

Summary of Business Results for the Third Quarter Ended December 31, 2023

[Japan GAAP] (Consolidated)

February 13, 2024

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: February 13, 2024
 Preparation of supplementary financial document: None
 Results briefing: None

Listed on the TSE Prime

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Expected starting date of dividend payment: -

(Rounded down to million yen)

1. Consolidated business results for the nine months ended December 2023

(April 1, 2023 through December 31, 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	%
Nine months ended Dec. 2023	27,279	4.7	3,470	38.9	3,418	35.5	2,227	25.3
Nine months ended Dec. 2022	26,051	2.6	2,499	16.2	2,522	16.2	1,777	26.5

(Note) Comprehensive income

Nine months ended December 2023: 2,242 million yen (28.8%)

Nine months ended December 2022: 1,741 million yen (22.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 2023	26.16	-
Nine months ended Dec. 2022	20.44	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2023	34,825	15,328	44.0
As of Mar. 31, 2023	35,694	13,584	38.1

(Reference) Shareholders' equity

As of December 31, 2023: 15,328 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	-	0.00	-	-	-
Year ending Mar. 2024 (forecast)	-	-	-	8.00	8.00

(Notes) Revisions to dividend forecast for the current quarter: Yes

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	37,581	5.8	4,363	19.0	4,314	15.2	2,723	0.9	31.96

(Notes) 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

- | | |
|------------------------------------------------------------------------------------|--------|
| 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 December 31, 2023	87,849,400 shares
As of March 31, 2023	87,849,400 shares

② Treasury stock at the end of period

As of December 31, 2023	2,662,221 shares
As of March 31, 2023	2,697,857 shares

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

Nine months ended December 2023	85,172,925 shares
Nine months ended December 2022	86,974,968 shares

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

***Appropriate use of financial forecasts and other important matters**

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, etc., please refer to “1. Qualitative Information on Quarterly Financial Results (3) Consolidated Earnings Forecasts” (Page 4).

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

During the nine months of the current fiscal year, the Japanese economy continued to show a gradual recovery as a whole, with the normalization of economic activities after the downgrading of the legal status of COVID-19 to "Class 5". However, the outlook remains uncertain due to the prolonged situation in Ukraine, and the effects of rising prices, fluctuations in foreign exchange and financial capital markets, and other factors amidst the ongoing global monetary tightening.

Meanwhile, in the environment surrounding the child-raising support business, the "Children and Families Agency" was established in April 2023 as a countermeasure against the accelerating decline in the birthrate, and in June 2023 the government issued the "Children's Future Strategy," which outlines the specific content of measures against the declining birthrate with different dimensions. As a national policy, measures against the declining birthrate have been further strengthened. The specific measures 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 in facilities with peace of mind. This involves securing childcare personnel through further enhancements in their treatment. Additionally, a "Universal Childcare System" is planned to be established, enabling all families with children to utilize childcare centers regardless of employment requirements. These efforts are part of the "various measures to address the decline in birth rates". As such, initiatives aimed at creating a more supportive environment for childcare are being accelerated. The social role of childcare support initiatives is believed to be increasingly crucial.

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 FY3/24 to FY3/26) has been reviewed in line with the announcement of business forecasts for the fiscal year ending March 2024. We set our three priority targets: "Achieve growth and establish a competitive advantage," "Reform our profit structure," and "Reform our management base". 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 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, test introduction of "Montessori-method education nursery school", 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.

As part of our new business initiatives, within the childcare support platform "codomel," we are expanding service offerings and products. We are strengthening our capabilities for CtoC, BtoC, and BtoB interactions to the problem of preparing dinner for parents. Additionally, we have established the real estate company "Kosodate Support Realty Inc." 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.

As a new business development, on November 27, 2023, the Company entered into a share transfer agreement to acquire all shares of ONE'S WILL CO.LTD. which has expertise in the placement and dispatch of personnel and the introduction of foreign specified skilled workers. In response to the domestic labor shortage and in response to various measures by the government to counter the declining birthrate on a different dimension, we will promote the recruitment and temporary staffing services as a new business that leverages the strengths of both companies, such as acquiring specialist personnel, including childcare workers, and utilizing qualified personnel from overseas.

Furthermore, on October 27, 2023, we concluded a business alliance with Duskin Co., Ltd. The purpose of the alliance is to maximize the corporate value of both companies, create new services for solving social problems and the problems of customers and guardians, and realize an affluent lifestyle through effective use of the management resources and know-how of both companies and mutual cooperation. In promoting these activities, we will launch a cooperative review committee as soon as possible and develop new businesses.

As part of our Group's growth strategy, we will actively pursue M&A to create new businesses, achieve early profitability, and expand existing businesses. In this way, we will strive for sustainable growth while realizing our Group management philosophy of "Through child care support, we will contribute to creating smiles for everyone."

Regarding "reform our profit structure," we are reassessing our business structure. We are optimizing staffing, enhancing financial management, and achieving operational efficiency through the rectification of inefficient operations and processes using data utilization. We are also committed to 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 10 facilities during the third quarter of the fiscal year ending March 2024 according to the plan, including 1 nursery school (1 in Tokyo) and 9 school clubs and children's houses (8 in Tokyo, 1 in Saitama).

(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)

Matsubara Children's Club No.2 (Jul. 21, 2023)

(Bilingual Nursery School)

The Company changed licensed nursery schools and Tokyo Licensed Nursery Schools to bilingual nursery schools, 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)

Asc 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 Hibiari 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, 86 school clubs, 11 children's houses, making a total of 306 childcare facilities as of December 31, 2023.

As a result, the Group's consolidated net sales were 27,279 million yen (up 4.7% year on year), operating income was 3,470 million yen (up 38.9% year on year), ordinary income was 3,418 million yen (up 35.5% year on year), and net income attributable to owners of parent was 2,227 million yen (up 25.3% year on year).

The major factors are as follows:

Net sales increased 4.7% year on year due to an increase in the number of children accepted during the period, the opening of new facilities, and new contracts. This was attributable to a variety of initiatives aimed at creating "facilities that would continue to be selected by customers," including the introduction of a bilingual nursery school as a new business format, a Montessori-method nursery school, and the expansion of preschooler learning programs.

Operating income rose 38.9% year on year, despite an increase in cost of sales due to higher electricity charges and soaring prices for various purchased products, as a result of the above-mentioned measures, as well as efforts to maximize subsidies at each facility, improve operating efficiency, and revise the ordering system.

Ordinary income and net income attributable to owners of parent also increased by 35.5% and 25.3% year on year, respectively, as a result of growth in net sales, improved sales at existing facilities through efficient operations.

(2) Financial Position

As for the financial position at the end of the third quarter of the current fiscal year, the total assets amounted to 34,825 million yen (down 868 million yen from the end of the previous fiscal year).

Current assets totaled 23,415 million yen (down 197 million yen), mainly reflecting an increase of 567 million yen in cash and deposits, while there were decreases of 640 million yen in accounts receivable, and 129 million yen in others.

Fixed assets totaled 11,410 million yen (down 671 million yen). This was mainly due to decreases of 306 million yen in buildings and structures, 174 million yen in deferred tax assets and 169 million yen in long-term loans receivable.

Total liabilities amounted to 19,497 million yen (down 2,612 million yen).

Current liabilities were 8,157 million yen (down 136 million yen), mainly due to a 334 million yen increase in other, offset by a 434 million yen decrease in accrued bonuses.

Fixed liabilities totaled 11,339 million yen (down 2,476 million yen). This was mainly due to a decrease of 2,533 million yen in long-term loans payable.

Total net assets at the end of the third quarter of the current fiscal year totaled 15,328 million yen (up 1,744 million yen). This was mainly due to an increase of 1,717 million yen in retained earnings.

(3) Consolidated Earnings Forecasts

For the full-year business forecasts announced on May 11, 2023, the Company revised the forecasts upward based on the results for the third quarter of the fiscal year ending March 2024, as follows. For details, please refer to the "Notice of Revisions to Full-year Business Forecasts and Dividend Forecast (Upward Revisions)" dated February 13, 2024.

In our full-year forecasts for the fiscal year ending March 31, 2024, we forecast a 3.3% increase in net sales compared to our initial forecasts due to an increase in the number of children resulting from the promotion of creating "facilities that would continue to be selected by customers" through the consignment and establishment of new facilities, the introduction of bilingual nursery schools and Montessori-method nursery schools, and the expansion of early childhood learning programs.

Operating income and ordinary income are expected to increase by 14.2% and 12.3%, respectively, compared with the initial forecasts, due to sales growth resulting from the opening of new facilities and the contracting new facilities and an increase in the number of children accepted, as well as a review of the ordering system in response to soaring raw material prices and various measures taken to maximize subsidies.

Net income attributable to owners of parent is expected to increase by 9.1% from the initial forecast due to the establishment of the above-mentioned efficient management system and the maximization of subsidy acquiring.

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. We believe that they will have a significant impact on the expansion of our business in the next fiscal year and beyond.

Furthermore, we will develop and operate new businesses in conjunction with our existing businesses, such as a food business to meet the needs of parents, a service to provide necessary equipment for nursery schools, the opening of bilingual nursery schools and Montessori-method nursery schools specializing in English with new educational programs, and the development of a personnel placement and dispatch business to address the labor shortage in Japan and the declining birthrate in the future.

We have also revised our year-end dividend forecast for the fiscal year ending March 31, 2024 from 6 yen to 8 yen per share, an increase of 2 yen per share.

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.

2. [Quarterly Consolidated Financial Statements]

(1) [Quarterly consolidated balance sheets]

(Thousand yen)

	Previous Fiscal Year (March 31, 2023)	Current Third Quarter (December 31, 2023)
Assets		
Current assets		
Cash and deposits	19,330,865	19,898,602
Notes and accounts receivable-trade	60,198	79,788
Inventories	55,476	40,432
Accounts receivable - other	3,263,596	2,622,965
Others	904,246	774,328
Allowance for doubtful accounts	-1,291	-366
Total current assets	23,613,092	23,415,751
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,024,967	12,052,008
Accumulated depreciation and impairment	-7,640,405	-7,973,782
Buildings and structures, net	4,384,561	4,078,225
Machinery, equipment and vehicles	203	203
Accumulated depreciation	-150	-172
Machinery, equipment and vehicles, net	53	31
Tools, furniture and fixtures	1,340,178	1,465,393
Accumulated depreciation and impairment	-869,662	-973,512
Tools, furniture and fixtures, net	470,516	491,881
Land	129,529	129,529
Construction in progress	330	-
Total tangible fixed assets	4,984,990	4,699,667
Intangible assets		
Goodwill	106,350	83,561
Others	39,689	32,719
Total intangible assets	146,040	116,280
Investments and other assets		
Investment securities	406,875	456,825
Long-term loans receivable	2,804,871	2,635,295
Guarantee deposits	1,819,824	1,822,904
Deferred tax assets	1,458,611	1,284,598
Others	465,177	401,221
Allowance for doubtful accounts	-4,727	-6,603
Total investments and other assets	6,950,632	6,594,242
Total fixed assets	12,081,664	11,410,190
Total assets	35,694,756	34,825,942

(Thousand yen)

	Previous Fiscal Year (March 31, 2023)	Current Third Quarter (December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	186,091	149,178
Current portion of long-term loans payable	3,654,742	3,584,113
Accounts payable – other	1,681,700	1,745,701
Income taxes payable	433,452	493,054
Accrued consumption taxes	92,647	43,599
Reserve for bonuses	866,100	431,280
Asset retirement obligation	3,087	-
Others	1,376,561	1,710,930
Total current liabilities	8,294,383	8,157,856
Fixed liabilities		
Long-term debt	12,226,111	9,692,193
Retirement benefit liability	970,699	1,026,121
Asset retirement obligation	619,549	621,641
Total fixed liabilities	13,816,359	11,339,955
Total liabilities	22,110,742	19,497,812
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,455,989	1,457,965
Retained earnings	11,422,289	13,139,301
Treasury stock	-784,199	-773,840
Total shareholders' equity	13,698,034	15,427,382
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-111,798	-98,714
Deferred gains or losses on ledges	1,143	569
Remeasurements of defined benefit plans	-3,365	-1,106
Total accumulated other comprehensive income	-114,020	-99,251
Total net assets	13,584,013	15,328,130
Total liabilities and net assets	35,694,756	34,825,942

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

Quarterly Consolidated Statement of Income Current

[Third Quarter of FY3/24]

(Thousand yen)

	Previous Third Quarter (April 1, 2022 - December 31, 2022)	Current Third Quarter (April 1, 2023 - December 31, 2023)
Net sales	26,051,906	27,279,638
Cost of sales	21,488,226	21,903,885
Gross profit	4,563,680	5,375,752
Selling, general and administrative expenses	2,064,225	1,904,854
Operating income	2,499,455	3,470,898
Non-operating income		
Interest income	59,278	55,731
Others	25,011	18,414
Total non-operating income	84,290	74,146
Non-operating expenses		
Interest expenses	52,112	52,308
Arrangement fee	-	70,000
Others	9,234	3,880
Total non-operating expenses	61,347	126,189
Ordinary income	2,522,398	3,418,855
Extraordinary income		
Gain on sales of fixed assets	239,330	-
Extraordinary income	239,330	-
Extraordinary loss		
Loss on retirement of fixed assets	1,021	121
Total extraordinary loss	1,021	121
Income before income taxes and others	2,760,707	3,418,733
Corporate, inhabitant and enterprise taxes	895,673	1,023,499
Income taxes-deferred	87,141	167,312
Total income tax	982,814	1,190,811
Net income	1,777,892	2,227,922
Net income attributable to owners of parent	1,777,892	2,227,922

[Quarterly Consolidated Statement of Comprehensive Income]

[Third Quarter of FY3/24]

(Thousand yen)

	Previous Third Quarter (April 1, 2022 - December 31, 2022)	Current Third Quarter (April 1, 2023 - December 31, 2023)
Net income	1,777,892	2,227,922
Total accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-56,321	13,083
Deferred gains or losses on ledges	6,821	-573
Remeasurements of defined benefit plans	12,850	2,258
Total other comprehensive income	-36,648	14,768
Comprehensive income	1,741,243	2,242,690
Breakdown		
Comprehensive income attributable to owners of parent	1,741,243	2,242,690

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Third quarter of FY3/24 (April 1, 2023 – December 31, 2023)

None applicable.

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

Third quarter of FY3/24 (April 1, 2023 – December 31, 2023)

None applicable.