

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

JP-HOLDINGS, INC.

Financial Results for the 1Q of Fiscal Year ending March 2019



TSE 1 (2749)

<http://www.jp-holdings.co.jp/>

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	Koichiro Furukawa, President and Representative Director
No. of Employees	Employees: 3,451 / Part-time workers: 2,261 *As of June-end 2018
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 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, Shikoku 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)

Company Overview

Corporate Philosophy

▶ 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**

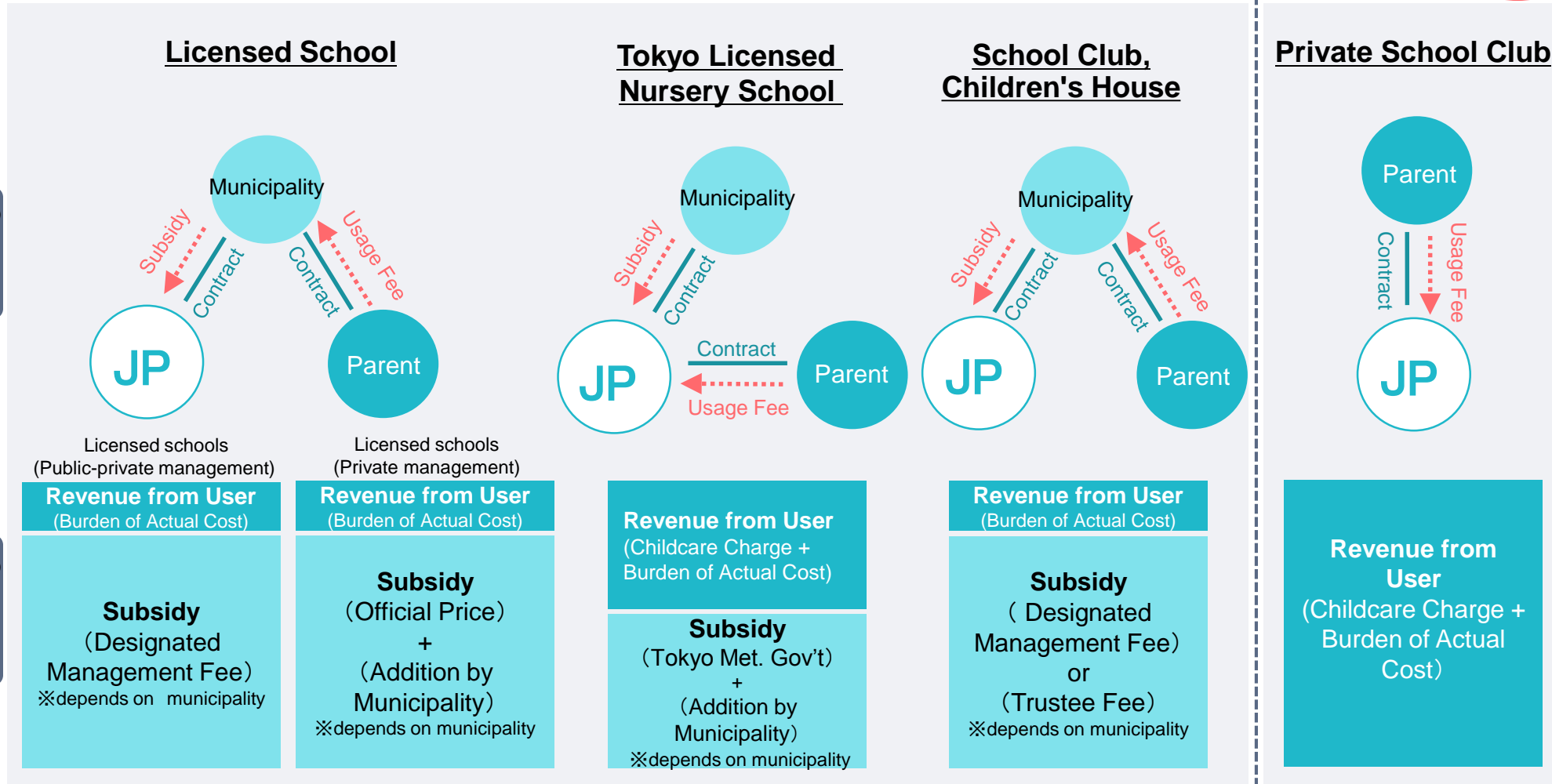
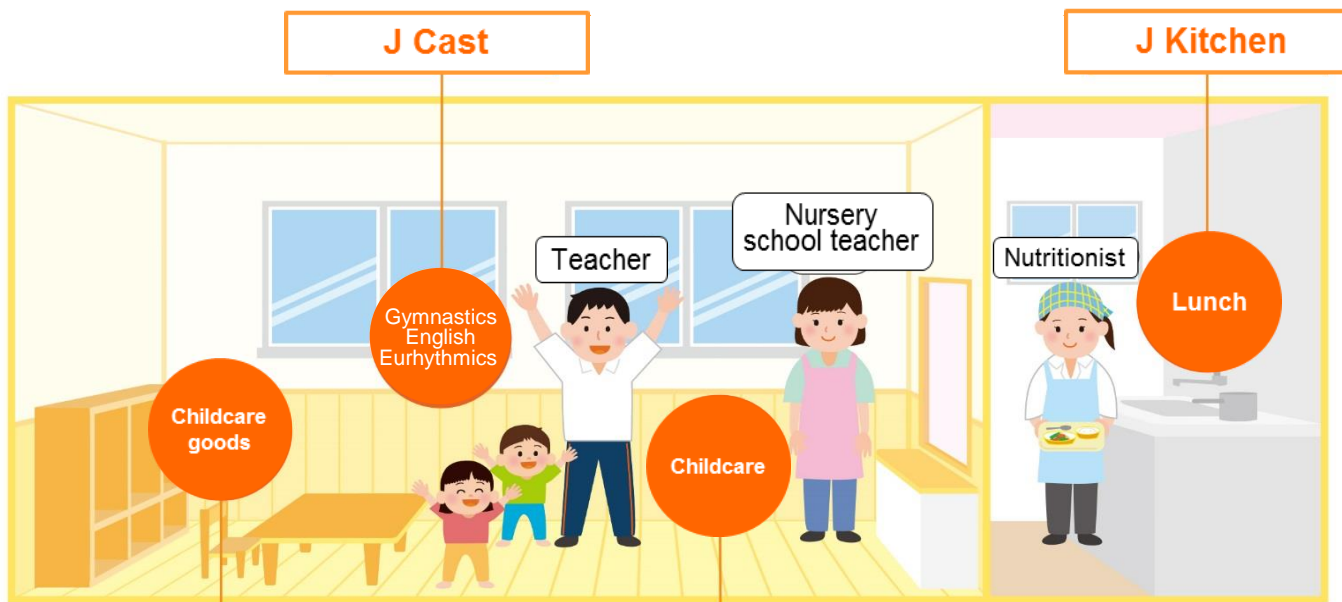


Image of JP Holdings' Group Structure



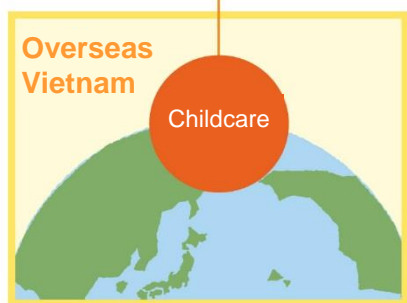
We will take full advantage of group synergies – from facilities and equipment to the quality improvement of staff

J Planning Sale

Japan Nursery Service

COHAS VIETNAM

Amenity Life



Japan Nursery Institute for General Research



1Q FY3/19 Results

1Q FY3/19 Financial Highlights (1)

- ▶ Net sales increased because of the establishment of new facilities as well as sales growth of existing facilities

Net sales 7,099 million yen (YoY+11.0%)

- ▶ Operating loss is due to increase of recruitment cost, allocated cost of nursery school teachers which was ahead of entrance of children in April and May.
Ordinary loss and net loss attributable to owners of parent are incurred as operating loss had large impact although non-operating revenues grew thanks to the subsidies for corporate dormitory users.

Operating loss 138 million yen (1Q FY3/18: 236 million yen of income)

Ordinary loss 8 million yen (1Q FY3/18: 311 million yen of income)

Net loss attributable to owners of parent 16 million yen (1Q FY3/18: 183 million yen of income)

- ▶ Consolidated earnings forecast

Will implement organizational and business structure reforms aimed at improving management efficiency, and provide better quality child-raising services and contribute broadly to society

Net sales 30,001 million yen (YoY+12.0%)

Operating income 1,847 million yen (YoY+41.8%)

Ordinary income 2,196 million yen (YoY+38.8%)

Net income attributable to owners of parent 980 million yen (YoY+7.7%)

1Q FY3/19 Financial Highlights (2)

	1Q FY3/18	1Q FY3/19	Change	Year on Year Comparison (%)
Net sales (million yen)	6,398	7,099	701	11.0
Operating income (loss) (million yen)	236	- 138	- 375	—
Ordinary income (loss) (million yen)	311	- 8	- 319	—
Net income (loss) attributable to owners of parent (million yen)	183	- 16	- 200	—
Net income (loss) per share (yen)	2.17	- 0.19	- 2.36	—
Net assets per share (yen)	81.02	86.38	5.36	—
Shareholders' equity ratio (%)	29.2	29.9	—	—

*“Partial Amendment of Accounting Standard for Tax Effect Accounting” and other regulations have been applied from the first quarter of the current fiscal year, As for numbers of cumulative previous 1Q period is retroactively rectified by this accounting standard.

1Q FY3/19 Profit and Loss Statement

	1Q FY3/18		1Q FY3/19		Year on Year Comparison	
	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Rate of Change (%)
Net sales	6,398	100.0	7,099	100.0	701	11.0
Cost of sales	5,490	85.8	6,484	91.3	994	18.1
Gross profit	908	14.2	614	8.7	- 293	- 32.3
SG & A expenses	671	10.5	753	10.6	81	12.2
Operating income (loss)	236	3.7	- 138	- 1.9	- 375	—
Non-operating revenues	94	1.5	161	2.3	66	69.7
Non-operating expenses	20	0.3	31	0.4	11	53.8
Ordinary income (loss)	311	4.9	- 8	- 0.1	- 319	—
Net income (loss) attributable to owners of parent	183	2.9	- 16	- 0.2	- 200	—

1Q FY3/19 Balance Sheet

	FY3/18 (Million Yen)	1Q FY3/19 (Million Yen)	Amount of Change (Million Yen)
Total current assets	7,885	7,976	90
Cash and deposits	4,455	5,180	724
Accounts receivable - other	2,169	1,584	- 584
Total fixed assets	17,873	16,780	- 1,092
Total tangible fixed assets	10,101	8,973	- 1,127
Total intangible fixed assets	473	465	- 8
Total Investments and other assets	7,297	7,341	43
Total assets	25,758	24,756	- 1,002
Total Current liabilities	8,208	8,563	354
Current portion of long-term loans payable	2,485	2,668	182
Accounts payable - other	1,584	2,106	522
Total fixed liabilities	9,793	8,786	- 1,007
Long-term loans payable	8,934	7,913	- 1,020
Total liabilities	18,002	17,349	- 653
Total net assets	7,756	7,407	- 349
Total liabilities and net assets	25,758	24,756	- 1,002

*“Partial Amendment of Accounting Standard for Tax Effect Accounting” and other regulations have been applied from the first quarter of the current fiscal year, As for numbers of cumulative previous 1Q period is retroactively rectified by this accounting standard.

FY3/19 Forecast

	FY3/18 Actual	FY3/19 Forecast	Change	Year on Year Comparison (%)
Net sales (million yen)	26,779	30,001	3,222	12.0
Operating income (million yen)	1,303	1,847	544	41.8
Ordinary income (million yen)	1,582	2,196	614	38.8
Net income attributable to owners of parent (million yen)	910	980	69	7.7
Net income per share (yen)	10.70	11.52	0.82	7.7
Dividends (yen)	3.50	3.50	0.00	0.0
Dividend payout ratio (%)	32.7	30.4	—	—

FY3/19 New Openings

New Openings as of Apr. 1, 2018

Nursery Schools : 15

School Clubs : 4

Total : 19

Plan to open in FY3/19

Nursery Schools : 2

*Nakano-Ehara Kids' Club, Nakano Municipal Saginomiya School Club, Nakano Municipal Yamato School Club and Kita Municipal Akabanenishi 5-chome Children's House closed on the last day of March 2018.

Okinawa:

2 in-house nurseries

(*Plan to open in September)

Shiga:

1 licensed nursery school

- Asc Wani Nursery School

Kanagawa:

3 licensed nursery schools

- Asc Kugenumakita Nursery School
- Asc Minowa Nursery School
- GENKIDS Shinkoyasu Nursery School

Tokyo:

7 licensed nursery schools

- Koto-ku Minamisuna No.4 Nursery School
- Asc Kanamecho Nursery School
- Asc Toneri Nursery School
- Asc Higashikasai Nursery School
- Asc Fuchuhonmachi Nursery School
- Asc Minamikugahara Nursery School
- Asc Yakuoji Nursery School

2 small-scale nursery schools

- Asc Toyotama 1-chome Nursery School A
- Asc Toyotama 1-chome Nursery School B

Tokyo:

4 school clubs

- Kojimachi Kids' Club
- Taisho Primary School After School Club
- Chofu Municipal Chowa Primary School, School Club
- Wakuwaku Takinogawa Momiji School Club

Osaka:

1 licensed nursery school

- Asc Soneminami Nursery School

Chiba:

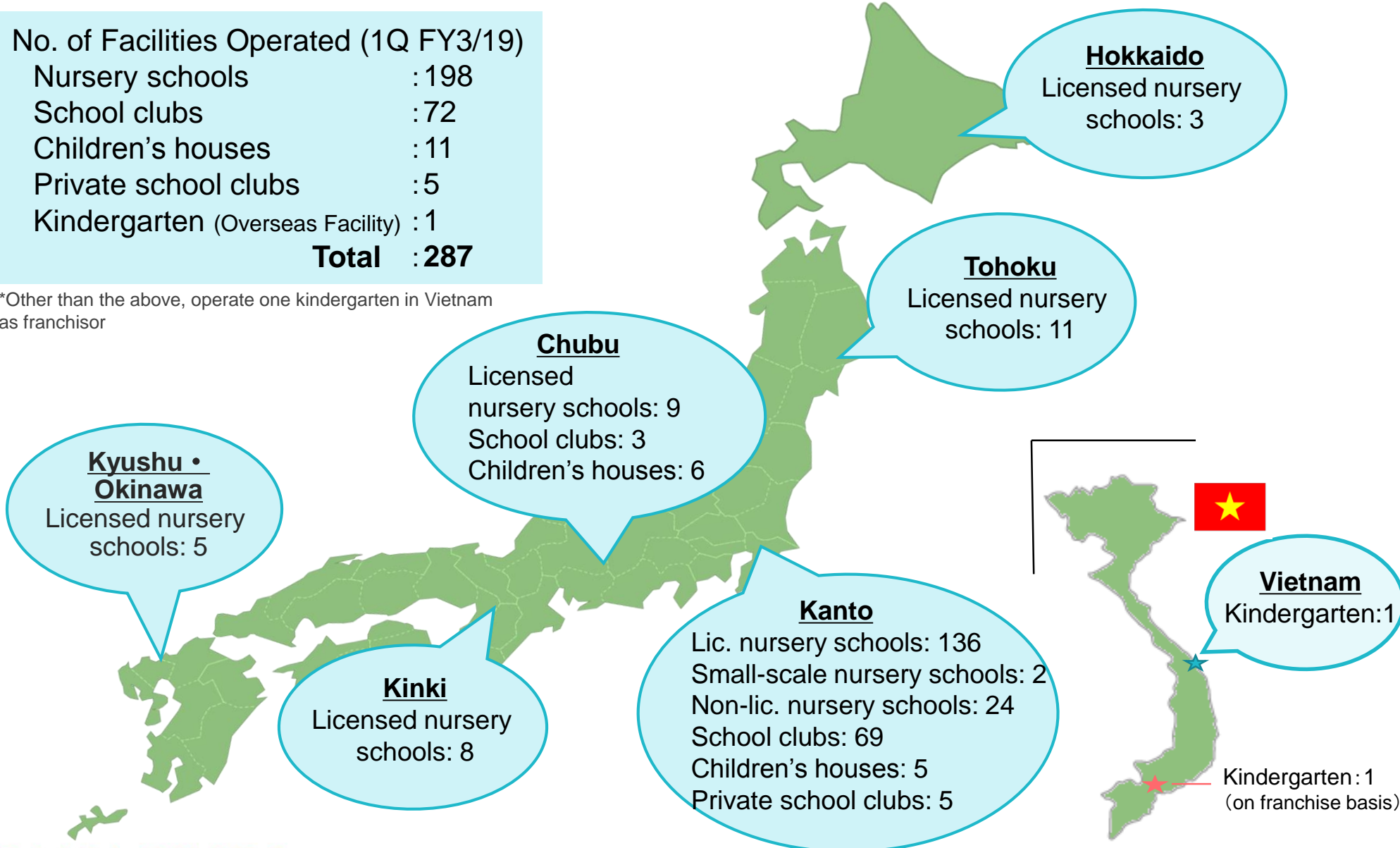
1 licensed nursery school

- Asc Otakanomori Nursery School

No. of Facilities Operated by Region

No. of Facilities Operated (1Q FY3/19)	
Nursery schools	: 198
School clubs	: 72
Children's houses	: 11
Private school clubs	: 5
Kindergarten (Overseas Facility)	: 1
Total	: 287

*Other than the above, operate one kindergarten in Vietnam as franchisor

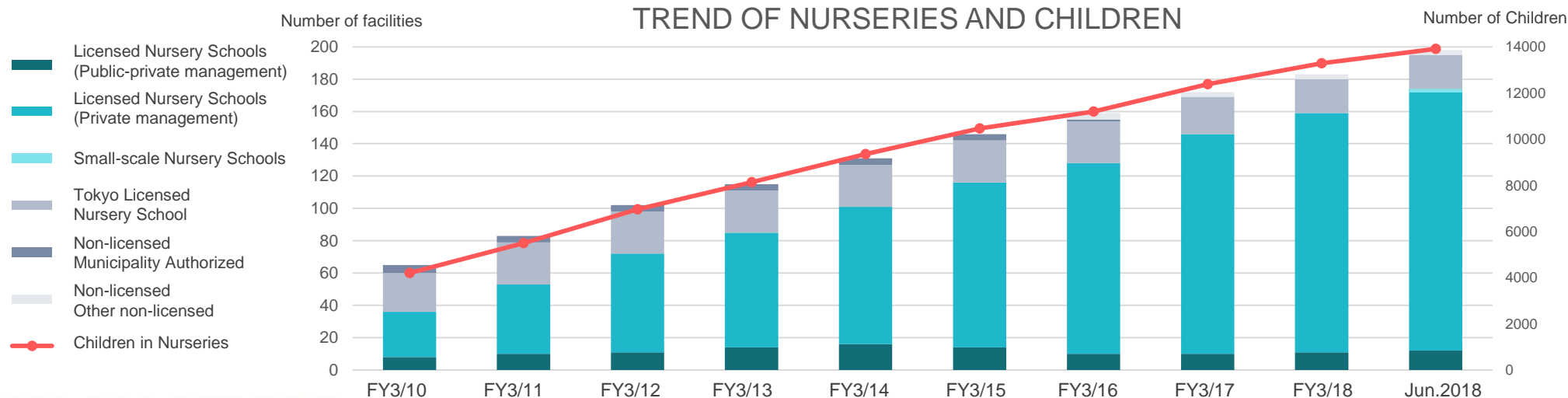


No. of Facilities Operated

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	As at Jun. 2018
Licensed Nursery Schools (Public-private management)	8	10	11	14	16	14	10	10	11	12
Licensed Nursery Schools (Private management)	28	43	61	71	85	102	118	136	148	160
Small-scale Nursery Schools	0	0	0	0	0	0	0	0	0	2
Tokyo Licensed Schools	24	26	26	26	26	26	26	23	21	21
Non-licensed Municipality Authorized	5	4	4	4	4	4	1	0	0	0
Non-licensed Other non-licensed	0	0	0	0	0	0	4	3	3	3
Joint Establishment with Amusement Facilities	1	0	0	0	0	0	0	0	0	0
School Clubs	26	37	39	40	43	46	55	63	71	72
Children's Houses	6	9	7	8	8	8	10	12	12	11
Private School Clubs	0	0	0	0	0	0	0	4	5	5
Overseas Facility	0	0	0	0	0	0	0	0	1	1
Total	98	129	148	163	182	200	224	251	272	287

*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

*Other than the above, opened one overseas facility(kindergarten) on a franchise basis on Sep. 5th 2017.

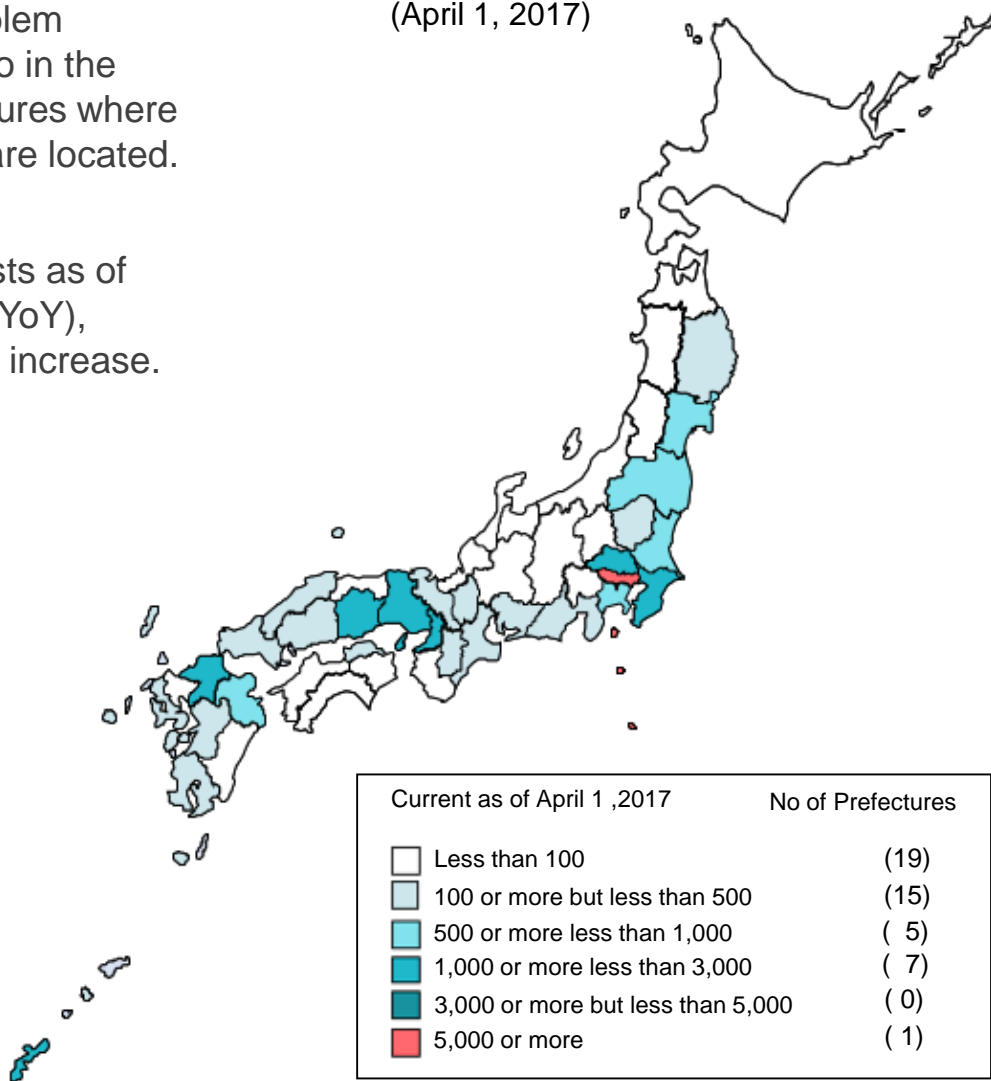


Business Environment and Our Maneuvers

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 Apr. 2017 is 26,081 (2,528 increase YoY), which means 3 consecutive years of increase.

National Waiting List Map
(April 1, 2017)

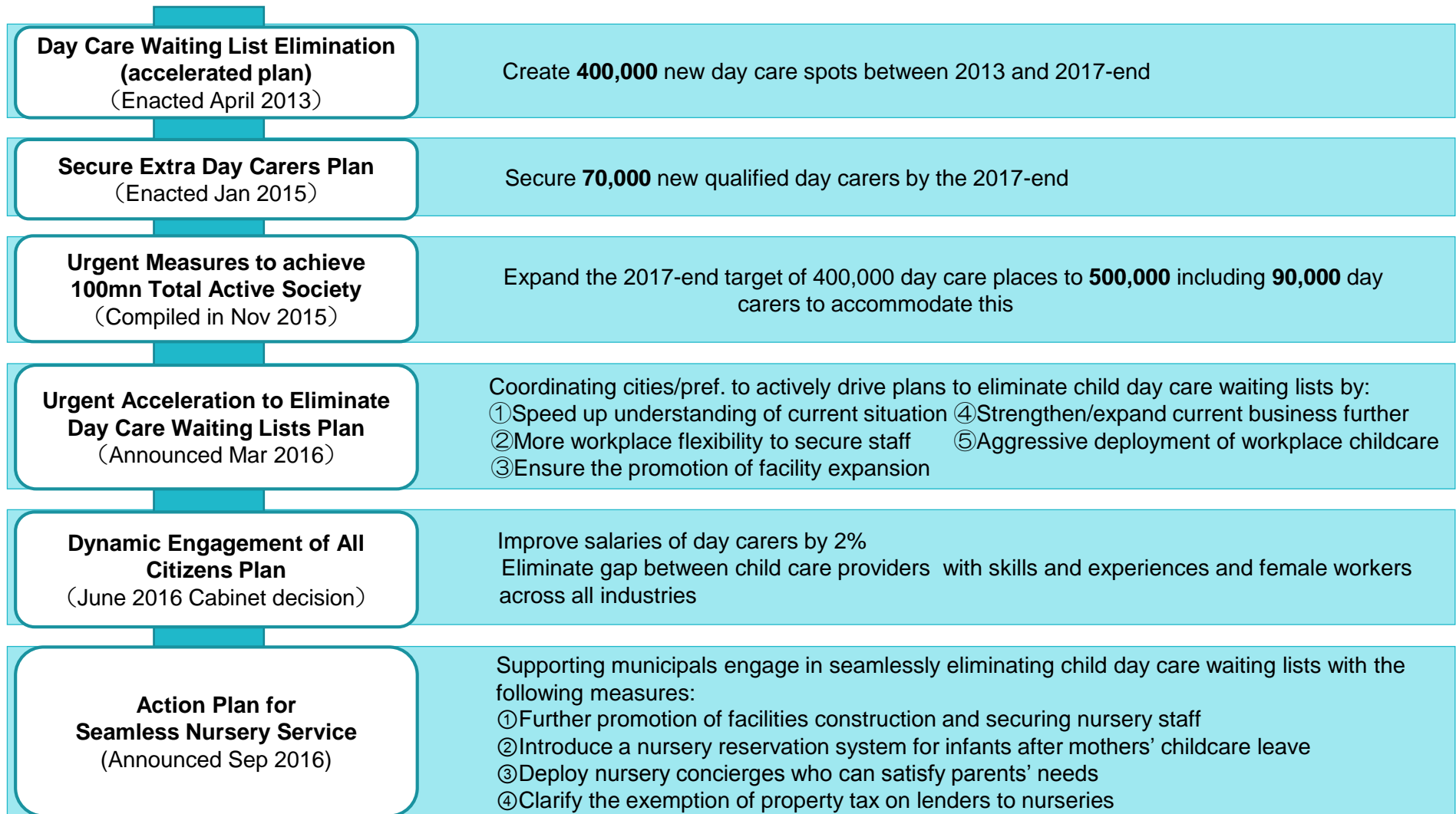


※On March 2017, a “new definition” of children on waiting lists was decided and was applied from April 2017. Children whose parents are on child care leave shall be included if parents would wish to work after leave.
There is a possibility of further increases of children on waiting lists.

Source: Ministry of Health, Labour and Welfare's *Nursery School Situation Summary (April 1, 2017)*

Prefecture	No. of Children on the waiting List
Hokkaido	65
Aomori	0
Iwate	178
Miyagi	790
Akita	41
Yamagata	67
Fukushima	616
Ibaraki	516
Tochigi	131
Gunma	2
Saitama	1,258
Chiba	1,787
Tokyo	8,586
Kanagawa	756
Niigata	2
Toyama	0
Ishikawa	0
Fukui	0
Yamanashi	0
Nagano	0
Gifu	2
Shizuoka	456
Aichi	185
Mie	100
Shiga	356
Kyoto	227
Osaka	1,190
Hyogo	1,572
Nara	287
Wakayama	29
Tottori	0
Shimane	119
Okayama	1,048
Hiroshima	186
Yamaguchi	100
Tokushima	94
Kagawa	227
Ehime	97
Kochi	73
Fukuoka	1,297
Saga	34
Nagasaki	190
Kumamoto	275
Oita	505
Miyazaki	36
Kagoshima	354
Okinawa	2,247
Total	26,081

Gov't Efforts to Eliminate Waiting Lists(1)



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

Gov't Efforts to Eliminate Waiting Lists(2)

Plan for Raising Children in Peace of Mind

(Announced Jun 22, 2017)

Secured budget for c.220 thousand children in 2 years and aim to eliminate day care waiting lists by the end of FY2020 at the latest
In addition, prepare capacity of c.320 thousand children to cope with an 80% employment rate of women by the end of FY2022

“Main contents of 6 assistant packages”

New Economic Policy Package

(Dec 8,2017, Cabinet decision)

“Human Resources Development Revolution ”

Free early childhood education

- Free fees with all children between the ages of 3 and 5 who attend kindergartens and nurseries
- For the children under the age of 2, households with exemption of municipal residence tax will be covered with free fees
Start from Apr. 2019 partially, and fully realize from Apr. 2020

Elimination of childcare placement waiting lists

- Bring forward the implementation of “Plan for Raising Children in Peace of Mind” and offer 320 thousands child care places by the end of 2020
- Further wage increase by 1 %(equivalent to 3,000 ¥/m) will be made from Apr. 2019

Expanded needs of nurseries

Enhancement of securing nursery teachers

NEW

Basic Policy on Economic and Fiscal Management and Reform 2018

(Jun. 15,2018, Cabinet decision)

Realization and expansion of human resources development revolution

- Instead of Implementation on Apr. 2019 and Apr. 2020 step by step, aim to implement full free fees measures from Oct. 2019
- In addition to free fees measures for kindergartens, nurseries, centers for early childhood education and care indicated in “New Economic Policy Package”, custody childcare in kindergartens and unlicensed childcare institutions are included as target of free fees if necessity of childcare is recognized.

Full implementation is advanced half a year according to consumption tax increase

Source: Ministry of Health, Labour and Welfare's *Plan for Raising Children in Peace of Mind*
Cabinet Office, *New Economic Policy Package*
Cabinet Office, *Basic Policy on Economic and Fiscal Management and Reform 2018*
*Translated by JPHD

Action plan of Tokyo Metropolitan Gov't for eliminating child day care waiting lists

▶ Additional plan for eliminating child day care waiting lists

Announced by Bureau of Social Welfare and Public Health and Bureau of Industrial and Labor Affairs on Sept. 15th 2017

First Pillar: Promote setting up of nurseries etc.

- 1. Expand subsidy on rent** : Extend the support period of rent subsidy beyond 6 years after opening
- 2. Support companies which tackle enterprise driven nurseries** : Assist on expenses for fixtures necessary for opening nurseries and those out of scope for national subsidy 【Max. amount : 3 million yen】
- 3. Support to secure and expand regional frame of enterprise driven nurseries** : Add regional frame of enterprise driven nurseries for career-up subsidy on nurseries, school teachers etc. and assist salary increase of workers of enterprise driven nurseries.
- 4. Fulfill subsidy on demand of municipalities** : In case of setting up nurseries by utilizing rental facilities, assist expense to equip soundproof walls etc. (Unique initiative of Tokyo Metropolitan Gov't)
【Max. amount : 6.444 million yen Subsidiary rate:1/2】

Second Pillar: Secure Personnel

- 5. Promote ICT in nurseries etc. to reduce burden of workers in childrearing** : Initiate assistance on introducing nursery operation support system taking into account termination of national subsidy (Unique initiative of Tokyo Metropolitan Gov't) 【Max. amount : 2 million yen】
- 6. Expand enterprises to lend to students to be nursery school teachers etc. to secure nursery school teachers** : Expand reserve fund for re-employment, expand loan amount to hire more than 2 assistant workers in nursery, and assist on usage fee of enterprise to look after children of nursery school teachers

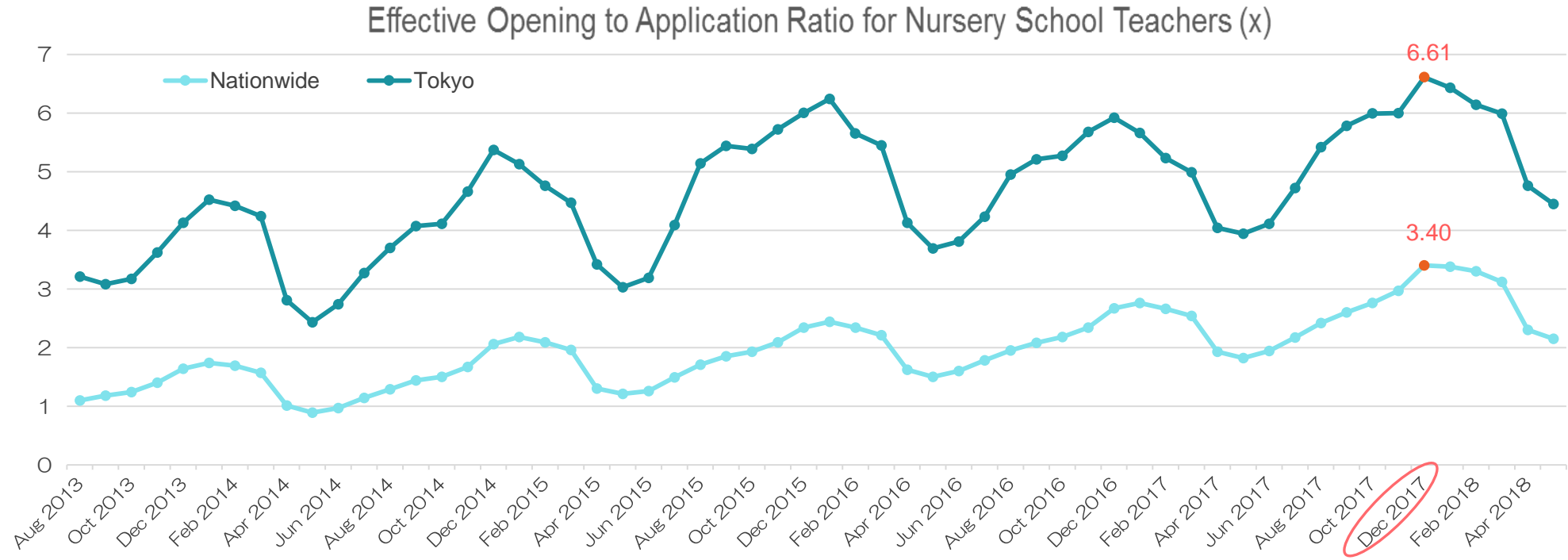
Third Pillar: Fulfill assistance on users

- 7. Further enhance countermeasures for safety of children in nurseries etc.** : Assist introducing equipment such as remote monitoring and baby sensor. 【Max. amount : 1 million yen】

Resource : Press Release dated September 15, 2017 by Bureau of Social Welfare and Public Health and Bureau of Industrial and Labor Affairs, Tokyo Metropolitan Government *Translated by JPHD

Current Nursery School Teacher Shortage Situation(2)

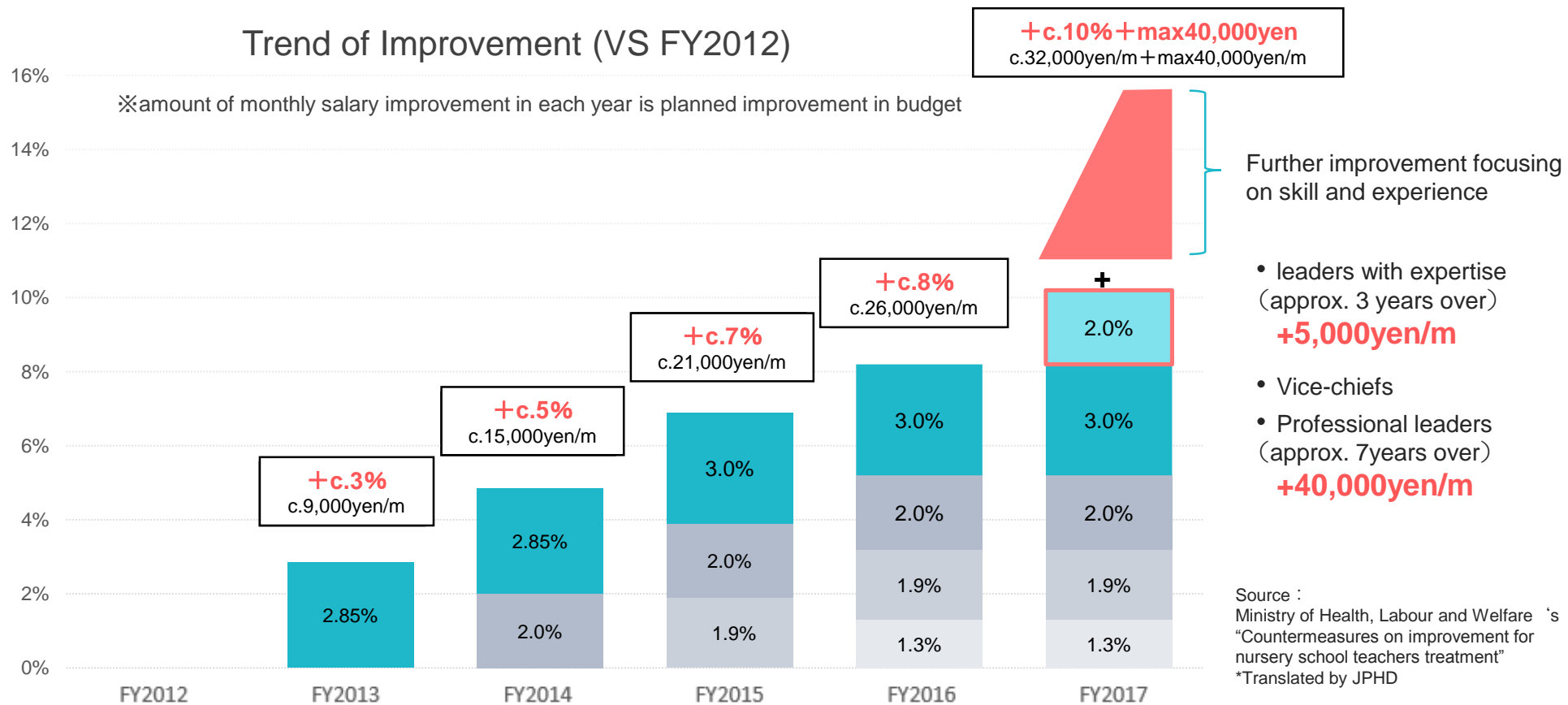
- ▶ The effective opening to application ratio for nursery school teachers remains at a high level. There continues to be a shortage of nursery school teachers on a nationwide scale.
- ▶ The effective opening to application ratio for nursery school teachers in Tokyo is over 6-fold. The employment situation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

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



Treatment Improvement by Municipalities

▶ Tokyo Metropolitan Government

Improve wages by an average 21,000 yen or equivalent monthly for nursery school teachers from FY2017

【Career-up assistance for nursery school teachers etc.】

¥24.4bn (Budget plan FY2017)

¥28.3bn (Budget plan FY2018)

▶ Chiba Prefecture

Add 20,000 yen monthly for nursery school teachers as wage assistance from FY2017 (1/2 of improvement assisted by municipalities (In case of designated cities: 1/4))

【Treatment improvement for nursery school teachers】

¥550mn (Supplementary budget plan FY2017)

¥1260mn (Budget plan FY2018)

Source:

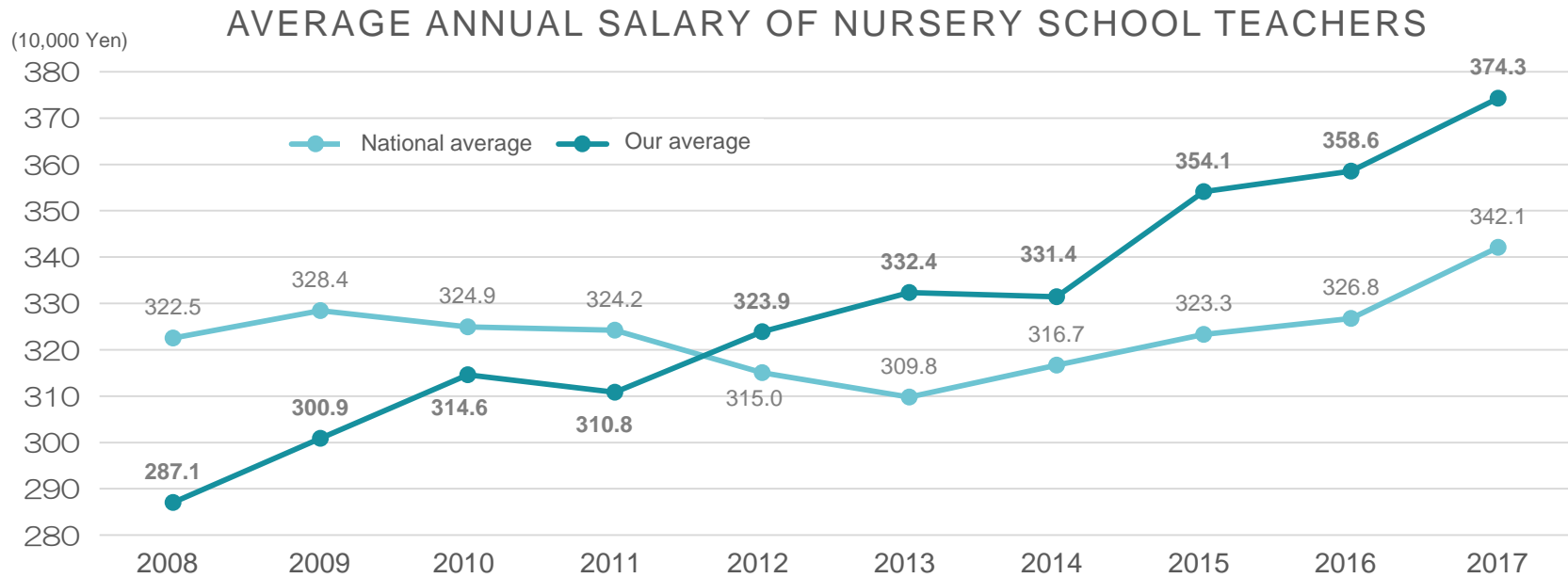
Bureau of Finance, Tokyo Metropolitan Government “Summary of FY2017 Budget Plan of Tokyo” “Summary of FY2018 Budget Plan of Tokyo”

Chiba Prefectural Government “FY2017 Supplementary Budget Plan as of June 2017 Documents on Main Policies”
“Summary of FY2018 Budget Plan of Chiba”

*Summarized and translated by JPHD

Our Plan to Secure Nursery School Teachers (1)

- ▶ 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)
- ▶ In FY03/2018, the company paid an annual salary of 3.74 M¥ (average age:32.2) versus the national average of 3.42 M¥ (average age:35.8)



※ 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.

Our Plan to Secure Nursery School Teachers(2)

Enhance recruitment

- Hold seminars and bus tours to visit nurseries according to career level around Japan
- Provide employment support money
- Arouse interest for potential nursery school teachers by recruiting short time or late time workers who have segmented needs

Acquire qualification of childcare

- Started a benefit scholarship system from FY3/16. This supports those aspiring to be nursery school teachers from their student days and leads to their desire to join our company.
- Started training course recruitment for those who are unqualified but who are looking to pass the national test at our company from FY3/16.
- Expanded recruitment of kindergarten teachers who are willing to become qualified nursery staffs with sponsored support.

Mitigate burden

- Reduce the daily burdens on day carers by employing administration staff and janitors
- Reduce burden of office works through ICT
- Allocate part time workers specifying to late time of a day and reduce burden of regular employees

Recruitment of Nursery School Teachers

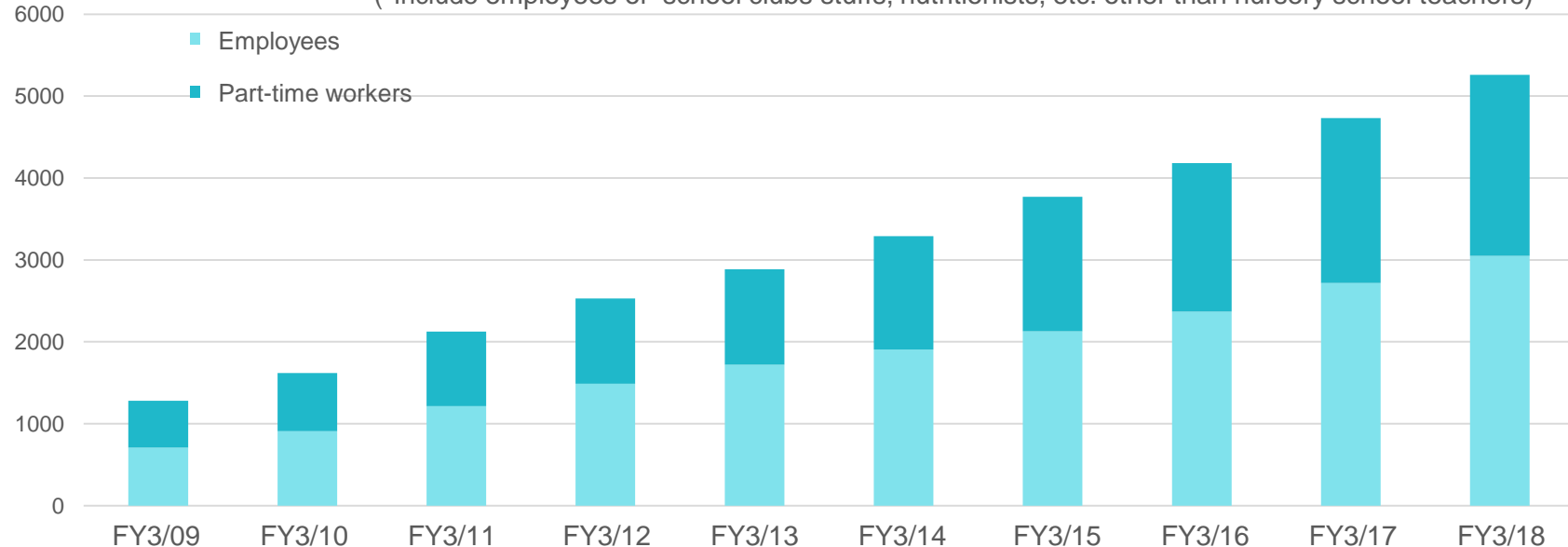
		FY3/16	FY3/17	FY3/18	Apr.1st 2018
Nursery School Teacher	New Graduates	178	197	247	276
	Mid career employment	219	241	327	224
Non qualified	New Graduates	—	23	32	46

* 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

(*Include employees of school clubs stuffs, nutritionists, etc. other than nursery school teachers)



JP Holdings' Strengths

JP Holdings' Strengths (1)

Safety Management

- Creation of a specialized department focused on safety management.
- Structure to share accident cases
- Security control by auto-lock and emergency call equipment
- Safe facilities protected by cushioned floor, doors with finger jam prevention
- AED deployment in all facilities
- Emergency lifesaving training for all staff members
- Development of various manuals (e.g. how to deal with disasters and abuse)



Nutrition Education

- Hand made lunch with event and local foods
- Cooking in nursery
- Dietary education activity support by food and agriculture guidance teams

Unique Program

- Gymnastics, English and eurhythmics courses

Development Support

- Facility patrol support by development support teams

JP Holdings' Strengths (2)

Human Resources Development

- Training courses over 100 annually
- Oversea training in advanced countries in nursery education such as Germany and New Zealand
- Introduce E-learning to unify and improve quality of childrearing

Working Environment

- Reduce burden of office works through ICT
- Multi-layered follow system by tutor, manager and supervisor

Cost Management

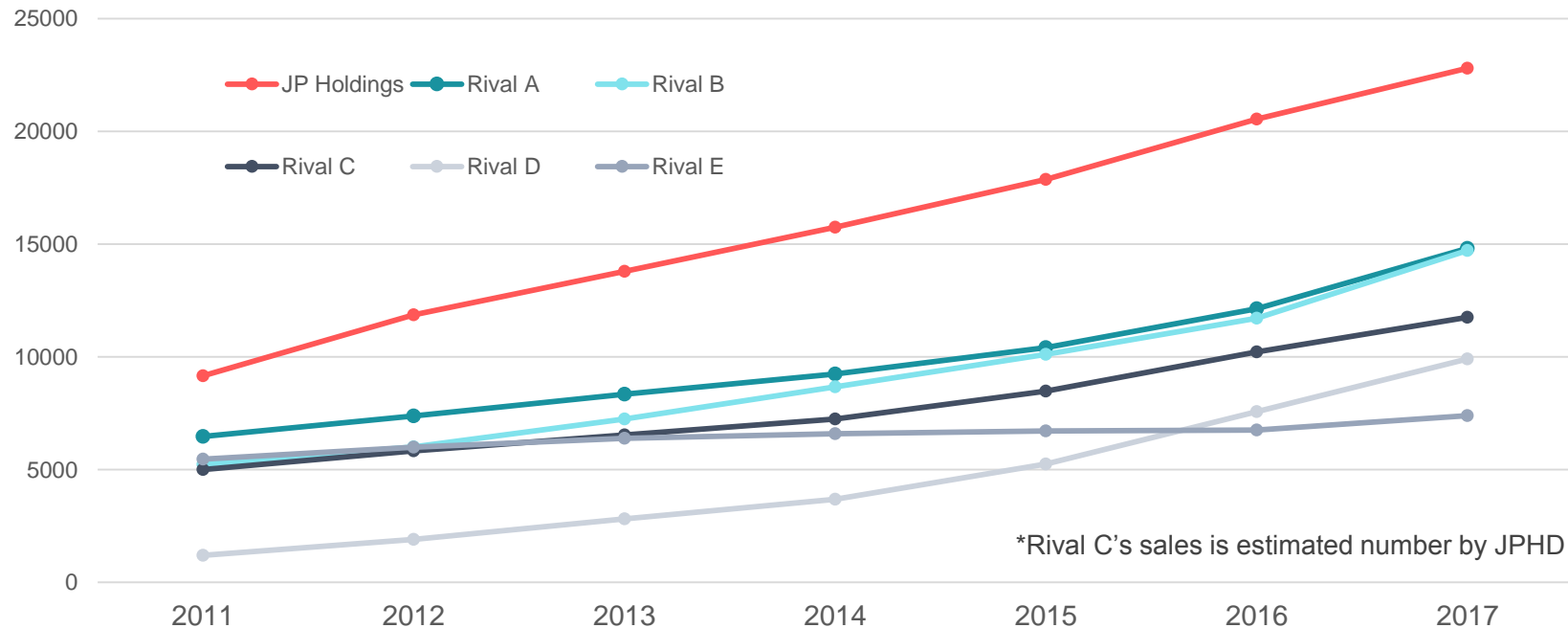
- Central purchasing of nursery related goods by utilizing our scale merit



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.

Sales of Companies in the Childcare Industry(Unit: million yen)

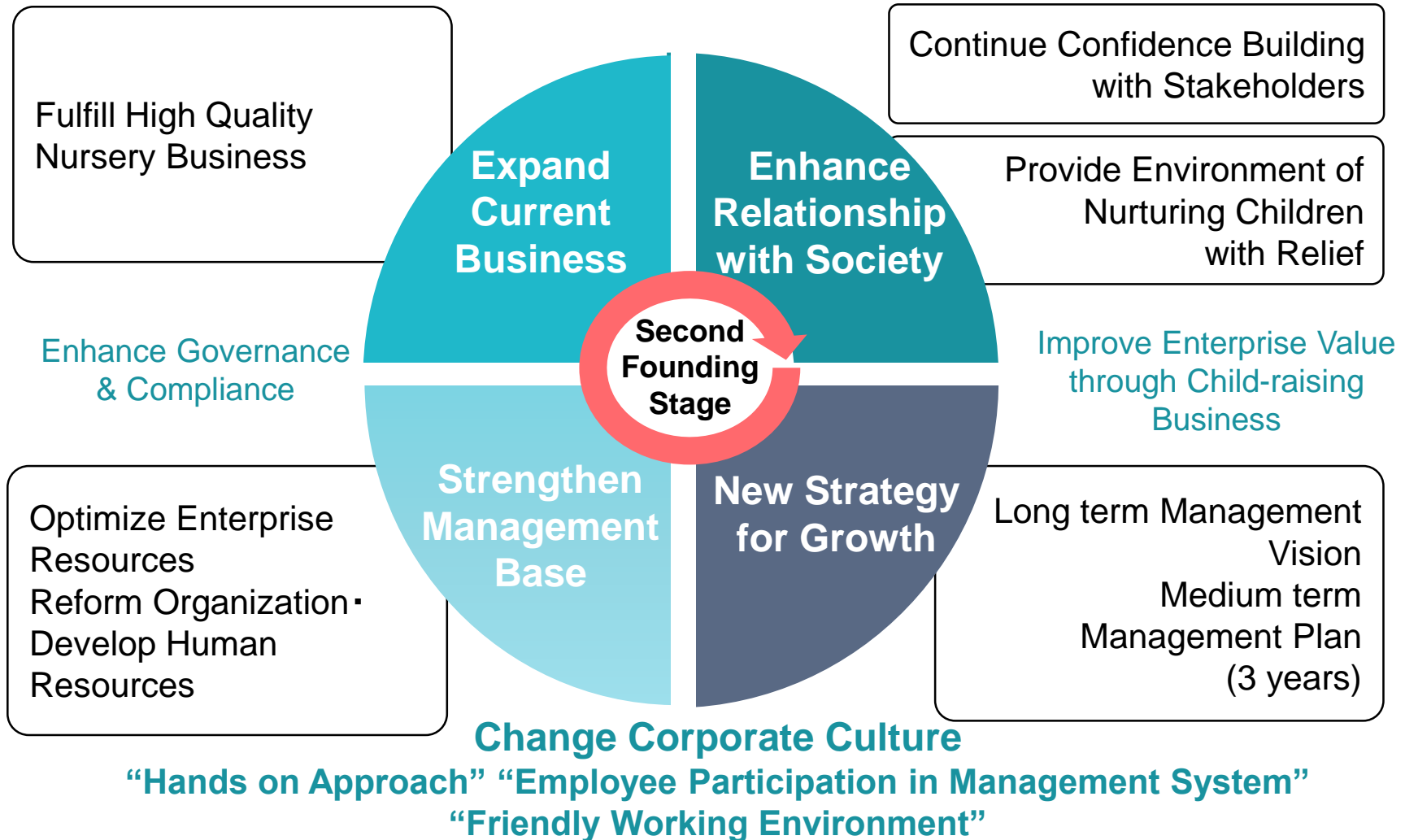


*Rival C's sales is estimated number by JP Holdings

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

Long-term Management Vision 2025 and Medium-term Management Plan

Policy of New Management



Aim and Principles of New Management

Enhance Governance and Improve Enterprise Value

New Management

President and Representative Director
Koichiro Furukawa

Director **Naoto Nishii**
• Facilities Development, New Business
and External Sales

Director **Tohru Sakai**
• Management Strategy and Operational
Control

Director **Akihiko Fukuoka**
• Financing, Accounting and
Administration

External Directors and Auditors
would be elected in Extraordinary
Shareholders Meeting in late Sept.

Significant Decrease of Executive Compensation

To cope with confusion in management, cut off 50% of executive compensation

Achieve Good Relationship with Stakeholders

Open Enterprise Information Actively for Confidence Building with Stakeholders and Improve Enterprise Value

Strengthen Group Salesforce and Organizational Skills

Build Organization in which Affiliates Can Share Group Strategy and Measures and Act Integrally

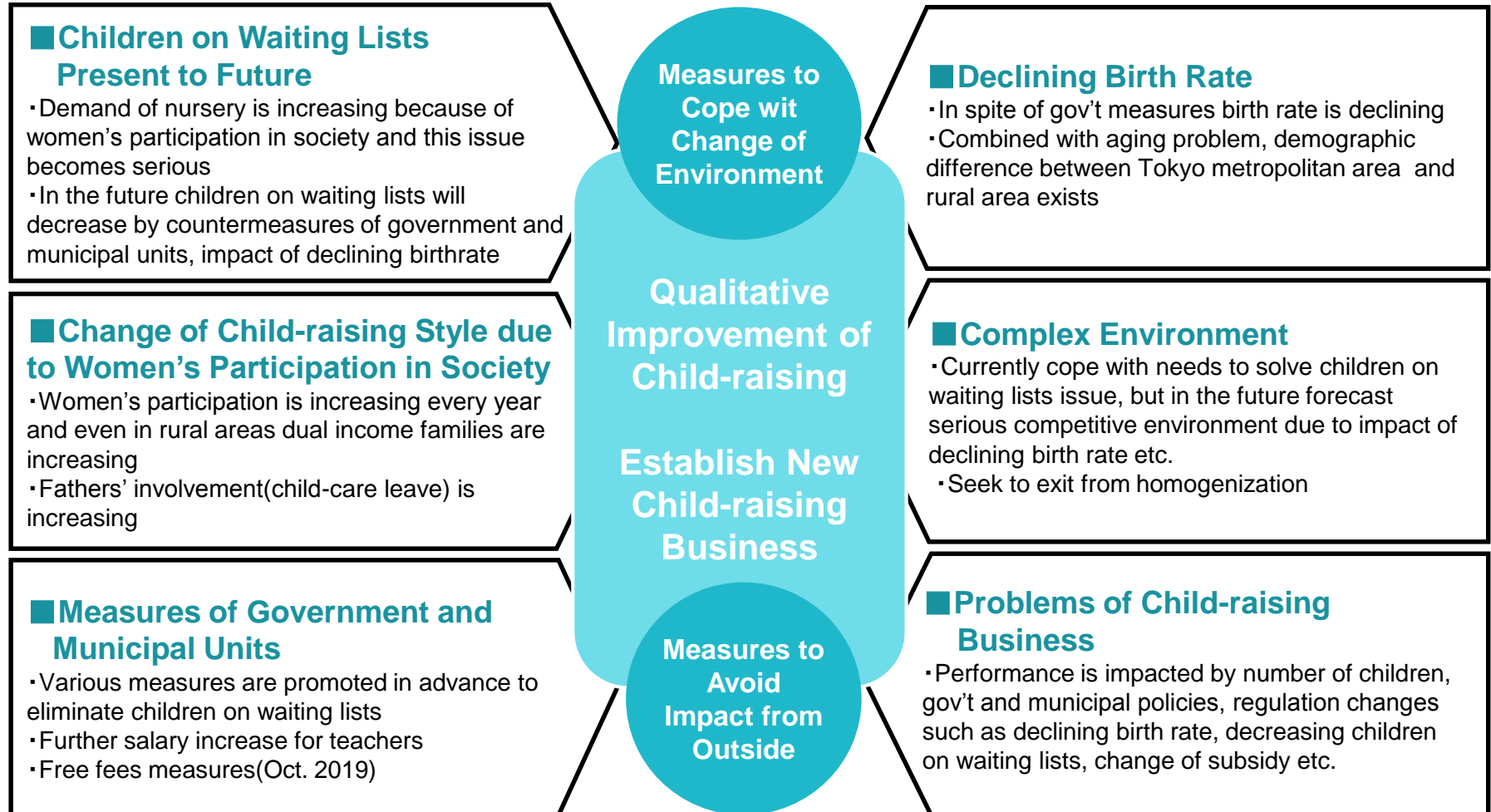
Revise Personnel System

Recognize Human Resources as Most Important Asset for Corporate, Implement Fair Evaluation, Further Enhance Ranking System and Training

Fulfill High Quality Child-raising

To Receive Many Children to Cope with Children on Waiting Lists Is Our Mission and Enhance Measures to Become Selected Nurseries

Measures to Cope with Current and Future Changes of Environment



Long-term Management Vision

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

Priority Measures to Fulfill Management Vision

Further Qualitative
Growth of Child-
raising

Expand Existing
Business

Strengthen
Management
through Business
Structure Reforms

Create New
Business Value

Cope with change from Quantitative to Qualitative Needs

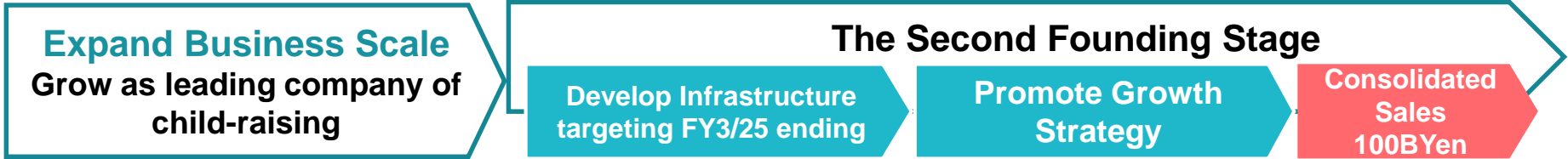
- Pursue safety and relief in facilities and operation
- Improve quality of nursery school teachers, strengthen management and educational system

- Expand receiving children by securing nursery school teachers
- Open new nurseries and accept consignment based on rural environment
- Promote capital alliance

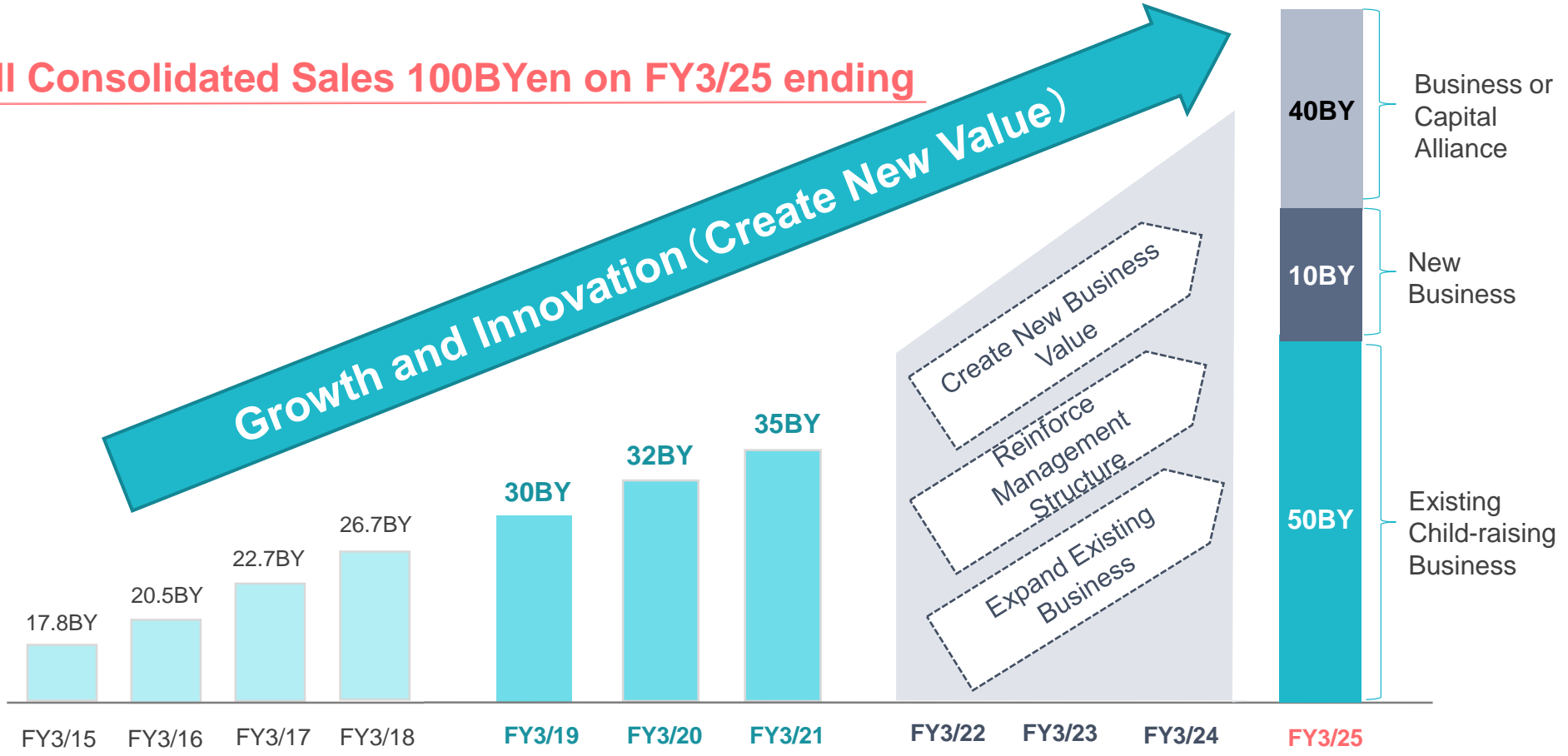
- Reinforce management structure
- Efficient operation and strong sales promotion
- Change of culture
 - Develop workplace environment
 - Strengthen human resource development

- Develop and promote new business
 - Utilize know-how and develop new business
 - Promote business or capital alliance entwined with related area of existing business

Long-term Management Vision



Fulfill Consolidated Sales 100BYen on FY3/25 ending

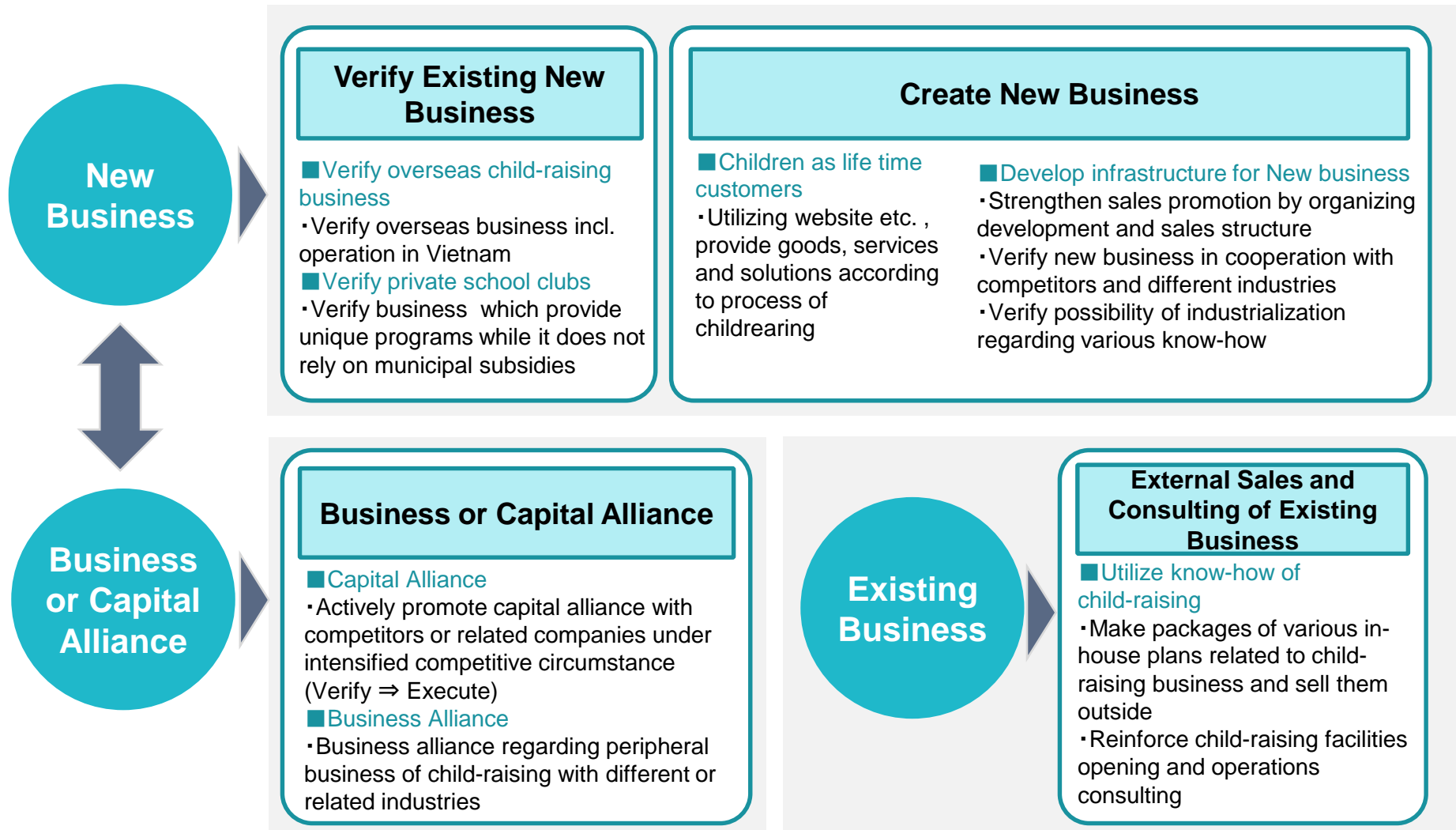


Medium-term Management Plan

Promote to Fulfill Sales 100BY

Medium-term Management Plan

Concept of Business Development to Cope with Change of Business Environment Verification of Growth Strategy from FY3/19 to FY3/21 (3Years)



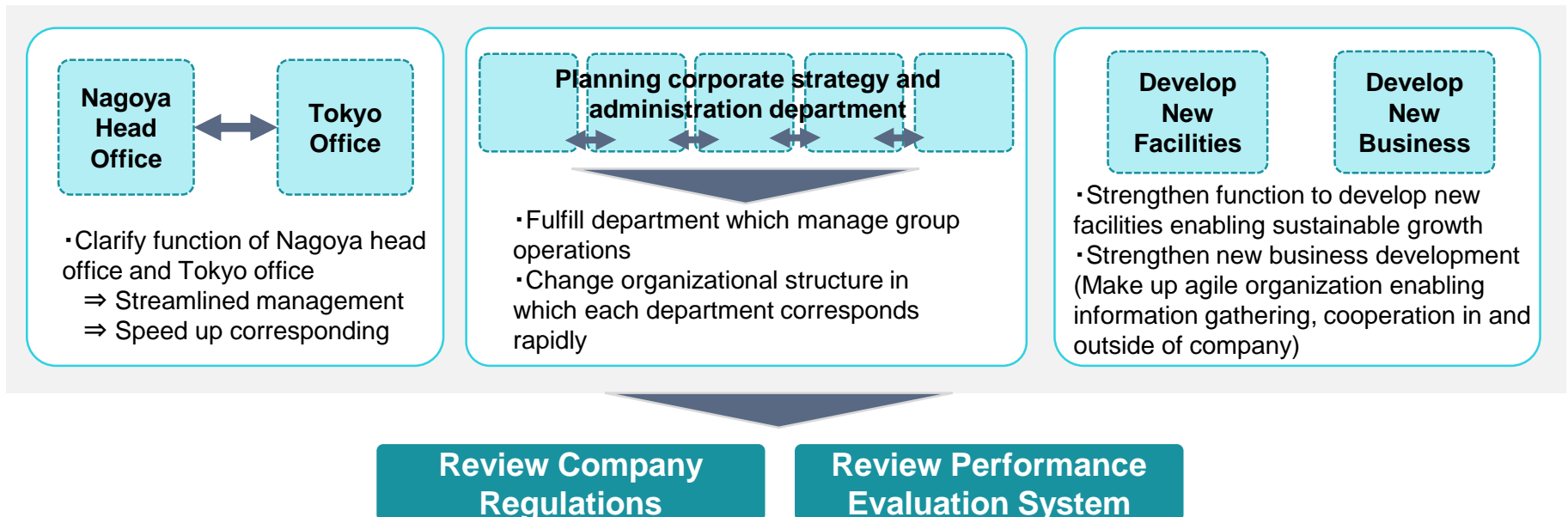
Medium-term Management Plan

Reform Organization to Reinforce Group Salesforce and Organizational Skills

Concept of Organizational Reform

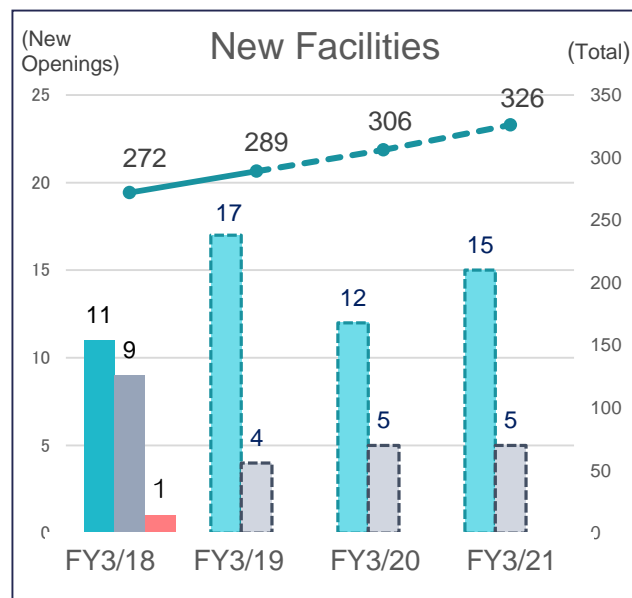
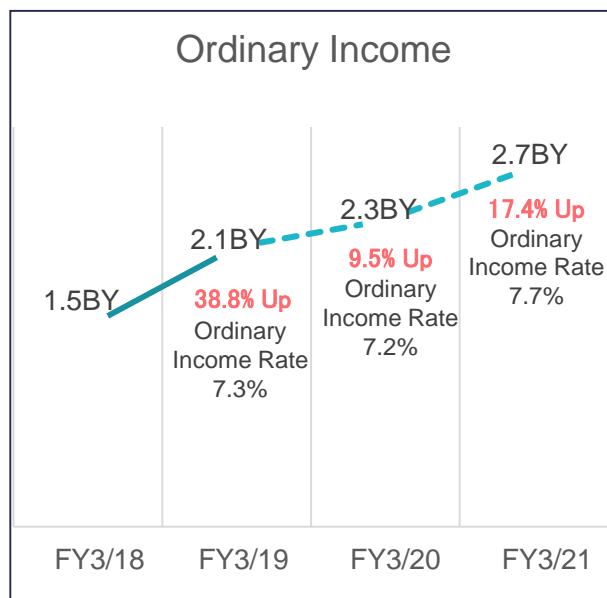
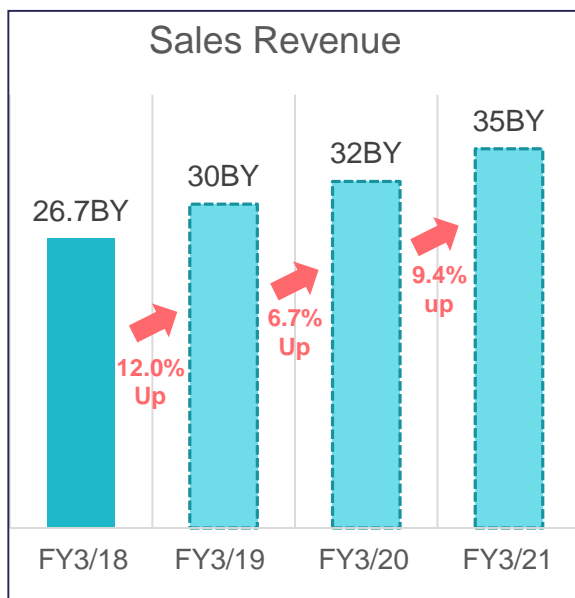
- Review operations of Nagoya head office and Tokyo office, change structure to promote rapid decision making and centralized management
- Expand department which develop new facilities and promote new business targeting future growth strategy
- Expand department to operate group (planning corporate strategy and administration)
- Strengthen governance system to manage each department under control of directors

Promote organizational reform of JPHD head office and Tokyo office to expand support function for sales and operational management



Medium-term Management Plan

► Forecast (Consolidated)



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

► Priority measure

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

Medium-term Management Plan

▶ Forecast (Consolidated)

	FY3/19	FY3/20	FY3/21
Sales Forecast	30BYen	32BYen	35BYen
Ordinary Income Forecast	2.1BYen	2.3BYen	2.7BYen

▶ Forecast of New Opening

	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
FT3/21	15 facilities	630 children	5 facilities

*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

Concrete Measures(1)

▶ Overseas Childrearing Business : Opened 2 kindergartens on Sep. 2017 in Vietnam

- COHAS DA NANG **Opened on Sep. 12, 2017**

Operated by 100% wholly owned subsidiary "COHAS VIETNAM CO., LTD"

Outline of the Facility	
Name	COHAS DA NANG
Location	Da Nang City, Vietnam
Enrollment Limit	200 children
Fee	Entrance fee 2,000,000 VND /at the time of entry Nursery fee 5,700,000 VND /month
Operating Hours	6:45-18:00 (Mon.- Sat.)

Outline of the Operator	
Name	COHAS VIETNAM CO., LTD
Location	Da Nang City, Vietnam
Representative	Naoto Nishii, Representative Director (Served concurrently as director of JP-HOLDINGS, INC.)
Business	Early childhood education business
Capital	6,834,000,000 VND (100% investment by JP-HOLDINGS, INC.)
Established	April 14, 2017

- Cohas Kids **Opened on Sep. 5, 2017**

Based on franchise contract with Viet Nhat Education Corporation, JPHD loan fund and provide know-how as franchisor

Outline of the Facility	
Name	Cohas Kids
Location	Ho Chi Minh City, Vietnam
Enrollment Limit	130 children
Fee	Entrance fee 3,000,000VND /at the time of entry Nursery fee 8,500,000 VND /month
Operating Hours	7:00-19:00 (Mon.- Fri.), 7:00-16:00 (Sat.)

Outline of the Operator	
Name	Viet Nhat Education Corporation
Location	Ho Chi Minh City, Vietnam
Representative	Nguyen Minh Thuan, Representative Director and President
Business	Operation of kindergartens
Capital	5,000,000,000 VND
Established	November 23, 2015

*Do not count as our operating facilities because of Franchisee's one



Concrete Measures(2)

▶ Private School Club (AEL)

Opened AEL Yushima on Sep. 2016 and AEL Yokohama Business Park on Apr. 2017
Provide unique program without subsidy from municipalities

『School Club』

Proper field for
play and study
after school
and weekend

+

Original Program
to enhance
power to live

+

Measures to
pass junior
high school
entrance exam
English, arithmetic,
etc.



▶ Consulting Service

Consulting for newly opening and operation of childrearing facilities

- Contracted (Incl. consecutive contracts from previous year) : 9
- Prospective new contracts : 2

Appendix

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

	Kindergarten	Nursery School	Licensed Children's School (Kindergarten/Nursery School Cooperation type)
	Act on Child Education and Childcare Support (Defines the framework of cross-ministerial and unified payments in the Cabinet Office)		
Underlying Laws/Regulations	Section 3 of the School Education Act (Under the jurisdiction of the Ministry of Education, Culture, Sports, Science and Technology)	Article 7 (1) of the Child Welfare Act (Under the jurisdiction of the Ministry of Health, Labour and Welfare)	Article 7 (1) of the Child Welfare Act Article 2 (7) of the Licensed Children's School Law (Under the jurisdiction of the Ministry of Education, Culture, Sports, Science and Technology & the Ministry of Health, Labour and Welfare)
Type of Facility	School	Child welfare facility	School and child welfare facility
Target Children*	1 st certification	2 nd and 3 rd certification	1 st , 2 nd and 3 rd certification
Basis of Education and Childcare Content	Kindergarten Education Guidelines	Nursery School Childcare Guidelines	Licensed Children's School Education and Childcare Guidelines
Daily Education and Childcare Time	4 hours as standard	8 hours as standard	Hours depending on the children (8 hours for children requiring childcare and 4 hours for children requiring education) as standard
Number of Education and Childcare Days in a Year	39 weeks or more	No stipulations	Depending on the regional conditions

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

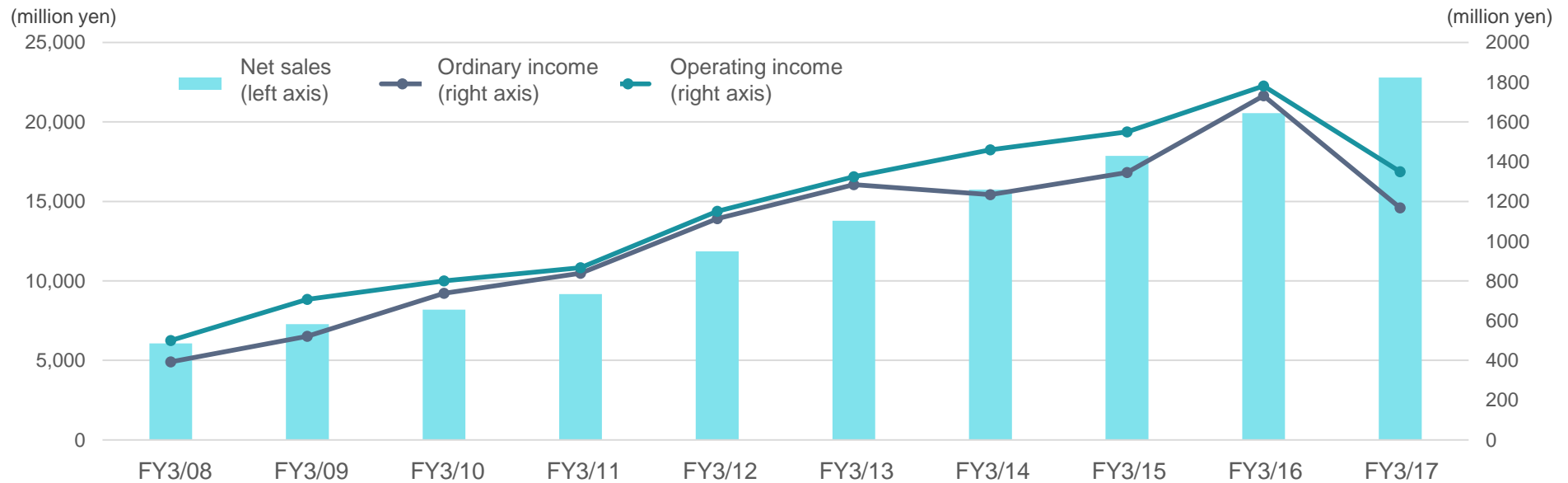
Overview of School Clubs and Children's Houses

	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	

Consolidated Results (Highlights)

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Net sales (million yen)	7,272	8,194	9,166	11,867	13,789	15,747	17,868	20,552	22,799	26,779
Operating income (million yen)	521	738	839	1,114	1,285	1,234	1,345	1,732	1,168	1,303
Ordinary income (million yen)	707	800	866	1,150	1,325	1,460	1,550	1,781	1,350	1,582
Net income attributable to owners of parent (million yen)	440	444	500	653	717	837	904	1,071	661	910
Net income per share (Yen)	5.98	6.06	6.67	7.83	8.60	10.03	10.84	12.84	7.87	10.70

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



Consolidated Results (Balance Sheet / Statement of Cash Flows)

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Total assets (million yen)	4,275	5,763	9,432	9,808	10,876	13,521	18,882	21,126	24,002	25,761
Net assets (million yen)	1,546	1,903	3,559	3,977	4,452	5,034	5,606	6,279	6,854	7,756
Shareholders' equity ratio (%)	36.1	32.9	37.7	40.5	40.9	37.2	29.7	29.7	28.5	30.1

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Cash flows from operating activities (million yen)	672	378	915	1,205	1,173	1,038	1,294	1,804	1,878	1,865
Cash flows from investing activities (million yen)	- 363	- 906	- 1,808	- 821	- 1,268	- 3,638	- 3,959	- 2,449	- 3,305	- 1,292
Cash flows from financing activities (million yen)	- 157	412	2,473	- 219	514	1,220	3,748	1,553	1,646	- 135
Year-end balance of cash and cash equivalents (million yen)	1,137	1,022	2,602	2,768	3,188	1,808	2,891	3,798	4,017	4,455

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.

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Amount of dividend per share (yen)	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	3.50
Payout ratio (%)	31.7	33.0	43.4	38.3	37.2	35.9	36.9	38.9	31.8	32.7

The amount of dividend per share reflects the stock split.

NADESHIKO Brand

We were selected as “NADESHIKO Brand” in FY2015, FY2016 and FY2017 consecutively. 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.

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