

Summary of Business Results for the First Quarter Ended June 30, 2019 [Japan GAAP] (Consolidated)

August 8, 2019

Company **JP-HOLDINGS, INC.** Listed on the TSE 1
 Stock Code 2749 URL: <https://www.jp-holdings.co.jp>
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 Expected date of filing of annual securities report: August 13, 2019 Expected starting date of dividend payment: —
 Preparation of supplementary financial document: None
 Results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the three months ended June 2019

(April 1, 2019 through June 30, 2019)

(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. 2019 | 7,741 | 9.0 | 52 | - | 187 | - | 139 | - |
| Three months ended Jun. 2018 | 7,099 | 11.0 | -138 | - | -8 | - | -16 | - |

(Note) Comprehensive income

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

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

| | Net income per share | Diluted net income per share |
|------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Three months ended Jun. 2019 | 1.59 | - |
| Three months ended Jun. 2018 | -0.19 | - |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio |
|---------------------|--------------|-------------|----------------------------|
| | Million yen | Million yen | % |
| As of Jun. 30, 2019 | 26,931 | 8,867 | 32.9 |
| As of Mar. 31, 2019 | 28,255 | 8,950 | 31.7 |

(Reference) Shareholders' equity

As of June 30, 2019: 8,867 million yen

As of March 31, 2019: 8,950 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. 2019 | - | 0.00 | - | 3.70 | 3.70 |
| Year ending Mar. 2020 | - | | | | |
| Year ending Mar. 2020 (forecast) | | 0.00 | - | 3.90 | 3.90 |

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

3. Forecast of consolidated business results for the fiscal year ending March 2020

(April 1, 2019 through March 31, 2020)

(% 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. 2020 | 32,000 | 9.2 | 1,811 | 18.3 | 2,300 | 19.8 | 1,212 | 13.2 | 14.08 |

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

***Notes**

(1) Changes in significant subsidiaries during the period: None

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements:
None

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

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

(4) Shares outstanding (common stock)

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

| | |
|----------------------|-------------------|
| As of June 30, 2019 | 87,849,400 shares |
| As of March 31, 2019 | 87,849,400 shares |

② Treasury stock at the end of period

| | |
|----------------------|----------------|
| As of June 30, 2019 | 1,707 shares |
| As of March 31, 2019 | 297,807 shares |

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

| | |
|------------------------------|-------------------|
| Three months ended June 2019 | 87,773,668 shares |
| Three months ended June 2018 | 85,625,969 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).

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the first quarter of the current fiscal year, the Japanese economy was on a moderate recovery trend due to improvements in corporate earnings and the employment environment. However, the outlook for the economy remained uncertain due to heightened uncertainty about global economic trends and financial and fiscal policies, including concerns over the prolonged trade conflicts between the United States and China.

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 continues to be serious. From 2018, the government has formulated various measures to improve child care facilities and secure nursery teachers in order to provide daycare for 320,000 children by the end of March 2021. With the implementation of free child education and childcare from October 2019, it is anticipated that people looking for entry into childcare facilities will increase, and the Company believes that the social role played by child-raising service will become more important than ever.

Under these circumstances, the Group is continuing to expand its share of the market in collaboration with local governments throughout Japan, while working to improve reliability and further improve the quality of childcare services.

In addition, under the "hands-on policy", the Company is collecting issues at each facility and workplace and working on improvements and reforms to create a comfortable working environment. This has led to an increase in the number of childcare workers hired and an increase in the retention rate. In addition, as a measure for efficient and effective organizational management, the Company has introduced a Block System that divide Japan into the 5 operating areas, and have worked to develop new businesses for further business expansion.

Along with the promotion of various measures, the Group has opened a total of 12 facilities in the first quarter of the current fiscal year, including 10 nursery schools and 2 school clubs as described below, in order to respond to the growing needs of nursery facilities.

(Nursery school)

| | |
|--|----------------|
| Koto-ku Ojima No. 5 Nursery School | (Apr. 1, 2019) |
| Shinjuku-ku Nursey Room Edogawa Nursery School | (Apr. 1, 2019) |
| Asc Ogi Nursery School | (Apr. 1, 2019) |
| Asc Yukigaya Nursery School | (Apr. 1, 2019) |
| Asc Kita-Shinjuku 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 club)

| | |
|--|----------------|
| Wakuwaku Akanishi Hiroba/Akabanedai-nishi Elementary School Club No. 2 | (Apr. 1, 2019) |
| Wakuwaku Fukuro Hiroba/Akakita Hibari Club No. 2 | (Apr. 1, 2019) |

As a result, the Group came to have 209 nursery schools, 72 school clubs, 11 children's houses, 4 private school clubs, and 1 kindergarten (overseas facility), making a total of 297 facilities for supporting child-raising at the end of the first quarter of the current fiscal year.

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.

For the first quarter of the current fiscal year, the Group's consolidated net sales were 7,741 million yen (up 9.0% year on year), operating income was 52 million yen (loss of 138 million yen in the same period of the previous fiscal year), ordinary income was 187 million yen (loss of 8 million yen in the same period of the previous fiscal year), and net income attributable to owners of parent was 139 million yen (loss of 16 million yen in the same period of the previous fiscal year).

The major factors 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 income increased year on year mainly due to an increase in sales resulting from an increase in the number of children accepted at existing facilities, as well as a reduction in SG&A expenses resulting from a review of various expenses.

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

(2) Financial Position

As for the financial position at the end of the first quarter of the current fiscal year, the total assets amounted to 26,931 million yen (down 1,323 million yen from the end of the previous fiscal year).

Current assets totaled 10,477 million yen (up 18 million yen), mainly reflecting increases of 276 million yen in cash and deposits and 101 million yen in others, while there were decreases of 246 million yen in accounts receivable and 103 million yen in inventories.

Fixed assets totaled 16,454 million yen (down 1,342 million yen). This was mainly due to an increase of 117 million yen in buildings and structures, while there were decreases of 1,433 million yen in construction in progress and 80 million yen in long-term loans receivable.

Total liabilities amounted to 18,064 (down 1,240 million yen).

Current liabilities totaled 7,020 million yen (down 859 million yen), mainly due to increases of 562 million yen in accounts payable and 494 million yen in others, while there were decreases of 800 million yen in short-term loans payable, 410 million yen in current portion of long-term loans payable, 389 million yen in income taxes payable, and 40 million yen in consumption tax payable.

Fixed liabilities totaled 11,043 million yen (down 381 million yen). This was mainly due to a decrease of 408 million yen in long-term loans payable.

Total net assets as of the end of the first quarter of the current fiscal year totaled 8,867 million yen (down 83 million yen), mainly due to decreases of 185 million yen in retained earnings and 81 million yen in treasury stock.

(3) Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts have not been revised from the announcement on May 9, 2019, but actual results may be different from the forecast according to the changes in business situations, etc.

If there are any changes, the Company will disclose them properly.

2. [Quarterly Consolidated Financial Statements]

(1) [Quarterly Consolidated Balance Sheets]

(Thousand yen)

| | Previous Fiscal Year (March 31, 2019) | Current First Quarter (June 30, 2019) |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,816,439 | 7,092,859 |
| Notes and accounts receivable | 71,657 | 62,326 |
| Inventories | 128,900 | 25,279 |
| Accounts receivable-other | 2,491,947 | 2,245,748 |
| Other | 949,963 | 1,051,479 |
| Allowance for doubtful accounts | -449 | -444 |
| Total current assets | 10,458,459 | 10,477,250 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures | 11,873,447 | 12,077,007 |
| Accumulated depreciation and impairment loss | -4,635,599 | -4,721,683 |
| Buildings and structures, net | 7,237,848 | 7,355,324 |
| Machinery, equipment and vehicles | 5,637 | 5,637 |
| Accumulated depreciation | -3,209 | -3,444 |
| Machinery, equipment and vehicles, net | 2,427 | 2,193 |
| Tools, furniture, and fixtures | 803,177 | 860,073 |
| Accumulated depreciation and impairment loss | -563,703 | -585,760 |
| Tools, furniture, and fixtures, net | 239,473 | 274,312 |
| Land | 980,894 | 980,894 |
| Construction in progress | 1,437,264 | 4,156 |
| Total tangible fixed assets | 9,897,908 | 8,616,880 |
| Intangible fixed assets | | |
| Goodwill | 227,894 | 220,298 |
| Other | 114,985 | 114,521 |
| Total intangible fixed assets | 342,879 | 334,819 |
| Investments and other assets | | |
| Investment securities | 548,080 | 579,017 |
| Long-term loans receivable | 3,419,910 | 3,339,857 |
| Guarantee deposits | 1,880,239 | 1,874,741 |
| Deferred tax assets | 825,742 | 811,839 |
| Other | 891,902 | 906,777 |
| Allowance for doubtful accounts | -10,027 | -9,788 |
| Investments and other assets | 7,555,848 | 7,502,446 |
| Total investment and other assets | 17,796,637 | 16,454,146 |
| Total fixed assets | 28,255,096 | 26,931,396 |

(Thousand yen)

| | Previous Fiscal Year (March 31, 2019) | Current First Quarter (June 30, 2019) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 197,742 | 164,040 |
| Short-term loans payable | 1,500,000 | 700,000 |
| Current portion of long-term loans payable | 2,166,092 | 1,755,680 |
| Accounts payable-other | 1,570,333 | 2,132,977 |
| Income taxes payable | 435,953 | 46,426 |
| Accrued consumption taxes | 81,136 | 40,672 |
| Provision for bonuses | 411,135 | 182,804 |
| Asset retirement obligations | 13,500 | - |
| Other | 1,504,249 | 1,998,380 |
| Total current liabilities | 7,880,143 | 7,020,981 |
| Fixed liabilities | | |
| Long-term loans payable | 10,454,371 | 10,046,178 |
| Net defined benefit liability | 642,495 | 665,230 |
| Asset retirement obligations | 317,269 | 318,093 |
| Other | 10,324 | 13,704 |
| Total fixed liabilities | 11,424,460 | 11,043,206 |
| Total liabilities | 19,304,604 | 18,064,188 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,603,955 | 1,603,955 |
| Capital surplus | 1,449,544 | 1,448,207 |
| Retained earnings | 6,184,830 | 5,999,234 |
| Treasury stock | -81,685 | -258 |
| Total shareholders' equity | 9,156,643 | 9,051,138 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | -133,411 | -118,930 |
| Deferred gains or losses on hedges | -7,165 | -9,510 |
| Foreign currency translation adjustments | 238 | 3,248 |
| Remeasurements of defined benefit plans | -65,813 | -58,738 |
| Total accumulated other comprehensive income | -206,151 | -183,930 |
| Total net assets | 8,950,492 | 8,867,208 |
| Total liabilities and net assets | 28,255,096 | 26,931,396 |

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

[Quarterly Consolidated Statement of Income]

[First Quarter of FY3/20]

(Thousand yen)

| | Previous First Quarter (April 1, 2018– June 30, 2018) | Current First Quarter (April 1, 2019– June 30, 2019) |
|--|---|--|
| Net sales | 7,099,448 | 7,741,378 |
| Cost of sales | 6,484,665 | 7,002,043 |
| Gross profit | 614,783 | 739,334 |
| Selling, general and administrative expenses | 753,048 | 686,887 |
| Operating income (loss) | -138,264 | 52,447 |
| Non-operating revenues | | |
| Interest income | 27,620 | 25,796 |
| Subsidy income | 113,344 | 120,534 |
| Guarantee commission received | 16,402 | 5,467 |
| Other | 3,708 | 3,813 |
| Total non-operating revenues | 161,074 | 155,612 |
| Non-operating expenses | | |
| Interest expenses | 12,978 | 14,779 |
| Demobilization costs | 17,915 | 954 |
| Other | 764 | 4,745 |
| Total non-operating expenses | 31,658 | 20,479 |
| Ordinary income (loss) | -8,847 | 187,580 |
| Extraordinary loss | | |
| Loss on sales of non-current assets | 77 | - |
| Loss on retirement of non-current assets | - | 1,138 |
| Total extraordinary loss | 77 | 1,138 |
| Income (loss) before income taxes and others | -8,924 | 186,441 |
| Corporate, inhabitant and enterprise taxes | 48,762 | 41,983 |
| Income taxes-deferred | -41,281 | 5,018 |
| Total income taxes | 7,481 | 47,001 |
| Net income (loss) | -16,406 | 139,440 |
| Net loss attributable to non-controlling interests | -54 | - |
| Net income (loss) attributable to owners of parent | -16,351 | 139,440 |

[Quarterly Consolidated Statement of Comprehensive Income]

[First Quarter of FY3/20]

(Thousand yen)

| | Previous First Quarter (April 1, 2018– June 30, 2018) | Current First Quarter (April 1, 2019– June 30, 2019) |
|---|---|--|
| Net income (loss) | -16,406 | 139,440 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -69,110 | 14,481 |
| Deferred gains or losses on hedges | 99 | -2,345 |
| Foreign currency translation adjustments | -9,591 | 3,010 |
| Remeasurements of defined benefit plans | 4,890 | 7,074 |
| Total other comprehensive income | -73,712 | 22,221 |
| Comprehensive income | -90,118 | 161,661 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | -90,063 | 161,661 |
| Comprehensive income attributable to non- controlling interests | -54 | - |

Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

First quarter of FY3/20 (April 1, 2019 – June 30, 2019)

None

(Notes on significant changes in shareholders' equity)

First quarter of FY3/20 (April 1, 2019 – June 30, 2019)

None