

Summary of Business Results for the Third Quarter Ended December 31, 2019 [Japan GAAP] (Consolidated)

February 7, 2020

Company JP-HOLDINGS, INC.
Stock Code 2749
Representative Koichiro Furukawa, President and Representative Director
Contact Hikaru Kimura, Executive Officer
Expected date of filing of annual securities report: February 13, 2020
Preparation of supplementary financial document: None
Results briefing: None

Listed on the TSE 1
URL: <https://www.jp-holdings.co.jp>

T E L: +81-52-933-5419
Expected starting date of dividend payment: -

(Rounded down to million yen)

1. Consolidated business results for the nine months ended December 2019

(April 1, 2019 through December 31, 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	%
Nine months ended Dec. 2019	23,444	8.6	965	44.5	1,338	38.4	849	46.3
Nine months ended Dec. 2018	21,589	9.2	668	4.9	967	13.1	580	19.9

(Note) Comprehensive income

Nine months ended December 2019: 903 million yen (82.6%)

Nine months ended December 2018: 494 million yen (0.9%)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Nine months ended Dec. 2019	9.69	-	-	-
Nine months ended Dec. 2018	6.76	-	-	-

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of Dec. 31, 2019	26,176	9,503	9,503	8,950	36.3	31.7
As of Mar. 31, 2019	28,255	8,950	8,950			

(Reference) Shareholders' equity

As of December 31, 2019: 9,503 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	-	0.00	-		
Year ending Mar. 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. 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 December 31, 2019	87,849,400 shares
As of March 31, 2019	87,849,400 shares

- ② Treasury stock at the end of period

As of December 31, 2019	380,707 shares
As of March 31, 2019	297,807 shares

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

Nine months ended December 2019	87,704,383 shares
Nine months ended December 2018	85,862,853 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.**

***Appropriate use of financial forecasts and other important matters**

- 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).

○ Table of Contents of the Appendix

1. Qualitative Information on Results for the Current Quarter	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 assumptions)	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 third quarter of the current fiscal year, the Japanese economy continued to show a gradual recovery as the environment of both employment and personal income is improving. However, the outlook remains unclear due to uncertainties in the world economy caused by the deceleration of the Chinese economy and the worsening situation in the Middle East countries, as well as concerns about a drop in consumption due to the consumption tax hike.

As for the environment surrounding the child-raising service, the employment rate of women has been rising due to women's advancement and active participation in society and various measures by the government to promote their participation in the workplace, so demand for the child-raising service continues to be high. In order to meet rising demand for child-raising service, the government has formulated various measures to improve child care facilities and secure nursery teachers with the aim of providing 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. On the other hand, in order to meet these demands, securing nursery teachers, who are responsible for child-raising support, continues to be challenging, especially in metropolitan area.

Under these circumstances, the Group is continuing to expand its share of the market in collaboration with local governments throughout Japan, while working to secure nursery teachers, which is our urgent priority, and 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 nursery teachers 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 to take careful measures, and have worked to develop new businesses for sustainable growth.

Along with the promotion of various measures, the Group has opened a total of 12 facilities in the third quarter of the current fiscal year, including 10 nursery schools (9 in Tokyo, 1 in Shiga) and 2 school clubs (2 in Tokyo), 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 third 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 facility, 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 third quarter of the current fiscal year, the Group's consolidated net sales were 23,444 million yen (up 8.6% year on year), operating income was 965 million yen (up 44.5%), ordinary income was 1,338 million yen (up 38.4%), and net income attributable to owners of parent was 849 million yen (up 46.3%).

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 third quarter of the current fiscal year, the total assets amounted to 26,176 million yen (down 2,078 million yen from the end of the previous fiscal year).

Current assets totaled 10,059 million yen (down 398 million yen), mainly reflecting increases of 102 million yen in others, while there were decreases of 234 million yen in cash and deposits, 164 million yen in accounts receivable and 104 million yen in inventories.

Fixed assets totaled 16,116 million yen (down 1,679 million yen). This was mainly due to an increase of 49 million yen in investment securities, while there were decreases of 1,231 million yen in construction in progress, 138 million yen in deferred tax assets, 137 million yen in long-term loans receivable, and 127 million yen in buildings and structures.

Total liabilities amounted to 16,672 (down 2,631 million yen).

Current liabilities totaled 5,688 million yen (down 2,191 million yen), mainly due to an increase of 463 million yen in others, while there were decreases of 1,500 million yen in short-term loans payable, 498 million yen in current portion of long-term loans payable, 306 million yen in income taxes payable, and 263 million yen in provision for bonuses.

Fixed liabilities totaled 10,984 million yen (down 440 million yen). This was mainly due to an increase of 80 million yen in obligations for retirement plan, while there was a decrease of 519 million yen in long-term loans payable.

Total net assets as of the end of the third quarter of the current fiscal year totaled 9,503 million yen (up 553 million yen), mainly due to increases of 524 million yen in retained earnings, 27 million yen in valuation difference on securities, and 25 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 Third Quarter (December 31, 2019)
Assets		
Current assets		
Cash and deposits	6,816,439	6,581,891
Notes and accounts receivable	71,657	74,552
Inventories	128,900	23,949
Accounts receivable-other	2,491,947	2,327,706
Other	949,963	1,051,979
Allowance for doubtful accounts	-449	-532
Total current assets	10,458,459	10,059,547
Fixed assets		
Tangible fixed assets		
Buildings and structures	11,873,447	12,137,490
Accumulated depreciation and impairment loss	-4,635,599	-5,027,289
Buildings and structures, net	7,237,848	7,110,200
Machinery, equipment and vehicles	5,637	5,637
Accumulated depreciation	-3,209	-3,912
Machinery, equipment and vehicles, net	2,427	1,725
Tools, furniture, and fixtures	803,177	889,017
Accumulated depreciation and impairment loss	-563,703	-636,395
Tools, furniture, and fixtures, net	239,473	252,622
Land	980,894	980,894
Construction in progress	1,437,264	206,033
Total tangible fixed assets	9,897,908	8,551,475
Intangible fixed assets		
Goodwill	227,894	205,105
Other	114,985	114,808
Total intangible assets	342,879	319,913
Investments and other assets		
Investment securities	548,080	597,451
Long-term loans receivable	3,419,910	3,282,293
Guarantee deposits	1,880,239	1,874,731
Deferred tax assets	825,742	687,205
Other	891,902	813,277
Allowance for doubtful accounts	-10,027	-9,688
Investments and other assets	7,555,848	7,245,271
Total fixed assets	17,796,637	16,116,660
Total assets	28,255,096	26,176,208

(Thousand yen)

	Previous Fiscal Year (March 31, 2019)	Current Third Quarter (December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	197,742	148,548
Short-term borrowings	1,500,000	-
Current portion of long-term loans payable	2,166,092	1,667,792
Accounts payable-other	1,570,333	1,530,729
Income taxes payable	435,953	129,129
Accrued consumption taxes	81,136	93,689
Provision for bonuses	411,135	147,256
Asset retirement obligations	13,500	3,894
Other	1,504,249	1,967,353
Total current liabilities	7,880,143	5,688,392
Fixed liabilities		
Long-term debt	10,454,371	9,935,180
Obligations for retirement plan	642,495	722,568
Asset retirement obligations	317,269	319,742
Other	10,324	6,798
Total long-term liabilities	11,424,460	10,984,289
Total liabilities	19,304,604	16,672,682
Net assets		
Shareholders' equity		
Capital stock	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	6,184,830	6,709,324
Treasury stock	-81,685	-107,515
Total shareholders' equity	9,156,643	9,655,308
Accumulated other comprehensive income		
Valuation difference on securities	-133,411	-105,924
Deferred gains or losses on hedges	-7,165	-4,718
Foreign currency translation adjustment	238	3,448
Remeasurements of defined benefit plans	-65,813	-44,588
Total other accumulated comprehensive income	-206,151	-151,783
Total net assets	8,950,492	9,503,525
Total liabilities and net assets	28,255,096	26,176,208

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

[Quarterly Consolidated Statement of Income]

[Third Quarter of FY3/19]

(Thousand yen)

	Previous Third Quarter (Apr. 1, 2018 - December 31, 2018)	Current Third Quarter (Apr. 1, 2019 - December 31, 2019)
Net sales	21,589,993	23,444,221
Cost of sales	18,867,368	20,371,575
Gross profit	2,722,624	3,072,646
Selling, general and administrative expenses	2,054,579	2,107,612
Operating income	668,044	965,033
Non-operating income		
Interest income	80,140	76,167
Subsidy income	273,781	338,722
Guarantee commission received	49,206	5,467
Other	31,057	10,123
Total non-operating income	434,186	430,480
Non-operating expenses		
Interest expenses	40,017	42,750
Demobilization costs	34,886	1,289
Commission paid	54,252	3,165
Other	5,340	9,328
Total non-operating expenses	134,496	56,533
Ordinary income	967,734	1,338,980
Extraordinary loss		
Loss on sales of noncurrent assets	77	-
Loss on retirement of noncurrent assets	1,764	1,215
Loss on sales of investment securities	-	2,642
Impairment loss (on facilities)	-	3,894
Total extraordinary loss	1,841	7,751
Income before income taxes and others	965,892	1,331,228
Corporate, inhabitant and enterprise taxes	247,865	367,312
Income taxes-deferred	137,247	114,384
Total income tax	385,112	481,697
Net income	580,779	849,530
Net loss attributable to non-controlling interests	-64	-
Net income attributable to owners of parent	580,843	849,530

[Quarterly Consolidated Statement of Comprehensive Income]

[Third Quarter of FY3/19]

(Thousand yen)

	Previous Third Quarter (Apr. 1, 2018 - December 31, 2018)	Current Third Quarter (Apr. 1, 2019 - December 31, 2019)
Net income	580,779	849,530
Other comprehensive income		
Valuation difference on available-for-sale securities	-91,791	27,486
Deferred gains or losses on hedges	-3,911	2,446
Foreign currency translation adjustment	-4,865	3,209
Remeasurements of defined benefit plans	14,671	21,224
Total other comprehensive income	-85,898	54,367
Comprehensive income	494,881	903,898
(Breakdown)		
Comprehensive income attributable to owners of parent	494,945	903,898
Comprehensive income attributable to non- controlling interests	-64	-

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Current third quarter (April 1, 2019 - December 31, 2019)

None

(Notes on significant changes in shareholders' equity)

Current third quarter (April 1, 2019 - December 31, 2019)

None