The No.1 operator of children's daycare services in Japan

JP-HOLDINGS, INC.

1st Quarter Financial Results for the Fiscal Year ending March 2018

TSE 1 （2749）
http://www.jp-holdings.co.jp/

Company Profile

Company Name	JP-HOLDINGS, INC.
Listed Market	First Section of the Tokyo Stock Exchange (Securities code: 2749)
Location	Head Office: 17F Chikusa New Tower Bldg., 3-15-31 Aoi, Higashi-ku, Nagoya-shi Aichi Tokyo Office: 5F Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku Tokyo
Date of Establishment	March 31, 1993
Capital	1,603.955 million yen
Representative	Kazuhiro Ogita, President and Representative Director
No. of Employees	Employees: 3,072 / Part-time workers: 2,060 *As of Jun-end 2017
Consolidated Subsidiaries	Japan Nursery Service Inc. (Capital stock: 99 million yen / Wholly owned subsidiary)
	Shikoku Nursery Service Inc. (Capital stock: 10 million yen / 51% owned subsidiary)
	J Kitchen Inc. (Capital stock: 10 million yen / Wholly owned subsidiary)
	J Cast Inc. (Capital stock: 10.4 million yen / Wholly owned subsidiary)
	J Planning Sale Inc. (Capital stock: 10 million yen / Wholly owned subsidiary)
	Japan Nursery Institute for General Research (Capital stock: 10 million yen / Wholly owned subsidiary)
	Amenity Life Inc.(Capital stock: 70 million yen / Wholly owned subsidiary)
Equity-method Affiliate	KODOMOLOGY Co.,Ltd. (Capital stock: 100 million yen / 49% owned affiliate)
Business Areas	Nursery Service (Japan Nursery Service, Shikoku Nursery Service, Amenity Life and KODOMOLOGY)
	Gymnastics, English and Eurhythmics Schools Contracting Service (J Cast)
	Food Service (J Kitchen)
	Distribution Service (J Planning Sale)
	Researching , Training and Consulting Service (Japan Nursery Institute for General Research)

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Company Overview

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Business Summary

Operation of Child Rearing Facilities (Public and Private)

Public Facilities = Subsidy from Gov't and Municipalities (Yes)

Private Facilities = Subsidy from Gov't and Municipalities (No)

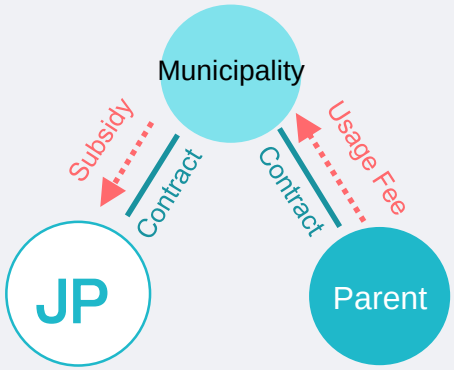
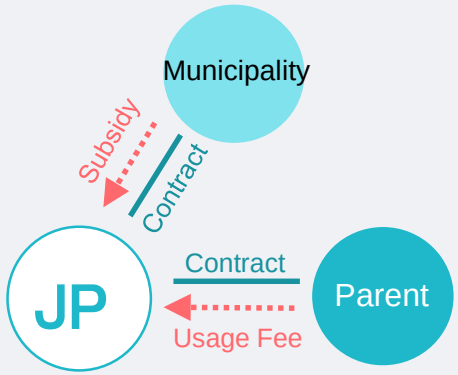
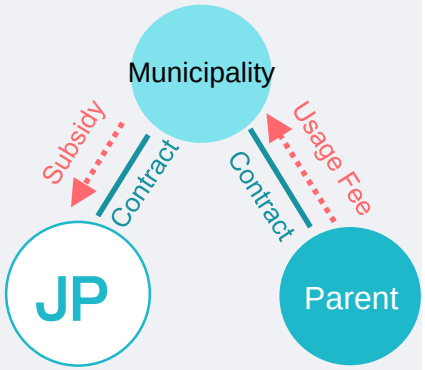
	Licensed School	Licensed School	Tokyo Licensed Nursery School	School Club, Children's House	Private School Club
Contract Form					
	Licensed schools (Public-private management)	Licensed schools (Private management)			
Structure of Sales	**Revenue from User** (Burden of Actual Cost) **Subsidy** (Designated Management Fee) ※depends on municipality	**Revenue from User** (Burden of Actual Cost) **Subsidy** (Official Price) + (Addition by Municipality) ※depends on municipality	**Revenue from User** (Childcare Charge + Burden of Actual Cost) **Subsidy** (Tokyo Met. Gov't) + (Addition by Municipality) ※depends on municipality	**Revenue from User** (Burden of Actual Cost) **Subsidy** (Designated Management Fee) or (Trustee Fee) ※depends on municipality	**Revenue from User** (Childcare Charge + Burden of Actual Cost)

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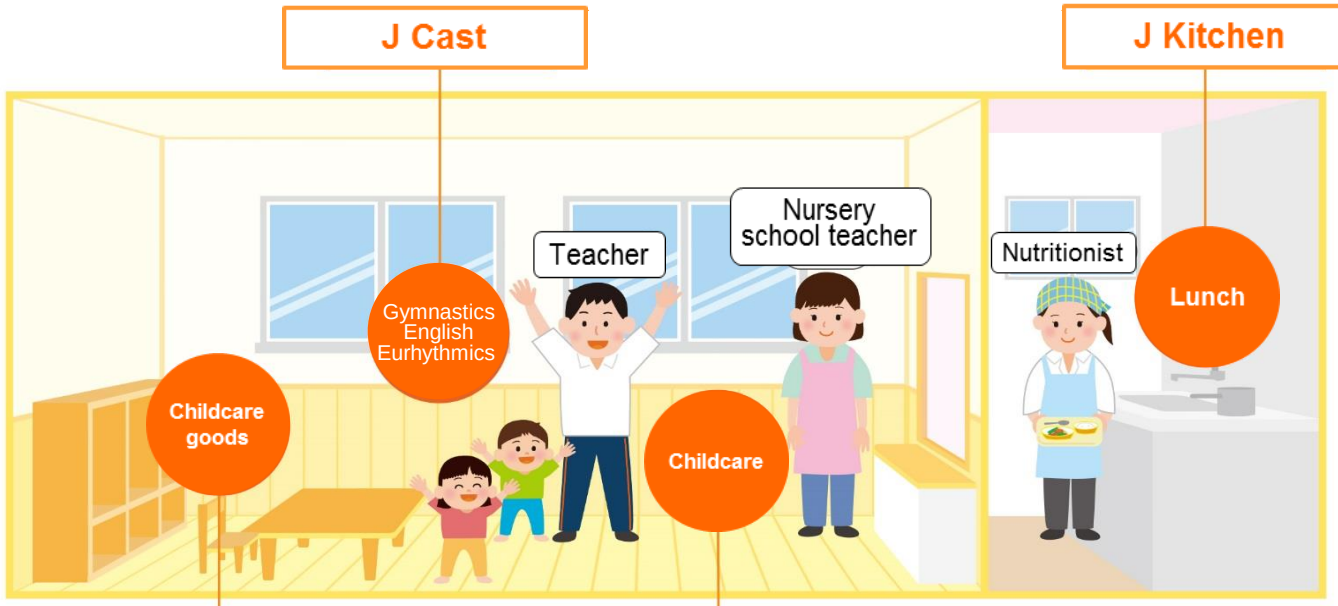
Image of JP Holdings' Group Structure



We will take full advantage of group synergies – from facilities and equipment to the quality improvement of staff

Japan Nursery Institute for General Research

Researching , Training and Consulting Service



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Corporate Philosophy

Corporate Message

For the smiles of children…

Smiles of children: This is our pride that cannot be replaced. We always provide childcare where children who will lead the future can develop generosity as well as words and emotions to express themselves in a safe environment.
We strive for continual self-improvement to be models to children. We also strive to connect with children with passion and a sense of responsibility, and to acquire strong ethical values and social conscience.

Management Philosophy

1.Number one priority: Safety and security

2.Childcare that remains memorable forever to users

3.Provision of high-quality services needed by users

4.Creation of work-friendly environments

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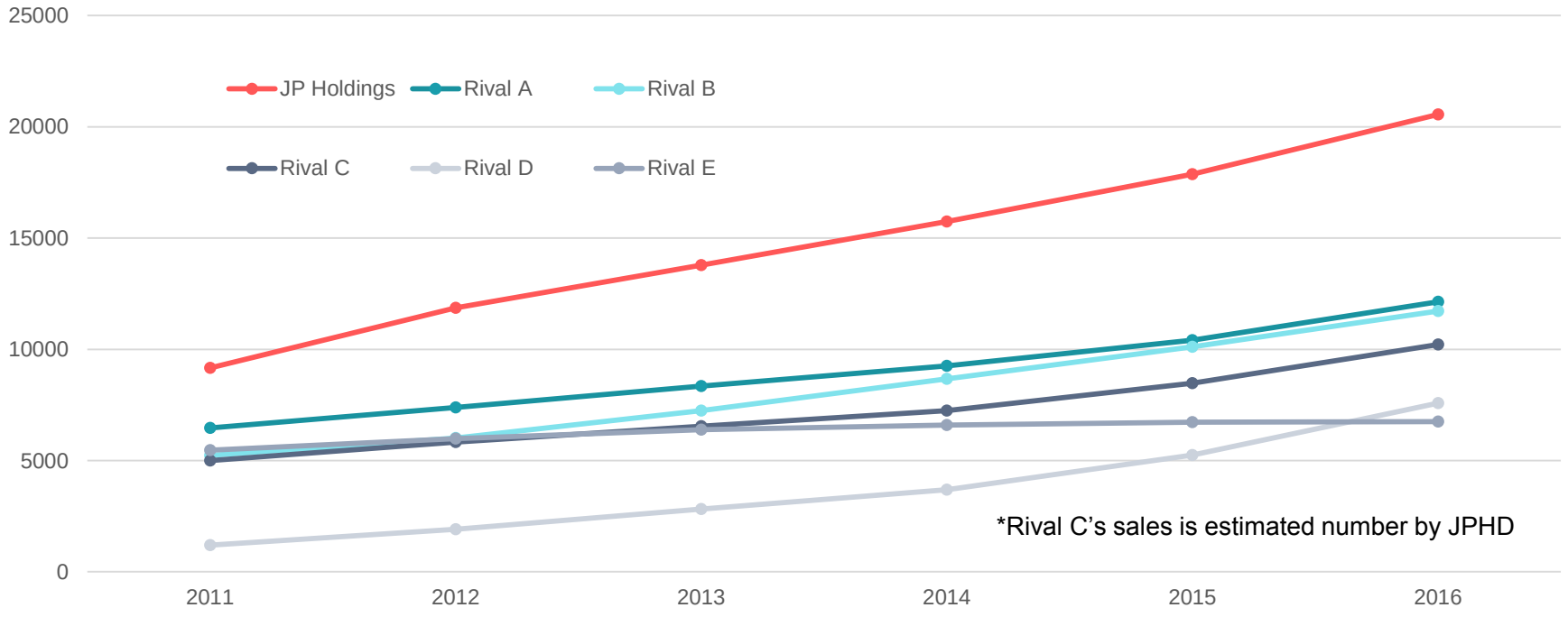
JP Holdings is the largest operator in the Industry

- We have significantly pulled away from our rivals to stay as the **largest operator in the industry**. We have held the number one spot for sales in the childcare services industry for the past five years in a row.
- **Our strengths** lie in the wealth of our management, results (number, scale, location and form), our relationship with major municipalities in Japan and management that makes the maximum use of economies of scale to achieve a reduction in costs.

Sales of Conpanies in the Childcare Industry(Unit: million yen)



Source: Based on the past six years of the Nikkei MJ's *Service Industry Survey*

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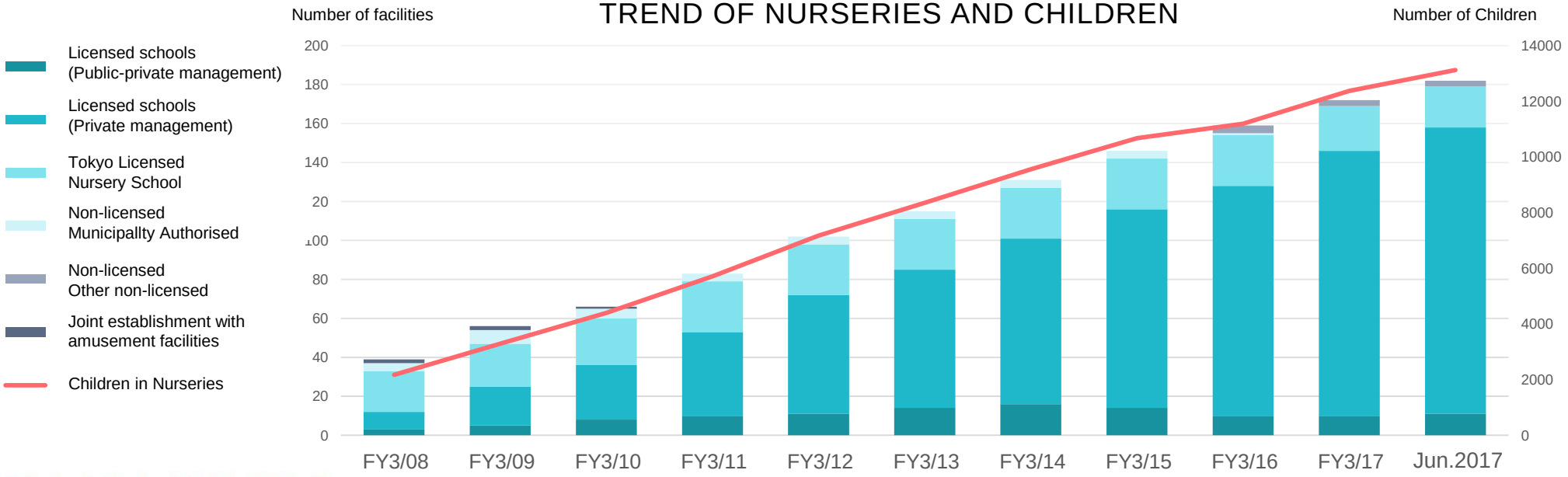
No. of Facilities Operated

	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	As at Jun.2017
Licensed schools (Public-private management)	3	5	8	10	11	14	16	14	10	10	11
Licensed schools(Private management)	9	20	28	43	61	71	85	102	118	136	147
Tokyo Licensed Nursery School	21	22	24	26	26	26	26	26	26	23	21
Non-licensedMunicipalltyAuthorised	4	7	5	4	4	4	4	4	1	0	0
Non-licensedOthernon-licensed	0	0	0	0	0	0	0	0	4	3	3
Joint establishment with amusementfacilities	2	2	1	0	0	0	0	0	0	0	0
School clubs	18	22	26	37	39	40	43	46	55	63	71
Children's houses	6	8	6	9	7	8	8	8	10	12	12
Private school clubs	0	0	0	0	0	0	0	0	0	4	5
Total	**63**	**86**	**98**	**129**	**148**	**163**	**182**	**200**	**224**	**251**	**270**

*We reviewed the count by management structure in the 2Q of FY3/16 and changed three licensed schools (private-public management) to other non-licensed nursery schools



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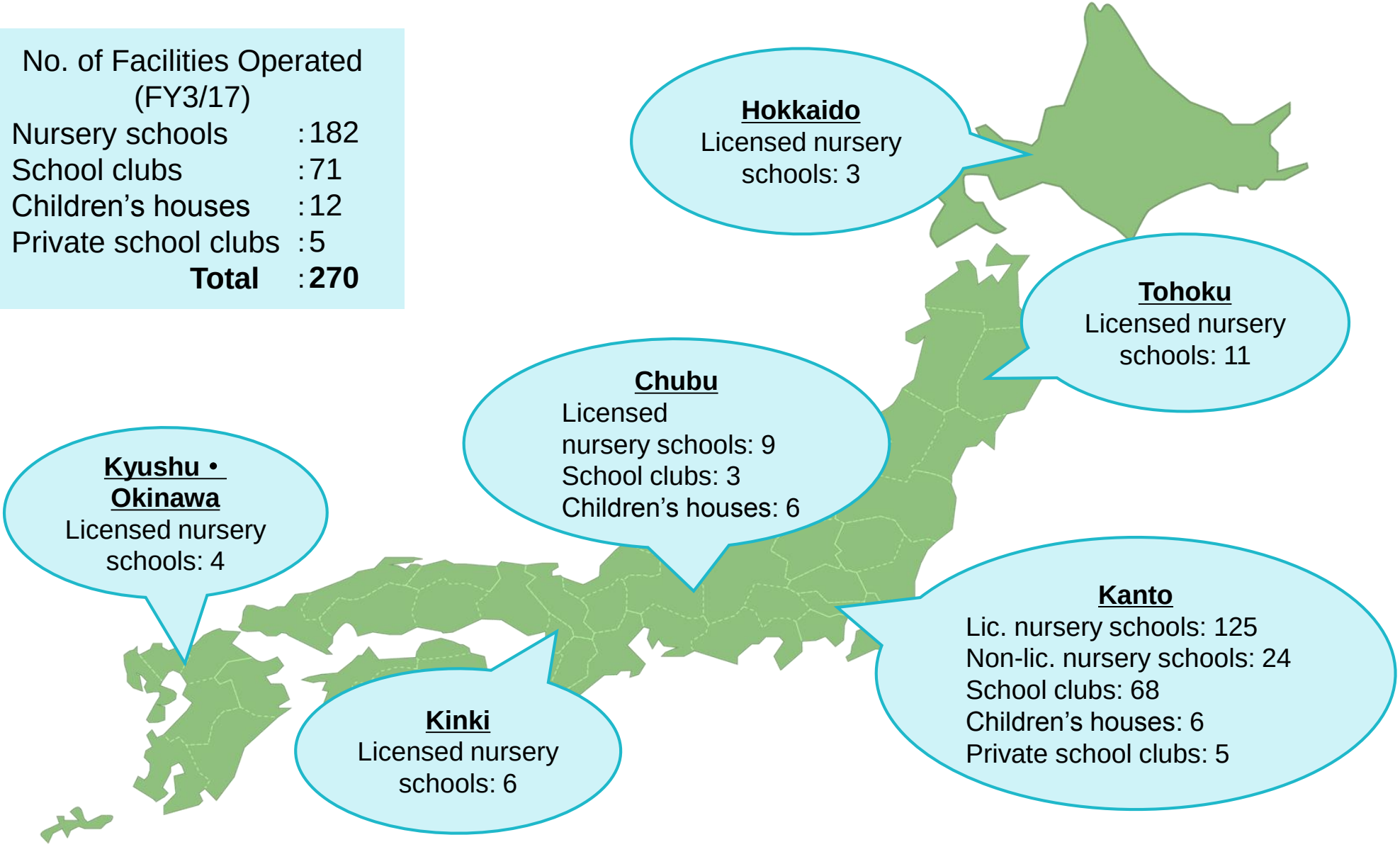
No. of Facilities Operated by Region

No. of Facilities Operated (FY3/17)	
Nursery schools	: 182
School clubs	: 71
Children's houses	: 12
Private school clubs	: 5
Total	: **270**



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Business Environment and Our Maneuvers

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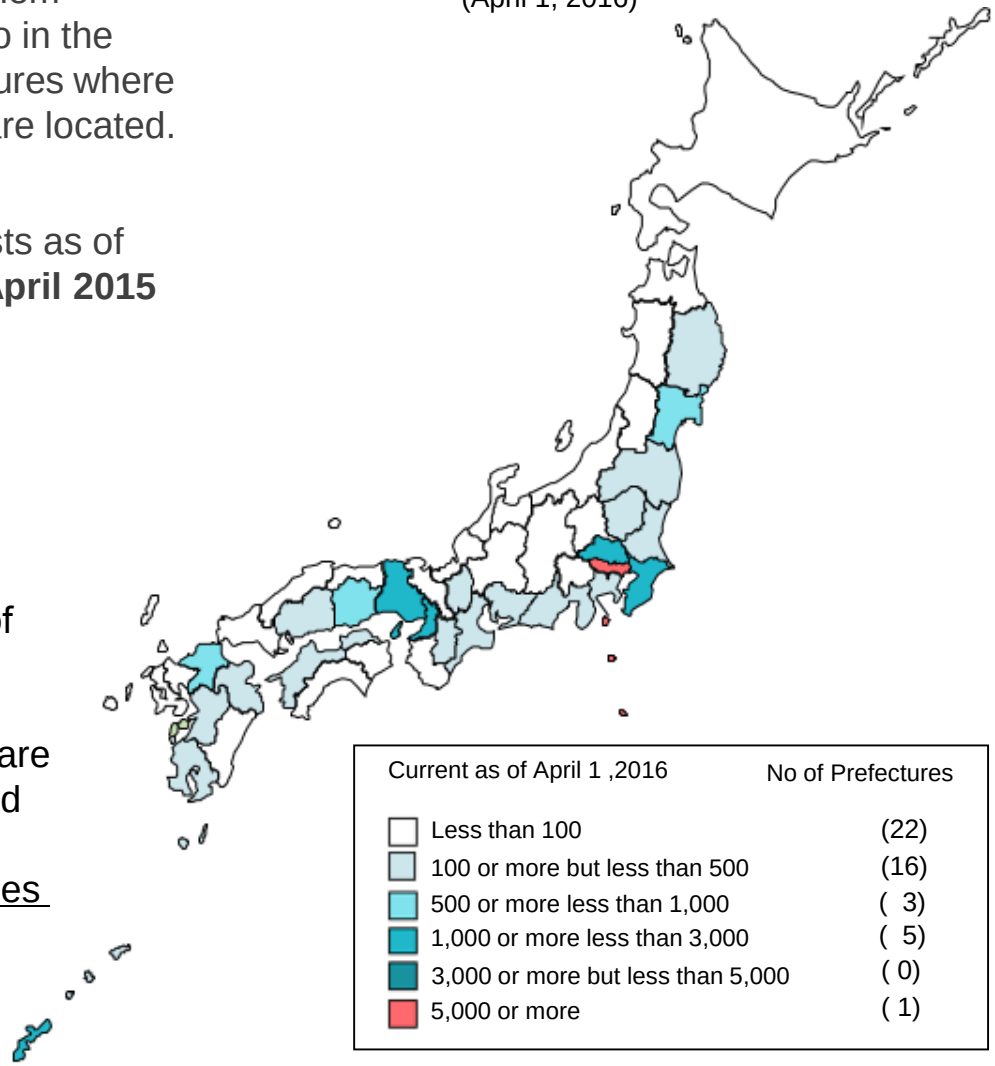
Current Waiting List Situation

- The **child day care waiting** list problem remains serious. This is especially so in the Tokyo metropolitan area and prefectures where major cities (e.g. designated cities) are located. (Refer to the map on the right.)
- The number of children on waiting lists as of April 2016 **increased by 386 from April 2015 to 23,553**.

※On March 2017, a “new definition” of children on waiting lists was decided and was applied from April 2017. Children whose parents are on child care leave shall be included if parents would wish to work after leave.
<u>There is a possibility of further increases of children on waiting lists.</u>

National Waiting List Map
(April 1, 2016)



Source: Ministry of Health, Labour and Welfare’s *Nursery School Situation Summary (April 1, 2016)*

Prefecture	No. of Children on the waiting List
Hokkaido	94
Aomori	0
Iwate	194
Miyagi	638
Akita	33
Yamagata	0
Fukushima	462
Ibaraki	382
Tochigi	155
Gunma	5
Saitama	1,026
Chiba	1,460
Tokyo	8,466
Kanagawa	497
Niigata	0
Toyama	0
Ishikawa	0
Fukui	0
Yamanashi	0
Nagano	0
Gifu	23
Shizuoka	449
Aichi	202
Mie	101
Shiga	339
Kyoto	64
Osaka	1,434
Hyogo	1,050
Nara	260
Wakayama	10
Tottori	0
Shimane	38
Okayama	875
Hiroshima	161
Yamaguchi	65
Tokushima	60
Kagawa	324
Ehime	110
Kochi	42
Fukuoka	948
Saga	18
Nagasaki	70
Kumamoto	233
Oita	370
Miyazaki	64
Kagoshima	295
Okinawa	2,536
Total	23,553

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Gov't Efforts to Eliminate Waiting Lists

Day Care Waiting List Elimination (accelerated plan) (Enacted April 2013)	Create **400,000** new day care spots between 2013 and 2017-end
Secure Extra Day Carers Plan (Enacted Jan 2015)	Secure **70,000** new qualified day carers by the 2017-end
Urgent Measures to achieve 100mn Total Active Society (Compiled in Nov 2015)	Expand the 2017-end target of 400,000 day care places to **500,000** including **90,000** day carers to accommodate this
Urgent Acceleration to Eliminate Day Care Waiting Lists Plan (Announced Mar 2016)	Coordinating cities/pref. to actively drive plans to eliminate child day care waiting lists by: ①Speed up understanding of current situation ④Strengthen/expand current business further ②More workplace flexibility to secure staff ⑤Aggressive deployment of workplace childcare ③Ensure the promotion of facility expansion
Dynamic Engagement of All Citizens Plan (June 2016 Cabinet decision)	Improve salaries of day carers by 2% Eliminate gap between child care providers with skills and experiences and female workers across all industries
Action Plan for Seamless Nursery Service (Announced Sep 2016)	Supporting municipals engage in seamlessly eliminating child day care waiting lists with the following measures: ①Further promotion of facilities construction and securing nursery staff ②Introduce a nursery reservation system for infants after mothers' childcare leave ③Deploy nursery concierges who can satisfy parents' needs ④Clarify the exemption of property tax on lenders to nurseries

Source：
Prime Minister's Office home page- *"Preventing Child day care waiting lists – working to create an environment of raising children in peace*
**Translated by JPHD*

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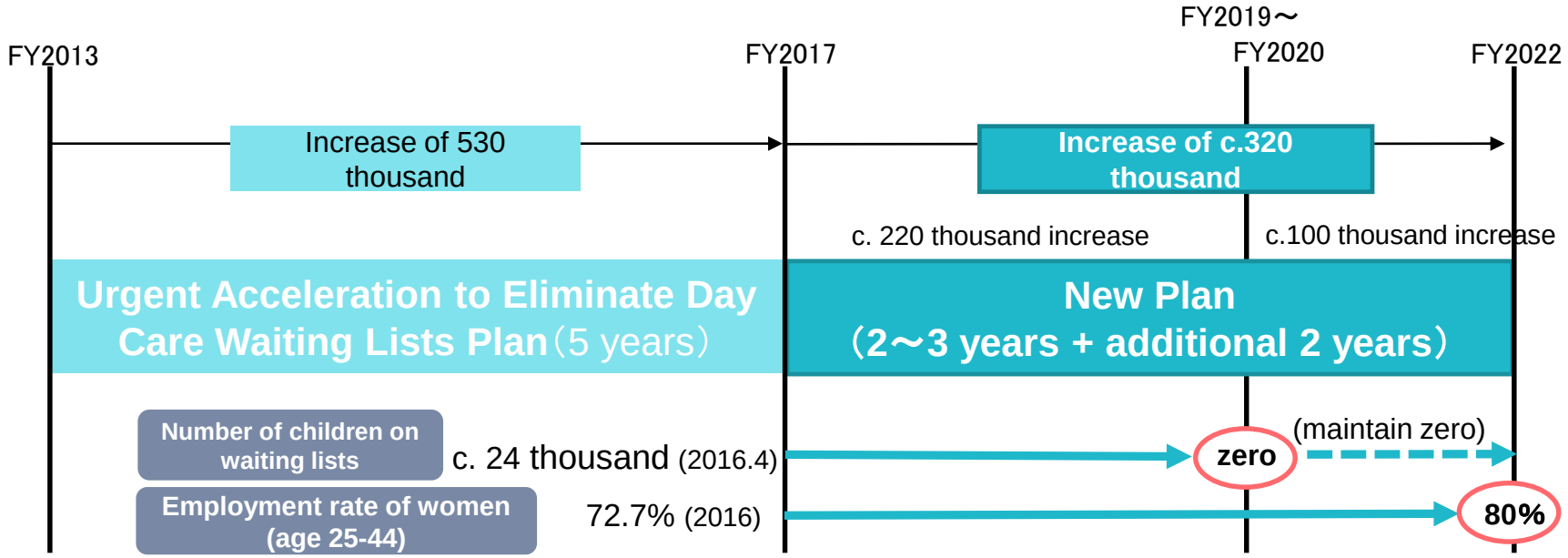
New Plan to Eliminate Waiting Lists

- Relief Plan for Child Rearing （Announced on Jun 2nd, 2017）



- Postponed target of eliminating day care waiting lists from the end of FY2017
- Secured budget for c.220 thousand children in 2 years and aim to eliminate day care waiting lists by the end of FY2020 at the latest
- In addition, prepare capacity of c.320 thousand children to cope with an 80% employment rate of women by the end of FY2022

Source: Ministry of Health, Labour and Welfare's *Relief plan for child rearing*
*Translated by JPHD

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Gov't Measures to Eliminate Waiting Lists

- Main contents of 6 assistant packages

①Expand capacity of child rearing

・Assistance to offset soaring rent expenses of nurseries located in urban areas
・Promote the reduction of property tax
・Expand area for enterprise-driven nurseries
・Utilize state-owned lands, city parks, post offices and vacant rooms of schools etc. etc.

②Secure child rearing personnel

・Construct career-up structure based on improving conditions
・Expand assistance to hire nursery school teachers from childrearing support staff.
・Promote assistance to look after the children of nursery school teachers
・Mitigate the burden of nursery school teachers through ICT etc.
・Help secure childrearing personnel in municipalities
・Encourage recruitment of nursery school teachers
・Exempt exam subjects and training courses to become nursery school teachers partially for national-qualified personnel regarding welfare
・Evaluate to continue mutual aid system of retirement allowance etc.

③Promote close assistance to parents

・Expand consulting service assistance to parents by "Nursery Concierge" etc.

④Assure quality of child rearing

・Promote the switch of non-licensed nurseries to licensed ones
・Maintain and improve educator-to-child ratios
・Enforce new nursery guidelines
・Enhance prevention of accidents at nurseries etc.

⑤Secure sustainable child rearing system

・Secure stable budget resources for child rearing

⑥Work style reform related to child rearing

・Extend childcare leave for parents whose children could not be accepted by nurseries etc.

Source: Ministry of Health, Labour and Welfare's *Relief Plan for Child Rearing* *Translated by JPHD

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Emergent Action Plan of Tokyo Metropolitan Gov't for eliminating child day care waiting lists

- Announced by Bureau of Social Welfare and Public Health, Tokyo Metropolitan Government on September 9, 2016

First Pillar : Promote setting up of nurseries, etc.

1. Create new subsidy against rising construction costs ▶ 25 % lift on national standard of subsidy for construction cost
2. Initiate new subsidy on rent ▶ Promote the development of nurseries by utilizing leased properties such as vacant houses or shops
3. Promote regular and longer term temporary childcare ▶ Add subsidy on regularized temporary childcare (Unique initiative of Tokyo Metropolitan Government)
4. Expand subsidy on land rental ▶ Targeting rising land price, lift restriction to more than 3 fold of average published land price 0.35 million yen/m2 up to a maximum of 20 million yen
5. Encourage use of land owned by Tokyo Metropolitan Government ▶ Enable enterprises to rent Tokyo Government land
6. Utilize private land and vacant houses ▶ Secure appropriate properties in cooperation with associations of real

Second Pillar : Secure Personnel

7. Expand subsidies on rented housing ▶ Extend the support period over 6yrs after recruitment instead of max 5yrs
8. Increase childrearing support staff ▶ Regard teachers of kindergartens and elementary schools, childrearing support staff etc., as deemed child care staff and employ them subject to their numbers not exceeding 1/3rd the standard number of qualified child care staff

Third Pillar : Enhance assistance on users

9. Increase nursery concierges ▶ Boost personnel expenses to increase staff to assist parents
10. Reduce burden of non-licensed nurseries users ▶ Assist municipalities to support independent nursery fees
11. Improve quality of non-licensed nurseries ▶ Organize a new patrol team to encourage best practice in non-licensed nurseries

Resource: Press Release dated September 9, 2016 by Bureau of Social Welfare and Public Health, Tokyo Metropolitan Government *Translated by JPHD

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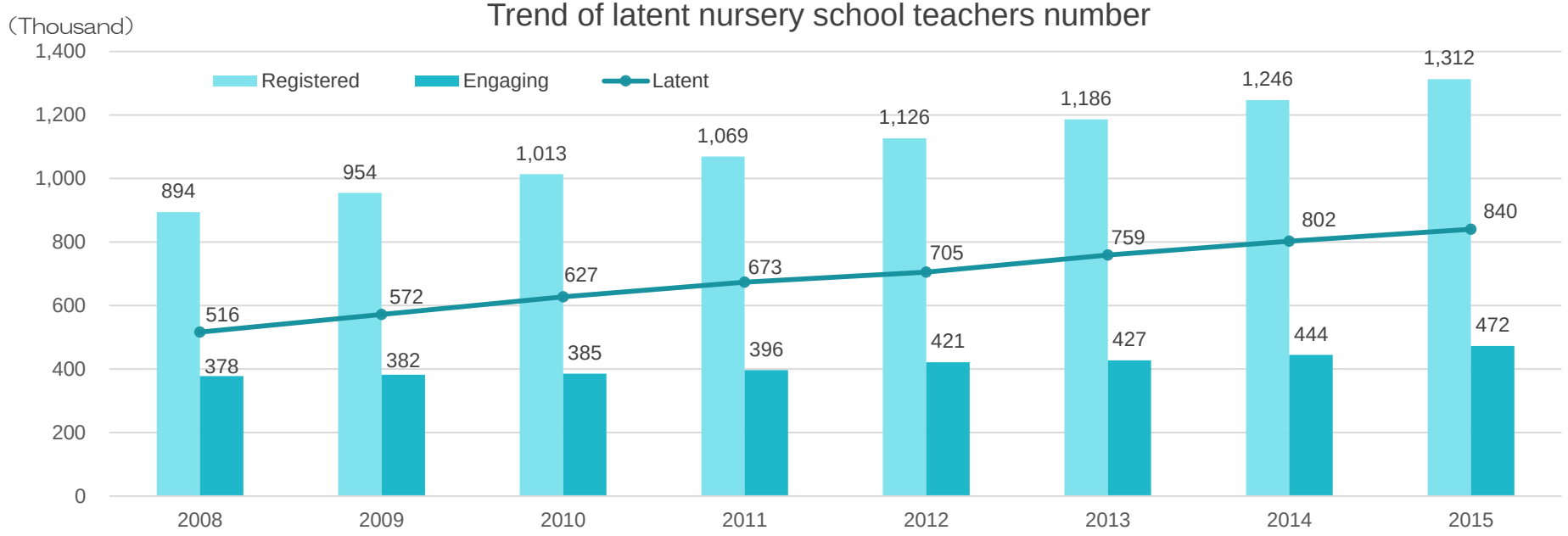
Current Nursery School Teacher Shortage Situation(1)

- Need to secure additional c. 90,000 child care staff to care 500,000 children by the end of 2017
- “Latent nursery school teachers”, who have qualified but do not currently engage in child care are approx. 840,000（2015）
- Of 42,000 graduates from nursery school teacher training facilities only 22,000 (approx. half of all graduates) actually joined nurseries （*graduate numbers are as of 2014-end*）

Trend of latent nursery school teachers number



Source：Registered：Investigation of Equal Employment, Child and Family Policy Bureau, MHLW (Number at April 1 in each year）
Engaging：Investigation of Director-General for Statistics and Information Policy, MHLW（Number at October 1 in each year）*Translated by JPHD
(N.B.)Engaging number for 2015 includes qualified nursery school teachers, child care staff and family caregivers

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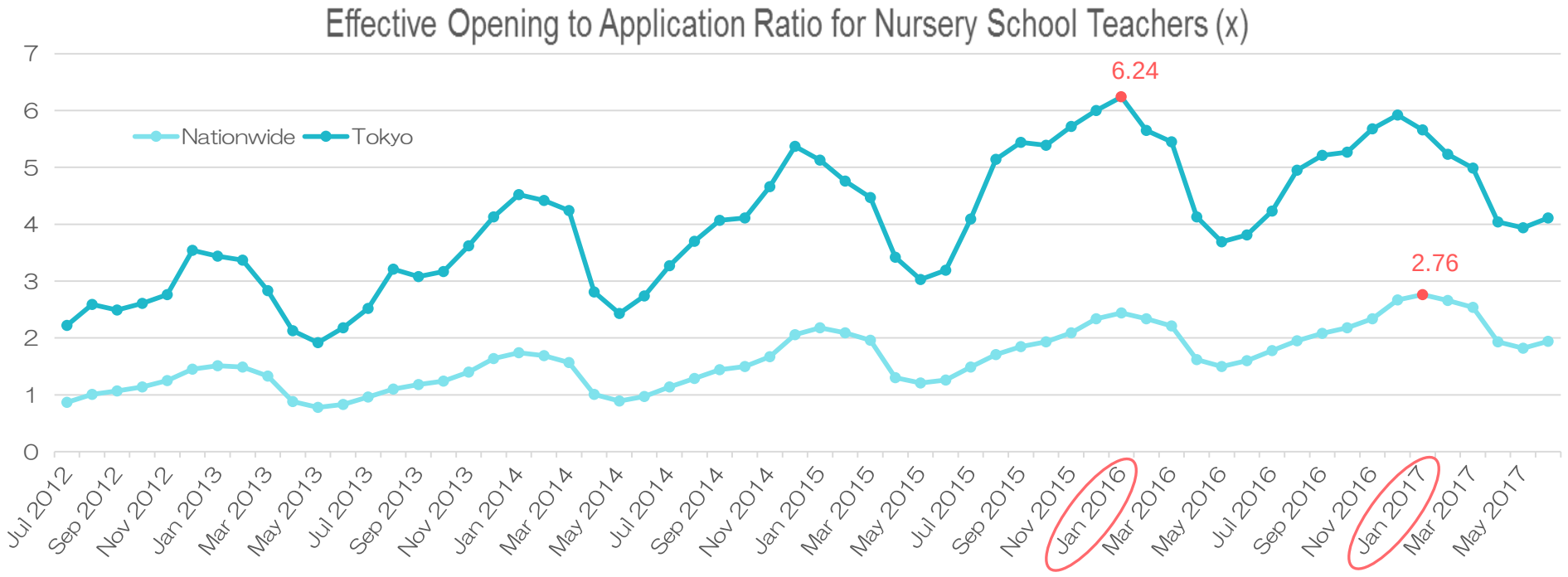
Current Nursery School Teacher Shortage Situation(2)

- The effective opening to application ratio for nursery school teachers remains at a high level. There continues to be a shortage of nursery school teachers on a nationwide scale.
- The effective opening to application ratio for nursery school teachers in Tokyo is over 6-fold. The employment situation in the metropolitan area remains extremely difficult.



Source: Ministry of Health, Labour and Welfare Employment Security Bureau's *General job placements (Report on Employment Service)*

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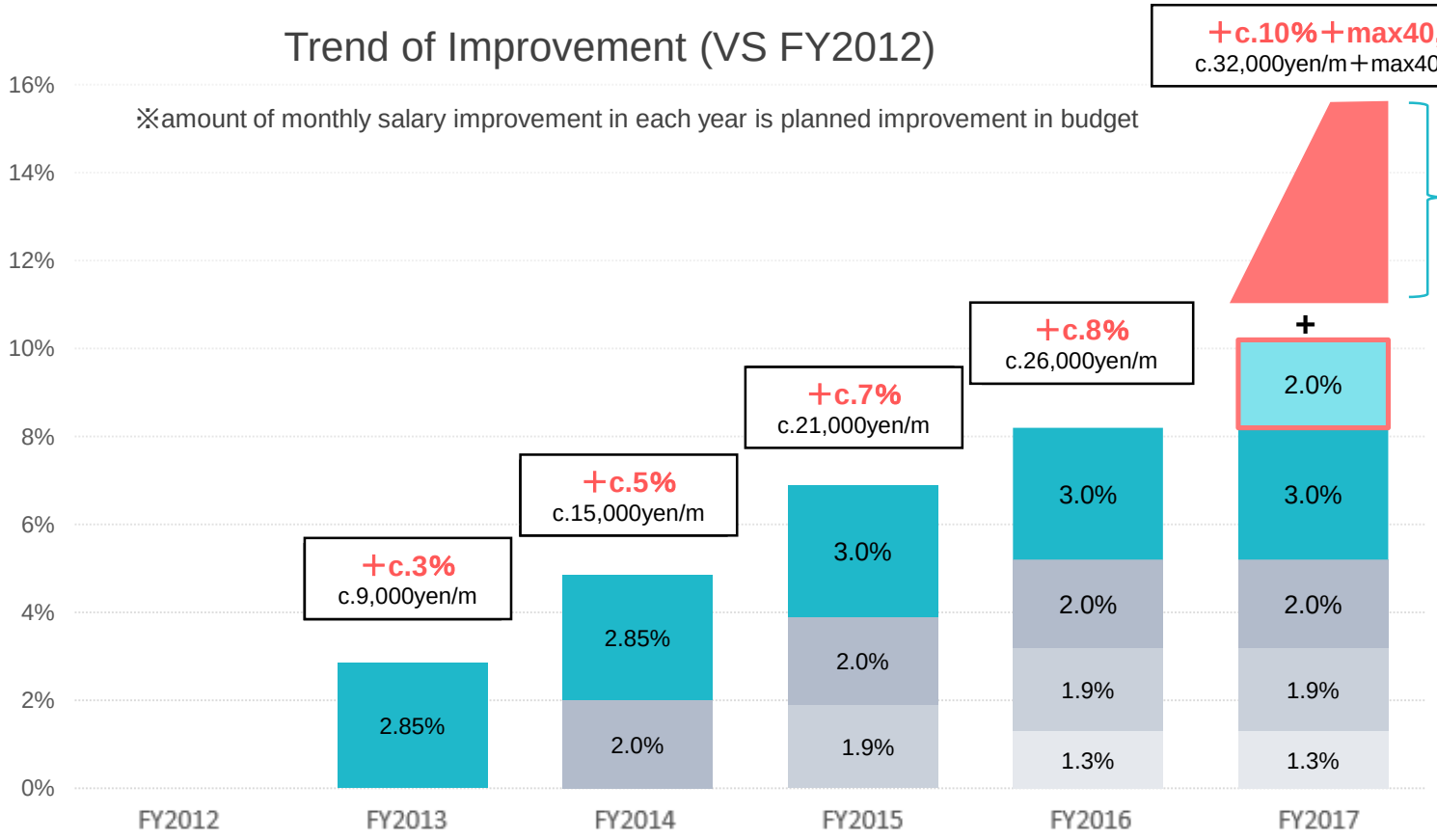
Trend of improvement for nursery school teachers treatment by Gov't

- On Dec 22 2016, Cabinet decided Gov't budget plan for FY2017
- Besides a 2% (c. 6,000 yen/month) increase in salary for all personnel , the plan adds 5,000 yen for leaders with expertise and 40,000 yen/month for senior personnel



Further improvement focusing on skill and experience

- leaders with expertise (approx. 3 years over) **+5,000yen/m**
- Vice-chiefs
- Professional leaders (approx. 7years over) **+40,000yen/m**

Source :
Ministry of Health, Labour and Welfare 's "Countermeasures on improvement for nursery school teachers treatment"
*Translated by JPHD

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Treatment Improvement by Municipalities

- Tokyo Metropolitan Government

  Improve wages by an average 21,000 yen or equivalent monthly
  for nursery school teachers from FY2017
  【Career-up assistance for nursery school teachers etc. ¥24.4bn 】（Budget plan FY2017）

- Chiba Prefecture

  Add 20,000 yen monthly for nursery school teachers as wage assistance from FY2017
  （1/2 of improvement assisted by municipalities (In case of designated cities: 1/4))
  【Treatment improvement for nursery school teachers ¥550mn 】（Supplementary budget plan FY2017）

Source：
Bureau of Finance, Tokyo Metropolitan Government *“Summary of FY2017 Budget Plan of Tokyo”*
Chiba Prefectural Government *“FY2017 Supplementary Budget Plan as of June 2017 Documents on Main Policies”*
*Summarized and translated by JPHD

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Our Plan to Secure Nursery School Teachers

Enhance recruitment

- Hold seminars and bus tours to visit nurseries according to career level around Japan
- Provide employment support money
- Arouse interest for potential nursery school teachers by recruiting short time or late time workers who have segmented needs

Acquire qualification of childcare

- Started a benefit scholarship system from FY3/16. This supports those aspiring to be nursery school teachers from their student days and leads to their desire to join our company.
- Started training course recruitment for those who are unqualified but who are looking to pass the national test at our company from FY3/16.
- Expanded recruitment of kindergarten teachers who are willing to become qualified nursery staffs with sponsored support.

Mitigate burden

- Reduce the daily burdens on day carers by employing administration staff and janitors
- Reduce burden of office works through ICT
- Allocate part time workers specifying to late time of a day and reduce burden of regular employees

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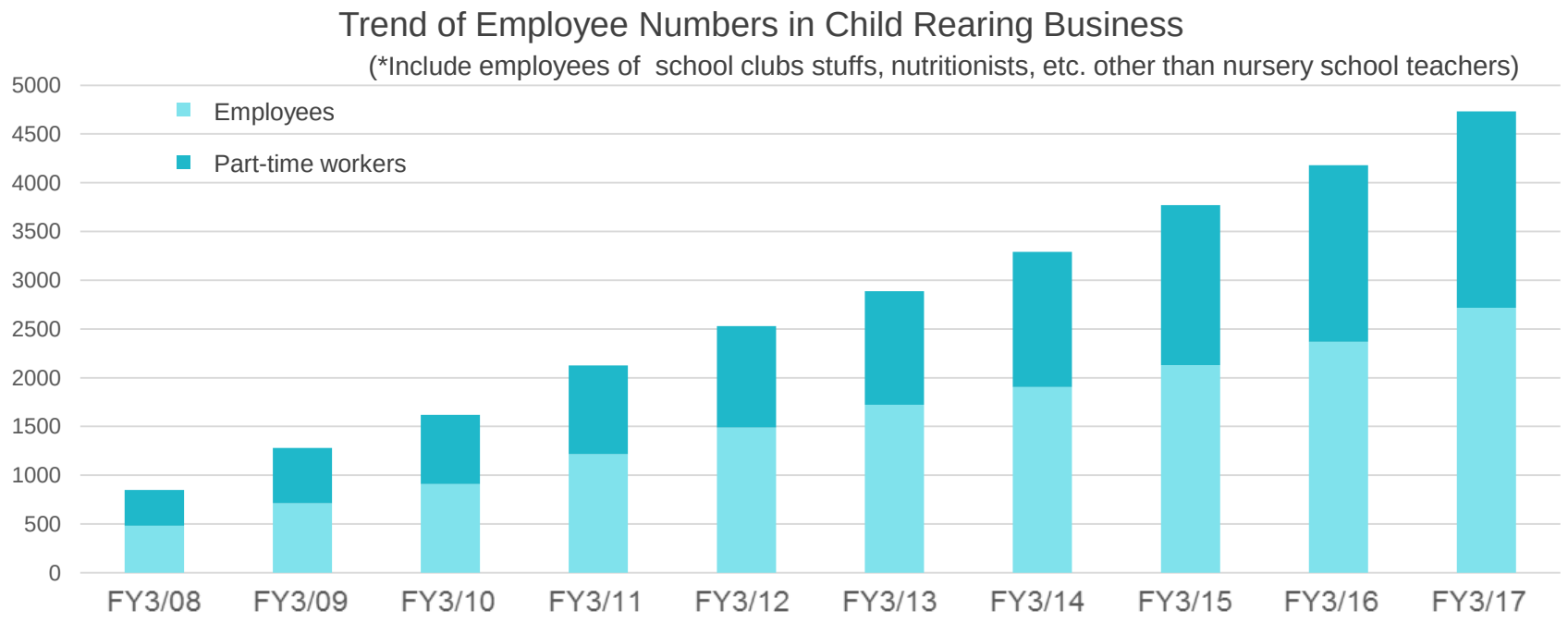
Recruitment of Nursery School Teachers

		FY2015	FY2016	FY2017	FY2018 Forecast
Nursery School Teacher	New Graduates	178	197	247	300
	Mid career employment	219	241	207 *as at Jun.2017	—
Non qualified(※)	New Graduates	—	23	32	50

※ After joining JPHD non qualified graduates are expected and assisted to acquire nursery school teacher qualification.
Started this recruitment style from FY2016



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1Q FY3/18 Results

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1Q FY3/18 Financial Highlights

	1Q FY3/17	1Q FY3/18	Change	Year on Year Comparison (%)
Net sales (million yen)	5,424	6,398	973	17.9
Operating income (million yen)	70	236	166	235.8
Ordinary income (million yen)	109	311	201	183.8
Net income attributable to owners of parent (million yen)	62	183	121	196.4
Net income per share (yen)	0.74	2.17	1.43	—
Net assets per share (yen)	71.28	81.02	9.74	—
Shareholders' equity ratio (%)	28.5	29.2	0.7	—

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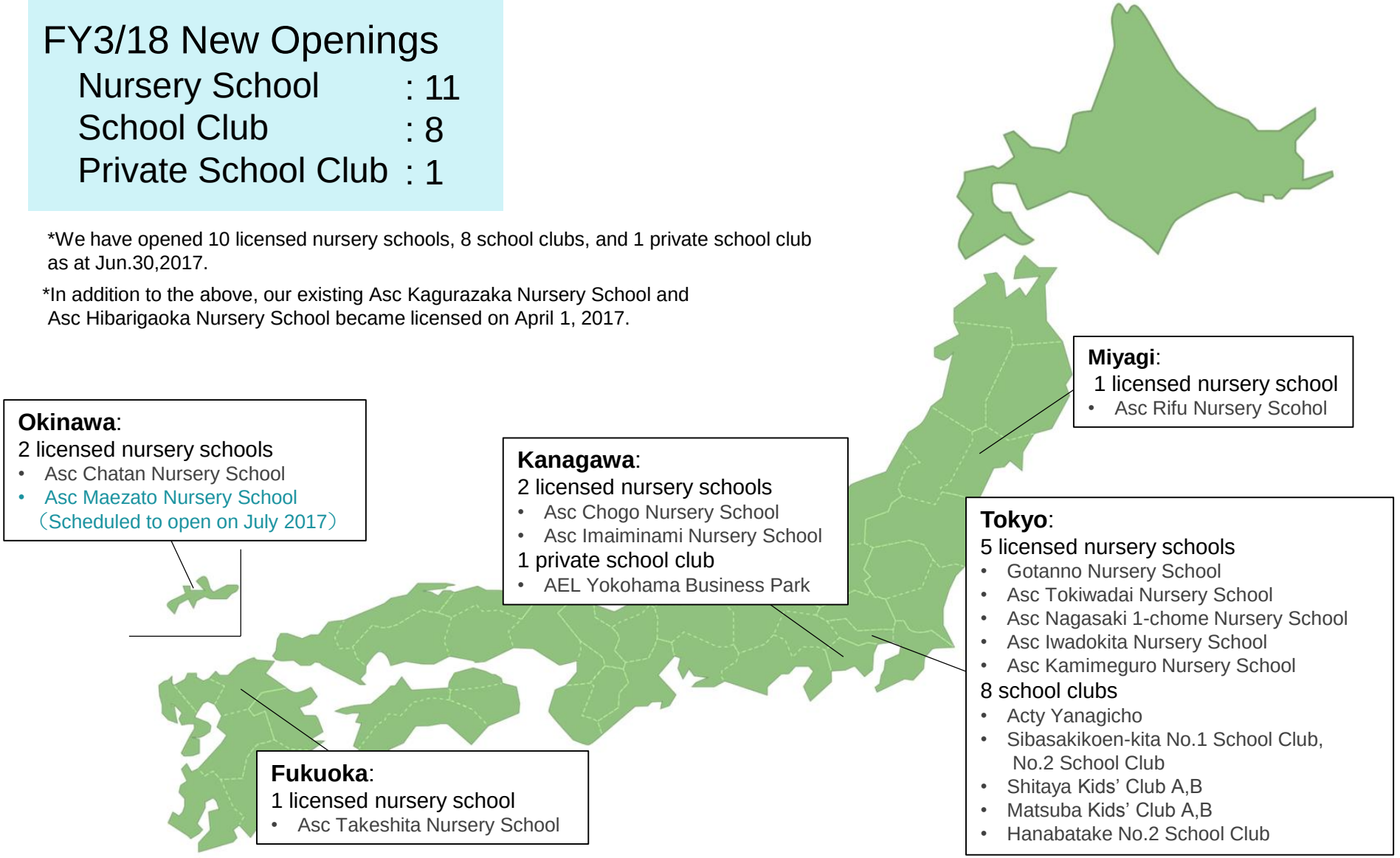
FY3/18 New Openings

FY3/18 New Openings

Nursery School	: 11
School Club	: 8
Private School Club	: 1

*We have opened 10 licensed nursery schools, 8 school clubs, and 1 private school club as at Jun.30,2017.

*In addition to the above, our existing Asc Kagurazaka Nursery School and Asc Hibarigaoka Nursery School became licensed on April 1, 2017.



Miyagi:
1 licensed nursery school
- Asc Rifu Nursery Scohol

Okinawa:
2 licensed nursery schools
- Asc Chatan Nursery School
- Asc Maezato Nursery School
（Scheduled to open on July 2017）

Kanagawa:
2 licensed nursery schools
- Asc Chogo Nursery School
- Asc Imaiminami Nursery School

1 private school club
- AEL Yokohama Business Park

Tokyo:
5 licensed nursery schools
- Gotanno Nursery School
- Asc Tokiwadai Nursery School
- Asc Nagasaki 1-chome Nursery School
- Asc Iwadokita Nursery School
- Asc Kamimeguro Nursery School

8 school clubs
- Acty Yanagicho
- Sibasakikoen-kita No.1 School Club, No.2 School Club
- Shitaya Kids' Club A,B
- Matsuba Kids' Club A,B
- Hanabatake No.2 School Club

Fukuoka:
1 licensed nursery school
- Asc Takeshita Nursery School

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1Q FY3/18 Profit and Loss Statement

	1Q FY3/17		1Q FY3/18		Year on Year Comparison	
	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Rate of Change (%)
Net sales	5,424	100.0	6,398	100.0	973	17.9
Cost of sales	4,706	86.8	5,490	85.8	783	16.7
Gross profit	718	13.2	908	14.2	189	26.4
SG & A expenses	647	11.9	671	10.5	23	3.6
Operating income	70	1.3	236	3.7	166	235.8
Non-operating income	54	1.0	94	1.5	40	75.7
Non-operating expenses	14	0.3	20	0.3	5	38.1
Ordinary income	109	2.0	311	4.9	201	183.8
Net income attributable to owners of parent	62	1.1	183	2.9	121	196.4

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1Q FY3/18 Balance Sheet

	FY3/17 (Million Yen)	1Q FY3/18 (Million Yen)	Amount of Change (Million Yen)
Current assets	7,060	7,542	481
Cash and cash deposits	4,017	4,389	371
Accounts receivable	1,698	1,569	- 129
Non-current assets	16,941	16,051	- 889
Property and equipment, net	9,775	8,973	- 801
Intangible fixed assets	523	502	- 20
Investment and other assets	6,642	6,574	- 67
Total assets	24,002	23,594	- 407
Current liabilities	6,538	6,850	311
Long-term debt within one year maturity	3,250	3,107	- 142
Note and accounts payable	841	1,153	312
Non-current liabilities	10,608	9,861	- 747
Long-term debt	9,855	9,078	- 776
Total liabilities	17,147	16,711	- 435
Net assets	6,854	6,882	27
Total liabilities and net assets	24,002	23,594	- 407

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JP Holdings' Strengths

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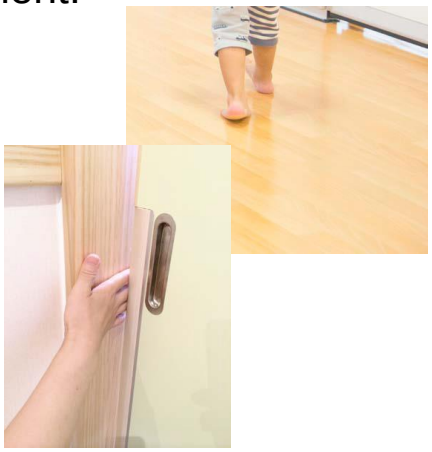
JP Holdings' Strengths (1)

Safety Manage-ment

- Creation of a specialized department focused on safety management.
- Structure to share accident cases
- Security control by auto-lock and emergency call equipment
- Safe facilities protected by cushioned floor, doors with finger jam prevention
- AED deployment in all facilities
- Emergency lifesaving training for all staff members
- Development of various manuals (e.g. how to deal with disasters and abuse)



Nutrition Education

- Hand made lunch with event and local foods
- Cooking in nursery
- Dietary education activity support by food and agriculture guidance teams

Unique Program

- Gymnastics, English and eurhythmics courses

Develop-ment Support

- Facility patrol support by development support teams
- Suku-Suku Plus child support advisory center (Rehabilitation support project)

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JP Holdings' Strengths (2)

Human Resources Develop-ment

- Training courses over 100 annually
- Oversea training in advanced countries in nursery education such as Germany and New Zealand
- Introduce E-learning to unify and improve quality of child rearing

Working Environ-ment

- Reduce burden of office works through ICT
- Multi-layered follow system by tutor, manager and supervisor

Cost Manage-ment

- Central purchasing of nursery related goods by utilizing our scale merit





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Mid-term Management Plan
&
Growth Strategy

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For Plan Implementation

Key Objectives in the Period of the Plan

(1) Enhance security measures and further improve the quality of childcare

(2) Increase the number of children accepted by opening new facilities and increasing the number of nursery school teachers in existing facilities

(3) Increase investment in human resources (strengthen recruitment activities, enhance human resource development and review the personnel assessment system)

(4) Re-develop our business management structure (enhance our business risk management structure and strengthen group company cooperation)

(5) Start work on new business aimed at expanding our revenue base

Measures to Achieve the Key Objectives

(1) Further strengthen our safety management structure (promote cross-organizational structure enhancement)

(2) Successive employee salary rises

(3) Introduce systems in each field (reduce workload and optimize business management)

(4) Further enhance policies aimed at securing nursery school teachers (increase recruitment budget)

(5) Expanding our revenue base with new business (private school clubs, consulting service, overseas child rear business, in-house nurseries operation).

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Concrete Measures(1)

Private School Club (AEL)

Opened AEL Yushima on Sep. 2016 and AEL Yokohama Business Park on Apr. 2017
Provide unique program without subsidy from municipalities

『School Club』

Proper field for play and study after school and weekend

+

Original Program to enhance power to live

+

Measures to pass junior high school entrance exam English, arithmetic, etc.



Overseas Child Rearing Business

Plan to open 2 kindergartens on Sep. 2017 in Vietnam

Japan		Vietnam
Operation of Facility with Safe and Relief Japanese Discipline and Culture	⇄ Synergy	Infant Education in SE Asia Early English Training

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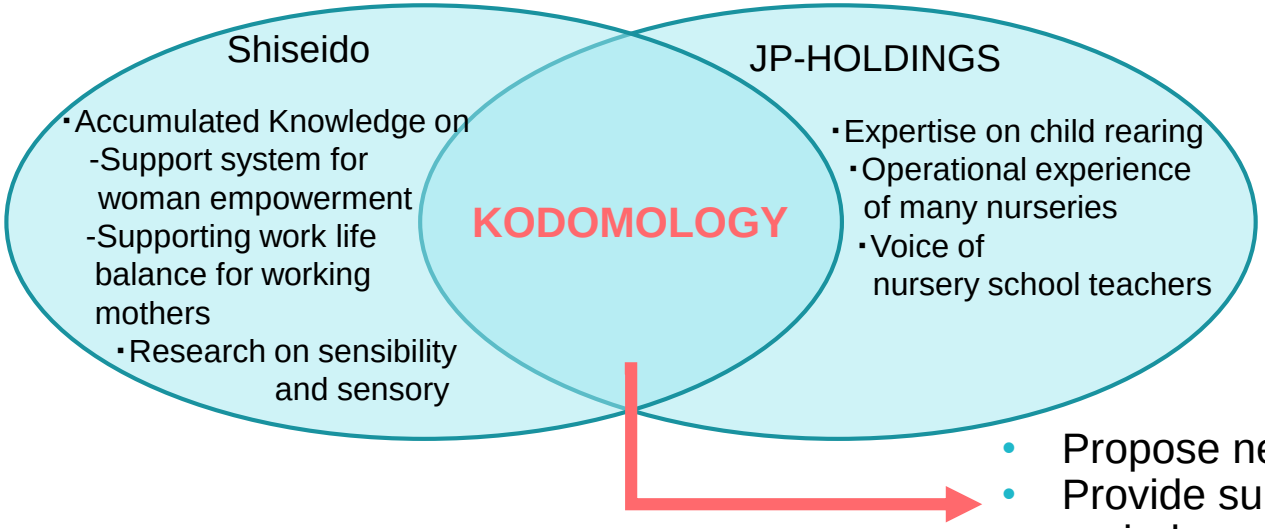
Concrete Measures(2)

In-house Nurseries Operation

Established “KODOMOLOGY Co., Ltd.” a joint-venture company with Shiseido Co., Ltd. on February 20, 2017.
Capital:100million yen（Shiseido 51%, JPHD 49%）



- Propose new style for in-house nurseries
- Provide support service from maternity period
- Make new contribution to Child rearing with a scientific stand point.

Consulting Service

Consulting for newly opening and operation of child rearing facilities

- Contracts ongoing from FY2016： 4
- Prospected new contracts FY2017： 8

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Appendix

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Comparison of Kindergartens, Nursery Schools and Licensed Children's Schools

	Kindergarten	Nursery School	Licensed Children's School (Kindergarten/Nursery School Cooperation type)
Underlying Laws/Regulations	Act on Child Education and Childcare Support (Defines the framework of cross-ministerial and unified payments in the Cabinet Office)		
	Section 3 of the School Education Act (Under the jurisdiction of the Ministry of Education, Culture, Sports, Science and Technology)	Article 7 (1) of the Child Welfare Act (Under the jurisdiction of the Ministry of Health, Labour and Welfare)	Article 7 (1) of the Child Welfare Act Article 2 (7) of the Licensed Children's School Law (Under the jurisdiction of the Ministry of Education, Culture, Sports, Science and Technology & the Ministry of Health, Labour and Welfare)
Type of Facility	School	Child welfare facility	School and child welfare facility
Target Children*	1st certification	2nd and 3rd certification	1st, 2nd and 3rd certification
Basis of Education and Childcare Content	Kindergarten Education Guidelines	Nursery School Childcare Guidelines	Licensed Children's School Education and Childcare Guidelines
Daily Education and Childcare Time	4 hours as standard	8 hours as standard	Hours depending on the children (8 hours for children requiring childcare and 4 hours for children requiring education) as standard
Number of Education and Childcare Days in a Year	39 weeks or more	No stipulations	Depending on the regional conditions

*1st certification: Children of 3 years old or older requiring education / 2nd certification: Children of 3 years old or older requiring childcare / 3rd certification: Children under 3 years old requiring childcare

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Overview of School Clubs and Children's Houses

	School Clubs (Broad Definition)		Children's Houses
	After-school Children's Health Promotion Business	After-school Children's Classroom Promotion Business	
Underlying Laws/Regulations	Article 6-3 (2) of the Child Welfare Act (Under the jurisdiction of the Ministry of Health, Labour and Welfare)	Implementation of After-school Children's Plan Promotion Business (Under the jurisdiction of the Ministry of Education, Culture, Sports, Science and Technology)	Article 40 of the Child Welfare Act (Under the jurisdiction of the Ministry of Health, Labour and Welfare)
Nature of the Facility	The aim is to provide a place for appropriate fun and lifestyles for children enrolled in elementary school whose parents are not at home after school due to work and foster them healthily by using a facility such as child welfare facilities after school.	This aims to establish safe and secure activity bases (locations) for children using spare classrooms in schools after hours or on the weekends. These provide opportunities for learning and a variety of experiences/exchange activities for children on a regular and continuous basis with the participation of local residents.	This aims to offer healthy fun to children in the community, promote their health and nurture emotions. (one of children's recreational facilities)
Target Children	Grades 1 to 3 in elementary school (However, it is also possible to target children in special support elementary schools and elementary school children in grades 4 and above)	All children in the community (regardless of whether infants, children or students and regardless of whether their parents work or not)	All children under the age of 18
Basis of Education and Childcare Content	After-school Children's Health Promotion Business Action Guidelines After-school Children's Club Guidelines	After-school Children's Classroom Promotion Business Action Guidelines	Children's House Guidelines
Daily Education and Childcare Time	3 hours or more on average (However, this is 8 hours or more as a general rule on Saturdays, school holidays and long-term holiday periods)	4 hours or less on average (However, this is 8 hours or less as a general rule on Saturdays, school holidays and long-term holiday periods)	Set in accordance with the situation in the community (e.g. the age of the target children and convenience of parents)
Number of Education and Childcare Days in a Year	250 days or more as a general rule (However, this can be 200 days or more depending on the form of the user's needs)	Less than 250 days as a general rule	

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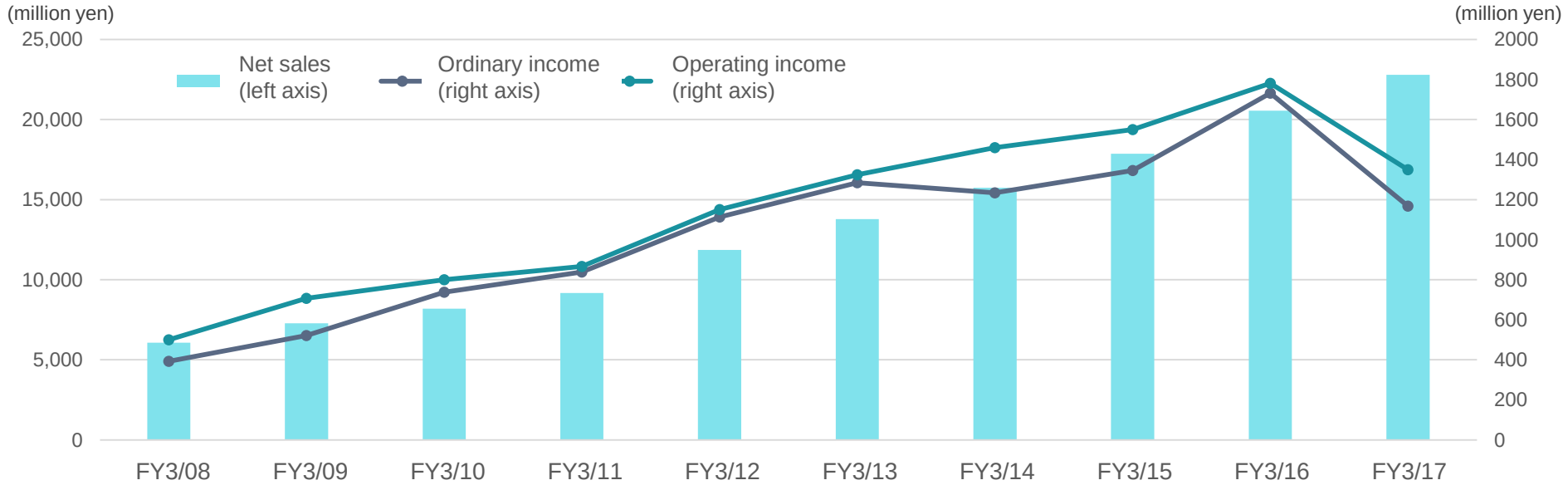
Consolidated Results (Highlights)

	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Net sales (million yen)	6,062	7,272	8,194	9,166	11,867	13,789	15,747	17,868	20,552	22,799
Operating income (million yen)	392	521	738	839	1,114	1,285	1,234	1,345	1,732	1,168
Ordinary income (million yen)	500	707	800	866	1,150	1,325	1,460	1,550	1,781	1,350
Net income attributable to owners of parent (million yen)	266	440	444	500	653	717	837	904	1,071	661
Net income per share (Yen)	3.60	5.98	6.06	6.67	7.83	8.60	10.03	10.84	12.84	7.87

* Net income per share is the amount that reflects the stock split.



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Consolidated Results (Balance Sheet / Statement of Cash Flows)

	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Total assets (million yen)	3,823	4,275	5,763	9,432	9,808	10,876	13,521	18,882	21,126	24,002
Net assets (million yen)	1,242	1,546	1,903	3,559	3,977	4,452	5,034	5,606	6,279	6,854
Shareholders' equity ratio (%)	32.4	36.1	32.9	37.7	40.5	40.9	37.2	29.7	29.7	28.5

	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Cash flows from operating activities (million yen)	439	672	378	915	1,205	1,173	1,038	1,294	1,804	1,878
Cash flows from investing activities (million yen)	- 587	- 363	- 906	- 1,808	- 821	- 1,268	- 3,638	- 3,959	- 2,449	- 3,305
Cash flows from financing activities (million yen)	33	- 157	412	2,473	- 219	514	1,220	3,748	1,553	1,646
Year-end balance of cash and cash equivalents (million yen)	972	1,137	1,022	2,602	2,768	3,188	1,808	2,891	3,798	4,017

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Dividends

The basic policy of our company is to continue paying a performance-linked dividend with a payout ratio of around 30% while maintaining the necessary internal reserves for future business development and to strengthen our management structure.

	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Amount of dividend per share (yen)	1.12	1.90	2.00	2.90 Commemorative dividend: 0.50 yen	3.00 Commemorative dividend: 0.50 yen	3.20	3.60	4.00	5.00	2.50
Payout ratio (%)	31.0	31.7	33.0	43.4	38.3	37.2	35.9	36.9	38.9	31.8

The amount of dividend per share reflects the stock split.

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NADESHIKO Brand

We have been selected as a NADESHIKO Brand since 2015. We will continue to promote women's participation and advancement in the workplace proactively and aim to enhance corporate value.







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Forecast Precautions

This document contains forecasts about the future. However, these are predictions that have been made by our company based on the information available at the time of publication. The reality may be significantly different from our predictions due to economic conditions and market trends. Furthermore, this document is not intended to solicit investment. We are under no obligation to amend or change the information pertaining to forecasts contained in this document even if we obtain new information in the future.

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