

Summary of Business Results for the Third Quarter Ended December 31, 2017

[Japan GAAP] (Consolidated)

February 1, 2018

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 14, 2018
 Preparation of supplementary financial document: Yes
 Results briefing: Yes (for institutional 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 2017

(April 1, 2017 through December 31, 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	%
Nine months ended Dec. 2017	19,771	18.2	637	-4.9	855	5.7	484	3.9
Nine months ended Dec. 2016	16,720	11.1	669	-32.0	809	-23.4	466	-30.2

(Note) Comprehensive income

Nine months ended December 2017: 490 million yen (-2.7%)

Nine months ended December 2016: 503 million yen (-19.0%)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Nine months ended Dec. 2017	5.70	-	-	-
Nine months ended Dec. 2016	5.56	-	-	-

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of Dec. 31, 2017	26,065	7,302	28.0			
As of Mar. 31, 2017	24,002	6,854	28.5			

(Reference) Shareholders' equity

As of December 31, 2017: 7,298 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	-	0.00	-		
Year ending Mar. 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	Yen
Year ending Mar. 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
- | | |
|--|--------|
| 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, 2017	87,849,400 shares
As of March 31, 2017	87,849,400 shares

- ② Treasury stock at the end of period

As of December 31, 2017	2,519,406 shares
As of March 31, 2017	3,164,106 shares

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

Nine months ended December 2017	85,013,554 shares
Nine months ended December 2016	83,940,674 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. 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 February 2, 2018. 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.

○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	4
3. Quarterly Consolidated 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
(Additional information).....	9

1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

In the third quarter of the current consolidated fiscal year, the outlook for the Japanese economy remained unclear due to the unstable international situation, but with continued positive factors such as the recovery in corporate earnings and the improving trend in both the employment and income environments, the trend towards a gradual recovery has been maintained against the backdrop of the successful effects of various economic policy initiatives undertaken by the government.

Given this environment, demand for childcare is increasing in response to women's advancement and active participation in society, and as the issue of the number of children waiting for admission continues to become more and more serious. In the 'New Economic Policy Package' approved by the cabinet on December 8, 2017, the government rapidly accelerated its program of providing free early childhood education and at the same time fast-tracked its 'Plan for Raising Children in Peace of Mind' ahead of schedule by establishing a policy program to provide daycare for 320,000 children by the end of 2020, and to more effectively tackle the challenge of delivering improvements both in the recruiting nursery school teachers and in the levels of compensation they receive. It is expected that the size of the market will continue to expand in response to these government policies, and also that local governments will continue and expand its efforts to eliminate the problem of having children waiting for admission to childcare facilities.

Under these circumstances, the Group has continued to strive to boost its recruitment of nursery school teachers and to raise its retention rates by improving the compensation for employees working at nursery schools and other measures, in pursuit of its aim of realizing high-quality childcare. In addition, the Group has actively promoted the opening of approved nursery schools etc., to respond to the rising levels of demand for nursery services, and also opened our Group's first overseas facility in Vietnam exploiting the abundant experience that the Group has accumulated through its domestic operations in Japan.

At the end of the third quarter of the current fiscal year, the Group has opened 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	(Apr. 1, 2017)
Shitaya Kids' Club B	(Apr. 1, 2017)
Matsuba Kids' Club A	(Apr. 1, 2017)
Matsuba Kids' Club B	(Apr. 1, 2017)
Shibasaki Koen Kita No.1 School Club	(Apr. 1, 2017)
Shibasaki Koen Kita 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)
----------------------------	----------------

(Kindergarten (overseas facility))

COHAS DANANG	(Sep. 12, 2017)
--------------	-----------------

As a result, the Group came to have 183 nursery schools, 71 school clubs, 12 children's houses, 5 private school clubs, and 1 kindergarten (overseas facility), making a total of 272 facilities for supporting child-raising at the end of the third quarter of the current fiscal year.

In addition to the above, the Company opened Cohas Kids (a kindergarten) in Vietnam in September 2017, but this is not included in the number of facilities because it is a franchised facility.

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 third quarter of the current fiscal year, net sales were 19,771 million yen (up 18.2% year on year), operating income was 637 million yen (down 4.9% year on year), ordinary income was 855 million yen (up 5.7% year on year), and net income attributable to owners of parent was 484 million yen (up 3.9% year on year).

Although consolidated net sales increased, mainly as a result of increased revenue due to the opening of new facilities and growth in turnover at existing facilities, operating income fell slightly short of the initial forecast. This was due to the impact of expenses and other factors that were not anticipated at the beginning of the fiscal year, such as an increase of 90 million yen in non-deductible consumption tax due to review of the tax classification of consumption tax, and 112 million yen of costs related to an extraordinary shareholders meeting.

(2) Financial Position

As for the financial position at the end of the third quarter of the current fiscal year, the total assets amounted to 26,065 million yen (up 2,063 million yen from the end of the previous fiscal year).

Current assets totaled 9,699 million yen (up 2,639 million yen from the end of the previous fiscal year), mainly because cash and deposits increased by 2,078 million yen, accounts receivable - other increased by 519 million yen, and others increased by 203 million yen, while deferred tax assets decreased by 94 million yen, and inventories decreased by 77 million yen.

Fixed assets totaled 16,365 million yen (down 575 million yen from the end of the previous fiscal year), mainly because buildings and structures increased by 557 million yen, and long-term loans receivable increased by 72 million yen, while construction in progress decreased by 1,090 million yen, investments and other assets decreased by 128 million yen.

Total liabilities amounted to 18,762 million yen (up 1,615 million yen from the end of the previous fiscal year).

Current liabilities totaled 8,368 million yen (up 1,829 million yen from the end of the previous fiscal year), mainly because short-term loans payable increased by 1,800 million yen, and accounts payable increased by 544 million yen, and others increased by 468 million yen, while current portion of long-term loans payable decreased by 452 million yen, provision for bonuses decreased by 276 million yen, accrued consumption taxes decreased by 101 million yen, income taxes payable decreased by 86 million yen, and notes and accounts payable decreased by 55 million yen.

Fixed liabilities totaled 10,394 million yen (down 214 million yen from the end of the previous fiscal year), mainly because net defined benefit liability increased by 33 million yen, and others increased by 33 million yen, while long-term loans payable decreased by 283 million yen.

Total net assets as of the end of the third quarter of the current fiscal year totaled 7,302 million yen (up 447 million yen from the end of the previous fiscal year), mainly because retained earnings increased by 264 million yen, while treasury stock decreased by 177 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 Third Quarter (December 31, 2017)
Assets		
Current assets		
Cash and deposits	4,017,591	6,096,023
Notes and accounts receivable-trade	50,552	59,353
Inventories	108,701	30,936
Deferred tax assets	421,877	327,827
Accounts receivable - other	1,698,958	2,218,857
Other	763,876	967,787
Allowance for doubtful accounts	-766	-798
Total current assets	7,060,792	9,699,988
Fixed assets		
Tangible fixed assets		
Buildings and structures	10,296,859	11,272,878
Accumulated depreciation and impairment loss	-3,434,689	-3,852,991
Buildings and structures, net	6,862,169	7,419,886
Machinery, equipment and vehicles	5,665	5,665
Accumulated depreciation	-1,370	-2,138
Machinery, equipment and vehicles, net	4,294	3,527
Tools, furniture and fixtures	614,965	709,403
Accumulated depreciation and impairment loss	-381,567	-448,810
Tools, furniture and fixtures, net	233,398	260,592
Land	980,894	980,894
Construction in progress	1,694,631	604,336
Total tangible fixed assets	9,775,387	9,269,237
Intangible fixed assets		
Goodwill	288,666	265,877
Other	234,792	217,712
Total intangible fixed assets	523,458	483,590
Investments and other assets		
Investment securities	629,836	665,915
Long-term loans receivable	3,176,073	3,248,478
Guarantee deposits	1,701,345	1,712,556
Deferred tax assets	328,764	307,875
Other	824,994	696,363
Allowance for doubtful accounts	-18,574	-18,719
Total investments and other assets	6,642,439	6,612,470
Total fixed assets	16,941,286	16,365,298
Total assets	24,002,078	26,065,286

(Thousand yen)

	Previous Fiscal Year (March 31, 2017)	Current Third Quarter (December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	214,960	159,481
Short-term loans payable	-	1,800,000
Current portion of long-term loans payable	3,250,349	2,797,838
Accounts payable – other	841,422	1,385,939
Income taxes payable	157,883	71,865
Accrued consumption taxes	165,273	63,482
Reserve for bonuses	398,839	122,638
Asset retirement obligation	10,726	-
Deferred tax liabilities	577	-
Other	1,498,695	1,967,387
Total current liabilities	6,538,727	8,368,633
Fixed liabilities		
Long-term loans payable	9,855,493	9,572,034
Deferred tax liabilities	1,668	1,999
Net defined benefit liability	471,565	504,622
Long-term accounts payable - other	3,700	3,700
Asset retirement obligation	235,619	237,929
Other	40,923	74,075
Total fixed liabilities	10,608,970	10,394,361
Total liabilities	17,147,697	18,762,994
Net assets		
Shareholders' equity		
Capital	1,603,955	1,603,955
Capital surplus	1,449,544	1,449,544
Retained earnings	4,730,138	4,994,973
Treasury stock	-869,918	-692,625
Total shareholders' equity	6,913,719	7,355,847
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-34,596	-37,869
Deferred gains or losses on hedges	852	42
Foreign currency translation adjustment	-	-1,111
Remeasurements of defined benefit plans	-29,580	-18,539
Total accumulated other comprehensive income	-63,324	-57,477
Non-controlling interests	3,985	3,922
Total net assets	6,854,381	7,302,292
Total liabilities and net assets	24,002,078	26,065,286

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

	(Thousand yen)	
	Previous Third Quarter (April 1, 2016– December 31, 2016)	Current Third Quarter (April 1, 2017– December 31, 2017)
Net sales	16,720,268	19,771,184
Cost of sales	14,217,613	17,018,161
Gross profit	2,502,654	2,753,023
Selling, general and administrative expenses	1,832,953	2,116,003
Operating income	669,700	637,019
Non-operating revenues		
Interest income	57,560	83,297
Subsidy income	65,587	126,662
Guarantee commission received	49,157	49,206
Other	12,347	17,235
Total non-operating revenues	184,653	276,401
Non-operating expenses		
Interest expenses	34,188	38,773
Equity in losses of affiliates	-	13,192
Other	10,932	5,920
Total non-operating expenses	45,120	57,886
Ordinary income	809,232	855,533
Extraordinary loss		
Loss on retirement of non-current assets	398	823
Loss on valuation of investment securities	-	1,404
Total extraordinary loss	398	2,228
Income before income taxes and others	808,834	853,305
Corporate, inhabitant and enterprise taxes	215,749	258,219
Income taxes-deferred	126,742	110,694
Total income taxes	342,491	368,914
Net income	466,342	484,390
Net loss attributable to non-controlling interests	-38	-63
Net income attributable to owners of parent	466,381	484,454

[Quarterly Consolidated Statement of Comprehensive Income]

[Third Quarter of FY3/18]

	(Thousand yen)	
	Previous Third Quarter (April 1, 2016– December 31, 2016)	Current Third Quarter (April 1, 2017– December 31, 2017)
Net income	466,342	484,390
Other comprehensive income		
Valuation difference on available-for-sale securities	31,863	-3,272
Deferred gains or losses on hedges	-1,762	-810
Foreign currency translation adjustment	-	-1,111
Remeasurements of defined benefit plans	7,158	11,040
Total other comprehensive income	37,259	5,846
Comprehensive income	503,601	490,237
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	503,640	490,300
Comprehensive income attributable to non-controlling interests	-38	-63

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Third quarter of FY3/18 (April 1, 2017 – December 31, 2017)

None

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

Third quarter of FY3/18 (April 1, 2017 – December 31, 2017)

None

(Additional information)

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

Third quarter of the current fiscal year (April 1, 2017 – December 31, 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 692,367 thousand yen and 2,517,700 stocks at the end of the third 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 third quarter of the current fiscal year: 716,346 thousand yen