

NICHII GAKKAN COMPANY

Financial Results Briefing Document

for the Fiscal Year Ended March 31, 2014

May 16, 2014

Financial Results Highlights for Fiscal Year Ended March 31, 2014

1. 6th consecutive year of revenue growth with record-breaking net sales

Net sales in FY2014
271,447 million yen
 (up 1.6% year on year)

Record breaking net sales in the long-term care business
 Child care business up 70% year on year
 Net sales of 11.0 billion yen in the language education business (up 14.5%)

2. Record-breaking net sales and operating income in Nichii Care Palace and GABA

* The results of Nichii Care Palace exclude the effect of change in the closing of fiscal year made in FY2012 (15-month figures posted)

| | Net sales (million yen) | Pre-goodwill amortization operating income (million yen) | Post-goodwill amortization operating income (million yen) |
|--------------------|-------------------------------|--|---|
| Nichii Care Palace | 18,309 (up 4.4% year on year) | 1,736 (up 37.6% year on year) | 1,557 (up 43.9% year on year) |
| GABA | 10,119 (up 7.4% year on year) | 2,297 (up 16.4% year on year) | 1,462 (up 28.4% year on year) |

3. Base for language education has almost been established

Strategic Investment ▶ The vast majority of the initiatives – the establishment of an operational base for COCO Juku Junior, the preparation of classrooms to develop the language education business, the employment of teachers, etc. – has been completed.

- COCO Juku 80 classrooms
- COCO Juku Junior 235 classrooms (incl. 140 classrooms franchised)
- New York University School of Continuing and Professional Studies ALI Tokyo Center
- York Global Study Center

Financial Results Highlights for Fiscal Year Ended March 31, 2014

(Unit: million yen)

| | FY2013 | FY2014 | | |
|------------------|---------|------------------------------|---------|--------------|
| | Amount | Amount (Revised forecast) | Amount | Year on year |
| Net Sales | 267,191 | 273,200 | 271,447 | 1.6% |
| Operating Income | 8,741 | 6,600 | 6,322 | (27.7%) |
| % | 3.3% | 2.4% | 2.3% | |
| Ordinary Income | 8,326 | 5,000 | 4,940 | (40.7%) |
| % | 3.1% | 1.8% | 1.8% | |
| Net Income | 4,383 | 2,800 | 2,831 | (35.4%) |
| % | 1.6% | 1.0% | 1.0% | |

Consolidated Sales and Operating Income by Business for Fiscal Year Ended March 31, 2014

(Unit: million yen)

| Net Sales | FY2013 | FY2014 | | Growth |
|---------------------------|---------|------------------------------|---------|---------|
| | | Amount (Revised forecast) | Amount | % |
| Medical Support | 104,110 | 105,800 | 105,974 | 1.8% |
| Long-term & Health Care | 141,311 | 148,000 | 146,744 | 3.8% |
| Education | 21,727 | 19,200 | 18,516 | (14.8%) |
| Others | 1,684 | 1,300 | 1,330 | (21%) |
| Elimination/ Corporate | (1,642) | (1,100) | (1,117) | – |
| Total | 267,191 | 273,200 | 271,447 | 1.6% |

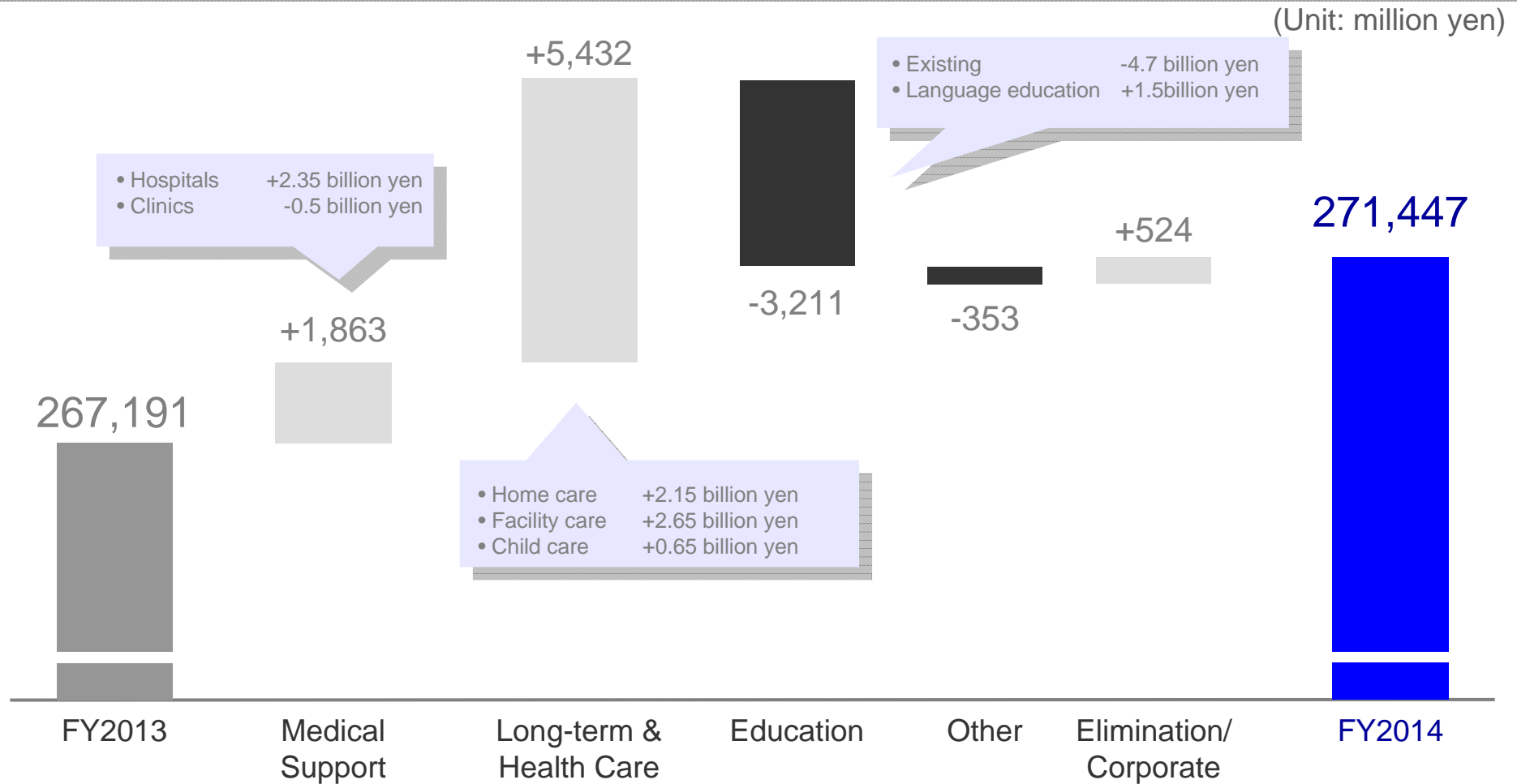
(Unit: million yen)

| Operating Income | FY2013 | FY2014 | | Growth |
|------------------------------|---------|------------------------------|---------|---------|
| | | Amount (Revised forecast) | Amount | % |
| Medical Support | 8,301 | 7,900 | 8,660 | 4.3% |
| Long-term Care & Health Care | 11,183 | 13,400 | 12,770 | 14.2% |
| Education | (3,338) | (6,900) | (7,269) | – |
| Others | 128 | 100 | 45 | (64.7%) |
| Elimination/ Corporate | (7,534) | (7,900) | (7,885) | – |
| Total | 8,741 | 6,600 | 6,322 | (27.7%) |

Major Factors for Changes in Sales for Fiscal Year Ended March 31, 2014

Contribution of the long-term care business and the medical support business to increased sales

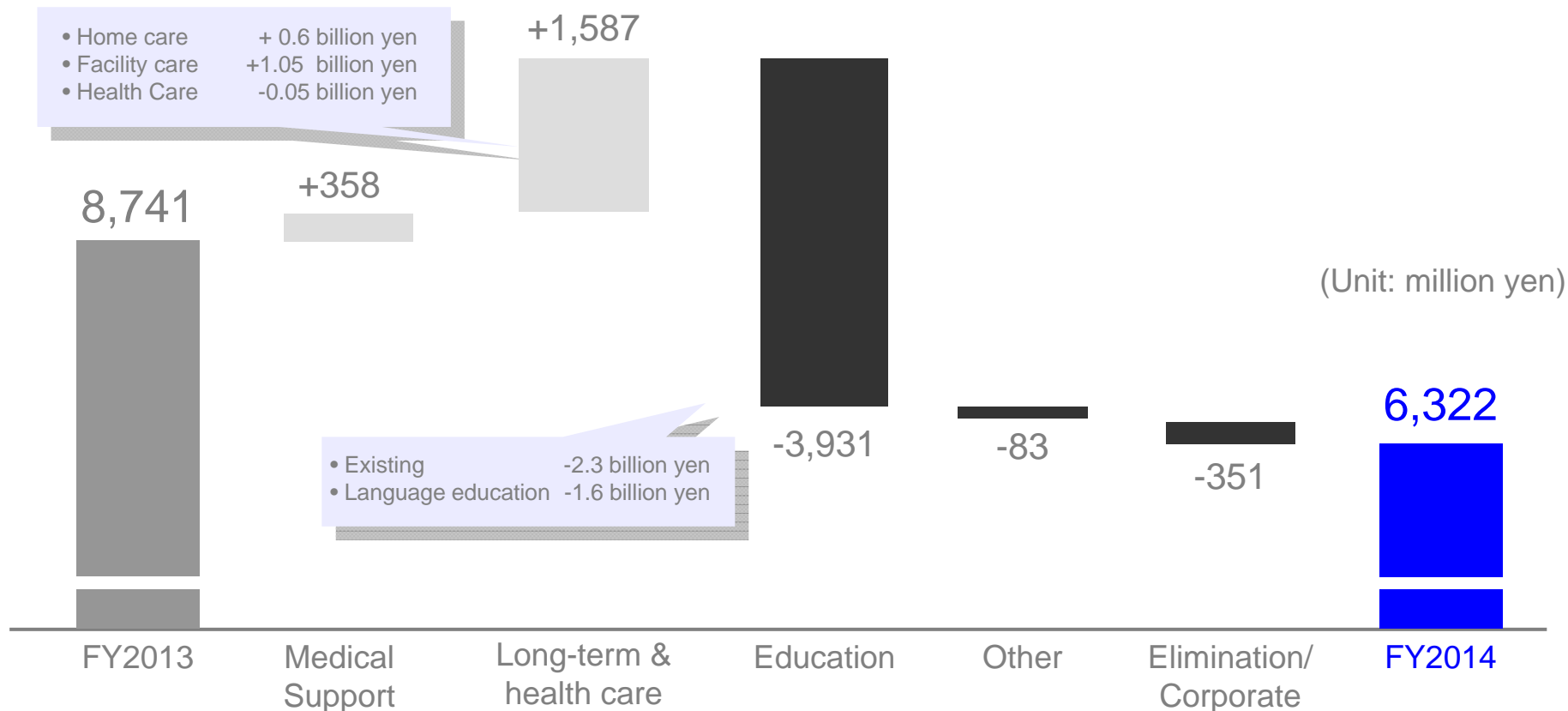
[Year on year: Up 4,255 million yen]



Major Factors for Changes in Operating Income for Fiscal Year Ended March 31, 2014

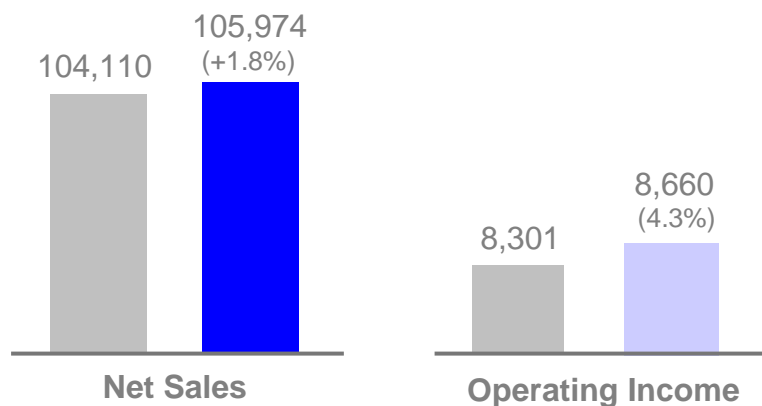
Contribution of the long-term care business. Decrease in operating income owing to change in health workers' qualification system and strategic investment in a language business in the education business.

(Year on year: Down 2,419 million yen)

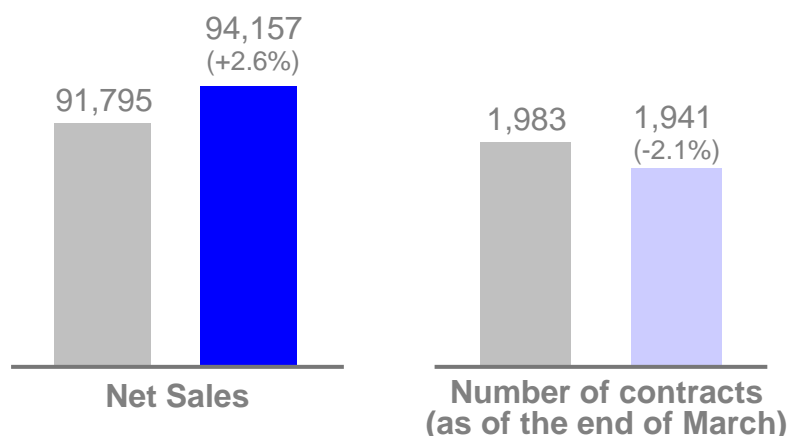


Segment Highlights (Medical Support Business)

| Net sales and operating income (million yen) | | Growth |
|--|---------|--------|
| Net sales | 105,974 | +1.8% |
| Operating income | 8,660 | +4.3% |



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



Solid performance in the hospital business.

Operations at new large-scale hospitals stabilized, leading to an increase in sales and profit.

- Contracts were acquired from large-scale hospitals and sales increased per hospital

Growth rate for net sales of the hospital business: **2.6%** (increased sales for the 6th consecutive year)

- Return to increased profit owing to stabilized operations at newly contracted hospitals

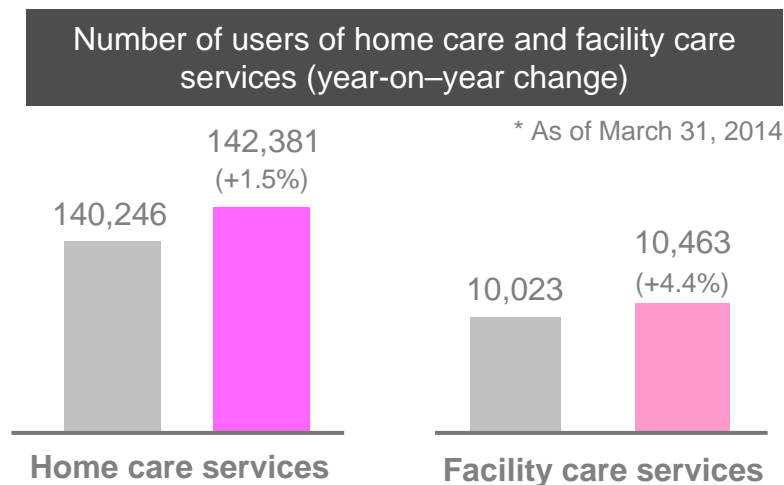
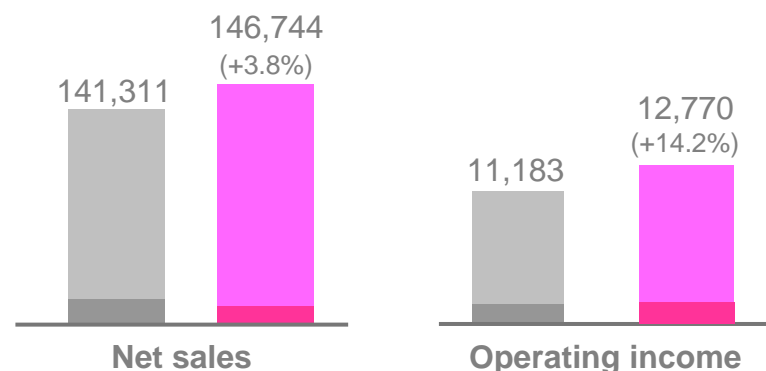
FY2014 Key challenges

Enhancement of management support services

- Offering a new service, "Medical Concierge"
- Organizing a variety of seminars to address system trends
- Developing services utilizing IT

Segment Highlights (Long-term and Health Care Business)

| Net sales and operating income (million yen) | | Growth |
|--|---------|--------|
| Net sales | 146,744 | +3.8% |
| Operating income | 12,770 | +14.2% |



Record-breaking sales and operating income.
 (Net sales for 7 consecutive years and operating income for 5 consecutive years)

- Facility efficiency improved owing to an increased number of users of home care and facility care services
- Profitability of facility care bases improved
 → New bases became profitable within a short period

Operating income ratio for the long-term and health care business: **8.7%** (up 0.8 point year on year)

FY2014 Key Challenges

- Promotion of comprehensive service initiatives meeting community needs
- Strengthening of principal care services and home nursing services
 - Enhancement of dementia care
 Offering of day care addressing GH and dementia (shared type)
- Strengthening of services not covered by a long-term insurance system
- Health care (PB) products: Sales 902 million yen (up 50.7% YoY)
 House keeping services: Sales 867 million yen (up 15% YoY)
 - Improved operations of long-term care staff dispatch business

Segment Highlights (Long-term and Health Care Business)

Number of established care facilities

| | End of March 2013 | End of March 2014 (Forecast) | End of March 2014 |
|-------------------|-------------------|---------------------------------|-------------------|
| Care plan | 774 | 789+ α | 790 (+16) |
| Home visit | 995 | 1,052 (+57) | 1,007 (+12) |
| Day care | 353 | 383 (+30) | 367 (+14) |
| Home nursing care | 59 | 100 (+41) | 65 (+6) |
| Hohoemi | 247 | 262 (+15) | 262 (+15) |
| Kirameki | 51 | 58 (+7) | 58 (+7) |
| Nichii Home | 52 | 54 (+2) | 54 (+2) |

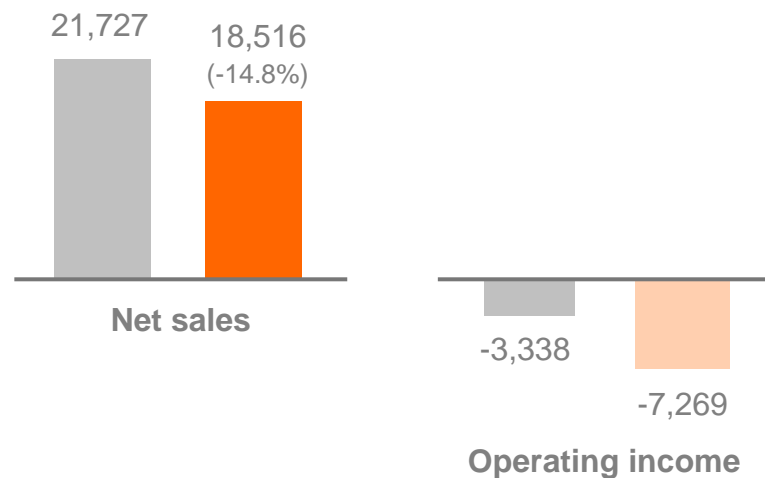
* Figures in brackets show the increase from the same month of the previous year

Segment Highlights (Education Business)

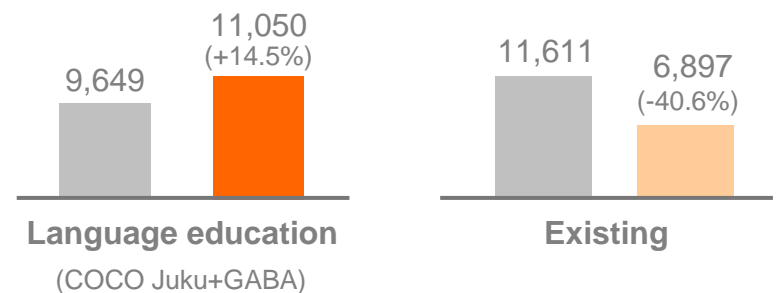
Net sales and operating income (million yen) Growth

Net sales 18,516 -14.8%

Operating income -7,269 -%



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



Decreased sales reflecting a decline in the number of students owing to changes in qualification systems for existing courses.

- Increased sales for the language education business, with net sales exceeding 11.0 billion yen.

Record-breaking net sales and operating income for GABA

Net sales growth **7.4%** (expected market growth 4.3%)

FY2014 Key Challenges

Establishment of an integrated system for providing language education

- COCO Juku: 80 classrooms
- COCO Juku Junior: 235 classrooms
* Including 140 classrooms franchised

- Improvement of the support system for studying abroad and opening of NYU—SCPS ALI Tokyo Center

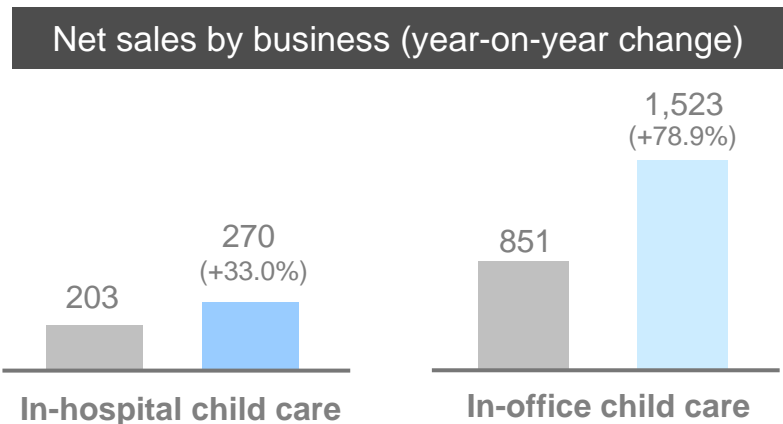
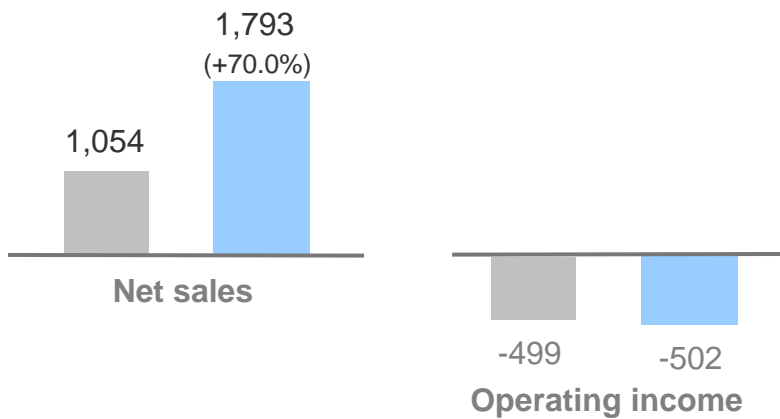
Strengthening of sales to corporations

Offering of courses meeting qualification systems and social needs

“Basic training for staff working in care,” “Training courses for actual care workers,” “Training courses for practical care work,” “Training courses for aid workers for mothers before and after childbirth,” etc.

Status of Child Care Business

| Net sales and operating income (million yen) | | Growth |
|--|-------|--------|
| Net sales | 1,793 | 70% |
| Operating income | -502 | -% |



Increased sales owing to proactive development reflecting the introduction of a new system

- The in-office child care business drove an increase in earnings.
- Despite prior expenses, losses remained almost unchanged owing to an increase in facility operations through, among others, the provisioning of English conversation.

Number of child care centers: **94** (as of Mar. 31, 2014)

* Includes the dispatching of Up 28 year on year care workers.

FY2014 Key Challenges

Promotion of total child care services

- Aggressive development of in-office and in-hospital child care centers
- Active sales activities to win contracts from local governments

Strengthening of an alliance with other businesses

- Offering of English conversation lessons at child care centers
- Holding of gatherings between centers' children and the elderly

POINT 1 Return to an increase in sales and profit

An increase in revenue for the 7th consecutive year with record-breaking net sales

Positive growth in all business sectors (the revenues of the education business sector start to rise)

POINT 2 Improvement in the balance between existing businesses and strategic businesses

Net sales of existing and strategic businesses (forecast)

✓ Existing businesses

Medical support: 106,800 million yen (+0.8%)

Long-term & health care: 152,400 million yen (+3.9%)

✓ Strategic businesses

Language education: 12,330 million yen (+11.6%)

Child care: 2,370 million yen (+32.2%)

POINT 3 Regional business diversification

Launch of full-scale operations of long-term care in the Chinese market based on feedback from marketing activities in cities such as Beijing and Shanghai

✓ Improvement of the systems for business promotion in China

✓ Participation in the international welfare exhibitions to be held in May in Beijing and Shanghai

FY2015 Earnings Forecasts

(Unit: million yen)

| | FY2014 | FY2015 (Forecast) | |
|------------------|---------|-------------------|--------------|
| | Amount | Amount | Year on year |
| Net sales | 271,447 | 278,400 | 2.6% |
| Operating income | 6,322 | 7,700 | 21.8% |
| % | 2.3% | 2.8% | |
| Ordinary income | 4,940 | 5,700 | 15.4% |
| % | 1.8% | 2.0% | |
| Net income | 2,831 | 3,000 | 6.0% |
| % | 1.0% | 1.1% | |

FY2015 Earnings Forecasts – Net Sales and Operating Income by Business

(Unit: million yen)

| Net sales | FY2014 | FY2015 (Forecast) | Growth |
|----------------------------|----------------|-------------------|-------------|
| | | | % |
| Medical Support | 105,974 | 106,800 | 0.8% |
| Long-term & Health care | 146,744 | 152,400 | 3.9% |
| Education | 18,516 | 19,100 | 3.2% |
| Other | 1,330 | 1,500 | 12.7% |
| Eliminations/ Corporate | (1,117) | (1,400) | – |
| Total | 271,447 | 278,400 | 2.6% |

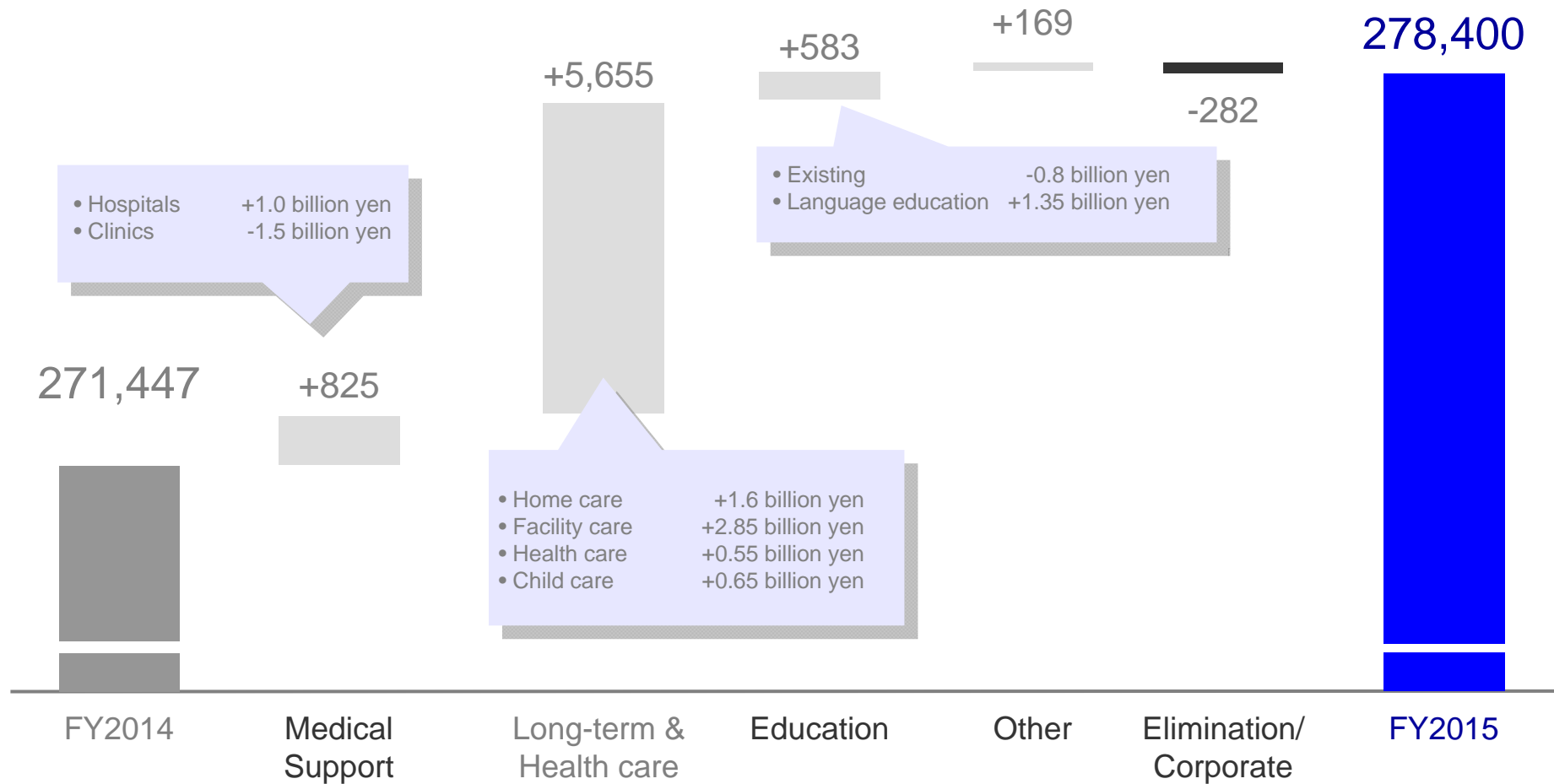
(Unit: million yen)

| Operating income | FY2014 | FY2015 (Forecast) | Growth |
|----------------------------|--------------|-------------------|--------------|
| | | | % |
| Medical Support | 8,660 | 8,900 | 2.8% |
| Long-term & Health care | 12,770 | 13,800 | 8.1% |
| Education | (7,269) | (7,200) | – |
| Other | 45 | 200 | 340.3% |
| Eliminations/ Corporate | (7,885) | (8,000) | – |
| Total | 6,322 | 7,700 | 21.8% |

FY2015 Earnings Forecasts – Major factors for changes in net sales

Aim to achieve record-breaking net sales for the 7th consecutive year (Year on year: Up 6,952 million yen) by increasing sales in all business sectors

(Unit: million yen)

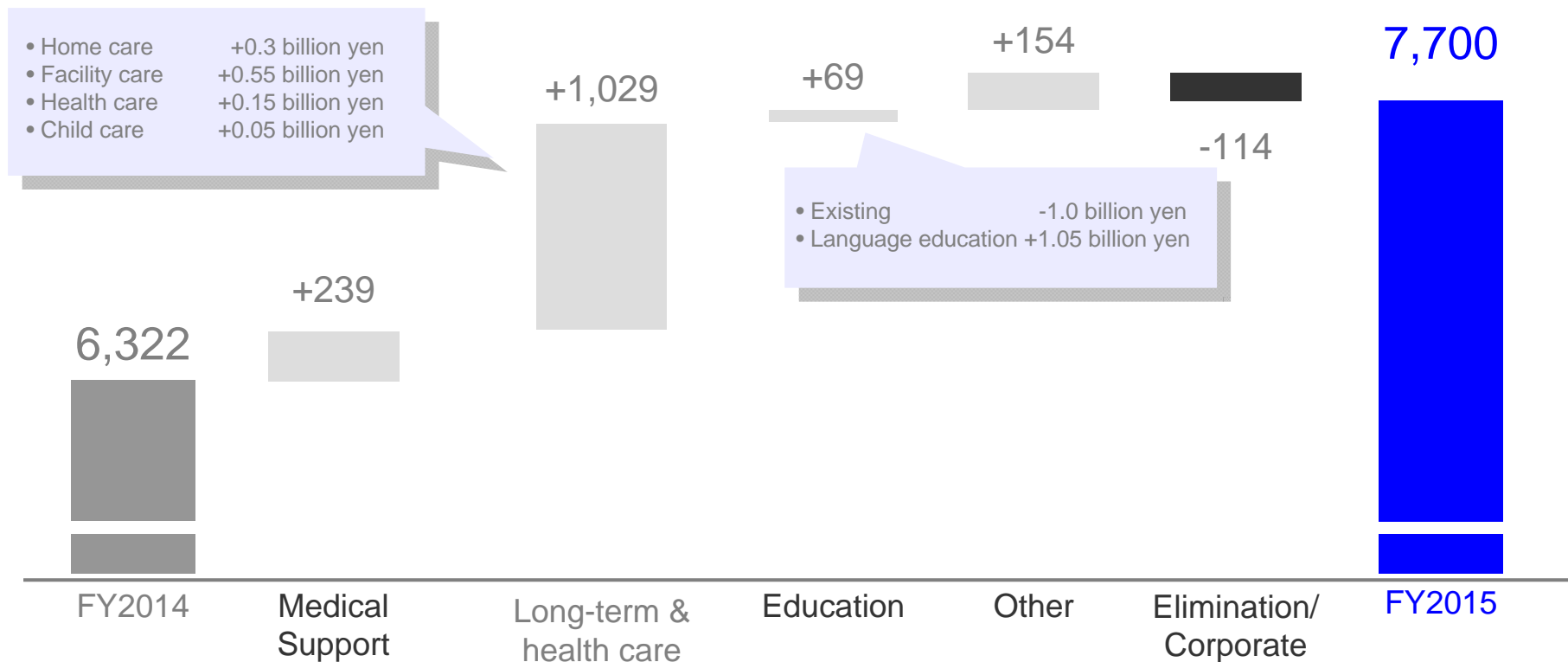


FY2015 Earnings Forecasts – Major factors for changes in operating income

Aim to achieve a positive increase in all business sectors by improving the profitability of the education business

(Year on year: Up 1,377 million yen)

(Unit: million yen)



Capital Alliance with JSS Corporation (Announced on May 14, 2014)

Contributing to a comprehensive community care system through collaboration with a top company managing swimming schools that produce numerous Olympic athletes

| | | |
|----------------------------|---|-------------------------------------|
| Registered Name | JSS Corporation | |
| Commencement of Operations | Commenced operations in July 1976 under the concept of "Education through swimming" | |
| Representative | President & Representative Director: Takao Fujiki | Membership: Approx. 100,000 |
| Location | 1-4-11 Tosabori, Nishi-ku, Osaka | |
| Business Types | Planning, management, and operations of swimming schools, tennis schools, fitness clubs, etc. Sales of sports goods, equipment, and accessories, as well as facilities | Includes child membership of 85,000 |
| Principal Business | Sales of goods, elementary school child care, swimming programs for the elderly, etc. | Number of schools: 84 |
| Revenues | FY2014 Sales: 7,346 million yen, Ordinary income: 322 million yen, Net income: 154 million yen | |
| Stock Exchange Listing | Tokyo Stock Exchange JASDAQ (Security Code: 6074) | |
| Strengths | Overwhelming expertise in training, facility operation capabilities, membership & guardian networks | |

Details of capital alliance (equity method company)

- Acquired 500,000 shares of JSS common stock (24.84%)
- Acquisition cost: 475 million yen

Details of collaboration

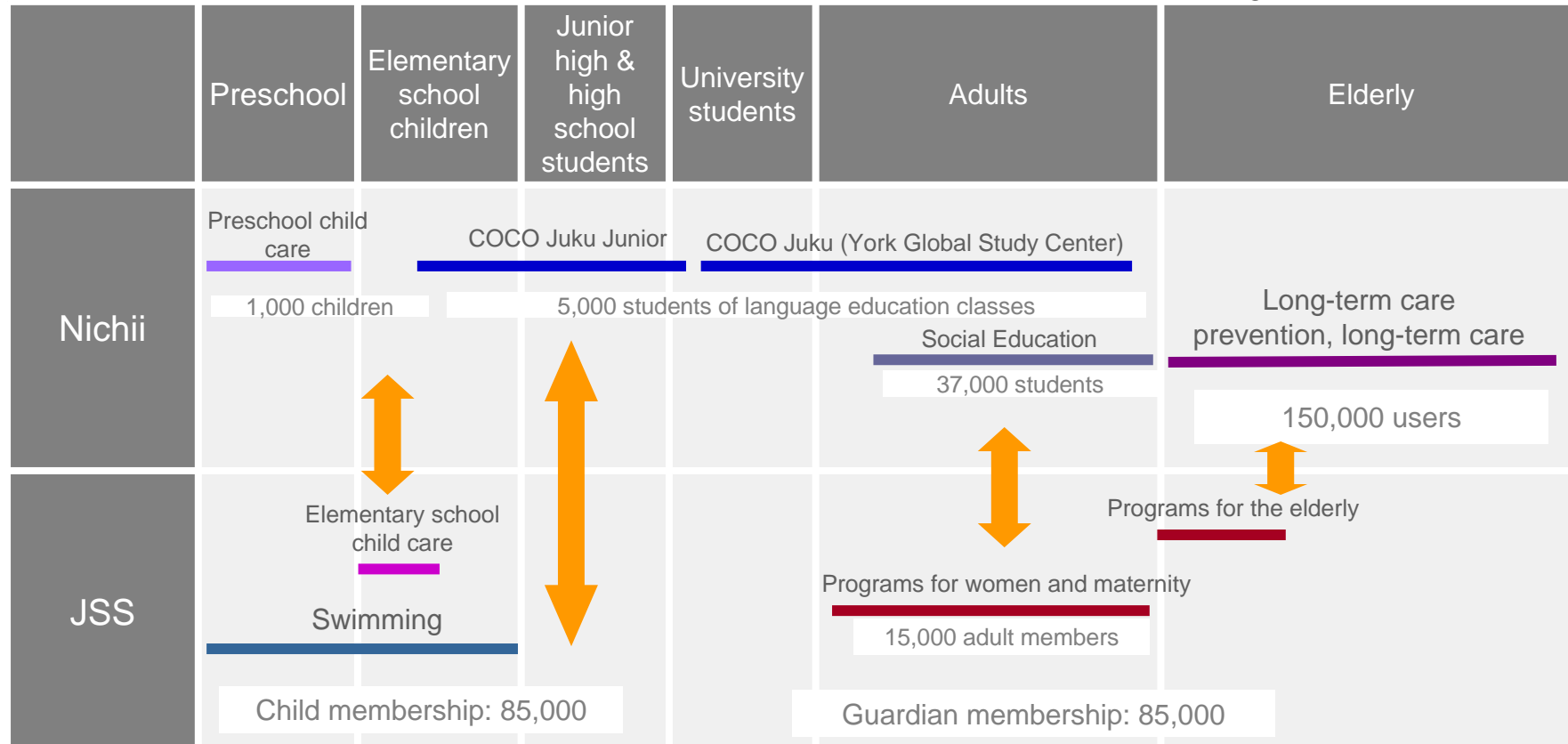
- Development and provisioning of long-term care prevention programs
- Collaborative operations among child care centers, elementary school child care, swimming, and English conversation
- Living support services to guardians
- Dispatch of an outside director: Nobusuke Mori (Senior Managing Director)

Capital Alliance with JSS Corporation

Realizing the provisioning of seamless services through the collaboration of the two companies

[Lifecycle management of customers]

* Shows main target customers for each service



- Ranking of lessons for children
 - Ranking of lessons taken by children
 - 1st Swimming
 - 2nd Piano
 - 3rd English/English conversation
 - Ranking of lessons that guardians want their children to take
 - 1st English/English conversation
 - 2nd Swimming
 - 3rd Calligraphy
- Source: www.keikotomanabu.net

Nichii’s medium-term management strategy

Achieve stable earnings over the long term by restructuring the business portfolio

- Promote the diversification of business categories
 - Provisioning of goods and services for all generations, meeting changes in social structure
- Regional diversification
 - Development of excellent overseas market

Current status of China’s aging society

- Rapidly aging population
 - Over 200 million people aged 60 years and over
- Shortage of workers engaged in long-term care
 - Shortage of 12 million long-term care personnel
- Government policy emphasizing home care
 - Ratio of home nursing care: 90%
- Change in lifestyle associated with economic development
 - Growth of housekeeping services market

Facilitate the strengthening of marketing and the acceleration of businesses by establishing local subsidiaries in major cities in China

Regional Business Diversification - China operations



Nichii Gakkan Company, Global business Headquarters China Business Division

Location: Chiyoda-ku, Tokyo
Executive Officer in Charge: Tsuyoshi Terada, Managing Director,
General Manager of Global Business Headquarters

Nichii China Co., Ltd.

Location: Chaoyang District, Beijing
Representative: Kazuhiko Yamanaka
Capital: 9.50 million yuan
Ownership: Nichii Gakkan 100%

NICHII CARENET CHINA Co., Ltd.

Location: Putuo District, Shanghai
Representative: Daisuke Terada
Capital: 22 million yuan
Ownership: Nichii Care Net 100%

Nichii Hong Kong Limited

Location: Central, Hong Kong
Representative: Tsuyoshi Terada (Director)
Capital: 25 million HKD
Ownership: Nichii Gakkan 100%

Promote Japanese nursing care education by participating in major exhibitions in China

In May 2014, the Company participated in the 3rd China International Senior Service Expo (Beijing) and the 9th China International Exhibition of Rehabilitation, Nursing & Healthcare (Shanghai, participation planned), both of which are China's largest exhibitions of nursing care and welfare.

A variety of demonstrations were carried out in the Company's booth under the main theme of "Three Excellences" (excellent personnel, excellent services, and excellent products), which is the Company's business concept for China.

Reflecting a high level of interest in Japanese nursing care, many people visited the Company's booth, including business personnel and local mass media.

Demonstration of a personnel training program



Demonstration of nursing care expertise



Demonstration of sanitary products



Business Environment Surrounding the Company (1)

April 2014: Increase in consumption tax

- April 2014 Revision to nursing care compensation +0.63%

$$22.1 \times (108 / 105 - 1) \approx 0.63\%$$

Tax rate (*) x (108 / 105 - 1) = Add-on rate for a base unit

[(*) Tax rate = 1.0 - Ratio of personnel cost - Ratio of other tax-free items]

- Effects on advances received in the education business
- Absorb additional costs by increasing compensation in the long-term care business

April 2015: Long-term care insurance will be revised

- | | | |
|---|--|---|
| (1) Promotion of collaboration between home healthcare and long-term care | (5) Promotion of long-term care prevention | (9) Further reduction of primary insurance premiums for low income earners |
| (2) Active implementation of measures against dementia | (6) Reinforcement of the function of the community comprehensive support center | (10) Raising the charges for users whose incomes are above a certain level to 20% |
| (3) Promotion of community-based long-term care | (7) Review of prevention benefits along with review of the community-based support business | (11) Raising the upper limit of charges for expensive nursing care services |
| (4) Enhancement of living support services | (8) Restricting the eligibility for special nursing care homes to "Nursing care required – Level 3 or higher" in principle | (12) Inclusion of asset requirements in supplementary provisioning |

Source: Nikkei Healthcare

New child care support system (Implementation scheduled for April 2015)

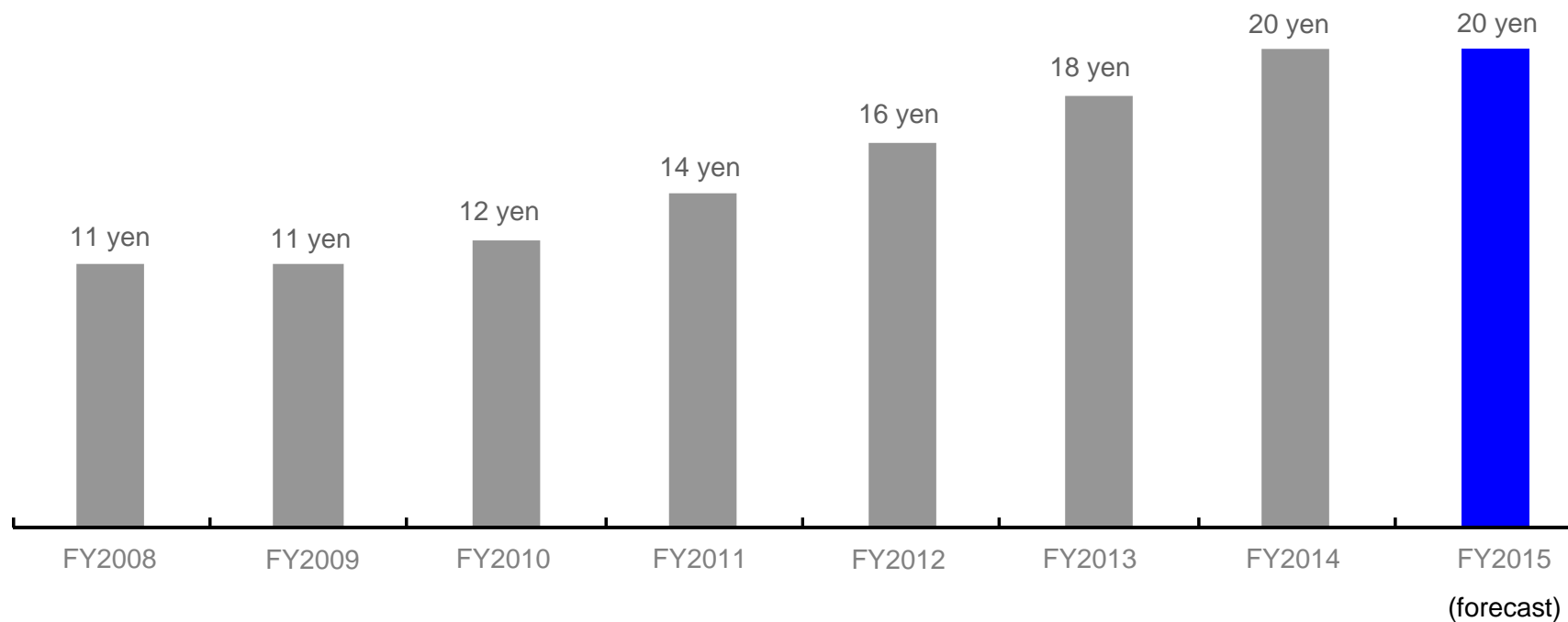
- Enhancement of preschool education and child care in terms of quantity and quality
- Enhancement of support for child care reflecting community needs
- Promote “Plans for accelerating the elimination of the waiting list of children for day care facilities” to securely complement child care, and facilitate a smooth transition to the new system

Regulatory reform (Matters under review)


- Bill for amendment to the worker dispatching law * Implementation scheduled for April 2015 subject to passage of the bill
 - Change the subject of a 3-year dispatch period from “assigned job” to “worker”
- By changing workers, companies can continue to accept dispatched workers in the same workplace.
- Discussion of use of foreigners
 - Study into broadening the eligibility for technical training to foreigners in addition to the acceptance of certified care worker candidates as per the Economic Partnership Agreement (EPA).
 - Study of the use of foreigners for housekeeping support from the perspective of facilitating the advance of women in society.

The Company's dividend policy: Distribution of stable and continuous returns

FY2015 forecast 20 yen (10 yen interim dividend + 10 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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