

NICHII GAKKAN COMPANY

# Financial Results Briefing Document

for the 1H of the Fiscal Year Ending March 31, 2016

November 11, 2015

# Financial Results Highlights

(Unit : Millions of Yen)

	FY2016 2Q	FY2016 2Q	
	Amount	Amount	year on year(%)
Net Sales	136,015	136,575	0.4%
Operating Income	2,719	▲ 473	-
%	2.0%	▲0.3%	-
Ordinary Income	1,776	▲ 1,701	-
%	1.3%	▲1.2%	-
Net income attributable to owners of parent	593	▲ 2,296	-
%	0.4%	▲1.7%	-

# Consolidated Sales and Operating Income by Segment

(Unit:Millions of Yen)

Net Sales	FY2015 2Q	FY2016 2Q	change (%)
Medical Support	53,896	54,398	0.9%
Long-term Care	73,032	71,769	▲1.7%
Health Care	1,999	1,942	▲2.9%
Education	6,067	6,373	5.0%
Child Care	955	1,460	52.7%
Others	709	1,225	72.7%
Elimination	▲ 647	▲ 593	-
Total	136,015	136,575	0.4%

(Unit:Millions of Yen)

Operating Income	FY2015 2Q	FY2016 2Q	Change (%)
Medical Support	3,890	3,794	▲2.4%
Long-term Care	6,674	3,333	▲50.1%
Health Care	▲ 62	128	-
Education	▲ 3,264	▲ 2,856	-
Child Care	▲ 312	▲ 492	-
Others	297	45	▲84.6%
Elimination	▲ 4,502	▲ 4,428	-
Total	2,719	▲ 473	-

# Financial Results Highlights

1 Net sales hit a record high. FY2016 2Q **¥136,575million**

2 Sales increased in the Language Education Business.  
~ Sales and Profit Growth in GABA ~

GABA (million yen)	FY2015 2Q	FY2016 2Q	Change (%)
Net Sales	5,074	5,301	+4.5
Operating Income	648	726	+12.0

GABA sales growth **+ 4.5 %**  
GABA operating  
income growth **+ 12.0 %**

3 Number of students in the existing courses bottomed out, showing an upward trend.

Educational courses (students)	FY2015 2Q	FY2016 2Q	Change (%)
Medical Office Administration	9,121	11,153	+22.3
Training for new long- term care workers	7,720	6,747	▲12.6

Medical Office Administration  
(year-on-year) **+ 22.3%**

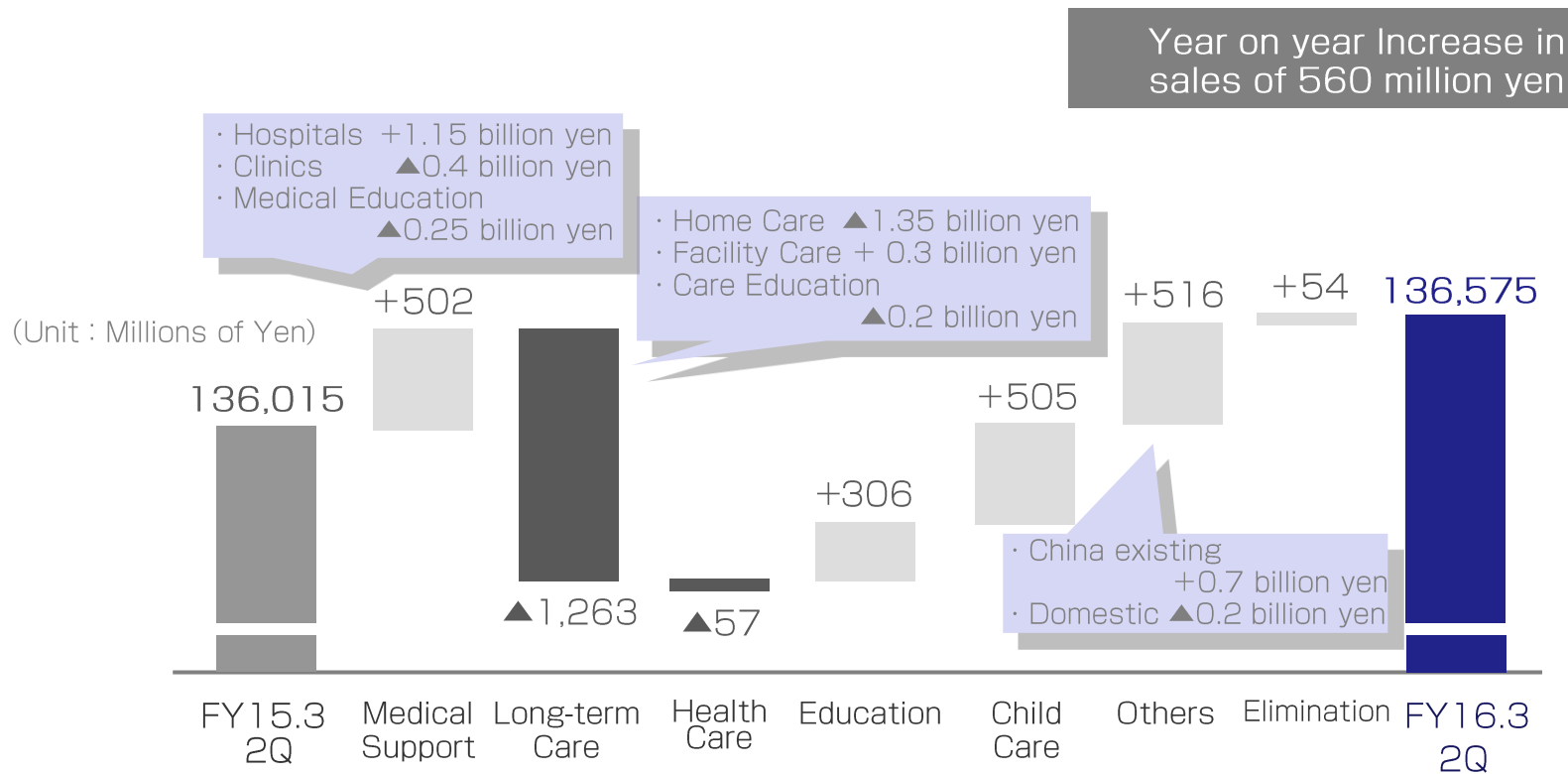
Training for new long-term care  
workers in September **1,891 students**

(Record-high monthly number  
of attending students)

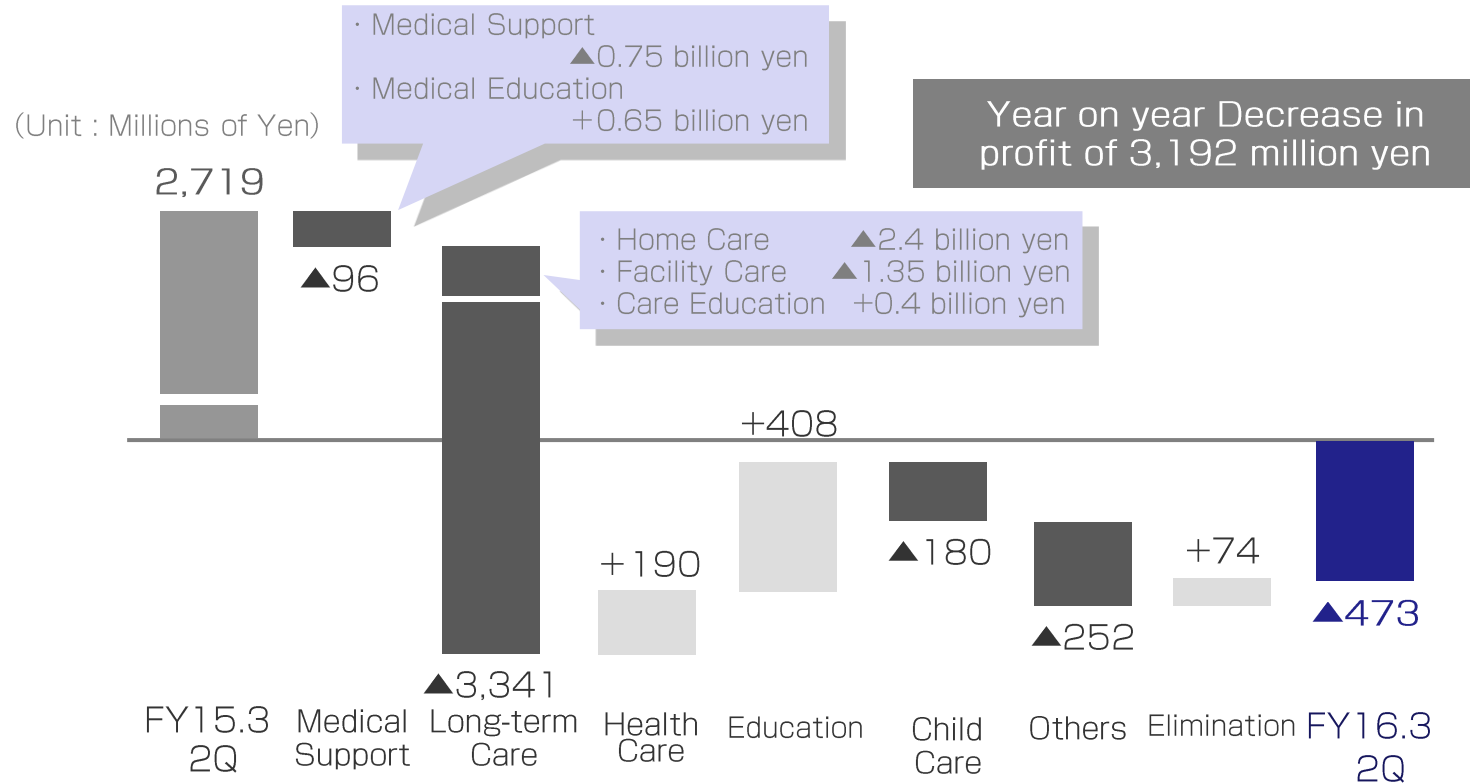
# Issues to Be Addressed and Measured (Actual)

	Issues	Measures (Actual)
Growth	<p>Development of new businesses</p> <ul style="list-style-type: none"> <li>· Full-scale development of the China Business</li> <li>· Active expansion of the Childcare Business</li> <li>· Promotion of the Language Education Business</li> </ul>	<ul style="list-style-type: none"> <li>· Service launched (4 services in 12 cities) with 8 branches established.</li> <li>· 26 new contracts were signed for the next fiscal year.</li> <li>· Net sales (year-on-year): COCO Juku +17.6%, GABA +4.5%</li> </ul>
Profitability	<p>Lower profitability due to reduced long-term care compensation</p> <p>Deficit in COCO Juku</p> <p>Increase in selling, general and administrative expenses</p>	<p>Consolidated operating margin in the long-term care business: 4.8% (9.1% in FY15 2Q)</p> <p>Operating loss: ▲¥3,474 million (▲¥3,549 million in FY15 2Q)</p> <p>Selling, general and administrative expenses: ¥25,275 million (¥24,818 million in FY15 2Q)</p>
Human Resources	<p>Decrease in the number of employees (long-term care)</p>	<p>Long-term care staff: 37,770 (39,167 in FY14)</p>
Achievement	<p>Strengthening of management capabilities</p>	<p>The branch office for the co-education division was established.</p> <p>A new recruitment and development system started for branch managers.</p>

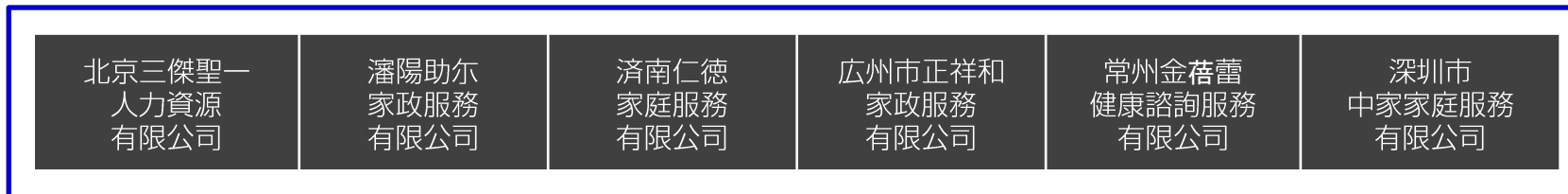
# Major Change in Net Sales



# Major Changes in Operating Income



FY2016.3 2Q (The consolidation of the 6 companies)



(Unit : Million of Yen)

	FY2016 2Q (Jan~Jun)
Net sales	729
Operating Income	▲300
Amortization of goodwill (5-year amortization)	116

(Unit : Million of Yen)

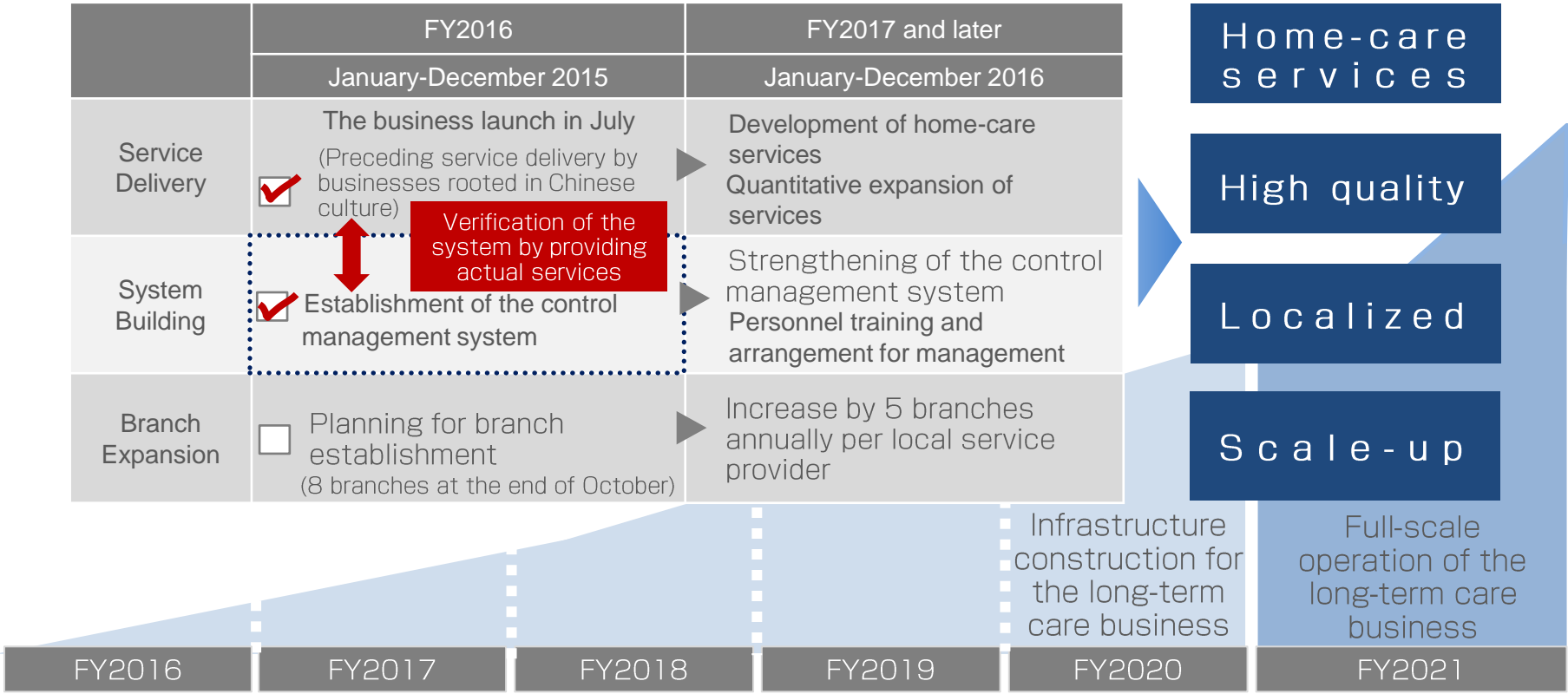
	FY2016 End of Jun
Total Assets	953
Net Assets	725
Goodwill	1,255

※Including Germany of the Nichii Gakkan Group



# Growth: Progress in the China Business and Growth Image

The control management system in the strengthening process toward the realization of the medium- and long-term plan



# (Growth potential) Child Care Business

Thanks to our more powerful sales activities, 26 facilities will be newly established for the next fiscal year (totaling over 100 facilities).

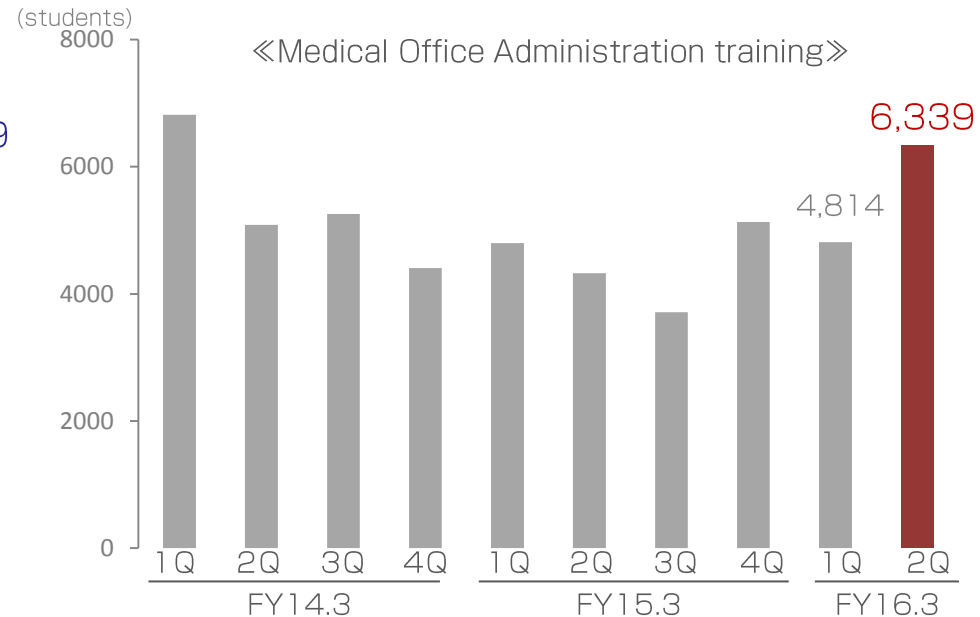
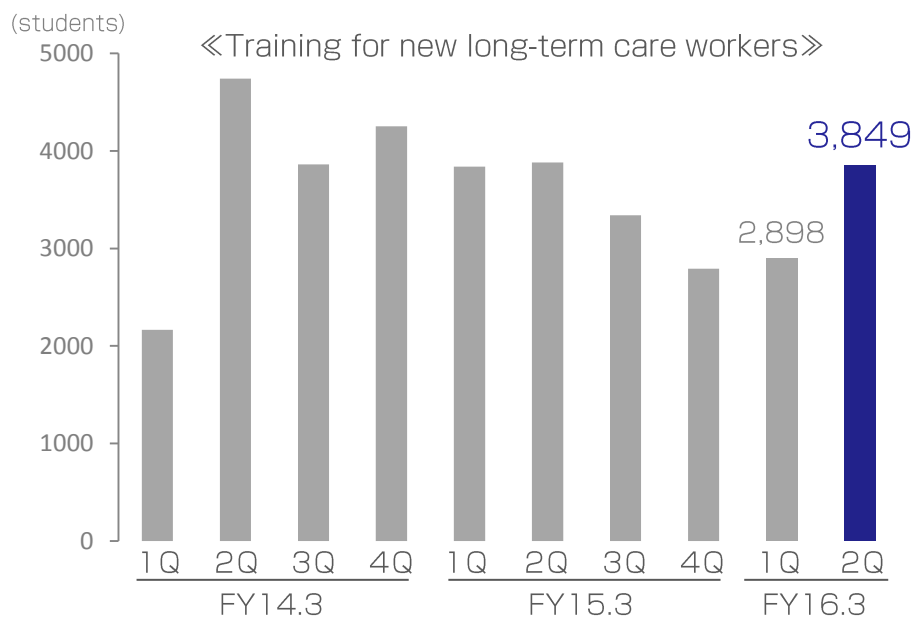
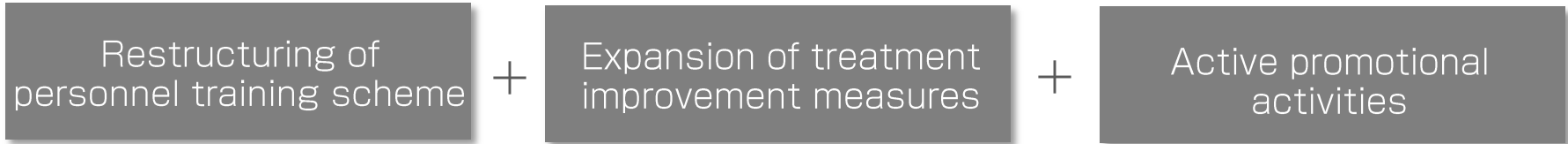
Number of segment Child care center (Unit : Location)		End of Apr. 2015	End of Sep. 2015	End of Apr. 2016 (Fore cast)
Registered child care centers	Education and childcare centers	20	20	27 (+7)
	Regional type childcare centers	14	15	35 (+20)
Non- registered outside child care centers	In-hospital child care centers	18	19	19
	In office and in university child care centers	7	7	8 (+1)
	Other child care	16	16	16
Total		75	77	105 (+28)



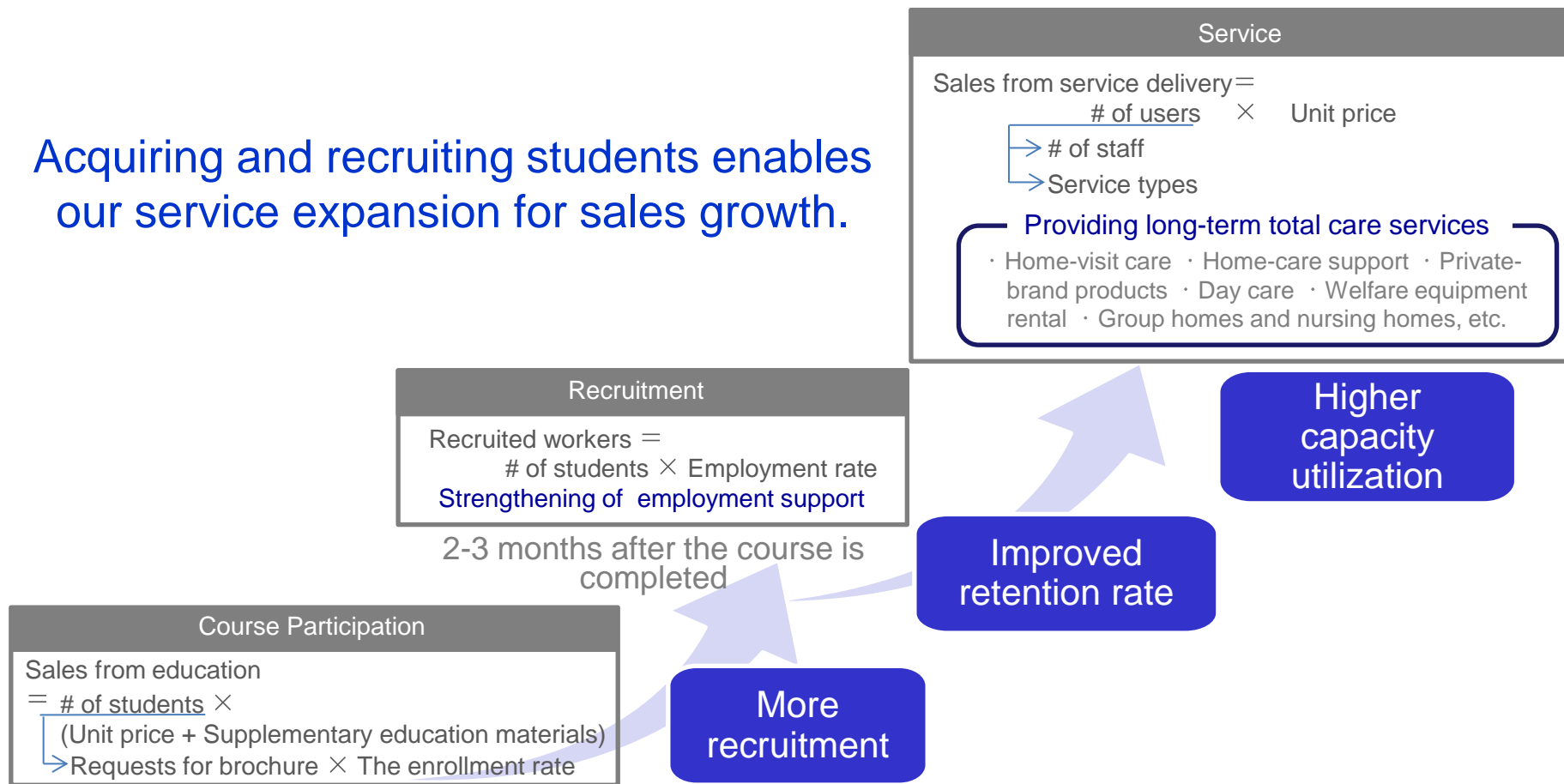
※ ( ) = Comparison with the end of September 2015

# Profitability and Human Resources: Change in the Number of Students Attending Existing Education Courses

Supported by our successful personnel acquisition measures, the number of students in both medical and long-term care courses bottomed out.



Acquiring and recruiting students enables our service expansion for sales growth.



# Earnings forecast

(Unit:Millions of Yen)

	FY2015	FY2016		
	Full-year	Full-year(Initial forecast)	Full-year(Revised forecast)	Corection Amount
Net Sales	271,868	294,300	275,500	▲ 18,800
Operating Income	5,173	8,900	200	▲ 8,700
%	1.9%	3.0%	0.1%	▲3.0%
Ordinary Income	3,144	6,100	▲ 2,400	▲ 8,500
%	1.2%	2.1%	▲0.9%	▲2.9%
Net Income	416	2,600	▲ 3,500	▲ 6,100
%	0.2%	0.9%	▲1.3%	▲2.2%

# Earning forecast (by Segment)




(Unit: Millions of Yen)

Net Sales	FY2015 Result	FY2016 Initial forecast	FY2016 Revised forecast	Correction Amount
Medical Support	108,378	111,500	109,400	▲ 2,100
Long-term Care	145,008	151,400	144,400	▲ 7,000
Health Care	4,378	8,200	4,200	▲ 4,000
Education	12,265	13,600	13,200	▲ 400
Child Care	2,228	9,200	3,200	▲ 6,000
Others	1,313	1,500	2,400	900
Elimination	▲ 1,703	▲ 1,100	▲ 1,300	▲ 200
Amount	271,868	294,300	275,500	▲ 18,800

(Unit: Millions of Yen)

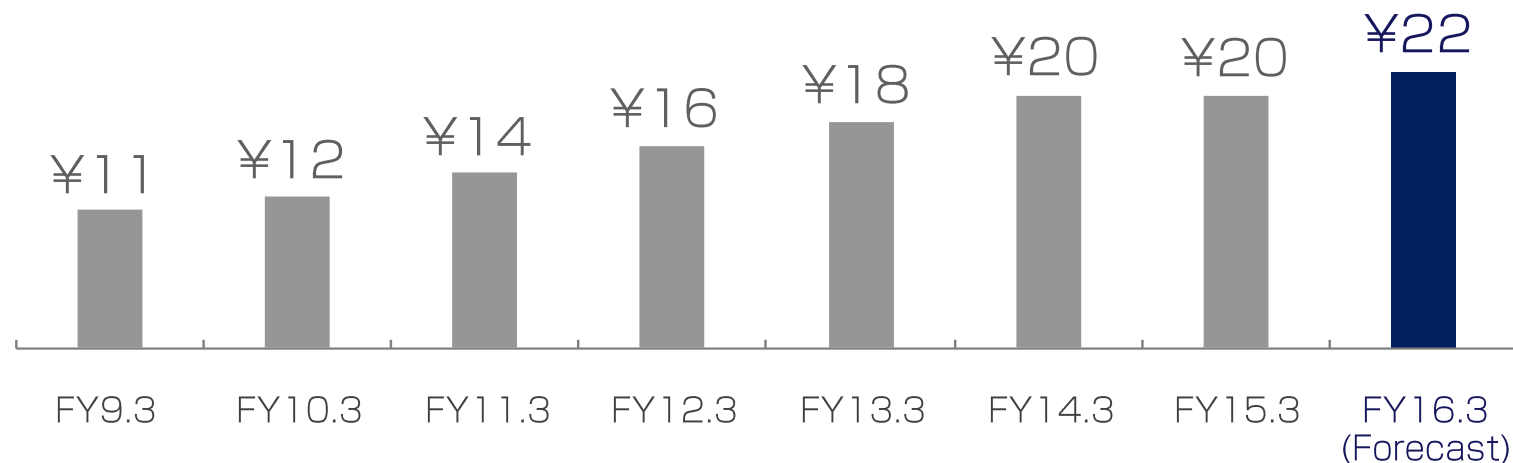
Operating Income	FY2015 Result	FY2016 Initial forecast	FY2016 Revised forecast	Correction Amount
Medical Support	8,039	9,100	7,700	▲ 1,400
Long-term Care	11,566	11,950	7,000	▲ 4,950
Health Care	213	1,130	400	▲ 730
Education	▲ 6,169	▲ 5,100	▲ 5,500	▲ 400
Child Care	▲ 706	80	▲ 900	▲ 980
Others	457	▲ 60	0	60
Elimination	▲ 8,228	▲ 8,200	▲ 8,500	▲ 300
Amount	5,173	8,900	200	▲ 8,700

# Outlook for the Next Fiscal Year

 Medical Support Business	The trend in sales growth is driven by increases in the number of students, staff, and contracts for clinics (amendment to the worker dispatch law).
 Long-Term Care Business	The numbers of students attending our courses, our staff, and service users are expected to increase.
 Health Care Business	Net sales (in life support services and private-brand products) will continue to achieve double-digit growth.
 Education Business	A review of the COCO Juku school system will reduce the deficit.
 Childcare Business	New childcare facilities will open (26 locations confirmed), and their early operation will significantly increase sales.
 China Business	The local management system will be strengthened. The long-term care market will be tapped and developed. 【The long-term care business will start in 25 areas (4 direct-controlled municipalities, provincial capitals, etc.)】

## To maintain the dividend forecast

Forecast for FY2016 : ¥22/Share  
(¥11 interim, ¥11 year-end)





- Two outside directors

- Board of Directors activation
- Incorporating diverse opinions from outside directors

- Stock-based compensation

- Abolishing the retirement bonus for company executives  
Liquidating the reserve in the past of all executives in the form of regular stock options  
(at the exercise price of ¥1,108)
- Introducing “Stock Compensation-Type Stock Options” as a long-term stock-based compensation  
(at the exercise price of ¥1)

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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