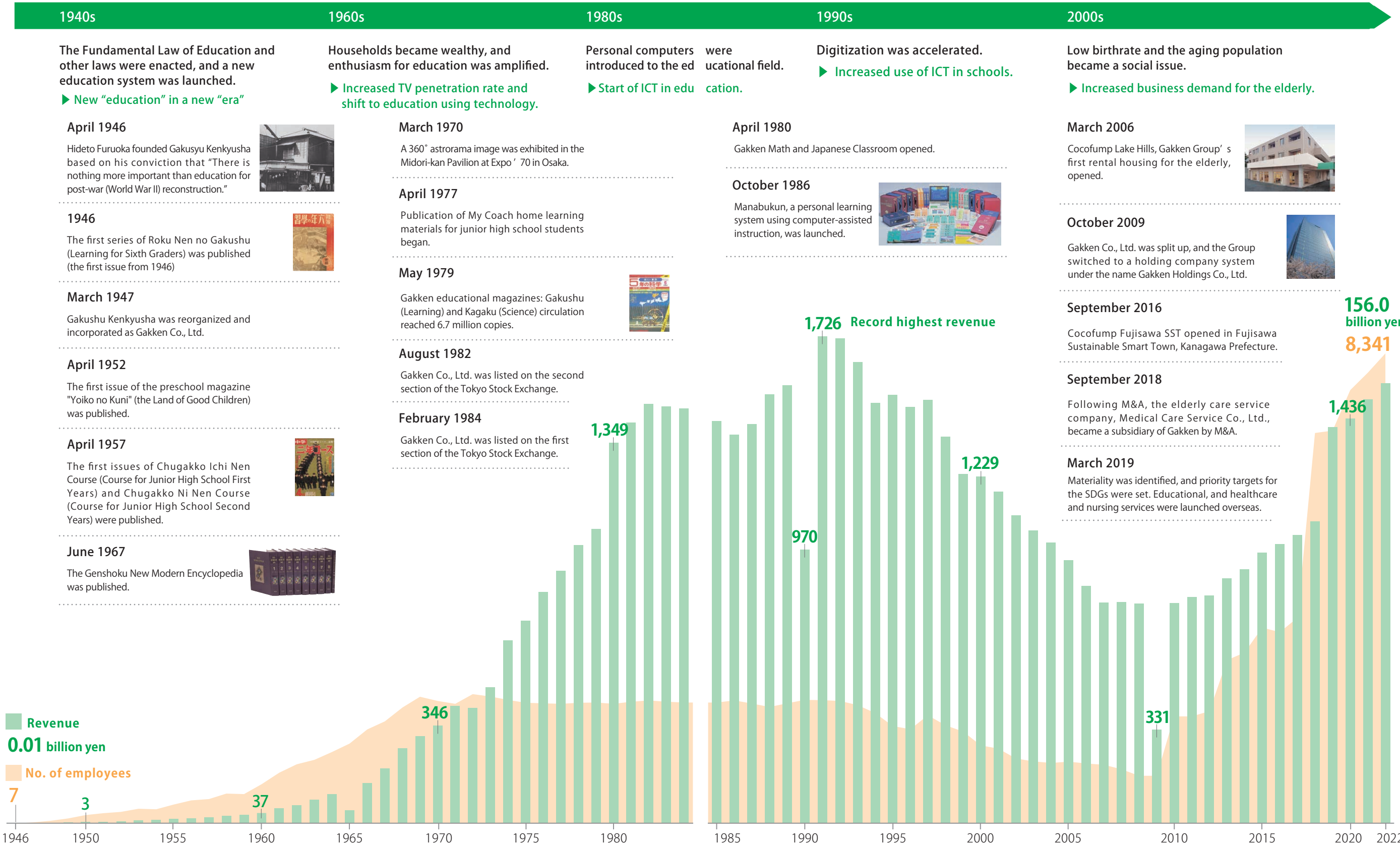
Gakken Group History 4

TOP MESSAGE 6



Gakken Group History

Gakken has consistently addressed societal challenges.





TOP MESSAGE

Solve evolving social issues and develop a growth strategy

President, Representative Director
Gakken Holdings, Ltd.

宮原博昭 Hiroaki Miyahara

Enhancing corporate value through a dual focus on economic value and social value

Thank you very much for reading the Gakken Group Integrated Report 2023.

In today's swiftly evolving society, companies are faced with an unprecedented demand for adaptability and seamless business operations. At the same time, effectively conveying their sustainability commitments to stakeholders in a clear and comprehensible manner has become an imperative.

Until now, the Gakken Group has documented its association with the environment and society, along with its contributions, within its CSR REPORT. As a conglomerate deeply interwoven with society through its primary operations in education, healthcare, and nursing, we are convinced that generating not just financial but also societal value is pivotal for fostering the lasting enhancement of corporate worth.

We have recently conducted a comprehensive reassessment of our materiality, marking the first review in four years since our initial alignment with the SDGs in 2019. This realignment is in response to evolving societal dynamics and the incorporation of new business elements. (Page 16)

Within the framework of the Group's value creation process, a distinctive feature emerges wherein the amplification of social value originating from its businesses directly correlates with an augmentation of its internal management capital. We firmly hold the belief that articulating this social value serves as a conduit for fostering enhanced comprehension of the Group's sustainable approach and its diligent endeavors.

We provide services to help all people live happily

The Group has two major business areas: education and healthcare and nursing.

In the realm of education, our endeavors encompass a spectrum of activities, such as operating learning centers, publishing educational content, and providing services to preschools and schools. Our overarching aspiration revolves around establishing sustainable education. Driven by a profound sense of duty as a private enterprise, we are resolute in addressing regional and economic disparities in education. This commitment is channeled through our contributions toward elevating the standard of education in Japan. We actively nurture the growth of young minds who will shape the future, underpinned by our innovative concept of the online Virtual Smart Campus (ViSC) and the Gakken Toddler Class that places significant value on nurturing intellectual curiosity during the formative years of early childhood. (Pages 24-30)

In the realm of healthcare and nursing, our efforts encompass offering specialized housing and services designed to cater to the unique physical and mental needs of the elderly. This includes the provision of serviced residences tailored for seniors, commonly referred to as "serviced senior residences," as well as group homes. Our primary objective is to facilitate an environment where a maximum number of individuals can sustain independent lives for as long as feasible.

Our objective is to enhance the quality of life for the elderly through distinctive initiatives. This encompasses delivering

personalized care and fostering an environment geared towards diminishing hospitalization rates within our serviced senior residences. Furthermore, our efforts extend to implementing elderly care models that facilitate and uphold independence within our group homes.

Moreover, our Group's housing for the elderly contributes to the realization of a sustainable social security system. According to calculations, among those residing in designated facilities and special nursing homes for the elderly with nursing care levels of 1 to 3, individuals with a care level of approximately 3 can reduce their nursing care insurance premiums by living in a high-quality, serviced senior residence. The proactive expansion of serviced senior residences not only supports the lives of the elderly but also helps curb the increase in social security costs.

In our childcare support business, we provide not only childcare for infants and toddlers but also a variety of support services, such as child development assistance and after-school care, as part of our commitment to "leaving no one behind" in childcare support. Supporting the healthy growth of children also contributes to enabling parents to work with peace of mind. (Pages 31-38)

In this way, in both the fields of education and healthcare and nursing, Gakken is continually advancing its business as a private company dedicated to supporting society, aiming to solve the social issues that surround its customers.

To ensure that everyone, from children to the elderly, can live happily, devising systems and providing services as a private company is a uniquely positioned endeavor and a strength of our Group.

Implemented proactive investments during the COVID-19 pandemic

Amidst the challenges posed by the pandemic, the medium-term strategic plan "Gakken 2023" was crafted. It aims for "Innovative Learning Approaches and Diverse Learning Opportunities" in the education sector, aspires to be a "Leading Contributor to Sustainable Urban Development" in healthcare and nursing, and envisions "Accelerating DX and Expanding Globally" across the entire group. In the second year, which concluded in September 2022, we successfully achieved an upswing in revenue and profitability. (Page 22)

In the education sector, Gakken Classroom boasts a combined total of 18,734 classrooms worldwide, engaging around 341,000 members. Additionally, Learning Centers span 408 classrooms and provide education to roughly 37,000 students, both domestically and internationally (as of March 2023).

Over the course of the pandemic's three years, conventional approaches like attending classes and learning centers underwent reassessment, allowing students to choose learning methods that resonate with them. Adapting to novel learning styles necessitated the delivery of quality content, irrespective of in-person or online formats, prompting structural changes within the education sector, including the publishing domain.

In pursuit of achieving the objective set forth in the medium-term management plan, the provision of "Innovative Learning Approaches and Diverse Learning Opportunities," we consolidated dispersed managerial resources within the Group. In October 2022, Gakken Plus, Gakken E-Mirai, Gakken Medical Shujunsha, and Gakken Shuppan Service were amalgamated,

marking the inception of Gakken Inc. In the fiscal year ending September 2022, hit products like the "Chikyu-no-Arukikata" travel guidebook series and the "Saikyo Ou" illustrated book series underscored this, fostering our anticipation of future synergistic effects.

In the realm of healthcare and nursing, the total number of our operating facilities, including both serviced senior residences and group homes, is 494, ranking first in Japan (as of March 2023).

The number of seniors aged 65 and over has exceeded 36 million and will reach its peak (about 39 million) in 2040. The percentage of the elderly aged 75 and over in the total population has continued to increase and is expected to exceed 25% by 2055. Furthermore, as the working population declines, it is highly likely that the provision of nursing care services to detached houses and mountainous areas will reach its limits. We believe that the need for elderly housing complexes, such as serviced senior residences that can provide efficient nursing care services, will continue to increase, and we aim to have 1,000 locations by 2030.

In the medium-term management plan, we planned to invest 25 billion yen in strategic areas including DX business, global business, and other existing businesses. Besides the investments in nursery school management companies, our investments in global enterprises, mainly in Vietnam (e.g., DTP), capital investments in serviced senior residences and group homes, and the establishment of a new company to accelerate DX business have generally progressed as planned.

In the fiscal year ending September 30, 2023, the final year of the medium-term management plan "Gakken 2023," we aim to achieve net sales of 162 billion yen, operating profit of 6.7 billion yen, and return on equity (ROE) of 7.2%, including the effects of the above investments.

Achieving a sustainable society involves fostering the next generation of human capital

The parent organization of Gakken Group, Gakushu Kenkyusha, was founded in 1946 by Hideo Furuoka based on his conviction that "There is nothing more important than education for post-war (World War II) reconstruction." After the war, Japan achieved a rapid recovery unparalleled in the world and became one of the most advanced countries in the world.

Since 2022, we have been distributing, free of charge, the "Play Smart" workbook for young children (Ukrainian version) to displaced persons in and outside Ukraine. We are also providing Ukrainian children who have fled to Romania with Gakken Classroom materials and teaching methods.

These activities are not only based on Gakken's founding beliefs but also on our strong determination to provide everyone with access to learning, whether domestically or globally. We believe that no matter what the situation, the realization and



development of a sustainable society is all about fostering the next generation of human capital.

Within our Group, human capital holds paramount importance as the fundamental driver of corporate value creation—a pivotal element for ensuring sustainable growth. Presently, women employees constitute the majority of our workforce, accounting for 68.4% of our total personnel. Their substantial contributions play a vital role in our operations. Notably, the proportion of female employees in section manager roles stands at 34%, and that of female managers at the department head level is 16%. While these figures surpass the average within Japanese companies, they have yet to reach a global standard. Our aim is to bridge this gap by aligning these ratios more closely with the proportion of female employees in our workforce. To accomplish this, we are actively implementing a range of training initiatives, promotion programs, and other personnel strategies. Furthermore, our focus on human capital management encompasses fostering an organizational culture that values diversity across dimensions such as race and age. (Pages 54-59)

In our commitment to curbing greenhouse gas emissions, we have embraced the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. As a part of this

commitment, we have devised a comprehensive roadmap to achieve carbon neutrality by 2050 through CO2 emissions reduction initiatives. Beyond this, we've initiated focused efforts in areas such as biodiversity preservation and upholding business and human rights. To tackle these matters, a dedicated Sustainability Committee has been established to craft policies, integrate them into actionable strategies, and actively engage in implementation. Furthermore, in October 2022, we inaugurated a new Sustainability Promotion Office.

To address these issues more quickly and steadily, starting in

the fiscal year ending September 30, 2023, we will introduce a new executive compensation system for directors and executive officers of Gakken Holdings and directors of major Group companies. The new approach adds non-financial indicators to the financial indicators we have traditionally incorporated.

There are still many issues to be addressed with regard to sustainability, and we will continue to report and disclose them as needed in the Integrated Report. We would appreciate your continued cooperation and feedback to the Group.

Profile of Hiroaki Miyahara

Born in Kure City, Hiroshima Prefecture in 1959. Following graduation from the National Defense Academy of Japan, and a stint at a trading company, Hiroaki Miyahara joined Gakushu Kenkyusha (now Gakken Holdings Co., Ltd.) in 1986. Over the years, he held diverse roles within the company, including the esteemed positions of General Manager of the Gakken Classroom Business Division, Executive Officer, and Director. This trajectory culminated in his appointment as Director of Gakken Holdings in 2009. Concurrently, he took on the role of President and Representative Director of Gakken Juku HD and Gakken Educational, further solidifying his leadership position.

In December 2010, he assumed the pivotal role of President and Representative Director of Gakken Holdings, spearheading transformative business reforms centered around education, healthcare, and nursing. Under his stewardship, the company experienced a remarkable V-shaped recovery, with 13 consecutive terms of revenue growth and 8 consecutive terms of revenue and profit growth.

He currently serves as an outside director of Nippan Group Holdings, Inc., Chairman of the Board of Directors of the Furuoka Scholarship Foundation, and Vice Chairman of the Japan Magazine Publishers Association. He is the author of "Gyakufu ni Mukau Shain ni Nare (Become an employee facing the opposing wind)" (Gakken) and "M&A Management Theory: Success Rules for Business Model Innovation" (Toyo Keizai Inc.).

Various communications to stakeholders

Through his communication with employees, Hiroaki Miyahara regularly shares his thoughts on the president's blog, "Rashinban." His book, "Gyakufu ni Mukau Shain ni Nare (Become an Employee Facing the Opposing Wind)," was published by Gakken in April 2022. It conveys a strong expectation and message to employees.

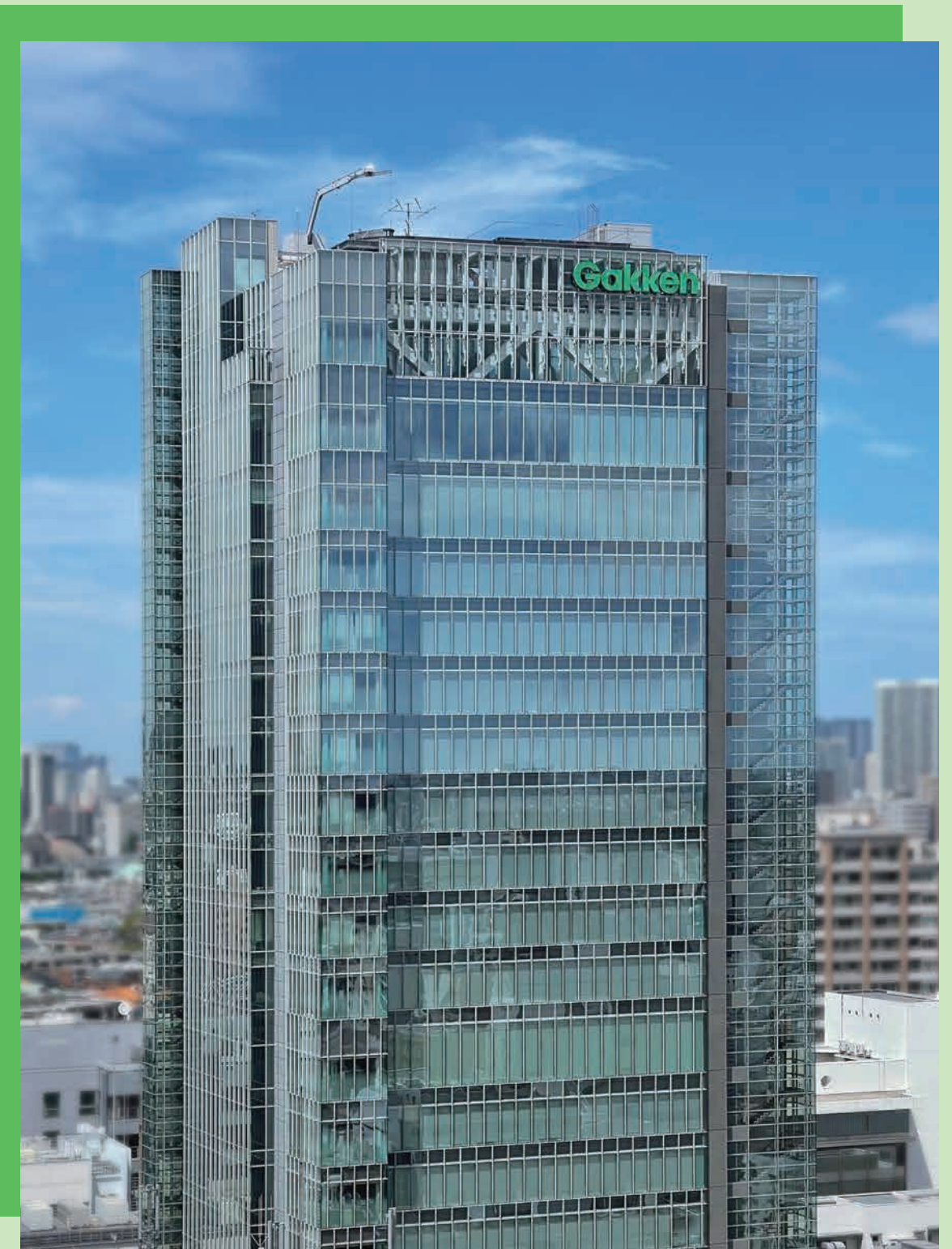
In March 2023, he published "M&A Management Theory: Success Rules for Business Model Innovation" from Toyo Keizai Inc. In this book, which targets a broad range of businesspeople, he shares a management theory derived from his own experiences.

Once a half year, MVPs are selected and awarded in the entire Group. Successful experiences are shared among all Group companies, leading to employee motivation improvement and human capital management.

As a means of connecting with the local community, the lighting ceremony of the Christmas tree displayed in the entrance hall, carried out by children from the childcare center within the Gakken Building, has become an annual tradition. We also value our connection with the community. (Featured on page 65)

Furthermore, in order to understand the perspectives of the environmentally-conscious younger generation, we conducted an interview with Ms. Rena Kawasaki, who was awarded the International Children's Peace Prize. Through interactions with the emerging generation making a mark globally, we will contemplate the role Gakken Group can play in nurturing globally active talent.





Chapter 1

Gakken Group Value Creation

This chapter outlines the social value delivered by Gakken Group.

Gakken Group Value Creation Process ... 12
Six Forms of Capital 14

Materiality Identification and
Major Initiatives 16

Gakken Group Value Creation Process

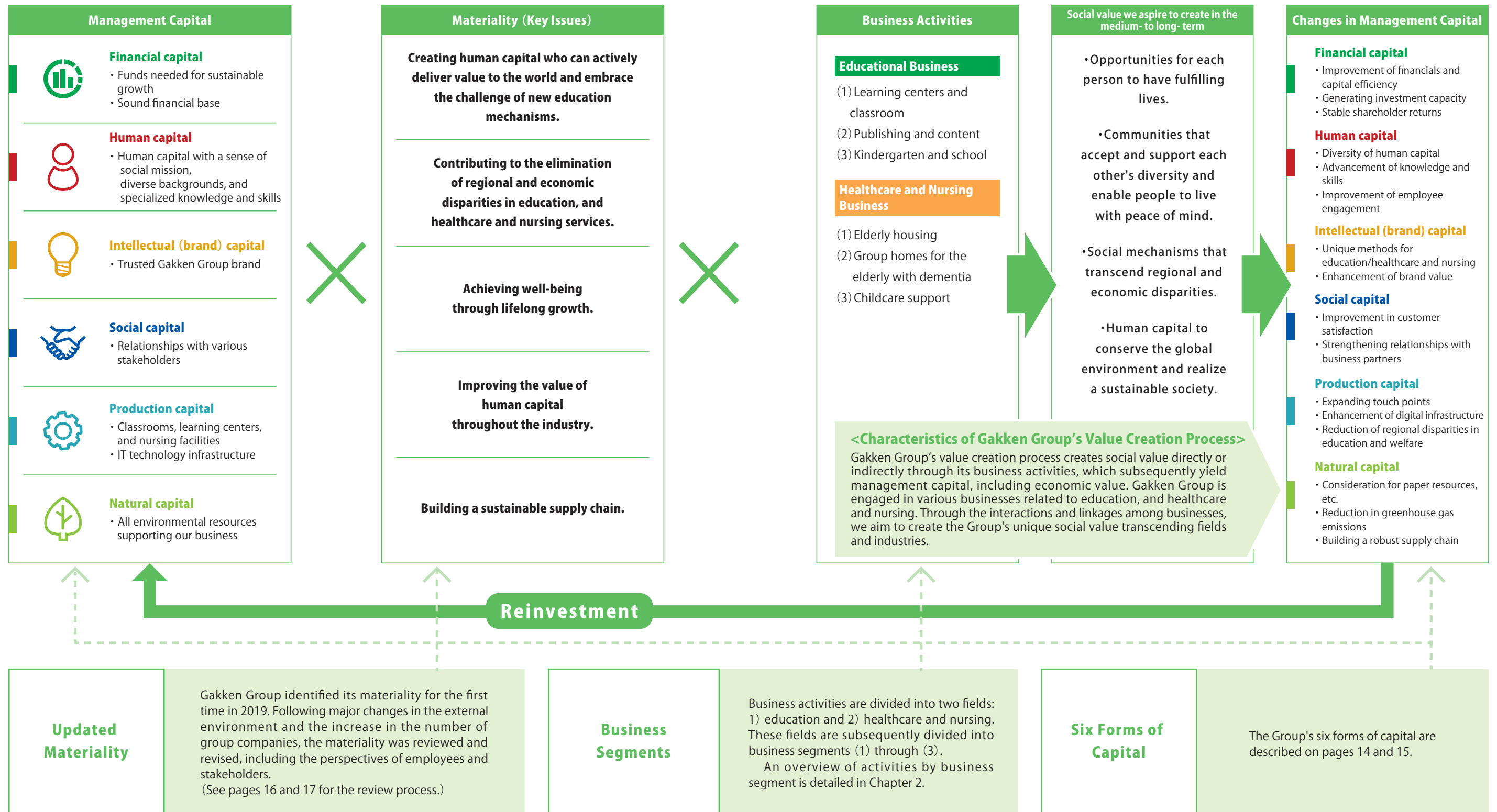
Examination of the Value Creation Process

In 2023, we reviewed our materiality and value-creation process. The management of Gakken Group companies spearheaded a reexamination and evaluation of how each business creates social value. The outputs informed the development of Gakken Group's cycle of value creation.

Group Mission

Gakken Group hopes that everyone has fulfilling lives.

To this end, we provide inspiration, satisfaction, safety for today,
and dreams and hopes for tomorrow.




Six Forms of Capital

Throughout its extensive history, Gakken Group has consistently generated value by fostering connections with various stakeholders, from infants to the elderly.

This approach underscores our recognition of the significance of social capital, human and intellectual capital utilization, and our capacity to build businesses through financial capital.

The ensuing indicators delineate the facets of the Group's capital.

**Financial capital**

Funds needed for sustainable growth

Sound financial base

To continue sustainable growth, we will control return on equity (ROE) and the debt-to-equity ratio and effectively utilize Group companies' assets to maintain financial soundness while making further business investments to expand our business. To achieve this, we will increase free cash flow through earnings from our investment business and the sale of cross-shareholdings. We will also continue to return profits to shareholders.

•Improvement of financials and capital efficiency


Capital adequacy ratio
ROE (return on equity)
D/E ratio


•Generating investment capacity

Increase in operating cash flow
Improved investment cash flow

•Stable shareholder returns

Dividend payout ratio
EPS expansion



**Human capital**

Human capital with a sense of social mission, diverse backgrounds and specialized knowledge and skills

Employees of Gakken Group, which operates the education and the healthcare and nursing businesses, pursue their daily work with a sense of social mission. Our unique array of products and services stem from the richness of our diverse backgrounds. Our personnel with specialized skills and knowledge are not satisfied with the status quo, but continue to learn and take on business challenges with passion and speed.

Through initiatives encompassing health management and fostering diverse work styles, we endeavor to enable our employees – our most pivotal management asset – to deliver their optimum performance, pursuing their contentment and better working environment.

•Diversity of human capital

Percentage of women in management positions
Active participation of young, senior and foreign employees
Structure of management
Promotion of employment of people with disabilities

•Advancement of knowledge and skills

Professional human capital, such as editors, learning center instructors, care workers, nursery school teachers, etc.
Interchange among human capital within the Group
Reskilling using the Group content

•Improvement of employee engagement

Promotion of health management
Diverse work styles

**Intellectual (brand) capital**

Trusted Gakken Group brand

In the Educational domain, we have forged unique methods in various fields while disseminating internally and externally our know-how cultivated in the book and magazine publication and the operation of learning centers and classrooms, as well as our knowledge gained through surveys and research. In the Healthcare and Nursing domain, our commitments extend toward fostering a “sustainable social security system,” including research and practical applications aimed at preventing dementia and curbing its advancement.

•Unique methods for education/healthcare and nursing

Systematization of methods and sharing within the Group

•Enhancement of brand value

Development of various methods in Japan and overseas



**Social capital**

Relationships with various stakeholders

Gakken's relationships with stakeholders with diverse values, from infants to the elderly, have enabled us to capture social issues and link them to our business.

From the dialogue with customers when delivering learning materials to their homes, Gakken has developed a business targeted at social issues in the area of elderly care.

Currently, the education and healthcare and nursing businesses share each other's networks to address new social issues, such as childcare support.


•Improvement in customer satisfaction

Classroom and learning center students
Facility users
Number of books and magazines

•Strengthening relationships with business partners

Partner schools and municipalities
Registered doctors



**Production capital**

Classrooms, learning centers, and nursing facilities/IT technology infrastructure

We are expanding our network of classrooms and learning centers across the nation and developing hubs that combine insights from the realms of Educational domain and Healthcare and Nursing domain, as “Gakken's Community-based Integrated Care System.” In this way, we are promoting the creation of a livable community and creating places for people to enjoy interaction.

Additionally, we are embarking on digitizing care records, leveraging technology to meticulously manage and analyze the health statuses of beneficiaries. This data-driven approach informs the development of enhanced environments and bolsters operational efficiency. In parallel, within the education domain, we are forging ahead with initiatives such as digital libraries in educational institutions and online classes hosted within learning centers. These efforts also contribute to reducing regional disparities, advancing accessibility and inclusivity.

•Expanding touch points



Learning centers and classrooms
Nursing homes
Complex facilities as a base for Gakken's Community-based Integrated Care System


•Enhancement of digital infrastructure

Gakken IDs and proprietary applications
Business efficiency

•Reduction of regional disparities in education and welfare

Online contents



**Natural capital**

All environmental resources supporting our business

We are committed to addressing environmental concerns through a multifaceted approach. In the publication domain, we are addressing excess paper consumption throughout the entire lifecycle – from the manufacturing and distribution of magazines and books to the editorial process. Similarly, our focus extends to energy consumption, where we closely monitor usage at various sites to pinpoint areas for improvement.

In the healthcare and nursing sector, we have embarked on concrete measures outlined under the concept of "ZEB Ready" (Zero Energy Building Ready). This initiative is geared towards minimizing our environmental footprint by incorporating renewable energy solutions and sustainable practices.

•Consideration for paper resources, etc.


Procurement of environmentally friendly materials

•Reduction in greenhouse gas emissions

Setting reduction targets
Promotion of initiatives

•Building sound supply chain

Social and environmental management systems

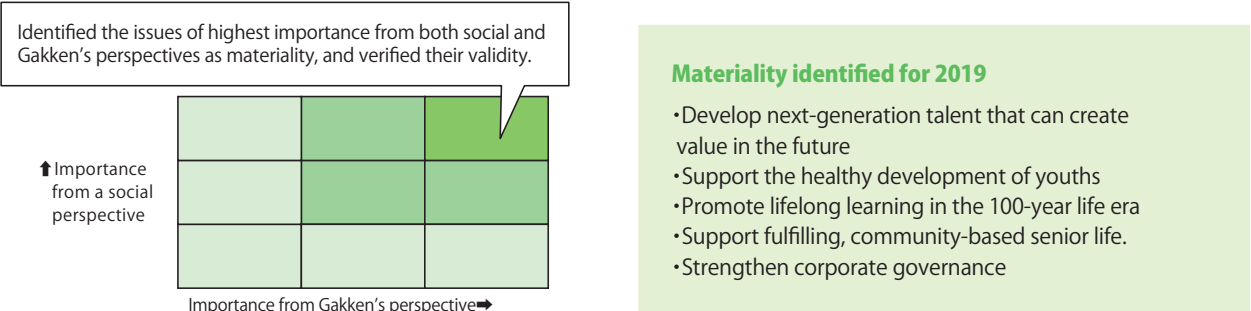


Materiality Identification and Major Initiatives

Materiality Identification Process 2019

In 2019, we undertook a comprehensive analysis to determine the material issues (materiality) of the Gakken Group. These material issues have since been integrated into our business operations in alignment with our ongoing medium-term management plan, "Gakken2023". Our approach involved recognizing pivotal themes and pinpointing pertinent issues that directly respond to prevailing social trends and societal expectations pertinent to our Group's activities.

The process of identifying materiality involved a meticulous evaluation based on two key aspects: the significance to our Group's functioning and the relevance to broader society. To achieve this, we garnered valuable insights from experts Mariko Kawaguchi and Peter D. Pidersen.

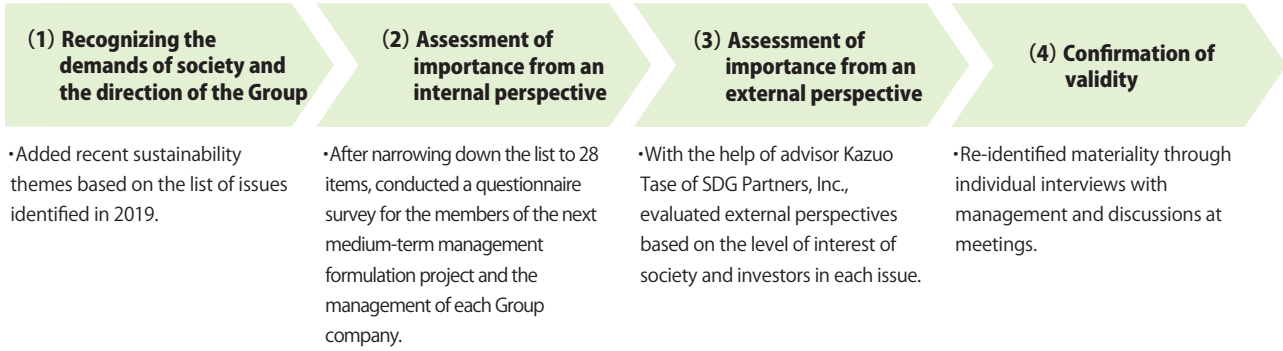


Materiality Update Process in 2023

Materiality needs to be updated from time to time to respond to the ever-changing external environment. As we approach 2023, the concluding year of our medium-term management plan, we recognize the need to align our materiality with the evolved values and lifestyles emerging in the aftermath of the Covid-19 pandemic. Furthermore, the escalating focus on ESG and sustainability has added a new dimension to our considerations. In light of these factors, we have initiated a comprehensive review and update of our materiality framework.

In our endeavor to update materiality, we've leveraged our established identification process, enriching it with two distinct yet interconnected perspectives: "Sustainable Materiality" and "Financial Materiality." This approach identifies common elements between these perspectives and accentuates the unique values intrinsic to the Gakken Group (situated in the lower right quadrant of the conceptual framework).

Additionally, as we evaluated Financial Materiality, we sought input from a broad spectrum of viewpoints within Gakken Group. Collaborating with project members responsible for shaping the next medium-term management plan and involving senior management from each Group company, we ensured the inclusion of diverse opinions across a wide range of age groups. This comprehensive approach culminated in constructive management discussions.

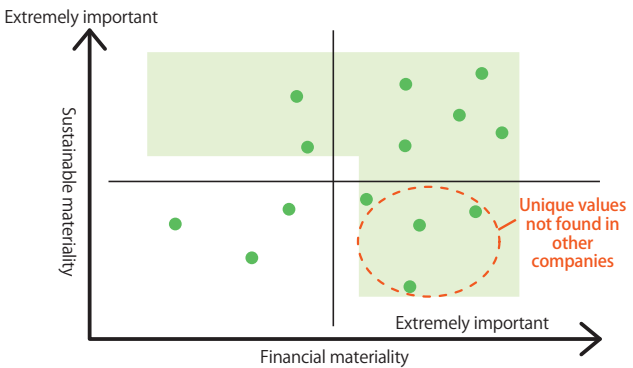


Sustainable materiality (vertical axis)

Evaluated based on the level of interest of society and investors in each issue with the help of SDG Partners, Inc.

Financial materiality (horizontal axis)

Surveyed the Group's management on "The level of importance of increasing corporate value as of 2030" and employed the results as the horizontal axis rating.



Gakken Group's Five Materiality Issues

Major Initiatives Linked to Materiality (see Chapter 2 for details)

Creating human capital who can play an active role in the world and taking on the challenge of new education	<ul style="list-style-type: none">•Provision of learning services, such as ESD (classroom/learning center business, publishing and content business)•Provision of content that stimulates intellectual curiosity, (publishing and content business)•Provision of "Gakken STEAM Program" to countries around the world (global business)•New education services at TOKYO GLOBAL GATEWAY (publishing and content business segment, global business)
Contributing to the elimination of regional and economic disparities in education and healthcare and nursing services	<ul style="list-style-type: none">•Initiative to eliminate regional disparities in education through the Virtual Smart Campus (ViSC) concept (classroom/learning center business)•E-book content, such as Gakken Library (publishing and content business)•Improving the efficiency of preschool operations with the childcare ICT system "hugmo" (kindergarten and school business)•Contributing to the maintenance of a sustainable social security system through serviced residences for the elderly (elderly housing business)
Achieving wellbeing through lifelong growth	<ul style="list-style-type: none">•Efforts to alleviate and remedy dementia symptoms and provide support for independence (group homes for the elderly with dementia business)•Educational support services at KLOCKA facilities for child development support, free schools "Mirai Gate," and providing diverse learning opportunities and places for children to stay (childcare business)•Realization of a multi-generational society where everyone has fulfilling lives through Gakken's Community-based Integrated Care System (elderly housing business)
Improving the value of human capital throughout the industry	<ul style="list-style-type: none">•Contribution to professional development through e-learning services for nurses (publishing and content business)•Training nursery school teachers and care workers through Gakken Academy services (healthcare and nursing business)•Visiting lectures on dementia (group homes for the elderly with dementia business)•Training for tutors (classroom/learning center business)
Building a sustainable supply chain	<ul style="list-style-type: none">•Reducing environmental impact through the achievement of Net Zero Energy Building (ZEB)-Ready in the elderly housing business (elderly housing business)•Selection of environmentally friendly means of transportation (publishing and content business)•Environmentally friendly initiatives in the printing, processing, and bookbinding processes (publishing and content business)

Comments from Expert

We asked an expert to comment on our materiality update and value-creation processes. We will utilize his valuable advice to inform future efforts.

Comment by Mr. Kazuo Tase

I think that Gakken Group's latest integrated report is excellent in that it attempts to integrate (=connect) the "ideals and reality," which are: (1) the Group's long-term vision of society and (2) the social impact and benefits that can be created through the Group's business development. This approach provides a solid foundation for future management planning.

I understand that the Group has always strived to manage its business to benefit society; i.e., to create a positive social impact, both in its long-standing business in the education field and its recent focus on the healthcare and nursing field. The Group's business directly contributes to the realization of sustainability, which is exactly the kind of business that society will need in the future. However, it will take time for projects in any of these fields to manifest in social change, so it will be necessary to make this connection even more visible.

I also feel that the Group, including its management, has a very deep understanding of sustainability. The challenge from here on will lie in sharing this understanding with middle management and front-line staff so they can understand the importance of the Group's initiatives, adopt a sustainable perspective for themselves, and promote its spread and development. I look forward to the Group's activities in the future.



Kazuo Tase
Born in 1967 in Fukuoka, Japan. Graduated from Tokyo University and became a visiting scholar at the New York University School of Law before joining the Ministry of Foreign Affairs in 1992. Worked for the Policy Division, the Human Rights and Refugees Division of the United Nations (UN), and served as First Secretary at the Permanent Mission of Japan to the UN. For two years, from 2001, worked as an assistant to Sadako Ogata at the Secretariat of the Commission on Human Security. Resigned from the Ministry of Foreign Affairs in 2005 and became Chief of the Human Security Unit, the UN Secretariat, and served as Director of the UN Information Center in Pakistan. Retired from the UN in 2014, assuming the position of Executive Officer at Deloitte Tohmatsu Consulting (DTC), Japan, progressing to become the head of CSR and SDGs promotion office. In September 2017, left DTC to establish SDG Partners Inc., and currently serving as CEO and Representative Director.



Chapter 2

Strategy and Performance

This chapter outlines the outcomes of our businesses in FY9/2022 and our focused initiatives.

Gakken Group Management Capital and
Business Model for FY9/2022 20
Initiatives to Improve Financial Performance .. 22

Business Overview 24
Strengthening Group-wide DX Promotion 39
Promoting Gakken Group's Content Worldwide ... 40

Business Overview

Gakken Group FY 9/2022

Management Capital and Business Model

Gakken Group was launched as an educational publisher in 1946. Our current growth focus is in two fields: education and healthcare and nursing.

Educational Domain



Classroom and learning center

Gakken Classroom (predominantly for elementary school students), Classrooms for infants and children, Learning centers (for elementary to high school students), etc.

■ Gakken Classroom: No. of Members and No. of Classrooms

	9/2018	9/2019	9/2020	9/2021	9/2022
No. of members	411,254	411,332	405,988	398,956	383,734
No. of classrooms	15,974	19,912	19,429	19,005	18,866

Number of Members: Calculated based on the enrollment of members in each program. If a member is enrolled in two programs, the count is considered as 2. Similarly, if a member is enrolled in three programs, the count is recorded as 3.
Number of Classrooms: Gakken Classroom certification comprises two categories: (1) Math and Japanese, and (2) English. A classroom holding certification in both categories is tallied as 2.
*From September 2022, both the number of members and the number of classrooms is the combined total of the Toddler Class, Mebae Class, and Academy Class.

■ Learning Centers: No. of Students and No. of Classrooms

	9/2018	9/2019	9/2020	9/2021	9/2022
No. of students	51,578	47,078	47,589	46,036	44,212
No. of classrooms	478	504	499	426	428

Publishing and content

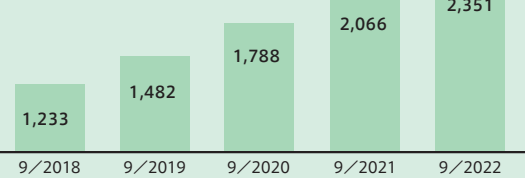
Publications (children's books, study-aid books, etc.), Learning materials for learning centers, Books on nursing and medicine, E-learning program for nurses, Publication of digital content, Educational toys, etc.



■ No. of New Publications

	9/2018	9/2019	9/2020	9/2021	9/2022
No. of New Publications	736	718	748	657	733

■ No. of Hospitals Using E-learning Programs for Nurses



Kindergarten and school

Picture books, Childcare products, Playing and other equipment, Clothing for teachers, Textbooks, Instruction guides for teachers, Supplementals, ICT learning materials, Learning materials for students with special needs, Mock exams for short essays, Recruitment support services, Corporate training programs, etc.

Classroom and learning center
20.1%

Elderly housing
20.8%

Group homes for the elderly with dementia
21.9%

Child raising support
3.7%

Others
3.6%

Kindergarten and school
9.2%

Publishing and content
20.7%

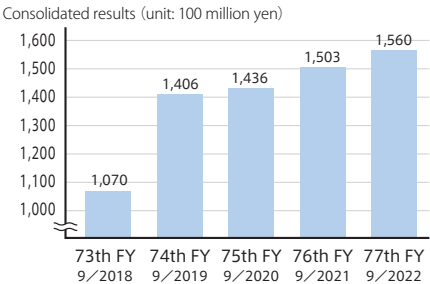
Gakken

FY 9/2022

Net Sales 156.03 billion yen

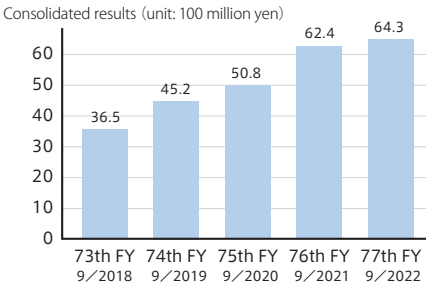
■ Net Sales

▶ 156.03 billion yen
(3.8% increase from FY2021)



■ Operating Profit

▶ 6.43 billion yen
(3.0% increase from the previous FY)



■ Overseas Bases

20 Locations

Excluding bases providing services to Japanese customers living abroad.

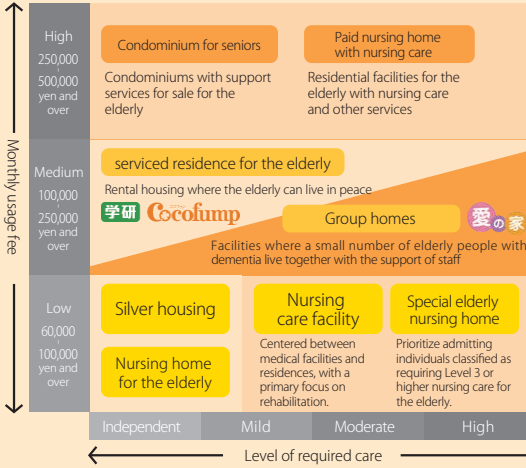
Healthcare and Nursing Domain

Elderly housing

Serviced residences for the elderly, Nursing care worker training and design, Nursing care insurance services, etc.



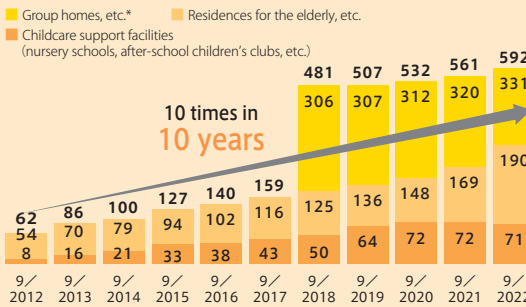
■ Positioning of Gakken Group's Housing for the Elderly



Group homes for the elderly with dementia



■ Healthcare and Nursing Business: No. of Facilities



* Including group homes for the elderly with dementia, specified facilities, and small multifunctional facilities.

Child raising support

Nursery schools, Certified childcare centers, After-school children's clubs, Child development support facilities, Free schools, etc.



Initiatives to Improve Financial Performance

Executive Message



Director
Yoshinobu Adachi

Gakken Group's ongoing three-year medium-term management plan, Gakken 2023, emerged from a simple yet profound question: How can Gakken Group contribute to the future in the span of a decade? To achieve this vision, we recognized the need for a strong foundation for growth within a three-year period. Our aim is to deliver a sense of enrichment, dreams, and optimism through our long-standing expertise in education and healthcare and nursing. We understand that achieving this objective involves not only enhancing the quality of our services but also leveraging digitalization to expand our reach beyond the confines of traditional offerings. To realize our aspirations for the year 2030, we have outlined a strategic plan that involves a substantial investment of 25 billion yen over the course of three years. This investment will primarily target areas such as digital transformation (DX) and global operations, as informed by a backward-looking approach to shaping our desired future.

Throughout the majority of the time span covered by our medium-term management plan (FY9/2021 to FY9/2023), our real-world ventures in the learning center and classroom sector, nursing care domain, and childcare support sphere faced significant challenges brought on by the COVID-19 pandemic. During this critical

phase, our foremost priority was to ensure the continued delivery of essential services to our valued customers. This pursuit led to a swifter implementation of digitalization than originally anticipated.

In the realm of learning centers, we were pioneers in launching online classes ahead of competitors. In the nursing care sector, we introduced computerized care records across all facilities. This innovative step not only lightened the workload for care providers but also elevated the quality of nursing services by enabling more time to be devoted to customer care.

Moreover, recent developments such as the establishment of the Children and Families Agency and increased national investments in reskilling align harmoniously with the strategic domains we have pinpointed for investment within our medium-term plan. These circumstances are propelling the Group toward tackling societal challenges through the expansion of our core businesses.

Undoubtedly, human capital stands as the cornerstone of our ability to address and resolve these societal issues. They are the driving force essential for sustainable growth. Internal human capital development and cultivating a conducive work environment are paramount for us, as we consider ourselves practitioners in the realm of nurturing human potential. Our aim is to foster an environment where every individual thrives, promoting health management alongside the holistic growth of each employee.

On the financial front, we are committed to advancing capital efficiency. While our business is closely intertwined with the educational and healthcare and nursing infrastructures vital to society, it is occasionally characterized as "steady yet not particularly efficient in terms of investment." However, we firmly believe that this perception does not hold true. Our dedication to upholding a unique content offering and exceptional service quality remains steadfast as we endeavor to continually earn the trust of our cherished customers.

Progress of Gakken 2023
Three-year Transition of Gakken 2023

FY9/2021 sales and operating income both achieved the plan.
FY9/2022 sales and operating income did not reach the plan due to the spread of COVID-19 Omicron strain infection and soaring utility costs.
FY9/2023 forecast includes the impact of COVID-19 re-expansion and higher costs associated with higher prices.

Consolidated	FY9/2021		FY9/2022		1H of FY9/2023		FY9/2023	Year-on-year results
	Plan	Results	Plan	Results	Plan	Progress rate	Forecast	
Net sales	146	150	157	156	81.2	50.1%	162	+6
Operating profit	5.6	6.2	6.7	6.4	3.2	48.1%	6.7	+0.3
Operating profit margin	3.8%	4.2%	4.2%	4.1%	4.0%	—	4.1%	± 0.0 %
Ordinary profit	5.7	6.1	6.8	6.9	3.3	46.7%	7.0	+0.1
Net profit	2.8	2.6	3.4	3.4	1.2	34.4%	3.6	+0.2
ROE	6.5%	6.3%	7.1%	7.2%	—	—	7.2%	± 0.0 %

*The Forecast figures are as of July 31,2023.

Sustainable Profit Growth and Shareholder Returns Through Active Investments in Strategic Areas

1 . Generating cash flow for active investments
In pursuit of profitable growth, we have actively engaged in strategic investments. Apart from our investment in a nursery school management company, we have diligently executed a significant portion of the 25 billion yen investment outlined in our medium-term management plan. This encompasses investments in our global operations with a focus on Vietnam, capital outlays in serviced residences for the elderly, and group homes catering to individuals with dementia, as well as digital transformation initiatives such as the establishment of new entities.

To fund these investments, we sourced capital from multiple channels. Notably, we allocated 9.6 billion yen from our operational cash flow generated over the two years preceding the last fiscal year. Additionally, we garnered funds through social equity financing and the divestment of policy investment shares, aligning with our balance sheet review.

In our commitment to optimize the utilization of funds across the Group, we are leveraging cash management services to consolidate available resources, channel them into new investment endeavors, and reduce interest-bearing debt.

2 . Shareholder returns and dividend payout ratio
From the perspective of shareholder returns, our medium-term management plan outlines a targeted consolidated dividend payout ratio of 30%, with the aim of

ensuring consistent and stable dividends. Remarkably, in the preceding two fiscal years, we surpassed this target by achieving a dividend payout ratio exceeding 30%. Our intention is to uphold this favorable trend by maintaining a dividend payout ratio above 30% for the fiscal year ending in September 2023.

	FY9/2020	FY9/2021	FY9/2022
Number of shares sold (including partial sales)	4 companies	3 companies	3 companies
Shares sold Book value	1,224 million yen	66 million yen	281 million yen

	FY9/2021	FY9/2022
Operating cash flow	4.4 billion yen	5.2 billion yen
Growth investments	17.3 billion yen	6.5 billion yen
Dividend payout ratio	34.1%	30.5%

Pursuit of Effective Financing and Capital Efficiency

1 . Financing for capital expansion and the establishment of stable funding
In March 2021, we successfully generated 8.1 billion yen through social equity financing. This outcome led to a notable enhancement in our capital adequacy ratio, which rose from 34.6% in FY 9/2020 to 39.2% in FY 9/2022. Furthermore, our debt-to-equity ratio demonstrated improvement, decreasing from 1.05x in FY 9/2020 to 0.86x in FY 9/2022.

Complementing the social equity financing, we also procured 6.0 billion yen through social bonds in March 2020 and raised an additional 8.0 billion yen via syndicated loans, backed by an ESG/SDGs assessment, in December 2021. These funding efforts were dedicated to the advancement of solutions for pressing social challenges.

2 . Stringent investment evaluation and investment governance
In regard to the allocation of acquired funds for investment, we have set up an Investment Evaluation Committee. The purpose of this committee is to assess whether the proposed investments align with capital and procurement expenses and to verify if the Post Merger Integration (PMI) following investment is progressing in accordance with the original plan.

The committee maintains an ongoing evaluation of investment endeavors and closely monitors projects that have already received investments. This approach will also be consistently applied to forthcoming investment initiatives.

	FY9/2020	FY9/2021	FY9/2022
Capital adequacy ratio	34.6%	40.2%	39.2%
D/E ratio	1.05×	0.83×	0.86×



Business Overview

– Educational Domain –

Executive Message



Executive Vice President
Kazuhiro Fukuzumi

Each educational company within the Gakken Group is actively involved in the following endeavors aimed at making a meaningful contribution to society through the delivery of educational content and services that foster the growth of future human capital.

1. Social responsibility

Since our establishment, we have placed a significant emphasis on our corporate social responsibility as a company dedicated to supporting Japan's education-focused values from a private-sector perspective. We have been committed to addressing societal challenges by nurturing the next generation of skilled individuals through our educational initiatives. While we have a strong legacy in the publishing and content sector, our



Director
Toru Goromaru

scope has expanded to encompass various domains, including learning centers, classrooms, kindergartens, and schools. As we look ahead, we remain committed to bridging gaps in educational opportunities across regions and enhancing the overall quality of education within society. A key part of our strategy involves developing and disseminating online learning materials, as well as sharing valuable educational insights and expertise to contribute to the broader advancement of education and learning experiences for all.

2. Reduction of environmental impact

We are committed to minimizing our environmental footprint by conducting our business operations in an eco-friendly manner. Our efforts are concentrated on several fronts. Specifically, we advocate for the efficient utilization of paper and the optimization of energy consumption across various domains, leading to a significant reduction in CO2 emissions. Furthermore, through Education for Sustainable Development (ESD)*1, we endeavor to cultivate a sense of responsibility for reducing environmental impact among children, emphasizing a global perspective.

3. Increasing employee engagement

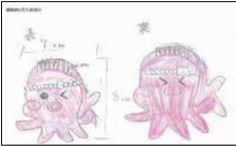
To ensure the wellbeing and growth of our employees, who are instrumental in driving the Group's sustainable expansion, we have implemented various measures. These include the introduction of a flexible work schedule system and remote work options and the support for employee skill enhancement.

These efforts will contribute to the Group's long-term growth and the realization of a sustainable society.

Social Impact of Businesses

●ESD Implementation in Learning Centers and Classrooms

Since the SDGs Promotion Office was established in 2021, as part of an ESD*1 project, Gakken Study has been holding regular workshops called "Mirai Thinking." These seminars offer learning opportunities on a range of topics. A contest to design wooden products using FSC*2-certified materials and SDGs badges made from thinned wood was organized in the summer of 2022, and 380 kids took part. The Tohoku SDGs Award 2022's Encouragement Prize was given to this educational initiative for raising awareness of the value of environmental protection through the consumption of lumber and for its collaboration with nearby lumber suppliers, craft studios, and tourism organizations.



▲The contest winners' designs were adapted into products.



●Initiatives for Environmentally Conscious Paper Procurement and Waste Reduction

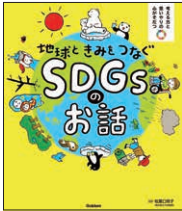
The Gakken Group promotes the procurement of paper made from appropriate materials with a traceable background (see Page 52). Beyond our efforts to mitigate environmental impact, the management of paper inventory also holds significant implications for cost reduction. Moreover, we are actively engaged in initiatives to facilitate electronic publishing, optimize print quantities, and prevent any editorial mishaps.

*1 ESD: Education for Sustainable Development

*2 FSC: Forest Stewardship Council, an international system to certify "appropriate forest management," which was established for the purpose of promoting sustainable forest utilization and conservation

●SDG-related Publications and Events

Gakken has been actively contributing to the understanding and awareness of the SDGs through the publication of numerous children's books and materials designed for school libraries. One notable publication, "Chikyu to Kimi o Tsunagu SDGs no Ohanashi (Story of the SDGs Connecting Earth and You)," released in July 2022, takes the form of a captivating storybook. This publication delves into critical topics such as global warming, gender equality, food loss, and peace, aiming to acquaint children – the future's main protagonists – with these essential concepts. The book's content, suitable for both children and their parents, was received so positively that it necessitated a reprint within a mere month of its initial launch. Furthermore, Gakken Holdings has been actively organizing events centered around SDGs and environmental issues. Notably, in March 2023, the online Gakken Kids Fest SDGs Action event was successfully conducted.



▲Numerous books related to the SDGs have been published. E-books have also been developed at the same time. (See Page 53)

Classroom and learning center

The ViSC concept seeks to deliver quality educational services across all 47 prefectures of Japan online, and to reduce educational disparities by region and income. The focus is on cultivating individuals capable of generating innovative value in times of uncertainty. To achieve this, we support the growth of children who will lead the future, with programs like Toddler Class that values intellectual curiosity in early childhood.

<Classrooms>



- No. of classrooms (Japan and overseas):18,734
- No. of members: Approximately 341,000

*As of March 2023

1. Aim to establish basic academic skills

Comprehensive coaching in math and English with the motto of "Slowly, attentively, and carefully."

2. Nurture the attitude and ability to study independently

Read explanations, think, and solve problems independently. Encourage awareness with advice from instructors.

3. Value each student individually through the "grade-free system."

Learning content aligned with individual member's level of achievement

4. Value moral education to learn with fun and liveliness

Teach social rules such as greetings, keeping shoes and bags in order, etc.



Business Overview

The classroom and learning center business consists of the classroom business for infants and elementary school students, and the learning center business for junior high and high school students. The brands of classrooms are Gakken Classroom, Gakken Toddler Class, and Mebae Class. All of them are located nationwide, allowing students to choose a classroom based on the study content and locational convenience. The learning centers are tutoring schools operated by 10 Group companies under their own brand names in 14 prefectures. Both businesses mutually cooperate and complement each other, "to have a long-lasting relationship with each customer" as a group of the classroom and learning center business.

Features of Products and Services

The classroom business employs learning methods and curricula tailored to children's school age and developmental stage. Gakken Toddler Class employs small-group simultaneous learning, guided by instructors who use teaching materials and tangible objects to enhance children's tactile experiences and help them acquire concepts of "letters" and "numbers." Meanwhile, Gakken Classroom adopts an individually optimized approach, where students work on mathematics and Japanese language materials on their own with the support of instructors.

In the learning center business, we operate a company-wide Teaching Skills Improvement Committee, which regularly assesses instructors' teaching skills through the "Gakken Learning Center Instructor Certification" and strives to maintain and enhance their skills by certifying them, with the SS level at the top.

Social Value of Products and Services

At Gakken Toddler Class, we emphasize collaborative learning where children share and enhance each other's knowledge. This cultivates the ability to clearly communicate one's own opinions, listen attentively to others' opinions, and understand differences in opinions and standpoints.

At Gakken Classroom, we value students' attitude of actively tackling and solving issues on their own. This fosters the ability to engage in tasks willingly, think things thoroughly, and persistently work towards them.

These non-cognitive abilities, which cannot be measured by academic tests, are important qualities that will support students not only in their later learning stages but also after they start working.

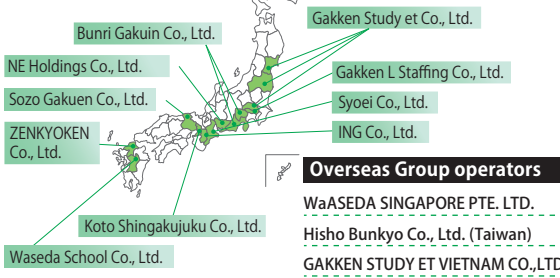
<Learning centers>

- No. of classrooms (Japan and overseas):408
- No. of members: Approximately 37,000

*As of March 2023



10 Group operators (Japan)



Business Environment

●Market Growth Potential

In 2020, the number of elementary and junior high school students was about 9.5 million, which has halved over the past 40 years. The birthrate is declining, with the number of births falling below 800,000 in 2022. There will be an increased demand for recurrent and re-skilling content for working adults.

●Customer Trends

Online classes, widely introduced during the COVID-19 pandemic, have become an established style of learning. Customers are seeking a variety of options, including hybrid courses combined with in-person classes and virtual schools where students from non-schooling areas can also attend.

●Competitive Situation

Amidst ongoing market competition in various regions, it is expected in the medium term that the winners and losers in the market will become clear, and the winners will reap the benefits of oligopoly.

Opportunities and Risks

●Opportunities

The three years of COVID-19 pandemic made customers reconsider their commuting to and from classrooms/schools, which was considered a matter of course. Each company has a chance to build its competitiveness by offering innovative educational services that match the changing values of customers.

●Risks

In an increasing number of prefectures, the average applicant-to-seat ratio for public high schools has fallen below 1.0. Students of all academic levels have had the motivation to attend tutoring schools to prepare for high school entrance exams, but their motivation may be lowered and the rate of enrollment in tutoring schools may decline.

Results for the past two FYs and progress for the FY ending September 30, 2023

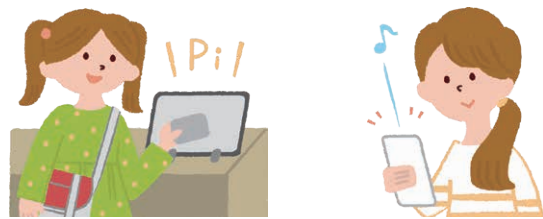
	FY9/2021	FY9/2022	1H of FY9/2023
Net sales (100 million yen)	314.9	314.4	153.6
Operating profit (100 million yen)	9.3	12.7	3.9
No. of members	398,956	383,734	341,401
No. of classrooms	19,005	18,866	18,734
No. of students	46,036	44,212	37,354
No. of learning centers	426	428	408

Business Overview

Toward Achieving Gakken 2023: classroom and learning center

●Evolution of Classroom Business

Due to the declining birthrate and other influencing factors, there is a growing demand for early education starting from infancy. In response to this trend, we have revised our teaching materials aimed at preschoolers. This revision is intended to effectively cultivate the three key qualities and abilities outlined in the Curriculum Guidelines for Elementary Schools: first, the acquisition of fundamental knowledge and skills; second, the development of analytical and expressive capabilities; and third, the fostering of a proactive attitude towards learning to encourage individual growth. Furthermore, we have introduced tablets into all our classrooms and introduced the Manamil communication application for our members. Additionally, we are actively engaged in enhancing our educational environment, which includes the digital transformation (DX) of classroom operations to establish seamless connections between the classroom experience and engagement with parents and guardians.



●Business Transfer (Gakken Toddler Class, Mebae Class, and Shogakkan Academy) and New Services (Gakken Classroom Online, Kotoba Park)

Gakken has undergone a transformation its classroom offerings, resulting in a more diverse range of comprehensive learning environments. This was initiated by the acquisition of 95 Shogakukan Academy classrooms in April 2020 and 172 Mebae classrooms catering to infant intellectual education in July 2021. Additionally, in October 2020, Gakken E-Mirai (now Gakken) transitioned its toddler class operations, comprising around 1,700 classrooms, to Gakken. This strategic move aims to optimize customer lifetime value (LTV) by directing customers to Gakken classrooms. Gakken's new services include Kotoba Park, which focuses on listening, speaking, and reading

skills for elementary school students, and Gakken Classroom Online, an interactive online service that allows students to study the same material at home while maintaining the Gakken Classroom's philosophy, materials, and curriculum.

●Gakken ON AIR

Gakken ON AIR (GOA), an online educational service launched in May 2021, was relaunched in April 2023. In addition to our user-friendly online interactive lessons, which are conducted by instructors holding Gakken LearningCenter Instructor Certification Level SS, we have elevated our services to include inspirational lectures and shared study spaces where students can collaborate. We've introduced three distinct fee plans: Light, Standard, and Premium, designed to accommodate individual student needs and preferences. Our overarching objective is to provide a holistic service that empowers students to enhance their academic performance, secure better grades, and succeed in their exams through our online classes.

●Virtual Smart Campus (ViSC)

The ViSC concept embodies our commitment to delivering high-quality educational services across all 47 prefectures in Japan using online platforms, with the primary objective of bridging educational disparities among regions. As part of this vision, we are introducing metaverse learning centers through the utilization of FAMcampus® (provided by FUJISOFT INC.). This online service will be tailored for junior high school students aspiring to excel in entrance exams, particularly those targeting public high schools. Initially launching in April 2024, we aim to expand this offering to encompass 40 prefectures by April 2025. To ensure comprehensive coverage across regions where our learning centers may not be directly accessible, we will collaborate with partner cram schools. This strategic approach, supported by capital alliances with partners like ICHISHIN CO., LTD., and JOHNNAN ACADEMIC PREPARATORY INSTITUTE, INC., underpins our commitment to realizing our goal of equitable educational access nationwide.

Initiatives for Focused Businesses



Creating a safe and nurturing environment that enables children to learn at their own pace while fostering a seamless connection between eager learners and dedicated educators.

Eri Kawamata
Corporate Officer,
Acting General Manager of Online Business Dept.,
Gakken Educational Co., Ltd.

Kotoba Park is an engaging online program designed to enhance the reading and communication skills of elementary school students. In FY 9/2022, the membership count surpassed 1,000 in Japan, and there is also a growing trend of increased membership from overseas. Gakken Classroom Online was introduced in April 2022, extending the legacy of Gakken Classroom, which has been active for nearly four decades. This online service offers personalized tutoring tailored to each student's needs, catering to parents and guardians residing in areas lacking nearby classrooms or dealing with specific challenges like children not attending school or facing selective mutism. These individuals appreciate the opportunity to provide their children with a customized learning environment that matches their unique requirements. Aligned with our goal of establishing a secure "third place" for children, we actively harness online capabilities to advance the concept of inclusive learning advocated by the Ministry of Education, Culture, Sports, Science, and Technology: "learning where no one is left behind." This approach facilitates adaptable learning experiences that accommodate increasingly diverse family dynamics. We're committed to enhancing content quality, refining individualized optimization, and aligning with modern academic standards. Moreover, this service has broadened instructor work styles, with a growing number expressing interest in remote work opportunities. Our commitment extends to attracting and training exceptional instructors to sustain the service's quality and effectiveness.



Eliminating educational disparities through online and digital means.

Akihiro Yamashita
General Manager of Business
Development Dept.,
Corporate Strategy Division,
Gakken Juku Holdings Co., Ltd.

One of Gakken Group's key businesses is ViSC. ViSC allows students to attend classes and study using digital learning materials in a virtual space. Currently, the GOA is the only provider to offer this service, and many students are studying in the virtual classroom. GOA aims to provide learning services that "increase study time" and "enable effective learning" at home. In order to achieve these objectives, the company is continually improving its services by making full use of "teaching-learning methods," "motivating students," "top quality live classes," and "digital materials that enable effective learning through video classes and AI."



Publishing and content

Over the past 70 years, our educational publishing business, which has nurtured intellectual curiosity since the foundation of our Company, has grown into a publishing content business that delivers "the joy of knowing" and "the pleasure of learning" to all generations. We continue to provide quality learning opportunities that allow all people to access "a life of hope."

◀Publication▶



◀Outside Publishing▶



Business Overview

The Publishing and Content Business segment revolves around publishing, rooted in the renowned children's educational magazines "Gakushu" and "Kagaku." Within this segment, various endeavors are pursued, including the publication and distribution of children's books, study reference materials, adult learning resources, and other publications. These offerings are made available through intermediaries and bookstores. Additionally, the segment encompasses nursing and medical book publishing, administration of practice exams for national nursing examinations, and the sale of e-learning training programs. Furthermore, the segment is involved in the creation and marketing of digital content and educational toys that align with its publishing activities. Notably, the company manages TOKYO GLOBAL GATEWAY, a hands-on English learning facility, as part of its comprehensive approach to education and learning services.

Features of Products and Services

We provide publishing content that brings "the joy of knowing" and "the pleasure of learning" to people of all ages. We offer a portfolio that spans a wide range of needs, including children's books, reference books and drills, educational kits, dictionaries, encyclopedias, magazines, general and practical books for adults, and medical and nursing books. In addition to paper publications, we offer a wide range of digital content and licensed products such as e-books and e-learning. We are also actively engaged in overseas development, including global publishing and global IP business*.

Social Value of Products and Services

The "learning" environment in Japan and throughout the world is changing dramatically. In Japan, the phenomenon of the aging population has led to a reduction in the number of children. As such, there is a need to create an environment that fosters the ability to live in an era that is difficult to predict. In addition, as we enter the "100-year life period," it is necessary for people to continue learning during every stage of their lives. We aim to realize a world in which all people can live a fulfilling life now and in the future by providing a wide variety of high-quality learning content and services for children and adults, both in Japan and internationally.

*IP (intellectual property) business: Business that earns profits from intellectual property, such as licensing fees.

Business Environment

As of 2022, the birthrate in Japan was continuing to decline, resulting in a projected figure of less than 800,000 births. This decline in birthrate has led to a reduction in the potential market size for children's books and educational toys. In parallel, the expenses associated with educating a child have been on the rise, contributing to a polarization in academic achievements among students. A noteworthy trend is the significant adoption of recommendations for college admissions, with approximately half of all college entrants now relying on such recommendations. This shift is indicative of the evolving learning landscape, characterized by diversified learning needs among students and their parents. Learning methods have also undergone diversification, incorporating digital learning formats to cater to varying preferences. The decrease in the number of bookstores is having an impact, especially on products that were traditionally purchased from such outlets, such as children's books. The demand for reskilling and upskilling opportunities for adults is on the rise.

Opportunities and Risks

- Opportunities
 - Creation of new markets through diversification of needs
 - Increase in touch points through digitization
 - Expanding sales in the adult education and reskilling market
- Risks
 - Shrinking market due to declining birthrate
 - Entry of other industries into the education service market due to digitalization and intensified competition

Results for the past two FYs and progress for FY9/2023

	FY9/2021	FY9/2022	1H of FY9/2023
Net sales (100 million yen)	315.3	323.7	168.2
Operating profit (100 million yen)	27.9	31.7	18.1
Number of new publications	657	733	395
Number of hospitals with e-learning contracts	2,066	2,351	2,407

Business Overview

Toward Achieving Gakken 2023: Publishing and Content

In July 2022, we are reintroducing "Gakken no Kagaku" for the first time in 12 years. Our aim is to publish titles that ignite the curiosity of children under the banner of "Real Experience Kits Connecting with the World." Simultaneously, we are launching the latest iteration, "Gakken no Zukan LIVE New Edition," as part of the long-standing "Gakken no Zukan" series. Since its inception in 1970, this series has been offering children a novel picture book experience, boasting an extensive collection of recorded species and captivating visuals.

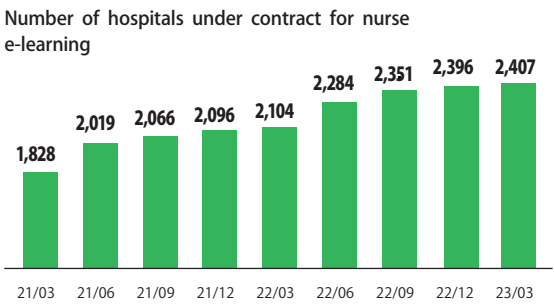
In addition, we will also launch a new type of picture book. Many hits have been developed, such as "The Strongest King Encyclopedia," which has already sold over 3.25 million copies in the series, and "Why We Work," which has sold over 500,000 copies.

E-learning for nurses

The number of contracted hospitals for the e-learning service for nurses operated by Gakken Medical Support continues to grow steadily. In the future, we aim to make a further leap forward by expanding our content and target audience.



▲ The theme of the first installment of "Gakken no Kagaku" is hydrogen energy, which is currently a hot topic. "Why We Work" is a career education book that is designed to encourage children to reflect on life.



Initiatives for focused businesses



Unearthing new demand in the COVID-19 crisis

Kunihiro Arai
Representative Director,
Arukikata Co., Ltd.

During FY 9/2022, our operations were significantly impacted by ongoing COVID-related restrictions. As a publisher specializing in travel guidebooks, the challenging business environment persisted due to the inability to release revised new editions. However, even under such circumstances, the "Traveler's Illustrated Book Series," edited by theme around the world, was well received and boosted sales. Furthermore, we managed to achieve a notable recovery in our business performance, primarily driven by successful projects such as "Chikyu no Arukikata Mu: Isekai no Arukikata" and "Chikyu no Arukikata: Jojo no Bizarre Adventure," collaborations with other media, which collectively sold 300,000 copies.

Additionally, our J series, originating with "Tokyo" and subsequently expanding to cover various regions of Japan, exhibited strong performance. Particularly noteworthy is the enduring success of our "Japan" edition, a single-volume guidebook encompassing all 47 prefectures. This unique and comprehensive guidebook continues to maintain its popularity and enjoy a long-standing presence in the market.

In recognition of these accomplishments, our company was honored with the prestigious "Marketer of the Year 2022" award, which was co-sponsored by Nikkei Cross Trend and Nikkei MJ. Furthermore, we were honored with a double award from the Japan Marketing Association (JMA) – the "15th (FY2022) Japan Marketing Grand Prize Incentive Award."



Expanding readership and deepening connections digitally

Yukie Shiota
Deputy General Manager of Publishing and
Contents Business Division,
Gakken Inc.

Two major projects were published in the summer of 2022.

One significant initiative is the introduction of "Gakken no Zukan LIVE New Edition," a substantial update to our previous edition of pictorial books. This renewal is rooted in the notion of reimagining the pictorial book experience, aiming to invigorate it. Moreover, we have introduced "NANIKOLENS," an application that facilitates the pictorial book experience for users. When users capture an image of a familiar creature, the AI rapidly identifies it, subsequently displaying its name and unique characteristics. This application has garnered popularity, especially among those without access to illustrated books, and its downloads have surged past 100,000. It has emerged as a pivotal tool that cultivates children's curiosity, bridging the gap between illustrated books and their readers.

The second initiative is centered around "Gakken no Kagaku" (Gakken's Science). This publication, which reached a pinnacle monthly circulation of 6.7 million copies, has been revived with the notion of "propelling it into the future." While upholding the format of a book accompanied by experiment kits, we have introduced a community platform called "Asobunda Kenkyujo." Within this space, users can access experiment videos and raise questions. Serving as a distinct community separate from school, it serves as a hub for science enthusiasts to exchange insights and experiences, and bolster their learning endeavors.



*Click here to download NANIKOLENS.

Kindergarten and school

In the realm of preschools and schools, novel challenges have emerged. One example is "hugmo," a platform that enhances parent-teacher interaction by optimizing preschool operations through ICT integration. This innovative approach empowers on-site caregivers and educators to allocate more quality time to engage with preschool children. Additionally, we have introduced "Watashitachi to Joho," an exclusive supplementary reader tailored for information education in elementary schools within Japan. This resource is designed to adapt to the swiftly expanding digital landscape within schools, aligning with the GIGA School initiative.

<For kindergartens>

•Childcare magazines by age

•Magazines for nursery teachers

•Playground equipment/ learning equipment

•ICT system for kindergartens

<For school>

•Textbooks/Supplementary readers

•Essay materials

•Materials for students with special needs

Business Overview

The kindergarten and school business segment is designed to support learning for all generations, from preschools to elementary, junior high, and high schools, universities, and corporations.

- Early childhood education business: Production and sale of nursery supplies, equipment and playground equipment, and children's clothing for kindergartens, daycare centers, and certified childcare centers.
- School education business: Production and sale of textbooks, teacher's manuals, supplementary readers, special support materials, essays, mock exams, etc.
- Education for working adults business: Planning and operation of in-house training programs, etc.

Features of Products and Services

Within our early childhood education endeavor, we offer an extensive array of resources aimed at fostering children's growth. Our repertoire includes a diverse selection of picture books, fresh educational supplies, playground equipment, and other aids that bolster developmental progression. In more recent times, we have ventured into supplying technology-enabled tools to facilitate preschool operations and safety products designed to mitigate accidents. Through this multifaceted approach, we extend comprehensive assistance to the refinement and augmentation of the childcare milieu.

Within the realm of school education, our efforts extend beyond conventional textbooks and supplementary reading materials. We are at the forefront of crafting and offering digital educational resources in alignment with the GIGA school initiative. Moreover, we are dedicated to producing educational materials tailored to the requirements of special needs education. In the sphere of adult education, we furnish comprehensive training programs tailored to meet the reskilling requirements of various enterprises.

Social Value of Products and Services

We recognize the significant impact of shifting societal dynamics, such as the declining birthrate and an aging population, on childcare and educational landscapes. Our aspiration is to create a nurturing atmosphere where children receive care and education with confidence, adaptable to their unique requirements amidst the unpredictable nature of these times. Keeping this objective in mind, we offer a diverse range of content and services that resonate with children, educators, and parents alike. Recent efforts have also seen us placing emphasis on the digital realm, diligently crafting services customized to each individual's life stage, environment, and values.

Business Environment

As the birthrate declines, as symbolized by the establishment of the "Child and Family Agency," there is a growing need to improve the quality of childcare environment facilities and early childhood education on offer to society. In the domain of school education, the adoption of digital textbooks and instructional materials leveraging Information and Communication Technology (ICT) is becoming more prevalent. This approach aims to harness the learning devices distributed as part of the GIGA School Concept, facilitating enhanced educational experiences.

Approximately half of university admissions are now facilitated through recommendations, reflecting a declining emphasis on preparing for traditional entrance exams. However, a subsequent concern is emerging regarding students' academic proficiency post-admission. For working people, reskilling needs in companies are on the rise.

Opportunities and Risks

- Opportunities
 - Establishment of the "Agency for Children and Families" will change the preschool business environment and create a new market
 - Increased demand for digital support in kindergarten and school
 - Increased needs for reskilling in the corporate sector
- Risks
 - Decreased market size due to a decrease in the number of children
 - Decrease in the number of preschools, kindergartens, schools, and other childcare and educational facilities, resulting in a decrease in the need for equipment and supplies
 - Entry of other industries into the education service market due to digitalization and intensified competition

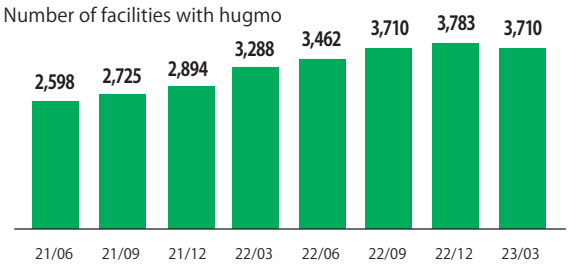
Results for the past two FYs and progress for FY9/2023

	FY9/2021	FY9/2022	1H of FY9/2023
Net sales (100 million yen)	159.0	143.6	80.1
Operating profit (100 million yen)	7.5	3.0	4.4

Business Overview

Toward Achieving Gakken 2023: Kindergarten and school

●Improving the efficiency of preschool operations through the use of ICT
The "hugmo" business acquired in June 2021 is a childcare ICT system that supports operational efficiency and communication with parents at preschools.



●Entrusted research on the results of bridge program for preschool and elementary school
Gakken Kyoiku Mirai (now Gakken) was entrusted by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) to carry out a research on the results of bridge program for preschool and elementary school in selected model areas during FY2022. This initiative spans three years (from FY2022 to FY2026) and falls under the Early Childhood Education Division of the Elementary and Secondary Education Bureau. The primary objective of the "Bridge Program for Preschool and Elementary School" is to enhance the quality of early childhood education and ensure a seamless transition to elementary school education. Nineteen municipalities have been chosen from across Japan to establish collaborative preschools (including kindergartens, nursery schools, certified childcare centers) and elementary schools, serving as model areas for the implementation of this program in both public and private school settings. Gakken was entrusted with the task of conducting research into the progress and outcomes of the initiatives undertaken by these 19 model municipalities. Through this research, Gakken aims to identify key issues related to the connection between early childhood education and elementary school education. The insights gathered from this research will then be utilized to enhance the quality of educational content and services for preschools, schools, and children.

Initiatives for Focused Businesses



Responding to the "Japanese-style school education of Reiwa period," which ensures that no one is left behind in the development of "knowledge, virtue, and body."

Keiji Katsuno
Director,
General Manager of Educational
Solutions Division,
Gakken Inc.

In addition to enhancing our current range of textbooks and supplementary reading materials with a focus on health, physical education, and moral education, we are also actively seeking to broaden our scope of support through strategic partnerships with other companies. For instance, we have embarked on a pioneering project in collaboration with Pestalozzi Technology Corporation to develop a nationwide digital physical fitness test service tailored to GIGA terminals. Through this collaboration, we have achieved a remarkable reduction of around 90% in the workload of teachers, including the tasks of verifying and organizing form content. This has been made possible by streamlining the process and providing efficient data compilation. Furthermore, the initiative has expanded the horizons for leveraging educational data, as we are now able to offer comprehensive results data. This innovative system has garnered significant attention from various educational institutions and organizations, showcasing the potential of its impact on the education sector.

In the domain of special support, a realm that we have been dedicated to since the inception of the "Journal of Education for Children with Disabilities" in 1973, we have collaborated with Tokai Rika Corporation to co-create an innovative digital educational tools for developmental support known as "Hapurun to Isshoni Furete Manabu Moji/Kotoba" and its dedicated touch pen "Haplupen." These tools are thoughtfully designed to nurture fundamental skills encompassing seeing, hearing, speaking, touching, reading, and writing. It serves as a pivotal stepping stone for children of diverse characteristics to engage with learning Japanese effectively.



For the Smiles of All Children

Kanako Kobayashi,
Deputy General Manager of Early
Childhood Education Division,
Gakken Inc.

Accidents occur in thousands of early childhood education and care facilities nationwide every year, and abuse and inappropriate childcare have become major social problems.

Despite the declining birthrate, the need for childcare remains strong, and the chronic shortage of personnel at early childhood education and care facilities is a serious issue.

In response, we have further expanded the functions of "hugmo," which reduces the workload of teachers, and "hugsafety," which manages risks to children's lives and manages children's health. We have also developed products, such as anti-bus leaving devices, indoor monitoring cameras, ICT-based monitoring services, and infection control products. Together with Gakken Area Markets and distributors, we deliver products and services that connect children, teachers, and families and keep them safe within early childhood education and childcare facilities nationwide.

We will continue providing new products and services for all children to benefit from the ability to have fulfilling lives in an unpredictable society with the evolution of ICT, AI, and globalization.



Healthcare and Nursing Domain

Executive Message



Managing Director
Hitoshi Kobayagawa



Director
Norio Yamamoto

Gakken Group entered the Healthcare and Nursing field in 2004 with the goal of "enabling the elderly to continue to live with peace of mind in their own neighborhoods." Since then, the Group has been developing its elderly support and childcare support businesses with the mission of solving social issues related to the declining birthrate and aging society.

In our endeavor within the domain of group homes catering to the elderly with dementia, we are actively generating societal value by

advancing the "realization of a sustainable social security system." We achieve this by augmenting the count of serviced senior housing establishments where social security resources can be deployed optimally. Additionally, our efforts extend to comprehensive research and practical measures to prevent dementia and manage its progression effectively.

In parallel, our childcare support enterprise goes beyond mere infant and toddler care. We extend our offerings to encompass diverse support services for child development across different age groups, ensuring an all-inclusive approach that adheres to the principle of leaving no one behind. This commitment nurtures the healthy development of children while fostering an environment in which parents can pursue their professional pursuits without concern.

Our overarching strategy is anchored in the advancement of the "Gakken's Community-based Integrated Care System," a pivotal initiative that resonates with our values. Our focus transcends merely enhancing the quality of life for our clientele through service provision; we are equally dedicated to cultivating sustainable communities. Through the expansion of our business activities, we concurrently contribute to the realization of a sustainable society while generating economic value. This virtuous cycle fuels the enduring growth of the Healthcare and Nursing domain, perpetuating a sustainable trajectory.

Social Impact of Our Business

●Initiatives to Reduce CO2 Emissions

Efforts are underway to introduce solar panels atop the roofs of serviced senior residences operated by Gakken Cocofump and group homes for the elderly with dementia operated by Medical Care Service. In tandem, a similar initiative is being extended to licensed nursery schools operated by Gakken Cocofump Nursery. The underlying objective of these endeavors is to mitigate carbon dioxide emissions by harnessing renewable energy sources to supplement overall energy consumption. (See Page 51)



●Efforts to Reduce Environmental Impact by Going Paperless

All the nursery schools operated by Gakken Cocofump Nursery have completed the installation of childcare ICT equipment.

The paperless recording of childcare records has resulted in a one-third reduction in the number of childcare forms. In addition to reducing the environmental impact associated with the use of paper, this has also led to a reduction in the workload of childcare workers by improving operational efficiency.

●Obtain Net Zero Energy Building (ZEB) Ready status for designed facilities

The acquisition of ZEB Ready, a designation attributed to facilities developed by SYSCARE (limited to specific properties), marks a significant stride in our efforts. Our primary focus revolves around diminishing the annual primary energy consumption of buildings by a

substantial half. To attain this objective, we are implementing a multifaceted approach that entails the installation of high-efficiency air-conditioning and hot water supply systems, as well as a meticulously insulated building envelope. The overarching aim of this initiative is to achieve a harmonious equilibrium between energy production and consumption, ultimately resulting in a zero energy balance. Beyond environmental benefits, this endeavor is also geared towards alleviating the financial burdens incurred by residents.

●Childcare support that "leaves no child behind"

Gakken Cocofump Nursery is promoting the "no one is left behind" approach to child-rearing support.

We are proactively creating place to support children with developmental concerns and those who are not attending school. We are also continuing to hold local childcare support events at our preschools.



●Visiting lectures on dementia

Since September 2022, Medical Care Service has been offering classes on dementia. These classes have mainly been delivered at elementary, junior high, and senior high schools in the Tokyo metropolitan area. Our goal is to create a society in which everyone can live comfortably by providing children, who are the future leaders of local communities, with the correct knowledge and a deeper understanding of dementia.

To date, the classes have been held five times and were attended by around 400 people.

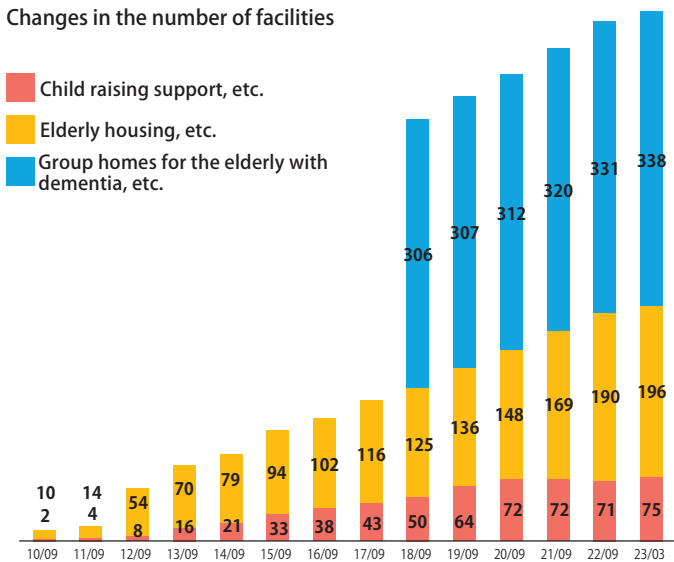
Business Overview

●Accelerated opening of new locations to address declining birthrate and aging population

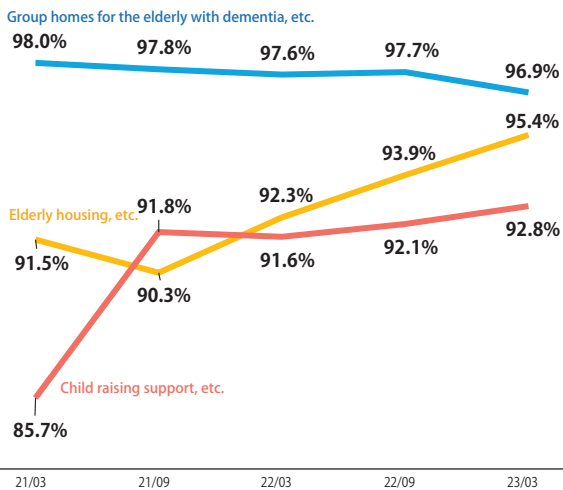
As of June 2023, the senior population aged 65 and above has surpassed 36 million, and this number is projected to peak around 2040, reaching approximately 39 million. The percentage of the elderly aged 75 and above in the total population will also continue to increase, and is expected to exceed 25% by 2055. The demand for elderly housing solutions is poised to continue its upward trajectory. Simultaneously, there remains a deficit in facilities catering to the needs of the child-rearing demographic. While there has been a reduction in the number of children awaiting enrollment in licensed nursery schools, the count of children in the "first-grade barrier" seeking after-school care has been progressively climbing. By April 2023, this waiting list had been extended to encompass 15,000 children. The Gakken Group is proactively establishing new centers to address the burgeoning market expansion and the evolving demands of its diverse customer base.

Changes in the number of facilities

- Child raising support, etc.
- Elderly housing, etc.
- Group homes for the elderly with dementia, etc.

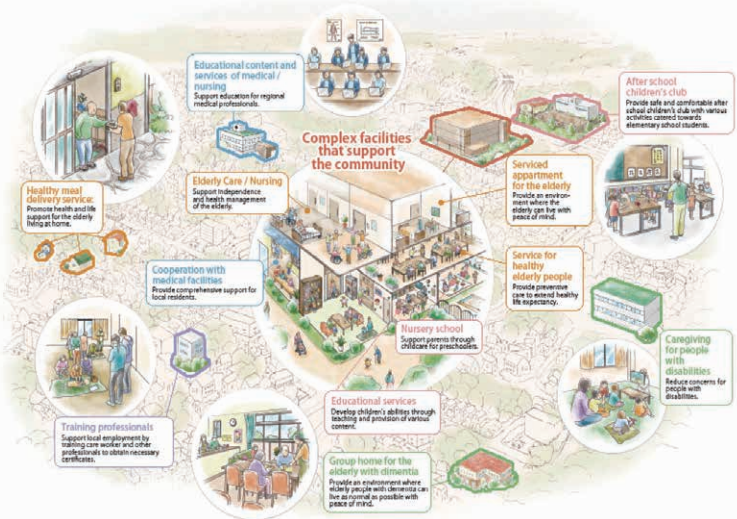


Changes in occupancy rate and sufficiency rate



●Urban Development through the Gakken's Community-based Integrated Care System

Gakken's Community-based Integrated Care System integrates the Group's resources, including senior housing, nursing care, nursing care, welfare for disabled children, childcare support, healthcare and nursing content, educational services, and human capital development, with a base of serviced senior residences, and provides comprehensive lifestyle support in collaboration with the community. GAKKEN provides services that enable people to live the life they deserve at any stage of life, from 0 to over 100 years old. The vision we hold for the future town is one where individuals can comfortably reside in their familiar neighborhoods throughout their lives. Within this community setting, various generations can engage with one another, fostering connections and interactions. This future town, which we envision at the heart of our goals, embodies the ideals of Gakken Group.



Gakken's Community-based Integrated Care System (Complex Facility) Case Study

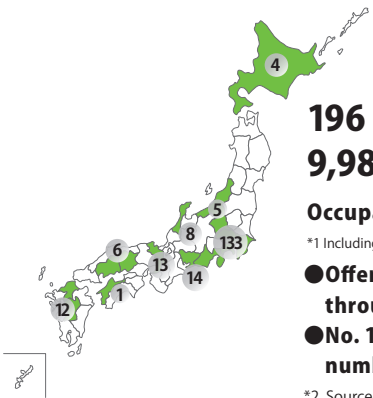
Cocofump Hiyoshi	opened in January 2010	Independent Administrative Institution Urban Renaissance Agency × Gakken
81 units of senior high housing, in-home care, home-visit care, daycare, tutoring school, clinic, etc.		
Cocofump Kashiwa Toyoshikidai	Opened May 2014	Kashiwa City × Gakken
105 units of high-quality housing, dementia group home, small-scale multifunctional in-home care, etc.		
Cocofump Yokohama Tsurumi	Opened April 2015	Yokohama City × Gakken
70 units of senior high housing, 23 units of general rental housing, in-home care support, home-visit care/nursing care, etc.		
Cocofump Fujisawa SST	Opened September 2015	Panasonic × Gakken
70 units of senior high housing, in-home nursing care support, home-visit nursing care/hunting care, day-care center, daycare		
Cocofump Kachidoki	Opened in March 2017	Chuo Ward × Gakken
34 units of senior high housing, in-home and home nursing care, and small-scale multifunctional in-home care		
Cocofump Shizuoka Minami-Yawata, to be	opened in August 2021	Shizuoka City × Gakken
80 units of senior high housing, 12 units of family housing, tutoring school, community exchange space, etc.		
Cocofump Hatsukaichi	Opened March 2022	Hatsukaichi City × Gakken
71 units of senior high housing, in-home nursing care, home-visit nursing care/hunting care, day care, tutoring school, etc.		
Cocofump Suita SST	Opened in March 2022	Panasonic × Gakken
63 units of senior housing, group home for the elderly with dementia, daycare center, tutoring school, etc.		
Cocofump Kawasaki Takatsu	Opened August 2022	Kawasaki City × Gakken
79 residential units, group home for seniors with dementia, child development support, tutoring school, etc.		

In collaboration with local governments and private companies, we are working to establish a complex facility that will serve as the center of Gakken's Community-based Integrated Care System, which will act as a core center for regional and multigenerational exchanges.

Elderly housing

Serviced senior residences, which can provide necessary nursing care services as needed, are expected to reduce social security costs, especially for residents who require nursing care at level 3 or less. In the elderly housing business, we support all residents in the community, from infants to the elderly, to continue to live with peace of mind in their own neighborhoods, by promoting Gakken's Community-based Integrated Care System.

Serviced Senior Residence



196 locations^{*1}
9,980 rooms
Occupancy rate 95.4%
*1 Including 2 franchise locations
●Offers services in 17 prefectures throughout Japan(as of March 2023)
●No. 1 in Japan in total number of facilities operated^{*2}
*2 Source: "Senior Business Data Book 2022."
Rank based on the total number of senior residences and dementia group homes.

Business Overview

With the development and operation of serviced serviced senior residences as the core business, we are actively developing related services such as long-term care insurance services, home nursing care, and care design services. We aim to expand Gakken's Community-based Integrated Care System, which supports people from age 0 to over 100 years old, centered on serviced senior residences.

Features of Products and Services

The Group's serviced senior residences feature affordable pricing at the level of employee pension benefits, with no upfront fees. This facility is rental residences and offers a diverse lineup of privacy-secured rooms ranging from 18 to over 50 square meters. With care staff on duty 24 hours a day, 365 days a year and a nursing care office attached to the facility, we support the safe and secure lifestyles of our residents. Gakken's unique brain activation program, "Brain Genki Time," is offered at the day-care center attached to the facility. In addition, Gakken has a long-standing commitment to creating multigenerational ties through "multigenerational exchange programs with neighboring childcare support facilities," including those operated by the Group, and "community exchange programs at our complex facilities."

Social Value of Products and Services

●Reduction of social security costs through active development of high-quality serviced senior residence

The long-term care insurance services provided at the serviced senior residences are basically the same as home care services at your home. Serviced senior residences can provide necessary nursing care services as needed, different from nursing homes (specified facility with resident living care) and special nursing homes for the elderly (welfare facilities for the elderly). Particularly for residents requiring nursing at care level 3 or less, we expect a substantial reduction in social security costs and believe that this will contribute to maintaining a sustainable social security system.

●Improvement of Regional Value through Gakken's Community-based Integrated Care System

By realizing Gakken's Community-based Integrated Care System, which provides functions that enable residents in the community, from ages 0 to over 100, to continue to live with peace of mind, we will contribute to increasing the value of the community and the surrounding area.

Business Environment

- Market growth potential The population of individuals aged 65 years old and over in Japan is expected to peak in 2040. Furthermore, the population of those aged 75 years old and over, the target age group of this project, is expected to exceed 25% of the total population by 2055.
- Client Trends Despite the decrease in the amount of old-age pension benefits, which serves as the primary income source for our primary customer base, the occupancy rate of the Group's senior housing has consistently exceeded 95%. Furthermore, the demand for senior housing remains robust, even in areas affected by the COVID-19 pandemic.
- Competition The pace of increase in the number of senior housing units is on a declining trend. While major companies are eager to open new facilities, small-scale operators (less than 30 units) are withdrawing from the market, resulting in a polarization of the market.

Opportunities and Risks

- Opportunities As the working population declines, it is highly likely that the provision of long-term care services to detached houses and mountainous areas will reach its limits, and the need for elderly housing complexes, such as senior housing, where services can be provided efficiently, will continue to increase.
- Risks
 - Outbreak of a pandemic similar to that of COVID-19.
 - Soaring costs of utilities and foodstuffs due to elevated resource import prices, etc.
 - Decrease in revenue due to periodic revisions of nursing care fees every three years.
 - Slowing the pace of openings due to soaring construction costs.

Results for the past two FYs and progress for FY9/2023.

	FY9/2021	FY9/2022	FY9/2023
Net sales (100 million yen)	274.3	323.7	174.2
Operating profit (100 million yen)	12.8	14.2	4.6
Number of facilities (Number of locations)	169	190	196
Occupancy rate	90.3%	93.9%	95.4%

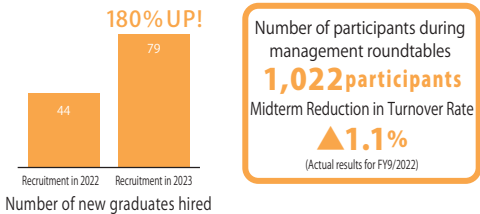
Business Overview

Toward Achieving Gakken 2023: Elderly Housing

Human Capital

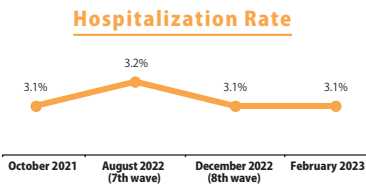
We will conduct online management roundtables^{*1} to improve Employee Satisfaction (ES) and reduce the turnover rate.

※1 A forum for direct exchange of opinions between management and employees, mainly those working on the front lines.



Quality

Even in the face of the COVID-19 pandemic, we successfully maintained quarantine and business continuity and a low hospitalization rate.



Development

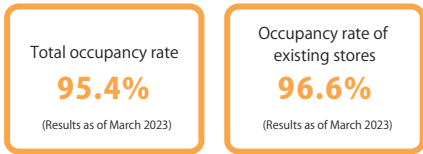
During the timeframe of the medium-term management plan, we have not only maintained around 40 standard serviced senior residences but also introduced four new branches (Shizuoka Minami-Yawata, Hatsukaichi, Suita SST, and Kawasaki Takatsu) through public-private partnerships, which serve as integral components of our Gakken's Community-based Integrated Care System.



Earnings

Existing stores^{*2} achieved an occupancy rate of 96.5%, the highest level since its establishment.

*2 serviced senior residences that opened before the previous two fiscal years.



Initiatives for Focused Businesses



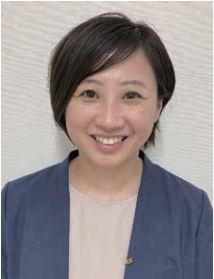
Contributing to the maintenance of the social security system through "Nursing and long-term care that does not require hospitalization."

Jiro Ozaki
Executive Officer,
Gakken Cocofump Co., Ltd.

The average age of Gakken Cocofump residents is around 85. If a resident is hospitalized for two weeks due to a fall or fracture, activities of daily living (ADLs) and instrumental activities of daily living (IADLs) are often reduced.

To reduce this phenomenon, GAKKEN Cocofump provides services under the slogan of "Nursing and long-term care that does not require hospitalization." This involves nurses and caregivers working with residents on a daily basis from a professional standpoint to detect illnesses that could lead to hospitalization at an early stage, thereby reducing the number of cases of hospitalization as much as possible.

Our proposal involves implementing nursing and long-term care services that align with accurate assessments of individual needs. We also conduct thorough analyses of hospitalization cases, aiming to identify opportunities for preventive measures. Moreover, we actively collaborate with hospital Medical Social Workers (MSWs) to facilitate the early discharge of patients, leveraging the comprehensive nursing and long-term care services we provide. Through these strategies, we aim to contribute to the sustainability of the system by ensuring the prudent utilization of social security funds.



Toward a society where "everyone has fulfilling lives" through our business activities

Yo Tokawa
General Manager of Cocofump Suita SST,
Gakken Cocofump Co., Ltd.

Gakken's Community-based Integrated Care System provides services that enable people to live the life they desire at any stage of their lives.

- We provide a safe and secure environment for families raising children.
- We provide quality childcare, learning, and experiences for children.
- We provide professional knowledge and skills to those who want to work in the community.
- We provide support and housing for the elderly so they can continue to live with peace of mind in their old age.

In FY9/2022, we opened three new facilities, including the Gakken Multi-generational Square Suita SST. This facility is a wellness complex that provides a concentration of Gakken Group's high-quality services to support the safe and secure lifestyles of local residents. It also plays a role as a multi-generational exchange and community center where children, the elderly, and local residents can naturally interact with each other.

The Group's goal is to create a community where people of all ages, from 0 to over 100, can live safely and comfortably in the community while supporting each other.



Group homes for the elderly with dementia

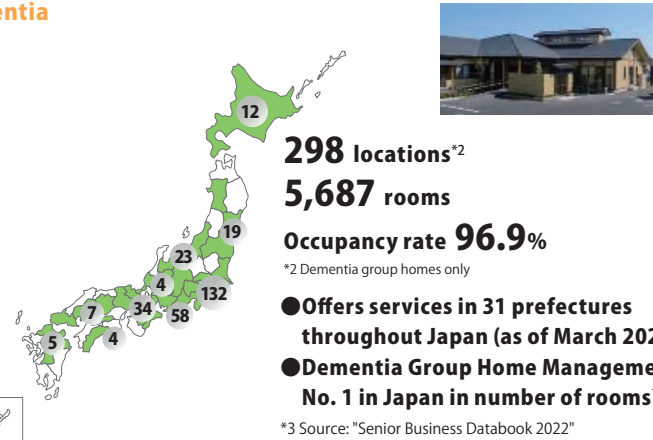
Medical Care Service (MCS) operates a group home business with the largest number of rooms in Japan^{*1}. It provides the "MCS Version of Independence Support Care" for its residents. MCS also supports the increasing number of seniors with dementia through its "Kentatsu.net" information website, which publishes material on the alleviation of cognitive symptoms and prevention of dementia aimed at both people with dementia and their families.

*1 Based on in-house research with reference to the August 3 and 10, 2022 editions of the Senior Citizens Housing Newspaper.

Business of group homes for the elderly with dementia



Nationwide, focusing on two-unit type with a capacity of 18 people.



Business Overview

We operate "Ai no Ie" group homes throughout Japan. A group home is a facility where people with dementia live together in small groups of nine people per unit. The homes support the daily lives of individuals in a home-like environment so they can live fulfilling lives, even if they have dementia. We currently operate more than 300 group homes nationwide and boast the largest number of group homes in Japan.

Features of Products and Services

To ensure the realization of residents' natural lifestyles and individual preferences, our approach encompasses a broad spectrum of support. Beyond aiding with daily living activities, we prioritize efforts to alleviate and enhance cognitive symptoms while fostering independence. This involves a range of interventions, such as engaging in meaningful conversations, organizing recreational activities, facilitating exercise and rehabilitation, and providing functional training. Our care model leverages our specialized knowledge in collaboration with the medical domain. Furthermore, we are actively advancing initiatives, like the computerization of nursing care records, aimed at streamlining operations for improved efficiency and an elevated quality of nursing care services.

Social value of products and services

MCS, an organization dedicated to operating group homes catering to individuals with dementia, is fervently pursuing the creation of an inclusive society where all individuals, including those afflicted by dementia, can lead lives in accordance with their preferences. Guided by the mission of "transforming the entire societal landscape encompassing dementia," MCS is presently channeling its efforts into a distinct initiative known as the "MCS Version of Independence Support Care." From January 2019 through the end of April 2023, MCS implemented this care program across its facilities nationwide to assess the efficacy of this care approach. During this period, a comprehensive record was compiled for 4,489 users from 287 facilities. Impressively, 3,821 of these individuals (85.1% of the total) have exhibited noticeable enhancements in the peripheral symptoms of dementia, as well as advancements in their overall physical and mental well-being.

Business Environment

The market for dementia group homes is expected to continue to grow as the population of seniors aged 65 and over continues to increase through 2040. Simultaneously, the number of seniors with dementia is expected to continue to increase.

Opportunities and Risks

Opportunities

In this growing market, MCS has the leading position in Japan in terms of the number of rooms in group homes under management.

Risks

- If compensation for long-term care services is revised downward in order to take into consideration increasing social security benefits, this will have a significant impact on earnings.
- It is estimated there will be a shortage of approximately 690,000 nursing care workers by 2040, and securing employees may become a major issue.
- The cost of living will continue to be under upward pressure due to soaring prices, including utility costs.

Results for the past two FYs and progress for FY9/2023.

	FY9/2021	FY9/2022	1H of FY9/2023
Net sales (100 million yen)	331.5	341.0	175.9
Operating profit (100 million yen)	22.0	20.7	10.9
Number of facilities (Number of locations) ^{*4}	320	331	338
Occupancy rate	97.8%	97.7%	96.9%

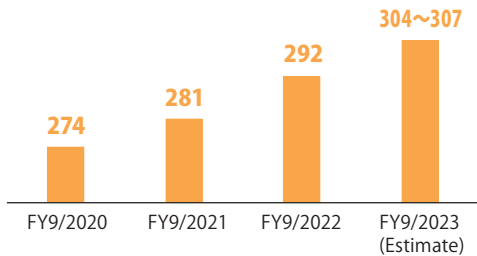
*4 Dementia group homes, etc.

Business Overview

Toward Achieving Gakken 2023: Group Homes for the Elderly with Dementia

●Number of dementia group homes in operation

We have made steady progress in opening new facilities, reaching more than 300 buildings by April 2023.



●Introduction of Vital Measurement Devices that Automatically Reflect Measurements

Vital equipment with a communication function that automatically reflects measurements to the nursing care record system has been introduced to improve work efficiency.



●Operates "Kentatsu.net," an information network that supports family caregiving and health

As a dementia prevention project, "Kentatsu.net" is steadily expanding its PV numbers.



●Start of Publishing Business in the Healthcare and Nursing Domain

In November 2022, we began to publish a publication aimed at family caregivers, care providers, students, and those who are engaged in the promotion of healthy bodies and prevention, utilizing the knowledge we have cultivated in the nursing care business, focusing on dementia care.

▶ Authored by an individual experienced in managing various disasters, this collection includes works on "human-friendly disaster preparedness" and publications aiming to extend a healthy lifespan through lifelong enjoyment of food. These works provide distinctive viewpoints derived from practical experience.



Initiatives for Focused Businesses



Enabling Everyday Lives as the Ultimate Goal

Ai Nakazawa
Aichi 3 Area Manager, Tokai Division,
Medical Care Service Co., Ltd.

Even in the presence of cognitive decline, we uphold respect for individuality and lifestyles. Our role as a community-based center for dementia care involves supporting individuals with dementia and their families, enabling them to continue living in familiar neighborhoods while fostering connections with local residents. Our overarching aim is to "actualize a commonplace life for each individual." Achieving this objective necessitates interdisciplinary collaboration, underscoring the essentiality of understanding and cooperation from the local community. We are committed to fostering accurate comprehension of dementia among community members through activities like dementia awareness talks, care consultations, and dementia cafés. Engaging in vegetable gardening at our premises, collaborating with the neighborhood association on local flowerbed upkeep, interacting with elementary and middle school students during their commute, etc. Each day, we diligently work towards the realization of a customary life for every individual.



Pioneering Quality Enhancement in Elderly Living and Prudent Social Security Expenditure Management

Yuichi Meiwa
Manager of Corporate Planning Office,
Medical Care Service Co., Ltd.,
Director, Gakken Medical Pharmacy Co., Ltd.

Gakken Medical Pharmacy was established in 2021 to provide a home-visit pharmacy business focused on residents of long-term care facilities. It currently operates one store in Ichikawa City, Chiba Prefecture, from which it provides services to 47 facilities and approximately 1,300 people. By providing centralized medication management and medication support, we aim to eliminate adverse events caused by taking multiple medications among the elderly and improve their health conditions through proper medication management. Reviewing unnecessary medications and optimizing drug costs not only improves the quality of life of the elderly but also optimizes social security costs. In this way, Gakken Medical Pharmacy is contributing to solving social issues through its on-site pharmacy business. By increasing the number of outlets and expanding the business to provide home-visit pharmacy services to an even greater number of people, we aim to improve the quality of life of the elderly and create greater social value for Gakken Group in the Healthcare and Nursing domain.



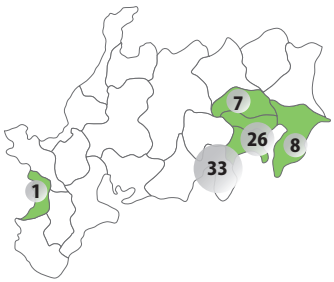
Child raising support

With the aim of ensuring a sense of security for the working-age population following marriage or childbirth, Gakken Group leverages its extensive educational expertise to offer top-notch childcare support services and environments. Notably, our initiatives include "Crocca," a facility dedicated to child development support, and "Mirai Gate," a free school. Through these endeavors, we provide a comprehensive platform that encompasses medical care, diverse learning opportunities, and a nurturing space for families, thereby extending our support to the child - rearing generation.

Licensed nursery schools, kindergartens, and after - school facilities



Centered in the Tokyo metropolitan area



75 locations*1 **Capacity: 2,721 children**
Occupancy rate: 92.8%*2
●Expanding to 5 prefectures in Japan (as of March 2023)
*1 Total of daycare centers, after - school facilities, etc.
*2 Occupancy rate is for nursery schools only.

Business Overview

Gakken Cocofump Nursery provides a wide range of childcare support services, including licensed nursery schools, childcare centers, child development support, and free schools. Utilizing the Group's background in providing a wide range of teaching tools and educational materials, Gakken Cocofump Nursery aims to "nurture the ability to live independently and comfortably of children who will shape the 21st century" and supports the growth of children from infancy to school age, which is crucial for human development.

Features of Our Products and Services

In our childcare initiatives, we embrace the philosophy of "learning through play and play through learning." We honor each child's uniqueness and autonomy, aspiring to provide childcare where the inherent "power of growth" every child possesses shines brightly and paves the way to their future. Furthermore, we emphasize collaboration with families and the community, assuming a role as a hub for nurturing and safeguarding children collectively. Within our child development support endeavors, our goal is to nurture children who will pave the way to the future through therapeutic education. We strive to provide environments in places like schools and workplaces where children can develop the skills to live authentically within society.

Social Value of Products and Services

Amidst a declining working-age population (15-64 years old), maintaining a strong female employment rate to support the labor force requires the availability of quality daycare centers and after-school facilities. These facilities should offer a secure place for parents to entrust their children, allowing them to continue working even after marriage and childbirth. Our group aspires to contribute to society by leveraging the experience, creativity, teaching resources, and ideas accumulated since its inception. Our focus is on nurturing the life skills of children who will shape the 21st century through enriching experiences. Additionally, we aim to assist numerous generations of parents to lead fulfilling lives with a sense of security within their local communities.

Business Environment

●Market Growth Potential In 2022, the number of births, for the first time since statistical records began, fell below 800,000, highlighting a pace of aging and declining birth rates beyond expectations. Nevertheless, owing to unprecedented government measures to address this unique demographic challenge, a robust demand for childcare support services is anticipated in the future.
●Customer Trends The number of children on waiting lists has been decreasing for four consecutive years. While there are instances of under capacity in licensed daycare centers across Tokyo's 23 wards, factors such as "mitigating the reluctance to use services due to COVID-19 concerns," "the rise in employment rates among women aged 25-44," "the increase in the proportion of full-time dual-income households," and "changes in work patterns stemming from the expanded coverage of employee insurance" are expected to drive an escalation in the demand for childcare-related services.
●Competition The leading three companies have managed to surpass the previous year's sales and operating income, even in the face of the COVID-19 pandemic. Nevertheless, a decrease in the number of business establishments can also be observed due to factors such as the closure of unprofitable facilities.

Opportunities and Risks

●Opportunities The number of users of day-care centers is expected to increase due to the following factors: "the elimination of the restraint against using day-care centers due to concerns about the COVID - 19 pandemic," "an increase in the percentage of female workers aged 25-44," "an increase in the percentage of full-time dual-income households," and "changes in working styles due to the expansion of employee's insurance coverage."
●Risks The birthrate is declining at a pace approximately 10 years faster than estimated in 2017. Further acceleration could lead to a shrinking market.

Results for the past two FYs and progress for the FY ending September 30, 2023.

	FY9/2021	FY9/2022	1H of FY9/2023
Net sales (100 million yen)	52.1	57.6	30.7
Operating profit (100 million yen)	0.3	1.2	0.6
Number of facilities (number of sites)	72	71	75
Occupancy rate	91.8%	92.1%	92.8%

Business Overview

Promoting Gakken Group's Content Worldwide

The Gakken Group provides the educational know-how it has accumulated since its founding to countries around the world through the "Gakken STEAM Program" and "Global Gakken Classroom." In recent years, we have placed a particular strategic focus on Southeast Asia, China, and the Middle East, where we are developing human capital who can contribute to solving social issues in Japan and abroad.

Executive Message



Director Kenji Momota

In order to realize our mission of "everyone has fulfilling lives" around the world, we are developing STEAM*1 education, product sales, and Gakken classes utilizing "Gakken's Science" in the infant through K12*2 markets, with Southeast Asia, China, and the Middle East as strategic priority regions in our mid-term management plan.

During the spring of 2022, we acquired a stake in KiddiHub. This marked our investment in KiddiHub, the premier hub of kindergarten information in Vietnam. Concurrently, we embarked on a mission to introduce STEAM education tailored for kindergartens. Progressing into the new year, January 2023 saw a significant development as we formalized a strategic collaboration with DTP, a prominent educational publishing enterprise deeply rooted in Vietnam. Impressively, DTP boasts a substantial clientele exceeding 3 million individuals. The crux of this partnership involves the distribution of educational materials through DTP's extensive network of bookstores and educational institutions. Additionally, we are excited to extend our STEAM educational initiatives to encompass elementary school pupils.

Gakken's Science and other educational toys that foster imagination are sold in stores and online e-commerce stores in China. Online sales, which began in 2023, have been strong and the quality of Gakken's products has been well received. In addition, we are expanding into the IP business.

A STEAM education program will start in private elementary schools in Turkey in September 2023. We will also enter the field of early childhood education in collaboration with Kogumakai, a practical institute for early childhood education.

Our efforts to address global issues include the free distribution of "Play Smart" workbooks for young children to displaced people in Ukraine and abroad, emergency aid to Romania and Moldova, and fundraising activities. Since February 2023, Gakken has provided teaching materials and methods to Ukrainian children who have fled to Romania. These efforts embody the Group's founding belief: "There is nothing more important than education for post-war reconstruction."

※1 STEAM: A term coined from the initial letters of "Science," "Technology," "Engineering," "Art," and "Mathematics," a cross-curricular learning philosophy that teaches students to apply what they have learned in each subject to discover and solve problems in the real world.

※2 Infant through K12...from toddler to high school student.

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※2 Infant through K12...from toddler to high school student.

Global Strategy in Gakken Group

By 2030, Gakken aims to increase the percentage of sales from its global operations to 30%, with STEAM education in Southeast Asia, China, and the Middle East, and the classroom business in 15 countries by 2025.

Features of Products and Services

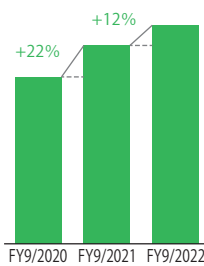
Gakken's approach to STEAM education goes beyond enhancing quantifiable skills like IQ; it also strives to cultivate children's creativity and aptitude for effective problem-solving, which is essential for fulfilling lives. Alongside our current array of offerings, we present specialized programs that factor in the educational landscape and contextual nuances of the specific country we engage with.

Social Value of Products and Services

Cultivating a global perspective will enable people to lead better lives. It is not a question of the amount of knowledge, but how to use knowledge and how to contribute to society. We will contribute to solving the world's social issues by nurturing human capital with a global worldview in Japan and abroad.

Global Expansion Initiatives Transition

Global Related Sales Growth Rate



Expanding Preschool Content and STEAM Educational Materials in Vietnam, China, and the Middle East

*Strategic regions are Vietnam, China, and the Middle East, where we will focus on early childhood education and STEAM educational materials.

*Local network for business expansion has already been established.

Vietnam: Capital and business alliance with KiddiHub, an education start-up company.

Turkey: Utilizing the network established through ODA projects.

China: Business alliance with major education company Xin Dong Fang.



Vietnam STEAM courses for preschoolers at kindergartens in Hanoi

Business Environment

The global education market spanning from early childhood to high school is projected to reach 693 trillion yen by the year 2030. The Asian market will stand as a formidable contender, amounting for 277 trillion yen and contributing a significant 40% share to the overall sum. In the context of consumer preferences, Vietnam stands out as a prime example. Here, education holds a fervent significance, with educational expenses accounting for approximately double the proportion of consumer expenditure compared to Japan. Turning our attention to the competitive landscape, a notable aspect is the absence of a singular dominant player in the education sector, indicating an environment ripe for diverse opportunities and growth.

Opportunities and Risks

- Opportunities STEAM education is attracting attention in Vietnam, but not many schools are implementing it.
- Risks Uncertainty in the global economy.

Toward Achieving Gakken 2023

Vietnam

Gakken STEAM Program implemented within kindergartens is an innovative initiative that revolves around two core subjects: science and programming. Guided by skilled instructors, students embark on a hands-on learning journey, delving into these subjects through interactive experiments.



China

In collaboration with local partners, Gakken provides science experiment kits to small and medium-sized cram schools, schools, and public institutions in China. We create science experiment plans that meet the needs of the field. We also provide training for teachers.



Teacher training in Shanghai.

DX : Initiatives for Focused Businesses



Expanding the Circle of Learning with Gakken ID

Hideki Yamauchi
General Manager of Digital Strategy Office,
Gakken Holdings Co., Ltd.

Gakken ID is a common ID system that connects various services provided by Gakken Group. One year after the full-scale launch, the number of members has grown to over 600,000 IDs, and a wide range of services are available through this system, including the classroom communication application "Manamil," the AI picture book application "Nanico Lens," the childcare ICT service "hugmo," and the childcare information site "Kosodate Map".

The significance of the Gakken ID extends beyond simple member registration and login functions. It emerges as a comprehensive platform geared towards expanding the horizons of each member's "circle of learning" while also facilitating enriched interactions between customers and Gakken Group, as well as between learners and educators. Our vision entails leveraging the full potential of the Gakken ID to establish a seamless learning ecosystem, erasing gaps and fostering an environment that optimally harnesses novel avenues for learning exploration.



Digital Contents Business

Tsuyoshi Murata
General Manager of DX Strategy Office,
Gakken Inc.

The Group has promoted digitization of content based on the basic policy of simultaneous release of paper and electronic editions and has digitized more than 11,000 titles, responding to diversifying forms of reading, from single copy distribution where one purchases one copy at a time to subscription services and distribution through electronic libraries.

Despite the fact that comics account for more than 80% of the market, the Group's book-centered business has grown steadily, achieving 115% year-on-year sales growth in FY9/2022.

Furthermore, recognizing the insufficient reading environments for children, we have taken proactive measures. This includes the creation of a proprietary e-book library, which we extend not only to business-to-consumer (BtoC) channels but also to the Group's educational settings, encompassing classrooms, supplementary learning centers, and primary as well as middle schools.



Global : Initiatives for Focused Businesses



Delivering Excitement and Excitement to China

Takao Mise
Chairman,
Gakken Shanghai Trading Co., Ltd.

Gakken (Shanghai) Co., Ltd. commenced operations in China in March 2022. Science kits and STEAM toys that trigger children's curiosity were developed in collaboration with Gakken. Through localization support, they are now gradually being delivered to local children in China.

These offerings aren't intended to be final products but rather to ignite hands-on, thoughtful, and enjoyable experiences. In China, the appetite for STEAM education is burgeoning, and the global market is brimming with a plethora of product services. Among these, the term "exciting science kits" holds a special place in our hearts. It encapsulates a sentiment we deeply cherish, embodying the "Doki-Doki" (heart pounding) and "Waku-Waku" (excitement) feelings. We ardently aspire to impart this sense of wonder to Chinese children through our products and immersive encounters. Presently, the smiles we witness at our Gakken stores in Shanghai might be modest, yet we nurture a dream that one day, the world will be adorned with the radiant smiles of countless children.



Collaborate with an educational start-up company to develop an early childhood education business.

Miho Urakawa
Senior Manager of Global Strategy Office,
Gakken Holdings Co.

In April 2022, we entered into a capital participation with KiddiHub, an EdTech startup company in Hanoi, Vietnam.

We are developing two businesses through our partnership with KiddiHub in Vietnam, where people are enthusiastic about children's education, and the female employment rate is high.

The initial offering entails a matchmaking platform that connects childcare providers with parents seeking their services. This innovative service has garnered recognition as part of the Asia DX Promotion Project, receiving support from the Ministry of Economy, Trade and Industry (METI). Currently, the project is in the active phase of service development and application creation, demonstrated through experimental trials.

The second initiative involves the facilitation of STEAM education tailored for preschools, introducing specialized science and programming courses tailored to local contexts. Within this endeavor, we recognize the pivotal role of exporting Gakken Group's meticulously crafted, top-tier non-cognitive educational content to the Asian landscape.





Chapter 3

Sustainability of Gakken Group

This chapter outlines Gakken Group's view of sustainability and its policies, systems, and initiatives in each of the ESG fields.

Sustainability of Gakken Group	44	Social Initiatives	54
Environmental Initiatives	48	Governance Initiatives	68

Sustainability of Gakken Group

Our origins lie in addressing societal challenges, which forms the foundation of our enterprise.
Our commitment to creating enduring value remains unwavering as we move forward.

Our Approach to Sustainability Management

The Gakken Group's inception was rooted in educational endeavors, which served as a springboard for pioneering novel ventures inspired by the resolution of contemporary societal concerns. This distinctive methodology facilitated collaboration with a wide spectrum of stakeholders.

Our primary pursuit of forging a sustainable society is seamlessly integrated into our core operations. By doing so, we cultivate and fortify trust in the Gakken brand. Through an ESG lens, we comprehensively assess the current landscape, identifying risks and opportunities. This strategic analysis empowers us to bolster our resilience and take proactive measures, thereby nurturing a culture of sustainable practices that surpass the aspirations of our valued stakeholders.



▲ Pictured above: Gakken Holdings Managing Director, Hitoshi Kobayakawa (left), Director overseeing sustainability, Asako Kijima (right), and General Manager of the Corporate Sustainability Division.

Gakken's Sustainability Promotion

Kijima: Gakken Group's commitment to tackling societal challenges through its business traces back to the visionary perspective of its founder, Hideto Furuoka, who firmly believed that "There is nothing more important than education for post-war reconstruction."

Kobayakawa: Our journey began with educational publications, namely "Science" and "Learning." Expanding into the realm of education, including initiatives like "Gakken Classroom," allowed us to confront Japan's pressing social issues during periods of limited learning opportunities. The launch of our venture, Cocofump, a service apartment for the elderly, in 2004 stemmed from dialogues with seniors benefiting from our "science" and "learning" services. Their concerns about future care needs and overall well-being inspired us to embark on this endeavor. Our aim was to build upon the values of science and learning that we had been promoting to the public nationwide. Given the challenge of dwindling birth rates and rapid aging in specific regions, devising a new business model to address educational needs became the next logical step.

Kijima: Notably, the introduction of Cocofump, offering affordable housing and personalized services within the scope of welfare pensions, deviating from the conventional high upfront fees of private nursing homes, presented a solution to a societal issue that had eluded governmental policies. This underscores our capacity to address challenges through business, harnessing the potency of Gakken Group's social capital in value creation.

We are poised to fortify this aspect further.

Kobayakawa: Our reservoir of "social capital" burgeons from the community-driven ventures that have been integral since Gakken's inception. Accompanying this is our "human capital," enabling us to curate content and opportunities for all generations, fostering continuous intellectual curiosity. Lastly, our "intellectual capital" nurtures these assets into a distinct Gakken brand. These three form the bedrock of our strength.

Kijima: Embracing the challenge of materiality grounded in these capital sources, we endeavor to amplify our societal impact through business. This, in turn, invigorates our capital and expands our sphere of influence. I believe that "Gakken's Sustainability" encapsulates a redefined embodiment of our ongoing pursuits.

Environmental Initiatives

Kobayakawa: Analyzing Gakken Group's greenhouse gas emissions (Scope 1 and 2), we unveiled that 80% of these emissions stem from our healthcare and nursing facilities. A compelling context emerges as we anticipate the entire baby boomer generation surpassing 75 years of age by 2025, which will escalate the demand for eldercare. In response, Gakken Group aspires to elevate its facility count from the current 500 to 1,000 by 2030. However, expanding our footprint translates to heightened greenhouse gas emissions in tandem.

Kijima: That's why you supported the TCFD proposal in August 2022, responded to the CDP, and commenced the conversion of

certain sites to Zero Energy Building (ZEB) and ZEB Ready standards, correct?

Kobayakawa: Indeed, the transition to ZEB and ZEB Ready standards also carries economic benefits for our tenants. While initial construction costs are incurred, the subsequent reduction in electricity bills is advantageous for our customers. Additionally, the decrease in CO₂ emissions benefits both the environment and our company.

Kijima: Furthermore, Gakken Group has been diligently pursuing environmental endeavors, encompassing initiatives such as ISO14001 certification, the operation of a social and environmental management system, environmentally conscious paper procurement within the publishing sector, and Education for Sustainable Development (ESD) integrated within our business operations. These efforts will persist as we continue to enhance our societal contribution.

Social Initiatives

Kijima: In Japan's aging society, the escalating annual social security expenditures are a concern.

Kobayakawa: As mentioned earlier, Gakken Group's vision entails increasing the count of healthcare and nursing facilities to 1,000 by 2030. Central to this initiative is the "serviced apartment for the elderly," a vital contributor to reducing social security costs. Much like our environmental initiatives, we believe that an augmented presence will enable us to actively address societal challenges, including the establishment of a sustainable social security framework.

Kijima: This endeavor appears to be uniquely characteristic of Gakken Group's commitment to resolving societal concerns. Based on your insights, it appears that Gakken Group's standout assets are the individuals who recognize societal issues and endeavor to resolve them.

Kobayakawa: Since its inception, Gakken Group has taken pride in nurturing exceptional individuals who leverage their expertise and individuality to devise distinctive products and services aimed at addressing societal matters. However, we acknowledge room for growth in our training programs and investment in human capital, with a shift toward actively cultivating skills rather than relying solely on employees' self-driven learning. The crux of our personnel strategy revolves around realizing effective human capital management.

Kijima: Gakken Group presently employs over 20,000 individuals, many of whom operate across classrooms, learning centers, senior citizen facilities, preschools, and other domains. To foster a

sense of pride and contentment in their roles, it's crucial to cultivate an environment and systems that facilitate a peaceful work environment for each employee engaging with customers on a daily basis.

Kobayakawa: Certainly, a comprehensive understanding of risks and opportunities within the supply chain, including due diligence on human rights, is paramount. Proactive measures and enhancements are necessary. Drawing from our substantial expertise, including health management publications, it would be beneficial to extend our focus toward generating value for our clientele.

Kijima: "Gakken Family Day" embodies this principle excellently. I've personally participated with my own child, and each instance reinforced his sentiment that "Mom's company is fantastic!"

Kobayakawa: I aspire to craft numerous experiences where individuals can genuinely feel, "I'm proud to be part of Gakken Group!" Personally, I'm committed to imparting the Group's mission and founding ideals to new employees joining Gakken Group.

Governance Initiatives

Kijima: Given our diverse business landscape, the importance of compliance, augmentation of external directors, and proficient risk management continue to escalate.

Kobayakawa: Recent times have witnessed the recruitment of external management personnel from various professional backgrounds. Moreover, we actively foster cross-sectoral collaboration between education and healthcare-nursing domains. For instance, management participation in meetings across operating companies within both sectors fosters the opportunity to optimize group management. This entails identifying business challenges through fresh perspectives and pinpointing pathways to resolution.

Kijima: With the increasing reliance on digital technology in our business endeavors, information security has become a critical concern, don't you think?

Kobayakawa: Absolutely. Our operations frequently handle sensitive personal data of children and the elderly, underscoring the vital necessity of robust measures to avert data breaches. Ensuring the safety of this information is fundamental to providing genuine value to our customers. Our responsibility extends not only within our corporate group but also traverses throughout the entirety of our supply chain.

Sustainability of Gakken Group

Sustainability Promotion Structure of Gakken Group

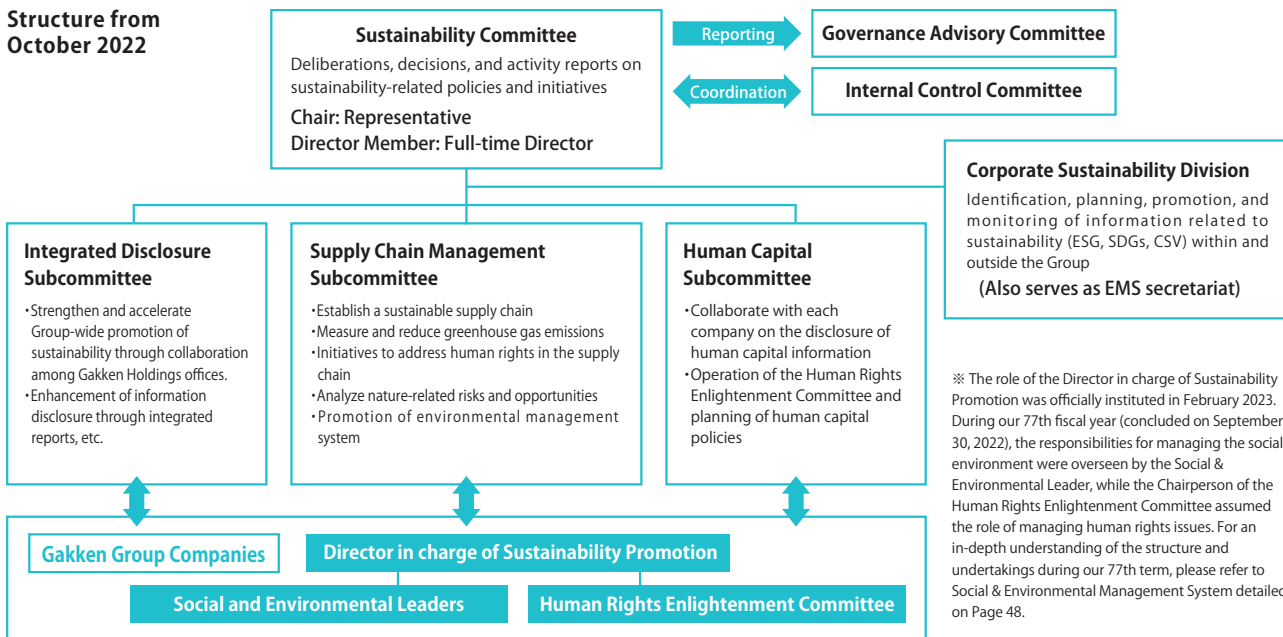
Gakken Group recognizes the fundamental role that sustainability plays in ensuring the enduring growth of its education and healthcare-nursing enterprises. Consequently, the onus of spearheading sustainability initiatives rests with the Board of Directors, the authoritative body responsible for steering management decisions. The Board not only assumes the role of promoting sustainability but also embraces a crucial monitoring and supervisory function, addressing critical social and environmental concerns. This approach aligns seamlessly with the broader perspective of corporate management – one that seeks to cultivate value both in terms of economic prosperity and social impact.

In October 2021, the Group formed a Sustainability Committee under the Board of Directors, the highest decision-making body, to drive sustainability efforts. Chaired by Gakken Holdings' representative director and comprising full-time directors, the committee convenes biannually to shape the Group's sustainability policy, determine action guidelines and strategies and oversee and evaluate initiatives.

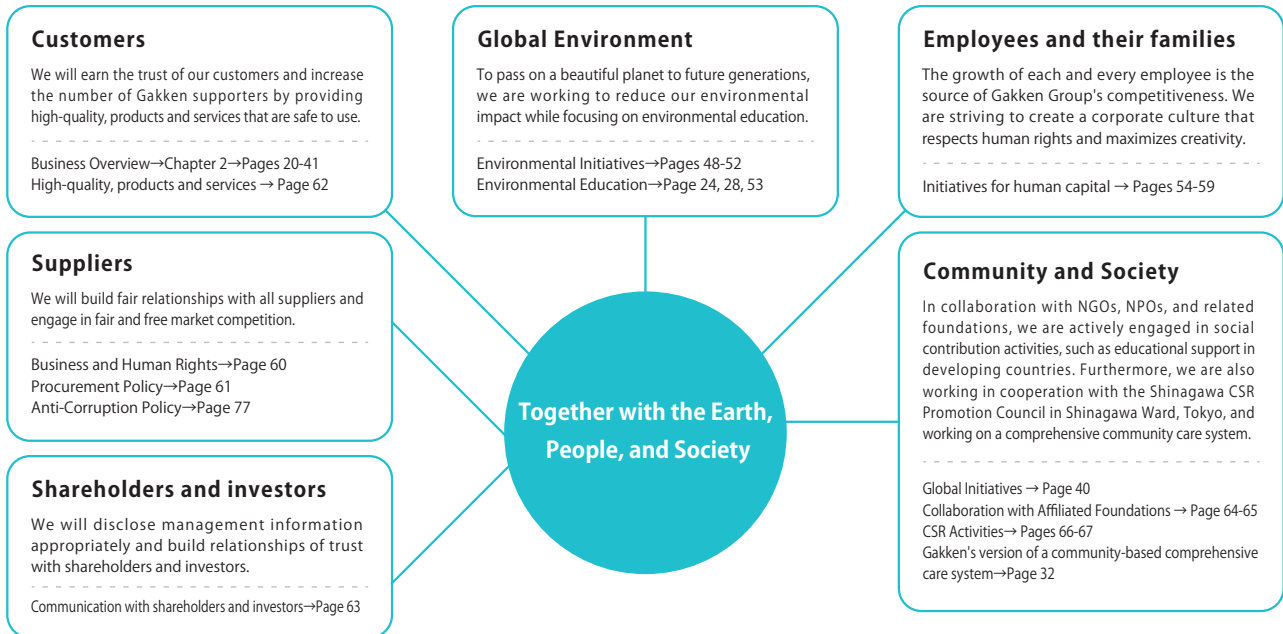
In October 2022, with an enhanced focus on sustainability, the three

subcommittees under the main Committee underwent restructuring, accompanied by the establishment of the Corporate Sustainability Division as the secretariat.

The Integrated Disclosure Subcommittee, depicted in the diagram below, reinforces interdepartmental connections and propels sustainability initiatives. This subcommittee facilitates information sharing, fosters conversations, and cultivates collaborations with stakeholders. The Supply Chain Management Subcommittee has initiated the accurate identification and reduction of greenhouse gas emissions, along with responsible procurement, as pivotal steps toward constructing a sustainable supply chain. Simultaneously, the Human Capital Subcommittee collaborates with Group companies to collect human capital-related information and formulate personnel-related policies. We have also appointed a director in charge of sustainability promotion at our operating companies. Under their responsibility, each company conducts business activities in a socially and environmentally responsible manner, in accordance with decisions made by the Sustainability Committee and the Board of Directors.

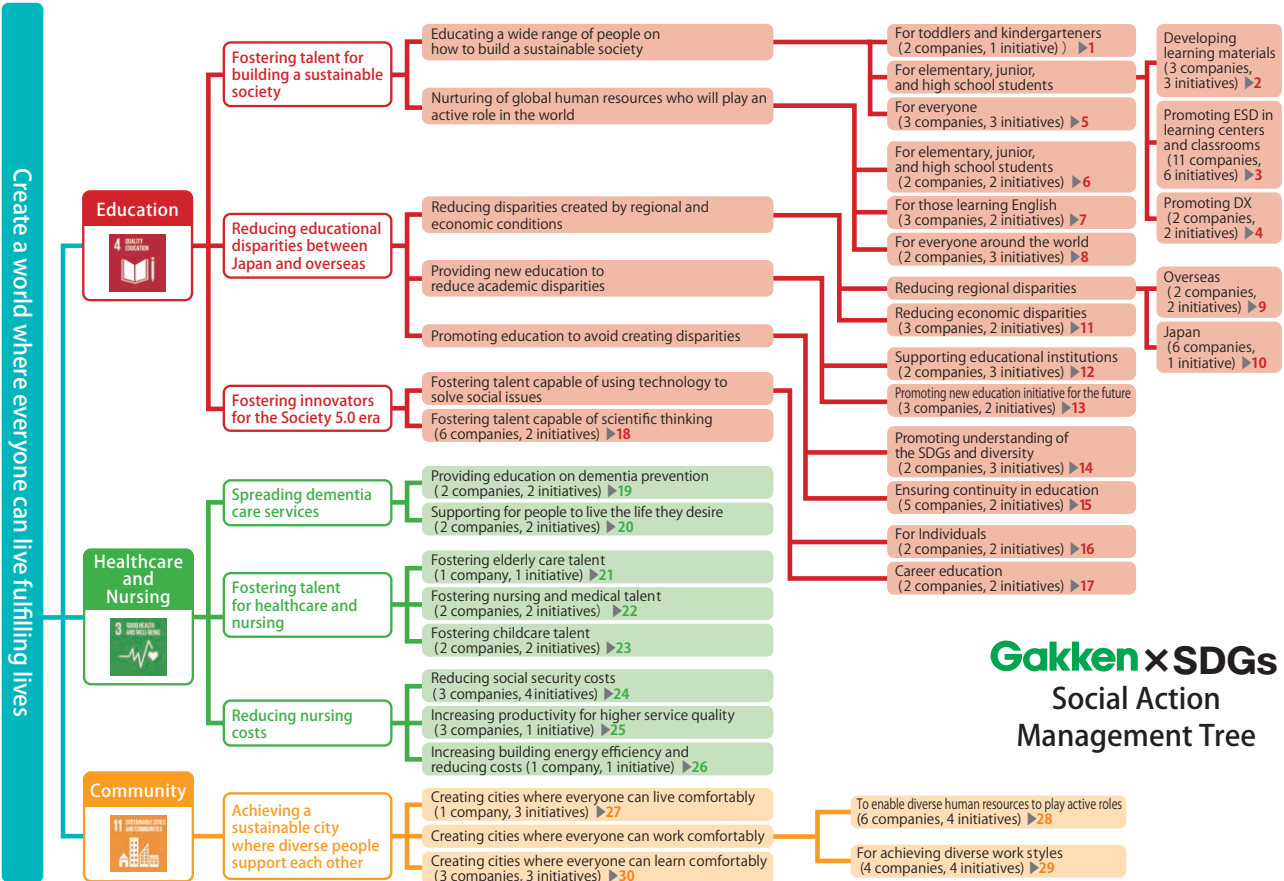


Gakken Group Stakeholders



Social Action Management Tree Initiatives

In line with the social action management tree we created for the Group in 2021, we implement activities in the 30 categories shown in red, green, and yellow in the figure below. To contribute to the achievement of the aims of the SDGs, each company has set goals and is continuing its efforts to achieve these goals.



Recognition of SDG Excellence Awards for FY9/2022

The activities executed in alignment with the aforementioned social action management tree for FY9/2022, were duly documented. Among these initiatives, Gakken Medical Support was acknowledged as a beacon of best practices and garnered the prestigious Award for Excellence.

Gakken Medical Support directs its efforts toward the cultivation of healthcare and nursing professionals. The focal point of the recognition centered on its "provision of e-learning services for nurses." This innovative approach was born out of the imperative to cater to the needs of medical personnel who were constrained from leaving their posts due to the COVID-19 pandemic. The company swiftly responded by offering tailored online educational modules. Impressively, the number of subscriptions surpassed the targeted count of 2,351 facilities, and the user count exceeded a remarkable 620,000. This surge in new subscriptions set a record for the year. The program received high praise as a Creating Shared Value (CSV)*1 initiative, effectively marrying the twin aspirations of "addressing societal challenges" and "facilitating business growth" – both pivotal objectives of Gakken Group. The accompanying table features other distinguished companies that emerged prominently through the selection process. As we go beyond FY9/2023, our roadmap encompasses even more concerted efforts to synergize our undertakings with the tenets of Creating Shared Value.



▲The ceremony to convey the SDG Excellence Award took place in December 2022, featuring a notable lineup. From left to right: Gakken Holdings President Hiroaki Miyahara, Gakken Medical Support President Hiroshi Mori (also a Social & Environmental Leader), Gakken Medical Support Director Tetsuya Iwasaki, and Saori Izumi (also a Social & Environmental Leader).

Companies that ranked high in the "SDGs Excellence Awards" for FY 9/2022, and their initiatives

Company Name	Initiative title and content
Gakken Smile Heart*2	Realization of a society where people can secure gainful and rewarding work opportunities regardless of disabilities Establish a workplace environment where employees can work with peace of mind. Maintain the legally mandated employment rate of +0.1% or more.
SYSCARE	Reduce carbon dioxide emissions at Gakken Group facilities Installed solar power generation equipment in new facilities to create clean energy/installed solar power generation equipment in new facilities to create clean energy
IC Net Limited	"Tsunaguru University" Education for multicultural understanding and local development Educational tours for rural areas with no tourism resources, based on exploration and social problem solving
Gakken Medical Shujunsha*3	Contributing to the frontlines of clinical and medical education with practical electronic content Launch of digitalization of periodical journal, electronic textbooks, and "VR Psychiatric Nursing" educational material
Gakken Study et	SDGs Workshop for Elementary School Students: Mirai Thinking Hands-on SDGs workshop for elementary school students to reflect on and learn about issues based on their connection with society

*1 CSV, an acronym denoting "Creating Shared Value," signifies a strategic approach wherein a company's commitment to addressing societal issues contributes to heightened productivity and augmented economic value.

*2 Gakken Smile Heart...Merged with MCS Heartful on July 1, 2023, to from Gakken Smile Heartful.
*3 Gakken Medical Shujunsha...Merged with Gakken effective October 1, 2022.

Environmental Initiatives

Gakken Group Charter for the Environment

We are all stewards of the earth, and to ensure we hand over beautiful planet to the next generation, through our publications and in our diverse business, Gakken Group encourages all people “to take care of the earth”, and in our corporate activities, we make positive efforts to promote environmental preservation.

Environmental Policy

Gakken Group stipulates the following environmental policy and makes every effort to implement it.

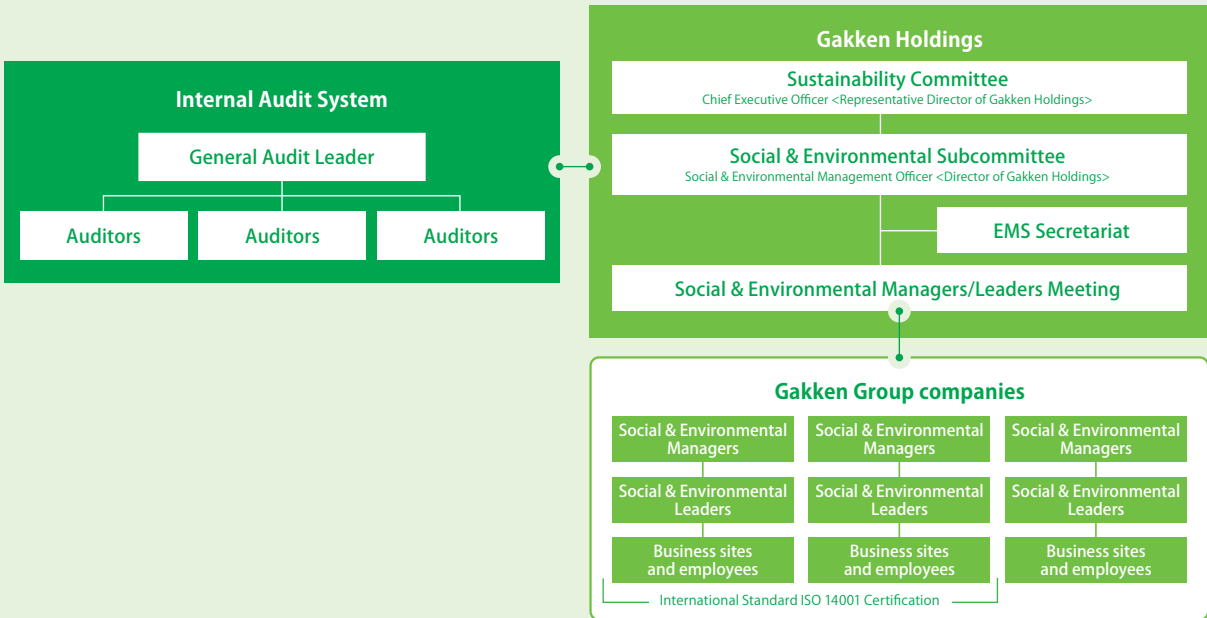
- We promote business and projects concerning environmental education and awareness.
- We use resources efficiently and strive to carry out business activities with low environmental impact.
- We establish environmental goals and targets and continuously revise and strive to improve results.
- We comply with environmental laws and regulations, and related agreements that our group companies have established.
- We ensure that all of our staff know this policy and disclose it to the public.

Social and Environmental Promotion Structure for FY9/2022

During FY9/2022, the Social & Environmental Subcommittee, which was subsequently restructured and renamed as the Supply Chain Management Subcommittee from FY9/2023, operated as a subsidiary entity under the aegis of the Sustainability Committee. This subcommittee diligently executed its activities guided by the tenets of the Social & Environmental Management System (referred to as EMS

hereafter). Please refer to the organizational chart below for an overview of this structure.
The EMS is a comprehensive framework devised to propel social and environmental initiatives across the entirety of the Group. This encompasses entities that have attained ISO 14001 certification, as well as the various business sites operated by the Group.

Social and Environmental Management System (as of September 30, 2022)



Social and Environmental Management System Received ISO 14001 Certification

Gakken Group established the Gakken Group Environmental Charter and obtained ISO 14001 certification, an international environmental standard, in 2004.
Adhering to the principles of the EMS, we are diligently advancing the PDCA (Plan-Do-Check-Action) cycle. This systematic approach entails the assessment of environmental concerns linked to business operations, the formulation of objectives and targets (Plan), the execution of social and environmental initiatives (Do), the scrutiny of target attainment (Check), and the consequent review of outcomes by management (Action).

In FY9/2022, the certification ambit encompassed 19 companies

along with 17 regional headquarters and offices. This inclusive span accounted for approximately 12% of the total employee roster.
The registered scope of activities is notably comprehensive, encompassing various domains:
•Publishing and educational materials •Classes and cram schools •Stationery and toys •Editing, production, distribution, and sales of diverse content •Senior housing •Nursing care business •Childcare support business •Home nursing business •Planning, development, design, and management of land utilization for senior and welfare facilities.



Activity goals for FY9/2022

ISO 14001-certified entities within our organization have proactively defined diverse objectives and are actively pursuing initiatives to curtail their environmental footprint. Beyond these certified entities, the entire Group has embarked on a comprehensive "Social, Environmental, and SDGs Action Management Program."
In response to the imperative of climate change, we have initiated rigorous monitoring of energy consumption. This strategic measure aims to facilitate a precise assessment of greenhouse gas emissions across the entire Group, allowing us to address this critical issue effectively.
It is noteworthy that the Group's social and environmental initiatives are orchestrated under the guidance of the Chief Executive Officer. The formulation of social and environmental targets for each individual company is a process tailored to their specific realities and challenges. This approach ensures the translation of top management's commitments into tangible, on-the-ground actions that reflect the unique circumstances of each entity.

Commitments of Top Management

- Promote each company's SDG actions based on the "Gakken Group SDG Social Action Management Tree" (Page 47) and contribute to the achievement of the SDGs by 2030 through progress management based on each KPI.
- To achieve virtually zero greenhouse gas emissions by 2050, the Group's emissions, risks, and opportunities associated with climate change should be identified and analyzed, reduction targets and action plans should be formulated, and implementation should start where possible.

ISO 14001 Internal Audits and Periodic Audits

Internal audits are conducted by qualified internal auditors at least once a year for the entire Group.
For FY9/2022, internal audits were conducted in May, covering nine organizations. In addition, 10 organizations underwent ISO 14001 audits by the Japan Quality Assurance Organization (JQA) from June 21 to 24 and renewed their certification.



▲Internal audits

Internal Audit Results

Items Requiring Improvement] 1 case
Suggestions for improvement: 4 cases

Issues and responses for the next fiscal year based on internal audit results

Further understanding of and response to environment-related laws and regulations

Given the critical link between addressing "environment-related laws and regulations" and the seamless maintenance of ISO certification and registration, this matter will hold significant significance in the forthcoming internal audit. Thus, a concerted effort will be directed toward fostering a comprehensive grasp of and proactive response to the pertinent legal framework among the designated individuals within each organization.

Comprehensive documentation of training implementation records

Recurring concerns been identified across the Group, necessitating fundamental remedies.To address this, precise actions are imperative. Concrete steps, including enhancing the frequency of awareness-raising initiatives, will be implemented to ensure meticulous oversight and management.

Planned increase and training of internal auditors

The internal auditor system needs to be improved in terms of both "number of staff" and "audit quality." In terms of "number of staff," it is important to regularly recruit new staff for each generation. In terms of "audit quality," a combined approach of on-the-job training and classroom training is required.

Compliance with environmental regulations

There were no cases of non-compliance with environmental laws and regulations in ISO 14001-certified and non-certified organizations.

Selection of environmentally friendly means of transportation

Gakken Logistics, a pivotal player in facilitating the Group's logistical operations, consistently prioritizes contributing to the realization of an efficient, environmentally conscious, and sustainable logistics landscape. This commitment is underscored by collaborative efforts with suppliers and subcontractors.
In the supplier selection process, our criteria extend beyond proposal content, technical prowess, and costs. Equally crucial is an evaluation of whether the prospective partner has holistically integrated environmental considerations and endeavors to enhance working conditions.

For the transportation and delivery of nursery picture books, a strategic shift has been made from utilizing trucks for long-distance trunk line transportation to leveraging domestic ferries and railroads. This transition has resulted in a tangible reduction of approximately 2 tons of CO₂ emissions per month during transportation and delivery to Hokkaido, Kyushu, and Shikoku, as compared to previous truck-based transportation. This positive shift not only reduces emissions but also contributes to the enhanced well-being of truck drivers, manifesting our commitment to both environmental responsibility and workforce welfare.



▲Loading trucks with forklifts.

▲Containers on a freight railroad.

▲Containers loaded on a coastal ferry.

Climate Change Initiatives

In August 2022, Gakken Group endorsed the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD's final report (TCFD Recommendations) outlines a common global framework for climate-related information disclosure and recommends that all companies disclose the following four items: governance, risk management, strategy, and indicators and targets. The Group will actively engage in dialogue with shareholders, investors, and other stakeholders regarding its climate change initiatives and will disclose information in line with the four items of the TCFD recommendations.



Governance

As the chief climate change response officer, the CEO is responsible for reviewing and guiding climate change-related risk management policies and strategies, evaluating and overseeing response measures, and making final decisions on major measures. The top management has issued a commitment to monitor emissions and develop an action plan to reduce greenhouse gas emissions toward the goal of virtually zero emissions by 2050.

*Sustainability Promotion Structure and Social and Environmental Management System are described on Pages 46-49.

Risk Management

Risks are evaluated in terms of both "risk by frequency of occurrence" and "risk by expected size of loss," and are scored and subsequently ranked. Since the degree of financial or strategic impact differs among the various businesses within the Group, the scored risks are managed by dividing them into "priority to address" and "to maintain" categories. Climate change is a risk that can have a significant impact on corporate management. In recognition of this, it is managed in an integrated manner by the Sustainability Committee in cooperation with the Internal Control Committee, with the Group working as one.

Strategy

Our group has undertaken a comprehensive examination of strategies grounded in diverse climate-related scenarios, encompassing the recommended 2°C or lower scenario outlined by the Task Force on Climate-related Financial Disclosures (TCFD). In our scenario analysis, we have specifically chosen two scenarios: the 1.5°C scenario, which accentuates transitional effects, and the 4°C scenario, highlighting the prominence of physical impacts. Moreover, our group's operational landscape has been categorized into distinct sectors: the "Education Sector" and the "Healthcare and Nursing Sector." Within the "Education Sector," we have further delineated it into the "Classroom and Learning Center" as well as the "Publication Content and Merchandising Business for Kindergartens and Schools." In this meticulous examination, we have diligently scrutinized the potential impacts of climate change on each of these distinct areas.

Overview of Climate Change Risks and Opportunities

Type of Risk		Period of manifestation	Risks of particular importance to Gakken Group	Classrooms and learning centers	Publishing, preschools, and schools	Healthcare and Nursing
Transition risk	Policy and Regulation	Short- to medium-term	Introduction of carbon taxes and other policies to curb greenhouse gas emissions; increased procurement and operating costs due to tighter regulations	◎	◎	◎
	Reputation	medium-term	Change in reputation among customers due to lack of action	○	○	○
Physical Risk	Chronic physical risk	Short- to medium-term	Heat stroke and food poisoning due to higher average temperatures, mainly in healthcare and nursing services. Decrease in employee productivity due to heat. Increase in operating costs as a countermeasure.	◎		◎
	Acute physical risks	Short- to medium-term	Increased damage from flooding and other detrimental outcomes due to the severity of heavy rain and strong winds, losses due to the suspension of operations at healthcare and nursing facilities, increased costs for repairs, etc., and increased costs for advance countermeasures.	○		◎
		Short- to medium-term	Price hikes and instability in paper and other materials		◎	

Type of opportunity		Period of manifestation	Opportunities of particular importance to Gakken Group	Relevant business/impact	
Opportunity	Product and service market	Short- to medium-term	Potential for increased demand for online learning services at home due to concerns about learning disruptions caused by extreme weather events such as heavy rain disasters due to climate change	Classrooms and learning centers	○
		Short- to medium-term	Increased demand for publishing content on SDGs and the natural environment due to growing environmental awareness among consumers as we transition to a decarbonized society	Publishing, preschools, and schools	◎
		Short- to medium-term	Securing competitive advantage through enhanced disaster response and increased number of users	Healthcare and Nursing	△

◎: Heavy impact ○: Slightly significant impact △: Minor impact

Physical Risks and Opportunities: Global Warming Scenario (4°C)

In a scenario where global temperatures rise by 4°C, the frequency of flooding is projected to increase fourfold, driven by amplified heavy rainfall and intensified winds attributed to climate change. This foreseen escalation prompts us to anticipate elevated expenditures related to repairs and disaster mitigation efforts, supply chain disruptions, and augmented operational expenses due to flood-induced damages at our operational sites. Of particular concern is the profound impact this could have on our endeavors within the healthcare and nursing sector. The potential ramifications encompass escalated repair costs due to flooding-related damages, financial losses arising from operational halts, and, most critically, the potential jeopardy to the well-being of the roughly 14,000 senior citizens residing in our facilities, including serviced apartments for the elderly and dementia group homes. This prospect has galvanized our commitment to address this risk earnestly by fortifying our disaster preparedness initiatives, including the formulation of comprehensive evacuation strategies.

Indicators and Targets

The Group has established greenhouse gas emissions (Scope 1, 2, and 3) as indicators for managing climate risks and opportunities. Regarding Scope 1 and 2 emissions, we have established a target of reducing greenhouse gas (GHG) emissions per net sales by 50% by the year 2030, in comparison to the fiscal year 2022. The healthcare and nursing sector, which contributes to 80% of our emissions, is expected to see active expansion in the future. However, we are committed to ensuring that our growth strategy does not lead to emissions increase. This will be achieved by designing and operating new sites with enhanced carbon efficiency. Furthermore, we have extended the calculation scope for Scope 3 emissions to achieve comprehensive coverage starting from the fiscal year ending September 30, 2022. Leveraging the outcomes of these calculations, we will bolster our efforts toward emissions reduction.

	Electricity & Gas (Crude oil equivalent, L)	Greenhouse gas emissions(t-CO ₂)		
		Scope1-2	Scope3	Total
FY9/2018	11,258,481	—	—	—
FY9/2019	11,303,363	—	—	—
FY9/2020	16,773,265	36,044	44,301	80,345
FY9/2021	20,864,403	35,975	95,549	131,524
FY9/2022	28,758,639	58,402	282,001	340,403

【Aggregation Scope】FY9/2020 - Scope 1-2: Includes electricity and city gas. Scope 3: Includes Category 1 to Category 3, and Category 5 to 7 of Gakken Group companies. FY9/2021 - Scope 1-2: Includes electricity, city gas, LP gas, and gasoline, including estimations derived from energy expenditure. Scope 3: Includes Category 1 to Category 3, and Category 5 to 7 of Gakken Group companies, healthcare and nursing sector companies, Gakken Juku Holdings subsidiaries, and Gakken Logistics Company. FY9/2022 - Scope 1-3: Emissions from consolidated companies, including overseas. Scope 1-2 is calculated from electricity, city gas, LP gas, gasoline, diesel, and kerosene consumption at domestic facilities, with overseas data estimated based on domestic facility data. Scope 3 includes Category 1 to 7, Category 9, Category 12, 13, and 14. Other categories are not relevant.

The Group received a "B" Score in the 2022 CDP Climate Change Study

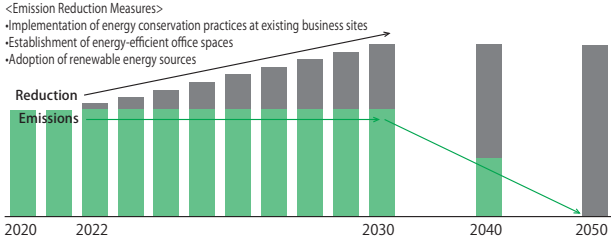
We were awarded a "B Score" in the CDP 2022. This indicates that we are aware of our environmental risks and impacts and are taking action to address them. We will continue to strengthen our efforts to address climate-related issues and enhance disclosure.



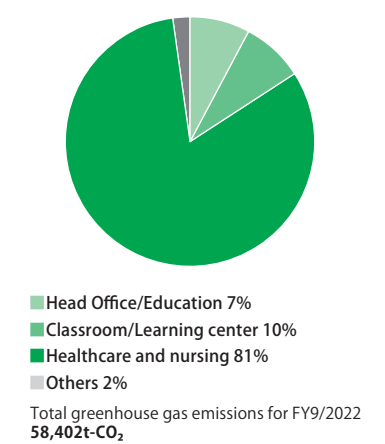
Transition Risks and Opportunities: Decarbonization Scenario (1.5°C)

In a scenario where global temperature rise is limited to 1.5°C, a transition toward a decarbonized world is foreseen. This transition may involve carbon taxes, policies curtailing greenhouse gas emissions, and stricter regulations. Consequently, business operations might witness potential increases of up to 500 million yen* in fuel and electricity costs by the year 2030. To address this, the Group will augment its efforts in enhancing energy efficiency and pursuing initiatives like renewable energy integration. Furthermore, as societal consciousness shifts toward environmental sustainability, there is an anticipated surge in demand for publishing content aligned with the Sustainable Development Goals (SDGs) and the natural environment. This presents a significant opportunity for the Group. We intend to capitalize on this opportunity by creating enhanced value and closely engaging with the evolving needs of consumers. *The estimate is based on the Group's actual emissions of 36,000 t-CO₂ in FY9/2021, along with projected carbon tax for FY2030, as per the NZE2050 framework.

Greenhouse Gas Emissions and Reduction Planning Image



Greenhouse Gas Emissions by Business (Scope 1-2)



Examples of Reduction Plans and Measures

SYSCARE, which designs facilities for the elderly and welfare facilities, has begun installing solar power generation systems at its serviced apartment for the elderly and dementia group homes. In addition, plans are underway to install solar power generation systems at licensed nursery schools as part of efforts to generate renewable energy.



Examples of Environmental Initiatives

Initiatives to Conserve Coastal Fisheries Resources in the Caribbean Islands

The Caribbean Sea boasts enchanting islands with crystalline waters and powdery white sands. Spanning over 7,000 islands, the Eastern Caribbean Small Island Developing States (ECDIS) lies to the east of the Caribbean Sea, bordering the Atlantic Ocean from north to south. The region's history has been interwoven with a thriving fishing industry, yielding catches of conch and lobster within the coral reef waters and migratory species like skipjack and tuna in the offshore expanses. Regrettably, in recent times, overfishing and excessive harvesting have led to a decline in these vital marine resources, triggering concerns about ecosystem degradation.

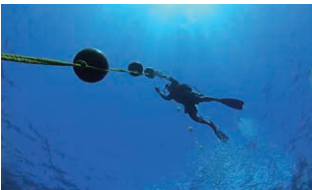
In August 2022, IC Net Limited initiated the "Project for Strengthening Sustainable Use and Management of Coastal Fisheries Resources in the CARICOM Countries (Phase 2)" with the support of Official Development Assistance (ODA) for six Caribbean countries. The Japanese government entrusted this project to IC Net Limited, acknowledging its successful track record in "sustainable fisheries resource management" across Africa, Oceania, and other regions. The project's dual objective is to bolster the administrative prowess of the fisheries sector while enhancing the organizational capabilities of fishermen. Simultaneously, it aims to preserve the coastal ecosystem. Through pilot initiatives running until mid-2025, the project endeavors to establish a model of participatory joint management involving both government bodies and fishermen.

A distinctive feature of this project lies in its incorporation of the Japanese "satoumi" approach. In Japan, the preservation of fisheries and the enhancement of ecosystem functions have been achieved through

the holistic management of coastal waters, employing a balanced level of human intervention that fosters a thriving marine environment. The pilot project seeks to elevate fishermen's awareness of resource preservation and uplift their livelihoods, empowering them to adopt a proactive stance in resource management.



◀To facilitate these goals, we supported the establishment of small-scale artificial fish reefs utilizing conch shells. This innovative method empowers fishermen to create and deploy their own reefs onto the seafloor.



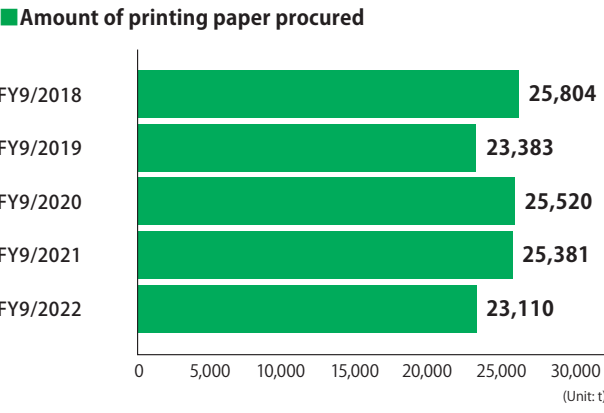
◀Additionally, we undertook the installation of FADs (floating fish reefs). This initiative aims to alleviate fishing pressure on reef fish by effectively harnessing these fishery resources, which attract species like sardines and bonito, fostering a sustainable ecosystem.

Paper Procurement for a Sustainable Society

As a publisher deeply involved in the paper trade, Gakken Group is committed to advancing sustainable practices through our procurement policy. Our focus lies in "sourcing paper from responsibly managed sources with transparent origins" and "partnering with environmentally conscious paper manufacturers."

The criteria for our publication paper procurement adhere to the following principles:

- Pulp from Strictly Controlled Forests (100%): Our commitment extends to using pulp sourced exclusively from forests that meet stringent sustainability standards.
- Utilization of Bulky Paper: Since 2002, we have embraced the use of bulky paper—a type of paper that offers substantial thickness while remaining lightweight. Currently, 60% of our publications are produced using this paper type. This choice significantly reduces CO₂ emissions during transportation, owing to its decreased weight.



Identifying the amount of waste from inventory disposal

To ensure responsible waste management, we systematically monitor the volume of waste generated during inventory disposal. This process adheres to our established "Procedure for Determining the Amount of Waste for Inventory Disposal." This diligent approach allows us to accurately quantify the volume and value of waste for proper record-keeping.

Amount of waste for inventory disposal (tons)	
FY9/2018	3,394
FY9/2019	2,931
FY9/2020	3,287
FY9/2021	3,068
FY9/2022	2,042

Innovations in Printing, Processing, and Bookbinding Processes

In our printing process, we prioritize environmental consciousness by opting for vegetable inks derived from plants. Additionally, in our bookbinding procedure, we employ PUR glue, a type of adhesive that facilitates efficient sorting for proper disposal. As part of our commitment to sustainable practices, we have taken steps to eliminate the use of OPP bags with visible contents for inserts like appendices. This strategic move has led to a substantial reduction in plastic consumption, resulting in a yearly decrease of approximately 5 tons of plastic usage.

Creating Content to Raise Awareness of Environmental Issues

Gakken has taken a proactive role in publishing a range of books aimed at raising awareness about pressing global environmental issues. These publications contribute to the cultivation of environmentally conscious individuals, particularly nurturing a younger generation capable of taking action, a pivotal aspect of Education for Sustainable Development (ESD).

Picture Book: Crisis on Earth

One such publication is "Crisis on Earth," a visually engaging guide that delves into the contemporary crises affecting our planet and explores potential solutions or preventative measures.



Series of Find Out from the "Why?": Water Circulation (2 vols.)

Another noteworthy book is "Why? Find out from the 'Why?'," which offers insights spanning from forests and rivers to dams, water purification plants, water supply systems, and even households. This publication not only serves as a valuable resource for research and study but also sheds light on the global water situation.



Picture Book: Creatures of Satoyama

In alignment with the popular television program "Kagaku no sato" (The Village of Science) on Nippon Television Network Corporation, Gakken has released "Creatures of Satoyama." This book features an interactive element in the form of a 2D code that provides access to accompanying videos, enhancing the reader's experience.



Gakken's Science: Step into the future with the Hydrogen Energy Rocket.

This experimental rocket bridges the gap between hydrogen energy and space exploration, offering a glimpse into what the next decade may hold. By cranking a generator by hand, you can witness the generation of hydrogen and its subsequent launch. This captivating experience is suitable for indoor use, ensuring safety alongside excitement.



Gakken's Illustrated Book LIVE: Dinosaurs, Insects, and Dangerous Creatures (new edition)

These books bring forth the latest insights through striking illustrations and vivid photographs. The experience is elevated with original videos accessible via DVD and smartphones. In addition, the package includes immersive learning posters and an Augmented Reality (AR) feature that pops up on your smartphone, engaging readers in innovative ways.



Environmental Nonfiction: Disappearing rhinos from this world

This work delves into the heart of South Africa's struggle, chronicling the battle among rhinos, poachers, and dedicated protectors. Selected as the assigned book for the 2022 National Youth Book Report Competition, this book sheds light on urgent conservation issues while offering a gripping and educational read.



Supporting Activities of Public Interest Incorporated Foundation

Wild Bird Society of Japan "Don't pick up chicks!" Campaign

We distribute campaign posters to various locations across Japan, including Gakken classrooms, schools, public libraries, senior citizen facilities, and facilities for school children. Our goal is to encourage these establishments to proudly display these posters, spreading awareness and promoting the campaign's message to a wide and diverse audience.



Image courtesy of Wild Bird Society of Japan

The 14th Environmental Education Poster Competition by the Foundation for Promoting Children's Education

The contest is a poster competition that invites elementary, junior high, and high school students from both Japan and overseas to submit their artwork and slogans centered around the theme of "Environment." In recognition of their outstanding contributions, the Gakken Prize was granted to Saitama Municipal Taihei Junior High School and Hiroshima Municipal Midorimachi Junior High School as recipients of the group award.

Upper left: Minister of the Environment Award, The work of Sara Koikawa, 5th grade student at Shirokane-no-oka Elementary School, Minato-ku, Tokyo.
Upper right: Minister of Education Award: The work of Wakana Kitade, a first-year student at Wakayama High School, Wakayama-shi, Wakayama
Lower right: Prime Minister's Prize, The work of Sara Fujisaki, a first-year student at Murakami Higashi Junior High School, Yachiyo City, Chiba



*Information as of FY2022.

Image courtesy of the Children's Education Support Foundation

Initiatives to Strengthen Human Capital

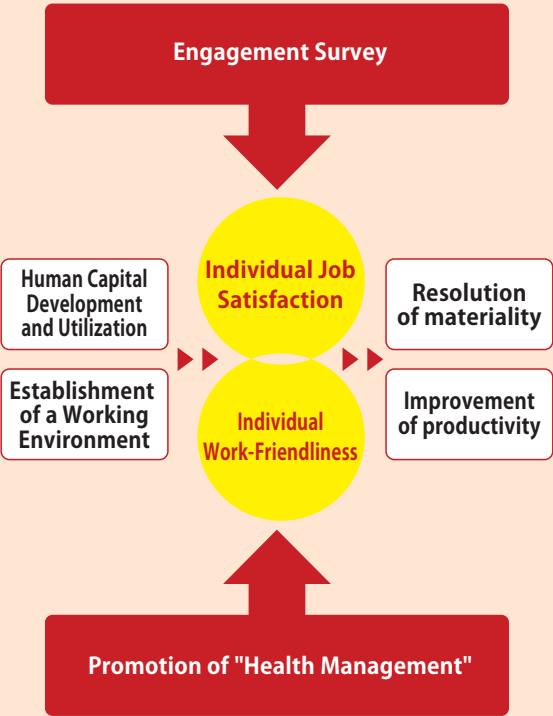
Gakken Group's Approach to Human Capital Management

Gakken Group places paramount importance on its human capital as the core foundation for generating corporate value, an essential element for fostering sustained growth. Acknowledging that our workforce serves as the driving force behind value creation, we've embarked on a personnel strategy within our medium-term management plan, "Gakken 2023," dedicated to enhancing "job satisfaction" and "work-friendliness."

Our activities surrounding human capital management, concentrated on the fiscal year culminating on September 30, 2022, mark the second year of our medium-term strategy. Despite unforeseen shifts in the societal landscape after the implementation of the plan, such as the COVID-19 pandemic, we have steadfastly pursued our original objectives to amplify human capital's worth.

Our capacity to nimbly adapt to evolving business terrains has facilitated swift and precise responses. Principal undertakings center around "human capital development," enhancing job satisfaction; "diversity" and "health management," prioritizing our staff's work-friendliness. This section delves into Human Capital Development, Diversity and Health Management initiatives.

Human Capital Strategy of the Medium-Term Management Plan "Gakken2023"



Human Capital Management Promotion Structure

The Personnel Strategy Office serves as the nucleus for shaping the "Human Capital / Personnel Strategy," a pivotal compass guiding the Group's human capital management policies. This strategy's successful materialization hinges on cohesive partnerships with various Gakken Holdings offices, including those vested in Management Strategy, Financial Strategy, Digital Strategy, Global Strategy, and Sustainability Promotion. To facilitate this, the Strategy Office has instated regular inter-office meetings, fostering ongoing communication among office leaders. Complementary actions, such as enlisting members across diverse committees, fortify this collaborative ethos. Additionally, a practice of cross-appointing operational leaders fosters a fluid exchange of expertise across offices, a countermeasure against compartmentalization's detrimental impacts on operational effectiveness.

Furthermore, our Group's adoption of a holding company management model underscores the necessity of engaging personnel departments within each Group company to materialize overarching strategies. Repeated periodic meetings are convened to ensure complete comprehension and assimilation of Group-wide strategies by all personnel departments. This platform also serves to exchange exemplars of initiatives undertaken at individual companies. Moreover, ad hoc gatherings are convened to address vital specific concerns as they arise.

Collectively, this series of strategic measures and innovations underpin our drive to promote effective human capital management. Our strategies are refined through meticulous assessment, hinging on the progress of implementation.

Human Capital Development - Three Initiatives for Personnel Development

With a firm conviction that nurturing adaptable personnel capable of foreseeing and embracing change is pivotal for sustainable growth in an environment defined by volatility and rapid societal shifts, we're actively channeling investments into our human capital, including reskilling initiatives. This approach acknowledges the prevailing uncertainty and the accelerating pace of societal and lifestyle transformations. Central to our endeavor is fostering a "culture of embracing change," an ethos wherein our employees collectively revel in the process of providing value to our customers by assimilating and embodying change within our products and services. This culture not only fuels innovation but also connects our workforce to the profound sense of accomplishment that accompanies customer satisfaction.

Moreover, we're orchestrating reforms within our personnel and evaluation systems to establish a foundation for perpetuating our capacity to respond to and propagate change. This initiative could be likened to "constructing a framework for continuous change." This multifaceted endeavor envisions a comprehensive revamp of our systems to ensure that our adaptive capabilities remain robust and enduring.

- 1) Creating people who anticipate change
- 2) Creating a corporate culture that enjoys change
- 3) Creating a framework that responds to change

1) Creating people who anticipate change

Training for regular and experienced recruits

We maintain a steady practice of hiring and providing training for experienced professionals as part of our human capital strategy. One of the pivotal initiatives in this regard is our "Group Mission Training" program designed for newly onboarded employees. The objective of this training is to instill a comprehensive understanding of both the core tenets that must remain unaltered and the aspects that necessitate transformation within our Group. To accomplish this, we employ a multifaceted approach that includes viewing a video outlining Gakken's historical journey and delving into "Moyo," a biography chronicling the life of our founder, Hideto Furuoka. Through these resources, new employees gain insights into the foundational ethos that underpinned the establishment of our enterprise – an unshakable belief, "There is nothing more important than education for post-war reconstruction." This narrative also illuminates the Group's evolution across its storied history, marked by resilience in the face of numerous challenges.



Training for new employees

Training for directors

In line with the Group's Corporate Governance Guidelines, training is offered to all Gakken Holdings directors. This training enhances their grasp of contemporary management practices and the external landscape, enabling them to steer the Group toward realizing its medium-term management plan and to apply their insights to long-term management considerations.

During FY9/2022, a series of five training sessions took place, each focusing on distinct themes. In these sessions, expert lectures were delivered to directors, who then applied the insights gained to their specific areas of responsibility. Condensed versions and selected highlights from this training were shared with directors of Group companies to elevate the overall management standards across the Group.

<Training themes for FY9/2022>

Utilization of DX and SDGs in management

- Organizational transformation through DX
- Marketing in the digital era
- Strategic use of data
- Deepening understanding of ESG investment
- Sustainability and Human Capital Management

Core Skill Training

During FY9/2022, a cumulative total of 500 employees engaged in nine sessions of core skills training, centered around subjects like marketing and finance, under the overarching theme of "Management Business Administration (MBA) Knowledge."

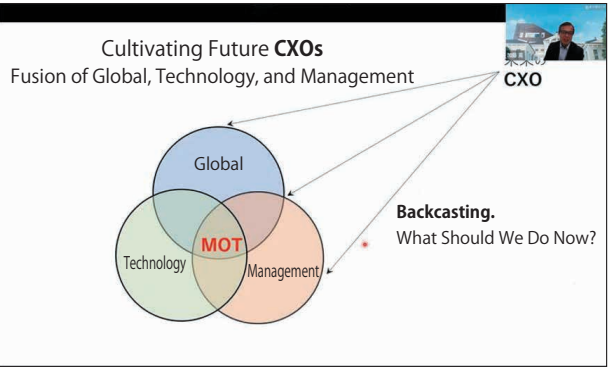
To ensure broad participation, the training format was optimized, condensing it from half-day or full-day sessions to a more concise 2-hour timeframe. Furthermore, these sessions were conducted entirely remotely, with no restrictions on participant numbers and location, fostering accessibility and flexibility. By actively utilizing digital tools and text communication via chat, we provided a learning experience that did not compromise interactivity, even with a large number of participants.



Core skills training was attended by a total of 500 participants.

Degree (MBA/MOT, etc.) promotion program

Amidst an increasingly dynamic and unpredictable social landscape characterized by VUCA (Variability, Uncertainty, Complexity, and Ambiguity), our proactive approach to "Recurrent Programs" stands out, encouraging employees to practice our action guideline "Keep Learning." In FY9/2022, we took a significant step by designating the Tokyo University of Science as an official institution to support the pursuit of a Management of Technology (MOT) degree. Through an internal selection process, two successful applicants proceeded to pass the entrance exam and are now engaged in their studies during their spare time. Expanding beyond Tokyo University of Science, we've established a comprehensive framework to aid employees seeking degrees such as MBA, MOT, or others of their preference. At present, three employees are actively utilizing this system to further their educational aspirations.



Online lecture by Prof. Akira Kato, Tokyo University of Science.

Initiatives to Strengthen Human Capital

2) Creating a corporate culture that enjoys change

●Biz Hack Fes

A unique in-house event open to employees across all companies within Gakken Group, encompassing diverse business domains. Its primary objective is to foster mutual understanding of various roles within the organization. A notable instance is the "MVP Candidates" segment, where selected Group MVP candidates share their dedication to the Group's mission and operational insights on a biannual basis. Moreover, the "Recurrent Education" session features lectures by university professors on continuous learning for working professionals, complemented by a panel discussion involving Group personnel engaged in pursuing degrees while working, all geared toward promoting the enjoyment of lifelong learning.



▲The event serves as a valuable platform for inter-departmental communication, enabling the exchange of business experiences among different entities. The occasion featured insights into the Global Strategy Office's operations in Vietnam, Gakken Study et ESD initiatives, and the synergistic collaboration of "Arukikata."

●Group-wide Open Recruitment

Within Gakken Group, we've instituted an internal open recruitment mechanism, encouraging each employee to explore personal career interests and match them with suitable roles and workplaces. This initiative supports individuals in charting their career paths and amplifying their personal aspirations. Apart from orchestrating strategic personnel transfers and placements, the system empowers employees to proactively seek role transfers and assignments, fostering individual professional growth and invigorating the entire organization.



3) Creating a framework that responds to change

●New Personnel System (Gakken LEAP) Attractive to DX Personnel

Gakken LEAP, inaugurated on December 1, 2021, assumes a pivotal position in propelling the Group's Digital Transformation (DX) endeavors. As the competition for DX talent intensifies, a novel personnel framework has been devised and is actively being rolled out, diverging markedly from its predecessor. A distinct system has been established with the intent to foster an appealing work milieu centered around the concept of role-based employment. Roles are meticulously outlined in alignment with the "DX Promotion Skill Standards" sanctioned by the Ministry of Economy, Trade, and Industry. These roles are then scaled by designated tiers to gauge the requisite skill level of each team member. For instance, appraisals extend beyond mere performance, encompassing value, and conduct, a design poised to duly recognize employees demonstrating proactiveness and a penchant for embracing challenges. Furthermore, our approach encompasses diverse evaluations that encompass insights from various angles involving project-related team members, peers, and subordinates. This approach aims to "foster self-awareness among employees regarding their strengths and areas for improvement and leverage these insights for their ongoing development."

●ESG Performance Assessment of Executives
Recognizing the significance of integrating non-financial assets alongside financial resources in propelling effective human capital management and yielding both financial and societal impact, the commitment of the management team stands as a pivotal element for expediting, stabilizing, and amplifying these achievements. In accordance with this principle, Gakken Holdings has instated a novel executive compensation framework for its directors, executive officers, and directors of major group entities, effective as of FY9/2023. This innovative system incorporates non-financial indicators alongside traditional financial metrics to align with this holistic approach.

Human Capital Development through Business Activities ①

Gakken is actively involved in the creation of educational materials, including textbooks and supplementary readers, designed for elementary and junior high schools. Notably, within the realms of health and physical education, as well as moral education textbooks, Gakken has demonstrated a longstanding commitment to fostering a sustainable society. This commitment has manifested through the integration of content that highlights sustainability-related subjects such as the United Nations Sustainable Development Goals (SDGs).

Human Capital Development through Business Activities ②

In 2021, Gakken Study et achieved a notable distinction by becoming the sole company within the education and learning support sector to receive certification as a "Saitama City SDGs Certified Company." This recognition was bestowed upon Gakken Study et in acknowledgment of its comprehensive range of curricula and endeavors, specifically tailored to enable elementary school students to cultivate a mindset of "Think Globally, Act Locally."

Diversity - Turning Diversity into Strength

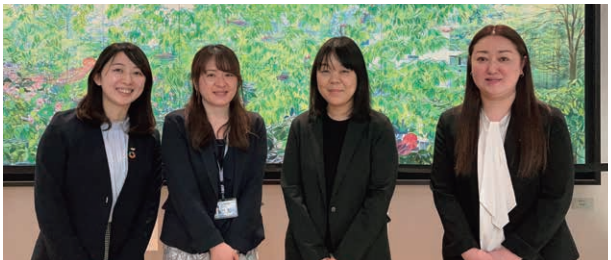
The Group operates within the domains of education and healthcare, and nursing, both of which inherently demand a significant level of societal contribution. In pursuit of our overarching mission, which seeks to foster a society where "everyone has fulfilling lives", and in alignment with our aspirational vision of "Create Solutions Beyond Your Imagination," we emphasize the paramount importance of nurturing human capital and cultivating organizations that uphold and celebrate individual diversity and values. This commitment underscores our belief in creating an environment that respects and acknowledges each

person's uniqueness.
To embody this principle, we proactively recruit individuals with diverse expertise, skills, and perspectives while deliberately sidestepping limitations posed by gender, age, race, or nationality. Furthermore, we're diligently establishing support systems that accommodate employees' diverse life circumstances and evolving career aspirations, thereby enabling them to embrace flexible work arrangements that harmonize with their personal journeys.

Major Initiatives for FY9/2022

●Promotion of Female Employees' Career Advancement and Success

As part of our efforts to cultivate female leadership within the organization, we implement a program in collaboration with J-Win, a non-profit organization, which involves sending four female employees on a year-long journey. This initiative seeks to achieve two key objectives: firstly, to furnish these employees with opportunities to engage with a variety of role models, encouraging them to reflect on their own career trajectories; and secondly, to enhance their capacity to comprehend core issues and formulate effective solutions. Since its inception in 2013, this program has been an annual endeavor, yielding promising outcomes as several participants have since ascended to executive and managerial roles within the company.



▲Members who joined the program in April 2022.

■ Percentage of female employees by position as of the end of September 2022

Position	Number	Percentage of women
Executive	52人	15.1%
General Manager and above	31人	15.9%
Section manager and above	187人	34.0%
Section chief or above	301人	37.0%

●Opportunities for Dialogue

The "Gakken Career Lounge" is a regular event designed to facilitate direct conversations between our three female external directors and employees. This initiative is driven by the aim to "gather employee feedback to establish an environment that promotes high motivation while striking a balance between job satisfaction and overall well-being" and to "offer occasions for exposure to diverse experiences and perspectives through interactions with colleagues from various businesses and companies, which might not occur in their daily roles." The initial meeting comprised Outside Director Iino and six female employees from the Group, who engaged in dynamic discussions transcending age and positions, centering around the themes of "job satisfaction" and "visions for future growth."



▲The 1st Gakken Career Lounge was held.

●Employment and skill development of people with disabilities

Gakken Group had two special subsidiaries, Gakken Smile Heart and MCS Heartful, which were merged to form Gakken Smile Heartful on July 1, 2023. Employees with disabilities are active in a wide range of operations, including cleaning, mail service, various printing, office clerical work, PC operations, and sales.
In FY9/2022, Gakken Smile Heart celebrated its remarkable 10th anniversary, witnessing a growth in employee numbers from 7 to 87. In July 2022, the Ministry of Health, Labor and Welfare bestowed the honor of "Excellent Employer Certification" on Gakken Smile Heart through the "Certification System for Excellent Small and Medium-sized Employers Employing People with Disabilities (Monisu Certification System)." This recognition was attributed to the organization's dedication to "promoting employment opportunities for individuals with disabilities," "cultivating an inclusive and accommodating work environment for them," and "providing training avenues to nurture their career advancement."

In the year 2023, MCS Heartful embarked on a new venture within the group home domain, focusing on providing services to individuals with disabilities. This expansion aims to holistically address societal concerns related to aging families and the future well-being of individuals with disabilities following the passing of their parents. Through this initiative, MCS Heartful endeavors to facilitate greater independence within the community for people with disabilities and to alleviate the worries of their families.



The "Monisu certification" (2022 version)



▲Living room of a group home for people with disabilities. A home-like atmosphere is provided and caretakers support residents.

Initiatives to Strengthen Human Capital

Health Management - Toward the Realization of Well-Being of Each and Every Employee

In September 2020, Gakken Group unveiled its "Declaration of Health Management," signaling a deepened commitment to advancing and sustaining the well-being of each employee and their families. The role of spearheading health management efforts has been entrusted to the Representative Director of Gakken Holdings, who bears the ultimate responsibility for championing these initiatives. This proactive approach to health management is tailored to address the requirements of the "100-year life era."

Declaration of Health Management

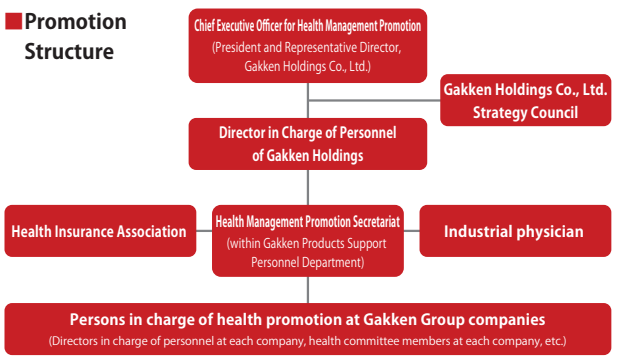
Gakken Group has developed its business based on the Group Mission of "providing excitement, satisfaction, and peace of mind today, and dreams and hopes for tomorrow, in the hope that all people can live a fulfilling life."

We believe that the foundation and indispensable element of our business is that each and every employee who works under the Group's Mission should first "live in good health" and "live a fulfilling life."

We declare that the company, employees, and health insurance association will work together to actively promote health management so that our employees and their families can live healthy lives with peace of mind and vigor, both mentally and physically, by further developing the health maintenance and promotion activities we have been engaged in.

Through health management, we will contribute to the development of a sustainable society as a leading company in the fields of "education" and "healthcare and nursing" by enabling our employees to maximize their creativity and develop their respective businesses."

President and Representative Director, Gakken Holdings Co., Ltd.
Hiroaki Miyahara



Acquired the 2023 Certified Health & Productivity Management Outstanding Organizations

In March 2023, eight Gakken Group companies were recognized as 2023 Certified Health & Productivity Management Outstanding Organizations.

Six companies, including Gakken Holdings, were certified as 2023 Certified Health & Productivity Management Outstanding Organizations (Large Enterprise Category), and two companies were certified as 2023 Certified Health & Productivity Management Outstanding Organizations (Small and Medium-Sized Enterprise Category). Of these, Bunri received a "Bright 500" rating.



Major Initiatives for FY9/2022

Gakken Group is promoting various initiatives based on the "Health Management Strategy Map". Through these efforts, we hope to realize "wellbeing" and achieve "sustainable enhancement of corporate value."

Physical health: Walking events.

We hold the "GakkenWALK" walking event with the aim of relieving the lack of exercise and promoting the health of our employees.

The event allows employees to freely form teams to participate and promotes communication within the Group that transcends company and departmental boundaries.



Mental Health: Engagement Survey.

The second engagement survey was conducted from the end of February to the beginning of March 2023 (the first survey was conducted in 2021) with the objectives of "building a relationship of mutual trust through dialogue with employees" and "understanding the current status of employee awareness throughout the Group and identifying issues." Based on the results, we will implement measures for the Group as a whole and for each company to create a more rewarding workplace.

	The 2nd	The 1st
Response rate	64.6%	65.9%
eNPS*	-63.6%	-60.2%

*eNPS is an abbreviation for Employee Net Promoter Score, a value indicating "how many people recommend the company."

Establishment of the work environment: Curbing and preventing long working hours

We are striving to control and prevent long working hours by thoroughly implementing overtime work measures, such as setting up no-overtime days tailored to the characteristics of each business and informing employees of the harmful effects of long working hours in the "Industrial Physician's Letter."

Improvement of individual learning and knowledge: Expansion of line care training

In 2022, we invited outside experts to conduct training on the theme of "Mental Health Management and Listening Training." A total of 370 managers from 34 Group companies participated in the training.

Human Capital Development through Business Activities ③

As a leading educational, healthcare, and nursing company, the Group also contributes to improving people's health through its business. Gakken publishes many books on health-related topics, including brain activation drills, healthy recipes, exercises, and stretching techniques.



Labor Practices and Working Environment - Creating a Safe and Secure Work Environment

Our Approach to Labor Practices and Working Environment

In our group, diverse talents engaged in various businesses are working toward creating an environment for Gakken Group's vision of "Create Solutions Beyond Your Imagination." We will comply with labor-related laws and regulations, ensure a safe and comfortable working environment, maintain and promote the physical and mental health of our employees, and promote the creation of an environment where all employees can work with peace of mind under appropriate working conditions.

Group-wide "Occupational Health Management System"

In addition to establishing health committees at each company, we have implemented a system that goes beyond business boundaries by setting group-wide health and safety goals and striving toward a shared direction. Furthermore, health managers and health promoters from every Group company regularly come together to exchange and learn from each other's initiatives, thereby enhancing the overall standard of health and safety practices across the Group.

Major Initiatives for FY9/2022

Creating a Work-Friendly Environment "Diverse Working Hour System, Choice of Work Location"

Gakken Group operates within the fields of education, healthcare, and nursing, encompassing a diverse array of professions, including publishing editors, product and service developers, IT engineers, marketers, sales representatives, customer service agents, caregivers, childcare workers, nutritionists, nurses, cram school instructors, and corporate staff. With the objective of establishing a conducive work environment that fosters comfort and maximizes performance, we have implemented a flexible working hours arrangement, discretionary labor system, and variable working hour system customized to the specific industry and business segment. Additionally, we endorse a flexible workspace approach within the Gakken building, housing our headquarters, and also provide the option for employees to choose remote work based on the nature of their tasks.



Internal awareness-raising poster on workplace reform.

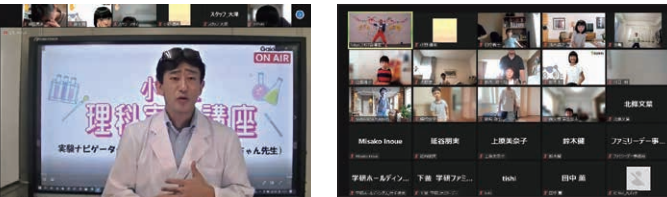
Thanking Families for Supporting Employees through "Gakken Family Day" and "Childcare, Education, and Nursing Care Support System"

Gakken Group believes that employees can work with pride and peace of mind every day only with the support of their families.

Gakken Family Day is an occasion where the families of our employees are invited to partake in the Group's distinctive events, offering them the chance to gain insight into the essence of our business. In FY9/2022, the event was conducted virtually as a precautionary measure against the COVID-19 infection and witnessed

active participation of numerous employees and their families.

Moreover, we have instituted a welfare scheme that leverages the Group's array of products and services to provide support for child-rearing and educational pursuits for children, as well as elderly care for parents, thereby establishing a framework that prioritizes the essence of family life.



During Gakken Family Day, a variety of activities, such as company-specific quiz contests, dance tutorials, and science experiment classes, were organized to enhance familiarity with the Group and its endeavors.

Initiatives to Strengthen Human Capital

Gakken Group Human Rights Policy

Our commitment to human rights is rooted in our dedication to both the present and the future, placing "people" at the core of our endeavors to cultivate a genuinely prosperous society. Guided by this fundamental principle, we have revised the Gakken Group Human Rights Policy* in March 2023, a more concrete version of the "Gakken Group Human Rights Charter" established in November 2020. We perceive human rights as "the entitlement of each and every

individual to live in accordance with their own values." We are convinced that the embodiment of Gakken Group's Mission, "everyone has fulfilling lives," will be realized through the establishment of a society that genuinely upholds these human rights. We consider this mission pivotal in achieving both the company's and society's sustainability. Our Human Rights Policy delineates concrete measures aimed at realizing this objective.

Human Rights Issues of Importance and Specific Initiatives

Human Rights Issues of Importance

- Respect for diversity, equity, and inclusion
- Elimination of discrimination and prohibition of harassment
- Respect for the rights of children
- Prohibit child labor, forced labor, and trafficking of persons
- Promoting the creation of a safe and secure work environment

Initiatives to fulfill our responsibility to respect human rights

- Implementation of human rights due diligence
- Dialogue and consultation with stakeholders
- Correction and redress of human rights violations
- Enhancement of mechanisms for receiving consultation
- Education and training
- Disclosure of information

Human Rights Due Diligence System and Initiatives

With the ongoing globalization of corporate operations, companies are increasingly tasked with respecting human rights not only within their own workforce but also among their stakeholders worldwide, encompassing both Japan and other countries. This includes addressing issues such as forced labor, child labor, discrimination, and other forms of inequality that may arise within the supply chain.

To address these concerns, we have been engaged in human rights due diligence since 2021 in accordance with the UN Guiding Principles on Business and Human Rights. Upholding human rights and mitigating associated risks serve as the bedrock of our corporate endeavors. Our commitment involves consistently implementing the PDCA (Plan-Do-Check-Act) cycle of human rights due diligence to foster business practices that uphold the human rights of consumers, clients, employees, partners, and all stakeholders. Our ultimate aim is to contribute to the realization of a society where "everyone has fulfilling lives."

Furthermore, between 2021 and 2022, we conducted comprehensive interviews with 33 group companies to gauge their human rights response efforts.

Through this process, we identified the necessity of explicitly articulating our position against forced labor, child labor, and unethical procurement practices, and encompassing areas like occupational safety, privacy rights, anti-corruption, consumer well-being, as well as protection from harassment and discrimination. These identified human rights risks are of paramount importance to us. We are committed to sharing these findings internally and fostering collaborative discussions with diverse stakeholders to strategize and implement effective measures that enhance our approach and mitigate associated risks.

Education and Training on Human Rights

In August 2022, we initiated an internal remote training program titled "Exploring Human Rights Risk Management." During this session, we disseminated fundamental insights into business and human rights while also presenting an overview of the Group's ongoing efforts in the realm of business and human rights.

Throughout FY9/2022, within the Human Capital Development Subcommittee of the Sustainability Committee, we established Human Rights Enlightenment Promotion Committees within each individual Group company. These committees undertook the responsibility of providing training to all employees in their respective entities.

As part of our annual agenda, the chairperson of each company's committee delineates a human rights awareness policy to set the tone for the upcoming year's awareness-raising endeavors. For FY9/2022, the chosen policy was "Exploring Strategies to Eliminate Power Harassment." With this as a foundation, comprehensive company-wide training (made mandatory) was conducted.

Furthermore, on August 25, 2022, we hosted a special training session titled "Harnessing Human Rights in the Workplace: Key Principles in Creating a Harassment-Free Environment" (with Mr. Ryo Takeuchi, former executive director of the Tokyo Human Rights Enlightenment Association, as the guest speaker). Additionally, 16 companies (equating to 86% of the previous year's engagement) autonomously conducted their customized training programs. An example of such a program is the annual Human Rights Enlightenment Slogan contest, which garnered an impressive 249 submissions.

Appropriate Procurement and Provision of High-Quality Services

Gakken Group Procurement Policy

In March 2023, we established the "Gakken Group Procurement Policy*" (hereafter, "Procurement Policy"). Previously, Gakken Group's procurement-related policy was the "Printing Paper Procurement Policy," which was updated to encompass all of the Group's operations in line with the expansion of our business.

The new procurement policy is aligned with the Gakken Group Human Rights Policy and expresses the Group's stance on respecting human rights throughout the supply chain, ensuring a good working environment and protection of workers' rights, environmental considerations, fair and equitable transactions, quality and safety, prevention of confidentiality leaks and information management, and emergency planning. We will continue to incorporate these into concrete measures and ask all suppliers to cooperate and collaborate with us.

System to Prevent Editorial Accidents

To address common challenges within the editorial, publishing, and content production domains of Gakken Group companies and formulate appropriate actions, the Editorial/Publishing Committee was established. Comprised of the leaders from editing and production departments, alongside 23 members spanning 7 companies, along with 2 observers, this team diligently endeavors to provide dependable content to our valued customers. The committee functions through three distinct subcommittees under the stewardship of a chairperson: the Editorial and Human Capital Subcommittee, Intellectual Property and Legal Affairs Subcommittee, and Statements and Expression Subcommittee. These subcommittees, working in tandem, facilitate activities that encompass an extensive spectrum of domains, including compliance, proactive measures against product-related incidents, and the implementation of comprehensive training initiatives.

As part of the Committee's activities, an independent Editorial Accident Verification Council has been established to reduce the risk of editorial accidents, with six members from four companies and one observer working under the Council Chairman.

Committee Organization (from October 2022)



Initiatives to Reduce Human Rights Risks Associated with Wording and Expression

Gakken's dedicated article review team is responsible for conducting comprehensive article reviews. The process of article review entails identifying and addressing any instances of inappropriate writing or expressions that may lack sensitivity or pose a risk of infringing upon human rights, including those that may promote discrimination or conflict with prevailing societal sensitivities. The review covers a wide range of materials, including print and digital publications, promotional materials, video and audio materials, etc. Over FY9/2022, a cumulative total of 233 review requests were received from various Group companies.

Basic Stance on Enhancing Customer Satisfaction (CS)

The Group aims to accurately respond to a wide range of inquiries from customers and to utilize customer feedback in product development and service improvement to enhance customer satisfaction and loyalty.

System

Gakken Products Support's general information desk manages inquiries and information about the Group's business, and from March 2020, a Navidial service has been introduced as "Gakken Group General Information Desk."

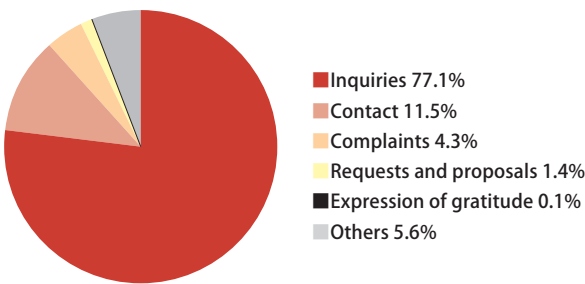
Initiatives at General Guidance

Efforts have been made at the General Information Desk to efficiently manage customer inquiries. Depending on the nature of the inquiry, received customer inquiries are directed to the relevant department. Transparency is maintained by disclosing all inquiries to the Group companies. The feedback received from customers is treated with utmost seriousness, leading to enhancements in product development and business operations.

Number and Breakdown of Received Inquiries

The Group receives annually over 18,000 inquiries. In the FY9/2022, 38% of inquiries were received other than via e-mail (44% in the previous FY), and 62% were received via e-mail (56% in the previous FY). Importantly, no allegations of privacy violations were reported during this period.

Breakdown of inquiries by telephone, postcard, sealed envelope, and fax (7,058 inquiries)



Appropriate procurement and provision of high-quality services

Policy and Approach to Safety of Products and Services

Basic Policy on Safety of Products and Services

- (1) In all stages of our products' lifecycle, from development and manufacturing to import, sale, export, storage, transportation, and repair, we prioritize safety. We diligently comprehend and adhere to relevant laws, regulations, and safety standards pertaining to product safety and consistently strive for elevated safety standards.
- (2) Upon receiving information about a potential product defect or quality issue, we promptly verify the details. Should an issue be confirmed, we swiftly engage the concerned department and take necessary actions to address the situation.
- (3) Our services are also governed by a strong focus on safety. We rigorously grasp and follow the laws, regulations, and safety standards pertaining to service safety, always aiming to achieve a heightened level of safety in our offerings.
- (4) If we are made aware of any concerns about the safety or quality of our services, we promptly validate the information. If indeed an issue exists, we reach out to the appropriate department and execute suitable actions to rectify the matter. (From the Gakken Compliance Code 2-1)

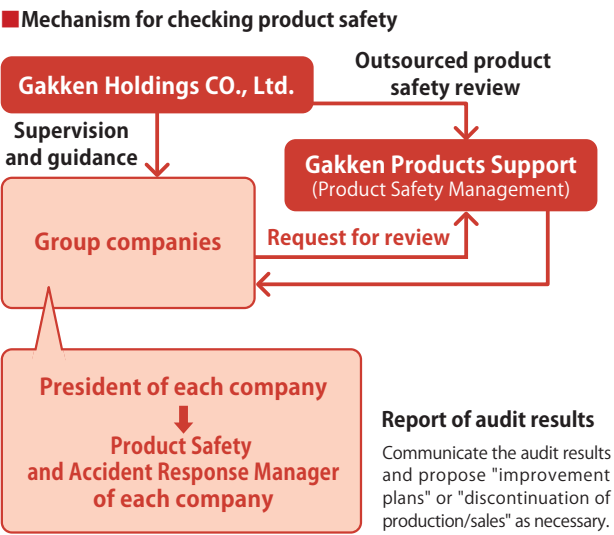
Preparation for Appropriate Advertising and Promotional Activities

In our advertising communications, we commit to refraining from using expressions that could defame or discriminate against others, ensuring that comparative advertising is supported by facts and characterized by fairness, accuracy, and transparency. Additionally, we will not engage in any misleading representations intended to influence customers. (From the Gakken Compliance Code 2-2)

Product Safety System and Structure

Gakken Group's product safety and accident countermeasures are stipulated in the "Gakken Group Product Safety Management Regulations" as follows.

- Gakken Holdings manages product safety and supervises and guides the Group companies.
- The presidents of the Group companies shall be responsible for their own product safety management and shall take necessary measures to establish, maintain, and manage the product safety management system. For this purpose, the president of a Group company shall appoint a Product Safety and Accident Response Manger who is responsible for product safety management and response to product accidents at the company and shall check the safety of products before providing them to the customers. At this time, those products whose product safety cannot be checked by the group companies shall be promptly reviewed by Gakken Products Support.



Providing information on possible risks to customers

Due to the fact that a significant portion of our product users are young children, we thoroughly evaluate the "settings and contexts of usage." This assessment encompasses potential misuse and other hazards that could impact our customers. Moreover, we ensure the provision of easily comprehensible instructions for proper product usage and accident prevention. This information is not only conveyed through the product packaging but also in the instructional section within the product itself.

Product Safety Initiatives and Achievements

Product Safety Review for FY9/2022

Health hazards caused by products	0 cases
Regulatory violations resulting in fines or penalties	0 cases
Regulatory violations resulting in warnings	0 cases
Violation of voluntary regulations	0 cases

Conducted 227 safety reviews (196 in the previous fiscal year), mainly of educational toys and magazine supplements.

Product safety education and training for employees

Training Title	Subjects	Theme	Number of participants
New employee training	New employees of Gakken (Gakken E-Mirai , Gakken Plus, and Medical Shujunsha in the fiscal year ended September 2022)	Gakken Group Product Safety	17
Product safety training	Gakken Sta:Ful Planning and production staff	Basic product safety training	10
Product safety training	Gakken preschool magazine planners	Risks of products with magnets	18
Product safety training	Gakken preschool education editorial planner	Standards for "small parts	11

Communication with Shareholders and Investors

Disclosure Policy (Basic Policy)

Our commitment lies in bolstering management transparency and fostering societal trust. This will be achieved by consistently and equitably disclosing information to shareholders, investors, and other stakeholders in a punctual and suitable manner. Additionally, we will proactively engage with stakeholders' expectations, viewpoints, and input to garner accurate market assessments.

System and Structure

- Regulations for Internal Control over Financial Reporting
The aim of these regulations is to enable the Gakken Group to institute an assessment framework for verifying the accuracy of financial reporting in compliance with the Financial Instruments and Exchange Act. This is done with the intent to attain four main objectives: enhancing operational effectiveness and efficiency, bolstering the trustworthiness of financial reporting, adhering to laws and regulations governing business activities, and safeguarding assets.
- Gakken Holdings Financial Reporting Control Subcommittee
The committee determines the basic policy and assessment plan for the development and operation of internal control over the financial reporting of the Group and deliberates on the Gakken Holdings Internal Control Report.

Dialogue with Shareholders and Investors

Gakken Holdings is committed to initiating open dialogues with shareholders and investors to ensure accurate assessments of the Group's present condition and strategies, fostering a foundation of trust. Through diverse channels of communication, we offer transparent and unbiased insights into both financial and non-financial facets of the company. Furthermore, we actively seek input and suggestions from our shareholders and investors to foster a collaborative exchange of viewpoints.

Dialogue Methods and Tools	Frequency
Ordinary general meeting of shareholders	Once a year
Briefing on financial results	Twice a year
IR meetings in Japan and overseas	Approx. 150 times/year
Domestic SR meetings	10 times/year
Small Meetings/Business Briefings	1-2 times/year
Shareholder Newsletters	Twice a year
IR mailings	Approx. 2 times/month
Various reports (Annual Securities Report, Corporate Governance Report, Internal Control Report, Integrated Report)	Once a year

Approach to Shareholder Returns

Profit distribution to shareholders is a paramount focus for the Group. We prioritize augmenting retained earnings to bolster our managerial foundation and facilitate forthcoming business growth.
Concerning dividend strategy, we strive to sustain a dividend payout ratio of 30%, balancing the preservation of steady dividends with business stability. Dividend disbursement aligns with performance levels.
Moreover, to enhance comprehension of the Group's products and services among shareholders, we've initiated a special benefit program exclusively for them.

Trends in Shareholder Dividends (per share)

In FY9/2020: 20.0 yen
In FY9/2021: 22.0 yen
In FY9/2022: 24.0 yen

* The dividend amount for the FY9/2020 is converted to the amount after the stock split.

Shareholder Benefits (as of March 31, 2023)

Shareholders possessing 100 or more shares as of September 30, 2022, will receive a 2,000 yen Gakken Mall coupon, applicable for purchasing Gakken Group products. For those with 400 or more shares, options include a 4,000 yen Gakken Mall coupon, a Gakken Group product set valued at 4,000 yen, or a service coupon. Shareholders with 1,200 or more shares can choose between an 8,000 yen Gakken Mall coupon, a service coupon, or two 4,000 yen Gakken Mall coupons, along with a Gakken Group product set or a service coupon. Furthermore, shareholders holding 400 or more shares for three years or longer are presented with a specially crafted commemorative gift to express gratitude for their enduring investment.
We will continue to expand our services to satisfy our shareholders.

- IR Mail Service
The Group provides information to shareholders and other stakeholders via an IR e-mail service. This service allows our shareholders and other stakeholders to deepen their understanding of the Group.

Distribution of Economic Value to Stakeholders

Stakeholders	2022 Distribution for the year ended September 30 (Millions of yen)	Total Ratio	Method of calculating amounts
Business partners	87,449	56.0%	Cost of sales + SG&A expenses (excluding labor costs)
Employees	62,155	39.8%	Cost of sales + SG&A expenses (Personnel expenses)
Shareholders	1,010	0.7%	Dividends paid
Creditors	179	0.1%	Interest expense
Government and administration	2,846	1.8%	Income taxes paid
Company Internal	2,430	1.6%	Net income - dividends paid
Total	156,069	100%	

Initiatives and Collaboration with Foundations and Research Institutes

Gakken Group collaborates with foundations and research institutes to offer assistance and conduct research in the field of education. Through the dissemination of educational knowledge and the establishment of platforms for nurturing children's skills, the Group leverages its expertise to enhance its business and foster a sense of trust within society.

Furuoka Scholarship Foundation

Founded in 1980 by Hideto Furuoka, the founder of the Gakken Group, the Furuoka Scholarship Foundation originated from a personal donation of 1 billion yen. Its primary objective is to aid mothers and their children undergoing economic difficulties similar to those faced by Furuoka in his own childhood. The core focus of the foundation lies in offering scholarships without any repayment obligations to high school students from single-mother households. In FY 2023, these scholarships are set to provide around 240,000 yen annually to new students, accumulating to an approximate total of 720,000 yen over a three-year period.

The foundation received public interest incorporated foundation status in 2011 and marked its 40th anniversary in June 2019. The count of scholarship beneficiaries has risen from 134 in the initial fiscal year to 363 by the 44th fiscal year of 2023. As of April 2023, the support has been extended to 1,074 high school students. Notably, the cumulative total of scholarship recipients since its inception has surpassed 10,000, reaching 10,068 individuals.

Based on the concept of "exploring diverse cultures in youth," the Foundation has been conducting a short-term study abroad initiative since 2015. This program involves around 50 scholarship awardees spending two weeks overseas during their summer break annually. The objective is to immerse in language learning and homestay encounters, and all costs are covered by the Foundation. Notably, in 2019 (the 5th edition of the program), participants journeyed to Canada. However, due to the COVID-19 pandemic, the program was suspended from 2020 to 2022. Additionally, starting in 2019, the Foundation introduced training at the TOKYO GLOBAL GATEWAY (TGG). Roughly 40 scholarship recipients partake in a 5-day, 4-night cross-cultural experience with an "English-immersion" focus during their spring break.

In addition, we are providing both material and moral support by lending tablet terminals free of charge and holding "scholarship students' gatherings" where students can interact with their peers.



▲New scholarship recipients receive certificates (March 2022, Okinawa Prefecture)



▲English language training at TGG (March 2023, Tokyo)

Foundation of Research and Studies for Ability Development Education

The Foundation of Research and Studies for Ability Development Education was established in August 1967 following the dissolution of Gakushu Kenkyusha. This foundation engages in a wide array of educational support endeavors through its public service projects.

National Children's Ability Development Contest

One of its significant initiatives is the National Children's Ability Development Contest. Commencing in 1963, this contest marked its 59th anniversary in the fiscal year 2022. Its purpose is to cultivate the cultural and scientific talents of elementary school students. The competition welcomes submissions in three categories: drawing, writing, and science.

Japan Montessori Education Research Institute

Moreover, the Japan Montessori Education Research Institute, founded in 1976, has been instrumental in fostering the growth and dissemination of Montessori education in Japan. Its efforts span practical and research activities across affiliated preschool education institutions, alongside the operation of diverse teacher training courses. Of particular importance is the "Teacher Training Advance Course," renamed "International Qualification Acquisition Course" in 2022, which was introduced in 2019. In 2021, this course received notable recognition as it became the first program in Japan to gain official accreditation from both AMS (American Montessori Society) and MACTE (Montessori Accreditation Council for Teacher Education), two distinguished institutions in the realm of Montessori education globally. Adapting to contemporary demands, the institute remains committed to providing an exceptional curriculum for nurturing skilled Montessori educators and instructors.



Educational Engineering Research Council

The Educational Engineering Research Council is an institution that leverages its extensive knowledge and expertise in educational technology, which has been cultivated over numerous years. We have been organizing teacher training sessions and IMETS forums to provide valuable support to educators. In 2023, we are introducing a fresh initiative known as the "Teacher Training Program." This new endeavor is aimed at offering quality learning materials to educators in the field aligning with the government's strategic discontinuation of the teacher license renewal system and focusing on the advancement of "new teacher learning."



https://www.sainou.or.jp/imets-kens y uu/index.html

Gakken Research Institute for Learning and Education

The Gakken Research Institute for Learning and Education, serving as the educational think tank of Gakken Group, has been diligently examining the evolving "value of learning and the structure of learning" across home, school, and community settings. This critical insight is communicated both internally and externally.

A longstanding initiative known as the "White Paper" series, initiated in the 1980s, comprises comprehensive surveys targeting preschoolers, elementary, junior high, and high school students. This survey covers an array of subjects, including preferred subjects and areas of study, as well as aspirations for future careers and other forward-looking concerns. The findings of these surveys have been shared through television, newspapers, and various media outlets, including corporate research establishments, providing a glimpse into the ever-changing world of children.

The results of the 2022 survey spotlight a noticeable increase, from 5.5% in 2021 to 10%, in 6th graders who responded with "No subject is useful in the future." This shift is not to be disregarded and is reflected in the data.

Moreover, an internal effort has been initiated to convey Gakken's perspective on "growth and learning" and its significance within the contemporary shifting societal landscape. This endeavor, termed the "Learning Map," is grounded in the understanding that Gakken's offerings constitute an environment closely intertwined with those who are learning. The map encapsulates the notion that learning is not about subtracting points but rather about adding them. It succinctly outlines the skills to be fostered and acquired during the journey of growth and learning from infancy to the age of 100.

The "Learning Map" functions as a flexible learning guideline, catering to the diversity of Gakken's products and services. Beginning in the FY9/2023, the map encompasses the learning trajectory for infants, elementary, junior high, and high school students. The initial two stages, from infants to elementary students, are accessible to employees via the company intranet. Looking ahead to the era of the

100-year life, plans are in place to devise a "Learning Map" for adults and beyond.

The "Learning Map" will be updated as required to align with the evolving times and will serve as the cornerstone for providing "learning" that empowers the Group's mission "everyone has fulfilling lives".

Top 3 Desired Future Careers (Elementary School Students)

	2022		1995	
	Girls	Boys	Girls	Boys
1st place	Patisier	YouTuber	Kindergarten teacher	Professional soccer player
2nd place	Nursery school teacher/Kindergarten teacher	Professional soccer player	Elementary, middle, and high school teachers	Professional baseball player
3rd place	Doctor	Police officer	Nurse	Office worker

Gakken Research Institute for Learning and Education (White Paper on Elementary School Students)

▲The professions that children seek to pursue are changing with the times.



▲The "Learning Map (Infant Version)" section is shared on the company intranet as a document that shows the characteristics of upbringing.

Gakken Research Institute for Science and Creation

The Gakken Research Institute for Science and Creation is dedicated to fostering and spreading scientific understanding, technology, and knowledge. Leveraging Gakken's wealth of scientific content, the institute engages in a variety of initiatives. Central to its efforts is the creation of interactive spaces for scientific exploration. These spaces include experiential classes and captivating science demonstrations that cater to individuals of all ages, from children to adults. The institute also identifies, nurtures, and cultivates individuals with inventive and scientific minds.

In November 2022, the institute participated in the "National Treasures 150 Years Later" exhibition held at the Tokyo National Museum, which commemorated the museum's 150th anniversary. The "Furoku of Science" was showcased as a potential candidate for a National Treasure in the next 150 years, evoking a sense of nostalgia and joy for science among the numerous visitors. The exhibition presented a diverse array of over 100 artifacts, including microscopes, telescopes, human skeletal models, and cameras. Beyond being visually appealing, the exhibit provided a multi-generational experience for families, encompassing parents, children, and even grandchildren.

An inventive endeavor saw the creation of science-themed ornaments adorning the Christmas tree in the Gakken Building's lobby for the festive season. In 2022, the chosen theme was the 'Sustainable Hydrogen Society.' Within a diorama portraying a hydrogen energy society, water was electrolyzed using pedal power to generate hydrogen. Numerous interactive features were incorporated to establish a closer connection to sustainability. These included the 'SDGs Tower,' where Santa Claus would distribute gifts following a quiz, and a Sustainable Town complete with a running linear motor car. The tree lighting ceremony on November 29th featured the charismatic members of the 'Asobunda Laboratory,' affectionately known as 'Bunda Ken,' from the editorial department of 'Gakken no Kagaku.' Adorned in playful costumes, they engaged Gakken Kindergarten children through lively demonstrations and explanations of the ornaments.



▲The "National Treasures 150 Years Later" exhibition spanned a timeline of nearly five decades, showcasing an assortment of artifacts dating back to the 1960s.



▲The lively members of "Bunda Ken" brought a vibrant energy to the tree lighting ceremony.

CSR Activities

Major Overseas Support Activities to Date



Photo courtesy of Plan International Japan



Photo courtesy of TABLE FOR TWO



Photo courtesy of Fuji Xerox

2008	★Philippines	Construction of school buildings and provision of classroom equipment at Pina Mangku khan Elementary School (Gakushu Kenkyusha)
2009	★Thailand	Construction of a school building at Ban Huai Mahaphon School (Gakken Holdings CO., Ltd.)
2011	★Vietnam	Construction of school buildings, provision of teaching materials and books, etc., at Chinkon Commune Elementary School (Gakken Holdings CO., Ltd.)
2011	★Thailand	Construction of a school building and maintenance of a garden at a Kindergarten in Bang Niang Kaoh Village (Gakken Holdings CO., Ltd.)
2011~	Asia & Africa	Support for school lunches and education at the employee cafeteria through TABLE FOR TWO International, a non-profit organization (Gakken Holdings CO., Ltd.)
2012	★Indonesia	Conducted disaster preparedness education for schools and village children in Soe Prefecture (Gakken Holdings CO., Ltd.)
2012	★Thailand	Construction of a dormitory for teachers and a covered sports facility on Ko Surin (Gakken Holdings CO., Ltd.)
2013	★Myanmar	Construction of an elementary school building in San Pya Village, Nyaung U Town (Gakken Holdings CO., Ltd.)
2014	Philippines & Myanmar,	Agreeing with the aims of the "Providing Learning Materials Project" conducted by Fuji Xerox Co., Ltd., we provided educational materials free of charge to local communities with poor access to education (Gakken Educational Co., Ltd.)
2015	★Pakistan	Construction of a public elementary school for girls in Sindh Province (Gakken Holdings CO., Ltd.)
2015~	East Timor	Provided math teaching materials to Bebonuk Elementary School in cooperation with Sumitomo Chemical Co. Ltd. (Gakken Educational Co., Ltd.)
2016	★Sudan	Construction of a clinic in a doctorless village in Khartoum (Gakken Holdings CO., Ltd.)
2016~	Philippines	Mindanao Peace of Cacao Project (IC Net Limited)
2017~	Laos	Operation of a student dormitory (PTP, Co., Ltd.) for children in remote areas who are unable to attend senior high school due to poverty, despite excellent academic performance (IC Net Limited)
2017~18	Bangladesh	Survey on Livelihoods of Communities receiving refugees in Cox's Bazar (IC Net Limited)
2017~18	★Myanmar	Supporting a vocational trainee project in Nyaung-U Town (Gakken Holdings CO., Ltd.)
2017	Thailand	Sponsoring a soccer clinic for children at an orphanage run by the Shimizu S-pulse Japanese soccer team (Gakken Holdings CO., Ltd.)
2018~	China	Opened a facility specializing in dementia in Tianjin city, providing individualized care with an emphasis on " supporting independence. In addition, the company operates facilities in Nantong City, Guangzhou City, etc. (Medical Care Service)
2019~	East Timor	Supported the publication of educational magazines (Gakken Holdings CO., Ltd.)
2019	Bangladesh	Support for Rohingya Refugee host communities through "Goat Bank" (IC Net Limited)
2019	Philippines	Read the original story "Uwabaki Cook" aloud to kids in collaboration with JTB and Yomiuri TV, and held a special Japanese class (Gakken Plus Co., Ltd.).
2021~	Bangladesh	Support for Rohingya refugees staying in Bangladesh using Japan's ODA budget (IC Net Ltd.).
2023	Turkey	Gakken Turkey Participates in Survey for Japan International Cooperation Agency's Earthquake Reconstruction Project in Turkey



Photo courtesy of Plan International Japan



Photo courtesy of Plan International Japan



★A portion of the amount spent on the Gakken credit card is donated to organizations that make social contributions in the fields of education and medical care to help improve the environment in developing countries, including those marked with a "★" above.
*Please see the Page on the right for more information about our support activities in Ukraine from 2022.

Major CSR activities in connection with society in FY9/2022

TOKYO GLOBAL GATEWAY Co., Ltd.
We conducted training for students who participated in the SDGs International Contribution Internship Program '2022 Spring Break TOKYO Samurai Curry Project Online,' operated by Spice Up Academy, Inc., which offers overseas internship programs for university and high school students.

IC Net Limited
Released "NEXT BUSINESS INSIGHTS," an on-demand media. By providing information on developing countries in Japanese, which is difficult to obtain in Japan, we aim to help as many Japanese companies as possible to develop businesses in developing countries and solve social issues.

Gakken Plus Co., Ltd.*1
A hybrid real and online reading event was held on the 13th floor of the Gakken Building, featuring songs and readings by picture book author Hirotaka Nakagawa and others. (Photo below)

Glat's Co., Ltd.
For the damage caused by the typhoon that hit the Philippines at the end of 2021, we collected 2.85 million yen in donations, which was used to support teachers in Cebu.



*1 Gakken Plus Co., Ltd.: On October 1, 2022, Gakken Plus, Gakken E-Mirai, Gakken Medical Shujunsha, and Gakken Shuppan Service Co., Ltd. merged and changed the company name to Gakken.
*2 Gakken Sta: Ful Co., Ltd. became a subsidiary of NIPPON SHUPPAN HANBAI INC. on July 1, 2023.

Sozozakuen Co., Ltd.
Edic/Sozozakuen × Gakken Elementary and Junior High School Students Learning Support Project! Gakken launched the "Gakken Support Project for Elementary and Junior High School Students" to support the "learning" of children and students who are unable to go to school due to the COVID-19 pandemic. The project provided free gifts of work books such as "Gakken's Review Drills for 1st to 6th Grade Elementary School," "Gakken New Course Work Book," and "10 Days Complete Review for 1st and 2nd Grade Junior High School" published by Gakken Plus, a group company, to students who were forced to stay at home due to the rapid spread of Omicron variant infection, and supported learning at home in Hyogo Prefecture. (photo below, left).

Gakken Study et Co., Ltd.
Taishi Seminar, a cram school in Koriyama City, Fukushima Prefecture, held a free event for elementary school students to learn about the SDGs while having fun during their summer vacation.

IC Net Limited
Gakken Science Experiment Classes were held at 10 elementary schools in the Basrah area of Iraq. JGC CORPORATION participated in this project as a CSR business partner. (Photo below, center)



Starting in July 2022, IC Net Limited conducted a survey lasting about three weeks to evaluate the educational conditions of Ukrainian refugees, with a particular focus on children, in Romania and Moldova—neighboring countries of Ukraine. The purpose of this survey was to gauge the immediate requirements within the local communities.
During the course of the survey, we identified areas lacking proper support and promptly provided immediate assistance to address urgent needs. This assistance included renovating accommodations for orphans and repairing kitchen leaks.
Upon understanding the specific requirements of the local community, we translated these insights into concrete support initiatives. One of the most impactful endeavors involved backing a supplementary school established and managed by mothers. This initiative was born out of the recognition that children displaced to neighboring countries were facing limited opportunities to continue learning the Ukrainian language. We developed a Ukrainian version of educational materials, drawing from Gakken Educational's resources, to facilitate an environment where these children could receive an education.
As part of our commitment to uninterrupted learning, Gakken distributed the Ukrainian edition of "Play Smart," a workbook designed for young children, to both the local children in the region and those who had been evacuated to Japan. Our aim is to ensure that the pursuit

BUNRI Co., Ltd.
Donations were made to five children's cafeterias operating in Yamanashi and Shizuoka. This is the third time this year. A total of 1.65 million yen was donated from donations made by employees, students, and parents, as well as from a portion of the summer course sales. (Photo below, right)

Gakken Plus Co., Ltd.
The company donated picture books to the Ota Ward Social Council and received an award.

Gakken Educational Co., Ltd., Gakken Cocofump Co., Ltd.
These companies have started trials for the establishment of a "learning support course" at the "KLOCKA" child development support center.

Gakken Sta:Ful Co., Ltd.*2
Yokohama Children's Hospice - UMI TO SORA NO OUCHI.

Support for Ukraine

of knowledge remains constant and unwavering for these children, regardless of their circumstances.
The Gakken Building organized a fundraising event for its employees in tandem with the traditional annual Christmas tree decorating event. This initiative not only encouraged employees to come together for a meaningful cause but also helped foster a global perspective among them.
In the coming times, IC Net Limited is planning to establish a collaborative platform for Japanese companies to contribute to aid efforts for Ukrainian refugees. This platform will go beyond simply distributing goods and services from participating companies to the recipients. It will also facilitate feedback from the local community members who have benefited from these contributions. The primary objective is to enhance the effectiveness of support while also aiding in the region's business development.



▲Survey was conducted in July 2022.



▲Instruction at a supplementary school.



▲Ukrainian version of Play Smart

Governance Initiatives

Suggestions for 'Yokogushi Thinking' to promote 'new connectivity'

Gakken Group recognizes the significant potential for innovation through collaboration among its operating companies. To capitalize on this diversity and drive ongoing evolution, what steps are necessary? Miwako Iyoku, an Outside Director of Yokogusist®, shares her expectations for the GROUP.



**Outside Director
Miwako Iyoku**
As an Outside Director of Gakken Holdings since 2020, Miwako Iyoku brings extensive experience as an in-house entrepreneur at NTT Group, where she led new business development in telecommunications for over two decades. In her role as a representative director of Yokogusist Inc., she serves as a business producer and innovation accelerator, working to establish novel business domains.

Steve Jobs' renowned speech highlights the concept of "Connecting The Dots." In this narrative, he reveals how his interests in calligraphy and computers during his student days "connected" to create the Mac computer. The fundamental essence of innovation is to forge "new unions" or "connect the dots." Professor Michael Tushman, a proponent of "ambidextrous management," emphasizing both "knowledge seeking" and "knowledge deepening" for innovation, introduced the term "boundary spanner" in 1977. This refers to individuals who traverse boundaries, explore "dots" and "parts," and generate connections.

In Japan, a concept similar to "boundary linkage" is "yokogushi-wo-tosu," denoting horizontal connections across vertically divided organizations and industries to attain shared objectives from a broader perspective. In line with this, I term those who unite different communities' "spokes" as "hubs" or "Yokogushists." To underscore their significance and promote their roles, I've registered this term as a trademark, using it to foster and support new talents.

Applying the "Yokogushist" perspective to Gakken Group reveals numerous dots and elements that can be united, resulting in innovative combinations.

Publishing and content :
Unique collaborations with content that has many enthusiastic fans, such as the publication of "Chikyu no Arukikata Mu: Isekai no Arukikata" and "Chikyu no Arukikata: Jojo's Bizarre Adventure."

Healthcare and Nursing Domain :
Establishment of "Gakken Famille Co., Ltd." to link near and far nursing care and funeral services.

Educational Domain and Healthcare and Nursing Domain :
Providing e-learning programs that meets the needs of the nursing and care field through Gakken Medical Support, which leverages educational brands and methods.

Collaboration with other companies in the industry :
Gakken Sta:Ful's joint development with Takara Tomy of the "Let's Play with Plarail!"
We are pleased to see more and more examples of new combinations, not only the ones listed here but everywhere in the Group, and for further growth, let's move forward with the following three steps.

<Step 1>
Making It Easier to Find and Increase the Numbers of Dots and Parts to be Combined

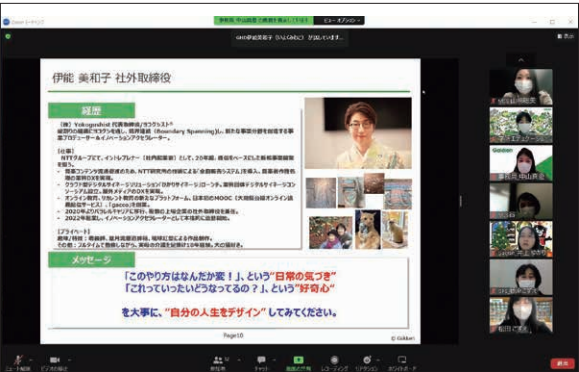
The most effective strategy to achieve this goal is to prioritize "ensuring diversity" by advocating for diversification from both individual and organizational standpoints.
To cultivate diversity at the individual level, it is crucial to possess a wide range of knowledge and experiences, as well as to engage with various communities and build networks with individuals from different backgrounds.
Furthermore, giving thorough consideration to the diverse experiences, connections, and multifaceted perspectives of women is essential. To enhance diversity beyond gender, future strategies should encompass side jobs, cross-border experiences, and the integration of caregiving responsibilities alongside child-rearing. These steps align with the subsequent discussion on organizational diversification, where supportive mechanisms, including training programs, evaluative frameworks, and a company culture that embraces and values diversity, play pivotal roles.
To foster organizational diversification, reforming the personnel system is paramount to eliminate the accumulated rigidities across multiple areas and layers. A key foundation for this transformation is the "visualization of human capital" and the "elimination of unconscious biases" through the use of skill maps. These skill maps facilitate equitable evaluation irrespective of factors such as age, gender, nationality, career stage, disability, etc., thus ensuring a diverse workforce.

<Step 2>
Establishing a Routine of "Thought Experiments" Envisioning Synergistic Conjunctions

Regularly engaging in "thought experiments" is crucial for anticipating the potential fusion of services from both within and beyond the Group while referring to social issues, customer needs, and market trends. This proactive approach seeks to devise novel solutions that cater to someone's needs.
For instance, consider scenarios such as: (1) Collaborative efforts between internal and external companies operating in the domain of "practical global communication" and the transformative possibilities when coupled with generative AI. (2) Exploring innovative models to address complex challenges related to population crises, where concepts like "tenement house" and "terakoya" from the past are reimagined to foster multi-generational interaction and cohabitation in the contemporary era.

<Step 3>
Cultivating "Communities" within and Beyond the Group for Each New Fusion Theme

To give tangible form to emerging themes resulting from the amalgamation of diverse human capital and organizations, it becomes imperative to establish communities like projects and task forces that include members from both within and outside the company. However, the true significance lies in nurturing and harnessing the potential of such communities. The management of these communities should be entrusted to individuals adept at facilitation, community organization, and catalyzing transformative interactions. Identifying such individuals involves selecting those with the ability to create win-win scenarios by articulating shared goals among participants and fostering a penchant for engaging in novel ventures through cross-border experiences and similar avenues, as defined in the aforementioned skill map.
Last but not least, the attitudes and behaviors underpinning the efficacy of these initiatives are curiosity and a touch of proactive "intervention." It is my aspiration to embody both of these attributes myself and to identify, nurture, enhance, connect, and expand opportunities for "yokogushists" who champion collaboration within and beyond the Group. By supporting their evolution into more innovative entities and enterprises, I hope to contribute in some measure to the realization of the flexible and well-being society that the Gakken Group aspires to foster.



▲Dialogue with female employees exchanged on our group online. We will create opportunities for new businesses and ideas to emerge from employee interaction.

Directors and Auditors



Representative Director
Hiroaki Miyahara
 Sep. 1986: Joined the Company (formerly Gakusyu Kenkyusha)
 Dec. 2003: General Manager of Gakken Crssroom
 April 2007: Executive Officer, General Manager of No.4 Education Business Division, General Manager of Gakken Crssroom
 June 2009: Director of the Company
 Dec. 2010: President and Representative Director of the Company (present post)
 Dec. 2016: Representative Director of Furuoka Scholarship Foundation (present post)
 June 2021: Outside Director of NIPPAN GROUP Holdings, INC.(present post)



Executive Vice President
Kazuhiko Fukuzumi
 Mar. 1980: Joined Kobe Education and Research Center Co. (now Soshi Gakuen Co., Ltd.)
 Mar. 2000: Vice President of Ehime Women's Junior College, SOSHI GAKUEN Incorporated
 Aug. 2014: President and Representative Director, Gakken Juku Holdings Co., Ltd.(present post)
 Oct. 2016: Executive Officer of the Company
 Dec. 2018: Director of the Company
 May. 2020: President and Representative Director of ICHISHIN Holdings Co., Ltd.
 Dec. 2020: Managing Director of the Company
 Dec. 2022: Senior Managing Director of the Company
 Aug. 2023: Executive Vice President of the Company (present post)



Outside Director
Noriaki Yamada
 April 1990: Joined Chuo Audit Corporation
 Mar. 1993: Registered as a certified public accountant
 July 1997: Established Noriaki Yamada Office of Certified Public Accountant
 Jan. 2003: Director and Representative Partner of Clifix Tax Corporation (present post)
 June 2007: Outside Corporate Auditor of the Company
 Dec. 2010: Outside Director of the Company (present post)



Outside Director
Maako Kido
 Feb. 1979: Joined Hirofumi Yoshida Office Co.
 Sep. 2006: Presides over Gakken Maako Kido Art School (present post)
 Dec. 2012: Outside Director of the Company (present post)
 June 2017: Director, Tanaka Chiyo Gakuen Educational Corporation



Managing Director
Hitoshi Kobayakawa
 April 1990: Joined the Company (formerly Gakusyu Kenkyusha)
 Apr. 2007: Managing Director of Gakken Cocofump Co., Ltd.
 May 2008: President and Representative Director of Gakken Cocofump Staff Co., Ltd. (now Gakken Intelligence Co., Ltd.)
 President and Representative Director (present post)
 June 2008: President and Representative Director of Gakken Gakken Cocofump Nursery Co., Ltd.
 May 2009: President and Representative Director of Gakken Cocofump Holdings(now Gakken Cocofump Co., Ltd.)
 President and Representative Director
 Oct. 2011: Executive Officer of the Company
 Dec. 2014: Director of the Company
 Dec. 2020: Managing Director of the Company (present post)



Director
Yoshinobu Adachi
 Janu 1990: Joined the Company (formerly Gakusyu Kenkyusha)
 Oct. 2009: Director of Gakken Business Support (Gakken Products Support Co., Ltd.)
 Oct. 2015: General Manager of Financial Strategy Dept.
 Dec. 2015: Executive Officer, General Manager of Financial Strategy Dept.
 Aug. 2020: Senior Executive Officer, General Manager of Financial Strategy Dept.
 Dec. 2020: Director of the Company (present post)
 Apr. 2021: President and Representative Director of Gakken Products Support Co., Ltd. (present post)



Outside Director
Miwako Iyoku
 April 1987: Joined Nippon Telegraph and Telephone Corporation
 July 2012: Transferred to NTT DoCoMo, Inc.
 Aug. 2015: President and Representative Director, docomo gacco, Inc.
 July 2017: Representative Director and Vice President of Tower Records Japan Inc.
 Jan. 2020: Director, TEPCO Life Service, Inc. Dec. 2020: Outside Director of the Company (present post)



Outside Director
Caroline F. Benton
 May 2008: Professor, Graduate School of Business Sciences, University of Tsukuba (present post)
 Apr. 2013: Vice President, University of Tsukuba
 Apr. 2015: Director for International Affairs, University of Tsukuba
 Apr. 2019: Member of the Management Council, Nara Institute of Science and Technology (present post)
 Apr. 2021: Member of the Council for National Research Institutes, Ministry of Education, Culture, Sports, Science and Technology (present post)
 Dec. 2021: Outside Director of the Company (to present)
 Apr. 2023: Special Assistant to the President, University of Tsukuba (present post)



Director
Toru Goromaru
 April 1991: Joined the Company (formerly Gakusyu Kenkyusha)
 Aug. 2014: President and Representative Director of Gakken Cocofump Co., Ltd.
 Oct. 2019: Executive Officer of the Company
 Aug. 2020: Senior Executive Officer of the Company
 Nov. 2020: Gakken Cocofump Holdings, Inc.(now Gakken Cocofump Co., Ltd.) President and Representative Director
 Dec. 2020: Director of the Company (present post)
 Oct. 2021: Gakken Gakken E-Mirai,(now Gakken Inc.) Chairman and Representative Director
 Oct. 2022: President and Representative Director of Gakken Inc.(present post)



Director
Kenji Momota
 Oct. 2001: Joined Mitsubishi Research Institute, Inc.
 April 2004: Joined IC Net Limited
 Oct. 2018: Vice President of IC Net Limited
 Apr. 2019: President and Representative Director of IC Net Limited (present post)
 Aug. 2020: Executive Officer of the Company
 Dec. 2020: Director of the Company (present post)



Full-time Corporate Auditor
Yoshiaki Kageyama
 Mar. 1982: Joined the Company (formerly Gakushu Kenkyusha Co., Ltd.)
 Dec. 2012: General Manager of Internal Control Office
 Dec. 2016: Full-time Corporate Auditor of the Company (present post)



Full-time Corporate Auditor
Koutaro Oda
 April 1985: Joined The Bank of Mitsubishi Corporation (currently The Bank of Mitsubishi UFJ, Ltd.)
 April 2006: Joined Japan Wind Development Co., Ltd.
 June 2010: Representative Director and Senior Managing Director of Japan Wind Development Co., Ltd.
 Apr. 2016: Joined Medical Care Service Co., Ltd.
 Nov. 2016: Managing Director of Medical Care Service Co., Ltd.
 Oct. 2021: Managing Director of Gakken Intelligence Co., Ltd.
 Dec. 2022: Full-time Auditor of the Company (present post)



Director
Norio Yamamoto
 Sept 2004: Joined American Life Insurance Company Japan
 Oct. 2006: Joined Medical Care Service Co., Ltd.
 Apr. 2017: President and Representative Director of Medical Care Service Co., Ltd. (present post)
 Nov. 2018: Gakken Cocofump Holdings(now Gakken Cocofump Co., Ltd.) (present post)
 Aug. 2020: Executive Officer of the Company
 Dec. 2020: Director of the Company (present post)



Outside Auditor
Toshiaki Yamada
 Joined Ishii & Partners, April 1988
 April 1998: Partner, Ishii & Partners
 Dec. 2015: Outside Corporate Auditor of the Company (present post)



Outside Auditor
Ryujin Matsuura
 Oct. 1996: Joined Deloitte Touche Tohmatsu (now Deloitte Touche Tohmatsu LLC)
 Janu2001: Joined the Financial Services Agency
 April 2001: Registered as a certified public accountant
 July 2012: Partner of Deloitte Touche Tohmatsu LLC
 Oct. 2020: Founded Kanade Audit Corporation, Partner, Director (present post)
 Dec. 2022: Outside Corporate Auditor of the Company (present post)

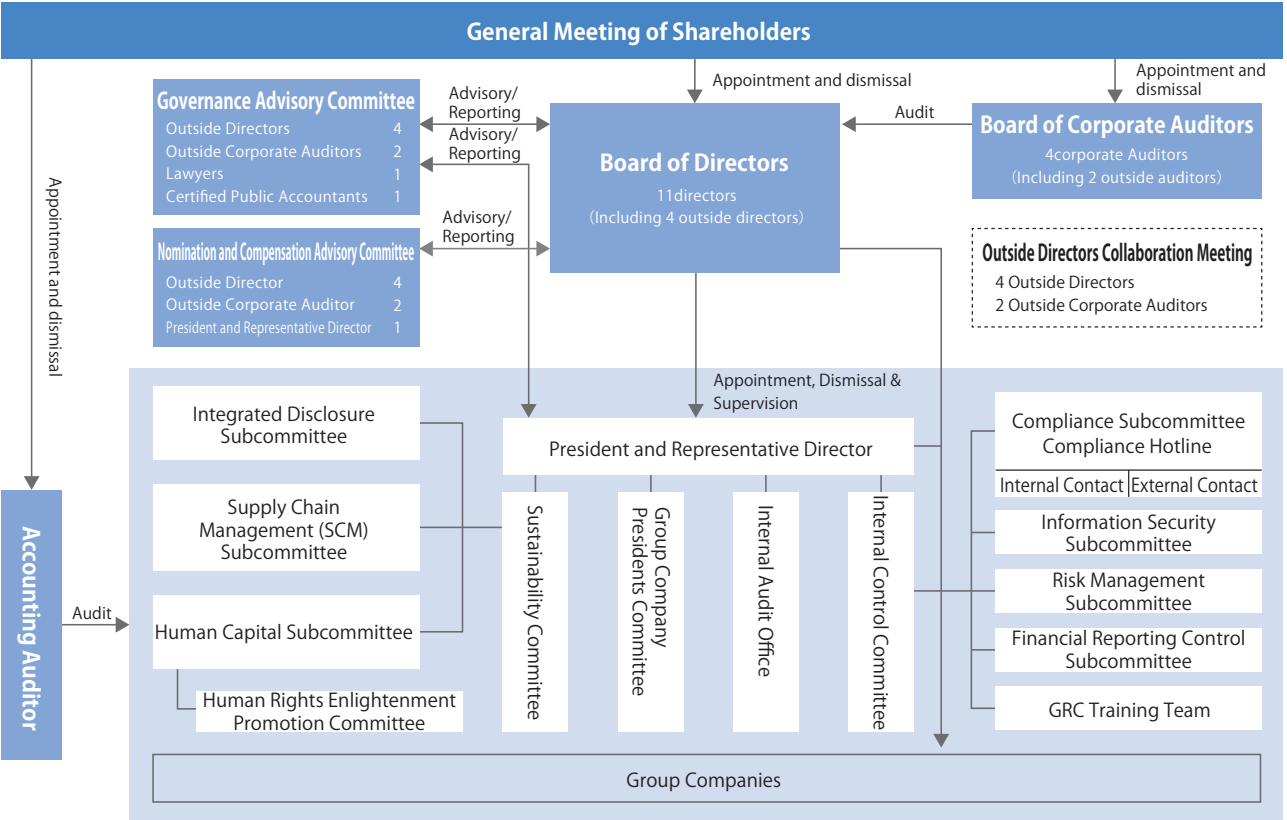
Governance Initiatives

Internal Control System Approach

To establish a comprehensive internal control system ensuring operational propriety, the Gakken Group formulated a fundamental policy for its internal control system during a Board of Directors meeting in May 2006. Subsequently, in October 2006, the Group established an Internal Control Committee to oversee and implement this policy.

Corporate Governance Structure

The execution and oversight of Gakken Group's corporate governance are the responsibilities of the Board of Directors and the Board of Corporate Auditors. The Board of Directors, led by the Representative Director, serves as the highest governance body, comprising 11 directors, including 4 outside directors (independent directors). It holds authority over matters stipulated by the Companies Act and formulates management policies concerning the entire group while also supervising the execution of duties by directors. The Board of Corporate Auditors comprises four auditors, with two being outside auditors (independent directors). To enhance audit quality and efficiency, a secretariat for the Board of Corporate Auditors has been established. Additionally, the Governance Advisory Committee, composed of external members, convenes biannually to review and provide recommendations on the Group's governance practices from an external perspective.



About GRC* Training

The Gakken Group carries out yearly GRC (Governance, Risk, and Compliance) training for all directors and staff, with a primary focus on compliance and risk management. This training primarily takes the form of e-learning and is developed in consultation with the Governance Advisory Committee, comprised of external specialists. The training content incorporates practical instances from everyday operations. Moreover, we consistently assess the level of adherence to the Gakken Compliance Code and the Information Security Policy.

Number of Participants in GRC Training Programs (For all directors and employees of the Group)

Period	Number of target participants	Number of those who completed the course	Completion rate
FY9/2020	15,401	15,401	100%
FY9/2021	16,069	16,069	100%
FY9/2022	16,828	16,828	100%

Number of compliance violations
FY9/2021: Serious violations: 0
FY9/2022: Serious violations: 0

*GRC: Abbreviation for Governance Risk Compliance.

GRC Training List for FY9/2022

- How to enhance Gakken Group's sustainability
- Respect for human rights in Gakken Group
- Prevention of harassment
- Respect for diversity
- Mental health for workers elementary level
- Mental health of workers - intermediate level
- Product safety initiatives of Gakken Group
- Mission, Vision, and Action guidelines of Gakken Group
- Gakken Group compliance code
- Importance of compliance
- Subcontract law
- Basics of the premiums and representations act
- Insider trading
- From the internal control committee (consultation, reporting, hotline contact, etc.)
- Information security (basic)
- Information security (application)
- Strengthening compliance with information security policies
- Risk management as an employee
- Internal control over financial reporting (basics)
- Management of personal information
- Preventing personal information leaks
- DX in-house awareness
- What is health management?
- Health management_Prevention of lifestyle-related diseases
- Health management_Employee self-health obligations

Functions and overview of each committee

Governance Advisory Committee

The Governance Advisory Committee is composed of four external directors, two external corporate auditors, one lawyer, and one certified public accountant (not affiliated with the Company as an advisor or independent auditor). Its role is to discuss and provide reports on the Group's governance status, including internal control systems, from an impartial perspective. The Board of Directors receives biannual updates on governance matters from the Governance Advisory Committee members. Additionally, the committee offers unbiased viewpoints on the assessment of the Board of Directors' effectiveness and the reasonableness of transactions with significant shareholders, contributing to the decision-making process.

Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee holds the responsibility of maintaining objectivity and transparency in the nomination of potential candidates for the Company's Board of Directors and Corporate Auditors, as well as in the compensation of Directors. This committee comprises the President and Representative Director, along with four external directors and two external corporate auditors. Its role encompasses discussions on the appointment and removal of directors, setting compensation levels, succession strategies for the President and Representative Director, and other relevant topics. The committee subsequently presents its outcomes to the Board of Directors for consideration.

Internal Control Committee

The Internal Control Committee is responsible for supervising the development and maintenance of the internal control system within the Gakken Group. This committee has further set up subcommittees and teams dedicated to driving efforts on critical internal control matters. These encompass compliance, information security, risk management, financial reporting control, as well as education and training. Through these specialized units, the committee strives to ensure comprehensive and effective internal control practices across the organization.

Sustainability Committee

The Sustainability Committee has been instituted to drive the advancement of sustainability efforts, including initiatives aligned with the Sustainable Development Goals (SDGs). This committee operates through three main groups: the Integrated Disclosure Subcommittee, the Supply Chain Management Subcommittee and the Human Capital Subcommittee. These Subcommittee collectively focus on fulfilling objectives concerning critical sustainability matters (materiality), which encompass areas like climate change, business and human rights, biodiversity, and Diversity, Equity & Inclusion (DE & I). The Sustainability Committee's role is to coordinate and guide these groups toward achieving sustainability goals across the organization.

Governance Initiatives

Evaluation of Board Effectiveness

The Company's Board of Directors works to continually improve its effectiveness by evaluating and analyzing whether it is effectively fulfilling its roles and responsibilities.

1.Overview of Evaluation Methods

In September 2022, a comprehensive questionnaire survey was administered to all directors and corporate auditors, with subsequent evaluation and analysis performed by an external entity.

The questionnaire was designed to assess various aspects, including:

- 1."Composition and operation of the Board of Directors" (10 questions)
- 2."Management and business strategies" (8 questions)
- 3."Corporate ethics and risk management" (4 questions)
- 4."Performance monitoring, management evaluation, nomination and compensation" (5 questions)
- 5."Dialogue with shareholders" (5 questions)
- 6."Evaluation of the action plan decided in December 2021" (2 questions)

Each question was rated on a scale of 5 to 1, representing highest to lowest priority. Additionally, respondents were encouraged to provide comments and suggestions related to the aforementioned six major categories.

2. Summary of Questionnaire Results

(1) Ratings and distribution of ratings by major category

- The average rating for all items was 4.1.
- The majority of the evaluations were positive, with only a few negative evaluations, and no significant deficiencies were noted in the comments.
- In terms of the major items evaluated, "(1) Composition and operation of the Board of Directors" was the highest relative response, and "(5) Dialogue with shareholders" was the lowest.

(2) Comparison of Internal and External Directors

- The average rating for all items was 0.1 points lower for internal directors than for external directors.
- The largest discrepancy was found in item (4), "Performance monitoring and evaluation of management, nomination and compensation," with a difference of 0.3 points.

(3) Comparison of Directors and Corporate Auditors

- The average rating for all items was 0.2 points higher for directors.
- The largest discrepancy was found in item (3), "Corporate Ethics and Risk Management," where there was a 1.0-point difference.

(4) Evaluation of the December 2021 Action Plan

- Based on the issues identified in the previous fiscal year, the "December 2021 Action Plan" received positive evaluations, with a combined total of 75% for evaluations rated as 5 (40%) and 4 (34%), which constitutes a significant majority. However, there were also negative evaluations, with a combined total of 9% for evaluations rated as 1 (3%) and 2 (6%), indicating a certain presence of such assessments.
- In particular, several external directors commented on the "improvement of the environment to enhance the content of deliberations," to the effect that "some improvement has been made, but further improvement is expected."

(5) Others

- Compared to the average of other companies of the same size (market capitalization between 25 billion yen and 100 billion yen) surveyed by an external organization, the major item (5), "Dialogue with shareholders," tended to be rated low.

3.Summary of Analysis Results

(1) The following 9 questions were highly rated by both internal/external directors and were analyzed as being recognized as strengths of the Company. ①-1 Use of independent outside directors, ①-3 Appropriateness of agenda Items, ①-4 Annual schedule of Board of Directors meetings, ① - 6 Presentation by the agenda presenter, ① -7 Free and vigorous discussion, ②-4 Monitoring and supervision of the progress of the implementation plan, ③-1 Establishment and supervision of a code of conduct, ④-1 Relation between performance indicators and management indicators, ④-2 Number and composition of the Nominating and Compensation Advisory Committee

(2) The following 9 questions were analyzed as being recognized as issues for the Company, with both internal/external directors giving low ratings. ①-9 Communication between management and outside directors, ①-10 Executive training, ②-3 Discussion based on lessons learned from the past, ②-5 Effective use of management resources to generate returns in excess of the cost of capital, ② - 6 Report on the results and achievement of the proposed approval, ②-7 Initiatives for sustainable enhancement of corporate value, ⑤-1 Collaboration with stakeholders, ⑤-2 Establish a system to promote constructive dialogue with shareholders, ⑤-3 Appropriate provisions of non-financial information

(3) For the following six questions, the results were above average for internal executives but below average for external executives, indicating a gap in perception between internal and external executives.

①-2 Appropriate composition of the Board of Directors, ①-5 Time allocation for explanation of agenda items and questions, ①-8 Information sharing among external officers, ②-8 Verification of the appropriateness of policy shareholdings, ③-2 Effectiveness of the whistleblower system, ③-3 Establishment of a risk assessment process

4.Overview of the Action Plan

Based on the results of the analysis, the Company's Governance Advisory Committee, whose members include outside experts, heard objective opinions and formulated the action plan through September 2023 as follows.

■The following two actions have been identified to address the issues highlighted within the results.

- (1) Restructuring of the risk management process
 - Sharing of risk analysis results
 - Clarify and share the risk management process
- (2) Enhance dialogue with shareholders
 - Regular reports on the status of dialogue with investors

Director Skill Matrix

In addition to the basic skills of corporate management, finance, and legal affairs, we appoint directors and auditors with an understanding of the education and healthcare, and nursing industry and its business lines, which are the cornerstones of our business, as well as other necessary skill sets in innovation, globalization, and sustainability.

	Full name	Position in the Company	Business Management	Understanding Industry and Business (Education, healthcare, and nursing)	Innovation (DX/BX)	Global	Finance & Legal	Sustainability
Board of Directors	Hiroaki Miyahara	Representative Director	○	○	○			○
	Kazuhiko Fukuzumi	Executive Vice President	○	○		○		○
	Hitoshi Kobayakawa	Managing Director	○	○				○
	Yoshinobu Adachi	Director	○	○			○	
	Toru Goromaru	Director	○	○	○			
	Kenji Momota	Director		○	○	○		
	Norio Yamamoto	Director	○	○		○		
	Noriaki Yamada	Outside Director	○	○	○		○	
	Maako Kido	Outside Director		○	○			○
	Miwako Iyoku	Outside Director		○	○			○
Audit & Supervisory Board	Caroline F. Benton	Outside Director		○		○		○
	Yoshiaki Kageyama	Full-time Corporate Auditor		○			○	○
	Koutaro Oda	Full-time Corporate Auditor	○	○			○	
	Toshiaki Yamada	Outside Auditor		○			○	○
	Ryujin Matsuura	Outside Auditor	○	○			○	

Executive Compensation

The Company has established a basic policy on compensation for directors and executive officers from the perspectives of "securing excellent human capital and motivating them to achieve goals," "sharing values with stakeholders," and "promoting compliance management."

Based on the basic policy, compensation for executive directors consists of base compensation, performance-linked compensation, and stock compensation, and is determined by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee within the limits approved at the General Meeting of Shareholders.

The level of base remuneration, which is based on position, is determined with reference to the levels of other companies, as well as the Company's employee salaries and executive officer remuneration, while the amount of individual remuneration is determined with respect to the results of annual assessments and deliberations by the Nomination and Compensation Advisory Committee. Performance-linked compensation is based on the degree of achievement of targets set at the beginning of each fiscal year based on both financial and non-financial indices. Restricted stock as stock-based compensation is granted in consideration of the Company's business environment, business performance, stock price trends, and other circumstances so that it will appropriately function as an incentive to continuously enhance the Company's corporate value.

Policy Stockholdings

The Board of Directors reviews the policy stock holdings once every six months, taking into account the progress of the business that has led to the purpose of the holdings and the effect on subsequent business, and comprehensively considering the benefits expected to be gained from the purpose of the holdings and the cost of capital. The Company reduces the number of stocks that it deems "not necessarily meaningful" to hold and discloses such information as appropriate.

When exercising voting rights for shares held by the Company, the Company assesses whether the proposed content will positively impact the enhancement of both its own corporate value and the value of its portfolio companies. In instances where deemed necessary, the Company initiates a dialogue with the relevant company to ascertain the intent behind the proposal. This approach ensures a well-informed and thoughtful decision-making process regarding the exercise of voting rights.

Even if a company that holds our Company's shares as part of its strategic stockholdings expresses an intention to divest its shares, we will not impede their decision by, for instance, proposing a decrease in the transaction.

Compliance

Policies and Stances

To fulfill the expectations of all stakeholders and maintain the trust of society, Gakken Group has introduced the Gakken Group Charter of Corporate Conduct, affirming its commitment to adhering to laws, regulations, and social ethics in all corporate activities while advancing compliance management. To facilitate this endeavor, we have formulated the Gakken Compliance Code, serving as the comprehensive guideline for the entire Gakken Group.

The Gakken Compliance Code serves as a comprehensive guide that elucidates the legal, regulatory, and social ethical standards to be upheld in accordance with the principles outlined in the Gakken Group Charter of Corporate Conduct. It establishes specific guidelines for various stakeholders. Furthermore, we have instituted a dedicated Compliance Hotline, distinct from the regular reporting channels, to facilitate consultation and reporting concerning compliance-related matters.

System and Mechanisms

►Creation of the Compliance Subcommittee within the Internal Control Committee

To reinforce and advance compliance measures across the Gakken Group, the Compliance Subcommittee has been instituted as a component of the Internal Control Committee. This subcommittee is tasked with deliberating on critical subjects aimed at ensuring that all corporate activities align with pertinent laws and regulations. Additionally, the Compliance Subcommittee has set up a specialized task force dedicated to addressing incidents of human rights infringement and diverse forms of harassment.

●Deliberation Items

- (1) Matters related to the dissemination and thoroughness of the Gakken Compliance Code.
- (2) Matters related to the enactment, revision, or abolition of laws and regulations, corporate conduct based on changes in the social environment, and the review of the Gakken Compliance Code.
- (3) Matters related to the operation of the hotline for reporting compliance violations.
- (4) Matters related to actions to be taken in the event of noncompliance.
- (5) Matters related to the compliance operation system (the officer in charge and those in charge at each group company).
- (6) Matters related to the implementation of monitoring regarding the dissemination and thoroughness of compliance.
- (7) Other important compliance-related matters.

●Composition and Meetings

The Compliance Subcommittee is composed of the subcommittee chair person, a few members, and the secretariat. The subcommittee chairperson, responsible for leading the Compliance Subcommittee, is appointed from the officers in charge of compliance. The members and secretariat staff are appointed by the subcommittee chairperson. Regular meetings are held once a quarter, and extraordinary meetings are held as needed.

Operation of Whistleblowing System

The Compliance Hotline acts as a centralized communication channel for employees. Apart from the internal reporting mechanism, external lawyers, independent from the Company, are also available as points of contact. These internal reports can be submitted anonymously. The established regulations ensure that (1) whistleblowers are shielded from any detrimental consequences, (2) retribution is strictly prohibited, (3) designated individuals must pledge to maintain confidentiality, and (4) those individuals must not participate in handling whistleblowing instances connected to themselves.

Additionally, the act of whistleblowing and the subsequent responses are conveyed to the Board of Directors. The Governance Advisory Committee furnishes impartial assessments and opinions on these matters.

■Hotline Reporting Status

FY9/2020	18
FY9/2021	27
FY9/2022	38

*There were zero serious violations for FY9/2022.

Implementation of Employee Compliance Retention Monitoring

Gakken Group has conducted training for all employees on governance, risk, and compliance (Pages 72 and 73). We also conduct a biennial survey on understanding the Gakken Compliance Code (using an e-learning system and paper-based monitoring) to further increase understanding.

■Number of respondents to the Gakken Compliance Code Retention Survey

Year of implementation	Number of employees responding	Response rate
FY9/2019	3137	85.8%
FY9/2021	3723	96.7%

Anti-Bribery and Corruption

In March 2023, Gakken Group introduced the "Gakken Group Anti-Corruption Policy," affirming its commitment to ethical and principled conduct while actively opposing corrupt behaviors. This policy sets forth guidelines concerning adherence to anti-corruption laws and regulations specific to each country and region, the absolute prohibition of bribery, protocols for audits and investigations, preemptive measures against corruption, swift identification of corruption instances, initiatives for corruption prevention through education and training, and the imposition of disciplinary actions for those who breach the policy. The policy reinforces the entire Group's unwavering dedication to preventing any form of corrupt practices.

Tax Policy

In accordance with the Gakken Group Charter of Corporate Behavior, which declares compliance with laws, regulations, and social ethics in corporate activities, we have established Gakken Group Tax Policy to ensure reliability and transparency in our tax operations.

1.Basic Policy

Gakken Group recognizes that adhering to tax-related laws and regulations not only minimizes potential tax risks but also plays a role in bolstering corporate value. The Group is committed to executing tax-related responsibilities in a proper and diligent manner to ensure compliance.

2.Appropriate tax burden

The Group upholds the legislative intent behind laws and regulations and endeavors to mitigate tax risks stemming from interpretations and applications that diverge from such intent. It aims to achieve proper tax payments by leveraging preferential taxation systems that align with the prescribed policies.

3.Establishment of System

The Group will institute a mechanism to ensure the effective implementation of tax operations aligned with this policy across the entire organization. In situations demanding nuanced and precise interpretations of tax laws, the Group will put in place a system to seek guidance from external experts when deemed necessary.

Established in March 2023

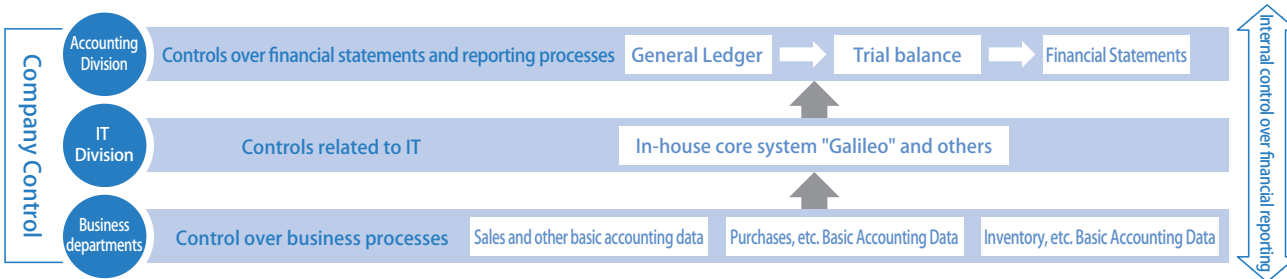
Response to Antisocial Forces

Gakken Group maintains a firm stance against engaging with antisocial forces. Should we encounter any unjust demands from such entities, we will firmly reject them and refrain from attempting to resolve issues through financial or material concessions. We are committed to not exploiting antisocial forces for personal or corporate gain. (As outlined in Gakken Compliance Code 6-4)

Internal Control over Financial Reporting

Within Gakken Group, "internal control" signifies the proactive and self-directed efforts of all personnel, including officers and employees, to create a framework and mechanism that fosters the Group's responsible management. This is done with the objective of ensuring the appropriate execution of daily operations, enhancing operational efficacy, adhering to legal mandates, regulations, and standards, and producing accurate and trustworthy financial reports. Illustrated in the following summary of internal control assessment, a comprehensive system of control spans the organization, encompassing the accounting division's oversight of financial closure and reporting processes, the IT division's management of technology resources, and the operational process control within various business departments.

■Summary of Assessment of Internal Control Over Financial Reporting



Risk Management

Policies and Stances

Gakken Group has formulated the Gakken Group Basic Rules for Risk Management, which outlines fundamental aspects concerning risk management and facilitates the Group's effective oversight of the diverse risks associated with its operations. Noteworthy risks within the Group's business landscape encompass legal and regulatory risks, vulnerabilities stemming from natural disasters and contagious ailments, concerns related to personal data management, potential ramifications of information system breakdowns, market trends in the publishing sector, intricacies tied to elderly welfare services, childcare support, and educational endeavors like classes and cram schools. Moreover, risks associated with international business expansion and potential devaluations and losses on equity securities are also recognized.

The Group is committed to sustaining the seamless and secure advancement of its undertakings through meticulous management of these risks.

System and Mechanisms

Gakken Group has developed the Gakken Group Basic Rules for Risk Management as an extension of the Group's internal risk management regulations and the foundational policy guiding organizational integrity. Furthermore, the Gakken Group Risk Management Manual has been established to effectively address the diverse array of risks inherent in the Group's operational sphere. To oversee risk management comprehensively, the Risk Management Subcommittee operates under the purview of the Internal Controls Committee. This body convenes biannually to provide reports to the directors. Collaboration with directors responsible for GRC (Governance, Risk Management, and Compliance) and those assigned to risk management roles within each Group company forms an integral part of the Risk Management Subcommittee's functions.

- The ensuing fundamental principles guide the assessment and management of various risks:
- Accurately recognize, assess, and analyze risks, taking measures to forestall their materialization and manage them suitably.
 - The director overseeing GRC and the individual responsible for risk management compile a "Risk Evaluation Sheet" annually. The Risk Management Subcommittee within the Internal Control Committee then periodically monitors the establishment of risk management systems across each Group company, reviewing the status and considering potential enhancements.
 - Concurrently, the Compliance Subcommittee and the Information Security Subcommittee, components of the Internal Control Committee within Gakken Holdings, undertake risk assessments and comprehensive management of compliance risks, information security risks, and personal data risks in collaboration with the Risk Management Subcommittee.

PDCA Cycle Using Risk Assessment Sheet



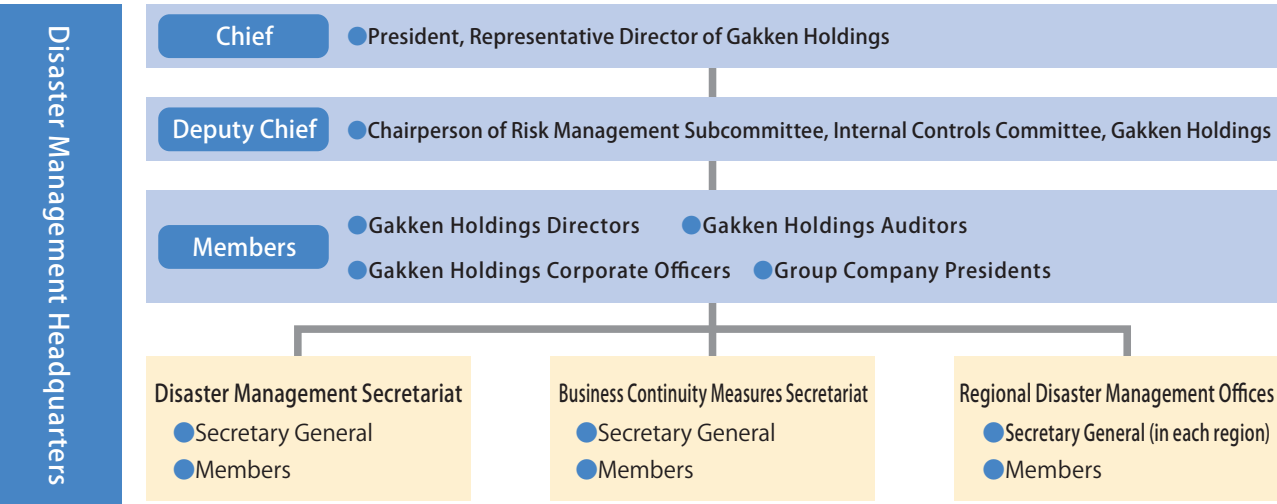
Risk Assessment Sheet

2018年 リスク評価シート									
会社名	事業部	事業所	事業所	事業所	事業所	事業所	事業所	事業所	事業所
リスク評価責任者	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部
リスク評価実施者	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部
リスク評価実施日	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部
リスク評価実施場所	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部
リスク評価実施内容	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部
リスク評価実施結果	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部
リスク評価実施者	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部
リスク評価実施者	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部	事業部

Disaster Management

In the event of a disaster risk arising or looming, Gakken Group promptly establishes a Disaster Countermeasures Office, initiating a dedicated disaster response system. Simultaneously, the Business Continuity Measures Secretariat assumes the role of providing support and guidance grounded in the pre-established Business Continuity Plan (referred to as "BCP") that aligns with the Basic Business Continuity Policies. This initiative offers a comprehensive overview of the Group's strategies for business continuity. Moreover, the Business Continuity Office vigilantly oversees the progress of each company's BCP enhancements. This endeavor aims to transition to an all-encompassing BCP framework capable of addressing various disaster scenarios effectively. To further bolster disaster readiness, Gakken Building has prepared a disaster prevention manual and analogous measures for individuals facing challenges in returning home, adhering to the "Ordinance on Measures for Those Who Have Difficulties Returning Home" formulated by the Tokyo Metropolitan Government.

Disaster Management Headquarters Organization Chart



Basic Business Continuity Policy

- Gakken Group companies are committed to enhancing their business continuity capabilities on a day-to-day basis. This dedication stems from the aspiration to earn respect from users and society alike. To achieve this goal, the companies pledge to swiftly execute the following measures even in times of emergencies:
1. Develop comprehensive business continuity plans and diligently implement, operate, and continuously enhance them.
 2. Prioritize the safety of customers, employees, their families, and users as the utmost concern.
 3. Each site of every Group company will promptly assess the scale of damage, take proactive measures to contain further harm, and swiftly reinstate operations.
 4. In times of crises, contribute actively to the swift restoration and recovery of local communities.

Response to COVID-19 Infections

To ensure the safety of customers, employees, and their families, as well as to maintain uninterrupted business operations, we have established the "Guidelines for COVID-19 Infection Control." Our efforts include robust implementation of fundamental infection prevention measures such as wearing non-woven masks, handwashing, gargling, regular ventilation, and alcohol disinfection. Additionally, we closely monitor the infection status across Gakken Group companies. We have also consistently maintained a Business Continuity Plan (BCP). Moreover, alongside our existing BCP, we have actively overseen the "BCP for Infectious Diseases," a newly devised plan by each company since 2020, geared toward addressing contingencies arising from infectious diseases.

Personal Information Protection

Gakken Group upholds its commitment to respecting and responsibly managing customers' personal information, aligning with its Corporate Mission and Charter of Corporate Behavior, as evident in the "Declaration on the Handling of Personal Information." The Group has established a "Privacy Policy" outlining its fundamental approach to personal information management. In strict compliance with the "Act on the Protection of Personal Information," the Group transparently communicates the intended usage of personal information, provides contact details for inquiries, and maintains a robust data management system to ensure the security of the information under its custody.

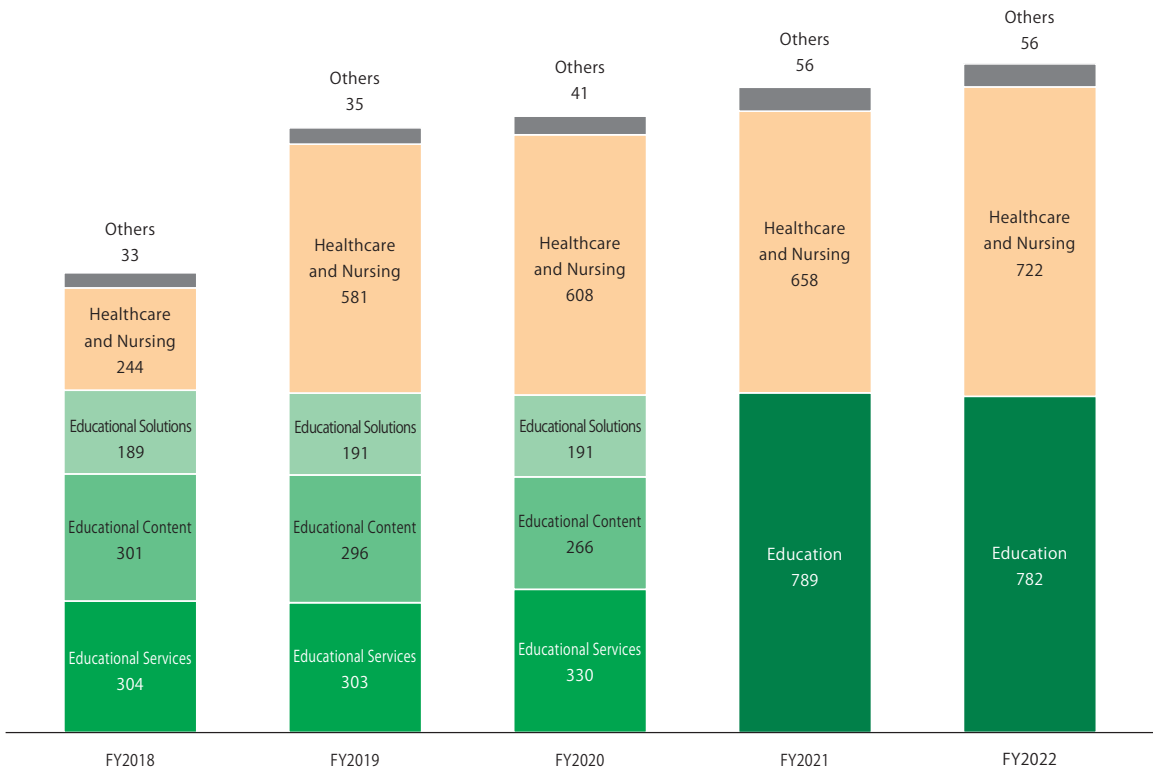
Information Security

Gakken Group has implemented a comprehensive Information Security Policy aimed at effectively managing and safeguarding the information assets held within the organization, including entrusted personal information. This policy is rigorously adhered to by all employees and officers. Additionally, the Group has established the Basic Regulations for Handling Individual Numbers "My Numbers" and the Gakken Group Information Equipment Management Regulations. These were respectively established in July 2015 and July 2016, with implementation beginning on October 1, 2016. In September 2021, a thorough security assessment was conducted, leading to a review of the Information Security Policy during the latter half of 2022. This review was in response to evolving work patterns, such as the expansion of telecommuting. Changes incorporated into the revised policy include modifications to regulations concerning the removal of office computers and their connection to wireless access points. Furthermore, enhancements were made by introducing multi-factor authentication, which mandates multiple verification steps for system access, imposing more stringent measures for the opening, renovation, and closure of websites, and enforcing strict compliance with prohibited actions, such as connecting personal information devices to the company network or altering security function settings.

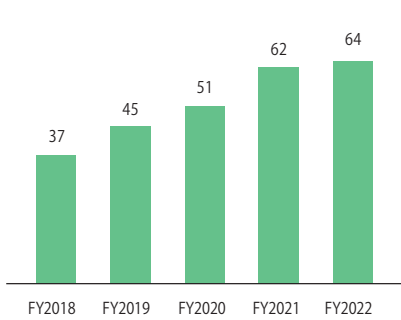
Financial and Non-Financial Highlights

Financial Information

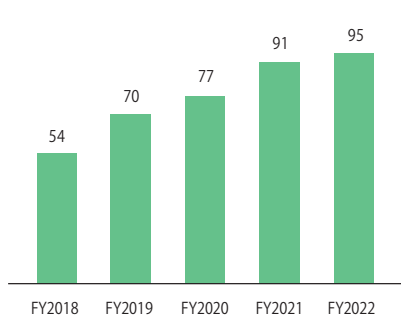
■Net Sales by Field Unit: 100million yen



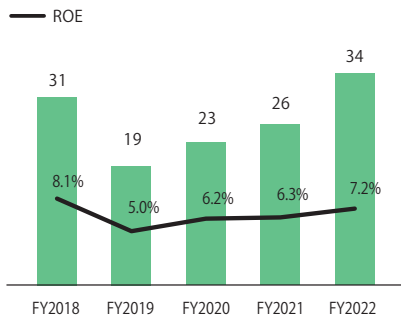
■Operating Income Unit: 100million yen



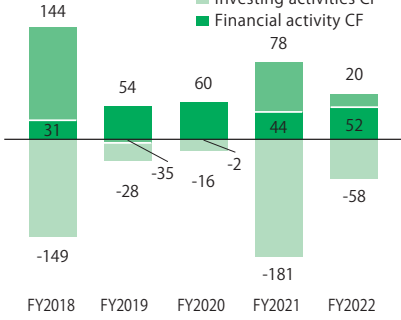
■EBITDA Unit: 100million yen



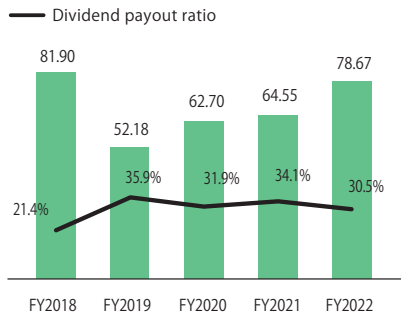
■Net Income・ROE Unit: 100million yen



■Cash flow Unit: 100million yen

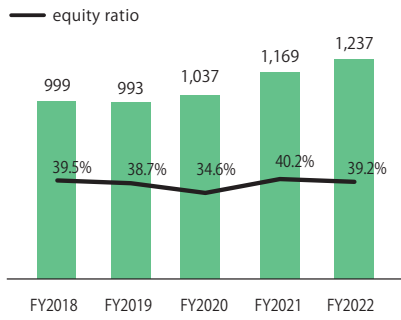


■EPS・Dividend payout ratio Unit: yen



*One share was split into four shares on April 1, 2020.

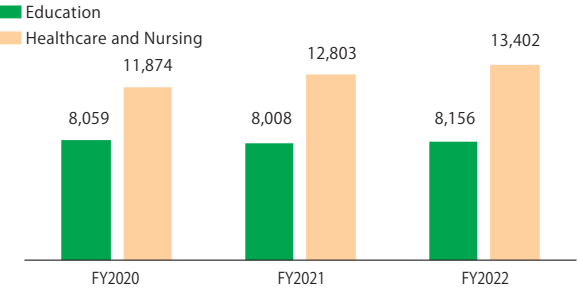
■Total assets and equity ratio Unit: 100million yen



Non-Financial Information

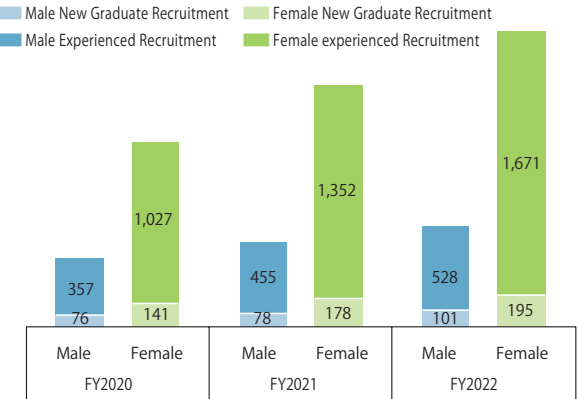
Human Capital Number of consolidated subsidiaries

■Number of Employees



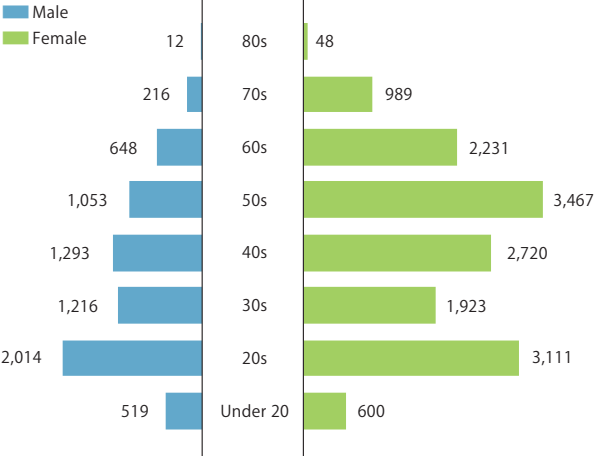
*1 Sum of the average number of full-time employees (excluding those transferred from our Group to outside our Group, including those transferred from outside our Group to our Group) and temporary and contract employees for the current fiscal year.
*2 The number of employees belonging to Others (Gakken Holdings, Gakken LEAP, Gakken Products Support, Gakken Logistics, Gakken Hong Kong, and I.C.Net) was 463 in the 75th term, 449 in the 76th term, and 502 in the 77th term.

■Number of Recruits

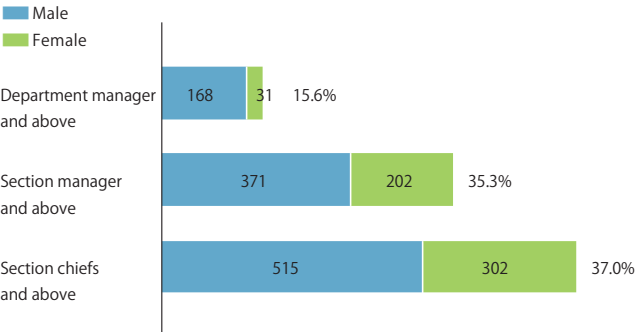


*Number of full-time employees hired by Gakken Holdings and 51 consolidated companies.

■Age Structure



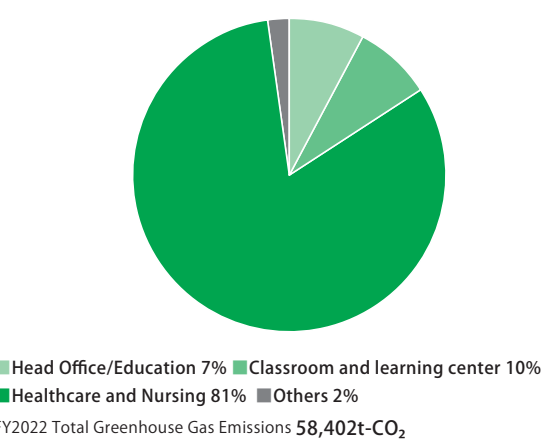
■Number of Men and Women and Percentage of Women by Position



*All positions exceeded the 2025 targets for the percentage of women in each position (12% for department managers and above, 18% for section managers and above, and 30% for section chiefs and above) that were set in the trends of performance targets in the Fifth Basic Plan for Gender Equality.

Environment

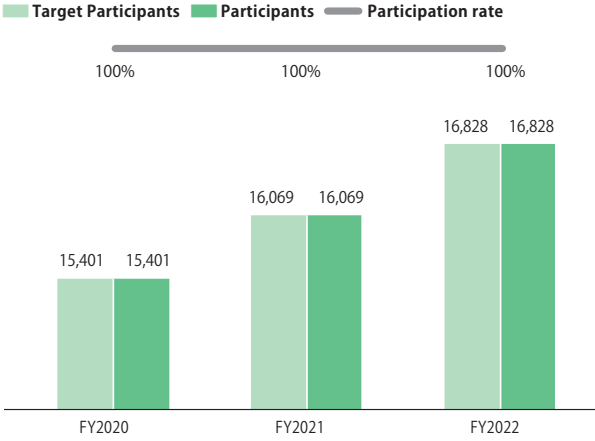
■Greenhouse Gas Emissions by Business Segment (Scope 1-2)



FY2022 Total Greenhouse Gas Emissions 58,402t-CO₂

Governance

■GRC Training Participants and Participation Rates



Financial Data

Consolidated Financial Statements

Consolidated Balance Sheets (Assets)		(Millions of yen)	
	Previous Consolidated Fiscal Year (FY9/2021)	Current Consolidated Fiscal Year (FY9/2022)	
Assets			
Current assets			
Cash and deposits	19,772	22,520	
Notes and accounts receivable	19,895	—	
Notes receivable	—	437	
Accounts receivable	—	20,627	
Merchandise and finished goods	8,437	9,929	
Work in process	3,493	3,234	
Raw materials and supplies	176	198	
Other	4,826	4,764	
Allowance for doubtful accounts	△47	△12	
Total current assets	56,554	61,700	
Fixed Assets			
Tangible fixed assets			
Buildings and structures	18,994	21,718	
Accumulated depreciation	△8,443	△8,705	
Buildings and structures	10,550	13,012	
Machine equipment and delivery equipment	530	536	
Accumulated depreciation	△492	△488	
Machine equipment and delivery equipment (net)	38	47	
Land	4,419	4,227	
Construction in progress	1,458	197	
Other	4,691	4,824	
Construction in progress	△3,846	△4,009	
Other (net)	844	815	
Total tangible fixed assets	17,312	18,300	
Intangible assets			
Goodwill	6,806	6,185	
Other	3,326	2,724	
Total intangible fixed assets	10,132	8,910	
Investments and other assets			
Investment securities	21,204	23,115	
Long-term loans receivable	964	236	
Deferred tax assets	1,631	2,102	
Assets related to retirement benefits	1,931	2,072	
Guarantee deposits	6,096	6,226	
Other	1,219	1,185	
Allowance for doubtful accounts	△146	△167	
Total investments and other assets	32,900	34,771	
Total fixed assets	60,345	61,982	
Total assets	116,900	123,682	

Consolidated Balance Sheets (Liabilities and Net Assets)		(Millions of yen)	
	Previous Consolidated Fiscal Year (FY9/2021)	Current Consolidated Fiscal Year (FY9/2022)	
Liabilities			
Current liabilities			
Notes and accounts payable-trade	7,392	7,103	
Short-term loans payable	14,380	12,247	
Current portion of long-term debt	2,303	3,570	
Income taxes payable	714	1,917	
Contract liabilities	—	2,077	
Allowance for bonuses	2,149	2,006	
Allowance for sales returns	506	—	
Allowance for point card certificates	3	—	
Other	11,728	10,916	
Total current liabilities	39,177	39,838	
Fixed liabilities			
Bonds payable	6,000	6,000	
Long-term debt	15,721	19,548	
Long-term accounts payable	267	456	
Long-term guarantee deposits received	2,971	3,314	
Liabilities for retirement benefits	3,284	3,370	
Deferred tax liabilities	78	44	
Other	1,984	2,221	
Total long-term liabilities	30,309	34,955	
Total liabilities	69,486	74,793	
Total net assets			
Shareholders' equity			
Capital stock	19,817	19,817	
Capital surplus	12,308	12,333	
Retained earnings	13,033	15,313	
Treasury stock	△920	△439	
Total shareholders' equity	44,238	47,025	
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,627	612	
Deferred gains or losses on hedges	0	△1	
Foreign currency translation adjustments	8	156	
Accumulated retirement benefits	1,087	646	
Total accumulated other comprehensive income	2,723	1,413	
Stock acquisition rights	275	255	
Noncontrolling interest	176	193	
Total net assets	47,413	48,888	
Total liabilities and net assets	116,900	123,682	

Financial Data

Consolidated Statements of Income		(Millions of yen)
	Previous Consolidated Fiscal Year (FY9/2021)	Current Consolidated Fiscal Year (FY9/2022)
Net sales	150,288	156,032
Cost of sales	105,443	109,606
Gross profit	44,844	46,425
Reversal of reserve for sales returns	316	—
Gross profit after deducting	45,161	46,425
Selling, general and administrative expenses	38,922	39,998
Operating income	6,239	6,427
Non-operating income		
Interest income	15	10
Dividend income	191	195
Equity in earnings of affiliates	—	304
Other	329	358
Total non-operating income	535	868
Non-operating expenses		
Interest expenses	179	179
Sales discount	3	2
Equity in losses of affiliates	347	—
Commissions paid	8	84
Other	109	99
Total non-operating expenses	648	366
Ordinary income	6,126	6,929
Extraordinary income		
Gain on sales of fixed assets	1	18
Gain on sales of investment securities	285	320
Gain on negative goodwill	323	—
Other	21	18
Total extraordinary income	632	358
Extraordinary loss		
Loss on sales and disposal of fixed assets	207	67
Loss on impairment of fixed assets	249	696
Loss on the valuation of investment securities	69	18
Loss on business liquidation	183	—
Other	38	60
Total extraordinary loss	748	842
Income before income taxes and minority interests	6,010	6,445
Income taxes, inhabitants' taxes, and enterprise taxes	3,316	2,846
Income taxes-deferred	35	133
Total income taxes	3,351	2,980
Net income	2,659	3,465
Net income attributable to noncontrolling interests	42	24
Net income attributable to owners of the parent	2,617	3,440

Consolidated statement of comprehensive income		(Millions of yen)
	Previous Consolidated Fiscal Year (FY9/2021)	Current Consolidated Fiscal Year (FY9/2022)
Net income	2,659	3,465
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	682	△1,043
Foreign currency translation adjustments	26	154
Adjustment for retirement benefits	535	△455
Share of other comprehensive income of affiliates accounted for by the equity method	18	39
Total other comprehensive income	1,264	△1,304
Comprehensive income	3,923	2,160
(Comprehensive income attributable to)		
Comprehensive income attributable to parent company shareholders	3,882	2,130
Comprehensive income attributable to noncontrolling interests	41	29

Consolidated Statements of Cash Flows		(Millions of yen)
	Previous Consolidated Fiscal Year (FY9/2021)	Current Consolidated Fiscal Year (FY9/2022)
Cash flow from operating activities		
Net income before income taxes	6,010	6,445
Depreciation	1,988	2,140
Impairment loss	249	696
Amortization of goodwill	858	888
Profit and loss on sales of tangible and intangible fixed assets (△ indicates gain)	205	48
Investment securities sales and valuation gains/losses (△ indicates gains)	△216	△280
Gain on negative goodwill	△323	—
Increase (decrease) in allowances (△ indicates decrease)	△112	△676
Increase (decrease) in assets related to retirement benefits (△ indicates increase)	△561	△699
Increase (decrease) in liability for retirement benefits (△ indicates decrease)	53	28
Interest and dividend income	△206	△206
Interest expense	179	179
Commission paid	8	84
Equity in earnings of affiliates (△ indicates gain)	347	△304
Increase or decrease in trade receivables (△ indicates increase)	4	△1,119
Inventory increase/decrease amount (△ indicates increase)	△290	△950
Increase (decrease) in accounts payable (△ indicates decrease)	36	△414
Increase (decrease) in accrued consumption tax, etc. (△ indicates decrease)	△346	149
Increase (increase) in other assets (△ indicates increase)	△1,299	△633
Increase (decrease) in other liabilities (△ indicates decrease)	1,566	861
Other	77	89
Subtotal	8,227	6,327
Amount of interest and dividends received	341	367
Amount of interest paid	△181	△179
Amount of corporate tax, etc., paid	△3,947	△1,347
Cash flow from operating activities	4,441	5,167
Cash flows from investing activities		
Payments into time deposits	△306	△273
Proceeds from withdrawal of time deposits	305	327
Payments for the purchase of property, plant and equipment, and intangible assets	△4,722	△2,958
Proceeds from sales of property, plant and equipment, and intangible assets	33	318
Payments for the purchase of investment securities	△12,183	△3,598
Proceeds from sales of investment securities	357	602
Net decrease (increase) in short-term loans receivable (△ indicates increase)	△330	△80
Payments for long-term loans receivable	△1,111	△100
Proceeds from the collection of long-term loans receivable	96	230
Payments for guarantee deposits	△231	△309
Proceeds from the collection of guarantee deposits	193	242
Payments for the purchase of investments in subsidiaries resulting in a change in the scope of consolidation	△400	—
Proceeds from the withdrawal of the insurance reserve fund	203	—
Other	△16	△198
Net cash provided by (used in) investing activities	△18,112	△5,798
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable (△ indicates decrease)	2,883	△2,133
Proceeds from long-term debt	3,570	9,640
Repayment of long-term debt	△5,523	△4,658
Proceeds from the issuance of stock	2,889	—
Proceeds from the sale of treasury stock	5,391	311
Payments for the purchase of treasury stock	△1	△1
Cash dividends paid	△858	△1,010
Payments for acquisition of subsidiaries' stock without change in scope of consolidation	△526	—
Proceeds from sales of subsidiaries' stock without change in scope of consolidation	100	—
Other	△117	△143
Net cash provided by (used in) financing activities	7,806	2,004
Effect of exchange rate changes on cash and cash equivalents	7	77
Net increase (decrease) in cash and cash equivalents (△ indicates decrease)	△5,857	1,450
Cash and cash equivalents at the beginning of the period Increase (decrease) in cash and cash equivalents	24,765	18,920
resulting from a change in scope of consolidation (△ indicates decrease)	△146	1,276
Increase (decrease) in cash and cash equivalents resulting from a change in fiscal year end of consolidated subsidiaries (△ indicates decrease)	158	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	24
Cash and cash equivalents at the end of the year	18,920	21,672

Financial Data

Major Consolidated Management Indicators, etc.

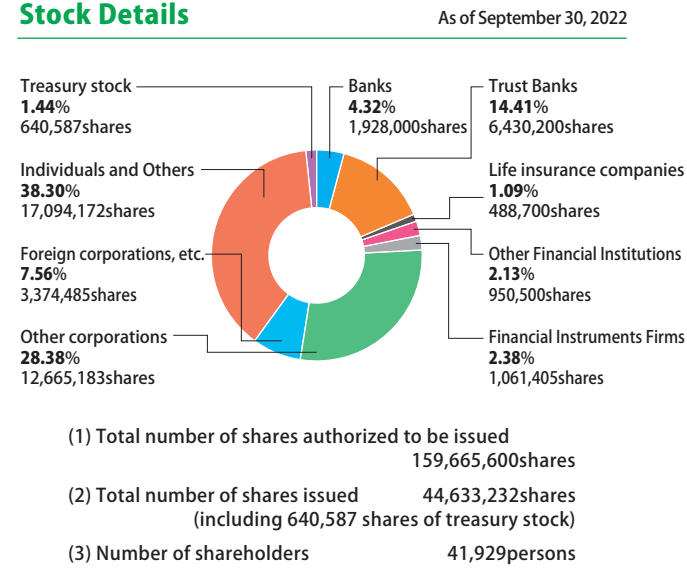
Consolidated Management Indicators					
Period	73rd Fiscal Period	74th Fiscal Period	75th Fiscal Period	76th Fiscal Period	77th Fiscal Period
Closing month	September 2018	September 2019	September 2020	September 2021	September 2022
Net sales (Millions of yen)	107,030	140,559	143,564	150,288	156,032
Ordinary income (Millions of yen)	4,002	4,755	5,273	6,126	6,929
Net income attributable to owners of the parent (Millions of yen)	3,058	1,940	2,321	2,617	3,440
Comprehensive income (Millions of yen)	2,629	961	2,059	3,923	2,160
Net assets (Millions of yen)	40,689	39,978	36,239	47,413	48,888
Net income per share (Millions of yen)	99,942	99,349	103,741	116,900	123,682
Net assets per share (yen)	1,050.24	1,040.65	967.70	1,079.09	1,102.16
Net income per share (yen)	81.90	52.18	62.70	64.55	78.67
Diluted net income per share (yen)	81.09	51.63	61.99	63.87	77.95
Equity ratio (%)	39.5	38.7	34.6	40.2	39.2
Return on Equity Ratio (%)	8.1	5.0	6.2	6.3	7.2
Price-earnings ratio (times)	17.3	25.6	25.9	18.9	12.3
Net cash provided by (used in) operating activities (Millions of yen)	3,145	5,353	5,971	4,441	5,167
Net cash provided by (used in) investing activities (Millions of yen)	△14,898	△2,825	△1,588	△18,112	△5,798
Net cash provided by (used in) financing activities (Millions of yen)	14,431	△352	△22	7,806	2,004
Cash and cash equivalents at the end of the year (Millions of yen)	17,494	19,838	24,765	18,920	21,672
Number of employees (Average number of temporary employees) (Number of employees)	6,929 (11,474)	6,970 (12,041)	7,690 (12,706)	7,995 (13,265)	8,341 (13,719)

Stock Information

Stock Status

Basic Information	
Securities Code	9470
Stock Code	Gakken Holdings, Inc.
Listed Exchange	Tokyo Stock Exchange Prime Market

Stock Details



Major Shareholders

As of September 30, 2022

Name or Designation	Number of shares held (thousand shares)	Percentage of shares held of the total number of shares issued (excluding treasury stock) (%)
The Furuoka Scholarship Foundation	5,555	12.62
The Master Trust Bank of Japan, Ltd. (trust account)	4,226	9.60
Custody Bank of Japan, Ltd. (trust account)	1,534	3.48
Sumitomo Mitsui Banking Corporation	1,200	2.72
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/JANUS HENDERSON HORIZON FUND (Permanent Agent:HSBC Tokyo Branch)	1,176	2.67
Gakken Employee Shareholding Association	1,030	2.34
Kawai Musical Instruments Mfg.	994	2.25
Gakken Business Partners Shareholding Association	981	2.23
Development Bank of Japan Inc.	948	2.15
Dai Nippon Printing Co.	947	2.15
Total	18,593	42.26

(Notes) 1. In addition to the above, 640 thousand shares are held as treasury stock. The 640 thousand shares of treasury stock do not include 43 thousand shares held by Nomura Trust & Banking Co.
2. The ratio of the number of shares held to the total number of shares issued and outstanding (excluding treasury stock) is rounded to two decimal places.

Summary of Stock Administration of the Submitting Company

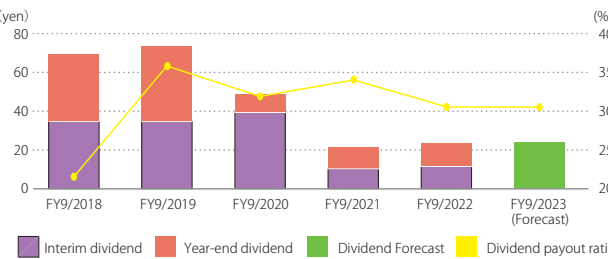
Business year	From October 1 to September 30
Ordinary General Meeting of Shareholders	Within December
Record Date	September 30
The record date for dividends from surplus	March 31, September 30
Number of shares per unit	100 shares
Purchase of odd-lot shares	(Special account) Transfer Agent Department, Mitsubishi UFJ Trust and Banking Corporation, 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Handling location	(Special account) Mitsubishi UFJ Trust and Banking Corporation, 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Administrator of shareholders' register	—
Transfer agent	—
Purchase fee	The fee for requesting the purchase of shares constituting less than one unit shall be 85% of the amount calculated per unit based on a separately determined formula and prorated by the number of shares constituting less than one unit purchased.
Method of Public Notice	Electronic Public Notice
Benefits for Shareholders	A special benefit program is in place for shareholders who hold 100 shares or more as of September 30. Shareholders participating in this program can select from a range of options listed in the shareholder special benefit catalog. These options include our Group's books, various goods and product sets, coupons for our e-commerce site, and service coupons. The specific gift or benefit received corresponds to the number of shares held by the shareholder. Additionally, separate special benefits are available for long-term shareholders as well.

(Note)
1.The Company's electronic public notices are posted on the official website at <https://gakken.jp/ghd>. If electronic public notices are not accessible due to unforeseen circumstances, they will be published in the Nihon Keizai Shimbun.
2.As per the Company's Articles of Incorporation, shareholders who hold less than one unit of shares do not possess rights beyond those listed in each item of Article 189, Paragraph 2 of the Companies Act. They retain the right to make requests in accordance with Article 166, Paragraph 1 of the Companies Act, as well as the right to receive an allotment of shares and offered stock acquisition rights in proportion to their shareholding.

For additional information, please see Page 63 regarding the shareholder special benefit plan details.

Shareholder Return Dividends

Due to the 1:4 stock split in April 2020, the dividend amount after the end of FY2020 is shown as 1/4.



Non-Financial Data

Environment							
Policy							
Environmental Policy		Yes	https://gakken.jp/environment				
Water Policy		No					
Climate Change							
		Scope	Unit	* FY9/2020	* FY9/2021	FY9/2022	
GHG emissions	GHG Scope1	Consolidated company-wide	t-CO ₂	36,044	5,455	13,564	
* Domestic consolidated companies	GHG Scope2	Consolidated company-wide	t-CO ₂		30,520	44,838	
	GHG Scope3	Consolidated company-wide	t-CO ₂		44,301	95,549	282,001
	Total	Consolidated company-wide	t-CO ₂		80,345	131,524	340,403
GHG emissions per unit of consolidated sales	Scope1+Scope2	Consolidated company-wide	t-CO ₂ /million yen	-	-	0.37	
CDP Climate Change Score		Group		-	-	B	
ISO14001 Certification-related sites (companies)		Group		19	20	19	
Resources and waste							
Raw material usage	Paper	Head office building	Tons	25,514	25,411	23,110	
Waste emissions		Head office building	Tons	237	210	171	
Water							
Water consumption		Head office building	m ³	31,750	29,324	30,179	
Wastewater		Head office building	m ³	-	-	26,741	
Society							
Policy							
Human Rights Policy		Yes	https://gakken.jp/human				
Child Labor Prevention Policy		Yes	Included in Human Rights Policy				
Forced Labor Prevention Policy		Yes	Included in Human Rights Policy				
Non-Discrimination Policy		Yes	Included in Human Rights Policy				
Freedom of Association Policy		No					
Collective Bargaining Rights Policy		No					
Procurement Policy		Yes	https://gakken.jp/procurement				
Employees							
				Permanent Employees	Contract employees (non-permanent employees)		
Number of employees		Total (persons)	Male (%)	Female (%)			
		22,060persons	31.6%	68.4%	●	●	
Of which, permanent employees		8,341persons	41.4%	58.6%	●		
Age structure		Total (persons)	Male (%)	Female (%)			
Under 20s		1,119persons	46.4%	53.6%	●	●	
20s		5,125persons	39.3%	60.7%	●	●	
30s		3,139persons	38.7%	61.3%	●	●	
40s		4,013persons	32.2%	67.8%	●	●	
50s		4,520persons	23.3%	76.7%	●	●	
60s		2,879persons	22.5%	77.5%	●	●	
70s		1,205persons	17.9%	82.1%	●	●	
80s		60persons	19.6%	80.4%	●	●	
Average age		Total	Male	Female			
		43.2years old	39.0years old	45.1years old	●	●	

Society						
Employees						
				Permanent Employees	Contract employees (non-permanent employees)	Notes
Average years of service		Total	Male	Female		
		4.3years	5.5years	3.8years	●	●
Of which, permanent employees		6.2years	8.2years	4.9years	●	
Number of new graduates hired		Total (persons)	Male (%)	Female (%)		
The 75th term		217persons	35.0%	65.0%	●	• Total is for regular employees only. • Total for 77th term (10/1/2021 - 9/30/2022).
The 76th term		256persons	30.5%	69.5%	●	
The 77th term		296persons	34.1%	65.9%	●	
Number of experienced hires		Total (persons)	Male (%)	Female (%)		
The 75th term		1,384persons	25.8%	74.2%	●	• Total is for regular employees only. • Total for 77th term (10/1/2021 - 9/30/2022).
The 76th term		1,807persons	25.2%	74.8%	●	
The 77th term		2,199persons	24.0%	76.0%	●	
Turnover rate		Total				
The 75th term		11.4%			●	• Total is for regular employees only. • Total for 77th term (10/1/2021 - 9/30/2022).
The 76th term		12.5%			●	
The 77th term		11.7%			●	
Percentage of employees with disabilities		Total				
The 75th term		2.52%			●	• Targets are Gakken Holdings Group companies (10 companies). • Parent Employer: Gakken Holdings Co. • Special-purpose subsidiary: Gakken Smile Heart Co. • Eight affiliated companies: Gakken Educational, Gakken Cocofun, Gakken Cocofun Nursery, Gakken Medical Shujunsha, Gakken Plus, Gakken Kyoiku Mirai, Gakken Products Support, and Bunt. • As of June 1, 2022
The 76th term		2.72%			●	
The 77th term		2.42%			●	
Engagement Survey		Response Rate	eNPS Score			
1st (75th)		65.9%	-60.2%		●	• Not implemented in the 76th term
2nd (77th)		64.6%	-63.6%		●	
Number of Positions		Total (persons)	Male (%)	Female (%)		
Department manager or higher		199persons	84.4%	15.6%	●	• Positions: Department managers and above, section managers and above, and professionals (professionals who do not engage in organizational management) are included in management positions.
Section manager or higher		573persons	64.7%	35.3%	●	
Assistant manager or higher		817persons	63.0%	37.0%	●	
Number of managerial positions		Total (persons)	Male (%)	Female (%)		
		1,201persons	65.9%	34.1%	●	• Including directors, corporate auditors, and executive officers. • In the case of directors holding concurrent positions in more than one Company, the total number of directors is counted.
Ratio of executives		Total (persons)	Male (%)	Female (%)		
		344persons	84.6%	15.4%	—	• Overseas subsidiaries are not included. • Total for 77th term (10/1/2021 - 9/30/2022).
Difference in wages between men and women		Male	Female			
		100%	74.1%		●	
Permanent Employees		100%	81.5%		●	
Contract employees		100%	115.4%			●
Number of employees taking childcare leave		Male	Female			
Percentage of employees taking childcare leave		17.2%	87.0%		●	• Total for 77th term (10/1/2021 - 9/30/2022).
Average number of days of childcare leave taken		61.0days	290.0days		●	
Average overtime hours		Total				
		10.5 hours/month			●	• Overtime hours are counted as hours worked over and above the prescribed working hours (7 or 8 hours in principle) at each of the subject companies. • Total for 77th term (10/1/2021 - 9/30/2022).

*Data without special notes are as of the end of the 77th fiscal year.

Non-Financial Data

Governance		
Policy		
Charter of Business Conduct	Yes	https://gakken.jp/philosophy
Anti-Corruption Policy	Yes	https://gakken.jp/anti_corruption
Tax Policy	Yes	https://gakken.jp/tax
Compliance Code	Yes	Not disclosed (included in booklet for employees)
Information Security Policy	Yes	Not disclosed
Business Continuity Plan (BCP)	Yes	Not disclosed
Corporate Governance Guidelines	Yes	https://gakken.jp/governance

Corporate Governance				
Status of Hotline Reporting	Period	FY9/2020	FY9/2021	FY9/2022
		18 cases	27 cases	38 cases *Number of compliance violations in the fiscal year ended September 30, 2022: 0 serious violations
Number of participants in GRC training (for all directors and employees of the Group)	Period	FY9/2020	FY9/2021	FY9/2022
	Number of participants	15,401	16,069	16,828
	Number of employees who have completed the course	15,401	16,069	16,828
	Number of employees who have completed the course	100%	100%	100%
Number of Respondents to the Gakken Compliance Code Retention Survey	Period	FY9/2019	FY9/2021	
	Number of employees responding	3137persons	3723persons	
	Response rate	85.8%	96.7%	
Number of Gakken Holdings Directors	Total (persons)	Male (%)	Female (%)	
	11persons	73%	27%	

Group Company Information

Company Information

*As of September 30, 2022

Company Name (Trade Name)	GAKKEN HOLDINGS CO., LTD.
Established	March 31, 1947
Head office address	11-8, Nishi-Gotanda 2-chome, Shinagawa-ku, Tokyo 141-8510, Japan
	TEL : 03 - 6431 -1001 (Representative)
Representative	Hiroaki Miyahara, President and Representative Director

Number of employees	22,060persons
Capital stock	19,817,453,638yen
Closing Date	September 30
Home PageURL	https://gakken.jp/ghd

List of Gakken Group Companies

52 consolidated subsidiaries *15 non-consolidated subsidiaries As of March 2023

GAKKEN HOLDINGS CO., LTD.

Educational Domain
Gakken Juku Holdings, Co., Ltd.
Gakken Educational Co.,Ltd.
Gakken Method Co.,Ltd.
Gakken L Staffing Co.,Ltd.
Gakken Study et Co.,Ltd.
WASEDA SINGAPORE PTE.LTD.
Hisho Bunkyo Co.,Ltd.
GAKKEN STUDY ET VIETNAM CO.,LTD.
GAKKEN STUDYET CALIFORNIA Inc.*
Sozogakuen Co.,Ltd.
Waseda School Co.,Ltd.
ING Co.,Ltd.
ZENKYOKEN Co.,Ltd.
Koto Shingakujuku Co.,Ltd.
Bunri Gakuin Co.,Ltd.
Syoei Co.,Ltd. *
GI Village Co.,Ltd. *
NE Holdings Co.,Ltd. *Included in the group in May 2023
Gakken Inc.
Arukikata Co.,Ltd.
GlatS Co.,Ltd.
Great Learnings and Technologies (GLATS)Cebu,Inc.
Gakken Medical Support Co.,Ltd.
Gakken Area Market Co.,Ltd.
GAKKEN DATA SERVICE Co.,Ltd.
BUNRI Co.,Ltd.
Beacon Co.,Ltd. *
Gakken Sta:Ful Co.,Ltd.
TOKYO GLOBAL GATEWAY Co.,Ltd.
TOASU Co.,Ltd.

Institutes and Associated foundations

Gakken Research Institute for Learning and Education
Gakken Research Institute for Science and Creation
Foundation of Research and Studies for Ability Development Education
Furuoka Scholarship Foundation

Healthcare and Nursing Domain

Gakken Cocofump Co.,Ltd.
Gakken Cocofump Nursery Co.,Ltd.
Gakken Intelligence Co.,Ltd.
SYSCARE Co.,Ltd.
Gakken Cocofump Nursing Co.,Ltd.
Gakken Famille Corporation*
Medical Care Service Co.,Ltd.
Medical Care Service Hokkaido Co.,Ltd.
Medical Care Service Tohoku Co.,Ltd.
Medical Care Service Niigata Co.,Ltd.
Medical Care Service Tokai Co.,Ltd.
Medical Care Service Kansai Co.,Ltd.
Medical Care Service Shikoku Co.,Ltd.
Medical Care Service Kyushu Co.,Ltd.
Medical Care Service Mie Co.,Ltd.
Medical Care Service Fukushima Co.,Ltd.
GREEN FOOD Co.,Ltd.
Care Star Co.,Ltd.
MCS Heartfull Co.,Ltd.
MCS Heartful A Co.,Ltd.
Property Care Partners Co.,Ltd.
Gakken Medical Pharmacy Co.,Ltd.
Wellfair Corporation K.K.
Olive Life Corporation*

Others

Gakken Logistics Co.,Ltd.
Gakken (Hong Kong) Co.,Ltd.
Gakken Products Support Co.,Ltd.
IC Net Limited
Gakken Turkey Innovatif Eđitim A. Ş.*
Gakken LEAP Co.,Ltd.
Gakken Smile Heart Co.,Ltd.*
Gakken Ace Education Co.,Ltd.*
Gakken Asia Pacific Pte.Ltd.*
Gakken Education Malaysia Sdn.Bhd.*
Bend Co.,Ltd.*
Gakken CC inc.*
Gakken Shanghai Trading Co.,Ltd.*
GPlusMedia Inc.*

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Sustainability Committee Integrated Disclosure Subcommittee

Corporate Sustainability Division

Contact:2-11-8 Nishi-Gotanda, Shinagawa-ku, Tokyo 141-8510

Phone: 0570-056-710 (Gakken Group General Information)