

For the smiles of children...

# JP-HOLDINGS, INC.

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

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	Kazuhiro Ogita, President and Representative Director
No. of Employees	Employees: 2,750 / Part-time workers: 2,020 *As of March-end 2017
Consolidated Subsidiaries	Japan Nursery Service Inc. (Capital stock: 99 million yen / Wholly owned subsidiary)
	Shikoku Nursery Service Inc. (Capital stock: 10 million yen / 51% owned subsidiary)
	J Kitchen Inc. (Capital stock: 10 million yen / Wholly owned subsidiary)
	J Cast Inc. (Capital stock: 10.4 million yen / Wholly owned subsidiary)
	J Planning Sale Inc. (Capital stock: 10 million yen / Wholly owned subsidiary)
	Japan Nursery Institute for General Research (Capital stock: 10 million yen / Wholly owned subsidiary)
	Amenity Life Inc.(Capital stock: 70 million yen / Wholly owned subsidiary)
Equity-method Affiliate	KODOMOLOGY Co.,Ltd. (Capital stock: 100 million yen / 49% owned affiliate)
Business Areas	Nursery Service (Japan Nursery Service, Shikoku Nursery Service, Amenity Life and KODOMOLOGY)
	Gymnastics, English and Eurhythmics Schools Contracting Service (J Cast)
	Food Service (J Kitchen)
	Distribution Service (J Planning Sale)
	Researching , Training and Consulting Service (Japan Nursery Institute for General Research)



# INDEX

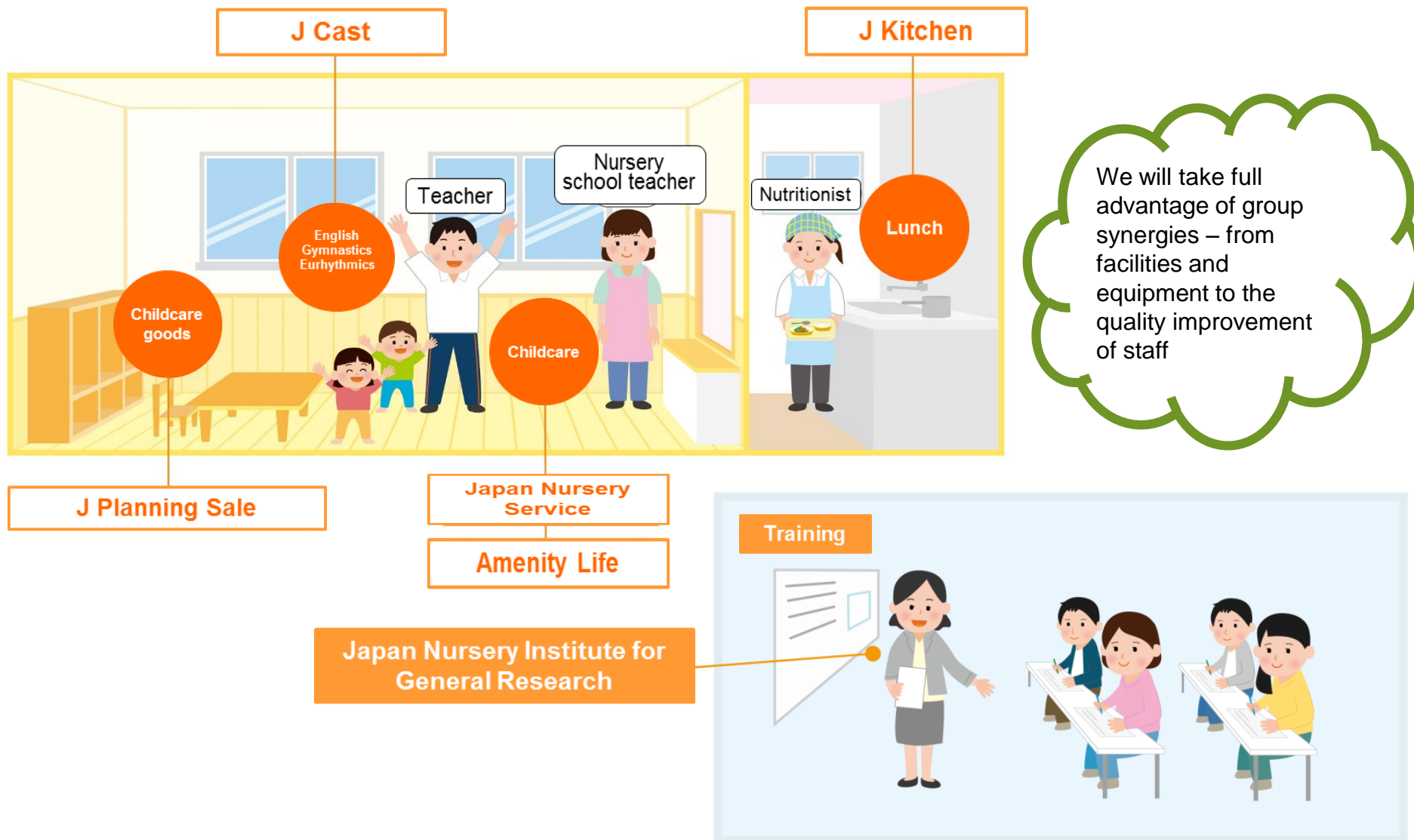
---

- 1) Company Overview: p.4
- 2) The Opportunity: p.9
- 3) Bottlenecks to Growth & Our Solutions: p.15
- 4) FY3/17 Results & FY3/18 Forecast: p.21
- 5) JP Holdings' Strengths: p.29
- 6) Mid-term Management Plan & Growth Strategy: p.31
- 7) Appendix: p.37



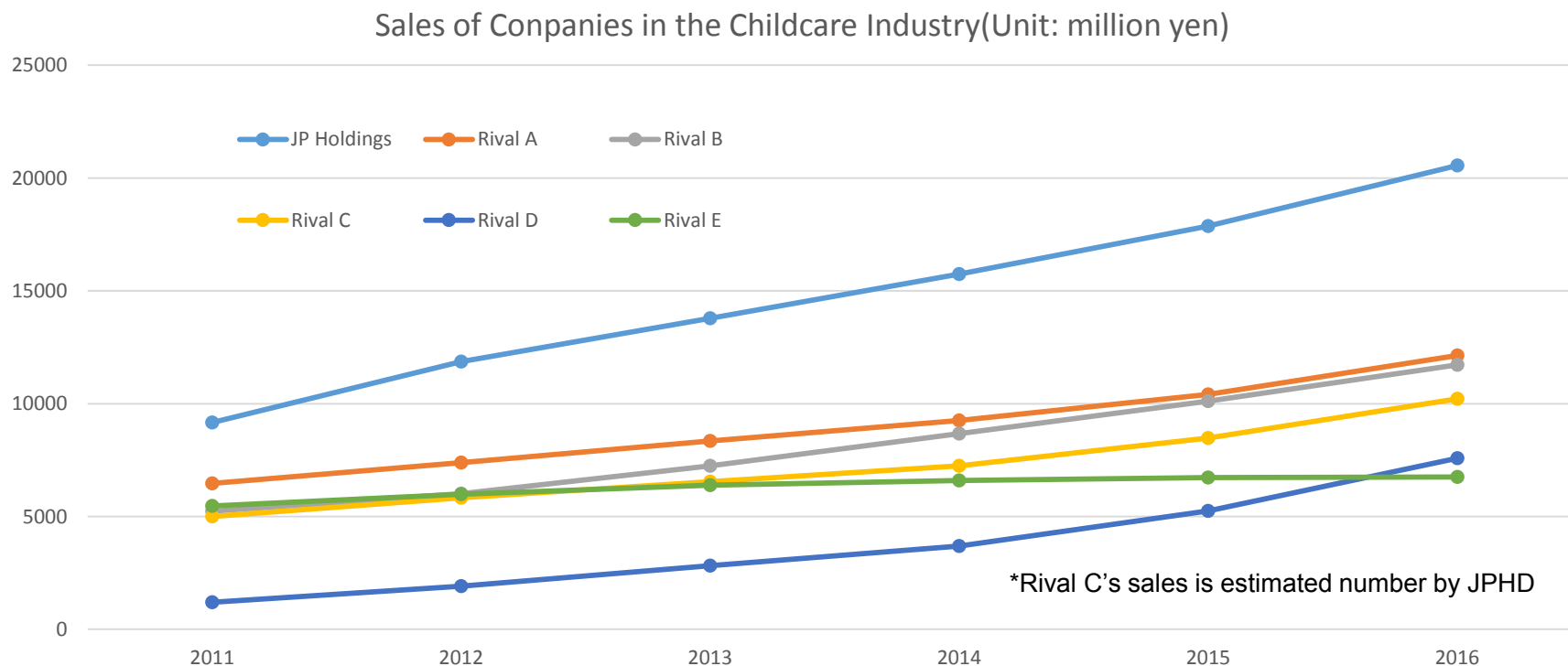
# Company Overview

# (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.



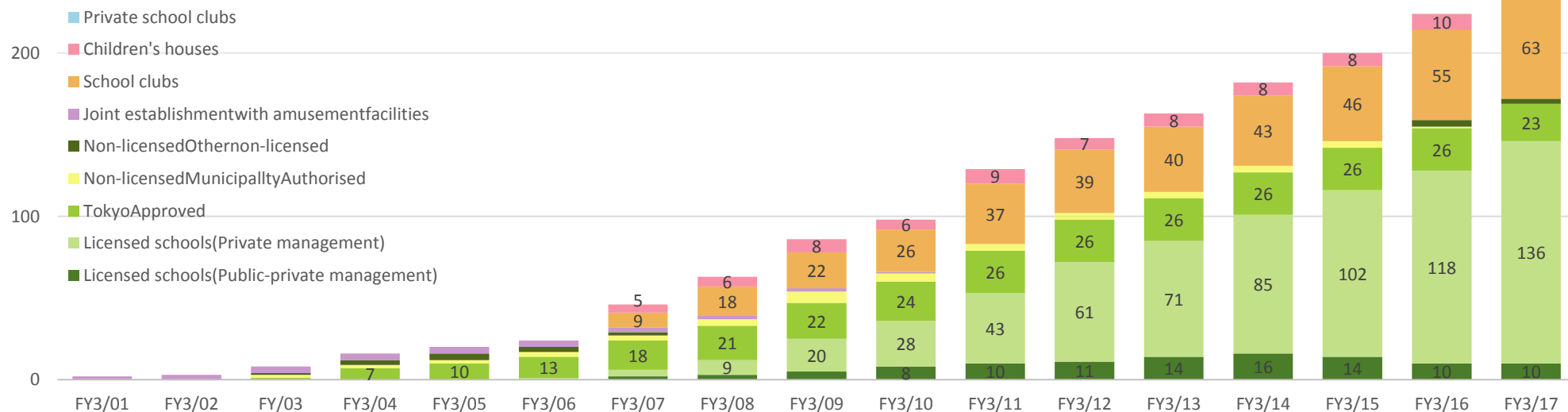
Source: Based on the past six years of the Nikkei MJ's *Service Industry Survey*

### (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	FY3/17
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-licensedMunicipal tyAuthorised			2	2	2	3	3	4	7	5	4	4	4	4	4	1	0
Non-licensedOther non-licensed			1	3	4	3	2	0	0	0	0	0	0	0	0	4	3
Joint establishmentwith amusement facilities	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	63
Children's houses							5	6	8	6	9	7	8	8	8	10	12
Private school clubs																	4
<b>Total</b>	<b>2</b>	<b>3</b>	<b>8</b>	<b>16</b>	<b>20</b>	<b>24</b>	<b>46</b>	<b>63</b>	<b>86</b>	<b>98</b>	<b>129</b>	<b>148</b>	<b>163</b>	<b>182</b>	<b>200</b>	<b>224</b>	<b>251</b>

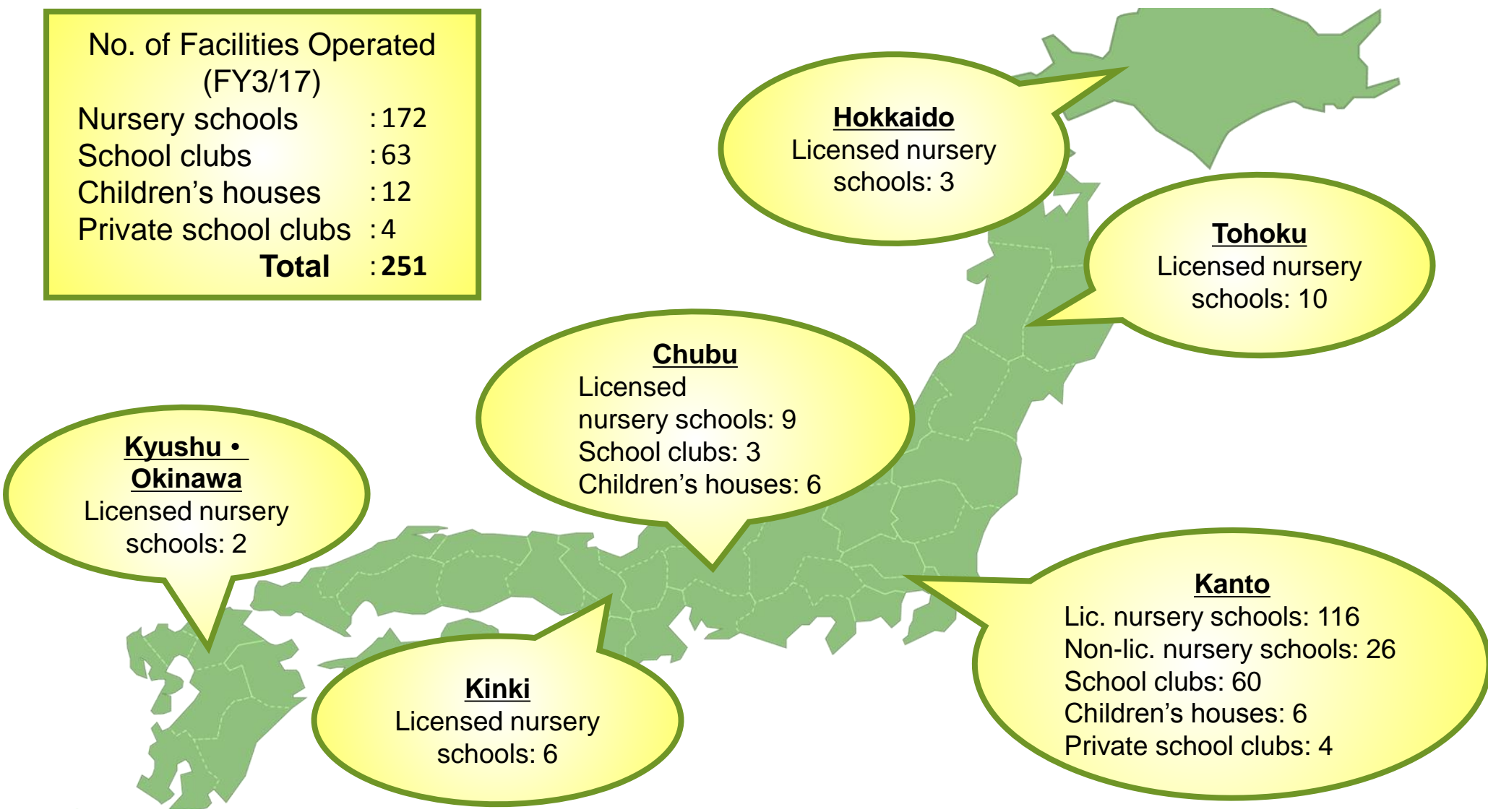
\*We reviewed the count by management structure in the 2Q of FY3/16 and changed three licensed schools (private-public management) to other non-licensed nursery schools

\*Facilities as at March-end 2017 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 (FY3/17)	
Nursery schools	:172
School clubs	:63
Children's houses	:12
Private school clubs	:4
<b>Total</b>	<b>:251</b>



\*Facilities as at March-end 2017,include those operated by Amenity Life Inc. which was affiliated on Sep 30 2016 (4 Licensed nurseries & 3 private school clubs )

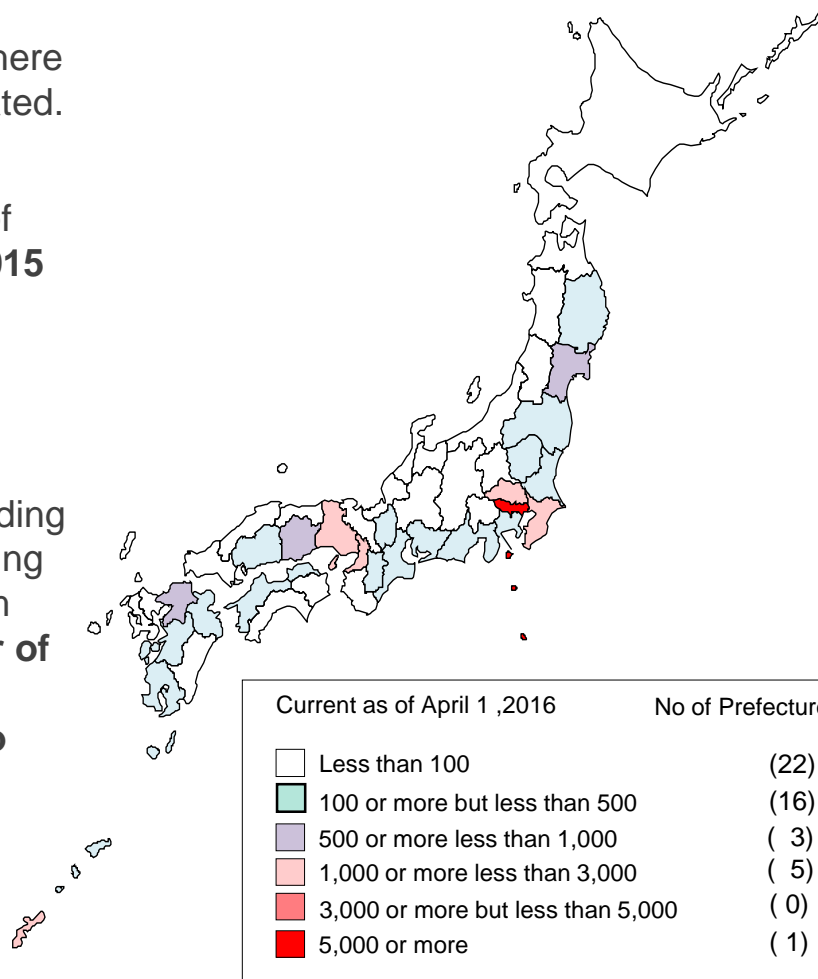


# The Opportunity

# (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).**

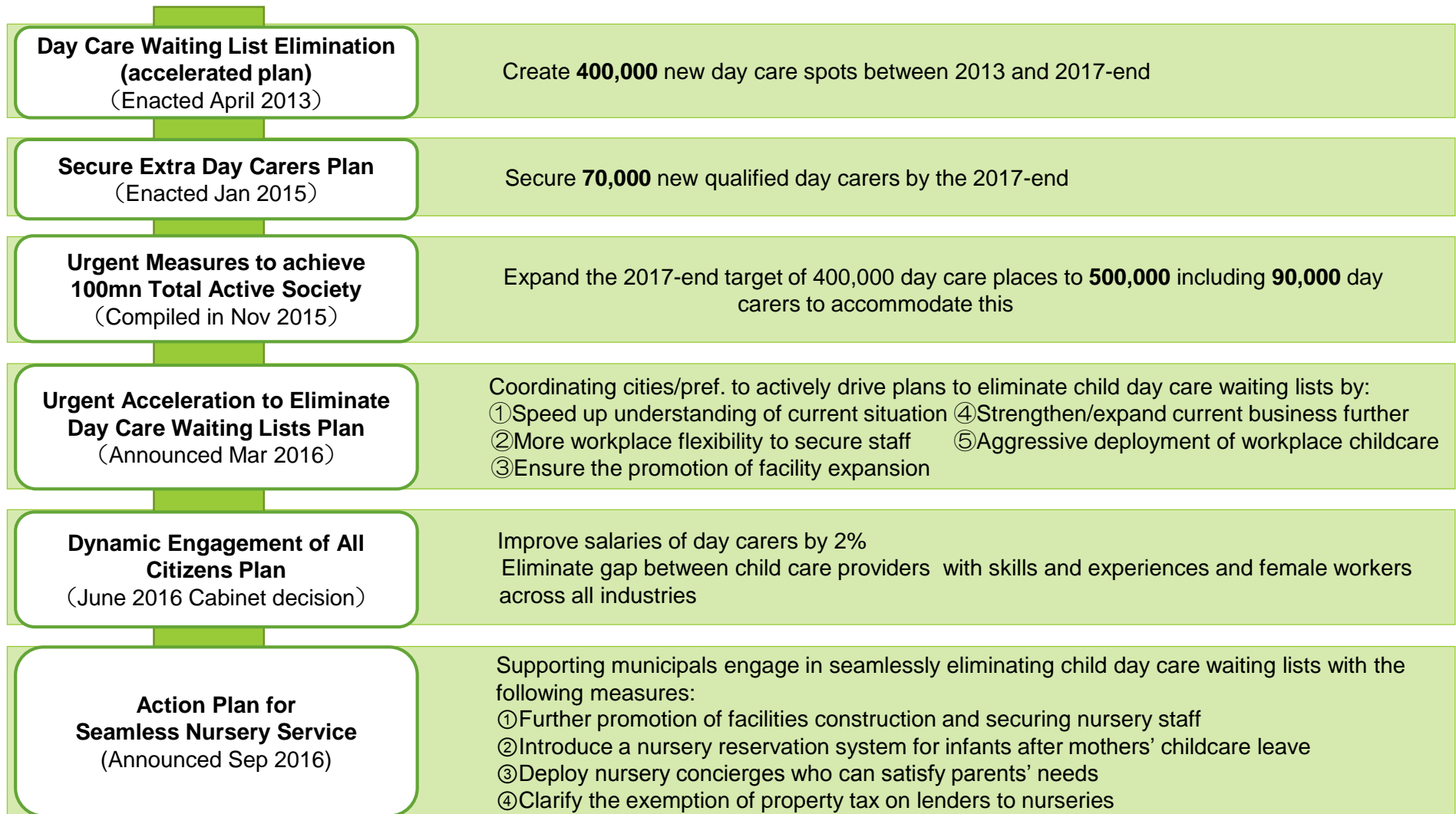
National Waiting List Map  
(April 1, 2016)



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



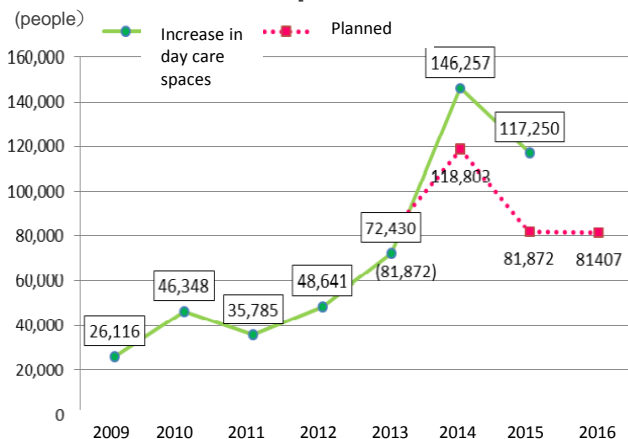
Source :  
Prime Minister's Office home page- "Preventing Child day care waiting lists – working to create an environment of raising children in peace"

# (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.

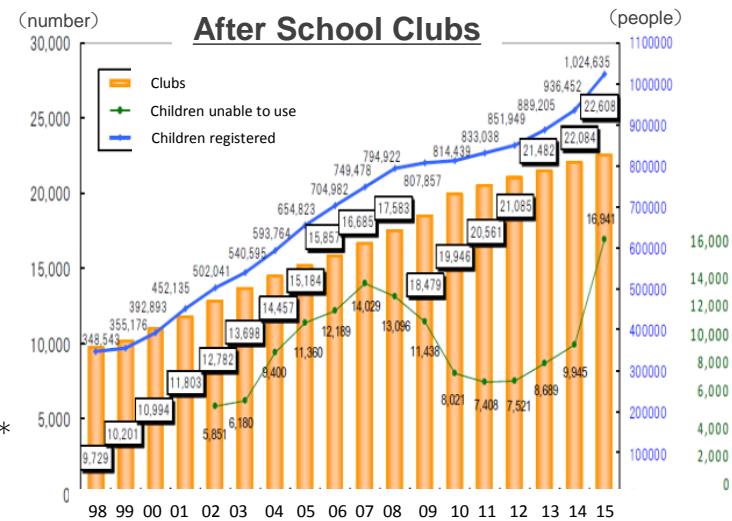
- **Day Carers : ¥3.23m\*** (Women only ¥3.22m)
- **All industries : ¥4.89m\*** (Women only ¥3.73m)

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/m<sup>2</sup> 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 1/3<sup>rd</sup> the standard number of qualified child care staff

### **Third Pillar : Enhance assistance on users**

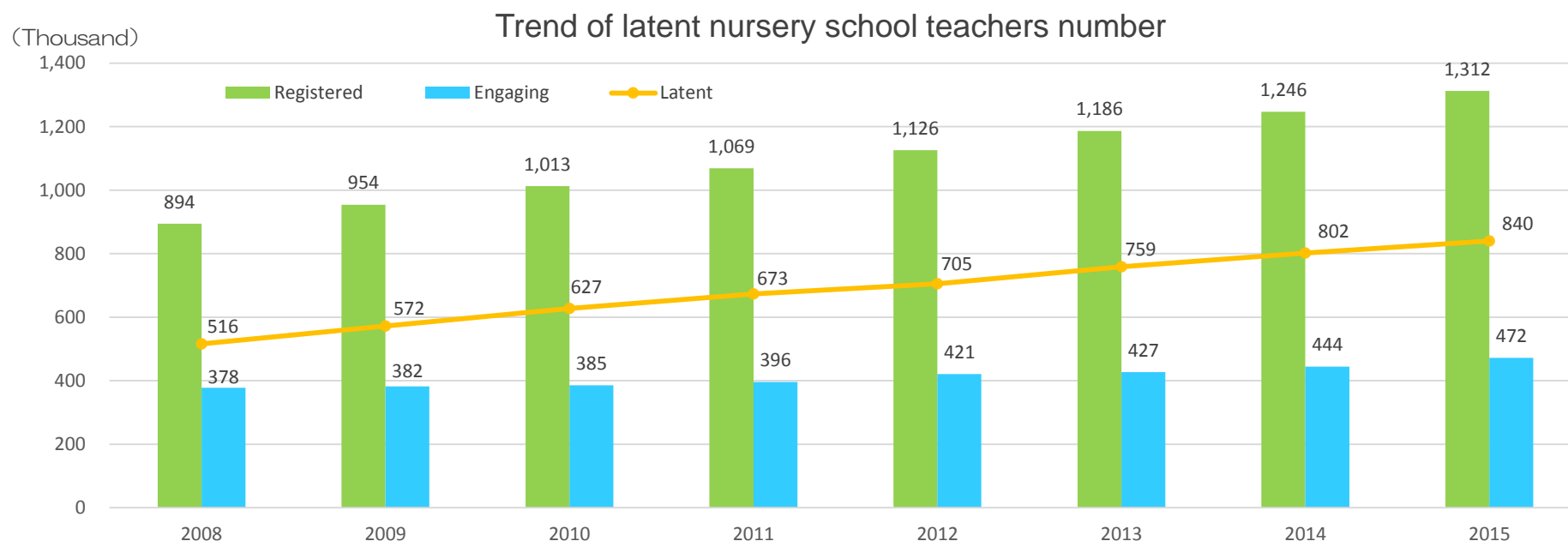
9. Increase nursery concierges ► Boost personnel expenses to increase staff to assist parents
10. Reduce burden of non-licensed nurseries users ► Assist municipalities to support independent nursery fees
11. Improve quality of non-licensed nurseries ► Organize a new patrol team to encourage best practice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

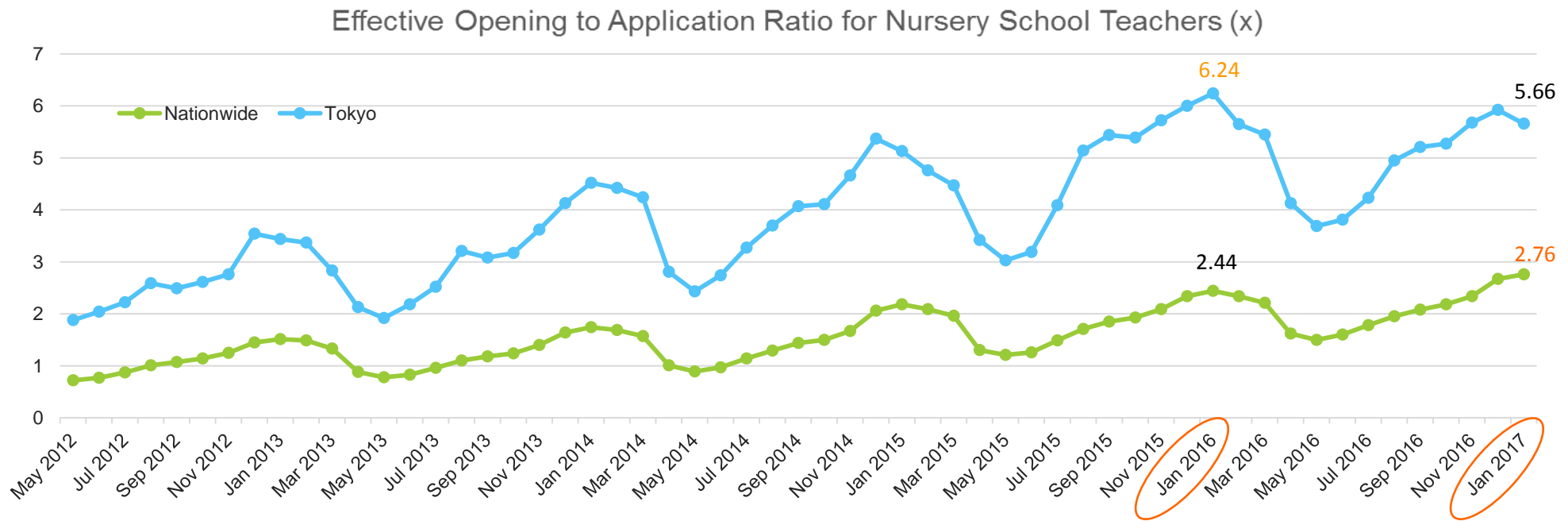
Engaging : Investigation of Director-General for Statistics and Information Policy, MHLW  
(Number at October 1 in each year) \*Translated by JPHD

(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

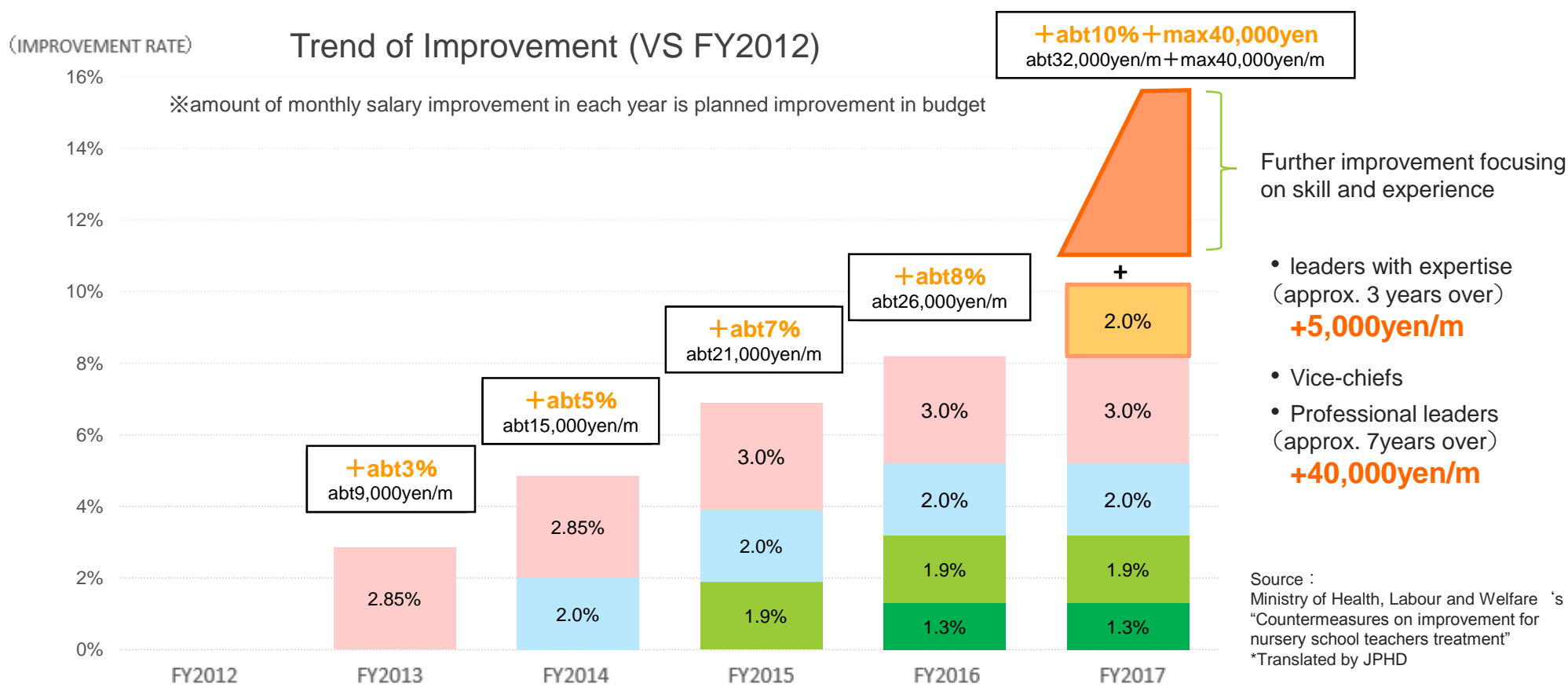
- ▶ The effective opening to application ratio for nursery school teachers remains at a high level. There continues to be a shortage of nursery school teachers on a nationwide scale.
- ▶ The effective opening to application ratio for nursery school teachers in Tokyo is over 6-fold. The employment situation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



## (4) 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



## (5) Recruitment of Nursery School Teachers

		FY2015	FY2016	FY2017	FY2018
Nursery School Teacher	New Graduates	178	197	247	300
	Mid career employment	219	241	300	—
Non qualified	New Graduates	—	23	32	50

※ After joining JPHD non qualified graduates are expected and assisted to acquire nursery school teacher qualification. This recruitment style began in FY2016

※ Blue ink means planned number

# FY3/17 Results & FY3/18 Forecast

# (1) FY3/17 Financial Highlights

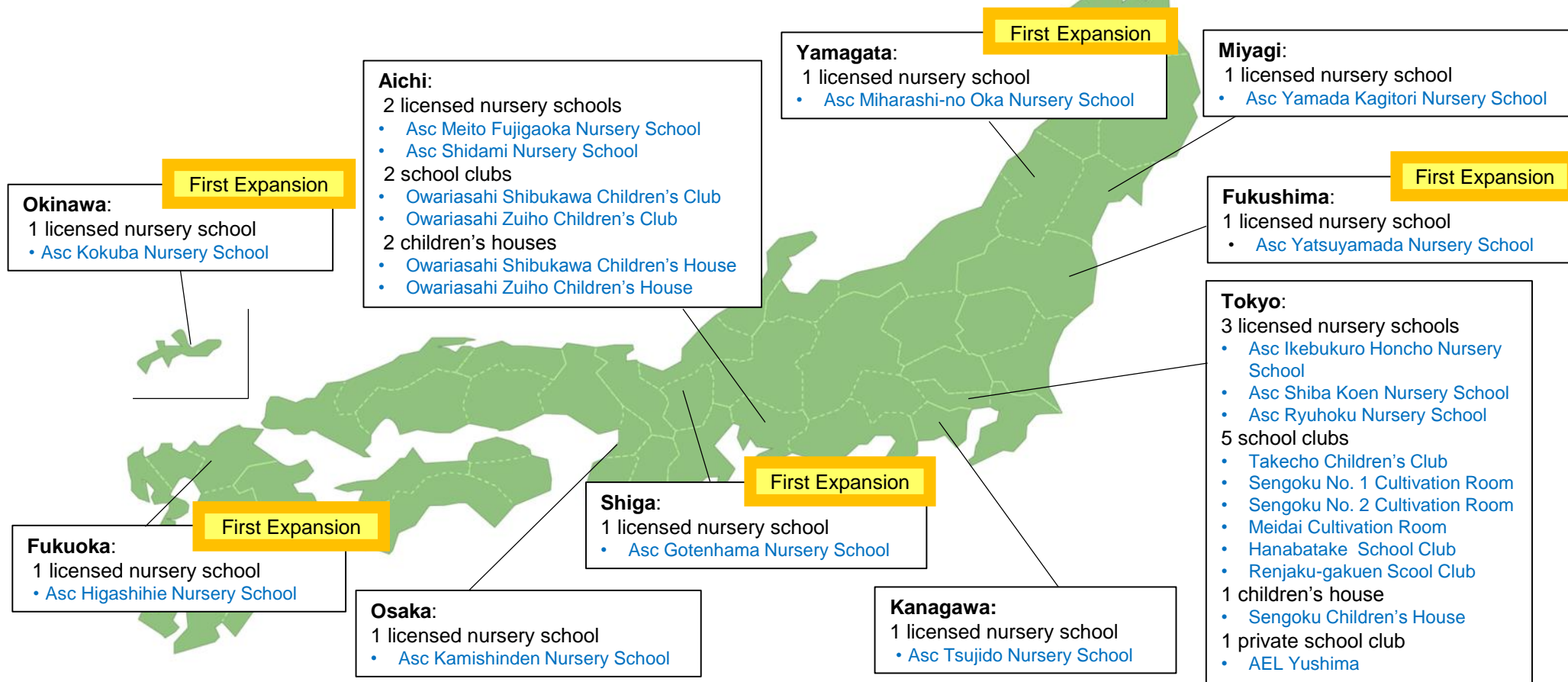
	FY3/16	FY3/17	Change	Year on Year Comparison (%)
Net sales (million yen)	20,552	22,800	2,247	10.9
Operating income (million yen)	1,834	1,263	- 570	- 31.1
Ordinary income (million yen)	1,884	1,445	- 438	- 23.3
Net income attributable to owners of parent (million yen)	1,195	677	- 517	- 43.3
Net income per share (yen)	14.32	8.06	- 6.26	—
Net assets per share (yen)	78.68	84.52	5.84	—
Shareholders' equity ratio (%)	30.5	29.6	- 0.9	—

## (2) FY3/17 New Openings

We have opened 13 licensed nursery schools, 8 school clubs, 3 children's houses and 1 private school club in FY3/2017.

\*Facilities as at March-end 2017 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, and Asc Ryogoku Nursery School became licensed on November 1.



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

	FY3/16		FY3/17		Year on Year Comparison	
	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Rate of Change (%)
Net sales	20,552	100.0	22,800	100.0	2,247	10.9
Cost of sales	16,898	82.2	19,054	83.6	2,155	12.8
Gross profit	3,654	17.8	3,746	16.4	91	2.5
SG & A expenses	1,819	8.9	2,482	10.9	662	36.4
Operating income	1,834	8.9	1,263	5.5	- 570	- 31.1
Non-operating income	136	0.7	251	1.1	115	84.8
Non-operating expenses	86	0.4	69	0.3	- 17	- 19.6
Ordinary income	1,884	9.2	1,445	6.3	- 438	- 23.3
Net income attributable to owners of parent	1,195	5.8	677	3.0	- 517	- 43.3



## (4) FY3/17 Balance Sheet

	FY3/16 (Million Yen)	FY3/17 (Million Yen)	Amount of Change (Million Yen)
Current assets	6,954	7,254	300
Cash and cash deposits	3,777	4,017	239
Accounts receivable	1,770	1,698	- 71
Non-current assets	14,565	16,936	2,371
Property and equipment, net	8,900	9,819	918
Intangible fixed assets	12	523	511
Investment and other assets	5,652	6,594	941
Total assets	21,519	24,191	2,672
Current liabilities	5,949	6,421	471
Long-term debt within one year maturity	2,935	3,250	314
Note and accounts payable	691	831	139
Non-current liabilities	8,998	10,608	1,610
Long-term debt	8,457	9,855	1,398
Total liabilities	14,948	17,030	2,081
Net assets	6,570	7,161	590
Total liabilities and net assets	21,519	24,191	2,672

## (5) FY3/17 Statement of Cash Flows

		FY3/16 (Million Yen)	FY3/17 (Million Yen)	Year on Year Comparison (Million Yen)
Cash flows from operating activities		1,804	1,878	- 74
	Income before income taxes and others	1,796	1,051	744
	Depreciation costs	605	653	- 48
	Decrease (increase) in accounts receivable-other	- 184	207	- 392
	Income taxes paid	- 676	- 783	106
Cash flows from investing activities		- 2,449	- 3,305	855
	Payments for the purchase of property and equipment	- 1,971	- 2,023	52
Cash flows from financing activities		1,553	1,646	- 92
	Proceeds from long-term loans payable	4,845	5,062	- 216
Increase (decrease) in cash and cash equivalents		907	218	689
Cash and cash equivalents at end of 2Q		3,798	4,017	- 218

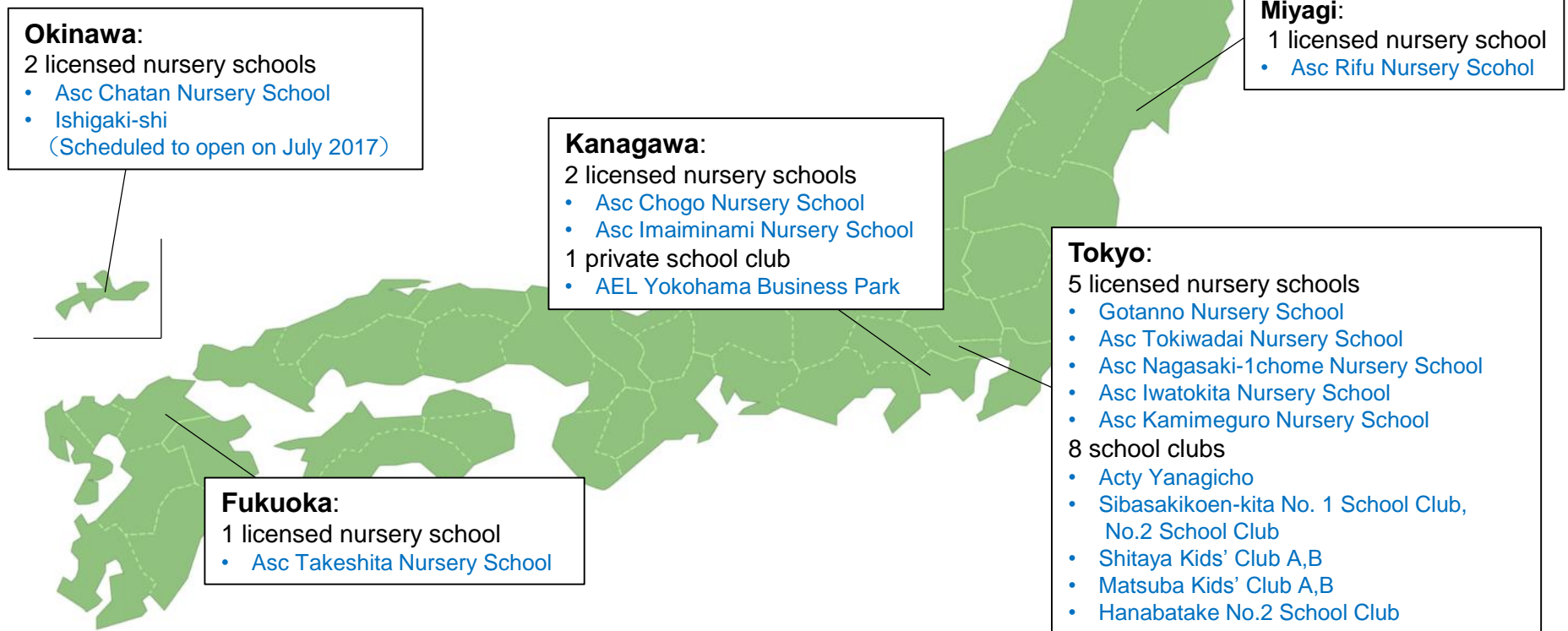
## (6) Forecast of FY3/18

	Results of FY3/17	Forecast of FY3/18	Year on Year Comparison	Rate of Change (%)
Net sales (million yen)	22,800	26,125	3,325	14.6
Ordinary income (million yen)	1,445	1,400	- 45	- 3.1
New Nursery schools	13	11	- 2	—
New School clubs, Children's houses and Private School clubs	12	9	- 3	—

## (7) FY3/18 Expected New Openings

We have opened 10 licensed nursery schools, 8 school clubs and 1 private school club as at April 1, 2017. We are scheduled to open 1 nursery school in FY3/18.

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



# 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

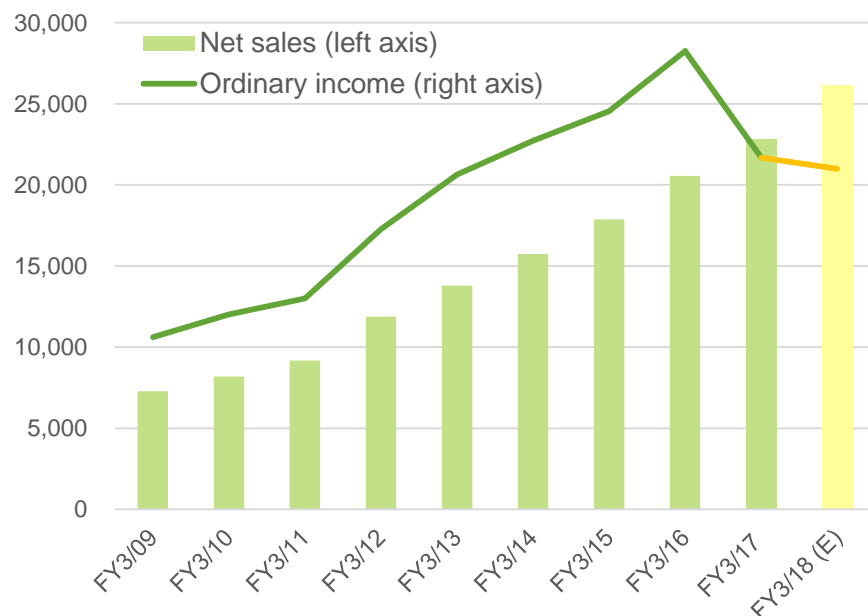
# Mid-term Management Plan & Growth Strategy

# (1) Planned Numerical Targets

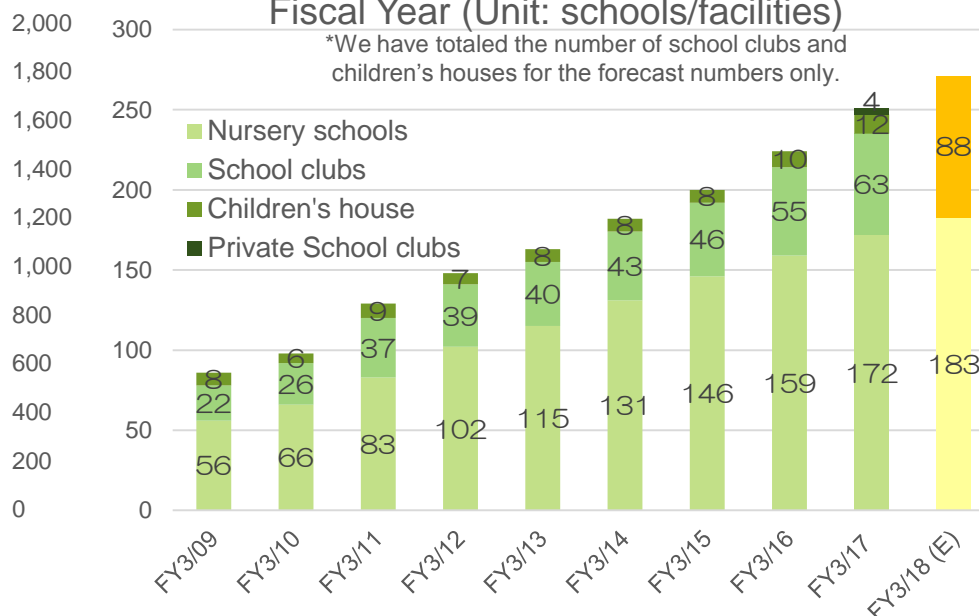
	Results of FY3/17	Forecast of FY3/18
Net sales (million yen)	22,800	26,125
Ordinary income (million yen)	1,445	1,400

	Results of FY3/17	Forecast of FY3/18
New Nurseries	13	11
New School clubs, Children's houses and Private School clubs	12	9

Consolidated Results (Unit: million yen)



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



\*Facilities as at March-end 2017 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

### Measures to Achieve the Key Objectives

- (1) Further strengthen our safety management structure (promote cross-organizational structure enhancement)
- (2) Successive employee salary rises
- (3) Introduce systems in each field (reduce workload and optimize business management )
- (4) Further enhance policies aimed at securing nursery school teachers (increase recruitment budget )
- (5) Expanding our revenue base with new business (private school clubs, consulting service, overseas child rear business, in-house nurseries operation).

### (3) Specific Initiatives 1



《Strengthening the Safety Management System》

April 2016

Safety Measures Division founded



《Strengthening hiring activity》

June 13<sup>th</sup>, 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

Introduce cloud services for child rearing

## (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

## (5) Specific Initiatives 3

- ▶ Established “KODOMOLOGY Co., Ltd.” a joint-venture with Shiseido Company, Limited focusing on the entrusted operation of in-house nurseries on February 20, 2017.
- ▶ KODOMOLOGY will provide an entrusted operation for a new in-house nursery which Shiseido plans to set up at its Kakegawa factory site in autumn 2017.



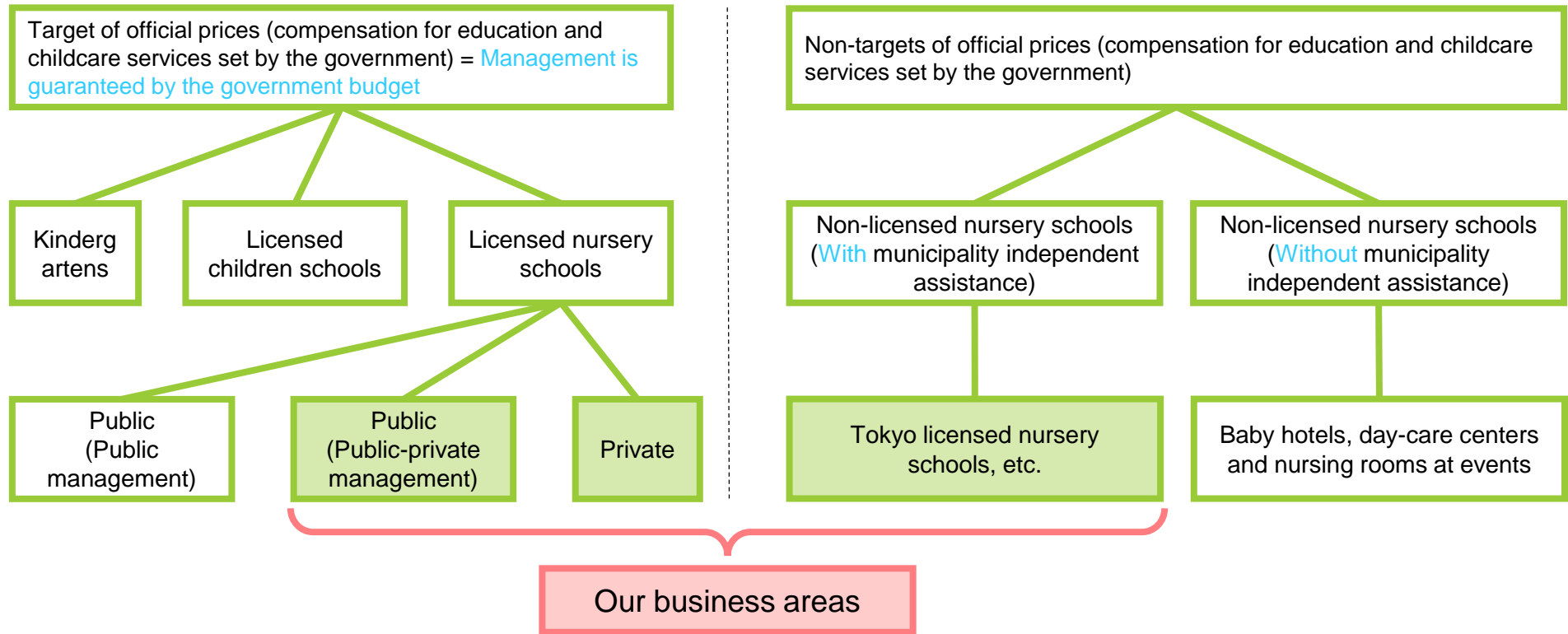
Company Overview	
Name	KODOMOLOGY Co., Ltd.
Address	7-5-5 Ginza Chuo-ku, Tokyo
Capital	100 million yen (Shiseido 51%, JPHD 49%)
Business	Consultations on the setup of in-house nurseries and entrusted operation of nurseries



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

# Appendix

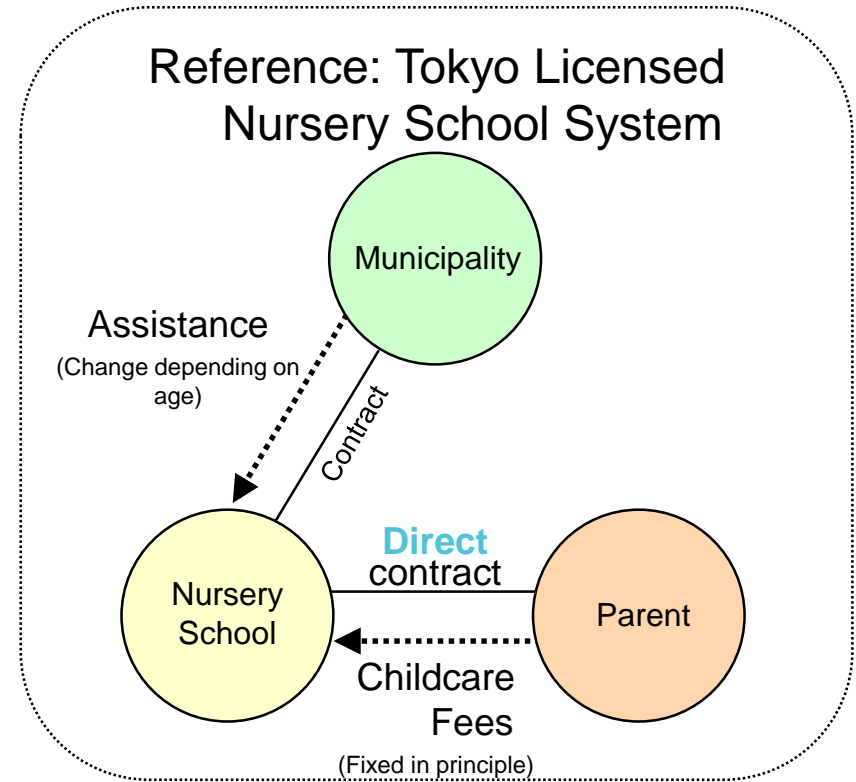
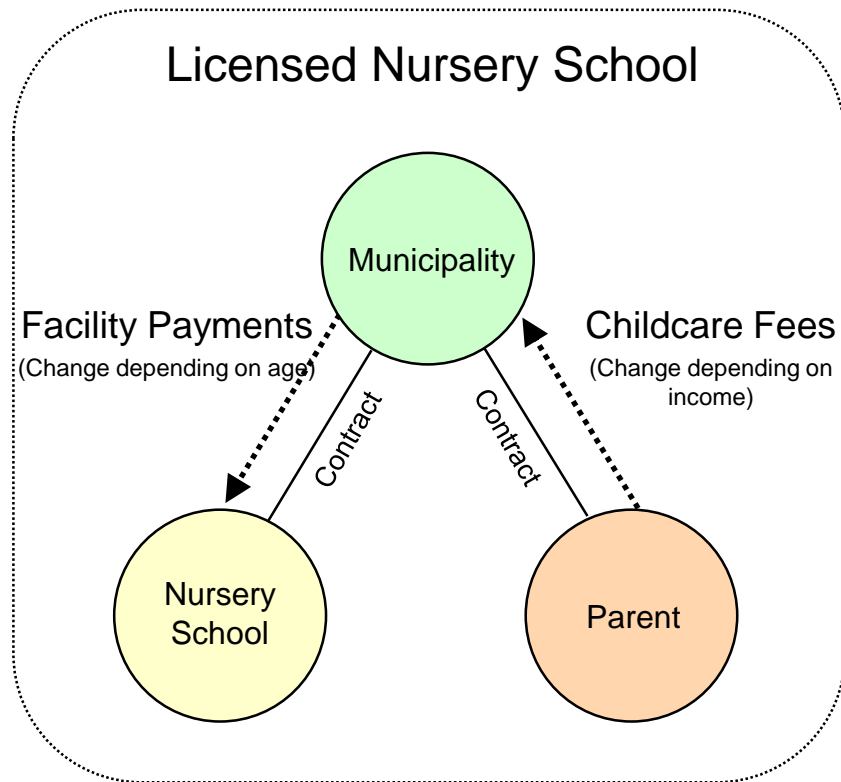
# (1) Our Group Business Areas



- ▶ 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 <sup>st</sup> certification	2 <sup>nd</sup> and 3 <sup>rd</sup> certification	1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> 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

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



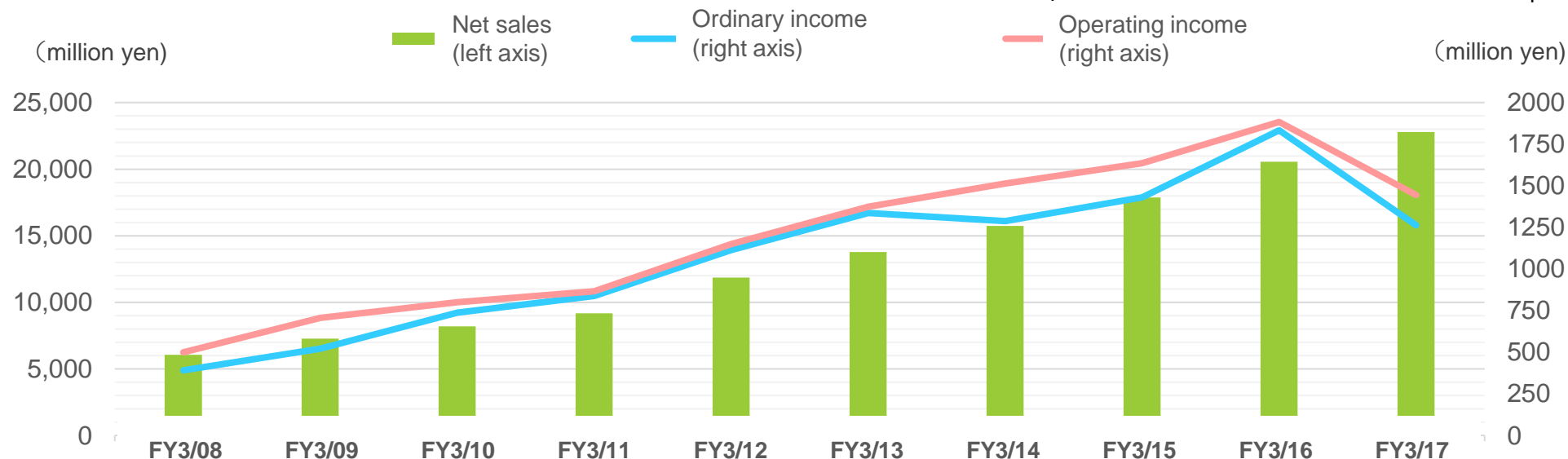
## (4) Overview of School Clubs and Children's Houses

	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)

	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Net sales (million yen)	6,062	7,272	8,194	9,166	11,867	13,789	15,747	17,868	20,552	22,800
Operating income (million yen)	392	521	738	839	1,114	1,336	1,288	1,431	1,834	1,263
Ordinary income (million yen)	500	707	800	866	1,150	1,375	1,514	1,636	1,884	1,445
Net income attributable to owners of parent (million yen)	266	440	444	500	653	750	872	1,003	1,195	677
Net income per share (Yen)	3.60	5.98	6.06	6.67	7.83	8.99	10.45	12.03	14.32	8.06

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



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

	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Total assets (million yen)	3,823	4,275	5,763	9,432	9,808	10,926	13,626	19,115	21,519	24,191
Net assets (million yen)	1,242	1,546	1,903	3,559	3,977	4,485	5,102	5,774	6,570	7,161
Shareholders' equity ratio (%)	32.4	36.1	32.9	37.7	40.5	41.0	37.4	30.2	30.5	29.6

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

## (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.

	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Amount of dividend per share (yen)	1.12	1.90	2.00	2.90 Commemorative dividend: 0.50 yen	3.00 Commemorative dividend: 0.50 yen	3.20	3.60	4.00	5.00	2.50
Payout ratio (%)	31.0	31.7	33.0	43.4	38.3	35.6	34.5	33.3	34.9	31.0

The amount of dividend per share reflects the stock split.

## (8) Corporate Philosophy

### For the smiles of children...

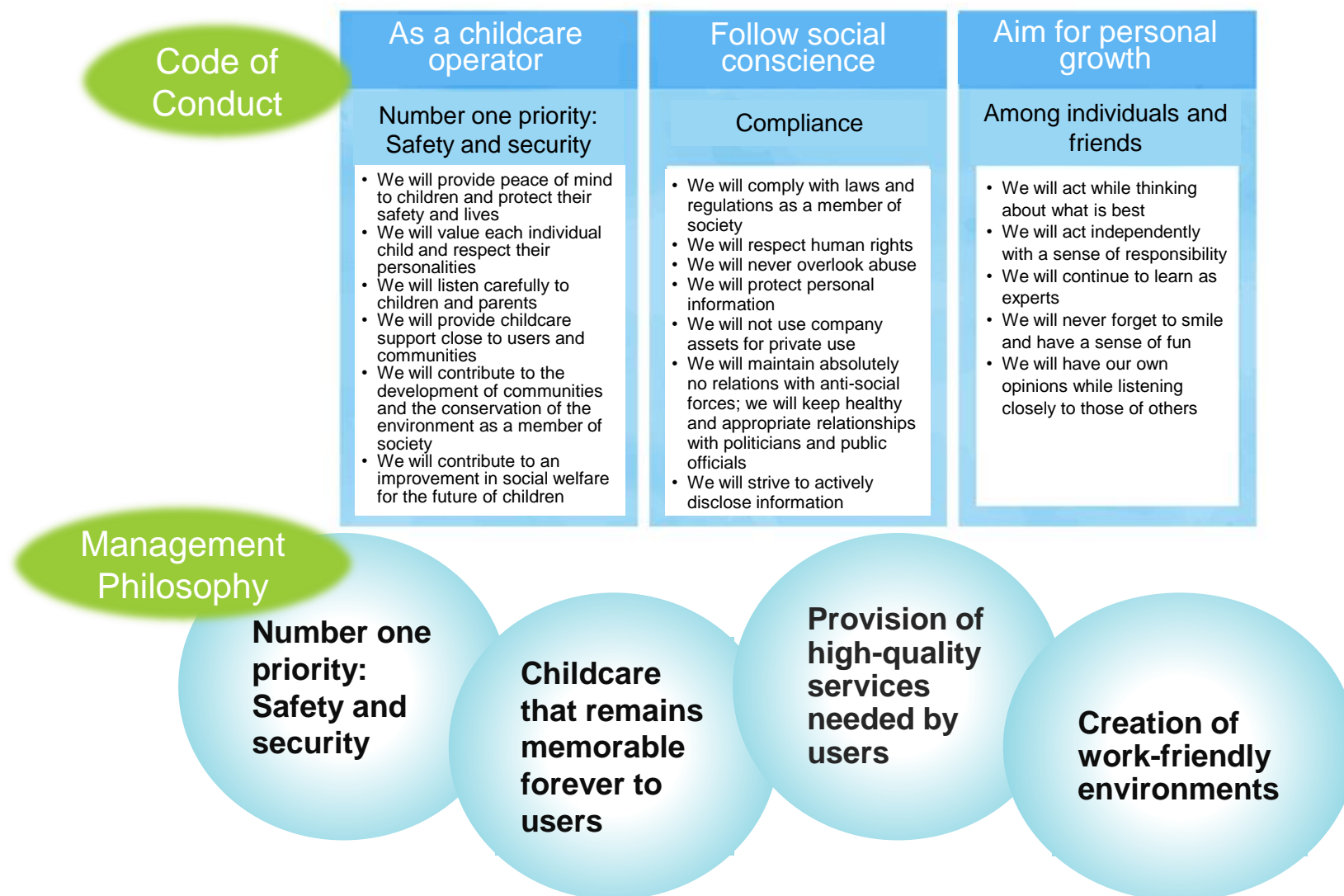
Smiles of children: This is our pride that cannot be replaced. We always provide childcare where children who will lead the future can develop generosity as well as words and emotions to express themselves in a safe environment.

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



## (10) NADESHIKO

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



## 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](mailto:mika_matsumiya@jp-holdings.co.jp)