

JP-HOLDINGS, INC.

Financial Results for the 2Q of Fiscal Year ending March 2021



TSE 1 (2749)

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

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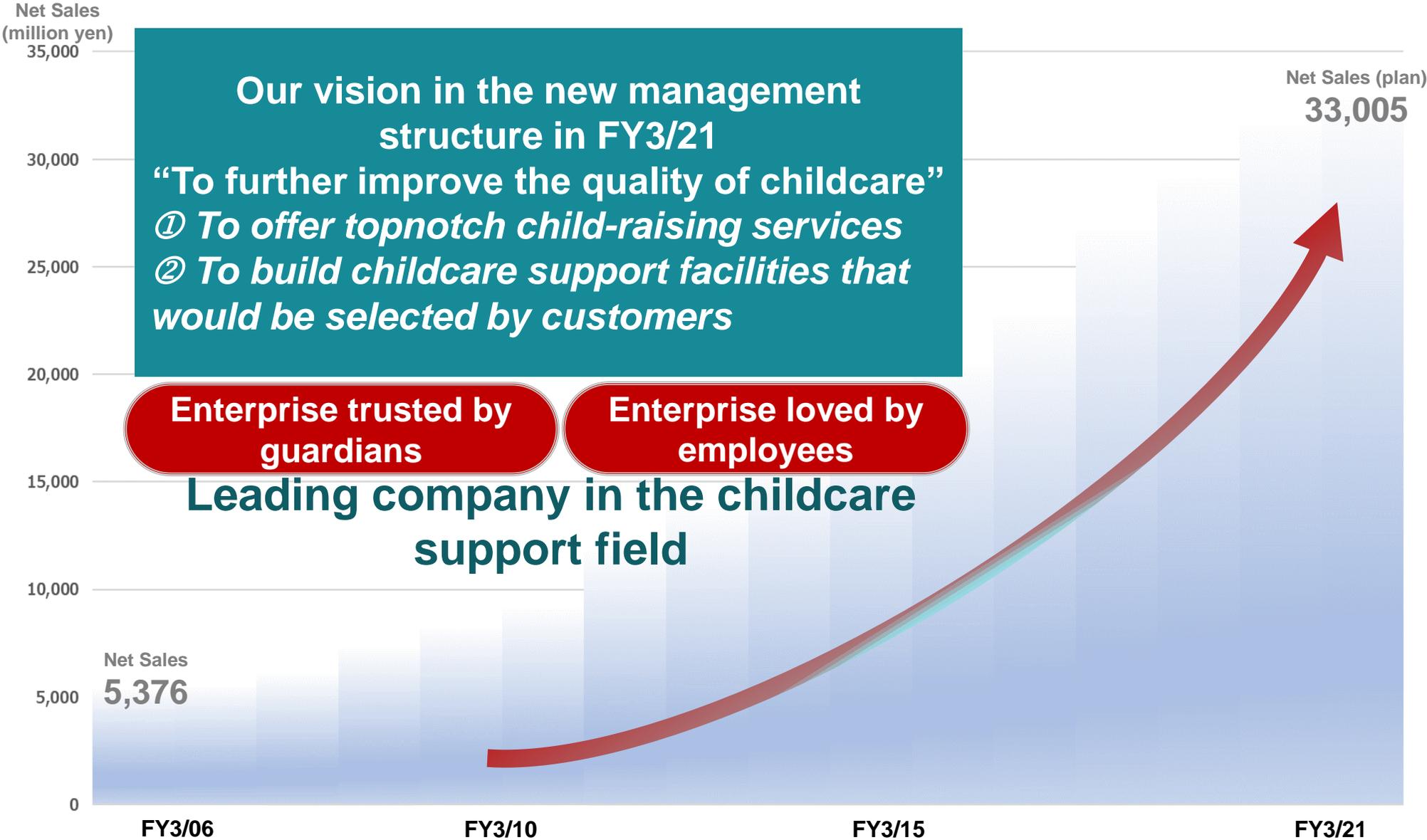
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APPENDIX

1

Management Policy in the New Management Structure

Ideal State



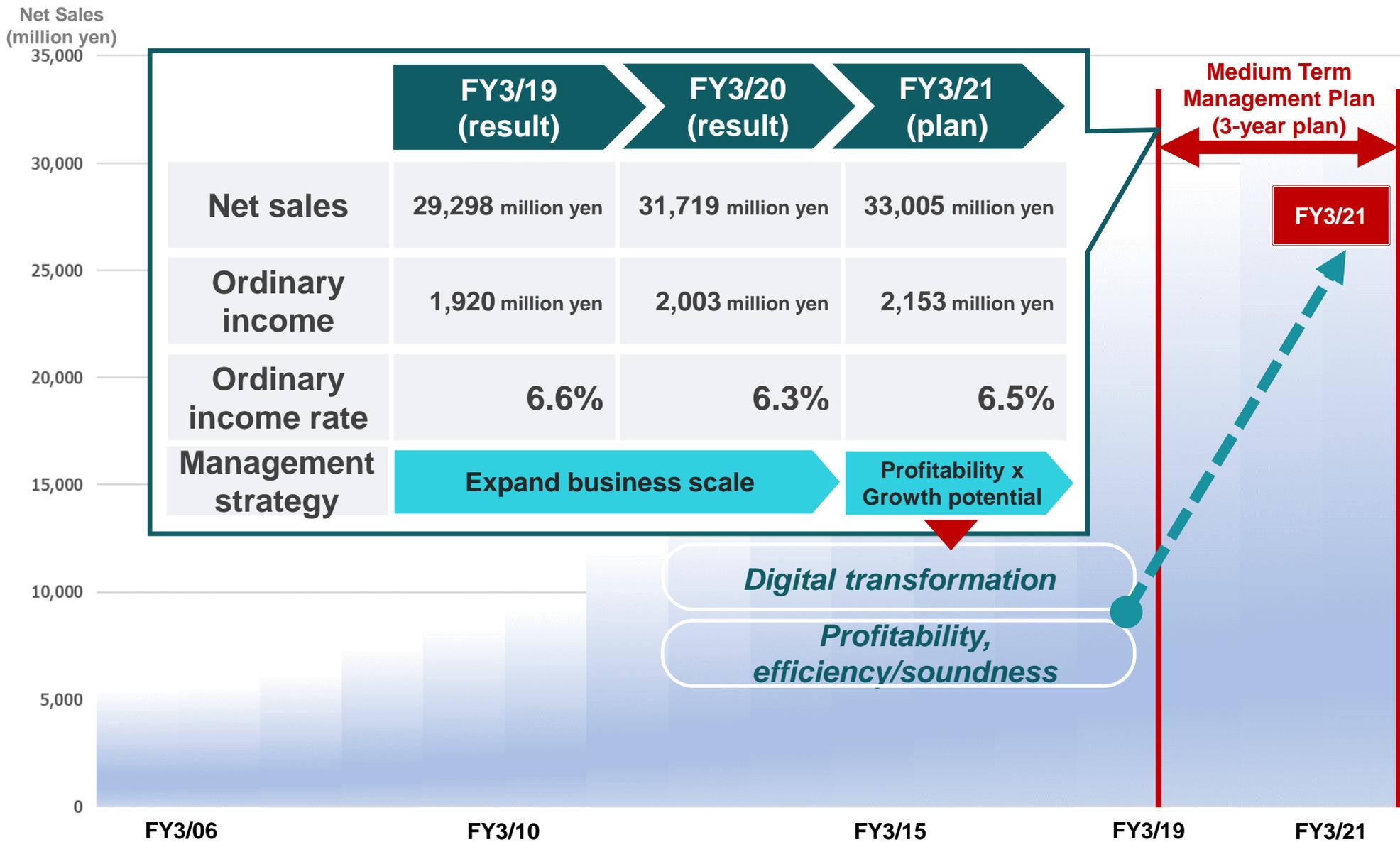
Social issues to be solved with our business	Related SDGs	Major activities
<p>Childcare support</p>	<p>Improve the quality of childcare support Reduce the number of children on waiting lists</p>	<ul style="list-style-type: none"> ● Promotion of high-quality childcare support ● Establishment of new facilities for decreasing the number of children on waiting lists ● Development and provision of online childcare while grasping changes in the social environment ● Safe, reliable facilities and operation ● Provision of nutritious lunch for maintaining health ● Enrichment of support for child development
<p>Educational support</p>	<p>Offer high-quality early childhood education</p>	<ul style="list-style-type: none"> ● Development and enrichment of educational programs (English, gymnastics, eurhythmics and dancing) ● Development and promotion of online education <p>Development of programs for early childhood education at home in response to changes in the social environment</p> <ul style="list-style-type: none"> ● Provision of early childhood education opportunities
<p>Partnership</p>	<p>To help solve social issues based on the partnership with stakeholders</p>	<p>17 パートナーシップで目標を達成しよう</p>



Social issues to be solved with our corporate activities		Related SDGs	Major activities
Personnel development	Improvement in expertise and actualization of independent career development		<ul style="list-style-type: none"> ● Promotion of work style reform ● Enrichment of training structure ● Career paths and job rotation
Empowerment of women	Actualization of diversity-minded workplaces		<ul style="list-style-type: none"> ● Workstyles tailored to lifestyles ● Systems for childbirth, childcare, and nursing care ● Development of a proper business environment
Human rights and D&I*1	Actualization of diverse workstyles		<ul style="list-style-type: none"> ● Utilization of diverse human resources and sound business administration ● Development and production of female leaders
Social contribution to local communities	Creation of a childcare environment		<ul style="list-style-type: none"> ● Promotion of childcare support in local areas ● Promotion of employment ● Promotion of prevention of abuse
Earth environment	Contribution to a sustainable earth environment		<ul style="list-style-type: none"> ● Creation of environmentally sound facilities ● Reduction of CO₂ emissions by installing LED lighting ● Reduction of food loss and waste
Partnership	To help solve social issues based on the partnership with stakeholders		

*1: Diversity & inclusion (To create something new by utilizing different experiences and accepting differences)

Medium Term Management Plan



Mission of our corporate group

To improve the satisfaction level of all stakeholders

Shareholder value

Customer value

Social value

To keep improving corporate value

To offer value unique to our company

To contribute to society

Business partners

Value creation ↔ Employees

Actualization of nursery schools with better quality

Expand existing business

Cement the relation with society

Continuous trusting relationships with stakeholders

Streamlining of use of managerial resources
Structural reform, personnel development

Strengthen management

New growth strategy

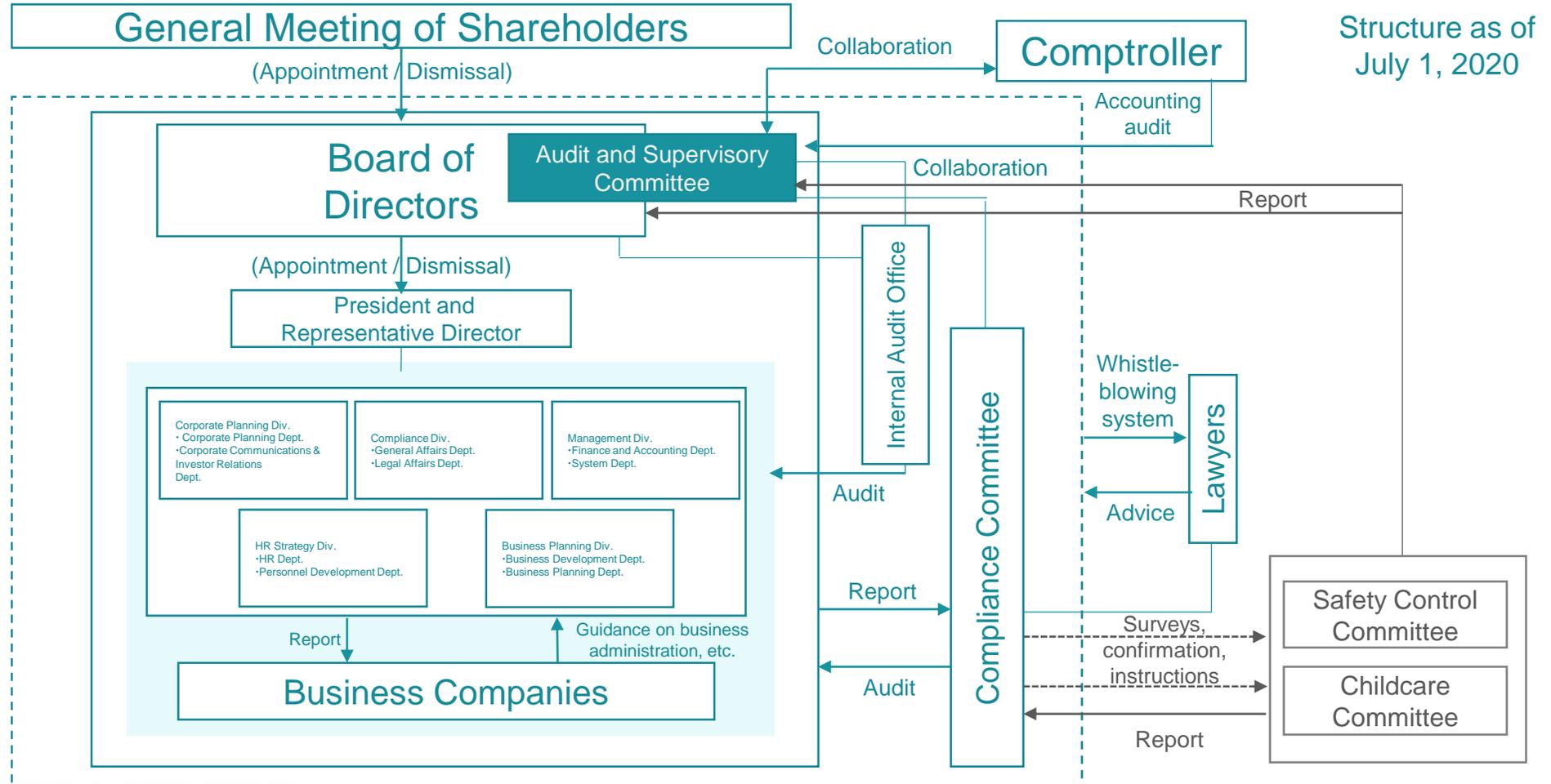
Actualization of management strategy

Fortification of governance and compliance systems

Transformation into a Company with an Audit and supervisory Committee

As audit and supervisory committee members, who oversee the execution of duties by directors, serve as members of the board of directors, enhancing the auditing and supervising functions of duties by the board of directors.

Shift to a transparent, fair, and vigilant corporate governance structure

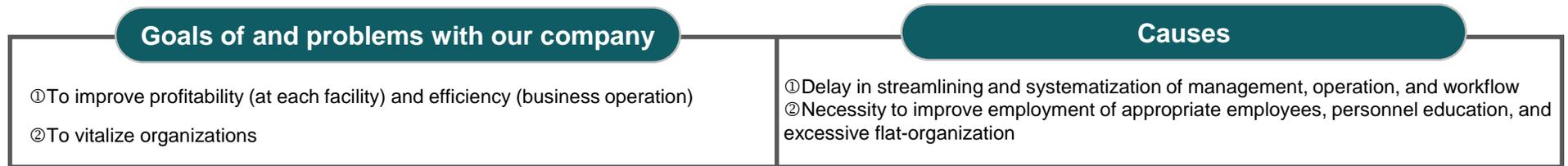
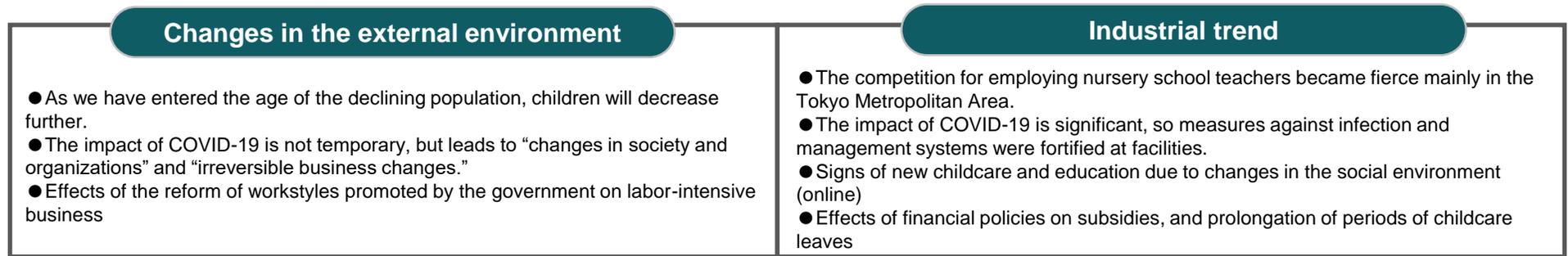


Structure as of July 1, 2020

2

FY3/21 Management Plan

Concept for Management Policy in the New Management Structure



We will intensively allocate managerial resources to the activities for achieving sustainable growth, improving profitability and vitalizing our organizations, which are current issues, and reform our business administration.
 <In FY3/21, we will reform the management of nursery schools, vitalize organizations, and establish new promising businesses.>

Management Policy

Selection and concentration

Managerial resources (Allocation of human resources, materials, and funds) to specific areas

Vitalization of organizations

Every employee plays the leading role/Every employee feels responsible for business

Issues we should work on



Management Policy in the New Management Structure

Management reform for achieving sustainable growth and responding to changes in external environments

Vision

To further improve the quality of childcare = To offer topnotch child-raising services
To build childcare support facilities that would be selected by customers

Means for actualizing the Vision

Selection and concentration: Intensive allocation of managerial resources to reform business administration
Vitalization of organizations: Streamlining of management and strengthening of management functions

Major management strategies

Response to changes in the market environment

1 Profitability and efficiency 2 Soundness 3 Growth potential

Improvement in revenues from existing businesses, streamlining of business operations, and creation of digital businesses

Cooperation among group companies, exertion of synergy, and vitalization of organizations
(Enhancement of employees' awareness/reform of operational processes)

Fortification of our business foundation

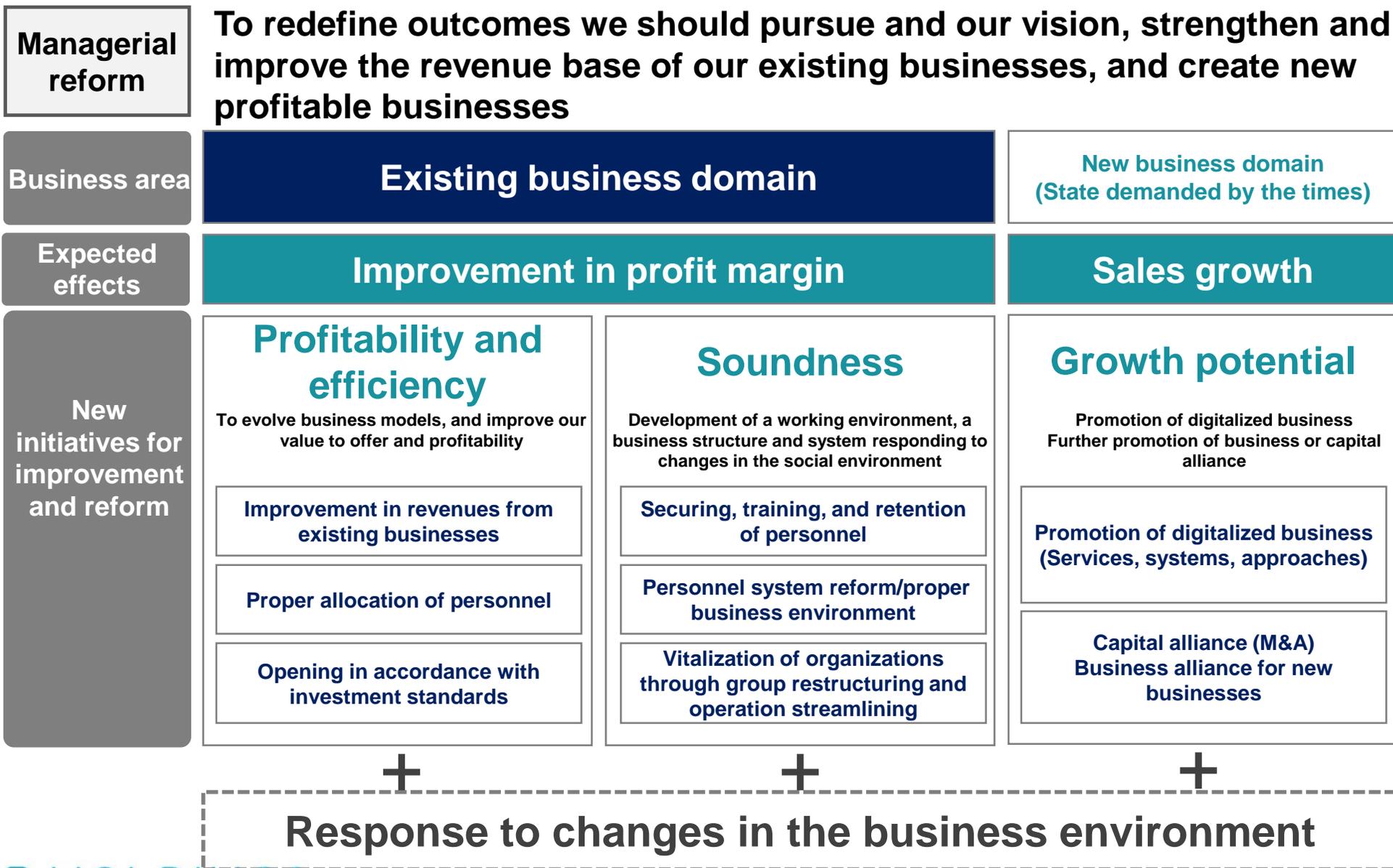
Promotion of digitalization of marketing

Systematization

Strengthen management

HR development and management

Management Strategies



To improve profitability and efficiency

By reconsidering our existing business operations and systems, we will evolve business models, and improve our value to offer and profitability.

To improve profitability and efficiency

① Improvement in revenues from existing businesses

•To improve revenues by designating some facilities as the ones that require intensive measures

▶ Facilities that require intensive measures (which saw a decline in revenues for the 2nd consecutive term)

▶ Facilities that require some measures (which saw a decline in revenues in the current term)

▶ To close facilities whose revenues dropped due to changes in the business environment, including the situation of children on waiting lists

*To close 5 facilities by the end of March 2021

*To close 1 facility by the end of March 2022

•Improvement by the council for improving revenue and expenditure for each block

▶ If monthly operating income is 10% different from the initial estimate, the cause and measures will be reported.

▶ Intensive measures for improving the performance of facilities requiring such measures and reporting of the progress

② Proper allocation of personnel at facilities

•To reconsider staff of facilities, and visualize staffing

•To adjust staffing in the next term, based on the appropriate staffing

(Linked with recruitment plans)

③ Design and execution of opening plans in accordance with investment standards

•Design of new plans based on the analysis of future environments, including demographics and the market environment

▶ To narrow down prioritized areas

▶ To revise development meetings and workflow

•Study of the revenue model for responding to changes in childcare needs

▶ Study of the revenue structure considering the drop in needs for childcare for infants aged 0, which was caused by the lengthening of the childcare leave period (2 years)

④ Discussion on the progressive childcare-related business at existing facilities

•Discussion on new business models utilizing vacant spaces, which increased due to the decrease of children

(Early childhood education, cross-industrial cooperation, etc.)

Improvement of soundness

We will develop an environment and a structure to respond to changes in the social environment, etc.

Soundness

① To further secure and train personnel

- To strengthen recruitment (online job interview)
 - To introduce the inside of our company and visit schools (graduates will visit their alma mater.)
 - To expand the training structure, such as by level
- No. of mid-career workers employed in the current term: 330
(100 in the middle of the term)
As of the end of Sep. 2020: 257 workers employed
No. of new graduates to be employed in the next term: 240
No. of workers employed in FY20: 182

② Enhancement of measures for curbing turnover rate

- To enrich the system for tutoring new employees
 - To communicate with employees carefully through online interviews and strengthen follow-up activities
- ▶ Turnover rate in the previous term: 13% (around 17% in this industry)
 - ▶ We aim to achieve a turnover rate of around 10% for the current term.

③ Personnel system reform

- To reform the system in line with the job types
- To enrich personnel evaluation systems

④ Strengthening of HR management

- To utilize the talent management system
- ▶ Proper allocation of personnel
- To improve job rotation, training, and study sessions
- ▶ Equalization of tasks, personnel development

⑤ Development of the working environment

- To streamline paperwork with ICT
- To rationalize installing a system for attendance management

⑥ Structural reform

- To reform our business through the restructuring of our group's business
- To improve business operations and conduct cross-sectoral management

⑦ Fortification of compliance systems

- To increase the transparency of governance by establishing the audit and Supervisor committee
- To enhance the functions of the internal audit office

⑧ Enrichment of BCP and safety measures

- To establish systems for coping with COVID-19 and workflow for responding to it.
- To improve systems for telecommuting
- To establish the childcare committee and safety control committee

Major Management Strategy (2): Concrete Measures

● Securing, training, and retention of personnel

▶ In response to changes in the social environment, we recruit workers online and by referrals, while introducing the inside of our company and having graduates visit their alma mater.

⇒ No. of mid-career workers employed in FY20: 330 (100 in the middle of the term)

As of the end of Sep. 2020: 257 workers employed

⇒ No. of new graduates to be employed in FY21: 240

No. of new graduates employed in FY20: 182

▶ To encourage employees to attend the training for career development (until the end of Mar. 2023)

To develop training systems for each level and for managers

▶ We aim to achieve a turnover rate of around 10% this term by improving the tutoring system and energizing communication by utilizing online interviews, etc.

● Personnel system reform/proper business environment

▶ To reform the HR systems for on-site employees and staff of the headquarters, and evaluate, discuss, and reconsider personnel management from the beginning of the next fiscal year

[Issues and problems]

(Voices of on-site employees) Evaluation process, roles and salaries, bonus evaluation

(Head Office/Headquarters) Evaluation cycle, roles and salaries, career development

[Points of reform in the new HR system]

- Grading and wage systems for each role and each duty
- Drastic reform of the evaluation system

▶ To streamline business operations by installing an attendance management system in cooperation with the System Division, and reduce labor in the headquarters through ICT and RPA

● Structural reform (Improvement of business operations and clarification of roles)

• To restructure our group's business, improve operations, and vitalize organizations with cross-sectoral structures through "selection and concentration"

① Reinforcement of Japan Nursery Service

1) Strengthening of the structure of each block

- Personnel reshuffling for strengthening the capability of management of each facility and each block in the 6-block system
- Strengthening of the structure of the Tokyo block (management, overall control, and solving problems)

2) Establishment of the Operational Risk Control Division for fortifying the risk control structure

- To establish a new section in management for dealing with infections and emergencies, including COVID-19, at facilities, to strengthen the management structure

② Reform of the Internal Audit Office for reinforcing the governance structure

1) Strengthening of the structure of the Internal Audit Office of JP Holdings

③ To launch projects for taking important measures

- 1) To launch group-wide projects for the new businesses "Meal Kits" and "Online Childcare"

④ Restructuring of our group's business and organizations

- 1) To put together and integrate the businesses of subsidiaries for streamlining business operations and accelerating response to the inside and the outside of the company (reducing back-office costs and clarifying businesses)

• J Cast, J Kitchen, J Planning Sale and Japan Nursery Institute for General Research

2) Development of business operations of the development section at Japan Nursery Institute for General Research

- To enrich the training business and enhance measures for sales

Growth potential

To change our activities for childcare support from measures for reducing children on waiting lists to measures for coping with the decrease of children

To offer epoch-making services utilizing digital technologies and systems

To create value by offering seamless services

Growth potential

New business in response to digitalization

① Proposals for new lifestyles toward child-rearing households

-To serve breakfast and supper (meal kits and boxed meals)

- To promote customers to use our services for part of their breakfast, supper, and meals on holidays
- To sell meal kits so that customers can save time, as cooking is the most burdensome chore

(According to the preliminary survey, 75% of households find it troublesome to prepare for meals.)

-Digitalization of early childhood education and related programs (digital transformation)

- To offer childcare and education in a one-stop manner (on demand)

-Tebura-de-hoiku (sale of related products)

- To sell and provide diapers, etc. used in nursery schools

② Online education (In-home childcare service)

-Online childcare and educational programs

- To improve the life rhythms of children and save the time of parents
- To offer educational programs utilizing online services

③ Technical training (online)

Check of staff's conditions

-Online training project, and on-demand sale

- Online training mainly for childcare services
- *Technical training program in cooperation with other companies
- Sale of products taking advantage of our training

-Sale of services for managing staff's conditions and measures

④ Business or capital alliance

•Capital alliance (M&A) and business alliance for new businesses

Major Management Strategy (3): Concrete Measures

Growth potential

① Proposals for new lifestyles toward child-rearing households

1) To serve breakfast and supper (meal kits and boxed meals)

Verification in progress

Sale by EC and product development using customer data

- ▶ To sell meal kits to guardians at nursery schools, to reduce their burden of planning, purchasing ingredients, and cooking of supper (Order receipt and sales promotion via EC)
- ▶ To develop our original products under the supervision of nutritionists, based on the data on orders, household compositions, etc. of customers
- ▶ To launch group-wide projects

*We plan to sell boxed meals as well as meal kits. We think of selling boxed meals as related products for new business partners (school club).

2) Tebura-de-hoiku (sale of products via EC)

Verification in progress

- ▶ To provide diapers, baby wipes, etc. to support childcare
 - ▶ To sell products developed in cooperation with providers of items used at nursery schools and childcare goods via EC
- To clean bed sheets and towels in place of guardians

3) Digitalization of early childhood education and related programs (digital transformation)

Test marketing

To adopt a scheme for offering one-stop services for lessons after nursery schools. We aim to increase next-generation childcare programs combined with digital content, in cooperation with enterprises that excel in the fields of learning and education.

② Online education Online education for households rearing children at home

Test marketing

- ▶ To develop systems (for VTR and online distribution)
- ▶ To regularly distribute content for improving the life rhythms of children and offer programs for saving time for chores and work to households in which parents work from home as a result of the reform of workstyles and households in which children are still too young to go to nursery school or kindergarten.
- ▶ To launch group-wide projects

③ Online training/check of staff's conditions

1) Improvement in technical training for childcare (in cooperation with other companies)

Verification in progress

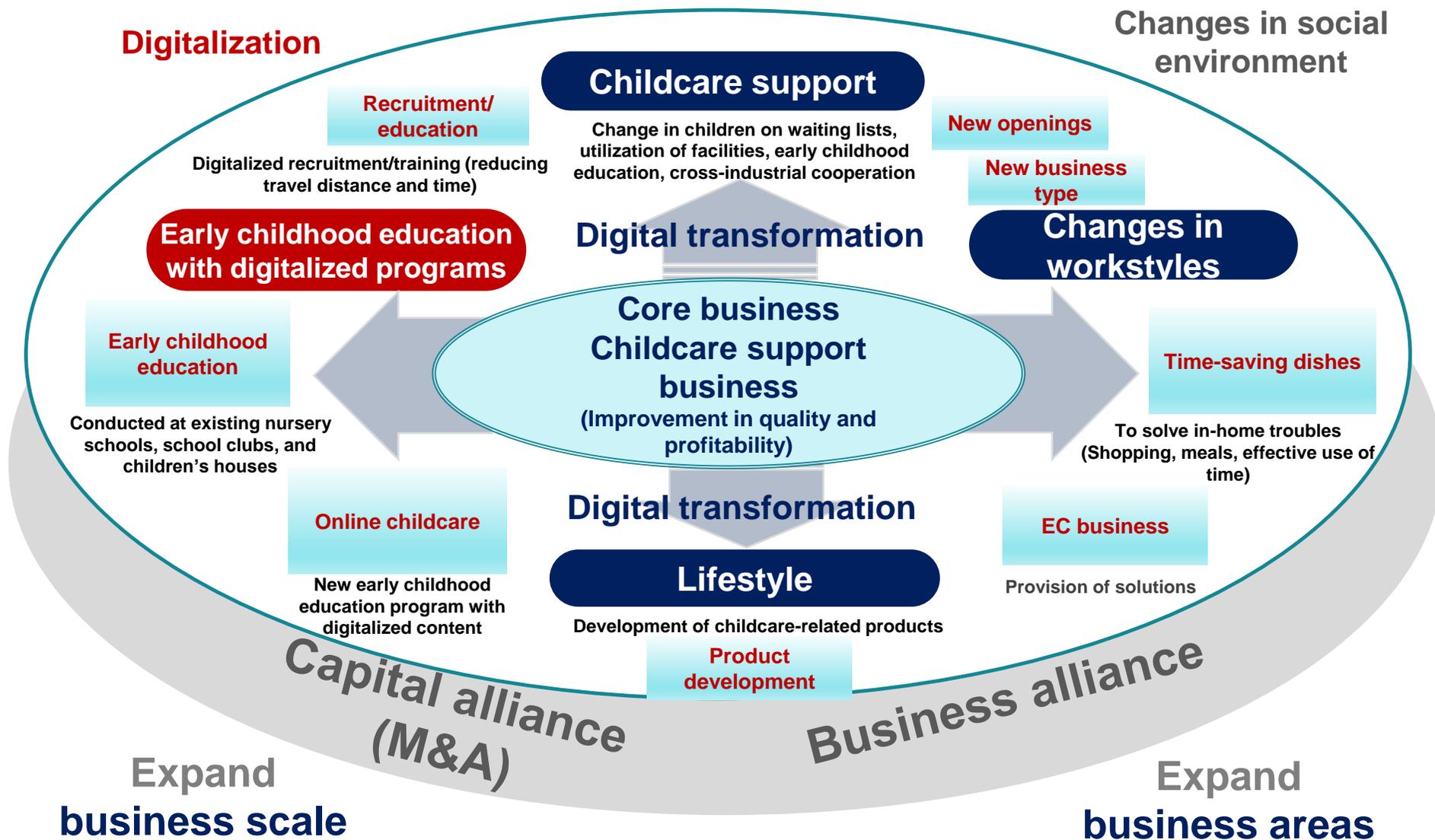
- ▶ Technical educational program (training) for nursery staff
 - *To improve expertise and quality in cooperation with other companies
- ▶ To sell our training programs online and on demand

Verification in progress

2) Check of staff's conditions

- ▶ To analyze the traits of staff members, etc. to grasp how to treat them and prescribe measures

Expansion of the childcare support business



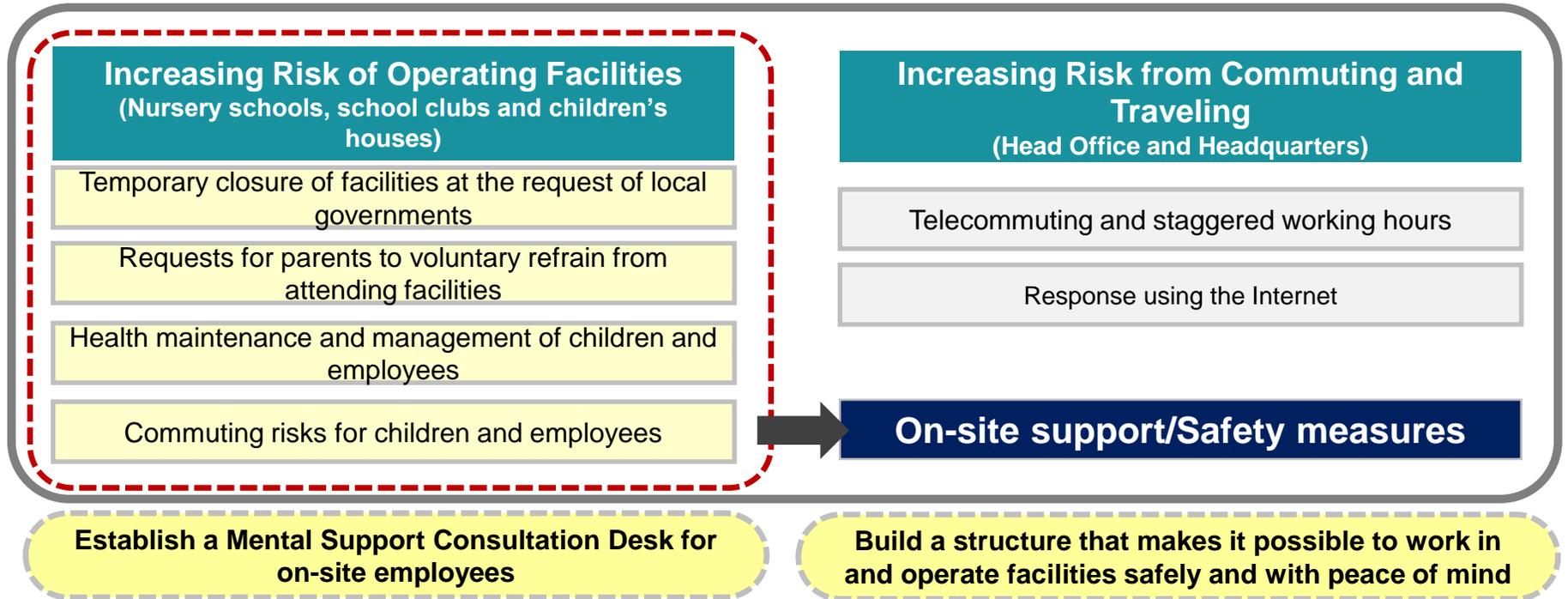
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Measures for Preventing the Spread of COVID-19

Building a Secure and Safe 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

Measures Against COVID-19 (On-site and Headquarters)

To hold managers' meetings online

To hold online meetings of staff of nursery schools and facilities around Japan for each regional block

- Measures against infection
- Discussions for sharing the cases of support for guardians and improving the quality of childcare based on safety and reliability

Production and distribution of online intellectual training content

Production and provision of online intellectual training content to be offered by childcare facilities to households staying at home

- Produced by lecturers specialized in English, gymnastics and eurhythmics
- To support communication with households staying at home

Safety measures by a nursing care team Cooperation between the operational team and municipalities

The leader of nursing staff asks for advice from experts in infection and produces guidelines for preventing infection.

- To have local governments check our guidelines in advance
- To explain our policy to guardians in advance

To open a counselling desk for all on-site employees

In-company mental support consultation desk operated by childcare support counsellors and certified psychotherapists

- Counselling by telephone and online meeting system
- Any on-site employees can consult, regardless of job category or employment status.

Online job interview

Online job interview utilizing online meeting tools

- Candidates can talk sufficiently and deeply with not only recruiting staff, but also nursery school directors, who have plenty of experience of childcare.

Online session for explaining recruitment of nursery staff

To hold "online session for explaining recruitment of nursery staff" by utilizing online meeting tools

Participants can ask questions from anywhere as if they were in a nursery school.

- Participants can participate from anywhere, including their houses.
- To introduce the characteristics, facilities, etc. of our childcare services with the images taken with a 360-degree camera

4

2Q FY3/21 Results

2Q FY3/21 Results

● Net sales grew year on year

•For preventing the spread of COVID-19, some facilities were temporarily closed during a period from the declaration of a state of emergency on April 7, 2020 to its lifting at the end of May, so the lunch fees collected directly from guardians, the revenues from sale of goods, including photos, etc. decreased. However, sales grew year on year, as new facilities were opened, a Tokyo licensed nursery school became a licensed nursery school, and more children were accepted by existing facilities.

● Operating income rose year on year

•Revenues dropped due to the measures for preventing the spread of COVID-19, but gross profit increased, because sales grew as mentioned above, and we strived to reduce costs for ingredients for lunch, etc. as some facilities were temporarily closed in accordance with the request by local governments, and operating income rose year on year, thanks to the curtailment of SG&A.

● Ordinary income and net income attributable to owners of parent increased year on year

•Ordinary income increased year on year, thanks to the above-mentioned rise in operating income and the increase of subsidies, etc. due to the increase of dormitory occupants.

•Net income attributable to owners of parent increased year on year, although an extraordinary loss of 115 million yen was posted because we will close 5 Tokyo licensed nursery schools (4 schools at the end of the current term and 1 school at the end of the following term) and 1 company-led nursery school (at the end of the current term) in response to the worsening of revenues caused by the changes in the business environment, including the situation of children on waiting lists.

● Development of new facilities progressed as planned

•Opened 4 nursery schools and 5 school clubs.

*1 nursery school became a licensed nursery school.

Net Sales
15,955 million yen
+2.8% YoY

Operating
Income
632 million yen
+27.5% YoY

Ordinary Income
955 million yen
+28.4% YoY

Net Income Attributable
to Owners of Parent
551 million yen
+6.8% YoY

Opening of New
Facilities
Nursery schools: 4
School clubs: 5
*1 licensed nursery school

Number of
Children
Accepted to
Nursery Schools
15,517
+266 YoY

2Q FY3/21 Profit and Loss Statement

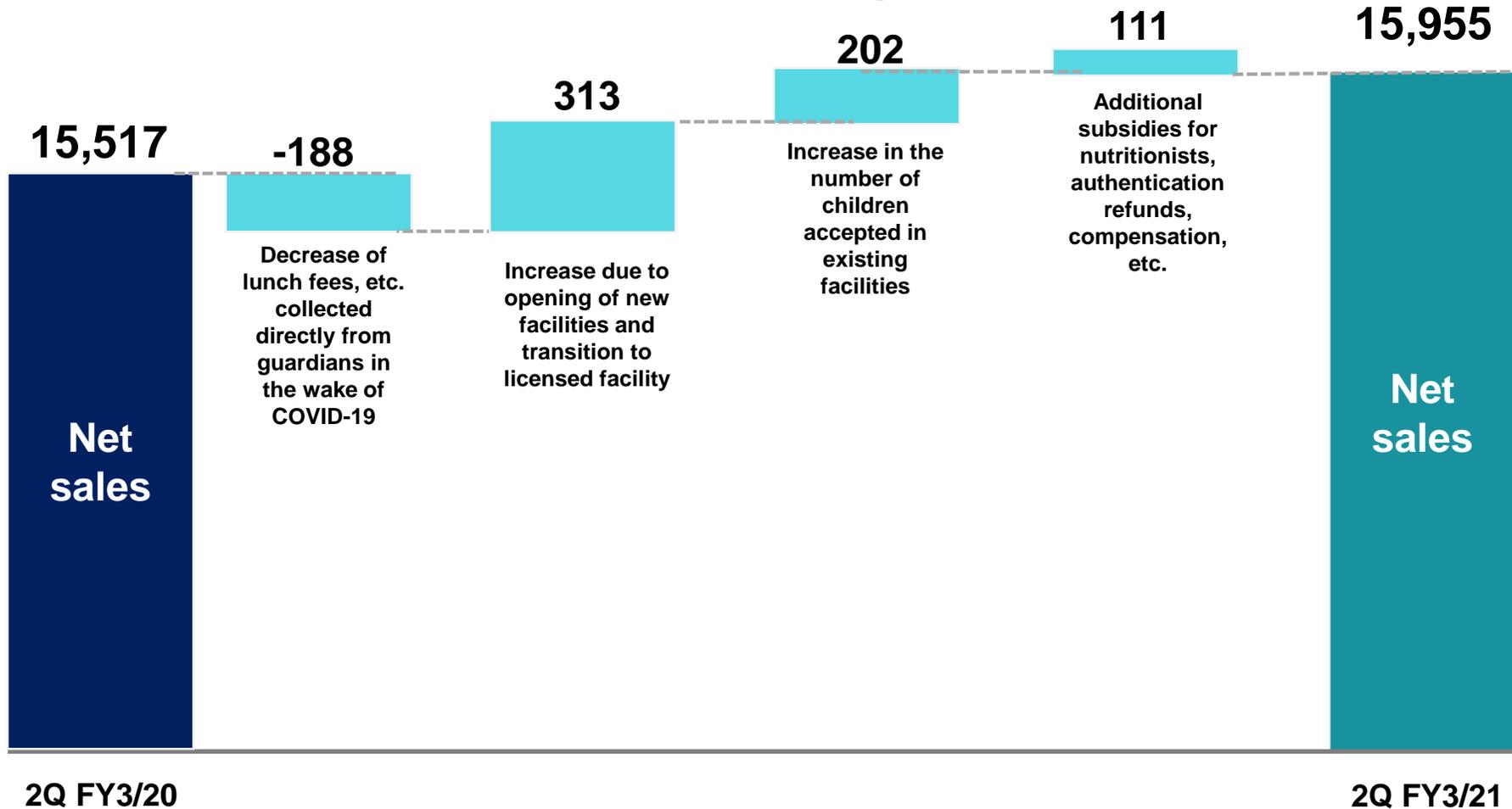
	2Q FY3/20		2Q FY3/21		Year on Year Comparison	
	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Component Ratio (%)	Amount (Million Yen)	Component Ratio (%)
Net sales	15,517	100.0	15,955	100.0	438	2.8
Cost of sales	13,668	88.1	13,824	86.6	156	1.1
Gross profit	1,849	11.9	2,131	13.4	281	15.2
SG & A expenses	1,353	8.7	1,498	9.4	145	10.8
Operating income	496	3.2	632	4.0	136	27.5
Non-operating income	291	1.9	355	2.2	63	21.8
Non-operating expenses	43	0.3	32	0.2	-11	-25.8
Ordinary income	744	4.8	955	6.0	211	28.4
Net income attributable to owners of parent	516	3.3	551	3.5	35	6.8

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

2Q FY3/21 Factors for Changes in Net Sales

Net sales

Despite the effects of measures for preventing the spread of COVID-19, sales grew 2.8%, as new facilities were opened and more children were accepted.

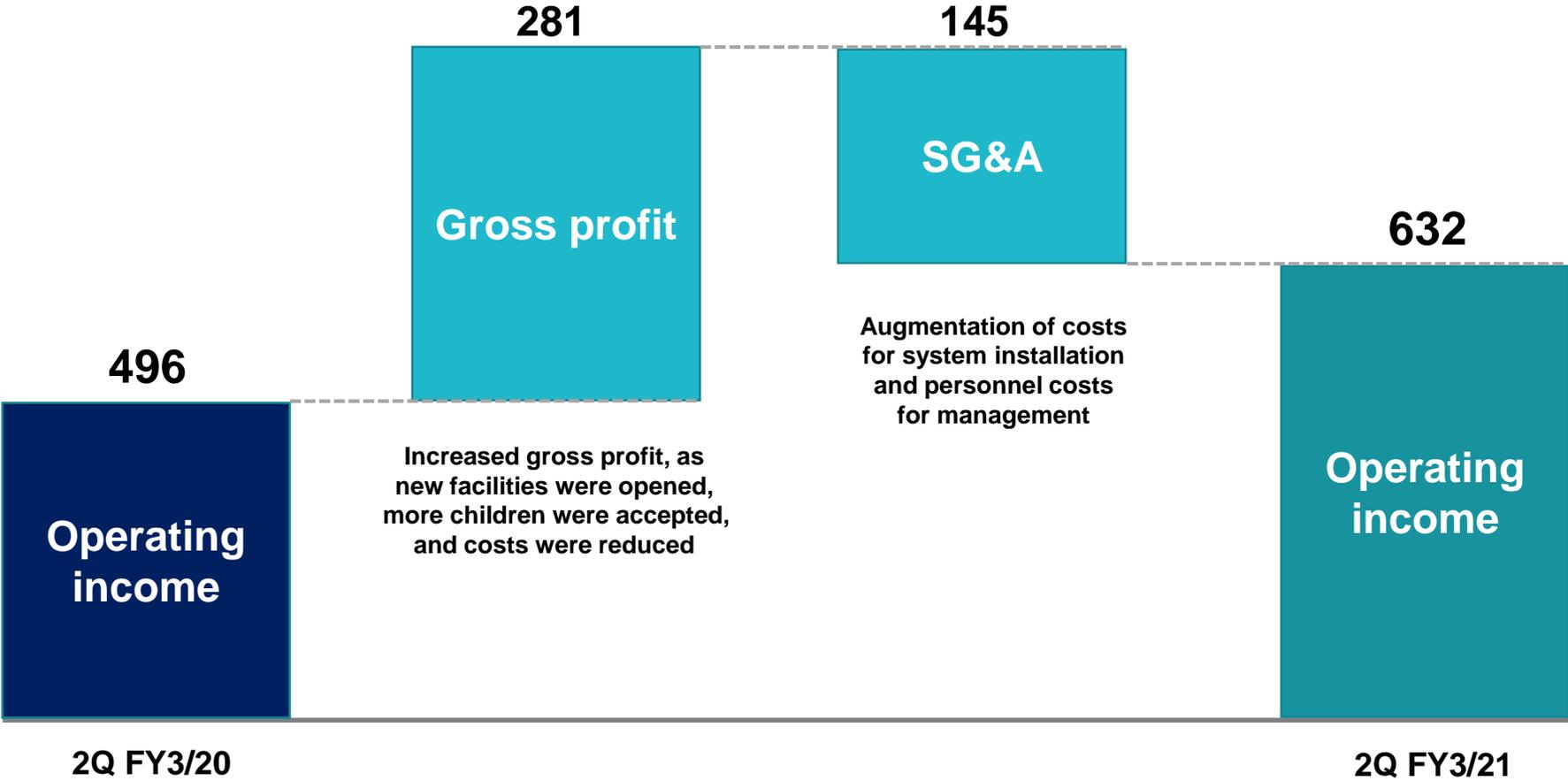


(Unit: Million yen/rounded down to the nearest million yen)

2Q FY3/21 Factors for Changes in Operating Income

Operating income

Despite the effects of measures for preventing the spread of COVID-19, profit increased, as new facilities were opened, more children were accepted, and we strived to curtail costs and SG&A by reducing the expenses for ingredients when facilities were temporarily closed.

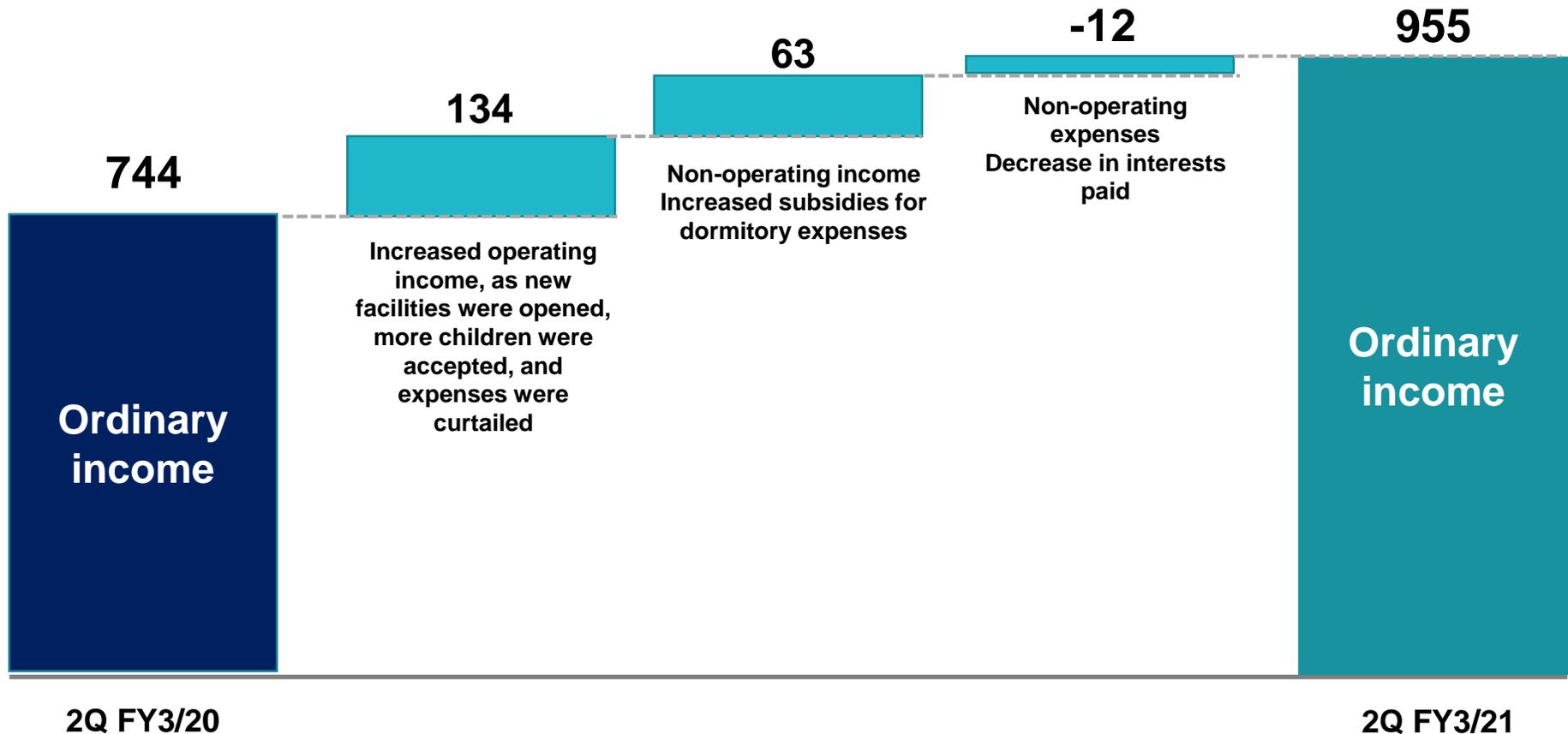


(Unit: Million yen/rounded down to the nearest million yen)

2Q FY3/21 Factors for Changes in Ordinary Income

Ordinary income

Profit grew on the back of a rise in operating income and subsidy following the increase of dormitory occupants.



(Unit: Million yen/rounded down to the nearest million yen)

2Q FY3/21 Financial Condition

Assets increased, due to the increase of borrowings for costs for installing equipment for opening new facilities and the rise in cash and deposits.

Financial Condition

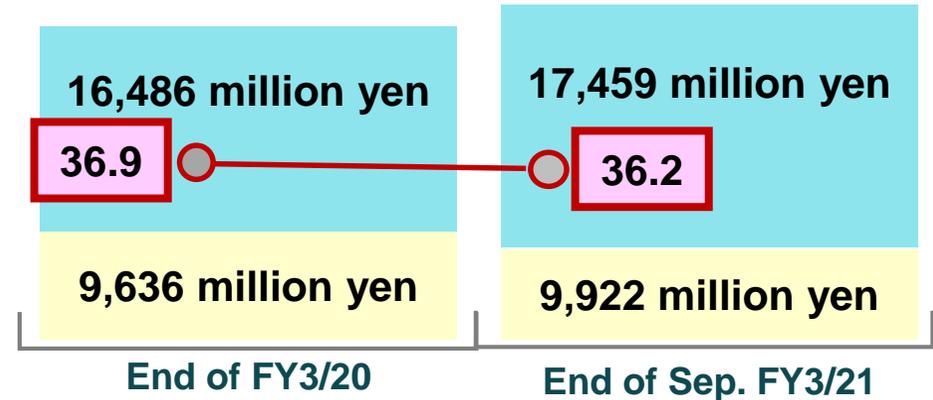
End of September 2020 *() = Difference with the end of March 2020

Assets 27,382 million yen (+1,259 million yen)	Liabilities 17,459 million yen (+973 million yen)
	Net assets 9,922 million yen (+286 million yen)

Million yen	End of Mar. 2020	End of Sep. 2020
Current assets	9,788	11,859
Fixed assets	16,334	15,522
Total assets	26,112	27,382
Current liabilities	5,920	5,958
Fixed liabilities	10,565	11,500
Total liabilities	16,486	17,459
Total net assets	9,636	9,922

Liabilities, Net Assets, Shareholders Equity Ratio

■ Liabilities ■ Net Assets ● Equity Ratio (%)



Cash and deposits	2,302 million yen
Inventories	-81 million yen
Depreciation/amortization and impairment loss	-362 million yen
Construction in progress	-490 million yen
Current portion of long-term debt	247 million yen
Accounts payable	-334 million yen
Income taxes payable	-84 million yen
Long-term debt	849 million yen
Retained earnings	210 million yen
Cumulative other comprehensive income	76 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.)

2Q FY3/21 Balance Sheet

	(Million yen)	End-FY3/20 (Mar. 31, 2020)	2Q FY3/21	Change
Total current assets		9,788	11,859	2,071
Cash and deposits		6,206	8,508	2,302
Accounts receivable - other		111	29	-81
Total fixed assets		16,334	15,522	-812
Total tangible fixed assets		8,620	7,871	-749
Total intangible fixed assets		247	229	-18
Total Investments and other assets		7,466	7,422	-44
Total assets		26,122	27,382	1,259
Total Current liabilities		5,920	5,958	37
(Current portion of long-term loans payable)		1,639	1,887	247
(Accounts payable)		1,535	1,200	-334
Total fixed liabilities		10,565	11,500	935
Long-term loans payable		9,479	10,329	849
Total liabilities		16,486	17,459	973
Total net assets		9,636	9,922	286
Total liabilities and net assets		26,122	27,382	1,259

(Rounded down to the nearest million yen)

2Q FY3/21 Statement of Cash Flows

	(Million yen)	2Q FY3/20	2Q FY3/21	Change
Cash flows from operating activities		703	1,107	404
(Income before income taxes and minority interests)		739	841	101
(Depreciation and amortization)		354	353	-1
(Impairment loss)		3	115	112
(Decrease (increase) in inventory)		104	81	-22
(Increase (decrease) in accounts payable - other and accrued expenses)		-344	-236	107
(Income taxes (paid) refund)		-402	-402	-
Cash flows from investing activities		1,110	442	-668
(Purchase of property, plant and equipment)		-177	-85	91
Cash flows from financing activities		-2,415	759	3,174
(Proceeds from short-term loans payable)		-1,500	-	1,500
(Repayments of long-term loans payable)		700	2,000	1,300
(Repayments of long-term loans payable)		-1,374	-902	471
Net increase (decrease) in cash and cash equivalents		-601	2,309	2,910
Cash and cash equivalents at end of period		6,214	8,515	2,300

(Rounded down to the nearest million yen)

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FY3/21 Forecast

FY3/20 Forecast

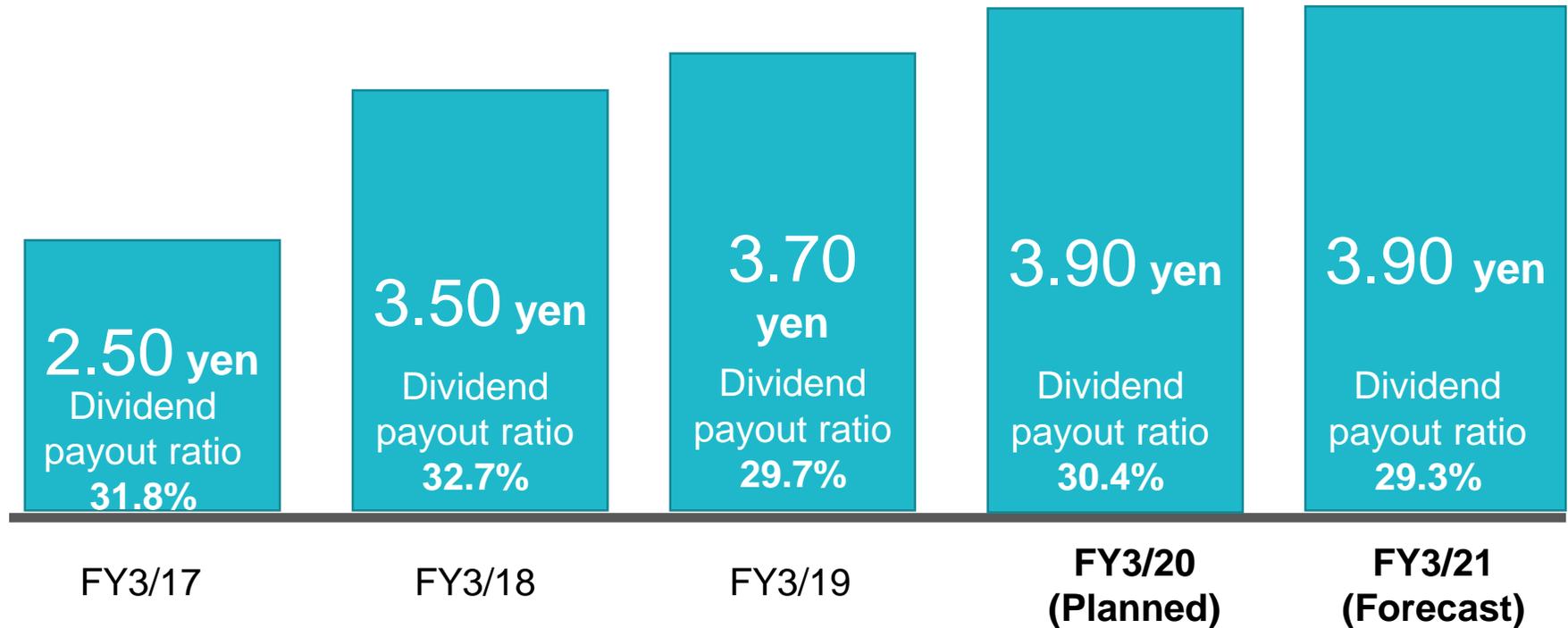
	FY3/20 Actual	FY3/21 Forecast	Change	Year on Year Comparison (%)
Net sales (million yen)	31,719	33,005	1,285	4.1%
Operating income (million yen)	1,538	1,577	39	2.5%
Ordinary income (million yen)	2,003	2,153	149	7.5%
Net income attributable to owners of parent (million yen)	1,122	1,163	40	3.6%
Net income 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 28th Ordinary General Meeting of Shareholders.

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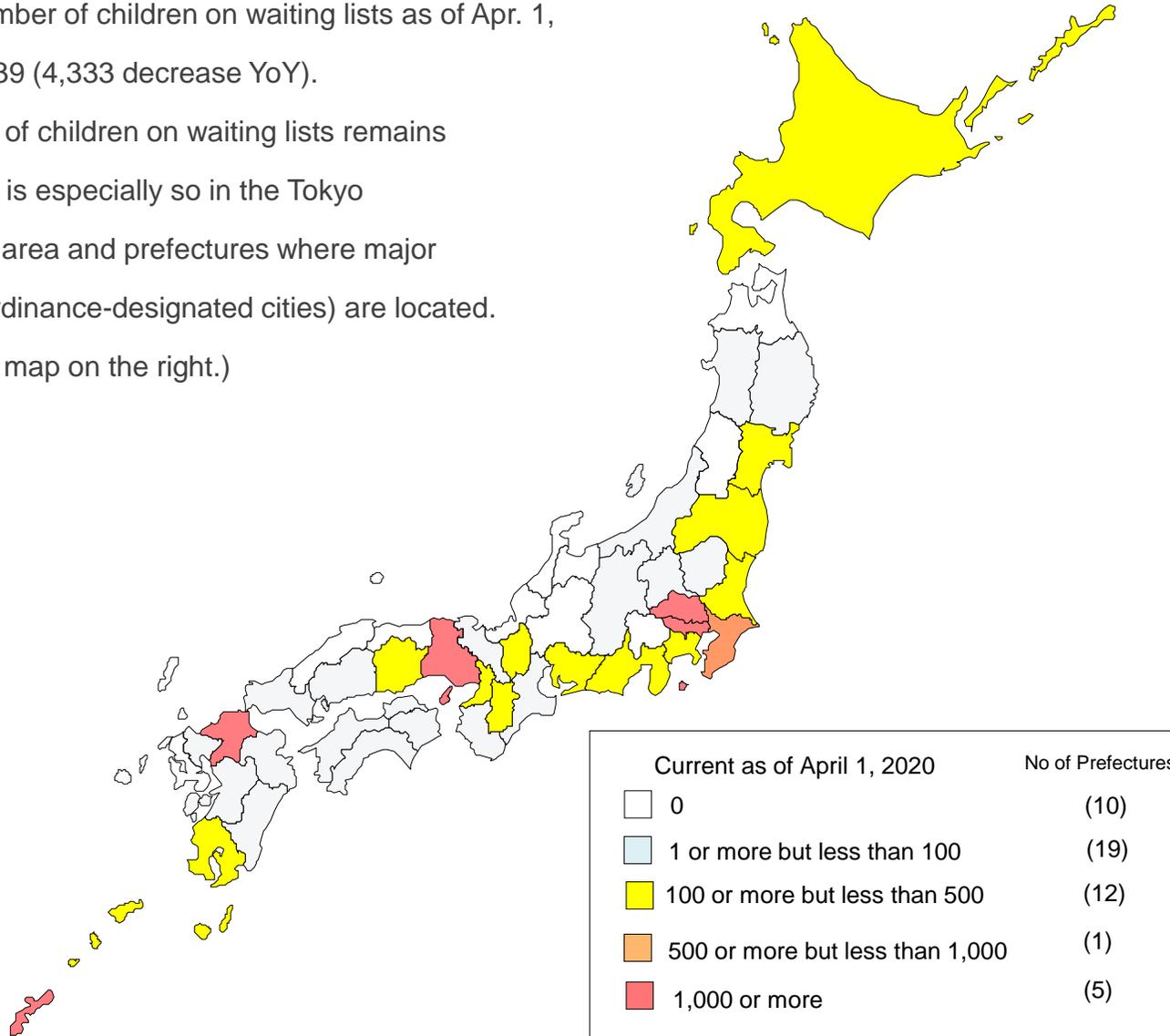
APPENDIX

Current Waiting List Situation

▶ The number of children on waiting lists as of Apr. 1, 2020 is 12,439 (4,333 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, 2020)



Prefecture	No. of Children on Waiting List	Change
Hokkaido	134	-18
Aomori	0	0
Iwate	58	-117
Miyagi	340	-243
Akita	22	-43
Yamagata	0	-45
Fukushima	141	-133
Ibaraki	193	-152
Tochigi	34	-18
Gunma	14	-7
Saitama	1,083	-125
Chiba	833	-187
Tokyo	2,343	-1,347
Kanagawa	496	-254
Niigata	3	1
Toyama	0	0
Ishikawa	0	0
Fukui	0	-10
Yamanashi	0	0
Nagano	46	-34
Gifu	0	-2
Shizuoka	122	-90
Aichi	155	-103
Mie	81	-28
Shiga	495	36
Kyoto	48	-38
Osaka	348	-241
Hyogo	1,528	-41
Nara	201	3
Wakayama	35	-19
Tottori	0	0
Shimane	0	0
Okayama	403	-177
Hiroshima	39	-89
Yamaguchi	17	-23
Tokushima	61	-12
Kagawa	64	-118
Ehime	55	-48
Kochi	28	-7
Fukuoka	1,189	-43
Saga	49	25
Nagasaki	0	-70
Kumamoto	70	-108
Oita	10	-15
Miyazaki	14	-29
Kagoshima	322	-27
Okinawa	1,365	-337
Total	12,439	-4,333

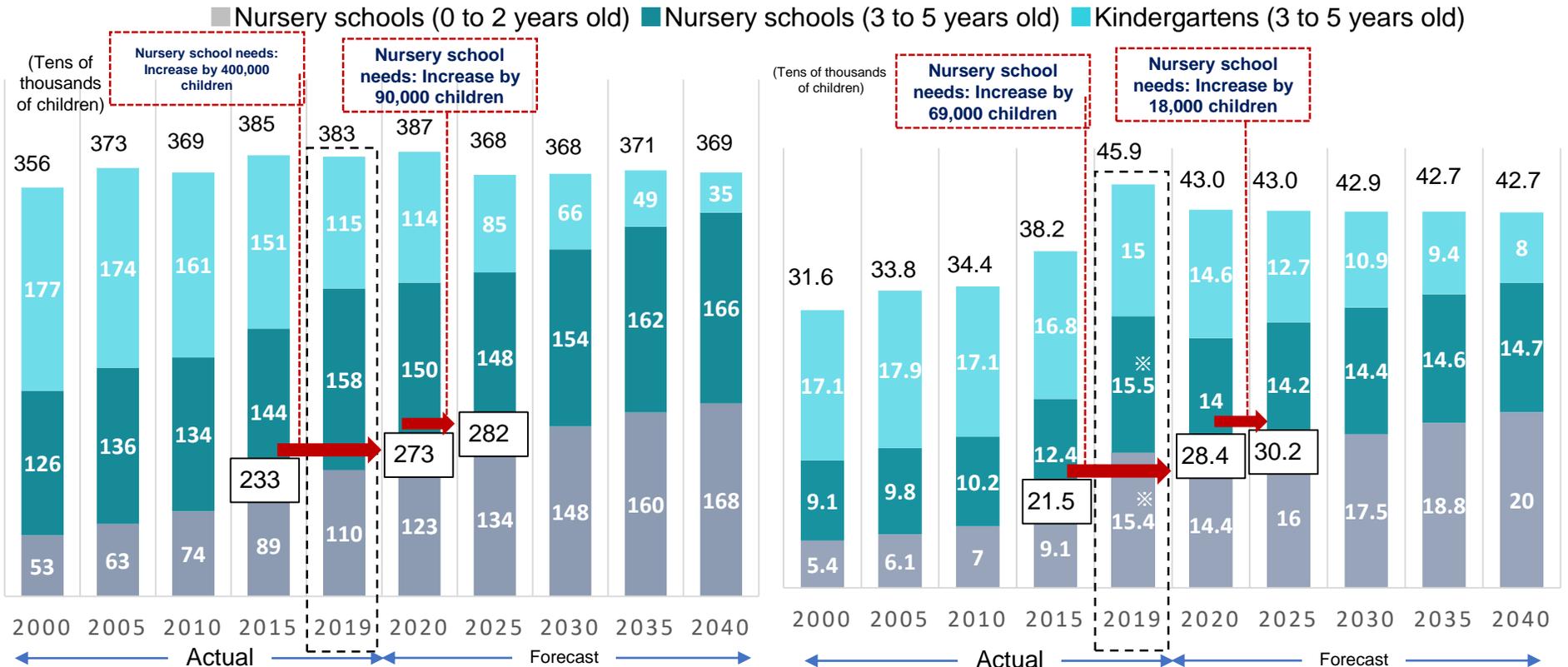
Source: Ministry of Health, Labour and Welfare's Nursery School Situation Summary (April 1, 2020)

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)

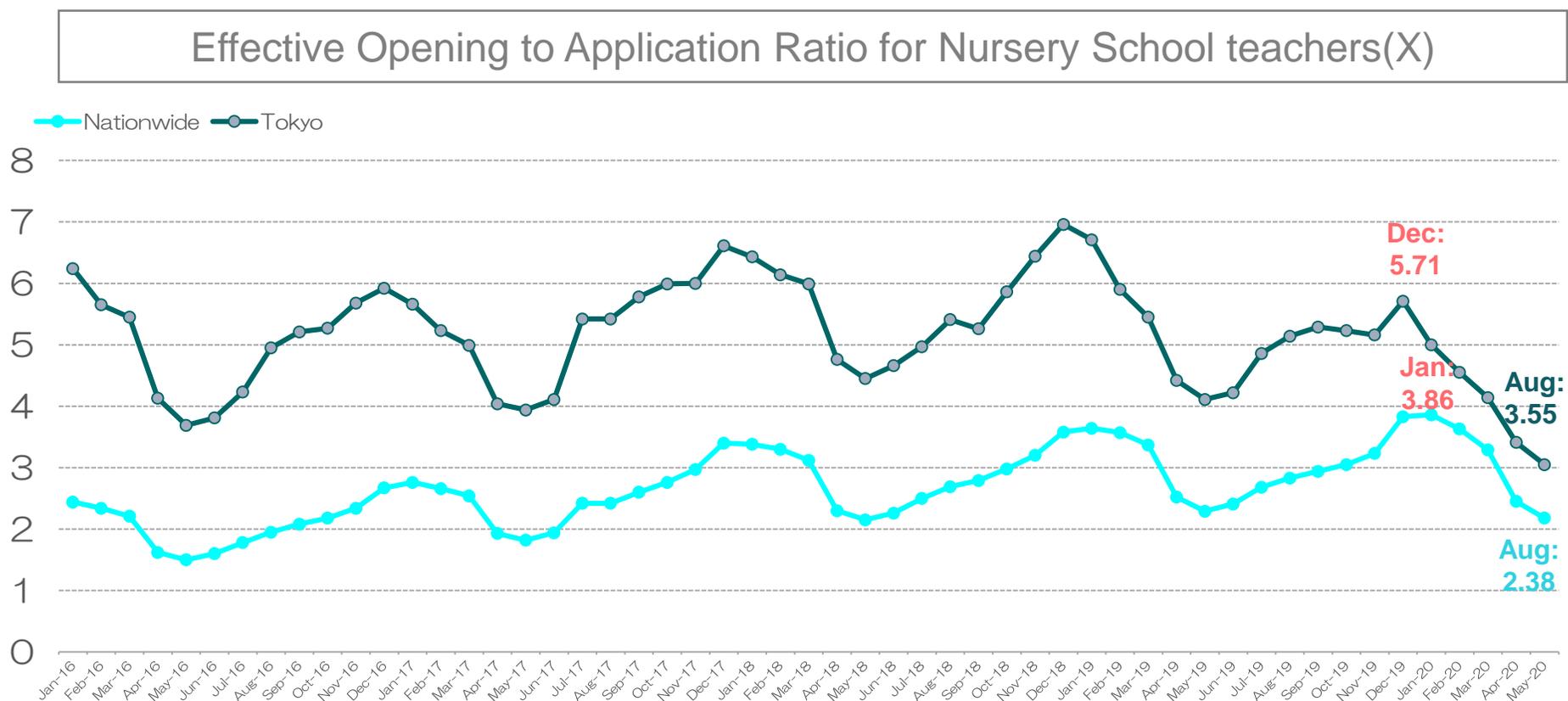


Source: The Japan Research Institute, Limited's "Future Outlook for Childcare Needs and How to Respond" and the Child and Family Policy Bureau of the Ministry of Health, Labour and Welfare's "Summary of the Nursery School Related Situation (April 2019)"

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"

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 August 2020: 2.38 times)
- ▶ Jobs to applicants ratio of Tokyo had the trend of decrease from 5.71 as of Dec. 2019, but turned to rise to 3.55 as of Aug. 2020.



Source: Ministry of Health, Labour and Welfare Employment Security Bureau's General job placements (Report on Employment Service)

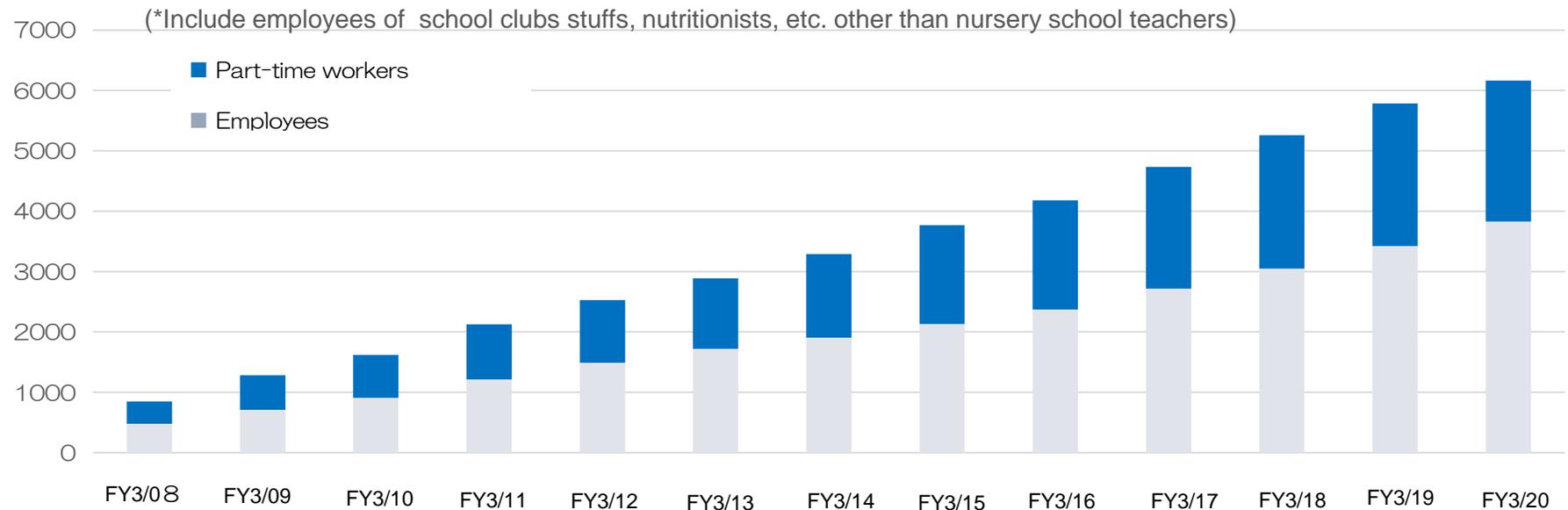
【Supplementary Material】 Reacruitment of Nursery School Teachers

		FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21 Joined on the end of Spt.
Nursery School Teacher	New Graduates	178	1 97	247	276	248	188
	Mid career employment	219	2 41	327	325	269	257 (Plan: 330)
Non qualified	New Graduates	—	23	32	46	26	9

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

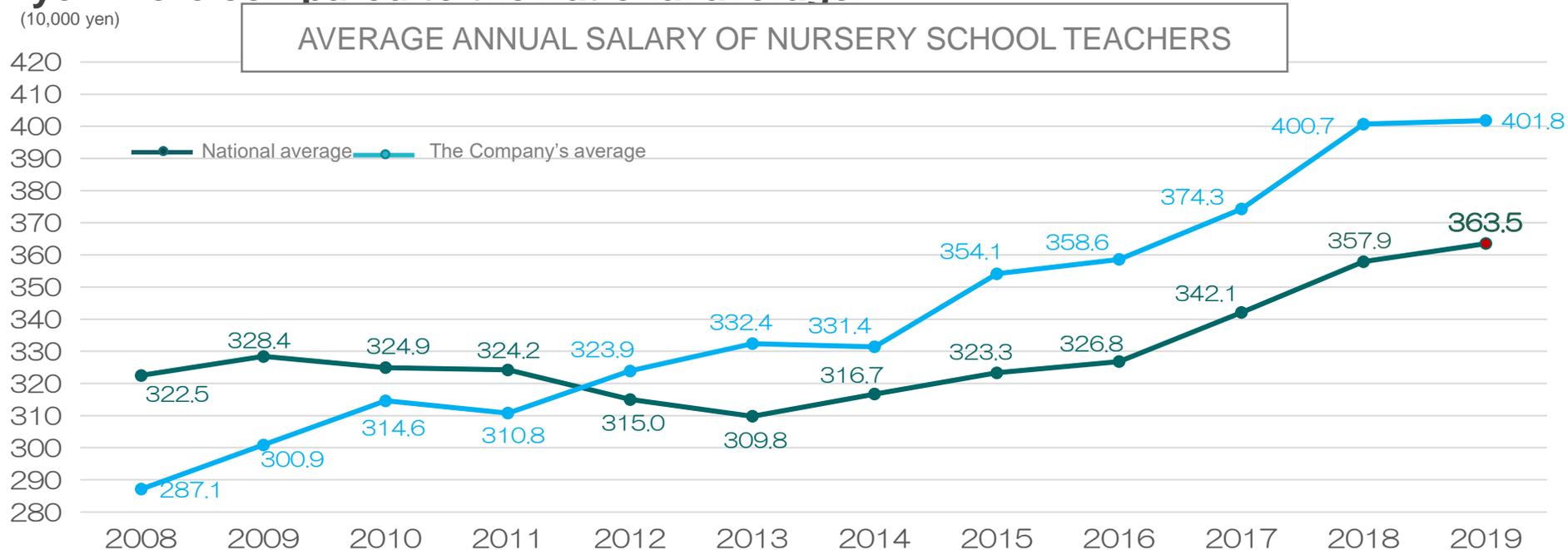
* Includes seconded employees to associated companies.

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.

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

▶ 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

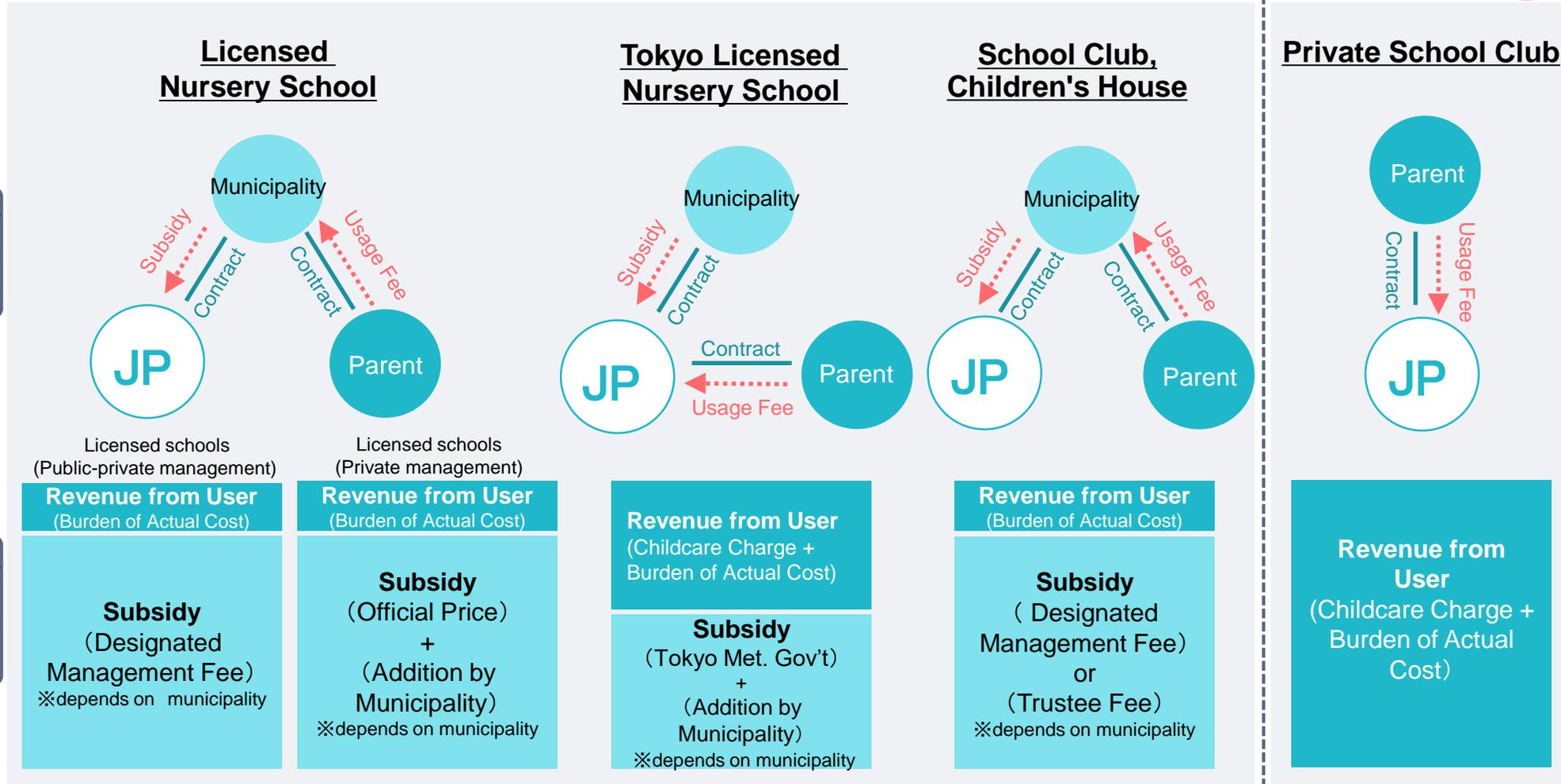
Business Summary

▶ 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**



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

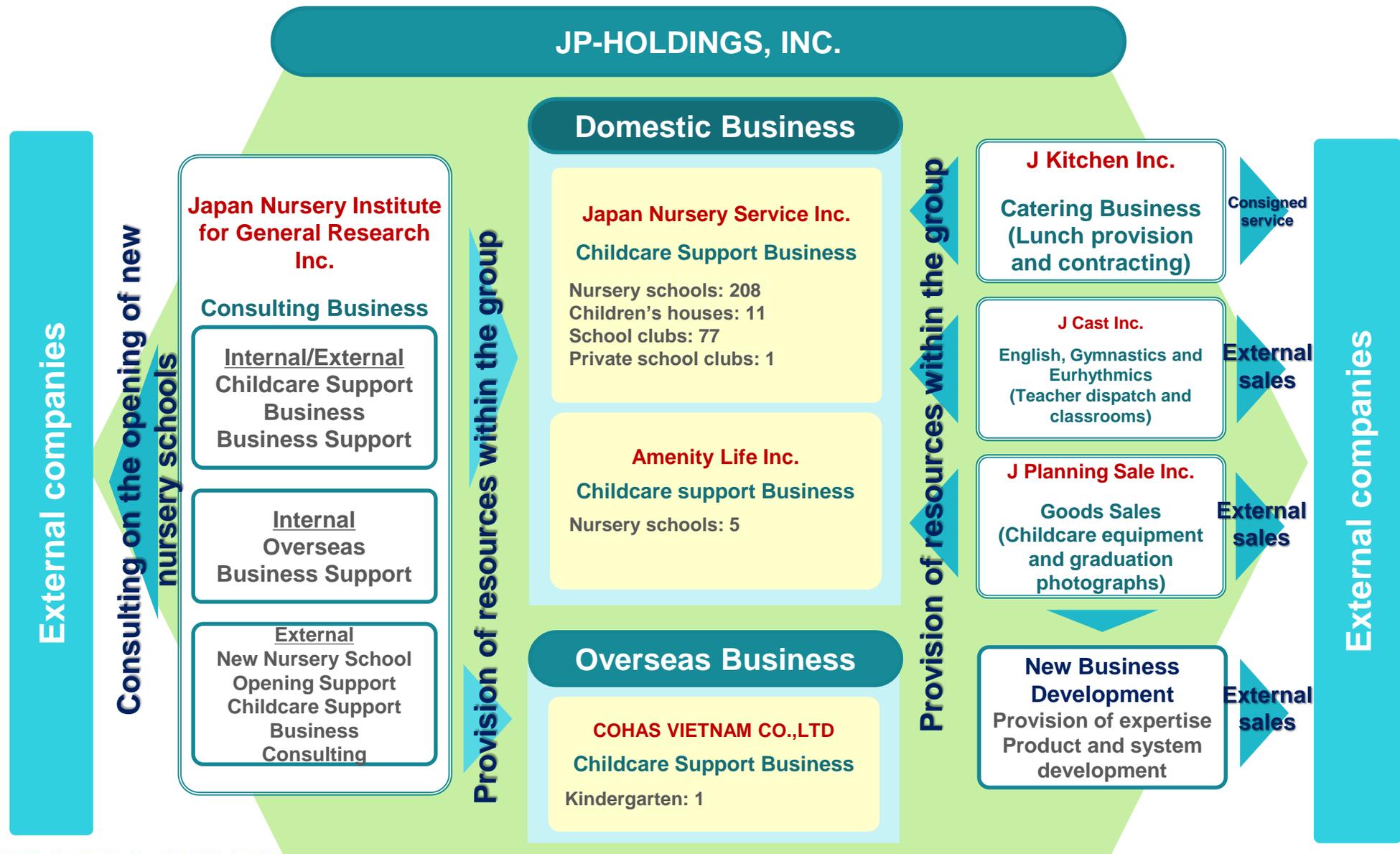
	Kindergarten	Nursery School	Licensed Children's School (Kindergarten/Nursery School Cooperation type)
Underlying Laws/Regulations	Act on Child Education and Childcare Support (Defines the framework of cross-ministerial and unified payments in the Cabinet Office)		
	Section 3 of the School Education Act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

Group Business Overview (Composition of Internal/External Transactions)



Status of New Openings as of the end of September 2020

FY 3/20 New Openings

Nursery Schools	4
School Clubs	5
Total	9

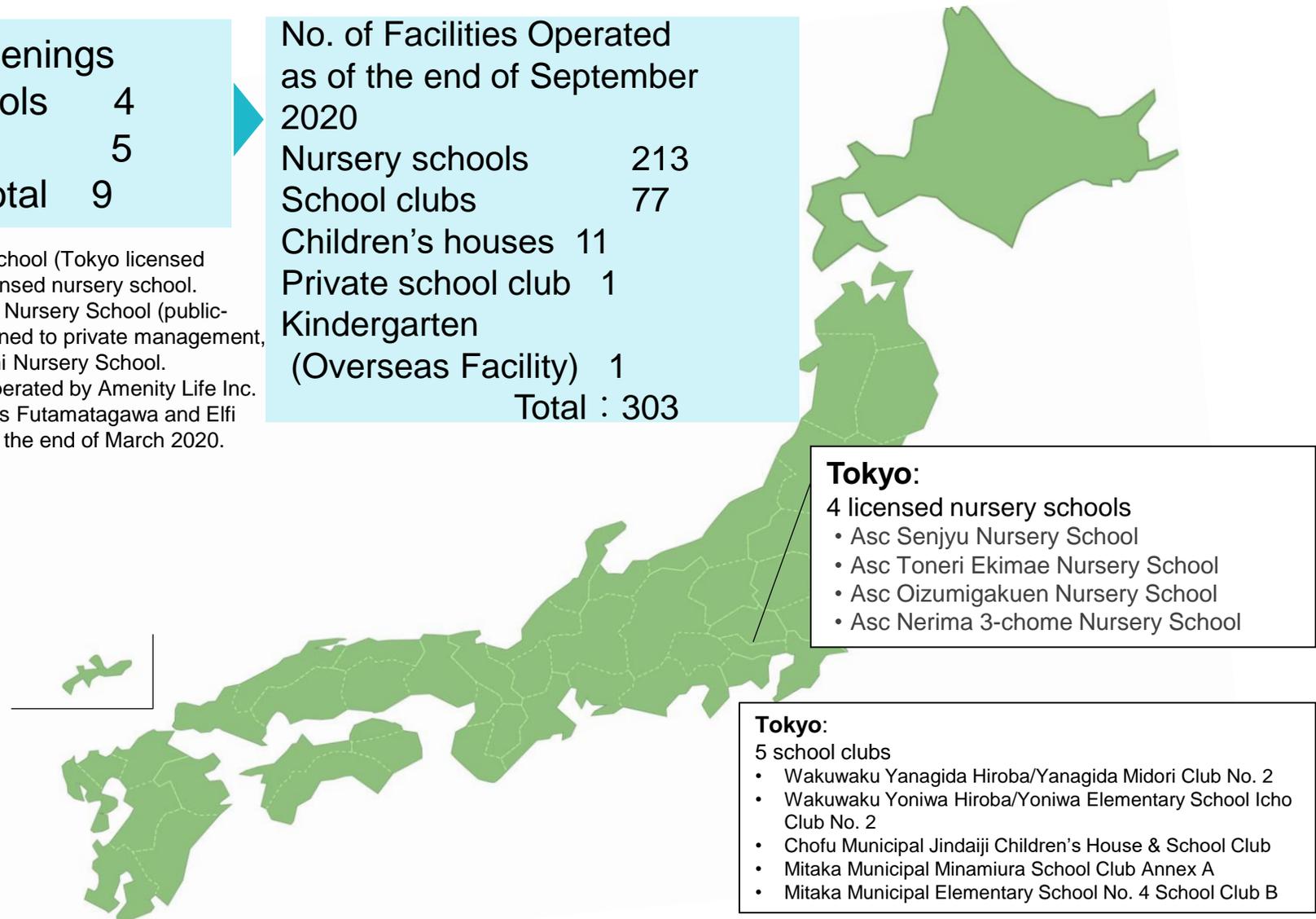
*Asc Higashi-ojima Nursery School (Tokyo licensed nursery school) became a licensed nursery school.

*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 the end of September 2020

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



Tokyo:

4 licensed nursery schools

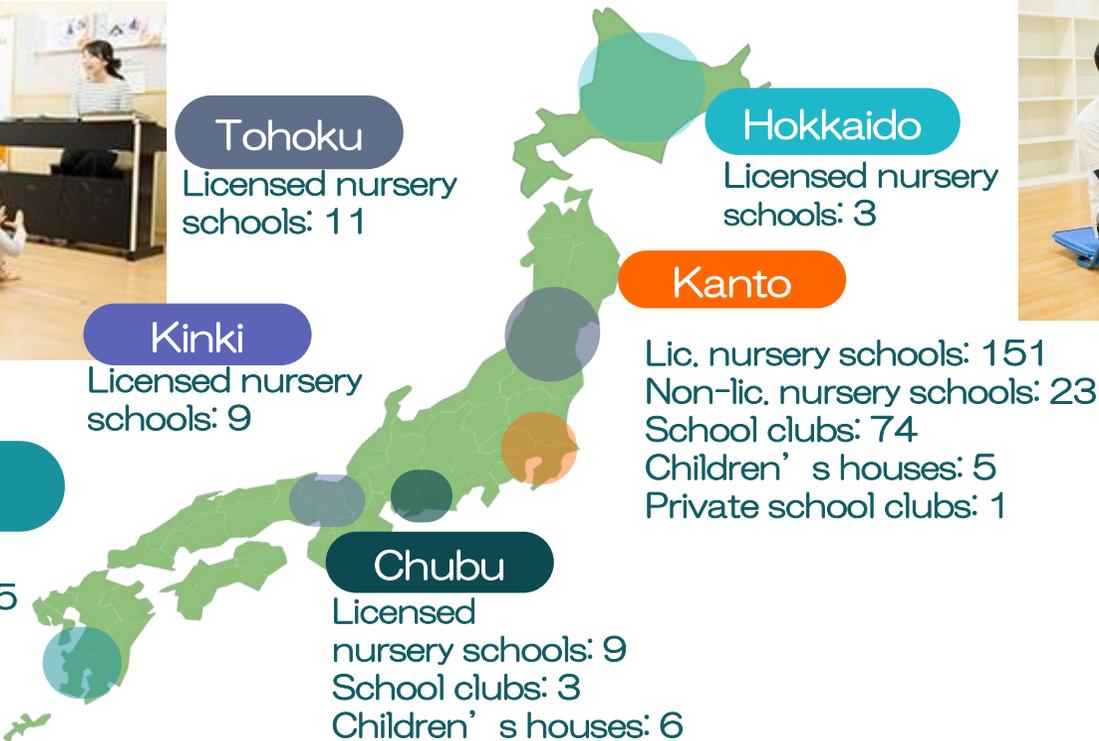
- Asc Senju Nursery School
- Asc Toneri Ekimae Nursery School
- Asc Oizumigakuen Nursery School
- Asc Nerima 3-chome Nursery School

Tokyo:

5 school clubs

- Wakuwaku Yanagida Hiroba/Yanagida Midori Club No. 2
- Wakuwaku Yoniwa Hiroba/Yoniwa Elementary School Icho Club No. 2
- Chofu Municipal Jindaiji Children's House & School Club
- Mitaka Municipal Minamiura School Club Annex A
- Mitaka Municipal Elementary School No. 4 School Club B

Operate 303 facilities as of the end of September 2020



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

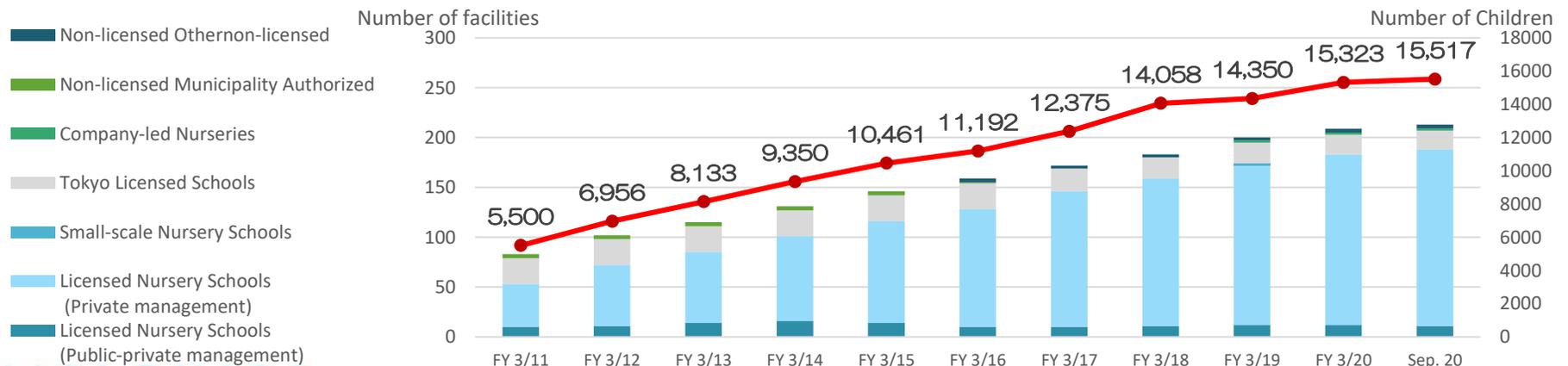
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Changes in the Number of Facilities Operated and the Number of Children Accepted to Nursery Schools

	FY 3/11	FY 3/12	FY 3/13	FY 3/14	FY 3/15	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	Sep. 20
Licensed Nursery Schools (Public-private management)	10	11	14	16	14	10	10	11	12	12	11
Licensed Nursery Schools (Private management)	43	61	71	85	102	118	136	148	160	171	177
Small-scale Nursery Schools									2	0	0
Tokyo Licensed Schools	26	26	26	26	26	26	23	21	21	20	19
Company-led Nurseries	0	0	0	0	0	0	0	0	2	2	2
Non-licensed Municipality Authorized	4	4	4	4	4	1	0	0	0	0	0
Non-licensed Other non-licensed	0	0	0	0	0	4	3	3	3	4	4
School Clubs	37	39	40	43	46	55	63	71	72	72	77
Children's Houses	9	7	8	8	8	10	12	12	11	11	11
Private School Clubs	0	0	0	0	0	0	4	5	5	4	1
Overseas Facility	0	0	0	0	0	0	0	1	1	1	1
Total	129	148	163	182	200	224	251	272	289	297	303

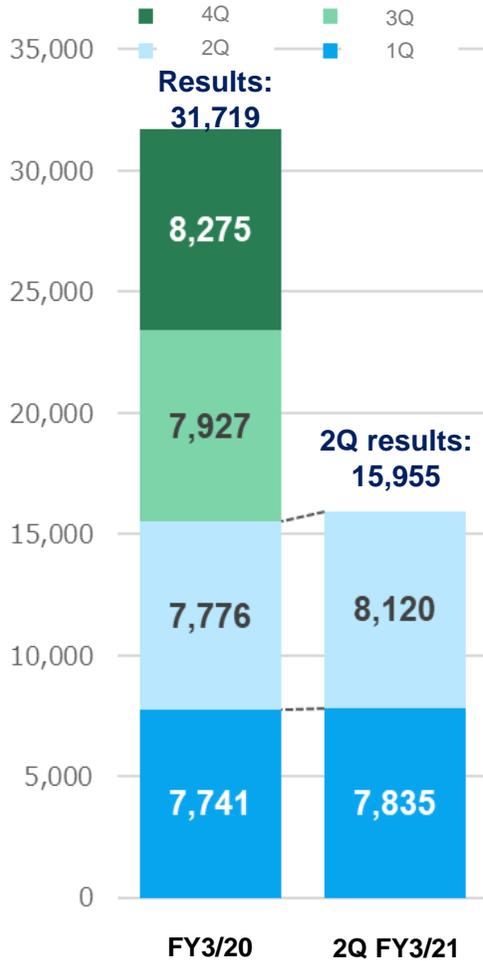
*We reviewed the count by management structure in the 2Q of FY3/16 and changed three licensed schools (private-public management) to other non-licensed nursery schools

TREND OF NURSERIES AND CHILDREN

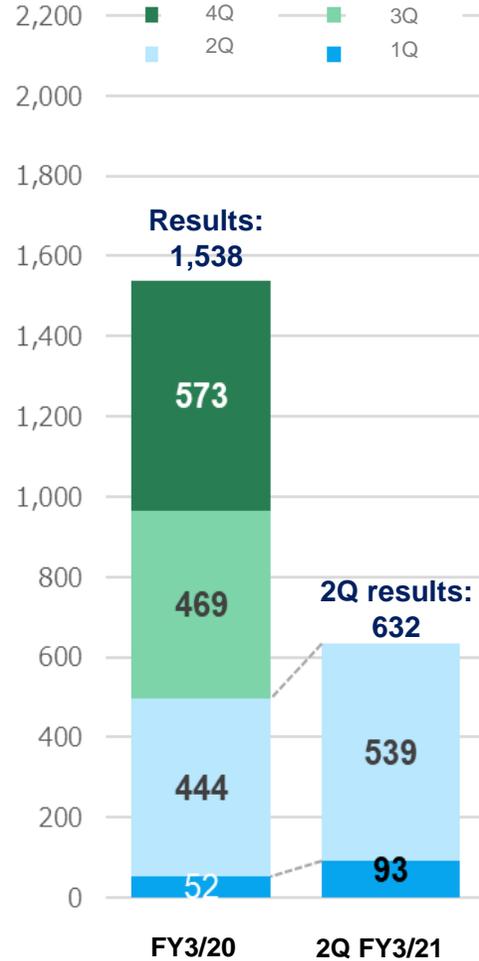


FY3/21 Quarterly Results

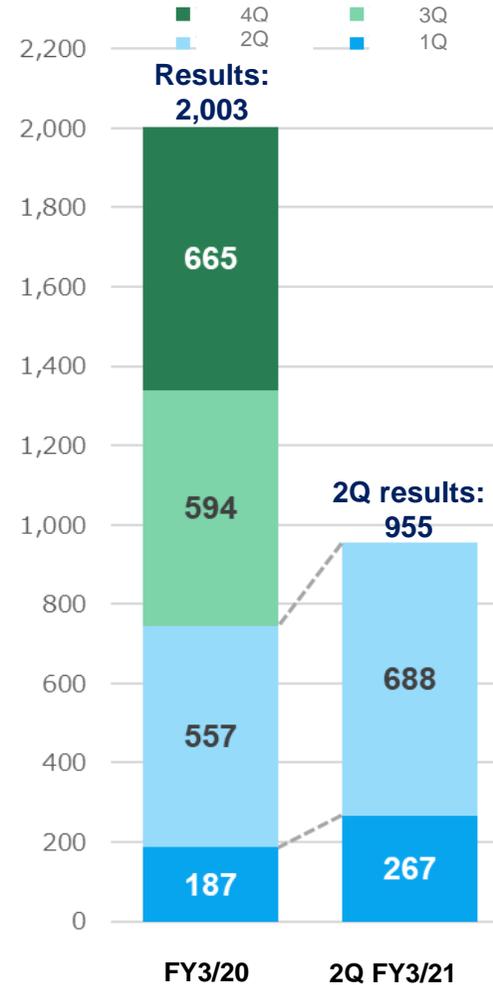
Net Sales



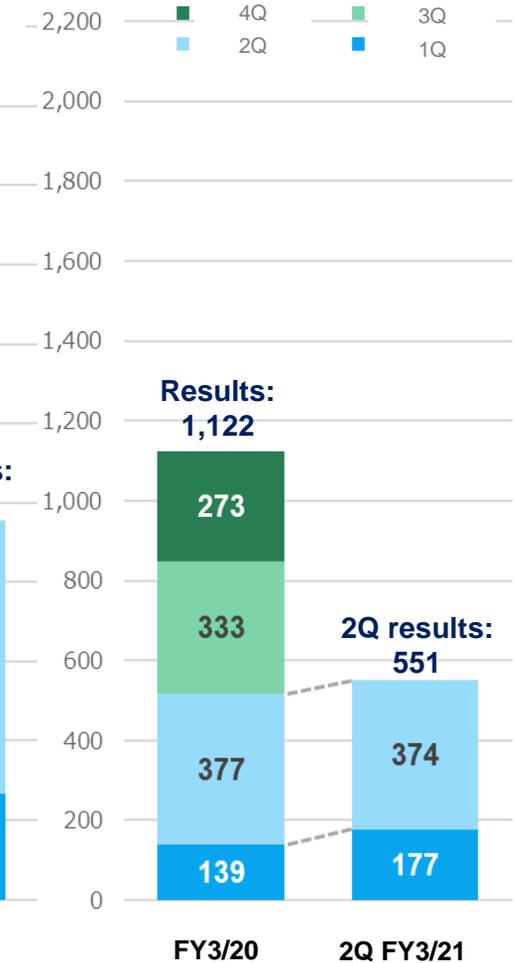
Operating Income



Ordinary Income



Net Income Attributable to Owners of Parent

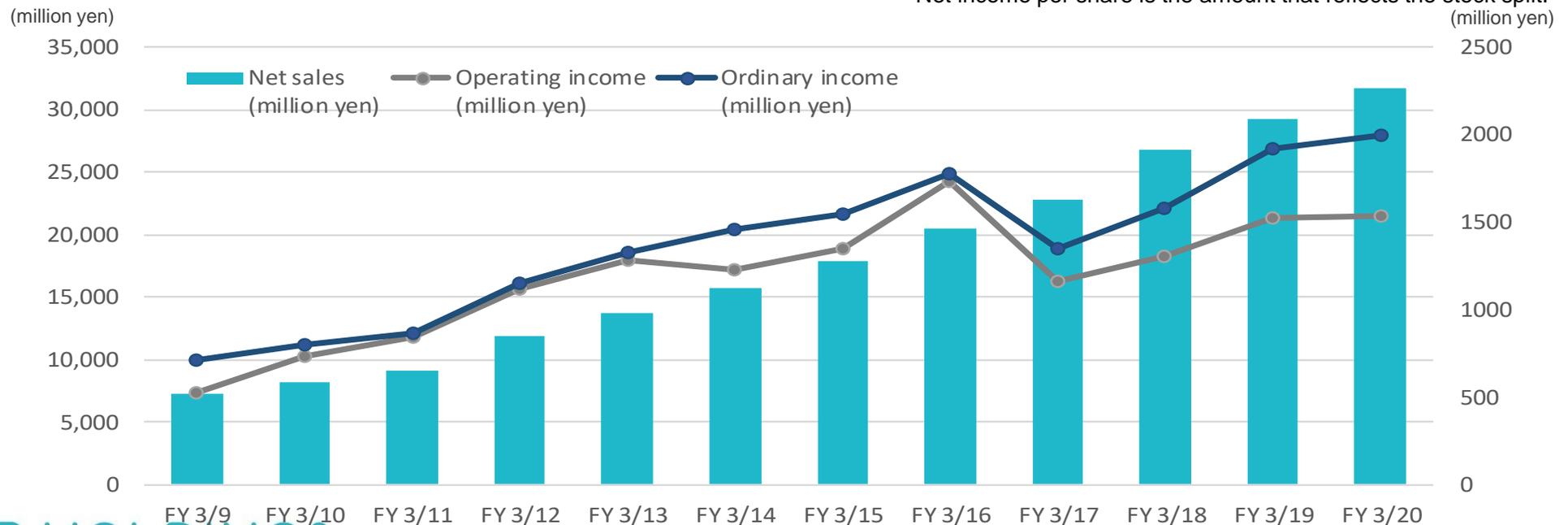


(Unit: Million yen)

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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JP-HOLDINGS, INC. Tokyo Office

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