

Summary of Business Results for the Third Quarter Ended December 31, 2018 [Japan GAAP] (Consolidated)

February 7, 2019

Company JP-HOLDINGS, INC. Listed on the TSE 1
 Stock Code 2749 URL: <https://www.jp-holdings.co.jp>
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 Expected date of filing of annual securities report: February 13, 2019 Expected starting date of dividend payment: -
 Preparation of supplementary financial document: Yes
 Results briefing: Yes (for media members, institutional investors, analysts, and individual investors)

(Rounded down to million yen)

1. Consolidated business results for the nine months ended December 2018

(April 1, 2018 through December 31, 2018)

(1) Consolidated results of operations

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 2018	21,589	9.2	668	4.9	967	13.1	580	19.9
Nine months ended Dec. 2017	19,771	18.2	637	-4.9	855	5.7	484	3.9

(Note) Comprehensive income

Nine months ended December 2018: 494 million yen (0.9%)

Nine months ended December 2017: 490 million yen (-2.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 2018	6.76	-
Nine months ended Dec. 2017	5.70	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2018	27,004	8,131	30.1
As of Mar. 31, 2018	25,758	7,756	30.1

(Reference) Shareholders' equity

As of December 31, 2018: 8,131 million yen

As of March 31 2018: 7,752 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 2018	-	0.00	-	3.50	3.50
Year ending Mar. 2019	-	0.00	-		
Year ending Mar. 2019 (forecast)				3.00	3.50

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

3. Forecast of consolidated business results for the fiscal year ending March 2019

(April 1, 2018 through March 31, 2019)

(% 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. 2019	30,001	12.0	1,847	41.8	2,196	38.8	980	7.7	11.52

(Notes) Revisions to business forecast for the current quarter: None

***Notes**

- (1) Changes in significant subsidiaries during the period: None
- (2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements:
None

- (3) Changes in accounting policies, accounting estimates and restatement
- | | |
|--|--------|
| 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 December 31, 2018	87,849,400 shares
As of March 31, 2018	87,849,400 shares

- ② Treasury stock at the end of period

As of December 31, 2018	1,619,907 shares
As of March 31, 2018	2,315,806 shares

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

Nine months ended December 2018	85,862,853 shares
Nine months ended December 2017	85,013,554 shares

(Note) The number of treasury stock deducted for the calculation of the number of treasury stock at the end of period and the average number of stock during period includes the company's shares held by Trust & Custody Services Bank, Ltd. as trust property of "Stock Benefit Trust (Employee Stock Ownership Plan)".

***Quarterly financial summary is not subject to the quarterly review procedures by certified public accountants or auditing firms.**

***Appropriate use of financial forecasts and other important matters**

- Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the company deems to be reasonable at the time this report was prepared. Actual results may differ significantly from the forecasts due to various factors. For information regarding the assumptions that form the basis for the business results forecasts and notes about using business forecasts, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Consolidated Earnings Forecasts" (Page 3).
- The company plans to hold results briefing for media members, institutional investors and analysts on February 8, 2019 (Friday) and for individual investors on February 25, 2019 (Monday). After the results briefings, the Company will promptly post presentation materials distributed at the results briefings on the Company website. Please confirm the results briefing schedule and other information on the Company website.

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the third quarter of the current fiscal year, the Japanese economy has continued to improve and has been on a gradual recovery trend as the environment or both employment and personal income is improving. However, the outlook remains unclear due to concerns over trade issues, uncertainties in overseas economies, and changes in the financial and capital markets.

As for the environment surrounding the child-raising service, demand for childcare is increasing in response to women's advancement and active participation in society, and as the issue of the number of children waiting for admission continues to be serious. The government has formulated various measures to improve child care facilities and secure nursery teachers in order to provide daycare for 320,000 children by the end of March 2021. The Government has also announced a policy toward realizing a system of free child education to be implemented in October 2019. In response to this policy, the market is expected to continue to expand, and social role of our child-raising service is expected to become more important.

Against this backdrop, the Group worked to strengthen its ability to recruit and retain nursery school teachers in response to rising demand for nursery schools, and actively promoted the opening of licensed nursery schools and other facilities.

In the third quarter of the current fiscal year, the Group has opened the following new facilities, including 17 nursery schools and 4 school clubs, totaling 21 facilities.

(Nursery school)

Koto-ku Minamisuna No. 4 Nursery School	(Apr. 1, 2018)
Asc Toneri Nursery School	(Apr. 1, 2018)
Asc Higashi Kasai Nursery School	(Apr. 1, 2018)
Asc Minami Kugahara Nursery School	(Apr. 1, 2018)
Asc Yakuoji Nursery School	(Apr. 1, 2018)
Asc Kaname-cho Nursery School	(Apr. 1, 2018)
Asc Fuchu Honmachi Nursery School	(Apr. 1, 2018)
Asc Minowa Nursery School	(Apr. 1, 2018)
Asc Kugenuma Kita Nursery School	(Apr. 1, 2018)
Asc Ohtaka-no-mori Nursery School	(Apr. 1, 2018)
Asc Wani Nursery School	(Apr. 1, 2018)
Asc Sone Minami Nursery School	(Apr. 1, 2018)
Asc Toyotama 1-chome Nursery School A	(Apr. 1, 2018)
Asc Toyotama 1-chome Nursery School B	(Apr. 1, 2018)
GENKIDS Shinkoyasu Nursery School	(Apr. 1, 2018)
Asc Akebono Kaiho Nursery School	(Sep. 1, 2018)
Asc Noborikawa Nursery School	(Sep. 1, 2018)

(School club)

Kojimachi Kids' Club	(Apr. 1, 2018)
Taisho Elementary School After School Kids' Club	(Apr. 1, 2018)
Chofu City Chowa Elementary School Club	(Apr. 1, 2018)
Wakuwaku Takinogawa Momiji Hiroba	(Apr. 1, 2018)

As a result, the Group came to have 200 nursery schools, 72 school clubs, 11 children's houses, 5 private school clubs, and 1 kindergarten (overseas facility), making a total of 289 facilities for supporting child-raising at the end of the third quarter of the current fiscal year.

For the third quarter of the current fiscal year, the Group's consolidated net sales were 21,589 million yen (up 9.2% year on year), operating income was 668 million yen (up 4.9%), ordinary income was 967 million yen (up 13.1%), and net income attributable to owners of parent was 580 million yen (up 19.9%).

The major factors are as follows:

Net sales increased year on year, mainly due to the opening of new facilities, an increase in the number of children accepted at existing facilities, and an increase in rent subsidies at some existing facilities.

Operating income increased year on year thanks to the increased sales of existing facilities stated above and the decreased expenses related to the General Meeting of Shareholders, although operating income were pushed down by these factors; the increase in recruitment expenses due to the strengthening of hiring nursery school teachers and expenses related to corporate dormitories

associated with an increase in its users, and the placement of nursery teachers at various facilities ahead of the timing of the acceptance of children.

Since June 2018, the Company has been gradually increasing the number of entrance of children. At the end of the third quarter of the current fiscal year, the Company has accepted the number of children that is generally commensurate with the number of teachers recruited in advance.

In addition, both ordinary income and net income attributable to owners of parent increased year on year thanks to an increase in non-operating revenues owing to increased subsidies associated with an increase in users of the corporate dormitory, as well as an increase in operating income.

(2) Financial Position

As for the financial position at the end of the third quarter of the current fiscal year, the total assets amounted to 27,004 million yen (up 1,245 million yen from the end of the previous fiscal year).

Current assets totaled 9,974 million yen (up 2,088 million yen), mainly reflecting an increase of 2,244 million yen in cash and deposits and a decrease of 129 million yen in inventories.

Fixed assets totaled 17,029 million yen (down 843 million yen). This was mainly due to increases of 182 million yen in buildings and structures and 143 million yen in long-term loans receivable, while there were decreases of 941 million yen in construction in progress, 102 million yen in deferred tax assets, and 99 million yen in investment securities.

Total liabilities amounted to 18,872 (up 870 million yen).

Current liabilities totaled 8,408 million yen (up 199 million yen), mainly due to increases of 922 million yen in short-term loans payable and 460 million yen in others, while there were decreases of 322 million yen in current portion of long-term loans payable, 302 million yen in income taxes payable, 270 million yen in provision for bonuses, 205 million yen in accounts payable-other, and 80 million yen in notes and accounts payable-trade.

Fixed liabilities totaled 10,464 million yen (up 670 million yen). This was mainly due to increases of 618 million yen in long-term loans payable, 77 million yen in asset retirement obligation, and 51 million yen in net defined benefit liability, while there was a decrease of 73 million yen in other liabilities.

Total net assets as of the end of the third quarter of the current fiscal year totaled 8,131 million yen (up 374 million yen), mainly due to an increase of 273 million yen in retained earnings, while there were decreases of 191 million yen in treasury stock, and 91 million yen in valuation difference on available-for-sale securities.

(3) Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts have not been revised from the announcement on August 8, 2018, but actual results may be different from the forecast according to the changes in business situations, etc.

If there are any changes, the Company will disclose them properly.

2. [Quarterly Consolidated Financial Statements]

(1) [Quarterly Consolidated Balance Sheets]

(Thousand yen)

	Previous Fiscal Year (March 31, 2018)	Current Third Quarter (December 31, 2018)
Assets		
Current assets		
Cash and deposits	4,455,750	6,700,249
Notes and accounts receivable	81,250	64,657
Inventories	149,105	19,982
Accounts receivable-other	2,169,850	2,121,455
Other	1,030,385	1,068,867
Allowance for doubtful accounts	-730	-931
Total current assets	7,885,613	9,974,281
Fixed assets		
Tangible fixed assets		
Buildings and structures	11,278,553	11,891,287
Accumulated depreciation and impairment loss	-4,015,971	-4,445,802
Buildings and structures, net	7,262,582	7,445,484
Machinery, equipment and vehicles	5,868	5,637
Accumulated depreciation	-2,398	-2,975
Machinery, equipment and vehicles, net	3,470	2,661
Tools, furniture, and fixtures	711,365	808,938
Accumulated depreciation and impairment loss	-470,331	-542,035
Tools, furniture, and fixtures, net	241,033	266,903
Land	980,894	980,894
Construction in progress	1,613,898	672,817
Total tangible fixed assets	10,101,879	9,368,761
Intangible fixed assets		
Goodwill	258,280	235,491
Other	215,489	148,162
Total intangible fixed assets	473,769	383,653
Investments and other assets		
Investment securities	629,505	530,244
Long-term loans receivable	3,297,662	3,441,490
Guarantee deposits	1,823,521	1,841,319
Deferred tax assets	750,305	647,657
Other	812,703	833,185
Allowance for doubtful accounts	-16,063	-16,584
Total investment and other assets	7,297,635	7,277,313
Total fixed assets	17,873,284	17,029,728
Total assets	25,758,898	27,004,009

(Thousand yen)

	Previous Fiscal Year (March 31, 2018)	Current Third Quarter (December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	228,917	148,600
Short-term loans payable	1,500,000	2,422,000
Current portion of long-term loans payable	2,485,320	2,163,037
Accounts payable-other	1,584,376	1,378,554
Income taxes payable	344,278	42,271
Consumption tax payable	78,373	76,750
Provision for bonuses	390,055	119,294
Other	1,597,673	2,058,052
Total current liabilities	8,208,995	8,408,560
Long-term liabilities		
Long-term loans payable	8,934,213	9,552,412
Net defined benefit liability	538,885	590,608
Long-term accounts payable-other	3,700	-
Asset retirement obligations	238,624	316,397
Other	78,280	4,850
Total fixed liabilities	9,793,703	10,464,268
Total liabilities	18,002,699	18,872,828
Net assets		
Shareholders' equity		
Capital stock	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	5,421,026	5,694,403
Treasury stock	-636,635	-445,263
Total shareholders' equity	7,837,890	8,302,639
Total accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-46,654	-138,445
Deferred gains or losses on hedges	545	-3,366
Foreign currency translation adjustments	3,899	-966
Remeasurements of defined benefit plans	-43,350	-28,679
Total accumulated other comprehensive income	-85,560	-171,458
Non-controlling interests	3,869	-
Total net assets	7,756,199	8,131,180
Total liabilities and net assets	25,758,898	27,004,009

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

[Quarterly Consolidated Statement of Income]

[Third Quarter of FY3/19]

	(Thousand yen)	
	Previous Third Quarter (April 1, 2017– December 31, 2017)	Current Third Quarter (April 1, 2018– December 31, 2018)
Net sales	19,771,184	21,589,993
Cost of sales	17,018,161	18,867,368
Gross profit	2,753,023	2,722,624
Selling, general and administrative expenses	2,116,003	2,054,579
Operating income	637,019	668,044
Non-operating revenues		
Interest income	83,297	80,140
Subsidy income	126,662	273,781
Guarantee commission received	49,206	49,206
Other	17,235	31,057
Total non-operating revenues	276,401	434,186
Non-operating expenses		
Interest expenses	38,773	40,017
Equity in losses of affiliates	13,192	-
Demobilization costs	-	34,886
Commission paid	1,500	54,252
Other	4,420	5,340
Total non-operating expenses	57,886	134,496
Ordinary income	855,533	967,734
Extraordinary loss		
Loss on sales of non-current assets	-	77
Loss on retirement of non-current assets	823	1,764
Loss on valuation of investment securities	1,404	-
Total extraordinary loss	2,228	1,841
Income before income taxes and others	853,305	965,892
Corporate, inhabitant and enterprise taxes	258,219	247,865
Income taxes-deferred	110,694	137,247
Total income taxes	368,914	385,112
Net income	484,390	580,779
Net loss attributable to non-controlling interests	-63	-64
Net income attributable to owners of parent	484,454	580,843

[Quarterly Consolidated Statement of Comprehensive Income]
 [Third Quarter of FY3/19]

	(Thousand yen)	
	Previous Third Quarter (April 1, 2017 December 31, 2017)	Current Third Quarter (April 1, 2018 December 31, 2018)
Net income	484,390	580,779
Other comprehensive income		
Valuation difference on available-for-sale securities	-3,272	-91,791
Deferred gains or losses on hedges	-810	-3,911
Foreign currency translation adjustments	-1,111	-4,865
Remeasurements of defined benefit plans	11,040	14,671
Total other comprehensive income	5,846	-85,898
Comprehensive income	490,237	494,881
(Breakdown)		
Comprehensive income attributable to owners of parent	490,300	494,945
Comprehensive income attributable to non-controlling interests	-63	-64

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Third quarter of FY3/19 (April 1, 2018 – December 31, 2018)

None

(Notes on significant changes in shareholders' equity)

Third quarter of FY3/19 (April 1, 2018 – December 31, 2018)

None

(Additional information)

(Application of Partial Revision, etc. of Accounting Standard for Tax Effect Accounting)

Third quarter of FY3/19 (April 1, 2018 – December 31, 2018)

"Partial Amendment of Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other regulations have been applied from the first quarter of the current fiscal year. Deferred tax assets are presented in the category of investments and other assets, while deferred tax liabilities are presented in the category of fixed liabilities.