

NICHII GAKKAN COMPANY

Financial Results Briefing Document

for the Fiscal Year Ended March 31, 2015

May 15, 2015

Overview of Financial Results for Fiscal Year Ended March 31, 2015

Financial Results Highlights

1. Revenues rose for the 7th consecutive year with record-breaking net sales, while operating income decreased for the 3rd consecutive year

• 8 th consecutive revenue growth in the long-term/health care segment	Net sales	up 1.3%
Health care segment (Services not covered by long-term care insurance) Growth of Nichii Life	Net sales	up 8.1%
• Profit growth in the medical support segment	Operating income	up 5.5%

• Decrease in the number of students that take the introductory care worker courses	Year on year ▲13.4%	13,851 (Number of students per year)
• Decrease in the number of users of long-term care services	Year on year ▲1.4%	150,784 (Number of users as of the end of March 2015)

2. Promotion of new management strategy

• Improvement of the scheme to promote businesses in China	Final number of companies integrated into the group	14
• Promotion of strategic businesses in Japan		
Number of COCO Juku Junior franchise classrooms	Up 163 year on year	303
Number of approved child care centers	Up 12 year on year	20
*Including child care centers opened in April 2015		

Financial Results Highlights

	FY2014	FY2015		※Difference with the expectation
	Amount	Amount	Change□	Amount
Net Sales	271,447	271,868	0.2%	▲ 2,432
Operating Income	6,322	5,173	▲ 18.2%	▲ 2,527
%	2.3%	1.9%	-	-
Ordinary Income	4,940	3,144	▲ 36.3%	▲ 2,566
%	1.8%	1.2%	-	-
Net Income	2,831	416	▲ 85.3%	▲ 2,584
%	1.0%	0.2%	-	-

※Difference with the November 7, 2014 announcement correction expectation numerical value .

Consolidated Net Sales and Operating Income by Segment

(Millions of Yen)

Net Sales	FY2014	FY2015	Change	※Difference with the expectation
			%	Amount
Medical Support	105,974	106,489	0.5%	289
Long-term & Health Care	146,744	148,658	1.3%	▲ 1,742
Education	18,516	16,757	▲ 9.5%	▲ 943
Others	1,330	1,663	25.0%	63
Elimination	▲ 1,117	▲ 1,700	–	▲ 100
Total	271,447	271,868	0.2%	▲ 2,432

(Millions of Yen)

Operating Income	FY2014	FY2015	Change	※Difference with the expectation
			%	Amount
Medical Support	8,660	9,134	5.5%	▲ 366
Long-term & Health Care	12,770	11,886	▲ 6.9%	▲ 1,914
Education	▲ 7,269	▲ 7,990	–	▲ 390
Others	45	347	664.6%	47
Elimination	▲ 7,885	▲ 8,205	4.1%	95
Total	6,322	5,173	▲ 18.2%	▲ 2,527

※Difference with the November 7, 2014 announcement correction expectation numerical value .

Income statement (quarter) according to the section

(Millions of Yen)

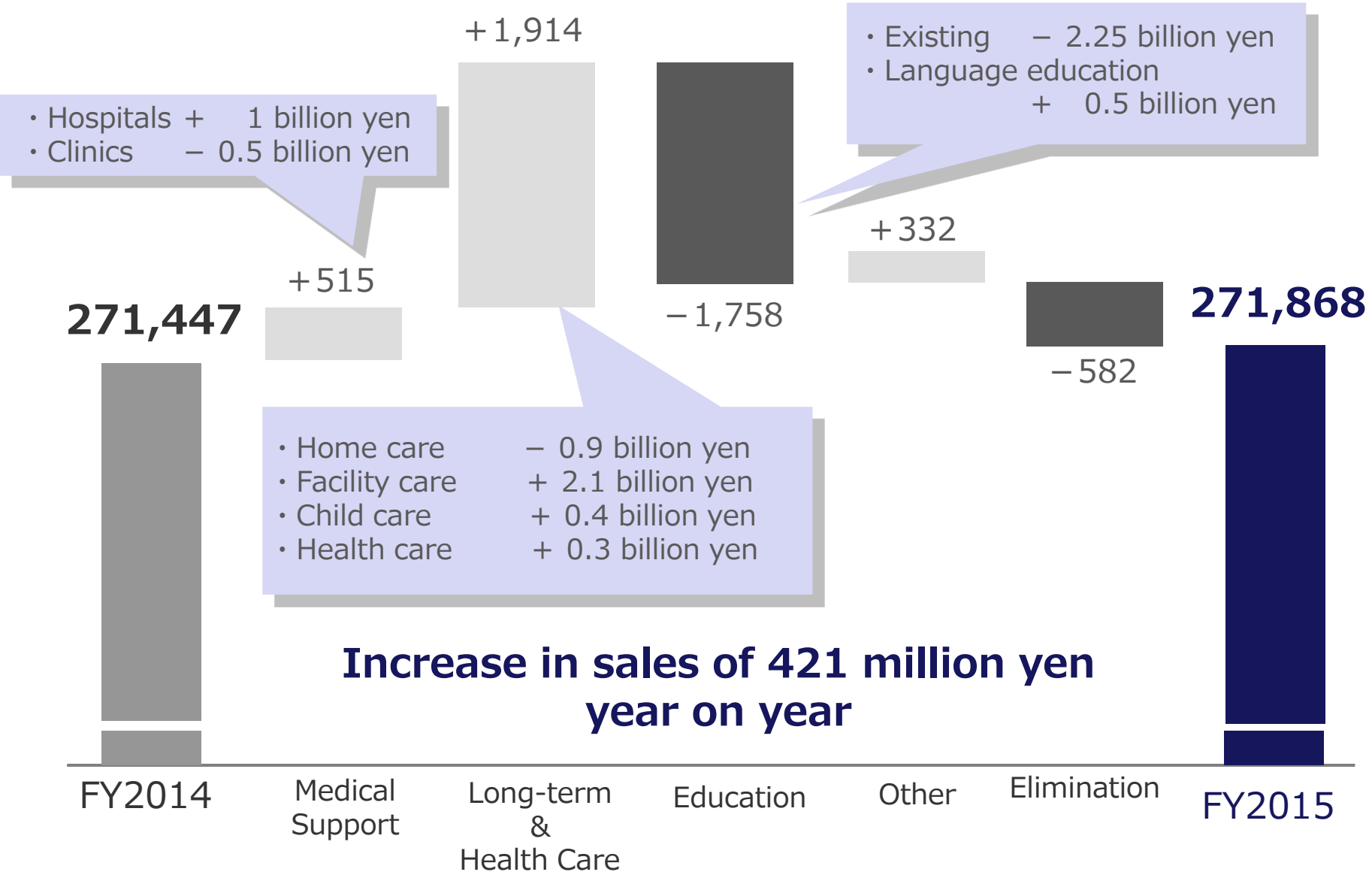
Net Sales	FY2014				FY2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Medical Support	26,314	26,456	26,603	26,601	26,412	26,447	26,742	26,888
Long-term&Health Care	36,288	36,944	37,270	36,242	37,057	37,558	37,485	36,558
Education	5,466	4,407	4,251	4,392	4,176	4,245	4,084	4,252
Others	382	269	400	279	430	322	544	367
Elimination	▲ 291	▲ 187	▲ 365	▲ 274	▲ 355	▲ 278	▲ 562	▲ 505
Total	68,161	67,888	68,159	67,239	67,720	68,295	68,292	67,561

(Millions of Yen)

Operating Income	FY2014				FY2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Medical Support	1,855	2,045	2,210	2,550	2,286	2,207	2,381	2,260
Long-term&Health Care	3,157	3,447	3,343	2,823	3,266	3,465	2,911	2,244
Education	▲ 1,169	▲ 2,039	▲ 1,955	▲ 2,106	▲ 1,974	▲ 2,168	▲ 1,646	▲ 2,202
Others	▲ 9	▲ 21	99	▲ 24	102	28	220	▲ 3
Elimination	▲ 2,107	▲ 1,929	▲ 1,865	▲ 1,984	▲ 2,421	▲ 2,072	▲ 1,791	▲ 1,921
Total	1,727	1,502	1,832	1,261	1,258	1,461	2,076	378

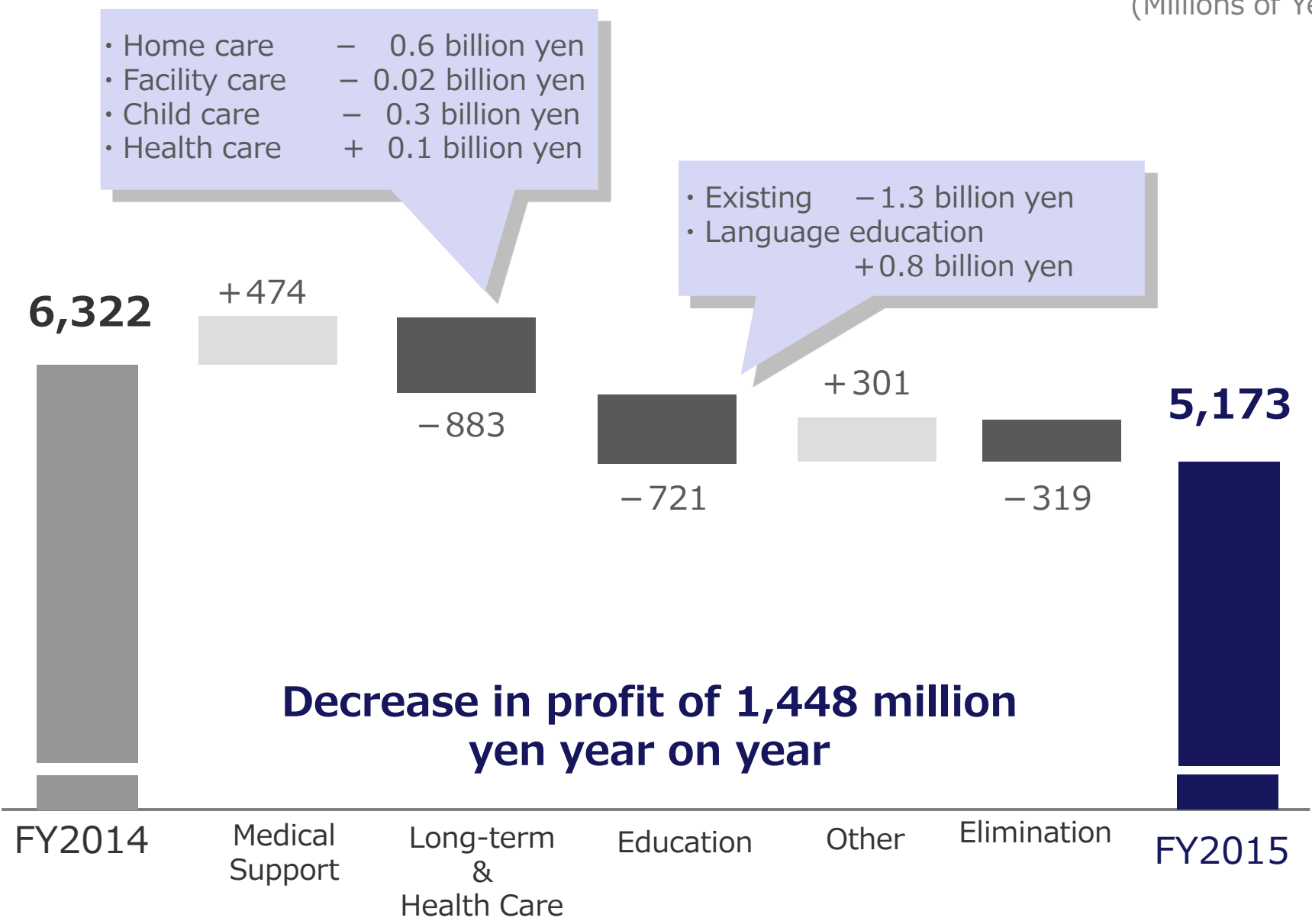
Major Changes in Net Sales

(Millions of Yen)



Major Changes in Operating Income

(Millions of Yen)



Management Strategy

Issues and Management Strategy of Nichii Group

Issues to be addressed

Responsiveness to changes in business environments

Retention of human resources and further establishment of training systems

Management Strategy

Promotion of strategic businesses based on globalization

Strengthening business promotion capabilities through strategic recruitment and training of human resources

Structural Reform To Overcome Challenges

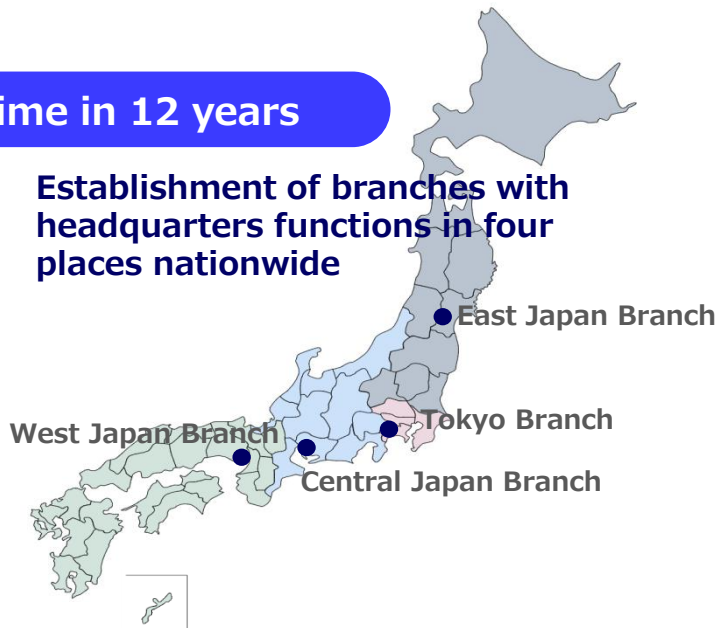
Reforming the areas of operation bases for the first time in 12 years

Establishment of a branch system

Placement of branches in four blocks nationwide

- ▶ Formulation and promotion of sales strategies that adapt to situations in the respective districts
- ▶ Speedy decision-making in response to business changes
- ▶ Proactive recruitment, development and promotion of human resources

Establishment of branches with headquarters functions in four places nationwide



Drastic changes to the human resource recruitment scheme for the first time since the Company's foundation

Reforming educational systems in branches

Transferring the management of medical administration work and long term care qualification classes from the branches of the education business to those of the medical support and health care businesses



- Increasing the number of branches from 51 to 98
- 51 of the education business branches will be dedicated to the language business.

Promotion of Globalization

China business group company-ization, decision enterprise list

	Name of company
1	北京三傑聖一人力資源有限公司
2	重慶凱爾老年公寓管理有限公司
3	江門市中家家政服務有限公司
4	深圳市中家華傭家政服務有限公司
5	深圳市中家星級服務有限公司
6	深圳市中家家庭服務有限公司
7	瀋陽助尔家政服務有限公司
8	梅州市客家大嫂家政服務有限公司
9	濟南仁德家庭服務有限公司
10	廣州市正祥和家政服務有限公司
11	北京無憂草科技發展有限公司
12	常州金蓓蕾健康諮詢服務有限公司
13	杭州天使家政服務有限公司
14	南寧康之橋護理服務有限公司
15	武漢尔邦家政有限公司
16	安徽賽菲家庭服務管理有限公司
17	ハルビン市 H社 (黒竜江省)
18	大連市 T社 (遼寧省)
19	天津市 S社 (天津市)
20	青島市 N社 (山東省)
21	鄭州市 C社 (河南省)
22	上海市 CN社 (上海市)
23	西安市 K社 (陝西省)
24	成都市 M社 (四川省)
25	検討中

	Name of school
1	重慶市渝北区世達培訓學校
2	深圳中家職業技能培訓學校
3	江門市中家職業培訓學校
4	梅州市華傭職業培訓學校
5	無憂草東光職業培訓學校
6	南寧康之橋職業培訓學校
7	欽州康之橋職業訓練學校

※ Current as of May 15, 2015

Continuation consideration item

Promotion of Globalization

- Changing the brand in the China business

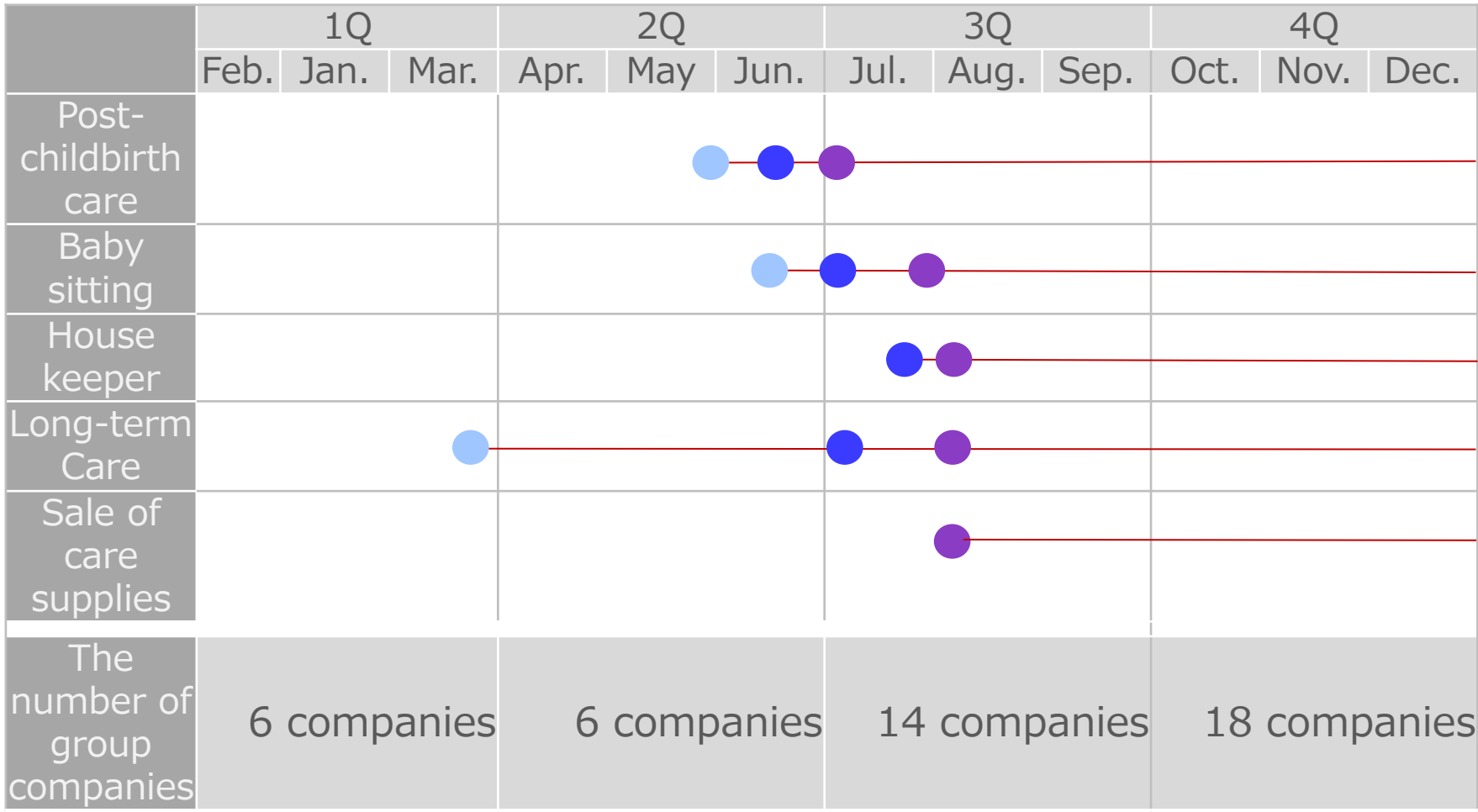
Changing the brand name in response to a strong request from the local business partner



Changing “至護(Zhihu)” to “日医(Nichii)” and highlighting the business as a Japanese brand


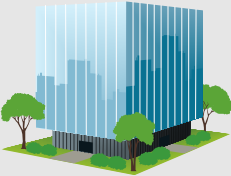


Promotion of Globalization China business schedule

● Instructor training starting
 ● Education starting of human resources
 ● Starting service



Promotion of Globalization

- Numerical targets for businesses in China

		Numerical targets
	Number of companies that have concluded an agreement for integration into the group	20 companies
	Number of branches	50 branches <small>* Aiming for 100 branches in 12 months</small>
	Number of staff members per branch	3,000 people
	Number of customers per branch on a household basis	3,000 households

FY2016 Earnings Forecast

FY2016 Earnings Forecast

(Millions of Yen)

	FY2015	FY2016	
	Result	Result	
	Amount	Amount	Change
Net Sales	271,868	294,300	8.3%
Operating Income	5,173	8,900	70.5%
%	1.9%	3.0%	
Ordinary Income	3,144	6,100	94.0%
%	1.2%	2.1%	
Net Income	416	2,600	524.9%
%	0.2%	0.9%	

FY2016 Earnings Forecasts Highlights

Growth businesses

● China business

Net sales ¥16.2 billion
Operating income ¥1.4 billion

Financial consolidation and service launches are expected to contribute significantly to medical support, long-term care, health care, child care and other businesses.

● Language business

Net sales ¥13.5 billion(+¥1.3 billion)
Operating loss ¥4.6 billion(+1.07 billion)

COCO Juku and COCO Juku Junior are expected to achieve net sales of 1,350 million yen and 650 million yen respectively. GABA is expected to achieve new record-high sales, while SELC is expected to post positive operating income.

● Long-term care business

Net sales ¥148.5 billion(+¥3.5 billion)
Operating income ¥11.6 billion(+0.1 billion)

The business is expected to restore the trend of increases in both sales and profits, absorbing reductions in long-term care remuneration.

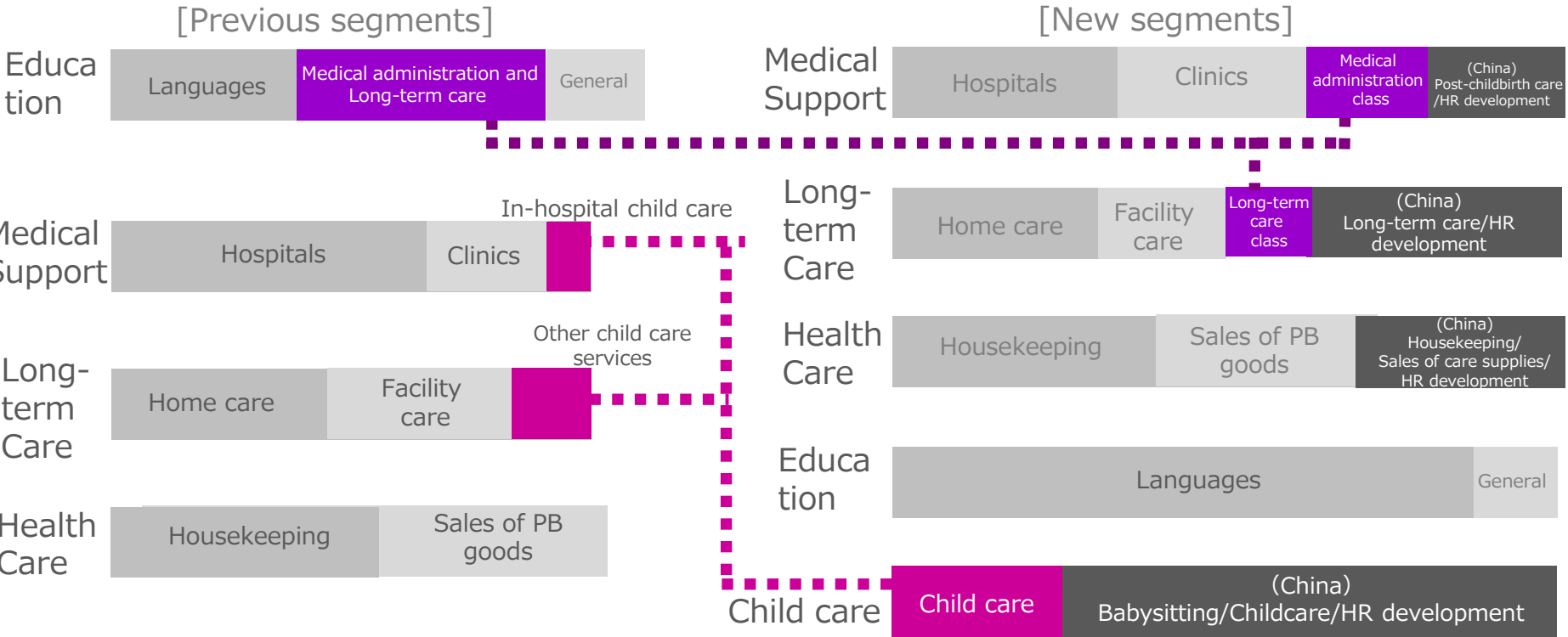
Businesses requiring improvements in profitability

	Operating income		
	FY2014	FY2015	Changes
Medical administration class	-¥2.1 billion	-¥1.8 billion	-¥2.1 billion
Introductory class for care workers	-¥2.0 billion	-¥1.6 billion	-¥2.0 billion
Subsidiary companies such as the Nihon Support Services Company	-¥0.36 billion	¥0.0 billion	-¥0.36 billion

Segment Changes

Points

- Distributed the China business to the respective segments as new businesses
- Established child care as a new segment
- Concentrated advertising expenses for COCO Juku in the education segment
- Transferred the medical administration work classes and long-term care qualifications from the education business to the medical support and health care businesses



FY2016 Earnings Forecast

Forecasts for Full Year Results Net Sales and Operating

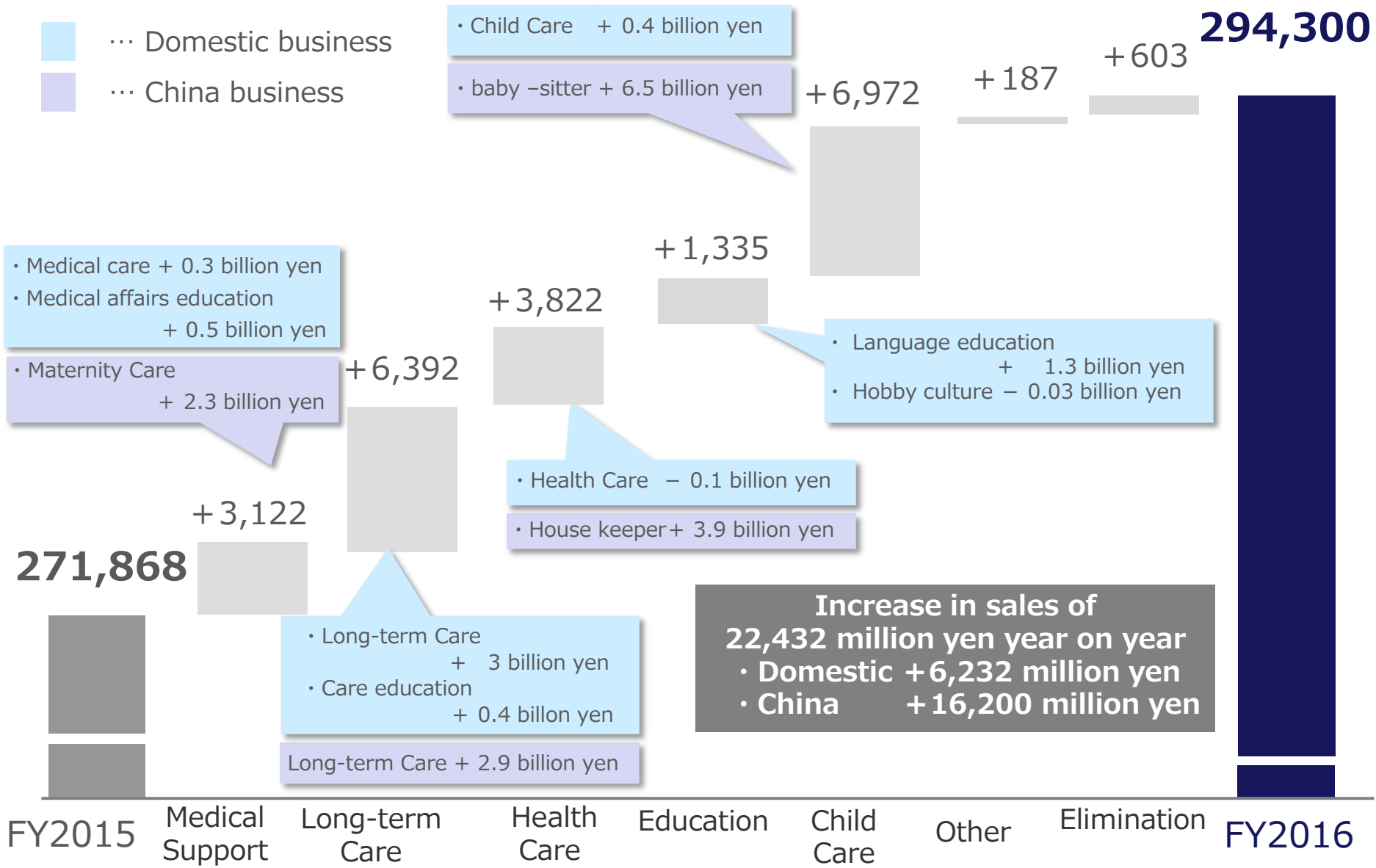
(Millions of Yen)

Net Sales	FY2015	FY2016				
	Only the domestic business	Domestic business	Change	China business	Total	Change
Medical Support	108,378	109,200	0.8%	2,300	111,500	2.9%
Long-term Care	145,008	148,500	2.4%	2,900	151,400	4.4%
Health Care	4,378	4,300	▲1.8%	3,900	8,200	87.3%
Education	12,265	13,600	10.9%	0	13,600	10.9%
Child Care	2,228	2,700	21.2%	6,500	9,200	312.9%
Other	1,313	900	▲31.5%	600	1,500	14.2%
Eliminations	▲ 1,703	▲ 1,100	-	0	▲ 1,100	-
Total	271,868	278,100	2.3%	16,200	294,300	8.3%

Operating Income	FY2015	FY2016				
	Only the domestic business	Domestic business	Change	China business	Total	Change
Medical Support	8,039	8,600	7.0%	500	9,100	13.2%
Long-term Care	11,566	11,600	0.3%	350	11,950	3.3%
Health Care	213	800	275.6%	330	1,130	430.5%
Education	▲ 6,169	▲ 5,100	-	0	▲ 5,100	-
Child Care	▲ 706	▲ 600	-	680	80	-
Other	457	200	▲56.2%	▲ 260	▲ 60	▲113.1%
Eliminations	▲ 8,228	▲ 8,000	-	▲ 200	▲ 8,200	-
Total	5,173	7,500	45.0%	1,400	8,900	72.0%

FY2016 Earnings Forecast Major Changes in Net Sales

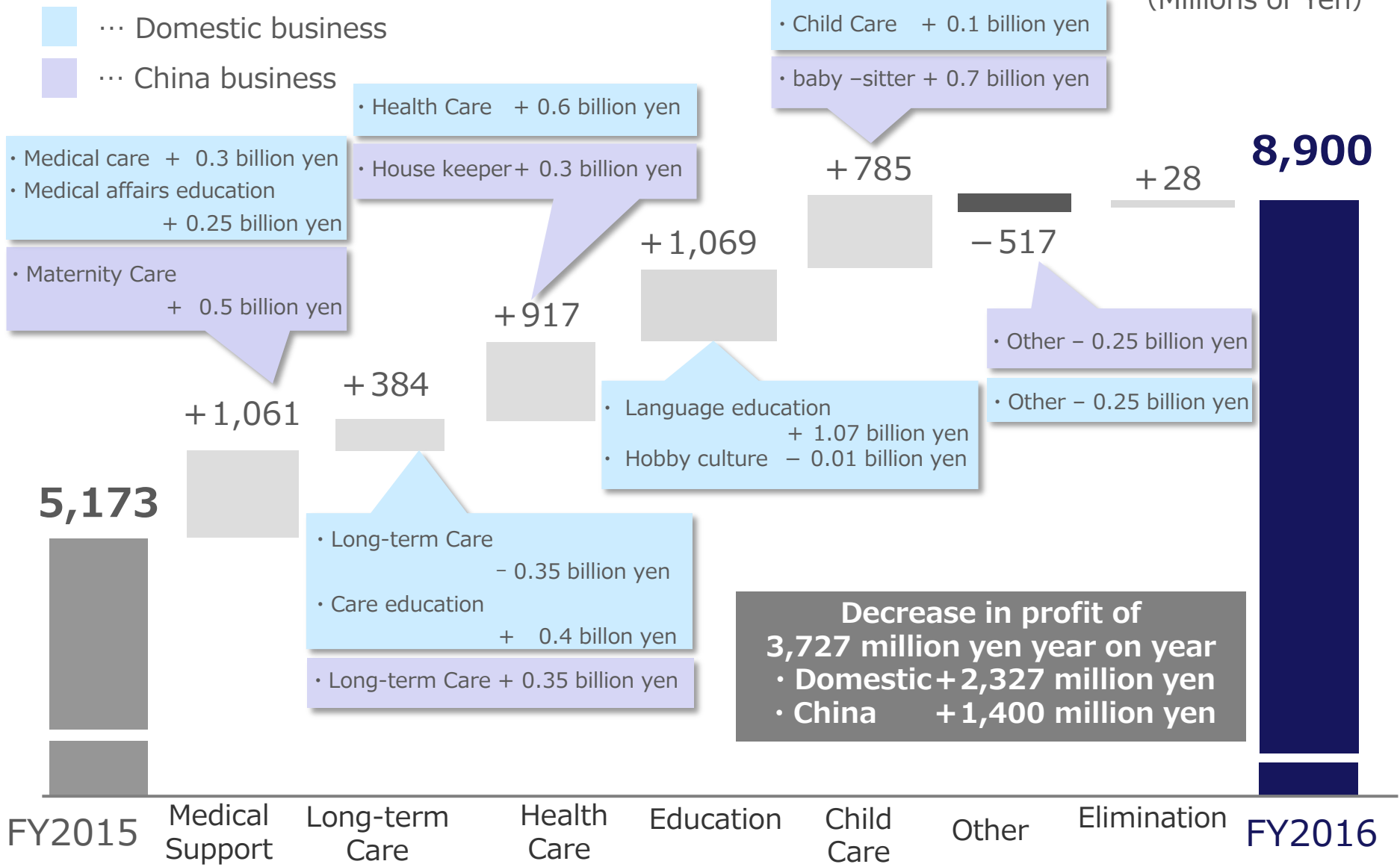
(Millions of Yen)



FY2016 Earnings Forecast

Major Changes in Operating Income

(Millions of Yen)



FY2016 Earnings Forecast by area

(Millions of Yen)

	FY2015				FY2016			
	Net Sales	Change	Operating Income	Change	Net Sales	Change	Operating Income	Change
Japan, and others	271,868		5,173		278,100	2.3%	7,500	45.0%
China	—		—		16,200	—	1,400	—
Total	271,868		5,173		294,300	8.3%	8,900	72.0%

Profit return system

Outline of the repurchase program (announced on November 12, 2014)

Class of stock to be purchased: Common shares

Total number of shares to be purchased: 8.5 million shares

(upper limit)

(Represents 12.16% of the total number of shares issued)

Total value of purchase prices: 6,000 million yen (upper limit)

Period of purchase: November 13, 2014 – May 31, 2015

Method of repurchase: Open market purchase through the
Tokyo Stock Exchange

Progress in stock repurchases

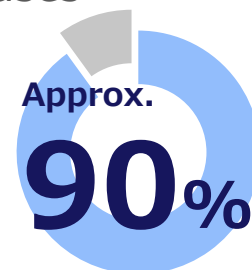
(as of April 30, 2015)

Total value of repurchases

… 5,416,132,146 yen

Total number of
shares that have
been repurchased

… 5,161,500 shares



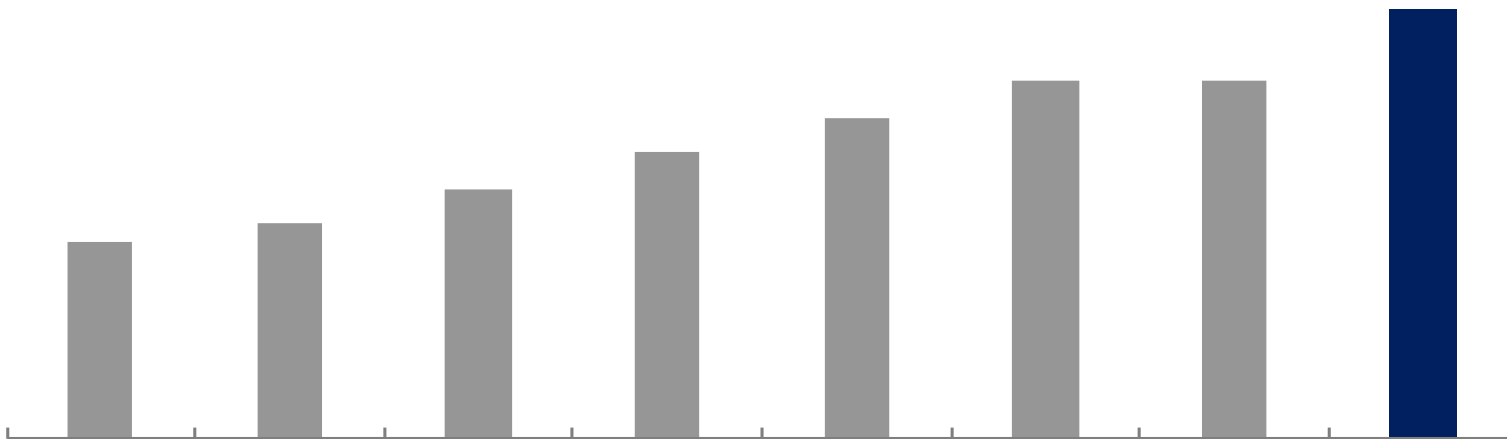
Progress ratio of
repurchases
(on a monetary
amount basis)

Changes in the Company's stock prices (2014/11/13~2015/5/14)



Profit return system

**FY2016 Annuity expectation 22yen
(The middle 11yen · The term end 11yen)**



	2009.3	2010.3	2011.3	2012.3	2013.3	2014.3	2015.3	2016.3
Dividend	11yen	12yen	14yen	16yen	18yen	20yen	20yen	22yen
Payout ratio	-	26.3%	27.8%	18.8%	28.6%	49.4%	331.7%	54.4%

Initiatives for Corporate Governance Aimed at Corporate Value Enhancement

Review of compensation programs for corporate officers

Abolition of the retirement bonus scheme for corporate officers

Final payments will be implemented with the abolition of the retirement bonuses scheme
(Retiring officers : Cash payment; Present officers : Market value-based stock option)

Introduction of a stock option program based on stock-based compensation

Issuance of shares under stock compensation-type stock options as compensation linked to changes in stock prices over a long period of time.

Maximum number of stocks to be issued per year: 45,000 shares

*The Company plans to submit the agenda at an ordinary general meeting of shareholders to be held on June 25, 2015.

The Company will introduce remuneration linked to long-term performance, reflecting corporate value as compensation for the director, and secure an incentive scheme to increase long-term commitment to growth strategies.

The management index made a target

- Sales growth rate 2 digits growth
- Operating margin More than 7%
- ROE More than 15%

(Unit : %)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (Forecast)
Sales growth rate	2.3	6.9	3.8	1.6	0.2	8.3
Operating margin	3.3	4.5	2.3	3.3	1.9	3.2
ROE	6.9	10.8	7.4	4.6	0.7	4.7

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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