

May 13, 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,
General Manager, Public & Investor
Relations Office
(Tel: +81 52 933 5419)

Notice of Formulation of New Medium-Term Management Plan

In response to the medium-to long-term changes in the external environment, we have formulated a new medium-term management plan for three years from the fiscal year ending March 2022 to the fiscal year ending March 2024, with the aim of strengthening our revenue base and ensure sustained growth. Details are as follows.

In order to respond swiftly and flexibly to changes in the business environment in the future, we plan to review this medium-term management plan under the annual rolling method.

1. Overview of Previous Medium-Term Management Plan

Since June of last year, our Group has renewed its management structure, which consists of more than a majority of outside directors with deep insight and knowledge related to education, finance, legal affairs, and governance. We have also made efforts to further strengthen corporate governance by transitioning from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee.

In addition, under the new management structure, we have made efforts under the management reform policies of "improve profitability and efficiency," "improve soundness," and "improve growth potential."

As for specific initiatives, in relation to the "improve profitability and efficiency", we have expanded programs in subjects such as English, gymnastics, and eurhythmics to increase the number of children accepted at existing facilities and improved our operational efficiency by optimizing staffing levels. With regard to "improve soundness," to avoid future risks, we have decided to close facilities with deteriorating profitability due to changes in the external environment, and also decided to off-balance the facilities that we have operated by acquiring land and buildings in the past, as a foothold for the development of local childcare support facilities. In addition, we have improved operational efficiency by introducing systems and reviewing business processes, thereby creating a pleasant work environment. We have also introduced a new personnel system with high transparency in evaluations, which has led to a reduction in the turnover rate.

As for the "improve growth potential", to accelerate the shift to digital transformation (DX), we introduced an on-line program and formed a business alliance with GAKKEN HOLDINGS CO.,LTD. on January 14, 2021. With this alliance, we decided to introduce early learning programs at child care facilities and began planning and considering new businesses.

As a result, in the fiscal year ended March 2021, operating income and ordinary income significantly exceeded the initial plan.

2. Background and Objectives of Formulating the New Medium-Term Management Plan and Long-Term Management Vision

In the business environment surrounding our group, we anticipate an increase in dual-income households, the problem of children on waiting lists in some areas, a continuing shortage of childcare workers, a further acceleration of the declining birth rate society due to a recent sharp drop in the birth rate, and an unclear outlook for the containment of COVID-19. Accordingly, we need to transform our facilities to be selected by customer through further improving the quality of childcare in response to changes in the social environment and the needs of parents, rather than prioritizing quantitative expansion through new facility openings. Taking advantage of this situation, we will make our efforts by setting more attainable management targets in the new medium-term plan.

Our Group's new medium-term management plan captures changes in the social environment, and we will continue the policies of the previous fiscal year with the key objectives of "improve profitability and efficiency," "improve soundness," and "improve growth potential." We will effectively allocate and invest management resources to build a solid management foundation.

Specifically, with DX as the pillar of reform to respond to changes in the social environment, in terms of "improve profitability and efficiency," we will take these initiatives: improve early learning to increase the number of children accepted at existing childcare support facilities as our existing business, develop and introduce new content, improve profitability by further optimizing staffing, and accelerate operational efficiency by promoting the use of ICT in facilities. In terms of "improve soundness," as the key of childcare support is "human resources," we will expand our human resource education and training systems and improve operational efficiency through systemization. In addition, we will further improve the quality of our childcare support and promote the creation of facilities that would be selected by customers by disseminating and implementing both internally and externally the Group's Management Philosophy, Corporate Message, Operational Philosophy, Childcare Philosophy, and Childcare Policy, which were renewed and formulated last year. As for the "improve growth potential", we will deepen and develop our business alliance with GAKKEN HOLDINGS CO.,LTD. and establish a competitive advantage by creating services and products that provide new added value, such as the development of new early learning programs through DX and products related to childcare support.

However, with regard to the target of 100 billion yen in consolidated net sales for the fiscal year ending March 2025 included in the Long-Term Management Vision announced on August 8, 2018, the external environment has changed significantly since the time of the announcement of the plan, due to factors including the spread of the COVID-19 pandemic since the initial plan was initially formulated, the emergence of major changes in work styles such as the spread of telecommuting due to the adoption of new lifestyles, and an accelerating decline in the birthrate due to a rapid decline in the number of births. Therefore, while we will maintain our net sales target (consolidated), we have not set a target date for its achievement.

Despite the uncertain outlook, the Group will strive to achieve its "Long-Term Management Vision" of 100 billion yen in net sales (consolidated). In order to achieve this goal, we will develop new businesses and expand our operations by actively pursuing capital and business alliances with companies related to childcare and other industries, with the aim of achieving sustainable growth in the future.

3. Key Targets, Measures, and Forecasts of the New Medium-Term Management Plan (Consolidated)

(1) Key Targets of the New Medium-Term Management Plan

- We will enhance profitability of existing businesses, further improve the quality of childcare support, and accelerate the development of new businesses to create new value in response to changes in the social and business environment.

① Improve profitability and efficiency

- We will improve profitability by introducing new programs to increase the number of children accepted, further optimizing staffing, and improving management efficiency through ICT. We will also further improve operational efficiency by reforming business processes and accelerating the introduction of systems.
 - I. Increasing the number of children accepted and establish a competitive advantage by introducing new programs (early learning programs, dances, art, etc.) to strengthen the profitability of existing businesses.
 - II. Optimizing the number of personnel assigned, improve operational efficiency, and promote ICT to improve profitability at existing facilities
 - III. Strengthening of business management and profit management systems, systemization and structural reform to capture management efficiency improvements

② Improve soundness

- We will reform the business structure and strengthen the management foundation in response to changes in society and the business environment. Establish a safe and secure operation and management system and human resource education aimed at further improving the quality of childcare support.
 - I. Establishment and thorough implementation of management systems and countermeasure policies that place top priority on ensuring safety and security
 - II. Aiming to create facilities that would be selected by customers, improve our brand image and establish our superiority by making our initiatives and measures that utilize our expertise in childcare support widely known both internally and externally.
 - III. Creating an attractive working environment (Strengthen recruitment activities, improve personnel education and retention rates, reform the personnel system)
 - IV. Thorough enforcement of compliance and further strengthening of corporate governance

③ Improve growth potential

- We will develop services and businesses aimed at creating new value through measures to support childcare, from "measures for children on waiting lists" to "measures to address the declining birthrate society."
 - I. To accelerate and promote the development of new businesses, actively promote capital and business alliances with the childcare support industry and other industries to expand our revenue base. (Creation of new value through business alliance with GAKKEN HOLDINGS Co.,Ltd., cross-industry collaboration)
 - II. Strengthen Group competitiveness by adopting DX in response to changes in the social and business environment (DX for early learning and new programs)

(2) Business Forecasts (Consolidated)

As a result of the above, the projected net sales and ordinary income for the fiscal year ending March 2024, the final year of the new medium-term management plan, are 34,700 million yen and 3,500 million yen, respectively.

With regard to the plan for the fiscal year ending March 31, 2022, the provision for bonuses has been increased due to a change in the bonus payment period following the introduction of a new personnel system. In addition, we have formulated a plan based on the assumption that the number of children aged 0 and 1 will decrease due to changes in lifestyles caused by the expansion of COVID-19, an increase in remote work rate, and further acceleration of the declining birth rate society due to a recent sharp drop in the birth rate.

[Consolidated Numerical Targets]

	FY3/21 Result	FY3/22 Plan	FY3/23 Target	FY3/24 Target
Sales forecast	32,911 million yen	33,200 million yen	33,700 million yen	34,700 million yen
Ordinary income (forecast)	2,947 million yen	2,300 million yen	2,970 million yen	3,500 million yen