Financial Results for the Year Ended March 31, 2016 (J-GAAP)

May 13, 2016

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 to hold the ordinary general meeting of shareholders: June 28, 2016
Scheduled date to start dividends distribution: June 29, 2016
Scheduled date of filing annual securities report: June 29, 2016
Supplementary materials prepared: Yes
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 year ended March 31, 2016(April 1, 2015 – March 31, 2016)

(1) Consolidated operating results

(Percentage figures represent changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2016	273,583	0.6	(785)	—	(3,629)	—	(15,995)	—
Year ended March 31, 2015	271,868	0.2	5,173	(18.2)	3,144	(36.3)	416	(85.3)

(Note) Comprehensive income: Year ended March 31, 2016: -16,371 million yen (−%) Year ended March 31, 2015: 264 million yen (-90.3%)

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2016	(248.83)	—	(34.3)	(2.0)	(0.3)
Year ended March 31, 2015	6.03	—	0.7	1.7	1.9

Reference: Equity-method investment profit (loss): Year ended March 31, 2016: 41 million yen Year ended March 31, 2015: 10 million yen

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2016	184,170	38,101	20.0	574.35
As of March 31, 2015	184,554	56,685	30.5	860.09

Reference: Shareholders' equity: As of March 31, 2016: 36,863 million yen As of March 31, 2015: 56,333 million yen

(3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2016	2,546	(6,250)	5,381	14,373
Year ended March 31, 2015	10,629	(8,085)	(3,198)	9,821

2. Dividends

	Annual dividends					Total Dividends Paid (annual)	Payout Ratio (consolidated)	Dividends to Net Assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2015	—	10.00	—	10.00	20.00	1,353	331.7	2.3
Year ending March 31, 2016	—	11.00	—	11.00	22.00	1,412	—	3.1
Year ending March 31, 2017 (forecast)	—	11.00	—	11.00	22.00		282.4	

3. Forecast of consolidated financial results for the year ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(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	144,000	5.4	600	—	(1,100)	—	(1,500)	—	(23.37)
Full year	294,700	7.7	4,800	—	1,300	—	500	—	7.79

* Notes

(1) Changes in subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) 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

(3) Number of shares outstanding (common stock)
1) Number of shares issued and outstanding (including treasury stock)
Year ended March 31, 2016: 73,017,952 Year ended March 31, 2015: 73,017,952
2) Number of treasury stock
Year ended March 31, 2016: 8,825,918 Year ended March 31, 2015: 7,521,206
3) Average number of shares issued and outstanding in each period
Year ended March 31, 2016: 64,284,296 Year ended March 31, 2015: 69,011,405

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Non-consolidated operating results (Percentage figures represent changes from previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2016	238,885	0.0	(1,696)	—	(2,772)	—	(15,910)	—
Year ended March 31, 2015	238,835	0.2	2,705	(22.4)	1,699	(41.8)	272	(81.5)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2015	(247.51)	—
Year ended March 31, 2015	3.94	—

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2016	149,486	39,261	25.9	603.66
As of March 31, 2015	153,910	57,486	37.4	877.70

Reference: Shareholders' equity: As of March 31, 2016: 38,749 million yen As of March 31, 2015: 57,486million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2017 (April 1, 2016– March 31, 2017)

(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		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	125,350	4.9	350	—	200	—	50	—	0.78
Full year	245,000	6.3	2,900	—	1,700	—	1,700	—	26.48

* Implementation status of audit procedures

The audit procedure based on the Financial Instruments and Exchange Act does not apply to this Financial Report, and the audit procedure for the consolidated financial statements and the non-consolidated financial statements based on the Financial Instruments and Exchange Act has not been completed as of the release of this Financial Report.

* Explanation concerning the appropriate use of financial result forecasts and other special notes

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"(1) Analysis of business results" of "1.Analysis of business results and financial position" on page 4 of the attached document, regarding the assumptions upon which forecasts are based and the use of forecasts.

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1. Analysis of business results and financial position

(1) Analysis of business results

1) Overview of business results

During the fiscal year under review, the Japanese economy was on a modest recovery track, mainly owing to the government's economy policies, despite weak consumer spending. With all industries experiencing challenges with recruiting due to a decline in the working population and improvement in the employment environment, discussions on the enhancement of childcare support measures and social security were held, to promote the employment of women with children and the elderly under the growth strategy set out by the Abe Administration.

In China, while the slowdown in economic growth gives cause for concern, domestic demand-oriented industries account for more than half of total domestic production and further growth in demand for domestic demand-oriented industries is expected, mainly due to rapid aging and abolition of the one-child policy.

In this business environment, the Nichii Gakkan Group promoted its medium-term management strategy that focuses on the establishment of five main domestic businesses and globalization strategy with a view to breaking away from institutional risks and achieving stable growth of long-term profits. In April 2015, the Group decisively implemented reforms of organizations and the business operation structure to establish structures in line with the strategies, in a bid to strengthen its ability to push ahead with strategies.

In the Medical Support and Long-term Care Segments, the Group transformed the business model adopted since the Group's foundation into a more efficient scheme for strengthening human resources, and translated this into an increase in the number of students attending courses, with a view to securing human resources which are the source of sustainable growth. In addition, the Group strengthened cooperation between businesses, and also focused on providing comprehensive services.

In the Education and Child Care Segments, the Group pushed ahead with aggressive business expansion, aiming to turn these domestic businesses into new engines of growth, including the enhancement of services for practical English for juniors and the opening of new child care centers in line with the Support System for Children and Childrearing and regional needs.

In the China business, which is the first stage of its globalization strategy, the Group pushed ahead with the formation of the Nichii Business Model, which integrates the entire process from the cultivation of human resources to the provision of services, through cooperation with local community service providers. Administrative procedures and unification of the Group's operation management structure took time, but the Group gradually began providing services starting in areas that were prepared for rollout. Alongside business expansion, the Group also worked to expand the service menu and areas of operation, and sought to make home care and the Nichii brand more popular.

Looking at the operating results, overall sales increased, mainly due to an increase in the number of attending students and children in the Education and Child Care Segments and the acquisition of new contracts and expansion in operations in the Medical Support Segment, despite decrease in the number of service users due to delays in securing human resources in the Long-term Care Segment. Income declined, reflecting the impact of a reduction in long-term care basic rates in the revised compensation for long-term care workers, decline in the number of users, and the investment strategy in the Education business (language education) and China business.

Turning to the calculation of net income, the Group recorded extraordinary losses totaling 7,202 million yen, comprising 5,718 million yen in impairment losses for fixed assets as a result of the delayed achievement of profitability in new businesses such as the long-term care, language education and therapy businesses, and 1,484 million yen in valuation losses, provisions, etc. for investments in and loans to affiliated companies, etc. The Group also reversed 4,318 million yen in deferred tax assets.

In the fiscal year under review, the Group posted net sales of 273,583 million yen (271,868 million yen in the previous fiscal year), an operating loss of 785 million yen (operating income of 5,173 million yen), an ordinary loss of 3,629 million yen (ordinary income of 3,144 million yen), and a loss attributable to owners of parent of 15,995 million yen (profit attributable to owners of parent of 416 million yen).

Results by business segment are as follows:

The reported segments have been changed from the fiscal year under review, and in the comparisons with the same period of the previous year below, results for the same period of the previous fiscal year have been restated to match the new segment classifications following this change.

<**Medical Support Segment**>

Sales in this segment rose, reflecting the winning of new contracts and expansion of operations related to medical

institutions that were already under contract as a result of efforts to enhance diverse management support services, including home rehabilitation support in cooperation with the Long-term Care segment, and the holding of seminars on the revision of medical fees for medical institution managers.
However, profits declined due to upfront expenses related to the start of operations at hospitals with which new contracts were concluded and higher personnel expenses associated with the implementation of measures to create a stable human resources base (turning contracted staff into regular employees, improvement in treatment, etc.)
Net sales for the segment came to 108,788 million yen for the fiscal year under review (compared with 108,372 million yen in the previous fiscal year). Operating income for the segment was 7,605 million yen (8,039 million yen in the previous fiscal year).

<**Long-Term Care Segment**>
Both sales and profits decreased due to decline in the number of users of home care services, which was attributable to the impact of revision of compensation for long-term care workers and slower-than-planned acquisition of human resources. As a result of transformation of the business model into a scheme integrating everything from the operation of qualification courses to hiring, numbers of students attending courses were above year-ago levels. However, since the process from course completion to work placement takes time, the effects are expected to become apparent from next fiscal year.　The Group will continue promoting staff retention and the acquisition of human resources and seek to expand the number of service users. At the same time, the Group will also keep up efforts to acquire users with moderate to severe conditions through collaboration with the Medical Support Segment, promote specialist care, including dementia care and home visit nursing, and promote the use of short stays at specific facilities, and will seek to reconstruct its business profit model in response to system trends.
Net sales for the segment came to 142,897 million yen for the fiscal year under review (compared with 144,759 million yen in the previous fiscal year). Operating income for the segment was 6,694 million yen (11,546 million yen in the previous fiscal year).

<**Health Care Segment**>
In Nichii Life housekeeping services, the Group conducted aggressive marketing activities in line with growing demand due to greater participation of women in society. In private brand product sales, the Group strengthened sales activities targeting medical institutions and corporations and sought to expand sales channels, while at the same time working to enhance the product line-up to meet customer needs. As a result, both the number of users of Nichii Life services and private brand product sales grew. However, segment sales were down due to the downscaling of helper dispatch services and discontinuation of the food service business. Meanwhile, profits increased due to lower SG&A expenses associated with the downscaling of helper dispatch services.
As a result, sales in this segment came to 3,726 million yen in the fiscal year under review (compared with 3,947 million yen in the previous fiscal year), and operating income was 556 million yen (234 million yen in the previous fiscal year).

<**Education Segment**>
The Group focused on areas such as the development of new services using the Nichii Group's language education network, revision of the curriculum, and enhancement of support services for overseas students, in a bid to provide practical language learning opportunities. In October, three courses including the general business English conversation course were designated by MHLW to be covered by the payment of educational training benefits and, in December, the Group ranked No. 1 in the English conversation school category of the 2015 Oricon Japan customer satisfaction ranking. As a result, the number of students attending courses at the end of the fiscal year (total of COCO Juku, COCO Juku Junior and franchise classrooms) remained firm at 11,811 (an increase of 4,099 year on year) and both sales and profits increased (operating loss narrowed).
Net sales for the Education segment totaled 13,053 million yen (compared with 12,265 million yen in the previous fiscal year). Operating loss for the segment was 5,667 million yen (compared with a loss of 6,169 million yen in the previous fiscal year).

＜Child Care Segment＞
The Group pushed ahead with the opening of new child care centers, especially registered child care centers, to help increase the availability of child care in the community under the Support System for Children and Childrearing introduced in April. At the same time, the Group reviewed service management systems, worked to

develop a safe and secure child care environment, and also put effort into increasing the quality of child care. As a result, the number of children attending child care centers increased, driven up by new centers that opened in April 2015, and sales increased. Profits declined (the operating loss expanded) due to upfront investment and other costs for child care centers to be newly opened in April 2016.
Net sales for the Child Care Segment totaled 3,382 million yen (compared with 2,228 million yen in the previous fiscal year). Operating loss for the segment was 954 million yen (compared with a loss of 706 million yen in the previous fiscal year).

<**Other**>
The results for this segment include the operating results of pre-existing services (post-natal care, housekeeping business) at 10 local community service providers which the Group decided to make into Group companies in the China business.
Net sales for the Other businesses segment amounted to 1,735 million yen (compared with 295 million yen in the previous fiscal year). Operating loss for the segment was 124 million yen (compared with operating income of 457 million yen in the previous fiscal year).

2) Outlook for the year ending March 31, 2017

【Earnings forecast for the fiscal year ending March 31, 2017】

(Unit: Million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ending March 31, 2017 (Forecast)	294,700	4,800	1,300	500
Actual results for the previous fiscal year	273,583	(785)	(3,629)	(15,995)

In line with the Group's medium-term management plan aimed at improving the balance of the business structure for long-term stable growth, the Group is making steady progress in strengthening the foundations for a return to the growth path under its new management execution system. Such advances include establishing a branch system with branches in four blocks nationwide (regional management system) in April 2015, reviewing the scheme for the development of human resources in the Medical Support, Long-term Care and Health Care businesses, and developing the environment for global business, focusing on expansion of the China business.
In April this year, the Group established a new management execution system, reorganizing its branches into five blocks and assigning an executive officer to each block to ensure the reliable execution of regional strategies. Similarly in the China business, the Group sought to establish the Nichii Operation System and strengthen the management system for scaling up operations in China by assigning managers to each local community service provider in a bid to strengthen cooperation between the Company's wholly owned subsidiaries (Beijing, Shanghai and Guangzhou) and Nichii Hong Kong and the local community services providers (19) under their control.
In the fiscal year ending March 31, 2016, results were extremely disappointing, reflecting tardy improvement of profits in the language education business, a decline in profitability in the Long-term Care business as a result of revised compensation and a shortage of human resources, delays in administrative procedures in the China business, and the recording of extraordinary losses. In the next fiscal year, the Group will decisively implement management reforms and steadily push ahead with business strategies from a medium- to long-term perspective under its new management execution system, to achieve recovery in core domestic businesses and expansion of strategic businesses and to ensure full-scale operation in the China business.

Initiatives by segment are as follows.

<**Medical Support Segment**>
The Group will push ahead with the establishment of a stable human resources base and endeavor to win new hospitals under contract and improve productivity. The Group will also focus on enhancing diverse services utilizing the Nichii Group's management resources, including home rehabilitation support and support for the

acceptance of overseas patients.

<**Long-Term Care Segment**>
The Group will seek to improve its ability to supply services by hiring and retaining long-term care human resources, and focus on recovery in the number of users and the acquisition of various premiums. The Group will also push ahead with rebuilding the business profit model by implementing area-specific strategies and promoting community-based dementia care and residence in our business bases as well as by strengthening services for users with moderate to severe conditions.

<**Health Care Segment**>
The Group will endeavor to further expand its mainstay Nichii Life housekeeping services and sales of private brand products. It will also pursue expansion and improvement of its product line-up and sales channels, with the development of welfare services for companies and new products, and strive to develop new customers.

<**Education Segment**>
The Group will work to increase the number of new students attending courses by strengthening products incorporating online English conversation and expanding the franchised classroom network. It will also focus on hiring more instructors and increasing the efficiency of school operations in a bid to improve the utilization rate.

<**Child Care Segment**>
The Group opened 30 new child care centers in April 2016. It plans to provide high value-added services through cooperation with other businesses, and achieve early operation. At the same time, the Group will conduct aggressive sales activities and push ahead with the opening of a wide variety of centers, ranging from registered child care centers to child care centers in hospitals.

<**China Business Segment**>
The Group will leverage the Long-term Care Business to achieve full-scale expansion of post-natal care, housekeeping services and child care business. It will also seek to expand the areas in which it provides services by gradually launching services, starting in areas where the service provision system is in place.

<**Other**>
The Group will strengthen areas such as goods management and delivery, lease, and information processing, to support smooth business operations in the core businesses, strategic businesses and globalization businesses.

[Segment changes]
Operating results in China were previously recorded in the Medical Support Segment, Long-term Care Segment, Healthcare Segment, Child Care Segment or Other depending on the type and sector of the business, but the China business is an extremely important business that forms the backbone of the Nichii Group’s growth potential and profitability and is, therefore, presented as a new segment called the China Business Segment.

(2) Analysis of financial position

1) Overview of financial position

During the fiscal year under review, cash and cash equivalents (“cash”) increased 4,552 million yen year on year, to 14,373 million yen. Cash flows from each category of activities and their main factors are described below.

[Cash flows from operating activities]

Net cash provided by operating activities stood at 2,546 million yen.
The main factors were depreciation and amortization and impairment loss.

[Cash flows from investing activities]

Net cash used in investing activities came to 6,250 million yen.
This was primarily the result of the purchase of property, plant and equipment and the purchase of intangible fixed assets.

[Cash flows from financing activities]

Net cash provided by financing activities was 5,381 million yen.
This was chiefly due to a net increase in short-term loans payable.

Trends in cash flow indicators for the Group can be seen below.

	Year ended March 31, 2015	Year ended March 31, 2016
Equity ratio (%)	30.5	20.0
Equity ratio based on present value (%)	37.5	27.2
Debt redemption (years)	6.8	35.0
Interest coverage ratio (times)	3.9	0.7

Notes: Equity ratio: Shareholders' equity/total assets
Equity ratio based on present value: Total present value of stock/total assets
Debt redemption: Interest-bearing liabilities/operating cash flow
Interest coverage ratio: Operating cash flow/interest payments

1. Each indicator was calculated from consolidated financial results.
2. Total present value of stock is the product of closing stock price at the end of period and the total number of outstanding shares at the end of period (after deducting treasury stock).
3. Operating cash flow is equal to the cash flows from operating activities in the consolidated statements of cash flow.
   Interest-bearing liabilities are all the liabilities on which interest is paid, out of the liabilities in the consolidated balance sheet. Interest payments are the interest payments as shown in the consolidated statements of cash flow.

(3) Basic principles of profit distribution and dividends for the fiscal year under review and the next fiscal year

Our basic policy is to provide our shareholders with stable and continuous profit distributions. Considering business performance trends from a mid- to long-term standpoint, we formulated a consolidated dividend policy. For the year ended March 31, 2016, we are planning to pay a year-end dividend of 11 yen per share.

(Yen)

	Cash Dividends per Share		
(Record date)	2Q-end	Year-end	Annual
Year ended March 31, 2016	11.00 (Actual)	11.00 (Forecast)	22.00 (Forecast)
Year ending March 31, 2017	11.00 (Forecast)	11.00 (Forecast)	22.00 (Forecast)

(4) Business and other risks

Potential risks to the operations of each segment of the Nichii Group are described below.

The Group strives to mitigate these risks by enhancing its business portfolio, focusing on developing and providing high value-added services that are not dependent on the medical insurance and long-term care insurance systems. However, under unexpected circumstances, these risks could have serious implications for the Group's business performance and financial position.

The Company identified the following risks at the end of the fiscal year under review, but risks associated with investments in shares in the Company are not limited to those described below.

1) Business risks

[Medical Support Segment]

The Nichii Group's Medical Support Segment provides, among other services, medical services other than medical practice by medical institutions, medical-related services, medical practice management consulting, and courses in medical administration. Medical institutions will see major fluctuations in revenues due to biennial revisions of the medical service fees and medical insurance system reform. The Group provides services to medical institutions, and the integrated tax and social security reform, percentage changes in medical service fees, or advances in information technology could affect the Group's contracts, including contract fees.

The number of students attending the Group's courses in medical administration could fluctuate dramatically due to changes in the employment environment and other factors, and this could affect the Group's performance.

[Long-term Care Segment]

The Nichii Group's Long-Term Care segment principally provides services regulated under the Long-Term Care Insurance Law and other relevant laws. Income from these services could be impacted by the revisions to the long-term care insurance system made every five years or by the revisions to compensation for long-term care made every three years. The Company strives to diversify risks by providing services in the Health Care Segment that are not covered by long-term care insurance and by expanding its service offerings. Nevertheless, these efforts may not be sufficient to offset a decrease in income that could be caused by a reduction in compensation for long-term care and other factors, which could have a significant adverse effect on earnings.

The long-term care facilities (including group homes, pay nursing homes, and day-care facilities) operated by the Group offer community-based services under lease agreements. The term of most of these lease agreements is 20 years, and declines in occupancy rates caused by decreases in resident numbers and falls in market rates for residents could have adverse effects on earnings in the Long-Term Care segment.

The number of students attending the Group's long-term care courses, especially training for newly appointed long-term care workers, could fluctuate dramatically due to changes in the employment environment and other factors, and this could affect the Group's performance.

[Education Segment]

The Nichii Group's Education Segment provides services consisting mainly in the COCO Juku, COCO Juku Junior and GABA English conversation schools. The amount of the course fees paid at the time of application for courses at these schools that corresponds to lessons yet to be provided is included in the liability section of the balance sheet as "Advances received." If a large number of students cancel their classes within a short period of time, a substantial amount of the advances received must be reimbursed, which may affect the financial position and financial results of the Company.

[Child Care Segment]

The Nichii Group's Child Care Segment provides child care services, including registered child care centers and child care centers in hospitals and companies, as well as child care courses. Factors such as changes to child care systems could affect the expansion of these services and the Group's performance.

[China Business Segment]

The Nichii Group's China Business consists in the cultivation of human resources to work in areas such as long-term care, post-natal care, housekeeping services and child care business as well as the provision of various services in China. Factors such as unforeseeable changes in laws and regulations and political or social collapse in China could affect the development of this business and the Group's performance.

2) Risks due to the internal management system

The Nichii Group is working to strengthen its self-enforcing operational control structure and internal check functions to prevent human error and fraudulent activities. However, problems in operational control could cause a loss of stakeholder trust and could affect the Group's performance.

[Risks due to personal information]

The Nichii Group handles personal information specified in the Act on the Protection of Personal Information. The Group recognizes the protection of personal information as an extremely important business issue and has established the Personal Information Protection Committee to ensure the appropriate acquisition and handling of information. In addition, the Group takes preventive steps to block leaks of personal information, including the establishment of regulations and in-house education and training.

However, personal information leaks could cause a loss of confidence in society and claims for compensation, among other things, which in turn could affect the Group's results.

3) Official license and legal regulation in personnel business

To provide worker dispatching services in the Medical Support segment and Health Care segment, the Group has already obtained a license for the general worker dispatching business under the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (Worker Dispatching Law). Under the Worker Dispatching Law, if a business engaged in a worker dispatching business meets any of the conditions for disqualification or commits illegal acts, its license could be canceled, or it could be ordered to suspend its business.

The Nichii Group strives to enhance compliance, but if the Group violates laws and regulations, its performance could be adversely affected.

Further, the Worker Dispatching Law and related laws and regulations could be amended in the future according to employment conditions and other factors and, depending on the nature of the amendment, this could affect the Group's performance.

4) Risk related to changes in the employment environment

The Nichii Group has its own unique talent acquisition scheme for securing human resources based on a business model dubbed "From Education to Employment." However, with decline in the working population forecast, any shortage of human resources arising from changes in the employment environment could adversely affect the Group's service provision.

5) Risks due to natural disasters and accidents

The Nichii Group provides services at medical institutions with which the Group has contractual relations, long-term care facilities, schools, and other facilities across the country. If natural disasters, including earthquakes and tsunamis, occur, or if infectious diseases, including new types of influenza, spread, the Group's staff and facilities could not work in the affected areas. In that case, the Group will strive to maintain its system for providing services by endeavoring to promptly restore the functions of the affected facilities and dispatching support staff. However, if the Group cannot provide services, its results and financial position could be adversely affected.

Each branch and facility of the Group is reviewing all its countermeasures against risks related to business continuity in emergencies and is seeking to strengthen its crisis management system, putting priority on the safety of customers.

6) Risks related to the application of impairment accounting

The Nichii Gakkan Group may need to realize an impairment loss on land and buildings owned, goodwill and/or other assets if the profitability of each business declines significantly, which may affect the financial position and financial results of the Group.

If IFRS is adopted, goodwill will become a non-amortizable asset. If in an impairment test, which will be conducted at least once a year, the recoverable value proves to be lower than the book value, an impairment loss could be posted.

7) Risks related to deferred tax assets

The Nichii Group recorded deferred tax assets based on future estimates of taxable income and the results of scheduling temporary differences. If the Company lowered its taxable income estimate in the future due to deterioration in the operating environment or other factors, the need to reverse deferred tax assets could arise and this could affect the Group's performance and financial position.

8) Risks due to overseas expansion

The Nichii Group is implementing a globalization strategy focused on China business, and is developing business not only in China but also in Singapore, Australia, Canada and the Philippines. The Group endeavors to gather information concerning aspects such as political trends, changes to the law and the public security situation and implement measures to reduce the risks associated with business expansion overseas and to deal with them appropriately, but the Group’s business progress and operating results may be affected in the event of a change that could not be predicted or exceeded projections such as the following.

・Unforeseen changes in laws and regulations
・Political or social disorder including acts of terrorism
・Greater than anticipated fluctuation in market or economic trends or exchange rates
・Differences in labor-management relations or business customs

2. Overview of Nichii Group

The Nichii Group consists of Nichii Gakkan Company and its 48 subsidiaries and three affiliates, and is engaged in five segments (Medical Support, Long-Term Care, Health Care, Education and Child Care).

In the Medical Support segment, the Group provides contract administration services to medical institutions and pharmacies, sells medical equipment to them, and disinfects and sterilizes equipment in medical institutions. The Group's services in this segment also include medical business consulting, the operation of clinics in Singapore, medical courses including courses for medical administration, and the cultivation of post-natal care workers and the provision of post-natal care services in China.

The Long-Term Care segment provides institutional services such as long-term care insurance. These services include home-care services (including home-care support, home-visit care, home-visit bathing, home-visit nursing care, and day care services) and facility-care services (including care for residents in specific facilities and care for group home residents with dementia). In this segment, the Group sells and leases welfare equipment, provides welfare services for the disabled, and runs long-term care courses, especially training for newly appointed long-term care workers. The Group also cultivates long-term care workers and provides long-term care services in China.

The Health Care segment sells health care products as services not covered by institutional services, and also provides a housekeeping service, a care staff dispatching service, produces and sells flowers, plants, seeds and seedlings, operates and manages sightseeing facilities, and breeds and sells pet dogs. The Group also cultivates housekeepers, provides housekeeping services, and sells sanitary goods in China.

The Education segment provides language education to meet the needs of a wide range of age groups, through activities such as the provision of one-on-one English conversation lessons by GABA Corporation, the expansion of COCO Juku and COCO Juku Junior group lessons, and the development of an overseas study support system.

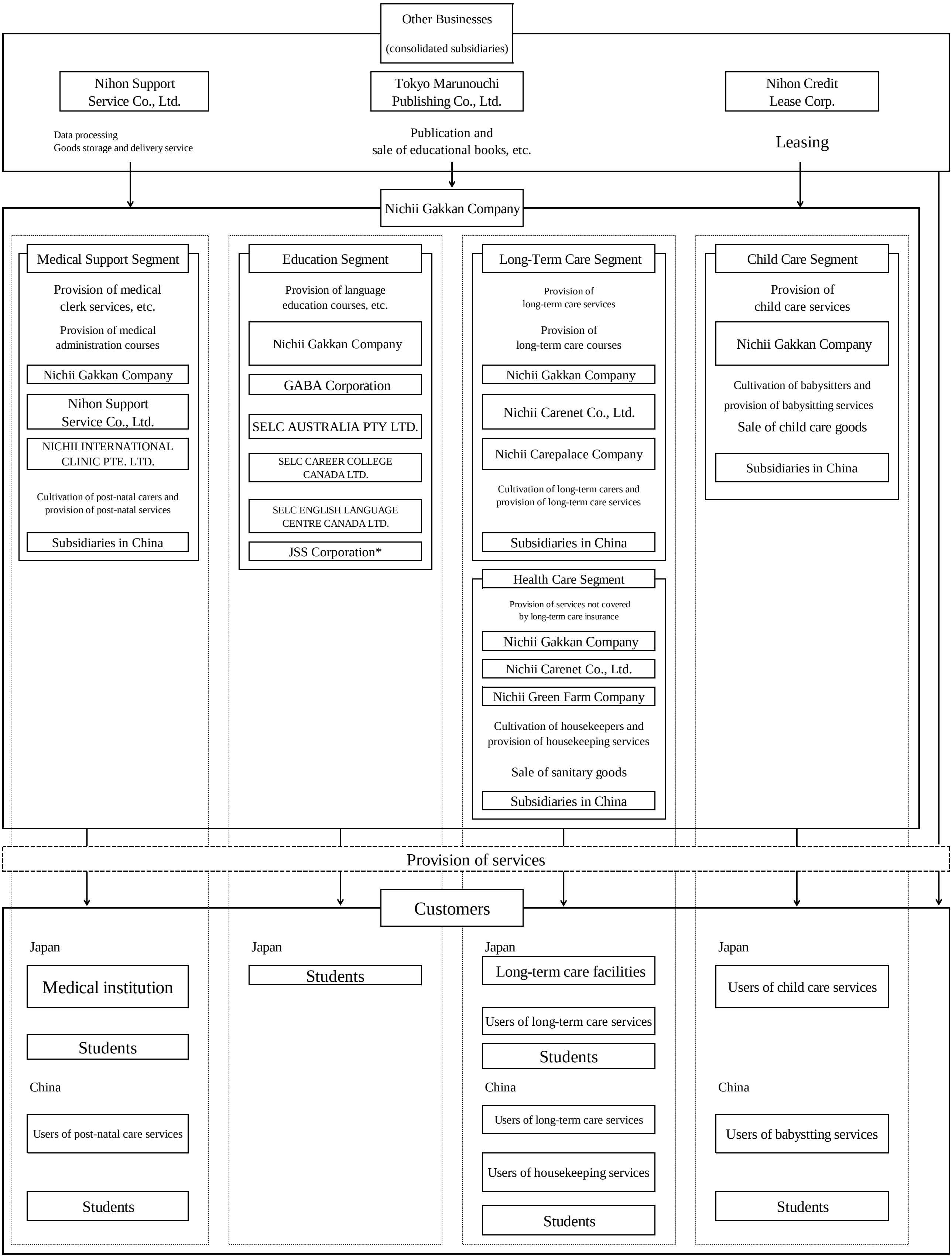
The Child Care segment provides a range of services including the operation of in-hospital child care centers and the operation of directly managed in-company child care centers. It also cultivates human resources for child care, provides child care services and sells child care goods in China.

In addition, the Group, primarily subsidiaries, offers data processing, stores and delivers goods, publishes and sells books, and engages in leasing.

The table below shows the main services and products in each business category of the Group and the main companies that provide those services and products. These business categories are roughly the same as business segments.

Segments	Principal Businesses/Products	Principal Companies
Medical Support	Medical practice services such as reception, medical fee claims, accounting, computer operations, and medical record management; sale, disinfection and sterilization services (inside the hospital) for medical equipment; medical affairs consulting; operation, etc. of clinics in Singapore; provision of courses in medical administration; cultivation of post-natal care workers and provision of post-natal care services in China	Nichii Gakkan Company Nihon Support Service Co., Ltd. NICHII INTERNATIONAL CLINIC PTE. LTD. Subsidiaries in China
Long-Term Care	Home-care support (creation of care plan); home-visit care; home-visit bathing; home-visit nursing care; day care; care service for specified facility residents; care for group home residents with dementia; sale and rental of welfare equipment; welfare services for the disabled; provision of training for newly appointed long-term care workers and training for experienced certified care workers; cultivation of long-term care workers and provision of long-term care services in China	Nichii Gakkan Company Nichii Carenet Co., Ltd. Nichii Carepalace Company Subsidiaries in China
Health Care	Sales of health care products; housekeeping service; care staff dispatching service; production and sale of flowers, plants, seeds and seedlings; operation and management of sightseeing facilities; breeding and sale of pet dogs; cultivation of housekeepers, provision housekeeping	Nichii Gakkan Company Nichii Carenet Co., Ltd. Nichii Green Farm Company Subsidiaries in China

	services, and sale of sanitary goods in China	
Education	English conversation schools; operation of members' sports clubs, focused on swimming schools	Nichii Gakkan Company GABA Corporation SELC AUSTRALIA PTY LTD. SELC ENGLISH LANGUAGE CENTRE CANADA LTD. SELC CAREER COLLEGE CANADA LTD. JSS Corporation
Child Care	Operation of in-hospital child care centers; operation of directly managed in-company child care centers; provision of hobby courses and educational courses; cultivation of human resources for child care, provision of child care services and sale of child care goods in China	Nichii Gakkan Company Subsidiaries in China
Other	Data processing; goods storage and delivery service; publication and sale of books; leasing	Nihon Support Service Co., Ltd. Tokyo Marunouchi Publishing Co., Ltd. Nihon Credit Lease Corp.



Note: Asterisk indicates equity-method affiliate

(For reference)

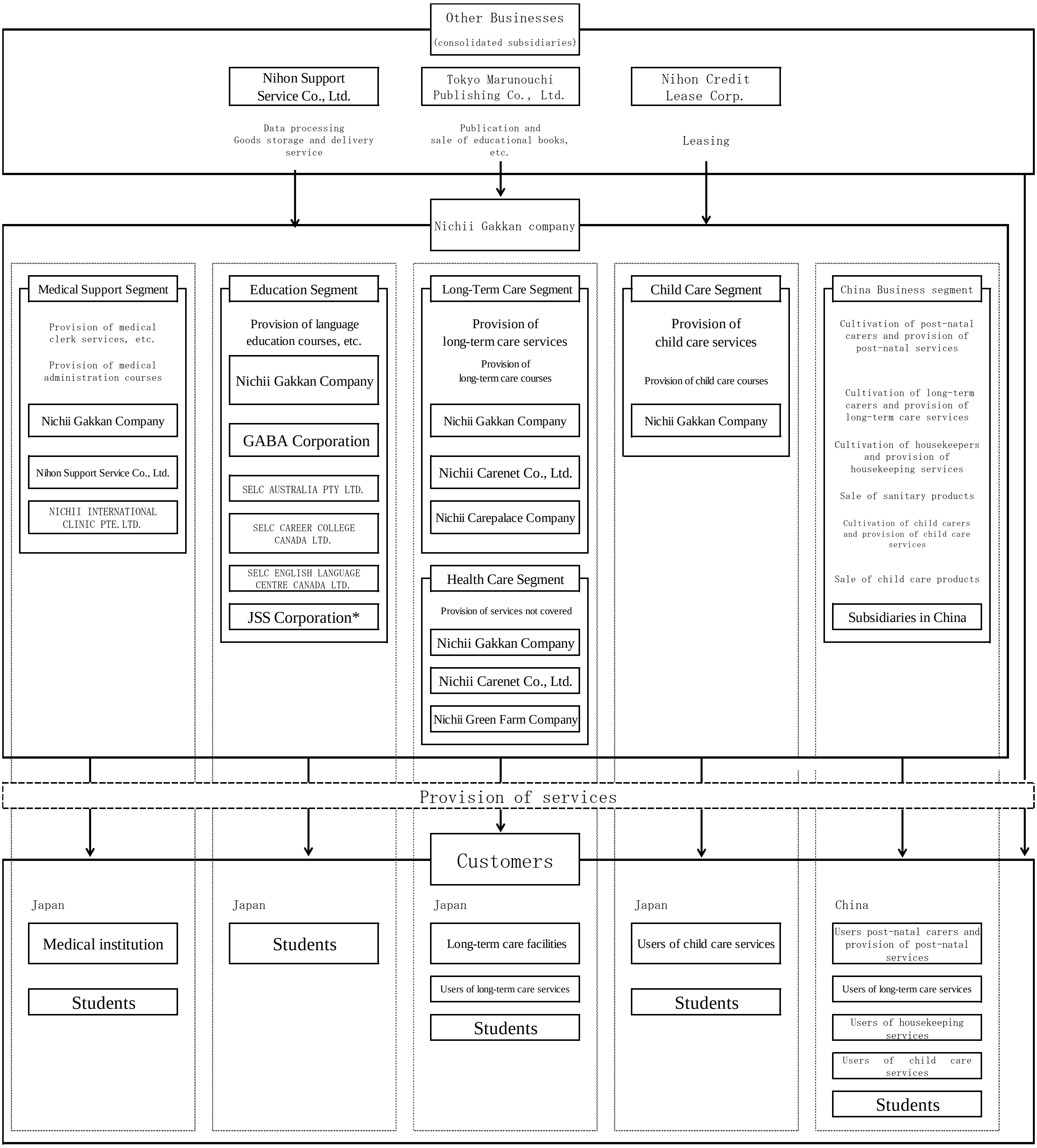
In the fiscal year ending March 31, 2017, the Group will change its reportable segments as follows.

・The China business will be separated from each segment to form a separate segment called the China Business Segment.

・Child care courses (babysitting courses, etc.) will be transferred from the Education Segment to the Child Care Segment.

The table below shows the main services and products in each business category and the positioning of each business.

Segments	Principal Businesses/Products	Principal Companies
Medical Support	Medical practice services such as reception, medical fee claims, accounting, computer operations, and medical record management; sale, disinfection and sterilization services (inside the hospital) for medical equipment; medical affairs consulting; operation, etc. of clinics in Singapore; provision of courses in medical administration	Nichii Gakkan Company Nihon Support Service Co., Ltd. NICHII INTERNATIONAL CLINIC PTE. LTD.
Long-Term Care	Home-care support (creation of care plan); home-visit care; home-visit bathing; home-visit nursing care; day care; care service for specified facility residents; care for group home residents with dementia; sale and rental of welfare equipment; welfare services for the disabled; provision of training for newly appointed long-term care workers and training for experienced certified care workers	Nichii Gakkan Company Nichii Carenet Co., Ltd. Nichii Carepalace Company
Health Care	Sales of health care products; housekeeping service; care staff dispatching service; production and sale of flowers, plants, seeds and seedlings; operation and management of sightseeing facilities; breeding and sale of pet dogs	Nichii Gakkan Company Nichii Carenet Co., Ltd. Nichii Green Farm Company
Education	English conversation schools; operation of members' sports clubs, focused on swimming schools	Nichii Gakkan Company GABA Corporation SELC AUSTRALIA PTY LTD. SELC ENGLISH LANGUAGE CENTRE CANADA LTD. SELC CAREER COLLEGE CANADA LTD. JSS Corporation
Child Care	Operation of in-hospital child care centers; operation of directly managed in-company child care centers; provision of babysitting courses	Nichii Gakkan Company
China Business	Involvement in a wide range of business activities in China including cultivation of post-natal carers and provision of post-natal services, cultivation of long-term carers and provision of long-term care services, cultivation of housekeepers and provision of housekeeping services, sale of sanitary products, cultivation of child carers and provision of child care services, sale of child care products	Subsidiaries in China
Other	Data processing, goods storage and delivery service, publication and sale of books, lease business, etc.	Nihon Support Service Co., Ltd. Tokyo Marunouchi Publishing Co., Ltd. Nihon Credit Lease Corp.



Note: Asterisk indicates equity-method affiliate

3. Management principles

3. Management principles

(1) Basic policies

Since its foundation, the Nichii Group has made "Integrity, Honor, Passion" its unwavering principles and has conducted business activities in line with its management philosophy of "helping people live healthy happier lives."

To put these principles and philosophy into practice, we are endeavoring to create employment in regional communities, make full use of human resources, and provide care services, under the brand slogan "Making kindness our strength." We are also focusing on cooperation between the various services and the global scale-up of our operations.

By continuing to uphold this same basic philosophy and working together to achieve our goals with a shared vision, we aim to become a company that can meet the expectations of stakeholders and contribute to the progress and development of society and a company that is trusted and chosen by society.

(2) Management goals

The Group aims to achieve the following three management indicators:

1) Year-on-year sales growth: double-digit growth

2) Operating margin: 7% or more

3) ROE: Aim to achieve a ROE of between 8% and 15%

(3) Mid- to long-term strategies and issues to be addressed

The business environment surrounding the Company is characterized by prioritization under healthcare and long-term care insurance plans and improvement of efficiency to curb the constantly expanding cost of social security benefits. Furthermore, in the medical, long-term care and child care sectors, it is difficult to secure human resources as result of decline in the working population, and complex, efficient operations with businesses and services complementing each other more than ever before are required.

The Nichii Group plans to push ahead with the development of the service provision structure in core businesses (Medical Support, Long-term Care and Child Care) thereby helping develop infrastructure in regional communities, and plans to translate this into improvement in its social value as a company.

At the same time, the Group aims to maximize its economic value and achieve dramatic growth by strengthening profitability through the expansion of its strategic language education and health care businesses and globalization (China business).

(4) Issues to be addressed

(Securing human resources)

To be sure of securing the human resources for medical, long-term care and child care businesses, the Group will focus on areas such as stepping up approaches to students attending courses until their employment, strengthening training systems, and improving the workplace environment, thus seeking to promote the employment of those who have completed courses and improve employee satisfaction.

Each branch company will oversee information about human resources within the area of their jurisdiction, strengthen business frontline systems and allocate human resources across a wide area on the basis of right-person-in-the-right-place.

For its strategic language education and health care businesses, the Group will endeavor to steadily secure human resources and build a solid base for cultivating human resources through the early establishment of routes for the recruitment of human resources from a global perspective and other initiatives.

(Achieving early improvement in the profitability of language education business)

Since making GABA Corporation a subsidiary in 2011, the Nichii Group has made strategic investments to build a language education network that meets a wide range of needs, including starting up COCO Juku and COCO Juku Junior (including franchising), making SELC (Sydney, Canada) a subsidiary, establishing SELC Manilla, establishing YORK Global Study Center, and opening the NYU School of Professional Studies American Language Institute (ALI) Tokyo Center.

From April this year, the Group assigned managers to all 80 of its COCO Juku schools in a bid to strengthen management. The Group also began offering online English language conversation in cooperation with SELC Manilla. By introducing online English conversation, the Group will further develop students attending courses in all walks of life, ranging from busy business people to the general public who want readily available lessons, and will leverage online lessons to effectively promote courses at COCO Juku and COCO Juku Junior.

(Establishing a regional management system)

The services offered by the Company are services that are deeply rooted in people and must meet the needs of individuals and the demands of regional communities through integration of every aspect, from the cultivation of human resources to service provision systems in each region. Accordingly, the Group will strengthen its nationwide branch management systems and implement the optimal business strategies for each region in all respects, from the utilization of human resources to the provision of services that meet community needs.

In Japan, the Group will strengthen business operation systems at branches and on the front line under a focused management execution system with executive officers assigned to branches nationwide, concentrating on the speedy utilization of human resources in line with regional conditions, the development of human resources capable of meeting individual needs, and the reconstruction of service management and operation systems.

In China, the Group will strengthen the business operation system, focusing on the management of each local service provider. The Group will also seek to differentiate itself from its competitors in terms of scale by pushing ahead with the rapid expansion (scaling-up) of its operations through the early establishment of a matching system for the cultivation of staff and provision of services (Nichii Operation System) in each region.

(Strengthening core businesses and promoting cooperation between businesses)

While the Medical Support, Long-term Care and Child Care businesses, which are the Group's core businesses, are businesses with a very strong social nature, embodying the brand slogan of "Making kindness our strength," they are influenced by external factors such as government policies and systems, and the stabilization of profitability is, therefore, an issue to be addressed.

The Group will, therefore, seek to establish a business profit model that can adapt to system change by pursuing service quality, expanding service areas and improving operation functions. In Japan, a country responding to a falling birth rate, aging population and globalization, the Nichii Group will promote cooperation between businesses (medical, long-term care, child care, health care, language education) and seek geographical cooperation, for example, between Japan and China, thus contributing to the development of Japan's social security sector while pursuing the creation of added value and expansion in business scale.

(5) Other significant matters for management

There are no applicable matters.

4. Basic Approach to Selection of Accounting Standards

The Nichii Group adopts Japanese accounting standards to ensure comparability of financial statements between companies and periods, and prepares its consolidated financial statements in accordance with Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapter 7 and Chapter 8) (Finance Ministry Ordinance No. 28 of 1976).

We will examine the adoption of international financial reporting standards in light of the situation both inside and outside of Japan.

5. Consolidated financial statements

(1) Consolidated balance sheets

(Thousand yen)

	Fiscal 2015 (As of March 31, 2015)	Fiscal 2016 (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	9,676,856	13,530,688
Notes and accounts receivable—trade	32,967,460	32,803,595
Short-term investment securities	2,699,192	3,020,964
Merchandise and finished goods	536,475	1,037,203
Work in progress	36,544	13,335
Raw materials and supplies	219,948	205,143
Deferred tax assets	2,427,270	1,477,876
Other	11,157,583	11,178,378
Less: allowance for doubtful accounts	(27,572)	(85,387)
Total current assets	59,693,759	63,181,798
Fixed assets		
Property, plant and equipment		
Buildings and structures	53,903,041	51,585,011
Accumulated depreciation	(25,509,323)	(27,584,443)
Buildings and structures—net	28,393,717	24,000,568
Machinery, equipment and vehicles	86,622	89,085
Accumulated depreciation	(83,161)	(74,257)
Machinery, equipment and vehicles—net	3,460	14,828
Tools, furniture and fixtures	*2 4,569,346	4,531,686
Accumulated depreciation	(3,371,089)	(3,632,140)
Tools, furniture and fixtures—net	1,198,256	899,545
Land	8,163,254	8,157,252
Lease assets	39,320,846	45,584,267
Accumulated depreciation	(4,687,647)	(6,276,345)
Lease assets—net	34,633,198	39,307,921
Construction in progress	590,285	878,358
Total property, plant and equipment	72,982,173	73,258,475
Intangible assets		
Goodwill	16,584,638	15,776,886
Software	2,244,111	2,577,303
Software in progress	1,506,446	2,253,761
Lease assets	225,680	221,353
Other	206,446	193,646
Total intangible assets	20,767,324	21,022,951

(Thousand yen)

	Fiscal 2015 (As of March 31, 2015)	Fiscal 2016 (As of March 31, 2016)
Investments and other assets		
Investment securities	2,916,228	2,281,430
Long-term loans receivable	8,116,797	8,442,236
Long-term prepaid expenses	2,512,314	2,545,462
Guarantee deposits	13,077,561	13,053,827
Deferred tax assets	2,913,933	518,006
Other	1,970,790	741,536
Allowance for investment loss	-	(140,000)
Less: allowance for doubtful accounts	(396,100)	(735,588)
Total investments and other assets	31,111,525	26,706,911
Total fixed assets	124,861,023	120,988,337
Total assets	184,554,782	184,170,136
Liabilities		
Current liabilities		
Notes and accounts payable—trade	899,695	884,520
Short-term loans payable	1,943,712	20,307,461
Current portion of long term loans payable	8,953,071	4,444,089
Lease obligations	1,302,049	1,358,392
Income taxes payable	1,024,196	1,199,674
Accrued consumption taxes	3,594,420	1,496,584
Accrued expenses	15,858,530	16,300,768
Advances received	10,676,085	11,206,334
Deferred tax liabilities	-	1,468
Provision for bonuses	5,058,440	4,892,578
Provision for directors' bonuses	39,700	38,000
Other	5,144,723	6,041,741
Total current liabilities	54,494,625	68,171,614
Non-current liabilities		
Long-term loans payable	23,987,773	19,548,389
Lease obligations	36,165,228	43,399,237
Long-term advances received	2,896,955	3,248,604
Deferred tax liabilities	516	377,666
Provision for directors' retirement benefits	166,513	-
Asset retirement obligations	2,242,411	2,308,169
Net defined benefit liability	6,209,067	7,015,433
Other	1,706,465	1,999,142
Total non-current liabilities	73,374,932	77,896,643
Total liabilities	127,869,558	146,068,258

(Thousand yen)

	Fiscal 2015 (As of March 31, 2015)	Fiscal 2016 (As of March 31, 2016)
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	19,635,508
Treasury stock, at cost	(9,921,957)	(11,377,668)
Total shareholders' equity	56,765,561	37,545,845
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,479	12,815
Foreign currency translation adjustments	69,069	333,133
Remeasurements of defined benefit plans	(522,886)	(1,022,986)
Total accumulated other comprehensive income	(432,337)	(677,038)
Stock acquisition rights	-	511,733
Non-controlling interests	352,000	721,337
Total net assets	56,685,224	38,101,877
Total liabilities and net assets	184,554,782	184,170,136

(2) Consolidated statements of income and comprehensive income

(Consolidated statements of income)

(Thousand yen)

	Fiscal 2015 (from April 1, 2014 to March 31, 2015)	Fiscal 2016 (from April 1, 2015 to March 31, 2016)
Net sales	271,868,409	273,583,422
Cost of sales	217,721,410	223,872,201
Gross profit	54,146,999	49,711,220
Selling, general and administrative expenses		
Advertising and promotion expenses	6,377,257	6,315,391
Directors' compensation	182,361	169,358
Salaries and benefits	18,315,059	18,887,041
Provision for employee bonuses	1,252,937	1,166,308
Provision for directors' bonuses	39,700	38,000
Provision for directors' retirement benefits	7,961	-
Provision for employee retirement benefits	452,476	549,617
Stock-based compensation expenses	-	28,534
Legal welfare expenses	3,211,670	3,304,586
Travel and transportation expenses	1,691,315	1,653,906
Rent expenses	3,194,422	3,288,174
Provision of allowance for doubtful accounts	5,257	10,299
Depreciation and amortization	1,736,949	1,353,246
Amortization of goodwill	1,846,949	2,141,812
Other	10,659,247	11,590,309
Total selling, general and administrative expenses	48,973,567	50,496,590
Operating income (loss)	5,173,432	(785,369)
Non-operating income		
Interest income	157,596	169,256
Rent income	211,210	220,968
Subsidy income	96,939	340,101
Incentive income	108,832	106,349
Share of profit of entities accounted for using equity method	10,801	41,349
Other	333,512	270,480
Total non-operating income	918,893	1,148,505
Non-operating expenses		
Interest expenses	2,740,804	3,456,218
Rent expenses	62,526	59,065
Other	144,194	477,447
Total non-operating expenses	2,947,525	3,992,731
Ordinary income (loss)	3,144,800	(3,629,594)
Extraordinary income		
Gain on sales of investment securities	5,042	-
Total extraordinary income	5,042	-

(Thousand yen)

	Fiscal 2015 (from April 1, 2014 to March 31, 2015)	Fiscal 2016 (from April 1, 2015 to March 31, 2016)
Extraordinary losses		
Loss on retirement of property, plant and equipment, net	20,036	23,451
Loss on sales of property, plant and equipment, net	2,134	547
Loss on valuation of shares of subsidiaries and associates	24,062	701,999
Provision of allowance for doubtful accounts	-	408,463
Impairment loss	72,740	5,718,710
Other	5,531	744,905
Total extraordinary losses	124,505	7,598,078
Net income (loss) before taxes	3,025,337	(11,227,673)
Income taxes—current	2,246,672	1,309,512
Income taxes—deferred	330,699	3,573,033
Total income taxes	2,577,372	4,882,545
Net income (loss)	447,964	(16,110,218)
Profit (loss) attributable to non-controlling interests	31,926	(114,286)
Profit (loss) attributable to owners of parent	416,037	(15,995,932)

(Consolidated statements of comprehensive income)

(Thousand yen)

	Fiscal 2015 (from April 1, 2014 to March 31, 2015)	Fiscal 2016 (from April 1, 2015 to March 31, 2016)
Net income	447,964	(16,110,218)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,558)	(8,663)
Foreign currency translation adjustments	10,103	247,374
Remeasurements of defined benefit plans, net of tax	(190,016)	(500,100)
Total other comprehensive income	(183,471)	(261,389)
Comprehensive income	264,492	(16,371,608)
Comprehensive income attributable to:		
Owners of parent	232,566	(16,240,632)
Comprehensive income attributable to non-controlling interests	31,926	(130,975)

(3) Consolidated statements of changes in net assets
Fiscal 2015 (from April 1, 2014 to March 31, 2015)

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available for-sale securities
Balance at the beginning of the period	11,933,790	17,354,214	38,335,223	(5,374,688)	62,248,540	25,037
Cumulative effects of changes in accounting policies			96,902		96,902	
Restated balance	11,933,790	17,354,214	38,432,126	(5,374,688)	62,345,443	25,037
Changes of items during the period						
Dividends from retained earnings			(1,397,676)		(1,397,676)	
Profit (loss) attributable to owners of parent			416,037		416,037	
Purchase of treasury stock				(4,547,351)	(4,547,351)	
Disposal of treasury stock			(27)	82	54	
Change of scope of consolidation			(50,947)		(50,947)	
Changes other than shareholders' equity during the period (net)						(3,558)
Total changes of items during the period	-	-	(1,032,613)	(4,547,268)	(5,579,881)	(3,558)
Balance at the end of the period	11,933,790	17,354,214	37,399,513	(9,921,957)	56,765,561	21,479

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	58,966	(332,870)	(248,866)	-	327,574	62,327,248
Cumulative effects of changes in accounting policies						96,902
Restated balance	58,966	(332,870)	(248,866)	-	327,574	62,424,151
Changes of items during the period						
Dividends from retained earnings						(1,397,676)
Profit (loss) attributable to owners of parent						416,037
Purchase of treasury stock						(4,547,351)
Disposal of treasury stock						54
Change of scope of consolidation						(50,947)
Changes other than shareholders' equity during the period (net)	10,103	(190,016)	(183,471)	-	24,426	(159,044)
Total changes of items during the period	10,103	(190,016)	(183,471)	-	24,426	(5,738,926)
Balance at the end of the period	69,069	(522,886)	(432,337)	-	352,000	56,685,224

Fiscal 2016 (from April 1, 2015 to March 31, 2016)

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available for-sale securities
Balance at the beginning of the period	11,933,790	17,354,214	37,399,513	(9,921,957)	56,765,561	21,479
Cumulative effects of changes in accounting policies					-	
Restated balance	11,933,790	17,354,214	37,399,513	(9,921,957)	56,765,561	21,479
Changes of items during the period						
Dividends from retained earnings			(1,361,086)		(1,361,086)	
Profit (loss) attributable to owners of parent			(15,995,932)		(15,995,932)	
Purchase of treasury stock				(1,455,863)	(1,455,863)	
Disposal of treasury stock			(26)	152	125	
Change of scope of consolidation			(406,959)		(406,959)	
Changes other than shareholders' equity during the period (net)						(8,663)
Total changes of items during the period	-	-	(17,764,004)	(1,455,711)	(19,219,715)	(8,663)
Balance at the end of the period	11,933,790	17,354,214	19,635,508	(11,377,668)	37,545,845	12,815

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	69,069	(522,886)	(432,337)	-	352,000	56,685,224
Cumulative effects of changes in accounting policies						-
Restated balance	69,069	(522,886)	(432,337)	-	352,000	56,685,224
Changes of items during the period						
Dividends from retained earnings						(1,361,086)
Profit (loss) attributable to owners of parent						(15,995,932)
Purchase of treasury stock						(1,455,863)
Disposal of treasury stock						125
Change of scope of consolidation						(406,959)
Changes other than shareholders' equity during the period (net)	264,063	(500,100)	(244,700)	511,733	369,336	636,369
Total changes of items during the period	264,063	(500,100)	(244,700)	511,733	369,336	(18,583,346)
Balance at the end of the period	333,133	(1,022,986)	(677,038)	511,733	721,337	38,101,877

(4) Consolidated statements of cash flows

(Thousand yen)

	Fiscal 2015 (from April 1, 2014 to March 31, 2015)	Fiscal 2016 (from April 1, 2015 to March 31, 2016)
Cash flows from operating activities:		
Income before income taxes	3,025,337	(11,227,673)
Depreciation and amortization	6,062,982	5,945,753
Amortization of goodwill	1,846,949	2,141,812
Impairment loss	72,740	5,718,710
Increase (decrease) in provision for directors' retirement benefits	(1,271)	(166,513)
Increase (decrease) in provision for bonuses	(33,925)	(165,861)
Increase (decrease(in provision for directors' bonuses	-	(1,700)
Increase (decrease) in allowance for doubtful accounts	(14,306)	397,303
Increase (decrease) in provision for loss on store closing	(8,284)	-
Increase (decrease) in net defined benefit liability	268,231	461,780
Increase (decrease) in allowance for investment loss	-	140,000
Interest and dividends income	(161,729)	(170,988)
Interest expenses	2,740,804	3,456,218
Share of (profit) loss of entities accounted for using equity method	(10,801)	(41,349)
(Gain) loss on sales of investment securities	(5,042)	-
Loss on valuation of shares of subsidiaries and associates	24,062	701,999
Loss on retirement of property, plant and equipment, net	20,036	23,451
(Gain) loss on sales of property, plant and equipment, net	2,134	547
Stock-based compensation expenses	-	360,903
(Increase) decrease in notes and accounts receivable-trade	(763,473)	173,457
(Increase) decrease in inventories	161,165	(478,476)
(Increase) decrease in other current assets	(236,320)	(643,033)
Decrease (increase) in claims provable in bankruptcies	5,562	11,075
(Increase) decrease in other fixed assets	239,090	80,165
Increase (decrease) in notes and accounts payable—trade	35,327	(24,123)
Increase (decrease) in accrued consumption taxes	2,712,696	(2,097,807)
Increase (decrease) in other current liabilities	(159,448)	1,894,571
Increase (decrease) in other non-current liabilities	163,663	596,544
Other, net	30,065	910,159
Sub-total	16,016,246	7,996,928
Interest and dividends income received	46,436	41,574
Proceeds from dividend income from entities accounted for using equity method	2,500	6,250
Interest expenses paid	(2,740,490)	(3,456,334)
Income taxes paid	(2,695,564)	(2,041,494)
Net cash provided by operating activities	10,629,128	2,546,924

(Thousand yen)

	Fiscal 2015 (from April 1, 2014 to March 31, 2015)	Fiscal 2016 (from April 1, 2015 to March 31, 2016)
Cash flows from investing activities:		
Payments into time deposits	(1,008,000)	(799,844)
Proceeds from withdrawal of time deposits	808,000	1,499,844
Purchase of short-term investment securities	(2,198,508)	(1,520,837)
Proceeds from sales of short-term investment securities	2,700,000	1,700,000
Purchase of property, plant and equipment	(1,748,377)	(2,046,714)
Proceeds from sales of property, plant and equipment	1,162	486
Purchase of intangible assets	(1,623,016)	(1,791,095)
Purchase of investment securities	(1,009,776)	(1,005,610)
Proceeds from sales of investment securities	607,538	-
Purchase of stocks of subsidiaries and affiliates	(531,163)	-
Purchase of investments in subsidiaries and affiliates	(744,077)	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(1,394,781)
Payments of loans receivable	(2,978,775)	(1,566,380)
Collection of loans receivable	152,873	668,814
Payments for guarantee deposits	(608,434)	(589,923)
Proceeds from collection of guarantee deposits	392,096	600,873
Subsidy income	177,039	310,418
Other, net	(474,032)	(315,311)
Net cash used in investing activities	(8,085,450)	(6,250,061)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(2,069,915)	18,338,627
Proceeds from long-term loans payable	16,000,000	-
Repayment of long-term loans payable	(9,735,750)	(8,813,574)
Proceeds from sales of treasury stock	54	125
Purchase of treasury stock	(4,547,351)	(1,455,863)
Cash dividends paid by parent company	(1,396,663)	(1,360,387)
Dividends paid to non-controlling interests	(7,500)	(9,600)
Repayments of lease obligations	(1,278,973)	(1,262,905)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	-	(48,532)
Other, net	(162,253)	(6,013)
Net cash provided by (used in) financing activities	(3,198,352)	5,381,875
Effect of exchange rate changes on cash and cash equivalents	(5,133)	(20,018)
Net increase (decrease) in cash and cash equivalents	(659,807)	1,658,720
Cash and cash equivalents at beginning of year	10,439,653	9,821,045
Increase in cash and cash equivalents from newly consolidated subsidiary	41,199	2,893,394
Cash and cash equivalents at end of year	9,821,045	14,373,159