

August 8, 2018

(Translation)

Dear Sir/Madam,

Company: JP-HOLDINGS, INC.
Representative: Koichiro Furukawa,
President and Representative Director
(Stock Code: 2749, First Section of TSE)
Contact: Akihiko Fukuoka, Director
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Notice of Formulation of “Long-term Management Vision 2025” and “Medium-term Management Plan”

– FY3/25 Consolidated sales target: 100 billion yen –

In light of medium-to long-term changes in the external environment, JP-HOLDINGS, INC. has formulated the management plan toward the fiscal year ending March 2025 titled “Long-term Management Vision 2025” and the “Medium-term Management Plan” for realizing the vision as follows.

We had to refrain from disclosing our medium-to-long-term management strategy because there were many uncertain elements regarding the future management system, since we received shareholder proposals for the Annual General Meeting of Shareholders held in June 2018 regarding the appointment of directors.

However, as the new management system was established at the Annual General Meeting of Shareholders and the board of directors meeting held on the same day, we decided to announce our future management policy and medium-term management plan.

1. Formulation of “Long-term Management Vision 2025” and “Medium-term Management Plan”

As for the environment surrounding the child-raising service in which our Group operates, demand for childcare is increasing in response to women's advancement and active participation in society, and as the issue of the number of children waiting for admission continues to become more and more serious. The government promoted a policy to provide daycare for 320,000 children by the end of March 2021 and to further improve the levels of compensation of nursery school teachers. The government also aims to fully implement the program of providing free early childhood education from October 2019. It is expected that the size of the market will continue to expand in response to these government policies, and social role of our child-raising service is expected to become more important.

On the other hand, since the performance of child-raising services depends on the number of children, we recognize the need to respond to changes in the business environment, such as the declining birthrate, the decrease in the number of children waiting for admission, and revisions to the subsidy system based on the policies of the national and local governments.

In this environment, we have focused on strengthening safety and security, improving the quality of child-raising services, and actively opening new facilities as a leading company in the child-raising industry. We have positioned the new management system as the second stage of our business, and we believe that we need to accelerate our response to changes by clarifying our future direction, in order to become a company always needed by society and customers, and continually increase our corporate value even in a rapidly changing environment.

To realize the aim, we have formulated the "Long-term Management Vision 2025" as a vision toward the fiscal year ending March 2025 and formulated the "Medium-term Management Plan" (from the fiscal year ending March 2019 to the fiscal year ending March, 2021).

2. Overview of Long-term Management Vision 2025

(1) Priority measures

Aiming to achieve consolidated net sales of 100 billion yen by the fiscal year ending March 2025, approximately three times that of the fiscal year ending March 2019, we will establish a management base over the three-year period of the Medium-term Management Plan (from the fiscal year ending March 2019 to the fiscal year ending March 2021). In order to strengthen the earnings structure and create new value further, we will fork for qualitative growth of existing businesses, reform of the business structure, development and promotion of new businesses to strengthen the business base, business alliances involving peripheral businesses, and capital alliances, etc.

1. Qualitative growth of child-raising business and expansion of existing businesses (new facility openings, capital alliances)
2. Strengthen the management base through business structure reforms
3. Create new business value (development of new businesses, business alliances involving peripheral businesses, capital alliances)

(2) Long-term Management Vision target

Consolidated sales for the fiscal year ending March 2025: 100 billion yen

3. Overview of Medium-term Management Plan

(1) Priority measures

Taking the transition to the new management structure as an opportunity, based on organizational and business structure reforms aimed at improving management efficiency, our Group will provide better quality child-raising services and contribute broadly to society. At the same time, we will cultivate new businesses and expand our earnings base.

We will promote the following as our priority targets.

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

(2) Estimated values (consolidated)

Because of the above, we forecast net sales of 30 billion yen and ordinary income of 2.1 billion yen for the fiscal year ending March 2019.

	FY3/19	FY3/20	FY3/21
Sales forecast	30 billion yen	32 billion yen	35 billion yen
Ordinary income forecast	2.1 billion yen	2.3 billion yen	2.7 billion yen

(3) Estimated opening in the future

	Nursery schools		Estimated number of school clubs and children's houses consigned
	Estimated number of openings	Estimated number of children admitted in the first year	
FY3/19	17 facilities	650 children	4 facilities
FY3/20	12 facilities	580 children	5 facilities
FY3/21	15 facilities	630 children	5 facilities

(Note) The estimated number of nursery schools, and estimated number of school clubs and children's houses consigned for the fiscal year ending March 2019 includes the number of facilities that were opened in April 2018.