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

August 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 annual securities report: August 10, 2022 Expected starting date of dividend payment: -
Preparation of supplementary financial document: None
Results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the three months ended June 2022 (April 1, 2022 through June 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	%
Three months ended Jun. 2022	8,596	2.7	726	307.6	739	296.1	485	359.1
Three months ended Jun. 2021	8,371	4.6	178	-32.2	186	-30.1	105	-40.4

(Note) Comprehensive income
Three months ended June 2022: 468 million yen (286.7%)
Three months ended June 2021: 121 million yen (-51.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 2022	5.55	-
Three months ended Jun. 2021	1.21	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2022	33,656	12,049	35.8
As of Mar. 31, 2022	34,274	11,975	34.9

(Reference) Shareholders' equity
As of June 30, 2022: 12,049 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	-				
Year ending Mar. 2023 (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 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	3,560	6.4	3,580	6.6	2,325	2.0	26.58

(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

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

②Treasury stock at the end of period

As of June 30, 2022	380,707 shares
As of March 31, 2022	380,707 shares

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

Three months ended June 2022	87,468,693 shares
Three months ended June 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 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

In the first quarter under review, the Japanese economy showed signs of normalization, including a recovery in consumer spending, as restrictions on economic activities were gradually relaxed, although the effects of COVID-19 remained. However, the outlook remains uncertain for the impact on the domestic economy and corporate earnings due to soaring prices of crude oil and other raw materials and the growing tension for the situation in Ukraine.

Meanwhile, in the child-raising support business, the environment surrounding childcare is rapidly changing. These factors include the acceleration of the declining birth rate society due to the sharp decrease in birth rate, the decrease in the number of children on waiting lists because of people refraining from using the facilities due to COVID-19, a continuing shortage of childcare workers, rising demand for childcare reflecting an increase in the female employment rate, and the need to respond to changes in working styles and lifestyles due to the expansion of 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 approved by the Cabinet. The government plans to establish the Agency in April next year 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 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 for the Medium-Term Management Plan.

Our Group's medium-term management plan will be revised on a rolling basis based on the conditions in the previous fiscal year. At the same time, we will continue to take advantage of changes in the social 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, 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 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 have established new measures to reduce operating costs and to launch foodservice business using central kitchens, including measures to realize small-scale headquarters by eliminating wasteful operations through reviewing various operations and improving operational efficiency through systemization.

In terms of "improve growth potential," we launched a new business, “codomel," a child-raising support platform in which users can individually sell and purchase used goods over the Internet focused on childrearing-related supplies (e.g., baby supplies and clothing), products highly needed by the childrearing generations.

In the future, we intend to expand our various services and businesses not only domestically but also internationally, including collaboration with various companies, introduction and dispatch of service providers and professional personnel, on-demand streaming of professional training, and development of new food businesses using central kitchens.

In addition, the Group has provided support for children with developmental concerns through its response to developmental support services and providing visiting support services at childcare facilities. To expand support for children with potential developmental disabilities, we will develop a new business of multi-functional facilities and visiting services based on our experience in providing highly specialized developmental support based on our expertise in childcare support. We will provide such childcare support that is closer to more children and their parents.

As for the new facility openings, the Group has opened a total of 14 facilities during the first 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	(June 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 June 2022.

As a result, the Group’s consolidated net sales were 8,596 million yen (up 2.7% year on year), operating income was 726 million yen (up 307.6% year on year), ordinary income was 739 million yen (up 296.1% year on year), and net income attributable to owners of parent was 485 million yen (up 359.1% 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 at existing facilities increased due 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. As a result, net sales increased by 2.7% year on year.
Operating income jumped by 307.6% year on year. The factor is that net sales increased due to the opening of new facilities and the number of children accepted increased during the current fiscal year as a result of the various measures described above. In addition, our Group worked to improve profitability at each facility and curtail expenses by conducting efficient operations through the reallocation of personnel at each facility, recruitment activities, and reviewing the ordering system for various equipment, and there were special factors in the previous fiscal year such as an increase in the allowance for bonuses due to a change in the applicable period for bonuses following the introduction of a new personnel system, and an increase in expenses associated with the introduction of a new system.
Ordinary income and net income attributable to owners of parent also increased significantly, up by 296.1% year on year, and by 359.1% year on year, respectively, due to the growth in net sales and the increase in expenses in the previous fiscal year in the special factors described above.

(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 33,656 million yen (down 617 million yen from the end of the previous fiscal year).

Current assets totaled 20,647 million yen (down 283 million yen), mainly reflecting increases of 149 million yen in others, 40 million yen in cash and deposits, while there were decreases of 431 million yen in accounts receivable, and 24 million yen in notes and accounts receivable - trade.

Fixed assets totaled 13,009 million yen (down 334 million yen). This was mainly due to an increase of 25 million yen in tools, furniture and fixtures, while there were decreases of 137 million yen in construction in progress, 58 million yen in buildings and structures, 56 million yen in long-term loans receivable.

Total liabilities amounted to 21,606 million yen (down 692 million yen).

Current liabilities totaled 7,995 million yen (up 103 million yen). This was mainly due to increases of 621 million yen in others, 479 million yen in accounts payable, while there were decreases of 463 million yen in income taxes payable and 428 million yen in reserve for bonuses.

Fixed liabilities totaled 13,611 million yen (down 795 million yen). This was mainly due to a decrease of 782 million yen in long- term loans payable.

Total net assets at the end of the first quarter of the current fiscal year totaled 12,049 million yen (up 74 million yen). This was mainly due to an increase of 90 million yen in retained earnings.

(3) Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts have not been revised from the announcement on May 12, 2022, 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.

Since the number of new cases of COVID-19 has been fluctuating, and the timing of the containment of the infection 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 First Quarter (June 30, 2022)
Assets		
Current assets		
Cash and deposits	17,296,668	17,337,354
Notes and accounts receivable-trade	68,650	44,566
Inventories	63,900	44,803
Accounts receivable - other	2,708,806	2,277,509
Other	794,924	944,554
Allowance for doubtful accounts	-1,766	-954
Total current assets	20,931,185	20,647,834
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,326,804	12,232,704
Accumulated depreciation and impairment	-7,450,666	-7,415,471
Buildings and structures, net	4,876,138	4,817,233
Machinery, equipment and vehicles	203	203
Accumulated depreciation	-121	-128
Machinery, equipment and vehicles, net	82	75
Tools, furniture and fixtures	1,106,051	1,146,937
Accumulated depreciation and impairment	-820,246	-835,604
Tools, furniture and fixtures, net	285,804	311,332
Land	435,909	435,909
Construction in progress	137,030	-
Total tangible fixed assets	5,734,966	5,564,549
Intangible assets		
Goodwill	136,736	129,140
Other	37,904	42,439
Total intangible assets	174,640	171,579
Investments and other assets		
Investment securities	453,084	430,974
Long-term loans receivable	2,989,672	2,932,860
Guarantee deposits	1,903,902	1,869,861
Deferred tax assets	1,579,652	1,553,245
Other	513,833	491,073
Allowance for doubtful accounts	-6,123	-5,139
Total investments and other assets	7,434,021	7,272,876
Total fixed assets	13,343,629	13,009,006
Total assets	34,274,814	33,656,841

(Thousand yen)

	Previous Fiscal Year (March 31, 2022)	Current First Quarter (June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	165,552	148,721
Current portion of long-term loans payable	3,113,291	3,086,146
Accounts payable – other	1,561,978	2,041,663
Income taxes payable	641,517	177,611
Accrued consumption taxes	143,892	108,890
Reserve for bonuses	906,420	477,750
Asset retirement obligation	49,652	23,635
Other	1,309,498	1,930,605
Total current liabilities	7,891,803	7,995,024
Fixed liabilities		
Long-term debt	12,816,466	12,033,491
Retirement benefit liability	940,313	953,966
Asset retirement obligation	647,127	624,204
Other	3,650	253
Total fixed liabilities	14,407,557	13,611,915
Total liabilities	22,299,361	21,606,940
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	9,117,409	9,208,317
Treasury stock	-107,515	-107,515
Total shareholders' equity	12,063,393	12,154,301
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-49,918	-73,020
Deferred gains or losses on ledges	-2,533	-175
Remeasurements of defined benefit plans	-35,488	-31,204
Total accumulated other comprehensive income	-87,940	-104,400
Total net assets	11,975,452	12,049,901
Total liabilities and net assets	34,274,814	33,656,841

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

[Quarterly Consolidated Statement of Income]

[First Quarter of FY3/23]

(Thousand yen)

	Previous First Quarter (Apr. 1, 2021 - June 30, 2021)	Current First Quarter (Apr. 1, 2022 - June 30, 2022)
Net sales	8,371,229	8,596,637
Cost of sales	7,358,832	7,152,164
Gross profit	1,012,397	1,444,473
Selling, general and administrative expenses	834,216	718,242
Operating income	178,181	726,230
Non-operating income		
Interest income	19,464	20,021
Other	6,229	11,746
Total non-operating income	25,694	31,768
Non-operating expenses		
Interest expenses	15,527	18,092
Other	1,662	499
Total non-operating expenses	17,190	18,592
Ordinary income	186,685	739,406
Extraordinary loss		
Loss on retirement of fixed assets	35	100
Total extraordinary loss	35	100
Income before income taxes and others	186,650	739,306
Corporate, inhabitant and enterprise taxes	139,424	221,481
Income taxes-deferred	-58,452	32,712
Total income tax	80,972	254,194
Net income	105,677	485,112
Net income attributable to owners of parent	105,677	485,112

[Quarterly Consolidated Statement of Comprehensive Income]

[First Quarter of FY3/23]

(Thousand yen)

	Previous First Quarter (Apr. 1, 2021 - June 30, 2021)	Current First Quarter (Apr. 1, 2022 - June 30, 2022)
Net income	105,677	485,112
Total accumulated other comprehensive income		
Valuation difference on available-for- sale securities	10,782	-23,101
Deferred gains or losses on ledges	-470	2,357
Remeasurements of defined benefit plans	5,199	4,283
Total other comprehensive income	15,511	-16,460
Comprehensive income	121,188	468,652
Breakdown		
Comprehensive income attributable to owners of parent	121,188	468,652

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

First quarter of FY3/23 (April 1, 2022 – June 30, 2022)

None applicable.

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

First quarter of FY3/23 (April 1, 2022 – June 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.