

NICHII GAKKAN COMPANY

# Financial Results Briefing Document

for the Fiscal Year Ended March 31, 2013

May 16, 2013



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# Overview of Financial Results for Fiscal Year Ended March 31, 2013

# Operating Results for Fiscal Year Ended March 31, 2013

(Unit: million yen)

	FY2012	FY2013	
	Amount	Amount	Year on year
Net Sales	257,340	267,191	3.8%
Gross Profit	53,826	57,753	7.3%
%	20.9%	21.6%	-
Operating Income	11,672	8,741	(25.1%)
%	4.5%	3.3%	-
Ordinary Income	12,674	8,326	(34.3%)
%	4.9%	3.1%	-
Net Income	5,897	4,383	(25.7%)
%	2.3%	1.6%	-
EBITDA	16,900	14,384	(14.9%)
%	6.6%	5.4%	-

# Financial Results Highlights for Fiscal Year Ended March 31, 2013

The 5<sup>th</sup> consecutive year of revenue growth with record-breaking net sales of ¥267,191 million (up 3.8% from the previous fiscal year)

Education Business achieved net sales of more than ¥20 billion (up 40.6% year on year).

- A full-year contribution from operating results of GABA
- Anticipating the change in the health care workers qualification system, annual enrolment for Home Helper training courses increased significantly.

Health Care Business saw an increase in the number of care service users.

- The 6<sup>th</sup> consecutive year of revenue growth, absorbing the impact of the revision of compensation for long-term care

Improved earnings power of principal businesses, achieving gross profit of ¥57,753 million (up 7.3% year on year)

Health Care Business posted record profit, attributable to the improvement in facility efficiency.

- Operating income: ¥11,183 million (up 10.3% year on year)
- Nichii Care Palace achieved stable profitability.

Implementation of strategic investment for long-term stable growth

Language Education Business: 73 classrooms for COCO Juku in 44 prefectures

Child Care Business: 3 directly managed child care centers

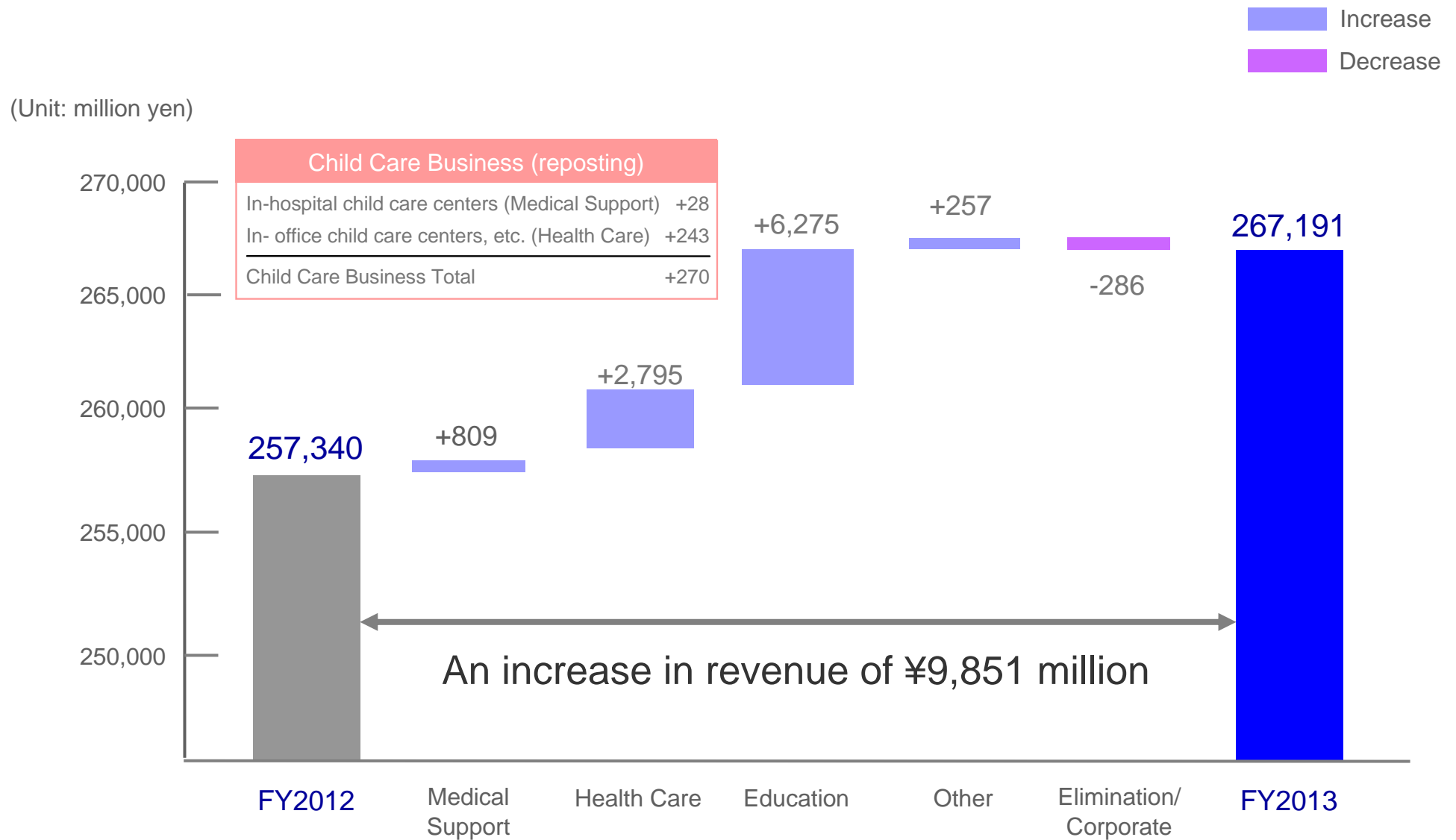
# Consolidated Net Sales and Operating Income by Business for Fiscal Year Ended March 31, 2013

(Unit: million yen)

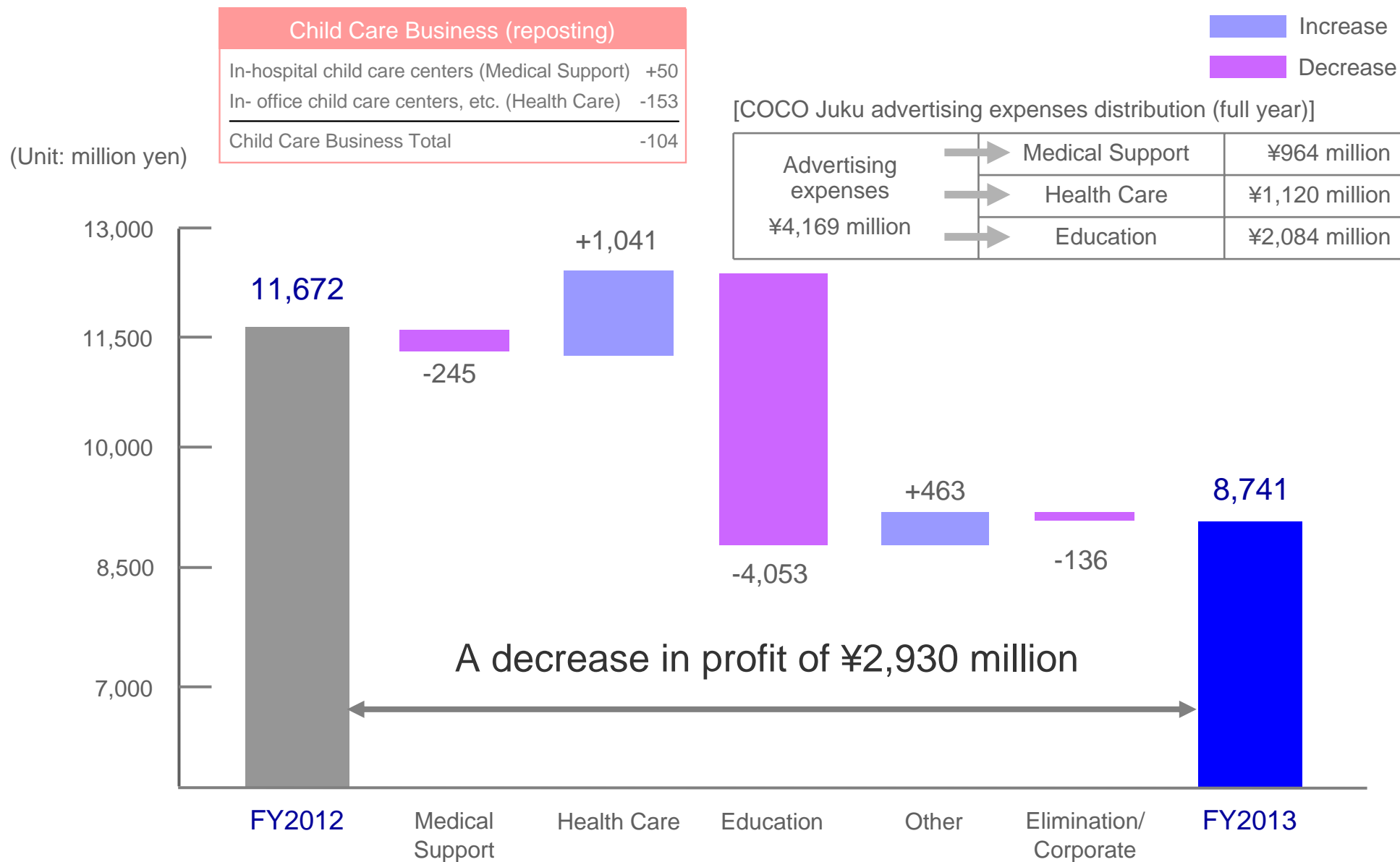
	Net Sales		
	FY2012	FY2013	Year on year
			%
Medical Support	103,301	104,110	0.8%
Health Care	138,493	141,289	2.0%
Education	15,451	21,727	40.6%
Others	1,427	1,684	18.0%
Elimination/ Corporate	(1,333)	(1,620)	-
Total	257,340	267,191	3.8%

Operating Income		
FY2012	FY2013	Year on year
		%
8,547	8,301	(2.9%)
10,142	11,183	10.3%
715	(3,338)	-
(334)	128	-
(7,397)	(7,534)	-
11,672	8,741	(25.1%)

# Major Factors for Changes in Net Sales (year on year) for Fiscal Year Ended March 31, 2013



# Major Factors for Changes in Operating Income (year on year) for Fiscal Year Ended March 31, 2013

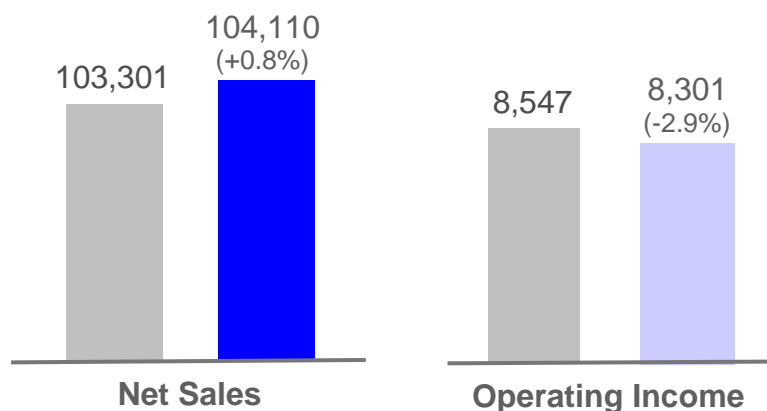




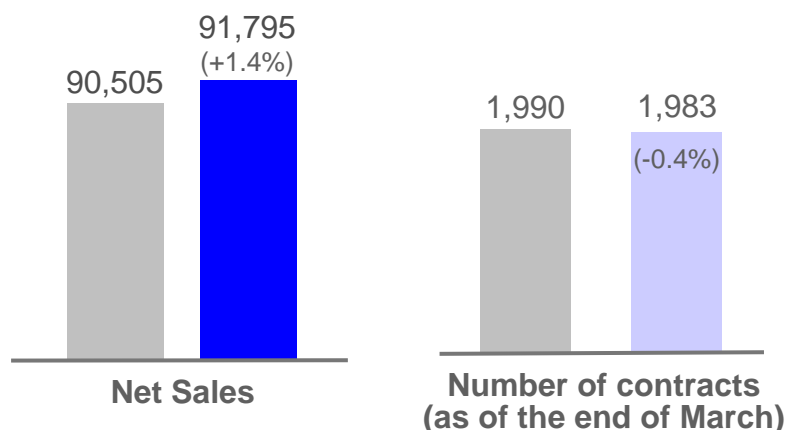
## Segment Highlights for Fiscal Year Ended March 31, 2013 (Medical Support)

### Consolidated net sales and operating income (year-on-year change)

Net sales: ¥104,110 million (+0.8%)  
 Operating income: ¥8,301 million (-2.9%)



### Net sales related to hospitals and number of contracts (year-on-year change)



Revenue continued to increase, reflecting a solid performance in the hospital business.

- ▶ Won new contracts with hospitals and expanded the scope of work.
- ▶ Improved operational efficiency by enhancing staff skills.
- ▶ Expanded management support services.
  - Obtained a patent for the DPC Revolution system.
  - Formed an alliance with Microsoft Corporation.
- ▶ Preparation for developing a clinic in Singapore
  - In October 2012, a subsidiary was established in preparation for developing the clinic in Singapore.

#### [Outline of the subsidiary]

Name: NICHII INTERNATIONAL CLINIC PTE. LTD.

Capital: SGD1 million (approx. ¥76 million)

Description of business: Management of a clinic in Singapore

Date of inauguration: Late July 2013 (schedule)

# (TOPICS) Management of a Clinic in Singapore

Ensure continuous business expansion through new overseas development

## Management of a clinic in Singapore

### NICHII INTERNATIONAL CLINIC

- Medical treatment: General medical treatment, health checkup, detailed examination, etc.
- Medical treatment in four languages (English, Japanese, Chinese and Indonesian)

Establish a secure medical treatment system for both Japanese and non-Japanese through affiliation with local firms and medical specialists.



Waiting room \* before renovation

## Synergies across the Group's businesses

### Medical Support Business

#### Improve the quality of business support services

- Utilize our know-how in the management of medical practice and international medical exchange
- Develop and offer new services to medical institutions which promote medical exchange

### Language Education Business

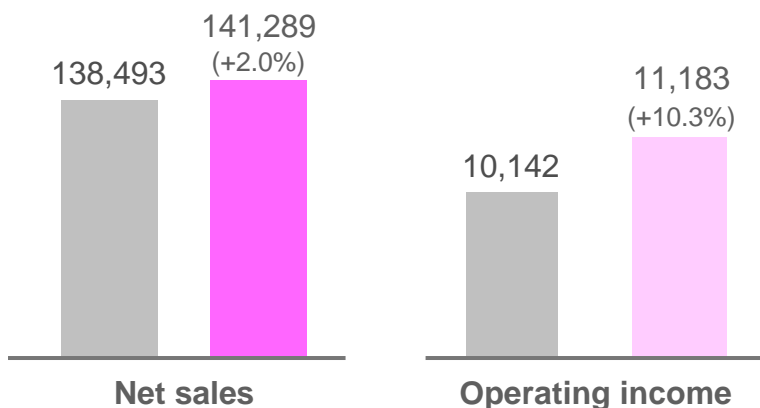
#### Realize the development of global health care providers

- Dispatch students of our courses with health care-related qualifications to the clinic as trainees
- Develop and offer services related to medical English, etc.

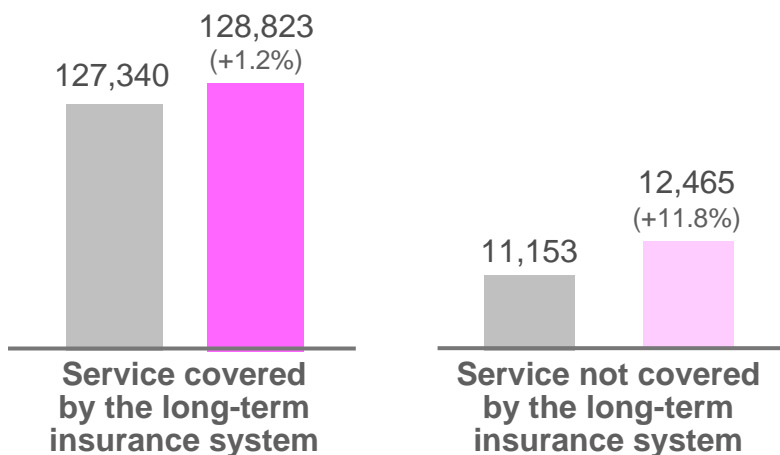
# Segments Highlights for Fiscal Year Ended March 31, 2013 (Health Care)

## Consolidated net sales and operating income (year-on-year change)

Net sales: ¥141,289 million (+2.0%)  
 Operating income: ¥11,183 million (+10.3%)



## Net sales by business (year-on-year change)



**Increases in both revenue and profits, reflecting a rise in the number of care service users**

### ▶ Aggressive development of facilities

	End of March 2012	End of March 2013 (actual results)
Care plan	737	774 (+37)
Home visit	1,062	1,101 (+39)
Welfare goods leasing	135	137 (+2)
Day care	326	353 (+27)
Home nursing care	23	59 (+36)
Hohoemi	241	247 (+6)
Kirameki	42	52 (+9)
Nichii Home	50	52 (+2)

### ▶ Aggressively developed home nursing facilities: Managed 59 facilities as a result of an increase of 36 facilities.

### ▶ Services not covered by the long-term insurance system performed well (an increase in sales of 11.8%).

Developed and offered private brand products and promoted sales of general housekeeping services, etc.

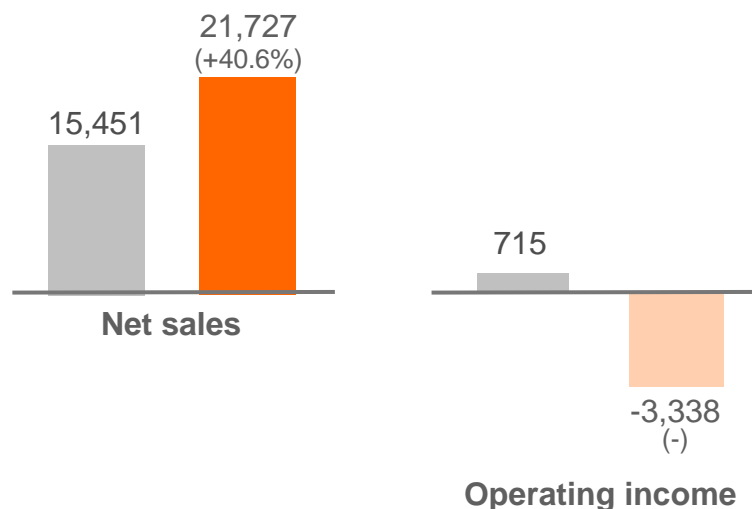
### ▶ Establishment of a cooperative business relationship with SECOM CO., LTD.

Prepared for developing SECOM My Doctor Plus, an emergency response service for elderly patients.

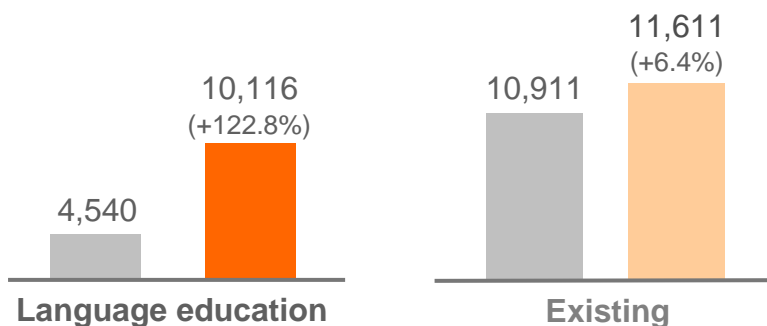
# Segments Highlights for Fiscal Year Ended March 31, 2013 (Education)

## Consolidated net sales and operating income (year-on-year change)

Net sales: ¥21,727 million (+40.6%)  
 Operating income: -¥3,338 million (¥715 million)



## Net sales by business (year-on-year change)



Strong revenue growth, attributable to a full-year contribution from the operating results of GABA and an increase in the number of students for helper training

### Continued long-term strategic investments

- ▶ Strategic investments to build a nationwide Language Education Business base
  - 73 COCO Juku in 44 prefectures (as of end of March)
  - Preparation for the development of a new brand called COCO Juku Junior
  - Aggressive promotion activities
- ▶ In anticipation of a revision of qualifications for health care workers, the number of students for Home Helper Level 2 accreditation increased.

- Cumulative total number of students of Home Helper Level 2 courses

	FY2012	FY2013	Growth rate
	59,748 persons	89,475 persons	49.8%

## Education Business Highlights by Brand for Fiscal Year Ended March 31, 2013

### Nichii (existing brands)

Net sales	¥11,611 million (up 6.4% year on year)				
<table> <tr> <td>Medical education</td> <td>¥4,206 million (down 15.1% year on year)</td> </tr> <tr> <td>Social education</td> <td>¥7,404 million (up 24.3% year on year)</td> </tr> </table>	Medical education	¥4,206 million (down 15.1% year on year)	Social education	¥7,404 million (up 24.3% year on year)	
Medical education	¥4,206 million (down 15.1% year on year)				
Social education	¥7,404 million (up 24.3% year on year)				
Operating income	¥322 million (-¥242 million in the previous year)				

### COCO Juku

Net sales	¥228 million
Operating income	-¥5,047 million

### GABA

Net sales	¥9,421 million (up 107.5% year on year)
Operating income	¥1,140 million (up 89.0% year on year)

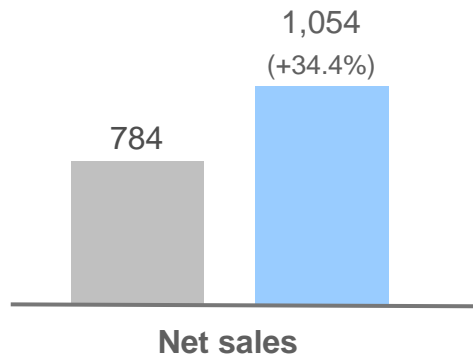
\* Operating income figures indicate post-goodwill figures.

\* The operating results of GABA started to be incorporated in the consolidated financial results in the third quarter of the fiscal year ended March 31, 2012.

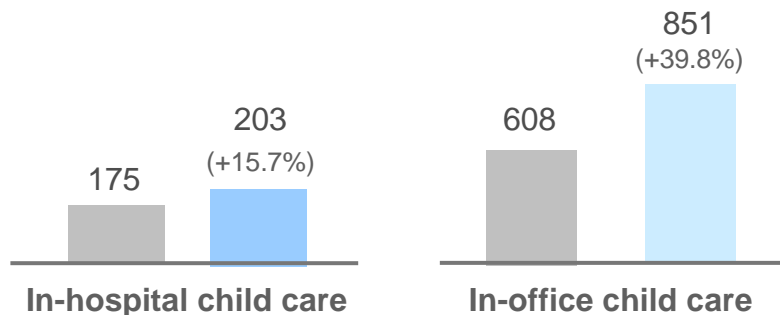
# Status of Child Care Business

## Consolidated net sales and operating income (year-on-year change)

Net sales: ¥1,054 million (+34.4%)



## Net sales by business (year-on-year change)



## Expanding the size and scope of operations through proactive development

- ▶ Active expansion of in-hospital, in-office, and directly managed child care centers

Actual results at end of March 2013

- In-hospital child care centers: 26 locations (an increase of one location from the previous fiscal year)
- In-office child care centers: 39 locations (an increase of 13 locations from the previous fiscal year)
- Directly managed child care centers: 7 locations (an increase of 3 locations from the previous fiscal year)

- ▶ Offered English conversation lessons through cooperation with COCO Juku.

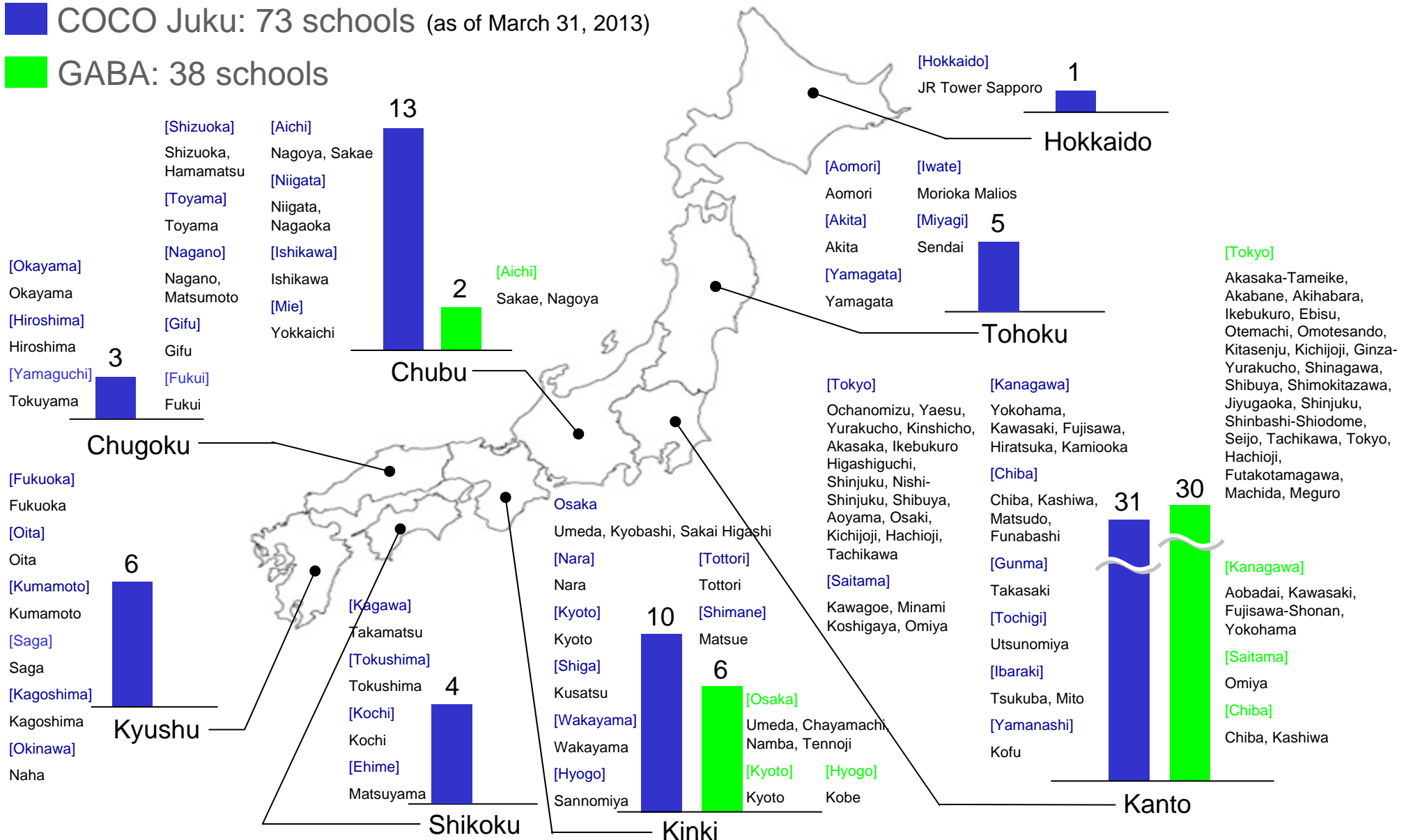


# Status of Strategic Investment

# Language Education Business: Status of Classroom Development

**COCO Juku: 73 schools** (as of March 31, 2013)

**GABA: 38 schools**





# Overview of COCO Juku Junior

## Overview

**Target:** From infants and elementary school children to high-school students

**Courses:** Courses in accordance with different levels and needs

(1) Standard Course

A lesson a week

(2) International Course

Two lessons a week; aiming to achieve standard levels three years earlier

(3) Rapid Course

One-on-one intensive course

**Course fee: ¥20,000 to ¥24,000 (monthly)**

\* International Course

**Instructors: Japanese**

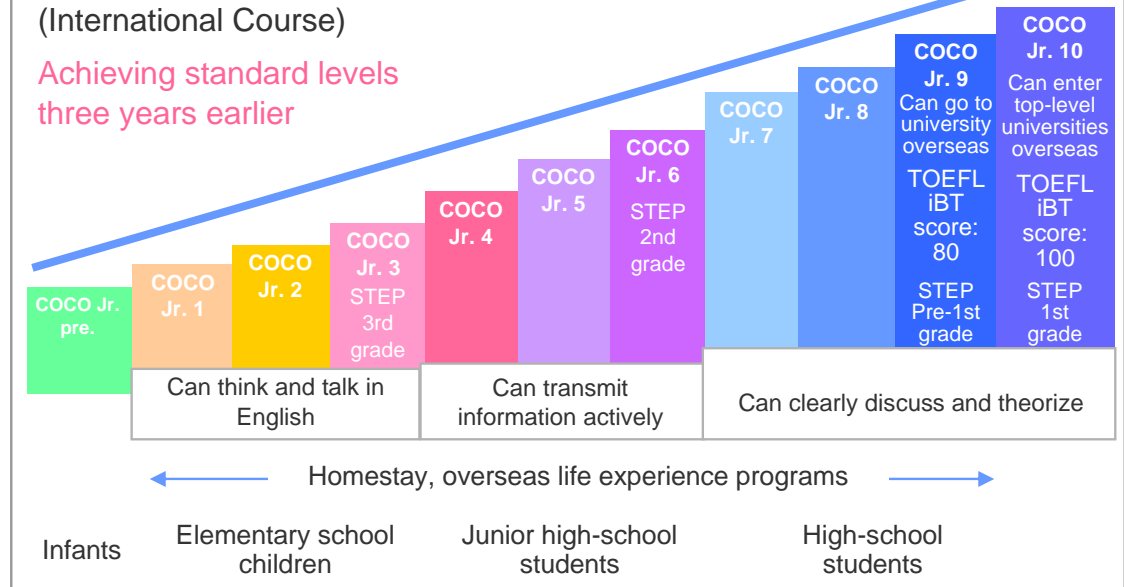
\* A native speaker gives a lesson a month.

**Maximum number of students in a class: 6**

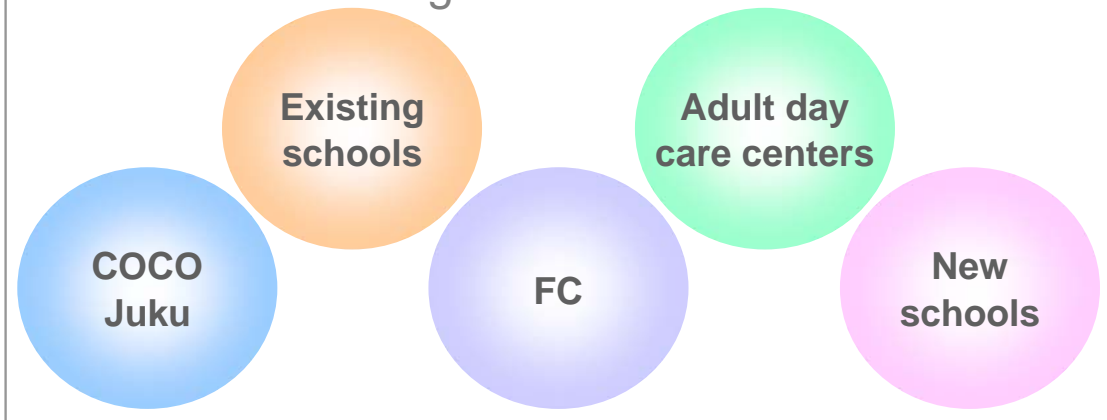
## Goals of COCO Juku Junior

(International Course)

Achieving standard levels three years earlier

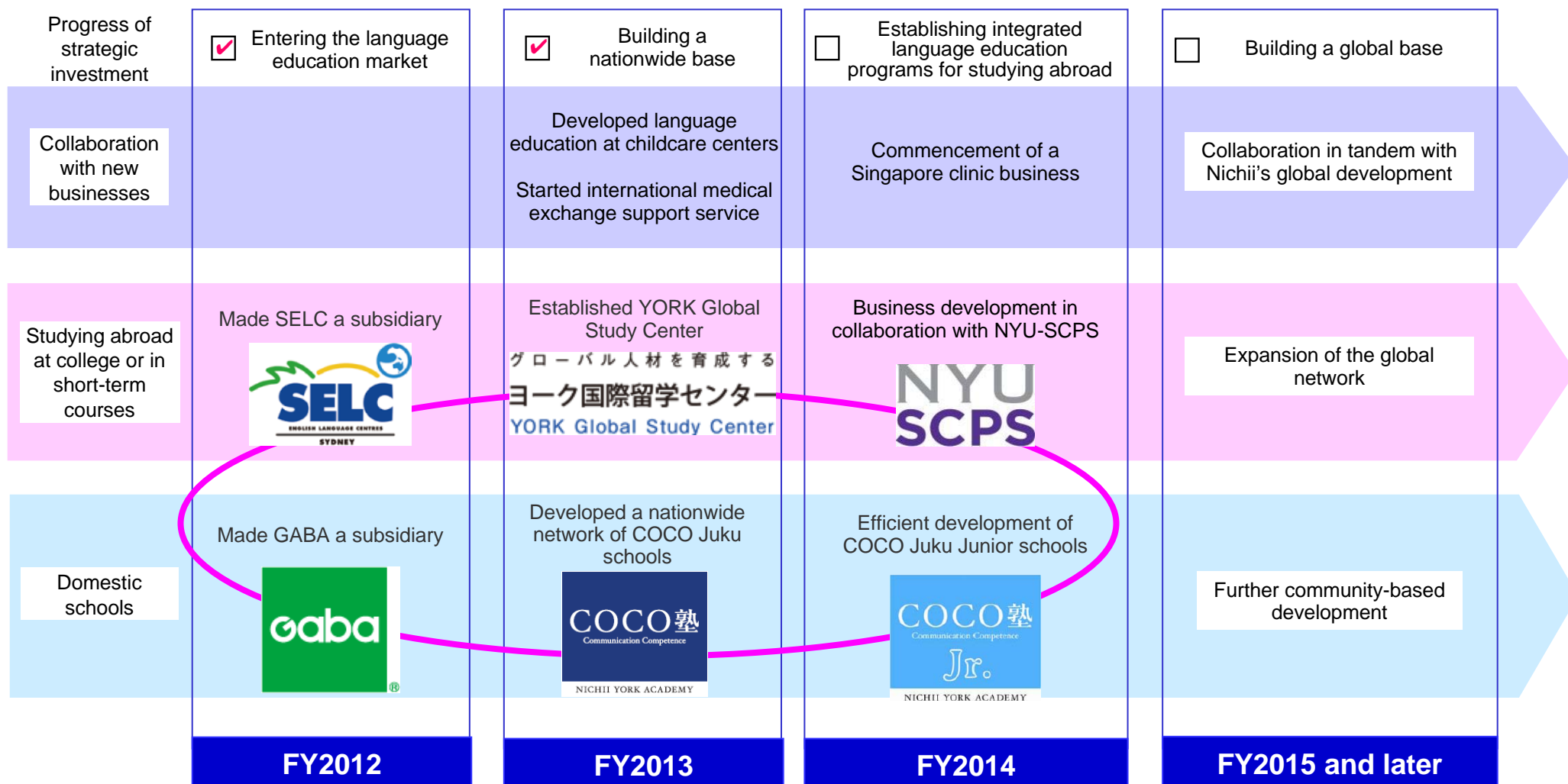


## Developing schools efficiently, using Nichii's management resources

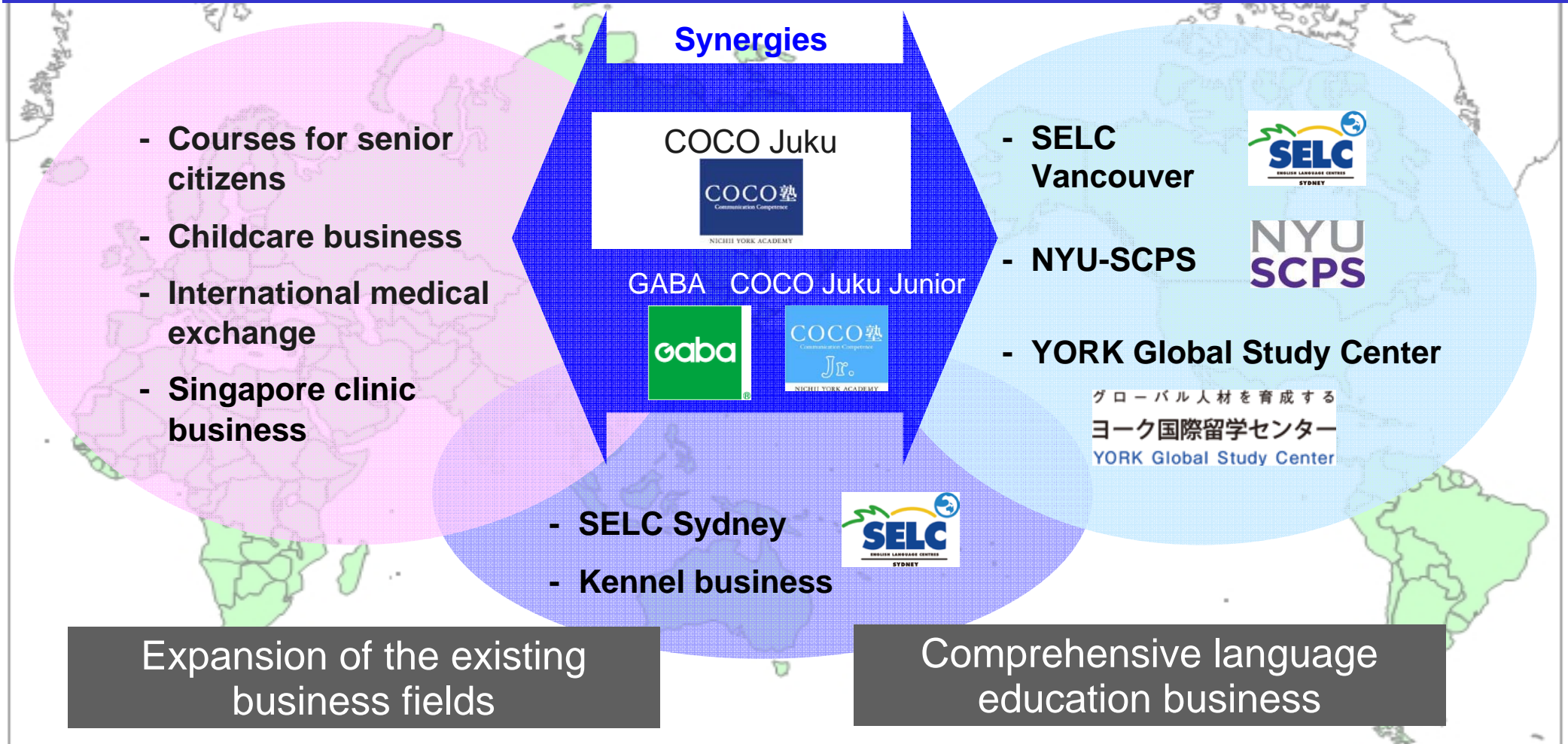


# Language Education Business: Progress of Strategic Investment and Future Development

Aiming to create new value in tandem with Nichii's global development by expanding the service lineup and building a global network



## Nichii's global education business for all generations



The education business is the core of the Nichii Group's strategy for expanding earnings.

## TOPICS: NYU-SCPS ALI Tokyo Center

On March 7, 2013, Nichii entered into a collaboration agreement to open the American Language Institute (ALI) Tokyo Center with the New York University School of Continuing and Professional Studies (NYU-SCPS).

### New York University School of Continuing and Professional Studies American Language Institute (ALI) Tokyo Center

- The center will offer a variety of programs for nurturing an international perspective and communication skills (A general English course, business English course, a college preparatory course, and other courses)
- At the center, the NYU-SCPS will provide more specialized courses for professionals in different industries.



The center will open on the 22th floor of Shinagawa Intercity Building A in October.

### Synergy with Nichii's language education business

- Nichii will oversee operations except teaching and will recruit students, using its nationwide operating base.
- Nichii will offer integrated education programs for students ranging from preschool children to people who will go to college overseas, with COCO Juku, GABA, and COCO Juku Junior (new brand) schools collaborating with the ALI Tokyo Center.

# Medium-Term Management Strategy

## Medium-Term Management Strategy

A five-year plan from FY2013 through FY2017

Expanding business fields and strengthen operating base;  
restructuring the business portfolio;  
achieving stable earnings growth over the long term

### Target management indicators

Double-digit year-on-year sales growth, an operating margin of 7% or more, an ROE of 15% or more



## New Business Segments from FY2014

To enhance services that are not covered by the long-term care insurance, Nichii will divide its Health Care Business into a Long-Term Care Business and a Health Care Business (services not covered by the long-term care insurance) at the beginning of FY2014.

Old segment	Classification	Major services
Health Care Business	Covered by long-term care insurance	Home-visit care, day care, home-visit nursing, pay nursing homes, group homes
	Not covered by long-term care insurance	(Welfare services for the disabled, childcare in workplaces), housekeeping services, meal home delivery, sales of healthcare products, care staff dispatching service

Welfare services for the disabled and childcare in workplaces will be included in the Long-Term Care Business.

New segment	Major services
Long-Term Care Business	Home-visit care, day care, home-visit nursing, pay nursing homes, group homes, (welfare services for the disabled, childcare in workplaces)
Health Care Business	Housekeeping services, meal home delivery, sales of healthcare products, care staff dispatching service

### Active development of Health Care Business (for global operations)

The Nichii Group participated in the 2nd China International Senior Service Expo, one of China's biggest international welfare exhibitions, held in May 2013. Nichii displayed welfare equipment that it is selling in China and demonstrated its home nursing care techniques, expertise in human resource development, the concept of sanitary care, and sanitary care products.

In collaboration with Riya Fuli Qiju Maoyi (Shanghai) Co., Ltd., a Group company in China, Nichii is gearing up to launch a long-term care business in Beijing (in October).



2nd China International Senior Service Expo

# Nichii's Service Initiatives in Its Growth Strategy

## Business Environment to consider in developing growth strategies

### Developing and exchanging human resources capable of working in the international arena

- Support for studying abroad (interest-free loans)
- Drastic change in English education at school
- Doubling the number of foreign visitors to Japan (aiming for 20 million people per year)

### The declining birth rate and aging population, and women's social advancement

- A new childcare support system to be implemented in 2015
- Plans for accelerating elimination of children waiting to get in day-care facilities

### Realizing and improving a healthy longevity society

- Globalization of the medical and healthcare industries
- Development and expansion of the healthcare industry

### Increasing mobility of employment

- Expansion of subsidies for promoting labor mobility
- Re-employment support → Promoting employment in the medical and nursing-care fields

The government is discussing growth strategies in fields closely associated with Nichii's businesses.

Nichii aims to overcome institutional risks and provide high-value-added services.

#### Medical care

Support for international medical exchange  
Management assistance using IT

#### Nursing care

Aggressively expanding bases for operations  
Bolstering welfare services for the disabled  
Enhancing human resources

#### Healthcare

Promoting healthcare products, housekeeping services, and food services

#### Childcare

Developing small day-care centers and certified quasi-day-care centers

#### Language education

Developing community-based schools  
Building a network of support for studying abroad



# Earnings Forecasts for Fiscal Year Ending March 31, 2014

## FY2014 Earnings Forecasts

(Unit: million yen)

	FY2013	FY2014	
	Result	Forecast	Year on year
Net sales	267,191	277,600	3.9%
Operating income	8,741	9,000	3.0%
%	3.3%	3.2%	-
Ordinary income	8,326	8,000	(3.9%)
%	3.1%	2.9%	-
Net income	4,383	4,500	2.7%
%	1.6%	1.6%	-

### Record sales

Net sales: ¥277,600 million (up 3.9% year on year)

- An increase in sales in the six consecutive year

### Income to start to rise

Operating income: ¥9,000 million (up 3.0% year on year)

- Both sales and income to rise in the language education business
- Both sales and income to increase in the Medical Support Business and Long-Term Care Business, the core businesses
- Both sales and income to climb at certain subsidiaries (Nichii Care Palace, GABA)

Annual dividend forecast: 20.0 yen (payout ratio: 31.1%)

- An increase for the fifth consecutive year

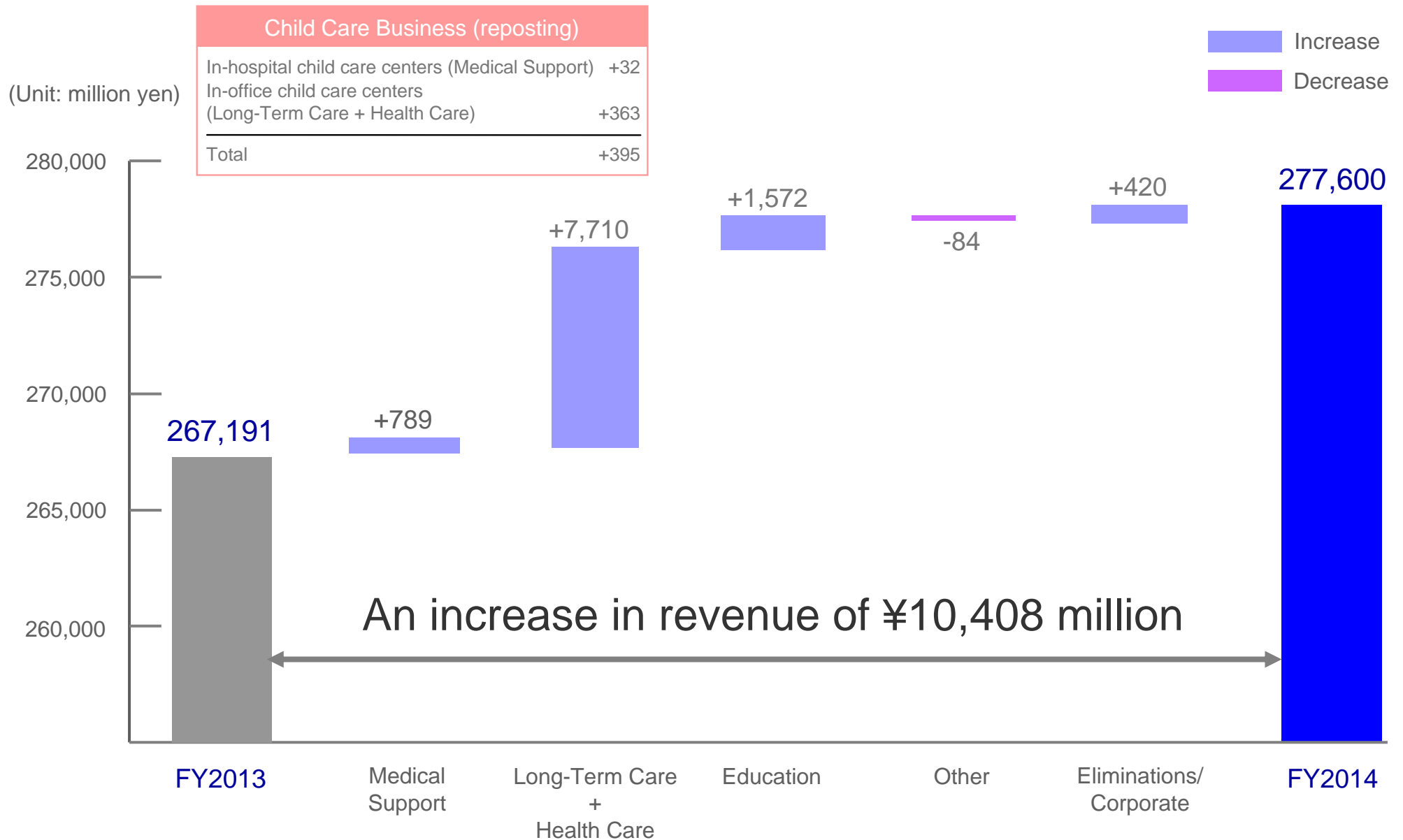
## FY2014 Earnings Forecasts by Business

(Unit: million yen)

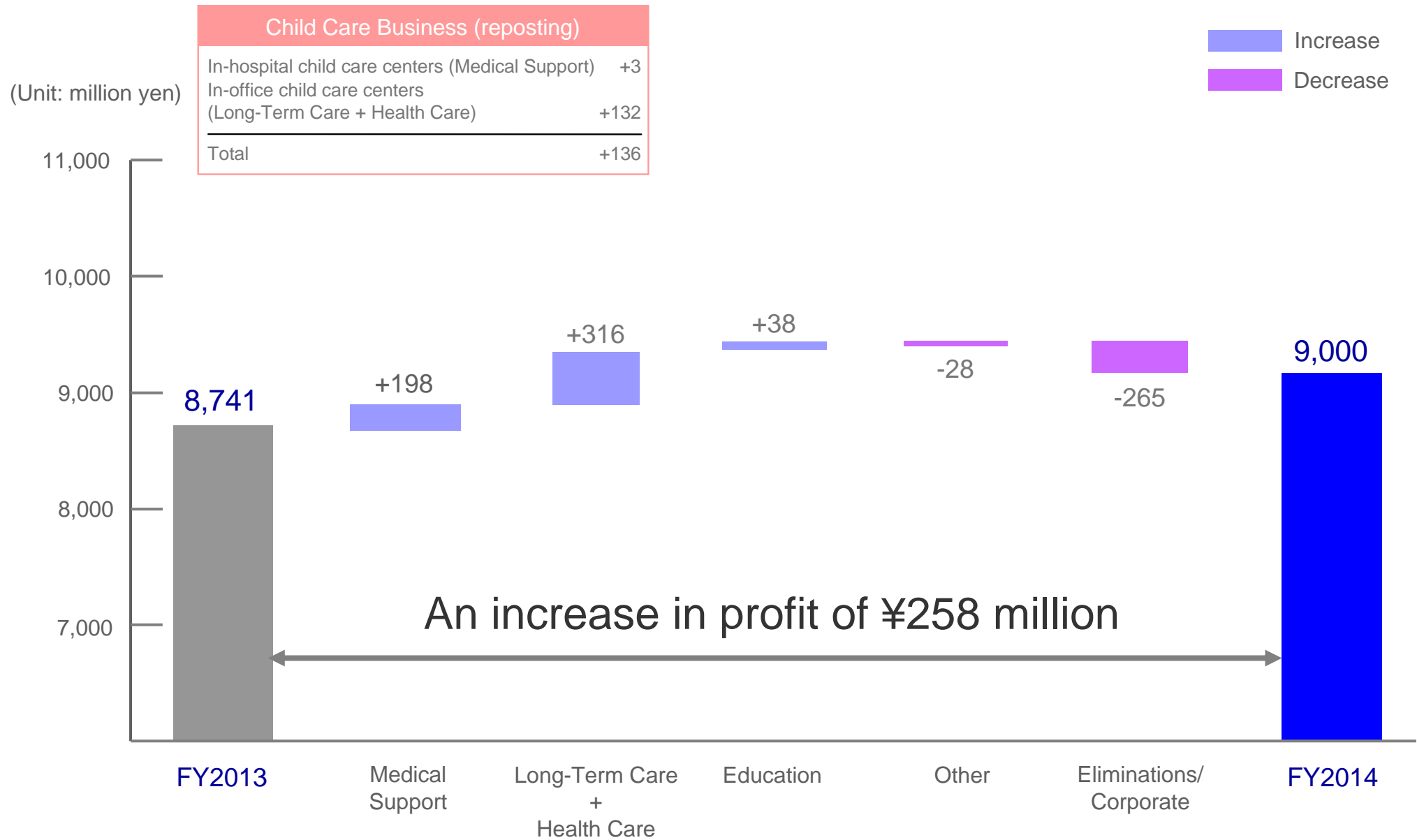
	Net sales		Operating income	
	FY2013 Result	FY2014 Forecast	FY2013 Result	FY2014 Forecast
Medical Support	104,110	104,900	8,301	8,500
Long-term Care	128,823	143,500	9,977	11,300
Health Care	12,465	5,500	1,206	200
Long-term Care + Health Care	141,289	149,000	11,183	11,500
Education	21,727	23,300	(3,338)	(3,300)
Other	1,684	1,600	128	100
Eliminations/ Corporate	(1,620)	(1,200)	(7,534)	(7,800)
Total	267,191	277,600	8,741	9,000

Health Care Business: From FY2014, services covered by long-term care insurance is the Long-Term Care Business, and services not covered by long-term care insurance is the Health Care Business. Welfare services for the disabled and childcare in workplaces, which were classified as services not covered by long-term care insurance, are included in the Long-Term Care Business.

# Major Factors for Changes in Net Sales (year on year)



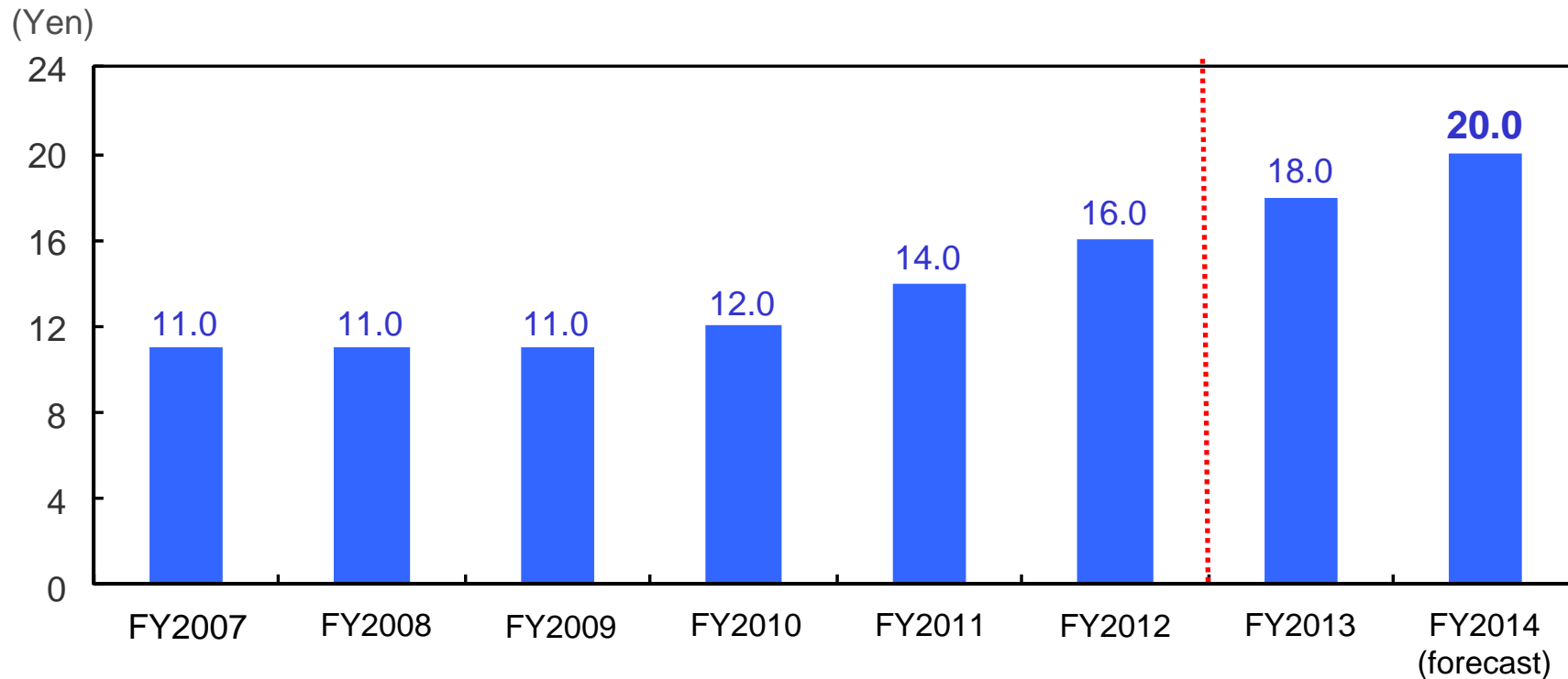
# Major Factors for Changes in Operating Income (year on year)



Our basic policy is distributing stable and continuous returns.

In anticipation of long-term stable growth,  
we plan to increase our dividend for the fifth consecutive year.

FY2014 forecast: 20.0 yen (10.0 yen interim dividend + 10.0 yen year-end dividend)



The Company executed a 2-for-1 stock split on April 1, 2009, and the figures for the fiscal years before that are adjusted to reflect the effect of the stock split.

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.

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