

NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

for the Three Months Ended June 30, 2019

August 8, 2019

やさしさを、私たちの強さにしたい。





Overview of Financial Results

Financial Results Highlights

1

Achieved another record high in quarterly net sales by returning to the roots of NICHII's strengths based on its core businesses.

2

A continuous improvement in profitability resulted in the highest profit in eight quarters.

(Unit: million yen)

	FY2019.3	FY2020.3		
	1Q	1Q	Difference (yoy)	Change
Net Sales	70,835	73,523	+2,687	3.8%
Operating Income	1,263	2,723	+1,459	115.5%
%	1.8%	3.7%	-	-
Ordinary Income	139	1,574	+1,434	-
%	0.2%	2.1%	-	-
Profit attributable to owners of parents	▲ 158	927	+1,086	-

Overviews by Business Segment (Consolidated Net Sales)

(Unit: million yen)

Net Sales	FY2019.3 1Q	FY2020.3 1Q	Difference (yoy)	Change
Medical Support	26,794	28,467	+1,673	6.2%
Long-term Care	37,448	38,059	+611	1.6%
Child Care	2,568	3,153	+585	22.8%
Health Care	381	423	+42	11.0%
Education	2,893	2,785	▲108	▲ 3.7%
Therapy	88	145	+57	64.8%
Global	502	430	▲72	▲ 14.3%
Others	508	210	▲298	▲ 58.7%
Eliminations	▲ 350	▲ 153	+197	-
Total	70,835	73,523	+2,687	3.8%

Overviews by Business Segment (Consolidated Operating Income)

(Unit: million yen)

Operating Income	FY2019.3 1Q	FY2020.3 1Q	Difference (yoy)	Change
Medical Support	2,119	2,359	+240	11.3%
Long-term Care	3,649	4,191	+542	14.9%
Child Care	▲ 404	▲ 546	▲ 142	-
Health Care	▲ 115	▲ 493	▲ 378	-
Education	▲ 1,210	▲ 56	+1,154	-
Therapy	▲ 152	▲ 85	+67	-
Global	▲ 326	▲ 149	+177	-
Others	76	47	▲ 29	▲ 38.2%
Eliminations	▲ 2,373	▲ 2,542	▲ 169	-
Total	1,263	2,723	+1,459	115.5%

Overviews by Business Segment (Consolidated Ordinary Income)

(Unit: million yen)

Ordinary Income	FY2019.3 1Q	FY2020.3 1Q	Difference (yoy)	Change
Medical Support	2,155	2,390	+235	10.9%
Long-term Care	2,525	3,040	+515	20.4%
Child Care	▲ 448	▲ 581	▲ 133	-
Health Care	▲ 115	▲ 494	▲ 379	-
Education	▲ 1,213	▲ 77	+1,136	-
Therapy	▲ 152	▲ 85	+67	-
Global	▲ 381	▲ 165	+216	-
Others	77	50	▲ 27	▲ 35.1%
Eliminations	▲ 2,309	▲ 2,503	▲ 194	-
Total	139	1,574	+1,434	-

Summary of Balance Sheet (Consolidated)

(Unit : million yen)

		End of March 2019	End of June 2019	Difference
	Current assets	65,684	67,251	+1,566
	Fixed assets	127,955	126,753	▲1,201
Total assets		193,640	194,005	+364
	Current liabilities	60,664	62,835	+2,171
	Non-current liabilities	91,898	90,302	▲1,596
Total liabilities		152,562	153,137	+574
Total net assets		41,077	40,867	▲209
Total liabilities and net assets		193,640	194,005	+364



Segment Overview

(Core Business) Medical Support

Achieved sales growth of 6.2% by acquiring medical administration contracts and undertaking new consolidation

Overview of Financial Results

Net Sales 28,467million yen (yoy+1,673 million yen)
Operating Income 2,359million yen (yoy +240 million yen)

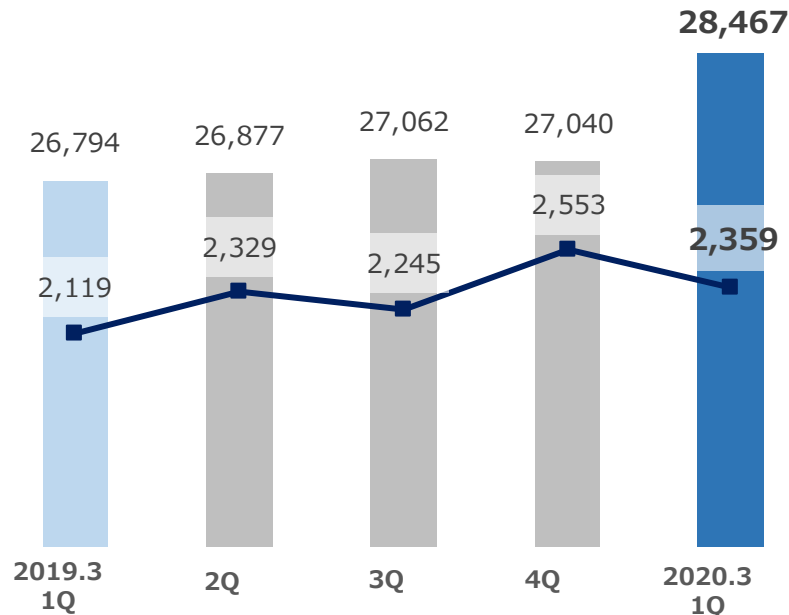
- Net sales and income increased by acquiring new contracts with large hospitals and consolidating Yao Medical PFI Co., Ltd.
- Maintained an upward trend in the number of persons taking the medical administration course

Future actions

- Promote the medical administration course to increase participant numbers, provide employment guidance upon the completion of the course, and improve recruitment activities
- Strengthen sales activities to acquire new contracts with hospitals and clinics

【Quarterly Net Sales & Operating Income】

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



(Reference) about Yao Medical PFI Co., Ltd

Representative company : NICHIIIGAKKAN CO., LTD. (51% investment)

Investment company : KANDEN Facilities., LTD ,Mitsubishi Corporation
Japan Clinical Laboratories,Inc.

Contract : 1st period (2014.4~2019.3) 、 2nd period (2019.4~2034.3)

2Q Net Sales (Forecast) : 3,500million yen (1Q amount 1,134million yen)

● Feature of Yao Medical PFI Co., Ltd

Yao Medical PFI Co., Ltd

Request level monitoring



Proposal and implementation

Yao Medical PFI Co., Ltd (SPC)

Facility maintenance

Facility management

Hospital operation
(8 business of cabinet order)

Other hospital operations



(Core Business) Long-Term Care

The trend of improvement in productivity per worker continued thanks to an increase in the occupancy of long-term care facilities and the service unit price

Overview of Financial Results

Net Sales 38,059million yen (yoy +611million yen)
Operating Income 4,191million yen (yoy +542million yen)

→Net sales and income grew thanks to the high occupancy of long-term care facilities and an increase in the unit price for using services.

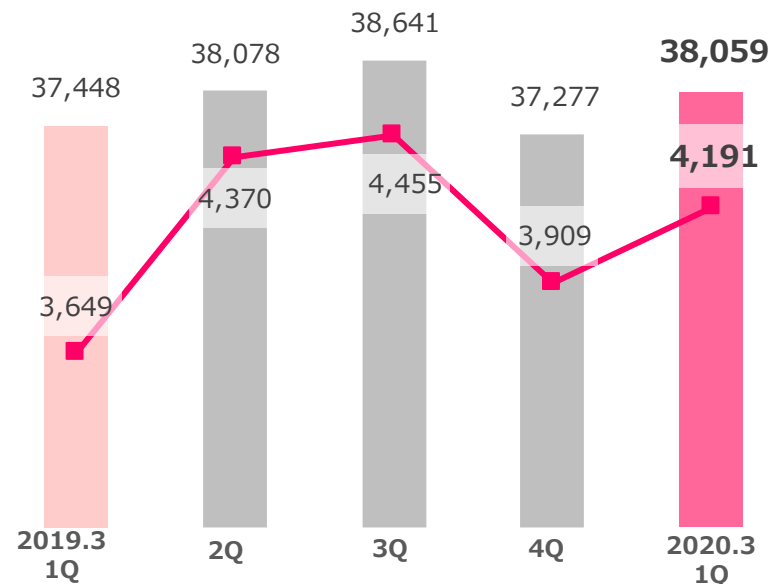
→The total number of people using long-term care benefits and support for the independence of people with disabilities increased steadily.

Future actions

- In-home care service: Continue to improve responses to patients in a moderate or severe condition
- Residential care service: Maintain high occupancy by taking measures such as campaigns
- Human resources: Continue to improve employee compensation
Continue to take measures to acquire human resources at the facilities

【Quarterly Net Sales & Operating Income】

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



(Core Business) Child Care

Maintained the trend of sales growth by actively opening childcare facilities

Overview of Financial Results

Net Sales 3,153million yen (yoy +585million yen)
Operating Income ▲546million yen (yoy ▲142million yen)

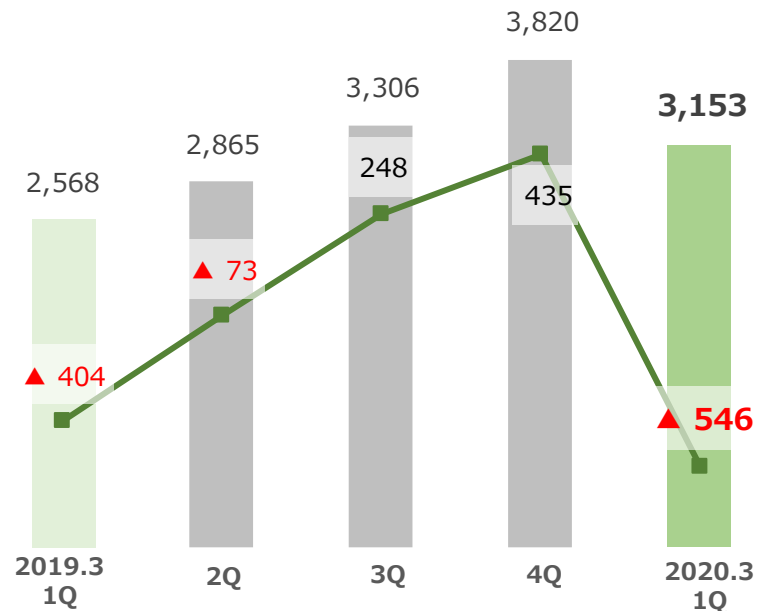
- Established 34 new childcare facilities in the 1st quarter (total of 285 locations)
- Net sales increased due to higher occupancy at existing facilities
- Income decreased due to upfront expenses for establishing new facilities

Future actions

- Acquire corporate-user contracts for corporate-run childcare centers and promote expansion in regional usage limits
- Strengthen sales activities targeting local governments
- Take measures to increase recognition in communities (hold private viewings, childcare events, etc.)

【Quarterly Net Sales & Operating Income】

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



(BS Business) Health Care

Focused on the development of the human resources base in view of growth in the housekeeping service market

Overview of Financial Results

Net Sales 423million yen (yoy +42million yen)
Operating Income ▲493million yen (yoy ▲378million yen)

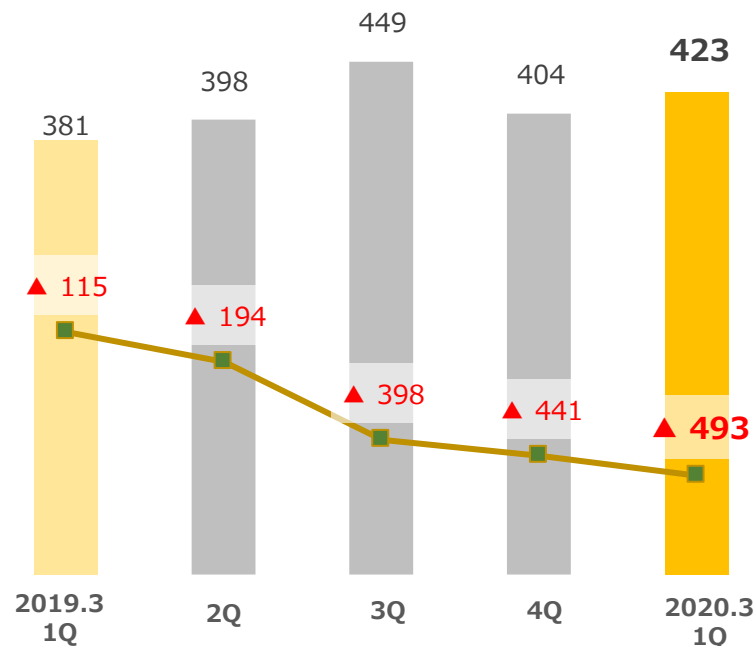
- Increased net sales by acquiring customers through campaigns and corporate contracts
- Income decreased due to an increase in upfront expenses for accepting foreign personnel

Future actions

- Prepare for the expansion of areas to provide services (planning to expand to Aichi Pref. in September and Chiba city in Chiba Pref. in the 4th quarter)
- Strengthen sales promotion through campaigns, events, etc.
- Strengthen sales activities targeting companies

【Quarterly Net Sales & Operating Income】

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



(BS Business) Education

Steady progress made to turn a profit
at an early stage based on the new Gaba 50 LS organization

Overview of Financial Results

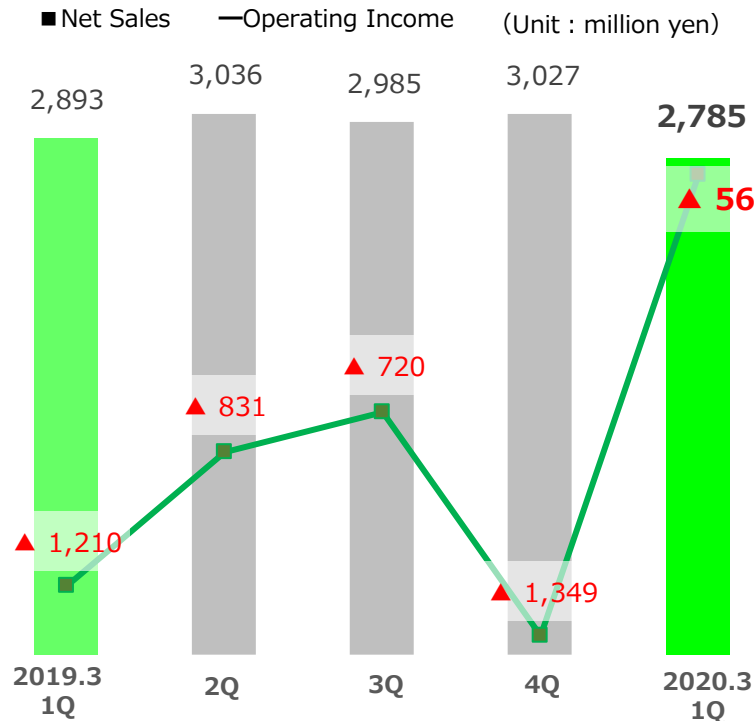
Net Sales 2,785million yen (yoy ▲108million yen)
Operating Income ▲56million yen (yoy +1,154million yen)

- Income decreased due to withdrawal from the COCO Juku business
- Operating loss was reduced by school closures, a decrease in advertising expenses, etc.
- Maintained a stable number of participants in the conventional Gaba 44 Learning Studios (“LS”)

Future actions

- Improve acquisition of new participants (promote through trial lessons and improve measures to increase sales per customer)
- Improve the retention of continuing participants (improve promotion for continuous participation)
- Take measures to close franchise schools (end of March 2020)

【Quarterly Net Sales & Operating Income】



(BS Business) Therapy

New and repeat customers increased thanks to successful campaigns and other promotional activities

Overview of Financial Results

Net Sales 145million yen (yoy +57million yen)
Operating Income ▲85million yen (yoy +67million yen)

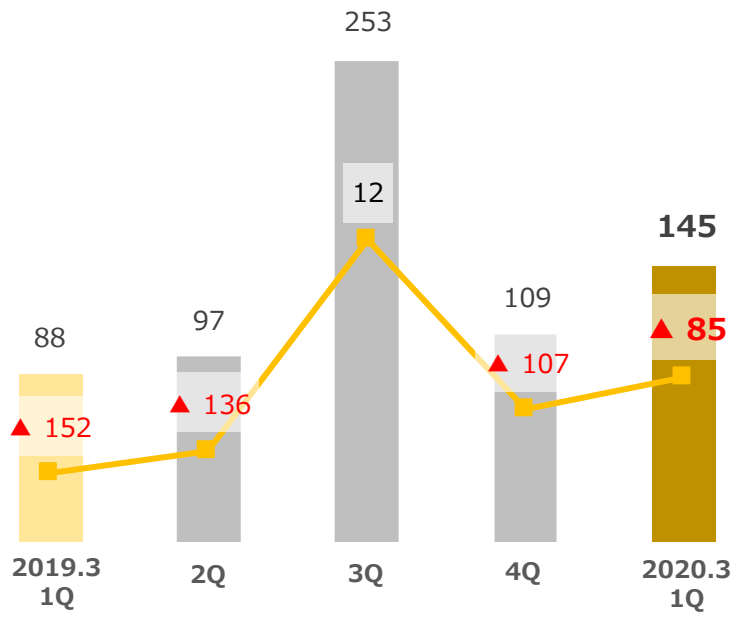
→Net sales increased and operating loss decreased due to an Increase in the number of customers as a result of campaigns and other promotional activities to meet seasonal demand.
→Salons moving into the black in single months increased.

Future actions

- Further improve target-specific campaigns and events
- Prepare for the opening of a new salon in July
*One opening in the quarter under review (the total will be 25 salons)

【Quarterly Net Sales & Operating Income】

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



Global Business

Increased profit by concentrating management resources through corporate reorganization

Overview of Financial Results

Net Sales 430million yen (yoy ▲72million yen)
Operating Income ▲149million yen (yoy +177million yen)

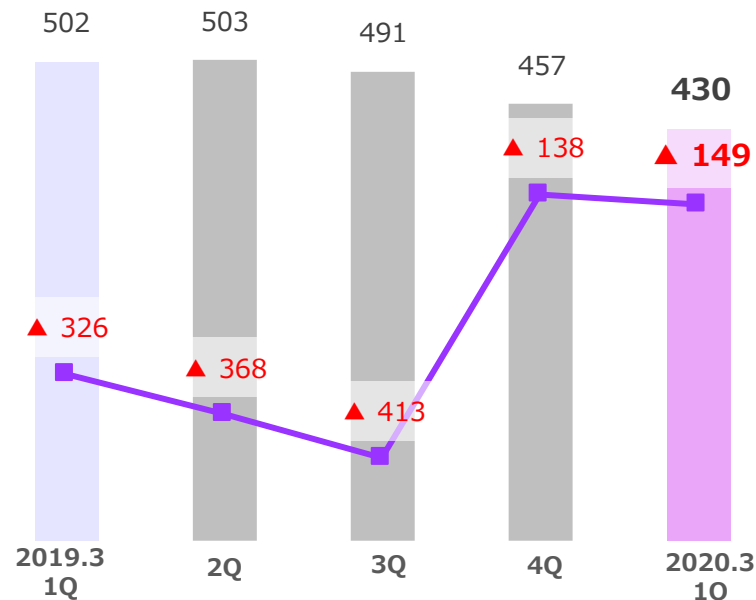
- Net sales decreased, primarily due to the reorganization of the joint venture in China
- Operating loss decreased due to corporate reorganization (integrated management function with Nichii Beijing)

Future actions

- Acquire contracts for the operation of facilities that treat dementia patients in China
- Improve the promotion of BtoB and BtoC long-term care training
- Improve the acquisition of consulting projects for the establishment of long-term care facilities

【Quarterly Net Sales & Operating Income】

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





FY2020.3 Earnings Forecast

FY2020.3 Earnings Forecast

(Unit :million yen)

Consolidated	FY2019.3	FY2020.3	Difference (yoy)	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%	-	

Consolidated Net Sales by Segment

(Unit :million yen)

Net Sales	FY2019.3	FY2020.3	Difference (yoy)	Change
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%
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%
Others	1,410	700	▲710	▲ 50.4%
Eliminations	▲ 1,380	▲ 700	+680	-
Total	287,882	303,000	+15,118	+5.3%

Consolidated Operating Income by Segment

(Unit : million yen)

Operating Income		FY2019.3	FY2020.3	Difference (yoy)	Change
Core Business	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%
BS Business	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	-
Others		228	200	▲ 28	▲ 12.3%
Eliminations		▲ 9,143	▲ 9,000	+143	-
Total		10,032	15,200	+5,168	+51.5%

Consolidated Ordinary Income by Segment

(Unit : million yen)

Ordinary Income	FY2019.3	FY2020.3	Difference (yoy)	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	-
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	-
Others	242	200	▲ 42	▲ 17.4%
Eliminations	▲ 8,871	▲ 9,000	▲ 129	-
Total	5,703	11,000	+5,297	+92.9%

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