

Summary of Business Results for the First Quarter Ended June 30, 2023 [Japan GAAP] (Consolidated)

August 10, 2023

Company **JP-HOLDINGS, INC.**
 Stock Code 2749 URL: <https://www.jp-holdings.co.jp>
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 Expected date of filing of annual securities report: August 10, 2023
 Preparation of supplementary financial document: None
 Results briefing: None

Listed on the TSE Prime
 T E L: +81-52-933-5419
 Expected starting date of dividend payment: -

(Rounded down to million yen)

1. Consolidated business results for the three months ended June 2023 (April 1, 2023 through June 30, 2023)

(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	%
Three months ended Jun. 2023	8,956	4.2	868	19.6	877	18.7	572	18.0
Three months ended Jun. 2022	8,596	2.7	726	307.6	739	296.1	485	359.1

(Note) Comprehensive income

Three months ended June 2023: 569 million yen (21.5%)

Three months ended June 2022: 468 million yen (286.7%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Jun. 2023	6.72		-	
Three months ended Jun. 2022	5.55		-	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2023	35,086	13,642	38.9
As of Mar. 31, 2023	35,694	13,584	38.1

(Reference) Shareholders' equity

As of June 30, 2023: 13,642 million yen

As of March 31, 2023: 13,584 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. 2023	-	0.00	-	6.00	6.00
Year ending Mar. 2024	-	-	-	-	-
Year ending Mar. 2024 (forecast)	-	0.00	-	6.00	6.00

(Note) Revisions to dividend forecast for the current quarter: None

Breakdown of year-end dividend for the fiscal year ended March 2023

Ordinary dividend: 5.00 yen, Commemorative dividend: 1.00 yen

3. Forecast of consolidated business results for the fiscal year ending March 2024 (April 1, 2023 through March 31, 2024)

(% 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. 2024	36,390	2.5	3,820	4.2	3,842	2.6	2,497	-7.5	29.32

(Note) Revisions to business forecast for the current quarter: None

***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

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

(4) Shares outstanding (common stock)

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

As of June 30, 2023 87,849,400 shares

As of March 31, 2023 87,849,400 shares

② Treasury stock at the end of period

As of June 30, 2023 2,697,857 shares

As of March 31, 2023 2,697,857 shares

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

Three months ended June 2023 85,151,543 shares

Three months ended June 2022 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 business forecasts, etc., please refer to “1. Qualitative Information on Quarterly Financial Results (3) Consolidated Earnings Forecasts” (Page 4).

○ Table of Contents of the Appendix

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Results of Operations.....	2
(2) Financial Position	4
(3) Consolidated Earnings Forecasts.....	4
2. Quarterly Consolidated Financial Statements and Major Notes.....	5
(1) Quarterly Consolidated Balance Sheets.....	5
(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income.....	7
(3) Notes on Quarterly Consolidated Financial Statements.....	9
(Notes on going concern assumption).....	9
(Notes if there is a significant change in the amount of shareholders' equity).....	9

1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the first quarter under review, the legal status of COVID-19 under the Infectious Diseases Control Law was graded down to class 5, and people in Japan are beginning to return to their normal lives. Meanwhile, the Japanese economy remains uncertain reflecting the unstable international situation due to the situation in Ukraine and other factors and soaring energy resources and other prices. These ongoing concerns inevitably affect the prospects of economic recovery.

In the environment that surrounds our childcare support business, in April 2023, the government established the Children and Families Agency in response to the accelerating decline in the number of children. This agency, under the government's efforts to address the accelerating decline in birthrates, consolidates child-related policies and places emphasis on child-centric initiatives and policies, aligning with the concept of a "Society Centered on Children". The aim is to strengthen child policies and enhance support for children. Additionally, on June 13, 2023, the government finalized the Children's Future Strategic Policy, outlining specific unprecedented measures to address the decline in birth rates. Over the next three years, the government will make concentrated efforts and allocate a budget of approximately 3 trillion yen annually. The specific measures announced as part of the "Children's Future Strategy" include improving the placement standards for childcare workers, for the first time in 75 years, to establish a system where parents can leave their children to facilities with peace of mind. This involves securing childcare personnel through further enhancements in their treatment. Additionally, a "Universal Childcare System (tentative name)" is planned to be established, enabling all families with children to utilize childcare centers regardless of employment requirements. These efforts are part of the "unprecedented measures to address the decline in birth rates". Moreover, initiatives aimed at creating a more supportive environment for childcare, such as doubling child-related budgets, are being accelerated. The social role of childcare support initiatives is believed to be increasingly crucial as they contribute to the establishment of conditions conducive to easy childcare. As described above, while the improvement of childcare environments by the government is being expanded, in areas where the birthrate decline is accelerating, competition among childcare facilities is intensifying to acquire the number of children. Structural reforms for sustained growth and further earnings expansion, and the development and early profitability of new businesses will be required. In view of changes in the external environment, the medium-term management plan (from March 2024 to March 2026) will be reviewed in line with the announcement of business forecasts for the fiscal year ending March 2024, with "Achieve growth and establish a competitive advantage," "Reform our profit structure," and "Reform our management base" as priority targets. With this, we will create new services and value, establish a competitive advantage and solve social problems through our business by proactively developing new businesses for growth, developing infrastructure utilizing M&As and systemization, and building solid business foundations with structural reforms and business reforms. Through these efforts, we will aim for sustainable growth while realizing the management philosophy of our group: "Through child care support, we will contribute to creating smiles for everyone."

To effectively adapt to the changing social environment, we are deploying the following strategies. Firstly, we aim to "achieve growth and establish a competitive advantage" by developing new businesses with a focus on medium to long-term growth. Simultaneously, we are proactively considering M&As to not only expand existing operations but also to venture into new business domains. Furthermore, in order to enhance our competitive advantage, we plan to develop and expand new learning programs. For instance, we will offer childcare and after-school programs that incorporate STEAM education, as well as after-school activities such as English, gymnastics, and music classes. Additionally, the strategy encompasses various initiatives, including the operation of a "bilingual nursery school" with English native teachers as a new facility, establishing a comprehensive childcare support system for infants, toddlers, and school-age children, and adopting a dominant strategy through collaboration between nursery schools, after-school clubs, and children's clubs, aiming to double the current number of after-school clubs and children's clubs to 200 facilities through proactive expansion efforts. Additionally, we are working on enhancing collaboration with local communities to establish the "My Nursery School System" to support those who are planning to have and raise children, as part of our efforts to improve the parenting environment. As such, we are actively implementing a differentiation strategy as part of our commitment to create "facilities that would continue to be selected by customers" in various regions.

Furthermore, as part of our new business initiatives, within the support platform "codomel," we are expanding service offerings and products. We are strengthening our capabilities for C2C, B2C, and B2B interactions. Additionally, we have established the real estate company "Kosodate Support Realty Co., Ltd." within the group. This entity focuses on real estate intermediary services, property leasing, property management, and real estate consulting related to childcare support operations. These efforts are aimed at achieving early revenue generation.

Regarding "reform our profit structure," we are reassessing our business structure. We are addressing redundant tasks, streamlining operations through ICT integration, optimizing staffing, enhancing financial management, rigorously controlling costs, and achieving operational efficiency through the rectification of inefficient operations and processes using data utilization. We are also committed to reducing indirect costs and further improving our operations through business process reforms and system implementations.

As for the "reform our management base," the key to our business is people. Therefore, we will enhance our personnel education and training structure. At the same time, we will retain and develop outstanding human resources and improve employee engagement to lead to a change in awareness. Moreover, we are working to revitalize our organization by enhancing our human resources strategy (expanding training and renewing our corporate culture), strengthening Group governance, and establishing an on-site work and management system.

As for the new facility openings, the Group has opened a total of 9 facilities during the first quarter of the fiscal year ending March 2024 according to the plan, including 1 nursery schools (1 in Tokyo) and 8 school clubs and children's houses (8 in Tokyo).

(Nursery School)

Shinagawa Municipal Yashio Nishi Nursery School (Apr. 1, 2023)

(School club/Children's house)

Heisei Elementary School After School Kids' Club (Apr. 1, 2023)

Ryusen Kids' Club (Apr. 1, 2023)

Chofu Municipal Chowa Elementary School Club No.2 (Apr. 1, 2023)

Minamikko Hiroba (Apr. 1, 2023)

Minato-ku Houka-go→Club Konan (Apr. 1, 2023)

Takaban Elementary School Lan Lan Hiroba (Apr. 1, 2023)

Yonsho Aozora School Club (Apr. 1, 2023)

Asc Asakusabashi Kids' Club (Jun. 1, 2023)

(Bilingual Nursery School)

The Company changed licensed nursery schools and Tokyo Licensed Nursery Schools to bilingual nursery school, which is staffed by native English-speaking teachers.

Asc Bilingual Nursery School Eifuku (formerly Asc Eifuku Nursery School) (Apr. 1, 2023)

Asc Bilingual Nursery School Kameido (formerly Asc Kameido Nursery School) (Apr. 1, 2023)

GENKIDS Bilingual Nursery School Shinkoyasu (formerly GENKIDS Shinkoyasu Nursery School) (Apr. 1, 2023)

Asc Bilingual Nursery School Asakusabashi (formerly Asc Asakusabashi Nursery School) (Jun. 1, 2023)

Ask Bilingual Nursery School Meidai-mae (formerly Asc Meidai-mae Nursery School) (Jun. 1, 2023)

*1: As of March 31, 2023, the Company closed Tokyo Licensed Nursery School named Asc Fudo-mae Nursery School. In addition, due to the expiration of the contract, the Company withdrew from school clubs named Wakuwaku Akabane Hiroba/Akabane Children's Club No. 1, Wakuwaku Akabane Hiroba/Akabane Children's Club No. 2, Wakuwaku Akabane Hiroba/Akabane Children's Club No. 3, Wakuwaku Kirigaoka-sato Hiroba/Kirigaoka-satokko Club No. 1, Wakuwaku Kirigaoka-sato Hiroba/Kirigaoka-satokko Club No. 2, Wakuwaku Kirigaoka-sato Hiroba/Kirigaoka-satokko Club No. 3, Wakuwaku Fukuro Hiroba/Akakita Hibari Club No.3, Wakuwaku Yoniwa Hiroba/Yoniwa Elementary School Icho. Club No. 1, Wakuwaku Yoniwa Hiroba/Yoniwa Elementary School Icho. Club No. 2, Mitaka Municipal Minamiura School Club Annex A, Minato-ku Houka-go→Club Honmura, Bunkyo-ku Meidai Temporary Childcare Room as of March 31, 2023.

As a result, the Group came to have 209 nursery schools, 85 school clubs, 11 children's houses, making a total of 305 facilities for supporting child-raising at the end of June 2023.

As a result, the Group's consolidated net sales were 8,956 million yen (up 4.2% year on year), operating income was 868 million yen (up 19.6% year on year), ordinary income was 877 million yen (up 18.7% year on year), and net income attributable to owners of parent was 572 million yen (up 18.0% year on year).

The major factors are as follows:

In terms of net sales, at the beginning of the period, the impact of the COVID-19 pandemic persisted, resulting in a temporary decrease in the number of children. However, initiatives aimed at creating "facilities that would continue to be selected by customers", such as the introduction of new early childhood learning programs, led to an increase in the number of children during the mid-term period, opening of new facilities, and acquisition of new contracts. As a result, net sales increased by 4.2% year on year.

In terms of operating income, the cost of sales increased due to an increase in electricity prices and a surge in the prices of various purchased merchandise. However, we worked to control and reduce costs by increasing net sales through the above-mentioned measures, improving operating efficiency by reallocating personnel at each facility and reviewing the ordering system. As a result, operating income increased by 19.6% year on year.

Ordinary income and net income attributable to owners of parent also increased by 18.7% and 18.0% year on year, respectively, as a result of growth in net sales, improved sales at existing facilities, and efforts to control expenses through efficient operations.

(2) Financial Position

As for the financial position at the end of the first quarter of the current fiscal year, the total assets amounted to 35,086 million yen (down 608 million yen from the end of the previous fiscal year).

Current assets totaled 23,259 million yen (down 353 million yen), mainly reflecting an increase of 754 million yen in cash and deposits, an increase of 75 million yen in others, while there was a decrease of 1,189 million yen in accounts receivable.

Fixed assets totaled 11,826 million yen (down 254 million yen). This was mainly due to decreases of 102 million yen in buildings and structures, 74 million yen in deferred tax assets and 57 million yen in long-term loans receivable.

Total liabilities amounted to 21,444 million yen (down 666 million yen).

Current liabilities totaled 8,528 million yen (up 233 million yen), mainly reflecting increases of 574 million yen in others and 265 million yen in accounts payable, while there were decreases of 394 million yen in provision for bonuses and 196 million yen in income taxes payable.

Fixed liabilities totaled 12,916 million yen (down 900 million yen). This was mainly due to a decrease of 910 million yen in long-term loans payable.

Total net assets at the end of the first quarter of the current fiscal year totaled 13,642 million yen (up 58 million yen). This was mainly due to an increase of 61 million yen in retained earnings.

(3) Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts have not been revised from the announcement on May 11, 2023, but actual results may be different from the forecast according to the changes in business situations, etc.

If there are any changes, the Company will disclose them properly.

2. [Quarterly Consolidated Financial Statements]

(1) [Quarterly consolidated balance sheets]

(Thousand yen)

	Previous Fiscal Year (March 31, 2023)	Current First Quarter (June 30, 2023)
Assets		
Current assets		
Cash and deposits	19,330,865	20,085,379
Notes and accounts receivable-trade	60,198	77,471
Inventories	55,476	42,525
Accounts receivable - other	3,263,596	2,074,491
Other	904,246	980,146
Allowance for doubtful accounts	-1,291	-379
Total current assets	23,613,092	23,259,635
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,024,967	11,991,422
Accumulated depreciation and impairment	-7,640,405	-7,709,218
Buildings and structures, net	4,384,561	4,282,203
Machinery, equipment and vehicles	203	203
Accumulated depreciation	-150	-157
Machinery, equipment and vehicles, net	53	45
Tools, furniture and fixtures	1,340,178	1,379,277
Accumulated depreciation and impairment	-869,662	-896,656
Tools, furniture and fixtures, net	470,516	482,621
Land	129,529	129,529
Construction in progress	330	-
Total tangible fixed assets	4,984,990	4,894,400
Intangible assets		
Goodwill	106,350	98,754
Other	39,689	38,426
Total intangible assets	146,040	137,180
Investments and other assets		
Investment securities	406,875	412,983
Long-term loans receivable	2,804,871	2,747,833
Guarantee deposits	1,819,824	1,816,080
Deferred tax assets	1,458,611	1,383,968
Other	465,177	441,352
Allowance for doubtful accounts	-4,727	-6,896
Total investments and other assets	6,950,632	6,795,322
Total fixed assets	12,081,664	11,826,904
Total assets	35,694,756	35,086,539

(Thousand yen)

	Previous Fiscal Year (March 31, 2023)	Current First Quarter (June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	186,091	171,075
Current portion of long-term loans payable	3,654,742	3,642,242
Accounts payable – other	1,681,700	1,946,879
Income taxes payable	433,452	237,268
Accrued consumption taxes	92,647	107,992
Reserve for bonuses	866,100	471,720
Asset retirement obligation	3,087	-
Other	1,376,561	1,950,856
Total current liabilities	8,294,383	8,528,034
Fixed liabilities		
Long-term debt	12,226,111	11,315,916
Retirement benefit liability	970,699	979,922
Asset retirement obligation	619,549	620,246
Other	-	26
Total fixed liabilities	13,816,359	12,916,111
Total liabilities	22,110,742	21,444,145
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,455,989	1,455,989
Retained earnings	11,422,289	11,483,694
Treasury stock	-784,199	-784,199
Total shareholders' equity	13,698,034	13,759,439
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-111,798	-114,414
Deferred gains or losses on ledges	1,143	-18
Remeasurements of defined benefit plans	-3,365	-2,612
Total accumulated other comprehensive income	-114,020	-117,045
Total net assets	13,584,013	13,642,393
Total liabilities and net assets	35,694,756	35,086,539

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

[Quarterly Consolidated Statement of Income] [First Quarter of FY3/20]

[First Quarter of FY3/24]

(Thousand yen)

	Previous First Quarter (Apr. 1, 2022 - June 30, 2022)	Current First Quarter (Apr. 1, 2023 - June 30, 2023)
Net sales	8,596,637	8,956,299
Cost of sales	7,152,164	7,412,651
Gross profit	1,444,473	1,543,647
Selling, general and administrative expenses	718,242	675,299
Operating income	726,230	868,347
Non-operating income		
Interest income	20,021	18,236
Subsidies for employment adjustment	2,475	5,933
Other	9,271	4,227
Total non-operating income	31,768	28,397
Non-operating expenses		
Interest expenses	18,092	18,208
Other	499	540
Total non-operating expenses	18,592	18,748
Ordinary income	739,406	877,996
Extraordinary loss		
Loss on retirement of fixed assets	100	0
Total extraordinary loss	100	0
Income before income taxes and others	739,306	877,996
Corporate, inhabitant and enterprise taxes	221,481	229,769
Income taxes-deferred	32,712	75,913
Total income tax	254,194	305,682
Net income	485,112	572,314
Net income attributable to owners of parent	485,112	572,314

[Quarterly Consolidated Statement of Comprehensive Income]

[First Quarter of FY3/24]

(Thousand yen)

	Previous First Quarter (Apr. 1, 2022 - June 30, 2022)	Current First Quarter (Apr. 1, 2023 - June 30, 2023)
Net income	485,112	572,314
Total accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-23,101	-2,615
Deferred gains or losses on ledges	2,357	-1,161
Remeasurements of defined benefit plans	4,283	752
Total other comprehensive income	-16,460	-3,024
Comprehensive income	468,652	569,289
Breakdown		
Comprehensive income attributable to owners of parent	468,652	569,289

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

First quarter of FY3/24 (April 1, 2023 – June 30, 2023)

None applicable.

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

First quarter of FY3/24 (April 1, 2023 – June 30, 2023)

None applicable.