

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
 URL: <https://www.jp-holdings.co.jp>

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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 -	Yen 0.00	Yen -	Yen 3.90	Yen 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 (March 31, 2020)	Current Second Quarter (September 30, 2020)
Assets		
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
Total current assets	9,788,250	11,859,652
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
Total tangible fixed assets	8,620,302	7,871,130
Intangible assets		
Goodwill	197,508	182,315
Other	50,169	46,824
Total intangible assets	247,678	229,140
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
Total investments and other assets	7,466,474	7,422,123
Total fixed assets	16,334,455	15,522,395
Total assets	26,122,705	27,382,047

(Thousand yen)

	Previous Fiscal Year (March 31, 2020)	Current Second Quarter (September 30, 2020)
Liabilities		
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
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	6,982,526	7,192,698
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 (Apr. 1, 2019 - September 30, 2019)	Current Second Quarter (Apr. 1, 2020 - 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 (Apr. 1, 2019 - September 30, 2019)	Current Second Quarter (Apr. 1, 2020 - 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