Summary of Business Results for the First Quarter Ended June 30, 2016 [Japan GAAP] (Consolidated)

August 5, 2016

Company **JP-HOLDINGS, INC.** Listed on the TSE 1
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Expected date of filing of annual securities report: August 12, 2016 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 2016 (April 1, 2016 through June 30, 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	%
Three months ended Jun. 2016	5,424	11.1	99	-60.0	138	-50.5	81	-58.9
Three months ended Jun. 2015	4,881	15.4	248	13.4	280	9.5	197	9.3

(Note) Comprehensive income

Three months ended June 2016: 72 million yen (-63.5 %)

Three months ended June 2015: 199 million yen (12.7 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 2016	0.97	-
Three months ended Jun. 2015	2.36	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2016	21,974	6,282	28.6
As of Mar. 31, 2016	21,519	6,570	30.5

(Reference) Shareholders' equity

As of June 30, 2016: 6,278 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	-				
Year ending Mar. 2017 (forecast)		0.00	-	4.00	4.00

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

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
Year ending Mar. 2017	22,340	8.7	1,564	-14.8	1,651	-12.4	1,057	-11.9	12.68

(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

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 June 30, 2016	87,849,400 shares
As of March 31, 2016	87,849,400 shares

②Treasury stock at the end of period

As of June 30, 2016	4,108,206 shares
As of March 31, 2016	4,394,106 shares

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

Three months ended June 2016	83,611,769 shares
Three months ended June 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 first 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 procedures**

・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 consolidated financial statements pursuant to the Financial Instruments and Exchange Act are being conducted.

***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 9, 2016. After the results breifing, 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.

○Table of Contents of the Appendix

1. Qualitative Information on Quarterly Financial Results 2
(1) Results of Operations 2
(2) Financial Position 3
(3) Consolidated Earnings Forecasts 3
2. Summary Information (Notes) 4
(1) Changes in Significant Subsidiaries during the Period 4
(2) Application of Accounting Procedures Specific to Preparation of the Consolidated Quarterly Financial Statements 4
(3) Changes in Accounting Policies, Accounting Estimates and Restatement 4
(4) Additional Information 4
3. Quarterly Financial Statements 5
(1) Quarterly Consolidated Balance Sheets 5
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income 7
(3) Notes on quarterly consolidated financial statements 9
(Notes on going concern assumption) 9
(Notes if there is a significant change in the amount of shareholders' equity) 9

1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the first quarter of the consolidated fiscal year ending March 2017, the Japanese economy was on a gentle recovery track, as the employment environment has improved due to the financial policies and measures of the government and the Bank of Japan, etc., but the economic outlook remains uncertain, because of the unstable trends of share prices and exchange rates due to the concern over the slowdown of the economies of emerging countries, the British exit from the EU, etc.

Under these circumstances, the needs for nursery schools in the nursery service business are 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)

(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)

(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)

As a result, the Group came to have 165 nursery schools, 61 school clubs, and 12 Children's houses, a total of 238 facilities for supporting child-raising.

For the above reasons, for the first quarter of the consolidated fiscal year ending March 2017, sales were 5,424 million yen, up 11.1% year on year, operating income was 99 million yen, down 60.0% year on year, ordinary income was 138 million yen, down 50.5% year on year, and net income attributable to owners of parent was 81 million yen, down 58.9% year on year.

(2) Financial Position

Assets, Liabilities and Net Assets

The total assets as of the end of the first quarter of the consolidated fiscal year ending March 2017 amounted to 21,974 million yen, up 455 million yen from the end of the previous fiscal year.

Current assets totaled up to 7,637 million yen, up 683 million yen from the end of the previous fiscal year, mainly because cash and deposits increased by 1,253 million yen and deferred tax assets increased by 120 million yen, while accounts receivable, other current assets, and inventory assets decreased by 442 million yen, 177 million yen, and 74 million yen, respectively.

Fixed assets totaled up to 14,336 million yen, down 228 million yen from the end of the previous fiscal year, mainly because buildings and structures increased by 936 million yen and tools, furniture, and fixtures increased by 59 million yen, while construction in progress decreased by 1,223 million yen.

The total liabilities amounted to 15,691 million yen, up 743 million yen from the end of the previous fiscal year.

Current liabilities totaled up to 6,371 million yen, up 421 million yen from the end of the previous fiscal year, mainly because accounts payable increased by 377 million yen and other current liabilities increased by 512 million yen, while reserve for bonuses and accrued income tax, etc. decreased by 237 million yen and 207 million yen, respectively.

Fixed liabilities totaled up to 9,319 million yen, up 321 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 277 million yen, 28 million yen, and 15 million yen, respectively.

Total net assets as of the end of the first quarter of the consolidated fiscal year ending March 2017 totaled up to 6,282 million yen, down 288 million yen from the end of the previous fiscal year, mainly because retained earnings decreased through the payment of dividends.

(3) Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts have not been revised from the announcement on May 10, 2016, 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) 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 first quarter of the consolidated fiscal year ending March 2017 (From Apr. 1, 2016 to Jun. 30, 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 first quarter of the consolidated fiscal year ending March 2017 (From Apr. 1, 2016 to Jun. 30, 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 the corporate value.

(1) Outline of the transaction

This system is an incentive plan for returning the merits of the increase in the price of the company's shares to all employees who joined "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 being the entruster and Mizuho Trust & Banking Co., Ltd. being the entrustee. The trust set up in accordance with this trust contract is called "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 being 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 gain on sale of shares is accumulated in trust assets for this trust as Trust E sells shares to the Shareholding Association, it will be distributed to the members of the Shareholding Association who satisfy the requirements as beneficiaries as residual assets. In addition, the trust bank guarantees the borrowings for acquiring the company's shares, and so if there remains some debts equivalent to the loss from sale of the shares due to the decrease in the company's share price, 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 1,129,287 thousand yen and 4,106,500 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

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

1,207,910,000 yen as of the end of the first quarter of this consolidated fiscal year

3. [Quarterly Consolidated Financial Statements]

(1) [Quarterly Consolidated Balance Sheet]

(Thousand yen)

	Previous Fiscal Year (March 31, 2016)	Current First Quarter (June 30, 2016)
Assets		
Current assets		
Cash and deposits	3,777,936	5,031,900
Notes and accounts receivable-trade	41,839	45,804
Investment securities	21,027	20,408
Inventories	98,453	24,251
Deferred tax assets	442,078	562,435
Accounts receivable - other	1,770,729	1,328,027
Other	802,493	625,290
Allowance for doubtful accounts	-549	-621
Total current assets	6,954,010	7,637,496
Fixed assets		
Tangible fixed assets		
Buildings and structures	8,404,192	9,427,600
Accumulated depreciation and impairment loss	-2,448,271	-2,535,097
Buildings and structures, net	5,955,921	6,892,502
Machinery, equipment and vehicles	9,148	9,148
Accumulated depreciation	-4,130	-4,367
Machinery, equipment and vehicles, net	5,017	4,780
Tools, furniture and fixtures	484,281	556,539
Accumulated depreciation and impairment loss	-284,812	-297,536
Tools, furniture and fixtures, net	199,469	259,003
Land	980,894	980,894
Construction in progress	1,759,076	535,856
Total tangible fixed assets	8,900,378	8,673,037
Intangible fixed assets		
Other	12,135	11,831
Total intangible fixed assets	12,135	11,831
Investments and other assets		
Investment securities	313,534	302,109
Long-term loans receivable	2,881,772	2,879,492
Guarantee deposits	1,628,547	1,626,197
Deferred tax assets	164,472	173,531
Other	679,407	685,552
Allowance for doubtful accounts	-15,213	-15,180
Total investments and other assets	5,652,521	5,651,703
Total fixed assets	14,565,035	14,336,572
Total assets	21,519,046	21,974,069

(Thousand yen)

	Previous Fiscal Year (March 31, 2016)	Current First Quarter (June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	191,107	158,113
Current portion of long-term loans payable	2,935,368	2,987,028
Accounts payable - other	691,961	1,069,888
Income taxes payable	364,677	157,224
Accrued consumption taxes	67,491	45,426
Reserve for bonuses	334,000	96,275
Asset retirement obligation	23,892	4,392
Other	1,341,386	1,853,438
Total current liabilities	5,949,884	6,371,787
Fixed liabilities		
Long-term loans payable	8,457,330	8,734,803
Deferred tax liabilities	2,240	2,388
Net defined benefit liability	377,714	393,018
Long-term accounts payable - other	4,950	4,950
Asset retirement obligation	156,505	184,720
Total fixed liabilities	8,998,740	9,319,880
Total liabilities	14,948,625	15,691,668
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	4,798,586	4,440,355
Treasury stock	-1,208,168	-1,129,545
Total shareholders' equity	6,643,918	6,364,308
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-52,792	-63,574
Remeasurements of defined benefit plans	-24,742	-22,355
Total accumulated other comprehensive income	-77,534	-85,930
Non-controlling interests	4,036	4,022
Total net assets	6,570,420	6,282,401
Total liabilities and net assets	21,519,046	21,974,069

(2) [Quarterly Consolidated Statement of Income and Quarterly Statement of Comprehensive Income]
[Quarterly Consolidated Statement of Income]
[First Quarter of FY3/17]

(Thousand yen)

	Previous First Quarter (April 1, 2015– June 30, 2015)	Current First Quarter (April 1, 2016– June 30, 2016)
Net sales	4,881,898	5,424,869
Cost of sales	4,205,075	4,685,085
Gross profit	676,823	739,784
Selling, general and administrative expenses	427,978	640,357
Operating income	248,845	99,427
Non-operating revenues		
Interest income	11,771	15,988
Subsidy income	23,812	16,980
Guarantee commission received	-	16,402
Other	5,939	4,664
Total non-operating revenues	41,524	54,034
Non-operating expenses		
Interest expenses	10,233	12,416
Other	0	2,486
Total non-operating expenses	10,234	14,903
Ordinary income	280,135	138,559
Extraordinary loss		
Loss on retirement of non-current assets	-	310
Total extraordinary loss	-	310
Income before income taxes and others	280,135	138,248
Corporate, inhabitant and enterprise taxes	235,273	183,044
Income taxes-deferred	-152,218	-125,794
Total income taxes	83,054	57,249
Net income	197,080	80,998
Net loss attributable to non-controlling interests	-13	-14
Net income attributable to owners of parent	197,094	81,013

[Quarterly Consolidated Statement of Comprehensive Income]

[First Quarter of FY2017]

(Thousand yen)

	Previous First Quarter (April 1, 2015– June 30, 2015)	Current First Quarter (April 1, 2016– June 30, 2016)
Net income	197,080	80,998
Other comprehensive income		
Valuation difference on available-for-sale securities	926	-10,781
Remeasurements of defined benefit plans	1,068	2,386
Total other comprehensive income	1,995	-8,395
Comprehensive income	199,075	72,603
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	199,089	72,617
Comprehensive income attributable to non-controlling interests	-13	-14

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

First quarter of FY3/17 (April 1, 2016 – June 30, 2016)

None

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

First quarter of FY3/17 (April 1, 2016 – June 30, 2016)

None