

NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

for the Fiscal Year Ended March 31, 2019

May 14, 2019

Overview of Financial Results for Fiscal Year Ended March 31, 2019

Financial Results Highlights

Focusing on structural reforms and the enhancement of business foundations in the first year of the medium-term management plan VISION 2025

1

Record-high net sales achieved for 11 consecutive years

- Driven by Childcare and Long-term Care Businesses
 - Childcare: Net sales exceeded 10,000 million yen
 - Long-term Care: Achieved record-high net sales and customer satisfaction

2

Operating income exceeded 10,000 million yen for the first time in 7 years

- Income increased, driven by core businesses
- Childcare Business recorded a full-year surplus for the first time

3

Structural reforms executed

- Withdrew from COCO JUKU Business (excluding franchise)
- Restructured the business companies in China
 - Recorded structural reforms-related extraordinary losses to contribute to an increase in income in the next year

4

Target management indicator achieved (ROE 8% to 15% or more)

- The scope of the application of tax effect accounting expanded due to improved profitability
- Income taxes-deferred -5,138 million yen
- Profit attributable to owners of the parent company ROE 16%

Financial Results Overview

(Unit: million yen)

	FY2018.3	FY.2019		
	4Q	4Q	Difference	Change
Net Sales	283,767	287,882	+4,115	1.5%
Operating Income	7,630	10,032	+2,402	31.5%
%	2.7%	3.5%	+0.8pt	-
Ordinary Income	3,628	5,703	+2,074	57.2%
%	1.3%	2.0%	+0.7pt	-
Profit attributable to owners of parent	854	6,108	+5,253	614.9%
%	0.3%	2.1%	+1.8pt	-

Impact of Structural Reforms of Businesses in the Fiscal Year under Review

Implemented business restructuring for early monetization aimed for positive results as soon as possible with structural reforms of the Education Business and the China Business

Education

- Withdrawal from COCO JUKU Business
- Closed 66 LSs of Gaba LSs (former COCO JUKU 72 schools)

[Extraordinary losses recorded]

• Structural reform expenses	193 million yen
• Impairment losses	181 million yen
• Provision of allowance for structural reform	486 million yen

Total 860 million yen

China Business

- Liquidation of joint ventures
- Integrated the functions of full ownership of capital in Nichii China (4 full ownerships of capital → 1 full ownership of capital)

[Extraordinary losses recorded]

• Impairment losses	81 million yen
• Loss on sales of subsidiaries	305 million yen

Total 387 million yen

Overviews by Business Segment (Consolidated Net Sales)

(Unit: million yen)

Net Sales	FY2018.3 4Q	FY2019.3 4Q	Difference (yoy)	Factor
Medical Support	107,272	107,773	+501	Increase in net sales per hospital
Long-term Care	149,811	151,444	+1,633	Increase in number of users of residential services
Child Care	9,365	12,559	+3,194	Increases in number of childcare centers and number of children using childcare
Health Care	1,398	1,632	+234	Increase in number of users of housekeeping services
Education	12,068	11,941	▲127	Decrease in number of students of former COCO JUKU
Therapy	373	547	+174	Increase in number of repeaters of dog salons
Global	3,574	1,953	▲1,621	Disposal of unprofitable joint ventures
Others	1,933	1,410	▲523	Decrease in internal sales
Elimination	▲ 2,030	▲ 1,380	+650	—
Total	283,767	287,882	+4,115	—

Overviews by Business Segment (Consolidated Operating Income)

(Unit: million yen)

Operating income	FY2018.3 4Q	FY2019.3 4Q	Profit rate	Difference (yoy)	Factor
Medical Support	8,899	9,246	+8.6%	+347	Impact of negotiations for more reasonable contracts
Long-term Care	14,810	16,383	+10.8%	+1,573	Improvement of each staff member's productivity and increase in occupancy rate of residential service facilities
Child Care	▲ 564	206	+1.6%	+770	Increased occupancy rate of childcare facilities
Health Care	▲ 223	▲ 1,148	▲ 70.4%	▲ 925	Prior investment to expand Sunny Maid Service
Education	▲ 4,474	▲ 4,110	▲ 34.4%	+364	Increase in number of students of conventional GABA classes
Therapy	▲ 340	▲ 383	▲ 69.9%	▲ 43	Prior investment to open new salons
Global	▲ 1,665	▲ 1,246	▲ 63.8%	+419	Disposal of unprofitable joint ventures
Others	204	228	+16.2%	+24	Efficiency of indirect operations
Elimination	▲ 9,014	▲ 9,143	-	▲ 129	—
Total	7,630	10,032	+3.5%	+2,402	—

Overviews by Business Segment (Consolidated Ordinary Income)

(Unit:million yen)

Ordinary Income	FY2018.3 4Q	FY2019.3 4Q	Profit rate	Change	Difference (yoy)
Medical Support	8,993	9,382	+8.7%	4.3%	+389
Long-term Care	10,430	11,892	+7.9%	14.0%	+1,462
Child Care	▲ 667	▲ 33	▲ 0.3%	-	+634
Health Care	▲ 223	▲ 1,149	▲ 70.4%	-	▲ 926
Education	▲ 4,401	▲ 4,032	▲ 33.8%	-	+369
Therapy	▲ 340	▲ 384	▲ 70.2%	-	▲ 44
Global	▲ 1,694	▲ 1,342	▲ 68.7%	-	+352
Other	222	242	+17.2%	9.0%	+20
Elimination	▲ 8,690	▲ 8,871	-	-	▲ 181
Total	3,628	5,703	+2.0%	57.2%	+2,074

Summary of Balance Sheet (Consolidated)

(Unit: million yen)

		End of March 2018	End of March 2019	Difference
	Current assets	65,249	65,684	+435
	Fixed assets	124,990	127,955	+2,965
	Total assets	190,239	193,640	+3,400
	Current liabilities	60,459	60,664	+204
	Non-current liabilities	92,124	91,898	▲225
	Total liabilities	152,583	152,562	▲20
	Total net assets	37,656	41,077	+3,421
	Total liabilities and net assets	190,239	193,640	+3,400

Summary of Cash Flows (Consolidated)

(Unit: million yen)

	FY2015.3 4Q	FY2016.3 4Q	FY2017.3 4Q	FY2018.3 4Q	FY2019.3 4Q
Cash flows from Operating activities	10,629	2,546	9,379	15,802	13,401
Cash flows from Investing activities	▲ 8,085	▲ 6,250	▲ 3,567	▲ 1,897	▲ 2,928
Free cash flow	2,543	▲ 3,703	5,811	13,904	10,472
Cash flows from Financial activities	▲ 3,198	5,381	▲ 4,246	▲ 11,792	▲ 10,562
Cash and cash equivalents at end of period	9,821	14,373	16,189	18,267	18,075

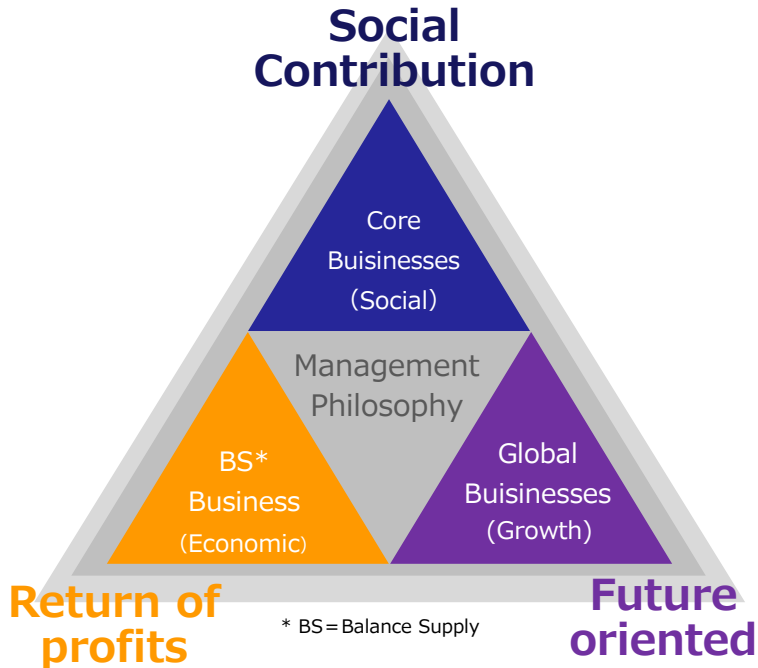


Future management policies
~Achieve the targets of VISION 2025~

「VISION 2025」

Solving social issues, achieving stable long-term profit growth, and aiming to become an outstanding company that makes a global contribution

【Strategic triangle】



【Brand Promise】

**Connect people with communities.
Support the future of communities.**

- We create environments where people can work and live near their residences.
- We support the activities of diversified human resources regardless of gender, age and nationality.
- We create environments with social infrastructures supported by employment where people can obtain the necessary services where they live.
- We support working generations through long-term care, childcare and education.
- We contribute to the creation of the future of people and communities.

VISION 2025: Target Management Indicators

The target weighting was changed associated with the restructure of the business portfolio.

We are aiming to achieve the targets of VISION 2025 centered on the core businesses.

Target Management Indicators			
Net sales 5,00billion yen	Operating margin 10% or more	ROE 8~15% or more	Dividend payout ratio 30% or more

[FY2025.3 Image of weighting by segment]

Before correction	Sale composition ratio	Profit ratio		After correction	Sale composition ratio	Profit ratio
Core	70%	50%	▶▶	Core	76%	58%
BS	25%	45%		BS	22%	41%
Global	5%	5%		Global	2%	1%

※Composition ratio to total excluding eliminations company

Key Strategies for FY March 2020 (1)

Increase net sales

- **Returning to the roots of NICHII's strengths**
 - Strengthen area networks, strengthen human resources matching capabilities, and provide secure workplaces
- **Marketing reform**
 - Promote cross-selling and up-selling in accordance with the needs of customers/communities
- **Securing sustainability of growth businesses**
 - Reasonable contracts with hospitals
 - Development of housekeeping services market
 - Opening childcare centers one after another

**Target growth rate of net sales
in the fiscal year under review**

5.3%

Key Strategies for FY March 2020 (2)

Strengthen business portfolio

- **Reconstruction of Education Business and Global Business through selection and concentration**

<Gaba>

Strengthen the growth capacity of conventional Gaba Learning Studios

Standardize the operations of former COCO JUKU Learning Studios

<Global>

- Restructure the local system of China Business
- Develop demand for long-term care in China

FY2020.3

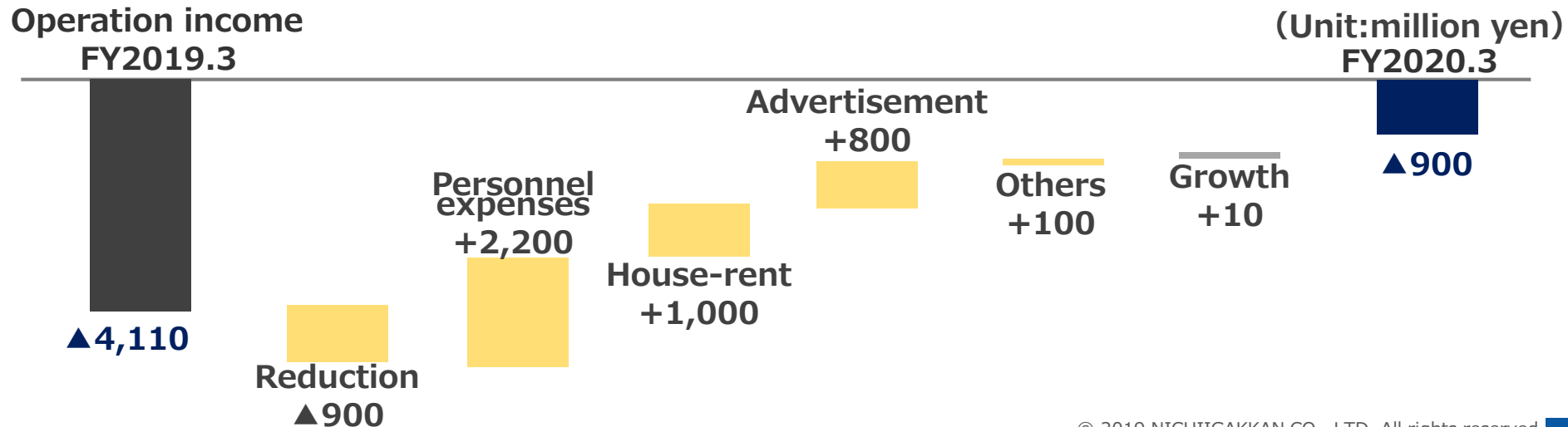
**Improvement in operating
income of Education and
Global Businesses**

+4,156

million yen

(Reference) Impact of Structural Reforms of Education on Operating Income

• Organic growth	+ 10 million yen
• Reduced structural reform cost	+ 3,200 million yen
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	+ 3,210 million yen
*Entire company (excluding personnel transfer costs)	+ 2,000 million yen



(Reference) Impact of Structural Reforms in China on Operating Income

- Organic growth +498 million yen
 - Structural reform Cost Reduction +448 million yen
-
- +946 million yen

Operating Income
FY2019.3



▲1,246

terminate a
joint venture
+331



Liquidation
+54



Goodwill
+63



China
Growth
+350



Except
China
Growth
+148



(Unit: million yen)

FY2020.3



▲300

* Global businesses segment

FY2019.3

Earnings Forecast

FY2020.3 Earnings Forecast (Consolidated)

(Unit:million yen)

	FY2019.3	FY2020.3	Difference	Change
Net Sales	287,822	303,000	+15,178	5.3%
Operating Income	10,032	15,200	+5,168	51.5%
%	3.5%	5.0%	-	
Ordinary Income	5,703	11,000	+5,297	92.9%
%	2.0%	3.6%	-	
Profit attributable to owners of parent	6,108	6,700	+592	9.7%
%	2.1%	2.2%	-	

Financial Results Forecasts for FY2020.3

1. Net sales: Exceed 300,000 million yen

- Driven by growth in net sales of core businesses
 - Medical Support: Make Yao Medical PFI a consolidated subsidiary and contribute to the reform of working practices of medical workers
 - Long-term Care: Achieve a net sales increase of in-home care services and a high occupancy rate of residential care services through the whole year
 - Childcare: Open new childcare centers and raise the occupancy rate of existing childcare centers

2. Achieve record-high operating income

- Operating income will be boosted with the impact of structural reforms of businesses
- The income of core businesses will grow due to an increase in net sales
- The income of the Health Care Business will decline due to prior investment in personnel
- * (Reference) Record-high operating income: FY 2004.3 13,869 million yen

3. Raise dividends per share by 5 yen to 40 yen for the year

- Interim dividend 20 yen, year-end dividend 20 yen
(the dividend ratio is expected to be 38.4%)

Earnings Forecast by Business Segment (Consolidated Net Sales)

(Unit: million yen)

Net Sales		FY2019.3	FY2020.3	Difference	Change
Core Business	Medical Support	107,773	113,100	+5,327	+4.9%
	Long-term Care	151,444	157,500	+6,056	+4.0%
	Child Care	12,559	14,800	+2,241	+17.8%
Core Business		271,777	285,400	+13,623	+5.0%
BS Business	Health Care	1,632	3,100	+1,468	+90.0%
	Education	11,941	11,300	▲641	▲ 5.4%
	Therapy	547	900	+353	+64.5%
BS Business		14,120	15,300	+1,180	+8.4%
Global		1,953	2,300	+347	+17.8%
Other		1,410	700	▲710	▲ 50.4%
Elimination		▲ 1,380	▲ 700	+680	-
Total		287,882	303,000	+15,118	+5.3%

Earnings Forecast by Business Segment (Consolidated Operating Income)

(Unit: million yen)

Operating Income		FY2019.3	FY2020.3	Difference	Change
	Medical Support	9,246	9,600	+354	+3.8%
	Long-term Care	16,383	17,000	+617	+3.8%
	Child Care	206	700	+494	+239.8%
Core Business		25,836	27,300	+1,464	+5.7%
	Health Care	▲ 1,148	▲ 2,000	▲ 852	-
	Education	▲ 4,110	▲ 900	+3,210	-
	Therapy	▲ 383	▲ 100	+283	-
BS Business		▲ 5,641	▲ 3,000	+2,641	-
Global		▲ 1,246	▲ 300	+946	-
Other		228	200	▲ 28	▲ 12.3%
Elimination		▲ 9,143	▲ 9,000	+143	-
Total		10,032	15,200	+5,168	+51.5%

Earnings Forecast by Business Segment (Consolidated Ordinary Income)

(Unit: million yen)

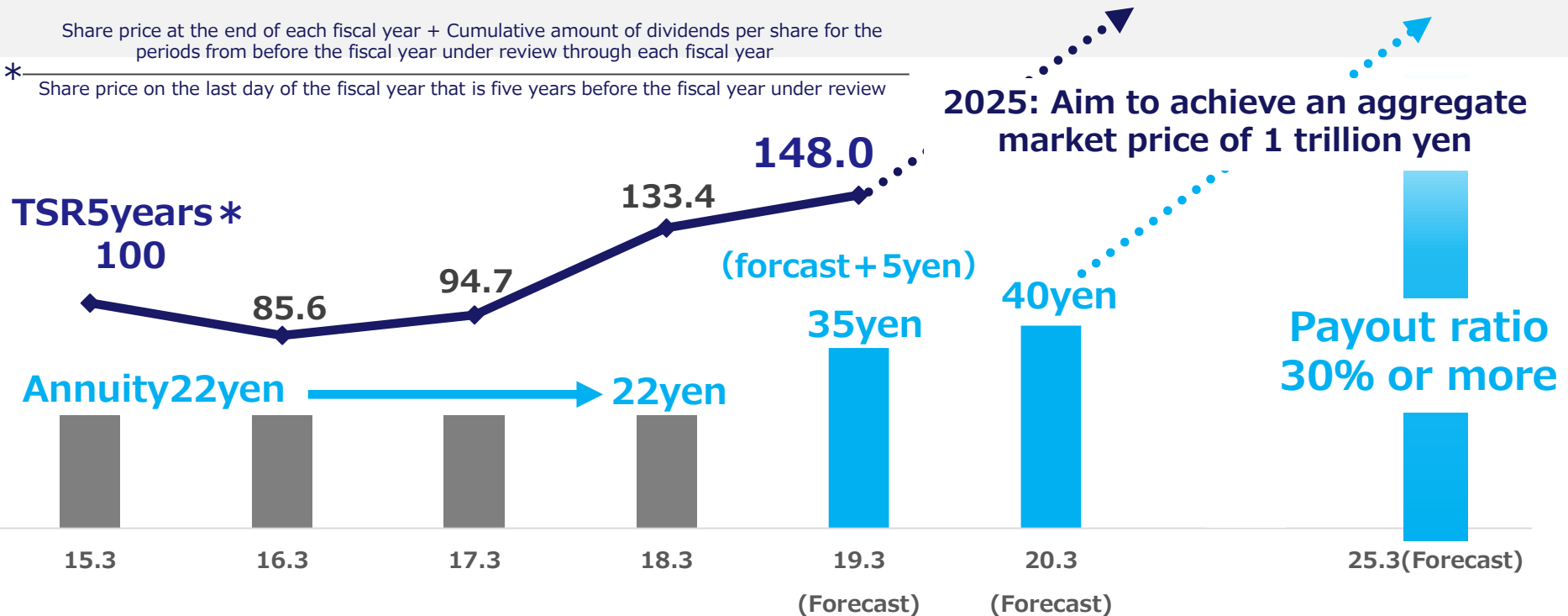
Ordinary Income	2019年3月期	2020年3月期	Difference	Change
Medical Support	9,382	9,500	+118	+1.3%
Long-term Care	11,892	12,900	+1,008	+8.5%
Child Care	▲ 33	500	+533	▲ 1,615.2%
Core Business	21,241	22,900	+1,659	+7.8%
Health Care	▲ 1,149	▲ 2,000	▲ 851	-
Education	▲ 4,032	▲ 700	+3,332	-
Therapy	▲ 384	▲ 100	+284	-
BS Business	▲ 5,565	▲ 2,800	+2,765	-
Global	▲ 1,342	▲ 300	+1,042	-
Other	242	200	▲ 42	▲ 17.4%
Elimination	▲ 8,871	▲ 9,000	▲ 129	-
Total	5,703	11,000	+5,297	+92.9%

Trends of Dividends and Total Shareholder Return (TSR)

Plans to increase dividends for two consecutive years by achieving income growth

Share price at the end of each fiscal year + Cumulative amount of dividends per share for the periods from before the fiscal year under review through each fiscal year

* Share price on the last day of the fiscal year that is five years before the fiscal year under review



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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