Summary of Business Results for the Second Quarter Ended September 30, 2022 [Japan GAAP] (Consolidated)

November 10, 2022

Company	**JP-HOLDINGS, INC.**	Listed on the TSE Prime
Stock Code	2749 URL: https://www.jp-holdings. co.jp	
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Expected date of filing of quarterly securities report: November 10, 2022 Expected starting date of dividend payment: -
Preparation of quarterly supplementary financial document: Yes
Quarterly results briefing: Yes (for media members, institutional investors, analysts)

(Rounded down to million yen)

1. Consolidated business results for the six months ended September 2022 (April 1, 2022 through September 30, 2022)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sept. 2022	17,207	2.3	1,502	37.2	1,521	36.9	1,130	59.4
Six months ended Sept. 2021	16,814	3.4	1,095	16.7	1,111	16.3	708	28.6

(Note) Comprehensive income
Six months ended September 2022: 1,094 million yen (53.7%)
Six months ended September 2021: 712 million yen (13.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sept. 2022	12.92	-
Six months ended Sept. 2021	8.11	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sept. 30, 2022	33,158	12,680	38.2
As of Mar. 31, 2022	34,274	11,975	34.9

(Reference) Shareholders' equity:
As of September 30, 2022: 12,680 million yen
As of March 31, 2022: 11,975 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 2022	-	0.00	-	4.50	4.50
Year ending Mar. 2023	-	0.00			
Year ending Mar. 2023 (forecast)			-	6.00	6.00

(Note) Revisions to dividend forecast for the current quarter: None
Breakdown of year-end dividend for the fiscal year ending March 2023
Ordinary dividend: 5.00 yen, Commemorative dividend: 1.00 yen

3. Forecast of consolidated business results for the fiscal year ending March 2023 (April 1, 2022 through March 31, 2023)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Mar. 2023	35,640	3.7	3,633	8.6	3,711	10.5	2,566	12.6	29.64

(Note 1) Revisions to business forecast for the current quarter: Yes

***Notes**

(1) Changes in significant subsidiaries during the period: None

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None

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

①Changes in accounting policies associated with revision of accounting standards:	: Yes
②Changes in accounting policies other than ①	: None
③Changes in accounting estimates	: None
④Restatement	: None

(4) Shares outstanding (common stock)

①Number of shares outstanding at the end of period (treasury stock included)

As of September 30, 2022	87,849,400 shares
As of March 31, 2022	87,849,400 shares

②Treasury stock at the end of period

As of September 30, 2022	366,432 shares
As of March 31, 2022	380,707 shares

③Average number of stock during period (quarterly cumulative period)

Six months ended September 2022	87,474,811 shares
Six months ended September 2021	87,468,693 shares

***Quarterly financial summary is not subject to the quarterly review procedures by certified public accountants or auditing firms.**

***Explanation regarding appropriate use of business forecasts and other special instructions**

· Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. Actual results may differ significantly from the forecasts due to various factors. For information regarding the assumptions that form the basis for the business results forecasts and notes about using business forecasts, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Consolidated Earnings Forecasts” (Page 5).

· The Company plans to hold an online meeting as the financial results briefing for media members, institutional investors and analysts on Friday, November 18, 2022. The financial results briefing for individual investors is planned to be held on Friday, December 16, 2022 via face-to-face and online.

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the second quarter under review, the Japanese economy continued to be affected by COVID-19. While social and economic activities showed signs of normalization due to the relaxation of some restrictions and other factors, the outlook remains uncertain regarding geopolitical risks caused by the situation in Ukraine, price increases due to the depreciation of the yen, and the impact of soaring crude oil and raw material prices on the domestic economy and corporate earnings.

Meanwhile, in the child-raising support business, conditions remained challenging due to the acceleration of the declining birth rate accompanying the sharp drop in the birth rate, the continuing shortage of childcare workers, and a decline in the number of children on waiting lists because of people refraining from using the facilities due to COVID-19. The government has been promoting various measures to improve the childcare environment, such as the development of childcare services based on the "New Childcare Security Plan" and the further acceleration of the development of after-school children's clubs under the "New Comprehensive Plan for After-school Children" in order to eliminate the waiting list for children. In addition, the bill for establishment of the “Children's Agency” was promulgated by the Cabinet. The government plans to establish the Agency in April 2023 and is promoting to create a better environment for childcare. In such circumstances, the social role of the child-raising support business will become increasingly important.

Under these situations, as measures against COVID-19, our group, in collaboration with local governments, has established our own response standards and implemented thorough safety measures with giving top priority to ensuring the safety of children, parents, business partners, and employees. At the same time, we also have been taking prompt measures.

Rather than prioritizing quantitative expansion through the opening of new facilities, we are required to transform ourselves into "facilities that would continue to be selected by customers" by further improving the quality of our childcare support in response to changes in the social environment and the needs of parents. In order to respond promptly to these changes in the environment, our Group has set more reliable management targets.

Our Group will continue to take advantage of changes in the social and business environment and maintain the management policies formulated in the previous fiscal year with the key objectives of "improve profitability and efficiency," "improve soundness," and "improve growth potential." We will effectively allocate and invest management resources to build a solid management foundation and aim for sustainable growth through the creation of new businesses.

Specifically, with Digital Transformation (DX) as the pillar of reform to respond to changes in the social environment, in terms of "improve profitability and efficiency," we are promoting a dominant strategy in collaboration with nursery schools, school clubs, and children's houses with these initiatives: improve early learning to increase the number of children accepted at existing childcare support facilities as our existing business, develop and introduce new content, develop new childcare facilities specializing in English education, improve profitability by further optimizing staffing, and establish an integrated child-rearing support system that captures the infant, early childhood, and children's period. As a result, we are actively promoting new contracts to double the current number of school clubs and children's houses to 200 facilities.

With regard to “improve soundness”, we will expand our human resource education and training systems as the key to childcare support is "human resources.” At the same time, we will improve the sophistication of operations by improving operational efficiency. In addition, we will further improve the quality of our childcare support and promote the creation of “facilities that would continue to be selected by customers” by disseminating and implementing both internally and externally the Group's Management Philosophy, Corporate Message, Operational Philosophy, Childcare and Nurturing Philosophy, and Childcare and Nurturing Policy, which were renewed and formulated last year. In addition, we are working to eliminate wasteful operations by reviewing various operations and to improve operational efficiency by promoting systematization.

With regard to "improve growth potential," we are actively promoting the development of new businesses based on the know-how and marketing cultivated through the operation of the child-raising support business as the second pillar of our business.

We have started operation of "codomel," a child-raising support platform, as a new business to provide various services and products during the process of children's growth and for external sales to other companies in the same industry. As a first step, we are expanding the number of registered members by offering matching services in which users individually sell and purchase baby care goods, apparel, and other goods (reused goods) on the web, centered on the childrearing generations. In the future, we intend to expand our various services and businesses not only domestically but also globally, including the provision of services in collaboration with various companies, introduction and dispatch of professional personnel, and on-demand streaming of professional training programs.

Furthermore, as a food business that responds to the needs of parents with preparations for dinner, we are planning to develop products and sell them using the "codomel" childcare support platform. Specifically, we will commercialize nutritionally balanced meals prepared by our nutritionists and sell them to parents for their dinner. At the same time, each facility will offer services to solve parents' problems, such as providing meals for both parents and children, and preparing and providing diapers and other necessary equipment for each age group at each facility.

In addition, our group has strengthened and promoted support for children with developmental concerns, such as through support programs for visiting child care facilities, etc. Based on the know-how we have cultivated through child-raising support, we will expand our support for children with potential for developmental disabilities based on high levels of expertise, and provide child-raising support to more children and parents, including the establishment of multi-functional facilities.

As for the new facility openings, the Group has opened a total of 14 facilities during the second quarter of the fiscal year ending March 2023 according to the plan, including 2 nursery schools (2 in Tokyo) and 12 school clubs and children's houses (12 in Tokyo).

(Nursery school)	
Asc Musashi-Koganei Minamiguchi Nursery School	(Apr. 1, 2022)
Mitaka City Flexible Childcare Center Hinata	(Apr. 1, 2022)
(School club/Children's house)	
Takenotsuka School Club	(Apr. 1, 2022)
Takaban Elementary School Club	(Apr. 1, 2022)
Wakuwaku Nishi-Ukima Hiroba/Nishi-Ukima Club No. 1	(Apr. 1, 2022)
Wakuwaku Nishi-Ukima Hiroba/Nishi-Ukima Club No. 2	(Apr. 1, 2022)
Wakuwaku Nishi-Ukima Hiroba/Nishi-Ukima Club No. 3	(Apr. 1, 2022)
Wakuwaku Akabane Hiroba/Akabane Children's Club No. 1	(Apr. 1, 2022)
Wakuwaku Akabane Hiroba/Akabane Children's Club No. 2	(Apr. 1, 2022)
Wakuwaku Akabane Hiroba/Akabane Children's Club No. 3	(Apr. 1, 2022)
Wakuwaku Kirigaoka-sato Hiroba/Kirigaoka-satokko Club No. 1	(Apr. 1, 2022)
Wakuwaku Kirigaoka-sato Hiroba/Kirigaoka-satokko Club No. 2	(Apr. 1, 2022)
Wakuwaku Kirigaoka-sato Hiroba/Kirigaoka-satokko Club No. 3	(Apr. 1, 2022)
Bunkyo-ku Meidai Temporary Chidcare Room	(Jun. 1, 2022)

*1: "Mitaka City Part-time Childcare Center Hinata" began operation on May 1, 2022.
*2: As of March 31, 2022, the Company closed Tokyo Licensed Nursery Schools named Asc Itabashi-honcho Nursery School, Asc Shiodome Nursery School, Asc Takadanobaba Nursery School, Asc Yanokuchi Nursery School. In addition, due to the expiration of the contract, the Company withdrew from school clubs named Rinsen Elementary School After School Club, Hiroo Elementary School After School Club, Sarugaku Elementary School After School Club, and a children's house named Fukuro Children's House on March 31, 2022.

As a result, the Group came to have 209 nursery schools, 89 school clubs, 10 children's houses, making a total of 308 facilities for supporting child-raising at the end of September 2022.

As a result, the Group's consolidated net sales were 17,207 million yen (up 2.3% year on year), operating income was 1,502 million yen (up 37.2% year on year), ordinary income was 1,521 million yen (up 36.9% year on year), and net income attributable to owners of parent was 1,130 million yen (up 59.4% year on year).

The major factors are as follows:
Despite the complete lifting of the stricter COVID-19 measures, the number of new cases of the infection has been fluctuating, and the operating environment has been severe, with each our facility becoming partially closed. However, the number of children accepted increased owing to various initiatives to create "facilities that would continue to be selected by customers", such as implementing online facility tours and online learning programs such as English, gymnastics, eurhythmics and dance, as well as introducing a new early learning program even under the COVID-19 crisis. As a result, net sales increased by 2.3% year on year.
In terms of operating income and ordinary income, net sales increased due to the opening of new facilities and an increase in the number of children accepted during the period as a result of the various measures mentioned above, while each facility improved its profitability and reduced costs through efficient operation by reallocating personnel and reviewing the ordering system to control the sharp rise in the prices of various purchased products. Operating income increased by 37.2% year on year and ordinary income increased by 36.9% year on year. This was mainly due to an increase in provision for bonuses resulting from a change in the period covered by bonuses following the introduction of a new personnel system, as well as an increase in expenses resulting from special factors associated with the introduction of a new system in the previous fiscal year.

Net income attributable to owners of parent increased significantly by 59.4% year on year. In addition to the increase in operating income and ordinary income mentioned above, the Company recorded extraordinary income of 215 million yen from the sale of fixed assets (land and buildings) of 1 of 7 nursery schools, in which we acquired land and building as a foothold for our child-raising support business in the past, in the second quarter of the fiscal year ending March 2023, as we considered off-balance sheet financing for these facilities to avoid the risks of holding such assets.

(2) Financial Position

As for the financial position at the end of the second quarter of the current fiscal year, the total assets amounted to 33,158 million yen (down 1,116 million yen from the end of the previous fiscal year).

Current assets totaled 20,372 million yen (down 558 million yen), mainly reflecting an increase of 96 million yen in others, while there were decreases of 321 million yen in cash and deposits, 283 million yen in accounts receivable, and 26 million yen in notes and accounts receivable - trade.

Fixed assets totaled 12,785 million yen (down 557 million yen). This was mainly due to decreases of 170 million yen in buildings and structures, 137 million yen in construction in progress, 133 million yen in land, 90 million yen in long-term loans receivable, and 78 million yen in guarantee deposits, while there was an increase of 91 million yen in tools, furniture and fixtures.

Total liabilities amounted to 20,478 million yen (down 1,821 million yen).

Current liabilities were 7,492 million yen (down 399 million yen), mainly due to a decrease of 185 million yen in accounts payable, 130 million yen in current portion of long-term loans payable, and 128 million yen in income taxes payable, despite an increase of 133 million yen in other items.

Fixed liabilities totaled 12,986 million yen (down 1,421 million yen). This was mainly due to a decrease of 1,439 million yen in long- term loans payable.

Total net assets as of the end of the second quarter of the current fiscal year totaled 12,680 million yen (up 704 million yen from the end of the previous fiscal year), mainly because retained earnings increased by 736 million yen, while valuation difference on securities decreased by 46 million yen.

(3) Consolidated Earnings Forecasts

For the full-year business forecasts announced on May 12, 2022, the Company revised the forecasts upward based on the results for the second quarter of the fiscal year ending March 2023, as follows. For details, please refer to the "Notice of Upward Revisions to Full-year Business Forecasts" dated November 10, 2022.

In our consolidated business forecasts for the fiscal year ending March 2023, we expect sales to be at the initial forecast level, despite a decline in the number of children accepted at the beginning of the fiscal year due to the accelerated decline in the birthrate and the impact of COVID-19. This is due to the promotion of following various initiatives to create "facilities that would continue to be selected by customers": implementing online facility tours and online learning programs such as English, gymnastics, eurhythmics, and dance, introducing a new early learning program, developing swimming classes in cooperation with neighboring facilities.

Operating income and ordinary income are expected to increase by 2.1% and by 3.7% compared to the initial forecasts due to efforts to control expenses and maximize subsidies received through efficient management by the reallocation of personnel at each facility and a review of the ordering system and operation to curb price hikes.

Net income attributable to owners of parent is expected to increase by 10.4% compared to the initial forecast. This is due to factors such as the establishment of the above-mentioned efficient management system and the recording of an extraordinary income from the sale of fixed assets (land and buildings) of 1 of 7 nursery schools, in which we acquired land and building as a foothold for our child-raising support business in the past, in the second quarter of the fiscal year ending March 2023, as we promote off-balance sheet financing for these facilities to avoid the risks of holding such assets.

These efforts are implemented to improve profitability and expand the number of children we accept not only for the current fiscal year but also for the next fiscal year. These initiatives have been successful in creating “facilities that would continue to be selected by customers” in each region, as we could increase the number of visitors to our facility tours. We believe that they will have a significant impact on the expansion of our business in the next fiscal year and beyond.

In addition, we will also develop and operate new businesses in collaboration with existing businesses to achieve sustainable growth, including a food business that captures the needs of parents, a service that provides the necessary equipment for childcare centers, the development of new facilities specializing in English education, and the expansion of the service functions of the "codomel" child-raising support platform.

Actual results may differ from forecasts due to changes in business conditions and other factors in the future. If there are any changes, the Company will disclose them properly.

Since the timing of the containment of COVID-19 remains uncertain, there is a possibility that it will have a major impact on consolidated results depending on the spread and containment of the infection and other factors in the future.

2. [Quarterly Consolidated Financial Statements]

(1) [Quarterly consolidated balance sheets]

(Thousand yen)

	Previous Fiscal Year (March 31, 2022)	Current Second Quarter (September 30, 2022)
Assets		
Current assets		
Cash and deposits	17,296,668	16,974,967
Notes and accounts receivable-trade	68,650	42,002
Inventories	63,900	39,324
Accounts receivable - other	2,708,806	2,425,290
Other	794,924	891,780
Allowance for doubtful accounts	-1,766	-934
Total current assets	20,931,185	20,372,430
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,326,804	12,246,978
Accumulated depreciation and impairment	-7,450,666	-7,541,493
Buildings and structures, net	4,876,138	4,705,484
Machinery, equipment and vehicles	203	203
Accumulated depreciation	-121	-135
Machinery, equipment and vehicles, net	82	67
Tools, furniture and fixtures	1,106,051	1,241,117
Accumulated depreciation and impairment	-820,246	-863,327
Tools, furniture and fixtures, net	285,804	377,790
Land	435,909	302,486
Construction in progress	137,030	-
Total tangible fixed assets	5,734,966	5,385,828
Intangible assets		
Goodwill	136,736	121,543
Other	37,904	42,869
Total intangible assets	174,640	164,412
Investments and other assets		
Investment securities	453,084	408,373
Long-term loans receivable	2,989,672	2,898,887
Guarantee deposits	1,903,902	1,825,437
Deferred tax assets	1,579,652	1,604,002
Other	513,833	503,842
Allowance for doubtful accounts	-6,123	-4,815
Total investments and other assets	7,434,021	7,235,729
Total fixed assets	13,343,629	12,785,970
Total assets	34,274,814	33,158,401

(Thousand yen)

	Previous Fiscal Year (March 31, 2022)	Current Second Quarter (September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	165,552	133,974
Current portion of long-term loans payable	3,113,291	2,982,463
Accounts payable – other	1,561,978	1,376,264
Income taxes payable	641,517	512,994
Accrued consumption taxes	143,892	100,006
Reserve for bonuses	906,420	920,160
Asset retirement obligation	49,652	23,635
Other	1,309,498	1,442,525
Total current liabilities	7,891,803	7,492,024
Fixed liabilities		
Long-term debt	12,816,466	11,377,054
Retirement benefit liability	940,313	984,032
Asset retirement obligation	647,127	624,917
Other	3,650	158
Total fixed liabilities	14,407,557	12,986,162
Total liabilities	22,299,361	20,478,187
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,053
Retained earnings	9,117,409	9,854,069
Treasury stock	-107,515	-103,483
Total shareholders' equity	12,063,393	12,803,593
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-49,918	-96,349
Deferred gains or losses on ledges	-2,533	-109
Remeasurements of defined benefit plans	-35,488	-26,920
Total accumulated other comprehensive income	-87,940	-123,379
Total net assets	11,975,452	12,680,214
Total liabilities and net assets	34,274,814	33,158,401

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

[Quarterly Consolidated Statement of Income]

[Second Quarter of FY3/23]

(Thousand yen)

	Previous Second Quarter (Apr. 1, 2021 - September 30, 2021)	Current Second Quarter (Apr. 1, 2022 - September 30, 2022)
Net sales	16,814,993	17,207,871
Cost of sales	14,149,058	14,300,013
Gross profit	2,665,935	2,907,858
Selling, general and administrative expenses	1,570,399	1,404,938
Operating income	1,095,535	1,502,920
Non-operating income		
Interest income	39,121	39,806
Other	10,094	16,032
Total non-operating income	49,215	55,839
Non-operating expenses		
Interest expenses	30,497	35,474
Other	2,674	1,318
Total non-operating expenses	33,172	36,793
Ordinary income	1,111,579	1,521,966
Extraordinary income		
Gain on sales of fixed assets	-	215,276
Extraordinary income	-	215,276
Extraordinary loss		
Loss (gain) on retirement of fixed assets	35	108
Loss on sales of investment securities	3,052	-
Total extraordinary loss	3,087	108
Income before income taxes and others	1,108,492	1,737,134
Corporate, inhabitant and enterprise taxes	442,135	616,304
Income taxes-deferred	-42,585	-9,439
Total income tax	399,549	606,864
Net income	708,942	1,130,270
Net income attributable to owners of parent	708,942	1,130,270

[Quarterly Consolidated Statement of Comprehensive Income]

[Second Quarter of FY3/23]

(Thousand yen)

	Previous Second Quarter (Apr. 1, 2021 - September 30, 2021)	Current Second Quarter (Apr. 1, 2022 - September 30, 2022)
Net income	708,942	1,130,270
Other comprehensive income		
Valuation difference on available-for- sale securities	-8,117	-46,430
Deferred gains or losses on ledges	1,040	2,423
Remeasurements of defined benefit plans	10,398	8,567
Total other comprehensive income	3,320	-35,439
Comprehensive income	712,263	1,094,830
Breakdown		
Comprehensive income attributable to owners of parent	712,263	1,094,830

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Second quarter of FY3/23 (April 1, 2022 – September 30, 2022)

None applicable.

(Notes if there is a significant change in the amount of shareholders' equity)

Second quarter of FY3/23 (April 1, 2022 – September 30, 2022)

None applicable.

(Changes in accounting policies)

(Application of guidelines for the application of accounting standard for fair value measurement, etc.)

Guidelines for the Application of the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021, hereinafter referred to as the "Guidelines for the Application of the Fair Value Measurement Accounting Standard") and other standards have been applied from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in Article 27-2 of the Guidelines for the Application of the Fair Value Measurement Accounting Standard, the new accounting policy stipulated by the Guidelines for the Application of the Fair Value Measurement Accounting Standard will be applied in the future. The application of this standard has no effect on the quarterly consolidated financial statement.