Consolidated Financial Results
for the Fiscal Year Ended September 30, 2021
[Japanese GAAP]

November 12, 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
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Scheduled date of Ordinary General Meeting of Shareholders: December 24, 2021
Scheduled date of filing annual securities report: December 24, 2021
Scheduled date of commencing dividend payments: December 27, 2021
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, 2021 (October 1, 2020 to September 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	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2021	150,288	4.7	6,239	22.9	6,126	16.2	2,617	12.7
September 30, 2020	143,564	2.1	5,075	12.2	5,273	10.9	2,321	19.7

(Note) Comprehensive income: Fiscal year ended September 30, 2021: ¥3,923 million [90.5%]
Fiscal year ended September 30, 2020: ¥2,059 million [114.1%]

	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, 2021	64.55	63.87	6.3	5.6	4.2
September 30, 2020	62.70	61.99	6.2	5.2	3.5

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended September 30, 2021: ¥(347) million
Fiscal year ended September 30, 2020: ¥(64) 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, 2020.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2021	116,900	47,413	40.2	1,079.09
As of September 30, 2020	103,741	36,239	34.6	967.70

(Reference) Equity: As of September 30, 2021: ¥46,961 million
As of September 30, 2020: ¥35,895 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
September 30, 2021	4,441	(18,112)	7,806	18,920
September 30, 2020	5,971	(1,588)	(22)	24,765

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, 2020	–	40.00	–	10.00	–	741	31.9	2.0
September 30, 2021	–	11.00	–	11.00	22.00	956	34.1	2.1
Fiscal year ending September 30, 2022 (Forecast)	–	12.00	–	12.00	24.00		30.7	

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 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, 2022 (October 1, 2021 to September 30, 2022)

(% 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	157,000	4.5	6,700	7.4	6,800	11.0	3,400	29.9	78.12

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, 2021: 44,633,232 shares
September 30, 2020: 42,383,232 shares

2) Total number of treasury shares at the end of the period:
September 30, 2021: 1,113,082 shares
September 30, 2020: 5,289,352 shares

3) The average number of shares during the period:
Fiscal year ended September 30, 2021: 40,546,558 shares
Fiscal year ended September 30, 2020: 37,028,116 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): 375,600 shares at the end of the fiscal year ended September 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): 450,531 shares at the end of the fiscal year ended September 30, 2021; and 570,600 shares at the end of the fiscal year ended September 30, 2020.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2021 (October 1, 2020 to September 30, 2021)

(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, 2021	4,625	4.1	174	(71.8)	(16)	–	330	(55.4)
September 30, 2020	4,443	(3.8)	617	(30.7)	278	(58.5)	740	17.2

	Profit per share	Diluted profit per share
Fiscal year ended	Yen	Yen
September 30, 2021	8.14	8.05
September 30, 2020	19.99	19.77

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2021	76,407	38,529	50.1	879.00
As of September 30, 2020	64,809	30,033	45.9	802.24

(Reference) Equity: As of September 30, 2021: ¥38,254 million
As of September 30, 2020: ¥29,758 million

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

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

(Note on forward-looking statements, etc.)

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

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1. Overview of Business Results, etc.

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

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. Amid passing the peak of cases of COVID-19 after an explosive increase, demand for education’s digitalization has increased further.

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. Further, individually optimized learning tailored to each student is expanding through the delivery of AI-based learning plans and materials.

In the publishing industry, while the magazine market remained sluggish, 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. Distribution reform initiatives across industries have started in response to longstanding challenges such as consistently high rates of return of unsold goods and rising logistics costs.

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. Further, the GIGA (Global and Innovation Gateway for All) School Program that aims to develop the educational ICT environment has been expedited. While the distribution of learning devices to every student has been completed and the introduction of digital learning materials is progressing, on the other hand, 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 remote education, such as online language training, has grown from increased time for self-learning.

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. In terms of securing workers who support elderly care services at the front line, although progress is being made in staff retention due to improvements in employment conditions, the reduction of workers’ operational burdens through IT utilization and the prevention and early detection of dementia and lifestyle-related and other diseases are significant issues.

In the child-care industry, the demand for child-care services is increasing due to the increase in households in which both parents work. The number of students admitted to nursery schools increased due to national measures to support child raising, such as the New Child-rearing Security Plan and the provision of free preschool education and child-care, and the spread of COVID-19 led to parents refraining from using nursery schools for children aged less than twelve months. This resulted in a decrease in the number of children on waiting lists for nursery schools, but there are many “hidden” wait-listed children, and the path to a solution to this problem remains distant. 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 COVID-19, including providing hygiene products.

Under these circumstances, the Group created the slogan “Establishment of a solid 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 fiscal year ended 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, publishing and 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, publishing and 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:

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

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

(Educational domain)

- Increase the added value of classrooms and learning centers by striking a balance between offline and online, and engage in areas we have yet to cultivate
- Win the top market share of children’s books in addition to study-aid books
- Roll out digital learning using publishing and 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 facility 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 30.0%.

(Million yen)

	Fiscal year ended September 30, 2020	Fiscal year ended 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 ended September 30, 2021 are those announced on November 13, 2020.

In regard to the Company's consolidated financial results for the fiscal year under review, net sales amounted to ¥150,288 million (up 4.7% year on year), operating profit was ¥6,239 million (up ¥1,164 million year on year), ordinary profit was ¥6,126 million (up ¥853 million year on year), and profit attributable to owners of parent was ¥2,617 million (up ¥295 million year on year).

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, 2020		Fiscal year ended September 30, 2021		Change	
Reportable segments	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Educational Domain	77,379	2,202	78,919	4,138	1,540	1,935
Healthcare and Nursing Domain	60,786	2,744	65,792	3,042	5,005	297
Other	5,398	127	5,576	(950)	177	(1,078)
Adjustment	―	0	―	9	―	9
Group total	143,564	5,075	150,288	6,239	6,724	1,164

[Educational Domain]

Net sales: ¥78,919 million (up 2.0% year on year); operating profit: ¥4,138 million (up ¥1,935 million year on year)

(Million yen)

	Fiscal year ended September 30, 2020		Fiscal year ended September 30, 2021		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Classroom and learning center business	28,387	310	31,493	933	3,105	622
Publishing and content business	31,726	1,764	31,531	2,791	(195)	1,026
Kindergarten and school business *1	17,266	494	15,895	745	(1,370)	251
Goodwill *2	―	(366)	―	(332)	―	33
Segment total	77,379	2,202	78,919	4,138	1,540	1,935

*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 previous fiscal year 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)

While the recovery trend in the number of members of Gakken Classroom since the new semester appears to have settled down, the rise in sales due to the penetration of digital services and other factors is unchanged, and both net sales and operating profit recovered to the pre-pandemic levels of two years ago. In the current fiscal year, both revenue and profit increased significantly due to the strong performance of toddler classes for kindergartens, nursery schools, and children’s daycare centers transferred from the kindergarten and school business, as well as the acquisition of the Mebae Classroom business in July and other factors.

Learning centers have recovered smoothly from the COVID-19 pandemic, with multiple learning center companies achieving record high sales and profits. Due to the effects of the liquidation of two companies with poor performance conducted during the second quarter, the total number of students remained short of the previous fiscal year’s results, but due to the relative increase in sales per customer, profit increased despite a decrease in revenue.

(Publishing and content business)

For publishing, sales of newly published books trended strongly due to the revision of study-aid books for junior high school students, and there were hit products among both newly published and previously published children's books and how-to guides. However, owing to the company split of the media business (magazines) executed in July 2020 and a decline in sales of study-aid books compared with the stay-at-home demand in the previous fiscal year, revenue decreased, while profit remained at the same level as the previous fiscal year.

For medical and nursing, despite a decline in sales of books on nursing, online training in e-learning targeting nurses expanded further during the pandemic, and the number of hospitals making contracts continued to increase, resulting in growth in both revenue and profit.

For businesses other than publishing, despite the reorganizing of unprofitable stationery card and letter products, the transfer of educational ICT services to the kindergarten and school business, and a decrease in web advertising resulting from the split of the media business, both revenue and profit increased due to growth in the English language business and other factors.

(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 COVID-19.

In school education, although there was growth in short essay mock exams for senior high school, both revenue and profit decreased 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. As a new response to the GIGA School, sales of digital textbooks and ICT learning materials transferred from the publishing and content business were recorded in this segment.

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

[Healthcare and Nursing Domain]

Net sales: ¥65,792 million (up 8.2% year on year); operating profit: ¥3,042 million (up ¥297 million year on year)

(Million yen)

	Fiscal year ended September 30, 2020		Fiscal year ended September 30, 2021		Change	
Main businesses	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Elderly housing business	23,952	1,211	27,431	1,275	3,479	64
Group homes for the elderly with dementia business	31,995	1,871	33,151	2,203	1,156	332
Child raising support business	4,838	124	5,208	26	369	(98)
Goodwill *3	—	(462)	—	(462)	—	—
Segment total	60,786	2,744	65,792	3,042	5,005	297

*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, 21 new sites were opened (eight new sites in the fourth quarter) and two sites were acquired by M&A over the past year, bringing the total number of sites to 169, including franchise locations. While revenue increased significantly due to the expansion in the number of sites, 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 COVID-19 pandemic throughout the year. Although the percentage of the cost burden within the Group increased, an increase in profit compared with the previous fiscal year was secured.

(Group homes for the elderly with dementia business)

In group homes, two new facilities were opened in the fourth quarter, bringing the total number of facilities to 281. Although costs accompanying countermeasures against COVID-19 and facility repairs increased, group homes maintained high occupancy rates and there was growth from the previous fiscal year in specified facilities, making them more profitable. Further, growth at new facilities opened during the current fiscal year and the sale of the real estate of two company-owned facilities contributed to an increase in both revenue and profit for the segment.

(Child raising support business)

The total number of nursery schools and children's daycare centers came to 43, with 39 authorized nursery schools, two unauthorized nursery schools, and two certified children's daycare centers, and the 27 after-school children's clubs and two facilities to support child development brought the total number of child-care facilities to 72. Filled vacancy rates were below expectations due to postponement of enrolments, primarily of children aged 0-23 months, an impact of COVID-19, and labor costs, costs of opening facilities, and the percentage of the burden of intra-Group costs all increased, resulting in a decrease in profit despite an increase in revenue.

[Other]

Net sales: ¥5,576 million (up 3.3% year on year); operating profit: ¥(950) million (down ¥1,078 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) 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, 2020	Fiscal year ended September 30, 2021	Change
Current assets	60,030	56,554	(3,475)
Cash and deposits	25,596	19,772	(5,823)
Non-current assets	43,711	60,345	16,633
Total assets	103,741	116,900	13,158
Current liabilities	36,476	39,177	2,700
Non-current liabilities	31,025	30,309	(716)
Total liabilities	67,502	69,486	1,984
Interest-bearing debt *1	37,808	38,753	944
Total net assets	36,239	47,413	11,174
Total liabilities and net assets	103,741	116,900	13,158
Equity ratio (%) *2	34.6	40.2	5.6
D/E ratio (times) *3	1.05	0.83	(0.23)

*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 ¥116,900 million, increasing by ¥13,158 million from the end of the preceding fiscal year. Main changes were a decrease of ¥5,823 million in cash and deposits, an increase of ¥6 million in notes and accounts receivable - trade, a decrease of ¥40 million in merchandise and finished goods, an increase of ¥3,185 million in property, plant and equipment, and an increase of ¥12,515 million in investment securities.

The total liabilities amounted to ¥69,486 million, increasing by ¥1,984 million from the end of the preceding fiscal year. Main changes were an increase of ¥116 million in notes and accounts payable - trade, an increase of ¥2,883 million in short-term borrowings, and a decrease of ¥715 million in long-term borrowings.

The total net assets amounted to ¥47,413 million, increasing by ¥11,174 million from the end of the preceding fiscal year. Main changes were an increase of ¥1,460 million in share capital, an increase of ¥4,005 million in capital surplus, an increase of ¥1,747 million in retained earnings, a decrease of ¥2,588 million in treasury shares, and an increase of ¥678 million in valuation difference on available-for-sale securities.

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

Cash and cash equivalents (hereinafter, "CCE") for the consolidated fiscal year under review decreased by ¥5,845 million from the end of the preceding fiscal year to ¥18,920 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 ¥4,441 million (a net inflow of ¥5,971 million was reported in the preceding fiscal year). Major changes included the recording of profit before income taxes of ¥6,010 million, depreciation of ¥1,988 million, and amortization of goodwill of ¥858 million, and income taxes paid of ¥3,947 million.

Cash flows from investing activities resulted in a net outflow of ¥18,112 million (a net outflow of ¥1,588 million was reported in the preceding fiscal year). Major changes included the purchase of property, plant and equipment and intangible assets of ¥4,722 million and the purchase of investment securities of ¥12,183 million.

Cash flows from financing activities resulted in a net inflow of ¥7,806 million (a net outflow of ¥22 million was reported in the preceding fiscal year). Major changes included a net increase in short-term borrowings of ¥2,883 million, proceeds from long-term borrowings of ¥3,570 million, repayments of long-term borrowings of ¥5,523 million, proceeds from sale of treasury shares of ¥5,391 million, proceeds from issuance of shares of ¥2,889 million, and dividends paid of ¥858 million.

(4) Future outlook

Financial performance forecasts and other forward-looking statements in this document 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, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	25,596	19,772
Notes and accounts receivable - trade	19,889	19,895
Merchandise and finished goods	8,477	8,437
Real estate for sale	54	—
Work in process	3,109	3,493
Raw materials and supplies	143	176
Other	2,785	4,826
Allowance for doubtful accounts	(25)	(47)
Total current assets	60,030	56,554
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,858	18,994
Accumulated depreciation	(7,995)	(8,443)
Buildings and structures, net	8,862	10,550
Machinery, equipment and vehicles	539	530
Accumulated depreciation	(480)	(492)
Machinery, equipment and vehicles, net	58	38
Land	4,013	4,419
Construction in progress	342	1,458
Other	4,521	4,691
Accumulated depreciation	(3,671)	(3,846)
Other, net	850	844
Total property, plant and equipment	14,126	17,312
Intangible assets		
Goodwill	7,620	6,806
Other	2,855	3,326
Total intangible assets	10,476	10,132
Investments and other assets		
Investment securities	8,689	21,204
Long-term loans receivable	193	964
Deferred tax assets	2,100	1,631
Retirement benefit asset	635	1,931
Guarantee deposits	6,181	6,096
Other	1,493	1,219
Allowance for doubtful accounts	(186)	(146)
Total investments and other assets	19,108	32,900
Total non-current assets	43,711	60,345
Total assets	103,741	116,900

(Million yen)

	As of September 30, 2020	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,275	7,392
Short-term borrowings	11,497	14,380
Current portion of long-term borrowings	3,500	2,303
Income taxes payable	984	714
Provision for bonuses	1,901	2,149
Provision for sales returns	822	506
Provision for point card certificates	3	3
Other	10,491	11,728
Total current liabilities	36,476	39,177
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	16,437	15,721
Long-term accounts payable - other	358	267
Long-term guarantee deposits	2,826	2,971
Retirement benefit liability	3,222	3,284
Provision for retirement benefits for directors (and other officers)	60	—
Deferred tax liabilities	34	78
Other	2,086	1,984
Total non-current liabilities	31,025	30,309
Total liabilities	67,502	69,486
Net assets		
Shareholders' equity		
Share capital	18,357	19,817
Capital surplus	8,303	12,308
Retained earnings	11,286	13,033
Treasury shares	(3,509)	(920)
Total shareholders' equity	34,437	44,238
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	948	1,627
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustment	(19)	8
Remeasurements of defined benefit plans	528	1,087
Total accumulated other comprehensive income	1,458	2,723
Share acquisition rights	275	275
Non-controlling interests	68	176
Total net assets	36,239	47,413
Total liabilities and net assets	103,741	116,900

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended September 30, 2020	For the fiscal year ended September 30, 2021
Net sales	143,564	150,288
Cost of sales	101,790	105,443
Gross profit	41,774	44,844
Provision for sales returns	47	—
Reversal of provision for sales returns	—	316
Gross profit - net	41,726	45,161
Selling, general and administrative expenses	36,651	38,922
Operating profit	5,075	6,239
Non-operating income		
Interest income	19	15
Dividend income	245	191
Other	272	329
Total non-operating income	537	535
Non-operating expenses		
Interest expenses	153	179
Sales discounts	4	3
Share of loss of entities accounted for using equity method	64	347
Bond issuance costs	37	—
Other	78	117
Total non-operating expenses	338	648
Ordinary profit	5,273	6,126
Extraordinary income		
Gain on sale of non-current assets	11	1
Gain on sale of investment securities	523	285
Gain on investments in silent partnerships	171	—
Gain on bargain purchase	—	323
Gain on sale of businesses	88	—
Other	78	21
Total extraordinary income	872	632
Extraordinary losses		
Loss on sale and retirement of non-current assets	46	207
Impairment losses	376	249
Loss on valuation of investment securities	113	69
Loss on liquidation of business	51	183
Loss due to new coronavirus infection	253	—
Other	137	38
Total extraordinary losses	978	748
Profit before income taxes	5,167	6,010
Income taxes - current	2,132	3,316
Income taxes - deferred	426	35
Total income taxes	2,558	3,351
Profit	2,608	2,659
Profit attributable to non-controlling interests	286	42
Profit attributable to owners of parent	2,321	2,617

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended September 30, 2020	For the fiscal year ended September 30, 2021
Profit	2,608	2,659
Other comprehensive income		
Valuation difference on available-for-sale securities	(552)	682
Foreign currency translation adjustment	(6)	26
Remeasurements of defined benefit plans, net of tax	(2)	535
Share of other comprehensive income of entities accounted for using equity method	12	18
Total other comprehensive income	(549)	1,264
Comprehensive income	2,059	3,923
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,778	3,882
Comprehensive income attributable to non-controlling interests	280	41

(3) Consolidated Statements of Changes in Equity

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

For the fiscal year ended September 30, 2021

(Million yen)

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

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

(4) Consolidated Statements of Cash Flows

(Million yen)

	For fiscal year ended September 30, 2020	For fiscal year ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	5,167	6,010
Depreciation	1,786	1,988
Impairment losses	376	249
Amortization of goodwill	877	858
Loss (gain) on sale and retirement of property, plant and equipment and intangible assets	35	205
Loss (gain) on sale and valuation of investment securities	(409)	(216)
Loss (gain) on investments in silent partnerships	(171)	—
Gain on bargain purchase	—	(323)
Loss (gain) on sale of businesses	(88)	—
Increase (decrease) in provisions	247	(112)
Decrease (increase) in retirement benefit asset	(635)	(561)
Increase (decrease) in retirement benefit liability	(908)	53
Interest and dividend income	(264)	(206)
Interest expenses	153	179
Bond issuance costs	37	—
Share of loss (profit) of entities accounted for using equity method	64	347
Decrease (increase) in trade receivables	596	4
Decrease (increase) in inventories	73	(290)
Increase (decrease) in trade payables	675	36
Increase (decrease) in accrued consumption taxes	411	(346)
Decrease (increase) in other assets	(191)	(1,299)
Increase (decrease) in other liabilities	376	1,566
Other, net	(181)	86
Subtotal	8,030	8,227
Interest and dividends received	300	341
Interest paid	(155)	(181)
Income taxes paid	(2,203)	(3,947)
Net cash provided by (used in) operating activities	5,971	4,441
Cash flows from investing activities		
Payments into time deposits	(280)	(306)
Proceeds from withdrawal of time deposits	784	305
Purchase of property, plant and equipment and intangible assets	(3,504)	(4,722)
Proceeds from sale of property, plant and equipment and intangible assets	24	33
Purchase of investment securities	(568)	(12,183)
Proceeds from sale of investment securities	2,120	357
Net decrease (increase) in short-term loans receivable	1	(330)
Long-term loan advances	(177)	(1,111)
Payments of guarantee deposits	(367)	(231)
Proceeds from refund of guarantee deposits	44	193
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(400)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	145	—
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(27)	—
Proceeds from maturity of insurance funds	—	203
Other, net	217	79
Net cash provided by (used in) investing activities	(1,588)	(18,112)

(Million yen)

	For fiscal year ended September 30, 2020	For fiscal year ended September 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,300	2,883
Proceeds from long-term borrowings	574	3,570
Repayments of long-term borrowings	(2,842)	(5,523)
Proceeds from issuance of bonds	5,962	—
Proceeds from issuance of shares	—	2,889
Proceeds from sale of treasury shares	180	5,391
Purchase of treasury shares	(3)	(1)
Dividends paid	(751)	(858)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(5,311)	(526)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	100
Other, net	(129)	(117)
Net cash provided by (used in) financing activities	(22)	7,806
Effect of exchange rate change on cash and cash equivalents	3	7
Net increase (decrease) in cash and cash equivalents	4,364	(5,857)
Cash and cash equivalents at beginning of period	19,838	24,765
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	562	(146)
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	—	158
Cash and cash equivalents at end of period	24,765	18,920

(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, “loss on liquidation of business” was included and reported as part of “other” under “extraordinary losses.” However, from the consolidated fiscal year under review, it is reported as a separate item because the said item now accounts for more than 10/100 of the total extraordinary losses. The preceding fiscal year’s consolidated financial statements have been reclassified to reflect this change.

As a result, ¥188 million for “other” reported under “extraordinary losses” in the preceding fiscal year’s consolidated statements of income have been reclassified, with the amount of ¥51 million reported under “loss on liquidation of business” and ¥137 million under “other.”

(Consolidated statements of cash flows)

In the preceding consolidated fiscal year, “net decrease (increase) in short-term loans receivable,” “long-term loan advances,” and “proceeds from refund of guarantee deposits” were included and reported as part of “other, net” under “cash flows from investing activities.” However, from the consolidated fiscal year under review, they are reported as separate items due to an increase in their importance. The preceding fiscal year’s consolidated financial statements have been reclassified to reflect this change.

As a result, ¥85 million reported under “other, net” in the preceding fiscal year’s consolidated statements of cash flows have been reclassified, with the amount of ¥1 million reported under “net decrease (increase) in short-term loans receivable,” negative ¥177 million under “long-term loan advances,” ¥44 million under “proceeds from refund of guarantee deposits,” and ¥217 million under “other, net.”

(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 two reportable segments: Educational Domain and Healthcare and Nursing Domain. These businesses are positioned as the Group's core businesses.

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

The Educational Domain is engaged in the classroom and learning center business, the publishing and content business, and the kindergarten and school business.

The Healthcare and Nursing Domain is engaged in the elderly housing business, the group homes for the elderly with dementia business, and the child raising support business.

(3) Changes in reportable segments

From the fiscal year under review, 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 fiscal year ended September 30, 2020, 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, 2020

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Notes) 2 and 3	Amount recorded in consolidated financial statements (Note) 4
	Educational Domain	Healthcare and Nursing Domain	Total				
Net sales							
Net sales to external customers	77,379	60,786	138,165	5,398	143,564	—	143,564
Inter-segment net sales or transfers	226	19	246	10,126	10,373	(10,373)	—
Total	77,606	60,805	138,412	15,525	153,937	(10,373)	143,564
Segment profit	2,202	2,744	4,946	127	5,074	0	5,075
Segment assets	46,571	33,958	80,529	6,667	87,197	16,544	103,741
Other items							
Depreciation	970	515	1,486	300	1,786	—	1,786
Amortization of goodwill	377	466	843	34	877	—	877
Impairment loss	261	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	1,409	1,714	3,123	302	3,426	—	3,426

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of ¥0 million for “segment profit” includes negative ¥0 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.

For the fiscal year ended September 30, 2021

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Notes) 2 and 3	Amount recorded in consolidated financial statements (Note) 4
	Educational Domain	Healthcare and Nursing Domain	Total				
Net sales							
Net sales to external customers	78,919	65,792	144,711	5,576	150,288	—	150,288
Inter-segment net sales or transfers	246	35	281	9,472	9,754	(9,754)	—
Total	79,166	65,827	144,993	15,049	160,042	(9,754)	150,288
Segment profit (loss)	4,138	3,042	7,180	(950)	6,229	9	6,239
Segment assets	47,820	46,517	94,337	7,231	101,569	15,330	116,900
Other items							
Depreciation	1,094	551	1,646	342	1,988	—	1,988
Amortization of goodwill	351	472	823	34	858	—	858
Impairment loss	167	81	249	—	249	—	249
Investment in entities accounted for using equity method	1,177	9,616	10,794	—	10,794	—	10,794
Increase in property, plant and equipment and intangible assets	1,664	2,680	4,344	443	4,788	—	4,788

(Notes)

1. "Other" includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of ¥9 million for "segment profit (loss)" includes ¥7 million in adjustments for inventories.
3. The "adjustment" under "segment assets" includes corporate assets (¥15,330 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 (loss)" 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, 2020

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

For the fiscal year ended September 30, 2021

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, 2020

(Million yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in consolidated financial statements
	Educational Domain	Healthcare and Nursing Domain	Total				
Balance at the end of period	1,066	6,416	7,483	137	7,620	—	7,620

(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, 2021

(Million yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in consolidated financial statements
	Educational Domain	Healthcare and Nursing Domain	Total				
Balance at the end of period	722	5,980	6,703	102	6,806	—	6,806

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

(Information concerning gain on bargain purchase by reportable segment)

For the fiscal year ended September 30, 2020

There is no relevant information.

For the fiscal year ended September 30, 2021

In the healthcare and nursing domain, shares of PeaceS., Ltd. were acquired on March 31, 2021. In conjunction with this share acquisition, ¥323 million in gain on bargain purchase was recognized.

(Per Share Information)

For the fiscal year ended September 30, 2020		For the fiscal year ended September 30, 2021	
Net assets per share	967.70 Yen	Net assets per share	1,079.09 Yen
Profit per share	62.70 Yen	Profit per share	64.55 Yen
Diluted profit per share	61.99 Yen	Diluted profit per share	63.87 Yen

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

Item	As of September 30, 2020	As of September 30, 2021
Total net assets (Million yen)	36,239	47,413
Deductions from total net assets (Million yen)	343	451
(of which share acquisition rights) (Million yen)	(275)	(275)
(of which non-controlling interests) (Million yen)	(68)	(176)
Net assets applicable to common stock at end of period (Million yen)	35,895	46,961
Number of shares of common stock at end of period used for the calculation of net assets per share (Thousand shares)	37,093	43,520

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, 2020	For the fiscal year ended September 30, 2021
Profit per share		
Profit attributable to owners of parent (Million yen)	2,321	2,617
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common stock (Million yen)	2,321	2,617
Average number of shares of common stock during the period (Thousand shares)	37,028	40,546
Diluted profit per share		
Adjustment for profit attributable to owners of parent (Million yen)	—	—
Increase in number of shares of common stock (Thousand shares)	425	429
(of which share acquisition rights) (Thousand shares)	(425)	(429)
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 net assets per share, the Company's shares remaining in the above-described trust, which are recorded as treasury shares under shareholders' equity, are included in the treasury shares deducted from the total number of issued shares at the end of the period. In calculating profit per share, they are included in the treasury shares deducted in calculating the average number of shares during the period.
In calculating net assets per share, the numbers of treasury shares at the end of the period deducted for the preceding fiscal year and the fiscal year under review were 515 thousand shares and 375 thousand shares, respectively. In calculating profit per share, the average numbers of treasury shares during the period deducted for the preceding fiscal year and the fiscal year under review were 570 thousand shares and 450 thousand shares, respectively.

(Significant Subsequent Events)

There is no relevant information.

4. Other

Changes in Officers

Scheduled for December 24, 2021

1. Candidates of Executive Directors to be newly elected
   Executive Director: Caroline F. Benton
   (Note) Caroline F. Benton will be an Outside Director defined in Article 2, Item 15 of the Companies Act.