Consolidated Financial Results
for the Fiscal Year Ended September 30, 2022
[Japanese GAAP]

November 11, 2022

Company name: Gakken Holdings Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 9470
URL: https://www.gakken.co.jp/
Representative: Hiroaki Miyahara, President, Representative Director
Contact: Takashi Sawada, Corporate Officer and General Manager of Financial Strategy Office
Phone: +81-3-6431-1050
Scheduled date of Ordinary General Meeting of Shareholders: December 23, 2022
Scheduled date of filing annual securities report: December 23, 2022
Scheduled date of commencing dividend payments: December 26, 2022
Availability of supplementary briefing material on financial results: None
Schedule of financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2022 (October 1, 2021 to September 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2022	156,032	3.8	6,427	3.0	6,929	13.1	3,440	31.5
September 30, 2021	150,288	4.7	6,239	22.9	6,126	16.2	2,617	12.7

(Note) Comprehensive income: Fiscal year ended September 30, 2022: ¥2,160 million [(44.9)%]
Fiscal year ended September 30, 2021: ¥3,923 million [90.5%]

	Profit per share	Diluted profit per share	Rate of return on equity	Rate of return on total assets	Operating profit margin
Fiscal year ended	Yen	Yen	%	%	%
September 30, 2022	78.67	77.95	7.2	5.8	4.1
September 30, 2021	64.55	63.87	6.3	5.6	4.2

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended September 30, 2022: ¥304 million
Fiscal year ended September 30, 2021: ¥(347) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2022	123,682	48,888	39.2	1,102.16
As of September 30, 2021	116,900	47,413	40.2	1,079.09

(Reference) Equity: As of September 30, 2022: ¥48,439 million
As of September 30, 2021: ¥46,961 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
September 30, 2022	5,167	(5,798)	2,004	21,672
September 30, 2021	4,441	(18,112)	7,806	18,920

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
September 30, 2021	—	11.00	—	11.00	22.00	956	34.1	2.1
September 30, 2022	—	12.00	—	12.00	24.00	1,052	30.5	2.2
Fiscal year ending September 30, 2023 (Forecast)	—	12.50	—	12.50	25.00		30.5	

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

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	162,000	3.8	6,700	4.2	7,000	1.0	3,600	4.6	81.91

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

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

Newly added: - (Name) - Excluded: - (Name) -

(2) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2022: 44,633,232 shares

September 30, 2021: 44,633,232 shares

2) Total number of treasury shares at the end of the period:

September 30, 2022: 683,987 shares

September 30, 2021: 1,113,082 shares

3) The average number of shares during the period:

Fiscal year ended September 30, 2022: 43,734,513 shares

Fiscal year ended September 30, 2021: 40,546,558 shares

The Company has a trust-type employee shareholding incentive plan in place. The total number of treasury shares at the end of the period includes the number of the Company's shares held under this plan by The Nomura Trust & Banking Co., Ltd. (the dedicated trust account for Gakken Employees' Shareholding Association): 43,400 shares at the end of the fiscal year ended September 30, 2022; and 375,600 shares at the end of the fiscal year ended September 30, 2021. The average number of shares during the period is calculated with the number of treasury shares deducted; the number of treasury shares deducted includes the number of the Company's shares held under the same plan by The Nomura Trust & Banking Co., Ltd. (the dedicated trust account for Gakken Employees' Shareholding Association): 221,962 shares at the end of the fiscal year ended September 30, 2022; and 450,531 shares at the end of the fiscal year ended September 30, 2021.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2022 (October 1, 2021 to September 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2022	4,969	7.4	55	(68.0)	(450)	－	60	(81.8)
September 30, 2021	4,625	4.1	174	(71.8)	(16)	－	330	(55.4)

	Profit per share	Diluted profit per share
Fiscal year ended	Yen	Yen
September 30, 2022	1.38	1.36
September 30, 2021	8.14	8.05

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2022	78,550	37,029	46.8	836.74
As of September 30, 2021	76,407	38,529	50.1	879.00

(Reference) Equity: As of September 30, 2022: ¥36,774 million
As of September 30, 2021: ¥38,254 million

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

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

(Note on forward-looking statements, etc.)

Financial performance forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions it deems rational. The actual results may vary significantly due to various factors. With regard to the assumptions for the performance forecasts and the notes on the use of the performance forecasts, please refer to “1. Overview of Business Results, etc., (4) Future Outlook” on page 11 of the Attachments.

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1. Overview of Business Results, etc.

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

1) Explanation of market conditions

Unlike previous strains of COVID-19, the Omicron variant spread to toddlers and children, resulting in a series of school and nursery school closures from the beginning of the year. In addition, prices in Japan have been rising sharply in response to the global surge in resource prices and commodity prices, primarily caused by Russia's invasion of Ukraine and accelerating inflation. The education industry has seen prices for paper, logistics, and other costs increase, while the elderly care industry has seen utilities, food, and other costs soar, resulting in a wide range of effects.

In the education industry, the digital transformation (DX) trend is accelerating in all domains. In schools, the introduction of digital textbooks and ICT learning materials is spreading with the aim of using the learning devices distributed through the GIGA (Global and Innovation Gateway for All) School Program. Learning centers are seeing the increasing popularity of online instruction in addition to in-person learning. In adult education, the Kishida Cabinet announced that the government will invest ¥1 trillion over five years to support individual reskilling. At the same time, the need for digital reskilling is also increasing among companies. In publishing media, there is an active movement to evolve from "content sales" to "provision of experiences" utilizing digital technology. Furthermore, the publishing distribution industry has advanced its efforts to reduce the rates of returned goods unsold, by improving the accuracy of book distribution based on AI-backed demand forecasts. With respect to matters related to young children, "ensuring a safe child-care environment" has become a social issue. To solve this issue, a rapidly increasing number of kindergartens, nursery schools, and children's daycare centers, which have suffered from staff shortages, have introduced ICT platforms that support coordination with parents and reduce their workload.

In the elderly care industry, total demand continues to grow due to the increasing elderly population. Although there was some reluctance to use some home-based services at the beginning of the spread of the Omicron variant, a certain level of residence needs currently remains steady in the facility-based services. At the same time, the costs of raw materials, utilities, and construction are rising further and have affected facility operations. While a growing number of elderly care service providers are raising rents and fees in addition to postponing plans to open new facilities, measures are being expanded to support businesses, including the establishment of a local government subsidy program for priority measures against higher electricity, gas, and food.

As for the caregivers who take a role of providing these services, the industry as a whole continues to face an ongoing shortage. In response to this situation, relevant government ministries and organizations are actively discussing ways to reduce workloads and promoting the use of technology in the nursing care sector, such as the Cabinet Office's Council for Promotion of Regulatory Reform, which has taken up the issue of relaxing staffing standards.

2) Explanation of business results

Under the market conditions described above, consolidated net sales for the fiscal year under review increased by 3.8% year on year to ¥156,032 million. Sales in the Educational Domain decreased by 1.0% year on year to ¥78,165 million. The publishing and content business maintained revenue growth despite the impact of the Omicron variant on the toy business and experience-based English learning facilities, as hit products drove overall performance. On the other hand, the classroom and learning center business and the kindergarten and school business showed a decline in revenue. In particular, sales in the kindergarten and school business declined significantly by 9.6% year on year due to a series of school and nursery school closures during the new semester sales season which led to a reluctance to buy the relevant products/services. Sales in the Healthcare and nursing Domain increased by 9.8% year on year to ¥72,237 million. This domain has continued to grow steadily as it maintained a record-high occupancy rate at existing facilities while actively promoting the opening of new facilities for the elderly, even amid the spread COVID-19.

The consolidated operating profit for the fiscal year under review increased by ¥188 million year on year to ¥6,427 million. Despite the widespread impact of the Omicron variant and a slump in the kindergarten and school business, the Educational Domain secured an increase of ¥292 million in profit as a result of an improved rate of books returned unsold and a reduction in selling and administrative expenses. In the Healthcare and nursing Domain, occupancy rates at both newly opened and existing facilities remained high, more than offsetting a reactionary decline in profit from the gain on the sale of real estate recorded in the previous fiscal year and an increase in cost due to higher utilities, which resulted in an increase of ¥106 million in profit. The Group as a whole also achieved an increase in profit for the eighth consecutive fiscal year by managing both growth investment in digital and global areas, and existing businesses. However, in light of a failure to achieve the target operating profit of ¥6.7 billion, targets for the fiscal year ending September 30, 2023, the final fiscal year of the medium-term management plan “Gakken 2023,” have been revised as described on page 5.

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

<table>
<tr><td rowspan="10">Educational Domain</td><td rowspan="3">Classroom and learning center business</td><td>Operation of Gakken Classroom for a range of children from preschoolers to junior high school students (mainly elementary school students)</td></tr>
<tr><td>Operation of classes for toddlers and children</td></tr>
<tr><td>Operation of learning centers for a range of children from elementary school students to senior high school students</td></tr>
<tr><td rowspan="4">Publishing and content business</td><td>Publishing and sale of publications including children’s books and study-aid books through distributors and bookstores</td></tr>
<tr><td>Development and sale of learning materials for learning centers</td></tr>
<tr><td>Publishing and sale of books on nursing and medicine, sale of e-learning for training programs targeting nurses</td></tr>
<tr><td>Development and sale of digital content linked with publishing and educational toys</td></tr>
<tr><td rowspan="3">Kindergarten and school business</td><td>Production and sale of publications, child-care products, equipment, and playground equipment for kindergartens, nursery schools, and children’s daycare centers, as well as clothing for teachers</td></tr>
<tr><td>Production and sale of textbooks, instruction guides for teachers, supplementals, ICT learning materials, special needs education materials, short essay exams, etc.</td></tr>
<tr><td>Operation of recruitment support services and corporate training programs</td></tr>
<tr><td rowspan="3">Healthcare and nursing Domain</td><td>Elderly housing business</td><td>Planning, development, and operation of serviced apartments for the elderly, bases for elderly care services, etc.</td></tr>
<tr><td>Group homes for the elderly with dementia business</td><td>Planning, development, and operation of various services including group homes for the elderly with dementia</td></tr>
<tr><td>Child raising support business</td><td>Planning, development, and operation of nursery schools, children’s daycare centers, afterschool children’s clubs, etc.</td></tr>
</table>

Based on the three-year plan “Gakken 2023,” the Group is advancing the following concrete measures.

(Educational Domain)

- Increase the added value of classrooms and learning centers by striking a balance between offline and online, and engage in areas we have yet to cultivate
- Win the top market share of children’s books in addition to study-aid books
- Roll out digital learning using published content
- Digitize medical and nursing texts, and accelerate the growth of e-learning targeting nurses
- Enhance sales of goods targeting kindergartens, nursery schools and children’s daycare centers (e.g., picture books, supplies needed for new semesters, and equipment such as desks), and improve services in daycare center operations through ICT
- Create new services for schools using Group content, and reorganize the sales system
- Roll out digital services in adult education and corporate training domains
- Review unprofitable businesses

(Healthcare and nursing Domain)

- Accelerate the opening of new serviced apartments for the elderly and group homes for the elderly with dementia
- Improve the quality of child care in support for child raising, and accelerate the opening of new facilities in growth businesses with a focus on the Tokyo metropolitan area (support for after-school children's clubs and child development support)
- Reduce early separations and improve employee satisfaction and retention by enhancing recruitment and the educational system
- Improve quality and productivity through such means as the collaboration of IoE, AI, and robots

(Group strategy)

- Deploy global business with Asia as a starting point
- Create a new dementia care business

As for the plans for the fiscal year ending September 30, 2023, the final fiscal year of "Gakken 2023", the Company aimed to achieve net sales of ¥165.0 billion, operating profit of ¥7.5 billion, profit of ¥3.8 billion, operating profit margin of 4.5%, ROE of 8.0%, and payout ratio of 30.0%. However, in light of the consolidated financial results for the current fiscal year, the Company has revised the planned targets as follows.

(Million yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022	Fiscal year ending September 30, 2023	Fiscal year ending September 30, 2023
	Results	Results	Initial plan	Revised plan
Net sales	150,288	156,032	165,000	162,000
Operating profit	6,239	6,427	7,500	6,700
Operating profit margin	4.2%	4.1%	4.5%	4.1%
Profit	2,617	3,440	3,800	3,600
Net profit margin	1.7%	2.2%	2.3%	2.2%
ROE	6.3%	7.2%	8.0%	7.2%
Payout ratio	34.1%	30.5%	30.0%	30.5%

* Profit: Profit attributable to owners of parent
* Figures for the initial plan for the fiscal year ending September 30, 2023 are those announced on November 13, 2020.

In regard to the Company's consolidated financial results for the fiscal year ended September 30, 2022, net sales amounted to ¥156,032 million (up 3.8% year on year), operating profit was ¥6,427 million (up ¥188 million year on year), ordinary profit was ¥6,929 million (up ¥803 million year on year), and profit attributable to owners of parent was ¥3,440 million (up ¥823 million year on year). Due to the application of the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020; hereinafter referred to as "Revenue Recognition Accounting Standard"), etc., net sales decreased by ¥318 million. Operating profit, ordinary profit, and profit attributable to owners of parent are not affected.

Business performance by segment is summarized below.

(Million yen)

	Fiscal year ended September 30, 2021		Fiscal year ended September 30, 2022		Change	
Reportable segments	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational Domain	78,919	4,138	78,165	4,430	(754)	292
Healthcare and nursing Domain	65,792	3,042	72,237	3,148	6,445	106
Other	5,576	740	5,628	805	52	65
Adjustment	—	(1,681)	—	(1,957)	—	(276)
Group total	150,288	6,239	156,032	6,427	5,743	188

* Previously, company-wide expenses were presented under "Other," but from the current fiscal year, they have been removed from the "Other" category and presented as "Adjustment" in order to provide a more accurate understanding of the Group's situation. Accordingly, figures for the previous fiscal year presented under "Other" and "Adjustment" were retrospectively revised.

[Educational Domain]

Net sales: ¥78,165 million (down 1.0% year on year); operating profit: ¥4,430 million (up ¥292 million year on year)

(Million yen)

	Fiscal year ended September 30, 2021		Fiscal year ended September 30, 2022		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Classroom and learning center business	31,493	933	31,435	1,273	(57)	339
Publishing and content business	31,531	2,791	32,365	3,165	834	374
Kindergarten and school business	15,895	745	14,364	301	(1,531)	(444)
Goodwill	—	(332)	—	(309)	—	23
Segment total	78,919	4,138	78,165	4,430	(754)	292

(Classroom and learning center business)

In the classroom business, the spread of the Omicron variant among children limited membership recruitment and sales activities during the period from spring to summer. Although the effects lingered and membership is still in the process of making a genuine recovery, increased revenue and profit were attributable to an increase in sales per customer due to the expansion of online learning courses and digital services, the contributions of the "Mebae Classroom" business which was acquired in July of the previous fiscal year, and more efficient use of expenses.

The learning center business also saw an increase in sales per customer due to special classes held in spring and summer and the adoption of hybrid in-person and online learning models although the spread of COVID-19 infections affected student recruitment activities. As a whole, profit increased despite a decrease in revenue, partly due to the efforts to improve efficiency such as consolidation of unprofitable schools. The Group is working on full-scale DX of the entire learning center service, including improving usability of virtual classrooms and expanding individual tutoring using AI technology, with the aim of enlarging each school's trading area and improving profitability.

(Publishing and content business)

In the publishing business, children's books and how-to guides are performing strongly. Among children's books, the illustrated guides genre, which can be said to be synonymous with the Gakken brand, have performed well, with relatively high unit price products such as "Saikyo-O" and "Gakken Illustrated LIVE" (which was updated this summer) driving sales. In the how-to guides genre, the collaboration titles between Arukikata. Co., Ltd., which joined the Group last fiscal year, and the magazine Mu and the popular comic JoJo's Bizarre Adventure are showing astounding sales as map/guidebooks. The cookbook Mizuki's Recipe Notebook – Best 500 Items became a bestseller, going into its ninth printing and selling over 200,000 copies, which gave momentum to the entire publishing business. Despite the continuing trend of higher costs due to soaring paper and other costs, these hit products boosted overall performance, resulting in increases in both revenue and profit for the fiscal year ended September 30, 2022.

The medical and nursing business saw increases in revenue and profit. The number of hospitals subscribing to e-learning programs for nurses significantly increased by 285 over the past year, as the impact of the Omicron variant on hospitals lessened, and the Company was able to resume full-scale operations in April, the biggest sales growth period of the year. The total number of subscribing hospitals reached 2,351 (increase rate of 13.8%), boosting revenue. Regarding the publishing of books on nursing and medicine, sales of e-books and medical books grew, contributing to overall revenue growth.

The businesses other than publishing reported declines in both revenue and profit. In the toy business where market conditions remained sluggish, the impact of the Shanghai lockdowns combined with negative factors such as soaring costs due to the weak yen at that time pushed down revenue. At the same time, the Tokyo Global Gateway, an experience-based English learning facility, experienced a series of cancellations for school use due to the impact of the Omicron variant. Although the fourth quarter of the current fiscal year saw a significant increase in revenue due to the return of users, the decreases in revenue and profit through the first half of the fiscal year were substantial, resulting in decreases in revenue and profit for the full year.

(Kindergarten and school business)

In toddler education, the sales season for new semesters was largely unsuccessful due to a decline in the number of new nursery school openings against the backdrop of the declining birth rate and the outbreak of the Omicron variant which led to the closure of a number of nursery schools and kindergartens. On the other hand, the number of contracted nursery schools for "hugmo," an ICT platform which supports communication between nursery schools and families, increased steadily as a result of continued and strengthened DX-related investments in response to the trend toward the expansion of digitalization in the child-care field. However, overall revenue and profit declined.

In school education, the period under review was between textbook revisions, and therefore there was a reactionary decline in revenue from instruction guides for junior high school teachers, as compared to the revenue recorded in the previous fiscal year. In addition, the number of textbooks, supplementals, and examinees for short essay exams decreased due to the declining birthrate, resulting in overall decreases in revenue and profit.

In social education, face-to-face events were cancelled in the recruitment support service business due to the effects of the Omicron variant, and the number of companies exhibiting in online seminars also declined significantly. Although the corporate training business operated by TOASU Co., Ltd. (formerly JTEX Management Center Co., Ltd.) grew substantially, overall revenue and profit declined.

[Healthcare and nursing Domain]

Net sales: ¥72,237 million (up 9.8% year on year); operating profit: ¥3,148 million (up ¥106 million year on year)

The burden for management and administration fees to the holding company has increased by ¥95 million from the previous fiscal year in the Healthcare and nursing Domain as a whole.

*The previous fiscal year recorded an ¥81 million gain on the sale of real estate in the second quarter.

*The impact of increased utilities costs has been estimated at ¥554 million for the full year (compared with existing facilities up to the previous fiscal year, adding serviced apartments for the elderly and group homes for the elderly with dementia together).

(Million yen)

	Fiscal year ended September 30, 2021		Fiscal year ended September 30, 2022		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Elderly housing business	27,431	1,275	32,370	1,416	4,938	141
Group homes for the elderly with dementia business	33,151	2,203	34,101	2,074	950	(128)
Child raising support business	5,208	26	5,764	120	556	94
Goodwill	—	(462)	—	(462)	—	—
Segment total	65,792	3,042	72,237	3,148	6,445	106

(Elderly housing business)

In serviced apartments for the elderly, eight new sites were opened in the fourth quarter, bringing the total number of sites to 190 including franchise locations, with a total of 9,665 rooms. While opening 22 facilities at 21 sites over the past year, the Group is promoting the opening of new facilities for the elderly, with the aim of becoming a leading company in the healthcare and nursing domain. In the fiscal year under review, the Group opened three facilities in the "Gakken Community-based Integrated Care System" that brings together the Group's educational, healthcare, and nursing services, further enhancing its lineup of high value-added and multifunctional models of public-private partnership and private sector collaboration. In addition to these expanding occupancies at newly opened facilities, the Group has achieved a record-high occupancy rate amid the COVID-19 pandemic by thoroughly implementing an occupancy sales model for existing facilities, resulting in not only quantitative expansion of facilities, but also realizing profitability. The occupancy rate for the fiscal year rose 3.6% year on year, more than offsetting an increase in costs due to higher utilities and other costs, resulting in overall increases in revenue and profit.

(Group homes for the elderly with dementia business)

In group homes for the elderly with dementia, six new facilities were opened in the fourth quarter of the fiscal year, bringing the total number of facilities to 292, with a total of 5,570 rooms. A total of 11 facilities were opened over the past year, showing steady progress of the opening of new facilities. Even with the spread of the Omicron variant infections, the occupancy rate has remained high and stable at around 97%-98%, sustaining an upward trend in revenue. The dispensing pharmacy business for facility users, which was launched in September 2021, has also grown steadily, becoming profitable and moving into a stable trend.

In addition, "Kentatsu Net," a digital media for health and dementia prevention launched as a business in the area of dementia prevention, has become one of the largest distributors of dementia-related articles in Japan, with steadily increasing site hits, earning over 6.5 million page views per month and gradually beginning to contribute to revenue. In addition to the upfront investment for new businesses, higher utilities costs contributed to higher revenue and lower profit in the fiscal year under review, despite solid performance in existing businesses.

(Child-care business)

In the child-care business, two nursery schools and one child development support facility were newly opened during the fiscal year under review. The number of nursery schools, after-school children's clubs, and child development support facilities reached 71 in total. During this fiscal year, the Company embarked on rebranding its nursery schools to make them more attractive by emphasizing the unique characteristics of Gakken. Under the new brand "Gakken Hoikuen," utilization rates at nursery schools have steadily increased and remained stable. The Group optimized operating costs and improved profitability by changing the capacity of or closing unprofitable nursery schools, which contributed to increases in revenue and profit.

[Other]

Net sales: ¥5,628 million (up 0.9% year on year); operating profit: ¥805 million (up ¥65 million year on year)

In the global business, the Company promoted the development of partners and local bases in strategic regions such as Vietnam during this fiscal year. At the same time, it also proceeded with the liquidation and streamlining of unprofitable bases. ODA to emerging countries and the business consulting business also performed well. In the digital domain, the new operating company that was established in the current fiscal year to secure DX personnel for the overall Group and invest in DX for the development of new DX products and others, has been going well. A combination of these favorable factors resulted in overall increases in revenue and profit.

* Previously, company-wide expenses were presented under "Other," but from the current fiscal year, they have been removed from the "Other" category and presented as "Adjustment" in order to provide a more accurate understanding of the Group's situation. Accordingly, figures for the previous fiscal year presented under "Other" and "Adjustment" were retrospectively revised.

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

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

(Million yen)

Item		Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022	Change
Current assets		56,554	61,700	5,145
	Cash and deposits	19,772	22,520	2,747
Non-current assets		60,345	61,982	1,636
Total assets		116,900	123,682	6,781
Current liabilities		39,177	39,838	661
Non-current liabilities		30,309	34,955	4,646
Total liabilities		69,486	74,793	5,307
	Interest-bearing debt*1	38,753	41,807	3,054
Total net assets		47,413	48,888	1,474
Total liabilities and net assets		116,900	123,682	6,781
Equity ratio (%)*2		40.2	39.2	(1.0)
D/E ratio (times)*3		0.83	0.86	0.04

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

*2: Equity ratio = Equity / Total assets

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

The total assets as of the end of the fiscal year under review amounted to ¥123,682 million, increasing by ¥6,781 million from the end of the preceding fiscal year. Main changes were an increase of ¥2,747 million in cash and deposits, an increase of ¥1,492 million in merchandise and finished goods, an increase of ¥988 million in property, plant and equipment, and an increase of ¥1,911 million in investment securities.

The total liabilities amounted to ¥74,793 million, increasing by ¥5,307 million from the end of the preceding fiscal year. Main changes were a decrease of ¥288 million in notes and accounts payable - trade, a decrease of ¥2,133 million in short-term borrowings, an increase of ¥1,267 million in current portion of long-term borrowings, an increase of ¥1,202 million in income taxes payable, and an increase of ¥3,826 million in long-term borrowings.

The total net assets amounted to ¥48,888 million, increasing by ¥1,474 million from the end of the preceding fiscal year. Main changes were an increase of ¥2,280 million in retained earnings, a decrease of ¥481 million in treasury shares, and a decrease of ¥1,015 million in valuation difference on available-for-sale securities.

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

(Million yen)

Item	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022	Change
Net cash provided by (used in) operating activities	4,441	5,167	726
Net cash provided by (used in) investing activities	(18,112)	(5,798)	12,313
Free cash flow	(13,671)	(631)	13,040
Net cash provided by (used in) financing activities	7,806	2,004	(5,802)
Cash and cash equivalents at end of period	18,920	21,672	2,751

Cash and cash equivalents (hereinafter, “CCE”) for the consolidated fiscal year under review increased by ¥2,751 million from the end of the preceding fiscal year to ¥21,672 million. The status and factors for each type of cash flows are as described below.

Cash flows from operating activities resulted in a net inflow of ¥5,167 million (a net inflow of ¥4,441 million was reported in the preceding fiscal year). The main changes were the recording of profit before income taxes of ¥6,445 million, depreciation of ¥2,140 million, amortization of goodwill of ¥888 million, and income taxes paid of ¥1,347 million.

Cash flows from investing activities resulted in a net outflow of ¥5,798 million (a net outflow of ¥18,112 million was reported in the preceding fiscal year). The main changes were the purchase of property, plant and equipment and intangible assets of ¥2,958 million and the purchase of investment securities of ¥3,598 million.

Cash flows from financing activities resulted in a net inflow of ¥2,004 million (a net inflow of ¥7,806 million was reported in the preceding fiscal year). The main changes were a net decrease in short-term borrowings of ¥2,133 million, proceeds from long-term borrowings of ¥9,640 million, repayments of long-term borrowings of ¥4,658 million, and dividends paid of ¥1,010 million.

(4) Future Outlook

The revised plans for the fiscal year ending September 30, 2023 (net sales of ¥162.0 billion, operating profit of ¥6.7 billion, profit of ¥3.6 billion, operating profit margin of 4.1%, ROE of 7.2%, and payout ratio of 30.5%) as described on page 5 are determined based on information currently available to the Company and include potential risks and uncertainties. Please note that actual performance may vary significantly due to various factors, including the status of the spread of COVID-19 and the impact of surging utilities and other costs.

2. Basic Stance Concerning Choice of Accounting Standards

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

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

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of September 30, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	19,772	22,520
Notes and accounts receivable - trade	19,895	—
Notes receivable - trade	—	437
Accounts receivable - trade	—	20,627
Merchandise and finished goods	8,437	9,929
Work in process	3,493	3,234
Raw materials and supplies	176	198
Other	4,826	4,764
Allowance for doubtful accounts	(47)	(12)
Total current assets	56,554	61,700
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,994	21,718
Accumulated depreciation	(8,443)	(8,705)
Buildings and structures, net	10,550	13,012
Machinery, equipment and vehicles	530	536
Accumulated depreciation	(492)	(488)
Machinery, equipment and vehicles, net	38	47
Land	4,419	4,227
Construction in progress	1,458	197
Other	4,691	4,824
Accumulated depreciation	(3,846)	(4,009)
Other, net	844	815
Total property, plant and equipment	17,312	18,300
Intangible assets		
Goodwill	6,806	6,185
Other	3,326	2,724
Total intangible assets	10,132	8,910
Investments and other assets		
Investment securities	21,204	23,115
Long-term loans receivable	964	236
Deferred tax assets	1,631	2,102
Retirement benefit asset	1,931	2,072
Guarantee deposits	6,096	6,226
Other	1,219	1,185
Allowance for doubtful accounts	(146)	(167)
Total investments and other assets	32,900	34,771
Total non-current assets	60,345	61,982
Total assets	116,900	123,682

(Million yen)

	As of September 30, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,392	7,103
Short-term borrowings	14,380	12,247
Current portion of long-term borrowings	2,303	3,570
Income taxes payable	714	1,917
Contract liabilities	—	2,077
Provision for bonuses	2,149	2,006
Provision for sales returns	506	—
Provision for point card certificates	3	—
Other	11,728	10,916
Total current liabilities	39,177	39,838
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	15,721	19,548
Long-term accounts payable - other	267	456
Long-term guarantee deposits	2,971	3,314
Retirement benefit liability	3,284	3,370
Deferred tax liabilities	78	44
Other	1,984	2,221
Total non-current liabilities	30,309	34,955
Total liabilities	69,486	74,793
Net assets		
Shareholders' equity		
Share capital	19,817	19,817
Capital surplus	12,308	12,333
Retained earnings	13,033	15,313
Treasury shares	(920)	(439)
Total shareholders' equity	44,238	47,025
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,627	612
Deferred gains or losses on hedges	0	(1)
Foreign currency translation adjustment	8	156
Remeasurements of defined benefit plans	1,087	646
Total accumulated other comprehensive income	2,723	1,413
Share acquisition rights	275	255
Non-controlling interests	176	193
Total net assets	47,413	48,888
Total liabilities and net assets	116,900	123,682

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended September 30, 2021	For the fiscal year ended September 30, 2022
Net sales	150,288	156,032
Cost of sales	105,443	109,606
Gross profit	44,844	46,425
Reversal of provision for sales returns	316	—
Gross profit - net	45,161	46,425
Selling, general and administrative expenses	38,922	39,998
Operating profit	6,239	6,427
Non-operating income		
Interest income	15	10
Dividend income	191	195
Share of profit of entities accounted for using equity method	—	304
Other	329	358
Total non-operating income	535	868
Non-operating expenses		
Interest expenses	179	179
Sales discounts	3	2
Share of loss of entities accounted for using equity method	347	—
Commission expenses	8	84
Other	109	99
Total non-operating expenses	648	366
Ordinary profit	6,126	6,929
Extraordinary income		
Gain on sale of non-current assets	1	18
Gain on sale of investment securities	285	320
Gain on bargain purchase	323	—
Other	21	18
Total extraordinary income	632	358
Extraordinary losses		
Loss on sale and retirement of non-current assets	207	67
Impairment losses	249	696
Loss on valuation of investment securities	69	18
Loss on liquidation of business	183	—
Other	38	60
Total extraordinary losses	748	842
Profit before income taxes	6,010	6,445
Income taxes - current	3,316	2,846
Income taxes - deferred	35	133
Total income taxes	3,351	2,980
Profit	2,659	3,465
Profit attributable to non-controlling interests	42	24
Profit attributable to owners of parent	2,617	3,440

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended September 30, 2021	For the fiscal year ended September 30, 2022
Profit	2,659	3,465
Other comprehensive income		
Valuation difference on available-for-sale securities	682	(1,043)
Foreign currency translation adjustment	26	154
Remeasurements of defined benefit plans, net of tax	535	(455)
Share of other comprehensive income of entities accounted for using equity method	18	39
Total other comprehensive income	1,264	(1,304)
Comprehensive income	3,923	2,160
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,882	2,130
Comprehensive income attributable to non-controlling interests	41	29

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended September 30, 2021

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,357	8,303	11,286	(3,509)	34,437
Changes during period					
Issuance of new shares	1,460	1,460			2,920
Dividends of surplus			(858)		(858)
Profit attributable to owners of parent			2,617		2,617
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		2,844		2,590	5,434
Change in ownership interest of parent due to transactions with non-controlling interests		(299)			(299)
Change in scope of consolidation			(146)		(146)
Adjustments due to change in the fiscal period of consolidated subsidiaries			135		135
Net changes in items other than shareholders' equity					
Total changes during period	1,460	4,005	1,747	2,588	9,801
Balance at end of period	19,817	12,308	13,033	(920)	44,238

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	948	–	(19)	528	1,458	275	68	36,239
Changes during period								
Issuance of new shares								2,920
Dividends of surplus								(858)
Profit attributable to owners of parent								2,617
Purchase of treasury shares								(1)
Disposal of treasury shares								5,434
Change in ownership interest of parent due to transactions with non-controlling interests								(299)
Change in scope of consolidation								(146)
Adjustments due to change in the fiscal period of consolidated subsidiaries								135
Net changes in items other than shareholders' equity	678	0	27	559	1,265	–	108	1,373
Total changes during period	678	0	27	559	1,265	–	108	11,174
Balance at end of period	1,627	0	8	1,087	2,723	275	176	47,413

For the fiscal year ended September 30, 2022

(Million yen)

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

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

(4) Consolidated Statements of Cash Flows

(Million yen)

	For fiscal year ended September 30, 2021	For fiscal year ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	6,010	6,445
Depreciation	1,988	2,140
Impairment losses	249	696
Amortization of goodwill	858	888
Loss (gain) on sale and retirement of property, plant and equipment and intangible assets	205	48
Loss (gain) on sale and valuation of investment securities	(216)	(280)
Gain on bargain purchase	(323)	—
Increase (decrease) in provisions	(112)	(676)
Decrease (increase) in retirement benefit asset	(561)	(699)
Increase (decrease) in retirement benefit liability	53	28
Interest and dividend income	(206)	(206)
Interest expenses	179	179
Commission expenses	8	84
Share of loss (profit) of entities accounted for using equity method	347	(304)
Decrease (increase) in trade receivables	4	(1,119)
Decrease (increase) in inventories	(290)	(950)
Increase (decrease) in trade payables	36	(414)
Increase (decrease) in accrued consumption taxes	(346)	149
Decrease (increase) in other assets	(1,299)	(633)
Increase (decrease) in other liabilities	1,566	861
Other, net	77	89
Subtotal	8,227	6,327
Interest and dividends received	341	367
Interest paid	(181)	(179)
Income taxes paid	(3,947)	(1,347)
Net cash provided by (used in) operating activities	4,441	5,167
Cash flows from investing activities		
Payments into time deposits	(306)	(273)
Proceeds from withdrawal of time deposits	305	327
Purchase of property, plant and equipment and intangible assets	(4,722)	(2,958)
Proceeds from sale of property, plant and equipment and intangible assets	33	318
Purchase of investment securities	(12,183)	(3,598)
Proceeds from sale of investment securities	357	602
Net decrease (increase) in short-term loans receivable	(330)	(80)
Long-term loan advances	(1,111)	(100)
Proceeds from collection of long-term loans receivable	96	230
Payments of guarantee deposits	(231)	(309)
Proceeds from refund of guarantee deposits	193	242
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(400)	—
Proceeds from maturity of insurance funds	203	—
Other, net	(16)	(198)
Net cash provided by (used in) investing activities	(18,112)	(5,798)

(Million yen)

	For fiscal year ended September 30, 2021	For fiscal year ended September 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,883	(2,133)
Proceeds from long-term borrowings	3,570	9,640
Repayments of long-term borrowings	(5,523)	(4,658)
Proceeds from issuance of shares	2,889	—
Proceeds from sale of treasury shares	5,391	311
Purchase of treasury shares	(1)	(1)
Dividends paid	(858)	(1,010)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(526)	—
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	100	—
Other, net	(117)	(143)
Net cash provided by (used in) financing activities	7,806	2,004
Effect of exchange rate change on cash and cash equivalents	7	77
Net increase (decrease) in cash and cash equivalents	(5,857)	1,450
Cash and cash equivalents at beginning of period	24,765	18,920
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(146)	1,276
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	158	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	24
Cash and cash equivalents at end of period	18,920	21,672

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Changes in Accounting Policies)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter referred to as “Revenue Recognition Accounting Standard”), etc. came into effect as of the beginning of the fiscal year ended September 30, 2022. Under this standard, the amount of revenue expected to be received in exchange for a promised good or service is recognized when control of the good or service is transferred to the customer.

The main changes due to the application of the Revenue Recognition Accounting Standard are as follows.

With regard to sales with return rights in the Educational Domain, previously, provision for sales returns was recorded based on an amount equivalent to its gross profit. However, for merchandise or products expected to be returned, the method has been changed to recognize refund liability for the consideration amount of merchandise or products received or to be received, instead of recognizing revenue at the time of sale, in accordance with the provisions for variable consideration.

In addition, for some transactions in the Educational Domain, the method has been changed to present the rebates and other consideration paid to customers, which was previously recorded under selling, general and administrative expenses, as a deduction from net sales.

Revenue from some transactions in the Healthcare and nursing Domain was previously recognized in the gross amount, but has been changed to be recognized in the net amount, with the consideration of the role in providing goods or services to customers (principle or agent).

The application of the Revenue Recognition Accounting Standard is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application of the new accounting standard from the beginning of the fiscal year ended September 30, 2022 was added to or subtracted from the beginning balance of retained earnings for the fiscal year under review, and the new accounting standard has been applied from the said beginning balance. However, due to the application of the provisions of Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting standard is not applied retrospectively to contracts where nearly all the revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the fiscal year under review. Furthermore, with regard to modifications to contracts carried out prior to the beginning of the fiscal year under review, due to the application of the method set forth in item (1) of the supplementary provisions of Paragraph 86 of the Revenue Recognition Accounting Standard, accounting procedures are carried out based on the contractual terms reflecting all changes, and the cumulative effect thereof is added to or subtracted from the beginning balance of retained earnings for the fiscal year under review.

From the current fiscal year, “Notes and accounts receivable - trade” which was presented under “Current assets” in the consolidated balance sheets for the preceding fiscal year is included in “Notes receivable - trade” and “Accounts receivable - trade.” Furthermore, “Other” which was presented under “Current liabilities” in the consolidated balance sheets for the preceding fiscal year is included in “Contract liabilities” and “Other” from the current fiscal year. However, in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no restatement has been made to the figures for the previous fiscal year.

As a result, for the fiscal year ended September 30, 2022, net sales decreased by ¥318 million, cost of sales decreased by ¥147 million, the equivalent amount for reversal of provision for sales returns decreased by ¥60 million, and selling, general and administrative expenses decreased by ¥231 million, compared to those before the application of the Revenue Recognition Accounting Standard, etc. Operating profit, ordinary profit, and profit attributable to owners of parent were not affected. There is also no impact on the balance of retained earnings at the beginning of the period.

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter referred to as “Fair Value Measurement Accounting Standard”), etc. is applied from the beginning of the fiscal year ended September 30, 2022. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard, and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019), the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. is applied prospectively. This does not impact the consolidated financial statements.

(Segment Information)

1. Description of reportable segments

(1) Determination of reportable segments

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

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

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

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

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

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

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

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

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

As described in "Changes in Accounting Policies," the Revenue Recognition Accounting Standard, etc. is applied to the consolidated financial statements from the fiscal year ended September 30, 2022. Because the accounting procedures regarding revenue recognition have changed, the same changes have been applied to the method for calculating profit and loss for each segment.

These changes resulted in a ¥97 million decrease in net sales in the Educational Domain and a ¥221 million decrease in net sales in the Healthcare and nursing Domain for the fiscal year ended September 30, 2022 compared to the previous method. There is no impact on segment profit.

3. Information on the amounts of net sales, profit or loss, assets and liabilities, and other items by reportable segment

For the fiscal year ended September 30, 2021

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Notes) 2 and 3	Amount recorded in consolidated financial statements (Note) 4
	Educational Domain	Healthcare and nursing Domain	Total				
Net sales							
Net sales to external customers	78,919	65,792	144,711	5,576	150,288	—	150,288
Inter-segment net sales or transfers	246	35	281	8,169	8,451	(8,451)	—
Total	79,166	65,827	144,993	13,746	158,740	(8,451)	150,288
Segment profit	4,138	3,042	7,180	740	7,920	(1,681)	6,239
Segment assets	47,820	46,517	94,337	4,972	99,309	17,590	116,900
Other items							
Depreciation	1,094	551	1,646	284	1,930	57	1,988
Amortization of goodwill	351	472	823	34	858	—	858
Impairment losses	167	81	249	—	249	—	249
Investment in entities accounted for using equity method	1,177	9,616	10,794	—	10,794	—	10,794
Increase in property, plant and equipment and intangible assets	1,664	2,680	4,344	296	4,641	146	4,788

(Notes)

1. "Other" includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥1,681 million for "Segment profit" includes negative ¥1,690 million in company-wide expenses that were not allocated to specific reportable segments. Company-wide expenses are mainly general and administrative expenses that are not attributable to a reportable segment.
3. The "adjustment" under "segment assets" includes corporate assets (¥17,590 million). The corporate assets consist mainly of surplus funds for management (i.e., cash and deposits), long-term investments (i.e., investment securities), and assets related to administrative departments at the parent company.
4. Total amount of "segment profit" is adjusted based on operating profit reported in the consolidated statements of income.
5. "Depreciation" and "increase in property, plant and equipment and intangible assets" include long-term prepaid expenses.

For the fiscal year ended September 30, 2022

(Million yen)

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

(Notes)

1. "Other" includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥1,957 million for "Segment profit" includes negative ¥1,954 million in company-wide expenses that were not allocated to specific reportable segments. Company-wide expenses are mainly general and administrative expenses that are not attributable to a reportable segment.
3. The "adjustment" under "segment assets" includes corporate assets (¥20,450 million). The corporate assets consist mainly of surplus funds for management (i.e., cash and deposits), long-term investments (i.e., investment securities), and assets related to administrative departments at the parent company.
4. Total amount of "segment profit" is adjusted based on operating profit reported in the consolidated statements of income.
5. "Depreciation" and "increase in property, plant and equipment and intangible assets" include long-term prepaid expenses.
6. Previously, company-wide expenses were presented under "Other," but as of the fiscal year ended September 30, 2022, they were included in "Adjustment" in order to provide a more accurate understanding of the Group's situation. The segment information for the fiscal year ended September 30, 2021 was prepared based on the classification after this change.

(Per Share Information)

For the fiscal year ended September 30, 2021		For the fiscal year ended September 30, 2022	
Net assets per share	1,079.09 Yen	Net assets per share	1,102.16 Yen
Profit per share	64.55 Yen	Profit per share	78.67 Yen
Diluted profit per share	63.87 Yen	Diluted profit per share	77.95 Yen

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

Item	As of September 30, 2021	As of September 30, 2022
Total net assets (Million yen)	47,413	48,888
Deductions from total net assets (Million yen)	451	449
(of which share acquisition rights) (Million yen)	(275)	(255)
(of which non-controlling interests) (Million yen)	(176)	(193)
Net assets applicable to common stock at end of period (Million yen)	46,961	48,439
Number of shares of common stock at end of period used for the calculation of net assets per share (Thousand shares)	43,520	43,949

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

Item	For the fiscal year ended September 30, 2021	For the fiscal year ended September 30, 2022
Profit per share		
Profit attributable to owners of parent (Million yen)	2,617	3,440
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common stock (Million yen)	2,617	3,440
Average number of shares of common stock during the period (Thousand shares)	40,546	43,734
Diluted profit per share		
Adjustment for profit attributable to owners of parent (Million yen)	—	—
Increase in number of shares of common stock (Thousand shares)	429	405
(of which share acquisition rights) (Thousand shares)	(429)	(405)
Overview of residual shares not included in calculation of diluted profit per share due to lack of dilutive effect	—	—

3. As described in “Changes in Accounting Policies,” the Revenue Recognition Accounting Standard, etc. have been applied from the fiscal year under review. There is no impact on net assets per share, profit per share, and diluted profit per share for the fiscal year under review.
4. In calculating net assets per share, the Company’s shares remaining in the above-described trust, which are recorded as treasury shares under shareholders’ equity, are included in the treasury shares deducted from the total number of issued shares at the end of the period. In calculating profit per share, they are included in the treasury shares deducted in calculating the average number of shares during the period.
   In calculating net assets per share, the numbers of treasury shares at the end of the period deducted for the preceding fiscal year and the fiscal year under review were 375 thousand shares and 43 thousand shares, respectively. In calculating profit per share, the average numbers of treasury shares during the period deducted for the preceding fiscal year and the fiscal year under review were 450 thousand shares and 221 thousand shares, respectively.

(Significant Subsequent Events)

There is no relevant information.

4. Other

Changes in Officers

Scheduled for December 23, 2022

1. Candidates of Auditors to be newly elected

   Auditor: Kotaro Oda (currently Managing Director, Medical Care Service Co., Ltd. and Managing Director, Gakken Intelligence Co., Ltd.)

   Auditor: Ryujin Matsuura (currently Chief HR Officer and Managing Partner, Kanade Partnership)

   (Note) Ryujin Matsuura will be an Outside Auditor defined in Article 2, Item 16 of the Companies Act.

2. Director to retire

   Managing Director: Hideyuki Ikari

3. Auditors to retire

   Auditor: Masao Nakamura

   Auditor: Eiichiro Osa