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NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

for the 1H of the Fiscal Year Ending March 31, 2019

November 8, 2018

Implemented key strategies in the fiscal year under review as the first year of the medium-term management plan, VISION 2025

FY ending March 2019: Progress in Key Strategy Implementation

Achievement of Net Sales Growth

- Childcare: up 38.5% year on year
- Health Care: up 15.6% year on year
- Therapy: up 90.7% year on year
- Long-Term Care: up 0.2% year on year

Improvement of Business Structure to Allow Commitment to Achievement of Plans

- Expansion of executive officer system
- Expansion of VIPRO in its 2nd year
- Change to regular employment and indefinite-term hiring
- Incentive reform
- Marketing reform

Structural Reform of Education Business

- Gaba-COCO system integration and parallel brand operation
- Growth of former Gaba: up 6.7%
- School integration: 8 locations

Reorganization of Consolidated Subsidiaries and Disposal of Unprofitable Business

Reorganization of China business companies (transfer to Nichii’s direct control system)
Disposed of 7 companies and 6 school corporations in the first half of the fiscal year under review

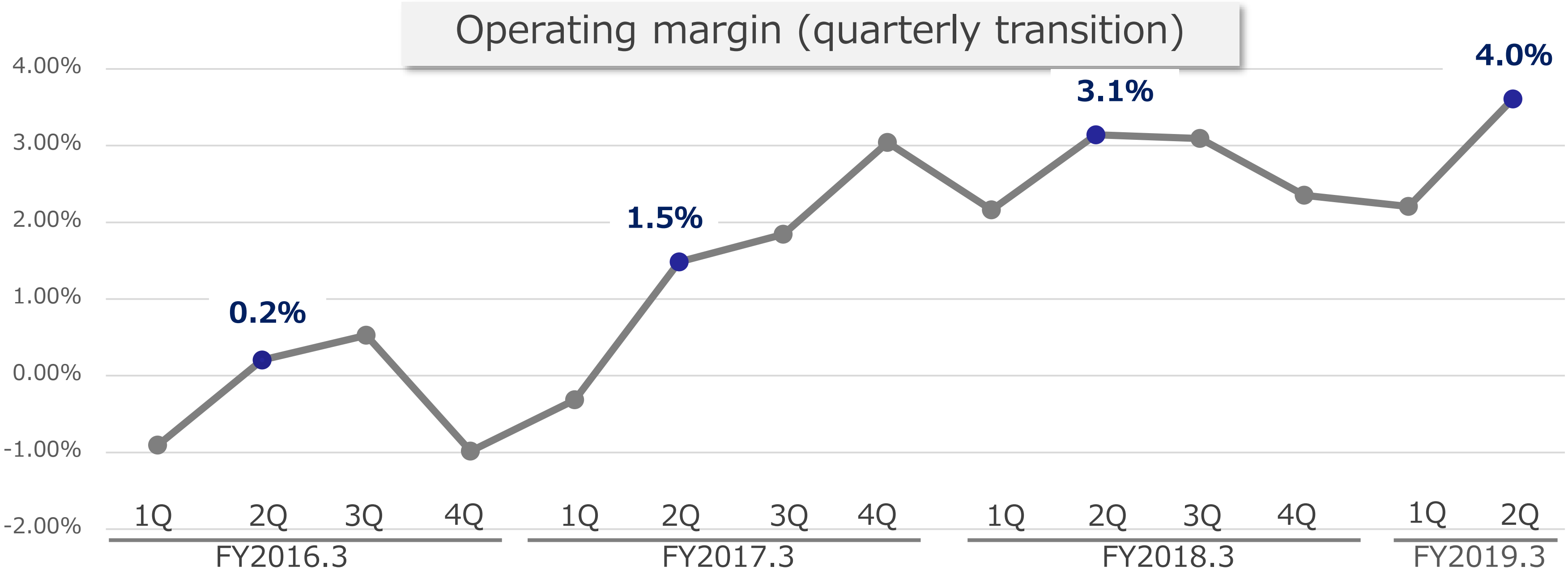
Financial Highlights

1. Record-high net sales for the 4th consecutive year

- Significant sales growth in the Childcare segment lifted the overall performance.
- Long-Term Care, Nichii Life, and Therapy also contributed to sales growth.
- Former Gaba remained strong.

2. Operating income: Offset the delay in the 1st quarter to increase profit

- Long-Term Care: Operating income for the first half of the fiscal year reached a record high.
  → Higher occupancy of nursing care facilities
- Childcare: The results of the China business improved.



Financial Results Highlights

(Unit: million yen)

	FY2018.3	FY2019.3	
	2Q	2Q	Difference
Net Sales	141,426	142,596	+1,169
Operating Income	3,753	4,154	+401
%	2.7%	2.9%	+0.2 pt
Ordinary Income	1,815	1,947	+131
%	1.3%	1.4%	+0.1pt
Profit attributable to owners of parent	918	251	-667
%	0.6%	0.2%	-0.4pt

Consolidated Net Sales by Segment

(Unit: million yen)

Net Sales	FY2018.3 2Q	FY2019.3 2Q	Change	Difference (yoy)	FY2019.3 (Initial forecast)	FY2019.3 (Revised forecast)
Medical Support	53,672	53,671	-0.0%	▲ 1	113,200	110,000
Long-term Care	75,404	75,526	0.2%	122	162,100	152,800
Child Care	3,922	5,433	38.5%	1,511	13,000	12,000
Health Care	674	779	15.6%	105	3,500	2,000
Education	5,962	5,929	-0.6%	▲ 33	17,000	13,000
Therapy	97	185	90.7%	88	1,400	1,000
Global	1,683	1,005	-40.3%	▲ 678	4,400	2,800
Others	733	729	-0.5%	▲ 4	1,900	1,900
Elimination	▲ 722	▲ 663	-	59	▲ 2,000	▲ 2,000
Total	141,426	142,596	0.8%	1,169	314,500	293,500

Consolidated Operating Income by Segment

(Unit: million yen)

Operating income	FY2018.3 2Q	FY2019.3 2Q	Operating margin	change	Difference (yoy)	FY2019.3 (Initial forecast)	FY2019.3 (Revised forecast)
Medical Support	4,522	4,448	8.3%	-1.6%	▲ 74	10,800	10,000
Long-term Care	7,509	8,019	10.6%	6.8%	510	15,000	16,000
Child Care	▲ 728	▲ 477	▲ 8.8%	-	251	400	400
Health Care	36	▲ 309	▲ 39.7%	-	▲ 345	▲ 770	▲ 600
Education	▲ 2,043	▲ 2,041	▲ 34.4%	-	2	▲ 900	▲ 1,500
Therapy	▲ 175	▲ 288	▲ 155.9%	-	▲ 113	40	40
Global	▲ 885	▲ 694	▲ 69.1%	-	191	▲ 500	▲ 900
Others	96	126	17.3%	31.3%	30	250	260
Elimination	▲ 4,577	▲ 4,627	-	-	50	▲ 9,620	▲ 9,000
Total	3,753	4,154	2.9%	10.7%	401	14,700	14,700

Summary of Balance Sheet (Consolidated)

(Unit: million yen)

	End of March 2018	End of Sep 2018	Difference	End of Sep 2017
Current assets	65,249	68,548	3,299	61,915
Fixed assets	124,990	124,034	▲ 955	126,600
Total assets	190,239	192,583	2,343	188,516
Current liabilities	60,459	58,727	▲ 1,731	69,786
Non-current liabilities	92,124	96,538	4,414	82,385
Total liabilities	152,583	155,266	2,682	152,171
Total net assets	37,656	37,316	▲ 339	36,344
Total liabilities and net assets	190,239	192,583	2,343	188,516

Summary of Cash Flows (Consolidated)

Free cash flow and cash and cash equivalents at the end of the fiscal year remained at high levels, and the ability to generate cash improved.

(Unit: million yen)

	FY2015.3 2Q	FY2016.3 2Q	FY2017.3 2Q	FY2018.3 2Q	FY2019.3 2Q
Cash flows from Operating activities	5,372	1,028	2,854	9,927	4,823
Cash flows from Investing activities	▲4,325	▲2,761	▲ 2,709	▲ 479	▲ 257
Free cash flow	1,046	▲1,733	144	9,448	4,566
Cash flows from Financial activities	▲3,084	1,718	▲ 1,387	▲ 10,139	▲ 2,456
Cash and cash equivalents at end of year	8,402	12,599	13,171	15,579	20,365

Segment Overview

Core Business (Medical Support)

Focused on negotiations for contract rationalization and obtaining new contracts during the period. Quarterly net sales and operating income began to improve.

[Overview of Financial Results]

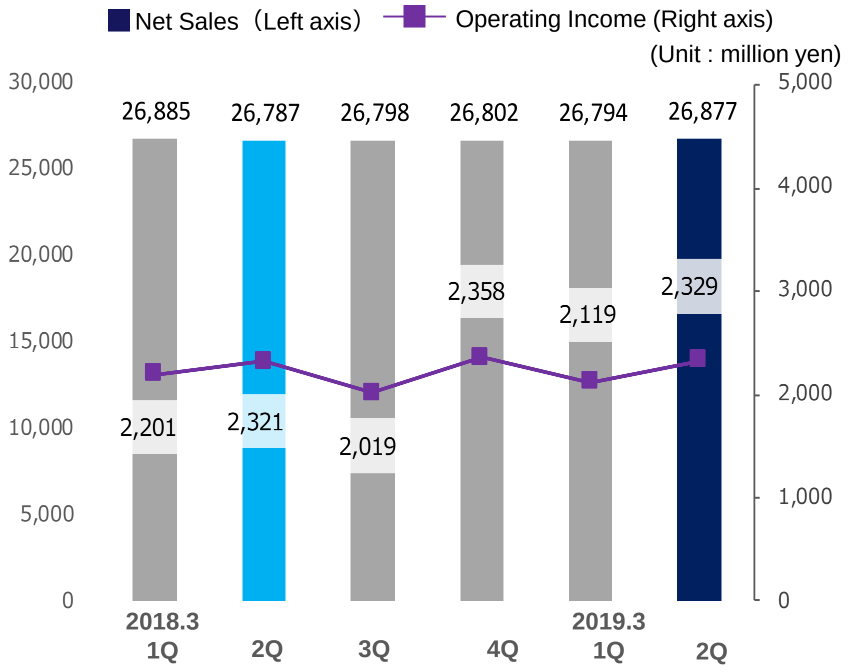
Net sales : 53,671 million yen （ yoy ▲1 million yen ）
Operating income : 4,448 million yen （ yoy ▲74 million yen ）

- Sales increased in the hospital department (up 274 million yen year on year) and decreased in the clinic department (down 259 million yen year on year) due to a decrease in the number of contracts.
- Both net sales and operating income tended to increase on a quarterly basis, and sales and profit grew in a year-on-year comparison.

[Activities in the First Half of the Fiscal Year]

- Improved sales activities to acquire new contracts during the period
- Supported the promotion of physicians' workstyle reforms
  Worked to meet the growing demand of assistants in the operations for medical administration
- Continued the negotiations for contract rationalization
  → Net sales per hospital increased (up 1.7% year on year)

【Quarterly Net Sales &Operating Income】



Core Business (Long-Term Care)

Quarterly profit increased substantially as a result of an increase in the occupancy of nursing care facilities and the improved acceptance of patients in a moderate or severe condition

[Overview of Financial Results]

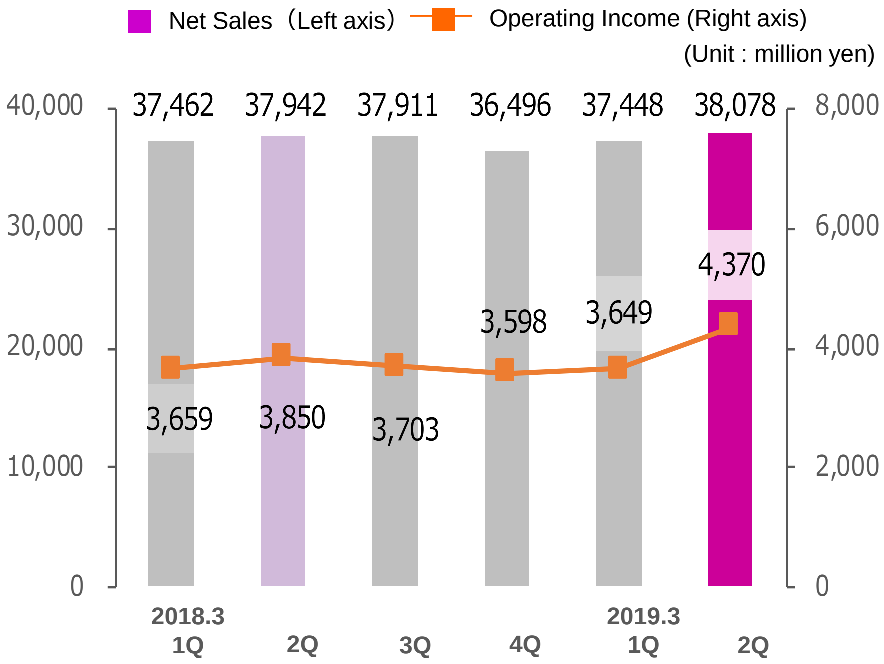
Net sales : 75,526 million yen （yoy ＋122 million yen）
Operating income : 8,019 million yen （yoy ＋510 million yen）

- In the residential care services, both net sales and income increased due to a rise in occupancy rates of fee-charging elderly care facilities
- In the at-home type care services, while net sales decreased due to a fall in the number of users, income increased as a result mainly of a rise in sales per customer.
- Quarterly profit grew significantly thanks to increased productivity.

[Activities in the First Half of the Fiscal Year]

- Improved services to patients in a moderate or severe condition and worked to acquire users eligible for long-term care insurance benefits
- On-site personnel led an increase in efficiency and labor productivity
- Commenced major renovations of day service centers (77 locations scheduled in FY2018)

【Quarterly Net Sales &Operating Income】



Core Business (Childcare)

Both net sales and operating income grew substantially thanks to the opening of a large number of childcare facilities and an increase in occupancy.

[Overview of Financial Results]

Net sales : 5,433 million yen （yoy＋1,511 million yen ）

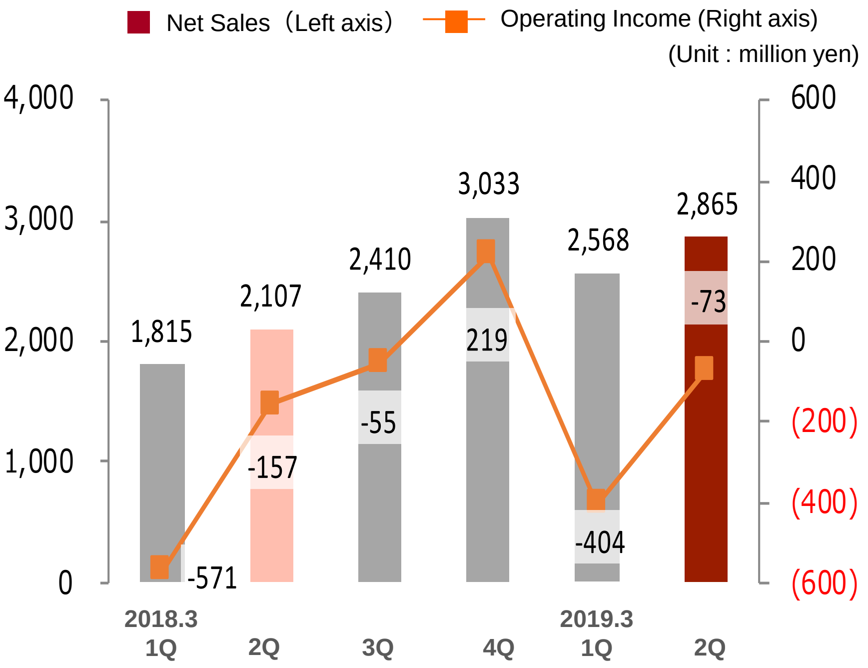
Operating income : ▲477 million yen （yoy＋251 million yen ）

- Sales increased and loss was reduced as a result of opening a large number of childcare facilities and raising occupancy rates.
- Quarterly profit rose considerably.

[Activities in the First Half of the Fiscal Year]

- Aggressive development of childcare facilities consisting mostly of corporate-run childcare centers (additional 21 corporate-run centers and 27 facilities of other types to total 48)
  → As of the end of September, the number of childcare centers operated was 247.
- Carried out promotions such as enterprise sales activities to increase occupancy rates (the number of corporate contracts for corporate-run childcare centers is 276, including 139 head offices and 137 branches).

【Quarterly Net Sales &Operating Income】



BS Business (Health Care)

Maintained strong sales by providing services to meet customer needs
Worked to prepare for the expansion of Sunny Maid Service

[Overview of Financial Results]

Net sales : 779 million yen （yoy＋105 million yen ）

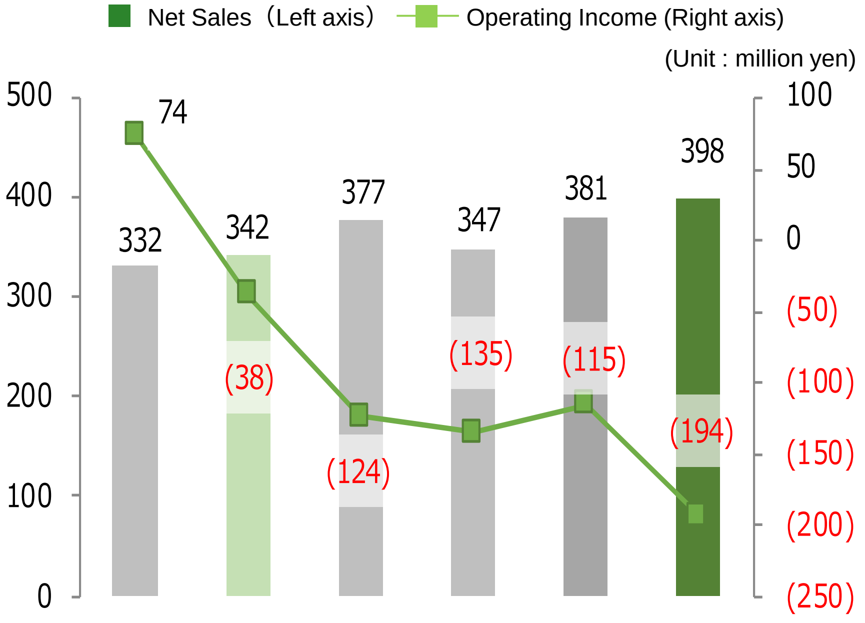
Operating income : ▲309 million yen （yoy▲345 million yen ）

- Net sales increased due to an increase in the number of users of the housekeeping services (number of Nichii Life users: up 12.1% year on year).
- Income decreased due to prior investment in the preparation for the launch of Sunny Maid Service, housekeeping services provided by foreign employees, in western Japan.

[Activities in the First Half of the Fiscal Year]

- Number of foreign employees as of the end of September: 274
- Improved enterprise sales activities, etc. to acquire users.

【Quarterly Net Sales &Operating Income】



BS Business (Education)

Former Gaba remained strong.
Focused on measures to generate the effects of business structural reform.

[Overview of Financial Results]

Net sales : 5,929 million yen （yoy ▲ 33million yen）

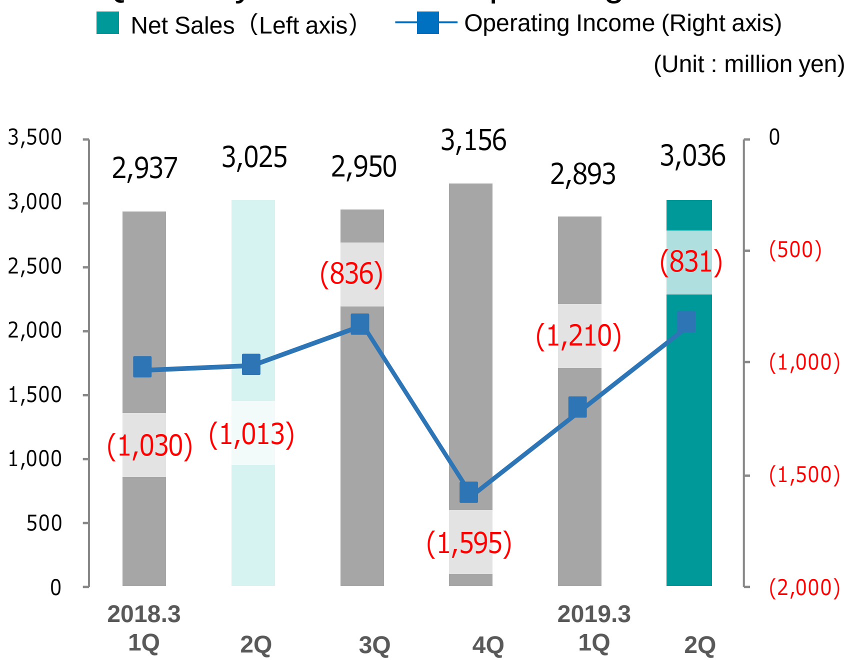
Operating income : ▲2,041 million yen （yoy ＋2 million yen）

- Net sales decreased chiefly due to discounts given to the students of the former COCO Juku who continued their courses at Gaba.
- The number of the former Gaba users increased (up 6.7% year on year).
- Both net sales and operating income began increasing in the quarterly results.
  After system integration in the 4th quarter of the previous year, a trend of improvement began in the first and second quarters of the fiscal year ending March 31, 2019.

[Activities in the First Half of the Fiscal Year]

- Promoted collaborative operation that would take advantage of the Group’s resources.
  Standardized counselor and instructor levels.
- Integrated eight schools.

【Quarterly Net Sales &Operating Income】



BS Business (Therapy)

Both quarterly net sales and operating income tended to improve, focused on enhancing promotion and services to increase the number of customers.

[Overview of Financial Results]

Net sales : 185 million yen （yoy＋88 million yen ）

Operating income : ▲288 million yen （yoy▲113 million yen ）

New sales grew owing to the opening of new outlets and increased sales.

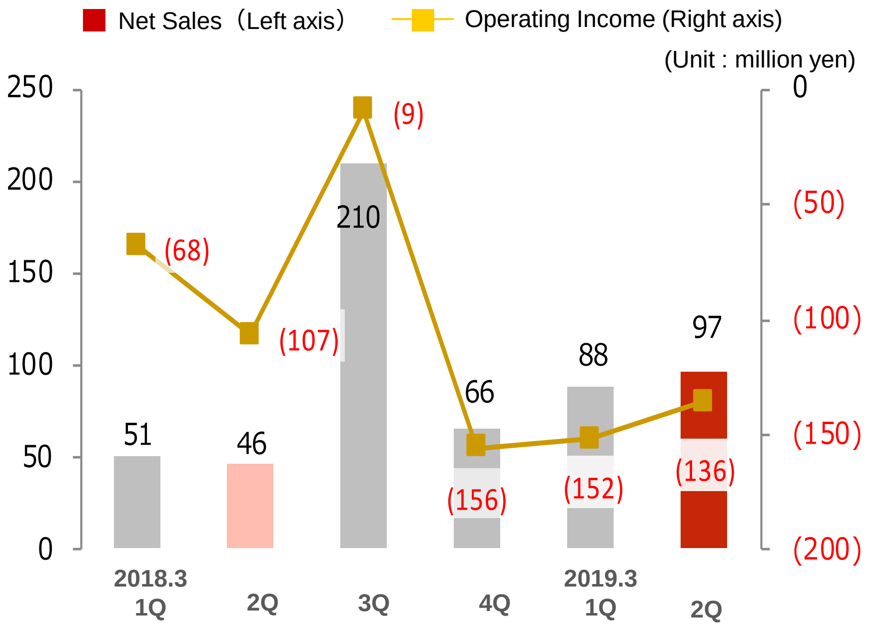
Income decreased because prior investment in outlet opening and operation expenses could not be offset.

Improving moderately on a quarterly basis.

[Activities in the First Half of the Fiscal Year]

- A-LOVE opened in Josui-dori, Fukuoka (July)
  → 21 salons across Japan.
- Distributed information to increase recognition through social media such as Instagram.
- Developed new services to meet customer needs.

【Quarterly Net Sales &Operating Income】



Global Business

Implemented reorganization by disposing of joint ventures.
Focused on increasing income by both acquiring new projects and raising business efficiency.

[Overview of Financial Results]

Net sales : 1,005 million yen （yoy▲678 million yen ）

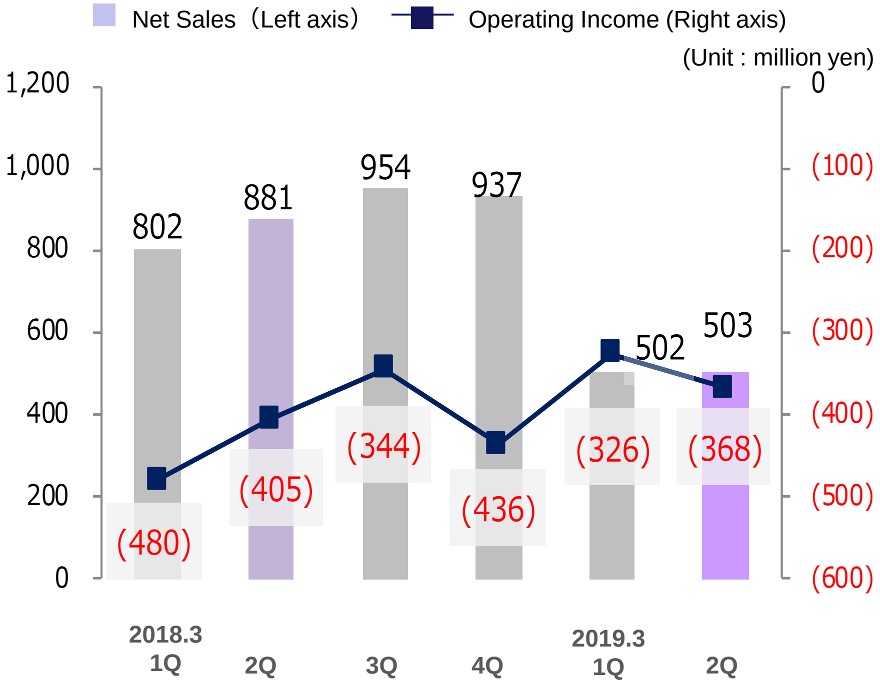
Operating income : ▲694 million yen （yoy＋191 million yen ）

- Sales declined due to the dissolution of joint ventures with eight of the regional operating companies in China.
- Loss was reduced by increasing business efficiency largely through the dissolution of joint ventures.

[Activities in the First Half of the Fiscal Year]

- Worked to reorganize regional operating companies.
- Acquired contracts for facility projects and carried out training business.
  → Facility operation contracts: 3 (2 in Beijing and 1 in Dalian)
  → Training provided: 9 projects
- The nursing facility complex construction project in China was selected for the project for promoting the development of international healthcare centers organized by the Ministry of Economy, Trade, and Industry.

【Quarterly Net Sales &Operating Income】



To Achieve the Targets Set in the Full-Year Plan

Key Strategies to Achieve the Targets Set in the Full-Year Plan

Increase the likelihood of achieving the full-year targets through measures for further improvement that take into account the results of the first half of the fiscal year under review.

1. Achieving net sales growth

- Sales activity reform: Accelerate company-wide sales activities
- Childcare business: Achieve annual sales of 10 billion yen and turn full-year a profit

2. Improving business structure to allow commitment to achievement of plan

- Implement further business reforms led by on-site personnel
  → Increase operation efficiency
  → Increase the profitability of each establishment

3. Implementing structural reform of Education business

- Integrate the systems of Gaba and COCO Juku and operate parallel brands
- Close COCO Juku Jr. satellite classrooms

4. Reorganizing China business and acquiring new projects

Key Strategies to Achieve the Targets Set in the Full-Year Plan: Net Sales Growth

Create opportunities for further sales growth by accelerating sales promotion and maximizing the use of human resources

Accelerate sales promotion (change from quantity to quality)

- Improve the analysis of sales activities and targets
  Placed the Sales Planning Department in the Nichii Sales and Marketing Headquarters on October 16.
- Further promote cross-selling marketing (among core, BS, and Global businesses).
  Provide 260 salespeople with SFA accounts and support daily sales activities.

Increase supply capacity by maximizing the use of human resources

- Improve human resource matching.
  Efficient matching between employees and projects through reassignment based on employees' requests and skills
- Implement measures to acquire participants in certification courses and improve the approach to people who have completed a course.

Numerical Target

Year-on-year growth of full-year net sales (company-wide)

3.4%

Key Strategies to Achieve the Targets Set in the Full-Year Plan: Improvement of Business Structure to Allow Commitment to Achievement of Plans

Implement further business reforms led by on-site personnel with the aim of raising profitability

Increase operation efficiency

- Implement work-style reforms (reducing long working hours).
  Reduce overtime work and long working hours by improving operation management.

Increase the profitability of each establishment

- Increase autonomy through VIPRO activities.
  Increase workplace efficiency and labor productivity through leadership of on-site personnel.
  ▶Operating income: Aim for consecutive record highs.

Numerical Target

Medical Support and Long-Term Care segments: year-on-year increase in operating income

Approx. 2,300 million yen

Key Strategies to Achieve the Targets Set in the Full-Year Plan: Structural Reform of Education Business

Maintain the new Gaba school system
Aim to turn a profit by improving management

Pursue customer satisfaction: Thoroughly implement the Gaba method

- Thoroughly support customers in achieving their improvement goals
  Provide lessons for customers to attain their goals
- Improve counseling and instructor training

Pursue operation efficiency

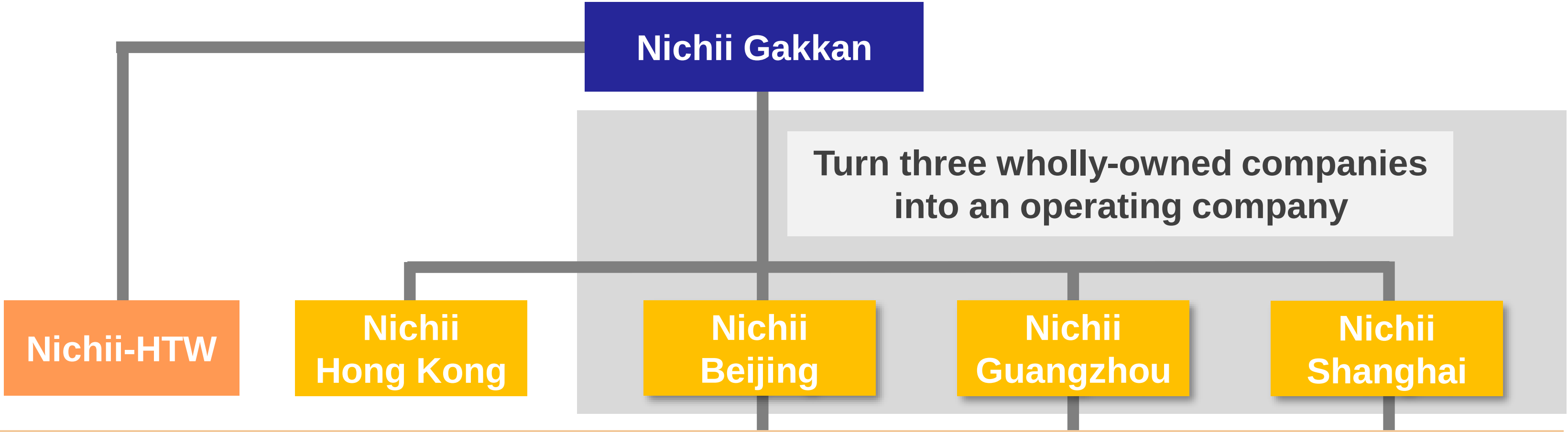
- Build an optimal area-specific resource allocation model for Gaba-COCO Juku
- Close COCO Juku Jr. satellite classrooms
  * Eliminate inefficiency due to geographically spread locations and focus on increasing convenience of planned class attendance

Build a new Gaba business model

- Take on the challenge of switching to a nationwide business using the business model of the former COCO Juku from the current urban business model that focus on the Tokyo metropolitan area

Key Strategies to Achieve the Targets Set in the Full-Year Plan: Reorganization of China Business

Build a market creation system while turning wholly owned companies into an operating company in response to changes in the business environment and demand in China



Further reorganization of regional operating companies

At the end of the previous fiscal year
20 operating companies and 9 school corporations

▶

At the end of the current fiscal year
9 operating companies and 3 school corporations

Key Strategies to Achieve the Targets Set in the Full-Year Plan: Creation of Growth Opportunities

Focus on acquiring new projects to turn a profit in the China business in the fiscal year ending March 31, 2020.

Promote the business of contract facility operation and training

- Facility operation contracts: 3 contracts expected (2 in Shenyang and 1 in Beijing)
- Outside sales training: 7 projects scheduled
- Build a future business model based on the facility complex operation (Beijing and Dalian) for the international healthcare facility development promotion project subsidized by the Ministry of Economy, Trade, and Industry (METI), for which Nichii was selected in July

Selection for the international healthcare facility development promotion project subsidized by METI

Project name:	Nursing facility complex development project in China
Consortium members:	Nichii (consortium representative), NEC Corporation, IAO Takeda Architects Associates Co., Ltd., Paramount Bed (China) Co., Ltd. (Paramount Bed Holdings' local affiliate in China), and Toto (China) Co., Ltd. (Toto Ltd.'s local affiliate in China)
Period:	July 19, 2018 through February 28, 2019
Project:	Establishment of corporate partnerships through the foundation of facility complexes, the delivery of at-home nursing care and monitoring services, the placement of model rooms for nursing care facilities, the delivery of briefings to families of users requiring nursing care, the development and training of facility managers, and the delivery of briefings to Chinese business operators

FY2019.3 Earnings Forecast

FY2019.3 Earnings Forecast (Consolidated)

(Unit:million yen)

	FY2018.3	FY2019.3 2Q	FY2019.3			
	Amount	Amount	Initial forecast	Revised forecast	Corection Amount	yoy(%)
Net Sales	283,767	142,596	314,500	293,500	▲ 21,000	3.4%
Operating Income	7,630	4,154	14,700	14,700	0	92.7%
%	2.7%	2.9%	4.7%	5.0%	-	-
Ordinary Income	3,628	1,947	10,500	9,600	▲ 900	164.6%
%	1.3%	1.4%	3.3%	3.3%	-	-
Profit attributable to owners of parent	854	251	6,300	5,100	▲ 1,200	496.9%
%	0.3%	0.2%	2.0%	1.7%	-	-

Consolidated Net Sales by Segment

(Unit : million yen)

Net Sales	FY2018.3	FY2019.3 2Q	FY2019.3			
	Amount	Amount	Initial forecast	Revised forecast	Corection Amount	yoy(%)
Medical Support	107,272	53,671	113,200	110,000	▲ 3,200	2.5%
Long-term Care	149,811	75,526	162,100	152,800	▲ 9,300	2.0%
Child Care	9,365	5,433	13,000	12,000	▲ 1,000	28.1%
Health Care	1,398	779	3,500	2,000	▲ 1,500	43.1%
Education	12,068	5,929	17,000	13,000	▲ 4,000	7.7%
Therapy	373	185	1,400	1,000	▲ 400	168.1%
Global	3,574	1,005	4,400	2,800	▲ 1,600	-21.7%
Others	1,933	729	1,900	1,900	0	-1.7%
Elimination	▲ 2,030	▲ 663	▲ 2,000	▲ 2,000	0	-
Total	283,767	142,596	314,500	293,500	▲ 21,000	3.4%

Consolidated Operating Income by Segment

(Unit:million yen)

Operation Income	FY2018.3	FY2019.3 2Q	FY2019.3			
	Amount	Amount	Initial forecast	Revised forecast	Corection Amount	yoy(%)
Medical Support	8,899	4,448	10,800	10,000	▲ 800	12.4%
%	8.3%	8.3%	9.5%	9.1%		
Long-term Care	14,810	8,019	15,000	16,000	1,000	8.0%
%	9.9%	10.6%	9.3%	10.5%		
Child Care	▲ 564	▲ 477	400	400	0	-
%	6.0%	-8.8%	3.1%	3.3%		
Health Care	▲ 223	▲309	▲ 770	▲ 600	170	-
%	-16.0%	-39.7%	-22.0%	-30.0%		
Education	▲ 4,474	▲ 2,041	▲ 900	▲ 1,500	▲ 600	-
%	-37.1%	-34.4%	-5.3%	-11.5%		
Therapy	▲ 340	▲ 288	40	40	0	-
%	-91.3%	-155.9%	2.9%	4.0%		
Global	▲ 1,665	▲ 694	▲ 500	▲ 900	▲ 400	-
%	-46.6%	-69.1%	-11.4%	-32.1%		
Others	204	126	250	260	10	27.5%
%	10.6%	17.3%	13.2%	13.7%		
Elimination	▲ 9,014	▲ 4,627	▲ 9,620	▲ 9,000	620	-
Total	7,630	4,154	14,700	14,700	0	92.7%
%	2.7%	2.9%	4.7%	5.0%		

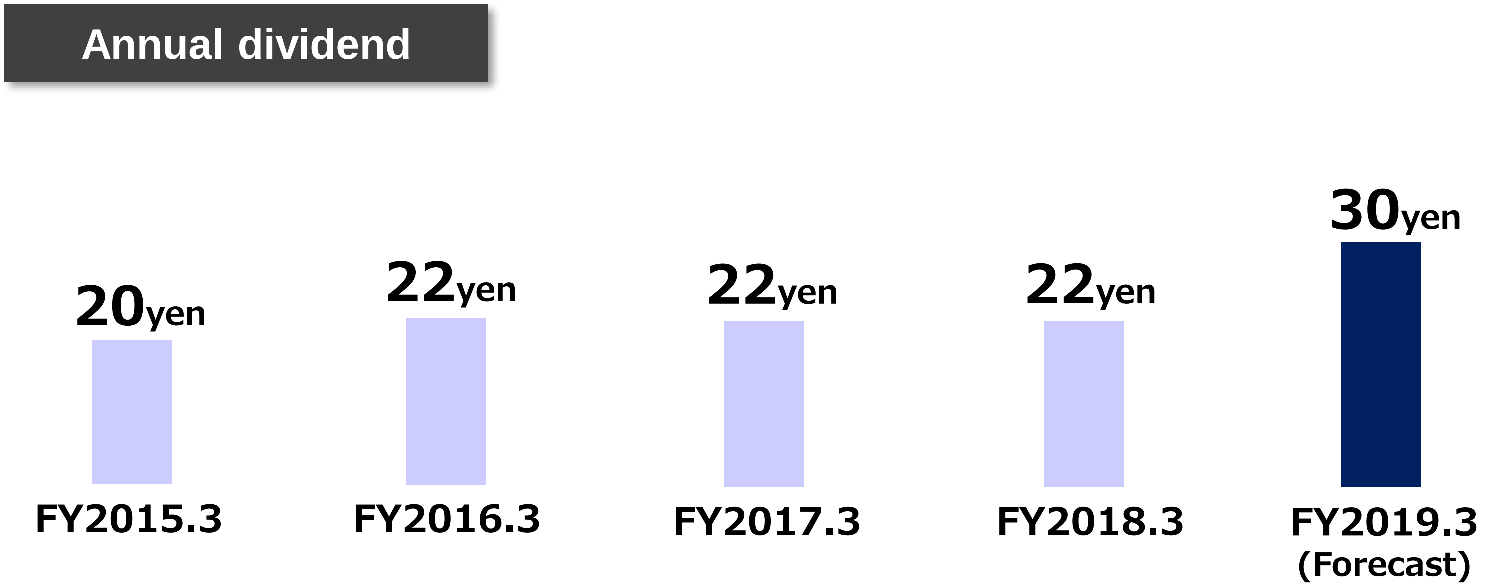
FY2019.3 Earnings Forecast (Non-Consolidated)

(Unit:million yen)

	FY2018.3	FY2019.3 2Q	FY2019.3			
	Amount	Amount	Initial forecast	Revised forecast	Corection Amount	yoy(%)
Net Sales	243,588	122,599	268,700	251,300	▲ 17,400	3.2%
Operating Income	6,241	4,020	12,100	12,100	0	93.9%
%	2.6%	3.3%	4.5%	4.8%	-	-
Ordinary Income	4,939	3,429	10,800	10,300	▲ 500	108.5%
%	2.0%	2.8%	4.0%	4.1%	-	-
Net Income	3,300	2,051	7,600	6,900	▲ 700	109.1%
%	1.4%	1.7%	2.8%	2.7%	-	-

Shareholder Return

An annual dividend of 30 yen per share after adding 8 yen per share is scheduled to be paid based on an increase in the ability to generate cash.



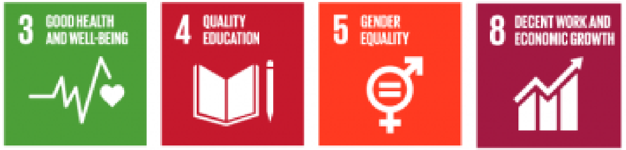
ESG Activities

Aim to achieve sustainable growth on a global scale by linking the Nichii Vision and SDGs.

E	**Global warming and natural resources** Reduce CO2 emissions by installing high-efficiency energy facilities through the renovation of day service centers
S	**Solution of social issues and social market opportunities** Promote sustainable management strategies by linking the UN's Sustainable Development Goals and Nichii's management philosophy, "Nichii Vision"
G	**Compensation** Introduce a restricted stock compensation plan and stock options in view of market conditions

Nichii
VISION 2025

Four priority themes that are closely relevant to the Company



SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

All performance targets and other forecasts, including numbers of contracts and users, and goals, contained in this document are based on information currently available to the Nichii Gakkan Group and will be affected by uncertain factors, including economic circumstances, the relaxation of regulations, and employment conditions. Please note that actual results, numbers of contracts and users, and other data may be different from the forecasts.

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