

# Summary of Business Results for the Second Quarter Ended September 30, 2020 [Japan GAAP] (Consolidated)

November 12, 2020

Company **JP-HOLDINGS, INC.**  
 Stock Code 2749  
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 Expected date of filing of quarterly securities report: November 12, 2020  
 Preparation of quarterly supplementary financial document: Yes  
 Quarterly results briefing: Yes (for media members, institutional investors, analysts)

Listed on the TSE 1  
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 Expected starting date of dividend payment: -

(Rounded down to million yen)

## 1. Consolidated business results for the six months ended September 2020 (April 1, 2020 through September 30, 2020)

### (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                                 | %     |
| Six months ended Sept. 2020 | 15,955      | 2.8 | 632              | 27.5  | 955             | 28.4 | 551   | 6.8   |
| Six months ended Sept. 2019 | 15,517      | 8.7 | 496              | 194.9 | 744             | 86.4 | 516   | 118.9 |

(Note) Comprehensive income

Six months ended September 2020: 627 million yen (19.2%)

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

|                             | Net income per share |  | Diluted net income per share |  |
|-----------------------------|----------------------|--|------------------------------|--|
|                             | Yen                  |  | Yen                          |  |
| Six months ended Sept. 2020 | 6.30                 |  | -                            |  |
| Six months ended Sept. 2019 | 5.88                 |  | -                            |  |

### (2) Consolidated financial position

|                      | Total assets | Net assets  | Shareholders' equity ratio |
|----------------------|--------------|-------------|----------------------------|
|                      | Million yen  | Million yen | %                          |
| As of Sept. 30, 2020 | 27,382       | 9,922       | 36.2                       |
| As of Mar. 31, 2020  | 26,122       | 9,636       | 36.9                       |

(Reference) Shareholders' equity:

As of September 30, 2020: 9,922 million yen

As of March 31, 2020: 9,636 million yen

## 2. Dividends

|                                      | Annual dividend |             |           |             |             |
|--------------------------------------|-----------------|-------------|-----------|-------------|-------------|
|                                      | End of 1Q       | End of 2Q   | End of 3Q | Year-end    | Total       |
| Year ended Mar. 31, 2020             | Yen<br>-        | Yen<br>0.00 | Yen<br>-  | Yen<br>3.90 | Yen<br>3.90 |
| Year ending Mar. 31, 2021            | -               | 0.00        | -         | 3.90        | 3.90        |
| Year ending Mar. 31, 2021 (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 2021

(April 1, 2020 through March 31, 2021)

(% 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, 2021 | 33,005      | 4.1 | 1,577            | 2.5 | 2,153           | 7.5 | 1,163                                       | 3.6 | 13.30                |

(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, 2020 | 87,849,400 shares |
| As of March 31, 2020     | 87,849,400 shares |

② Treasury stock at the end of period

|                          |                |
|--------------------------|----------------|
| As of September 30, 2020 | 380,707 shares |
| As of March 31, 2020     | 380,707 shares |

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

|                                 |                   |
|---------------------------------|-------------------|
| Six months ended September 2020 | 87,468,693 shares |
| Six months ended September 2019 | 87,805,393 shares |

(Note) The number of treasury stock deducted for the calculation of the average number of stock during the fiscal year ended March 2020 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 an online meeting as the financial results briefing for media members, institutional investors and analysts on Monday, November 16, 2020. The briefing for individual investors on financial results has been cancelled in order to prevent the spread of the COVID-19 infections.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Results of Operations

In the second quarter of the current fiscal year, the outlook for the Japanese economy remains uncertain, although domestic economic activity has gradually resumed since the end of May, following the lifting of the State of Emergency declaration issued by the government on April 7, 2020 to prevent the spread of a new coronavirus (COVID-19) infection. In the global economy, the outlook also remains uncertain as the recovery of social and economic activities has been slow, despite the fact that lockdown of major cities to prevent the infection has been gradually lifted.

In regard to the child-raising service business, the number of dual-income households is increasing as more women are entering the workforce due to changes in women's awareness of social participation and the promotion of women's active participation in the workforce by the government. Demand for childcare continues to be high due to free child education and childcare introduced from October last year. However, as a result of the measures taken, including requests to refrain from going out and to regulate sales activities until the end of May, when the State of Emergency was lifted, some facilities (nursery schools, school clubs, and children's houses) in the areas where we operate child-raising facilities were temporarily closed at the request of the local governments. Afterwards, the Company has been operating facilities under severe conditions while ensuring safety.

Under these severe situations, the Company established a COVID-19 Control Headquarters as measures against COVID-19 infections. While coordinating with local governments, the Company gives top priority to ensuring the safety of children as well as the safety of parents, business partners and employees. Each facility establishes its own strict safety standards. These include body temperature measurement every morning, hand washing, gargling and alcohol disinfection, as well as wearing masks. The head office and Tokyo Headquarters have introduced flexible work hours and telework systems to ensure quick response.

In addition, following the resolution at the 28th Ordinary General Meeting of Shareholders held on June 25, 2020, the Company has made a new management system with a majority of outside directors who are experts with deep knowledge and knowledge for education, finance, legal affairs and governance. The Group long considered the strengthening of corporate governance to be an important initiative to ensure transparency, fairness, and prompt and decisive decision-making. To further strengthen the structure, the Company has shifted from a Company with Auditors to a Company with an Audit and Supervisory Committee. By further strengthening the audit and supervisory functions of the Board of Directors and realizing speedy decision-making, the Company aims to further strengthen corporate governance and increase corporate value through sustainable growth.

In the new management system, "selection and concentration" and "organizational revitalization" are set as management reform policies, and as a concrete initiative, profitability is achieved by optimizing enrollment levels and staff assignment at existing facilities. In addition to improving operational efficiency, we have reduced operational and indirect costs by introducing systems and reviewing operations, and have led to a reduction in the turnover rate by improving a comfortable working environment.

As for the new facility openings, the Group has opened a total of 9 facilities during the second quarter of the current fiscal year according to the plan, including 4 nursery schools (4 in Tokyo) and 5 school clubs (5 in Tokyo).

#### (Nursery school)

|                                   |                |
|-----------------------------------|----------------|
| Asc Senju Nursery School          | (Apr. 1, 2020) |
| Asc Toneri Ekimae Nursery School  | (Apr. 1, 2020) |
| Asc Oizumi Gakuen Nursery School  | (Apr. 1, 2020) |
| Asc Nerima 3-chome Nursery School | (Apr. 1, 2020) |

#### (School clubs)

|   |                |
|---|----------------|
| Wakuwaku Yanagida Hiroba/Yanagida Midori Club No. 2               | (Apr. 1, 2020) |
| Wakuwaku Yon-iwa Hiroba/Yon-iwa Elementary School Icho Club No. 2 | (Apr. 1, 2020) |
| Chofu City Jindaiji Children's House School Club                  | (Apr. 1, 2020) |
| Mitaka City Minamiura School Club A                               | (Apr. 1, 2020) |
| Mitaka City Yon-sho School Club B                                 | (Apr. 1, 2020) |

\*1: As of April 1, 2020, with the opening of Wakuwaku Yanagida Hiroba/Yanagida Midori Club No.2, Wakuwaku Yanagida Hiroba was renamed as Wakuwaku Yanagida Hiroba/Yanagida Midori Club No.1. With the opening of Wakuwaku Yon-iwa Hiroba/Yon-iwa Elementary School Icho Club No.2, Wakuwaku Yon-iwa Hiroba was renamed as Wakuwaku Yon-iwa Hiroba/Yon-iwa Elementary School Icho Club No.1. With the opening of Mitaka City Yon-sho School Club B, Mitaka City Minamiura School Club was renamed as Mitaka City Minamiura School Club A.

\*2: Separate from the above, the following changes have been made as of April 1, 2020: Asc Higashiojima Nursery School, which had been running since April 1, 2008 as an existing Tokyo Licensed Nursery School, was changed into a licensed nursery school; Obu City Kyowahigashi Nursery School, which had been running since April 1, 2010, as public nursery school under private management, was changed into a private facility under private management and is now run as Asc Kyowahigashi Nursery School.

\*3: The three private school clubs operated by Amenity Life, Inc. (Elfikids Tsurugamine, Elfikids Futamatagawa, and Elfikids Ryokuentoshi) were closed at the end of March 2020.

As a result, the Group came to have 213 nursery schools, 77 school clubs, 11 children's houses, 1 private school club, and 1 kindergarten (overseas facility), making a total of 303 facilities for supporting child-raising at the end of September 2020.

As a result, the Group's consolidated net sales were 15,955 million yen (up 2.8% year on year), operating income was 632 million yen (up 27.5% year on year), ordinary income was 955 million yen (up 28.4% year on year), and net income attributable to owners of parent was 551 million yen (up 6.8% year on year).

The major factors are as follows:

Net sales increased year on year due to the opening of new facilities, the transition from Tokyo licensed nursery school to licensed nursery school, and an increase in the number of children admitted to existing facilities, despite a decrease in school lunch fees and revenues from merchandise sales associated with the sale of photographs collected directly from parents, due to the temporal closure of some facilities following the State of Emergency to prevent the spread of COVID-19 during the period from its declaration on April 7, 2020 to its lifting at the end of May.

Operating income increased year on year owing to an increase in gross profit and a reduction in selling, general and administrative expenses as a result of efforts to reduce foodstuff costs and other expenses related to school lunches due to the temporal closure of some facilities at the request of local governments, in addition to the above-mentioned factors that contributed to the increase in net sales, despite a decrease in sales associated with the prevention of the spread of COVID-19.

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

Net income attributable to owners of parent increased year on year, although we recorded an extraordinary loss of 115 million yen due to the closure of 5 Tokyo licensed nursery schools (4 at the end of the current fiscal year and 1 at the end of the next fiscal year) and 1 company-led nursery school (1 at the end of the current fiscal year) due to deteriorating earnings caused by changes in the environment, including the situation of children on the waiting list in the region.

## (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 27,382 million yen (up 1,259 million yen from the end of the previous fiscal year).

Current assets totaled 11,859 million yen (up 2,071 million yen), mainly reflecting an increase of 2,302 million yen in cash and deposits, while there were decreases of 147 million yen in others, and 81 million yen in inventories.

Fixed assets totaled 15,522 million yen (down 812 million yen). This was mainly due to an increase of 108 million yen in investment securities, while there were decreases of 490 million yen in construction in progress, 245 million yen in buildings and structures, 68 million yen in investments and other assets, 67 million yen in long-term loans receivable.

Total liabilities amounted to 17,459 million yen (up 973 million yen from the end of the previous fiscal year).

Current liabilities totaled 5,958 million yen (up 37 million yen), mainly due to increases of 247 million yen in the current portion of long-term loans payable, 131 million yen in others, and 64 million yen in provision for bonuses, while there were decreases of 334 million yen in accounts payable-other, 84 million yen in income taxes payable, and 14 million yen in accrued consumption taxes.

Fixed liabilities totaled 11,500 million yen (up 935 million yen), mainly due to increases of 849 million yen in long-term debt and 53 million yen in obligations for retirement plan.

Total net assets at the end of the second quarter were 9,922 million yen (up 286 million yen), mainly due to a 210 million yen increase in retained earnings and a 64 million yen increase in valuation difference on securities.

## (3) Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts have not been revised from the announcement on May 13, 2020, but actual results may be different from the forecasts according to the changes in business situations, etc. If there are any changes, the Company will disclose them properly.

Since the timing of the containment of COVID-19 remains uncertain, there is a possibility that it will have a major impact on consolidated results depending on the spread and containment of the infection and other factors in the future.

## 2. [Quarterly Consolidated Financial Statements]

## (1) [Quarterly consolidated balance sheets]

(Thousand yen)

|   | Previous Fiscal Year<br>(March 31, 2020) | Current Second Quarter<br>(September 30, 2020) |
|---|--|--|
| <b>Assets</b>                             |  |  |
| Current assets                            |  |  |
| Cash and deposits                         | 6,206,487                                | 8,508,548                                      |
| Notes and accounts receivable-trade       | 76,288                                   | 70,033   |
| Inventories                               | 111,259                                  | 29,293   |
| Accounts receivable - other               | 2,410,895                                | 2,416,263                                      |
| Other                                     | 1,009,077                                | 861,348  |
| Allowance for doubtful accounts           | -25,759                                  | -25,835  |
| <b>Total current assets</b>               | <b>9,788,250</b>                         | <b>11,859,652</b>                              |
| Fixed assets                              |  |  |
| Tangible fixed assets                     |  |  |
| Buildings and structures                  | 12,237,506                               | 12,354,762                                     |
| Accumulated depreciation and impairment   | -5,349,352                               | -5,712,127                                     |
| Buildings and structures, net             | 6,888,153                                | 6,642,634                                      |
| Machinery, equipment and vehicles         | 5,637                                    | 203  |
| Accumulated depreciation                  | -4,146                                   | -77  |
| Machinery, equipment and vehicles, net    | 1,490                                    | 126  |
| Tools, furniture and fixtures             | 923,279                                  | 956,578  |
| Accumulated depreciation and impairment   | -671,412                                 | -716,699                                       |
| Tools, furniture and fixtures, net        | 251,866                                  | 239,878  |
| Land                                      | 980,894                                  | 980,894  |
| Construction in progress                  | 497,896                                  | 7,596  |
| <b>Total tangible fixed assets</b>        | <b>8,620,302</b>                         | <b>7,871,130</b>                               |
| Intangible assets                         |  |  |
| Goodwill                                  | 197,508                                  | 182,315  |
| Other                                     | 50,169                                   | 46,824   |
| <b>Total intangible assets</b>            | <b>247,678</b>                           | <b>229,140</b>                                 |
| Investments and other assets              |  |  |
| Investment securities                     | 436,234                                  | 545,231  |
| Long-term loans receivable                | 3,284,007                                | 3,216,021                                      |
| Guarantee deposits                        | 1,906,120                                | 1,894,675                                      |
| Deferred tax assets                       | 1,128,962                                | 1,122,885                                      |
| Other                                     | 720,593                                  | 651,604  |
| Allowance for doubtful accounts           | -9,445                                   | -8,294   |
| <b>Total investments and other assets</b> | <b>7,466,474</b>                         | <b>7,422,123</b>                               |
| <b>Total fixed assets</b>                 | <b>16,334,455</b>                        | <b>15,522,395</b>                              |
| <b>Total assets</b>                       | <b>26,122,705</b>                        | <b>27,382,047</b>                              |

(Thousand yen)

|  | Previous Fiscal Year<br>(March 31, 2020) | Current Second Quarter<br>(September 30, 2020) |
|--|--|--|
| <b>Liabilities</b>                                     |  |  |
| Current liabilities                                    |  |  |
| Notes and accounts payable-trade                       | 195,720                                  | 176,540  |
| Current portion of long-term loans payable             | 1,639,460                                | 1,887,052                                      |
| Accounts payable – other                               | 1,535,400                                | 1,200,721                                      |
| Income taxes payable                                   | 415,324                                  | 331,075  |
| Accrued consumption taxes                              | 117,626                                  | 102,659  |
| Reserve for bonuses                                    | 554,836                                  | 618,854  |
| Asset retirement obligation                            | 10,894                                   | 58,680   |
| Other  | 1,451,683                                | 1,583,112                                      |
| Total current liabilities                              | 5,920,945                                | 5,958,697                                      |
| Fixed liabilities                                      |  |  |
| Long-term debt   | 9,479,911                                | 10,329,541                                     |
| Obligations for retirement plan                        | 757,052                                  | 810,638  |
| Asset retirement obligation                            | 320,567                                  | 348,911  |
| Other  | 7,979                                    | 11,798   |
| Total fixed liabilities                                | 10,565,510                               | 11,500,889                                     |
| Total liabilities                                      | 16,486,455                               | 17,459,586                                     |
| <b>Net assets</b>                                      |  |  |
| Shareholders' equity                                   |  |  |
| Capital  | 1,603,955                                | 1,603,955                                      |
| Capital surplus  | 1,449,544                                | 1,449,544                                      |
| Retained earnings                                      | 6,982,526                                | 7,192,698                                      |
| Treasury stock   | -107,515                                 | -107,515                                       |
| Total shareholders' equity                             | 9,928,510                                | 10,138,682                                     |
| Accumulated other comprehensive income                 |  |  |
| Valuation difference on available-for- sale securities | -224,438                                 | -160,291                                       |
| Deferred gains or losses on hedges                     | -5,537                                   | -8,188   |
| Foreign currency translation adjustments               | 2,610                                    | 837  |
| Remeasurements of defined benefit plans                | -64,895                                  | -48,579  |
| Total accumulated other comprehensive income           | -292,261                                 | -216,221                                       |
| Total net assets                                       | 9,636,249                                | 9,922,460                                      |
| Total liabilities and net assets                       | 26,122,705                               | 27,382,047                                     |

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

[Quarterly Consolidated Statement of Income]

[Second Quarter of FY3/21]

(Thousand yen)

|  | Previous Second Quarter<br>(Apr. 1, 2019<br>- September 30, 2019) | Current Second Quarter<br>(Apr. 1, 2020<br>- September 30, 2020) |
|--|---|--|
| Net sales                                    | 15,517,301  | 15,955,842   |
| Cost of sales                                | 13,668,091  | 13,824,713   |
| Gross profit                                 | 1,849,209   | 2,131,129  |
| Selling, general and administrative expenses | 1,353,036   | 1,498,699  |
| Operating income                             | 496,173   | 632,430  |
| Non-operating income                         |   |  |
| Interest income                              | 50,492  | 42,774   |
| Subsidy income                               | 224,254   | 306,427  |
| Guarantee commission received                | 5,467   | -  |
| Other  | 11,469  | 6,110  |
| Total non-operating income                   | 291,683   | 355,312  |
| Non-operating expenses                       |   |  |
| Interest expenses                            | 29,269  | 28,260   |
| Demobilization costs                         | 1,289   | -  |
| Other  | 12,938  | 3,997  |
| Total non-operating expenses                 | 43,497  | 32,257   |
| Ordinary income                              | 744,359   | 955,485  |
| Extraordinary income                         |   |  |
| Gain on sales of fixed assets                | -   | 1,606  |
| Extraordinary income                         | -   | 1,606  |
| Extraordinary loss                           |   |  |
| Loss on retirement of fixed assets           | 1,215   | 0  |
| Impairment loss (on facilities)              | 3,894   | 115,907  |
| Total extraordinary loss                     | 5,109   | 115,907  |
| Income before income taxes and others        | 739,250   | 841,184  |
| Corporate, inhabitant and enterprise taxes   | 262,123   | 319,478  |
| Income taxes-deferred                        | -38,879   | -29,593  |
| Total income tax                             | 223,243   | 289,884  |
| Net income                                   | 516,006   | 551,299  |
| Net income attributable to owners of parent  | 516,006   | 551,299  |



[Quarterly Consolidated Statement of Comprehensive Income]

[Second Quarter of FY3/21]

(Thousand yen)

|   | Previous Second Quarter<br>(Apr. 1, 2019<br>- September 30, 2019) | Current Second Quarter<br>(Apr. 1, 2020<br>- September 30, 2020) |
|---|---|--|
| Net income  | 516,006   | 551,299  |
| Other comprehensive income  |   |  |
| Valuation difference on available-for- sale securities                      | -4,252  | 64,146   |
| Deferred gains or losses on hedges  | -2,645  | -2,650   |
| Foreign currency translation adjustments                                    | 2,893   | -1,772   |
| Remeasurements of defined benefit plans                                     | 14,149  | 16,316   |
| Total other comprehensive income  | 10,145  | 76,039   |
| Comprehensive income  | 526,151   | 627,339  |
| Breakdown   |   |  |
| Comprehensive income attributable to owners of parent                       | 526,151   | 627,339  |
| Comprehensive income attributable to owners of non-controlling shareholders | -   | -  |

**(3) Notes on Quarterly Consolidated Financial Statements**

(Notes on going concern assumptions)

Second quarter of FY3/21 (April 1, 2020 – September 30, 2020)

Not applicable

(Notes on significant changes in shareholders' equity)

Second quarter of FY3/21 (April 1, 2020 – September 30, 2020)

Not applicable