

NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

for the Fiscal Year Ended March 31, 2017

May 17, 2017

Overview of Financial Results for Fiscal Year Ended March 31, 2017

Financial Results Highlights

Net sales hit a record high and profitability rose due to the improvement of business efficiency (operating income up ¥4,900 million, ordinary income up ¥5,000 million, net income up ¥17,300 million).

(Unit: million yen)

	FY2016.3	FY2017.3		
	Amount	Amount	Amount	yoy (%)
Net Sales	273,583	282,000	276,659	1.1%
Operating Income	▲ 785	4,800	4,206	-
%	▲ 0.3%	1.7%	1.5%	-
Ordinary Income	▲ 3,629	1,300	1,429	-
%	▲ 1.3%	0.5%	0.5%	-
Net income attributable to owners of parent	▲ 15,995	500	1,403	-
%	▲ 5.8%	0.2%	0.5%	-

※ For the forecast, using the announcement numerical Value November 9, 2017

Highlights of Financial Results for the Fiscal Year Ended March 31, 2017

As a result of efforts to strengthen area management and increase productivity, results got on track to recovery.

Net sales hit a record high for the 9th consecutive fiscal year.

- Increase in sales of the long-term care business -> up 0.6%; first sales increase in two years
- Contribution of the China business -> up 25.1%; 17 consolidated companies and 6 consolidated school corporations
- Increase in sales of the child care business -> up 73.3%

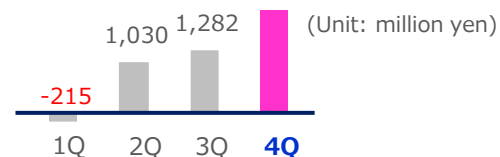
Number of child care facilities
(increase from the previous fiscal year)

42 facilities

Operating income improved as a result of executing the strategies prioritizing income.

- Improved income led by the long-term care business -> up 62.3%
- Contribution of the medical support business -> up 4.1%; first income increase in two years
- Reduction of deficits of the education business -> improvement of 1,030 million yen
(COCO Juku schools: improvement of 1,733 million yen)

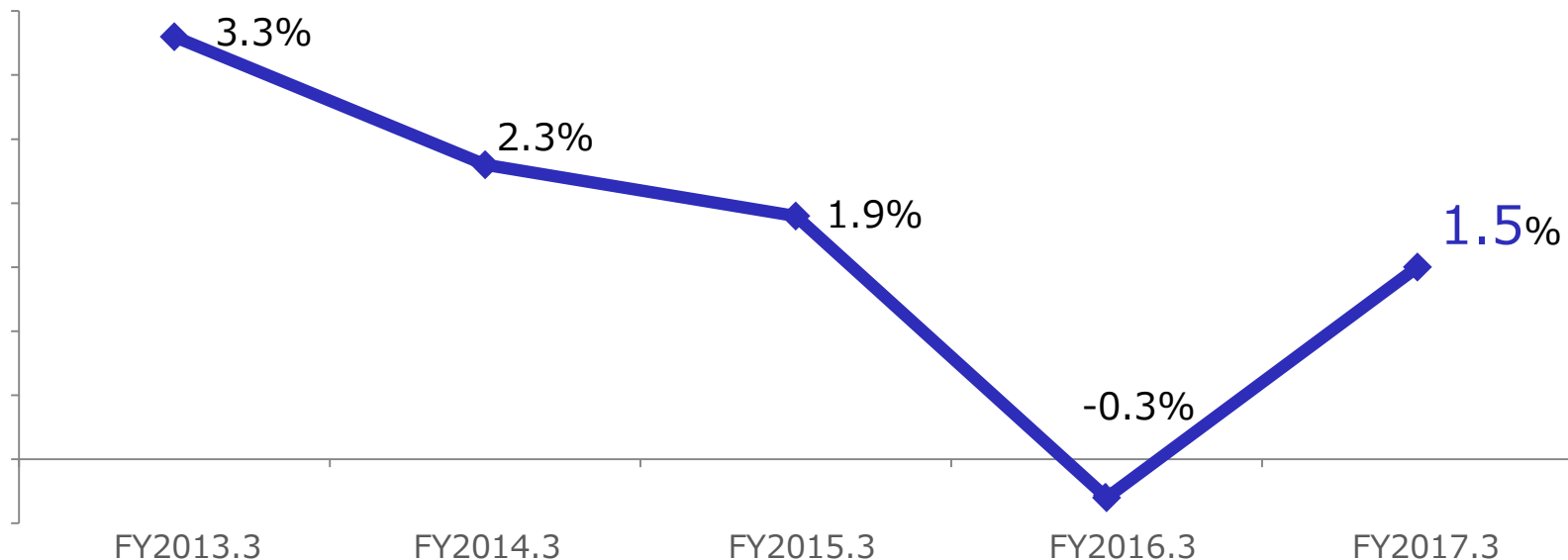
[Change of operating income for the fiscal year ended
March 31, 2017 on a quarterly basis]
2,109



- Improvement of operating income on a quarterly basis -> overcoming the trend of income decline during the winter, operating income recovered to the 2-billionyen range for the fourth quarter, which is the level of record high income (since the fiscal year ended March 31, 2004)

Transition of Consolidated Operating Income Ratios

The operating income ratio bottomed out and showed a return to growth due to the promotion of profit-oriented strategies.



Consolidated Net Sales and Operating Income by Segment

The long-term care business drove improvements in profitability companywide. Operating income increased in all domestic businesses.

(Unit: million yen)

Net Sales	FY2016.3	FY2017.3	yoy (%)
Medical Support	108,787	108,325	▲ 0.4%
Long-term care	143,040	143,858	0.6%
Health Care	4,062	3,861	▲ 4.9%
Education	13,003	12,771	▲ 1.8%
Child Care	3,433	5,949	73.3%
China Business	1,604	2,007	25.1%
Other	943	1,303	38.1%
Elimination	▲ 1,291	▲ 1,417	-
Total	273,583	276,659	1.1%

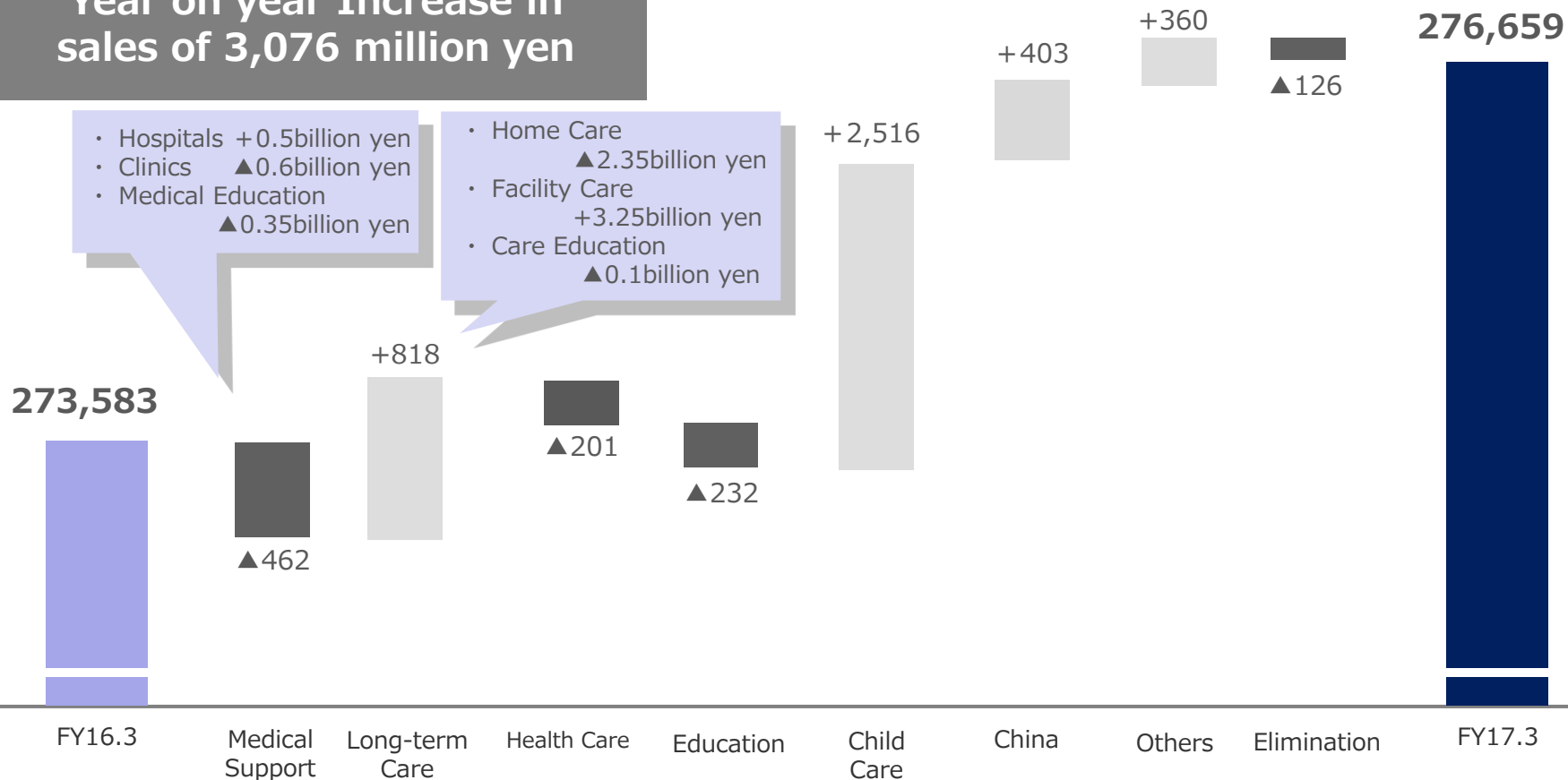
(Unit: million yen)

Operating income	FY2016.3	FY2017.3	yoy (%)
Medical Support	7,691	8,012	4.2%
Long-term Care	6,809	11,048	62.3%
Health Care	568	643	13.2%
Education	▲ 5,677	▲ 4,647	-
Child Care	▲ 883	▲ 781	-
China Business	▲ 1,033	▲ 1,416	-
Other	274	285	4.0%
Elimination	▲ 8,533	▲ 8,937	-
Total	▲ 785	4,206	-

Major Change in Net Sales

(Unit : million yen)

Year on year Increase in sales of 3,076 million yen



- Hospitals +0.5billion yen
- Clinics ▲0.6billion yen
- Medical Education ▲0.35billion yen

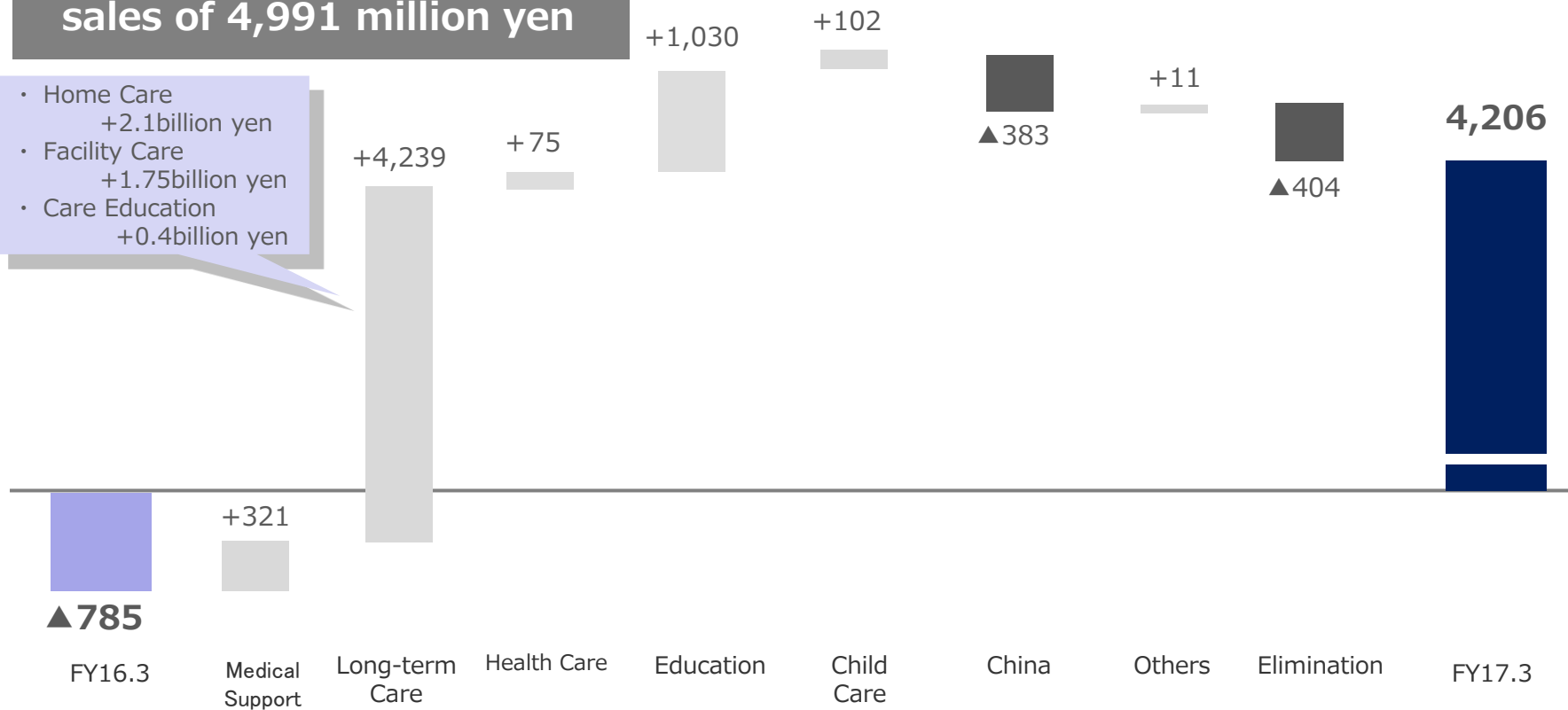
- Home Care ▲2.35billion yen
- Facility Care +3.25billion yen
- Care Education ▲0.1billion yen

Major Changes in Operating Income

(Unit : million yen)

Year on year Increase in sales of 4,991 million yen

- Home Care +2.1billion yen
- Facility Care +1.75billion yen
- Care Education +0.4billion yen



Changes in Cash flow

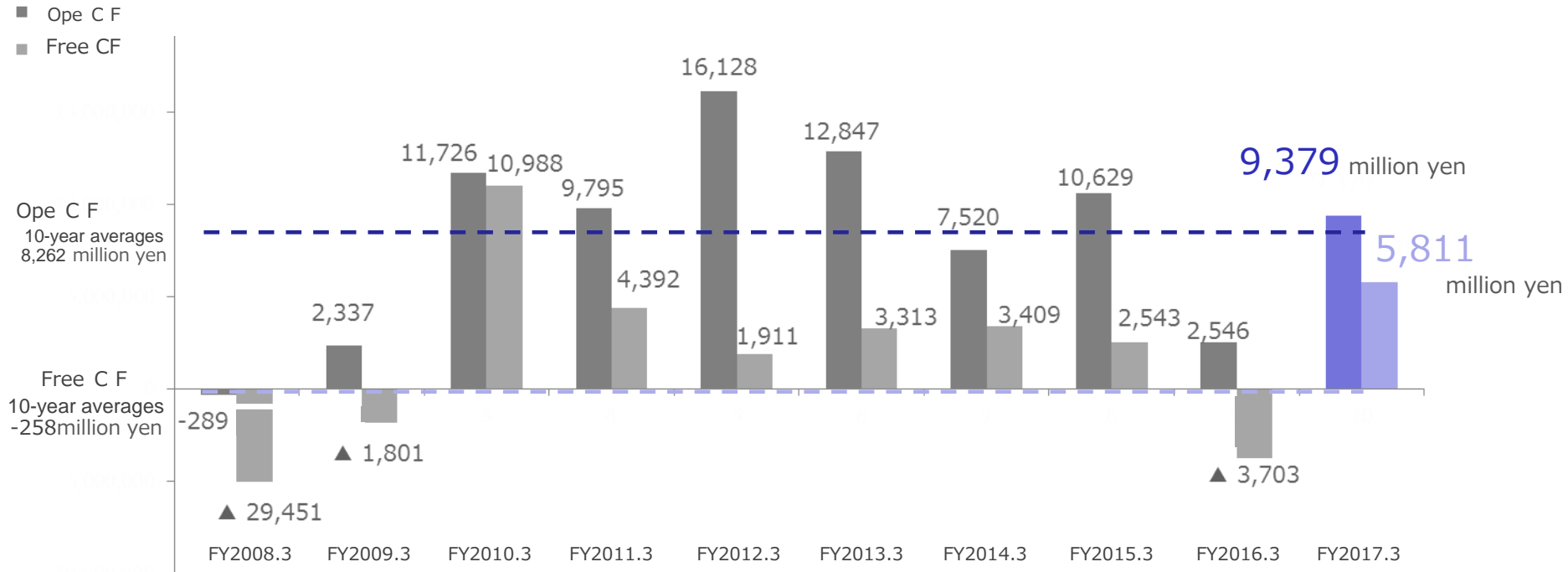
Free cash flow improved significantly due to an increase in profit and the completion of the current round of investments.

(Unit : million yen)

	End of March 2016	End of March 2017	Difference
Cash flows from Operating activities	2,546	9,379	6,832
Cash flows from Investing activities	▲ 6,250	▲ 3,567	2,682
Free cash flow	▲ 3,703	5,811	9,514
Cash flows from Financial activities	5,381	▲ 4,246	▲ 9,628
Cash and cash equivalents at end of year	14,373	16,189	1,816

Consolidated of Cash flows

Cash flows from operating activities and free cash flow recovered simultaneously to levels exceeding their averages over the past 10 years.



FY2018.3 Earnings Forecast

FY2018.3 Earnings Forecast

(Unit : million yen)

	FY2017.3	FY2018.3	
	Amount	Amount	yoy (%)
Net Sales	276,659	300,000	8.4%
Operating income	4,206	9,300	121.1%
%	1.5%	3.1%	-
Ordinary income	1,429	6,000	319.9%
%	0.5%	2.0%	-
Net income attributable to owners of parent	1,403	3,000	113.8%
%	0.5%	1.0%	-
EPS (yen)	21.86	46.73	-
Cash Dividends per Share(yen)	22	22	-

Points for the Fiscal Year Ending March 31, 2018

Aim to achieve further increases in both sales and income through the full-scale growth of the core businesses and increased volume in the strategic investment businesses.

- Net sales: **300** billion yen (up 23.3 billion yen year on year)

Core businesses (medical support, long-term care, child care): up 17.0 billion yen

Strategic investment businesses (other than the core businesses): up 6.3 billion yen

- Operating income: **9.3** billion yen (up 5.1 billion yen year on year)

Core businesses (medical support, long-term care, child care): up 3.0 billion yen

Strategic investment businesses (other than the core businesses): up 2.1 billion yen

Core businesses

- **Income growth together with sales growth**
- **Accelerated growth of the child care business**

Strategic investment businesses (other than the core businesses)

- **Education (language education) business and China business, which lead to continuous growth**

To increase the ability to attain a plan through the formulation of a plan under the leadership of the frontline and the implementation of strategies.

Consolidated Net Sales and Operating Income by Segment

Aim to achieve further increases in both sales and profit by improving the profitability of the mainstay businesses and the Education business.

(Unit: million yen)

Net Sales	FY2017.3	FY2018.3	yoy (%)
Medical Support	108,325	112,300	3.7%
Long-term care	144,416	154,100	6.7%
Health Care	2,926	4,600	57.2%
Education	12,771	15,000	17.5%
Child Care	5,949	9,300	56.3%
Therapy _※	377	1,600	324.4%
China	2,007	3,100	54.5%
Other	1,303	1,600	22.8%
Elimination	▲ 1,417	▲ 1,600	-
Total	276,659	300,000	8.4%

(Unit: million yen)

Operating income	FY2017.3	FY2018.3	yoy (%)
Medical Supp	8,012	9,200	14.8%
Long-term ca	11,183	12,800	14.5%
Health Care	615	600	▲ 2.4%
Education	▲ 4,647	▲ 2,900	-
Child Care	▲ 781	▲ 600	-
Therapy _※	▲ 107	0	-
China	▲ 1,416	▲ 1,100	-
Other	285	200	▲ 29.8%
Elimination	▲ 8,937	▲ 8,900	-
Total	4,206	9,300	121.1%

※Therapy business separated from Healthcare segment and become independent as a Therapy business segment

FY2018.3 Earnings Forecast Major Changes in Net Sales

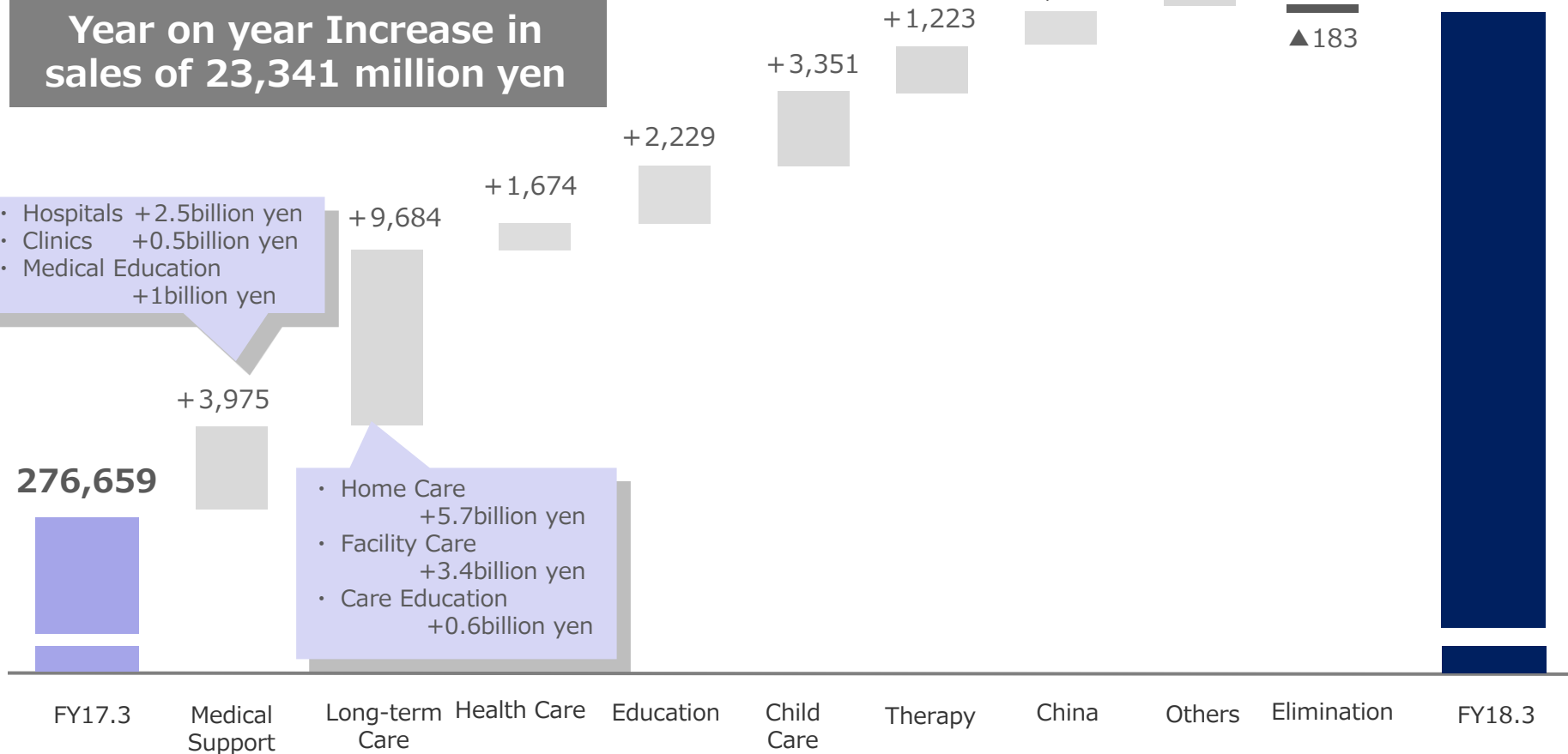
(Unit : million yen)

300,000

Year on year Increase in sales of 23,341 million yen

- Hospitals +2.5billion yen
- Clinics +0.5billion yen
- Medical Education +1billion yen

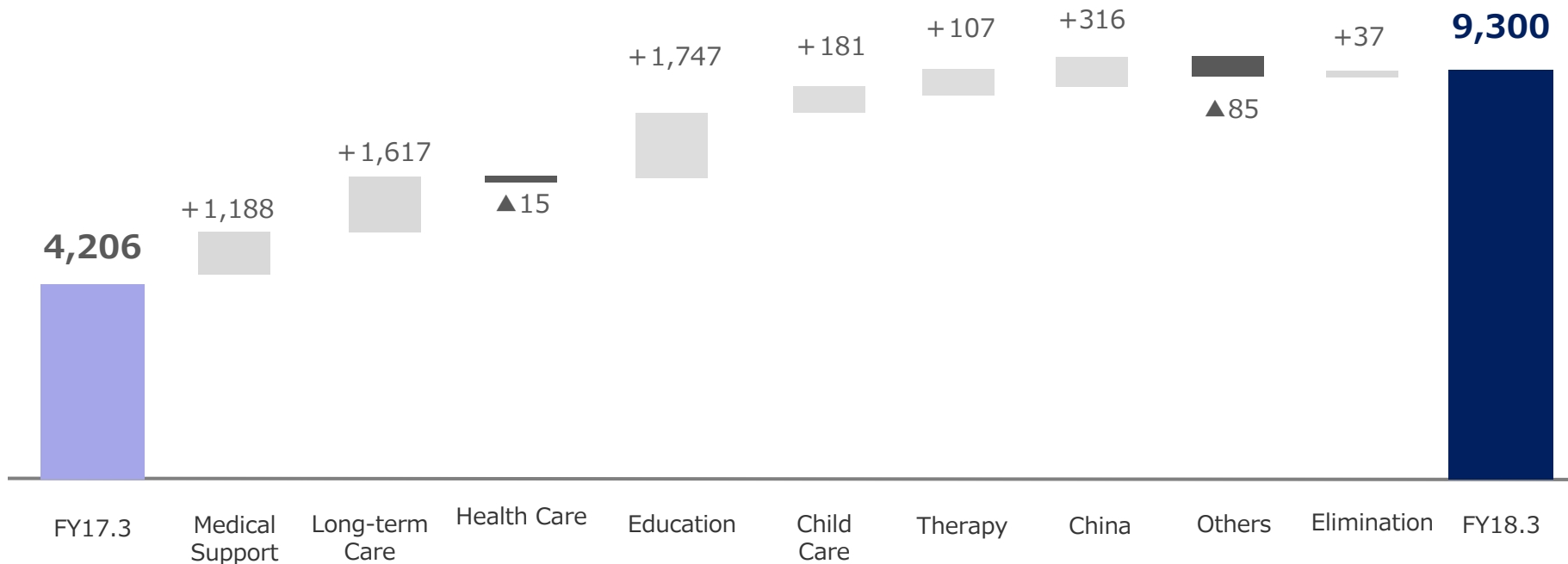
- Home Care +5.7billion yen
- Facility Care +3.4billion yen
- Care Education +0.6billion yen



FY2018.3 Earnings Forecast Major Changes in Operating Income

(Unit : million yen)

Year on year Increase in sales of 5,094 million yen



Management Strategy

Brand Statements

Brand Logo



Our Principles

Integrity, Honor, Passion

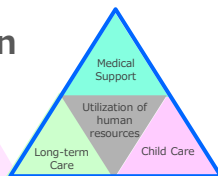
Our Philosophy

We believe in serving society with integrity, acting with honor as we carry out our business's social mission, and striving with ardent passion towards a promising future. At Nichii, we are committed to helping people live healthy and vibrant lives.

Formulation of the Vision Based on the Management Philosophy

To ensure mutual cooperation while pursuing the distinguishing features of each business and push forward with the formulation of the strategic triangle (medium-term management strategy) toward the solution of social issues and the realization of stable income expansion in the long term.

**Social
Contribution**



**Core
businesses
(Social)**

**Management
Philosophy**

**Strategic
businesses
(Economic)**

**Globalization
businesses
(Growth)**

Return of profits

Future-oriented

[Significance of each business under the vision]

Core businesses	Medical support	Contribution to the stable management of medical institutions
	Long-term care	Contribution to the establishment of regional comprehensive care
	Child care	Contribution to the solution of the problem of children on waiting lists for daycare
	Cultivation of human resources	Contribution to the creation of employment in regional communities
Strategic businesses	Language education	Contribution to the education of global human resources
	Health care	Contribution to the promotion of the dynamic engagement of women
	Therapy	Contribution to improving the quality of life of consumers
Globalization businesses	Contribution to the cultivation of foreign human resources Contribution to the spread of long-term care for self-reliance Contribution to solving the problem of the declining birthrate and aging population abroad Contribution to the fulfillment of the needs for medical treatment and nursing care from foreign visitors to Japan and foreigners abroad	
China Australia Canada Singapore Philippines		

Progress Toward Realization of the Vision

The steps toward the realization of stable income expansion over the long term have been steadily carried out.

Improvement of the business profit structure

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

Creation of robust corporate structure

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

2016 Introduction of executive officer system

- Rapid management: speed up management decision-making
- Strategy execution: strengthen business activity execution functions
- Plan attainment: clarify responsibility for execution

2017 Start of VIPRO activities Vision progress Project

By performing the VIPRO activities, the business frontlines, branches and head office develop and execute plans in an integrated way to realize the vision.

Improve the earnings structure and create a robust corporate structure for returning profits to stakeholders through stable earnings expansion over the long term.

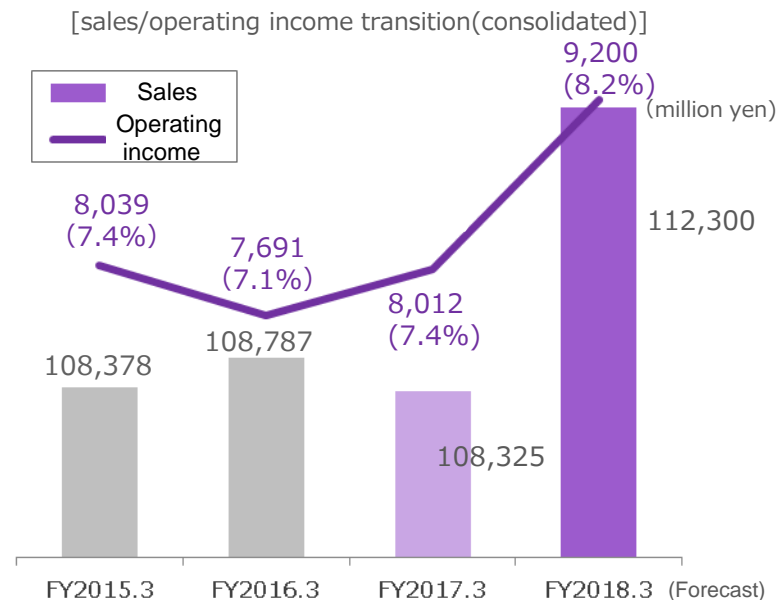
Progress of the Medium-Term Management Strategy (Medical Support Business)

Increase profit through the rationalization of contracts and the improvement of operations.

Progress status of the Medium-Term Management Strategy

- Improvement of profitability through negotiations for the rationalization of contracts
Operating margin: 7.4% (FY2018.3 forecast: 8.2%)
※ continuous implementation
- Recovery of the clinics business (initiatives underway)
Promotion of new lectures to contribute to the acquisition of human resources
- Provision of value-added services (initiatives underway)
- Contribution to the improvement of productivity in medical institutions

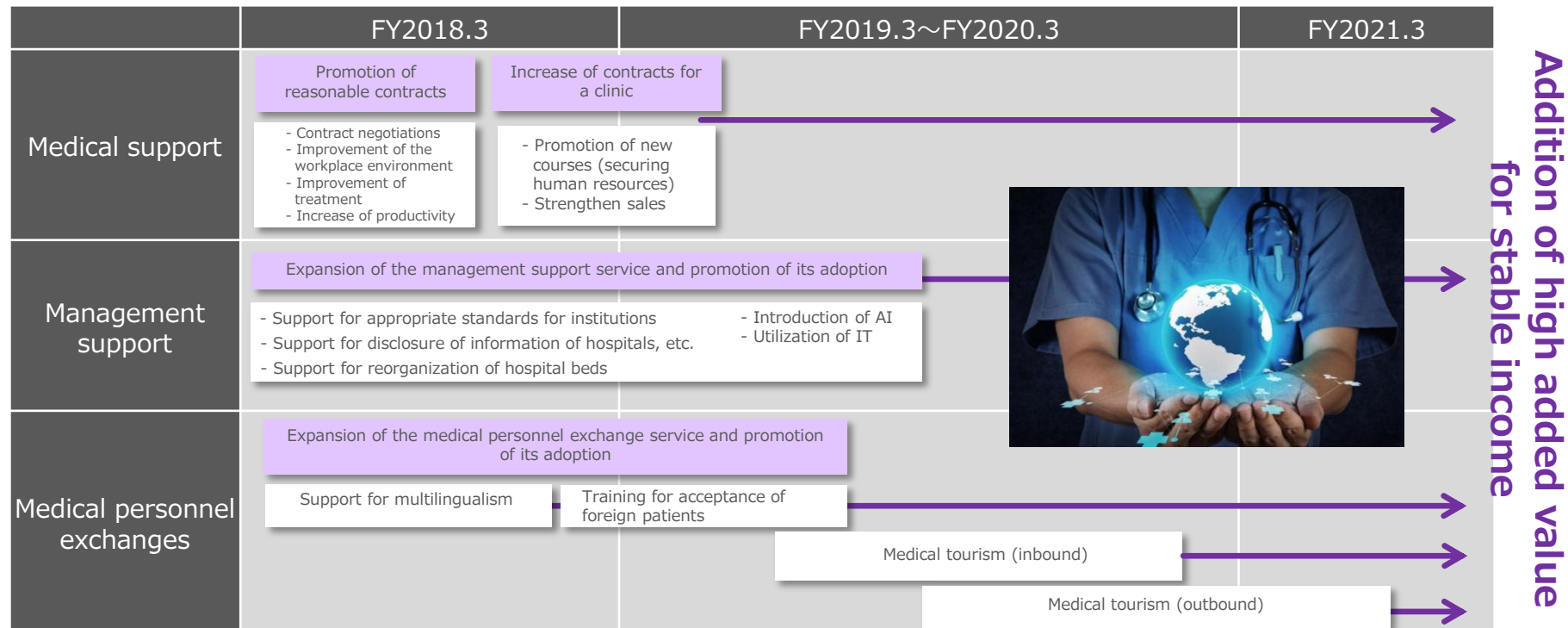
Medical Support



※Results for FY2015.3 and FY2016.3 represent those of the previous segments.

Prospects under the Medium-Term Management Strategy (Medical Support Business)

Increase the productivity of medical institutions with the addition of high added value to the services to realize stable income expansion.



Progress of the Medium-Term Management Strategy (Long-Term Care Business)

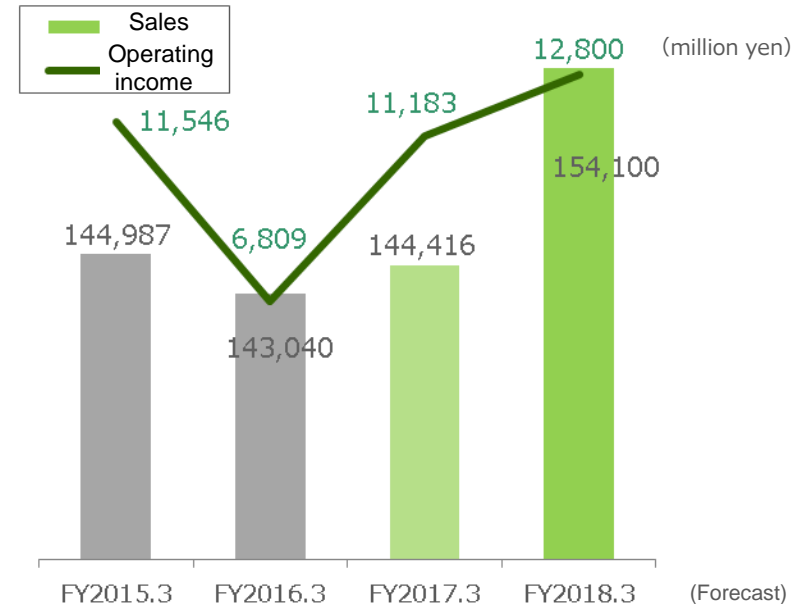
Return to growth through flexible responses to institutional changes, the securing of human resources, and the improvement of productivity.

Progress status of the Medium-Term Management Strategy

- Increase in profit through the promotion of efficiency improvements
Increase in profit in FY2017.3: 4,300 million yen
Expected increase in profit in FY2018.3: 1,600 million yen
- Improvement of capacity utilization in facility care
- Establishment of business models in response to institutional trends
Measures for people who are moderately or severely handicapped, etc.
- Securing of human resources
- Promotion of area strategies and stable management in facility care

Long-term care



[sales/operating income transition(consolidated)]



※Results for FY2015.3 and FY2016.3 represent those of the previous segments

Prospects under the Medium-term Management Strategy (Long-Term Care Business)

Stimulate expansion according to the development of the systems and needs of each area and increase the supply capability to establish a solid business foundation.

	FY2018.3	FY2019.3~FY2020.3	FY2021.3
Home-based care	Establishment of a business model in accordance with the development of the systems - Strengthening of care of moderate-to-severe cases - Optimization of staff allocation - Maximization of productivity		
	- Revision to rewards for 2018 - Regulator reform, deregulation, etc.		
Institutional care	Securing human resources (promotion of employment and retention of human resources) - Improvement of the workplace environment - Improvement of treatment		
	- Support for career enhancement		
	Acceptance of foreign human resources (Technical Internship Program)		
	Promotion of strategies by area		
	- Promotion of community-based dementia care - Promotion of establishment of small-scale multifunctional home-based nursing care bases		
	Stable operation of facilities		
	- Pursuit of work efficiency	- Promotion of acquisition of additional benefits	

Establishment of a solid business foundation

Progress of the Medium-Term Management Strategy (Child Care Business)

Aim to operate day-care centers in all branches by facilitating the establishment of approved day-care centers and corporate-driven type day-care centers.

Progress status of the Medium-Term Management Strategy

- Increase in sales through the promotion of the establishment of day-care centers

Results in FY2017.3: 5,949 million yen (up 73.3% YoY)

- ※Number of day-care centers established

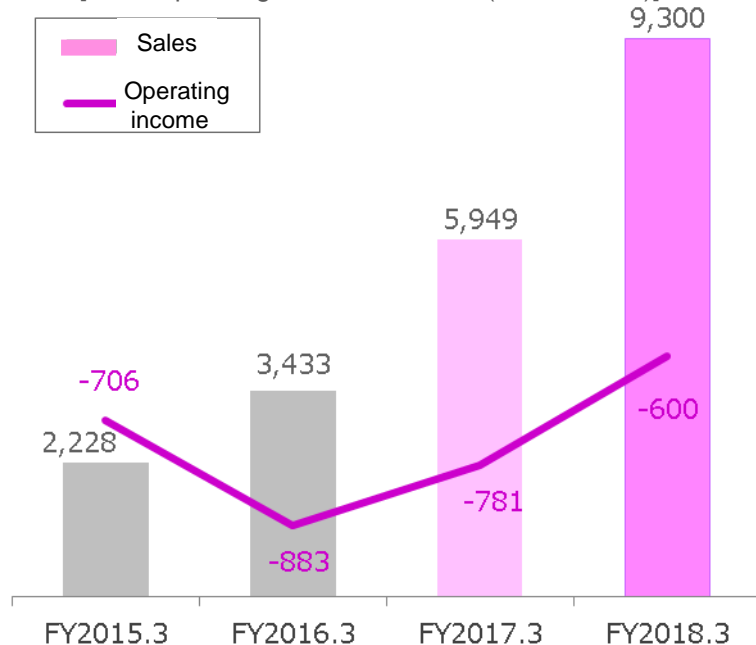
March 31, 2017 (actual): 122 facilities nationwide
(up 42 facilities from the same month in the previous year)

March 31, 2018 (forecast): 198 facilities nationwide
(up 76 facilities from the same month in the previous year)

- Achievement of profitable operation by raising the capacity utilization rate of day-care centers (initiatives underway)
- Sales of child care-related goods (initiatives underway)

Child Care Business


[Sales/operating income transition (consolidated)] (Million yen)



※Results for FY2015.3 and FY2016.3 represent those of the previous segments. (Forecast)

Prospects under the Medium-Term Management Strategy (Child Care Business)

Increase profitability by opening child care centers and expanding and improving peripheral services.

	FY2018.3	FY2019.3~FY2020.3	FY2021.3	
<p>Authorized nurseries, etc. Child care centers led by companies Nurseries within offices</p>	<p>Promotion of regional strategies</p> <ul style="list-style-type: none"> - Authorized nurseries, etc. 			
	<p>Promotion of establishment of child care centers led by companies</p> <ul style="list-style-type: none"> - Establishment in the areas of all branches (target: 100 places) 			
	<p>Acquisition of business for nurseries within offices</p> <ul style="list-style-type: none"> - Active expansion of nurseries within companies and hospitals 			
	<p>Pursuit of service quality</p> <ul style="list-style-type: none"> - Expansion and improvement of training and career system 	<ul style="list-style-type: none"> - Strengthening of operation of ICT 		
				
<p>Other services</p>	<p>Provision of lessons in English at COCO Juku schools and strengthening of promotion campaigns for products relating to child care</p> <ul style="list-style-type: none"> - Provision of lessons in 71 locations around Japan and sales of private brand sanitary and child care products 			
		<ul style="list-style-type: none"> - Development and sales of original educational toys 		

Establishment of a solid structure of the core business

Progress of the Medium-Term Management Strategy (Health Care Business)

Promote the development of new businesses to capture the top position in the livelihood support industry.

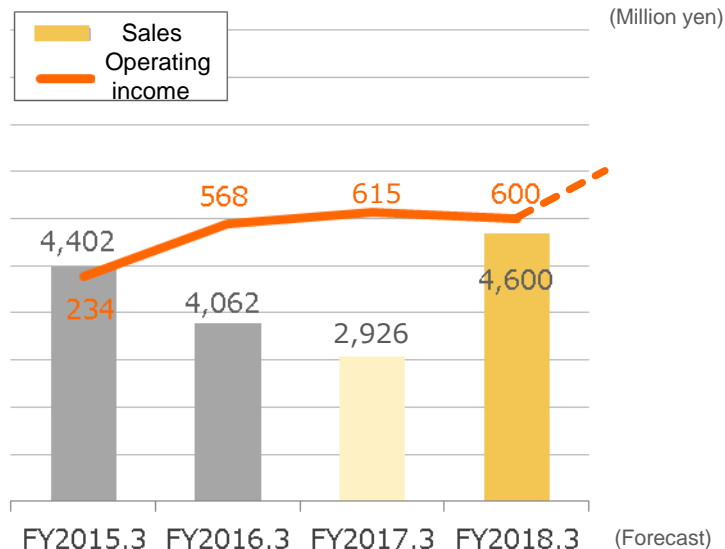
Progress status of the Medium-Term Management Strategy

- Sales expansion in Nichii Life
Results in FY2017.3: 1,292 million yen (up 12.3% YoY)
Forecast for FY2018.3: 1,562 million yen (up 20.8% YoY)
- Promotion of the Sunny Maid Service(※), a new service (preparations underway)
Sales forecast for FY2018.3: 1,071 million yen
- Response to social needs such as deregulation and the promotion of active participation by women (initiatives underway)
- Enhancement of sales of goods

※Sunny Maid Service: Housekeeping services provided by foreigners in the National Strategic Special Zones

Health Care

[sales/operating income transition(consolidated)]



※Results for FY2015.3 and FY2016.3 represent those of the previous segments

Prospects under the Medium-Term Management Strategy (Health Care Business)

Increase the supply capability and respond to diversified needs to cultivate new target customers.

	FY2018.3	FY2019.3~FY2020.3	FY2021.3
Nichii Life (housekeeping services)	<p>Offering of services in accordance with social needs</p> <ul style="list-style-type: none"> - Services, etc. in response to the active participation of women in society 		
Sunny Maid Service (housekeeping support by foreigners)	<p>Promotion of housekeeping support by foreigners</p> <ul style="list-style-type: none"> - Promotion of expansion in the strategic special zone 	<p>Creation of a dedicated base</p> <ul style="list-style-type: none"> - Dedicated base for housekeeping service 	
Sales of products	<p>Increase of new products</p> <ul style="list-style-type: none"> - Sanitary products 	<p>Expansion of sales channels</p> <ul style="list-style-type: none"> - E-commerce sites, etc. 	



Establishment of a pillar for the growth of the new business

Progress of the Medium-Term Management Strategy (Education Business)

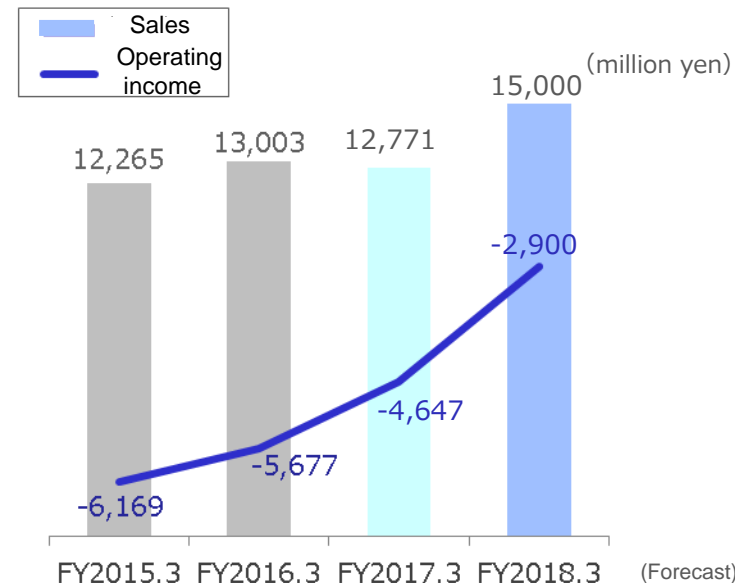
Improve profitability by implementing effective promotions and enhancing school operation systems.

Progress status of the Medium-Term Management Strategy

- Steady increase in profit *Continuous implementation
Increase in profit: 1,000 million yen
(Forecast for FY2018.3: 1,700 million yen)
- Introduction of original teaching materials
(initiatives underway)
- Development of global human resources through the promotion of satellite classrooms (initiatives underway)
 - Pursuit of the ease of attending, ease of learning, and familiarity
 - Target for the establishment of new facilities in FY2018.3: 90 facilities
- Acquisition of new students through the strengthening of promotions and regional contacts (initiatives underway)
- Making the most of improving business environments

Education

[sales/operating income transition(consolidated)]



※Results for FY2015.3 and FY2016.3 represent those of the previous segments

Prospects under the Medium-Term Management Strategy (Education Business)

Secure profits by expanding channels and increasing cost efficiency.

	FY2018.3	FY2019.3~FY2020.3	FY2021.3
COCO Juku school	Strengthening of web marketing		
	- Web advertisement	- Lessons online	
COCO Juku Junior school	Strengthening of strategic dominance		
	- Satellite schools - FC schools	- Event promotion	
	Utilization of the group's network		
GABA	Strengthening of corporate sales		
	Review of marketing activities		

Initiatives for increasing cost efficiency

Progress of the Medium-Term Management Strategy(Therapy Business)

Revitalize the dog therapy and breeding business by launching a new grooming business.

■ Business outline

Opening of the “A-LOVE” grooming salon under the concept of “health” for pets

High-grade grooming salon that supports pet health with a stress-free relaxed space and meticulous services beginning with the latest facilities installed in consideration of reducing the burden of dogs

Plan for the establishment of A-LOVE in the current fiscal year

40 locations

■ A-LOVE Oyamadai (1st store) opened on February 23, 2017

Store name	A-Love Oyamadai	Telephone	03-5758-1210
Address	Kamura Building 1F,5-6-7,Todoriki Setagaya-ku Tokyo	Opening hours	10:00a.m. – 8:00p.m. (closed on Wednesdays)

Major services	Description
Basic service	shampoo and cut(entire body clipping of claws cleaning of ears trimming of hair on the soles of the feet expressing of the anal glands)
Individual services	removal of hairballs cutting of whiskers trimming of facial hair and various other service
Beauty services	hair treatment herbal pack medical shampoo and carious other services
Hotel (accommodation)	short stay by the hour keeping for five hours accommodation by the day



Prospects under the Medium-Term Management Strategy (Therapy Business)

Secure profits by expanding channels and increasing cost efficiency

	FY2018.3	FY2019.3~FY2020.3	FY2021.3
Grooming	Promotion of opening of salons (A-LOVE)		→
	- Grooming	- Boarding	
	- Sales of pet dogs	- Sales of pet products	
Dog therapy	Introduction of dog therapy at nursing facilities		→
	- Adult day care service	- Fee-based nursing home	
Others	Promotion of breeding		→
	Australian Labrador (※)		



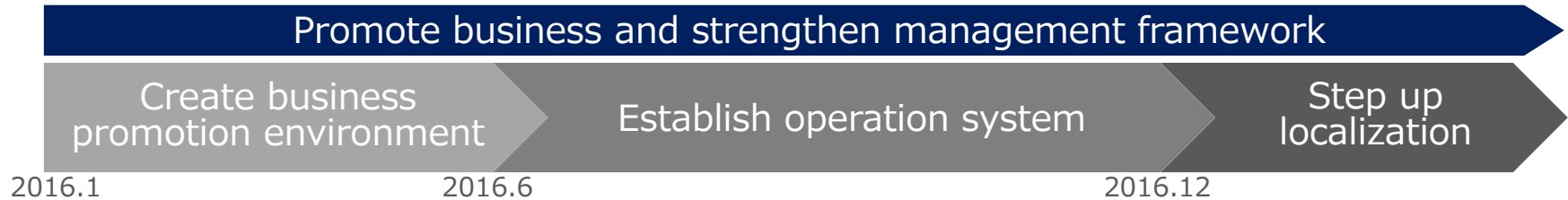
Creation of synergy
with other businesses

※The Australian Labrador is a rare breed of dog with the characteristics of low odor, low shedding and being allergy-friendly, which is expected to serve well as a therapy dog.

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.



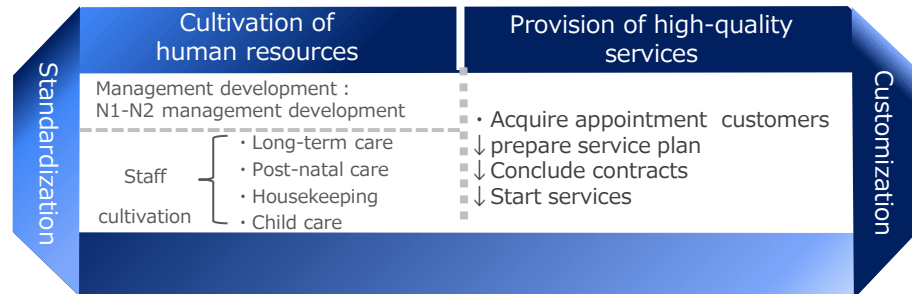
Established in 2016

【 Nichii Operation System 】

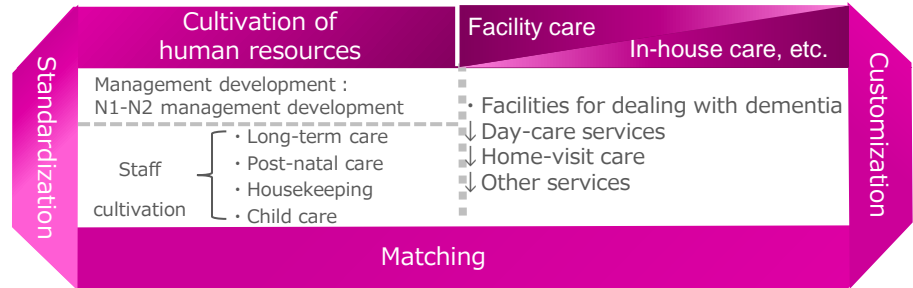


Improvement of the 2017 scheme

[New Nichii Operation System]



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



※Care facilities will be opened in Beijing and Shanghai in 2017.

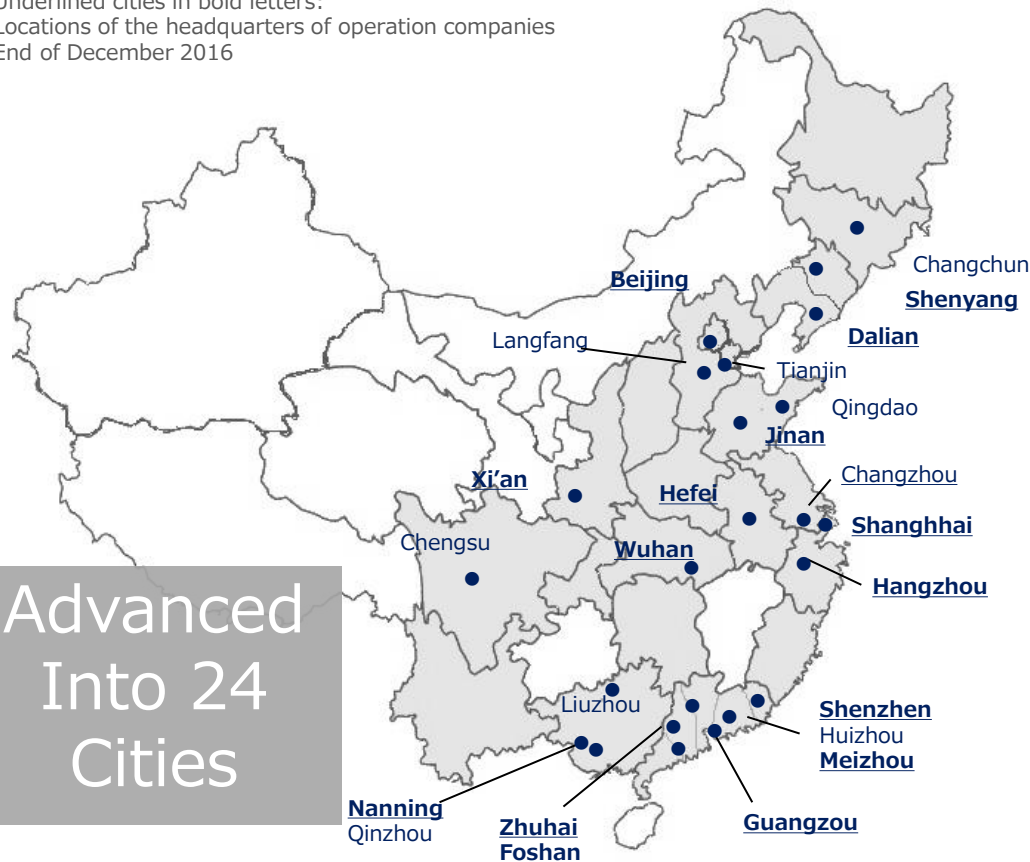
List of Cities Where Nichii's China Business is established

※Includes non-consolidated subsidiaries

※Underlined cities in bold letters:

Locations of the headquarters of operation companies

※End of December 2016



Advanced
Into 24
Cities

【List of business subsidiaries】

Name of company	Name of city
北京三傑聖一人力資源有限公司	Beijing
瀋陽日医助尔家庭服務有限公司	Shenyang
深セン市中家家家庭服務有限公司	Shenzhen
濟南仁德家庭服務有限公司	Jinan
廣州市正祥和家政服務有限公司	Guangzhou
常州金蓓蕾健康諮詢服務有限公司	Changzhou
深セン市中家星級家政服務有限公司	Shenzhen
深セン市中家華傭家政服務有限公司	Shenzhen
深セン市中家職業技能培訓學校	Shenzhen
杭州天使家政服務有限公司	Hangzhou
大連九鼎互聯科技發展有限公司	Dalian
武漢尔邦家政有限公司	Wuhan
廣西康之橋護理服務有限公司	Nanning
南寧康之橋職業培訓學校	Nanning
欽州康之橋職業訓練學校	Qinzhou
柳州康之橋職業訓練學校	Liuzhou
安徽賽菲家庭服務管理有限公司	Hefei
合肥賽菲職業訓練學校	Hefei
日医(珠海)健康服務有限公司	Zuhai
日医(佛山)健康服務有限公司	Foshan
梅州市客家大嫂家政服務有限公司	Meizhou
梅州市華傭職業培訓學校	Meizhou
西安海鑫家政清潔工程有限公司	Xi'an

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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