

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

November 7, 2019

Company **JP-HOLDINGS, INC.** Listed on the TSE 1
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 Expected date of filing of quarterly securities report: November 14, 2019 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: Yes (for media members, institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the six months ended September 2019 (April 1, 2019 through September 30, 2019)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sept. 2019	15,517	8.7	496	194.9	744	86.4	516	118.9
Six months ended Sept. 2018	14,278	12.0	168	-62.6	399	-32.7	235	-32.1

(Note) Comprehensive income

Six months ended September 2019: 526 million yen (206.9%)

Six months ended September 2018: 171 million yen (-46.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sept. 2019	5.88	-
Six months ended Sept. 2018	2.75	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sept. 30, 2019	25,822	9,233	35.8
As of Mar. 31, 2019	28,255	8,950	31.7

(Reference) Shareholders' equity:

As of September 30, 2019: 9,233 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
Year ended Mar. 31, 2019	Yen -	Yen 0.00	Yen -	Yen 3.70	Yen 3.70
Year ending Mar. 31, 2020	-	0.00	-	3.90	3.90
Year ending Mar. 31, 2020 (forecast)	-	-	-	3.90	3.90

(Notes) 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. 31, 2020	32,000	9.2	1,811	18.3	2,300	19.8	1,212	13.2	14.08

(Notes) 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 September 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 September 30, 2019 1,707 shares

As of March 31, 2019 297,807 shares

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

Six months ended September 2019 87,805,393 shares

Six months ended September 2018 85,749,294 shares

(Note) The number of treasury stock deducted for the calculation of the number of treasury stock at the end of period and the average number of stock during period includes the company's shares held by Trust & Custody Services Bank, Ltd. as trust property of "Stock Benefit Trust (Employee Stock Ownership Plan)".

***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 November 8, 2019 (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.

Table of Contents of the Appendix

1. Qualitative Information on Quarterly Financial Results	2
(1) Results of Operations	2
(2) Financial Position	3
(3) Consolidated Earnings Forecasts	3
2. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income	6
(3) Notes on Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes if there is a significant change in the amount of shareholders' equity).....	8

1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the second quarter of the current fiscal year, the Japanese economy continued to recover moderately due to the effects of various policies amid steady improvement in trends in both employment and personal income. However, the outlook for the Japanese economy remained uncertain due to the impact of trade frictions between the United States and China on the global economy and concerns over the consumption slowdown due to the consumption tax hike.

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 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 second quarter of the current fiscal year, including 10 nursery schools (9 in Tokyo, 1 in Shiga) and 2 school clubs (2 in Tokyo) as described below, in order to respond to the growing needs of nursery facilities.

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 second quarter of the current fiscal year.

With the establishment of the 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 new openings, 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 second quarter of the current fiscal year, the Group's consolidated net sales were 15,517 million yen (up 8.7% year on year), operating income was 496 million yen (up 194.9%), ordinary income was 744 million yen (up 86.4%), and net income attributable to owners of parent was 516 million yen (up 118.9%).

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 second quarter of the current fiscal year, the total assets amounted to 25,822 million yen (down 2,433 million yen from the end of the previous fiscal year).

Current assets totaled 9,511 million yen (down 946 million yen), mainly reflecting decreases of 601 million yen in cash and deposits, 146 million yen in others, 104 million yen in inventories, and 81 million yen in accounts receivable.

Fixed assets totaled 16,310 million yen (down 1,486 million yen). This was mainly due to an increase of 34 million yen in deferred tax assets, while there were decreases of 1,389 million yen in construction in progress, 108 million yen in long-term loans receivable, and 35 million yen in investments and other assets.

Total liabilities amounted to 16,588 (down 2,715 million yen).

Current liabilities totaled 5,273 million yen (down 2,606 million yen), mainly due to an increase of 105 million yen in provision for bonuses, while there were decreases of 1,500 million yen in short-term loans payable, 513 million yen in current portion of long-term loans payable, and 227 million yen in income taxes payable.

Fixed liabilities totaled 11,315 million yen (down 108 million yen). This was mainly due to an increase of 47 million yen in net defined benefit liability, while there was a decrease of 161 million yen in long-term loans payable.

Total net assets as of the end of the second quarter of the current fiscal year totaled 9,233 million yen (up 282 million yen), mainly due to an increase of 190 million yen in retained earnings, while there was a decrease of 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 second quarter (September 30, 2019)
Assets		
Current assets		
Cash and deposits	6,816,439	6,214,834
Notes and accounts receivable	71,657	58,462
Inventories	128,900	24,437
Accounts receivable-other	2,491,947	2,410,521
Other	949,963	803,743
Allowance for doubtful accounts	-449	-488
Total current assets	10,458,459	9,511,512
Fixed assets		
Tangible fixed assets		
Buildings and structures	11,873,447	12,115,732
Accumulated depreciation and impairment loss	-4,635,599	-4,876,384
Buildings and structures, net	7,237,848	7,239,348
Machinery, equipment and vehicles	5,637	5,637
Accumulated depreciation	-3,209	-3,678
Machinery, equipment and vehicles, net	2,427	1,959
Tools, furniture, and fixtures	803,177	877,562
Accumulated depreciation and impairment loss	-563,703	-610,296
Tools, furniture, and fixtures, net	239,473	267,266
Land	980,894	980,894
Construction in progress	1,437,264	48,200
Total tangible fixed assets	9,897,908	8,537,668
Intangible fixed assets		
Goodwill	227,894	212,701
Other	114,985	113,654
Total intangible fixed assets	342,879	326,356
Investments and other assets		
Investment securities	548,080	562,082
Long-term loans receivable	3,419,910	3,311,152
Guarantee deposits	1,880,239	1,866,083
Deferred tax assets	825,742	860,245
Other	891,902	856,663
Allowance for doubtful accounts	-10,027	-9,730
Investments and other assets	7,555,848	7,446,497
Total fixed assets	17,796,637	16,310,522
Total assets	28,255,096	25,822,034

(Thousand yen)

	Previous Fiscal Year (March 31, 2019)	Current second quarter (September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	197,742	153,646
Short-term loan payable	1,500,000	-
Current portion of long-term loans payable	2,166,092	1,652,772
Accounts payable-other	1,570,333	1,186,203
Income taxes payable	435,953	208,565
Accrued consumption taxes	81,136	66,260
Provision for bonuses	411,135	516,758
Asset retirement obligations	13,500	3,894
Other	1,504,249	1,485,317
Total current liabilities	7,880,143	5,273,418
Fixed liabilities		
Long-term loan payable	10,454,371	10,292,985
Net defined benefit liability	642,495	689,540
Asset retirement obligations	317,269	318,918
Other	10,324	14,136
Total fixed liabilities	11,424,460	11,315,580
Total liabilities	19,304,604	16,588,998
Total assets		
Shareholders' equity		
Capital stock	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	6,184,830	6,375,800
Treasury stock	-81,685	-258
Total shareholders' equity	9,156,643	9,429,041
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-133,411	-137,664
Deferred gains or losses on hedges	-7,165	-9,810
Foreign currency translation adjustment	238	3,132
Remeasurements of defined benefit plans	-65,813	-51,663
Total other accumulated comprehensive income	-206,151	-196,005
Total net assets	8,950,492	9,233,035
Total liabilities and net assets	28,255,096	25,822,034

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

[Quarterly Consolidated Statement of Income]

[Second Quarter of FY3/20]

(Thousand yen)

	Previous Second Quarter (Apr. 1, 2018) - September 30, 2018)	Current Second Quarter (Apr. 1, 2019) - September 30, 2019)
Net sales	14,278,070	15,517,301
Cost of sales	12,720,275	13,668,091
Gross profit	1,557,794	1,849,209
Selling, general and administrative expenses	1,389,535	1,353,036
Operating income	168,259	496,173
Non-operating income		
Interest income	53,767	50,492
Subsidy income	198,978	224,254
Guarantee commission received	32,804	5,467
Other	10,995	11,469
Total non-operating income	296,545	291,683
Non-operating expenses		
Interest expenses	26,509	29,269
Demobilization costs	34,758	1,289
Other	4,254	12,938
Total non-operating expenses	65,522	43,497
Ordinary income	399,283	744,359
Extraordinary loss		
Loss on sales of non-current assets	77	-
Loss on retirement of non-current assets	270	1,215
Impairment loss (on facilities)	-	3,894
Total extraordinary loss	347	5,109
Income before income taxes and others	398,935	739,250
Corporate, inhabitant and enterprise taxes	211,116	262,123
Income taxes-deferred	-47,892	-38,879
Total income tax	163,224	223,243
Net income	235,711	516,006
Net loss attributable to non-controlling interests	-64	-
Net income attributable to owners of parent	235,775	516,006

[Quarterly Consolidated Statement of Comprehensive Income]

[Second Quarter of FY3/20]

(Thousand yen)

	Previous Second Quarter (Apr. 1, 2018 - September 30, 2018)	Current Second Quarter (Apr. 1, 2019 - September 30, 2019)
Net income	235,711	516,006
Other comprehensive income		
Valuation difference on available-for-sale securities	-74,116	-4,252
Deferred gains or losses on hedges	4,232	-2,645
Foreign currency translation adjustment	-4,148	2,893
Remeasurements of defined benefit plans	9,780	14,149
Total other comprehensive income	-64,250	10,145
Comprehensive income	171,460	526,151
Breakdown		
Comprehensive income attributable to owners of parent	171,524	526,151
Comprehensive income attributable to owners of non-controlling	-64	-

Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

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

None

(Notes on significant changes in shareholders' equity)

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

None