



## Financial Results for the First Quarter of the Year Ending March 31, 2014 (J-GAAP)

August 7, 2013

Name of listed company: Nichii Gakkan Company      Listed on: Tokyo Stock Exchange 1st Section  
 Securities code: 9792      URL: <http://www.nichiigakkan.co.jp>  
 Representative: Masatoshi Saito, President and Representative Director  
 Contact: Koichi Terada, Director, Manager of Accounting and Finance Division      TEL: 03-3291-2121  
 Scheduled date for filing the quarterly financial report: August 13, 2013  
 Scheduled date to start dividends distribution: —  
 Supplementary quarterly materials prepared: Yes  
 Quarterly results information meeting held: Yes (for institutional investors and financial analysts)

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

### 1. Consolidated financial results for the first quarter ended June 30, 2013 (April 1, 2013 – June 30, 2013)

#### (1) Consolidated operating results

(Percentage figures represent changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2013	68,161	3.8	1,727	(7.3)	1,367	(18.3)	1,047	70.8
Three months ended June 30, 2012	65,644	7.4	1,863	(16.3)	1,673	(26.5)	613	(40.9)

(Note) Comprehensive income: Three months ended June 30, 2013: 915 million yen (86.0%);  
 Three months ended June 30, 2012: 492 million yen (-54.6%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2013	14.99	—
Three months ended June 30, 2012	8.83	—

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of June 30, 2013	162,818	61,549	37.6
As of March 31, 2013	166,619	61,255	36.6

Reference: Shareholders' equity: As of June 30, 2013: 61,239 million yen; As of March 31, 2013: 60,952 million yen

### 2. Dividends

	Annual dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2013	—	9.00	—	9.00	18.00
Year ending March 31, 2014	—				
Year ending March 31, 2014 (forecast)		10.00	—	10.00	20.00

(Note) Revisions to most recently announced dividend forecast: No

### 3. Forecast of consolidated financial results for the year ending March 31, 2014 (April 1, 2013 – March 31, 2014)

(Percentage figures represent changes from previous year for full year figures and from same period of previous year for interim period figures.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	137,400	4.0	3,600	(7.8)	3,200	(8.4)	2,100	46.6	30.05
Full year	277,600	3.9	9,000	3.0	8,000	(3.9)	4,500	2.7	64.39

(Note) Revisions to most recently announced financial results forecast: No

\* Notes

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

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

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

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

2) Changes in accounting policies due to reasons other than those stated in 1): None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of shares outstanding (common stock)

1) Number of shares issued and outstanding (including treasury stock)

As of June 30, 2013:	73,017,952	As of March 31, 2013:	73,017,952
----------------------	------------	-----------------------	------------

2) Number of treasury stock

As of June 30, 2013:	3,132,043	As of March 31, 2013:	3,131,669
----------------------	-----------	-----------------------	-----------

3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)

As of June 30, 2013:	69,886,123	As of June 30, 2012:	69,443,261
----------------------	------------	----------------------	------------

\* 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 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 “(3) Information on the future outlook, including consolidated financial results forecasts” of “1. Qualitative information on quarterly financial results” on page 5 of the quarterly consolidated financial results (attached document), regarding the assumptions upon which forecasts are based and the use of forecasts.

○ Table of Contents for the Attached Document

1. Qualitative information on quarterly financial results .....	2
(1) Details of business results .....	2
(2) Details of financial position .....	5
(3) Information on the future outlook, including consolidated financial results forecasts .....	5
2. Summary information (notes) .....	5
(1) Significant changes to subsidiaries during the term .....	5
(2) Application of specific accounting for preparing the quarterly consolidated financial statements .....	5
(3) Changes in accounting policies, accounting estimates and restatement .....	5
3. Quarterly consolidated financial statements .....	6
(1) Quarterly consolidated balance sheets .....	6
(2) Quarterly consolidated statements of income and comprehensive income .....	8
Quarterly consolidated statements of income	
Three months ended June 30 .....	8
Quarterly consolidated statements of comprehensive income	
Three months ended June 30 .....	9
(3) Notes to quarterly consolidated financial statements .....	10
Notes on the premise of a going concern .....	10
Notes on significant fluctuation in the amount of shareholders' equity .....	10

## 1. Qualitative information on quarterly financial results

### (1) Details of business results

During the first three months ended June 30, 2013, the Japanese government presented its growth strategies in stages, and the Cabinet headed by Prime Minister Shinzo Abe approved the Japan Revitalization Strategy, which consists of three action plans—namely, the Industry Revitalization Plan, the Strategic Market Creation Plan, and the Strategy of Global Outreach.

The goal of the Japan Revitalization Strategy is to develop high-value-added service industries in social security fields, which the Nichii Gakkan Company (hereinafter the “Company”) is closely affiliated with, by carrying out regulatory and institutional reforms and making the most of its financial resources and business know-how in the private sector. In addition, the Japan Revitalization Strategy is promoting women’s social participation and stronger programs for training personnel capable of competing globally as measures to boost the country’s growth potential by maximizing its human resources. The Company expects the Strategy to energize the language education and childcare markets, in which it is making strategic investments.

To achieve stable, long-term earnings growth, the Company and its consolidated subsidiaries (hereinafter the “Group”) launched a five-year medium-term management plan in April 2012. The Group has been advancing initiatives to strengthen its operating foundation and expand the scope of its operations under this plan.

During the first quarter under review, the Group reorganized its former Health Care Business segment into the Long-term Care Business segment, which is in charge of promoting services covered by the long-term care insurance system, and its new Health Care Business segment, which is in charge of promoting services not covered by the long-term care insurance system, in an effort to strengthen its operating base. By implementing this and other initiatives, the Group worked to develop an internal system to promote new businesses and step up its sales and management systems.

To expand the scope of its operations, the Group endeavored to create a consistent language education system by launching COCO Juku Junior, a new brand of English conversation schools, and improved its system to help students planning to study abroad. At the same time, the Group made progress in its efforts to globalize its core operations through measures such as establishing a medical clinic in Singapore and expanding the long-term care business in Beijing, China.

The Group also advanced the establishment and provision on a commissioned basis of various kinds of child care centers, including certified child care centers, in-hospital child care centers, and in-office child care centers. The Group focused on giving these child care centers high added value by also linking them to COCO Juku English conversation schools.

Looking at operating results, the Group posted increased sales for the sixth consecutive year, backed by factors such as the new contracts it received from large hospitals, a rise in the number of users of long-term care services, and growth in the number of GABA Corporation clients.

Turning to earnings, the Long-term Care Business segment and the Company’s subsidiaries (GABA Corporation and Nichii Care Palace Company) posted higher profits. Profits declined due to strategic investments, such as those to carry out promotional activities for launching COCO Juku Junior English conversation schools. However, net income increased as a result of the extraordinary income posted in connection with the sales of investment securities.

As a result, the Group posted net sales of 68,161 million yen for the first quarter under review (compared with 65,644 million yen posted in the first quarter of the previous fiscal year), operating income of 1,727 million yen (compared with 1,863 million yen posted in the first quarter of the previous fiscal year), and ordinary income of 1,367 million yen (compared with 1,673 million yen posted in the first quarter of the previous fiscal year). Net income was 1,047 million yen (compared with 613 million yen posted in the first quarter of the previous fiscal year).

Results by business segment are as follows:

For your information, the Group restructured its business segments in April 2013 by reorganizing its previous Health Care Business segment into the Long-term Care Business segment, in charge of the services covered by the long-term care insurance system, and its new Health Care Business segment, in charge of services not covered by the long-term care insurance system.

#### <Medical Support Business>

Sales continued to rise for the Medical Support Business segment due to factors such as the new contracts acquired from large hospitals and the expanded scope of operations at hospitals where the Group is offering its services on a

commissioned basis. Earnings for the segment fell, reflecting a temporary increase in personnel expenses associated with the acquisition of a new contract.

To strengthen its human resources base, the Group is expanding and improving its training programs, aiming at improving its operational efficiency and increasing customer satisfaction. In May 2013, the Group started a medical management training program in collaboration with Tama University's Medical Service and Nursing Care Solutions Research Institute.

In its management support services, the Group endeavored to expand and improve its product lineup to support medical institutions in various ways, applying information technology, responding to the need to globalize the institutions, and preparing to expand the clinic in Singapore.

As a result, net sales for the segment came to 26,314 million yen (compared with 25,870 million yen posted in the first quarter of the previous fiscal year). Operating income for the segment was 1,855 million yen (compared with 2,086 million yen posted in the first quarter of the previous fiscal year).

#### <Long-term Care Business>

The number of users rose steadily for both home care services and facility care services. Both sales and earnings grew for the Long-term Care Business segment, also supported by the improved profitability of Nichii Care Palace Company.

Looking at the status of the new operating bases that were established, for its home care services, the Group opened eight care plan facilities (bringing the total number of these facilities to 782), four home-visit care facilities (increasing the total number of these facilities, including home-visit bathing facilities, to 1,105), four day-care facilities (bringing the total number of these facilities to 357), four home nursing care facilities (bringing the total number of these facilities to 63), and one welfare equipment leasing facility (bringing the total number of these facilities to 138). For its facility care services, the Group established two Nichii no Hohoemi group homes (bringing the total number of these homes to 249).

As a result, net sales for the segment reached 35,413 million yen (compared with 33,664 million yen posted in the first quarter of the previous fiscal year). Operating income for the segment was 3,149 million yen (compared with 2,453 million yen posted in the first quarter of the previous fiscal year).

(Note) The major services offered in this segment based on the new segment classifications were as follows: home care services, facility care services, welfare services for the disabled, and childcare services (excluding these services at hospitals).

#### <Health Care Business>

To keep its business portfolio free from institutional risks, such as the risk of revisions to the long-term care insurance system, the Group switched to a new business promotion system, and advanced initiatives to expand and strengthen the services not covered by the long-term care insurance system, such as the development and sale of health care products, housekeeping services, meal home delivery, and care staff dispatching service.

To expand its operations in China, in May 2013 the Group gave a presentation on the health care business at the Second China International Senior Services Expo, one of the largest international welfare exhibitions held in China. Taking further steps, the Group launched a Chinese business project, and continued preparations to expand its operations in Beijing.

As a result, net sales for the Health Care Business segment came to 811 million yen (compared with 934 million yen posted in the first quarter of the previous fiscal year). Operating income for the segment was 7 million yen (compared with 185 million yen posted in the first quarter of the previous fiscal year).

(Note) The major services offered in this segment based on the new segment classifications were as follows: sales of health care products, housekeeping services, meal home delivery, and care staff dispatching service.

#### <Education Business>

In the Education Business segment, the Group launched a new brand of English conversation schools called COCO Juku Junior in April 2013 in a bid to secure a foothold in the market for English conversation courses for children, which is anticipated to expand in the future. The Group started offering COCO Juku Junior English conversation courses at the 73 schools under its management by the end of June 2013. The Group endeavored to attract more

students by continuing its aggressive promotion efforts and stepping up its sales activities for COCO Juku and COCO Juku Junior English conversation schools.

In the area of providing support for overseas studies, the Group established the COCO Juku Study Abroad Desk in collaboration with York Global Study Center Co., Ltd., a Company subsidiary, to establish a support system for students hoping to study abroad. In addition, the Group got ready for the New York University School of Continuing and Professional Studies (NYU-SCPS) American Language Institute (ALI) Tokyo Center, scheduled to open in October 2013. As these activities indicate, the Group endeavored to develop a system that allows it to meet the diverse needs for language education found in a broad range of age groups toward its goal of training personnel capable of working around the world.

GABA Corporation sustained sales and earnings growth, with net sales rising 6.3% from the same quarter of the previous fiscal year and operating income before amortization of goodwill climbing 10.2% year on year. These results contributed to the Group's earnings.

In existing businesses, the Group slowly advanced its changeover from the Home Helper Level 2 Course to basic training course for care workers in response to the nursing care qualification reviews in April 2013. The Group will wait until at least June 2013 to start offering this beginning staff training course on a full scale. However, sales for existing businesses rose from the first quarter of the previous fiscal year, thanks to a year-on-year increase in the number of students continuing to take the Home Helper Level 2 Course who had completed their applications by the end of the previous fiscal year.

As a result, net sales for the Education Business segment totaled 5,465 million yen (compared with 5,083 million yen posted in the first quarter of the previous fiscal year). Operating loss for the segment was 1,169 million yen (compared with a loss of 827 million yen posted in the first quarter of the previous fiscal year).

#### <Other Businesses>

As part of its measures to strengthen its operating foundation, the Group expanded and improved its functions for supporting its respective businesses.

During the first quarter under review, the Company changed the settlement period for Tokyo Marunouchi Publishing Co., Ltd. from January to March, and the settlement period for Nihon Support Service Co., Ltd. from February to March.

As a result, net sales for the Other Businesses segment amounted to 156 million yen (compared with 91 million yen posted in the first quarter of the previous fiscal year). Operating loss for the segment was 9 million yen (compared with operating income of 33 million yen posted in the first quarter of the previous fiscal year).

(2) Details of financial position

Total assets at the end of the first quarter under review fell 3,800 million yen from the end of the previous fiscal year, to 162,818 million yen. The main reasons for the drop were a 2,221 million yen decrease in current assets, primarily due to a fall in deferred tax assets, and a 1,579 million yen decrease in property, plant and equipment, mainly reflecting a decline in investment securities.

Liabilities shrank 4,094 million yen from the end of the previous fiscal year, to 101,269 million yen. The key factors that contributed to this decrease were a 2,427 million yen decline in current liabilities, mainly due to a reduction in the provision for bonuses, and a 1,667 million yen drop in non-current liabilities, primarily attributable to a reduction in long-term loans payable.

Net assets increased 293 million yen from the end of the previous fiscal year, to 61,549 million yen.

(3) Information on the future outlook, including consolidated financial results forecasts

There is no change in the consolidated financial results forecast for the year ending March 31, 2014, which was released on May 24, 2013.

2. Summary information (notes)

(1) Significant changes to subsidiaries during the term

No related information.

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

No related information.

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

No related information.

## 3. Quarterly consolidated financial statements

## (1) Quarterly consolidated balance sheets (Thousand yen)

	Fiscal 2013 (As of March 31, 2013)	Q1 of Fiscal 2014 (As of June 30, 2013)
<b>Assets</b>		
Current assets		
Cash and deposits	8,686,050	7,078,898
Notes and accounts receivable—trade	32,200,612	32,259,030
Short-term investment securities	2,398,857	3,098,810
Merchandise and finished goods	589,186	596,289
Work in progress	31,546	47,930
Raw materials and supplies	394,759	342,275
Other	11,947,652	10,587,742
Less: allowance for doubtful accounts	(45,765)	(29,569)
Total current assets	56,202,899	53,981,408
Fixed assets		
Property, plant and equipment		
Buildings and structures—net	29,669,321	29,592,682
Lease assets—net	20,286,491	20,294,226
Other—net	9,573,455	9,348,140
Total property, plant and equipment	59,529,268	59,235,049
Intangible assets		
Goodwill	20,311,644	19,805,223
Other	4,075,938	3,916,385
Total intangible assets	24,387,582	23,721,609
Investments and other assets		
Other	27,467,468	26,868,266
Less: Allowance for doubtful accounts	(967,518)	(987,380)
Total investments and other assets	26,499,950	25,880,886
Total fixed assets	110,416,801	108,837,544
Total assets	166,619,700	162,818,953



(Thousand yen)

	Fiscal 2013 (As of March 31, 2013)	Q1 of Fiscal 2014 (As of June 30, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable—trade	827,506	863,448
Short-term loans payable	982,562	1,570,239
Income taxes payable	1,472,751	394,742
Accrued expenses	16,678,253	17,605,903
Provision for bonuses	4,998,197	2,701,114
Provision for directors' bonuses	39,700	24,850
Other	27,298,064	26,709,532
Total current liabilities	52,297,036	49,869,829
<b>Non-current liabilities</b>		
Long-term loans payable	21,021,495	19,350,075
Lease obligations	20,693,301	20,777,329
Provision for retirement benefits	4,991,263	5,099,043
Provision for directors' retirement benefits	167,319	161,681
Asset retirement obligations	1,714,930	1,730,800
Other	4,479,039	4,281,156
Total non-current liabilities	53,067,349	51,400,087
Total liabilities	105,364,385	101,269,917
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	36,818,238	37,250,320
Treasury stock, at cost	(5,372,812)	(5,373,157)
Total shareholders' equity	60,733,430	61,165,168
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	146,927	22,421
Foreign currency translation adjustments	72,190	52,318
Total accumulated other comprehensive income	219,118	74,740
Minority interests	302,765	309,127
Total net assets	61,255,314	61,549,036
Total liabilities and net assets	166,619,700	162,818,953

(2) Quarterly consolidated statements of income and comprehensive income  
 (Quarterly consolidated statements of income)  
 (Three months ended June 30)

(Thousand yen)

	Fiscal 2013 (from April 1, 2012 to June 30, 2012)	Fiscal 2014 (from April 1, 2013 to June 30, 2013)
Net sales	65,644,980	68,161,094
Cost of sales	51,787,727	53,489,243
Gross profit	13,857,252	14,671,850
Selling, general and administrative expenses	11,994,164	12,944,782
Operating income	1,863,088	1,727,068
Non-operating income		
Interest income	30,868	34,927
Rent income	52,385	45,698
Commission on consignment for job creation businesses	71,751	7,308
Subsidy income	60,987	50,548
Other	70,264	67,176
Total non-operating income	286,259	205,658
Non-operating expenses		
Interest expenses	398,384	483,980
Rent expenses	12,582	13,651
Other	64,970	67,943
Total non-operating expenses	475,937	565,575
Ordinary income	1,673,410	1,367,151
Extraordinary income		
Gain on sales of investment securities	—	1,030,370
Other	—	850
Total extraordinary income	—	1,031,220
Extraordinary losses		
Loss on retirement of property, plant and equipment, net	3,225	26,187
Loss on sales of property, plant and equipment, net	555	—
Loss on valuation of investment securities	199,980	49,999
Provision of allowance for doubtful accounts	50,000	25,000
Other	17,820	—
Total extraordinary losses	271,581	101,186
Income before income taxes and minority interests	1,401,828	2,297,185
Income taxes—current	341,040	307,337
Income taxes—deferred	441,858	930,034
Total income taxes	782,898	1,237,372
Income before minority interests	618,929	1,059,813
Minority interests in income	5,583	12,361
Net income	613,346	1,047,451

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

(Thousand yen)

	Fiscal 2013 (from April 1, 2012 to June 30, 2012)	Fiscal 2014 (from April 1, 2013 to June 30, 2013)
Income before minority interests	618,929	1,059,813
Other comprehensive income		
Valuation difference on available-for-sale securities	(101,938)	(124,506)
Foreign currency translation adjustments	(24,871)	(19,871)
Total other comprehensive income	(126,810)	(144,377)
Comprehensive income	492,119	915,435
Comprehensive income attributable to:		
Owners of the parent	486,535	903,073
Minority interests	5,583	12,361

(3) Notes to quarterly consolidated financial statements

(Notes on the premise of a going concern)

No related information.

(Notes on significant fluctuations in the amount of shareholders' equity)

No related information.