



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

November 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: November 12, 2012
 Scheduled date to start dividends distribution: December 10, 2012
 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the six months ended September 30, 2012 (April 1, 2012 - September 30, 2012)

(1) Consolidated business 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	%
Six months ended September 30, 2012	132,132	7.1	3,903	(20.4)	3,491	(28.1)	1,432	(35.1)
Six months ended September 30, 2011	123,342	3.1	4,902	44.1	4,855	30.3	2,208	66.2

(Note) Comprehensive income: Six months ended September 30, 2012: ¥1,344 million (-39.8%)
 Six months ended September 30, 2011: ¥2,233 million (85.0%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2012	20.63	—
Six months ended September 30, 2011	31.98	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of September 30, 2012	161,214	58,226	35.9
As of March 31, 2012	157,816	57,442	36.2

(Reference) Shareholders' equity: As of September 30, 2012: ¥57,941 million As of March 31, 2012: ¥57,166 million

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	—	9.00	—	—	—
Year ending March 31, 2013 (forecast)	—	—	—	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.)

	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
Full year	266,800	3.7	7,200	(38.3)	6,700	(47.1)	2,900	(50.8)	41.66

(Note) Revision since the most recently announced financial result forecast: Yes

* Notes

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

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

(3) Changes in accounting policies, 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): Yes
- 3) Changes in accounting estimates: Yes
- 4) Restatement: 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 Sep. 30, 2012:	73,017,952 shares	As of March 31, 2012:	73,017,952 shares
2) Number of treasury stock	As of Sep. 30, 2012:	3,574,685 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)	Six months ended Sep. 30, 2012:	69,443,291 shares	Six months ended Sep. 30, 2011:	69,061,418 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

(Note about forward looking statements)

The above forecasts are based on information Nichii Gakkan Company 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.

(Calculation of net income per share in financial result forecasts)

As announced in our press release, “Announcement of Merger by Absorption (Simple Merger) of Marunouchi Publishing Co., Ltd.” (Japanese only) as of September 19, 2012, the absorption-type merger was carried out with the allotment of 2,217,745 shares of common stock of Nichii Gakkan Company per share of common stock of Marunouchi Publishing effective November 1, 2012. Accordingly, 443,549 shares of common stock of Nichii Gakkan Company, held by the Company as treasury stock, were allotted to the shareholders of Marunouchi Publishing. The figure for net income per share in the financial result forecasts is calculated using the resulting reduced number of treasury stock shares.

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1. Qualitative information on quarterly financial results

(1) Qualitative information on consolidated business results

With revisions to both the long-term care insurance system and to compensation for medical services and long-term care in April 2012, and the passage of consumption tax-related bills in August to raise the consumption tax rate in stages, the operating environment in which the Nichii Gakkan Group operates saw significant progress during the first six months of the fiscal year ending March 31, 2013, toward a comprehensive reform of social security and tax, with the aim of rebuilding the social security system and strengthening the country's fiscal health.

Furthermore, under "The Comprehensive Strategy for the Rebirth of Japan" approved by the Cabinet in July, the government has designated medical services and long-term care as priority areas, and aims to create markets worth ¥50 trillion and employment for 2.84 million people in these fields. The Human Resources Development Strategy (education field) contained in the comprehensive strategy aims to promote globally active human resources development and recurrent education to comprehensively carry out "a comprehensive reform of the social security and tax" and "The Strategy for the Rebirth of Japan."

Against this backdrop, the Nichii Gakkan Group launched a medium-term management strategy in April 2012 to strengthen the operating base at each business and improve the balance of the business structure by expanding the scope of our business, to achieve growth, stability, and profitability.

We intend to strengthen our operating base by reinforcing the human resource platform that forms the basis of our services, expanding the service location networks of our core businesses, and consolidating the respective businesses' personnel services, to raise the Nichii Gakkan Group's management efficiency.

With regard to expanding the scope of our business, we are striving to develop and provide new services that will resolve issues at the respective businesses and lead to synergies across businesses. We entered the language education market in September 2011, and in April of this year launched the new COCO Juku brand. We have built a structure for total support of language education with classrooms across Japan for both group and one-on-one lessons, and support for studying abroad. We are also developing new services with other businesses, including English lessons for children at our directly-operated child care centers opened in April.

In terms of business results, with solid growth in the number of users of our long-term care services and the addition of GABA Corporation to the scope of consolidation (in September 2011), we achieved record net sales in the first six months of the fiscal year ending March 31, 2013. The Medical Support and Health Care businesses further enhanced their earnings strength by raising operational efficiency at medical institutions under contract and long-term care facilities, while profit declined in the Education Business which experienced lower enrollments for mainline courses and made strategic investments for COCO Juku.

As a result, consolidated net sales during the first six months ended September 30, 2012 totaled 132,132 million yen (123,342 million yen in the same period of the previous year), with operating income of 3,903 million yen (4,902 million yen), ordinary income of 3,491 million yen (4,855 million yen), and net income of 1,432 million yen (2,208 million yen).

Results by business segment are as follows:

<Medical Support Business>

The Medical Support Business strengthened its human resource base and improved services under the business's contract revision strategy, and this led to an expanded scope of operations per hospital and the acquisition of new contracts, primarily at private hospitals. The number of hospitals under contract as of the end of September rose for the third consecutive year, and the business maintained gradual but steady sales growth.

In terms of strengthening the human resource base, the enhancement of staff skills led to a greater-than-anticipated improvement in operational efficiency, which absorbed the effect of a temporary increase in the operational burden associated with revisions to compensation for medical services, and made a significant contribution to the segment's profit growth.

The business reinforced its management support services by strengthening its development of medical service and long-term care support services, and developing and providing support services for international medical exchanges. We also developed new management and medical support services that integrate our strength in human resources with information technology in cooperation with Microsoft Japan Co., Ltd.

As a result, the segment sales during the first six months ended September 30, 2012 totaled 51,869 million yen (51,443 million yen in the same period of the previous fiscal year), with operating income of 4,100 million yen (3,884 million yen).

<Health Care Business>

Although the Health Care Business experienced a slight effect in certain services from the April 2012 revisions to compensation for long-term care, which lowered actual compensation rates and changed the classification of work hours, the business maintained sales and profit growth by focusing on increasing the number of service users by aggressively expanding the service center network and increasing facility efficiency.

With regard to the compensation structures for medical services and long-term care workers, we strove to enhance user convenience and provide services more efficiently through closer cooperation between medical services and long-term care services, including proactive openings of home-nursing facilities and the expansion of total long-term care services that incorporate both medical services and long-term care.

We also worked to expand the scope of services not covered by long-term care insurance by strengthening our development of welfare services for disabled persons and reinforcing our lineup of our own brand of long-term care products to meet the diverse needs of users.

During the first six months ended September 30, 2012, the home-care services facilities opened 12 new care plan facilities (bringing the total to 749), 19 new home-visit care facilities (1,081; including home-visit bathing facilities), 11 new day-care facilities (337), and 24 new home-nursing facilities (47). In the area of facility-care services, we opened two new Nichii no Hohoemi facilities (bringing the total to 243) and seven new Nichii no Kirameki facilities (50).

As a result, segment sales for the first six months ended September 30, 2012 totaled 69,934 million yen (65,836 million yen in the same period of the previous fiscal year), with operating income of 5,587 million yen (4,758 million yen).

<Education Business>

The Education Business has pursued full-fledged initiatives in language education to improve the balance of the business structure, to minimize the impact of business fluctuations and achieve stable, long-term growth. GABA Corporation was made a Nichii subsidiary in September 2011, followed by the language school SELC in February 2012, and in April the business launched the new COCO Juku brand.

With companies becoming increasingly global and English education starting at an earlier age, the language education market bottomed out in 2010 and turned around to growth, and we expect the markets for English courses for both adults and children to grow going forward.

Against this backdrop, enrollment at GABA Corporation has outpaced the market's growth, and these strong results are contributing to the strengthening of the segment's earnings base.

COCO Juku, a key component of the language education business, has begun to expand nationwide with the opening of 43 schools by the end of September 2012. This will drive the development of new services that will lead to growth at other businesses, including international medical exchange support services at the Medical Services Business and English conversation lessons for children at the child care business. Enrollments during the first six months of the fiscal year trailed the initial plan, but promotional activities are being reviewed, with campaigns including effective, targeted media advertising expected to lead to a steady increase in enrollments going forward.

Existing courses continue to face difficulty with a trend of declining enrollment, but enrollment in the Home Helper Level 2 Course has turned around to year-on-year growth since June.

As a result, segment sales for the first six months ended September 30, 2012 totaled 10,148 million yen (5,900 million yen in the same period of the previous fiscal year), with a 1,978 million yen operating loss (a 358 million yen profit in the same period of the previous year).

<Other Businesses>

In Other Businesses, Nichii Green Farm Company strove to raise recognition of our therapeutic dogs and increase sales at Lakewoods Garden Himeharu no Sato, in Mobara City, Chiba Prefecture, while also working to make the facility's operations more efficient.

As a result, segment sales for the first six months ended September 30, 2012 totaled 180 million yen (161 million yen in the same period of the previous fiscal year), with a 26 million yen operating profit (a 250 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 six months ended September 30, 2012 increased by 3,398 million yen from the end of the previous fiscal year, to 161,214 million yen. The main factor behind this growth was a 4,798 million yen increase in noncurrent assets from growth in property, plant and equipment, which was partially offset by a 1,400 million yen decrease in current assets from a decline in cash and deposits.

Liabilities increased by 2,613 million yen from the previous fiscal year-end, to 102,987 million yen. Despite a 2,337 million yen increase in current liabilities that included an increase in short-term loans payable, an increase in lease obligations led to a 275 million yen increase in noncurrent liabilities.

Net assets increased by 784 million yen from the previous fiscal year-end, to 58,226 million yen.

(3) Qualitative information on consolidated financial result forecasts

We have revised the forecast of consolidated financial results for the year ending March 31, 2013, announced on May 15, 2012. Please refer to our press release, “Announcement of Revision to Forecast of Consolidated Financial Results” as of November 7, 2012 for details.

The differences between the revised forecast and the forecast announced on May 15, 2012, are as follows.

	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
Previous forecast (A)	274,000	11,400	11,000	5,800	83.52
Revised forecast (B)	266,800	7,200	6,700	2,900	41.66
Change (B – A)	(7,200)	(4,200)	(4,300)	(2,900)	—
Change (%)	(2.6)	(36.8)	(39.1)	(50.0)	—
(Reference) FY2012 Results	257,340	11,672	12,674	5,897	85.27

2. Summary (Notes) information

(1) Changes in significant 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 property, plant and equipment)

Previously, for depreciation of property, plant and equipment, the Nichii Gakkan Group (the Nichii Gakkan 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 Nichii Gakkan Group’s further global business development going forward, a review of the investment effect of property, plant and equipment 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 operating income, ordinary income, and net income before income taxes and minority interests for the first six months ended September 30, 2012, by 205 million yen, respectively.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Thousands of yen)

	FY2012 (As of March 31, 2012)	FY2013 (As of September 30, 2012)
Assets		
Current assets		
Cash and deposits	8,699,654	6,373,194
Notes and accounts receivable-trade	31,802,791	31,902,325
Short-term investment securities	1,599,880	2,298,372
Merchandise and finished goods	599,236	638,863
Work in process	5,810	80,694
Raw materials and supplies	333,724	286,881
Others	11,099,077	11,208,714
Allowance for doubtful accounts	(38,293)	(87,831)
Total current assets	54,101,880	52,701,215
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	26,996,379	28,038,009
Lease assets (net)	15,540,953	18,103,755
Others (net)	9,632,708	11,154,967
Total property, plant and equipment	52,170,041	57,296,732
Intangible assets		
Goodwill	21,918,063	20,949,810
Others	4,900,437	4,539,789
Total intangible assets	26,818,501	25,489,600
Investments and other assets		
Others	25,733,630	26,711,991
Allowance for doubtful accounts	(1,007,711)	(985,084)
Total investments and other assets	24,725,918	25,726,907
Total noncurrent assets	103,714,460	108,513,239
Total assets	157,816,341	161,214,454

(Thousands of yen)

	FY2012 (As of March 31, 2012)	FY2013 (As of September 30, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	957,132	927,608
Short-term loans payable	193,091	1,582,193
Income taxes payable	3,274,561	2,336,988
Accrued expenses	16,178,955	16,663,280
Provision for bonuses	4,775,256	5,193,902
Provision for directors' bonuses	36,500	22,000
Other provision	42,345	37,877
Others	23,451,659	24,483,391
Total current liabilities	48,909,502	51,247,242
Noncurrent liabilities		
Long-term loans payable	24,990,175	22,422,776
Lease obligations	15,833,977	18,437,951
Provision for retirement benefits	4,719,843	4,901,214
Provision for directors' retirement benefits	162,923	164,232
Asset retirement obligations	1,542,245	1,628,143
Others	4,215,370	4,186,056
Total noncurrent liabilities	51,464,536	51,740,374
Total liabilities	100,374,038	102,987,617
Net assets		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	34,057,020	34,933,817
Treasury stock	(6,133,715)	(6,133,435)
Total shareholders' equity	57,211,311	58,088,387
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(45,042)	(149,506)
Foreign currency translation adjustment	—	2,202
Total accumulated other comprehensive income	(45,042)	(147,303)
Minority interests	276,034	285,753
Total net assets	57,442,302	58,226,837
Total liabilities and net assets	157,816,341	161,214,454

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)**(Six months ended September 30)**

(Thousands of yen)

	FY2012 (from April 1, 2011 to September 30, 2011)	FY2013 (from April 1, 2012 to September 30, 2012)
Net sales	123,342,241	132,132,032
Cost of sales	97,974,085	104,145,674
Gross profit	25,368,156	27,986,358
Selling, general and administrative expenses	20,465,929	24,082,847
Operating income	4,902,227	3,903,510
Non-operating income		
Interest income	66,281	69,519
Rent income	122,024	101,063
Commission on consignment for job creation businesses	44,104	104,618
Subsidy income	102,410	112,957
Others	142,603	140,765
Total non-operating income	477,424	528,923
Non-operating expenses		
Interest expenses	437,231	837,823
Rent expenses	28,151	25,134
Others	58,586	77,717
Total non-operating expenses	523,970	940,676
Ordinary income	4,855,681	3,491,757
Extraordinary losses		
Loss on retirement of noncurrent assets	10,189	15,291
Loss on sales of noncurrent assets	—	2,082
Loss on valuation of investment securities	—	199,980
Loss on disaster	70,838	—
Loss on transfer of defined contribution pension plan	155,795	—
Others	—	74,895
Total extraordinary losses	236,823	292,248
Income before income taxes and minority interests	4,618,858	3,199,508
Income taxes-current	2,471,223	1,994,398
Income taxes-deferred	(73,851)	(241,769)
Total income taxes	2,397,371	1,752,629
Income before minority interests	2,221,486	1,446,879
Minority interests in income	12,954	14,219
Net income (loss)	2,208,532	1,432,660

(Quarterly consolidated statements of comprehensive income)
(Six months ended September 30)

(Thousands of yen)

	FY2012 (from April 1, 2011 to September 30, 2011)	FY2013 (from April 1, 2012 to September 30, 2012)
Income before minority interests	2,221,486	1,446,879
Other comprehensive income		
Valuation difference on available-for-sale securities	12,241	(104,463)
Foreign currency translation adjustment	—	2,202
Total other comprehensive income	12,241	(102,260)
Comprehensive income	2,233,728	1,344,619
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,220,773	1,330,400
Comprehensive income attributable to minority interests	12,954	14,219

(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.

(5) Significant subsequent events

(Merger with Marunouchi Publishing Co., Ltd.)

At its meeting held on September 19, 2012, the Board of Directors of Nichii Gakkan Company passed a resolution for a merger by absorption of Marunouchi Publishing Co., Ltd. (hereinafter referred to as the "absorbed company"), and based on a merger agreement concluded on the same day, the absorption-type merger was carried out on November 1, 2012.

1. Overview of merger

(1) Name and business lineup of merged company

Name: Marunouchi Publishing Co., Ltd.

Business lineup: Production, sales, etc., of books and educational materials

(2) Main reasons for merger

To achieve stable, long-term profit growth, the Nichii Gakkan Group launched a medium-term management strategy in April 2012, and is focusing on strengthening our operating base and raising the efficiency of our businesses.

The absorbed company had been contributing to Nichii Gakkan Company's human resource, primarily for home helpers, development through the production and sales of books and educational materials related to long-term care, primarily for Home Helper courses.

By merging the absorbed company's business into our Education Business and bringing the development of educational materials in-house, we intend to enhance the operational efficiency of the Education Business and cultivate high-quality human resources. This will also lead to the provision of higher quality services that swiftly reflect the needs of users.

(3) Date of merger

November 1, 2012 (effective date)

(4) Legal format of merger

Absorption-type merger, with Nichii Gakkan Company as the surviving company and Marunouchi Publishing Co., Ltd., as the absorbed company

(5) Company name following the merger

Nichii Gakkan Company

2. Merger ratio by type of shares, method of calculation, and number of shares to be allotted

(1) Merger ratio by type of shares

2,217.745 shares of common stock of Nichii Gakkan Company are to be allotted for each share of common stock of the absorbed company.

(2) Method of merger ratio calculation

To ensure the fairness and appropriateness of the merger ratio calculation, Nichii Gakkan Company entrusted the calculation of the value of the shares of Nichii Gakkan Company and of the absorbed company to Deloitte Tohmatsu Financial Advisory Co., Ltd., an independent third-party organization. Based on the results of those calculations, the merger ratio was determined through discussions and negotiations with the absorbed company.

(3) Number of shares to be allotted

443,549 shares of common stock (all of which are treasury stock shares held by Nichii Gakkan Company)

3. Overview of merged company (as of March 31, 2012)

(1) Name	Marunouchi Publishing Co., Ltd.
(2) Business lineup	Production, sales, etc., of books and educational materials
(3) Net sales	¥233,636 thousand
(4) Net income	¥60,215 thousand
(5) Total assets	¥173,286 thousand
(6) Net assets	¥170,445 thousand