

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.