



Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2013(J-GAAP)

August 7, 2012

Name of listed company: Nichii Gakkan Company
 Securities code: 9792 URL: <http://www.nichiigakkan.co.jp>
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 Scheduled date of filing quarterly financial report: August 10, 2012
 Scheduled date to start dividends distribution: —
 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: None

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

1. Consolidated financial results for the first quarter year ended June 30, 2012 (April 1, 2012 - June 30, 2012)

(1) Consolidated operating results

(Percentage figures represent changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2012	65,644	7.4	1,863	(16.3)	1,673	(26.5)	613	(40.9)
Three months ended June 30, 2011	61,132	2.8	2,225	29.3	2,277	24.2	1,038	98.3

(Note) Comprehensive income: Three months ended June 30, 2012: ¥492 million (-54.6%); Three months ended June 30, 2011: ¥1,084 million (131.3%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2012	8.83	—
Three months ended June 30, 2011	15.04	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Three months ended June 30, 2012	158,051	57,374	36.1
As of March 31, 2012	157,816	57,442	36.2

Reference: Shareholders' equity: As of June 30, 2012: 57,097 million yen As of March 31, 2012: 57,166 million yen

2. Dividends

	Cash Dividends per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2012	—	8.00	—	8.00	16.00
Year ending March 31, 2013	—				
Year ending March 31, 2013 (forecast)		9.00	—	9.00	18.00

(Note) Revision since the most recently announced dividend forecast: None

3. Forecast of consolidated financial results for the year ending March 31, 2013 (April 1, 2012 - March 31, 2013)

(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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	134,300	8.9	4,000	(18.4)	3,600	(25.9)	1,600	(27.6)	23.04
Full year	274,000	6.5	11,400	(2.3)	11,000	(13.2)	5,800	(1.6)	83.52

(Note) Revision since the most recently announced financial result forecast: None

* Notes

(1) Significant changes in subsidiaries during the term (Changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of the specific accounting for preparing the quarterly consolidated financial statement: None

(3) Changes in accounting policies, changes in accounting estimates, restatements

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): Yes

3) Changes in accounting estimates: Yes

4) Restatements: None

(Note) These changes are relevant to “Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements (Section 5 of Article 10).” For more details, please refer to “2. Summary (Notes) information, (3) Changes in accounting policies, accounting estimates and restatement” on page 4.

(4) Number of shares outstanding (common stock)

1) Number of shares issued and outstanding (including treasury stock)	As of June 30, 2012:	73,017,952 shares	As of March 31, 2012:	73,017,952 shares
2) Number of treasury stock	As of June 30, 2012:	3,574,541 shares	As of March 31, 2012:	3,574,673 shares
3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)	Three months ended June 30, 2012:	69,443,261 shares	Three months ended June 30, 2011:	69,061,526 shares

* Implementation status of quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to these quarterly financial statements, and the procedure based on the Financial Instruments and Exchange Act is in operation as of the release of these quarterly financial statements.

* Explanation concerning the appropriate use of financial result forecasts and other special notes

(Forward looking statements)

The above forecasts are based on information Nichii Gakkan had in its possession 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 “Qualitative information on consolidated financial result forecasts” on page 4 of the quarterly consolidated financial results (appendix materials), regarding assumptions upon which forecasts are based and the use of forecasts.

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1. Qualitative information on quarterly financial results

(1) Qualitative information on consolidated business results

The social security service in which the Nichii Gakkan Group operates is undergoing moves toward a comprehensive reform of social security and tax, with the dual aims of rebuilding a sustainable social security system and strengthening the country's fiscal health. With the revisions to the long-term care insurance system and to compensation for medical service fees and for long-term care workers both carried out in April 2012, and legislation for a comprehensive reform of social security and tax, which includes a phased increase in the consumption tax rate, passed by the House of Representatives in June 2012, the relevant legal framework is taking shape.

The government's "The Strategy for Rebirth of Japan" proposes a growth strategy to address globalization and the country's declining birthrate and aging population, by deregulating the medical, long-term care, and health fields to create new markets and expand employment across generations.

Against this backdrop, the Nichii Group launched a medium-term management strategy in April 2012 to address these drastic environmental changes and achieve stable, long-term profit growth. Under this strategy, we have been promoting the expansion of our business areas and reinforcement of our business base, to increase growth, stability, and profitability at all of our businesses.

During the first three months ended June 30, 2012, we strove to expand our business scope by making initial preparations for support services for international medical exchanges at the Medical Support Business, expanding services not covered by the long-term care insurance system at the Health Care Business, and strengthening the development of our language education at the Education Business. In particular, we view language education as essential to the Nichii Group's strategy. In addition to achieving stable growth for the Education Business, we used language education to address the internationalization of medical institutions, and develop English conversation lessons for children at the child care business. Accordingly, we launched the new COCO Juku brand in April 2012 and aggressively opened schools across Japan, and carried out promotional activities through television commercials and advertising on public transportation, to establish a nationwide base for our language school business.

To reinforce our operating base, in addition to the strengthening of existing businesses by aggressively opening long-term care facilities, realigning our marketing structure and restructuring our Health Care Business, and beginning Group realignment for personnel services, as we have worked to build an optimal organization for the execution of our strategy.

In terms of business results, the Medical Support Business and Health Care Business each recorded year-on-year sales and profit growth on increases in the number of users of their services and from further improvements in operational efficiency. At the Education Business, although GABA Corporation continued to show solid results, a decline in enrollment at existing courses and strategic investment for COCO Juku led to sales growth, but with a decline in profit.

As a result, consolidated net sales during the first three months ended June 30, 2012 totaled 65,644 million yen (compared with 61,132 million yen in the same period of the previous year), with operating income of 1,863 million yen (2,225 million yen), ordinary income of 1,673 million yen (2,277 million yen), and net income of 613 million yen (1,038 million yen).

Results by business segment are as follows:

<Medical Support Business>

The Medical Support Business is in the final year of its contract revision strategy launched as a five-year plan, and continuously expanded its scope of operations at one medical institution, while at the same time worked to acquire new contracts, primarily at private hospitals. In terms of strengthening the human resource base under the contract revision strategy, continued efforts were made to improve staff compensation, increase staff retention and skill levels, enhance operational efficiency, and deliver higher customer satisfaction, and the continuation of this favorable cycle resulted in a continued trend of profit growth.

Efforts to expand management support services included supporting closer cooperation between medical care and long-term care services, and making initial preparations for support service for international medical exchanges, as we strove to expand our fields of operations by pursuing synergies across the Group and between businesses to provide comprehensive support to institution management.

As a result, the segment sales during the first three months ended June 30, 2012 totaled 25,870 million yen (compared with 25,694 million yen in the same period of the previous fiscal year), with operating income of 2,086 million yen (1,962 million yen).

<Health Care Business>

The Health Care Business further expanded its network of long-term care facilities and worked to increase the utilization of existing facilities, which led to increases in the number of users for both home-care and facility-care services. Services not covered by long-term care insurance also maintained a stable growth track on continued strength in the number of users of welfare services for persons with disabilities.

The effect of the revisions to long-term care compensation carried out in April 2012 was held to a minimum by promoting efficient facility management, and through even closer cooperation between medical care and long-term care operations, we strengthened our development of home-visit care services, as we strove to enhance our total long-term care services in line with user needs.

Our business development in China included the conclusion of a basic agreement for a capital tie-up between Riyi Fuli Qiju Maoyi (Shanghai) Co., Ltd., which was set up in April 2012 as a subsidiary of Nichii Carenet Company, our group wholesaler of long-term care products and welfare equipment, and Toyota Tsusho Corporation. We intend to further strengthen our operating base by offering higher value-added welfare equipment wholesaling services in China.

During the first three months ended June 30, 2012, the home-care services facilities opened nine new care plan facilities (bringing the total to 746), 13 new home-visit care facilities (1,075; including home-visit bathing facilities), five new day-care facilities (331), and 16 new home-nursing facilities (39). In the area of facility-care services, we opened one new Nichii no Hohoemi facilities (bringing the total to 242) and four new Nichii no Kirameki facilities (47).

As a result, segment sales for the first three months ended June 30, 2012 totaled 34,599 million yen (32,329 million yen in the same period of the previous fiscal year), with operating income of 2,638 million yen (2,090 million yen).

<Education Business>

In the Education Business, as the employment environment showed a gradual improvement, demand for accreditation continued to decline, and as a result enrollment at the Education Business's mainstay Home Helper Level 2 Course and Medical Administration Course decreased.

With the language education business expected to grow going forward, we are aggressively rolling out the new COCO Juku brand to meet diverse language education needs and maximize the Group's strengths. We are striving to provide a unique, proprietary curriculum that includes group lessons for businesspeople, primarily using a two-instructor system, and English lessons tailored for medical staff.

During the first three months ended June 30, 2012, we opened 29 language schools across Japan and began full-scale promotional activities from June to raise awareness of COCO Juku, including television commercials, advertising on public transportation, and trial lessons, and also carried out strategic investment to attract students.

Solid results continued at GABA on increased enrollments.

As a result, segment sales for the first three months ended June 30, 2012 totaled 5,083 million yen (3,026 million yen in the same period of the previous fiscal year), with an 827 million yen operating loss (a 309 million yen profit in the same period of the previous year).

<Other Businesses>

In Other Businesses, centering on Lakewoods Garden Himeharu no Sato, in Mobara City, Chiba Prefecture, we strove to increase awareness and promote our therapeutic dogs.

As a result, segment sales for the first three months ended June 30, 2012 totaled 91 million yen (82 million yen in the same period of the previous fiscal year), with a 33 million yen operating profit (a 144 million yen loss in the same period of the previous year).

(2) Qualitative information on consolidated financial position

Total assets at the end of the first three months ended June 30, 2012 increased by 235 million yen from the end of the previous fiscal year, to 158,051 million yen. The main factor behind this growth was a 2,980 million yen increase in fixed assets from growth in tangible fixed assets, which was partially offset by a 2,744 million yen decrease in current assets from a decline in cash and deposits.

Liabilities increased by 303 million yen from the previous fiscal year-end, to 100,677 million yen. Despite a 231 million yen decrease in current liabilities that included a decrease in income taxes payable, an increase in lease liabilities led to a 534 million yen increase in long-term liabilities.

Net assets decreased by 67 million yen from the previous fiscal year-end, to 57,374 million yen.

(3) Qualitative information on consolidated financial result forecasts

There is no change in the consolidated financial result forecast for the year ending March 31, 2013 which was released on May 15, 2012.

2. Summary (Notes) information

(1) Significant changes to subsidiaries during the period

There is no related information.

(2) Application of the specific accounting for preparing the quarterly consolidated financial statements

There is no related information.

(3) Changes in accounting policies, accounting estimates and restatement

Changes in accounting policies

(Change in depreciation method for tangible fixed assets)

Previously, for depreciation of tangible fixed assets, the Nichii Group (the Company and its consolidated subsidiaries) applied the declining balance method, which has been changed to the straight line method from the first three months ended June 30, 2012.

Taking into consideration the Group's further global business development going forward, a review of the investment effect of tangible fixed assets from the perspective of integrating Group accounting policies and properly adjusting periodic income determined that the straight line method represented an allocation of expenses that conformed more closely to the actual use of these assets.

The effect of this change was to increase consolidated first-quarter operating income, ordinary income, and net income before income taxes and minority interests for the first three months ended June 30, 2012, by 90 million yen respectively.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Thousands of yen)

	FY2011 (As of March 31, 2012)	FY2012 (As of June 30, 2012)
Assets		
Current assets		
Cash and deposits	8,699,654	6,683,374
Notes and accounts receivable	31,802,791	31,802,367
Securities	1,599,880	1,599,658
Merchandise and finished goods	599,236	663,226
Work in progress	5,810	44,072
Raw materials and supplies	333,724	312,218
Others	11,099,077	10,340,777
Allowance for doubtful accounts	(38,293)	(88,693)
Total current assets	54,101,880	51,357,003
Fixed assets		
Tangible fixed assets		
Buildings and structures	26,996,379	27,388,061
Lease assets (net)	15,540,953	17,305,131
Others (net)	9,632,708	10,508,417
Total tangible fixed assets	52,170,041	55,201,609
Intangible fixed assets		
Goodwill	21,918,063	21,406,825
Others	4,900,437	4,657,610
Total intangible fixed assets	26,818,501	26,064,436
Investments and other assets		
Others	25,733,630	26,427,670
Allowance for doubtful accounts	(1,007,711)	(998,802)
Total investments and other assets	24,725,918	25,428,868
Total fixed assets	103,714,460	106,694,914
Total assets	157,816,341	158,051,917

(Thousands of yen)

	FY2011 (As of March 31, 2012)	FY2012 (As of June 30, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable	957,132	1,023,568
Short-term loans payable	193,091	2,932,049
Income taxes payable	3,274,561	488,506
Other accrued expenses	16,178,955	16,851,217
Allowance for employee bonuses	4,775,256	2,548,185
Allowance for directors' bonuses	36,500	22,000
Other provision	42,345	37,877
Others	23,451,659	24,775,008
Total current liabilities	48,909,502	48,678,413
Long-term liabilities		
Long-term loans payable	24,990,175	23,703,198
Lease liabilities	15,833,977	17,570,484
Allowance for employee retirement benefits	4,719,843	4,810,183
Allowance for directors' retirement benefits	162,923	161,774
Asset retirement obligations	1,542,245	1,579,453
Others	4,215,370	4,173,963
Total long-term liabilities	51,464,536	51,999,057
Total liabilities	100,374,038	100,677,470
Net assets		
Shareholders' equity		
Common stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	34,057,020	34,114,542
Treasury stock	(6,133,715)	(6,133,364)
Total shareholders' equity	57,211,311	57,269,182
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(45,042)	(146,981)
Foreign currency translation adjustment	—	(24,871)
Total accumulated other comprehensive income	(45,042)	(171,853)
Minority interests	276,034	277,117
Total net assets	57,442,302	57,374,447
Total liabilities and net assets	157,816,341	158,051,917

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)**(Three months ended June 30)**

(Thousands of yen)

	FY2011 (from April 1, 2011 to June 30, 2011)	FY2012 (from April 1, 2012 to June 30, 2012)
Net sales	61,132,509	65,644,980
Cost of sales	48,660,507	51,787,727
Gross profit	12,472,002	13,857,252
Selling, general and administrative expenses	10,246,307	11,994,164
Operating income	2,225,694	1,863,088
Non-operating income		
Interest income	32,389	30,868
Rent income	58,495	52,385
Commission on consignment for job creation businesses	36,552	71,751
Subsidy income	79,256	60,987
Others	66,546	70,264
Total non-operating income	273,240	286,259
Non-operating expenses		
Interest expenses	196,874	398,384
Rent expenses	14,152	12,582
Others	10,797	64,970
Total non-operating expenses	221,824	475,937
Ordinary income	2,277,110	1,673,410
Extraordinary losses		
Loss on retirement of fixed assets	3,640	3,225
Loss on sales of fixed assets	—	555
Loss on valuation of investment securities	—	199,980
Loss on disaster	39,649	—
Others	—	67,820
Total extraordinary losses	43,289	271,581
Income before income taxes and minority interests	2,233,821	1,401,828
Income taxes-current	98,156	341,040
Income taxes-deferred	1,091,219	441,858
Total income and other taxes	1,189,376	782,898
Income before minority interests	1,044,445	618,929
Minority interests in income	5,983	5,583
Net income (loss)	1,038,462	613,346

(Quarterly consolidated statements of comprehensive income)

(Three months ended June 30)

(Thousands of yen)

	FY2011 (from April 1, 2011 to June 30, 2011)	FY2012 (from April 1, 2012 to June 30, 2012)
Income before minority interests	1,044,445	618,929
Other comprehensive income		
Valuation difference on available-for-sale securities	39,959	(101,938)
Foreign currency translation adjustment	—	(24,871)
Total other comprehensive income	39,959	(126,810)
Comprehensive income	1,084,405	492,119
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,078,421	486,535
Comprehensive income attributable to minority interests	5,983	5,583

(3) Notes on premise of a going concern

There is no related information.

(4) Notes on significant fluctuation in amounts of shareholders' equity

There is no related information.