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November 10, 2022

Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year 2022 (FY12/2022) [Japanese GAAP] (Consolidated)

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 Stock exchange listing: Tokyo, Fukuoka
 Securities code: 7037 URL: <https://www.teno.co.jp/>
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 Scheduled date to file Securities Report: November 11, 2022
 Scheduled date to commence dividend payments: N/A
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results of the third quarter of FY12/2022 (January 1, 2022 – September 31, 2022)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year increase/decrease)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
3Q of FY12/2022	8,835	3.3	75	(78.7)	82	(76.7)	8	(96.0)
3Q of FY12/2021	8,550	7.3	353	(27.1)	354	(25.1)	217	(26.4)

(Note) Comprehensive income 3Q of FY12/2022: 8 million yen [(96.0)%]
 3Q of FY12/2021: 217 million yen [(26.4)%]

	Net profit (loss) per share	Diluted net profit (loss) per share
	yen	yen
3Q of FY12/2022	1.91	1.90
3Q of FY12/2021	46.59	46.24

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
3Q of FY12/2022	7,498	2,216	29.6
FY12/2021	7,294	2,331	32.0

(Reference) Shareholders equity 3Q of FY12/2022: 2,216 million yen
 FY12/2021: 2,331 million yen

2. Cash dividends

	Annual dividends per share				
	3Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
FY12/2021	—	0.00	—	9.00	9.00
FY12/2022	—	0.00	—	—	—
FY12/2022 (forecasts)	—	—	—	9.00	9.00

(Note) Revisions to dividend forecasts published most recently: No

3. Consolidated performance forecasts for FY12/2022 (January 1, 2022 – December 31, 2022)

Percentages indicate year-on-year increase/decrease

	Net sales		Operating profit		Ordinary profit		Net profit attributable to owners of parent		Net profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-term	12,000	4.8	180	(61.5)	182	(60.0)	50	(78.9)	10.68

(Note) Revisions to performance forecasts published most recently: No

***Notes**

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- ① Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - ② Changes in accounting policies due to other reasons: No
 - ③ Changes in accounting estimates: No
 - ④ Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

① Total number of issued shares at the end of the period (including treasury stock)

3Q of FY12/2022:	4,683,300 shares	FY12/2021:	4,683,300 shares
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② Number of treasury stock at the end of the period

3Q of FY12/2022:	132,724 shares	3Q of FY12/2021:	224 shares
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③ Average number of shares during the period

3Q of FY12/2022:	4,597,343 shares	3Q of FY12/2021:	4,675,057 shares
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* Summary of financial results is not covered by audit by a certified public accountant or an auditing firm.

* Explanation regarding appropriate use of the performance forecasts and other special notes

(Notes on descriptions about the future, etc.)

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors.

(How to obtain quarterly supplementary material on financial results)

Supplementary material on financial results for the third quarter of FY12/2022 will be posted on the Company's website on November 10, 2022 (Thu.).

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1. Qualitative Information regarding the Financial Results of the Current Quarter**(1) Descriptions regarding operating results**

During the current third quarter consolidated cumulative period, Japanese economy has some prospects for recovery of economic activities in the context of full-swing vaccination against COVID-19 and effects of various government policies. However, there still remain uncertainties for the future such as steep rise in raw material expenses and other costs due to weaker yen. In addition, there is another challenge of addressing decreased workforce because of declining birthrate and aging population, so it has been increasingly important year by year to improve social infrastructure such as childcare centers capable of facilitating empowerment and advancement into society for women. It is also for sustainable development.

With respect to the business environment surrounding the Group, the bill for newly establishing “Children and Family Agency”, which would be a commanding post of policies for children, was passed at the plenary session of the House of Representatives and the Agency is scheduled to be established in April 2023. This has drawn keen interests in promoting diverse ways of working and infrastructure development worth for empowerment of women, including measures for enhanced support for child-raising responsive to various needs, such as environmental improvement and building up supporting structures for measures concerning birthrate decline and poverty among children, as well as for promoting social empowerment of women.

In addition, “New Plans for Secure Child-raising” published in December 2020 indicates that it is necessary to create additional capacity of childcare facilities for about 140,000 children in four fiscal years between 2021 and 2024. Also, target of employment rate of women had previously been set as 80%, but the Cabinet decided to raise it to 82% (by 2025) (Source: “The Second Phase of ‘Comprehensive Strategy for Town / People / Job Creation’”, February 2019). Following these government policies, continuous expansion of market size can be anticipated, and we think the roles of businesses carried out by the Group as a social infrastructure to support regional welfare will be more significant than ever.

Amid such an environment, in order to respond to greater needs for childcare facilities and various needs created by advancement of women into society, the Group has started to run additional childcare centers as follows during the current third quarter consolidated cumulative period.

(Public Childcare Business)	1 facility in total
Certified childcare centers	
Tokyo	1 (in Chuo Ward)
(Contracted Childcare Business)	9 facilities in total
Childcare centers inside companies/hospitals	
Fukuoka Pref.	4 (1 in Fukuoka City; 1 in Munakata City; 1 in Kurume City; 1 in Kitakyushu City)
Kagoshima Pref.	1 (in Satsumasendai City)
Okinawa Pref.	1 (in Itoman City)
After-school childcare centers	
Fukuoka Pref.	3 (all Chikugo City)
(Others)	6 facilities in total
Regional childcare centers	
Okinawa Pref.	1 nursing home (in Uruma City)
Nursing facilities	
Fukuoka Pref.	1 (in Fukuoka City)
Osaka Pref.	4 (1 in Toyonaka City; 2 in Higashiosaka City; 1 in Kishiwada City)

Taking the above into consideration, as of the end of September 2022, numbers of facilities in operation are as follows: 65 in Public Childcare Business (46 certified childcare centers and 19 small certified childcare centers); 221 in Contracted Childcare Business (130 contracted childcare centers, 59 after-school childcare centers, and 32 Waiwai Parks); and 13 in Other Business (4 non-certified childcare centers, 2 regional childcare centers, 3 day-care nursing facilities (day-service), 3 residence-type paid nursing homes, and 1 residence with services for elderly people)); namely 299 facilities in total.

Consequently, consolidated performance of the current third quarter consolidated cumulative period was as follows: Net sales of 8,835 million yen (increase by 3.3% YoY); Operating profit of 75 million yen (decrease by 78.7% YoY); Ordinary profit of 82 million yen (decrease by 76.7% YoY); and Net profit attributable to owners of parent of 8 million yen (decrease by 96.0% YoY).

Operating results of individual business segments are as follows. It should be noted that segment net sales as shown below are those before offsetting inter-segment transactions.

(Public Childcare Business)

In the Public Childcare Business segment, 1 new certified childcare centers was opened during the current third quarter consolidated cumulative period. In addition, each existing facility has put efforts not only to improved quality of childcare and enhanced efficiency of operation, but also to cost reduction such as digitalization. In the current period, newly opened centers also contributed to higher revenues as compared to the previous year. However, SG&A expenses including personnel expenses increased because of putting efforts to reinforcing headquarters scheme and recruiting field staff.

For the current third quarter consolidated cumulative period, these operations resulted in Net sales of 5,549 million yen (increase by 0.5% YoY), and Segment profit of 429 million yen (decrease by 26.4% YoY).

(Contracted Childcare Business)

In the Contracted Childcare Business segment, efforts were put to sales activities for obtaining new contracts for childcare centers provided by companies/hospitals, and 6 centers were newly opened during the current third quarter consolidated cumulative period. Efforts are put also to reconsidering unit contract prices at existing contracted centers, and reinforcement of earnings foundation is encouraged. Concerning after-school childcare centers, dealing newly started with Chikugo City and 3 centers have been opened. Each existing facility has put efforts to improved quality of childcare and enhanced efficiency of operation, but this segment suffered from lower revenues and profit due to, for example, decreased revenues because of contracted childcare centers having ceased their operations at the end of March 2021, and lower operation availability because of some facilities affected by COVID-19 suffering from temporary closure and “refraining from day-care”.

For the current third quarter consolidated cumulative period, these operations resulted in Net sales of 2,493 million yen (decrease by 4.4% YoY), and Segment profit of 40 million yen (decrease by 45.4% YoY).

(Other Business)

In the Other Business segment, efforts were put to staffing services mainly to kindergartens and childcare centers, improved service quality at regional childcare centers and nursing homes, and enhanced operational efficiency. Also, Forte Co., Ltd. which became a subsidiary at the end of January 2022 contributed to higher revenues & earnings.

For the current third quarter consolidated cumulative period, these operations resulted in Net sales of 794 million yen (increase by 84.0% YoY), and Segment profit of 4 million yen (increase by 2326.0% YoY).

(2) Descriptions regarding financial position

(Assets)

Total assets at the end of the current third quarter consolidated fiscal period was 7,498 million yen, i.e. increase by 204 million yen from 7,294 million yen as of the end of the previous consolidated FY.

Current assets was 2,972 million yen, i.e. decrease by 242 million yen from 3,215 million yen as of the end of the previous consolidated FY. This is mainly due to decrease in cash and deposits by 479 million yen, increase in accounts receivable - trade & contract assets by 166 million yen, and increase in other current assets by 72 million yen.

Non-current assets was 4,525 million yen, i.e. increase by 446 million yen from 4,079 million yen as of the end of the previous consolidated FY. This is due to decrease in property, plant and equipment by 43 million yen, increase in intangible assets by 449 million yen and increase in investment and other assets by 41 million yen.

(Liabilities)

Liabilities at the end of the current third quarter consolidated fiscal period was 5,282 million yen, i.e. increase by 319 million yen from 4,962 million yen as of the end of the previous consolidated FY.

Current liabilities was 2,539 million yen, i.e. increase by 111 million yen from 2,427 million yen as of the end of the previous consolidated FY. This is mainly due to increase in short-term loans payable by 250 million yen, decrease in accounts payable - other by 103 million yen, and decrease in other current liabilities by 142 million yen.

Non-current liabilities was 2,742 million yen, i.e. increase by 207 million yen from 2,535 million yen as of the end of the previous consolidated FY. This is mainly due to increase in long-term loans payable by 197 million yen.

(Net assets)

Net assets at the end of the current third quarter consolidated fiscal period was 2,216 million yen, i.e. decrease by 115 million yen from 2,331 million yen as of the end of the previous consolidated FY. This is due to decrease in retained earnings by 39 million yen because of paying dividends, and increase in retained earnings by 25 million yen because of allocating quarterly net profit attributable to owners of parent. Besides, treasury stock increased by 84 million yen because of purchase of treasury stock.

(3) Descriptions regarding future prospects such as consolidated performance forecasts

Performance forecasts for FY03/2022 have not been changed since the last announcement on October 21, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes**(1) Quarterly Consolidated Balance Sheets**

	Previous consolidated fiscal year (December 31, 2021)	Current third quarter consolidated fiscal period (September 30, 2022)
(million yen)		
Assets		
Current assets		
Cash and deposits	1,793	1,313
Accounts receivable - trade	980	—
Accounts receivable - trade & contract assets	—	1,146
Others	441	514
Allowance for doubtful accounts	(0)	(2)
Total current assets	3,215	2,972
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,392	2,467
Accumulated depreciation	(874)	(983)
Buildings and structures (net)	1,518	1,483
Leased assets	15	19
Accumulated depreciation	(13)	(15)
Leased assets (net)	2	3
Construction in progress	108	94
Others	359	390
Accumulated depreciation	(314)	(340)
Others (net)	45	49
Total property, plant and equipment	1,675	1,631
Intangible assets		
Goodwill	649	1,049
Others	169	218
Total intangible assets	819	1,268
Investments and other assets		
Investment securities	10	10
Long-term loans receivable	777	747
Long-term prepaid expenses	323	318
Deferred tax assets	110	170
Lease and guarantee deposits	362	379
Others	5	1
Allowance for doubtful accounts	(5)	(1)
Total investments and other assets	1,584	1,625
Total non-current assets	4,079	4,525
Total assets	7,294	7,498
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22	28
Short-term loans payable	550	800
Current portion of long-term loans payable	444	475
Accounts payable - other	718	614
Income taxes payable	87	33
Provision for bonuses	62	186
Others	543	401
Total current liabilities	2,427	2,539
Non-current liabilities		
Long-term loans payable	2,390	2,587
Deferred tax liabilities	13	6
Provision for directors' retirement benefits	23	25
Asset retirement obligations	92	105
Others	15	17
Total non-current liabilities	2,535	2,742
Total liabilities	4,962	5,282

(million yen)

	Previous consolidated fiscal year (December 31, 2021)	Current third quarter consolidated fiscal period (September 30, 2022)
Net assets		
Shareholders' equity		
Capital stock	453	453
Capital surplus	531	531
Retained earnings	1,347	1,316
Treasury shares	(0)	(84)
Total shareholders' equity	2,331	2,216
Total net assets	2,331	2,216
Total liabilities and net assets	7,294	7,498

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

(Quarterly Consolidated Statements of Income)

(For the third quarter consolidated cumulative period)

(million yen)

	Previous third quarter consolidated cumulative period (Jan. 1, 2021 – Sep. 30, 2021)	Current third quarter consolidated cumulative period (Jan. 1, 2022 – Sep. 30, 2022)
Net sales	8,550	8,835
Cost of sales	7,187	7,564
Gross profit	1,362	1,270
SG&A expenses	1,009	1,195
Operating profit (loss)	353	75
Non-operating profit (loss)		
Interest income	3	3
Subsidy income	21	21
Others	1	4
Total non-operating profit (loss)	26	29
Non-operating expenses		
Interest expenses	12	12
Subsidy returned	7	0
Others	5	10
Total non-operating expenses	25	22
Ordinary profit (loss)	354	82
Extraordinary profit		
Subsidy income	478	246
Total extraordinary profit	478	246
Extraordinary losses		
Loss on reduction of non-current assets	476	246
Others	4	—
Total extraordinary losses	481	246
Net profit (loss) before income taxes and minority interests	352	82
Income taxes	174	136
Income taxes - deferred	(39)	(62)
Total income taxes	134	74
Net profit (loss)	217	8
Net profit (loss) attributable to owners of parent	217	8

(Quarterly Consolidated Statements of Comprehensive Income)
(For the third quarter consolidated cumulative period)

	(million yen)	
	Previous third quarter consolidated cumulative period (Jan. 1, 2021 – Sep. 30, 2021)	Current third quarter consolidated cumulative period (Jan. 1, 2022 – Sep. 30, 2022)
Net profit (loss)	217	8
Comprehensive income (loss) (detail)	217	8
Comprehensive income (loss) attributable to owners of parent	217	8

(3) Notes on Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Notes in case of significant changes in the amount of shareholders' equity)

Not applicable.

(Change in Accounting Principles)

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No. 29 of March 31, 2020), etc. since the beginning of the first quarter consolidated fiscal period, and recognizes as its revenue an amount which could be received in exchange of a promised good or service upon transfer of control over such good or service to a customer.

Meanwhile, there is no effect on the quarterly consolidated financial statements of the current & previous third quarter consolidated cumulative periods and the consolidated financial statements of the previous consolidated fiscal year.

After applying the Accounting Standard for Revenue Recognition, etc., "Accounts receivable - trade" that had been shown as such under "Current assets" in the Consolidated Balance Sheets of the previous consolidated fiscal year has currently been presented as "Accounts receivable - trade & contract assets" since the current third quarter consolidated fiscal period. Meanwhile, in accordance with the provisional treatment as set forth in Section 89-2 of the Accounting Standard for Revenue Recognition, no interchange in line with the new presentation method was done for the previous consolidated fiscal year. Further, in accordance with the transitional treatment as set forth in Section 28-15 of the "Accounting Standard for Quarterly Financial Statements" (Accounting Standards Board of Japan Guidance No. 12 of March 31, 2020), information about breakdown of earnings arising from contracts with customers during the previous third quarter consolidated cumulative period is not presented.

(Segment Information, etc.)

【Segment information】**I. Previous third quarter consolidated fiscal period (Jan. 1, 2021 – Sep. 30, 2021)****1. Information on amounts of net sales, profit/loss, assets, liabilities and other items for each reportable segment**

	Reportable segments			Other Business (Note1)	Total	Adjustment (Note 2)	Amount allocated on consolidated statements of income (Note 3)
	Public Childcare Business	Contracted Childcare Business	Subtotal				
Net sales							
Sales from external customers	5,522	2,608	8,131	418	8,550	—	8,550
Inter-segment sales or transfer	—	—	—	13	13	(13)	—
Total	5,522	2,608	8,131	431	8,563	(13)	8,550
Segment profit (loss)	583	74	657	0	657	(304)	353

- Notes 1. "Other Business" category is a segment not included in the reportable segments and includes services responsive to various needs such as staffing services to kindergartens and childcare centers, baby-sitter services and house services; operation of tenoSCHOOLS, non-certified childcare centers, certified childcare center (In-establishment Childcare Business) and nursing homes (day-service).
2. Adjusted segment profit (loss) includes corporate expenses not allocated to individual reportable segments of (304) million yen. Corporate expenses mainly comprises those for operating the Company (holding company).
3. Segment profit (loss) has been aligned with the operating profit (loss) presented on the Quarterly Consolidated Statements of Income.

2. Information on impairment loss of non-current assets or goodwill, etc., for each reportable segment

Not applicable.

II. Current third quarter consolidated fiscal period (Jan. 1, 2022 – Sep. 30, 2022)

1. Information on amounts of net sales, profit/loss, assets, liabilities and other items for each reportable segment

(million yen)

	Reportable segments			Other Business (Note1)	Total	Adjustment (Note 2)	Amount allocated on consolidated statements of income (Note 3)
	Public Childcare Business	Contracted Childcare Business	Subtotal				
Net sales							
Sales from external customers	5,549	2,493	8,042	792	8,835	—	8,835
Inter-segment sales or transfer	—	—	—	1	1	(1)	—
Total	5,549	2,493	8,042	794	8,837	(1)	8,835
Segment profit (loss)	429	40	470	4	474	(399)	75

- Notes 1. “Other Business” category is a segment not included in the reportable segments and includes services responsive to various needs such as staffing services to kindergartens and childcare centers, baby-sitter services and house services; operation of tenoSCHOOLS, non-certified childcare centers, regional childcare centers, nursing homes (day-service, residence for elderly people); marriage counseling services (Tenomari); and Hokatsu business (Hokatsu assistance).
2. Adjusted segment profit (loss) includes corporate expenses not allocated to individual reportable segments of (399) million yen. Corporate expenses mainly comprises those for operating the Company (holding company).
3. Segment profit (loss) has been aligned with the operating profit (loss) presented on the Quarterly Consolidated Statements of Income.

2. Information on impairment loss of non-current assets or goodwill, etc., for each reportable segment

Not applicable.

(Per share data)

Calculation bases of quarterly net profit per share and diluted net profit per share are as follows.

	Previous third quarter consolidated fiscal period (Jan. 1, 2021 – Sep. 30, 2021)	Current third quarter consolidated fiscal period (Jan. 1, 2022 – Sep. 30, 2022)
(1) Net profit (loss) per share	46.59 yen	1.91 yen
(Calculation bases)		
Net profit attributable to owners of parent (million yen)	217	8
Amount not attributable to common stockholders (million yen)	—	—
Net profit (loss) attributable to owners of parent applicable to common shares (million yen)	217	8
Average number of common shares outstanding during the period (shares)	4,675,057	4,597,343
(2) Diluted net profit per share	46.24 yen	1.90 yen
(Calculation bases)		
Adjusted net profit (loss) attributable to owners of parent (million yen)	—	—
Increased number of shares (common stock) (shares)	34,941	23,705
Summary of residual securities not included in calculating diluted earnings per share, because of having no dilution effect	—	—

(Significant Post-Balance Sheet Events)

(Business combination by acquisition)

At the board meeting on October 21, 2022, the Company decided to acquire the entire shares of Homemade Cooking Co., Ltd. to make it as a subsidiary, and on the same day, executed a share transfer agreement.

(1) Summary of business combination

① Overview of the acquired company

Name of the acquired company: Homemade Cooking Co., Ltd.

Content of business: Planning and operation of general homemade cooking classes; Manufacturing and sales of foodstuff, foods and cooking equipment, etc.

② Main reason for business combination

The Group has one of its management philosophy as “We support women’s life stages.”, and has developed its business for responding to various needs basically considering “what is necessary” for “women” in a changing society to raise their children, do housework and take care of elderlies while still being able to work. Also, in order for responding to diverse social needs surrounding women’s life stages, new business development in line with the Group’s business domains (child-raising, housework, nursing) is positioned as one of its important growth strategies.

As for development of new business, the Group plans businesses which can be linked with its existing business foundation, and aims at becoming an enterprise capable of engaging more widely with women’s life stages, supporting them more deeply, and providing valuable services.

Homemade Cooking Co., Ltd. has 50 years of history since its foundation with its principal business of cooking class business (planning and operation of general homemade cooking classes) under the basic management philosophy of “We pursue safety/health of food, and continue to be an enterprise that contributes to society”, and operates 56 directly-run schools and 300 designated schools which have accepted more than 300,000 participants so far. At present there are 50,000 members from a wide variety of groups, mainly women, and this cooking class business has won the endorsement of women for a long time.

By joining Homemade Cooking Co., Ltd. to the Group, we consider we would be able to create novel innovation through the field of food and endeavor to solve various issues towards SDGs.

We will jointly develop new services by integrating business models of both companies, and drive forward differentiation from other companies in the same business. Moreover, we think by engaging in cooking class business we can expect not only further linkage to mutual referral by users of both that business and existing businesses but also interfaces with users of our services to be sustained and multifaceted, which would provide additional color to everyday life.

The Company determined that it could improve its corporate values by supporting women’s further life stages thereby contributing to realization of “tenoVISION2030”, and thus decided to acquire the shares of Homemade Cooking Co., Ltd. to be a subsidiary.

③ Scheduled date of business combination

November 30, 2022

④ Legal form of business combination

Share acquisition

⑤ Name of the company after combination

No change.

⑥ Percentage of voting rights after acquisition

100%

⑦ Ground for determining acquiring company

The Company acquires the shares in exchange of cash.

(2) Cost of acquiring the acquired company, by type of consideration

Consideration for acquisition (cash):	390 million yen
Acquisition cost:	390 million yen

(3) Details and amount of major expenses related to acquisition

Compensation/commission and others for advisory services, etc.: 38 million yen (estimated)

(4) Amount of goodwill that occurred, cause for the occurrence, amortization method and amortization period

To be determined.

(5) Amount and principal breakdown of assets and liabilities assumed on the date of business combination

To be determined.