Financial Results for the First Quarter of the Year Ending March 31, 2016 (J-GAAP)

August 12, 2015

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: August 13, 2015
Scheduled date to start dividends distribution: —
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 quarter ended June 30, 2015 (April 1, 2015 – June 30, 2015)

(1) Consolidated operating results (Percentage figures represent changes from same period of previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2015	67,878	0.2	(614)	—	(1,028)	—	(1,165)	—
Three months ended June 30, 2014	67,720	(0.6)	1,258	(27.1)	788	(42.3)	147	(85.9)

(Note) Comprehensive income: Three months ended June 30, 2015: minus 976 million yen (-%);
Three months ended June 30, 2014: 182 million yen (80.0%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2015	(18.05)	—
Three months ended June 30, 2014	2.11	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of June 30, 2015	188,227	53,608	28.2
As of March 31, 2015	184,554	56,685	30.5

Reference: Shareholders' equity: As of June 30, 2015: 53,055 million yen; As of March 31, 2015: 56,333 million yen

2. Dividends

	Annual dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	—	10.00	—	10.00	20.00
Year ending March 31, 2016	—				
Year ending March 31, 2016 (forecast)		11.00	—	11.00	22.00

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

3. Forecast of consolidated financial results for the year ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(Percentage figures represent changes from previous year for full year figures and from same period of previous year for interim period figures.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	137,700	1.2	2,690	(1.1)	1,290	(27.4)	320	(46.1)	4.96
Full year	294,300	8.3	8,900	72.0	6,100	94.0	2,600	524.9	40.41

(Note) Revisions to most recently announced financial results forecast: No

* 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 6, (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 June 30, 2015:	73,017,952	As of March 31, 2015:	73,017,952

2) Number of treasury stock

As of June 30, 2015:	8,825,122	As of March 31, 2015:	7,521,206

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

As of June 30, 2015:	64,561,809	As of June 30, 2014:	69,884,037

* 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 2 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

During the first three months ended June 30, 2015, the Nichii Gakkan Group faced a challenging business environment. In April, there was a revision to the long-term care rate, including the expansion of subsidies for an improvement in the treatment of care workers and the relaxation of certain regulations on staff assignment standards, while the basic rates for services were lowered substantially. Meanwhile, a major step was taken toward building a social security system for all generations, including initiatives leading to the expansion of the volume of childcare services in association with the enforcement of the Support System for Children and Child Rearing to support families with small children.

The Chinese economy achieved a GDP growth rate of 7% in the April-June quarter, but China urgently needs to expand domestic demand-oriented industries, especially the service industry, to achieve sustainable high growth. In the circumstances, China has begun to develop long-term care infrastructure and create jobs. Beijing developed a long-term care facilities development plan focusing on home care services ahead of other cities in response to the aging of society.

In this business environment, the Nichii Gakkan Group pushed ahead with its medium-term business strategy, focused on globalization to achieve sustainable growth in the medium to long term.

In Japan, the Group sought to restructure its human resources development scheme as a driving force to place its medical support and long-term care businesses back on a strong growth track. The Group also developed operations in response to the revision to the long-term care rate and promoted its strategic businesses, including the language education and childcare businesses.

In restructuring the human resources development scheme, the Group has transferred the management of qualification-type courses, including courses for medical office work and training for new care workers, to the Medical Support Segment and the Long-Term Care Segment, which have more dominant networks, seeking to bolster its system for gaining students and employees.

In terms of developing operations in response to the revision to the long-term care rate, the Group developed a system for gaining long-term care premiums and strengthened its specialist care capabilities. To promote its strategic businesses, the Group enhanced onsite management and expanded its network of schools using franchises in the language business. It also developed child care centers in response to the introduction of the Support System for Children and Child Rearing in the Childcare Segment.

In the China business, the core of the medium-term management strategy, the Group turned excellent housekeeping businesses and vocation training schools in China into Group companies, and with those local businesses, ran promotions under the Nichii brand, developed a human resources development business and care services, and prepared to establish service bases, or branches, with human resources development bases on the same site. The keywords in these initiatives are “home care,” “high quality,” “localization,” and “scale.”

The Group started the human resources development business and care services in Shenyang, Jinan, and Shenzhen in July and will expand its service areas. The Group will develop branches mainly in large cities and will promote localization and scaling. In this way, the Group will contribute to creating a long-term care market and jobs and developing a healthy market in different parts of China.

Looking at the operating results, the number of students of long-term care courses and the number of users of care services continued to decline. However, sales in the strategic businesses, including the language education, childcare, and healthcare businesses, expanded, and overall sales increased. Income declined, reflecting a substantial reduction in long-term care basic rates.

In the first quarter under review, the human resources development scheme was in a transition period, and it will take time before the scheme produces some results. The Group will continue to strengthen onsite management and to promote its approach to gaining students taking and completing courses and will thereby gain users of its services.

The Group will seek to put its long-term care business back on the growth path by increasing its staff, gaining long-term care premiums, and improving efficiency in the management of facilities. To improve earnings, the Group will promote Group-wide cost structure reform, focusing on reducing selling, general and administrative expenses.

In the first quarter under review, the Group posted net sales of 67,878 million yen (compared with 67,720 million yen in the first quarter of the previous fiscal year), an operating loss of 614 million yen (compared with operating income of 1,258 million yen in the first quarter of the previous fiscal year), and an ordinary loss of 1,028 million yen (compared with ordinary income of 788 million yen in the first quarter of the previous fiscal year). The Group recorded a loss attributable to owners of parent of 1,165 million yen (compared with profit attributable to owners

of parent of 147 million yen in the first quarter of the previous fiscal year).
In the China business, 15 local businesses decided to become Group companies, of which six businesses were included in the scope of consolidation. Their operating results from January to March, 2015 are reflected in the consolidated financial statements (two companies' results are reflected only in the consolidated balance sheets). Because they did not start services in collaboration with the Company, the effect of the consolidation is minor.

Results by business segment are as follows:
From the first quarter under review, courses for medical office work and training for new care workers, qualification-type courses which were in the Education Segment, are incorporated into the Medical Support Segment and the Long-Term Care Segment, respectively. The childcare business is reported as a separate segment called the Childcare Segment. The results of the newly consolidated Chinese businesses' services that existed before those companies began to collaborate with the Company are included in the Other Businesses.
To compare the results in the first quarter under review and the results in the first quarter of the previous fiscal year in the following results by business segment, the business segments for the previous fiscal year have been reclassified, as described above.

<Medical Support Segment>

The Group focused on continuous sales activities to win new contracts and proposals for management support services, including home rehabilitation support through collaboration with the Long-Term Care Segment. The Group consequently won new large contracts in the hospital business, and sales in this segment rose. However, profits declined due to prior expenses associated with the start of operations at hospitals with which new contracts were concluded. Courses for medical office work rose year on year in certain months, and the slump showed signs of bottoming out.

Net sales for the segment came to 27,106 million yen for the first quarter under review (compared with 26,928 million yen posted in the same period of the previous fiscal year). Operating income for the segment was 1,886 million yen (compared with 1,980 million yen posted in the same period of the previous fiscal year).

<Long-term Care Segment>

Both sales and profits declined due to the substantial lowering of the long-term care rate and a decline in the amount of services supplied, attributable to a shortage of human resources for long-term care, particularly in urban areas. In response to the revision of the long-term care rate, the Group is taking steps in accordance with the revision to the long-term care insurance system, such as attracting users with moderate to severe conditions by strengthening collaboration with the Medical Support Segment, enhancing specialist care, including dementia care and home-visit care, and promoting short stays using vacant rooms at facilities for facility-care services. To secure human resources, the Group changed the organization of its branches in April 2015 and has established a system where relevant businesses secure and cultivate human resources in an integrated manner. Under the new system, the Group is seeking to employ students who are taking or have completed courses. The Group is also working to secure human resources and boost the retention rate by taking advantage of its strengths, including campaigns for employees, support for gaining qualifications, and excellent training.

Net sales for the segment came to 35,673 million yen for the first quarter under review (compared with 36,310 million yen posted in the same period of the previous fiscal year). Operating income for the segment was 1,590 million yen (compared with 3,266 million yen posted in the same period of the previous fiscal year).

<Health Care Segment>

In housekeeping services, its mainstay business, the Group focused on attracting new customers by enhancing sales activities and promotions. In healthcare product sales, the Group worked to expand sales channels by strengthening collaboration with the medical and long-term care businesses and promoting corporate sales. The number of users of housekeeping services and the unit sales of healthcare products increased, and sales in this segment rose. Income also climbed, reflecting the increase in sales and a reduction in administrative expenses in the helper dispatching business, which has been transferred from a subsidiary.

Net sales for the segment stood at 913 million yen (compared with 885 million yen posted in the first quarter of the previous fiscal year). Operating income for the segment was 31 million yen (compared with an operating loss of 48 million yen posted in the first quarter of the previous fiscal year).

<Education Segment>

Responding to expanding demand for language education for children, the Group focused on building a language education foundation for responding to all types of needs, increasing the number of franchise classrooms and developing the overseas study support structure. At COCO Juku classrooms for adults, the Group introduced a point system and flexible courses. The Group expanded optional courses to provide customer-oriented services. Reflecting these initiatives, the total number of students at COCO Juku and COCO Juku Junior increased steadily, and sales in this segment rose. Income, however, declined due to an increase in promotional spending at subsidiaries.

Net sales for the Education Business segment totaled 3,126 million yen (compared with 3,023 million yen posted in the first quarter of the previous fiscal year). Operating loss for the segment was 1,605 million yen (compared with a loss of 1,523 million yen posted in the first quarter of the previous fiscal year).

<Childcare Segment>

In response to the introduction of the Support System for Children and Child Rearing, the Group focused on opening new child care centers and worked to operate child care centers taking advantage of its strengths, including services in collaboration with other segments. From April 2015, the Group opened 12 licensed child care centers. Sales rose, reflecting an increase in the number of children at child care centers, but income declined due to prior expenses associated with the opening of new child care centers.

Net sales for the Childcare Segment totaled 701 million yen (compared with 458 million yen posted in the first quarter of the previous fiscal year). Operating loss for the segment was 272 million yen (compared with a loss of 174 million yen posted in the first quarter of the previous fiscal year).

<Other Businesses>

The results in the Other Businesses include the operating results of pre-existing services at the local businesses in China that were consolidated from the first quarter under review (services that they had been engaged in before the commencement of new services in collaboration with the Company) from January to March.

Net sales for the Other Businesses segment amounted to 355 million yen (compared with 114 million yen posted in the first quarter of the previous fiscal year). Operating income for the segment was 55 million yen (compared with 185 million yen posted in the first quarter of the previous fiscal year).

(2) Details of financial position

Total assets at the end of the first quarter under review increased 3,673 million yen from the end of the previous fiscal year, to 188,227 million yen. The main reasons for the increase were a 2,187 million yen rise in current assets, mainly reflecting an increase in cash and deposits, and a 1,485 million yen increase in fixed assets, primarily due to an increase in lease assets.

Liabilities increased 6,749 million yen from the end of the previous fiscal year, to 134,619 million yen. The key factors contributing to this increase were a 4,787 million yen rise in current liabilities, mainly reflecting an increase in short-term loans payable, and a 1,961 million yen increase in non-current liabilities, primarily attributable to an increase in lease obligations.

Net assets decreased 3,076 million yen from the end of the previous fiscal year, to 53,608 million yen.

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

To overcome a shortage of human resources for long-term care in urban areas, the Company launched a new talent acquisition scheme in April, including the reorganization of branches.

The Company is focusing on arranging staff and promoting specialist care to gain premiums in order to mitigate the adverse effect of the lowering of the basic rate as part of the revision of the long-term care rate in April 2015.

It took some time to develop the new talent acquisition scheme, and there were delays in securing human resources for long-term care, acquiring compensation, and gaining users of services. Consequently, the results in the first quarter under review were below expectations.

To fully implement the talent acquisition scheme, the Company is strengthening onsite management, primarily through branches, and promotions for courses. There were some positive signs emerging, including the beginning of an increase in the number of long-term care staff, and we expect that the scheme will start to produce results from the second quarter. In the China business, human resources development, care for expectant and new mothers, and a housekeeping service started in Shenyang, Jinan, and Shenzhen. We expect that these services will contribute to results in the fourth quarter and have left the results forecasts unchanged.

2. Summary information (notes)

(1) Significant changes to subsidiaries during the term

There are no applicable matters.

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

There are no applicable matters.

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

Changes in accounting policies

(Application of Accounting Standard for Business Combinations)

From the first quarter under review, the Company is applying the Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement 22; September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7; September 13, 2013). Under the newly applied accounting standards, the Company shall post a gain or loss on change in the Company's equity in subsidiaries that the Company continues to control in capital surplus and shall post expenses related to acquisitions as expenses in the consolidated fiscal year in which they are incurred. Any review of the allocation of the acquisition cost in provisional accounting of a business combination from the beginning of the first quarter under review shall be reflected in quarterly consolidated financial statements for the quarter in which the date of the business combination belongs. The Company also changed the presentation of the net income as well as the presentation from the minority interests to the non-controlling interests. To reflect these changes in presentation, the quarterly consolidated financial statements for the first quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been reorganized.

The application of the Accounting Standard for Business Combinations, etc. follows the transitional treatment set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and the accounting standards are applied from the beginning of the first quarter under

review.
The application of the accounting standards has no impact on the Group’s earnings.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Thousand yen)

	Fiscal 2015 (As of March 31, 2015)	Q1 of Fiscal 2016 (As of March 31, 2015)
Assets		
Current assets		
Cash and deposits	9,676,856	11,521,719
Notes and accounts receivable—trade	32,967,460	32,971,827
Short-term investment securities	2,699,192	3,498,382
Merchandise and finished goods	536,475	577,508
Work in progress	36,544	32,018
Raw materials and supplies	219,948	241,554
Deferred tax assets	2,427,270	2,565,805
Other	11,157,583	10,497,984
Less: allowance for doubtful accounts	(27,572)	(25,059)
Total current assets	59,693,759	61,881,741
Fixed assets		
Property, plant and equipment		
Buildings and structures—net	28,393,717	28,179,026
Lease assets—net	34,633,198	37,253,072
Other—net	9,955,257	9,459,320
Total property, plant and equipment	72,982,173	74,891,419
Intangible assets		
Goodwill	16,584,638	17,276,585
Other	4,182,685	4,220,939
Total intangible assets	20,767,324	21,497,525
Investment and other asset		
Other	31,507,625	30,354,742
Less: allowance for doubtful accounts	(396,100)	(397,508)
Total investments and other assets	31,111,525	29,957,234
Total fixed assets	124,861,023	126,346,179
Total assets	184,554,782	188,227,920
Liabilities		
Current liabilities		
Notes and accounts payable—trade	899,695	851,391
Short-term loans payable	1,943,712	8,727,135
Income taxes payable	1,024,196	528,364
Accrued expenses	15,858,530	17,341,663
Provision for bonuses	5,058,440	2,747,861
Provision for directors' bonuses	39,700	25,850
Other	29,670,350	29,060,161
Total current liabilities	54,494,625	59,282,427
Non-current liabilities		
Long-term loans payable	23,987,773	22,876,195
Lease obligations	36,165,228	38,961,594
Provision for directors' retirement benefits	166,513	-
Net defined benefit liability	6,209,067	6,299,801
Asset retirement obligations	2,242,411	2,255,708
Other	4,603,937	4,943,477
Total non-current liabilities	73,374,932	75,336,777
Total liabilities	127,869,558	134,619,204

(Thousand yen)

	Fiscal 2015 (As of March 31, 2015)	Q1 of Fiscal 2016 (As of March 31, 2015)
Net assets		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	37,399,513	35,392,438
Treasury stock, at cost	(9,921,957)	(11,376,994)
Total shareholders' equity	56,765,561	53,303,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,479	28,494
Foreign currency translation adjustments	69,069	209,772
Remeasurements of defined benefit plans	(522,886)	(486,704)
Total accumulated other comprehensive income	(432,337)	(248,436)
Non-controlling interests	352,000	553,703
Total net assets	56,685,224	53,608,715
Total liabilities and net assets	184,554,782	188,227,920

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)

(Three months ended June 30)

(Thousand yen)

	Q1 of Fiscal 2015 (from April 1, 2014 to June 30, 2014)	Q1 of Fiscal 2016 (from April 1, 2015 to June 30, 2015)
Net sales	67,720,931	67,878,088
Cost of sales	54,019,060	55,634,208
Gross profit	13,701,870	12,243,879
Selling, general and administrative expenses	12,443,314	12,858,014
Operating income (loss)	1,258,556	(614,134)
Non-operating income		
Interest income	41,039	39,526
Rent income	51,570	55,811
Subsidy income	61,464	259,952
Other	56,322	117,605
Total non-operating income	210,397	472,895
Non-operating expenses		
Interest expenses	645,749	799,790
Rent expenses	15,865	14,834
Share of loss of entities accounted for using equity method	11,305	7,457
Other	7,452	65,272
Total non-operating expenses	680,373	887,355
Ordinary income (loss)	788,581	(1,028,594)
Extraordinary losses		
Loss on retirement of property, plant and equipment, net	5,615	7,234
Loss on sales of property, plant and equipment, net	520	568
Loss on cancellation of leases	3,215	8,390
Impairment loss	13,042	-
Total extraordinary losses	22,395	16,194
Income (loss) before income taxes and minority interests	766,185	(1,044,788)
Income taxes—current	328,834	269,819
Income taxes—deferred	276,743	(154,515)
Total income taxes	605,577	115,303
Net income (loss)	160,608	(1,160,091)
Profit attributable to non-controlling interests	13,368	5,438
Profit (loss) attributable to owners of parent	147,239	(1,165,529)

(Quarterly consolidated statements of comprehensive income)
(Three months ended June 30)

(Thousand yen)

	Q1 of Fiscal 2015 (from April 1, 2014 to June 30, 2014)	Q1 of Fiscal 2016 (from April 1, 2015 to June 30, 2015)
Net income (loss)	160,608	(1,160,091)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,534	7,015
Foreign currency translation adjustments	137	140,668
Remeasurements of defined benefit plans, net of tax	20,701	36,182
Total other comprehensive income	22,374	183,866
Comprehensive income	182,982	(976,225)
Comprehensive income attributable to:		
Owners of the parent	169,613	(981,629)
Non-controlling interests	13,368	5,404

(3) Notes to quarterly consolidated financial statements

Notes on the premise of a going concern

There are no applicable matters.

Notes on significant fluctuation in the amount of shareholders' equity

There are no applicable matters.

(Significant subsequent events)

(Issuance of stock options (subscription rights to shares))

The Company decided to issue stock options (subscription rights to shares) at the ordinary general meeting of shareholders held on June 25, 2015 and the Board of Directors meeting held on June 30, 2015 and made decisions on all items related to the issuance of stock options later. On July 24, 2015, the Company issued stock options. Details are as follows:

1. Ordinary stock options

(1) Number of subscription rights to shares

1,338,500

(2) Persons to whom subscription rights to shares will be allotted, the number of them, and the number of subscription rights to shares to be allotted

Directors of the Company (excluding outside directors)	13	1,220,000
Directors of subsidiaries of the Company (excluding outside directors)	13	118,500

(3) Amount to be paid in for subscription rights to shares

361 yen for a subscription right to shares (361 yen for a share)

The amount is a fair value based on a fair value per unit calculated using the Black-Scholes model on the date of allotment of subscription rights to shares. The amount to be paid in shall be offset by the remuneration that is to be paid by the Company of the persons to receive subscription rights to shares.

(4) Class and number of shares underlying subscription rights to shares

1,338,500 common shares of the Company

(5) Value of the property to be contributed on exercise of subscription rights

1,108 yen per subscription right to shares (1,108 yen per share)

2. Stock options as compensation

(1) Number of subscription rights to shares

41,400

(2) Persons to whom subscription rights to shares will be allotted, the number of them, and the number of subscription rights to shares to be allotted

Directors of the Company (excluding outside directors)	15	35,000
Directors of subsidiaries of the Company (excluding outside directors)	13	6,400

(3) Amount to be paid in for subscription rights to shares

919 yen for a subscription right to shares (919 yen for a share)

The amount is a fair value based on a fair value per unit calculated using the Black-Scholes model on the date of allotment of subscription rights to shares. The amount to be paid in shall be offset by the remuneration that is to be paid by the Company of the persons to receive subscription rights to shares.

(4) Class and number of shares underlying subscription rights to shares

41,400 common shares of the Company

(Changes in the establishment of joint ventures and joint-venture contracts)

At a meeting of the Board of Directors held on July 1, 2015, the Company decided to change the content of the news release Conclusion of a Joint-Venture Contract to Establish a Joint Venture in China, which was announced on July 31, 2014, including the capital investors and investment ratios, and to conclude a joint-venture contract with Shanghaishi Laolingshiye Kaifafuwuzhongxin as well as with Beijing Loved Hongyu Technology Co., Ltd. and establish a joint venture as described below.

1. Reason of changing the capital investors and investment ratios

The Company has formed the Nichii Group with industrial corporations that have a solid track record in different parts of China and is developing services including elderly care services, care for new mothers, child care, and housekeeping services.

The Company has made changes in its joint-venture contract to provide high value-added services, using the expertise it has developed in Japan, and taking China's environment and culture into consideration, and to develop the long-term care market in China. The Company will establish a joint venture with Beijing Loved Hongyu Technology Co., Ltd., which has consulting and marketing resources, and with Shanghaishi Laolingshiye Kaifafuwuzhongxin, an elderly care business licensed by the Shanghai Civil Affairs Bureau, and will thereby strengthen its operating base for developing the Nichii Group's long-term care services.

The joint venture will play a central role in sales to local governments and will provide services as a member of the Nichii Group.

2. Outline of the joint venture

(1) Name	Zhongfuriyi(Shanghai) Jiankangfuwu Youxiangongsi	
(2) Location	Shanghai	
(3) Title and name of representative	Chairman and CEO Bai Xiaojiang	
(4)Business content	Human resources development, wholesale of goods, retail sale of goods, elderly care, care for new mothers, babysitting	
(5) Capital	50 million CNY	
(6) Shareholding	Nichii Hong Kong Limited	51%
	Beijing Loved Hongyu Technology Co.	46%
	Shanghaishi Laolingshiye Kaifafuwuzhongxin	3%
(7) To be established	Planned to be established in August 2015	

3. Outline of a subsidiary that will invest

(1) Name	Nichii Hong Kong Limited
(2) Location	Central, Hong Kong
(3) Title and name of representative	Chairman and CEO Tsuyoshi Terada
(4)Business content	Supervising affiliates in the China business, consulting
(5) Capital	25 million HKD (wholly-owned subsidiary of Nichii Gakkan)
(6) Date of Establishment	February 14, 2014

4. Outline of joint venture partner (1)

(1) Name	Beijing Loved Hongyu Technology Co.
(2) Location	Chaoyang District, Beijing
(3) Title and name of representative	Chairman and CEO Zhang Zhengyu
(4)Business content	Technology development, technology service, economy and trade consulting, enterprise management and investment consulting, market research, corporate planning, etc.
(5) Capital	100 million CNY
(6) Date of Establishment	July 23,2014

5. Outline of joint venture partner (2)

(1) Name	Shanghaishi Laolingshiye Kaifafuwuzhongxin
(2) Location	Huangpu District, Shanghai
(3) Title and name of representative	Chairman and CEO Liu Jing
(4)Business content	Development of elderly care facilities, development and promotion of goods for the elderly, development of services for the elderly, and public relations for public welfare undertakings
(5) Capital	50 million CNY
(6) Date of Establishment	July 26,2013