

NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

for the Fiscal Year Ended March 31, 2018

May 15, 2018

Overview of Financial Results for Fiscal Year Ended March 31, 2018

Financial Results Highlights (Consolidated)

Net sales, operating income and ordinary income increased, but net income declined due to the posting of extraordinary losses.

(Unit: million yen)

	FY2017.3	FY2018.3		
	Amount	Amount	Amount	yoy
Net Sales	276,659	300,000	283,767	7,107
Operating Income	4,206	9,300	7,630	3,423
%	1.5%	3.1%	2.7%	-
Ordinary Income	1,429	6,000	3,628	2,199
%	0.5%	2.0%	1.3%	-
Net income attributable to owners of parent	1,403	3,000	854	▲ 548
%	0.5%	1.0%	0.3%	-

Financial Results Highlights (Non-Consolidated)

In non-consolidated results,
all items including net income maintained an upward trend.

(Unit: million yen)

	FY2017.3	FY2018.3		
	Amount	Amount	Amount	yoy
Net Sales	239,776	259,400	243,588	3,811
Operating Income	3,542	8,300	6,241	2,699
%	1.5%	3.2%	2.6%	-
Ordinary Income	2,639	7,000	4,939	2,300
%	1.1%	2.7%	2.0%	-
Net income attributable to owners of parent	3,044	4,700	3,300	255
%	1.3%	1.8%	1.4%	-

Financial Results Highlights

1. Net sales hit a record high for the 10th consecutive fiscal year thanks to the promotion of businesses that met local needs.

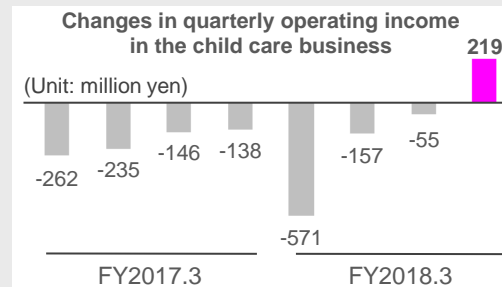
- ▶ **The long-term care business maintained an upward trend in sales (net sales up 3,740 million yen year on year)**
 - A rise in occupancy rates in residential care services made a contribution (sales up 8.2% year on year)
- ▶ **Sales increased significantly in the child care business (net sales up 3,416 million yen)**
 - Active deployment of corporate-run child care centers on the back of support for women's advancement in society

Number of child care facilities
as of end of March 2018

203 facilities
(up 81 facilities year on year)

2. Profitability improved due to the success of measures to improve productivity (up 3,423 million yen year on year).

- ▶ **Profitability improved in the medical support and the long-term care businesses.**
 - Progress of negotiations for contract optimization and improvement in operations in the medical support business
 - Improved efficiency of facility operation in the long-term care business
- ▶ **Loss reduced in the child care business as a result of recovering prior investments.**
 - Quarterly income turned to profitability in 4Q, making progress in restoring profitability.



3. Net loss was recorded due to the posting of extraordinary losses, but cash flows improved.

- ▶ **The China business posted extraordinary losses of 788 million yen including evaluation loss related to goodwill of local subsidiaries (627 million yen).**
- ▶ **Cash flows from operating activities recovered to an all-time high.**

Financial Results Highlights by Segment (Consolidated Net Sales and Operating Income)

Profitability improvement made progress, mainly in the core businesses.

(Unit: million yen)

Net Sales	FY2016.3	FY2017.3	yoy
Medical Support	108,325	107,339	▲ 986
Long-term care	144,416	148,156	3,740
Child Care	5,949	9,365	3,416
Health Care	2,926	3,082	155
Education	12,771	13,072	301
Therapy	377	404	27
China Business	2,007	2,388	381
Other	1,303	1,933	630
Elimination	▲ 1,417	▲ 1,976	▲ 558
Total	273,583	283,767	7,107

(Unit: million yen)

Operating income	FY2016.3	FY2017.3	yoy
Medical Support	8,012	8,876	863
Long-term care	11,183	14,516	3,332
Child Care	▲ 781	▲ 564	216
Health Care	615	69	▲ 546
Education	▲ 4,647	▲ 4,620	26
Therapy	▲ 107	▲ 419	▲ 311
China Business	▲ 1,416	▲ 1,417	▲ 1
Other	285	204	▲ 81
Elimination	▲ 8,937	▲ 9,013	▲ 75
Total	4,206	7,630	3,423

Summary of Balance Sheet (Consolidated)

The current ratio improved 17.9 percentage points (to 112.3%)
as a result of focusing on financial improvement.

	End of March 2017	End of December 2018	Difference
Current assets	64,723	67,924	3,201
Fixed assets	126,984	122,318	▲4,665
Total assets	191,708	190,243	▲1,464
Current liabilities	68,530	60,459	▲8,071
Non-current liabilities	85,252	92,127	6,874
Total liabilities	153,783	152,587	▲1,196
Total net assets	37,924	37,656	▲268
Total liabilities and net assets	191,708	190,243	▲1,464

Summary of Cash Flows (Consolidated)

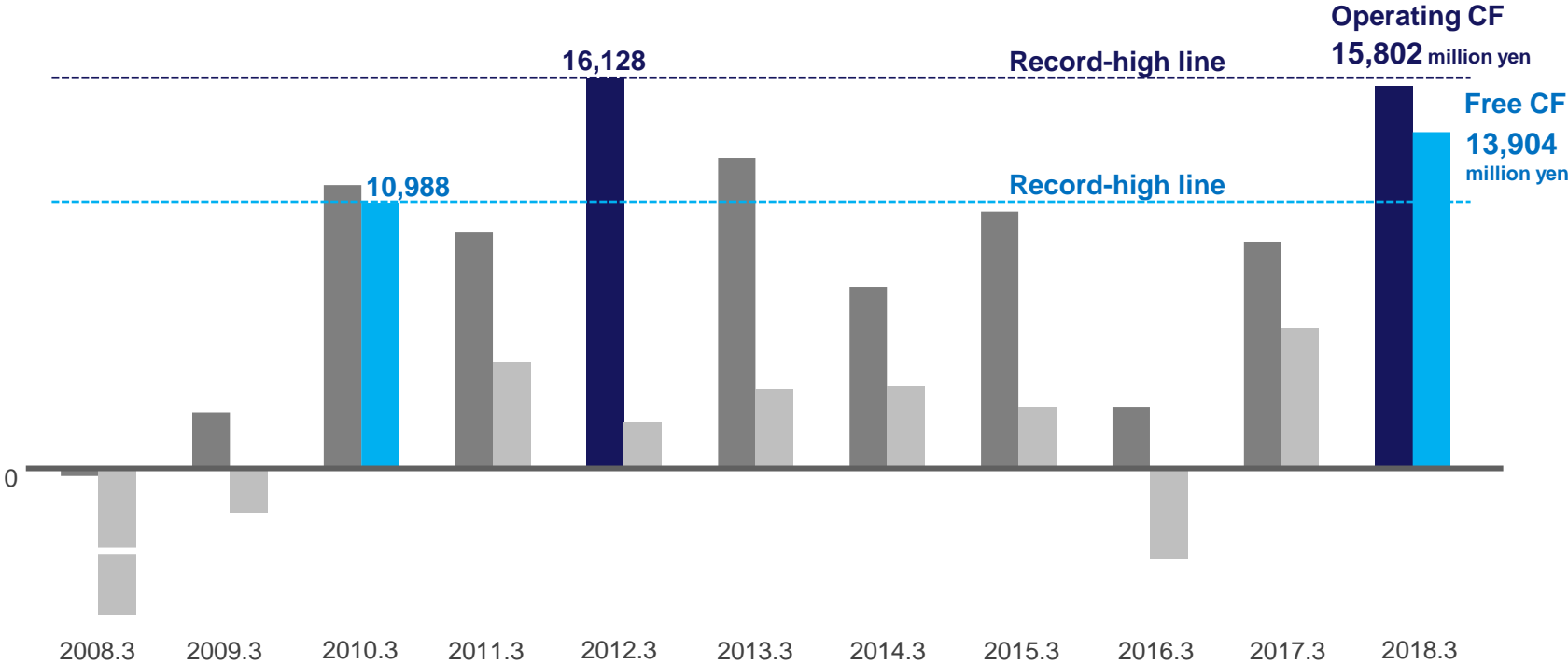
Cash flows from operating activities and free cash flow improved significantly due to greater profitability.

(Unit : million yen)

	End of March 2016	End of March 2017	Difference
Cash flows from Operating activities	2,546	9,379	6,832
Cash flows from Investing activities	▲ 6,250	▲ 3,567	2,682
Free cash flow	▲ 3,703	5,811	9,514
Cash flows from Financial activities	5,381	▲ 4,246	▲ 9,628
Cash and cash equivalents at end of year	14,373	16,189	1,816

Changes in Consolidated Cash Flows

Cash flow from operating activities rose to a level close to that in FY2012.3.
Free cash flow marked a record high.



FY2019.3 Earnings Forecast

Review (Achievements and Challenges)

Achievements

Toward restoring “strong Nichii” with no weak points

- Fostered energy to return to growth by changing the organizational climate.
- Confirmed the effect of the increased earnings power of the core businesses.
- New forward-looking lineup based on the mutual complement of Gaba and COCO Juku Junior
- Rebuilt a framework for creating the long-term care market in China.

Challenges

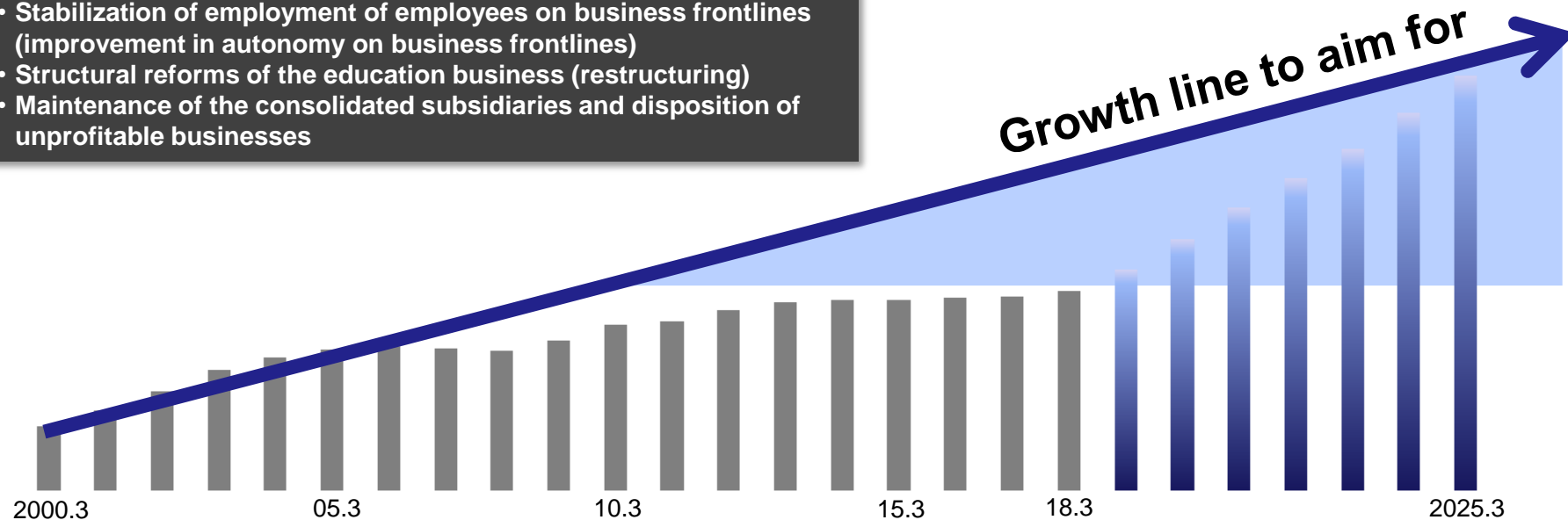
Toward strengthening the enterprise power necessary to be committed to achieving the plan

- Realize profit growth associated with growth in the top line of the core businesses.
- Strengthen the profit refilling power of the BS businesses.
- Book an impairment loss of goodwill in the China business unavoidably and restore profitability by reducing the burdens.
- Develop systems for consolidated subsidiaries and dispose of unprofitable businesses.

The Restoration of “Strong Nichii” Begins with the Realization of Growth on the Top Line.

Organizational reforms for strong Nichii

- Strengthening of business constitution (strengthening of power to achieve the plan)
- Stabilization of employment of employees on business frontlines (improvement in autonomy on business frontlines)
- Structural reforms of the education business (restructuring)
- Maintenance of the consolidated subsidiaries and disposition of unprofitable businesses



Strengthening of Business Constitution able to be Committed to Achieving the Plan (1)

Sales reforms

Establish a Sales and Marketing Headquarters under the direct control of the president.
Gear up for growth on the top line by promoting chained sales of all businesses and cross-selling.

Key strategies

- Expand the market share by strengthening the proposal power of the hospital department and the clinic department.
- Strengthen the sales power of medical administration courses and long-term care courses.
- Acquire customers in the housekeeping support business (Nichii Life, Sunny Maid).
- Strengthen product sales marketing (long-term care PB products, child care products).
- Strengthen sales of corporate-run childcare centers.
- Build a new corporation channel and acquire corporation customers.

Strengthening of Business Constitution able to be Committed to Achieving the Plan (2)

Enhancement of the executive officer system

Enhancement of the appointment of executive officers by business and area and the active appointment of young employees

Incentive reforms

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

Purpose: Amplification of the driving force of the medium-term management plan
“VISION 2025”

Target: Directors of the Company and its wholly-owned subsidiaries in Japan
(excluding outside directors) and executive officers of the Company

Period: Implemented for 7 years until FY2025.3

Strengthening of Foundations of Human Resources that Provide Services

Stabilization of employment of employees on business frontlines

Support to make workers regular employees, the promotion of indefinite-term employment, the enhancement of measures for improving the treatment of employees and the improvement of their work environment

Strengthening of supply power

Strengthening of sales of staff training courses and the development and provision of livelihood supporter training, etc.

Utilization and cultivation of foreign staff

Housekeeping support business by foreign staff in the National Strategic Special Zone

Building of a scheme for acquiring human resources and the expansion of recruitment

Technical Intern Training Program

Acceptance of interns from the Philippines and China (planned)



Structural Reforms in the Education Business

Structural reforms in the education business

- **Definition of brands in light of customer needs**
COCO Juku Junior: Group English lessons (elementary, junior high and high school students)
Gaba: One-to-one English lessons (adults)
- **Class restructuring tailored to area needs**
Expansion of deployment area of Gaba Studio
Deployment of satellite classrooms of COCO Juku Junior
- **Building of a cooperative operation scheme**
Promotion of greater efficiency in classroom operation, staff management and sales cooperation
- **Promotion in line with area characteristics**
Area development with fields as the core



COCO Juku Junior Kagoshima School
“Aquarium exploration in English”

Education Business: Customer Satisfaction

Gaba

2018 Oricon CS Report
English conversation school: Ranked first



[Evaluation items in which we are ranked first]	
“Staff”	Ranked first
“Instructor”	Ranked first
“Classroom atmosphere”	Ranked first
“Lessons”	Ranked first
“English proficiency level”	Ranked first

[Simultaneous award]
2018 Oricon CS Report
English conversation school for corporations:
Ranked first

COCO Juku Junior

2018 iid Award
Children’s English class (elementary school
students): Ranked first



[Evaluation items in which we are ranked first]	
“Instructor”	Ranked first
“Effect”	Ranked first
“Reliability”	Ranked first

Maintenance of the Consolidated Subsidiaries and the Disposition of Unprofitable Businesses

Restructuring of the Nichii global network

SELC ENGLISH LANGUAGE CENTRE CANADA LTD.
SELC CAREER COLLEGE CANADA LTD.

Nichii China Co., Ltd.
Nichii Shanghai Co., Ltd.
Nichii Hong Kong Limited

SELC-GLOBAL CENTER
PHILIPPINES CORPORATION

SELC AUSTRALIA PTY LTD.

- Partial restructuring of joint venture companies in China
- Gradual improvement in earnings of SELC Australia and SELC Canada
- Development of bases for human resources in the Philippines
- Transfer of shares in Nichii International Clinic

Financial Results Forecasts for FY2019.3

Net sales: Toward the 300 billion level
Operating income: Aim for a record high

(Unit: million yen)

Consolidated	F Y 2018.3 3Q	F Y 2019.3 3Q	Amount	Change (%)
Net Sales	283,767	314,500	+30,733	10.8%
Operating Income	7,630	14,700	+7,070	92.7%
%	2.7%	4.7%	-	-
Ordinary Income	3,628	10,500	+6,872	189.4%
%	1.3%	3.3%	-	-
Profit attributable to owners of parent	854	6,300	+5,446	637.7%
%	0.3%	2.0%	-	-

Net Sales Forecast by Segment

(Unit: million yen)

Net Sales		F Y 2018.3 3Q	F Y 2019.3 3Q	Change (%)	Amount
	Medical Support	107,272	113,200	5.5%	+5,928
	Long-term care	149,811	162,100	8.2%	+12,289
	Child Care	9,365	13,000	38.8%	+3,635
	Core businesses	266,449	288,300	8.2%	+21,851
	Health Care	1,398	3,500	150.4%	+2,102
	Education	12,068	17,000	40.9%	+4,932
	Therapy	373	1,400	275.3%	+1,027
	Balance Supply businesses	13,840	21,900	58.2%	+ 8,060
	Global businesses	3,574	4,400	23.1%	+826
	Others	1,933	1,900	-1.7%	-33
	Elimination	-2,030	-2,000	--	+30
Total		283,767	314,500	10.8%	+30,733

* From FY2019.3, PB product sales will be transferred from the Health Care segment to the Long-term Care segment. The Global segment will be newly established, and the China business and overseas services will be transferred from each segment.
For FY2018.3, values are posted retroactively in line with the new segments.

Operating Income Forecast by Segment

(Unit: million yen)

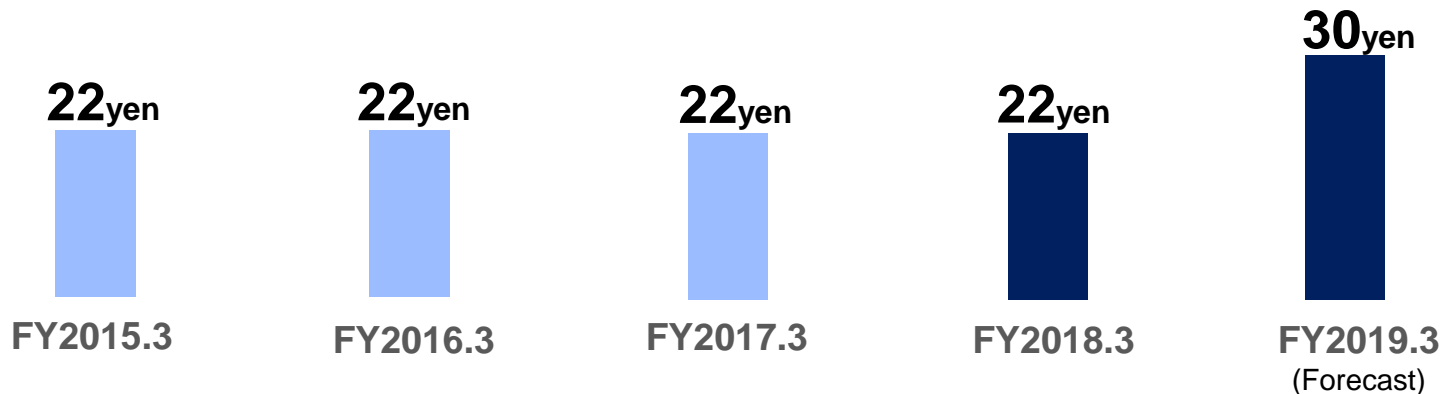
Operating Income		F Y 2018.3 3Q	F Y 2019.3 3Q	Change (%)	Amount
	Medical Support	8,899	10,800	21.4%	+1,901
	Long-term care	14,810	15,000	1.3%	+190
	Child Care	-564	400	--	+964
	Core businesses	23,144	26,200	13.2%	+3,056
	Health Care	-223	-770	--	-547
	Education	-4,474	-900	--	+3,574
	Therapy	-340	40	--	+380
	Balance Supply businesses	-5,039	-1,630	--	+3,409
	Global businesses	-1,665	-500	--	+1,165
	Others	204	250	22.5%	+46
	Elimination	-9,014	-9,620	--	-606
Total		7,630	14,700	92.7%	+7,070

* From FY2019.3, PB product sales will be transferred from the Health Care segment to the Long-term Care segment. The Global segment will be newly established, and the China business and overseas services will be transferred from each segment.
For FY2018.3, values are posted retroactively in line with the new segments.

Shareholder Return

Plan to increase dividends by 8 yen per share to convey the message that we will definitely achieve the business plan.

Annual dividend



Medium-Term
Management Plan
VISION 2025

Nichii Vision

Contributing to the resolution of social issues, realizing
stable long-term profit growth,
and aiming to become **an excellent company**
that makes a contribution globally



Framework of Vision 2025

Basic policy

- Stable long-term profit growth by creating a strategic triangle

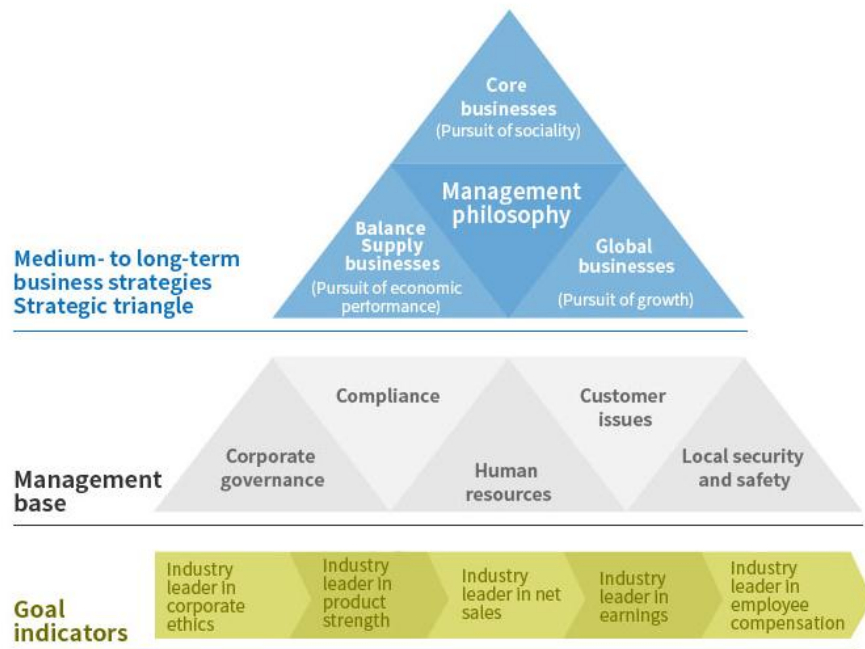
Organizational reforms to restore strong Nichii

- Strengthen strategy execution systems
- Strengthen business bases and the power of branch offices
- Strengthen the organization linkage function

Business reforms and the strengthening of foundations to restore strong Nichii

- Creation of added value
- Promotion of earnings structural reforms
- Strengthening of global readiness
- Strengthening of the human resources foundation
- Strengthening of the financial base

Strategic triangle



Target Management Indicators for FY2025.3

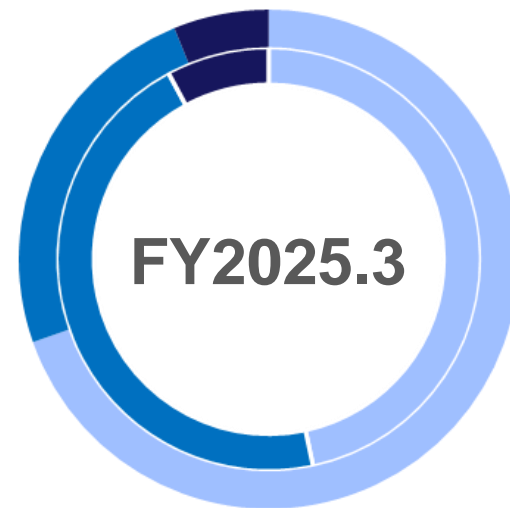
Net sales	500 billion yen or more
Operating margin	10% or more
Dividend payout ratio	30% or more

Aim to become a company with market capitalization of more than 1 trillion yen by pressing forward with improvements in profitability and financial strength over the medium to long term.

Realize stable long-term growth by optimizing the business structure balance.

Business mix

■ Core ■ BS ■ Global
 (Outer ring) Percentage of sales
 (Inner ring) Percentage of operating income



2018.3	% of sales	% of income
Core	93.9%	100%
BS	4.9%	-
Global	1.3%	-

2025.3	% of sales	% of income
Core	70%	50%
BS	25%	45%
Global	5%	5%

(Reference) VISION Progress Project

**Promote business reforms centered on business frontlines
with VIPRO as a communication platform.**

Vision Progress Project (VIPRO)

<Main themes>

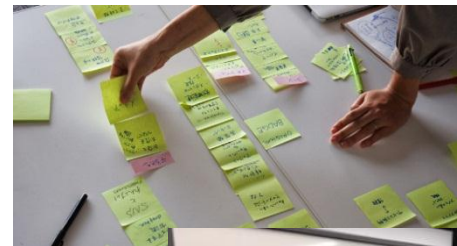
- Improved profitability through better operational efficiency
- Response to customer needs
- Creation of attractive workplace and systems

<Progress>

- Examples full of originality and ingenuity on business frontlines are shared on a company-wide basis.
- The effect has emerged beyond areas through arrangement and the verification of the effect.

<Expected effects>

- Chain of originality and ingenuity
- Promotion of autonomous actions on business frontlines
- Improvement of customer satisfaction and employee satisfaction



(Reference) Key Strategies of the Core Businesses

**Realize stable growth in an unshakable position
by increasing supply power and added value.**

[Recognition of business environment]

- ✓ Increase in demand due social issues such as the advancement of aging and the number of children on the waiting lists for childcare openings
- ✓ Establishment of new professional qualifications and residential qualifications for foreigners to ensure the labor force
- ✓ Stricter selection of focus and improvement in the efficiency of the social security spending policy

Key initiatives

Deployment of bases and services in light of human resources and needs

- Improvement in service quality with better skills
- Strengthening of response to policies, social issues and needs (stricter selection of focus and improvement in efficiency of social security)
- Improvement in productivity (promotion of greater efficiency through the improvement of operational efficiency and the introduction of AI and ICT, etc.)
- Strengthening of response to area needs (medial exchange, community comprehensive care, etc.)
- Cultivation of global human resources by utilizing the Technical Intern Training Program
- Promotion of employment of qualified personnel as full-time staff for insurance operations (division from Nichii Life)

(Reference) Key Strategies of the BS Businesses

Strengthen earnings power through the early development and expansive deployment of businesses.

[Recognition of business environment]

- ✓ Expansion of needs for housekeeping services associated with increases in the number of double-income households and the elderly
- ✓ Expansion of language needs associated with an increase in foreigners visiting Japan and the cultivation of global human resources
- ✓ Stable growth of the pet-related market

Key initiatives

Early development and expansive deployment of high value-added businesses

- Nationwide deployment of the Gaba brand and the dominant deployment of COCO Juku Junior
- Pursuit of service quality and distinctiveness, etc.
- Strengthening of efficient promotion
- Promotion of the housekeeping support business by foreign staff in the National Strategic Special Zone (promotion taking advantage of Nichii Life)
- Building of a scheme for acquiring foreign human resources and progress in foundation building
- Creation of added value based on the integration of the Company's know-how and global culture and skills

(Reference) Key Strategies of the Global Businesses

Steadily acquire a position in the overseas market by tackling unlimited possibilities in the future.

[Recognition of business environment]

- ✓ Active response of the Chinese government to the problem of the aging society and the promotion of the “90-7-3” policy
- ✓ Expansion of areas where an experimental long-term care insurance system is implemented
- ✓ Beginning of a search for an appropriate long-term care insurance system for the elderly with dementia

Key initiatives

Dissemination and recognition of Japanese-style long-term care services in China

- Enhancing the recognition of Japanese-style long-term care services based on the development of facilities specializing in dementia and day services
- Guiding to home-visit long-term care through the initiatives above and the strengthening of the matching capability of human resources
- Promotion of scaling up through development in each regional operating company

Pursuit of synergies with domestic businesses

- Building the business foundation based on partnerships with local companies, etc.
- Contribution to the inbound and outbound of medical and long-term care services

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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