



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

November 8, 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

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Scheduled date for filing the quarterly financial report: November 10, 2017

Scheduled date to start dividends distribution: December 6, 2017

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 Second quarter ended September 30, 2017 (April 1, 2017 – September 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	%
Six months ended September 30, 2017	141,426	2.7	3,753	360.4	1,815	—	918	—
Six months ended September 30, 2016	137,751	0.9	815	—	(1,110)	—	(1,240)	—

(Note) Comprehensive income: Six months ended September 30, 2017: 799 million yen (-%); Six months ended September 30, 2016: minus 1,547 million yen (-%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2017	14.32	14.29
Six months ended September 30, 2016	(19.32)	—

### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2017	191,125	37,926	19.2
As of March 31, 2017	191,708	37,924	19.1

Reference: Shareholders' equity: As of September 30, 2017: 36,613 million yen; As of March 31, 2016: 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	—	11.00	—	—	—
Year Ending March 31, 2018 (forecast)	—	—	—	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
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 September 30, 2017:	73,017,952	As of March 31, 2017:	73,017,952
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2) Number of treasury stock

As of September 30, 2017:	8,824,719	As of March 31, 2017:	8,825,656
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3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)

As of September 30, 2017:	64,193,132	As of September 30, 2016:	64,192,337
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\*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 5 of the quarterly consolidated financial results (attached document).



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1. Qualitative information on quarterly financial results

(1) Details of business results

[Consolidated management performance]

Consolidated management performance	Previous consolidated cumulative second quarter (from April 1, 2016 to September 30, 2016) (in million yen)	Current consolidated cumulative second quarter (from April 1, 2017 to September 30, 2017) (in million yen)	Year-over-year inc/dec rate (%)
Net Sales	137,751	141,426	2.7
Medical Support Segment	54,065	53,738	(0.6)
Long-term Care Segment	72,248	74,591	3.2
Childcare Segment	2,557	3,922	53.4
Health Care Segment	1,409	1,464	3.9
Education Segment	6,347	6,383	0.6
Therapy Segment	94	108	14.9
China Business Segment	949	1,136	19.8
Other Segments	78	80	2.4
Operating Income	815	3,753	360.4
Medical Support Segment	3,641	4,499	23.5
Long-term Care Segment	5,007	7,378	47.3
Childcare Segment	(497)	(728)	-
Health Care Segment	276	166	(40.0)
Education Segment	(2,405)	(2,125)	-
Therapy Segment	(130)	(202)	-
China Business Segment	(722)	(753)	-
Other Segments	139	96	(31.0)
Elimination or corporate expenses	(4,494)	(4,576)	-
Ordinary Income	(1,110)	1,815	-
Profit attributable to owners of parent	(1,240)	918	-

(General Summary)

In this consolidated cumulative second quarter, the company focused on the establishment of firm strategy implementation preparedness to realize the stable growth of long run profits through strengthening management execution preparedness by upgrading and expanding the executive officer system; promotion of management participation for business field sites through the vision realization promotion project, also known as "VIPRO (Vision Progress Project) activity;" and by striving to strengthen the area management capability (business promotion capability and execution capability) of the offices, branches and business field sites through the step-by-step implementation of these two organization reforms.

Business results are as follows.

Sales were 141,426 million yen (137,751 million yen in the same period last year).

Operating profit was 3,753 million yen (815 million yen in the same period last year).

The increase in net sales was led by the Nursing Care Business, which maintained a high utilization rate supported by the steadily grown user numbers of residence type care services, and by the Childcare Business that contributed to the community child care support expanding its new facilities focusing on the "corporate-run childcare centers" which the national government advances as a countermeasure against children on



nursery school waiting lists.

The increase in operating profit was led by the Medical Support Business and Nursing Care Business which continued the contract optimization and business operation streamlining promotion based on the appropriate profit emphasizing strategy.

(Overviews by business segment)

Overviews by business segment are as follows.

We changed the reporting segment classification from the consolidated first quarter, and Therapy Business and Grooming Business, which were previously grouped in the Health Care Segment, are now separately segmented in the Therapy Segment.

To compare the results in the first quarter under review with 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>

Sales were 53,738 million yen (54,065 million yen in the same period last year).

Operating profit was 4,499 million yen (3,641 million yen in the same period last year).

Aiming at improving partnerships with contracted medical institutions, we have been discussing the personnel structure required to meet customer needs and contract details. In addition, we strove to reinforce the foundation for sustainable growth by focusing on the productivity improvement of our staff and optimization of their work environment.

Although Hospital Segment sales showed an upward trend as a result of our enhanced sales promotion activities of high-added value services and operations, total sales decreased due to weak Clinic Department sales and growing at a sluggish pace in number of students of medical office work course. Profit increased due to the improvement of on-site operational capability improvement for appropriate profit level preservation.

<Long-term Care Segment>

Sales were 74,591 million yen (72,248 million yen in the same period last year).

Operating profit was 7,378 million yen (5,007 million yen in the same period last year).

As for the at-home type care services, although the number of preventive care service users is showing a decreasing trend due to the transition to general comprehensive life support mainly run by local governments, the spending per customer increased due to increased subsidy for the care staff in April and the strengthened response for moderately and heavily handicapped person. As for the residence type care service, we have been promoting high utilization rate maintenance per existing facility, and higher utilization of the brand-new facilities as early as possible.

Sales increased due to stable number of users of residence type care services, and profit increased due to the productivity improvement by streamlining promotion of on-site operations such as personnel distribution.

<Childcare Segment>

Sales were 3,922 million yen (2,557 million yen in the same period last year).

Operating loss was 728 million yen (497 million yen of loss in the same period last year).

The company moved aggressively to build facilities for countermeasures against children on nursery school waiting lists, the "corporate-run childcare centers" according to the national government policy, to complete 48 facilities by the end of the first half. Increase reached around 200 facilities including other childcare related facilities, which contributed to both the elimination of children on nursery school waiting lists for the community and promotion of women's participation in the workplace.

Sales increased by 53.4% through facility expansion, but profit decreased due to up-front expenditures to establish the brand-new facilities. However, the loss amount of this second half (July to September) decreased compared to that of the first half (April to June) due to the improved utilization rate.

<Health Care Segment>

Sales were 1,464 million yen (1,409 million yen in the same period last year). Operating profit was 166 million yen (276 million yen in the same period last year).

We strove to develop the housekeeping service, also known as "Nichii Life," as a measure of the livelihood support other than the care insurance application and to promote the sales of various private brand products.

Sales increased due to the steady growth in number of service users and product sales quantities driven by sales promotion activities utilizing our nationwide sales network. As for the profit, it decreased due to the increase in up-front expenditures for preparing the foreign housekeeper program, also known as "Sunny Maid Service," in the National Strategic Special Zone.



<Education Segment>

Sales were 6,383 million yen (6,347 million yen in the same period last year).

Operating loss was 2,125 million yen (2,405 million yen of loss in the same period last year).

We contributed to the trainings for people who wish to play an active role in the world through nationwide deployment of the language school COCOJUKU (for adults), COCOJUKU Jr. (for children), and the strategic deployment of the GABA schools for English conversation on a one-to-one basis.

As for the number of students of COCOJUKU (for adults), the number of commuting students decreased, but there was an increase in on-line students, while the number of students of COCOJUKU Jr. (for children) increased in both due to the efficient promotion deployment focusing on the local community-oriented approach and satellites' expansion. Although GABA's sales and profit decreased, the number of students hit the bottom at the end of previous fiscal year (end of March) and is on track to recover by conducting strengthening of the enterprise sales activities and marketing activity reviews with the aim of stable, continuous sales increase.

As a result, the Education Segment as a whole was able to increase both sales and profit (loss amount decreased).

<Therapy Segment>

Sales were 108 million yen (94 million yen in the same period last year).

Operating loss was 202 million yen (130 million yen of loss in the same period last year).

The Therapy Business Segment expanded its facilities to 4 by the end of September as a result of opening brand-new 3 grooming salons, also known as "A-LOVE," featuring a concept of promoting pet health care. Sales increased, but profit decreased since what came first was the salon establishment preparation, such as the area marketing utilizing our nationwide branch network and recruitment activities, resulting in the up-front expenditures for new establishment.

<China Business Segment>

Sales were 1,136 million yen (949 million yen in the same period last year).

Operating loss was 753 million yen (722 million yen of loss in the same period last year).

We are developing Japanese style services and training human resources throughout China focusing on the nursing care by establishing the service providing structure consisting of 19 regional operating companies and 7 educational corporations.

Sales increased due to the increased number of users and our consolidated companies, but profit slightly decreased. However, the loss amount of this second half (July to September) decreased compared to that of the first half (April to June) due to the investment completion for establishing new facilities.

<Other Businesses>

Sales were 80 million yen (78 million yen in the same period last year).

Operating profit was 96 million yen (139 million yen in the same period last year).

The company strove to improve the indirect operation efficiency between business segments and between group companies to improve the whole Nichii Gakkan group's profitability.

[Individual operating results (Reference)]

	Previous cumulative second quarter (from April 1, 2016 to September 30, 2016) (in million yen)	Current cumulative second quarter (from April 1, 2017 to September 30, 2017) (in million yen)	Year-over-year Inc/dec rate (%)
Net Sales	119,775	121,644	1.6
Operating Income	697	3,023	333.2
Ordinary Income	40	2,678	-
Current Net Income	95	1,925	-

(2) Details of financial position

Total assets of the current second quarter were 191,125 million yen, a decrease of 582 million yen compared to the end of the previous fiscal year. The decrease resulted from a combination of an increased current asset of 932 million yen due to an increase of deferred tax assets, and a decreased fixed asset by 1,514 million yen due to a decrease in goodwill.

Total liabilities of the current second quarter were 153,199 million yen, a decrease of 584 million yen compared to the end of the previous fiscal year. The decrease resulted from a combination of a decreased total current liability of 6,731 million yen due to a decrease of short-term loans payable, and an increased total non-current liability by 6,146 million yen due to an increase in long-term loans payable.

Net assets of the current second quarter were 37,926 million yen, an increase of 2 million yen compared to the end of the previous fiscal year.

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

As for the consolidated result forecasts for the period ending March 2018, there are no changes from the forecasts of May 12, 2017.



## 2. Quarterly consolidated financial statements and key notes

### (1) Quarterly consolidated balance sheets

(Thousand yen)

	Fiscal 2017 (As of March 31, 2017)	Current consolidated second quarter (As of September 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	16,357,197	15,759,945
Notes and accounts receivable-trade	32,855,836	33,517,169
Short-term investment securities	200,416	-
Merchandise and finished goods	1,076,922	991,026
Work in progress	8,570	29,319
Raw materials and supplies	232,588	274,331
Deferred tax assets	2,314,021	3,109,844
Other Segments	11,687,703	12,001,206
Less: allowance for doubtful accounts	(9,802)	(27,041)
Total current assets	64,723,455	65,655,802
Fixed assets		
Property, plant and equipment		
Buildings and structures—net	23,088,252	22,960,425
Lease assets—net	46,903,144	47,664,624
Other—net	10,614,144	9,382,340
Total property, plant and equipment	80,605,541	80,007,390
Intangible assets		
Goodwill	14,225,873	13,105,979
Other Segments	5,447,292	6,047,425
Total intangible assets	19,673,166	19,153,405
Investment and other asset		
Other Segments	27,085,011	26,588,177
Less: allowance for doubtful accounts	(379,098)	(278,833)
Total investments and other assets	26,705,912	26,309,344
Total fixed assets	126,984,620	125,470,140
Total assets	191,708,076	191,125,942
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	840,286	705,079
Short-term loans payable	20,269,380	6,079,724
Income taxes payable	1,990,593	2,609,931
Accrued expenses	15,914,778	18,824,419
Provision for bonuses	4,990,083	5,985,522
Provision for directors' bonuses	38,000	22,100
Provision for loss on store closing	-	2,337
Other Segments	24,487,658	27,570,608
Total current liabilities	68,530,780	61,799,723
Non-current liabilities		
Long-term loans payable	17,563,057	21,630,550
Lease obligations	52,192,808	53,557,955
Net defined benefit liability	7,311,817	7,490,005
Asset retirement obligations	2,378,419	2,425,208
Other Segments	5,806,811	6,295,588
Total non-current liabilities	85,252,913	91,399,308
Total liabilities	153,783,694	153,199,032





(Thousand yen)

	Fiscal 2017 (As of March 31, 2017)	Current consolidated second quarter (As of September 30, 2017)
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,277,876	17,087,114
Retained earnings	20,006,631	20,218,595
Treasury stock, at cost	(11,376,929)	(11,375,869)
Total shareholders' equity	37,841,369	37,863,630
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,543	20,793
Foreign currency exchange adjustments	(457,572)	(561,370)
Remeasurements of defined benefit plans	(811,515)	(709,501)
Total accumulated other comprehensive income	(1,248,544)	(1,250,078)
Subscription rights to shares	531,839	541,544
Non-controlling interests	799,717	771,814
Total net assets	37,924,381	37,926,910
Total liabilities and net assets	191,708,076	191,125,942



(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)

(Consolidated cumulative second quarter)

(Thousand yen)

	Previous consolidated cumulative second quarter (from April 1, 2016 to September 30, 2016)	Current consolidated cumulative second quarter (from April 1, 2017 to September 30, 2017)
Net Sales	137,751,166	141,426,981
Cost of sales	112,306,182	113,946,536
Gross profit	25,444,983	27,480,445
Selling, general and administrative expenses	24,629,642	23,726,633
Operating Income	815,341	3,753,812
Non-operating income		
Interest income	75,311	76,259
Rent income	100,978	116,923
Subsidy income	130,519	32,149
Equity method investment gain	16,858	30,542
Other Segments	286,085	263,938
Total non-operating income	609,752	519,812
Non-operating expenses		
Interest expenses	1,975,120	2,305,801
Rent expenses	18,372	18,208
Other Segments	542,362	133,667
Total non-operating expenses	2,535,855	2,457,678
Ordinary income (loss)	(1,110,761)	1,815,946
Extraordinary income		
Gain on reversal of subscription rights to shares	8,158	5,310
Other Segments	783	-
Total extraordinary income	8,942	5,310
Extraordinary losses		
Loss on retirement of property, plant and equipment, net	1,124	4,516
Impairment losses	24,464	-
Other Segments	463	759
Total extraordinary losses	26,052	5,275
Net income (loss) before income taxes	(1,127,871)	1,815,982
Income taxes—current	762,751	1,829,910
Income taxes—deferred	(561,271)	(810,914)
Total income taxes	201,480	1,018,995
Net income (loss)	(1,329,351)	796,986
Profit (loss) attributable to non-controlling interests	(88,891)	(122,000)
Profit (loss) attributable to owners of the parent company	(1,240,460)	918,987



(Quarterly consolidated statements of comprehensive income)  
(Consolidated cumulative second quarter)

(Thousand yen)

	Previous consolidated cumulative second quarter (from April 1, 2016 to September 30, 2016)	Current consolidated cumulative second quarter (from April 1, 2017 to September 30, 2017)
Net income (loss)	(1,329,351)	796,986
Other comprehensive income		
Valuation difference on available-for-sale securities	(295)	248
Foreign currency exchange adjustments	(325,768)	(99,747)
Remeasurements of defined benefit plans	107,656	102,013
Total other comprehensive income	(218,407)	2,514
Comprehensive income	(1,547,758)	799,500
(Breakdown)		
Comprehensive income attributable to owners of the parent company	(1,392,958)	929,172
Comprehensive income attributable to non-controlling interests	(154,800)	(129,672)

(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.