JP-HOLDINGS, INC.

Financial Results for the Fiscal Year ending March 2019

TSE 1 (2749)

https://www.jp-holdings.co.jp/

INDEX

◆ Overview of FY3/19 Results

- FY3/19 Results Page 4
- FY3/19 Quarterly Results 5
- FY3/19 Financial Highlights 6
- FY3/19 Profit and Loss Statement 7
- FY3/19 Balance Sheet 8
- FY3/19 Statement of Cash Flows 9
- FY3/19 New Openings 10
- No. of Facilities Operated by Region 11
- No. of Facilities Operated 12

◆ FY3/20 Forecast

- FY3/20 Forecast 14
- FY3/20 New Openings 15

◆ Corporate Strategy for FY3/20

- Business Environment Surrounding the Company
  Current Waiting List Situation 18
  Current Nursery School Teacher Shortage Situation 19
  International Comparison of Initiatives to Address Declining Birth Rates 20
  JP Holdings is the largest operator in the Industry 21
  Business Environment 22
  Medium- to Long-term Business Environment 23

◆ Corporate Strategy

- Management Policy for FY3/20 25
- Target Performance Indicators 26
- Medium- to Long-term Corporate Strategy 27
- Long-term Management Vision 28
- Corporate Strategy for FY3/20 29
  FY3/20 Measure (1) “Secure nursery school teachers” 30
  Our Plan to Secure Nursery School Teachers 31
  Recruitment of Nursery School Teachers 32
  FY3/20 Measure (2) “Curb resignations” 33
  FY3/20 No. of Children Accepted at Facilities (plan) 34
  FY3/20 Measure (3) “Regional block framework” 35
  FY3/20 Measure (4) “Team building” 36
  FY3/20 Measure (5) “ Develop and promote new business” 37
  Medium-term Management Plan: Promote New Businesses 38
  Medium-term Management Plan 39
  Medium-term Management Plan 40
- ESG Initiatives 41

◆ Appendix

- Company Overview 43 to 49
- Results Trends 50 to 53

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/19 Results

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/19 Results

- Net sales **increased year on year**, mainly due to the opening of new facilities, an increase in the number of children accepted at existing facilities, and an increase in rent subsidies at some existing facilities.

Net sales 29,298 million yen（YoY+9.4% Act. vs Plan -2.3%）

- **Operating income increased year on year** thanks mainly to the increased sales of existing facilities with the step-by-step increase in the number of children accepted from June 2018 onward, even though operating income was pushed down by the following factors: an increase in recruitment expenses and expenses related to corporate dormitories, and the placement of nursery school teachers at each facility ahead of the timing of the acceptance of children at the beginning of the fiscal year.
- **Both ordinary income and net income attributable to owners of parent increased year on year** thanks to an increase in non-operating income, owing mainly to the increased amount of subsidies associated with an increase in users of corporate dormitories. **Additionally, a new record high was set for ordinary income.**

Operating income 1,531 million yen (YoY +17.5% Act. vs Forecast -17.1%)
Ordinary income 1,920 million yen (YoY +21.4% Act. vs Forecast -12.5%)
Net income attributable to owners of parent 1,071 million yen (YoY +17.7% Act. vs Forecast +9.3%)

- Earnings forecast
  - Despite robust performance in the Child-raising Business amid openings of new facilities and an increase in the number of children accepted, net sales, operating income and ordinary income results were below forecast due to time requirements in identifying markets and undertaking validation with respect to new businesses, particularly for developing varying content and carrying out test marketing.
  - Net income attributable to owners of parent exceeded the forecast due to substantially lower facilities' impairment loss (extraordinary loss). This was largely attributable to improved profitability achieved by respective facilities in the Child-raising Business upon having overhauled staffing allocations amid an increased number of children accepted to existing facilities.

DPS 3.70 yen Increased dividend 0.20 yen (Previous result: 3.50 yen/ Dividend forecast: 3.50 yen)

- Facilities Operated

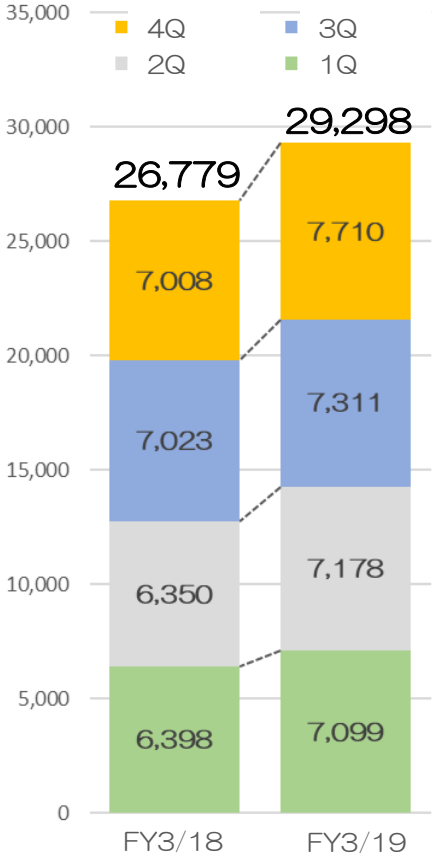
  In FY03/2019, opened **17 nurseries and 4 school clubs, which totaled 21 facilities**.

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

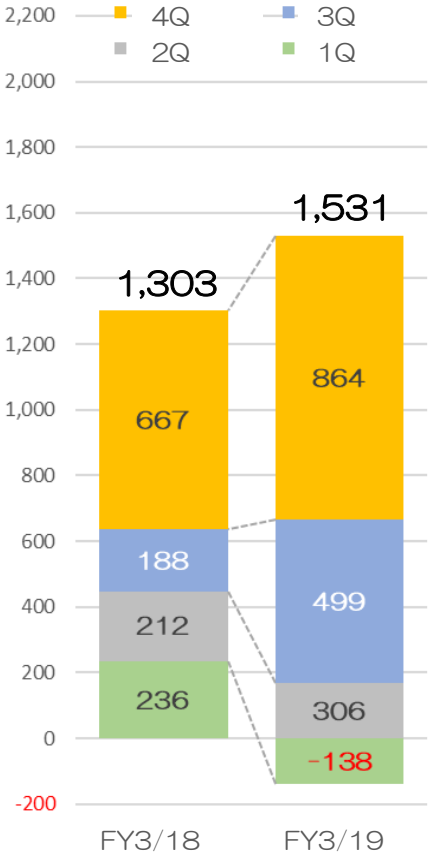
FY3/19 Quarterly Results

- **Revenue improved significantly thanks to the expansion in the number of children accepted from June 2018 onward even though operating profit was pushed down by the placement of nursery school teachers at each facility ahead of the timing of the acceptance of children in 1Q.**
- **Sales and income increased YoY on a quarterly basis beginning in 1Q.**

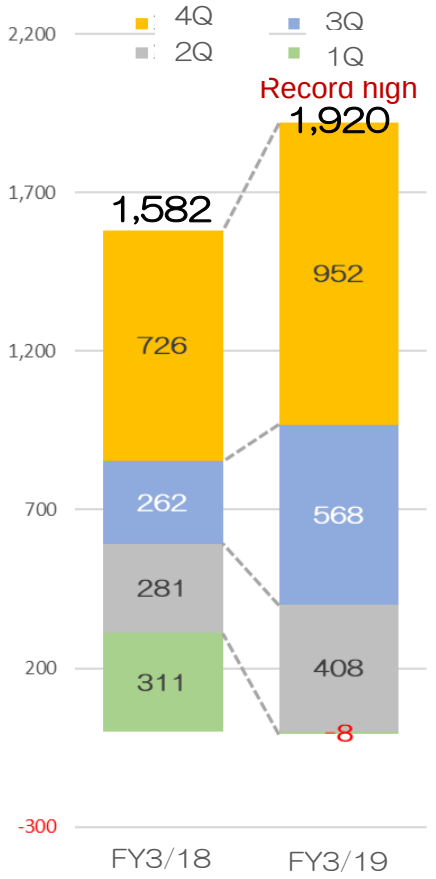
Net sales



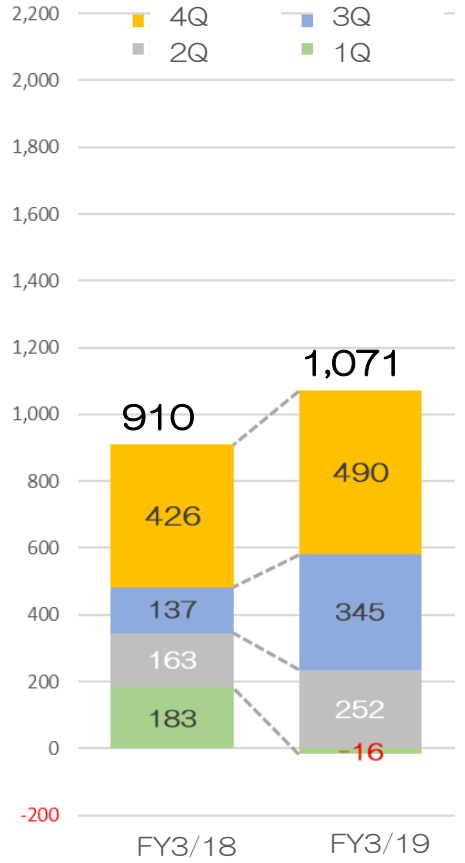
Operating income



Ordinary income



Net income attributable to owners of parent



(Unit: million yen)

JP HOLDINGS

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/19 Financial Highlights

	FY3/18	FY3/19			
		Forecast	Actual	Year on Year Comparison	Act. vs Forecast
Net sales (million yen)	26,779	30,001	**29,298**	9.4%	- 2.3%
Operating income (million yen)	1,303	1,847	**1,531**	17.5%	- 17.1%
Ordinary income (million yen)	1,582	2,196	**1,920**	21.4%	- 12.5%
Net income attributable to owners of parent (million yen)	910	980	**1,071**	17.7%	9.3%
Net income per share (yen)	10.70	11.52	**12.44**	1.74	0.92
Net assets per share (yen)	90.63	—	**102.23**	11.60	—
Shareholders' equity ratio (%)	30.1	—	**31.7**	1.6	—
Dividends (yen)	3.50	3.50	**3.70**	0.20	0.20
Dividend payout ratio (%)	32.7	30.4	**29.7**	—	—

*"Partial Amendment of Accounting Standard for Tax Effect Accounting" and other regulations have been applied from the first quarter of the current fiscal year, As for numbers of cumulative previous 2Q period is retroactively rectified by this accounting standard.

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/19 Profit and Loss Statement

	FY3/18		FY3/19		Year on Year Comparison	
	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Component Ratio (%)
Net sales	26,779	100.0	29,298	100.0	2,519	9.4
Cost of sales	22,685	84.7	25,119	85.7	2,434	10.7
Gross profit	4,094	15.3	4,178	14.3	84	2.1
SG & A expenses	2,790	10.4	2,647	9.0	- 143	- 5.1
Operating income	1,303	4.9	1,531	5.2	228	17.5
Non-operating revenues	369	1.4	560	1.9	190	51.4
Non-operating expenses	91	0.3	170	0.6	79	87.4
Ordinary income	1,582	5.9	1,920	6.6	338	21.4
Net income attributable to owners of parent	910	3.4	1,071	3.7	160	17.7

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/19 Balance Sheet

	FY3/18 (Million Yen)	FY3/19 (Million Yen)	Amount of Change (Million Yen)
Total current assets	7,885	10,458	2,572
Cash and deposits	4,455	6,816	2,360
Accounts receivable - other	2,169	2,491	322
Total fixed assets	17,873	17,796	- 76
Total tangible fixed assets	10,101	9,897	- 203
Total intangible fixed assets	473	342	- 130
Total Investments and other assets	7,297	7,555	258
Total assets	25,758	28,255	2,496
Total Current liabilities	8,208	7,880	- 328
Short-term loans payable	2,485	2,166	- 319
Current portion of long-term loans payable	1,584	1,570	- 14
Accounts payable - other	9,793	11,424	1,630
Total fixed liabilities	8,934	10,454	1,520
Long-term loans payable	18,002	19,304	1,301
Total liabilities	7,756	8,950	1,194
Total net assets	25,758	28,255	2,496
Total liabilities and net assets	7,885	10,458	2,572

*"Partial Amendment of Accounting Standard for Tax Effect Accounting" and other regulations have been applied from the first quarter of the current fiscal year, As for numbers of cumulative previous 1Q period is retroactively rectified by this accounting standard.

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/19 Statement of Cash Flows

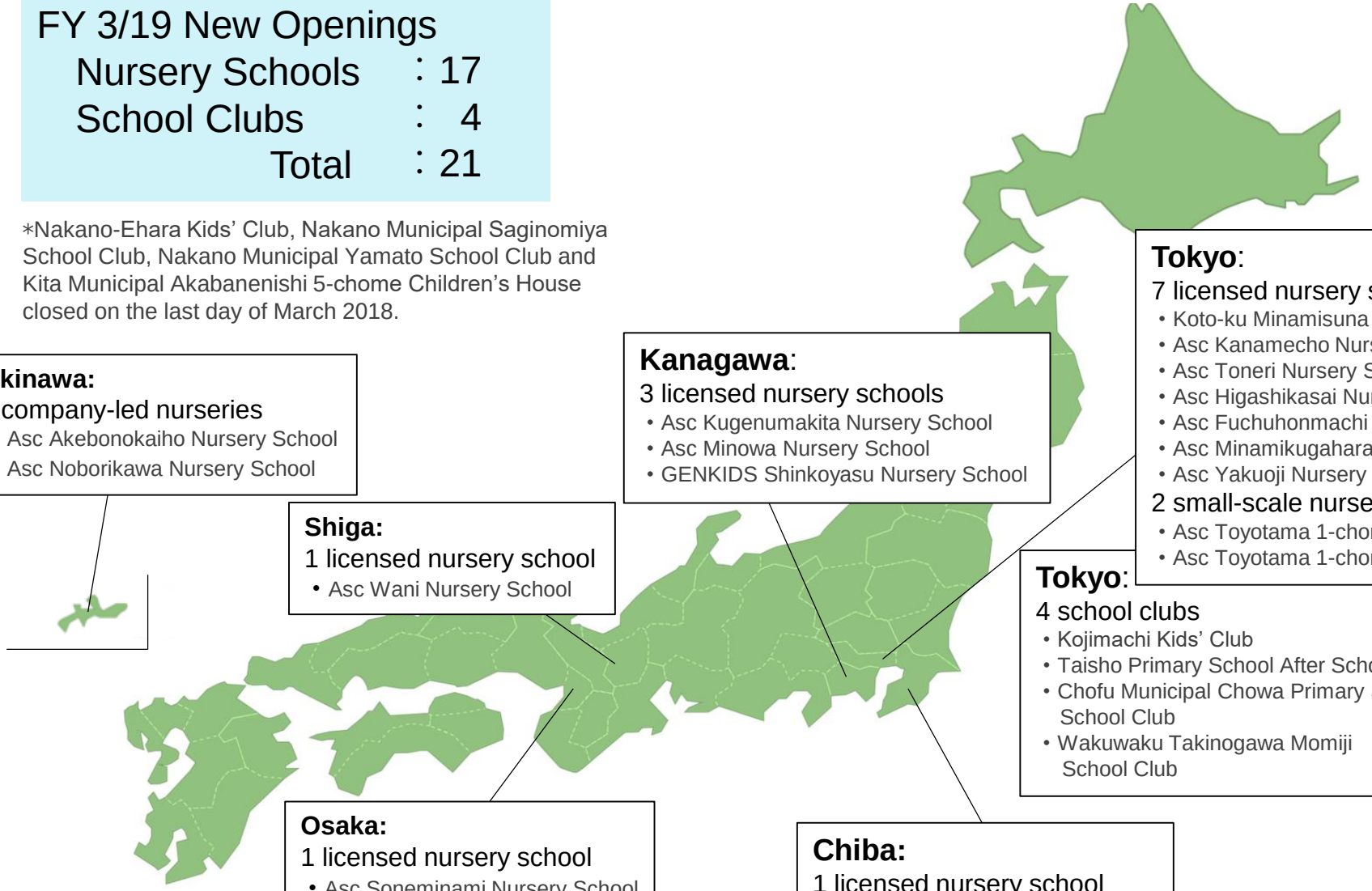
	FY3/18 (Million Yen)	FY3/19 (Million Yen)	Year on Year Comparison (Million Yen)
Net cash provided by (used in) operating activities	1,865	1,829	- 36
Income before income taxes and minority interests	1,557	1,810	252
Depreciation and amortization	668	703	35
Impairment loss	23	108	85
Decrease (increase) in accounts receivable - other	- 533	- 297	236
Decrease (increase) in accounts payable - other and accrued expenses	447	- 14	- 462
Income taxes (paid) refund	- 397	- 624	- 226
Net cash provided by (used in) investing activities	- 1,292	- 940	352
Purchase of property, plant and equipment	- 1,853	- 1,877	- 23
Net cash provided by (used in) financing activities	- 135	1,475	1, 611
Proceeds from short-term loans payable	2,100	5,500	3,400
Proceeds from long-term loans payable	1,850	4,000	2,150
Repayments of long-term loans payable	- 3,536	- 2,799	1,025
Net Increase (decrease) in cash and cash equivalents	438	2,360	1,922
Cash and cash equivalents at end of period	4,455	6,816	2,360

Copyright©JP-HOLDINGS,INC All Rights Reserved.

FY3/19 New Openings

FY 3/19 New Openings
Nursery Schools : 17
School Clubs : 4
Total : 21

∗Nakano-Ehara Kids' Club, Nakano Municipal Saginomiya School Club, Nakano Municipal Yamato School Club and Kita Municipal Akabanenishi 5-chome Children's House closed on the last day of March 2018.



Okinawa:
2 company-led nurseries
- Asc Akebonokaiho Nursery School
- Asc Noborikawa Nursery School

Kanagawa:
3 licensed nursery schools
- Asc Kugenumakita Nursery School
- Asc Minowa Nursery School
- GENKIDS Shinkoyasu Nursery School

Tokyo:
7 licensed nursery schools
- Koto-ku Minamisuna No.4 Nursery School
- Asc Kanamecho Nursery School
- Asc Toneri Nursery School
- Asc Higashikasai Nursery School
- Asc Fuchuhonmachi Nursery School
- Asc Minamikugahara Nursery School
- Asc Yakuoji Nursery School

2 small-scale nursery schools
- Asc Toyotama 1-chome Nursery School A
- Asc Toyotama 1-chome Nursery School B

Shiga:
1 licensed nursery school
- Asc Wani Nursery School

Tokyo:
4 school clubs
- Kojimachi Kids' Club
- Taisho Primary School After School Club
- Chofu Municipal Chowa Primary School, School Club
- Wakuwaku Takinogawa Momiji School Club

Osaka:
1 licensed nursery school
- Asc Soneminami Nursery School

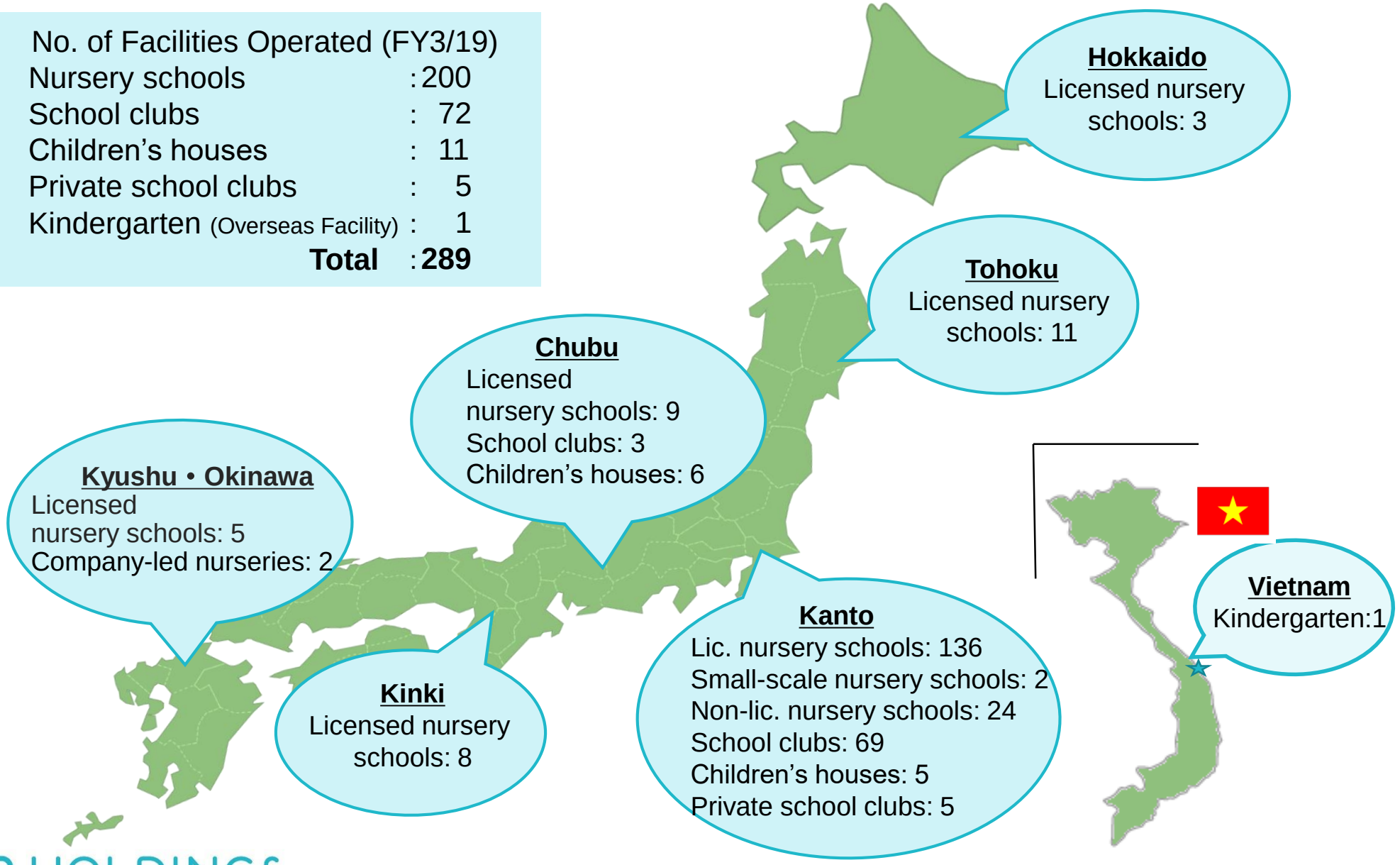
Chiba:
1 licensed nursery school
- Asc Otakanomori Nursery School

JP HOLDINGS

Copyright©JP-HOLDINGS,INC All Rights Reserved.

No. of Facilities Operated by Region

No. of Facilities Operated (FY3/19)	
Nursery schools	: 200
School clubs	: 72
Children's houses	: 11
Private school clubs	: 5
Kindergarten (Overseas Facility)	: 1
Total	: **289**



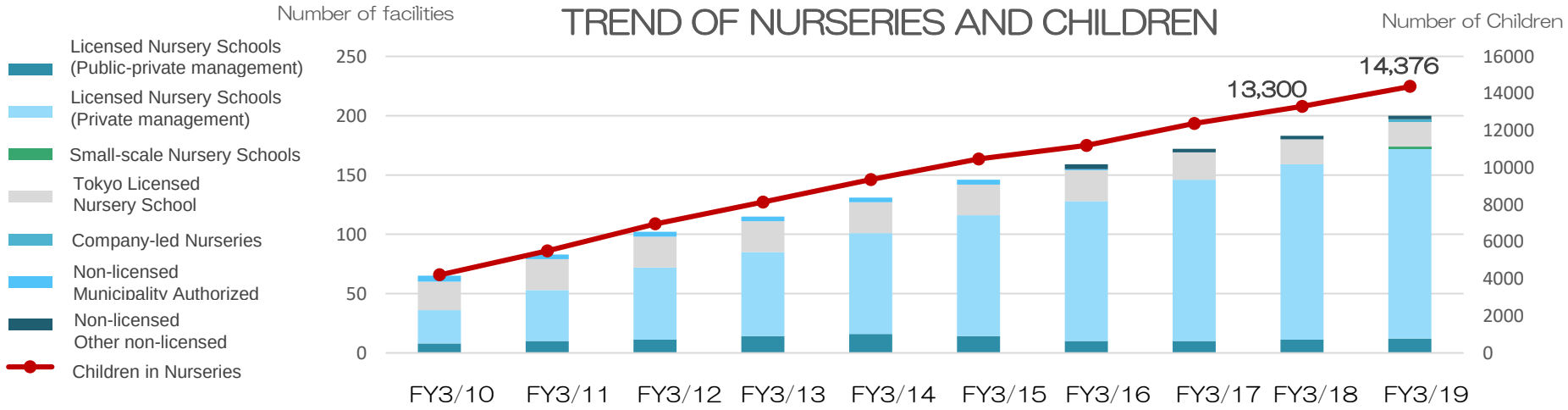
JP HOLDINGS

Copyright©JP-HOLDINGS,INC All Rights Reserved.

No. of Facilities Operated

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Licensed Nursery Schools (Public-private management)	8	10	11	14	16	14	10	10	11	12
Licensed Nursery Schools (Private management)	28	43	61	71	85	102	118	136	148	160
Small-scale Nursery Schools	0	0	0	0	0	0	0	0	0	2
Tokyo Licensed Schools	24	26	26	26	26	26	26	23	21	21
Company-led Nurseries	0	0	0	0	0	0	0	0	0	2
Non-licensed Municipality Authorized	5	4	4	4	4	4	1	0	0	0
Non-licensed Othernon-licensed	0	0	0	0	0	0	4	3	3	3
Joint Establishment with Amusement Facilities	1	0	0	0	0	0	0	0	0	0
School Clubs	26	37	39	40	43	46	55	63	71	72
Children's Houses	6	9	7	8	8	8	10	12	12	11
Private School Clubs	0	0	0	0	0	0	0	4	5	5
Overseas Facility	0	0	0	0	0	0	0	0	1	1
Total	**98**	**129**	**148**	**163**	**182**	**200**	**224**	**251**	**272**	**289**

*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



JP HOLDINGS

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/20 Forecast

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/20 Forecast

	FY3/19 Actual	FY3/20 Forecast	Change	Year on Year Comparison (%)
Net sales (million yen)	29,298	32,000	2,701	9.2
Operating income (million yen)	1,531	1,811	279	18.3
Ordinary income (million yen)	1,920	2,300	380	19.8
Net income attributable to owners of parent (million yen)	1,071	1,212	141	13.2
Net income per share (yen)	12.44	14.08	1.64	—
Dividends (yen)	3.70	3.90	0.20	—
Dividend payout ratio (%)	29.7	27.7	—	—

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/20 New Openings

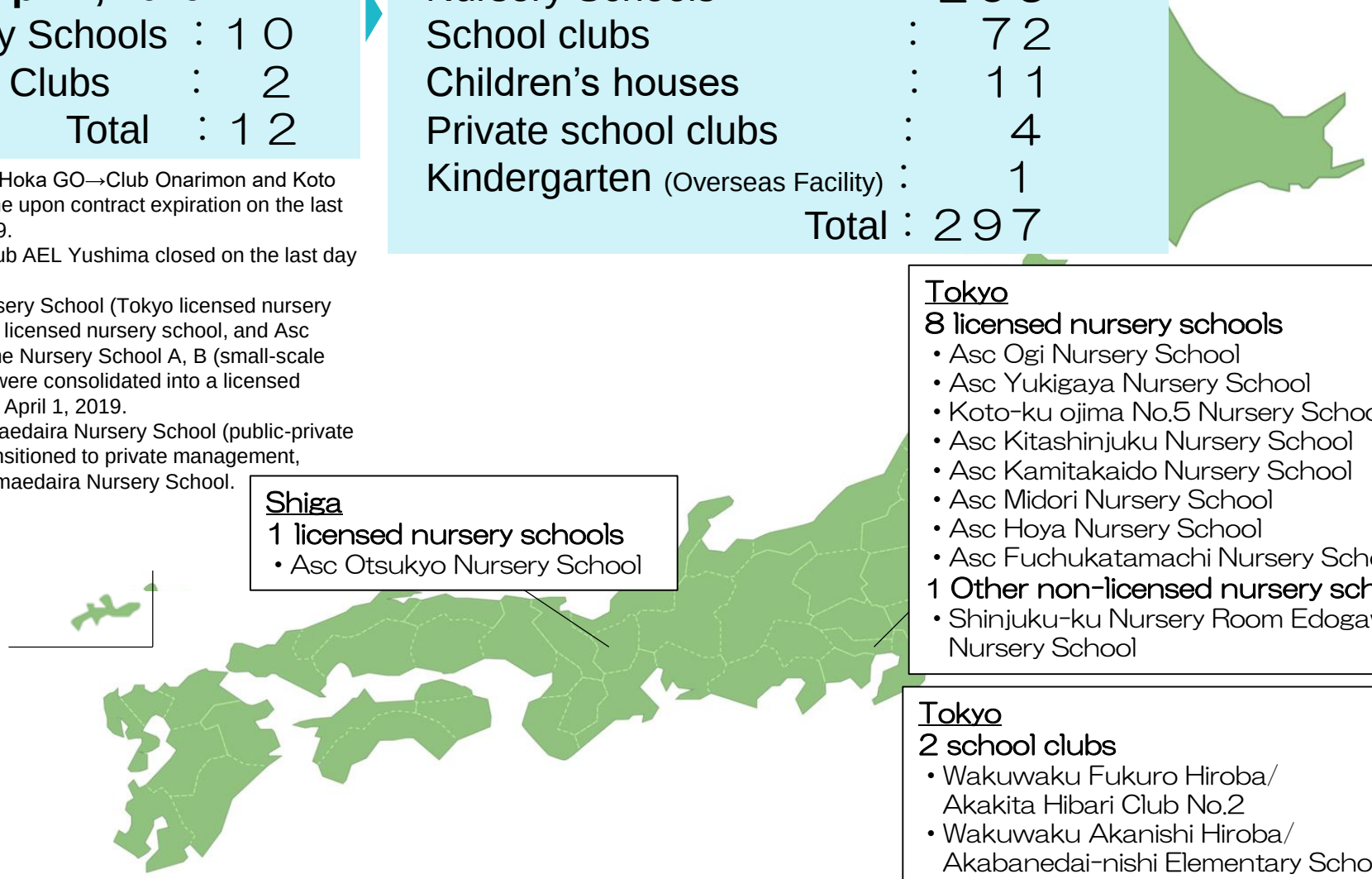
New Openings as of Apr. 1, 2019

Nursery Schools	: 10
School Clubs	: 2
Total	: 12

No. of Facilities Operated (Apr. 1, 2019)

Nursery Schools	: 209
School clubs	: 72
Children's houses	: 11
Private school clubs	: 4
Kindergarten (Overseas Facility)	: 1
Total	: 297

* Withdrawal from Hoka GO→Club Onarimon and Koto Kids Club Ichikame upon contract expiration on the last day of March 2019.
* Private school club AEL Yushima closed on the last day of March 2019.
* Asc Ikegami Nursery School (Tokyo licensed nursery school) became a licensed nursery school, and Asc Toyotama 1-chome Nursery School A, B (small-scale nursery schools) were consolidated into a licensed nursery school on April 1, 2019.
* Kawasaki Miyamaedaira Nursery School (public-private management) transitioned to private management, operated as Miyamaedaira Nursery School.



Shiga
1 licensed nursery schools
- Asc Otsukyo Nursery School

Tokyo
8 licensed nursery schools
- Asc Ogi Nursery School
- Asc Yukigaya Nursery School
- Koto-ku ojima No.5 Nursery School
- Asc Kitashinjuku Nursery School
- Asc Kamitakaido Nursery School
- Asc Midori Nursery School
- Asc Hoya Nursery School
- Asc Fuchukatamachi Nursery School

1 Other non-licensed nursery school
- Shinjuku-ku Nursery Room Edogawa Nursery School

Tokyo
2 school clubs
- Wakuwaku Fukuro Hiroba/ Akakita Hibari Club No.2
- Wakuwaku Akanishi Hiroba/ Akabanedai-nishi Elementary School Club No.2

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

Corporate Strategy for FY3/20

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

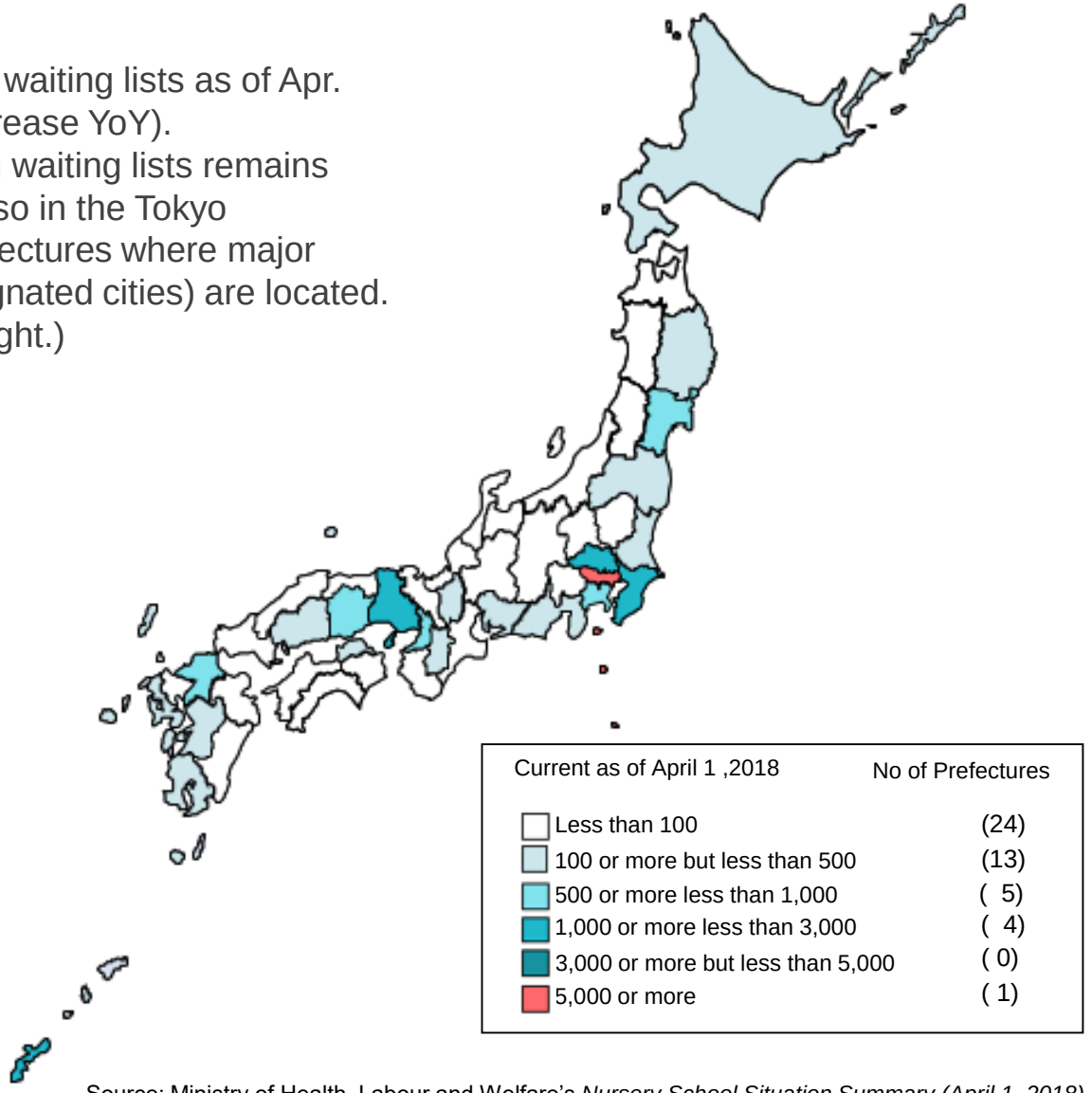
Business Environment Surrounding the Company

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

Current Waiting List Situation

- The number of children on waiting lists as of Apr. 2018 is 19,895 (6,186 decrease YoY).
  The problem of children on waiting lists remains serious. This is especially so in the Tokyo metropolitan area and prefectures where major cities (e.g. ordinance-designated cities) are located. (Refer to the map on the right.)

National Waiting List Map (April 1, 2018)



Source: Ministry of Health, Labour and Welfare's *Nursery School Situation Summary (April 1, 2018)*

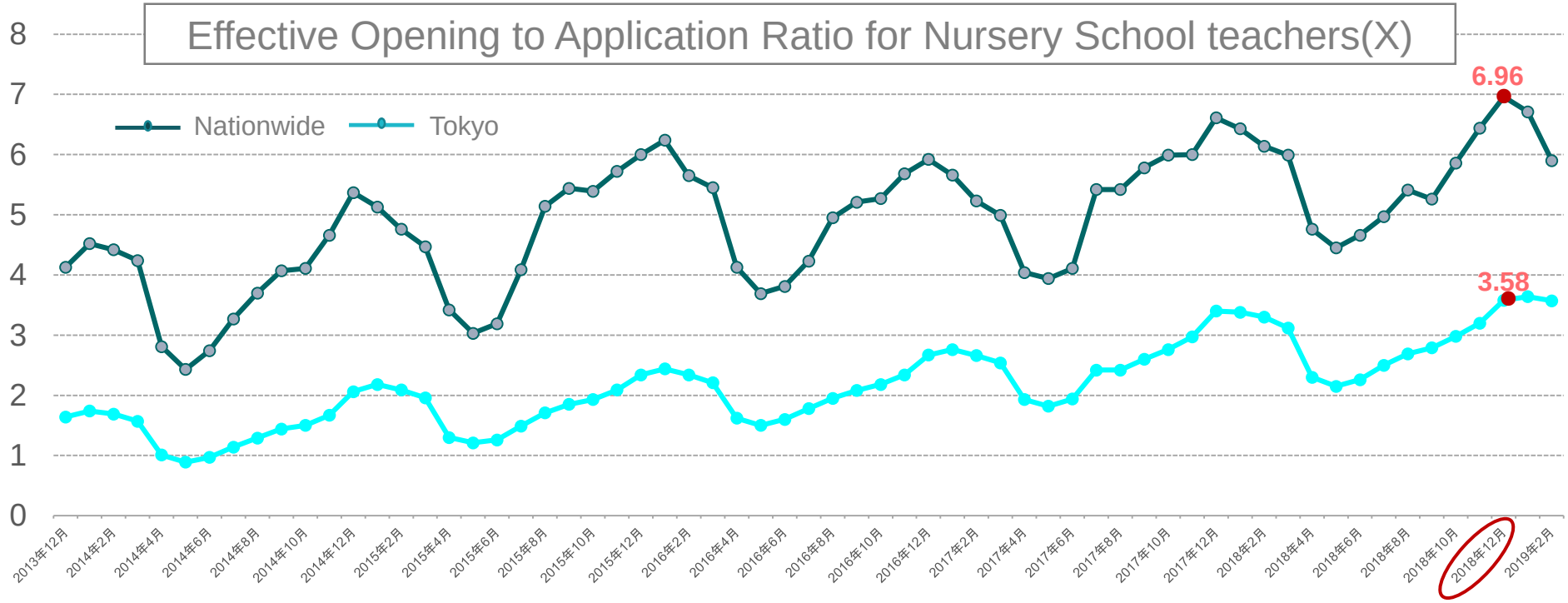
Prefecture	No. of Children on the waiting List
Hokkaido	129
Aomori	0
Iwate	145
Miyagi	613
Akita	37
Yamagata	46
Fukushima	371
Ibaraki	386
Tochigi	41
Gunma	28
Saitama	1,552
Chiba	1,392
Tokyo	5,414
Kanagawa	864
Niigata	1
Toyama	0
Ishikawa	0
Fukui	18
Yamanashi	0
Nagano	50
Gifu	0
Shizuoka	325
Aichi	238
Mie	80
Shiga	439
Kyoto	75
Osaka	677
Hyogo	1,988
Nara	201
Wakayama	16
Tottori	0
Shimane	30
Okayama	698
Hiroshima	207
Yamaguchi	36
Tokushima	33
Kagawa	108
Ehime	49
Kochi	51
Fukuoka	995
Saga	33
Nagasaki	157
Kumamoto	182
Oita	13
Miyazaki	63
Kagoshima	244
Okinawa	1,870
Total	19,895

JP HOLDINGS

Copyright©JP-HOLDINGS,INC All Rights Reserved.

Current Nursery School Teacher Shortage Situation

- 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)*

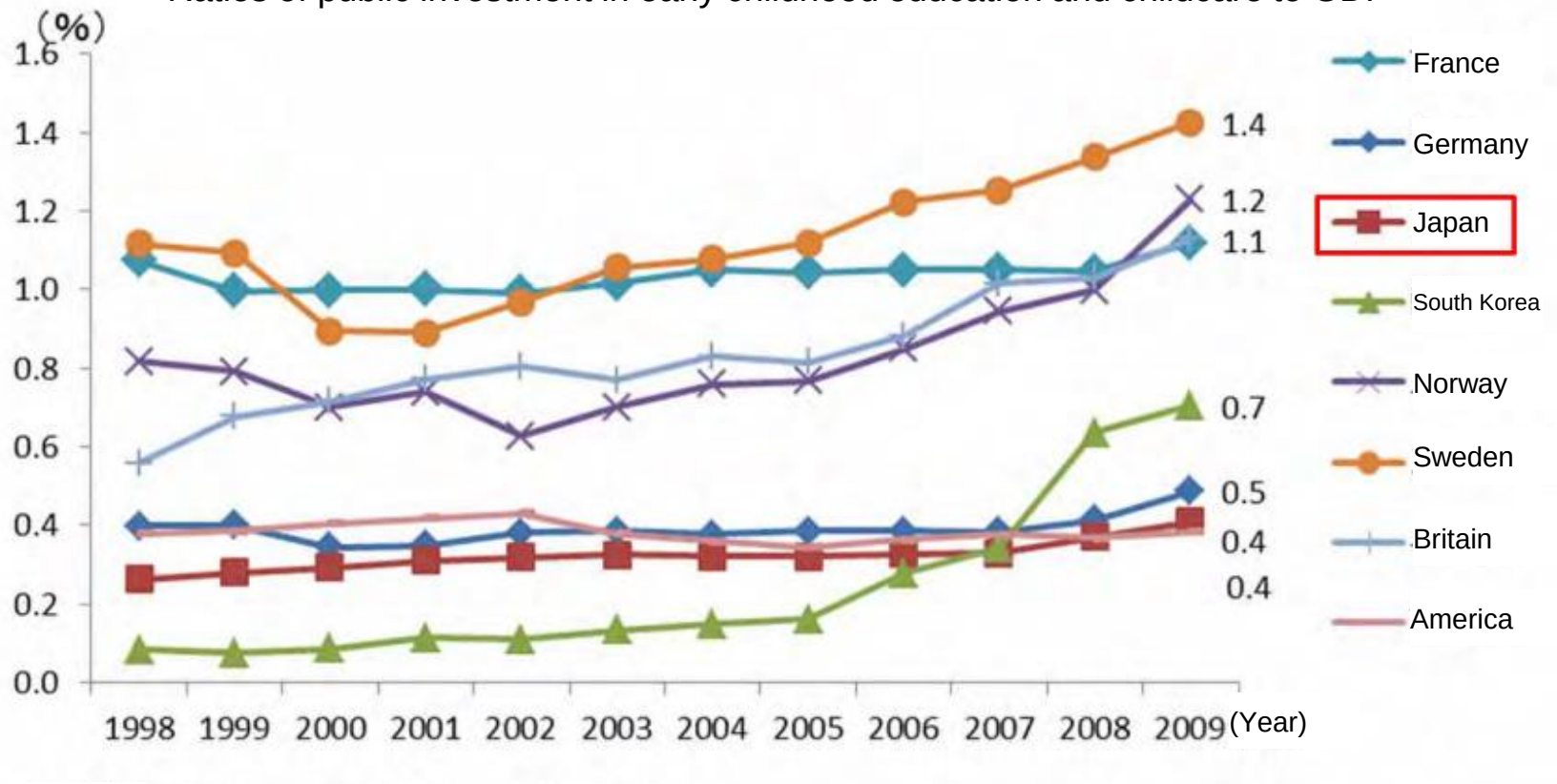
JP HOLDINGS

Copyright©JP-HOLDINGS,INC All Rights Reserved.

International Comparison of Initiatives to Address Declining Birth Rates

- OECD countries are targeting public subsidies for childcare charges amounting to 1% of GDP, but 0.4% in Japan.

Ratios of public investment in early childhood education and childcare to GDP



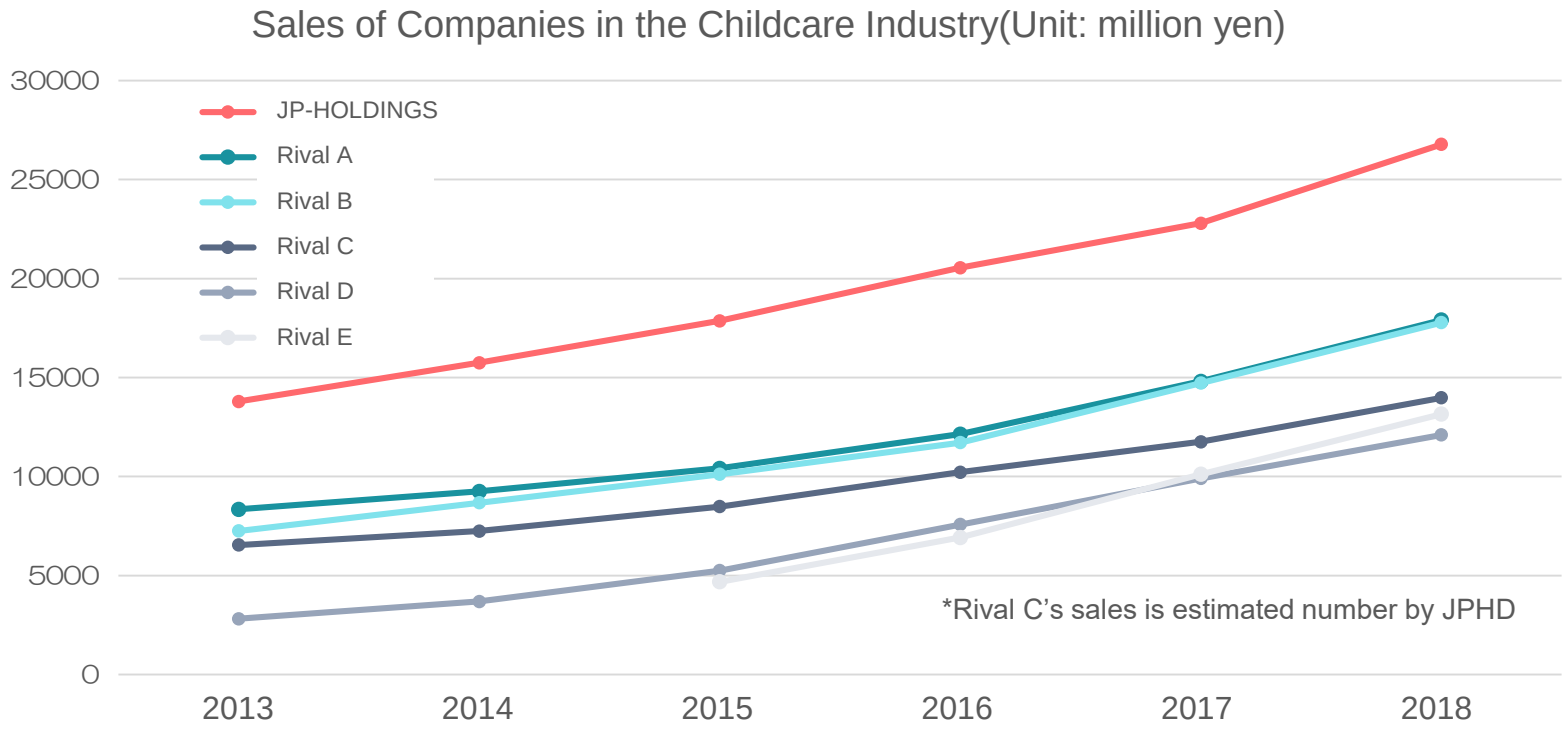
(Document) OECD Family Database Chart PF3.1

Source: International Initiatives to Address Declining Birthrates (February 28, 2014)
Policy promotion team, Task force for breaking through the fertility crisis (2nd term), Cabinet Office
Mika Ikemoto, The Japan Research Institute, Limited

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

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.

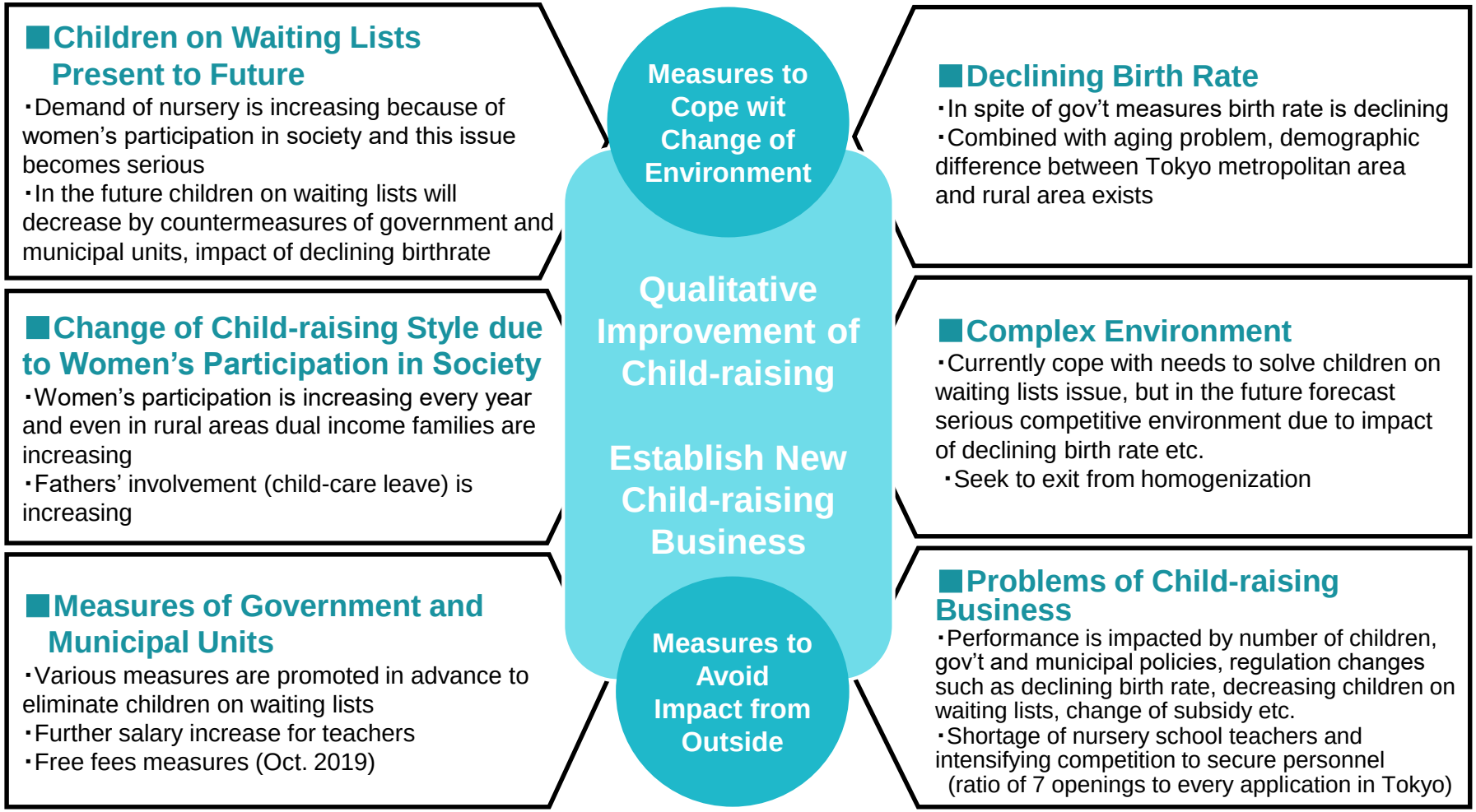


Source: Based on the past six years of the Nikkei MJ's *Service Industry Survey*

Copyright©JP-HOLDINGS,INC All Rights Reserved.

Business Environment

Measures to Cope with Current and Future Changes of Environment



Copyright©JP-HOLDINGS,INC All Rights Reserved.

Medium- to Long-term Business Environment

Whereas JPHD's Child-raising Business is achieving growth as various countermeasures are being promoted by government and municipal units to eliminate the problem of children on waiting lists, challenges such as shortages of nursery school teachers and the declining birthrate need to be addressed.

Strengths

- **Competitive advantages as a leading company in child-raising support services**
  - Track record and expertise of the Child-raising Business (size combined with reliability)
  - Approx. 20,000 children, and employment exceeding approx. 6,000 childcare workers
- **Group-wide, comprehensive service structure**
  - Centralized management of the Child-raising Business
- **Safety and security**
  - Framework offering safety and security free of serious accidents

Weaknesses

- Programs of government and municipal units, and changes in government policy
  - Effects of changes in programs and government policy on subsidies
  - Effects of systemic changes with respect to operations subject to licensing
- Chronic shortage of nursery school teachers
  - Chronic shortage of nursery school teachers caused by factors such as the opening of new facilities to eliminate the problem of children on waiting lists and increasing numbers of children accepted to existing facilities

Opportunities

- **Government and municipal units are promoting various measures to eliminate the problem of children on waiting lists**
  - Subsidies are increasing and the business environment is otherwise conducive to opening new facilities
- **Number of service users increasing due to introductions of free early childhood education and childcare beginning in October 2019**
  - Increase in nursery users amid the likelihood of a higher percentage of women in the workforce due to free early childhood education and childcare

Threats

- Decreasing childcare demand in the future associated with Japan's declining birthrate
  - Guardians are able to be selective due to the declining birthrate
- Market entry from different industries, M&As
  - Market entry from players in the education sector, M&As by players from the same and different industries
- Changes in programs of government and municipal units and government policy
  - Decrease in subsidies and systemic change

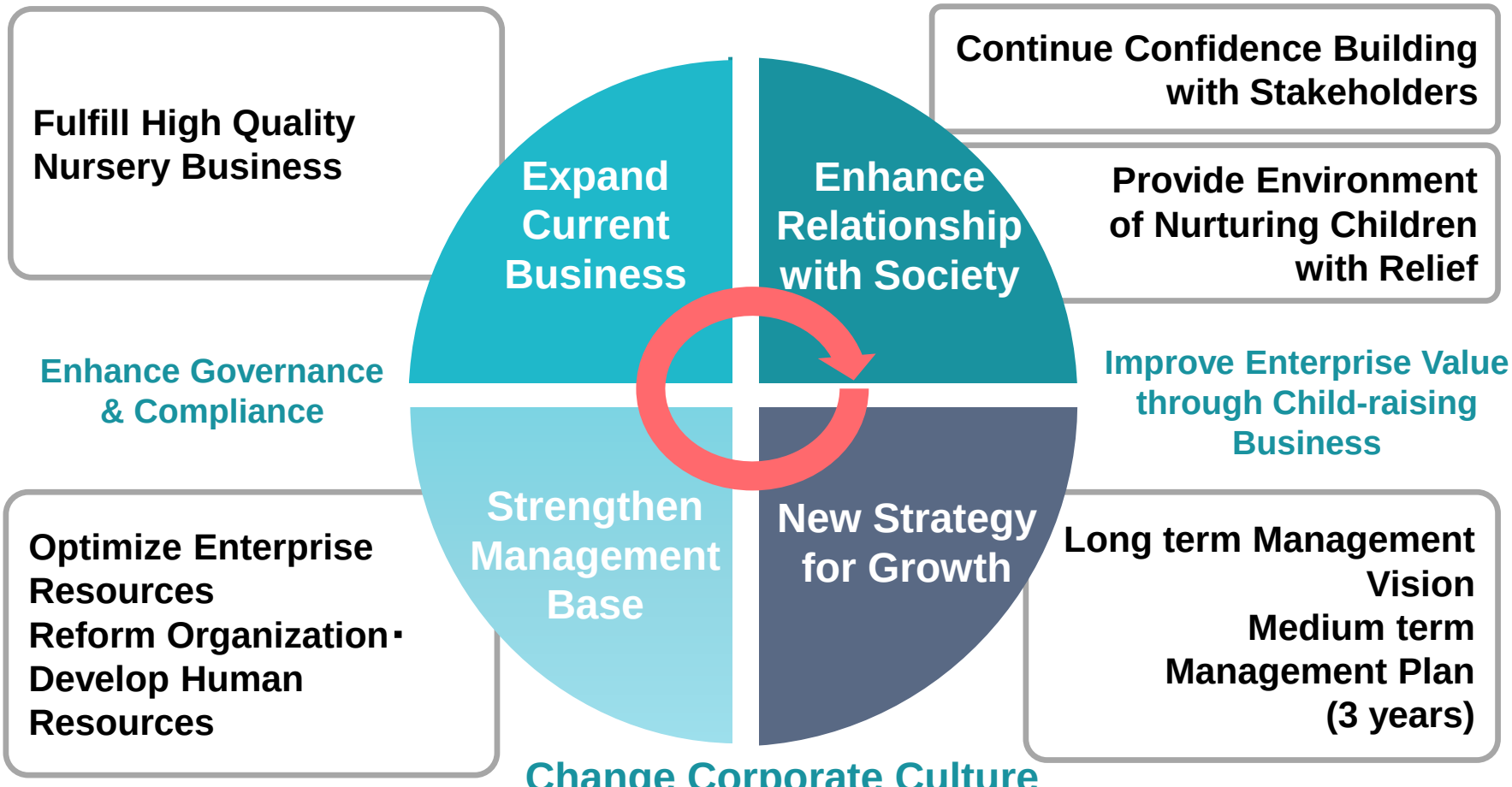
Copyright©JP-HOLDINGS, INC. All Rights Reserved.

Corporate Strategy
(Long-term/Medium-term/Single-year Plan)

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

Management Policy for FY3/20

Aiming to provide "the highest quality child-raising support services in Japan"



Copyright©JP-HOLDINGS,INC All Rights Reserved.

Target Performance Indicators

Long-term Management Vision 2025：Fulfill Consolidated Sales 100 BYen

Long-term Management Vision

Aiming to become “the highest quality child-raising services company in Japan”

FY3/25

Existing Business	**50.0 billion yen**
New Business	**10.0 billion yen**
Business or Capital Alliance	**40.0 billion yen**

Medium-term Management Targets

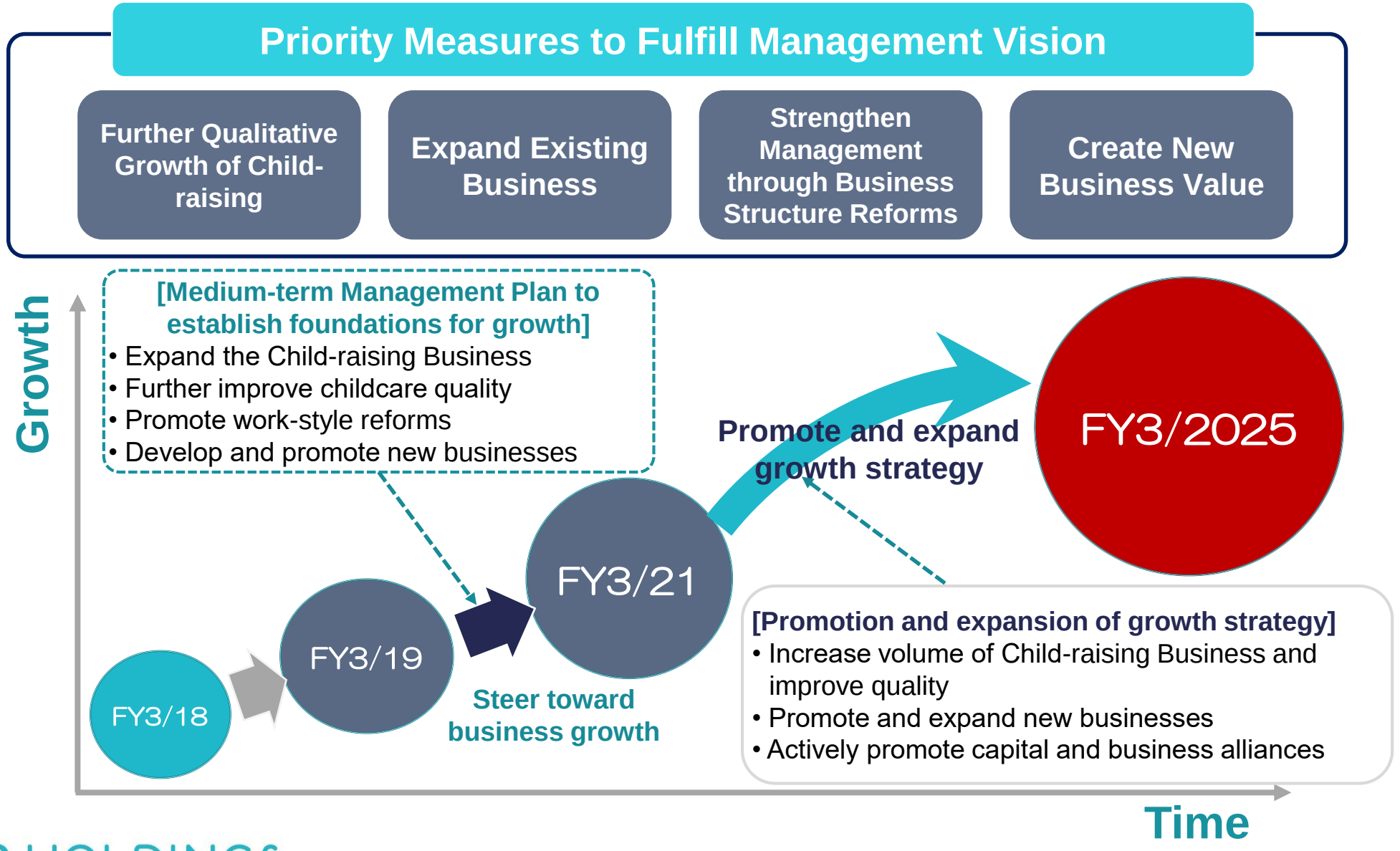
Further improve quality of child raising services
Create new businesses, form alliances and partnerships with nursery enterprises

FY3/20	**Net sales 32.0 billion yen**
	Ordinary income 2.3 billon yen
FY3/21	**Net sales 35.0 billion yen**
	Ordinary income 2.7 billion yen

JP HOLDINGS

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

Medium- to Long-term Corporate Strategy



Copyright©JP-HOLDINGS, INC. All Rights Reserved.

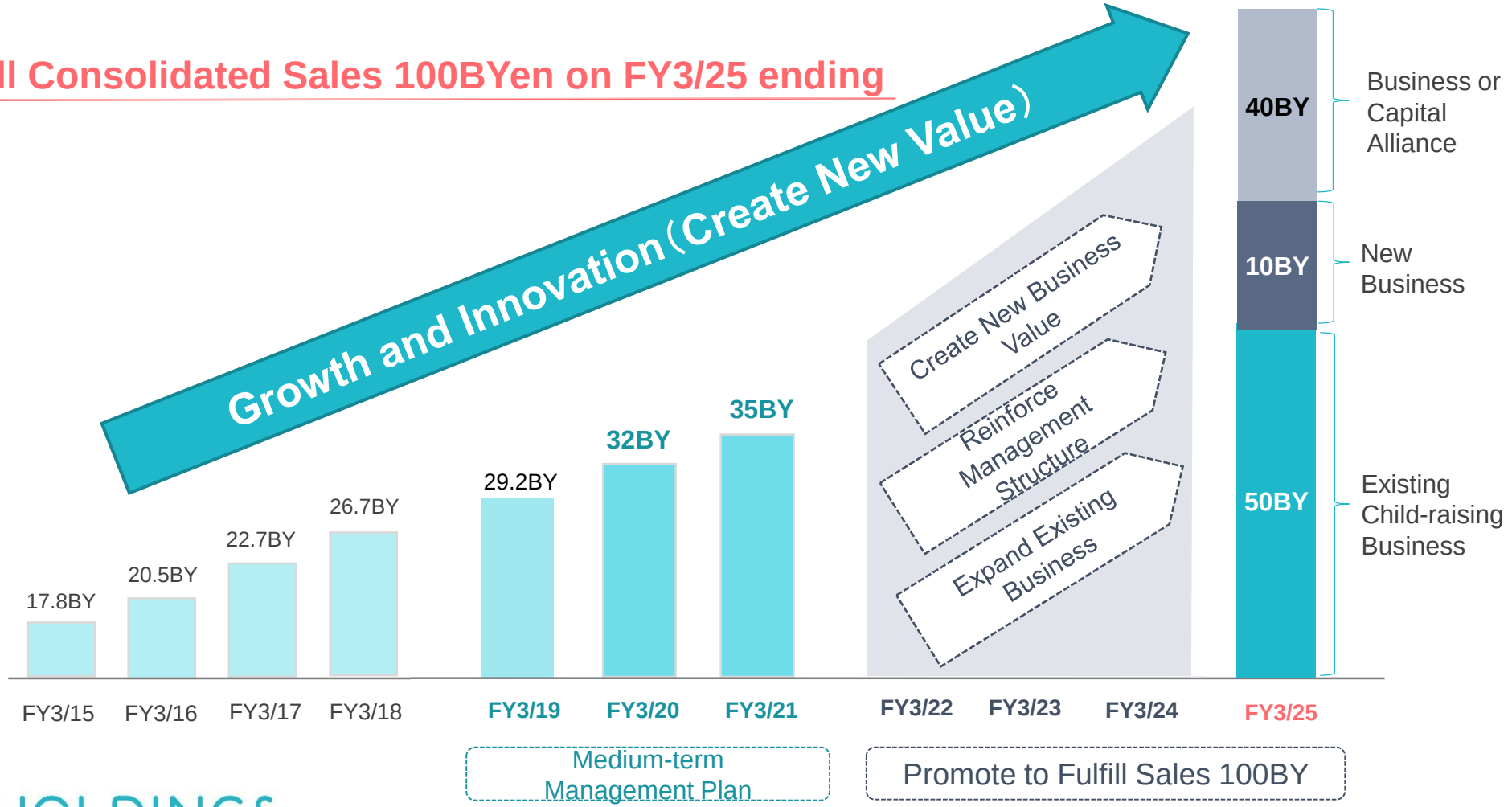
Long-term Management Vision

Expand Business Scale
Grow as leading company of child-raising

The Second Founding Stage

Develop Infrastructure targeting FY3/25 ending → **Promote Growth Strategy** → **Consolidated Sales 100BYen**

Fulfill Consolidated Sales 100BYen on FY3/25 ending



JP HOLDINGS

Copyright©JP-HOLDINGS,INC All Rights Reserved.

Corporate Strategy for FY3/20

JPHD will establish a management base geared to achieving the Long-term Management Vision and the Medium-term Management Plan, and develop new businesses.

Increasing the number of children admitted

- Opening of new facilities and consignment
- Increase rates of capacity utilization at existing facilities

1. Secure nursery school teachers and other professional talent
2. Curb employee resignations

Strengthening management and promotion frameworks

- Restructure organization and awareness raising

3. Administer nursery schools by geographic region (introduce regional block framework)
4. Implement team building

Creating new businesses

- Develop new businesses and strengthen external sales

5. Develop various forms of content coordinated with the consulting service business and perform test marketing

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/20 Measure (1) “Secure nursery school teachers”

Measures for securing nursery school teachers with the aims of achieving sustainable growth and eliminating the problem of children on waiting lists

Nursery school teacher recruitment target 523 teachers

- New graduates hired: 248 teachers (joined on April 1, 2019)
- Target for mid-career employment: 275 teachers

Effective opening to application ratio and annual salary for nursery school teachers

- Effective opening to application ratio for nursery school teachers in Tokyo

6.61 to 1 Dec. 2017 → **6.96 to 1** Dec. 2018

- National average annual salary vs. that of JPHD

3,579,000 yen, 36.8 years old 2018 national avg. < **4,007,000 yen, 31.7 years old** 2018 JPHD avg.

- **Intensifying market for securing nursery school teachers**
  - ⇒ Municipal units initiatives to eliminate waiting times
  - ⇒ Free early childhood education and childcare (increase in percentage of women in the workforce)
- **Surge in recruitment fees to attract talent**

【Salaries of nursery school teachers 】

- JPHD implementing improvements in salaries and benefits in conjunction with such improvements by government and municipal units
- Develop workplace environment and re-verify personnel system upon assessing problems and challenges of respective work sites

【Recruitment】

- Enhance and promote local recruitment
  Provide employee dormitories (7 facilities, monthly rent of 10,000 yen)
- Modify website focused on status of job application
- Upgrade employee referral system
  Scheme to provide financial incentive when an employee joins the company by means of referral

【Promotion of Work Style Reforms】

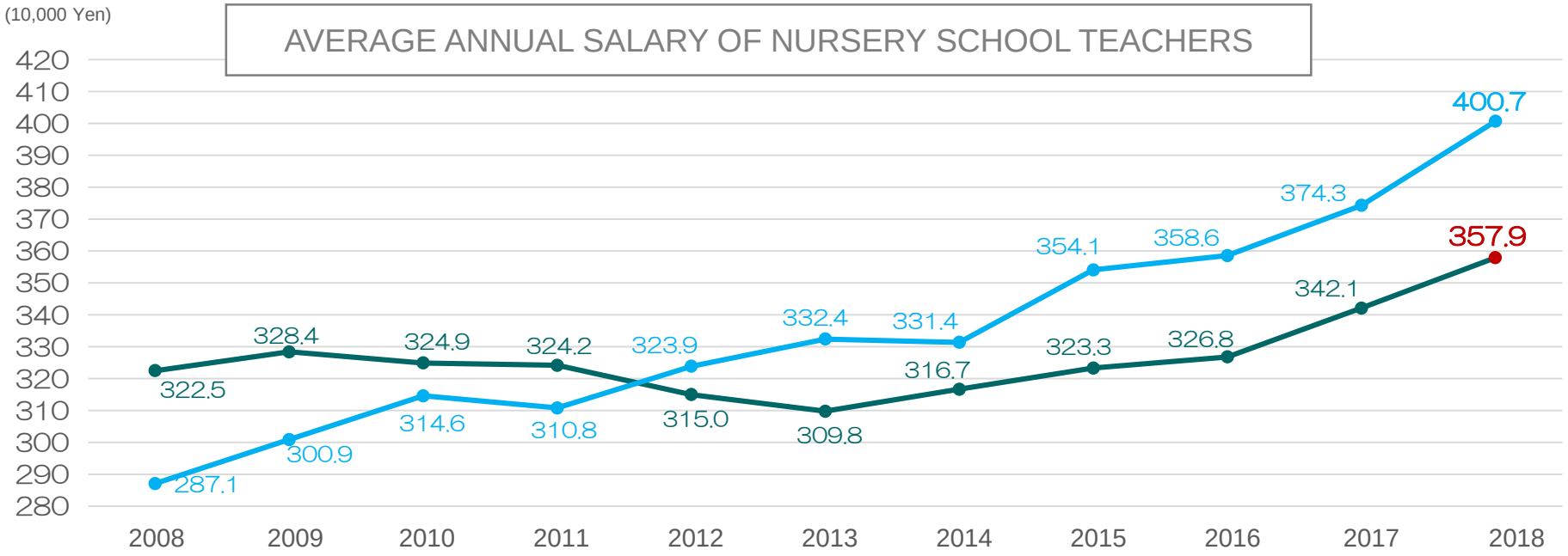
- Reduce burden of office works through ICT
- Maintain support framework to enable employees to concentrate on childcare and on-site work
- Overhaul of personnel system and labor affairs
- Maintain framework for problem solving using a hands-on approach

JP HOLDINGS

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

Our Plan to Secure Nursery School Teachers

- Utilize national and municipal subsidy and continue to improve wages.
- From Nov 2017, additional measures were introduced ※Provided retroactively from Apr. 2017
  (1)Implemented salary increase by regions(Max 480 thousand ¥/y)
  (2)Newly invented salary by roles(Max 480 thousand ¥/y)
  (3)Salary increase for directors and chiefs of nurseries(300 thousand ¥/y)
- In FY03/2019, the company paid an annual salary of 4.00 M¥ (average age:31.7) versus the national average of 3.57 M¥ (average age:36.8)



※ As for national average, JPHD made numbers based on Ministry of Health, Labour and Welfare
"*Basic Survey on Wage Structure*"
「Contractual cash earnings as of each June」×12+「Annual special cash earnings of each previous year」
※ JPHD's average annual salary is based on full year base.

JP HOLDINGS

Copyright©JP-HOLDINGS,INC All Rights Reserved.

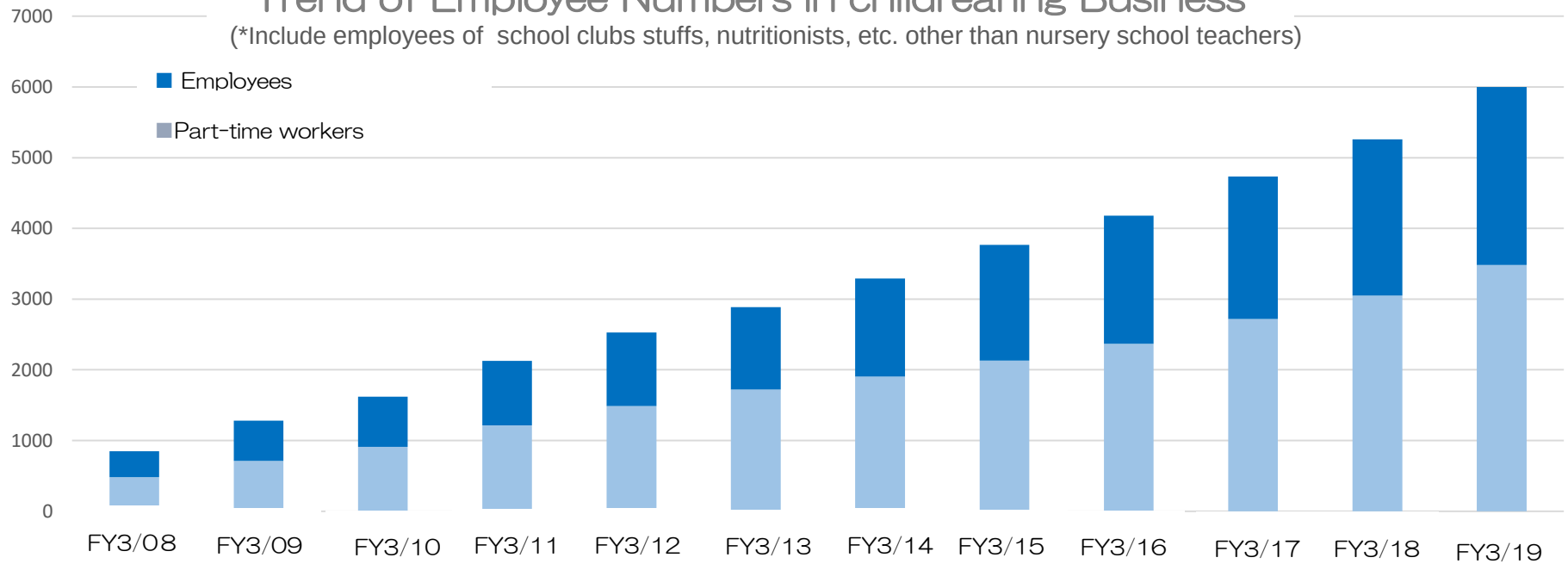
Recruitment of Nursery School Teachers

		FY3/16	FY3/17	FY3/18	FY3/19	FY3/20 Joined on Apr.1
Nursery School Teacher	New Graduates	178	197	247	276	248
	Mid career employment	219	241	327	325	145
Non qualified	New Graduates	–	23	32	46	26

* After joining JPHD non qualified graduates are expected and assisted to acquire nursery school teacher qualification. Started this recruitment style from FY2016
* Includes seconded employees to associated companies.

Trend of Employee Numbers in childrearing Business

(*Include employees of school clubs stuffs, nutritionists, etc. other than nursery school teachers)



JP HOLDINGS

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/20 Measure (2) “Curb resignations”

Basic Concept

JP Holdings tackle with “ Work Style Reform” as entire company to become “ Most Friendly Working Company” and promote the improvement of operations and working environment.

Promote a focus on nursery school teachers with sights set on curbing staff resignations and increasing number of children admitted

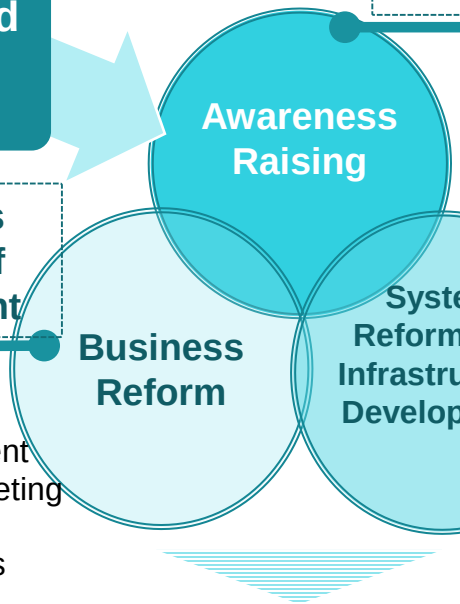
Directors make rounds of facilities to compile list of issues

Advisory committee established to address issues

- Operational improvement and streamlining
- Improvement of workplace environments
- Personnel education and training
- Management philosophy and childcare policy

Personnel and labor improvements

Measures based on voices of fields



Transmit and Share Information

・Utilize internal meetings and PR to fulfill educational activities and sharing know-how

Efficient Operations and Improvement of Working Environment

・Establish committee for efficient operations and improve working environment
・Establish committees targeting reform and improvement to formulate various measures and systems

Revise Personnel System

・Enable career up in system
・Revise warfare system
・Revise work system

Infrastructure Development

・Equip IT system
・ICT etc.

Fulfill Friendly Working Environment
Improve Employees Motivation

JP HOLDINGS

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/20 No. of Children Accepted at Facilities (plan)

Increase the number of children accepted at existing facilities by securing nursery school teachers, rather than sticking to the notion of new openings

As of Apr. 1, 2018
Number of Children in Nursery Schools
14,058

Increase of 997

As of Apr. 1, 2019
Number of Children in Nursery Schools
15,055

New openings of nursery schools
FY3/19 17 ⇒ 12 FY3/20

Increase the number of children accepted by securing nursery school teachers and assigning them to existing schools

Provide further high quality child raising services

- Secure Nursery School Teachers
- Administration and Support System (Regional Block Framework)
- Curb Resignations
- Work Style Reform
- Team Building (Awareness Raising)

JP HOLDINGS

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/20 Measure (3) “Regional block framework”

With regard to nursery schools, JPHD aims to improve its operational capabilities and further heighten its childcare quality using a regional block framework consisting of five geographic areas nationwide.

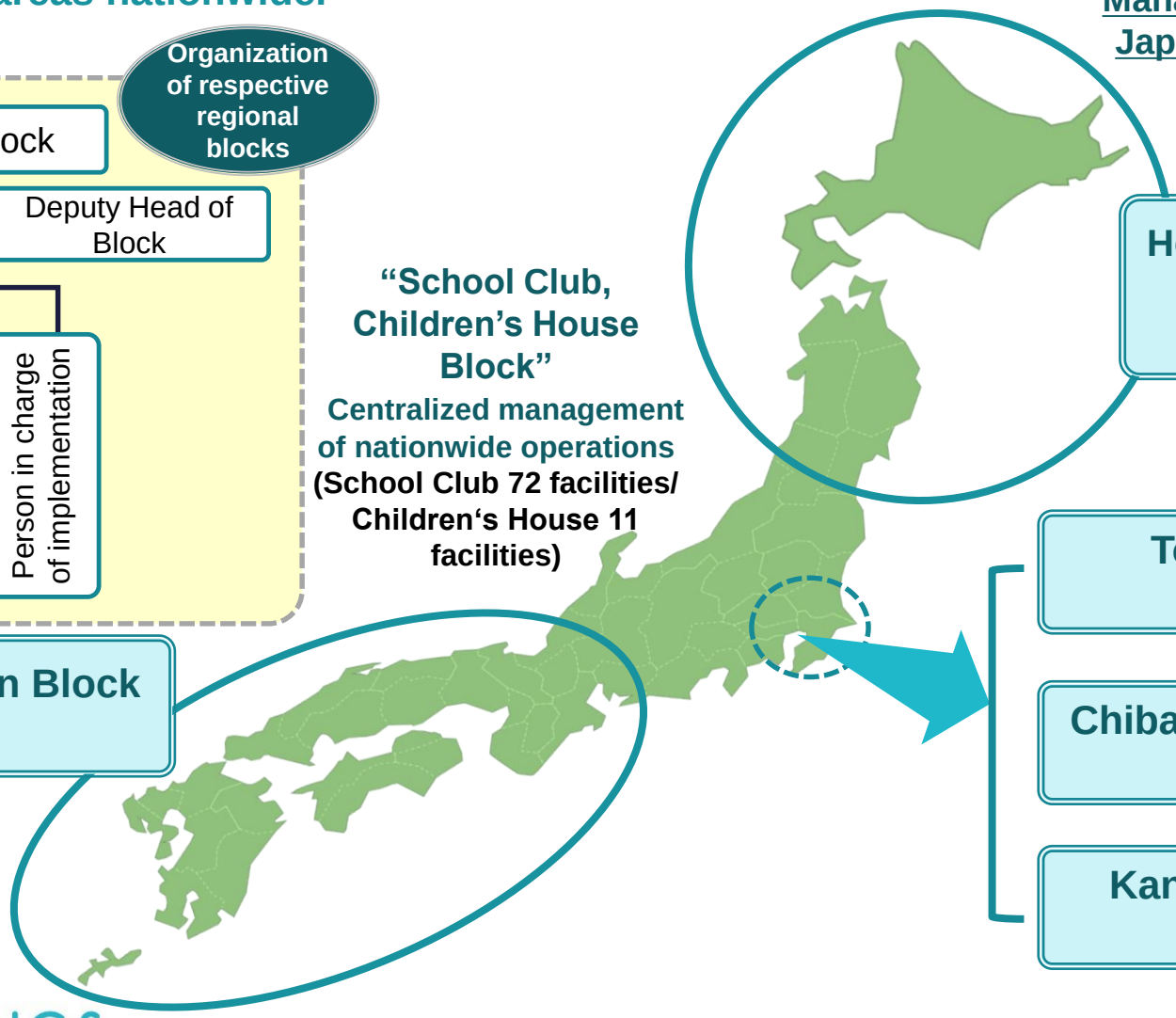
Organization of respective regional blocks

- Head of Block
  - Deputy Head of Block
  - Regional block facility
  - Person in charge of implementation

“School Club, Children’s House Block”

Centralized management of nationwide operations (School Club 72 facilities/ Children‘s House 11 facilities)

Management organization of Japan Nursery Service Inc.
(April 1, 2019)



- **Hokkaido/Tohoku Block 14**
- **Tokyo Block 84**
- **Chiba/Saitama Block 19**
- **Kanagawa Block 62**
- **Western Japan Block 23**

JP HOLDINGS

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/20 Measure (4) “ Team building”

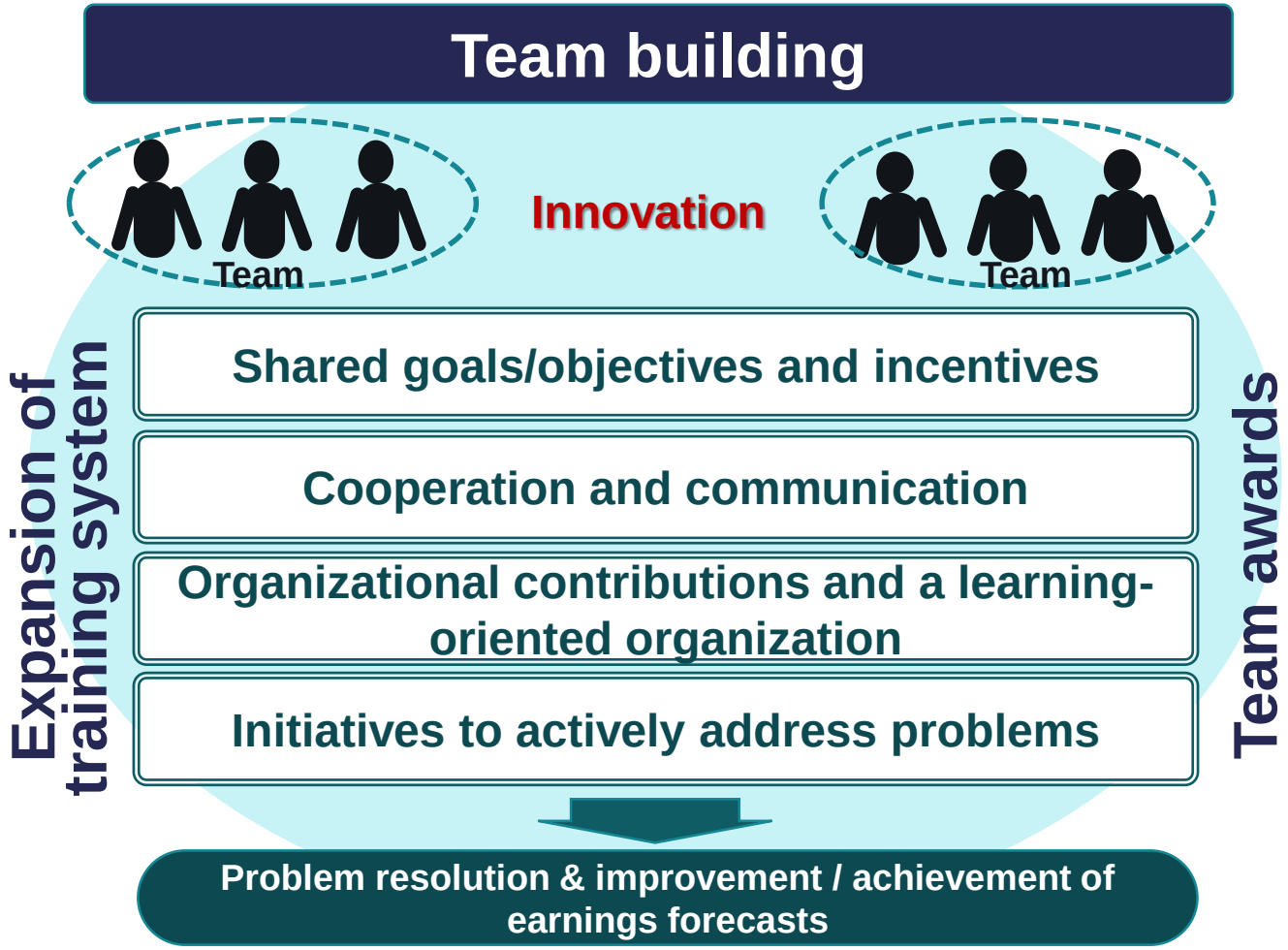
With its sights set on attaining sustainable growth, JPHD will improve its results through organizational innovation brought about through team building that involves combining mutual opinions and ideas, and gaining first-hand experience.

Top down

Bottom up

Approx. 6,000 employees take part in management

Fully exercising abilities through capacity to think and act



* The term “team building” refers to initiatives where those involved aim to unite as a team while each member independently draws on his or her capabilities and diversity for the purpose of achieving the team’s goals and objectives.

JP HOLDINGS

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

FY3/20 Measure (5) “ Develop and promote new business”

JPHD will promote external sales utilizing the Group’s know-how and will develop new businesses.

Mutual cooperation

Existing business

Consulting Service

(FY3/19: Ongoing 8 companies, New 6 companies, Total 14 companies)

Mutual cooperation

Further expanding and strengthening consulting services for new openings and operations of childrearing facilities

Since previous fiscal year

New business **Sales of fixtures for opening childrearing facilities**

- Packaged fixtures for opening schools sold to companies planning company-led nursery businesses (products mirroring input of JPHD’s nursery school teachers)
- As necessary, approach taken that involves simultaneously providing support for opening schools and other services

Since previous fiscal year

New business **Sales of proprietary programs (English, Gymnastics and eurhythmics)**

- Sales of JPHD’s proprietary English, Gymnastics, and Eurhythmics program packages to nursery schools outside the Group

Create new business development

New business **New businesses development initiatives utilizing in-house resources**

- Promote development from various angles including administration pertaining to safety and security, planning that particularly draws on aspects of facilities, and planning development of products through experience gained in providing child-rearing support at respective sites of operation.

Future business development

New business **Development and external sales involving new business in the realm of education and child-raising**

Strengthen framework of external sales linked to consulting

Develop and promote new businesses

① Develop new business utilizing know-how

② Build membership business targeting nursery children

③ Create new businesses in cooperation with education-related companies, etc.

Education-related companies | Different industries | Nursery-related companies

JP HOLDINGS

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

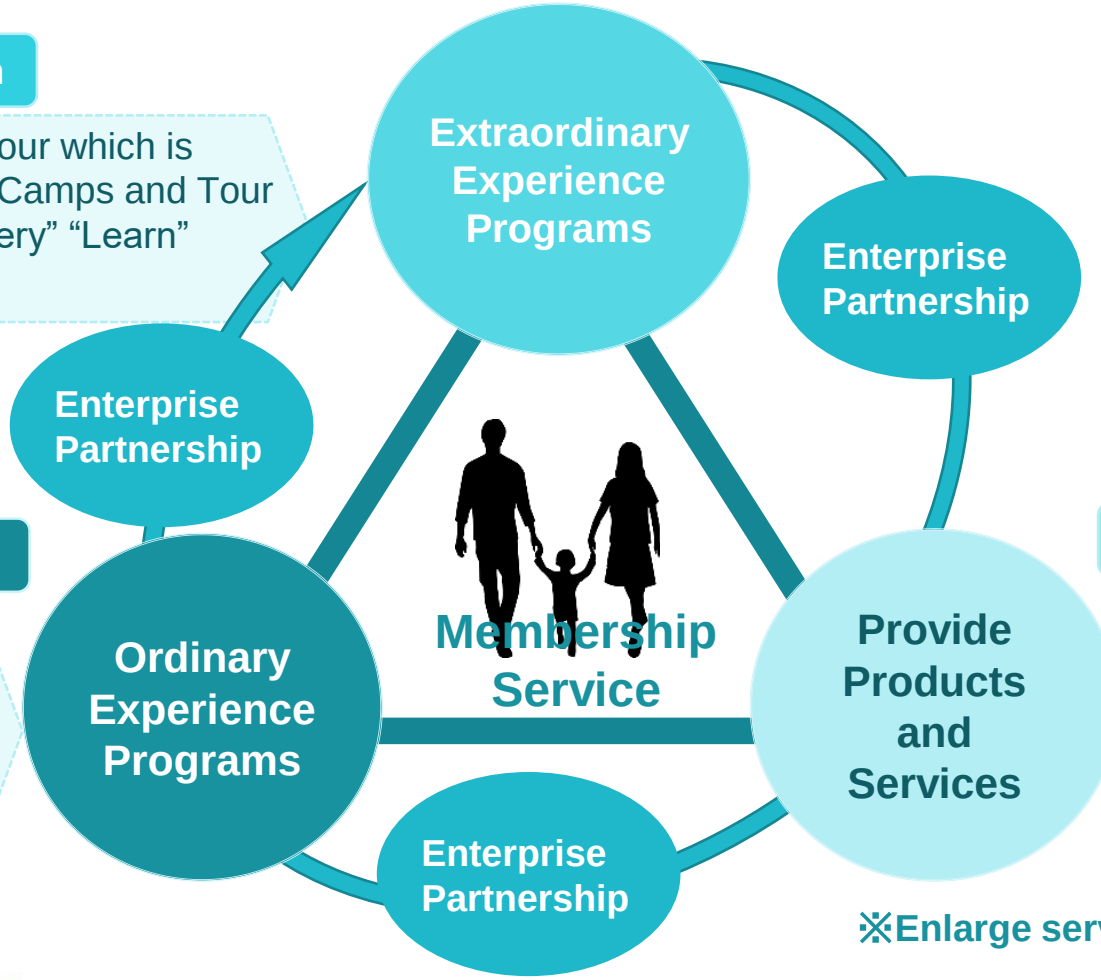
Medium-term Management Plan: Promote New Businesses

Aim of Membership Services

With keywords “Discovery”⇒”Learn”⇒”Use”, we provide various hands on programs to prompt healthy growth of children, develop every single child’s personality, exploit his/her ability

Examples of program

Planning of Hands on Tour which is Different from Ordinary Camps and Tour by Focusing on “Discovery” “Learn” “Create” etc.



【Progress Status】
- Program development and verification
- System verification

Examples of program

Provide Customized Lessons of English, Gymnastics, Eurhythmics etc.

Examples of program

Support Purchasing of Necessities and Provide Services depending on age etc.

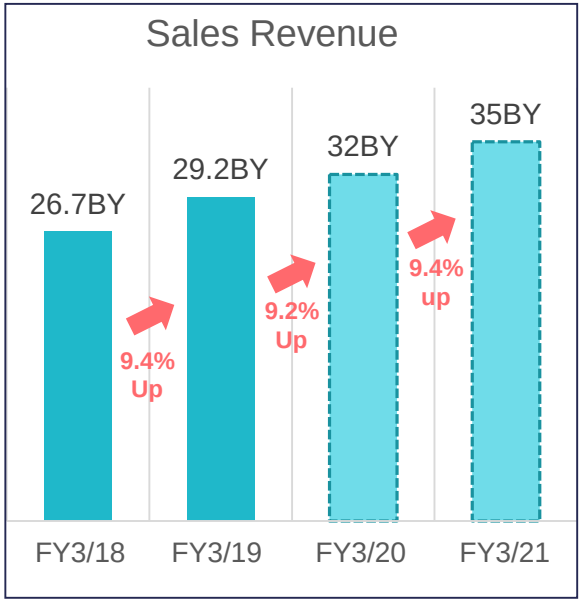
※Enlarge services in series

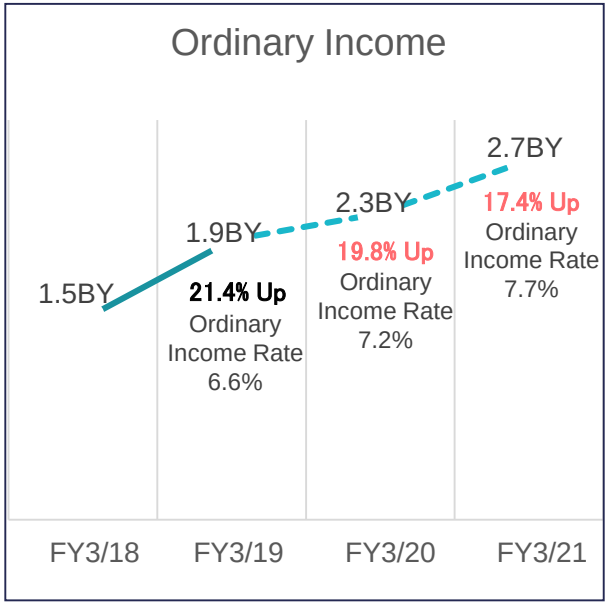
JP HOLDINGS

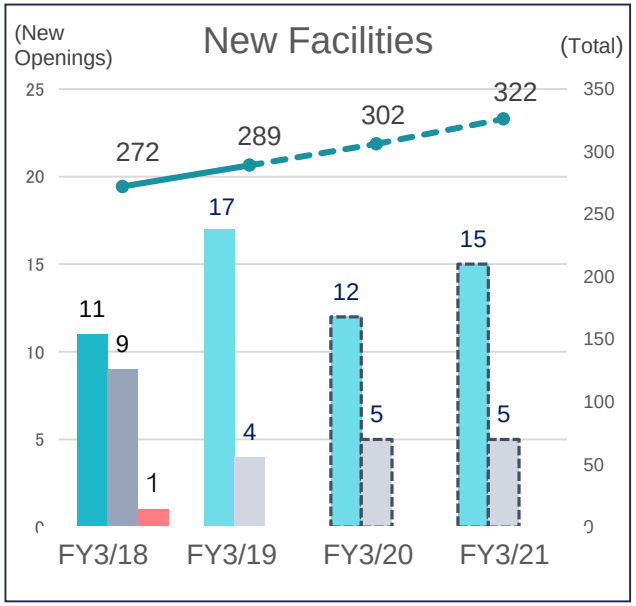
Copyright©JP-HOLDINGS, INC. All Rights Reserved.

Medium-term Management Plan

▶ Forecast (Consolidated)







▶ Priority measure

1. Strengthen safety measures and further improve the quality of child-raising
2. Increase the number of children admitted by opening new facilities and increasing the number of nursery school teachers at existing facilities
3. Expand investment in human resources (reinforcement of recruitment activities, review of personnel system)
4. Ensure thorough compliance and further strengthen corporate governance
5. Reorganization aimed at improving management and earnings management systems and management efficiency
6. Expand earnings base by developing and promoting new businesses
7. Synergy measures (business alliances and capital alliances) in the child-raising support and education industries

Copyright©JP-HOLDINGS,INC All Rights Reserved.

Medium-term Management Plan

Forecast (Consolidated)

	FY3/20	FY3/21
Sales Forecast	32BYen	35BYen
Ordinary Income Forecast	2.3BYen	2.7BYen

Forecast of New Opening

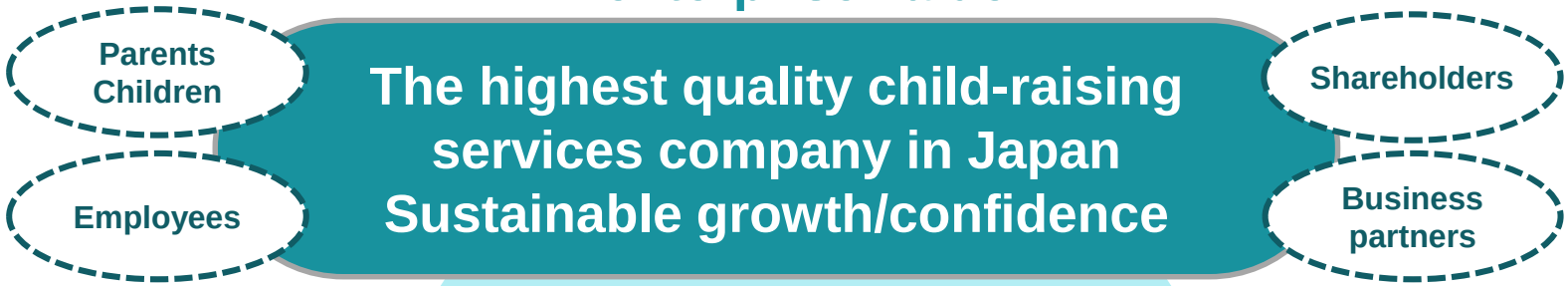
	Nursery Schools		Estimated number of school clubs and children's houses consigned
	Estimated number of openings	Estimated number of children admitted in the first year	
FY3/20	12 facilities	580 children	5 facilities
FY3/21	15 facilities	630 children	5 facilities

*The estimated number of nursery schools, and estimated number of school clubs and children's houses consigned for the fiscal year ending March 2020 includes the number of facilities that were opened in April 2019

Copyright©JP-HOLDINGS,INC All Rights Reserved.

ESG Initiatives

ESG initiatives to achieve sustainable growth and improved enterprise value



E Environment

- **Environmental pollution**
- **Global warming, etc.**

- **Equipment for environmentally sound facilities**
  - LED lighting
  - Yukarela floor-wide radiant air cooling and heating system
  - Ecocarat material that reduces harmful substances
  - Solaton ceiling materials with Eco Mark certification

S Social

- **Improvements in working environment**
- **Contribution to local societies, etc.**

- Work Style Reforms
  - Improvement in addressing issues affecting the workplace environment upon establishing an advisory committee
  - Improvement in salaries/benefits of on-site employees
- Helping facilitate women's participation in society in terms of addressing the issue of childcare facility waiting lists by opening childcare facilities in respective regions

G Governance

- **Fair and transparent governance system**
- **Internal control**

- Three Outside Directors and four Outside Audit and Supervisory Board Members acting as independent officers
- Harassment eradication declaration
- Development of risk management practices
- Compliance Committee
- Internal whistle-blowing system
- Compliance training

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

Appendix

Copyright©JP-HOLDINGS,INC All Rights Reserved.

Company Overview

Copyright©JP-HOLDINGS,INC All Rights Reserved.

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	Koichiro Furukawa, President and Representative Director
No. of Employees	Employees: 3,481 / Part-time workers: 2,520 *As of March.-end 2019
Consolidated Subsidiaries	Japan Nursery Service Inc. (Capital stock: 99 million yen / Wholly 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 Inc. (Capital stock: 10 million yen / Wholly owned subsidiary)
	Amenity Life Inc. (Capital stock: 70 million yen / Wholly owned subsidiary)
	COHAS VIETNAM CO., LTD (Capital stock: 6,834,million VND / Wholly owned subsidiary)
Business Areas	Nursery Service (Japan Nursery Service, Amenity Life, and COHAS VIETNAM)
	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)

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

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

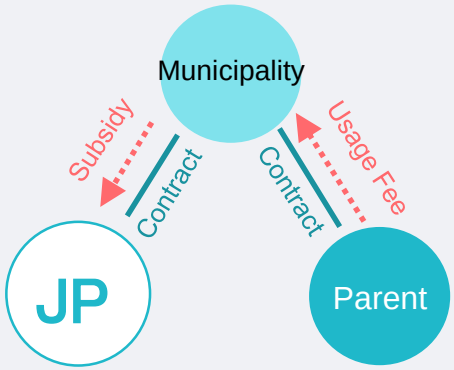
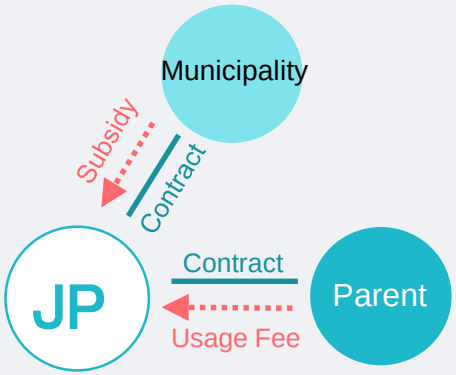
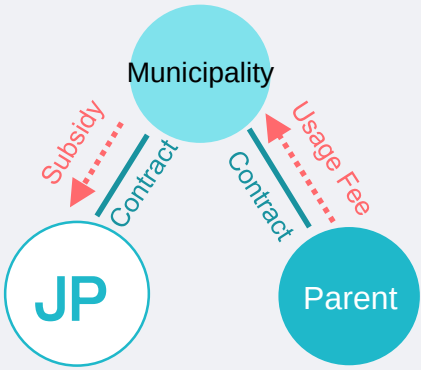
Copyright©JP-HOLDINGS, INC. All Rights Reserved.

Business Summary

Operation of Childrearing Facilities (Public and Private)

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

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

	Licensed Nursery School	Licensed Nursery 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)

Copyright©JP-HOLDINGS,INC All Rights Reserved.

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

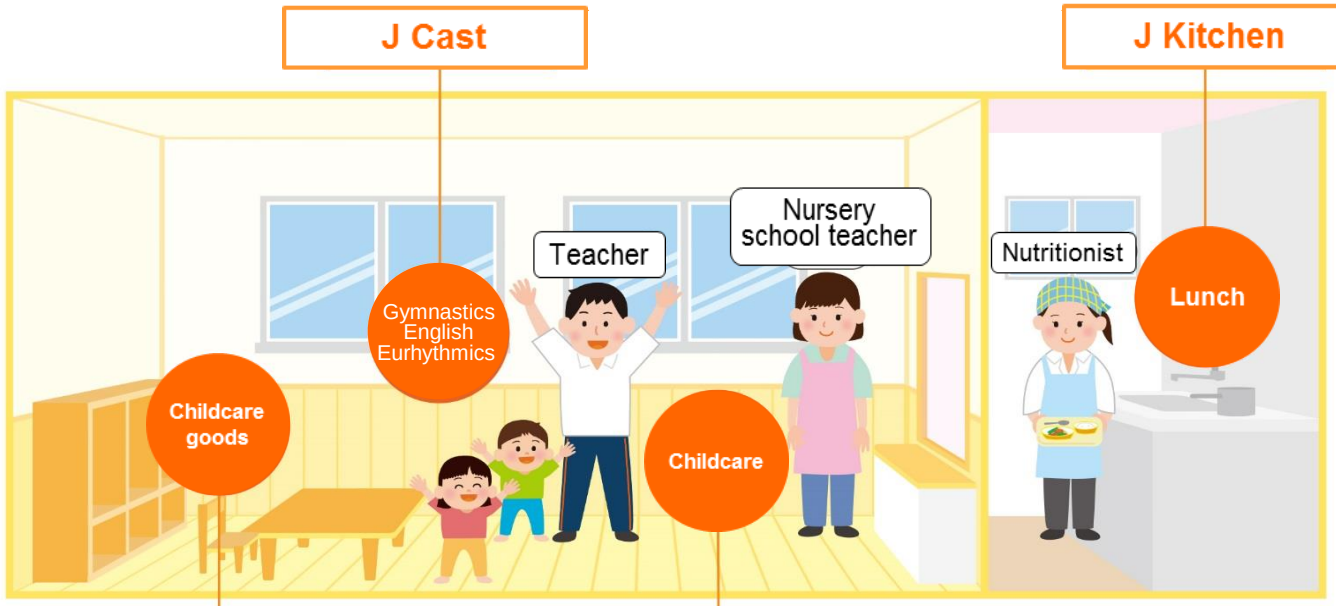
Copyright©JP-HOLDINGS,INC All Rights Reserved.

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	

Copyright©JP-HOLDINGS,INC All Rights Reserved.

Image of JP Holdings' Group Structure



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

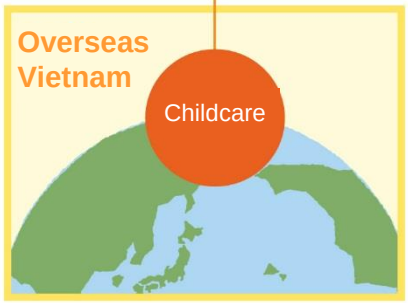
J Planning Sale

Japan Nursery Service

Amenity Life

COHAS VIETNAM

Overseas Vietnam



Japan Nursery Institute for General Research

Researching , Training and Consulting Service



Copyright©JP-HOLDINGS,INC All Rights Reserved.

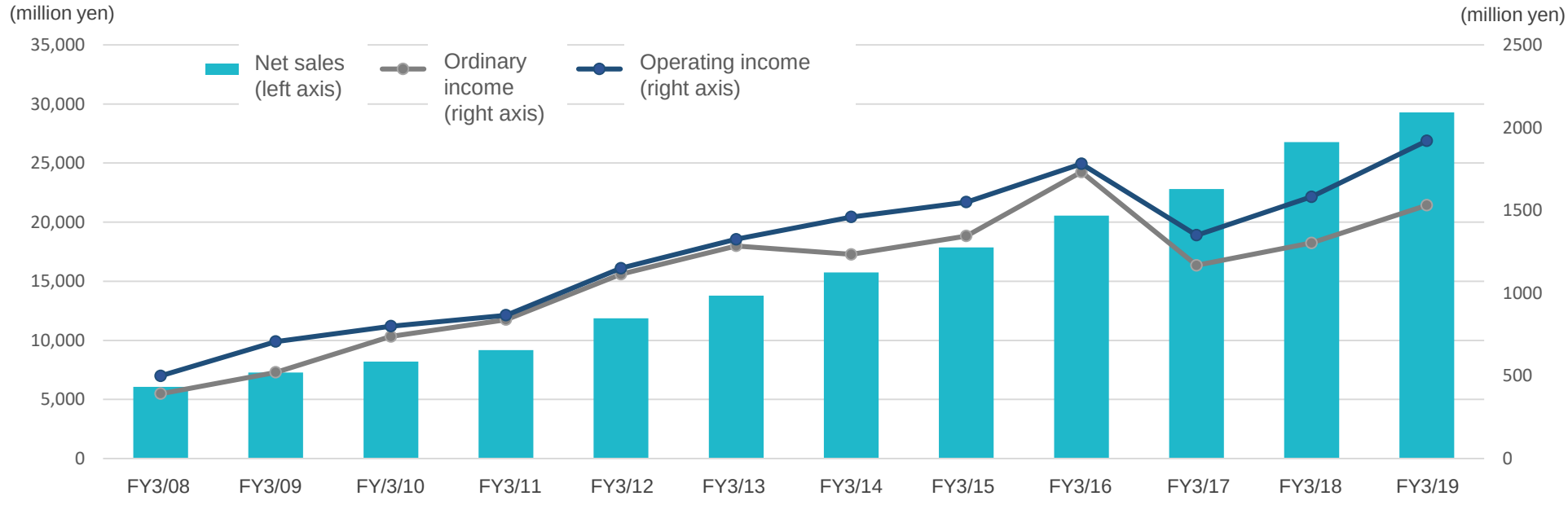
Results Trends

Copyright©JP-HOLDINGS, INC. All Rights Reserved.

Consolidated Results (Highlights)

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Net sales (million yen)	7,272	8,194	9,166	11,867	13,789	15,747	17,868	20,552	22,799	26,779	29,298
Operating income (million yen)	521	738	839	1,114	1,285	1,234	1,345	1,732	1,168	1,303	1,531
Ordinary income (million yen)	707	800	866	1,150	1,325	1,460	1,550	1,781	1,350	1,582	1,920
Net income attributable to owners of parent (million yen)	440	444	500	653	717	837	904	1,071	661	910	1,071
Net income per share (Yen)	5.98	6.06	6.67	7.83	8.60	10.03	10.84	12.84	7.87	10.70	12.44

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



Copyright©JP-HOLDINGS,INC All Rights Reserved.

Consolidated Results (Balance Sheet / Statement of Cash Flows)

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Total assets (million yen)	4,275	5,763	9,432	9,808	10,876	13,521	18,882	21,126	24,002	25,761	28,255
Net assets (million yen)	1,546	1,903	3,559	3,977	4,452	5,034	5,606	6,279	6,854	7,756	8,950
Shareholders' equity ratio (%)	36.1	32.9	37.7	40.5	40.9	37.2	29.7	29.7	28.5	30.1	31.7

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Cash flows from operating activities (million yen)	672	378	915	1,205	1,173	1,038	1,294	1,804	1,878	1,865	1,829
Cash flows from investing activities (million yen)	- 363	- 906	- 1,808	- 821	- 1,268	- 3,638	- 3,959	- 2,449	- 3,305	- 1,292	- 940
Cash flows from financing activities (million yen)	- 157	412	2,473	- 219	514	1,220	3,748	1,553	1,646	- 135	1,475
Year-end balance of cash and cash equivalents (million yen)	1,137	1,022	2,602	2,768	3,188	1,808	2,891	3,798	4,017	4,455	6,816

Copyright©JP-HOLDINGS,INC All Rights Reserved.

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.

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Amount of dividend per share (yen)	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	3.50	3.70
Payout ratio (%)	31.7	33.0	43.4	38.3	37.2	35.9	36.9	38.9	31.8	32.7	29.7

The amount of dividend per share reflects the stock split.

Copyright©JP-HOLDINGS,INC All Rights Reserved.

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.

Inquiries:

15-31, Aoi 3-chome, Higashi-ku, Nagoya-shi, Aichi
JP-HOLDINGS, INC.
Akihiko Fukuoka, Director
TEL: 052-933-5419　FAX: 052-933-5163