

NICHIIGAKKAN CO., LTD.

# Financial Results Briefing Document

for the 1H of the Fiscal Year Ending March 31, 2018

November 10, 2017

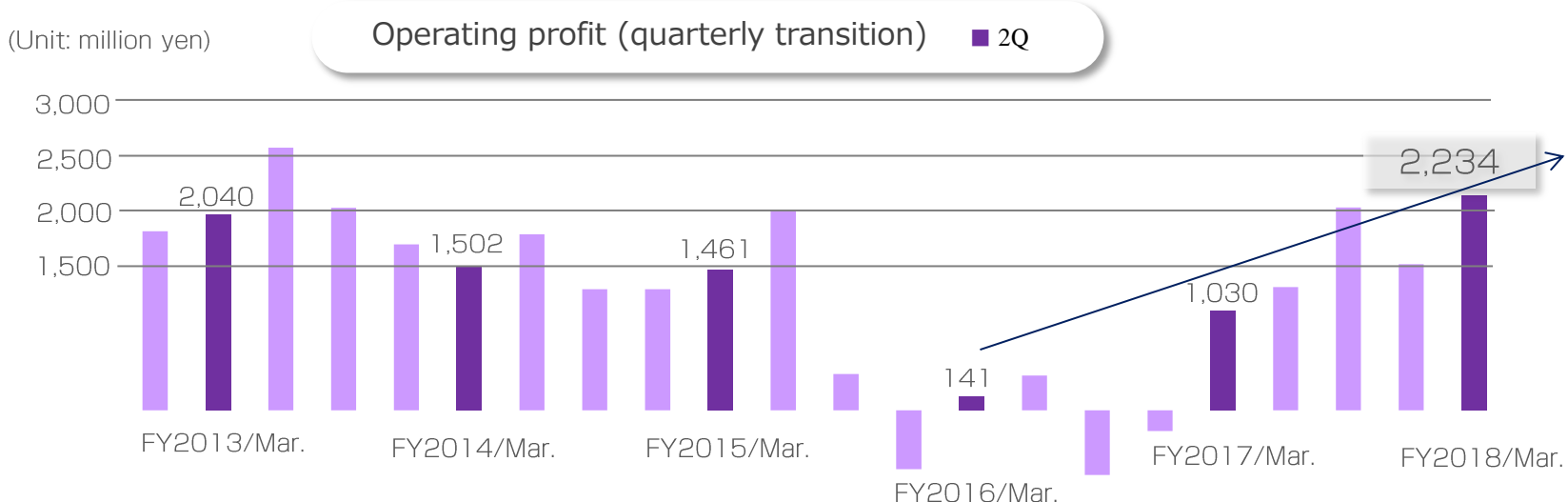
# Financial Results Highlights

(Unit: million yen)

	FY2017.3	FY2018.3	
	2Q	2Q	Difference
Net Sales	137,751	141,426	+3,675
Operating Income	815	3,753	+2,938
%	0.6%	2.7%	+2.1pt
Ordinary Income	▲ 1,110	1,815	+2,926
%	▲ 0.8%	1.3%	+2.1pt
Profit attributable to owners of parent	▲ 1,240	918	+2,159
%	▲ 0.9%	0.6%	+1.5pt

# 2nd Quarter Financial Highlights

- Updated record-high sales (141,426 million yen, increased by 3,675 million yen year-on-year)
- Continued operating profits improvement trend (3,753 million yen, increased by 2,938 million yen year-on-year)
- Improved cash flow (record-high operating cash flow and free cash flow)
  - > operating cash flow: 9,927 million yen, free cash flow: 9,448 million yen
  - > improved long-short term loan ratio



# Consolidated Net Sales and Operating Income by Segment

(Unit: million yen)

Net Sales	FY2017 2Q	FY2018 2Q	Change
Medical Support	54,068	53,738	▲ 0.6%
Long-term Care	72,291	74,613	3.2%
Child Care	2,560	3,922	53.2%
Health Care	1,415	1,483	4.8%
Education	6,347	6,385	0.6%
Therapy ※	100	113	12.9%
China	949	1,136	19.8%
Others	433	733	69.3%
Elimination	▲ 414	▲ 699	-
<b>Total</b>	<b>137,751</b>	<b>141,426</b>	<b>2.7%</b>

(Unit: millin yen)

Operating income	FY2017 2Q	FY2017.3 2Q	Change
Medical Support	3,641	4,499	23.5%
Long-term Care	5,007	7,378	47.3%
Child Care	▲ 497	▲ 728	-
Health Care	276	166	▲ 40.0%
Education	▲ 2,405	▲ 2,125	-
Therapy ※	▲ 130	▲ 202	-
China	▲ 722	▲ 753	-
Others	139	96	▲ 31.0%
Elimination	▲ 4,494	▲ 4,576	-
<b>Total</b>	<b>815</b>	<b>3,753</b>	<b>360.4%</b>

※New segment display from the fiscal year ended March 31, 2018

# Major Changes in Net Sales

(Unit : million yen)

**Year on year Increase in Sales of 3,675 million yen**

Core businesses +3,355

Strategic businesses +116

Globalization businesses +187

137,751

141,426

▲329

+2,322

+1,362

+67

+37

+12

+187

+300

▲285

- Home Care ▲100.36million yen
- Facility Care +2,570million yen
- Care Education ▲148million yen

- Hospitals +36million yen
- Clinics ▲201million yen
- Medical Education ▲164million yen

FY2017.3  
2Q

Medical  
Support

Long-term  
Care

Child  
Care

Health Care

Education

Therapy

China

Others

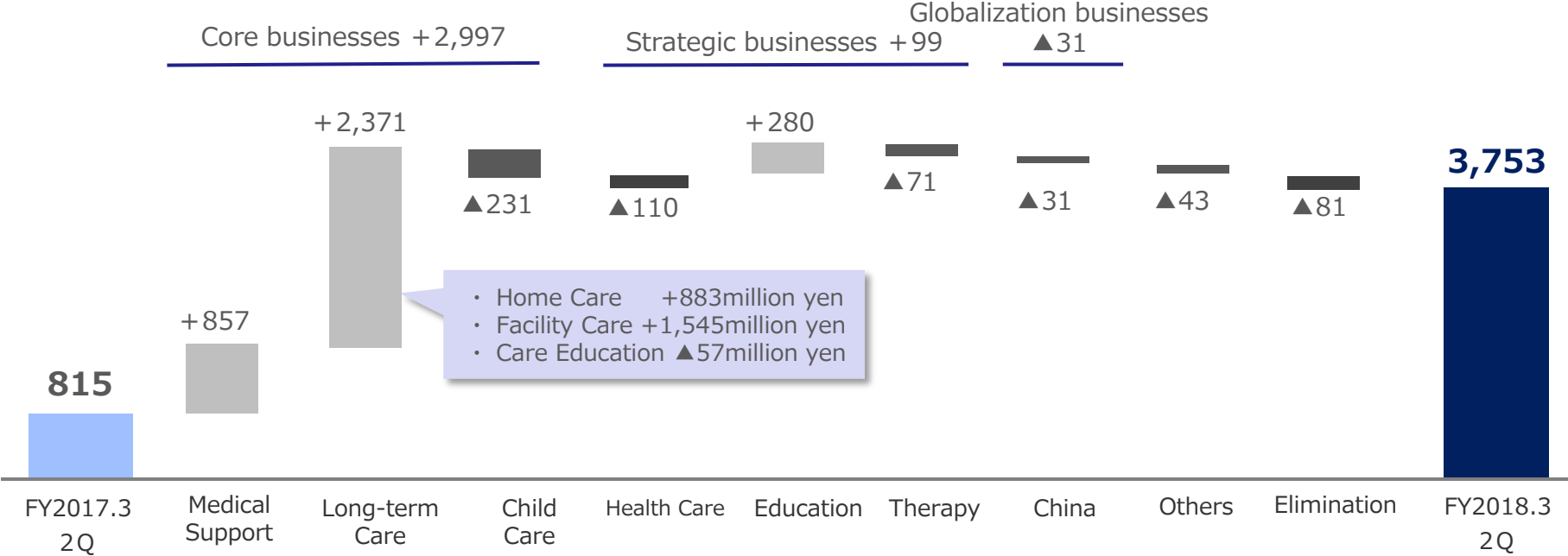
Elimination

FY2018.3  
2Q

# Major Changes in Operating Income

Year on year Increase in Operating Income of 2,938 million yen

(Unit : million yen)



# Changes in Cash flow

(Unit : million yen)

	F Y 2017.3 2Q	FY2018.3 2Q	Difference
Cash flows from Operating activities	2,854	9,927	+7,073
Cash flows from Investing activities	▲ 2,709	▲ 479	+2,230
Free cash flow	144	9,448	+9,304
Cash flows from Financial activities	▲ 1,387	▲ 10,139	▲ 8,752
Cash and cash equivalents at end of year	13,171	15,579	+2,407

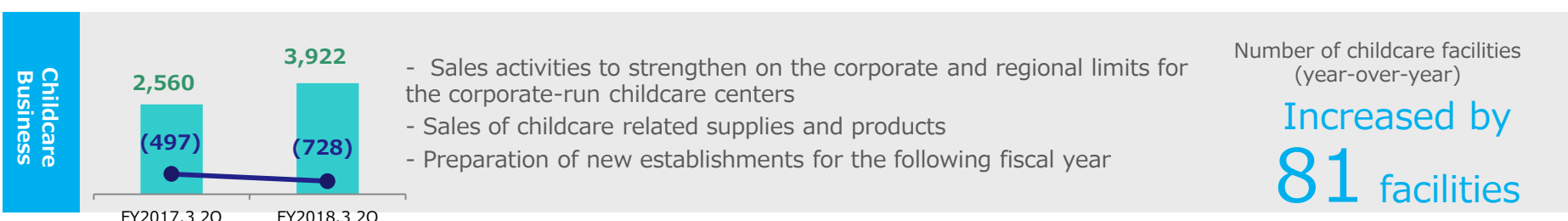
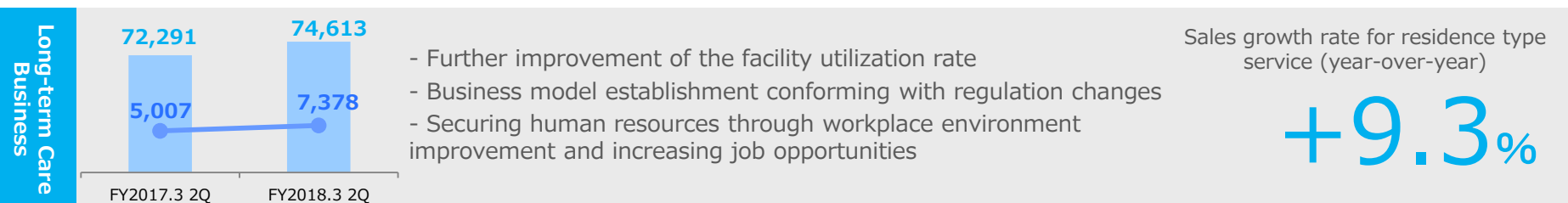
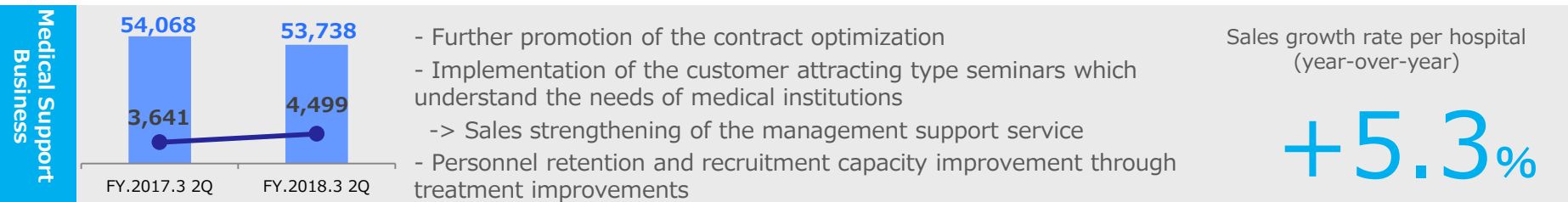
# Segment Overview



# Core Business Overview

Upswing trend continued due to the successful business efficiency improvement focusing on the facility sites

Net Sales      Operating Income (Unit: million yen)

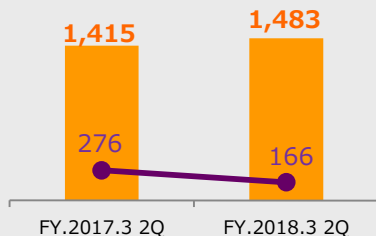


# Strategic Business Overview

## Building business foundation to respond to social needs

Net Sales (orange bars)    Operating Income (purple line) (Unit: million yen)

Health Care Business

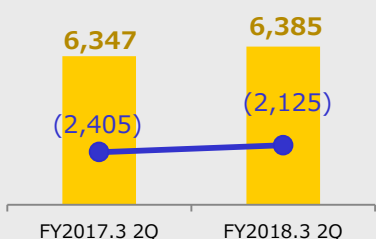


- Further promotion of the housekeeping service, "NICHII Life"
- Strengthening of sanitary product sales
- Market development of the housekeeping service
- > Expand customers for "Nichii Life" and "Sunny Maid Service"

Number of Nichii Life users (year-over-year)

+10.6%

Education Business

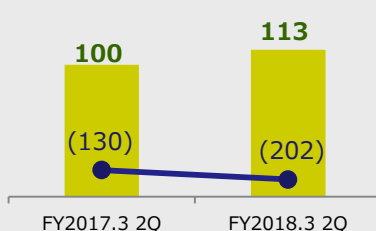


- Strengthening of sales to the corporate enterprises, kindergartens and nursery schools
- Focus to expand COCOJUKU Jr. satellites
- Further improvement of the area promotion efficiency
- Management resources sharing between the brands and business segments

Number of the satellites (at the end of September)

23 facilities

Therapy Business



- Focus on the customer acquisition activity for the existing grooming salons
- Promote to expand the grooming salons (aiming at up to 40)
- Marketing activity in the area where existing salons are located
- Focus on cooperation with the Nursing Care Business (dog therapy)

Number of the existing A-LOVE (at the end of September)

4 facilities

# Globalization Business 【China】 Consolidation progress

	Company	School	P L	B S
1	北京三傑聖一人力資源有限公司		18 companies and 7 school corporation were consolidated	19 companies and 7school corporation were consolidated
2	瀋陽日医助尔家庭服務有限公司			
3	深圳市中家家庭服務有限公司			
4	濟南仁德家庭服務有限公司			
5	廣州市正祥和家政服務有限公司			
6	常州金蓓蕾健康諮詢服務有限公司			
7	深圳市中家星級家政服務有限公司			
8	深圳市中家華傭家政服務有限公司			
9	深圳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	欽州康之橋職業訓練學校	●		
16	柳州康之橋職業訓練學校	●		
17	安徽賽菲家庭服務管理有限公司			
18	合肥賽菲職業訓練學校	●		
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	梅州市客家大嫂家政服務有限公司			
22	梅州市華傭職業培訓學校	●		
23	西安海鑫家政清潔工程有限公司			
24	西安海鑫職業技術培訓學校	●		
25	中福日医（上海）健康服務有限公司			
26	日医恒基（北京）健康管理技術有限公司			

※4Q (expected)

(Unit : million yen)

	2Q (Jan.-Jun.)
Net Sales	1,136
Operating Income	▲753
Amortization of goodwill (5-year amortization)	200

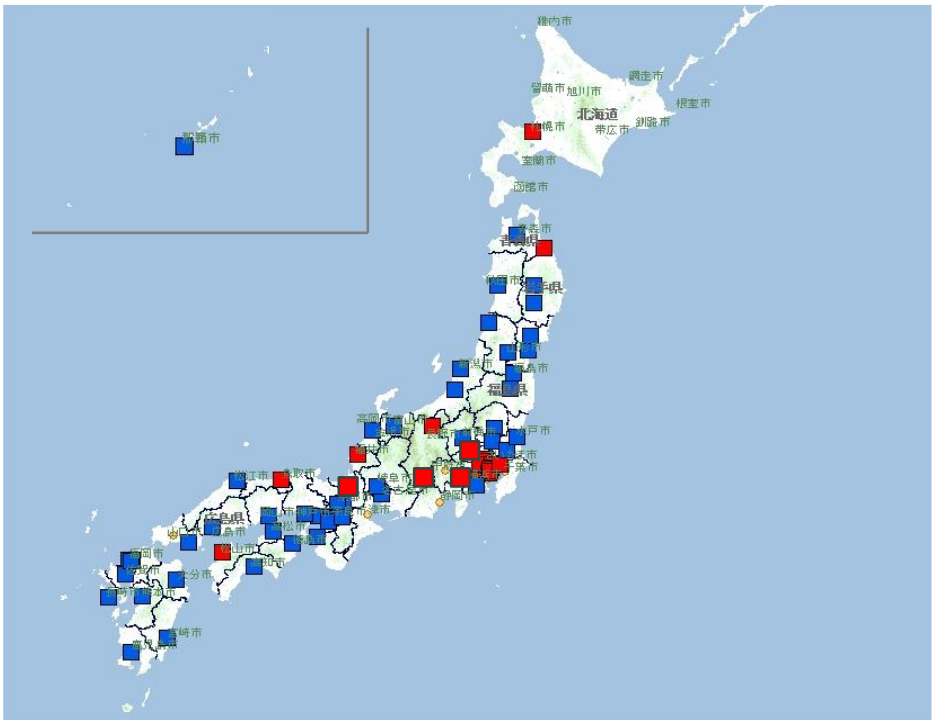
Includes wholly-owned subsidiaries of the Nichii Group

(Unit : million yen)

	End of Jun, 2017
Total Assets	7,090
Net assets	6,426
Goodwill	1,217

# Making a future investment - Creation of a workplace environment allowing everyone to work without undue worries -

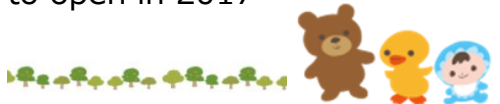
Nationwide sequential launch of the corporate-run childcare centers (70 facilities currently fixed)  
Promote proactive expansion considering the future profit balance



Nationwide  
**70** facilities

Entered into an alliance with 54 companies offering the services for employees

- Opened
- Scheduled to open in 2017



# 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%	-
Profit attributable to owners of parent	1,403	3,000	113.8%
%	0.5%	1.0%	-
EPS (yen)	21.86yen	46.73yen	-
Cash Dividends per Share(yen)	22yen	22yen	-

# Consolidated Net Sales and Operating Income by Segment

(Unit:million yen)

Net Sales	FY2017.3	FY2018.3	change (%)
Medical Support	108,325	112,300	3.7%
Long-term care	144,416	154,100	6.7%
Child Care	5,949	9,300	56.3%
Health Care	2,926	4,600	57.2%
Education	12,771	15,000	17.5%
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	change (%)
Medical Support	8,012	9,200	14.8%
Long-term care	11,183	12,800	14.5%
Child Care	▲ 781	▲ 600	-
Health Care	615	600	▲ 2.5%
Education	▲ 4,647	▲ 2,900	-
Therapy ※	▲ 107	0	-
China	▲ 1,416	▲ 1,100	-
Other	285	200	▲ 29.9%
Elimination	▲ 8,937	▲ 8,900	-
Total	4,206	9,300	121.1%

※New segment display from the fiscal year ended March 31, 2018

# Management strategy



# Visions of Nichii Gakkan at the end of FY 2020 (Mar. 2021)

Establish a balanced business mix which enables to achieve the target management indexes by realizing the strategic triangle

## Strategic triangle



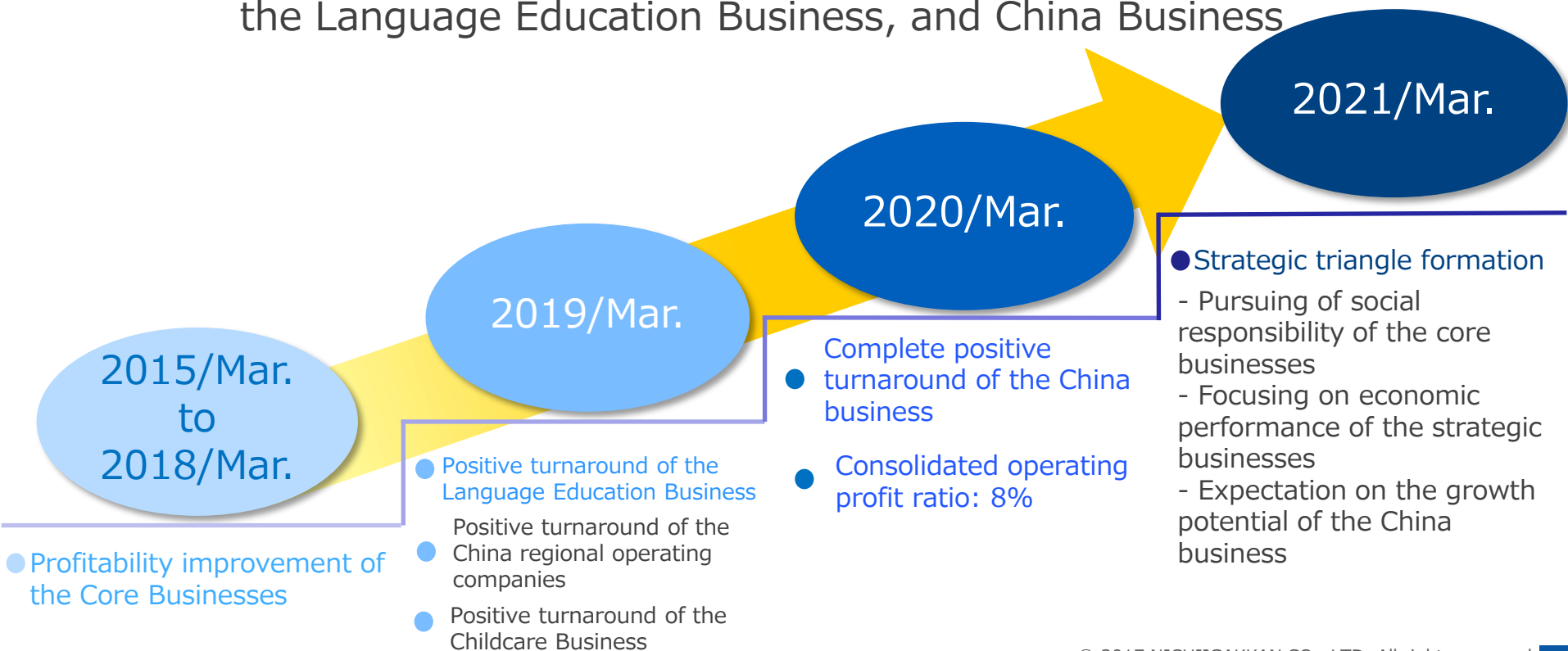
## Strategy Policy

- Establishment of the foundation for a stable growth of Core Businesses by upturning the performance of the main businesses (Medical Support, Long-term Care)
- Increased profitability of the strategic businesses by positive turnaround of Education (Language) Business, and Health Care Business promotion
- Increasing future expectation by the business expansion scheme review. Gradual promotion of the China business in a long-term perspective

# Steps to realize visions

Core Businesses are on the right track.

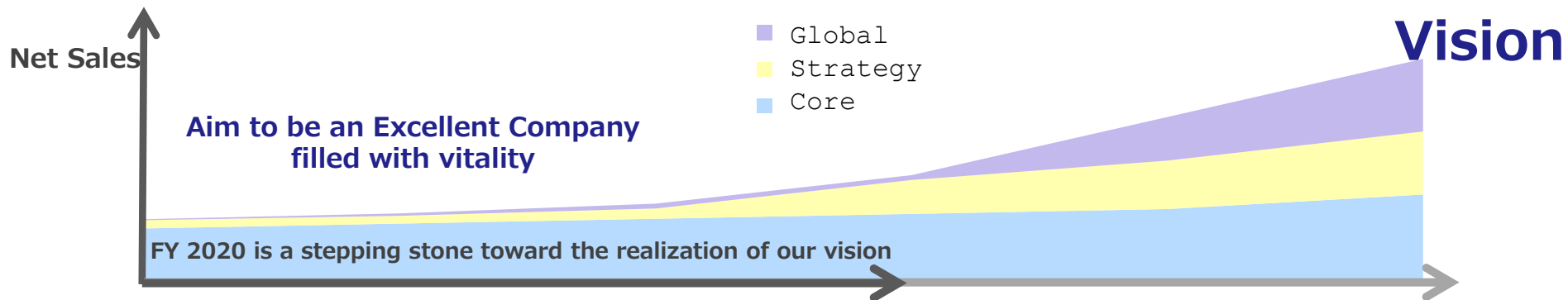
Formulate the strategic triangle with the gradual positive turnaround of the Language Education Business, and China Business



# Visions of Nichii Gakkan at the end of FY 2020 (Mar. 2021)

Going for a Business Mix equipped with the stability, profitability and growth potential

Target management indexes				
Net Sales	Achieved double-digit growth			
Operating profit ratio	Achieved 8% or more			
Improvement of the business composition ratio	Composition ratio	Core	Strategy	Global
	Net Sales	66%	30%	4%
	Operating Profit	47.5%	47.5%	5%
ROE	At least 8% or more, target to achieve 15%			



# Midterm management strategy

- Core Businesses (Medical Support, Long-term Care, and Childcare) -

## Building the stable growth foundation with generated profit reinvestment (HR and capital investment)

### Tips to realize visions

- Continuous implementation of the operation-oriented business reform (human resource reinforcement, proposing capability enhancement and product capability strengthening)
- New business sites expansion considering the regulation changes, social needs and profit balance (target sales growth rate: 5 to 6%)
- Work saving of the on-site tasks utilizing AI and ICT

### Operating profit ratio target for Core Businesses



Net Sales Target  
300,000 million yen

2017/Mar.

2018/Mar.

2019/Mar.

2020/Mar.

2021/Mar.

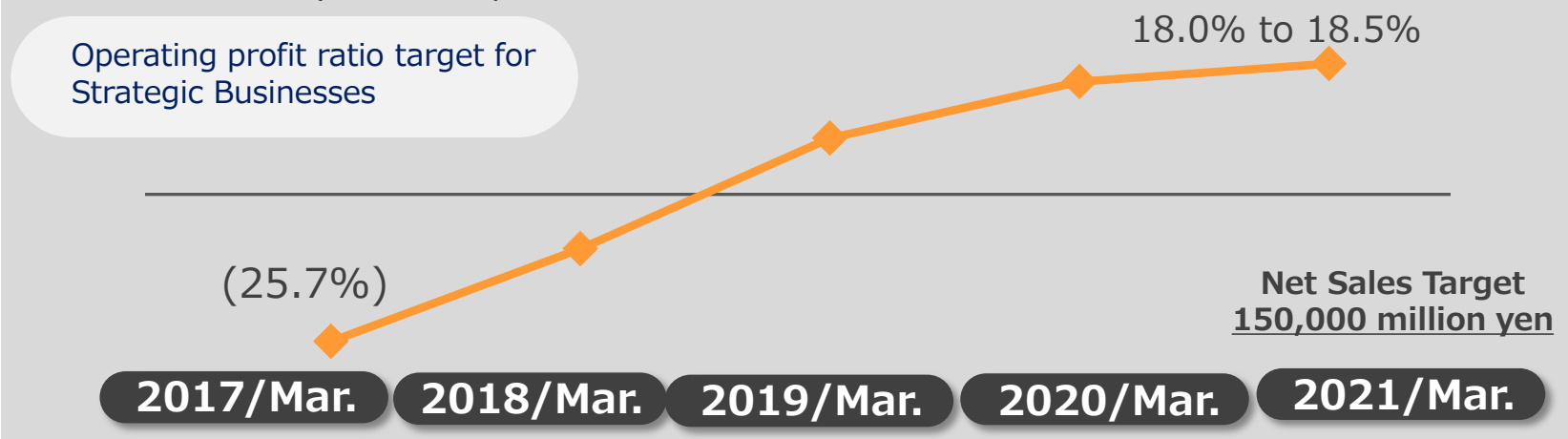
# Midterm management strategy

- Strategic Businesses (Health Care, Education and Therapy) -

## Profitability improvement pursuit through focusing on the Health Care Business and radical reform of the Education Business

### Tips to realize visions

- Focus on the foreign housekeeper, "Sunny Maid Service," at the National Strategic Special Zones based on the "Nichii Life" platforms
- Realize profitability with Education Business structural reforms (COCOJUKU and Gaba integrated or paralleled)
- Local community-oriented promotion of the satellites



# Building the strategic promotion system for the Health Care Business

Quickly respond to market needs by constructing the prompt and agile promotion system controlled directly by headquarters

## Focusing on the National Strategic Special Zones

Respond with the area dominant method based on the experiences from livelihood support (at-home care) and housekeeping support (Nichii Life)

### [Strategic Promotion System]

Promote the Sunny Maid Service and grooming service controlled directly by headquarters



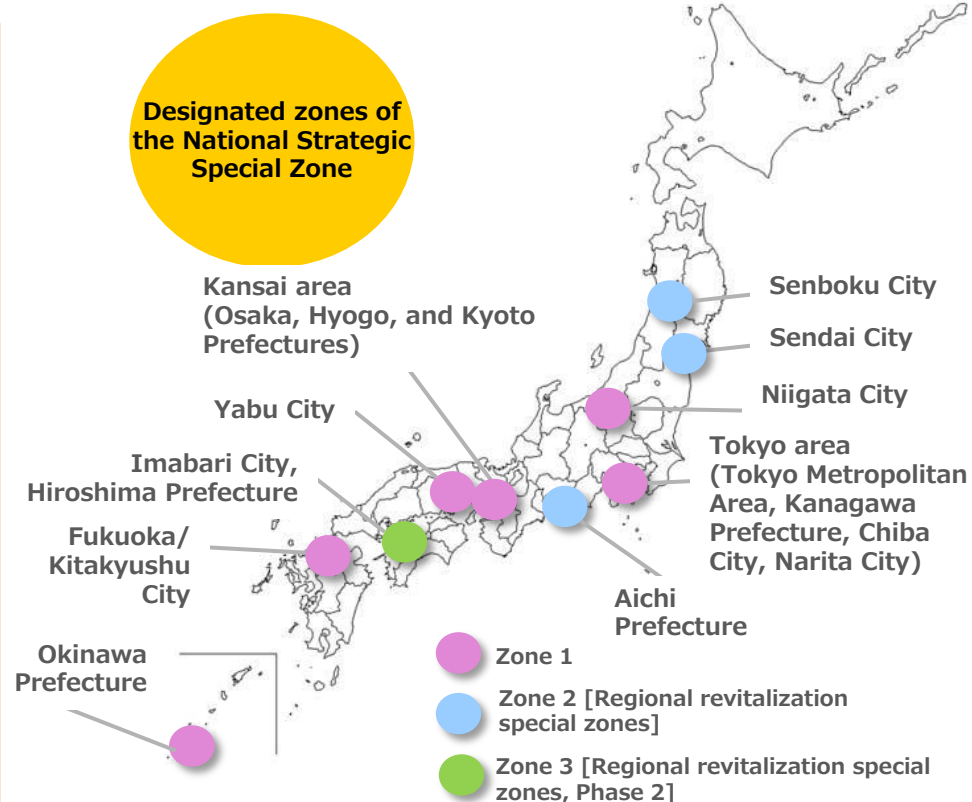
HQ



Area Manager



Shops



# Deployment of Sunny Maid Service, Health Care Business

Building a new business growth pillar as a result of respond to diversifying social needs

## Progress status of the service deployment

- Expansion of the National Strategic Special Zones where the foreign housekeeper program is deployed

Authorized: Tokyo Metropolitan Area, Kanagawa Prefecture, and Osaka City

Applying: Hyogo Prefecture

- Building the service providing system for convenience
- Shop plan by area conforming with the market size
- Arrangement of the training programs and facilities before and after moving into Japan
- Installation of the kitchens, and Japanese houses training rooms



## Overview of Sunny Maid Service

- Service will be provided by staff who have housekeeping support qualifications and over one year of practical experience in the Philippines
- Possible to speak in English
- Implementation of training in Japanese cooking
- Establishment of a system providing a unique service
- Start up from January 2018 onward



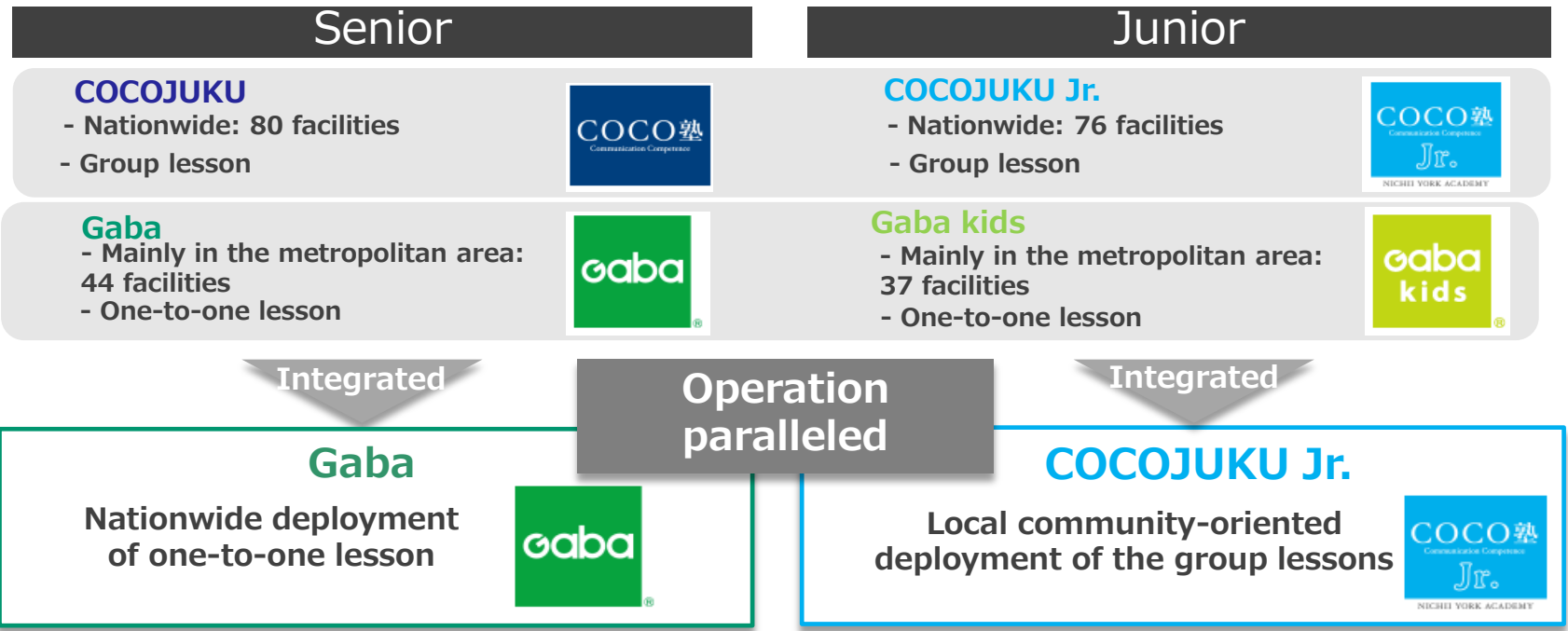
SUNNY MAID SERVICE



# Structural reforms in education Business

## - integrated system and paralleled brand -

Integration of the seniors in Gaba, and the juniors in COCOJUKU Jr.  
Both brands paralleled at the former COCOJUKU classroom



\* as of the end of



# Advantages of integrated system and paralleled brand

**Strive for earlier returning to profitable by the radical reform of cost structure and by maximizing the ability to attract customers**

## Gaba

- Reduces the initial costs accompanied with nationwide opening
- Streamlines the advertising expense
- Expands shares through the corporate sales cooperation

The logo for Gaba, featuring the word "Gaba" in a stylized, metallic, 3D font with a gold and brown color scheme, set against a dark wood-grain background.

## COCOJUKU Jr.

- Improves the school management capability through selection and concentration
- Optimizes the area market by focusing on the juniors
- Optimizes the cost structure by sharing the classrooms

The logo for COCO塾 (COCO Juku), featuring the word "COCO" in a large, blue, serif font, followed by the Japanese character "塾" in a smaller, blue, serif font. Below this, the text "Communication Competence" is written in a smaller, blue, sans-serif font. At the bottom, "NICHII YORK ACADEMY" is written in a small, blue, sans-serif font, underlined.

# Deployment of the Grooming Service in Therapy Business

Aiming at synergy generated with the other business segments, and creating added value

## Progress status of the promotion deployment

- Grooming salons: 7 were opened and 21 are scheduled to be opened by the end of the current fiscal year in Japan
- Salon in Australia has started
  - > Shop 1: scheduled to open in Adelaide in November
  - Shop 2: scheduled to open in Sydney
  - > Popularization of Japanese-style trimming technique and response to customer needs
  - > Knowhow sharing with domestic salons
- Synergy with the Education Business
  - > Establish the "trimmer course" in the language school, SELC Adelaide (scheduled to open in spring 2018)



## Overview of grooming salon 1 in Australia

- Name: A-LOVE DOG GROOMING SALON AND DAYCARE MORPHETT VILL
- Opening date: Scheduled in November, 2017
- Neighboring environment: adjacent site to a shopping center in a quiet suburban, residential area with many parks
- Basic menu/Fee (example):  
Cut by scissors, AUD 95 to 165



# Midterm management strategy - China Business -

## Challenge the future growth by improving the business expansion scheme and expanding the channel

### Tips to realize visions

- Win commissioned projects from local governments and facility owners
- Customer aggregation and matching efficiency improvement through the deployment of facilities specialized for dementia and day-care centers
- Realize consistent localization and scale-up

### Operating profit ratio target for China Business

(70.6%)

2017/Mar.

2018/Mar.

2019/Mar.

2020/Mar

2021/Mar.

15.5% to 16.0%

Net Sales Target  
20,000 million yen

# Progress status of the dementia specialized facilities for China Business

## Deployment preparation of the facility specialized for dementia in Beijing

### Progress status of the facility

#### <Nichii Hangji (Beijing) Health Management Technology Co., Ltd.>

- The first facility specialized for dementia will be opened in December this year in Chaoyang district, Beijing
- The second facility will be opened by the end of 2018 (newly constructed with 200 to 300 beds, lease-back method is planned)
- Facilities will be opened in Shenyang and Nanning in February next year at earliest

#### <ZhongFu Nichii (Shanghai) Health Services Co.,LTD>

- Marketing activity is being strengthened for winning contract of the first facility

### Overview of "Itsu-un-in," a facility specialized for dementia

#### "Itsu-un-in" is a dementia facility run by Nichii Hangji

- Chaoyang district, Beijing  
Pre-opening scheduled in December 1, 2017  
Official opening scheduled on December 18, 2017
- Nichii won the management of Floor 1 (northern wing with 23 rooms/23 beds) after the reconstruction of an existing facility, "Jian Sheng Asylum"
- An facility specializing in dementia in China introducing the management experiences of the communal daily long-term care for dementia patients (group home) in Japan, which is advanced in China
- Planned to assign nursing certificate holders, who are currently participate in the specialized training course at the headquarters in Japan, as the leaders of the facility

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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