

NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

for the 3Q of the Fiscal Year Ending March 31, 2020

February 7, 2020

Gratitude for Participation in Memorial Service

We respectfully announce that the memorial service for Akihiko Terada, our former Chairman and CEO, was held at Palace Hotel Tokyo on Thursday, December 12, 2019.

We would like to express our sincere gratitude for your participation. We also wish to thank you sincerely for the kindness you showed to the deceased while he was alive and hereby express our deep appreciation.

NICHIIGAKKAN CO., LTD.
Nobusuke Mori, President all employee



Overview of Financial Results

Overview of Financial Results

(unit:million)

	FY2019.3	FY2020.3		
	3Q	3Q	Difference	Change
Net Sales	215,723	223,471	+7,748	3.6%
Operating Income	7,336	9,444	+2,107	28.7%
%	3.4%	4.2%	-	-
Ordinary Income	4,043	6,083	+2,039	50.4%
%	1.9%	2.7%	-	-
Profit attributable to owners of parents	2,107	3,378	+1,271	60.3%
%	1.0%	1.5%	-	-

Financial Results Highlights

Net sales maintained steady growth (up 3.6% year on year).

- **Core businesses (Medical Support, Long Term Care, and Childcare) led the growth of net sales.**
→ Medical support+6.0%、 Long-term care+1.3%、 Child care+22.5%

Structural reforms contributed to an increase in revenue.

- **Improvement through structural reforms of the Education and Global Segments (up 3,139 million yen)**
→ 80.4% progress in the estimated improvement through structural reforms (3,906 million yen)

Investment in growth strategies for sustainable growth

- **Human resource investment**
→ Improve employee treatment and promote the acceptance of foreign housekeeping service providers
- **Growth investment**
→ Split 380 home-visit care service offices into 1,383 offices across Japan

Overviews by Business Segment (Consolidated Net Sales)

(Unit: million yen)

Net Sales	FY2019.3	FY2020.3		
	3Q	3Q		
	Amount	Amount	Difference (yoy)	Change
Medical Support	80,733	85,597	+4,863	6.0%
Long-term Care	114,167	115,608	+1,441	1.3%
Child Care	8,739	10,709	+1,970	22.5%
Health Care	1,228	1,299	+71	5.8%
Education	8,914	8,328	▲586	▲ 6.6%
Therapy	438	568	+129	29.6%
Global	1,496	1,283	▲213	▲ 14.2%
Others	1,051	622	▲428	▲ 40.8%
Eliminations	▲1,045	▲ 545	+499	-
Total	215,723	223,471	+7,748	3.6%

Overviews by Business Segment (Consolidated Operating Income)

(Unit: million yen)

Operating Income	FY2019.3	FY2020.3		
	3Q	3Q		
	Amount	Amount	Difference (yoy)	Change
Medical Support	6,693	7,190	+497	7.4%
Long-term Care	12,474	12,183	▲290	▲ 2.3%
Child Care	▲ 229	▲ 393	▲163	-
Health Care	▲ 707	▲ 1,488	▲780	-
Education	▲ 2,761	▲ 323	+2,438	-
Therapy	▲ 276	▲ 121	+154	-
Global	▲ 1,107	▲ 406	+701	-
Others	173	151	▲22	▲ 12.7%
Eliminations	▲ 6,920	▲ 7,348	▲427	-
Total	7,336	9,444	+2,107	28.7%

Overviews by Business Segment (Consolidated Ordinary Income)

(Unit: million yen)

Ordinary Income	FY2019.3	FY2020.3		
	3Q	3Q		
	Amount	Amount	Difference (yoy)	Change
Medical Support	6,795	7,304	+508	7.5%
Long-term Care	9,114	8,747	▲366	▲ 4.0%
Child Care	▲ 392	▲ 549	▲157	-
Health Care	▲ 707	▲ 1,488	▲780	-
Education	▲ 2,789	▲ 257	+2,531	-
Therapy	▲ 277	▲ 121	+156	-
Global	▲ 1,145	▲ 496	+649	-
Others	189	163	▲25	▲ 13.6%
Eliminations	▲ 6,742	▲ 7,219	▲476	-
Total	4,043	6,083	+2,039	50.4%

Summary of Balance Sheet (Consolidated)

(Unit : million yen)

		End of March 2019	End of December 2019	Difference
	Current assets	65,684	68,340	+2,655
	Fixed assets	127,955	125,648	▲2,307
	Total assets	193,640	193,989	+348
	Current liabilities	60,664	62,792	+2,128
	Non-current liabilities	91,898	88,961	▲2,937
	Total liabilities	152,562	151,754	▲808
	Total net assets	41,077	42,234	+1,157
	Total liabilities and net assets	193,640	193,989	+348

Summary of Cash Flows (Consolidated)

(Unit : million yen)

	FY2016.3 3Q	FY2017.3 3Q	FY2018.3 3Q	FY2019.3 3Q	FY2020.3 3Q
Cash flows from Operating activities	4,441	7,448	11,441	6,788	7,257
Cash flows from Investing activities	▲ 3,545	▲ 1,958	▲ 166	▲ 398	▲ 1,153
Free cash flow	896	5,490	11,275	6,390	6,104
Cash flows from Financial activities	1,282	▲ 6,928	▲ 10,586	▲ 5,438	▲ 6,738
Cash and cash equivalents at end of year	14,806	13,003	16,958	19,115	17,416



Segment Overview

(Core Business) Medical Support

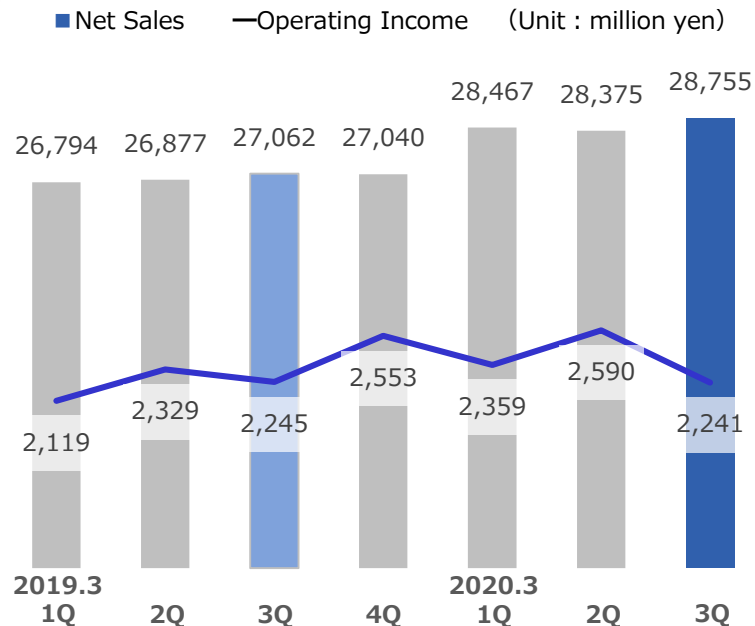
Promotion of rationalization of contracts by improving workplace management

Overview of Financial Results

Net Sales 85,597million yen (yoy +4,863 million yen)
Operating Income 7,190million yen (yoy +497 million yen)

- The further rationalization of contracts led to an increase in productivity and net sales per hospital, which resulted in net sales and income growth.
- Large new orders were acquired during the fiscal year by improving sales capabilities.
- Improvements in employee treatment were implemented in October 2019.
- The number of students in the medical administration course increased steadily.
(Number of students: 10,773, up 8.5% year on year)

【Quarterly Net Sales & Operating Income】



(Core Business) Long-Term Care

Area networks expanded through reorganization of offices

Overview of Financial Results

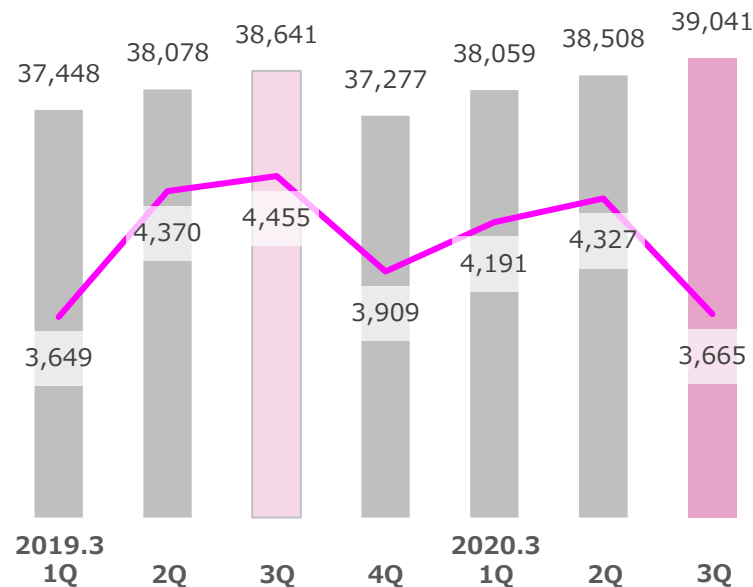
Net Sales 115,608million yen (yoy +1,441 million yen)

Operating Income 12,183million yen (yoy ▲290 million yen)

- Net sales grew thanks to an increase in the operating rate of residential care facilities, but income decreased due to prior investment in the reorganization.
- One new Hohoemi office and one new Nichii Home office were established during the quarter under review.
- Split 380 home-visit care service offices. Worked to improve the operation system of the offices and focused on raising service quality.
- The number of students increased through the promotion of training for new members of long-term care service staff. (Number of students: 7,069, up 16.0% year on year)

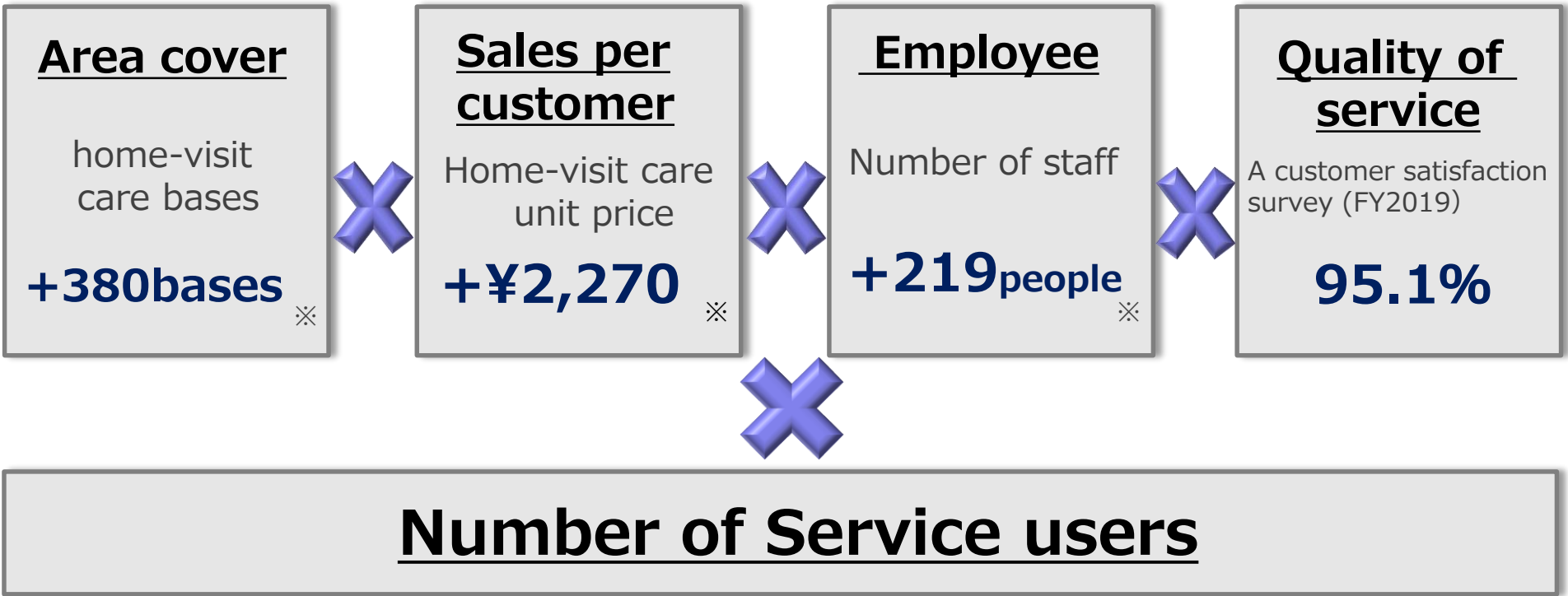
【Quarterly Net Sales & Operating Income】

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



(Reference) Aiming for Acceleration of Further Growth Based on Home-visit Care Service

Levers to accelerate growth



* Comparison with the status before starting to split home-visit care service offices (June 30, 2019)

(Core Business) Child Care

The quarterly operating result turned a profit thanks to an increase in the operation of childcare facilities.

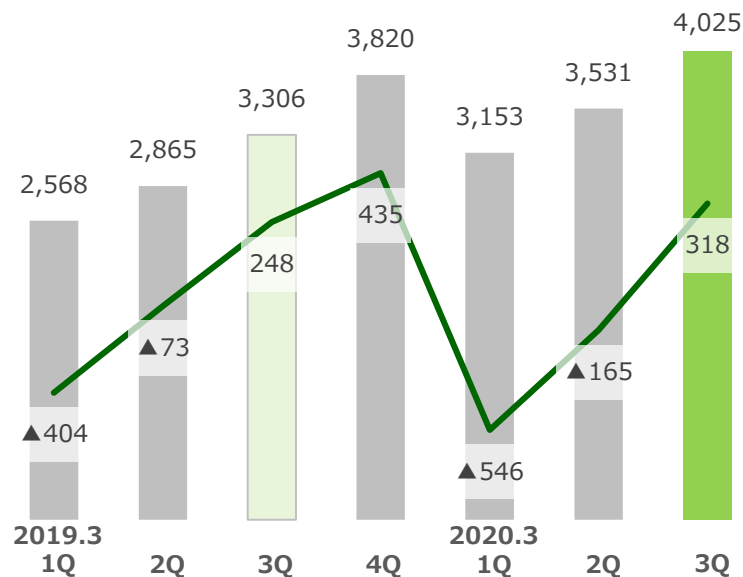
Overview of Financial Results

Net Sales 10,709million yen (yoy +1,970 million yen)
Operating Income ▲393million yen (yoy ▲163 million yen)

- Net sales rose thanks to the increased operation of childcare facilities. Nine-month operating income decreased due to a rise in personnel expenses in the first quarter. Quarterly operating income grew, and the segment turned a profit.
- Business was operated in 303 locations across Japan after opening new facilities in two locations during the fiscal year. (New facilities in four locations were established in the third quarter under review.)

【Quarterly Net Sales & Operating Income】

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



(BS Business) Health Care

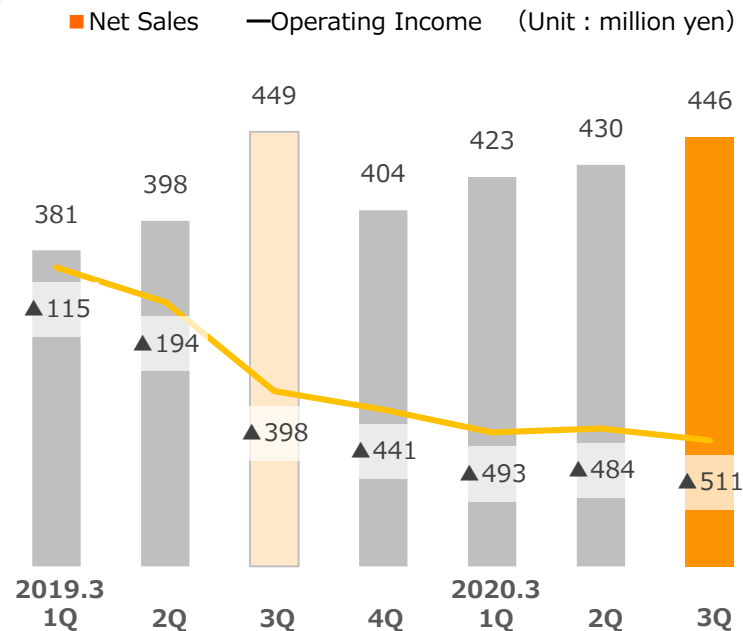
Users of the Sunny Maid Service steadily increased.

Overview of Financial Results

Net Sales 1,299million yen (yoy +71 million yen)
Operating Income ▲1,488million yen (yoy ▲780 million yen)

- Net sales increased thanks to sales growth in the Sunny Maid Service. Operating income decreased due to expenses incurred for the development of a service delivery system that preceded profit.
- Users increased as a result of improving sales promotion in cross-selling marketing.

【Quarterly Net Sales & Operating Income】



(BS Business) Education

Structural reforms through selection and concentration contributed to the revenue of the Group.

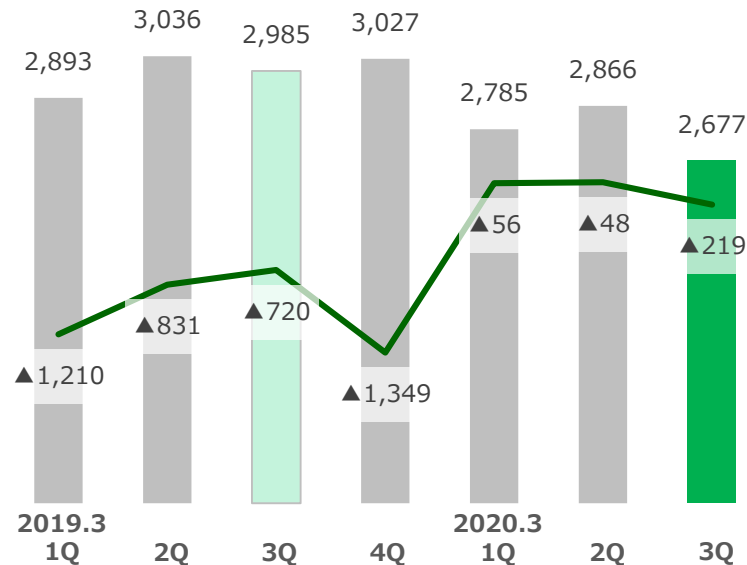
Overview of Financial Results

Net Sales 8,328million yen (yoy ▲586 million yen)
Operating Income ▲323million yen (yoy +2,438 million yen)

- Net sales decreased due to structural reforms. Operating loss was reduced as a result of cost reductions through the withdrawal from the COCO Juku business.
- The number of students taking lessons at Gaba increased steadily.
- Continuous implementation of structural reforms. (Preparation for the closure of franchise schools and New York University School of Professional Studies Tokyo on March 31, 2020)

【Quarterly Net Sales & Operating Income】

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



(BS Business) Therapy

Net sales grew steadily thanks to an increase in dog grooming salon operation.

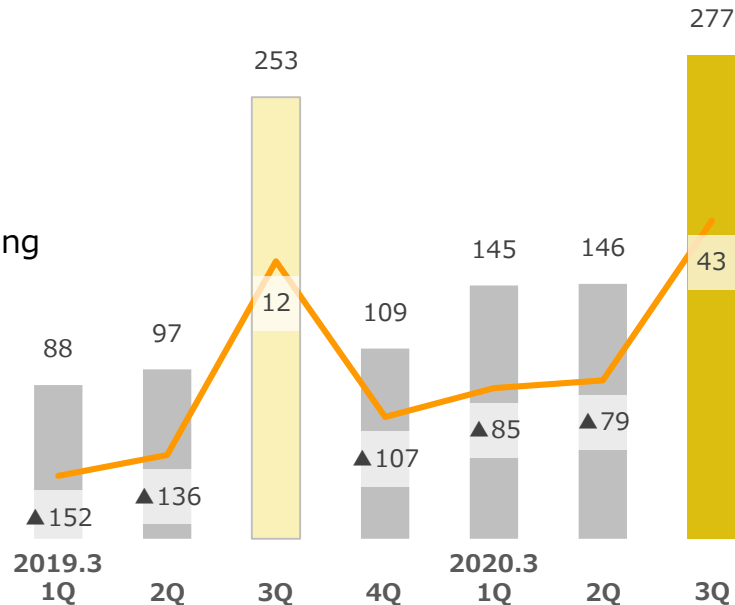
Overview of Financial Results

Net Sales 568million yen (yoy +129 million yen)
Operating Income ▲121million yen (yoy +154 million yen)

- Net sales rose and operating loss decreased thanks to an increase in dog grooming salon operation. The quarterly operating result became a profit based on year-end demand.
- Both new and repeat customers increased as a result of promotional activities appropriate for seasonal demand.
- The A-LOVE Yokohama Motomachi grooming salon was closed on December 31, 2019. Currently operating 24 salons across Japan.

【Quarterly Net Sales & Operating Income】

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



Global Business

Increase in recognition and market development carried out through business operation using the Group's expertise

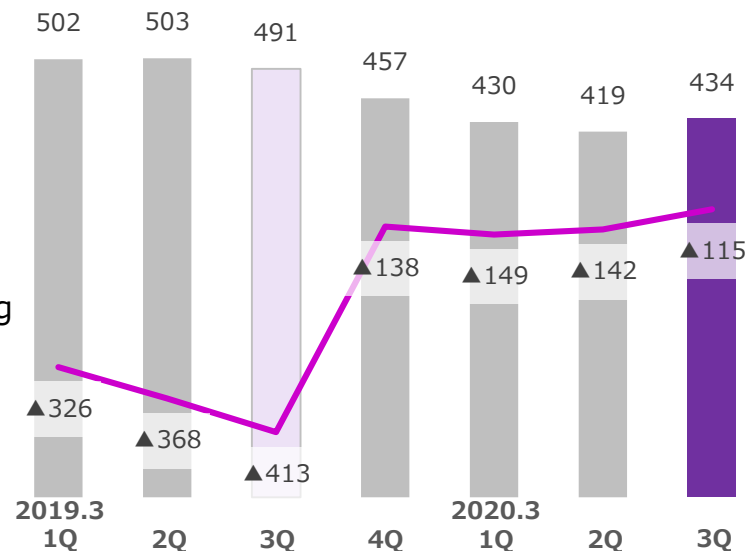
Overview of Financial Results

Net Sales 1,283million yen (yoy ▲213 million yen)
Operating Income ▲406million yen (yoy +701 million yen)

- Net sales decreased due to organizational restructuring. Operating loss decreased as a result of raising business efficiency by concentrating business in northern China.
- Focused on acquiring contracts for facility operation and training and consulting contracts such as support for the establishment of long-term care facilities using the Group's expertise.
- Opened facilities for dementia patients in Tianjin in July 2019 and Beijing in December 2019.

【Quarterly Net Sales & Operating Income】

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





FY2020.3 Earnings Forecast

FY2020.3 Earnings Forecast (Consolidated)

(Unit :million yen)

Consolidated	FY2019.3	FY2020.3	FY2020.3	
	4Q	3Q	4Q	
	Amount	Amount	Revised forecast	yoy(%)
Net Sales	287,822	223,471	298,600	3.7%
Operating Income	10,032	9,444	13,300	32.6%
%	3.5%	4.2%	4.5%	-
Ordinary Income	5,703	6,083	8,700	52.6%
%	2.0%	2.7%	2.9%	-
Profit attributable to owners of parent	6,108	3,378	4,700	▲ 23.1%
%	2.1%	1.5%	1.6%	-

Consolidated Net Sales by Segment

(Unit :million yen)

Net Sales	FY2019.3	FY2020.3	FY2020.3	
	4Q	3Q	4Q	
	Amount	Amount	Revised forecast	yoy(%)
Medical Support	107,773	85,597	113,900	5.7%
Long-term Care	151,444	115,608	154,100	1.8%
Child Care	12,559	10,709	14,900	18.6%
Health Care	1,632	1,299	1,800	10.3%
Education	11,941	8,328	11,200	▲ 6.2%
Therapy	547	568	700	28.0%
Global	1,953	1,283	1,800	▲ 7.8%
Others	1,410	622	900	▲ 36.2%
Eliminations	▲ 1,380	▲ 545	▲ 700	-
Total	287,882	223,471	298,600	3.7%

Consolidated Operating Income by Segment

(Unit :million yen)

Operating Income	FY2019.3	FY2020.3	FY2020.3	
	4Q	3Q	4Q	
	Amount	Amount	Revised forecast	yoy(%)
Medical Support	9,246	7,190	9,800	6.0%
Long-term Care	16,383	12,183	16,500	0.7%
Child Care	206	▲ 393	300	45.6%
Health Care	▲ 1,148	▲ 1,488	▲ 2,000	-
Education	▲ 4,110	▲ 323	▲ 900	-
Therapy	▲ 383	▲ 121	▲ 250	-
Global	▲ 1,246	▲ 406	▲ 550	-
Others	228	151	200	▲ 12.3%
Eliminations	▲ 9,143	▲ 7,348	▲ 9,800	-
Total	10,032	9,444	13,300	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.

Contact information

NICHIIGAKKAN Co., LTD.

PR Division, Public Relations Department

Corporate Governance Headquarters

Address: 2-9 Kanda Surugadai, Chiyoda-ku, Tokyo

Tel: 03-3291-3954 (PR Division)

E-mail: nichii-ir@nichiigakkan.co.jp