Financial Results for the First Quarter of the Year Ending March 31, 2018 (J-GAAP)(Consolidated)

August 9, 2017

Name of listed company: NICHIIGAKKAN CO., LTD. Listed on: Tokyo Stock Exchange 1st Section
Securities code: 9792 URL: http://www.nichiigakkan.co.jp
Representative: (Title) Chairman, President and CEO (Name) Akihiko Terada
Contact: (Title) Executive Vice President (Name) Nobusuke Mori TEL: 03-3291-2121

Scheduled date for filing the quarterly financial report: August 10, 2017
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, 2017 (April 1, 2017 – June 30, 2017)

(1) Consolidated operating results (cumulative) (Percentage figures represent changes from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2017	70,313	2.8	1,519	—	560	—	510	—
Three months ended June 30, 2016	68,414	0.8	(215)	—	(1,250)	—	(1,313)	—

(Note) Comprehensive income: Three months ended June 30, 2017: 395 million yen(-%);Three months ended June 30, 2016: minus 1,232 million yen(-%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2017	7.96	7.95
Three months ended June 30, 2016	(20.46)	―

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of June 30, 2017	191,874	37,726	19.0
As of March 31, 2017	191,708	37,924	19.1

Reference: Shareholders' equity: As of June 30, 2017: 36,369 million yen; As of March 31, 2017: 36,592 million yen

2. Dividends

	Annual dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year Ended March 31, 2017	—	11.00	—	11.00	22.00
Year Ending March 31, 2018	—				
Year Ending March 31, 2018 (forecast)		11.00	—	11.00	22.00

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

3. Forecast of consolidated financial results for the year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentage figures represent changes from the previous year for full year figures and from the same period in the previous year for second quarter figures.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter (cumulative)	145,900	5.9	3,000	267.9	1,100	—	200	—	3.12
Full year	300,000	8.4	9,300	121.1	6,000	319.9	3,000	113.8	46.73

(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
New―(Company name) , Excluding―(Company name)

(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, 2017:	73,017,952	As of March 31, 2017:	73,017,952

2) Number of treasury stock

As of June 30, 2017:	8,824,719	As of March 31, 2017:	8,825,656

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

As of June 30, 2017:	64,193,132	As of June 30, 2016:	64,192,077

*Quarterly financial results are outside the scope of the quarterly review.

*Explanation concerning the appropriate use of financial result forecasts and other special notes
The above forecasts are based on information Nichii Gakkan had when this report was prepared and on certain assumptions judged to be reasonable. Various factors may cause actual results to differ significantly from forecasts. Regarding the assumptions upon which forecasts are based and precautions in using results forecasts, please refer to "(3) Information on the future outlook, including consolidated financial results forecasts" in "1. Qualitative information on quarterly financial results" on page 4 of the quarterly consolidated financial results (attached document).

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1. Qualitative information on quarterly financial results

(1) Details of business results

In an attempt to achieve the Nichii Group vision, "Contribution toward solving issues in society and steady progress of long-term profits," the Company promoted improvement of the strategic implementation stance initiated by the field force, aiming at further reinforcing area management based on focused management execution stance through executive officer system established in the previous fiscal year.

By achieving the promotion project, "VIPRO (Vision Progress Project) activity," the Company also promoted management participation by business field force, thereby establishing an integral plan formulation and plan implementation stance of the business field, branches and head office. In an effort to penetrate the vision to each corner of more than 10,000 domestic business fields, through VIPRO activity, the Company formed a strategic triangle consisting of the three business categories of "Core Business (Medical care related, Nursing care and Child care)," "Strategic Business (Education, Health care and Therapy)" and "Globalization Business (Overseas development starting from China Business)," that is, to promote mid- to long-term business strategies, and concentrated efforts to align vectors to achieve plans.

Looking at business results, sales increased, driven by the Long-term Care Segment, where users of residential-care services grew steadily mainly in fee-charging elderly people's homes, and the Child Care Segment, where newly-opened facilities increased centering on corporate-run child care centers. Looking at income, operating and ordinary figures moved back into the black as a result of continuing promotion of profit-focused strategy across the company, led by the Medical related and Nursing Care Segment where proper profit was generated by improving the efficiency of business field management.

In the first quarter under review, the Group posted net sales of 70,313 million yen (68,414 million yen in the first quarter of the previous fiscal year), an operating profit of 1,519 million yen (an operating loss of 215 million yen), an ordinary profit of 560 million yen (an ordinary loss of 1,250 million yen), and a profit attributable to owners of the parent company of 510 million yen (a loss attributable to owners of the parent company of 1,313 million yen).

Results by business segment are as follows:

From the first quarter under review, classification of report segments was changed and Therapy Business and Grooming Business which were originally recorded in the Health Care Segment, are now included in the Therapy Segment.

To compare the results in the first quarter under review and the results in the first quarter of the previous fiscal year in the following results by business segment, the business segments for the previous fiscal year have been reclassified, as described above.

<Medical Support Segment>

In order to contribute to productivity improvement and revenue expansion in medical institutions, the Company made efforts of strategic sales which catered to area characteristics as well as of proposing sales of high value added service utilizing many years of support knowhow for medical business. The Company also attempted proposal reinforcement of versatile services for management support services and medical exchange services, thereby attempting to enhance customer satisfaction.

While establishing a proper labor environment by aiming to acquire and retain staff members who support medical business management, productivity improvement was promoted by reviewing personnel placement and necessary duties, all of which resulted in creating a foundation for generating proper revenue.

As a result, although net sales in this segment were weak and fell slightly, profits were gained as improvement for proper profit standards was promoted.

Net sales for the segment came to 26,905 million yen for the first quarter under review (compared with 27,008 million yen posted in the same period of the previous fiscal year). Operating income for the segment was 2,190 million yen (compared with 1,672 million yen in the same period of the previous fiscal year).

<Long-term Care Segment>

The Company has continued to establish a strong business base which has led to sustainable progress by strengthening service provision capability through the following efforts; 1) establishment of a business model corresponding to system trends and area needs, 2) optimization of staff placement, 3) improvement of work environment and benefits and 4) securing human resources by career step-up support (recruit promotion and retaining human resources). In addition, thanks to new classification addition of long-term care staff treatment improvement addition in long-term care fee revision by the central government in fiscal 2017, career paths due to experience and qualification acquisition are now highly evaluated and therefore the Company has made efforts of promoting applications for obtaining such additional fees in all operation sites.

Though the number of users of home care services was declining due to the shift of preventive care services to comprehensive projects, system improvement was advanced by reinforcing response to the moderate-severe persons, thereby promoting return to the progress state by creating new values. For residential-care services, the Company has attempted steady operation which has maintained a high working rate and community-based facility development.

As a result, sales increased as the number of users of residential-care services steadily increased and sales of home care services and residential-care services both increased thanks to the achievement of productivity improvement due to efficient placement of human resources in operation sites.

Regarding Technical Intern Training Program for Foreigners which is scheduled to revise the system (nursing care profession added) in autumn this year, the Company plans to advance preparation toward acceptance of human resources of foreigners including training development and its preparation for language programs and care skills.

Net sales for the segment came to 37,102 million yen for the first quarter under review (compared with 35,811 million yen in the same period of the previous fiscal year). Operating income for the segment was 3,602 million yen (compared with 2,073 million yen in the same period of the previous fiscal year).

<Childcare Segment>

In an effort to contribute to lowering the number of children on waiting lists for schools and to female work promotion, the Company pushed ahead with the opening of new child care centers nationwide as well as with versatile curriculum development and provision including English learning by utilizing collaboration with affiliates. From April this year, the Company started nationwide development of "Corporate-run Child Care Centers" with the aim of improving child care centers for Nichii employees and those of partner companies. Currently, opening at 46 sites was completed and the total number of child care centers operated by Nichii Group is 190 sites (an increase of 76 sites compared to the same period of the previous fiscal year).

As a result, sales increased by 57 percent compared to the same period in the previous fiscal year but profit decreased due to aggressive investment impact in new opening. The Company plans to continue to make efforts in sales and public relations activities with an aggressive approach to municipality offices and child care concierges as well as holding of regional exchange events, aiming at work rate improvement in existing sites and early high work rate operation in new sites.

Net sales for the segment came to 1,815 million yen for the first quarter under review (compared with 1,153 million yen in the same period of the previous fiscal year). Operating loss for the segment was 571 million yen (Operating loss was 262 million yen in the same period of the previous fiscal year).

<Health Care Segment>

In response to growing demand of housekeeping support due to greater participation of women in society and the increase in the elderly population, the Company concentrated its efforts to promote sales of "Nichii Life" that can widely respond to customers' needs including housekeeping, child care and nursing services, thereby expanded the customer base for usage. Regarding private brand products, paper adult diapers and bladder control pads, the establishment of sales scheme has been actively promoted through sales activity reinforcement by maximizing the use of nationwide sales channels and persons in charge of sales promotion which were newly introduced.

As a result, by strengthening sales promotion through effective use of management resources, the number of users for "Nichii Life" and the number of sales of private brand products steadily increased, resulting in sales increase and profit increase.

The Company plans to advance acceptance preparation for foreigner human resources and service training preparation which aim at developing the Housekeeping Support Foreigner Acceptance Business, "Sunny Maid Service,"that is scheduled to be launched in National Strategic Special Zones in the second quarter of this fiscal year.

Net sales for the segment came to 675 million yen for the first quarter under review (compared with 650 million yen in the same period of the previous fiscal year). Operating income for the segment was 130 million yen (compared with 117 million yen in the same period of the previous fiscal year).

<Education Segment>

Regarding the COCO Juku brand (for adults and for children), efforts for steady revenue have been made by reinforcing school operation system, developing effective promotion focused on regional approach, and reinforcing corporate sales. The business environment surrounding foreign language services is showing a favorable trend by the following reasons; 1) Start of English education becomes earlier because English learning will be mandatory from 3rd grade of elementary school in 2020, 2) English learning becomes more advanced due to college entrance exam reform of four English skills evaluation, and 3) The increase of foreign tourist are raising English learning needs. In an attempt to acquire new students, the Company made the best use of this business environment, reinforced counseling skill and improved quality of lessons and events. Though the number of child school students leveled off compared to the same quarter in the previous year, the number of new adult students increased steadily, showing sales increase and profit increase (loss decreased). In this fiscal year, the Company will focus on opening satellite schools in residential areas where it is easy to go to classrooms, further exploring "Easy to go to," "Easy to learn" and "Friendly" to attempt to raise the customer satisfaction rate in child schools.

Though Man-to-man English School GABA showed decreased sales and decreased profit, the number of students was returning to the recovery trend after hitting the bottom at the end of previous year (end of March).

As a result, the overall Educational Segment showed decreased sales and increased profit (loss decreased).

Net sales for the segment came to 3,138 million yen for the first quarter under review (compared with 3,213 million yen in the same period of the previous fiscal year). Operating loss for the segment was 1,077 million yen (Operating loss was 1,110 million yen in the same period of the previous fiscal year).

<Therapy Segment>

Grooming Salons, "A-LOVE" whose concept is pet health were opened in Tokyo in February and June, this year.

Through the promotion of salon development, Nichii Group will activate recognition dissemination and breeding activity for a dog breed, "Australian Labradoodle," for which the Group is currently carrying out breeding activity, as well as activate dispatching activity of therapy dogs to long-term care service facilities and plan to lead to creating a synergistic effect with other business in Japan and overseas.

This segment has newly been classified as a Segment from the first quarter under review. Business results showed sales increase and profit decrease as opening preparation of salons proceeded and advance costs accompanied by the opening occurred.

Net sales for the segment came to 57 million yen for the first quarter under review (compared with 56 million yen in the same period of the previous fiscal year). Operating loss for the segment was 83 million yen (Operating loss was 55 million yen in the same period of the previous fiscal year).

<China Business Segment>

While the Company positioned the period up to the previous year as the penetration and dissemination activity period of "Japanese type nursing (self-reliance support)," it will operate full-fledged service development in China to attempt pursuit of progress which is a role of a globalization company from this year. The Group plans to develop business from "a point to a line" and "a line to a plane," by using service provision framework established by 18 local businesses and 7 educational institutions. By using the development of dementia-response facilities which are planned to open in Beijing and Shanghai within this year as a core business, the Company will strengthen matching efficiency enhancement between customer needs and services.

Sales showed an increase due to the increase of number of consolidated subsidiaries and educational institutions. Profit showed a decrease as advance investment occurred accompanied by dissemination and education activities of nursing as well as management system reinforcement although investment required for starting up business bases almost completed.

In addition, based on the adoption of "Medical Technology and Service Base Promotion Project" by the Ministry of Economy, Trade and Industry, the Company decided to develop nursing education and the human resources training dissemination business in order to promote foundation establishment for nursing dissemination in China from July of this year.

Net sales for the segment came to 552 million yen for the first quarter under review (compared with 482 million yen in the same period of the previous fiscal year). Operating loss for the segment was 407 million yen (Operating loss was 365 million yen in the same period of the previous fiscal year).

<Other Businesses>

The Group has attempted to strengthen management capability, to improve profits as well as to reinforce the creation of a synergistic effect with the operation of the NICHIIGAKKAN head office in each group company in Japan and overseas and has made efforts of enhancing the unified group power.

Net sales for the segment came to 63 million yen for the first quarter under review (compared with 38 million yen in the same period of the previous fiscal year). Operating income for the segment was 47 million yen (compared with 96 million yen in the same period of the previous fiscal year).

(2) Details of financial position

Total assets at the end of the first quarter under review increased by 166 million yen from the end of the previous fiscal year, rising to 191,874 million yen. The main reasons for the increase were a 743 million yen rise in fixed assets, mainly reflecting an increase in lease assets, and a 576 million yen decrease in current assets primarily due to the decline in cash and deposits.

Liabilities increased by 364 million yen from the end of the previous fiscal year, rising to 154,147 million yen. The key factors contributing to this results are a 766 million yen decrease in current liabilities primarily due to decrease of provision for bonuses and a 1,130 million yen increase in non-current liabilities, primarily attributable to an increase in lease obligations.

Net assets decreased by 197 million yen from the end of the previous fiscal year, to 37,726 million yen.

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

The forecast of consolidated financial results for the year ending March 31, 2018 that was announced on May 12, 2017 remains unchanged.

2. Quarterly consolidated financial statements and key notes

(1) Quarterly consolidated balance sheets

(Thousand yen)

	Fiscal 2017 (As of March 31, 2017)	Q1 of Fiscal 2018 (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	16,357,197	14,616,751
Notes and accounts receivable-trade	32,855,836	33,245,925
Short-term investment securities	200,416	200,194
Merchandise and finished goods	1,076,922	1,051,422
Work in progress	8,570	21,143
Raw materials and supplies	232,588	301,119
Deferred tax assets	2,314,021	2,264,933
Other	11,687,703	12,452,300
Less: allowance for doubtful accounts	(9,802)	(7,164)
Total current assets	64,723,455	64,146,625
Fixed assets		
Property, plant and equipment		
Buildings and structures—net	23,088,252	23,209,640
Lease assets—net	46,903,144	48,280,779
Other—net	10,614,144	9,389,164
Total property, plant and equipment	80,605,541	80,879,585
Intangible assets		
Goodwill	14,225,873	13,638,321
Other	5,447,292	6,099,942
Total intangible assets	19,673,166	19,738,263
Investment and other asset		
Other	27,085,011	27,418,634
Less: allowance for doubtful accounts	(379,098)	(308,838)
Total investments and other assets	26,705,912	27,109,795
Total fixed assets	126,984,620	127,727,643
Total assets	191,708,076	191,874,269
Liabilities		
Current liabilities		
Notes and accounts payable-trade	840,286	686,752
Short-term loans payable	20,269,380	20,919,482
Income taxes payable	1,990,593	651,572
Accrued expenses	15,914,778	17,212,715
Provision for bonuses	4,990,083	2,794,072
Provision for directors' bonuses	38,000	22,100
Other	24,487,658	25,477,512
Total current liabilities	68,530,780	67,764,207
Non-current liabilities		
Long-term loans payable	17,563,057	16,594,436
Lease obligations	52,192,808	53,881,055
Net defined benefit liability	7,311,817	7,395,306
Asset retirement obligations	2,378,419	2,395,945
Other	5,806,811	6,116,846
Total non-current liabilities	85,252,913	86,383,590
Total liabilities	153,783,694	154,147,798

(Thousand yen)

	Fiscal 2017 (As of March 31, 2017)	Q1 of Fiscal 2018 (As of June 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,277,876	17,287,891
Retained earnings	20,006,631	19,810,518
Treasury stock, at cost	(11,376,929)	(11,375,585)
Total shareholders' equity	37,841,369	37,656,615
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,543	22,071
Foreign currency exchange adjustments	(457,572)	(548,236)
Remeasurements of defined benefit plans	(811,515)	(760,508)
Total accumulated other comprehensive income	(1,248,544)	(1,286,673)
Subscription rights to shares	531,839	531,969
Non-controlling interests	799,717	824,560
Total net assets	37,924,381	37,726,470
Total liabilities and net assets	191,708,076	191,874,269

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)

(Three months ended June 30)

(Thousand yen)

	Q1 of Fiscal 2017 (from April 1, 2016 to June 30, 2016	Q1 of Fiscal 2018 (from April 1, 2017 to June 30, 2017)
Net Sales	68,414,741	70,313,364
Cost of sales	56,036,130	56,795,338
Gross profit	12,378,611	13,518,025
Selling, general and administrative expenses	12,593,834	11,998,932
Operating income (loss)	(215,223)	1,519,093
Non-operating income		
Interest income	33,582	41,291
Rent income	48,195	61,103
Subsidy income	124,327	37,022
Equity method investment gain	-	2,192
Other	153,011	118,629
Total non-operating income	359,118	260,239
Non-operating expenses		
Interest expenses	973,192	1,143,213
Rent expenses	9,186	9,059
Foreign exchange losses	349,498	-
Equity method investment loss	2,989	-
Other	59,843	66,982
Total non-operating expenses	1,394,710	1,219,255
Ordinary income (loss)	(1,250,815)	560,077
Extraordinary income		
Gain on reversal of subscription rights to shares	8,158	5,310
Total extraordinary income	8,158	5,310
Extraordinary losses		
Loss on retirement of property, plant and equipment, net	1,089	477
Loss on cancellation of leases	206	531
Total extraordinary losses	1,295	1,008
Net income (loss) before income taxes	(1,243,951)	564,379
Income taxes—current	251,769	221,620
Income taxes—deferred	(158,404)	(103,525)
Total income taxes	93,364	118,095
Net income (loss)	(1,337,316)	446,284
Profit (loss) attributable to non-controlling interests	(23,975)	(64,626)
Profit (loss) attributable to owners of the parent company	(1,313,341)	510,910

(Quarterly consolidated statements of comprehensive income)

(Three months ended June 30)

(Thousand yen)

	Q1 of Fiscal 2017 (from April 1, 2016 to June 30, 2016	Q1 of Fiscal 2018 (from April 1, 2017 to June 30, 2017)
Net income (loss)	(1,337,316)	446,284
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,025)	1,521
Foreign currency exchange adjustments	54,152	(102,957)
Remeasurements of defined benefit plans	53,828	51,006
Total other comprehensive income	104,955	(50,428)
Comprehensive income	(1,232,361)	395,855
(Breakdown)		
Comprehensive income attributable to owners of the parent company	(1,188,070)	472,781
Comprehensive income attributable to non-controlling interests	(44,290)	(76,926)

(3) Notes to quarterly consolidated financial statements

(Notes on the premise of a going concern)

There are no applicable matters.

Notes on significant fluctuation in the amount of shareholders' equity

There are no applicable matters.