

Summary of Business Results for the Third Quarter Ended December 31, 2020

[Japan GAAP] (Consolidated)

February 12, 2021

Company JP-HOLDINGS, INC.
 Stock Code 2749
 Representative Tohru Sakai, President and Representative Director
 Contact Ryoji Tsutsumi, Director
 Expected date of filing of annual securities report: February 12, 2021
 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 2020

(April 1, 2020 through December 31, 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	%
Nine months ended Dec. 2020	24,228	3.3	1,362	41.2	1,831	36.8	1,143	34.6
Nine months ended Dec. 2019	23,444	8.6	965	44.5	1,338	38.4	849	46.3

(Note) Comprehensive income

Nine months ended December 2020: 1,274 million yen (41.0%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 2020	13.07	-
Nine months ended Dec. 2019	9.69	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2020	28,373	10,569	37.3
As of Mar. 31, 2020	26,122	9,636	36.9

(Reference) Shareholders' equity

As of December 31, 2020: 10,569 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
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 2020	-	0.00	-	3.90	3.90
Year ending Mar. 2021	-	0.00	-	-	-
Year ending Mar. 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. 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 December 31, 2020	87,849,400 shares
As of March 31, 2020	87,849,400 shares

② Treasury stock at the end of period

As of December 31, 2020	380,707 shares
As of March 31, 2020	380,707 shares

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

Nine months ended December 2020	87,468,693 shares
Nine months ended December 2019	87,704,383 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 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 third quarter of the current fiscal year, the Japanese economy rapidly deteriorated due to restrictions on domestic and international economic activities caused by the spread of COVID-19. Although there were signs of recovery through the government's various measures since the State of Emergency was lifted in late May 2020, the outlook remains uncertain as the spread of the disease has not been halted from the beginning of autumn.

Meanwhile, in regard to the child-raising service business, the environment surrounding childcare is rapidly changing, as evidenced by the increase in dual-income households, the problem of children on waiting lists, a shortage of nursery school teacher, and the shift to free child education and childcare. In addition, on December 21, 2020, the government announced the "New Child-rearing security Plan", which aims to reduce the number of children on the waiting list. In order to cope with the increase in female employment rate, the government plans to provide childcare services for approximately 140,000 children over the four-year period from 2021 to the end of 2024. The role of child-raising services in society is becoming increasingly important.

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.

Under the new management structure, we have adopted "selection and concentration" and "organizational revitalization" as management reform policies. Specific initiatives include improving profitability and operational efficiency by optimizing the number of children accepted at existing facilities and the allocation of personnel. We have also expanded child education, research and development of digital transformation systems that incorporates changes in the social environment, and reduction of operational and indirect costs by introducing new systems and reviewing operations. Through these efforts, we have been able to curtail employee turnover rates by improving a comfortable work environment.

As for the new facility openings, the Group has opened a total of 9 facilities during the third 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 Jindajji 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 Yon-sho School Club was renamed as Mitaka City Yon-sho 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.

*4: COHAS VIETNAM CO.,LTD, which operated the kindergartens in Vietnam, completed the transition to local licensing on October 29, 2020 and transferred it to C2C Global Education Group Co., Ltd..

As a result, the Group came to have 213 nursery schools, 77 school clubs, 11 children's houses, 1 private school club, making a total of 302 facilities for supporting child-raising at the end of December 2020.

The Group's consolidated net sales were 24,228 million yen (up 3.3% year on year), operating income was 1,362 million yen (up 41.2% year on year), ordinary income was 1,831 million yen (up 36.8% year on year), and net income attributable to owners of parent was 1,143 million yen (up 34.6% 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, mainly 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, as an extraordinary gain of 34 million yen was recorded due to the transfer of assets of 1 company-led nursery school at the end of December 2020, and the increase in ordinary income mentioned above, despite the fact that an extraordinary loss of 119 million yen was recorded 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 (at the end of December 2020) 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 third quarter of the current fiscal year, the total assets amounted to 28,373 million yen (up 2,250 million yen from the end of the previous fiscal year).

Current assets totaled 13,063 million yen (up 3,274 million yen), mainly reflecting an increase of 2,877 million yen in cash and deposits and a decrease of 63 million yen in inventories.

Fixed assets totaled 15,310 million yen (down 1,024 million yen). This was mainly due to an increase of 185 million yen in investment securities, while there were decreases of 347 million yen in buildings and structures, 295 million yen in construction in progress, 289 million yen in deferred tax assets, 121 million yen in long-term loans receivable.

Total liabilities amounted to 17,803 million yen (up 1,317 million yen from the end of the previous fiscal year).

Current liabilities totaled 7,132 million yen (up 1,212 million yen), mainly due to increases of 1,377 million yen in the current portion of long-term loans payable, 394 million yen in others, and 78 million yen in accounts payable – other, while there were decreases of 408 million yen in provision for bonuses, 232 million yen in income taxes payable, and 52 million yen in notes and accounts payable-trade.

Fixed liabilities totaled 10,670 million yen (up 105 million yen), mainly due to increases of 83 million yen in obligations for retirement plan and 29 million yen in asset retirement obligation.

Total net assets at the end of the third quarter were 10,569 million yen (up 933 million yen), mainly due to 802 million yen increase in retained earnings and a 111 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 forecast 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 (March 31, 2020)	Current Third Quarter (December 31, 2020)
Assets		
Current assets		
Cash and deposits	6,206,487	9,083,540
Notes and accounts receivable-trade	76,288	76,944
Inventories	111,259	47,375
Accounts receivable - other	2,410,895	2,837,405
Other	1,009,077	1,044,024
Allowance for doubtful accounts	-25,759	-26,142
Total current assets	9,788,250	13,063,147
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,237,506	12,356,510
Accumulated depreciation and impairment	-5,349,352	-5,815,901
Buildings and structures, net	6,888,153	6,540,609
Machinery, equipment and vehicles	5,637	203
Accumulated depreciation	-4,146	-84
Machinery, equipment and vehicles, net	1,490	118
Tools, furniture and fixtures	923,279	956,897
Accumulated depreciation and impairment	-671,412	-724,303
Tools, furniture and fixtures, net	251,866	232,594
Land	980,894	980,894
Construction in progress	497,896	202,430
Total tangible fixed assets	8,620,302	7,956,647
Intangible assets		
Goodwill	197,508	174,719
Other	50,169	42,926
Total intangible assets	247,678	217,646
Investments and other assets		
Investment securities	436,234	621,894
Long-term loans receivable	3,284,007	3,162,193
Guarantee deposits	1,906,120	1,901,303
Deferred tax assets	1,128,962	838,986
Other	720,593	619,560
Allowance for doubtful accounts	-9,445	-8,217
Total investments and other assets	7,466,474	7,135,721
Total fixed assets	16,334,455	15,310,014
Total assets	26,122,705	28,373,162

(Thousand yen)

	Previous Fiscal Year (March 31, 2020)	Current Third Quarter (December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	195,720	142,734
Current portion of long-term loans payable	1,639,460	3,016,996
Accounts payable – other	1,535,400	1,614,367
Income taxes payable	415,324	183,101
Accrued consumption taxes	117,626	135,542
Reserve for bonuses	554,836	146,342
Asset retirement obligation	10,894	47,580
Other	1,451,683	1,846,318
Total current liabilities	5,920,945	7,132,984
Fixed liabilities		
Long-term debt	9,479,911	9,469,307
Obligations for retirement plan	757,052	840,612
Asset retirement obligation	320,567	349,669
Other	7,979	11,245
Total fixed liabilities	10,565,510	10,670,835
Total liabilities	16,486,455	17,803,820
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	6,982,526	7,784,974
Treasury stock	-107,515	-107,515
Total shareholders' equity	9,928,510	10,730,958
Accumulated other comprehensive income		
Valuation difference on available-for- sale securities	-224,438	-113,390
Deferred gains or losses on ledges	-5,537	-7,804
Foreign currency translation adjustments	2,610	-
Remeasurements of defined benefit plans	-64,895	-40,421
Total accumulated other comprehensive income	-292,261	-161,616
Total net assets	9,636,249	10,569,341
Total liabilities and net assets	26,122,705	28,373,162

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

[Quarterly Consolidated Statement of Income]

[Third Quarter of FY3/21]

(Thousand yen)

	Previous Third Quarter (April 1, 2019 - December 31, 2019)	Current Third Quarter (April 1, 2020 - December 31, 2020)
Net sales	23,444,221	24,228,306
Cost of sales	20,371,575	20,649,394
Gross profit	3,072,646	3,578,911
Selling, general and administrative expenses	2,107,612	2,216,349
Operating income	965,033	1,362,562
Non-operating income		
Interest income	76,167	65,966
Subsidy income	338,722	451,289
Guarantee commission received	5,467	-
Other	10,123	7,851
Total non-operating income	430,480	525,107
Non-operating expenses		
Interest expenses	42,750	42,796
Demobilization costs	1,289	-
Commission fee	3,165	-
Other	9,328	13,052
Total non-operating expenses	56,533	55,848
Ordinary income	1,338,980	1,831,821
Extraordinary income		
Gain on sales of fixed assets	-	3,606
Gain on reversal of asset retirement obligations	-	11,100
Gain on sales of affiliates	-	13,735
Other	-	5,866
Total extraordinary income	-	34,308
Extraordinary loss		
Loss on retirement of fixed assets	1,215	3,277
Loss on sales of investment securities	2,642	-
Impairment loss (on facilities)	3,894	115,907
Total extraordinary loss	7,751	119,184
Income before income taxes and others	1,331,228	1,746,945
Corporate, inhabitant and enterprise taxes	367,312	374,192
Income taxes-deferred	114,384	229,177
Total income tax	481,697	603,369
Net income	849,530	1,143,575
Net income attributable to owners of parent	849,530	1,143,575

[Quarterly Consolidated Statement of Comprehensive Income]

[Third Quarter of FY3/21]

(Thousand yen)

	Previous Third Quarter (April 1, 2019 - December 31, 2019)	Current Third Quarter (April 1, 2020 - December 31, 2020)
Net income	849,530	1,143,575
Total accumulated other comprehensive income		
Valuation difference on available-for- sale securities	27,486	111,047
Deferred gains or losses on ledges	2,446	-2,266
Foreign currency translation adjustments	3,209	-2,610
Remeasurements of defined benefit plans	21,224	24,474
Total other comprehensive income	54,367	130,644
Comprehensive income	903,898	1,274,220
Breakdown		
Comprehensive income attributable to owners of parent	903,898	1,274,220
Comprehensive income attributable to owners of non-controlling shareholders	-	-

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Current Third Quarter (April 1, 2020 – December 31, 2020)

Not applicable

(Notes on significant changes in shareholders' equity)

Current Third Quarter (April 1, 2020 – December 31, 2020)

Not applicable