

# Summary of Business Results for the Fiscal Year Ended March 31, 2018

## [Japan GAAP] (Consolidated)

May 9, 2018

C o m p a n y	JP-HOLDINGS, INC.	Listed on the TSE 1
Stock Code	2749	URL: <a href="http://www.jp-holdings.co.jp">http://www.jp-holdings.co.jp</a>
Representative	Kazuhiro Ogita, President and Representative Director	
C o n t a c t	Mika Matsumiya, General Manager of Administration Div.	T E L: +81-52-933-5419
Expected date of annual shareholders' meeting:	June 28, 2018	Expected starting date of dividend payment: June 29, 2018
Expected date of filing of annual securities report:	June 29, 2018	
Preparation of supplementary financial document:	Yes	
Results briefing:	Yes (for institutional investors, analysts and individual investors)	

*(Rounded down to million yen)*

### 1. Consolidated business results for the fiscal year ended March 2018

**(April 1, 2017 through March 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	%
Year ended Mar. 2018	26,779	17.5	1,303	11.5	1,582	17.1	910	37.6
Year ended Mar. 2017	22,799	10.9	1,168	-32.5	1,350	-24.2	661	-38.3

(Note) Comprehensive income:

Year ended March 2018: 888 million yen (31.5%)

Year ended March 2017: 675 million yen (-32.9%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Mar. 2018	10.70	-	12.5	6.4	4.9
Year ended Mar. 2017	7.87	-	10.1	6.0	5.1

(Reference) Investment earnings/loss on equity-method:

Year ended March 2018: -25 million yen

Year ended March 2017: - million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	25,761	7,756	30.1	90.63
As of Mar. 31, 2017	24,002	6,854	28.5	80.89

(Reference) Shareholders' equity:

As of March 31, 2018: 7,752 million yen

As of March 31, 2017: 6,850 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Mar. 2018	1,865	-1,292	-135	4,455
Year ended Mar. 2017	1,878	-3,305	1,646	4,017

## 2. Dividends

	Annual dividend					Total dividend (Total)	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Mar. 2017	-	0.00	-	2.50	2.50	219	31.8	3.2
Year ended Mar. 2018	-	0.00	-	3.50	3.50	307	32.7	4.1
Year ending Mar. 2019 (forecast)	-	-	-	-	-	-	-	-

(Note) The total amount of dividends includes 7 million yen for the fiscal year ended March 2017 and 8 million yen for the fiscal year ended March 2018, as the dividend on the company's share held by Trust & Custody Services Bank, Ltd. as trust property of "Stock Benefit Trust (Employee Stock Ownership Plan)".

The dividend forecast for the fiscal year ending March 2019 has not yet been determined as it is difficult to predict the business results for the fiscal year ending March 2019.

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

(April 1, 2018 through March 31, 2019)

The Company received a proposal regarding the appointment of directors from a shareholder as a bill for the Annual General Meeting of Shareholders scheduled to be held in June 2018, and there are many uncertainties about the future management structure up to now. Accordingly, it is difficult to forecast business performance. The Company will announce its consolidated business forecasts, when it becomes possible to estimate the business performance reasonably.

### \*Notes

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

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

- ① Changes in accounting policies associated with revision of accounting standards: : None
- ② Changes in accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Restatement : None

(3) Shares outstanding (common stock)

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

As of March 31, 2018 87,849,400 shares

As of March 31, 2017 87,849,400 shares

② Treasury stock at the end of period:

As of March 31, 2018 2,315,806 shares

As of March 31, 2017 3,164,106 shares

③ Average number of stock during period

Year ended March 31, 2018 85,117,525 shares

Year ended March 31, 2017 84,093,963 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)".

**(Reference) Summary of non-consolidated business results****1. Non-consolidated business results for the fiscal year ended March 2018****(April 1, 2017 through March 31, 2018)****(1) Non-consolidated results of operations**

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 2018	1,778	16.3	411	-11.1	604	-18.1	434	-28.4
Year ended Mar. 2017	1,530	28.1	463	3.9	738	24.6	606	42.6

	Net income per share		Diluted net income per share	
	Yen		Yen	
Year ended Mar. 2018	5.10		-	
Year ended Mar. 2017	7.21		-	

**(2) Non-consolidated financial position**

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	17,970	4,261	23.7	49.82
As of Mar. 31, 2017	17,720	3,825	21.6	45.18

(Reference) Shareholders' equity:

As of March 31, 2018: 4,261 million yen

As of March 31, 2017: 3,825 million yen

**\* Financial summary is not subject to auditing procedures by certified public accountants or auditing firms.****\* Explanation regarding appropriate use of business forecasts and other special instructions**

- Forecasts regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. Actual results may differ significantly from the forecasts due to various factors.
- The Company plans to hold results briefing for institutional investors and analysts on May 10, 2018 (Thursday) and results briefing for individual investors on May 26, 2018 (Saturday). After the briefing, the company will promptly post presentation materials distributed at the results briefing on the company website. Please confirm the results briefing schedule and other information on the company website.

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## 1. Summary of Operating Results

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

In the current consolidated fiscal year, the Japanese economy saw the recoveries in corporate earnings and capital investments through the economic and financial policies by the government. Then, the economy is in a gentle recovery trend, as consumer spending started recovering, reflecting the improvement in the employment and income environments.

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 become more and more serious. In the 'New Economic Policy Package' approved by the cabinet on December 8, 2017, the government rapidly accelerated its program of providing free early childhood education and at the same time fast-tracked its 'Plan for Raising Children in Peace of Mind' ahead of schedule by establishing a policy program to provide daycare for 320,000 children by the end of 2020, and to more effectively tackle the challenge of delivering improvements both in the recruiting nursery school teachers and in the levels of compensation they receive. It is expected that the size of the market will continue to expand in response to these government policies, and also that social role of our child-raising service is expected to become more important.

Under these circumstances, the Group has continued to strive to boost its recruitment of nursery school teachers and to raise its retention rates by improving the compensation for employees working at nursery schools and other measures, in pursuit of its aim of realizing high-quality childcare. In order to respond to the rising levels of demand for nursery services, the Group has opened the following new facilities in the fiscal year ended March 2018.

#### (Nursery school)

Asc Tokiwadai Nursery School	(Apr. 1, 2017)
Adachi Municipal Gotanno Nursery School	(Apr. 1, 2017)
Asc Nagasaki 1-chome Nursery School	(Apr. 1, 2017)
Asc Kamimeguro Nursery School	(Apr. 1, 2017)
Asc Iwado Kita Nursery School	(Apr. 1, 2017)
Asc Imaiminami Nursery School	(Apr. 1, 2017)
Asc Chogo Nursery School	(Apr. 1, 2017)
Asc Rifu Nursery School	(Apr. 1, 2017)
Asc Takeshita Nursery School	(Apr. 1, 2017)
Asc Chatan Nursery School	(Apr. 1, 2017)
Asc Maezato Nursery School	(Jul. 1, 2017)

#### (School club)

Acty Yanagicho	(Apr. 1, 2017)
Shitaya Kids' Club A	(Apr. 1, 2017)
Shitaya Kids' Club B	(Apr. 1, 2017)
Matsuba Kids' Club A	(Apr. 1, 2017)
Matsuba Kids' Club B	(Apr. 1, 2017)
Shibasaki Koen Kita No.1 School Club	(Apr. 1, 2017)
Shibasaki Koen Kita No. 2 School Club	(Apr. 1, 2017)
Hanabatake No.2 School Club	(Apr. 1, 2017)

#### (Private school club)

AEL Yokohama Business Park	(Apr. 1, 2017)
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#### (Kindergarten (overseas facility))

COHAS DA NANG	(Sep. 12, 2017)
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As a result, the Group came to have 183 nursery schools, 71 school clubs, 12 children's houses, 5 private school clubs, and 1 kindergarten (overseas facility), making a total of 272 facilities for supporting child-raising at the end of the fiscal year ended March 2018.

In addition to the above, the Group opened Cohas Kids (a kindergarten) in Vietnam in September 2017, but this is not included in the number of facilities because it is a franchised facility.

Asc Kagurazaka Nursery School, which had been running since November 2006, and Asc Hibarigaoka Nursery School, which had been running since August 2002, have been changed from Tokyo Licensed Nursery School to the Licensed Nursery School, and reopened in April 2017.

The Group closed Kita Municipal Akabanenishi 5-chome Children's House, which had been running since April 2008, Nakano-Ehara Kids' Club, which had been running since April 2009, and Nakano Municipal Saginomiya School Club and Nakano Municipal Yamato School Club, which had been running since April 2013, on the last day of March 2018, due to the expiration of a contract period, etc.

For the above reasons, the Group's consolidated net sales were 26,779 million yen (up 17.5% year on year), operating income was 1,303 million yen (up 11.5% year on year), ordinary income was 1,582 million yen (up 17.1% year on year), and net income attributable to owners of parent was 910 million yen (up 37.6% year on year). Sales and profits increased year on year.

The major factors are as follows:

Net sales increased, due to the establishment of new facilities, the sales growth at existing facilities thanks to the increase of subsidies for improving treatment of nursery staff and improved utilization rate, and the rise in income from a subsidy amounting to 81 million yen through the enrichment of subsidies for rents, which was not initially expected.

Operating income increased, exceeding both the business forecast and the results for the previous fiscal year, although personnel cost augmented in parallel with the increase in subsidies for improving treatment, undeductible consumption tax increased 120 million yen after the revision to the items subject to consumption tax, and 148 million yen was posted as the expenses for two extraordinary shareholders meetings, which were not expected in the initial forecast. This was due to sales growth which offset these costs.

In addition, both ordinary income and net income attributable to owners of parent increased, exceeding both the business forecast and the results for the previous fiscal year, as operating income rose as mentioned above, non-operating revenues grew thanks to the subsidies for responding to the increase of users of the corporate dormitory, and impairment loss (extraordinary loss) of nursery schools dropped considerably thanks to the profitability improvement plan of each facility, etc. through the revision to staffing.

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

As for the financial position at the end of the current fiscal year, the total assets amounted to 25,761 million yen (up 1,758 million yen from the end of the previous fiscal year).

Current assets totaled 8,307 million yen (up 1,246 million yen from the end of the previous fiscal year), mainly because accounts receivable increased by 470 million yen, cash and deposits increased by 438 million yen, others increased by 266 million yen, and inventories increased by 40 million yen.

Fixed assets totaled 17,453 million yen (up 512 million yen from the end of the previous fiscal year), mainly because buildings and structures increased by 400 million yen, guarantee deposits increased by 122 million yen, and long-term loans receivable increased by 121 million yen, while construction in progress decreased by 80 million yen, and

goodwill decreased by 30 million yen.

Total liabilities amounted to 18,004 million yen (up 857 million yen from the end of the previous fiscal year).

Current liabilities totaled 8,208 million yen (up 1,670 million yen from the end of the previous fiscal year), mainly because short-term loans payable increased by 1,500 million yen, and accounts payable increased by 742 million yen, income taxes payable increased by 186 million yen, and others increased by 98 million yen, while current portion of long-term loans payable decreased by 765 million yen, and accrued consumption taxes decreased by 86 million yen.

Fixed liabilities totaled 9,795 million yen (down 813 million yen from the end of the previous fiscal year), mainly because net defined benefit liability increased by 67 million yen, and others increased by 37 million yen, while long-term loans payable decreased by 921 million yen.

Total net assets as of the end of the current fiscal year totaled 7,756 million yen (up 901 million yen from the end of the previous fiscal year), mainly because retained earnings increased by 690 million yen, while treasury stock decreased by 233 million yen.

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

Cash and cash equivalents (hereinafter referred to as “the funds”) for the current consolidated fiscal year were 1,865 million yen from the funds obtained through operating activities; 1,292 million yen paid out in investing activities; and 135 million yen paid out in financing activities, totaling 4,455 million yen, up 438 million yen from the end of the previous fiscal year.

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

#### [Cash flows from operating activities]

The funds obtained through operating activities were 1,865 million yen (1,878 million yen during the previous consolidated fiscal year).

This is due to the following: net income before income taxes and others (1,557 million yen); depreciation costs (668 million yen); increase in note and accounts payable and accrued expenses (447 million yen); increase in advances received (228 million yen); but there was an increase in accounts receivable (533 million yen); income taxes paid or refund (397 million yen); and interest and dividend income (110 million yen).

Compared to the previous consolidated fiscal year, the funds obtained decreased by 12 million yen. This is, while the net income before income taxes and others increased by 530 million yen, note and accounts payable and accrued expenses increased by 242 million yen, and advances received increased by 180 million yen, there was a decrease in the following: accounts receivable (741 million yen); income taxes paid or refund (385 million yen); impairment loss (299 million yen); accrued consumption taxes (184 million yen); other current assets (88 million yen); and provision for bonuses (46 million yen).

#### [Cash flows from investing activities]

Total expenditures of the funds towards the investing activities were 1,292 million yen (3,305 million yen during the previous consolidated fiscal year).

This is due to the following: despite the proceeds from subsidy income (825 million yen) and income through the collection of long-term loans receivable (218 million yen), there was a decrease in the following: expenditure towards purchase of property, plant and equipment (1,853 million yen); long-term loan expenditures (333 million yen); and payments for guarantee deposits (156 million yen).

Compared to the previous consolidated fiscal year, the fund expenditures decreased by 2,012 million yen. This is, while the proceeds from subsidy income increased by 388 million yen, there was a decrease in the following:

expenditures towards obtaining investments in subsidiaries resulting in change in scope of consolidation (349 million yen); purchase of investment securities (346 million yen); payments of long-term loans receivable (181 million yen); expenditure towards purchase of property, plant and equipment (607 million yen); and other payments (144 million yen).

[Cash flows from financing activities]

Total decrease of the funds from the financing activities was 135 million yen (increase in 1,646 million yen during the previous consolidated fiscal year).

This is due to the following: increase in short-term loans payable (2,100 million yen); income through long-term debt (1,850 million yen); and proceeds from disposal of treasury shares (268 million yen), but there was a decrease in the following: repayments of long-term loans (3,536 million yen); short-term loans payable (600 million yen); and payment of dividends (218 million yen).

Compared to the previous consolidated fiscal year, the funds decreased by 1,781 million yen. This is, while the increase in short-term loans payable increased by 600 million yen, and repayments of long-term loans payable increased by 187 million yen, there was a decrease in the following: proceeds from long-term loans payable (3,212 million yen), decrease in short-term loans payable (900 million yen), payment of dividends (218 million yen), and proceeds from disposal of treasury shares (100 million yen).

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

	FY3/16	FY3/17	FY3/18
Shareholders' equity ratio (%)	29.7	28.5	30.1
Shareholders' equity ratio against current price (%)	162.0	98.8	102.6
Cash flow to interest-bearing debts ratio (years)	6.3	7.0	6.9
Interest coverage ratio (x)	49.4	36.5	37.3

Notes:

Shareholders' equity ratio = shareholders' equity/total assets

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

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

Interest coverage ratio = cash flow/interest payment

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

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

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

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

#### (4) Future outlook

The details of the child-raising facilities that the Group started operation as of April 1, 2018 are as follows:

(Nursery school)

Koto-ku Minamisuna No.4 Nursery School	(Apr. 1, 2018)
Asc Toneri Nursery School	(Apr. 1, 2018)
Asc Higashikasai Nursery School	(Apr. 1, 2018)
Asc Minamikugahara Nursery School	(Apr. 1, 2018)
Asc Yakuoji Nursery School	(Apr. 1, 2018)
Asc Kanamecho Nursery School	(Apr. 1, 2018)
Asc Fuchuhonmachi Nursery School	(Apr. 1, 2018)
Asc Minowa Nursery School	(Apr. 1, 2018)
Asc Kugenmakita Nursery School	(Apr. 1, 2018)
Asc Otakanomori Nursery School	(Apr. 1, 2018)
Asc Wani Nursery School	(Apr. 1, 2018)
Asc Soneminami 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)

(Nursery school)

Kojimachi Kids' Club	(Apr. 1, 2018)
Taisho Primary School After School Club	(Apr. 1, 2018)
Chofu Municipal Chowa Primary School, School Club	(Apr. 1, 2018)
Wakuwaku Takinogawa Momiji School Club	(Apr. 1, 2018)

Separate from the above facilities, the Group plans to establish 2 in-house nursery facilities after August 2018.

The Company received a proposal regarding the appointment of directors from a shareholder as a bill for the Annual General Meeting of Shareholders scheduled to be held in June 2018, and there are many uncertainties about the future management structure up to now. Accordingly, it is difficult to forecast business performance. The Company will announce its consolidated business forecasts, when it becomes possible to estimate the business performance reasonably.

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

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

[Consolidated Financial Statements and Major Notes]

[Consolidated Balance Sheet]

(Thousand yen)

	Previous Fiscal Year (March 31, 2017)	Current Fiscal Year (March 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	4,017,591	4,455,750
Notes and accounts receivable-trade	50,552	81,250
Inventories	108,701	149,105
Deferred tax assets	421,877	421,928
Accounts receivable - other	1,698,958	2,169,850
Other	763,876	1,030,385
Allowance for doubtful accounts	-766	-730
Total current assets	7,060,792	8,307,542
Fixed assets		
Tangible fixed assets		
Buildings and structures	10,296,859	11,278,553
Accumulated depreciation and impairment loss	-3,434,689	-4,015,971
Buildings and structures, net	6,862,169	7,262,582
Machinery, equipment and vehicles	5,665	5,868
Accumulated depreciation	-1,370	-2,398
Machinery, equipment and vehicles, net	4,294	3,470
Tools, furniture and fixtures	614,965	711,365
Accumulated depreciation and impairment loss	-381,567	-470,331
Tools, furniture and fixtures, net	233,398	241,033
Land	980,894	980,894
Construction in progress	1,694,631	1,613,898
Total tangible fixed assets	9,775,387	10,101,879
Intangible fixed assets		
Goodwill	288,666	258,280
Other	234,792	215,489
Total intangible fixed assets	523,458	473,769
Investments and other assets		
Investment securities	629,836	629,505
Long-term loans receivable	3,176,073	3,297,662
Guarantee deposits	1,701,345	1,823,521
Deferred tax assets	328,764	330,499
Other	824,994	812,703
Allowance for doubtful accounts	-18,574	-16,063
Total investments and other assets	6,642,439	6,877,829
Total fixed assets	16,941,286	17,453,479
Total assets	24,002,078	25,761,021

(Thousand yen)

	Previous Fiscal Year (March 31, 2017)	Current Fiscal Year (March 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	214,960	228,917
Short-term loans payable	-	1,500,000
Current portion of long-term loans payable	3,250,349	2,485,320
Accounts payable – other	841,422	1,584,376
Income taxes payable	157,883	344,278
Accrued consumption taxes	165,273	78,373
Reserve for bonuses	398,839	390,055
Asset retirement obligation	10,726	-
Deferred tax liabilities	577	-
Other	1,498,695	1,597,673
<b>Total current liabilities</b>	<b>6,538,727</b>	<b>8,208,995</b>
<b>Fixed liabilities</b>		
Long-term loans payable	9,855,493	8,934,213
Deferred tax liabilities	1,668	2,123
Net defined benefit liability	471,565	538,885
Long-term accounts payable - other	3,700	3,700
Asset retirement obligation	235,619	238,624
Other	40,923	78,280
<b>Total fixed liabilities</b>	<b>10,608,970</b>	<b>9,795,827</b>
<b>Total liabilities</b>	<b>17,147,697</b>	<b>18,004,822</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	4,730,138	5,421,026
Treasury stock	-869,918	-636,635
<b>Total shareholders' equity</b>	<b>6,913,719</b>	<b>7,837,890</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	-34,596	-46,654
Deferred gains or losses on hedges	852	545
Foreign currency translation adjustment	-	3,899
Remeasurements of defined benefit plans	-29,580	-43,350
<b>Total accumulated other comprehensive income</b>	<b>-63,324</b>	<b>-85,560</b>
<b>Non-controlling interests</b>	<b>3,985</b>	<b>3,869</b>
<b>Total net assets</b>	<b>6,854,381</b>	<b>7,756,199</b>
<b>Total liabilities and net assets</b>	<b>24,002,078</b>	<b>25,761,021</b>

[Consolidated Statement of Income and Consolidated Statement of Comprehensive Income]  
[Consolidated Statement of Income]

	(Thousand yen)	
	Previous Fiscal Year (April 1, 2016– March 31, 2017)	Current Fiscal Year (April 1, 2017– March 31, 2018)
Net sales	22,799,279	26,779,234
Cost of sales	19,123,914	22,685,186
Gross profit	3,675,364	4,094,048
Selling, general and administrative expenses	2,506,436	2,790,933
Operating income	1,168,927	1,303,115
Non-operating revenues		
Interest income	85,298	110,730
Guarantee commission received	65,608	65,608
Subsidy income	86,518	166,397
Other	14,421	27,182
Total non-operating revenues	251,847	369,918
Non-operating expenses		
Interest expenses	49,808	52,229
Commission fee	9,339	2,000
Handicapped employment levy	4,625	6,200
Equity in losses of affiliates	-	25,587
Other	6,149	5,013
Total non-operating expenses	69,923	91,030
Ordinary income	1,350,851	1,582,003
Extraordinary income		
Gain on sales of fixed assets	400	-
Gain on sales of investment securities	-	3,834
Extraordinary income	400	3,834
Extraordinary loss		
Loss on retirement of fixed assets	1,202	3,310
Loss on impairment long-lived asset of facilities	323,025	23,137
Loss on valuation of investment securities	-	1,404
Total extraordinary loss	324,227	27,851
Income before income taxes and others	1,027,024	1,557,986
Corporate, inhabitant and enterprise taxes	461,289	636,856
Income taxes-deferred	-95,687	10,738
Total income taxes	365,601	647,595
Net income	661,422	910,390
Net loss attributable to non-controlling interests	-51	-116
Net income attributable to owners of parent	661,473	910,507

[Consolidated Statement of Comprehensive Income]

	(Thousand yen)	
	Previous Fiscal Year (April 1, 2016– March 31, 2017)	Current Fiscal Year (April 1, 2017– March 31, 2018)
Net income	661,422	910,390
Other comprehensive income		
Valuation difference on available-for-sale securities	18,195	-12,057
Deferred gains or losses on hedges	852	-307
Foreign currency translation adjustment	-	3,899
Remeasurements of defined benefit plans	-4,838	-13,770
Total other comprehensive income	14,210	-22,236
Comprehensive income	675,632	888,154
(Breakdown)		
Comprehensive income attributable to owners of parent	675,683	888,271
Comprehensive income attributable to non-controlling interests	-51	-116

[Consolidated Statements of Changes in Shareholders' Equity]

Previous Fiscal Year (April 1, 2016–March 31, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,603,955	1,449,544	4,507,903	-1,208,168	6,353,234
Changes of items during the period					
Dividends from surplus			-439,238		-439,238
Net income attributable to owners of parent			661,473		661,473
Disposal of treasury stock				338,250	338,250
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	222,235	338,250	560,485
Balance at the end of current period	1,603,955	1,449,544	4,730,138	-869,918	6,913,719

	Total accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	-52,792	—	—	-24,742	-77,534	4,036	6,279,737
Changes of items during the period							
Dividends from surplus							-439,238
Net income attributable to owners of parent							661,473
Disposal of treasury stock							338,250
Net changes of items other than shareholders' equity	18,195	852	—	-4,838	14,210	-51	14,159
Total changes of items during the period	18,195	852	—	-4,838	14,210	-51	574,644
Balance at the end of current period	-34,596	852	—	-29,580	-63,324	3,985	6,854,381

[Consolidated Statements of Changes in Shareholders' Equity]

Current Fiscal Year (April 1, 2017–March 31, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,603,955	1,449,544	4,730,138	-869,918	6,913,719
Changes of items during the period					
Dividends from surplus			-219,619		-219,619
Net income attributable to owners of parent			910,507		910,507
Disposal of treasury stock				233,282	233,282
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	690,888	233,282	924,170
Balance at the end of current period	1,603,955	1,449,544	5,421,026	-636,635	7,837,890

	Total accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	-34,596	852	—	-29,580	-63,324	3,985	6,854,381
Changes of items during the period							
Dividends from surplus							-219,619
Net income attributable to owners of parent							910,507
Disposal of treasury stock							233,282
Net changes of items other than shareholders' equity	-12,057	-307	3,899	-13,770	-22,236	-116	-22,352
Total changes of items during the period	-12,057	-307	3,899	-13,770	-22,236	-116	901,817
Balance at the end of current period	-46,654	545	3,899	-43,350	-85,560	3,869	7,756,199

[Consolidated Statement of Cash Flows]

(Thousand yen)

	Previous Fiscal Year (April 1, 2016– March 31, 2017)	Current Fiscal Year (April 1, 2017– March 31, 2018)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,027,024	1,557,986
Depreciation and amortization	638,681	668,678
Amortization of goodwill	15,192	30,385
Increase (decrease) in allowance for doubtful accounts	3,578	-2,547
Increase (decrease) in provision for bonuses	38,070	-8,783
Increase (decrease) in liabilities relating to retirement benefits	58,998	46,327
Loss (gain) on sales of fixed assets	-400	-
Loss (gain) on sale of investment securities	3,102	-3,834
Loss (gain) on retirement of fixed assets	1,202	3,310
Impairment loss	323,025	23,137
Loss (gain) on valuation of investment securities	-	1,404
Interest and dividends income	-87,919	-110,730
Interest expenses	49,808	52,229
Equity in losses (gains) of affiliates	-	25,587
Decrease (increase) in notes and accounts receivable-trade	-5,190	-30,697
Decrease (increase) in inventories	-10,248	-40,403
Decrease (increase) in accounts receivable - other	207,645	-533,499
Decrease (increase) in accrued consumption taxes	-16,292	-49,771
Decrease (increase) in notes and accounts payable-trade	23,852	13,942
Decrease (increase) in accounts payable - other and accrued expenses	204,648	447,272
Increase (decrease) in accrued consumption taxes	97,782	-86,900
Increase (decrease) in advances received	47,819	228,682
Decrease (increase) in other current assets	9,293	-79,260
Decrease (increase) in other fixed assets	15,534	7,647
Increase (decrease) in other current liabilities	31,521	128,278
Increase (decrease) in other fixed liabilities	11,676	2,460
Subtotal	2,688,407	2,290,904
Interest and dividends income received	24,120	22,444
Interest expenses paid	-51,410	-49,976
Income taxes (paid) refund	-783,076	-397,549
Net cash provided by (used in) operating activities	1,878,041	1,865,822

	(Thousand yen)	
	Previous Fiscal Year (April 1, 2016– March 31, 2017)	Current Fiscal Year (April 1, 2017– March 31, 2018)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-2,460,789	-1,853,760
Purchase of intangible assets	-132,696	-17,006
Proceeds from sales of property, plant and equipment	400	-
Proceeds from subsidy income	437,388	825,603
Proceeds from sales and redemption of investment securities	-	27,247
Proceeds from cancellation of investment securities	97,692	-
Purchase of investment securities	-367,651	-21,395
Payments for guarantee deposits	-115,920	-156,014
Proceeds from collection of guarantee deposits	51,957	26,094
Payments of long-term loans receivable	-515,300	-333,869
Collection of long-term loans receivable	201,518	218,696
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-349,337	-
Other payments	-152,732	-8,437
Net cash provided by (used in) investing activities	-3,305,471	-1,292,842
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	1,500,000	2,100,000
Repayments of short-term loans payable	-1,500,000	-600,000
Proceeds from long-term loans payable	5,062,000	1,850,000
Repayments of long-term loans payable	-3,348,855	-3,536,308
Cash dividends paid	-436,275	-218,213
Proceeds from disposal of treasury shares	369,189	268,892
Net cash provided by (used in) financing activities	1,646,058	-135,629
Effect of exchange rate change on cash and cash equivalents	-	808
Net increase (decrease) in cash and cash equivalents	218,627	438,159
Cash and cash equivalents at beginning of period	3,798,964	4,017,591
Cash and cash equivalents at end of period	4,017,591	4,455,750

(5) Notes on the consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Additional information)

[Trading regarding the stock distribution trust (employee stock ownership disposal type)]

Current consolidated fiscal year (April 1, 2017 – March 31, 2018)

At our company, we have a “stock distribution trust (employee stock ownership disposal type)” (hereinafter referred to as “this system”) to improve the welfare of our employees as well as to provide the incentive for the added corporate value.

(1) Summary of trading

This system is an incentive plan to return the stock appreciation merits of our company to all employees who are members of the “JP Employees Stock Ownership” (hereinafter referred to as “the stock ownership”).

In this system, our company is bound by the stock distribution trust contract (employee stock ownership disposal type) (hereinafter referred to as “this trust contract”) with our company as the trustor and Mizuho Trust & Banking Co., Ltd. as the trustee. The trust set up in accordance with this trust contract is referred to as “this trust.”

Additionally, Mizuho Trust & Banking Co., Ltd. is bound by the re-trust contract with Trust & Custody Services Bank, Ltd. (hereinafter referred to as “Trust E Bank”) with the said bank as the re-trustee to re-trust the management of the trust assets such as securities.

In the future, Trust E Bank will obtain in bulk the stocks of our company that are to be acquired by the stock ownership in advance, and it will sell the stocks according to the stock purchases by the stock ownership. Should the equivalent amount to the profit from sales of stocks accumulate in this trust’s assets through the sale by Trust E Bank to the stock ownership before the termination of the trust, this will be distributed to the members of the stock ownership who fulfill the beneficiary qualifications as the residuary assets. Our company guarantees the trust banks’ loans to obtain the treasury shares; therefore, should there be a residuary liability equivalent to the loss on the sales of stocks due to the reasons such as nosedive of our share prices at the completion of the trust, our company will compensate for the said liability according to the guarantee contract.

(2) Own stocks remaining in the trust

Our company appropriates the own shares remaining in the trust as the treasury shares as part of the net assets through the book value of the trust (except for the incidental expenses). The book value and the number of stocks of the treasury shares are 869,660 thousand yen and 3,162,400 stocks at the end of the previous consolidated fiscal year, and 636,377 thousand yen and 2,314,100 stocks at the end of the current consolidated fiscal year.

(3) Book value of debts appropriated by the gross price method

End of the previous consolidated fiscal year: 915,102 thousand yen

End of the current consolidated fiscal year: 640,400 thousand yen

(Segment Information)

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

(Per-stock Information)

	Previous Fiscal Year (April 1, 2016– March 31, 2017)	Current Fiscal Year (April 1, 2017– March 31, 2018)
Net assets per share	80.89 yen	90.63 yen
Net income per share	7.87 yen	10.70 yen

Notes:

1. Diluted net income per share is omitted as there are no dilutive shares.
2. The own stocks remaining in the trust as appropriated as the treasury stock in the capital stock are, according to the calculation of net income per share, included as the treasury shares that are deducted from the mid-term average number of stocks, and according to the calculation of net assets per share, are included in the number of treasury shares that are deducted from the total number of stocks issued at the end of term. According to the calculation of net income per share, mid-term average number of said treasury shares deducted was 3,753,731 stocks during the previous consolidated fiscal year and 2,730,169 stocks during the current consolidated fiscal year. According to the calculation of net assets per share, the number of deducted end-of-term treasury shares was 3,162,400 stocks at the end of the previous consolidated fiscal year 2,314,100 stocks at the end of the previous consolidated fiscal year.
3. The basis for calculating net income per share is as follows:

	Previous Fiscal Year (April 1, 2016– March 31, 2017)	Current Fiscal Year (April 1, 2017– March 31, 2018)
Net income attributable to owners of parent (thousand yen)	661,473	910,507
Amount not belonging to ordinary stockholders (thousand yen)	-	-
Net income attributable to owners of parent regarding the ordinary shares (thousand yen)	661,473	910,507
Mid-term average number of ordinary shares (stocks)	84,093,963	85,117,525

(Significant events after the reporting period)

A lawsuit was filed against our Company at the Tokyo District Court on April 20, 2018, and we received a complaint on May 8, 2018. The outline of the complaint is as follows:

(1) Name, address, and representative of the party that has filed a lawsuit

- (a) Name: Mother Care Japan Co., Ltd.
- (b) Address: 3-12-1 Honmachi, Shibuya-ku, Tokyo
- (c) Representative: Toru Sakai

(2) Outline of the lawsuit, and the amount claimed

The plaintiff Mother Care Japan Co., Ltd. filed a lawsuit, claiming that we should pay 264 million yen as the compensation for damage, because our Company recognized the plaintiff's exercise of voting rights as unconfirmed at the extraordinary shareholders meeting held on March 23, 2018, and also pay delinquent charges.

(3) Future outlook

Our Company considers the argument of Mother Care Japan Co., Ltd. as groundless, and will cope with it properly in court. How much this lawsuit will affect the consolidated business performance of our company is still to be estimated.