

Gakken Group

C S R REPORT 2020

Together with
the Earth, People,
and Society



Creative Challenge

Gakken

G a k k e n
CSR Report 2020
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Editorial Policy

- Gakken Group issues the Gakken Group CSR Report every year. As well as reporting on the group's environmental activities, the report includes a wealth of content with a strong awareness of the seven core subjects of ISO 26000/SR (organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, community involvement and development), including a wide range of information on topics such as the group's engagement with various stakeholders and social contribution activities aimed at solving social issues.
- The goal of CSR Report 2020 is to communicate to stakeholders in an easy-to-understand manner how Gakken Group is fulfilling its social responsibilities through various initiatives aimed at solving social issues, as well as provide opportunities for revising and improving the group's CSR activities through communication with stakeholders.
- The information contained in the report was decided on following thorough consideration of what is important for both Gakken Group and society, based on advice and opinions from experts and third parties, and after using various report creation guidelines as references.

Reference Guidelines

- GRI Sustainability Reporting Standards
 - *A comparison chart has been posted on the website shown below.
- ISO 26000 (guidance on social responsibility)

Period Covered by the Report

October 2018-September 2019 (some information from October 2019 onward, outside the report period, has also been included)

Organizations Covered by the Report

In principle, the report covers Gakken Holdings Co., Ltd. and all Gakken Group companies. In cases where information covers a particular scope within the group, this will be defined in the relevant section.

Group Philosophy

Gakken Group truly hopes for everyone to lead the enriched life by providing the sensation, satisfaction and peace of mind for the day along with the dreams and hopes for tomorrow.

Group Vision

Learn with Gakken!

We are the Playful and Exciting Enterprise!

「Gakken Spirit」

Creative Challenge

To Know

Focus on the future and maintaining a broad view of opportunities acquired thorough an understanding of existing markets and customers.

To Challenge

With a firm and swift conviction, challenge by keeping the sight of higher goals.

To Create

Create new values which have free and innovative ideas.

Gakken Group Aims to Be a Leader in
“Education” and “Healthcare and Nursing”

Education

Giving the knowledge to thrive in the future for the children, and confidence to move up to the next stage for adults, Gakken provides “learning that makes you want to learn more” to everyone. Whether it be at home, in your community, or at school, and with books, mobile devices, or through mentoring, we are always at your service when you want to learn.

Healthcare and Nursing

Japan has long been undergoing a decline in birthrate and an increase in seniors. How can we live with a peace of mind and safety where there are zero-year-olds to over 100-year-olds? We developed our signature Gakken's Community based Integrated Care System. We will continue to improve and expand our services as we have done so in dementia care and home-visit nursing care.

Gakken Group Corporate Profile

- **Registered name** Gakken Holdings Co., Ltd.
- **Business outline** Education service, education contents, educational solution, healthcare and nursing services, other
- **Address** 2-11-8 Nishigotanda Shinagawa-ku, Tokyo
- **Established** March 31, 1947 (Founded 1946)
- **Number of Employees** 6,970 [Consolidated] as of September 30, 2019
- **Net Sales** 140,559 million yen [Consolidated] as of September 2019

Business Segments

Education Service Business

Net Sales 30,273million yen
Operating Income 899million yen



We operate learning centers, prep schools, and home tutor dispatch services all over Japan which have won the trust of local communities. Beginning with Gakken Classroom, which foster logical thinking skills, we engage each student as an individual, communicate the fun of learning, and draw out their enthusiasm to grow their capabilities.

Education Contents Business

Net Sales 29,561million yen
Operating Income 126million yen



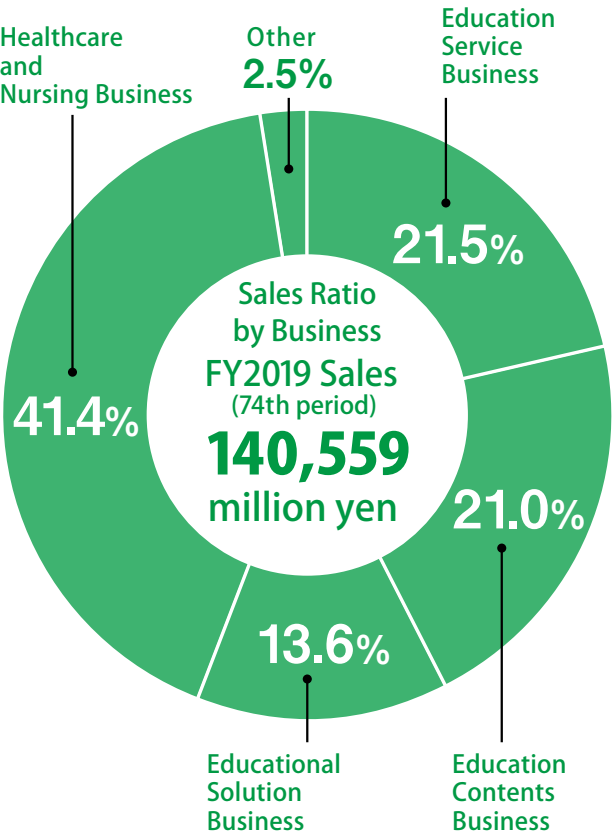
We publish and sell children's books, study-aid books, hobbies and practical books, and other materials through distributors and bookstores. We also create and sell digital content coordinated with published materials, operate a digital publishing and distribution business, develop learning materials, plan and create educational ICT services, operate media, and plan, create and sell stationery and toys.

Educational Solution Business

Net Sales 19,080million yen
Operating Income 361million yen



We supply picture books for kindergartens and nursery schools, preschool learning materials, operate toddler classes, and provide training for nursery school teachers. We also provide robust support for learning in schools and companies by providing school textbooks, teacher's guides, and special learning support materials for elementary and junior high schools, essay writing tutoring and mock exams for high schools, entrance exams and employment support for universities, and recruitment support and employee training for companies.



Healthcare and Nursing Business

Net Sales 58,142million yen
Operating Income 2,984million yen



In the elderly care field, we plan, develop, and operate serviced apartments for the elderly and group homes for the elderly with dementia, as well as various elderly care services in both Japan and overseas. In the childcare field, we operate authorized nursery schools and children's daycare centers for preschool children and after school children's clubs for school-aged children.

Other

Net Sales 3,500million yen
Operating Income 130million yen

Business development area

Gakken Group's Oversea Offices

We have established group bases mainly in Southeast Asia and China to provide services to local people.

Gakken Nanmeebooks Education Co.,Ltd.



Through a joint venture with a major Thai publisher, GNE has expanded Gakken Classroom nationwide. It also supports business development in Thailand.

Gakken Ace Education Co.,Ltd.



GAE is a joint venture with an IT company in Myanmar. Gakken Classroom is offered to children from the upper-middle to the wealthy classes. It also started programming course.

Gakken (Hong Kong) Co.,Ltd.



As Gakken Group's overseas production management office, it develops a wide range of products, from learning materials to household goods.



※ Excludes offices providing services to Japanese customers staying abroad.

Gakken Education Malaysia Sdn.Bhd.



Using learning worksheets in English, Gakken Classroom is operated in major urban areas to diverse customers in Malaysia.

Gakken Jakarta Rep. Office



Gakken Jakarta supports the Tokyo headquarters by conducting market research for our Indonesian market expansion. The office also exhibits at international book fairs.

Elderly care facilities of MCS



Medical Care Service. (MCS) operates elderly care facilities mainly in China. It also develops a wide range of businesses, including staffing and consulting for facilities' operations.

Branches of IC Net Co.,Ltd.



IC Net implements official development assistance (ODA) projects in developing countries. IC Net also leverages the private sector to solve social issues in developing countries.

TOP COMMITMENT



Gakken Group is raising the sustainability of society through our Education and Healthcare and Nursing businesses.

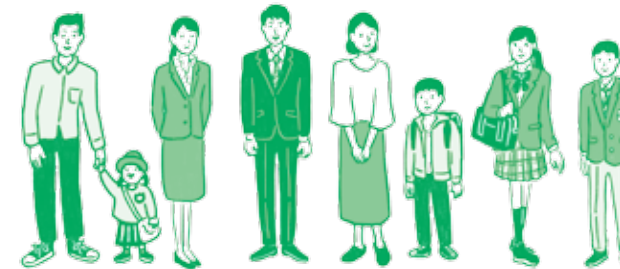
President, Representative Director
Gakken Holdings Co., Ltd

宮原博昭

Hiroaki Miyahara



**Gakken Group Aims to Be a Leader in
“Education” and “Healthcare and Nursing”.**



Education



Healthcare and Nursing

Thank you for reading Gakken CSR Report 2020. We publish our CSR report every year so that in addition to financial information such as sales and profits, our many stakeholders can also understand how Gakken Group is interacting with society, including our environmental and social contribution activities.

Evolving from an Education Company into One That Solves Social Issues

In 2019, the Japanese Archipelago was hit by large typhoons which caused damage across the country. I would once again like to offer my condolences to people in areas that suffered damage and I hope that they recover quickly.

Heading into 2020, we are also seeing a succession of events that highlight the effects of global warming, such as the hottest winter on record in Japan and severe bushfires in Australia.

Gakken Group's business is centered on children and the elderly, so we recognize the extremely grave risk posed by climate change. Furthermore, we think that fulfilling our social responsibility to apply the vast experience we have cultivated to appropriately tackling climate issues also presents a transformative growth opportunity.

Our view is that a sustainable society results in sustainability for Gakken Group, so we see engaging in environmental, social, and governance (ESG) initiatives as a core issue for the entire group. In our engagement with business and society, we are tackling the SDGs with a medium- to long-term perspective, and we have begun efforts to achieve all 17 goals, with goals 3, 4, and 11 set as priorities.

Since our establishment in 1946, Gakken Group has sought to solve social issues through consistent education. Under our motto of providing people with education, healthcare and nursing regardless of disparities in location and income, we have expanded our services and there are now many fields in which we can provide solutions.

In 2019, we welcomed IC Net Co., Ltd. into the group. This company is truly on the frontlines of efforts to fulfill the SDGs, providing solutions to issues facing developing countries through official development assistance. The synergies created between IC Net's track record of carrying out activities in 150 countries around the world and Gakken's education, healthcare and nursing expertise will help Gakken Group to steadily evolve into a group that can solve all the issues contained in the SDGs.

TOP COMMITMENT

The Two Growth Engines of “Education” and “Healthcare and Nursing”

Based on the Gakken2020 medium-term management plan released in November 2018, Gakken Group has established a management policy of making inroads in developing the next generation using the two growth engines of “Education” and “Healthcare and Nursing.” Under this policy, we are striving to strengthen our management foundation, raise capital efficiency, and realize shareholder return in order to improve corporate value through sustainable growth.

In the fiscal year ended September 30, 2019, which was the first year of Gakken2020, we achieved our targets of 140.5 billion in net sales and 4.5 billion in operating income through measures in the education field such as promoting English courses at Gakken Classroom and implementing ASUGAKU (Educational assesment of now cognitive skills) which cater to Courses of Study and measures in the healthcare and nursing field such as advancing Gakken's Community-based Integrated Care System and creating synergies between serviced apartments for the elderly and group homes for the elderly with dementia. The addition of Medical Care Services resulted in an increase in income for the 10th consecutive year, and the healthcare and nursing field was a driver for the highest profits since we adopted a holding company structure.

2020 is an Olympic year and also the final year of Gakken2020, Gakken Group's medium-term management plan. In the education field, it will see the start of a new Courses of Study (national curriculum) for elementary schools. The new curriculum sees students as the builders of a sustainable society and calls for the cultivation of three main areas – “knowledge and skills,” “



abilities to think, make judgements and express themselves” and “the motivation to learn and humanity”

Gakken Group will provide in-depth learning by independent study and interaction through the experience-oriented English-education facility TOKYO Global Gateway, moral education and physical and health education textbooks, learning centers, Gakken Classroom, NEA (Network of Educational Alliance), and other initiatives.

Also, to engage in EdTech, we will establish digital and innovation promotion offices within Gakken Holdings and advance the spread of initiatives such as the creation of educational platforms and apps that encourage home-learning.

In the healthcare and nursing field, we will establish 17 new facilities to realize Gakken's Community-based Integrated Care System by creating good working environments and improving service quality.

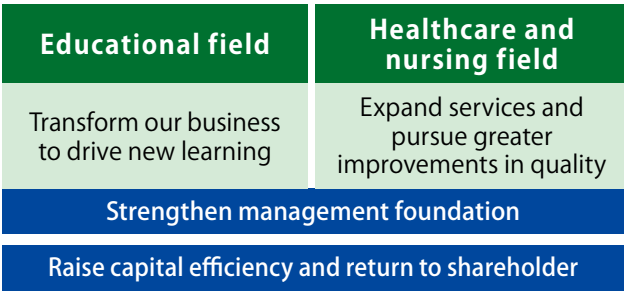
Gakken Group is contributing to ESG and the SDGs as a company that incorporates social issues into corporate activities. I look forward to your continued understanding and support going forward.

Overview of the Gakken2020 Medium-term Management Plan

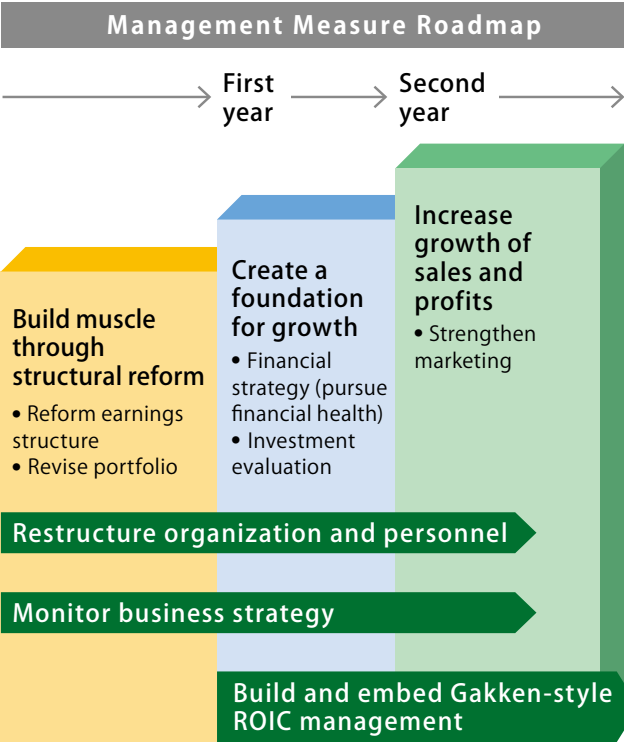
As we face rapid changes in the business environment surrounding Gakken Group, we will focus on achieving growth in the educational field and the healthcare and nursing field. To do this, we will aim to continually provide quality products and services that will pave our way into the future and we have set “make inroads in developing the next generation using two growth engines” as our management policy so that we can achieve improved corporate value through sustainable growth.

Additionally, in order to create a foundation that supports our efforts in these two fields, we have set “strengthen our management foundation” and “raise capital efficiency and return to shareholder” as policy. To realize an aggressive management strategy, we need to form a robust financial base by improving profitability, investing selectively, and raising capital efficiency. The entire company will work together to achieve this plan and aim for even greater heights.

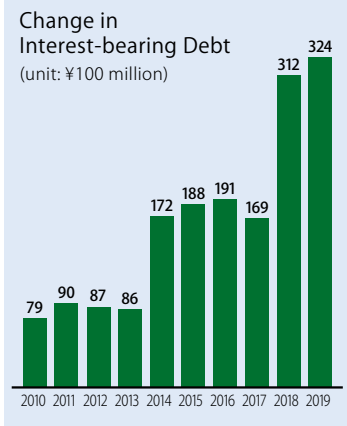
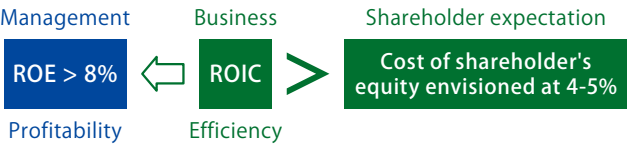
Make Inroads in Developing the Next Generation Using Two Growth Engines



Improve corporate value through sustainable growth



Introduce ROIC to Raise ROE



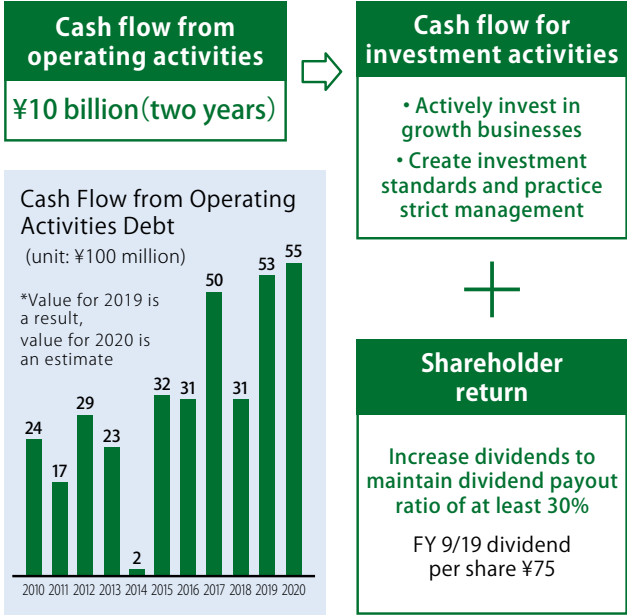
Consolidated management

- Build a management system focused on efficient management in accordance with the CG code
- Aspire to raise ROE by introducing ROIC to improve business profitability and efficiency

Business entity

- Raise efficiency of invested capital (operating capital + fixed assets)
- Aspire to enhance KPI and improvement drivers that are consistent with the nature of each business such as learning centers, publishing, elderly care, etc.

Raise Cash Creation Capabilities for Active Investment and Expansion of Shareholder Return



Implementing Seven Management Measures for Strengthening Our Management Foundation

- 1 Monitor business strategy
- 2 Restructure organization and personnel
- 3 Reform earnings structure
- 4 Revise portfolio
- 5 Financial strategy
- 6 Investment Evaluation
- 7 Strengthen marketing

Group unity

Period to September 2019 Results and Period to September 2020 Outlook

	FY 9/19 Results	FY 9/20 Plan	FY 9/20 Revised Plan	Difference	Notes
Net sales*	1,405	1,400	1,430	+30	Elderly care business growth
Operating income*	45	50	51	+1	
Operating income margin	3.2%	3.6%	3.6%		
Net income	19	33	28	△5	Increase in tax burden ratio
Net income margin	1.3%	2.4%	1.9%	△0.5%	
ROE	5.0%	7.7%	—	—	
Dividend per share	75円	75円	80円	+5円	Dividend increase
Dividend payout ratio	35.9%	21.0%	26.4%	+5.4%	

(*unit: ¥100 million)

Medium-term Management Plan Interim Appraisal

Education field : Speed of business transformation an issue
Healthcare and nursing field : Expansion of operations is driving group growth
Capital efficiency improvement and shareholder return : Dividend increase to continue

Area	Comment	evaluation
Results	All numerical indicators roughly on target	○
Strengthening of management foundation	Currently advancing seven management measures based on the roadmap	△
Capital efficiency improvement	Controlling tax burden ratio is an issue for improving ROE	△
Shareholder return	Dividend increase to continue (¥5 increase for FY 9/09)	○
Business strategy (education)	Look carefully at attempts to create new business (screening and speed are issues)	×
Business strategy (healthcare and nursing)	Stable growth in serviced apartment for the elderly and group home for the elderly with dementia business	○

Gakken Group's Corporate Social Responsibility (CSR)

CSR Approach

Tackling Social Issues and Creating Value for Our Future

Gakken Group engages with a wide range of customers through our business and non-profit foundations, from infants to the elderly. We believe that if each individual employee faces social issues together with customers and if we make solving these issues central to our business, it will create lasting value.

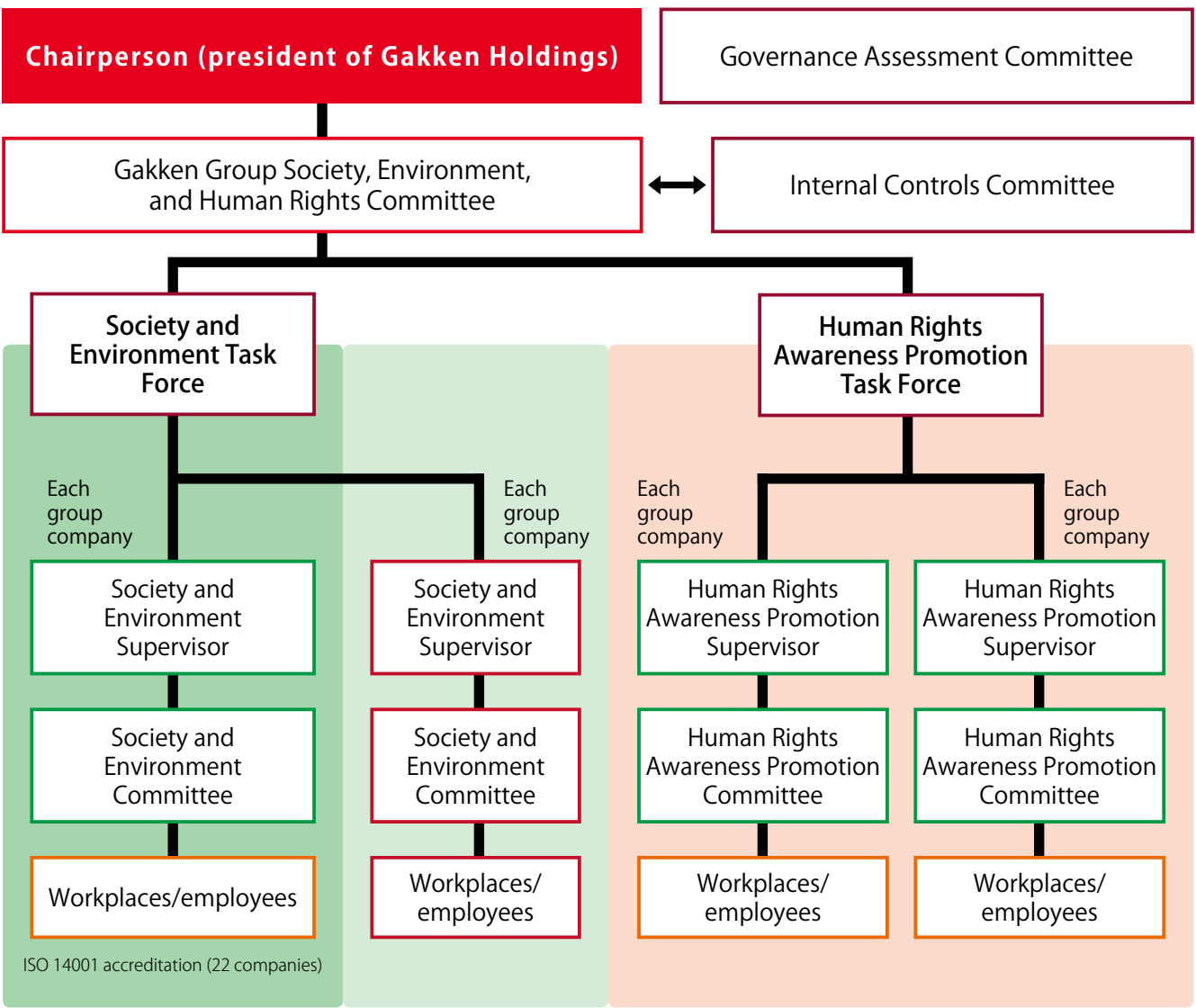
The driving force behind Gakken Group's CSR activities is to contribute to society by responding to the values of customers of every age to provide new products and services.

We practice CSR management with the aim of exceeding the expectations of all stakeholders, from customers to business partners, employees and their families, shareholders, investors, government agencies, local communities, and others.

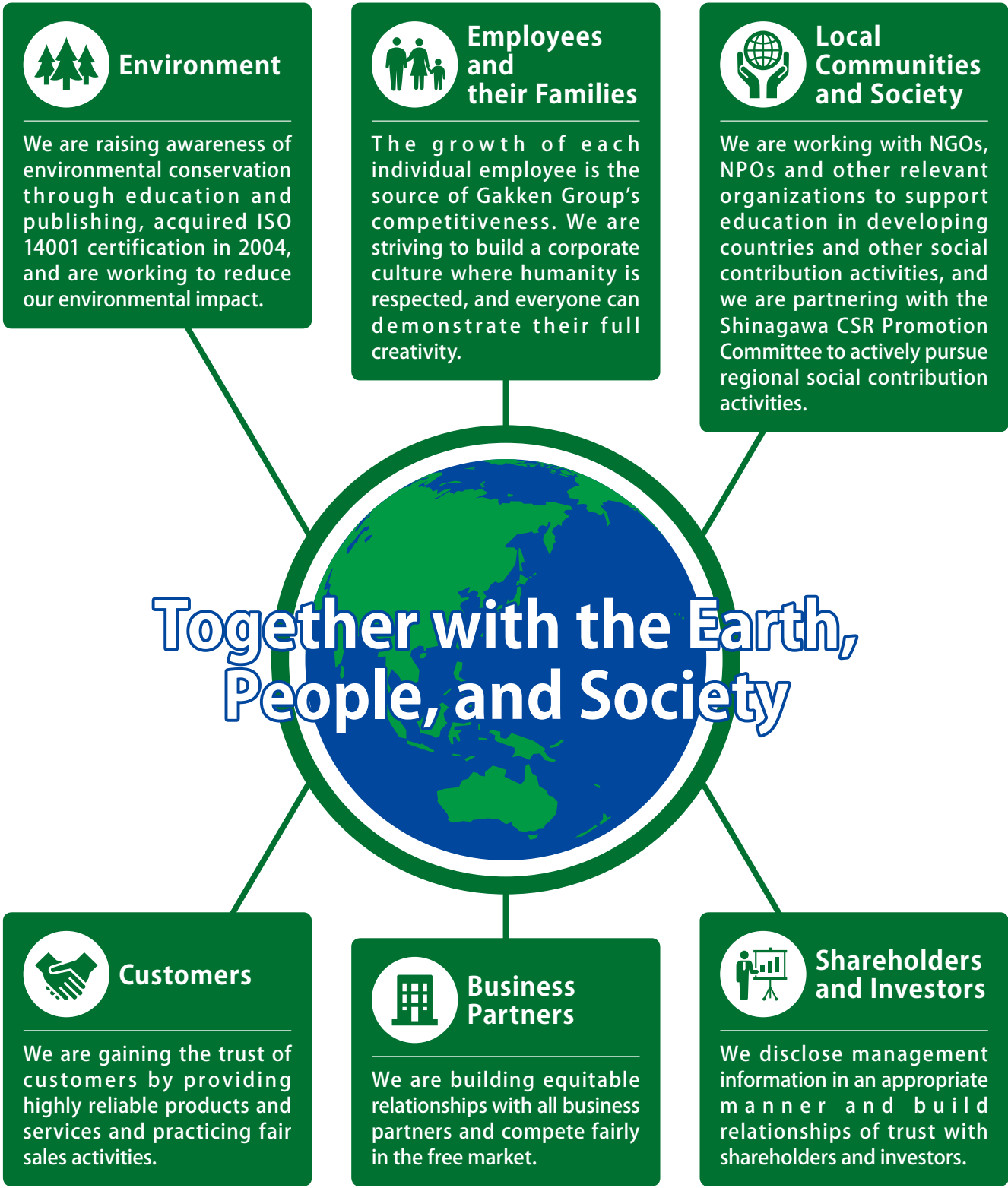
Implementation Structure

Gakken Group's CSR activities are primarily implemented by the Society, Environment, and Human Rights Committee which is chaired by the president of Gakken Holdings. Each group company has established a Society and Environment Committee and a Human Rights Awareness Promotion Committee and carries out social and environmental activities based on the group philosophy, works to create pleasant working environments, and strengthens management foundations.

■ Gakken Group Society, Environment, and Human Rights Committee Organization Chart



Stakeholders



Gakken Group's Corporate Social Responsibility (CSR)

Important issues and Materiality of Gakken Group

Gakken Group aims to realize a sustainable society through our business. Toward the goal, We recognize the business activities give huge impact to the economy, environment and society. In 2019 we have identified our materiality.

By conducting business from a medium-to long-term perspective while being aware of materiality, we can provide the value that the society requires.

■ Gakken Group's Materiality Mapping



■ MATERIALITY Issues and Relationship to the Gakken Group Operations

We develop next generation talent that can create value in the future.	We provide EdTech services, STEAM education, and Montessori education. We also work on globalizing our workforce and promoting women's advancement.
We support the healthy development of youth.	Through our education services, we contribute to the growth of "Zest for life" to live responsibly through physical education, moral education, respect for diversity, communication skills, among others.
We promote lifelong learning in the 100-year life era.	We provide educational services through learning centers and Gakken Classroom. We also provide services related to recurrent education, business-academia collaboration, and women's social advancement, among others.
We support fulfilling, community-based senior life.	Through Gakken's Community-based Integrated Care System, we create a community where multiple generations live in harmony and interact with each other.
We strengthen corporate governance.	We implement corporate governance and guidelines, ensure compliance, and strengthen information security, etc.

SDGs Priority Targets



- The SDGs'pledge to not leave anyone behind overlaps with Gakken Group's corporate philosophy.
- We narrowed the topic areas down to three goals, which are based on the relationship with materiality, the impact in the value chain, and on the strengths of our group.
- Most of the 17 goals of the SDGs are interrelated. We aim to solve the problem by starting with education, which is our priority goal.
- We would like to add priority targets in the future as SDGs initiatives mature and our operations expand.

Special Feature

1

Develop **next-generation** talent that can create value in the future



Why is This Important?

Currently, school education is being required to cultivate individuals who can recognize social issues as problems that affect themselves and build a sustainable society that will lead to solutions to these issues.

In order to elicit the change in values and behavior that will enable the realization of a sustainable future in terms of the

environment, economy, and society, a scientific and math-based approach, creative thinking skills, and a global perspective will all be important.

Gakken Group is utilizing approaches such as Montessori and English education to develop the people who can create new value for the future.

Initiatives by Group Companies

- Montessori education at GI Village Clantete Mita (Gakken Juku Holdings Co., Ltd.)
- Development and provision of "Gakken Prime Seminars," a online video lesson targeting senior high school students (Gakken Plus Co., Ltd.)
- Development of study-aid books that provide new learning (Gakken Plus Co., Ltd.)
- Enhancement of picture books and picture book app content targeting toddlers (Gakken Plus Co., Ltd.)
- Cultivation of individuals who can play an active role in global society through communication education at TGG English village (TOKYO GLOBAL GATEWAY Co., Ltd.)
- A talent matching business connecting companies with universities and technical colleges (Gakken E-Mirai Co., Ltd.)

TOKYO GLOBAL GATEWAY Initiative

Indicator	FY2019 Target	FY2019 Result	Self-Assessment	FY2028 Target
visitors per year	visitors	visitors	Good	visitors
200,000	100,000	100,000		200,000

TOKYO GLOBAL GATEWAY (TGG) opened in September 2018 with the aim of providing English education with a particular focus on strengthening speaking and listening skills that enable students to express themselves and give presentations in English. Every day since opening it has hosted large numbers of elementary, junior high, and senior high school students from across the country and on weekends it is popular with parents and children.

TGG's catchphrase is "Excitement of global communication !" and from the moment a student steps through the door, they enter a fantastic new world surrounded by English. By spending half a day or a day with one of the native English-speaking staff, they receive an immersive English communication experience.

TGG carries out surveys of students and school teachers both before and after experiencing its curriculum, and in the results for the first six months after opening in 2018, 87% of teachers answered that they had seen a change in their students following the experience.

Also, over 100 companies and local governments, as well as visitors from overseas, have come to observe the project and it has been well received by Tokyo Metropolitan authorities. In 2018, it held an English Camp event together with the Ichishin Education Group which featured TGG's staff and program.

TGG is now looking to use its original program, facility design, and native English-speaking staff and training manuals to expand the business to cover children from other non-English speaking countries, as well as Japan.

"My English was understood," "I understood what the foreigner was saying," "I want to study abroad," "I want to work overseas..." TGG's English experience helps students discover and feel more

closely connected to the world. Going forward, Gakken Group wants to cultivate international individuals who can visit any country in the world and work on an equal footing together with locals without fear.



▲A booth equipped with professional standard TV studio equipment. Students create news stories in English and act them out as presenters and reporters.



▲Students experience everyday English conversation in an area modeled as an overseas town. TGG's diverse non-Japanese staff help each individual to articulate in English.

Support the healthy development of youth



Why is This Important?

To grow into an independent individual, a person needs to cultivate human qualities such as a developed character, a sense of independence, capacity for judgement, and a sense of responsibility. Furthermore, they need to nurture their individuality while respecting their relationships with others and society.

Gakken Group thinks that cultivating “zest for life” supports the growth of youth, so we not only provide academic education

through Gakken Classroom, group learning centers and the like, but we also support character development, such as how to reach out to people in need. We recognize that it is our mission to provide students with high quality education, regardless of whether they have a disability or not, their nationality, or any other characteristic. We achieve this through methods including school textbooks on health, physical and health education, and moral education, and by providing child-raising support.

Initiatives by Group Companies

- Support for children’s character development in addition to academic education at Gakken Classroom, learning centers, and by home tutors, etc. (Gakken Juku Holdings Co., Ltd)
- Development and provision of “Think Deeply and Explore the World seminar” based active learning program (Gakken Plus Co., Ltd.)
- Publishing of books for school libraries (Gakken Plus Co., Ltd.)
- Implementation of assessments that enable children to acquire solid academic capabilities (BUNRI Co., Ltd.)
- Publishing of textbooks on physical and health education and moral education for elementary and junior high schools (Gakken E-Mirai Co., Ltd.)
- Introduction of the Gakken Approach, an original method of building childcare environments that raise self-nurturing capabilities at all nursery schools and children’s daycare centers (Gakken Cocofump Nursery Co., Ltd.)
- Opening of KLOCKA centers for child development support (Gakken Cocofump Nursery Co., Ltd.)

Gakken E-Mirai Co., Ltd

Indicator	FY2019 Target	FY2019 Result	Self-Assessment	FY2030 Target
Number of physical and health education and moral education textbooks supplied	1.69 million books	1.69 million books	Good	3.50 million books

Gakken E-Mirai has a long track record of almost 60 years of providing schools with textbooks and supplemental books. For example, its physical and health education textbooks for junior high schools cover various current health issues and aim to help students, realize rich sporting lives, acquire and apply basic knowledge related to sports, health, and safety, understand the importance of being inquisitive, grasp the issues facing themselves

and others, and develop the qualities and skills needed to improve. Also, in regard to moral education, it aims to cultivate future-orientated students who think positively by creating school textbooks that students will want to read, think about, and discuss.

Currently Gakken E-Mirai boasts school textbook sales of 1,690,000 books and it continues to support the growth of young people all over Japan. It aims to double these sales to 3,500,000 books by 2030, which is the target year for the SDGs. Furthermore, the entire Gakken Group is working to support further growth and achieve SDG 4-Quality Education.



Launch of First Service in the Childcare Support Field



In the childcare support field, we have launched the KLOCKA brand, a new service supporting children with disabilities, thereby expanding our efforts in the service provision area of Gakken’s Community-based Integrated Care System. Naturally these facilities provide high-quality special needs services, but they are also operated in partnership with Gakken Cocofump Nursery’s existing nursery schools, as well as local nursery schools and kindergartens, in order to build a framework for the early detection of and early provision for special needs.

We are also working to solve the new social issue of “the first-grade wall” (the difficulty of finding the place where can take care of children until late in the evening once they enter elementary school) and have been commissioned to open 10 new public after school children’s club. We hope to prove ourselves useful to dual-income households and others by meeting the growing need for after school children’s clubs.

Promote lifelong learning in the 100-year life era



Why is This Important?

Gakken Group believes that growth produces happiness, which then results in a desire for further learning. In the 100-year life era, people need to learn freely and continuously over their entire lifetime. Self-improvement can lead to the rejuvenation of local communities, increased social participation among the elderly, social advancement for women, and the further development of a sustainable society.

Gakken Group’s lifelong education initiatives are spreading throughout the healthcare and nursing field and at venues for adult education. These initiatives include Gakken Academy for training certified care workers and nursery school teachers, publications for stimulating brain activity, e-learning for nurses, and a personnel development business aimed at companies.

Initiatives by Group Companies

- Release of “Otona no Kagaku” as well as STEAM-related books for general readers (Gakken Plus Co., Ltd.)
- Publishing of “Workbooks for Adults” that stimulate brain activity in seniors (Gakken Sta:Ful Co., Ltd.)
- Provision of original brain training program “Nou Genki Time” at daycare service center for the elderly (Gakken Cocofump Co., Ltd.)
- Gakken Academy, which cultivates personnel to tackle the social need for elderly care and childcare (Gakken Cocofump Staff)
- Holding of global nursing seminars with nursing experts invited from overseas (Gakken Medical Shujunsha Co., Ltd.)

Gakken Medical Support Co., Ltd Initiatives

Indicator	FY2019 Target	FY2019 Result	Self-Assessment	FY2030 Target
Number of hospitals with contracts for e-learning for nurses	1,300	1,403	Good	3,000

In April 2010, it became obligatory to endeavor to give postgraduate training to newly graduated nursing personnel , so in October 2011, Gakken Medical Support Co., Ltd launched an e-learning education support service to support nursing departments aiming to improve nursing quality and prevent new nursing personnel from leaving the industry early. Its main service is “Gakken Nursing Support”, which has been renewed each year since launch, and now distributes lecture contents by distinguished instructors on over 200 themes per year, which are used by staff from new nurses to nursing managers, and even professionals working outside of nursing departments.

In addition to this, it also continuously launches a wide range of content aimed at solving issues facing healthcare and nursing facilities, such as “Visual Nursing Methods” which combines nursing procedure manuals and technical videos to enable facilities to create their own nursing procedures, “Designated Procedure Training



for Nurses” which cultivates nurses who can assist in designated medical procedures through procedure manuals, and “Gakken Elderly Care Support” which improves the quality of elderly care staff.

As elderly populations grow, we think there will be a further increase in demand for home-visit medical and nursing care delivered through community-based integrated care systems. Therefore, support will be needed for personnel development that produces nurses who can think and act for themselves. Furthermore, there are around 700,000 qualified nurses who have left the industry to give birth and raise children, and we believe that e-learning is an effective way to support these nurses in returning to work.

We will continue to contribute to education and healthcare and nursing by providing lifelong educational support that can be accessed by anyone, anywhere, anytime.

JTEX Management Center Co., Ltd. (JMC)

JMC carries out a wide range of training, including training tailored to various themes or staff positions, and develops useful practical educational content that is directly linked to a company’s actual business. Furthermore, it has created a continuing education framework that in addition to teaching skills and knowledge, also encourages mutual interaction between participants and workplaces. Its promotion of continuing education is contributing to individuals, companies, and the world.

Also, by providing education in a range of fields, it is contributing venues where people can deepen their learning.

Support fulfilling, community-based senior life



Why is This Important?

Gakken Group's healthcare and nursing service businesses provide fulfilling lifestyles to all people and we think they also have another big role to play. This is tackling the issue of growing social security costs.

Gakken Cocofump's serviced apartments for the elderly provide services tailored to the level of elderly care required and costs are

kept low compared to intensive care home and the like.

Also, Medical Care Service Co., Ltd., which operates group homes for the elderly with dementia, is working to create a framework for the prevention, early detection, and progressive mitigation of dementia in order to reduce the future social cost.

Initiatives by Group Companies

- Publishing of magazines and books for stimulating brain activity in the elderly (Gakken Plus Co., Ltd.)
- Development of serviced apartments for the elderly, home-visit care, and day care businesses for elderly (Gakken Cocofump Co., Ltd.) and home-visit nursing care business (Gakken Cocofump Nursing Co., Ltd)
- Group homes for the elderly with dementia and fee-based nursing homes for the elderly (Medical Care Service Co., Ltd.)
- Advancement of research and development into the early detection, prevention, and mitigation of dementia (Gakken Medical Shujunsha Co., Ltd.)

Initiatives by Gakken Cocofump and Medical Care Service

Indicator	FY2019 Target	FY2019 Result	Self-Assessment	FY2030 Target
Number of elderly care facilities (serviced apartments for the elderly, group homes for elderly with dementia, etc.)	441 facilities	443 facilities	Good	Lead the industry in number of elderly care facilities

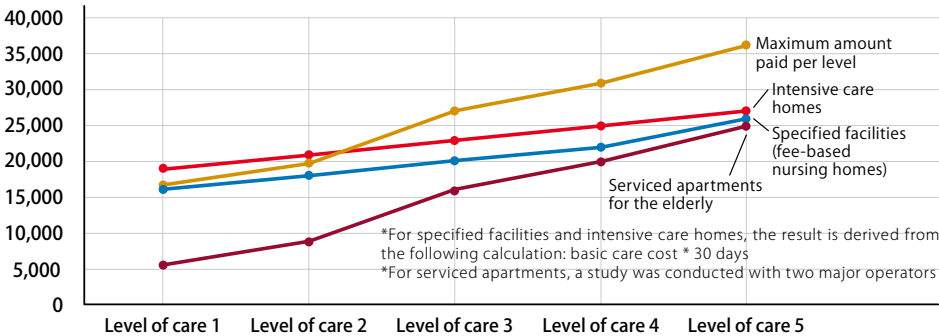
Gakken Cocofump's serviced apartments for the elderly are reasonably priced in line with pensions and the move-in fee is not high. They also have elderly care staff on hand at all hours, every day of the year, making them accessible to all people, from those who are still healthy to those who need nursing or medical care. This reflects Gakken Group's desire to provide as many services as possible for all people while at the same time making these services sustainable.

In 2011, Gakken Cocofump was also involved in amendments to the Act on Securement of Stable Supply of Elderly Persons' Housing and it was able to realize a new type of service in serviced apartments for the elderly. Serviced apartments for the elderly have a system where elderly care and medical services can be selected as needed in accordance with the resident's physical and mental condition. This means that if a resident's care needs are relatively few, the amount they pay for care can be kept low compared to intensive care homes and the like (see graph below).

We are also helping elderly people preserve their physical and mental health and live independently for as long as possible through services such as "Gakken Senior Classes" at Gakken Cocofump, which help prevent dementia, and at Medical Care Service, research on the early detection of dementia in coordination with industry and academic partners, and independence support elderly care (p.30) which helps people with dementia to maximize their capabilities.

We think that the frameworks we provide for supporting enjoyable lifestyles and living last years to the full despite increasing dependence on medical treatments or the onset of dementia are Gakken Group's strength as a private enterprise.

■ Changes in elderly care costs in accordance with level of care needed by type of service (unit: number of nursing insurance units per month)



▲ Cocofump Yachiyo-midorigaoka in Chiba Prefecture (serviced apartments for the elderly)

Strengthen corporate governance



Why is This Important?

Gakken Holdings' board of directors is pursuing the sustainable growth of the company and medium- to long-term improvement in corporate value in accordance with its fiduciary requirements and accountability to shareholders. The board believes it has a duty to govern group companies with the aim of improving earning power, capital efficiency, and the like to improve the corporate value of each group company and maximize fair profits for shareholders. Also, in order to raise the corporate value of group companies from a medium- to long-term perspective, we consider it crucial to consider the interests of stakeholders other than shareholders, including customers, business partners, local communities, and employees, and we make effort to work with these stakeholders in an appropriate manner. We also recognize fulfilling the social responsibilities (CSR) required of companies in

terms of the environment, society, and corporate governance as a key management issue.

This recognition has been recorded in the Gakken Group Charter of Corporate Conduct. Gakken Group's core businesses in the education and healthcare and nursing fields share the goals and values of our customers. We consider it our mission to solve various issues by providing quality products and services at a fair price, and to fulfill our social responsibilities by doing so.

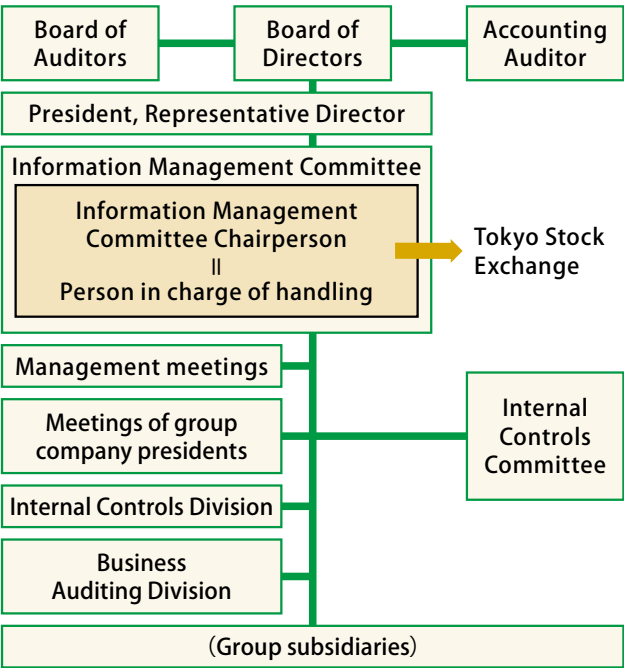
In December 2017, we formulated Gakken Holdings' corporate governance guidelines with the aim of making clear Gakken Group's corporate governance framework, our basic approach to corporate governance, and our policy going forward. We also submit our initiatives and required disclosure items to the Tokyo Stock Exchange and disclose these on our website.

Main Initiatives

Gakken Group gives a correct understanding and positive impression of the group's business and wins the trust of shareholders and investors by disclosing accurate information in an appropriate and timely manner. With this in mind, we have established an information management framework within the group and strive to maintain and strengthen its functions.

Therefore, when information that may influence the investment decisions of shareholders and investors surfaces, such as decisions, incidents, or information related to financial results, we disclose it in an appropriate manner based on relevant laws and timely disclosure regulations.

■ Gakken Group Timely Disclosure Execution Framework Chart



Also, in the interest of fairness and continuity, we also strive to disclose information that is not covered under timely disclosure regulations and the like but that we judge to be necessary for shareholders and investors to maintain a correct understanding of the group.

Timely Disclosure Execution Framework

We have established an Information Management Committee led by two executive managing directors who take charge of overall management of the holding company and comprising members from the Corporate Strategy Division, the Financial Strategy Division, the Legal and SR Division, and the Corporate Communications Division, and this committee executes disclosure operations. Furthermore, each group company has appointed a person in charge of information management to realize a structure in which important information can be aggregated at the holding company without any delays or leaks.

Policy for Handling Important Information by Type of Information

- (1) Information concerning decisions**
In principle, important decisions are made at monthly board meetings or management meetings held when necessary. If a swift decision is required, then an extraordinary board meeting may be held.
- (2) Information concerning incidents**
If an incident occurs, the person in charge of information management at the relevant company swiftly gathers information from each division. This information is then considered by the Information Management Committee in accordance with disclosure standards and if a disclosure is necessary, it is executed in a swift manner.
- (3) Information concerning financial results**
All information concerning consolidated or non-consolidated financial results, including monthly reports and results forecasts, is aggregated by the Financial Strategy Division, and following approval by the board of directors, disclosed by the chairperson of the Information Management Committee.

Environmental Management

Gakken Group Charter for the Environmental

We are all stewards of the earth, and to ensure we hand over beautiful planet to the next generation, through our publication 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

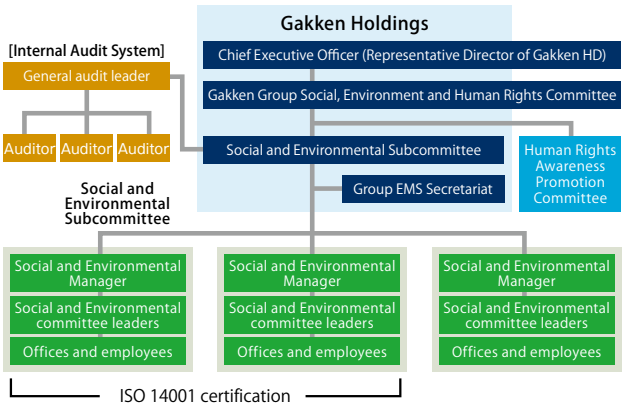
Gakken Group stipulates the following environmental policy and makes every effort to implement it.

- We promote business and projects concerning environmental education and awareness.
- We use resources efficiently and strive to carry out our business activities with low environment impact.
- We establish environmental goals and targets and continuously related agreements that our group companies have established.
- 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 System

We have established a social and environmental management system (EMS), which places the President, Representative Director of Gakken Holdings (see the organization chart to the right) as the Chief Executive Officer. Based on the EMS, we are implementing a PDCA cycle of evaluating environmental issues associated with our business activities, setting objectives and targets (Plan), implementing social and environmental activities (Do), confirming the achievement of targets (Check), and having management conduct reviews (Act). The Social and Environmental Subcommittee in the organization chart is chaired by the Chief Executive Officer mentioned above and includes the social and environmental manager, directors, executive officers, corporate auditors and group company presidents. It receives reports on major matters related to EMS operations, reviews the system, and discusses solutions to any issues or problems that may arise.

■ Social and Environmental Management System



Basic Stance of Environmental Management System

In 2004, Gakken Group established the Gakken Group Environmental Charter and acquired ISO 14001 certification, an international environmental standard.

Since 2014, it has evolved into a Social and Environmental Management System that addresses not only environmental issues but also quality and social contribution issues. Currently, the PDCA cycle is a major pillar of EMS activities, with customer safety and quality assurance and social contribution activities also being considered.

■ Scope of Registered Activities

Publishing, educational materials, classroom / learning centers, stationery and toys, editing and production of various content, distribution and sales, housing for the elderly, elderly care business, and childcare support business

Implementation of Internal Audits

Internal audits of the entire group are conducted at least once a year by qualified internal auditors (in-house qualifications). The audit for the 10th period was conducted from April 20 to May 18, 2019.

Result	Items to be improved: 0 Suggestions for improvement: 31 <small>(feedback to organization on methods used and document storage methods, and has been considered for improvement)</small>
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Compliance with Environmental Regulations

Every April, organizations that have acquired ISO 14001 certification confirm environment-related laws and regulations with the “Registration Table of Environment-Related Laws and Regulations and Compliance Confirmation Sheet,” and there were no violation of environment-related laws and regulations even in organizations that have not been certified.

Procurement of Raw Materials

Printing Paper Procurement Policy

Gakken Group encourages the procurement of “paper that has a clear and traceable origin and is made of appropriate materials”.

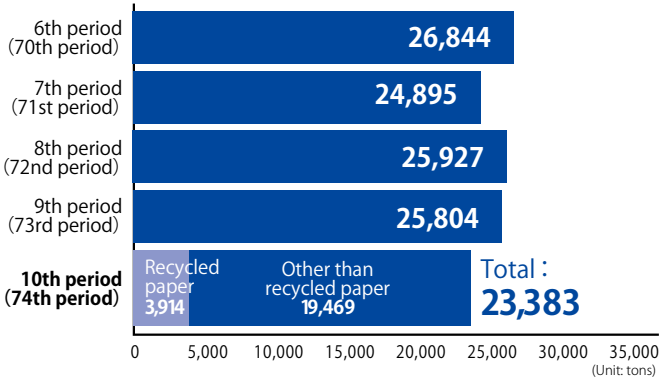
- Paper made of wood with confirmed legality.
- Paper made of wood taken from sustainably managed forests.
- Paper made of unusable wood, e.g. timber from forest-thinning, wood waste.
- Paper made of collected and recycled resources (wastepaper)

Gakken Group procures paper from “environmentally-friendly manufactures”.

- Manufactures that carry out eco-friendly business activities, such as the establishment Environmental Management Systems.
- Manufactures that give every consideration to safety and environmental concerns when using chemical substances.
- Manufactures that are promoting papermaking with elemental chlorine-free bleaching treatment.
- Paper made of collected and recycled resources (wastepaper)

Targets and Achievements

■ Amount of Procured Printing Paper
(Amount procured as production material by Gakken Product Support Co., Ltd.)



Main Initiatives

Gakken Group, as a publisher that uses a large amount of paper, has established a “Printing Paper Procurement Policy” as described above, and is working to promote the procurement of paper made from appropriate materials with a clear history, and to procure paper from

environmentally-conscious manufacturers. In addition, we are achieving results by promoting e-publishing and printing an appropriate number of copies in order to make effective use of paper resources.

Water, Air and Waste

Stance

Comprehension of amount of inventory disposal waste

In accordance with the company's own procedures for determining the amount of inventory disposal waste, we determine and record the amount and value of all inventory disposal waste, including the amount handled by Gakken Logistics Co., Ltd. Efforts will continue with only maintenance items from the 9th period.

Targets and Achievements

	Inventory disposal waste amount (t)
8th period (72nd period)	3,486
9th period (73rd period)	3,394
10th period (74th period)	2,931

● Target: Reduce compared to previous year's figures (3,394 t)
 ● Actual value: 2,931 t
 ● Evaluation: Achieved target

Main Initiatives

Since Gakken Group does not have factories that print publications or manufactures products, we do not currently have direct knowledge regarding the release of environmental pollutants into the water or air. Therefore, we measure the amount of waste in the inventory system downstream, not upstream through activities such as printing or manufacturing. Inventory control is not only a matter of reducing environmental impacts but also a business issue because it directly leads to cost reductions. Through measures such as reducing editing errors, careful planning, and appropriate circulation, the amount of waste is decreasing year after year as shown in the table to the left.

Use of envelopes made from recycled paper	All envelopes used in the Gakken Tokyo Headquarters are made using recycled paper. In 2018, we donated 100,000 yen through the Green Fund for use in greening and forest maintenance.
Use of carbon offset multi-function printers	Gakken Group has been using carbon-offsetting multi-function printers since 2015, and aims to reduce CO2 emissions by 295 tons in five years.

Energy

Targets and Achievements

	Crude oil equivalent of electricity and gas (L)	Energy
8th period (72nd period)	11,761,050	115.1
9th period (73rd period)	11,258,481	105.2
10th period (74th period)	11,303,363	103.4

- Target: Reduce entire Group's energy consumption per basic unit compared to previous year's figures (105.2 points).
- Actual value: 103.4 points
- Evaluation: Achieved target

Efficient Use of Energy

Gakken Group uses "energy use intensity" as an indicator of efficient energy use. Since the 8th period, we have converted the amount of electric and gas energy for the entire Group into the crude oil equivalent and divided it by sales as the basic unit, making it an objective measure that can respond to fluctuations due to business expansion and other factors. As shown in the table above, the basic unit cost of energy use has been decreasing due to improvements in lighting equipment and business efficiency.

Promotion of LEDs in Headquarters

In September 2019, most of the lighting in Gakken Tokyo Headquarters was replaced with LED lighting. By using energy-saving LED lighting, we will continue to contribute to CO2 emissions

reductions and the prevention of global warming. Gradation blinds have been installed at Gakken Tokyo Headquarters since 2008. With the gradation blinds, we are continuing CO2 emissions reductions by introducing appropriate light in rooms and reducing the heating and cooling burden by insulating rooms so that excessive changes in temperature are less likely to occur.



Environmental Performance of Sustainable Buildings (SYSCARE Co., Ltd.)

SYSCARE, which conducts planning, design and consulting services for elderly care facilities, provides support for improving the environmental performance of buildings by reducing energy consumption and CO2 emissions.

As of January 1, 2020, we have supported 61 applications for energy conservation measures and 161 applications for BELS evaluation, a system under which third-party organizations objectively evaluate and indicate the primary energy consumption of non-residential buildings.

We also provide consulting services for buildings that aim to achieve a zero annual primary energy consumption for a building by saving and creating energy while achieving a comfortable indoor environment (ZEB).

Biodiversity

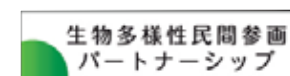
Stance

1. **【Responsibility of Management】** We aim for management in which business activities are in harmony with nature for the realization of a sustainable society
2. **【Global perspective】** We will act from a global perspective in response to the biodiversity crisis
3. **【Voluntary efforts】** We will voluntarily and steadily work to take actions that contribute to biodiversity
4. **【Integrated environmental management】** We will promote integrated environmental management
5. **【Creation of communities using natural capital】** With a reverence for nature, we will contribute to the creation of communities that utilize natural capital
6. **【Partnership】** We will collaborate and cooperate with related organizations in Japan and overseas
7. **【Environmental education and human resource development】** We will take the lead in environmental education and human resource development to create a society that fosters biodiversity

Participation in Japan Business and Biodiversity Partnership

Gakken Group participates in the Japan Business and Biodiversity Partnership and promotes initiatives based on the Declaration and Action Policy of Biodiversity by Keidanren. In addition, as part of the entire Group's environmental activities, we try to understand and

reduce waste plastic emissions, raise awareness of biodiversity through the publication of various illustrated guides, and support various environmental activities.



Topics | Biodiversity awareness activities

●Gakken Firefly Campaign

Gakken Firefly Campaign welcomed 23rd year in 2019, and the total number of participants has exceeded 120,000. This campaign aims to raise awareness of the natural environment around us by observing fireflies, an environmental indicator of the richness of nature. In 2019, we received a lot of reports from all over Japan and created a firefly map. From 2018, the number of monthly picture books for Pre-school children calling for participation has increased from six to eight, broadening the base of interest in environmental conservation. We will continue to do so in the hope that our concern for the environment and our actions will be passed on to the next generation.



▲Firefly Map for 2019 (23rd year).



▲Firefly report postcards from kindergarteners.

●Gakken Illustrated Guide LIVE to raise awareness of environmental issues

Gakken Illustrated Guide LIVE: Creatures of the Jungle

About 560 species of birds and insects in vivid color, including animals such as jaguars and orangutans, are introduced with precious photos and illustrations. Photographs of "Capybaras crossing a river" and a "Paraguayan caiman that glows in the dark" are by photographer Hiroshi Yamaguchi, who has been photographing jungles for nearly a decade, and the realistic images of the creatures are a must-see. Together with the DVD, this will deepen our understanding of what is happening to the natural environment that is being lost, while focusing on the diverse flora and fauna unique to tropical rainforests.



▲川を渡るカピバラ



▲ジャングルの生動物

Gakken Illustrated Guide LIVE Pocket: Animals in Danger of Extinction

In recent years, there has been an endless stream of news about endangered species such as giant pandas, crested ibises and Japanese eels. The main cause is human activity, but there are also problems such as invasive alien species and global warming that cannot be solved without cooperation across nations. This book, along with the latest data from the International Union for Conservation of Nature (IUCN) and Japan's Ministry of the Environment, introduces some 400 endangered species, explains why some of the animals closest to us are in danger of extinction, and explains conservation efforts.



▲On smartphones, you can enjoy realistic AR (3DCG) of giant pandas, Okinawa rails and more.

Support for "Don't pick up chicks!" by the Wild Bird Society of Japan and others (3 companies in Gakken Group)

We have distributed campaign posters in Gakken Classroom and public libraries across Japan and ask them to be displayed.



▲Approximately 110,000 posters were distributed. Photo courtesy of the Wild Bird Society of Japan

Cooperating in the "Nature Survey" of the Nature Conservation Society of Japan (Gakken Holdings)

In cooperation with the participatory environmental education program "Nature Survey," which is aimed at fostering feelings of respect for nature, we provide illustrated study guide to participants.



▲Ant nature observation in Kawasaki City. Photo courtesy of the Nature Conservation Society of Japan

Support for the 11th Environmental Education Poster Competition by the Foundation for Promoting Children's Education (Gakken Group)

A set of study books was presented to the schools of the Minister of Education, Culture, Sports, Science and Technology and the Minister of the Environment award winners and Gakken Prize winners, and some of the



winning works were displayed at the Gakken Tokyo Headquarters.
▲This is the work of Momoka Miyamoto, a third-grade student at Kagawa Prefectural Takamatsu Kougei High School, who won the "Minister of Education, Culture, Sports, Science and Technology Award" in the senior high school category in 2019. Photo courtesy of the Foundation for Promoting Children's Education

Together with Our Customers

For Our Customers

We ensure the highest level of safety for our products and services and promote appropriate sales activities to earn the confidence of our customers.

—Gakken Group Charter of Corporate Conduct—

Policies and Positions

■ Basic policy of safety for our products and services

- When developing, manufacturing, importing, selling, exporting, storing, transporting, servicing, and repairing products, we always keep safety in mind. We fully understand and comply with all product safety laws, regulations, and standards, aiming for ever higher levels of safety.
- When we receive information about product or quality defects, we immediately confirm the factual details of the situation. If a problem is identified, we contact the relevant departments and take any appropriate action required. (From Gakken Compliance Code 2-1)

■ Appropriate Publicity and Advertising

We do not use any expressions in the documentation and other information we distribute through our advertising activities that are libelous or slanderous to others or that may lead to social discrimination. When engaging in comparative advertising, we make sure that it is factual, fair, accurate, and not misleading at the time of comparison. In addition, we do not make misleading claims for the purpose of attracting customers. (From Gakken Compliance Code 2-2)

■ Our Position on Fair Marketing

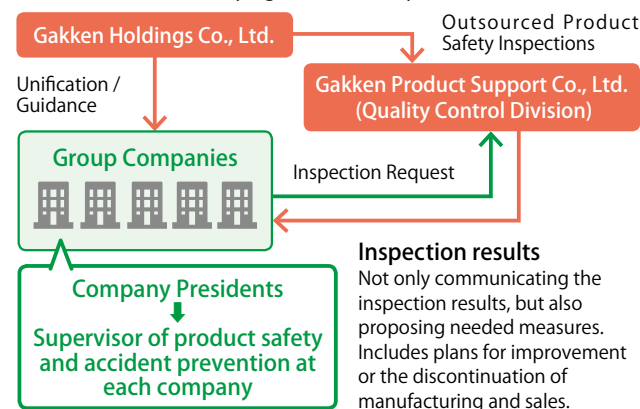
- When engaging in sales activities with customers, we comply with consumer protection laws and regulations and do not offer inappropriately expensive gifts. Further, when conducting such sales activities through retailers or other agents, we instruct them to follow the same policy.
- When providing services to customers, we comply with consumer protection laws and regulations and do not offer inappropriately expensive gifts. (From Gakken Compliance Code 2-3)

System and Mechanisms

Gakken Group product safety and accident prevention measures are stipulated in Gakken Group Product Safety Management Code as follows.

- Gakken Holdings Co., Ltd. supervises product safety management, unifying and offering guidance to Group companies.
- The presidents of group companies are responsible for their own product safety management and take the measures necessary to create, maintain, and manage product safety management systems. For this reason, group company presidents appoint supervisors of product safety and accident prevention at their respective companies. These supervisors manage product safety and respond to accidents involving our products. They also conduct safety checks and other procedures before products are sold. Gakken Holdings Co., Ltd. promptly examines products requiring safety inspections that cannot be performed by group companies.

■ Mechanisms for Verifying Product Safety



Product Safety Initiatives and Achievements

■ Conducting Product Safety Education and Training for Employees

- **Meeting of product safety and accident prevention supervisors: Once annually**
Training on legal regulations, standards, and accident related information for group company directors supervising governance, risk management, and compliance (GRC), as well as those supervising product safety and accident prevention
- **Product safety training (according to various themes): 6 times annually**
Training for designers, production supervisors, and other workers to deepen their understanding of product safety and raise safety awareness
- **Product safety e-learning training for all employees: Once annually**

■ Providing Information That Anticipates Customer Risk

Since many children use our products, we investigate factors like where and when they are used, carrying out multifaceted verification taking into account the possibility of misuse. Appropriate information on how to use the product correctly and prevent accidents is provided in an easy-to-understand manner not only on the package itself but also on the relevant pages of the instruction manual.

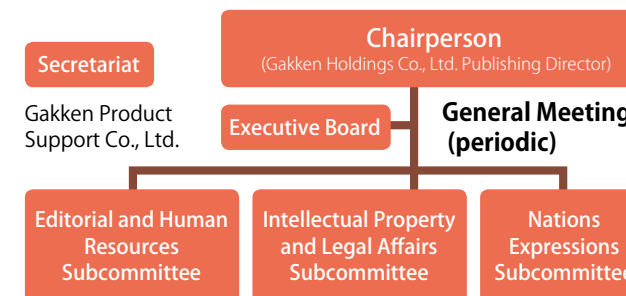
■ 74th Period Product Safety Review

We have conducted 228 safety reviews focusing on educational toys and the gifts that come with our magazines. We found there were no health hazards caused by those products.

Editorial and Publishing Committee System

The Editorial and Publishing Committee was established for the purpose of deciding policies and discussing issues common to the content production divisions of all Gakken Group companies, including those related to editing and publishing. Led by the division heads of the editing and production divisions, 30 members from 11 companies work together to produce reliable content for our customers. Headed by a chairperson, the committee consists of three subcommittees: the Editorial and Human Resources Subcommittee, the Intellectual Property and Legal Affairs Subcommittee, and the Statements and Expressions Subcommittee. Their diverse activities range from prevention of product related accidents and compliance to the implementation of training sessions.

■ Editorial and Publishing Committee Organization



Observers: Gakken Holdings Co., Ltd. Internal Controls Office Director, Gakken Holdings Co., Ltd. Business Auditing Office Director

■ Achievements

- Implementing measures to prevent editorial accidents
- Conducting surveys and implementing measures to comply with the Subcontract Act
- Ensuring copyright protection and appropriate use
- Holding trainings to improve editors' planning skills
- Producing and distributing the "Handling Statements, Expressions, and Rights Handbook," as well as considering Gakken's standards and rules for writing and expression
- Researching and promoting small lot products.

Article Review System

Article reviews are carried out by a 3-person system at the Article Review Department of the Quality Control Division at Gakken Product Support Co., Ltd. Article review consists of evaluating articles to confirm that there are no statements or expressions that evoke or promote feelings of discrimination. The work encourages the dissemination of helpful information that does not contribute to discrimination against the vulnerable in society. Reviews cover a

wide range of paper publications, as well as digital publications and promotional materials. During the 74th period, we received a total of 333 requests from publishing companies and other Group companies.

Basic Stance and Policy Toward Customer Satisfaction

The Customer Center acts as a point of contact for all Group companies and provides accurate guidance for a wide range of inquiries. Customer feedback is used in product development and service improvement to help advance customer satisfaction and loyalty. In addition, Gakken Group General Guidance Navi-Dial Service was introduced in March 2020

■ System

It will be run by the Quality Control Division's Customer Center at Gakken Product Support Co., Ltd. As a contact point for inquiries and information regarding all Gakken Group business activities, it will handle inquiries from a variety of customers.

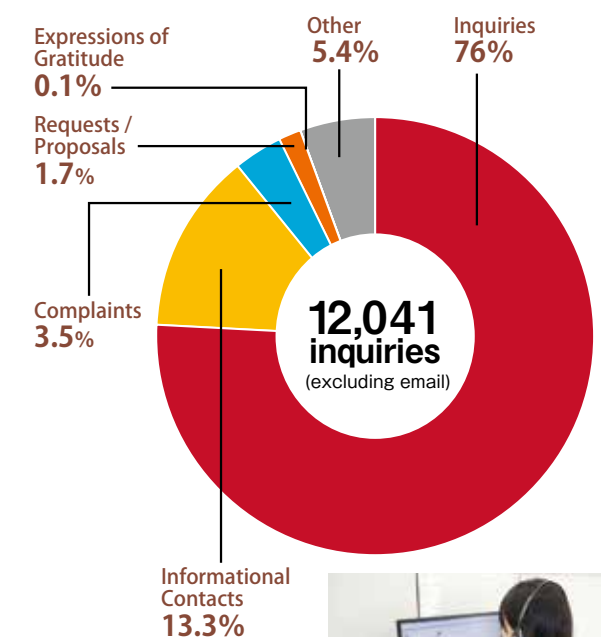
■ Customer Center Initiatives

We accept inquiries from a variety of people, including the general public, readers, bookstores, agencies, educational organizations, government agencies, libraries, businesses, and the media. Inquiries are referred to the department that handles the relevant type of content. All inquiries are disclosed to Group companies. We take the opinions of our customers seriously and strive to improve our business and product development

■ Breakdown of Consultation Numbers and Content

We receive over 20,000 inquiries annually. In recent years, the number of inquiries by email has increased due to the adoption of computers and smartphones. In the 74th period, email inquiries accounted for 40% of all those received. Means other than e-mail accounted for 60% of inquiries.

■ Content of inquiries by phone, postcard, sealed letter, or FAX



▶ A customer service operator



Together with Employees and Their Families

For Employees

We respect human rights, and create corporate culture where all employees can fully demonstrate their creativity.

—Gakken Group Charter of Corporate Conduct—

Professional Development

Policies and Positions

We build a corporate culture that allows employees to maximize their creativity in line with group's basic strategy of "cultivating employees who are willing to take on challenges by honing their intellect and sensitivity from a broad perspective according to Gakken Group's philosophy and vision."

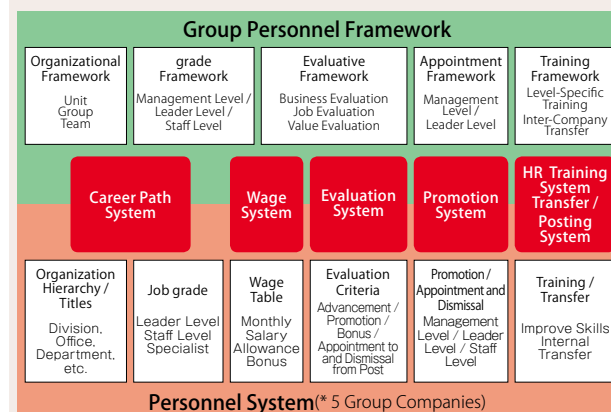
(* From Group Basic Strategy (Human Resources))

System and Mechanisms

■ Group Personnel Framework and Personnel System for Group Companies

We have established a common group personnel framework and a personnel system for group companies based on it.

Group personnel framework for Creative Challenges = Group-wide
Personnel system for Group companies to correctly evaluate, train, and treat employees = Each group company



Targets and Achievements

Gakken Group agrees with the Ministry of Health, Labor and Welfare's policy of supporting women's advancement and balancing work with childcare. As such we have made a declaration to promote women in the workplace, stating that "By 2020, at least one female director will be appointed at each Gakken Group company." As of the end of September 2019, 15 of the 56 Gakken Group companies have one or more female directors, accounting for 26.8% of the total (Includes non-consolidated companies. Ratio

of voting rights is 50% or more). We will continue to work to ensure that all employee with their diverse attributes and values are able to flourish.

Promotion of Diversity

In order to continue providing value to our customers in the spirit of group's corporate philosophy of "hoping for everyone to lead an enriched life," it is essential that we have a diverse workforce. As of October 2019, approximately 66% of our employees are women. The Gakken Group creates a comfortable work environment and develops female employees through appointing executives and training female managers according to group company conditions. We also actively recruit and train foreign employees and employees with disabilities.

Honoring Employees with the Gakken Group MVP

Once a half-yearly, employees who have made exceptional contributions to group are commended as Gakken Group MVPs. The achievements of these award-winning employees are praised throughout group. Having a system that rewards hard work leads to increased employee motivation.



▲ The illustrated guide and dictionary Editing Office of Gakken Plus Co., Ltd., won an award for the Gakken illustrated guide Kinnikuman "Chojin."

Gakken Group Junior Board

The Gakken Group Junior Board is an initiative for fostering our next generation of managers. It targets select young and mid-career group company members who learn managerial skills by 1) acquiring the knowledge necessary for corporate management, 2) practicing through discussions and work. It has been held 5 times since 2011, and about 130 participants have graduated thus far, producing many active group company managers.



▲ As management candidates, members work hard together to improve and promote mutual growth.

Occupational Health and Safety

Policies and Positions

Maintaining a safe and healthy work environment is a top priority. We understand the laws and ordinances related to workplace health and safety and comply with them thoroughly. If an accident should occur, in order to minimize damage and prevent recurrence, we ensure that prescribed procedures are followed, including immediate reporting of the incident.

(From Gakken Compliance Code 5-3)

System and Mechanisms

In order to maintain a safe and healthy work environment, we have industrial physicians and health supervisors at offices with 50 or more employees as required by law. Each Health Committees review various issues related to occupational health and safety on a monthly basis and implement improvements. In addition, Gakken Group Health Managers Meeting is held at the headquarters annually to touch base and share information within group. Further, a lecture is delivered by an industrial physician at our headquarters, part of a system in place that lets participants acquire knowledge on maintaining employee health and disseminate it at their respective companies.

Childcare Leave System

Gakken Group Childcare Leave System allows employees to take leave until children reach the age of two. The workplace environment and social atmosphere makes leave accessible for male and female employees alike. In addition, we have a substantial support system in place for those returning from leave to help them balance work and childcare, including a system for shortening working hours when children are young and a nursing care system for children. In the 73rd period, a total of 34 employees took childcare leave from 7 group companies, including 7 males. In the 74th period, a total of 32 employees took leave from 5 Group companies; 3 of them were male. On average, female employees took about 300 days of childcare leave, and male employees took about 50 days. The rate of employees who returned to work after taking childcare leave was 97%. (74th period results including temporary and part-time employees) * Results are for the 12 Group companies.

Acquisition of the "Kurumin Logo," Certification for Supporting the Next Generation

Gakken Group companies are aiming to obtain the "Kurumin Logo," a certification from the Minister of Health, Labor and Welfare recognizing companies that support children. Currently, Gakken Holdings Co., Ltd., Gakken E-mirai Co., Ltd., Gakken Medical Shujunsha Co., Ltd., Gakken Product Support Co., Ltd., and Gakken Logistics Co., Ltd. have acquired the certification. Several more are working hard to acquire it soon. We will continue to support childcare both within our company and in the wider society.



▲ Next-generation certification logo (known as Kurumin)

Responding to Work Style Reform Laws

We are implementing various measures in accordance with work style reform laws. Once a year, Group Human Resources Meeting is held to bring together HR officers from our various companies. Group discussions are held and there are lectures from Group advisors and consultants. Proposed measures around work style reform are shared and considered. In the 74th period, we implemented measures obliging employees to take 5 days of annual leave; 22 companies introduced this annual leave plan starting in April 2019.



▲ Sharing HR-related information at meetings to deepen understanding.

Human Rights

Policies and Positions

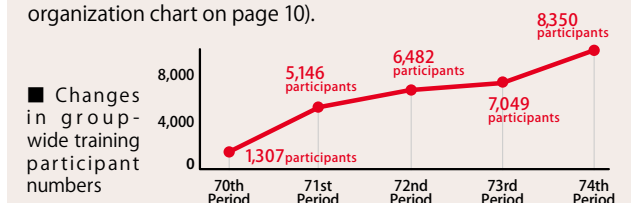
We respect the human rights of every employee, striving to maintain a healthy work environment and not engaging in any activity that could lead to discrimination.

1) We will not engage in discrimination based on birth, nationality, race, ethnicity, creed, religion, gender, age, disability, educational background, etc.
2) We will not commit human rights violations, including through violence, abuse, slander, defamation, bullying, or enforcing compulsory work through intimidation or isolation.

(From Gakken Compliance Code 5-1)

System and Mechanisms

Gakken Group organizes the Gakken Group Society, Environment, and Human Rights Awareness Promotion Committee, as well as its group-wide Human Rights Promotion Committee to provide information and conduct activities that raise awareness of each employee's human rights in order to form a bright work environment and strengthen our management base by realizing Group philosophy (see organization chart on page 10).



Group-Wide Training for All Employees

Human Rights Awareness Promotion Committee have been formed in all group companies that conduct awareness-raising activities for all employees. 8,350 people participated in the group-wide training based on the 74th fiscal year policy of "Considering a barrier-free workplace where people with and without disabilities work in harmony." In addition, 516 people attended special training sessions held 10 times between February and early August, covering themes like "Human Rights and the Internet," "Women and Human Rights," and "A Society Where People With and Without Disabilities Live in Harmony." In July, Mr. Nakajima Jun of ReBit gave a lecture on the theme of LGBT with 145 people in attendance.

Promoting and Maintaining the Employment of People with Disabilities

Aiming to be a corporate group where its diverse employees are able to fully demonstrate their talents and individuality, we actively work to expand employment for people with disabilities and develop new occupational areas.

Gakken SmileHeart

80 employees (including 56 with disabilities) as of November 1, 2019
Main duties: Office services / Cleaning services / Mail services

MCS Heartful

61 employees (including 43 with disabilities) as of November 1, 2019
Main duties: Printing / advertising / cleaning / system support / various sales activities

Together with Local Communities and Society

For Society

We conduct social action programs and environment protection, and fulfill our responsibilities as a corporate member of society.

—Gakken Group Charter of Corporate Conduct—

Policies and Positions

We fulfill our role as a corporate citizen by actively and continuously carrying out activities that contribute socially, including by supporting culture and arts, cooperating with local communities, and participating in volunteer activities.

(From Gakken Compliance Code 6-1)

System and Mechanisms

We have established a Society, Environment, and Human Rights Committee chaired by the President, Representative Director of Gakken Holdings Co., Ltd. (see page 10). Activities that contribute to society are carried out by our various companies through social and environmental initiatives (environmental management systems (EMS)) and by the CSR Promotion Office of Gakken Holdings Co., Ltd.

Supporting Gamba Osaka

Gakken Osaka Headquarters in Suita City is an official sponsor of Gamba Osaka, which is also based in Suita City. Soccer lessons were held three times for customers of Gakken Classroom and Gakken E-mirai and an event was held at the stadium in November 2019. The children who watched the game also had a lot of fun viewing practice, touring the field, and at the booths outside the venue. Through supporting the local Gamba Osaka team, we contribute to the development of the local community and the healthy growth of its young people.



▲ A booth with hands-on science projects and drills for toddlers

SDGs Museum (Social Development Goals Museum)

From September 2 to 13, 2019, an exhibition and event entitled "SDGs Museum in Gakken" was held at the first-floor lobby of Gakken Tokyo Headquarters. This event aimed to raise awareness of SDGs among Gakken Group employees and visitors to the Gakken Building, and to help them understand the issues involved in achieving them from a global perspective. The exhibition featured digital globes with a multi-layered display showing the Earth's past, present, and future through a variety of data. A total of more than 1,000 people stopped by during the exhibition period, giving each the chance to consider the Earth's future. Gakken Group

co-sponsors the activities of Mr. Takemura Shinichi, a cultural anthropologist who planned the exhibition with its digitally enhanced globes, as well as the activities of the NPO he represents. As a follow-up to the event, we are co-creating a learning program entitled "SDGs from a Global Perspective" for children and students.



▲ Tree-shaped panel displays explaining the 17 SDGs goals from the Earth's perspective along with three digitally enhanced globes. Lots of people spoke with the commentators.

2019 Computer x Free Research Contest

In the summer of 2019, we held the "2019 Computer x Free Research Contest" on Kidsnet, an educational website for elementary school students. Participants submitted a digital project summarizing research they conducted on a topic of their choice. With programming becoming a compulsory part of the curriculum for elementary school students in 2020, the contest aimed to help children become more familiar with computers. All the more than 200 entries were superb and gave children a chance to experience their limitless possibilities. We plan to continue the project as a means for children to present their own summer research after 2020 as well.



▲ The Grand Prize winner demonstrated excellent computer skills with an animation of a rocket blasting off and easy-to-follow graphs.

Free School

Gakken L Staffing Co., Ltd. operates the WILL Academy which supports senior high school correspondence courses conducted over an extended area. Similar to a learning center or alternative school, it mainly offers a venue for students who are not attending formal schools to receive support not just in terms of learning, but in terms of life and mental health. Students spend their days working on assignments for senior high school and seeing their friends in class and at various events. Attendance is not compulsory.

They also accept children who require special assistance, visiting students at home or offering other support to help each one have the kind of social life that suits him / her best. The school currently has about 250 members; they take the time to communicate and earn the trust of the students.



▲ Experiencing nature while trekking during a field trip to Guam.

Marunouchi Kids Jamboree

We provided 358 books at the Tokyo International Forum's Kids'Book Corner for their event entitled "Hop! Step! 2020!!! Tokyo International Forum Summer Vacation: Marunouchi Kids Jamboree Special Edition." During the three-day event, 1,248 people stopped by and everyone from children to adults enjoyed popular picture books, reading materials, illustrated guides, and more. After the event, all books were donated to the Tokyo Metropolitan Children's Medical Center with the hope of helping support children's learning.



▲ At the Kids' Book Corner. We provided an opportunity to discover various books and encounter a new kind of learning.

Gakken Square

In June 2019, Gakken Square opened at the Suharaya Bookstore's main shop in front of Urawa Station in Saitama Prefecture. We organized a diversity of programs including "Petit Pas," a place for infants to learn, "Gakken Classroom" for preschoolers and elementary school students, "G-PAPILS" for junior high school students, and "Kawaii Music Classroom." In addition, Gakken Plus Co., Ltd. lined the shared space with books as Gakken Bunko for kids to browse and borrow. Books that they liked were available for purchase at Suharaya. The event offered a place to learn as well as a local community space.



▲ Gakken Bunko was very popular with children. Lots of children who are not members of Gakken Square visited too.

Gakken Group Company Visits

We accept company visits as part of our support for children's career education. The goal is to help children choose their future courses by looking at the "education" they are familiar with from the perspective of the corporate world and society. Many junior high and senior high school students visit our editorial division and business activities division at Gakken's Tokyo Headquarters. It lets them tour the workplace, asking the staff questions to deepen their understanding of the industry and what the work involves.

Gakken Kids Festival 2019

The Gakken Kids Festival was held for the fourth time in 2019. The experiential learning event was held at Gakken Tokyo Headquarters. It was attended by 500 participants from 200 families who were selected by lottery. Applicants were from the suburbs of Tokyo, including Shinagawa Ward, where our Tokyo head office is located. The event featured 22 employee-planned booths where everyone from toddlers to adults enjoyed learning about "education" and "healthcare" and nursing as provided by Gakken. Visitors took part in practical educational activities designed for summer vacation while we conducted direct presentations of our products and services.



▲ The experiential booths planned by our employees were all unique and could be enjoyed by parents and children alike. It was very popular with useful materials that could be a good reference for their free research projects.

Shinagawa Children's Cafeteria Initiatives

Gakken Group donated 990 note books of Gakken Sta:Ful Co., Ltd. to children who attend the Shinagawa Children's Cafeteria in October and December 2019 as an activity rooted in the local community of Shinagawa Ward where Gakken Tokyo Headquarters is located.

Reading Sessions with Children

In September 2019, we held a reading event for preschoolers, elementary school students, and their parents with a theme of "Parents and Children Having Fun Together." Picture book writers, experts, announcers, and others read popular picture books to the children. This event was open to the local community, collaborating with the local Shinagawa Ward. 2019 was its third year, with Gakken Plus Co., Ltd. and Gakken E-mirai Co., Ltd. as co-sponsors. It was attended by 218 parents and children accounting for 70 groups, about 70% of whom live in Shinagawa Ward. One participant said, "It was a lot of fun! The children were so moved they were crying."



◀ Performers at "Miyanishi Tatsuya and Kimura Yuichi's Dream Competition Once Again! Reading Session at Gakken" on September 22, 2019

Together with Local Communities and Society

Addressing Global Challenges

Business Activities in China and Southeast Asia (Medical Care Service) —MCS—

Medical Care Service Co., Ltd. provides consulting, training services, and management of elderly care facilities in China and Southeast Asia, where the population is aging. In 2014, we opened a large fee-based nursing home in Nantong, China. The facility was highly acclaimed for its localized Japanese-style services and became the first of its kind operated by a Japanese company to achieve full occupancy and profitability. In 2018, we established Guangzhou's largest fee-based nursing home. During the same year, we opened a facility in Tianjin specializing in dementia care. Making the most of our experience in Japan, the facility provides individualized care with an emphasis on "supporting independence." In 2019, we opened a fee-based nursing home in Beijing. We are also developing projects in Southeast Asia.



▲ "Yizhuang Senior Care Center," a fee-based nursing home that opened in Beijing, China in May 2019

Goat Bank: Support for Bangladeshi Women (IC Net)

Bangladesh has received about one million refugees from neighboring Myanmar, and the host communities where they reside have been severely affected. People are doing all they can to get by; having lost farmland and sources of income, they are eating less and cutting into savings for their children's education.

IC Net Co., Ltd. currently provides support to women in the host communities through Goat Bank. The project distributes female goats to 50 women. In turn the first female offspring from these goats is passed on to other women, doubling the impact. As they typically give birth once every six months, increasing the number of goats and selling them helps participants make a living. We will continue to provide a wide range of support including assistance with vegetable cultivation and breeding.



▲ Women's group members who receive aide. While their own lives were difficult, some of them shared food and blankets with the refugees when they arrived.



▲ When the goats were distributed to the women, we worked with a veterinarian from the local government to provide everyone training in goat husbandry.



▲ The first offspring of the goats we distributed. It will stay with its mother for 4 months and then be passed along to another member after weaning.

Main international aid activities we have supported

 Photo courtesy of Plan International	2008	★ Philippines	Construction of school buildings and provision of classroom equipment at Pina Mangku Khan Elementary School (Gakushu Kenkyusha).	 Photo courtesy of Plan International
	2009	★ Thailand	Construction of a school building at Ban Huai Mahaphon School (Gakken Holdings Co., Ltd.)	
	2011	★ Vietnam	Construction of a school building, provision of teaching materials, 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.)	
 Photo courtesy of TABLE FOR TWO	2011–	Asia and 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.)	 Photo courtesy of Plan International
	2013	★ Myanmar	Construction of an elementary school building in San Pya Village, Nyaung U Town (Gakken Holdings Co., Ltd.)	
 Photo courtesy of Fuji Xerox	2014–	Philippines and 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 educational materials to Bebonuk Elementary School in collaboration with Sumitomo Chemical Co., Ltd. (Gakken Educational Co., Ltd.)	
	2016	★ Sudan	Construction of a clinic in a village without a doctor in Khartoum (Gakken Holdings Co., Ltd.)	
	2016–	Myanmar	Support including living expenses and tuition fees for three exchange students from Kachin State (Gakken Ace Education Co., Ltd.)	
	2016–	Philippines	Mindanao Peace of Cacao Project (IC Net Co., Ltd.)	
	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 Co., Ltd.)	
	2017–18	Bangladesh	Survey on livelihoods of communities receiving refugees in Cox's Bazar (IC Net Co., Ltd.)	
	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.)	

★ A portion of the amount spent on Gakken Credit Cards 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.

Collaborating with Foundations and Research Institutes

Furuoka Scholarship Foundation

Furuoka Scholarship Foundation was established in 1980 with 1 billion yen in private funds by the founder of Gakken Group, Furuoka Hideto. He wanted to support single-parent families who were in the same financial predicament that he experienced during his childhood. The core of the support is a scholarship for senior high school students of single parent families (no repayment required). Freshmen students in 2019 received approximately 240,000 yen for the year, with a total of approximately 720,000 yen to be distributed over three years.

Approved as a public interest incorporated foundation in 2011, it celebrated its 40th anniversary in June 2019. The number of scholarship recipients increased from 134 in the first award period to 358 in the 40th; as of April 2019, the foundation was supporting 1,006 senior high school students. More than 8,600 students have received scholarships since the first award period.

In addition, the foundation has offered a short-term study abroad program since 2015 based on the idea of "experiencing different cultures while young." Approximately 50 scholarship recipients spend two weeks abroad during the summer vacation period, participating in homestays and language study. The foundation bears all costs. Students went to Canada in 2019, the 5th time the program was conducted. Training at Tokyo Global Gateway (TGG) also started in 2019. 25 scholarship recipients spent three nights and four days over spring break experiencing a different culture while immersed in English. The foundation also provides students with material support by lending tablet devices free of charge for research and learning, as well as emotional support in the form of Scholarship Recipient Gatherings in various locations where students can interact with their peers.



▲ In 2019, a 40th anniversary ceremony was held.



▲ Our 5th short-term study abroad program, held in August 2019. Participants went to Canada.

Gakken Research Institute for Learning and Education

Gakken Research Institute for Learning and Education is Gakken Group's educational think tank. It disseminates the latest information from Japan and abroad on learning as it relates to everyone from children to seniors, both within our group and in the wider society. In conjunction with this, it also conducts surveys and research from new perspectives such as those involving non-cognitive skills, learning for Society 5.0, and the STEAM (Science, Technology, Engineering, Arts, Mathematics) program. For more than 40 years, it has conducted a wide range of questionnaires on children's daily lives, their studies, and their dreams for the future in its "Elementary School Student White Paper Series" and disseminated the results. At the 13th annual Kids Design Awards in 2019 the Institute received an Incentive Award (Kids Design Council Chairman's Award) for the usefulness of its many years of research.

Gakken Research Institute for Science and Creation

Gakken Research Institute for Science and Creation engages in

activities promoting and disseminating science, technology, and knowledge while utilizing the asset of Gakken's scientific content. It provides "places to do science" such as classes with experimentation and experiment shows that impress everyone from children to adults. It also discovers, supports, and trains human resources with "creative, scientific minds." The Institute will continue to convey science's excitement and sense of surprise and discovery under the slogan "an experiment is worth a thousand words."



▲ We set up a Christmas tree in the lobby of our headquarters every year decked out with scientific inspiration.

Foundation of Research and Studies for Ability Development Education

Foundation of Research and Studies for Ability Development Education was founded on August 25, 1967 by our company, then called Gakushu Kenkyusha. We still carry out a variety of activities in accordance with a philosophy that states, "discovering and developing the individual ability of every human being and helping them to blossom is the most urgent task of modern society and the responsibility of democratic education."

■ **National Children's Ability Development Contest**
It started as an awards commendation in 1963. The annual event is held with the aim of fostering the cultural and scientific talents of elementary school students. Entries are accepted in three categories: drawing, composition, and science. At the 56th contest in 2019 there were more than 28,000 entries for all three categories.

■ **Japan Montessori Education Research Institute**
It was founded in 1977 with the aim of researching Montessori education and applying the results widely in Japanese education. Business activities include a teacher training center and the affiliated "Children's House."

■ **Technological and Educational Training Council: Improvement of Media Education and Teaching Studies (IMETS)**

Based on many years of knowledge and experience with educational technology, IMETS offers teacher training and courses for the renewal of teacher licenses. We supported teachers and educational institutions through holding IMETS Forum 2019.

► Held for two days in July, the "Technological and Educational Training Central Seminar (IMETS Forum) 2019" welcomed nearly 400 participants from all over Japan, showcasing the latest information and educational practices.



■ **E-Learning Course for Teacher's License Renewal**
We have established an E-learning course via the internet to provide an environment where all teachers can take lessons more easily. Many of our user are introduced to us by acquaintances and friends, and we receive a good response every year

Nihon Manpo Club

Since its founding in 1965, Japan's first organization devoted to walking has continually promoted its goal of "contributing to the maintenance and improvement of people's health." Last year about 6,000 people participated in its 74 events. The annual "Physical Fitness & Walking Posture Evaluation" determined that participants'walking age values were more than 15 years younger than the average.

Together with Local Communities and Society

As a Member of Society

Dementia Care that Supports Independence

"Ai no ie" is a group home for the elderly afflicted with dementia that is operated by Medical Care Service Co., Ltd. It reviews life essentials like hydration, exercise, nutrition, and elimination, focusing on "elderly care that supports independence," assisting residents in getting the most out of their abilities. In 2018, as a result of activities at the office in Nagano Prefecture, 86.3% of the residents' conditions improved in ways like developing a more stable gait and spending less time sleeping during the day. In July 2019, it was introduced to offices in Saitama Prefecture with the same results. Ai no ie also collects data on hydration, elimination, food intake, vital signs, etc. in support of evidence-based care.



▲ An occupational therapist instructing a resident in maintaining proper sitting posture.

Human Resource Development Activities at the Request of Local Governments

Since 2015, ING Co., Ltd. has been conducting human resource development activities for elementary and junior high school students at the request of the local government in Osaka. It focuses on the urgent issue of global human resource development, with themes including an English Speech Contest, programming in

English, and an experience of studying English abroad, right in the city. It improves year by year with unique offerings for learning fun. Over 1,000 elementary and junior high school students participate annually.



▲ ING English teachers and participating children at the "English Communication Space" in Osaka City.

Supporting "Science Koshien" and "Junior Science Koshien"

"Science Koshien" and "Junior Science Koshien" are competitions that give junior and senior high school students with a passion for science from all over Japan a place to test their skills. Students work in teams to tackle written and practical challenges across subjects and genres. More than 9,000 senior high school students and about 30,000 junior high school students from all over Japan participate in the prefectural qualifying round. The winners of each prefecture get tickets to the nationwide contest. Gakken Holdings Co., Ltd. acts as a collaborative partner for these two competitions, contributing to the development of the human resources of the future.



▲ The participants of the "8th National Science Koshien Competition" where Gakken Holdings Co., Ltd. was a collaborative partner.

Major Ongoing Social Contribution Activities

Every year, a portion of revenue from the E-book application "Diagnostic Ultrasound Video Clips # 1-4" for medical professionals and a portion of royalty fees from the Japan Publishers Copyright Organization are donated to the NPO Medecines Sans Frontieres (Gakken Medical Shujunsha Co., Ltd.)



▲ Having fun with a quiz game while learning what to do in case of an earthquake.

Donate a portion of the sales from the "Top Grade" study-aid book series for students taking exams to the NGO Plan International Japan that works on academic development in developing nations (Gakken Plus Co., Ltd.)

Provide books on earthquakes and disaster preparedness to elementary schools participating in the "Bosai Class" sponsored by Tokio Marine & Nichido Fire Insurance Co., Ltd. Agreeing with the Bosai Class, we also arrange elementary schools to hold the class. (Gakken Holdings Co., Ltd. Osaka Headquarters)

Provide stationery and other items after the disaster for the "Children's Festival" held annually by the Fukushima Social Welfare Association (Gakken Holdings Co., Ltd.)

Participate in a joint cleaning and beautification program sponsored by the Shinagawa CSR Promotion Council (Gakken Group)

Support for the propagation of the Kita Noh Theater for children and foreigners (Gakken Holdings Co., Ltd.)

Donation of products from Group companies (Gakken Plus Co., Ltd., Gakken Sta:Ful Co., Ltd., Gakken E-mirai Co., Ltd., and BUNRI Co., Ltd.) as Christmas presents for children at an orphanage in Suita City (Gakken Holdings Co., Ltd. Osaka Headquarters)

Hold a monthly sales event at the employee cafeteria on the Gakken Building's 13th floor to support a shop run by a facility for the disabled (Gakken Group)

Periodic book reading sessions by employee volunteers at children's daycare centers

Developed "Environment and SDGs" for the "Thinking Research Seminar," an active learning program for learning centers. It provides learning opportunities that deepen understanding of SDGs and environmental issues through educational materials that help students think of solutions both independently and collaboratively (Gakken Plus Co., Ltd.)

Fuji Kindergarten was severely damaged by the Great East Japan Earthquake. This ongoing exchange with the kindergarten involves workshops and other events conducted by Iriyama Satoshi, the author of the picture book "Piyo-chan and the Sunflower." We made an original calendar both 2018 and 2019 (Gakken Plus Co., Ltd.)



▲ Learning about SDGs with videos and work in the classroom.

Topics | Gakken's Community-based Integrated Care System

Gakken's Community-based Integrated Care System supports people of all generations and its service area is growing.

Expanding the amount of services supporting people's lives and improving their quality.

Gakken Group promotes the Gakken's Community-based Integrated Care System. It is based on the model of housing for the elderly developed by Gakken Cocofump Co., Ltd. that realizes the potential of everyone to live fulfilling lives. This is in accordance with its corporate philosophy. We aim to create a society where people of all ages, from 0-year-old babies to seniors over 100-years-old, can continue to live the way they want in the local community. We are focused on expanding our services and improving quality.

In terms of supporting senior citizens, we have opened 11 new serviced apartments for the elderly. We have also opened two home-visit nursing care offices, which help reduce the risk of hospitalization for the elderly. We are beginning to see a variety of results from initiatives that create synergies with Medical Care Service, including dementia care, housing for those needing minimal assistance, and the creation of systems that meet the needs of more segmented elderly people. We also have started Senior Classes, a dementia care business activity for the local community as well as residents at our recently opened Cocofump Hiyoshi Nana-chome and Cocofump Baraki Nakayama, serviced apartments for the elderly. In these ways we are working to realize Gakken's Community-based Integrated Care System.

Developing Contexts Where Multiple Generations Interact

Gakken's Community-based Integrated Care System aims to create a society in which multiple generations from local communities live in harmony and support each other. As part of this effort, we focus on "multiple generational exchange" activities that connect services for the elderly with childcare support services. We actively expand the circle of activities in the local community by increasing contact with facilities for the elderly outside Gakken Group, as well as with kindergartens, nurseries and children's daycare centers. We have also begun holding exchanges at group homes for the elderly with dementia operated by Medical Care Service. Not only do they create connections that go beyond the categories of nursing and childcare, but they also create a sense of purpose in the lives of the elderly and foster a sense of compassion and care in the children.

In the future, we will continue to integrate our resources to provide comprehensive support for people's lives, not only in the field of health care and nursing, but also in cooperation with local communities.

Gakken Publishes Its First Training Text for New Care Workers of the Elderly!

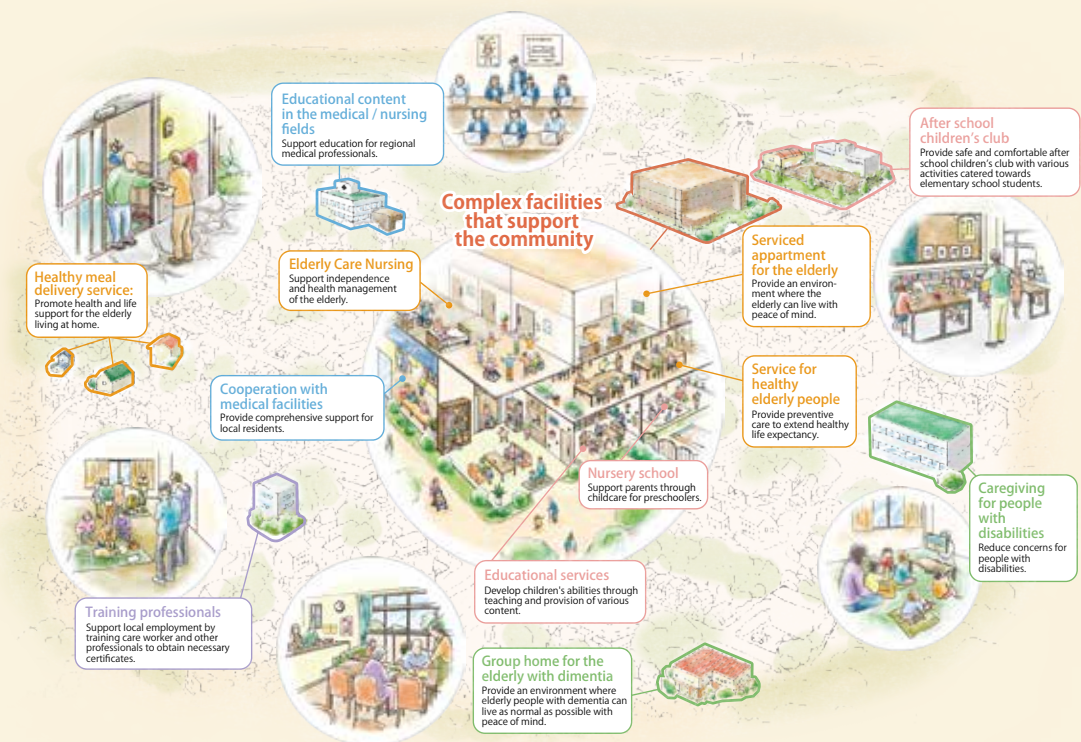
To support the lives of people of all ages, a stable supply of quality service providers is essential. The Gakken Cocofump Group has launched the Gakken Academy, a human resources development business activity. Its goal is to utilize its extensive experience in operating elderly and childcare facilities to

help solve human resource shortages across these industries. Among them, the Certified Care Worker Course offers elderly care qualification courses in various locations. Gakken has also recently published the textbook "Nursing Care Personnel Initial Training Text 1 and 2."

It is used in the introductory elderly care course "Training for First-Time Care Worker" that qualifies participants to perform physical care. Beyond seeking qualifications, it is also a useful self-study reference for those who want to learn about elderly care, as well as for the elderly care for family members. It is available for sale on Gakken website; anyone can purchase it, whether attending the course or not. Utilizing Gakken's expertise in education, publishing, elderly care, and medicine, the textbook has plenty of photographs and illustrations and is easily understandable, making learning accessible to everyone. We will continue to develop and nurture human resources via the content we provide, incorporating the know-how gained from our business activities to date.



▲ The content includes opinions and medical knowledge from elderly care settings, so you can learn skills that are immediately applicable.



Together with Our Business Partners

For Our Business Partners

We maintain fair relations with all of our business partners, and conduct fair and free market competition.

—Gakken Group Charter of Corporate Conduct—

System and Mechanisms

We treat our business partners fairly and justly, with decency and sincerity.

- When selecting a business partner from among multiple vendors, we fairly compare and evaluate various conditions such as creditworthiness, stability, quality, price, delivery time, and technical capabilities to determine the best candidate.
- Even when in a position to influence the selection and evaluation of business partners, we will not arbitrarily show preferential treatment to a company.
- As stipulated by the Subcontract Law, when subcontracting we enter into contracts and transactions with a full understanding of the Act; we take care not to violate the Act through actions like late payment or failing to deliver purchase orders. (From Gakken C-compliance Code 4-2)

Publication Business Activities

In the production of books and magazines, we work with a variety of business partners, including writers, designers, editorial producers, and photographers. Gakken Group has established a system for issuing and managing order forms with online applications and e-mail to properly and reliably carry out transactions with subcontractors in the publishing business. This system was originally developed by Gakken Group and is used daily to prevent violations of the Subcontract Act.



▲ “G Management System” is a proprietary Gakken Group database for effectively managing contracts, order forms, license agreements, and other items related to publishing.

NEA (Networks of Educational Alliance)

The environment surrounding learning centers and other private educational institutions is becoming increasingly severe every year. The Networks of Educational Alliance (NEA) was established on September 20, 2018, as an initiative of Gakken Holdings Co., Ltd. and Ichishin Holdings Co., Ltd. This loose, collaborative organization of

private educational institutions works to solve problems that are difficult for individual companies to handle, so that learning centers in far-flung localities can continue to thrive.

Its 135 regular members consist mainly of learning centers and its 32 supporting members include companies that provide educational content and maintain learning environments. The alliance works for the two goals of “expanding teaching measures to brighten our children’s future” and the “sustainable development of private educational institutions.” It holds seminars and lectures and provides a variety of educational information and instructor training via E-learning. Twice a year it carries out an assessment known as ASUGAKU (Educational assessment of non-cognitive skills) to graphically represent logical thinking, judgement, and expressiveness. More than 50,000 participants take part in each session.



▲ In September 2019, three workshops were held in Tokyo, Osaka, and Fukuoka on teaching the four basic English skills, programming



▲ The ASUGAKU (Educational assessment of non-cognitive skills) assessment makes it possible to motivate students through scoring with correction and detailed education, and public relations strategies for learning centers.

Green Purchasing

As a member of the Green Purchasing Network, Gakken Group participates in the revision of Green Purchasing Guidelines and sends a supervisor in its capacity as a purchaser of printed materials to participate in the “Offset Printing Service Ordering Guidelines Revision Task Group.”

- Additional considerations for green purchasing guidelines**
1. Additional considerations concerning print volume
 2. Additional considerations regarding the display of environmental information
 3. Review of paper, ink, and surface treatments
 4. Indication of recycling suitability
 5. Additional items regarding digital printing
- Agenda**
- Matters to be considered when selecting a vendor
 - Review 1. Environmental management systems 2. Details of environmental initiatives 3. Access to environmental information
 - Review of regulations regarding the use of printing service symbols and logos
 - Additional considerations such as carbon footprint, carbon offsets, and green energy.

Together with Shareholders and Investors

For stockholders and Investors

We provide appropriate management information disclosure to establish a relationship of trust with stockholders and investors.

—Gakken Group Charter of Corporate Conduct—

System and Mechanisms

■ Rules for Internal Control Over Financial Reporting

Under these rules Gakken Group has establish a system for ensuring appropriateness of financial reporting and a means of evaluating it as required by the Financial Instruments and Exchange Act. We aim to achieve the following four objectives: effectiveness and efficiency in our operations, reliability in our financial reporting, compliance with laws and regulations related to our business activities, and preservation of our assets

■ Gakken Holdings Financial Reporting Control Subcommittee

It determines the basic policy and evaluation plan for the maintenance and operation of Gakken Group’s internal control over financial reporting, and deliberates on Gakken Holdings Co., Ltd. Internal Control Report.

Communication with Shareholders and Investors

Gakken Group discloses corporate information in a timely and appropriate manner so that shareholders and investors can better understand Gakken Group’s business activities and performance. Based on stable and continuous dividends, we aim to build a two-way relationship and promote close communication, including by enhancing comprehensive shareholder returns. Gakken Holdings’ recent price per unit of investment exceeded the Tokyo Stock Exchange’s desirable upper limit of 500,000 yen. Under such circumstances, a stock split reducing the price per unit of investment creates a more investment-friendly environment. As such, a stock split of one share of common stock into four, would encourage the purchase of our shares by those of child-rearing age, our primary customers (our core products and services focus on toddlers and children). Based on the decision to significantly reduce the price per unit of investment, Gakken Holdings split its shares on a 4-for-1 basis on March 31, 2020 as a record date.

■ Distribution of shareholder dividends (per share)

September 2016 (71st period)	6 yen
September 2017 (72nd period)	60 yen
September 2018 (73rd period)	70 yen
September 2019 (74th period)	75 yen

Biannual Shareholder Newsletter

We issue our “Shareholder Newsletter” every June and December to provide our shareholders with the latest information including financial results, on business segments, and on topics pertaining to group companies. Gakken Group is committed to creating a newsletter that provides a better understanding of our group’s overall situation and management policies.

Shareholder Benefits / Communication with Shareholders Via IR Mail

Annually on September 30, shareholders who hold 100 or more shares receive one item from among the 23 Gakken Group products and services listed in “Shareholder Benefits Catalog”. And shareholders who hold 300 or more shares receive two items from the catalog. We also offer long-term special benefits to shareholders who hold more than 300 shares for three years or more. We are still planning new benefits for shareholders who own 100 or more shares even after the stock split on April 1, 2020.

In addition to postcard applications, in the 73rd period we started accepting online benefit applications, allowing procedures to easily be completed on a smartphone or computer. This lets us ship faster than with postcard applications and has been well received by the many shareholders who have taken advantage of the service. We will continue to expand our services to meet the needs of our shareholders. In addition, we provide information to our shareholders and other stakeholders through our IR mail service. We believe that using these services further deepens understanding of Gakken Group.

Distribution of economic value to stakeholders

Stakeholders	74th period distribution (millions of yen)	Total ratio	How the amount is calculated
Business partners	90,023	64.1%	COGS + SG&A expenses (excluding HR expenses)
Employees	46,041	32.8%	COGS + SG&A expenses (HR expenses)
Shareholders	657	0.5%	Payment of dividends
Creditors	136	0.1%	Interest expenses
Government, Bureaucracy, Society	2,309	1.6%	Corporate tax payments Donations (Entertainment expenses) Others (Senior high school / college laboratory)
Within the company	1,283	0.9%	Net income - dividend payment
Total	140,449	100.0%	

* The figures above are consolidated.

Corporate Governance and Internal Controls

Gakken Group Charter of Corporate Conduct

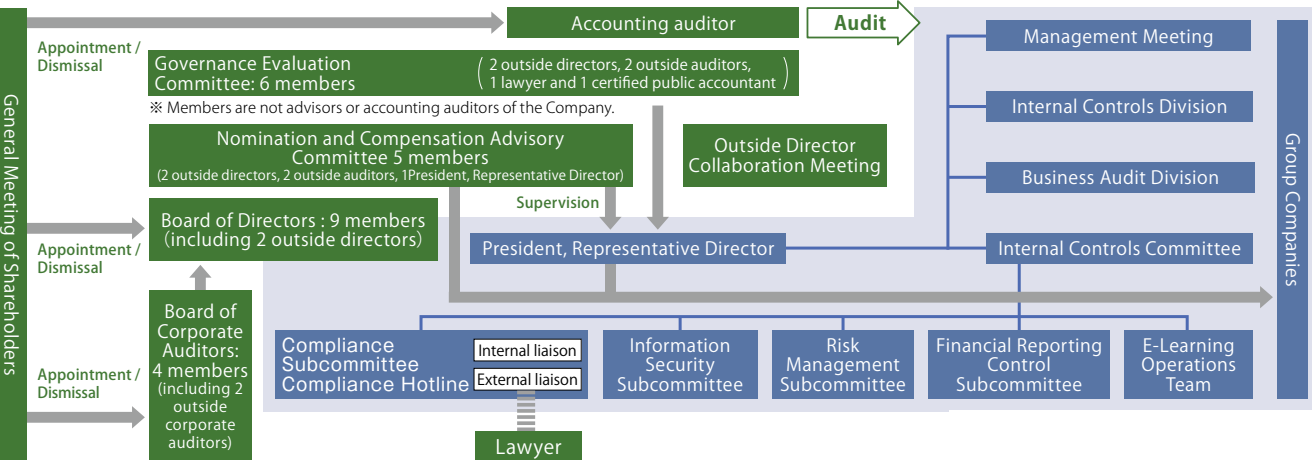
Based on our Group Philosophy-Gakken Group truly hopes for everyone to lead the enriched life by providing the sensation, satisfaction and peace of mind for the day along with the dreams and hopes for tomorrow-we aim at conducting corporate activities that meet the values that people and society now expect in the fields of education, information, and culture. As a member of Gakken Group, we take responsibility and pride in our Gakken brand developed over many years, conform to laws, ordinances and social ethics, and are committed to fulfill our social responsibility. The top management and each individual employees of Gakken Group carry out business in accordance with Gakken Group Charter of Corporate Conduct and promote compliance management.

For our customers
We ensure the highest level of safety for our products and services and promote appropriate sales activities to earn the confidence of our customers.
For stockholders and investors
We provide appropriate management information disclosure to establish a relationship of trust with stockholders and investors.
For business partners
We maintain fair relations with all of our business partners, and conduct fair and free market competition.
For employees
We respect human rights, and create corporate culture where all employees can fully demonstrate their creativity.
For Society
We conduct social action programs and environment protection, and fulfill our responsibilities as a corporate member of society.

Corporate Governance System

Gakken Group Board of Directors is composed of nine directors, two of whom are independent directors, who are responsible for the execution and supervision of group's corporate governance. In addition to matters stipulated by the Companies Act, it makes decisions on management policies related to the entire group and supervises the execution of business by directors. The Board of Corporate Auditors consists of four corporate auditors, two of whom are independent auditors. We have established a secretariat for the Board of Corporate Auditors to improve the quality and efficiency of audits. In addition, we have established a Governance Evaluation Committee as an organization to discuss and make recommendations on the state of our governance as a third party once every six months.

■ Institutional Organization Chart of Gakken Holdings Co., Ltd.



Stance and Development Status of Internal Controls System

Gakken Group has established Gakken Group Charter of Corporate Conduct, which is based on Group Philosophy. In order to establish a system to ensure the appropriateness of operations (internal controls system), the Board of Directors decided on a basic policy for the establishment of an internal controls system at a meeting in May 2006, and in October 2006 established the Internal Controls Committee, under which four subcommittees (Compliance Subcommittee, Information Security Subcommittee, Risk Management Subcommittee, and Financial Reporting Control Subcommittee) and an e-learning operation team were established.

Assessing Effectiveness of Board of Directors

Every year, we conducts a self-evaluation questionnaire for all directors and corporate auditors, except for the president, representative director, to assess whether or not they are effectively fulfilling the roles and responsibilities of the Board of Directors, and prepares a draft evaluation report consisting of analysis results and a draft action plan. We then reflect objective opinions from the Governance Evaluation Committee before adopting a resolution for the report at a meeting of the Board of Directors and finally disclosing it to the public.

1. Implementation

Questionnaires were conducted similar to FY2018

[Target] All directors and corporate auditors except the representative director

[Implementation period] Late September 2019

[Questions]

- Six items on the composition of the Board of Directors
- Five items on agenda items of the Board of Directors
- Four items on the meetings and deliberations of the Board of Directors
- Eight items on the provision of information
- Six items on the roles and responsibilities of the Board of Directors
- The Action Plan decided in December 2018 that was resolved at the previous year's Board of Directors meeting

[Assessment Method]

Rate on a scale of 1 to 5

2. Effectiveness Evaluation and Analysis Evaluation

(1) Composition of Board of Directors

In terms of whether Board of Directors has the knowledge, experience and ability to fulfill its roles and responsibilities in a balanced manner, and is diverse and appropriately sized, the attributes of outside directors, and the current composition of internal directors were generally satisfactory (overall average score of 3.8 to 4.1).

(2) Agenda Items of Board of Directors

We evaluated the agenda items of Board of Directors, reports on the progress of the management plan, reports on the progress of investments, discussions on the submission of proposals to the general meeting of shareholders, and the process leading to resolutions of the Board of Directors. The result was generally satisfactory (overall average score of 4.1 to 4.3).

(3) Meetings and Deliberations of Board of Directors

The average score for the number of meetings held by the Board of Directors, the length of time Board of Directors deliberated, the presence or absence of constructive deliberation by Board of Directors, the length of time Board of Directors spent explaining

agenda items, and the quality of presentations were generally satisfactory (overall average score of 3.5 to 4.3).

(4) Information Provision

The average score for all of the following items (3.8 to 4.2) was generally satisfactory, the provision of information necessary for Board of Directors deliberations, the quality and quantity of information provided to outside directors, information provided to outside directors about the company, information provided to outside directors about management issues, information provided to outside directors about market trends and the competitive environment and information provided to outside directors about unique risk factors and laws and regulations, the content of collaboration meetings for outside directors and inside directors, and communication between outside directors and inside directors.

(5) Roles and Responsibilities of Board of Directors

The average score for the establishment of Group Philosophy, etc., the dissemination of Gakken Spirit, constructive discussion of management strategies and plans, the structure and content of the compensation system for directors, clarification of delegation to senior management by Board of Directors, and training for directors were generally satisfactory (overall average score of 3.7 to 4.3).

(6) Action Plan Decided in December 2018

For Action Plan 1) "Take specific measures to further deepen communication between outside and inside directors" and Action Plan 2) "Discuss the details and clarification of delegation to senior management and take specific measures, if necessary," we received scores of 3.3 and 3.4, respectively, which indicate that these items should be further improved. On the other hand, we scored relatively high at 4.0 for Action Plan 3) "Determine and implement specific details of director training."

3. Outline of Action Plan

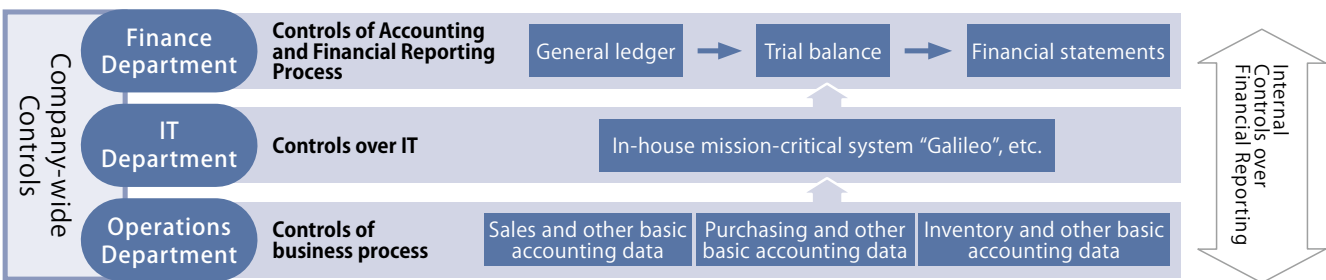
Based on the questionnaire analysis results, the Governance Evaluation Committee, which consists of external experts, heard objective opinions and formulated the following action plan.

- Further enhance deliberations by Board of Directors.**
- Improve the effectiveness of the provision of information to outside directors.**
- Continue holding training sessions for directors to promote the Digital Transformation (DX) strategy.**

Internal Controls over Financial Reporting

For Gakken Group, internal controls means that all directors and employees independently and voluntarily establish a system and framework for the sound management of group, and carry out day-to-day operations accurately so as to improve operational efficiency, comply with laws and regulations, and prepare reliable and accurate financial statements. The figure below shows an overview of the assessment of internal controls over financial reporting.

■ Assessment Overview of Internal Controls over Financial Reporting



Compliance

Policies and Positions

In order to meet the expectations of all stakeholders and remain a company that is trusted by society, Gakken Group has established Gakken Group Charter of Corporate conduct, which proclaims compliance with laws, regulations, and social ethics in its corporate activities and promotes compliance management. To this end, we have established Gakken Compliance Code, which serves as the standard for the entire Gakken Group.

Gakken Compliance Code is designed to provide a clear understanding of the laws, regulations and social ethics that must be followed in implementing Gakken Group Charter of Corporate conduct, with regulations established for each stakeholder. In addition, we have established a Compliance Hotline as a point of contact for consultation and reporting on compliance issues, which is separate from the normal report line.

System and Mechanisms

■ Establishment of Compliance Subcommittee

In order to establish and promote compliance with in Gakken Group, the Compliance Subcommittee has been established under the Internal Controls Committee to deliberate on important matters to ensure that corporate conduct is in compliance with laws and regulations. The Compliance Subcommittee has also established a harassment task force to deal with human rights violations and various harassment cases.

■ 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 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 chairman, a few members, and the secretariat. The subcommittee chairman presides over the Compliance Subcommittee and the officer in charge of compliance is appointed. Members and the secretariat are nominated by the chairman. Regular meetings are held once a quarter, and extraordinary meetings are held as needed.

Operation of Whistleblowing System

The Compliance Hotline is a single point of contact for all Group employees, and in addition to the internal whistleblowing hotline, lawyers independent from the company also serve as contacts. These internal reports can also be received anonymously, and the

regulations stipulate that (1) the whistleblower will not suffer any disadvantages, (2) retaliation is prohibited, (3) the person in charge must pledge not to divulge any secrets, and (4) the person in charge must not be involved in the handling of whistleblowing cases related to themselves.

In addition, the fact of whistleblowing and the response to it are reported to Board of Directors, and Governance Evaluation Committee gives objective opinions about the matter.

Implementation of Employee Compliance Retention Monitoring

Gakken Group conducts training for all employees on governance, risk and compliance. We also use an e-learning system to conduct a biennial survey on understanding of Gakken Compliance Code. Since 2017, we have also further increased the level of compliance retention by conducting a survey on understanding of Gakken Group Charter of Corporate conduct at the same time.

■ Number of Respondents to a Survey on Understanding of the Gakken Compliance Code

Year Implemented	Number of Responding Employees	Response Rate
FY2019 (74th Period)	3,137	85.80%
FY2017 (72nd Period)	2,862	84.10%

Initiatives to Prevent Corruption

Gakken Group builds fair relationships with all of its business partners and engages in fair and free market competition. Under no circumstances will we engage in cartels, collusion, maintaining resale prices, or any other conduct that would violate antitrust laws, and we will engage in fair and free competition among businesses. In addition, we treat our business partners with common sense and sincerity, and treat them fairly and ju

Response to Antisocial Forces

Gakken Group has no relationship with antisocial forces. If we receive an unreasonable demand from antisocial forces, we will take a resolute stance and will not try to solve the problem by offering money or merchandise. We will not use antisocial forces to gain profits for the company or ourselves.

Risk Management

Policies and Positions

Gakken Group has established Gakken Group Basic Rules for Risk Management, which sets out the basic matters related to risk management and enables Group to appropriately manage the various risks surrounding its business.

Major risks related to Group's business and others include risks related to legal regulations, risks related to the occurrence of disasters, risks related to the failure of information systems, risks related to the management of

personal information, risks related to trends in the publishing market, risks related to the operation of the elderly care business, risks related to the operation of the childcare support and classroom/learning center business, and risks related to business development overseas. We will ensure the continuous and stable development of our business through the management of these risks.

System and Mechanisms

Gakken Group has formulated Gakken Group Basic Rules for Risk Management based on group's internal rules for risk management and the basic policy for maintaining the organization. In addition, Gakken Group Risk Management Manual has been formulated to appropriately address the various risks associated with Gakken Group's business. The Risk Management Subcommittee, under the Internal Controls Committee, has been established as an umbrella organization for risk management, and is responsible for assessing and controlling various risks in cooperation with the directors in charge of GRC* and those in charge of risk management appointed by each group company.

*GRC = Governance Risk Compliance

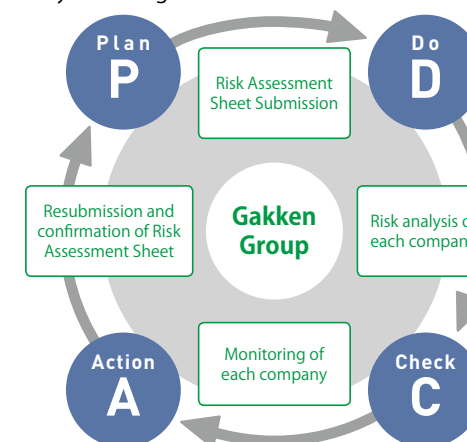
Protection of Personal Information

Based on Gakken Group Personal Information Protection Guidelines, Gakken Group has established specific standards for handling the personal information of its customers and shareholders.

■ Risk Assessment Sheet



■ PDCA cycle using Risk Assessment Sheet



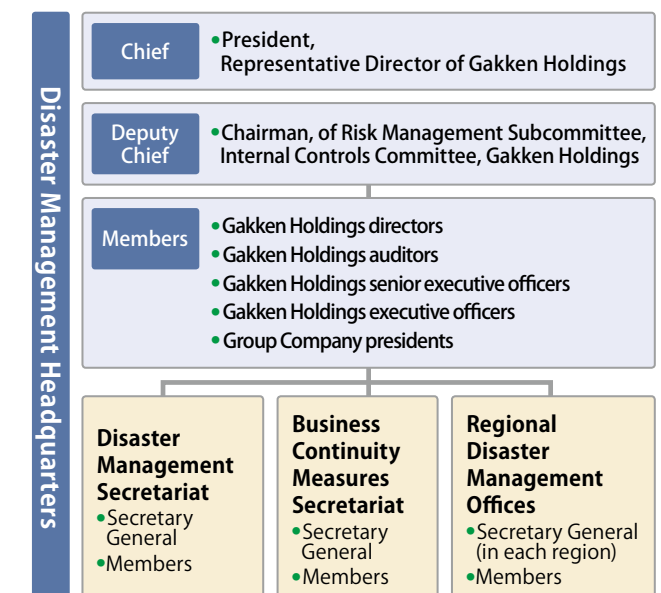
Information Security

Gakken Group has established an Information Security Policy for the management and protection of information assets held by our group and personal information entrusted to us, and ensures that all officers and employees comply with it. The Basic Regulations for Handling Individual Numbers "My Numbers" and Gakken Group Information Equipment Management Regulations were established respectively in July 2015 and July 2016 (implemented from October 1, 2016), and Basic Policy for Gakken Group Information Security Policy was fully revised in October 2016.

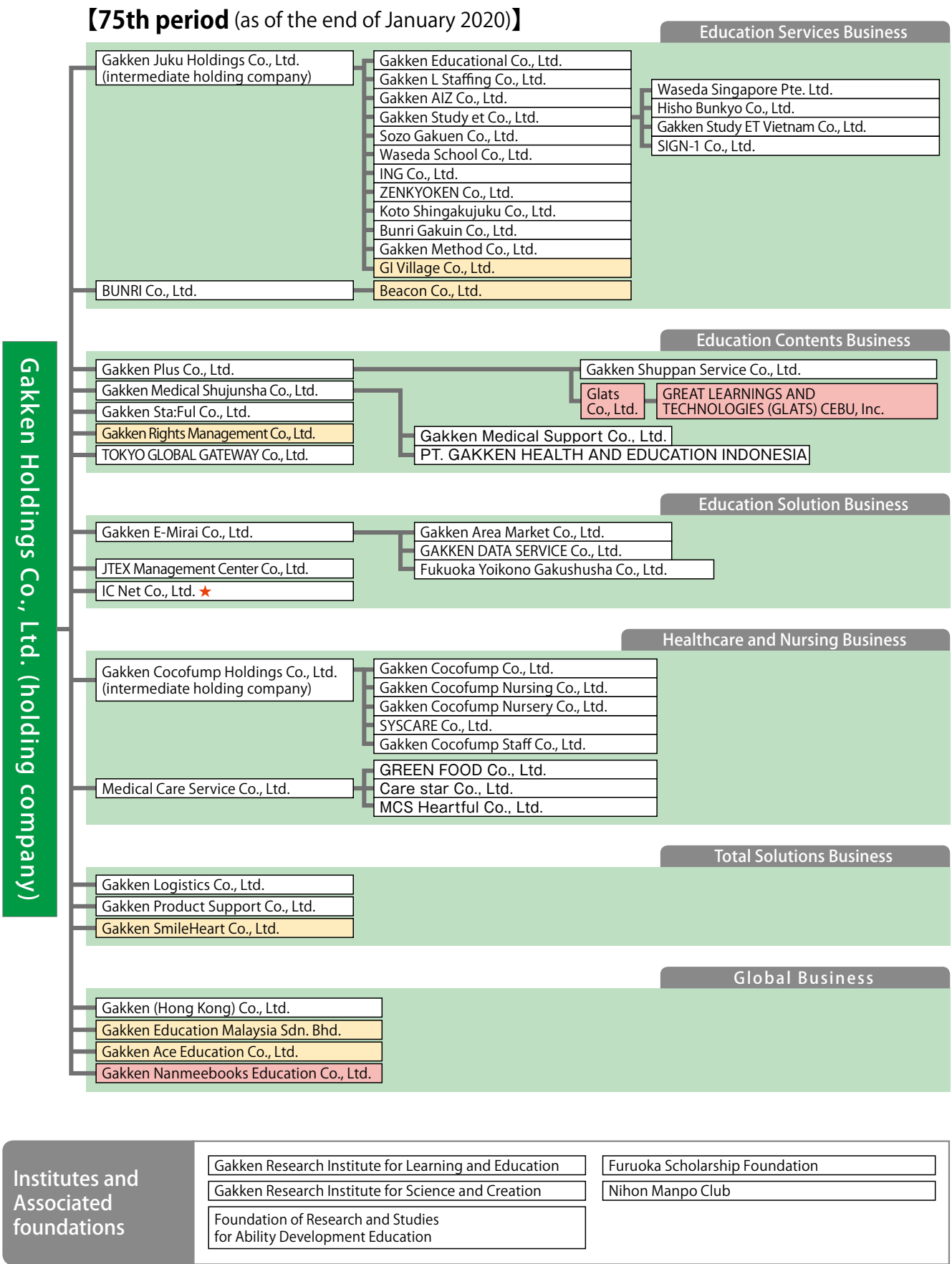
Disaster Management

In the event any risk of a disaster occurs, or is likely to occur, Gakken Group will establish a disaster management headquarters and transition to a disaster response system. In addition, the Business Continuity Measures Secretariat provides support and advice on Gakken Group's business continuity measures from a bird's eye view, based on the BCP (Business Continuity Plan) formulated in advance. Furthermore, Gakken Group Headquarters building has a disaster prevention manual and other measures in place for those who have difficulty returning home in accordance with the Tokyo Metropolitan Government's "Ordinance on Measures for Stranded Persons."

■ Disaster Management Headquarters Organization Chart



Gakken Group Companies



Consolidated subsidiaries (53 companies) Non-consolidated subsidiaries (13 companies) Affiliated companies (6 companies)
★: New company in 74th period ※Some companies have been omitted.

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