

* Notes

(1) Changes in subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting policies, changes of accounting estimates and restatement

- 1) Changes in accounting policies due to revisions of accounting standards, etc.: None
- 2) Changes in accounting policies due to reasons other than those stated in 1): None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(3) Number of shares outstanding (common stock)

- 1) Number of shares issued and outstanding (including treasury stock)

Year ended March 31, 2018	73,017,952	Year ended March 31, 2017:	73,017,952
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- 2) Number of treasury stock

Year ended March 31, 2018	8,825,572	Year ended March 31, 2017:	8,825,656
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- 3) Average number of shares issued and outstanding in each period

Year ended March 31, 2018	64,192,894	Year ended March 31, 2017:	64,192,407
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(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended March 31, 2018(April 1, 2017– March 31, 2018)

(1) Non-consolidated operating results

(Percentage figures represent changes from previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2018	243,588	1.6	6,241	76.2	4,939	87.1	3,300	8.4
Year ended March 31, 2017	239,776	0.4	3,542	—	2,639	—	3,044	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2018	51.41	51.27
Year ended March 31, 2017	47.43	47.38

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2018	148,872	42,837	28.4	658.59
As of March 31, 2017	150,839	40,922	26.8	629.21

Reference: Shareholders' equity: As of March 31, 2018: 42,276 million yen As of March 31, 2017: 40,390million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2019(April 1, 2018 March 31, 2019)

(Percentage figures represent changes from previous year for full year figures and from same period of previous year for interim period figures.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	130,200	7.0	4,300	42.2	3,900	45.6	2,700	40.2	42.06
Full year	268,700	10.3	12,100	93.9	10,800	118.6	7,600	130.3	118.39

* Summaries of financial results are not subject to audit.

* Explanation concerning the appropriate use of financial result forecasts and other special notes

The above forecasts are based on information Nichii Gakkan had as of the time this report was prepared and on certain assumptions judged to be reasonable. Various factors may cause actual results to differ significantly from forecasts. Please refer to the disclaimers, provided under“(1) Analysis of business results” of “1. Analysis of business results and financial position” on page 4 of the attached document, regarding the assumptions upon which forecasts are based and the use of forecasts.

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1. Overview of Business Results, Etc.

(1) Analysis of business results

1) Overview of business results

NICHIIIGAKKAN CO., LTD., (the “Company”) has been striving to build a solid business promotion system by pursuing improvements in the business profit structure in a group-wide effort to realize its vision and ensure stable long-term profit growth.

On December 1, 2017, Nobusuke Mori (formerly the Executive Vice President) acceded to the role of President and COO. Under a new business management system, efforts were made to strengthen area management and improve productivity by continuously implementing initiatives for realizing Nichii’s Vision.

Business results for the fiscal year under review are as follows.

Net sales were 283,767 million yen (compared with 276,659 million yen in the previous fiscal year). Operating income was 7,630 million yen (compared with 4,206 million yen in the previous fiscal year).

Net sales increased 2.6% year on year, led by the Long-Term Care Business and the Childcare Business.

In the Long-Term Care Business, the number of users of residential care services remained stable, and in the Childcare Business, the opening of new childcare centers made progress, mainly helped by corporate-run childcare centers that were promoted by the government with the aim of reducing the number of children on nursery school waiting lists. These developments contributed to the rise in sales.

Operating income increased 81.4% year on year, led by the Medical Support Business, where our efforts for proper contracts and an improvement in operations at contracted medical institutions were successful, and the Long-Term Care Business, which undertook continuous reviews in order to achieve efficient personnel placement and improved operational efficiency.

(Overviews by business segment)

Results by business segment are as follows.

<Medical Support Segment>

Net sales were 107,337 million yen (compared with 108,322 million yen in the previous fiscal year). Operating income was 8,876 million yen (compared with 8,012 million yen in the previous fiscal year).

We strengthened the foundation of human resources by improving the treatment and work environment of medical administration staff and made efforts to achieve proper contracts at medical institutions by improving the quality of our operations. We also worked to expand and enhance operations at medical institutions by proposing diverse, high value-added services and systems including a range of management support services in anticipation of revisions of medical service fees.

Because the number of contracts and the number of students in medical administration courses remained weak in the Clinic Department, sales declined in the Medical Support Business as a whole. Profits increased thanks to progress in our efforts to achieve proper working hours through improvements in operational efficiency and productivity and the acquisition of proper contracts from medical institutions.

<Long-Term Care Segment>

Net sales were 148,122 million yen (compared with 144,346 million yen in the previous fiscal year). Operating income was 14,516 million yen (compared with 11,183 million yen in the previous fiscal year).

To build a system for stably providing appropriate services in each area, we worked to ensure and retain human resources to provide long-term care services by improving their treatment and enhancing and publicizing various systems.

In at-home type care services, while the number of users declined, spending per customer rose due to the impact of the increased subsidy for improving the benefits of care staff and the enhanced response to moderate-severe persons.

In residence type care services, the number of users remained stable as a result of focusing on active sales activities and campaigns, etc., and sales rose in the Long-Term Care Segment as a whole. Profits increased due to a rise in occupancy rates at residence type care facilities and the contribution of improved operational efficiency on the business frontlines.

<Childcare Segment>

Net sales were 9,363 million yen (compared with 5,940 million yen in the previous fiscal year). Operating loss was 564 million yen (compared with an operating loss of 781 million yen in the previous fiscal year).

We opened 48 facilities in the fiscal year under review by actively promoting the establishment of corporate-run childcare centers that are institutionalized based on the Acceleration Plan for Eliminating All Waiting Lists for Childcare Openings of the government, with the aim of reducing the number of children on nursery school waiting lists in local regions and helping

to ensure and retain our own staff. We operate 202 childcare facilities nationwide, including other childcare-related facilities such as registered child care centers.

Net sales increased substantially by 57.6% year on year as a result of developing facilities tailored to regional needs. While the segment posted an operating loss due to upfront costs associated with the opening of new childcare centers, the amount of the loss was smaller than a year ago, thanks to an increase in the number of basic agreements on childcare usage with companies and corporations at corporate-run childcare centers and an improvement in occupancy rates.

<Health Care Segment>

Net sales were 3,053 million yen (compared with 2,910 million yen in the previous fiscal year). Operating income was 69 million yen (compared with 615 million yen in the previous fiscal year).

Demand for housekeeping services continues to grow in Japan due to changes in lifestyles and values such as an increase in double-income households due to the promotion of women's participation and advancement in the workplace and a trend toward the nuclear family. In February 2018, we began providing the Sunny Maid Service provided by our foreign staff that utilizes the foreign housekeeper program in the National Strategic Special Zone, in addition to the Nichii Life housekeeping service provided by our Japanese staff.

Net sales increased due to a rise in the number of users as a result of campaigns for the Nichii Life housekeeping service in step with seasonal needs and solid sales of private brand products for which we conducted strategic sales promotion activities nationwide in cooperation with long-term care services. Profits declined due to expenses for the preparation of the Sunny Maid Service.

<Education Segment>

Net sales were 13,069 million yen (compared with 12,771 million yen in the previous fiscal year). Operating loss was 4,620 million yen (compared with an operating loss of 4,647 million yen in the previous fiscal year).

Associated with the Education Business structural reforms (integration and parallel operation of Gaba and COCOJUKU), our adult-oriented services focused on preparations for the transition from COCOJUKU to one-to-one English conversation lessons at Gaba and conducted efficient marketing and promotion activities. In our child-oriented services, we have completed the establishment of 80 schools as a result of working to expand facilities centered on community-based satellites from which it is easy for children to commute.

Due to an increase in the number of students in both adult-oriented and child-oriented services thanks to the initiatives above and a rise in spending per customer, both sales and profits increased (the amount of loss decreased).

<Therapy Segment>

(*We have changed the reporting segment classification from the consolidated fiscal year under review, and the Therapy Business and the Grooming Business, which were previously grouped in the Health Care Segment, are now segmented separately in the Therapy Segment.)

Net sales were 241 million yen (compared with 194 million yen in the previous fiscal year). Operating loss was 419 million yen (compared with an operating loss of 107 million yen in the previous fiscal year).

We expanded our A-LOVE dog grooming salons, which are built on the concept of pet health and the theme of "always happy together," all over Japan and prepared the opening of salons in Australia. As for our Japan salons, we opened 19 salons in the fiscal year under review using area marketing. Sales increased as a result of acquiring new customers and repeaters by holding events at each salon and actively implementing sales expansion in SNS, etc. Profits declined due to the generation of capital investment such as expenses for new salon openings ahead of others.

<China Business Segment>

Net sales were 2,365 million yen (compared with 1,966 million yen in the previous fiscal year). Operating loss was 1,417 million yen (compared with an operating loss of 1,416 million yen in the previous fiscal year).

Entrusted with the "Promotion Project to Establish Medical Technologies and Service Bases" of the Ministry of Economy, Trade and Industry, we worked on educational campaigns to increase the recognition of long-term care services to municipal governments and the cultivation of long-term care workers in China, where aging is advancing rapidly.

In our services, we are promoting sales of sanitary products and the establishment of long-term care facilities that will become a core base in local communities. In December 2017, we opened Itsu-un-in Beijing Chaoyang, the first facility specializing in dementia in Beijing.

Net sales increased due to the expansion of sales in each operating company and educational corporations, but profits declined.

<Other Segments>

Net sales were 213 million yen (compared with 207 million yen in the previous fiscal year). Operating income was 204 million yen (compared with 285 million yen in the previous fiscal year).

We strove to strengthen cooperation between group companies, with the aim of promoting and strengthening our mainstay businesses and improving added value. Net sales increased 6 million yen in the fiscal year under review, but operating income declined 81 million yen.

2) Future outlook

Based on our management philosophy “At Nichii, we are committed to helping people live healthy and vibrant lives,” we formulated the “strategic triangle” that shows our vision as the Nichii Group in April 2016.

We aim to realize Nichii’s Vision to achieve stable long-term profit growth with three types of businesses, namely core businesses that pursue and contribute to sociality (medical support, long-term care and child care), BS (Balance Supply) businesses that pursue economic performance (health care, language and therapy) and global businesses that pursue growth in a future-oriented manner (overseas business in China, etc.), cooperating with each other while pursuing their own characteristics.

As a road map for realizing the Vision, we have formulated the medium-term management plan VISION 2025 (from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2025) .

Performance targets based on the medium-term management plan are as follows.

	Net sales	Operating margin
Performance targets for 2025	500 billion yen or more	10% or more

To realize the vision of stable long-term profit growth, it is essential to continue being selected and supported by users and customers by creating added value and strengthening our competitiveness by building a business foundation that is able to respond and contribute to social needs and issues that differ depending on the country, region, generation and situation. The Nichii Group will increase the degree of certainty of realizing the vision by ensuring that it implements the key strategies of “strengthening the strategy execution power,” “establishing the foundation of existence,” “enhancing the earnings power,” “strengthening service and product appeals,” “strengthening human resources strategies” and “strengthening global readiness” through the implementation of organizational and business reforms for the complete achievement of a short-term business plan to restore the strength of Nichii. With these initiatives, we will evolve to become an “excellent company” that has a sustainable presence on a global scale by contributing to local communities and the advancement of globalization.

In the fiscal year ending March 31, 2019, we will work on “expansion of the top line” as the highest priority issue to achieve profit growth associated with sales growth in order to proceed further with improving the business profit structure. We will enhance service and product appeal and corporate competitiveness by strengthening our strategy execution power based on stronger area management through the further enhancement of the executive officer system, on which we have been focusing, and the higher mobility created by the autonomous actions of business frontlines as a result of ensuring that the vision penetrates throughout the company. We will also strengthen our cross-sectional sales driving force by developing a highly-mobilized sales promotion system transcending borders between businesses, and strengthen our earnings power as a result.

By ensuring that we put a range of initiatives based on these key strategies into practice, we will aim for profit growth associated with sales growth, restore the profitability of the Education Business in which the recovery of strategic investments is an urgent need, and reduce the operating loss in the China business.

Based on the above, we expect sales and income to increase in our earnings forecast for the next fiscal year as follows.

[Earnings forecast for the fiscal year ending March 31, 2019] (Unit: Million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ending March 31, 2019 (Forecast)	314,500	14,700	10,500	6,300
Actual results for the previous fiscal year	283,767	7,630	3,628	854

* The above forecast is calculated based on information that is currently available. The actual results may therefore differ from the stated forecasts due to changes in business conditions, etc.

(2) Analysis of financial position

1) Overview of financial position

During the fiscal year under review, cash and cash equivalents (“cash”) increased 2,077 million yen year on year, to 18,267 million yen. Cash flows from each category of activities and their main factors are described below.

[Cash flows from operating activities]

Net cash provided by operating activities stood at 15,802 million yen.

The main factors were depreciation and amortization and interest expenses.

[Cash flows from investing activities]

Net cash used in investing activities came to 1,897 million yen.

This was primarily the result of the purchase of property, plant and equipment and the purchase of intangible assets.

[Cash flows from financing activities]

Net cash used in financing activities amounted to 11,792 million yen.

This was chiefly due to a net decrease in short-term loans payable and the repayment of long-term loans payable.

Trends in cash flow indicators for the Group can be seen below.

	Year ended March 31, 2017	Year ended March 31, 2018
Equity Ratio (%)	19.1	19.1
Equity ratio based on present value (%)	28.3	40.3
Debt redemption (years)	10.3	5.6
Interest coverage ratio (times)	2.3	3.4

Notes: Equity ratio: Shareholders' equity/total assets

Equity ratio based on present value: Total present value of stock/total assets

Debt redemption: Interest-bearing liabilities/operating cash flow

Interest coverage ratio: Operating cash flow/interest payments

1. Each indicator was calculated from consolidated financial results.
2. Total present value of stock is the product of closing stock price at the end of period and the total number of outstanding shares at the end of period (after deducting treasury stock).
3. Operating cash flow is equal to the cash flows from operating activities in the consolidated statements of cash flow. Interest-bearing liabilities are all the liabilities on which interest is paid, out of the liabilities in the consolidated balance sheet. Interest payments are the interest payments as shown in the consolidated statements of cash flow.

(3) Basic principles of profit distribution and dividends for the fiscal year under review and the next fiscal year

Our basic policy is to provide our shareholders with stable and continuous profit distributions. Considering business performance trends from a mid- to long-term standpoint, we formulated a consolidated dividend policy. For the year ended March 31, 2018, we are planning to pay a year-end dividend of 11 yen per share.

Record date	Cash Dividends per Share (Yen)		
	2Q-end	Year-end	Annual
Year ended March 31, 2018	11.00 (Actual)	11.00 (Forecast)	22.00 (Forecast)
Year ending March 31, 2019	15.00 (Forecast)	15.00 (Forecast)	30.00 (Forecast)

(4) Business and other risks

Potential risks to the operations of each segment of the Nichii Group are described below. The Group strives to mitigate these risks by enhancing its business portfolio, focusing on developing and providing high value-added services that are not dependent on the medical insurance and long-term care insurance systems. However, under unexpected circumstances, these risks could have serious implications for the Group's business performance and financial position. The Company identified the following risks at the end of the fiscal year under review, but risks associated with investments in shares in the Company are not limited to those described below.

1) Business risks

[Medical Support Segment]

The Nichii Group's Medical Support Segment provides, among other services, medical services other than medical practice by medical institutions, medical-related services, medical practice management consulting, and courses in medical administration. Medical institutions will see major fluctuations in revenues due to biennial revisions of the medical service fees and medical insurance system reform. The Group provides services to medical institutions, and the contents of social security reforms, percentage changes in medical service fees, or advances in information technology could affect the Group's contracts, including contract fees.

The number of students attending the Group's courses in medical administration could fluctuate dramatically due to changes in the employment environment and other factors, and this could affect the Group's performance.

[Long-Term Care Segment]

The Nichii Group's Long-Term Care segment principally provides services regulated under the Long-Term Care Insurance Law and other relevant laws. Income from these services could be impacted by the revisions to the long-term care insurance system made every five years or by the revisions to compensation for long-term care made every three years. The Company strives to diversify risks by providing services that are not covered by long-term care insurance and by expanding its service offerings. Nevertheless, these efforts may not be sufficient to offset a decrease in income that could be caused by a reduction in compensation for long-term care and other factors, which could have a significant adverse effect on earnings.

The long-term care facilities (including group homes, pay nursing homes, and day-care facilities) operated by the Group offer community-based services under lease agreements. The term of most of these lease agreements is 20 years, and declines in occupancy rates caused by decreases in resident numbers and falls in market rates for residents could have adverse effects on earnings in the Long-Term Care segment.

The number of students attending the Group's long-term care courses, especially training for newly appointed long-term care workers, could fluctuate dramatically due to changes in the employment environment and other factors, and this could affect the Group's performance.

[Education Segment]

The Nichii Group's Education Segment provides services consisting mainly in the Gaba and COCOJUKU Junior English conversation schools. The amount of the course fees paid at the time of application for courses at these schools that corresponds to lessons yet to be provided is included in the liability section of the balance sheet as "Advances received." If a large number of students cancel their classes within a short period of time, a substantial amount of the advances received must be reimbursed, which may affect the financial position and financial results of the Company.

[Child Care Segment]

The Nichii Group's Child Care Segment provides child care services, including registered child care centers, child care centers in hospitals and companies and corporate-run child care centers, as well as child care courses. Factors such as changes to child care systems could affect the expansion of these services and the Group's performance.

[Health Care Segment]

The Nichii Group's Health Care Segment provides the Nichii Life housekeeping service provided by its Japanese staff and the Sunny Maid Service provided by its foreign staff.

The Sunny Maid Service is provided under the policy of the National Strategic Special Zone promoted by the government, and the policy trends, etc. could affect the development of services and the business performance.

[Global Segment]

The Nichii Group's Global Segment cultivates human resources that will engage in long-term care and housekeeping services and provides various services in China, operates language schools and breeds therapy dogs in Australia, and operates language schools in Canada and the Philippines.

To develop business overseas, the Group makes efforts to collect information on the activities of governments, legal revisions and the security situation and take measures to reduce risks and make an appropriate response. However, if there is an unexpected or greater-than-expected change such as those listed below, it could have an impact on the business promotion and operating results of the Group.

- Unexpected change of laws and regulations
- Political and social turmoil such as terrorism and conflicts
- Greater-than-expected change in the market, economic trends and exchange rates
- Difference in labor-management relationships and business customs

2) Risks due to the internal management system

The Nichii Group is working to strengthen its self-enforcing operational control structure and internal check functions to prevent human error and fraudulent activities. However, problems in operational control could cause a loss of stakeholder trust and could affect the Group's performance.

[Risks due to personal information]

The Nichii Group handles personal information specified in the Act on the Protection of Personal Information. The Group recognizes the protection of personal information as an extremely important business issue and has established the Personal Information Protection Committee to ensure the appropriate acquisition and handling of information. In addition, the Group takes preventive steps to block leaks of personal information, including the establishment of regulations and in-house education and training.

However, personal information leaks could cause a loss of confidence in society and claims for compensation, among other things, which in turn could affect the Group's results.

3) Official license and legal regulation in personnel business

To provide worker dispatch services in the Medical Support segment and Long-Term Care segment, the Group has already obtained a license for the general worker dispatching business under the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (Worker Dispatching Law). Under the Worker Dispatching Law, if a business engaged in a worker dispatching business meets any of the conditions for disqualification or commits illegal acts, its license could be canceled, or it could be ordered to suspend its business.

The Nichii Group strives to enhance compliance, but if the Group violates laws and regulations, its performance could be adversely affected.

Further, the Worker Dispatching Law and related laws and regulations could be amended in the future according to employment conditions and other factors and, depending on the nature of the amendment, this could affect the Group's performance.

4) Risk related to changes in the employment environment

The Nichii Group has its own unique talent acquisition scheme for securing human resources based on a business model dubbed "From Education to Employment." However, with decline in the working population forecast, any shortage of human resources arising from changes in the employment environment could adversely affect the Group's service provision.

5) Risks due to natural disasters and accidents

The Nichii Group provides services at medical institutions with which the Group has contractual relations, long-term care facilities, schools, and other facilities across the country. If natural disasters, including earthquakes and tsunamis, occur, or if infectious diseases, including new types of influenza, spread, the Group's staff and facilities could not work in the affected areas. In that case, the Group will strive to maintain its system for providing services by endeavoring to promptly restore the functions of the affected facilities and dispatching support staff. However, if the Group cannot provide services, its results and financial position could be adversely affected. Each branch and facility of the Group is reviewing all its countermeasures against risks related to business continuity in emergencies and is seeking to strengthen its crisis management system, putting priority on the safety of customers.

6) Risks related to the application of impairment accounting

The Nichii Gakkan Group may need to realize an impairment loss on land and buildings owned, goodwill and/or other assets if the profitability of each business declines significantly, which may affect the financial position and financial results of the Group.

If IFRS is adopted, goodwill will become a non-amortizable asset. If in an impairment test, which will be conducted at least once a year, the recoverable value proves to be lower than the book value, an impairment loss could be posted.

7) Risks related to deferred tax assets

The Nichii Group recorded deferred tax assets based on future estimates of taxable income and the results of scheduling temporary differences. If the Company lowered its taxable income estimate in the future due to deterioration in the operating environment or other factors, the need to reverse deferred tax assets could arise and this could affect the Group's performance and financial position.

2. Overview of Nichii Group

The Nichii Group consists of NICHII GAKKAN CO., LTD. and its 71 subsidiaries and three affiliates, and is engaged in seven segments (Medical Support, Long-Term Care, Child Care, Health Care, Education, Therapy and China business).

In the Medical Support segment, the Group provides contract administration services to medical institutions and pharmacies, sells medical equipment to them, and disinfects and sterilizes equipment in medical institutions. The Group's services in this segment also include medical business consulting, medical courses including courses for medical administration.

The Long-Term Care segment provides institutional services such as long-term care insurance. These services include home-care services (including home-care support, home-visit care, home-visit bathing, home-visit nursing care, and day care services) and facility-care services (including care for residents in specific facilities and care for group home residents with dementia). In this segment, the Group also sells and leases welfare equipment, provides welfare services for the disabled, and runs long-term care courses, especially training for newly appointed long-term care workers, and a long-term care worker dispatching service, etc.

The Child Care segment provides a range of services including the operation of in-hospital child care centers, the operation of directly managed in-company child care centers and company-led child care facilities, and the provision of child care courses (babysitting courses, etc.).

The Health Care segment sells health care products as a service not covered by institutional services and provides the Nichii Life housekeeping service provided by our Japanese staff and the Sunny Maid Service provided by our foreign staff.

The Education segment provides language education to meet the needs of a wide range of age groups, through activities such as the provision of one-on-one English conversation lessons by Gaba Corporation, the expansion of COCOJUKU Junior group lessons, and the development of an overseas study support system.

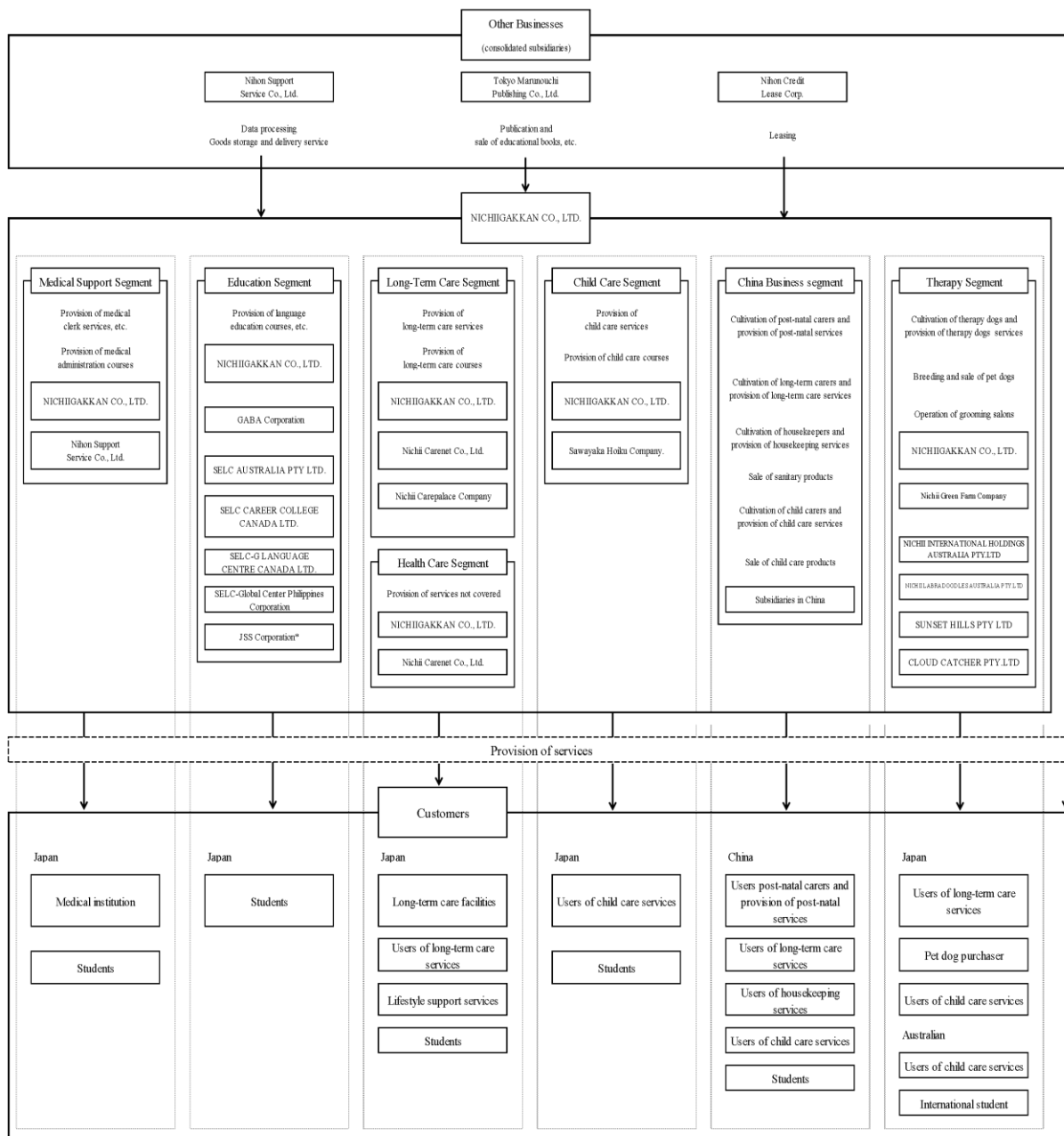
The Therapy segment operates grooming salons and hotels exclusively for dogs in Japan and overseas, produces and sells flowers, plants and seeds, operates and manages sightseeing facilities, and breeds and sells pet dogs.

The China Business segment cultivates long-term care workers, provides long-term care services, cultivates housekeepers, provides housekeeping services, sells sanitary goods, sells child care goods, operates facilities specializing in dementia, cultivates post-natal care workers, provides post-natal care services, cultivates human resources for child care, and provides child care services, etc.

In addition, the Group, primarily subsidiaries, offers data processing, stores and delivers goods, publishes and sells books, and engages in leasing. The table below shows the main services and products in each business category of the Group and the main companies that provide those services and products. These business categories are roughly the same as business segments.

Segments	Principal Businesses/Products	Principal Companies
Medical Support	Medical practice services such as reception, medical fee claims, accounting, computer operations, and medical record management; sale, disinfection and sterilization services (inside the hospital) for medical equipment; medical affairs consulting; provision of courses in medical administration.	NICHII GAKKAN CO., LTD. Nihon Support Service Co., Ltd.
Long-Term Care	Home-care support (creation of care plan); home-visit care; home-visit bathing; home-visit nursing care; day care; care service for specified facility residents; care for group home residents with dementia; sale and rental of welfare equipment; welfare services for the disabled; provision of training for newly appointed long-term care workers; training for experienced certified care workers and a long-term care worker dispatching service, etc.	NICHII GAKKAN CO., LTD. Nichii Carenet Co., Ltd. Nichii Carepalace Company
Child Care	Operation of in-hospital child care centers; operation of directly managed in-company child care centers; operation of company-led child care facilities; provision of babysitting courses, etc.	NICHII GAKKAN CO., LTD. Sawayaka Hoiku Company
Health Care	Sale of health care products; provision of the Nichii Life housekeeping service provided by Japanese staff and the Sunny Maid Service provided by foreign staff, etc.	NICHII GAKKAN CO., LTD. Nichii Carenet Co., Ltd.

Segments	Principal Businesses/Products	Principal Companies
Education	English conversation schools; operation of members' sports clubs, focused on swimming schools	NICHIIIGAKKAN CO., LTD. Gaba Corporation SELC AUSTRALIA PTY LTD. SELC ENGLISH LANGUAGE CENTRE CANADA LTD. SELC CAREER COLLEGE CANADA LTD. SELC-Global Center Philippines Corporation JSS Corporation
Therapy	Cultivation of therapy dogs; implementation of therapy activities; breeding and sale of pet dogs; operation of grooming salons and hotels exclusively for dogs, production and sale of flowers, plants and seeds; operation and management of sightseeing facilities, etc.	NICHIIIGAKKAN CO., LTD. Nichii Green Farm Company YORK ACADEMY AUSTRALIA PTY LTD NICHII INTERNATIONAL HOLDINGS AUSTRALIA PTY.LTD NICHII LABRADOODLES AUSTRALIA PTY.LTD SUNSET HILLS PTY LTD CLOUD CATCHER PTY.LTD
China Business	Cultivation of long-term care workers and provision of long-term care services; cultivation of housekeepers and provision of housekeeping services; sale of sanitary goods; sale of child care goods; operation of facilities specializing in dementia; cultivation of post-natal care workers and provision of post-natal care services; cultivation of human resources for child care and provision of child care services, etc. in China.	Subsidiaries in China
Other	Data processing; goods storage and delivery service; publication and sale of books; leasing	Nihon Support Service Co., Ltd. Tokyo Marunouchi Publishing Co., Ltd. Nihon Credit Lease Corp.



Note: Asterisk indicates equity-method affiliate

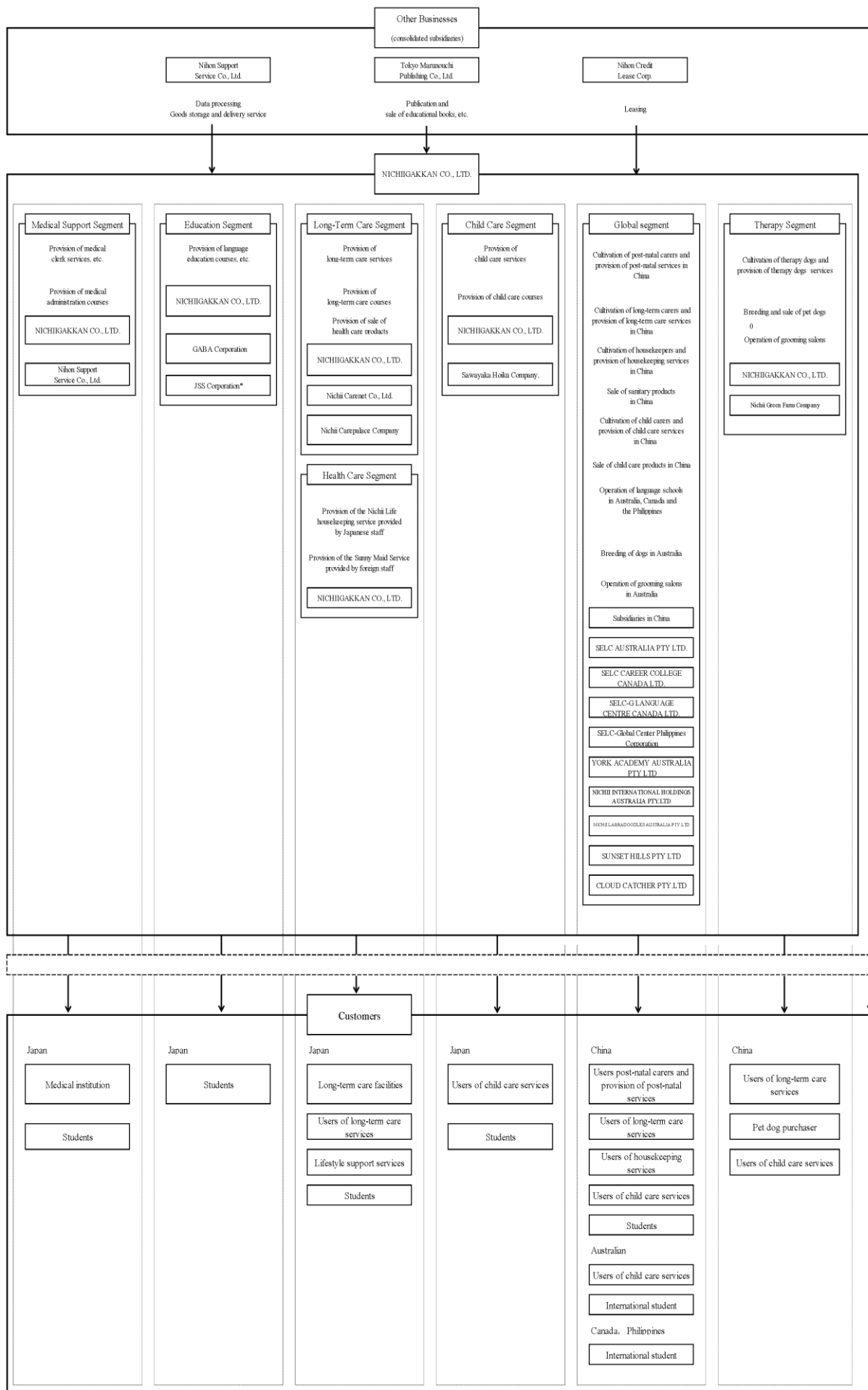
(For reference)

In the fiscal year ending March 31, 2019, the Group will change its reportable segments as follows.

- The sale of health care products 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 services overseas will be transferred from each segment.

The table below shows the main services and products in each business category and the positioning of each business.

Segments	Principal Businesses/Products	Principal Companies
Medical Support	Medical practice services such as reception, medical fee claims, accounting, computer operations, and medical record management; sale, disinfection and sterilization services (inside the hospital) for medical equipment; medical affairs consulting; provision of courses in medical administration	NICHIIGAKKAN CO., LTD. Nihon Support Service Co., Ltd.
Long-Term Care	Home-care support (creation of care plan); home-visit care; home-visit bathing; home-visit nursing care; day care; care service for specified facility residents; care for group home residents with dementia; sale and rental of welfare equipment; welfare services for the disabled; provision of training for newly appointed long-term care workers and training for experienced certified care workers; provision of care staff dispatching service; provision of sale of health care products, etc.	NICHIIGAKKAN CO., LTD. Nichii Carenet Co., Ltd. Nichii Carepalace Company
Child Care	Operation of in-hospital child care centers; operation of directly managed in-company child care centers; operation of company-led child care facilities; provision of babysitting courses	NICHIIGAKKAN CO., LTD. Sawayaka Child Care Co., Ltd.
Health Care	Provision of the Nichii Life housekeeping service provided by Japanese staff and the Sunny Maid Service provided by foreign staff, etc.	NICHIIGAKKAN CO., LTD.
Education	English conversation schools; operation of members' sports clubs, focused on swimming schools	NICHIIGAKKAN CO., LTD. Gaba Corporation JSS Corporation
Therapy	Cultivation of therapy dogs and implementation of therapy activities; breeding and sale of pet dogs; operation of grooming salons and hotels exclusively for dogs; production and sale of flowers, plants, seeds and seedlings; operation and management of sightseeing facilities, etc.	NICHIIGAKKAN CO., LTD. Nichii Green Farm Company
Global	Cultivation of long-term care workers and provision of long-term care services; cultivation of housekeepers and provision of housekeeping services; sale of sanitary goods; sale of child care goods; operation of facilities specializing in dementia; cultivation of post-natal care workers and provision of post-natal care services; cultivation of human resources for child care and provision of child care services in China; operation of language schools in Australia, Canada and the Philippines; breeding of therapy dogs in Australia, etc.	Subsidiaries in China SELC AUSTRALIA PTY LTD. SELC ENGLISH LANGUAGE CENTRE CANADA LTD. SELC CAREER COLLEGE CANADA LTD. SELC-GLOBAL CENTER PHILIPPINES CORPORATION YORK ACADEMY AUSTRALIA PTY LTD NICHII INTERNATIONAL HOLDINGS AUSTRALIA PTY.LTD NICHII LABRADOODLES AUSTRALIA PTY.LTD SUNSET HILLS PTY LTD CLOUD CATCHER PTY.LTD
Other	Data processing, goods storage and delivery service, publication and sale of books, lease business, etc.	Nihon Support Service Co., Ltd. Tokyo Marunouchi Publishing Co., Ltd. Nihon Credit Lease Corp.



Note: Asterisk indicates equity-method affiliate

3. Basic Approach to Selection of Accounting Standards

The Nichii Group adopts Japanese accounting standards to ensure comparability of financial statements between companies and periods, and prepares its consolidated financial statements in accordance with Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapter 7 and Chapter 8) (Finance Ministry Ordinance No. 28 of 1976).

We will examine the adoption of international financial reporting standards in light of the situation both inside and outside of Japan.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

(in thousand yen)

	Fiscal 2017 (As of March 31, 2017)	Fiscal 2018 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	16,357,197	18,447,925
Notes and accounts receivable-trade	32,855,836	※ ³ 33,072,792
Short-term investment securities	200,416	-
Merchandise and finished goods	1,076,922	890,572
Work in progress	8,570	6,859
Raw materials and supplies	232,588	222,620
Deferred tax assets	2,314,021	2,675,281
Other Segments	11,687,703	12,639,841
Less: allowance for doubtful accounts	(9,802)	(31,360)
Total current assets	64,723,455	67,924,532
Fixed assets		
Property, plant and equipment		
Buildings and structures	※ ² 52,811,993	※ ² 53,851,495
Accumulated depreciation	(29,723,740)	(31,591,157)
Buildings and structures—net	23,088,252	22,260,337
Machinery, equipment and vehicles	88,992	91,125
Accumulated depreciation	(78,155)	(81,429)
Machinery, equipment and vehicles—net	10,836	9,695
Tools, furniture and fixtures	※ ² 4,633,559	※ ² 4,834,687
Accumulated depreciation	(3,829,133)	(4,001,034)
Tools, furniture and fixtures—net	804,426	833,652
Land	8,444,356	8,382,379
Lease assets	54,742,692	56,821,415
Accumulated depreciation	(7,839,548)	(9,537,671)
Lease assets—net	46,903,144	47,283,743
Construction in progress	1,354,524	1,005,199
Total property, plant and equipment	80,605,541	79,775,008
Intangible assets		
Goodwill	14,225,873	11,424,497
Software	2,701,829	5,103,318
Software in progress	2,367,560	97,451
Lease assets	170,901	193,145
Other Segments	207,001	198,123
Total intangible assets	19,673,166	17,016,537

(in thousand yen)

	Fiscal 2017 (As of March 31, 2017)	Fiscal 2018 (As of March 31, 2018)
Investment and other asset		
Investment securities	※1 1,567,930	※1 1,133,008
Long-term loans receivable	8,022,901	7,644,360
Long-term prepaid expenses	2,297,901	2,345,634
Guarantee deposits	13,739,404	12,952,786
Deferred tax assets	717,096	843,822
Other	※1 739,777	※1 872,816
Less: allowance for doubtful accounts	(379,098)	(265,077)
Total investments and other assets	26,705,912	25,527,351
Total fixed assets	126,984,620	122,318,898
Total assets	191,708,076	190,243,430
Liabilities		
Current liabilities		
Notes and accounts payable-trade	840,286	1,170,987
Short-term loans payable	20,269,380	5,336,220
Current portion of long term loans payable	4,869,890	6,072,913
Lease obligations	1,431,046	1,454,649
Income taxes payable	1,990,593	2,563,388
Accrued consumption taxes	1,414,113	1,791,918
Accrued expenses	15,914,778	17,836,819
Advances received	11,337,562	11,412,048
Provision for bonuses	4,990,083	5,611,659
Provision for directors' bonuses	38,000	38,000
Other Segments	5,435,045	7,170,909
Total current liabilities	68,530,780	60,459,515
Non-current liabilities		
Long-term loans payable	17,563,057	22,007,024
Lease obligations	52,192,808	53,596,996
Long-term advances received	3,716,866	4,440,606
Deferred tax liabilities	7,321	6,043
Asset retirement obligations	2,378,419	2,446,418
Net defined benefit liability	7,311,817	7,524,273
Other Segments	2,082,623	2,106,381
Total non-current liabilities	85,252,913	92,127,744
Total liabilities	153,783,694	152,587,259

(in thousand yen)

	Fiscal 2017 (As of March 31, 2017)	Fiscal 2018 (As of March 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,277,876	17,026,495
Retained earnings	20,006,631	19,636,670
Treasury stock, at cost	(11,376,929)	(11,376,709)
Total shareholders' equity	37,841,369	37,220,245
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,543	19,091
Foreign currency exchange adjustments	(457,572)	(366,488)
Remeasurements of defined benefit plans	(811,515)	(509,191)
Total accumulated other comprehensive income	(1,248,544)	(856,588)
Subscription rights to shares	531,839	560,694
Non-controlling interests	799,717	731,819
Total net assets	37,924,381	37,656,170
Total liabilities and net assets	191,708,076	190,243,430

(2) Consolidated statements of income and comprehensive income
(Consolidated statements of income)

(in thousand yen)

	Fiscal 2017 (from April 1, 2016 to March 31, 2017)	Fiscal 2018 (from April 1, 2017 to March 31, 2018)
Net Sales	276,659,882	283,767,746
Cost of sales	224,459,969	228,946,036
Gross profit	52,199,913	54,821,710
Selling, general and administrative expenses		
Advertising and promotion expenses	4,432,329	3,424,476
Directors' compensation	184,847	203,591
Salaries and benefits	17,956,358	18,088,773
Provision for employee bonuses	1,119,010	1,258,397
Provision for directors' bonuses	38,000	38,000
Provision for directors' retirement benefits	611,243	604,887
Stock-based compensation expenses	29,275	35,312
Legal welfare expenses	3,280,131	3,213,812
Travel and transportation expenses	1,522,707	1,514,773
Rent expenses	3,426,398	3,466,875
Provision of allowance for doubtful accounts	3,988	1,824
Depreciation and amortization	1,593,053	1,783,298
Amortization of goodwill	2,144,110	2,198,718
Other	11,651,837	11,358,802
Total selling, general and administrative expenses	47,993,291	47,191,543
Operating Income	4,206,621	7,630,166
Non-operating income		
Interest income	151,528	146,801
Rent income	188,103	205,878
Subsidy income	176,310	58,648
Foreign exchange gains	401,609	9,791
Incentive income	73,670	107,177
Equity method investment gain	55,250	60,541
Other Segments	426,047	293,420
Total non-operating income	1,472,519	882,259
Non-operating expenses		
Interest expenses	4,103,515	4,654,848
Rent expenses	36,745	35,828
Other Segments	109,805	193,212
Total non-operating expenses	4,250,066	4,883,888
Ordinary Income	1,429,074	3,628,537
Extraordinary income		
Gain on reversal of subscription rights to shares	8,158	5,310
Gain on reversal of loss on cancellation of lease agreement	50,610	-
Other Segments	1,144	203
Total extraordinary income	59,913	5,514

(in thousand yen)

	Fiscal 2017 (from April 1, 2016 to March 31, 2017)	Fiscal 2018 (from April 1, 2017 to March 31, 2018)
Extraordinary losses		
Loss on retirement of property, plant and equipment, net	※1 15,350	※1 83,687
Loss on sales of property, plant and equipment, net	※2 507	※2 10,308
Impairment losses	※3 120,936	※3 692,989
Other Segments	2,221	1,650
Total extraordinary losses	139,016	788,635
Net income (loss) before income taxes	1,349,971	2,845,416
Income taxes—current	1,502,718	2,509,386
Income taxes—deferred	(1,417,447)	(360,589)
Total income taxes	85,271	2,148,797
Net income	1,264,700	696,618
Profit (loss) attributable to non-controlling interests	(138,527)	(157,815)
Profit attributable to owners of the parent company	1,403,227	854,434

(Consolidated statements of comprehensive income)

(in thousand yen)

	Fiscal 2017 (from April 1, 2016 to March 31, 2017)	Fiscal 2018 (from April 1, 2017 to March 31, 2018)
Net income	1,264,700	696,618
Other comprehensive income		
Valuation difference on available-for-sale securities	7,739	(1,470)
Foreign currency exchange adjustments	(828,077)	82,544
Remeasurements of defined benefit plans	211,471	302,323
Total other comprehensive income	※1 (608,866)	※1 383,397
Comprehensive income	655,833	1,080,016
(Breakdown)		
Comprehensive income attributable to owners of parent	831,721	1,228,910
Comprehensive income attributable to non-controlling interests	(175,888)	(148,894)

(3) Consolidated statements of changes in net assets

Fiscal 2017 (from April 1, 2016 to March 31, 2017)

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available for-sale securities
Balance at the beginning of the period	11,933,790	17,354,214	19,635,508	(11,377,668)	37,545,845	12,815
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.		(76,337)			(76,337)	
Dividends from retained earnings			(1,412,233)		(1,412,233)	
Profit attributable to owners of parent			1,403,227		1,403,227	
Purchase of treasury stock				(740)	(740)	
Disposal of treasury stock			(425)	1,479	1,054	
Change of scope of consolidation			380,554		380,554	
Changes other than shareholders' equity during the period (net)						7,727
Total changes of items during the period	-	(76,337)	371,123	739	295,524	7,727
Balance at the end of the period	11,933,790	17,277,876	20,006,631	(11,376,929)	37,841,369	20,543

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	333,133	(1,022,986)	(677,038)	511,733	721,337	38,101,877
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.						(76,337)
Dividends from retained earnings						(1,412,233)
Profit (loss) attributable to owners of parent						1,403,227
Purchase of treasury stock						(740)
Disposal of treasury stock						1,054
Change of scope of consolidation						380,554
Changes other than shareholders' equity during the period (net)	(790,705)	211,471	(571,506)	20,106	78,380	(473,020)
Total changes of items during the period	(790,705)	211,471	(571,506)	20,106	78,380	(177,495)
Balance at the end of the period	(457,572)	(811,515)	(1,248,544)	531,839	799,717	37,924,381

Fiscal 2018 (from April 1, 2017 to March 31, 2018)

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available for-sale securities
Balance at the beginning of the period	11,933,790	17,277,876	20,006,631	(11,376,929)	37,841,369	20,543
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.		(250,734)			(250,734)	
Dividends from retained earnings			(1,412,238)		(1,412,238)	
Profit attributable to owners of parent			854,434		854,434	
Purchase of treasury stock				(1,730)	(1,730)	
Disposal of treasury stock		(647)		1,950	1,302	
Change of scope of consolidation			187,841		187,841	
Changes other than shareholders' equity during the period (net)						(1,452)
Total changes of items during the period	-	(251,381)	(369,961)	220	(621,123)	(1,452)
Balance at the end of the period	11,933,790	17,026,495	19,636,670	(11,376,709)	37,220,245	19,091

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	(457,572)	(811,515)	(1,248,544)	531,839	799,717	37,924,381
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.						(250,734)
Dividends from retained earnings						(1,412,238)
Profit attributable to owners of parent						854,434
Purchase of treasury stock						(1,730)
Disposal of treasury stock						1,302
Change of scope of consolidation						187,841
Changes other than shareholders' equity during the period (net)	91,084	302,323	391,956	28,854	(67,898)	352,912
Total changes of items during the period	91,084	302,323	391,956	28,854	(67,898)	(268,210)
Balance at the end of the period	(366,488)	(509,191)	(856,588)	560,694	731,819	37,656,170

(4) Consolidated statements of cash flows

(in thousand yen)

	Fiscal 2017 (from April 1, 2016 to March 31, 2017)	Fiscal 2018 (from April 1, 2017 to March 31, 2018)
Cash flows from operating activities:		
Income before income taxes	1,349,971	2,845,416
Depreciation and amortization	5,895,983	6,217,813
Amortization of goodwill	2,144,110	2,198,718
Impairment loss	120,936	692,989
Increase (decrease) in provision for bonuses	75,173	621,575
Increase (decrease) in allowance for doubtful accounts	(25,707)	(311,401)
Increase (decrease) in net defined benefit liability	509,527	386,759
Interest and dividends income	(153,256)	(148,990)
Interest expenses	4,103,515	4,654,848
Share of (profit) loss of entities accounted for using equity method	(55,250)	(60,541)
Loss on retirement of property, plant and equipment, net	15,350	83,687
(Gain) loss on sales of property, plant and equipment, net	(1,144)	203
Stock-based compensation expenses	29,275	35,312
(Increase) decrease in notes and accounts receivable-trade	221,922	(242,553)
(Increase) decrease in inventories	(101,114)	205,424
(Increase) decrease in other current assets	(134,469)	(797,042)
Decrease (increase) in claims provable in bankruptcies	1,499	63,351
(Increase) decrease in other fixed assets	263,580	119,584
Increase (decrease) in notes and accounts payable—trade	(217,774)	331,390
Increase (decrease) in accrued expenses	(464,367)	1,912,358
Increase (decrease) in accrued consumption taxes	(85,682)	378,187
Increase (decrease) in other current liabilities	541,233	1,522,732
Increase (decrease) in other non-current liabilities	580,549	766,507
Other, net	(295,988)	456,992
Sub-total	14,317,873	21,933,326
Interest and dividends income received	42,933	30,029
Proceeds from dividend income from entities accounted for using equity method	8,750	11,250
Interest expenses paid	(4,101,253)	(4,647,307)
Income taxes paid	(889,256)	(1,524,697)
Net cash provided by operating activities	9,379,047	15,802,600

(in thousand yen)

	Fiscal 2017 (from April 1, 2016 to March 31, 2017)	Fiscal 2018 (from April 1, 2017 to March 31, 2018)
Cash flows from investing activities:		
Payments into time deposits	(311,274)	(324,326)
Proceeds from withdrawal of time deposits	311,274	311,326
Purchase of short-term investment securities	(502,798)	-
Proceeds from sales of short-term investment securities	2,319,644	700,001
Purchase of property, plant and equipment	(2,186,276)	(2,502,696)
Proceeds from sales of property, plant and equipment	7,161	72,990
Purchase of intangible assets	(1,953,717)	(1,260,906)
Purchase of investment securities	(19,059)	(22,698)
Proceeds from sales of investment securities	500,000	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	※ ³ (470,421)	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	※ ³ (499,278)	※ ³ (15,905)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	※ ⁴ (3,304)
Payments of loans receivable	(673,760)	(598,852)
Collection of loans receivable	194,293	324,955
Payments for guarantee deposits	(1,435,673)	(609,364)
Proceeds from collection of guarantee deposits	841,508	1,212,370
Subsidy income	470,067	1,060,944
Other, net	(158,956)	(242,373)
Net cash used in investing activities	(3,567,267)	(1,897,839)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(38,041)	(14,939,399)
Proceeds from long-term loans payable	2,821,502	11,294,340
Repayment of long-term loans payable	(4,328,556)	(5,581,300)
Proceeds from sales of treasury stock	42	153
Purchase of treasury stock	(740)	(1,730)
Cash dividends paid by parent company	(1,410,995)	(1,410,586)
Dividends paid to non-controlling interests	(7,500)	(9,960)
Repayments of lease obligations	(1,215,967)	(946,893)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(83,101)	(257,471)
Other, net	16,913	60,112
Net cash provided by (used in) financing activities	(4,246,443)	(11,792,734)
Effect of exchange rate changes on cash and cash equivalents	(37)	(14,632)
Net increase (decrease) in cash and cash equivalents	1,565,298	2,097,394
Cash and cash equivalents at beginning of year	14,373,159	16,189,428
Increase in cash and cash equivalents from newly consolidated subsidiary	250,970	71,667
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(91,387)
Cash and cash equivalents at end of year	※ ¹ 16,189,428	※ ¹ 18,267,103