

NICHIIGAKKAN CO., LTD.

# Financial Results Briefing Document

for the First Three Months of the Fiscal Year Ending March 31, 2017

August 12, 2016

# Financial Results Highlights

(Unit: million yen)

|   | FY2016 1Q | FY2017 1Q |        |
|---|-----------|-----------|--------|
|   | Amount    | Amount    | Change |
| Net Sales                               | 67,878    | 68,414    | 0.8%   |
| Operating Income                        | ▲614      | ▲215      | -      |
| %                                       | ▲0.9%     | ▲0.3%     |        |
| Ordinary Income                         | ▲1,028    | ▲1,250    | -      |
| %                                       | ▲1.5%     | ▲1.8%     |        |
| Profit attributable to owners of parent | ▲1,165    | ▲1,313    | -      |
| %                                       | ▲1.7%     | ▲1.9%     |        |

# Main Points of Results

1

**Net sales hit a record high**

Net sales were driven by the childcare, language education, and China businesses.

2

**Accelerated growth in childcare business**

Sales rose 62.3% year on year.

3

**Improved operating income**

The operating loss was reduced by 399 million yen from a year ago.

4

**High level of customer satisfaction**

Nikkei DUAL 2016: Ranked first among housekeeping service providers.  
Oricon, IID Awards 2015: Ranked first among English conversation schools.  
The Company's customer satisfaction survey (long-term care): Overall customer satisfaction stood at 95.4%.

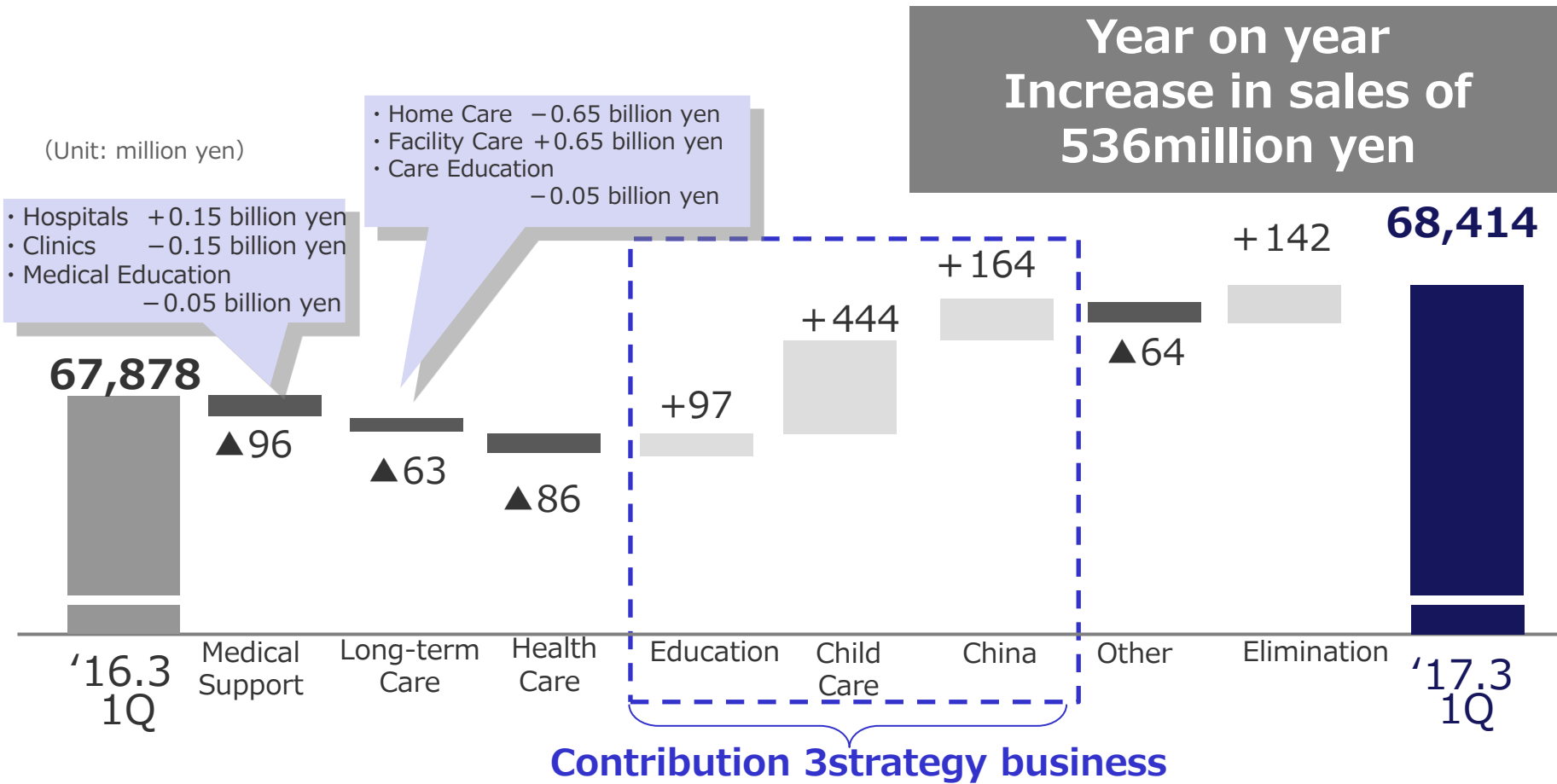
# Consolidated Net Sales and Operating Income by Segment

(Unit: million yen)

(Unit: million yen)

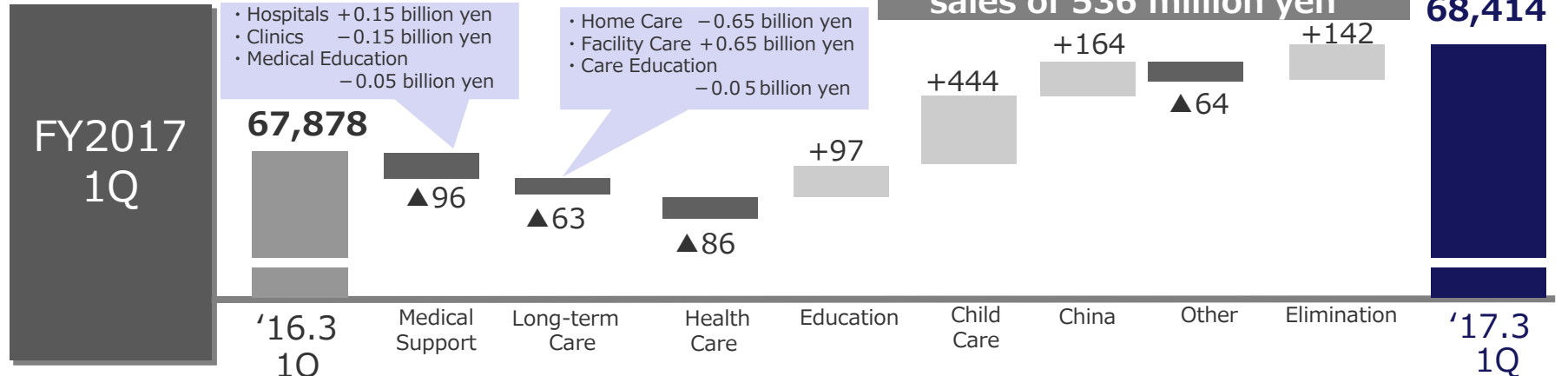
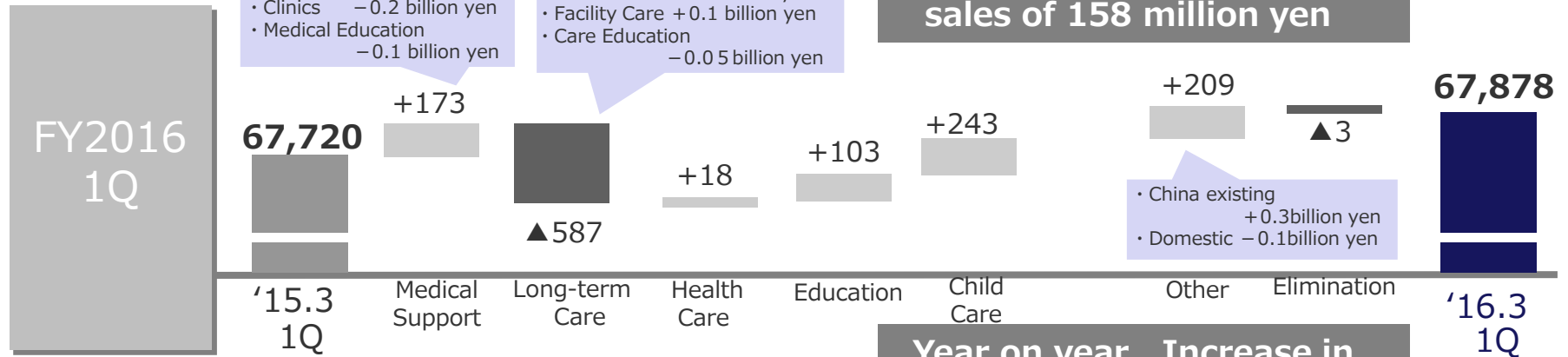
| Net Sales       | FY2016 1Q | FY2017 1Q | Change | Operating Income | FY2016 1Q | FY2017 1Q | Change (%) |
|-----------------|-----------|-----------|--------|------------------|-----------|-----------|------------|
| Medical Support | 27,106    | 27,010    | ▲0.4%  | Medical Support  | 1,900     | 1,672     | ▲12.0%     |
| Long-term Care  | 35,748    | 35,685    | ▲0.2%  | Long-term Care   | 1,608     | 2,037     | 26.6%      |
| Health Care     | 944       | 858       | ▲9.1%  | Health Care      | 33        | 97        | 194.5%     |
| Education       | 3,116     | 3,213     | 3.1%   | Education        | ▲1,606    | ▲1,110    | -          |
| Child Care      | 712       | 1,156     | 62.3%  | Child Care       | ▲261      | ▲262      | -          |
| China           | 318       | 482       | 51.4%  | China            | ▲116      | ▲365      | -          |
| Others          | 296       | 232       | ▲21.7% | Others           | 74        | 96        | 28.8%      |
| Elimination     | ▲365      | ▲223      | -      | Elimination      | ▲2,246    | ▲2,381    | -          |
| Total           | 67,878    | 68,414    | 0.8%   | Total            | ▲614      | ▲215      | -          |

# Major Changes in Net Sales



# Major Changes in Net Sales (Year On Year)

(Unit: million yen)

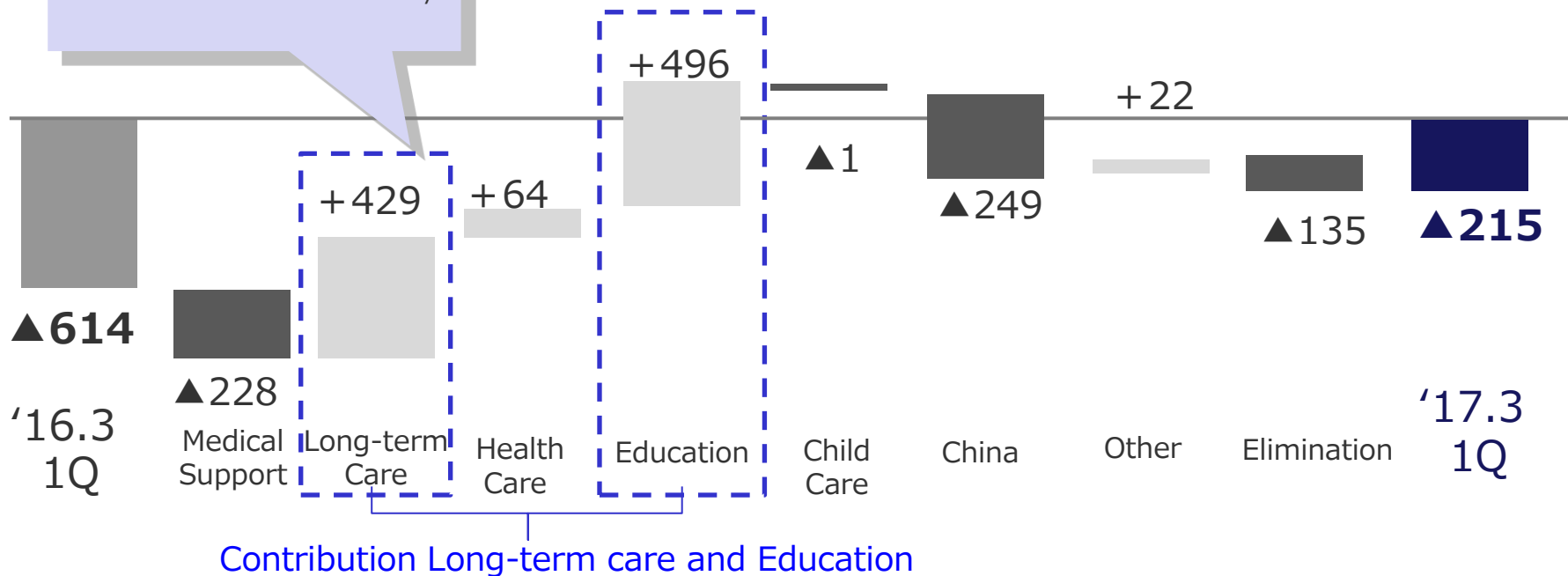


# Major Changes in Operating Income

(Unit: million yen)

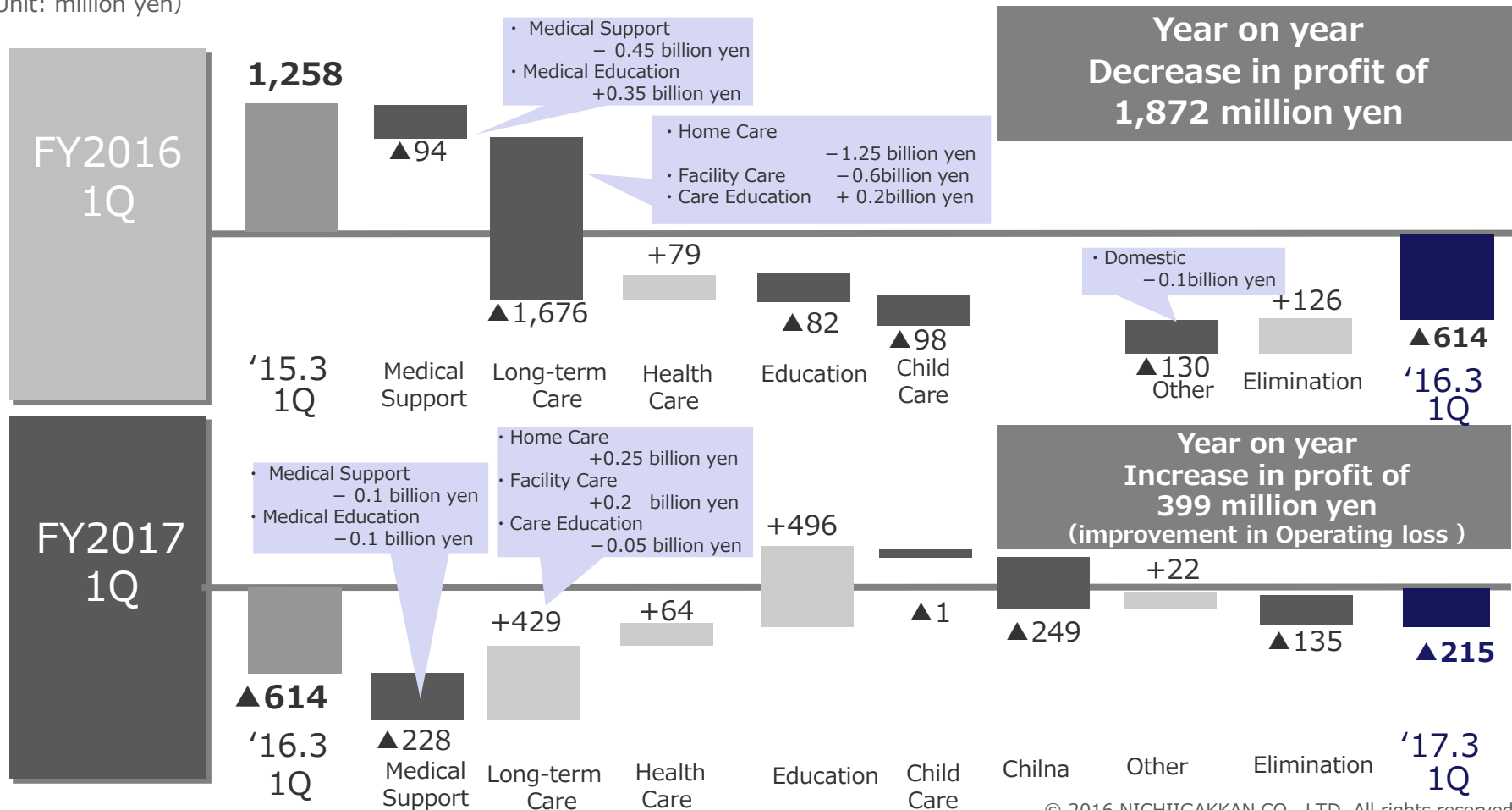
**Year on Year**  
**Increase in profit of 399 million yen**  
**(improvement in Operating loss )**

- Home Care + 0.25 billion yen
- Facility Care + 0.2 billion yen
- Care Education - 0.05 billion yen



# Major Changes in Operating Income

(Unit: million yen)





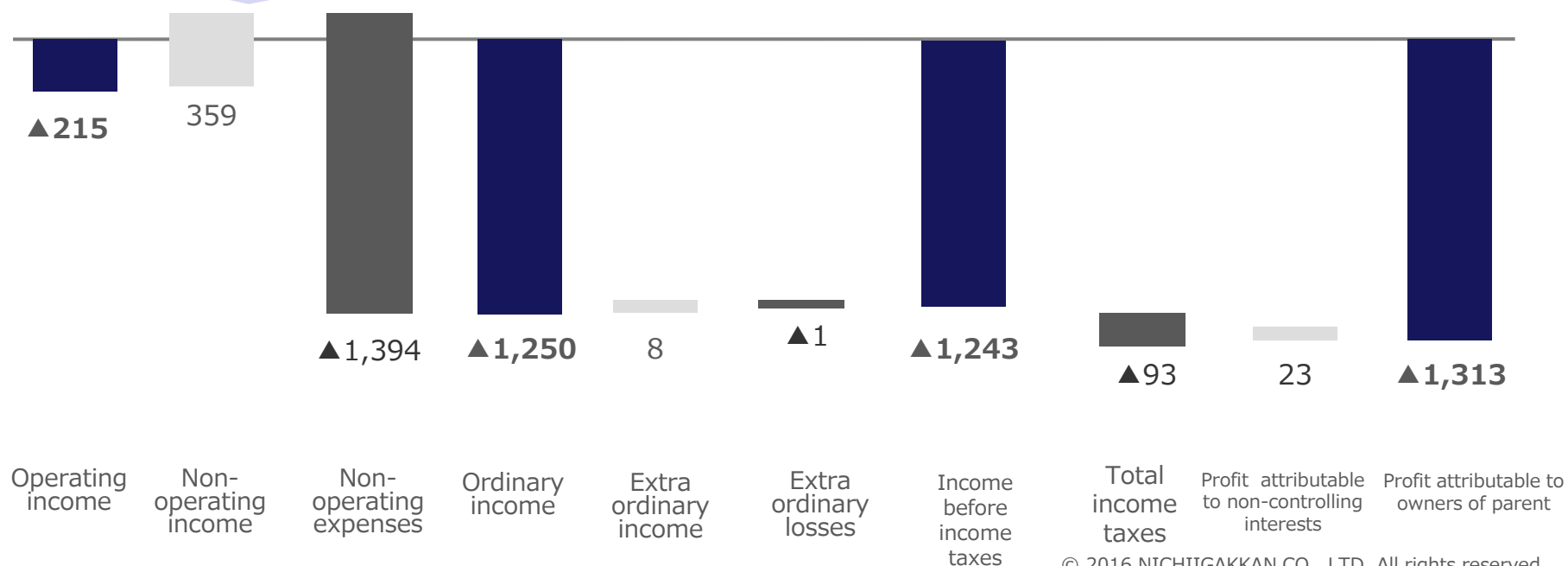
# Ordinary income and Profit attributable to owners of parent

(Unit : million yen)

|   |                     |                  |
|---|---------------------|------------------|
| • Interest expenses                             | 973million yen (yoy | +173million yen) |
| • Rent expenses                                 | 9million yen ( "    | ▲5.6million yen) |
| • Foreign exchange losses                       | 3million yen ( "    | +349million yen) |
| • Share of loss of entities accounted for using | 3million yen ( "    | ▲4.4millionyen)  |
| • Other   | 60million yen ( "   | ▲5.4million yen) |

[FY17.3 1Q]

Ordinary Income ▲1,250million yen  
 Profit attributable to owners of parent  
 ▲1,313million yen



# Changes in Cash flow

(Unit : million yen)

|  | FY2016.3<br>1Q | FY2017.3<br>1Q | Difference |
|--|----------------|----------------|------------|
| Cash flows from Operating activities     | ▲1,701         | ▲724           | 977        |
| Cash flows from Investing activities     | ▲2,050         | ▲596           | 1,454      |
| Cash flows from Financial activities     | 4,172          | 924            | ▲3,248     |
| Free cash flow                           | ▲3,751         | ▲1,320         | 2,431      |
| Cash and cash equivalents at end of year | 11,676         | 14,015         | 2,339      |

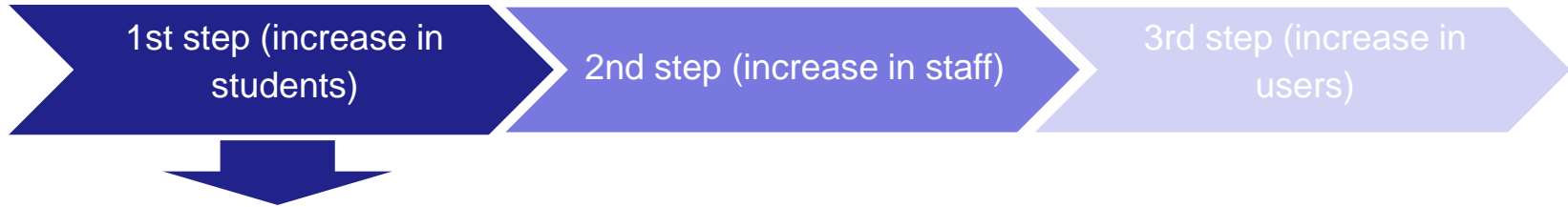
# Summary of the balance sheet

(Unit : million yen)

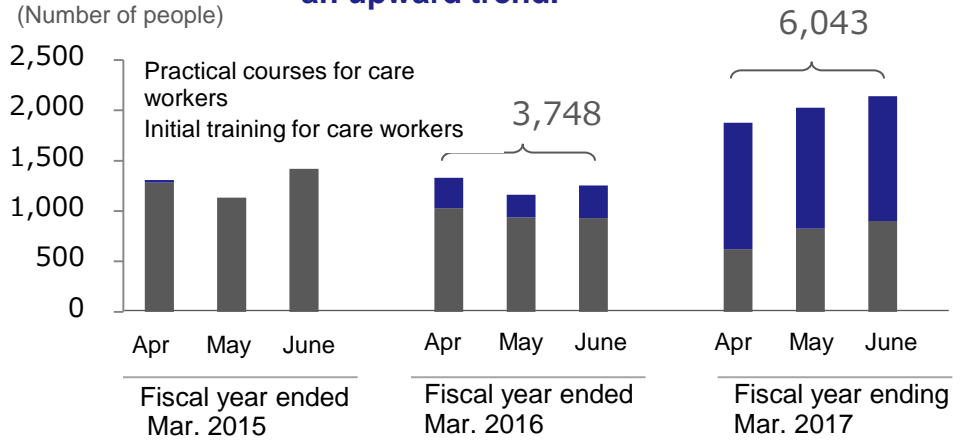
|                                  | End of March 2016 | End of June 2016 | Difference | End of June 2015 |
|----------------------------------|-------------------|------------------|------------|------------------|
| Current assets                   | 63,181            | 62,183           | ▲998       | 61,881           |
| Fixed assets                     | 120,988           | 124,131          | 3,143      | 126,346          |
| Total assets                     | 184,170           | 186,315          | 2,145      | 188,227          |
| Current liabilities              | 68,171            | 69,393           | 1,222      | 59,282           |
| Non-current liabilities          | 77,896            | 80,315           | 2,419      | 75,336           |
| Total liabilities                | 146,068           | 149,708          | 3,640      | 134,619          |
| Total net assets                 | 38,101            | 36,606           | ▲1,495     | 53,608           |
| Total liabilities and net assets | 184,170           | 186,315          | 2,145      | 188,227          |

# Core Businesses: Steps for Recovery in Long-term Care Business

Students in Care Education (initial training for care workers + practical courses for care workers) increased.



**Number of students has been on an upward trend.**



► April to June of fiscal year ending March 2017  
Up around 60% year on year

► The number of students taking practical courses for care workers increased significantly in association with changes in the qualifications for the care worker national examination.

# 【Core businesses】 Active development to the spreading childcare market

## Totaling over 100 facilities.

| Number of segment Child care center<br>(Unit : Location) |   | End of<br>Jun.<br>2015 | End of<br>Jun.<br>2016 | End of Jun.<br>2016<br>(Fore cast) |
|--|---|------------------------|------------------------|------------------------------------|
| Registered<br>child care centers                         | Education and childcare centers                   | 20                     | 28                     | +8                                 |
|  | Regional type childcare centers                   | 14                     | 42                     | +28                                |
| Non-registered<br>outside child care<br>centers          | In-hospital child care centers                    | 18                     | 22                     | +4                                 |
|  | In office and in university child care<br>centers | 7                      | 5                      | ▲2                                 |
|  | Other child care                                  | 16                     | 17                     | +1                                 |
| Total  |   | 75                     | 114                    | +39                                |



### Taking over the business of a company that operated in Tokyo, where there are strong needs for child care

On July 1, 2016, the Company took over the child care business operated by Tokyo Living Service, a subsidiary of Nippon General Food, a major food service company.

#### ■ Method of business succession

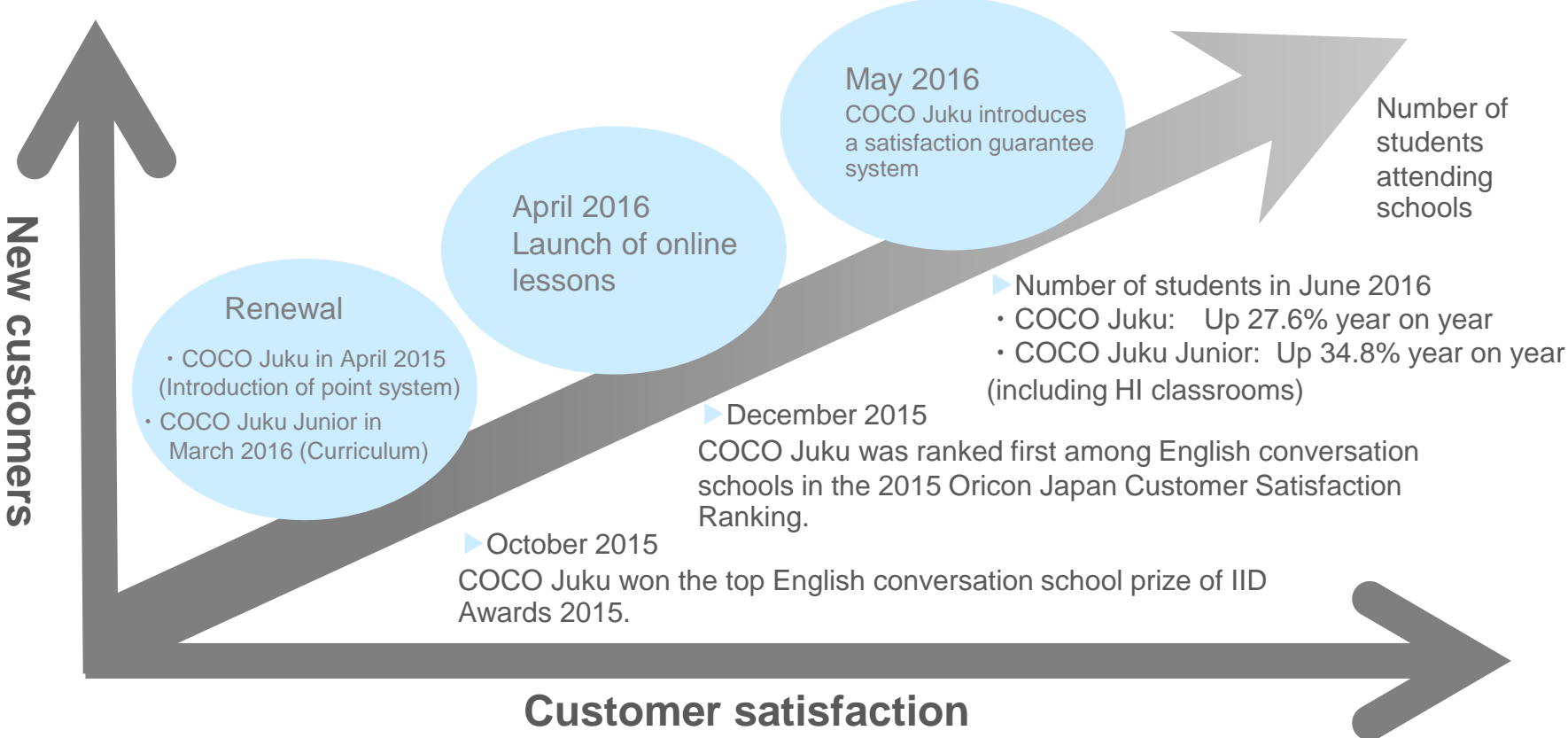
Tokyo Living Service established Sawayaka Hoiku, which took over the child care business via an absorption-type company split. The Company then acquired all the shares in Sawayaka Hoiku K.K. to take over the business.

#### ■ Outline of the company that the Company has taken over

|                       |  |
|-----------------------|--|
| Name                  | Sawayaka Hoiku   |
| Facilities taken over | One authorized childcare facility and six certified childcare facilities |
| Location              | Tokyo  |

# Strategic Businesses: Recovery of Investment in COCO Juku Schools

The number of attending students has been increasing steadily, a reflection of improved customer satisfaction and new customers.



# 【 Global 】 China Business Consolidation progress

|    | Company         | School | P L  | B S   |
|----|-----------------|--------|--|---|
| 1  | 廣州市正祥和家政服務有限公司  |        | FY2016<br>9 companies and 1 school corporation were consolidated | FY2016<br>11 companies and 1 school corporation were consolidated |
| 2  | 北京三傑聖一人力資源有限公司  |        |  |   |
| 3  | 瀋陽助尔家政服務有限公司    |        |  |   |
| 4  | 濟南仁德家庭服務有限公司    |        |  |   |
| 5  | 常州金蓓蕾健康諮詢服務有限公司 |        |  |   |
| 6  | 深圳市中家家庭服務有限公司   |        |  |   |
| 7  | 深圳市中家華傭家政服務有限公司 |        |  |   |
| 8  | 深圳市中家星級家政服務有限公司 |        |  |   |
| 9  | 深圳市中家職業技能培訓學校   | 学      |  |   |
| 10 | 杭州天使家政服務有限公司    |        |  |   |
| 11 | 大連九鼎互聯科技發展有限公司  |        | 1Q   |   |
| 12 | 武漢尔邦家政有限公司      |        | 2Companies   |   |
| 13 | 廣西康之橋護理服務有限公司   |        | ※2Q<br>(expected)  | 1Q  |
| 14 | 南寧康之橋職業培訓學校     | 学      |  | 2 companies and 3 school corporation                              |
| 15 | 欽州康之橋職業培訓學校     | 学      |  |   |
| 16 | 安徽賽菲家庭服務管理有限公司  |        |  |   |
| 17 | 合肥賽菲職業培訓學校      | 学      |  |   |

(Unit : millions or Yen)

|   | 1Q<br>(Jun.-Mar.) |
|---|-------------------|
| Net Sales   | 482               |
| Operating Income                                  | ▲365              |
| Amortization of goodwill<br>(5-year amortization) | 81                |

Includes wholly-owned subsidiaries of the Nichii Group

(Unit : millions or Yen)

|              | End of Mar,<br>2016 |
|--------------|---------------------|
| Total Assets | 6,351               |
| Net assets   | 2,676               |
| Goodwill     | 2,078               |

# Expansion of the Executive Officer System to Enhance Organizational Operations

The executive officer system was expanded in April 2016 to strengthen the execution of business operations.

Executive officers have been assigned nationwide to strengthen the business execution structures at branches and work sites.

Total 26people (Executive Managing Officer 5people + Executive Officer 21people)

## Head Office

### Executive Managing Officer

Ms. Hoshino  
Ms. Tanemoto  
Mr. Nakamura

### Executive Officer

Mr. Tsurumaru  
Mr. Fukuda  
Ms. Suzuki  
Mr. Kodama  
Mr. Tsujiuchi  
Ms. Suzuki

## East Japan

### Executive Officer

Ms. Saito  
Ms. Kudo  
Ms. Nikaido

## Tokyo

### Executive Officer

Ms. Itagaki  
Mr. Kawauchi  
Ms. Endo  
Ms. Nagashima

## Central Japan

### Executive Officer

Mr. Hayami  
Ms. Saegusa  
Mr. Watanabe

## West Japan

### Executive Managing Officer

Ms. Kihara

### Executive Officer

Mr. Tsujimoto  
Ms. Miyai

## Kyushu

### Executive Officer

Ms. Nishi  
Mr. Yamanaka  
Mr. kawakami



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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