

Summary of Business Results for the First Quarter Ended June 30, 2020

[Japan GAAP] (Consolidated)

August 13, 2020

Company JP-HOLDINGS, INC.
 Stock Code 2749 URL: <https://www.jp-holdings.co.jp>
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 Expected date of filing of annual securities report: August 13, 2020
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 Results briefing: None

Listed on the TSE 1

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Expected starting date of dividend payment: -

(Rounded down to million yen)

1. Consolidated business results for the three months ended June 2020

(April 1, 2020 through June 30, 2020)

(1) Consolidated results of operations

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 2020	7,835	1.2	93	78.0	267	42.5	177	27.1
Three months ended Jun. 2019	7,741	9.0	52	-	187	-	139	-

(Note) Comprehensive income

Three months ended June 2020: 251 million yen (55.5%)

Three months ended June 2019: 161 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 2020	2.03	-
Three months ended Jun. 2019	1.59	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2020	27,634	9,546	34.5
As of Mar. 31, 2020	26,122	9,636	36.9

(Reference) Shareholders' equity

As of June 30, 2020: 9,546 million yen

As of March 31, 2020: 9,636 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. 2020	-	0.00	-	3.90	3.90
Year ending Mar. 2021	-	-	-	-	-
Year ending Mar. 2021 (forecast)	-	0.00	-	3.90	3.90

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

3. Forecast of consolidated business results for the fiscal year ending March 2021

(April 1, 2020 through March 31, 2021)

(% 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. 2021	33,005	4.1	1,577	2.5	2,153	7.5	1,163	3.6	13.30

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

***Notes**

- (1) Changes in significant subsidiaries during the period: None
- (2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements:
None
- (3) Changes in accounting policies, accounting estimates and restatement
- | | |
|---|--------|
| 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 June 30, 2020	87,849,400 shares
As of March 31, 2020	87,849,400 shares

② Treasury stock at the end of period

As of June 30, 2020	380,707 shares
As of March 31, 2020	380,707 shares

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

Three months ended June 2020	87,468,693 shares
Three months ended June 2019	87,773,668 shares

(Note) The number of treasury stock deducted for the calculation of the average number of stock during the fiscal year ended March 2020 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.**

***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, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Consolidated Earnings Forecasts" (Page 3).

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the first quarter of the current fiscal year, the Japanese economy was seriously affected by the spread of new coronavirus (COVID-19) infectious on a global scale, and the situation in employment, economy, and social life has remained extremely severe. In response to the State of Emergency declared by the government on April 7, 2020, corporate activities and consumer spending have shrunk dramatically, and the situation remains uncertain even after the declaration was lifted.

In regard to the child-raising service business, the number of dual-income households is increasing as more women are entering the workforce due to changes in women's awareness of social participation and the promotion of women's active participation in the workforce by the government. Demand for childcare continues to be high due to free child education and childcare introduced from October last year. However, following the State of Emergency by the central government on April 7, 2020, and the request to refrain from going out and to regulate sales activities to prevent the spread of COVID-19, some facilities (nursery schools, school clubs, children's houses) in the areas where we operate child-raising facilities are temporarily closed until the end of May at the request of the local governments. Since then, the Company has been operating facilities under severe conditions while ensuring safety.

Under these severe situations, the Company established a COVID-19 Control Headquarters as measures against COVID-19 infections. While coordinating with local governments, the Company gives top priority to ensuring the safety of children as well as the safety of parents, business partners and employees. Each facility establishes its own strict safety standards. These include body temperature measurement every morning, hand washing, gargling and alcohol disinfection, as well as wearing masks. The head office and Tokyo Headquarters have introduced flexible work hours and telework systems to ensure quick response.

In order to further improve the quality of child-raising service, the Company has made efforts to reduce turnover by strengthening human resource development, enhancing the capabilities required for every job category and every grades of kids, introducing a human resource management system and creating a comfortable working environment. Furthermore, the Company is working to improve profitability and operational efficiency by optimizing enrollment levels and staff assignments at existing facilities, while promoting initiatives to reduce operational and indirect costs by introducing new systems and reviewing operations.

As for the new facility openings, the Group has opened a total of 9 facilities during the first quarter of the current fiscal year according to the plan, including 4 nursery schools (4 in Tokyo) and 5 school clubs (5 in Tokyo).

(Nursery school)

Asc Senju Nursery School	(Apr. 1, 2020)
Asc Toneri Ekimae Nursery School	(Apr. 1, 2020)
Asc Oizumi Gakuen Nursery School	(Apr. 1, 2020)
Asc Nerima 3-chome Nursery School	(Apr. 1, 2020)

(School clubs)

Wakuwaku Yanagida Hiroba/Yanagida Midori Club No. 2	(Apr. 1, 2020)
Wakuwaku Yon-iwa Hiroba/Yon-iwa Elementary School Icho Club No. 2	(Apr. 1, 2020)
Chofu City Jindaiji Children's House School Club	(Apr. 1, 2020)
Mitaka City Minamiura School Club A	(Apr. 1, 2020)
Mitaka City Yon-sho School Club B	(Apr. 1, 2020)

*1: As of April 1, 2020, with the opening of Wakuwaku Yanagida Hiroba/Yanagida Midori Club No.2, Wakuwaku Yanagida Hiroba was renamed as Wakuwaku Yanagida Hiroba/Yanagida Midori Club No.1. With the opening of Wakuwaku Yon-iwa Hiroba/Yon-iwa Elementary School Icho Club No.2, Wakuwaku Yon-iwa Hiroba was renamed as Wakuwaku Yon-iwa Hiroba/Yon-iwa Elementary School Icho Club No.1. With the opening of Mitaka City Yon-sho School Club B, Mitaka City Minamiura School Club was renamed as Mitaka City Minamiura School Club A

*2: Separate from the above, the following changes have been made as of April 1, 2020: Asc Higashiojima Nursery School, which had been running since April 1, 2008 as an existing Tokyo Licensed Nursery School, was changed into a licensed nursery school; Obu City Kyowahigashi Nursery School, which had been running since April 1, 2010, as public nursery school under private management, was changed into a private facility under private management and is now run as Asc Kyowahigashi Nursery School.

*3: The three private school clubs operated by Amenity Life, Inc. (Elfikids Tsurugamine, Elfikids Futamatagawa, and Elfikids Ryokuentoshi) were closed at the end of March 2020.

As a result, the Group came to have 213 nursery schools, 77 school clubs, 11 children's houses, 1 private school club, and 1 kindergarten (overseas facility), making a total of 303 facilities for supporting child-raising at the end of June 2020.

In addition, following the resolution at the 28th Ordinary General Meeting of Shareholders held on June 25, 2020, the Company has made a new management system with a majority of outside directors who are experts with deep knowledge and knowledge for education, finance, legal affairs and governance. The Group long considered the strengthening of corporate governance to be an important initiative to ensure transparency, fairness, and prompt and decisive decision-making. To further strengthen the structure, the Company has shifted from a Company with Auditors to a Company with an Audit and Supervisory Committee. By further strengthening the audit and supervisory functions of the Board of Directors and realizing speedy decision-making, the Company aims to further strengthen corporate governance and increase corporate value through sustainable growth.

As a result, the Group's consolidated net sales were 7,835 million yen (up 1.2% year on year), operating income was 93 million yen (up 78.0% year on year), ordinary income was 267 million yen (up 42.5% year on year), and net income attributable to owners of parent was 177 million yen (up 27.1% year on year).

The major factors are as follows:

Net sales increased year on year due to the opening of new facilities, the transition from Tokyo licensed nursery school to licensed nursery school, and an increase in the number of children admitted to existing facilities, despite a decrease in school lunch fees and revenues from merchandise sales associated with the sale of photographs collected directly from parents, due to the temporal closure of some facilities until the end of May following the State of Emergency on April 7, 2020 to prevent the spread of COVID-19.

Operating income increased year on year owing to an increase in gross profit and a reduction in selling, general and administrative expenses as a result of efforts to reduce foodstuff costs and other expenses related to school lunches due to the temporal closure of some facilities at the request of local governments, in addition to the above-mentioned factors that contributed to the increase in net sales, despite a decrease in sales associated with the prevention of the spread of COVID-19.

Both ordinary income and net income attributable to owners of parent increased year on year thanks to an increase in operating income and increased subsidies associated with an increase in users of the corporate dormitory.

(2) Financial Position

As for the financial position at the end of the first quarter of the current fiscal year, the total assets amounted to 27,634 million yen (up 1,512 million yen from the end of the previous fiscal year).

Current assets totaled 11,936 million yen (up 2,148 million yen), mainly reflecting an increase of 2,903 million yen in cash and deposits, while there were decreases of 529 million yen in accounts receivable, 125 million yen in others, and 84 million yen in inventories.

Fixed assets totaled 15,698 million yen (down 636 million yen). This was mainly due to an increase of 98 million yen in investments and other assets, while there were decreases of 497 million yen in construction in progress, 96 million yen in buildings and structures, 54 million yen in long-term loans receivable, and 37 million yen in deferred tax assets.

Total liabilities amounted to 18,088 million yen (up 1,601 million yen from the end of the previous fiscal year).

Current liabilities totaled 6,190 million yen (up 269 million yen), mainly due to increases of 513 million yen in others, 291 million yen in accounts payable, and 248 million yen in long-term loans payable, while there were decreases of 389 million yen in provision for bonuses, 326 million yen in income taxes payable, and 33 million yen in accrued consumption taxes.

Fixed liabilities totaled 11,897 million yen (up 1,332 million yen). This was mainly due to an increase of 1,309 million yen in long-term loans payable.

Total net assets as of the end of the first quarter of the current fiscal year totaled 9,546 million yen (down 89 million yen), mainly due to an increase of 62 million yen in valuation difference on available-for-sale securities and a decrease of 163 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, 2020, 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.

Since the timing of the containment of COVID-19 remains uncertain, there is a possibility that it will have a major impact on consolidated results depending on the spread and containment of the infection and other factors in the future.

2. [Quarterly Consolidated Financial Statements]

(1) [Quarterly consolidated balance sheets]

(Thousand yen)

	Previous Fiscal Year (March 31, 2020)	Current First Quarter (June 30, 2020)
Assets		
Current assets		
Cash and deposits	6,206,487	9,110,181
Notes and accounts receivable-trade	76,288	60,045
Inventories	111,259	27,088
Accounts receivable - other	2,410,895	1,881,180
Other	1,009,077	883,827
Allowance for doubtful accounts	-25,759	-25,787
Total current assets	9,788,250	11,936,535
Fixed assets		
Tangible fixed assets		
Buildings and structures	12,237,506	12,251,140
Accumulated depreciation and impairment	-5,349,352	-5,459,227
Buildings and structures, net	6,888,153	6,791,912
Machinery, equipment and vehicles	5,637	5,637
Accumulated depreciation	-4,146	-4,380
Machinery, equipment and vehicles, net	1,490	1,256
Tools, furniture and fixtures	923,279	938,003
Accumulated depreciation and impairment	-671,412	-689,345
Tools, furniture and fixtures, net	251,866	248,658
Land	980,894	980,894
Construction in progress	497,896	776
Total tangible fixed assets	8,620,302	8,023,498
Intangible fixed assets		
Goodwill	197,508	189,912
Other	50,169	48,853
Total intangible assets	247,678	238,765
Investments and other assets		
Investment securities	436,234	534,779
Long-term loans receivable	3,284,007	3,229,696
Guarantee deposits	1,906,120	1,903,728
Deferred tax assets	1,128,962	1,091,413
Other	720,593	685,903
Allowance for doubtful accounts	-9,445	-9,345
Total investments and other assets	7,466,474	7,436,176
Total fixed assets	16,334,455	15,698,440
Total assets	26,122,705	27,634,976

(Thousand yen)

	Previous Fiscal Year (March 31, 2020)	Current First Quarter (June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	195,720	171,554
Current portion of long-term loans payable	1,639,460	1,888,301
Accounts payable – other	1,535,400	1,827,165
Income taxes payable	415,324	88,457
Accrued consumption taxes	117,626	84,290
Reserve for bonuses	554,836	165,532
Asset retirement obligation	10,894	-
Other	1,451,683	1,965,221
Total current liabilities	5,920,945	6,190,521
Fixed liabilities		
Long-term debt	9,479,911	10,789,320
Obligations for retirement plan	757,052	780,304
Asset retirement obligation	320,567	321,325
Other	7,979	6,972
Total fixed liabilities	10,565,510	11,897,922
Total liabilities	16,486,455	18,088,444
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	6,982,526	6,818,687
Treasury stock	-107,515	-107,515
Total shareholders' equity	9,928,510	9,764,671
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-224,438	-161,630
Deferred gains or losses on ledges	-5,537	-4,838
Foreign currency translation adjustments	2,610	5,067
Remeasurements of defined benefit plans	-64,895	-56,737
Total accumulated other comprehensive income	-292,261	-218,139
Total net assets	9,636,249	9,546,531
Total liabilities and net assets	26,122,705	27,634,976

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

[Quarterly Consolidated Statement of Income]

[First Quarter of FY3/21]

(Thousand yen)

	Previous First Quarter (Apr. 1, 2019 - June 30, 2019)	Current First Quarter (Apr. 1, 2020 - June 30, 2020)
Net sales	7,741,378	7,835,179
Cost of sales	7,002,043	6,963,492
Gross profit	739,334	871,686
Selling, general and administrative expenses	686,887	778,349
Operating income	52,447	93,336
Non-operating income		
Interest income	25,796	21,795
Subsidy income	120,534	169,413
Guarantee commission received	5,467	-
Other	3,813	2,655
Total non-operating revenues	155,612	193,864
Non-operating expenses		
Interest expenses	14,779	14,139
Exchange loss	-	4,486
Demobilization costs	954	-
Other	4,745	1,331
Total non-operating expenses	20,479	19,957
Ordinary income	187,580	267,243
Extraordinary loss		
Loss on retirement of fixed assets	1,138	0
Total extraordinary loss	1,138	0
Income before income taxes and others	186,441	267,243
Corporate, inhabitant and enterprise taxes	41,983	84,686
Income taxes-deferred	5,018	5,269
Total income tax	47,001	89,955
Net income	139,440	177,288
Net income attributable to owners of parent	139,440	177,288

[Quarterly Consolidated Statement of Comprehensive Income]

[First Quarter of FY3/21]

(Thousand yen)

	Previous First Quarter (Apr. 1, 2019 - June 30, 2019)	Current First Quarter (Apr. 1, 2020 - June 30, 2020)
Net income	139,440	177,288
Other comprehensive income		
Valuation difference on available-for- sale securities	14,481	62,807
Deferred gains or losses on hedges	-2,345	699
Foreign currency translation adjustment	3,010	2,457
Remeasurements of defined benefit plans	7,074	8,158
Total other comprehensive income	22,221	74,121
Comprehensive income	161,661	251,410
Breakdown		
Comprehensive income attributable to owners of parent	161,661	251,410
Comprehensive income attributable to owners of non-controlling shareholders	-	-

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

First quarter of FY3/21 (April 1, 2020 – June 30, 2020)

Not applicable

(Notes on significant changes in shareholders' equity)

First quarter of FY3/21 (April 1, 2020 – June 30, 2020)

Not applicable