March 29, 2021

(Translation)

Dear Sir/Madam,

Company: JP-HOLDINGS, INC.
Representative: Tohru Sakai,
President and Representative Director
(Stock Code: 2749, First Section of TSE)
Contact: Kenji Zushi,
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Notice Concerning the Revision to Business Forecasts
(Upward Revision to Operating Income and Recording of Extraordinary Loss)

JP-HOLDINGS, INC. announces that the Company has revised its consolidated business forecasts for the fiscal year ending March 2021, which were announced on May 13, 2020, as follows. In addition, the Company is expected to record an extraordinary loss in the fourth quarter of the fiscal year ending March 2021. Details are as follows.

1. Revisions to business forecasts

(1) Revision to consolidated business forecasts for the fiscal year ending March 2021 (April 1, 2020-March 31, 2021)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecasts (A)	33,005	1,577	2,153	1,163	13.30
Revised forecasts (B)	32,791	2,063	2,736	516	5.90
Increase/decrease (B-A)	-213	486	583	-646	-
Percentage change (%)	-0.6	30.9	27.1	-55.6	-
(Ref.) Previous results (FY3/20)	31,719	1,538	2,003	1,122	12.81

(2) Reason for revision to business forecasts

In light of the revised forecasts and the extraordinary loss as described below, the Company forecasts net sales of 32,791 million yen (down by 0.6% from the previous forecast), operating income of 2,063 million yen (up by 30.9%), ordinary income of 2,736 million yen (up by 27.1%), and net income attributable to owners of parent of 516 million yen (down by 55.6%). Although operating income and ordinary income are expected to exceed the previous forecasts, net sales and net income attributable to owners of parent are expected to fall short of the previous forecasts.

① Net sales

Some new facilities were opened, and transfer from Tokyo licensed nursery school to licensed nursery school, and the numbers of children being accepted by existing facilities increased, on the other hand some nursery schools, buildings, and other facilities were closed in response to the spread of COVID-19. Consequently, net sales are expected to fall short of the previous forecast by 213 million yen due to a decrease in school lunch expenses collected directly from parents, product sales income associated with sales of photographs, and in the number of children accepted against the plan.

② **Operating income**

Despite a decrease in revenues reflecting the closure of some facilities due to requests from local governments to prevent the spread of COVID-19, operating income is expected to exceed the previous forecast by 486 million yen due to an increase in gross profit and a reduction in SG&A expenses as a result of efforts to reduce foodstuff costs and other expenses for school lunches.

③ **Ordinary income**

Ordinary income is expected to exceed the previous forecast by 583 million yen due to the above-mentioned increase in operating income and an increase in subsidies associated with an increase in the number of company dormitory users.

④ **Net income attributable to owners of parent**

As described in "2. Recording of an extraordinary loss" below, net income attributable to owners of the parent is expected to fall short of the previous forecast by 646 million due to the recording of an extraordinary loss, including impairment loss from the development of new facilities in the past.

2. Recording of an extraordinary loss

In response to the new management structure introduced in June last year, JP-HOLDINGS has adopted "Contributing to the creation of a society full of smiles through our child-raising service business" as our management philosophy. Consequently, by providing higher quality child-raising services, we are striving to promote recognition of our status in "delivering the child-raising service facilities that would be selected by customers" and also working on management reforms and on improving the workplace environment in keeping with being a company that is both trusted by parents and loved by our employees. In addition, we will continue to adapt and respond to changes in the social environment and to invest our management resources on the basis of "selection and concentration" with regard to the "improvement of profitability" and "growth potential", as well as social issues in our environment such as the situation facing children on waiting-lists in the regions in which we operate. We have also taken steps to improve profitability by closing facilities in response to deterioration in profits due to changes in the operating environment.

In the midst of these management reforms, we have been maintaining ownership of 10 of the 209 nursery schools that we operate to serve as a foothold for the regional development of our child-raising service projects. However, in some areas, it is now forecast that profits cannot be expected in the future due to the significant decrease in number of children on waiting-lists and the entry of many new licensed nurcery schools into these neighbourhoods. Consequently, the Group has decided, with a view to future sale and disposal, etc. to remove these facilities from its balance sheet in order to avoid the risk of owning land and buildings given the increasingly severe operating conditions. As a result, the accounting method for the treatment of fixed assets has changed, and so, with the book value of fixed assets is expected to be reduced to the net selling price, the amount of this reduction is expected to be recorded as an impairment loss.

Furthermore, the Company expects to record impairment losses both on the nursery school buildings themselves and for the expenses incurred relating to the closing of nursery schools, since the operating losses on the operation of nursery schools are expected to continue to generate negative operating income due to a decrease in the numbers of children on waiting lists in some areas.

As the result of careful consideration of future recoverability on the basis on the situation described above, an impairment loss was recorded based on the "Accounting Standard for the Impairment of Fixed Assets" and an extraordinary loss of 1,934 million yen including the closure of nursery schools is expected to be recorded during the fourth quarter of the fiscal year ending March 2021.

3. Dividend forecast

The dividend forecast for the fiscal year ending March 2021 remains unchanged from the previous forecast (year-end dividend: 3.90 yen per share). This is because operating income and ordinary income are expected to exceed the forecasts even under the severe conditions caused by the spread of COVID-19, although net income attributable to owners of parent is expected to fall short of the forecast for the fiscal year ending March 2021 announced on May 13, 2020 due to the recording of extraordinary losses. In addition, the Company’s basic policy is to maintain a consolidated dividend payout ratio of around 30%, and to maintain a stable dividend level as much as possible.

4. Future outlook

We will announce the forecasts for the next fiscal year (FY3/22) and the three-year medium-term management plan (FY3/22-FY3/24) at the time of the announcement of results for the fiscal year ending March 2021.

The environment surrounding the child-raising service business is rapidly changing, as evidenced by the increase in dual-income households, the problem of children on waiting lists, a shortage of nursery school teacher, and the shift to free child education and childcare. The social role of child-raising services in society is becoming increasingly important. Under these circumstances, the child-raising service business is required not only to secure "quantity" by opening new facilities, but also to transform itself into childcare support facilities that would be selected by customers through further improving the "quality" of childcare support.

Our group will further focus on "selection and concentration" and effectively allocate and invest management resources through improving profitability and growth potential in response to changes in the social environment. With digital transformation, which responds to changes in the social environment, as the pillar of our growth, we will improve the profitability of our existing child-raising business and improve efficiency by introducing an operational system. On January 14, 2021, we entered into a business alliance with Gakken Holdings Co., Ltd. to further expand our early childhood education programs, develop new products and services, and achieve quantitative expansion through new value creation. In addition, we are improving and expanding the education of childcare personnel and instilling the Group Management Philosophy, Corporate Message, Childcare Philosophy, and Childcare Policies, which were newly renewed and established this year, both inside and outside the Company. We believe this will lead to further improvements in the quality of childcare support and the creation of facilities that would be selected by customers.

Looking ahead, in our existing businesses, we will expand the number of children accepted at existing facilities based on improved profitability and qualities, open new facilities that capture market trends, and develop new businesses aimed at creating new value by capturing changes in the social environment, which will lead to quantitative expansion.

From the next fiscal year onward, we expect to improve earnings by reducing the depreciation burden on fixed assets.

*The above forecasts are based on information available as of the date of announcement of this document. Actual results may differ from the forecasts due to various factors.