

# JP-HOLDINGS, INC.

Financial Results for the Fiscal Year ending March 2020



TSE 1 (2749)

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## Measures by the Company against COVID-19

# Measures by the Company against COVID-19

- Established the Headquarters for Measures against COVID-19 on February 19, 2020 to prevent the spread of the virus.
- Taking various measures with our priority being to secure the safety of the children under our supervision, their parents, business partners and employees in cooperation with local governments.

## Efforts in Childcare Facilities

- **Measure temperature every morning:** If an employee has a temperature of 37.5 degrees or higher or is feeling unwell, we do not allow him/her to come to work until 24 hours after the fever has lowered and his/her symptoms have improved.
- **Wash hands, rinse out mouth, disinfect hands and wear masks when coming to work**
- **Enhance cleaning and disinfection of facilities**
- **Frequently ventilate (about once every 30 minutes) and humidify**
- **Request business partners to measure their temperature and to wash hands and disinfect when entering our facilities**
- **Request temperature measurement of children and their parents in nursery schools every day:** If a child or parent has a temperature of 37.5 degrees or higher or is feeling unwell, we ask them to stay at home until 24 hours after their fever has lowered and their symptoms have improved.
- **Make requests for school clubs based on the guidance of local governments**
- **Ask children and their parents to disinfect, wash their hands, rinse their mouths and wear masks before entering our facilities**

## Efforts in the Head Office/Headquarters

- **Measure temperature every morning:** If an employee has a temperature of 37.5 degrees or higher or is feeling unwell, we do not allow him/her to come to work until 24 hours after the fever has lowered and his/her symptoms have improved.
- **Encourage staggered work hours and telecommuting**
- **Setup alcohol-based sanitizer at the entrance to offices to encourage disinfection and request the use of masks**
- **Self-restraint on unnecessary and non-urgent patrols and visits to childcare support facilities**
- **Self-restraint on unnecessary and non-urgent meetings and business trips with meetings held on the Internet**

### Recruitment Activities

- **Request job seekers to measure their temperature before interviews**
- **Hold some interviews on the Internet**

# Measures by the Company against COVID-19

The Group is providing thorough support in each nursery school, facility, headquarters and the Head Office with our top priority always being to secure the safety of the children under our supervision, their parents, business partners and employees.



Disinfection of Toys Used in Facilities



Disinfection of Nursery School Doors



Correspondence for Families Voluntarily Restraining from Attending Nursery School



Information Transmission at the Entrance to Facilities



Thorough Hand Disinfection and Temperature Measurement at the Time of Leaving Children under Our Supervision



Video Streaming for Families Voluntarily Restraining from Attending Nursery School

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## FY3/20 Results

# FY3/20 Results

- **Net Sales (Change Compared to the Previous Term)**

- Revenue increased year-on-year due to the opening of new facilities, an increase in the number of children accepted in existing facilities and an increase in subsidies relating to treatment improvement.

- **Operating Income and Ordinary Income (Change Compared to the Previous Term)**

- Personnel expenses increased due to treatment improvement, repair expenses increased to improve the environment of each facility, and subsidies relating to the addition of rent fees fell. However, income increased year-on-year due to an increase in non-operating income resulting from an increase in subsidies accompanying an increase in dormitory users. This was in addition to an increase in net sales due to an increase in the number of children accepted in existing facilities.

- **Net Income Attributable to Owners of Parent (Change Compared to the Previous Term)**

- We recorded an extraordinary loss of 315 million yen. This was as a result of the impairment of fixed assets relating to facilities where the investment recovery period is expected to be lengthy in childcare facilities and system impairment accompanying the introduction of a new attendance management system. Nevertheless, with an increase in ordinary income, income increased year-on-year.

- **Earnings Forecast**

- Our nursery service remained solid due to the opening of new facilities and an increase in the number of children accepted. However, personnel expenses increased due to treatment improvement, repair expenses increased to improve the environment in facilities, and subsidies relating to rent addition decreased. In addition, it took time to ascertain and verify the market in terms of the development of new contents and test marketing in our new business. Accordingly, net sales, operating income and ordinary income were below our earnings forecast.
- Net income attributable to owners of parent was below our earnings forecast. This was because we recorded an extraordinary loss of 315 million yen. This was as a result of the impairment of fixed assets relating to facilities for which the investment recovery period is expected to be lengthy in childcare facilities as well as a decrease in net income.

## Net Sales

**31,719** million yen

Previous term: +8.3%  
Comparison with  
forecast: -0.9%

## Operating Income

**1,538** million yen

Previous term: +0.5%  
Comparison with  
forecast: -15.1%

## Ordinary Income

**2,003** million yen

Previous term: +4.3%  
Comparison with  
forecast: -12.9%

## Net Income Attributable to Owners of Parent

**1,122** million yen

Previous term: +4.8%  
Comparison with  
forecast: -7.4%

## Annual Dividend

**3.90** yen

Payout ratio: 30.5%  
Previous term: 3.70 yen  
Forecast: 3.90 yen

## Opening of New Facilities

Nursery schools: **10**

School clubs: **2**

# FY3/20 Financial Highlights

	FY3/19 Actual	FY 3/20			
		Forecast	Results	Rate of Change Compared to the Previous Term	Rate of Change Compared to the Forecast
Net sales (million yen)	29,298	32,000	31,719	8.3%	-0.9%
Operating income (million yen)	1,531	1,811	1,538	0.5%	-15.1
Ordinary income (million yen)	1,920	2,300	2,003	4.3%	-12.9
Net income attributable to owners of parent (million yen)	1,071	1,212	1,122	4.8%	-7.4
Net income per share (yen)	12.44	14.08	12.81	0.37	-1.27
Net assets per share (yen)	102.23	—	110.17	7.94	—
Shareholders' equity ratio (%)	31.7	—	36.9	5.2	—
Dividends (yen)	3.70	3.90	3.90	0.20	±0
Dividend payout ratio (%)	29.7	27.7	30.4	0.7	2.7

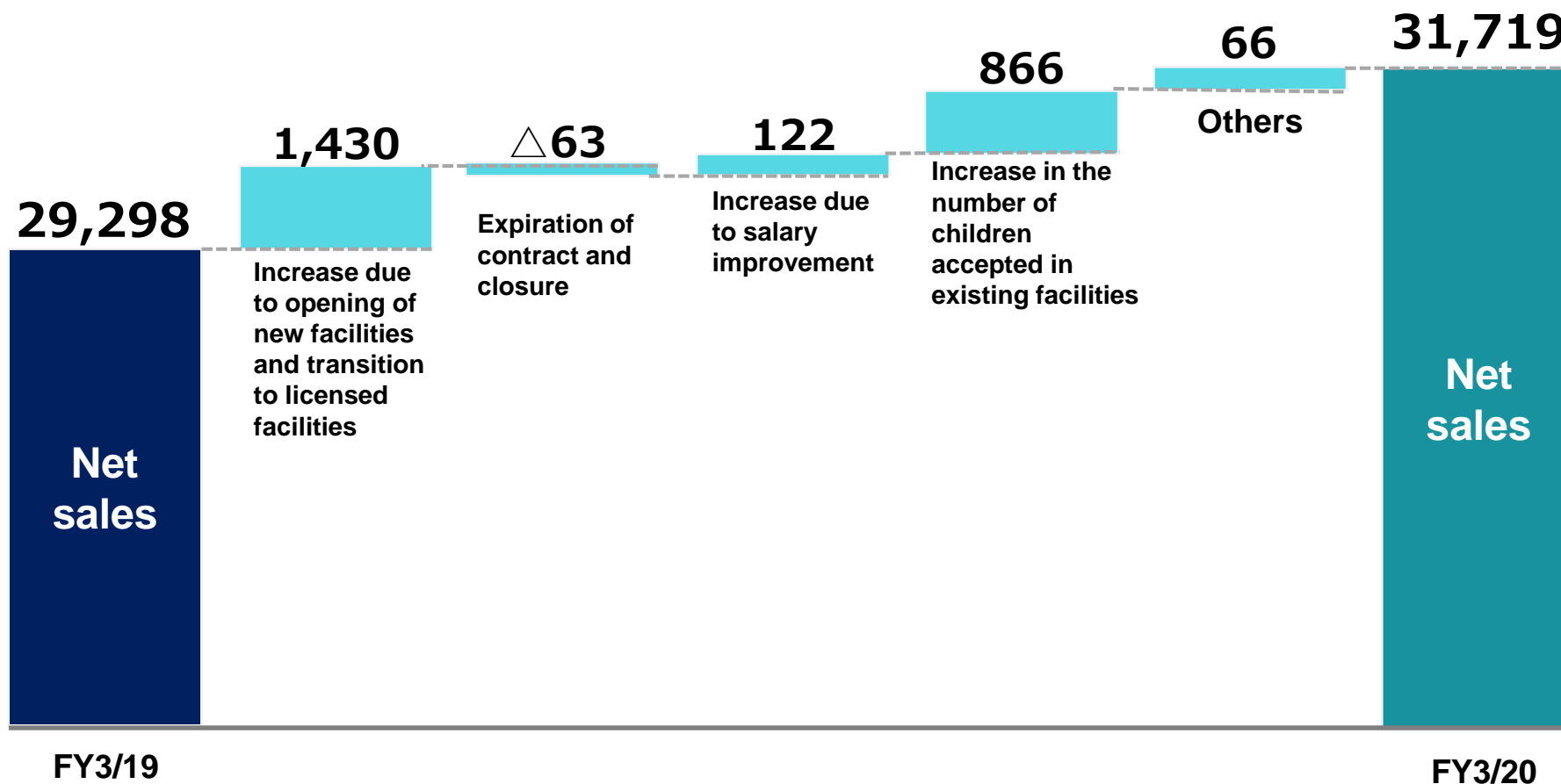
(Rounded down to the nearest million yen. Rate of change is rounded off to the nearest first decimal point place.)



# FY3/20 Factors for Changes in Net Sales

## Net sales

Increased by 8.3% due to the opening of new facilities and an increase in the number of children accepted in existing facilities.

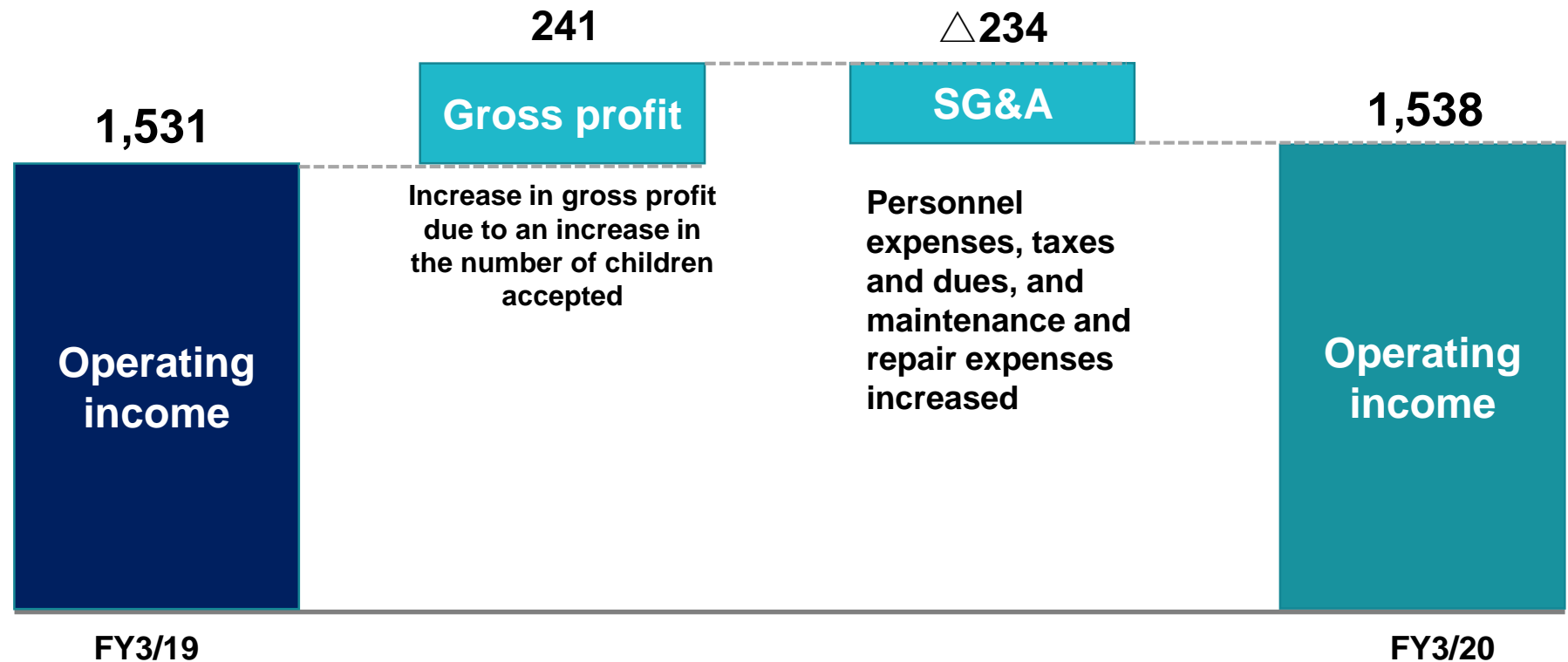


(Unit: million yen/ Rounded down to the nearest million yen. )

# FY3/20 Factors for Changes in Operating Income

**Operating  
income**

SG&A expenses (e.g., personnel expenses, taxes and dues) increased. However, operating income increased as gross profit augmented due to an increase in the number of children accepted.

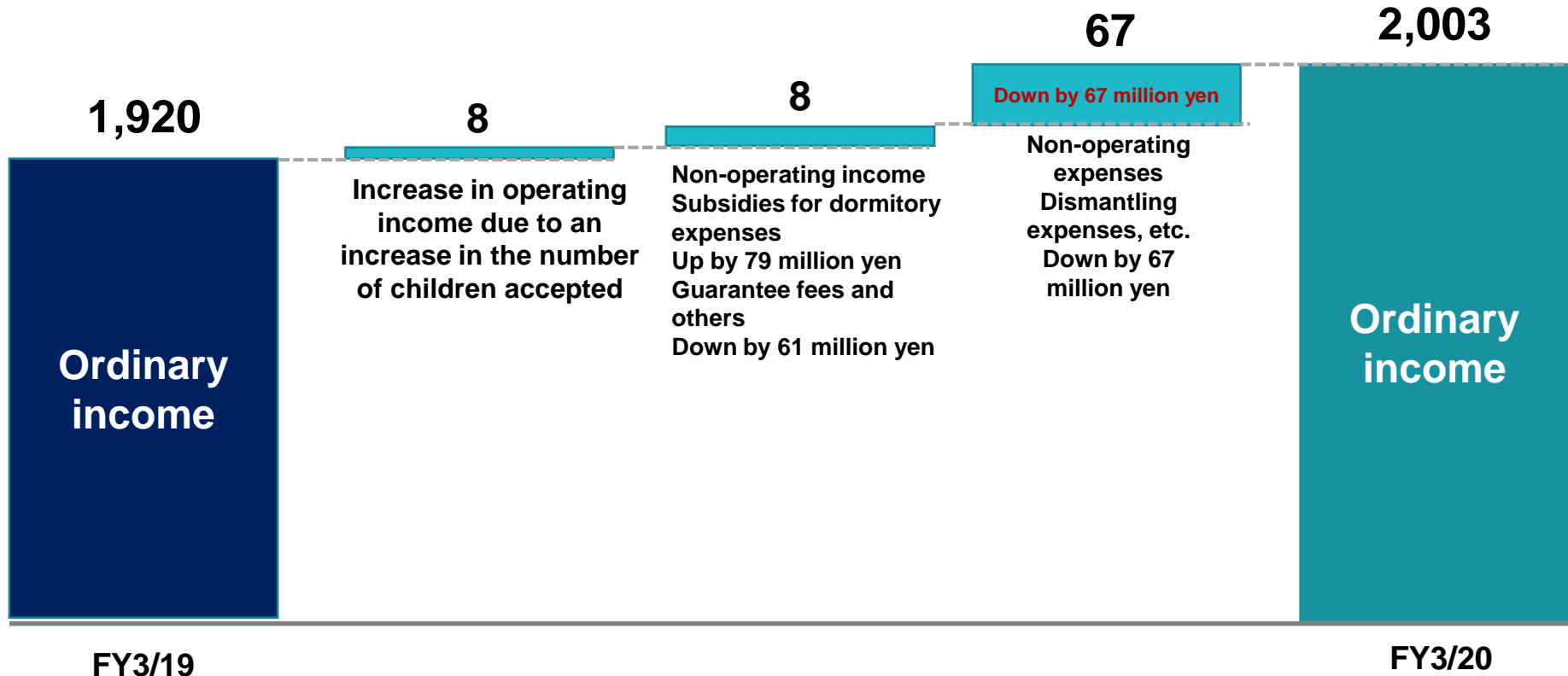


(Unit: million yen/ Rounded down to the nearest million yen. )

# FY3/20 Factors for Changes in Ordinary Income

## Ordinary income

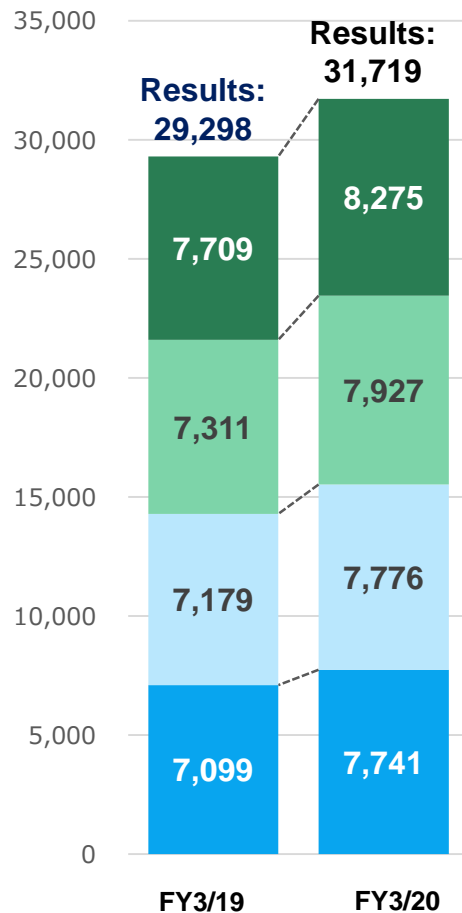
Ordinary income increased as a result of an increase in operating income and subsidies due to an increase in dormitory users as well as a decrease in non-operating expenses.



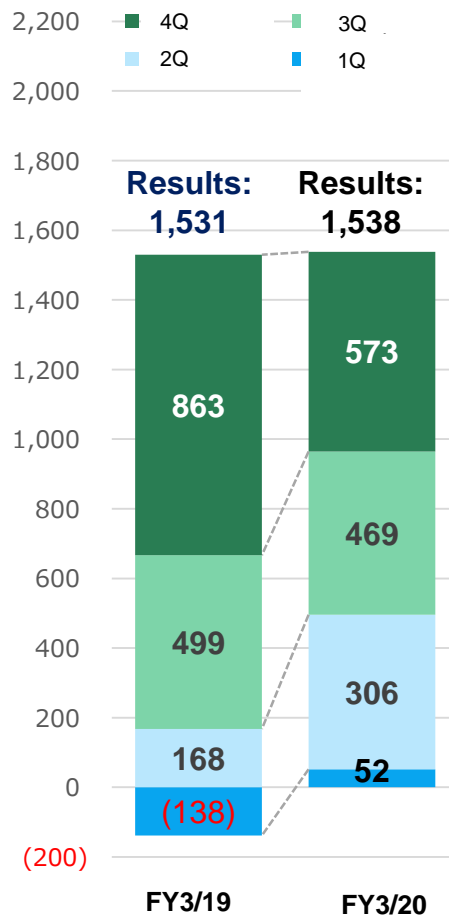
(Unit: million yen/ Rounded down to the nearest million yen. )

# FY3/20 Quarterly Results

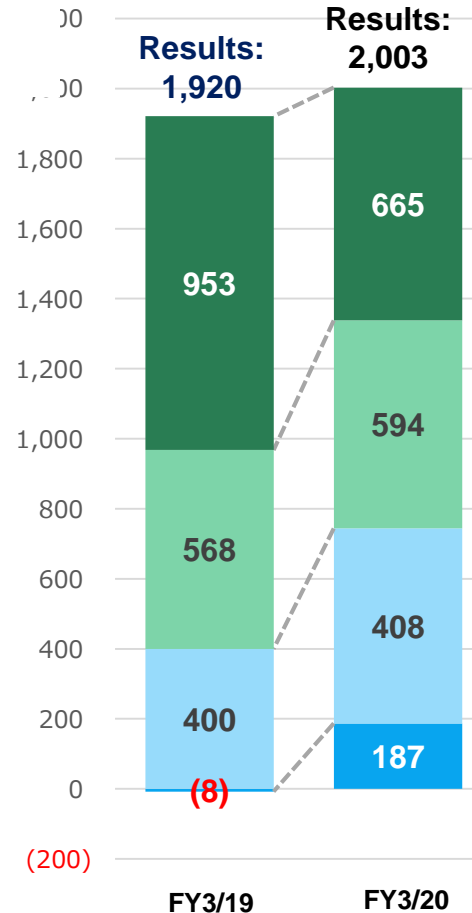
## Net Sales



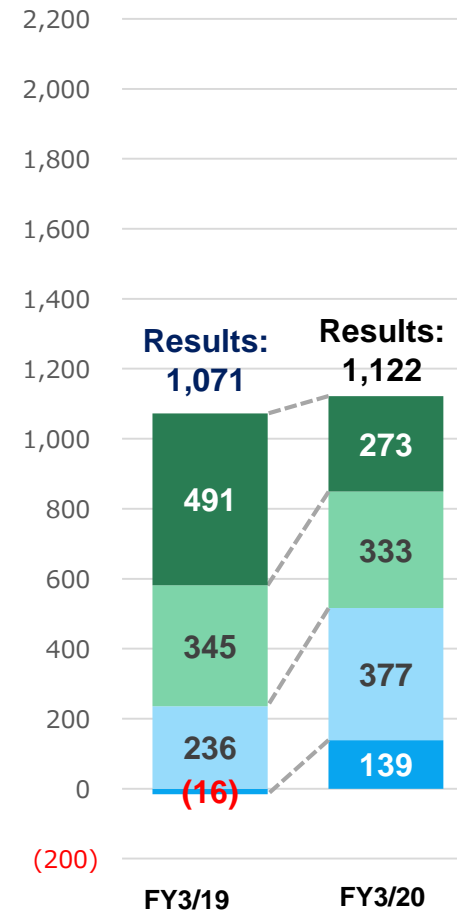
## Operating Income



## Ordinary Income



## Net Income Attributable to Owners of Parent



(Unit: million yen)

# FY3/20 Profit and Loss Statement

	FY3/19		FY3/20		Year on Year Comparison	
	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Component Ratio (%)
Net sales	29,298	100.0	31,719	100.0	2,420	8.3
Cost of sales	25,119	85.7	27,298	86.1	2,178	8.7
Gross profit	4,178	14.3	4,420	13.9	241	5.8
SG & A expenses	2,647	9.0	2,881	9.1	234	8.9
Operating income	1,531	5.2	1,538	4.9	7	0.5
Non-operating income	560	1.9	567	1.8	7	1.3
Non-operating expenses	170	0.6	102	0.3	-67	-39.8
Ordinary income	1,920	6.6	2,003	6.3	82	4.3
Net income attributable to owners of parent	1,071	3.7	1,122	3.5	51	4.8

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

# FY3/20 Financial Condition

## Debt (short-term and long-term) repaid and shareholders equity ratio increased

### Financial condition

End of March 2020

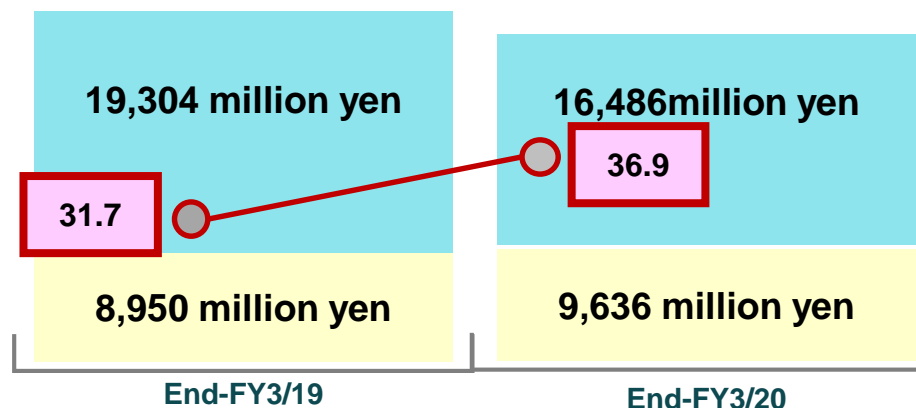
\*( ) = Difference with the end of March 2019

<b>Assets</b>	<b>Liabilities</b>
26,112 million yen (-2,132 million yen)	16,486 million yen (-2,818 million yen)
	<b>Net assets</b>
	9,636 million yen (+685,000,000 yen)

Million yen	End of Mar. 2019	End of Sep. 2019
<b>Current assets</b>	10,458	9,788
<b>Fixed assets</b>	17,796	16,334
<b>Total assets</b>	28,255	26,112
<b>Current liabilities</b>	7,880	5,920
<b>Fixed liabilities</b>	11,424	10,565
<b>Total liabilities</b>	19,304	16,486
<b>Total net assets</b>	8,950	9,636

### Liabilities, Net Assets, Shareholders Equity Ratio

■ Liabilities ■ Net Assets ● Equity Ratio (%)



Cash and deposits - 609 million yen  
Accounts receivable - 81 million yen  
Construction in progress - 939 million yen  
Long-term loans receivable -135 million yen

Short-term borrowings -1,500 million yen  
Current portion of long-term debt -526 million yen  
Income taxes payable -20 million yen  
Long-term debt -974 million yen

Retained earnings 797 million yen  
Treasury stock - 25 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.)

# FY3/20 Balance Sheet

	(Million yen)	End-FY3/19	End-FY3/20	Change
Total current assets		10,458	9,788	-670
Cash and deposits		6,816	6,206	-609
Accounts receivable - other		2,491	2,410	-81
Total fixed assets		17,796	16,334	-1,462
Total tangible fixed assets		9,897	8,620	-1,277
Total intangible fixed assets		342	247	-95
Total Investments and other assets		7,555	7,466	-89
Total assets		28,255	26,122	-2,132
Total Current liabilities		7,880	5,920	-1,959
(Short-term borrowings)		1,500	0	-1,500
(Current portion of long-term loans payable)		2,166	1,639	-526
Total fixed liabilities		11,424	10,565	-858
Long-term loans payable		10,454	9,479	-974
Total liabilities		19,304	16,486	-2,818
Total net assets		8,950	9,636	685
Total liabilities and net assets		28,255	26,122	-2,132

(Rounded down to the nearest million yen)

# FY3/20 Statement of Cash Flows

	(Million yen)	EY 3/19	EY 3/20	Change
<b>Cash flows from operating activities</b>		1,829	2,320	491
(Income before income taxes and minority interests)		1,810	1,688	-121
(Depreciation and amortization)		703	724	20
(Impairment loss)		108	311	202
(Decrease (increase) in accounts receivable)		-297	-37	259
(Increase (decrease) in accounts payable - other and accrued expenses)		-14	17	32
(Income taxes (paid) refund)		-624	-760	-136
<b>Cash flows from investing activities</b>		-940	418	1,359
(Purchase of property, plant and equipment)		-1,877	-865	1,011
<b>Cash flows from financing activities</b>		1,475	-3,349	-4,824
(Proceeds from short-term loans payable)		5,500	100	-5,400
(Repayments of short-term loans payable)		-5,500	-1,600	3,900
(Repayments of long-term loans payable)		-2,799	-2,201	597
<b>Net increase (decrease) in cash and cash equivalents</b>		2,360	-609	-2,970
<b>Cash and cash equivalents at end of period</b>		6,816	6,206	-609

(Rounded down to the nearest million yen)



# 3

## Status of Operating Facilities

# Status of New Openings as of the end of March 2020

## FY 3/20 New Openings

Nursery Schools	10
School Clubs :	2
Total	12

\* Withdrawal from Hoka GO→Club Onarimon and Koto Kids Club Ichikame upon contract expiration on the last day of March 2019.

\* Private school club AEL Yushima closed on the last day of March 2019.

\* Asc Ikegami Nursery School (Tokyo licensed nursery school) became a licensed nursery school, and Asc Toyotama 1-chome Nursery School A, B (small-scale nursery schools) were consolidated into a licensed nursery school on April 1, 2019.

\* Kawasaki Miyamaedaira Nursery School (public-private management) transitioned to private management, operated as Miyamaedaira Nursery School.

### Shiga:

1 licensed nursery school

- Asc Otsukyo Nursery School

### Tokyo:

8 licensed nursery schools

- Asc Ogi Nursery School
- Asc Yukigaya Nursery School
- Koto-ku Ojima No.5 Nursery School
- Asc Kitashinnjyuku Nursery School
- Asc Kamitakaido Nursery School
- Asc Midori Nursery School
- Asc Hoya Nursery School
- Asc Fuchukatamach Nursery School

1 small-scale nursery schools

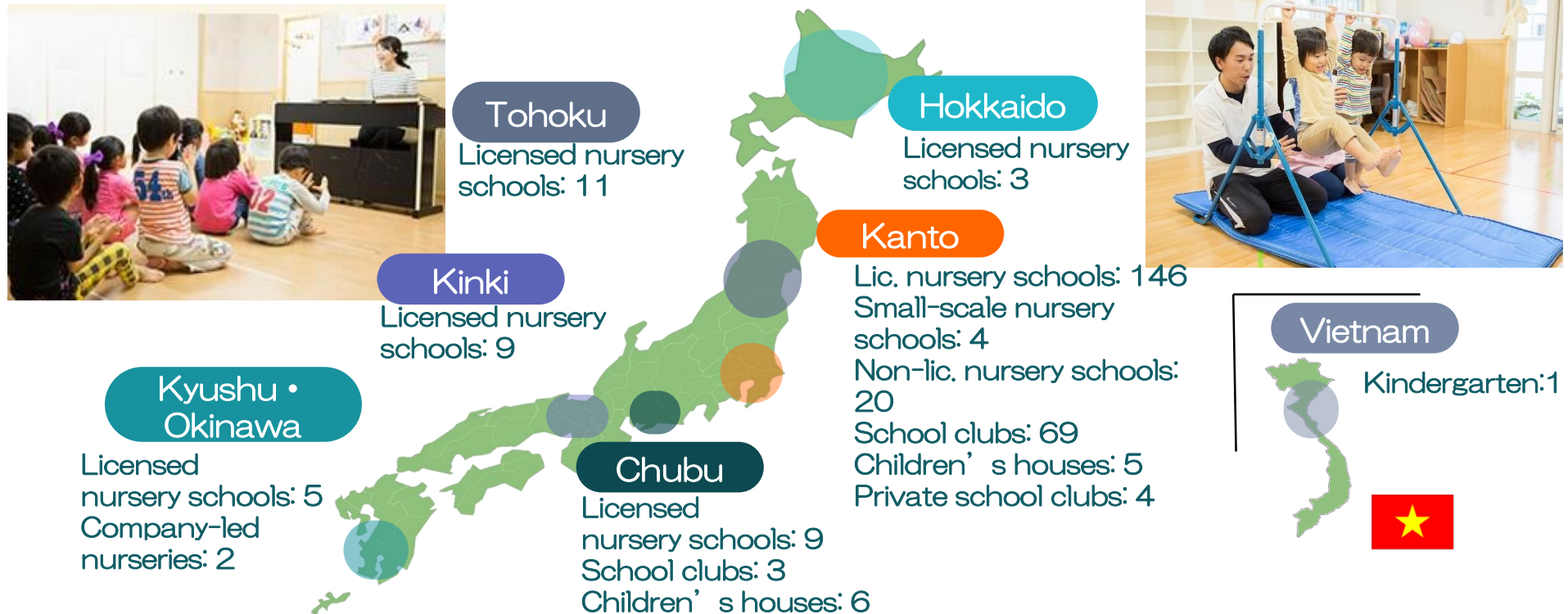
- Shinjuku-ku Nursery Room Edogawa Nursery School

### Tokyo:

2 school clubs

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

## Operate 297 facilities as of the end of March 2020



Nursery schools 209, School clubs 72, Children's houses 11  
Private school club 4, Kindergarten (Overseas Facility) 1

\* Withdrawal from Hoka GO→Club Onarimon and Koto Kids Club Ichikame upon contract expiration on the last day of March 2019.

\* Private school club AEL Yushima closed on the last day of March 2019.

\* Asc Ikegami Nursery School (Tokyo licensed nursery school) became a licensed nursery school, and Asc Toyotama 1-chome Nursery School A, B (small-scale nursery schools) were consolidated into a licensed nursery school on April 1, 2019.

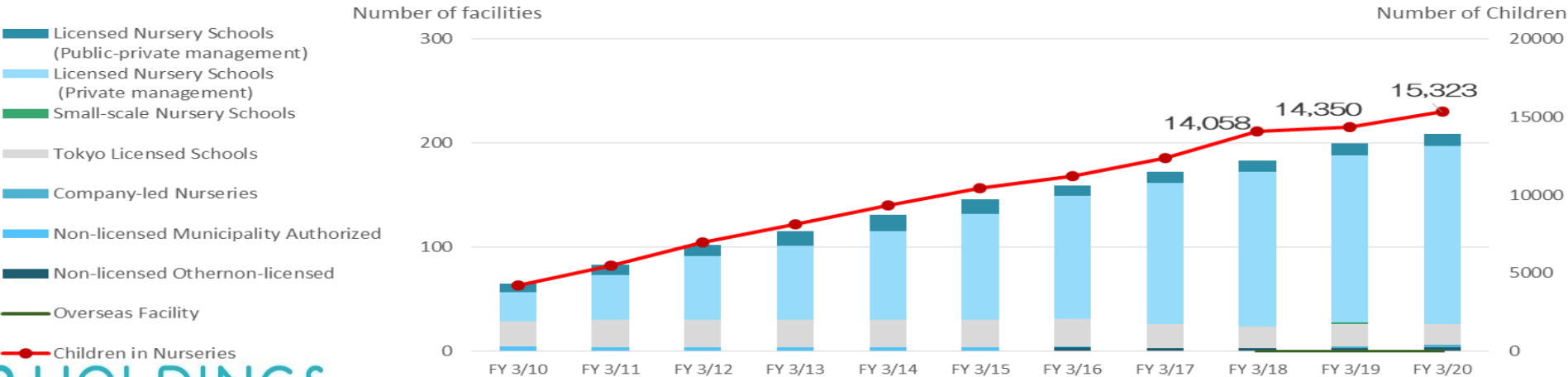
\* Kawasaki Miyamaedaira Nursery School (public-private management) transitioned to private management, operated as Miyamaedaira Nursery School.

# Changes in the Number of Facilities Operated and the Number of Children Accepted to Nursery Schools

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Licensed Nursery Schools (Public-private management)	8	10	11	14	16	14	10	10	11	12	12
Licensed Nursery Schools (Private management)	28	43	61	71	85	102	118	136	148	160	171
Small-scale Nursery Schools	0	0	0	0	0	0	0	0	0	2	0
Tokyo Licensed Schools	24	26	26	26	26	26	26	23	21	21	20
Company-led Nurseries	0	0	0	0	0	0	0	0	0	2	2
Non-licensed Municipality Authorized	5	4	4	4	4	4	1	0	0	0	0
Non-licensed Othernon-licensed	0	0	0	0	0	0	4	3	3	3	4
Joint Establishment with Amusement Facilities	1	0	0	0	0	0	0	0	0	0	0
School Clubs	26	37	39	40	43	46	55	63	71	72	72
Children's Houses	6	9	7	8	8	8	10	12	12	11	11
Private School Clubs	0	0	0	0	0	0	0	4	5	5	4
Overseas Facility	0	0	0	0	0	0	0	0	1	1	1
Total	98	129	148	163	182	200	224	251	272	289	297

\*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

## TREND OF NURSERIES AND CHILDREN



# 4

## Business Environment Surrounding the Company

# Support to Prevent the Spread of COVID-19

- ▶ We have closed nursery schools, school clubs and children's houses according to request from local governments due to the declaration of a state of emergency on April 7, 2020.

(Current as of May 8, 2020)

## List of Temporarily Closed Nursery Schools, School Clubs and Children's Houses

Local Government		No. of Schools Closed
Tokyo	Adachi	5
	Koto	6
	Setagaya	1
	Suginami	4
	Sumida	2
	Chiyoda	1
	Chuo	2
	Toshima	4
	Bunkyo	1
	Meguro	2
	Komae	1
	Nishi-Tokyo	4
	Fuchu	2
Saitama	Shiki	1
Chiba	Ichikawa	2
	Urayasu	1
Aichi	Shin-Seto	1
	Nagakute	1
Osaka	Toyonaka	2
	Minoh	1
	Yao	1
<b>Total nursery schools</b>		<b>45</b>

Local Government		No. of Clubs Closed
Tokyo	Koto	3
	Shibuya	6
	Chuo	2
	Chiyoda	2
	Nakano	1
	Bunkyo	6
	Chofu	14
	Inagi	1
	<b>Total school clubs</b>	<b>35</b>

Local Government		No. of Children's Houses Closed
Tokyo	Kita	1
	Bunkyo	1
	Minato	1
	Mitaka	1
Saitama	Sayama	1
Aichi	Tsushima	1
	Toyoake	2
	<b>Total children's houses</b>	<b>8</b>

## Temporarily Closed Nursery Schools, School Clubs and Children's Houses due to Requests by Local Governments from April 7, 2020

45 nursery schools, 35 school clubs and 8 children's houses

Established a Headquarters for Measures against COVID-19 to promote our response on February 19, 2020

## Response by Each Facility

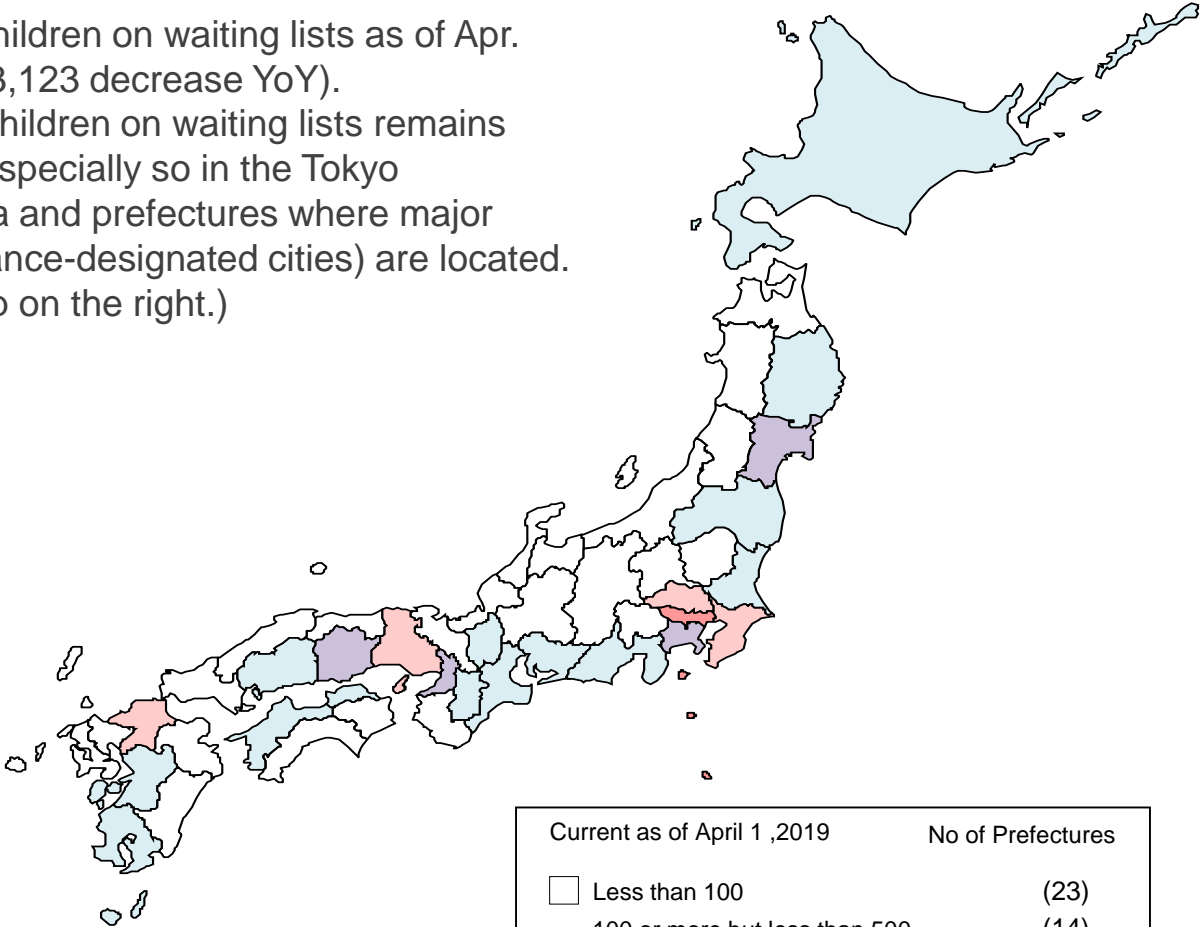
- Measure temperature every morning
- Wash hands, rinse out mouth, disinfect hands and wear masks when coming to work
- Enhance cleaning and disinfection of facilities
- Frequently ventilate (about once every 30 minutes) and humidify
- Request business partners to measure their temperature and to wash hands and disinfect when entering our facilities
- Request temperature measurement of children and their parents in nursery schools every day
- Make requests for school clubs based on the guidance of local governments
- Ask children and their parents to disinfect, wash their hands, rinse their mouths and wear masks before entering our facilities

\*We are providing childcare only to those who have difficulty in looking after their children at home in the above facilities because they are health professionals, police officers, firefighters or otherwise necessary to maintain the functions of society according to requests from local governments.

# Current Waiting List Situation

- ▶ The number of children on waiting lists as of Apr. 2019 is 16,772 (3,123 decrease YoY). The problem of children on waiting lists remains serious. This is especially so in the Tokyo metropolitan area and prefectures where major cities (e.g. ordinance-designated cities) are located. (Refer to the map on the right.)

National Waiting List Map (April 1, 2019)



Current as of April 1 ,2019		No of Prefectures
Less than 100		(23)
100 or more but less than 500		(14)
500 or more less than 1,000		( 4)
1,000 or more less than 3,000		
3,000 or more but less than 5,000		( 1)
5,000 or more		( 0)

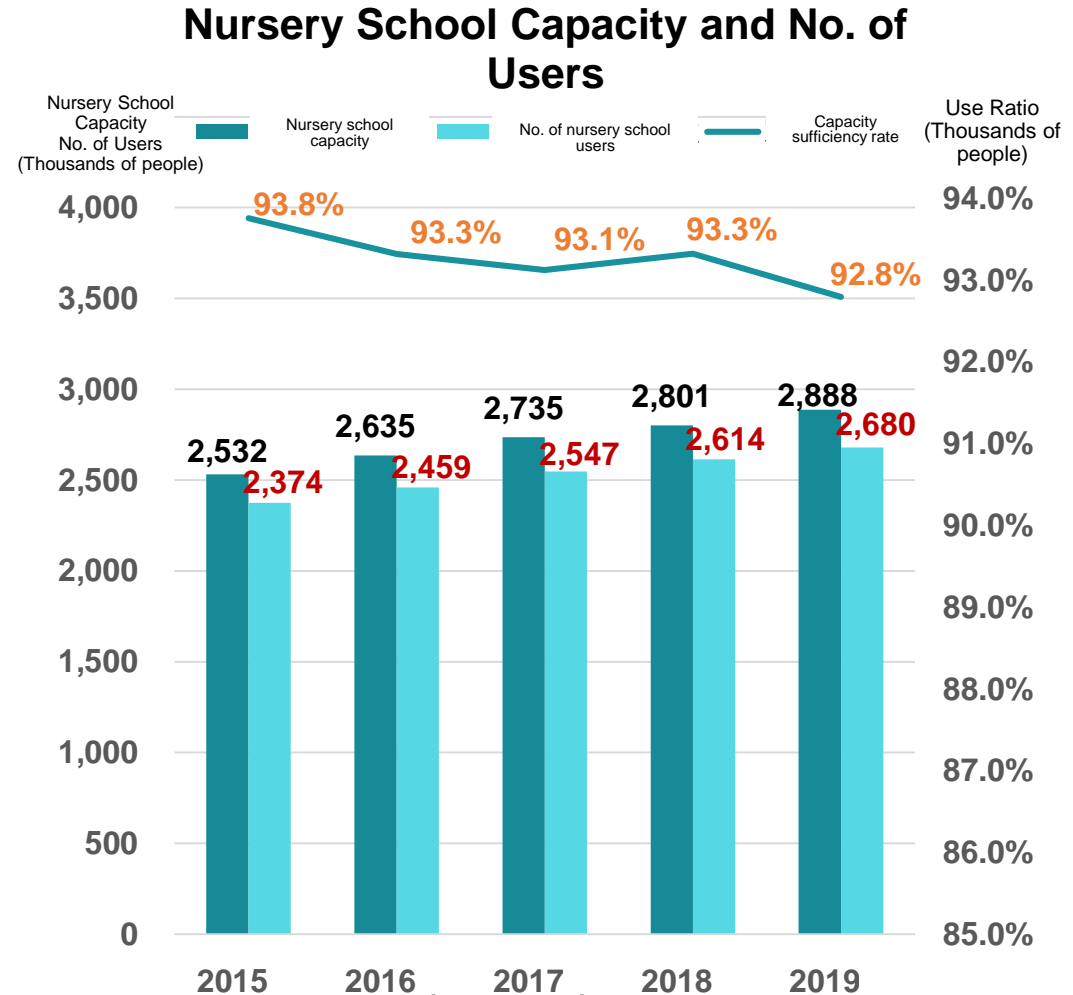
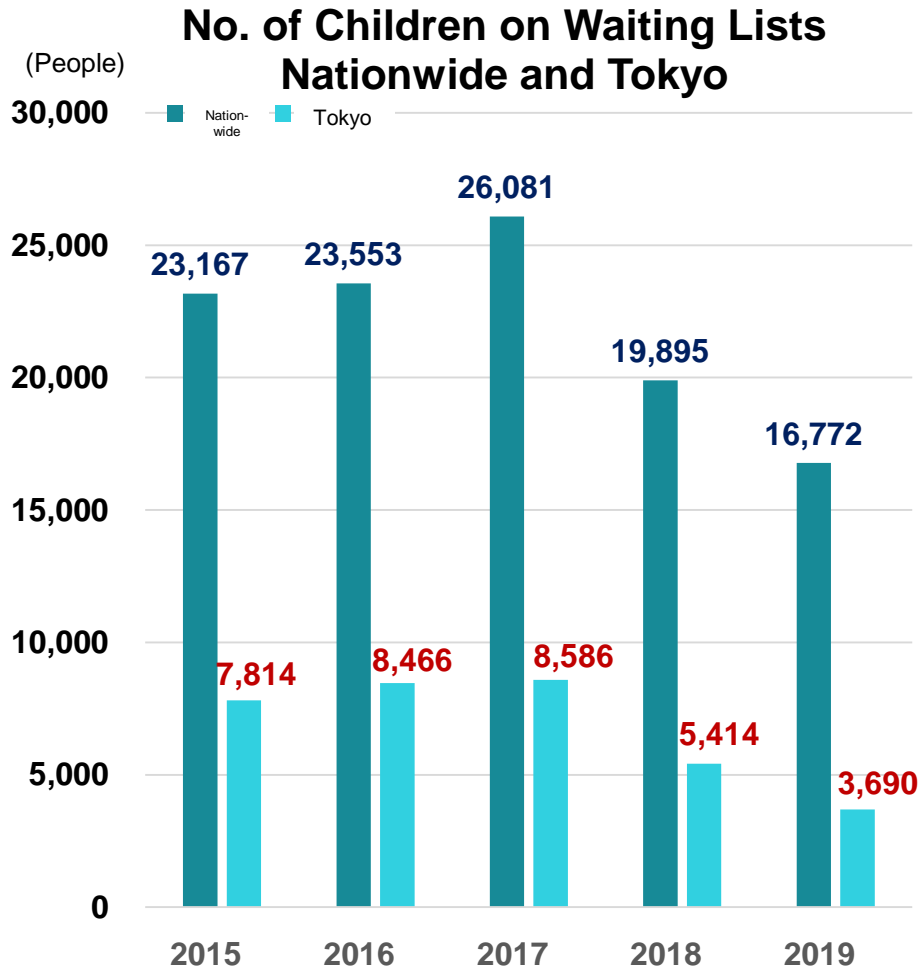
Prefecture	No. of Children on the waiting List
Hokkaido	152
Aomori	0
Iwate	175
Miyagi	583
Akita	65
Yamagata	45
Fukushima	274
Ibaraki	345
Tochigi	52
Gunma	21
Saitama	1,208
Chiba	1,020
Tokyo	3,690
Kanagawa	750
Niigata	2
Toyama	0
Ishikawa	0
Fukui	10
Yamanashi	0
Nagano	80
Gifu	2
Shizuoka	212
Aichi	258
Mie	109
Shiga	459
Kyoto	86
Osaka	589
Hyogo	1,569
Nara	198
Wakayama	54
Tottori	0
Shimane	0
Okayama	580
Hiroshima	128
Yamaguchi	40
Tokushima	73
Kagawa	182
Ehime	103
Kochi	35
Fukuoka	1,232
Saga	24
Nagasaki	70
Kumamoto	178
Oita	25
Miyazaki	43
Kagoshima	349
Okinawa	1,702
Total	16,772

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

# Changes in the External Environment

## (No. of Children on Waiting Lists & Capacity and Usage of Nursery Schools)

- ▶ Although childcare needs and capacity do not match, the number of children on waiting lists is decreasing.
- ▶ The capacity sufficiency rate is decreasing and it is expected that capacity will not be reached in the future depending on the region.



Source: Ministry of Health, Labour and Welfare's "Summary of the Nursery School Related Situation"

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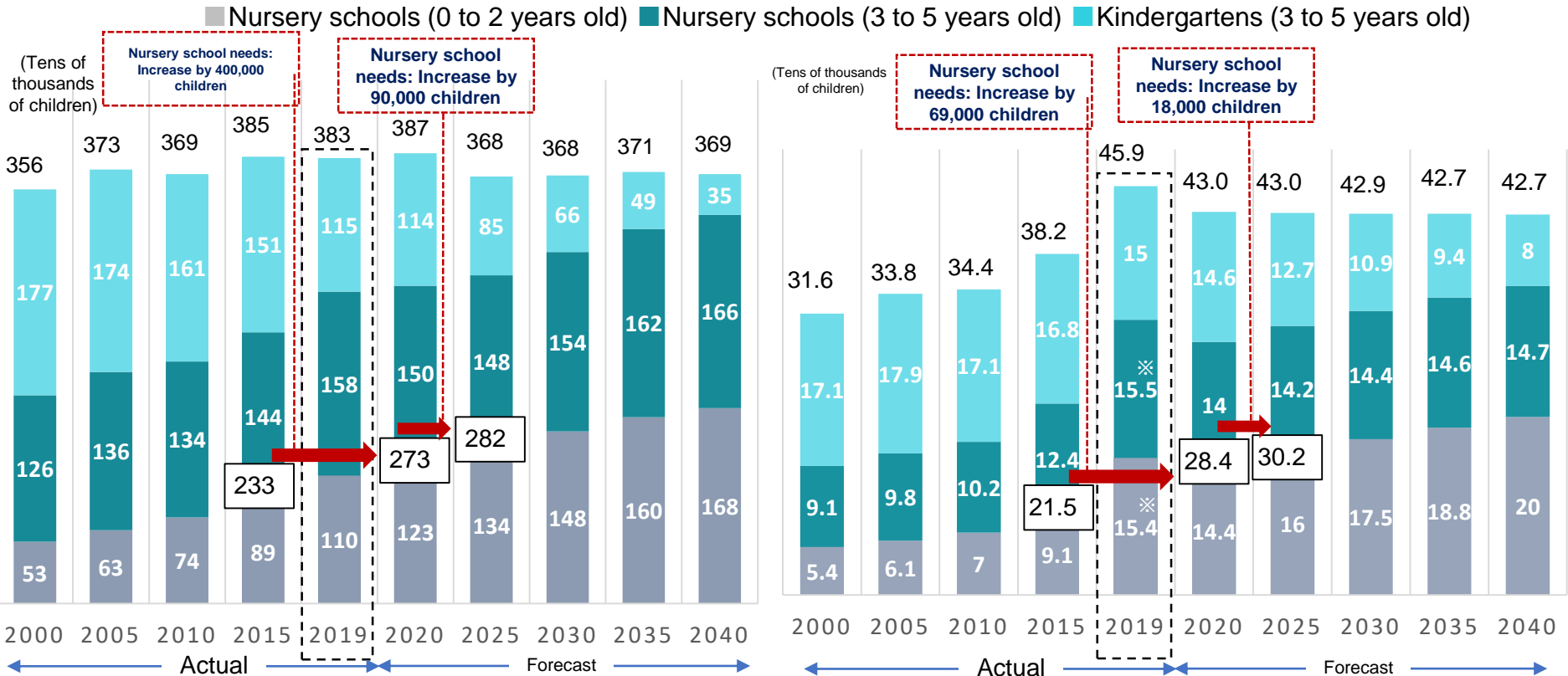


# Changes in the External Environment (Future Forecast of Nursery School Needs)

- ▶ If we compare nursery school needs (number increased in the period) over five years from 2015 to 2020 and 2020 to 2025, the rate of increase will reduce, but there will be little change in demand (decreasing number of kindergartens).
- ▶ Nursery school needs for 0 to 2 year old infants remain high in Tokyo where there are many children on waiting lists.

Nationwide (Birth Medium/Employment High Case)

Tokyo (Birth High/Employment High Case)



Source: The Japan Research Institute, Limited's "Future Outlook for Childcare Needs and How to Respond" and the Child and Family Policy Bureau of the Ministry of Health, Labour and Welfare's "Summary of the Nursery School Related Situation (April 2019)"

Source: The Japan Research Institute, Limited's "Future Outlook for Childcare Needs and How to Respond" and the Tokyo Metropolitan Government Bureau of Social Welfare and Public Health's "Childcare Service Situation in Tokyo"

# Changes in the External Environment (No. of Childcare Facilities)

- ▶ The number of licensed nursery schools is increasing in Tokyo. However, that number is decreasing across Japan. Licensed children's schools and small-scale childcare businesses are increasing.

## No. of Childcare Facilities by Facility (Nationwide)

		Decrease	Increase	(Unit: People)		
	2014	2015	2016	2017	2018	2019
Licensed nursery school	2,274,039	2,260,534	2,248,716	2,238,340	2,231,144	2,218,725
Licensed children's school (kindergarten/nursery school cooperation type)	45,953	184,873	273,454	359,423	440,147	520,647
Licensed children's school (kindergarten type)	11,690	20,502	26,516	31,936	39,510	46,326
Regional discretion type licensed children's school	2,278	2,715	3,197	3,210	3,214	3,419
Small-scale childcare business	3,671	25,445	41,260	57,293	71,181	81,987
Home-based childcare business	5,732	4,285	4,404	4,256	3,951	3,875
Childcare business in offices	2,954	5,147	6,270	8,734	11,235	12,946
Residential visit-based childcare business	0	13	33	163	197	234
Nursery room	53,527	46,227	45,062	42,137	50,016	49,603
Other	81,281	77,640	73,670	70,505	33,825	32,281
Company-led childcare business				20,284	59,703	86,354
Kindergarten	1,557,000	1,402,000	1,339,000	1,271,000	1,207,000	1,146,000
Total	4,038,125	4,029,381	4,061,582	4,107,281	4,151,123	4,202,397

Source: The Ministry of Health, Labour and Welfare's FY2018 to FY2019 Childcare Security Plan and FY2014 to FY2017 Children on Waiting List Resolution Acceleration Plan

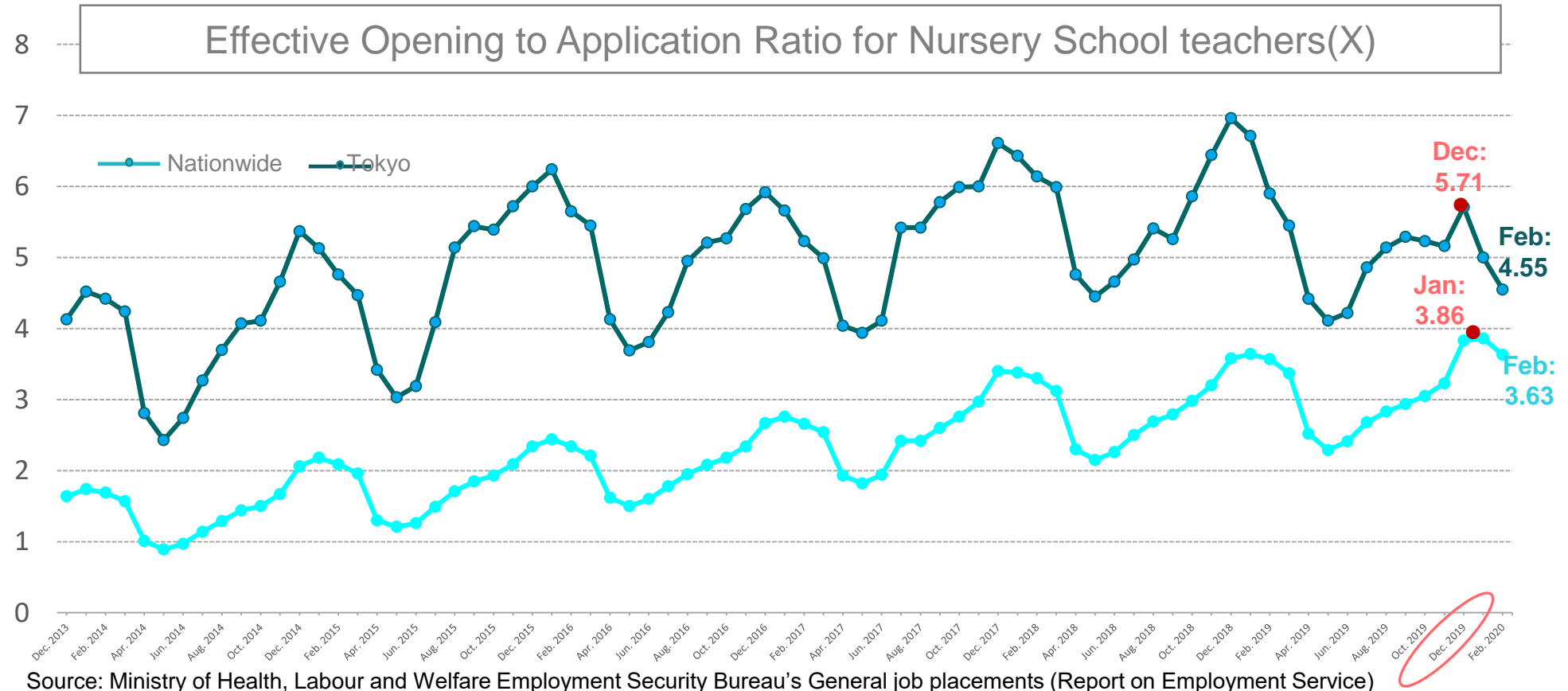
## No. of Childcare Facilities by Facility (Tokyo)

		Decrease	Increase	(Unit: People)		
	2014	2015	2016	2017	2018	2019
Licensed nursery school	202,008	213,259	225,334	239,709	254,484	269,627
Licensed children's school	3,304	3,289	4,296	5,331	5,822	6,269
Tokyo Licensed Nursery School	22,608	21,616	20,402	19,169	17,890	16,218
Small-scale childcare business	676	2,943	4,496	6,132	7,338	7,619
Home-based childcare business	2,394	1,847	1,945	1,902	1,669	1,640
Childcare business in offices	0	96	256	420	684	752
Residential visit-based childcare business	0	6	15	75	126	160
Nursery room	2,989	3,746	4,162	3,946	4,121	4,963
Regular use childcare business	932	711	799	955	1,285	1,201
Company-led childcare business				69	348	727
Kindergarten	170,673	165,348	161,275	157,418	154,423	150,270
Total	405,584	412,861	422,980	435,126	448,190	459,446

Source: Tokyo Metropolitan Government Bureau of Social Welfare and Public Health's "Childcare Service Situation in Tokyo"

# Current Nursery School Teacher Shortage Situation

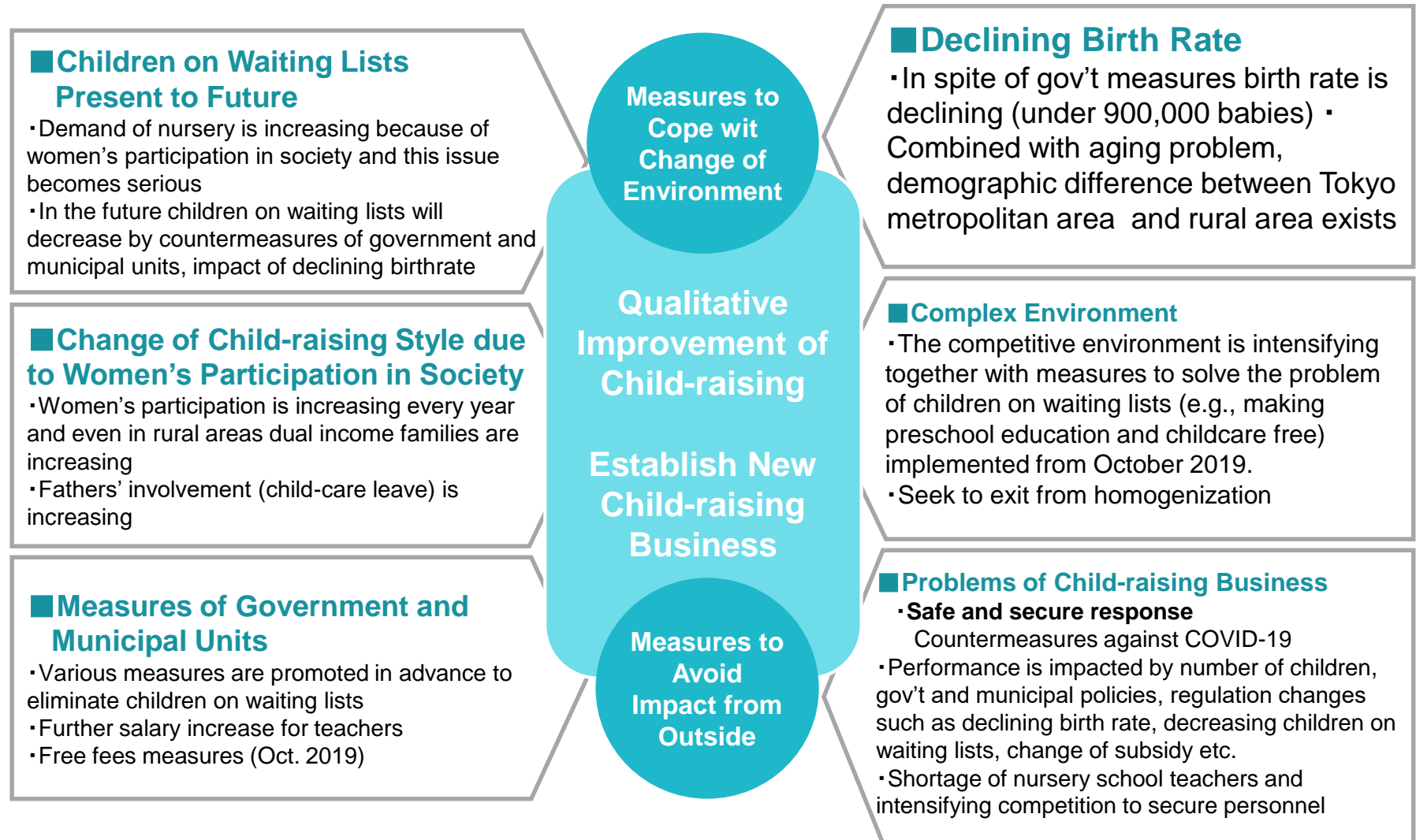
- ▶ The ratio of job openings to job applicants for nursery school teachers is decreasing. However, there is a continuing shortage of nursery school teachers across Japan. (National average as of February 2020: 3.63 times)
- ▶ The ratio of job openings to job applicants for nursery school teachers in Tokyo is decreasing – it was 6.96 times in December 2018 and 5.71 times in December 2019. Nevertheless, it remains extremely difficult to carry out hiring activities in Tokyo with a ratio of 4.55 times even in February 2020.



# Business Environment

## Measures to Cope with Current and Future Changes of Environment

The business environment has changed greatly due to the spread of COVID-19.



# Medium- to Long-term Business Environment

Whereas JPHD's Child-raising Business is achieving growth as various countermeasures are being promoted by government and municipal units to eliminate the problem of children on waiting lists, challenges such as shortages of nursery school teachers and the declining birthrate need to be addressed. It is possible that the environment will change significantly depending on the spread of COVID-19.

## Strengths

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

## Weaknesses

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

## Opportunities

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

## Threats

- **Changes in social environment due to the spread of COVID-19**
  - Changes in the childcare business (childcare services from a new perspective)
- **Decreasing childcare demand in the future associated with Japan's declining birthrate**
  - Guardians are able to be selective due to the declining birthrate
- **Market entry from different industries, M&As**
  - Market entry from players in the education sector, M&As by players from the same and different industries
- **Changes in programs of government and municipal units and government policy**
  - Decrease in subsidies and systemic change

5

## FY3/21 Forecast

# FY3/21 Earnings Forecast Concept

## Revised Medium-term Management Plan

### (1) Impact of COVID-19

- The temporary closing of some nursery schools, school clubs and children's houses will continue until the end of May due to the spread of COVID-19.
- We do not anticipate an increase in the number of children accepted until July.

### (2) Response to Changes in the Environment

- We will reduce new facilities (from 15 to 4 schools (separately, one school from Tokyo licensed one to licensed one) to qualitatively improve our childcare support services and profitability.

Unit: Millions of yen	Medium-term Management Plan
	FY3/21 (Initial Plan)
Net sales	35,000
Ordinary income	2,700
Ordinary income rate	7.7%
New facilities	20
Nursery schools	15
School clubs and children's houses	5
Switch from Tokyo Licensed Nursery School to licensed nursery school	—



Unit: Millions of yen	Revised Medium-term Management Plan	
	FY3/21 (Revised Plan)	Rate of Change with the Initial Plan
Net Sales	33,005	-1,994
Ordinary income	2,153	-546
Ordinary income rate	6.5%	-1.2%
New facilities	9	-11
Nursery schools	4	-11
School clubs and children's houses	5	±0
Switch from Tokyo Licensed Nursery School to licensed nursery school	1	—

(Rounded down to the nearest million yen. Rate of change is rounded off to the nearest first decimal point place.)

# FY3/20 Forecast

	FY3/20 Actual	FY3/21 Forecast	Change	Year on Year Comparison (%)
Net sales (million yen)	31,719	33,005	1,285	4.1%
Operating income (million yen)	1,538	1,577	39	2.5%
Ordinary income (million yen)	2,003	2,153	149	7.5%
Net income attributable to owners of parent (million yen)	1,122	1,163	40	3.6%
Net income per share (yen)	12.81	13.30	0.49	—
Dividends (yen)	3.90	3.90	± 0	—
Dividend payout ratio (%)	30.4	29.3	△1.1	—
Expected opening of nursery school (school)	10	4 Switch to licensed nursery school: 1	△6	—
Expected consignment of school clubs and children's houses (facility)	2	5	3	—

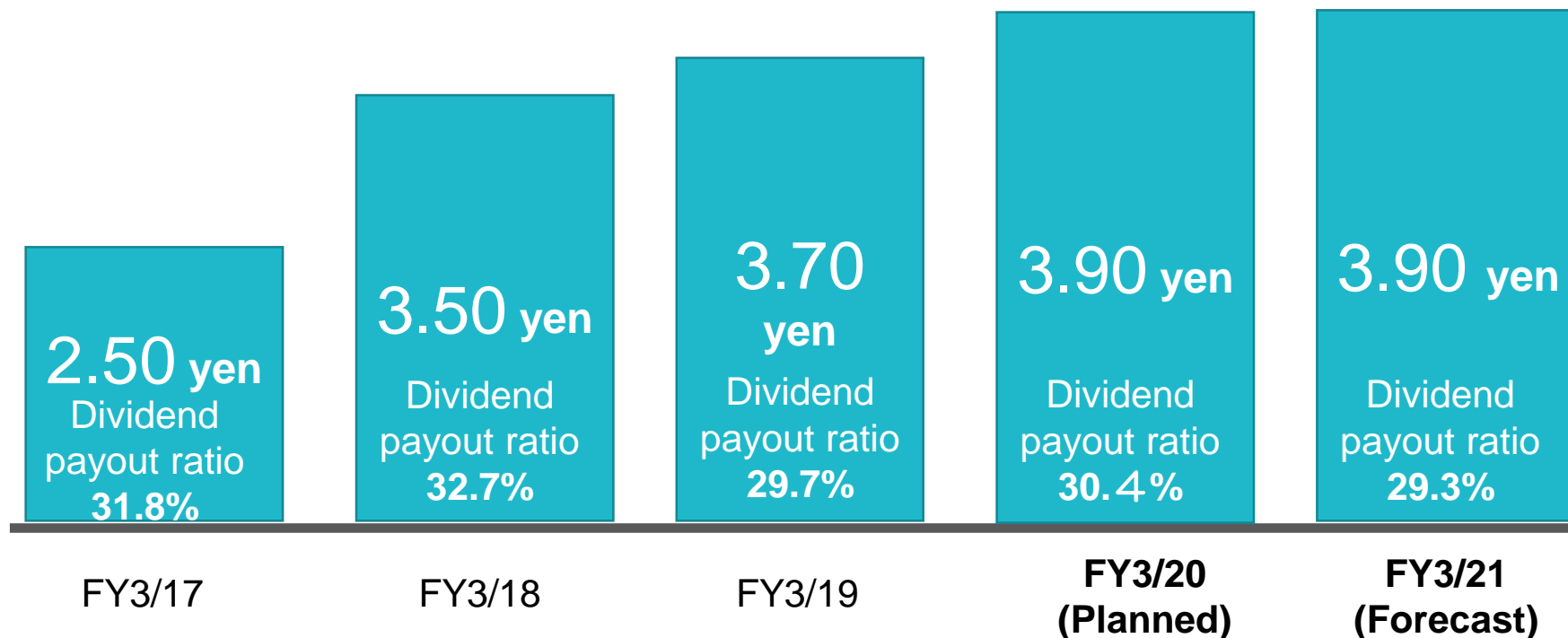
(Rounded down to the nearest million yen. Rate of change is rounded off to the nearest first decimal point place.)



# Dividend Situation

## ● 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 3.90 yen – the same amount as in the previous term considering the impact of COVID-19.



\*The year-end dividend for FY3/20 will be the dividend per share if approval is obtained at the Company's 28<sup>th</sup> Ordinary General Meeting of Shareholders.

# Status of New Openings as of FY3/21

## FY 3/20 New Openings

Nursery Schools	4
School Clubs	5
Total	9

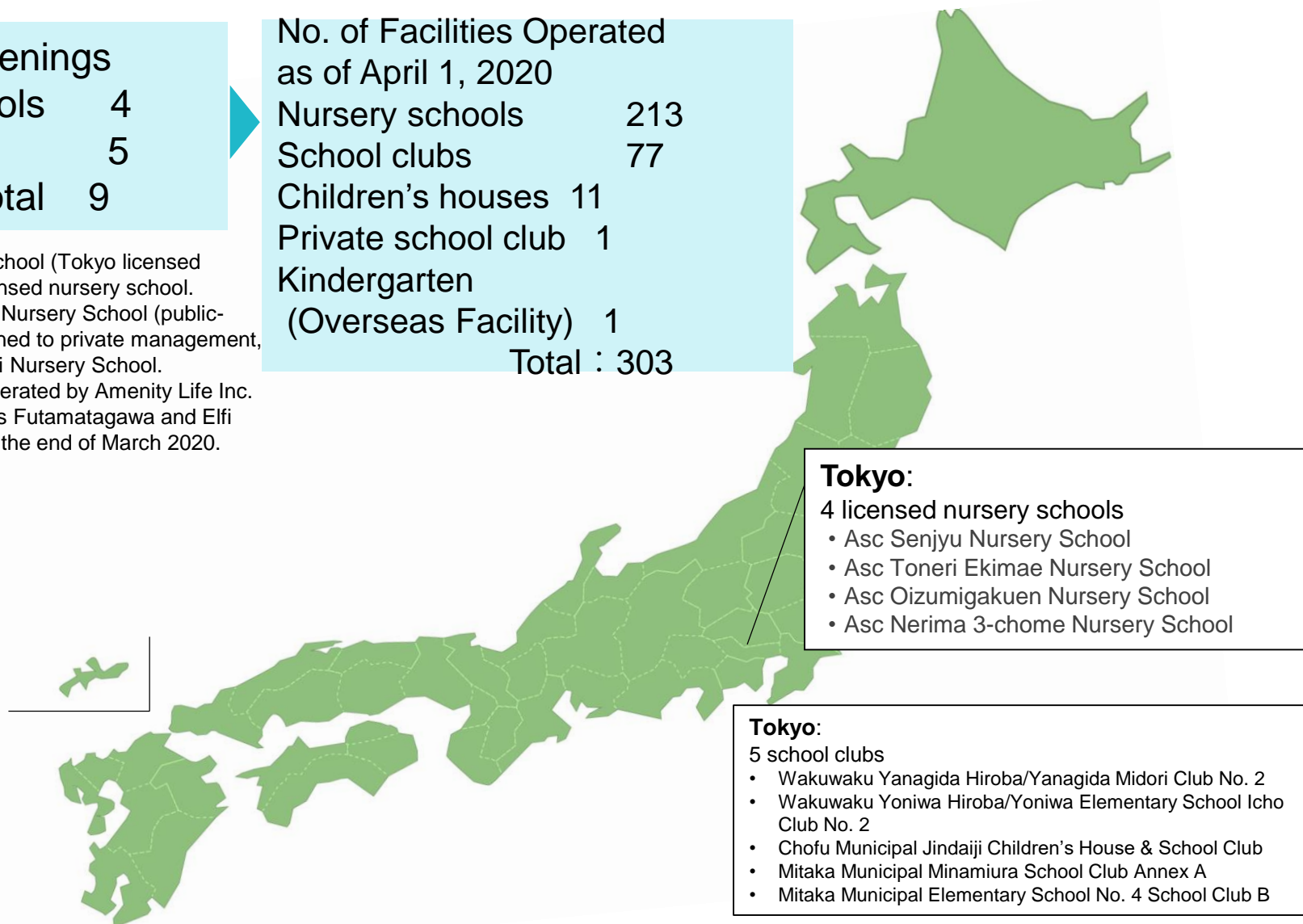
\*Asc Higashi-ojima Nursery School (Tokyo licensed nursery school) became a licensed nursery school.

\*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. (LT Kids Tsurugamine, LT Kids Futamatagawa and Elfi Kids Ryokuen-toshi) closed at the end of March 2020.

## No. of Facilities Operated as of April 1, 2020

Nursery schools	213
School clubs	77
Children's houses	11
Private school club	1
Kindergarten (Overseas Facility)	1
Total	303



# 6

## Medium-term Management Plan

# Response in Light of Changes in the External Environment

- ▶ Qualitatively improve childcare support business and create new growth businesses in light of changes in the external environment
- ▶ Spread of COVID-19 will have a major impact on business promotion.

## Changes in the External Environment

### Past to FY3/20

- Increase in children on waiting lists
- Various measures taken to reduce the number of children on waiting lists by the government and local governments
- Increase in the female employment rate
- Increase in the number of nursery schools (rapid increase)

## Response and Measures (Policies)

- Increase the opening of new childcare facilities
- \*Focus on quantitative expansion
- Strengthen hiring of nursery school teachers
- Work on new businesses that will increase earnings

Quantitative expansion

### From FY3/21

- **Promote and strengthen measures against infectious diseases**
- **Acceleration of the declining birthrate**
- **Reduction in children on waiting lists due to a rapid increase in facilities \*Clear difference between regions and changes to the subsidy system**
- **Free infant and childcare and an increase in the female employment rate**
- **Intensifying battle over securing nursery school teachers**
- **Further improvement in safety and security (against COVID-19)**
- **Qualitative improvement in childcare support services**
- **Unique childcare management for homogenization**
- **Shift to improving the retention rate from strengthening the recruitment of personnel (labor shortage, systemization and work style reforms)**
- **Build new growth businesses in light of the falling birthrate**

Qualitative improvement and development in new growth areas

# Target Performance Indicators

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

Long-term  
Management Vision

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

FY3/25

<b>Existing Business</b>	<b>50.0 billion yen</b>
<b>New Business</b>	<b>10.0 billion yen</b>
<b>Business or Capital Alliance</b>	<b>40.0 billion yen</b>

Medium-term  
Management  
Targets

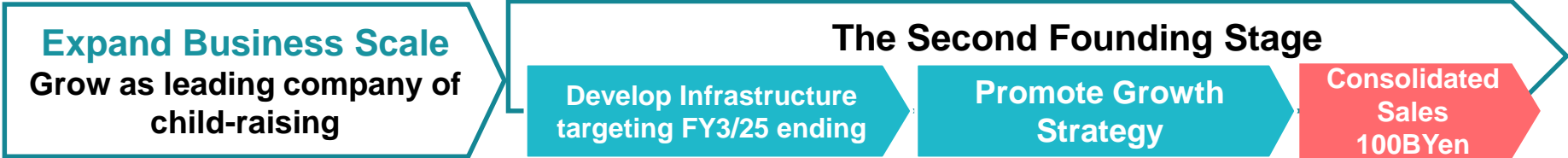
**Further improve quality of child raising services**  
**Create new businesses, form alliances and partnerships with nursery enterprises**

**Infrastructure development over three years from FY3/19 to FY3/21**

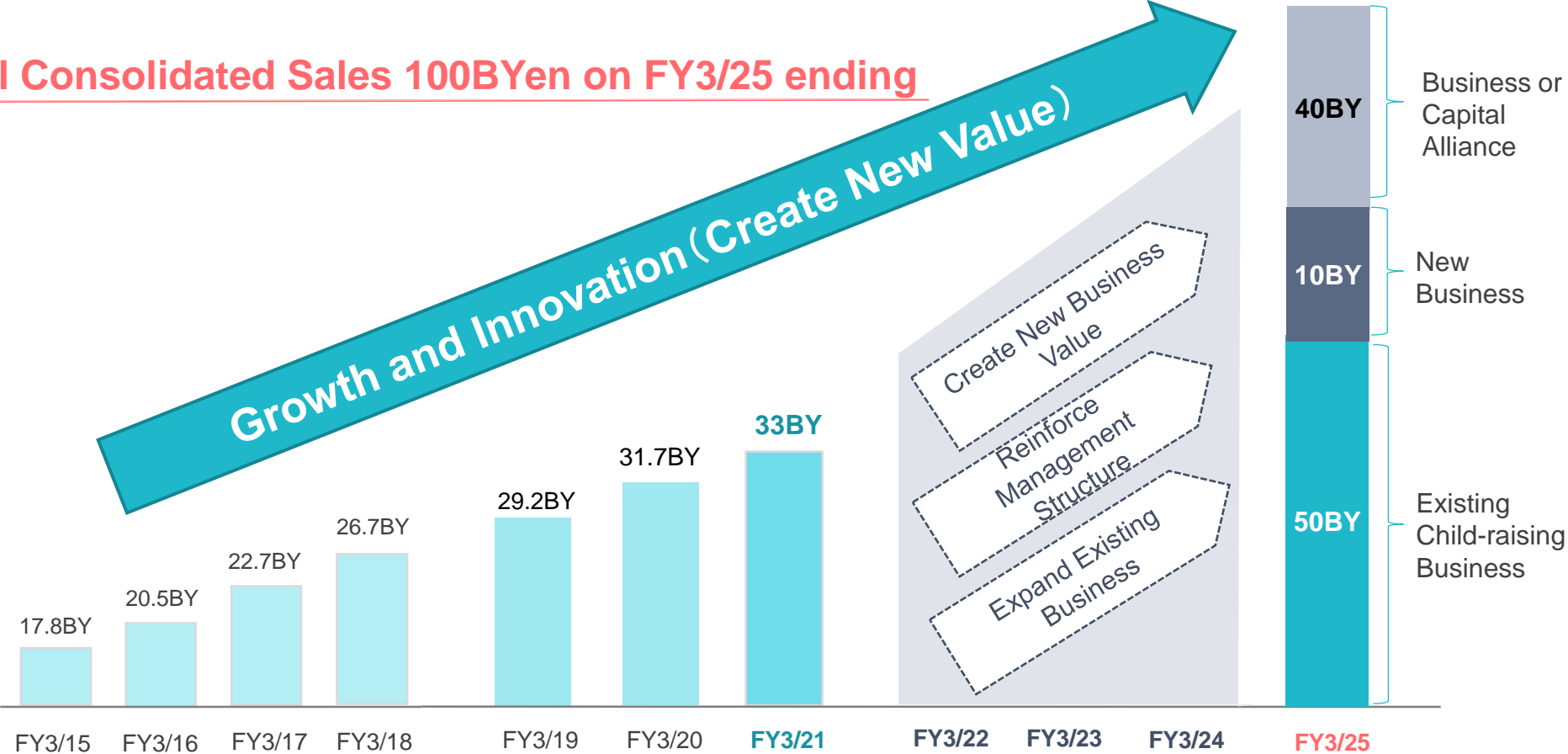
**Third Year (Final Year) of the Medium-term Management Plan**  
**Net sales of 33,005 million yen and ordinary income of 2,153 million yen in FY3/21**

(Medium-term Management Plan was revised in light of changes in the social environment)

# Long-term Management Vision



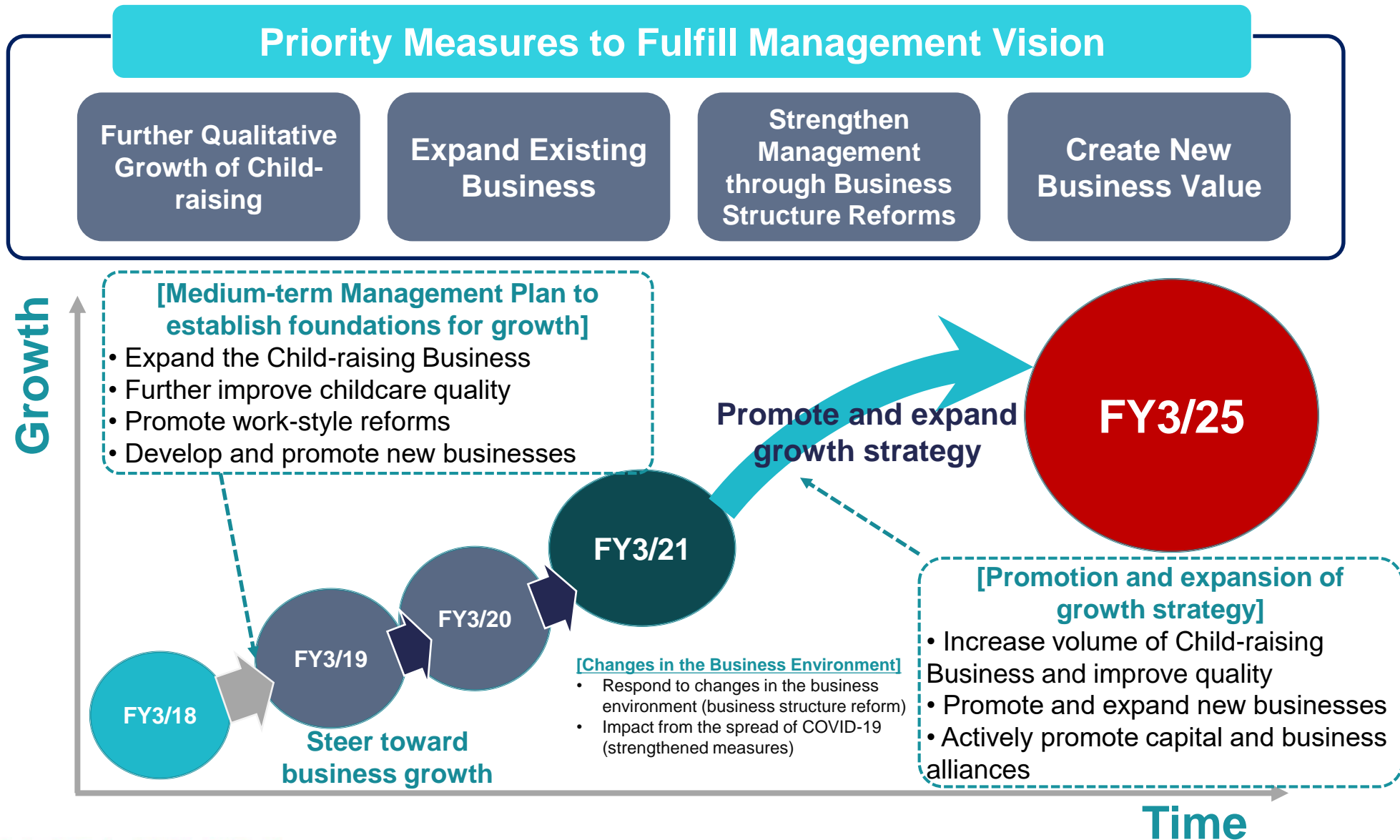
Fulfill Consolidated Sales 100BYen on FY3/25 ending



Medium-term Management Plan

Promote to Fulfill Sales 100BY

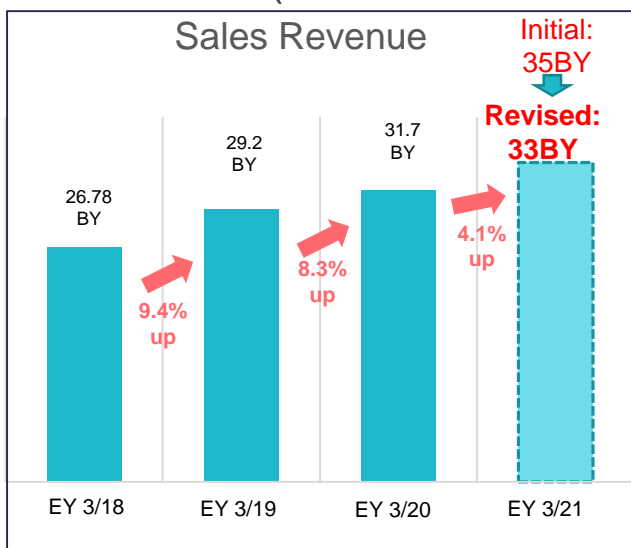
# Medium- to Long-term Corporate Strategy



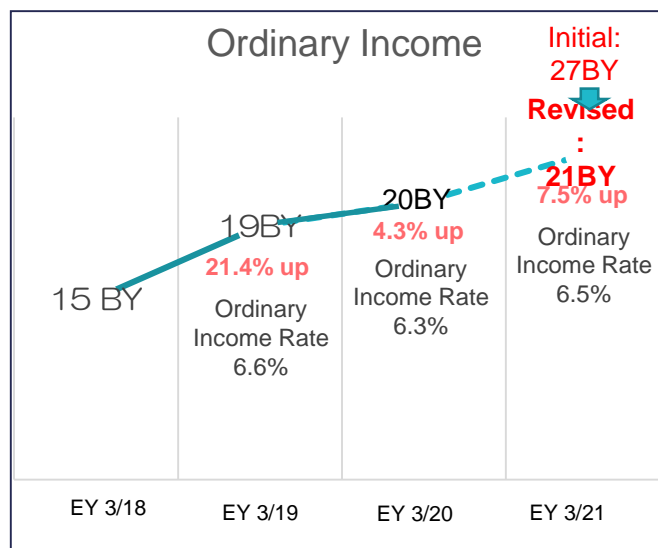
# Medium-term Management Plan

Review FY3/21 – the final year of the Medium-term Management Plan – in light of changes in the business environment and the impact of COVID-19.

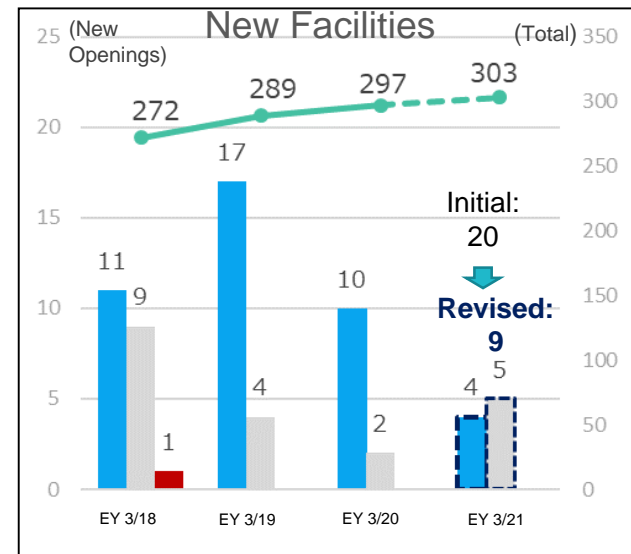
## ► Forecast (Consolidated)



(Unit: million yen)



(Unit: million yen)



## ► Priority measure

- (1) Formulate and implement an operating structure and measures that prioritize safety, security and health
- (2) Reform the awareness and behavior of employees by ensuring the permeation of childcare principles/policies and bolstering the educational structure
- (3) Planned recruitment of nursery school teachers and appropriate deployment in existing facilities linked with the recruitment plan
- (4) Build attractive workplace environments (strengthen recruitment activities, improve personnel education and retention rate, reform the personnel system, and manage health)
- (5) Ensure thorough compliance and further strengthen corporate governance
- (6) Promote systemization and reform the business structure to promote the sophistication of the business management/revenue management structure and the efficiency of management
- (7) Expand earnings base by developing and promoting new businesses
- (8) Synergy measures (business alliances and capital alliances) in the child-raising support and education industries

■ Nursery Schools 
 ■ School Clubs, Children's Houses 
 ■ Kindergarten (Overseas Facility) 
 — Total



# 7

## Main Initiatives for FY3/21

# FY3/21 Management Policies

The following are four main management policies. We will improve/strengthen our childcare support business, create new businesses and provide support for further safety/security.

## Childcare Support Business

Create facilities chosen by customers by qualitatively improving our childcare support business (work style reform and personnel system)

Enhance corporate value

Promote the sophistication of group management (structural reform)

## Thorough Safety and Security

Implement ongoing support with our highest priority being safety and security (each facility and head office/headquarters)

## New Businesses

Create and expand new businesses by collecting together our expertise built up in childcare support



# Main Management Measures in FY3/21

Management policies	Long-term management vision: Aim for the highest quality childcare support business in Japan
	Mid-term management vision: Qualitatively improve our childcare support business and create new growth businesses

Work to support continuous growth and changes in the external environment

Main management measures	1	Strengthen support with our top priority being to secure safety and security	
	2	Qualitatively improve our childcare support business	Improve the stability and profitability of existing businesses
	3	Develop and strengthen management structure through structural reform	
	4	Create/promote new growth businesses and strengthen external sales	

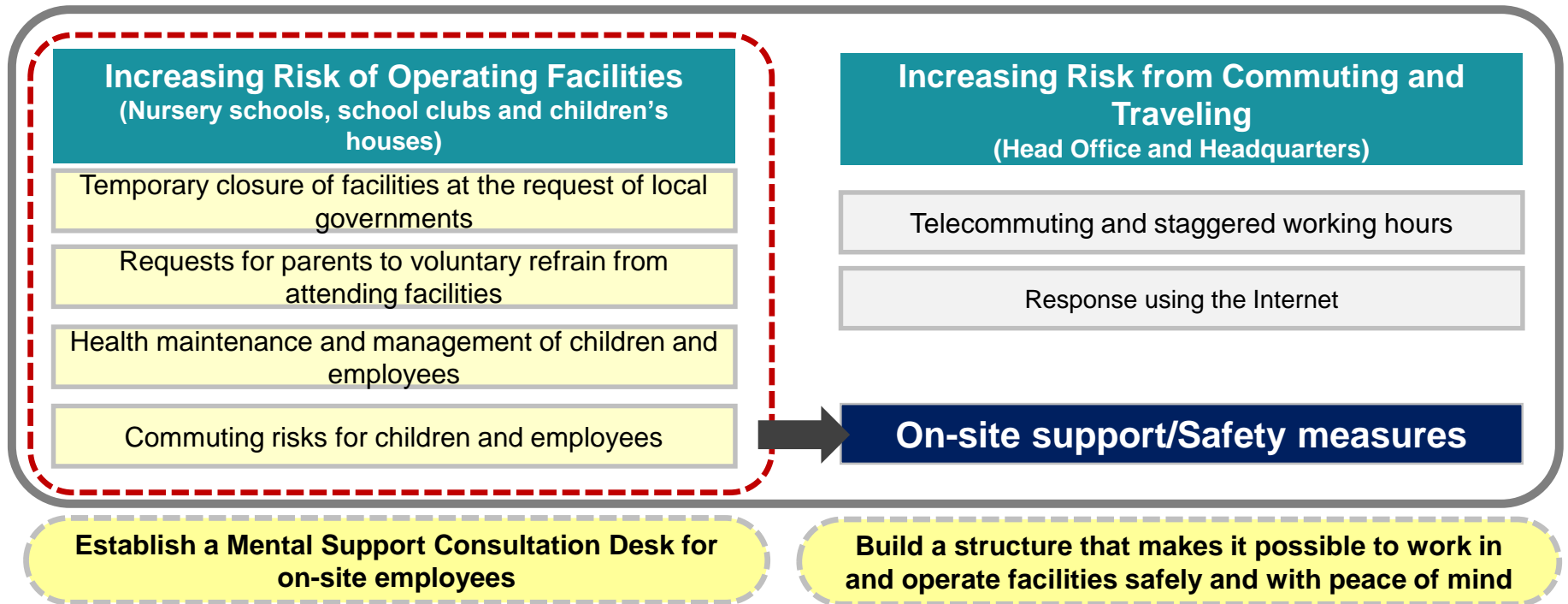
# Details of Main Initiatives in FY3/21

Main management measures	1	Strengthen support with our top priority being to secure safety and security	Prevent the spread of COVID-19 and continue efforts taking into consideration the safety of children, parents, business partners and employees
			Review existing businesses through work style reform as far as possible
	2	Qualitatively improve our childcare support business	Resolve personnel issues (personnel system revision, recruitment and retention rate, and appropriate deployment)
			Promote work style reform to become an attractive company
			Re-build and establish our childcare philosophy (structures, common consciousness and penetration to all facilities)
	3	Develop and strengthen management structure through structural reform	Improve profitability of existing facilities: Improve profitability by increasing the number of children accepted (improve the operating rate)
			Secure personnel and optimize personnel deployment in light of changes in the external environment
			Promote systemization in light of the environment in which it is possible to concentrate only on on-site work and optimization of work
			Strengthen management structure and verify organizational structure/headquarter function in light of information transmission and penetration
	4	Create/promote new growth businesses and strengthen external sales	Perform external sales utilizing the expertise of the group (e.g., provision of lunch, educational programs and school opening equipment)
			Promote new business development and external sales integrated with childcare business and peripheral businesses
			Cultivate and promote new business areas through cooperation and collaboration with various companies

# FY3/20: (1) Building a Safe and Secure Structure

## Prevent the spread of COVID-19

Respond to requests from the government/local governments and support telecommuting



Review the operations of each facility as far as possible through efforts that give highest priority to the safety of the children entrusted to us/employees and work style reform

# FY3/20: (2) Qualitatively Improve our Childcare Support Business

- ▶ Establish the Group's childcare philosophy. At the same time, develop an environment and mechanisms that allow employees to work with peace of mind (e.g., personnel system, personnel education and career formation). This will lead to the building of an attractive company.

A corporate group in which employees feel most comfortable in working and work with pride

## Work style reform and productivity improvement

### Secure and develop personnel (Linked to reduced resignations)

- Strengthen recruitment using the Internet – widen the recruitment methods
- Expand the training structure (by level)

### Reform personnel system

- Reform the system in line with the on-site and Headquarter occupational structure
- \*Identify issues with advance surveys

### Manage human resources

- Talent management system
- Job rotation and extraction of issues with questionnaires

### Develop the working environment

- Develop the environment in each facility (structures and operations)
- Manage working hours and optimize office hours (introduce a new system)

### Rebuild and ensure the penetration of our childcare philosophy

- Rebuild our philosophy according to the current situation in childcare sites with the Childcare Committee (on-site and headquarters)
- Penetrate to on-site by utilizing guidebooks

### Verify and examine our future childcare support business

- Verify new ways of childcare in the future

### Stimulate with teambuilding

- Promote cross-sectional operations beyond departments by uniting mutual opinions and thoughts
- Firmly promote new ideas, problem-solving abilities and improvement

## Qualitatively improve childcare support services

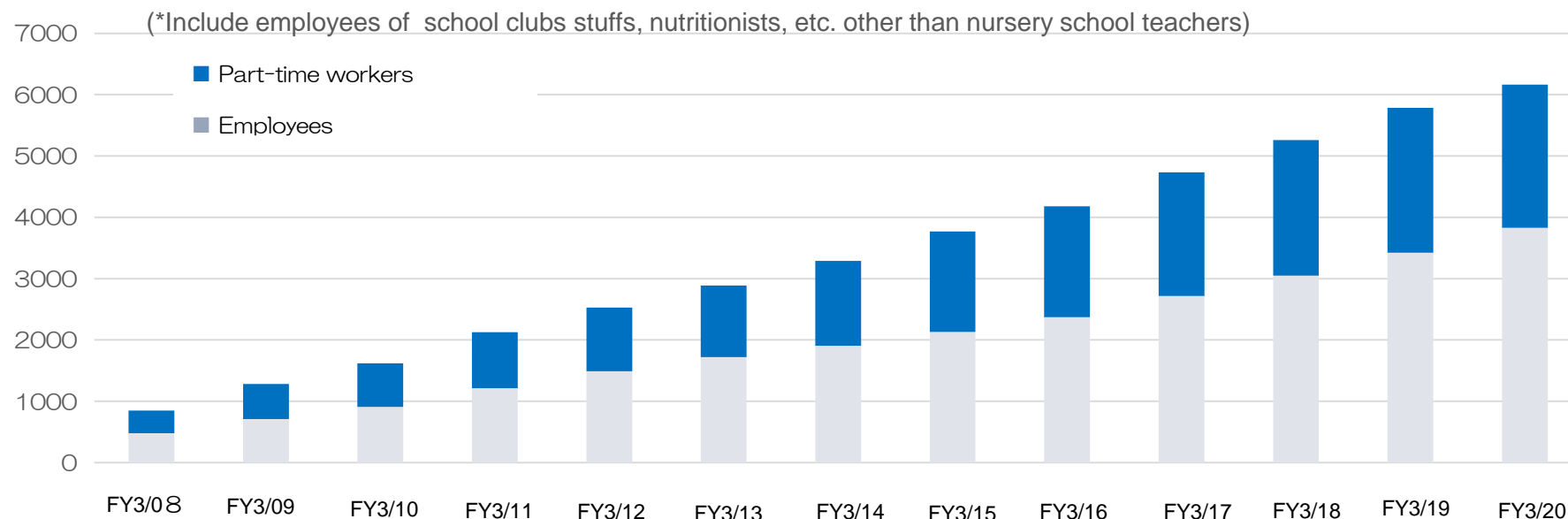
## 【Supplementary Material】 Reacruitment of Nursery School Teachers

		FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21 Joined on Apr.1
Nursery School Teacher	New Graduates	178	1 97	247	276	248	188
	Mid career employment	219	2 4 1	327	325	269	230 (Plan: 330)
Non qualified	New Graduates	—	23	32	46	26	9

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

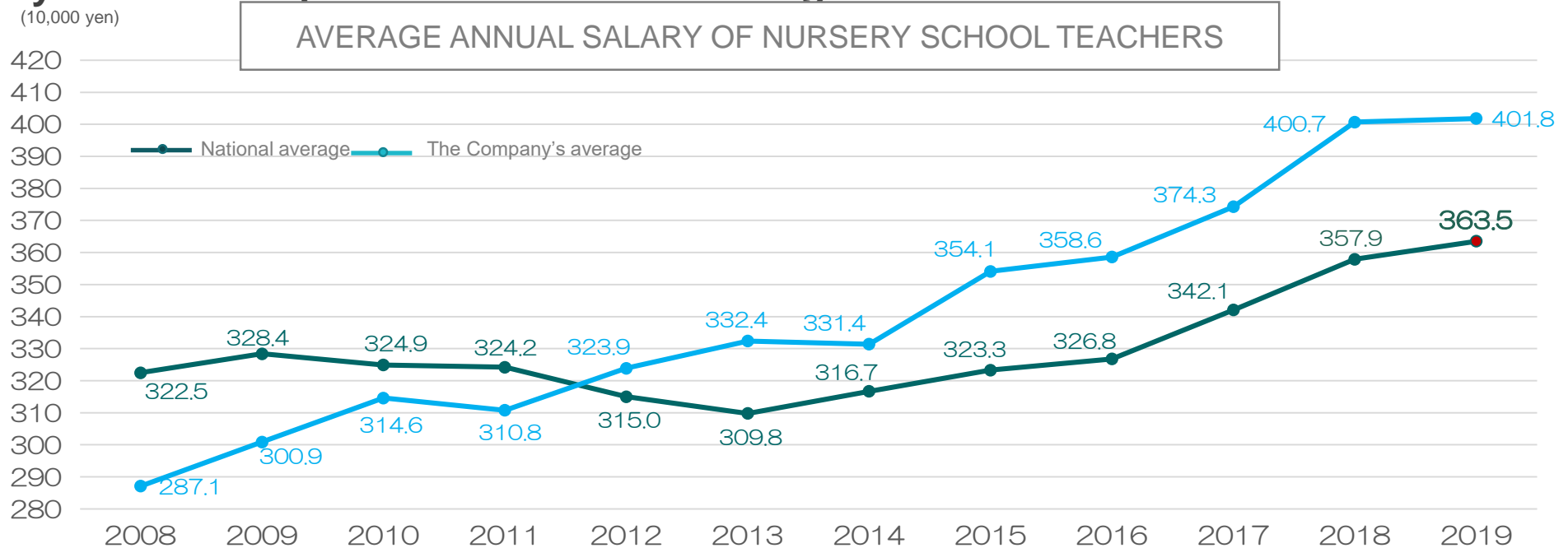
\* Includes seconded employees to associated companies.

### Trend of Employee Numbers in childrearing Business



## 【Supplementary Material】 Our Plan to Secure Nursery School Teachers

- ▶ Utilize national and municipal subsidy and continue to improve wages.
- ▶ From Nov 2017, additional measures were introduced ※Provided retroactively from Apr. 2017
  - (1) Implemented salary increase by regions(Max 480 thousand ¥/y)
  - (2) Newly invented salary by roles(Max 480 thousand ¥/y)
  - (3) Salary increase for directors and chiefs of nurseries(300 thousand ¥/y)
- ▶ The annual income for nursery school teachers in 2019 was **4,018,000 yen in the Company on average against the national average of 3,635,000 yen. This is 383,000 yen more compared to the national average.**



\*As for national average, JPHD made numbers based on Ministry of Health, Labour and Welfare

"Basic Survey on Wage Structure"

「Contractual cash earnings as of each June」×12+「Annual special cash earnings of each previous year」

\*JPHD's average annual salary is based on full year base.



- ▶ Develop and strengthen management structure by developing business structures and mechanisms (systems and various schemes) to support those in light of changes in the market environment and growth strategies in the future

## Promote structural reforms for continuous growth

### ● Structural Reform

#### Business/organization review and system reform promotion:

- (1) Optimize business/organization:** Review management functions of the Head Office and subsidiaries (Personnel optimization and management function improvement)
- (2) Improve existing business:**  
(Childcare support business) Promote improvement measures for each facility based on area characteristics (capacity verification, redeployment of nursery school teachers and personnel optimization)
- (3) Reform and improve operations:** Promote personnel deployment optimization
  - Improve efficiency with system introduction
  - Input specialized personnel including new business fields

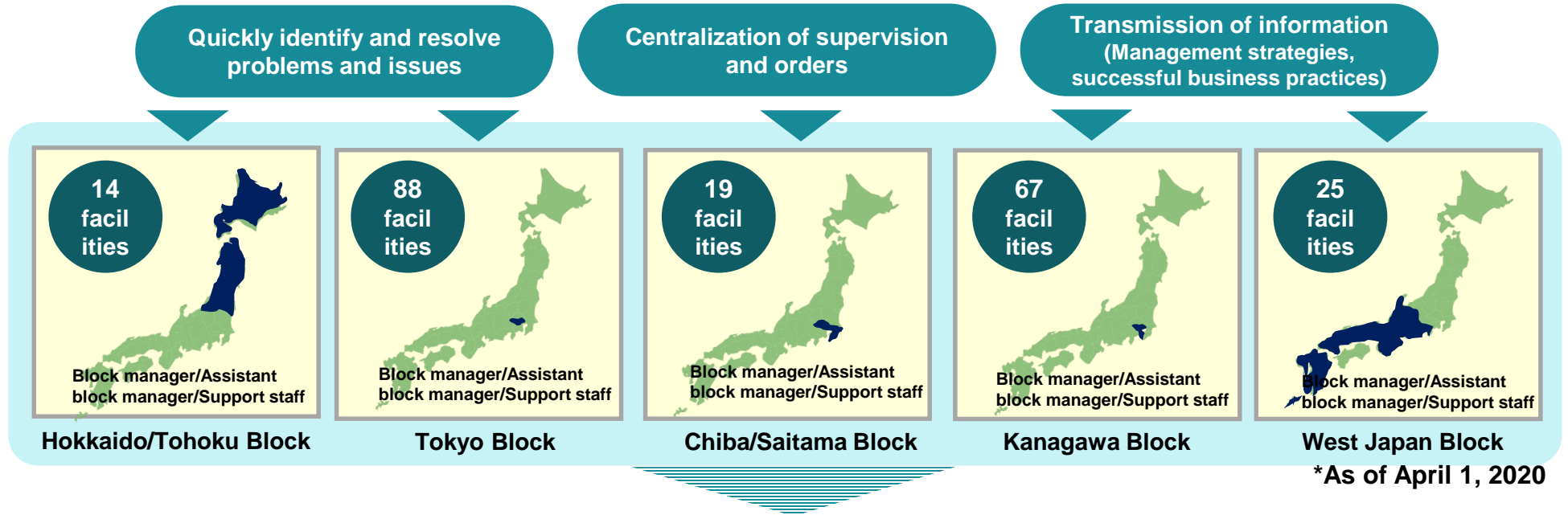
### ● Profit Increase and Improvement

#### Work to improve operational efficiency and reduce costs in facilities, Headquarters and the Head Office

- Thorough cost management (cross-sectional unified management among the whole company and all departments)

## 【Supplementary Material】 Introducing Block System and its Effects

Nursery schools have been divided into five blocks in Japan to strengthen operations and administrative functions for higher profitability.



Head office receives all information and monitors operations  
Block Manager Meeting, Assistant Block Manager Meeting and Nursery School Principal Meeting

Collect on-site issues

Examine new efforts

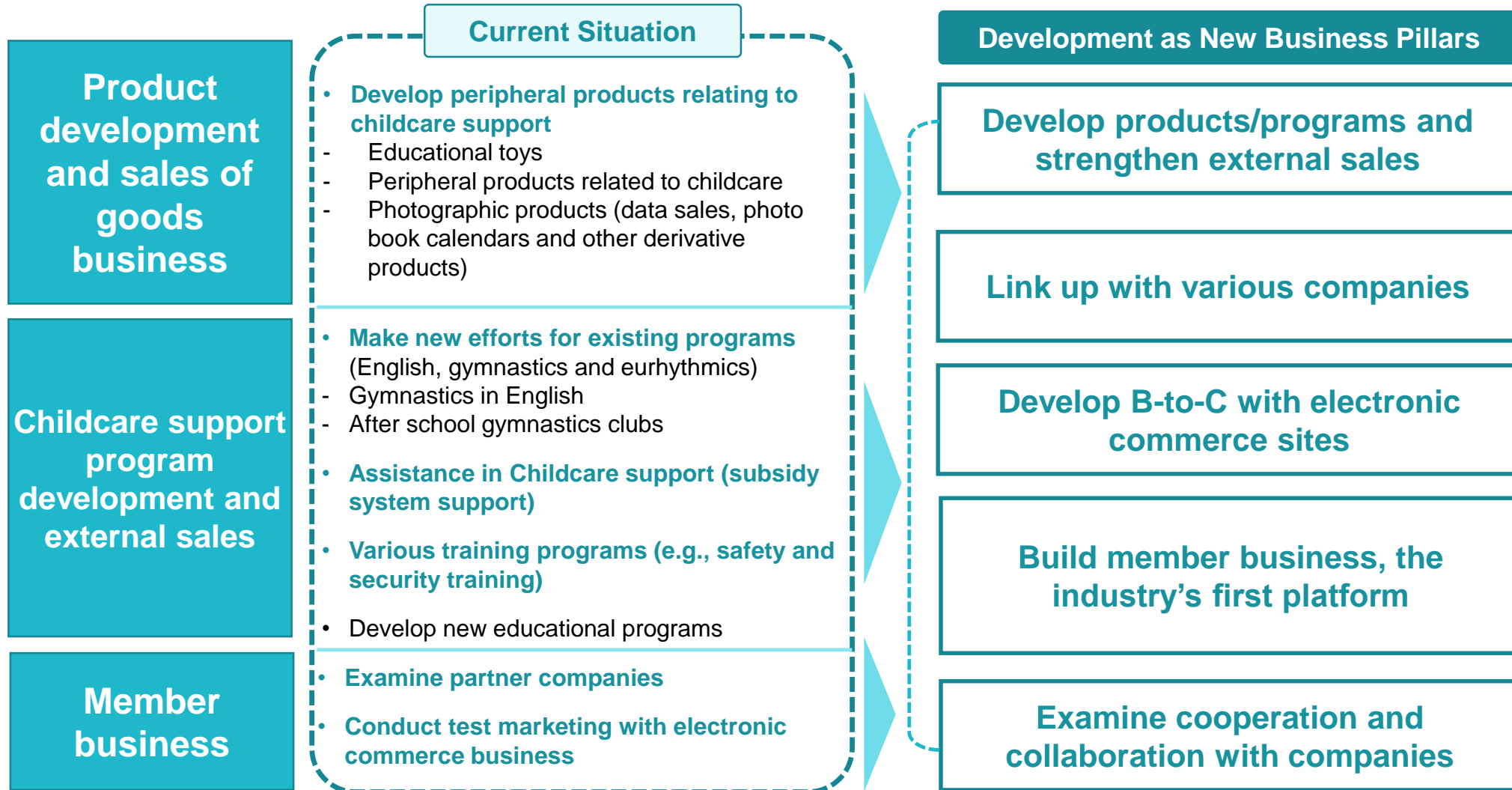
Profit management of individual facilities

Proper allocation of personnel

Proper business environment  
(Identify problems ⇒ Improvements and reforms)

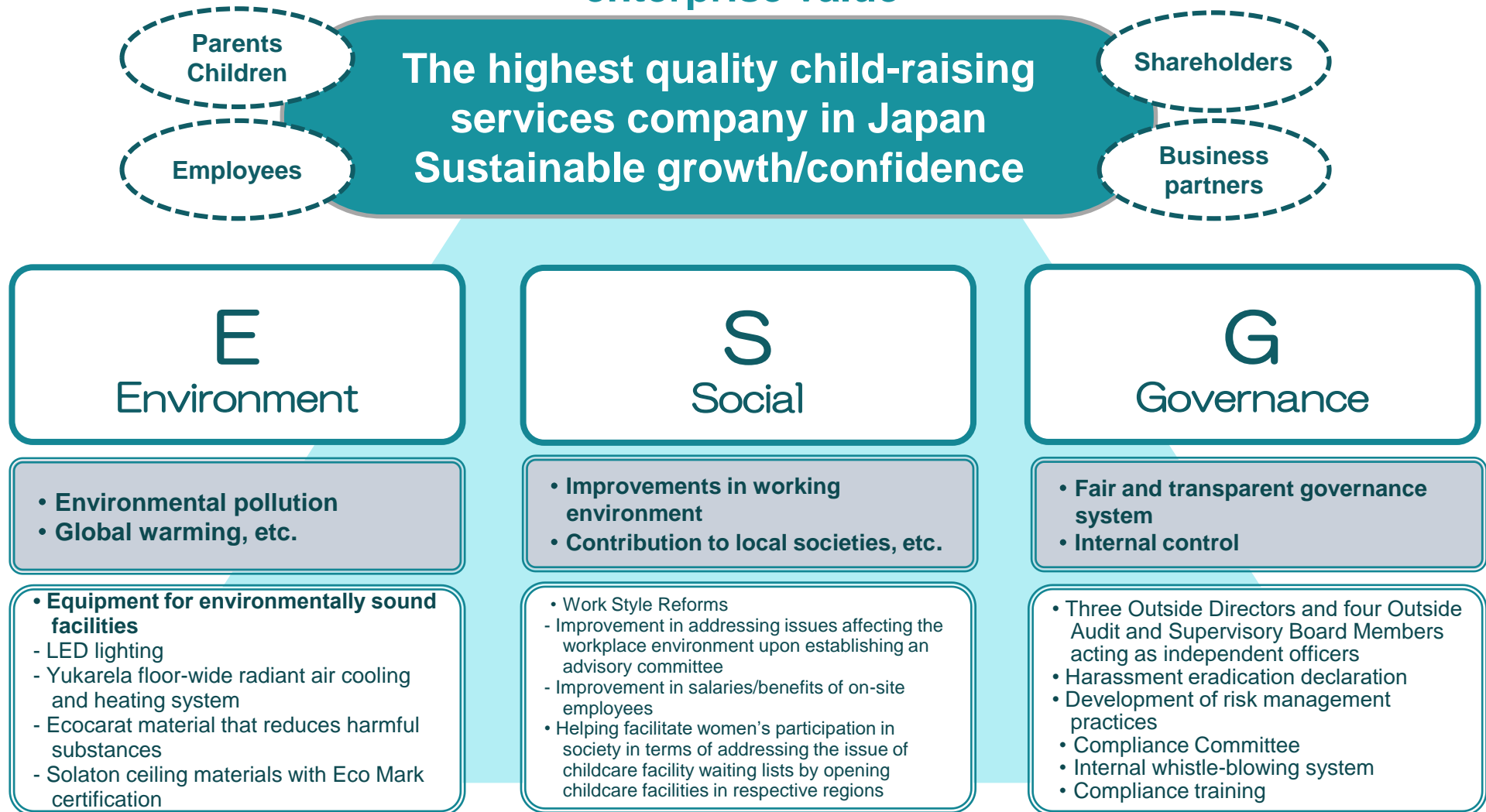
# FY3/20: (4) Create New Growth Businesses

- ▶ Proactively develop new businesses as the second pillar for our future growth strategy in light of changes in the external environment



# ESG Initiatives

## ESG initiatives to achieve sustainable growth and improved enterprise value



# 8

## APPENDIX

# Company Overview

# Profile

Company Name	JP-HOLDINGS, INC.
Listed Market	First Section of the Tokyo Stock Exchange (Securities code: 2749)
Location	Head Office: 17F Chikusa New Tower Bldg., 3-15-31 Aoi, Higashi-ku, Nagoya-shi Aichi Tokyo Office: 5F Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku Tokyo
Date of Establishment	March 31, 1993
Capital	1,603,955 million yen
Representative	Koichiro Furukawa, President and Representative Director
No. of Employees	Employees: 3,481 / Part-time workers: 2,520 *As of March.-end 2019
Consolidated Subsidiaries	Japan Nursery Service Inc. (Capital stock: 99 million yen / Wholly owned subsidiary)
	J Kitchen Inc. (Capital stock: 10 million yen / Wholly owned subsidiary)
	J Cast Inc. (Capital stock: 10.4 million yen / Wholly owned subsidiary)
	J Planning Sale Inc. (Capital stock: 10 million yen / Wholly owned subsidiary)
	Japan Nursery Institute for General Research Inc. (Capital stock: 10 million yen / Wholly owned subsidiary)
	Amenity Life Inc. (Capital stock: 70 million yen / Wholly owned subsidiary)
	COHAS VIETNAM CO., LTD (Capital stock: 6,834,million VND / Wholly owned subsidiary)
Business Areas	Nursery Service (Japan Nursery Service, Amenity Life, and COHAS VIETNAM )
	Gymnastics, English and Eurhythmics Schools Contracting Service (J Cast)
	Food Service (J Kitchen)
	Distribution Service (J Planning Sale)
	Researching , Training and Consulting Service (Japan Nursery Institute for General Research)

# Corporate Philosophy

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## ▶ Corporate Message

### For the smiles of children...

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

We strive for continual self-improvement to be models to children. We also strive to connect with children with passion and a sense of responsibility, and to acquire strong ethical values and social conscience.

## ▶ Management Philosophy

- 1.Number one priority: Safety and security
- 2.Childcare that remains memorable forever to users
- 3.Provision of high-quality services needed by users
- 4.Creation of work-friendly environments



# Business Summary

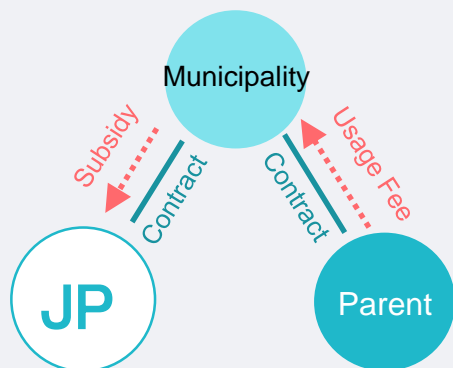
## ► Operation of Childrearing Facilities (Public and Private)

**Public Facilities** = Subsidy from Gov't and Municipalities **Yes**

### Private Facilities

= Subsidy from Gov't and Municipalities **No**

#### Licensed Nursery School

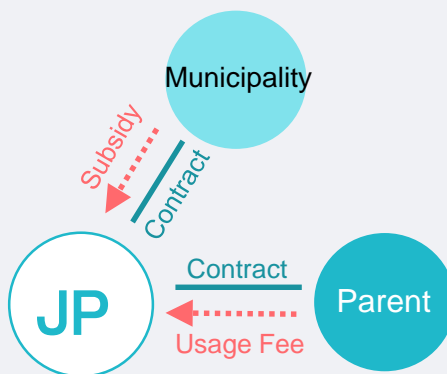


Licensed schools  
(Public-private management)

**Revenue from User**  
(Burden of Actual Cost)

**Subsidy**  
(Designated Management Fee)  
※depends on municipality

#### Tokyo Licensed Nursery School

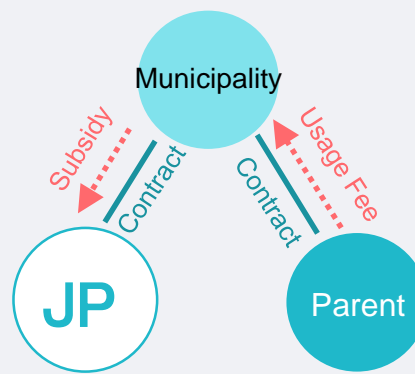


Licensed schools  
(Private management)

**Revenue from User**  
(Burden of Actual Cost)

**Subsidy**  
(Official Price)  
+  
(Addition by Municipality)  
※depends on municipality

#### School Club, Children's House



**Revenue from User**  
(Burden of Actual Cost)

**Subsidy**  
( Designated Management Fee)  
or  
(Trustee Fee)  
※depends on municipality

#### Private School Club



**Revenue from User**  
(Childcare Charge + Burden of Actual Cost)

Contract Form

Structure of Sales

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

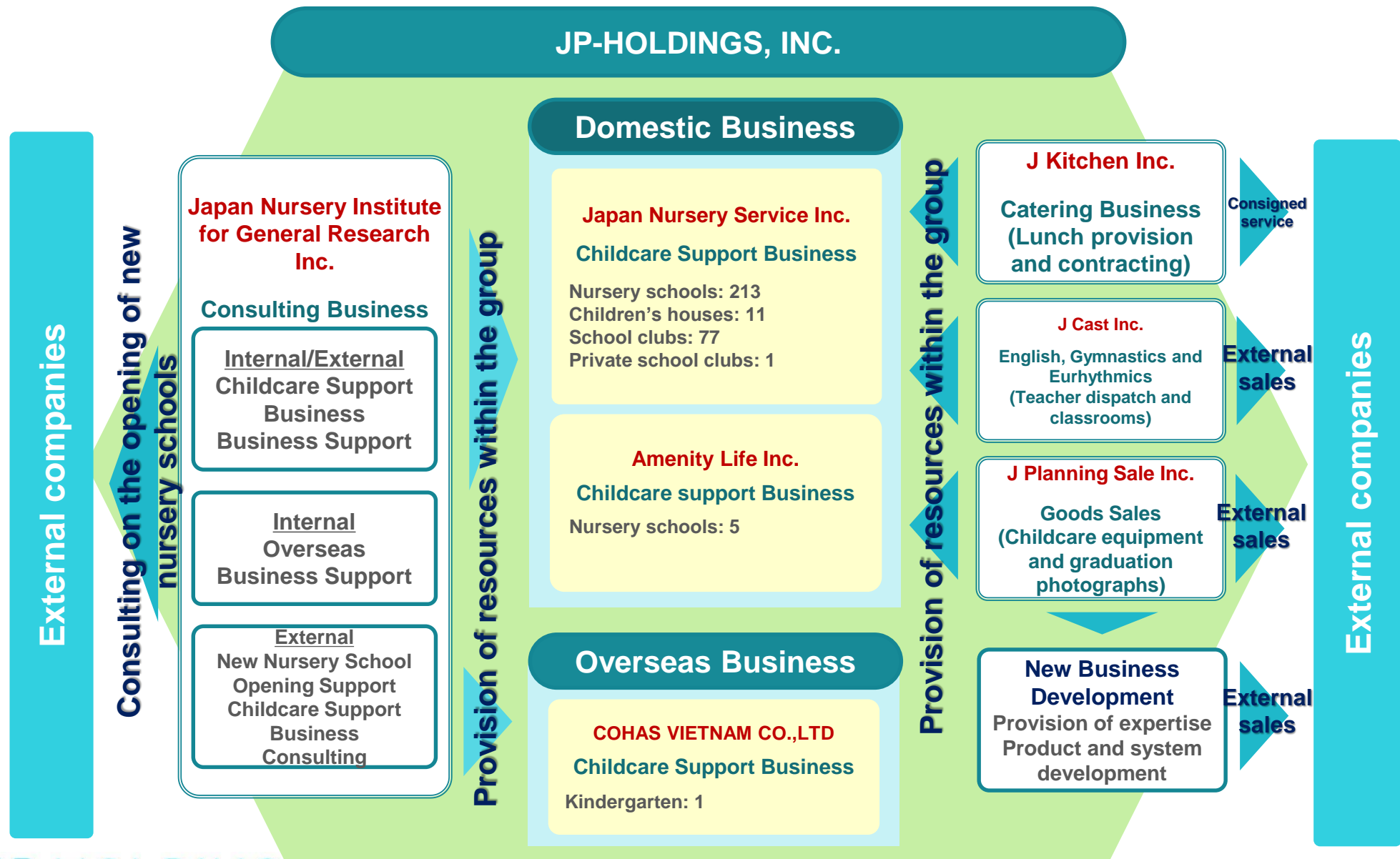
	Kindergarten	Nursery School	Licensed Children's School (Kindergarten/Nursery School Cooperation type)
Underlying Laws/Regulations	Act on Child Education and Childcare Support (Defines the framework of cross-ministerial and unified payments in the Cabinet Office)		
	Section 3 of the School Education Act (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

# 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	

# Group Business Overview (Composition of Internal/External Transactions)

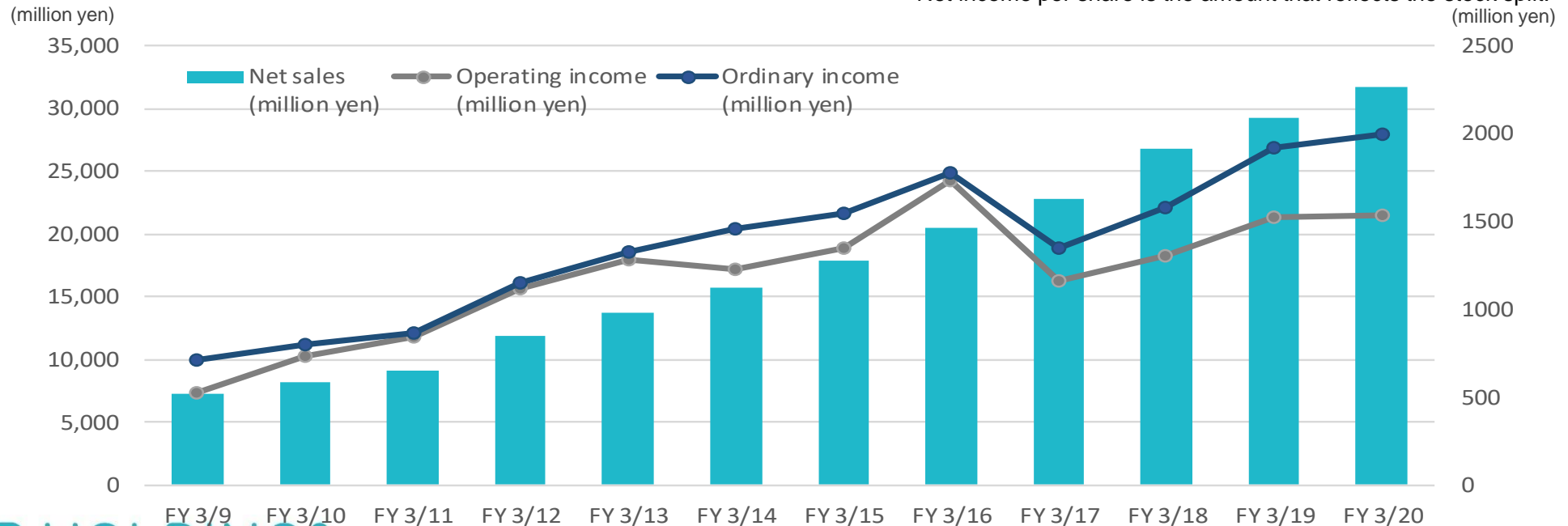


# Results Trends

# Consolidated Results (Highlights)

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY 3/20
Net sales (million yen)	8,194	9,166	11,867	13,789	15,747	17,868	20,552	22,799	26,779	29,298	31,719
Operating income (million yen)	738	839	1,114	1,285	1,234	1,345	1,732	1,168	1,303	1,531	1,538
Ordinary income (million yen)	800	866	1,150	1,325	1,460	1,550	1,781	1,350	1,582	1,920	2,003
Net income attributable to owners of parent (million yen)	444	500	653	717	837	904	1,071	661	910	1,071	1,122
Net income per share (Yen)	6.06	6.67	7.83	8.60	10.03	10.84	12.84	7.87	10.70	12.44	12.81

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



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

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Total assets (million yen)	5,763	9,432	9,808	10,876	13,521	18,882	21,126	24,002	25,761	28,255	26,122
Net assets (million yen)	1,903	3,559	3,977	4,452	5,034	5,606	6,279	6,854	7,756	8,950	9,636
Shareholders' equity ratio (%)	32.9	37.7	40.5	40.9	37.2	29.7	29.7	28.5	30.1	31.7	36.9

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Cash flows from operating activities (million yen)	378	915	1,205	1,173	1,038	1,294	1,804	1,878	1,865	1,829	2,320
Cash flows from investing activities (million yen)	- 906	- 1,808	- 821	- 1,268	- 3,638	- 3,959	- 2,449	- 3,305	- 1,292	- 940	418
Cash flows from financing activities (million yen)	412	2,473	- 219	514	1,220	3,748	1,553	1,646	- 135	1,475	-3,349
Year-end balance of cash and cash equivalents (million yen)	1,022	2,602	2,768	3,188	1,808	2,891	3,798	4,017	4,455	6,816	6,206

# 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.

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Amount of dividend per share (yen)	2.00	2.90 Commemorative dividend: 0.50 yen	3.00 Commemorative dividend: 0.50 yen	3.20	3.60	4.00	5.00	2.50	3.50	3.70	3.90
Payout ratio (%)	33.0	43.4	38.3	37.2	35.9	36.9	38.9	31.8	32.7	29.7	30.4

The amount of dividend per share reflects the stock split.



## Forecast Precautions

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

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