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

November 4, 2016

Company	**JP-HOLDINGS, INC.**	Listed on the TSE 1
Stock Code	2749	URL: http://www.jp-holdings.co.jp
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Expected date of filing of annual securities report: November 11, 2016 Expected starting date of dividend payment: —
Preparation of supplementary financial document: Yes
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 2016 (April 1, 2016 through September 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	%
Six months ended Sept. 2016	10,973	10.4	351	-40.3	437	-31.4	279	-33.3
Six months ended Sept. 2015	9,941	15.1	588	7.1	637	4.3	419	7.8

(Note) Comprehensive income
Six months ended September 2016: 277 million yen (-28.7%)
Six months ended September 2015: 389 million yen (-5.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sept. 2016	3.34	-
Six months ended Sept. 2015	5.02	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sept. 30, 2016	22,296	6,587	29.5
As of Mar. 31, 2016	21,519	6,570	30.5

(Reference) Shareholders' equity:
As of September 30, 2016: 6,583 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. 31, 2016	—	0.00	—	5.00	5.00
Year ending Mar. 31, 2017	—	0.00			
Year ending Mar. 31, 2017 (forecast)			—	4.00	4.00

(Notes) 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. 31, 2017	22,340	8.7	1,564	-14.8	1,651	-12.4	1,057	-11.9	12.68

(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, 2016	87,849,400 shares
As of March 31, 2016	87,849,400 shares

②Treasury stock at the end of period

As of September 30, 2016	3,745,706 shares
As of March 31, 2016	4,394,106 shares

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

Six months ended September 2016	83,785,665 shares
Six months ended September 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 second 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 November 8, 2016 (Tuesday), and to hold the results briefing for individual investors in November 26, 2016 (Saturday). 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the second 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 the appreciation of the yen, which induced a standstill of corporate earnings, and 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, and so on.

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)
Asc Ryuhoku Nursery School	(Jul. 1, 2016)
Asc Tsujido Nursery School	(Aug. 1, 2016)
Asc Kokuba Nursery School	(Sep. 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)

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 Sep. 30, 2016, which brought the four nursery schools of GENKIDS Ryokuen-toshi, GENKIDS Seya, GENKIDS Izumi-Chuo, and GENKIDS Hoshikawa, as well as the three private school clubs of Elfikids Futamatagawa, Elfikids Ryokuen-toshi, and Elfikids Turugamine into the Group's facilities. As a result, the Group came to have 171 nursery schools, 62 school clubs, 12 children's houses, and 4 private school clubs for a total of 249 facilities for supporting child-raising. In addition, Ryuhoku Nursery School, which had been running since Apr. 2013, relocated and reopened in July 2016 as the licensed nursery school Asc Ryuhoku Nursery School.

For the above reasons, for the second quarter of the consolidated fiscal year ending March 2017, sales were 10,973 million yen (up 10.4% year on year), operating income was 351 million yen (down 40.3% year on year), ordinary income was 437 million yen (down 31.4% year on year), and net income attributable to owners of parent was 279 million yen (down 33.3% year on year).

(2) Financial Position

Assets, Liabilities and Net Assets

The total assets as of the end of the second quarter of the consolidated fiscal year ending March 2017 amounted to 22,296 million yen, up 777 million yen from the end of the previous fiscal year. Current assets totaled 7,104 million yen (up 150 million yen from the end of the previous fiscal year), mainly because cash and deposits increased by 525 million yen while accounts receivable - other decreased by 198 million yen, and other accounts such as receivable consumption tax etc. decreased by 144 million yen.

Fixed assets totaled 15,191 million yen (up 626 million yen from the end of the previous fiscal year), mainly because buildings and structures increased by 1,333 million yen, tools, furniture and fixtures increased by 57 million yen, goodwill increased by 303 million yen, other intangible fixed assets increased by 99 million yen, and long-term loans receivable increased by 174 million yen, while construction in progress decreased by 1,377 million yen.

Total liabilities amounted to 15,709 million yen, up 760 million yen from the end of the previous fiscal year.

Current liabilities totaled 6,255 million yen (up 305 million yen from the end of the previous fiscal year), mainly because short-term loans payable increased by 500 million yen while accounts payable – other decreased by 228 million yen.

Fixed liabilities totaled 9,453 million yen (up 454 million yen from the end of the previous fiscal year), mainly because long-term loans payable, net defined benefit liability, asset retirement obligation, and other increased by 275 million yen, 53 million yen, 77 million yen, and 50 million yen, respectively.

Total net assets as of the end of the second quarter of the consolidated fiscal year ending March 2017 totaled 6,587 million yen (up 16 million yen from the end of the previous fiscal year) mainly because treasury stock and retained earnings decreased by 178 million yen and 159 million yen, respectively.

(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 forecasts according to the changes in business situations, etc. If there are any changes, the company will disclose them appropriately.

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 second quarter of the consolidated fiscal year ending March 2017 (From Apr. 1, 2016 to Sep. 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 second quarter of the consolidated fiscal year ending March 2017 (From Apr. 1, 2016 to Sep. 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 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 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 the gain on the sale of shares is accumulated in trust assets for this trust before the termination of the trust as Trust E sells 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 remain some debts equivalent to the loss from sale of the shares due to the decrease in the company's share price 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 1,029,600 thousand yen and 3,744,000 shares, respectively, as of the end of the second 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

1,103,653,000 yen as of the end of the second quarter of this consolidated fiscal year

[Quarterly Consolidated Financial Statements]

[Quarterly Consolidated Balance Sheet]

(Thousand yen)

	Previous Fiscal Year (March 31, 2016)	Current Second Quarter (September 30, 2016)
Assets		
Current assets		
Cash and deposits	3,777,936	4,303,931
Notes and accounts receivable-trade	41,839	51,539
Investment securities	21,027	20,408
Inventories	98,453	29,131
Deferred tax assets	442,078	470,663
Accounts receivable - other	1,770,729	1,571,753
Other	802,493	657,902
Allowance for doubtful accounts	-549	-632
Total current assets	6,954,010	7,104,698
Fixed assets		
Tangible fixed assets		
Buildings and structures	8,404,192	10,077,725
Accumulated depreciation and impairment loss	-2,448,271	-2,788,716
Buildings and structures, net	5,955,921	7,289,008
Machinery, equipment and vehicles	9,148	9,148
Accumulated depreciation	-4,130	-4,603
Machinery, equipment and vehicles, net	5,017	4,544
Tools, furniture and fixtures	484,281	584,964
Accumulated depreciation and impairment loss	-284,812	-327,707
Tools, furniture and fixtures, net	199,469	257,256
Land	980,894	980,894
Construction in progress	1,759,076	381,384
Total tangible fixed assets	8,900,378	8,913,089
Intangible fixed assets		
Goodwill	-	303,859
Other	12,135	111,665
Total intangible fixed assets	12,135	415,525
Investments and other assets		
Investment securities	313,534	315,529
Long-term loans receivable	2,881,772	3,056,329
Guarantee deposits	1,628,547	1,631,713
Deferred tax assets	164,472	185,493
Other	679,407	689,963
Allowance for doubtful accounts	-15,213	-15,889
Total investments and other assets	5,652,521	5,863,141
Total fixed assets	14,565,035	15,191,756
Total assets	21,519,046	22,296,454

(Thousand yen)

	Previous Fiscal Year (March 31, 2016)	Current Second Quarter (September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	191,107	136,157
Short-term loans payable	-	500,000
Current portion of long-term loans payable	2,935,368	2,876,373
Accounts payable – other	691,961	463,872
Income taxes payable	364,677	146,969
Accrued consumption taxes	67,491	42,090
Reserve for bonuses	334,000	418,018
Asset retirement obligation	23,892	4,392
Other	1,341,386	1,667,767
Total current liabilities	5,949,884	6,255,641
Fixed liabilities		
Long-term loans payable	8,457,330	8,732,334
Deferred tax liabilities	2,240	2,547
Net defined benefit liability	377,714	430,756
Long-term accounts payable - other	4,950	3,700
Asset retirement obligation	156,505	233,823
Other	-	50,382
Total fixed liabilities	8,998,740	9,453,543
Total liabilities	14,948,625	15,709,184
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	4,798,586	4,638,861
Treasury stock	-1,208,168	-1,029,858
Total shareholders' equity	6,643,918	6,662,502
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-52,792	-59,274
Remeasurements of defined benefit plans	-24,742	-19,969
Total accumulated other comprehensive income	-77,534	-79,243
Non-controlling interests	4,036	4,010
Total net assets	6,570,420	6,587,269
Total liabilities and net assets	21,519,046	22,296,454

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

(Thousand yen)

	Previous Second Quarter (April 1, 2015– September 30, 2015)	Current Second Quarter (April 1, 2016– September 30, 2016)
Net sales	9,941,582	10,973,462
Cost of sales	8,565,649	9,407,083
Gross profit	1,375,933	1,566,378
Selling, general and administrative expenses	787,761	1,215,154
Operating income	588,171	351,224
Non-operating revenues		
Interest income	25,689	32,012
Subsidy income	33,955	43,490
Guarantee commission received	-	32,804
Other	9,934	6,508
Total non-operating revenues	69,579	114,816
Non-operating expenses		
Interest expenses	19,794	23,280
Other	485	5,618
Total non-operating expenses	20,280	28,898
Ordinary income	637,470	437,142
Extraordinary loss		
Loss on retirement of non-current assets	1,596	310
Loss on impairment long-lived asset	23,065	-
Total extraordinary loss	24,662	310
Income before income taxes and others	612,808	436,831
Corporate, inhabitant and enterprise taxes	298,594	180,479
Income taxes-deferred	-104,944	-23,134
Total income taxes	193,650	157,344
Net income	419,157	279,486
Net loss attributable to non-controlling interests	-50	-26
Net income attributable to owners of parent	419,208	279,513

[Quarterly Consolidated Statement of Comprehensive Income]

[Second Quarter of FY2017]

(Thousand yen)

	Previous Second Quarter (April 1, 2015– September 30, 2015)	Current Second Quarter (April 1, 2016– September 30, 2016)
Net income	419,157	279,486
Other comprehensive income		
Valuation difference on available-for-sale securities	-31,422	-6,481
Remeasurements of defined benefit plans	2,114	4,772
Total other comprehensive income	-29,307	-1,709
Comprehensive income	389,850	277,777
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	389,900	277,804
Comprehensive income attributable to non-controlling interests	-50	-26

●Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Second quarter of FY3/17 (April 1, 2016 – September 30, 2016)

None

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

Second quarter of FY3/17 (April 1, 2016 – September 30, 2016)

None