Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2019 (Three Months Ended December 31, 2018)

[Japanese GAAP]

February 13, 2019

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Scheduled date of filing of Quarterly Report: February 14, 2019
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2019 (October 1, 2018 to December 31, 2018)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Dec. 31, 2018	4,480	12.9	25	(13.5)	18	61.8	(38)	-
Three months ended Dec. 31, 2017	3,968	40.3	29	(72.2)	11	(94.1)	(25)	-

Note: Comprehensive income (million yen) Three months ended Dec. 31, 2018: (33) (-%)
Three months ended Dec. 31, 2017: 11 (down 91.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Dec. 31, 2018	(4.21)	-
Three months ended Dec. 31, 2017	(2.86)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2018	17,362	6,544	37.6
As of Sep. 30, 2018	15,691	6,577	41.8

Reference: Shareholders' equity (million yen) As of Dec. 31, 2018: 6,524 As of Sep. 30, 2018: 6,558

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2018	-	0.00	-	0.00	0.00
Fiscal year ending Sep. 30, 2019	-				
Fiscal year ending Sep. 30, 2019 (Forecast)		0.00	-	0.00	0.00

Reference: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending September 30, 2019 (October 1, 2018 to September 30, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	20,000	17.4	340	0.6	1,930	0.7	1,250	123.5	137.27

Reference: Revisions to the most recently announced dividend forecast: None

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements
1) Changes in accounting policies due to revisions in accounting standards, others: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting-based estimates: None
4) Restatements: None

(4) Number of shares issued (common stock)
1) Number of shares issued as of the end of the period (including treasury shares)

As of Dec. 31, 2018:	9,108,071 shares	As of Sep. 30, 2018:	9,105,071 shares

2) Number of treasury shares as of the end of the period

As of Dec. 31, 2018:	171 shares	As of Sep. 30, 2018:	171 shares

3) Average number of shares issued during the period

Three months ended Dec. 31, 2018:	9,106,574 shares	Three months ended Dec. 31, 2017:	8,720,091 shares

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts and other special items

Forecasts and other forward-looking statements in these materials are based on assumptions judged to be valid and information available to the Company's management at the time these materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

Please refer to the section "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" on page 2 of the attachments for details on the above forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first quarter of the fiscal year ending September 30, 2019 (hereinafter, "the period under review"), while the Japanese economy saw a moderate recovery due to solid corporate earnings and improvements in the employment and income environment, the outlook remained uncertain as a result of factors such as growing concern about a global economic slowdown resulting from the trade friction between the U.S. and China.

As for the child-rearing support business in this economic environment above, a change in awareness of the social advancement of women and government efforts to encourage them to take active roles have helped maintain the upward trend in the number of double-income households and the employment rate of women, and demand for childcare services remains at a high level.

In response to this increase in demand for childcare services, both the central and local governments are implementing measures to secure childcare workers and develop nursery schools to expand service capacity, based on a policy of adding capacity for a total of 320,000 children by the end of fiscal 2020. Furthermore, in conjunction with the start of free early childhood education and preschool programs in October 2019, the number of parents seeking admission to nursery schools for their children may increase, and the demand for establishing new nursery schools is expected to continue for the time being.

Given the concern over Japan's declining workforce due to its aging population and a decrease in its total population, the development of a sound child-rearing environment is urgent in the course of promoting the social advancement of women to boost the country's economic vitality. In this context, the child-rearing support service providers are playing an increasingly important social role.

At the end of the period under review, the Group was operating a total of 142 facilities: 70 central government licensed nursery schools in Tokyo, 20 in Kanagawa, three in Chiba, one in Saitama and four in Osaka; 25 local government licensed nursery schools or centers for early childhood education and care; seven employer-sponsored nurseries; and 12 after-school day care centers or children's houses. Furthermore, the Group plans to open 22 new nursery schools in April 2019, mainly in Tokyo. Meanwhile, selling, general and administration expenses expanded due to an increase in IT investment and taxes and dues.

Consequently, the Group reported net sales for the period under review of 4,480 million yen (up 12.9% year on year) with operating profit of 25 million yen (down 13.5% year on year), ordinary profit of 18 million yen (up 61.8% year on year), and loss attributable to owners of parent of 38 million yen (compared with loss attributable to owners of parent of 25 million yen for the same period of the previous fiscal year).

(2) Explanation of Financial Position

Assets

Total assets amounted to 17,362 million yen at the end of the period under review, an increase of 1,670 million yen from the end of the previous fiscal year.

Current assets increased 788 million yen to 4,052 million yen. This was mainly attributable to an increase of 663 million yen in cash and deposits due to borrowing and an increase of 117 million yen in prepaid expenses.

Non-current assets increased 882 million yen to 13,309 million yen. This was mainly attributable to an increase of 1,007 million yen in construction in progress to prepare for opening of new nursery schools in April.

Liabilities

Total liabilities amounted to 10,817 million yen at the end of the period under review, an increase of 1,704 million yen from the end of the previous fiscal year.

Current liabilities increased 1,874 million yen to 4,970 million yen. This was mainly attributable to new short-term loans for opening of new nursery schools.

Non-current liabilities decreased 170 million yen to 5,847 million yen. This was mainly attributable to a decrease of 186 million yen in long-term loans payable.

Net assets

Net assets decreased 33 million yen to 6,544 million yen at the end of the period under review. This was mainly attributable to a decrease of 38 million yen in retained earnings, despite an increase of 4 million yen in remeasurements of defined benefit plans.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

The Company maintains its consolidated forecasts for the fiscal year ending September 30, 2019 that was announced on November 13, 2018.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY9/18 (As of Sep. 30, 2018)	First quarter of FY9/19 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	1,301	1,965
Accounts receivable-other	1,597	1,607
Prepaid expenses	349	466
Other	15	13
Total current assets	3,264	4,052
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,668	8,536
Construction in progress	566	1,574
Other, net	476	463
Total property, plant and equipment	9,711	10,575
Intangible assets		
Software	108	103
Total intangible assets	108	103
Investments and other assets		
Investment securities	37	28
Long-term prepaid expenses	721	742
Lease and guarantee deposits	1,492	1,503
Construction assistance fund receivables	346	340
Deferred tax assets	9	6
Other	0	8
Total investments and other assets	2,607	2,630
Total non-current assets	12,427	13,309
Total assets	15,691	17,362
Liabilities		
Current liabilities		
Short-term loans payable	-	2,100
Current portion of long-term loans payable	869	827
Current portion of bonds	35	41
Accounts payable-other	1,240	1,364
Income taxes payable	224	31
Advances received	90	162
Provision for bonuses	445	224
Other	189	219
Total current liabilities	3,095	4,970
Non-current liabilities		
Bonds payable	23	-
Long-term loans payable	4,205	4,018
Net defined benefit liability	188	197
Deferred tax liabilities	1,407	1,436
Other	193	194
Total non-current liabilities	6,017	5,847
Total liabilities	9,113	10,817

(Millions of yen)

	FY9/18 (As of Sep. 30, 2018)	First quarter of FY9/19 (As of Dec. 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	1,267	1,267
Capital surplus	1,955	1,955
Retained earnings	3,405	3,367
Treasury shares	(0)	(0)
Total shareholders' equity	6,629	6,590
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(1)
Remeasurements of defined benefit plans	(69)	(64)
Total accumulated other comprehensive income	(70)	(65)
Subscription rights to shares	19	19
Total net assets	6,577	6,544
Total liabilities and net assets	15,691	17,362

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(For the Three-month Period)

(Millions of yen)

	First three months of FY9/18 (Oct. 1, 2017 –Dec. 31, 2017)	First three months of FY9/19 (Oct. 1, 2018 –Dec. 31, 2018)
Net sales	3,968	4,480
Cost of sales	3,514	3,871
Gross profit	453	608
Selling, general and administrative expenses	424	583
Operating profit	29	25
Non-operating income		
Interest and dividend income	3	0
Other	1	2
Total non-operating income	4	3
Non-operating expenses		
Interest expenses	9	7
Listing expenses	13	-
Other	0	2
Total non-operating expenses	23	10
Ordinary profit	11	18
Profit before income taxes	11	18
Income taxes	36	56
Profit (Loss)	(25)	(38)
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	(25)	(38)
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Remeasurements of defined benefit plans, net of tax	36	4
Total other comprehensive income	36	4
Comprehensive income	11	(33)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11	(33)
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

Omitted since the Group has only a single business segment, which is the "child-rearing support business."

Material Subsequent Events

1. Introduction of Restricted Stock Compensation Plan

The Company has resolved to issue new shares (hereinafter, "the Issuance of New Shares") of restricted stock as compensation at the meeting of the Board of Directors on December 19, 2018. Payments related to the issuance were completed accordingly on January 16, 2019.

(1) Outline of the issuance

1)	Payment date	January 16, 2019
2)	Class and number of shares to be issued	13,987 shares of common stock of the Company
3)	Issue price	957 yen per share
4)	Total value of shares to be issued	13,385,559 yen
5)	Paid-in capital	478.5 yen per share
6)	Total value of paid-in capital	6,692,780 yen
7)	Allottees, number thereof, and number of shares to be allotted	Two Directors of the Company: 4,582 shares Nine employees of the Company's subsidiaries: 9,405 shares
8)	Transfer restriction period	From January 16, 2019 to January 15, 2020
9)	Other	The Company has submitted the Securities Registration Statement regarding the Issuance of New Shares in accordance with the Financial Instruments and Exchange Act.

(2) Purpose of and reasons for issuance

At the meeting of the Board of Directors held on November 29, 2017, a resolution was passed to introduce a restricted stock compensation plan (hereinafter, "the Plan"). Under the Plan, restricted stock will be granted as an incentive to raise awareness of Directors of the Company (excluding Outside Directors) on contributing to enhancing the business performance and the corporate value, along with an aim to furthering shared value with the shareholders. At the Second Annual Shareholders' Meeting held on December 19, 2017, the resolution was approved to pay Directors of the Company (excluding Outside Directors) monetary compensation receivables in the amount of 50 million yen or less per year (excluding the employee salary portion of Directors serving concurrently as employees) as monetary compensation that will be contributed to acquire the restricted stock under the Plan. Further, at the meeting of the Board of Directors held on December 19, 2017, a resolution was passed that Directors, Executive Officers and employees of the Company's subsidiaries were also included in those eligible for the Plan.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.