

NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

for the 3Q of the Fiscal Year Ending March 31, 2019

February 8, 2019

Financial Results Highlights

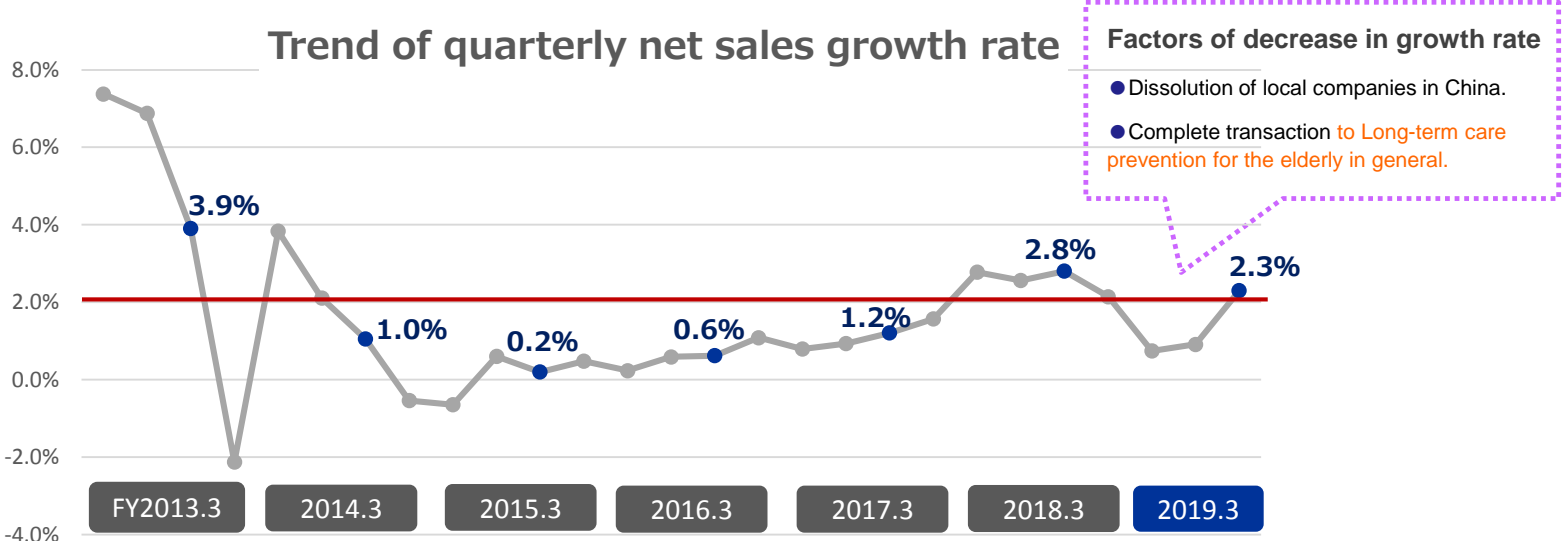
(Unit: million yen)

	FY2018.3	FY.2019		
	3Q	3Q	Difference	Change
Net Sales	212,914	215,723	+2,809	1.3%
Operating Income	5,963	7,336	+1,373	23.0%
%	2.8%	3.4%	+0.6pt	
Ordinary Income	3,014	4,043	+1,029	34.1%
%	1.4%	1.9%	+0.5pt	
Profit attributable to owners of parent	1,704	2,107	+403	23.7%
%	0.8%	1.0%	+0.2pt	

Financial Highlights①

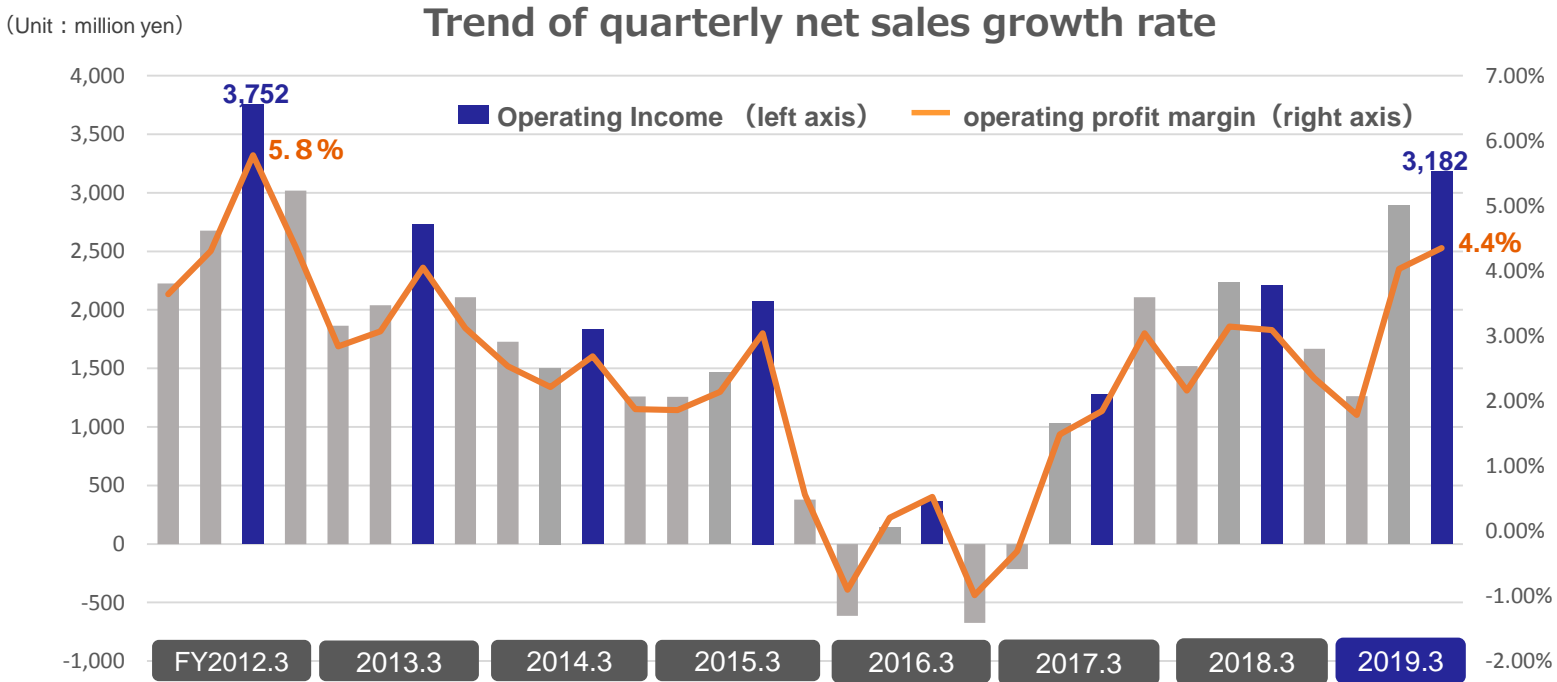
Measures implemented by the Group successfully achieved record-high net sales.

- Total net sales 215,723 million yen (yoy + 1.3%)
- Quarterly net sales growth rate recovered to over 2%.
- Core businesses (Medical Support/Long-Term Care/Childcare) led the growth of net sales.
- Results of the subsidiaries, GABA and Nichii Carepalace contributed to the growth.



Financial Highlights②

Thanks to the recovered revenue of core businesses, quarterly operating income recovered to over 3 billion yen since March FY2012.



Consolidated Net Sales by Segment

(Unit: million yen)

Net Sales	FY2018.3 3Q	FY2019.3 3Q	Difference (yoy)
Medical Support	80,470	80,733	263
Long-term Care	113,315	114,167	852
Child Care	6,332	8,739	2,407
Health Care	1,051	1,228	177
Education	8,912	8,914	2
Therapy	307	438	131
Global	2,637	1,496	▲ 1,141
Others	1,083	1,051	▲ 32
Elimination	▲ 1,197	▲ 1,045	152
Total	212,914	215,723	2,809

Consolidated Operating Income by Segment

(Unit: million yen)

Operating income	FY2018.3 3Q	FY2019.3 3Q	Difference (yoy)
Medical Support	6,541	6,693	152
Long-term Care	11,212	12,474	1,262
Child Care	▲ 783	▲ 229	554
Health Care	▲ 88	▲ 707	▲ 619
Education	▲ 2,879	▲ 2,761	118
Therapy	▲ 184	▲ 276	▲ 92
Global	▲ 1,229	▲ 1,107	122
Others	150	173	23
Elimination	▲ 6,774	▲ 6,920	▲ 146
Total	5,963	7,336	1,373

Summary of Balance Sheet (Consolidated)

(Unit: million yen)

	End of March 2018	End of Dec 2018	Difference	End of Dec 2017
Current assets	65,249	66,875	1,625	66,117
Fixed assets	124,990	122,249	▲2,741	122,964
Total assets	190,239	189,124	▲1,115	189,082
Current liabilities	60,459	56,275	▲4,183	60,215
Non-current liabilities	92,124	95,771	3,647	90,784
Total liabilities	152,583	152,047	▲535	151,000
Total net assets	37,656	37,076	▲579	38,081
Total liabilities and net assets	190,239	189,124	▲1,115	189,082

Summary of Cash Flows (Consolidated)

(Unit : million yen)

	FY2015.3 3Q	FY2016.3 3Q	FY2017.3 3Q	FY2018.3 3Q	FY2019.3 3Q
Cash flows from Operating activities	8,836	4,441	7,448	11,441	6,788
Cash flows from Investing activities	▲ 5,851	▲ 3,545	▲ 1,958	▲ 166	▲ 398
Free cash flow	2,984	896	5,490	11,275	6,390
Cash flows from Financial activities	▲ 5,072	1,282	▲ 6,928	▲ 10,586	▲ 5,438
Cash and cash equivalents at end of year	8,362	14,806	13,003	16,958	19,115

Segment Overview

Core Business (Medical Support)

Net sales increased for the first time in three fiscal years due to the effects of sales system enhancement.

The number of students in the medical administration course is also on a recovery trend.

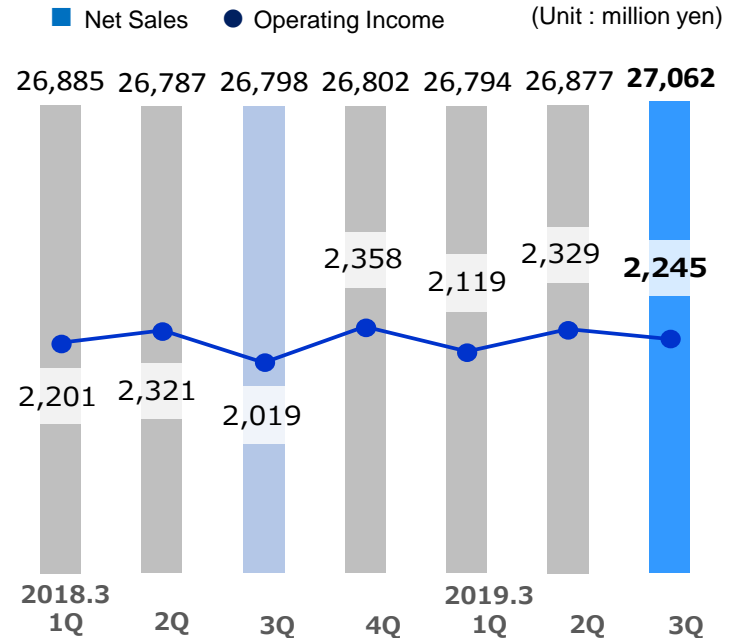
Overview of Financial Results

Net Sales : 80,733 million yen
(yoy+263million yen)

Operating Income : 6,693million yen
(yoy+152million yen)

- The clinic department posted a decrease in net sales (down 31 million yen year on year), while net sales increased in the hospital department (up 247 million yen year on year) and medical education (up 47 million yen year on year). Income also increased by 152 million yen year on year.
- The number of students in the medical administration course increased 15.5% year on year.

【 Quarterly Net Sales & Operating Income 】



Core Business (Long-Term Care)

Recovery trend maintained for patients eligible for Long-term care benefits in the Home-visit care service.

High occupancy rate of care facilities also maintained, continuing the increase in both net sales and income.

Overview of Financial Results

Net Sales : 114,167million yen
(yoy + 852million yen)

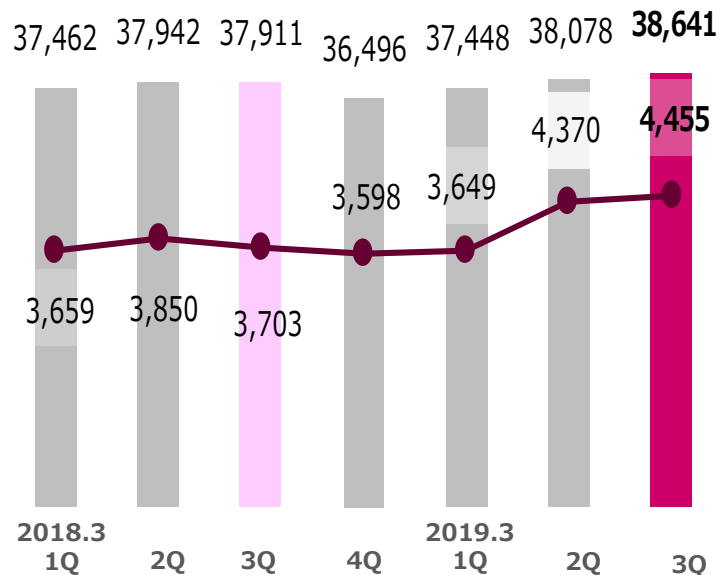
Operating Income : 12,474million yen
(yoy + 1,262million yen)

- Net sales increased because an increase in Residential care services (up 2,307 million yen year on year) absorbed decreases in In-home care services (down 1,226 million yen year on year) and nursing care education (down 229 million yen year on year).

- Nursing care education posted a decrease in income (down 117 million yen year on year), but due to a rise in the percentage of patients in moderate or severe condition and increased occupancy rate of the facilities, income increased in In-home care services (up 679 million yen year on year) and Residential care services (up 700 million yen year on year).

【 Quarterly Net Sales & Operating Income 】

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



Core Business (Child Care)

Quarterly operating income entered the black due to success in community-based sales activities.

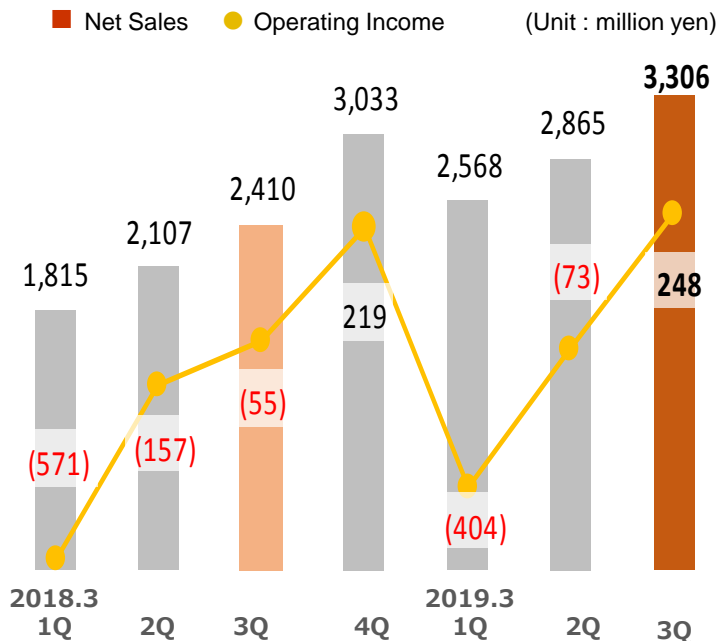
Overview of Financial Results

Net Sales : 8,739million yen
(yoy+2,407million yen)

Operating Income : ▲229million yen
(yoy+554million yen)

- Both net sales and income increased due to the acquisition of corporate-user contracts for corporate-run childcare centers and improved recognition in the municipalities and regions that led to the increase in the utilization rate of childcare facilities.
- During this fiscal year, 48 new childcare facilities are to be established, resulting in a total of 250 facilities in operation across Japan (during 3Q, three facilities were opened).

【 Quarterly Net Sales & Operating Income 】



BS Business (Health Care)

**Growth of net sales continued by steadily increasing the number of users.
Further expansion of Sunny Maid Service has been promoted.**

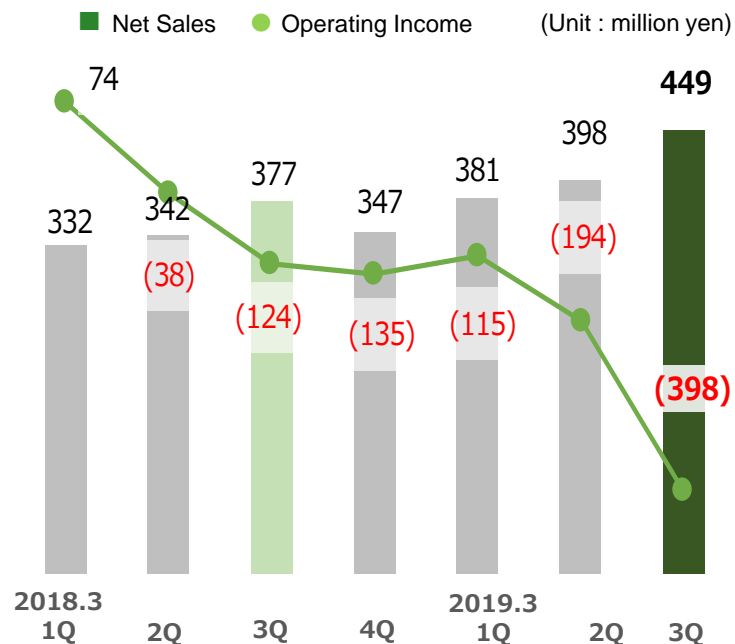
Overview of Financial Results

**Net Sales : 1,228million yen
(yoy+177million yen)**

**Operating Income : ▲707million yen
(yoy▲619million yen)**

- Net sales increased with an rise in the number of housekeeping service users (number of Nichii Life users: up 8.3% year on year).
- Income decreased due to prior investment in the expansion of the area where the Sunny Maid Service housekeeping support business is provided by foreign employees.
- Preparation is currently underway to provide the service in Aichi Prefecture.

【 Quarterly Net Sales & Operating Income 】



BS Business (Education)

Number of students at conventional Gaba steadily increased.
Promoted efficient business operation and concentration of management resources.

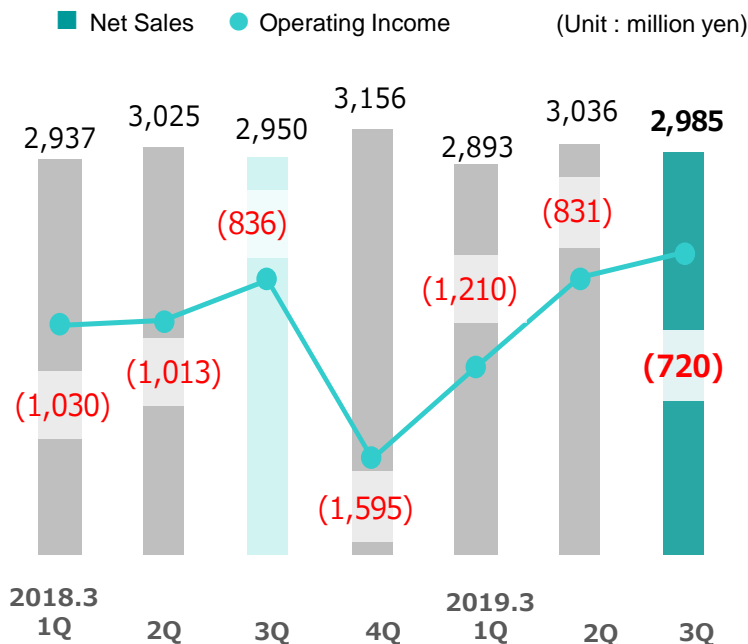
Overview of Financial Results

Net Sales : 8,914million yen
(yoy+2million yen)

Operating Income : ▲2,761million yen
(yoy+118million yen)

- Last April, structural reform was implemented, focusing on reorganization of the brand. (Adults were integrated into Gaba and children into COCO Juku Junior.)
- The number of students at conventional Gaba increased steadily, but the effects of the reorganization of the brand were not observed, and net sales and income leveled off.
- Further structural reform was resolved based on the progress through 3Q.

【 Quarterly Net Sales & Operating Income 】



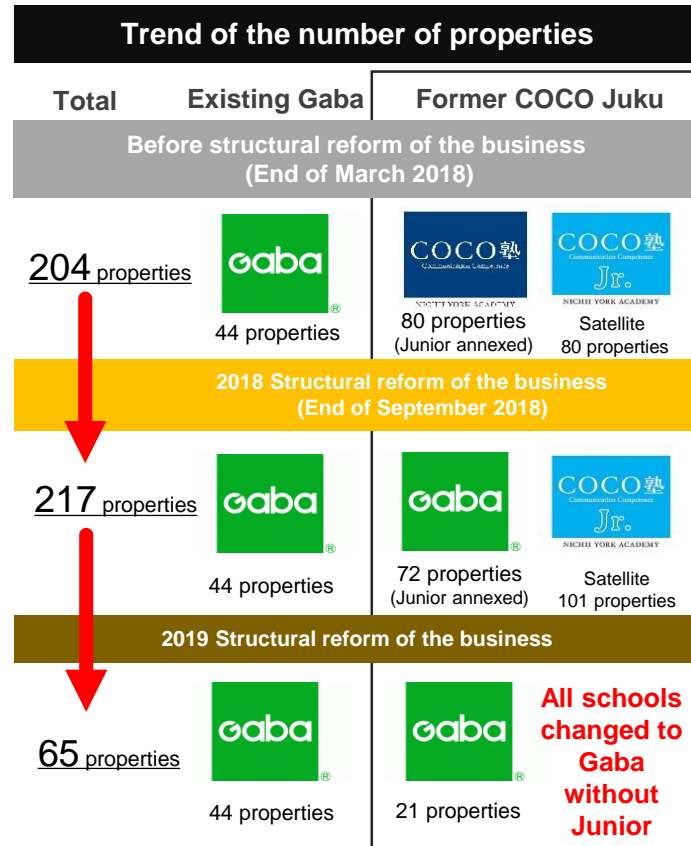
Outline of the Structural Reform of Education Business

Outline of structural reform

- Closure of COCO Juku Jr. classes*1
- Partial closure of Gaba Learning Studios
- Closure of 51 LS' among former COCO Juku classes
- To be implemented at the end of March 2019*2
- Securing employment
- Influence currently under scrutiny

*1 Franchised schools continued (354 classes as of the end of December 2018)

*2 Extended until the expiration of the classroom lease contract



(Excluding COCO Juku Jr. franchised schools)

List of Gaba Schools after Implementation of the Reform

Blue : Former COCO Juku (21properties)

Green : Existing Gaba (44properties)

Chubu region 7properties

[Nagano] Nagano LS, Matsumoto LS

[Ishikawa] Kanazawa LS

[Shizuoka] Shizuoka LS

[Aichi] Sakae LS, Nagoya LS

[Gifu] Gifu LS

Kanto region 42properties

[Gunma] Takasaki LS

[Tochigi] Utsunomiya LS

[Ibaraki] Mito LS, Tsukuba LS

[Saitama] Omiya LS, Minami-Koshigaya LS, Kawagoe LS

[Chiba] Ichikawa LS, Chiba LS, Kashiwa LS, Funabashi LS

[Tokyo] Akasaka LS, Akabane LS, Akihabara LS, Ikebukuro LS, Ebisu LS, Otemachi LS, Omotesando LS, Kitasenju LS, Kichijoji LS, Kinshicho LS, Ginza-Urakuchō LS, Shinagawa LS, Shibuya LS, Shimokitazawa LS, Jiyugaoka LS, Shinjuku Nishiguchi LS, Shinjuku Higashiguchi LS, Shinbashi-Shiodome LS, Seijo LS, Tachikawa LS, Tokyo LS, Hachioji LS, Futakotamagawa LS, Machida LS, Meguro LS, Roppongi LS

[Kanagawa] Yokohama LS, Aobadai LS, Kawasaki LS, Fujisawa LS, Musashikosugi LS

Hokkaido · Tohoku region 3properties

[Hokkaido] JR Tower Sapporo LS

[Miyagi] Sendai LS

[Iwate] Morioka Malios LS

Kinki region 8properties

[Wakayama] Wakayama LS

[Kyoto] Kyoto LS Annex, Kyoto LS

[Osaka] Umeda LS, Hankyu-Umeda LS, Tennoji LS, Nanba LS

[Hyogo] Kobe LS

Chugoku · Shikoku region 3properties

[Okayama] Okayama LS

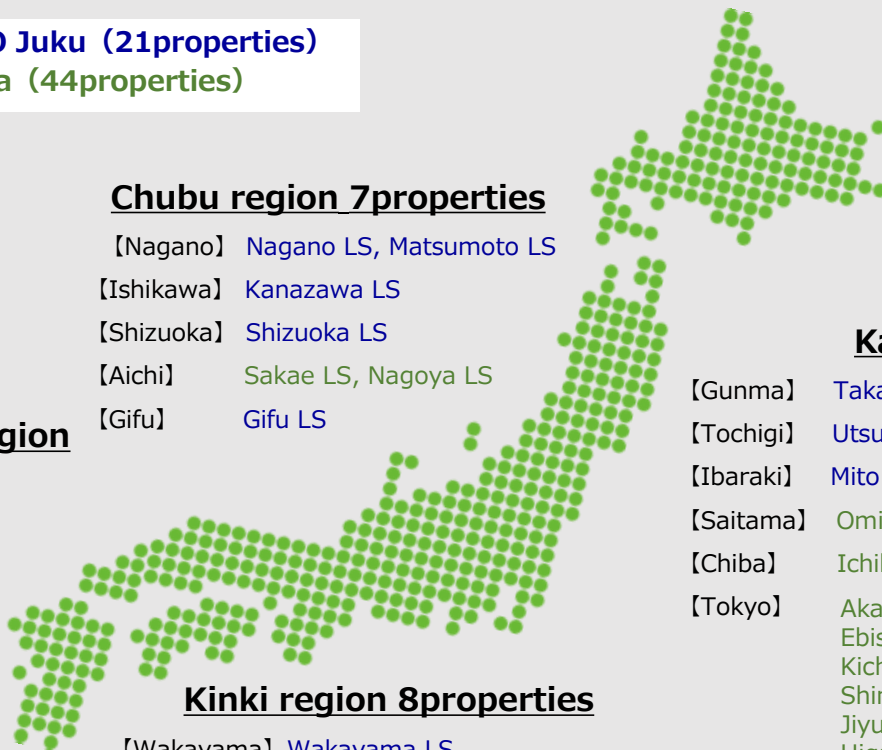
[Hiroshima] Hiroshima LS

[Kagawa] Takamatsu LS

Kyushu region 2properties

[Fukuoka] Fukuoka-Tenjin LS

[Kagoshima] Kagoshima LS



BS Business (Therapy)

Signs of improvement appeared for quarterly income.
Focusing on customer acquisition through the promotion and enhancement of services.

Overview of Financial Results

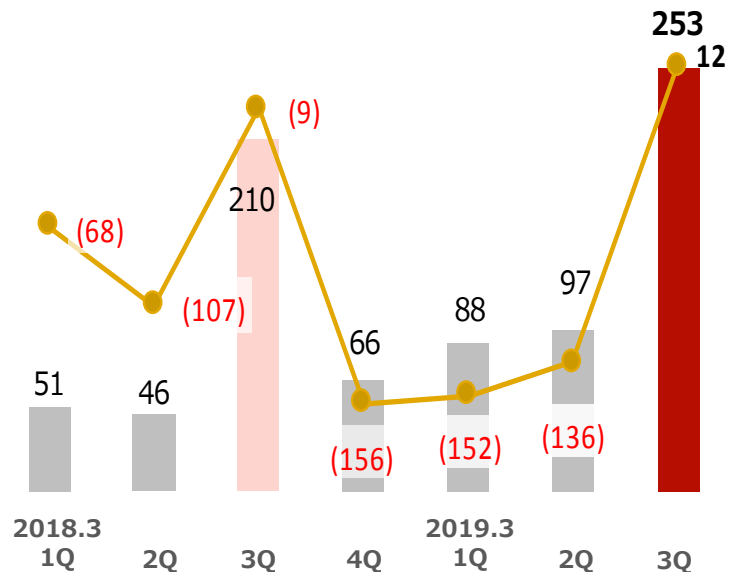
Net Sales : 438million yen
(yoy +131million yen)

Operating Income : ▲276million yen
(yoy ▲92million yen)

- Net sales increased due to the promotional effects of proactively holding events, which increased demand at the year end.
- Income decreased due to prior investment to open new stores, but quarterly income showed a tendency toward improvement.
- This fiscal year, five new dog salons will open, resulting in a 24-salon system for the Group. (In 3Q, three new salons will be established.)
- The number of customers per salon has been increasing steadily.

【 Quarterly Net Sales & Operating Income 】

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



Global Business

Local system in China was reorganized to strengthen organizational power.
Conversion to profitable constitution was promoted via selection and concentration.

Overview of Financial Results

Net Sales : 1,496million yen
(yoy ▲1,141million yen)

Operating Income : ▲1,107million yen
(yoy +122million yen)

- Net income decreased due to the disposition of consolidated business companies in China: 29 companies (end of March FY2018) to 12 companies (end of 3Q of March FY2019).

- Loss was reduced by increasing business efficiency largely through the dissolution of joint ventures.

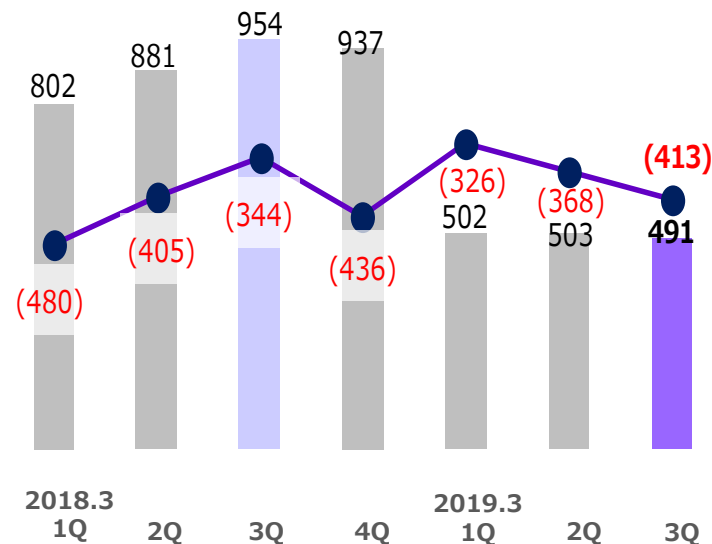
- Project acquisitions by promoting sales

- Undertaking contracts for facility operation: 3 projects (2 in Beijing and 1 in Dalian)

- Training for external sales: 11 trainings

【 Quarterly Net Sales & Operating Income 】

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



FY2019.3 Earnings Forecast

FY2019.3 Earnings Forecast(Consolidated)

(Unit : million yen)

	FY2018.3	FY2019.3 3Q	FY2019.3	
	Amount	Amount	Revised forecast	yoy (%)
Net Sales	283,767	215,723	293,500	3.4%
Operating Income	7,630	7,336	14,700	92.7%
%	2.7%	3.4%	5.0%	-
Ordinary Income	3,628	4,043	9,600	164.6%
%	1.3%	1.9%	3.3%	-
Profit attributable to owners of parent	854	2,107	5,100	496.9%
%	0.3%	1.0%	1.7%	-

Consolidated Net Sales by Segment

(Unit : million yen)

Net Sales	FY2018.3	FY2019.3 3Q	FY2019.3	
	Amount	Amount	Revised forecast	yoy (%)
Medical Support	107,272	80,733	110,000	2.5%
Long-term Care	149,811	114,167	152,800	2.0%
Child Care	9,365	8,739	12,000	28.1%
Health Care	1,398	1,228	2,000	43.1%
Education	12,068	8,914	13,000	7.7%
Therapy	373	438	1,000	168.1%
Global	3,574	1,496	2,800	▲ 21.7%
Other	1,933	1,051	1,900	▲ 1.7%
Elimination	▲ 2,030	▲ 1,045	▲ 2,000	-
Total	283,767	215,723	293,500	3.4%

Consolidated Operating Income by Segment

(Unit : million yen)

Operating Income	FY2018.3	FY2019.3 3Q	FY2019.3	
	Amount	Amount	Revised forecast	yoy (%)
Medical Support	8,899	6,693	10,000	12.4%
%	8.3%	8.3%	9.1%	
Long-term Care	14,810	12,474	16,000	8.0%
%	9.9%	10.9%	10.5%	
Child Care	▲ 564	▲ 229	400	-
%	6.0%	2.6%	3.3%	
Health Care	▲ 223	▲ 707	▲ 600	-
%	▲ 16.0%	57.6%	▲ 30.0%	
Education	▲ 4,474	▲ 2,761	▲ 1,500	-
%	▲ 37.1%	▲ 31.0%	▲ 11.5%	
Therapy	▲ 340	▲ 276	40	-
%	▲ 91.3%	▲ 63.0%	4.0%	
Global	▲ 1,665	▲ 1,107	▲ 900	-
%	▲ 46.6%	▲ 74.0%	▲ 32.1%	
Other	204	173	260	27.5%
%	10.6%	16.5%	13.7%	
Elimination	▲ 9,014	▲ 6,920	▲ 9,000	-
Total	7,630	7,336	14,700	92.7%
%	2.7%	3.4%	5.0%	

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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