



NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

for the Three Months Ended Jun 30, 2018

August 9, 2018



Overview of Financial Results

Financial Results Highlights

(Unit: million yen)

	FY2018.3	FY2019.3	
	1Q	1Q	Change
Net Sales	70,313	70,835	+522
Operating Income	1,519	1,263	▲255
%	2.2%	1.8%	▲0.4pt
Ordinary Income	560	139	▲420
%	0.8%	0.2%	▲0.6pt
Profit attributable to owners of parent	510	▲ 158	▲669
%	0.7%	▲0.2%	▲0.9pt

Highlights of Financial Results

Net sales hit a record high. The focus was placed on increasing the top line.

1. In April 2018, the new medium-term management plan “VISION 2025” commenced.

- Commenced three reforms (organizational reforms, sales reforms and business structural reforms).
- Promotion of business reforms led by the site “Vision Progress Project (VIPRO)”

2. Net sales hit a record high.

- Led by the child care business and the Health Care Segment, which are in charge of promoting the active roles of women
- Decrease in net sales and income of the medical support business and the long-term care business, which are the main businesses; however, progress in contract optimization, strengthening of the response to moderate and severe cases and other actions for changing to a robust business structure

3. Costs are incurred due to strengthening the base for achieving the medium-term management plan.

- Improvement of treatment of staff
- Preparation for promotion in relation to the nationwide deployment of GABA and the deployment of the housekeeping support business by foreign staff
- Extraordinary loss due to the restructure of the Group (150 million yen)

Measures for sale expansion of the main business

Aim to increase the growth of the top line through the accumulation of results.

[Product strength]

- Response to customer needs and response to system change
- Improvement of customer satisfaction



Rise in sales per customer

- Net sales per hospital
- Unit price of home-visit long-term care

[Sales capability]

- Strengthening of sales system and comprehensive sales management
- Promotion of cooperation among groups and branches
- Various approaches by cross-selling



Increase in the number of corporate contracts

- Nichii Life corporate contract

[Supply power]

- Make workers into regular staff and change to indefinite-term employment
- Strengthening of sales of qualification courses and promotion of work
- Increase in the rate of operation of staff
- Investment in human resources (improvement of treatment)



Improvement of KPI

- Decrease in the number of people who leave their jobs
- Increase in the number of new workers
- Increase in students of the medical administration courses

Consolidated Net Sales and Operating Income by Segment

(Unit: million yen)

Net Sales	FY2018.3 1Q	FY2019.3 1Q	Change (%)
Medical Support	26,885	26,794	▲ 90
Long-term Care	37,462	37,448	▲ 13
Child Care	1,815	2,568	753
Health Care	332	381	48
Education	2,937	2,893	▲ 44
Therapy	51	88	37
Global	802	502	▲ 300
Others	398	508	109
Elimination	▲ 373	▲ 350	22
Total	70,313	70,835	522

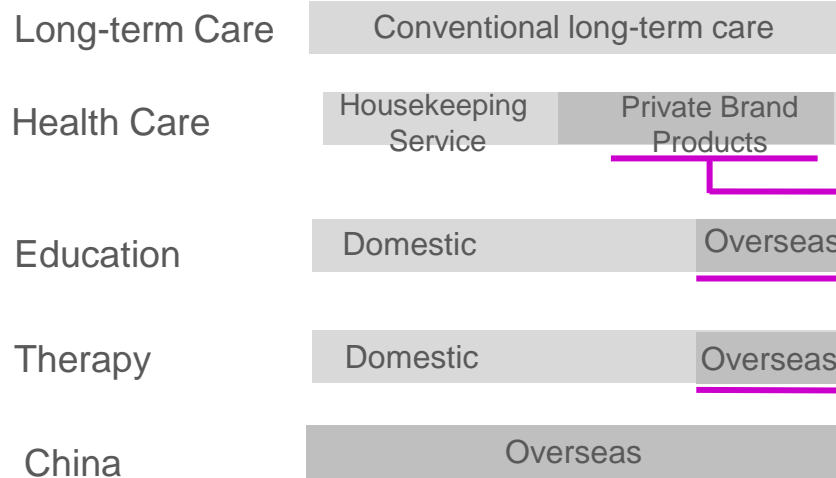
(Unit: million yen)

Operating income	FY2018.3 1Q	FY2019.3 1Q	Change (%)
Medical Support	2,201	2,119	▲ 81
Long-term Care	3,659	3,649	▲ 10
Child Care	▲ 571	▲ 404	167
Health Care	74	▲ 115	▲ 189
Education	▲ 1,030	▲ 1,210	▲ 179
Therapy	▲ 68	▲ 152	▲ 83
Global	▲ 480	▲ 326	153
Others	47	76	28
Eliminations	▲ 2,312	▲ 2,373	▲ 60
Total	1,519	1,263	▲ 255

Regarding the change of the segments

- Transfer of PB product sales of the Health Care Segment to the Long-Term Care Segment (in-home care)
- Concentration of profits of overseas subsidiaries in the new Global Segment

Old Segment



New Segment



Summary of Balance Sheet (Consolidated)

(Unit : million yen)

	End of March 2018	End of June 2018	Difference
Current assets	65,249	65,296	47
Fixed assets	124,990	123,344	▲1,645
Total assets	190,239	188,641	▲1,598
Current liabilities	60,459	58,465	▲1,993
Non-current liabilities	92,124	93,372	1,248
Total liabilities	152,583	151,838	▲745
Total net assets	37,656	36,803	▲852
Total liabilities and net assets	190,239	188,641	▲1,598

Summary of Cash Flows (Consolidated)

(Unit : million yen)

	FY2018.3 1Q	FY2019.3 1Q	Difference
Cash flows from Operating activities	171	▲ 1,463	▲ 1,635
Cash flows from Investing activities	▲ 722	707	1,429
Free cash flow	▲ 550	▲ 755	▲ 205
Cash flows from Financial activities	▲ 1,250	156	1,406
Cash and cash equivalents at end of year	14,461	17,651	3,190

Segment Overview

Core businesses Overview (Medical Support business)

Steady improvement in productivity per medical institution and per worker

[Overview of financial results]

Net sales: 26,794 million yen (yoy -90 million yen)

Operating income: 2,119 million yen (yoy -81 million yen)

- Net sales declined due to a decrease in the number of contract medical institutions.

Net sales per hospital increased.

- Due to a decrease in net sales, personnel expenses could not be absorbed and thus income declined.

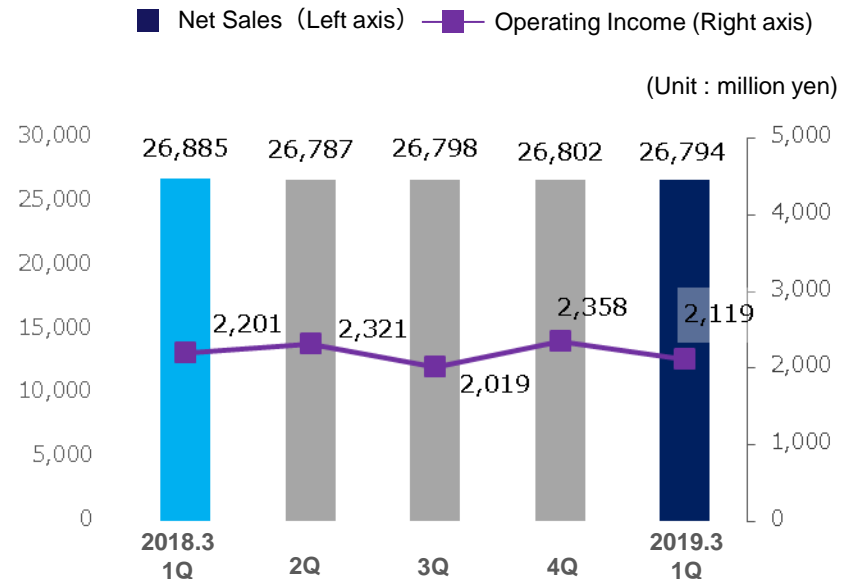
[Future actions]

- Strengthening of proposal-based selling

Support for workstyle reforms of health care providers
Expansion of net sales of the clinic department and
medical administration education
Contract optimization in the next fiscal year

- Strengthening of the foundations of human resources

[Quarterly Net Sales & Operating Income]



Core businesses Overview (Long-term Care business)

By strengthening the capability to respond to moderate and severe cases, focus is placed on business structure reforms.

[Overview of financial results]

Net sales: 37,448 million yen (yoy -13 million yen)

Operating income: 3,649 million yen (yoy -10 million yen)

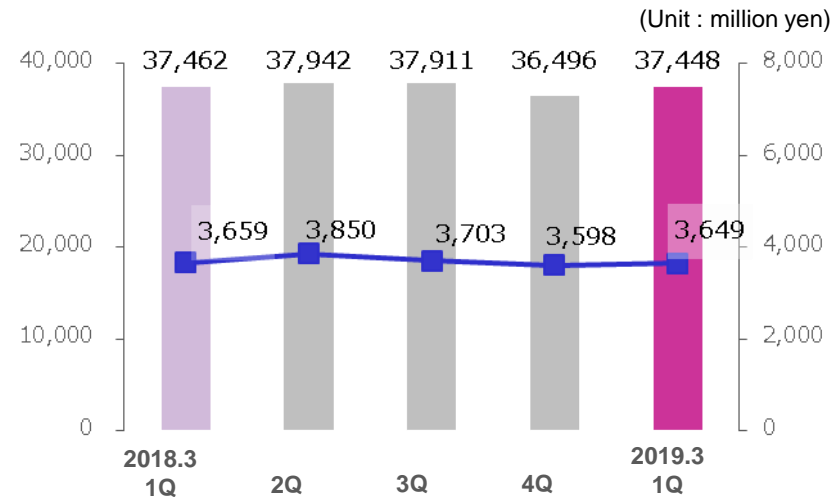
- Decrease in net sales and income due to a decrease in users of in-home care (needed support)
- In the residential care services, both net sales and income increased due to a rise in occupancy rates.

[Future actions]

- Acquisition of users of the in-home care service
- Strengthening of response to moderate and severe cases
- Promotion of use of sharing-type day services through cooperation with medical facilities
- Large-scale repair of the day services center
The repair of 77 facilities is planned during this fiscal period.
- Strengthening of the foundations of human resources

【 Quarterly Net Sales & Operating Income 】

■ Net Sales (Left axis) ■ Operating Income (Right axis)



Core businesses Overview (Child Care business)

**Active openings led the results of the Company.
The trend of the significant increase in net sales continued.**

[Overview of financial results]

Net sales: 2,568 million yen (yoy +753 million yen)

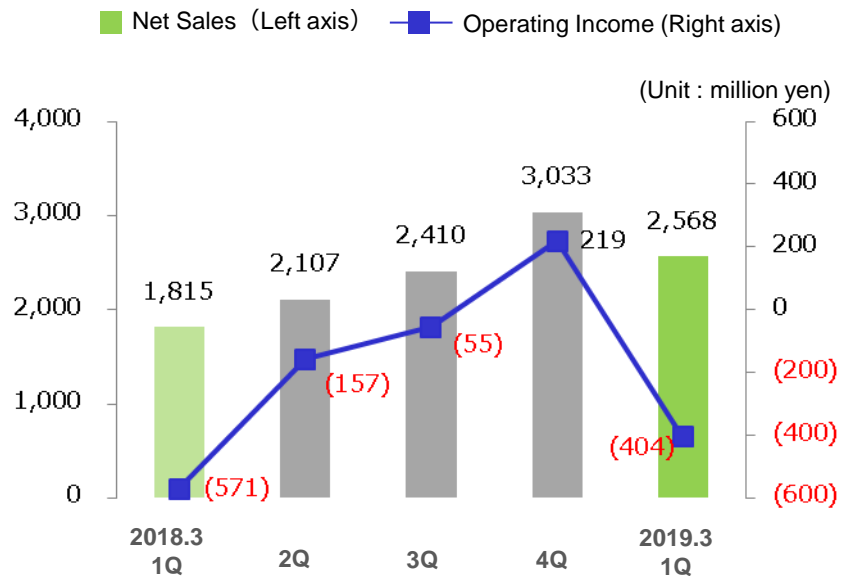
Operating income: -404 million yen (yoy +167 million yen)

- Net sales increased due to new openings (+40 facilities, 242 facilities in total) and the flexible management of facilities.
- The level of deficit reduced despite opening costs.

[Future actions]

- Flexible management of facilities
- Implementation of measures for community-based support for child care
- Promotion of placement of coordinators for child care with the aim of achieving better services

【 Quarterly Net Sales & Operating Income 】



Balance Supply businesses Overview (Health Care businesses)

Development of new customer groups through the deployment of Sunny Maid and cross-selling sales activities

[Overview of financial results]

Net sales: 381 million yen (yoy +48 million yen)

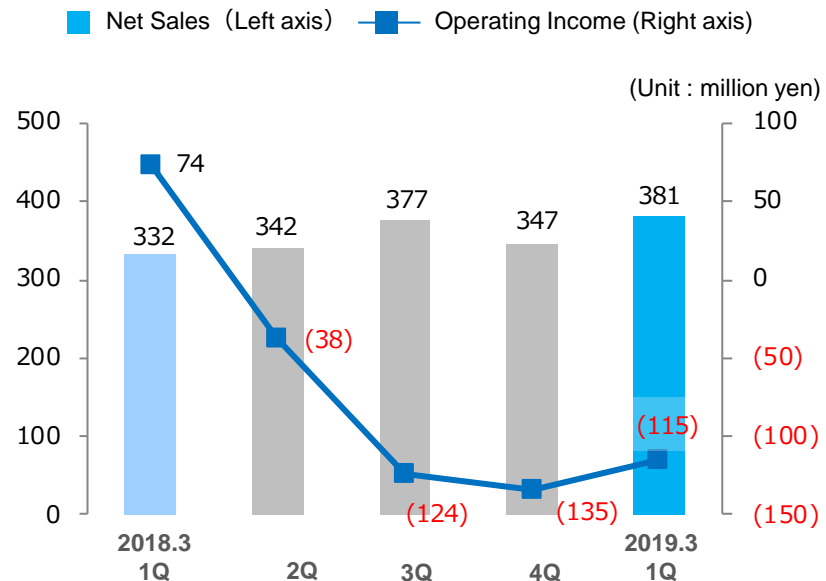
Operating income: - 115 million yen (yoy -189 million yen)

- Net sales increased due to an increase in the number of users of the housekeeping services.
- Due to the promotion of sales of Sunny Maid (the housekeeping support business by foreign staff) and preparations for deployment in the Kansai region, costs were incurred and thus income decreased.
- Before the end of June, 124 Philippine workers came to Japan.

[Future actions]

- By strengthening sales, promotion of the use of the regular use plan
- By cross-selling sales, development of new customers
- Improvement of the corporate plan
- Securing of human resources for the housekeeping services (domestically and in the Philippines)

【 Quarterly Net Sales & Operating Income 】



Balance Supply businesses Overview (Education businesses)

Brand reorganization/restructure and reforms are being promoted.

[Overview of financial results]

Net sales: 2,893 million yen (yoy -44 million yen)

Operating income: -1,210million yen (yoy -179 million yen)

- Net sales decreased due to the impact of the discount privilege for the persons who took the courses of the former COCO Juku and continued to take them, among other causes.
- Income decreased due to an increase in costs for promotion of newly deployed GABA schools, among other causes.

[Future actions]

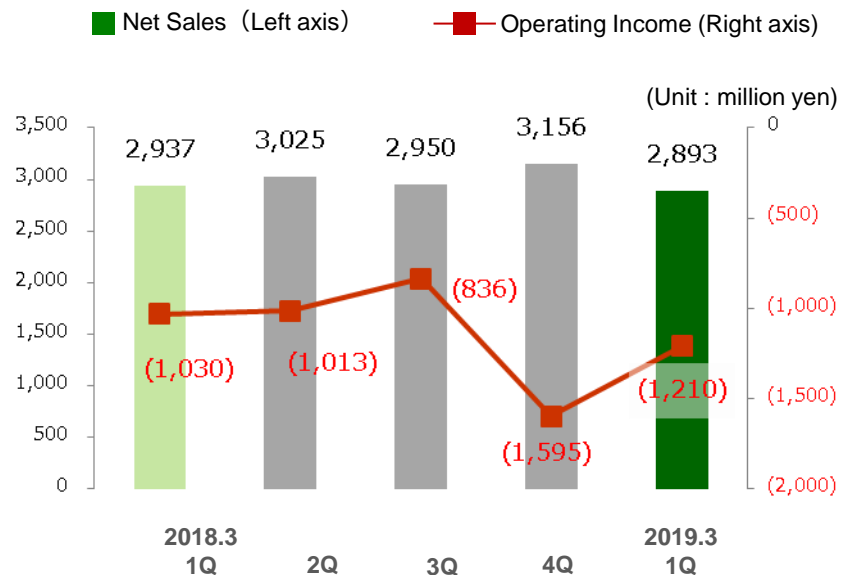
GABA

- Promotion of collaborative management by making the best use of the group resources
- Strengthening of the service support capability
- Strengthening of instructor training and counselling capability

COCO Juku Junior

- Community-based deployment of satellite classrooms

【 Quarterly Net Sales & Operating Income 】



Balance Supply businesses Overview (Therapy businesses)

The outlook of the deployment of salons became clear.
The acquisition of new/repeat customers was strengthened.

[Overview of financial results]

Net sales: 88 million yen (yoy + 37 million yen)

Operating income: -152 million yen (yoy -83 million yen)

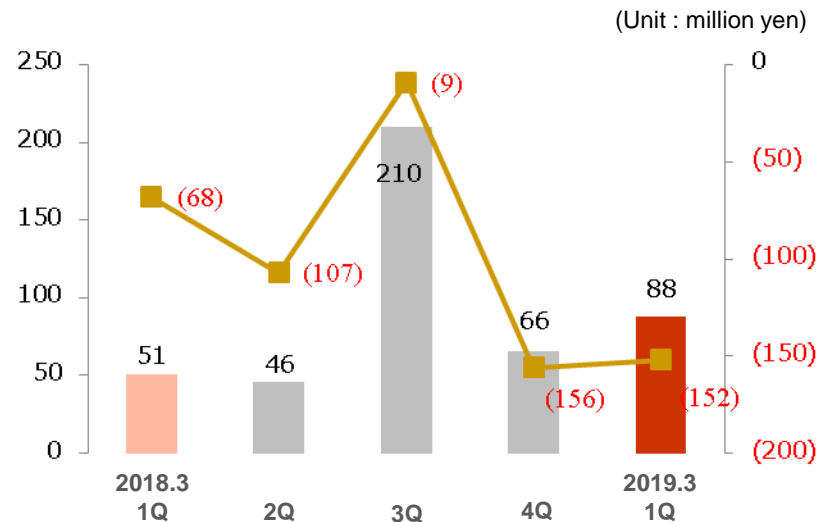
- Net sales increased due to the new deployment of grooming salons. In this first quarter, the number of facilities increased by one (20 facilities in total).
- Income decreased due to an increase in management costs attributable to the deployment of salons.

[Future actions]

- Acquisition of new customers and retention of repeat customers
- > Active promotion (social media, events)
- > Review of the membership system, among other aspects

【 Quarterly Net Sales & Operating Income 】

■ Net Sales (Left axis) ■ Operating Income (Right axis)



Global businesses

Efficient management was promoted through the restructure of the local companies with full ownership of capital/regional operating companies.

[Overview of financial results]

Net sales: 502 million yen (yoy -300 million yen)

Operating income: - 326 million yen (yoy +153 million yen)

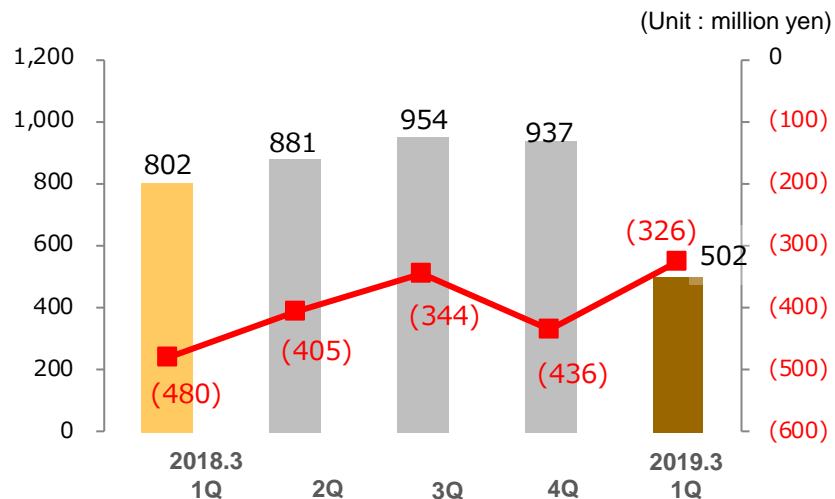
- Through the restructure of the Chinese local companies, two regional operating companies were excluded from the scope of the consolidated results, and thus net sales decreased/income increased.
- > Trinity Human Resource Co.,Ltd(termination of joint venture)
- > Shenyang Nichii Zhuer Family Services Co.,Ltd(termination of joint venture)

[Future actions]

- Promotion of business in the Nichii brand
- > Promotion of the undertaking of the nursing home that handles dementia
- > Strengthening of the deployment of the community old-age service business (work entrusted by the Ministry of Economy, Trade and Industry)
- > Strengthening of external sales of nursing care training
- > Pursuit of efficiency in the management of local subsidiaries

【 Quarterly Net Sales & Operating Income 】

■ Net Sales (Left axis) ■ Operating Income (Right axis)



FY2019.3 Earnings Forecast

FY2019.3 Earnings Forecast

(Unit :million yen)

	FY2018.3	FY2019.3	
	Amount	Amount	yoy (%)
Net Sales	283,767	314,500	10.8%
Operating Income	7,630	14,700	92.7%
%	2.7%	4.7%	-
Ordinary Income	3,628	10,500	189.4%
%	1.3%	3.3%	-
Profit attributable to owners of parent	854	6,300	637.3%
%	0.3%	2.0%	-

Consolidated Net Sales and Operating Income by Segment

(Unit : million yen)

Net Sales	FY2018.3	FY2019.3	Change (%)
Medical Support	107,272	113,200	5.5%
Long-term Care	149,811	162,100	8.2%
Child Care	9,365	13,000	38.8%
Health Care	1,398	3,500	150.2%
Education	12,068	17,000	40.9%
Therapy	373	1,400	275.1%
Global	3,574	4,400	23.1%
Others	1,933	1,900	-1.8%
Eliminations	▲ 2,030	▲ 2,000	-
Total	283,767	314,500	10.8%

(Unit : million yen)

Operating Income	FY2018.3	FY2019.3	Change (%)
Medical Support	8,899	10,800	21.4%
Long-term Care	14,810	15,000	1.3%
Child Care	▲ 564	400	-
Health Care	▲ 223	▲ 770	-
Education	▲ 4,474	▲ 900	-
Therapy	▲ 340	40	-
Global	▲ 1,665	▲ 500	-
Others	204	250	22.4%
Eliminations	▲ 9,014	▲ 9,620	-
Total	7,630	14,700	92.7%

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