Consolidated Financial Results
for the Nine Months Ended June 30, 2021
[Japanese GAAP]

August 6, 2021

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: Ryuji Sawada, General Manager of Financial Strategy Office
Phone: +81-3-6431-1050
Scheduled date of filing quarterly securities report: August 6, 2021
Scheduled date of commencing dividend payments: —
Availability of supplementary briefing material on quarterly financial results: None
Schedule of quarterly financial results briefing session: None

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

1. Consolidated Financial Results for the Nine Months Ended June 30, 2021 (October 1, 2020 to June 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2021	113,505	4.0	6,233	23.8	6,139	19.8	2,043	(25.3)
June 30, 2020	109,112	3.1	5,036	35.5	5,126	38.4	2,736	88.4

(Note) Comprehensive income: Nine months ended June 30, 2021: ¥2,692 million [(1.7)%]
Nine months ended June 30, 2020: ¥2,738 million [203.9%]

	Profit per share	Diluted profit per share
Nine months ended	Yen	Yen
June 30, 2021	51.53	50.98
June 30, 2020	73.94	73.10

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, 2020.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	123,251	45,903	36.9
As of September 30, 2020	103,741	36,239	34.6

(Reference) Equity: As of June 30, 2021: ¥45,490 million
As of September 30, 2020: ¥35,895 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, 2020	―	40.00	―	10.00	―
Fiscal year ending September 30, 2021	―	11.00	―		
Fiscal year ending September 30, 2021 (Forecast)				11.00	22.00

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

Effective April 1, 2020, the Company implemented a 4-for-1 stock split of its common shares.
Reflecting this change, the amount of the 2nd quarter-end dividend per share for the fiscal year ended September 30, 2020, represents the amount before the stock split and the total annual dividend is indicated with "–."

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	147,000	2.4	6,000	18.2	5,700	8.1	2,300	(0.9)	56.73

(Note) Revision of financial results forecast since the last announcement: Yes

*** 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: No
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):
June 30, 2021: 44,633,232 shares
September 30, 2020: 42,383,232 shares

2) Total number of treasury shares at the end of the period:
June 30, 2021: 1,145,886 shares
September 30, 2020: 5,289,352 shares

3) The average number of shares during the period:
Nine months ended June 30, 2021: 39,657,926 shares
Nine months ended June 30, 2020: 37,010,481 shares

Effective April 1, 2020, the Company implemented a 4-for-1 stock split of its common shares.
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, 2020.
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): 408,700 shares at the end of the nine months ended June 30, 2021; and 515,000 shares at the end of the fiscal year ended September 30, 2020. 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): 469,530 shares at the end of the nine months ended June 30, 2021; and 585,170 shares at the end of the nine months ended June 30, 2020.

* 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 9 of the Attachments.

Table of Contents - Attachments

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

(1) Explanation of Business Results

In the educational domain where Gakken Group (the "Group") conducts its business, following educational reform, the government has required English language courses in the curriculum of the fifth and sixth grade of elementary school, as well as programming courses. In addition, the Common Test for University Admissions was held, replacing the previous National Center Test for University Admissions. Partly due to the state of emergency declared following the spread of the new coronavirus infection, education's digitalization is further accelerating.

While demand for in-person learning remains high in the learning center market, countermeasures to prevent infection have become a turning point to spread online lessons not only in private tutoring but also in group lectures and learning support at home. Apps for sharing the students' learning data with their parents as well as platforms for the instructors' operational management have been increasingly introduced as well.

Although the publishing industry has faced severe conditions for magazines, the market as a whole appears to have bottomed out, owing mainly to stay-at-home demand for paper publications, massive hits in comic books, and substantial growth in e-book publishing due to more time spent at home. In addition, new initiatives across industries, such as the establishment of a publishing and distributing company by major publishers and a general trading company, have been started.

In the school education industry, junior high school textbooks following the new revised Courses of Study have been used starting in the academic year 2021. In addition, while the GIGA (Global and Innovation Gateway for All) School Program that aims to develop the educational ICT environment has been expedited, with a learning device being distributed to every student, information security measures and the lack of ICT education skills of teachers are issues to be addressed.

In the adult education industry, the e-learning market is growing as companies promote remote work and demand for online language training and other types of remote education has grown from increased time for self-learning and in corporate training.

In the elderly care business within the healthcare and nursing domain, needs for elderly care are increasing in association with the "2025 issue" (Japan's baby boomer generation will reach the late elderly age in 2025) and the growing population of the elderly with dementia. In this context, the Ministry of Health, Labour and Welfare is promoting the building of systems that provide comprehensive support and services to communities (Community-based Integrated Care System) that enable people to continue to live their lives in the communities that are familiar to them until the end of life. Meanwhile, as securing workers who support elderly care services at the frontline and moves to revise long-term care compensations present challenges that should be watched out, it has become important to reduce the workers' operational burdens through IT utilization as well as to prevent and early detect dementia and lifestyle-related and other diseases.

In the child-care industry, demand for child-care services is increasing due to the increase in households in which both parents work. Although national measures to support child care, such as the New Child-rearing Security Plan and the provision of free preschool education and child care, have increased the number of students admitted to nursery schools and is paving the way for addressing the issue of children on the waiting list for nursery schools, the shortage of after-school children's clubs still continues, and many companies from a wide variety of industries are entering the business.

Elderly care and child-care facilities are required more to ensure the safety of residents, children, parents and employees, as well as thorough measures to prevent the spread of the new coronavirus, including providing hygiene products.

Under these circumstances, the Group created the slogan "Establishing an unshakable foundation for growth," and set out the following management policies based on "Gakken 2023," a three-year plan formulated in November 2020: in the educational domain, create new ways of learning and diverse learning opportunities; in the healthcare and nursing domain, contribute to the creation of sustainable communities as we aim to be a leading company; and for the Group as a whole, accelerate the digital transformation (DX) and expand global business.

From the first quarter of the fiscal year ending September 30, 2021, the Group changed its reportable segments and transferred products and services among its businesses. These changes are intended to optimize the allocation of management resources from the perspective of the Group as a whole, as well as to create new customer value and maximize customer contacts at places of learning (the home, classrooms, learning centers, kindergartens, and schools). Major changes are as follows:

I. Changes in reportable segments

Former) Education Service	⇒	New) Educational Domain
Former) Education Contents	⇒	New) Educational Domain
Former) Educational Solution	⇒	New) Educational Domain
Former) Healthcare and Nursing	⇒	New) Healthcare and Nursing Domain

II. Businesses of segments

Educational Domain	⇒	Classroom and learning center business, published content business, and kindergarten and school business
Healthcare and Nursing Domain	⇒	Elderly housing business, group homes for the elderly with dementia business, and child raising support business

III. Major transfers of products and services

Learning materials publishing:

Former) Education Service ⇒ New) Educational Domain, published content business

Toddler classes:

Former) Educational Solution ⇒ New) Educational Domain, classroom and learning center business

Consulting services for official development assistance (ODA) projects:

Former) Educational Solution ⇒ New) Other

* Medical Care Service Co., Ltd. (MCS), which had been included in the elderly care business of Healthcare and Nursing until the previous fiscal year, is reported separately as the group homes for the elderly with dementia business of Healthcare and Nursing Domain from the current fiscal year.

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 cram schools for a range of children from elementary school students to senior high school students
	Published content business	Publishing and sale of publications including children's books and study-aid books through agencies 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, after-school children's clubs, etc.

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

(Educational domain)

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

(Healthcare and nursing domain)

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

- Improve quality and productivity through such means as the collaboration of IoE, AI, and robots

(Group strategy)
- Deploy global business with Asia as a starting point
- Create a new dementia care business

As for the plans for the fiscal year ending September 30, 2023, the final fiscal year of the plan, the Company aims to achieve net sales of ¥165.0 billion, operating profit of ¥7.5 billion, profit of ¥3.8 billion, operating profit margin of 4.5%, ROE of 8.0%, and payout ratio of 30%.

(Million yen)

	Fiscal year ended September 30, 2020	Fiscal year ending September 30, 2021	Fiscal year ending September 30, 2023
	Results	Plan	Plan
Net sales	143,564	146,000	165,000
Operating profit	5,075	5,600	7,500
Operating profit margin	3.5%	3.8%	4.5%
Profit	2,321	2,800	3,800
Net profit margin	1.6%	1.9%	2.3%
ROE	6.2%	6.5%	8.0%
Payout ratio	31.9%	29.1%	30.0%

* Profit: Profit attributable to owners of parent
* Figures for the plan for the fiscal year ending September 30, 2021 are those announced on November 13, 2020.
For the revised figures, please refer to "(3) Consolidated Financial Results Forecast and Other Forward-looking Statements" on page 9.

In regard to the Company's consolidated financial results for the nine months ended June 30, 2021, net sales amounted to ¥113,505 million (up 4.0% year on year), operating profit was ¥6,233 million (up ¥1,196 million year on year), ordinary profit was ¥6,139 million (up ¥1,012 million year on year), and profit attributable to owners of parent was ¥2,043 million (down ¥692 million year on year).

Business performance by segment is summarized below.

Reportable segments have been changed since the first quarter of the fiscal year ending September 30, 2021. Therefore, 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 "2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to the Quarterly Consolidated Financial Statements (Segment Information, etc.), II For the nine months ended June 30, 2021, 2. Changes in reportable segments."

(Million yen)

	Nine months ended June 30, 2020		Nine months ended June 30, 2021		Change	
Reportable segments	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational Domain	60,219	2,532	60,473	3,990	253	1,458
Healthcare and Nursing Domain	45,094	2,120	48,712	2,559	3,617	439
Other	3,797	382	4,320	(324)	522	(706)
Adjustment	—	1	—	7	—	5
Group total	109,112	5,036	113,505	6,233	4,393	1,196

[Educational Domain]

Net sales: ¥60,473 million (up 0.4% year on year); operating profit: ¥3,990 million (up ¥1,458 million year on year)

(Million yen)

	Nine months ended June 30, 2020		Nine months ended June 30, 2021		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Classroom and learning center business	20,825	(397)	22,953	408	2,127	805
Published content business	25,768	2,494	24,493	2,801	(1,274)	306
Kindergarten and school business *1	13,625	718	13,025	1,030	(599)	311
Goodwill *2	―	(283)	―	(249)	―	33
Segment total	60,219	2,532	60,473	3,990	253	1,458

*1: From the current fiscal year, the official development assistance (ODA) and other overseas businesses are transferred from the former Educational Solution segment to the Other segment.
The results for the nine months ended June 30, 2020 have been restated to reflect this change.

*2: Goodwill was included in each business until the previous fiscal year. From the current fiscal year, it is reported separately.

(Classroom and learning center business)

Gakken Classroom has shown a remarkable recovery trend in the number of members since the new semester and, by the end of June 2021, the number of members exceeded that in the previous fiscal year for all the categories of classrooms: for preschoolers, elementary school students, and junior high school students. Classrooms for school-age children that even attained the number of members before the coronavirus pandemic (in the fiscal year ended September 30, 2019) have increased. In addition, mainly due to an increase in the ratio of members of elementary school students concurrently taking English classes and the spread of study watching apps, sales per customer increased. Furthermore, both revenue and profit increased significantly due to an improvement in the profitability of the acquired Shogakukan Academy business and the toddler classes for kindergartens, nursery schools and children’s daycare centers transferred from the kindergarten and school business.

Learning centers have been on a real recovery trend since the new semester and, by the end of June 2021, the number of students exceeded that in the previous fiscal year. Some learning centers even attained the number of students before the coronavirus pandemic (in the fiscal year ended September 30, 2019). With focusing on the development and enhancement of online learning systems, the number of students taking online classes has increased, leading to an improvement in profitability. In addition, partly due to the liquidation of two companies with poor performance conducted during the second quarter, profit increased despite a decrease in revenue.

(Published content business)

For publishing, sales of newly published books increased due to the revision of study-aid books for junior high school students, and children’s books remained strong, as well as previously published how-to guides thanks to hit products. However, owing to the company split of the media business (magazines) executed in July 2020 while advancing the structural reform of businesses and a decline in study-aid books compared with the stay-at-home demand in the previous fiscal year as well as an increase in cost of sales, both revenue and profit decreased.

For medical and nursing, despite a decline in sales of books on nursing, the number of hospitals that made a contract for e-learning targeting nurses continued to grow, resulting in growth in both revenue and profit.

For businesses other than publishing, while the English business has been growing, revenue decreased but profit increased due to reorganizing unprofitable stationery card and letter products and the transfer of educational ICT services to the kindergarten and school business as well as a decrease in web advertising resulting from the split of the media business.

(Kindergarten and school business)

In toddler education, revenue declined due to the transfer of toddler classes for kindergartens, nursery schools, and children's daycare centers to the classroom and learning center business. However, profit increased due to strong sales of kindergarten building designing works, large playground equipment, and clothing for teachers and increased orders received for hygiene products to prevent the new coronavirus.

Both revenue and profit decreased for school education due to a decrease in the number of instruction guides for teachers on junior high school textbooks accepted, compared with elementary schools in the previous fiscal year, including, as a new response to the GIGA School, sales of digital textbooks and ICT learning materials transferred from the published content business.

In social education, sales remained at the same level as the previous corresponding period but profit increased from suppression of cost of sales with promotion of the digitalization of job-seeker seminars and corporate training.

[Healthcare and Nursing Domain]

Net sales: ¥48,712 million (up 8.0% year on year); operating profit: ¥2,559 million (up ¥439 million year on year)

(Million yen)

	Nine months ended June 30, 2020		Nine months ended June 30, 2021		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Elderly housing business	17,691	892	20,083	860	2,392	(31)
Group homes for the elderly with dementia business	23,827	1,493	24,759	2,057	932	564
Child raising support business	3,576	81	3,868	(11)	291	(93)
Goodwill *3	—	(347)	—	(347)	—	—
Segment total	45,094	2,120	48,712	2,559	3,617	439

*3: Goodwill was included in each business until the previous fiscal year. From the current fiscal year, it is reported separately.

The healthcare and nursing domain as a whole reported an increased burden for management and administration fees to the holding company.

(Elderly housing business)

In serviced apartments for the elderly, three new sites were opened and two sites acquired by M&A during the third quarter, bringing the total number of sites to 161, including franchise locations. The newly opened sites experienced a hard start in getting residents due to voluntary restraints on relocation and a decrease in facility tours especially for the self-supporting elderly during the coronavirus pandemic. However, an expansion of the number of sites led to an increase in revenue and profit at almost the same level as the previous corresponding period.

(Group homes for the elderly with dementia business)

In group homes, four new facilities were opened and one facility acquired by M&A during the third quarter, bringing the total number of facilities to 279. Both revenue and profit increased mainly owing to continued high occupancy rates and the growth in new facilities opened during the current fiscal year as well as the subsidy for countermeasures against the new coronavirus infection, despite an increase in costs due to labor shortages and infection countermeasures.

(Child-care business)

One new authorized nursery school was opened, authorizations were obtained for two unauthorized nursery schools, two unauthorized nursery schools were closed, and contracts for operation were acquired for two after-school children's clubs. This resulted in 39 authorized nursery schools, two unauthorized nursery schools and two certified children's daycare centers, bringing the total number of nursery schools and children's daycare centers to 43, as well as 27 after-school children's clubs and two facilities to support child development.

Despite continued efforts to improve profitability by changing the form of business at unprofitable nursery schools, revenue increased but profit decreased due to a decline in the number of children entered in April caused by refraining from use of facilities during the coronavirus pandemic as well as an increase in labor and other costs.

[Other]

Net sales: ¥4,320 million (up 13.8% year on year); operating profit: ¥(324) million (down ¥706 million year on year)

Profit decreased due to investments in systems and human resources associated with the Group-wide promotion of DX.

Previously, the final operating profit or loss of quarterly results related to Gakken Holdings Co., Ltd., the holding company, and Gakken Products Support Co., Ltd., a shared company, were added to or subtracted from results of each segment. From the current fiscal year, profit or loss information based on operating profit before adjustment is used as a performance indicator of each segment. Consequently, the operating profit of the two companies above is included under Other.

(2) Explanation of Financial Position

(Financial position)

(Million yen)

Item	Fiscal year ended September 30, 2020	Third quarter of the fiscal year ending September 30, 2021	Change
Current assets	60,030	64,316	4,286
Cash and deposits	25,596	26,556	959
Non-current assets	43,711	58,935	15,223
Total assets	103,741	123,251	19,509
Current liabilities	36,476	47,604	11,127
Non-current liabilities	31,025	29,744	(1,281)
Total liabilities	67,502	77,348	9,846
Interest-bearing debt *1	37,808	43,194	5,386
Total net assets	36,239	45,903	9,663
Total liabilities and net assets	103,741	123,251	19,509
Equity ratio (%) *2	34.6	36.9	2.3
D/E ratio (times) *3	1.05	0.95	(0.10)

*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 third quarter of the fiscal year ending September 30, 2021 amounted to ¥123,251 million, increasing by ¥19,509 million from the end of the preceding fiscal year. Main changes were an increase of ¥959 million in cash and deposits, an increase of ¥1,408 million in notes and accounts receivable - trade, an increase of ¥1,440 million in merchandise and finished goods, an increase of ¥3,017 million in property, plant and equipment, and an increase of ¥10,774 million in investment securities.

The total liabilities amounted to ¥77,348 million, increasing by ¥9,846 million from the end of the preceding fiscal year. Main changes were an increase of ¥1,647 million in notes and accounts payable - trade, an increase of ¥6,950 million in short-term borrowings, and a decrease of ¥1,320 million in long-term borrowings.

The total net assets amounted to ¥45,903 million, increasing by ¥9,663 million from the end of the preceding fiscal year. Main changes were an increase of ¥1,460 million in share capital, an increase of ¥3,944 million in capital surplus, an increase of ¥1,035 million in retained earnings, a decrease of ¥2,546 million in treasury shares, and an increase of ¥662 million in valuation difference on available-for-sale securities.

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

In regard to the outlook for the fiscal year ending September 30, 2021, the Company forecasts net sales of ¥147,000 million, operating profit of ¥6,000 million, ordinary profit of ¥5,700 million, and profit attributable to owners of parent of ¥2,300 million, due to the following factors.

- Profit attributable to owners of parent has been decreased by ¥600 million compared with the forecast figures announced on May 14, 2021.
  (Tax burden has increased due to the valuation of assets and liabilities of Medical Care Service Co., Ltd. at market value since the company was included into the consolidated taxation system as a result of becoming a wholly-owned subsidiary of the Company.)

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.

(Reference: Consolidated financial results forecasts)

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts (November 13, 2020)	146,000	5,600	5,700	2,800
Revised forecasts (A) (May 14, 2021)	147,000	6,000	5,700	2,900
Revised forecasts (B) (August 6, 2021)	147,000	6,000	5,700	2,300
Change (B－A)	－	－	－	(600)
Change (%)	－	－	－	(20.7)
(Reference) Consolidated financial results (for the fiscal year ended September 30, 2020)	143,564	5,075	5,273	2,321

* The breakdown of changes of the forecasts revised on May 14, 2021 from the initial forecasts by segment:

Educational Domain: Net sales ¥800 million; Operating profit ¥400 million

Healthcare and Nursing Domain: Net sales ¥200 million

(Reference: Reasons for the revision on May 14, 2021)

- Strong sales in publishing for the published content business of the educational domain, associated decreases in returns and write-offs, and growth of the number of contracts for e-learning targeting nurses
- Growth of the group homes for the elderly with dementia business of the healthcare and nursing domain and sale of real estate
- Share of loss of entities accounted for using equity method

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of September 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	25,596	26,556
Notes and accounts receivable - trade	19,889	21,297
Merchandise and finished goods	8,477	9,917
Real estate for sale	54	—
Work in process	3,109	3,135
Raw materials and supplies	143	141
Other	2,785	3,290
Allowance for doubtful accounts	(25)	(23)
Total current assets	60,030	64,316
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,862	10,760
Machinery, equipment and vehicles, net	58	47
Land	4,013	4,439
Construction in progress	342	1,034
Other, net	850	861
Total property, plant and equipment	14,126	17,143
Intangible assets		
Goodwill	7,620	7,022
Other	2,855	3,442
Total intangible assets	10,476	10,465
Investments and other assets		
Investment securities	8,689	19,463
Other	10,605	12,032
Allowance for doubtful accounts	(186)	(170)
Total investments and other assets	19,108	31,326
Total non-current assets	43,711	58,935
Total assets	103,741	123,251

(Million yen)

	As of September 30, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,275	8,922
Short-term borrowings	11,497	18,447
Current portion of long-term borrowings	3,500	3,276
Income taxes payable	984	2,720
Provision for bonuses	1,901	1,268
Provision for sales returns	822	820
Provision for point card certificates	3	2
Provision for loss on business liquidation	—	138
Other	10,491	12,007
Total current liabilities	36,476	47,604
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	16,437	15,116
Retirement benefit liability	3,222	3,302
Provision for retirement benefits for directors (and other officers)	60	—
Other	5,305	5,324
Total non-current liabilities	31,025	29,744
Total liabilities	67,502	77,348
Net assets		
Shareholders' equity		
Share capital	18,357	19,817
Capital surplus	8,303	12,247
Retained earnings	11,286	12,321
Treasury shares	(3,509)	(962)
Total shareholders' equity	34,437	43,424
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	948	1,611
Foreign currency translation adjustment	(19)	15
Remeasurements of defined benefit plans	528	439
Total accumulated other comprehensive income	1,458	2,065
Share acquisition rights	275	275
Non-controlling interests	68	137
Total net assets	36,239	45,903
Total liabilities and net assets	103,741	123,251

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Million yen)

	For the nine months ended June 30, 2020	For the nine months ended June 30, 2021
Net sales	109,112	113,505
Cost of sales	76,847	78,934
Gross profit	32,265	34,570
Provision for sales returns	240	―
Reversal of provision for sales returns	―	2
Gross profit - net	32,024	34,573
Selling, general and administrative expenses	26,987	28,339
Operating profit	5,036	6,233
Non-operating income		
Interest income	11	12
Dividend income	239	185
Other	223	269
Total non-operating income	474	467
Non-operating expenses		
Interest expenses	113	135
Share of loss of entities accounted for using equity method	191	333
Bond issuance costs	37	―
Other	41	92
Total non-operating expenses	384	561
Ordinary profit	5,126	6,139
Extraordinary income		
Gain on sales of non-current assets	1	1
Gain on sales of investment securities	208	27
Gain on bargain purchase	―	323
Gain on sales of golf memberships	20	―
Gain on liquidation of subsidiaries and associates	19	17
Gain on sale of businesses	35	―
Other	7	1
Total extraordinary income	291	371
Extraordinary losses		
Loss on sales and retirement of non-current assets	31	54
Impairment loss	99	199
Loss on valuation of investment securities	14	34
Provision for loss on business liquidation	―	165
Loss due to new coronavirus infection	253	―
Consumption taxes for prior periods	120	―
Other	71	22
Total extraordinary losses	589	476
Profit before income taxes	4,827	6,033
Income taxes	1,847	3,949
Profit	2,979	2,083
Profit attributable to non-controlling interests	243	40
Profit attributable to owners of parent	2,736	2,043

Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the nine months ended June 30, 2020	For the nine months ended June 30, 2021
Profit	2,979	2,083
Other comprehensive income		
Valuation difference on available-for-sale securities	(173)	672
Foreign currency translation adjustment	(4)	35
Remeasurements of defined benefit plans, net of tax	(80)	(98)
Share of other comprehensive income of entities accounted for using equity method	17	(1)
Total other comprehensive income	(241)	608
Comprehensive income	2,738	2,692
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,498	2,651
Comprehensive income attributable to non-controlling interests	240	41

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

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

On March 15, 2021, the Company issued new shares by way of public offering and disposed of its treasury shares. In addition, on March 29, 2021, the Company issued new shares by way of third-party allotment in relation to a secondary offering by way of overallotment.

Mainly due to these events, during the nine months ended June 30, 2021, share capital increased by ¥1,460 million, capital surplus increased by ¥3,944 million, and treasury shares decreased by ¥2,546 million, and as of June 30, 2021, share capital amounted to ¥19,817 million, capital surplus amounted to ¥12,247 million, and treasury shares amounted to ¥962 million.

(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 third quarter of the fiscal year ending September 30, 2021, and multiplying the profit before income taxes by this estimated effective tax rate.

(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: ¥657 million and 515,000 shares in the preceding fiscal year, and ¥521 million and 408,700 shares in the third quarter of the fiscal year ending September 30, 2021.

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

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

Third quarter of the fiscal year ending September 30, 2021: ¥518 million

(Adoption of tax effect accounting in relation to the transition from the consolidated taxation system to the group tax sharing system)

With respect to items subject to the review of the non-consolidated taxation system conducted in line with the transition to the group tax sharing system, which was created under the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020), the Company and some of its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Guidance No. 28 issued on February 16, 2018), in accordance with the treatment set out in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Practical Issues Task Force (PITF) No. 39 issued on March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of tax laws before the revision.

(Segment Information, etc.)

[Segment information]

I For the nine months ended June 30, 2020

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	60,219	45,094	105,314	3,797	109,112	—	109,112
Inter-segment net sales or transfers	161	13	174	7,686	7,861	(7,861)	—
Total	60,381	45,108	105,489	11,484	116,973	(7,861)	109,112
Segment profit	2,532	2,120	4,653	382	5,035	1	5,036

(Notes)

1. "Other" includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of ¥1 million for "segment profit" includes ¥0 million in adjustments for inventories.
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 nine months ended June 30, 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	60,473	48,712	109,185	4,320	113,505	—	113,505
Inter-segment net sales or transfers	188	21	209	7,203	7,413	(7,413)	—
Total	60,661	48,733	109,395	11,523	120,918	(7,413)	113,505
Segment profit (loss)	3,990	2,559	6,550	(324)	6,226	7	6,233

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of ¥7 million for “segment profit (loss)” includes ¥5 million in adjustments for inventories.
3. Total amount of “segment profit (loss)” is adjusted based on operating profit reported in the quarterly consolidated statements of income.

2. Changes in reportable segments

From the first quarter of the fiscal year ending September 30, 2021, the Group has changed its reportable segments by consolidating the previous Education Service, Education Contents, and Educational Solution segments into the Educational Domain. This change is intended to optimize the allocation of management resources from the perspective of the Group as a whole and create new value by maximizing customer contacts and engagement at all places of learning (the home, classrooms, learning centers, kindergartens, and schools).

In addition, previously, the operating profit or loss related to the Company, the holding company, and Gakken Products Support Co., Ltd., the Group’s shared service company, were added to or subtracted from results of each segment. Following the change in segments, profit or loss information based on operating profit before adjustment is used as a performance indicator of each domain. Consequently, the operating profit of the two companies above is presented as Other.

The segment information for the nine months ended June 30, 2020, was prepared based on the classification after the said changes.

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

(Significant gain on bargain purchase)

In the healthcare and nursing domain, gain on bargain purchase was recognized as PeaceS., Ltd. became a consolidated subsidiary through share acquisition. The amount of gain on bargain purchase recognized with this event was ¥323 million. The gain on bargain purchase is not included in the above segment profit as it is classified into extraordinary income.

(Business Combinations)

Business combination through acquisition

(1) Overview of business combination

1) Name of the acquiree and its business description

Name of the acquiree: PeaceS., Ltd.

Business description: Operation of care facilities for the elderly

2) Main reason for the business combination

The business combination is for the purpose of expanding the scale of care facilities for the elderly to enhance the competitiveness of the healthcare and nursing domain.

3) Date of business combination

March 31, 2021

4) Legal form of business combination

Share acquisition paid in cash

5) Name of the entity after the business combination

There are no changes.

6) Voting rights ratio acquired

100%

7) Main basis for decision to acquire the entity

Gakken Cocofump Holdings Co., Ltd., the Company's consolidated subsidiary, acquired 100% of the voting rights of PeaceS., Ltd. by share acquisition.

(2) Period of the acquiree's financial results included in the quarterly consolidated statements of income for the nine months ended June 30, 2021

From April 1, 2021 to June 30, 2021

(3) Acquisition cost of the acquiree and breakdown by type of consideration

This information is undisclosed based on the provisions in the contract between the parties.

(4) Amount of gain on bargain purchase generated and reasons thereof

1) Amount of gain on bargain purchase generated

¥323 million

2) Reasons for recognizing gain on bargain purchase

As the market value of net assets of the acquiree at the time of business combination exceeded the acquisition cost, the difference was recognized as gain on bargain purchase.

Common control transactions

Acquisition of additional shares of subsidiaries

(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

May 25, 2021

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 3.5%. After the acquisition of these shares, the Company's voting rights ratio is 100%.

(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	¥526 million
Acquisition cost		¥526 million

(4) Change in equity of the Company resulting from the transaction with a non-controlling shareholder

1) Main factors for the change in capital surplus

Acquisition of additional shares of subsidiaries

2) The amount of capital surplus decreased as a result of the transaction with a non-controlling shareholder

¥359 million

(Significant Subsequent Events)

There is no relevant information.