

Summary of Business Results for the First Quarter Ended June 30, 2018

[Japan GAAP] (Consolidated)

August 8, 2018

Company JP-HOLDINGS, INC. Listed on the TSE 1
Stock Code 2749 URL: <http://www.jp-holdings.co.jp>
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 Expected date of filing of annual securities report: August 13, 2018 Expected starting date of dividend payment: —
 Preparation of supplementary financial document: Yes
 Results briefing: Yes (for media members, institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the three months ended June 2018

(April 1, 2018 through June 30, 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 | % |
| Three months ended Jun. 2018 | 7,099 | 11.0 | -138 | - | -8 | - | -16 | - |
| Three months ended Jun. 2017 | 6,398 | 17.9 | 236 | 235.8 | 311 | 183.8 | 183 | 196.4 |

(Note) Comprehensive income

Three months ended June 2018: -90 million yen (-%)

Three months ended June 2017: 188 million yen (250.9%)

| | Net income per share | Diluted net income per share |
|------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Three months ended Jun. 2018 | -0.19 | - |
| Three months ended Jun. 2017 | 2.17 | - |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio |
|---------------------|--------------|-------------|----------------------------|
| | Million yen | Million yen | % |
| As of Jun. 30, 2018 | 24,756 | 7,407 | 29.9 |
| As of Mar. 31, 2018 | 25,758 | 7,756 | 30.1 |

(Reference) Shareholders' equity

As of June 30, 2018: 7,403 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 | - | - | - | - | - |
| Year ending Mar. 2019 (forecast) | - | 0.00 | - | 3.50 | 3.50 |

(Note) Revisions to dividend forecast for the current quarter: Yes

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

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 |

(Note) Revisions to business forecast for the current quarter: Yes

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

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

② Treasury stock at the end of period

| | |
|----------------------|------------------|
| As of June 30, 2018 | 2,139,806 shares |
| As of March 31, 2018 | 2,315,806 shares |

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

| | |
|------------------------------|-------------------|
| Three months ended June 2018 | 85,625,969 shares |
| Three months ended June 2017 | 84,794,994 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 include 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).
- The company plans to hold results briefing for media members, institutional investors and analysts on August 10, 2018 (Friday). After the results 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. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the first quarter of the current fiscal year, the Japanese economy continued to mark out a moderate recovery trend, as the environment for both employment and personal income is improving thanks to the effects of the economic and financial policies by the government. On the other hand, the global economy continued to remain unclear as the result of political risks in Europe, and geopolitical risks such as the instability of the situation in the Middle East among other issues.

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. The government has promoted a policy to provide daycare for 320,000 children by the end of March 2021 and to further improve the levels of compensation of nursery school teachers. Based on the "Basic Policy on Economic and Fiscal Management and Reform 2018" adopted by the Cabinet on June 15, 2018, the government also aims to fully implement the program of providing free early childhood education from October 2019. It is expected that the size of the market will continue to expand in response to these government policies, and social role of our child-raising service is expected to become more important.

Against this backdrop, our Group worked to enhance the recruitment of childcare workers and raise the retention rate by promoting the use of ICT to reduce work and by responding to the specific, detailed needs of part-time workers including short-time working needs, etc. to discover potential nursery school teachers. In order to respond to the rising levels of demand for nursery services, the Group is also actively opening licensed nursery schools, etc.

In the first quarter of the current fiscal year, the Group has opened the following new facilities, including 15 nursery schools and 4 school clubs, totaling 19 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) |

(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 198 nursery schools, 72 school clubs, 11 children's houses, 5 private school clubs, and 1 kindergarten (overseas facility), making a total of 287 facilities for supporting child-raising at the end of the first quarter of the current fiscal year.

The Group's consolidated net sales were 7,099 million yen (up 11.0% year on year), operating loss was 138 million yen (236 million yen of income in the same period of last year), ordinary loss was 8 million yen (311 million yen of income

in the same period of last year), and net loss attributable to owners of parent was 16 million yen (183 million yen of income in the same period of last year).

The major factors are as follows:

Net sales increased because of the establishment of new facilities as well as sales growth of existing facilities due to subsidies increase for improving treatment of nursery staff etc.

Operating loss was incurred. This is because personnel expenses incurred prior to the recording of revenue at existing facilities, as the allocation of nursery school teachers to facilities was ahead of entrance of children in April and May, and the operating rate did not reach appropriate level to the number of teachers, in addition to an increase in recruitment expenses due to the strengthening of hiring nursery school teachers for sustainable growth. Since June 2018, the number of children accepted has been steady against the application range.

In addition, both ordinary loss and net loss attributable to owners of parent were incurred, as operating loss had large impact, although non-operating revenues grew thanks to the subsidies for responding to the increase of 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 24,756 million yen (down 1,002 million yen from the end of the previous fiscal year).

Current assets totaled 7,976 million yen (up 90 million yen from the end of the previous fiscal year), mainly because cash and deposits increased by 724 million yen, others increased by 87 million yen, while accounts receivable decreased by 584 million yen and inventories decreased by 129 million yen.

Fixed assets totaled 16,780 million yen (down 1,092 million yen from the end of the previous fiscal year), mainly because buildings and structures increased by 434 million yen, investments and other assets increased by 88 million yen, deferred tax assets increased by 69 million yen, while construction in progress decreased by 1,606 million yen, and investment securities decreased by 88 million yen.

Total liabilities amounted to 17,349 million yen (down 653 million yen from the end of the previous fiscal year).

Current liabilities totaled 8,563 million yen (up 354 million yen from the end of the previous fiscal year), mainly because accounts payable increased by 522 million yen, others increased by 253 million yen, and current portion of long-term loans payable increased by 182 million yen, while income taxes payable decreased by 288 million yen, and reserve for bonuses decreased by 237 million yen, and notes and accounts payable-trade decreased by 67 million yen.

Fixed liabilities totaled 8,786 million yen (down 1,007 million yen from the end of the previous fiscal year), mainly because long-term loans payable decreased by 1,020 million yen.

Total net assets as of the end of the first quarter of the current fiscal year totaled 7,407 million yen (down 349 million yen from the end of the previous fiscal year), mainly because retained earnings decreased by 323 million yen, valuation difference on available-for-sale securities decreased by 69 million yen, and treasury stock decreased by 48 million yen.

(3) Consolidated Earnings Forecasts

Regarding the full-year dividend forecast and consolidated business forecasts, as of the announcement of the “Summary of Business Results for the Fiscal Year Ended March 31, 2018[Japan GAAP] (Consolidated)” on May 9, 2018, we received a proposal from our shareholders concerning the election of directors at the Annual General Meeting of Shareholders held in June 2018. As a result of this shareholder proposal, there were a large number of uncertainties about our management structure, and so it was difficult to calculate dividend forecasts and consolidated business forecasts.

Consequently, we decided not to publish any forecasts at that time. However, at the Annual General Meeting of Shareholders and at the board of directors meeting held on the same day, the new management structure was

established, and the future management policies and medium-term management plan were finalized, and we decided to announce our dividend forecast and consolidated business forecasts for the fiscal year ending March 2019.

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, and the Company does not make any promises about the achievement.

During the period from April 1, 2018 to the date of disclosure of the summary of financial results for the current first quarter, the total number of child-raising facilities started its operation in the period is 19, consisting of 15 nursery schools and 4 school clubs. In addition, 2 new facilities are scheduled to be opened in Okinawa prefecture in September 2018 as a company-led nursery business.

Moreover, based on the new management structure announced in the “Notice of Formulation of ‘Long-term Management Vision 2025’ and ‘Medium-term Management Plan’”, we will implement organizational and business structure reforms aimed at improving management efficiency, and provide better quality child-raising services and contribute broadly to society. At the same time, we will cultivate new businesses and expand our earnings base.

As a result, our consolidated full-year business forecasts are 30,001 million yen in net sales, 1,847 million yen in operating income, 2,196 million yen in ordinary income, and 980 million yen in net income attributable to owners of parent.

[Quarterly Consolidated Financial Statements]

[Quarterly Consolidated Balance Sheet]

(Thousand yen)

| | Previous Fiscal Year (March 31, 2018) | Current First Quarter (June 30, 2018) |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,455,750 | 5,180,173 |
| Notes and accounts receivable-trade | 81,250 | 74,232 |
| Inventories | 149,105 | 19,437 |
| Accounts receivable - other | 2,169,850 | 1,584,978 |
| Other | 1,030,385 | 1,118,231 |
| Allowance for doubtful accounts | -730 | -715 |
| Total current assets | 7,885,613 | 7,976,338 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures | 11,278,553 | 11,861,503 |
| Accumulated depreciation and impairment loss | -4,015,971 | -4,164,299 |
| Buildings and structures, net | 7,262,582 | 7,697,203 |
| Machinery, equipment and vehicles | 5,868 | 5,637 |
| Accumulated depreciation | -2,398 | -2,507 |
| Machinery, equipment and vehicles, net | 3,470 | 3,129 |
| Tools, furniture and fixtures | 711,365 | 778,538 |
| Accumulated depreciation and impairment loss | -470,331 | -493,375 |
| Tools, furniture and fixtures, net | 241,033 | 285,163 |
| Land | 980,894 | 980,894 |
| Construction in progress | 1,613,898 | 7,606 |
| Total tangible fixed assets | 10,101,879 | 8,973,997 |
| Intangible fixed assets | | |
| Goodwill | 258,280 | 250,684 |
| Other | 215,489 | 214,558 |
| Total intangible fixed assets | 473,769 | 465,243 |
| Investments and other assets | | |
| Investment securities | 629,505 | 541,445 |
| Long-term loans receivable | 3,297,662 | 3,273,635 |
| Guarantee deposits | 1,823,521 | 1,821,443 |
| Deferred tax assets | 750,305 | 819,546 |
| Other | 812,703 | 901,035 |
| Allowance for doubtful accounts | -16,063 | -15,978 |
| Total investments and other assets | 7,297,635 | 7,341,128 |
| Total fixed assets | 17,873,284 | 16,780,368 |
| Total assets | 25,758,898 | 24,756,707 |

(Thousand yen)

| | Previous Fiscal Year (March 31, 2018) | Current First Quarter (June 30, 2018) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 228,917 | 161,402 |
| Short-term loans payable | 1,500,000 | 1,500,000 |
| Current portion of long-term loans payable | 2,485,320 | 2,668,059 |
| Accounts payable – other | 1,584,376 | 2,106,701 |
| Income taxes payable | 344,278 | 55,282 |
| Accrued consumption taxes | 78,373 | 67,952 |
| Reserve for bonuses | 390,055 | 153,014 |
| Other | 1,597,673 | 1,850,720 |
| Total current liabilities | 8,208,995 | 8,563,132 |
| Fixed liabilities | | |
| Long-term loans payable | 8,934,213 | 7,913,842 |
| Net defined benefit liability | 538,885 | 558,041 |
| Long-term accounts payable - other | 3,700 | - |
| Asset retirement obligation | 238,624 | 314,676 |
| Other | 78,280 | - |
| Total fixed liabilities | 9,793,703 | 8,786,560 |
| Total liabilities | 18,002,699 | 17,349,693 |
| Net assets | | |
| Shareholders' equity | | |
| Capital | 1,603,955 | 1,603,955 |
| Capital surplus | 1,449,544 | 1,449,544 |
| Retained earnings | 5,421,026 | 5,097,208 |
| Treasury stock | -636,635 | -588,235 |
| Total shareholders' equity | 7,837,890 | 7,562,472 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | -46,654 | -115,765 |
| Deferred gains or losses on hedges | 545 | 644 |
| Foreign currency translation adjustment | 3,899 | -5,691 |
| Remeasurements of defined benefit plans | -43,350 | -38,460 |
| Total accumulated other comprehensive income | -85,560 | -159,272 |
| Non-controlling interests | 3,869 | 3,814 |
| Total net assets | 7,756,199 | 7,407,014 |
| Total liabilities and net assets | 25,758,898 | 24,756,707 |

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

| | (Thousand yen) | |
|--|---|--|
| | Previous First Quarter (April 1, 2017– June 30, 2017) | Current First Quarter (April 1, 2018– June 30, 2018) |
| Net sales | 6,398,219 | 7,099,448 |
| Cost of sales | 5,490,211 | 6,484,665 |
| Gross profit | 908,007 | 614,783 |
| Selling, general and administrative expenses | 671,213 | 753,048 |
| Operating income (loss) | 236,794 | -138,264 |
| Non-operating revenues | | |
| Interest income | 28,647 | 27,620 |
| Subsidy income | 45,668 | 113,344 |
| Guarantee commission received | 16,402 | 16,402 |
| Other | 4,194 | 3,708 |
| Total non-operating revenues | 94,912 | 161,074 |
| Non-operating expenses | | |
| Interest expenses | 13,868 | 12,978 |
| Equity in losses of affiliates | 2,225 | - |
| Demobilization costs | - | 17,915 |
| Other | 4,488 | 764 |
| Total non-operating expenses | 20,581 | 31,658 |
| Ordinary income (loss) | 311,125 | -8,847 |
| Extraordinary loss | | |
| Loss on sales of non-current assets | - | 77 |
| Loss on retirement of non-current assets | 677 | - |
| Total extraordinary loss | 677 | 77 |
| Income (loss) before income taxes and others | 310,447 | -8,924 |
| Corporate, inhabitant and enterprise taxes | 260,872 | 48,762 |
| Income taxes-deferred | -134,307 | -41,281 |
| Total income taxes | 126,564 | 7,481 |
| Net income (loss) | 183,882 | -16,406 |
| Net loss attributable to non-controlling interests | -13 | -54 |
| Net income (loss) attributable to owners of parent | 183,896 | -16,351 |

[Quarterly Consolidated Statement of Comprehensive Income]

[First Quarter of FY3/19]

| | (Thousand yen) | |
|--|---|--|
| | Previous First Quarter (April 1, 2017– June 30, 2017) | Current First Quarter (April 1, 2018– June 30, 2018) |
| Net income | 183,882 | -16,406 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,234 | -69,110 |
| Deferred gains or losses on hedges | -1,588 | 99 |
| Foreign currency translation adjustment | - | -9,591 |
| Remeasurements of defined benefit plans | 3,680 | 4,890 |
| Total other comprehensive income | 4,325 | -73,712 |
| Comprehensive income | 188,208 | -90,118 |
| (Breakdown) | | |
| Comprehensive income attributable to shareholders of the parent company | 188,222 | -90,063 |
| Comprehensive income attributable to non-controlling interests | -13 | -54 |

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

First quarter of FY3/19 (April 1, 2018 – June 30, 2018)

None

(Notes if there is a significant change in the amount of shareholders' equity)

First quarter of FY3/19 (April 1, 2018 – June 30, 2018)

None

(Additional information)

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

Current First Quarter (from April 1, 2018 to June 30, 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 long-term liabilities.