

Consolidated Financial Results for the Six Months Ended March 31, 2022 [Japanese GAAP]



May 13, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 9470
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 Scheduled date of commencing dividend payments: June 24, 2022
 Availability of supplementary briefing material on quarterly financial results: None
 Schedule of quarterly 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 Six Months Ended March 31, 2022 (October 1, 2021 to March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
March 31, 2022	79,632	2.0	4,325	(13.0)	4,388	(9.1)	2,546	8.6
March 31, 2021	78,077	3.0	4,970	15.8	4,826	13.5	2,344	(1.4)

(Note) Comprehensive income: Six months ended March 31, 2022: ¥2,235 million [(20.8)%]

Six months ended March 31, 2021: ¥2,821 million [47.9%]

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended		
March 31, 2022	58.39	57.84
March 31, 2021	61.65	60.96

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2022	129,429	49,364	37.8
As of September 30, 2021	116,900	47,413	40.2

(Reference) Equity: As of March 31, 2022: ¥48,932 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	–	12.00			
Fiscal year ending September 30, 2022 (Forecast)			–	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	77.96

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

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): No
Newly added: – (Name) – Excluded: – (Name) –
- (2) Application of special accounting treatments in preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
March 31, 2022: 44,633,232 shares
September 30, 2021: 44,633,232 shares
 - 2) Total number of treasury shares at the end of the period:
March 31, 2022: 882,459 shares
September 30, 2021: 1,113,082 shares
 - 3) The average number of shares during the period:
Six months ended March 31, 2022: 43,610,997 shares
Six months ended March 31, 2021: 38,026,627 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): 242,200 shares at the end of the six months ended March 31, 2022; 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): 314,314 shares at the end of the six months ended March 31, 2022; and 485,686 shares at the end of the six months ended March 31, 2021.

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

* Explanation of the proper use of financial results forecast and other notes
(Note on forward-looking statements, etc.)

Financial performance forecasts and other forward-looking statements herein are based on information currently available to the

Company and certain assumptions it deems rational. The actual results may vary significantly due to various factors. With regard to the assumptions for the performance forecasts and the notes on the use of the performance forecasts, please refer to “1. Qualitative Information on Financial Results for the Period under Review, (3) Consolidated Financial Results Forecast and Other Forward-looking Statements” on page 9 of the Attachments.

Table of Contents - Attachments

1. Qualitative Information on Financial Results for the Period under Review	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	8
(3) Consolidated Financial Results Forecast and Other Forward-looking Statements	9
2. Quarterly Consolidated Financial Statements and Primary Notes	10
(1) Quarterly Consolidated Balance Sheets	10
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	12
(3) Quarterly Consolidated Statements of Cash Flows	14
(4) Notes to the Quarterly Consolidated Financial Statements	16
(Notes on Going Concern Assumption)	16
(Notes When There is Significant Changes in Amounts of Equity)	16
(Application of Special Accounting Treatments in Preparing Quarterly Consolidated Financial Statements)	16
(Changes in Accounting Policies)	16
(Segment Information, etc.)	18
(Significant Subsequent Events)	19

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, the rapid spread of the COVID-19 Omicron variant infections among toddlers and children had a major impact on the field of education. Demand for in-person services took a temporary hit from the outbreak, but demand for education’s digitalization continued to increase further.

In the learning center market, as learning becomes more diverse under the influence of the Omicron variant outbreak, systems allowing people to choose between in-person or online learning are gaining favor. 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 has expanded for three consecutive years. This is mainly because e-book publishing grew substantially and sales in paper publications increased for the first time in fifteen years thanks to strong sales of children’s books and books to gain qualifications. On the other hand, as the price of printing papers is rising due to soaring raw material prices and an increase in costs for environmental measures, distribution reform initiatives across industries are progressing in response to longstanding challenges of the industry such as reduction of rates of returned goods unsold and 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 elementary school and junior high school student has been completed and the introduction of digital learning materials is progressing, on the other hand, information security and network measures and the lack of ICT 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, in order to improve the treatment of workers who support elderly care and child-care services at the front line, initiatives have been taken including those that improve their compensation level and reduce turnover rates as well as those of corporate-led promotions of employment.

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 role of ICT is becoming increasingly vital in addressing issues such as reducing workers’ burden in operations as well as preventing and early detecting dementia, lifestyle diseases and other health 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. This resulted in a decrease in the number of children on waiting lists for nursery schools. Although the spread of the Omicron variant infections led parents to refrain from using nursery schools, 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.

Under such market conditions in the second quarter of the fiscal year ending September 30, 2022, although the field of education was significantly impacted by the spread of the Omicron variant infections, new facility

establishment progressed steadily in the elderly housing business and the group homes for the elderly with dementia business of the healthcare and nursing domain. As a result, total of the Group’s revenue increased compared with the same period of the previous fiscal year. On the other hand, operating profit decreased due to unexpected spread of the Omicron variant infections, a prior investment in new business areas in the educational domain and the healthcare and nursing domain, and a rebound decline in sales of junior high school textbooks, for which a great revenue was recorded for the previous fiscal year—the first year when new textbooks were introduced. The Group secured an increase in profit attributable to owners of parent in the six months ended March 31, 2022.

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

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

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

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

(Healthcare and nursing domain)

- Accelerate the opening of new serviced apartments for the elderly and group homes for the elderly with dementia
- Improve the quality of child care in support for child raising, and accelerate the opening of new facilities in growth businesses with a focus on the Tokyo metropolitan area (after-school children's clubs and child development support)
- Reduce early separations and improve employee satisfaction and retention by enhancing recruitment and the 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, 2021	Fiscal year ending September 30, 2022	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 six months ended March 31, 2022, net sales amounted to ¥79,632 million (up 2.0% year on year), operating profit was ¥4,325 million (down ¥645 million year on year), ordinary profit was ¥4,388 million (down ¥437 million year on year), and profit attributable to owners of parent was ¥2,546 million (up ¥201 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 ¥869 million. Operating profit, ordinary profit, and profit attributable to owners of parent are not affected.

Business performance by segment is summarized below.

(Million yen)

	Six months ended March 31, 2021		Six months ended March 31, 2022		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Reportable segments						
Educational Domain	43,040	3,843	41,438	3,517	(1,601)	(325)
Healthcare and Nursing Domain	32,106	1,285	35,211	1,192	3,104	(93)
Other	2,930	503	2,983	532	52	28
Adjustment	–	(661)	–	(916)	–	(255)
Group total	78,077	4,970	79,632	4,325	1,555	(645)

[Educational Domain]

Net sales: ¥41,438 million (down 3.7% year on year); operating profit: ¥3,517 million (down ¥325 million year on year)

(Million yen)

	Six months ended March 31, 2021		Six months ended March 31, 2022		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Main businesses						
Classroom and learning center business	15,673	485	15,858	682	185	196
Publishing and content business	17,758	2,317	17,090	2,285	(667)	(31)
Kindergarten and school business	9,608	1,206	8,489	707	(1,118)	(498)
Goodwill	–	(166)	–	(158)	–	7
Segment total	43,040	3,843	41,438	3,517	(1,601)	(325)

(Classroom and learning center business)

The classroom business was affected by the spread of the Omicron variant infections among children. Against this backdrop, revenue increased. This was attributable to an increase in sales per customer mainly thanks to additional digital services, as well as the acquisition of the Mebae Classroom business in July in the previous fiscal year. Operating profit increased mainly due to various cost cut measures.

The learning center business was also impacted by the Omicron variant outbreak. Specifically, measures including temporary closure of schools posed difficulties for in-person learning centers to acquire new students. In contrast, multiple learning center companies posted increases in revenue and profit as sales per customer rose due to the adoption of hybrid in-person and online learning models. As a whole, profit increased despite a decrease in revenue, in part due to the Group improved efficiency through the consolidation of unprofitable schools at the beginning of the current fiscal year.

(Publishing and content business)

For publishing, overall revenue increased due to strong sales of children's books, contribution from sales for the first three months of Arukikata. Co., Ltd., which joined the Group in January 2021, and an increase in contracts for assessment of learning. Operating profit also grew mainly due to an increase in sales of children's books and the reduction of cost of sales for study-aid books for junior high school students, which were revised in the previous fiscal year, resulting in growth in both revenue and profit as a whole.

For medical and nursing, the number of hospitals that made a contract for e-learning targeting nurses steadily grew. As a result, both revenue and profit increased in the e-learning business. In contrast, owing to a decline in sales of books on nursing and medicine, both revenue and profit of the medical and nursing business as a whole decreased.

For businesses other than publishing, while sales from the online English conversation business grew, both revenue and profit decreased as a whole. This was mainly due to, for Tokyo Global Gateway (a facility to learn English through practical experience), an increase in the number of reservations transferred to the second half of the current fiscal year or later due to the spread of the Omicron variant infections. Another reason was a decrease in sales of toy products produced overseas including China mainly due to delays in delivery.

(Kindergarten and school business)

In toddler education, orders received for equipment and hygiene products greatly decreased as many nursery schools were closed due to the spread of the Omicron variant infections. Although sales of clothing for teachers remained strong, both revenue and profit decreased as a whole in part due to the investments in the development of the child-care ICT business.

In school education, the Group received no proceeds from sales of instruction guides for teachers on junior high school, most sales of which are recorded for the first year when new textbooks are introduced. In addition, the number of copies of textbooks decreased due to a decline in the number of students. Furthermore, the Group invested in the development of the GIGA School-related business. As a result, both revenue and profit decreased as a whole.

* The previous fiscal year (FY2021) was the first year when new textbooks were introduced in junior high schools.

In social education, despite strong performance in corporate training, both revenue and profit decreased as a whole. This was due to a decrease in the number of companies exhibiting at events in the recruitment support service business and the contraction of the e-learning business for the teacher's license recertification system, which is scheduled to be abolished.

[Healthcare and Nursing Domain]

Net sales: ¥35,211 million (up 9.7% year on year); operating profit: ¥1,192 million (*down ¥93 million year on year)

The burden for management and administration fees to the holding company has increased by ¥47 million from the previous fiscal year in the healthcare and nursing domain as a whole. Actual operating profit decreased by ¥46 million, a 3.6% decrease year on year.

* Revenue from sale of real estate was recorded for the first six months of the previous fiscal year.

(Million yen)

	Six months ended March 31, 2021		Six months ended March 31, 2022		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Main businesses						
Elderly housing business	12,944	381	15,620	458	2,675	77
Group homes for the elderly with dementia business	16,614	1,215	16,774	954	160	(260)
Child raising support business	2,547	(78)	2,815	10	268	89
Goodwill	–	(231)	–	(231)	–	–
Segment total	32,106	1,285	35,211	1,192	3,104	(93)

(Elderly housing business)

In serviced apartments for the elderly for the six months ended March 31, 2022, four new sites with five facilities were opened (two newly constructed and three acquired), bringing the total number of sites to 179 including franchise locations, with a total of 9,037 rooms. Overall occupancy rates increased with contribution from the sites opened in or after the previous fiscal year. This more than offset a decrease in the number of daycare service users due to the resurgence of the COVID-19 pandemic and an increase in costs due to higher utilities costs, resulting in increases in revenue and profit.

(Group homes for the elderly with dementia business)

In group homes for the six months ended March 31, 2022, two new facilities were opened, bringing the total number of facilities of 285. Despite the circumstances where the Omicron variant infections were spreading, occupancy rates increased steadily, resulting in an increase in revenue as a whole. On the other hand, profit decreased. This was attributed to a prior investment in new domains including the dispensing pharmacy business and higher utilities and other costs due to recent price hikes.

* Revenue from sale of real estate was recorded for the first six months of the previous fiscal year.

(Child-care business)

Utilization rates at nursery schools are stable. The Group optimized operating costs and improved profitability by changing the capacity of or closing unprofitable nursery schools. In addition, an increase in the number of users of after-school children's clubs contributed, resulting in increases in revenue and profit.

[Other]

Net sales: ¥2,983 million (up 1.8% year on year); operating profit: ¥532 million (up ¥28 million year on year)

Growth in new orders was strong for ODA to emerging countries and the business consulting business. In addition, new operating companies steadily grew, which were established to accelerate the digital transformation (DX) across the Group in the current fiscal year. As a result, both revenue and profit increased as a whole.

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
(Financial position)

(Million yen)

Item	As of September 30, 2021	As of March 31, 2022	Change
Current assets	56,554	65,688	9,134
Cash and deposits	19,772	21,498	1,725
Non-current assets	60,345	63,740	3,394
Total assets	116,900	129,429	12,528
Current liabilities	39,177	44,322	5,144
Non-current liabilities	30,309	35,742	5,433
Total liabilities	69,486	80,064	10,577
Interest-bearing debt*1	38,753	44,462	5,709
Total net assets	47,413	49,364	1,950
Total liabilities and net assets	116,900	129,429	12,528
Equity ratio (%)*2	40.2	37.8	(2.4)
D/E ratio (times)*3	0.83	0.91	0.08

*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 second quarter of the fiscal year ending September 30, 2022 amounted to ¥129,429 million, increasing by ¥12,528 million from the end of the preceding fiscal year. The main changes were an increase of ¥1,725 million in cash and deposits, an increase of ¥7,160 million in notes and accounts receivable - trade, an increase of ¥1,158 million in merchandise and finished goods, a decrease of ¥562 million in work in process, an increase of ¥302 million in property, plant and equipment, and an increase of ¥2,769 million in investment securities.

The total liabilities amounted to ¥80,064 million, increasing by ¥10,577 million from the end of the preceding fiscal year. The main changes were an increase of ¥2,232 million in notes and accounts payable - trade, a decrease of ¥600 million in short-term borrowings, and an increase of ¥5,196 million in long-term borrowings.

The total net assets amounted to ¥49,364 million, increasing by ¥1,950 million from the end of the preceding fiscal year. The main changes were an increase of ¥2,040 million in retained earnings, a decrease of ¥228 million in treasury shares, and a decrease of ¥253 million in valuation difference on available-for-sale securities.

(Cash flows)

(Million yen)

Item	Six months ended March 31, 2021	Six months ended March 31, 2022	Change
Net cash provided by (used in) operating activities	2,139	676	(1,462)
Net cash provided by (used in) investing activities	(15,184)	(4,216)	10,968
Free cash flow	(13,044)	(3,539)	9,505
Net cash provided by (used in) financing activities	16,674	5,177	(11,496)
Cash and cash equivalents at end of period	28,231	20,658	(7,573)

Cash and cash equivalents (hereinafter, “CCE”) at the end of the six months ended March 31, 2022 increased by ¥1,738 million from the beginning of the six months ended March 31, 2022 to ¥20,658 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 ¥676 million (a net inflow of ¥2,139 million was reported in the six months ended March 31, 2021). The main changes were the recording of profit before income taxes of ¥4,423 million and depreciation of ¥1,003 million, an increase in trade receivables of ¥7,136 million, an increase in trade payables of ¥2,232 million, and income taxes paid of ¥392 million.

Cash flows from investing activities resulted in a net outflow of ¥4,216 million (a net outflow of ¥15,184 million was reported in the six months ended March 31, 2021). The main changes were the purchase of property, plant and equipment and intangible assets of ¥1,356 million and the purchase of investment securities of ¥3,334 million.

Cash flows from financing activities resulted in a net inflow of ¥5,177 million (a net inflow of ¥16,674 million was reported in the six months ended March 31, 2021). The main changes were a net decrease in short-term borrowings of ¥600 million, proceeds from long-term borrowings of ¥8,958 million, repayments of long-term borrowings of ¥2,770 million.

(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, due to the following factors. The forecast figures announced on November 12, 2021 remain unchanged.

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 March 31, 2022
Assets		
Current assets		
Cash and deposits	19,772	21,498
Notes and accounts receivable - trade	19,895	27,056
Merchandise and finished goods	8,437	9,595
Work in process	3,493	2,931
Raw materials and supplies	176	148
Other	4,826	4,483
Allowance for doubtful accounts	(47)	(23)
Total current assets	56,554	65,688
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,550	11,820
Machinery, equipment and vehicles, net	38	44
Land	4,419	4,226
Construction in progress	1,458	636
Other, net	844	888
Total property, plant and equipment	17,312	17,615
Intangible assets		
Goodwill	6,806	6,565
Other	3,326	3,347
Total intangible assets	10,132	9,913
Investments and other assets		
Investment securities	21,204	23,973
Other	11,843	12,389
Allowance for doubtful accounts	(146)	(151)
Total investments and other assets	32,900	36,211
Total non-current assets	60,345	63,740
Total assets	116,900	129,429

(Million yen)

	As of September 30, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,392	9,625
Short-term borrowings	14,380	13,780
Current portion of long-term borrowings	2,303	3,406
Income taxes payable	714	1,868
Provision for bonuses	2,149	2,069
Provision for sales returns	506	—
Provision for point card certificates	3	—
Other	11,728	13,572
Total current liabilities	39,177	44,322
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	15,721	20,918
Retirement benefit liability	3,284	3,349
Other	5,302	5,474
Total non-current liabilities	30,309	35,742
Total liabilities	69,486	80,064
Net assets		
Shareholders' equity		
Share capital	19,817	19,817
Capital surplus	12,308	12,333
Retained earnings	13,033	15,073
Treasury shares	(920)	(692)
Total shareholders' equity	44,238	46,532
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,627	1,373
Deferred gains or losses on hedges	0	(2)
Foreign currency translation adjustment	8	36
Remeasurements of defined benefit plans	1,087	993
Total accumulated other comprehensive income	2,723	2,400
Share acquisition rights	275	255
Non-controlling interests	176	176
Total net assets	47,413	49,364
Total liabilities and net assets	116,900	129,429

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

(Million yen)

	For the six months ended March 31, 2021	For the six months ended March 31, 2022
Net sales	78,077	79,632
Cost of sales	53,980	55,609
Gross profit	24,096	24,023
Provision for sales returns	504	–
Gross profit - net	23,592	24,023
Selling, general and administrative expenses	18,621	19,698
Operating profit	4,970	4,325
Non-operating income		
Interest income	8	7
Dividend income	56	57
Share of profit of entities accounted for using equity method	–	27
Other	171	184
Total non-operating income	237	277
Non-operating expenses		
Interest expenses	87	87
Share of loss of entities accounted for using equity method	227	–
Commission expenses	2	82
Other	64	44
Total non-operating expenses	381	213
Ordinary profit	4,826	4,388
Extraordinary income		
Gain on sales of non-current assets	0	17
Gain on sales of investment securities	26	121
Gain on liquidation of subsidiaries and associates	15	–
Other	0	18
Total extraordinary income	43	157
Extraordinary losses		
Loss on sales and retirement of non-current assets	26	49
Impairment loss	199	0
Loss on valuation of investment securities	15	18
Provision for loss on business liquidation	165	–
Loss on refund of the subsidy	–	29
Other	0	24
Total extraordinary losses	406	122
Profit before income taxes	4,463	4,423
Income taxes	2,084	1,867
Profit	2,378	2,556
Profit attributable to non-controlling interests	34	9
Profit attributable to owners of parent	2,344	2,546

Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended March 31, 2021	For the six months ended March 31, 2022
Profit	2,378	2,556
Other comprehensive income		
Valuation difference on available-for-sale securities	528	(260)
Foreign currency translation adjustment	(18)	30
Remeasurements of defined benefit plans, net of tax	(65)	(100)
Share of other comprehensive income of entities accounted for using equity method	(1)	9
Total other comprehensive income	442	(320)
Comprehensive income	2,821	2,235
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,790	2,223
Comprehensive income attributable to non-controlling interests	30	12

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended March 31, 2021	For the six months ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	4,463	4,423
Depreciation	948	1,003
Impairment loss	199	0
Amortization of goodwill	426	430
Loss (gain) on sales and retirement of property, plant and equipment and intangible assets	25	31
Loss (gain) on sales and valuation of investment securities	(11)	(80)
Increase (decrease) in provisions	558	(600)
Decrease (increase) in retirement benefit asset	(217)	(220)
Increase (decrease) in retirement benefit liability	(36)	(70)
Interest and dividend income	(65)	(65)
Interest expenses	87	87
Commission expenses	2	82
Share of loss (profit) of entities accounted for using equity method	227	(27)
Decrease (increase) in trade receivables	(6,707)	(7,136)
Decrease (increase) in inventories	(1,582)	(562)
Increase (decrease) in trade payables	4,372	2,232
Other, net	492	1,562
Subtotal	3,183	1,091
Interest and dividends received	65	65
Interest paid	(88)	(87)
Income taxes paid	(1,021)	(392)
Net cash provided by (used in) operating activities	2,139	676
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(2,401)	(1,356)
Proceeds from sales of property, plant and equipment and intangible assets	9	319
Purchase of investment securities	(10,738)	(3,334)
Proceeds from sales of investment securities	29	300
Long-term loan advances	(1,063)	–
Other, net	(1,020)	(145)
Net cash provided by (used in) investing activities	(15,184)	(4,216)

(Million yen)

	For the six months ended March 31, 2021	For the six months ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,850	(600)
Proceeds from long-term borrowings	500	8,958
Repayments of long-term borrowings	(1,412)	(2,770)
Proceeds from issuance of shares	2,889	–
Proceeds from sales of treasury shares	5,284	134
Purchase of treasury shares	(1)	(0)
Dividends paid	(376)	(482)
Other, net	(60)	(61)
Net cash provided by (used in) financing activities	16,674	5,177
Effect of exchange rate change on cash and cash equivalents	(17)	16
Net increase (decrease) in cash and cash equivalents	3,612	1,654
Cash and cash equivalents at beginning of period	24,765	18,920
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(146)	63
Increase in cash and cash equivalents resulting from merger	–	19
Cash and cash equivalents at end of period	28,231	20,658

(4) 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 six months ended March 31, 2022

There is no relevant information.

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

(Calculation of tax expenses)

Tax expenses are calculated by making a reasonable estimate of the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year, including the second 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.

Revenue from some transactions in the Healthcare and Nursing Domain was previously recognized in the gross amount, but has been changed to be recognized in the net amount, with the consideration of the role in providing goods or services to customers (principle or agent).

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 six months ended March 31, 2022, net sales decreased by ¥869 million, cost of sales decreased by ¥518 million, the equivalent amount for provision for sales returns decreased by ¥306 million, and

selling, general and administrative expenses decreased by ¥44 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 six months ended March 31, 2021 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.)

[Segment information]

I For the six months ended March 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	43,040	32,106	75,146	2,930	78,077	–	78,077
Inter-segment net sales or transfers	140	14	154	3,980	4,135	(4,135)	–
Total	43,180	32,121	75,301	6,910	82,212	(4,135)	78,077
Segment profit	3,843	1,285	5,129	503	5,632	(661)	4,970

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥661 million for “Segment profit” includes negative ¥671 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 six months ended March 31, 2022

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

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in the quarterly consolidated statements of income (Note) 3
	Educational Domain	Healthcare and Nursing Domain	Total				
Net sales							
Net sales to external customers	41,438	35,211	76,649	2,983	79,632	–	79,632
Inter-segment net sales or transfers	145	24	169	3,955	4,125	(4,125)	–
Total	41,584	35,235	76,819	6,939	83,758	(4,125)	79,632
Segment profit	3,517	1,192	4,709	532	5,242	(916)	4,325

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥916 million for “Segment profit” includes negative ¥916 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 (loss)” 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 were included in “Adjustment” in order to provide a more accurate understanding of the Group’s situation. The segment information for the six months ended March 31, 2021 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 an ¥838 million decrease in net sales in the Educational Domain and a ¥31 million decrease in net sales in the Healthcare and Nursing Domain for the six months ended March 31, 2022 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.