

For the smiles of children...

JP-HOLDINGS, INC.

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

3rd Quarter Financial Results for the Fiscal Year ending March 2017

Company Profile

Company Name	JP-HOLDINGS, INC.
Listed Market	First Section of the Tokyo Stock Exchange (Securities code: 2749)
Location	Head Office: 17F Chikusa New Tower Bldg., 3-15-31 Aoi, Higashi-ku, Nagoya-shi Aichi Tokyo Office: 5F Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku Tokyo
Date of Establishment	March 31, 1993
Capital	1,603.955 million yen
Representative	Mr. Kazuhiro Ogita, Representative Director
No. of Employees	Employees: 2,749 / Part-time workers: 1,979 *As of December-end 2016
Consolidated Subsidiaries	Japan Nursery Service Inc. (Capital stock: 99 million yen / Wholly owned subsidiary)
	Shikoku Nursery Service Inc. (Capital stock: 10 million yen / 51% owned subsidiary)
	J Kitchen Inc. (Capital stock: 10 million yen / Wholly owned subsidiary)
	J Cast Inc. (Capital stock: 10.4 million yen / Wholly owned subsidiary)
	J Planning Sale Inc. (Capital stock: 10 million yen / Wholly owned subsidiary)
	Japan Nursery Institute for General Research (Capital stock: 10 million yen / Wholly owned subsidiary)
	Amenity Life Inc.(Capital stock: 70 million yen / Wholly owned subsidiary)
Business Areas	Nursery Service (Japan Nursery Service, Shikoku Nursery Service and Amenity Life)
	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)



*Sotetsu Amenity Life K.K. was affiliated by obtaining 100% stock and renamed as Amenity Life Inc..

*No. of employees aforementioned includes Amenity Life Inc. employees.

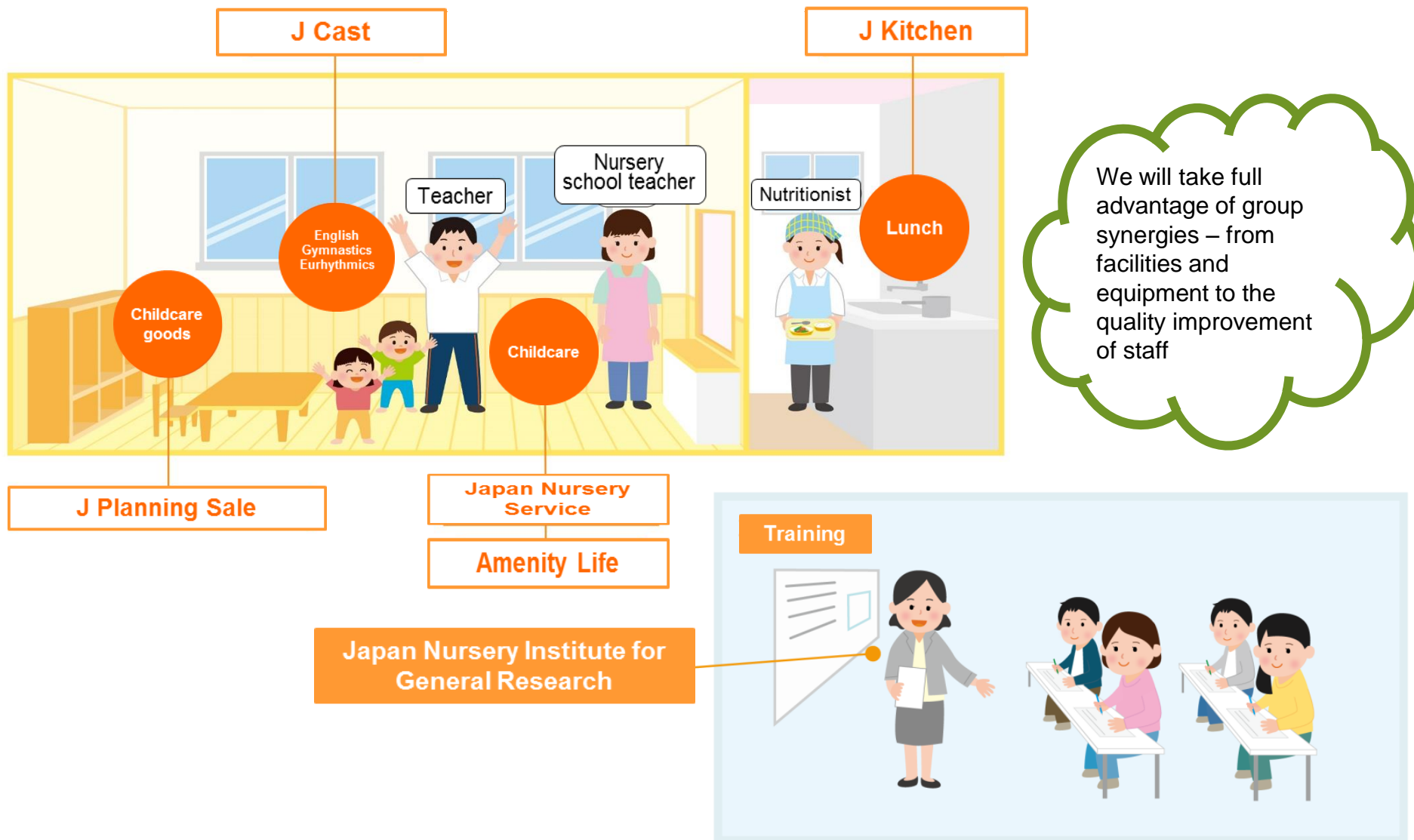
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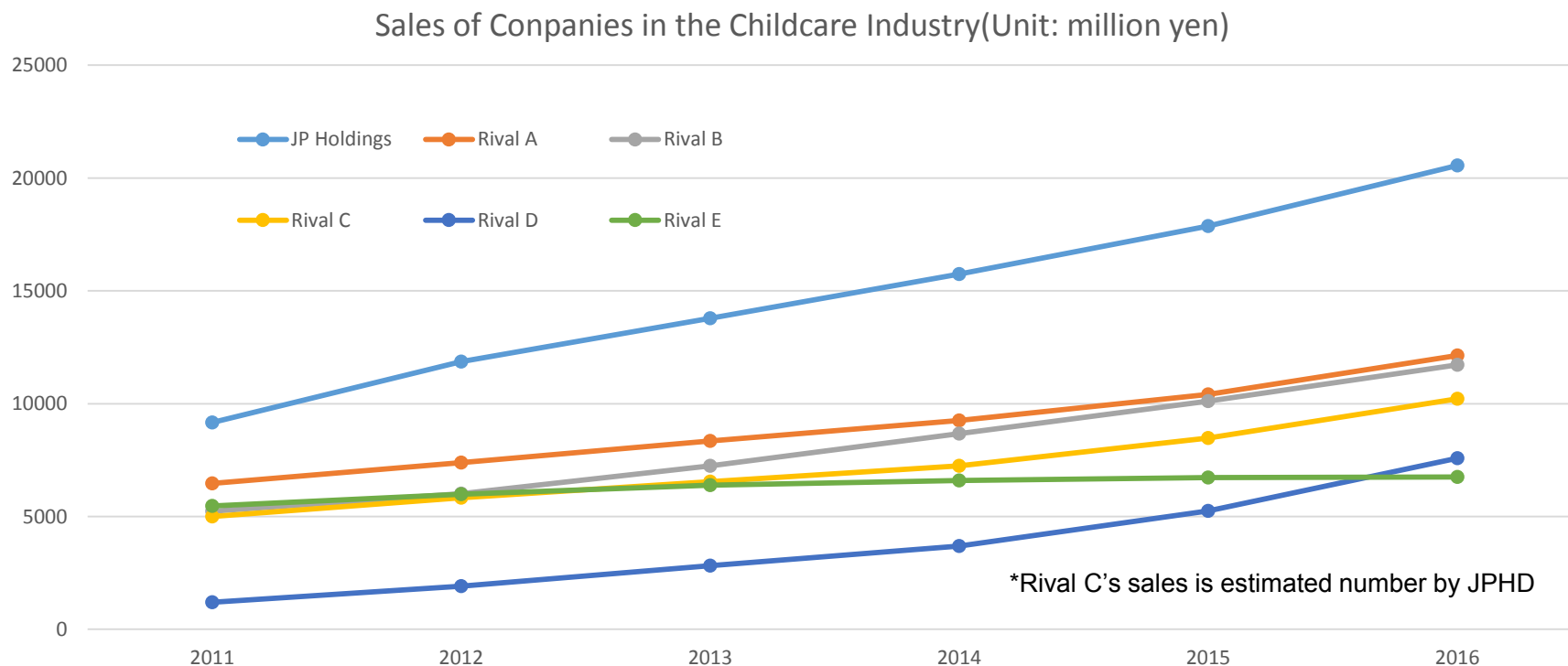
Company Overview

(1) Image of JP Holdings' Group Structure



(2) 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.



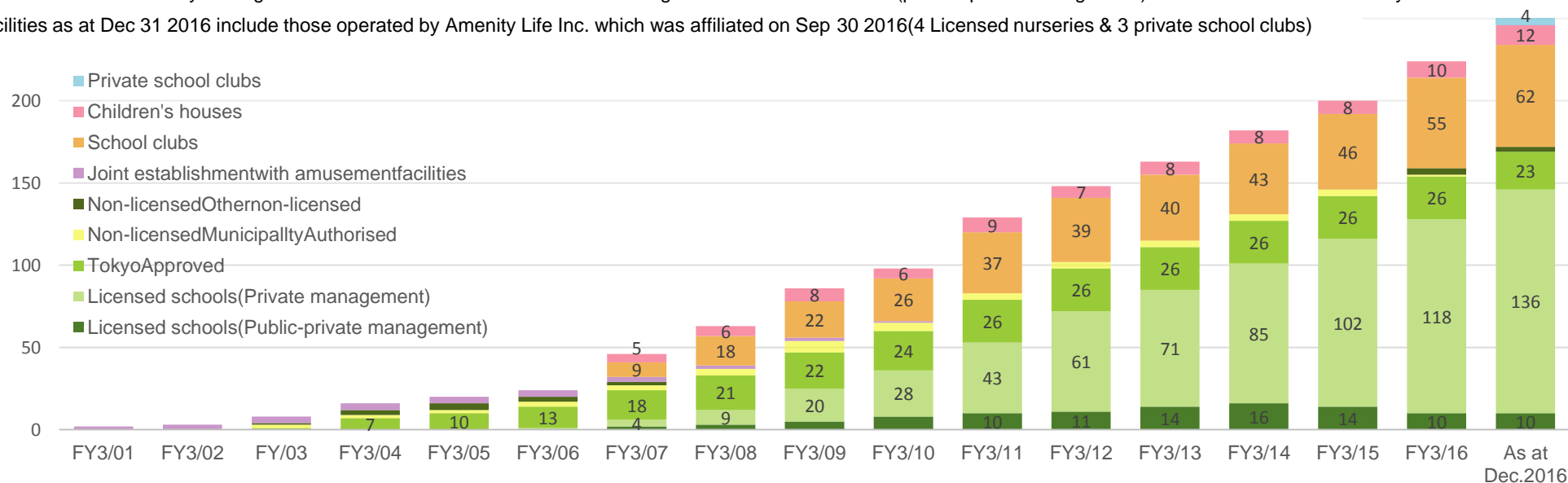
Source: Based on the past six years of the Nikkei MJ's *Service Industry Survey*

(3) Business Expansion 1: No. of Facilities Operated

	FY3/01	FY3/02	FY3/03	FY3/04	FY3/05	FY3/06	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	As at Dec.2016
Licensed schools(Public-private management)							2	3	5	8	10	11	14	16	14	10	10
Licensed schools(Private management)						1	4	9	20	28	43	61	71	85	102	118	136
TokyoApproved			1	7	10	13	18	21	22	24	26	26	26	26	26	26	23
Non-licensedMunicipalptyAuthorised			2	2	2	3	3	4	7	5	4	4	4	4	4	1	0
Non-licensedOthernon-licensed			1	3	4	3	2	0	0	0	0	0	0	0	0	4	3
Joint establishmentwith amusementfacilities	2	3	4	4	4	4	3	2	2	1	0	0	0	0	0	0	0
School clubs							9	18	22	26	37	39	40	43	46	55	62
Children's houses							5	6	8	6	9	7	8	8	8	10	12
Private school clubs																	4
Total	2	3	8	16	20	24	46	63	86	98	129	148	163	182	200	224	250

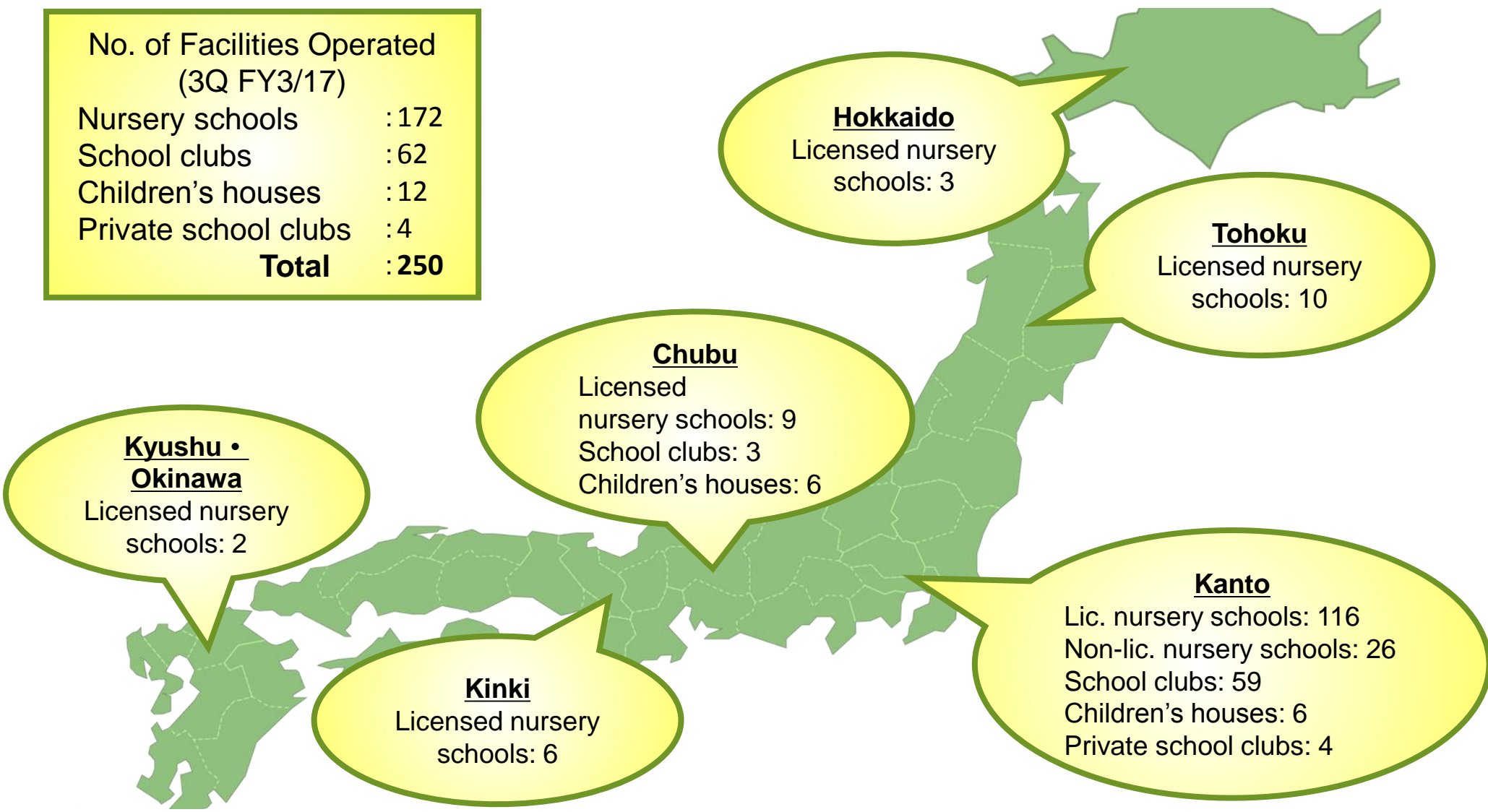
*We reviewed the count by management structure in the 2Q of FY3/16 and changed three licensed schools (private-public management) to other non-licensed nursery schools

*Facilities as at Dec 31 2016 include those operated by Amenity Life Inc. which was affiliated on Sep 30 2016(4 Licensed nurseries & 3 private school clubs)



(4) Business Expansion 2: No. of Facilities Operated by Region

No. of Facilities Operated (3Q FY3/17)	
Nursery schools	: 172
School clubs	: 62
Children's houses	: 12
Private school clubs	: 4
Total	: 250



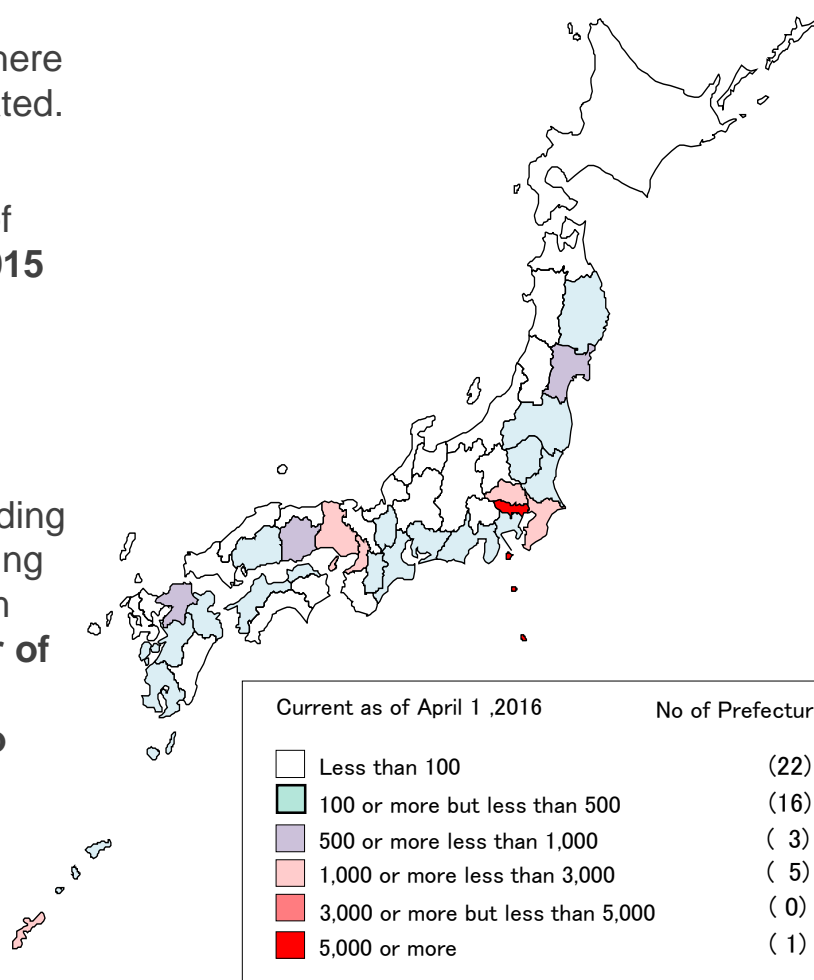
*Facilities as at Dec 31 2016,include those operated by Amenity Life Inc. which was affiliated on Sep 30 2016 (4 Licensed nurseries & 3 private school clubs)

The Opportunity

(1) Current Waiting List Situation

- ▶ The **child day care waiting** list problem remains serious. This is especially so in the Tokyo metropolitan area and prefectures where major cities (e.g. designated cities) are located. (Refer to the map on the right.)
- ▶ The number of children on waiting lists as of April 2016 **increased by 386 from April 2015 to 23,553**.
- ▶ The Ministry of Health, Labour and Welfare(MHLW) published the potential number of children on waiting lists in March 2016 based on the number of people extending their childcare leave or giving up on searching for work who were previously excluded from these statistics. **Together with the number of children already known to be on waiting lists, this has seen the grand total rise to approximately 60,000** (as of April 2015).

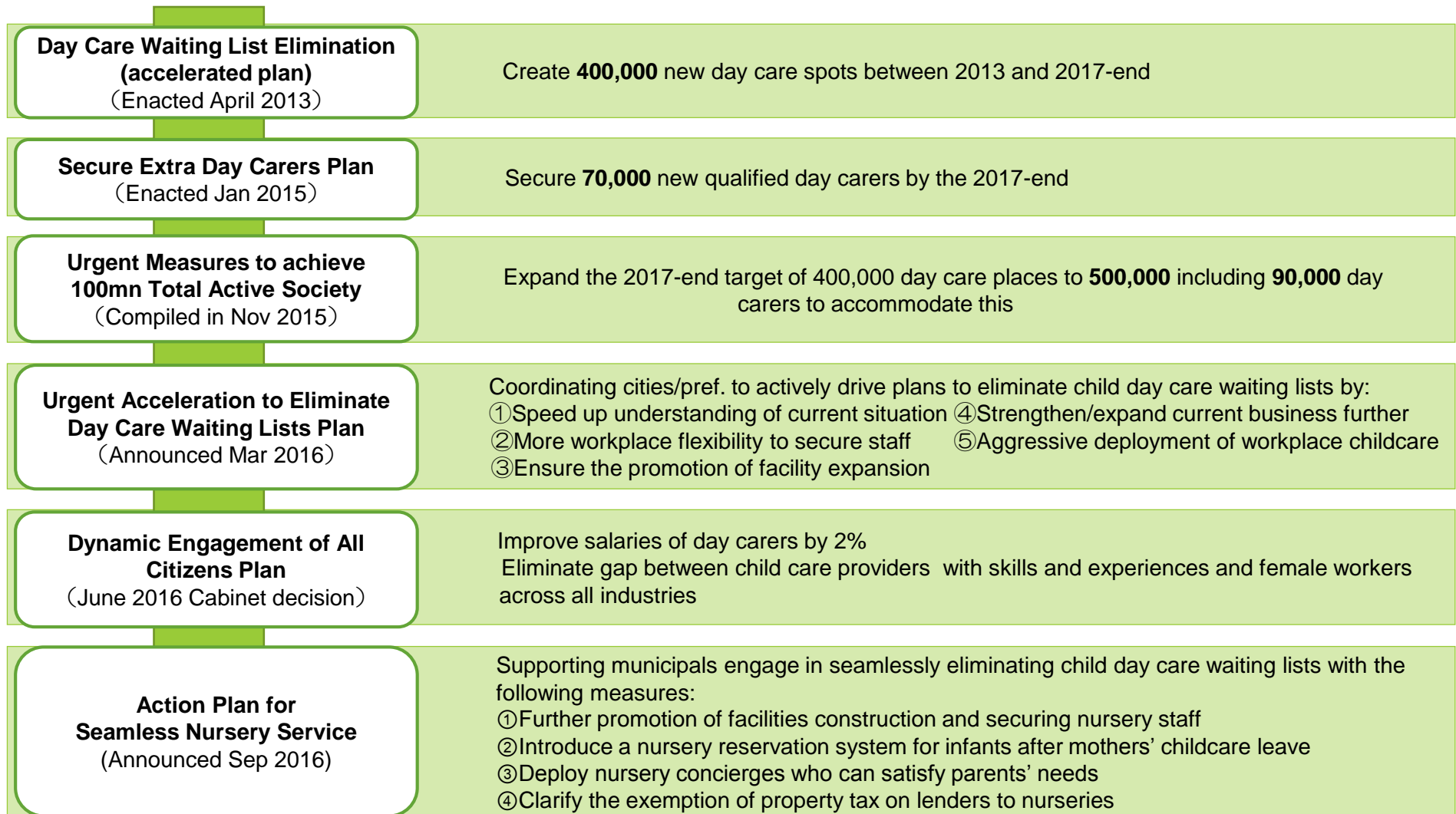
National Waiting List Map
(April 1, 2016)



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

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

(2) Gov't efforts to eliminate day care waiting lists



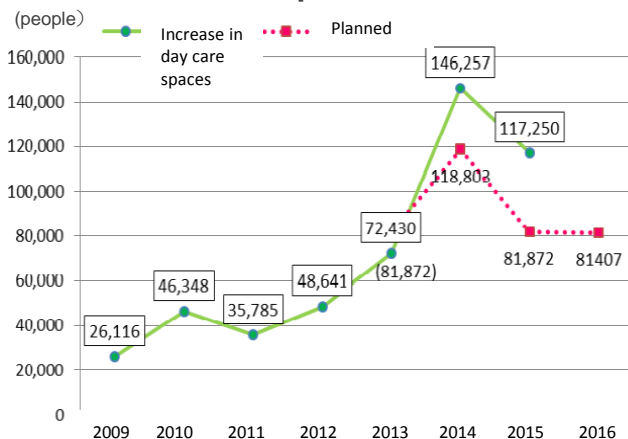
Source :
Prime Minister's Office home page- "Preventing Child day care waiting lists – working to create an environment of raising children in peace"

(3) Dynamic Engagement of All Citizens Plan

▶ June 2nd, 2016 – Cabinet decides “Dynamic Engagement of All Citizens Plan”

- **Day care places** - Expand the original 400,000 target by 2017-end to 500,000
- **Treatment of Day Carers** - Improve salaries by 2% (c. ¥6000 per month)
Accelerate measures to eliminate the gender pay gap and close the ¥40,000 per month gap for qualified day care staff to that of all industries
- **Secure & develop day carers** - expand productivity by ICT and offer expansion of loan forgiveness for day carers
- **After school activity clubs** - develop places for 300,000 persons by 2019-end

Expanding child day care spaces YoY comparison



Gov't to prepare additional childcare arrangements for 500,000 children by the end of FY2017 (compared with FY2013)
(From FY2018 onward, will ensure adequate spaces.)

Treatment of day carers

Low wages have been cited as a cause in the inability to secure additional day carers.

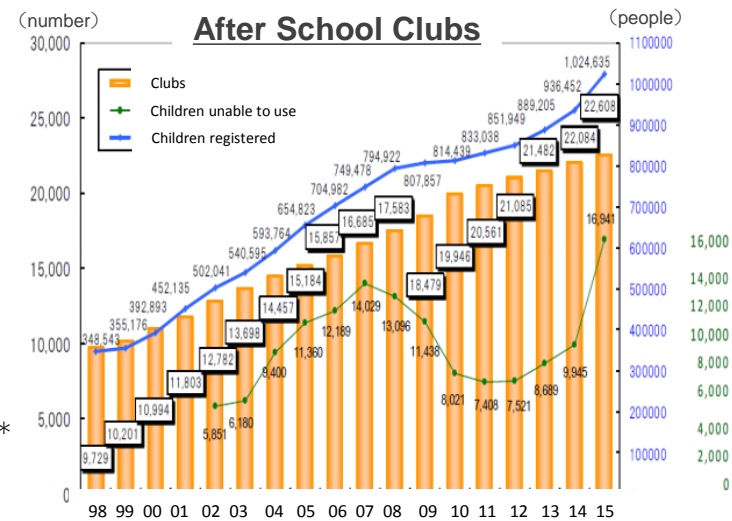
- **Day Carers : ¥3.23m*** (Women only ¥3.22m)
- **All industries : ¥4.89m*** (Women only ¥3.73m)

Day carers see difficulty in a long career path so average years of service tends to be shorter.

- **Day Carer : Length of service 7.6yrs***
- **All Industries : Length of service 12.1yrs***

*MHLW 「2015 Survey on wages structure」

Gov't will eliminate a wage gap between childcare providers with skills and experiences and female workers across all industries.



Prepare extra arrangements of “After-school Kids’ Clubs for 300,000 children by the end of FY2019 (compared with FY2014)
(Look for ways to complete it by the end of FY2018.)

Source: ; Prime Minister’s Office HP: Dynamic Engagement of All Citizens Plan (Overview) June 2, 2016

(4) Favorable Government Budget Trends

- ▶ Rental expenses in the unit cost of official prices (= the compensation required for operation in order to satisfy the minimum standards of childcare set forth by the government) have been greatly increased in FY3/17. Therefore, the **building rental fees** generated by many of our nursery schools have been **reduced** (contribution to sales and revenue).

Capacity Category	Rental Expenses Addition Unit Cost in FY3/16 Per Child (Yen per Month)	Rental Expenses Addition Unit Cost in FY3/17 Per Child (Yen per Month)
20	6,500	16,800
21 to 30	4,500	11,700
31 to 40	4,000	10,400
41 to 50	3,600	9,300
51 to 60	(*1) 3,000	(*2) 7,800
61 to 70	2,600	6,700
71 to 80	2,900	7,500
81 to 90	2,600	6,700
91 to 100	2,300	6,000
101 to 110	2,500	6,500
111 to 120	2,300	6,000
121 to 130	2,100	5,400
131 to 140	2,300	6,000
141 to 150	2,200	5,700
151 to 160	2,000	5,200
161 to 170	2,200	5,700
171 or more	2,000	5,200

Case Study in Tokyo with the Highest Unit Costs

This is a trial calculation using the standard nursery school model (60 children capacity) in our firm.

Calculation by the FY3/16 Unit Cost

Monthly amount per child (Table on the left (*1)): 3,000 yen × 60 children × 12 months

= 2,160,000 yen (Annual amount per facility)

Calculation by the FY3/17 Unit Cost

Monthly amount per child (Table on the left (*2)): 7,800 yen × 60 children × 12 months

= 5,616,000 yen (Annual amount per facility)

Difference

5,616,000 yen – 2,160,000

= **3,456,000 yen (Change in the annual amount per facility)**

*There are also cases in which such addition is not provided depending on the facility or rental expenses supported only by municipalities are decreased for the amount of change (consequently this is ±0 yen).

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

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

First Pillar : Promote setting up of nurseries, etc.

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

Second Pillar : Secure Personnel

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

Third Pillar : Enhance assistance on users

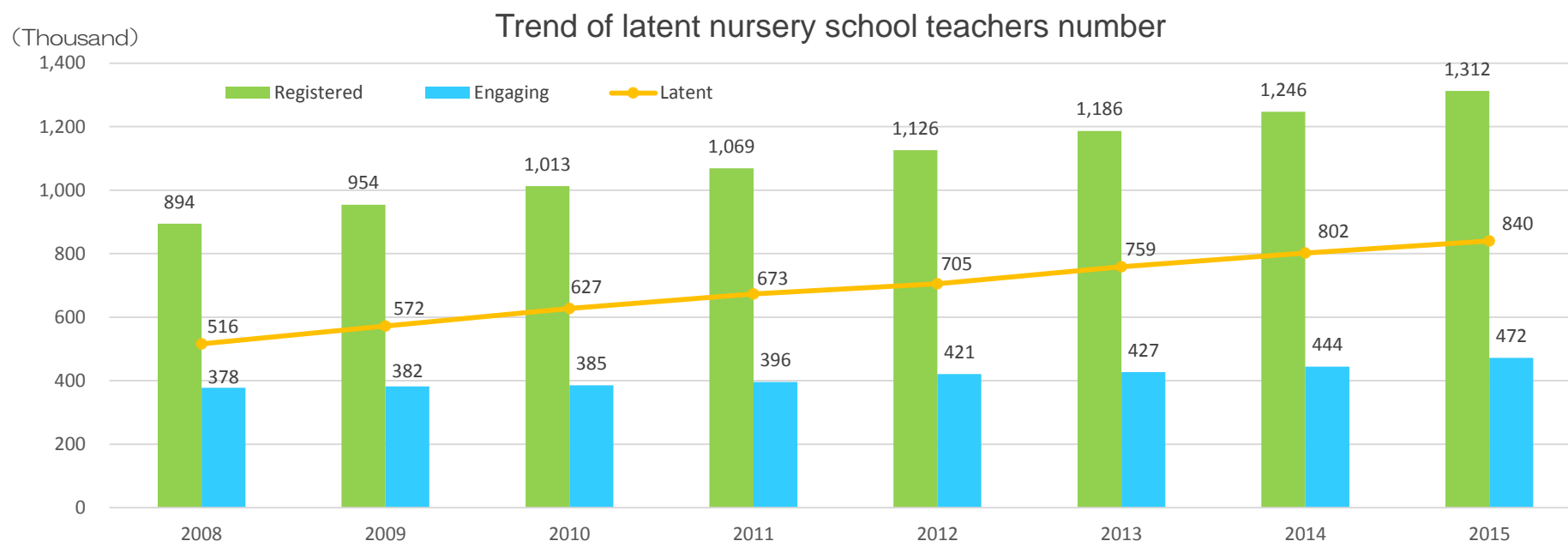
- 9. Increase nursery concierges ▶ Boost personnel expenses to increase staff to assist parents
- 10. Reduce burden of non-licensed nurseries users ▶ Assist municipalities to support independent nursery fees
- 11. Improve quality of non-licensed nurseries ▶ Organize a new patrol team to encourage best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

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

Bottlenecks to Growth & Our Solutions

(1) Current Nursery School Teacher Shortage Situation 1

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



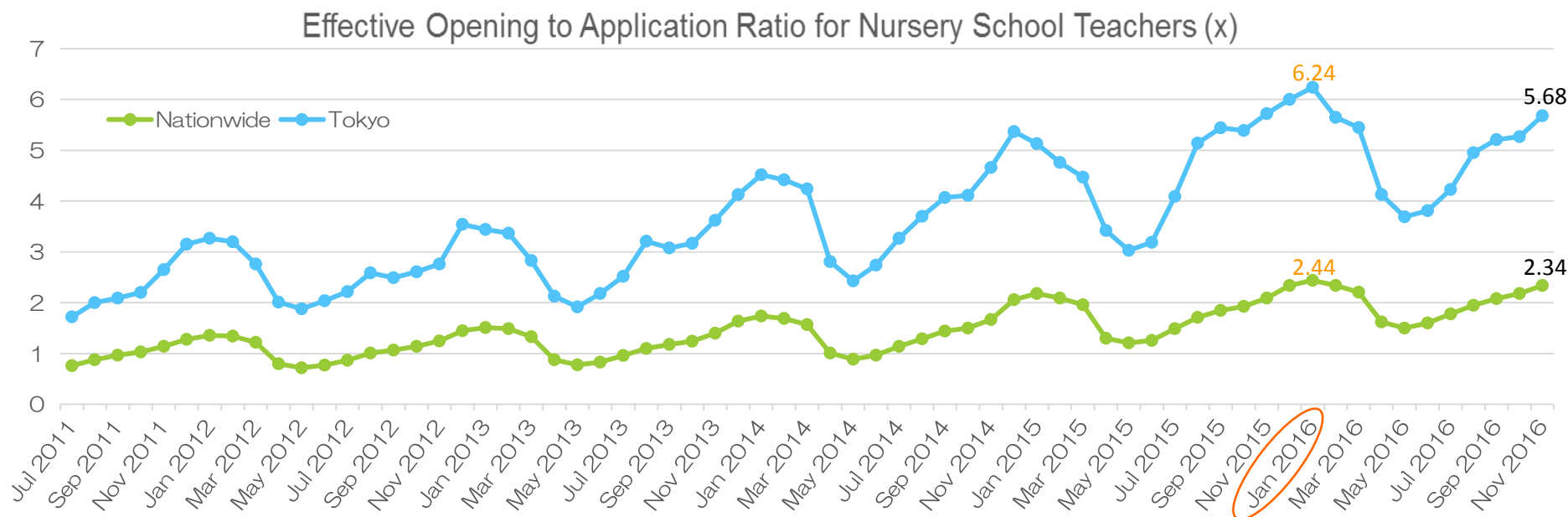
Source : Registered : Investigation of Equal Employment, Child and Family Policy Bureau, MHLW
(Number at April 1 in each year)

Engaging : Investigation of Director-General for Statistics and Information Policy, MHLW
(Number at October 1 in each year) *Translated by JPHD

(N.B.) Engaging number for 2015 includes qualified nursery school teachers, child care staff and family caregivers

(2) Current Nursery School Teacher Shortage Situation 2

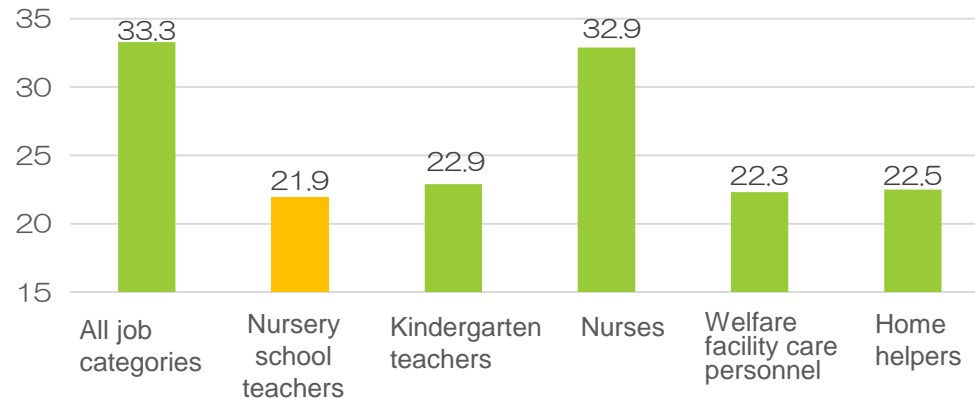
- ▶ The effective opening to application ratio for nursery school teachers remains at a high level. There continues to be a shortage of nursery school teachers on a nationwide scale.
- ▶ The effective opening to application ratio for nursery school teachers in Tokyo is over 6-fold. The employment situation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



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

(3) Current Nursery School Teacher Remuneration Situation

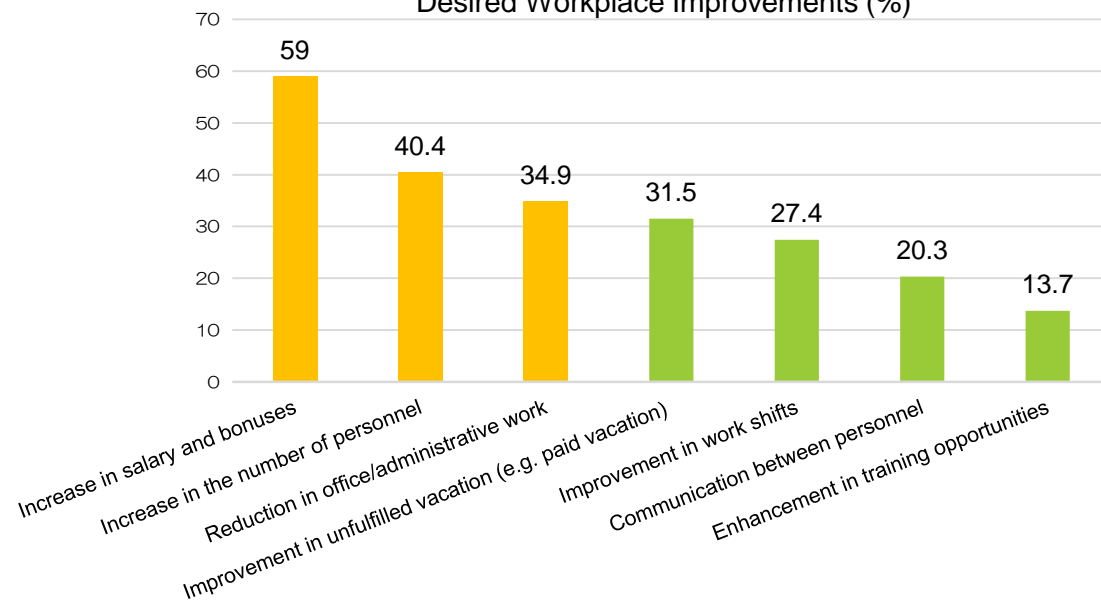
Wage Level Comparison of Nursery School Teachers and Relevant Jobs
(2015) (Unit: 10,000 Yen)



- ▶ The average monthly salary for nursery school teachers in 2015 across Japan was 219,000 yen. This is 114,000 yen less than the average 333,000 yen salary for all jobs.

Source: Ministry of Health, Labour and Welfare's *Basic Survey on Wage Structure (2015)*

Desired Workplace Improvements (%)

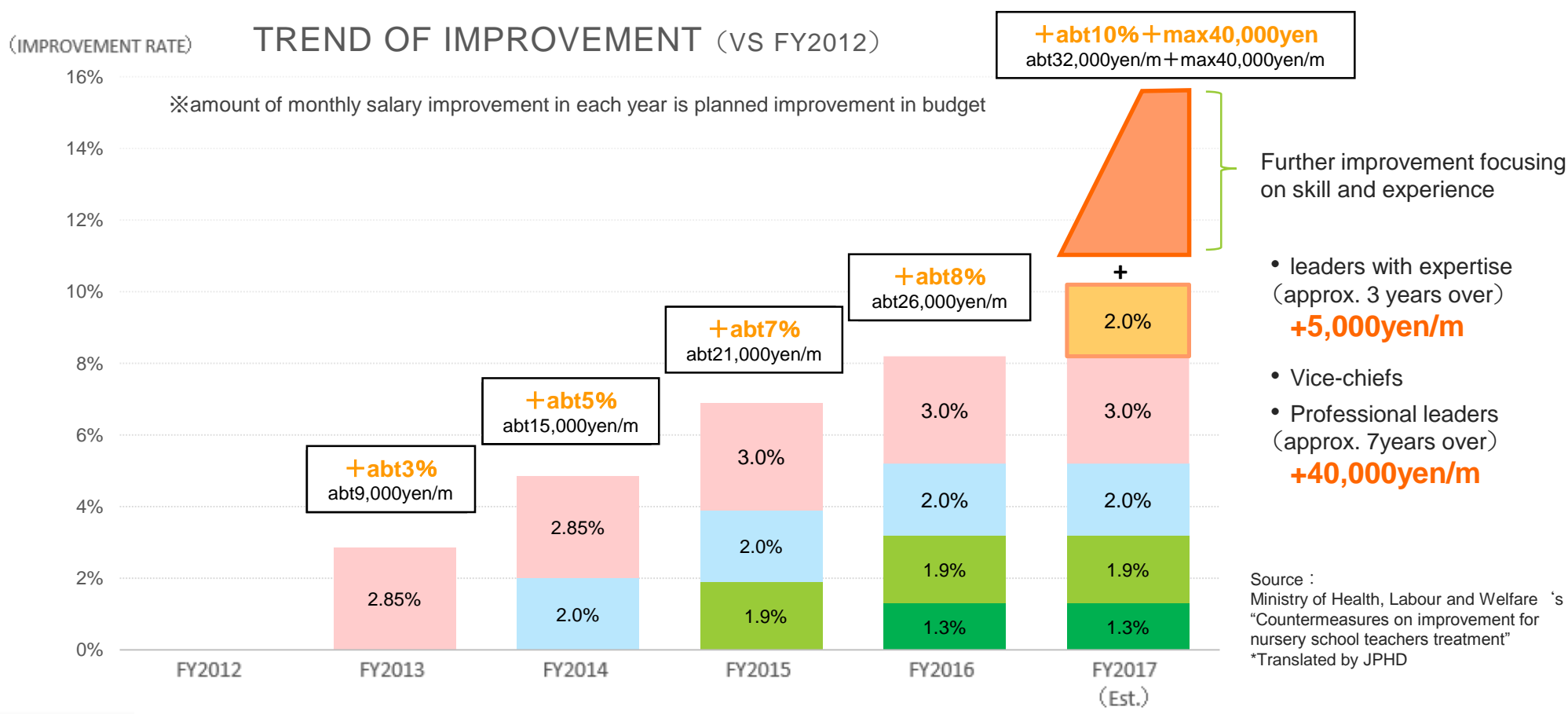


- ▶ Furthermore, in addition to increasing salary levels to secure nursery school teachers, it is necessary to increase the number of personnel and reduce office/administrative work.

Source: Tokyo Metropolitan Government Bureau of Social Welfare and Public Health' *Tokyo Nursery School Teacher Investigation Report (March 2014)*

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

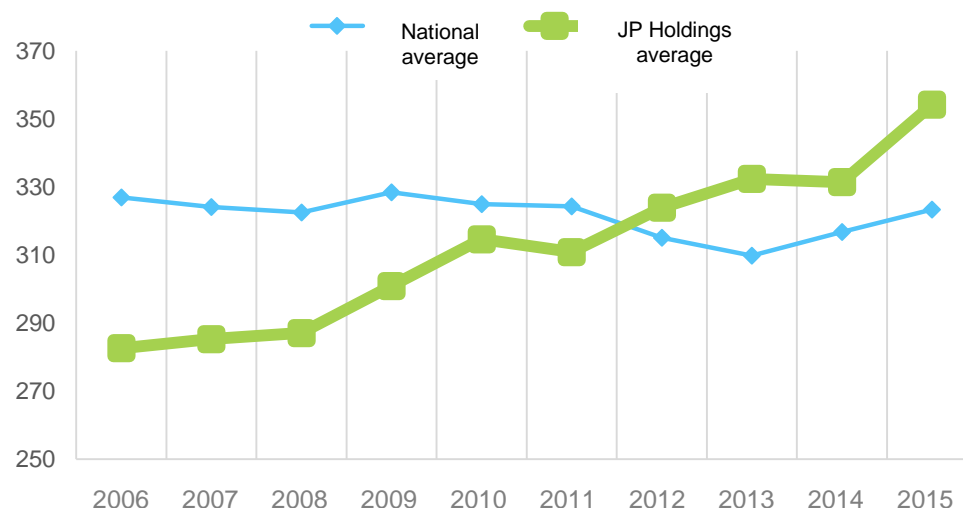
- ▶ On Dec 22 2016, Cabinet decided Gov't budget plan for FY2017
- ▶ Besides a 2% (c. 6,000 yen/month) increase in salary for all personnel , the plan adds 5,000 yen for leaders with expertise and 40,000 yen/month for senior personnel



(5) Our Plan to Secure Nursery School Teachers 1

- ▶ Our average has been above the national average since 2012.
- ▶ While leveraging the budgetary provisions of the government, we continue to improve wages and exceed the government's expectations.
- ▶ We've raised wages by another 4% in 2016 as well.

Average Annual Salary of Nursery School Teachers (10,000 Yen)
National average calculation method = Monthly salary at the time of the survey every year (June) × 12 months + Bonuses in the one year prior to the time of the survey



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
National Average (10,000 Yen)	326.93	324.08	322.52	328.44	324.94	324.23	315.03	309.80	316.70	323.34
Our Average (10,000 Yen)	282.57	285.24	287.05	300.86	314.60	310.83	323.88	332.35	331.41	354.14

Source: Company data based on the Ministry of Health, Labour and Welfare's *Basic Survey on Wage Structure*

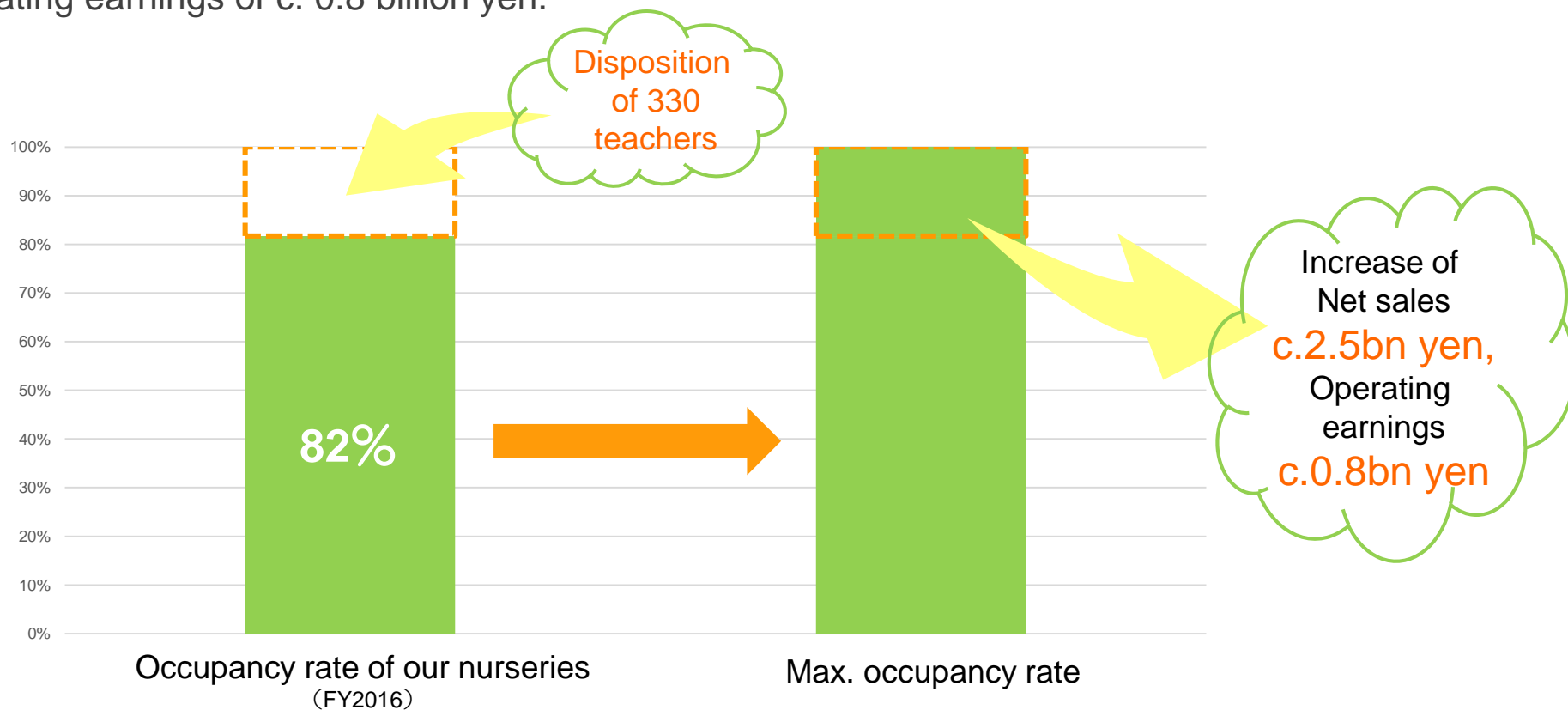
(6) Our Plan to Secure Nursery School Teachers 2

- ▶ We hold seminars and bus tours to visit nursery schools according to career level around Japan.
- ▶ We started a benefit scholarship system in FY3/16. This supports those aspiring to be nursery school teachers from their student days and leads to their desire to join our company.
- ▶ We expanded recruitment of kindergarten teachers who are willing to become qualified nursery staff with sponsored support.
- ▶ We started training course recruitment for those who are unqualified but who are looking to pass the national test at our company in FY3/16.
- ▶ Reduce the daily burdens on day carers by employing administration staff and janitors



(7) Occupancy rate of our nurseries

- ▶ Occupancy rate of our nurseries in FY2016 (Actual Children/Capacity of Acceptance) is approx. 82%
- ▶ To maximize the occupancy rate, we need additional approx. 330 nursery school teachers at our existing facilities.
- ▶ Sufficient disposition of nursery school teachers enables us to increase net sales of c. 2.5 billion yen, operating earnings of c. 0.8 billion yen.



3Q FY3/17 Results

(1) 3Q FY3/17 Financial Highlights

	3Q FY3/16	3Q FY3/17	Change	Year on Year Comparison (%)
Net sales (million yen)	15,049	16,720	1,671	11.1
Operating income (million yen)	1,064	743	△ 320	△ 30.1
Ordinary income (million yen)	1,136	883	△ 253	△ 22.3
Net income attributable to owners of parent (million yen)	697	514	△ 182	△ 26.2
Net income per share (yen)	8.36	6.13	△ 2.23	—
Net assets per share (yen)	72.95	82.28	9.33	—
Shareholders' equity ratio (%)	31.8	26.9	△ 4.9	—

(2) FY3/17 Expected New Openings

We are scheduled to open 13 licensed nursery schools and 11 school clubs/children's houses in FY3/17. Of these, we have already opened 13 licensed nursery schools, 7 school clubs, 3 children's houses and 1 private school club as of the end of December 2016.

*Facilities as at Dec 31 2016 do not include those operated by Amenity Life Inc. which was affiliated as on Sep 30 2016 (4 Licensed nurseries & 3 private school clubs)

*In addition to the above, our existing Asc Toyosu Nursery School became licensed at its present location on April 1, 2016. Moreover, we are scheduled to re-open one existing non-licensed nursery school with a license after July 2017.

Completed Opening

Scheduled Opening

First Expansion

First Expansion

First Expansion

First Expansion

First Expansion

Okinawa:
1 licensed nursery school
• Asc Kokuba Nursery School

Aichi:
2 licensed nursery schools
• Asc Meito Fujigaoka Nursery School
• Asc Shidami Nursery School
2 school clubs
• Owariasahi Shibukawa Children's Club
• Owariasahi Zuiho Children's Club
2 children's houses
• Owariasahi Shibukawa Children's House
• Owariasahi Zuiho Children's House

Yamagata:
1 licensed nursery school
• Asc Miharashi-no Oka Nursery School

Miyagi:
1 licensed nursery school
• Asc Yamada Kagitori Nursery School

Fukushima:
1 licensed nursery school
• Asc Yatsuyamada Nursery School

Tokyo: Mitaka
1 school club
(Opening scheduled Feb 2017)

Tokyo:
3 licensed nursery schools
• Asc Ikebukuro Honcho Nursery School
• Asc Shiba Koen Nursery School
• Asc Ryuhoku Nursery School
5 school clubs
• Takecho Children's Club
• Sengoku No. 1 Cultivation Room
• Sengoku No. 2 Cultivation Room
• Meidai Cultivation Room
• Hanabatake School Club
1 children's house
• Sengoku Children's House
1 private school club
• AEL Yushima

Shiga:
1 licensed nursery school
• Asc Gotenham Nursery School

Fukuoka:
1 licensed nursery school
• Asc Higashihie Nursery School

Osaka:
1 licensed nursery school
• Asc Kamishinden Nursery School

Kanagawa:
1 licensed nursery school
• Asc Tsujido Nursery School

(3) 3Q FY3/17 Profit and Loss Statement

	3Q FY3/16		3Q FY3/17		Year on Year Comparison	
	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Rate of Change (%)
Net sales	15,049	100.0	16,720	100.0	1,671	11.1
Cost of sales	12,648	84.0	14,163	84.7	1,514	12.0
Gross profit	2,400	16.0	2,557	15.3	157	6.6
SG & A expenses	1,336	8.9	1,814	10.8	477	35.8
Operating income	1,064	7.1	743	4.4	△ 320	△ 30.1
Non-operating income	100	0.7	184	1.1	84	83.7
Non-operating expenses	28	0.2	45	0.3	16	58.8
Ordinary income	1,136	7.6	883	5.3	△ 253	△ 22.3
Net income attributable to owners of parent	697	4.6	514	3.1	△ 182	△ 26.2

(4) 3Q FY3/17 Balance Sheet

	FY3/16 (Million Yen)	3Q FY3/17 (Million Yen)	Amount of Change (Million Yen)
Current assets	6,954	9,737	2,783
Cash and cash deposits	3,777	6,868	3,090
Accounts receivable	1,770	1,506	△ 264
Non-current assets	14,565	16,084	1,519
Property and equipment, net	8,900	9,399	499
Intangible fixed assets	12	430	418
Investment and other assets	5,652	6,254	602
Total assets	21,519	25,822	4,303
Current liabilities	5,949	7,325	1,375
Long-term debt within one year maturity	2,935	3,392	456
Note and accounts payable	691	422	△ 269
Non-current liabilities	8,998	11,546	2,547
Long-term debt	8,457	10,811	2,354
Total liabilities	14,948	18,871	3,923
Net assets	6,570	6,950	380
Total liabilities and net assets	21,519	25,822	4,303

JP Holding's Strengths

(1) Provision of High-quality Childcare Conforming to Our Management Philosophy

Prioritizing safety and peace of mind

- Creation of a specialized department focused on safety management.
- Fixtures with thorough fall prevention
- Cushion floor infant rooms
- Development of various manuals (e.g. how to deal with disasters and abuse)
- AED deployment in all facilities
- Emergency lifesaving training for all staff members
- Structure to share accident cases



Emergency Life-saving Training

Facilities that offer unforgettable memories

- Gymnastics, English and eurhythmics courses
- Event foods, local foods and cooking childcare
- Three elements of our childcare philosophy: Strength to grow by yourself, strength to stretch yourself later and childcare with your five senses



Example of Event Food

Facilities that are truly needed

- Facility patrol support by development support teams
- Suku-Suku Plus child support advisory center (Rehabilitation support project)
- Dietary education activity support by food and agriculture guidance teams
- Extended-hours childcare and temporary use



Gymnastics Program

Facilities where staff members enjoy working

- In-house activity encouragement (activity expense assistance)
- In-house sports days to deepen friendship among employees
- Multi-level employee care structure by managers and supervisors



Cooking Childcare

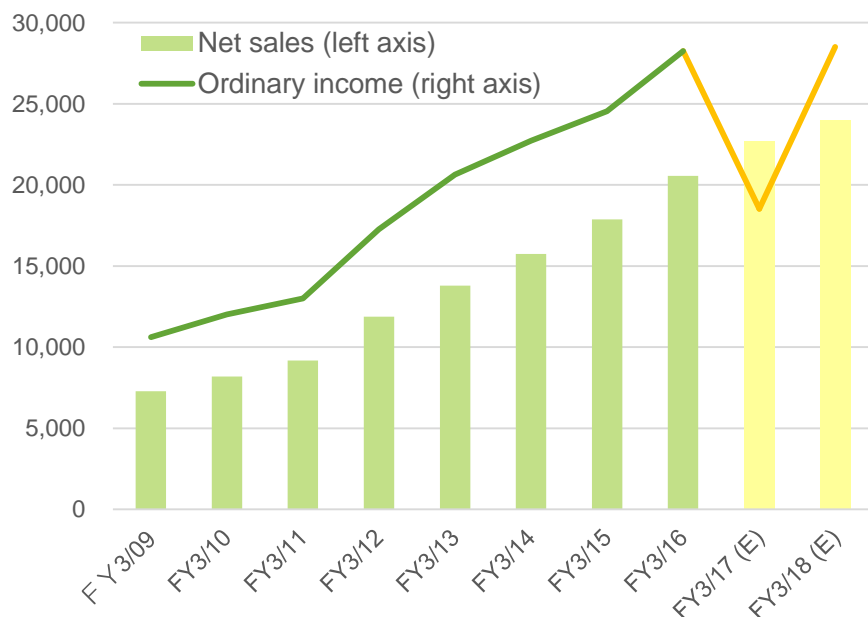
Mid-term Management Plan & Growth Strategy

(1) Planned Numerical Targets

	Forecast of FY3/17	Forecast of FY3/18
Net sales (billion yen)	227	240
Ordinary income (billion yen)	12	19

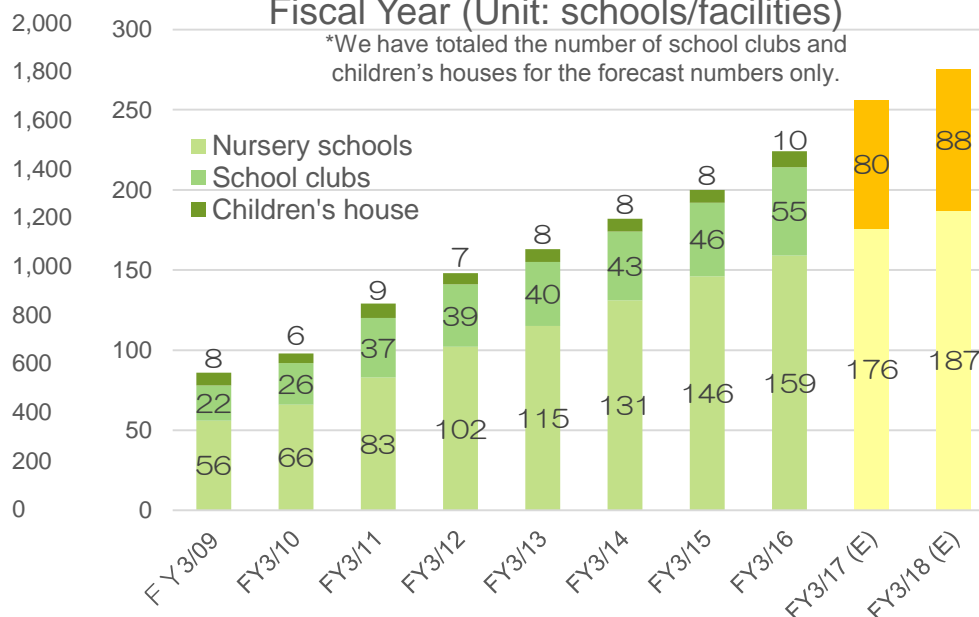
	Forecast of FY3/17	Forecast of FY3/18
New Nurseries	13	11
New School clubs, Children's houses and Private School clubs	12	8

Consolidated Results (Unit: million yen)



No. of Managed Facilities at the End of the Fiscal Year (Unit: schools/facilities)

*We have totaled the number of school clubs and children's houses for the forecast numbers only.



*Facilities as at Dec 31 2016 include those operated by Amenity Life Inc. which was affiliated on Sep 30 2016(4 Licensed nurseries & 3 private school clubs)

(2) For Plan Implementation

Key Objectives in the Period of the Plan

- (1) Enhance security measures and further improve the quality of childcare
- (2) Increase the number of children accepted by opening new facilities and increasing the number of nursery school teachers in existing facilities
- (3) Increase investment in human resources (strengthen recruitment activities, enhance human resource development and review the personnel assessment system)
- (4) Re-develop our business management structure (enhance our business risk management structure and strengthen group company cooperation)
- (5) Start work on new business aimed at expanding our revenue base (private school clubs and external sales of our existing services)

Measures to Achieve the Key Objectives

- (1) Further strengthen our safety management structure (create a specialized department and promote cross-organizational structure enhancement)
- (2) Raise the salary of employees (we raised the salary of nursery school teachers by 8% in FY3/16 and plan to raise it again by 4% in FY3/17)
- (3) Introduce systems in each field (reduce workload and optimize business management)
- (4) Further enhance policies aimed at securing nursery school teachers (increase the recruitment expenses budget)

(3) Specific Initiatives 1



《Strengthening the Safety Management System》

April 2016

Safety Measures Division founded



《Strengthening hiring activity》

June 13th, 2016

Tokyo HQ relocation

《Starting new businesses》

Private after school club

『AEL Yushima』 intended opening Sep 2016

《Securing day carers》

Review personnel evaluation system & raise salaries 4% in 2016

《Reduce burden on workforce》

Promote ICT on nursery sites with tablet devices

(4) Specific Initiatives 2

- ▶ Acquired 100% of Sotetsu Amenities Life from Sotetsu Holdings K.K. on September 2016 and renamed as Amenity Life Inc.

Acquisition Target		
Name	Amenity Life Inc.	
Address	17F Chikusa New Tower Bldg., 3-15-31 Aoi, Higashi-ku, Nagoya-shi Aichi	
Business type	Day care centre and nursery management	
Capital	70 million yen	
FY3/16	Net sales	570m¥
	Operating income	49m¥
	Ordinary income	49m¥
	Net income	30m¥
Facilities	Licensed day care	4 (in Yokohama)
	Private School Club	3 (in Yokohama)



- Strengthening one of the most important bases in Yokohama
- Foothold to expand private school children club facilities

Impact on FY3/17 results expected to be minor.

(5) Specific Initiatives 3

- ▶ Intention to establish a joint-venture with Shiseido Company, Limited with a focus on the entrusted operation of in-house nurseries, scheduled to start its operation in February 2017.
- ▶ Shareholding ratio between the two parties is Shiseido 51% & JPHD 49%
- ▶ Joint venture will provide an entrusted operational service for a new in-house nursery which Shiseido will set up on its Kakegawa factory site in autumn 2017.



Outline of the joint venture

- Provide the setup consulting and entrusted operational service to enterprises interested in in-house nurseries
- Cooperate with University Center for Baby Science to conduct new research on the behavioral development of children

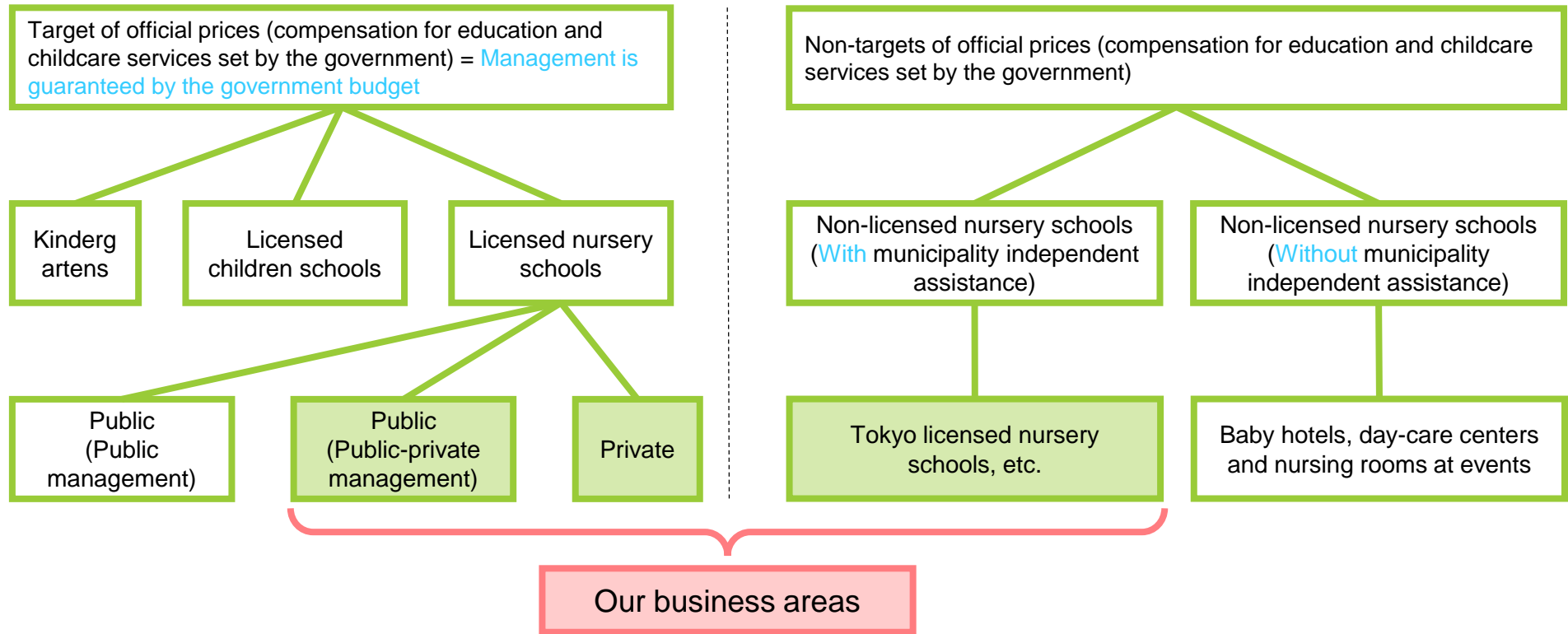


- Start the new business of in-house nurseries
- Create a new childrearing support service based on the study of children's behavioral development

Impact on FY3/17 results expected to be minor.

Appendix

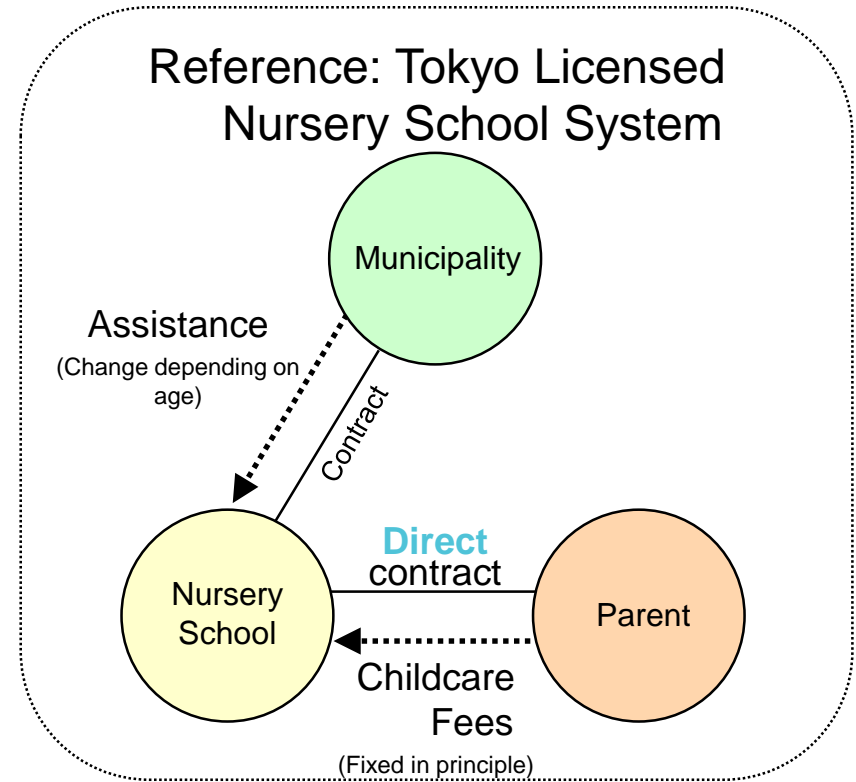
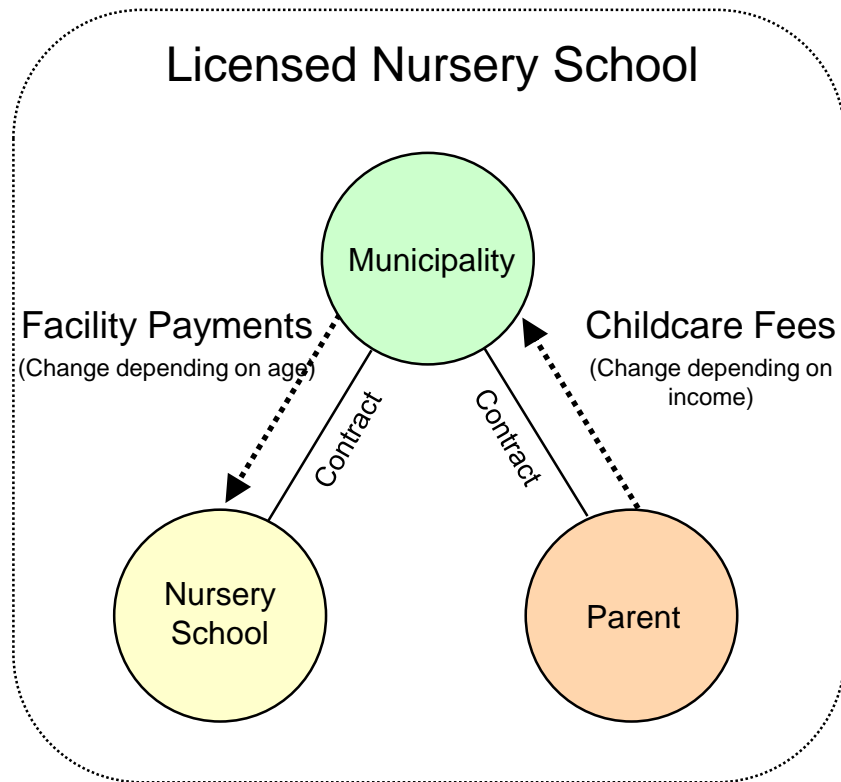
(1) Our Group Business Areas



- ▶ Our management is focused on being designated managers* of private licensed nursery schools and public licensed nursery schools
- ▶ We also manage non-licensed nursery schools through independent assistance from municipalities (e.g. Tokyo licensed nursery schools).

*Operation is guaranteed for schools managed by designated managers due to the budgets of the municipalities of jurisdiction.

(2) Nursery School Contract Form



(3) 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*	1 st certification	2 nd and 3 rd certification	1 st , 2 nd and 3 rd 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

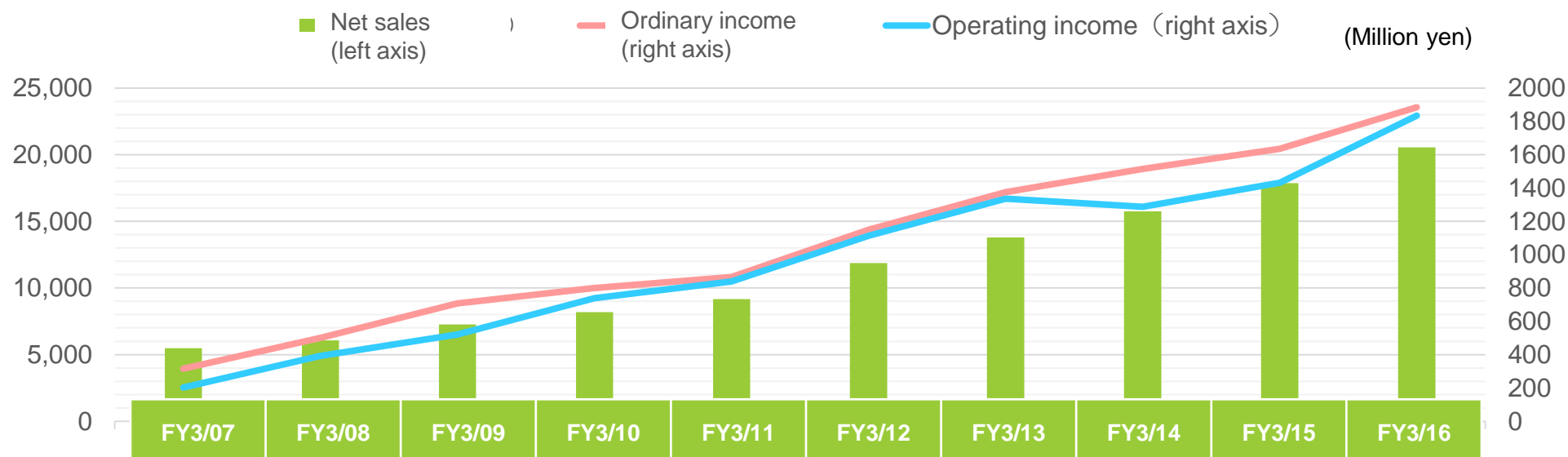
(4) Overview of School Clubs and Children's Houses

	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	

(5) Consolidated Results (Highlights)

	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Net sales (million yen)	5,488	6,062	7,272	8,194	9,166	11,867	13,789	15,747	17,868	20,552
Operating income (million yen)	202	392	521	738	839	1,114	1,336	1,288	1,431	1,834
Ordinary income (million yen)	316	500	707	800	866	1,150	1,375	1,514	1,636	1,884
Net income attributable to owners of parent (million yen)	139	266	440	444	500	653	750	872	1,003	1,195
Net income per share (Yen)	1.86	3.60	5.98	6.06	6.67	7.83	8.99	10.45	12.03	14.32

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



(6) Consolidated Results (Balance Sheet / Statement of Cash Flows)

	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Total assets (million yen)	3,136	3,823	4,275	5,763	9,432	9,808	10,926	13,626	19,115	21,519
Net assets (million yen)	1,054	1,242	1,546	1,903	3,559	3,977	4,485	5,102	5,774	6,570
Shareholders' equity ratio (%)	33.5	32.4	36.1	32.9	37.7	40.5	41.0	37.4	30.2	30.5

	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Cash flows from operating activities (million yen)	406	439	672	378	915	1,205	1,173	1,038	1,294	1,804
Cash flows from investing activities (million yen)	△ 426	△ 587	△ 363	△ 906	△ 1,808	△ 821	△ 1,268	△ 3,638	△ 3,959	△ 2,449
Cash flows from financing activities (million yen)	455	33	△ 157	412	2,473	△ 219	514	1,220	3,748	1,553
Year-end balance of cash and cash equivalents (million yen)	1,086	972	1,137	1,022	2,602	2,768	3,188	1,808	2,891	3,798

(7) 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.

	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Amount of dividend per share (yen)	0.60	1.12	1.90	2.00	2.90 Commemorative dividend: 0.50 yen	3.00 Commemorative dividend: 0.50 yen	3.20	3.60	4.00	5.00
Payout ratio (%)	32.1	31.0	31.7	33.0	43.4	38.3	35.6	34.5	33.3	34.9

The amount of dividend per share reflects the stock split.

(8) Corporate Philosophy

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.

- ▶ Our corporate message contains the idea that all our employees always think about and put into practice what they can and should do for the smiles of children regardless of his/her occupation, job title, department or experience with our objective becoming the best childcare operator.



(9) Code of Conduct and Management Philosophy

Code of Conduct

As a childcare operator

Number one priority: Safety and security

- We will provide peace of mind to children and protect their safety and lives
- We will value each individual child and respect their personalities
- We will listen carefully to children and parents
- We will provide childcare support close to users and communities
- We will contribute to the development of communities and the conservation of the environment as a member of society
- We will contribute to an improvement in social welfare for the future of children

Follow social conscience

Compliance

- We will comply with laws and regulations as a member of society
- We will respect human rights
- We will never overlook abuse
- We will protect personal information
- We will not use company assets for private use
- We will maintain absolutely no relations with anti-social forces; we will keep healthy and appropriate relationships with politicians and public officials
- We will strive to actively disclose information

Aim for personal growth

Among individuals and friends

- We will act while thinking about what is best
- We will act independently with a sense of responsibility
- We will continue to learn as experts
- We will never forget to smile and have a sense of fun
- We will have our own opinions while listening closely to those of others

Management Philosophy

**Number one priority:
Safety and security**

Childcare that remains memorable forever to users

Provision of high-quality services needed by users

Creation of work-friendly environments

(10) NADESHIKO 2016

Following on from 2015, we were again selected as a 2016 NADESHIKO Brand. We will continue to strive toward the proactive activity promotion and management position appointment of women in the future.



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: Mika Matsumiya

General Manager of Administration Div.

JP-HOLDINGS, INC.

17F Chikusa New Tower Bldg., 3-15-31 Aoi,
Higashi-ku, Nagoya-shi Aichi

TEL: 052-933-5419

FAX: 052-933-5163

E-mail: mika_matsumiya@jp-holdings.co.jp