

**NICHII GAKKAN COMPANY**  
For the First Half of the Year  
Ending March 2012 (FY2012)  
**Financial Results Briefing Document**

November 8, 2011

やさしさを、私たちの強さにしたい。



## 1. 1H FY2012 Overview of Financial Results

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**Information Meeting of  
Financial Report  
for the First Half of the Year  
Ending March 31, 2012**

**Masatoshi Saito  
President and Representative Director**

Information Meeting  
of Financial Report  
for the First Half of the Year  
Ending March 2012

# 1H FY2012 financial results

## Consolidated

(Million yen)

	1H FY2011	1H FY2012		
	Result	Result	YoY	Beginning of Period Forecast
<b>Net sales</b>	<b>119,623</b>	<b>123,342</b>	<b>3.1%</b>	<b>123,700</b>
<b>Operating income</b>	<b>3,401</b>	<b>4,902</b>	<b>44.1%</b>	<b>3,600</b>
%	2.8%	4.0%		2.9%
<b>Ordinary income</b>	<b>3,727</b>	<b>4,855</b>	<b>30.3%</b>	<b>3,500</b>
%	3.1%	3.9%		2.8%
<b>Net income</b>	<b>1,329</b>	<b>2,208</b>	<b>66.2%</b>	<b>1,400</b>
%	1.1%	1.8%		1.1%

<b>&lt;Reference&gt; Comprehensive Income</b>	<b>1,207</b>	<b>2,233</b>	<b>85.0%</b>	
%	1.0%	1.8%		

# Overview of 1H FY2012 – Summary of financial result -

## 1. Another record-high of 1H net sales

- 1) Net sales reached another record high (4 consecutive years).  
→ ¥123,342 million (+3.1% year on year)
- 2) Performance of the mainstay Medical Support and Health Care businesses is trending upward.
- 3) The impact of the earthquake on the Group's performance is limited.

## 2. Three consecutive years of higher profits

- 1) Operating income: The 3rd highest of ¥4,902 million (+ 44.1% year on year)  
Significantly increased because operational efficiency of mainstay businesses improved.
- 2) Ordinary income: ¥4,855 million (+30.3% year on year)
- 3) Net income: ¥2,208 million (+66.2% year on year)

Operating income of 1H FY2004	Operating income of 1H FY2003
¥6,644 million	¥5,551 million

## 3. Strengthening of group management capabilities

- 1) Transition to the new executive management system
- 2) Making of GABA Corporation into a consolidated subsidiary as of Sept. 29, 2011 via TOB
- 3) Beginning of preparations by Nichii Carenet Co., Ltd. to develop business in China
- 4) Profitability at Nichii Care Palace Co., Ltd. for month of June

# 1H FY2012 net sales and operating income by business

## Consolidated net sales

(Million yen)

	1H FY2011 Result	1H FY2012		
		Result	YoY (%)	Beginning of Period Forecast
Medical Support Business	51,223	51,444	0.4%	51,700
Health Care Business	61,177	65,914	7.7%	65,600
Education Business	7,076	5,900	(16.6)%	6,100
Other Businesses	805	659	(18.2)%	800
Eliminations	(660)	(576)	-	(500)
<b>Total</b>	<b>119,623</b>	<b>123,342</b>	<b>3.1%</b>	<b>123,700</b>

## Consolidated operating income

(Million yen)

	1H FY2011 Result	1H FY2012		
		Result	YoY (%)	Beginning of Period Forecast
Medical Support Business	2,951	3,884	31.6%	3,200
Health Care Business	3,102	4,758	53.4%	4,100
Education Business	1,043	358	(65.7)%	400
Other Businesses	5	(250)	-	(100)
Eliminations	(3,700)	(3,847)	-	(4,000)
<b>Total</b>	<b>3,401</b>	<b>4,902</b>	<b>44.1%</b>	<b>3,600</b>

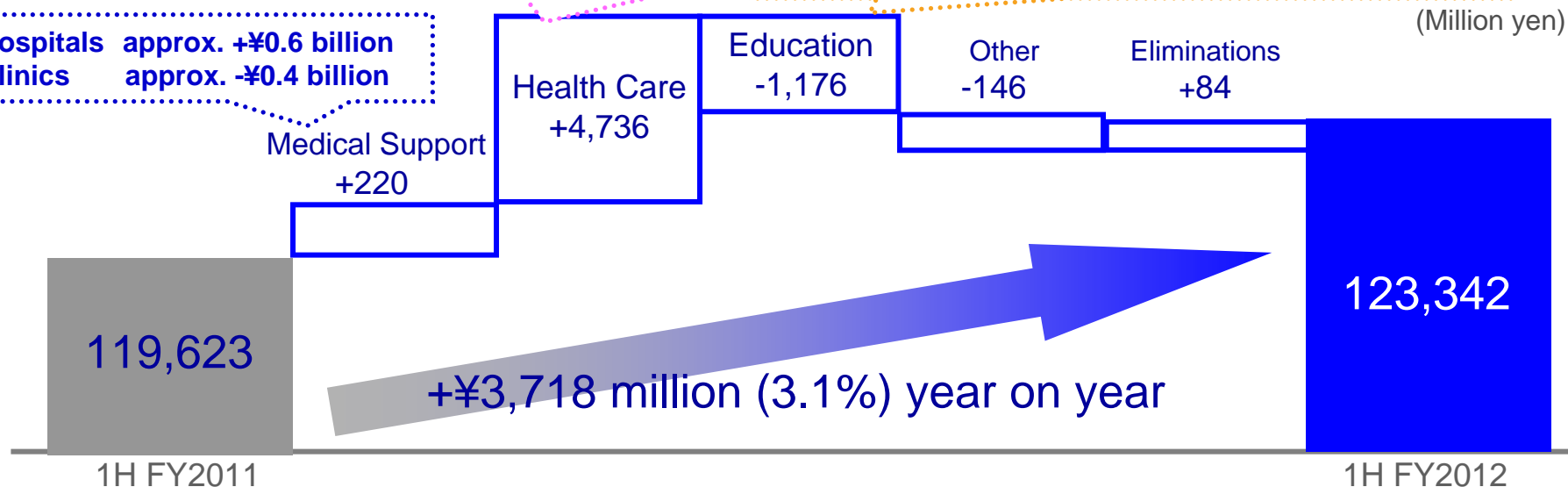
# Factors of changes in net sales and operating income

## Net sales

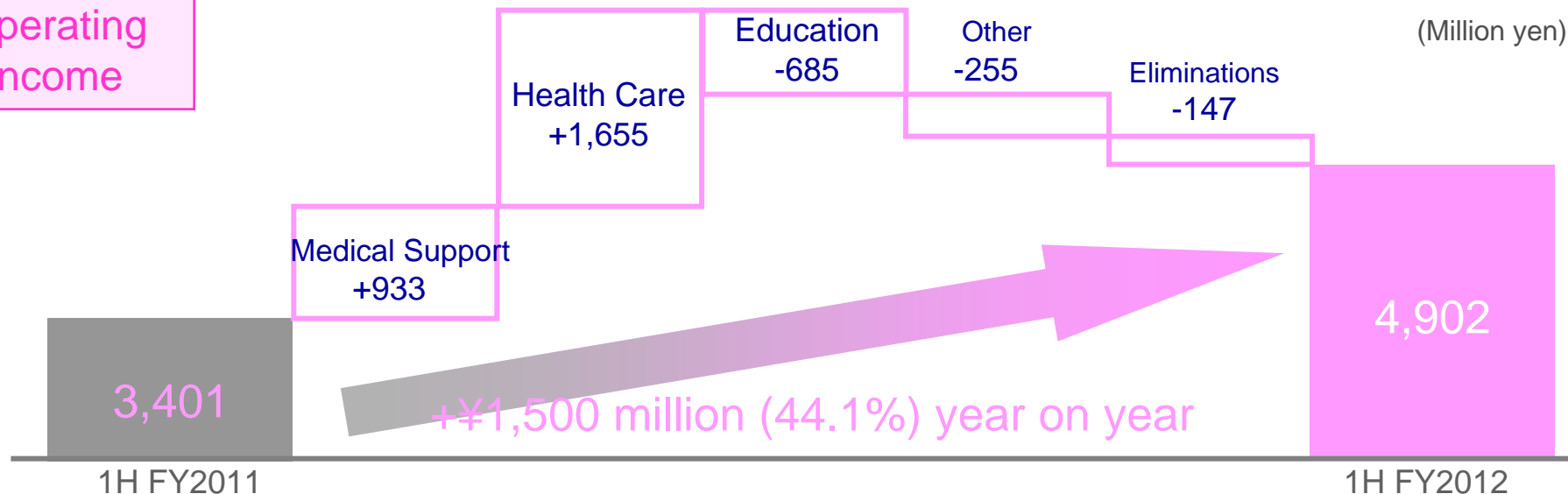
Home care approx. +¥3.2 billion  
 Facility care approx. +¥1.5 billion

Medical Administration course approx. -¥0.8 billion  
 Home Helper course approx. -¥0.3 billion

Hospitals approx. +¥0.6 billion  
 Clinics approx. -¥0.4 billion

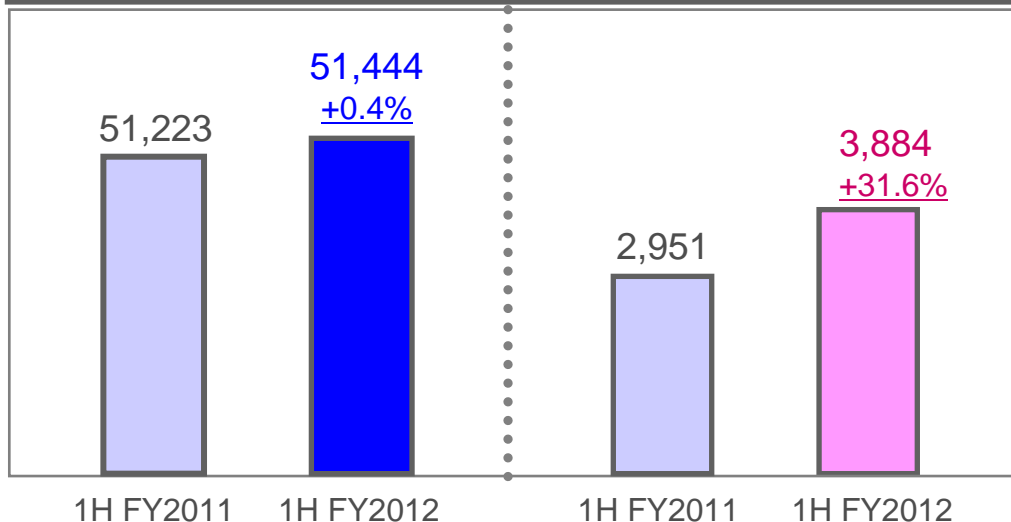


## Operating income



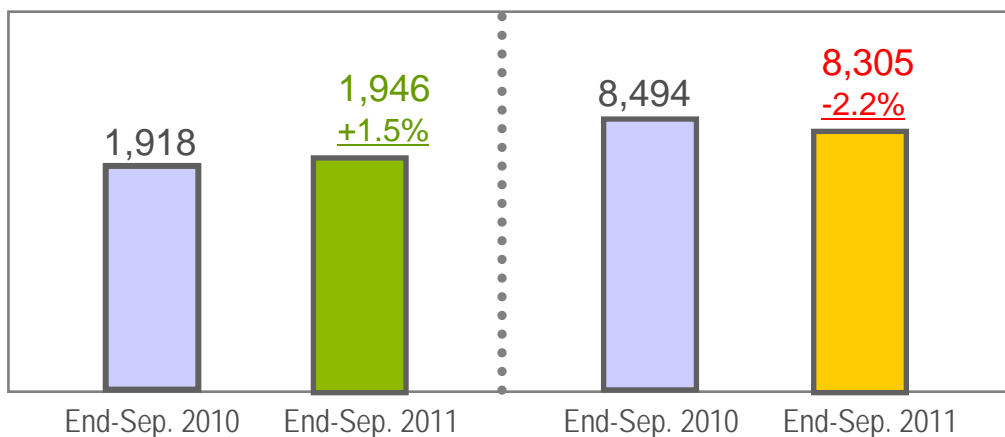


Consolidated ■ Net sales ■ Operating income (Million yen)



Number of contracted medical institutions

■ Hospitals ■ Clinics (Cases)



## Overview of financial results for 1H FY2012

### Contract revision strategy beginning to pay off in 4th year of implementation

#### ◆ Expanded net sales to hospitals

- Upward trend in net sales maintained through expanded business with hospitals under contract
- Signing of new contracts promoted primarily with private hospitals  
→ Hospitals under contract grew by 28

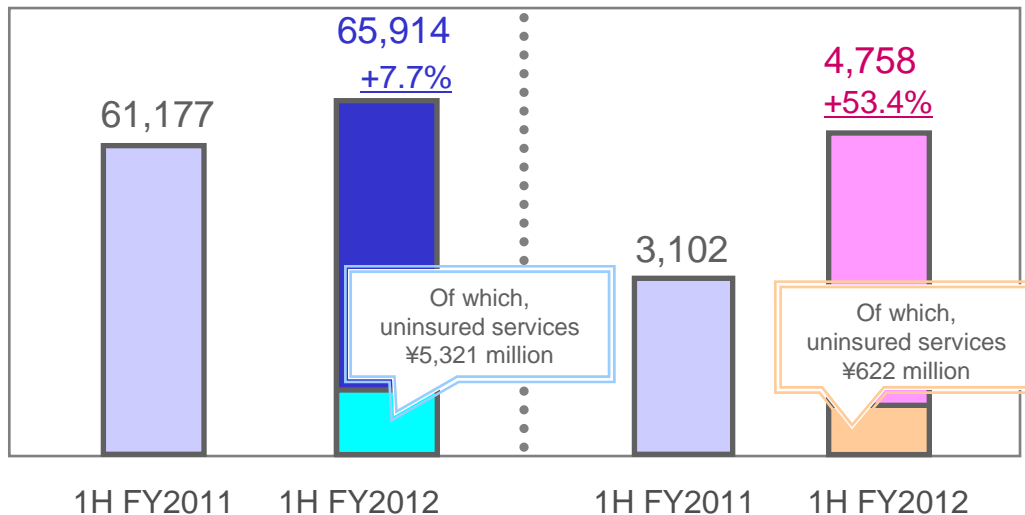
#### ◆ Improved operational efficiency

- Continued increases in staff compensation
- Increased profitability through operational efficiency improvements  
→ Operating income: +¥933 million (31.6%) year on year

#### ◆ Expanded management support services

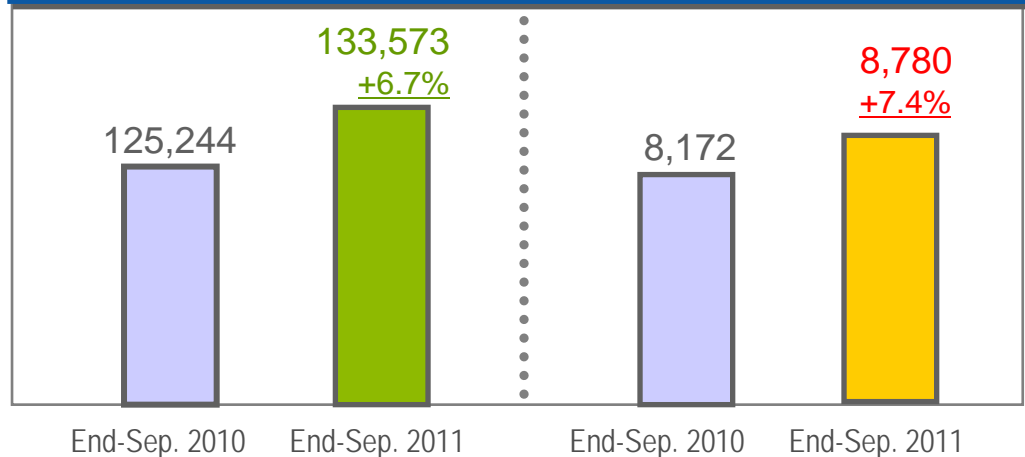
- Expanded the “cyber clerk” and other management support services
- Began offering the “Medi-Antenna” medical care market survey service and other services

Consolidated ■ Net sales ■ Operating income (Million yen)



Number of users by service

■ Home care ■ Facility care (Cases)



## Overview of financial results for 1H FY2012

### ◆ Status of home-care and facility-care services

- Usage of home-care services  
Home-care services: +6.6% from Sep. 30, 2010  
Care plan: +8.4% from Sep. 30, 2010
- Facility-care services openings and usage status  
Opened 20 new facilities during the first half, bringing the total to 320  
Usage rate of 93.3% comparable to last year (94.5% as of Sep. 2010)

### ◆ New openings of primary service facilities

	End-Mar. 2011	End-Sep. 2011
Care plan	694	717 (+23)
Home-visit	1,022	1,043 (+21)
Day-care	294	304 (+10)
Hohoemi	217	233 (+16)
Kirameki	34	38 (+4)
Nichii Home	48	48 (±0)

### ◆ Status of services not covered by insurance

- Users of welfare services for the handicapped:  
+31.4% from Sep. 30, 2010

### ◆ Status of home-visit nursing care services

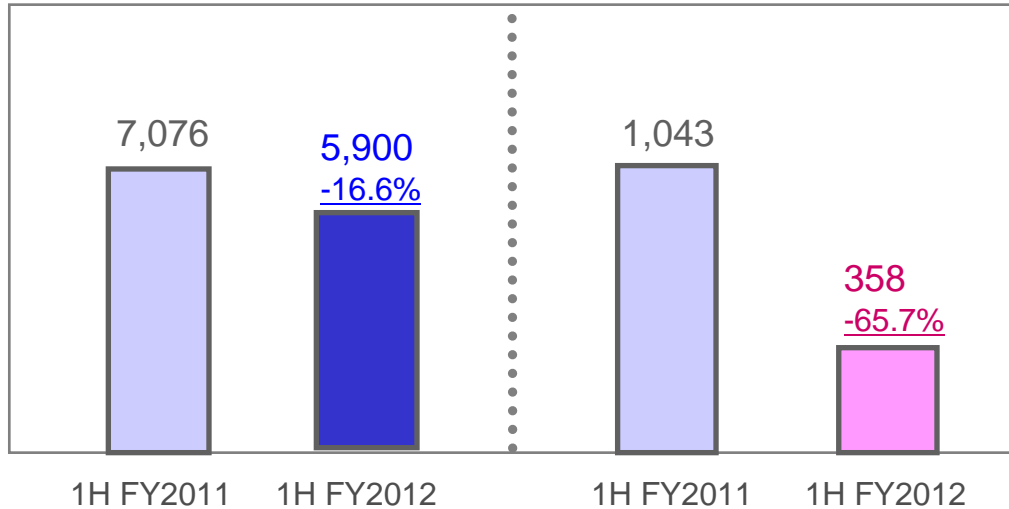
- Opened 16 new facilities during the first half, bringing the total to 18  
→ Developing services that will strengthen ties between medical and nursing-care communities and increase customer satisfaction

# Health Care Business 1H FY2012 results – Facility care service –

(Million yen)

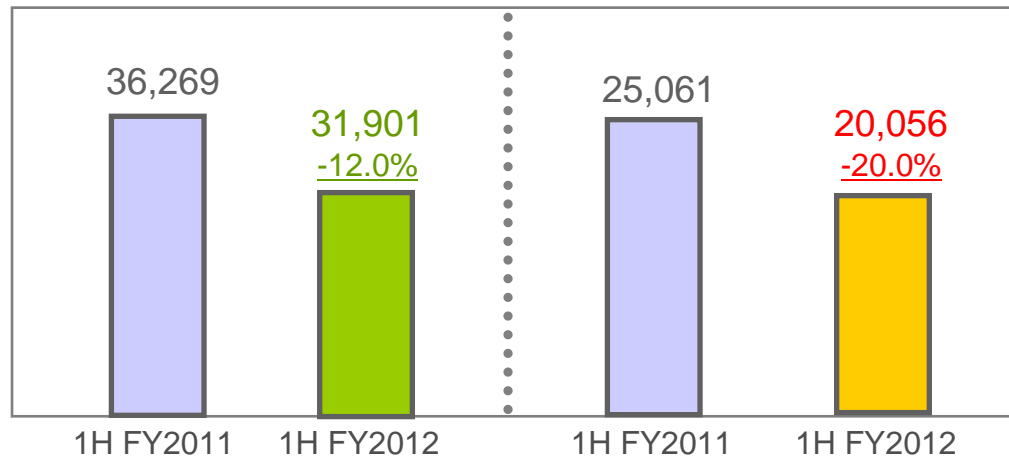
		FY2011			FY2012			
		1Q	2Q	First half	1Q	2Q	First half	
		Result	Result	Result	Result	Result	Beginning of Period Forecast	Result
	Hohoemi	4,266	4,416	8,683	4,645	4,834	9,500	9,479
	Kirameki	1,622	1,653	3,276	1,732	1,828	3,600	3,560
	Nichii Home	3,688	3,816	7,505	3,912	4,028	8,000	7,940
Net sales		9,578	9,885	19,464	10,290	10,690	21,100	20,980
	Hohoemi	557	647	1,204	735	845	1,300	1,580
	%	13.1%	14.7%	13.9%	15.8%	17.5%	13.7%	16.7%
	Kirameki	165	202	367	189	214	400	403
	%	10.2%	12.2%	11.2%	10.9%	11.7%	11.1%	11.3%
	Nichii Home	116	162	278	244	310	550	554
	%	3.1%	4.2%	3.7%	6.2%	7.7%	6.9%	7.0%
Gross profit		839	1,011	1,850	1,168	1,369	2,250	2,539
%		8.8%	10.2%	9.5%	11.4%	12.8%	10.7%	12.1%

Consolidated ■ Net sales ■ Operating income (Million yen)



Number of students by course (Students)

■ Home Helper Level 2 course ■ Medical Administration course



## Overview of financial results for 1H FY2012

- ◆ **The number of students of the two main courses**
  - Home Helper Level 2 course:  
31,901 students (-12.0% year on year)
  - Medical Administration course:  
20,056 students (-20.0% year on year)
- ◆ **Further develop Web College (e learning course)**
  - Began offering 12 new courses in September (bringing total to 72 courses)
- ◆ **Aggressively moved ahead with efforts to win job training program contracts**
  - Actively pursued contracts of job training programs by public bodies and Human Resources Development Assistance Program (such as the government's support program "Study and obtain a qualification as a care worker while working at long-term care facilities" and the subsidized job trainings)
- ◆ **Made GABA Corporation into a subsidiary**
  - Acquired 96.59% of the issued and outstanding shares via TOB and other means
  - Made GABA Corporation into a consolidated subsidiary as of September 29, 2011

# FY2012 Forecast

## Consolidated

(Million yen)

	FY2011	FY2012		
	Amount	Revised Forecast	YoY (%)	Beginning of Period Forecast
Net sales	240,827	253,700	5.3%	250,000
Operating income	7,868	11,000	39.8%	9,000
%	3.3%	4.3%		3.6%
Ordinary income	9,660	11,700	21.1%	9,300
%	4.0%	4.6%		3.7%
Net income	3,478	5,700	63.9%	4,500
%	1.4%	2.2%		1.8%

## 1. Another record-high sales

Net sales to be reached record high: ¥253,700 million (+5.3% year on year)

Health care                    ¥ 134,300 million (+8.0% year on year)

Medical support            ¥ 103,700 million (+0.5% year on year)

## 2. Three consecutive years of higher operating income, revised upwards of the beginning of period forecast

¥11,000 million (+39.8% year on year)

Helped by a remarkable profitability improvement in mainstay businesses

## 3. Strengthening of group management capabilities

1) Profitability at Nichii Care Palace Co., Ltd.

2) GABA Corporation slated to become a wholly owned subsidiary via share exchange

Results contribution for FY2012: Net sales of approx. ¥4,300 million, operating income of approx. ¥400 million

3) Nichii Carenet Co., Ltd. planning to establish a new company in China in January 2012 to develop a care equipment wholesale business

# FY2012 forecast: Net sales and operating income by business

## Consolidated net sales

(Million yen)

	FY2011 Result	FY2012 Forecast		
		Revised Forecast	YoY (%)	Beginning of Period Forecast
Medical Support Business	103,227	103,700	0.5%	104,300
Health Care Business	124,321	134,300	8.0%	133,400
Education Business	12,907	15,700	21.6%	12,000
Other Businesses	1,642	1,300	(20.8)%	1,500
Eliminations	(1,271)	(1,300)	-	(1,200)
<b>Total</b>	<b>240,827</b>	<b>253,700</b>	<b>5.3%</b>	<b>250,000</b>

## Consolidated operating income

(Million yen)

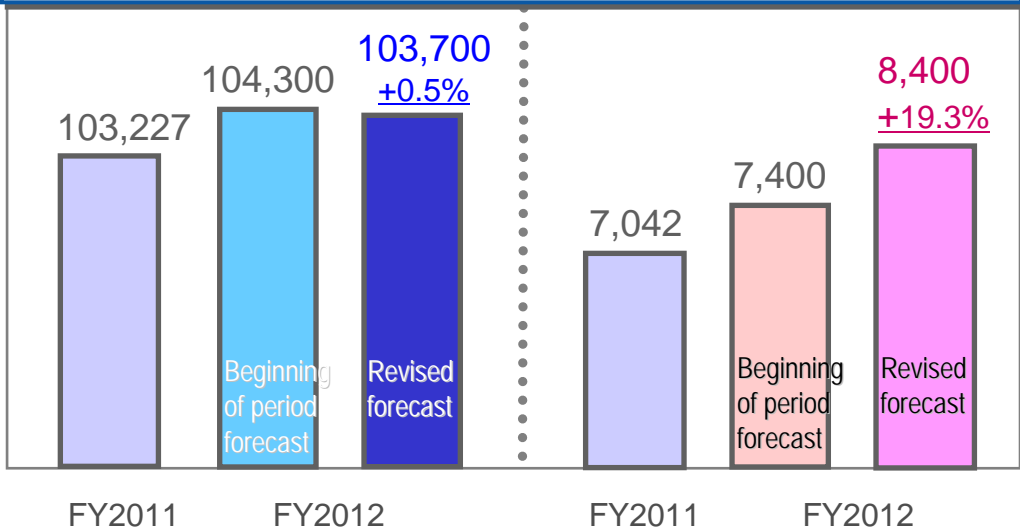
	FY2011 Result	FY2012 Forecast		
		Revised Forecast	YoY (%)	Beginning of Period Forecast
Medical Support Business	7,042	8,400	19.3%	7,400
Health Care Business	6,500	9,700	49.2%	8,500
Education Business	1,596	1,000	( 37.4)%	900
Other Businesses	(68)	(400)	-	(100)
Eliminations	(7,201)	(7,700)	-	(7,700)
<b>Total</b>	<b>7,868</b>	<b>11,000</b>	<b>39.8%</b>	<b>9,000</b>



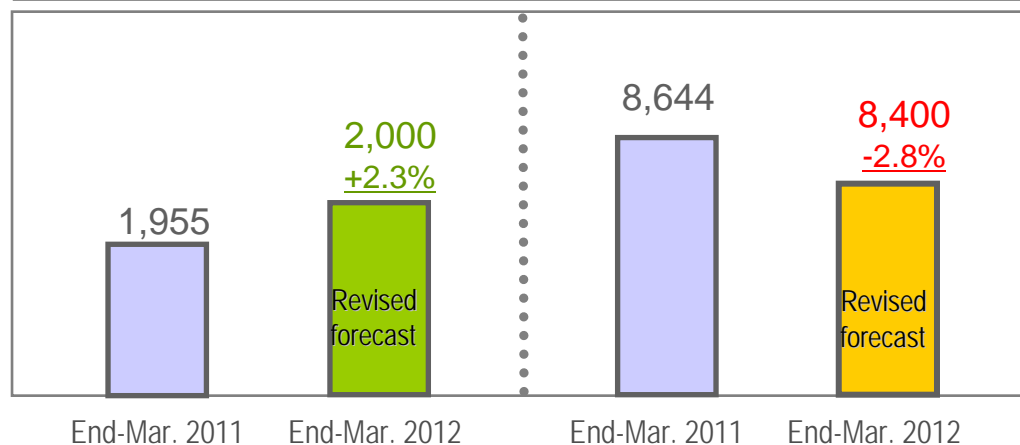
# Major reasons for the revisions of forecast

Net sales	Reasons for the revisions	Differences
Medical support	Emphasis on improving profitability of hospitals leading to lower net sales	-¥600 million
Health care	Solid increases in users of home-care and facility-care services	+¥900 million
Education	Addition of GABA as a consolidated subsidiary: +¥4,300 million Decline in mainstay course enrollment: -¥600 million	+¥3,700 million
Others, and elimination	Decrease in transactions with subsidiaries, etc.	-¥300 million
Operating income		
Medical support	Better operational efficiency, increases in staff compensation	+¥1,000 million
Health care	Higher facility usage rate and addition of new facilities	+¥1,200 million
Education	Addition of GABA as a consolidated subsidiary: +¥400 million Decline in mainstay course enrollment: -¥300 million	+¥100 million
Others, and elimination	Increase in promotion expenses for Nichii Green Farm Co., Ltd., etc.	-¥300 million

Consolidated ■ Net sales ■ Operating income (Million yen)



Number of contracted medical institutions ■ Hospitals ■ Clinics (Cases)



## Major issues from now through FY2012

### ◆ Continue pursuing contract revision strategy

- Strengthen sales efforts to increase net sales per hospital
- Continue to increase staff compensation

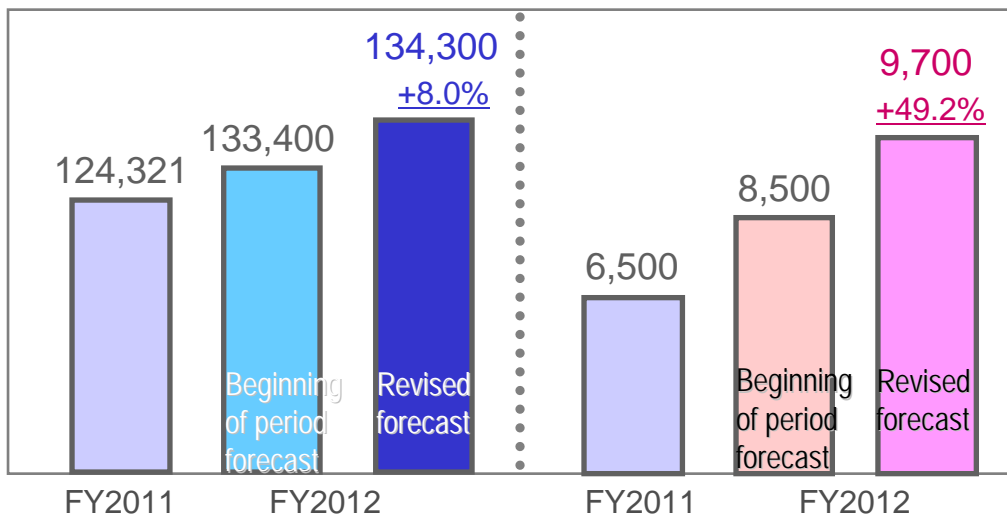
### ◆ Gain new contracts

- Continue efforts to gain new contracts, primarily with private hospitals
- Pursue focused sales efforts by establishing high-priority markets

### ◆ Strengthen medical management support system

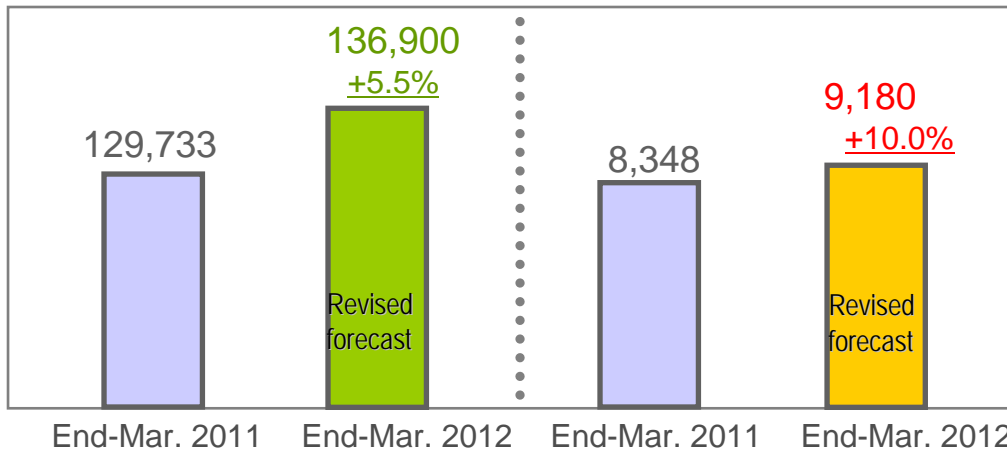
- Develop new management support services and enhance functionality
- Promote international medical exchange services
- Strengthen ties with long-term care business

Consolidated ■ Net sales ■ Operating income (Million yen)



Number of users by service

■ Home care ■ Facility care (Cases)



## Major issues from now through FY2012

### ◆ Further enhance home-care and facility-care service

- Actively expand service facilities
- Increase service facility productivity and pursue higher usage rate

	End-Mar. 2011	End-Mar. 2012 (Forecast)
Care plan	694	747 (+53)
Home-visit	1,022	1,085 (+63)
Day-care	294	328 (+34)
Hohoemi	217	241 (+24)
Kirameki	34	43 (+9)
Nichii Home*	48	49 (+1)

\*As of End-Dec. 2011 (Plan)

### ◆ Expand uninsured services

- Enhance efforts to develop welfare services for the handicapped and homemaker services
- Prepare for the commencement of dog therapy services  
→ Delivery of added value to users of the Company's long-term care facilities

### ◆ Actively advance home-visit nursing care service

- Strengthen development of home-visit nursing care services  
→ Five offices to be decided to open during the second half FY2012

### ◆ Preparations to develop a care equipment wholesale business in China

(Million yen)

		FY2011		FY2012		
		First half	Full year	First half	Full year	
		Result	Result	Result	Beginnin of Period Forecast	Revised Forecast
	Hohoemi	8,683	17,640	9,479	19,200	19,400
	Kirameki	3,276	6,594	3,560	7,400	7,400
	Nichii Home	7,505	15,471	7,940	16,500	16,400
Net sales		19,464	39,705	20,980	43,100	43,200
	Hohoemi	1,204	2,467	1,580	2,500	3,100
	%	13.9%	14.0%	16.7%	13.0%	16.0%
	Kirameki	367	716	403	800	700
%	11.2%	10.9%	11.3%	10.8%	9.5%	
	Nichii Home	278	838	554	1,600	1,600
	%	3.7%	5.4%	7.0%	9.7%	9.8%
Gross profit		1,850	4,021	2,539	4,900	5,400
%		9.5%	10.1%	12.1%	11.4%	12.5%

## Long-term care environment in China

Aging society

Low awareness of long-term care

Lack of care workers

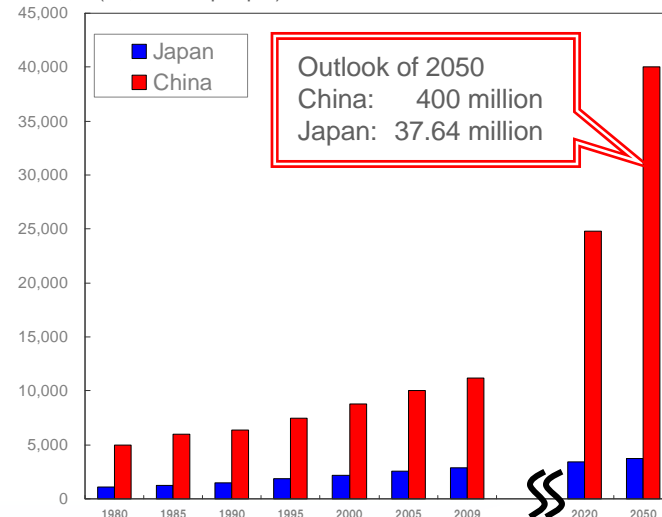
Lack of service infrastructure

## China's policy on aging

Chinese Government's 12th Five-Year Plan (covering 2011-2015)

- 1) Increase the number of people employed in elderly care by 50 million
- 2) Double the number of beds in long-term care facilities to 6 million

## Growth trend for population 65 and older (10,000s of people)



## New care equipment wholesale company to be established in China in January 2012

### Company overview

Name	Yet-to-be-determined	
Establishment	January 2012 (scheduled)	
Paid-in capital	10 million Yuan (approx. ¥120 million)	
Investment shares	Nichii Care Net	80%
	Changzhou Zhongjin Medical Equipments	20%
Headquarters	Shanghai	

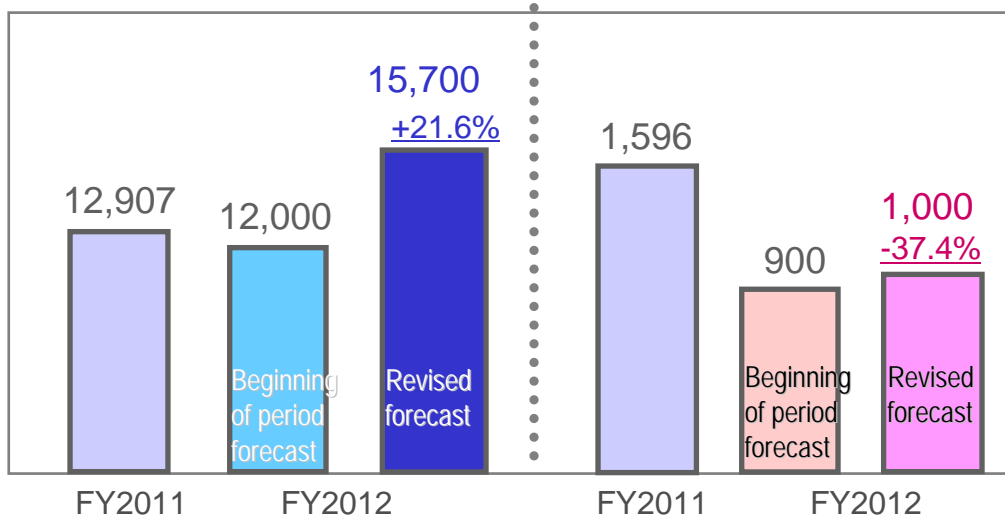
### Overview of new company establishment



The sales network of Changzhou Zhongjin Medical Equipments will be put to work in developing a general care equipment wholesaling business in China, and promote the adoption of high-quality care equipment.

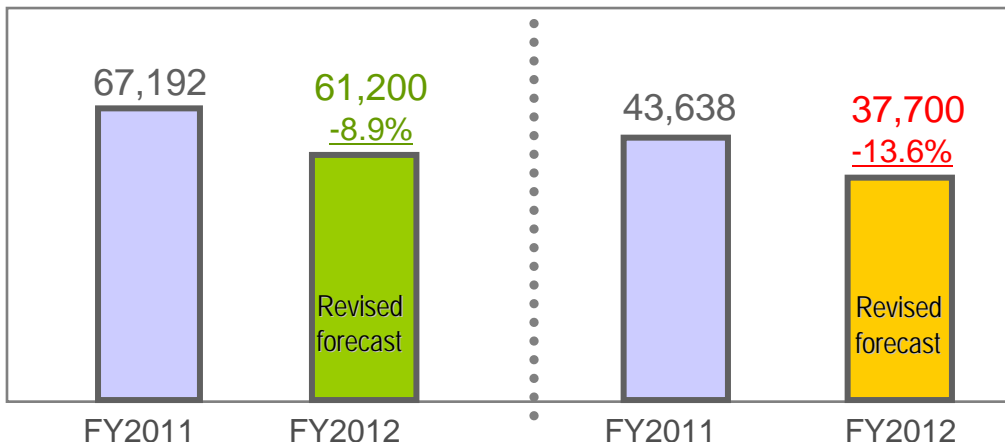
➡ First step in developing business in China for the Nichii Group

Consolidated ■ Net sales ■ Operating income (Million yen)



Number of students by course (Students)

■ Home Helper Level 2 course ■ Medical Administration course



## Major issues from now through FY2012

### ◆ Enhancement of existing courses

- Revamp the Medical Administration course
- Strengthen development of the Medical Administrator course

### ◆ Development of new courses

- Develop new courses that meet employment and career development needs

### ◆ Preparations to develop language courses together with GABA

- Plans call for development of courses making effective use of Web College and the Company's classroom and other resources

### ◆ Redoubled efforts to develop Web College (e-learning) services

- Enhance course offerings (5 new courses to start in the second half)
- Develop and actively promote various training courses

### ◆ Efforts to win more job training program contracts

- Actively pursue contracts for job training programs provided by public bodies
- Actively pursue contracts under the job-seeker support system

- **Business activities:** Operation of English conversation schools specializing in one-on-one instruction (Separate courses for adults and children)  
Dispatch of instructors for English conversation lessons
- **Representative:** Bruce Anderson, President, Representative Director, and CEO  
\*To be assigned in December 5, 2011
- **Employees:** 410 (As of End-Jun. 2011)
- **Learning studios:** 36 \*29 in Kanto, 2 in Chubu, and 5 in Kansai (As of Sep. 30, 2011)
- **Growth potential:** With developments like the adoption of English as the official language for business by some Japanese companies and the education policy decision to begin teaching English to schoolchildren at a younger age, there is growing demand for foreign language education and it is expected that the market for one-on-one English conversation lessons will continue to grow steadily
- **Reference:**

	Net sales	Operating income	Ordinary income	Net income
Year ending Dec. 2011 (Forecast)	¥8,350 million	¥1,360 million	¥1,420 million	¥830 million
Year ended Dec. 2010	¥7,751 million	¥1,063 million	¥1,120 million	¥596 million

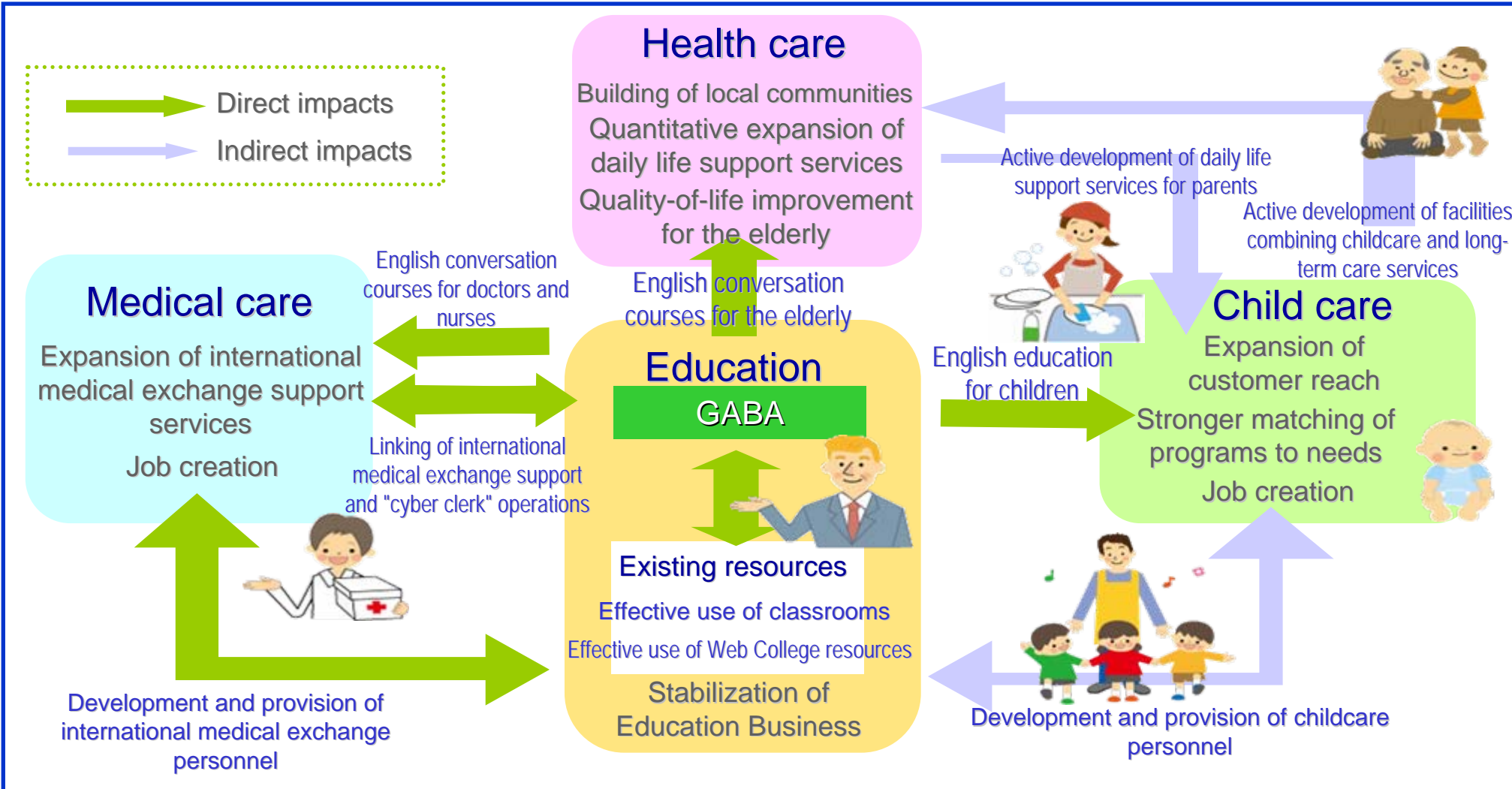
## Overview of process to make GABA a subsidiary

- Acquisition price: Approx. ¥10,100 million (actual as of September 30, 2011)  
TOB to acquire common shares and share options
- Goodwill  
Goodwill: Approx. ¥8,800 million (actual as of September 30, 2011)  
Amortization period: 11 yrs. (approx. ¥800 million per year)
- Financing  
Up to ¥10,100 million in loans and other settlement financing will be obtained from Bank of Tokyo-Mitsubishi UFJ.
- Schedule: GABA will be made into a wholly owned subsidiary, via share exchange, on December 5, 2011
- Anticipated contributions to business results  
GABA is expected to begin contributing to business results from the second half (October 2011 to March 2012), including net sales of approx. ¥4,300 million and operating income of approx. ¥400 million (after goodwill amortization).

## Contributions to the Company's growth strategy

- Strengthening of the foundation of, and provision of stable earnings in, Education Business
- Maximization of the Company's business value by giving rise to synergies with the Medical Support Business, childcare business, etc.
- Promotion of a change in corporate culture through the addition of people versed in the GABA approach to language education
- Opportunity to work with GABA's foreign nationals numbering around 1,000 (900 instructors and 100 administrative staff)





Language education operations will be a source of competitive advantage leading to new businesses.

## Key Goal Indicators

- Double-digit year-on-year net sales growth
- Operating margin of 7% or higher
- ROE of 15% or higher

## Profitability

### Improve business structure balance

- Expand management support services for medical institutions
- Expand non-insurance services
- Enhance education course menu

## Growth

### Expand new businesses

- Childcare business, international businesses

### Enhance existing businesses

## Group strength

- Improve profitability of Nichii Care Palace Co., Ltd. and Nichii Carenet Co., Ltd.

All the profit targets and other forecasts, including the number of contracts, number of users, and goals contained in this document, are based on the current information available to the Nichii Group. Such information is subject to the influence of factors such as economic circumstances, relaxation of regulations and employment conditions. Please understand that actual business performance and other achievements, such as the number of contracts and number of users, may be substantially different from the forecasts.

<<Contact information>>

Nichii Gakkan Company

Corporate Planning Headquarters

IR Department

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

Tel: 03-3291-5637 (IR)

Mail: [nichii-ir@nichiiakkan.co.jp](mailto:nichii-ir@nichiiakkan.co.jp)

やさしさを、私たちの強さにしたい。

