

NICHII GAKKAN COMPANY

Financial Results Briefing Document

for the 1H of the FY 2014

November 8, 2013

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Overview of Financial Results for the 1H of the FY 2014

Financial Results for the 1H of the FY 2014

(Unit : million yen)

	FY2013 1Q	FY2014 2Q		
	Result	Forecast	Result	Year on Year
Net Sales	132,132	137,400	136,049	3.0%
Operating Income	3,903	3,600	3,229	▲17.3%
%	3.0%	2.6%	2.4%	-
Ordinary Income	3,491	3,200	2,502	▲28.3%
%	2.6%	2.3%	1.8%	-
Net Income	1,432	2,100	1,660	15.9%
%	1.1%	1.5%	1.2%	-

Financial Results Highlights for the 1H of the FY2014

POINT1 The 6th consecutive year of revenue growth with record-breaking net sales

- Long-term-care Continued to steadily increase, both for home care services and services at health care facilities.
- Medical Support Acquisition new contracts with large hospitals

POINT2 Contribution from operating results of Nichii Care Palace and GABA

	Net sales	Operating income
Nichii Care Palace	9,057million (Increase 5.8% year on year)	799million (Increase 90.4% year on year)
GABA	5,050million (Increase 8.6% year on year)	752million (Increase 40.1% year on year)

* Operating income figures indicate post-goodwill figures.

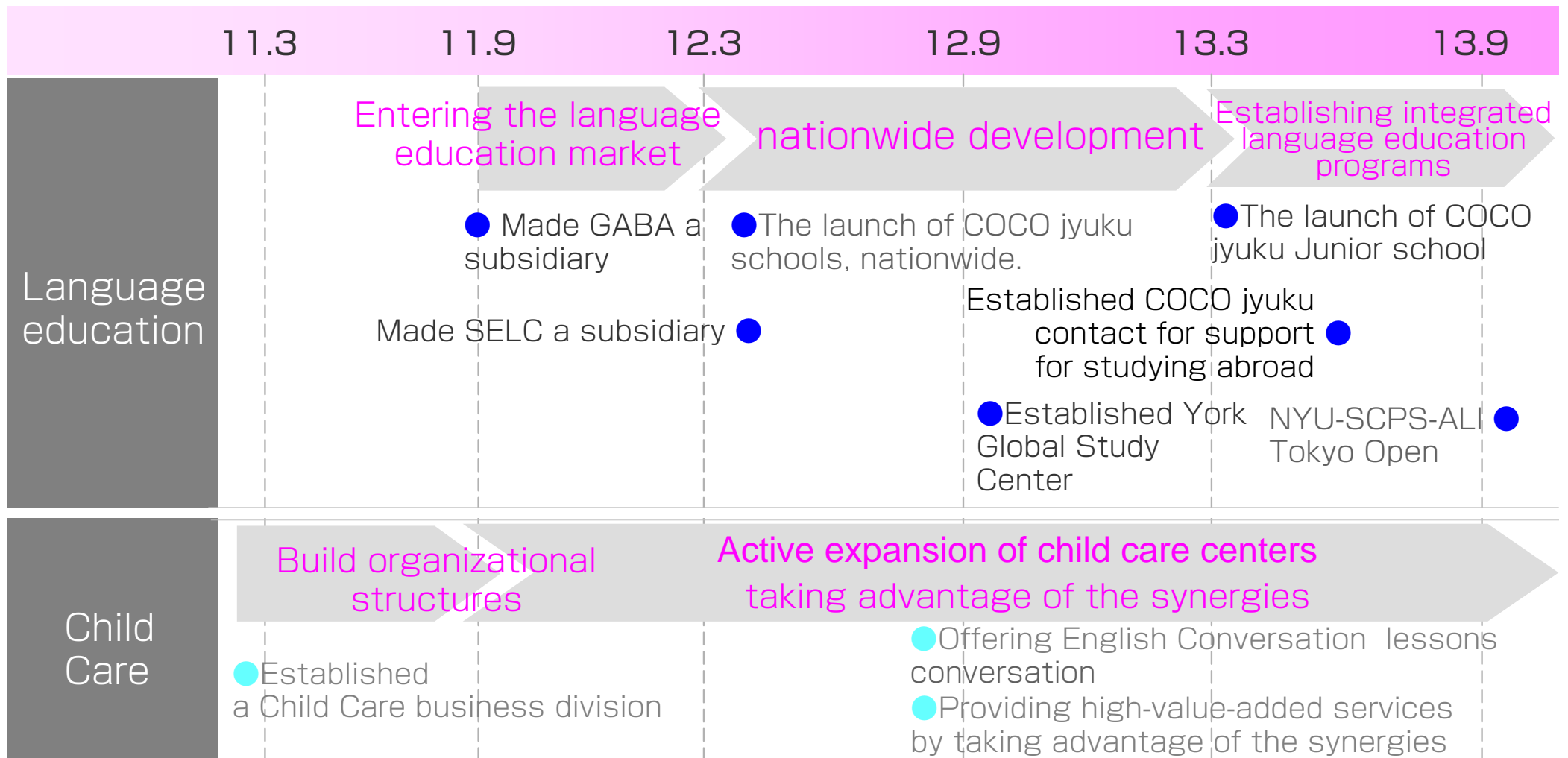
POINT3 Continuous implementation of strategic investment

- Active offering of COCO Juku Junior (Franchise)
- Active offering of Child care centers



POINT3

Continuous implementation of strategic investment



Nichii language line up



For Adults Group lesson

~nationwide development~
80 Class room
(Course)
Ordinary Conversation
Business English
Medical course



For Children Group lesson

~nationwide development~
113 Class room
(Course)
International Course
Regular Course



One - on - One Lesson

~Metropolis development~
38 Class room
(Course)
Business English
ordinary conversation
etc

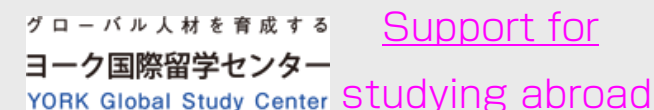


College at Sydney and Vancouver

(Course)
Business English
English for Health Fitness
and Wellbeing



ALI Tokyo operating
at Shinagawa
(Program)
Professional English Program
Comprehensive English Program
College Preparatory Program



COCO jyuku contact for support
for studying abroad
(Principal businesses)
Proposing plan to
studying abroad
Consultation for studying abroad
Carrier Support

【Goals of Government Action Plan】 Training for global human resources

By 2020, double the number of Japanese students who study abroad
(university students, etc.: 60,000 people→120,000 people)



Further expansion of a global network
and community-based development

【Goals of Government Action Plan】

Aim for the elimination of “childcare waiting lists” by securing childcare arrangements for additional about 400,000 children by 2017

Active expansion of child care centers, establishment of a new childcare system (Launch slated for 2015) in mind

And high-value-added services through Utilizing Synergies with Nichii’ s Core Businesses

Consolidated Net Sales and Operating Income by Segment

(Unit : million yen)

Net sales	FY2013 2Q	FY2014 2Q (Result)	Year on Year %
Medical Support	51,869	52,770	1.7%
Long-term Care	68,112	71,456	4.9%
Health Care	1,962	1,776	▲9.5%
Long-term Care +Health Care	70,075	73,232	4.5%
Education	10,152	9,873	▲2.8%
Other	863	651	▲24.6%
Eliminations/Corporate	▲829	▲478	-
Total	132,132	136,049	3.0%

(Unit : million yen)

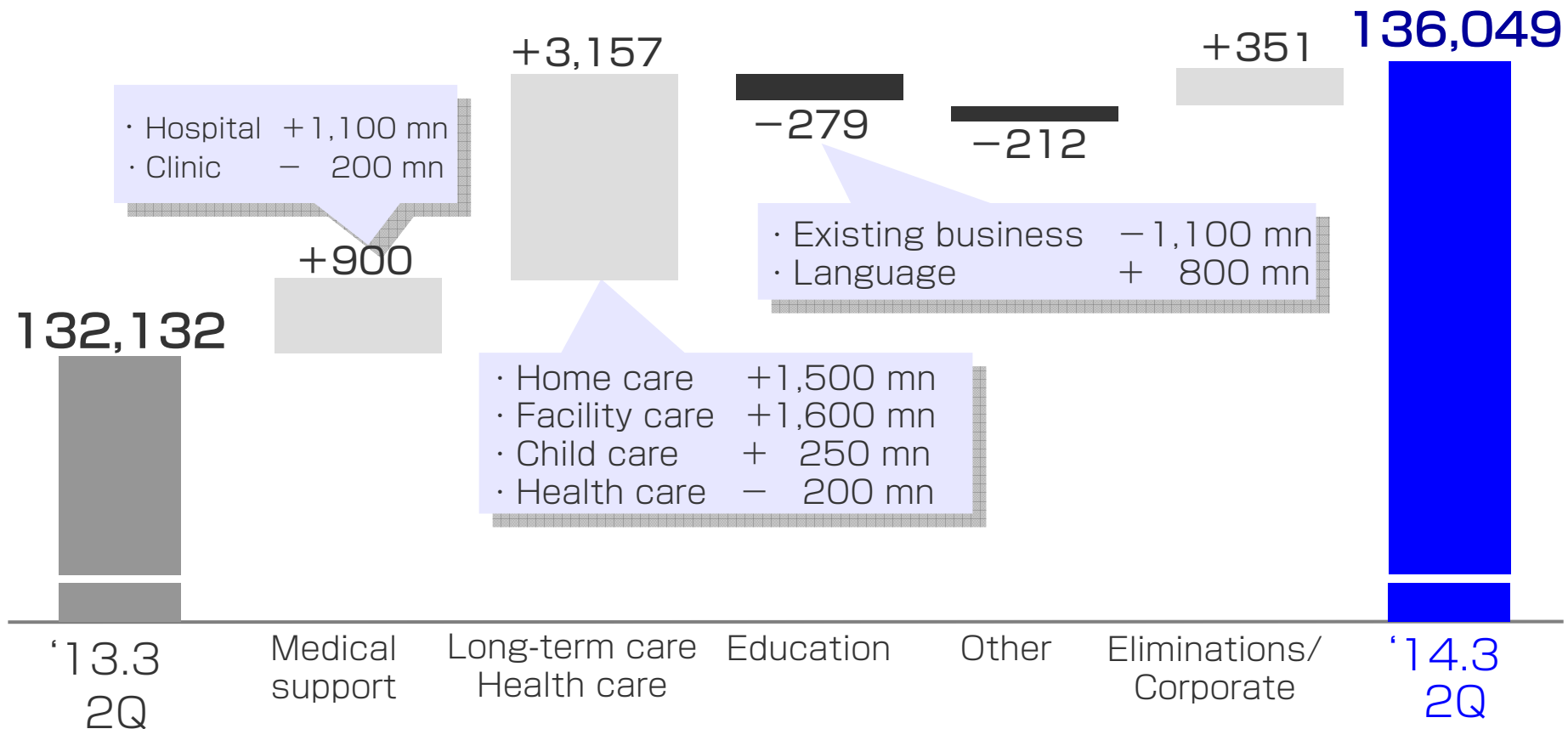
Operating income	FY2013 2Q	FY2014 2Q	Year on Year %
Medical Support	4,100	3,900	▲4.9%
Long-term Care	5,314	6,555	23.4%
Health Care	273	49	▲82.0%
Long-term Care +Health Care	5,587	6,604	18.2%
Education	▲1,978	▲3,208	-
Other	26	▲30	-
Eliminations/Corporate	▲3,831	▲4,036	-
Total	3,903	3,229	▲17.3%

Increases/Decreases in Net Sales (Year on Year)

An increase in sales, owing to contribution at long term care and medical support

(Increase in sales of 3,917 million yen)

(unit: million yen)



Increases/Decreases in Operating income (Year on Year)

Long term care are contribute.

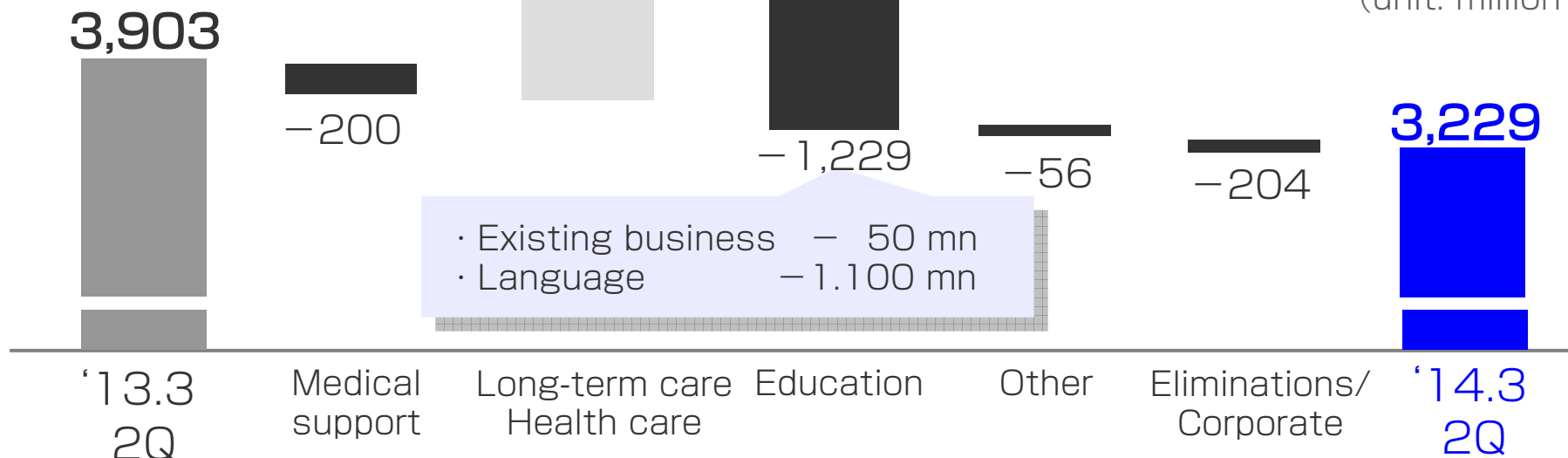
Declined from a year ago, mainly due to strategic investments of language education, and the impact of the changeover from Home Helper Course to a Basic Training Course for Care Workers

(Decrease in profit of 674 million yen)

- Home care +400 mn
- Facility care +850 mn
- Child care 0 mn
- Health care -250 mn

+1,017

(unit: million yen)



- Existing business - 50 mn
- Language - 1.100 mn

Major Factors for Changes to 1H Operating income forecast

· Medical support	-200	(unit: million yen)
· Long-term care and Health care	+1,200	
Home care	+750	
Facility care	+500	
Child care	-50	
· Education	-1,300	
COCO juku	-950	
Existing Course	-450	
GABA	+100	
· Other	-50	
· Eliminations/ Corporate	-50	
Total	-400	

· Long term care
Thanks to the increase in the number of users both home care and facilities, operational efficiency at facilities improved

· Education
Delay in COCO juku and existing course plan to student,

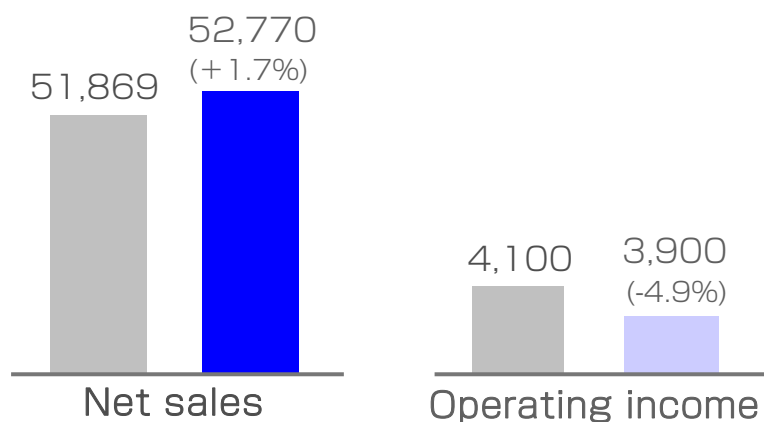
Segments Highlights for the 1H of the FY2014

Segment Highlights for the 1H of the FY2014 (Medical Support)

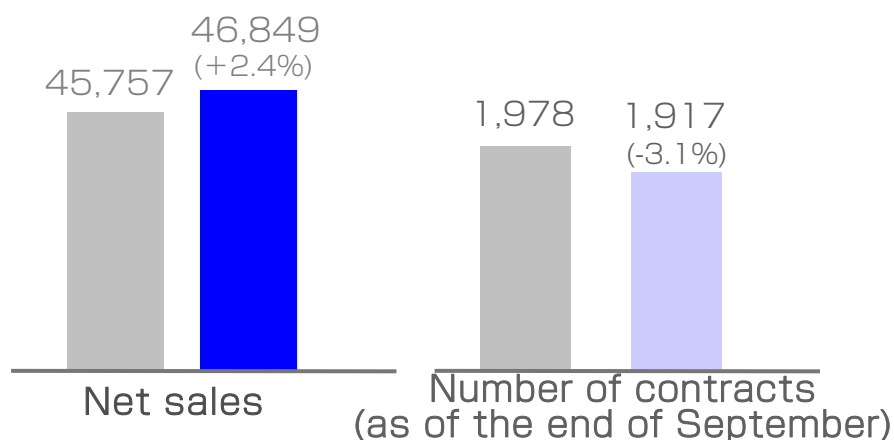
Consolidated net sales and operating income (year-on-year change)

Net sales : ¥52,770million (+1.7%)

Operating income : ¥3,900million (▲4.9%)



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 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.

- Earnings fell due to temporary preliminary expenses associated with the launch of services at newly acquired hospitals.

TOPICS

▶ Expanding management support services

- Developed medical concierge service
- Simultaneous started training courses for medical concierge (education segment)

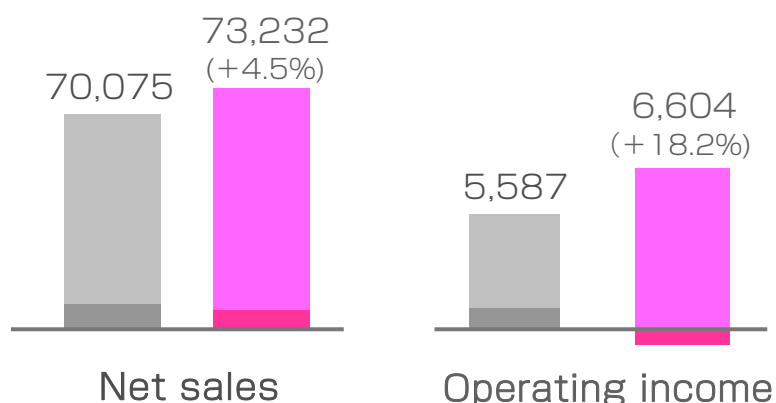
▶ Started a clinic business in Singapore with the opening of the Nichii International Clinic

- Acquiring knowledge in medical service management and international medical service cooperation.

Segment Highlights for the 1H of the FY2014 (Long-term Care and Health Care)

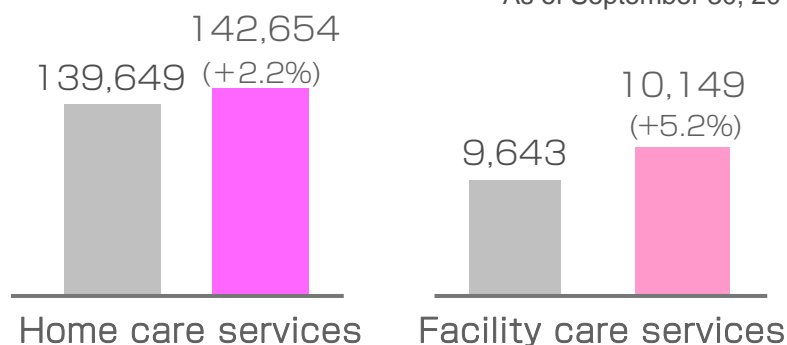
Consolidated net sales and operating income (year-on-year change) Long-term Care + Health Care

Net sales : ¥73,232million (+4.5%)
Operating income : ¥ 6,604million (+18.2%)



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

* As of September 30, 2013



POINT

Record-breaking profit owing to an increase in the number of users and higher facility efficiency

Operating margin

9.0%

Long-term care and health care

- Developing comprehensive services
- Pursued efficient facility
- Earnings contribution from Nichii care palace

TOPICS

- ▶ Developed services tailored to local needs
 - Over 1,000 home-visit care service offices
 - * 1006 home-visit care service offices as of September 30, 2013
 - Expanded home nursing care and dementia care.
- ▶ Developed and offered private brand products and promoted sales of general housekeeping services, etc
- ▶ Preparation for full-fledged business development in China

Segment Highlights for the 1H of the FY2014 (Long-term Care)

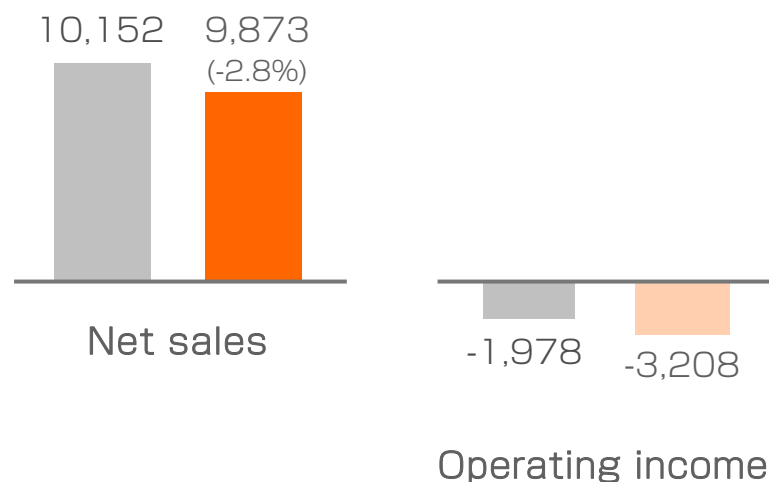
Establishment of facilities

	End of September 2012	End of September 2013	End of March 2014
Care plan	749	788(+39)	788+ α
Home-visit care	977	1,006(+29)	1,052
Day care	337	360 (+23)	383
Home nursing care	47	65(+18)	100
Hohoemi	243	253(+10)	262
Kirameki	49	51(+2)	58
Nichii Home	50	52(+2)	55

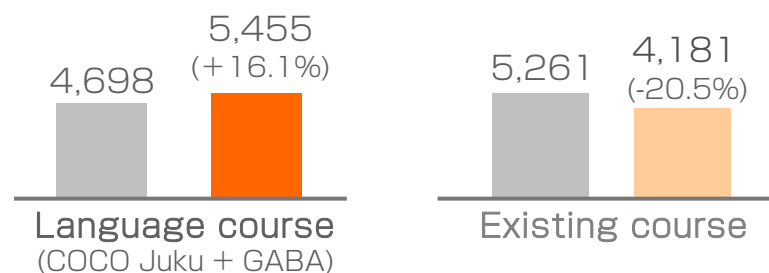
Segment Highlights for the 1H of the FY2014 (Education)

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

Net sales : ¥9,873million (▲2.8%)
 Operating income : -¥3,208million (-)



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



POINT

Continued long-term strategic investment in the language business
 Reviewed qualifications for nursing care workers

COCO Juku junior classrooms

113 in Japan

- Franchise
- With existing schools

- Developing COCO juku junior
- Thorough quality control
- Strengthen corporate marketing
- Steady increase in students of GABA
- Lower assumptions for training courses for entry-level nursing care qualifications

TOPICS

- ▶ Launched the new COCO Juku junior brand
- ▶ New York University School of Continuing and Professional Studies American Language Institute (ALI) Tokyo Center opened on September 26
- ▶ Offering of courses in accordance with the review of the health care workers' qualification system

Segment Highlights by Education Brand for the 1H of the FY2014

		FY2013 2Q	FY2014 2Q	Year on Year
Nichii (existing brands)	Net sales	5,261	4,181	-20.5%
	Operating income	(478)	(540)	—
C O C O Juku	Net sales	48	404	—
	Operating income	(2,153)	(3,465)	—
G A B A	Net sales	4,650	5,050	8.6%
	Operating income ^{*1}	537	752	40.1%

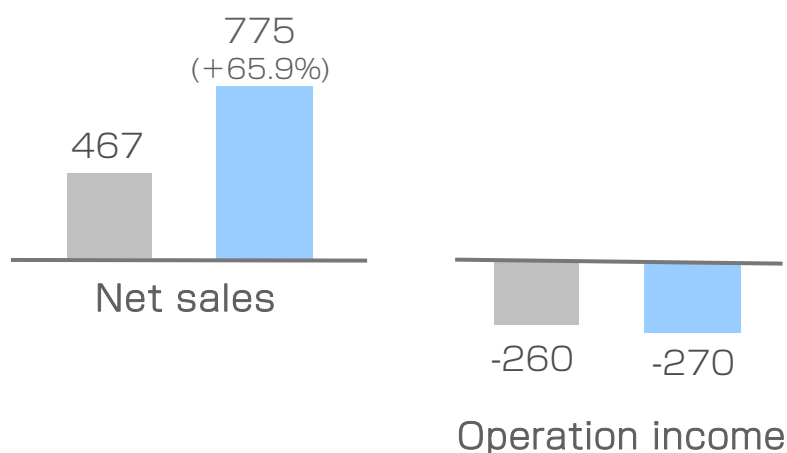
* 1: Operating income figures indicate post-goodwill figures

Child care business for the 1H of the FY2014

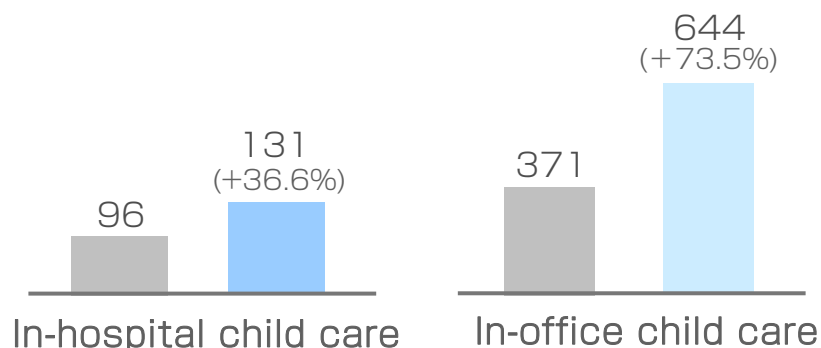
Consolidated net sales and operating income (year-on-year change)

Net sales : ¥775million (+65.9%)

Operating income : -¥270million (-)



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

77 centers
in total

- Certified child care centers: 3
- Directly managed child care centers: 1
- In-hospital and in-office child care centers: 5
- Child care support, etc.: 6
- Dispatch of child care specialists: 8

TOPICS

▶ High-value-added services through collaboration with our business

- Offering English conversation lessons
- Holding forums to allow communication among nursing home residents

Earnings Forecasts

FY2014 Financial Results Forecast

(Unit : million yen)

	FY2013	FY2014			
	FY2013	FY2014 (Initial Forecast)	FY2014 (Revised Forecast)	Amount Change (to initial forecast)	change(%) (to initial forecast)
Net sales	267,191	277,600	273,200	▲4,400	▲1.6%
Operating income	8,741	9,000	6,600	▲2,400	▲26.7%
%	3.3%	3.2%	2.4%	-	-
Ordinary income	8,326	8,000	5,000	▲3,000	▲37.5%
%	3.1%	2.9%	1.8%	-	-
Net income	4,383	4,500	2,800	▲1,700	▲37.8%
%	1.6%	1.6%	1.0%	-	-

FY2014 Financial Results Forecast

(Unit : million yen)

Net Sales	FY2013 Result	FY2014 initial forecast	FY2014 Revised forecast
Medical Support	104,110	104,900	105,800
Long-term Care	137,586	143,500	144,200
Health Care	3,725	5,500	3,800
Long-term Care + Health Care	141,311	149,000	148,000
Education	21,727	23,300	19,200
Other	1,684	1,600	1,300
Eliminations/ Corporate	▲1,642	▲1,200	▲1,100
Total	267,191	277,600	273,200

Operating income	FY2013 Result	FY2014 initial forecast	FY2014 Revised forecast
Medical Support	8,301	8,500	7,900
Long-term Care	10,890	11,300	13,400
Health Care	292	200	0
Long term Care + Health Care	11,183	11,500	13,400
Education	▲3,338	▲3,300	▲6,900
Other	128	100	100
Eliminations/ Corporate	▲7,534	▲7,800	▲7,900
Total	8,741	9,000	6,600

Factors of Revisions to FY2014 Financial Results Forecast (Net Sales)

(unit: million yen)

· Medical support Business	+900
Hospital	+800
Clinic etc.	+100
· Long-term care and Health care Business	-1,000
Home care	+300
Facility care	+200
Child care	+200
Health care	-1,700
· Education Business	-4,100
COCO Juku	-1,050
Existing	-3,050
Other	±0
· Other Business	-300
· Eliminations/ Corporate	+100
Total	-4,400

- Medical support
Expect to an increase in sales.
Acquisition of new contracts at large hospitals

- Long-term care
Steady increases in users of home-care and facility-care services
- Health care
A slower-than-planned pace of home helper dispatching

- Education
Lower assumptions for training courses for student numbers at coco juku and training courses for entry-level nursing care qualifications

Factors of Revisions to FY2014 Financial Results Forecast (Operating Income)

(unit: million yen)

· Medical support Business −600

· Long-term care and Health care Business +1,900

Home care +1,600

Facility care +600

Child care −100

Health care −200

· Education Business −3,600

COCO Juku −2,150

Existing −1,550

Other +100

· Other Business ±0

· Eliminations/ Corporate −100

Total −2,400

· Long-term care

Higher facility usage rate by the increase in the number of home care and facility care service users

· Education

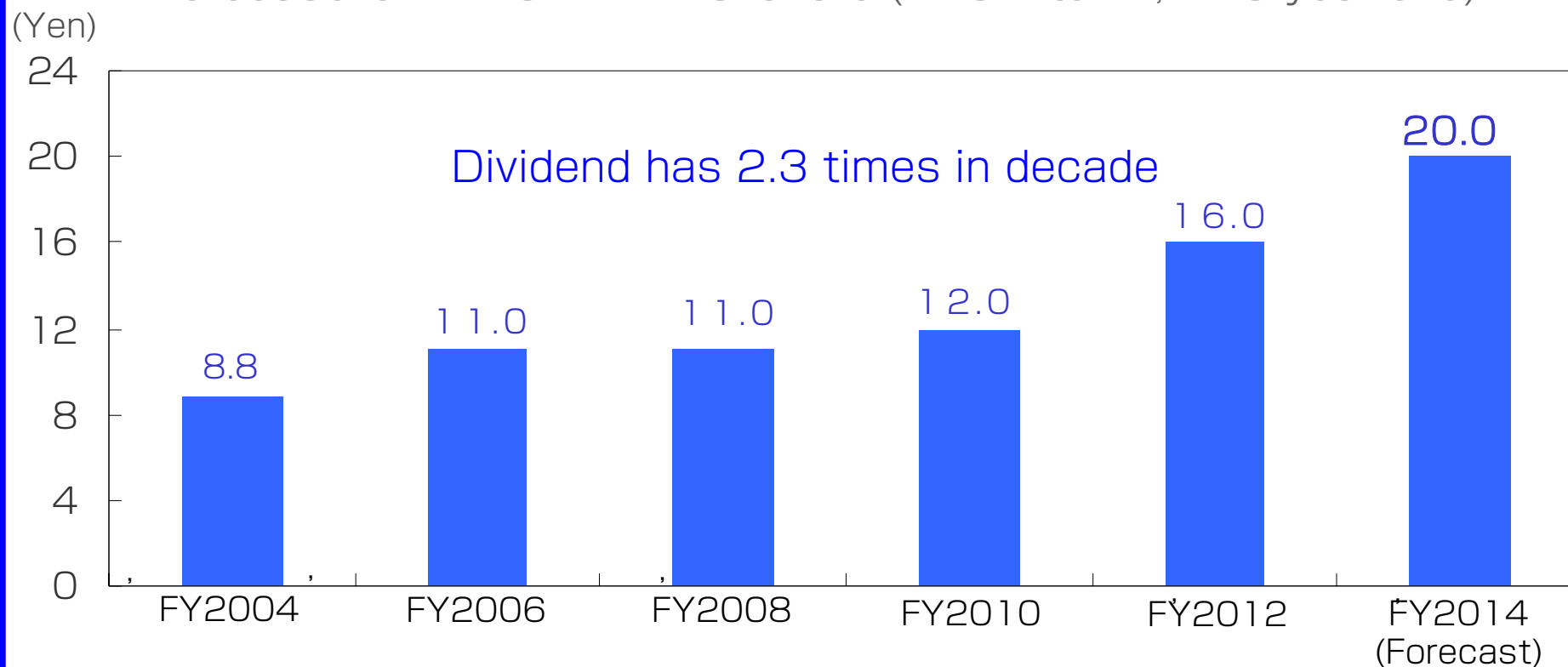
Continuous implementation of strategic investment to COCO juku junior.

A slower-than-planned pace of enrollments of COCO juku and existing courses.

“Returns” Stable and continuous returns is our basic principle

In anticipation of record profit going forward, dividend increase for 5 consecutive years

Forecast for FY2014 : ¥20/share (¥10 interim, ¥10 year-end)



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

Early achieving stable earnings growth over the long term by leverage of strategic investment



Target management indicators

Double-digit year-on-year
sales growth

an operating margin of
7% or more

an ROE of 15% or more

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.

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