

Summary of Business Results for the Second Quarter Ended September 30, 2021 [Japan GAAP] (Consolidated)

November 11, 2021

Company **JP-HOLDINGS, INC.**
 Stock Code 2749
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 Expected date of filing of quarterly securities report: November 11, 2021
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: Yes (for media members, institutional investors, analysts)

Listed on the TSE 1
 URL: <https://www.jp-holdings.co.jp>

T E L: +81-52-933-5419
 Expected starting date of dividend payment: -

(Rounded down to million yen)

1. Consolidated business results for the six months ended September 2021 (April 1, 2021 through September 30, 2021)

(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. 2021	16,814	3.4	1,095	16.7	1,111	16.3	708	28.6
Six months ended Sept. 2020	16,262	3.3	938	30.3	955	28.4	551	6.8

(Note) Comprehensive income

Six months ended September 2021: 712 million yen (13.5%)

Six months ended September 2020: 627 million yen (19.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sept. 2021	8.11	-
Six months ended Sept. 2020	6.30	-

(Note) In the first quarter of the current fiscal year, the Company changed the presentation of "subsidy income" related to the childcare business, which was previously included in non-operating income, to "net sales." As a result of this change, major management indices for the second quarter of the previous fiscal year are based on the indices after this reclassification.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sept. 30, 2021	33,051	10,378	31.4
As of Mar. 31, 2021	29,740	10,007	33.7

(Reference) Shareholders' equity:

As of September 30, 2021: 10,378 million yen

As of March 31, 2021: 10,007 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. 31, 2021	-	0.00	-	3.90	3.90
Year ending Mar. 31, 2022	-	0.00	-	-	-
Year ending Mar. 31, 2022 (forecast)	-	-	-	4.50	4.50

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

3. Forecast of consolidated business results for the fiscal year ending March 2022 (April 1, 2021 through March 31, 2022)

(% 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. 31, 2022	33,900	1.2	2,730	-4.5	2,760	-6.4	1,760	227.4	20.12

(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

- | | |
|--|--------|
| ① Changes in accounting policies associated with revision of accounting standards: | : Yes |
| 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 September 30, 2021	87,849,400 shares
As of March 31, 2021	87,849,400 shares

② Treasury stock at the end of period

As of September 30, 2021	380,707 shares
As of March 31, 2021	380,707 shares

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

Six months ended September 2021	87,468,693 shares
Six months ended September 2020	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 3).
- The Company plans to hold an online meeting as the financial results briefing for media members, institutional investors and analysts on Friday, November 19, 2021. The briefing for individual investors on financial results has been cancelled in order to prevent the spread of the COVID-19 infections.

○ Table of Contents of the Appendix

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Results of Operations.....	2
(2) Financial Position.....	3
(3) Consolidated Earnings Forecasts.....	4
2. Quarterly Consolidated Financial Statements.....	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
(Changes in accounting policies).....	9

1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the second quarter of the current fiscal year, the Japanese economy was still affected by the outbreak of COVID-19. Economic activity has continued to be restrained and corporate activities and consumer spending have been weak as the areas covered by the State of Emergency have expanded to 21 prefectures and the period has been extended to the end of September.

However, with the progress of vaccination and the government's policy to normalize the socio-economy by easing various restrictions, a recovery in the economy is expected.

Meanwhile, in the child-raising support business, the environment surrounding childcare is rapidly changing. In addition to the further acceleration of the declining birth rate society due to a recent sharp drop in the birth rate and the expansion of the childcare support, there is a decrease in the number of children on waiting lists because of people refraining from using the facilities due to COVID-19, a continuous shortage of childcare workers, an increase in the female employment rate, and changes in working styles and lifestyles due to the expansion of COVID-19.

In addition, on December 21, 2020, the government announced the "New Child-rearing security Plan", which aims to reduce the number of children on the waiting list. In order to cope with the increase in female employment rate, the government plans to provide childcare services for approximately 140,000 children over the four-year period from 2021 to the end of 2024.

Furthermore, the role of childcare in society is expected to become increasingly important, as the government has been actively discussing the establishment of a "Children's Agency", making proposals to increase government spending on childcare policies and promoting measures to create an environment conducive to child-raising.

Under these severe 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 such as staggered work hours and remote working at the head office and Tokyo headquarters.

In addition, in order to further improve the quality of child-raising support services and expand the scope of our business, we are capturing changes in the social environment and have set priority goals of "improve profitability and efficiency," "improve soundness," and "improve growth potential." By effectively allocating and investing management resources, we have built a solid management foundation. 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 will take these initiatives: improve early learning programs to increase the number of children accepted at existing childcare support facilities as our existing business, developing and introducing new content, introduction of online learning programs (English, gymnastics, eurhythmics and dance) and online facility tours, developing online international exchange programs with overseas child care facilities, etc., improve profitability by further optimizing staffing, and accelerate operational efficiency by promoting the use of ICT in facilities. In terms of "improve soundness," as the key of childcare support is "human resources," we have been working to establish a new personnel system, expand our human resource education and training systems and improve operational efficiency through systemization. As for the "improve growth potential," we introduced a new early learning program "Mojikazu Land" through a business alliance with GAKKEN HOLDINGS CO., LTD., and worked to reduce costs and improve on-site operations through joint purchasing, as well as to develop services and products that provide added value.

As for the new facility openings, the Group has opened a total of 11 facilities during the second quarter of the fiscal year ending March 2022 according to the plan, including 3 nursery schools (3 in Tokyo) and 8 school clubs and children's houses (8 in Tokyo).

(Nursery school)

Asc Kami-Shakujii Nursery School	(Apr. 1, 2021)
Asc Kanamachi Nursery School	(Apr. 1, 2021)
Asc Higashikasai Nursery School	(Apr. 1, 2021)

(School club/Children's house)

Wakuwaku Takinogawa Momiji Hiroba/Takinogawa Momiji Genkikko Club No. 2	(Apr. 1, 2021)
Wakuwaku Takinogawa Momiji Hiroba/Takinogawa Momiji Genkikko Club No. 3	(Apr. 1, 2021)
Mitaka City Rokusho School Club A	(Apr. 1, 2021)
Niji-iro Kids Club	(Apr. 1, 2021)

Bancho Elementary School After School No. 1	(Apr. 1, 2021)
Bancho Elementary School After School No. 2	(Apr. 1, 2021)
Bancho Elementary School After School Kids' Club (Play school)	(Apr. 1, 2021)
Jindaiji Children's House	(Apr. 1, 2021)

*1: As of April 1, 2021, Tokyo Licensed Nursery Schools named Asc Ontake Nursery School, which had been running since August 1, 2003 and Asc Shimomaruko Nursery School, which had been running since April 1, 2010, were changed into licensed nursery school.

*2: April 1, 2021, with the opening of the Wakuwaku Takinogawa Momiji Hiroba/Takinogawa Momiji Genkikko Club No. 1 above, Wakuwaku Takinogawa Momiji Hiroba was renamed as Wakuwaku Takinogawa Momiji Hiroba/Takinogawa Momiji Genkikko Club No. 1.

*3: As of March 31, 2021, the Company closed Tokyo Licensed Nursery Schools named Asc Idabashi Nursery School, Asc Nishishinjuku Nursery School, Asc Ikebukuro Nursery School, Asc Yukigaya-Otsuka Nursery School, and a private school club named AEL Yokohama Business Park. In addition, due to the expiration of the contract, the Company withdrew from school clubs named Nakano-ku Kids Plaza Yato, Kita-ku Sakura Club No. 1, Kita-ku Daini Sakura Club No. 2, and a children's house named Sayama City Chuo Children's House on March 31, 2021.

As a result, the Group came to have 211 nursery schools, 81 school clubs, 11 children's houses, making a total of 303 facilities for supporting child-raising at the end of September 2021.

As a result, the Group's consolidated net sales were 16,814 million yen (up 3.4% year on year), operating income was 1,095 million yen (up 16.7% year on year), ordinary income was 1,111 million yen (up 16.3% year on year), and net income attributable to owners of parent was 708 million yen (up 28.6% year on year). Both sales and profits increased year-on-year.

The major factors are as follows:

Despite a decrease in the number of children accepted at the beginning of the fiscal year since the State of Emergency was declared from April 25 to September 30, 2021 to prevent the spread of COVID-19, net sales increased year-on-year reflecting an increase in the number of children accepted for the full year and the introduction of new facilities. The increase in number of children accepted was attributable to our efforts to create facilities that would be selected by customers, through 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.

Operating income increased year-on-year. This was attributable to the introduction of new facilities, increase in sales thanks to the increase in the number of children accepted through above mentioned measures and our efforts to curb expenses and improve profitability by efficient operation through reallocation of personnel at each facility, review of recruitment activities, and reviewing the ordering system for various supplies and equipment, despite an increase in expenses due to special factors, such as an increase in accrued bonuses reflecting a change in the eligible period for bonuses due to the introduction of the new personnel system and an increase in expenses related to the new system introduction.

Ordinary income and net income attributable to owners of parent also increased year-on-year owing to the sharp increase in operating income supported by the efficient management structure established through above-mentioned measures.

With regard to subsidies, etc. received from local governments for rental company housing for nursery school teachers, the amount was previously recorded as "subsidy income" under non-operating income, but from the first quarter of the current fiscal year, such subsidies, etc. are now recorded as "net sales." This change in presentation is due to the fact that the qualitative importance of such subsidies, etc. to the childcare business has increased, and also as a result of confirming and organizing the subsidy system related to the childcare business as a result of investigating and studying the "Accounting Standard for Revenue Recognition: we made the judgment that it would be possible to present the actual status of the business more appropriately if the relevant amounts were recorded in the same category as other subsidies. Due to this change in presentation, reclassifications have been made for the second quarter of the previous fiscal year.

(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 33,051 million yen (up 3,310 million yen from the end of the previous fiscal year).

Current assets totaled 19,276 million yen (up 4,137 million yen), mainly reflecting an increase of 4,869 million yen in cash and deposits, while there were decreases of 518 million yen in accounts receivable, and 123 million yen in inventories.

Fixed assets totaled 13,774 million yen (down 826 million yen). This was mainly due to an increase of 40 million yen in deferred tax assets, while there were decreases of 473 million yen in construction in progress, 183 million yen in buildings and structures, 125 million yen in long-term loans receivable.

Total liabilities amounted to 22,672 million yen (up 2,939 million yen).

Current liabilities totaled 8,138 million yen (up 309 million yen), mainly due to increases of 628 million yen in current portion of long-term loans payable, 340 million yen in provision for bonuses, and 85 million yen in others. While there were decreases of 408 million yen in accounts payable-other, 195 million yen in income taxes payable, 95 million yen in notes and accounts payable-trade, and 79 million yen in accrued consumption taxes.

Fixed liabilities were 14,533 million yen (up 2,630 million yen). This was mainly due to an increase of 2,703 million yen in long-term loans payable.

Total net assets at the end of the second quarter of the current fiscal year totaled 10,378 million yen (up 371 million yen). This was mainly due to an increase of 367 million yen in retained earnings.

(3) Consolidated Earnings Forecasts

In light of the business results for the first half of the fiscal year ending March 2022, the Company has upwardly revised its full-year business forecasts announced in the "Notice Concerning the Revision to Business Forecasts (Upward Revision to Net Sales and Operating Income) due to Changes in Presentation and Factors behind the Changes between the Results for the First Quarter of the Fiscal Year ending March 2022 and for the same period of the previous fiscal year due to the Recording of Reserve for Bonuses" dated August 12, 2021, as follows. For details, please refer to the "Notice Concerning the Upward Revision to Full-year Business Forecasts" dated November 11, 2021.

In the consolidated business forecasts for the fiscal year ending March 2022, despite a decrease in the number of children accepted at the beginning of the fiscal year due to the State of Emergency to prevent the spread of COVID-19, we expect net sales to exceed our initial forecast reflecting an increase in the number of children accepted during the fiscal year. This was attributable to our efforts to create facilities that would be selected by customers, through implementing online facility tours and online learning programs such as English, gymnastics, eurhythmics and dance even under the COVID-19 crisis, as well as introducing a new early learning program.

Operating income is expected to increase by 18.7% compared to the initial forecast. This was attributable to our efforts to curb expenses by improving profitability at each facility and reviewing the ordering system for various supplies and equipment, such as efficient operation through reallocation of personnel at each facility and review of recruitment activities, despite an increase in expenses due to special factors, such as an increase in accrued bonuses reflecting a change in the eligible period for bonuses due to the introduction of the new personnel system and an increase in expenses related to the new system introduction.

Ordinary income and net income attributable to owners of parent are also expected to increase by 20.0% and 21.4%, respectively, compared to the previous forecasts owing to the sharp increase in operating income supported by the efficient management structure established through above-mentioned measures.

We are actively promoting digitization compared to our competitors. We have developed a variety of online programs ahead of our competitors, such as online facility tours, online learning programs such as English, gymnastics, eurhythmics and dance, online international exchange programs with overseas child care facilities, etc., and introducing Mojikazu Land, a new early learning program through a business alliance with GAKKEN HOLDINGS CO., LTD. as an expansion of early learning services.

These efforts are not only for the current fiscal year, but also for the next fiscal year to expand the number of children we accept. These initiatives have been successful in increasing the number of visitors to our facility tours and in creating facilities that would 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.

The 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.

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, 2021)	Previous fiscal year (September 30, 2021)
Assets		
Current assets		
Cash and deposits	11,020,922	15,890,899
Notes and accounts receivable-trade	88,259	64,936
Inventories	167,481	43,795
Accounts receivable - other	3,009,655	2,491,227
Other	858,136	789,738
Allowance for doubtful accounts	-5,057	-3,863
Total current assets	15,139,399	19,276,734
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,853,109	12,700,795
Accumulated depreciation and impairment	-7,439,556	-7,470,326
Buildings and structures, net	5,413,552	5,230,469
Machinery, equipment and vehicles	203	203
Accumulated depreciation	-92	-106
Machinery, equipment and vehicles, net	111	96
Tools, furniture and fixtures	998,658	1,061,306
Accumulated depreciation and impairment	-770,948	-805,296
Tools, furniture and fixtures, net	227,710	256,010
Land	585,678	585,678
Construction in progress	474,178	1,100
Total tangible fixed assets	6,701,231	6,073,355
Intangible assets		
Goodwill	167,122	151,929
Other	47,307	40,756
Total intangible assets	214,430	192,686
Investments and other assets		
Investment securities	382,394	370,771
Long-term loans receivable	3,170,376	3,045,132
Guarantee deposits	1,906,868	1,880,787
Deferred tax assets	1,631,311	1,671,565
Other	603,466	546,392
Allowance for doubtful accounts	-8,871	-6,180
Total investments and other assets	7,685,546	7,508,468
Total fixed assets	14,601,208	13,774,509
Total assets	29,740,607	33,051,244

(Thousand yen)

	Previous Fiscal Year (March 31, 2021)	Current fiscal year (September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	219,266	123,612
Current portion of long-term loans payable	3,307,412	3,936,300
Accounts payable – other	1,634,568	1,226,492
Income taxes payable	551,678	356,404
Accrued consumption taxes	160,836	81,439
Reserve for bonuses	544,474	884,700
Asset retirement obligation	51,900	84,548
Other	1,359,619	1,445,272
Total current liabilities	7,829,755	8,138,769
Fixed liabilities		
Long-term debt	10,305,896	13,009,422
Retirement benefit liability	839,667	869,964
Asset retirement obligation	747,503	645,666
Other	10,012	8,513
Total fixed liabilities	11,903,079	14,533,566
Total liabilities	19,732,834	22,672,336
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	7,178,942	7,546,757
Treasury stock	-107,515	-107,515
Total shareholders' equity	10,124,926	10,492,741
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-84,960	-93,078
Deferred gains or losses on ledges	-6,948	-5,908
Remeasurements of defined benefit plans	-25,245	-14,847
Total accumulated other comprehensive income	-117,154	-113,833
Total net assets	10,007,772	10,378,907
Total liabilities and net assets	29,740,607	33,051,244

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

[Quarterly Consolidated Statement of Income]

[Second Quarter of FY3/22]

(Thousand yen)

	Previous Second Quarter (Apr. 1, 2020 - September 30, 2020)	Current Second Quarter (Apr. 1, 2021 - September 30, 2021)
Net sales	16,262,270	16,814,993
Cost of sales	13,824,713	14,149,058
Gross profit	2,437,556	2,665,935
Selling, general and administrative expenses	1,498,699	1,570,399
Operating income	938,857	1,095,535
Non-operating income		
Interest income	42,774	39,121
Other	6,110	10,094
Total non-operating income	48,885	49,215
Non-operating expenses		
Interest expenses	28,260	30,497
Other	3,997	2,674
Total non-operating expenses	32,257	33,172
Ordinary income	955,485	1,111,579
Extraordinary income		
Gain on sales of fixed assets	1,606	-
Extraordinary income	1,606	-
Extraordinary loss		
Loss (gain) on retirement of fixed assets	0	35
Loss on sales of investment securities	-	3,052
Impairment loss (on facilities)	115,907	-
Total extraordinary loss	115,907	3,087
Income before income taxes and others	841,184	1,108,492
Corporate, inhabitant and enterprise taxes	319,478	442,135
Income taxes-deferred	-29,593	-42,585
Total income tax	289,884	399,549
Net income	551,299	708,942
Net income attributable to owners of parent	551,299	708,942

[Quarterly Consolidated Statement of Comprehensive Income]

[Second Quarter of FY3/22]

(Thousand yen)

	Previous Second Quarter (Apr. 1, 2020 - September 30, 2020)	Current Second Quarter (Apr. 1, 2021 - September 30, 2021)
Net income	551,299	708,942
Total accumulated other comprehensive income		
Valuation difference on available-for- sale securities	64,146	-8,117
Deferred gains or losses on ledges	-2,650	1,040
Foreign currency translation adjustments	-1,772	-
Remeasurements of defined benefit plans	16,316	10,398
Total other comprehensive income	76,039	3,320
Comprehensive income	627,339	712,263
Breakdown		
Comprehensive income attributable to owners of parent	627,339	712,263

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Second quarter of FY3/22 (April 1, 2021 – September 30, 2021)

Not applicable

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

Second quarter of FY3/22 (April 1, 2021 – September 30, 2021)

Not applicable

(Changes in accounting policies)

(Application of the accounting standard for revenue recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the current fiscal year and it recognizes revenue when it satisfies a performance obligation by transferring promised goods or services (an asset) to a customer. An asset is transferred when the customer obtains control of that asset. It recognizes as revenue the amount expected to be received upon exchange of goods or services.

The application of this standard has no effect on the quarterly consolidated financial statements for the current second quarter, the second quarter of the previous fiscal year and the previous fiscal year.

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

The Company has applied the Accounting Standard for Fair Value Measurement, etc.” (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and it has applied the accounting policies stipulated in the “Accounting Standard for Fair Value Measurement, etc.” prospectively in accordance with the transitional treatment provided in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 of July 4, 2019). The application of this standard has no effect on the quarterly consolidated financial statement.