

NICHII GAKKAN COMPANY

Financial Results Briefing Document

for the First Three Months of the Fiscal Year Ending March 31, 2015

August 7, 2014

Financial Results Highlights for the First Three Months of the Fiscal Year Ending March 31, 2015

(Unit: million yen)

	FY2014 1Q	FY2015 1Q	
	Amount	Amount	Year on year
Net Sales	68,161	67,720	(0.6%)
Operating Income	1,727	1,258	(27.1%)
%	2.5%	1.9%	
Ordinary Income	1,367	788	(42.3%)
%	2.0%	1.2%	
Net Income	1,047	147	(85.9%)
%	1.5%	0.2%	

Consolidated Sales and Operating Income by Business for the First Three Months of the Fiscal Year Ending March 31, 2015

(Unit: million yen)

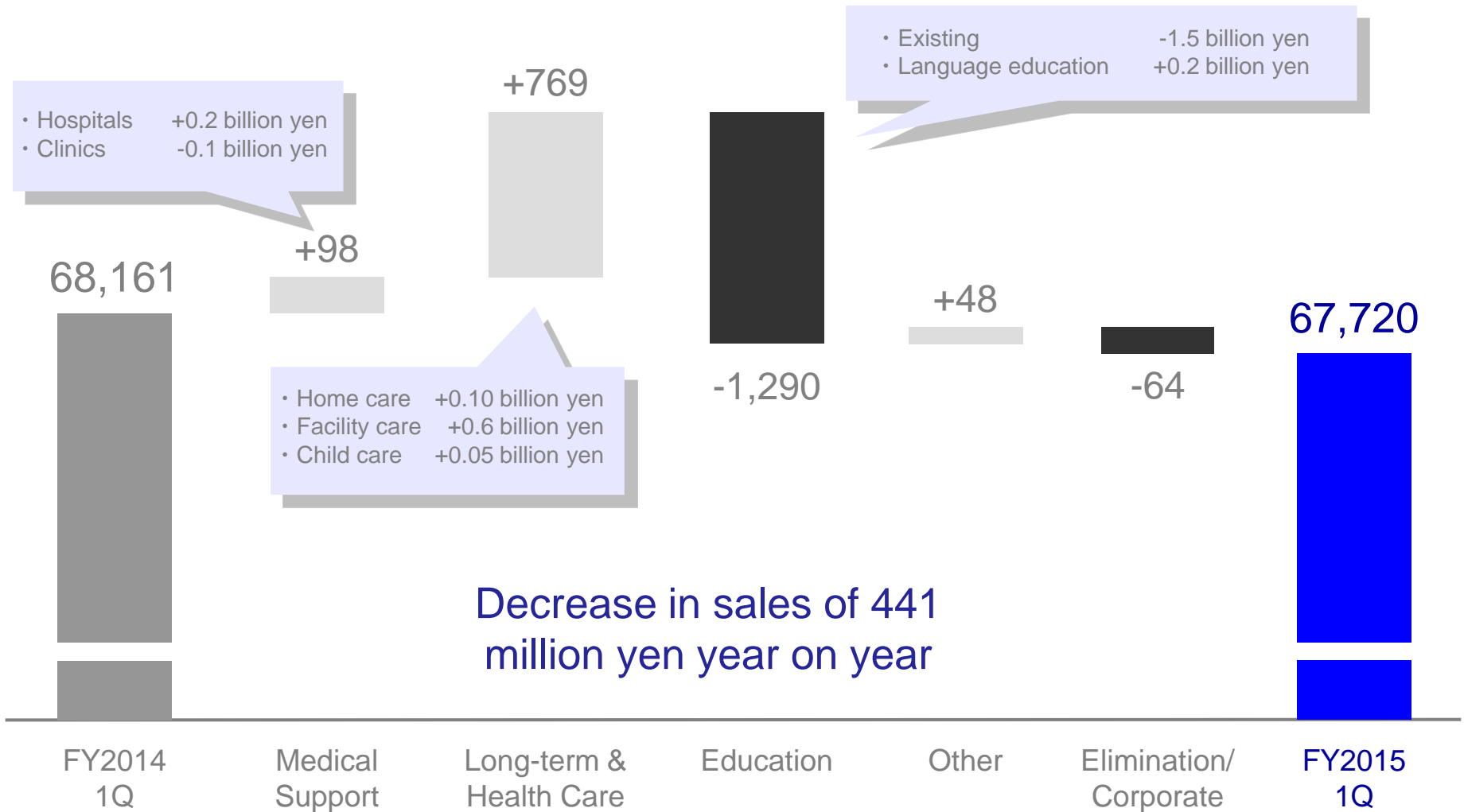
Net Sales	FY2014 1Q	FY2015 1Q	
		Amount	Year on year
Medical Support	26,314	26,412	0.4%
Long-term & Health Care	36,288	37,057	2.1%
Education	5,466	4,176	(23.6%)
Others	382	430	12.6%
Elimination/ Corporate	(291)	(355)	-
Total	68,161	67,720	(0.6%)

(Unit: million yen)

Operating Income	FY2014 1Q	FY2015 1Q	
		Amount	Year on year
Medical Support	1,855	2,286	23.3%
Long-term & Health Care	3,157	3,266	3.4%
Education	(1,169)	(1,974)	-
Others	(9)	102	-
Elimination/ Corporate	(2,107)	(2,421)	-
Total	1,727	1,258	(27.1%)

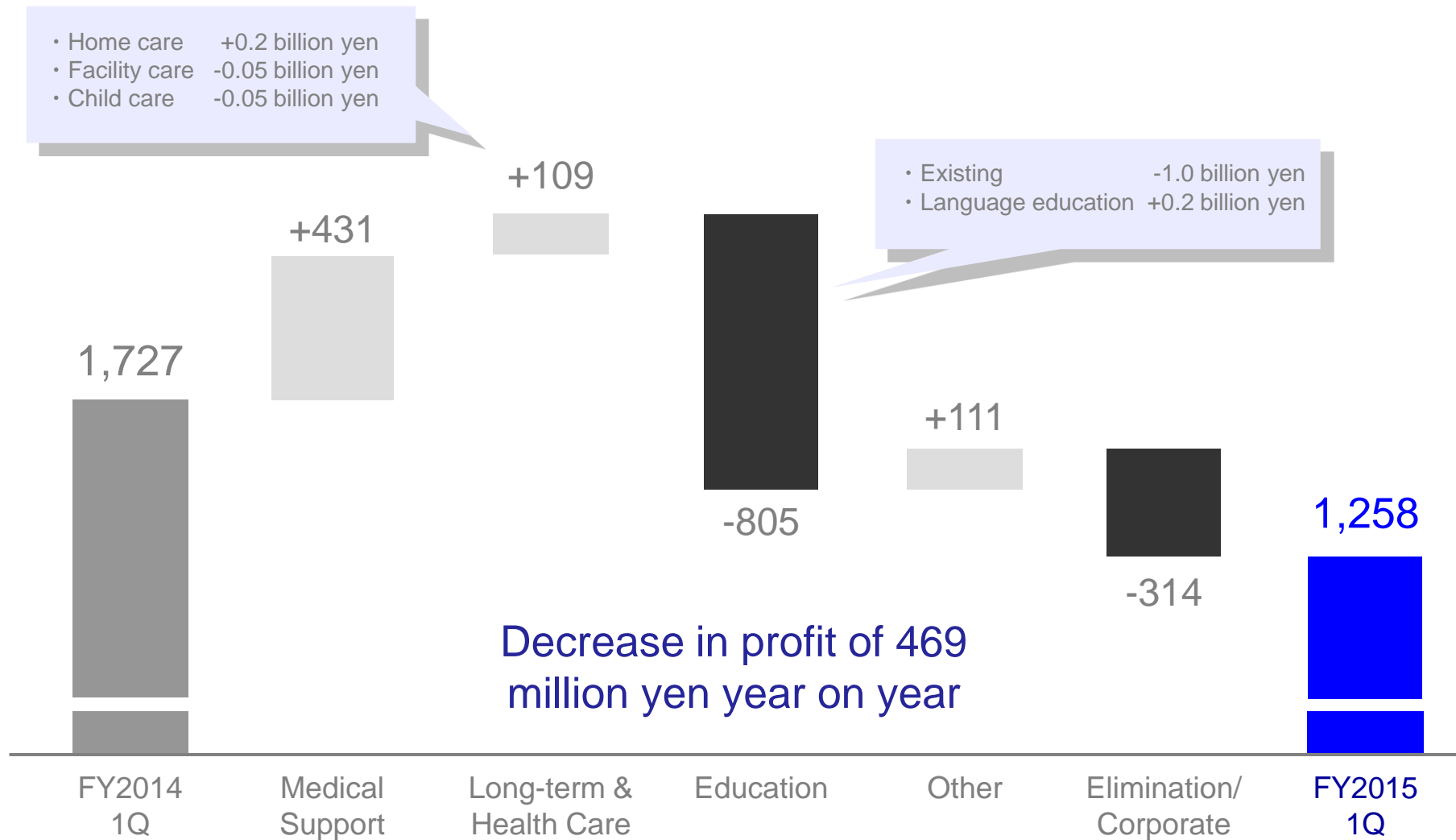
Major Factors for Changes in Sales for the First Three Months of the Fiscal Year Ending March 31, 2015

(Unit: million yen)



Major Factors for Changes in Operating Income for the First Three Months of the Fiscal Year Ending March 31, 2015

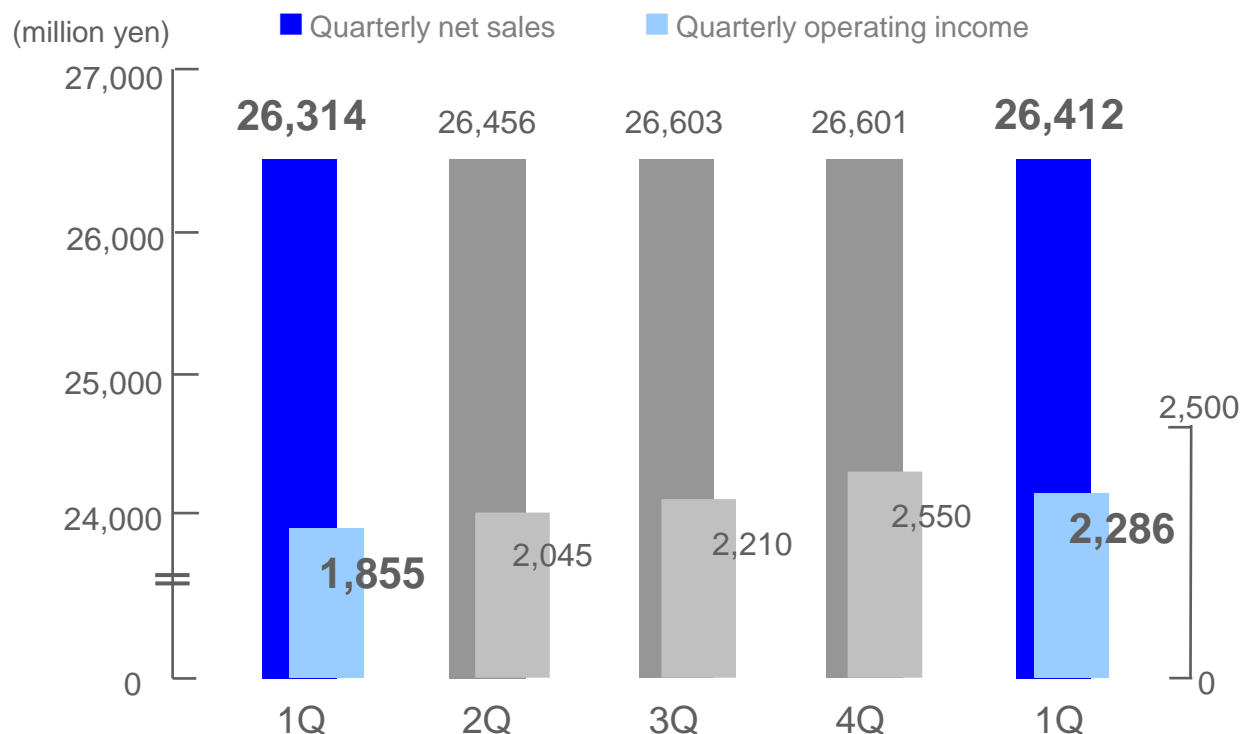
(Unit: million yen)



Segment Highlights (Medical Support Business)

1Q		Year-on-year change
Net sales	26,412	+0.4%
Operating income	2,286	+23.3%
Operating margin	8.7%	—

Both sales and profit increased due to expansion of operations at hospitals already under contract and improvement of operational efficiency (retention of human resources).



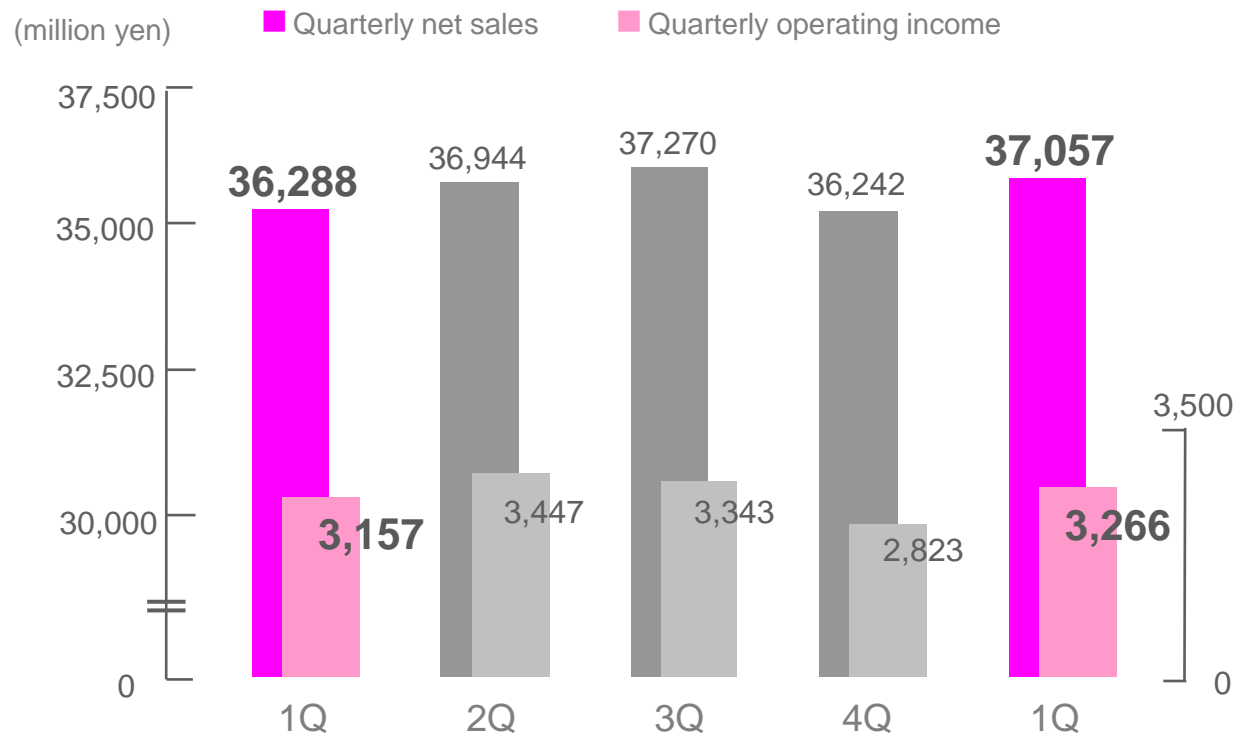
POINT

- ▶ Strengthening human resource base
Operating margin of 8.7% (up 1.7 percentage points)
- ▶ Expanding medical management support services
 - Diagnostic support and analysis services utilizing IT
 - Various seminars relating to medical management
 - Support for collaboration between medical and long-term care services
 - Medical management consulting

Segment Highlights (Long-term and Health Care Business)

1Q		Year-on-year change
Net sales	37,057	+2.1%
Operating income	3,266	+3.4%
Operating margin	8.8%	—

Both sales and profit increased, reflecting efforts to build business base for integrated community care and steady growth in services not covered by long-term care insurance system.



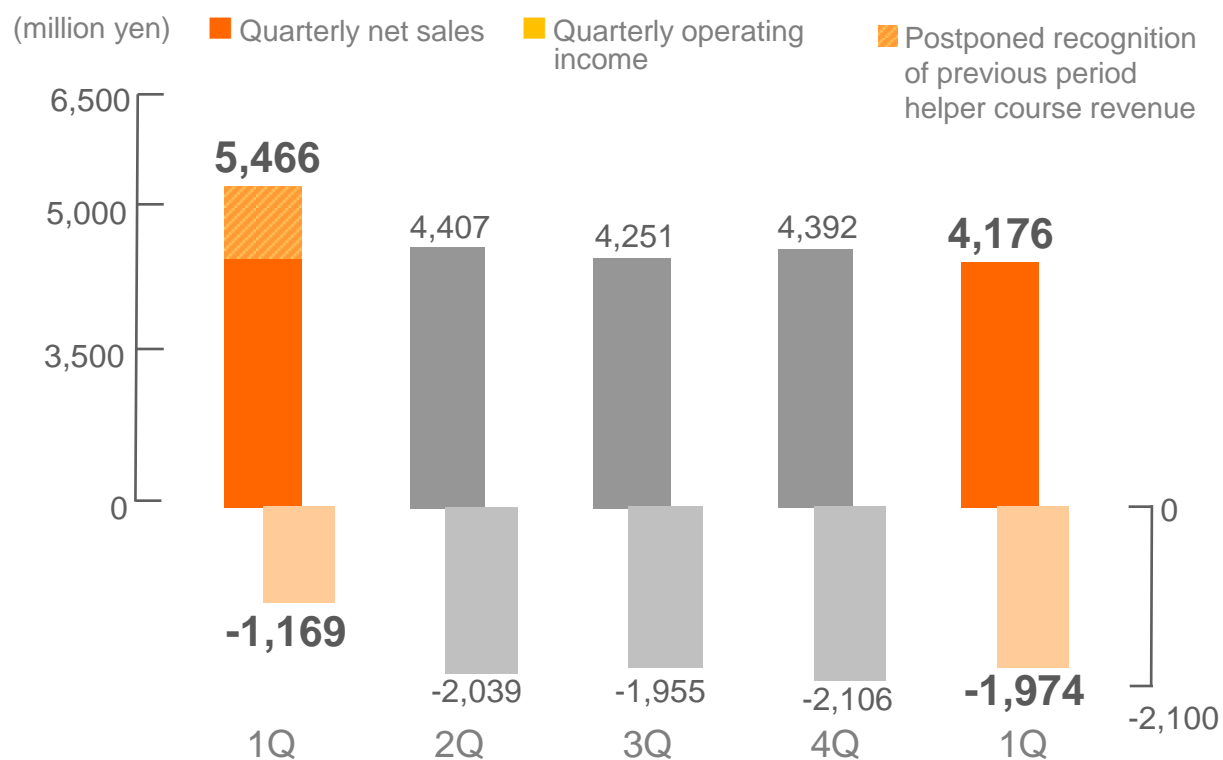
POINT

- ▶ Providing services matching community needs
Home nursing services, dementia care, etc.
- ▶ Actively expanding number of long-term care centers
Home-care services (22 facilities)
Facility-care services (6 facilities)
→ Actively raising funds through public offering for Nichii homes (fee-paying nursing homes)
FY2015: Plan to open 3 facilities
FY2016: Plan to open 9 facilities
- ▶ Expanding services not covered by long-term care insurance system
 - Housekeeping services
 - Sale of sanitary products, etc.

Segment Highlights (Education Business)

1Q		Year-on-year change
Net sales	4,176	(23.6%)
Operating income	(1,974)	—
Operating margin	(47.3%)	—

Sales decreased, reflecting employment environment and changes in qualification systems. Decline in number of students showed signs of bottoming out. Language education earnings were solid.



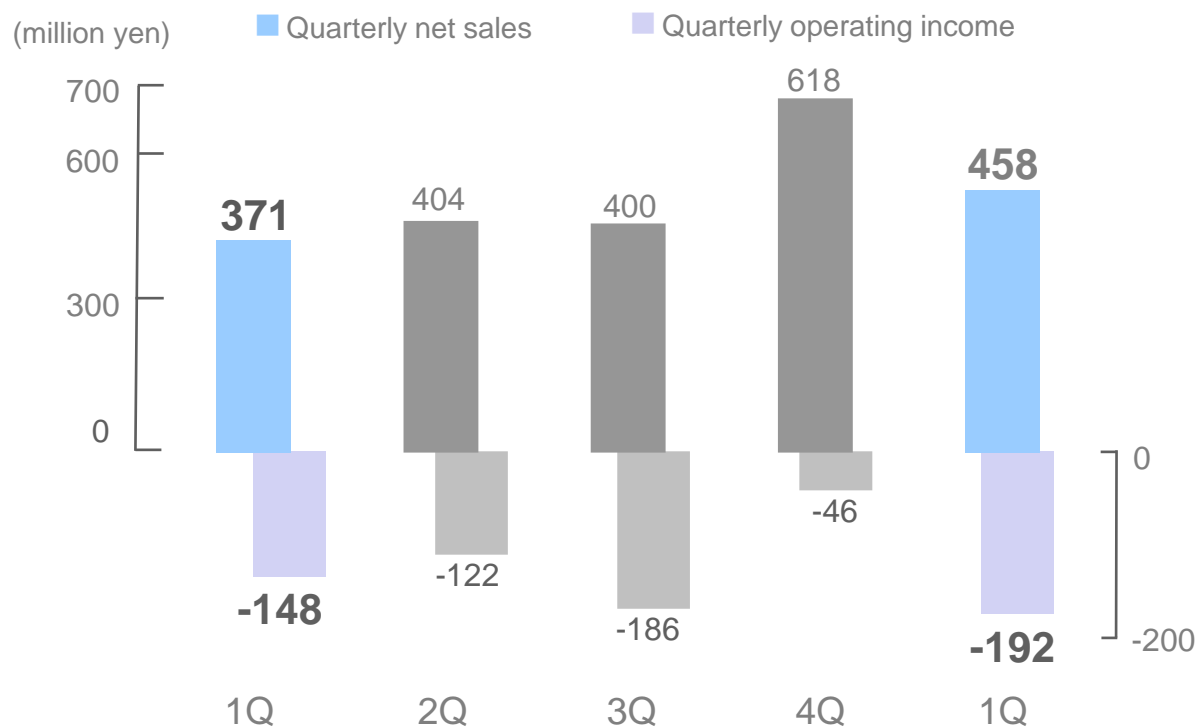
POINT

- ▶ Strengthening employment support structure.
- ▶ Promoting improvement in classroom operating efficiency.
- ▶ GABA sales and profit continuing to trend upward.
- ▶ Actively expanding COCO Juku Junior utilizing franchise.
Number of classrooms: 296
* Including franchised classrooms
- ▶ Expanding COCO Juku sales channel
Strengthening sales to corporations and collaborating with JSS

Status of Child Care Business

1Q		Year-on-year change
Net sales	458	+23.5%
Operating income	(192)	—
Operating margin	(42.0%)	—

Both sales and profit continued to trend upward through the promotion of total child care services in anticipation of establishment of new childcare system.



POINT

- ▶ Developing network of service centers in anticipation of new system.
Number of childcare service centers in operation: 81
(An increase of 13 year on year)
- ▶ Expanding services matching social needs.
 - Actively winning contracts for in-office childcare centers.
 - Providing English conversation lessons through collaboration with COCO Juku

(Unit: million yen)

	FY2015 1Q	FY2015 1H (Forecast)	FY2015 (Forecast)	
	Amount	Amount	Amount	Year on year
Net sales	67,720	138,200	278,400	2.6%
Operating income	1,258	2,700	7,700	21.8%
%	1.9%	2.0%	2.8%	
Ordinary income	788	1,700	5,700	15.4%
%	1.2%	1.2%	2.0%	
Net income	147	600	3,000	6.0%
%	0.2%	0.4%	1.1%	

FY2015 Earnings Forecasts – Net Sales and Operating Income by Business

(Unit: million yen)

Net sales	FY2015 Q1	FY2015 1H (Forecast)	FY2015 (Forecast)	Year-on-year change
Medical Support	26,412	53,300	106,800	0.8%
Long-term & Health care	37,057	75,700	152,400	3.9%
Education	4,176	9,100	19,100	3.2%
Other	430	800	1,500	12.7%
Eliminations/ Corporate	(355)	(700)	(1,400)	–
Total	67,720	138,200	278,400	2.6%

(Unit: million yen)

Operating income	FY2015 Q1	FY2015 1H (Forecast)	FY2015 (Forecast)	Year-on-year change
Medical Support	2,286	4,100	8,900	2.8%
Long-term & Health care	3,266	6,800	13,800	8.1%
Education	(1,974)	(4,200)	(7,200)	–
Other	102	100	200	340.3%
Eliminations/ Corporate	(2,421)	(4,100)	(8,000)	–
Total	1,258	2,700	7,700	21.8%

Aiming to achieve long-term stable profit growth through a well-balanced business portfolio, and working to expand strategic businesses in anticipation of diversifying social needs and system developments.

Strategic businesses

Language education business

Childcare business

Services not covered by long-term care insurance

China business

Initiatives

Providing language-learning opportunities from early childhood, with COCO Juku, COCO Juku Junior and support for studying abroad.

Actively developing total childcare services matching system developments and social needs.

Developing sales of healthcare products, housekeeping services, meal home delivery services and long-term care staff dispatch services.

Aiming to make high quality and efficient nursing care more widespread in China and to form a nursing care market based on regional business diversification strategy.

STEP1 Conclusion of strategic alliance agreement with China Planning Institute on Aging

Use conclusion of strategic alliance with China Planning Institute on Aging as a basis for establishing standard care model for the whole of China and forming a high quality and efficient care market.

China Planning Institute on Aging

External organization of the Ministry of Civil Affairs of the People's Republic of China. Working to establish sound care market in China through research on innovative development projects in the care industry, promotion of care operator schemes, and development of care technology expertise.

STEP2 Formation of Zhihu Group

(i) Establishment of joint venture

Plan to establish Zhihu Service Management Co., Ltd. (tentative name), a joint venture with Beijing Loved Hongyu Technology Co., Ltd., based on strategic alliance agreement. Amount of investment: 24.5 million yuan (Investment ratio: 49%)

(ii) Acquisition of stake in local service providers

Nichii Hong Kong Limited will acquire stake in 10 corporations that provide care and home services in 6 cities
Total amount of investment: 59,295,000 yuan (Investment ratio: 50.8% -66.7%)

[Development of services of Zhihu Group]

Excellent human resources

Training to develop human resources

Excellent services

Care services, home services, etc.

Excellent products

Sales of sanitary products

STEP3 Service rollout from the second quarter

Inclusion in consolidated results from the third quarter.
Company is carefully examining the impact on its operating results.

Services not covered by long-term care insurance - Nichii Life (Housekeeping service) -

In June 2014, the Company relaunched its housekeeping services under the brand name “Nichii Life” as a service to meet increasingly diverse daily life support needs.

We revised our service menu to cater not only for the elderly but all generations ranging from children to the child-rearing generation.



- Cleaning service
- Child pickup and transport service
- Care service for the elderly and persons with disabilities
- Home help service
- Housekeeping service before and after childbirth
- Housesitting service, etc.

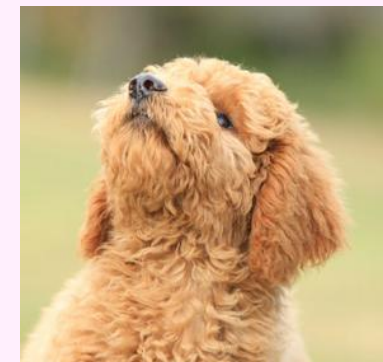
Net sales of Nichii Life increased

+17.6% YoY

Therapy dog activities at care centers

We provide dog therapy with Australian Labradors at our care centers, to improve our customers' QOL and help them enjoy life and feel at ease by providing them with a new type of emotional comfort.

We are currently piloting this scheme in certain areas and making preparations for full-scale rollout.



Act on Comprehensive Promotion of Community Medical Care and Long-term Nursing Care (enacted June 18, 2014)

1. Establishing new funds and strengthening collaboration between medical and long-term care services
2. Ensuring an efficient and effective medical provision structure in the community
3. Building integrated community care system and spreading the cost
 - ▽ Shifting from national uniform preventive care benefits (home care/day care) to community-based support projects. (Interim measure for 3 years starting from April 2015)
 - ▽ Raising the charges for users whose incomes are above a certain level to 20% (from August 2015)
 - ⇒ Applies to one-person households with an annual income of 2.8 million yen or more and married couple households with an annual income of 3.59 million yen or more.
 - ▽ Restricting the eligibility for special nursing care homes to “Nursing care required – Level 3” or higher, in principle (from April 2015)

Act on Improvement of Working Conditions of Care Providers (enacted June 20, 2014)

- ▽ Examining measures, including securing funds, that will lead to improvement in wages and other working conditions and implementing necessary measures by April 2015 to secure human resources to work in long-term care services and welfare services for persons with disabilities.

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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