

Summary of Business Results for the First Quarter Ended June 30, 2017

[Japan GAAP] (Consolidated)

August 4, 2017

C o m p a n y **JP-HOLDINGS, INC.** Listed on the TSE 1
Stock Code 2749 URL: <http://www.jp-holdings.co.jp>
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C o n t a c t Mika Matsumiya, General Manager of Administration Div. T E L: +81-52-933-5419
 Expected date of filing of annual securities report: August 10, 2017 Expected starting date of dividend payment: —
 Preparation of supplementary financial document: Yes
 Results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the three months ended June 2017

(April 1, 2017 through June 30, 2017)

(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	%
Three months ended Jun. 2017	6,398	17.9	236	235.8	311	183.8	183	196.4
Three months ended Jun. 2016	5,424	11.1	70	-66.5	109	-54.7	62	-65.9

(Note) Comprehensive income

Three months ended June 2017: 188 million yen (250.9 %)

Three months ended June 2016: 53 million yen (-70.8 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 2017	2.17	-
Three months ended Jun. 2016	0.74	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2017	23,594	6,882	29.2
As of Mar. 31, 2017	24,002	6,854	28.5

(Reference) Shareholders' equity

As of June 30, 2017: 6,878 million yen

As of March 31, 2017: 6,850 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. 2017	-	0.00	-	2.50	2.50
Year ending Mar. 2018	-				
Year ending Mar. 2018 (forecast)		0.00	-	3.00	3.00

(Note) Revisions to dividend forecast for the current quarter: None

3. Forecast of consolidated business results for the fiscal year ending March 2018

(April 1, 2017 through March 31, 2018)

(% 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. 2018	26,125	14.6	1,157	-1.0	1,400	3.7	777	17.6	9.25

(Note) 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 June 30, 2017	87,849,400 shares
As of March 31, 2017	87,849,400 shares

② Treasury stock at the end of period

As of June 30, 2017	2,948,206 shares
As of March 31, 2017	3,164,106 shares

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

Three months ended June 2017	84,794,994 shares
Three months ended June 2016	83,611,769 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 include 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**

***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 results briefing for institutional investors and analysts on August 8, 2017 (Tuesday). 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 first quarter of the current consolidated fiscal year, the Japanese economy continued to mark out a moderate recovery trend, with both corporate earnings and the employment environment improving against the backdrop of the fiscal and monetary policies implemented by the government and by the Bank of Japan. However, in addition to concerns about the economic slowdown already apparent among emerging countries in Asia, the degree of uncertainty about the global economy as a whole is also high due to the lack of policy stability shown by the US administration, and so the overall situation remains unclear at present.

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 Tokiwadai Nursery School	(Apr. 1, 2017)
Adachi Municipal Gotanno Nursery School	(Apr. 1, 2017)
Asc Nagasaki 1-chome Nursery School	(Apr. 1, 2017)
Asc Kamimeguro Nursery School	(Apr. 1, 2017)
Asc Iwado Kita Nursery School	(Apr. 1, 2017)
Asc Imaiminami Nursery School	(Apr. 1, 2017)
Asc Chogo Nursery School	(Apr. 1, 2017)
Asc Rifu Nursery School	(Apr. 1, 2017)
Asc Takeshita Nursery School	(Apr. 1, 2017)
Asc Chatan Nursery School	(Apr. 1, 2017)

(School club)

Acty Yanagicho	(Apr. 1, 2017)
Shitaya Kids' Club A,B	(Apr. 1, 2017)
Matsuba Kids' Club A,B	(Apr. 1, 2017)
Shibasaki Koen Kita No.1, No. 2 School Club	(Apr. 1, 2017)
Hanabatake No.2 School Club	(Apr. 1, 2017)

(Private school club)

AEL Yokohama Business Park	(Apr. 1, 2017)
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As a result, the Group came to have 182 nursery schools, 71 school clubs, 12 children's houses, and 5 private school clubs, making a total of 270 facilities for supporting child-raising at the end of June 2017. In addition, Asc Kagurazaka Nursery School, which had been running since November 2006, and Asc Hibarigaoka Nursery School, which had been running since August 2002, have been changed from Tokyo Licensed Nursery School to the Licensed Nursery School, and reopened in April 2017.

For the above reasons, for the first quarter of the consolidated fiscal year ending March 2018, net sales were 6,398 million yen (up 17.9% year on year), operating income was 236 million yen (up 235.8% year on year), ordinary income was 311 million yen (up 183.8% year on year), and net income attributable to owners of parent was 183 million yen (up 196.4% year on year).

(2) Financial Position

As for the financial position at the end of the first quarter of the current fiscal year, the total assets amounted to 23,594 million yen (down 407 million yen from the end of the previous fiscal year).

Current assets totaled 7,542 million yen (up 481 million yen from the end of the previous fiscal year), mainly because cash and deposits increased by 371 million yen, others increased by 180 million yen, and deferred tax assets increased by 131 million yen, while accounts receivable - other decreased by 129 million yen, and inventories decreased by 75 million yen.

Fixed assets totaled 16,051 million yen (down 889 million yen from the end of the previous fiscal year), mainly because buildings and structures increased by 550 million yen, while construction in progress decreased by 1,388 million yen.

Total liabilities amounted to 16,711 million yen (down 435 million yen from the end of the previous fiscal year).

Current liabilities totaled 6,850 million yen (up 311 million yen from the end of the previous fiscal year), mainly because accounts payable – other increased by 312 million yen, and others increased by 370 million yen, while reserve for bonuses decreased by 251 million yen, and current portion of long-term loans payable decreased by 142 million yen.

Current liabilities totaled 9,861 million yen (down 747 million yen from the end of the previous fiscal year), mainly because long-term loans payable decreased by 776 million yen.

Total net assets as of the end of the first quarter of the consolidated fiscal year ending March 2018 totaled 6,882 million yen (up 27 million yen from the end of the previous fiscal year), mainly because retained earnings decreased by 35 million yen, and treasury stock decreased by 59 million yen.

(3) Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts have not been revised from the announcement on May 9, 2017, 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.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

No applicable items.

(2) Additional Information

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

The first quarter of the consolidated fiscal year ending March 2018 (from April 1, 2017 to June 30, 2017)

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 869,660 thousand yen and 3,162,400 shares respectively, as of the end of the previous consolidated fiscal year, and 810,287 thousand yen and 2,946,500 shares respectively, as of the end of the first quarter of this consolidated fiscal year.

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

915,102 thousand yen as of the end of the previous consolidated fiscal year

845,156 thousand yen as of the end of the first quarter of this consolidated fiscal year

[Quarterly Consolidated Financial Statements]

[Quarterly Consolidated Balance Sheet]

(Thousand yen)

	Previous Fiscal Year (March 31, 2017)	Current First Quarter (June 30, 2017)
Assets		
Current assets		
Cash and deposits	4,017,591	4,389,029
Notes and accounts receivable-trade	50,552	53,041
Inventories	108,701	33,522
Deferred tax assets	421,877	553,780
Accounts receivable - other	1,698,958	1,569,512
Other	763,876	944,410
Allowance for doubtful accounts	-766	-772
Total current assets	7,060,792	7,542,524
Fixed assets		
Tangible fixed assets		
Buildings and structures	10,296,859	10,984,361
Accumulated depreciation and impairment loss	-3,434,689	-3,572,056
Buildings and structures, net	6,862,169	7,412,305
Machinery, equipment and vehicles	5,665	5,665
Accumulated depreciation	-1,370	-1,626
Machinery, equipment and vehicles, net	4,294	4,038
Tools, furniture and fixtures	614,965	673,396
Accumulated depreciation and impairment loss	-381,567	-403,289
Tools, furniture and fixtures, net	233,398	270,106
Land	980,894	980,894
Construction in progress	1,694,631	306,356
Total tangible fixed assets	9,775,387	8,973,701
Intangible fixed assets		
Goodwill	288,666	281,070
Other	234,792	221,915
Total intangible fixed assets	523,458	502,985
Investments and other assets		
Investment securities	629,836	650,881
Long-term loans receivable	3,176,073	3,132,013
Guarantee deposits	1,701,345	1,690,166
Deferred tax assets	328,764	329,047
Other	824,994	791,165
Allowance for doubtful accounts	-18,574	-18,316
Total investments and other assets	6,642,439	6,574,957
Total fixed assets	16,941,286	16,051,644
Total assets	24,002,078	23,594,169

(Thousand yen)

	Previous Fiscal Year (March 31, 2017)	Current First Quarter (June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	214,960	160,410
Current portion of long-term loans payable	3,250,349	3,107,908
Accounts payable – other	841,422	1,153,579
Income taxes payable	157,883	240,665
Accrued consumption taxes	165,273	165,726
Reserve for bonuses	398,839	147,363
Asset retirement obligation	10,726	4,392
Deferred tax liabilities	577	578
Other	1,498,695	1,869,379
Total current liabilities	6,538,727	6,850,004
Fixed liabilities		
Long-term loans payable	9,855,493	9,078,831
Deferred tax liabilities	1,668	1,758
Net defined benefit liability	471,565	488,028
Long-term accounts payable - other	3,700	3,700
Asset retirement obligation	235,619	236,370
Other	40,923	53,131
Total fixed liabilities	10,608,970	9,861,821
Total liabilities	17,147,697	16,711,826
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	4,730,138	4,694,415
Treasury stock	-869,918	-810,545
Total shareholders' equity	6,913,719	6,937,369
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-34,596	-32,362
Deferred gains or losses on hedges	852	-736
Remeasurements of defined benefit plans	-29,580	-25,899
Total accumulated other comprehensive income	-63,324	-58,998
Non-controlling interests	3,985	3,971
Total net assets	6,854,381	6,882,343
Total liabilities and net assets	24,002,078	23,594,169

[Quarterly Consolidated Statement of Income and Quarterly Statement of Comprehensive Income]
[Quarterly Consolidated Statement of Income]
[First Quarter of FY3/18]

	(Thousand yen)	
	Previous First Quarter (April 1, 2016– June 30, 2016)	Current First Quarter (April 1, 2017– June 30, 2017)
Net sales	5,424,630	6,398,219
Cost of sales	4,706,519	5,490,211
Gross profit	718,111	908,007
Selling, general and administrative expenses	647,599	671,213
Operating income	70,512	236,794
Non-operating revenues		
Interest income	15,988	28,647
Subsidy income	16,980	45,668
Guarantee commission received	16,402	16,402
Other	4,664	4,194
Total non-operating revenues	54,034	94,912
Non-operating expenses		
Interest expenses	12,416	13,868
Equity in losses of affiliates	-	2,225
Other	2,486	4,488
Total non-operating expenses	14,903	20,581
Ordinary income	109,643	311,125
Extraordinary loss		
Loss on retirement of non-current assets	310	677
Total extraordinary loss	310	677
Income before income taxes and others	109,333	310,447
Corporate, inhabitant and enterprise taxes	170,680	260,872
Income taxes-deferred	-123,384	-134,307
Total income taxes	47,296	126,564
Net income	62,037	183,882
Net loss attributable to non-controlling interests	-14	-13
Net income attributable to owners of parent	62,051	183,896

[Quarterly Consolidated Statement of Comprehensive Income]

[First Quarter of FY3/18]

	(Thousand yen)	
	Previous First Quarter (April 1, 2016– June 30, 2016)	Current First Quarter (April 1, 2017– June 30, 2017)
Net income	62,037	183,882
Other comprehensive income		
Valuation difference on available-for-sale securities	-10,781	2,234
Deferred gains or losses on hedges	-	-1,588
Remeasurements of defined benefit plans	2,386	3,680
Total other comprehensive income	-8,395	4,325
Comprehensive income	53,641	188,208
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	53,655	188,222
Comprehensive income attributable to non-controlling interests	-14	-13

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

First quarter of FY3/18 (April 1, 2017 – June 30, 2017)

None

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

First quarter of FY3/18 (April 1, 2017 – June 30, 2017)

None