

# NICHII GAKKAN COMPANY

Financial Results Briefing Document  
for the First Nine Months of FY2013  
Ending March 2013  
(April 1 – December 31, 2012)

February. 8, 2013



## 1. Overview of the 3Q Financial Results

(1) Financial Results	.....	P 3
(2) Highlights	.....	P 4
(3) Consolidated Net Sales and Operating Income by Business	.....	P 5
(4) Increases/Decreases in Net Sales (year-on-year)	.....	P 6
(5) Increases/Decreases in Operating Income (year-on-year)	.....	P 7
(6) Segment Highlights, Strategy for Business Scope Expansion	.....	P 8 ~ 11
(7) Education Business Sales and operating income breakdown	.....	P 12
(8) Main education course students year-on-year	.....	P 13
(9) Overview of Training for Beginning Long-Term Care Staff	.....	P 14

## 2. Financial Results Forecast

(1) Financial Results Forecast	.....	P 16
(2) Financial Results Forecast by Business	.....	P 17
(3) Education Business Sales and Operating income breakdown	.....	P 18

## 3. Strategic investment

(1) Progress Strategic Investment	.....	P 20~22
(2) Nichii's Language Business: School Network	.....	P 23

# Overview of the first nine months FY2013 Financial Results

# FY2013 3Q Financial Results

(Millions of yen)

	FY2012	FY2013	
	3Q	3Q	Year-on-year
	Amounts	Amounts	
Net sales	188,265	199,587	6.0%
Operating income	8,654	6,634	▲23.3%
%	4.6%	3.3%	-
ordinary income	8,633	6,126	▲29.0%
%	4.6%	3.1%	-
Net income	3,903	2,885	▲26.1%
%	2.1%	1.4%	-
EBITDA	12,373	10,811	▲12.6%
%	6.6%	5.4%	-

## Record 3Q net sales for the 5th consecutive year

Net sales: ¥199,587 million (up 6.0% year on year)

## Sales and profits rising at Health Care Business

Health Care: Both sales and profits rose with to an increase in the number of users of nursing-care services and improved operational efficiency.

## Strategic investments for stable, long-term growth

Promoted COCO Juku, a new brand of language schools, nationwide.

Strove to build the operating base of the language education business in each area of the country.

# Consolidated Net Sales and Operating Income by Business

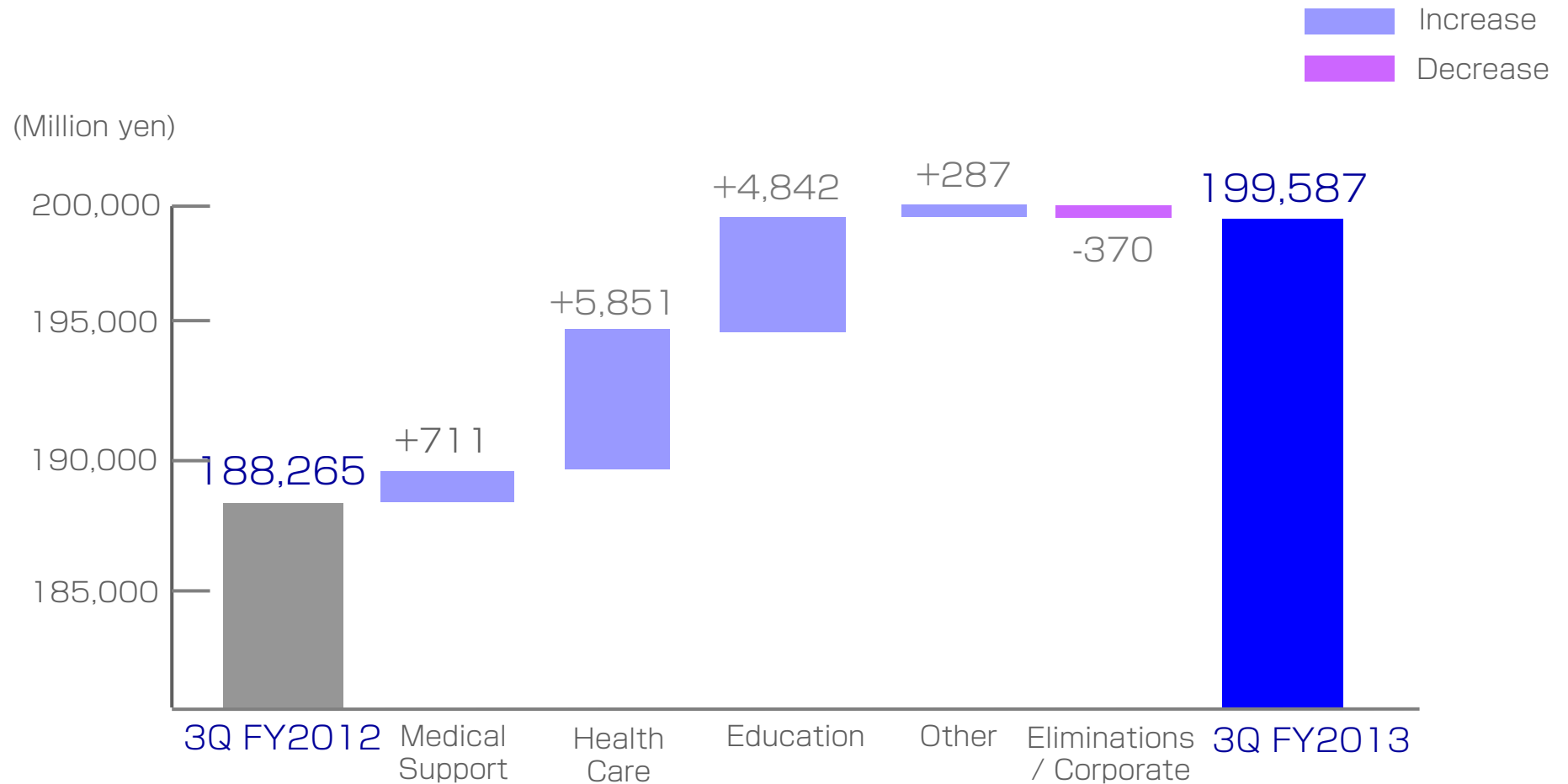
(Millions of yen)

Net sales	FY2012	FY2013	YOY
	3Q	3Q	%
Medical support	77,243	77,955	0.9%
Health Care	100,287	106,138	5.8%
Education	10,615	15,458	45.6%
Other	1,099	1,386	26.1%
Eliminations/Corporate	▲ 980	▲ 1,351	-
Total	188,265	199,587	6.0%

(Millions of yen)

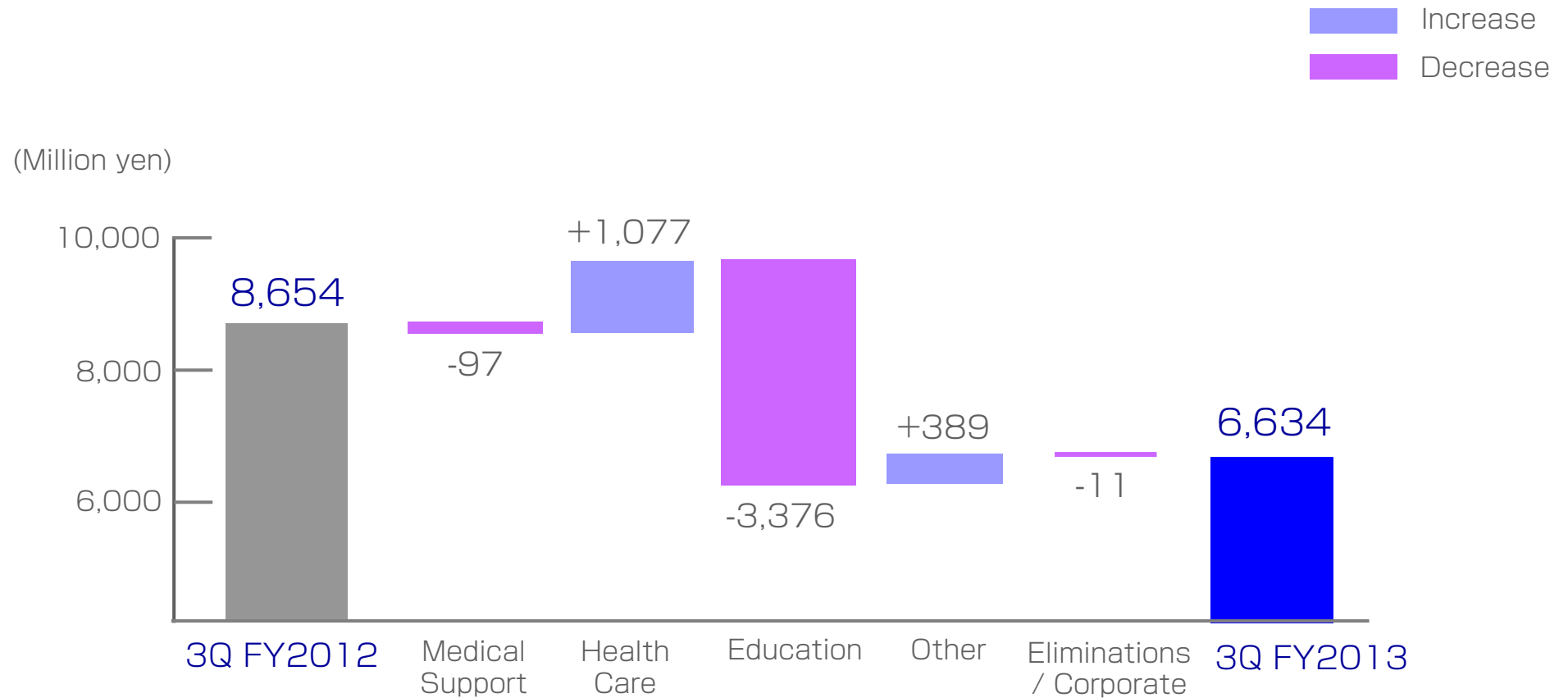
Operating Income	FY2012	FY2013	YOY
	3Q	3Q	%
Medical support	6,266	6,169	▲ 1.6%
Health Care	7,527	8,605	14.3%
Educaiotn	714	▲ 2,662	-
Other	▲ 248	140	-
Eliminations/Corporate	▲ 5,605	▲ 5,617	-
Total	8,654	6,634	▲ 23.3%

# Increases/Decreases in Net Sales (Year on Year)



Net sales rose ¥11,322 million year on year with sales increasing in all businesses. The number of users increased in the Health Care Business. GABA in the Education Business became a subsidiary.

# Increases/Decreases in Operating Income (Year on Year)



Operating income declined ¥2,020 million year on year.

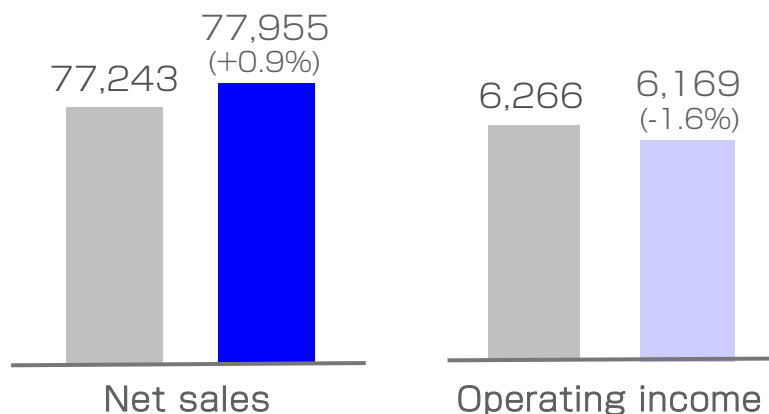
Operating income continued to rise in the Health Care Business, reflecting an increase in the number of users and improved efficiency at facilities, but fell in the Education Business due to strategic investments in the



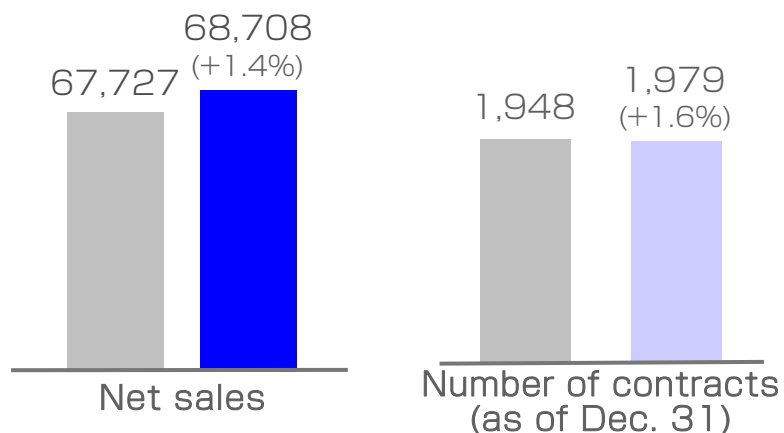
# FY2013 3Q Segment Highlights (Medical Support Business)

## Consolidated Net Sales/Operating Income (Year on Year)

Net sales: ¥77,955 million (+0.9%)  
 Operating income: ¥6,169 million (-1.6%)



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



Sales continued to increase due to strong performance in the hospital business.

- ▶ Won new contracts with hospitals and expanded the scope of work.
- ▶ Improved operational efficiency by enhancing the staff's skills.
- ▶ Expanded management support services.
  - Obtained a patent for the "DPC Revolution" system.
  - Formed an alliance with Microsoft Corporation.

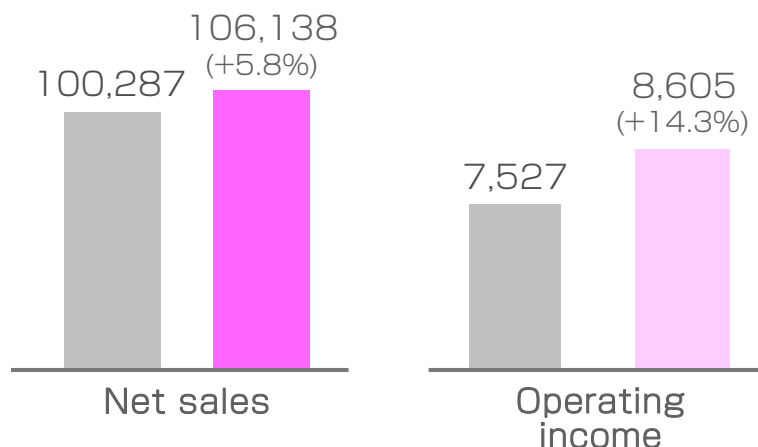
### Developed management support services in collaboration with Microsoft.

- Oct. Started to provide the first contactless image operating system for the operating room in Japan (Opect).
- Dec. Launched cloud-based groupware for medical institutions (MediCloud).

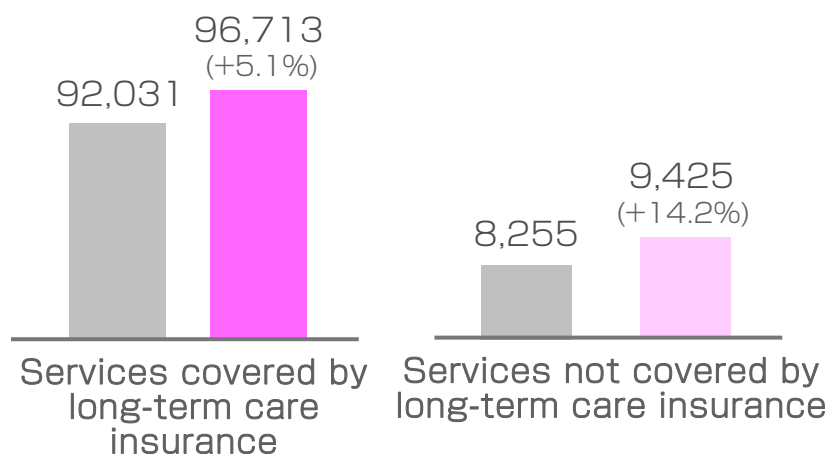
# FY2013 3Q Segment Highlights (Health Care Business)

## Consolidated Net Sales/Operating Income (Year on Year)

Net sales: ¥106,138 million (+5.8%)  
 Operating income: ¥8,605 million (+14.3%)



## Net Sales by Division (Year on Year)



The adverse effect of the revision of the long-term care insurance system and long-term care compensation was more than offset by a steady increase in the number of users and improved efficiency at branches.

- ▶ The number of users increased steadily, both in home care and facility care, reflecting the aggressive development of facilities.

	Dec. 2011	Dec. 2012	Year on year
Home care	136,729	141,527	Up 3.5%
Facility care	8,952	9,854	Up 10.1%

- ▶ Profitability increased at Nichii Care palace Company.
  - The business has been in the black from the beginning of the fiscal year.
- ▶ Sales in services not covered by long-term care insurance rose (up 14.2%).
  - Number of users of welfare services for persons with disabilities: 12,316 (up 26%)
  - Promoted private brand products and life support services.
- ▶ Transferred home helper dispatching service to Nihon Support Service Co., Ltd.

## FY2013 3Q Segment Highlights (Health Care Business)

### ■ Facility openings

	As of Mar 31.2012	As of Dec 31.2012	As of Mar 31.2013 (Forecast)
Care plan	737	770(+33)	791(+54)
Home visit care	1,062	1,096(+34)	1,122(+60)
Welfare goods leasing	135	137(+2)	135
Day care	326	350(+24)	356(+30)
Home nursing care	23	56(+33)	66(+43)
Hohoemi	241	245(+4)	247 (+6)
Kirameki	42	51(+9)	51(+9)
Nichii Home	50	52(+2)	52(+2)

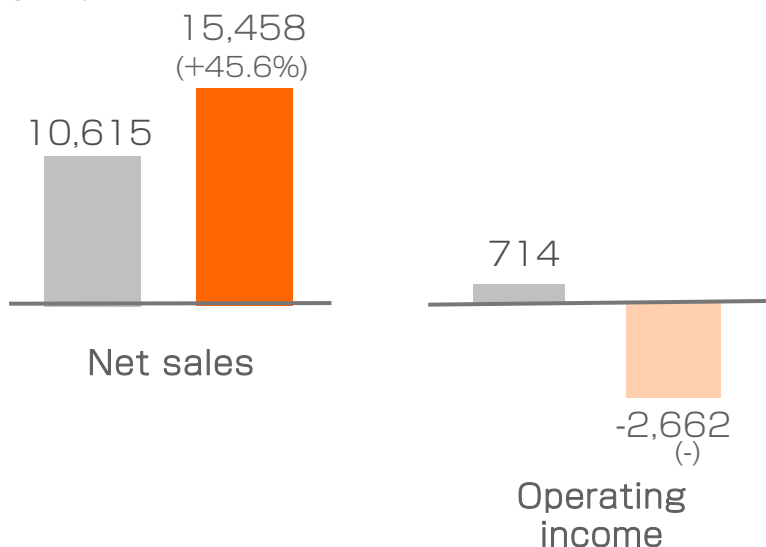
\*Note: Home visit care include a bathing service.

\*Hohoemi Forecast revised "247(+5)" from "245 (+4)"

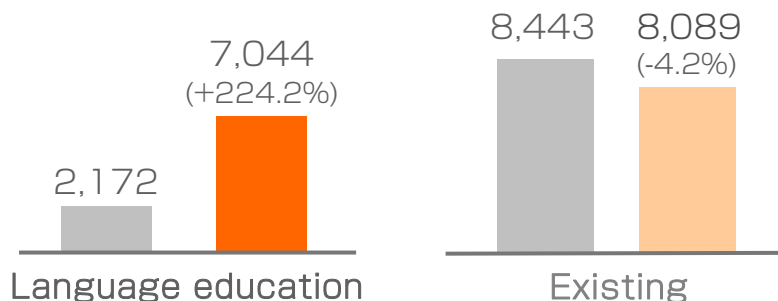
# FY2013 3Q Segment Highlights (Education Business)

## Consolidated Net Sales/Operating Income (Year on Year)

Net sales: ¥15,458 million (+45.6%)  
 Operating income: -¥2,662 million  
 (¥714 million in the same period of the previous fiscal year)



## Net Sales by Business (Year on Year)



## Strategic, long-term investment

- ▶ Strategic investments to build a nationwide operating base for the language business
  - 61 COCO Juku schools (as of December 31)
  - Aggressive promotions

Allocation of advertising expenditure (first nine months)

Advertising expenditure ¥2,596m	Medical Support	¥598m
	Health Care	¥699m
	Education	¥1,298m

- ▶ The number of students at Home Helper Level 2 courses increased as the qualifications for nursing care were to be revised.

- Number of students at Home Helper Level 2 courses

FY2011	FY2012	Growth rate
45,434	51,239	12.8%

## FY2013 3Q Education Business Highlights by Brand

### Nichii (Existing)

Net sales: ¥8,089m (down 4.2% year on year)

( Medical education ¥3,323m (down 13.8% year on year)  
Social education ¥4,766m (up 3.9% year on year) )

Operating income: down ¥239m (¥164m in the same period of the previous fiscal year)

### COCO Juku

Net sales: ¥120m

Operating income: -¥3,371m

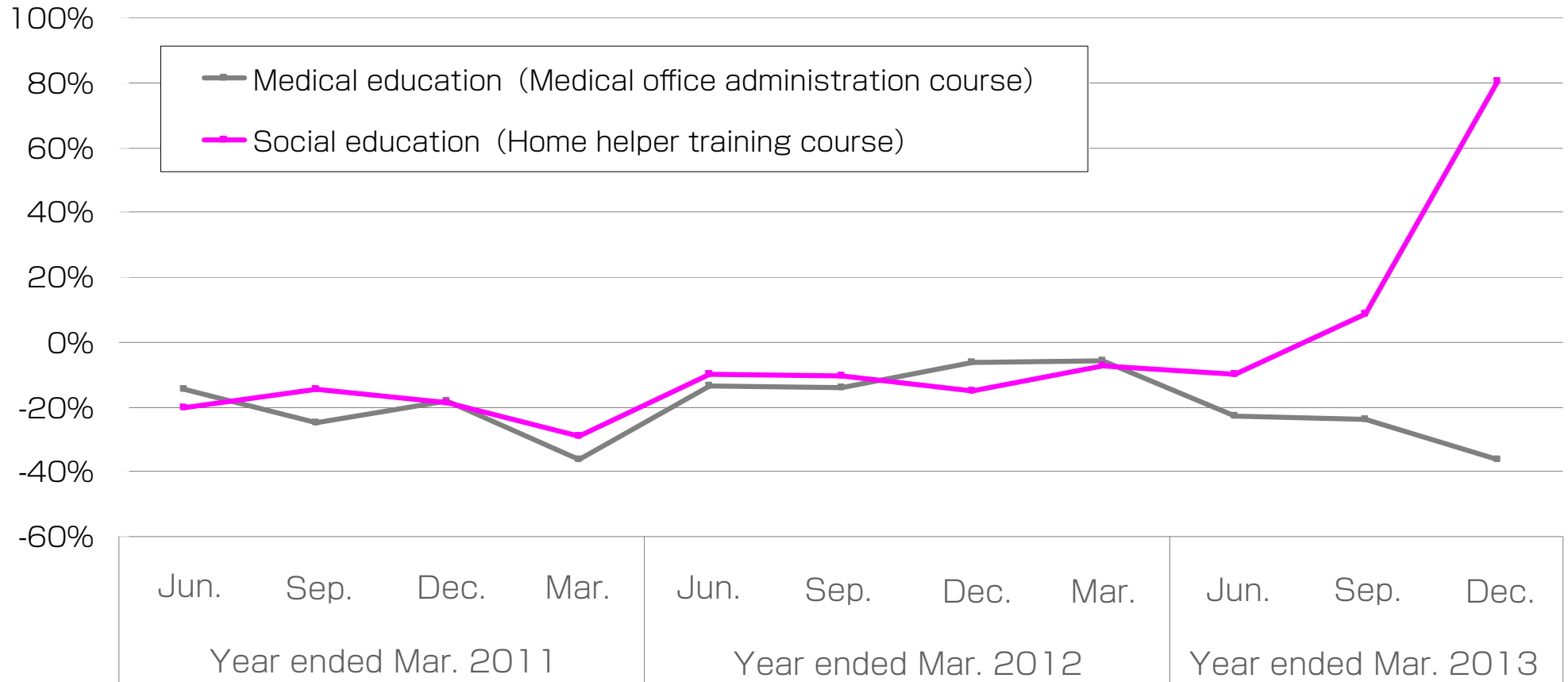
### GABA

Net sales: ¥6,923m (up 218.7% year on year)

Operating income: ¥778m (up 185.7% year on year)

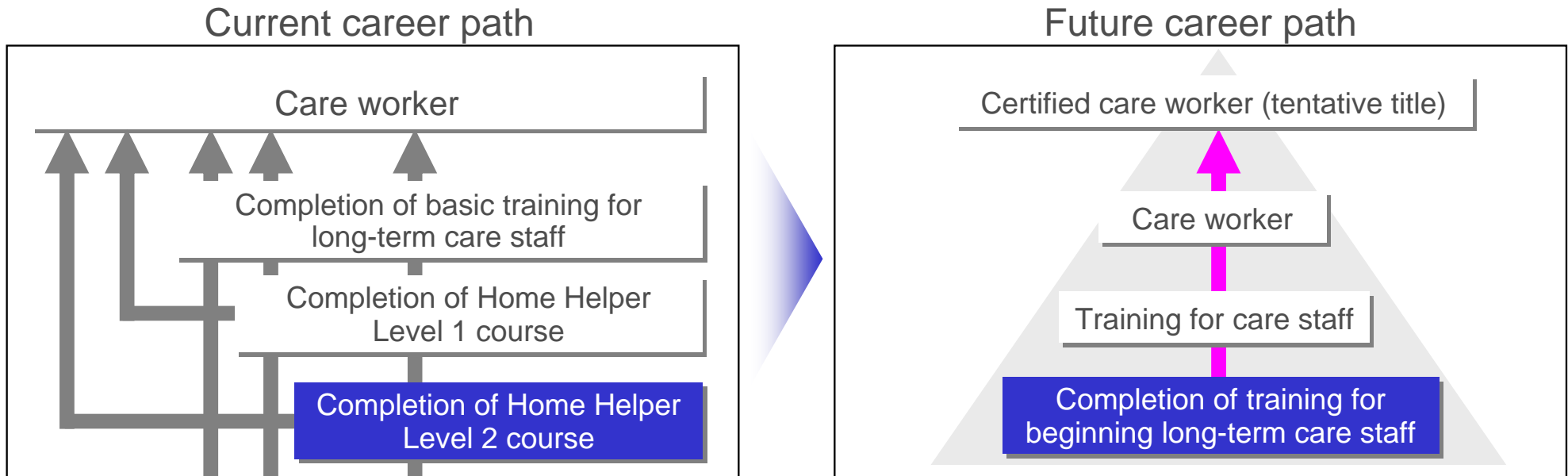
The operating results of GABA have been included in the consolidated results since the third quarter of the fiscal year ended March 2012.

# Main education courses students year on year changes



# Overview of Training for Beginning Long-Term Care Staff

## Career path of long-term care staff from April 2013



## Comparison between Home Helper Level 2 course and beginning staff's training

	Home Helper Level 2		Beginning staff's training
Training hours	130 (48)	→	130 (89.5)
End-of-course exam	No	→	Yes
Tuition at the Company	94,248 yen	→	158,000 yen

- Both courses require the same number of training hours, but the beginning staff's training requires more schooling hours (training hours at school).
- The trainees need to pass the end-of-course exam.

\* The figures in parentheses are minimum schooling hours required. (The figure for the beginning staff's training is the number of hours required if there is no practical training at facilities.)

# Financial Results Forecast



# Financial Results Forecast

(Millions of yen)

	FY2012	FY2013	
	Result	Forecast	Year-on year (%)
Net Sales	257,340	266,800	3.7%
Operating Income	11,672	7,200	▲ 38.3%
%	4.5%	2.7%	
Ordinary income	12,674	6,700	▲ 47.1%
%	4.9%	2.5%	
Net income	5,897	2,900	▲ 50.8%
%	2.3%	1.1%	

# Financial Results Forecast by Business

(Millions of Yen)

	FY2012.3								FY2013.3							
	1Q		Half-year		3Q		Full-year		1Q		Half-year		3Q		Full-year	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Result	Change	Forecast	Change
Medical Support Section	25,694	0.7%	51,444	0.4%	77,243	0.2%	103,301	0.1%	25,871	0.7%	51,869	0.8%	77,955	0.9%	104,100	0.8%
Insurance Services	29,820	-	60,593	-	92,031	-	127,340	-	31,664	6.2%	63,908	5.5%	96,713	5.1%	129,800	1.9%
Non-Insurance Services	2,538	-	5,321	-	8,255	-	11,153	-	2,988	17.7%	6,152	15.6%	9,425	14.2%	12,200	9.4%
Health Care Section	32,358	7.6%	65,914	7.7%	100,287	7.8%	138,493	11.4%	34,653	7.1%	70,060	6.3%	106,138	5.8%	142,000	2.5%
Education Section	3,027	▲20.9%	5,900	▲16.6%	10,615	4.5%	15,451	19.7%	5,087	68.0%	10,152	72.1%	15,458	45.6%	20,400	32.0%
Others	347	▲26.8%	659	▲18.2%	1,099	▲19.2%	1,427	▲13.1%	487	40.5%	863	31.1%	1,386	26.1%	1,700	19.1%
Eliminations	▲295	-	▲576	-	▲980	-	▲1,333	-	▲454	-	▲815	-	▲1,351	-	▲1,400	-
Net Sales	61,132	2.8%	123,342	3.1%	188,265	4.2%	257,340	6.9%	65,644	7.4%	132,132	7.1%	199,587	6.0%	266,800	3.7%
Medical Support Section %	1,962	46.2%	3,884	31.6%	6,266	27.6%	8,547	21.4%	2,086	6.3%	4,100	5.6%	6,169	▲1.6%	8,400	▲1.7%
%	7.6%		7.6%		8.1%		8.3%		8.1%		7.9%		7.9%		8.1%	
Insurance Services %	1,821	-	4,136	-	6,546	-	8,591	-	2,336	28.3%	5,017	21.3%	7,744	18.3%	9,600	11.7%
%	6.1%		6.8%		7.1%		6.7%		7.4%		7.9%		8.0%		7.4%	
Non-Insurance Services %	269	-	622	-	981	-	1,550	-	302	12.2%	569	▲8.6%	860	▲12.3%	1,000	▲35.5%
%	10.6%		11.7%		11.9%		13.9%		10.1%		9.3%		9.1%		8.2%	
Health Care Section %	2,090	67.3%	4,758	53.4%	7,527	46.9%	10,142	56.0%	2,638	26.2%	5,587	17.4%	8,605	14.3%	10,600	4.5%
%	6.5%		7.2%		7.5%		7.3%		7.6%		8.0%		8.1%		7.5%	
Education Section %	309	▲64.5%	358	▲65.7%	714	▲54.6%	715	▲55.2%	▲827	-	▲1,978	-	▲2,662	-	▲4,800	-
%	10.2%		6.1%		6.7%		4.6%		▲16.3%		▲19.5%		▲17.2%		▲23.5%	
Others %	▲144	-	▲250	-	▲248	-	▲334	-	33	-	26	-	140	-	200	-
%	▲41.7%		▲38.0%		▲22.6%		▲23.4%		6.8%		3.0%		10.1%		11.8%	
Eliminations	▲1,992	-	▲3,847	-	▲5,605	-	▲7,397	-	▲2,068	-	▲3,831	-	▲5,617	-	▲7,200	-
Operating Income %	2,225	29.3%	4,902	44.1%	8,654	39.9%	11,672	48.3%	1,863	▲16.3%	3,903	▲20.4%	6,634	▲23.3%	7,200	▲38.3%
%	3.6%		4.0%		4.6%		4.5%		2.8%		3.0%		3.3%		2.7%	

\*From the year ending March 31, 2012, Entering in the details of non-insurance services (welfare services for handicapped, housekeeping services etc..) from health care section.

## Sales and Operating income breakdown

### 【Existing】

(Millions of Yen)

		FY2012.3				FY2013.3			
		1Q	Half-year	3Q	Full-year	1Q	Half-year	3Q(Result)	Full-year(Forecast)
	Medical office administration course	1,409	2,719	3,856	4,955	1,255	2,342	3,323	4,055
	Home helper training course	1,617	3,181	4,586	5,955	1,417	2,919	4,766	6,410
Net Sales		3,027	5,900	8,443	10,911	2,673	5,261	8,089	10,465
Operating Income		202	157	164	▲242	▲213	▲478	▲239	▲760

\*Home helper training cours : Including E-learning system lecture of hobby, culture, ets.

### 【COCO juku】

(Millions of Yen)

		FY2012.3				FY2013.3			
		1Q	Half-year	3Q	Full-year	1Q	Half-year	3Q(Result)	Full-year(Forecast)
Net Sales						7	48	120	335
Operating Income						▲981	▲2,153	▲3,371	▲5,240

### 【GABA】

(Millions of Yen)

		FY2012.3				FY2013.3			
		1Q	Half-year	3Q	Full-year	1Q	Half-year	3Q(Result)	Full-year(Forecast)
Net Sales				2,172	4,540	2,310	4,650	6,923	9,100
Operating Income				272	603	287	537	778	1,000

\*Operating Income : after goodwill amortization.

\*The full-year forecast of the FY2013.3 has changed a part of breakdown.

# Strategic Investment

## 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 Nichii' s operating base to strengthen corporate marketing Use short-term courses to introduce brand
Strengthen business management structure	Enhance structure for recruiting and retaining instructors

### Responding to Needs

- Courses for adults      Everyday English course, business English course, private lessons
- Courses for elementary school children      Group lessons of English conversation for elementary school children
- Special courses      Chatting course, medical course
- Options      Active communication course, English writing course, English grammar course
- Trial courses      Everyday English courses (elementary course, intermediate course)
- Course for qualification      TOEIC (R) navigation course
- Career enhancement course      Presentation navigation course
- Other languages      Chinese course, Japanese course

### Synergies with Child Care Business

Since June 2012

Nichii Kids Sangenjaya

Nichii Kids Ariake Center

Nichii Kids Ariake Center #2



July 2013:

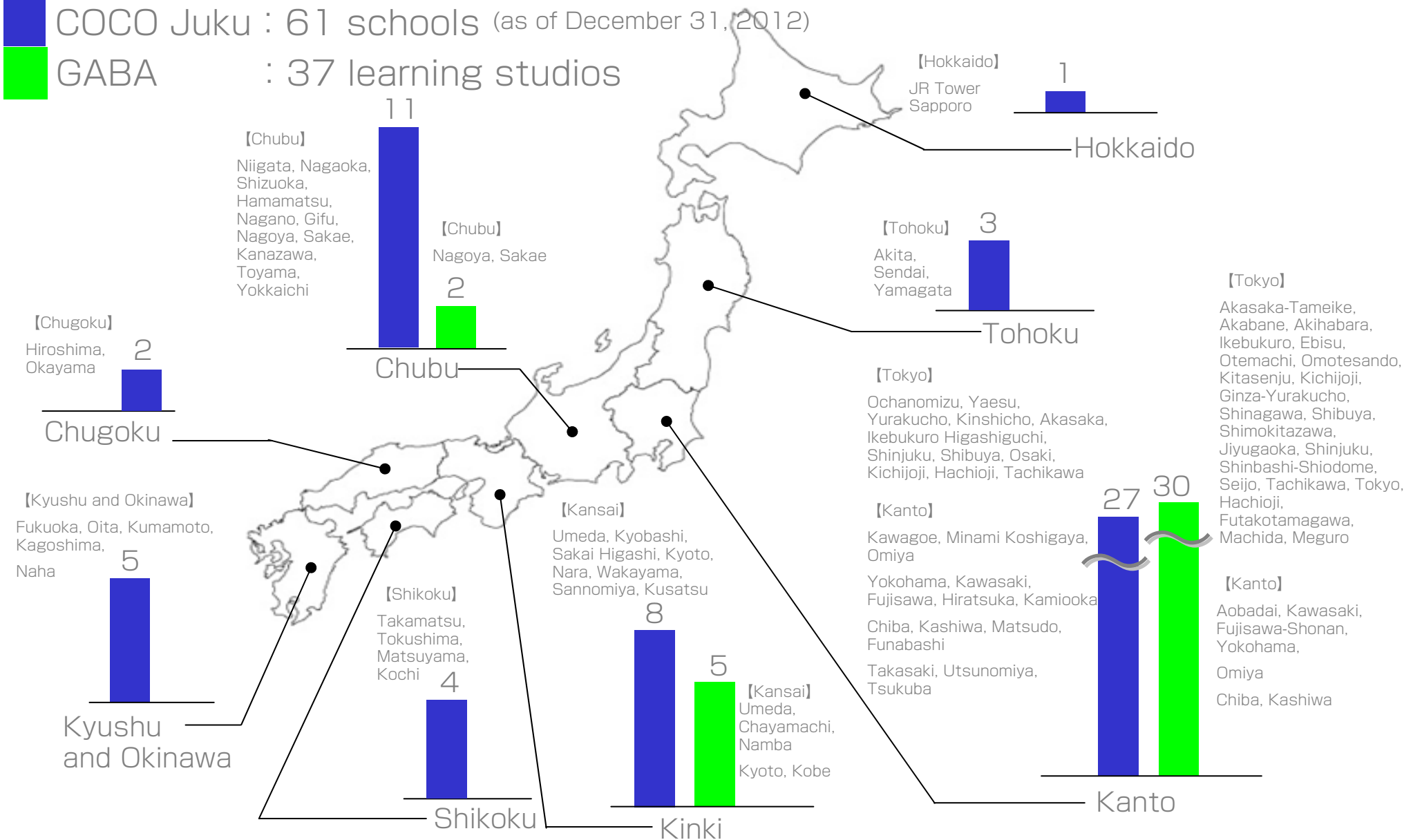
Lessons will start at two additional facilities.

The business will continue to expand.


# Nichii's Language Business: School Network

**COCO Juku** : 61 schools (as of December 31, 2012)

**GABA** : 37 learning studios







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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