



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

November 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: November 13, 2013
 Scheduled date to start dividends distribution: December 9, 2013
 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 half ended September 30, 2013 (April 1, 2013 – September 30, 2013)

(1) Consolidated operating results

(Percentage figures represent changes year on year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2013	136,049	3.0	3,229	(17.3)	2,502	(28.3)	1,660	15.9
Six months ended September 30, 2012	132,132	7.1	3,903	(20.4)	3,491	(28.1)	1,432	(35.1)

(Note) Comprehensive income: Six months ended September 30, 2013: 1,537 million yen (14.4%);
 Six months ended September 30, 2012: 1,344 million yen (-39.8%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2013	23.76	—
Six months ended September 30, 2012	20.63	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2013	166,818	62,170	37.1
As of March 31, 2013	166,619	61,255	36.6

Reference: Shareholders' equity: As of September 30, 2013: 61,853 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	—	10.00			
Year ending March 31, 2014 (forecast)			—	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.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	273,200	2.2	6,600	(24.5)	5,000	(39.9)	2,800	(36.1)	40.07

(Note) Revisions to most recently announced financial results forecast: Yes

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

2) Number of treasury stock

As of September 30, 2013:	3,132,459	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 September 30, 2013:	69,885,908	As of September 30, 2012:	69,443,291
---------------------------	------------	---------------------------	------------

* 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	4
(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	
Six months ended September 30	8
Quarterly consolidated statements of comprehensive income	
Six months ended September 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

In the interim period of the fiscal year under review, the outline of a draft bill for a social security reform program was approved in a Cabinet meeting (the Cabinet approved the bill for the program in October 2013) based on the Report on the National Council on Social Security System Reform, compiled in August 2013. The draft bill established a path for social security reform that aims to, among other things, establish systems to ensure the security of each generation. Concrete measures to enhance, focus more closely on, and streamline social security functions will be considered and implemented in the future. These measures will include support for children and child-rearing, and the main financial resources for the public spending necessary for social security benefits will be secured by curtailing medical expenses and elder care insurance payments and consumption tax increases.

In the Japanese government's growth strategy, called the Japan Revitalization Strategy, it presented strategic goals including the globalization of the medical and welfare industries, support for students who want to study abroad, and the improvement of English education in educational institutions, with a view toward fostering internationally competitive skills. The market for these fields, which the Nichii Gakkan Company (hereinafter the "Company") is closely affiliated with, is expected to be revived in tandem with the progress of the government's initiatives.

In this business environment, the Nichii Gakkan Group (hereinafter the "Group") launched its medium-term management strategy and is expanding the scope of its operations based on the two elements of "diversification of segment categories" and "geographical diversification" to achieve stable long-term profit growth by enhancing the growth, stability, and profitability of its business.

As part of its initiatives for the "diversification of segment categories," the Group has endeavored to develop a consistent language education system by promoting the launch of COCO Juku Junior, a new brand of English conversation schools to come after COCO Juke, improving its system to help students who aim to study abroad, and by opening the New York University School of Continuing and Professional Studies (NYU-SCPS) American Language Institute (ALI) Tokyo Center through a business alliance with New York University. In addition, in an effort to improve the quality of its services and develop solid management systems, the Group established an Instructor Training Division in its head office to improve the training of instructors, who play a central role in the Group's language education business.

In its Health Care Business segment, the Group reorganized the 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 a 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 promote services that aren't covered by the long-term care insurance system.

In its Child Care Business, the Group is aggressively developing child care centers and is striving to provide high-value-added services by taking advantage of the synergies among its businesses, mainly by offering English conversation lessons at child care centers and holding forums to allow communication among nursing home residents. As part of its initiatives for "geographical diversification," the Group has developed a language education business in Australia and Canada, and established a medical clinic in Singapore. The Group has also promoted marketing activities and developed organizational structures in preparation for full-fledged business development in China, mainly in Beijing.

Looking at operating results, the Group posted an increase in sales, supported by factors including an increase in the number of users of long-term care services, new contracts with large hospitals, and contributions from the earnings of GABA Corporation and Nichii Care Palace Company. Earnings declined from a year ago, mainly due to strategic investments in the Group's language education business and the impact of the changeover from the Home Helper Level 2 Course to a basic training course for care workers.

As a result, the Group posted net sales of 136,049 million yen for the interim period under review (compared with the 132,132 million yen posted in the same period of the previous fiscal year), operating income of 3,229 million yen (compared with 3,903 million a year ago), and ordinary income of 2,502 million yen (compared with 3,491 million yen a year ago). Net income was 1,660 million yen (compared with 1,432 million yen a year ago).

Results by business segment are as follows:

<Medical Support Business>

Sales increased in the Medical Support Business segment due to factors including expanded operations at hospitals where the Group is offering services on a commissioned basis and the new contracts acquired from large hospitals. Earnings for the segment fell due to temporary preliminary expenses associated with the launch of services at newly acquired hospitals.

As part of its personnel strategy, the Group is striving to develop a virtuous cycle in which expanding and improving its training programs and strengthening support systems for its staff leads to improved rates of employee satisfaction, turnover, and customer satisfaction.

In its management support services, the Group started a clinic business in Singapore with the opening of the NICHII INTERNATIONAL CLINIC, aimed at acquiring knowledge in health service management and international health service cooperation.

Sales in this segment stood at 52,769 million yen (compared with 51,869 million yen in the same period of the previous fiscal year), and operating income was 3,900 million yen (compared with 4,100 million yen a year ago).

<Long-term Care Business>

The Group ambitiously opened new long-term care facilities, rendering comprehensive, continuous services in response to local and customer needs. As a result, the number of users continued to steadily increase, both for at-home services and services at health care facilities, boosting both sales and profits.

In an effort to improve customer satisfaction rates, the Group endeavored to offer high-value-added services through its service networks, mainly by holding forums for nursery school children in cooperation with the Group's child care business and implementing evacuation drills based on its Life Preservation Plan (LPP) at all Nichii homes facilities.

Looking at the status of the new operating bases that were established, for its home care services, the Group opened 14 care plan facilities (bringing the total number of these facilities to 788), 10 home-visit care facilities (increasing the total number of these facilities, including home-visit bathing facilities, to 1,111), 7 day-care facilities (for a total of 360), 6 home nursing care facilities (for a total of 65), and 1 welfare equipment leasing facility (for a total of 138). For its facility care services, the Group established 6 Nichii no Hohoemi group homes (for a total of 253).

As a result, net sales for the segment reached 71,385 million yen (compared with the 67,985 million yen posted in the same period of the previous fiscal year). Operating income for the segment was 6,555 million yen (compared with 5,314 million yen a year ago).

(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 establish a balance in its business portfolio free from institutional risks, such as the risk of revisions to its long-term care insurance system and nursing care benefits, the Group switched to a new business promotion system, and promoted initiatives to expand and strengthen its services that aren't covered by the long-term care insurance system, such as the development and sale of health care products, housekeeping services, meal home delivery, and its 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 to be held in China. Taking further steps, the Group rolled out its marketing activities and developed business promotion systems in China by dispatching representatives to Beijing and establishing a Chinese business headquarters.

As a result, net sales for the Health Care Business segment came to 1,759 million yen (compared with the 1,948 million yen posted in the same period of the previous fiscal year). Operating income for the segment was 49 million yen (compared with 273 million yen a year ago).

(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, COCO Juku Junior, launched in April 2013, was aggressively developed by being established next to COCO Juku classrooms as well as through franchises. In September 2013, the New York University School of Continuing and Professional Studies (NYU-SCPS) American Language Institute (ALI) Tokyo Center was opened. In addition to the above, the Group developed a system to help students who plan to study abroad through alliances with SELC AUSTRALIA PTY LTD. and the YORK Global Study Center, thereby building a consistent language education system to meet the diverse needs for language education found in a broad range of age groups.

In its business related to COCO Juku and COCO Juku Junior, the Group continued its aggressive promotion efforts associated with the launch of COCO Juku Junior schools. The Group is currently making progress in improving its instructor training as well as strengthening its sales activities to attract students for the purpose of providing quality lessons and improving customer satisfaction rates.

GABA Corporation, which offers individual lessons, has been attracting and maintaining a significant number of students, as well as sustaining sales and earnings growth, with net sales rising 8.6% from the same period of the previous fiscal year and operating income before amortization of goodwill climbing 22.5% year on year. These results greatly contributed to the earnings of the Group's Education Business.

In the social education business, earnings were lower than the Group's forecasts at the beginning of the fiscal year under review, partly due to the impact of the changeover from the Home Helper Level 2 Course to a basic training course for care workers in response to the nursing care qualification reviews in April 2013.

Basic training courses for care workers are considered to be the first step to becoming a Certified Care Worker. Compared to Home Helper courses, these are better courses for people looking for job opportunities for workers with certified qualifications.

To meet this need, the Group started aggressively developing free care experience seminars in July 2013, and a basic course of practical care for those taking care of family members at home and volunteers. Through these initiatives, the Group aims to expand its social education courses by offering information and skills in nursing care and uncovering potential needs among job seekers.

As a result, net sales for the Education Business segment totaled 9,870 million yen (compared with the 10,148 million yen posted in the same period of the previous fiscal year). Operating loss for the segment was 3,208 million yen (compared with a loss of 1,978 million yen a year ago).

<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 half 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.

Net sales for the Other Businesses segment amounted to 264 million yen (compared with 180 million yen posted in the first half of the previous fiscal year). Operating loss for the segment was 30 million yen (compared with operating income of 26 million yen posted in the first half of the previous fiscal year).

(2) Details of financial position

Total assets at the end of the interim period under review increased 198 million yen from the end of the previous fiscal year, to 166,818 million yen. The main reasons for the increase were a 534 million yen rise in current assets, primarily due to an increase in deferred tax assets, and a 335 million yen decrease in property, plant and equipment, mainly reflecting a decline in goodwill.

Liabilities shrank 716 million yen from the end of the previous fiscal year, to 104,647 million yen. The key factors contributing to this decrease were a 915 million yen rise in current liabilities, mainly due to an increase in short-term loans payable, and a 1,632 million yen drop in non-current liabilities, primarily attributable to a reduction in long-term loans payable.

Net assets increased 915 million yen from the end of the previous fiscal year, to 62,170 million yen.

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

The Group revised its consolidated financial results forecast for the year ending March 31, 2014, which was released on May 14, 2013. For details, please refer to the “Notice of Revision of Consolidated Financial Results Forecast” announced on November 7, 2013.

The differences between the consolidated financial results forecast for the year ending March 31, 2014, which was announced in the financial results released on May 14, 2013, and the forecast after the revision are as follows.

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously announced forecast (A)	277,600	9,000	8,000	4,500	64.39
Revised forecast (B)	273,200	6,600	5,000	2,800	40.07
Change (B – A)	(4,400)	(2,400)	(3,000)	(1,700)	—
Change (%)	(1.6)	(26.7)	(37.5)	(37.8)	—
(Reference) Actual results (fiscal year ended March 31, 2013)	267,191	8,741	8,326	4,383	62.95

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)	H1 of Fiscal 2014 (As of September 30, 2013)
Assets		
Current assets		
Cash and deposits	8,686,050	8,783,484
Notes and accounts receivable—trade	32,200,612	32,106,076
Short-term investment securities	2,398,857	2,599,176
Merchandise and finished goods	589,186	599,960
Work in progress	31,546	54,281
Raw materials and supplies	394,759	328,754
Other	11,947,652	12,295,851
Less: allowance for doubtful accounts	(45,765)	(30,137)
Total current assets	56,202,899	56,737,448
Fixed assets		
Property, plant and equipment		
Buildings and structures—net	29,669,321	29,471,604
Lease assets—net	20,286,491	21,501,779
Other—net	9,573,455	9,707,928
Total property, plant and equipment	59,529,268	60,681,313
Intangible assets		
Goodwill	20,311,644	19,342,893
Other	4,075,938	3,902,077
Total intangible assets	24,387,582	23,244,970
Investments and other assets		
Other	27,467,468	26,594,843
Less: Allowance for doubtful accounts	(967,518)	(440,119)
Total investments and other assets	26,499,950	26,154,723
Total fixed assets	110,416,801	110,081,008
Total assets	166,619,700	166,818,457

(Thousand yen)

	Fiscal 2013 (As of March 31, 2013)	H1 of Fiscal 2014 (As of September 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	827,506	700,011
Short-term loans payable	982,562	4,122,221
Income taxes payable	1,472,751	2,509,562
Accrued expenses	16,678,253	15,934,881
Provision for bonuses	4,998,197	5,544,189
Provision for directors' bonuses	39,700	24,850
Other	27,298,064	24,377,117
Total current liabilities	52,297,036	53,212,834
Non-current liabilities		
Long-term loans payable	21,021,495	17,879,208
Lease obligations	20,693,301	22,145,681
Provision for retirement benefits	4,991,263	5,210,315
Provision for directors' retirement benefits	167,319	163,868
Asset retirement obligations	1,714,930	1,736,730
Other	4,479,039	4,298,837
Total non-current liabilities	53,067,349	51,434,641
Total liabilities	105,364,385	104,647,475
Net assets		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	36,818,238	37,863,330
Treasury stock, at cost	(5,372,812)	(5,373,539)
Total shareholders' equity	60,733,430	61,777,795
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	146,927	26,768
Foreign currency translation adjustments	72,190	49,116
Total accumulated other comprehensive income	219,118	75,885
Minority interests	302,765	317,300
Total net assets	61,255,314	62,170,981
Total liabilities and net assets	166,619,700	166,818,457

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

(Thousand yen)

	Fiscal 2013 (from April 1, 2012 to September 30, 2012)	Fiscal 2014 (from April 1, 2013 to September 30, 2013)
Net sales	132,132,032	136,049,979
Cost of sales	104,145,674	107,630,440
Gross profit	27,986,358	28,419,539
Selling, general and administrative expenses	24,082,847	25,190,219
Operating income	3,903,510	3,229,319
Non-operating income		
Interest income	69,519	70,181
Rent income	101,063	97,098
Commission on consignment for job creation businesses	104,618	7,236
Subsidy income	112,957	53,379
Other	140,765	129,945
Total non-operating income	528,923	357,841
Non-operating expenses		
Interest expenses	837,823	980,832
Rent expenses	25,134	30,726
Other	77,717	72,655
Total non-operating expenses	940,676	1,084,214
Ordinary income	3,491,757	2,502,946
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	15,291	29,213
Loss on sales of property, plant and equipment, net	2,082	—
Loss on valuation of investment securities	199,980	49,999
Provision of allowance for doubtful accounts	50,000	25,000
Other	24,895	966
Total extraordinary losses	292,248	105,179
Income before income taxes and minority interests	3,199,508	3,428,987
Income taxes—current	1,994,398	2,220,900
Income taxes—deferred	(241,769)	(472,909)
Total income taxes	1,752,629	1,747,991
Income before minority interests	1,446,879	1,680,995
Minority interests in income	14,219	20,534
Net income	1,432,660	1,660,461

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

(Thousand yen)

	Fiscal 2013 (from April 1, 2012 to September 30, 2012)	Fiscal 2014 (from April 1, 2013 to September 30, 2013)
Income before minority interests	1,446,879	1,680,995
Other comprehensive income		
Valuation difference on available-for-sale securities	(104,463)	(120,158)
Foreign currency translation adjustments	2,202	(23,074)
Total other comprehensive income	(102,260)	(143,232)
Comprehensive income	1,344,619	1,537,762
Comprehensive income attributable to:		
Owners of the parent	1,330,400	1,517,228
Minority interests	14,219	20,534

(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.