



Financial Results for the Year Ended March 31, 2017 (J-GAAP)

May 12, 2017

Name of listed company: NICHIIGAKKAN CO., LTD. Listed on: Tokyo Stock Exchange 1st Section
 Securities code: 9792 URL: http://www.nichiigakkan.co.jp
 Representative: Akihiko Terada Chairman, President and CEO
 Contact: Nobusuke Mori Executive Vice President
 Scheduled date to hold the ordinary general meeting of shareholders: June 27, 2017
 Scheduled date to start dividends distribution: June 28, 2017
 Scheduled date for filing annual financial report: June 28, 2017
 Supplementary materials prepared: Yes
 Results information meeting held: Yes (for institutional investors and financial analysts)

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(Figures shown are rounded down to the nearest million yen.)

1. Consolidated financial results for the year ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated operating results

(Percentage figures represent changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	276,659	1.1	4,206	—	1,429	—	1,403	—
Year ended March 31, 2016	273,583	0.6	(785)	—	(3,629)	—	(15,995)	—

(Note) Comprehensive income: Year ended March 31, 2017: 655 million yen (—%) Year ended March 31, 2016: -16,371 million yen (—%)

	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, 2017	21.86	21.84	3.8	0.8	1.5
Year ended March 31, 2016	(248.83)	—	(34.3)	(2.0)	(0.3)

Reference: Equity-method investment profit (loss): Year ended March 31, 2017: 55 million yen Year ended March 31, 2016: 41 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, 2017	191,708	37,924	19.1	570.05
As of March 31, 2016	184,170	38,101	20.0	574.35

Reference: Shareholders' equity: As of March 31, 2017: 36,592 million yen As of March 31, 2016: 36,868 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, 2017	9,379	(3,567)	(4,246)	16,189
Year ended March 31, 2016	2,546	(6,250)	5,381	14,373

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, 2016	—	11.00	—	11.00	22.00	1,412	—	3.1
Year ending March 31, 2017	—	11.00	—	11.00	22.00	1,412	100.6	3.8
Year ending March 31, 2018 (forecast)	—	11.00	—	11.00	22.00		47.1	

3. Forecast of consolidated financial results for the year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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	145,900	5.9	3,000	267.9	1,100	—	200	—	3.12
Full year	300,000	8.4	9,300	121.1	6,000	319.9	3,000	113.8	46.73



* 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.: None
- 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, 2017:	73,017,952	Year ended March 31, 2016:	73,017,952
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- 2) Number of treasury stock

Year ended March 31, 2017:	8,825,656	Year ended March 31, 2016:	8,825,918
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- 3) Average number of shares issued and outstanding in each period

Year ended March 31, 2017:	64,192,407	Year ended March 31, 2016:	64,284,296
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(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(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, 2017	239,776	0.4	3,542	—	2,639	—	3,044	—
Year ended March 31, 2016	238,885	0.0	(1,696)	—	(2,772)	—	(15,910)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2017	47.43	47.38
Year ended March 31, 2016	(247.51)	—

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2017	150,839	40,922	26.8	629.21
As of March 31, 2016	149,486	39,261	25.9	603.66

Reference: Shareholders' equity: As of March 31, 2017: 40,390 million yen As of March 31, 2016: 38,749million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2018 (April 1, 2017– March 31, 2018)

(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	126,100	5.3	2,400	243.8	2,100	—	1,300	—	20.25
Full year	259,400	8.2	8,300	134.3	7,000	165.2	4,700	54.4	73.22

* Summaries of financial results are not subject to audit.

* 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.



○Table of Contents for the Attached Document

1. Overview of Business Results, Etc.	2
(1) Analysis of business results	2
(2) Analysis of financial position	5
(3) Basic principles of profit distribution and dividends for the fiscal year under review and the next fiscal year	6
(4) Business and other risks	6
2. Overview of Nichii Group	9
3. Basic Approach to Selection of Accounting Standards	12
4. Consolidated Financial Statements and Major Notes	13
(1) Consolidated balance sheets	13
(2) Consolidated statements of income and comprehensive income	16
(3) Consolidated statements of changes in net assets	19
(4) Consolidated statements of cash flows	21

1. Overview of Business Results, Etc.

(1) Analysis of business results

1) Overview of business results

Positioning the fiscal year under review as a turnaround year for achieving the stable growth of long-term profits, NICHIGAKKAN CO., LTD. and its consolidated subsidiaries (the “Nichii Gakkan Group”) built a stable and profitable high-growth business foundation that would be less susceptible to the effects of institutional trends by developing a business line-up that would cover all the items of “social contribution,” “profit distribution” and “futurism.” Setting the strengthening of “organizational strength” and “human resources power” that would constitute the bedrock of business promotion as an improvement measure for the fiscal year under review, the Nichii Gakkan Group accelerated its transformation to a corporate structure that would draw a persistent growth path through measures such as faster management execution based on the enhanced executive officer system at the beginning of the year, the building of an all-participatory management setup encompassing business sites, branch offices, regional offices and the head office and efforts to improve productivity.

Looking at the business results, consolidated sales increased driven by growth in the Long-term Care Segment and the Child Care Segment, given that the number of users of residential care services such as fee-charging old people’s homes remained firm and that the Group actively established registered child care centers and other facilities and maintained high utilization. Income returned to profitability driven by the Long-term Care Segment, which improved earnings due to efficient collaboration among services by revising staff assignment and shift management.

In the fiscal year under review, the Group posted net sales of 276,659 million yen (compared with 273,583 million yen in the previous fiscal year), operating income of 4,206 million yen (compared with an operating loss of 785 million yen in the previous fiscal year), ordinary income of 1,429 million yen (compared with an ordinary loss of 3,629 million yen in the previous fiscal year) and profit attributable to owners of parent of 1,403 million yen (compared with a loss attributable to owners of parent of 15,995 million yen in the previous fiscal year).

Results by business segment are as follows:

From the fiscal year under review, the China business—the results of which were originally recorded in the Medical Support Segment, Long-term Care Segment, Health Care Segment, Child Care Segment, and Other—is presented separately as the China Business Segment. Child care courses (babysitting courses, etc.), which were previously included in the Education System, are now included in the Child Care Segment.

To compare the results in the fiscal year under review and the results in the previous fiscal year in the following results by business segment, the business segments for the previous fiscal year have been reclassified as described above.

<Medical Support Segment>

Taking advantage of its longstanding management support expertise, the Group sought to promote the provision of high value-added services and expand operations by strengthening multifaceted proposal-based sales in medical management. In the process of doing so, the Group focused on constitutional improvement to produce appropriate income, which would become the source for improving the treatment of staff, in order to increase income through the acquisition and retention of human resources. The Group also prepared for the opening of a new “clinic receptionist work course” that would contribute to the acquisition of human resources for clinics. Earnings improved as the quality of the Company’s services was appropriately evaluated, thanks to strategic sales activities that were enhanced in the second half of the fiscal year under review.

As a result, sales remained weak and declined, but income increased, reflecting improvement to an appropriate level.

Net sales for this segment amounted to 108,322 million yen (compared with 108,785 million yen in the previous fiscal year), and operating income for the segment was 8,012 million yen (compared with 7,691 million yen in the previous fiscal year).

<Long-term Care Segment>

With the aim of acquiring human resources to provide long-term care services and improving their retention, the Group stepped up activities to promote employment through training programs aimed at new care workers, improved the treatment of care workers and expanded systems for their career advancement.

The number of home care service users declined due to a shift to comprehensive businesses in preventive care services for the elderly amid policy progress in the stricter selection of focus and the streamlining of insurance payments. However, the Group took steps to bolster the service response to moderately and severely disabled users, and results began to be produced. In residential care services, the number of users remained firm, particularly those of fee-charging homes for the elderly, which contributed to earnings. In both home care and residential care services, the income level recovered as a result of a focus on efficiency in staff assignment and shift management.

While the growth in the number of home care service users remained sluggish, sales increased due to the growth in the number of residential care service users, and income increased thanks to cost control through efficient staff assignment and facility operations.

Net sales for this segment came to 143,788 million yen (compared with 142,896 million yen in the previous fiscal year), and operating income for the segment was 11,048 million yen (compared with 6,809 million yen in the previous fiscal year).



<Health Care Segment>

In Nichii Life housekeeping services, the Group strengthened the development of new customers by actively implementing season-limited campaigns and promoted the continuous use of the services by enhancing the lineup to meet expanding service needs arising from increases in elderly households and double-income households. In private brand products, which were born from customer feedback, the sales volume increased steadily as a result of launching them in a selectable product mix in keeping with changes in users' lifestyles.

Sales for the segment fell due to the discontinuation of food services and the downsizing of helper dispatch services. However, income for the segment rose, reflecting steady growth in the numbers of Nichii Life housekeeping service users and private brand products sold.

With respect to operations for accepting foreign housework supporters, on whom a ban was lifted in the national strategy special zones, the Group advanced preparations to commence services in Japan because it had received permission for operations in Tokyo, Kanagawa Prefecture and Osaka City.

Net sales in this segment stood at 3,662 million yen (compared with 3,723 million yen in the previous fiscal year), and operating income was 643 million yen (compared with 568 million yen in the previous fiscal year).

<Education Segment>

In the COCO Juku brand, whose strength lies in the acquisition of conversation skills in group lessons, the number of students increased steadily as a result of pursuing a customer focus, including easy access, ease of learning and friendliness.

The Group sought to increase customer satisfaction, provide effective courses and improve the utilization of teachers by providing lessons emphasizing hospitable conversation and focusing on events to give lectures on English and cultures of the world by integrating online and school lessons and appointing Filipino instructors. With the aim of operating community-based schools, the Group also opened schools in residential areas where children have easy access, and effectively used home-study courses and classes.

The number of students decreased at one-on-one English conversation schools operated by GABA Corporation under the impact of lower business confidence, resulting in a sales decline for those schools. However, income rose (operating loss shrank) due to advertisements for the COCO Juku brand that emphasized cost-effectiveness and aggressive promotional events that took advantage of having schools throughout Japan.

Net sales for the Education Segment totaled 12,771 million yen (compared with 13,003 million yen posted in the previous fiscal year). Operating loss for the segment was 4,647 million yen (compared with an operating loss of 5,677 million yen posted in the previous fiscal year).

<Child Care Segment>

In the Child Care Segment, the Group aggressively expanded its business bases centered on registered child care centers in a bid to reduce the number of children on the waiting lists for admission to child care facilities in communities and contribute to the active participation of women. During the fiscal year under review, the number of child care facilities in operation reached 122 due to the opening of 42 new facilities. The Group concentrated on sales and public relations activities, including efforts to enhance contact with local governments and child care concierges and host exchange events for community members.

Although sales for the segment increased about 73% due to the maintenance of high utilization mainly in newly opened facilities, income declined due to prior investments for the active opening of new facilities. However, the improvement has been seen in quarterly income.

In the company-led child care business advanced by the Cabinet Office, the Group announced the nationwide development of company-led child care facilities under a basic agreement to use child care services concluded with Nippon Life Insurance Company. The Group is preparing for the establishment of a total of 100 facilities by the end of fiscal 2018 by using real properties owned by Nippon Life Insurance Company.

Net sales for the Child Care Segment totaled 5,940 million yen (compared with 3,431 million yen in the previous fiscal year). The operating loss for the segment was 781 million yen (compared with a loss of 883 million yen in the previous fiscal year).

<China Business Segment>

The Group has built a system for providing services in China in 17 companies and six school corporations. In the fiscal year under review, the Group focused on the establishment of schemes for personnel training and service provision cultivated in Japan by working to spread and popularize Japanese-style long-term care (self-reliance support) in China. In addition, the Group contracted the "Promotion Project to Establish Medical Technologies and Service Bases" of the Ministry of Economy, Trade and Industry and worked on activities to disseminate and enhance long-term care and preventive care, etc. through empirical research for building and promoting the integrated community care system in China.

Sales rose with the increased numbers of consolidated subsidiaries and school corporations. However, income fell, reflecting expenses for prior investments, which were unable to be offset because it would take time to acquire customers and human resources to provide services.

The Group has decided to increase its overall productivity by establishing Nichii-HTW China Co., Ltd. with a business operator with IT system technologies to develop IT systems that will contribute to business promotion for the purpose of providing customers throughout



China with efficient services and increasing customer satisfaction.

Net sales for this segment amounted to 1,966 million yen (compared with 1,604 million yen in the previous fiscal year). Operating loss for the segment was 1,416 million yen (compared with a loss of 1,033 million yen in the previous fiscal year).

<Other Businesses>

In Other Businesses, the Nichii Gakkan Group made efforts to improve revenues by creating synergies between the businesses of NICHIGAKKAN CO., LTD. and those of the Group companies.

Net sales for this segment stood at 207 million yen (compared with 138 million yen in the previous fiscal year). Operating income was 285 million yen (compared with 274 million yen in the previous fiscal year).

2) Outlook for the year ending March 31, 2018

In the area of social security, various measures to enhance the labor supply are being implemented, including the revision of long-term care fees to improve the treatment of long-term care staff in April 2017, the promotion of the establishment of child care facilities to promote the employment of women and reduce the number of children on the waiting lists for admission to child care facilities, and operations for accepting foreign housework assistants in national strategy special zones.

The Nichii Gakkan Group will work to further improve the efficiency of business operation and enhance its earnings power by building a system to promote business in a mobilized manner to promptly meet local needs at the business sites and in the branch offices.

In the principal businesses (medical support, long-term care and child care), the Group will continue to improve the retention of human resources and develop services tailored to institutional and policy trends.

In the strategic businesses (language, health care and therapy), the Group will increase utilization at bases by promoting community-based marketing and promotion. In operations for accepting foreign housework assistants in national strategy special zones, the Group plans to commence services in the first half of the year.

In the globalization businesses (overseas business in China, etc.), local governments in China have begun embarking on the development of long-term care infrastructure, and interest in Japanese-style long-term care is growing. Accordingly, the Group plans to establish long-term care facilities in Beijing and Shanghai to further promote understanding of self-reliance support and long-term care for dementia patients. The Group will also create a role model for long-term care services in China, taking advantage of the connection the Group has made with the Chinese government and the service provision network and IT platform of local regional operating companies.

Taking these factors into consideration, the Group expects sales and income to increase in the next fiscal year as follows.

[Earnings forecast for the fiscal year ending March 31, 2018]

	(Unit: Million yen)			
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ending March 31, 2018 (Forecast)	300,000	9,300	6,000	3,000
Actual results for the previous fiscal year	276,659	4,206	1,429	1,403

(2) Analysis of financial position

1) Overview of financial position

During the fiscal year under review, cash and cash equivalents (“cash”) increased 1,816 million yen year on year, to 16,189 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 9,379 million yen.

The main factors were depreciation and amortization and the amortization of goodwill.

[Cash flows from investing activities]

Net cash used in investing activities came to 3,567 million yen.

This was primarily the result of the purchase of property, plant and equipment and the purchase of intangible assets.

[Cash flows from financing activities]

Net cash used in financing activities came to 4,246 million yen.

This was chiefly due to the repayment of long-term loans payable.

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

	Year ended March 31, 2016	Year ended March 31, 2017
Equity Ratio (%)	20.0	19.1
Equity ratio based on present value (%)	27.2	28.3
Debt redemption (years)	35.0	10.3
Interest coverage ratio (times)	0.7	2.3

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

- Each indicator was calculated from consolidated financial results.
- 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).
- 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.

Record date	Cash Dividends per Share (Yen)		
	2Q-end	Year-end	Annual
Year ending March 31, 2017	11.00 (Actual)	11.00 (Forecast)	22.00 (Forecast)
Year ending March 31, 2018	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 63 subsidiaries and three affiliates, and is engaged in six segments (Medical Support, Long-Term Care, Health Care, Education, Child Care and China business).

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.

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 also 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, etc.

The Health Care segment sells health care products as services not covered by institutional services, and also provides a housekeeping service and a care staff dispatching service, produces and sells flowers, plants, seeds and seedlings, operates and manages sightseeing facilities, breeds and sells pet dogs, and operates grooming salons and hotels exclusively for dogs.

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, the operation of directly managed in-company child care centers and company-led child care facilities, and the provision of child care courses (babysitting courses, etc.).

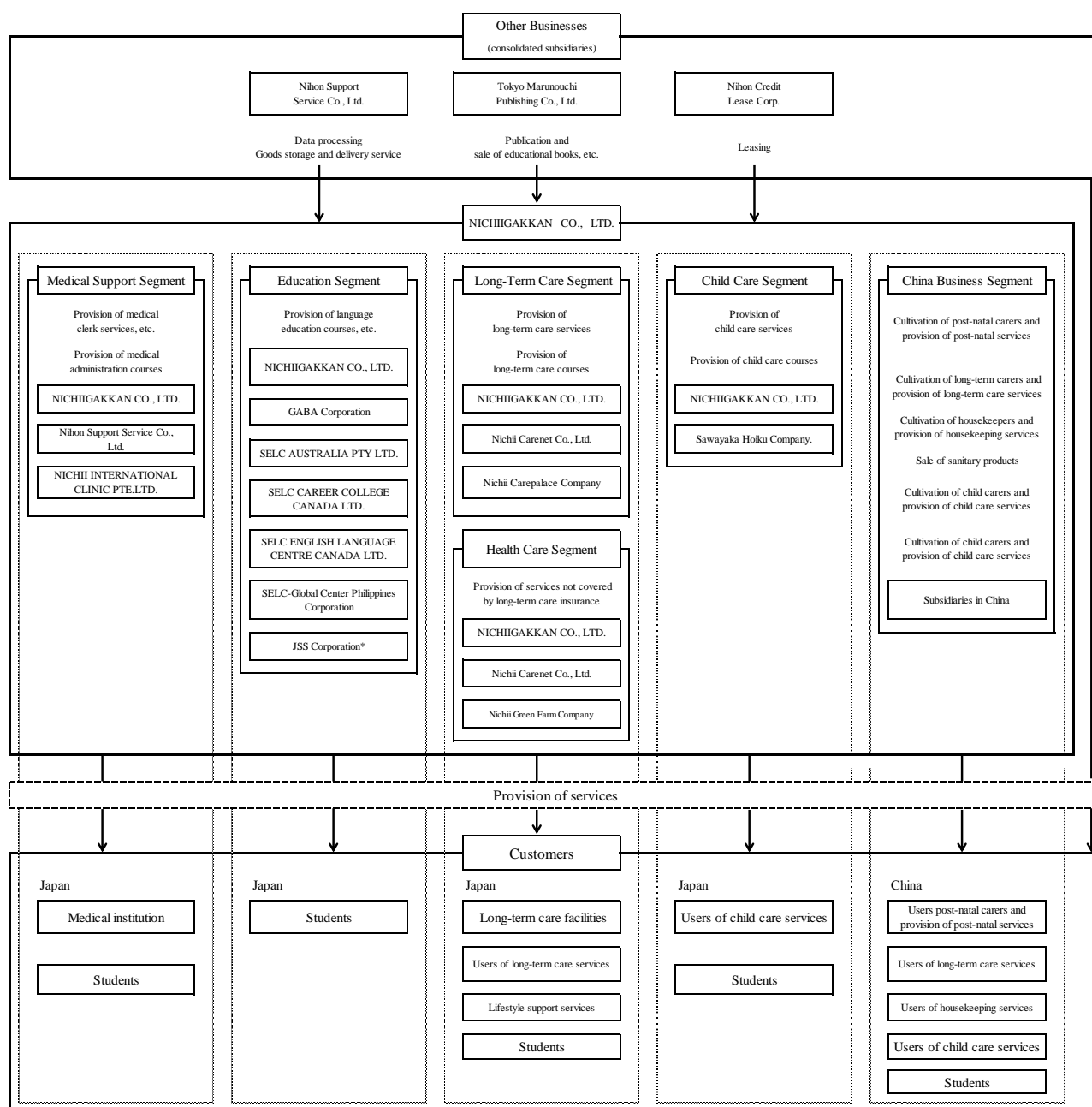
The China Business segment cultivates post-natal care workers, provides post-natal care services, cultivates long-term care workers, provides long-term care services, cultivates housekeepers, provides housekeeping services, and sells sanitary goods, cultivates human resources for child care, provides 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.	NICHIIGAKKAN CO., LTD. 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	NICHIIGAKKAN CO., LTD. Nichii Carenet Co., Ltd. Nichii Carepalace Company
Health Care	Sale of health care products; housekeeping services; care staff dispatching service; production and sale of flowers, plants, seeds and seedlings; operation and management of sightseeing facilities; cultivation of therapy dogs and implementation of therapy activities; breeding and sale of pet dogs; operation of grooming salons exclusively for dogs, etc.	NICHIIGAKKAN CO., LTD. Nichii Carenet Co., Ltd. Nichii Green Farm Company
Education	English conversation schools; operation of members' sports clubs, focused on swimming schools	NICHIIGAKKAN CO., LTD. GABA Corporation SELC AUSTRALIA PTY LTD. SELC ENGLISH LANGUAGE CENTRE CANADA LTD. SELC CAREER COLLEGE CANADA LTD. SELC-Global Center Philippines Corporation JSS Corporation

Segments	Principal Businesses/Products	Principal Companies
Child Care	Operation of in-hospital child care centers; operation of directly managed in-company child care centers; operation of company-led child care facilities; provision of babysitting courses, etc.	NICHIGAKKAN CO., LTD. Sawayaka Hoiku Company.
China Business	Cultivation of post-natal care workers and provision of post-natal care services; cultivation of long-term care workers and provision of long-term care services; cultivation of housekeepers and provision of housekeeping services; sale of sanitary goods; cultivation of human resources for child care and provision of child care services; sale of child care goods in China.	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

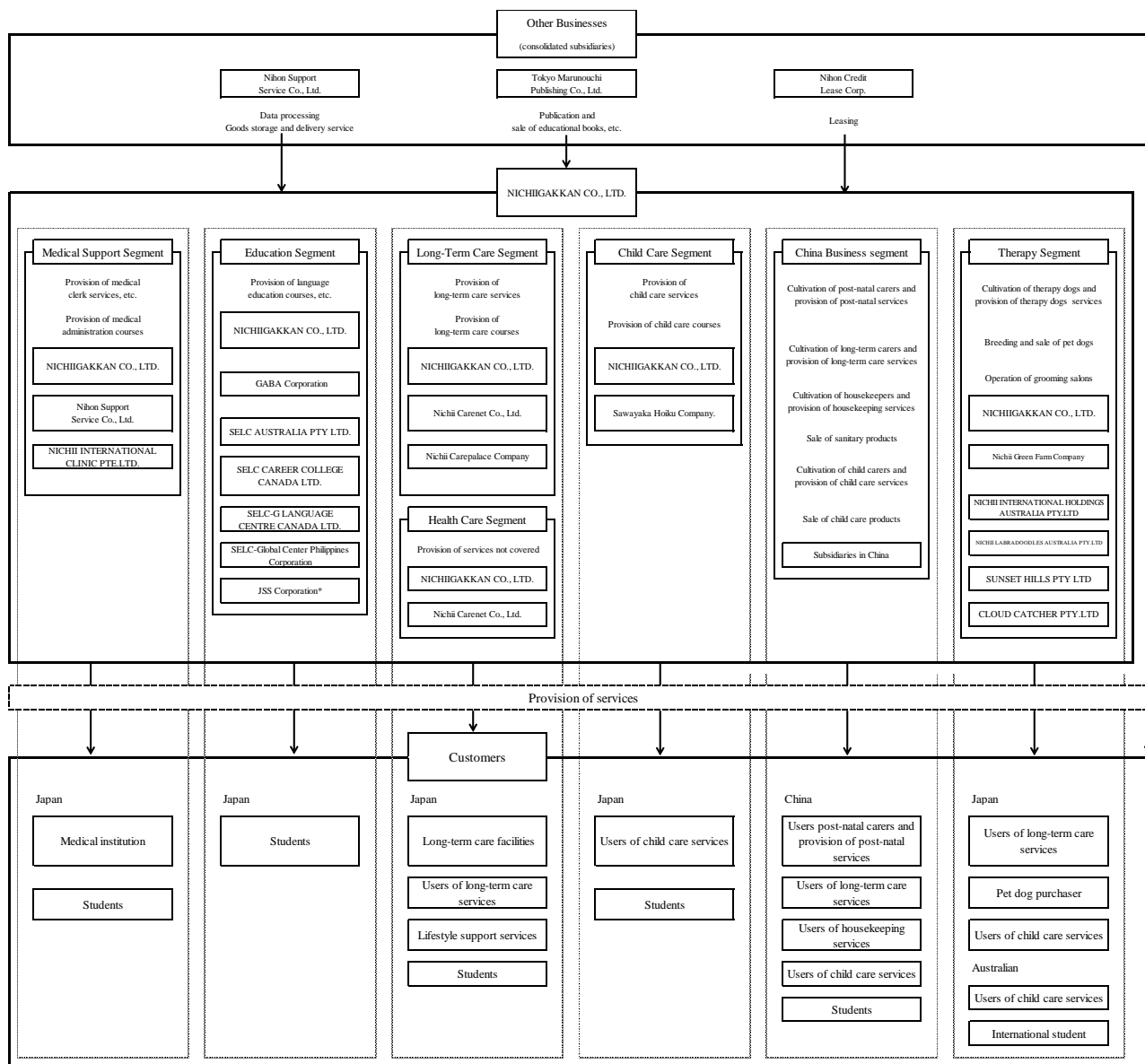
(For reference)

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

- The therapy business and the grooming business will be separated from the Health Care segment and become independent as the Therapy segment.
- The care staff dispatching service will be transferred from the Health Care segment to the Long-Term 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	NICHIIGAKKAN CO., LTD. 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; provision of care staff dispatching service, etc.	NICHIIGAKKAN CO., LTD. Nichii Carenet Co., Ltd. Nichii Carepalace Company
Health Care	Sales of health care products; housekeeping service; care staff dispatching service	NICHIIGAKKAN CO., LTD. Nichii Carenet Co., Ltd.
Education	English conversation schools; operation of members' sports clubs, focused on swimming schools	NICHIIGAKKAN CO., LTD. GABA Corporation SELC AUSTRALIA PTY LTD. SELC ENGLISH LANGUAGE CENTRE CANADA LTD. SELC CAREER COLLEGE CANADA LTD. SELC-Global Center Philippines Corporation JSS Corporation
Child Care	Operation of in-hospital child care centers; operation of directly managed in-company child care centers; operation of company-led child care facilities; provision of babysitting courses	NICHIIGAKKAN CO., LTD. Sawayaka Child Care Co., Ltd.
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
Therapy	Cultivation of therapy dogs and implementation of therapy activities; breeding and sale of pet dogs; operation of grooming salons and hotels exclusively for dogs; production and sale of flowers, plants, seeds and seedlings; operation and management of sightseeing facilities, etc.	NICHIIGAKKAN CO., LTD. Nichii Green Farm Company NICHII INTERNATIONAL HOLDINGS AUSTRALIA PTY.LTD NICHII LABRADOODLES AUSTRALIA PTY.LTD SUNSET HILLS PTY LTD CLOUD CATCHER PTY.LTD
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. 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.



4. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

(Thousand yen)

	Fiscal 2016 (As of March 31, 2016)	Fiscal 2017 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	13,530,688	16,357,197
Notes and accounts receivable—trade	32,803,595	32,855,836
Short-term investment securities	3,020,964	200,416
Merchandise and finished goods	1,037,203	1,076,922
Work in progress	13,335	8,570
Raw materials and supplies	205,143	232,588
Deferred tax assets	1,477,876	2,314,021
Other	11,178,378	11,687,703
Less: allowance for doubtful accounts	(85,387)	(9,802)
Total current assets	63,181,798	64,723,455
Fixed assets		
Property, plant and equipment		
Buildings and structures	※ 2 51,585,011	※ 2 52,811,993
Accumulated depreciation	(27,584,443)	(29,723,740)
Buildings and structures—net	24,000,568	23,088,252
Machinery, equipment and vehicles	89,085	88,992
Accumulated depreciation	(74,257)	(78,155)
Machinery, equipment and vehicles—net	14,828	10,836
Tools, furniture and fixtures	※ 2 4,531,686	※ 2 4,633,559
Accumulated depreciation	(3,632,140)	(3,829,133)
Tools, furniture and fixtures—net	899,545	804,426
Land	8,157,252	8,444,356
Lease assets	45,584,267	54,742,692
Accumulated depreciation	(6,276,345)	(7,839,548)
Lease assets—net	39,307,921	46,903,144
Construction in progress	878,358	1,354,524
Total property, plant and equipment	73,258,475	80,605,541
Intangible assets		
Goodwill	15,776,886	14,225,873
Software	2,577,303	2,701,829
Software in progress	2,253,761	2,367,560
Lease assets	221,353	170,901
Other	193,646	207,001
Total intangible assets	21,022,951	19,673,166



(Thousand yen)

	Fiscal 2016 (As of March 31, 2016)	Fiscal 2017 (As of March 31, 2017)
Investment and other asset		
Investment securities	※ 1 2,281,430	※ 1 1,567,930
Long-term loans receivable	8,442,236	8,022,901
Long-term prepaid expenses	2,545,462	2,297,901
Guarantee deposits	13,053,827	13,739,404
Deferred tax assets	518,006	717,096
Other	※ 1 741,536	※ 1 739,777
Allowance for investment loss	(140,000)	-
Less: allowance for doubtful accounts	(735,588)	(379,098)
Total investments and other assets	26,706,911	26,705,912
Total fixed assets	120,988,337	126,984,620
Total assets	184,170,136	191,708,076
Liabilities		
Current liabilities		
Notes and accounts payable—trade	884,520	840,286
Short-term loans payable	20,307,461	20,269,380
Current portion of long term loans payable	4,444,089	4,869,890
Lease obligations	1,358,392	1,431,046
Income taxes payable	1,199,674	1,990,593
Accrued consumption taxes	1,496,584	1,414,113
Accrued expenses	16,300,768	15,914,778
Advances received	11,206,334	11,337,562
Deferred tax liabilities	1,468	-
Provision for bonuses	4,892,578	4,990,083
Provision for directors' bonuses	38,000	38,000
Other	6,041,741	5,435,045
Total current liabilities	68,171,614	68,530,780
Non-current liabilities		
Long-term loans payable	19,548,389	17,563,057
Lease obligations	43,399,237	52,192,808
Long-term advances received	3,248,604	3,716,866
Deferred tax liabilities	377,666	7,321
Asset retirement obligations	2,308,169	2,378,419
Net defined benefit liability	7,015,433	7,311,817
Other	1,999,142	2,082,623
Total non-current liabilities	77,896,643	85,252,913
Total liabilities	146,068,258	153,783,694



(Thousand yen)

	Fiscal 2016 (As of March 31, 2016)	Fiscal 2017 (As of March 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,277,876
Retained earnings	19,635,508	20,006,631
Treasury stock, at cost	(11,377,668)	(11,376,929)
Total shareholders' equity	37,545,845	37,841,369
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,815	20,543
Foreign currency translation adjustments	333,133	(457,572)
Remeasurements of defined benefit plans	(1,022,986)	(811,515)
Total accumulated other comprehensive income	(677,038)	(1,248,544)
Subscription rights to shares	511,733	531,839
Non-controlling interests	721,337	799,717
Total net assets	38,101,877	37,924,381
Total liabilities and net assets	184,170,136	191,708,076



(2) Consolidated statements of income and comprehensive income
(Consolidated statements of income)

(Thousand yen)

	Fiscal 2016 (from April 1, 2015 to March 31, 2016)	Fiscal 2017 (from April 1, 2016 to March 31, 2017)
Net sales	273,583,422	276,659,882
Cost of sales	223,872,201	224,459,969
Gross profit	49,711,220	52,199,913
Selling, general and administrative expenses		
Advertising and promotion expenses	6,315,391	4,432,329
Directors' compensation	169,358	184,847
Salaries and benefits	18,887,041	17,956,358
Provision for employee bonuses	1,166,308	1,119,010
Provision for directors' bonuses	38,000	38,000
Provision for directors' retirement benefits	549,617	611,243
Stock-based compensation expenses	28,534	29,275
Legal welfare expenses	3,304,586	3,280,131
Travel and transportation expenses	1,653,906	1,522,707
Rent expenses	3,288,174	3,426,398
Provision of allowance for doubtful accounts	10,299	3,988
Depreciation and amortization	1,353,246	1,593,053
Amortization of goodwill	2,141,812	2,144,110
Other	11,590,309	11,651,837
Total selling, general and administrative expenses	50,496,590	47,993,291
Operating income (loss)	(785,369)	4,206,621
Non-operating income		
Interest income	169,256	151,528
Rent income	220,968	188,103
Subsidy income	340,101	176,310
Foreign exchange gains	-	401,609
Incentive income	106,349	73,670
Share of profit of entities accounted for using equity method	41,349	55,250
Other	270,480	426,047
Total non-operating income	1,148,505	1,472,519
Non-operating expenses		
Interest expenses	3,456,218	4,103,515
Rent expenses	59,065	36,745
Other	477,447	109,805
Total non-operating expenses	3,992,731	4,250,066
Ordinary income (loss)	(3,629,594)	1,429,074
Extraordinary income		
Gain on reversal of subscription rights to shares	-	8,158
Gain on reversal of loss on cancellation of lease agreement	-	50,610
Other	-	1,144
Total extraordinary income	-	59,913



(Thousand yen)

	Fiscal 2016 (from April 1, 2015 to March 31, 2016)	Fiscal 2017 (from April 1, 2016 to March 31, 2017)
Extraordinary losses		
Loss on retirement of property, plant and equipment, net	※ 1 23,451	※ 1 15,350
Loss on sales of property, plant and equipment, net	※ 2 547	※ 2 507
Loss on valuation of shares of subsidiaries and associates	701,999	-
Provision of allowance for doubtful accounts	408,463	-
Impairment loss	※ 3 5,718,710	※ 3 120,936
Other	744,905	2,221
Total extraordinary losses	7,598,078	139,016
Net income (loss) before taxes	(11,227,673)	1,349,971
Income taxes—current	1,309,512	1,502,718
Income taxes—deferred	3,573,033	(1,417,447)
Total income taxes	4,882,545	85,271
Net income (loss)	(16,110,218)	1,264,700
Profit (loss) attributable to non-controlling interests	(114,286)	(138,527)
Profit (loss) attributable to owners of parent	(15,995,932)	1,403,227



(Consolidated statements of comprehensive income)

(Thousand yen)

	Fiscal 2016 (from April 1, 2015 to March 31, 2016)	Fiscal 2017 (from April 1, 2016 to March 31, 2017)
Net income	(16,110,218)	1,264,700
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,663)	7,739
Foreign currency translation adjustments	247,374	(828,077)
Remeasurements of defined benefit plans, net of tax	(500,100)	211,471
Total other comprehensive income	※ 1 (261,389)	※ 1 (608,866)
Comprehensive income	(16,371,608)	655,833
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(16,240,632)	831,721
Comprehensive income attributable to non-controlling interests	(130,975)	(175,888)

(3) Consolidated statements of changes in net assets

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
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.						
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
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.						
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



Fiscal 2017 (from April 1, 2016 to March 31, 2017)

(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	19,635,508	(11,377,668)	37,545,845	12,815
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.		(76,337)			(76,337)	
Dividends from retained earnings			(1,412,233)		(1,412,233)	
Profit (loss) attributable to owners of parent			1,403,227		1,403,227	
Purchase of treasury stock				(740)	(740)	
Disposal of treasury stock			(425)	1,479	1,054	
Change of scope of consolidation			380,554		380,554	
Changes other than shareholders' equity during the period (net)						7,727
Total changes of items during the period	-	(76,337)	371,123	739	295,524	7,727
Balance at the end of the period	11,933,790	17,277,876	20,006,631	(11,376,929)	37,841,369	20,543

	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	333,133	(1,022,986)	(677,038)	511,733	721,337	38,101,877
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.						(76,337)
Dividends from retained earnings						(1,412,233)
Profit (loss) attributable to owners of parent						1,403,227
Purchase of treasury stock						(740)
Disposal of treasury stock						1,054
Change of scope of consolidation						380,554
Changes other than shareholders' equity during the period (net)	(790,705)	211,471	(571,506)	20,106	78,380	(473,020)
Total changes of items during the period	(790,705)	211,471	(571,506)	20,106	78,380	(177,495)
Balance at the end of the period	(457,572)	(811,515)	(1,248,544)	531,839	799,717	37,924,381



(4) Consolidated statements of cash flows

(Thousand yen)

	Fiscal 2016 (from April 1, 2015 to March 31, 2016)	Fiscal 2017 (from April 1, 2016 to March 31, 2017)
Cash flows from operating activities:		
Income (loss) before income taxes	(11,227,673)	1,349,971
Depreciation and amortization	5,945,753	5,895,983
Amortization of goodwill	2,141,812	2,144,110
Impairment loss	5,718,710	120,936
Increase (decrease) in provision for directors' retirement benefits	(166,513)	-
Increase (decrease) in provision for bonuses	(165,861)	75,173
Increase (decrease) in provision for directors' bonuses	(1,700)	-
Increase (decrease) in allowance for doubtful accounts	397,303	(25,707)
Increase (decrease) in net defined benefit liability	461,780	509,527
Increase (decrease) in allowance for investment loss	140,000	-
Interest and dividends income	(170,988)	(153,256)
Interest expenses	3,456,218	4,103,515
Share of (profit) loss of entities accounted for using equity method	(41,349)	(55,250)
Loss on valuation of shares of subsidiaries and associates	701,999	-
Loss on retirement of property, plant and equipment, net	23,451	15,350
(Gain) loss on sales of property, plant and equipment, net	547	(1,144)
Stock-based compensation expenses	360,903	29,275
(Increase) decrease in notes and accounts receivable-trade	173,457	221,922
(Increase) decrease in inventories	(478,476)	(101,114)
(Increase) decrease in other current assets	(643,033)	(134,469)
Decrease (increase) in claims provable in bankruptcies	11,075	1,499
(Increase) decrease in other fixed assets	80,165	263,580
Increase (decrease) in notes and accounts payable—trade	(24,123)	(217,774)
Increase (decrease) in accrued consumption taxes	(2,097,807)	(85,682)
Increase (decrease) in other current liabilities	1,894,571	76,865
Increase (decrease) in other non-current liabilities	596,544	580,549
Other, net	910,159	(295,988)
Sub-total	7,996,928	14,317,873
Interest and dividends income received	41,574	42,933
Proceeds from dividend income from entities accounted for using equity method	6,250	8,750
Interest expenses paid	(3,456,334)	(4,101,253)
Income taxes paid	(2,041,494)	(889,256)
Net cash provided by operating activities	2,546,924	9,379,047



(Thousand yen)

	Fiscal 2016 (from April 1, 2015 to March 31, 2016)	Fiscal 2017 (from April 1, 2016 to March 31, 2017)
Cash flows from investing activities:		
Payments into time deposits	(799,844)	(311,274)
Proceeds from withdrawal of time deposits	1,499,844	311,274
Purchase of short-term investment securities	(1,520,837)	(502,798)
Proceeds from sales of short-term investment securities	1,700,000	2,319,644
Purchase of property, plant and equipment	(2,046,714)	(2,186,276)
Proceeds from sales of property, plant and equipment	486	7,161
Purchase of intangible assets	(1,791,095)	(1,953,717)
Purchase of investment securities	(1,005,610)	(19,059)
Proceeds from sales of investment securities	-	500,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	※ 3 (470,421)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	※ 3 (1,394,781)	※ 3 (499,278)
Payments of loans receivable	(1,566,380)	(673,760)
Collection of loans receivable	668,814	194,293
Payments for guarantee deposits	(589,923)	(1,435,673)
Proceeds from collection of guarantee deposits	600,873	841,508
Subsidy income	310,418	470,067
Other, net	(315,311)	(158,956)
Net cash used in investing activities	(6,250,061)	(3,567,267)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	18,338,627	(38,041)
Proceeds from long-term loans payable	-	2,821,502
Repayment of long-term loans payable	(8,813,574)	(4,328,556)
Proceeds from sales of treasury stock	125	42
Purchase of treasury stock	(1,455,863)	(740)
Cash dividends paid by parent company	(1,360,387)	(1,410,995)
Dividends paid to non-controlling interests	(9,600)	(7,500)
Repayments of lease obligations	(1,262,905)	(1,215,967)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(48,532)	(83,101)
Other, net	(6,013)	16,913
Net cash provided by (used in) financing activities	5,381,875	(4,246,443)
Effect of exchange rate changes on cash and cash equivalents	(20,018)	(37)
Net increase (decrease) in cash and cash equivalents	1,658,720	1,565,298
Cash and cash equivalents at beginning of year	9,821,045	14,373,159
Increase in cash and cash equivalents from newly consolidated subsidiary	2,893,394	250,970
Cash and cash equivalents at end of year	※ 1 14,373,159	※ 1 16,189,428