

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [under Japanese GAAP]

May 9, 2019

Company name: JP-HOLDINGS, INC.
 Listing: First Section of the Tokyo Stock Exchange
 Securities code: 2749
 URL: <https://www.jp-holdings.co.jp>
 Representative: Koichiro Furukawa, President and Representative Director
 Inquiries: Akihiko Fukuoka, Director
 TEL: +81-52-933-5419

Scheduled date of ordinary general meeting of shareholders: June 27, 2019
 Scheduled date to commence dividend payments: June 28, 2019
 Scheduled date to submit annual securities report: June 28, 2019
 Preparation of supplementary explanatory material on financial results: Yes
 Holding of financial results presentation meeting: Yes (for media members, institutional investors, analysts and individual investors)

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(1) Consolidated operating results (Percentage figures indicate year-on-year changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2019	29,298	9.4	1,531	17.5	1,920	21.4	1,071	17.7
March 31, 2018	26,779	17.5	1,303	11.5	1,582	17.1	910	37.6

Note: Comprehensive income Fiscal year ended March 31, 2019: 950 million yen [7.0%]
 Fiscal year ended March 31, 2018: 888 million yen [31.5%]

Fiscal year ended	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
March 31, 2019	12.44	–	12.8	7.1	5.2
March 31, 2018	10.70	–	12.5	6.4	4.9

Reference: Share of profit (loss) of entities accounted for using equity method
 Fiscal year ended March 31, 2019: – million yen
 Fiscal year ended March 31, 2018: (25) million yen

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2019	28,255	8,950	31.7	102.23
March 31, 2018	25,758	7,756	30.1	90.63

Reference: Equity As of March 31, 2019: 8,950 million yen
 As of March 31, 2018: 7,752 million yen

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2019	1,829	(940)	1,475	6,816
March 31, 2018	1,865	(1,292)	(135)	4,455

2. Dividends

	Annual dividends per share					Total annual dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2018	–	0.00	–	3.50	3.50	307	32.7	4.1
March 31, 2019	–	0.00	–	3.70	3.70	325	29.7	3.8
Fiscal year ending March 31, 2020 (forecast)	–	–	–	3.90	3.90		27.7	

Note: The total annual dividends include 8 million yen for the fiscal year ended March 31, 2018 and 1 million yen for the fiscal year ended March 31, 2019, as the dividend on the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as trust assets of Stock Benefit Trust (Disposition-type Employee Stock Ownership Plan).

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Percentage figures indicate year-on-year changes)

Fiscal year ending	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2020	32,000	9.2	1,811	18.3	2,300	19.8	1,212	13.2	14.08

*Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
 - i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - ii) Changes in accounting policies due to other reasons: None
 - iii) Changes in accounting estimates: None
 - iv) Restatement: None
- (3) Number of issued shares (common shares)
 - i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2019	87,849,400 shares
As of March 31, 2018	87,849,400 shares
 - ii) Number of treasury shares at the end of the period

As of March 31, 2019	297,807 shares
As of March 31, 2018	2,315,806 shares
 - iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2019	86,097,870 shares
Fiscal year ended March 31, 2018	85,117,525 shares

Note: The number of treasury shares deducted for the calculation of the number of treasury shares at the end of the period and the average number of shares outstanding during the period include the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as trust assets of Stock Benefit Trust (Disposition-type Employee Stock Ownership Plan).

Reference: Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(1) Non-consolidated operating results (Percentage figures indicate year-on-year changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2019	1,896	6.6	616	49.6	664	9.9	488	12.5
March 31, 2018	1,778	16.3	411	(11.1)	604	(18.1)	434	(28.4)

Fiscal year ended	Earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2019	5.67	–
March 31, 2018	5.10	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2019	19,923	4,902	24.6	56.00
March 31, 2018	17,970	4,261	23.7	49.82

Reference: Equity As of March 31, 2019: 4,902 million yen
As of March 31, 2018: 4,261 million yen

*Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

*Proper use of earnings forecasts, and other special notes

- The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. For matters related to the earnings forecasts, please refer to “1. Overview of Operating Results and Financial Position (4) Future outlook” on page 5 of the attached materials.
- The Company plans to hold financial results presentation meetings for media members, institutional investors and analysts on Friday, May 10, 2019, and for individual investors on Saturday, May 25, 2019. Presentation materials distributed at the meetings will be posted on the Company’s website immediately after the meetings. For the meeting schedule and other information, please refer to the Company’s website.

Attached Materials

1. Overview of Operating Results and Financial Position	2
(1) Overview of operating results for the fiscal year under review	2
(2) Overview of financial position for the fiscal year under review	3
(3) Overview of cash flows for the fiscal year under review.....	3
(4) Future outlook.....	5
2. Basic Rationale for Selection of Accounting Standards.....	5
3. Consolidated Financial Statements and Significant Notes Thereto.....	6
(1) Consolidated balance sheets	6
(2) Consolidated statements of income and consolidated statements of comprehensive income.....	8
(3) Consolidated statements of changes in equity	10
(4) Consolidated statements of cash flows	12
(5) Notes to the consolidated financial statements	14
Notes on going concern assumptions.....	14
Additional information.....	14
Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” and relevant Guidances.....	14
Segment information, etc.	14
Per-share information.....	15
Significant subsequent events	15

1. Overview of Operating Results and Financial Position

(1) Overview of operating results for the fiscal year under review

In the fiscal year under review, the Japanese economy showed signs of moderate recovery on the back of robust corporate earnings and a solid employment situation. However, it remains in an uncertain situation due to deterioration in the global economy as a result of the effect of intensifying US-China trade friction and political turbulence in Europe and the United States.

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 the issue of the number of children waiting for admission remains serious. The government has formulated various measures to improve childcare facilities and secure nursery teachers in order to provide daycare for 320,000 children between fiscal 2018 and the end of March 2021. The government has also announced a policy aimed at realizing a system of free child education/childcare to be implemented in October 2019. In response to this policy, the market is expected to continue expanding, and the social role of our child-raising service is expected to become more important.

Under these circumstances, the Group moved to a new management setup following the Ordinary General Meeting of Shareholders held on June 28, 2018. The new management setup was established with the appointment of Outside Directors and Audit & Supervisory Board Members at the Extraordinary General Meeting of Shareholders held on October 24, 2018. The governance system was strengthened and organizational changes were made to improve management efficiency. Business structure reforms were implemented and efforts were made to develop new business. In addition, the Group actively promoted the opening of licensed nursery schools and other facilities in response to growing needs for childcare.

During the fiscal year ended March 31, 2019, the Group opened the following new facilities, including 17 nursery schools and 4 school clubs, totaling 21 facilities.

Nursery schools:	Koto-ku Minamisuna No. 4 Nursery School	(Apr. 1, 2018)
	Asc Toneri Nursery School	(Apr. 1, 2018)
	Asc Higashi Kasai Nursery School	(Apr. 1, 2018)
	Asc Minami Kugahara Nursery School	(Apr. 1, 2018)
	Asc Yakuoji Nursery School	(Apr. 1, 2018)
	Asc Kaname-cho Nursery School	(Apr. 1, 2018)
	Asc Fuchu Honmachi Nursery School	(Apr. 1, 2018)
	Asc Minowa Nursery School	(Apr. 1, 2018)
	Asc Kugenuma Kita Nursery School	(Apr. 1, 2018)
	Asc Ohtaka-no-mori Nursery School	(Apr. 1, 2018)
	Asc Wani Nursery School	(Apr. 1, 2018)
	Asc Sone Minami Nursery School	(Apr. 1, 2018)
	Asc Toyotama 1-chome Nursery School A	(Apr. 1, 2018)
	Asc Toyotama 1-chome Nursery School B	(Apr. 1, 2018)
	GENKIDS Shinkoyasu Nursery School	(Apr. 1, 2018)
	Asc Akebono Kaiho Nursery School	(Sept. 1, 2018)
	Asc Noborikawa Nursery School	(Sept. 1, 2018)
School clubs:	Kojimachi Kids' Club	(Apr. 1, 2018)
	Taisho Elementary School After School Kids' Club	(Apr. 1, 2018)
	Chofu City Chowa Elementary School Club	(Apr. 1, 2018)
	Wakuwaku Takinogawa Momiji Hiroba	(Apr. 1, 2018)

As a result, the Group came to have 200 nursery schools, 72 school clubs, 11 children's houses, 5 private school clubs, and 1 kindergarten (overseas facility), making a total of 289 facilities for supporting child-raising at the end of March 2019.

The Group withdrew from HokaGO→Club Onarimon (school club), which it had run since June 2008, and from Koto Kids Club Ichikame (school club), which it had run since April 2010, on the last day of March 2019, due to the expiration of the contract periods.

The Group closed AEL Yushima (private school club), which it had run since September 2016, on the last day of March 2019.

Given the above, the Group's consolidated net sales for the fiscal year under review were 29,298 million yen (up 9.4% year on year), operating profit was 1,531 million yen (up 17.5% year on year), ordinary profit was

1,920 million yen (up 21.4% year on year), and profit attributable to owners of parent was 1,071 million yen (up 17.7% year on year). Thus, both sales and profits increased year on year.

The major factors for this are as follows:

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

Operating profit for the fiscal year under review increased year on year thanks mainly to the increased sales of existing facilities with the step-by-step increase in the number of children accepted from June 2018 onward, even though operating profit was pushed down by the following factors: an increase in recruitment expenses due to the strengthening of hiring nursery school teachers and expenses related to corporate dormitories associated with an increase in their users, and the placement of nursery school teachers at each facility ahead of the timing of the acceptance of children at the beginning of the fiscal year.

Both ordinary profit and profit attributable to owners of parent increased year on year thanks to an increase in non-operating income, owing mainly to subsidies associated with an increase in users of corporate dormitories, as well as an increase in operating profit. Additionally, a new record high was set for ordinary profit.

(2) Overview of financial position for the fiscal year under review

As for the financial position at the end of the fiscal year under review, total assets amounted to 28,255 million yen (up 2,496 million yen from the end of the previous fiscal year).

Current assets totaled 10,458 million yen (up 2,572 million yen from the end of the previous fiscal year), mainly reflecting increases of 2,360 million yen in cash and deposits and 322 million yen in accounts receivable–other, and decreases of 80 million yen in other and 20 million yen in inventories.

Non-current assets totaled 17,796 million yen (down 76 million yen from the end of the previous fiscal year). This was mainly due to increases of 122 million yen in long-term loans receivable, 79 million yen in other (investments and other assets), and 75 million yen in deferred tax assets, while there were decreases of 176 million yen in construction in progress, 100 million yen in other (intangible assets), and 81 million yen in investment securities.

Total liabilities were 19,304 million yen (up 1,301 million yen from the end of the previous fiscal year).

Current liabilities totaled 7,880 million yen (down 328 million yen from the end of the previous fiscal year), mainly due to increases of 91 million yen in income taxes payable and 21 million yen in provision for bonuses, while there were decreases of 319 million yen in current portion of long-term loans payable, 93 million yen in other, and 31 million yen in notes and accounts payable–trade.

Non-current liabilities totaled 11,424 million yen (up 1,630 million yen from the end of the previous fiscal year). This was mainly due to increases of 1,520 million yen in long-term loans payable, 103 million yen in net defined benefit liability, and 78 million yen in asset retirement obligations, while there was a decrease of 67 million in other.

Total net assets at the end of the fiscal year under review were 8,950 million yen (up 1,194 million yen from the end of the previous fiscal year). This was mainly attributable to an increase of 763 million yen in retained earnings, while there were decreases of 554 million yen in treasury shares, 86 million yen in valuation difference on available-for-sale securities, and 22 million in remeasurements of defined benefit plans.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter referred to as “the funds”) for the fiscal year under review were: 1,829 million yen from the funds provided by operating activities; 940 million yen from the funds used in investing activities; and 1,475 million yen from the funds provided by financing activities, totaling 6,816 million yen, up 2,360 million yen from the end of the previous fiscal year.

The cash flow situations and their reasons for the fiscal year under review were as follows:

Cash flows from operating activities

The funds provided by operating activities were 1,829 million yen (1,865 million yen provided in the previous fiscal year).

This was due to the following: profit before income taxes (1,810 million yen); depreciation (703 million yen); impairment loss (108 million yen); income taxes paid or refund (624 million yen); increase in accounts receivable–other (297 million yen); and interest and dividend income (105 million yen).

Compared to the previous fiscal year, the funds provided decreased by 36 million yen. This was due to the fact that, while profit before income taxes increased by 252 million yen and consumption taxes refund receivable increased by 89 million yen, there were decreases in the following: accounts payable-other and accrued expenses (462 million yen); accounts receivable-other (236 million yen); advances received (230 million yen); and income taxes paid or refund (226 million yen).

Cash flows from investing activities

The funds used in investing activities were 940 million yen (1,292 million yen used in the previous fiscal year).

This was due to the following: proceeds from subsidy income (1,059 million yen); collection of long-term loans receivable (272 million yen); purchase of property, plant and equipment (1,877 million yen); payments of long-term loans receivable (360 million yen); and payments for guarantee deposits (71 million yen).

Compared to the previous fiscal year, the fund used decreased by 352 million yen. This was due to the fact that, while proceeds from subsidy income increased by 233 million yen and collection of long-term loans receivable increased by 53 million yen, payments for guarantee deposits decreased by 84 million yen.

Cash flows from financing activities

The funds provided by financing activities were 1,475 million yen (135 million yen used in the previous fiscal year).

This was due to the following: proceeds from short-term loans payable (5,500 million yen); proceeds from long-term loans payable (4,000 million yen); proceeds from disposal of treasury shares (579 million yen); repayments of short-term loans payable (5,500 million yen); repayments of long-term loans payable (2,799 million yen); and cash dividends paid (305 million yen).

Compared to the previous fiscal year, the funds increased by 1,611 million yen. This was due to the fact that, while repayments of short-term loans payable increased by 4,900 million yen, proceeds from short-term loans payable increased by 3,400 million yen, proceeds from long-term loans payable increased by 2,150 million yen, and proceeds from disposal of treasury shares increased by 310 million yen, repayments of long-term loans payable decreased by 737 million yen.

The cash flow indicators of the Group are as follows:

	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019
Equity ratio (%)	28.5	30.1	31.7
Market value equity ratio (%)	98.8	102.6	94.2
Interest-bearing debt to cash flows ratio (years)	7.0	6.9	7.7
Interest coverage ratio (x)	36.5	37.3	33.3

Notes: Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flows ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / interest payments

*1. All of the figures in the table were calculated on a consolidated basis.

*2. Market capitalization was calculated based on the total number of issued shares minus treasury shares.

*3. The figure used for cash flow is "net cash provided by (used in) operating activities."

*4. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheet on which interest is paid.

(4) Future outlook

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. These statements do not purport that the Company pledges to realize such statements.

The breakdown of the child-raising facilities that the Group was commissioned to establish during the fiscal year ended March 2019 and those that started operation on April 1, 2019 are as follows:

Nursery schools:	Koto-ku Ojima No. 5 Nursery School	(Apr. 1, 2019)
	Shinjuku-ku Nursery Room Edogawa Nursery School	(Apr. 1, 2019)
	Asc Ogi Nursery School	(Apr. 1, 2019)
	Asc Yukigaya Nursery School	(Apr. 1, 2019)
	Asc Kitashinjuku Nursery School	(Apr. 1, 2019)
	Asc Kamitakaido Nursery School	(Apr. 1, 2019)
	Asc Midori Nursery School	(Apr. 1, 2019)
	Asc Hoya Nursery School	(Apr. 1, 2019)
	Asc Fuchukatamachi Nursery School	(Apr. 1, 2019)
Asc Otsukyo Nursery School	(Apr. 1, 2019)	
School clubs:	Wakuwaku Akanishi Hiroba /	
	Akabanedai-nishi Elementary School Club No. 2	(Apr. 1, 2019)
	Wakuwaku Fukuro Hiroba /Akakita Hibari Club No. 2	(Apr. 1, 2019)

With the establishment of the above Wakuwaku Fukuro Hiroba /Akakita Hibari Club No. 2, the Akakita Hibari Club and the Kita City Fukuro Cultivation Room are operating as the Wakuwaku Fukuro Hiroba /Akakita Hibari Club No. 1 and the Wakuwaku Fukuro Hiroba /Akakita Hibari Club No. 3, respectively, as of April 1, 2019.

Separate from the above, the following changes have been made as of April 1, 2019: Asc Ikegami Nursery School, which had been running since February 1, 2008 as an existing Tokyo Licensed Nursery School was changed into a licensed nursery school; Asc Toyotama 1-chome Nursery School A and B, which had been running since April 1, 2018, as small-scale childcare facilities, were integrated and changed into a licensed nursery school; and Kawasaki City Miyamaedaira Nursery School, which had been running as a public facility under private management since April 1, 2009, was changed to a private facility under private management and is now run as Asc Miyamaedaira Nursery School.

With respect to the Group's outlook for business performance in the next fiscal year, as indicated in the "Notice of Formulation of 'Long-term Management Vision 2025' and 'Medium-term Management Plan,'" which was announced on August 8, 2018, the Group will establish a variety of systems to secure nursery teachers, with the aim of further enhancing the quality of its childcare services and increasing the number of children accepted at facilities. At the same time, we will strive to develop and promote new businesses with a view to expanding our earnings base.

As a result, our forecast of business performance in the next fiscal year is: net sales of 32,000 million yen (up 9.2% year on year), operating profit of 1,811 million yen (up 18.3% year on year), ordinary profit of 2,300 million yen (up 19.8% year on year), and profit attributable to owners of parent of 1,212 million yen (up 13.2% year on year).

2. Basic Rationale for Selection of Accounting Standards

Taking into consideration the comparability between financial statements over different accounting periods and of different companies, the Group prepares its consolidated financial statements in accordance with Japanese accounting standards. With respect to adoption of international financial reporting standards, the Group follows a policy of responding in a suitable manner after giving consideration to various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheets

	(Thousands of yen)	
	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	4,455,750	6,816,439
Notes and accounts receivable - trade	81,250	71,657
Inventories	149,105	128,900
Accounts receivable - other	2,169,850	2,491,947
Other	1,030,385	949,963
Allowance for doubtful accounts	(730)	(449)
Total current assets	7,885,613	10,458,459
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,278,553	11,873,447
Accumulated depreciation and impairment loss	(4,015,971)	(4,635,599)
Buildings and structures, net	7,262,582	7,237,848
Machinery, equipment and vehicles	5,868	5,637
Accumulated depreciation	(2,398)	(3,209)
Machinery, equipment and vehicles, net	3,470	2,427
Tools, furniture and fixtures	711,365	803,177
Accumulated depreciation and impairment loss	(470,331)	(563,703)
Tools, furniture and fixtures	241,033	239,473
Land	980,894	980,894
Construction in progress	1,613,898	1,437,264
Total property, plant and equipment	10,101,879	9,897,908
Intangible assets		
Goodwill	258,280	227,894
Other	215,489	114,985
Total intangible assets	473,769	342,879
Investments and other assets		
Investment securities	629,505	548,080
Long-term loans receivable	3,297,662	3,419,910
Guarantee deposits	1,823,521	1,880,239
Deferred tax assets	750,305	825,742
Other	812,703	891,902
Allowance for doubtful accounts	(16,063)	(10,027)
Total investments and other assets	7,297,635	7,555,848
Total non-current assets	17,873,284	17,796,637
Total assets	25,758,898	28,255,096

(Thousands of yen)

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	228,917	197,742
Short-term loans payable	1,500,000	1,500,000
Current portion of long-term loans payable	2,485,320	2,166,092
Accounts payable - other	1,584,376	1,570,333
Income taxes payable	344,278	435,953
Accrued consumption taxes	78,373	81,136
Provision for bonuses	390,055	411,135
Asset retirement obligations	–	13,500
Other	1,597,673	1,504,249
Total current liabilities	8,208,995	7,880,143
Non-current liabilities		
Long-term loans payable	8,934,213	10,454,371
Net defined benefit liability	538,885	642,495
Long-term accounts payable - other	3,700	–
Asset retirement obligations	238,624	317,269
Other	78,280	10,324
Total non-current liabilities	9,793,703	11,424,460
Total liabilities	18,002,699	19,304,604
Net assets		
Shareholders' equity		
Capital stock	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	5,421,026	6,184,830
Treasury shares	(636,635)	(81,685)
Total shareholders' equity	7,837,890	9,156,643
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(46,654)	(133,411)
Deferred gains or losses on hedges	545	(7,165)
Foreign currency translation adjustment	3,899	238
Remeasurements of defined benefit plans	(43,350)	(65,813)
Total accumulated other comprehensive income	(85,560)	(206,151)
Non-controlling interests	3,869	–
Total net assets	7,756,199	8,950,492
Total liabilities and net assets	25,758,898	28,255,096

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

	(Thousands of yen)	
	Previous fiscal year (April 1, 2017 – March 31, 2018)	Current fiscal year (April 1, 2018 – March 31, 2019)
Net sales	26,779,234	29,298,670
Cost of sales	22,685,186	25,119,787
Gross profit	4,094,048	4,178,883
Selling, general and administrative expenses	2,790,933	2,647,588
Operating profit	1,303,115	1,531,294
Non-operating income		
Interest income	110,730	105,359
Guarantee commission received	65,608	65,608
Subsidy income	166,397	349,325
Other	27,182	39,778
Total non-operating income	369,918	560,072
Non-operating expenses		
Interest expenses	52,229	56,524
Commission fee	2,000	55,252
Levy for employing disabled persons	6,200	8,150
Share of loss of entities accounted for using equity method	25,587	–
Dismantling and removing costs	–	34,886
Other	5,013	15,793
Total non-operating expenses	91,030	170,606
Ordinary profit	1,582,003	1,920,760
Extraordinary income		
Gain on sales of investment securities	3,834	–
Total extraordinary income	3,834	–
Extraordinary losses		
Loss on sales of non-current assets	–	77
Loss on retirement of non-current assets	3,310	2,240
Impairment loss of long-lived asset of facilities	23,137	83,782
Impairment loss	–	24,590
Loss on valuation of investment securities	1,404	–
Total extraordinary losses	27,851	110,690
Profit before income taxes	1,557,986	1,810,070
Income taxes - current	636,856	760,950
Income taxes - deferred	10,738	(22,086)
Total income taxes	647,595	738,864
Profit	910,390	1,071,206
Loss attributable to non-controlling interests	(116)	(64)
Profit attributable to owners of parent	910,507	1,071,270

Consolidated statements of comprehensive income

(Thousands of yen)

	Previous fiscal year (April 1, 2017 – March 31, 2018)	Current fiscal year (April 1, 2018 – March 31, 2019)
Profit	910,390	1,071,206
Other comprehensive income		
Valuation difference on available-for-sale securities	(12,057)	(86,757)
Deferred gains or losses on hedges	(307)	(7,710)
Foreign currency translation adjustment	3,899	(3,660)
Remeasurements of defined benefit plans, net of tax	(13,770)	(22,462)
Total other comprehensive income	(22,236)	(120,590)
Comprehensive income	888,154	950,615
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	888,271	950,679
Comprehensive income attributable to non-controlling interests	(116)	(64)

(3) Consolidated statements of changes in equity

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

(Thousands of yen)

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

	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 beginning of current period	(34,596)	852	-	(29,580)	(63,324)	3,985	6,854,381
Changes of items during period							
Dividends of surplus							(219,619)
Profit attributable to owners of parent							910,507
Purchase of treasury shares							-
Disposal of treasury shares							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 period	(12,057)	(307)	3,899	(13,770)	(22,236)	(116)	901,817
Balance at end of current period	(46,654)	545	3,899	(43,350)	(85,560)	3,869	7,756,199

Current fiscal year (April 1, 2018 – March 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,603,955	1,449,544	5,421,026	(636,635)	7,837,890
Changes of items during period					
Dividends of surplus			(307,466)		(307,466)
Profit attributable to owners of parent			1,071,270		1,071,270
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				554,950	554,950
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	763,803	554,949	1,318,753
Balance at end of current period	1,603,955	1,449,544	6,184,830	(81,685)	9,156,643

	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 beginning of current period	(46,654)	545	3,899	(43,350)	(85,560)	3,869	7,756,199
Changes of items during period							
Dividends of surplus							(307,466)
Profit attributable to owners of parent							1,071,270
Purchase of treasury shares							(0)
Disposal of treasury shares							554,950
Net changes of items other than shareholders' equity	(86,757)	(7,710)	(3,660)	(22,462)	(120,590)	(3,869)	(124,460)
Total changes of items during period	(86,757)	(7,710)	(3,660)	(22,462)	(120,590)	(3,869)	1,194,293
Balance at end of current period	(133,411)	(7,165)	238	(65,813)	(206,151)	–	8,950,492

(4) Consolidated statements of cash flows

(Thousands of yen)

	Previous fiscal year (April 1, 2017 – March 31, 2018)	Current fiscal year (April 1, 2018 – March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,557,986	1,810,070
Depreciation	668,678	703,991
Amortization of goodwill	30,385	30,385
Increase (decrease) in allowance for doubtful accounts	(2,547)	(6,317)
Increase (decrease) in provision for bonuses	(8,783)	21,079
Increase (decrease) in net defined benefit liability	46,327	81,148
Loss (gain) on sales of non-current assets	–	77
Loss (gain) on sales of investment securities	(3,834)	–
Loss on retirement of non-current assets	3,310	2,240
Impairment loss	23,137	108,372
Loss (gain) on valuation of investment securities	1,404	–
Interest and dividend income	(110,730)	(105,359)
Interest expenses	52,229	56,524
Share of loss (profit) of entities accounted for using equity method	25,587	–
Decrease (increase) in notes and accounts receivable - trade	(30,697)	9,592
Decrease (increase) in inventories	(40,403)	20,088
Decrease (increase) in accounts receivable - other	(533,499)	(297,160)
Decrease (increase) in consumption taxes refund receivable	(49,771)	(1,747)
Increase (decrease) in notes and accounts payable - trade	13,942	(31,174)
Increase (decrease) in accounts payable - other and accrued expenses	447,272	(14,756)
Increase (decrease) in accrued consumption taxes	(86,900)	2,762
Increase (decrease) in advances received	228,682	(1,633)
Decrease (increase) in other current assets	(79,260)	80,464
Decrease (increase) in other non-current assets	7,647	(16,186)
Increase (decrease) in other current liabilities	128,278	10,881
Increase (decrease) in other non-current liabilities	2,460	28,246
Subtotal	2,290,904	2,491,590
Interest and dividend income received	22,444	17,123
Interest expenses paid	(49,976)	(54,894)
Income taxes (paid) refund	(397,549)	(624,316)
Net cash provided by (used in) operating activities	1,865,822	1,829,502

(Thousands of yen)

	Previous fiscal year (April 1, 2017 – March 31, 2018)	Current fiscal year (April 1, 2018 – March 31, 2019)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,853,760)	(1,877,501)
Purchase of intangible assets	(17,006)	(3,959)
Proceeds from sales of property, plant and equipment	–	231
Proceeds from subsidy income	825,603	1,059,222
Proceeds from sales and redemption of investment securities	27,247	–
Purchase of investment securities	(21,395)	–
Payments for guarantee deposits	(156,014)	(71,870)
Proceeds from collection of guarantee deposits	26,094	14,188
Payments of long-term loans receivable	(333,869)	(360,540)
Collection of long-term loans receivable	218,696	272,223
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(3,804)
Other	(8,437)	31,711
Net cash provided by (used in) investing activities	(1,292,842)	(940,099)
Cash flows from financing activities		
Proceeds from short-term loans payable	2,100,000	5,500,000
Repayments of short-term loans payable	(600,000)	(5,500,000)
Proceeds from long-term loans payable	1,850,000	4,000,000
Repayments of long-term loans payable	(3,536,308)	(2,799,068)
Cash dividends paid	(218,213)	(305,348)
Proceeds from disposal of treasury shares	268,892	579,791
Purchase of treasury shares	–	(0)
Net cash provided by (used in) financing activities	(135,629)	1,475,374
Effect of exchange rate change on cash and cash equivalents	808	(4,088)
Net increase (decrease) in cash and cash equivalents	438,159	2,360,688
Cash and cash equivalents at beginning of period	4,017,591	4,455,750
Cash and cash equivalents at end of period	4,455,750	6,816,439

(5) Notes to the consolidated financial statements

Notes on going concern assumptions

No items to report.

Additional information

Transactions regarding the stock benefit trust (disposition-type employee stock ownership disposal type)

Current fiscal year (April 1, 2018 – March 31, 2019)

The Company has introduced a Stock Benefit Trust (Distribution-type Employee Stock Ownership Plan, hereinafter referred to as the “Plan”) with the aim of enhancing employee benefits and providing incentives for employees to increase the corporate value of the Company

(1) Overview of transaction

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

Under this system, the Company has entered into a stock distribution trust contract (employee stock ownership distribution type) (hereinafter referred to as “the trust contract”) with the Company as the trustor and Mizuho Trust & Banking Co., Ltd. as the trustee. The trust set up in accordance with the trust contract is referred to as “the trust.” Additionally, Mizuho Trust & Banking Co., Ltd. has entered into a re-trust contract with Trust & Custody Services Bank, Ltd. under which Trust & Custody Services Bank, Ltd. (Trust E Account) (hereinafter referred to as “Trust E Bank”) manages trust assets such as securities as the re-trustee.

In the future, Trust E Bank will obtain in bulk, in advance, the shares of the Company that are to be acquired by the stock ownership and sell them to the stock ownership when it acquires shares. By the time of termination of the trust, if an amount corresponding to the profit from sales of shares has accumulated in the trust’s assets through the sale of shares by Trust E Bank to the stock ownership, this will be distributed as residuary assets to the members of the stock ownership who fulfill the beneficiary qualifications. Moreover, since the Company guarantees the trust banks’ borrowings to obtain shares of the Company, should there be a residuary liability corresponding to a loss on sales of shares due to the reasons such as a drop in the Company’s stock price at the termination of the trust, the Company will compensate for the liability in accordance with the guarantee contract.

(2) The Company’s shares remaining in trust

The Company’s shares remaining in trust is recorded as treasury shares in net assets at the book value in trust (excluding incidental expenses). The book value and number of shares of the relevant treasury shares are 636,377 thousand yen and 2,314,100 shares as of March 31, 2018, and 81,427 thousand yen and 296,100 shares as of March 31, 2019.

(3) Book value of loans payable recorded using the gross method

As of March 31, 2018:	640,400 thousand yen
As of March 31, 2019:	351,652 thousand yen

Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” and relevant Guidances

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year under review (April 1, 2018 – March 31, 2019). Accordingly, deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.”

Segment information, etc.

As the Group consists of a single operating segment, nursery service, this information is omitted.

Per-share information

	Previous fiscal year (April 1, 2017 – March 31, 2018)	Current fiscal year (April 1, 2018 – March 31, 2019)
Net assets per share	90.63 yen	102.23 yen
Earnings per share	10.70 yen	12.44 yen

- Notes:
1. Diluted earnings per share is not presented because there are no potential shares.
 2. The Company's shares remaining in trust and recorded as treasury shares under shareholders' equity are included in the treasury shares that are deducted in calculating the average number of shares outstanding during the period for measuring earnings per share, and are included in the number of treasury shares that are deducted from the total number of issued shares at the end of the period in calculating net assets per share.

The average number of treasury shares during the period that are deducted in calculating the earnings per share for the previous fiscal year was 2,730,169, and for the fiscal year under review was 1,749,823. The number of treasury shares at the end of the period that are deducted in calculating net assets per share for the previous fiscal year was 2,314,100, and for the fiscal year under review was 296,100.

3. The basis for calculating earnings per share is as follows:

	Previous fiscal year (April 1, 2017 – March 31, 2018)	Current fiscal year (April 1, 2018 – March 31, 2019)
Profit attributable to owners of parent (thousand yen)	910,507	1,071,270
Profit not attributable to common shareholders (thousand yen)	–	–
Profit attributable to owners of parent pertaining to common shares (thousand yen)	910,507	1,071,270
Average number of common shares (shares)	85,117,525	86,097,870

Significant subsequent events

No items to report.