

Summary of Business Results for the First Quarter Ended June 30, 2024 [Japan GAAP] (Consolidated)

August 13, 2024

Company **JP-HOLDINGS, INC.**
 Stock Code 2749 URL: <https://www.jp-holdings.co.jp>
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 Expected starting date of dividend payment: -
 Preparation of supplementary financial document: None
 Results briefing: None

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(Rounded down to million yen)

1. Consolidated business results for the three months ended June 2024 (April 1, 2024 through June 30, 2024)

(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. 2024	9,600	7.2	1,398	61.1	1,405	60.0	1,062	85.7
Three months ended Jun. 2023	8,956	4.2	868	19.6	877	18.7	572	18.0

(Note) Comprehensive income

Three months ended June 2024: 1,114 million yen (95.8%)

Three months ended June 2023: 569 million yen (21.5%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Jun. 2024	12.45		-	
Three months ended Jun. 2023	6.72		-	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2024	35,175	16,540	47.0
As of Mar. 31, 2024	36,889	16,108	43.7

(Reference) Shareholders' equity

As of June 30, 2024: 16,540 million yen

As of March 31, 2024: 16,108 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. 2024	-	0.00	-	8.00	8.00
Year ending Mar. 2025	-				
Year ending Mar. 2025 (forecast)		0.00	-	9.50	9.50

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

3. Forecast of consolidated business results for the fiscal year ending March 2025 (April 1, 2024 through March 31, 2025)

(% 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. 2025	38,528	1.8	4,751	3.6	4,778	5.6	3,106	6.0	36.39

(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 | : None |
| 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, 2024 87,849,400 shares

As of March 31, 2024 87,849,400 shares

②Treasury stock at the end of period

As of June 30, 2024 2,492,069 shares

As of March 31, 2024 2,492,069 shares

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

Three months ended June 2024 85,357,331 shares

Three months ended June 2023 85,151,543 shares

*Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

*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, 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 of the current fiscal year, the Japanese economy is recovering moderately, thanks in part to the effects of various policies, despite a pause in the pick-up in private consumption amid improvement in the employment and income situation.

On the other hand, the downturn in overseas economies, such as the impact of the global monetary tightening and the impact of the stagnation of the Chinese real estate market, is a risk of downward pressure on Japan's economy, and it is necessary to pay sufficient attention to price increases, the situation surrounding the Middle East region, and changes in financial and capital markets.

As for the environment surrounding the childcare support business to which our group belongs, the government has presented a "Children's Future Strategy" which outlines concrete contents of "drastic countermeasures against declining birth rates" as a countermeasure against the accelerating declining birthrate. Specifically, in order to develop a structure that enables parents use childcare facilities with a peace of mind, this fiscal year, the government changed the standard for the number of 4-5 year old children per nursery staffs as an improvement to the standard for the first time in 75 years. In addition, various measures to deal with the declining birth rate have been gradually implemented, such as securing childcare workers through further improvement of treatment and the introduction of tests of the "Universal Childcare System" to enable all families to use childcare facilities regardless of parents' employment status.

In addition, the number of children on waiting lists at school clubs is increasing, the development of a childcare environment is becoming an issue, and the Tokyo Metropolitan Government is taking steps to create new "Tokyo-certified school clubs" to promote the development of an environment conducive to childcare. As such, the social role of childcare support services is expected to become increasingly important.

In this way, the government and municipalities are promoting various measures to improve the childcare environment and eliminate children on waiting lists at school clubs as measures against the declining birthrate. At the same time, in regions where the decline in birthrate is accelerating, competition is intensifying to acquire more children. Accordingly, we believe it is necessary to implement structural reforms aimed at achieving sustainable growth and further expanding profits, and to develop and quickly monetize new businesses.

In view of the progress of various measures and changes in the external environment, our group is reviewing the figures in the medium-term management plan using the rolling method. In order to further improve and reform our competitive superiority and management foundation, we have continued to strengthen our efforts since the previous fiscal year under the targets of "Achieve growth and establish a competitive advantage," "Reform our profit structure," and "Reform our management base".

To effectively adapt to the changing social environment, we are deploying the following strategies. Firstly, we aim to "achieve growth and establish a competitive advantage" by developing new businesses with a focus on medium to long-term growth. Simultaneously, we are proactively considering M&As to not only expand existing operations but also to venture into new business domains. Furthermore, in order to enhance our competitive advantage, we plan to develop and expand learning programs. For instance, we will offer childcare and after-school programs that incorporate STEAM education, as well as after-school activities such as English, gymnastics, music, and dance classes. Additionally, the strategy encompasses various initiatives, including the operation of a "bilingual nursery school" with English native teachers for differentiation, "Montessori-method education nursery school", establishing a comprehensive childcare support system for infants, toddlers, and school-age children, and adopting a dominant strategy through collaboration between nursery schools, after-school clubs, and children's clubs, aiming to double the current number of after-school clubs and children's clubs to 200 facilities through proactive expansion efforts, in order to strongly promote our aim for "creating facilities that would continue to be selected by customers". In terms of new businesses, we are aggressively promoting early business development and profitability. For example, we are expanding our human resources placement and dispatch staffing business for specialists at Japan and abroad, expanding our real estate business in collaboration with various businesses, and developing our overseas business mainly in Southeast Asia.

Regarding "reform our profit structure," we are reassessing our business structure. We are addressing redundant tasks, streamlining operations through ICT integration, optimizing staffing, and achieving operational efficiency through the rectification of inefficient operations and processes using data utilization. We are also committed to reducing indirect costs and further improving our operations through business process reforms and system implementations.

As for the "reform our management base," the key to our business is people. Therefore, we will enhance our personnel education and training structure. At the same time, we will develop human resources and improve employee engagement to lead to a change in awareness. Moreover, we are working to revitalize our organization by enhancing our human resources strategy (expanding training and renewing our corporate culture), strengthening Group governance and establishing a management system.

In addition, with regard to the business alliance with Duskin Co., Ltd., we established the Collaboration Review Committee. Through the effective utilization of the management resources and know-how possessed by both companies and mutual cooperation, we are building measures to maximize the corporate value of both companies, create new services for solving social problems and individual problems for customers and guardians, and realize an affluent lifestyle for customers.

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

In the first quarter of the fiscal year ending March 31, 2025, we established 2 nursery schools (1 of which was converted from a Tokyo-certified nursery school to a certified nursery school), 4 childcare centers that were converted from certified nursery schools, 17 school clubs and children's houses, and 2 community centers. We have established a total of 20 facilities, excluding those that were converted to certified nursery schools and childcare centers, and have promoted them as planned.

We have also been newly commissioned to provide “Club Business Coordination Services” related to childcare for Shibuya-ku After-school Club, and will provide various services by utilizing our Group's educational know-how in English, gymnastics, music, and dance.

(Nursery School)(*1)

Appy Azabu	(Apr. 1, 2024)
Asc Nishi-kokubunji Nursery School	(Apr. 1, 2024)

(Childcare Center)(*2)

Asc Kodurushinden Childcare Center	(Apr. 1, 2024)
Asc Nagamachiminami Childcare Center	(Apr. 1, 2024)
Asc Gotenhama Childcare Center	(Apr. 1, 2024)
Asc Wani Childcare Center	(Apr. 1, 2024)

(School Club/Children's House)

Ukima Elementary School Club No.1	(Apr. 1, 2024)
Ukima Elementary School Club No.2	(Apr. 1, 2024)
Ukima Elementary School Club No.3	(Apr. 1, 2024)
Ukima Elementary School Club No.4	(Apr. 1, 2024)
Koto Kids' Club Edagawa	(Apr. 1, 2024)
Negishi After School Kids' Club	(Apr. 1, 2024)
Negishi Kids' Club	(Apr. 1, 2024)
Matsuba Elementary School After School Kids' Club	(Apr. 1, 2024)
Nezu Chidcare Room	(Apr. 1, 2024)
Mejirodai Chidcare Room No.2	(Apr. 1, 2024)
Ichi-sho School Club A	(Apr. 1, 2024)
Ichi-sho School Club B	(Apr. 1, 2024)
Kitano-sho School Club A	(Apr. 1, 2024)
Kitano-sho School Club B	(Apr. 1, 2024)
Kitano-sho School Club Annex	(Apr. 1, 2024)
Nezu Children's House	(Apr. 1, 2024)
Mejirodai Children's House No.2	(Apr. 1, 2024)

(Community Center)

Nezu Community Center	(Apr. 1, 2024)
Majirodai Community Center	(Apr. 1, 2024)

(Bilingual Nursery School)

The Company changed licensed nursery schools and Tokyo licensed nursery schools to bilingual nursery schools, which is staffed by native English-speaking teachers.

Asc Bilingual Nursery School Ningyocho Eki-mae (formerly Asc Ningyocho Eki-mae Nursery School)	(Apr. 1, 2024)
Asc Bilingual Nursery School Yakumo (formerly Asc Yakumo Nursery School)	(Apr. 1, 2024)
Asc Bilingual Nursery School Takatsu (formerly Asc Takatsu Nursery School)	(Apr. 1, 2024)
Asc Bilingual Nursery School Kamikodanaka (formerly Asc Kamikodanaka Nursery School)	(Apr. 1, 2024)
Asc Bilingual Nursery School Mukaigawara (formerly Asc Mukaigawara Nursery School)	(Apr. 1, 2024)

(Other Contracted Business)

Shibuya-ku After School Club "Club Business Coordination" Services

(April 1, 2024)

- *1: On April 1, 2024, Asc Nishi-kokubunji Nursery School was converted from a Tokyo-certified nursery school to a licensed nursery school.
- *2: On April 1, 2024, the following certified nursery schools were converted to certified childcare centers: Asc Kodurushinden Childcare Center, Asc Nagamachiminami Childcare Center, Asc Gotenhama Childcare Center, Asc Wani Childcare Center.
- *3: As of March 31, 2024, Asc Bilingual Nursery School Eifuku, a Tokyo-certified nursery school, was closed. In addition, following school clubs were withdrawn as of March 31, 2024 due to the expiration of the contract: Predy Toyomi, Taisho Elementary School After School Kids' Club, Wakuwaku Yanagida Hiroba, Yanagida Midori Club No.1, and Yanagida Midori Club No.2.

As a result, the Group came to have 205 nursery schools, 4 childcare centers, 96 school clubs, 13 children's houses, and 2 community centers, making a total of 320 childcare facilities as of June 30, 2024.

As a result, the Group's consolidated net sales were 9,600 million yen (up 7.2% year on year), operating income was 1,398 million yen (up 61.1% year on year), ordinary income was 1,405 million yen (up 60.0% year on year), and net income attributable to owners of parent was 1,062 million yen (up 85.7% year on year).

Net sales increased by 7.2% year on year. This was due to an increase in the number of enrolled children during the period, as a result of efforts to "creating facilities that would continue to be selected by customers" such as the expansion of the early childhood learning program, the opening of new facilities and contracts, and the change in the number of children per nursery staff (revision of standards for assigning nursery staffs for 4-5 year old children in care) implemented as drastic countermeasures against declining birth rates.

In terms of operating income and ordinary income, with regard to the increase in the number of children through various measures aimed at "creating facilities that would continue to be selected by customers", the response to the maximization of subsidies and the change in the number of children per nursery staff (revision of standards for assigning nursery staffs for 4-5 year old children in care) implemented as drastic countermeasures against declining birth rates, we had already increased the number of nursery staffs assigned to improve quality of childcare services, and the impact on our business is significant. As a result, operating income increased by 61.1% year on year and ordinary income increased by 60.0% year on year.

Net income attributable to owners of parent increased significantly by 85.7% year on year. This was mainly due to the opening and entrusted new facilities, an increase in the number of enrolled children and change in the number of children per nursery staff, an increase in profits through various measures to maximize subsidies, and the recording of compensation in extraordinary income related to the transfer of the head office in line with the redevelopment of the area where the head office is located, as 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 35,175 million yen (down 1,713 million yen from the end of the previous fiscal year).

Current assets were 24,060 million yen (down 1,313 million yen), mainly due to decreases of 870 million yen in accounts receivable-other and 488 million yen in cash and deposits.

Non-current assets totaled 11,115 million yen (down 399 million yen). This was mainly due to decreases of 285 million yen in deferred tax assets and 118 million yen in buildings and structures.

Total liabilities amounted to 18,635 million yen (down 2,145 million yen).

Current liabilities were 9,170 million yen (down 1,238 million yen), mainly due to an increase in other of 188 million yen, and decreases of 805 million yen in income taxes payable, 413 million yen in provision for bonuses, and 196 million yen in other liabilities.

Non-current liabilities totaled 9,465 million yen (down 906 million yen). This was mainly due to a decrease of 920 million yen in long-term loans payable.

Total net assets at the end of the first quarter of the current fiscal year was 16,540 million yen (up 432 million yen). This was mainly due to an increase of 379 million yen in retained earnings.

(3) Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts have not been revised from the announcement on May 13, 2024, 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.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Thousand yen)

	Previous Fiscal Year (March 31, 2024)	Current First Quarter (June 30, 2024)
Assets		
Current assets		
Cash and deposits	20,944,481	20,456,000
Notes and accounts receivable-trade	117,374	106,755
Inventories	46,955	33,361
Accounts receivable - other	3,453,371	2,582,760
Others	812,495	881,881
Allowance for doubtful accounts	-411	-251
Total current assets	25,374,267	24,060,508
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,148,433	12,102,751
Accumulated depreciation and impairment	-8,131,104	-8,203,829
Buildings and structures, net	4,017,329	3,898,922
Machinery, equipment and vehicles	4,442	4,442
Accumulated depreciation	-1,305	-1,570
Machinery, equipment and vehicles, net	3,137	2,872
Tools, furniture and fixtures	1,503,559	1,525,435
Accumulated depreciation and impairment	-987,460	-1,023,148
Tools, furniture and fixtures, net	516,099	502,287
Land	129,529	129,529
Total property, plant and equipment	4,666,095	4,533,611
Intangible assets		
Goodwill	75,964	68,368
Others	29,706	28,429
Total intangible assets	105,671	96,798
Investments and other assets		
Investment securities	473,597	557,443
Long-term loans receivable	2,579,732	2,525,925
Guarantee deposits	1,814,755	1,825,579
Deferred tax assets	1,489,173	1,203,426
Others	392,729	376,546
Allowance for doubtful accounts	-6,510	-4,041
Total investments and other assets	6,743,477	6,484,882
Total non-current assets	11,515,244	11,115,291
Total assets	36,889,511	35,175,800

(Thousand yen)

	Previous Fiscal Year (March 31, 2024)	Current First Quarter (June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	196,679	144,332
Current portion of long-term loans payable	3,657,330	3,657,330
Accounts payable – other	2,893,907	2,697,484
Income taxes payable	1,093,442	288,111
Accrued consumption taxes	65,639	112,114
Provision for bonuses	891,300	477,640
Asset retirement obligation	6,560	-
Others	1,604,392	1,793,292
Total current liabilities	10,409,252	9,170,304
Non-current liabilities		
Long-term borrowings	8,761,017	7,840,069
Retirement benefit liability	1,010,833	1,024,441
Asset retirement obligation	597,439	598,145
Others	2,850	2,713
Total non-current liabilities	10,372,140	9,465,369
Total liabilities	20,781,392	18,635,674
Net assets		
Shareholders' equity		
Share capital	1,603,955	1,603,955
Capital surplus	1,482,693	1,482,693
Retained earnings	13,840,537	14,220,205
Treasury shares	-724,381	-724,381
Total shareholders' equity	16,202,804	16,582,471
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-94,396	-44,029
Deferred gains or losses on ledges	1,638	2,141
Remeasurements of defined benefit plans	-1,926	-458
Total accumulated other comprehensive income	-94,684	-42,345
Total net assets	16,108,119	16,540,125
Total liabilities and net assets	36,889,511	35,175,800

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

Quarterly Consolidated Statement of Income Current

First Quarter

(Thousand yen)

	Previous First Quarter (April 1, 2023 - June 30, 2023)	Current First Quarter (April 1, 2024 - June 30, 2024)
Net sales	8,956,299	9,600,153
Cost of sales	7,412,651	7,561,363
Gross profit	1,543,647	2,038,790
Selling, general and administrative expenses	675,299	639,803
Operating income	868,347	1,398,987
Non-operating income		
Interest income	18,236	18,962
Others	10,160	4,225
Total non-operating income	28,397	23,188
Non-operating expenses		
Interest expenses	18,208	14,358
Others	540	2,641
Total non-operating expenses	18,748	16,999
Ordinary income	877,996	1,405,175
Extraordinary income		
Compensation for relocation of head office	-	201,630
Total extraordinary income	-	201,630
Extraordinary loss		
Loss on sales of non-current assets	-	91
Loss on retirement of non-current assets	0	4,259
Total extraordinary loss	0	4,350
Income before income taxes and others	877,996	1,602,455
Income taxes-current	229,769	277,383
Income taxes-deferred	75,913	262,546
Total income taxes	305,682	539,929
Net income	572,314	1,062,525
Net income attributable to owners of parent	572,314	1,062,525

[Quarterly Consolidated Statement of Comprehensive Income]

[First Quarter]

(Thousand yen)

	Previous First Quarter (April 1, 2023 - June 30, 2023)	Current First Quarter (April 1, 2024 - June 30, 2024)
Net income	572,314	1,062,525
Total accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-2,615	50,367
Deferred gains or losses on ledges	-1,161	502
Remeasurements of defined benefit plans, net of tax	752	1,468
Total other comprehensive income	-3,024	52,339
Comprehensive income	569,289	1,114,865
Breakdown		
Comprehensive income attributable to owners of parent	569,289	1,114,865

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

None applicable.

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

None applicable.

(Notes on segment information)

(Segment Information)

I. Previous First Quarter (April 1, 2023 – June 30, 2023)

As our group operates within one single segment (Childcare Support Business), we have omitted the descriptions as such.

II. Current First Quarter (April 1, 2024 – June 30, 2024)

The main business of our group is the Childcare Support Business. we have omitted the descriptions since other business segments are immaterial.

(Notes on statements of cash flows)

Quarterly consolidated statements of cash flows for the first quarter of the current fiscal year have not been prepared. Depreciation and amortization (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first quarter are as follows.

	Previous First Quarter (April 1, 2023 - June 30, 2023)	Current First Quarter (April 1, 2024 - June 30, 2024)
Depreciation and amortization	168,350 thousand yen	168,411 thousand yen
Amortization of goodwill	7,596 thousand yen	7,596 thousand yen