

# Summary of Business Results for the Third Quarter Ended December 31, 2016 [Japan GAAP] (Consolidated)

February 2, 2017

Company JP-HOLDINGS, INC.  
Stock Code 2749  
Representative Kazuhiro Ogita, President and Representative Director  
Contact Mika Matsumiya, General Manager of Administration Div.  
Expected date of filing of annual securities report: February 13, 2017  
Preparation of supplementary financial document: Yes  
Results briefing: Yes (for institutional investors and individual investors)

Listed on the TSE 1  
URL: <http://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 2016

(April 1, 2016 through December 31, 2016)

### (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. 2016	16,720	11.1	743	-30.1	883	-22.3	514	-26.2
Nine months ended Dec. 2015	15,049	13.7	1,064	-4.8	1,136	-5.1	697	-7.5

(Note) Comprehensive income

Nine months ended December 2016: 552 million yen (-15.3%)

Nine months ended December 2015: 651 million yen (-20.1%)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Nine months ended Dec. 2016	6.13	-	-	-
Nine months ended Dec. 2015	8.36	-	-	-

### (2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of Dec. 31, 2016	25,822	6,950	6,950	26.9		
As of Mar. 31, 2016	21,519	6,570	6,570	30.5		

(Reference) Shareholders' equity

As of December 31, 2016: 6,946 million yen

As of March 31 2016: 6,566 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. 2016	-	0.00	-	5.00	5.00
Year ending Mar. 2017	-	0.00	-		
Year ending Mar. 2017 (forecast)				2.00	2.00

(Notes) Revisions to dividend forecast for the current quarter: Yes

## 3. Forecast of consolidated business results for the fiscal year ending March 2017

(April 1, 2016 through March 31, 2017)

(% 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	Yen
Year ending Mar. 2017	22,726	10.6	1,053	-42.6	1,235	-	503	-57.9	5.99	

(Notes) Revisions to business forecast for the current quarter: Yes

## \*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, 2016	87,849,400 shares
As of March 31, 2016	87,849,400 shares

- ② Treasury stock at the end of period

As of December 31, 2016	3,421,206 shares
As of March 31, 2016	4,394,106 shares

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

Nine months ended December 2016	83,940,674 shares
Nine months ended December 2015	83,455,294 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 for the fiscal year ended March 2016 and the third quarter of the fiscal year ending March 2017 includes the company's shares held by Trust & Custody Services Bank, Ltd. as trust property of "Stock Benefit Trust (Employee Stock Ownership Plan)".

## \*Implementation status of quarterly review procedure

- This financial summary is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this report, the procedures for review of financial statements are being conducted.

## \*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. The company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.
- The Company plans to hold results briefing for institutional investors and analysts on February 3, 2017 (Friday). After the results briefing, the Company will promptly post presentation materials distributed at the results briefing on the Company website. Please confirm the results briefing schedule and other information on the company website.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Results of Operations

In the third quarter of the consolidated fiscal year ending March 2017, the Japanese economy was on a gentle recovery track, as indicated by stable private consumption etc., which was supported by the improvement of the employment and income environment. However, the economic outlook remains uncertain due to overseas risk factors, such as the concerns over the slowdown of the economies of China and other emerging countries in Asia, the British exit from the EU, the impact of the presidential election in the U.S., and so on.

Under these circumstances, the need for nursery schools in the nursery service business is still at a high level, and the Group established the following new facilities.

#### (Nursery school)

Asc Shibakoen Nursery School	(Apr. 1, 2016)
Asc Ikebukuro-honcho Nursery School	(Apr. 1, 2016)
Asc Kamishinden Nursery School	(Apr. 1, 2016)
Asc Higashihie Nursery School	(Apr. 1, 2016)
Asc Miharashi-no-oka Nursery School	(Apr. 1, 2016)
Asc Gotenhama Nursery School	(Apr. 1, 2016)
Asc Shidami Nursery School	(Apr. 1, 2016)
Asc Meitofujigaoka Nursery School	(Apr. 1, 2016)
Asc Yamada-kagitori Nursery School	(Apr. 1, 2016)
Asc Ryuhoku Nursery School	(Jul. 1, 2016)
Asc Tsujido Nursery School	(Aug. 1, 2016)
Asc Kokuba Nursery School	(Sep. 1, 2016)
Asc Yatsuyamada Nursery School	(Oct. 1, 2016)

#### (School club)

Takecho Kids' Club	(Apr. 1, 2016)
Sengoku Cultivation Room I	(Apr. 1, 2016)
Sengoku Cultivation Room II	(Apr. 1, 2016)
Meidai Cultivation Room	(Apr. 1, 2016)
Owariasahi-shi Shibukawa Children's Club	(Apr. 1, 2016)
Owariasahi-shi Zuihou Children's Club	(Apr. 1, 2016)
Hanabatake Children's Club	(Sep. 12, 2016)

#### (Children's house)

Sengoku Children's house	(Apr. 1, 2016)
Owariasahi-shi Shibukawa Children's house	(Apr. 1, 2016)
Owariasahi-shi Zuihou Children's house	(Apr. 1, 2016)

#### (Private school club)

AEL Yushima	(Sep. 1, 2016)
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In addition to the above, the Group acquired the shares of Sotetsu Amenity Life KK, and this company was made into an affiliate as Amenity Life Inc. on September 30, 2016, which brought the four nursery schools GENKIDS Ryokuen-toshi, GENKIDS Seya, GENKIDS Izumi-Chuo, and GENKIDS Hoshikawa, as well as the three private school clubs Elfikids Futamatagawa, Elfikids Ryokuen-toshi, and Elfikids Turugamine into the Group's facilities. As a result, the Group came to have 172 nursery schools, 62 school clubs, 12 children's houses, and 4 private school clubs, making a total of 250 facilities for supporting child-raising. In addition, Ryuhoku Nursery School, which had been running since April 2013, relocated and reopened in July 2016 as the licensed nursery school Asc Ryuhoku Nursery School.

For the above reasons, for the third quarter of the consolidated fiscal year ending March 2017, net sales were 16,720 million yen (up 11.1% year on year), operating income was 743 million yen (down 30.1% year on year), ordinary income was 883 million yen (down 22.3% year on year), and net income attributable to owners of parent was 514 million yen (down 26.2% year on year).

## (2) Financial Position

### Assets, Liabilities and Net Assets

The total assets as of the end of the third quarter of the consolidated fiscal year ending March 2017 amounted to 25,822 million yen, up 4,303 million yen from the end of the previous fiscal year. Current assets totaled 9,737 million yen (up 2,783 million yen from the end of the previous fiscal year), mainly because cash and deposits increased by 3,090 million yen while accounts receivable - other decreased by 264 million yen, and other accounts such as deferred tax assets etc. decreased by 120 million yen.

Fixed assets totaled 16,084 million yen (up 1,519 million yen from the end of the previous fiscal year), mainly because buildings and structures, goodwill, long-term loans receivable, investment securities, other intangible fixed assets, tools, and furniture and fixtures increased by 1,465 million yen, 296 million yen, 282 million yen, 271 million yen, 122 million yen, and 53 million yen respectively, while construction in progress decreased by 1,018 million yen.

Total liabilities amounted to 18,871 million yen, up 3,923 million yen from the end of the previous fiscal year.

Current liabilities totaled 7,325 million yen (up 1,375 million yen from the end of the previous fiscal year), mainly because short-term loans payable increased by 1,000 million yen, other current liabilities increased by 797 million yen, and current portion of long-term loans payable increased by 456 million yen, while income taxes payable decreased by 303 million yen, accounts payable – other decreased by 269 million yen, reserve for bonuses decreased by 206 million yen, and notes and accounts payable-trade decreased by 61 million yen.

Fixed liabilities totaled 11,546 million yen (up 2,547 million yen from the end of the previous fiscal year), mainly because long-term loans payable, asset retirement obligation, and net defined benefit liability increased by 2,354 million yen, 78 million yen, and 69 million yen respectively.

Total net assets as of the end of the third quarter of the consolidated fiscal year ending March 2017 totaled 6,950 million yen (up 380 million yen from the end of the previous fiscal year), mainly because retained earnings increased by 75 million yen and valuation difference on available-for sale securities increased by 31 million yen, while treasury stock decreased by 267 million yen.

## (3) Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts have been revised from the announcement on May 10, 2016. For more information on this issue, please refer to our announcement on February 2, 2017, “Notice of Earnings and Dividend Forecast Revision”.

## 2. Summary Information (Notes)

### (1) Changes in Significant Subsidiaries during the Period

No applicable items.

### (2) Application of Accounting Procedures Specific to Preparation of the Consolidated Quarterly Financial Statements

No applicable items.

### (3) Changes in Accounting Policies, Accounting Estimates and Restatement

No applicable items.

### (4) Additional Information

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The third quarter of the consolidated fiscal year ending March 2017 (from April 1, 2016 to December 31, 2016)

“Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)” has been applied from the first quarter of this consolidated fiscal year.

(Transactions regarding the trust for stock-based benefits [handled by the employee shareholding association])

The third quarter of the consolidated fiscal year ending March 2017 (from April 1, 2016 to December 31, 2016)

The company adopted “the trust for stock-based benefits [handled by the employee shareholding association]” (hereinafter referred to as “this system”) for the purposes of enhancing the welfare of employees and adding incentives for improving corporate value.

#### (1) Outline of the transaction

This system is an incentive plan for returning the benefits of the increase in the price of the company’s shares to all employees who joined the “JP Employee Shareholding Association” (hereinafter referred to as “the Shareholding Association”). For this system, the company concluded a contract for the trust for stock-based benefits [handled by the employee shareholding association] (hereinafter referred to as “this trust contract”) with the company as the entruster and Mizuho Trust & Banking Co., Ltd. as the trustee. The trust set up in accordance with this trust contract is referred to as “this trust.” In addition, Mizuho Trust & Banking Co., Ltd. concluded a contract for the re-entrustment of the management of trust assets, including securities, with Trust & Custody Services Bank, Ltd. (hereinafter referred to as “Trust E”), with Trust E as the re-entrustee.

Trust E will acquire all of the company’s shares to be acquired by the Shareholding Association in advance, and sell them when the Shareholding Association acquires the shares. If the amount equivalent to the gain on the sale of shares is accumulated in trust assets for this trust before the termination of the trust, through Trust E selling shares to the Shareholding Association, it will be distributed as residual assets to the members of the Shareholding Association who satisfy the beneficiary requirements. In addition, the trust bank guarantees the borrowings for acquiring the company’s shares, and so if there are debts equivalent to the loss from sale of the shares due to the decrease in the company’s share price remaining at the time when the trust terminates, the company will repay the remaining debts in accordance with the guarantee contract.

#### (2) The company’s shares remaining in trust

The company’s shares remaining in trust have been posted in the section of treasury shares under net assets, based on the book value in trust (excluding ancillary expenses). The book value and number of the treasury shares were 1,207,910 thousand yen and 4,392,400 shares respectively, as of the end of the previous consolidated fiscal year, and 940,362 thousand yen and 3,419,500 shares respectively, as of the end of the third quarter of this consolidated fiscal year.

#### (3) Book value of the debts posted through the application of the gross amount method

1,207,910,000 yen as of the end of the previous consolidated fiscal year

999,671,000 yen as of the end of the third quarter of this consolidated fiscal year

## [Quarterly Consolidated Financial Statements]

## [Quarterly Consolidated Balance Sheet]

(Thousand yen)

	Previous Fiscal Year (March 31, 2016)	Current Third Quarter (December 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	3,777,936	6,868,117
Notes and accounts receivable-trade	41,839	50,426
Investment securities	21,027	-
Inventories	98,453	23,550
Deferred tax assets	442,078	321,655
Accounts receivable - other	1,770,729	1,506,406
Other	802,493	968,042
Allowance for doubtful accounts	-549	-632
Total current assets	6,954,010	9,737,568
Fixed assets		
Tangible fixed assets		
Buildings and structures	8,404,192	10,349,462
Accumulated depreciation and impairment loss	-2,448,271	-2,928,049
Buildings and structures, net	5,955,921	7,421,412
Machinery, equipment and vehicles	9,148	9,148
Accumulated depreciation	-4,130	-4,839
Machinery, equipment and vehicles, net	5,017	4,308
Tools, furniture and fixtures	484,281	602,769
Accumulated depreciation and impairment loss	-284,812	-350,006
Tools, furniture and fixtures, net	199,469	252,763
Land	980,894	980,894
Construction in progress	1,759,076	740,336
Total tangible fixed assets	8,900,378	9,399,715
Intangible fixed assets		
Goodwill	-	296,263
Other	12,135	134,297
Total intangible fixed assets	12,135	430,560
Investments and other assets		
Investment securities	313,534	584,668
Long-term loans receivable	2,881,772	3,164,706
Guarantee deposits	1,628,547	1,658,134
Deferred tax assets	164,472	173,091
Other	679,407	690,412
Allowance for doubtful accounts	-15,213	-16,298
Total investments and other assets	5,652,521	6,254,714
Total fixed assets	14,565,035	16,084,990
Total assets	21,519,046	25,822,558

(Thousand yen)

	Previous Fiscal Year (March 31, 2016)	Current Third Quarter (December 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	191,107	129,940
Short-term loans payable	-	1,000,000
Current portion of long-term loans payable	2,935,368	3,392,097
Accounts payable – other	691,961	422,637
Income taxes payable	364,677	61,296
Accrued consumption taxes	67,491	49,082
Reserve for bonuses	334,000	127,162
Asset retirement obligation	23,892	4,392
Other	1,341,386	2,139,028
<b>Total current liabilities</b>	<b>5,949,884</b>	<b>7,325,636</b>
<b>Fixed liabilities</b>		
Long-term loans payable	8,457,330	10,811,977
Deferred tax liabilities	2,240	1,532
Net defined benefit liability	377,714	447,097
Long-term accounts payable - other	4,950	3,700
Asset retirement obligation	156,505	234,563
Other	-	47,247
<b>Total fixed liabilities</b>	<b>8,998,740</b>	<b>11,546,118</b>
<b>Total liabilities</b>	<b>14,948,625</b>	<b>18,871,755</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	4,798,586	4,874,202
Treasury stock	-1,208,168	-940,620
<b>Total shareholders' equity</b>	<b>6,643,918</b>	<b>6,987,080</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	-52,792	-20,929
Deferred gains or losses on hedges	-	-1,762
Remeasurements of defined benefit plans	-24,742	-17,583
<b>Total accumulated other comprehensive income</b>	<b>-77,534</b>	<b>-40,275</b>
Non-controlling interests	4,036	3,997
<b>Total net assets</b>	<b>6,570,420</b>	<b>6,950,803</b>
<b>Total liabilities and net assets</b>	<b>21,519,046</b>	<b>25,822,558</b>



[Quarterly Consolidated Statement of Income and Quarterly Statement of Comprehensive Income]  
[Quarterly Consolidated Statement of Income]  
[Third Quarter of FY3/17]

	(Thousand yen)	
	Previous Third Quarter (April 1, 2015– December 31, 2015)	Current Third Quarter (April 1, 2016– December 31, 2016)
Net sales	15,049,033	16,720,891
Cost of sales	12,648,574	14,163,201
Gross profit	2,400,459	2,557,690
Selling, general and administrative expenses	1,336,084	1,814,070
Operating income	1,064,374	743,619
Non-operating revenues		
Interest income	42,232	57,560
Guarantee commission received	-	49,157
Subsidy income	45,991	65,587
Other	12,302	12,347
Total non-operating revenues	100,526	184,653
Non-operating expenses		
Interest expenses	27,551	34,188
Other	868	10,932
Total non-operating expenses	28,419	45,120
Ordinary income	1,136,480	883,151
Extraordinary loss		
Loss on retirement of non-current assets	1,596	398
Loss on impairment long-lived asset of facilities	22,152	-
Loss on impairment long-lived asset of Tokyo branch	45,943	-
Total extraordinary loss	69,693	398
Income before income taxes and others	1,066,787	882,753
Corporate, inhabitant and enterprise taxes	356,781	247,983
Income taxes-deferred	12,432	119,955
Total income taxes	369,213	367,938
Net income	697,574	514,814
Net loss attributable to non-controlling interests	-62	-38
Net income attributable to owners of parent	697,636	514,853

[Quarterly Consolidated Statement of Comprehensive Income]

[Third Quarter of FY2017]

	(Thousand yen)	
	Previous Third Quarter (April 1, 2015– December 31, 2015)	Current Third Quarter (April 1, 2016– December 31, 2016)
Net income	697,574	514,814
Other comprehensive income		
Valuation difference on available-for-sale securities	-49,045	31,863
Deferred gains or losses on hedges	-	-1,762
Remeasurements of defined benefit plans	3,171	7,158
Total other comprehensive income	-45,873	37,259
Comprehensive income	651,700	552,074
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	651,763	552,113
Comprehensive income attributable to non-controlling interests	-62	-38

● Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Third quarter of FY3/17 (April 1, 2016 – December 31, 2016)

None

● (Notes if there is a significant change in the amount of shareholders' equity)

Third quarter of FY3/17 (April 1, 2016 – December 31, 2016)

None