

NICHII GAKKAN COMPANY

Financial Results Briefing Document

for the Fiscal Year Ended March 31, 2016

May 17, 2016

Overview of Financial Results for Fiscal Year Ended March 31, 2016

Financial Results Highlights

(Unit: million yen)

	FY2015.3	FY2016.3		
	Amount	Amount (Forecast)	Amount	yoy (%)
Net Sales	271,868	275,500	273,583	0.6%
Operating Income	5,173	200	▲ 785	-
%	1.9%	0.1%	▲ 0.3%	-
Ordinary Income	3,144	▲ 2,400	▲ 3,629	-
%	1.2%	▲ 0.9%	▲ 1.3%	-
Net income attributable to owners of parent	416	▲ 3,500	▲ 15,995	-
%	0.2%	▲ 1.3%	▲ 5.8%	-

※ For the forecast, using the announcement numerical Value November 10, 2015

Overview of Financial Results for Fiscal Year Ended March 31, 2016

Net sales hit record high. Net income fell sharply mainly due to recognition of impairment loss.

(i) In addition to the medical support segment, new businesses (language education, childcare, China) contributed to sales. Net sales hit record high for the 8th consecutive fiscal year.

- Net sales: 273,583 million yen (up 1,715 million yen YoY)
- Childcare business - Net sales: 3,382 million yen (up 1,153 million yen YoY);
Number of new child care center openings: 14
- Education business – Net sales: 13,053 million yen (up 788 million yen);
Number of COCO Juku attending students: 11,811 (up 4,099 YoY)

(ii) Decline in profitability mainly due to impact of revision of nursing care compensation, and delay in hiring staff

- Operating loss: 785 million yen (down 5,958 million yen of operating income YoY)

(iii) Sharp drop in net income as a result of recognition of impairment loss and reversal of deferred tax assets

- Recognition of impairment loss: 5,718 million yen; reversal of deferred tax assets: 4,318 million yen
- Net loss: 15,995 million yen (down 16,411 million yen of net income YoY)

Consolidated Net Sales and Operating Income by Segment

(Unit: million yen)

Net Sales	FY2015.3	FY2016.3	yoy (%)
Medical Support	108,378	108,789	0.4%
Long-term care	144,987	143,041	▲ 1.3%
Health Care	4,402	4,057	▲ 7.8%
Education	12,265	13,053	6.4%
Child Care	2,228	3,382	51.8%
Other	1,336	2,541	90.2%
Elimination	▲ 1,730	▲ 1,282	-
Total	271,868	273,583	0.6%

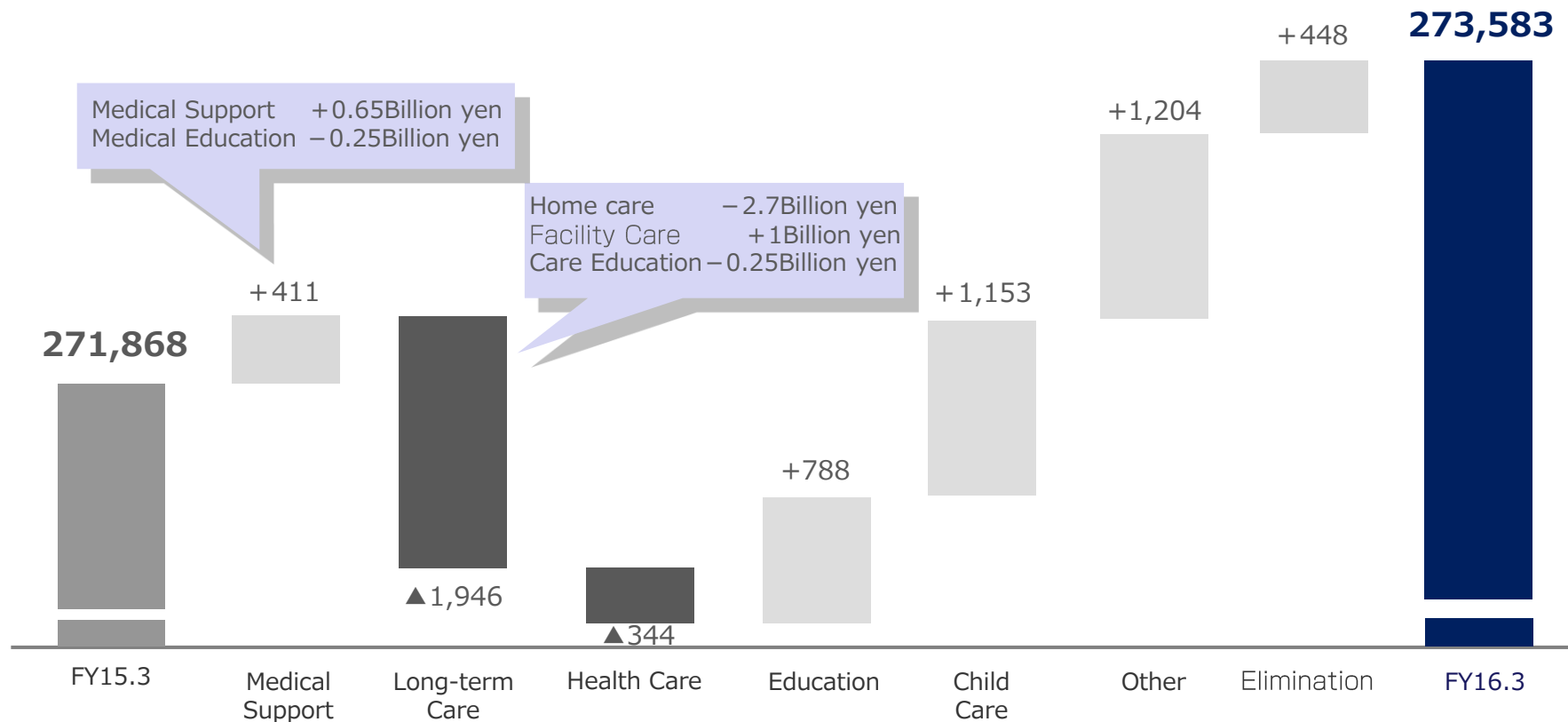
(Unit: million yen)

Operating income	FY2015.3	FY2016.3	yoy (%)
Medical Support	8,039	7,605	▲ 5.4%
Long-term Care	11,546	6,694	▲ 42.0%
Health Care	234	556	-
Education	▲ 6,169	▲ 5,667	-
Child Care	▲ 706	▲ 954	-
Other	457	▲ 124	-
Elimination	8,229	▲ 8,894	-
Total	5,173	▲ 785	-

Major Changes in Net Sales

(Unit : million yen)

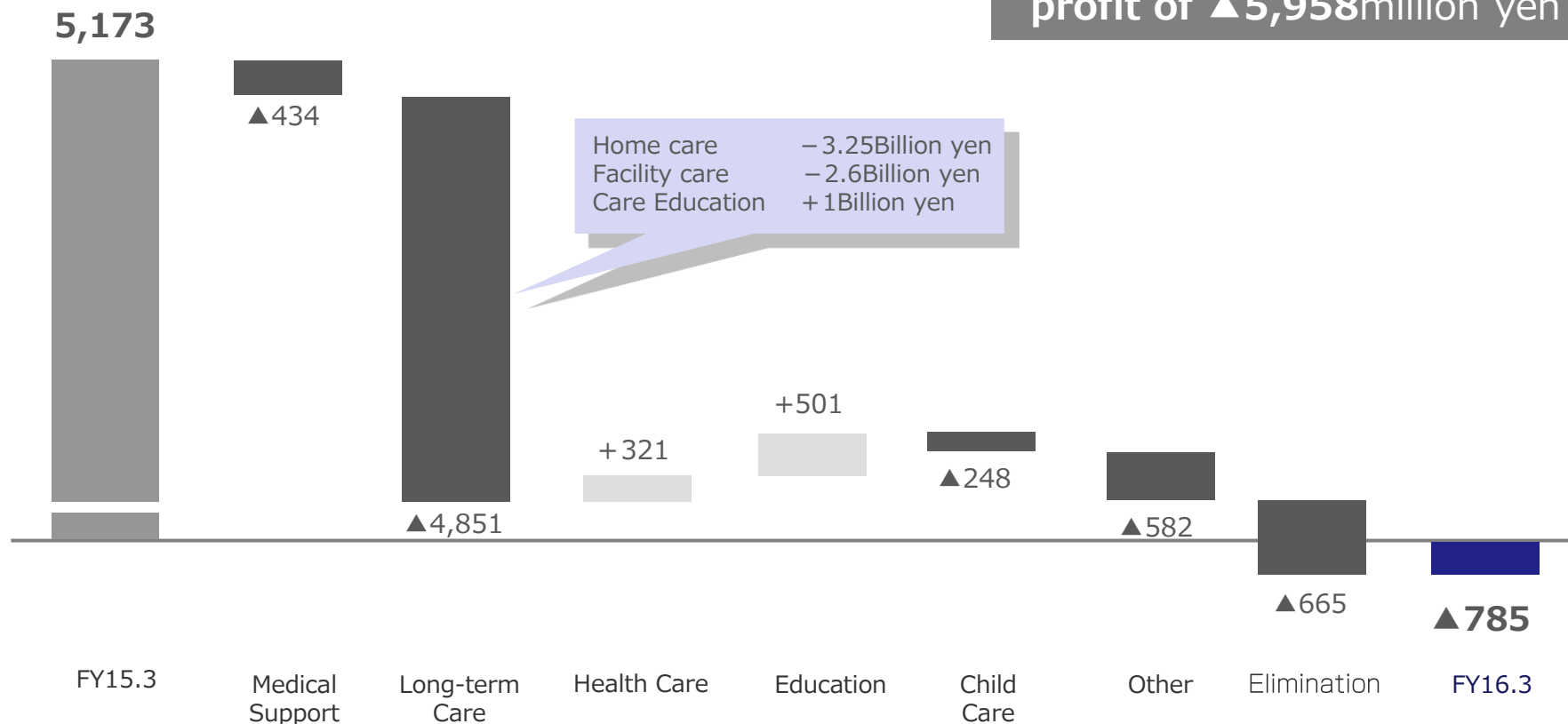
Year on year Increase in sales of +1,715 million yen



Major Changes in Operating Income

(Unit : million yen)

Year on year Decrease in profit of **▲5,958**million yen



Changes in Cash flow

(Unit : million yen)

	End of March 2015	End of March 2016	Difference
Cash flows from Operating activities	10,629	2,546	▲ 8,082
Cash flows from Investing activities	▲ 8,085	▲ 6,250	1,835
Cash flows from Financial activities	▲ 3,198	5,381	8,580
Free cash flow	2,543	▲ 3,703	▲ 6,246
Cash and cash equivalents at end of year	9,821	14,373	4,552

FY2017.3 Earnings Forecast

FY2017.3 Earnings Forecast

(Unit: million yen)

	FY2016.3	FY2017.3	
	Amount	Amount	yoy (%)
Net Sales	273,583	294,700	7.7%
Operating income	▲ 785	4,800	-
%	▲ 0.3%	1.6%	-
Ordinary income	▲ 3,629	1,300	-
%	▲ 1.3%	0.4%	-
Net income attributable to owners of parent	▲ 15,995	500	-
%	▲ 5.8%	0.2%	-

FY2017.3 Earnings Forecast by segment (Consolidated)

(Unit : million yen)

	FY2016.3				FY2017.3 (Forecast)			
	First Harf	Second Harf	Full year	Change	First Harf	Second Harf	Full year	Change
Medical support	54,396	54,391	108,787	0.4%	57,500	57,500	115,000	5.7%
Long-term care	71,768	71,272	143,040	▲ 1.3%	74,400	75,900	150,300	5.1%
Health care	1,949	2,113	4,062	▲ 7.7%	2,000	2,900	4,900	20.6%
Education	6,346	6,657	13,003	6.0%	6,800	8,800	15,600	20.0%
Child care	1,486	1,947	3,433	54.1%	2,300	2,800	5,100	48.6%
China	712	892	1,604	-	1,100	2,900	4,000	149.3%
Other	515	428	943	▲ 29.4%	500	500	1,000	6.0%
Elimination	▲ 600	▲ 691	▲ 1,291	-	▲ 600	▲ 600	▲ 1,200	-
Net Sales	136,575	137,008	273,583	0.6%	144,000	150,700	294,700	7.7%
Medical support	3,831	3,860	7,691	▲ 4.3%	4,000	4,100	8,100	5.3%
Long-term care	3,383	3,426	6,809	▲ 41.0%	4,300	4,500	8,800	29.2%
Health care	132	436	568	142.7%	200	600	800	40.8%
Education	▲ 2,862	▲ 2,815	▲ 5,677	-	▲ 2,800	▲ 800	▲ 3,600	-
Child care	▲ 460	▲ 423	▲ 883	-	▲ 400	▲ 100	▲ 500	-
China	▲ 410	▲ 623	▲ 1,033	-	▲ 700	▲ 200	▲ 900	-
Other	140	134	274	▲ 40.0%	200	100	300	9.3%
Elimination	▲ 4,227	▲ 4,306	▲ 8,533	-	▲ 4,200	▲ 4,000	▲ 8,200	-
Operating income	▲ 473	▲ 312	▲ 785	-	600	4,200	4,800	-
Ordinary income	▲ 1,701	▲ 1,928	▲ 3,629	-	▲ 1,100	2,400	1,300	-
Net Income	▲ 1,556	▲ 14,439	▲ 15,995	-	▲ 1,500	2,000	500	-

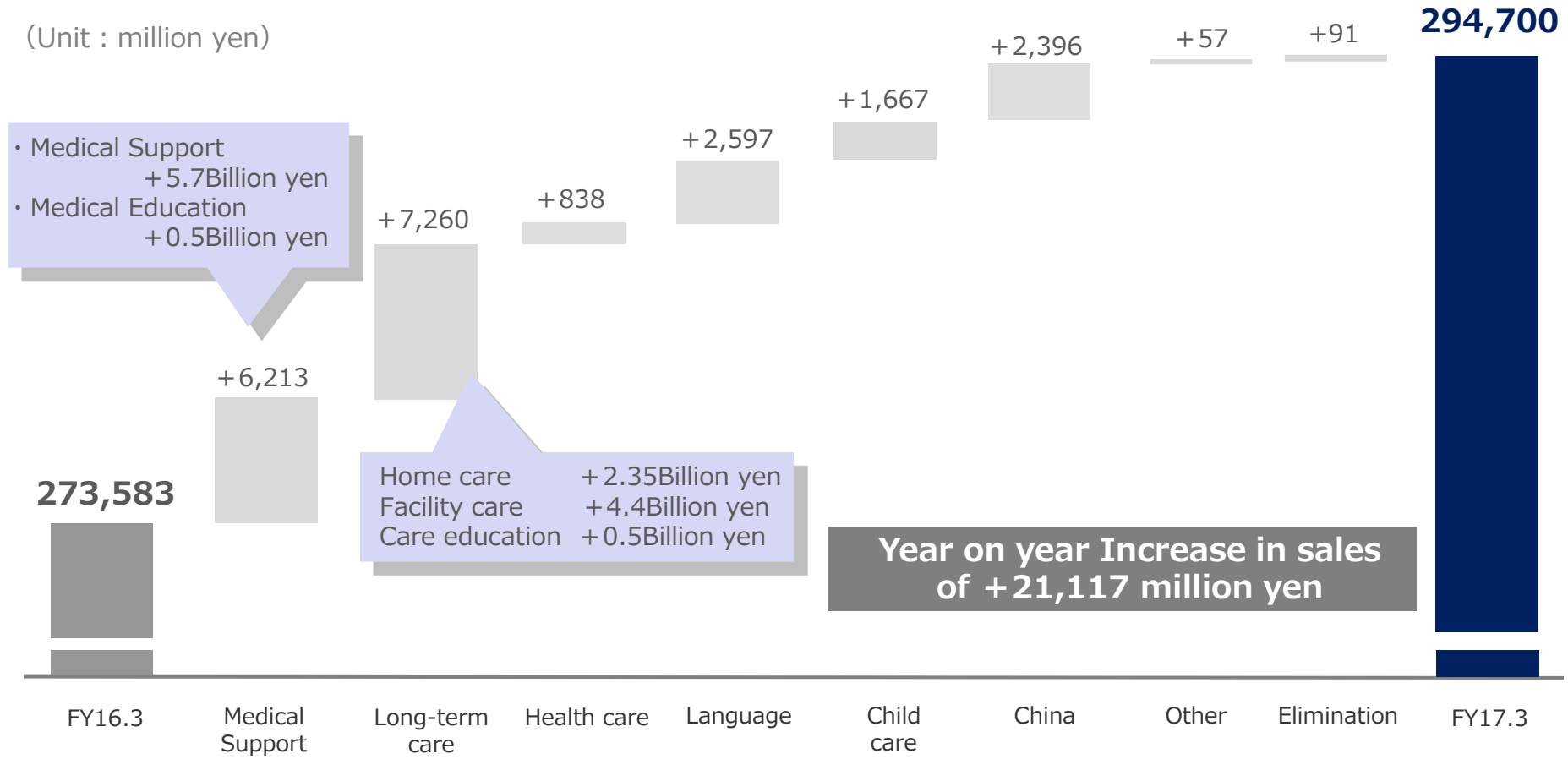
FY2017.3 Earnings Forecast by segment (Non-consolidated)

(Unit: million yen)

	FY2016.3				FY2017.3(Forecast)			
	First Harf	Second Harf	Full year	change	First Harf	Second Harf	Full year	change
Medical support	54,230	54,237	108,467	0.5%	57,300	57,200	114,500	5.6%
Long-term care	61,339	61,671	122,010	▲ 2.0%	63,000	63,500	126,500	3.7%
Health care	1,721	1,702	3,423	26.1%	1,750	2,450	4,200	22.7%
Education	794	807	1,601	12.5%	1,000	2,700	3,700	131.1%
Child care	1,459	1,924	3,383	51.8%	2,300	2,800	5,100	50.8%
Net sale	119,545	119,340	238,885	0.0%	125,350	128,650	254,000	6.3%
Medical support	1,943	1,931	3,874	▲ 11.8%	2,050	2,250	4,300	11.0%
Long-term care	1,088	813	1,901	▲ 68.0%	1,800	1,600	3,400	78.9%
Health care	193	227	420	▲ 13.8%	200	350	550	31.0%
Education	▲ 3,523	▲ 3,354	▲ 6,877	-	▲ 3,300	▲ 1,400	▲ 4,700	-
Child care	▲ 519	▲ 496	▲ 1,015	-	▲ 400	▲ 250	▲ 650	-
Operating income	▲ 818	▲ 879	▲ 1,697	-	350	2,550	2,900	-
Ordinary income	▲ 748	▲ 2,024	▲ 2,772	-	200	1,500	1,700	-
Net Income	▲ 926	▲ 15,767	▲ 16,693	-	50	1,650	1,700	-

FY2017.3 Earnings Forecast Major Changes in Net Sales

(Unit : million yen)

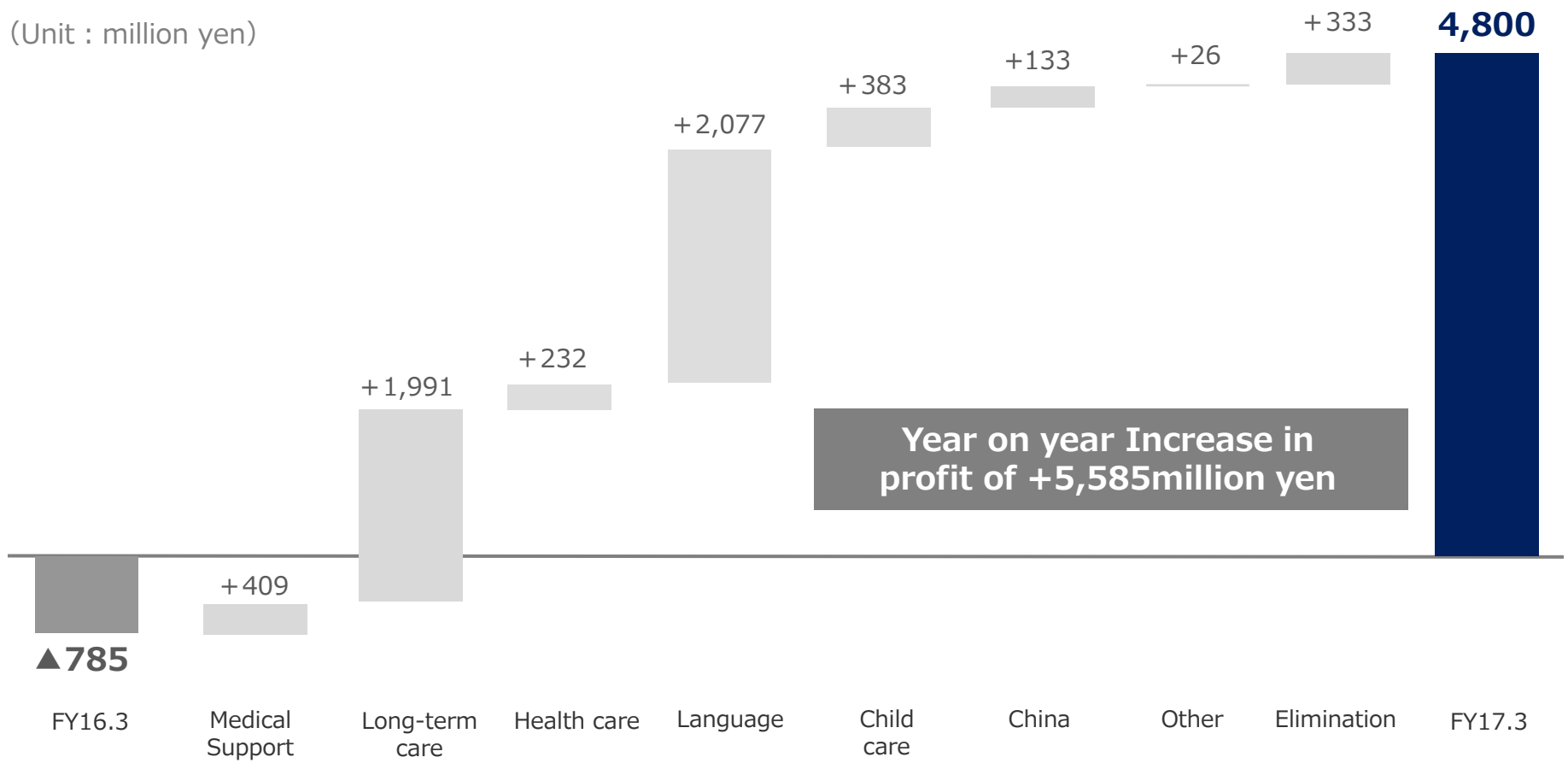


- Medical Support +5.7Billion yen
- Medical Education +0.5Billion yen

- Home care +2.35Billion yen
- Facility care +4.4Billion yen
- Care education +0.5Billion yen

FY2017.3 Earnings Forecast Major Changes in Operating Income

(Unit : million yen)



Profit return system

	Dividends per share		
	The middle	The term end	Amount
FY2013.3	9.0yen	9.0yen	18.0yen
FY2014.3	10.0yen	10.0yen	20.0yen
FY2015.3	10.0yen	10.0yen	20.0yen
FY2016.3	11.0yen	11.0yen	22.0yen
FY2017.3	11.0yen	11.0yen	22.0yen

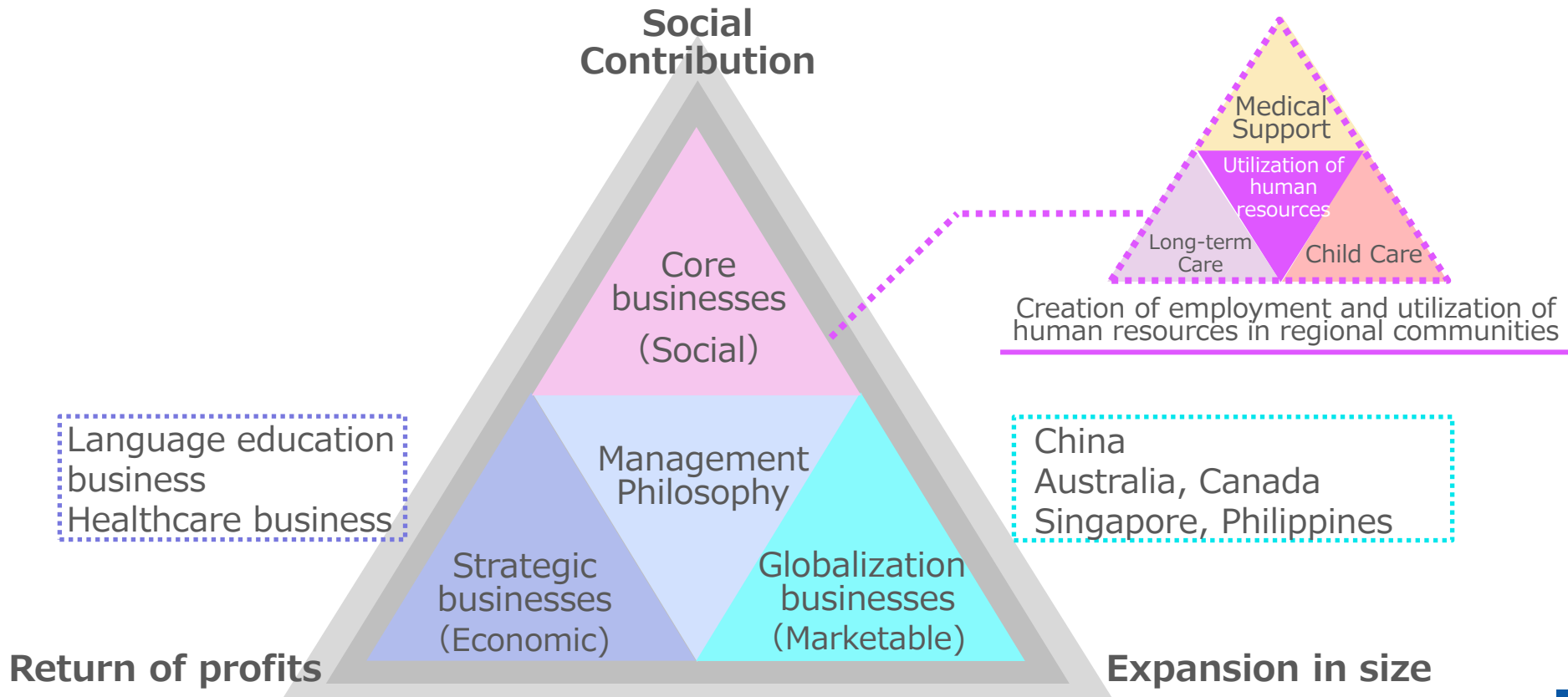
Management Strategy

1. Nichii's Management Strategy

SBI Management Strategy:

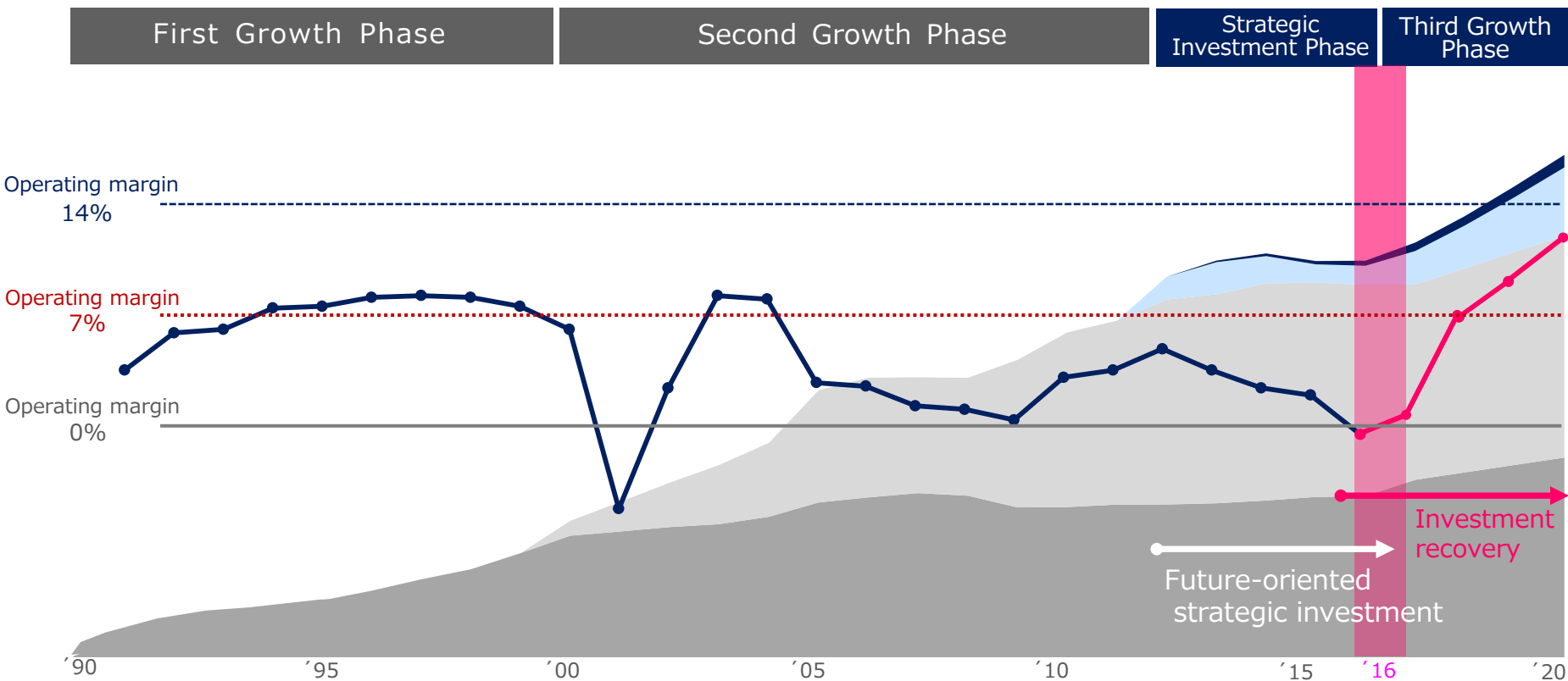
(Structure Balance Improvement)

"Business Structure Balance Improvement Five-Year Plan" (2012-2016)



Nichii's Course and Future Growth Projection

Fiscal Year ending March 31, 2017 is year for turning toward long-term stable growth



Results of Strategic Investment

Language education

Market entry and nationwide rollout

Establishment of integrated language education structure

Investment Recovery Phase

- Made GABA a subsidiary
 - The launch of COCO juku schools
 - The launch of COCO juku Junior school
- Made SELC_(Australia) a subsidiary
- NYU-SCPS-ALI Tokyo Open
- Made SELC_(Canada) a subsidiary
- Established SELC Manila

2012

2013

2014

2015

2016

... 2021

Marketing activities

Establishment of business structure and service base

Investment Recovery Phase

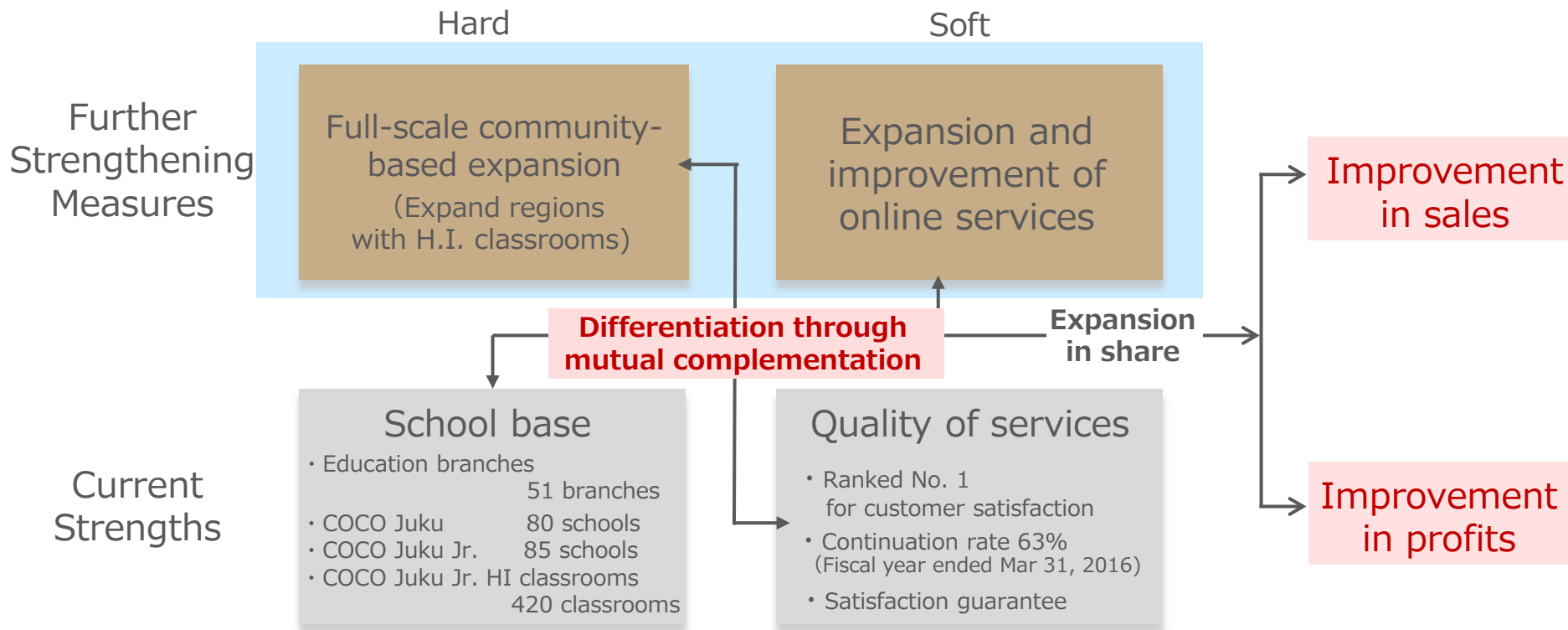
- NICHII CARENET CHINA Co., Ltd. established
 - Nichii China Co., Ltd. established
 - Strategic partnership with the China Planning Institute on Aging, which is directly run by the Chinese government
 - Reorganization of a local businesses into a group company
 - Nichii (Guangzhou) Co., Ltd. established
 - Nichii Hong Kong Limited established
 - Zhongfu Nichii Healthservices Co., Ltd. established

China Business

2. Nichii's Strategic Businesses (1) Language Education Business

Measures to improve COCO Juku profitability

Expand share by differentiation achieved through introduction of COCO Progress Program and full-scale community-based expansion

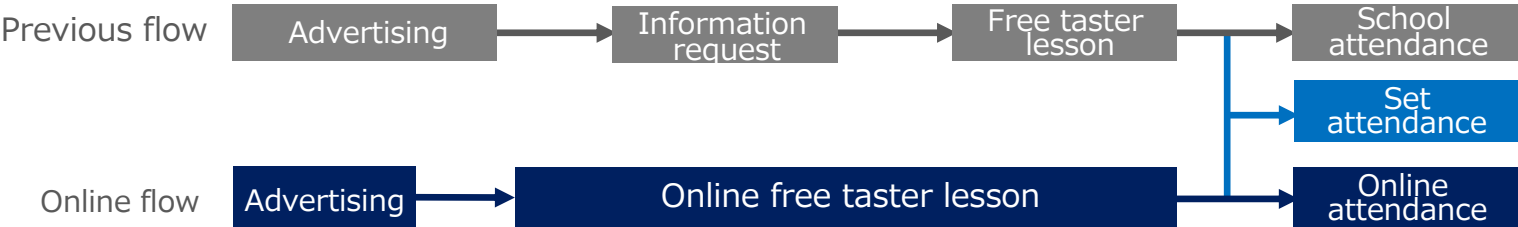


*COCO : Communication Competence

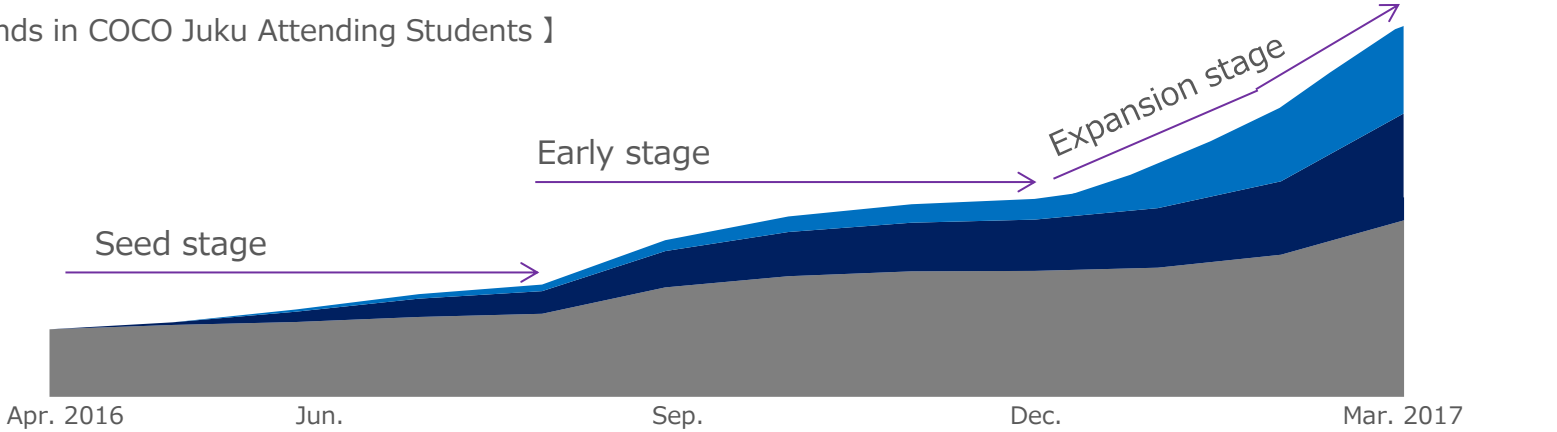
*HI : Home Instructor

Flow of Expansion in Volume and Improvement in Average Spend

Development of new channels using online services as entrance



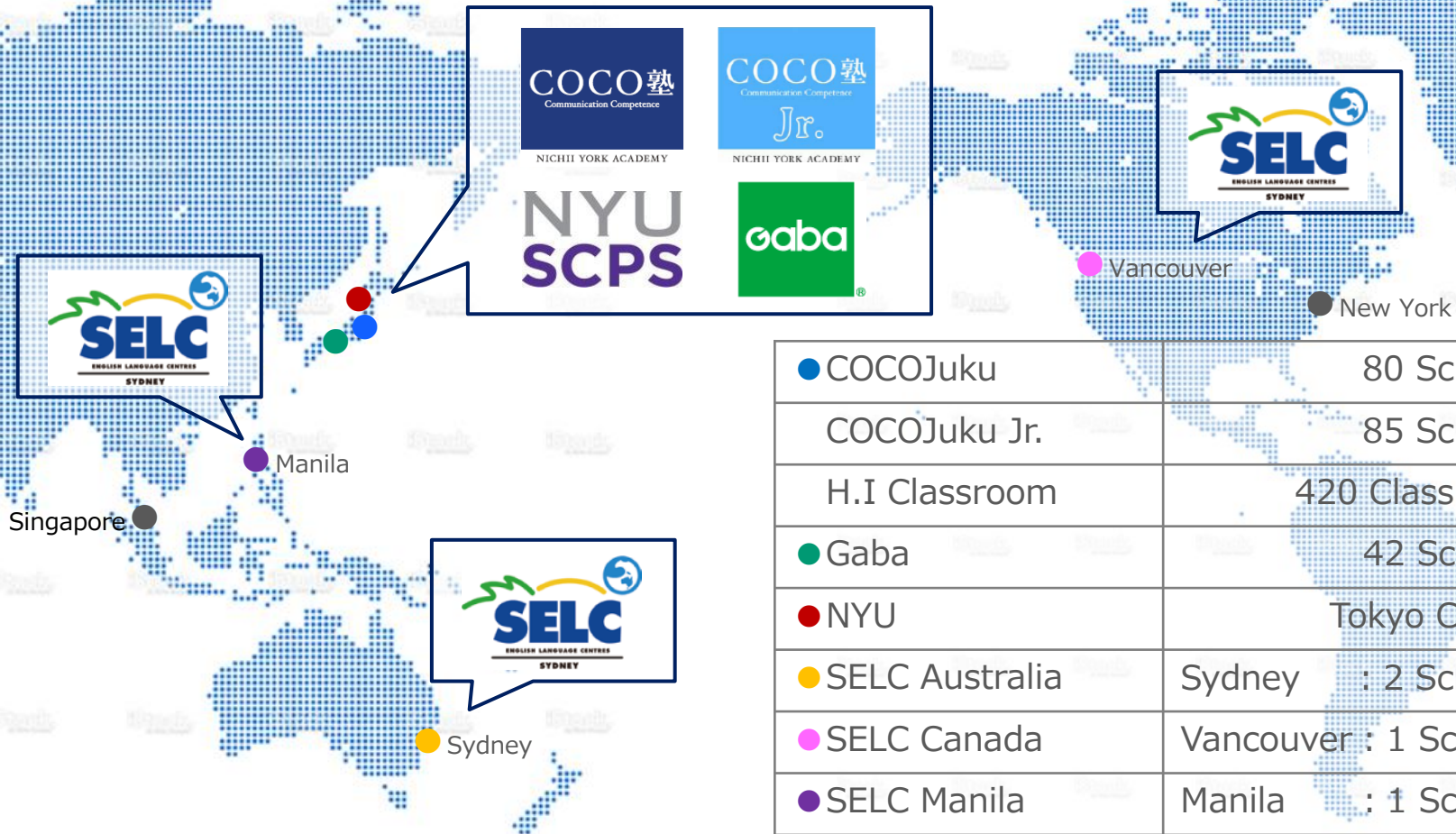
【Trends in COCO Juku Attending Students】



- | | |
|--------------|---|
| Plan Targets | <ul style="list-style-type: none"> • Achievement of monthly profitability: Sep. 2017 • Achievement of full-year profitability: Fiscal year ending Mar. 31., 2018 • Completion of investment recovery: FY2021 |
|--------------|---|

Fiscal year ending Mar. 31, 2017 (Est.)

COCOJuku Multiple network



● COCOJuku	80 Schools
COCOJuku Jr.	85 Schools
H.I Classroom	420 Classroom
● Gaba	42 Schools
● NYU	Tokyo Center
● SELC Australia	Sydney : 2 Schools
● SELC Canada	Vancouver : 1 School
● SELC Manila	Manila : 1 School

Nichii's Strategic Businesses (2) Health Care Business

Strengthen profitability by promoting business centered on Nichii Life

Health Care Business Problem Recognition

- Shortage of human resources (doubling up by long-term care human resources)
- Increased dependence on Long-term Care Business (Dependence 90%)

Priority Measures

Housekeeping services (Nichii Life)

- Optimize interrelation between housekeeping services and long-term care business (management, human resources, customers, services).

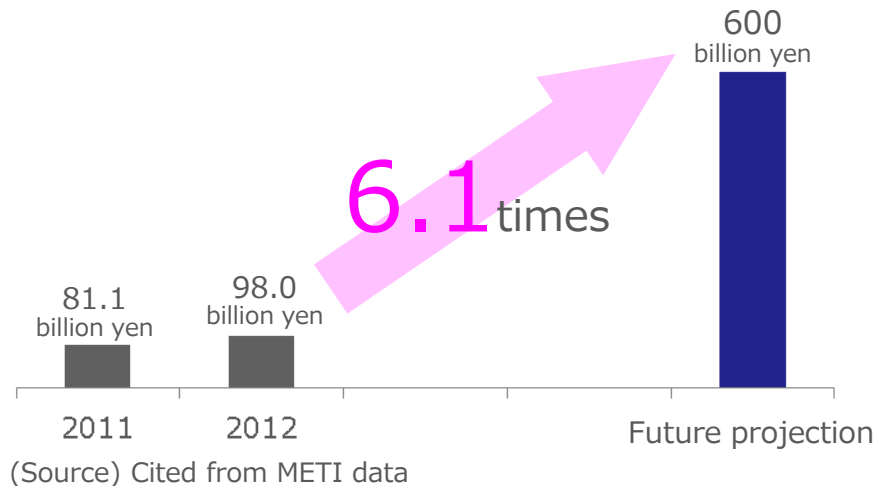
Strengthen sales of PB products

- Develop sales channels such as medical institutions. (Strengthen cooperation with Medical Support business)

Helper dispatch

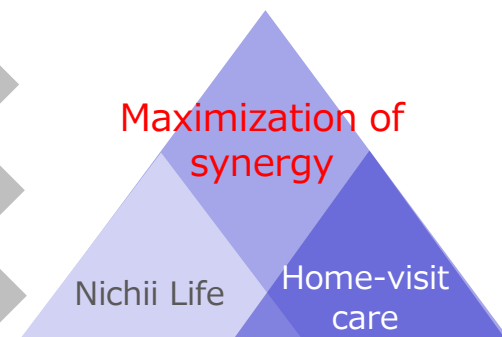
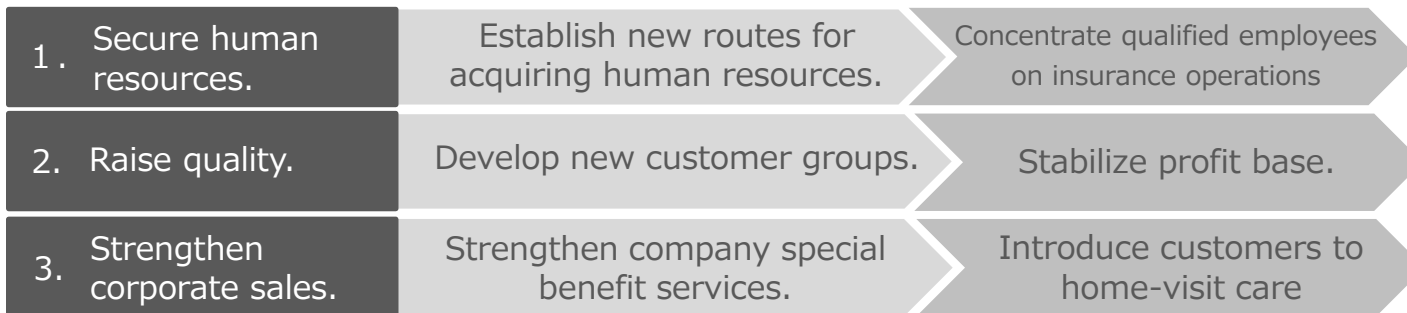
- Secure human resources and demonstrate brand power.

Market size and future projection for housekeeping services

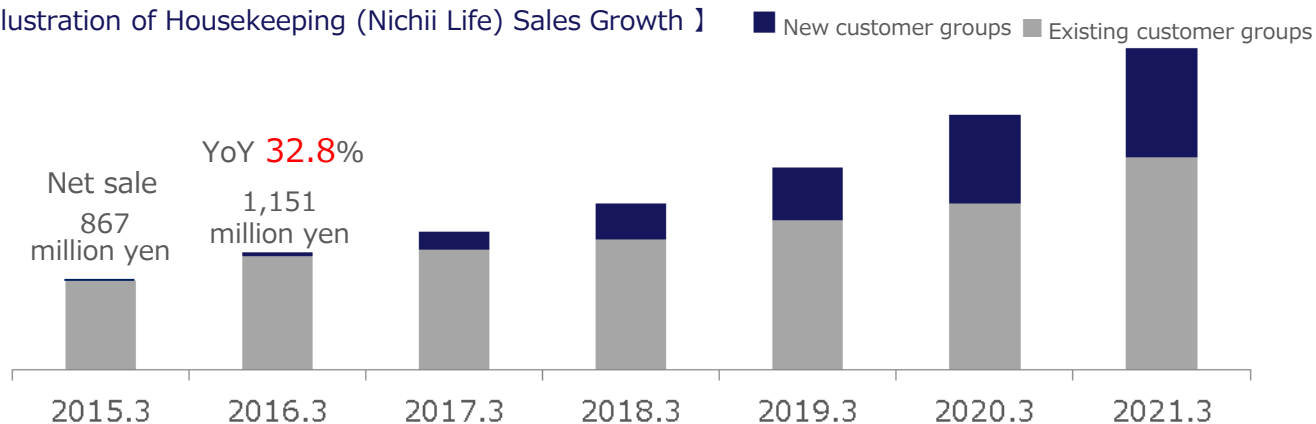


Nichii's Strategic Businesses: Nichii Life

Keywords for expansion of housekeeping services



【Illustration of Housekeeping (Nichii Life) Sales Growth】



Target for fiscal year ending March 31, 2021

CAGR **18%**

Component ratio of new customer groups **35%**

Nichii's Strategic Businesses (3) China Business

Progress of Expansion in China

- Areas in which Nichii has approval to operate: 4 cities + 17 provinces under direct control + 1 autonomous region
- Cities in which Nichii already operates: 10 areas, 14 cities, 19 business bases
- Cities in which Nichii plans to start operating this fiscal year: 10 areas, 21 cities, 57 business bases
- FY2016: 20 areas, 35 cities, 76 business bases



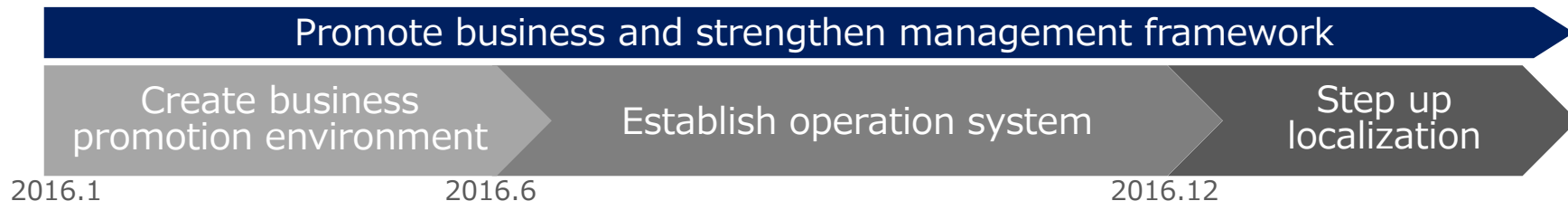
Display color	Name of company	Name of city
Green	北京三傑聖一	Beijing/Tianjin/Tangshan/Nanchang Chongqing/Chengdu/Kunming
Blue	瀋陽助尔	Shenyang/Changchun
Red	濟南仁德	Jinan/Qingdao/Weihai/Yantai/Weifang
Yellow	大連九鼎互聯	Dalian/Harbin
Light Green	常州金箔雷	Changzhou/Suzhou/Nanjing/Wuxi Nantong/Yangzhou/Xuzhou
Blue-Gray	杭州天使	Hangzhou/Ningbo/Shaoxing/Huzhou
Brown	武漢尔邦	Wuhan/Jingzhou/Huangshi/Ezhou
Gray	安徽賽菲	Hefe
Orange	西安海鑫	Xi'an
Purple	深圳市中家	Shenzhen/Huizhou/Meizhou
Yellow-Orange	廣州市正祥和	Guangzhou
Pink	廣西康之橋	Nanning/Qinzhou/Liuzhou/Guilin
Dark Blue	日医廣州	Zuhai/Foshan/Zhongshan
Red-Orange	中福日医	Shanghai/Xiamen/Fuzhou Zhengzhou/Changsha

*The areas with names of cities are the cities for which Nichii already has approval to operate.

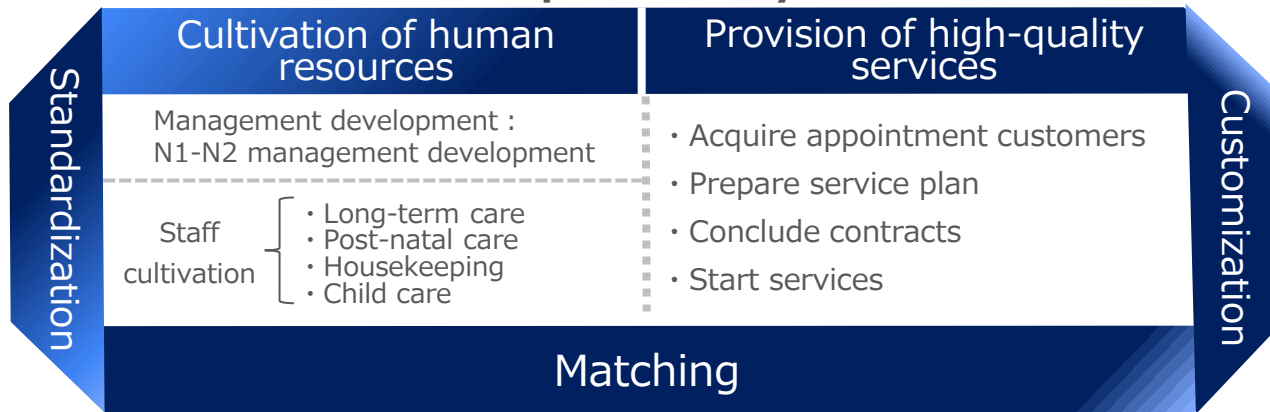
Start of China Business

Finished creating basic model for business promotion environment and started long-term care services.

Now it is time for full-scale operation of the Nichii Model operation system.



【 Nichii Operation System 】



*April 25, 2016: Start of long-term care services

Localization Step-up Strategy (Branch Establishment Five-Year Plan)

	2016			2017		2018		2019		2020	
	Installed	Plans to establish	Amount	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish	
北京三傑聖一人力資源有限公司	3	9	12	44	75	108	140				
Beijing	2	4	6	13	22	30	40				
Tianjin	1	0	1	9	16	23	30				
Tangshan		1	1	3	5	8	10				
Nanchang		1	1	5	8	12	15				
Chengdu		1	1	6	11	15	20				
Chongqing		1	1	5	8	12	15				
Kunming		1	1	3	5	8	10				
瀋陽助尔家政服務有限公司	1	5	6	10	14	17	20				
Shenyang	1	4	5	7	9	11	13				
Changchun		1	1	3	5	6	7				
濟南仁德家庭服務有限公司	1	4	5	10	15	20	25				
Jinan	1	2	3	3	3	3	3				
Qinhdao		2	2	6	6	6	6				
Weihai				1	6	6	6				
Yantai						5	5				
Weifang							5				
大連九鼎互聯科技發展有限公司	1	5	6	12	19	23	34				
Dalian	1	4	5	11	17	20	29				
Harbin		1	1	1	2	3	5				

	2016			2017		2018		2019		2020	
	Installed	Plans to establish	Amount	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish	
深圳市中家Group	4	3	7	12	17	22	25				
Shenzhen	3	2	5	10	15	20	23				
Huizhou	1	0	1	1	1	1	1				
Meizhou		1	1	1	1	1	1				
廣州市正祥和家政服務有限公司	2	0	2	8	13	18	23				
Guangzhou	2	0	2	8	13	18	23				
廣西康之橋護理服務有限公司	2	3	5	10	15	20	25				
Nanning	1	1	2	4	6	8	10				
Qinzhou	1	0	1	2	3	4	5				
Liuzhou		1	1	2	3	4	5				
Guilin		1	1	2	3	4	5				
日医（廣州）商貿有限公司	0	6	6	21	36	51	66				
Zhuhai		3	3	8	13	18	23				
Foshan		3	3	8	13	18	23				
Zhongshan				5	10	15	20				

	2016			2017		2018		2019		2020	
	Installed	Plans to establish	Amount	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish		
常州金箔雷健康諮詢服務有限公司	0	7	7	19	31	42	50				
Changzhou		2	2	4	6	6	6				
Nanjing		2	2	5	8	10	12				
Suzhou		2	2	4	6	9	12				
Wuxi		1	1	3	5	7	8				
Nantong				2	4	5	6				
Yangzhou				1	2	3	3				
Xuzhou						2	3				
杭州天使家政服務有限公司	1	4	5	10	15	20	25				
Hangzhou	1	3	4	8	10	10	15				
Ningbo		1	1	2	5	10	10				
武漢尔邦家政有限公司	1	4	5	10	15	20	25				
Wuhan	1	2	3	9	13	14	15				
Jingzhou		2	2	1	2	3	4				
Huangshi						2	2				
Ezhou						1	4				
安徽費菲家庭服務管理有限公司	2	3	5	10	15	20	25				
Hefei	2	3	5	10	15	20	25				
西安海鑫家政清潔工程有限公司	0	2	2	5	10	15	20				
Xi'an		2	2	5	10	15	20				

	2016			2017		2018		2019		2020	
	Installed	Plans to establish	Amount	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish		
中福日医（上海）健康服務有限公司	1	2	3	5	5	5	5				
Shanghai	1	0	1	1	1	1	1				
Xiamen		1	1	1	1	1	1				
Fuzhou		1	1	1	1	1	1				
Zhengzhou				1	1	1	1				
Chongqing				1	1	1	1				

Amount	2016			2017		2018		2019		2020	
	Installed	Plans to establish	Amount	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish	Plans to establish		
Amount	19	57	76	186	295	401	508				

3. For the establishment of strong corporate foundations

Keywords for the achievement of long-term stable growth

1

Improve business profit structure

Reduce risks from changes in the environment (systems) by improving business structure balance.

2

Increase business growth potential

Expand scale of business by promoting globalization strategy.

3

Maintain high quality care services

Secure human resources inside and outside of Japan and establish schemes for cultivating human resources.

4

Create robust corporate structure

Seek to share vision with employees and strengthen business frontline, and decisively implement reform of the management execution structure and other internal reform.

Establishment of Base for Nichii's Core Businesses (i) (Secure human resources and share future aspirations)

Establish and expand service provision structure for core businesses

Strengthen schemes for cultivating and acquiring human resources

- Promote employment support including employment advice and workplace visits

Strengthen frontline environment

- Strengthen staff follow-up
- Develop management

Share vision of future aspirations

Enhancement of personnel programs

- Promote work-life balance
- Encourage employees to take long-term care/child care leave

Career support

- Educate global human resources.
- Educate human resources by area

Establishment of Base for Nichii's Core Businesses (ii) (Promote business cooperation and create employment)

Nichii's contribution in regional communities through comprehensive care

Promote establishment of regional networks

Maximize health care and long-term care in each community through coordination at regional conferences, etc.

Medical Support

Maximize sales and profits through cooperation between businesses

- Expand establishment of childcare centers in hospitals
- Increase synergy between businesses through linkage with COCO Juku Junior ad Nichii Life

Social Contribution

Long-term Care

Child care

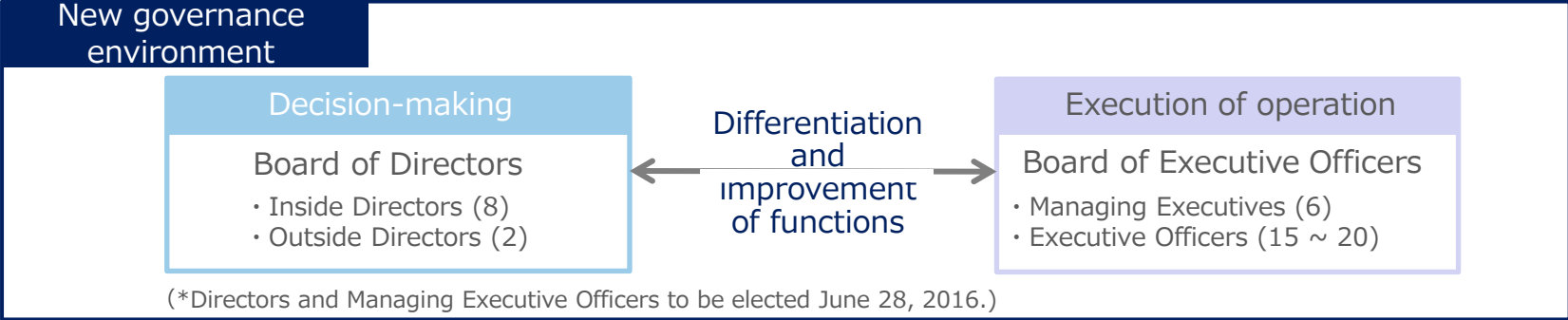
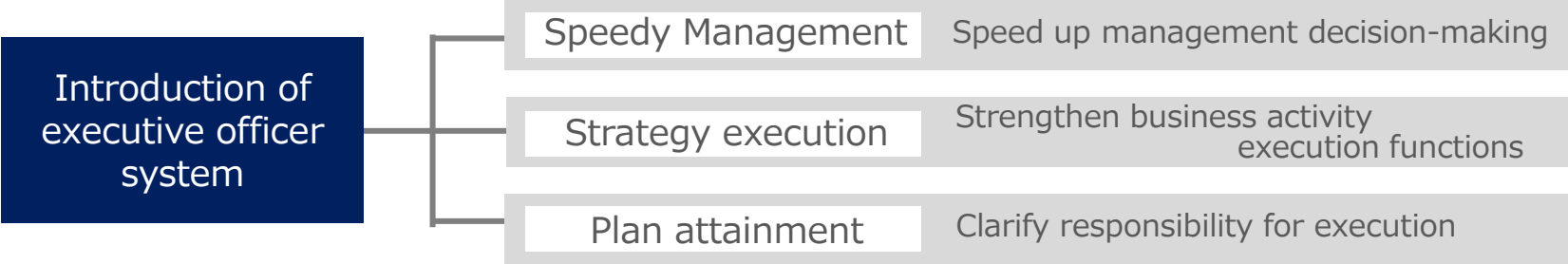
Provide care services according to area needs

- Promote cooperation between health care and long-term care by actively expanding small-scale multi-function home care
- Promote consignment of local authorities dementia services

Promote cooperation to secure human resources and enhance the workplace environment

- Support social advancement for women who are raising children
- Promote child care centers, housekeeping support, long-term care advice, etc. for employees

Strengthening of Management Execution Environment



The base plans and other information contained in this accompanying document are forward-looking statements based on the information currently held by the Nichii Gakkan Group. For this reason, they may be affected by uncertain factors, such as the economic environment, deregulation, and employment conditions.

Please note that actual base plans and other information may differ from those stated in this accompanying document.

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