Summary of Business Results for the Third Quarter Ended December 31, 2021 [Japan GAAP] (Consolidated)

February 10, 2022

Company JP-HOLDINGS, INC. Listed on the TSE 1
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Expected date of filing of annual securities report: February 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 nine months ended December 2021 (April 1, 2021 through December 31, 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	%
Nine months ended Dec. 2021	25,382	2.8	2,151	18.6	2,170	18.5	1,405	22.9
Nine months ended Dec. 2020	24,679	3.8	1,813	39.1	1,831	36.8	1,143	34.6

(Note) Comprehensive income
Nine months ended December 2021: 1,427 million yen (12.0%)
Nine months ended December 2020: 1,274 million yen (41.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 2021	16.07	-
Nine months ended Dec. 2020	13.07	-

(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 third 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 Dec. 31, 2021	33,973	11,094	32.7
As of Mar. 31, 2021	29,740	10,007	33.7

(Reference) Shareholders' equity
As of December 31, 2021: 11,094 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	-	0.00	-		
Year ending Mar. 2022 (forecast)				4.50	4.50

(Notes) 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	33,900	1.2	2,730	-4.5	2,760	-6.4	1,760	227.4	20.12

(Notes) 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 December 31, 2021	87,849,400 shares
As of March 31, 2021	87,849,400 shares

②Treasury stock at the end of period

As of December 31, 2021	380,707 shares
As of March 31, 2021	380,707 shares

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

Nine months ended December 2021	87,468,693 shares
Nine months ended December 2020	87,468,693 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, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Consolidated Earnings Forecasts” (Page 4).

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1. Results of Operations

(1) Results of Operations

In the third quarter of the fiscal year under review, the Japanese economy showed signs of recovery, reflecting the continued impact of COVID-19 and progress in the development of vaccinations and treatment drugs, as well as the effects of various policies. However, the outlook remains uncertain, as there are indications that the infection may spread again due to the spread of the Omicron variant.

Meanwhile, in the child-raising support business, despite the acceleration of the declining birth rate society due to the sharp decrease in birth rate and the decrease in the number of children on waiting lists because of people refraining from using the facilities due to COVID-19, the environment surrounding childcare is rapidly changing. These factors include 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 social role of the childcare support business will become increasingly important as the government established Children's Agency early in 2023 and is encouraged to improve the environment for childcare by raising government spending on children and strengthening cooperation with local governments.

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 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 three 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 ahead of other companies, 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. Through these efforts, we will differentiate ourselves from our competitors and “create facilities that would be selected by customers”. In addition, we are focusing on new business development to create new value. The new business intends to provide a wide range of products and services related to childcare during the infant, early childhood and school child ages. We aim to make children and parents of the more than 300 childcare support facilities (nursery schools, school clubs, and children's houses) we operate nationwide, as members of the service.

In parallel with increasing members of the service, our group will develop a membership-based platform aimed at achieving both child-rearing support, effective use of resources, and environmental conservation (SDGs). As the first service, we will launch the “Childcare Product Matching Service” in April 2022. Based on our Group's management philosophy of "Through childcare support, we will contribute in creating smiles for everyone," we will thoroughly make effective use of resources by promoting the reuse and recycling of childcare products, and promote this initiative, which takes into consideration the conservation of the global environment, including the reduction of environmental impact and treatment costs. We will promote this initiatives as a new pillar outside of our existing businesses. In the future, we will expand this business overseas and further expand its services and content.

As for the new facility openings, the Group has opened a total of 11 facilities during the third 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 Iidabashi 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 25,382 million yen (up 2.8% year on year), operating income was 2,151 million yen (up 18.6% year on year), ordinary income was 2,170 million yen (up 18.5% year on year), and net income attributable to owners of parent was 1,405 million yen (up 22.9% year on year). Both sales and profits increased year-on-year and reached record-high profits.

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 due to the spread of COVID-19, net sales increased by 2.8% 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 by 18.6% 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, 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.
As operating income significantly increased owing to the establishment of the above-mentioned efficient management system, ordinary income increased by 18.5% year-on-year, and net income attributable to owners of parent increased by 22.9% year-on-year, despite the recording of 168 million yen in income taxes-deferred as a result of the reversal of deferred tax assets.

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 third quarter of the previous fiscal year.

(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 33,973 million yen (up 4,233 million yen from the end of the previous fiscal year).

Current assets totaled 20,554 million yen (up 5,414 million yen), mainly reflecting increases of 5,811 million yen in cash and deposits and 100 million yen in others, while there were decreases of 354 million yen in accounts receivable and 125 million yen in inventories.

Fixed assets totaled 13,419 million yen (down 1,181 million yen). This was mainly due to an increase of 37 million yen in tools, furniture and fixtures, while there were decreases of 412 million yen in construction in progress, 312 million yen in buildings and structures, 180 million yen in long-term loans receivable, and 179 million yen in deferred tax assets.

Total liabilities amounted to 22,879 million yen (up 3,146 million yen).

Current liabilities totaled 7,698 million yen (down 131 million yen). This was mainly due to increases of 640 million yen in others, 32 million yen in asset retirement obligations, while there were decreases of 326 million yen in income taxes payable, 154 million yen in current portion of long-term borrowings, 97 million yen in reserve for bonuses, 84 million yen in notes and accounts payable-trade, and 78 million yen in accounts payable - other.

Fixed liabilities were 15,181 million yen (up 3,278 million yen). This was mainly due to an increase of 3,320 million yen in long-term loans payable.

Total net assets at the end of the third quarter of the current fiscal year totaled 11,094 million yen (up 1,086 million yen). This was mainly due to an increase of 1,064 million yen in retained earnings.

(3) Consolidated Earnings Forecasts

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 upwardly revised net sales forecasts 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 was also upwardly revised. 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 were also upwardly revised from 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.

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 Third Quarter (December 31, 2021)
Assets		
Current assets		
Cash and deposits	11,020,922	16,832,176
Notes and accounts receivable-trade	88,259	69,772
Inventories	167,481	42,113
Accounts receivable - other	3,009,655	2,655,122
Other	858,136	958,963
Allowance for doubtful accounts	-5,057	-4,117
Total current assets	15,139,399	20,554,032
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,853,109	12,716,743
Accumulated depreciation and impairment	-7,439,556	-7,616,016
Buildings and structures, net	5,413,552	5,100,726
Machinery, equipment and vehicles	203	203
Accumulated depreciation	-92	-114
Machinery, equipment and vehicles, net	111	89
Tools, furniture and fixtures	998,658	1,097,404
Accumulated depreciation and impairment	-770,948	-832,297
Tools, furniture and fixtures, net	227,710	265,107
Land	585,678	585,678
Construction in progress	474,178	61,600
Total tangible fixed assets	6,701,231	6,013,202
Intangible assets		
Goodwill	167,122	144,333
Other	47,307	37,785
Total intangible assets	214,430	182,118
Investments and other assets		
Investment securities	382,394	398,457
Long-term loans receivable	3,170,376	2,989,774
Guarantee deposits	1,906,868	1,869,034
Deferred tax assets	1,631,311	1,451,898
Other	603,466	521,268
Allowance for doubtful accounts	-8,871	-6,098
Total investments and other assets	7,685,546	7,224,335
Total fixed assets	14,601,208	13,419,656
Total assets	29,740,607	33,973,688

(Thousand yen)

	Previous Fiscal Year (March 31, 2021)	Current Third Quarter (December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	219,266	134,443
Current portion of long-term loans payable	3,307,412	3,152,857
Accounts payable – other	1,634,568	1,556,440
Income taxes payable	551,678	224,683
Accrued consumption taxes	160,836	98,560
Reserve for bonuses	544,474	446,850
Asset retirement obligation	51,900	84,548
Other	1,359,619	1,999,895
Total current liabilities	7,829,755	7,698,279
Fixed liabilities		
Long-term debt	10,305,896	13,625,940
Retirement benefit liability	839,667	902,027
Asset retirement obligation	747,503	646,397
Other	10,012	6,875
Total fixed liabilities	11,903,079	15,181,240
Total liabilities	19,732,834	22,879,519
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	7,178,942	8,243,403
Treasury stock	-107,515	-107,515
Total shareholders' equity	10,124,926	11,189,387
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-84,960	-80,798
Deferred gains or losses on ledges	-6,948	-4,771
Remeasurements of defined benefit plans	-25,245	-9,647
Total accumulated other comprehensive income	-117,154	-95,218
Total net assets	10,007,772	11,094,169
Total liabilities and net assets	29,740,607	33,973,688

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

[Quarterly Consolidated Statement of Income]

[Third Quarter of FY3/22]

(Thousand yen)

	Previous Third Quarter (Apr. 1, 2020 - December 31, 2020)	Current Third Quarter (Apr. 1, 2021 - December 31, 2021)
Net sales	24,679,595	25,382,088
Cost of sales	20,649,394	20,972,430
Gross profit	4,030,201	4,409,657
Selling, general and administrative expenses	2,216,349	2,258,190
Operating income	1,813,852	2,151,467
Non-operating income		
Interest income	65,966	58,083
Other	7,851	15,093
Total non-operating income	73,818	73,176
Non-operating expenses		
Interest expenses	42,796	50,391
Other	13,052	3,716
Total non-operating expenses	55,848	54,107
Ordinary income	1,831,821	2,170,536
Extraordinary income		
Gain on sales of fixed assets	3,606	-
Gain on reversal of asset retirement obligations	11,100	-
Gain on sales of affiliates	13,735	-
Other	5,866	-
Extraordinary income	34,308	-
Extraordinary loss		
Loss (gain) on retirement of fixed assets	3,277	42
Loss on sales of investment securities	-	3,052
Impairment loss (on facilities)	115,907	-
Total extraordinary loss	119,184	3,095
Income before income taxes and others	1,746,945	2,167,441
Corporate, inhabitant and enterprise taxes	374,192	593,413
Income taxes-deferred	229,177	168,438
Total income tax	603,369	761,852
Net income	1,143,575	1,405,588
Net income attributable to owners of parent	1,143,575	1,405,588

[Quarterly Consolidated Statement of Comprehensive Income]

[Third Quarter of FY3/22]

(Thousand yen)

	Previous Third Quarter (Apr. 1, 2020 - December 31, 2020)	Current Third Quarter (Apr. 1, 2021 - December 31, 2021)
Net income	1,143,575	1,405,588
Total accumulated other comprehensive income		
Valuation difference on available-for- sale securities	111,047	4,161
Deferred gains or losses on ledges	-2,266	2,176
Foreign currency translation adjustments	-2,610	-
Remeasurements of defined benefit plans	24,474	15,597
Total other comprehensive income	130,644	21,935
Comprehensive income	1,274,220	1,427,524
Breakdown		
Comprehensive income attributable to owners of parent	1,274,220	1,427,524

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Current Third Quarter (April 1, 2021 – December 31, 2021)

None applicable

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

Current Third Quarter (April 1, 2021 – December 31, 2021)

None 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 third quarter, the third 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.