

NICHII GAKKAN COMPANY

# Financial Results Briefing Document

for the First Three Months of the Fiscal Year Ending March 31, 2014

August 9, 2013

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Overview of Financial Results  
for the First Three Months of  
the Fiscal Year Ending March 31, 2014

## Operating Results for the First Three Months of the Fiscal Year Ending March 31, 2014

(Unit: million yen)

	FY2013 1Q	FY2014 1Q	
	Amount	Amount	Year on year
Net Sales	65,644	68,161	3.8%
Operating Income	1,863	1,727	(7.3%)
%	2.8%	2.5%	-
Ordinary Income	1,673	1,367	(18.3%)
%	2.5%	2.0%	-
Net Income	613	1,047	70.8%
%	0.9%	1.5%	-
EBITDA	3,202	3,223	0.7%
%	4.9%	4.7%	-

# Financial Results Highlights for the First Three Months of the Fiscal Year Ending March 31, 2014

The 6th consecutive year of revenue growth with record-breaking net sales

- The number of customers of the long-term care business and subsidiaries (Nichii Care Palace and GABA)

Both the revenue and the profit of the long-term care business increased - strong performance of facility care services -

- Nichii Home and other facility care services boosted net sales.

[Financial results of facility care services (unit: million yen)]

	FY2013 1Q	FY2014 1Q	Growth rate
Net sales	11,348	12,223	7.7%
Gross profit	1,701	2,225	30.8%



Nichii Home Edogawa  
(opened in November 2012)

Continuous implementation of strategic investment (language education business and child care business)

- COCO Juku in all the prefectures (79 classrooms \* increase of 50 classrooms as compared to the end of the same month of the previous year)
- Promotion of the child care business, operation of certified child care centers, in-office child care centers, etc. (68 centers \* increase of 23 centers compared to the end of the same month of the previous year)

## Consolidated Net Sales and Operating Income by Business for the First Three Months of the Fiscal Year Ending March 31, 2014

(Unit: million yen)

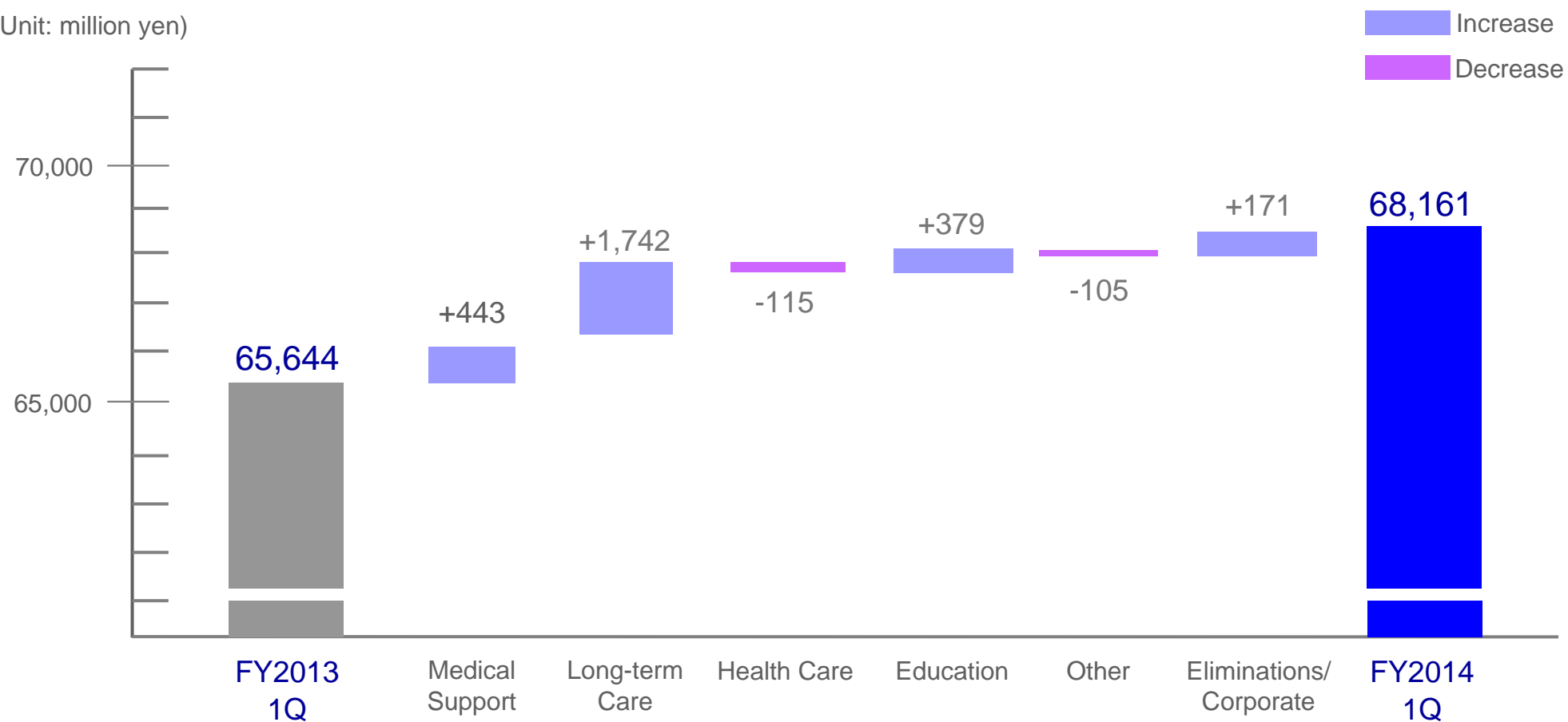
Net sales	FY2013 1Q	FY2014 1Q (Result)	Year on year
			%
Medical Support	25,871	26,314	1.7%
Long-term Care	33,718	35,461	5.2%
Health Care	943	827	(12.2%)
Long-term Care + Health Care	34,662	36,288	4.7%
Education	5,087	5,466	7.5%
Other	487	382	(21.6%)
Eliminations/ Corporate	(463)	(291)	-
Total	65,644	68,161	3.8%

(Unit: million yen)

Operating income	FY2013 1Q	FY2014 1Q (Result)	Year on year
			%
Medical Support	2,086	1,855	(11.1%)
Long-term Care	2,453	3,149	28.4%
Health Care	185	7	(95.7%)
Long-term Care + Health Care	2,638	3,157	19.7%
Education	(827)	(1,169)	-
Other	33	(9)	-
Eliminations/ Corporate	(2,068)	(2,107)	-
Total	1,863	1,727	(7.3%)

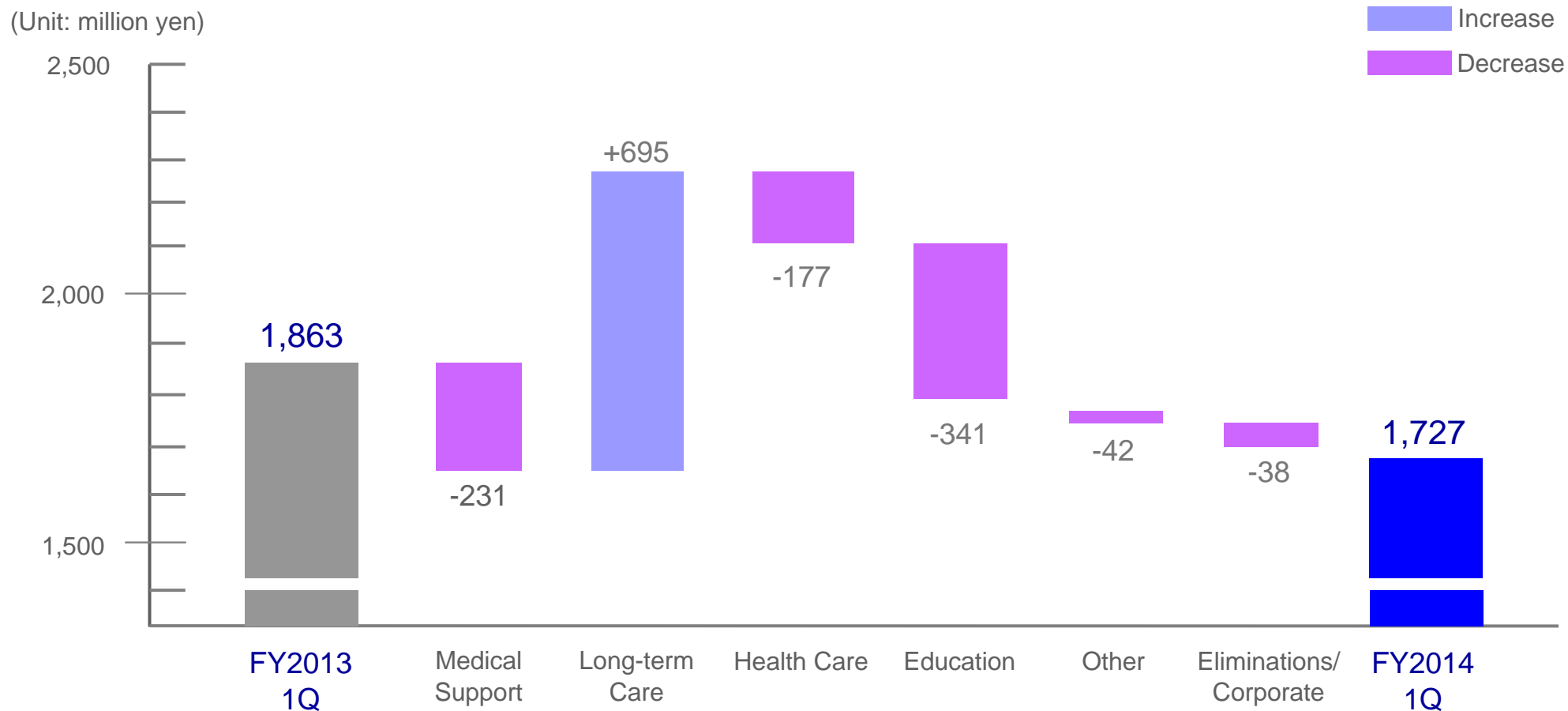
## Major Factors for Changes in Net Sales (year on year)

(Unit: million yen)



Increase in revenue of ¥2,516 million year on year owing to the strong performance of the core businesses, including increased contracts with hospitals, increased users of home care and facility care services, and increases in the net sales of existing courses and language courses

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



Long-term care business continued to increase profits owing to an increase in users and further operation efficiency

Subsidiaries contributed to profits (increase of ¥250 million for Nichii Care Palace and increase of ¥50 million for GABA)

Decrease in profit of ¥136 million year on year, mainly due to strategic investment by the education business (language business)

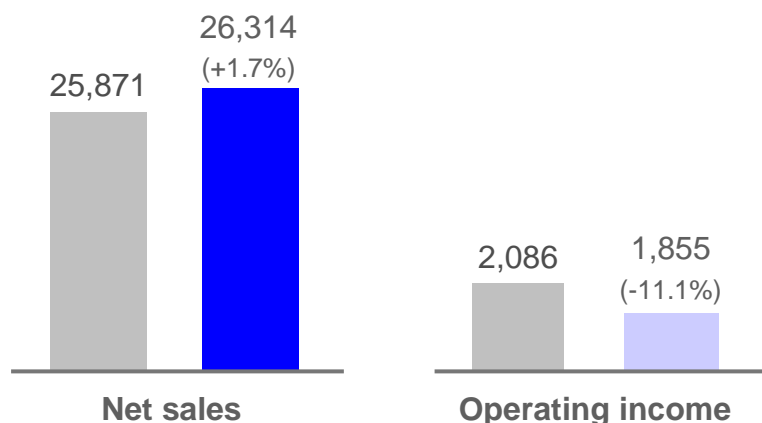


# Segment Highlights for the First Three Months of the Fiscal Year Ending March 31, 2014 (Medical Support)

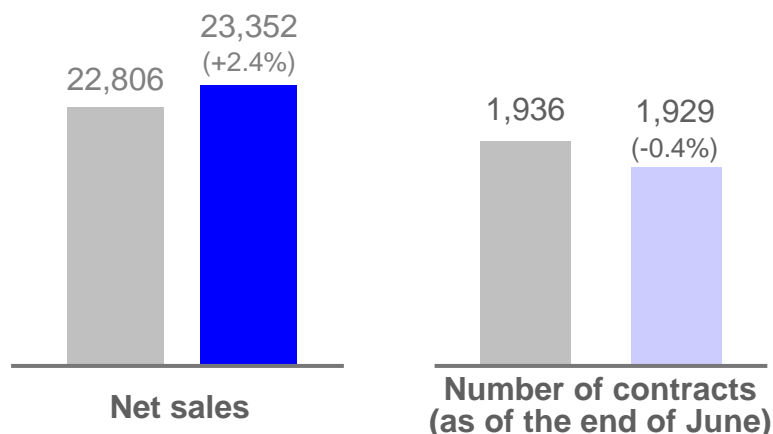
## Consolidated net sales and operating income (year-on-year change)

Net sales: ¥26,314 million (+1.7%)

Operating income: ¥1,855 million (-11.1%)



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



## POINT

Solid performance in the hospital business owing to the focus on the acquisition of new contracts and sales activities through the expansion of the scope of work

Growth rate for net sales of the hospital business

**+2.4%**

- The growth rate of net sales is increasing, driven by the performance of the hospital business.
- Profits declined temporarily due to an increase in labor costs arising from the operation of a large-scale hospital.

## TOPICS

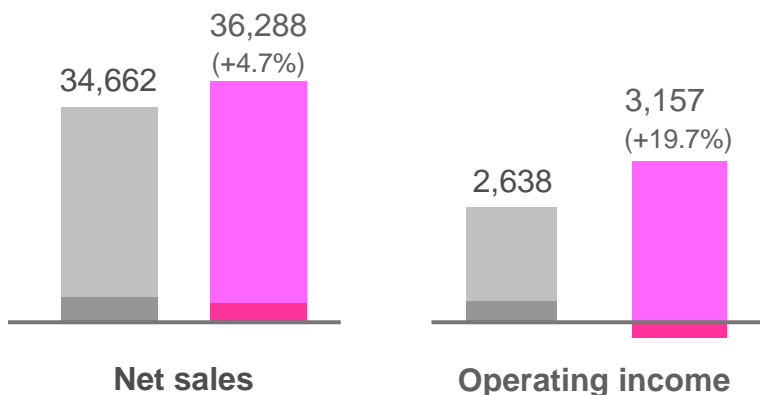
- ▶ Expanded management support services.  
Focus on education/development of personnel to serve the management of medical practice through the introduction of a training system in collaboration with Tama University
- ▶ Preparation for developing a clinic in Singapore  
To be opened in late August

# Segment Highlights for the First Three Months of the Fiscal Year Ending March 31, 2014 (Long-Term Care and Health Care)

## Consolidated net sales and operating income (year-on-year change) Long-term Care + Health Care

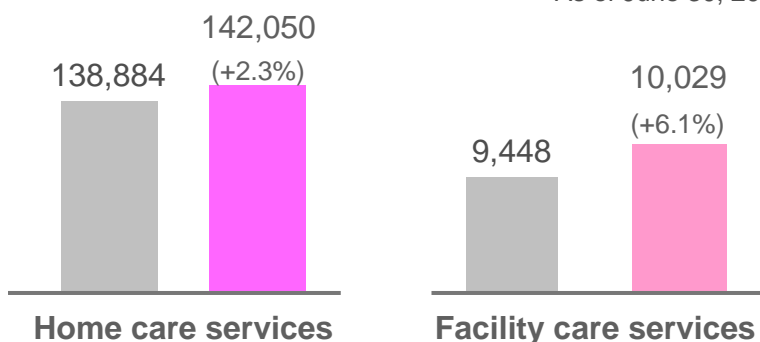
Net sales: ¥36,288 million (+4.7%)

Operating income: ¥3,157 million (+19.7%)



## Number of users of home care and facility care services (year-on-year change)

\* As of June 30, 2013



## POINT

Record-breaking profit owing to enhanced facility efficiency achieved through an increase in users

Operating margin - Efficient operation of home-care facilities

**8.7%**

Long-term care and health care

- Users of facility care services increased steadily

Number of users as of June 30: 10,029

Up 6.1% year on year

## TOPICS

- ▶ Strengthening of service initiatives meeting local demand  
Offering of day care addressing dementia (shared type) and home nursing care services
- ▶ Strengthening of offering of general housekeeping services and health care (PB) products
- ▶ Promotion of preparation for business expansion in Beijing through establishment of the China project

\* The China project was promoted to the China Operational Division of Nichii Gakkan on August 1.

## Segment Highlights for the First Three Months of the Fiscal Year Ending March 31, 2014 (Long-Term Care)

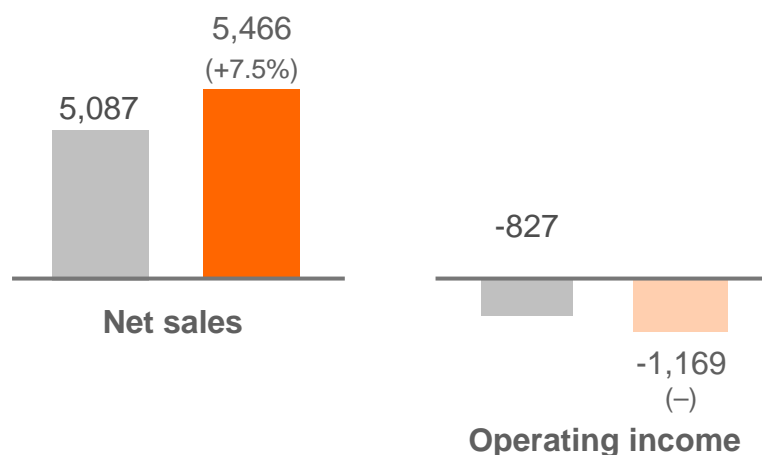
### Establishment of facilities

	End of June 2012	End of June 2013	End of March 2014
Care plan	746	782 (+36)	782 +a
Home-visit care	971	1,000 (+29)	1,052
Day care	331	357 (+26)	383
Home nursing care	39	63 (+24)	100
Hohoemi	242	249 (+7)	262
Kirameki	46	51 (+5)	58
Nichii Home	50	52 (+2)	55

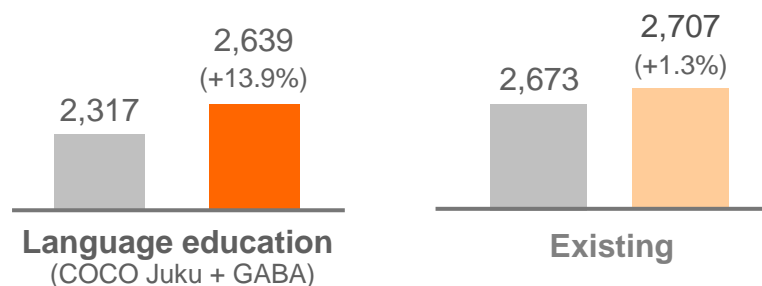
# Segment Highlights for the First Three Months of the Fiscal Year Ending March 31, 2014 (Education)

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

Net sales: ¥5,466 million (+7.5%)  
 Operating income: -¥1,169 million (-¥827 million)



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



## POINT

### Continued long-term strategic investment in the language business

COCO Juku classrooms - Opening of six new COCO Juku classrooms  
 - Continued aggressive promotion activities

**79 in Japan** - Revenue increased owing to steady increase in students of GABA and continuing attendance at Home Helper Level 2 Courses from the previous period

Offered in all prefectures

## TOPICS

- ▶ Launch of a new brand called COCO Juku Junior
  - The new service is provided in 73 classrooms
- ▶ Establishment at COCO Juku of contact for support for studying abroad
- ▶ Offering of courses in accordance with the review of the health care workers' qualification system
  - Commencement of provision of basic training course for care workers
  - Preparation for offering health care practice courses (to commence in July)

Education Business Highlights by Brand  
for the First Three Months of the Fiscal Year Ending March 31, 2014

		FY2013 1Q	FY2014 1Q	Year on year
Nichii (existing brands)	Net sales	2,673	2,707	1.3%
	Operating income	(213)	266	–
COCO Juku	Net sales	7	184	–
	Operating income	(981)	(1,809)	–
GABA	Net sales	2,310	2,454	6.3%
	Operating income	287	337	17.5%



Level 22, Tower A, Shinagawa Intercity, 2-15-1, Konan, Minato-ku, Tokyo, 108-6022, Japan

English Program of New York University School of Continuing and Professional Studies to be offered in Tokyo

## NYU-SCPS AMERICAN LANGUAGE INSTITUTE TOKYO CENTER

New York University School of Continuing and Professional Studies  
American Language Institute (ALI) Tokyo Center  
to be opened on September 26

### PROGRAMS

#### PROFESSIONAL ENGLISH PROGRAM

The real-life language of business for the international businesspersons

#### COLLEGE PREPARATORY PROGRAM

Prepares students and businesspersons to apply for, gain admission to, and succeed in U.S. colleges and universities

#### COMPREHENSIVE ENGLISH PROGRAM

A comprehensive program designed for beginner- to advanced-level students and businesspersons

### OPEN CAMPUS

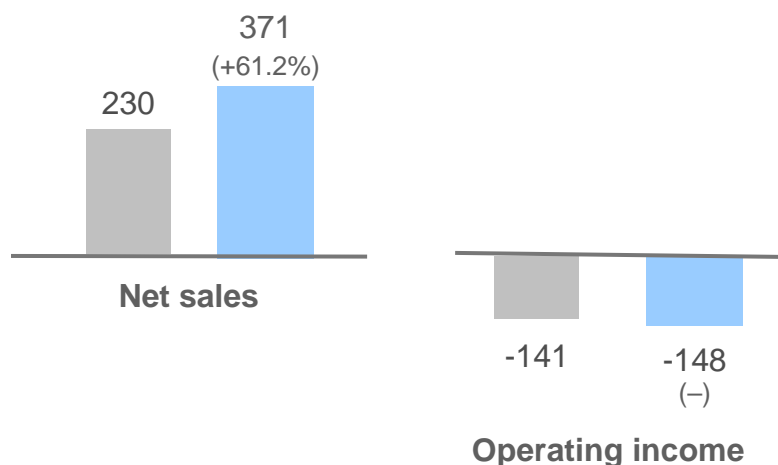
Open campus events will be held from August. - on the 3rd, 4th, 11th and 25th of August -

The open campus events will provide practical lectures for business people, English teachers, and people intending to study abroad. Explanations of the programs, trial lessons, campus tours and individual counseling regarding taking courses will be provided as necessary.

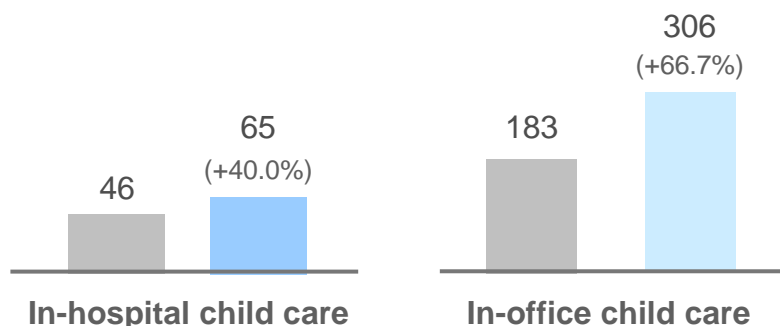
# Status of Child Care Business

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

Net sales: ¥371 million (+61.2%)  
 Operating income: -¥148 million (-¥141 million)



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



## POINT

Expanding the size and scope of operations through the proactive development of the child care business  
 Promotion of high-value-added services

Active offering of child care services  
 Increase of 23 centers year on year

Managed child care services	- Certified child care centers:	3
	- Directly managed child care centers:	1
<b>68 centers in total</b>	- In-hospital and in-office child care centers:	4
	- Child care support, etc.:	7
	- Dispatch of child care specialists:	8

## TOPICS

▶ High-value-added services through offering English conversation lessons in collaboration with COCO Juku.

Began to be offered in full scale from July  
 Expansion at managed child care centers as necessary



# Strengthening of the System for the Activation of the Organization

## Active appointment of young and female personnel and foreigners to executive and managerial positions

- ▶ Average age of the four new executives: approximately 43 years old

Young personnel with strong motivation were appointed as executives from the viewpoint of further strengthening the promotion of the business.

- ▶ Appointment of two female officers

Strengthened the promotion of the services and businesses from the viewpoint of women through the active appointment of female officers.

- ▶ Diversity

Appointment of a foreigner as the senior manager of the Instructor Education Department

## Appointment of outside director

- ▶ Appointment of one outside director to ensure decision-making and supervision of business execution from a broader perspective

### Newly appointed outside director

Mr. Keita Moriwaki:

Appointed from the perspective that he will utilize the abundant experience and expertise he has accumulated as an attorney specializing in commercial law and his strong awareness of compliance

## - Towards a Company Expanding Job Opportunities for Women -

Ratio of female officers **27.8%**

Ratio of female personnel  
in managerial positions **69.1%**

\*Managerial positions: assistant manager and higher-ranked positions as of June 30, 2013

Certification of the next generation accreditation mark  
"KURUMINN"

Certified by the Tokyo Labor Bureau, the Ministry of Health, Labour and Welfare for the achievement of the general owner action plan prepared under the Act on Advancement of Measures to Support Raising Next-Generation Children on June 20, 2013.





# Earnings Forecasts

## FY2014 Earnings Forecasts

(Unit: million yen)

	FY2014		
	1Q (Result)	1H (Forecast)	FY2014 (Forecast)
Net sales	68,161	137,400	277,600
Operating income	1,727	3,600	9,000
%	2.5%	2.6%	3.2%
Ordinary income	1,367	3,200	8,000
%	2.0%	2.3%	2.9%
Net income	1,047	2,100	4,500
%	1.5%	1.5%	1.6%

\* Forecasts for the first half of the fiscal year ending March 31, 2014 are the revised forecasts announced on May 24, 2013.

## FY2014 Earnings Forecasts by Business

(Unit: million yen)

Net sales	FY2014		
	1Q (Result)	1H (Forecast)	FY2014 (Forecast)
Medical Support	26,314	52,300	104,900
Long-term Care	35,461	71,200	143,500
Health Care	827	2,400	5,500
Long-term Care + Health Care	36,288	73,600	149,000
Education	5,466	11,200	23,300
Other	382	800	1,600
Eliminations/ Corporate	(291)	(500)	(1,200)
<b>Total</b>	<b>68,161</b>	<b>137,400</b>	<b>277,600</b>

(Unit: million yen)

Operating income	FY2014		
	1Q (Result)	1H (Forecast)	FY2014 (Forecast)
Medical Support	1,855	4,100	8,500
Long-term Care	3,149	5,350	11,300
Health Care	7	50	200
Long-term Care + Health Care	3,157	5,400	11,500
Education	(1,169)	(1,900)	(3,300)
Other	(9)	0	100
Eliminations/ Corporate	(2,107)	(4,000)	(7,800)
<b>Total</b>	<b>1,727</b>	<b>3,600</b>	<b>9,000</b>

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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