Financial Results for the First Half of the Year Ending March 31, 2015 (J-GAAP)

November 7, 2014

Name of listed company: Nichii Gakkan Company   Listed on: Tokyo Stock Exchange 1st Section
Securities code: 9792   URL: http://www.nichiigakkan.co.jp
Representative: Akihiko Terada, Chairman, President and CEO
Contact: Koichi Terada, Director   TEL: 03-3291-2121
Scheduled date for filing the quarterly financial report: November 13, 2014
Scheduled date to start dividends distribution: December 8, 2014
Supplementary quarterly materials prepared: Yes
Quarterly results information meeting held: Yes (for institutional investors and financial analysts)

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated financial results for the first half ended September 30, 2014 (April 1, 2014 – September 30, 2014)

(1) Consolidated operating results

(Percentage figures represent changes year on year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2014	136,015	(0.0)	2,719	(15.8)	1,776	(29.0)	593	(64.3)
Six months ended September 30, 2013	136,049	3.0	3,229	(17.3)	2,502	(28.3)	1,660	15.9

(Note) Comprehensive income: Six months ended September 30, 2014: 648 million yen (-57.8%);
Six months ended September 30, 2013: 1,537 million yen (14.4%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2014	8.49	—
Six months ended September 30, 2013	23.76	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2014	179,208	62,366	34.6
As of March 31, 2014	176,246	62,327	35.2

Reference: Shareholders' equity: As of September 30, 2014: 62,025 million yen; As of March 31, 2014: 61,999 million yen

2. Dividends

	Annual dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	—	10.00	—	10.00	20.00
Year ending March 31, 2015	—	10.00			
Year ending March 31, 2015 (forecast)			—	10.00	20.00

(Note) Revisions to most recently announced dividend forecast: No

3. Forecast of consolidated financial results for the year ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Percentage figures represent changes from previous year for full year figures.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	274,300	1.1	7,700	21.8	5,700	15.4	3,000	6.0	42.93

(Note) Revisions to most recently announced financial results forecast: Yes

* Notes

(1) Significant changes in subsidiaries during the term (Changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes of accounting estimates and restatement

1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes
2) Changes in accounting policies due to reasons other than those stated in 1): None
3) Changes in accounting estimates: None
4) Restatement: None

(Note) For details, please refer to page 5, (3) Changes in accounting policies, accounting estimates, and restatement of 2. Summary information (notes) of Attached Document.

(4) Number of shares outstanding (common stock)

1) Number of shares issued and outstanding (including treasury stock)

As of September 30, 2014:	73,017,952	As of March 31, 2014:	73,017,952

2) Number of treasury stock

As of September 30, 2014:	3,134,524	As of March 31, 2014:	3,133,768

3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)

As of September 30, 2014:	69,883,839	As of September 30, 2013:	69,885,908

* Implementation status of quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to these quarterly financial statements, and the procedure based on the Financial Instruments and Exchange Act is in operation as of the release of these quarterly financial statements.

* Explanation concerning the appropriate use of financial result forecasts and other special notes

(Forward looking statements)

The above forecasts are based on information Nichii Gakkan had as of the time this report was prepared and on certain assumptions judged to be reasonable. Various factors may cause actual results to differ significantly from forecasts. Please refer to the disclaimers, provided under “(3) Information on the future outlook, including consolidated financial results forecasts” of “1. Qualitative information on quarterly financial results” on page 4 of the quarterly consolidated financial results (attached document), regarding the assumptions upon which forecasts are based and the use of forecasts.

Table of Contents for the Attached Document

1. Qualitative information on quarterly financial results

(1) Details of business results

In the interim period of the fiscal year under review, the integrated reform of tax systems and social security were undertaken simultaneously in April 2014 with the 3% increase in the consumption tax and 0.63% compensation for long-term care. Moreover, specific measures, such as supporting the enhancement of women's participation and advancement in society and the reform of hard-core regulations, were announced to achieve a positive economic momentum in accordance with the revised Japan Revitalization Strategy that was approved by the Cabinet in June. The headquarters for town building, local residents and job creation that was established in September began to examine policies for each region, aiming at regional revitalization by overcoming a declining population and invigorating regional areas.

In addition, in the social security sector, to address a number of issues, rising social security expenses as a result of a rapid increase in the number of elderly, a shortage in health care workers, and challenges related to dementia, integral discussions were being held with a focus on the establishment of a comprehensive regional care system, including the improvement of the working conditions of health care workers, the concentration and the streamlining of medical home-care treatment and home-care services and the diversification of regional support businesses.

In this business environment, with the aim of realization of stable growth of long-term profits by improving the balance of the business structure, the Nichii Gakkan Group has been pursuing the five-year medium-term management strategy since April 2012.

In the interim period of the fiscal year under review, the Group focused on developing foundations for business strategies in China to carry out regional diversification strategy and strengthening the development of strategic businesses, including the language education business, medical management support services, services not covered by the long-term health insurance system and childcare services, as its business diversification strategy.

As part of its efforts to strengthen the existing businesses, the Group worked to develop business promotion systems, such as the establishment of foundations for human resources mainly by developing specialists and improving career development support and the strengthening of inter-departmental cooperation.

As for the businesses in China, starting with the conclusion of a strategic alliance agreement in July 2014 with the China Planning Institute on Aging, which is under the direct jurisdiction of the Ministry of Civil Affairs of the People's Republic of China, the Group strove to develop strong partnerships with governmental institutions and sound local companies, including the determination of the establishment of Zhihu Service Management Co., Ltd. (tentative name) and the decision to make 11 providers of elderly care services and housekeeping services in seven cities (Beijing, Chongqing, Shenyang, Shenzhen, Jiangmen, Meizhou and Jinan) part of the Group's second-tier subsidiaries by the end of September.

Looking at operating results, the Group posted lower sales, reflecting a decrease in the number of students in the existing education courses in the education business on the back of a recovery in the employment environment. Earnings declined, mainly due to a fall in sales from the existing education courses.

As a result, the Group posted net sales of 136,015 million yen for the interim period under review (compared with 136,049 million yen posted in the same period of the previous fiscal year), an operating income of 2,719 million yen (compared with 3,229 million yen posted in the same period of the previous fiscal year), and ordinary income of 1,776 million yen (compared with 2,502 million yen posted in the same period of the previous fiscal year). Net income was 593 million yen (compared with 1,660 million yen posted in the same period of the previous fiscal year).

For the purpose of creation of new innovation and the steady implementation of the medium-term management strategy, on October 1, with the assignment of Chairman and Representative Director Akihiko Terada to serve concurrently as President, the Nichii Gakkan Group carried out reform of its management execution structure and organizations. As a result, the Group has adopted a three management headquarters structure with the business headquarters, the corporate governance headquarters and the China business headquarters. Under this new management execution structure, the Group will continue to work promptly with the existing businesses, new businesses, domestic businesses and overseas businesses in a cross-sectional manner.

Results by business segment are as follows:

<Medical Support Business>

With the improvement in staff retention rates resulting in the enhancement of staff skills, this fortunate cycle led to an improvement in the customer's satisfaction rate, thus the scale of contracts with medical institutions that were already under contract expanded and operations were streamlined. Consequently, operating income grew to double-digits, 15.2% year on year.

With regard to management support services, in light of the progress of beds featuring differentiation and regional cooperation among medical institutions, the Group focused on developing and providing comprehensive management support services, such as support for discharged patients to return to home care, by collaborating with the long-term care business.

Net sales for the segment came to 52,858 million yen for the interim period under review (compared with 52,769 million yen posted in the same period of the previous fiscal year). Operating income for the segment was 4,493 million yen (compared with 3,900 million yen posted in the same period of the previous fiscal year).

<Long-term Care Business>

In light of the trends of the revision of the long-term care insurance system with a focus being placed on system concentration and streamlining, and based on the long-term care needs in each region, the Group carefully developed its services, while it paid particular attention to the provision of specialized care, including seamless and comprehensive long-term care services and dementia care.

Looking at the status of new operating bases established during the first half, for its home care services, the Group opened nine care plan facilities (bringing the total number of these facilities to 799), ten home-visit care facilities (increasing the total number of these facilities, including home-visit bathing facilities, to 1,122), six day-care facilities (bringing the total number of these facilities to 373), and one home nursing care facility (bringing the total number of these facilities to 66). For its facility care services, the Group established five Nichii no Hohoemi group homes (bringing the total number of these homes to 267), three Nichii no Kirameki pay nursing homes (bringing the total number of these homes to 61), and one Nichii Home pay nursing home (bringing the total number of these homes to 55).

Net sales for the segment reached 72,638 million yen (compared with 71,385 million yen posted in the first half of the previous fiscal year). Operating income for the segment was 6,635 million yen (compared with 6,555 million yen posted in the first half of the previous fiscal year).

<Health Care Business>

In June 2014, by including services before and after childbirth, childcare services and other services in the existing housekeeping services, the Group started a new livelihood support service called Nichii Life.

Amid increasing needs for livelihood support services as a result of the progress of the aging society and the advancement of women in society, and other factors, the segment performed strongly, primarily reflecting continued double-digit sales growth in health care products and in Nichii Life.

Net sales for the Health Care Business segment came to 1,850 million yen (compared with 1,759 million yen posted in the first half of the previous fiscal year). Operating income for the segment was 95 million yen (compared with 49 million yen posted in the first half of the previous fiscal year).

<Education Business>

In the education business, GABA Corporation continued to perform strongly, while COCO Juku also steadily increased the number of students mainly in COCO Juku Junior. In the COCO Juku business, the Group strove to expand sales channels mainly by strengthening sales to corporations, aggressively developing franchise classrooms (COCO Juku Junior) and establishing a capital and business alliance with JSS Corporation. The Group also worked to provide high value-added services, including courses contracted by the U.S. embassy for teachers and staff members at the New York University SCPS ALI Tokyo Center.

The existing education business continued to record stagnant results, given a decline in the number of students as a result of an improvement in the employment environment. At present, the Group is striving to strengthen its human resources providing capabilities mainly by revising course curriculum to develop human resources with the necessary skills who are able to be readily placed in actual working places, and for example, by promoting the expansion of employment support such as employment consultation in collaboration with the medical support business and the long-term care business.

As for the streamlining of business management, the Group also took initiatives to reform the cost structure chiefly by integrating classroom management with the existing education courses and reviewing promotional activities.

Net sales for the Education Business segment totaled 8,416 million yen (compared with 9,870 million yen posted in the first half of the previous fiscal year). Operating loss for the segment was 4,142 million yen (compared with a loss of 3,208 million yen posted in the first half of the previous fiscal year).

<Other Businesses>

The Group was also engaged in the goods management business, the leasing business, the publishing business and the park management business, among other businesses, to enhance the added value of the mainstay businesses and to achieve efficient group management.

Net sales for the Other Businesses segment amounted to 251 million yen (compared with 264 million yen posted in the first half of the previous fiscal year). Operating income for the segment was 130 million yen (compared with operating loss of 30 million yen posted in the first half of the previous fiscal year).

(2) Details of financial position

Total assets at the end of the interim period under review increased 2,961 million yen from the end of the previous fiscal year, to 179,208 million yen. The main reasons for the increase were a 570 million yen increase in current assets, mainly reflecting an increase in the notes and accounts receivable-trade, and a 2,390 million yen rise in fixed assets, primarily due to an increase in lease assets.

Liabilities increased 2,922 million yen from the end of the previous fiscal year, to 116,842 million yen. The key factors contributing to this increase were a 449 million yen rise in current liabilities, mainly reflecting an increase in provision for bonuses, and a 2,472 million yen increase in non-current liabilities, primarily attributable to an increase in lease obligations.

Net assets increased 38 million yen from the end of the previous fiscal year, to 62,366 million yen.

(3) Information on the future outlook, including consolidated financial results forecasts

With respect to the consolidated and nonconsolidated results forecast for the fiscal year ending March 31, 2015, the Group has revised forecast net sales presented in the financial results forecast for the year ending March 31, 2015, which was released on May 14, 2014, because a gap between actual net sales and forecast net sales in the long-term care business and the education business has taken place. As for the income forecast, mainly reflecting the progress of results for the interim period under review, the Group has maintained its forecasted income as unchanged. The Group is currently examining the impact on results forecast from the commencement of full-fledged operations in the business in China. It will promptly disclose information when a revision becomes necessary.

The differences between the consolidated financial results forecast for the year ending March 31, 2015, which was announced in the financial results released on May 14, 2014, and the forecast after the revision are as follows.

(Forecast of consolidated financial results)

Fiscal year ending March 31, 2015 (April 1, 2014 – March 31, 2015)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously announced forecast (A)	278,400	7,700	5,700	3,000	42.93
Revised forecast (B)	274,300	7,700	5,700	3,000	42.93
Change (B – A)	(4,100)	—	—	—	—
Change (%)	(1.5)	—	—	—	—
(Reference) Actual results (fiscal year ended March 31, 2014)	271,447	6,322	4,940	2,831	40.51

(Forecast of nonconsolidated financial results)
Fiscal year ending March 31, 2015 (April 1, 2014 – March 31, 2015)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously announced forecast (A)	243,200	4,300	3,200	1,500	21.46
Revised forecast (B)	240,200	4,300	3,200	1,500	21.46
Change (B – A)	(3,000)	—	—	—	—
Change (%)	(1.2)	—	—	—	—
(Reference) Actual results (fiscal year ended March 31, 2014)	238,342	3,485	2,918	1,471	21.06

2. Summary information (notes)

(1) Significant changes to subsidiaries during the term

No related information.

(2) Application of specific accounting for preparing the quarterly consolidated financial statements

No related information.

(3) Changes in accounting policies, accounting estimates, and restatement

Changes in accounting policies

Application of the accounting standard for retirement benefits

The Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter "Accounting Standard for Retirement Benefits") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter "Guidance on Accounting Standard for Retirement Benefits") from the first quarter of the current fiscal year, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing estimated retirement benefit obligations to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate from the method using the remaining service period of employees to the method using a single weighted average discount rate.

The application of this accounting standard, etc. is in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and thus the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the first half of the current fiscal year.

The result was a decrease of 118 million yen in net defined benefit liability, and an increase of 96 million yen in retained earnings at the beginning of the first half of the current fiscal year. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the first half of the current fiscal year is insignificant.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Thousand yen)

	Fiscal 2014 (As of March 31, 2014)	H1 of Fiscal 2015 (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	9,595,734	8,057,953
Notes and accounts receivable—trade	32,203,271	32,938,245
Short-term investment securities	3,501,938	4,198,776
Merchandise and finished goods	623,388	564,105
Work in progress	15,111	83,915
Raw materials and supplies	310,210	252,753
Deferred tax assets	2,888,713	3,045,079
Other	9,258,717	9,817,370
Less: allowance for doubtful accounts	(31,299)	(21,462)
Total current assets	58,365,785	58,936,738
Fixed assets		
Property, plant and equipment		
Buildings and structures—net	29,053,777	28,569,339
Lease assets—net	27,884,574	30,386,242
Other—net	9,834,290	9,554,403
Total property, plant and equipment	66,772,643	68,509,984
Intangible assets		
Goodwill	18,446,825	17,523,602
Other	3,814,661	4,316,417
Total intangible assets	22,261,486	21,840,019
Investments and other assets		
Other	29,253,196	30,324,274
Less: Allowance for doubtful accounts	(406,643)	(402,856)
Total investments and other assets	28,846,552	29,921,417
Total fixed assets	117,880,682	120,271,422
Total assets	176,246,468	179,208,160

(Thousand yen)

	Fiscal 2014 (As of March 31, 2014)	H1 of Fiscal 2015 (As of September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	861,540	617,701
Short-term loans payable	4,014,826	2,751,858
Income taxes payable	1,674,761	1,777,258
Accrued expenses	15,669,460	16,048,467
Provision for bonuses	5,092,365	5,540,477
Provision for directors' bonuses	39,700	24,850
Other	28,377,442	29,419,401
Total current liabilities	55,730,097	56,180,015
Non-current liabilities		
Long-term loans payable	17,316,153	16,832,574
Lease obligations	28,683,159	31,618,533
Provision for directors' retirement benefits	167,784	162,652
Net defined benefit liability	5,786,553	5,824,440
Asset retirement obligations	1,774,879	1,817,784
Other	4,460,592	4,406,053
Total non-current liabilities	58,189,123	60,662,038
Total liabilities	113,919,220	116,842,053
Net assets		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	38,335,223	38,326,720
Treasury stock, at cost	(5,374,688)	(5,375,379)
Total shareholders' equity	62,248,540	62,239,345
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,037	19,937
Foreign currency translation adjustments	58,966	58,148
Remeasurements of defined benefit plans	(332,870)	(291,467)
Total accumulated other comprehensive income	(248,866)	(213,381)
Minority interests	327,574	340,141
Total net assets	62,327,248	62,366,106
Total liabilities and net assets	176,246,468	179,208,160

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)

(Six months ended September 30)

(Thousand yen)

	Fiscal 2014 (from April 1, 2013 to September 30, 2013)	Fiscal 2015 (from April 1, 2014 to September 30, 2014)
Net sales	136,049,979	136,015,397
Cost of sales	107,630,440	108,476,723
Gross profit	28,419,539	27,538,674
Selling, general and administrative expenses	25,190,219	24,818,901
Operating income	3,229,319	2,719,773
Non-operating income		
Interest income	70,181	79,563
Rent income	97,098	107,868
Subsidy income	53,379	64,589
Share of profit of entities accounted for using equity method	—	1,594
Other	137,181	175,288
Total non-operating income	357,841	428,904
Non-operating expenses		
Interest expenses	980,832	1,322,463
Rent expenses	30,726	31,730
Other	72,655	17,530
Total non-operating expenses	1,084,214	1,371,725
Ordinary income	2,502,946	1,776,952
Extraordinary income		
Gain on sales of investment securities	1,030,370	—
Other	850	—
Total extraordinary income	1,031,220	—
Extraordinary losses		
Loss on retirement of property, plant and equipment, net	29,213	11,986
Loss on sales of property, plant and equipment, net	—	1,437
Loss on valuation of investment securities	49,999	—
Provision of allowance for doubtful accounts	25,000	—
Impairment loss	—	33,740
Other	966	3,537
Total extraordinary losses	105,179	50,701
Income before income taxes and minority interests	3,428,987	1,726,250
Income taxes—current	2,220,900	1,544,506
Income taxes—deferred	(472,909)	(431,758)
Total income taxes	1,747,991	1,112,747
Income before minority interests	1,680,995	613,503
Minority interests in income	20,534	20,067
Net income	1,660,461	593,435

(Quarterly consolidated statements of comprehensive income)
(Six months ended September 30)

(Thousand yen)

	Fiscal 2014 (from April 1, 2013 to September 30, 2013)	Fiscal 2015 (from April 1, 2014 to September 30, 2014)
Income before minority interests	1,680,995	613,503
Other comprehensive income		
Valuation difference on available-for-sale securities	(120,158)	(5,100)
Foreign currency translation adjustments	(23,074)	(817)
Remeasurements of defined benefit plans, net of tax	—	41,403
Total other comprehensive income	(143,232)	35,484
Comprehensive income	1,537,762	648,987
Comprehensive income attributable to:		
Owners of the parent	1,517,228	628,920
Minority interests	20,534	20,067

(3) Notes to quarterly consolidated financial statements

(Notes on the premise of a going concern)

No related information.

(Notes on significant fluctuations in the amount of shareholders' equity)

No related information.

(Significant subsequent events)

Equity stake acquisitions of local companies in China by subsidiary

At a board meeting held on November 7, 2014, the Company's wholly owned subsidiary, Nichii Hong Kong Limited (hereinafter "Nichii Hong Kong") adopted a resolution to acquire equity stake in a local company in China, Guangzhou Zhengxianghe Housekeeping Service Co., Ltd. (hereinafter "Guangzhou Zhengxianghe"), to make it a subsidiary of Nichii Hong Kong (the Company's second-tier subsidiary).

1. Purpose

Aiming to provide services all over China, up to this point the Nichii Gakkan Group has determined to make 11 companies be in the Group's companies in 7 cities in Beijing, Chongqing, Shenyang, Shenzhen, Jiangmen, Meizhou and Jinan. As a result of the acquisition of equity stake as described above, with the addition of Guangzhou, the Group's service provision network has expanded to cover 8 cities with 12 companies.

Guangzhou Zhengxianghe has a business track record that is steady and extensive in the region in mainly providing housekeeping services and babysitter services for the wealthy class for more than 15 years in Guangzhou. It has also developed management bases to achieve the provision of high-quality services by establishing a unique human resources development scheme in cooperation with vocational training schools, as well as taking other initiatives.

By integrating human resources development and the service provision know-how through the inclusion of the subject second-tier subsidiary in the Nichii Group, the Group will strive to provide sound care services in China.

2. Parties from which equity stakes will be acquired

Equity stakeholders (managers, etc.) of the said company

3. Outline of the acquiring subsidiary

(1) Name:	Nichii Hong Kong Limited
(2) Location:	Central, Hong Kong
(3) Business content:	Supervision of China business affiliates, consulting, etc.
(4) Capital:	25,000,000 HKD (wholly owned by Nichii Gakkan Company)

4. Outline of the acquired company

(1) Name:	Guangzhou Zhengxianghe Housekeeping Service Co., Ltd.
(2) Location:	Guangzhou, Guangdong Province
(3) Business content:	Housekeeping services, babysitter services, etc.
(4) Capital:	500,000 CNY
(5) Equity stake acquisition date	Undecided
(6) Acquisition value	50,379,000 CNY (scheduled)
(7) Ownership ratio after acquisition	51.0%

Underwriting of capital increases of subsidiaries

At a board meeting held on November 7, 2014, the Company adopted a resolution to increase capital of its three overseas subsidiaries in China, NICHII CARENET CHINA Co., Ltd., Nichii China Co., Ltd. and NICHII (GUANGZHOU) CO., LTD. (An application for the establishment has been submitted.)

1. Purpose of capital increases

Strengthening of the financial foundations and responding to requirements for financing by the Group companies in China

2. Outline of capital increases

(1) Amount of capital increases	Approximately 72,500,000 CNY (the total of three companies)
(2) Payment date	Undecided
(3) Underwriter of capital increases	Nichii Gakkan Company 100%