JP HOLDINGS GROUP
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TSE1 (2749)

Financial Results for the Fiscal Year ended March 2021/ New Medium-Term Management Plan

May 19, 2021

JP-HOLDINGS, INC.

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FY3/21 Results

FY3/21 Consolidated Results (Summary)

Net sales: increased year-on-year due to the opening of new facilities and an increase in the number of children accepted in existing facilities

Ordinary income: increased due to cost reductions, despite a slowdown in growth in the number of children accepted due to the impact of COVID-19.

Net income: decreased due to an extraordinary loss of 2,092 million yen as a result of closures and impairment losses *1 on facilities with deteriorating profitability caused by environmental changes and the off-balancing of facilities that we have operated by acquiring land and buildings in the past, as a foothold for the development of local childcare support facilities.

	FY3/20	FY3/21	Rate of Change Compared to the Previous Term	Rate of Change Compared to the Forecast
Net sales	31,719	32,911	+1,192	+3.8%
Operating income	1,538	2,268	+729	+47.4%
Ordinary income	2,003	2,947	+944	+47.1%
Net income attributable to owners of parent	1,122	537	-585	-52.1%
ROE (%)	12.1	5.5	-6.6	-54.5%
Dividend (yen)	3.90	3.90	±0	100.0%
Dividend payout ratio (%)	30.4	63.4	33.0	+108.6%
Dividend per share (yen)	12.81	6.15	-6.66	-52.0%

*1 : Net income represents "Net income attributable to owners of parent."

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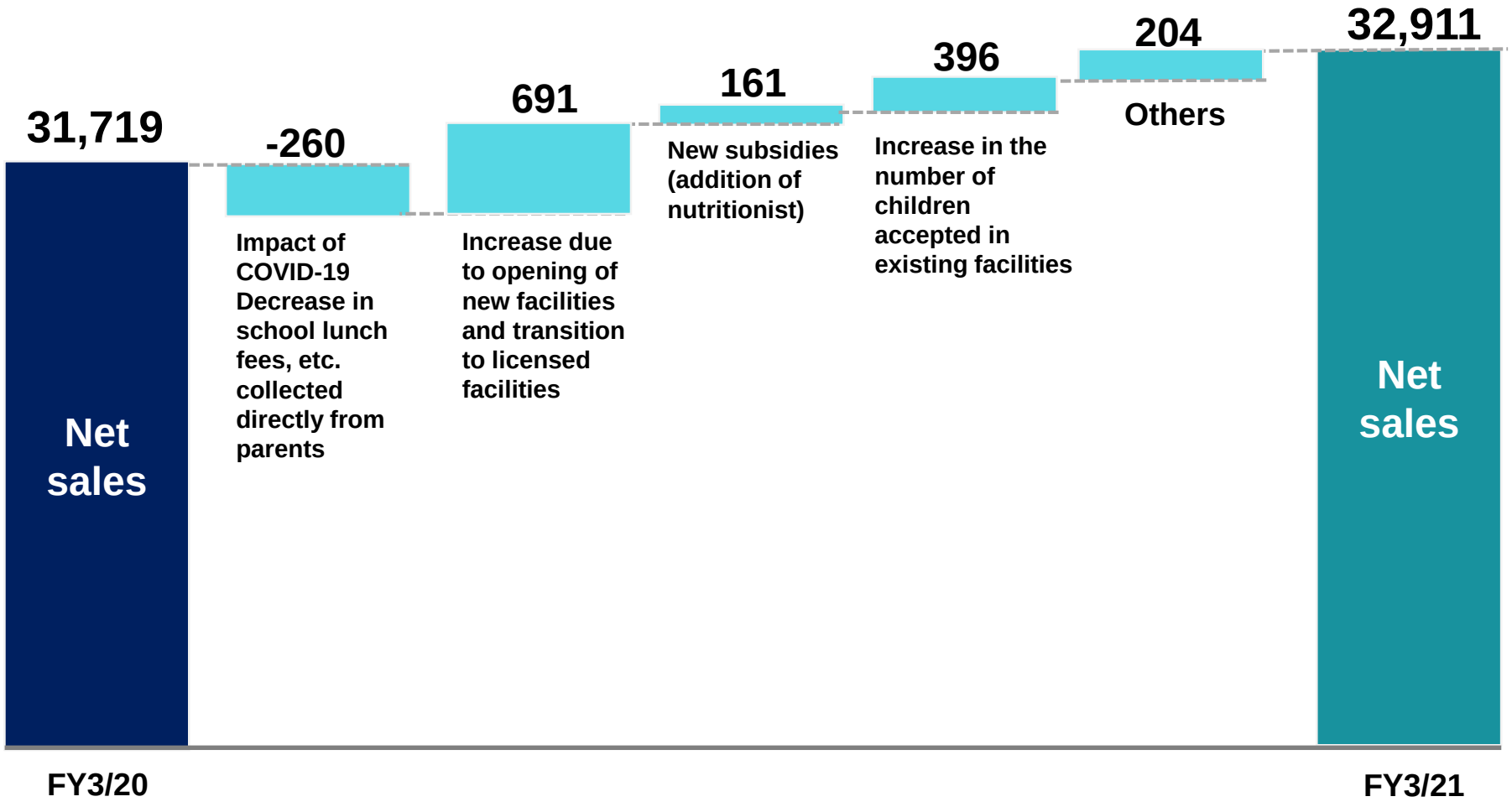
FY3/21 Factors for Changes in Net Sales

Net sales

Increased by 3.8% due to the opening of new facilities and an increase in the number of children accepted, despite the impact of the spread of COVID-19.



(Unit: million yen/ Rounded down to the nearest million yen.)

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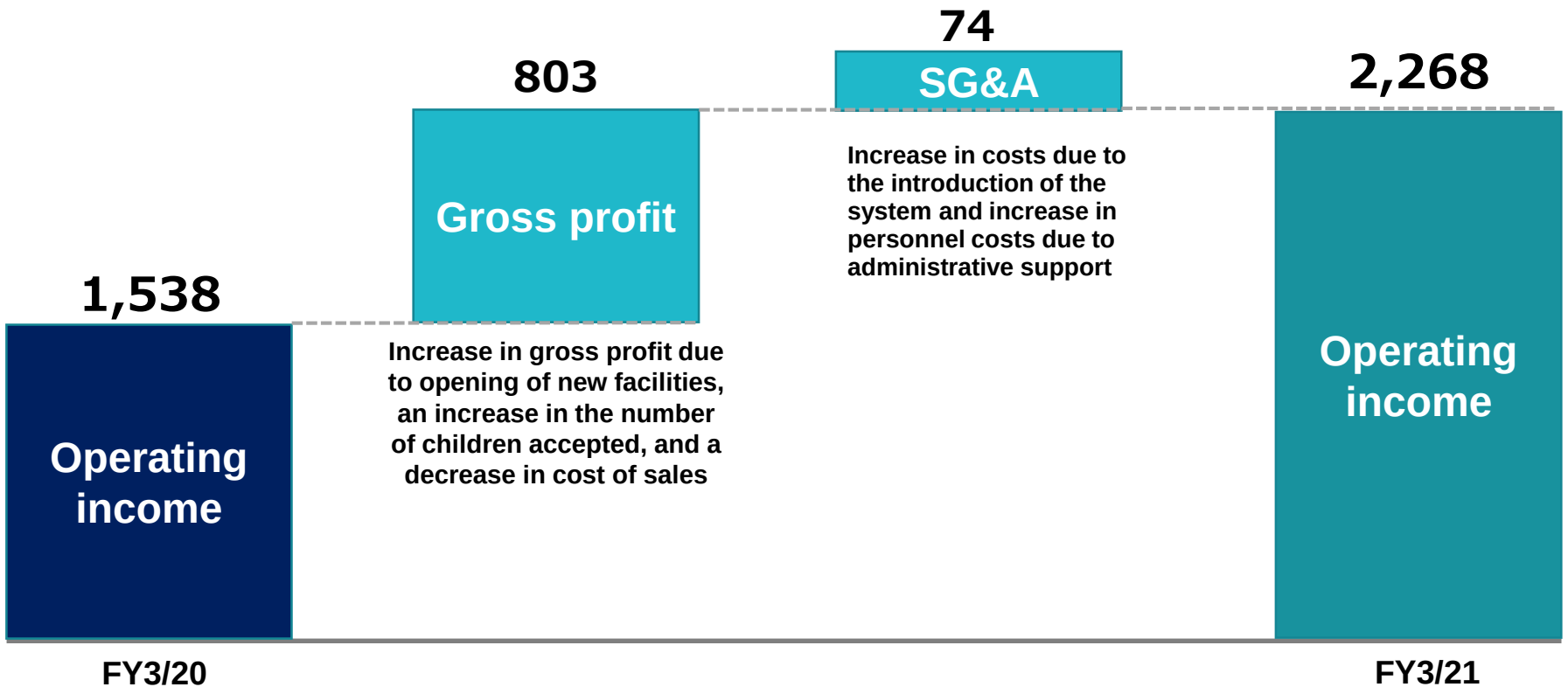
FY3/21 Factors for Changes in Operating Income

Operating income

Increased due to the opening of new facilities, an increase in the number of children accepted, and efforts to curb cost of sales and SG&A expenses, including a decrease in foodstuffs expenses in line with the suspension of operations, despite the impact of measures to prevent the spread of COVID-19.



(Unit: million yen/ Rounded down to the nearest million yen.)

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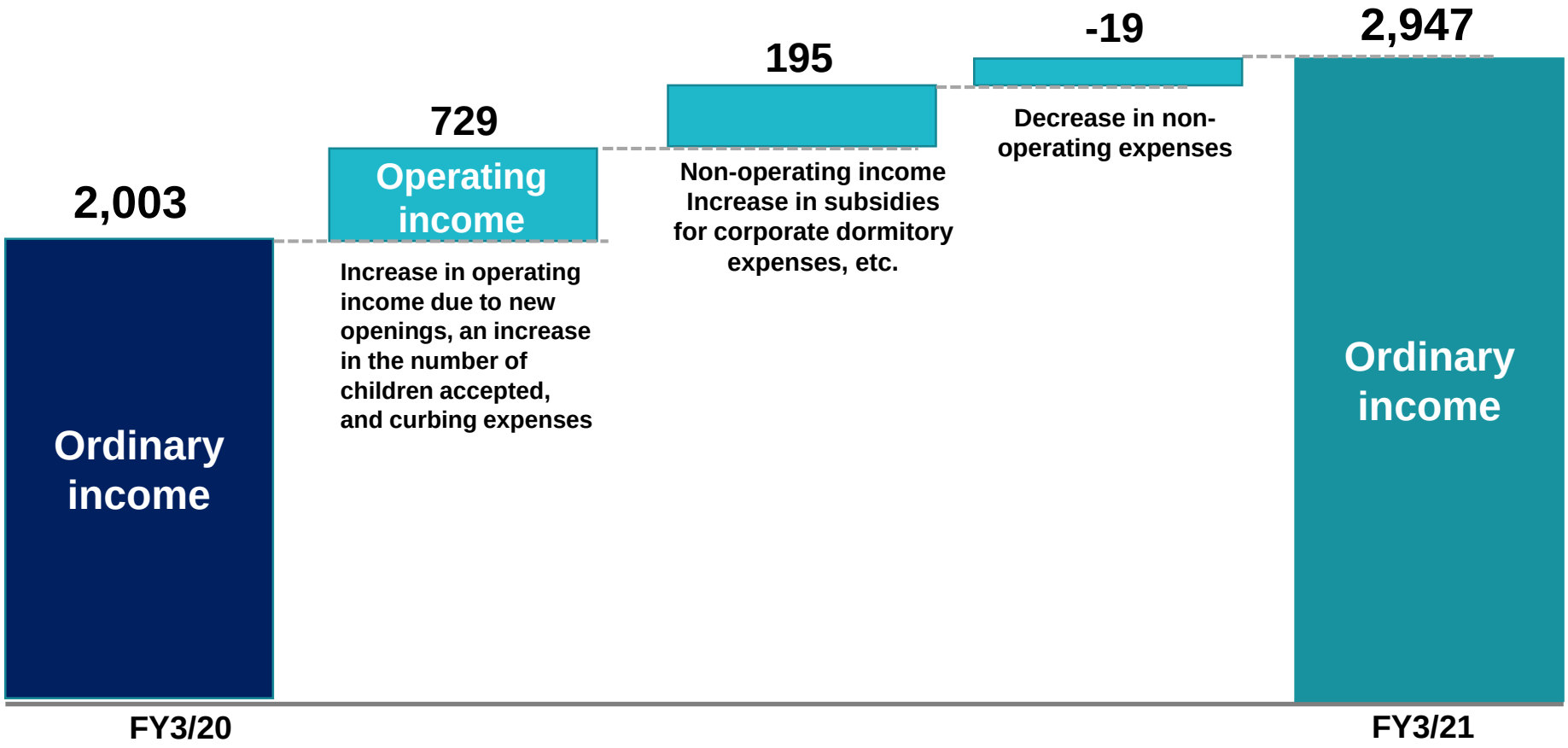
FY3/21 Factors for Changes in Ordinary Income

Ordinary income

Increased due to an increase in operating income, as well as an increase in subsidies reflecting an increase in the number of corporate dormitory users.



(Unit: million yen/ Rounded down to the nearest million yen.)

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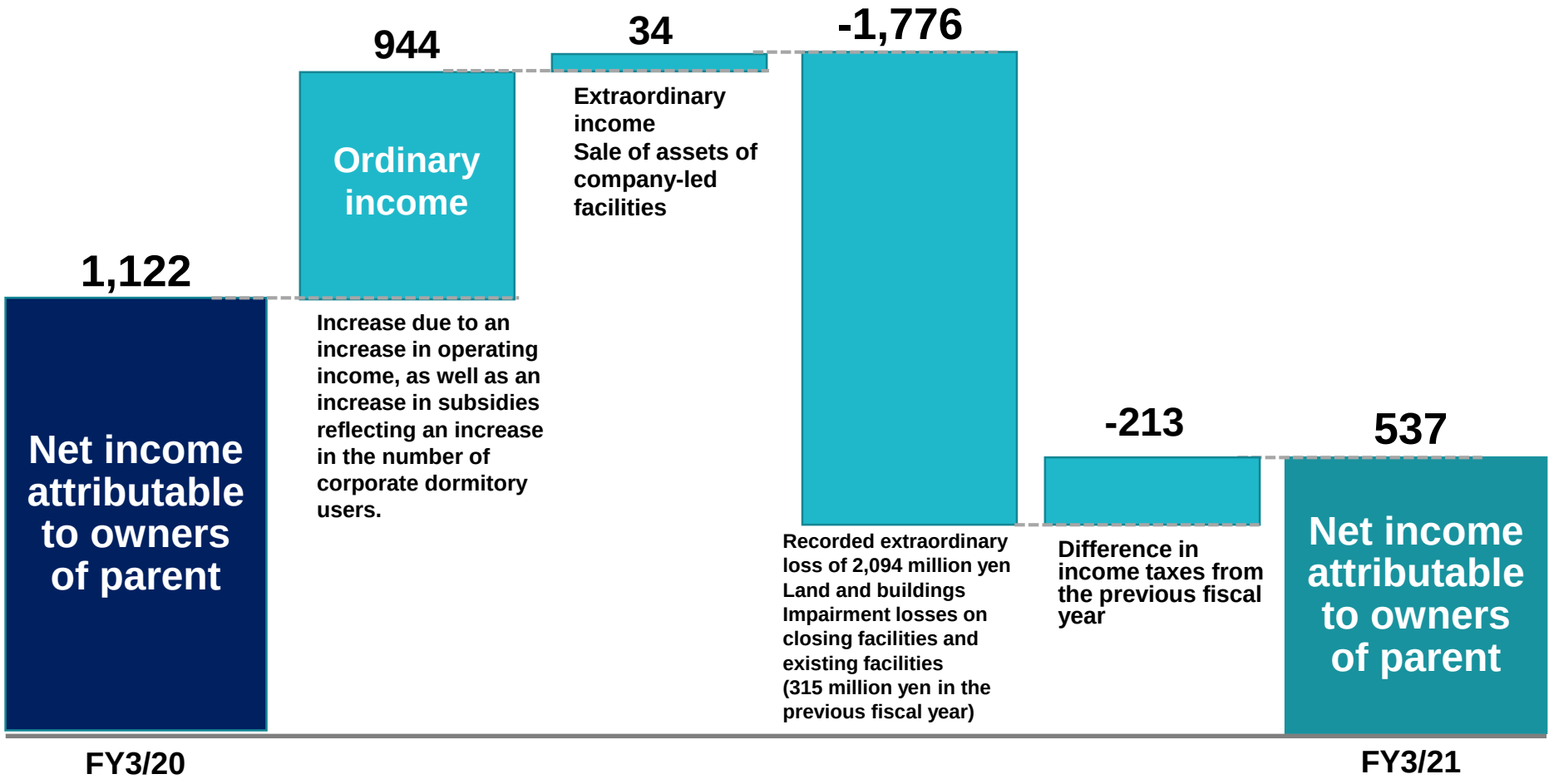
FY3/21 Factors for Changes in Net Income

Net income attributable to owners of parent

Decreased due to the recording of an extraordinary loss of 2,092 million yen reflecting the closure and impairment loss of facilities with deteriorating profitability caused by changes in the external environment and the off-balancing of the facilities that we have operated by acquiring land and buildings in the past, as a foothold for the development of local childcare support facilities.



(Unit: million yen/ Rounded down to the nearest million yen.)

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FY3/21 Consolidated Forecasts (Changes)

Net sales: Slight decrease from the initial plan reflecting a decrease in the number of children accepted and decreased sales due to the impact of COVID-19

Ordinary income: Substantial increase from the initial plan due to reduction of purchase cost and reallocation of staff to cope with the closure of facilities and decrease in the number of children accepted due to COVID-19

Net income: Substantial change from the initial plan due to extraordinary losses incurred from changes in the environment at newly opened facilities during the period of expansion

(Million yen)	FY3/20 Actual	FY3/21 Initial plan	FY3/21 Revised forecast	FY3/21 Actual	Pct. change from initial plan	Pct. change from revised forecast
Net sales	31,719	33,005	32,791	**32,911**	-0.3%	0.4%
Operating income	1,538	1,577	2,063	**2,268**	43.8%	9.9%
Operating income margin	4.8%	4.8%	6.3%	**6.9%**	2.1%	0.6%
Ordinary income	2,003	2,153	2,736	**2,947**	36.9%	7.7%
Ordinary income margin	6.3%	6.5%	8.3%	**9.0%**	2.4%	0.6%
Net income	1,122	1,163	516	**537**	-53.8%	4.1%
Net income margin	3.5%	3.5%	1.6%	**1.6%**	-1.9%	0.1%
Dividend per share (yen)	3.90	3.90	3.90	**3.90**	0.00	0.00

*1 : Net income represents "Net income attributable to owners of parent."

(Million yen, rounded down to the nearest million yen)

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FY3/21 Consolidated Results (Financial Position)

Measures for dealing with the demand for funds for coping with the impact of COVID-19 (augmentation of borrowings)

Financial condition

End of March 2021
*( ) = Difference with the end of March 2020

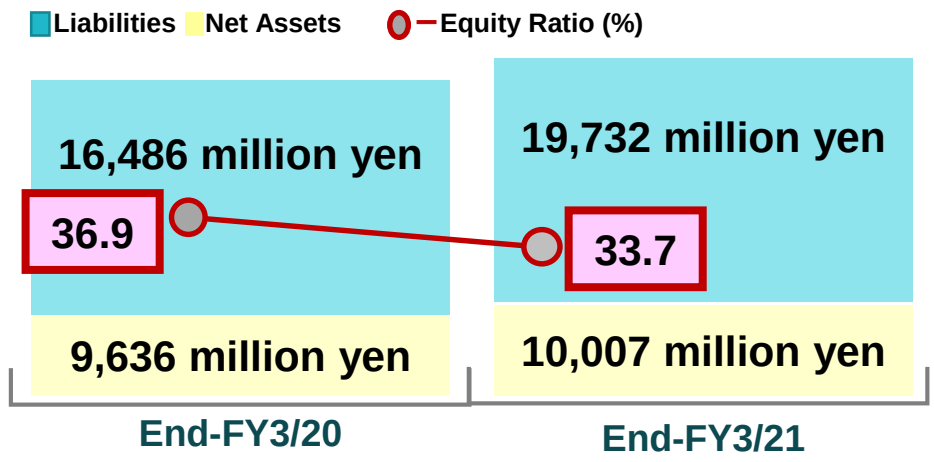
Assets
29,740 million yen
(+3,617 million yen)

Liabilities
19,732 million yen
(+3,246 million yen)

Net assets
10,007 million yen
(+371 million yen)

Million yen	End of Mar. 2020	End of Mar. 2021
Current assets	9,788	15,139
Fixed assets	16,334	14,601
Total assets	26,112	29,740
Current liabilities	5,920	7,829
Fixed liabilities	10,565	11,903
Total liabilities	16,486	19,732
Total net assets	9,636	10,007

Liabilities, Net Assets, Shareholders Equity Ratio



- Cash and deposits 4,814 million yen
- Inventory assets 56 million yen
- Total depreciation and amortization and impairment loss -2,090 million yen
- Land -395 million yen

- Current portion of long-term loans-payable 3,307 million yen
- Income taxes payable 136 million yen
- Long-term loans payable 825 million yen

- Retained earnings 196 million yen
- Accumulated other comprehensive income 175 million yen

(Figures are rounded down to the nearest million yen, and the equity ratio is rounded off to the nearest first decimal point place.)

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FY3/21 Consolidated Results (Balance Sheet)

	End-FY3/20 (Million yen)	End-FY3/21 (Million yen)	Change (Million yen)
Total current assets	9,788	**15,139**	**5,351**
(Cash and deposits)	6,206	**11,020**	**4,814**
(Inventory assets)	111	**167**	**56**
Total fixed assets	16,334	**14,601**	**-1,733**
(Total tangible fixed assets)	8,620	**6,701**	**-1,919**
(Total intangible fixed assets)	247	**214**	**-33**
(Total Investments and other assets)	7,466	**7,685**	**219**
Total assets	26,122	**29,740**	**3,617**
Total current liabilities	5,920	**7,829**	**1,908**
(Current portion of long-term loans-payable)	1,639	**3,307**	**1,667**
(Accounts payable-other)	1,535	**1,634**	**99**
Total fixed liabilities	10,565	**11,903**	**1,337**
(Long-term loans payable)	9,479	**10,305**	**825**
Total liabilities	16,486	**19,732**	**3,246**
Total net assets	9,636	**10,007**	**371**
Total liabilities and net assets	26,122	**29,740**	**3,617**

(Rounded down to the nearest million yen)

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FY3/21 Consolidated Results (Cash Flows)

Operating CF: Decline in pretax profit and increases in depreciation and amortization and impairment loss
Investing CF: Sale of securities, and acquisition of tangible fixed assets for opening new facilities
Financing CF: Augmentation of long-term loans payable considering the impact of COVID-19

(Million yen)	EY 3/20	EY 3/21	Change
Cash flows from operating activities	2,320	**2,469**	148
Cash flows from investing activities	418	**190**	-228
Free cash flow	2,738	**2,659**	-79
Cash flows from financing activities	-3,349	**2,155**	5,504
Cash and cash equivalents at end of period	6,206	**11,020**	4,814

(Rounded down to the nearest million yen)

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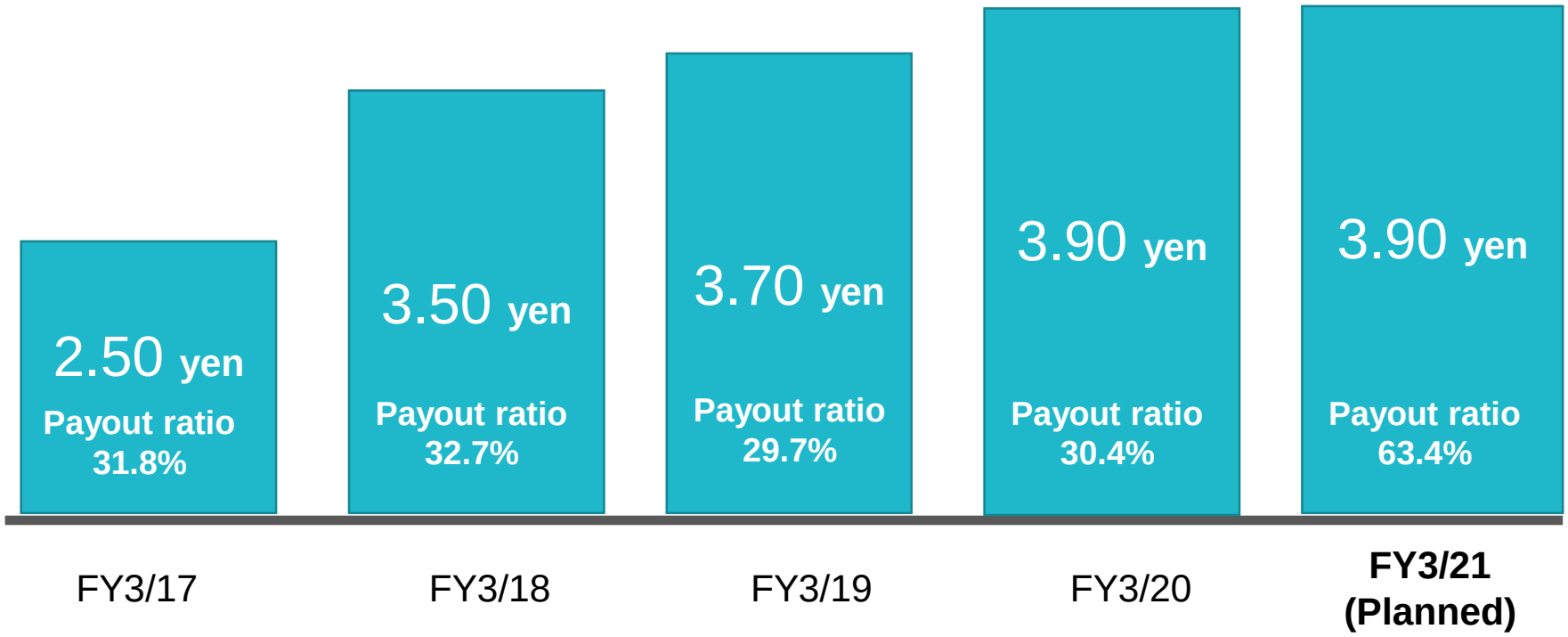
Dividend Situation at the End of FY3/21

Under the basic policy of achieving a consolidated payout ratio of around 30%, we aim to keep a stable dividend level as much as possible and plan to pay the estimated dividend announced previously (year-end dividend: 3.90 yen/share).

*For the dividend forecast for the term ended March 2021, net income attributable to owners of parent fell below the consolidated forecast due to the posting of extraordinary loss, while operating and ordinary income exceeded the consolidated forecast in the harsh condition due to the spread of COVID-19.



***The year-end dividend for FY3/21 will be the dividend per share if approval is obtained at the Company's 29th Ordinary General Meeting of Shareholders.**

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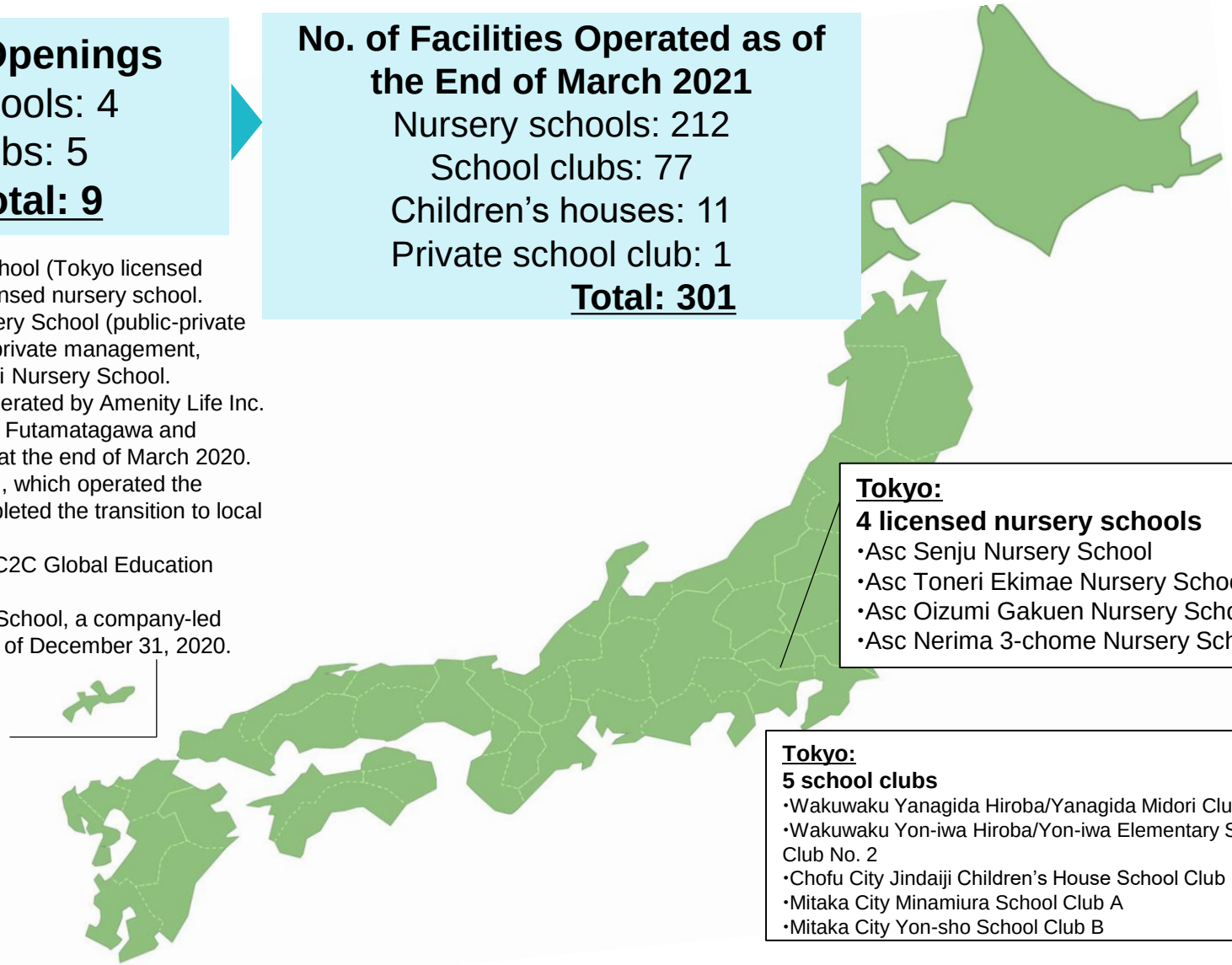
Status of New Openings as of the End of March 2021

FY3/20 New Openings
Nursery schools: 4
School clubs: 5
Total: 9

No. of Facilities Operated as of the End of March 2021
Nursery schools: 212
School clubs: 77
Children's houses: 11
Private school club: 1
Total: 301

*Asc Higashiojima Nursery School (Tokyo licensed nursery school) became a licensed nursery school.
*Obu City Kyowahigashi Nursery School (public-private management) transitioned to private management, operated as Asc Kyowahigashi Nursery School.
*Three private school clubs operated by Amenity Life Inc. (Elfikids Tsurugamine, Elfikids Futamatagawa and Elfikids Ryokuentoshi) closed at the end of March 2020.
*COHAS VIETNAM CO., LTD., which operated the kindergarten in Vietnam, completed the transition to local licensing on October 29, 2020 and transferred it to C2C Global Education Group Co., Ltd.
*Ask Akebono Kaiho Nursery School, a company-led nurcery school, was closed as of December 31, 2020.



Tokyo:
4 licensed nursery schools
・Asc Senju Nursery School
・Asc Toneri Ekimae Nursery School
・Asc Oizumi Gakuen Nursery School
・Asc Nerima 3-chome Nursery School

Tokyo:
5 school clubs
・Wakuwaku Yanagida Hiroba/Yanagida Midori Club No. 2
・Wakuwaku Yon-iwa Hiroba/Yon-iwa Elementary School Icho Club No. 2
・Chofu City Jindaiji Children's House School Club
・Mitaka City Minamiura School Club A
・Mitaka City Yon-sho School Club B

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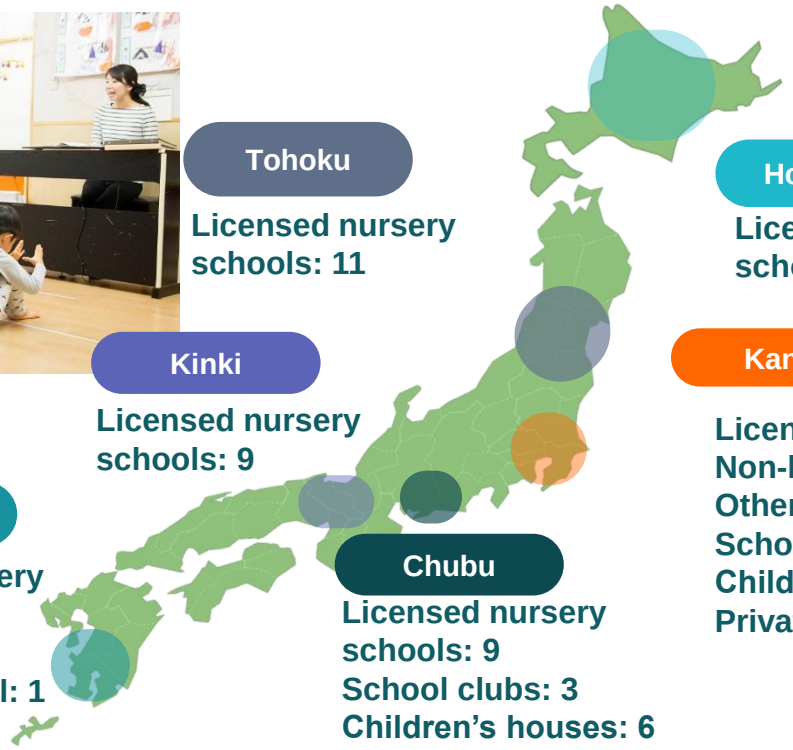
Operate 301 facilities as of the end of March 2021







Tohoku
Licensed nursery schools: 11

Hokkaido
Licensed nursery schools: 3

Kinki
Licensed nursery schools: 9

Kanto
Licensed nursery schools: 151
Non-licensed nursery schools: 19
Other non-licensed nursery schools: 4
School clubs: 74
Children's houses: 5
Private school club: 1

Kyushu Okinawa
Licensed nursery schools: 5
Company-led nursery school: 1

Chubu
Licensed nursery schools: 9
School clubs: 3
Children's houses: 6

**212 nursery schools, 77 school clubs,
11 children's houses, and 1 private school club**

*Asc Higashi-ojima Nursery School (Tokyo licensed nursery school) became a licensed nursery school.
*Obu Municipal Kyowahigashi Nursery School (public-private management) transitioned to private management, operated as Asc Kyowahigashi Nursery School.
*Three private school clubs operated by Amenity Life Inc. (Elfi Kids Tsurugamine, Elfi Kids Futamatagawa and Elfi Kids Ryokuen-toshi) closed at the end of March 2020.
*OHAS VIETNAM Co., Ltd., which operated kindergartens in Vietnam, was transferred to C2C Global Education Group Co., Ltd., as the local transfer of the license was completed on October 29, 2020.
*The company-led nursery school "Asc Akebono Kaiho Nursery School" was closed on the last day of December 2020.

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2

New Medium-Term Management Plan
(FY3/22 to FY3/24)

Review of Previous Medium-Term Management Plan
(FY3/19 to FY3/21)

Review of Previous Medium-Term Management Plan (Summary)

Drastic management reform under the "new management structure" from the term ended March 2021

We implemented measures for pursuing "profitability and efficiency," "soundness," and "growth potential," to increase revenues.

Initiatives	Concrete measures
(1) To tighten our governance system	▶To transform into a company with an Audit & Supervisory Committee, to tighten our governance system
(2) To reform business administration through "selection and concentration" and "vitalization of organizations"	▶To concentrate managerial resources on the measures for sustainable growth, the current issues of profitability improvement, and vitalization of organizations, and reform business administration ◉Efforts to improve the profitability of facilities ◉To establish a specialized committee for improving the quality of childcare ◉To shift to an agile organizational structure for vitalizing our organization
(3) To reform our corporate culture	▶To grow our brand (renewal of management philosophy and diffusion inside and outside the company)
(4) To improve the management foundation	▶To fortify the system for promoting systematization ▶To develop a new HR system and regulations
(5) To implement growth strategies	▶To form a business tie-up with GAKKEN HOLDINGS Co.,Ltd. for early childhood learning and new businesses ▶To improve the training business (establishing a specialized section) and offer online education
Goals in the next medium-term management plan	(1) To further strengthen the management foundation and implement growth strategies (2) To further improve the quality as "nursery schools and facilities that would be selected by customers"

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Review of Previous Medium-Term Management Plan (State of Achievement of Management Indices)

◉To reform our business structure under the new management structure, and realize high revenue growth

- **Ordinary income rate in FY3/18: 5.9% ⇒ Ordinary income rate in FY3/21: 9.0%**

◉As we opened new facilities nationwide as the strategy for expanding business scale, a significant amount of extraordinary loss was posted.

- **In FY3/21, an extraordinary loss of 2,092 million yen was recorded.**

(Million yen)	Medium-Term Management Plan (FY3/16 to FY3/18)				Medium-Term Management Plan (FY3/19 to FY3/21)							
	FY3/16	FY3/17	FY3/18	(3-year average of mid-term plan)	FY3/19	FY3/20	FY3/21	(3-year average of mid-term plan)	Last 3-year average change rate	Last 3-year average change	Change rate between FY3/18 and FY3/21	Change between FY3/18 and FY3/21
Net sales	20,552	22,799	26,779	23,377	29,298	31,719	32,911	31,309	33.9%	4,530	22.9%	6,132
Gross profit	3,576	3,675	4,094	3,782	4,178	4,420	5,224	4,607	21.8%	513	27.6%	1,130
Gross profit margin	17.4%	16.1%	15.3%	16.2%	14.3%	13.9%	15.9%	14.7%	-	-0.6%	-	0.6%
SG&A expenses	1,843	2,506	2,790	2,380	2,647	2,881	2,956	2,828	18.8%	38	5.9%	166
SG&A margin	9.0%	11.0%	10.4%	10.2%	9.0%	9.1%	9.0%	9.0%	-	-1.4%	-	-1.4%
Operating income	1,732	1,168	1,303	1,401	1,531	1,538	2,268	1,779	27.0%	476	74.1%	965
Operating income margin	8.4%	5.1%	4.9%	6.0%	5.2%	4.8%	6.9%	5.7%	-	0.8%	-	2.0%
Ordinary income	1,781	1,350	1,582	1,571	1,920	2,003	2,947	2,290	45.8%	708	86.3%	1,365
Ordinary income margin	8.7%	5.9%	5.9%	6.7%	6.6%	6.3%	9.0%	7.3%	-	1.4%	-	3.0%
Extraordinary gain	0	0	3	1	0	0	34	11	1033.3%	8	1033.3%	31
Extraordinary loss	169	324	27	173	110	315	2,092	839	384.0%	812	7648.1%	2,065
Net income	1,071	661	910	881	1,071	1,122	537	910	3.3%	0	-41.0%	-373
Net income margin	5.2%	2.9%	3.4%	3.8%	3.7%	3.5%	1.6%	2.9%	-	-0.5%	-	-1.8%
New openings	31	24	21	25	21	12	9	14	-44.7%	-7	-57.1%	-12
Total facilities	224	251	272	-	289	297	301	-	10.7%	29	29	10.7%

***1: Net income indicates net income attributable to owners of parent.**

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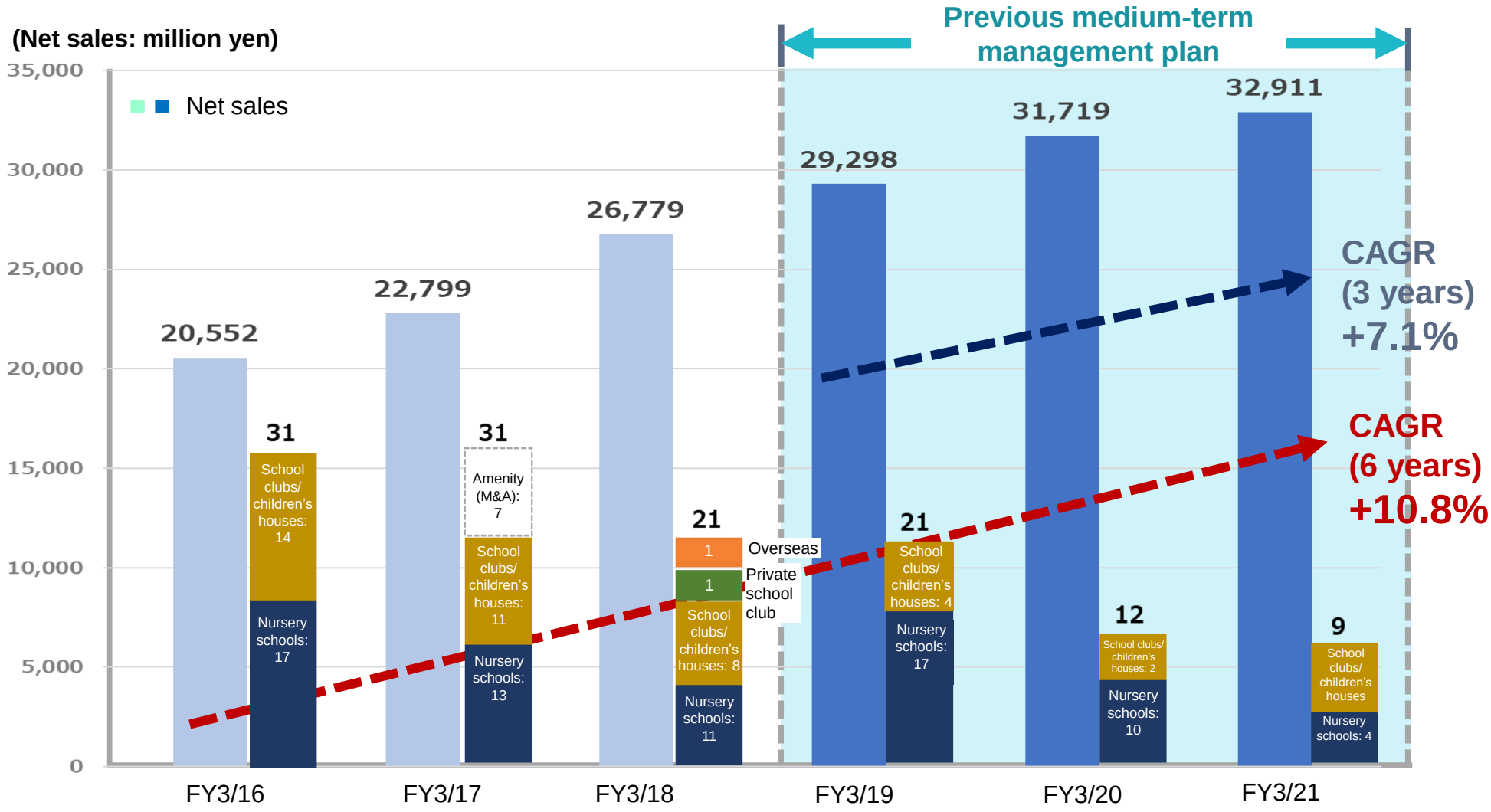
Review of Previous Medium-Term Management Plan (State of Achievement of Performance Indices)

◉Sales have grown over the past 6 years, and the compound average growth rate (CAGR) in these periods is 10.8%.
◉The growth rate in the period of the previous medium-term management plan is 7.1%, due to the impact of COVID-19 and the restraint of opening new facilities from the revenue viewpoint.



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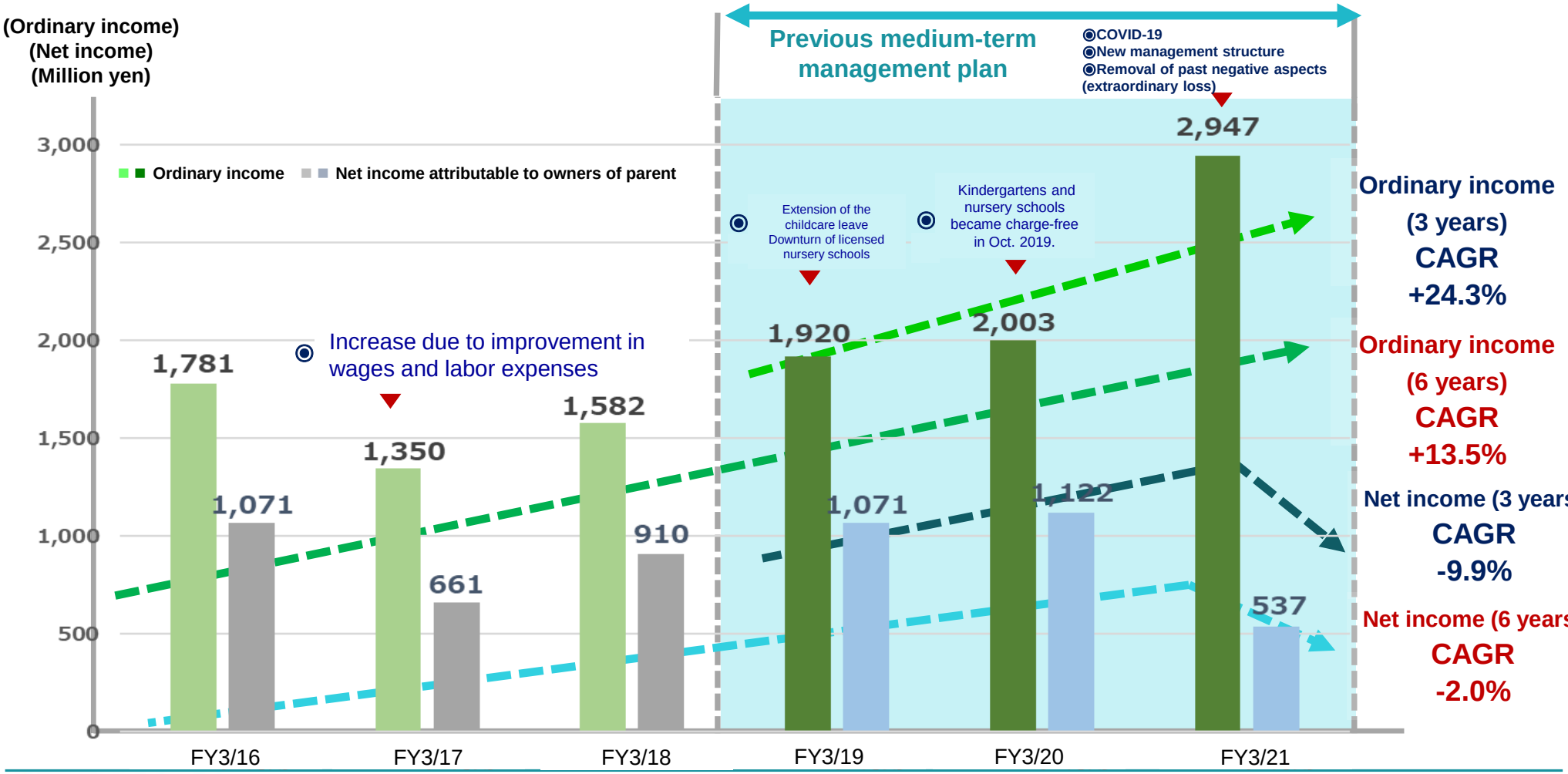
Review of Previous Medium-Term Management Plan (State of Achievement of Performance Indices)

◉Ordinary income has increased over the past 6 years, and the compound average growth rate (CAGR) in these periods is 13.5%. In the period of the previous medium-term management plan, CAGR was 24.3%, due to the structural reform under the new management structure.

◉Net income attributable to owners of parent declined, due to the worsening of revenues from facilities in the past expansion strategy and the posting of impairment loss caused by the write-down of land and buildings.



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New Medium-Term Management Plan (FY3/22 to FY3/24)

Business Environment Surrounding our Company

In response to the changes in the business environment, we will evolve our existing businesses and cultivate new domains for further growth.

Behavior changes amid the pandemic

<Change in the external environment>

- Acceleration of digitization and innovation
- Acceleration of decrease of children
- Change in lifestyles and reform of workstyles
- Sustainability
- Uncertain economic outlook

<Environment surrounding childcare support>

- Decrease of the number of children on waiting lists
- Acceleration of decrease of children
- Trend of COVID-19
- In 23 wards of Tokyo and ordinance-designated cities, the competition for entering a licensed nursery school decreased.
- Movement for establishing the “Agency for Children,” which will implement policies in a unified manner

Aim to develop “nursery schools and facilities that would be selected by customers”

New medium-term management plan (2022-2023)

Response to social change
To improve the quality of childcare support (improve the satisfaction of guardians)

Promotion of next-generation business
To enrich/digitize early childhood learning contents

Strengthening of the management foundation
To streamline and sophisticate business operations

Improvement in revenues from existing businesses
Increase in profitability and efficiency

Improvement in corporate value
Sustainable growth

*1: DX stands for digital transformation.

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Target Indices

Medium-term management plan goals

To improve profitability at existing facilities and further improve the quality of childcare support
To create new value while considering the changes in society and the business environment
(To reform the management structure and implement growth strategies in the 3 years from FY3/22 to FY3/24)

3rd year of the medium-term management plan (final fiscal year)
For FY3/24, we aim to achieve net sales of 34,700 million yen and an ordinary income of 3,500 million yen.
(*To revise annual goals with the rolling method)

Long-term management vision

We aim to develop "nursery schools and facilities that would be selected by customers"
(To develop nursery schools, facilities, and an enterprise that will be selected continuously by guardians, municipalities, training institutions, and staff members)

Improvement/expansion of existing businesses, new businesses, and capital/business alliances
Target consolidated net sales: 100 billion yen

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Medium-Term Management Plan (Policy)

◉To continue the management policy from the previous term and aim to strengthen the management foundation and achieve sustainable growth

- To reform business administration by concentrating managerial resources on the activities for achieving sustainable growth, and current issues of improving profitability and revitalizing our organization
- To develop unrivaled "nursery schools and facilities that would be selected by customers"

Management policy	Selection and concentration	Vitalization of organizations	Brand development
Issues to tackle	Improvement in profitability and efficiency	Improvement in soundness	Growth potential

New medium-term management plan

Response to social change / **Promotion of next-generation business**

◉Enrichment of early childhood learning contents for existing nursery schools and school clubs (cooperation with Gakken)

◉To solve problems with childcare
- Improvement in the quality of nursery staff (training business)
- Social contribution activities (coexistence with local communities and childcare support)

◉New business expansion utilizing digital content
- Promotion of online education and digital programs

◉Development of new businesses related to childcare (cooperation with Gakken)

Strengthening of the management foundation / **Improvement in revenues from existing businesses**

◉Development of the management foundation (streamlining and sophistication of business operations)
- Systematization, formulation of regulations and systems, personnel education

◉To improve profitability and efficiency
- Improvement in revenues from existing facilities (discussion on the closing of loss-making facilities)
- Optimization of staffing (facilities and the headquarters)
- Tightening of standards for opening new facilities

We aim to develop "nursery schools and facilities that will be selected by guardians, municipalities, training institutions, and employees."









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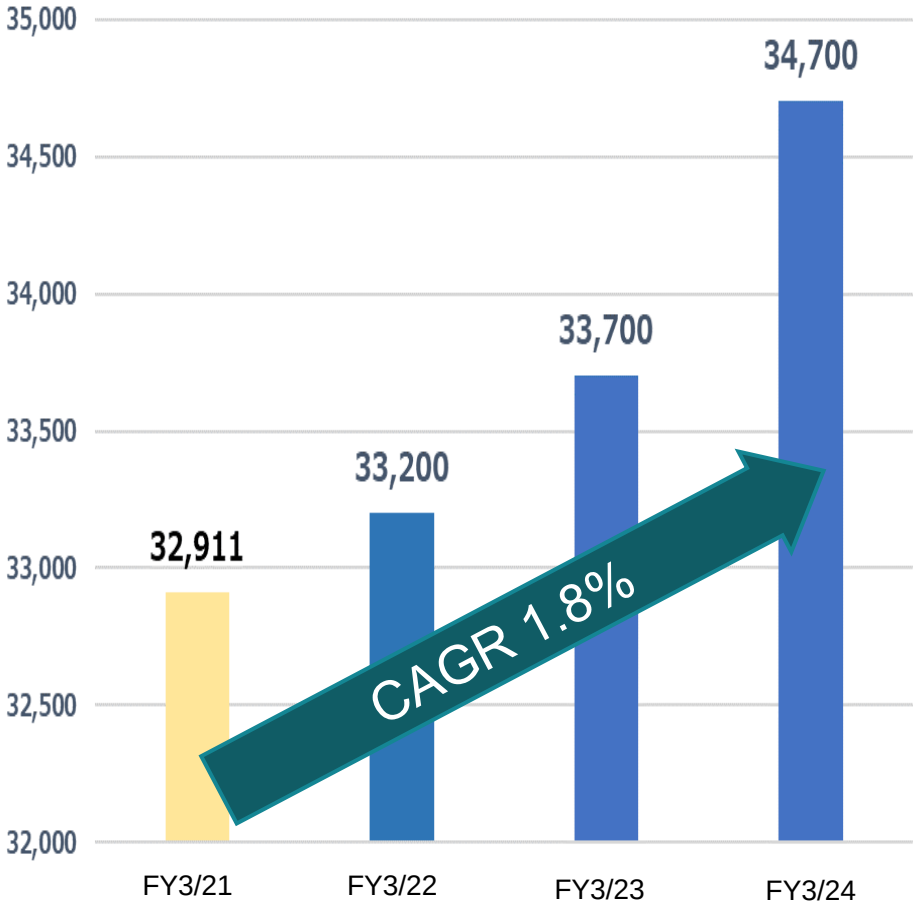
Medium-Term Management Plan (Goals)

◉Plans for net sales and ordinary income

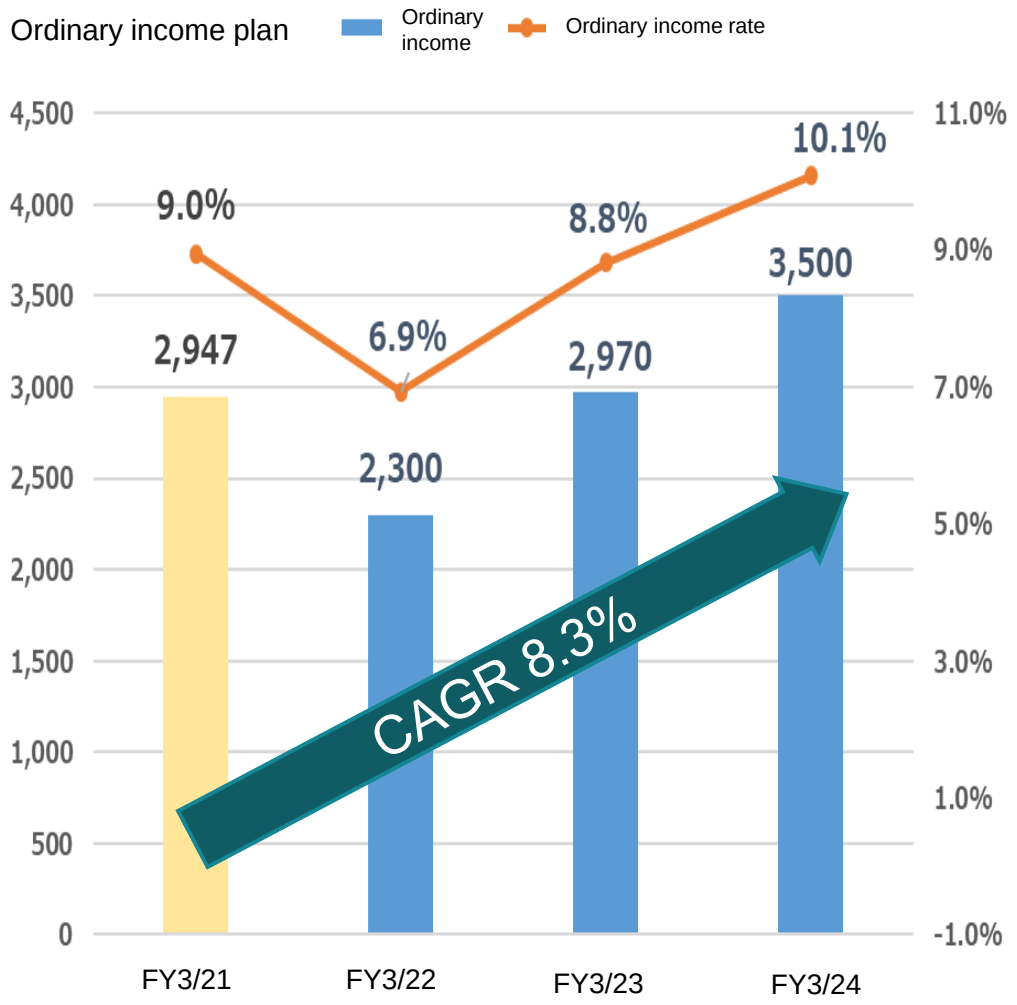
•We aim to grow them steadily for 3 years. The compound average growth rate (CAGR) in that period is 1.8% for net sales, and 8.3% for ordinary income.

Net sales plan



(Million yen)

Ordinary income plan



(Million yen)

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New Medium-Term Management Plan (Policy)

-3 basic strategies-

1. Improve profitability and efficiency

・To improve revenues from existing facilities drastically

・To undertake more projects for schools clubs and children's houses

・To energize and streamline facilities with new measures
(Gakken x Early childhood learning program /art and dance)

2. Improve soundness

・Tightening of the governance system

・Systematization for streamlining and sophisticating business operations (development, sophistication, and streamlining of the management foundation)

・To retain personnel and improve the educational system

3. Improve growth potential

・Development of new businesses for creating new value and achieving sustainable growth

・M&A and business alliances with other sectors for growth

-Ideal state for FY3/24-

"Nursery schools and facilities that would be selected by customers"

・To renew and develop various systems for the working environment, systematization, and HR, so that our nursery schools and facilities would be selected by guardians, municipalities, training institutions, and employees

Target management indices

FY3/24

Net sales for FY3/24

+5.5%

(from FY3/21)

Ordinary income for FY3/24

+18.8%

(from FY3/21)

Ordinary income rate for FY3/24

10.1%

Based on new strategies, we set managerial indices, to realize further growth from 2024.

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Medium-Term Management Plan (Business Performance)

◉Points to note in formulating the plan

・With regard to the plan for FY3/22, the provision for bonuses has been increased due to a change in the bonus payment period following the introduction of a new personnel system.

・We have formulated a plan based on the assumption that the number of children aged 0 and 1 will decrease due to changes in lifestyles caused by the expansion of COVID-19, an increase in telecommuting rate, and further acceleration of the declining birth rate due to a recent sharp drop in the birth rate.

■Medium-term management plan (FY3/22 to FY3/24)

(Million yen)	Results for FY3/21	FY3/22			FY3/23		FY3/24		
		Plan	YoY change rate	YoY change	Plan	YoY change rate	Plan	YoY change rate	Change rate from FY3/21
Net sales	32,911	33,200	0.9%	289	33,700	1.5%	34,700	3.0%	5.4%
Ordinary income	2,947	2,300	-22.0%	-647	2,970	29.1%	3,500	17.8%	18.8%
Ordinary income rate	9.0%	6.9%	-2.0%	-	8.8%	1.9%	10.1%	1.3%	1.1%

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Priority Measures for New Medium-Term Management Plan

Outline of the Medium-Term Management Plan

To continue and implement measures from the previous term. From FY3/23, we will enrich measures.

Management policy	Priority measures
Improve profitability and efficiency	◉**To increase revenues from existing facilities, and reform the structures of school clubs and children's houses** ・To enhance measures for accepting more children, reform the structures of school clubs and children's houses, and increase commissioned projects ◉**To design and execute plans for opening new facilities while clarifying investment standards** ・To implement plans and dominant strategies in response to the changes in the social environment, including demographics and the market environment ◉**To discuss the progressive childcare-related business at existing facilities** ・To utilize spaces and develop new programs in addition to the existing programs for English, exercise, and eurhythmics
Improve soundness	◉**To tighten the governance system** ◉**To reconsider the business structure of the entire group for reforming the business structure** ◉**To secure personnel, improve the educational system, and take measures for curbing turnover rate** ・To adopt a new HR system, secure personnel and improve the educational system, and develop a comfortable working environment ◉**To sophisticate business administration and streamline operations through systematization** ◉**To enrich educational and training systems maximizing our strengths while linking them with brand development efforts** ・Marketing of the training business, research into education, including the cooperation between industry and academia, and formulation of a concept for childcare facilities ・To bolster cooperation with local communities for social contribution activities and improvement in the quality of childcare ・Social contribution activities, and cementing of regional cooperation for improving the quality of childcare
Improve growth potential	◉**To introduce early childhood learning programs to existing nursery schools and school clubs** ◉**Online education (digital transformation)** ・To offer online education for households rearing children at home and promote the DX of nursery schools ◉**To upgrade the training business (cooperation with other companies and sales business with Gakken)** ・To promote in-house training and external training for childcare support while using the Internet ◉**Development and execution of new businesses in cooperation with Gakken, and collaborative activities with other sectors (M&A and business alliance)**

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Concrete Measures to Improve Profitability and Efficiency

By reconsidering our existing business operations and systems, we will evolve business models, and improve our value to offer and profitability.

Measures to improve profitability and efficiency

Measures for FY 3/22

(1) Improve revenues from existing facilities/structural reform (school clubs)

- **To improve revenues by designating some facilities as the ones that require intensive measures**
  - ▶Adopting new programs and restaffing
- **Structural reform of school clubs and children's houses**
  - ▶To undertake more projects (dominant strategy)
  - ▶To enrich attractive programs and revise the staffing plan

(2) Design of opening plans in accordance with investment standards

- **To open new facilities strategically, based on the analysis of future environments, including demographics and the market environments**
  - ▶To narrow down prioritized areas
  - ▶To undertake new projects in cooperation with other sectors

(3) Discussion on the progressive childcare-related business at existing facilities

- **Discussion on new business models utilizing empty spaces due to the decrease of pupils** (early childhood learning, alliances with other sectors, etc.)

(4) Revision of business operations at each section

- **Systematization and adoption of paperless processes**

Measures for the period from FY3/23 to FY3/24

(1) Increase the operation rate of childcare and undertake new projects (school clubs)

- **To accept more pupils as nursery schools that will be selected**
  - ▶Enrichment of learning programs and differentiation from competitors
- **To advertise our forte by increasing attractive contents**
  - ▶To undertake more projects in cooperation with nursery schools, school clubs, and children's houses

*We aim to double the number of facilities in 3 years.

(2) Promote new development plans in accordance with investment standards

- **Comprehensive measures for rearing and bringing up children in cooperation with nursery schools, school clubs, and children's houses in relevant areas, including dominant strategies**

(3) Operate the childcare-related business in cooperation with existing facilities

- **Business operation utilizing empty spaces due to the decrease of pupils**

Early childhood learning, support business by visiting nursery schools, etc.

(4) Share various operations

- **To make operations paperless by installing a mission-critical system**
- **To outsource some tasks**

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Measures for Nursery Schools and Facilities that Would be Selected by Customers

To exert competitive advantages by cooperating with Gakken Group and developing original contents for realizing nursery schools and facilities that would be selected by customers

Gakken Group

Creation of new businesses Expansion of services

Competitive advantage Differentiation

Continuous improvement in corporate value

Utilization of Gakken contents

Early childhood learning programs, such as Mojikazu Land and programming







Joint/original development

- Learning program DX
- Development of contents for 0- and 1-year-old children
- Education on food and agriculture (experience-based plan)
- Nursery school lunch (rigorously selected dishes and ingredients)
- New contents: “dance” and “art”
- DX of existing contents (English, exercise, and eurhythmics)

Development of nursery schools and facilities that would be selected by customers

Nursery school

Initiatives for 0- and 1-year-old children

Enhancement of external PR

To undertake new projects

School clubs Children’s houses

Differentiation from competitors by enriching contents

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Concrete Measures to Improve Soundness

We will develop an environment and a structure to respond to changes in the market environment.

Measures to improve soundness

Measures for FY3/22

(1) Structural reform and systematization

▶To actualize an agile organizational structure by communicating with on-site workers more closely

▶To actualize a compact head office

・To summarize operations and improve a working environment

・To streamline and sophisticate business operations through systematization

・To adopt ICT at each facility

(2) Secure personnel and establish a training system

▶In response to changes in the social environment, we recruit workers online and by referrals while having graduates visit their alma mater.

▶Staffing according to aptitudes based on talent management

▶To develop competent personnel by improving job rotation, training, and study sessions, sophisticate and equalize operations

(3) Reform the HR system (duties x evaluation = worth working)

▶To reform the HR system for on-site workers and headquarters' staff, evaluate personnel management, and set standards for evaluating the abilities for each job category

(4) Enhance measures for curbing turnover rate

▶To enrich the system for tutoring new employees

▶To communicate with employees carefully through online interviews

▶Aim to achieve a turnover rate of 10% or lower

(5) Develop the base for group management

▶To improve the efficiency of use of assets and secure financial soundness

-To optimize fixed assets

▶To tighten corporate governance

-To monitor the management and business of each company and each section, for reform and improvement

▶To promote the utilization of managerial resources of the corporate group

-To reshuffle personnel inside the corporate group

▶To enhance corporate communication

-To promote strategic PR/IR, and disseminate information on brand development activities

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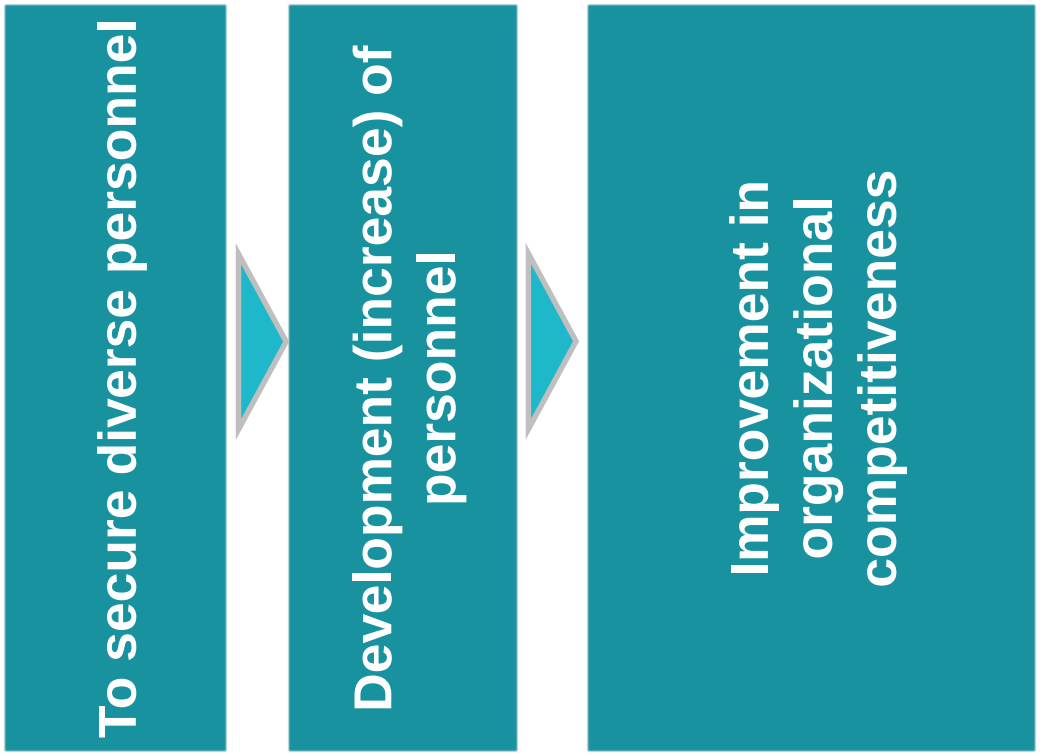
Investment in Human Resources

“Human resources” are the most important assets and serve as a growth driver. By securing a variety of personnel and improving the personnel training system, we aim to accelerate business growth and improve our organizational competitiveness.



(1) To employ and train diverse personnel as a source of value creation
(2) To produce next-generation leaders who will support the sustainable growth of business

(3) Company where personnel who have the motivation to take on challenges and grow voluntarily would get together and grow

<Viewpoint of investment in human resources>

Adoption of a new HR system

- A salary system considering the abilities and roles of employees, an operational system for each job category
- Renewal of the personnel evaluation system

Development of an organization where various personnel co-create things

- To increase diversity
- An organizational structure for tackling various issues swiftly

Training of personnel and next-generation leaders

- To improve on-site work performance and cultivate basic skills through the training for each class, skill improvement training, etc.
- To design career development plans and support growth (development of next-generation leaders)

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Concrete Measures to Enhance Growth Potential

To offer new values by changing our activities for childcare support from measures for reducing children on waiting lists to measures for coping with the decrease of children

Measures to enhance growth potential

Measures for FY3/22

(1) Early childhood learning program for nursery schools

・To enrich the early childhood learning program for nursery schools based on the business alliance with Gakken

▶To adopt Gakken's program

・To adopt the early childhood learning program of Gakken at low cost for differentiation

-To implement extracurricular programs

-To train lecturers by adopting original programs

・Utilization of empty spaces and spare time

-To implement new early childhood learning programs by using empty spaces for Gakken classrooms

▶To adopt new programs

・To plan to adopt art programs following early childhood learning programs

(2) Offer nursery staff training services

・To distribute contents for nursery staff, which were developed for training personnel, online

▶To apply them to training schools for nursery staff

▶To plan global application, too

(3) Intellectual training of Asc × DX

(Early childhood learning, art, exercise, English, eurhythmics)

・To fuse the online and offline contents of the intellectual training programs of Asc, and introduce them to nursery schools and guardians

▶Early childhood learning in Asc

・Development and marketing of programs unique to Asc

▶Enhancement of the sales business

・To develop and market contents, as extracurricular activities, which have been allowed in kindergartens and childcare centers, will be allowed also in nursery schools

▶Quality improvement based on the industry-academia cooperation

・To enhance the collaboration between industry and academia, and disclose the results of evaluation of the effects of intellectual training

(4) Actively form business and capital alliances

・To expand existing businesses and promote M&A for alliances

・To expand new business domains, and form business alliances for DX

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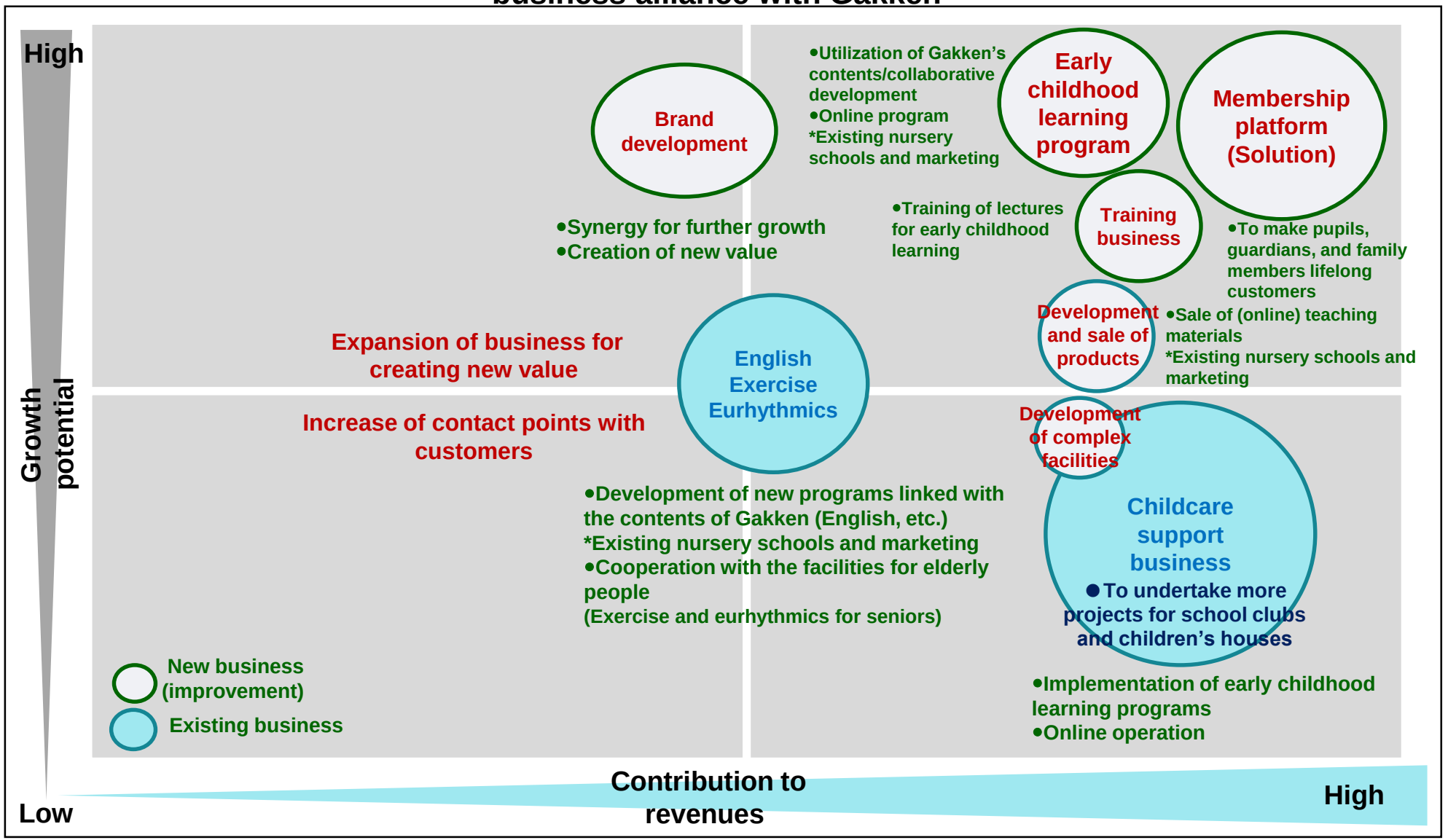
Business Portfolio

Expansion of new business domains for responding to the changes in the market and forming a business alliance with Gakken



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Brand Development Efforts to Increase Corporate Value

Renewal of our management philosophy, childcare philosophy and childcare policy with the aim of developing "nursery schools and facilities that would be selected by customers"



We aim to develop nursery schools and facilities that would be selected by customers.

Dissemination of information

- To disseminate the know-how for childcare support and activities at nursery schools
- To distribute more information to stakeholders, including society, guardians, and municipalities
- To renew the image of each facility (appearance and signboard)
- To enhance communication through SNS, websites, and ICT

Improvement in quality of childcare

- To upgrade the system for educating and training personnel
- To offer early childhood learning programs, lectures on English, exercise, and eurhythmics, and new programs, such as art and dance
- DX in response to the changes in lifestyles
- Research and practice of childcare based on the collaboration between industry and academia

Coexistence with local communities Social contribution

- To execute various projects for rearing children and supporting childcare in cooperation with local communities
- To promote social contribution activities in cooperation with local communities
- To promote corporate activities for preventing child abuse and coping with poverty
- To enhance efforts to attain SDGs

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3 Plans for FY3/22

FY3/22 Forecast

FY3/22 Forecast

	FY3/21 Actual	FY3/22 Forecast	Change	Year on Year Comparison (%)
Net sales (million yen)	32,911	33,200	288	0.9
Operating income (million yen)	2,268	1,800	-468	-20.6
Ordinary income (million yen)	2,947	2,300	-647	-22.0
Net income attributable to owners of parent (million yen)	537	1,450	912	169.7
Net income per share (yen)	6.15	16.58		-
Dividends (yen)	3.90	4.50		-
Dividend payout ratio (%)	63.4	27.1		-
Expected opening of nursery school (school)	4 Switch to licensed nursery school: 1	3 Switch to licensed nursery school: 2	- 1	-
Expected consignment of school clubs and children's houses (facility)	5	8	3	-

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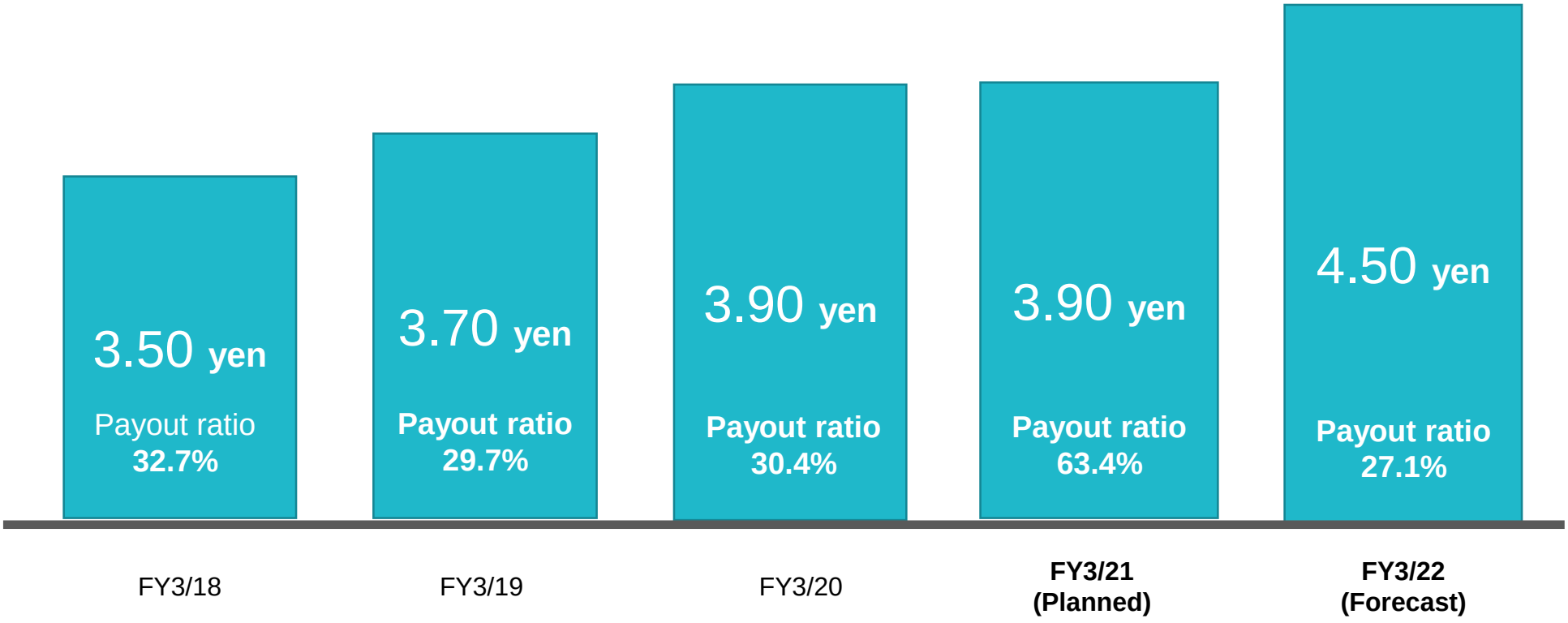
Dividend Forecast For FY3/22

◉Dividend policy

・The Company pays a performance-based dividend with a consolidated payout ratio of around 30% while securing the internal reserves necessary to develop business in the future and strengthen our management structure.

・In this term, the Company will pay a dividend of 4.50 yen while referring to performance forecast and considering the impact of COVID-19.



*The year-end dividend for FY3/21 will be the dividend per share if approval is obtained at the Company's 29th Ordinary General Meeting of Shareholders.

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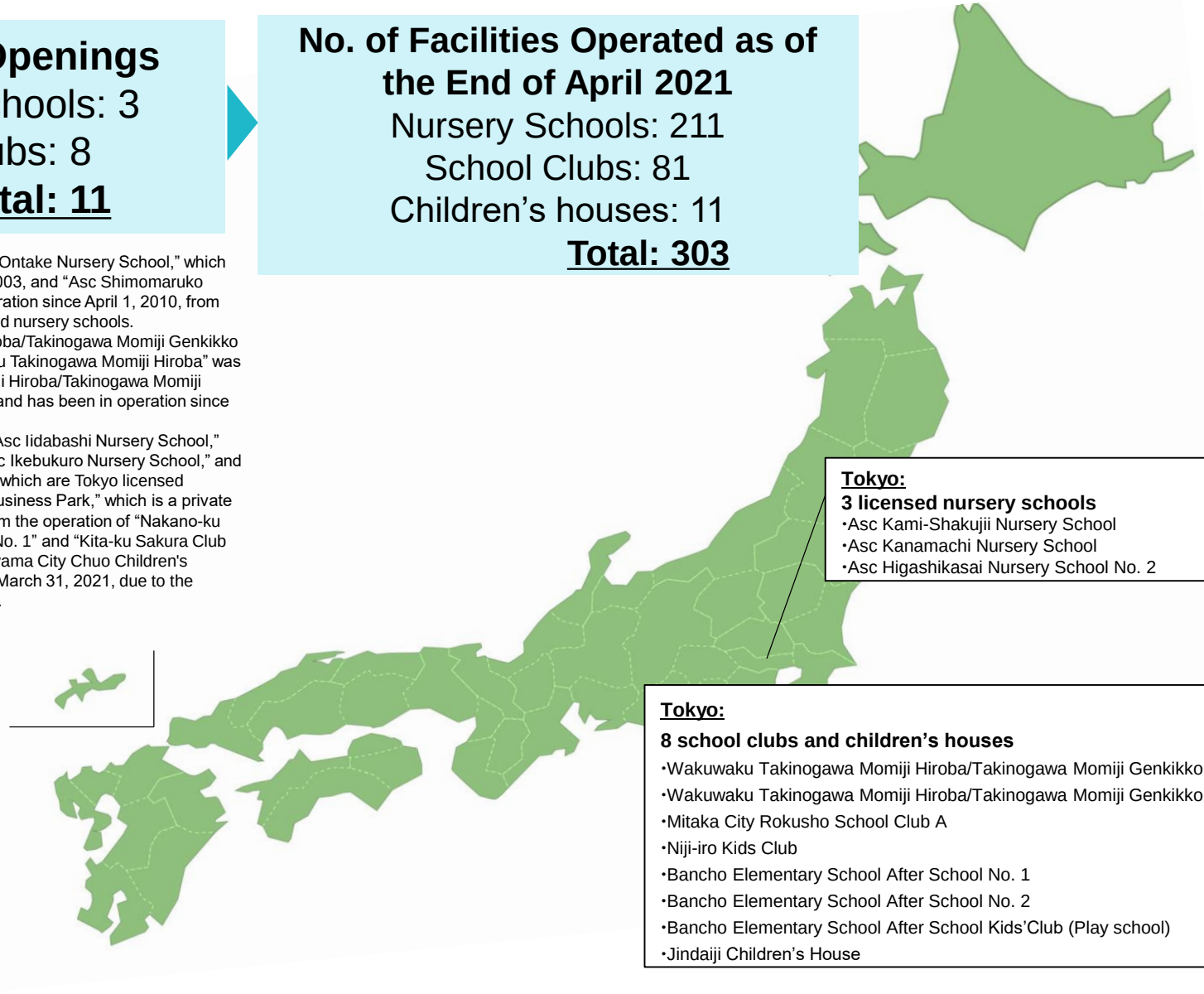
New Openings For FY3/22

FY3/21 New Openings
Nursery Schools: 3
School Clubs: 8
Total: 11

No. of Facilities Operated as of the End of April 2021
Nursery Schools: 211
School Clubs: 81
Children's houses: 11
Total: 303

- On April 1, 2021, we transformed "Ask Ontake Nursery School," which has been in operation since August 1, 2003, and "Asc Shimomaruko Nursery School," which has been in operation since April 1, 2010, from Tokyo licensed nursery school to licensed nursery schools.
- As "Wakuwaku Takinogawa Momiji Hiroba/Takinogawa Momiji Genkikko Club No. 1" was established, "Wakuwaku Takinogawa Momiji Hiroba" was renamed "Wakuwaku Takinogawa Momiji Hiroba/Takinogawa Momiji Genkikko Club No. 1." on April 1, 2021, and has been in operation since then.
- At the end of March 2021, we closed "Asc Iidabashi Nursery School," "Asc Nishishinjuku Nursery School," "Asc Ikebukuro Nursery School," and "Asc Yukigaya-Otsuka Nursery School," which are Tokyo licensed nursery schools, and "AEL Yokohama Business Park," which is a private school club. In addition, we withdrew from the operation of "Nakano-ku Kids Plaza Yato," "Kita-ku Sakura Club No. 1" and "Kita-ku Sakura Club No. 2," which are school clubs, and "Sayama City Chuo Children's House," which is a children's house, on March 31, 2021, due to the expiration of respective contract periods.



Tokyo:
3 licensed nursery schools
・Asc Kami-Shakujii Nursery School
・Asc Kanamachi Nursery School
・Asc Higashikasai Nursery School No. 2

Tokyo:
8 school clubs and children's houses
・Wakuwaku Takinogawa Momiji Hiroba/Takinogawa Momiji Genkikko Club No. 2
・Wakuwaku Takinogawa Momiji Hiroba/Takinogawa Momiji Genkikko Club No. 3
・Mitaka City Rokusho School Club A
・Niji-iro Kids Club
・Bancho Elementary School After School No. 1
・Bancho Elementary School After School No. 2
・Bancho Elementary School After School Kids'Club (Play school)
・Jindaiji Children's House

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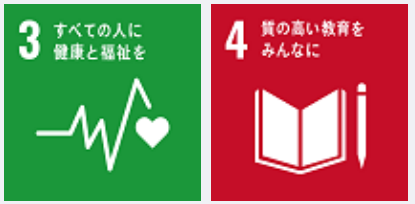
4 Initiatives to Attain SDGs

Social Issues to be Solved with Our Business

Social issues to be solved with our business		Related SDGs	Major activities
Childcare support	**Improve the quality of childcare support Reduce the number of children on waiting lists**		●Promotion of high-quality childcare support ●Establishment of new facilities for decreasing the number of children on waiting lists ●Development and provision of online childcare while grasping changes in the social environment ●Safe, reliable facilities and operation ●Provision of nutritious lunch for maintaining health ●Enrichment of support for child development
Educational support	**Offer high-quality early childhood learning**		●Development and enrichment of educational programs (English, exercise, eurhythmics and dancing) ●Development and promotion of online education Development of programs for early childhood learning at home in response to changes in the social environment ●Provision of early childhood learning opportunities
Partnership	**To help solve social issues based on the partnership with stakeholders**	× 	

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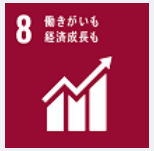
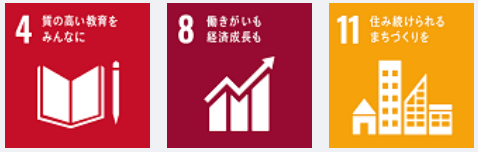
Social Issues to be Solved with Our Corporate Activities

Social issues to be solved with our corporate activities		Related SDGs	Major activities
Personnel development	Improvement in expertise and actualization of independent career development		•Promotion of work style reform •Enrichment of training structure •Career paths and job rotation
Empowerment of women	Actualization of diversity-minded workplaces		•Workstyles tailored to lifestyles •Systems for childbirth, childcare, and nursing care •Development of a proper business environment
Human rights and D&I*1	Actualization of diverse workstyles		•Utilization of diverse human resources and sound business administration •Development and production of female leaders
Social contribution to local communities	Creation of a childcare environment		•Promotion of childcare support in local areas •Promotion of employment •Promotion of prevention of abuse
Earth environment	Contribution to a sustainable earth environment		•Creation of environmentally sound facilities •Reduction of CO_2 emissions by installing LED lighting •Reduction of food loss and waste
Partnership	To help solve social issues based on the partnership with stakeholders		

*1: Diversity & inclusion (To create something new by utilizing different experiences and accepting differences)

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Initiatives to Solve Social Issues

SUSTAINABLE DEVELOPMENT GOALS

◉As a mission of an enterprise that operates childcare support business, we will approach impoverished households and take measures for preventing child abuse, which are social problems.

- **We will discuss various measures for raising and donating funds, and determine and actively promote “activities” and “initiatives” for the future of children.**
  (In December 2020 and May 2021, we conducted the “support for single-parent households.”)

No poverty



Prevention of child abuse



SUSTAINABLE DEVELOPMENT GOALS



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5

Appendix

[Supplementary Material] Environment Surrounding Childcare Support

Environment surrounding childcare support

- **The number of children on waiting lists decreased steadily, and it has dropped over 50% in the past 3 years. As the situation varies among regions, the importance of support according to regional characteristics will increase.**

(No. of children on waiting lists as of April 2020: 12,439, down 4,333 year on year). Prefectures with many children on waiting lists: Saitama, Chiba, Tokyo, Kanagawa, Osaka, and Hyogo

- **Establishment of a system for social welfare coordination promotion organization**

It will become possible to form “a social welfare coordination promotion organization,” a non-profit organization comprising mainly of social welfare corporations (which can lend funds, recruit staff, and jointly purchase equipment and goods).

- **The ratio of employed women is rising. As it is estimated to reach 82% in 2025, it will be necessary to increase childcare centers.**

(Ratio of employed women in April 2020 was 77.7%.)

- **The decrease of children accelerated by COVID-19 (The number of births will drop significantly in 2021.)**

The number of births was 848,000 in 2020, and is estimated to decrease 7.5% to 784,000 in 2021. The decrease of children is projected to progress 10 years earlier than initially estimated due to the spread of COVID-19.

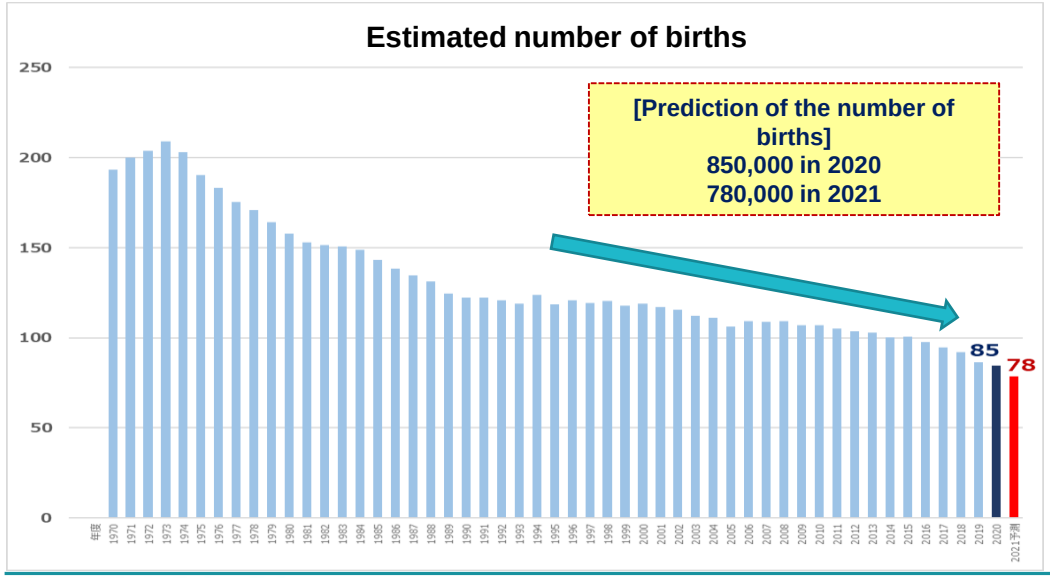
- **In 60% of 23 wards of Tokyo and ordinance-designated cities, the number of applications for entry to licensed nursery schools fell below the capacity. To prevent the spread of COVID-19, people tend to refrain from entrusting a nursery school with childcare.**

In 17 cities accounting for 60%, the rate of enrollment is below 100%. The number of such wards/cities almost doubled from last year (8 cities). There is the trend of extension of a childcare leave for decreasing the risk of infection.

- **The government plans to establish the Agency for Children, which will take measures in an unified manner, for the ideal administration for children.**

Considering the situation in which nursery schools are supervised by the Ministry of Health, Labour and Welfare, kindergartens by the Ministry of Education, Culture, Sports, Science and Technology, and licensed children’s school by the Cabinet Office, the government plans to unify the management of them.

(1) Estimated number of births (Source: Japan Research Institute)



(2) Application ratio of licensed nursery schools as of April 2021

Area (ward)	April 2020 (times)	April 2021 (times)	YoY change	Area (ward)	April 2020 (times)	April 2021 (times)	YoY change
Setagaya	1.64	**1.55**	**-0.09**	Arakawa	1.00	**0.90**	**-0.1**
Shinagawa	1.41	**1.32**	**-0.09**	Nakano	1.10	**0.85**	**-0.25**
Edogawa	1.31	**1.29**	**-0.02**	Bunkyo	1.00	**0.83**	**-0.17**
Taito	1.41	**1.26**	**-0.15**	Chiyoda	0.82	**0.81**	**-0.01**
Nerima	1.31	**1.16**	**-0.15**	Minato	0.91	**0.77**	**-0.14**
Sumida	1.06	**1.08**	**0.02**	Katsushika	0.84	**0.74**	**-0.1**
Ota	1.21	**1.06**	**-0.15**	Adachi	0.74	**0.73**	**-0.01**
Chuo	1.33	**1.05**	**-0.28**	Toshima	0.79	**0.71**	**-0.08**
Itabashi	1.11	**0.98**	**-0.13**	Meguro	0.85	**0.66**	**-0.19**
Suginami	1.06	**0.98**	**-0.08**	Kawasaki	1.23	**1.10**	**-0.13**
Shibuya	1.13	**0.95**	**-0.18**	Saitama	1.33	**1.03**	**-0.3**
Koto	0.97	**0.93**	**-0.04**	Yokohama	1.06	**0.96**	**-0.1**
Shinjuku	1.01	**0.91**	**-0.1**	Sagamihara	0.91	**0.82**	**-0.09**
Kita	1.02	**0.90**	**-0.12**	Average	**1.09**	**0.98**	**-0.11**

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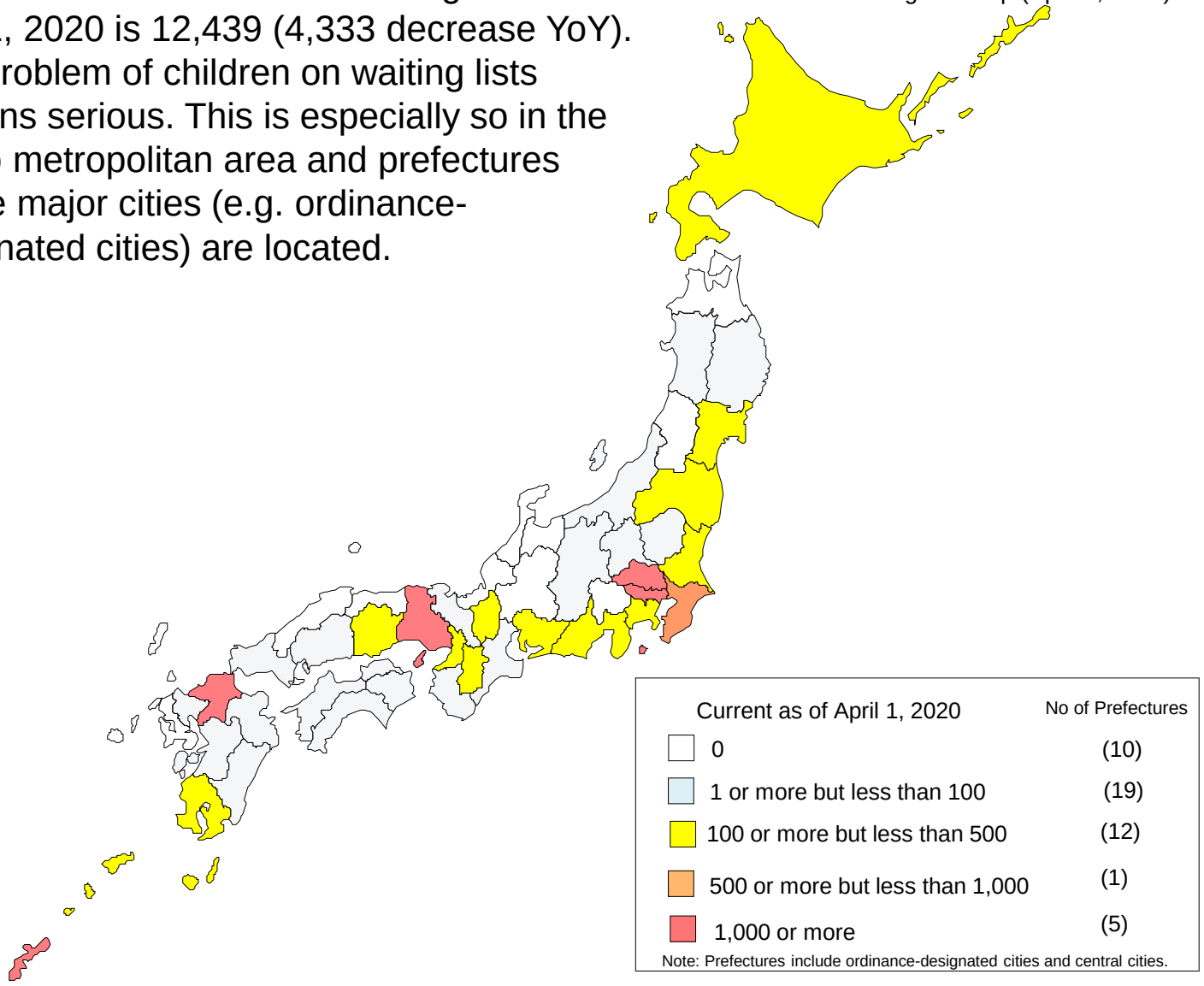
[Supplementary Material] Current Waiting List Situation

◉The number of children on waiting lists as of Apr. 1, 2020 is 12,439 (4,333 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.

National Waiting List Map (April 1, 2020)



Source: Ministry of Health, Labour and Welfare's Nursery School Situation Summary (April 1, 2019)

Prefecture	No. of Children on Waiting List	Change
	Person	%
Hokkaido	134	0.15
Aomori	0	0.00
Iwate	58	0.19
Miyagi	340	0.76
Akita	22	0.10
Yamagata	0	0.00
Fukushima	141	0.40
Ibaraki	193	0.32
Tochigi	34	0.08
Gunma	14	0.03
Saitama	1,083	0.80
Chiba	833	0.70
Tokyo	2,343	0.73
Kanagawa	496	0.29
Niigata	3	0.00
Toyama	0	0.00
Ishikawa	0	0.00
Fukui	0	0.00
Yamanashi	0	0.00
Nagano	46	0.09
Gifu	0	0.00
Shizuoka	122	0.18
Aichi	155	0.09
Mie	81	0.20
Shiga	495	1.34
Kyoto	48	0.08
Osaka	348	0.18
Hyogo	1,528	1.31
Nara	201	0.76
Wakayama	35	0.17
Tottori	0	0.00
Shimane	0	0.00
Okayama	403	0.82
Hiroshima	39	0.06
Yamaguchi	17	0.06
Tokushima	61	0.36
Kagawa	64	0.28
Ehime	55	0.21
Kochi	28	0.13
Fukuoka	1,189	0.94
Saga	49	0.20
Nagasaki	0	0.00
Kumamoto	70	0.12
Oita	10	0.04
Miyazaki	14	0.04
Kagoshima	322	0.75
Okinawa	1,365	2.19
Total	12,439	0.44

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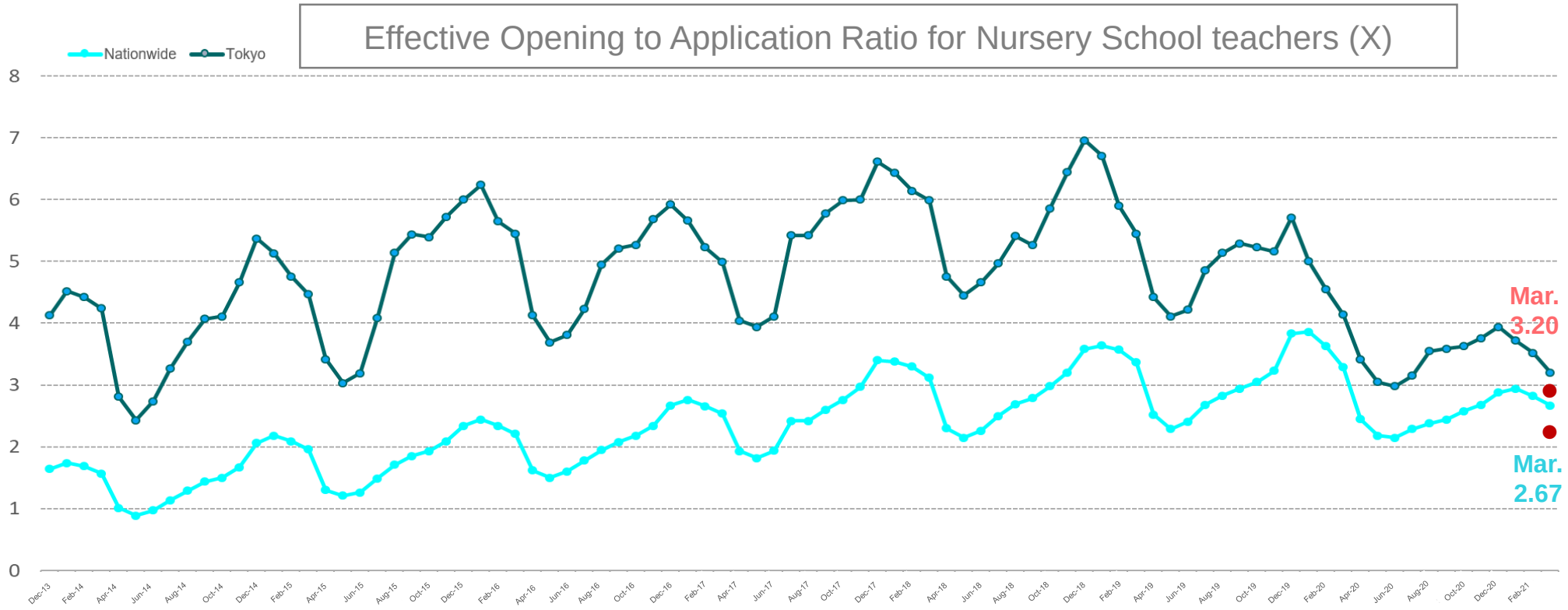
[Supplementary Material] Current Nursery School Teacher Shortage Situation

- The ratio of job openings to job applicants for nursery school teachers is decreasing. However, there is a continuing shortage of nursery school teachers across Japan. (National average as of March 2021: 2. 67 times)
- Jobs to applicants ratio of Tokyo had the trend of increase at 3.94 as of Dec. 2020, but turned to decrease in Jan. 2021 and stood at 3.20 as of Mar. 2021.



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

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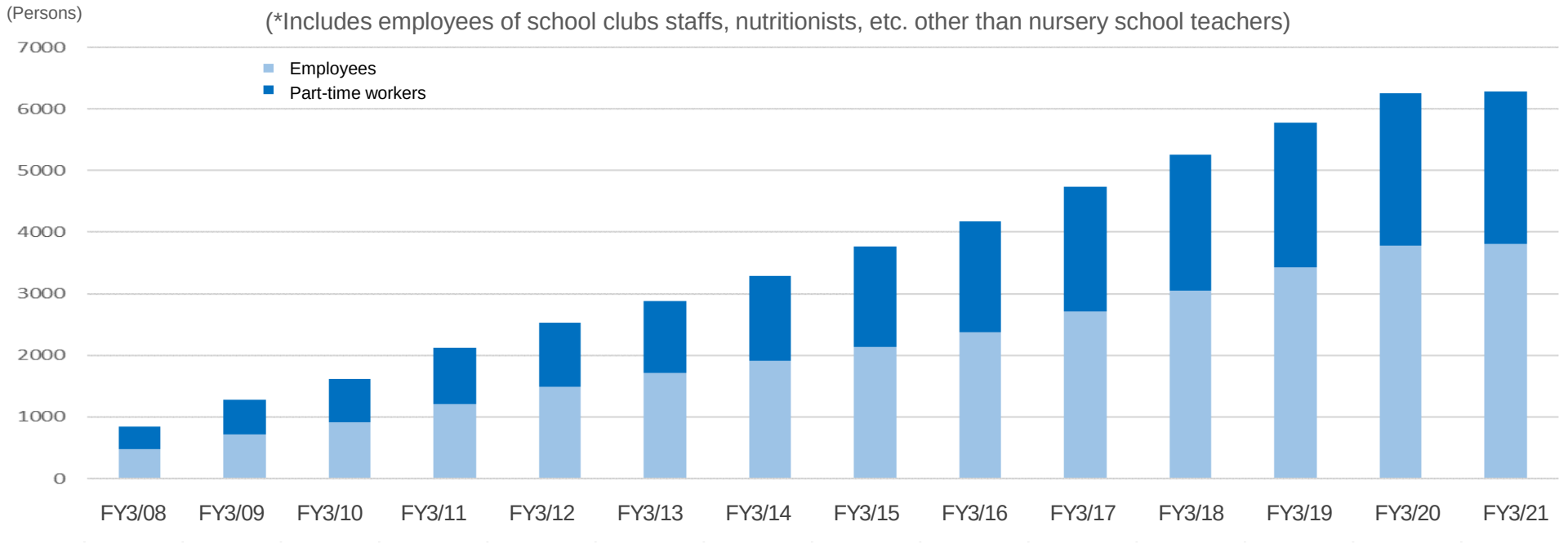
[Supplementary Material] Recruitment of Nursery School Teachers

		FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	Joined on Apr. 1, 2021
Nursery School Teacher	New Graduates	178	197	247	276	248	182	166 Joined on Apr. 1, 2021
	Mid-career employment	219	241	327	325	269	292	137 Joined on Apr. 1, 2021
Non qualified	New Graduates	-	23	32	46	26	9	7

*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 Childcare Support Business

(*Includes employees of school clubs staffs, nutritionists, etc. other than nursery school teachers)



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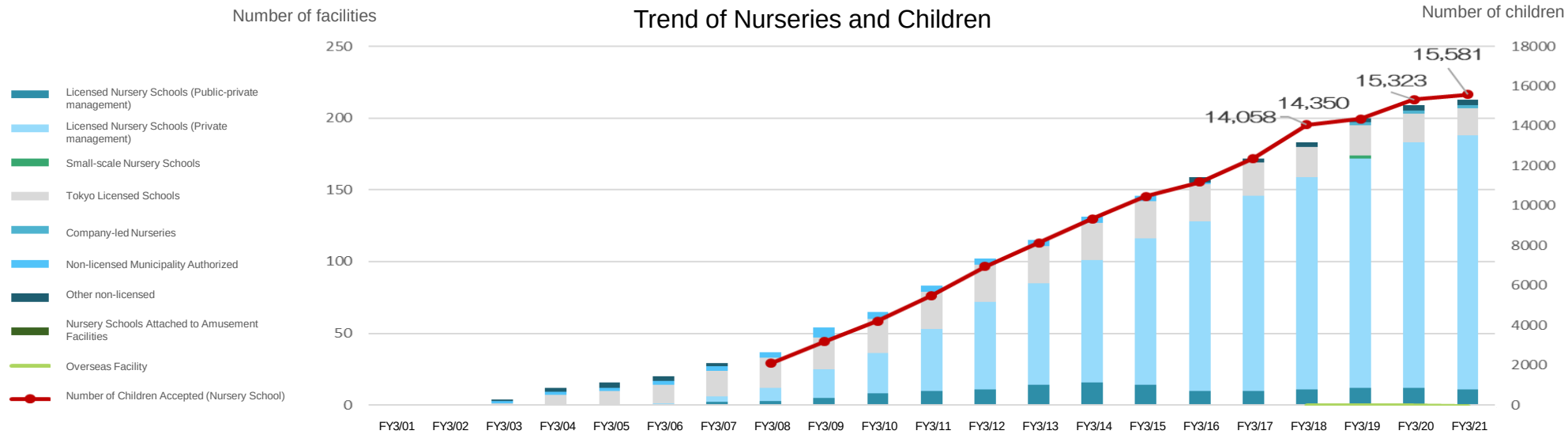
[Supplementary Material] Changes in the Number of Facilities Operated and the Number of Children Accepted to Nursery Schools

		FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Licensed Nursery Schools (Public-private management)		10	11	14	16	14	10	10	11	12	12	11
Licensed Nursery Schools (Private management)		43	61	71	85	102	118	136	148	160	171	177
Small-scale Nursery Schools		0	0	0	0	0	0	0	0	2	0	0
Non-licensed Nursery Schools	Tokyo Licensed Schools	26	26	26	26	26	26	23	21	21	20	19
	Company-led Nurseries	0	0	0	0	0	0	0	0	2	2	2
	Non-licensed Municipality Authorized	4	4	4	4	4	1	0	0	0	0	0
	Non-licensed Other non-licensed	0	0	0	0	0	4	3	3	3	4	4
School Clubs		37	39	40	43	46	55	63	71	72	72	77
Children's Houses		9	7	8	8	8	10	12	12	11	11	11
Private School Clubs		0	0	0	0	0	0	4	5	5	4	0
Kindergartens (Overseas Facility)		0	0	0	0	0	0	0	1	1	1	0
Total		**129**	**148**	**163**	**182**	**200**	**224**	**251**	**272**	**289**	**297**	**301**

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



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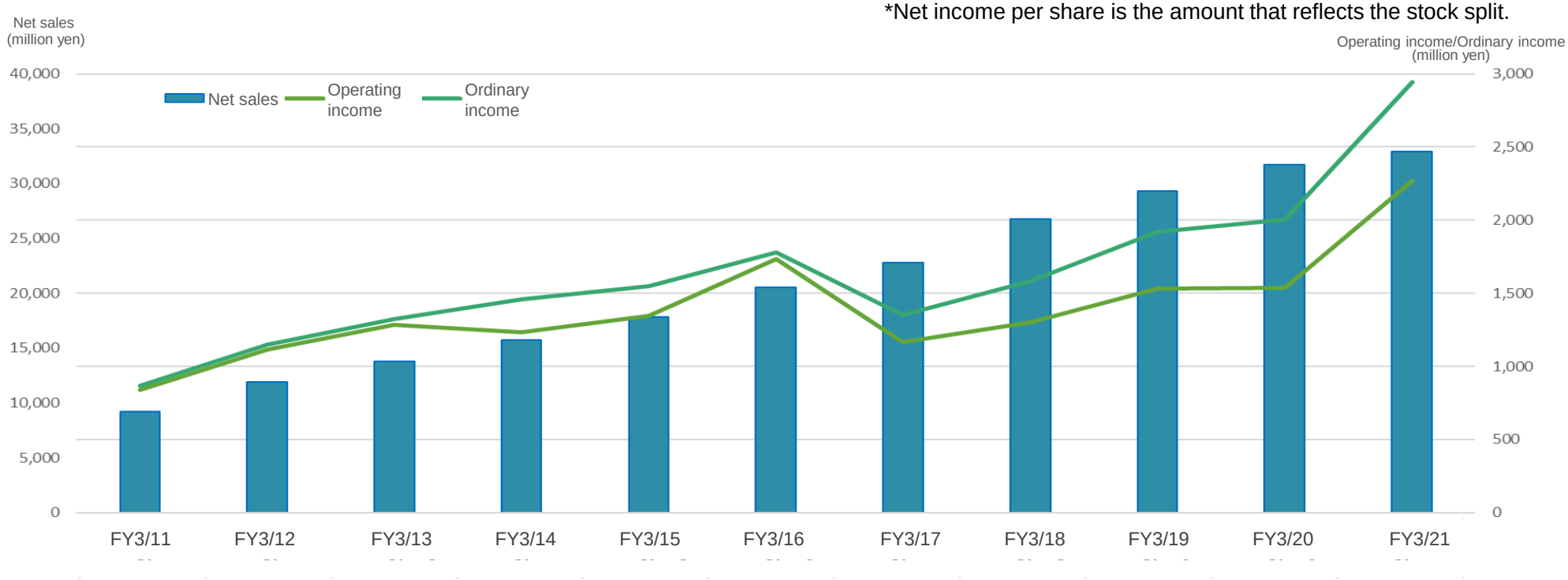
[Supplementary Material] Consolidated Results (Highlights)

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Net sales (million yen)	9,166	11,867	13,789	15,747	17,868	20,552	22,799	26,779	29,298	31,719	32,911
Operating income (million yen)	839	1,114	1,285	1,234	1,345	1,732	1,168	1,303	1,531	1,538	2,268
Ordinary income (million yen)	866	1,150	1,325	1,460	1,550	1,781	1,350	1,582	1,920	2,003	2,947
Net income attributable to owners of parent (million yen)	500	653	717	837	904	1,071	661	910	1,071	1,122	537
Net income per share (Yen)	6.67	7.83	8.60	10.03	10.84	12.84	7.87	10.70	12.44	12.81	6.15

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



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[Supplementary Material] Consolidated Results (Balance Sheet/Statement of Cash Flows)

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Total assets (million yen)	9,432	9,808	10,876	13,521	18,882	21,126	24,002	25,758	28,255	26,122	29,740
Net assets (million yen)	3,559	3,977	4,452	5,034	5,606	6,279	6,854	7,756	8,950	9,636	10,007
Shareholders' equity ratio (%)	37.7	40.5	40.9	37.2	29.7	29.7	28.5	30.1	31.7	36.9	33.7

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Cash flows from operating activities (million yen)	915	1,205	1,173	1,038	1,294	1,804	1,878	1,865	1,829	2,320	2,469
Cash flows from investing activities (million yen)	-1,808	-821	-1,268	-3,638	-3,959	-2,449	-3,305	-1,292	-940	418	190
Cash flows from financing activities (million yen)	2,473	219	514	1,220	3,748	1,553	1,646	-135	1,475	-3,349	2,155
Year-end balance of cash and cash equivalents (million yen)	2,602	2,768	3,188	1,808	2,891	3,798	4,017	4,455	6,816	6,206	11,020

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[Supplementary Material] 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.

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21 (planned)
Amount of dividend per share (yen)	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	3.90	3.90
Payout ratio (%)	43.4	38.3	37.2	35.9	36.9	38.9	31.8	32.7	29.7	30.4	63.4

*The amount of dividend per share reflects the stock split.

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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.

Inquiries:

5F Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku Tokyo
JP-HOLDINGS, INC. Tokyo Office
Corporate Communications & Investor Relations Div.
TEL: 03-6433-9515　e-mail : jphd_pr@jp-holdings.co.jp

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