

# Consolidated Financial Results for the Three Months Ended December 31, 2021 [Japanese GAAP]



February 10, 2022

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 Stock exchange listing: Tokyo Stock Exchange  
 Securities code: 9470  
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 Scheduled date of filing quarterly securities report: February 10, 2022  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary briefing material on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: None

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

## 1. Consolidated Financial Results for the Three Months Ended December 31, 2021 (October 1, 2021 to December 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended December 31, 2021	36,888	3.1	1,324	(31.4)	1,134	(35.5)	702	(25.7)
December 31, 2020	35,766	3.0	1,929	67.8	1,759	63.4	946	91.5

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

Three months ended December 31, 2020: ¥1,014 million [(27.1)%]

	Profit per share	Diluted profit per share
Three months ended	Yen	Yen
December 31, 2021	16.14	15.98
December 31, 2020	25.50	25.21

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	123,262	47,659	38.3
As of September 30, 2021	116,900	47,413	40.2

(Reference) Equity: As of December 31, 2021: ¥47,209 million

As of September 30, 2021: ¥46,961 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, 2021	—	11.00	—	11.00	22.00
Fiscal year ending September 30, 2022	—				
Fiscal year ending September 30, 2022 (Forecast)		12.00	—	12.00	24.00

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

### 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	78.08

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

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

#### \* Notes:

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

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

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

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

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

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

December 31, 2021: 44,633,232 shares

September 30, 2021: 44,633,232 shares

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

December 31, 2021: 1,048,386 shares

September 30, 2021: 1,113,082 shares

3) The average number of shares during the period:

Three months ended December 31, 2021: 43,546,162 shares

Three months ended December 31, 2020: 37,107,515 shares

The Company has a trust-type employee shareholding incentive plan in place. The total number of treasury shares at the end of the period includes the number of the Company's shares held under this plan by The Nomura Trust & Banking Co., Ltd. (the dedicated trust account for Gakken Employees' Shareholding Association): 310,500 shares at the end of the three months ended December 31, 2021; and 375,600 shares at the end of the fiscal year ended September 30, 2021. The average number of shares during the period is calculated with the number of treasury shares deducted; the number of treasury shares deducted includes the number of the Company's shares held under the same plan by The Nomura Trust & Banking Co., Ltd. (the dedicated trust account for Gakken Employees' Shareholding Association): 349,325 shares at the end of the three months ended December 31, 2021; and 501,250 shares at the end of the three months ended December 31, 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 8 of the Attachments.

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## 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, new Courses of Study will be rolled out to senior high schools. As new cases of COVID-19 are increasing rapidly due to the appearance of a new variant, 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 increase online lessons not only in private and group tutoring, but for schools with stringent entrance exams as well. 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 remains sluggish, the market as a whole appears to have bottomed out, owing mainly to stay-at-home demand for paper publications and substantial growth in e-book publishing. Distribution reform initiatives across industries are progressing in response to longstanding challenges such as consistently high rates of return of unsold goods and rising logistics costs. Global media-mix initiatives for intellectual property (IP) are also spreading worldwide not only for publishing, but also for such diverse media as movies, animation, and video games.

In the school education industry, 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 recurrent education and e-learning markets are growing.

In the healthcare and nursing domain, government and corporate policies are advancing moves to increase hiring and retention of workers who support elderly care and child-care services at the front line by improving their compensation.

In the elderly care business, needs for elderly care are increasing in association with the “2025 issue” (Japan’s baby boomer generation will reach the late elderly age (75 years old or older) 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. 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. This resulted in a decrease in the number of children on waiting lists for nursery schools, but the need for nursery schools remains high in major cities. 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.

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.

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

Educational Domain	Classroom and learning center business	Operation of Gakken Classroom for a range of children from preschoolers to junior high school students (mainly elementary school students)
		Operation of classes for toddlers and children
		Operation of learning centers for a range of children from elementary school students to senior high school students
	Publishing and content business	Publishing and sale of publications including children's books and study-aid books through distributors and bookstores
		Development and sale of learning materials for learning centers
		Publishing and sale of books on nursing and medicine, sale of e-learning for training programs targeting nurses
		Development and sale of digital content linked with publishing and educational toys
	Kindergarten and school business	Production and sale of publications, child-care products, equipment, and playground equipment for kindergartens, nursery schools, and children's daycare centers, as well as clothing for teachers
		Production and sale of textbooks, instruction guides for teachers, supplementals, ICT learning materials, special needs education materials, short essay mock 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 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%.

	Fiscal year ended September 30, 2021	Fiscal year ending September 30, 2022	(Million yen) Fiscal year ending September 30, 2023
	Results	Plan	Plan
Net sales	150,288	157,000	165,000
Operating profit	6,239	6,700	7,500
Operating profit margin	4.2%	4.2%	4.5%
Profit	2,617	3,400	3,800
Net profit margin	1.7%	2.1%	2.3%
ROE	6.3%	7.1%	8.0%
Payout ratio	34.1%	30.7%	30.0%

\* Profit: Profit attributable to owners of parent

In regard to the Company's consolidated financial results for the three months ended December 31, 2021, net sales amounted to ¥36,888 million (up 3.1% year on year), operating profit was ¥1,324 million (down ¥604 million year on year), ordinary profit was ¥1,134 million (down ¥624 million year on year), and profit attributable to owners of parent was ¥702 million (down ¥243 million year on year). Due to the application of the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020; hereinafter referred to as "Revenue Recognition Accounting Standard"), etc., net sales decreased by ¥102 million. Operating profit, ordinary profit, and profit attributable to owners of parent are not affected.

Business performance by segment is summarized below.

(Million yen)

	Three months ended December 31, 2020		Three months ended December 31, 2021		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Reportable segments						
Educational Domain	18,456	1,381	18,140	792	(315)	(589)
Healthcare and Nursing Domain	15,842	639	17,189	673	1,346	33
Other	1,467	203	1,558	275	90	72
Adjustment	—	(295)	—	(417)	—	(122)
Group total	35,766	1,929	36,888	1,324	1,121	(604)

The Group total was according to the plan during the first quarter of the fiscal year ending September 30, 2022.

In the Educational Domain, although the reallocation of the budget for COVID-19 measures for toddler education in the kindergarten and school business has affected orders for equipment and hygiene products, sales per customer increased due to digitalization in the classroom and learning center business, and new hospital contracts for e-learning targeting nurses increased in the medical and nursing of the publishing and content business. As a result, performance was generally in line with the plan.

In the Healthcare and Nursing Domain, the occupancy rate was steady in the elderly housing business and the group homes for the elderly with dementia business. The child raising support business also showed strong performance, with increased number of students enrolled in nursery schools.

[Educational Domain]

Net sales: ¥18,140 million (down 1.7% year on year); operating profit: ¥792 million (down ¥589 million year on year)

(Million yen)

	Three months ended December 31, 2020		Three months ended December 31, 2021		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Main businesses						
Classroom and learning center business	7,754	783	7,936	658	182	(125)
Publishing and content business	6,938	452	6,712	180	(226)	(271)
Kindergarten and school business	3,763	228	3,492	36	(271)	(192)
Goodwill	—	(83)	—	(83)	—	(0)
Segment total	18,456	1,381	18,140	792	(315)	(589)

(Classroom and learning center business)

Digitization commenced in classrooms, including promotions, moving classrooms online, and building a database of learning materials, in order to improve the management environment of Gakken Classroom franchisees and the learning environment of Gakken Classroom members. In addition to these revenue increases, this business increased revenue from the acquisition of the Mebae Classroom business in July 2021. The solicitation of new classrooms, which was reduced during the previous fiscal year due to COVID-19, were also resumed and sales promotions increased, thereby resulting in a decrease in profit.

The number of new classrooms remains extraordinarily high, recording the highest level in ten years in the first quarter. The increase in memberships starting in the new semester is expected to contribute to performance.

Overall performance of learning centers is recovering steadily, with multiple learning center companies posting large increases in revenue and profit due to increases in sales per customer from the adoption of hybrid

in-person and online learning models, as well as the opening of new schools. Profit increased despite a decrease in revenue, in part due to the consolidation of unprofitable schools and the liquidation of two underperforming companies in the second quarter of the previous fiscal year.

Amid the COVID-19 pandemic, learning centers are focused on recovering and growing student numbers, mainly by enhancing the online environment and AI learning materials.

(Publishing and content business)

For publishing, sales of children's books were strong thanks to hit books in this genre, but revenue and profit declined due to a rebound decline in sales of study-aid books and others, which were strong in the previous fiscal year. Note that actual revenue increased when the effect of the Revenue Recognition Accounting Standard is not taken into account. Sales are expected to expand into the spring sales season when demand for study-aid books and children's books increases ahead of the new semester, with plans to launch new products and expand sales of previously published books.

For medical and nursing, the number of hospitals contracted for e-learning targeting nurses continued to grow. This made up for the decline in sales of medical books, resulting in increased revenue and profit.

Going forward, the Company will aim to increase sales by continuing to move forward with the digitization of medical books, and roll out e-learning for nurses globally.

For businesses other than publishing, while online English revenue grew, revenue for Tokyo Global Gateway fell as a result of transfer of its school reservations to the second half of the current fiscal year due to the resurgence of COVID-19 infections. However, the reorganization of the unprofitable products of stationery, greeting cards, and letter writing sets proceeded smoothly, resulting in profit in line with the previous fiscal year.

(Kindergarten and school business)

In toddler education, despite strong sales of clothing for teachers, orders received for equipment and hygiene products were sluggish after large growth in the previous fiscal year from the acquisition of a budget for COVID-19 measures, resulting in a decline in revenue. Profit decreased, in part due to the decline in revenue, as well as investments in the development of the child-care ICT business.

The Company will strive to further increase sales of clothing for teachers, as well as increase the number of copies of monthly magazines accepted for nursery and preschool students, which are one of the core products, and expand the number of nursery schools adopting child-care ICT services.

In school education, revenue declined due to a decrease in the number of textbooks delivered owing to the decrease in the number of students. Profit decreased, in part due to the decline in revenue, as well as new investments in the GIGA School-related business.

The Company will strive to expand the number of schools delivering contents supporting GIGA School, expand adoption of short essay mock exams for senior high schools, which are one of the core products, and expand services relating to university entrance exams through collaboration with other companies.

In social education, despite strong performance by corporate training, the prolonged impact of COVID-19 caused companies to hold off on running booths at job-seeker seminars, resulting in decreases in revenue and profit.

The Company will strive to further increase sales of corporate training, as well as recover the number of company booths at job-seeker seminars, and expand and enhance related services.



[Healthcare and Nursing Domain]

Net sales: ¥17,189 million (up 8.5% year on year); operating profit: ¥673 million (up ¥33 million year on year\*)

\* The burden for management and administration fees to the holding company has increased by ¥25 million from the previous fiscal year in the Healthcare and Nursing Domain as a whole. Actual operating profit increased 9.2% year on year to ¥58 million.

(Million yen)

	Three months ended December 31, 2020		Three months ended December 31, 2021		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Main businesses						
Elderly housing business	6,395	211	7,419	231	1,023	20
Group homes for the elderly with dementia business	8,181	561	8,403	532	221	(28)
Child raising support business	1,264	(16)	1,365	24	100	41
Goodwill	—	(115)	—	(115)	—	—
Segment total	15,842	639	17,189	673	1,346	33

(Elderly housing business)

In serviced apartments for the elderly, six new sites were opened (four newly constructed and two acquired), bringing the total number of sites to 175 including franchise locations, with a total of 8,769 rooms. In addition to increased occupancy at the sites opened in the previous fiscal year, the four newly constructed sites recorded strong performance. This and the success of increased elderly care insurance services, such as home-visit care and outpatient care, contributed to increases in both revenue and profit.

(Group homes for the elderly with dementia business)

In group homes, two new facilities were acquired through M&As, bringing the total number of facilities to 283. The occupancy rate also remains stable at a high level.

In the new business, the Company launched a dispensing pharmacy business, and began managing medications for residents of group homes and serviced apartments for the elderly. Increased up-front costs of launching this business resulted in an increase in revenue and a decrease in profit.

(Child raising support business)

Utilization rates at nursery schools improved, and revenue from after-school children's clubs increased due to an increase in scale. Although staffing expenses were in increasing trend, mainly due to new hiring, revenue and profit increased due to progress in improving profitability by restructuring unprofitable nursery schools.

[Other]

Net sales: ¥1,558 million (up 6.1% year on year); operating profit: ¥275 million (up ¥72 million year on year)

Revenue and profit increased due to the growth of ODA to emerging countries and the business consulting business.

Previously, company-wide expenses were included under "Other," but they have been removed from the "Other" category and presented as "Adjustment" in order to provide a more accurate understanding of the Group's situation.

## (2) Explanation of Financial Position

(Million yen)

Item	Fiscal year ended September 30, 2021	First quarter of the fiscal year ending September 30, 2022	Change
Current assets	56,554	62,773	6,218
Cash and deposits	19,772	22,794	3,021
Non-current assets	60,345	60,489	143
Total assets	116,900	123,262	6,362
Current liabilities	39,177	38,735	(442)
Non-current liabilities	30,309	36,868	6,558
Total liabilities	69,486	75,603	6,116
Interest-bearing debt *1	38,753	43,080	4,327
Total net assets	47,413	47,659	245
Total liabilities and net assets	116,900	123,262	6,362
Equity ratio (%) *2	40.2	38.3	(1.9)
D/E ratio (times) *3	0.83	0.91	0.09

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

\*2: Equity ratio = Equity / Total assets

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

The total assets for the first quarter of the fiscal year ending September 30, 2022 amounted to ¥123,262 million, increasing by ¥6,362 million from the end of the preceding fiscal year. Main changes were an increase of ¥3,021 million in cash and deposits, an increase of ¥1,107 million in notes and accounts receivable - trade, an increase of ¥1,134 million in merchandise and finished goods, an increase of ¥229 million in work in process, an increase of ¥243 million in property, plant and equipment, and an increase of ¥33 million in investment securities.

The total liabilities amounted to ¥75,603 million, increasing by ¥6,116 million from the end of the preceding fiscal year. Main changes were an increase of ¥1,201 million in notes and accounts payable - trade, a decrease of ¥3,300 million in short-term borrowings, an increase of ¥1,111 million in current portion of long-term borrowings, a decrease of ¥1,204 million in provision for bonuses, and an increase of ¥6,494 million in long-term borrowings.

The total net assets amounted to ¥47,659 million, increasing by ¥245 million from the end of the preceding fiscal year. Main changes were an increase of ¥196 million in retained earnings and an increase of ¥12 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, 2022, the Company forecasts net sales of ¥157,000 million, operating profit of ¥6,700 million, ordinary profit of ¥6,800 million, and profit attributable to owners of parent of ¥3,400 million. The forecast figures announced on November 12, 2021 remain unchanged.

Although operating profit, ordinary profit, and profit attributable to owners of parent in the three months ended December 31, 2021 declined year on year, this was mainly due to increased advertising and sales-promotion expenses (sales promotions had been curtailed in the previous fiscal year due to COVID-19), and investments in accelerating our digital transformation. The Company expects these to have a positive impact on

performance starting in the second quarter. Additionally, the measures in the three-year medium-term management plan are generally proceeding smoothly.

The above-mentioned financial performance forecasts and other forward-looking statements are determined based on information currently available to the Company and include potential risks and uncertainties. Please note that actual performance may vary significantly due to various factors.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of September 30, 2021	As of December 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	19,772	22,794
Notes and accounts receivable - trade	19,895	21,003
Merchandise and finished goods	8,437	9,571
Work in process	3,493	3,723
Raw materials and supplies	176	132
Other	4,826	5,599
Allowance for doubtful accounts	(47)	(50)
Total current assets	56,554	62,773
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	10,550	10,431
Machinery, equipment and vehicles, net	38	34
Land	4,419	4,425
Construction in progress	1,458	1,826
Other, net	844	838
Total property, plant and equipment	17,312	17,555
<b>Intangible assets</b>		
Goodwill	6,806	6,619
Other	3,326	3,291
Total intangible assets	10,132	9,910
<b>Investments and other assets</b>		
Investment securities	21,204	21,238
Other	11,843	11,941
Allowance for doubtful accounts	(146)	(156)
Total investments and other assets	32,900	33,022
Total non-current assets	60,345	60,489
<b>Total assets</b>	<b>116,900</b>	<b>123,262</b>

(Million yen)

	As of September 30, 2021	As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,392	8,593
Short-term borrowings	14,380	11,080
Current portion of long-term borrowings	2,303	3,414
Income taxes payable	714	487
Provision for bonuses	2,149	945
Provision for sales returns	506	—
Provision for point card certificates	3	—
Other	11,728	14,213
<b>Total current liabilities</b>	<b>39,177</b>	<b>38,735</b>
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	15,721	22,216
Retirement benefit liability	3,284	3,286
Other	5,302	5,364
<b>Total non-current liabilities</b>	<b>30,309</b>	<b>36,868</b>
<b>Total liabilities</b>	<b>69,486</b>	<b>75,603</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	19,817	19,817
Capital surplus	12,308	12,308
Retained earnings	13,033	13,229
Treasury shares	(920)	(837)
<b>Total shareholders' equity</b>	<b>44,238</b>	<b>44,517</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,627	1,639
Deferred gains or losses on hedges	0	(2)
Foreign currency translation adjustment	8	14
Remeasurements of defined benefit plans	1,087	1,040
<b>Total accumulated other comprehensive income</b>	<b>2,723</b>	<b>2,691</b>
Share acquisition rights	275	275
Non-controlling interests	176	174
<b>Total net assets</b>	<b>47,413</b>	<b>47,659</b>
<b>Total liabilities and net assets</b>	<b>116,900</b>	<b>123,262</b>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income

(Million yen)

	For the three months ended December 31, 2020	For the three months ended December 31, 2021
Net sales	35,766	36,888
Cost of sales	24,971	25,926
Gross profit	10,795	10,961
Provision for sales returns	49	—
Gross profit - net	10,745	10,961
Selling, general and administrative expenses	8,816	9,637
Operating profit	1,929	1,324
Non-operating income		
Interest income	5	4
Dividend income	51	53
Other	83	80
Total non-operating income	140	138
Non-operating expenses		
Interest expenses	41	41
Share of loss of entities accounted for using equity method	258	181
Commission expenses	0	80
Other	10	24
Total non-operating expenses	310	327
Ordinary profit	1,759	1,134
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	18	121
Other	—	13
Total extraordinary income	18	134
Extraordinary losses		
Loss on sale and retirement of non-current assets	4	0
Impairment losses	1	0
Loss on valuation of investment securities	—	9
Other	0	0
Total extraordinary losses	6	11
Profit before income taxes	1,771	1,257
Income taxes	815	547
Profit	955	710
Profit attributable to non-controlling interests	9	7
Profit attributable to owners of parent	946	702

## Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the three months ended December 31, 2020	For the three months ended December 31, 2021
Profit	955	710
Other comprehensive income		
Valuation difference on available-for-sale securities	98	3
Foreign currency translation adjustment	(5)	8
Remeasurements of defined benefit plans, net of tax	(32)	(50)
Share of other comprehensive income of entities accounted for using equity method	(0)	7
Total other comprehensive income	59	(29)
Comprehensive income	1,014	680
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,004	671
Comprehensive income attributable to non-controlling interests	10	9

### (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)

For the three months ended December 31, 2021

There is no relevant information.

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

##### (Calculation of tax expenses)

Tax expenses are calculated by making a reasonable estimate of the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year, including the first quarter of the fiscal year ending September 30, 2022, and multiplying the profit before income taxes by this estimated effective tax rate.

#### (Changes in Accounting Policies)

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

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

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

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

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



As a result, for the three months ended December 31, 2021, net sales decreased by ¥102 million, cost of sales decreased by ¥47 million, the equivalent amount for provision for sales returns decreased by ¥40 million, and selling, general and administrative expenses decreased by ¥14 million. Operating profit, ordinary profit, and profit attributable to owners of parent were not affected. There is also no impact on the balance of retained earnings at the beginning of the period.

Additionally, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standards for Quarterly Financial Reporting (ASBJ Statement No. 12 issued on March 31, 2020), the information on the breakdowns of revenues from contracts made with customers in the three months ended December 31, 2020 are not included.

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

(Segment Information, etc.)

I For the three months ended December 31, 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	18,456	15,842	34,298	1,467	35,766	—	35,766
Inter-segment net sales or transfers	47	7	54	1,896	1,950	(1,950)	—
Total	18,503	15,850	34,353	3,364	37,717	(1,950)	35,766
Segment profit	1,381	639	2,021	203	2,224	(295)	1,929

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥295 million for “Segment profit” includes negative ¥299 million in company-wide expenses that were not allocated to specific reportable segments. Company-wide expenses are mainly general and administrative expenses that are not attributable to a reportable segment.
3. Total amount of “Segment profit” is adjusted based on operating profit reported in the quarterly consolidated statements of income.

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

There is no relevant information.

II For the three months ended December 31, 2021

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

(Million yen)

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

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥417 million for “Segment profit” includes negative ¥418 million in company-wide expenses that were not allocated to specific reportable segments. Company-wide expenses are mainly general and administrative expenses that are not attributable to a reportable segment.
3. Total amount of “Segment profit” is adjusted based on operating profit reported in the quarterly consolidated statements of income.
4. Previously, company-wide expenses were presented under “Other,” but as of the first quarter of the fiscal year ending September 30, 2022, they have been included in “Adjustment” in order to provide a more accurate understanding of the Group’s situation. The segment information for the three months ended December 31, 2020 was prepared based on the classification after this change.

## 2. Changes in reportable segments

As described in “Changes in Accounting Policies,” the Revenue Recognition Accounting Standard, etc. is applied from the beginning of the first quarter of the fiscal year ending September 30, 2022. Because the accounting procedures regarding revenue recognition have changed, the same changes have been applied to the method for calculating profit and loss for each segment.

These changes resulted in a ¥102 million decrease in net sales in the Educational Domain for the three months ended December 31, 2021 compared to the previous method. There is no impact on segment profit.

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

There is no relevant information.

## (Significant Subsequent Events)

There is no relevant information.