

NICHII GAKKAN COMPANY
Financial Results Briefing Document
for the First Half of FY2013
Ending March 2013
(April 1 – September 30, 2012)

November 9, 2012

やさしさを、私たちの強さにしたい。



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Overview of 1H FY2013 Financial Results

1H FY2013 Financial Results

(Millions of yen)

	1H FY2012	1H FY2013		
	Amount	Amount (Initial Forecast)	Amount (Result)	Year on Year
Net sales	123,342	134,300	132,132	7.1%
Operating income	4,902	4,000	3,903	-20.4%
%	4.0%	3.0%	3.0%	
Ordinary income	4,855	3,600	3,491	-28.1%
%	3.9%	2.7%	2.6%	
Net income	2,208	1,600	1,432	-35.1%
%	1.8%	1.2%	1.1%	
EBITDA	7,299	—	6,639	-9.0%
%	5.9%	—	5.0%	

1. Record 1H net sales for 5th consecutive year

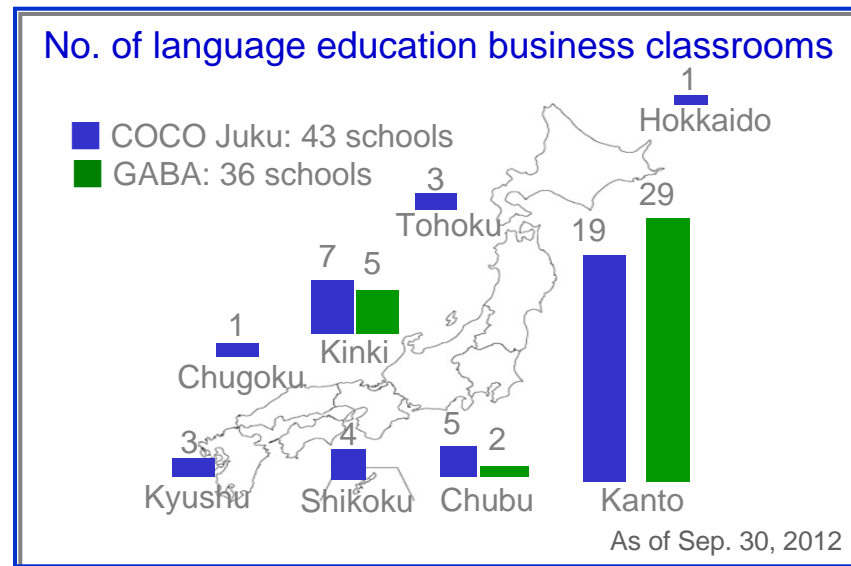
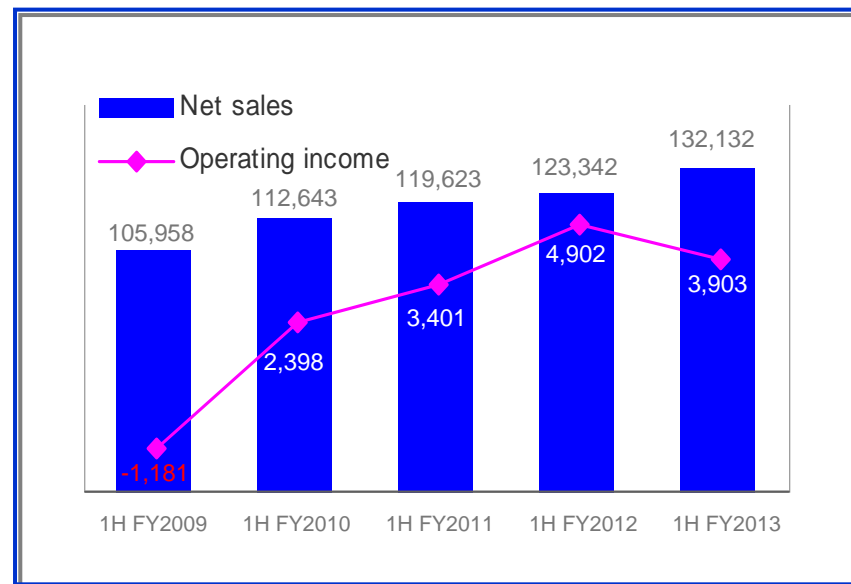
- Made GABA a subsidiary (Education Business net sales +72.1%)
- 5th consecutive record 1H net sales on contribution from Health Care Business, including sales growth at Nichii Carepalace Company (Net sales +7.9%)

2. Sales and profit growth at Medical Support and Health Care Businesses

- Improved profitability from increased operational efficiency for medical support staff led to highest operating margin in 5 years
- Steady growth in number of nursing care service users absorbed impact of revisions to Long-Term Care Insurance Act and to compensation for medical services and long-term care. Operating income, operating margin both at record high

3. Strategic investment for stable, long-term growth

- Opened 43 COCO Juku schools across Japan (as of Sep. 30, 2012)
- Building operating base for nationwide language education business led to profit decline
- Earnings contribution from GABA continues



1H FY2013 Consolidated Net Sales and Operating Income by Business

(Millions of yen)

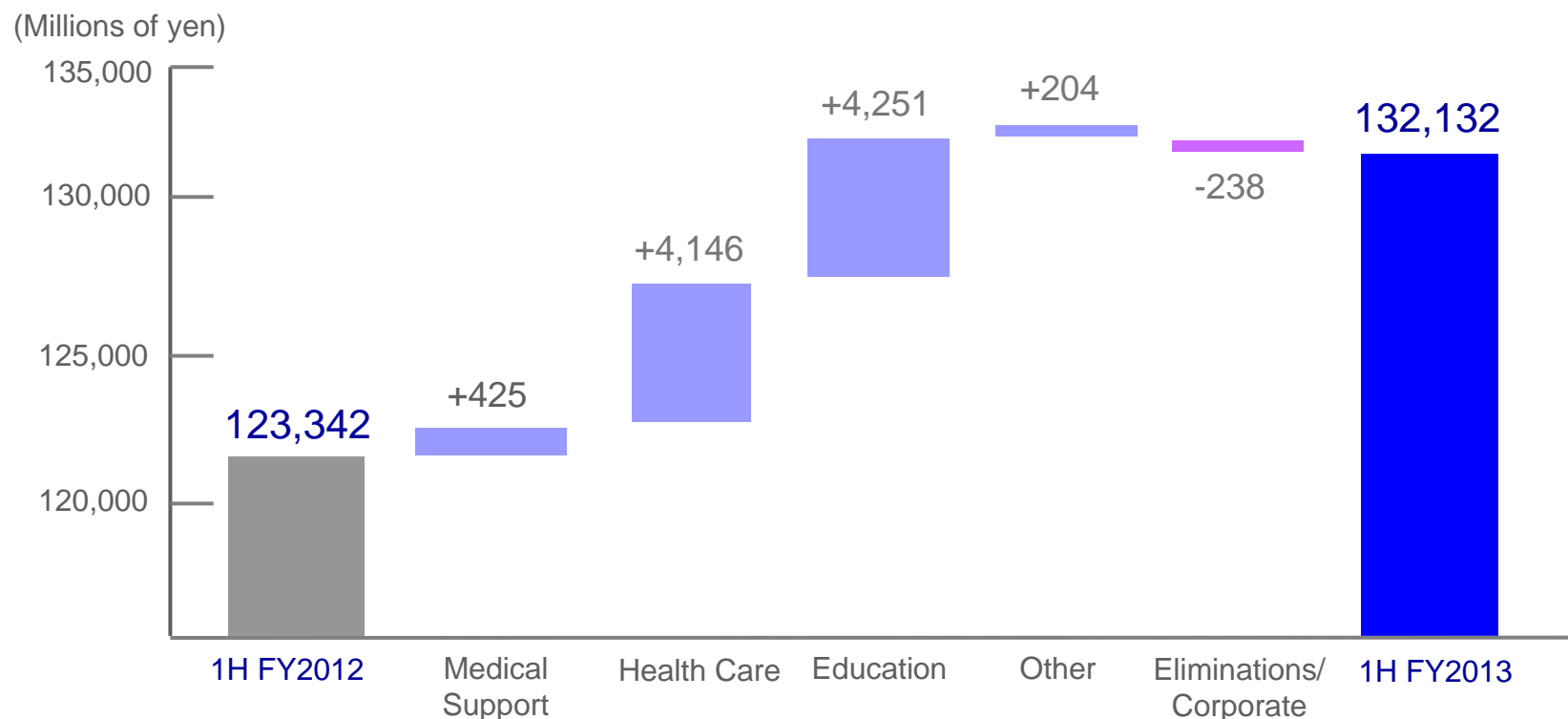
Net Sales	1H FY2012	1H FY2013	Year on Year	
			Change	%
Medical Support	51,444	51,869	425	0.8%
Health Care	65,914	70,060	4,146	6.3%
Education	5,900	10,152	4,251	72.1%
Other	659	863	204	31.1%
Eliminations/Corporate	(576)	(815)	-238	-
Total	123,342	132,132	8,789	7.1%

(Millions of yen)

Operating Income	1H FY2012	1H FY2013	Year on Year	
			Change	%
Medical Support	3,884	4,100	216	5.6%
Health Care	4,758	5,587	829	17.4%
Education	358	(1,978)	-2,337	—
Other	(250)	26	276	—
Eliminations/Corporate	(3,847)	(3,831)	16	—
Total	4,902	3,903	-998	-20.4%

Increases/Decreases in Net Sales (Year on Year)

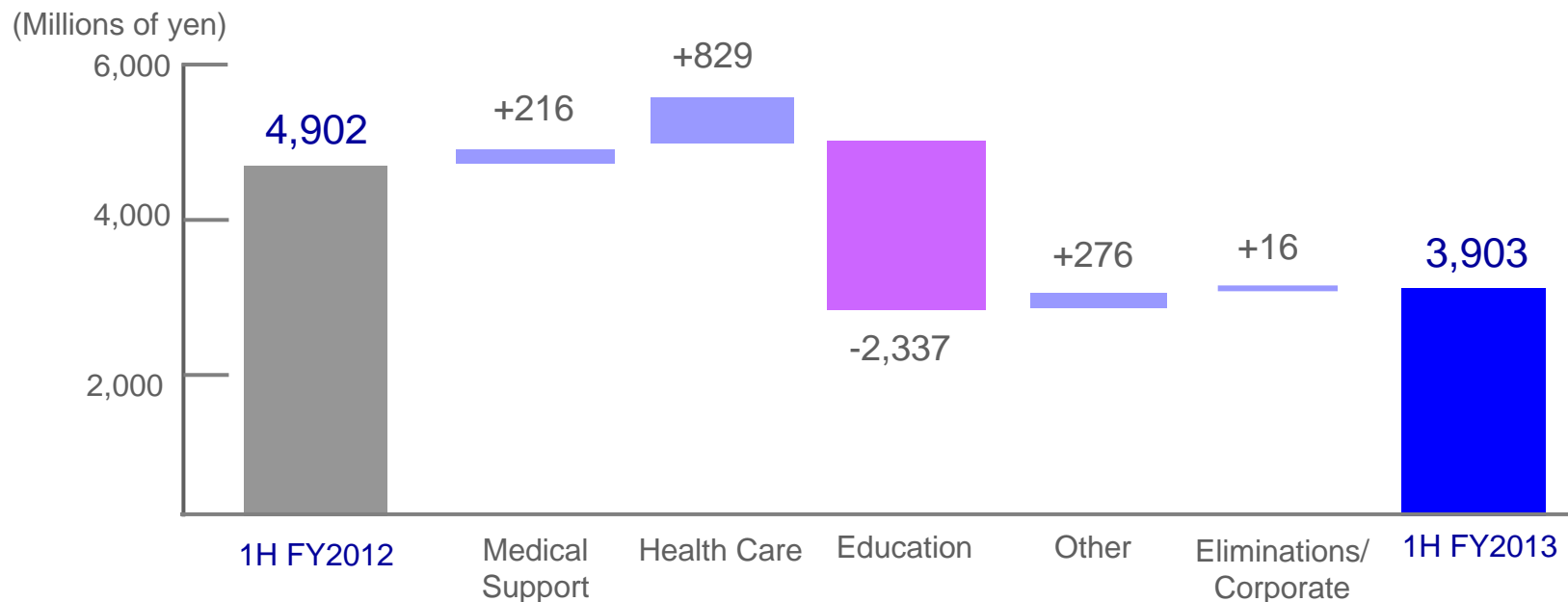
Net Sales



Net sales rose ¥8,789 million year on year on sales growth at all businesses, including higher number of users at Health Care Business and addition of GABA to consolidation at Education Business

Increases/Decreases in Operating Income (Year on Year)

Operating Income



Operating income declined ¥998 million year on year

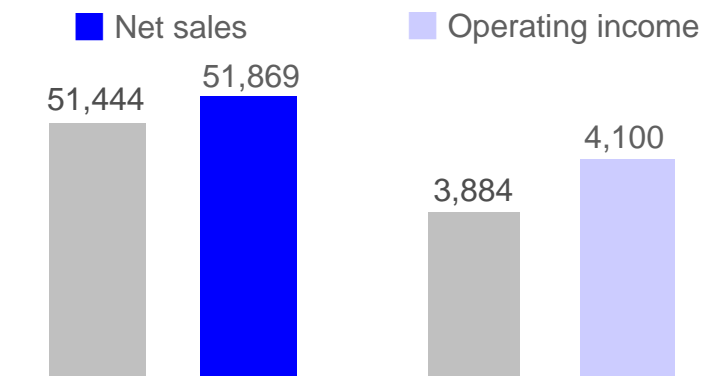
Growth continued at Medical Support and Health Care Businesses on increased efficiency, but declined at Education Business on strategic investment for language education

1H FY2013 Segment Highlights (Medical Support Business)

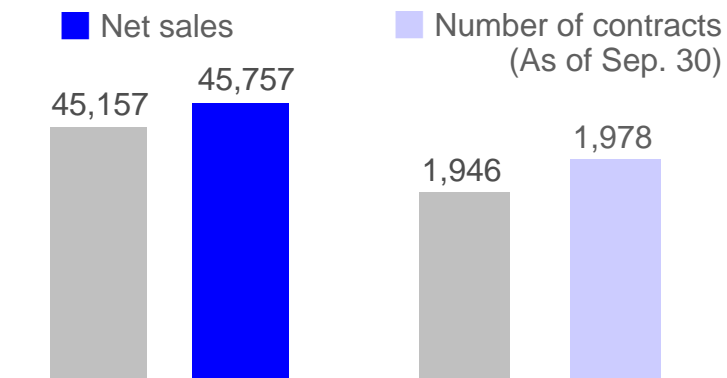
Consolidated Net Sales/Operating Income (Year on Year)

Net Sales: ¥51,869 million (+0.8%)

Operating Income: ¥4,100 million (+5.6%)



Consolidated Net Sales/Number of Contracts with Hospitals (Year on Year)



Further earnings improvement on higher operational efficiency

- ▶ Net sales rose on acquisition of new contracts, primarily at private hospitals
- ▶ Trend of higher portion of sales from hospitals continued

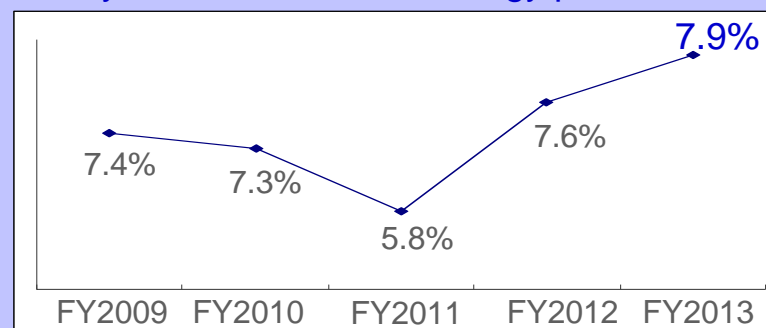
% of sales	1H FY2009	1H FY2013
Hospitals	81.4%	88.4%
Clinics	18.6%	11.6%

- ▶ Earnings continued to improve on higher operational efficiency from enhanced staff skills
- ▶ Obtained patent for “DPC Revolution” DPC verification system

Registered: May 11, 2012

Content: Method of deriving name for diseases in which most medical resources are administered.

Operating margin (1H) during period covered by contract revision strategy promotion



Expansion of Management Support Services

Concluded contract for operational tie-up with Microsoft Japan Co., Ltd. on Oct. 1

Integrating Nichii's human resource strengths and Microsoft's IT capabilities to develop support services for new medical practice environment

Details of tie-up

1. Provide services to support medical practice environment
 - a. Management support services
 - b. Medical support services
 - c. Regional cooperation services
2. Joint implementation and mutual utilization for providing services
 - a. Sales and marketing
 - b. Sharing of experience and expertise

Services

- ◆ OPECT medical support service (launched Oct. 1)

Contactless image operating system for operating rooms
Reduces surgeon's labor and stress during operation
- ◆ Medicloud management and medical support service (launch from late December)

Cloud-based groupware
E-mail, scheduling, and various functions to resolve issues unique to medical institutions



Joint press conference



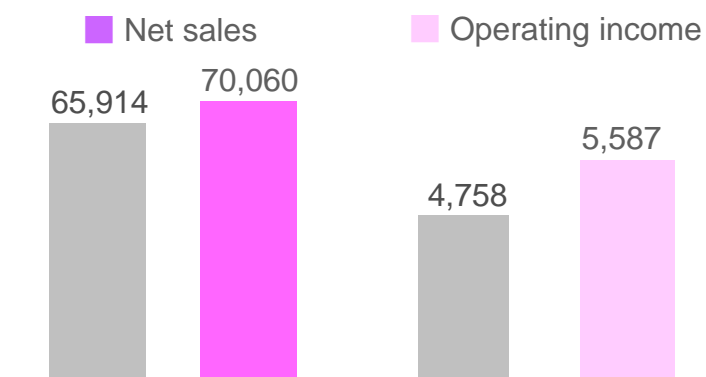
OPECT

1H FY2013 Segment Highlights (Health Care Business)

Consolidated Net Sales/Operating Income (Year on Year)

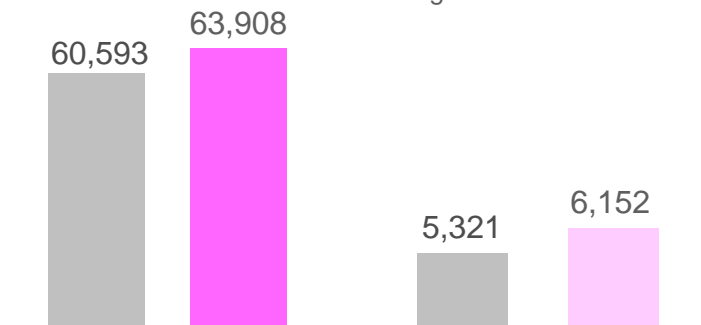
Net Sales: ¥70,060 million (+6.3%)

Operating Income: ¥5,587 million (+17.4%)



Net sales by division (year-on-year)

■ Services covered by long-term care insurance ■ Services not covered by long-term care insurance



Maintaining sales growth on steady increase in number of users and higher facility efficiency

- ▶ Steady growth in number of home care and facility care users
- ▶ Earnings contribution from Nichii Carepalace Company (¥83 million operating loss → ¥509 million operating profit)
- ▶ Absorbed impact of revisions to long-term care compensation
- ▶ Solid trend in services not covered by long-term care insurance (sales 15.6%)
- ▶ Transferred home helper dispatching service to Nihon Support Service Co., Ltd.

Number of users

	Sep 2011	Sep 2012	Year on year
Home care	133,573	139,649	4.5%
Facility care	8,780	9,643	9.8%

Facility openings

	As of Mar 31, 2012	As of Sep 30, 2012	As of Mar 31, 2013 (Forecast)
Care plan	737	749(+12)	791(+54)
Home-visit long-term care	1,062	1,081(+19)	1,122(+60)
Welfare goods leasing	135	135	135
Day-care	326	337(+11)	356(+30)
Home-visit nursing care	23	47(+24)	66(+43)
Hohoemi	241	243(+2)	245(+4)
Kirameki	42	50(+8)	51(+9)
Nichii Home	50	50	52(+2)

Note: Home-visit long-term care include a bathing service.

Health Care Business Operating Base

Providing “total long-term care services” nationwide

- ◆ Home-care services
- ◆ Facility-care services
- ◆ Services not covered by long-term care insurance

Nationwide development of Health Care Business

Number of long-term care service facilities: approx. 1,400

Number of long-term care staff: approx. 36,000

Number of long-term care service users: approx. 130,000



Ranking by number of service facilities

As of August 31, 2012

	Ranking by number of service facilities			
	Home-visit long-term care*	Home-visit nursing care	Small, multifunction	Group homes
1 st place	Nichii Gakkan 971 cases	Nichii Gakkan 40 cases	Nichii Gakkan 37 cases	Nichii Gakkan 243 cases
2 nd place	Company A 276 cases	Company C 34 cases	Company G 25 cases	Company I 170 cases
3 rd place	Company B 228 cases	Company E 31 cases	Company A 22 cases	Company J 103 cases
4 th place	Company C 223 cases	Company A 18 cases	Company C 21 cases	Company K 74 cases
5 th place	Company D 135 cases	Company F 16 cases	Company H 19 cases	Company G 57 cases

* Home-visit long-term care excludes bathing service.

Note: Nichii Gakkan, from Elderly Press Newspaper data

Strategy for Business Scope Expansion (Health Care Business)

Net Sales

Stabilize earnings through expansion of total long-term care services

Strengthen base

■ = Not covered by insurance
1H FY2013 Results

Peripheral areas

Home-visit long-term care

Nursing homes

Day-care

Group homes

Care plan

Welfare services for persons with disabilities

Welfare goods

Home-visit bathing

Home helper dispatching

Small, multifunction

Life support services

Food

Home-visit nursing care

Private brand products

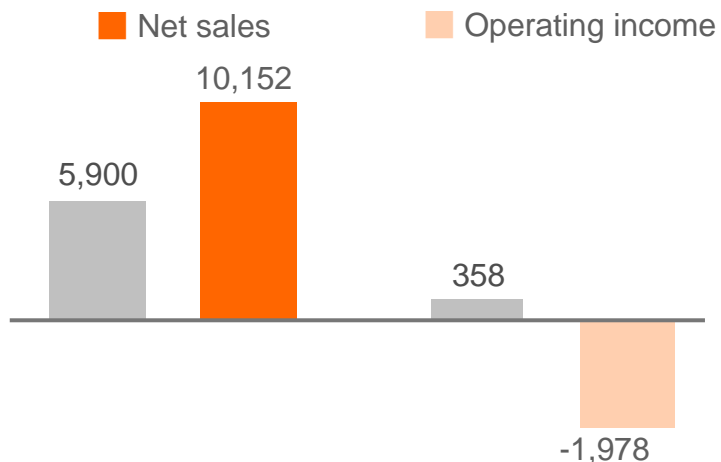
Number of Service

1H FY2013 Segment Highlights (Education Business)

Consolidated Net Sales/ Operating Income (Year on Year)

Net Sales: ¥10,152 million (+72.1%)

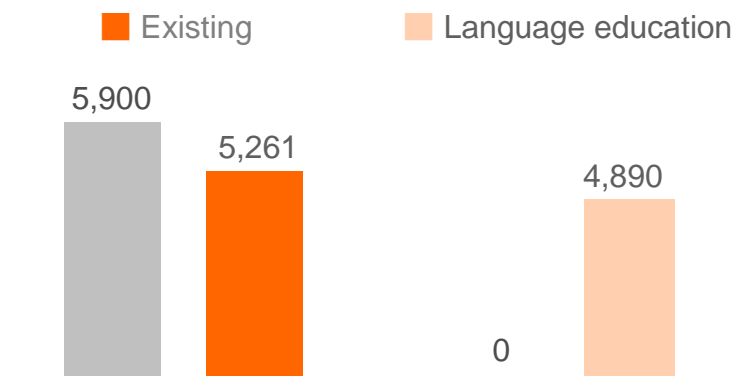
Operating Income: -¥1,978 million (¥358 million in the same period of the previous fiscal year)



Strategic, long-term investment

- ▶ Strategic investment to build nationwide operating base for language business

Net Sales by Business (Year on Year)



Existing

Net Sales: ¥5,261 million (-10.8% YoY)

- Medical education ¥2,342 million (-13.9% YoY)
- Social education ¥2,919 million (-8.2% YoY)

Operating Income: -¥478 million (¥157 million in the same period of the previous fiscal year)

COCO Juku

Net Sales: ¥48 million

Operating Income: -¥2,153 million

GABA

Net Sales: ¥4,650 million

Operating Income: ¥537 million

Strategy for Business Scope Expansion (Education Business)

Issues and responses at COCO Juku

Major issues	Response going forward
Increase brand recognition	Effective, efficient advertising
Strengthen marketing capabilities	Share marketing expertise to increase enrollment Use short-term courses to introduce brand Use Nichii's operating base to strengthen corporate marketing
Strengthen business management structure	Enhance structure for recruiting and retaining instructors

FY2013 as starting point for building earnings base

POINT 2nd promotion campaign (Sept-Oct) vs. 1st promotion campaign (June-July)
Increase requests for information by 54%, number of students by 60%

Transforming Education Business's Earnings Structure

Higher price/course

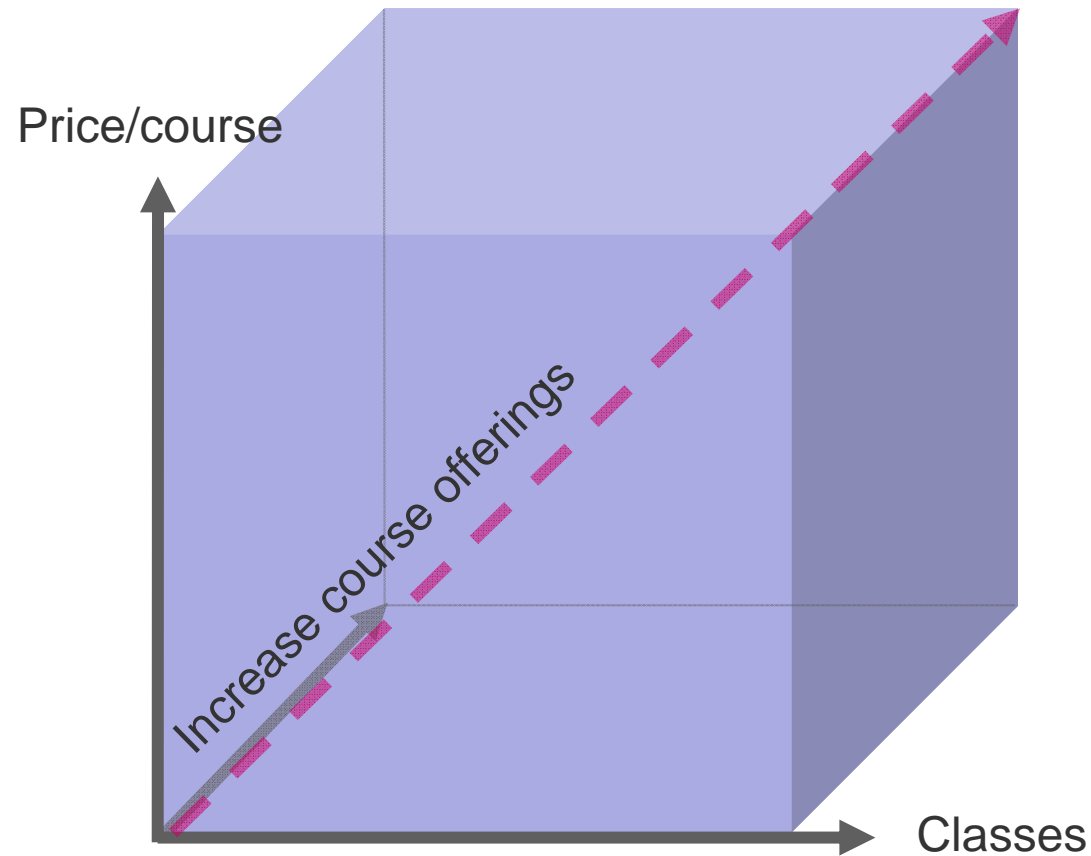


Increase classes



Increase course offerings

Maximize lifetime value for customer



Flow of Strategic Investment at Language Education Business

Pursue synergies between businesses

Use strategic investment to organically connect businesses and deploy competitive advantages

Combination of language and medical support (International medical exchanges) → Raise level of students to medical-related practitioners

Combination of language and child care (English conversation lessons for children)

Develop comprehensive child care services nationwide, beginning with in-office child care

Work with COCO Juku to provide high value-added services like English conversation lessons for children

Nichii Kids

Ariake Center
Ariake Center #2
Sangenjaya

Note: Child care centers certified by Tokyo Metropolitan Government



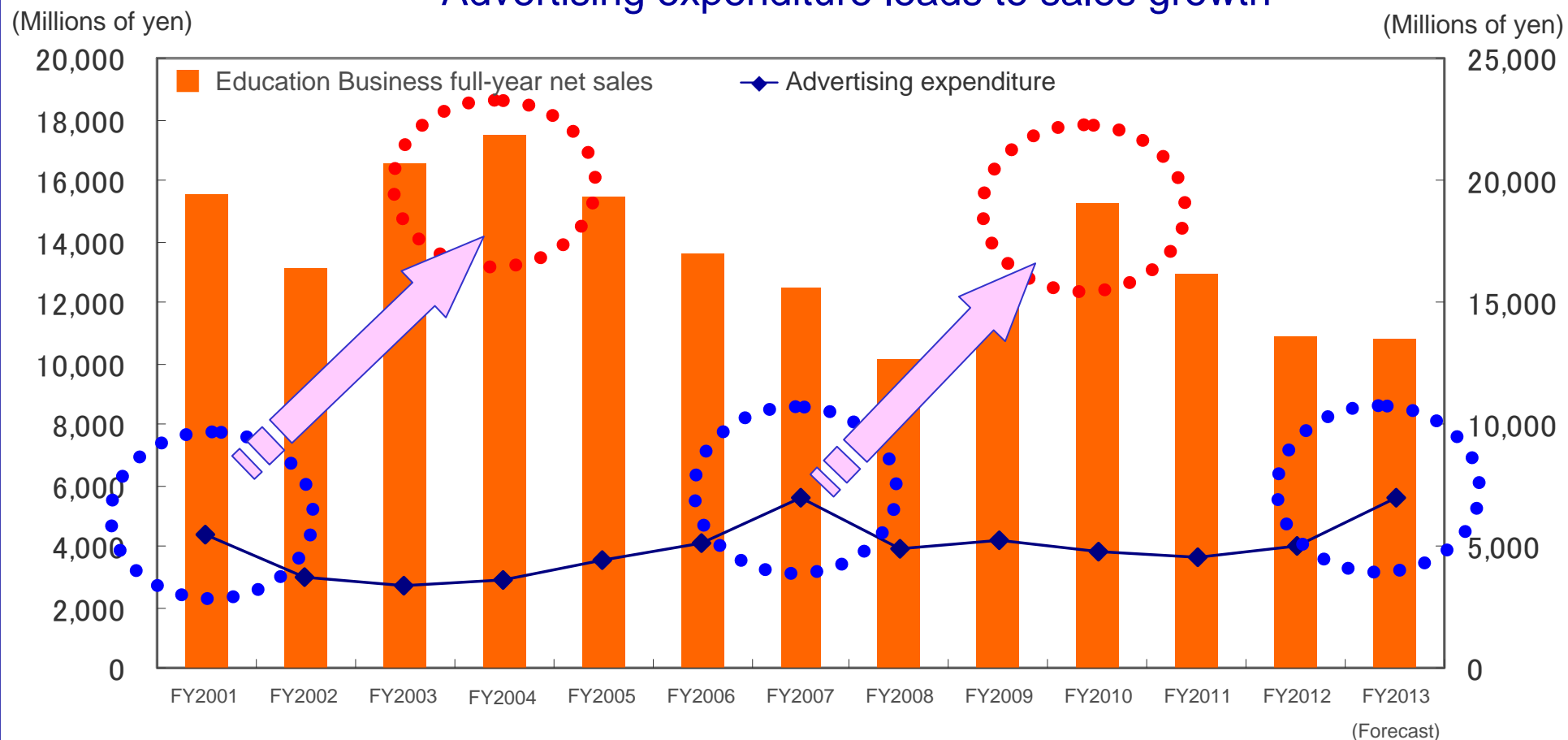
Work with COCO Juku to launch pilot program of English conversation lessons for children

Create system of activities, materials, and curriculum with COCO Juku so that children will enjoy learning English

Strategy for Business Scope Expansion (Education Business)

Strategic Advertising Expenditure

Strategic advertising expenditure with 5-10 year timeframe
Advertising as source of quantitative growth at Education Business
Advertising expenditure leads to sales growth



FY2013 Financial Results Forecast

FY2013 Financial Results Forecast

(Millions of yen)

	FY2013		
	Initial Forecast	Revised Forecast	Amount Change After Revision
Net Sales	274,000	266,800	-7,200
Operating Income	11,400	7,200	-4,200
%	4.2%	2.7%	
Ordinary Income	11,000	6,700	-4,300
%	4.0%	2.5%	
Net Income	5,800	2,900	-2,900
%	2.1%	1.1%	

FY2013 Financial Results Forecast by Business

(Millions of yen)

Net Sales by Business	FY2013 Initial Forecast	FY2013 Revised Forecast	Amount Change After Revision
Medical Support	103,800	104,100	300
Health Care	143,200	142,000	-1,200
Education	26,600	20,400	-6,200
Other	1,400	1,700	300
Elimination/Corporation	(1,000)	(1,400)	-400
Total	274,000	266,800	-7,200

(Millions of yen)

Operating Income by Business	FY2013 Initial Forecast	FY2013 Revised Forecast	Amount Change After Revision
Medical Support	7,900	8,400	500
Health Care	10,000	10,600	600
Education	700	(4,800)	-5,500
Other	0	200	200
Elimination/Corporation	(7,200)	(7,200)	0
Total	11,400	7,200	-4,200

Factors of Revisions to FY2013 Financial Results Forecast by Business

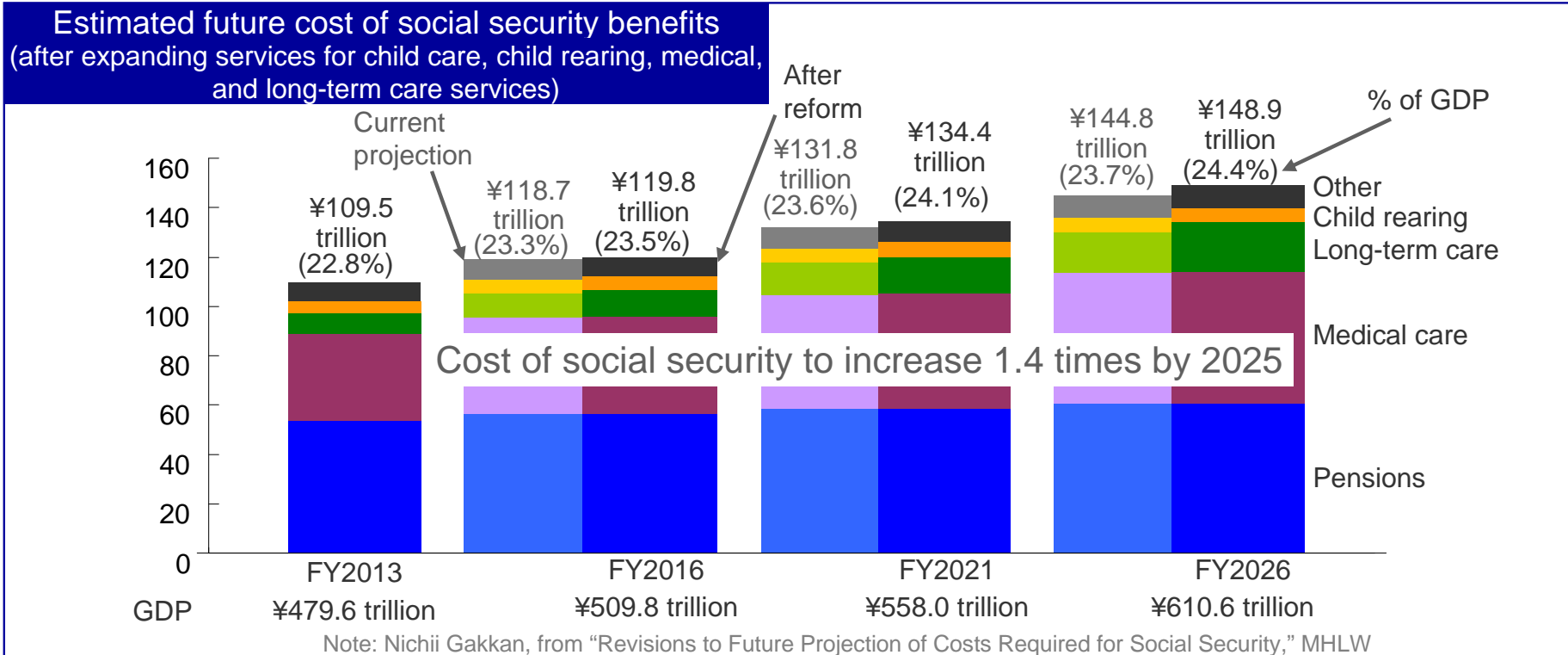
Net Sales	Factors	Revised Amount
Medical Support	Acquire new contracts, mainly at private hospitals	¥300 million
Health Care	Review of plan for service users, etc.	-¥1,200 million
Education	Decline in students for mainline courses: ¥990 million Delay in initial advertising plan for COCO Juku: ¥5,210 million	-¥6,200 million
Operating Income		
Medical Support	Increased operational efficiency from staff skill enhancement	¥500 million
Health Care	Increased efficiency at home-care facilities etc.	¥600 million
Education	Lower sales from mainline courses: -¥860 million Delay in COCO Juku plan: -¥4,540 million	-¥5,500 million

Medium- to Long-Term Management Strategy

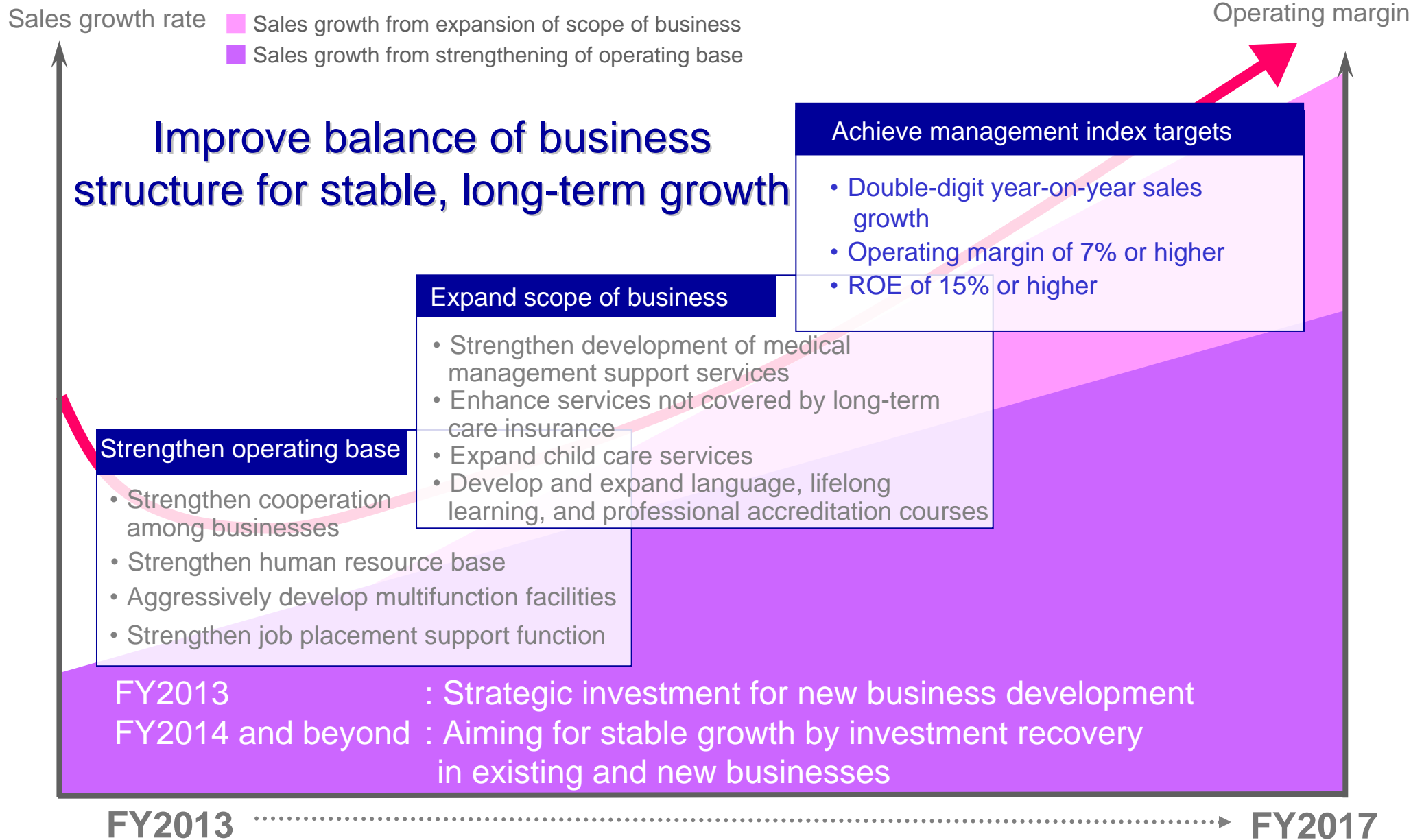
Comprehensive reform of social security and tax

■ **Consumption tax** Decision to raise consumption tax in stages (to 8% in April 2014, to 10% in October 2015)

■ **Social security system** Passage of bills related to reform of social security system
 With establishment of national committee on social security reform, deliberations toward prioritizing and making benefits more efficient



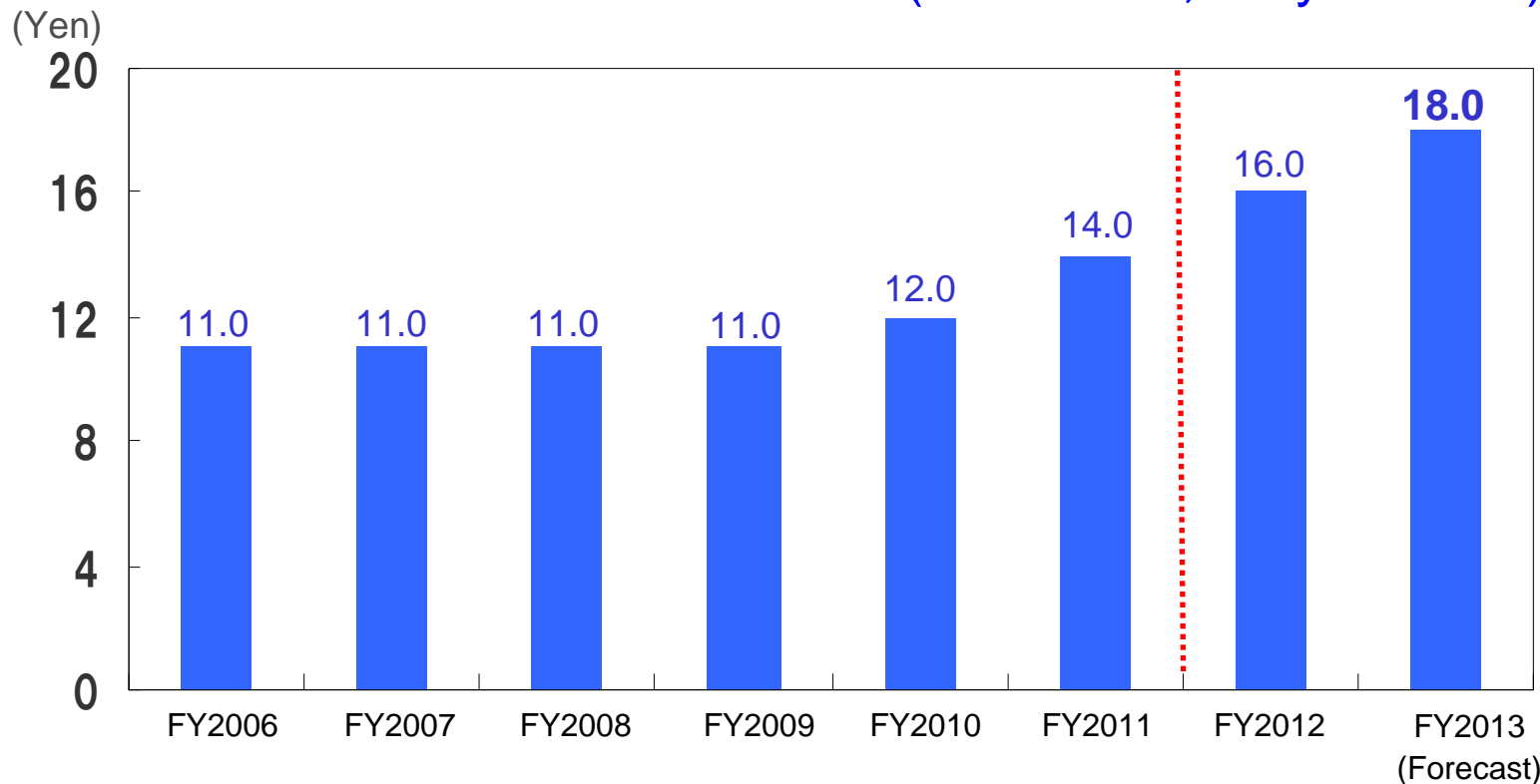
Initiatives for 2025 under Medium- to Long-Term Strategy



“Stable and continuous returns” is our basic principle

In anticipation of record profit going forward, dividend increase for 4 consecutive years

Forecast for FY2013 : ¥18/share (¥9 interim, ¥9 year-end)



Note: The Company executed a 2-for-1 common stock split on April 1, 2009, and the figures were retroactively adjusted accordingly.

All the profit targets and other forecasts, including the number of contracts, number of users, and goals contained in this documents, are based on the current information available to the Nichii Gakkan 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 form the forecasts.

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