

NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

for the 1H of the Fiscal Year Ending March 31, 2020

November 14, 2019

やさしさを、私たちの強さにしたい。



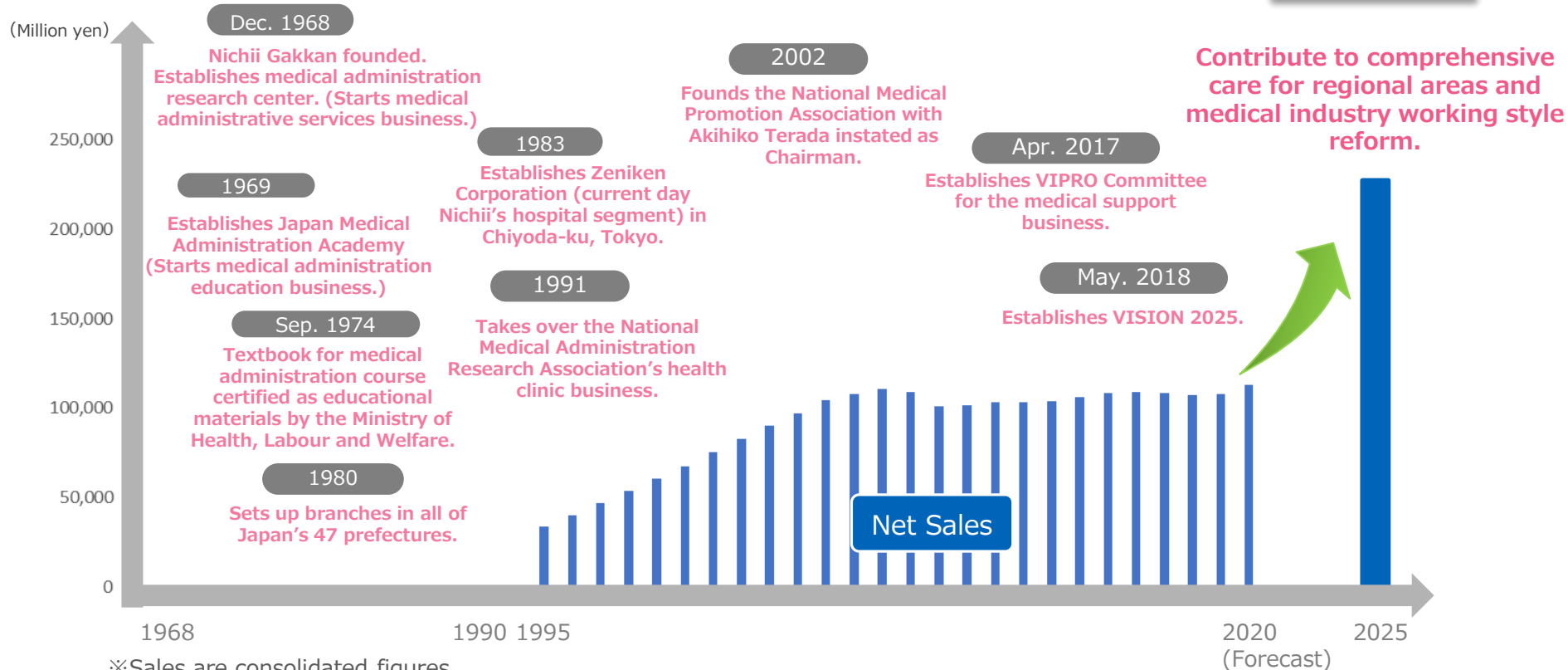


Introduction

<History of the Medical Support Business>

~Providing an environment that enables medical professionals to dedicate themselves to providing treatment under Japan's universal healthcare system, contributing to the advancement of health insurance, and creating an industry out of medical administrative services~

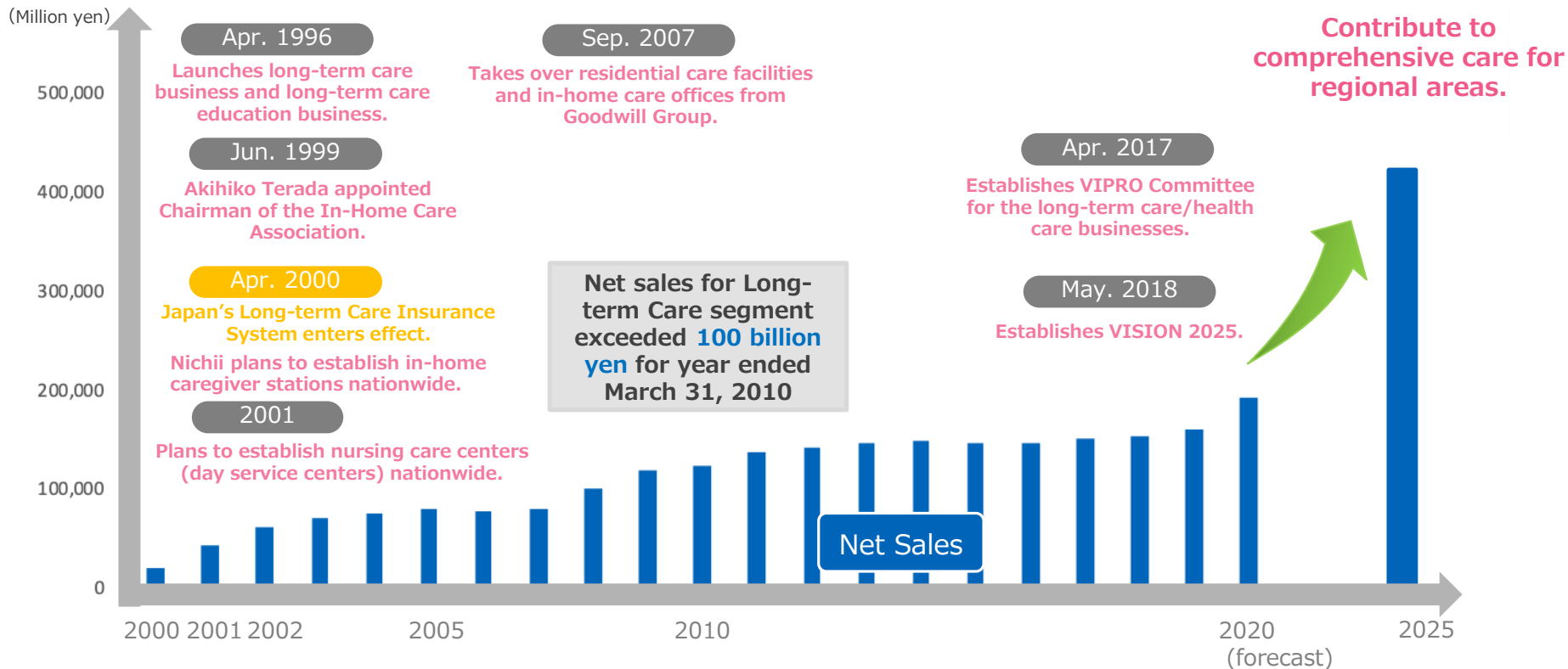
**VISION
2025**



<History of the Long-term Care Business>

~Contributing to the advent and advancement of Japan's Long-term Care Insurance System~

**VISION
2025**

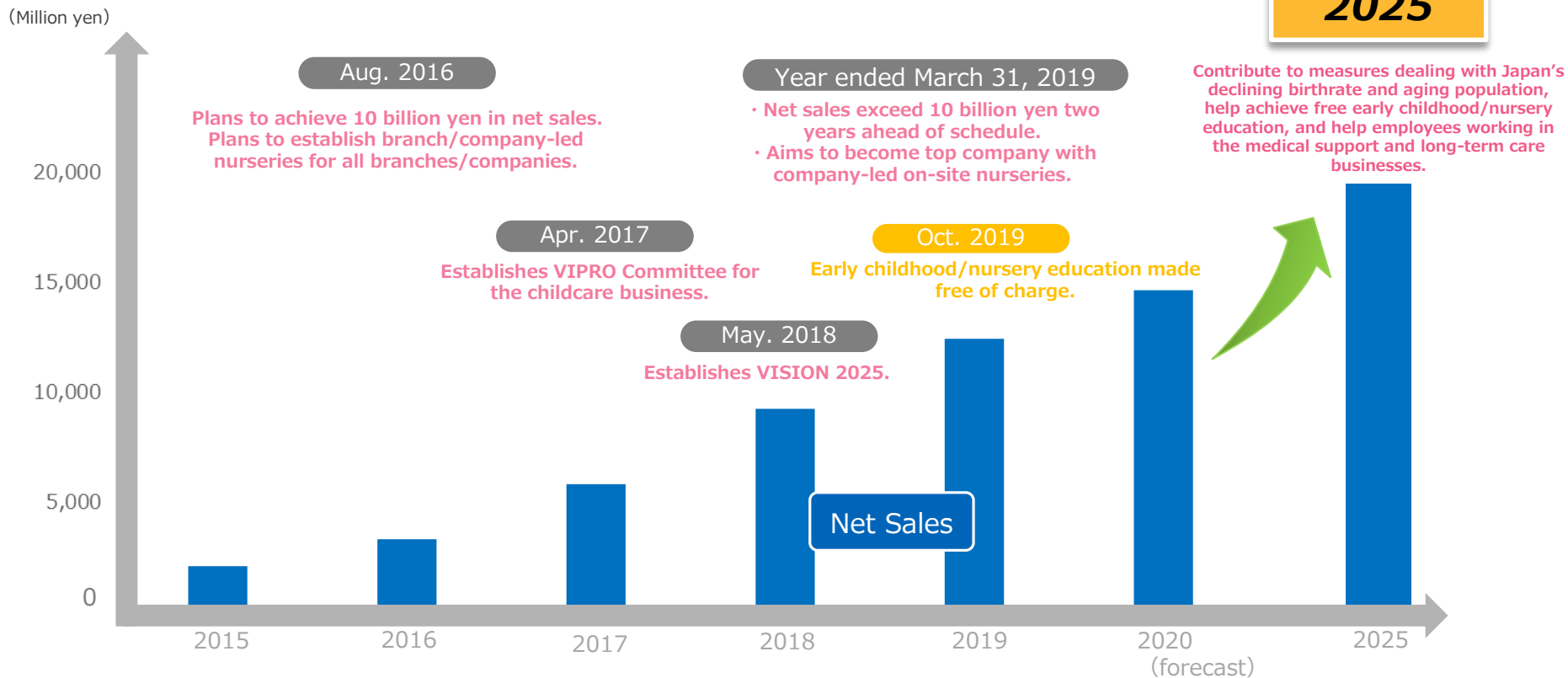


※Net Sales are the total amount of Long-term care business and Health care business.

<History of the Childcare Business>

~Helping to solve Japan's nursery waitlisting problem ~

**VISION
2025**



※Sales are consolidated figures



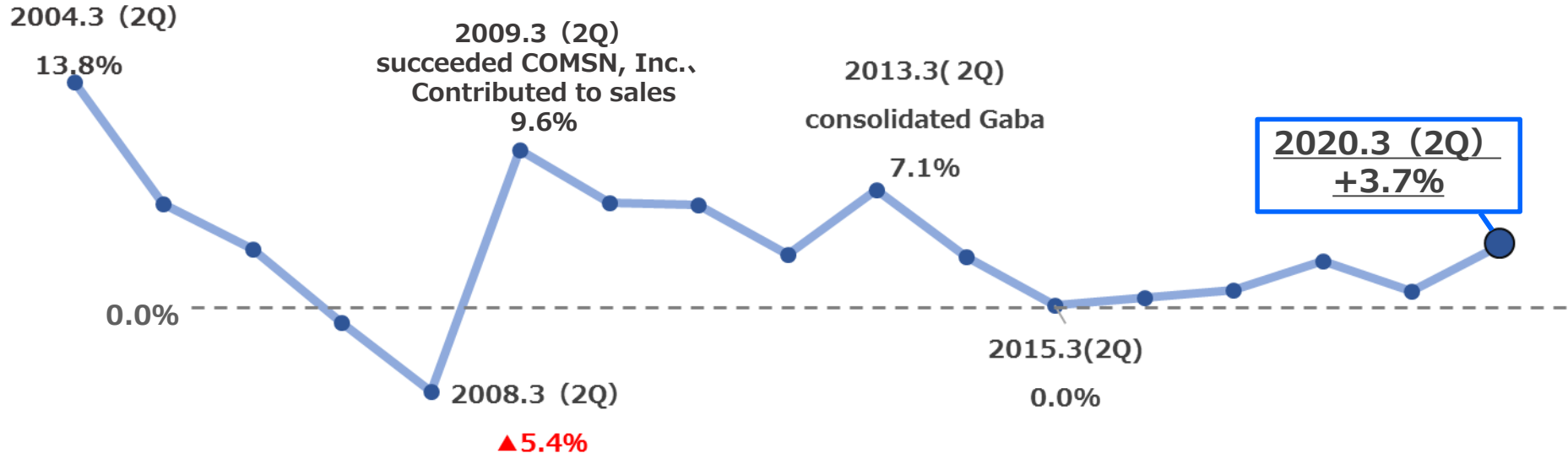
Overview of Financial Results

Financial Results Highlights①

Record-high first half net sales every year for the past five years.

- Sales growth rate yoy+3.7%
Medical Support : +5.9% (yoy ▲0.1%) 、 Long-Term Care : +1.4% (yoy +1.2%)

Sales growth(Yoy transition)

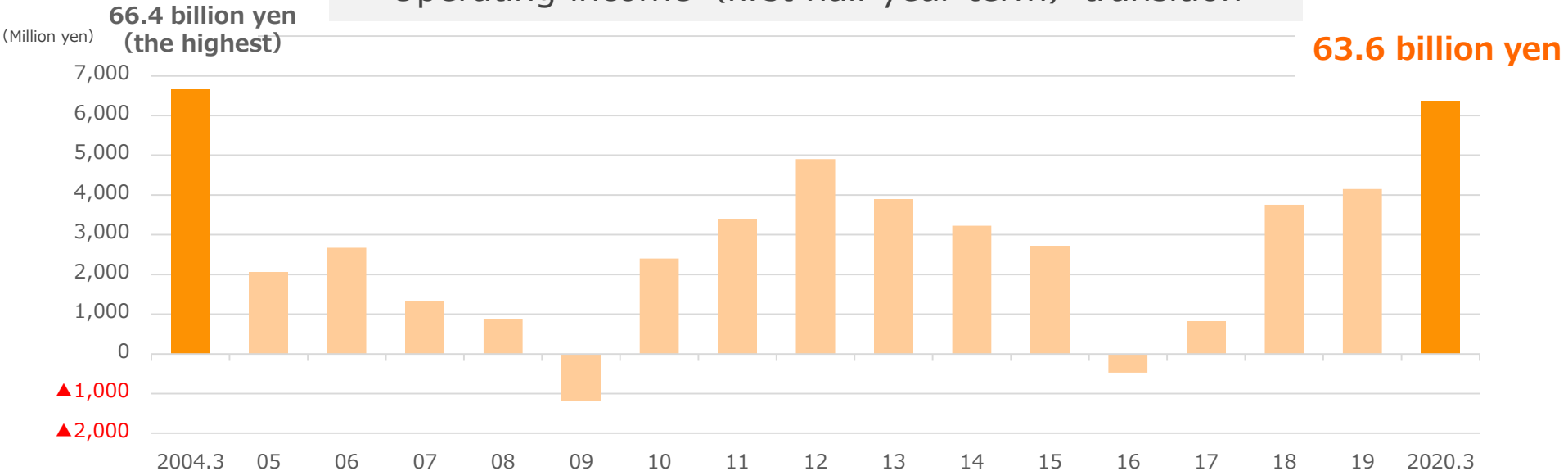


Financial Results Highlights②

Record-high income followed by 6.36 billion yen in operating income for the first half.

- Core businesses (medical support/long-term care) contributed.
- “Selection and consolidation”-oriented business restructuring also contributed.
- Percentage operating income to sales exceeded 4.0% for the first time in 16 years.

Operating income (first half year term) transition



Overview of Financial Results

(Unit: million yen)

	FY2019.3	FY2020.3		
	2Q	2Q	Difference (yoy)	Change
Net Sales	142,596	147,882	+5,286	3.7%
Operating Income	4,154	6,360	+2,206	53.1%
%	2.9%	4.3%	-	-
Ordinary Income	1,947	4,055	+2,108	108.2%
%	1.4%	2.7%	-	-
Profit attributable to owners of parents	251	1,603	+1,351	536.8%
%	0.2%	1.1%	-	-

Overviews by Business Segment (Consolidated Net Sales)

(Unit: million yen)

Net Sales	FY2019.3	FY2020.3		
	2Q	2Q		
	Amount	Amount	Difference (yoy)	Change
Medical Support	53,671	56,842	+3,170	5.9%
Long-term Care	75,526	76,567	+1,040	1.4%
Child Care	5,433	6,684	+1,251	23.0%
Health Care	779	853	+73	9.4%
Education	5,929	5,651	▲277	▲4.7%
Therapy	185	291	+106	57.4%
Global	1,005	849	▲155	▲15.5%
Others	729	446	▲282	▲38.7%
Eliminations	▲663	▲303	+359	-
Total	142,596	147,882	+5,286	3.7%

Overviews by Business Segment (Consolidated Operating Income)

(Unit: million yen)

Operating Income	FY2019.3	FY2020.3		
	2Q	2Q		
	Amount	Amount	Difference (yoy)	Change
Medical Support	4,448	4,949	+500	11.3%
Long-term Care	8,019	8,518	+499	6.2%
Child Care	▲ 477	▲ 711	▲ 234	-
Health Care	▲ 309	▲ 977	▲ 667	-
Education	▲ 2,041	▲ 104	+1,936	-
Therapy	▲ 288	▲ 164	+124	-
Global	▲ 694	▲ 291	+402	-
Others	126	96	▲ 29	▲ 23.0%
Eliminations	▲ 4,627	▲ 4,954	▲ 326	-
Total	4,154	6,360	+2,206	53.1%

Overviews by Business Segment (Consolidated Ordinary Income)

(Unit: million yen)

Ordinary Income	FY2019.3	FY2020.3		
	2Q	2Q		
	Amount	Amount	Difference (yoy)	Change
Medical Support	4,520	5,003	+483	10.7%
Long-term Care	5,792	6,212	+419	7.2%
Child Care	▲ 597	▲ 812	▲ 215	-
Health Care	▲ 309	▲ 977	▲ 668	-
Education	▲ 2,073	▲ 66	+2,006	-
Therapy	▲ 289	▲ 164	+124	-
Global	▲ 729	▲ 372	+356	-
Others	130	103	▲ 27	▲ 21.0%
Eliminations	▲ 4,496	▲ 4,869	▲ 372	-
Total	1,947	4,055	+2,108	108.2%

Summary of Balance Sheet (Consolidated)

(Unit : million yen)

		End of March 2019	End of September 2019	Difference
	Current assets	65,684	66,998	+1,313
	Fixed assets	127,955	126,631	▲1,324
Total assets		193,640	193,629	▲11
	Current liabilities	60,664	62,249	+1,585
	Non-current liabilities	91,898	89,699	▲2,198
Total liabilities		152,562	151,949	▲613
Total net assets		41,077	41,680	+602
Total liabilities and net assets		193,640	193,629	▲11

Summary of Cash Flows (Consolidated)

	FY2016.3 2Q	FY2017.3 2Q	FY2018.3 2Q	FY2019.3 2Q	FY2020.3 2Q
Cash flows from Operating activities	1,028	2,854	9,927	4,823	2,889
Cash flows from Investing activities	▲2,761	▲ 2,709	▲ 479	▲ 257	▲ 823
Free cash flow	▲1,733	144	9,448	4,566	2,066
Cash flows from Financial activities	1,718	▲ 1,387	▲ 10,139	▲ 2,456	▲ 2,595
Cash and cash equivalents at end of year	12,599	13,171	15,579	20,365	17,508



Segment Overview

(Core Business) Medical Support

Increased net sales and income for every segment—hospital, clinic, and medical administration education.

Overview of Financial Results

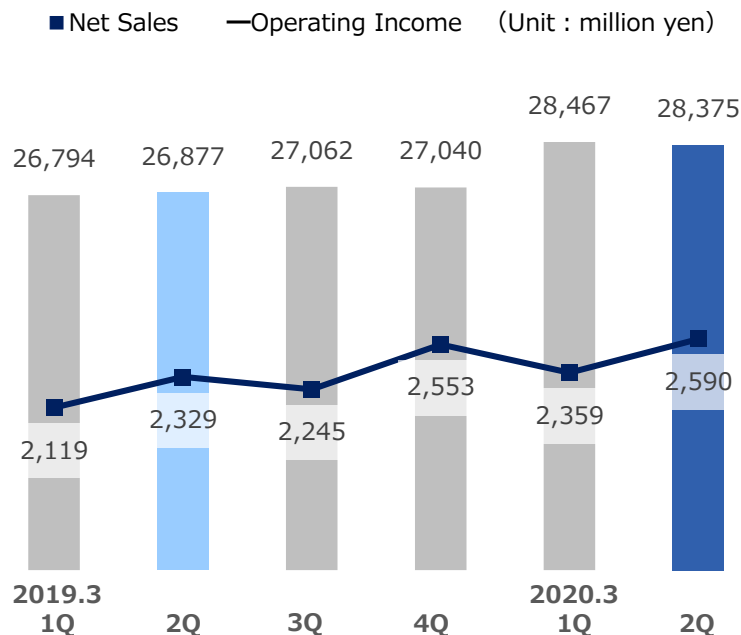
Net Sales 56,842million yen (yoy +3,170million yen)
Operating Income 4,949million yen (yoy +500million yen)

- Increased net sales for the hospital segment thanks to higher net sales per hospital and consolidation of Yao Medical PFI Co., Ltd. (Yao Medical PFI Co., Ltd. – net sales for first half : 2,072 million yen).

- Sales growth for the clinic segment hit 1.9%, the first positive growth rate in 14 years, due to strengthened sales setup.

- Number of students for the medical administration course continues to increase from last year, due to strengthening of sales promotions.
(student number up 18% year on year).

【Quarterly Net Sales & Operating Income】



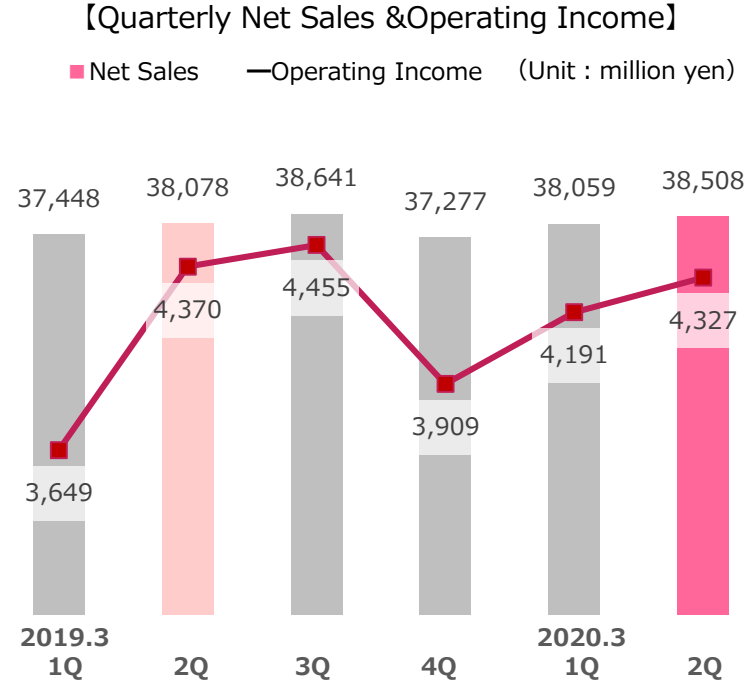
(Core Business) Long-Term Care

High occupancy of residential care facilities drove increase in net sales and income. Productivity per staff member increased for the in-home care service.

Overview of Financial Results

Net Sales 76,567million yen (yoy +1,040million yen)
Operating Income 8,518million yen (yoy +499million yen)

- Increased occupancy rates for residential care segment.
(Occupancy rates for Nichii Home: +5.8pt from end of Sep. 2018)
- Productivity per in-home care service staff member increased due to continued efforts to strengthen support for patients in moderate or severe condition.
- From July: Accepted 6 on-the-job trainees from China.



(Core Business) Child Care

Net sales up due to increase in enrolled children.

Continuing to mitigate operating loss alongside active opening of new childcare facilities.

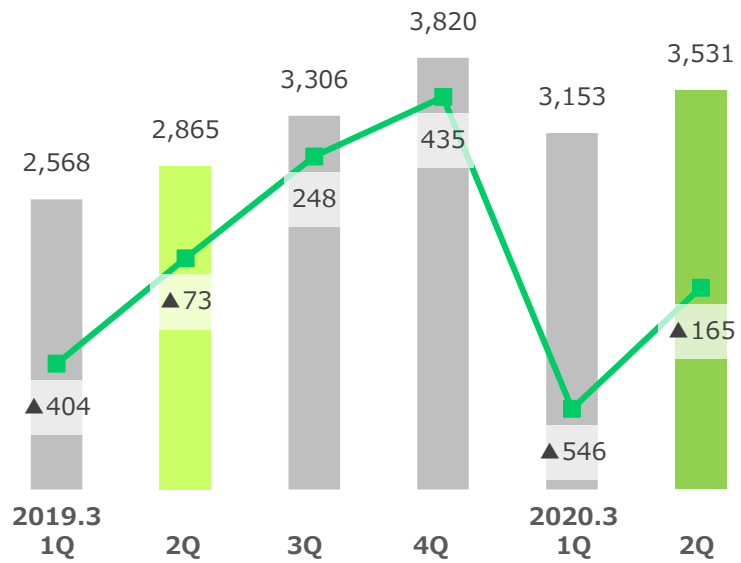
Overview of Financial Results

Net Sales	6,684million yen (yoy +1,251million yen)
Operating Income	▲711million yen (yoy ▲234million yen)

- Increased number of enrolled children by strengthening sales to local government bodies and holding promotional events.
- Income decreased due to up-front expenses incurred by opening 48 new childcare facilities in the first half.(Total number of facilities: 299; an increase of 52 over Sep. 30, 2018)
- Compared to last year, making steady progress in improving income between 1Q and 2Q.

【Quarterly Net Sales & Operating Income】

■ Net Sales — Operating Income (Unit : million yen)



(BS Business) Health Care

Steady progress on building net sales thanks to stronger offerings raising regular user rates.

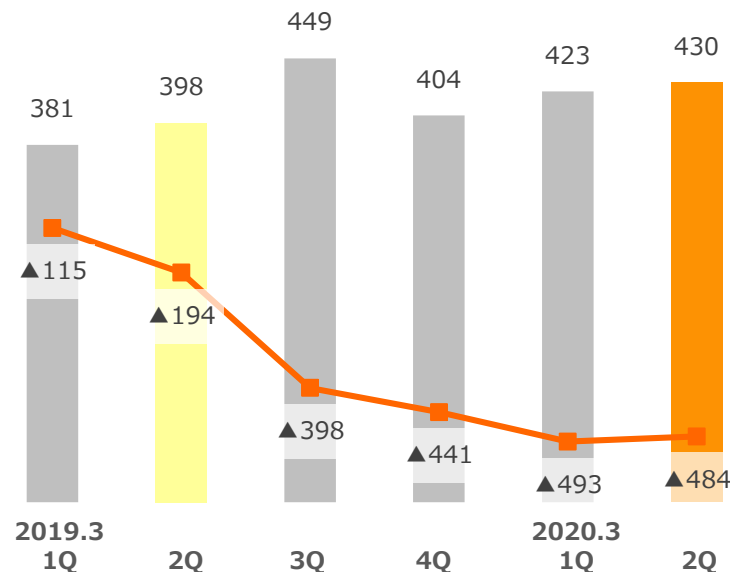
Overview of Financial Results

Net Sales 853million yen (yoy +73million yen)
Operating Income ▲977million yen (yoy ▲667million yen)

- Increased Sunny Maid Service user rates by strengthening offerings. This contributed to earnings alongside higher corporate contract numbers for Nichii Life.
- Income down due to early-stage investment in human resources alongside increase in foreign staff onboarding.
- From September: Started to offer Sunny Maid Service within Aichi Prefecture.

【Quarterly Net Sales & Operating Income】

■ Net Sales — Operating Income (Unit : million yen)



(BS Business) Education

Continued to reduce operating loss by cutting fixed costs alongside restructuring efforts.

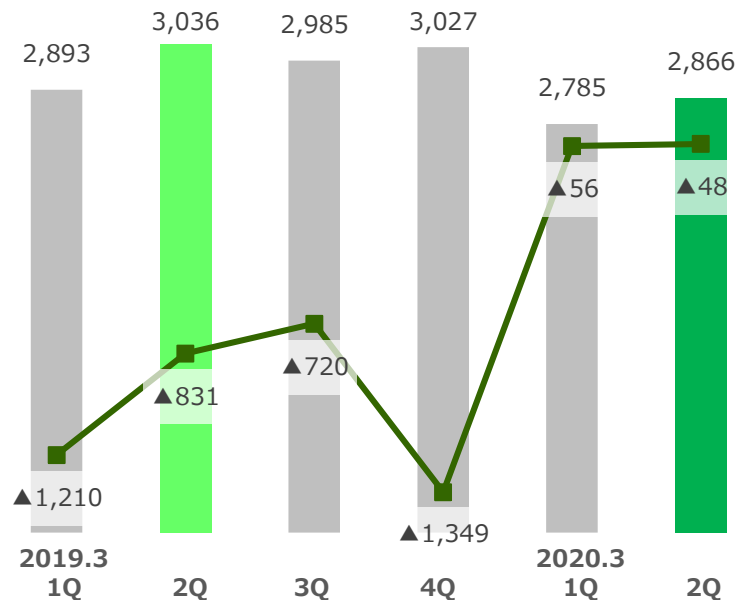
Overview of Financial Results

Net Sales 5,651million yen (yoy ▲277million yen)
Operating Income ▲104million yen (yoy +1,936million yen)

- Decreased operating loss by cutting fixed costs alongside restructuring efforts (cash flow turned positive for language education business).
- After restructuring, Gaba's net sales grew 3.0% over 1Q.
- Resolved to close all franchise and NYU School of Professional Studies Tokyo schools by March 31, 2020.

[Quarterly Net Sales & Operating Income]

■ Net Sales — Operating Income (Unit : million yen)



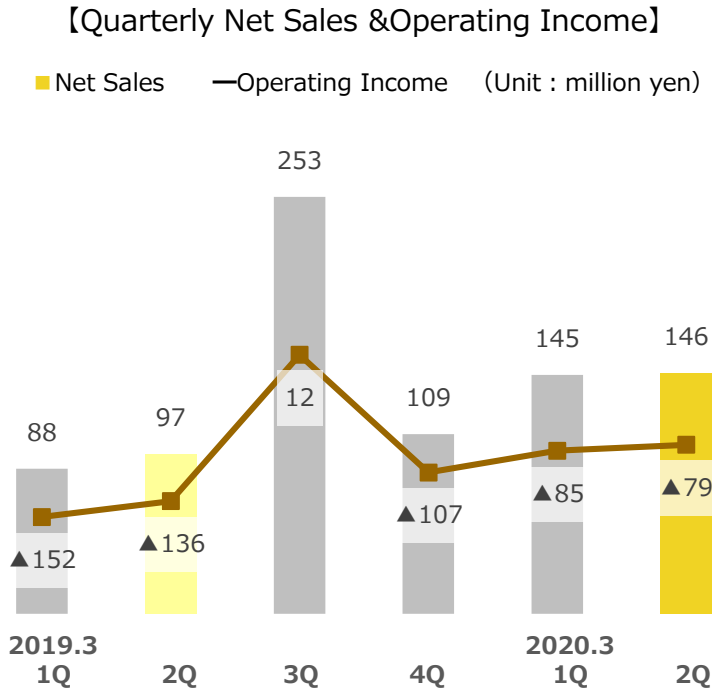
(BS Business) Therapy

Continued to improve income by increasing user numbers and sales per customer.

Overview of Financial Results

Net Sales 291million yen (yoy +106million yen)
Operating Income ▲164million yen (yoy +124million yen)

- Increased number of users and sales per customer by strengthening of sales promotions.
- Improved operation rates via work visualization.
- July: Opened A-LOVE Nagamachi store in Sendai. Total 25 salons opened nationwide.



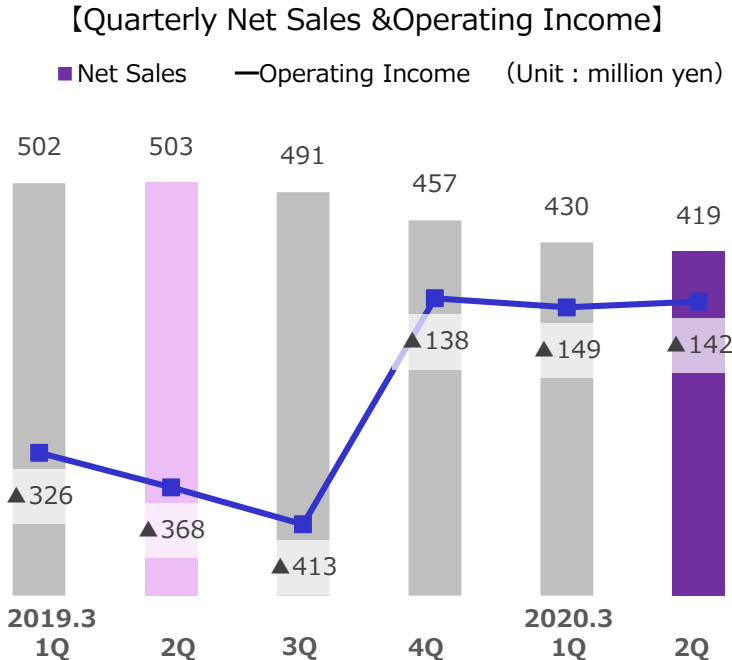
Global Business

Reduced operating loss by constructing new organizations alongside restructuring efforts.

Overview of Financial Results

Net Sales	849million yen (yoy ▲155million yen)
Operating Income	▲291million yen (yoy +402million yen)

- Improved business efficiency by concentrating management resources in northern China.
- Continued to focus on receiving contracts for operation of facilities for dementia patients in China and securing training contracts.





FY2020.3 Earnings Forecast

The Growth Strategy toward VISION2025 after Structural reforms

Strengthen existing business models

- Work to split off visiting attendant care business offices from existing offices.
- Invest approximately 1 billion yen this fiscal year.
- Aim to improve work efficiency by creating opportunities for growth and establishing market dominance.

	FY2000.3	FY2003.3	FY2006.3	FY2009.3	FY2012.3	FY2015.3	FY2018.3	FY2020.3 (forecast)
Net Sales (million yen)	6,274	60,557	80,902	99,770	138,493	144,633	148,156	154,100
Operating Income (million yen)	▲4,097	3,203	2,010	▲758	10,142	11,647	14,516	16,500
Operating margin (%)	▲65.3%	5.3%	2.5%	▲0.8%	7.3%	8.1%	9.8%	10.7%

Home-visit care service unit price (yen)	-	52,360	49,650	41,870	43,960	43,020	47,850	50,610
Residential care service utilization (%)	-	-	-	85.5%	92.4%	88.0%	91.1%	97.0%

FY2020.3 Earnings Forecast (Consolidated)

(Unit : million yen)

Consolidated	FY2019.3	FY2020.3	FY2020.3			
	4Q	2Q	4Q			yoy(%)
	Amount	Amount	Initial forecast	Revised forecast	Corection Amount	
Net Sales	287,822	147,882	303,000	298,600	▲ 4,400	3.7%
Operating Income	10,032	6,360	15,200	13,300	▲ 1,900	32.6%
%	3.5%	4.3%	5.0%	4.5%	-	-
Ordinary Income	5,703	4,055	11,000	8,700	▲ 2,300	52.5%
%	2.0%	2.7%	3.6%	2.9%	-	-
Profit attributable to owners of parent	6,108	1,603	6,700	4,700	▲ 2,000	▲ 23.1%
%	2.1%	1.1%	2.2%	1.6%	-	-

Consolidated Net Sales by Segment

(Unit : million yen)

Net Sales	FY2019.3	FY2020.3	FY2020.3			
	4Q	2Q	4Q			yoy(%)
	Amount	Amount	Initial forecast	Revised forecast	Corection Amount	
Medical Support	107,773	56,842	113,100	113,900	+800	+5.7%
Long-term Care	151,444	76,567	157,500	154,100	▲3,400	+1.8%
Child Care	12,559	6,684	14,800	14,900	+100	+18.6%
Health Care	1,632	853	3,100	1,800	▲1,300	+10.3%
Education	11,941	5,651	11,300	11,200	▲100	▲ 6.2%
Therapy	547	291	900	700	▲200	+28.0%
Global	1,953	849	2,300	1,800	▲500	▲ 7.8%
Others	1,410	446	700	900	+200	▲ 36.2%
Eliminations	▲ 1,380	▲ 303	▲ 700	▲ 700	0	-
Total	287,882	147,882	303,000	298,600	▲4,400	+3.7%

Consolidated Operating Income by Segment

(Unit :million yen)

Operating Income	FY2019.3	FY2020.3	FY2020.3			
	4Q	2Q	4Q			yoy(%)
	Amount	Amount	Initial forecast	Revised forecast	Corection Amount	
Medical Support	9,246	4,949	9,600	9,800	+200	+6.0%
Long-term Care	16,383	8,518	17,000	16,500	▲ 500	+0.7%
Child Care	206	▲ 711	700	300	▲400	+45.6%
Health Care	▲ 1,148	▲ 977	▲ 2,000	▲ 2,000	0	-
Education	▲ 4,110	▲ 104	▲ 900	▲ 900	0	-
Therapy	▲ 383	▲ 164	▲ 100	▲ 250	▲150	-
Global	▲ 1,246	▲ 291	▲ 300	▲ 550	▲250	-
Others	228	96	200	200	0	▲ 12.3%
Eliminations	▲ 9,143	▲ 4,954	▲ 9,000	▲ 9,800	▲800	-
Total	10,032	6,360	15,200	13,300	▲1,900	+32.6%

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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