

NICHII GAKKAN COMPANY

Financial Results Briefing Document

for the 1H of the Fiscal Year Ending March 31, 2015

November 11, 2014

Management Policies under the New Business Execution System

Chairman, President and CEO
Akihiko Terada

Theme of New Management Strategy

To the 1st Stage for Globalization



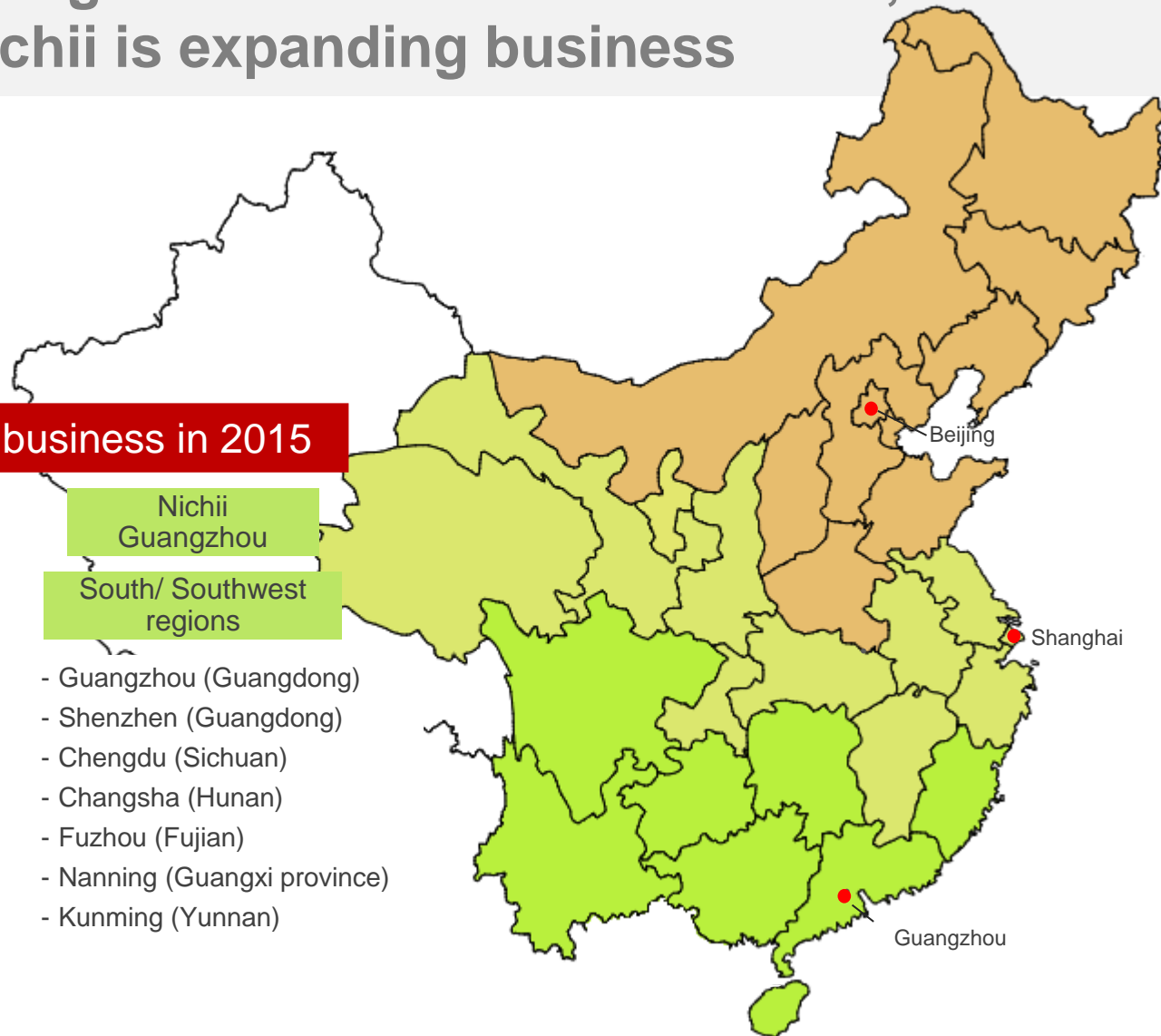
1st Stage

Developing business in China with a long-term care model as the core

2nd Stage

Further developing business in the Asia-Pacific region

The overwhelming scale of the Chinese market, where Nichii is expanding business



Major areas where Nichii will start business in 2015

- | Nichii Beijing | Nichii Shanghai | Nichii Guangzhou |
|--|--|---|
| North/ Northeast regions | Central/ Northwest regions | South/ Southwest regions |
| <ul style="list-style-type: none">- Beijing- Harbin (Heilongjiang)- Changchun (Jilin)- Shenyang (Liaoning)- Dalian (Liaoning)- Tianjin- Jinan (Shandong)- Tsingtao (Shandong)- Zhengzhou (Henan) | <ul style="list-style-type: none">- Shanghai- Changzhou (Jiangsu)- Hangzhou (Zhejiang)- Hefei (Anhui)- Wuhan (Hubei)- Nanchang (Jiangxi)- Chongqing- Xian (Shaanxi) | <ul style="list-style-type: none">- Guangzhou (Guangdong)- Shenzhen (Guangdong)- Chengdu (Sichuan)- Changsha (Hunan)- Fuzhou (Fujian)- Nanning (Guangxi province)- Kunming (Yunnan) |

Point 1 The development of business in China demonstrates the strengths of Nichii

Introduction of and support for the expertise and business model cultivated in Japan, a country with advanced long-term care

Cultivation of human resources

Our excellent human resources cultivation system will determine the excellence of our services.

Business operation

Success and failure in business management will influence the success and failure of the business.

Zhihu training system integrated with industry, government, and academia

Aging and Long-term Care Training Society

- China Planning Institute on Aging
- Specialized institutions, such as universities
- Zhihu training leadership department

Zhihu training leadership department

- Nichii
- Group company (Nanning)

▶ Training of instructors

▶ Training of staff

Zhihu business operation system

Zhihu strategic unit

- NICHII CARENET CHINA Co., Ltd., Nichii China Co., Ltd., NICHII (GUANGZHOU) CO., LTD.
- Group company (Guangzhou Zhengxianghe Housekeeping Service Co., Ltd.)
- Zhihu strategy department

▶ Strategy administrative agent
* One Group company promoted

▶ Group companies

Main long-term care services

Home care

Day care

Facility care

Dementia care

Support of persons with disabilities

Point 2

Building a business scheme based on cooperation between the public and private sectors

(1) A strategic partnership agreement concluded with the China Planning Institute on Aging, an institute under direct control of the government.

- A strategic partnership agreement was concluded with the China Planning Institute on Aging, an institute directly run by the government of People's Republic of China.
- We are working to spread quality and efficient long-term care services and formulate a healthy long-term care market.
- We are promoting the standardization of specialized knowledge and skills and raising the level through the systematization of human resources training for long-term care.

Amalgamation of partnerships in the public and private sectors

(2) The Zhihu Group was built by incorporating local business operators in various regions of China.

- We are working to amalgamate the Chinese culture with our services by incorporating local companies into the Zhihu Group.
- We are winning confidence through community-based business operation by reflecting the culture and customs of various regions of China in our services.

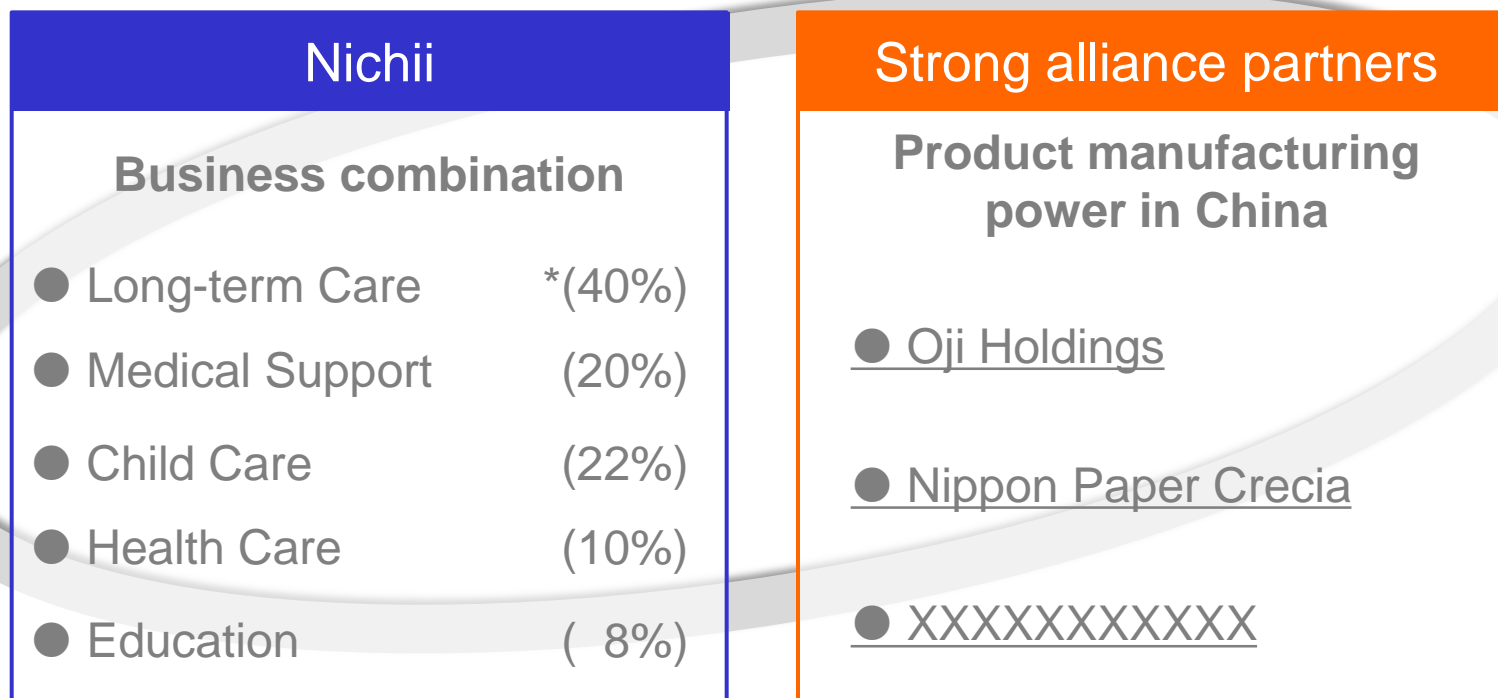


Zhihu is a brand strategy for spreading the highest quality care services (Zhihu) into the various regions of China.

Point 3

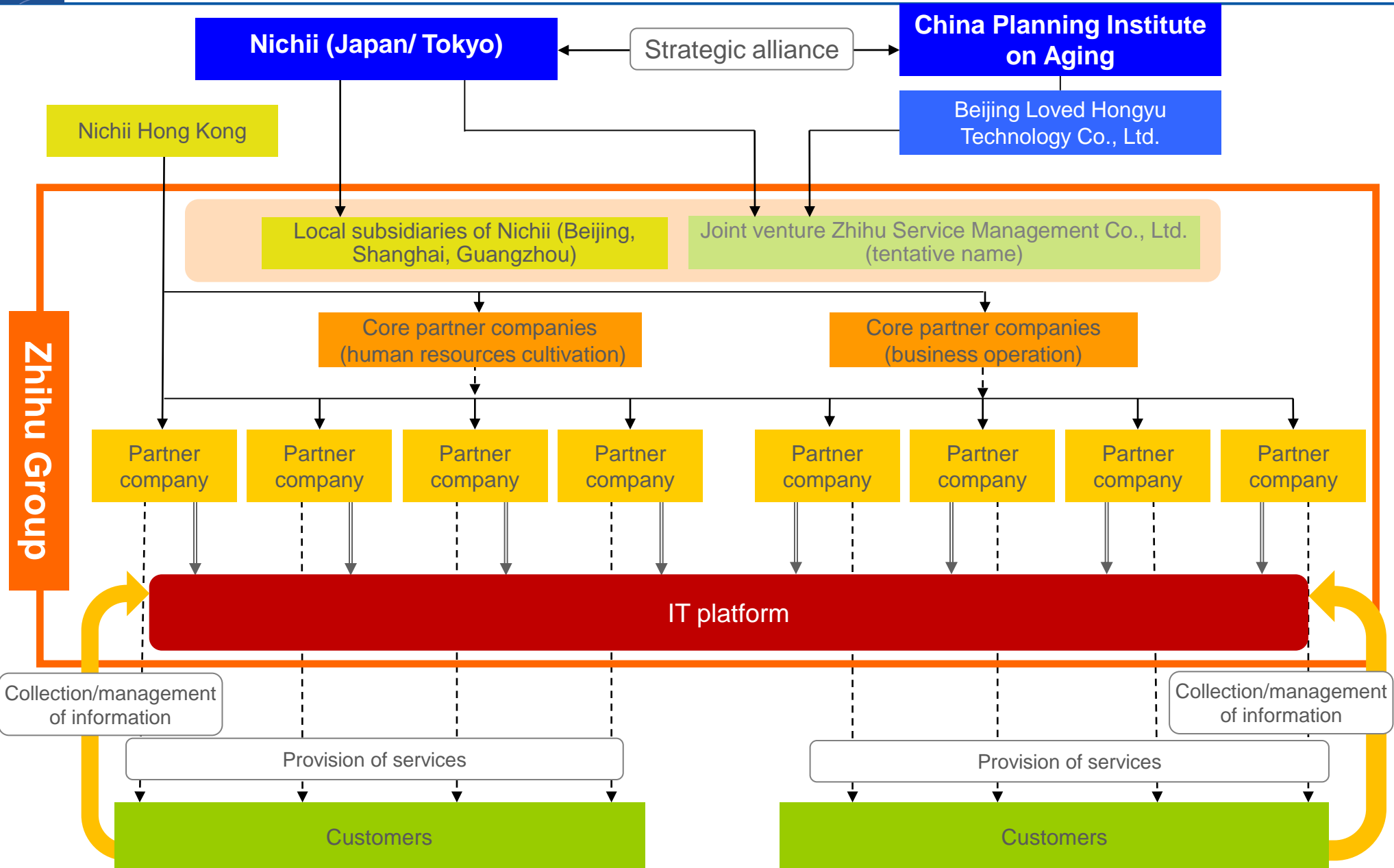
Boosting of the Japanese brand based on cooperation between Nichii and strong alliance partners in Japan

Synergy through the combination of the businesses of Nichii and the complementation of partner companies

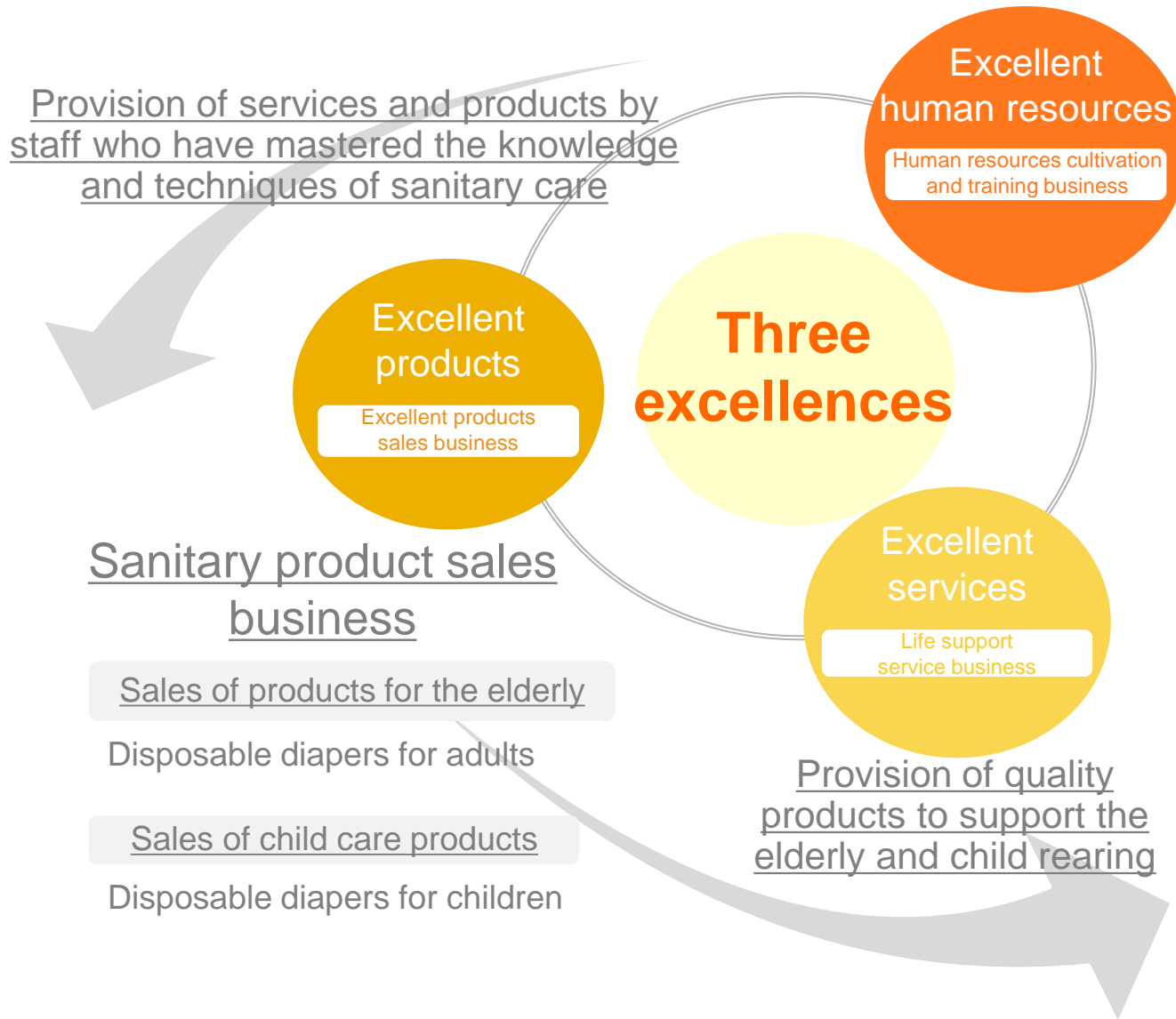


* Composition ratio in 2020 (forecast)

Organizations of the Zhihu Group



Business Concept of the Zhihu Group



Human resources cultivation business

Cultivate instructors

Cultivate staff

Production of excellent human resources from the cultivation business

Human support business

Supporting the elderly

- Home care
- Community care
- Facility care

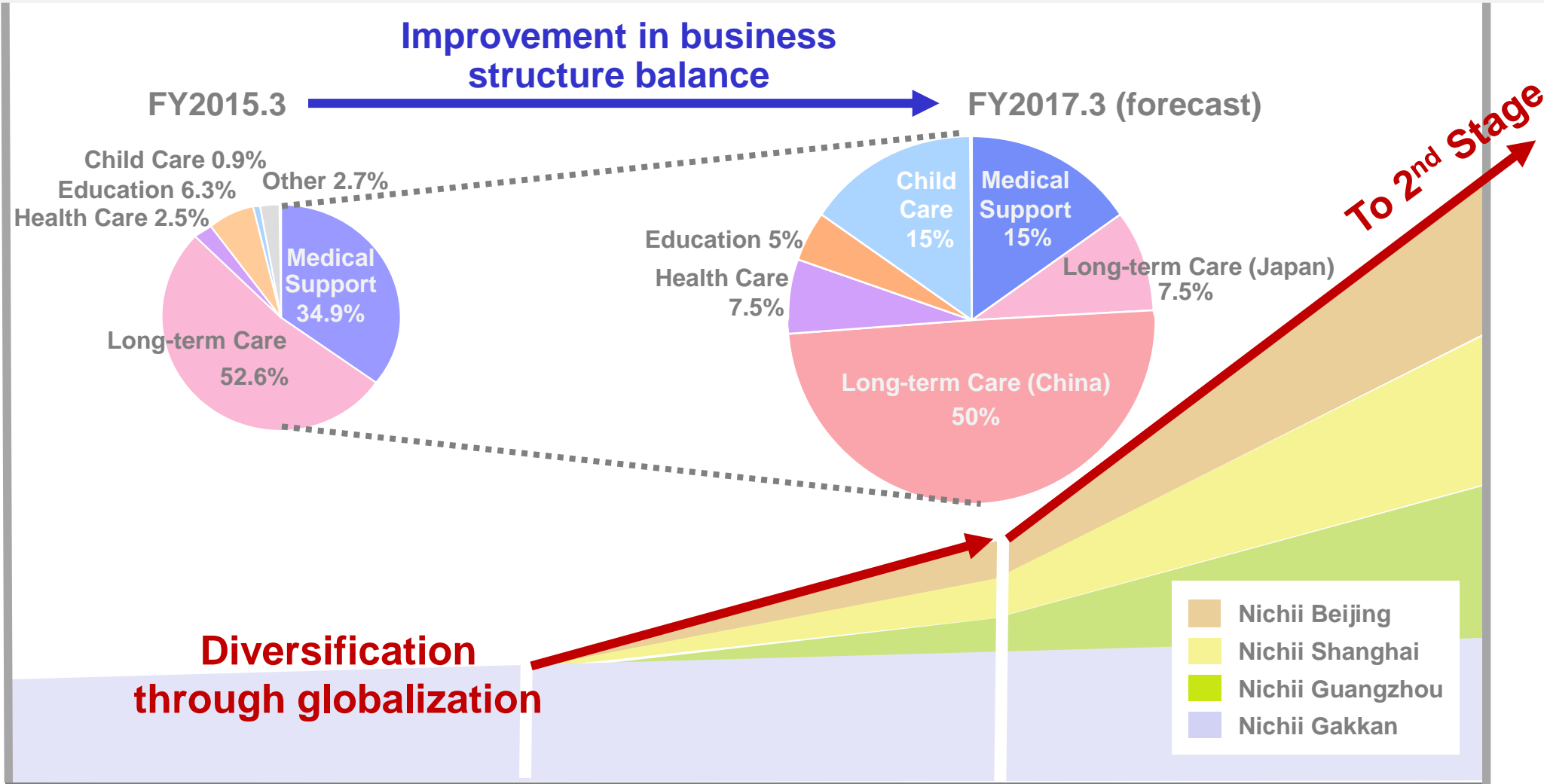
Home service support

- Home service support

Child rearing support

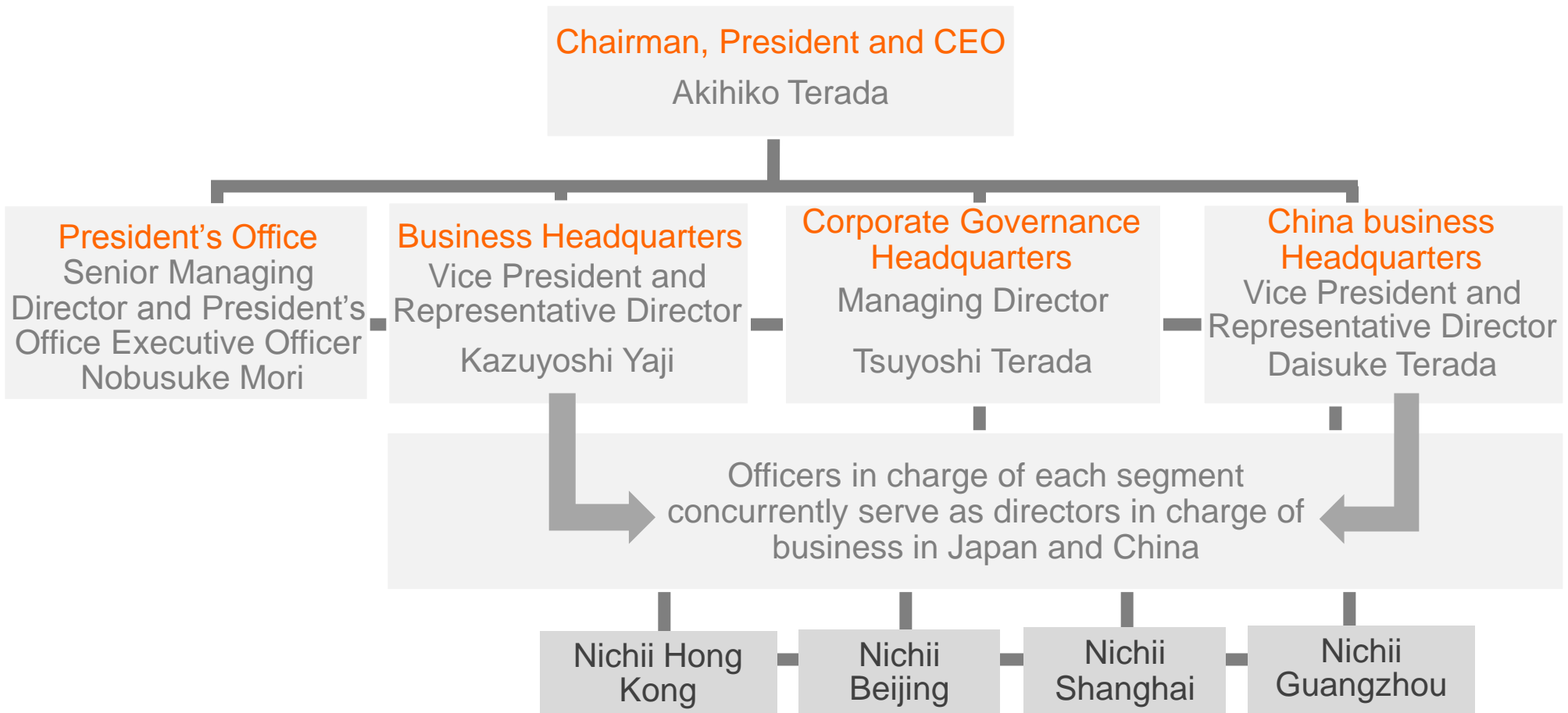
- Maternity care
- Baby-sitter
- Operation of childcare facilities

Avoiding institutional risk through a diversification strategy and increasing growth potential and profitability for long-term stable growth.



Building a management system capable of responding to a variety of operations quickly and accurately

Image of the 3 general headquarters system



(Reference) Marketability of China in Comparison with Japan

Japan		China
127 million people	Total population	1,360 million people
Approx. 32 million people	Elderly population	Approx. 131.61 million people
Approx. 4.62 million people	Number of the elderly with dementia	19.74 million people (estimate)
Approx. 1 million people	Shortage of human resources for long-term care	Approx. 12 million people
Approx. 1.03 million people	Number of annual births	Approx. 16.4 million people
Approx. 30,000 people	Number of unemployed 4-year college graduates	Approx. 930,000 people
<u>“Realization of the integrated community care system”</u> Focusing on home care	Government policy	<u>“Realization of 90-7-3 method”</u> Focusing on home care *1: Home care 90%, community care 7%, long-term care facilities 3%
Approx. 7.8 trillion yen (2010) → 21 trillion yen (2025)	Size of the long-term care market	Approx. 16.4 trillion yen (2010) → 82 trillion yen (2025)

*Source: Data of the Statistics Bureau of the Ministry of Internal Affairs and Communications, the Ministry of Health, Labour and Welfare, and the National Bureau of Statistics of China, etc.

Received the 2014 Best Practice Award from FROST & SULLIVAN in the Health Care Service section

Points rated highly

- Contribution to the cultivation of human resources for long-term care
- Provision of better services reflecting customer voices and successful experiences of staff
- Contribution to creating an environment for people to live at ease
- Establishment of a position as the leading company in Japan, a country with advanced long-term care
- Promotion of business operations in China



Contributing to solving social problems in China with the best care services rooted in the Chinese culture.

China business

Building strong partnerships

Providing and guiding business know-how

Developing culture-, life- and community-based services

Expanding areas across China



Social effects

Supporting the building of a long-term care system for the elderly in China
Healthy development of the long-term care market in China

Promoting employment of the younger generation by creating jobs in domestic demand industries.

Contributing to the development of the service industry in China through business growth.

Overview of Financial Results for the 1H of the Fiscal Year ending March 31, 2015

Financial Results for the 1H of the FY 2015

(Unit: million yen)

	FY2014 2Q	FY2015 2Q	
	Amount	Amount	Year on year
Net Sales	136,049	136,015	(0%)
Operating Income	3,229	2,719	(15.8%)
%	2.4%	2.0%	
Ordinary Income	2,502	1,776	(29.0%)
%	1.8%	1.3%	
Net Income	1,660	593	(64.3%)
%	1.2%	0.4%	

Consolidated Sales and Operating Income by Business for the 1H of the FY 2015

(Unit: million yen)

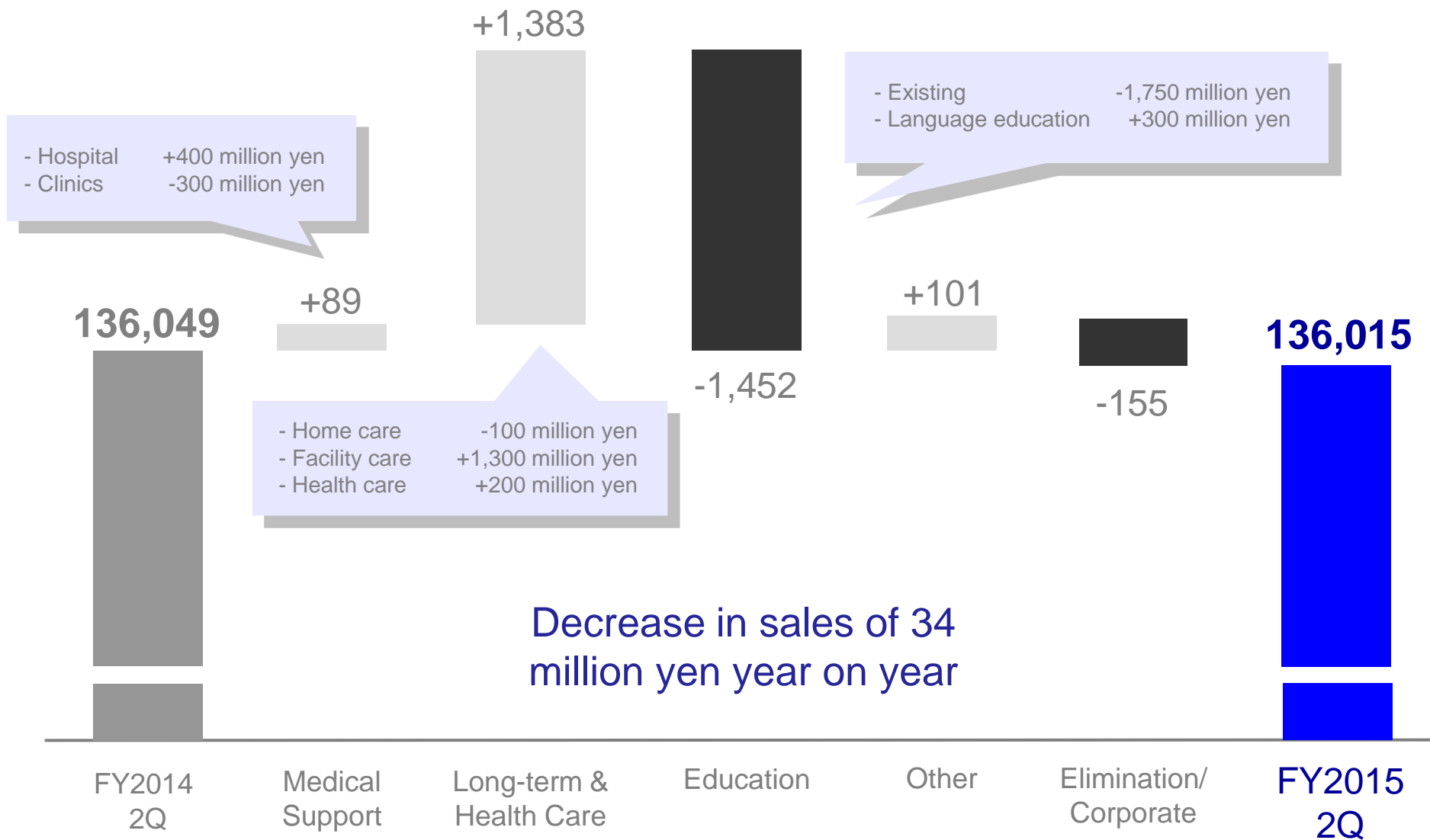
Net Sales	FY2014 2Q	FY2015 2Q	
		Amount	Year on year
Medical Support	52,770	52,859	0.2%
Long-term & Health Care	73,232	74,615	1.9%
Education	9,873	8,421	(14.7%)
Others	651	752	15.4%
Elimination/ Corporate	(478)	(633)	-
Total	136,049	136,015	(0.0%)

(Unit: million yen)

Operating Income	FY2014 2Q	FY2015 2Q	
		Amount	Year on year
Medical Support	3,900	4,493	15.2%
Long-term & Health Care	6,604	6,731	1.9%
Education	(3,208)	(4,142)	-
Others	(30)	130	-
Elimination/ Corporate	(4,036)	4,493	-
Total	3,229	2,719	(15.8%)

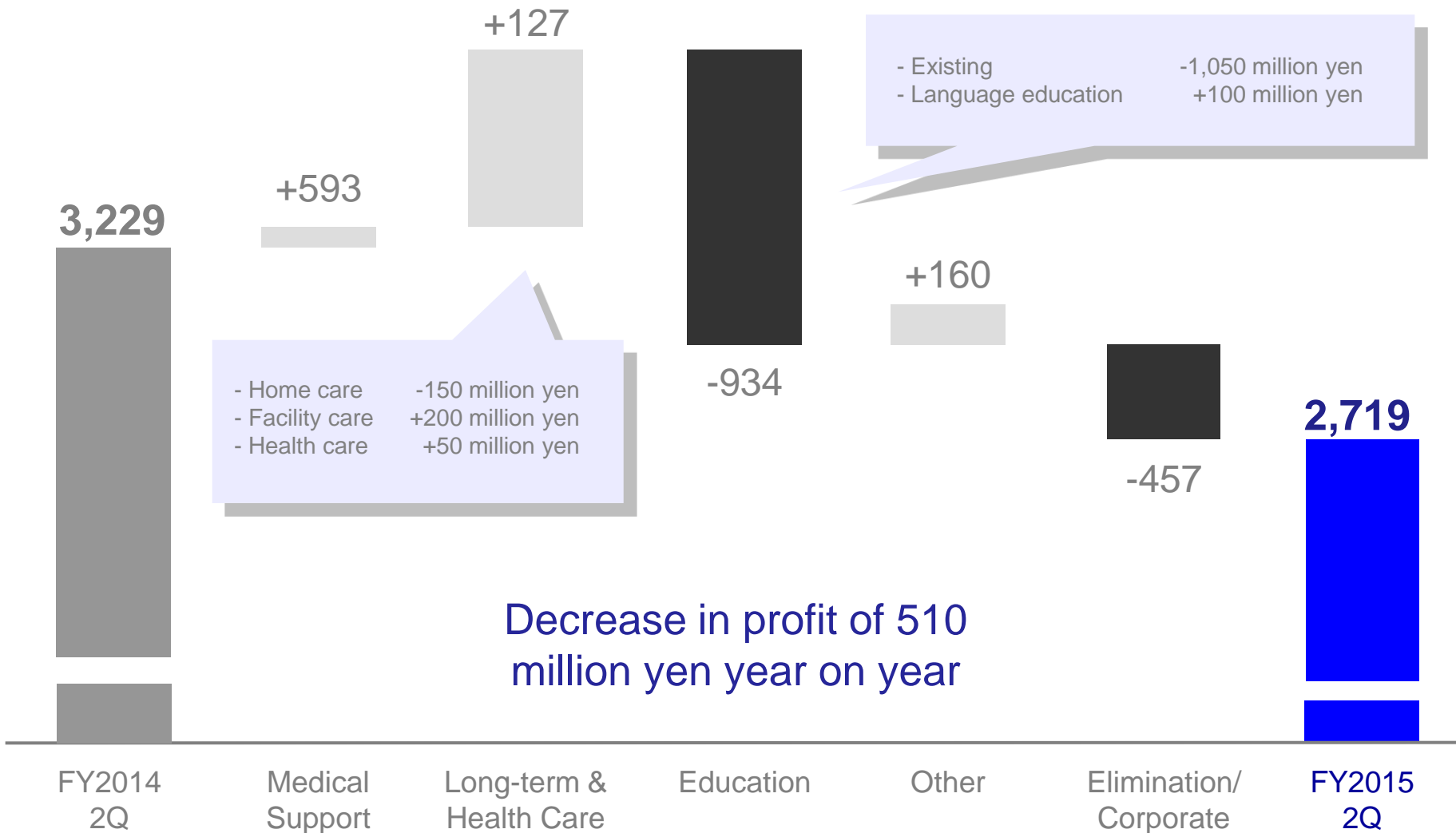
Major Factors for Changes in Sales for the 1H of the FY 2015

(Unit: million yen)



Major Factors for Changes in Operating Income for the 1H of the FY 2015

(Unit: million yen)



Strengthening collaborations between divisions and promoting efficient operations

Medical Support Business		Operating margin
Net sales	52,859 million yen (+0.2%)	8.5% Up 1.2 points year on year
Operating income	4,493 million yen (+15.2%)	
<ul style="list-style-type: none"> ● Focusing on expanding operations at existing hospitals and improving business efficiency ● Strengthening the new development and sales of management support services ● Enhancing the cultivation of human resources (Strengthening follow-up and career development systems, etc.) 		

Long-term & Health Care Business		Operating margin
Net sales	74,615 million yen (+1.9%)	9.0% Up 0 point year on year
Operating income	6,731 million yen (+1.9%)	
<ul style="list-style-type: none"> ● Preparing a system to build an integrated community care system (Dementia care, home-visit care, collaboration between medical and long-term care services, etc.) ● Cultivating specialists, including dementia supporters ● Enhancing health care services (not covered by insurance). 		

Education Business		Number of FC classrooms
Net sales	8,421 million yen (-14.7%)	244 Up 216 year on year
Operating income	(4,142 million yen) (-%)	
<ul style="list-style-type: none"> ● Revising course curriculum to a more practical one ● Strengthening the supply capacity of human resources in cooperation with business divisions ● Enhancing corporate sales ● Actively developing COCO Juku Junior through franchising 		

Child Care Business		Number of childcare centers operated
Net sales	955 million yen (23.2%)	84 Up 7 year on year
Operating income	(339 million yen) (-%)	
<ul style="list-style-type: none"> ● Strengthening collaboration with the language education business ● Preparing for operations in anticipation of the establishment of new childcare system 		

FY2015 Earnings Forecasts

(Unit: million yen)

	FY2014	FY2015		
		FY2015 (Initial Forecast)	FY2015 (Revised Forecast)	Amount Change (to initial forecast)
Net Sales	271,447	278,400	274,300	(4,100)
Operating Income	6,322	7,700	7,700	0
%	2.3%	2.8%	2.8%	-
Ordinary Income	4,940	5,700	5,700	0
%	1.8%	2.0%	2.1%	-
Net Income	2,831	3,000	3,000	0
%	1.0%	1.1%	1.1%	-

FY2015 Earnings Forecasts – Net Sales and Operating Income by Business

(Unit: million yen)

Net Sales	FY2014 Result	FY2015 (Initial forecast)	FY2015 (Revised forecast)	Amount Change
Medical Support	105,974	106,800	106,200	(600)
Long-term Care	143,019	148,100	146,300	(1,800)
Health Care	3,724	4,300	4,100	(200)
Long-term Care + Health Care	146,744	152,400	150,400	(2,000)
Education	18,516	19,100	17,700	(1,400)
Other	1,330	1,500	1,600	100
Eliminations/ Corporate	(1,117)	(1,400)	(1,600)	(200)
Total	271,447	278,400	274,300	(4,100)

Operating income	FY2014 Result	FY2015 (initial forecast)	FY2015 (to initial forecast)	Amount Change
Medical Support	8,660	8,900	9,500	600
Long-term Care	12,549	13,400	13,500	100
Health Care	221	400	300	(100)
Long-term Care + Health Care	12,770	13,800	13,800	0
Education	(7,269)	(7,200)	(7,600)	(400)
Other	45	200	300	100
Eliminations/ Corporate	(7,885)	(8,000)	(8,300)	(300)
Total	6,322	7,700	7,700	0

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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