

NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

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

February 9, 2017

Financial Results Highlights

(Unit: million yen)

	FY2016.3 3Q	FY2017.3 3Q	
	Amount	Amount	Change
Net Sales	205,290	207,294	1.0%
Operating Income	▲ 112	2,097	-
%	▲0.1%	1.0%	
Ordinary Income	▲ 1,960	108	-
%	▲1.0%	0.1%	
Profit attributable to owners of parent	▲ 2,844	▲ 122	-
%	▲1.4%	▲0.1%	

Highlights of Financial Results for the First Nine Months

Benefits of Area Management Appear

New record sales (¥207,294 million, up ¥2,003 million from the previous year)

- Significant increase in sales in the child care business
- Sales in the facility care-based long-term care business and strategic investment businesses increased (with the contribution of the child care and China businesses)

Sales growth in the child care segment (year on year)

up **74.8%**

Ordinary income was positive again after two years (108 million yen, up 2,068 million year on year)

- Operating income increased as a result of the profit-focused strategy (2,097 million yen, up 2,210 million yen year on year)
 - The long-term care segment led the improvement in profitability (significant increase in operating income of Nichii Carepalace, operating income up 93.7%)
 - Reduced SG&A expenses (36,441 million yen, down 779 million yen year on year)

Increased profit in the long-term care segment (year on year)

2,861
million yen

Development of Area Management System for Steady Implementation of Strategy

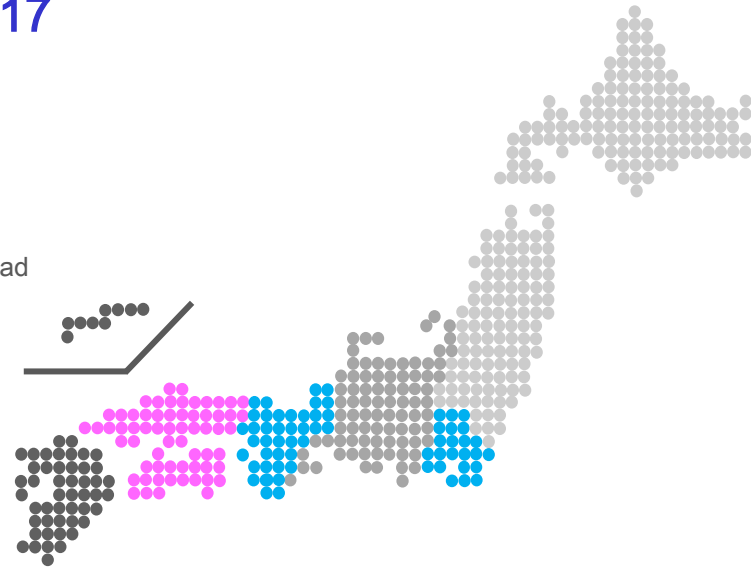
[Overview of Reorganization] dated January 16, 2017

■ Shift to a four-branch structure

- Integration of the functions of Tokyo and West Japan Branch (Kinki) into a division of the Head Office
- Establishment of Chugoku-Shikoku Branch

■ Objectives of changing the branch structure

- Area directly controlled by the Head Office
- Area directly controlled by Chugoku-Shikoku Branch
- Area directly controlled by East Japan Branch
- Area directly controlled by Chubu Branch
- Area directly controlled by Kyushu Branch



Integration of branch functions into the Head Office

- Centralization of human resources
- Improvement of strategy implementation process

Development of area management reform model

- Verification of implementation process

Application to all areas

- Sharing implementation process

Improve practical skills of entire organization

Improvement of Organizational Management Function through Expansion of Executive Officer System

The Executive Officer System has been expanded since April 2016 to improve the functions of operating the business.

The operation systems of the branches and business sites are strengthened under the focused business operation system to which executive officers are assigned throughout Japan.

Total 28 (Managing officer 4 + Operating officer 24)

Head Office

< Managing officer >

Kiyomi Hoshino Takako Tanemoto
Makoto Nakamura Tomoya Kusakabe

< Executive officer >

Minako Nagashima Yoshie Miyai
Satoshi Tsurumaru Megumi Suzuki
Kazuya Kodama Satoshi Tsujiuchi
Sanae Itagaki Youta Kitayama
Shinichi Suzuki Michiko Endou
Shinya Hukuda Kayoko Kihara

East Japan Branch

< Executive officer >

Fujiko Saitou
Sachiko Kudou
Masako Nikaidou

Chubu Branch

< Executive officer >

Syuuji Hayami
Saegusa Chizuko
Satomi Kashiwa

Chugoku-Shikoku Branch

< Executive officer >

Masato Watanabe
Ryuhei Kawakami

Kyushu Branch

< Executive officer >

Akemi Nishi
Kazuhiko Yamanaka
Keisuke Kawauchi
Norio Ikeda

Consolidated Net Sales and Operating Income by Segment

(Unit:million yen)

(Unit:million yen)

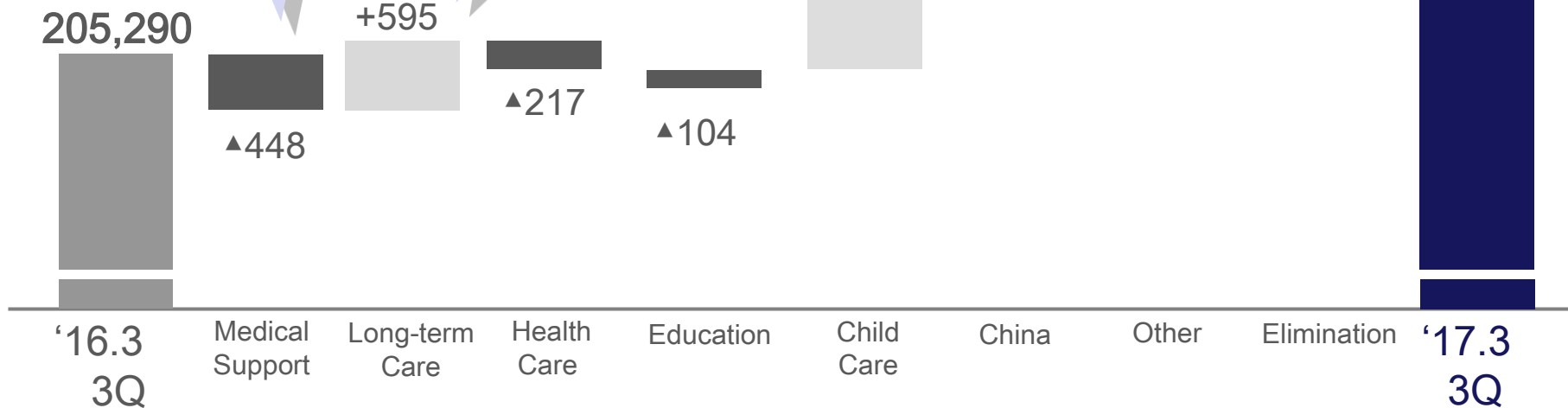
Net Sales	FY2016.3 3Q	FY2017.3 3Q	Change	Operating Income	FY2016.3 3Q	FY2017.3 3Q	Change
Medical Support	81,579	81,131	▲0.5%	Medical Support	5,804	5,579	▲3.9%
Long-term Care	107,798	108,393	0.6%	Long-term Care	4,902	7,763	58.4%
Health Care	3,234	3,017	▲6.7%	Health Care	457	523	14.6%
Education	9,519	9,415	▲1.1%	Education	▲3,803	▲3,571	-
Child Care	2,330	4,073	74.8%	Child Care	▲631	▲643	-
China	1,152	1,405	21.9%	China	▲769	▲1,089	-
Others	714	624	▲12.6%	Others	195	195	▲0.3%
Elimination	▲ 1,039	▲766	-	Elimination	▲6,267	▲ 6,660	-
Total	205,290	207,294	1.0%	Total	▲112	2,097	-

Major Changes in Net Sales

- Hospitals + 0.35 billion yen
- Clinics - 0.5 billion yen
- Medical Education - 0.3 billion yen

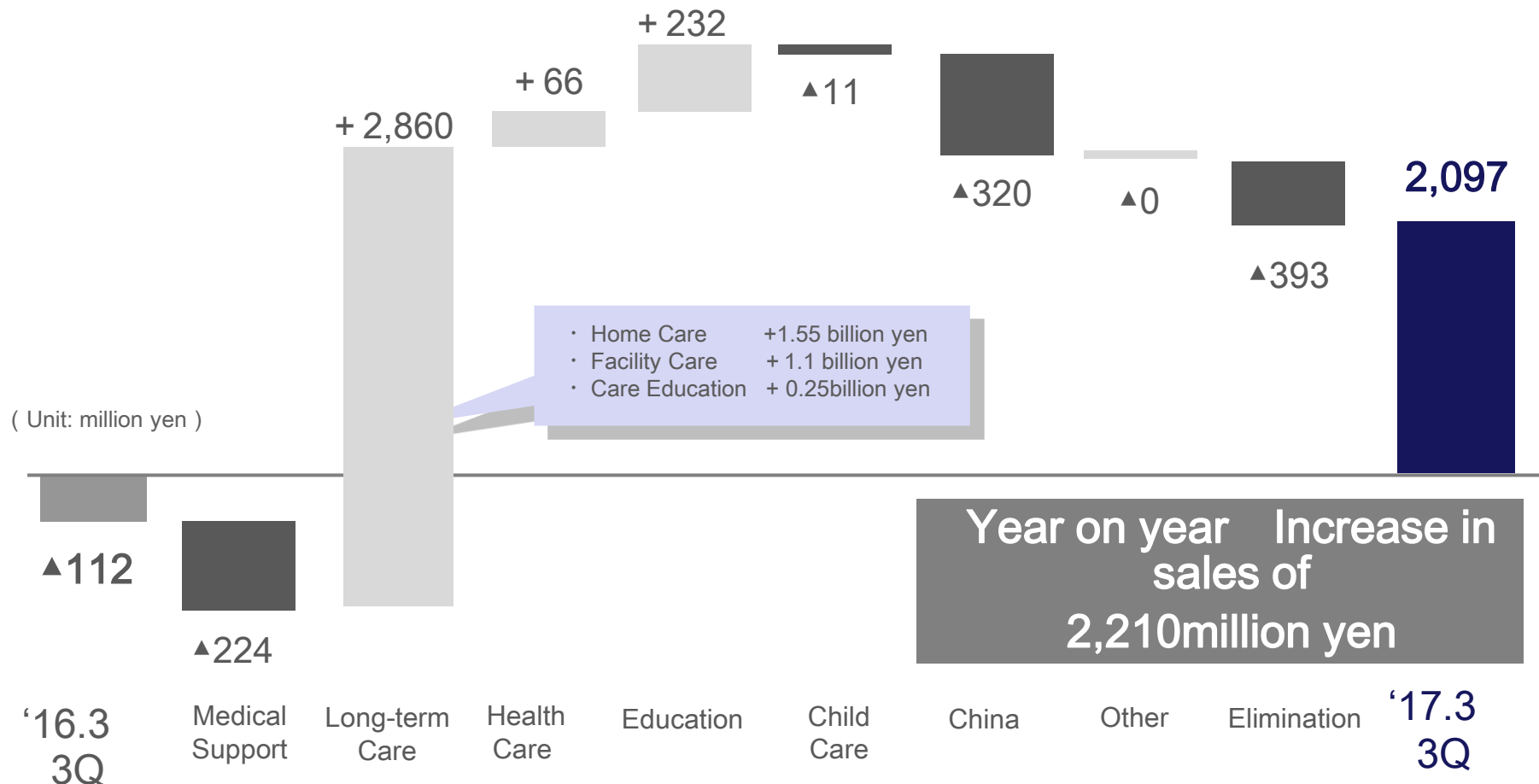
- Home Care - 1.75 billion yen
- Facility Care + 2.35 billion yen
- Care Education ±0 billion yen

(Unit: million yen)



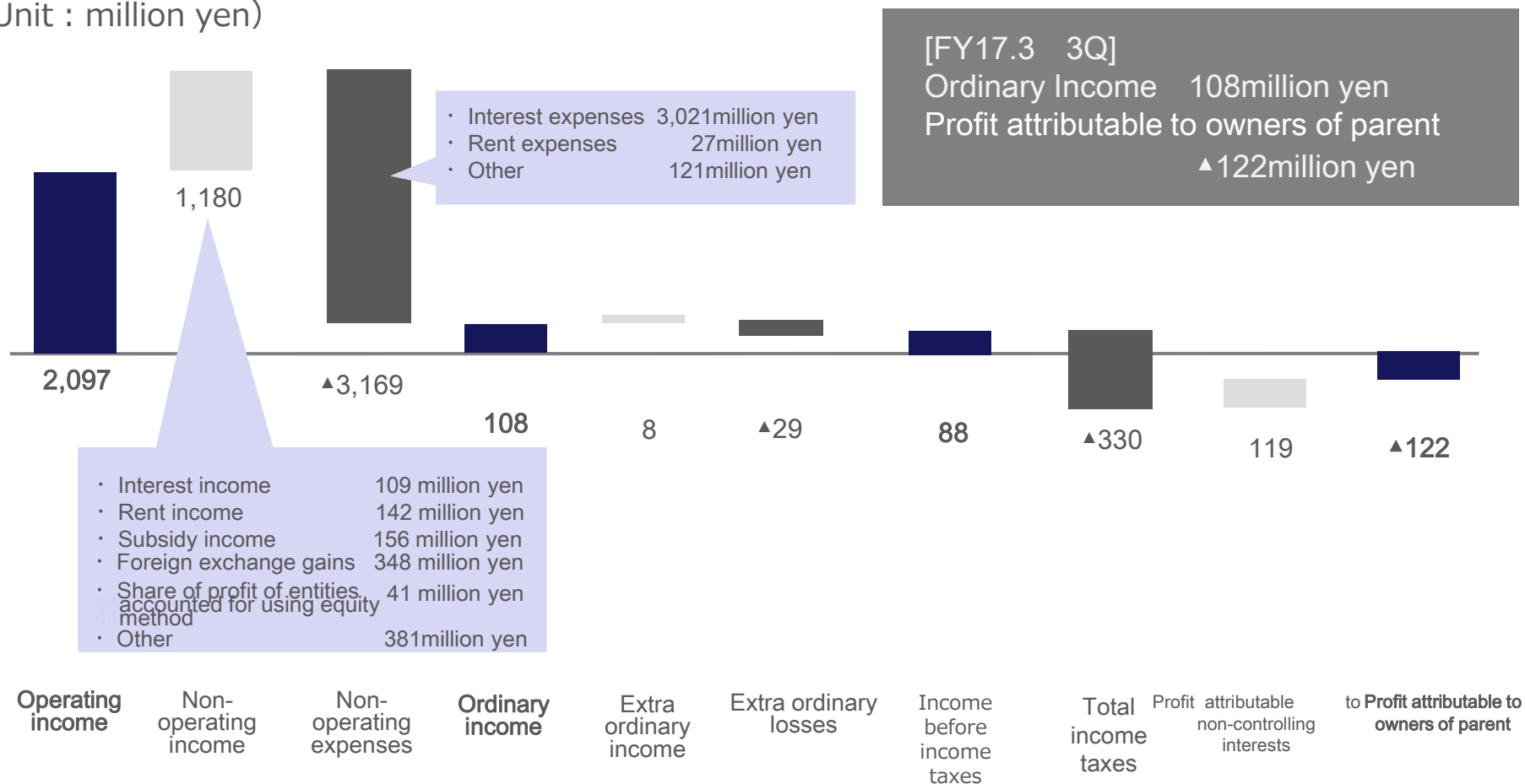
Year on year Increase in sales of
2,003million yen

Major Changes in Operating Income



Ordinary income and Profit attributable to owners of parent

(Unit : million yen)



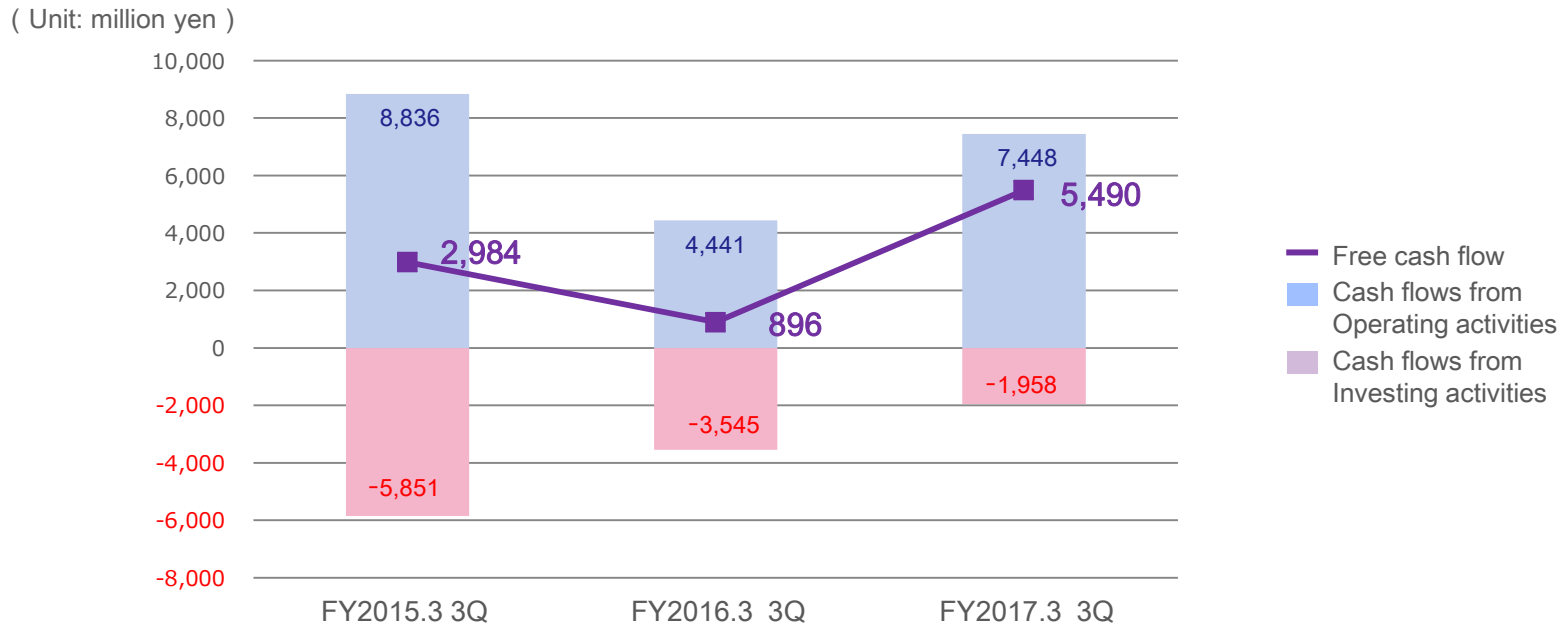
Summary of the balance sheet

(Unit : million yen)

	End of March 2016	End of Dec 2016	Difference	End of Dec 2015
Current assets	63,181	61,471	▲1,709	63,785
Fixed assets	120,988	125,230	4,241	127,854
Total assets	184,170	186,702	2,532	191,640
Current liabilities	68,171	68,436	265	63,835
Non-current liabilities	77,896	82,311	4,414	75,874
Total liabilities	146,068	150,748	4,679	139,709
Total net assets	38,101	35,954	▲2,147	51,931
Total liabilities and net assets	184,170	186,702	2,532	191,640

Free cash low transition

Significant improvement in free cash flow due to completion of current round of profit growth and investment



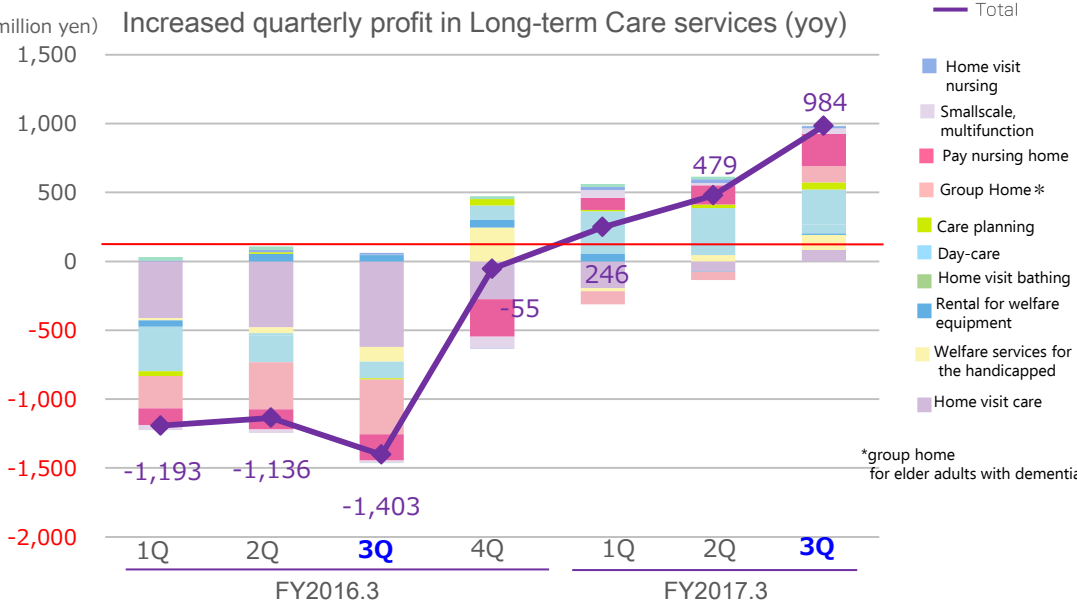
Long-term Care Business: Further Progress in Profit Growth

Increased profit in all services contributed to growth
 All services achieved year-on-year growth and shifted to surplus in 3Q (October to December)

Focused measures

- Rationalization of operation shifts
- Improved treatment by caregivers of patients with medium to severe conditions
- Stronger alliances with other services
- Increased capacity utilization of facilities, etc.

(Unit: million yen) Increased quarterly profit in Long-term Care services (yoy)



Child Care Business: Accelerated Growth through Active Development of Childcare Facilities

Significant increase in sales as a result of active facility development
Quarterly operating margin began to increase due to sales growth

Focused measures

- Enhanced promotion targeting local governments, etc. to acquire customers
- Increased capacity utilization through active event operation
- Appropriate cost management at business sites
- Promotion of establishment of company-operated day care centers
- Introduction of COCO Juku Jr. lessons in 72 locations (as of December 31)

Quarterly Net sales and Operating Income of Child Care Business



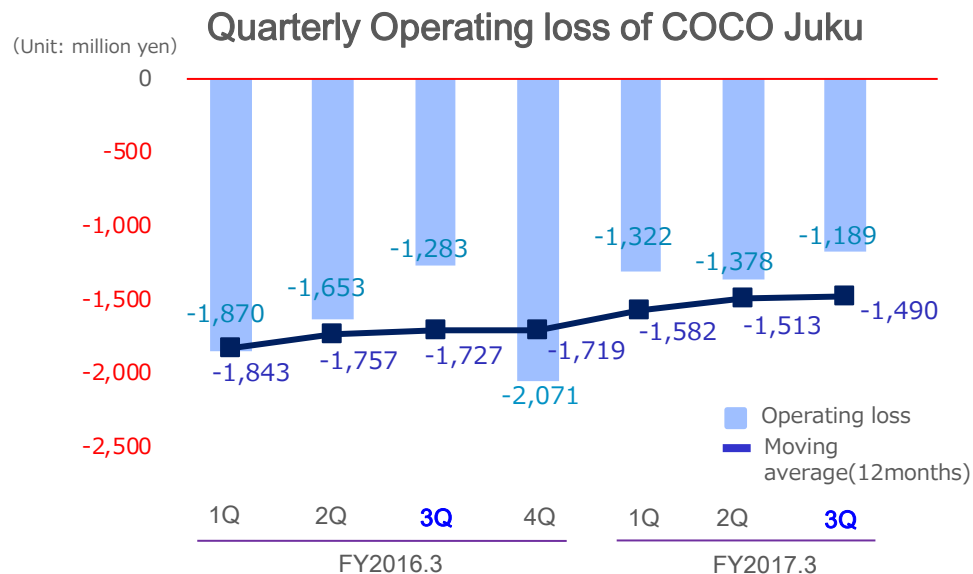
Language Business:

Strategy to Increase Sales and Cost Structure Reform

Achievement of both the improvement of basis of COCO Juku's growth and cost control Aim to accelerate sales growth and deficit reduction in and after 4Q

Focused measures

- Improve recruitment of foreign instructors
→ 330 instructors (up 159 year on year)
- Promotion of the dominant development of junior classes using the main school, certification courses, and franchises
→ 465 franchise schools (up 81 year on year)
- Promotion reform (strengthen direct dialogues)
→ Open house classes across Japan (Oct., Dec., and Jan.)
- Development of original educational materials for junior students, etc.



【 Global 】 China Business Consolidation progress

	Name of Company / school	school	P L	B S		
1	廣州市正祥和家政服務有限公司		15 companies and 5 school corporation were consolidated.	17 companies and 6 school corporation were consolidated		
2	北京三傑聖一人力資源有限公司					
3	瀋陽日医助尔家庭服務有限公司					
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	●				
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					
12	武漢尔邦家政有限公司					
13	廣西康之橋護理服務有限公司					
14	南寧康之橋職業培訓學校	●				
15	欽州康之橋職業培訓學校	●				
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	●				
18	柳州市康之橋職業培訓學校	●			3Q + 2companies 1school	
19	日医(珠海)健康服務有限公司					
20	日医(仏山)健康服務有限公司					
21	西安海鑫家政清潔工程有限公司				※4Q (expected)	3Q + 1companies 1school
22	梅州市客家大嫂家政服務有限公司					
23	梅州市華傭職業培訓學校	●				

(Unit : millions or Yen)

	FY2017.3 3Q (Jan. ~ Sept.)
Net Sales	1,405
Operating Income	▲ 1,089
Amortization of goodwill	266

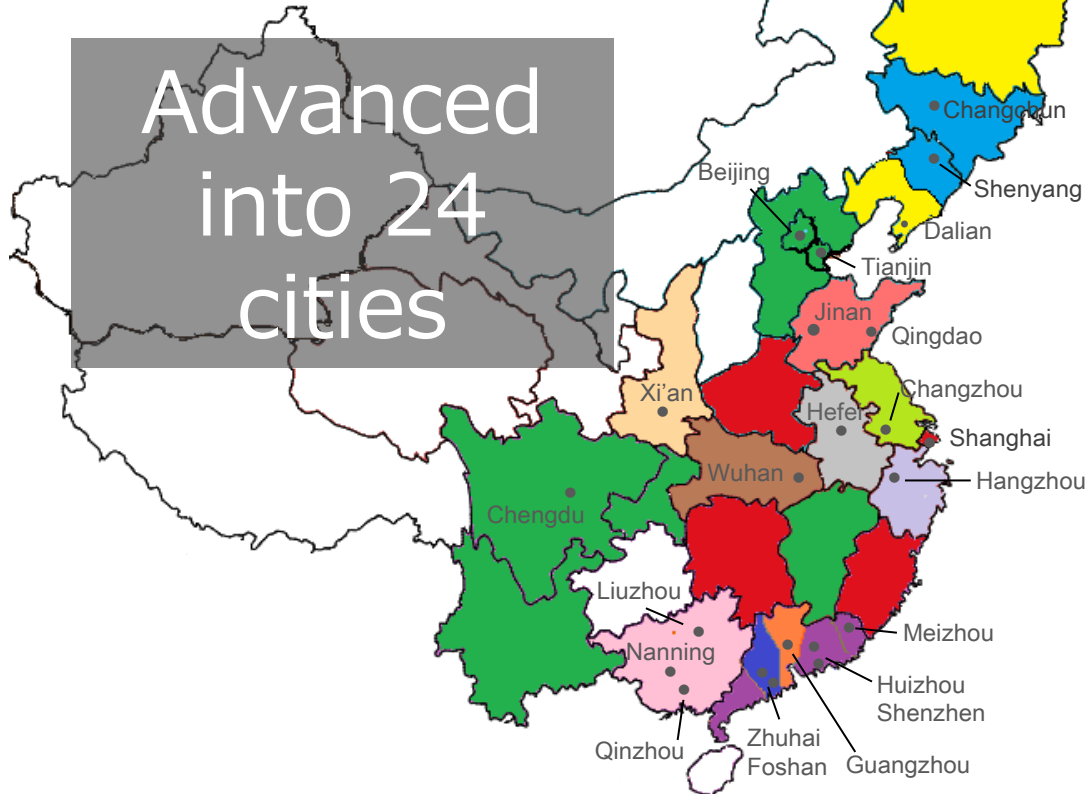
※Includes wholly-owned subsidiaries of the Nichii Group

(Unit : millions or Yen)

	End of Sept. Of 2016
Total Assets	5,851
Net assets	2,281
Amortization of goodwill	1,298

List of Cities Where Nichii's China Business is Established

* Includes non-consolidated subsidiaries



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

Earnings forecast

(Unit : million yen)

	FY2017.3	
	3Q (Result)	Full-year (Revised forecast)
Net Sales	207,294	282,000
Operating Income	2,097	4,800
%	1.0%	1.7%
Ordinary Income	108	1,300
%	0.1%	0.5%
Net Income	▲ 122	500
%	▲0.1%	0.2%

Earning forecast (by Segment)

(Unit : million yen)

Net Sales	FY2017.3	
	3Q (Result)	Full-year (Revised forecast)
Medical Support	81,131	108,200
Long-term Care	108,393	144,400
Health Care	3,017	4,900
Education	9,415	15,600
Child Care	4,073	5,100
China	1,405	4,000
Others	624	1,000
Elimination	▲ 766	▲ 1,200
Amount	207,294	282,000

(Unit : million yen)

Operating Income	FY2017.3	
	3Q (Result)	Full-year (Revised forecast)
Medical Support	5,579	7,600
Long-term Care	7,763	9,700
Health Care	523	800
Education	▲ 3,571	▲ 4,000
Child Care	▲ 643	▲ 500
China	▲ 1,089	▲ 900
Others	195	300
Elimination	▲ 6,660	▲ 8,200
Amount	2,097	4,800

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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