



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

February 7, 2014

Name of listed company: Nichii Gakkan Company      Listed on: Tokyo Stock Exchange 1st Section  
 Securities code: 9792      URL: <http://www.nichiigakkan.co.jp>  
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 Scheduled date for filing the quarterly financial report: February 13, 2014  
 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 three quarters ended December 31, 2013 (April 1, 2013 – December 31, 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	%
Nine months ended December 31, 2013	204,208	2.3	5,061	(23.7)	3,951	(35.5)	2,300	(20.3)
Nine months ended December 31, 2012	199,587	6.0	6,634	(23.3)	6,126	(29.0)	2,885	(26.1)

(Note) Comprehensive income: Nine months ended December 31, 2013: 2,189 million yen (-27.6%);  
 Nine months ended December 31, 2012: 3,025 million yen (-22.9%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2013	32.92	—
Nine months ended December 31, 2012	41.49	—

### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of December 31, 2013	168,340	62,123	36.7
As of March 31, 2013	166,619	61,255	36.6

Reference: Shareholders' equity: As of December 31, 2013: 61,801 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: 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 December 31, 2013:	73,017,952	As of March 31, 2013:	73,017,952
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2) Number of treasury stock

As of December 31, 2013:	3,133,293	As of March 31, 2013:	3,131,669
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3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)

As of December 31, 2013:	69,885,644	As of December 31, 2012:	69,541,611
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\* 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 4 of the quarterly consolidated financial results (attached document), regarding the assumptions upon which forecasts are based and the use of forecasts.

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## 1. Qualitative information on quarterly financial results

### (1) Details of business results

In the first nine months of the fiscal year ending March 31, 2014, the Japanese economy benefited from improving corporate earnings, rising stock prices rising and moderately recovering consumer spending, backed by the underlying trend of a weaker yen, with the economic and monetary policies of the government as a backdrop.

Given the decision in September 2013 to award Tokyo the 2020 Olympic Games and with the number of foreign visitors Japan topping 10 million people, a further acceleration of globalization is expected going forward.

With respect to social security system reform, the specific content and timing of each policy were presented, including the promotion of a comprehensive care system for local communities, the review of the scope of coverage of nursing care insurance and increased burdens on users, based on one of the philosophies under the so-called social security program act, which is the refining and streamlining of social security.

To realize stable growth in long-term profits, the Nichii Gakkan Group has been moving forward with its medium-term management strategy since April 2012, with the diversification of business management as the basic focus.

In the language education business, the core of the strategies, the Group completed the nationwide establishment of COCO Juku classrooms by the end of the previous fiscal year and has been building a consistent language delivery system tailored to the diverse learning objectives of children and adults, including the deployment of COCO Juku Junior and the development of a support system for students who want to study abroad in Japan and overseas in the current fiscal year. Strategic investments in the language education business, including the recruitment of instructors and counselors, have run their course, and the Group has moved to a new stage for investment recovery in the future.

The Group is currently working on the integrated reform of the language education business and the existing education business and has been reviewing the operation of classrooms, its sales system and its advertising strategy, among other things, in the current fiscal year.

In conjunction with these endeavors, the Group has also been working on the diversification of segment categories and geographical diversification, such as the enhancement of medical management support services and services not covered by the long-term care insurance system, the expansion of the childcare business, the development of clinics in Singapore, and preparation for the development of business in China.

In the Childcare Business, the Group promoted the provision of comprehensive services from authorized baby-care centers to childcare centers inside hospitals and companies to meet diversified childcare needs. The Group also focused on providing high value-added services such as the provision of English conversation lessons and exchange with elderly people.

Looking at operating results, the Group achieved record sales for the sixth consecutive quarter, thanks to the solid increase in the number of users and new users in the mainstay Medical Support Business and Long-Term Care Business and the contribution of subsidiaries (GABA Corporation and Nichii Care Palace Company). Earnings declined from a year ago, mainly because of strategic investments in the language education business and the impact of the shift of the qualification system to a basic training course for care workers, despite stable growth in the Long-Term Care Business.

As a result, the Group posted net sales of 204,208 million yen for the first nine months under review (compared with the 199,587 million yen posted in the same period of the previous fiscal year), operating income of 5,061 million yen (compared with 6,634 million a year ago), and ordinary income of 3,951 million yen (compared with 6,126 million yen a year ago). Net income was 2,300 million yen (compared with 2,885 million yen a year ago).

Results by business segment are as follows:

#### <Medical Support Business>

Sales continued to increase in the Medical Support Business segment due to the new contracts acquired from large hospitals and the expansion of operations at hospitals where the Group is offering services. Earnings for the segment declined due to a temporary increase in personnel and other expenses derived from the acquisition of new contracts from large hospitals. The Group is working to improve operational efficiency at hospitals where it acquired new contracts, with the aim of rapidly increasing profitability.

In its management support services, the Group took steps to enhance its diversified and comprehensive services, including the commencement of operation of clinics in Singapore and the provision of medical concierge services.

Net sales in this segment stood at 79,372 million yen (compared with 77,951 million yen in the same period of the previous fiscal year), and operating income was 6,110 million yen (compared with 6,169 million yen a year ago).

#### <Long-term Care Business>

The Group worked to develop a comprehensive service delivery system rooted in local needs, such as the opening of new facilities and the enhancement of home nursing care services and dementia care services. As the number of users continued to rise steadily, both for at-home services and services at health care facilities, boosting both sales and profits. The number of users at the end of December 2013 was 143,750 for at-home services (an increase of 2,223 users from the same period of the previous fiscal year) and 10,288 for services at health care facilities (an increase of 434 users).

The Group also held a nursing case trial class and forums to allow communication with children at day-care centers operated by the Group across the country. The Group also made efforts to increase the value of services focused on local communities, as indicated by the conclusion of an anti-disaster agreement with Edogawa Ward, Tokyo by Nichii Care Palace Company in November 2013.

Looking at the status of the new operating bases that were established, for its home care services, the Group opened 15 care plan facilities (bringing the total number of these facilities to 789), 11 home-visit care facilities (increasing the total number of these facilities, including home-visit bathing facilities, to 1,112), 11 day-care facilities (for a total of 364), 7 home nursing care facilities (for a total of 66), and 2 welfare equipment leasing facilities (for a total of 139).

For its facility care services, the Group established 11 Nichii no Hohoemi group homes (for a total of 258), two Nichii no Kirameki pay nursing homes (for a total of 53), and one Nichii Home pay nursing home (for a total of 53).

As a result, net sales for the segment reached 107,584 million yen (compared with the 102,972 million yen posted in the same period of the previous fiscal year). Operating income for the segment was 9,841 million yen (compared with 8,308 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 that protects against risks such as institutional changes, the Group focused on enhancing services that are not covered by the long-term care insurance system, such as sales of health care products, housekeeping services, the meal home delivery service and the care staff dispatch service. In each service, the Group aimed to develop products that reflect the opinions of users of nursing care services and their families as well as feedback from its staff, with the aim of improving its services.

In its operations in China, the Group strengthened business promotion systems by dispatching representatives to China and establishing a Chinese business headquarters, preparing for the building of a business model.

As a result, net sales for the Health Care Business segment came to 2,790 million yen (compared with the 2,948 million yen posted in the same period of the previous fiscal year). Operating income for the segment was 105 million yen (compared with 296 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 language education business, the Group built a system to provide language education tailored to wide-ranging language needs across different age groups through the expansion of COCO Juku Junior, the development of a system to support students who want to study abroad, and the opening of the American Language Institute (ALI) Tokyo Center of the New York University School of Continuing and Professional Studies (NYU-SCPS). In terms of the expansion of COCO Juku Junior, the Group promoted the rollout of classrooms based on a franchise model (156 classrooms at the end of December 2013) and took action to improve operational efficiency, making effective use of the management resources of the existing education business for the operation of classrooms and sales management, etc. Earnings faced severe conditions due to preliminary expenses such as classroom operating and advertising expenses. GABA Corporation, which specializes in individual lessons, steadily increased the number of students. In

COCO Juku, the number of students also followed an upward trend, albeit moderately.

In the existing education business, the number of students fell due to factors such as a decline in needs for acquiring qualifications associated with the improved employment situation and the impact of the changeover of the qualification system to a basic training course for care workers. The Group also sought to ensure appropriate nursing care skills by providing training courses such as a basic course in practical care and free seminars tailored to various needs, while seeking to identify potential human resources for nursing care. In addition, the Group prepared for the provision of a training course for working-level nursing care workers (opened in February 2014), etc. in line with institutional trends.

As a result, net sales for the Education Business segment totaled 14,120 million yen (compared with the 15,453 million yen posted in the same period of the previous fiscal year). Operating loss for the segment was 5,163 million yen (compared with operating loss of 2,662 million yen a year ago).

#### <Other Businesses>

In Others Businesses, the Group undertook the task of operating according to the Group's strategies, such as the fostering of therapy dogs, with the aim of increasing the added value of the segment mainstay businesses. As a measure to strengthen its business base, the Group also sought to develop a system and improve operating efficiency in each Group company.

Net sales for the Other Businesses segment amounted to 340 million yen (compared with 262 million yen posted in the first three quarters of the previous fiscal year). Operating loss for the segment was 69 million yen (compared with operating income of 140 million yen posted in the first three quarters of the previous fiscal year).

#### (2) Details of financial position

Total assets at the end of the first three quarters under review increased 1,720 million yen from the end of the previous fiscal year, to 168,340 million yen. The main reasons for the increase were a 681 million yen rise in current assets, primarily due to an increase in securities, and a 1,038 million yen rise in noncurrent assets, mainly reflecting an increase in lease assets.

Liabilities increased 852 million yen from the end of the previous fiscal year, to 106,216 million yen. The key factors contributing to this increase were a 2,201 million yen rise in current liabilities, mainly reflecting an increase in short-term loans payable, and a 1,349 million yen drop in noncurrent liabilities, primarily attributable to a reduction in long-term loans payable.

Net assets increased 868 million yen from the end of the previous fiscal year, to 62,123 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 November 7, 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)	Q3 of Fiscal 2014 (As of December 31, 2013)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	8,686,050	8,617,598
Notes and accounts receivable—trade	32,200,612	32,779,799
Short-term investment securities	2,398,857	3,004,434
Merchandise and finished goods	589,186	603,322
Work in progress	31,546	87,191
Raw materials and supplies	394,759	337,992
Other	11,947,652	11,488,415
Less: allowance for doubtful accounts	(45,765)	(33,928)
<b>Total current assets</b>	<b>56,202,899</b>	<b>56,884,825</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures—net	29,669,321	29,256,881
Lease assets—net	20,286,491	23,156,281
Other—net	9,573,455	9,738,189
<b>Total property, plant and equipment</b>	<b>59,529,268</b>	<b>62,151,352</b>
<b>Intangible assets</b>		
Goodwill	20,311,644	18,896,587
Other	4,075,938	3,908,453
<b>Total intangible assets</b>	<b>24,387,582</b>	<b>22,805,041</b>
<b>Investments and other assets</b>		
Other	27,467,468	26,906,759
Less: Allowance for doubtful accounts	(967,518)	(407,947)
<b>Total investments and other assets</b>	<b>26,499,950</b>	<b>26,498,811</b>
<b>Total noncurrent assets</b>	<b>110,416,801</b>	<b>111,455,205</b>
<b>Total assets</b>	<b>166,619,700</b>	<b>168,340,031</b>

(Thousand yen)

	Fiscal 2013 (As of March 31, 2013)	Q3 of Fiscal 2014 (As of December 31, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable—trade	827,506	1,225,226
Short-term loans payable	982,562	5,775,565
Income taxes payable	1,472,751	379,692
Accrued expenses	16,678,253	17,887,190
Provision for bonuses	4,998,197	2,524,525
Provision for directors' bonuses	39,700	—
Other provision	6,630	20,951
Other	27,291,434	26,685,088
<b>Total current liabilities</b>	<b>52,297,036</b>	<b>54,498,240</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	21,021,495	16,155,307
Lease obligations	20,693,301	23,866,117
Provision for retirement benefits	4,991,263	5,335,498
Provision for directors' retirement benefits	167,319	165,866
Asset retirement obligations	1,714,930	1,747,862
Other	4,479,039	4,447,533
<b>Total noncurrent liabilities</b>	<b>53,067,349</b>	<b>51,718,185</b>
<b>Total liabilities</b>	<b>105,364,385</b>	<b>106,216,425</b>
<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	37,804,405
Treasury stock, at cost	(5,372,812)	(5,374,270)
<b>Total shareholders' equity</b>	<b>60,733,430</b>	<b>61,718,140</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	146,927	30,176
Foreign currency translation adjustments	72,190	53,270
<b>Total accumulated other comprehensive income</b>	<b>219,118</b>	<b>83,447</b>
<b>Minority interests</b>	<b>302,765</b>	<b>322,018</b>
<b>Total net assets</b>	<b>61,255,314</b>	<b>62,123,605</b>
<b>Total liabilities and net assets</b>	<b>166,619,700</b>	<b>168,340,031</b>



## (2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)

(Nine months ended December 31)

(Thousand yen)

	Fiscal 2013 (from April 1, 2012 to December 31, 2012)	Fiscal 2014 (from April 1, 2013 to December 31, 2013)
Net sales	199,587,654	204,208,864
Cost of sales	157,123,886	162,034,181
Gross profit	42,463,767	42,174,683
Selling, general and administrative expenses	35,829,057	37,113,428
Operating income	6,634,710	5,061,254
Non-operating income		
Interest income	107,898	105,110
Rent income	153,307	152,087
Subsidy income	204,258	57,874
Other	433,954	190,888
Total non-operating income	899,418	505,960
Non-operating expenses		
Interest expenses	1,305,548	1,509,687
Rent expenses	37,419	47,140
Other	65,006	59,030
Total non-operating expenses	1,407,974	1,615,859
Ordinary income	6,126,154	3,951,356
Extraordinary income		
Gain on sales of investment securities	1,922	1,030,370
Other	—	850
Total extraordinary income	1,922	1,031,220
Extraordinary losses		
Loss on retirement of property, plant and equipment, net	38,407	43,454
Loss on sales of property, plant and equipment, net	3,221	—
Loss on valuation of investment securities	199,980	—
Loss on liquidation of subsidiaries and affiliates	—	77,036
Other	69,001	22,207
Total extraordinary losses	310,610	142,699
Income before income taxes and minority interests	5,817,465	4,839,877
Income taxes—current	1,872,980	1,506,201
Income taxes—deferred	1,033,734	1,008,031
Total income taxes	2,906,714	2,514,232
Income before minority interests	2,910,751	2,325,644
Minority interests in income	25,471	25,252
Net income	2,885,279	2,300,391

(Quarterly consolidated statements of comprehensive income)

(Nine months ended December 31)

(Thousand yen)

	Fiscal 2013 (from April 1, 2012 to December 31, 2012)	Fiscal 2014 (from April 1, 2013 to December 31, 2013)
Income before minority interests	2,910,751	2,325,644
Other comprehensive income		
Valuation difference on available-for-sale securities	70,845	(116,750)
Foreign currency translation adjustments	43,417	(18,920)
Total other comprehensive income	114,263	(135,671)
Comprehensive income	3,025,014	2,189,973
Comprehensive income attributable to:		
Owners of the parent	2,999,542	2,164,720
Minority interests	25,471	25,252

(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.