

Consolidated Financial Results for the Three Months Ended December 31, 2022 [Japanese GAAP]



February 10, 2023

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 filing quarterly securities report: February 10, 2023
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: None

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

1. Consolidated Financial Results for the Three Months Ended December 31, 2022 (October 1, 2022 to December 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended December 31, 2022	38,208	3.6	605	(54.3)	575	(49.3)	232	(66.9)
December 31, 2021	36,888	3.1	1,324	(31.4)	1,134	(35.5)	702	(25.7)

(Note) Comprehensive income: Three months ended December 31, 2022: ¥546 million [(19.8)%]

Three months ended December 31, 2021: ¥680 million [(32.9)%]

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended December 31, 2022	5.28	5.24
December 31, 2021	16.14	15.98

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	125,281	48,962	38.7
As of September 30, 2022	123,682	48,888	39.2

(Reference) Equity: As of December 31, 2022: ¥48,480 million

As of September 30, 2022: ¥48,439 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2022	—	12.00	—	12.00	24.00
Fiscal year ending September 30, 2023	—				
Fiscal year ending September 30, 2023 (Forecast)		12.50	—	12.50	25.00

(Note) Revision of dividends forecast since the last announcement: None

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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	162,000	3.8	6,700	4.2	7,000	1.0	3,600	4.6	81.86

(Note) Revision of financial results forecast since the last announcement: None

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 the scope of consolidation): No

Newly added: – (Name) – Excluded: – (Name) –

- (2) Application of special accounting treatments in preparing quarterly consolidated financial statements: Yes

- (3) 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

- (4) Total number of issued shares (common stock)

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

December 31, 2022: 44,633,232 shares

September 30, 2022: 44,633,232 shares

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

December 31, 2022: 640,819 shares

September 30, 2022: 683,987 shares

- 3) The average number of shares during the period:

Three months ended December 31, 2022: 43,975,889 shares

Three months ended December 31, 2021: 43,546,162 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): – shares at the end of the three months ended December 31, 2022; and 43,400 shares at the end of the fiscal year ended September 30, 2022. 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): 16,650 shares at the end of the three months ended December 31, 2022; and 349,325 shares at the end of the three months ended December 31, 2021.

* These quarterly consolidated financial results are outside the scope of quarterly review 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. Qualitative Information on Financial Results for the Period under Review, (3) Consolidated Financial Results Forecast and Other Forward-looking Statements" on page 7 of the Attachments.

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1. Qualitative Information on Financial Results for the Period under Review

(1) Explanation of Business Results

1) Explanation of market conditions

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 costs of construction, utilities, food, etc. soar, resulting in a wide range of effects.

With the rapid decline in Japan's birthrate, the number of births is expected to fall below 800,000 in fiscal 2022 for the first time since statistics started. In anticipation of possible market downsizing in the future, the education industry is focusing its investment capital on two trends.

The first of these trends is digital transformation (DX), which enables access to learners beyond the barriers of school, home and learning centers. In schools, the content built into the devices distributed through the GIGA (Global and Innovation Gateway for All) School Program is being improved, raising children's motivation to learn. Outside schools, private business operators such as learning centers are focusing their efforts on developing online courses and digital learning materials. As a result, the shape of the complementary relationship between school education and private sector education has started to change.

The other trend is the growing demand for education on an individual basis over a lifetime. In recent years, families with a strong consciousness of the importance of education are increasingly providing their children with private educational services from infancy and early ages, and educational spending per child is also growing. Demand for reskilling and recurrent education for working adults is also growing at an accelerating pace, contributing to the expansion of the education market as a new growth area.

In the elderly care industry, demand continues to grow due to the increasing elderly population, and residence needs remain steady in the facility-based services. Recently, a growing number of elderly care service providers are raising rents and fees due to the expansion of the 8th wave of COVID-19 and further increases in costs of raw materials and utilities. There have also been cases in which plans to open new facilities have been postponed or cancelled due to consistently high construction costs. Against such a background, the introduction of measures to support business operators is proceeding through a local government subsidy program for priority measures against sharp rises in the price of electricity, gas, and food.

The industry as a whole continues to face shortages of the caregivers who take a role of providing these services. Relevant government ministries and organizations are actively discussing ways to reduce workloads and promoting the use of technology and institutional change in the nursing care sector.

2) Explanation of business results

Under the market conditions described above, consolidated net sales for the three months ended December 31, 2022 amounted to ¥38,208 million (up 3.6% year on year), operating profit was ¥605 million (down ¥719 million year on year), ordinary profit was ¥575 million (down ¥559 million year on year), and profit attributable to owners of parent was ¥232 million (down ¥470 million year on year).

In the Educational Domain, although map/guidebooks and e-learning programs for nurses performed well, they were not strong enough to offset the impacts of the pandemic and sharp rise in prices as a whole, resulting in declines in revenue and profit in both the classroom and learning center business and the publishing and content business. The kindergarten and school business, which was significantly affected by the impact of the spread of the Omicron variant in the previous fiscal year, has finally started to recover, with revenue down but profit up.

The Healthcare and nursing Domain recorded an increase in revenue but a decrease in profit. The elderly housing business remains strong with a record-high occupancy rate, but with the increase in infection prevention costs due to the expansion of the 8th wave of COVID-19, revenue increased but profit decreased. In the group homes for the elderly with dementia business, the strong occupancy rate and new business contributed to increases in both revenue and profit. The child raising support business achieved an increase in revenue due to

actively promoting the opening of afterschool children's clubs and other facilities. In line with investments in new business, although operating profit was flat year on year, steady growth continues.

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

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

As for the plans for the fiscal year ending September 30, 2023, the Company aims to achieve 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%.

(Million yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022	Fiscal year ending September 30, 2023
	Results	Results	Plan
Net sales	150,288	156,032	162,000
Operating profit	6,239	6,427	6,700
Operating profit margin	4.2%	4.1%	4.1%
Profit*	2,617	3,440	3,600
Net profit margin	1.7%	2.2%	2.2%
ROE	6.3%	7.2%	7.2%
Payout ratio	34.1%	30.5%	30.5%

* Profit: Profit attributable to owners of parent

Business performance by segment is summarized below.

(Million yen)

	Three months ended December 31, 2021		Three months ended December 31, 2022		Change	
Reportable segments	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational Domain	18,140	792	17,720	304	(420)	(487)
Healthcare and nursing Domain	17,189	673	19,004	637	1,815	(36)
Other	1,558	275	1,484	154	(74)	(120)
Adjustment	—	(417)	—	(491)	—	(74)
Group total	36,888	1,324	38,208	605	1,320	(719)

[Educational Domain]

Net sales: ¥17,720 million (down 2.3% year on year); operating profit: ¥304 million (down ¥487 million year on year)

(Million yen)

	Three months ended December 31, 2021		Three months ended December 31, 2022		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Classroom and learning center business	7,936	658	7,674	478	(261)	(179)
Publishing and content business	6,712	180	6,633	(177)	(78)	(358)
Kindergarten and school business	3,492	36	3,411	45	(80)	8
Goodwill	—	(83)	—	(42)	—	40
Segment total	18,140	792	17,720	304	(420)	(487)

(Classroom and learning center business)

In the classroom business, poor outcomes in membership recruitment during the period from spring to summer in the previous fiscal year, due to the spread of the Omicron variant, continue to have an impact. Membership in classes for toddlers, in addition to Gakken Classroom which complements public education with achievement-based teaching, is still recovering. On the profit front, costs of materials and training expenses increased in line with the increase in paper prices, pushing profits down. As a result, revenue and profit decreased in the period under review.

In the learning center business, as an overall trend, there are still strong numbers of elementary school children who want to sit entrance exams for private junior high schools and of junior and senior high school students hoping to sit entrance exams for higher-ranking senior high schools and universities. On the other hand, children not intending to sit entrance exams whose motive for attending learning centers is to keep from falling behind in school are starting at learning centers later than previously, and this has had a downward impact on revenue and profit overall. Strengthening its approaches to wide-ranging customer needs, the Company is working on the expansion of digital services and the bolstering of its teaching capabilities.

(Publishing and content business)

In publishing, the new series of “Chikyu-no-Arukikata” books is performing strongly. The strength in travel planning, combining practicality and uniqueness, that these books offer, along with the good timing of the recovery in travel demand, has resulted in many hit products sweeping bookstores. However, due to weak in-store sales in other genres, primarily children’s books, study-aid books, and dictionaries, and rising rates of goods returned unsold, the business overall recorded an increase in revenue but a decline in profit.

The medical and nursing business saw increases in revenue and profit. The number of hospitals subscribing

to e-learning programs for nurses reached 2,396 (an increase of 300 hospitals from the previous year), contributing to the revenue increase. Regarding the publishing of books on nursing and medicine, online bookstore sales and e-book sales are growing.

The businesses other than publishing reported declines in both revenue and profit overall. In the toy business, ongoing sluggish market conditions combined with negative factors such as soaring costs due to the weak yen to push down revenue. In the Tokyo Global Gateway, an experience-based English learning facility, a trend toward recovery in school use secured an increase in revenue, but the impact of new facility construction costs resulted in a decline in profit. In the online English conversation lessons business, the number of individual and school-based users increased, and both revenue and profit increased.

(Kindergarten and school business)

In toddler education, with the decline in the number of new nursery school openings against the backdrop of the declining birthrate and the failure to fully dispel the impact of last spring's poor performance in the new semester sales season, sales of large play equipment and nursery supplies are sluggish. Thanks to progress in responses to these kinds of changes in the external environment and to the strengthening of marketing frameworks and cost controls, overall, profit increased, despite the decline in revenue.

In school education, although the period under review was in the transition period of textbooks revisions, sales of which account for the core of this business's profits, sales of supplementals and materials for mock exams, etc. were strong, and overall, revenue was down but profit increased.

In social education, the Company is working on the expansion of the training business targeting listed companies that are under pressure to invest in human capital. Due to the strengthening of foundation-building, including content development and marketing frameworks, to meet the rapid expansion of demand, the result for the period under review was an increase in revenue and decrease in profit.

[Healthcare and nursing Domain]

Net sales: ¥19,004 million (up 10.6% year on year); operating profit: ¥637 million (down ¥36 million year on year)

*The utilities costs has been estimated at ¥792 million (up ¥247 million year on year, compared with existing facilities, adding serviced apartments for the elderly and group homes for the elderly with dementia together).

(Million yen)

	Three months ended December 31, 2021		Three months ended December 31, 2022		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Elderly housing business	7,419	231	8,689	176	1,269	(55)
Group homes for the elderly with dementia business	8,403	532	8,840	551	436	18
Child raising support business	1,365	24	1,475	25	109	0
Goodwill	—	(115)	—	(115)	—	(0)
Segment total	17,189	673	19,004	637	1,815	(36)

(Elderly housing business)

In serviced apartments for the elderly, four new facilities were opened in the first quarter of the fiscal year, bringing the total number of sites to 194 including franchise locations, with a total of 9,863 rooms. With the expansion of the elderly market, the Company is actively promoting the opening of new facilities in its aim to be a leading company in the healthcare and nursing domain. Occupancy rates continue to rise, reaching a record-high 94.5% (up 3.4 percentage points year on year). Strong progress is being made in the operation of “Gakken Community-based Integrated Care System” locations, which bring together the Group's educational, healthcare, and nursing services, resulting in an increase in revenue. Higher utilities and other costs were generally absorbed

by the introduction of extra contributions from customers and operational efficiency improvements. However, a sharp rise in infection prevention costs due to expansion of the 8th COVID-19 wave caused a slight decrease in profit.

(Group homes for the elderly with dementia business)

In group homes for the elderly with dementia, three new facilities were opened in the first quarter of the fiscal year, bringing the total number of facilities to 295, with a total of 5,624 rooms. This shows good progress on the plans to open 12 to 15 new locations for the full fiscal year. The occupancy rate has remained high and stable at around 97%, sustaining an upward trend in revenue. In the dispensing pharmacy business, the number of customers using the service has grown steadily, contributing to an increase in revenue. In terms of profit, even with the increase in infection prevention costs due to the resurgence of COVID-19 and soaring prices of utilities, food, and the like, price revisions and cost control have ensured profit, and both revenue and profit were up in this business.

(Child raising support business)

In the child-care business for the first quarter of the fiscal year, two new afterschool children's clubs, one new child development support facility, and one new "child-raising station," a free school targeting children ranging from pre-school age to elementary school age, were opened, bringing the combined total of all facilities in this business to 75. The active development of diverse facilities to meet customers' needs resulted in an increase in revenue overall. In addition, utilization rates at nursery schools are stable in the 92% range, and profit of the same level as the corresponding period of the previous year were secured, even with the promotion of new business investment.

[Other]

Net sales: ¥1,484 million (down 4.8% year on year); operating profit: ¥154 million (down ¥120 million year on year)

In the digital domain, Gakken LEAP Co., Ltd., which was established in the previous 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 performing well. In the global business, collaboration with partners in strategic locations such as Vietnam is progressing steadily. However, a reactionary decline in the acquisition of new ODA projects to emerging countries resulted in decreases in both revenue and profit overall.

(2) Explanation of Financial Position

(Million yen)

Item	As of September 30, 2022	As of December 31, 2022	Change
Current assets	61,700	62,907	1,207
Cash and deposits	22,520	21,193	(1,326)
Non-current assets	61,982	62,373	391
Total assets	123,682	125,281	1,599
Current liabilities	39,838	42,087	2,248
Non-current liabilities	34,955	34,231	(723)
Total liabilities	74,793	76,319	1,525
Interest-bearing debt* ¹	41,807	43,456	1,649
Total net assets	48,888	48,962	73
Total liabilities and net assets	123,682	125,281	1,599
Equity ratio (%) ^{*2}	39.2	38.7	(0.5)
D/E ratio (times) ^{*3}	0.86	0.90	0.03

*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 for the first quarter of the fiscal year ending September 30, 2023 amounted to ¥125,281 million, increasing by ¥1,599 million from the end of the preceding fiscal year. The main changes were a decrease of ¥1,326 million in cash and deposits, an increase of ¥1,227 million in notes and accounts receivable - trade, an increase of ¥874 million in merchandise and finished goods, an increase of ¥92 million in property, plant and equipment, and an increase of ¥700 million in investment securities.

The total liabilities amounted to ¥76,319 million, increasing by ¥1,525 million from the end of the preceding fiscal year. The main changes were an increase of ¥1,410 million in notes and accounts payable - trade, an increase of ¥2,200 million in short-term borrowings, an increase of ¥147 million in the current portion of long-term borrowings, a decrease of ¥986 million in provision for bonuses, a decrease of ¥1,768 million in income taxes payable, and a decrease of ¥672 in long-term borrowings.

The total net assets amounted to ¥48,962 million, increasing by ¥73 million from the end of the preceding fiscal year. The main changes were a decrease of ¥295 million in retained earnings and an increase of ¥295 million in valuation difference on available-for-sale securities.

(3) Consolidated Financial Results Forecast and Other Forward-looking Statements

In the plan for the fiscal year ending September 30, 2023 stated on page 3 (net sales of ¥162,000 million, operating profit of ¥6,700 million, profit of ¥3,600 million, net profit margin of 4.1%, ROE of 7.2%, and payout ratio of 30.5%), forecasts are determined based on information currently available to the Company and include potential risks and uncertainties. Please note that actual performance may vary significantly due to various factors, including the status of COVID-19 infections and the impact of soaring prices such as utilities costs.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of September 30, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	22,520	21,193
Notes and accounts receivable - trade	21,064	22,292
Merchandise and finished goods	9,929	10,804
Work in process	3,234	3,272
Raw materials and supplies	198	143
Other	4,764	5,214
Allowance for doubtful accounts	(12)	(12)
Total current assets	61,700	62,907
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,012	12,958
Machinery, equipment and vehicles, net	47	43
Land	4,227	4,298
Construction in progress	197	294
Other, net	815	797
Total property, plant and equipment	18,300	18,392
Intangible assets		
Goodwill	6,185	6,004
Other	2,724	2,711
Total intangible assets	8,910	8,716
Investments and other assets		
Investment securities	23,115	23,816
Other	11,823	11,619
Allowance for doubtful accounts	(167)	(170)
Total investments and other assets	34,771	35,264
Total non-current assets	61,982	62,373
Total assets	123,682	125,281

	As of September 30, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,103	8,513
Short-term borrowings	12,247	14,447
Current portion of long-term borrowings	3,570	3,717
Income taxes payable	1,917	149
Provision for bonuses	2,006	1,020
Other	12,994	14,239
Total current liabilities	39,838	42,087
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	19,548	18,875
Retirement benefit liability	3,370	3,389
Other	6,036	5,966
Total non-current liabilities	34,955	34,231
Total liabilities	74,793	76,319
Net assets		
Shareholders' equity		
Share capital	19,817	19,817
Capital surplus	12,333	12,333
Retained earnings	15,313	15,018
Treasury shares	(439)	(383)
Total shareholders' equity	47,025	46,785
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	612	908
Deferred gains or losses on hedges	(1)	(2)
Foreign currency translation adjustment	156	193
Remeasurements of defined benefit plans	646	596
Total accumulated other comprehensive income	1,413	1,695
Share acquisition rights	255	255
Non-controlling interests	193	225
Total net assets	48,888	48,962
Total liabilities and net assets	123,682	125,281

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Million yen)

	For the three months ended December 31, 2021	For the three months ended December 31, 2022
Net sales	36,888	38,208
Cost of sales	25,926	27,590
Gross profit	10,961	10,618
Selling, general and administrative expenses	9,637	10,013
Operating profit	1,324	605
Non-operating income		
Interest income	4	1
Dividend income	53	50
Other	80	54
Total non-operating income	138	106
Non-operating expenses		
Interest expenses	41	45
Share of loss of entities accounted for using equity method	181	64
Other	104	26
Total non-operating expenses	327	136
Ordinary profit	1,134	575
Extraordinary income		
Gain on sale of non-current assets	0	4
Gain on sale of investment securities	121	—
Other	13	0
Total extraordinary income	134	4
Extraordinary losses		
Loss on sale and retirement of non-current assets	0	0
Impairment losses	0	0
Loss on valuation of investment securities	9	—
Loss on termination	—	53
Other	0	4
Total extraordinary losses	11	59
Profit before income taxes	1,257	519
Income taxes	547	253
Profit	710	266
Profit attributable to non-controlling interests	7	33
Profit attributable to owners of parent	702	232

Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the three months ended December 31, 2021	For the three months ended December 31, 2022
Profit	710	266
Other comprehensive income		
Valuation difference on available-for-sale securities	3	302
Foreign currency translation adjustment	8	36
Remeasurements of defined benefit plans, net of tax	(50)	(52)
Share of other comprehensive income of entities accounted for using equity method	7	(5)
Total other comprehensive income	(29)	280
Comprehensive income	680	546
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	671	514
Comprehensive income attributable to non-controlling interests	9	32

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes When There Are Significant Changes in Amounts of Equity)

For the three months ended December 31, 2022

There is no relevant information.

(Application of Special Accounting Treatments in Preparing Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

Tax expenses are calculated by making a reasonable estimate of the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year, including the first quarter ended December 31, 2022, and multiplying the profit before income taxes by this estimated effective tax rate.

(Changes in Accounting Policies)

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance” is applied from the beginning of the first quarter of the fiscal year ending September 30, 2023. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance, the new accounting policy stipulated in the Fair Value Measurement Guidance is applied prospectively. This does not impact the quarterly consolidated financial statements.

(Segment Information, etc.)

I For the three months ended December 31, 2021

1. Information on the amounts of net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in the quarterly consolidated statements of income (Note) 3
	Educational Domain	Healthcare and nursing Domain	Total				
Net sales							
Net sales to external customers	18,140	17,189	35,330	1,558	36,888	—	36,888
Inter-segment net sales or transfers	52	7	59	1,847	1,907	(1,907)	—
Total	18,193	17,196	35,389	3,405	38,795	(1,907)	36,888
Segment profit	792	673	1,465	275	1,741	(417)	1,324

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥417 million for “Segment profit” includes negative ¥418 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. Total amount of “segment profit” is adjusted based on operating profit reported in the quarterly consolidated statements of income.

2. Information concerning impairment losses on non-current assets or goodwill, etc. by reportable segment

There is no relevant information.

II For the three months ended December 31, 2022

1. Information on the amounts of net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in the quarterly consolidated statements of income (Note) 3
	Educational Domain	Healthcare and nursing Domain	Total				
Net sales							
Net sales to external customers	17,720	19,004	36,724	1,484	38,208	—	38,208
Inter-segment net sales or transfers	46	18	65	2,271	2,337	(2,337)	—
Total	17,766	19,023	36,790	3,755	40,545	(2,337)	38,208
Segment profit	304	637	942	154	1,096	(491)	605

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥491 million for “Segment profit” includes negative ¥484 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. Total amount of “segment profit” is adjusted based on operating profit reported in the quarterly consolidated statements of income.

2. Information concerning impairment losses on non-current assets or goodwill, etc. by reportable segment

There is no relevant information.