

Summary of Business Results for the Second Quarter Ended September 30, 2017 [Japan GAAP] (Consolidated)

November 1, 2017

Company **JP-HOLDINGS, INC.** Listed on the TSE 1
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 Expected date of filing of quarterly securities report: November 14, 2017 Expected starting date of dividend payment: —
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts and for individual investors)

(Rounded down to million yen)

1. Consolidated business results for the six months ended September 2017

(April 1, 2017 through September 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 | % |
| Six months ended Sept. 2017 | 12,748 | 16.2 | 449 | 50.3 | 593 | 54.1 | 347 | 41.5 |
| Six months ended Sept. 2016 | 10,973 | 10.4 | 299 | -43.5 | 384 | -33.4 | 245 | -38.3 |

(Note) Comprehensive income

Six months ended September 2017: 322 million yen (32.2%)

Six months ended September 2016: 243 million yen (-33.8%)

| | Net income per share | | Diluted net income per share | |
|-----------------------------|----------------------|--|------------------------------|--|
| | Yen | | Yen | |
| Six months ended Sept. 2017 | 4.09 | | - | |
| Six months ended Sept. 2016 | 2.93 | | - | |

(2) Consolidated financial position

| | Total assets | | Net assets | | Shareholders' equity ratio | |
|----------------------|--------------|--|-------------|--|----------------------------|--|
| | Million yen | | Million yen | | % | |
| As of Sept. 30, 2017 | 23,569 | | 7,075 | | 30.0 | |
| As of Mar. 31, 2017 | 24,002 | | 6,854 | | 28.5 | |

(Reference) Shareholders' equity:

As of September 30, 2017: 7,071 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 |
| Year ended Mar. 31, 2017 | — Yen | 0.00 Yen | — Yen | 2.50 Yen | 2.50 Yen |
| Year ending Mar. 31, 2018 | — | 0.00 | | | |
| Year ending Mar. 31, 2018 (forecast) | | | — | 3.00 | 3.00 |

(Notes) 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. 31, 2018 | 26,125 | 14.6 | 1,157 | -1.0 | 1,400 | 3.7 | 777 | 17.6 | 9.25 | |

(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

- | | |
|---|--------|
| ①Changes in accounting policies associated with revision of accounting standards: | : None |
| ②Changes in accounting policies other than ① | : None |
| ③Changes in accounting estimates | : None |
| ④Restatement | : None |

(4) Shares outstanding (common stock)

①Number of shares outstanding at the end of period (treasury stock included)

| | |
|--------------------------|-------------------|
| As of September 30, 2017 | 87,849,400 shares |
| As of March 31, 2017 | 87,849,400 shares |

②Treasury stock at the end of period

| | |
|--------------------------|------------------|
| As of September 30, 2017 | 2,733,106 shares |
| As of March 31, 2017 | 3,164,106 shares |

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

| | |
|---------------------------------|-------------------|
| Six months ended September 2017 | 84,915,637 shares |
| Six months ended September 2016 | 83,785,665 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

*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 November 1, 2017 (Wednesday), and to hold the results briefing for individual investors on December 6, 2017 (Wednesday). After the briefing, the Company will promptly post presentation materials distributed at the 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 second quarter of the current consolidated fiscal year, the Japanese economy continued to mark out a moderate recovery trend due to improvements in corporate earnings, employment and personal income environment. However, the outlook for Japan remains unclear because of overseas political events, economic uncertainty and other reasons.

In Japan's nursery service business, there are still many problems, particularly the difficulty of recruiting nursery school teachers. The Japanese government is taking actions to deal with the growing number of children on waiting lists for day care facilities. For example, there are new or upgraded measures to raise salaries for nursery school teachers and increase the number of nursery facilities.

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) |
| Asc Maezato Nursery School | (Jul. 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) |
|----------------------------|----------------|

As a result, the Group came to have 183 nursery schools, 71 school clubs, 12 children's houses, and 5 private school clubs, making a total of 271 facilities for supporting child-raising at the end of the second quarter of the current fiscal year.

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 second quarter of the current fiscal year, net sales were 12,748 million yen (up 16.2% year on year), operating income was 449 million yen (up 50.3% year on year), ordinary income was 593 million yen (up 54.1% year on year), and net income attributable to owners of parent was 347 million yen (up 41.5% year on year).

(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 23,569 million yen (down 432 million yen from the end of the previous fiscal year).

Current assets totaled 7,624 million yen (up 563 million yen from the end of the previous fiscal year), mainly because cash and deposits increased by 495 million yen, others increased by 78 million yen, deferred tax assets increased by 31 million yen, and accounts receivable - other increased by 27 million yen, while inventories decreased by 75 million yen.

Fixed assets totaled 15,945 million yen (down 995 million yen from the end of the previous fiscal year), mainly because buildings and structures increased by 692 million yen, while construction in progress decreased by 1,597 million yen, investments and other assets decreased by 56 million yen, and long-term loans receivable decreased by 33 million yen.

Total liabilities amounted to 16,494 million yen (down 653 million yen from the end of the previous fiscal year).

Current liabilities totaled 7,299 million yen (up 761 million yen from the end of the previous fiscal year), mainly because short-term loans payable increased by 600 million yen, and accounts payable – other increased by 389 million yen, while current portion of long-term loans payable decreased by 226 million yen.

Fixed liabilities totaled 9,194 million yen (down 1,414 million yen from the end of the previous fiscal year), mainly because net defined benefit liability increased by 16 million yen, and others increased by 16 million yen, while long-term loans payable decreased by 1,449 million yen.

Total net assets as of the end of the second quarter of the current fiscal year totaled 7,075 million yen (up 221 million yen from the end of the previous fiscal year), mainly because retained earnings increased by 127 million yen, while treasury stock decreased by 118 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.

[Quarterly Consolidated Financial Statements]

[Quarterly Consolidated Balance Sheet]

(Thousand yen)

| | Previous Fiscal Year (March 31, 2017) | Current Second Quarter (September 30, 2017) |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,017,591 | 4,513,390 |
| Notes and accounts receivable-trade | 50,552 | 55,864 |
| Inventories | 108,701 | 33,449 |
| Deferred tax assets | 421,877 | 453,619 |
| Accounts receivable - other | 1,698,958 | 1,726,510 |
| Other | 763,876 | 841,967 |
| Allowance for doubtful accounts | -766 | -784 |
| Total current assets | 7,060,792 | 7,624,018 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures | 10,296,859 | 11,267,112 |
| Accumulated depreciation and impairment loss | -3,434,689 | -3,712,454 |
| Buildings and structures, net | 6,862,169 | 7,554,657 |
| Machinery, equipment and vehicles | 5,665 | 5,665 |
| Accumulated depreciation | -1,370 | -1,882 |
| Machinery, equipment and vehicles, net | 4,294 | 3,782 |
| Tools, furniture and fixtures | 614,965 | 692,505 |
| Accumulated depreciation and impairment loss | -381,567 | -426,010 |
| Tools, furniture and fixtures, net | 233,398 | 266,495 |
| Land | 980,894 | 980,894 |
| Construction in progress | 1,694,631 | 96,913 |
| Total tangible fixed assets | 9,775,387 | 8,902,744 |
| Intangible fixed assets | | |
| Goodwill | 288,666 | 273,473 |
| Other | 234,792 | 219,936 |
| Total intangible fixed assets | 523,458 | 493,410 |
| Investments and other assets | | |
| Investment securities | 629,836 | 616,719 |
| Long-term loans receivable | 3,176,073 | 3,142,798 |
| Guarantee deposits | 1,701,345 | 1,703,631 |
| Deferred tax assets | 328,764 | 335,894 |
| Other | 824,994 | 768,770 |
| Allowance for doubtful accounts | -18,574 | -18,274 |
| Total investments and other assets | 6,642,439 | 6,549,541 |
| Total fixed assets | 16,941,286 | 15,945,695 |
| Total assets | 24,002,078 | 23,569,713 |

(Thousand yen)

| | Previous Fiscal Year (March 31, 2017) | Current Second Quarter (September 30, 2017) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 214,960 | 151,822 |
| Short-term loans payable | - | 600,000 |
| Current portion of long-term loans payable | 3,250,349 | 3,024,066 |
| Accounts payable – other | 841,422 | 1,231,002 |
| Income taxes payable | 157,883 | 233,627 |
| Accrued consumption taxes | 165,273 | 58,051 |
| Reserve for bonuses | 398,839 | 473,314 |
| Asset retirement obligation | 10,726 | - |
| Deferred tax liabilities | 577 | 0 |
| Other | 1,498,695 | 1,527,985 |
| Total current liabilities | 6,538,727 | 7,299,870 |
| Fixed liabilities | | |
| Long-term loans payable | 9,855,493 | 8,405,786 |
| Deferred tax liabilities | 1,668 | 1,877 |
| Net defined benefit liability | 471,565 | 488,370 |
| Long-term accounts payable - other | 3,700 | 3,700 |
| Asset retirement obligation | 235,619 | 237,122 |
| Other | 40,923 | 57,587 |
| Total fixed liabilities | 10,608,970 | 9,194,443 |
| Total liabilities | 17,147,697 | 16,494,314 |
| Net assets | | |
| Shareholders' equity | | |
| Capital | 1,603,955 | 1,603,955 |
| Capital surplus | 1,449,544 | 1,449,544 |
| Retained earnings | 4,730,138 | 4,857,565 |
| Treasury stock | -869,918 | -751,393 |
| Total shareholders' equity | 6,913,719 | 7,159,672 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | -34,596 | -66,361 |
| Deferred gains or losses on hedges | 852 | 349 |
| Remeasurements of defined benefit plans | -29,580 | -22,219 |
| Total accumulated other comprehensive income | -63,324 | -88,231 |
| Non-controlling interests | 3,985 | 3,959 |
| Total net assets | 6,854,381 | 7,075,399 |
| Total liabilities and net assets | 24,002,078 | 23,569,713 |

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

| | (Thousand yen) | |
|--|---|--|
| | Previous Second Quarter (April 1, 2016– September 30, 2016) | Current Second Quarter (April 1, 2017– September 30, 2017) |
| Net sales | 10,973,025 | 12,748,825 |
| Cost of sales | 9,445,589 | 10,979,215 |
| Gross profit | 1,527,435 | 1,769,609 |
| Selling, general and administrative expenses | 1,228,384 | 1,320,144 |
| Operating income | 299,051 | 449,465 |
| Non-operating revenues | | |
| Interest income | 32,012 | 55,079 |
| Subsidy income | 43,490 | 86,007 |
| Guarantee commission received | 32,804 | 32,804 |
| Other | 6,508 | 7,789 |
| Total non-operating revenues | 114,816 | 181,681 |
| Non-operating expenses | | |
| Interest expenses | 23,280 | 25,559 |
| Equity in losses of affiliates | - | 7,426 |
| Other | 5,618 | 5,095 |
| Total non-operating expenses | 28,898 | 38,082 |
| Ordinary income | 384,969 | 593,064 |
| Extraordinary loss | | |
| Loss on retirement of non-current assets | 310 | 741 |
| Loss on valuation of investment securities | - | 1,404 |
| Total extraordinary loss | 310 | 2,146 |
| Income before income taxes and others | 384,658 | 590,917 |
| Corporate, inhabitant and enterprise taxes | 157,895 | 272,837 |
| Income taxes-deferred | -18,510 | -28,939 |
| Total income taxes | 139,384 | 243,898 |
| Net income | 245,273 | 347,019 |
| Net loss attributable to non-controlling interests | -26 | -26 |
| Net income attributable to owners of parent | 245,300 | 347,046 |

[Quarterly Consolidated Statement of Comprehensive Income]

[Second Quarter of FY3/18]

| | (Thousand yen) | |
|--|---|--|
| | Previous Second Quarter (April 1, 2016– September 30, 2016) | Current Second Quarter (April 1, 2017– September 30, 2017) |
| Net income | 245,273 | 347,019 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -6,481 | -31,764 |
| Deferred gains or losses on hedges | - | -502 |
| Remeasurements of defined benefit plans | 4,772 | 7,360 |
| Total other comprehensive income | -1,709 | -24,907 |
| Comprehensive income | 243,564 | 322,112 |
| (Breakdown) | | |
| Comprehensive income attributable to shareholders of the parent company | 243,591 | 322,139 |
| Comprehensive income attributable to non-controlling interests | -26 | -26 |

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Second quarter of FY3/18 (April 1, 2017 – September 30, 2017)

None

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

Second quarter of FY3/18 (April 1, 2017 – September 30, 2017)

None

(Additional information)

[Trading regarding the stock distribution trust (employee stock ownership disposal type)]

Second quarter of the current fiscal year (April 1, 2017 – September 30, 2017)

At our company, we have a “stock distribution trust (employee stock ownership disposal type)” (hereinafter referred to as “this system”) to improve the welfare of our employees as well as to provide the incentive for the added corporate value.

(1) Summary of trading

This system is an incentive plan to return the stock appreciation merits of our company to all employees who are members of the “JP Employees Stock Ownership” (hereinafter referred to as “the stock ownership”).

In this system, our company is bound by the stock distribution trust contract (employee stock ownership disposal type) (hereinafter referred to as “this trust contract”) with our company as the trustor 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.” Additionally, Mizuho Trust & Banking Co., Ltd. is bound by the re-trust contract with Trust & Custody Services Bank, Ltd. (hereinafter referred to as “Trust E Bank”) with the said bank as the re-trustee to re-trust the management of the trust assets such as securities.

In the future, Trust E Bank will obtain in bulk the stocks of our company that are to be acquired by the stock ownership in advance, and it will sell the stocks according to the stock purchases by the stock ownership. Should the equivalent amount to the profit from sales of stocks accumulate in this trust’s assets through the sale by Trust E Bank to the stock ownership before the termination of the trust, this will be distributed to the members of the stock ownership who fulfill the beneficiary qualifications as the residuary assets. Our company guarantees the trust banks’ loans to obtain the treasury shares; therefore, should there be a residuary liability equivalent to the loss on the sales of stocks due to the reasons such as nosedive of our share prices at the completion of the trust, our company will compensate for the said liability according to the guarantee contract.

(2) Own stocks remaining in the trust

Our company appropriates the own shares remaining in the trust as the treasury shares as part of the net assets through the book value of the trust (except for the incidental expenses). The book value and the number of stocks of the treasury shares are 869,660 thousand yen and 3,162,400 stocks at the end of the previous fiscal year, and 751,135 thousand yen and 2,731,400 stocks at the end of the second quarter of the current fiscal year.

(3) Book value of debts appropriated by the gross price method

End of the previous fiscal year: 915,102 thousand yen

End of the second quarter of the current fiscal year: 781,751 thousand yen