

# Consolidated Financial Results for the Six Months Ended March 31, 2023 [Japanese GAAP]



May 12, 2023

Company name: Gakken Holdings Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange  
 Securities code: 9470  
 URL: <https://www.gakken.co.jp/>  
 Representative: Hiroaki Miyahara, President, Representative Director  
 Contact: Takashi Sawada, Corporate Officer and General Manager of Financial Strategy Office  
 Phone: +81-3-6431-1050  
 Scheduled date of filing quarterly securities report: May 12, 2023  
 Scheduled date of commencing dividend payments: June 23, 2023  
 Availability of supplementary briefing material on quarterly financial results: Available  
 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, 2023 (October 1, 2022 to March 31, 2023)

(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, 2023	81,174	1.9	3,224	(25.4)	3,266	(25.6)	1,238	(51.4)
March 31, 2022	79,632	2.0	4,325	(13.0)	4,388	(9.1)	2,546	8.6

(Note) Comprehensive income: Six months ended March 31, 2023: ¥2,120 million [(5.2)%]

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

	Profit per share	Diluted profit per share
Six months ended	Yen	Yen
March 31, 2023	28.15	27.90
March 31, 2022	58.39	57.84

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2023	132,182	50,600	37.9
As of September 30, 2022	123,682	48,888	39.2

(Reference) Equity: As of March 31, 2023: ¥50,092 million

As of September 30, 2022: ¥48,439 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, 2022	–	12.00	–	12.00	24.00
Fiscal year ending September 30, 2023	–	12.50			
Fiscal year ending September 30, 2023 (Forecast)			–	12.50	25.00

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

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2023 (October 1, 2022 to September 30, 2023)

(% 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	162,000	3.8	6,700	4.2	7,000	1.0	3,600	4.6	81.80

(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, 2023: 44,633,232 shares  
 September 30, 2022: 44,633,232 shares
  - 2) Total number of treasury shares at the end of the period:  
 March 31, 2023: 537,983 shares  
 September 30, 2022: 683,987 shares
  - 3) The average number of shares during the period:  
 Six months ended March 31, 2023: 44,009,834 shares  
 Six months ended March 31, 2022: 43,610,997 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): – shares at the end of the six months ended March 31, 2023; and 43,400 shares at the end of the fiscal year ended September 30, 2022. 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): 9,514 shares at the end of the six months ended March 31, 2023; and 314,314 shares at the end of the six months ended March 31, 2022.

\* 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.

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 .....	7
(3) Consolidated Financial Results Forecast and Other Forward-looking Statements .....	8
2. Quarterly Consolidated Financial Statements and Primary Notes .....	9
(1) Quarterly Consolidated Balance Sheets .....	9
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	11
(3) Quarterly Consolidated Statements of Cash Flows.....	13
(4) Notes to the Quarterly Consolidated Financial Statements .....	14
(Notes on Going Concern Assumption) .....	14
(Notes When There Are Significant Changes in Amounts of Equity) .....	14
(Application of Special Accounting Treatments in Preparing Quarterly Consolidated Financial Statements) .....	14
(Changes in Accounting Policies) .....	14
(Segment Information, etc.) .....	15

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

### (1) Explanation of Business Results

#### 1) Explanation of market conditions

Prices in Japan have been rising sharply in response to the global surge in resource prices. The education industry has seen prices for paper, logistics, and other costs increase, while in the elderly care industry, soaring costs of utilities, food, etc. have had tremendous impact.

With the rapid decline in Japan's birthrate, the number of births in fiscal 2022 was 799,000, falling below 800,000 for the first time since statistics started. The era in which there are more university places than students to fill them has arrived in earnest, and there are now reports of some universities that are failing to attract enough applicants to meet their quotas suspending recruitment of students, merging with other universities, or closing down altogether. In light of these circumstances, in April, the Japanese government launched a Children and Families Agency to serve as its command center for children's policies. It has even announced "countermeasures of another dimension" against Japan's low birth rate, and with developments such as this, the social environment surrounding children is on the cusp of a major transformation.

In anticipation of possible market downsizing in the future, the education industry is focusing its investment capital on three trends.

The first of these trends is the increase in expenditure on study outside school. As the birth rate continues to decline, children are starting activities in preparation for entrance exams at an increasingly early age, and the percentage of high school students proceeding to university continues to increase.

The second trend is digital transformation (DX), which enables access to learners beyond the barriers of school, home and learning centers. In schools, the content built into the devices distributed through the GIGA (Global and Innovation Gateway for All) School Program is being improved, and outside schools, private business operators such as learning centers are focusing their efforts on developing online courses and digital learning materials.

The third trend is the growing demand for recurrent education and reskilling. With the progression in digital disruption in many industries, demand for education for working adults targeting both businesses and individuals is growing at an accelerating pace, contributing to the expansion of the education market as a new growth area.

In the elderly care industry, since the peaking out of the 8th wave of COVID-19, there are signs that the pandemic is settling down to a degree with the continuing fall in the number of cases and the downgrading of COVID-19's legal status to a Class 5 infectious disease from May 8. On the other hand, further increases in the prices of life essentials such as utilities and food are causing wide-ranging effects on the management environment of individual elderly care service providers. Against such a background, the government is introducing additional measures to support consumers and businesses that have been affected by soaring commodity prices, including 1.2 trillion yen being added to the budget for the local government subsidy program for priority measures against sharp rises in the price of electricity, gas, and food. The investment environment has also deteriorated, and there have also been cases in which plans to open new facilities have been postponed or cancelled due to consistently high construction costs.

With the long-term nursing care insurance scheme and nursing care fees under the scheme scheduled for revision in April 2024, the various committees and sub-committees are discussing topics such as the verification of the effectiveness of the previous revisions and the main points of each service, and full-scale deliberations are underway with the aim of reaching conclusions before the end of this fiscal year.

#### 2) Explanation of business results

Under the market conditions described above, consolidated net sales for the six months ended March 31, 2023 amounted to ¥81,174 million (up 1.9% year on year), operating profit was ¥3,224 million (down ¥1,100 million or 25.4% year on year), ordinary profit was ¥3,266 million (down ¥1,121 million or 25.6% year on year), and profit attributable to owners of parent was ¥1,238 million (down ¥1,307 million or 51.4% year on year).

In the Educational Domain, sluggish sales, deteriorating rates of goods returned unsold, and rising costs,

mainly in the publishing industry, resulted in declines in revenue and profit. Although the “Chikyu-no-Arukikata” and e-learning businesses continued to perform well, weak sales in other genres, including children’s books, study-aid books, and learning materials for learning centers, pushed down revenue. In the Healthcare and nursing Domain, aided by the active opening of new facilities and strong occupancy rates and utilization rates, despite the reactionary decline from the one-off revenue from the sale of real estate of the previous fiscal year and soaring utilities and food prices, the elderly housing business, the group homes for the elderly with dementia business, and the child raising support business all recorded increases in both revenue and profit.

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, study-aid books, and how-to guides 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, afterschool children’s clubs, etc.

As for the plans for the fiscal year ending September 30, 2023, the Company aims to achieve net sales of ¥162.0 billion, operating profit of ¥6.7 billion, profit of ¥3.6 billion, operating profit margin of 4.1%, ROE of 7.2%, and payout ratio of 30.5%.

(Million yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022	Fiscal year ending September 30, 2023
	Results	Results	Plan
Net sales	150,288	156,032	162,000
Operating profit	6,239	6,427	6,700
Operating profit margin	4.2%	4.1%	4.1%
Profit*	2,617	3,440	3,600
Net profit margin	1.7%	2.2%	2.2%
ROE	6.3%	7.2%	7.2%
Payout ratio	34.1%	30.5%	30.5%

\* Profit: Profit attributable to owners of parent

Business performance by segment is summarized below.

(Million yen)

	Six months ended March 31, 2022		Six months ended March 31, 2023		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Reportable segments						
Educational Domain	41,438	3,517	40,187	2,555	(1,250)	(961)
Healthcare and nursing Domain	35,211	1,192	38,083	1,379	2,872	187
Other	2,983	532	2,903	294	(80)	(237)
Adjustment	–	(916)	–	(1,005)	–	(88)
Group total	79,632	4,325	81,174	3,224	1,541	(1,100)

[Educational Domain]

Net sales: ¥40,187 million (down 3.0% year on year); operating profit: ¥2,555 million (down ¥961 million or 27.3% year on year)

(Million yen)

	Six months ended March 31, 2022		Six months ended March 31, 2023		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Main businesses						
Classroom and learning center business	15,858	682	15,361	390	(497)	(291)
Publishing and content business	17,090	2,285	16,815	1,808	(274)	(476)
Kindergarten and school business	8,489	707	8,010	437	(478)	(270)
Goodwill	–	(158)	–	(81)	–	76
Segment total	41,438	3,517	40,187	2,555	(1,250)	(961)

(Classroom and learning center business)

In the classroom business, memberships in classes for toddlers and the online Japanese language instruction service, Kotoba Park, increased, and demand for online services is on the rise. On the other hand, in the elementary and junior high school sector, the effects of the postponement of price revisions due to rising costs and the setback in membership recruitment for the new school year last spring due to the COVID-19 pandemic continued until the end of the school year resulted in a decrease in both revenue and profit in the period under review.

In the learning center business, businesses with distinctive characteristics, such as dispatching of home tutors, high-level learning centers specializing in preparing for entrance examinations to medical school, and learning centers targeting Japanese children living overseas who want to sit entrance exams for Japanese universities, are performing strongly. However, sluggish growth in learning center attendance by children not intending to sit entrance exams and other factors contributed to decreases in revenue and profit overall. In addition to bolstering its responses to increasingly segmented needs, the Company is working on the expansion of digital services and the bolstering of its teaching capabilities, so that more customers living in remote areas will be able to use its services.

(Publishing and content business)

In publishing, the “Chikyu-no-Arukikata” book series is maintaining its strong performance. The strength in travel planning, combining practicality and uniqueness, that these books offer, along with the good timing of the recovery in travel demand, has resulted in many hit products sweeping bookstores. However, due to weak sales in other genres, primarily children’s books, study-aid books, and learning materials for learning centers, the

business overall recorded a decrease in both revenue and profit for the period under review. Although a certain degree of recovery was seen in this spring's new semester sales season, and the rate of products returned unsold is also recovering, business results were severe due to the impact of cost increases caused by soaring paper prices.

The medical and nursing business saw increases in revenue and profit. The number of hospitals subscribing to e-learning programs for nurses reached 2,407 (an increase of 303 hospitals from the previous year), contributing to the revenue increase. Regarding the publishing of books on nursing and medicine, online bookstore sales and e-book sales are growing.

In businesses other than publishing, the online English conversation classes business is performing strongly. An increase in the number of users of these services combined with fee revisions to push up revenue. In the Tokyo Global Gateway, an experience-based English learning facility, a trend toward recovery in school use secured an increase in revenue, but the impact of new facility opening costs and new program development costs resulted in a decline in profit. Although the toy business recorded decreases in revenue and profit due to the combination of cost increases and the depreciation of the yen, the overall result was an increase in revenue and profit.

#### (Kindergarten and school business)

In toddler education, both revenue and profit decreased. Along with the decline in the number of new nursery school openings, sales of large play equipment and fittings were down. On the other hand, sales of the "Tsunagaru (Making Connections) Picture books" series for kindergartens, which is one of this business's core offerings, increased by 5% year on year. Sales activities, which had faced various restrictions during the pandemic, have resumed in earnest, and measures to increase sales have been under way since the beginning of the new school year.

In school education, although sales of supplementals and materials for mock short essay exams, etc. were strong, because the period under review was in the transition period for elementary and junior high school textbooks revisions, sales of which account for the core of this business's profits, there were no sales of instruction guides for teachers, and overall, both revenue and profit decreased.

In social education, the Company is developing the training business targeting listed companies that are investing in human capital. Although the Company is working to develop content to meet the rapid expansion of demand, it has not yet established a well-organized range of offerings, and both revenue and profit decreased.

#### [Healthcare and nursing Domain]

Net sales: ¥38,083 million (up 8.2% year on year); operating profit: ¥1,379 million (up ¥187 million or 15.7% year on year)

\*The utilities costs has been estimated at ¥1,321 million (up ¥534 million year on year, compared with existing facilities, adding serviced apartments for the elderly and group homes for the elderly with dementia together).

(Million yen)

	Six months ended March 31, 2022		Six months ended March 31, 2023		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Main businesses						
Elderly housing business	15,620	458	17,424	458	1,803	0
Group homes for the elderly with dementia business	16,774	954	17,593	1,089	818	135
Child raising support business	2,815	10	3,066	63	250	52
Goodwill	—	(231)	—	(231)	—	(0)
Segment total	35,211	1,192	38,083	1,379	2,872	187

(Elderly housing business)

In serviced apartments for the elderly, two new facilities were opened in the second quarter of the fiscal year, bringing the total number of sites to 196 including franchise locations, with a total of 9,980 rooms. Although there were impacts from the external environment, such as soaring construction costs, the Company continues to actively promote the opening of new facilities. Occupancy rates continue to rise, reaching a record-high 95.4% (up 3.1 percentage points year on year), even with the active opening of new facilities. Day service operations are recovering since the 8th wave of COVID-19 has peaked out, resulting in a major increase in revenue. Although there were factors that placed pressure on revenue due to higher costs, such as utilities and food costs caused by soaring commodity prices, higher utilities were generally absorbed by the introduction of extra contributions from customers, receipt of subsidies, and the reduction of other inessential expenses. On the other hand, the delays in the schedule for receipt of some COVID-19-related subsidies, the payment of special allowances to employees to encourage the prevention of infection, and other factors meant that operating profit remained level with the previous fiscal year.

(Group homes for the elderly with dementia business)

In group homes for the elderly with dementia, three new facilities were opened in the second quarter of the fiscal year, bringing the total number of facilities to 298, with a total of 5,687 rooms. The Company is actively proceeding with the takeover of facilities through M&As, and, having opened six new facilities in the first half of the year, is making good progress on its plans to open 12 to 15 new locations for the full fiscal year. The occupancy rate has remained high and stable at around 97%, even while being impacted by the 8th COVID-19 wave, sustaining an upward trend in revenue. Although this business has been impacted by soaring prices of utilities, food, and the like, price revisions and cost control have ensured profit, and both revenue and profit increased.

(Child raising support business)

In the child raising support business, utilization rates at nursery schools reached 92.8% (an increase of 1.2 percentage points year on year), and good progress is being made to attract more children to these facilities. The afterschool children's club business is also progressing well, including winning new contracts. Measures targeting unprofitable nursery schools have come to an end, and with the success of cost-cutting measures, the business remains stable, with both revenue and profit increasing.

[Other]

Net sales: ¥2,903 million (down 2.7% year on year); operating profit: ¥294 million (down ¥237 million or 44.7% year on year)

In the digital domain, Gakken LEAP Co., Ltd., which was established in the previous fiscal year to secure DX personnel for the overall Group and invest in DX for the development of new DX products and others, has been operating well and has begun selling new products. In the global business, collaboration with partners in strategic locations such as Vietnam is progressing steadily. On the other hand, a reactionary decline in the acquisition of new ODA projects to emerging countries after a strong performance in the previous fiscal year resulted in decreases in both revenue and profit overall.



## (2) Explanation of Financial Position

(Million yen)

Item	As of September 30, 2022	As of March 31, 2023	Change
Current assets	61,700	69,750	8,050
Cash and deposits	22,520	25,415	2,895
Non-current assets	61,982	62,432	450
Total assets	123,682	132,182	8,500
Current liabilities	39,838	44,384	4,545
Non-current liabilities	34,955	37,197	2,242
Total liabilities	74,793	81,582	6,788
Interest-bearing debt*1	41,807	47,030	5,223
Total net assets	48,888	50,600	1,711
Total liabilities and net assets	123,682	132,182	8,500
Equity ratio (%)*2	39.2	37.9	(1.3)
D/E ratio (times)*3	0.86	0.94	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, 2023 amounted to ¥132,182 million, increasing by ¥8,500 million from the end of the preceding fiscal year. The main changes were an increase of ¥2,895 million in cash and deposits, an increase of ¥5,273 million in notes and accounts receivable - trade, an increase of ¥410 million in merchandise and finished goods, a decrease of ¥183 million in property, plant and equipment, and an increase of ¥1,223 million in investment securities.

The total liabilities amounted to ¥81,582 million, increasing by ¥6,788 million from the end of the preceding fiscal year. The main changes were an increase of ¥2,018 million in notes and accounts payable - trade, an increase of ¥2,100 million in short-term borrowings, and an increase of ¥2,255 in long-term borrowings.

The total net assets amounted to ¥50,600 million, increasing by ¥1,711 million from the end of the preceding fiscal year. The main changes were an increase of ¥710 million in retained earnings and an increase of ¥878 million in valuation difference on available-for-sale securities.

(Million yen)

Item	Six months ended March 31, 2022	Six months ended March 31, 2023	Change
Net cash provided by (used in) operating activities	676	(167)	(844)
Net cash provided by (used in) investing activities	(4,216)	(1,112)	3,103
Free cash flow	(3,539)	(1,279)	2,259
Net cash provided by (used in) financing activities	5,177	4,439	(737)
Cash and cash equivalents at end of period	20,658	24,687	4,028

Cash and cash equivalents (hereinafter, "CCE") at the end of the six months ended March 31, 2023 increased by ¥3,014 million from the beginning of the six months ended March 31, 2023 to ¥24,687 million. The status and factors for each type of cash flow are as described below.

Cash flows from operating activities resulted in a net outflow of ¥167 million (a net inflow of ¥676 million was reported in the six months ended March 31, 2022). The main changes were the recording of profit before income taxes of ¥2,591 million and depreciation of ¥1,061 million, an increase in trade receivables of ¥4,724 million, an increase in trade payables of ¥1,594 million, and income taxes paid of ¥1,997 million.

Cash flows from investing activities resulted in a net outflow of ¥1,112 million (a net outflow of ¥4,216 million was reported in the six months ended March 31, 2022). The main changes were the purchase of property, plant and equipment and intangible assets of ¥1,145 million and the purchase of investment securities of ¥431 million.

Cash flows from financing activities resulted in a net inflow of ¥4,439 million (a net inflow of ¥5,177 million was reported in the six months ended March 31, 2022). The main changes were a net decrease in short-term borrowings of ¥2,100 million, proceeds from long-term borrowings of ¥4,939 million, and repayments of long-term borrowings of ¥2,035 million.

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

There is no change to the plan for the fiscal year ending September 30, 2023 stated on page 3 (net sales of ¥162,000 million, operating profit of ¥6,700 million, profit of ¥3,600 million, net profit margin of 4.1%, ROE of 7.2%, and payout ratio of 30.5%). These forecasts 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, including the status of COVID-19 infections and the impact of soaring prices such as utilities costs.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of September 30, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	22,520	25,415
Notes and accounts receivable - trade	21,064	26,338
Merchandise and finished goods	9,929	10,340
Real estate for sale	-	105
Work in process	3,234	2,304
Raw materials and supplies	198	132
Other	4,764	5,126
Allowance for doubtful accounts	(12)	(12)
<b>Total current assets</b>	<b>61,700</b>	<b>69,750</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,012	12,858
Machinery, equipment and vehicles, net	47	41
Land	4,227	4,298
Construction in progress	197	0
Other, net	815	916
<b>Total property, plant and equipment</b>	<b>18,300</b>	<b>18,116</b>
Intangible assets		
Goodwill	6,185	5,869
Other	2,724	2,832
<b>Total intangible assets</b>	<b>8,910</b>	<b>8,702</b>
Investments and other assets		
Investment securities	23,115	24,339
Other	11,823	11,451
Allowance for doubtful accounts	(167)	(177)
<b>Total investments and other assets</b>	<b>34,771</b>	<b>35,612</b>
<b>Total non-current assets</b>	<b>61,982</b>	<b>62,432</b>
<b>Total assets</b>	<b>123,682</b>	<b>132,182</b>

(Million yen)

	As of September 30, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,103	9,121
Short-term borrowings	12,247	14,347
Current portion of long-term borrowings	3,570	4,431
Income taxes payable	1,917	1,116
Provision for bonuses	2,006	2,137
Other	12,994	13,229
<b>Total current liabilities</b>	<b>39,838</b>	<b>44,384</b>
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	19,548	21,804
Retirement benefit liability	3,370	3,389
Other	6,036	6,004
<b>Total non-current liabilities</b>	<b>34,955</b>	<b>37,197</b>
<b>Total liabilities</b>	<b>74,793</b>	<b>81,582</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	19,817	19,817
Capital surplus	12,333	12,357
Retained earnings	15,313	16,024
Treasury shares	(439)	(322)
<b>Total shareholders' equity</b>	<b>47,025</b>	<b>47,876</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	612	1,490
Deferred gains or losses on hedges	(1)	(2)
Foreign currency translation adjustment	156	137
Remeasurements of defined benefit plans	646	590
<b>Total accumulated other comprehensive income</b>	<b>1,413</b>	<b>2,216</b>
Share acquisition rights	255	234
Non-controlling interests	193	272
<b>Total net assets</b>	<b>48,888</b>	<b>50,600</b>
<b>Total liabilities and net assets</b>	<b>123,682</b>	<b>132,182</b>

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

(Million yen)

	For the six months ended March 31, 2022	For the six months ended March 31, 2023
Net sales	79,632	81,174
Cost of sales	55,609	57,567
Gross profit	24,023	23,606
Selling, general and administrative expenses	19,698	20,381
Operating profit	4,325	3,224
Non-operating income		
Interest income	7	4
Dividend income	57	55
Share of profit of entities accounted for using equity method	27	180
Other	184	126
Total non-operating income	277	367
Non-operating expenses		
Interest expenses	87	91
Foreign exchange losses	–	130
Other	126	103
Total non-operating expenses	213	325
Ordinary profit	4,388	3,266
Extraordinary income		
Gain on sale of non-current assets	17	4
Gain on sale of investment securities	121	55
Other	18	8
Total extraordinary income	157	68
Extraordinary losses		
Loss on sale and retirement of non-current assets	49	0
Impairment losses	0	1
Loss on valuation of investment securities	18	682
Other	53	58
Total extraordinary losses	122	743
Profit before income taxes	4,423	2,591
Income taxes	1,867	1,270
Profit	2,556	1,321
Profit attributable to non-controlling interests	9	82
Profit attributable to owners of parent	2,546	1,238

## Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended March 31, 2022	For the six months ended March 31, 2023
Profit	2,556	1,321
Other comprehensive income		
Valuation difference on available-for-sale securities	(260)	879
Foreign currency translation adjustment	30	(20)
Remeasurements of defined benefit plans, net of tax	(100)	(61)
Share of other comprehensive income of entities accounted for using equity method	9	1
Total other comprehensive income	(320)	799
Comprehensive income	2,235	2,120
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,223	2,041
Comprehensive income attributable to non-controlling interests	12	79

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended March 31, 2022	For the six months ended March 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,423	2,591
Depreciation	1,003	1,061
Impairment losses	0	1
Amortization of goodwill	430	378
Loss (gain) on sale and retirement of property, plant and equipment and intangible assets	31	(3)
Loss (gain) on sale and valuation of investment securities	(80)	626
Increase (decrease) in provisions	(600)	139
Decrease (increase) in retirement benefit asset	(220)	(74)
Increase (decrease) in retirement benefit liability	(70)	(64)
Interest and dividend income	(65)	(59)
Interest expenses	87	91
Share of loss (profit) of entities accounted for using equity method	(27)	(180)
Decrease (increase) in trade receivables	(7,136)	(4,724)
Decrease (increase) in inventories	(562)	497
Increase (decrease) in trade payables	2,232	1,594
Other, net	1,644	(14)
Subtotal	1,091	1,860
Interest and dividends received	65	59
Interest paid	(87)	(90)
Income taxes paid	(392)	(1,997)
Net cash provided by (used in) operating activities	676	(167)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(1,509)	(1,145)
Proceeds from sale of property, plant and equipment and intangible assets	319	6
Purchase of investment securities	(3,334)	(431)
Proceeds from sale of investment securities	300	89
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	7
Subsidies received	152	414
Other, net	(145)	(53)
Net cash provided by (used in) investing activities	(4,216)	(1,112)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(600)	2,100
Proceeds from long-term borrowings	8,958	4,939
Repayments of long-term borrowings	(2,770)	(2,035)
Proceeds from sale of treasury shares	134	41
Purchase of treasury shares	(0)	(0)
Dividends paid	(482)	(527)
Other, net	(61)	(77)
Net cash provided by (used in) financing activities	5,177	4,439
Effect of exchange rate change on cash and cash equivalents	16	(145)
Net increase (decrease) in cash and cash equivalents	1,654	3,014
Cash and cash equivalents at beginning of period	18,920	21,672
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	63	–
Increase in cash and cash equivalents resulting from merger	19	–
Cash and cash equivalents at end of period	20,658	24,687

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

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

For the six months ended March 31, 2023

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 ended March 31, 2023, and multiplying the profit before income taxes by this estimated effective tax rate.

(Changes in Accounting Policies)

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance” is applied from the beginning of the first quarter of the fiscal year ending September 30, 2023. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance, the new accounting policy stipulated in the Fair Value Measurement Guidance is applied prospectively. This does not impact the quarterly consolidated financial statements.



(Segment Information, etc.)

I 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” 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, 2023

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	40,187	38,083	78,271	2,903	81,174	–	81,174
Inter-segment net sales or transfers	116	42	158	4,631	4,790	(4,790)	–
Total	40,304	38,125	78,430	7,535	85,965	(4,790)	81,174
Segment profit	2,555	1,379	3,935	294	4,230	(1,005)	3,224

(Notes)

1. “Other” includes logistics and other businesses that are not included in the reportable segments.
2. The adjustment of negative ¥1,005 million for “Segment profit” includes negative ¥1,003 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.