

Summary of Business Results for the Six Months Ended September 30, 2024 [Japan GAAP] (Consolidated)

November 13, 2024

Company **JP-HOLDINGS, INC.** Listed on the TSE Prime
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 Scheduled date to file semi-annual securities report: November 13, 2024 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for media members, institutional investors, analysts)

(Rounded down to million yen)

1. Consolidated business results for the six months ended September 2024 (April 1, 2024 through September 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	%
Six months ended Sept. 2024	19,251	6.6	2,720	34.6	2,735	39.2	1,940	51.7
Six months ended Sept. 2023	18,057	4.9	2,020	34.4	1,965	29.1	1,279	13.2

(Note) Comprehensive income

Six months ended September 2024: 1,993 million yen (56.0%)

Six months ended September 2023: 1,278 million yen (16.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sept. 2024	22.73	-
Six months ended Sept. 2023	15.02	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sept. 30, 2024	34,722	17,440	50.2
As of Mar. 31, 2024	36,889	16,108	43.7

(Reference) Shareholders' equity:

As of September 30, 2024: 17,440 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
Year ended Mar. 2024	Yen -	Yen 0.00	Yen -	Yen 8.00	Yen 8.00
Year ending Mar. 2025	-	0.00	-	8.00	8.00
Year ending Mar. 2025 (forecast)	-	-	-	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 1) 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 semi-annual consolidated financial statements:

None

(3) Changes in accounting policies, accounting estimates and restatement

① Changes in accounting policies associated with revision of accounting standards: : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement : None

(4) Shares outstanding (common stock)

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

As of September 30, 2024 87,849,400 shares

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

② Treasury stock at the end of period

As of September 30, 2024 2,451,259 shares

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

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

Six months ended September 2024 85,374,821 shares

Six months ended September 2023 85,166,816 shares

***Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.**

***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. Summary of Operating Results (3) Consolidated Earnings Forecasts” (Page 4).

· The Company plans to hold an online meeting as the financial results briefing for media members, institutional investors and analysts on Friday, November 15, 2024

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1. Summary of Operating Results

(1) Summary of Operating Results for the Semi-annual Period

During the semi-annual period of the current fiscal year (April 1, 2024 to September 30, 2024), the Japanese economy showed signs of recovery in economic activities due to increased corporate exports and demand from inbound tourists. However, the business environment remains challenging due to the risk of economic downturn caused by sluggish overseas economies and soaring resource and other prices, as well as the effects of unstable financial markets.

In the environment surrounding the childcare support business, of which our group is a part, the government has presented the "Children's Future Strategy," which outlines the specifics of measures to address the accelerating decline in the birthrate, with different dimensions.

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.

As described above, while the government and local governments are promoting various measures to improve childcare environments and eliminate waiting lists for children in school clubs as part of measures to cope with the declining birthrate, competition to acquire more children is intensifying in regions where the birthrate is declining at an accelerated pace. In this difficult environment, we believe it is necessary to implement various measures to create childcare facilities that continue to be selected by customers, to improve efficiency through structural reforms, and to develop new businesses and generate earnings as quickly as possible.

In view of the progress of various measures and changes in the external environment, 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 further improve and reform our competitive superiority and management foundation.

To achieve the goal of "achieve growth and establish a competitive advantage", we will develop new businesses for medium- to long-term growth, actively pursue M&A to expand existing businesses and new business domains, expand learning programs to capture competitive advantages (such as STEAMS childcare and after-school programs), develop learning programs (such as English, physical exercise, music, and dancing schools), and expand our "bilingual nursery school" programs with native English-language teachers and "Montessori-method education nursery school" programs as a differentiating strategy. We have also introduced our unique new societies-on programs, such as the "Door of Future" occupational experience event, and the "Door of Nature" hands-on learning, which is away from parents and touches local cultures and traditions. In addition, through a dominant strategy in collaboration with nursery schools and school clubs and children's houses to establish an integrated childcare support system for infants, early childhood, and child-rearing, we are actively promoting new contracts to double the current number of school clubs and children's houses to 200 facilities, and are strengthening our efforts to "creating facilities that would continue to be selected by customers" in each region.

In addition, as new businesses, we are aggressively pursuing the expansion of our domestic and overseas specialist personnel placement and temporary staffing business, the expansion of our real estate business in conjunction with various other businesses, and the launch of an overseas childcare support business with a view to global expansion, in order to expand our operations and generate earnings.

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. Our group is 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.

Furthermore, with regard to the business alliance with Duskin Co., Ltd., we have established a committee to study the collaboration between the two companies, and through the effective use of their management resources and know-how and mutual cooperation, we will create new services to solve social issues related to childcare support and the problems of customers and guardians, and create measures to realize a more affluent lifestyle.

As part of our Group's further 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 semi-annual period of the current fiscal year, 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 Childcare Room	(Apr. 1, 2024)
Mejirodai Childcare 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: Predu 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 September 30, 2024.

As a result, for the semi-annual period of the current fiscal year, the Group's net sales were 19,251 million yen (up 6.6% year on year), operating income was 2,720 million yen (up 34.6% year on year), ordinary income was 2,735 million yen (up 39.2% year on year), and net income attributable to owners of parent was 1,940 million yen (up 51.7% year on year).

Net sales increased by 6.6% year on year. Despite a decrease in subsidies to combat rising prices and other issues, this growth was due to an increase in the number of enrolled children compared to the previous 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, despite a decrease in subsidies to combat rising prices and other issues and an increase in personnel costs due to improved employee treatment, etc.. As a result, operating income and ordinary income increased by 34.6% and 39.2% year on year, respectively, achieving significant profit growth.

Net income attributable to owners of parent increased significantly by 51.7% 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) Summary of Financial Condition in the Semi-annual Period

As for the financial position at the end of the semi-annual period of the current fiscal year, the total assets amounted to 34,722 million yen (down 2,167 million yen from the end of the previous fiscal year).

Current assets totaled 23,492 million yen (down 1,881 million yen), mainly reflecting decreases of 1,416 million yen in cash and deposits and 366 million yen in accounts receivable.

Non-current assets totaled 11,229 million yen (down 285 million yen). This was mainly due to decreases of 211 million yen in buildings and structures and 107 million yen in long-term loans receivable.

Total liabilities amounted to 17,281 million yen (down 3,499 million yen).

Current liabilities totaled 8,642 million yen (down 1,766 million yen), mainly reflecting an increase of 102 million yen in reserve for bonuses, while there were decreases of 1,373 million yen in accounts payable – other, and 295 million yen in others.

Non-current liabilities totaled 8,638 million yen (down 1,733 million yen). This was mainly due to a decrease of 1,771 million yen in long-term loans payable.

Total net assets at the end of the semi-annual period of the current fiscal year was 17,440 million yen (up 1,332 million yen). This was mainly due to an increase of 1,257 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. Semi-annual Consolidated Financial Statements and Major Notes

(1) Semi-annual Consolidated Balance Sheet

(Thousand yen)

	Previous Fiscal Year (March 31, 2024)	Current Semi-annual Period (September 30, 2024)
Assets		
Current assets		
Cash and deposits	20,944,481	19,527,587
Notes and accounts receivable-trade	117,374	103,639
Inventories	46,955	34,432
Accounts receivable - other	3,453,371	3,086,471
Other	812,495	740,391
Allowance for doubtful accounts	-411	-245
Total current assets	25,374,267	23,492,275
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,148,433	12,133,858
Accumulated depreciation and impairment	-8,131,104	-8,328,111
Buildings and structures, net	4,017,329	3,805,746
Machinery, equipment and vehicles	4,442	4,442
Accumulated depreciation	-1,305	-1,835
Machinery, equipment and vehicles, net	3,137	2,606
Tools, furniture and fixtures	1,503,559	1,549,684
Accumulated depreciation and impairment	-987,460	-1,056,135
Tools, furniture and fixtures, net	516,099	493,548
Land	129,529	129,529
Total property, plant and equipment	4,666,095	4,431,432
Intangible assets		
Goodwill	75,964	60,771
Other	29,706	26,144
Total intangible assets	105,671	86,915
Investments and other assets		
Investment securities	473,597	568,404
Long-term loans receivable	2,579,732	2,472,275
Guarantee deposits	1,814,755	1,815,757
Deferred tax assets	1,489,173	1,498,396
Other	392,729	360,349
Allowance for doubtful accounts	-6,510	-3,768
Total investments and other assets	6,743,477	6,711,414
Total non-current assets	11,515,244	11,229,762
Total assets	36,889,511	34,722,038

(Thousand yen)

	Previous Fiscal Year (March 31, 2024)	Current Semi-annual Period (September 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	196,679	140,504
Current portion of long-term loans payable	3,657,330	3,563,292
Accounts payable – other	2,893,907	1,519,910
Income taxes payable	1,093,442	1,044,406
Accrued consumption taxes	65,639	72,642
Reserve for bonuses	891,300	993,623
Asset retirement obligation	6,560	-
Other	1,604,392	1,308,468
Total current liabilities	10,409,252	8,642,848
Non-current liabilities		
Long-term borrowings	8,761,017	6,989,621
Retirement benefit liability	1,010,833	1,044,121
Asset retirement obligation	597,439	602,363
Other	2,850	2,577
Total non-current liabilities	10,372,140	8,638,682
Total liabilities	20,781,392	17,281,530
Net assets		
Shareholders' equity		
Capital stock	1,603,955	1,603,955
Capital surplus	1,482,693	1,492,237
Retained earnings	13,840,537	15,098,151
Treasury shares	-724,381	-712,519
Total shareholders' equity	16,202,804	17,481,824
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-94,396	-44,234
Deferred gains or losses on ledges	1,638	1,907
Remeasurements of defined benefit plans	-1,926	1,010
Total accumulated other comprehensive income	-94,684	-41,316
Total net assets	16,108,119	17,440,507
Total liabilities and net assets	36,889,511	34,722,038

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Thousand yen)

	Previous Semi-annual Period (April 1, 2023 - September 30, 2023)	Current Semi-annual Period (April 1, 2024 - September 30, 2024)
Net sales	18,057,936	19,251,338
Cost of sales	14,725,453	15,235,879
Gross profit	3,332,482	4,015,459
Selling, general and administrative expenses	1,311,897	1,294,964
Operating income	2,020,584	2,720,494
Non-operating income		
Interest income	37,011	39,097
Other	14,598	8,546
Total non-operating income	51,610	47,644
Non-operating expenses		
Interest expenses	35,683	27,864
Arrangement fee	70,000	-
Other	1,329	5,107
Total non-operating expenses	107,012	32,971
Ordinary income	1,965,182	2,735,167
Extraordinary income		
Compensation for relocation of head office	-	201,630
Extraordinary income	-	201,630
Extraordinary loss		
Loss on sales of noncurrent assets	-	91
Loss on retirement of fixed assets	0	4,304
Total extraordinary loss	0	4,396
Income before income taxes and others	1,965,182	2,932,401
Income taxes-current	739,645	1,024,927
Income taxes-deferred	-53,821	-32,998
Total income tax	685,823	991,929
Net income	1,279,358	1,940,472
Net income attributable to owners of parent	1,279,358	1,940,472

Semi-annual Consolidated Statement of Comprehensive Income

(Thousand yen)

	Previous Semi-annual Period (April 1, 2023 - September 30, 2023)	Current Semi-annual Period (April 1, 2024 - September 30, 2024)
Net income	1,279,358	1,940,472
Total accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-2,024	50,162
Deferred gains or losses on ledges	72	268
Remeasurements of defined benefit plans, net of tax	752	2,937
Total other comprehensive income	-1,199	53,367
Comprehensive income	1,278,158	1,993,840
Breakdown		
Comprehensive income attributable to owners of parent	1,278,158	1,993,840

(3) Consolidated Statement of Cash Flows

(Thousand yen)

	Previous Semi-annual Period (April 1, 2023 - September 30, 2023)	Current Semi-annual Period (April 1, 2024 - September 30, 2024)
Net cash provided by (used in) operating activities		
Income before income taxes and others	1,965,182	2,932,401
Depreciation and amortization	340,374	339,762
Amortization of goodwill	15,192	15,192
Increase (decrease) in allowance for doubtful accounts	1,034	-2,908
Increase (decrease) in provision for bonuses	102,060	102,323
Increase (decrease) in liabilities relating to retirement benefits	30,627	37,765
Interest and dividends income	-37,011	-39,097
Interest expenses	35,683	27,864
Loss on retirement of fixed assets	0	4,304
Loss (gain) on sales of fixed assets	-	91
Share-based payment expenses	3,968	12,070
Arrangement fee	70,000	-
Compensation for relocation of head office	-	-201,630
Decrease (increase) in notes and accounts receivable-trade	-15,480	13,735
Decrease (increase) in inventories	14,633	12,523
Increase (decrease) in trade payables	-41,580	-56,174
Increase (decrease) in accounts payable - other, and accrued expenses	81,392	-1,334,552
Increase (decrease) in accrued consumption taxes	-40,096	7,003
Increase (decrease) in advances received	32,448	90,175
Other	677,117	246,492
Subtotal	3,235,547	2,207,345
Interest and dividends income received	79	1,351
Interest expenses paid	-33,807	-28,444
Income taxes (paid) refund	-323,190	-1,078,814
Compensation for relocation of head office received	-	201,630
Net cash provided by (used in) operating activities	2,878,629	1,303,068
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-219,283	-301,650
Purchase of intangible assets	-1,729	-1,945
Proceeds from subsidy income	11,386	-
Payments for guarantee deposits	-10,000	-16,636
Proceeds from collection of guarantee deposits	-	12,742
Collection of long-term loans receivable	139,089	138,740
Purchase of insurance funds	-	-1,200
Other	-3,087	-6,590
Net cash provided by (used in) investing activities	-83,622	-176,538

(Thousand yen)

	Previous Semi-annual Period (April 1, 2023 - September 30, 2023)	Current Semi-annual Period (April 1, 2024 - September 30, 2024)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	200,000	-
Repayments of long-term loans payable	-1,721,852	-1,865,434
Payment of arrangement fee	-70,000	-
Cash dividends paid	-506,601	-677,990
Net cash provided by (used in) financing activities	-2,098,453	-2,543,424
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	696,552	-1,416,894
Cash and cash equivalents at beginning of period	19,330,865	20,944,481
Cash and cash equivalents at end of period	20,027,418	19,527,587

(4) Notes on the Semi-annual 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)

Previous Semi-annual Period (April 1, 2023 – September 30, 2023)

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

Current Semi-annual Period (April 1, 2024 – September 30, 2024)

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