
Financial Results

for the Nine Months Ended June 30, 2022

August 10, 2022
Gakken Holdings Co., Ltd.

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Executive Summary of the financial results for the Nine Months Ended June 30, 2022

[Financial results]

Net sales: 117.0 billion yen (3.1% increase year on year) / Operating profit: 4.8 billion yen (23.2% decrease year on year)
Profit: 2.8 billion yen (39.3% increase year on year)

- Consolidated net sales (for the nine months ended June 30, 2022) increased for the 11th consecutive fiscal year
- Operating profit decreased due to short-term risk factors including the impact of the Omicron variant outbreak on the educational domain
- Profit increased due to the absence of temporary tax increase factors associated with a transition to the consolidated taxation of Medical Care Service Company Inc. in the previous fiscal year

[Topics]

- In the publishing business, many books became hits, including “Saikyo-O (The Strongest King)” series ^{*1}, “Gakken Illustrated Guide LIVE” ^{*2}, and “Chikyu-no-Arukikata” series ^{*3}
- Maintained a high growth rate in the number of hospitals subscribing to e-learning programs for nurses, as evidenced by an increase of 265 hospitals year on year
- Robust sales from online training programs for enterprises by JTEX Management Center Co., Ltd., a Group company
In elderly housing, the operation of new sites in Suita and Hatsukaichi that were opened as complex sites of Gakken’s community-based integrated care system fared well
- Opened new elderly care facilities as scheduled in general, including three serviced apartments for the elderly and one group home for the elderly with dementia. The preparation underway for new openings in the fourth quarter of the current fiscal year
- The initiative in progress to rebrand nursery schools under the new “Gakken Hoikuen” ^{*4} since April

^{*1}



^{*2}



^{*3}



^{*4}

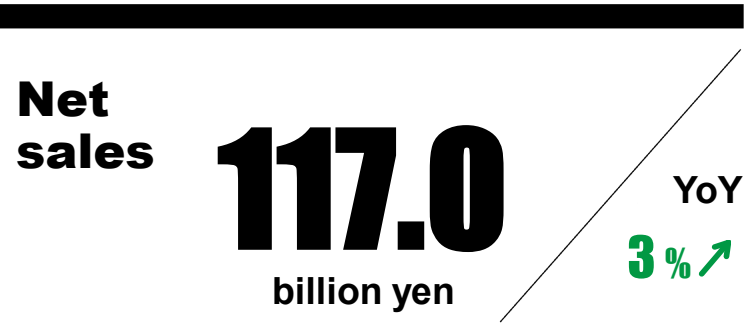


Overview of Financial Results

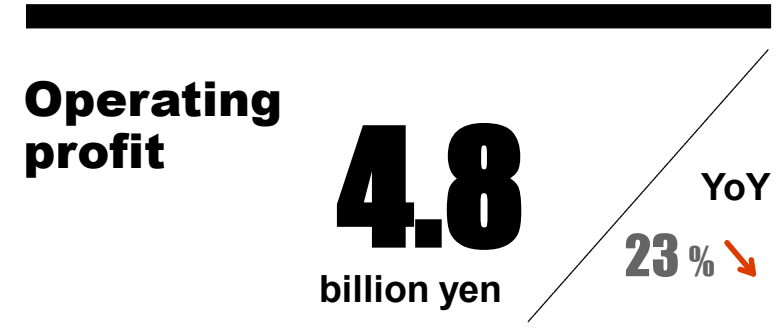
for the Nine Months Ended June 30, 2022

Summary of Consolidated Financial Results

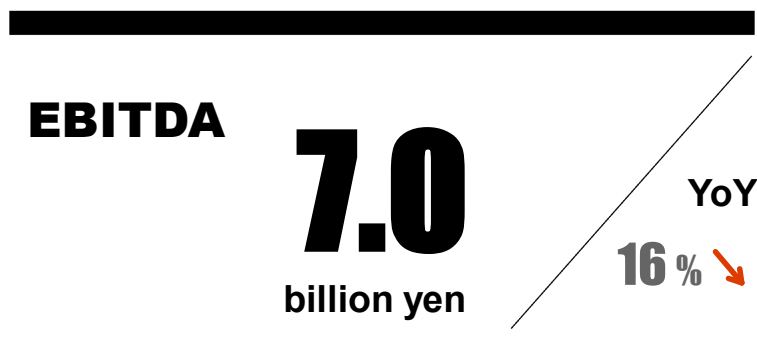
for the Nine Months Ended June 30, 2022



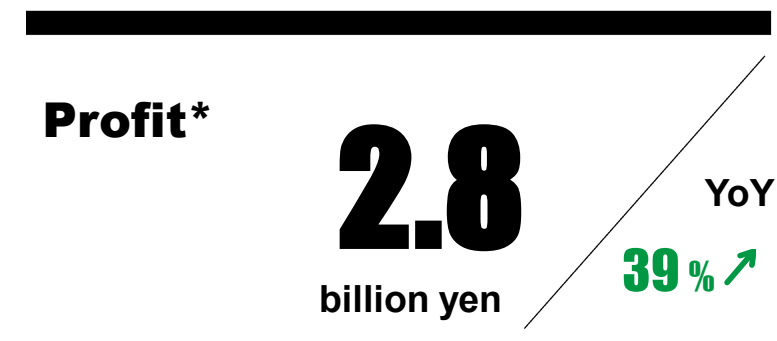
Increased for the 11th consecutive year



• The prolonged impact of the Omicron variant
• Rebound from temporarily increased profit in the previous fiscal year



Decreased due to prior investment



Elimination of temporarily increased tax burden in the previous fiscal year

* Profit attributable to owners of parent

*Numbers are rounded to the nearest hundred million.

Summary of Results by Segment for the Nine Months Ended June 30, 2022

(Billion yen)

Segment		Nine months ended June 30, 2021		Nine months ended June 30, 2022		Change	
	Business	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational Domain		60.5	4.0	59.3	3.3	-1.1	-0.7
	Classroom and learning Center	23.0	0.4	23.1	0.6	0.2	0.1
	Publishing and content	24.5	2.8	24.6	2.5	0.1	-0.3
	Kindergarten and school	13.0	1.0	11.6	0.5	-1.5	-0.6
	Goodwill	-	-0.2	-	-0.2	-	0.0
Healthcare and Nursing Domain		48.7	2.6	53.4	2.3	4.7	-0.3
	Elderly housing	20.1	0.9	23.7	0.9	3.6	0.1
	Group homes for the elderly with dementia	24.8	2.1	25.4	1.5	0.6	-0.5
	Child raising support	3.9	-0.0	4.3	0.1	0.4	0.1
	Goodwill	-	-0.3	-	-0.3	-	0.0
Other		4.3	0.7	4.3	0.6	-0.0	-0.1
Adjustments		0.0	-1.0	0.0	-1.4	0.0	-0.4
Group total		113.5	6.2	117.0	4.8	3.5	-1.4

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

Trends of Net Sales for the Nine Months Ended June 30, 2022

(Billion yen)

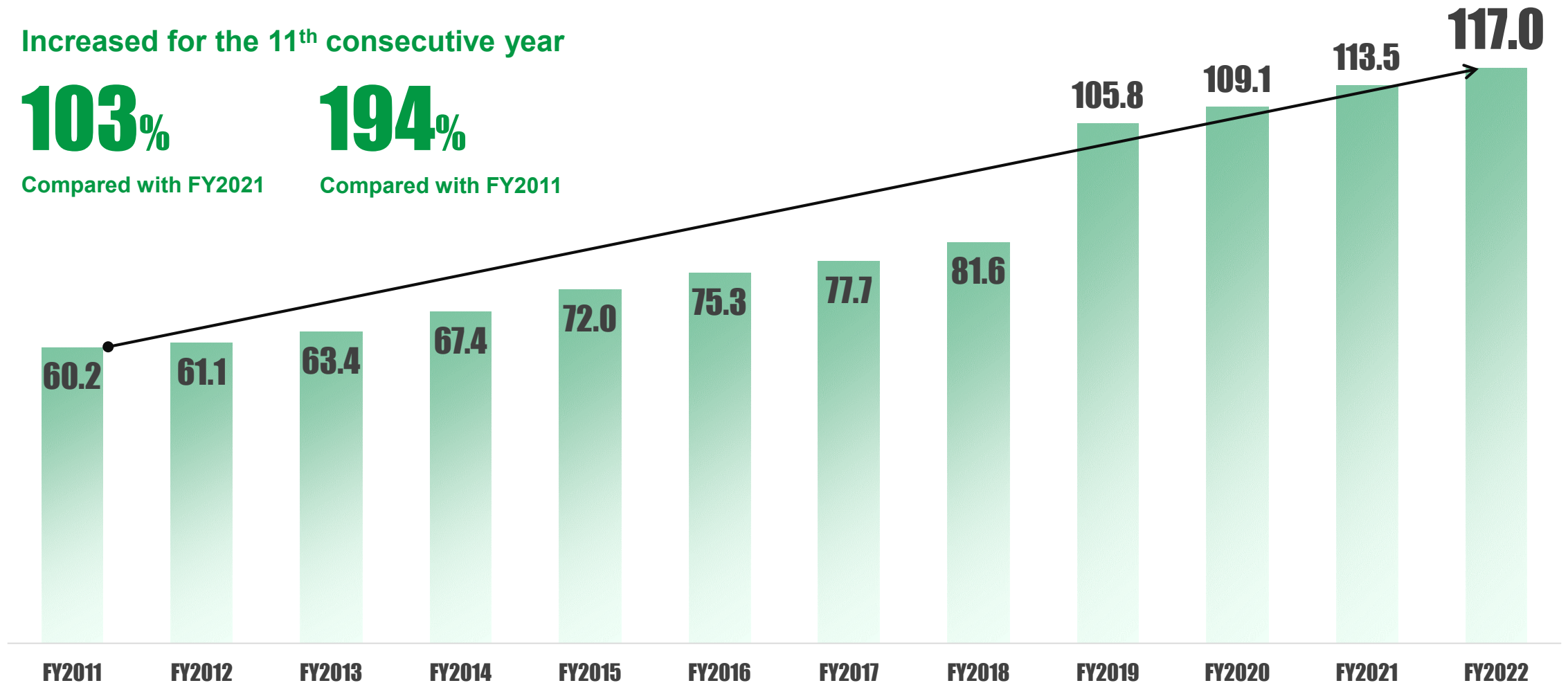
Increased for the 11th consecutive year

103%

Compared with FY2021

194%

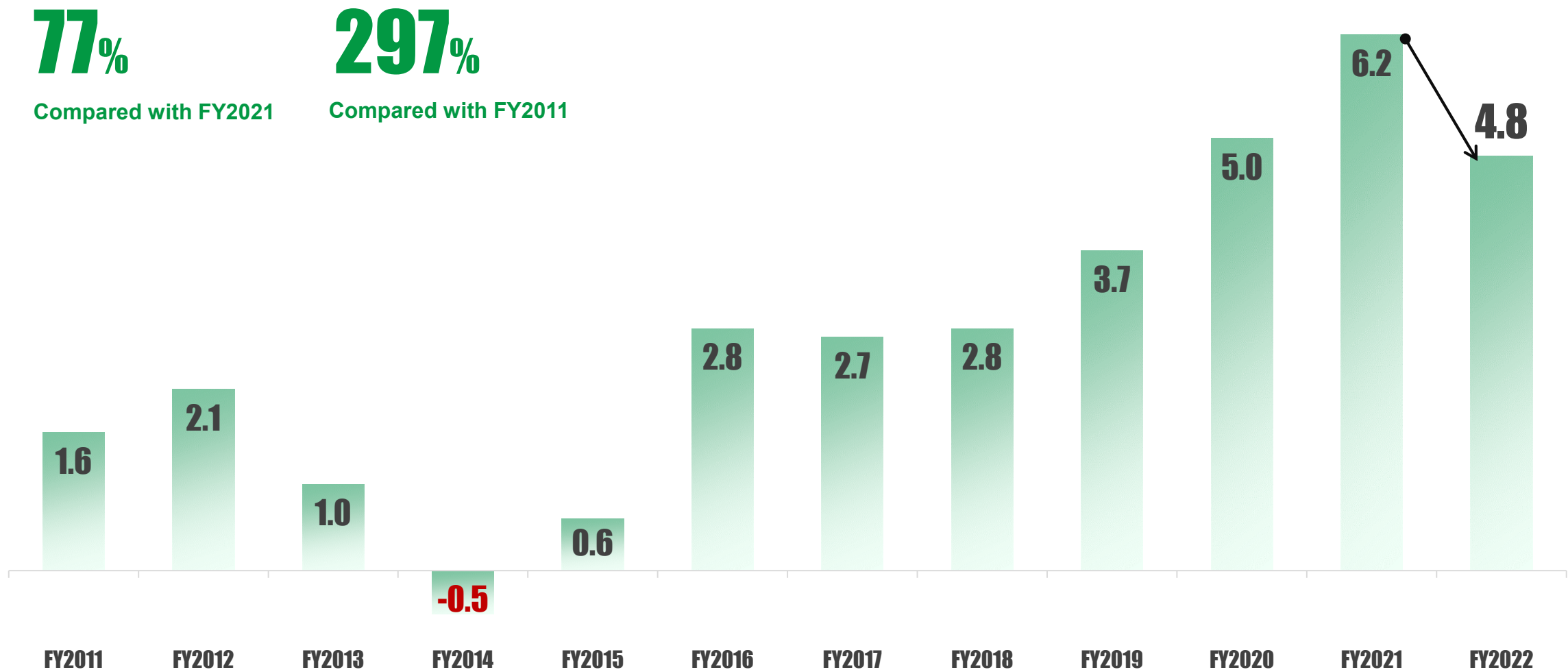
Compared with FY2011



*Numbers are rounded to the nearest hundred million.

Trends of Operating Profit for the Nine Months Ended June 30, 2022

(Billion yen)



*Numbers are rounded to the nearest hundred million.

Trends of EBITDA for the Nine Months Ended June 30, 2022 *

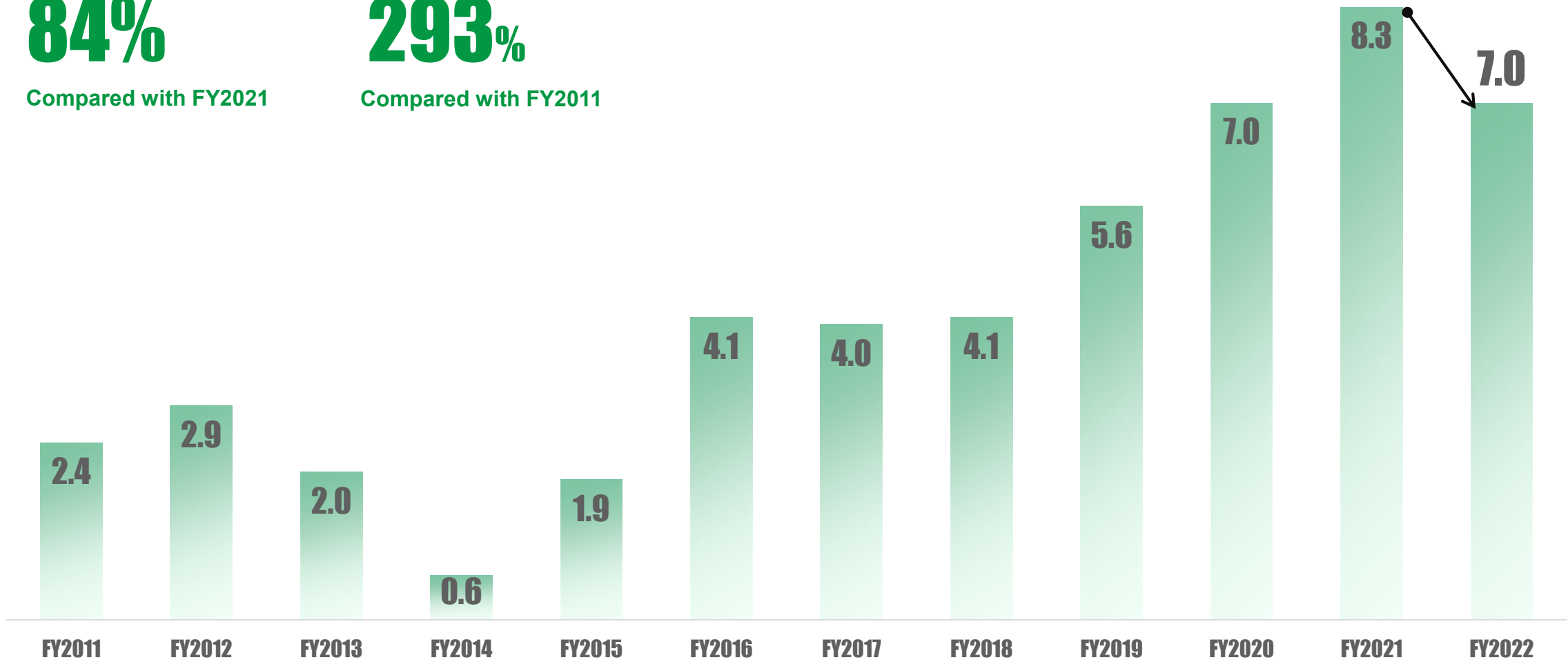
(Billion yen)

84%

Compared with FY2021

293%

Compared with FY2011



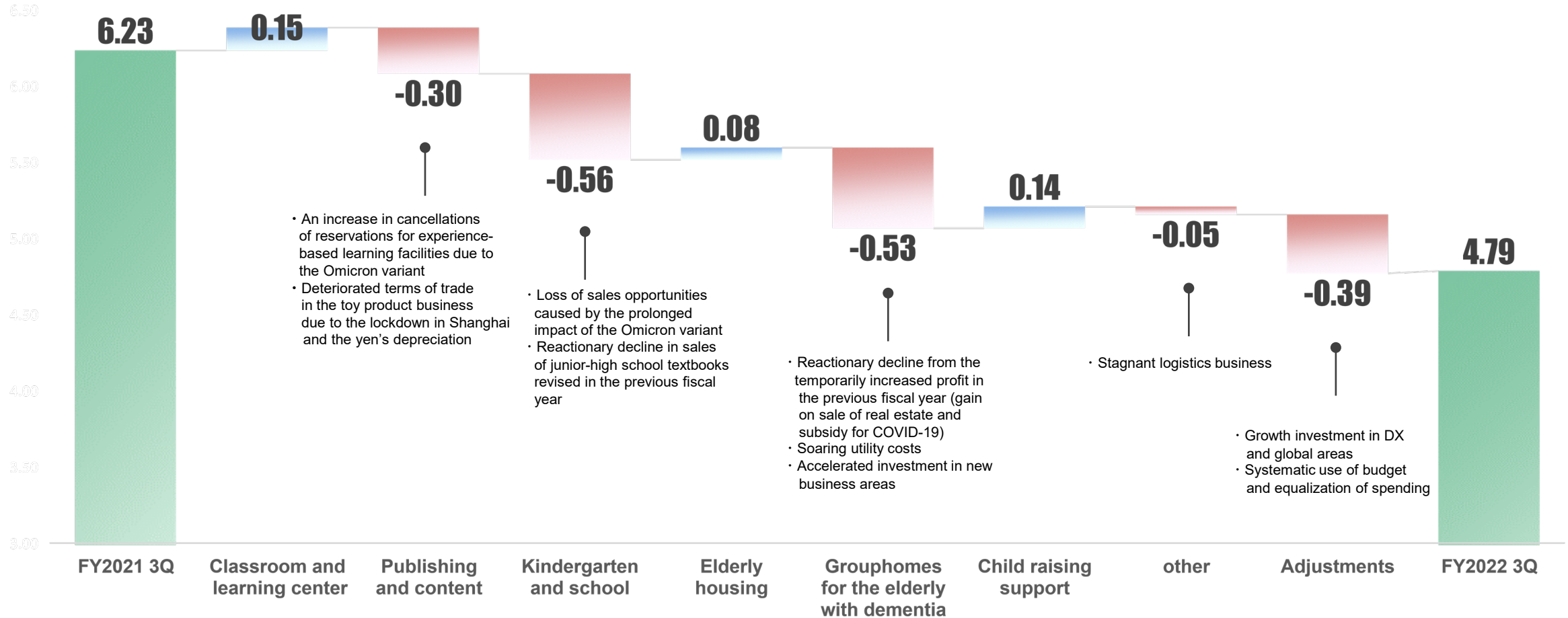
*A total of operating profit, depreciation, and goodwill amortization

*Numbers are rounded to the nearest hundred million.

Factors Behind Changes in Operating Profit for the Nine Months Ended June 30, 2022

(Billion yen)

Decreased due to the rebound from temporarily increased profit in the previous fiscal year, the increased investments, and the prolonged impact of the Omicron variant

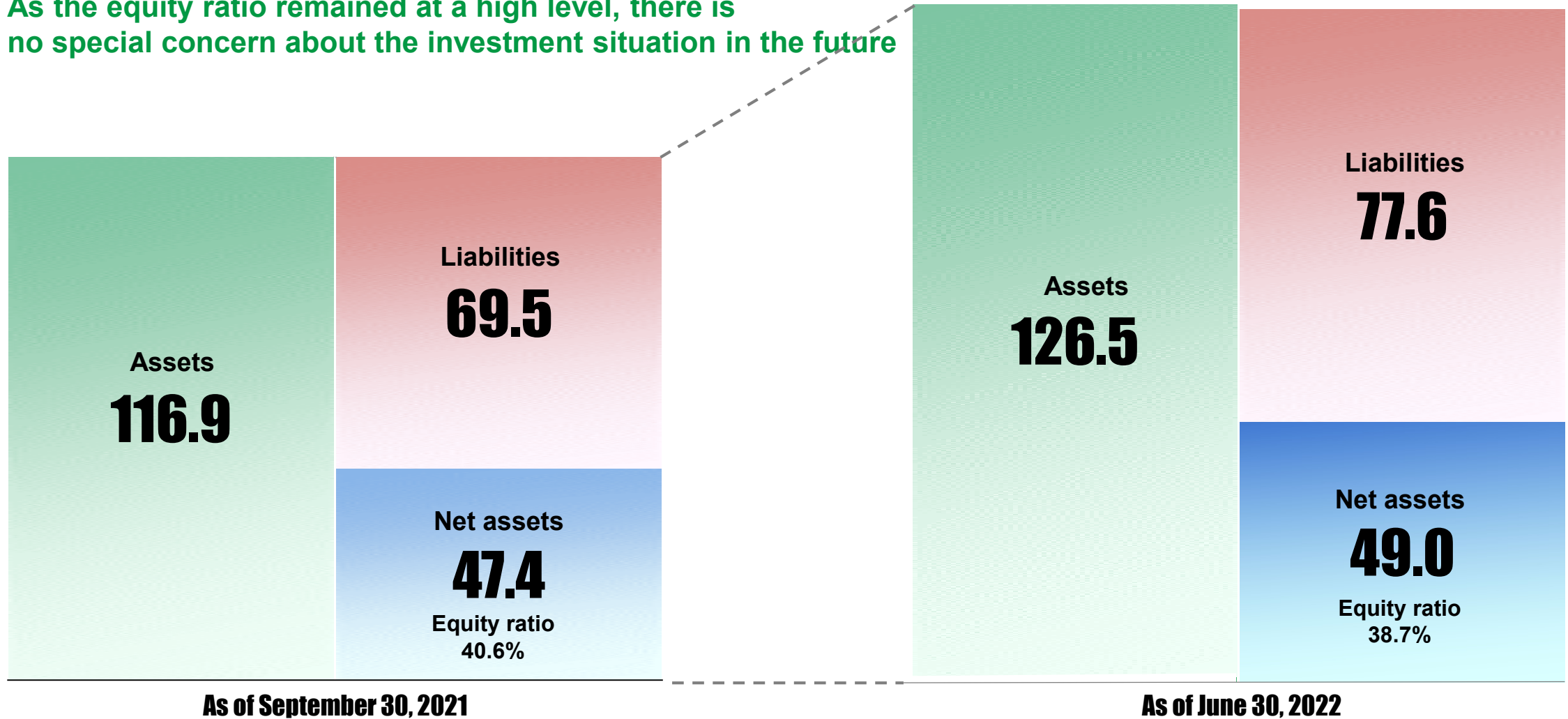


*Numbers are rounded to the nearest ten million.

Consolidated Financial Position

(Billion yen)

As the equity ratio remained at a high level, there is no special concern about the investment situation in the future



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

Educational Domain Financial Results

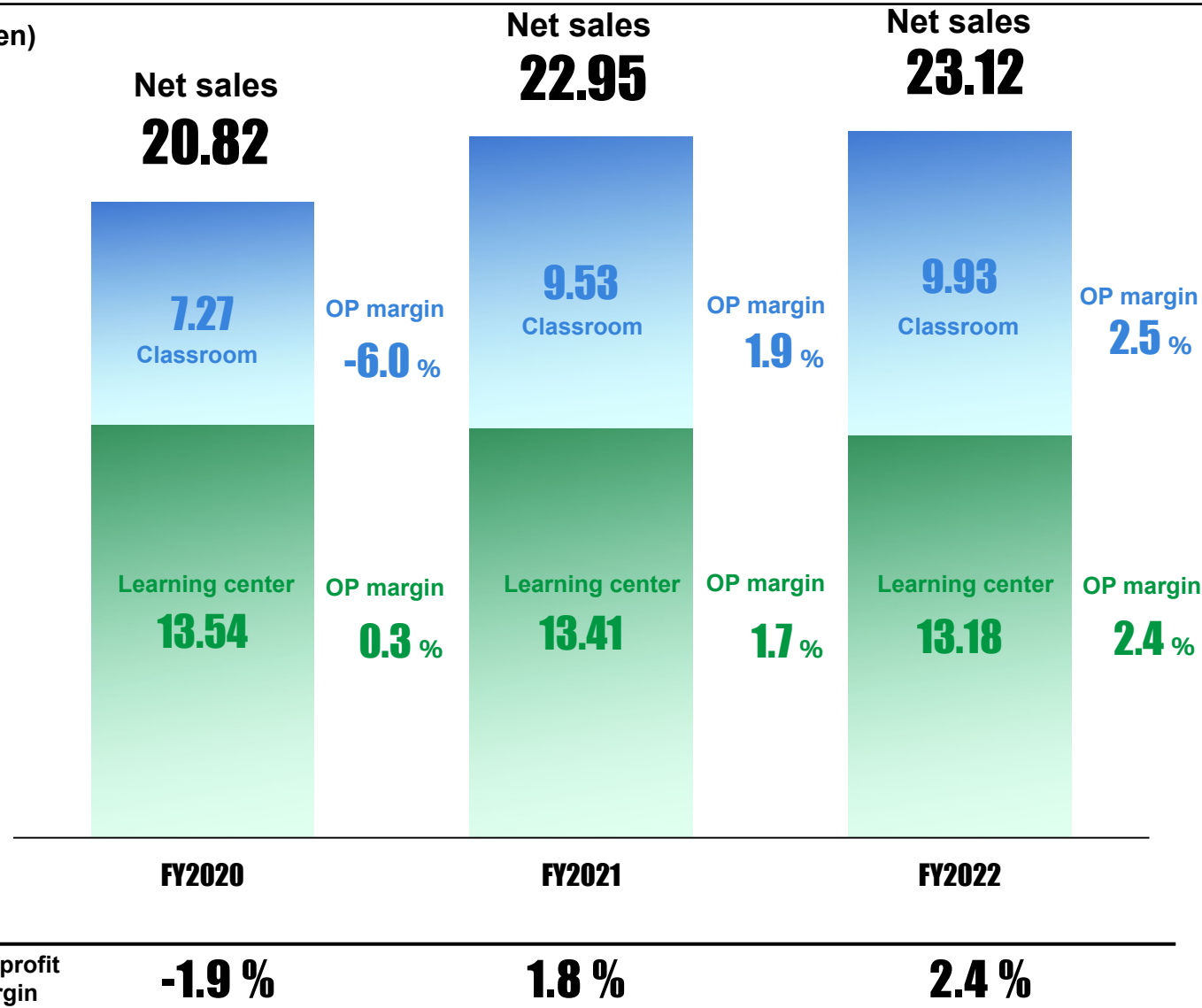
for the Nine Months Ended June 30, 2022

Focused on the following three businesses extensively supporting children's learning, with an expanded service menu for working adults

- 1) Classroom and learning center: Operation of toddler classes and Gakken classrooms supporting children's learning in everyday life, and learning centers across Japan
- 2) Publishing and content: Production and sale of children's books, study-aid books, and other publications, as well as e-learning content
- 3) Kindergarten and school: Production and sale of goods for kindergartens and nursery schools, and provision of an employment/recruitment support service

Classroom and Learning Center Summary for the Nine Months Ended June 30, 2022

(Billion yen)



Positives

- Profit margin grew for two years in a row
- Streamlined non-profitable learning centers
- Sales per customer increased, and online services expanded
- Acquired Mebae Classroom business in 4Q last fiscal year
- Focused on bridging kindergartens with elementary schools by transferring toddler classes internally in 1Q last fiscal year

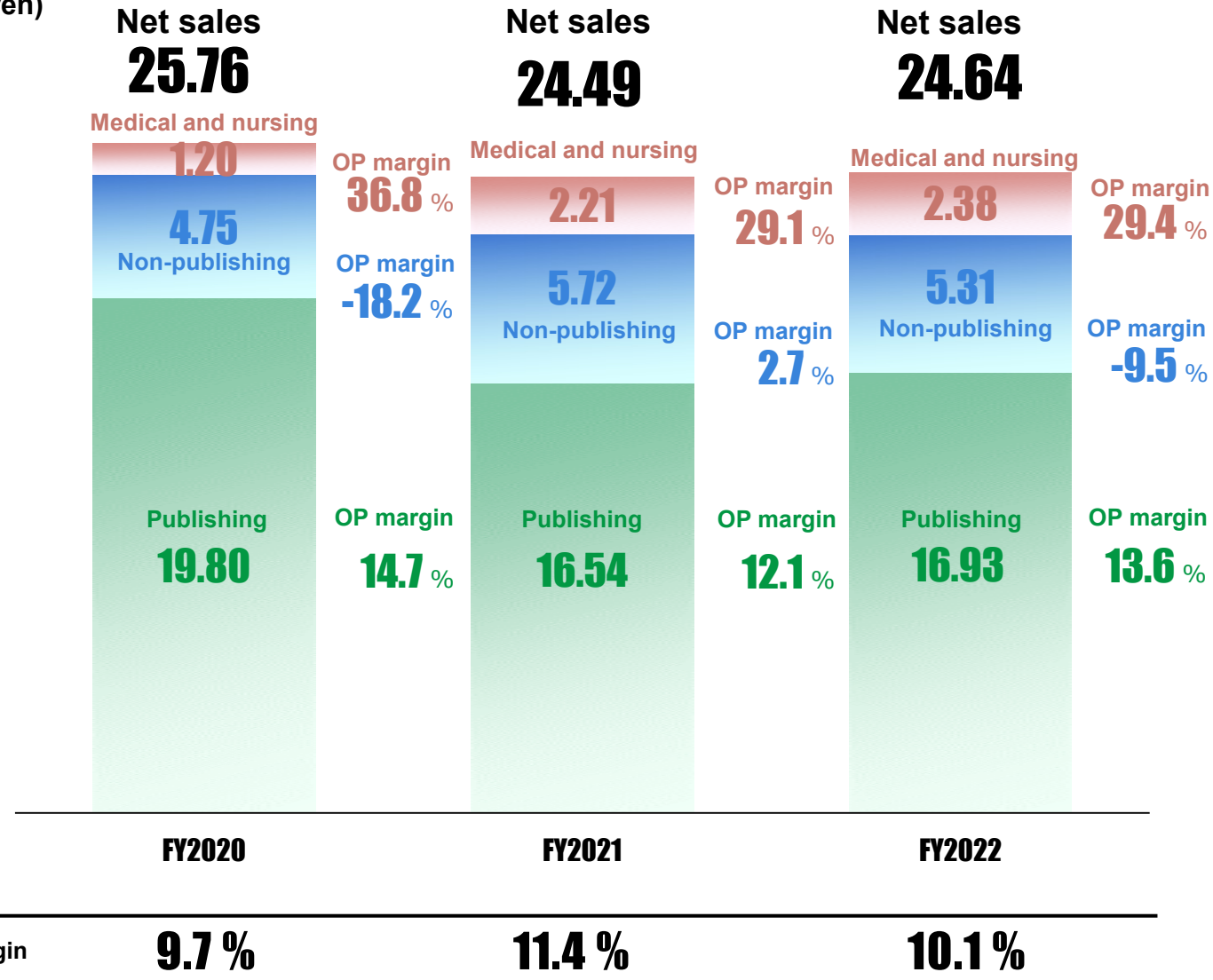
Negatives

- Adverse effects on student recruitment for the new school term and a delay in recovery of the number of students due to the spread of Omicron variant

*Numbers are rounded down to the second decimal place.

Publishing and Content Summary for Nine Months Ended June 30, 2022

(Billion yen)



Positives

- Children's books continued to perform strongly, and new illustrated guides also sold well
- A number of popular titles from map/guidebooks
- The number of hospitals subscribing to e-learning programs for nurses increased to 2,284 (up 265 year on year)
- Sales of e-books on medicine and nursing increased

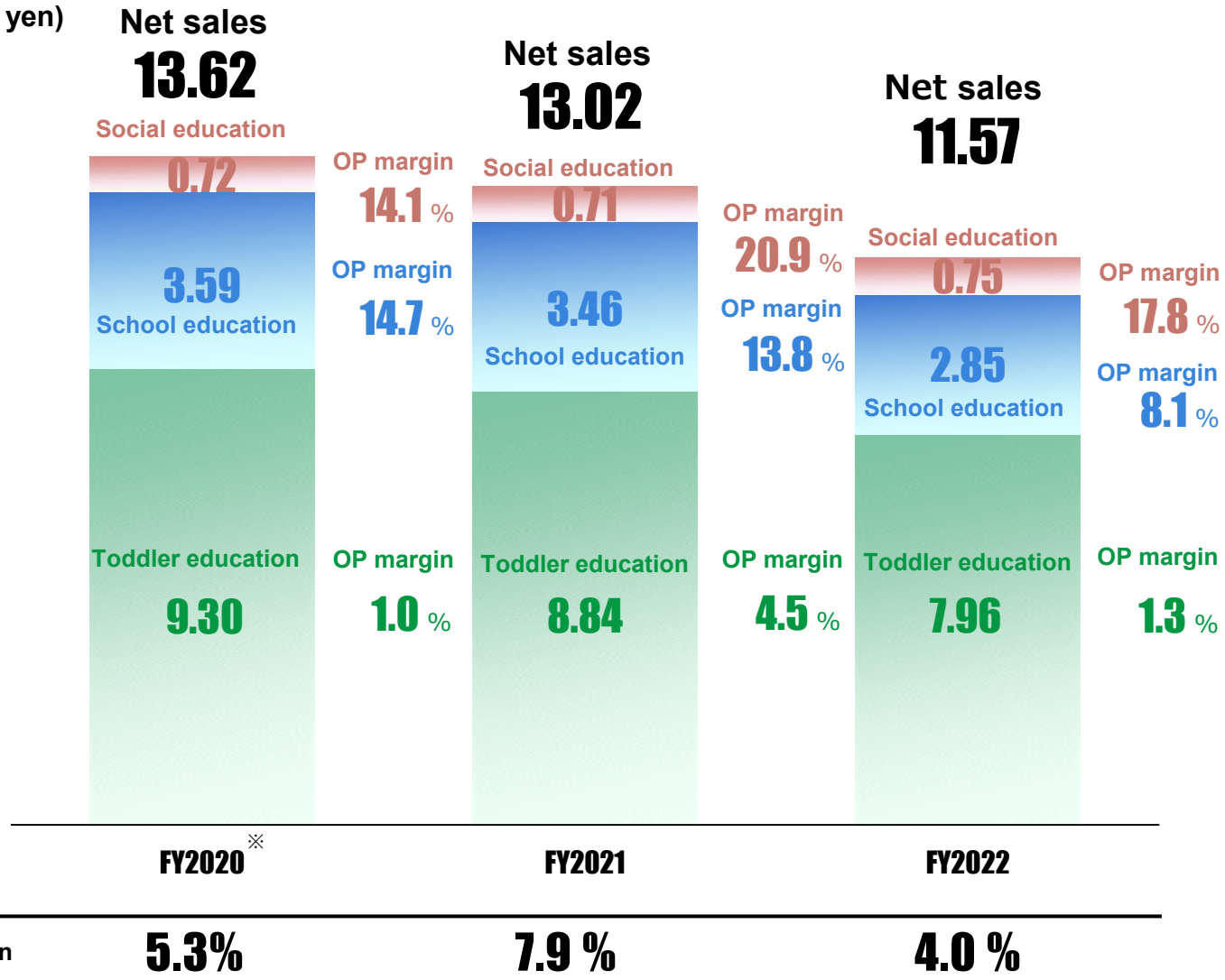
Negatives

- Use of and reservations for experience-based English learning facilities decreased due to the Omicron variant
- Market condition of toy products deteriorated (due mainly to the lockdown in Shanghai and the yen's depreciation)
- Paper prices trended higher

*Numbers are rounded down to the second decimal place.

Kindergarten and School Summary for the Nine Months Ended June 30, 2022

(Billion yen)



Positives

- Child-care ICT system “hugmo” performed well
- Corporate training business grew
- More schools purchased digital textbooks

Negatives

- Orders for equipment and hygiene products from nursery schools and kindergartens decreased greatly due to the Omicron variant
- Reactionary decline in school textbooks and instruction guides for teachers
- E-learning business for the teachers’ license renewal system lost as the system was abolished

*Numbers are rounded down to the second decimal place.

*Net sales for FY2020 include sales from the toddler class business of 1.91 billion yen, which was internally transferred.

Healthcare and Nursing Domain Financial Results

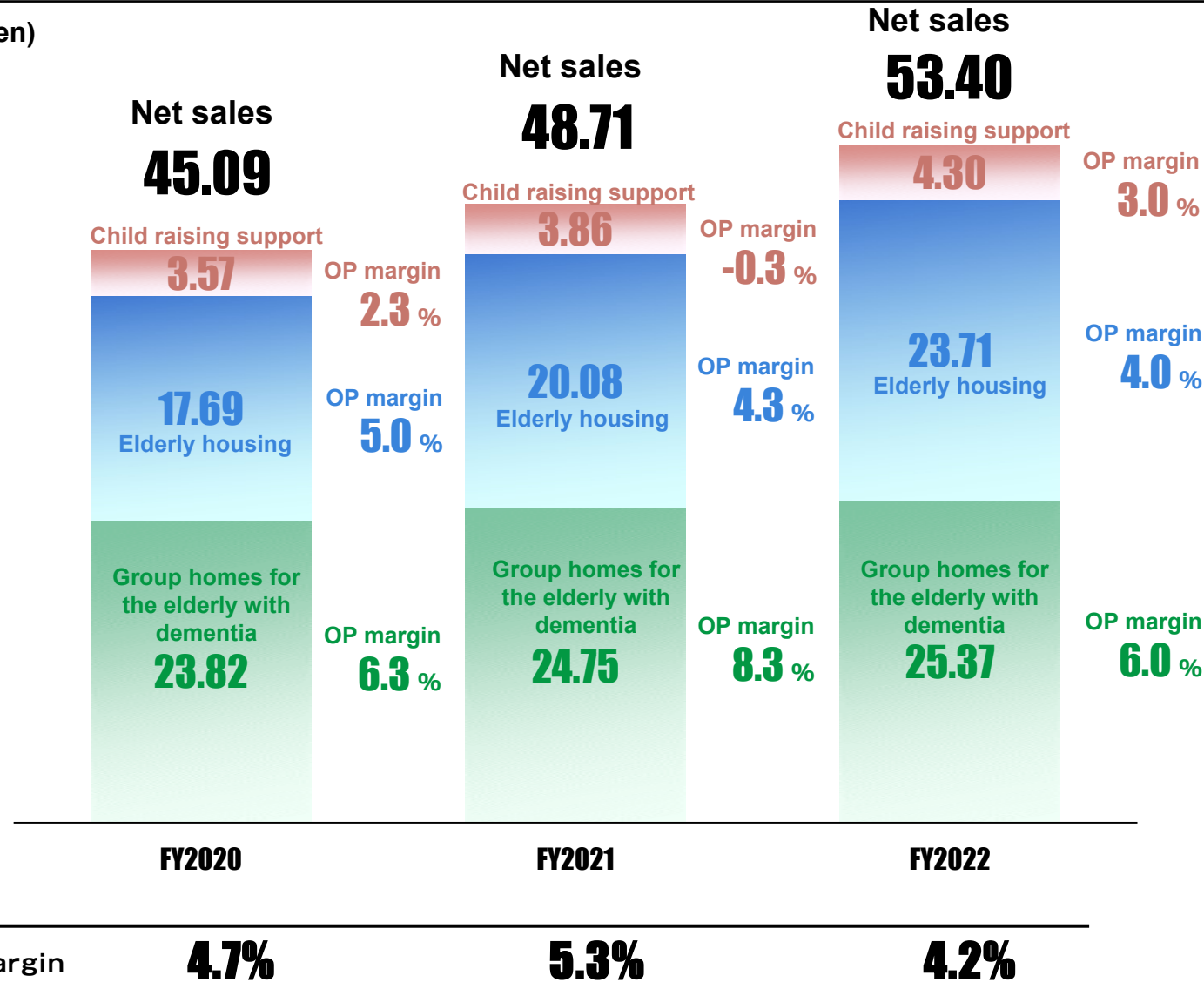
for the Nine Months Ended June 30, 2022

Addressed the social issue of aging society with a declining birthrate to create a community where people of all generations can live with peace of mind in three businesses

- 1) Elderly housing: Planning, development, and operation of serviced apartments for the elderly, bases for elderly care services, etc.
- 2) Group homes for the elderly with dementia: Operation of group homes and planning, development, and operation of related services
- 3) Child raising support: Planning, development, and operation of nursery schools, children's daycare centers, after-school children's clubs, etc.

Healthcare and Nursing Summary for the Nine Months Ended June 30, 2022

(Billion yen)



Positives

- New openings as scheduled
 - Elderly housing (13)
 - Group homes (5)
- Occupancy and utilization rates on an upward trend
 - Elderly housing : 94.5%
 - Group homes : 97.6%
 - Nursery schools: 91.8%
- Profit increased due to rationalization of nursery schools

Negatives

- Group homes : profit decreased due to the absence of gain on sale of real estate in 2Q last fiscal year and subsidy for COVID-19 in 3Q last fiscal year
- Costs increased due to higher utility costs
- Recovery in the number of users for daycare services slowed down due to the resurgence of COVID-19

*Numbers are rounded down to the second decimal place.

Summary of Financial Results

for the Nine Months Ended June 30, 2022

Summary for the Nine Months Ended June 30, 2022

- ◆ Net sales increased for the 11th consecutive year
- ◆ Operating profit declined by 23% due to reactionary decline from transient profit recorded in the previous fiscal year, as well as equalization of spending with systematic use of expenses
- ◆ Profit increased due to the absence of temporary tax increase factors associated with a transition to consolidated taxation of Medical Care Service Company Inc. in the previous fiscal year
- ◆ As outlined in Gakken2023, rationalization of unprofitable businesses and back-office operations is progressing in the entire Group in order to pursue the growth of both existing and new businesses. We will allocate the surplus thus generated to growing areas such as digital, global, and new domains to make continuous investments

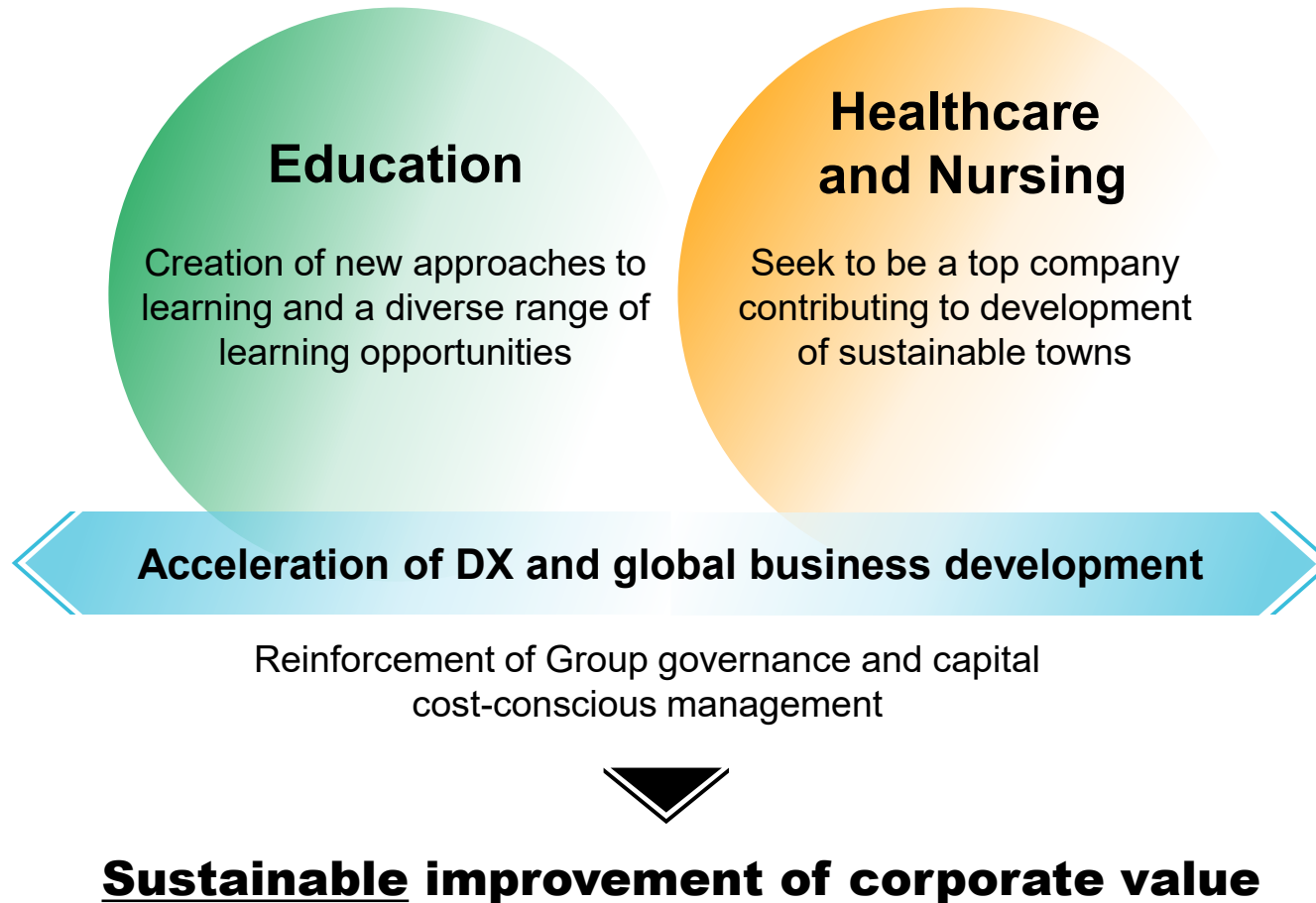
Plan for the Fiscal Year Ending September 30, 2022

(Billion yen)

Despite risks caused by the resurgence of the Omicron variant and price increases, no significant differences between the present estimation and the plan are seen thanks to the creation of popular titles in the publishing business and the improvement in cost efficiency. Accordingly, we made no change to the plan for the fiscal year ending September 30, 2022

	FY2021 / 9 Results	FY2022 / 9 Plan
Net sales	150.2	157.0
Operating profit	6.2	6.7
Profit	2.6	3.4
ROE	6.3 %	7.1 %
Dividend per share	22 yen	24 yen (forecast)
Payout ratio	34.1 %	30.7 % (forecast)

Establishment of a solid foundation for growth



Performance targets for the fiscal year ending September 30, 2023

Net sales

165.0
billion yen

Operating profit

7.5
billion yen

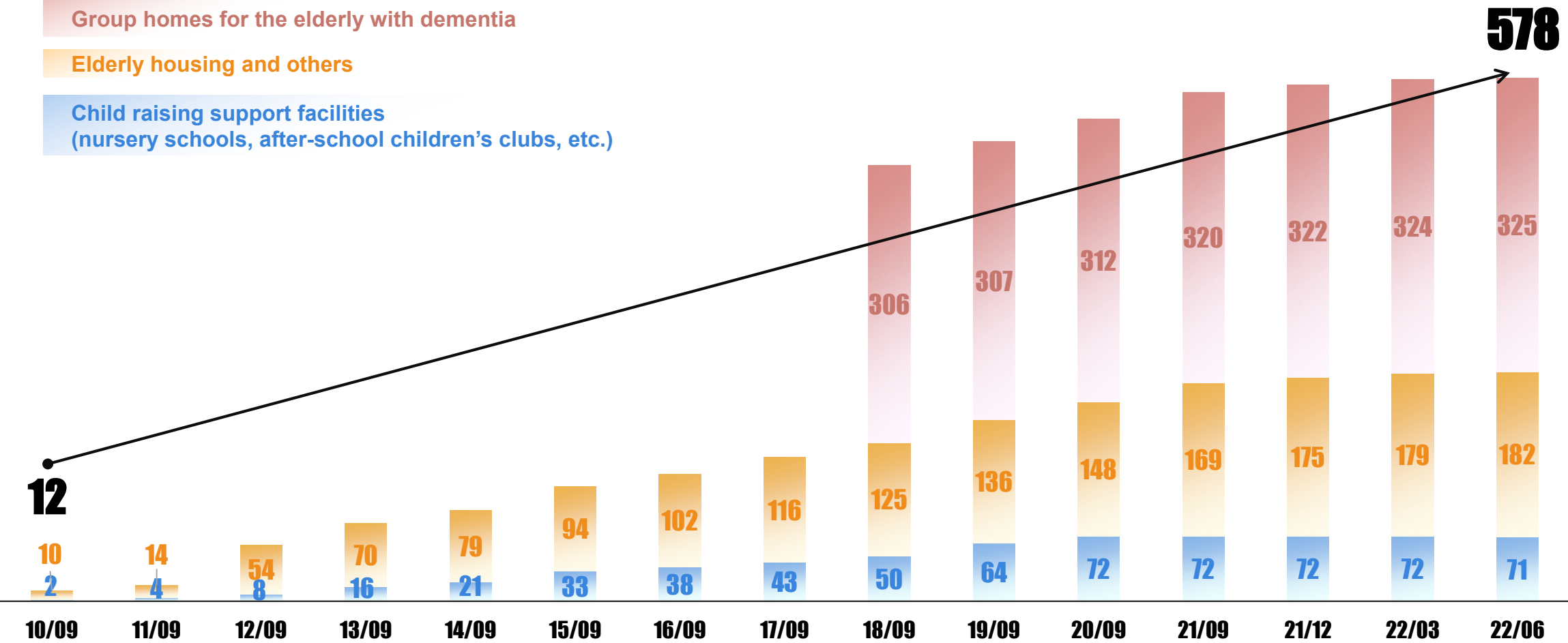
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4.5 %

Supplementary Materials

for the Nine Months Ended June 30, 2022

Healthcare and Nursing Domain: No. of Facilities



*Numbers are net numbers: the number of new openings minus the number of closures.

Healthcare and Nursing Domain: New Openings Results and Plans

	21/10 – 22/06 1-3Q Results	21/10 - 22/09 Full year plan
Elderly housing	13	25
Group homes for the elderly with dementia	5	16
Child raising support facilities*	3	6
Total	21	47

*A total of nursery schools, after school children's clubs, and child development support facilities

* The numbers of closures are not deducted

Healthcare and Nursing Domain:

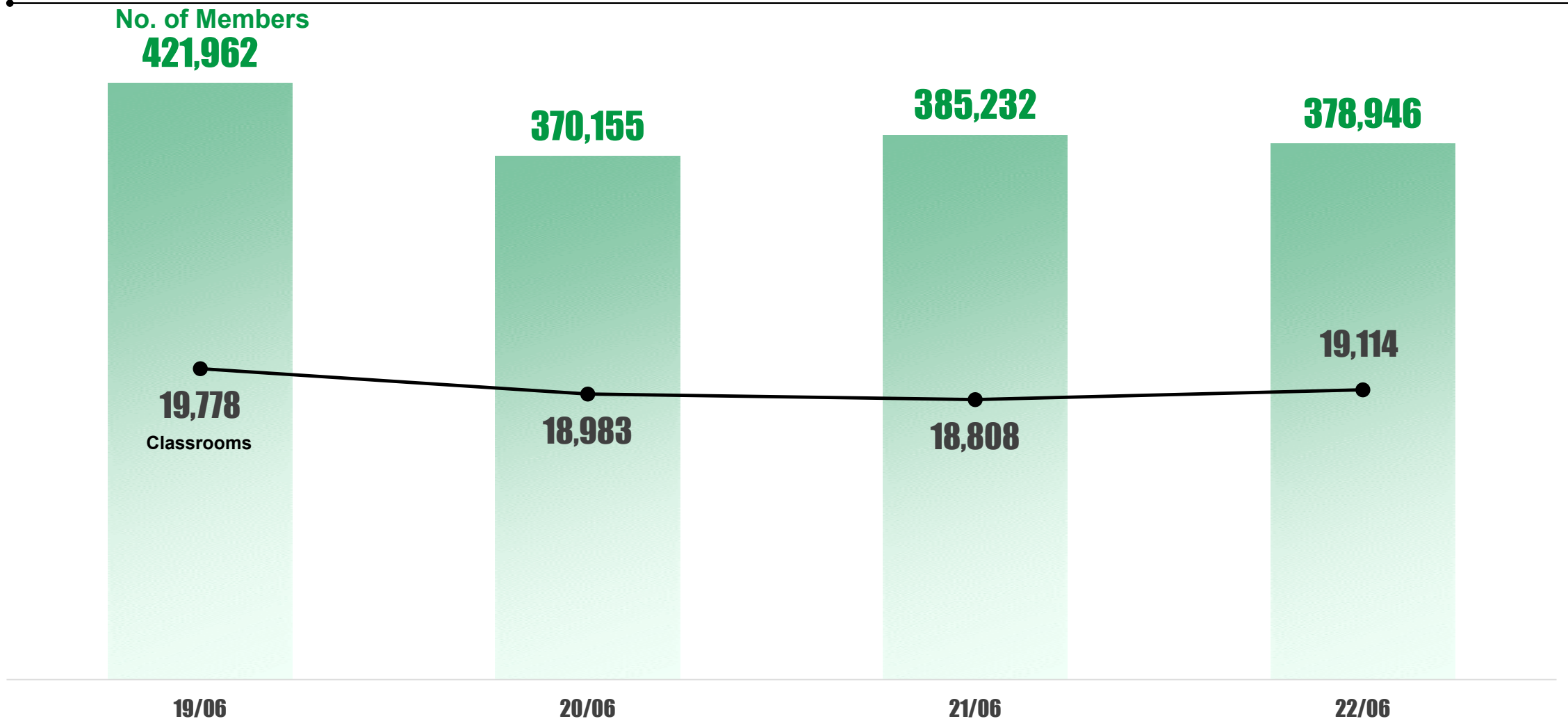
Occupancy Rate and Utilization Rate

		20/03	20/09	21/03	21/09	22/03	22/06	22/09 (Plan)
Elderly housing	Total no. of units	6,898	7,182	7,717	8,308	9,037	9,191	9,712
	No. of occupied units	6,289	6,600	6,985	7,505	8,345	8,688	9,017
	Occupancy rate	91.2%	91.9%	90.5%	90.3%	92.3%	94.5%	92.8%
Group homes for the elderly with dementia*	No. of units	5,192	5,246	5,246	5,372	5,444	5,462	5,660
	Occupancy rate	98.0%	98.0%	98.0%	97.8%	97.6%	97.6%	97.5%
Child raising support facilities	Maximum no. of children	2,497	2,788	2,788	2,661	2,664	2,721	2,721
	No. of children enrolled	2,107	2,381	2,389	2,443	2,441	2,497	2,512
	Utilization rate	84.4%	85.4%	85.7%	91.8%	91.6%	91.8%	92.3%

*MCS changed the fiscal year end in the previous fiscal year. Before March 2021, figures for September, March and December are those for August, February and November, respectively.

Educational Domain

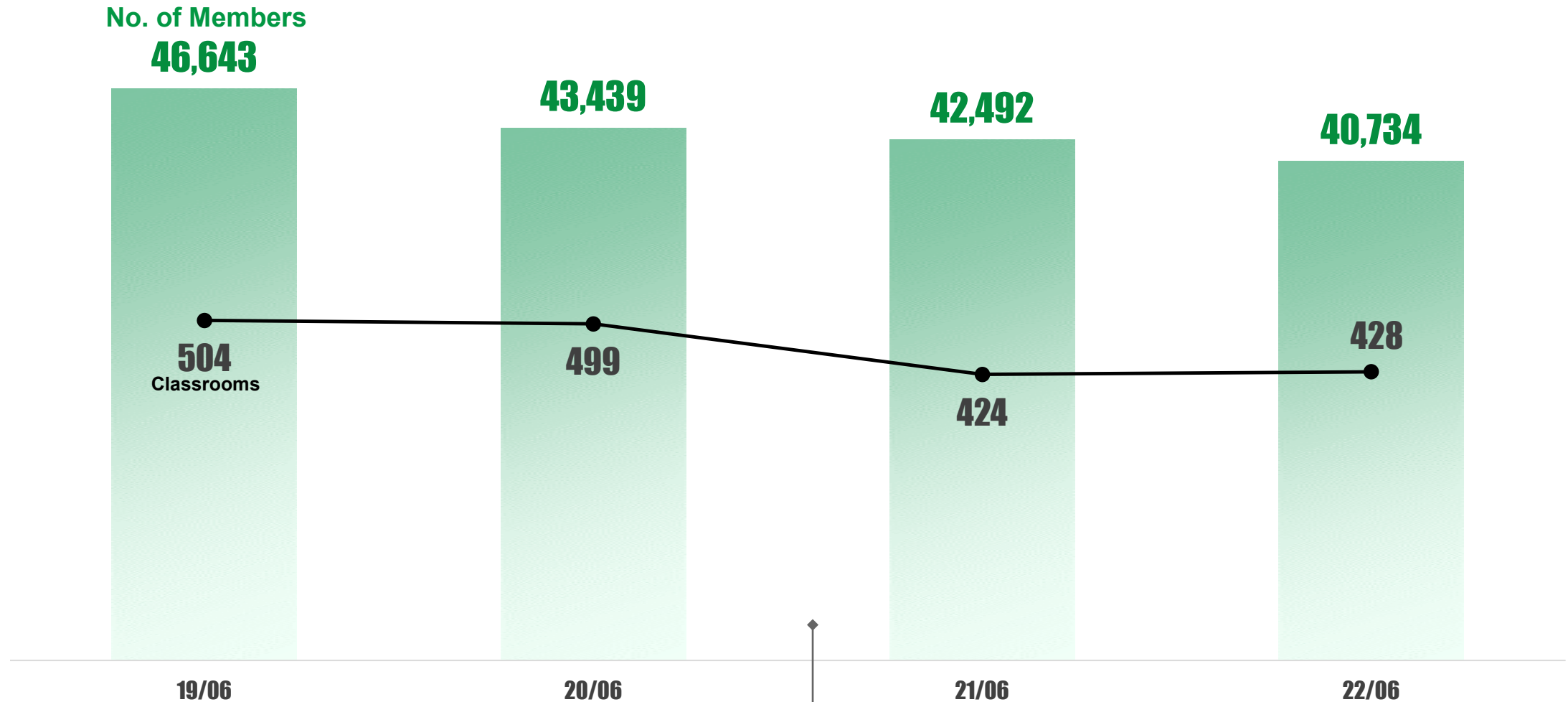
Classrooms: No. of Members and No. of Classrooms



*Numbers of members and classrooms are totals of those for Gakken Classrooms and toddler classes. Following the acquisition of businesses, those numbers include those for Shogakukan Academy and Mebae Classrooms after September 2020 and July 2021, respectively.

Educational Domain

Learning Centers: No. of Members and No. of Classrooms



*Gakken AIZ and SIGN-1 were liquidated in February 2021 and March 2021, respectively.

Educational Domain

No. of New Publications and Rate of Returns

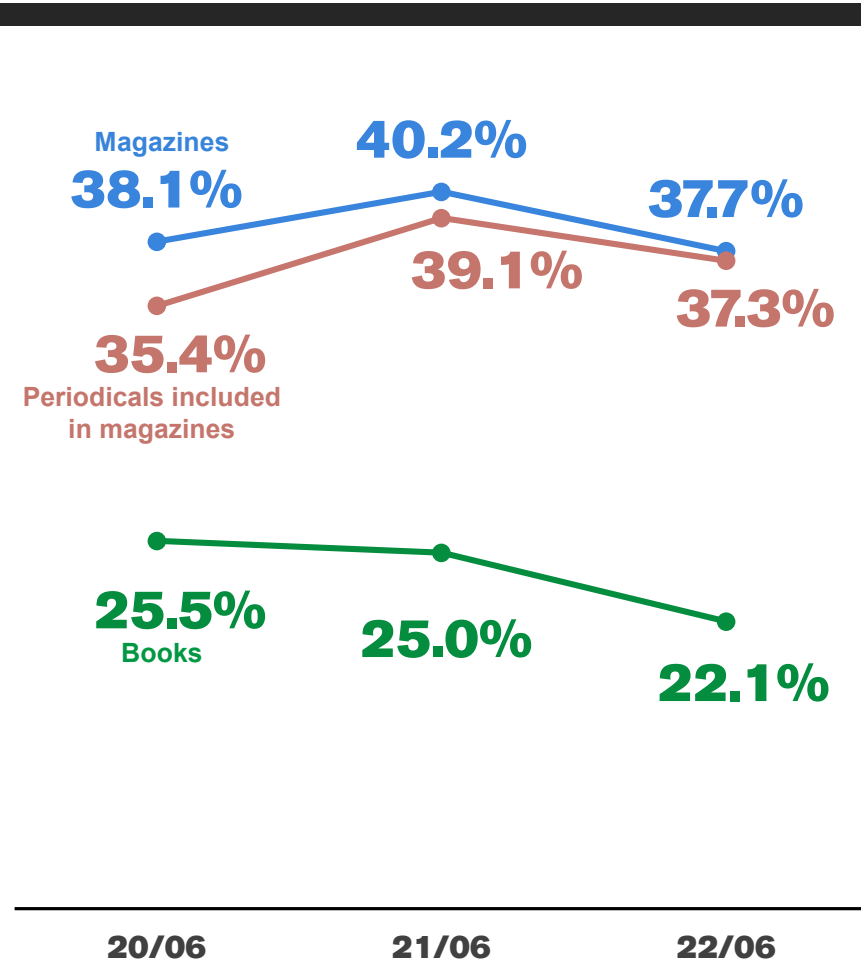
No. of new publications*

For the Nine months ended June 30

	20/06	21/06	22/06
Children's books	136	149	138
Study-aid books	214	137	147
How-to guides	101	117	136
Magazine books	48	23	26
Other publications	129	66	85
Total	628	492	532

Rate of publications returned*

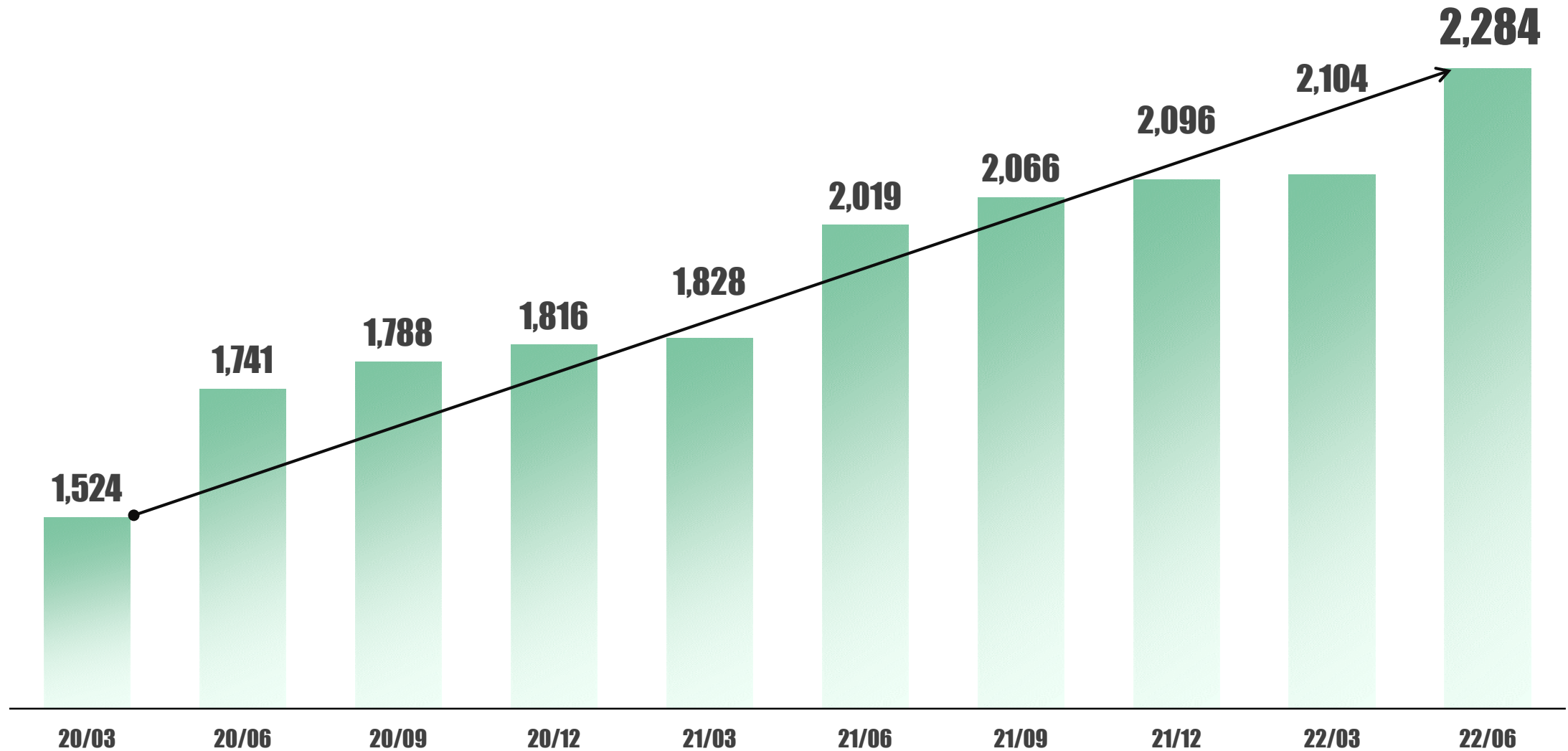
For the Nine months ended June 30



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

Educational Domain

No. of Hospitals Using E-learning Programs for Nurses



Educational Domain

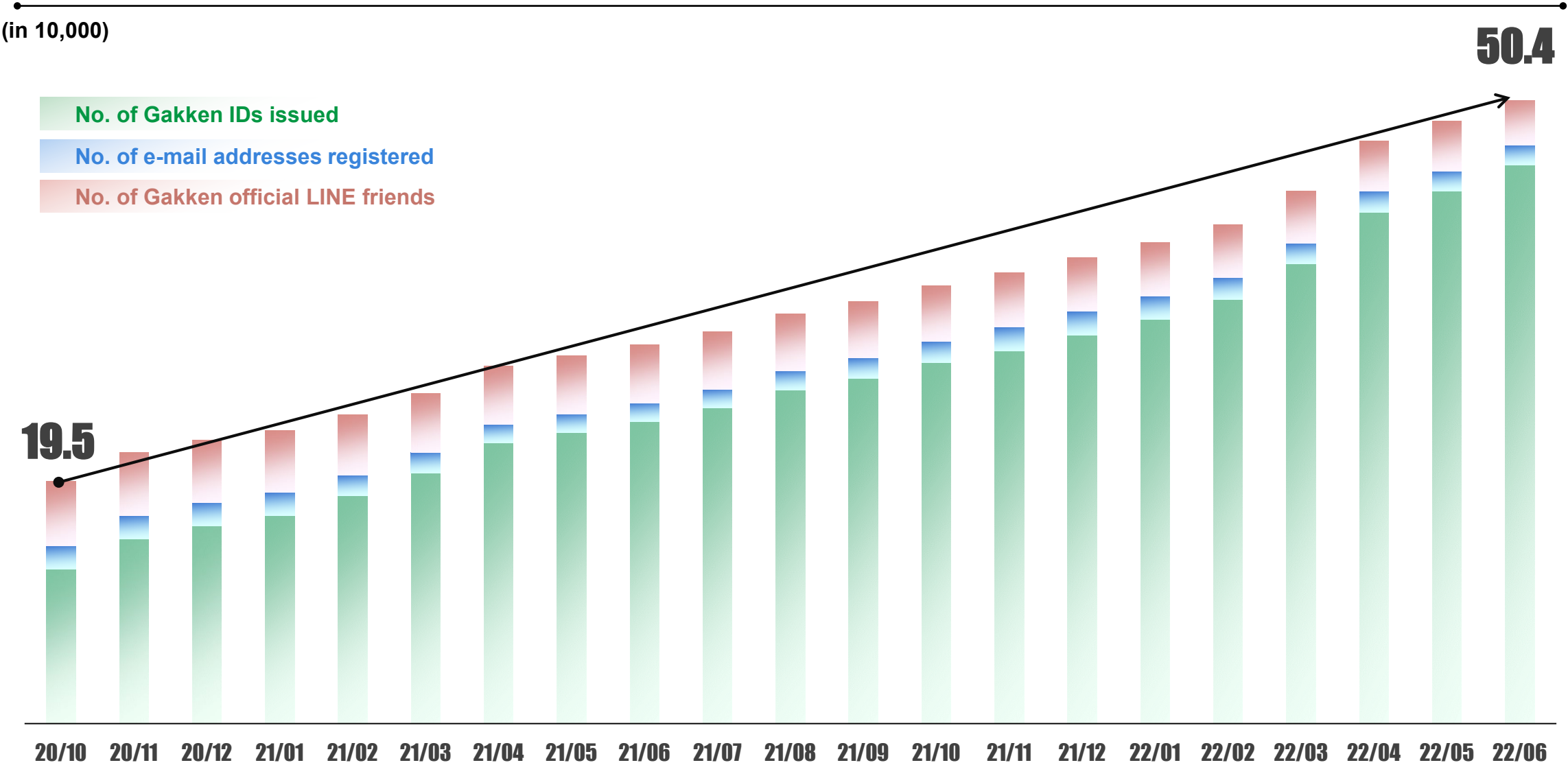
School Textbook Publication Schedule

- △ Examination: Review by the Ministry of Education, Culture, Sports, Science and Technology (appropriateness as a textbook)
 ● Adoption: Decision by boards of education and school principals on which textbook to use
 ◎ Start of use: Delivery to each school and students

	2018	2019	2020	2021	2022	2023	2024	2025
Elementary school / Health	△	●	◎		△	●	◎	
Junior high school / Physical and health education		△	●	◎		△	●	◎
Elementary school / Moral education	△	●	◎		△	●	◎	
Junior high school / Moral education	●	◎				△	●	◎

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

DX Strategy: Group Direct Touchpoints



Gakken

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