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For Immediate Release

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Notice of Formulation of Medium-Term Management Plan VISION 2025

NICHII GAKKAN CO., LTD. (“Nichii” or the “Company”) hereby announces that at a meeting of its Board of Directors held today, the directors of the Company have formulated the medium-term management plan VISION 2025 for the Nichii Gakkan Group from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2025. The overview of VISION 2025 is as follows.

1. Background and purpose of formulating the medium-term management plan

Since its founding in 1968, Nichii has been striving to provide comprehensive services that are able to meet a range of social needs through the nationwide development of its core businesses (medical support, long-term care, and child care businesses) focusing on the cultivation of human resources under its management philosophy “We are committed to helping people live healthy and vibrant lives.” While the core businesses provide a high level of social contribution, they face a policy risk pertaining to social security and have been forced to experience significant fluctuations in their business performance associated with changes in the social security system.

Accordingly, since 2011, the Company has been solidifying its growth foundations in order not to be influenced by the business environment on top of the balance supply (BS) businesses that will supply a stable earnings balance to its business portfolio and the global businesses that will supply future prospects, with the aim of growing profits in the long term.

In 2016, we developed the Nichii Vision to clearly communicate our future vision to stakeholders and defined medium- to long-term management strategies to pursue the features of each business (sociability, economic potential, growth potential) as a “Strategic Triangle.” To promote businesses, we strengthened the management execution systems by assigning an executive officer in each area nationwide. In 2017, we established the vision progress project VIPRO as a new companywide project to work on service reforms and organizational climate reforms (organizational activation), with the business frontlines and the head office working as one.

As a result, sales increased for the 10th consecutive year, and profits rose for the second consecutive year in the fiscal year ended March 31, 2018 because the effects of the reforms began to appear. For further growth, however, we believe that profit expansion based on higher sales will be essential as a challenge that is common to all businesses.

The publication of VISION 2025, which we have recently formulated, is aimed at achieving our vision by increasing the long-term enduring strength and strategy execution ability of each employee through the promotion of initiatives that will lead to a stronger corporate standing that will support sustainable growth by declaring a future-oriented plan to stakeholders.

Given that the baby boomer generation will be over 75 years old in 2025, the final year of the medium-term plan, Japanese society will have extensive problems in terms of medical services, nursing care, child care, education, the acquisition of labor and globalization, etc. We aspire to become an excellent company that makes a contribution globally by resolving social issues and realizing stable long-term profit growth by building a solid business base that is able to respond and contribute to these social issues and needs and expanding earnings in global businesses such as the China business in a step-by-step manner. All employees and officers will make vigorous efforts to make a further leap forward for the next 50 years in this milestone year, when we will celebrate the 50th anniversary of our founding (the Company will celebrate the 50th anniversary of its founding in December).

2. Overview of the medium-term management plan

(1) Vision

We aspire to become an excellent company that makes a contribution globally by contributing to the resolution of social issues and realizing stable long-term profit growth.

(2) Basic policy on strategies

Optimization of the business structure balance

The Company aims to realize its vision by formulating the strategic business triangle consisting of core businesses (medical support, nursing care and child care), balance supply (BS) businesses (education, health care and therapy) and global businesses (overseas businesses such as the China business) as the ideal situation of the Nichii Group.

In the core businesses, we will promote business operation on the assumption of their sustainability, with the pursuit of sociability as the basis. We will strengthen the foundations for providing services, including those for human resources, and work to provide the most suitable services to customers and society.

In the BS businesses, we will press forward with the restructuring of our business model to strengthen the earnings power of the Sunny Health business (housekeeping support by foreigners) and the education business, etc., regarding the BS businesses as a key component for improvement in the business structure balance of the Company.

In the global businesses, we will strive to create the nursing care market in China in a step-by-step manner and strengthen the complementary function for other businesses by constructing a supply flow of human resources into Japan and cultivating global human resources, regarding the global businesses as futuristic ones that will provide growth potential in the future.

(3) Framework of strategies

We will strengthen our ability to achieve the plan by enhancing our strategy execution ability through the following organizational reforms and business reforms.

(i) Organizational reforms

- Strengthening of strategy execution systems

- Strengthening of area management (enhancement of assignment of executive officers by business and area)

- Establishment of Sales and Marketing Headquarters (strengthen cross-sectional sales activities by establishing it by area)

- Introduction of a restricted stock compensation plan (performance target committed-restricted shares)

- * See the “Notice of Introduction of Restricted Stock Compensation Plan” published on May 11, 2018.

- Strengthening of business bases and the power of branch offices

- Further vitalization of the communication platform through the vision progress project VIPRO

- Enhancement of management training

- Strengthening of the organization linkage function

- Promotion of the linkage of autonomous activities among business frontlines and areas

- Strengthening of cross-sectional systems focusing on sales

- Provision of innovative comprehensive services through the promotion of interconnection between businesses (promotion on a global scale)

(ii) Business reforms and the strengthening of foundations

- Creation of added value

- Promotion of the effective and continuous provision of services inside the business portfolio

- Sharing and accumulation of service know-how and knowledge through networks

- Strengthening of our proposal and customization capabilities to customer needs

- Provision and proposal of high-quality and optimal services to maximize utility for customers from a customer perspective

- Discovery and analysis of and response to area needs

- Promotion of earnings structural reforms

- Cultivation of high value-added businesses

- Increase of capacity utilization rate at facilities

- Reduction of fixed costs (review of location, shared use of facilities)

- Review of the area promotion method

- Review of business processes

→Improvement in business efficiency by utilizing IT and AI

- Strengthening of global readiness

→Promotion of outbound services (development of a model tailored to local cultures and customs)

→Utilization of the Technical Intern Training Program

→Building of a scheme to acquire foreign human resources for housekeeping support

→Strengthened cultivation of global human resources by enhancing language study support

→Cross-sectional utilization of global management resources

- Strengthening of the human resources foundation

→Continuous implementation of treatment improvement

→Support to make workers regular employees and hire them as indefinite-term employees

→Cultivation of management on site

→Strengthening of training to improve service skills

→Provision of incentives for achieving goals

- Strengthening of the financial base

→Enhancement of corporate value by achieving the targets in VISION 2025

→Improvement of management efficiency and capital efficiency

(4) Target management indicators

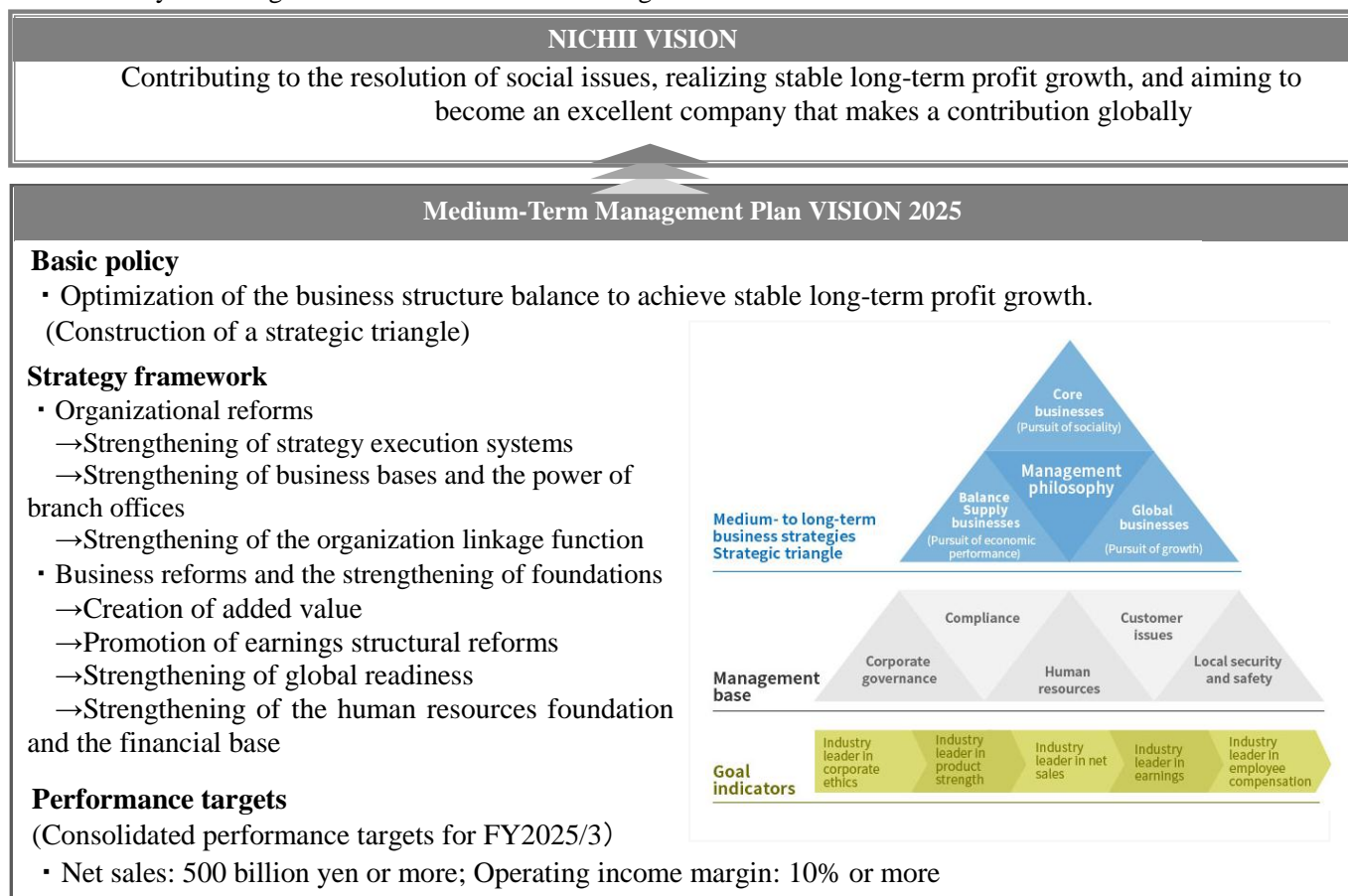
Performance targets in the fiscal year ending March 31, 2025, the final year of the medium-term management plan, are as follows:

- Consolidated net sales: 500 billion yen or more; Consolidated operating income margin: 10% or more

(5) Shareholder return policy

We will strive to return profits to shareholders stably and continuously, with a consolidated dividend payout ratio of 30% or more as a goal, in step with the progress of VISION 2025.

<Reference> System Diagram of the Medium-Term Management Plan



(Note) The performance targets above are prepared based on information available as of the date of the release of this document, and actual results may differ from forecasts and target values due to various factors in the years ahead.