

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

August 12, 2021

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 12, 2021
 Preparation of supplementary financial document: None
 Results briefing: None

Listed on the TSE 1

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 Expected starting date of dividend payment: -

(Rounded down to million yen)

1. Consolidated business results for the three months ended June 2021 (April 1, 2021 through June 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	%
Three months ended Jun. 2021	8,371	4.6	178	-32.2	186	-30.1	105	-40.4
Three months ended Jun. 2020	8,004	1.8	262	51.9	267	42.5	177	27.1

(Note) Comprehensive income

Three months ended June 2021: 121 million yen (-51.8%)

Three months ended June 2020: 251 million yen (55.5%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Jun. 2021	1.21		-	
Three months ended Jun. 2020	2.03		-	

(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 first 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 Jun. 30, 2021	29,068	9,787	33.7
As of Mar. 31, 2021	29,740	10,007	33.7

(Reference) Shareholders' equity

As of June 30, 2021: 9,787 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. 2021	-	0.00	-	3.90	3.90
Year ending Mar. 2022	-	-	-	-	-
Year ending Mar. 2022 (forecast)	-	0.00	-	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. 2022	33,700	0.6	2,300	-19.5	2,300	-22.0	1,450	169.7	16.58

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

(Note 2) 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, net sales and operating income increased by 500 million yen, respectively, compared to the previous business forecasts.

***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 June 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 June 30, 2021 380,707 shares

As of March 31, 2021 380,707 shares

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

Three months ended June 2021 87,468,693 shares

Three months ended June 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the first quarter of the current fiscal year, the Japanese economy experienced a significant decline in economic activity due to the continuing spread of COVID-19, which restricted corporate activities and consumer spending. Currently, the Company is gradually resuming economic activities while assessing the status of infections. However, the economic recovery is limited and the outlook remains uncertain.

Meanwhile, in the child-raising service business, the environment surrounding child-raising is rapidly changing. These include an increase in dual-income households, the problem of children on waiting lists in some regions, a continuing shortage of childcare workers, a further acceleration of the declining birth rate society due to a recent sharp drop in the birth rate, and changes in working styles and lifestyles due to the expansion of COVID-19.

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. In addition, the government has been actively discussing the establishment of a "Children's Agency" and has made a proposal to raise the share of government spending on children's policies to a level comparable to that of European countries, and the social role of childcare in creating an environment conducive to child-raising is expected to become increasingly important.

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 services and expand the scope of its business, the Company is capturing changes in the social environment and continuing with the management policies of the previous fiscal year. The Company has set 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. 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 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 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 are 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”, the Group worked to develop services and products that provide added value, including the introduction of a new early learning programs and the development of products related to child-raising support, through a business alliance with GAKKEN HOLDINGS CO.,LTD.

As for the new facility openings, the Group has opened a total of 11 facilities during the first 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 No.2	(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 Ask Ontake Nursery School, which had been running since August 1, 2003 and Ask 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, 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 Ask Iidabashi Nursery School, Ask Nishishinjuku Nursery School, Ask Ikebukuro Nursery School, Ask 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 June 2021.

As a result, the Group's consolidated net sales were 8,371 million yen (up 4.6% year on year), operating income was 178 million yen (down 32.2% year on year), ordinary income was 186 million yen (down 30.1% year on year), and net income attributable to owners of parent was 105 million yen (down 40.4% year on year).

The major factors are as follows:

Although the "State of Emergency" was declared from April 25 to June 20, 2021 to prevent the spread of COVID-19, it did not lead to the closure of the Company's each childcare facility, and net sales increased year on year due to the opening of new facilities and an increase in the number of children accepted at existing facilities.

Despite the increase in sales due to the opening of new facilities and other factors, operating income decreased year on year due to special factors such as an increase in the provision for bonuses due to a change in the bonus payment period following the introduction of the new personnel system and an increase in expenses associated with the introduction of the new system.

Ordinary income and net income attributable to owners of parent also decreased year on year due to a decrease in operating income reflecting the impact of the increase in expenses resulting from the special factors described above.

The performance is in line with the business forecasts for the fiscal year ending March 2022, which is planned at the beginning of the period.

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 first quarter of the previous fiscal year.

(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 29,068 million yen (down 671 million yen from the end of the previous fiscal year).

Current assets totaled 15,042 million yen (down 97 million yen), mainly reflecting increases of 758 million yen in cash and deposits and 112 million yen in others, while there were decreases of 829 million yen in accounts receivable and 121 million yen in inventories.

Fixed assets totaled 14,026 million yen (down 574 million yen). This was mainly due to an increase of 51 million yen in deferred tax assets, while there were decreases of 474 million yen in construction in progress, 103 million yen in buildings and structures, and 58 million yen in long-term loans receivable.

Total liabilities amounted to 19,280 million yen (down 451 million yen).

Current liabilities totaled 7,966 million yen (up 136 million yen). This was mainly due to increases of 566 million yen in others, 298 million yen in accounts payable, while there were decreases of 444 million yen in income taxes payable, 98 million yen in reserve for bonuses, 77 million yen in notes and accounts payable-trade, and 62 million yen in accrued consumption taxes.

Fixed liabilities totaled 11,314 million yen (down 588 million yen). This was mainly due to a decrease of 547 million yen in long-term loans payable.

Total net assets as of the end of the first quarter of the current fiscal year totaled 9,787 million yen (down 219 million yen), mainly due to a decrease of 235 million yen in retained earnings.

(3) Consolidated Earnings Forecasts

Regarding the full-year consolidated business forecast announced on May 13, 2021, the amount of 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." As a result, net sales and operating income increased by 500 million yen, respectively, compared to the previous forecasts.

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

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

2. [Quarterly Consolidated Financial Statements]

(1) [Quarterly consolidated balance sheets]

(Thousand yen)

	Previous Fiscal Year (March 31, 2021)	Current First Quarter (June 30, 2021)
Assets		
Current assets		
Cash and deposits	11,020,922	11,779,802
Notes and accounts receivable-trade	88,259	69,586
Inventories	167,481	45,590
Accounts receivable - other	3,009,655	2,180,481
Other	858,136	970,643
Allowance for doubtful accounts	-5,057	-3,984
Total current assets	15,139,399	15,042,120
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,853,109	12,826,966
Accumulated depreciation and impairment	-7,439,556	-7,516,954
Buildings and structures, net	5,413,552	5,310,012
Machinery, equipment and vehicles	203	203
Accumulated depreciation	-92	-99
Machinery, equipment and vehicles, net	111	104
Tools, furniture and fixtures	998,658	1,046,426
Accumulated depreciation and impairment	-770,948	-790,183
Tools, furniture and fixtures, net	227,710	256,242
Land	585,678	585,678
Construction in progress	474,178	-
Total tangible fixed assets	6,701,231	6,152,037
Intangible assets		
Goodwill	167,122	159,526
Other	47,307	42,434
Total intangible assets	214,430	201,960
Investments and other assets		
Investment securities	382,394	408,324
Long-term loans receivable	3,170,376	3,111,944
Guarantee deposits	1,906,868	1,876,376
Deferred tax assets	1,631,311	1,682,490
Other	603,466	600,253
Allowance for doubtful accounts	-8,871	-6,683
Total investments and other assets	7,685,546	7,672,706
Total fixed assets	14,601,208	14,026,705
Total assets	29,740,607	29,068,825

(Thousand yen)

	Previous Fiscal Year (March 31, 2021)	Current First Quarter (June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	219,266	141,703
Current portion of long-term loans payable	3,307,412	3,263,432
Accounts payable – other	1,634,568	1,933,287
Income taxes payable	551,678	107,239
Accrued consumption taxes	160,836	98,432
Reserve for bonuses	544,474	445,650
Asset retirement obligation	51,900	50,070
Other	1,359,619	1,926,254
Total current liabilities	7,829,755	7,966,069
Fixed liabilities		
Long-term debt	10,305,896	9,758,583
Retirement benefit liability	839,667	842,236
Asset retirement obligation	747,503	703,414
Other	10,012	10,690
Total fixed liabilities	11,903,079	11,314,923
Total liabilities	19,732,834	19,280,993
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	7,178,942	6,943,492
Treasury stock	-107,515	-107,515
Total shareholders' equity	10,124,926	9,889,476
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-84,960	-74,178
Deferred gains or losses on ledges	-6,948	-7,419
Remeasurements of defined benefit plans	-25,245	-20,046
Total accumulated other comprehensive income	-117,154	-101,643
Total net assets	10,007,772	9,787,832
Total liabilities and net assets	29,740,607	29,068,825

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

[Quarterly Consolidated Statement of Income]

[First Quarter of FY3/22]

(Thousand yen)

	Previous First Quarter (Apr. 1, 2020 - June 30, 2020)	Current First Quarter (Apr. 1, 2021 - June 30, 2021)
Net sales	8,004,592	8,371,229
Cost of sales	6,963,492	7,358,832
Gross profit	1,041,100	1,012,397
Selling, general and administrative expenses	778,349	834,216
Operating income	262,750	178,181
Non-operating income		
Interest income	21,795	19,464
Other	2,655	6,229
Total non-operating income	24,451	25,694
Non-operating expenses		
Interest expenses	14,139	15,527
Other	5,818	1,662
Total non-operating expenses	19,957	17,190
Ordinary income	267,243	186,685
Extraordinary loss		
Loss on retirement of fixed assets	0	35
Total extraordinary loss	0	35
Income before income taxes and others	267,243	186,650
Corporate, inhabitant and enterprise taxes	84,686	139,424
Income taxes-deferred	5,269	-58,452
Total income tax	89,955	80,972
Net income	177,288	105,677
Net income attributable to owners of parent	177,288	105,677

[Quarterly Consolidated Statement of Comprehensive Income]

[First Quarter of FY3/22]

(Thousand yen)

	Previous First Quarter (Apr. 1, 2020 - June 30, 2020)	Current First Quarter (Apr. 1, 2021 - June 30, 2021)
Net income	177,288	105,677
Total accumulated other comprehensive income		
Valuation difference on available-for- sale securities	62,807	10,782
Deferred gains or losses on ledges	699	-470
Foreign currency translation adjustments	2,457	-
Remeasurements of defined benefit plans	8,158	5,199
Total other comprehensive income	74,121	15,511
Comprehensive income	251,410	121,188
Breakdown		
Comprehensive income attributable to owners of parent	251,410	121,188

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

First quarter of FY3/22 (April 1, 2021 – June 30, 2021)

None applicable

(Notes on significant changes in shareholders' equity)

First quarter of FY3/22 (April 1, 2021 – June 30, 2021)

None applicable

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Revenue Recognition Accounting Standard") and other standards are applied from the beginning of the first quarter of the current fiscal year to recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

There was no impact on the quarterly consolidated financial statements for the first quarter of the current fiscal year and the first quarter of the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as 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 19 of the Fair Value Measurement Accounting Standard and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Fair Value Measurement Accounting Standard will be applied in the future. This has no impact on the quarterly consolidated financial statements.