Financial Results for the First Three Quarters of the Year Ending March 31, 2015 (J-GAAP)

February 9, 2015

Name of listed company:	Nichii Gakkan Company	Listed on:	Tokyo Stock Exchange 1st Section
Securities code:	9792	URL:	http://www.nichiigakkan.co.jp
Representative:	Akihiko Terada, Chairman, President and CEO		
Contact:	Koichi Terada, Director		TEL: 03-3291-2121

Scheduled date for filing the quarterly financial report: February 13, 2015
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, 2014 (April 1, 2014 – December 31, 2014)

(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, 2014	204,307	0.0	4,795	(5.3)	3,376	(14.5)	1,336	(41.9)
Nine months ended December 31, 2013	204,208	2.3	5,061	(23.7)	3,951	(35.5)	2,300	(20.3)

(Note) Comprehensive income: Nine months ended December 31, 2014: 1,431 million yen (-34.7%);
Nine months ended December 31, 2013: 2,189 million yen (-27.6%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2014	19.18	—
Nine months ended December 31, 2013	32.92	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of December 31, 2014	179,437	60,807	33.7
As of March 31, 2014	176,246	62,327	35.2

Reference: Shareholders' equity: As of December 31, 2014: 60,462 million yen; As of March 31, 2014: 61,999 million yen

2. Dividends

	Annual dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	—	10.00	—	10.00	20.00
Year ending March 31, 2015	—	10.00	—		
Year ending March 31, 2015 (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, 2015 (April 1, 2014 – March 31, 2015)

(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	274,300	1.1	7,700	21.8	5,700	15.4	3,000	6.0	42.93

(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.: Yes
2) Changes in accounting policies due to reasons other than those stated in 1): None
3) Changes in accounting estimates: None
4) Restatement: None

(Note) For details, please refer to page 5, (3) Changes in accounting policies, accounting estimates, and restatement of 2. Summary information (notes) of Attached Document.

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

As of December 31, 2014:	73,017,952	As of March 31, 2014:	73,017,952

2) Number of treasury stock

As of December 31, 2014:	4,932,208	As of March 31, 2014:	3,133,768

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

As of December 31, 2014:	69,705,918	As of December 31, 2013:	69,885,644

* 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.

Table of Contents for the Attached Document

1. Qualitative information on quarterly financial results

(1) Details of business results

In the first nine months of the fiscal year ending March 31, 2015, the Japanese economy saw corporate earnings and the employment environment improve against the backdrop of on-going economic and financial policies, although the outlook remained uncertain, mainly due to stagnant consumer spending associated with the consumption tax hike, as well as further depreciation of the yen.

In the social security sector, the reform of medical and long-term care systems is underway, centered on the realignment of sickbed functions and the establishment of community-wide comprehensive care. In December, 2014, a proposal was put together, aimed at the revision of the Long-term Insurance System and compensation for long-term care, both of which are scheduled to be implemented in April, 2015. The proposal was made on the fundamental policy of the “enhancement of support for people with moderate to severe disabilities at home and elderly people with dementia”, “promotion of measures to secure human resources for long-term care”, and “creation of a system for the proper evaluation and the efficient provision of services”. Also included in the proposal were measures for revitalization, such as the easing of standards for operating services and improvement in the treatment of long-term care staff, while benefits were restrained, reflecting the current situation of the financial resources of insurance programs.

The Nichii Gakkan Group built a new business execution system and formulated a new business strategy focused on “globalization” in October, 2014, to make sure that the Group would be unaffected by institutional risk and achieve “stable growth of long-term profits.”

As for the businesses in China, which is expected to play a central role in the new strategy, the Group had been working to develop foundations for sound business in the country, starting with the conclusion of a strategic alliance agreement with the China Planning Institute on Aging in July. Across China, it is moving ahead with the formation of the Zhihu Group by making local subsidiaries group companies in order to roll out a human resources development business, a human support business (long-term care, home management, prenatal and postnatal care, etc.), and sales of sanitary products, and has decided to include into the Group 12 local subsidiaries (excluding two school corporations, as a result of changes in the investment scheme) as of the end of December. The human resources development business, which is the base of all the services, has commenced a pilot training program of instructors in the country, making a steady start toward the establishment of business.

With respect to domestic businesses, the Group, while strengthening mainstay businesses, focused its efforts on the reinforcement of strategic businesses, such as the enhancement of medical management support services and services not covered by long-term care insurance, active development of childcare services with an eye on the “Comprehensive Support System for Children and Child-rearing” to be implemented in April, 2015, etc.

In conjunction with the language education business, which marked the third year of service since the full-scale rollout, the Group has strengthened the development of COCO Juku Junior, an English conversation school that addresses the strong need for language study, while moving forward with reform efforts in terms of both an increase in the number of students and improvement in the efficiency of class management, to move the business into the black.

Looking at the operating results, the Group recorded increased sales and decreased profits, reflecting such factors as a decrease in the number of students in the existing education business and an increase in costs for opening operating bases for home-care services in the long-term care business, while in the medical support business, business remained strong on the back of new contracts received from large-scale hospitals and further improved efficiency in contracted services in the existing hospitals. The long-term and health care businesses saw an increase in the number of customers for services not covered by long-term insurance, thanks to the enhanced provisioning of services that comprehensively respond to the needs for livelihood support in a community. The education business also saw a steady increase in the numbers of students of Gaba Corporation and COCO Juku Junior respectively.

As a result, the Group posted net sales of 204,307 million yen for the first three quarters under review (compared with 204,208 million yen posted in the same period of the previous fiscal year), an operating income of 4,795 million yen (compared with 5,061 million yen posted in the same period of the previous fiscal year), and ordinary income of 3,376 million yen (compared with 3,951 million yen posted in the same period of the previous fiscal year). Net income was 1,336 million yen (compared with 2,300 million yen posted in the same period of the previous fiscal year).

Results by business segment are as follows:

<Medical Support Business>

The business remained strong, mainly due to contracts from some large-scale hospitals as a result of successful proposals for comprehensive services including management support services, in addition to an expansion in contracted services in existing hospitals as well as an improvement in the operational efficiency on the back of staff retention.

With respect to the development of management support services, the Group worked to develop diversified services to address medical systems and environmental trends, such as the hosting of seminars, among other activities, under the theme of DPC/international medical exchanges, and the establishment of NiCoLink, a portal site that disseminates useful information for people who are engaged in medical services.

Net sales for the segment came to 79,600 million yen for the first three quarters period under review (compared with 79,372 million yen posted in the same period of the previous fiscal year). Operating income for the segment was 6,874 million yen (compared with 6,110 million yen posted in the same period of the previous fiscal year).

<Long-term Care Business>

To respond to the revision of compensation for long-term care, the Group strengthened sales chiefly to medical institutions that facilitate the return of in-patients to home care, based the prioritization and optimization of services, while enhancing long-term care services that match community needs, such as dementia care and welfare services for disabled people. It also focused efforts on the provisioning of comprehensive services that suit customer needs, by collaborating with the health care business.

Looking at home-care services, the Group posted upfront investment expenses associated with the openings of new operation bases, as it promoted active development of such bases.

Looking at the status of new operating bases established during the first three quarters, for its home care services, the Group opened eleven care plan facilities (bringing the total number of these facilities to 801), ten home-visit care facilities (increasing the total number of these facilities, including home-visit bathing facilities, to 1,122), eight day-care facilities (bringing the total number of these facilities to 375), and one home nursing care facility (bringing the total number of these facilities to 66). For its facility care services, the Group established eight Nichii no Hohoemi group homes (bringing the total number of these homes to 270), four Nichii no Kirameki pay nursing homes (bringing the total number of these homes to 62), and two Nichii Home pay nursing homes (bringing the total number of these homes to 56).

Net sales for the segment reached 108,932 million yen (compared with 107,584 million yen posted in the first three quarters of the previous fiscal year). Operating income for the segment was 9,480 million yen (compared with 9,841 million yen posted in the first three quarters of the previous fiscal year).

<Health Care Business>

The Group focused its efforts on developing and provisioning livelihood support services to respond to a variety of needs for such services, associated with an increase in the number of elderly households and the advancement of women in society, and other factors. As a result, the segment performed strongly, primarily reflecting the continued achievement of double-digit sales growth in Nichii Life (housekeeping services) and in health care products.

As for Nichii Life, the Group worked to improve proposals for service plans and to enhance service sites, targeting a broad range of generations, which led to an increased customer base.

Net sales for the Health Care Business segment came to 2,951 million yen (compared with 2,790 million yen posted in the first three quarters of the previous fiscal year). Operating income for the segment was 161 million yen (compared with 105 million yen posted in the first three quarters of the previous fiscal year).

<Education Business>

The existing education business recorded stagnant results, as the number of students continued to decrease due to a decline in the need for qualification acquisition against the backdrop of an improvement in the employment environment. However, the Group strove to implement business management reform unified with the language education business, such as the integration of classrooms and the reviewing of the balance in the allocation of promotional expenses. As for the strengthening of business functions as a business for provisioning human resources, the Group took such initiatives as the implementation of on-site tours and job consultations, as well as the hosting of a “seminar for the improvement of long-term care skills,” as follow-ups after the acquisition of qualifications, in collaboration with the relevant businesses.

In the language education business, the Group strove to expand sales channels, mainly through the aggressive development of COCO Juku Junior through franchising, sales to corporations, and organizing events. In terms of the enhancement in the added value of services, the Group worked to provide a series of services, leveraging the language education networks established so far, such as organizing seminars in collaboration with the New York University SCPS ALI Tokyo Center and YORK Global Study Center Co., Ltd.

GABA Corporation continued to perform strongly in terms of the number of students. It focused efforts on enhancing services for corporations, mainly by opening two new learning studios at a large enterprise of general heavy equipment in December.

Net sales for the Education Business segment totaled 12,499 million yen (compared with 14,120 million yen posted in the first three quarters of the previous fiscal year). Operating loss for the segment was 5,788 million yen (compared with a loss of 5,163 million yen posted in the first three quarters of the previous fiscal year).

<Other Businesses>

The Group focused its efforts on the development of peripheral businesses and services to support smooth business operations in mainstay businesses, such as the publication and sales of books related to medical services or long-term care, goods management, and the breeding of therapy dogs in the long-term care business.

Net sales for the Other Businesses segment amounted to 324 million yen (compared with 340 million yen posted in the first three quarters of the previous fiscal year). Operating income for the segment was 350 million yen (compared with 69 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 3,191 million yen from the end of the previous fiscal year, to 179,437 million yen. The main reasons were a 90 million yen decrease in current assets, mainly reflecting a decline in deferred tax assets, and a 3,281 million yen increase in fixed assets, primarily due to an increase in lease assets.

Liabilities increased 4,710 million yen from the end of the previous fiscal year, to 118,630 million yen. The main reasons were a 3,330 million yen increase in current liabilities, mainly reflecting an increase in accrued expenses, and a 1,380 million yen increase in non-current liabilities, primarily due to an increase in lease obligations.

Net assets decreased 1,519 million yen from the end of the previous fiscal year, to 60,807 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, 2015, which was released on November 7, 2014.

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

Changes in accounting policies

Application of the accounting standard for retirement benefits

The Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter “Accounting Standard for Retirement Benefits”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter “Guidance on Accounting Standard for Retirement Benefits”) from the first quarter of the current fiscal year, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing estimated retirement benefit obligations to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate from the method using the remaining service period of employees to the method using a single weighted average discount rate.

The application of this accounting standard, etc. is in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and thus the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the first three quarters of the current fiscal year.

The result was a decrease of 118 million yen in net defined benefit liability, and an increase of 96 million yen in retained earnings at the beginning of the first three quarters of the current fiscal year. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the first three quarters of the current fiscal year is insignificant.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Thousand yen)

	Fiscal 2014 (As of March 31, 2014)	Q3 of Fiscal 2015 (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	9,595,734	8,526,523
Notes and accounts receivable—trade	32,203,271	33,293,422
Short-term investment securities	3,501,938	3,198,652
Merchandise and finished goods	623,388	566,809
Work in progress	15,111	128,997
Raw materials and supplies	310,210	255,325
Deferred tax assets	2,888,713	1,725,214
Other	9,258,717	10,605,825
Less: allowance for doubtful accounts	(31,299)	(25,480)
Total current assets	58,365,785	58,275,289
Fixed assets		
Property, plant and equipment		
Buildings and structures—net	29,053,777	28,220,836
Lease assets—net	27,884,574	31,410,470
Other—net	9,834,290	9,716,303
Total property, plant and equipment	66,772,643	69,347,610
Intangible assets		
Goodwill	18,446,825	17,077,076
Other	3,814,661	4,209,599
Total intangible assets	22,261,486	21,286,676
Investments and other assets		
Other	29,253,196	30,929,315
Less: Allowance for doubtful accounts	(406,643)	(400,965)
Total investments and other assets	28,846,552	30,528,349
Total fixed assets	117,880,682	121,162,636
Total assets	176,246,468	179,437,925

(Thousand yen)

	Fiscal 2014 (As of March 31, 2014)	Q3 of Fiscal 2015 (As of December 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	861,540	960,067
Short-term loans payable	4,014,826	5,303,512
Income taxes payable	1,674,761	249,832
Accrued expenses	15,669,460	17,987,543
Provision for bonuses	5,092,365	2,493,661
Provision for directors' bonuses	39,700	—
Other	28,377,442	32,066,161
Total current liabilities	55,730,097	59,060,779
Non-current liabilities		
Long-term loans payable	17,316,153	14,377,610
Lease obligations	28,683,159	32,763,516
Provision for directors' retirement benefits	167,784	164,695
Net defined benefit liability	5,786,553	5,917,825
Asset retirement obligations	1,774,879	1,848,110
Other	4,460,592	4,497,521
Total non-current liabilities	58,189,123	59,569,278
Total liabilities	113,919,220	118,630,058
Net assets		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	38,335,223	38,371,369
Treasury stock, at cost	(5,374,688)	(7,016,838)
Total shareholders' equity	62,248,540	60,642,536
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,037	20,484
Foreign currency translation adjustments	58,966	70,118
Remeasurements of defined benefit plans	(332,870)	(270,765)
Total accumulated other comprehensive income	(248,866)	(180,162)
Minority interests	327,574	345,493
Total net assets	62,327,248	60,807,867
Total liabilities and net assets	176,246,468	179,437,925

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)

(Nine months ended December 31)

(Thousand yen)

	Fiscal 2014 (from April 1, 2013 to December 31, 2013)	Fiscal 2015 (from April 1, 2014 to December 31, 2014)
Net sales	204,208,864	204,307,538
Cost of sales	162,034,181	163,157,149
Gross profit	42,174,683	41,150,389
Selling, general and administrative expenses	37,113,428	36,355,014
Operating income	5,061,254	4,795,374
Non-operating income		
Interest income	105,110	118,425
Rent income	152,087	166,121
Subsidy income	57,874	71,272
Share of profit of entities accounted for using equity method	—	9,431
Other	190,888	317,727
Total non-operating income	505,960	682,979
Non-operating expenses		
Interest expenses	1,509,687	2,019,133
Rent expenses	47,140	47,595
Other	59,030	35,117
Total non-operating expenses	1,615,859	2,101,846
Ordinary income	3,951,356	3,376,508
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	43,454	16,432
Loss on sales of property, plant and equipment, net	—	2,134
Loss on liquidation of subsidiaries and affiliates	77,036	—
Impairment loss	—	33,740
Other	22,207	5,522
Total extraordinary losses	142,699	57,828
Income before income taxes and minority interests	4,839,877	3,318,679
Income taxes—current	1,506,201	1,108,440
Income taxes—deferred	1,008,031	847,901
Total income taxes	2,514,232	1,956,341
Income before minority interests	2,325,644	1,362,338
Minority interests in income	25,252	25,419
Net income	2,300,391	1,336,918

(Quarterly consolidated statements of comprehensive income)
(Nine months ended December 31)

(Thousand yen)

	Fiscal 2014 (from April 1, 2013 to December 31, 2013)	Fiscal 2015 (from April 1, 2014 to December 31, 2014)
Income before minority interests	2,325,644	1,362,338
Other comprehensive income		
Valuation difference on available-for-sale securities	(116,750)	(4,553)
Foreign currency translation adjustments	(18,920)	11,152
Remeasurements of defined benefit plans, net of tax	—	62,104
Total other comprehensive income	(135,671)	68,703
Comprehensive income	2,189,973	1,431,041
Comprehensive income attributable to:		
Owners of the parent	2,164,720	1,405,622
Minority interests	25,252	25,419

(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.