

# Summary of Business Results for the Fiscal Year Ended March 31, 2023 [Japan GAAP] (Consolidated)

May 11, 2023

Company **JP-HOLDINGS, INC.**  
 Stock Code 2749  
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 Expected date of annual shareholders' meeting: June 27, 2023  
 Expected date of filing of annual securities report: June 28, 2023  
 Preparation of supplementary financial document: Yes  
 Results briefing: Yes (for media members, institutional investors, analysts)

Listed on the TSE Prime  
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Expected starting date of dividend payment: June 28, 2023

(Rounded down to million yen)

## 1. Consolidated business results for the fiscal year ended March 2023 (April 1, 2022 through March 31, 2023)

### (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	%
Year ended Mar. 2023	35,507	3.3	3,667	9.6	3,745	11.5	2,698	18.4
Year ended Mar. 2022	34,373	2.6	3,344	17.1	3,358	13.9	2,279	324.1

(Note) Comprehensive income:

Year ended March 2023: 2,672 million yen (15.7%)

Year ended March 2022: 2,308 million yen (224.0%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Mar. 2023	31.18	-	21.1	10.7	10.3
Year ended Mar. 2022	26.06	-	20.7	10.5	9.7

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2023	35,694	13,584	38.1	159.53
As of Mar. 31, 2022	34,274	11,975	34.9	136.91

(Reference) Shareholders' equity:

As of March 31, 2023: 13,584 million yen

As of March 31, 2022: 11,975 million yen

### (3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Mar. 2023	2,735	411	-1,112	19,330
Year ended Mar. 2022	3,884	413	1,978	17,296

## 2. Dividends

	Annual dividend					Total dividend (Total)	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Mar. 2022	-	0.00	-	4.50	4.50	393	17.3	3.6
Year ended Mar. 2023	-	0.00	-	6.00	6.00	510	19.2	4.1
Year ending Mar. 2024 (forecast)	-	0.00	-	6.00	6.00		20.5	

Breakdown of year-end dividend for the fiscal year ended March 2023

Ordinary dividend: 5.00 yen, Commemorative dividend: 1.00 yen

### 3. Forecast of consolidated business results for the fiscal year ending March 2024

(April 1, 2023 through March 31, 2024)

(% 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. 2024	36,390	2.5	3,820	4.2	3,842	2.6	2,497	-7.5	29.32

#### \*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) 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

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of March 31, 2023 87,849,400 shares  
 As of March 31, 2022 87,849,400 shares

② Treasury stock at the end of period:

As of March 31, 2023 2,697,857 shares  
 As of March 31, 2022 380,707 shares

③ Average number of stock during period

Year ended March 31, 2023 86,537,843 shares  
 Year ended March 31, 2022 87,468,693 shares

#### (Reference) Summary of non-consolidated business results

##### 1. Non-consolidated business results for the fiscal year ended March 2023

(April 1, 2022 through March 31, 2023)

(1) Non-consolidated results of operations

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 2023	3,168	3.3	1,633	17.0	1,758	15.4	1,642	22.7
Year ended Mar. 2022	3,066	19.3	1,396	57.4	1,523	46.9	1,338	887.5

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Mar. 2023	18.98	-
Year ended Mar. 2022	15.30	-

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2023	23,580	6,687	28.4	78.53
As of Mar. 31, 2022	23,124	6,166	26.7	70.50

(Reference) Shareholders' equity:

As of March 31, 2023: 6,687 million yen

As of March 31, 2022: 6,166 million yen

\* Financial summary is not subject to auditing 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. Summary of Operating Results (4) Future outlook" (Page 6).
- On Thursday, May 18, 2023, the Company plans to hold results briefing for media members, institutional investors and analysts via a webcast.

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## 1. Summary of Operating Results

### (1) Summary of operating results for the current fiscal year

During the fiscal year under review, the Japanese economy continued to recover moderately thanks to the progress in the normalization of economic and social activities due to the relaxation of some restrictions to prevent the spread of COVID-19. On the other hand, there are concerns about downside risks, such as rises in energy and other commodity prices, supply-side constraints, and changes in the financial and capital markets, and the economic environment remains uncertain.

In the childcare support business, conditions remained challenging due to the acceleration of the declining birth rate accompanying the sharp drop in the number of births, the continuing shortage of childcare workers, and a decline in the number of children because of people refraining from using the facilities due to COVID-19 at the beginning of the period. The government is promoting various measures to improve the environment for childcare. Furthermore, the bill to establish the "Children and Families Agency" has been enforced, and "measures to counter the declining birth rate on a different dimension" are being considered. As mentioned above, the government is committed to creating a better environment for childcare, and the social role of the childcare industry will become increasingly important.

Under these situations, our Group also has been taking prompt measures against COVID-19 by establishing our own response standards and implementing thorough safety measures in collaboration with local governments.

In addition, we are required to transform ourselves into "facilities that would continue to 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, rather than prioritizing quantitative expansion through the opening of new facilities. In order to respond promptly to these changes in the environment, our Group has set more reliable management targets.

Our Group has continued to take advantage of changes in the social and business environment and maintained 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 worked to 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 digitalization as the pillar of reform to respond to changes in the social environment, in terms of "improve profitability and efficiency," we had been 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, develop new nursery schools specializing in English education, improve profitability by further optimizing staffing, and establish an integrated childcare support system that captures the infant, early childhood, and children's period. As a result, we actively promoted new contracts to double the current number of school clubs and children's houses to 200 facilities.

With regard to "improve soundness", we have expanded our human resource education and training systems as the key to childcare support is "human resources", and promoted operational sophistication through streamlined operations. In addition, we have further improved the quality of our childcare support and promoted the creation of "facilities that would continue to 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. In addition, we worked to eliminate wasteful operations by reviewing various operations and to improve operational efficiency by promoting systematization.

With regard to "improve growth potential," we actively promoted the development of new businesses based on the know-how and marketing cultivated through the operation of the child-raising support business as the second pillar of our business.

As a new business, we have started the operation of a childcare support platform "codomel," to provide various services and products tailored to the child's each development stage and for external sales to other companies in the same industry. As a first step, we started to offer matching services mainly for childrearing generations in which users can individually sell and purchase baby care goods, apparel, and other goods (reused goods) on the web. As the second service, based on the concept of "for the smile of all families, we started to provide products and services that resolve the problems of childrearing generation, in collaboration with various companies. We are expanding the number of registered members through a discount coupon service for childcare-related products and services, as requested by customers as a launch marketing plan. In the future, we intend to expand our various services and businesses not only domestically but also globally, including the provision of services in collaboration with various companies, introduction and dispatch of professional personnel, and on-demand streaming of professional training programs. In addition, the Group will provide a range of services to help parents with their problems, such as a food business offering prepared meal services and the provision of various supplies necessary for each child's age.

Our group has also strengthened and promoted support for children with developmental concerns, such as through support programs for visiting childcare facilities, etc. Based on the expertise gained through our childcare support, we will provide such support to more children and their parents, such as expanding the support with high levels of expertise for children with potential developmental disabilities. In addition, to respond to changes in the social environment, we will provide child-raising support to more children and parents, including the establishment of the "bilingual nursery school" with full-time native English-speaking teachers.

As for the new facility openings, the Group has opened a total of 15 facilities during the fiscal year ended March 2023 according to the plan, including 2 nursery schools (2 in Tokyo) and 13 school clubs and children's houses (13 in Tokyo).

(Nursery School)

Asc Musashi-Koganei Minamiguchi Nursery School	(Apr. 1, 2022)
Mitaka City Flexible Childcare Center Hinata	(Apr. 1, 2022)

(School Club)

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 Childcare Room	(Jun. 1, 2022)

(Children's House)

Soka City Matsubara Children and Youth Exchange Center "miraton"	(Jan. 1, 2023)
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\*1: Mitaka City Flexible 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, Nagayato 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, 11 children's houses, making a total of 309 childcare facilities as of March 31, 2023.

The Group's consolidated net sales were 35,507 million yen (up 3.3% year on year), operating income was 3,667 million yen (up 9.6% year on year), ordinary income was 3,745 million yen (up 11.5% year on year), and net income attributable to owners of parent was 2,698 million yen (up 18.4% year on year). Both sales and profits increased year-on-year and reached record-high profits.

The major factors are as follows:

Net sales increased 3.3% year on year, reflecting the success of efforts to create "facilities that would continue to be selected by customers" such as opening new facilities, commissioning new facilities, conducting online facility tours ahead of other companies, implementing online programs such as English, gymnastics, music, and dance, and introducing early childhood learning programs, despite the fact that each facility became partially closed since the number of COVID-19 cases continued to rise and fall at the beginning of the period.

In terms of operating income and ordinary income, the cost of sales increased due to an increase in electricity prices and a surge in the prices of various purchased merchandise. However, we worked to control and reduce costs by increasing net sales through the above-mentioned measures, improving operating efficiency by reallocating personnel at each facility and reviewing the ordering system. Operating income increased by 9.6% year on year and ordinary income increased by 11.5% year on year. This was mainly due to an increase in provision for bonuses resulting from a change in the period covered by bonuses following the introduction of a new personnel system, as well as an increase in expenses resulting from special factors associated with the introduction of a new system in the previous fiscal year.

Net income attributable to owners of parent increased by 18.4% year on year. In addition to the increase in operating income and ordinary income mentioned above, the Company recorded an extraordinary income of 376 million yen from the sale of fixed assets (land and buildings, etc.) of 4 of 7 nursery schools, in which we acquired land and building as a foothold for our child-raising support business in the past, as we considered off-balance sheet financing for these facilities to avoid the risks of holding such assets.

## (2) Summary of financial condition in the current fiscal year

As for the financial position at the end of the current fiscal year, the total assets amounted to 35,694 million yen (up 1,419 million yen from the end of the previous fiscal year).

Current assets totaled 23,613 million yen (up 2,681 million yen), mainly reflecting an increase of 2,034 million yen in cash and deposits and 554 million yen in accounts receivable.

Fixed assets totaled 12,081 million yen (down 1,261 million yen). This was mainly due to an increase of 184 million yen in tools, furniture and fixtures, while there were decreases of 491 million yen in buildings and structures, 306 million yen in land, 184 million yen in long-term loans receivable, 136 million yen in construction in progress, and 121 million yen in deferred tax assets. Total liabilities amounted to 22,110 million yen (down 188 million yen).

Current liabilities totaled 8,294 million yen (up 402 million yen), mainly reflecting increases of 541 million yen in current portion of long-term loans payable and 119 million yen in accounts payable, while there was a decrease of 208 million yen in income taxes payable.

Fixed liabilities totaled 13,816 million yen (down 591 million yen). This was mainly due to a decrease of 590 million yen in long-term loans payable.

Total net assets as of the end of the current fiscal year totaled 13,584 million yen (up 1,608 million yen from the end of the previous fiscal year), mainly because retained earnings increased by 2,304 million yen, while treasury stock increased by 676 million yen.

### (3) Summary of cash flow in the current fiscal year

Cash and cash equivalents (hereinafter referred to as “the funds”) for the current consolidated fiscal year were 2,735 million yen from the funds obtained through operating activities; 411 million yen obtained through investing activities; and 1,112 million yen used in financing activities, totaling 19,330 million yen, up 2,034 million yen from the end of the previous fiscal year.

The cash flow situations and their reasons for the current consolidated fiscal year are as follows:

#### [Cash flows from operating activities]

The funds provided by operating activities were 2,735 million yen (3,884 million yen was provided during the previous consolidated fiscal year).

This was mainly due to income before income taxes and minority interests of 4,063 million yen, depreciation and amortization of 737 million yen, an increase in accounts payable and accrued expenses of 251 million yen, and a decrease in other fixed assets of 116 million yen, offset by income taxes paid of 1,445 million yen, an increase in accounts receivable-other of 554 million yen, and a gain on sales of fixed assets of 355 million yen.

#### [Cash flows from investing activities]

The funds provided by investing activities were 411 million yen (413 million yen during the previous consolidated fiscal year).

This was mainly due to proceeds from sales of property, plant and equipment of 996 million yen, proceeds from collection of long-term loans receivable of 261 million yen, and proceeds from subsidies received of 138 million, while there were payments for purchases of property, plant and equipment of 869 million yen.

#### [Cash flows from financing activities]

Net cash used in financing activities was 1,112 million yen (1,978 million yen was provided during the previous consolidated fiscal year).

This was mainly due to repayments of long-term loans payable of 3,498 million yen, while there were proceeds from long-term loans payable of 3,450 million yen, purchase of treasury stock of 711 million yen, and cash dividends paid of 390 million yen.

The related index of our Group’s cash flow is as follows:

	FY3/21	FY3/22	FY3/23
Shareholders’ equity ratio (%)	33.7	34.9	38.1
Shareholders’ equity ratio against current price (%)	83.8	55.4	86.4
Cash flow to interest-bearing debts ratio (years)	5.5	4.1	5.8
Interest coverage ratio (x)	41.6	54.8	38.5

Notes: Shareholders’ equity ratio = shareholders’ equity/total assets

Shareholders’ equity ratio against current price = total current stock price/total assets

Cash flow to interest-bearing debts ratio = interest-bearing debts/cash flow

Interest coverage ratio = cash flow/interest payment

[Note 1] All calculated based on consolidated financial amounts.

[Note 2] Total current stock price calculated based on the total number of stocks issued minus treasury shares.

[Note 3] Cash flow here signifies operating cash flow.

[Note 4] Interest-bearing debts here include all the debts that incur interests and appropriated on the consolidated balance sheet.

#### (4) Future outlook

As for the future outlook, amid continuing concerns about the spread of COVID-19, despite ongoing progress in resolving the number of children on waiting lists at nursery schools, there still is an issue for developing the childcare environment, as the number of children on waiting lists is increasing to more than 15,000 at school clubs. Meanwhile, the government is promoting various measures to improve the childcare environment, such as the consideration of measures to address the declining birth rate on a different dimension. The social role of the childcare support business is becoming even more important.

In light of this situation, we intend to prioritize qualitative improvements, rather than quantitative expansion with the opening of new facilities. Through further improving the quality of our childcare support, we need to create the "facilities that would continue to be selected by customers" that respond to changes in the social environment and the needs of parents. In the medium-term management plan, management targets are set with a higher degree of certainty.

As a result of efforts to succeed in various measures, build an efficient management structure and reduce costs in relation to the numerical targets in our Medium-term Management Plan (fiscal year ended March 31, 2022 to fiscal year ending March 31, 2024), we have achieved a recorded-high profit with increased sales and profit in the fiscal year ended March 31, 2023.

In the environment that surrounds our childcare support business, the government has established the "Children and Families Agency" and been enhancing the childcare environment as a measure to tackle the declining birthrate. Meanwhile, the competition to acquire children is intensifying in regions where the declining birthrate is accelerating. Accordingly, there is a need for structural reforms for sustainable growth and further earnings expansion and the development and early monetization of new businesses. In this way, we have formulated the consolidated numerical targets with a rolling method to align with the announcement of our consolidated earnings forecast for the fiscal year ending March 31, 2024, in light of progress toward the target values in the Medium-term Management Plan (fiscal year ended March 31, 2022 to fiscal year ending March 31, 2024) and changes in the external environment. At the same time, we are working on the priority targets we have stated in the Medium-term Management Plan: "Achieve growth and establish a competitive advantage," "Reform our profit structure," and "Reform our management base."

##### [Priority Targets of the Medium-Term Management Plan]

We will create new services and value, establish a competitive advantage and solve social problems through our business by proactively developing new businesses for growth, developing infrastructure utilizing M&As and systemization, and building solid business foundations with structural reforms and business reforms. Through these efforts, we will aim for sustainable growth while realizing the management philosophy of our group: "Through child care support, we will contribute to creating smiles for everyone."

##### (1) Achieve growth and establish a competitive advantage

We will develop new businesses for medium- to long-term growth, proactively promote M&As to expand our existing businesses and create new businesses, enhance our learning programs to ensure a competitive advantage, and promote various differentiation strategies to solve the concerns of parents.

##### (2) Reform our profit structure

We will improve profitability by reviewing the business structure, eliminating wasteful operations, improving management efficiency through ICT, and further optimizing staffing. We will also further streamline operations by reforming business processes and introducing systems.

##### (3) 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 retain and develop outstanding human resources and improve employee engagement to lead to a change in awareness. Moreover, we will strengthen our human resources strategy and group governance to support sustainable growth and superiority.

For the above reasons, as for the consolidated performance for the next fiscal year, the Company forecasts net sales of 36,390 million yen (up 2.5% year on year), operating income of 3,820 million yen (up 4.2%), ordinary income of 3,842 million yen (up 2.6%), and net income attributable to owners of parent was 2,497 million yen (down 7.5%).

The decrease in the forecast of net income attributable to owners of the parent in the next fiscal year compared to the current fiscal year is due to the recording of an extraordinary gain of 376 million yen as a result of the sale of fixed assets (land, buildings, etc.) of 4 of the 7 facilities with land and buildings in the current fiscal year.



The following is a breakdown of the childcare facilities that the Group has entrusted with the opening of new facilities during the fiscal year ended March 2023 and has started new operations on April 1, 2023.

(Nursery School)

Shinagawa Municipal Yashio Nishi Nursery School (Apr. 1, 2023)

(School Club/Children's House)

Heisei Elementary School After School Kids' Club (Apr. 1, 2023)

Ryusen Kids' Club (Apr. 1, 2023)

Chofu Municipal Chowa Elementary School Club No.2 (Apr. 1, 2023)

Minamikko Hiroba (Apr. 1, 2023)

Minato-ku Houka-go→Club Konan (Apr. 1, 2023)

Takaban Elementary School Lan Lan Hiroba (Apr. 1, 2023)

Yonsho Aozora School Club (Apr. 1, 2023)

Asc Asakusabashi Kids' Club (Jun. 1, 2023)

(Bilingual Nursery School)

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

Asc Bilingual Nursery School Eifuku (formerly Asc Eifuku Nursery School) (Apr. 1, 2023)

Asc Bilingual Nursery School Kameido (formerly Asc Kameido Nursery School) (Apr. 1, 2023)

GENKIDS Bilingual Nursery School Shinkoyasu (formerly GENKIDS Shinkoyasu Nursery School) (Apr. 1, 2023)

Asc Bilingual Nursery School Asakusabashi (formerly Asc Asakusabashi Nursery School) (Jun. 1, 2023)

Ask Bilingual Nursery School Meidai-mae (formerly Asc Meidai-mae Nursery School) (Jun. 1, 2023)

\*1: As of March 31, 2023, the Company closed Tokyo Licensed Nursery School named Asc Fudo-mae Nursery School. In addition, due to the expiration of the contract, the Company withdrew from school clubs named Wakuwaku Akabane Hiroba/Akabane Children's Club No. 1, Wakuwaku Akabane Hiroba/Akabane Children's Club No. 2, Wakuwaku Akabane Hiroba/Akabane Children's Club No. 3, Wakuwaku Kirigaoka-sato Hiroba/Kirigaoka-satokko Club No. 1, Wakuwaku Kirigaoka-sato Hiroba/Kirigaoka-satokko Club No. 2, Wakuwaku Kirigaoka-sato Hiroba/Kirigaoka-satokko Club No. 3, Wakuwaku Fukuro Hiroba/Akakita Hibari Club No.3, Wakuwaku Yoniwa Hiroba/Yoniwa Elementary School Icho. Club No. 1, Wakuwaku Yoniwa Hiroba/Yoniwa Elementary School Icho. Club No. 2, Mitaka Municipal Minamiura School Club Annex A, Minato-ku Houka-go→Club Honmura, Bunkyo-ku Meidai Temporary Childcare Room as of March 31, 2023.

## 2. Basic Policies regarding the Selection of Accounting Standards

Our Group produces financial statements based on the Japanese standard, while taking into consideration the comparabilities of various financial statement terms as well as those of various companies. Incidentally, the application of international accounting standards will be appropriately enforced, in consideration of various situations inside and outside Japan.

### 3. [Consolidated Financial Statements and Major Notes]

#### (1) [Consolidated Balance Sheet]

(Thousand yen)

	Previous Fiscal Year (March 31, 2022)	Current Fiscal Year (March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	17,296,668	19,330,865
Accounts receivable - trade	68,650	60,198
Inventories	63,900	55,476
Accounts receivable - other	2,708,806	3,263,596
Other	794,924	904,246
Allowance for doubtful accounts	-1,766	-1,291
<b>Total current assets</b>	<b>20,931,185</b>	<b>23,613,092</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,326,804	12,024,967
Accumulated depreciation and impairment	-7,450,666	-7,640,405
Buildings and structures, net	4,876,138	4,384,561
Machinery, equipment and vehicles	203	203
Accumulated depreciation	-121	-150
Machinery, equipment and vehicles, net	82	53
Tools, furniture and fixtures	1,106,051	1,340,178
Accumulated depreciation and impairment	-820,246	-869,662
Tools, furniture and fixtures, net	285,804	470,516
Land	435,909	129,529
Construction in progress	137,030	330
<b>Total tangible fixed assets</b>	<b>5,734,966</b>	<b>4,984,990</b>
Intangible assets		
Goodwill	136,736	106,350
Other	37,904	39,689
<b>Total intangible assets</b>	<b>174,640</b>	<b>146,040</b>
Investments and other assets		
Investment securities	453,084	406,875
Long-term loans receivable	2,989,672	2,804,871
Guarantee deposits	1,903,902	1,819,824
Deferred tax assets	1,579,652	1,458,611
Other	513,833	465,177
Allowance for doubtful accounts	-6,123	-4,727
<b>Total investments and other assets</b>	<b>7,434,021</b>	<b>6,950,632</b>
<b>Total fixed assets</b>	<b>13,343,629</b>	<b>12,081,664</b>
<b>Total assets</b>	<b>34,274,814</b>	<b>35,694,756</b>

(Thousand yen)

	Previous Fiscal Year (March 31, 2022)	Current Fiscal Year (March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	165,552	186,091
Current portion of long-term loans payable	3,113,291	3,654,742
Accounts payable – other	1,561,978	1,681,700
Income taxes payable	641,517	433,452
Accrued consumption taxes	143,892	92,647
Reserve for bonuses	906,420	866,100
Asset retirement obligation	49,652	3,087
Other	1,309,498	1,376,561
Total current liabilities	7,891,803	8,294,383
Fixed liabilities		
Long-term debt	12,816,466	12,226,111
Retirement benefit liability	940,313	970,699
Asset retirement obligation	647,127	619,549
Other	3,650	-
Total fixed liabilities	14,407,557	13,816,359
Total liabilities	22,299,361	22,110,742
<b>Net assets</b>		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,455,989
Retained earnings	9,117,409	11,422,289
Treasury stock	-107,515	-784,199
Total shareholders' equity	12,063,393	13,698,034
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-49,918	-111,798
Deferred gains or losses on ledges	-2,533	1,143
Remeasurements of defined benefit plans	-35,488	-3,365
Total accumulated other comprehensive income	-87,940	-114,020
Total net assets	11,975,452	13,584,013
Total liabilities and net assets	34,274,814	35,694,756

## (2) [Consolidated Statement of Income and Consolidated Statement of Comprehensive Income]

[Consolidated Statement of Income]

(Thousand yen)

	Previous Fiscal Year (Apr. 1, 2021 - March 31, 2022)	Current Fiscal Year (Apr. 1, 2022 - March 31, 2023)
Net sales	34,373,668	35,507,855
Cost of sales	28,052,451	29,110,590
Gross profit	6,321,216	6,397,264
Selling, general and administrative expenses	2,976,295	2,729,999
Operating income	3,344,921	3,667,265
Non-operating income		
Interest income	77,203	77,750
Subsidies for employment adjustment	2,172	53,342
Other	23,052	30,407
Total non-operating income	102,429	161,500
Non-operating expenses		
Interest expenses	69,138	70,588
Other	19,615	12,967
Total non-operating expenses	88,754	83,555
Ordinary income	3,358,596	3,745,210
Extraordinary income		
Gain on sales of fixed assets	148,715	355,993
Other	34,896	20,548
Extraordinary income	183,611	376,542
Extraordinary loss		
Loss on retirement of fixed assets	389	3,189
Impairment loss (on facilities)	43,610	55,467
Loss on sales of investment securities	3,052	-
Total extraordinary loss	47,051	58,657
Income before income taxes and others	3,495,156	4,063,095
Corporate, inhabitant and enterprise taxes	1,175,928	1,234,746
Income taxes-deferred	39,633	129,858
Total income tax	1,215,561	1,364,605
Net income	2,279,594	2,698,489
Net income attributable to owners of parent	2,279,594	2,698,489

[Consolidated Statement of Comprehensive Income]

(Thousand yen)

	Previous Fiscal Year (Apr. 1, 2021 - March 31, 2022)	Current Fiscal Year (Apr. 1, 2022 - March 31, 2023)
Net income	2,279,594	2,698,489
Total accumulated other comprehensive income		
Valuation difference on available-for- sale securities	35,041	-61,879
Deferred gains or losses on ledges	4,415	3,677
Remeasurements of defined benefit plans	-10,242	32,122
Total other comprehensive income	29,214	-26,079
Comprehensive income	2,308,808	2,672,409
Breakdown		
Comprehensive income attributable to owners of parent	2,308,808	2,672,409

### (3) Consolidated Statements of Changes in Shareholders' Equity

Previous Fiscal Year (April 1, 2021 – March 31, 2022)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,603,955	1,449,544	7,178,942	-107,515	10,124,926
Changes of items during the period					
Dividends from surplus			-341,127		-341,127
Net income attributable to owners of parent			2,279,594		2,279,594
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	1,938,466	-	1,938,466
Balance at the end of current period	1,603,955	1,449,544	9,117,409	-107,515	12,063,393

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on ledges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	-84,960	-6,948	-25,245	-117,154	10,007,772
Changes of items during the period					
Dividends from surplus					-341,127
Net income attributable to owners of parent					2,279,594
Net changes of items other than shareholders' equity	35,041	4,415	-10,242	29,214	29,214
Total changes of items during the period	35,041	4,415	-10,242	29,214	1,967,680
Balance at the end of current period	-49,918	-2,533	-35,488	-87,940	11,975,452

Current Fiscal Year (April 1, 2022 – March 31, 2023)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,603,955	1,449,544	9,117,409	-107,515	12,063,393
Changes of items during the period					
Dividends from surplus			-393,609		-393,609
Net income attributable to owners of parent			2,698,489		2,698,489
Purchase of treasury shares				-711,577	-711,577
Disposal of treasury stock		6,935		30,862	37,798
Restricted stock compensation		-491		4,031	3,540
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	6,444	2,304,879	-676,683	1,634,640
Balance at the end of current period	1,603,955	1,455,989	11,422,289	-784,199	13,698,034

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on ledges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	-49,918	-2,533	-35,488	-87,940	11,975,452
Changes of items during the period					
Dividends from surplus					-393,609
Net income attributable to owners of parent					2,698,489
Purchase of treasury shares					-711,577
Disposal of treasury stock					37,798
Restricted stock compensation					3,540
Net changes of items other than shareholders' equity	-61,879	3,677	32,122	-26,079	-26,079
Total changes of items during the period	-61,879	3,677	32,122	-26,079	1,608,561
Balance at the end of current period	-111,798	1,143	-3,365	-114,020	13,584,013

## (4) Consolidated Statement of Cash Flows

(Thousand yen)

	Previous Fiscal Year (Apr. 1, 2021 - March 31, 2022)	Current Fiscal Year (Apr. 1, 2022 - March 31, 2023)
Net cash provided by (used in) operating activities		
Income before income taxes and others	3,495,156	4,063,095
Depreciation and amortization	708,752	737,366
Impairment loss	43,610	55,467
Amortization of goodwill	30,385	30,385
Increase (decrease) in allowance for doubtful accounts	-6,039	-1,871
Increase (decrease) in provision for bonuses	361,945	-40,320
Increase (decrease) in liabilities relating to retirement benefits	85,032	79,353
Loss (gain) on sale of investment securities	3,052	-
Share-based payment expenses	-	2,655
Interest and dividends income	-77,203	-77,750
Interest expenses	69,138	70,588
Loss (gain) on sales of fixed assets	-148,715	-355,993
Loss on retirement of fixed assets	389	3,189
Decrease (increase) in notes and accounts receivable-trade	19,608	8,452
Decrease (increase) in inventories	103,580	8,424
Decrease (increase) in accounts receivable - other	300,848	-554,790
Decrease (increase) in accrued consumption taxes	13,275	-13,083
Decrease (increase) in notes and accounts payable-trade	-53,713	20,538
Decrease (increase) in accounts payable - other and accrued expenses	-55,507	251,817
Increase (decrease) in accrued consumption taxes	-16,943	-51,244
Increase (decrease) in advances received	-113,090	-20,592
Decrease (increase) in other current assets	88,986	-78,780
Decrease (increase) in other fixed assets	208,446	116,786
Increase (decrease) in other current liabilities	-39,964	-4,958
Increase (decrease) in other fixed liabilities	5,553	2,842
Subtotal	5,026,584	4,251,578
Interest and dividends income received	288	187
Interest expenses paid	-70,909	-70,960
Income taxes (paid) refund	-1,071,534	-1,445,567
Net cash provided by (used in) operating activities	3,884,429	2,735,238



(Thousand yen)

	Previous Fiscal Year (Apr. 1, 2021 - March 31, 2022)	Current Fiscal Year (Apr. 1, 2022 - March 31, 2023)
Net cash provided by (used in) investing activities		
Proceeds from sales of property, plant and equipment	461,310	996,251
Purchase of property, plant and equipment	-687,204	-869,848
Purchase of intangible assets	-4,512	-13,342
Proceeds from sales of investment securities	17,481	-
Proceeds from collection of guarantee deposits	44,864	47,435
Payments for guarantee deposits	-37,710	-8,770
Collection of long-term loans receivable	277,591	261,229
Payments of long-term loans receivable	-35,000	-45,738
Proceeds from subsidy income	449,115	138,530
Other	-72,936	-94,087
Net cash provided by (used in) investing activities	413,000	411,659
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	6,030,880	3,450,000
Repayments of long-term loans payable	-3,714,431	-3,498,904
Proceeds from disposal of treasury shares	-	37,798
Proceeds from disposal of treasury shares	-	-711,577
Cash dividends paid	-338,133	-390,017
Net cash provided by (used in) financing activities	1,978,315	-1,112,700
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	6,275,745	2,034,197
Cash and cash equivalents at beginning of period	11,020,922	17,296,668
Cash and cash equivalents at end of period	17,296,668	19,330,865

## (5) Notes on the consolidated financial statements

(Notes on going concern assumption)

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 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 consolidated financial statement.

(Changes in presentation)

(Consolidated Statements of Income)

"Subsidies for employment adjustment", which were included in "Other" under "Non-operating income" in the previous fiscal year, are presented separately from the current fiscal year due to an increase in their monetary materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 25,225 thousand yen presented as "Other" under "Non-operating income" in the Consolidated Statement of Income for the previous fiscal year has been reclassified as "Subsidies for employment adjustment" of 2,172 thousand yen and "Others" of 23,052 thousand yen.

"Payments for employment of persons with disabilities" under "Non-operating expenses," which was presented separately in the previous fiscal year, has been included in "Other" from the current fiscal year due to its immateriality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the amounts of "Payment for employment of persons with disabilities" of 13,500 thousand yen and "Other" of 6,115 thousand yen, which were presented as "Non-operating expenses" in the Consolidated Statement of Income for the previous fiscal year, have been reclassified as "Other" of 19,615 thousand yen.

"Gain on reversal of asset retirement obligations" under "Extraordinary income," which was presented separately in the previous fiscal year, is presented in "Other" from the current fiscal year due to its immateriality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the gain on reversal of asset retirement obligations of 34,896 thousand yen, which was presented as "Extraordinary income" in the consolidated statement of income for the previous fiscal year, has been reclassified as "Other" of 34,896 thousand yen.

(Consolidated Statements of Cash Flows)

"Gain on reversal of asset retirement obligations" under "Cash flows from operating activities," which was stated separately in the previous fiscal year, has been included in "Increase (decrease) in other current liabilities" from the current fiscal year, due to its immateriality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, "Reversal of asset retirement obligations" of -34,896 thousand yen and "Increase (decrease) in other current liabilities" of -5,068 thousand yen, which were shown in "Cash flow from operating activities" in the consolidated cash flow statement for the previous financial year, has been reclassified as "Increase (decrease) in other current liabilities" of -39,964 thousand yen.

(Segment Information)

As our group operates within one single segment (nursery service), we have omitted the descriptions as such.

(Per-stock Information)

	Previous Fiscal Year (Apr. 1, 2021 - March 31, 2022)	Current Fiscal Year (Apr. 1, 2022 - March 31, 2023)
Net assets per share	136.91 yen	159.53 yen
Net income per share	26.06 yen	31.18 yen

(Note) 1. Diluted net income per share is omitted as there are no dilutive shares.

2. The basis for calculating net income per share is as follows:

	Previous Fiscal Year (Apr. 1, 2021 - March 31, 2022)	Current Fiscal Year (Apr. 1, 2022 - March 31, 2023)
Net income attributable to owners of parent (thousand yen)	2,279,594	2,698,489
Net income not attributable to common shareholders (thousand yen)	-	-
Net income attributable to owners of parent related to common shares (thousand yen)	2,279,594	2,698,489
Average number of common stock during period (shares)	87,468,693	86,537,843

(Significant events after the reporting period)

None applicable.