Consolidated Financial Results
for the Fiscal Year Ended September 30, 2020
[Japanese GAAP]

November 13, 2020

Company name: Gakken Holdings Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 9470
URL: https://www.gakken.co.jp/
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Scheduled date of Ordinary General Meeting of Shareholders: December 25, 2020
Scheduled date of filing annual securities report: December 25, 2020
Scheduled date of commencing dividend payments: December 28, 2020
Availability of supplementary briefing material on financial results: Available
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, 2020 (October 1, 2019 to September 30, 2020)

(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, 2020	143,564	2.1	5,075	12.2	5,273	10.9	2,321	19.7
September 30, 2019	140,559	31.3	4,523	23.8	4,755	18.8	1,940	(36.6)

(Note) Comprehensive income: Fiscal year ended September 30, 2020: ¥2,059 million [114.1%]
Fiscal year ended September 30, 2019: ¥961 million [(63.4)%]

	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, 2020	62.70	61.99	6.2	5.2	3.5
September 30, 2019	52.18	51.63	5.0	4.8	3.2

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended September 30, 2020: ¥(64) million
Fiscal year ended September 30, 2019: ¥72 million

Effective April 1, 2020, Gakken Holdings Co., Ltd. (the "Company") implemented a 4-for-1 stock split of its common shares. Reflecting this change, the profit per share and the diluted profit per share are calculated by hypothetically assuming that the stock split was executed at the beginning of the fiscal year ended September 30, 2019.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2020	103,741	36,239	34.6	967.70
As of September 30, 2019	99,349	39,978	38.7	1,040.65

(Reference) Equity: As of September 30, 2020: ¥35,895 million
As of September 30, 2019: ¥38,453 million

Effective April 1, 2020, the Company implemented a 4-for-1 stock split of its common shares.
Reflecting this change, the net assets per share are calculated by hypothetically assuming that the stock split was executed at the beginning of the fiscal year ended September 30, 2019.

(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, 2020	5,971	(1,588)	(22)	24,765
September 30, 2019	5,353	(2,825)	(352)	19,838

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, 2019	—	35.00	—	40.00	75.00	692	35.9	1.8
September 30, 2020	—	40.00	—	10.00	—	741	31.9	2.0
Fiscal year ending September 30, 2021 (Forecast)	—	11.00	—	11.00	22.00		29.1	

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).
Effective April 1, 2020, the Company implemented a 4-for-1 stock split of its common shares.
Reflecting this change, the amount of the year-end dividend per share for the fiscal year ended September 30, 2020 reflects the impact of the stock split and the total annual dividend is indicated with "–." The year-end dividend per share based on the number of shares prior to the stock split is 40 yen.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2021 (October 1, 2020 to September 30, 2021)

(% 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	146,000	1.7	5,600	10.3	5,700	8.1	2,800	20.6	75.48

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: No
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, 2020: 42,383,232 shares
September 30, 2019: 42,383,232 shares

2) Total number of treasury shares at the end of the period:
September 30, 2020: 5,289,352 shares
September 30, 2019: 5,431,784 shares

3) Average number of shares during the period:
Fiscal year ended September 30, 2020: 37,028,116 shares
Fiscal year ended September 30, 2019: 37,184,115 shares

Effective April 1, 2020, the Company implemented a 4-for-1 stock split of its common shares. Reflecting this change, the total number of issued shares at the end of the period, the total number of treasury shares at the end of the period, and the average number of shares during the period are calculated by hypothetically assuming that the stock split was executed at the beginning of the fiscal year ended September 30, 2019.

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): 515,000 shares at the end of the fiscal year ended September 30, 2020; and 624,400 shares at the end of the fiscal year ended September 30, 2019. 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): 570,600 shares at the end of the fiscal year ended September 30, 2020; and 392,585 shares at the end of the fiscal year ended September 30, 2019.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2020 (October 1, 2019 to September 30, 2020)

(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, 2020	4,443	(3.8)	617	(30.7)	278	(58.5)	740	17.2
September 30, 2019	4,621	2.7	891	11.1	671	(4.9)	631	(49.3)

	Profit per share	Diluted profit per share
Fiscal year ended	Yen	Yen
September 30, 2020	19.99	19.77
September 30, 2019	16.99	16.81

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2020	64,809	30,033	45.9	802.24
As of September 30, 2019	59,034	30,331	51.0	814.75

(Reference) Equity: As of September 30, 2020: ¥29,758 million
As of September 30, 2019: ¥30,106 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 9 of the Attachments.

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1. Overview of Business Results, etc.

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

In the educational domain where Gakken Group (the "Group") conducts its business, the government's Courses of Study were revised from the perspective of proactive, interactive and in-depth learning (active learning), and programming, English language, and other new courses were added to elementary schools' curricula from the academic year 2020. The initially-planned inclusion of an English test by a private-sector company and descriptive questions for the Japanese language and mathematics tests has been deferred for the Common Test for University Admissions, which will commence with the selections of students to enroll in university from the academic year 2021.

Furthermore, a shift to online education has been accelerated due to the spread of the new coronavirus infection and other factors. This has expedited the introduction of the GIGA (Global and Innovation Gateway for All) School Program that aims for development of the educational ICT environment.

The learning center market is modestly expanding despite the low birth rate, reflecting an increase in educational spending per child. It is expected that the demand will further rise for individually optimized educational services in response to the new curricula and for online lessons to prevent infection.

In the publishing industry, owing to the spread of smartphones and tablet devices, the distribution channel of paper-based journals and books is shifting from physical bookstores to online stores and the digital publication market is also expanding.

In the elderly care business within the healthcare and nursing domain, the demand for elderly care services is increasing reflecting the "2025 issue" as the baby boomers advance in age. Securing workers and moves to revise long-term care compensations present a challenge for the industry.

In the childcare industry, the demand for childcare services is increasing especially in urban areas due to the increase in households in which both parents work. Although progress has been made in national measures to support child raising such as the child raising relief plan and the provision of free preschool education and childcare, there are still issues to be addressed such as the shortage of nursery school teachers and other environmental improvement issues.

Under these circumstances, the Group sought to attain its management targets emphasizing medium- to long-term growth and its engagement with shareholders and investors, based on "Gakken 2020," a two-year plan formulated in November 2018.

In regard to the Company's consolidated financial results for the fiscal year under review, net sales amounted to ¥143,564 million (up 2.1% year on year), operating profit was ¥5,075 million (up ¥551 million year on year), ordinary profit was ¥5,273 million (up ¥518 million year on year), and profit attributable to owners of parent was ¥2,321 million (up ¥381 million year on year).

Reference: The consolidated business results for the fourth quarter (From July 2020 to September 2020)

(Million yen)

	Fourth quarter (July–September) of the fiscal year ended September 30, 2019	Fourth quarter (July–September) of the fiscal year ended September 30, 2020	Change
Net sales	34,722	34,452	(270)
Operating profit	804	38	(766)

Despite the positive contribution of the opening of new serviced apartments for the elderly, revenue decreased mainly due to the company split pertaining to the Company's media business (periodic magazine business, etc.). Profit also decreased owing to factors such as the decrease in membership of Gakken Classroom and toddler classes, and because summer courses and camps could not be held as usual in the cram schools.

Business performance by segment is summarized below.

Reportable segments have been changed since the consolidated fiscal year under review and the comparison and analysis made in the said period are based on the segment classification after the change. For details concerning this change, please refer to “3. Consolidated Financial Statements and Primary Notes, (5) Notes to the Consolidated Financial Statements (Segment Information, etc.).”

(Million yen)

	Fiscal year ended September 30, 2019		Fiscal year ended September 30, 2020		Change	
Reportable segments	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational Domain	81,627	1,873	78,710	2,291	(2,916)	417
Education Service Business	34,232	970	32,969	424	(1,263)	(545)
Education Contents Business	28,314	542	26,643	1,440	(1,671)	898
Educational Solution Business	19,080	361	19,098	425	17	64
Healthcare and Nursing Domain Healthcare and Nursing Business	55,430	2,499	60,786	2,562	5,355	63
Other	3,500	130	4,067	225	566	94
Adjustment	—	19	—	(4)	—	(23)
Group total	140,559	4,523	143,564	5,075	3,005	551

[Education Service Business]

Net sales: ¥32,969 million (down 3.7% year on year); operating profit: ¥424 million (down ¥545 million year on year)

(Million yen)

	Fiscal year ended September 30, 2019		Fiscal year ended September 30, 2020		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Gakken Classroom business	10,590	652	9,819	(24)	(770)	(676)
Cram school business	19,682	179	18,567	(55)	(1,115)	(235)
Learning materials publishing business	3,958	138	4,581	504	622	366
Segment total	34,232	970	32,969	424	(1,263)	(545)

(Gakken Classroom business)

The number of members who took a leave of absence or withdrew from the program increased due to nationwide temporary school closures, and the number of newly enrolled members decreased because recruitment activities for the new semester could not be undertaken. After the state of emergency declaration was lifted, the classrooms have been operated with efforts being made to keep the environment safe. The number of members is therefore recovering but has not reached the level of the previous fiscal year. As a result, revenue decreased.

Profit also decreased due to the above-mentioned revenue decrease and an increase in the cost of revising the learning materials with the revisions to the Courses of Study.

(Cram school business)

Although online interactive lessons were promptly introduced with the voluntary suspension of group lessons, the number of enrolled students decreased because recruitment activities for the new semester could not be undertaken. After the state of emergency declaration was lifted, short intensive courses were provided and efforts were made to reduce labor and other costs. However, because summer courses were shortened and restrictions were imposed on summer camps, both revenue and profit declined.

(Learning materials publishing business)

Demand for home learning increased due to nationwide temporary school closures, and led to an increase in the sales of learning materials such as workbooks. Furthermore, strong sales at bookstores resulted in a significant reduction in the number of items returned that were anticipated in the fourth quarter. Consequently, both revenue and profit increased.

[Education Contents Business]

Net sales: ¥26,643 million (down 5.9% year on year); operating profit: ¥1,440 million (up ¥898 million year on year)

(Million yen)

	Fiscal year ended September 30, 2019		Fiscal year ended September 30, 2020		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Publishing business	16,669	1,554	16,300	2,231	(369)	677
Medical and nursing business	2,829	477	2,791	451	(37)	(26)
Businesses other than publishing	8,815	(1,489)	7,550	(1,242)	(1,264)	247
Segment total	28,314	542	26,643	1,440	(1,671)	898

(Publishing business)

Due to heightening demand for home learning during self-quarantine, online sales and sales at physical bookstores of children’s workbooks, and study-aid books for overall review targeting elementary and junior high school students increased sharply. This also resulted in the number of items returned from bookstores to decrease significantly compared to the level that had been anticipated for the fourth quarter. Furthermore, owing to selection and concentration of business activities, including business transfers and company split, profit increased despite a decline in revenue.

(Medical and nursing business)

The performance of the medical and nursing business remained roughly flat year on year due to voluntary cancellation of events and hence a decrease in opportunities to sell books on medicine and nursing, despite an increase in the number of hospitals contracted for the Company’s e-learning service for nurses.

(Businesses other than publishing)

Revenue decreased due to decreases in the consignment sales of educational comics and the sales of stationery and toys due to store closures. Business transfer and company split also contributed to the revenue decrease.

However, the amount of loss decreased owing to the improved performance of anime and other loss-making businesses.

[Educational Solutions Business]

Net sales: ¥19,098 million (up 0.1% year on year); operating profit: ¥425 million (up ¥64 million year on year)

(Million yen)

	Fiscal year ended September 30, 2019		Fiscal year ended September 30, 2020		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Toddler educational business	13,679	557	12,549	(22)	(1,130)	(579)
School educational business	4,179	(303)	4,161	367	(17)	671

Social education business	1,221	107	2,387	80	1,166	(26)
Segment total	19,080	361	19,098	425	17	64

(Toddler educational business)

Closure of kindergartens forced toddler classes to stop recruiting members for the new academic year and suspend their operations over a protracted period. After the state of emergency declaration was lifted, they have gradually resumed operations but the number of enrolled members has not recovered. Kindergarten building designing works decreased due to postponement of and changes in construction orders. Orders for supplies and equipment needed for new semesters declined. Sales activities continued to face restrictions even after the state of emergency declaration was lifted. Consequently, both revenue and profit declined.

(School educational business)

Net sales were roughly flat year on year. Negative factors included the partial postponement and cancellation of examinations including short essay exams at high schools and universities. Positive factors included an increase in shipment of newly published elementary school textbooks (health and moral education) and instruction guides for teachers.

Profit increased due mainly to the increase in shipment of high-margin instruction guides for teachers.

(Social education business)

Net sales increased due to inclusion in the scope of consolidation of IC Net Co., Ltd., a company providing consulting services for official development assistance (ODA) projects.

Profit, however, remained roughly flat year on year due to restrictions on overseas travel.

[Healthcare and Nursing Business]

Net sales: ¥60,786 million (up 9.7% year on year); operating profit: ¥2,562 million (up ¥63 million year on year)

(Million yen)

	Fiscal year ended September 30, 2019		Fiscal year ended September 30, 2020		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Elderly care business	50,889	2,426	55,805	2,445	4,916	18
MCS	30,333	1,387	31,995	1,284	1,662	(103)
Child raising support business	4,541	72	4,980	117	438	44
Segment total	55,430	2,499	60,786	2,562	5,355	63

(Elderly care business)

In regard to serviced apartments for the elderly, measures were taken to prevent the spread of infection and opening of some of the new sites had been delayed. However, twelve sites have been opened over the past year, bringing the total number of sites to 148, and revenue increased as a result.

Profit also increased owing to the positive contribution of the above-mentioned development and an increase in revenue from home-visit care.

Revenue from group homes for the elderly with dementia increased owing to the opening of four new sites, bringing the total number of sites to 274, and continued high occupancy rates.

Profit, however, declined due to the increase in personnel costs from revised wages and recruitment of workers, and the increase costs for infection prevention.

(Child raising support business)

Both revenue and profit increased. This was attributable to the opening of two new nursery schools, bringing the total number of nursery schools to 45; acquisition of contracts to operate six after-school children's clubs, bringing the total number of clubs to 26; and improved cost management for labor, food, and other costs.

[Other]

Net sales: ¥4,067 million (up 16.2% year on year); operating profit: ¥225 million (up ¥94 million year on year)

Revenue increased mainly due to an increase in revenue from the logistics business.

(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, 2019	Fiscal year ended September 30, 2020	Change
Current assets		54,811	60,030	5,218
	Cash and deposits	21,185	25,596	4,411
Non-current assets		44,538	43,711	(826)
Total assets		99,349	103,741	4,392
Current liabilities		30,747	36,476	5,729
Non-current liabilities		28,624	31,025	2,401
Total liabilities		59,371	67,502	8,131
	Interest-bearing debt *1	30,858	37,808	6,950
Total net assets		39,978	36,239	(3,738)
Total liabilities and net assets		99,349	103,741	4,392
Equity ratio (%) *2		38.7	34.6	(4.1)
D/E ratio (times) *3		0.80	1.05	0.25

*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 ¥103,741 million, increasing by ¥4,392 million from the end of the preceding fiscal year. Main changes were an increase of ¥4,411 million in cash and deposits, a decrease of ¥906 million in merchandise and finished goods, an increase of ¥1,105 million in property, plant and equipment, and a decrease of ¥2,767 million in investment securities.

The total liabilities amounted to ¥67,502 million, increasing by ¥8,131 million from the end of the preceding fiscal year. Main changes were an increase of ¥2,900 million in short-term borrowings, an increase of ¥6,000 million in bonds payable, and a decrease of ¥2,963 in long-term borrowings.

The total net assets amounted to ¥36,239 million, decreasing by ¥3,738 million from the end of the preceding fiscal year. Main changes were a decrease of ¥3,677 million in capital surplus, an increase of ¥1,507 million in retained earnings, a decrease of ¥541 million in valuation difference on available-for-sale securities, and a decrease of ¥1,231 million in non-controlling interests.

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

Cash and cash equivalents (hereinafter, “CCE”) for the consolidated fiscal year under review increased by ¥4,927 million from the end of the preceding fiscal year to ¥24,765 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 ¥5,971 million (a net inflow of ¥5,353 was reported in the preceding fiscal year). This was mainly due to inflows from the recording of profit before income taxes of ¥5,167 million and depreciation of ¥1,786 million, despite outflows including income taxes paid of ¥2,203 million.

Cash flows from investing activities resulted in a net outflow of ¥1,588 million (a net outflow of ¥2,825 million was reported in the preceding fiscal year). This was mainly due to outflows from the purchase of property, plant and equipment and intangible assets of ¥3,504 million and the purchase of investment securities of ¥568 million, despite inflows including proceeds from sales of investment securities of ¥2,120 million.

Cash flows from financing activities resulted in a net outflow of ¥22 million (a net outflow of ¥352 million was reported in the preceding fiscal year). This was mainly due to outflows from repayments of long-term borrowings of ¥2,842 million, payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of ¥5,311 million, and dividends paid of ¥751 million, despite inflows from a net increase in short-term borrowings of ¥2,300 million and proceeds from issuance of bonds of ¥5,962 million.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Equity ratio	39.5	38.7	34.6
Market value equity ratio (%)	53.3	49.7	58.1
Cash flows to interest-bearing debt ratio (%)	994.9	605.8	659.3
Interest coverage ratio (times)	32.1	39.4	38.3

Equity ratio: Equity / Total assets

Market value equity ratio: Market capitalization / Total assets

Cash flows to interest-bearing debt ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest paid

(Note 1) All indicators are calculated based on consolidated financial figures.

(Note 2) Market capitalization is calculated based on the number of issued shares excluding treasury shares.

(Note 3) Cash flows used for calculating these indicators are cash flows from operating activities.

(Note 4) The interest-bearing debt represents all the liability items on the consolidated balance sheets that are subject to interest payments.

(4) Future outlook

The fiscal year ending September 30, 2021, is the first year of the new three-year management plan "Gakken 2023" announced today.

In regard to the outlook for the fiscal year ending September 30, 2021, net sales are forecast to increase 1.7% year on year to ¥146,000 million. This is due to a recovery of the Gakken Classroom and cram school businesses, growth of the English learning business, and the opening of new serviced apartments for the elderly and group homes for the elderly with dementia in the healthcare and nursing domain, despite a drop in revenue from the company split of the media business executed in July 2020 in the educational domain, a reactionary decline in demand for children's books and study-aid books for home learning, and a decrease in shipment of junior high school textbooks (health and moral education) and instruction guides for teachers (compared to the number of copies printed for elementary school in the preceding fiscal year). In regard to the profit outlook, operating profit is expected to increase 10.3% year on year to ¥5,600 million, with ordinary profit and profit attributable to owners of parent being forecast at ¥5,700 million and ¥2,800 million, respectively, while continuing to invest in digital transformation, due to the above-mentioned increase in revenue as well as an expected improvement in profitability mainly of the video distribution and science businesses in the educational domain.

The above-mentioned financial performance forecasts and other forward-looking statements 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.

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, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	21,185	25,596
Notes and accounts receivable - trade	19,331	19,889
Merchandise and finished goods	9,383	8,477
Real estate for sale	135	54
Work in process	2,213	3,109
Raw materials and supplies	124	143
Other	2,459	2,785
Allowance for doubtful accounts	(22)	(25)
Total current assets	54,811	60,030
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,041	16,858
Accumulated depreciation	(7,883)	(7,995)
Buildings and structures, net	8,157	8,862
Machinery, equipment and vehicles	532	539
Accumulated depreciation	(450)	(480)
Machinery, equipment and vehicles, net	82	58
Land	3,707	4,013
Construction in progress	255	342
Other	4,366	4,521
Accumulated depreciation	(3,548)	(3,671)
Other, net	817	850
Total property, plant and equipment	13,021	14,126
Intangible assets		
Goodwill	8,163	7,620
Other	2,394	2,855
Total intangible assets	10,557	10,476
Investments and other assets		
Investment securities	11,456	8,689
Long-term loans receivable	83	193
Deferred tax assets	2,285	2,100
Retirement benefit asset	－	635
Guarantee deposits	5,894	6,181
Other	1,557	1,493
Allowance for doubtful accounts	(318)	(186)
Total investments and other assets	20,959	19,108
Total non-current assets	44,538	43,711
Total assets	99,349	103,741

(Million yen)

	As of September 30, 2019	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,597	7,275
Short-term borrowings	8,597	11,497
Current portion of long-term borrowings	2,491	3,500
Income taxes payable	1,064	984
Provision for bonuses	1,698	1,901
Provision for sales returns	774	822
Provision for point card certificates	2	3
Other	9,519	10,491
Total current liabilities	30,747	36,476
Non-current liabilities		
Bonds payable	—	6,000
Long-term borrowings	19,401	16,437
Long-term accounts payable - other	166	358
Long-term guarantee deposits	2,714	2,826
Retirement benefit liability	4,197	3,222
Provision for retirement benefits for directors (and other officers)	64	60
Deferred tax liabilities	19	34
Other	2,060	2,086
Total non-current liabilities	28,624	31,025
Total liabilities	59,371	67,502
Net assets		
Shareholders' equity		
Share capital	18,357	18,357
Capital surplus	11,980	8,303
Retained earnings	9,778	11,286
Treasury shares	(3,666)	(3,509)
Total shareholders' equity	36,450	34,437
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,490	948
Foreign currency translation adjustment	(11)	(19)
Remeasurements of defined benefit plans	524	528
Total accumulated other comprehensive income	2,003	1,458
Share acquisition rights	224	275
Non-controlling interests	1,299	68
Total net assets	39,978	36,239
Total liabilities and net assets	99,349	103,741

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended September 30, 2019	For the fiscal year ended September 30, 2020
Net sales	140,559	143,564
Cost of sales	100,210	101,790
Gross profit	40,348	41,774
Provision for sales returns	—	47
Reversal of provision for sales returns	28	—
Gross profit - net	40,377	41,726
Selling, general and administrative expenses	35,854	36,651
Operating profit	4,523	5,075
Non-operating income		
Interest income	17	19
Dividend income	207	245
Share of profit of entities accounted for using equity method	72	—
Other	293	272
Total non-operating income	591	537
Non-operating expenses		
Interest expenses	136	137
Interest on bonds	—	16
Sales discounts	19	4
Share of loss of entities accounted for using equity method	—	64
Bond issuance costs	—	37
Other	204	78
Total non-operating expenses	359	338
Ordinary profit	4,755	5,273
Extraordinary income		
Gain on sales of non-current assets	187	11
Gain on sales of investment securities	335	523
Gain on investments in silent partnerships	—	171
Gain on sale of businesses	—	88
Other	2	78
Total extraordinary income	524	872
Extraordinary losses		
Loss on sales and retirement of non-current assets	61	46
Impairment loss	126	376
Loss on valuation of investment securities	227	113
Loss due to new coronavirus infection	—	253
Other	71	188
Total extraordinary losses	487	978
Profit before income taxes	4,792	5,167
Income taxes - current	2,309	2,132
Income taxes - deferred	150	426
Total income taxes	2,459	2,558
Profit	2,332	2,608
Profit attributable to non-controlling interests	392	286
Profit attributable to owners of parent	1,940	2,321

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended September 30, 2019	For the fiscal year ended September 30, 2020
Profit	2,332	2,608
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,112)	(552)
Foreign currency translation adjustment	(10)	(6)
Remeasurements of defined benefit plans, net of tax	(251)	(2)
Share of other comprehensive income of entities accounted for using equity method	3	12
Total other comprehensive income	(1,371)	(549)
Comprehensive income	961	2,059
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	585	1,778
Comprehensive income attributable to non-controlling interests	376	280

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended September 30, 2019

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,357	11,935	8,679	(2,869)	36,102
Changes during period					
Dividends of surplus			(657)		(657)
Profit attributable to owners of parent			1,940		1,940
Purchase of treasury shares				(898)	(898)
Disposal of treasury shares		(0)		102	101
Change in ownership interest of parent due to transactions with non-controlling interests		45			45
Change in scope of consolidation			(182)		(182)
Net changes in items other than shareholders' equity					
Total changes during period	—	45	1,099	(796)	348
Balance at end of period	18,357	11,980	9,778	(3,666)	36,450

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	2,608	(0)	750	3,358	184	1,045	40,689
Changes during period							
Dividends of surplus							(657)
Profit attributable to owners of parent							1,940
Purchase of treasury shares							(898)
Disposal of treasury shares							101
Change in ownership interest of parent due to transactions with non-controlling interests							45
Change in scope of consolidation							(182)
Net changes in items other than shareholders' equity	(1,118)	(11)	(225)	(1,355)	40	254	(1,059)
Total changes during period	(1,118)	(11)	(225)	(1,355)	40	254	(711)
Balance at end of period	1,490	(11)	524	2,003	224	1,299	39,978

For the fiscal year ended September 30, 2020

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,357	11,980	9,778	(3,666)	36,450
Changes during period					
Dividends of surplus			(751)		(751)
Profit attributable to owners of parent			2,321		2,321
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		44		160	205
Change in ownership interest of parent due to transactions with non-controlling interests		(3,721)			(3,721)
Change in scope of consolidation			(55)		(55)
Change arising from changes of surplus in entities accounted for using equity method			(6)		(6)
Net changes in items other than shareholders' equity					
Total changes during period	—	(3,677)	1,507	157	(2,012)
Balance at end of period	18,357	8,303	11,286	(3,509)	34,437

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,490	(11)	524	2,003	224	1,299	39,978
Changes during period							
Dividends of surplus							(751)
Profit attributable to owners of parent							2,321
Purchase of treasury shares							(3)
Disposal of treasury shares							205
Change in ownership interest of parent due to transactions with non-controlling interests							(3,721)
Change in scope of consolidation							(55)
Change arising from changes of surplus in entities accounted for using equity method							(6)
Net changes in items other than shareholders' equity	(541)	(7)	3	(545)	50	(1,231)	(1,726)
Total changes during period	(541)	(7)	3	(545)	50	(1,231)	(3,738)
Balance at end of period	948	(19)	528	1,458	275	68	36,239

(4) Consolidated Statements of Cash Flows

(Million yen)

	For fiscal year ended September 30, 2019	For fiscal year ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	4,792	5,167
Depreciation	1,655	1,786
Impairment loss	126	376
Amortization of goodwill	854	877
Loss (gain) on sales and retirement of property, plant and equipment and intangible assets	(125)	35
Loss (gain) on sales and valuation of investment securities	(108)	(409)
Loss (gain) on investments in silent partnerships	—	(171)
Loss (gain) on sale of businesses	—	(88)
Increase (decrease) in provisions	(31)	247
Decrease (increase) in retirement benefit asset	—	(635)
Increase (decrease) in retirement benefit liability	(498)	(908)
Interest and dividend income	(225)	(264)
Interest expenses on borrowings and bonds	136	153
Bond issuance costs	—	37
Share of loss (profit) of entities accounted for using equity method	(72)	64
Decrease (increase) in trade receivables	71	596
Decrease (increase) in inventories	635	73
Increase (decrease) in trade payables	(355)	675
Increase (decrease) in accrued consumption taxes	410	411
Decrease (increase) in other assets	(396)	(191)
Increase (decrease) in other liabilities	520	376
Other, net	45	(181)
Subtotal	7,436	8,030
Interest and dividends received	291	300
Interest paid	(135)	(155)
Income taxes paid	(2,238)	(2,203)
Net cash provided by (used in) operating activities	5,353	5,971
Cash flows from investing activities		
Payments into time deposits	(838)	(280)
Proceeds from withdrawal of time deposits	901	784
Purchase of property, plant and equipment and intangible assets	(3,389)	(3,504)
Proceeds from sales of property, plant and equipment and intangible assets	2,817	24
Purchase of investment securities	(1,581)	(568)
Proceeds from sales of investment securities	694	2,120
Payments of guarantee deposits	(132)	(367)
Payment of the outstanding balance from the previous term for purchasing investments in subsidiaries and affiliates resulting in change in scope of consolidation	(1,432)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	145
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(27)
Other, net	134	85
Net cash provided by (used in) investing activities	(2,825)	(1,588)

(Million yen)

	For fiscal year ended September 30, 2019	For fiscal year ended September 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(11,844)	2,300
Proceeds from long-term borrowings	15,730	574
Repayments of long-term borrowings	(2,538)	(2,842)
Proceeds from issuance of bonds	―	5,962
Proceeds from sales of treasury shares	103	180
Purchase of treasury shares	(898)	(3)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(75)	(5,311)
Dividends paid	(657)	(751)
Other, net	(170)	(129)
Net cash provided by (used in) financing activities	(352)	(22)
Effect of exchange rate change on cash and cash equivalents	(4)	3
Net increase (decrease) in cash and cash equivalents	2,171	4,364
Cash and cash equivalents at beginning of period	17,494	19,838
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	172	562
Cash and cash equivalents at end of period	19,838	24,765

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Changes in the Method of Presentation)

(Consolidated statements of income)

In the preceding consolidated fiscal year, "surrender value of insurance policies" was reported as a separate item under "non-operating income." However, from the consolidated fiscal year under review, it is included in and reported as part of "other" because the said item now accounts for 10/100 or less of the total non-operating income. The preceding fiscal year's consolidated financial statements have been reclassified to reflect this change.

As a result, ¥94 million for "surrender value of insurance policies" and ¥199 million under "other" reported under "non-operating income" in the preceding fiscal year's consolidated statements of income have been reclassified, with the amount of ¥293 million reported under "other."

Also, in the preceding consolidated fiscal year, "commission expenses" was reported as a separate item under "non-operating expenses." However, from the consolidated fiscal year under review, it is included in and reported as part of "other" because the said item now accounts for 10/100 or less of the total non-operating expenses. The preceding fiscal year's consolidated financial statements have been reclassified to reflect this change.

As a result, ¥120 million for "commission expenses" and ¥83 million for "other" reported under non-"operating expenses" in the preceding fiscal year's consolidated statements of income have been reclassified, with the amount of ¥204 million reported under "other."

(Consolidated statements of cash flows)

In the preceding consolidated fiscal year, "proceeds from maturity of insurance funds" was reported as a separate item under "cash flows from investing activities." However, from the consolidated fiscal year under review, it is included in and reported as part "other, net" due to a decrease in its importance. The preceding fiscal year's consolidated financial statements have been reclassified to reflect this change.

As a result, ¥307 million for "proceeds from maturity of insurance funds" and negative ¥173 million for "other, net" reported under "cash flows from investing activities" in the preceding fiscal year's consolidated statements of cash flows have been reclassified, with the amount of ¥134 million reported under "other, net."

(Additional Information)

(Impact of the spread of the new coronavirus on accounting estimates)

We have prepared accounting estimates, including those for impairment losses of non-current assets and recoverability of deferred tax assets, on the assumption that the impact of the spread of the new coronavirus will gradually decrease and that, in the fiscal year ending September 30, 2021, our business will return almost to the level before the pandemic. It is deemed at this time that there has not been, and there will not be, any significant impact on our accounting estimates.

However, given the many uncertain factors regarding the impact of the spread of the new coronavirus, actual results may differ from these estimates due to possible changes in the business environment.

(Transactions to issue the Company's shares to employees, etc. through a trust)

The Company has a trust-type employee shareholding incentive plan in place (hereinafter, the "Plan") with the aim of incentivizing the Group's employees to contribute to increasing the Company's medium- to long-term corporate value.

(1) Overview of the transaction

The Plan is an incentive plan for all employees who are members of the Gakken Employees' Shareholding Association (hereinafter, the "Shareholding Association"). Under the Plan, the Company will establish a dedicated trust account for the Shareholding Association (hereinafter, the "Trust") with a trust bank. The Trust acquires in advance the Company's shares equivalent in number to the Company's shares that the Shareholding Association is expected to acquire in five years following the establishment of the trust account. Subsequently, the Trust sells on a continuous basis the Company's shares to the Shareholding Association. If an amount equivalent to a gain on sale of shares accumulate within the Trust by the time of its termination, the said amount equivalent to the gain on sale of shares will be distributed as residual assets to individuals who meet the requirements for eligible beneficiaries. The Company guarantees borrowings by the Trust for the purchase of the Company's shares. Therefore, if an amount equivalent to a loss on sale of shares is incurred and accumulated within the Trust due to a decline in the Company's stock price and if, at the time of the Trust's termination, there remains an outstanding balance of the borrowings equivalent to the loss on sale of shares, the Company will repay the remaining borrowings.

The Plan aims to incentivize employees to contribute to increasing the Company's medium- to long-term corporate value and, at the same time, support employees' asset formation by encouraging the acquisition and retention of the Company's shares through the expansion of the Shareholders Association, as a measure for enhancing employee welfare.

(2) The Company's shares held in the trust account

The Company records shares remaining in the Trust as treasury shares under net assets, at the book value in the Trust (excluding the amount of incidental expenses). The book value and the number of the treasury shares held were: ¥796 million and 624,400 shares in the preceding fiscal year, and ¥657 million and 515,000 shares in the fiscal year under review.

(Note) Effective April 1, 2020, the Company implemented a 4-for-1 stock split of its common shares. Reflecting this change, the number of shares is calculated by hypothetically assuming that the stock split was executed at the beginning of the fiscal year ended September 30, 2019.

(3) Book value of the borrowings recorded with adoption of the gross price method

Consolidated fiscal year ended September 30, 2019: ¥799 million

Consolidated fiscal year ended September 30, 2020: ¥613 million

(Business Combinations)

Common control transactions

Acquisition of additional shares of subsidiaries

1. Medical Care Service Co., Ltd. (November 2019)

(1) Overview of the transaction

1) Name of the acquiree and its business description

Name of the acquiree: Medical Care Service Co., Ltd. (The Company's consolidated subsidiary)

Business description: Planning, development, operation, and management of elderly care facilities

2) Date of business combination

November 25, 2019

3) Legal form of business combination

Purchase of shares from a non-controlling shareholder

4) Name of the entity after the business combination

There are no changes.

5) Other items concerning the overview of the transaction

The voting rights ratio for the additional shares acquired is 13.9%. After the acquisition of these shares, the Company's voting rights ratio is 75.7%.

(2) Overview of the accounting treatment applied

The transaction has been processed as a transaction with a non-controlling shareholder, which is a common control transaction, based on the "Accounting Standard for Business Combinations" and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(3) Acquisition of additional shares of subsidiaries

The acquisition cost of the acquiree and breakdown by type of consideration

Consideration for the acquisition	Cash	¥2,232 million
Acquisition cost		¥2,232 million

2. Medical Care Service Co., Ltd. (August 2020)

(1) Overview of the transaction

1) Name of the acquiree and its business description

Name of the acquiree: Medical Care Service Co., Ltd. (The Company's consolidated subsidiary)

Business description: Planning, development, operation, and management of elderly care facilities

2) Date of business combination

August 25, 2020

3) Legal form of business combination

Purchase of shares from a non-controlling shareholder

4) Name of the entity after the business combination

There are no changes.

5) Other items concerning the overview of the transaction

The voting rights ratio for the additional shares acquired is 20.8%. After the acquisition of these shares, the Company's voting rights ratio is 96.5%.

(2) Overview of the accounting treatment applied

The transaction has been processed as a transaction with a non-controlling shareholder, which is a common control transaction, based on the "Accounting Standard for Business Combinations" and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(3) Acquisition of additional shares of subsidiaries

The acquisition cost of the acquiree and breakdown by type of consideration

Consideration for the acquisition	Cash	¥3,078 million
Acquisition cost		¥3,078 million

(Segment Information, etc.)

(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 four reportable segments: Education Service Business, Education Contents Business, Educational Solution Business, and Healthcare and Nursing Business. These businesses are positioned as the Group's core businesses.

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

The Education Service Business operates Gakken Classroom mainly for elementary school students, cram schools for a range of children from preschoolers to senior high school students, a home-tutor dispatching service; produces and sells learning materials; and produces and operates tests for cram schools.

The Education Contents Business produces publications and distributes them mainly through agencies and bookstores; plans, develops, and sells stationeries and miscellaneous goods; produces and sells digital contents; and publishes specialized books for nurses and medical doctors.

The Educational Solution Business produces and sells publications mainly for kindergartens and nursery schools and childcare products and equipment; produces and sells textbooks for elementary and junior high schools; produces and sells publications and learning materials for senior high schools and universities; provides employment support services; and provides corporate training programs.

The Healthcare and Nursing Business develops and operates elderly care facilities such as serviced apartments for the elderly and group homes for the elderly with dementia, and child raising support facilities.

(3) Changes in reportable segments

From the fiscal year under review, Gakken Medical Shujunsha Co., Ltd., Gakken Medical Support Co., Ltd., and PT.GAKKEN HEALTH AND EDUCATION INDONESIA are reported under the Education Contents Business instead of the Healthcare and Nursing Business; and BUNRI Co., Ltd. is reported under the Education Service Business instead of the Education Contents Business. These changes have been made with the aim of sharing the capabilities to produce and market e-learning materials acquired through medical and nursing publishing across the Education Contents Business to develop the business, and in line with the change in the management structure of the Group for the purpose of augmenting the development and sale of learning materials for learning centers, and reinforcing the assessment business. There are no changes to the reportable segments themselves.

The segment information for the preceding fiscal year was prepared based on the classification after the said changes.

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.

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, 2019

(Million yen)

	Reportable segment					Other (Note) 1	Total	Adjustment (Notes) 2 and 3	Amount recorded in consolidated financial statements (Note) 4
	Education Service Business	Education Contents Business	Educational Solution Business	Healthcare and Nursing Business	Total				
Net sales									
Net sales to external customers	34,232	28,314	19,080	55,430	137,058	3,500	140,559	—	140,559
Inter-segment net sales or transfers	106	741	94	13	955	3,500	4,455	(4,455)	—
Total	34,338	29,056	19,175	55,443	138,014	7,000	145,014	(4,455)	140,559
Segment profit	970	542	361	2,499	4,372	130	4,503	19	4,523
Segment assets	22,429	21,592	7,314	32,328	83,664	1,237	84,901	14,447	99,349
Other items									
Depreciation	528	397	84	602	1,612	42	1,655	—	1,655
Amortization of goodwill	357	—	32	465	854	—	854	—	854
Impairment loss	90	6	25	3	126	—	126	—	126
Investment in entities accounted for using equity method	1,486	—	—	—	1,486	—	1,486	—	1,486
Increase in property, plant and equipment and intangible assets	1,432	844	138	1,172	3,588	48	3,636	—	3,636

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of ¥19 million for “segment profit” includes ¥17 million in adjustments for inventories.
3. The “adjustment” under “segment assets” includes corporate assets (¥14,447 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, 2020

(Million yen)

	Reportable segment					Other (Note) 1	Total	Adjustment (Notes) 2 and 3	Amount recorded in consolidated financial statements (Note) 4
	Education Service Business	Education Contents Business	Educational Solution Business	Healthcare and Nursing Business	Total				
Net sales									
Net sales to external customers	32,969	26,643	19,098	60,786	139,497	4,067	143,564	—	143,564
Inter-segment net sales or transfers	71	742	116	19	949	3,512	4,462	(4,462)	—
Total	33,040	27,385	19,214	60,805	140,446	7,579	148,026	(4,462)	143,564
Segment profit	424	1,440	425	2,562	4,853	225	5,079	(4)	5,075
Segment assets	21,763	20,373	9,110	34,427	85,675	1,522	87,197	16,544	103,741
Other items									
Depreciation	600	500	92	552	1,746	40	1,786	—	1,786
Amortization of goodwill	345	—	66	466	877	—	877	—	877
Impairment loss	239	19	2	114	376	—	376	—	376
Investment in entities accounted for using equity method	1,394	—	—	—	1,394	—	1,394	—	1,394
Increase in property, plant and equipment and intangible assets	880	560	160	1,746	3,348	78	3,426	—	3,426

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥4 million for “segment profit” includes negative ¥5 million in adjustments for inventories.
3. The “adjustment” under “segment assets” includes corporate assets (¥16,544 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.

(Information concerning impairment losses on non-current assets by reportable segment)

For the fiscal year ended September 30, 2019

Description is omitted because the same information is disclosed in segment information.

For the fiscal year ended September 30, 2020

Description is omitted because the same information is disclosed in segment information.

(Information concerning amortization and unamortized balance of goodwill by reportable segment)

For the fiscal year ended September 30, 2019

(Million yen)

	Reportable segment					Other	Total	Adjustment	Amount recorded in consolidated financial statements
	Education Service Business	Education Contents Business	Educational Solution Business	Healthcare and Nursing Business	Total				
Balance at the end of period	1,180	—	109	6,873	8,163	—	8,163	—	8,163

(Note) The amount of amortization of goodwill is omitted because the same information is disclosed in segment information.

For the fiscal year ended September 30, 2020

(Million yen)

	Reportable segment					Other	Total	Adjustment	Amount recorded in consolidated financial statements
	Education Service Business	Education Contents Business	Educational Solution Business	Healthcare and Nursing Business	Total				
Balance at the end of period	989	—	214	6,416	7,620	—	7,620	—	7,620

(Note) The amount of amortization of goodwill is omitted because the same information is disclosed in segment information.

(Per Share Information)

For the fiscal year ended September 30, 2019		For the fiscal year ended September 30, 2020	
Net assets per share	1,040.65 Yen	Net assets per share	967.70 Yen
Profit per share	52.18 Yen	Profit per share	62.70 Yen
Diluted profit per share	51.63 Yen	Diluted profit per share	61.99 Yen

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

Item	As of September 30, 2019	As of September 30, 2020
Total net assets (Million yen)	39,978	36,239
Deductions from total net assets (Million yen)	1,524	343
(of which share acquisition rights) (Million yen)	(224)	(275)
(of which non-controlling interests) (Million yen)	(1,299)	(68)
Net assets applicable to common stock at end of period (Million yen)	38,453	35,895
Number of shares of common stock at end of period used for the calculation of net assets per share (Thousand shares)	36,951	37,093

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, 2019	For the fiscal year ended September 30, 2020
Profit per share		
Profit attributable to owners of parent (Million yen)	1,940	2,321
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common stock (Million yen)	1,940	2,321
Average number of shares of common stock during the period (Thousand shares)	37,184	37,028
Diluted profit per share		
Adjustment for profit attributable to owners of parent (Million yen)	—	—
Increase in number of shares of common stock (Thousand shares)	394	425
(of which share acquisition rights) (Thousand shares)	(394)	(425)
Overview of residual shares not included in calculation of diluted profit per share due to lack of dilutive effect	—	—

3. Effective April 1, 2020, the Company implemented a 4-for-1 stock split of its common shares. Reflecting this change, the net assets per share, the profit per share, and the diluted profit per share are calculated by hypothetically assuming that the stock split was executed at the beginning of the fiscal year ended September 30, 2019.
4. In calculating profit 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 in calculating the average number of shares during the period. In calculating net assets per share, they 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, the average numbers of treasury shares during the period deducted for the preceding fiscal year and the fiscal year under review were 392 thousand shares and 570 thousand shares, respectively. 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 624 thousand shares and 515 thousand shares, respectively.

(Significant Subsequent Events)

There is no relevant information.

4. Other

Changes in Officers

Scheduled for December 25, 2020

For details, please refer to the notice separately disclosed today (November 13, 2020), "Notice of Changes in Officers."

1. Candidates of Executive Directors to be newly elected
   Executive Director: Yoshinobu Adachi (Presently, the Company's Senior Officer)
   Executive Director: Hiroyuki Kageyama (Presently, the Company's Senior Officer)
   Executive Director: Toru Goromaru (Presently, the Company's Senior Officer)
   Executive Director: Kenji Momota (Presently, the Company's Officer)
   Executive Director: Norio Yamamoto (Presently, the Company's Officer)
   Executive Director: Miwako Iyoku
   (Note) Miwako Iyoku will be an Outside Director defined in Article 2, Item 15 of the Companies Act.

2. Executive Directors scheduled to retire
   Executive Managing Director: Michinori Kimura
   Executive Managing Director: Satoru Nakamori
   Executive Director: Hideki Furuoka