

NICHII GAKKAN COMPANY

# Financial Results Briefing Document

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

February 10, 2015

やさしさを、私たちの強さにしたい。



Overview of Financial Results  
for the First Nine Months of the Fiscal Year  
Ending March 31, 2015

# Financial Results Highlights

(Unit: million yen)

	FY2014 3Q	FY2015 3Q	
	Amount	Amount	Year on Year
Net Sales	204,208	204,307	0.0%
Operating Income	5,061	4,795	(5.3%)
%	2.5%	2.3%	-
Ordinary Income	3,951	3,376	(14.5%)
%	1.9%	1.7%	-
Net Income	2,300	1,336	(41.9%)
%	1.1%	0.7%	-

# Consolidated Net Sales and Operating Income by Segment

(Unit: million yen)

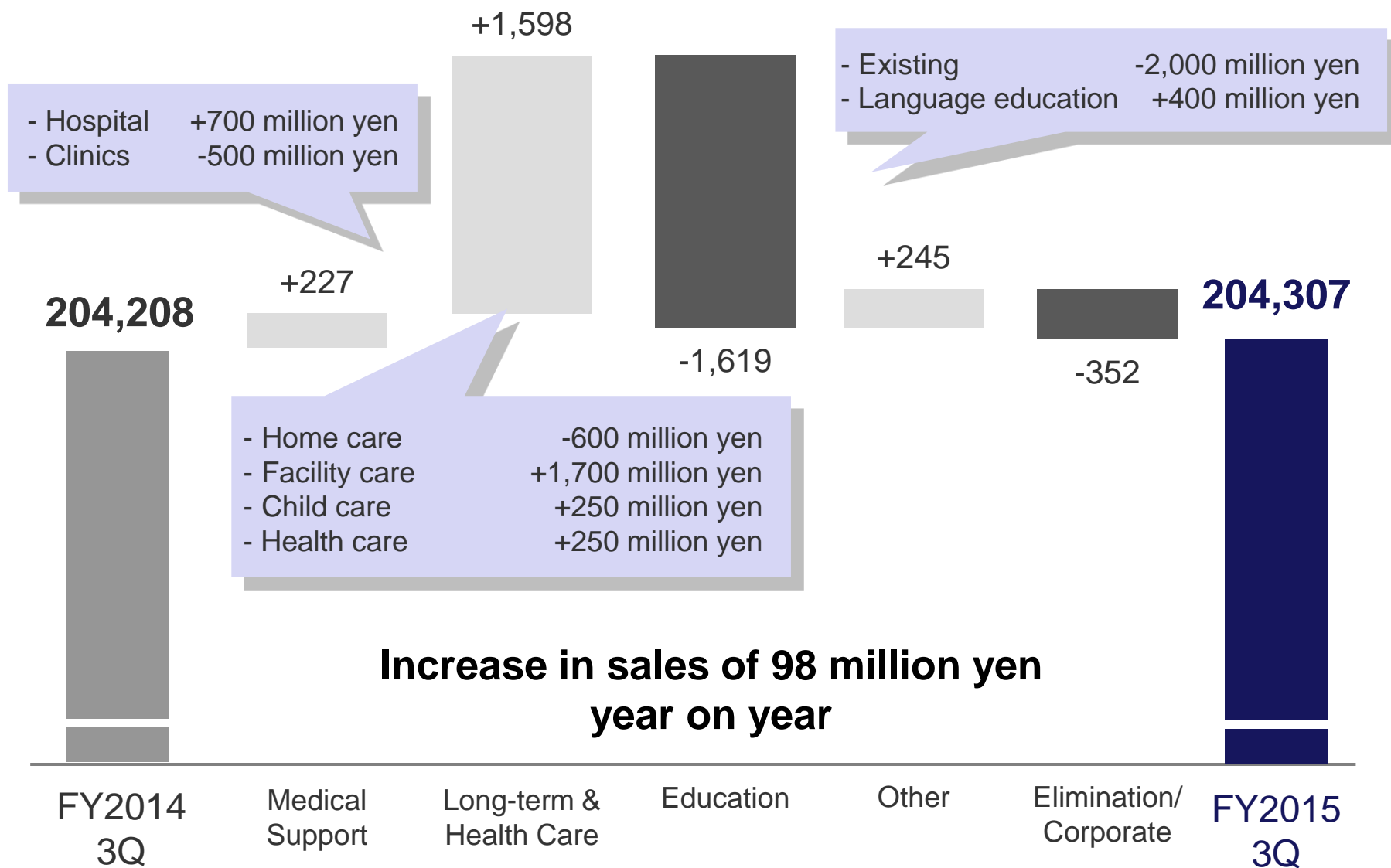
Net Sales	FY2014 3Q	FY2015 3Q	Year on year
			%
Medical Support	79,373	79,601	0.3%
Long-term & Health Care	110,502	112,100	1.4%
Education	14,124	12,505	(11.5%)
Others	1,051	1,296	23.3%
Elimination/Corporate	(843)	(1,195)	-
Total	204,208	204,307	0.0%

(Unit: million yen)

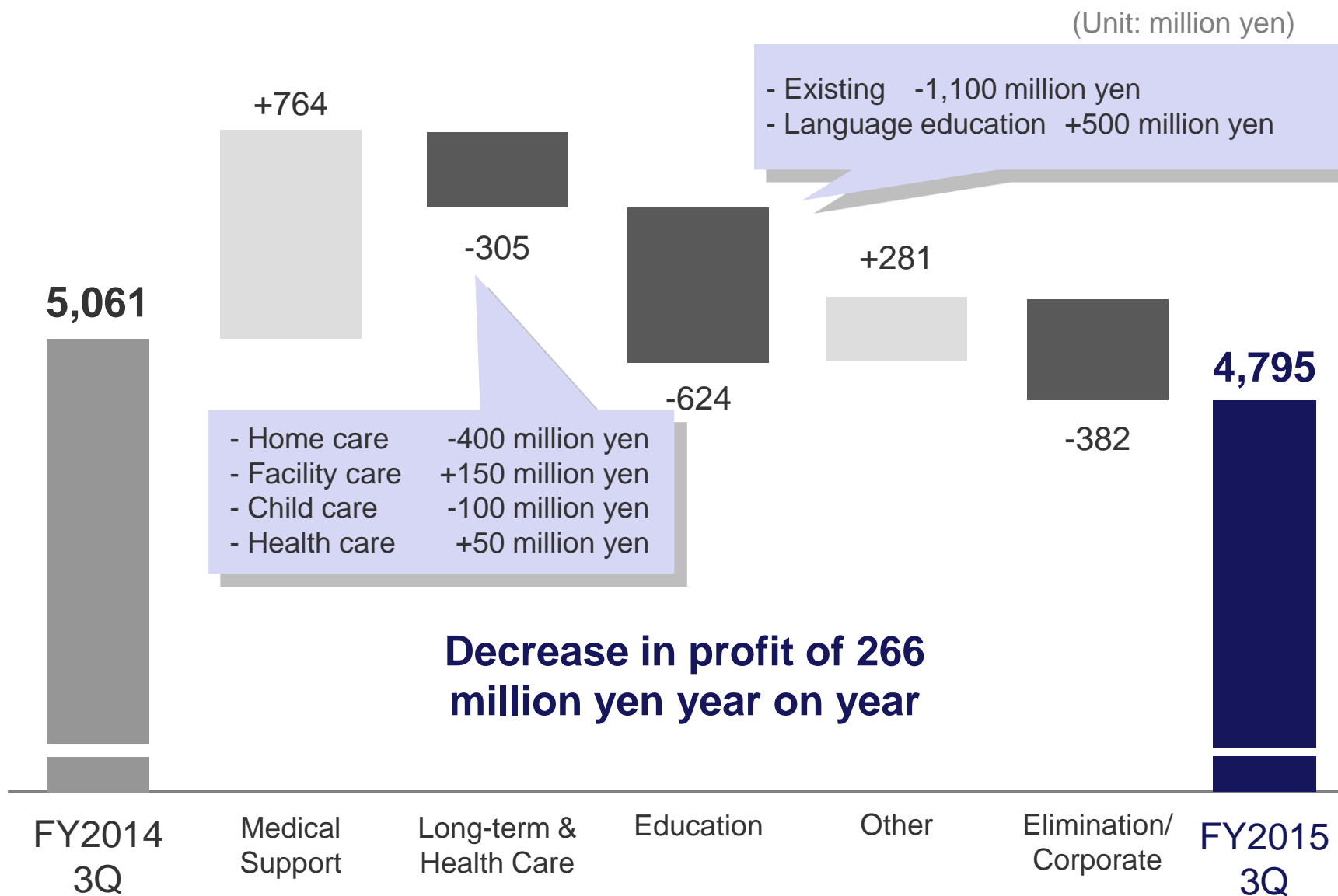
Operating Income	FY2014 3Q	FY2015 3Q	Year on year
			%
Medical Support	6,110	6,874	12.5%
Long-term & Health Care	9,947	9,642	(3.1%)
Education	(5,163)	(5,788)	-
Others	69	350	407.9%
Elimination/Corporate	(5,901)	(6,284)	-
Total	5,061	4,795	(5.3%)

# Major Changes in Net Sales

(Unit: million yen)



# Major Changes in Operating Income



# Looking Back on the Third Quarter

## Achievements

- Progress in improving the efficiency in the medical support business
- Rollout of services that support integrated community care
- Aggressive acquisition of users of “Nichii Homes” through public advertising.
- Further development of COCO Juku Junior through franchising

Operating margin  
Up 0.9 points year on year

**8.6 %**

Growth rate of sales for  
the healthcare business

**9.1 %**

Number of new facilities to be  
built in the next fiscal year

**9**  
**facilities**

Number of franchised classrooms  
Up 210 classrooms year on year

**272**  
**classrooms**

## Key measures to be taken going forward

- Promotion of lecture attendance for acquiring qualifications, strengthening of measures to secure human resources
- Enhancement of support for return-to-home care
- Pursuit of customer-oriented management at COCO Juku, further improvement in franchising development
- Promotion of the child-care business



# Enhancement of Support from Training to Employment

- Provisioning of curriculum in line with actual work
- Active organization of job consultations and on-site tours
- Introduction of a cashback system
- Career support after employment

Rate of students who land jobs **UP**

Rate of students who leave jobs **DOWN**

■ Estimate of demand for long-term care workers (Material from the Ministry of Health, Labour and Welfare)

	FY2000	FY2012	FY2015	FY2025
Long-term care staff	550,000	1,490,000	Note) 1.67 - 1.76 million (1.64 - 1.72 million)	Note) 2.37 - 2.49 million (2.18 - 2.29 million)

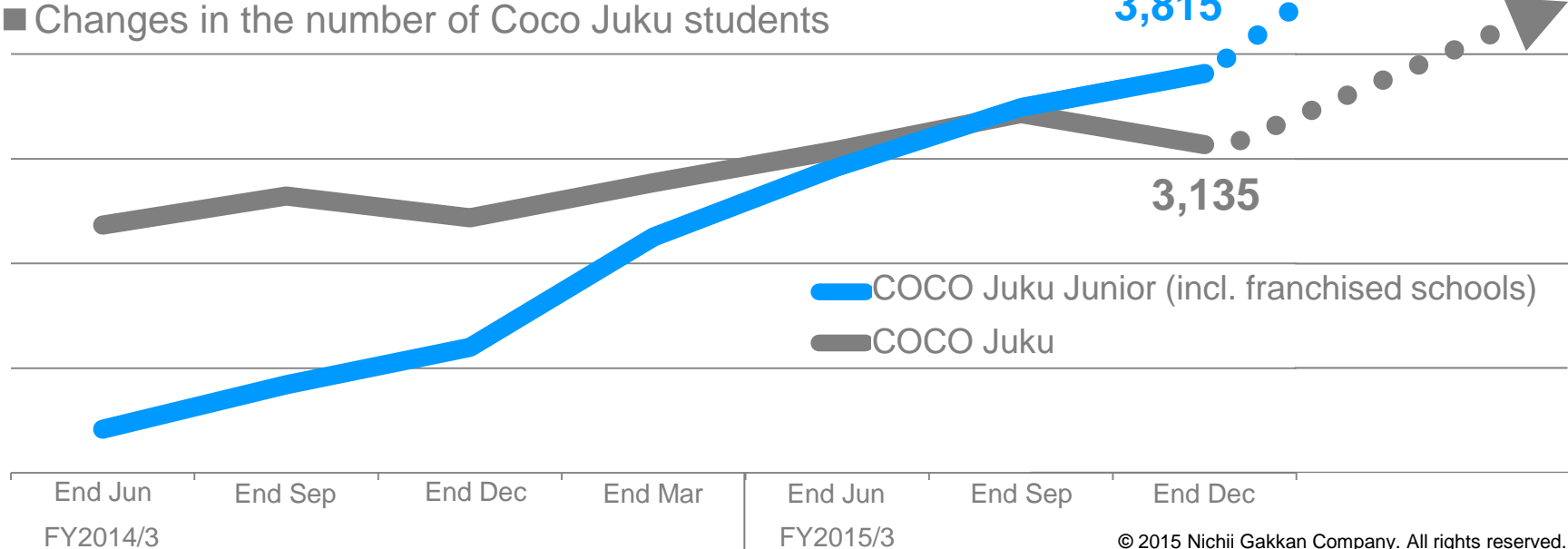
Note: Based on the reform scenario predicated on a revised service provisioning system discussed in the Comprehensive Reform of Social Security and Taxation. Figures in brackets are based on a scenario reflecting a projection in which the current situations are applied as they are. [Source] Based on a "Survey of Institutions and Establishments for Long-term Care" and "Long-Term Predictions Pertaining to Medical Services and Long-term Care (March, 2012)" by the Ministry of Health, Labour and Welfare



# Strengthening Operations of COCO Juku Junior



- Strengthening operations through franchising
- Strengthening support for studying abroad
- Strengthening the collaboration with JSS Corporation



# Reforming Service for the Operation of Customer-oriented COCO Juku

- Revision in the way lessons are provided

- Lessons with a small number of students and one instructor

- Establishment of flexible lecture courses

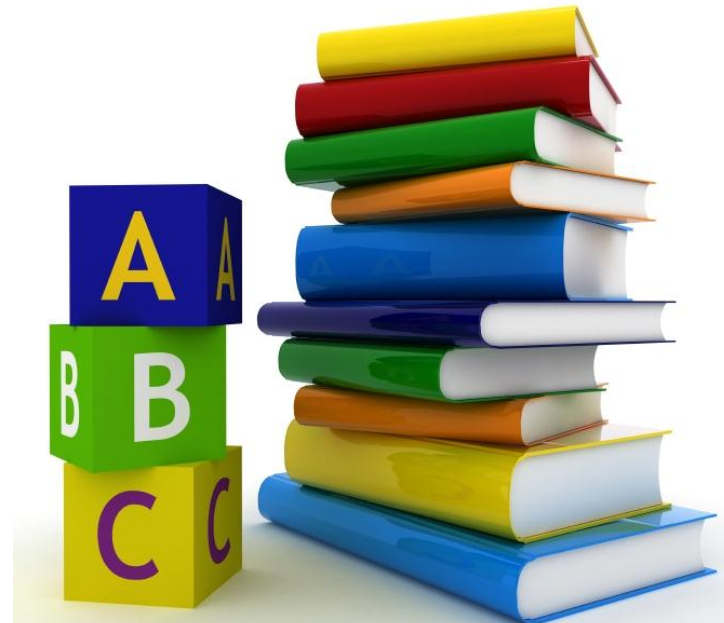
- Introduction of lesson points

- Curriculum customization to respond to lecture needs

- Revision of course settings

- Integration of lecture levels and courses

- Increasing the number of lectures for classes of the same level



# FY2015 Earnings Forecasts

(Unit: million yen)

	FY2014 Result	FY2015 Result	
	Amount	Amount	Year on Year
Net Sales	271,447	274,300	1.1%
Operating Income	6,322	7,700	21.8%
%	2.3%	2.8%	-
Ordinary Income	4,940	5,700	15.4%
%	1.8%	2.1%	-
Net Income	2,831	3,000	6.0%
%	1.0%	1.1%	-

# Forecasts for Full Year Results

## Net Sales and Operating Income by Business

(Unit: million yen)

Net Sales	FY2014.3	FY2015.3	Year on Year
			%
Medical Support	105,974	106,200	0.2%
Long-term & Health Care	146,744	150,400	2.5%
Education	18,516	17,700	(4.4%)
Other	1,330	1,600	20.2%
Eliminations/ Corporate	(1,117)	(1,600)	-
Total	271,447	274,300	1.1%

(Unit: million yen)

Operating income	FY2014.3	FY2015.3	Year on Year
			%
Medical Support	8,660	9,500	9.7%
Long-term & Health Care	12,770	13,800	8.1%
Education	(7,269)	(7,600)	-
Other	45	300	560.5%
Eliminations/ Corporate	(7,885)	(8,300)	-
Total	6,322	7,700	21.8%

# Purchase of Treasury Stock

## Outline of Purchases (Announced on November 12, 2014)

Type of shares to be purchased: Common stock  
Total number of shares to be purchased: 8,500,000 shares (upper limit)  
(Percentage of total number of shares issued: 12.16%)  
Total cost of shares purchased: 6,000 million yen (upper limit)  
Purchase period: November 13, 2014 - May 31, 2015  
Method of purchase: Purchase from the market at the Tokyo Stock Exchange

## Purpose of holding treasury stock

Use for M&A  
Returns to shareholders

Implementation of flexible capital policy  
and increased profit returns

## Status of stock purchases

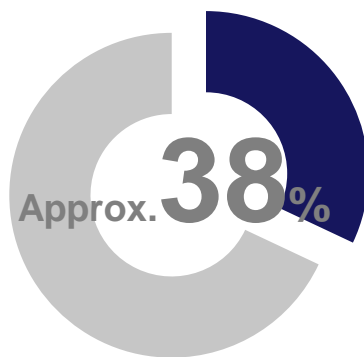
[During the period from November 13, 2014 until January 31, 2015]

Total cost of shares purchased:  
2,296,779,573 yen

Total number of shares purchased:  
2,426,300 shares

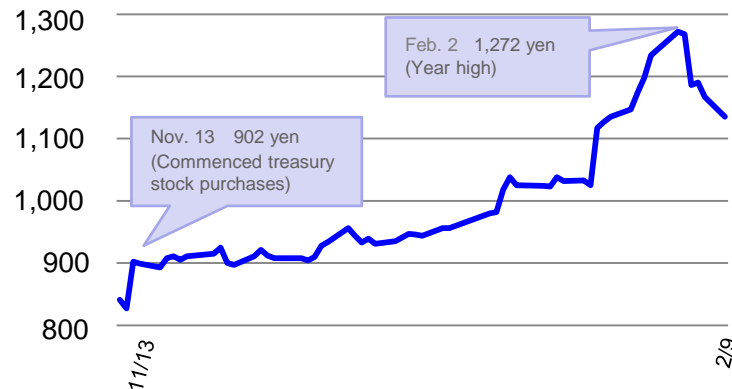
## Progress rate of share purchases (on monetary amount basis)

[as of January 31, 2015]



## Changes in the Company's stock prices

[November 13, 2014 – February 9, 2015]



# Key Strategies to be Implemented Going Forward



- **Promotion of globalization strategy**
- **Strategic recruitment and development of human resources**
- **Strengthening the group's revenue-earning capabilities**

# **Business in China**

## Building operation bases through two strong partnerships

### Partnership with the governmental sector

- Conclusion of strategic alliance with the China Planning Institute on Aging which is under direct control of the government
  - Spreading high-quality and efficient long-term care services and formulation of a healthy long-term care market

### Partnership with the private sector

- Integrating local experienced Chinese companies in their respective regions into one group company
  - Reflecting the culture and needs of various regions of China in services (community based)
  - Actively promoting the business across China

Progress in the integration of companies into one group company

**12** companies

School corporations under the group

**5** companies



# List of companies that have been decided to be incorporated into the group (as of February 10, 2015)

	Name of company	Main business	
1	北京三傑聖一人力資源有限公司	Corporate management consulting	Temporary staffing services
2	重慶凱爾老年公寓管理有限公司	Facility-care services	Information management consulting
3	江門市中家家政服務有限公司	Housekeeping services	
4	深圳市中家華傭家政服務有限公司	Housekeeping services	
5	深圳市中家星級服務有限公司	Housekeeping services	
6	深圳市中家家庭服務有限公司	Housekeeping services	
7	瀋陽助尔家政服務有限公司	Home-visit care services	Housekeeping services
8	梅州市客家大嫂家政服務有限公司	Housekeeping services	
9	濟南仁德家庭服務有限公司	Housekeeping services	
10	廣州市正祥和家政服務有限公司	Housekeeping services	Babysitting services
11	北京無憂草科技發展有限公司	Maternity care services	Babysitting services
12	常州金蓓蕾健康諮詢服務有限公司	Postnatal care services	Postnatal care center operations

	Name of school	Main job training courses	
1	重慶市渝北区世達培訓學校	Management consultant	
2	深圳中家職業技能培訓學校	Care staff	Housekeeping service staff
3	江門市中家職業培訓學校	Care staff	Housekeeping service staff
4	梅州市華傭職業培訓學校	Care staff	Housekeeping service staff
5	無憂草東光職業培訓學校	Postnatal mother helpers	Housekeeping service staff



# Operation areas

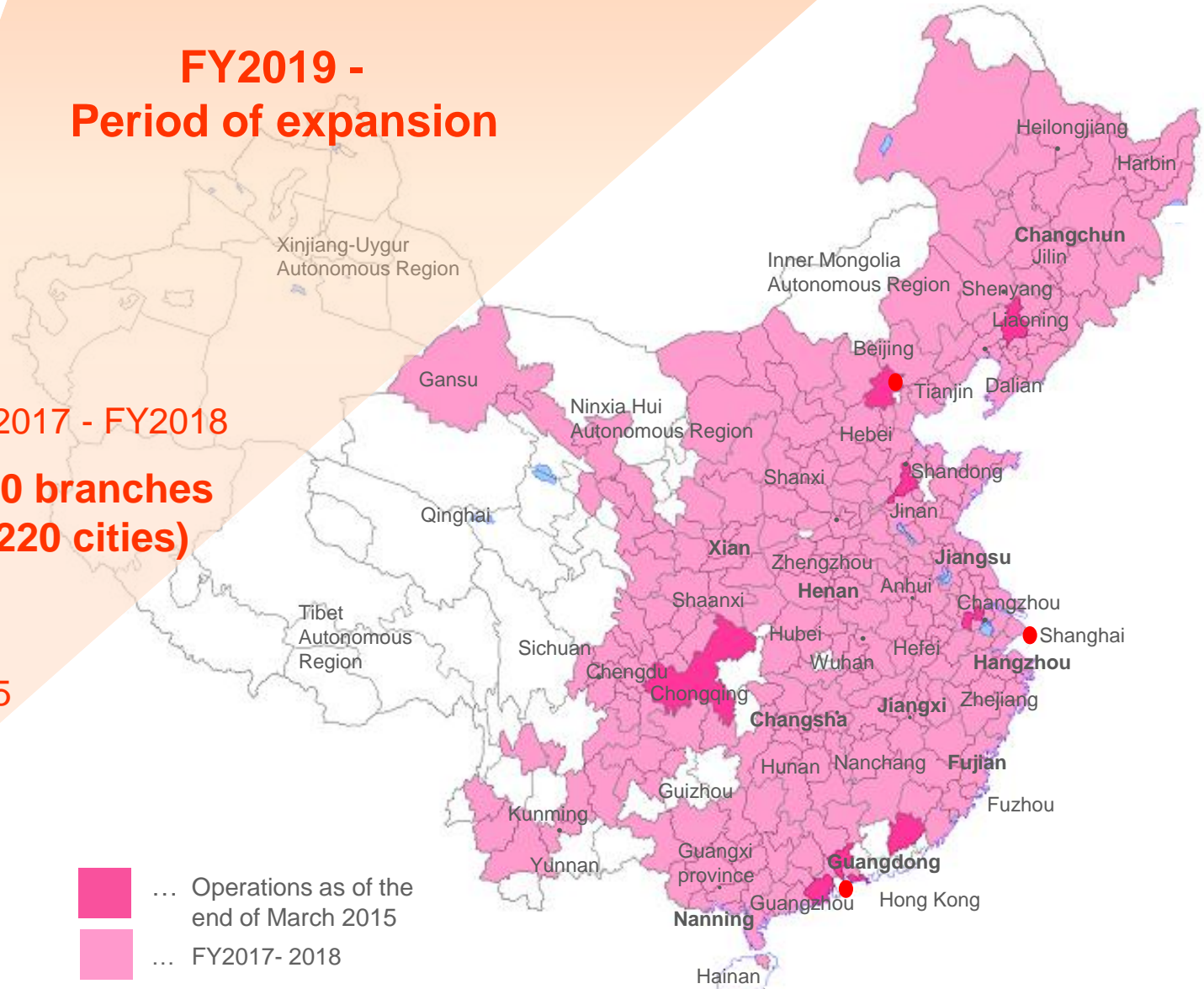
**FY2019 -  
Period of expansion**

**FY2017 - FY2018  
450 branches  
(220 cities)**

**End March 2015**

**9 branches  
(9 cities)**

-  ... Operations as of the end of March 2015
-  ... FY2017- 2018



## Topics 2 Progress in human resources development business



Launch of pilot training for instructors End of November 2014 -

- Commenced consulting training courses for instructors and pilot training at job training schools owned by local companies in China
- Cultivated 39 instructors (long-term care, maternity care, baby-sitters)



Validation and training brush-up for instructors January 2015 -

- Validating the effectiveness of pilot training and brushing up the curriculum

Number of job training schools to be opened in FY2016/3



Launch of training for instructors

Approx. **100** schools

- Launching full-scale instructor training that matches local culture and needs



Launch of staff training

- Launching staff training after the completion of instructor training



Launch of the provisioning of various care services

- Commencing the provisioning of services after the completion of staff training

# Training Images



External view of a job training school



Scenes from the cultivation of housekeeping service staff



A scene from instructor training



Scenes from the cultivation of babysitters





# Topics 3 Strengthening of Maternity Care and Babysitting Services

## Social Environment in China

Childbirths are expected to increase due to the easing of the one-child policy.  
→ Markets related to childbirth and child care are expected to expand.

Rate of increase in childbirths  
for 2015 (estimate)

+10%

## Unique Chinese Customs

“座月” (Post-natal care period)

→ The custom of attaching importance to the physical healing of women through the restriction of food and action after their childbirth

Market size for maternity care

“月嫂” (Women engaged in maternity care)

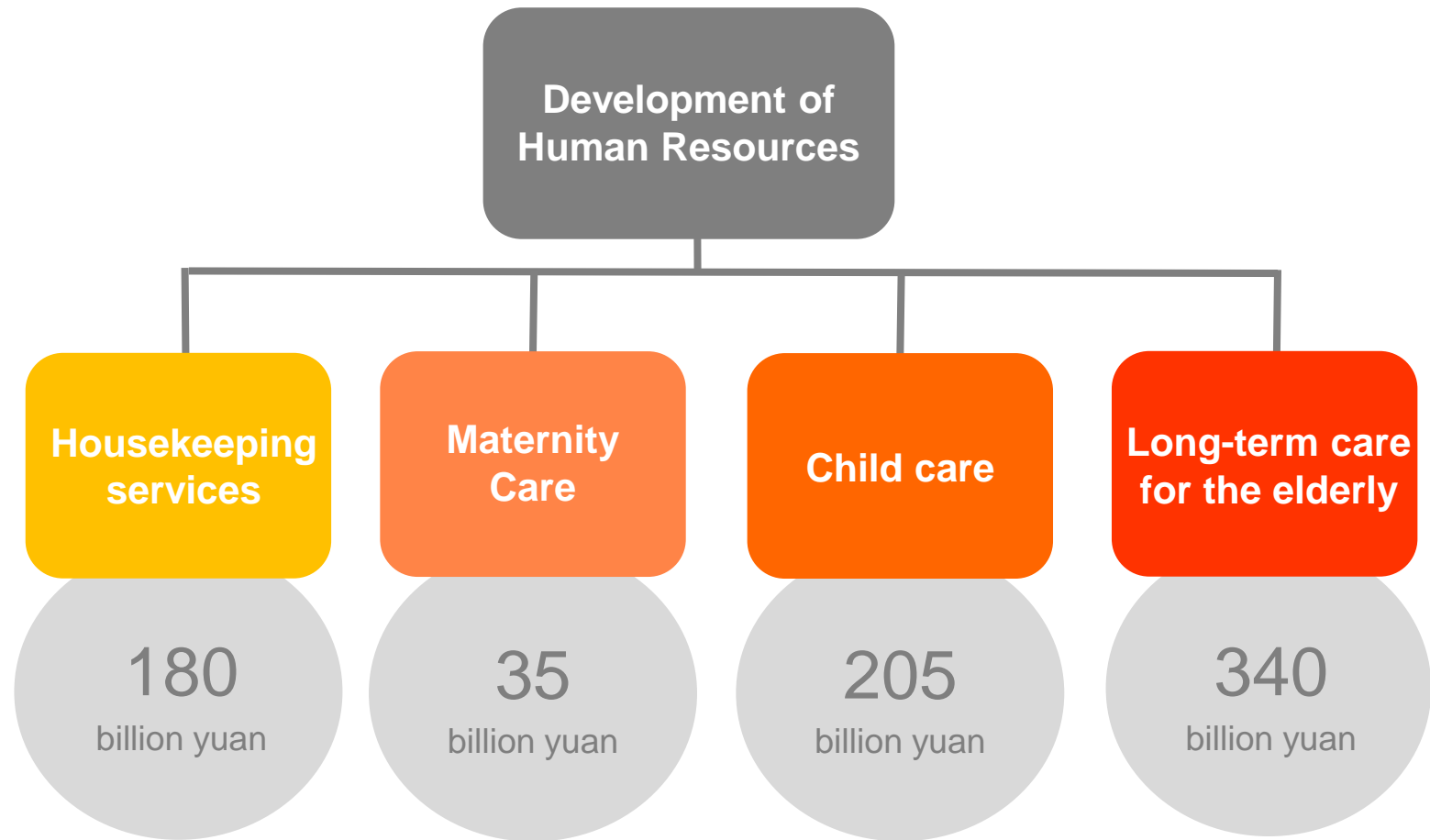
→ Women who specialize in care for women after childbirth as well as newborn babies at hospital and home during the post-natal care period

35 billion yuan

- Based on calculations made by the Company

**We will strengthen maternity care and babysitting services, as well as long-term care services, positioning them as main revenue sources, in the China business.**

# China Business – Market Size for Businesses that Support Human Activities



The market size is expected to expand further due to such factors as the spread of service industries and an increase in the percentage of aged people.

- Source: 95081 “*Kateiseikatsu* (Home Life),” March 2013 issue,

- Based mainly on the data from “Chinese Silver Market Yearbook” by Yano Research Institute and calculations made by the Company

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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