

**QUARTERLY BUSINESS REPORT for the 1st quarter of the year ending March 2008
(Consolidated)**

August 10, 2007

Listed company name: Nichii Gakkan Company

Code number: 9792

Listed on: Tokyo Stock Exchange 1st Section

(URL: <http://www.nichiigakkan.co.jp/>)

Representative Contact Title: President and Representative Director Name: Takashi Mori
Title: Director, Vice President of Accounting Division and General Manager of Accounting Department
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*All amounts are rounded off to the nearest million yen.

1. Consolidated Results for the 1st Quarter of the year ending March 2008 (April 1, 2007-June 30, 2007)

(1) Business results

Percentage figures represent changes from previous year.

	Net Sales		Operating Income		Ordinary Income		Quarterly Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Quarter FY2008	48,624	(4.8)	229	(11.8)	262	(14.9)	2	(95.8)
1st Quarter FY2007	51,096	(0.6)	260	(80.8)	308	(78.3)	49	(93.0)
(Reference) FY2007	202,549		2,635		2,709		774	

	Net Income per Share	Quarterly Net Income Per Share after Adjusting for Latent
	Yen	Yen
1st Quarter FY2008	0.06	—
1st Quarter FY2007	1.41	—
(Reference) FY2007	22.00	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
1st Quarter FY2008	89,238	51,479	57.5	1,457.22
1st Quarter FY2007	90,165	51,526	57.0	1,458.95
(Reference) FY2007	92,115	52,247	56.6	1,479.10

2. Dividends

	Dividends per share
Record date	1st Quarter ended June 30
1st Quarter FY2007	—
1st Quarter FY2008	—

3. Forecast of the Consolidated Financial Results for the year ending March 2008
(April 1, 2007-March 31, 2008)

There is no change in our outlook for performance in the half year ending September 30, 2007, and the full year ending March 31, 2008, as presented in the “Financial Results for the Year Ended March 2007 (Consolidated)” published May 22, 2007.

4. Others

- (1) Changes in significant subsidiaries during the period: None
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)
- (2) Application of simplified accounting procedures: Yes
- (3) Difference in the accounting method from the method applied for the most recent fiscal year: None

* Disclaimer regarding Forward-looking Statements and Other Remarks

The forecast of the Consolidated Financial Results for the year ending March, 2008 has been prepared based on data as of the announcement date. Actual results may differ from the forecasted figures due to various factors.

(Reference) Overview of the Non-Consolidated Business Results

*All amounts are rounded off to the nearest million yen.

Non-Consolidated Results for the 1st Quarter of the year ending March, 2008 (April 1, 2007-June 30, 2007)

(1) Non-Consolidated Operating Results

Percentage figures represent changes from previous year.

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Quarter FY2008	47,240	(5.4)	211	(22.6)	287	(19.8)	172	19.5
1st Quarter FY2007	49,955	2.5	273	(80.2)	358	(75.8)	144	(82.5)
(Reference) FY2007	198,099		2,506		2,682		856	

	Net Income Per Share
	Yen
1st Quarter FY2008	4.89
1st Quarter FY2007	4.09
(Reference) FY2007	24.30

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
1st Quarter FY2008	84,373	47,768	56.6	1,356.23
1st Quarter FY2007	86,070	47,675	55.4	1,353.51
(Reference) FY2007	86,811	48,369	55.7	1,373.29

[Qualitative information and financial statements]

1. Qualitative information on consolidated operating results

Although there is some uncertainty due to rising prices of oil and raw materials, Japan's economy continued to show a gradual upturn in the 1st quarter under review; improved corporate profits supported more extensive improvements in capital investment and employment, and there were visible signs of recovery in personal consumption.

In the market environment surrounding the medical and long-term care business, the Japanese government carried out fundamental system revisions in April 2006, aiming to realize a sustainable social security system for medical and long-term care, in preparation for the expected acceleration of falling birthrate and aging population. While medical institutions and long-term care operators are eagerly developing new infrastructure and rebuilding business models to match the new public system, one long-term care provider became a target of public attention for having illegally obtained licenses for a specific business establishment, by making false claims. This scandal has caused society to question anew how the long-term care insurance system and long-term care operators should function.

Against such a backdrop, the Nichii Gakkan group started, in the current period, to promote sweeping structural reforms, with a "specialized branch system" and "brand integration" in order to realize more efficient business development and to intensify management capabilities and our field-work management system in this increasingly diverse market environment. At the same time, we have continued our ongoing proactive efforts for higher awareness of the company utilizing TV commercials. We have also committed our efforts to development of mid-and-long term strategic products and services, which are progressing steadily toward actual introduction.

The net sales for the quarter decreased due to the ongoing influence of the long-term care insurance system revisions and the reduction in the number of students in the education business. Associated with the decrease in net sales, profits also decreased.

As a result of these activities, net sales during the 1st quarter of the year ending March 31, 2008 were ¥48,624 million (down 4.8% year on year), ordinary income was ¥262 million (down 14.9% year on year), and net income was ¥2 million (down 95.8% year on year).

Shown below is the segment information on net sales and operating income by business category.

Medical Support Business

In the Medical Support Business, our aggressive sales efforts in this business segment were centered on increasing medical practice services provided for medical institutions, and promotion of support services for hospitals that are introducing (or have introduced) DPC (Diagnosis Procedure Combination), and of community health care liaison services. We are also reviewing our career-enhancement system to make it even more helpful for the employees, and are providing enhanced training for further improvements in quality. These investments in human resources were made with a view toward building a framework capable of fulfilling user expectations and needs as completely as possible. To improve profits, we are continuing our promotion to improve existing contracts.

As a result, net sales were ¥27,475 million (down 0.5% year-on-year) and operating income ¥2,405 million (down 0.8% year-on-year).

Health Care Business

In the Health Care Business, after the April 2006 revision of the long-term care insurance system, people certified as in need of mild long-term care (previously classified as "support required" and "care required: level 1") became ineligible for long-term care insurance, and were instead shifted to the newly established preventive benefit system. This change caused a drastic drop in the unit price for the care compensation in the previous period. The influence of this drop continues in the current quarter.

As a result, net sales were ¥18,115 million (down 7.9% year-on-year) and operating income ¥238 million (down 10.1% year-on-year).

Our active engagement in the sales promotion of "community support business" is steadily increasing the number of commissions received. The Ministry of Health, Labor and Welfare has worked out a measure to soften the terms and conditions of the basic check list. This is just one of the policies the

government is developing for revitalizing the community support business, and outsourcing of the relevant business is expected to accelerate in the future.

In addition, we intend to further increase sales in the business domain beyond the coverage of the long-term care insurance system. Based on this intention, we decided to enter the rental housing business for the aged, and established a new company named “Nichii Living Co., Ltd.” on July 3, 2007.

We plan to develop this business based on the metropolitan district, and believe it will generate strong synergistic effects with the existing long-term care business and our client medical institutions.

With respect to our compliance with the Long-term Care Insurance Law, we are working to enhance our management system and training to ensure appropriate operation of our business establishments.

Education Business

In the Education Business, because education is our principal business for nurturing and producing the human resources who will play a part in the medical and long-term care fields to support our aging society, we have strived to intensify this business by making active use of a media mix strategy through newspapers, magazines and web sites linked with TV commercials. However, the number of students continues to decline. The main factors in this decline include the fact that the overall qualification course business is sluggish due to improved employment situations, and that the government has not yet clarified the timing for integrating the home helper training course and the basic training for long-term care workers.

As for profit, we could work more on consolidation of classrooms because we shifted to a “specialized branch system” to enable more efficient class operation. However, the effect on profit remains limited because of the ongoing fall in net sales. As a result, net sales were ¥2,856 million (down 17.5% year-on-year) and operating loss ¥351 million (¥315 million in the same quarter last fiscal year). Our future plans include intensification of PR activities aimed at potential students, exploitation of new markets, and pursuit of more efficient class operation.

Other Businesses

In Other Businesses, we are engaging in such businesses as welfare equipment leasing, storage and delivery service, and production and sale of flowers, ornamental plants, seeds, and saplings. We are advancing our business growth strategy, primarily concentrating on strengthening existing business and approaches to new business and services, and restructuring of group companies.

As a result, net sales were ¥177 million (down 49.0% year-on-year), operating income ¥43 million (up 10.6% year-on-year).

2. Qualitative information on consolidated financial position

Total assets were ¥89,238 million, having decreased ¥2,876 million compared with the figure at the end of the previous fiscal year, mainly due to trade notes and account receivable increased ¥215 million, cash and deposit decreased ¥2,206 million, buildings and structures decreased ¥391 million.

Liabilities were ¥37,759 million, having decreased ¥2,108 million compared with the figure at the end of the previous fiscal year, mainly due to reserve for bonuses decreased ¥1,665 million yen and bonds decreased ¥602 million yen.

Net assets were ¥51,479 million, having decreased ¥768 million compared with the figure at the end of the previous fiscal year.

3. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation) Not applicable.
- (2) Application of simplified accounting procedures
The physical inventory check is omitted for some of the inventory assets.
- (3) Difference in the accounting method from the method applied for the most recent fiscal year
Not applicable.

Quarterly Consolidated Financial Statements (Summary)

1. Quarterly Consolidated Balance Sheet (Summary)

(Thousands of yen)

	Corresponding Quarter of Previous Year (1st quarter FY2007)	Current Quarter (1st quarter FY2008)	Change		(Reference) FY2007
	Amount	Amount	Amount	RC %	Amount
ASSETS					
I Current assets					
1. Cash and deposits	4,699,538	7,665,658	2,966,119	63.1	9,872,547
2. Notes and accounts receivable	25,906,397	24,340,491	(1,565,905)	(6.0)	24,124,838
3. Inventories	2,006,277	1,458,698	(547,579)	(27.3)	1,475,298
4. Deferred tax assets	2,756,611	3,648,706	892,094	32.4	3,766,302
5. Others	2,554,736	2,965,968	411,232	16.1	3,330,480
6. Allowance for doubtful accounts	(125,435)	(89,629)	35,805	(28.5)	(105,039)
Total current assets	37,798,125	39,989,893	2,191,767	5.8	42,464,428
II Fixed assets					
(1) Tangible fixed assets					
1. Buildings and structures	25,929,134	25,960,146	31,012	0.1	26,351,745
2. Land	7,844,328	7,681,997	(162,331)	(2.1)	7,681,997
3. Others	1,456,954	425,833	(1,031,120)	(70.8)	440,157
Total tangible fixed assets	35,230,416	34,067,977	(1,162,439)	(3.3)	34,473,899
(2) Intangible fixed assets					
1. Consolidated adjustment account	2,829,247	—	—	—	—
2. Goodwill	—	2,619,129	—	—	2,670,896
3. Others	1,080,900	1,108,416	27,516	2.5	1,133,609
Total intangible fixed assets	3,910,147	3,727,546	(182,600)	(4.7)	3,804,505
(3) Investments and other assets					
1. Investment securities	907,563	1,285,627	378,063	41.7	1,201,807
2. Guarantee money deposited	4,970,301	4,770,360	(199,941)	(4.0)	4,763,833
3. Long-term loans receivable	2,539,671	2,445,332	(94,339)	(3.7)	2,444,542
4. Deferred tax assets	3,337,776	1,530,179	(1,807,597)	(54.2)	1,525,228
5. Others	4,010,841	2,147,243	(1,863,597)	(46.5)	2,169,636
6. Allowance for doubtful accounts	(2,539,143)	(725,433)	1,813,709	(71.4)	(732,681)
Total investments and other assets	13,227,012	11,453,309	(1,773,702)	(13.4)	11,372,368
Total fixed assets	52,367,575	49,248,833	(3,118,742)	(6.0)	49,650,772
Total Assets	90,165,701	89,238,727	(926,974)	(1.0)	92,115,200

(Thousands of yen)

	Corresponding Quarter of Previous Year (1st quarter FY2007)	Current Quarter (1st quarter FY2008)	Change		(Reference) FY2007
	Amount	Amount	Amount	RC	Amount
LIABILITIES					
I Current liabilities					
1. Notes and accounts payable	1,451,827	1,132,504	(319,322)	(22.0)	1,144,987
2. Short-term loans payable	10,590,000	460,000	(10,130,000)	(95.7)	402,000
3. Current installments of long-term debt	51,266	25,903	(25,363)	(49.5)	33,178
4. Current redemption of bonds	—	3,808,000	3,808,000	—	3,808,000
5. Income taxes payable	401,384	51,086	(350,297)	(87.3)	154,193
6. Consumption tax payable	1,241,686	1,259,157	17,470	1.4	1,574,166
7. Accrued expenses	15,802,198	16,134,346	332,148	2.1	16,011,429
8. Allowance for employee bonuses	1,632,919	1,654,696	21,777	1.3	3,320,330
9. Allowance for directors' and auditors' bonuses	—	22,680	22,680	—	36,000
10. Others	4,348,472	5,248,770	900,298	20.7	4,891,422
Total current liabilities	35,519,754	29,797,145	(5,722,608)	(16.1)	31,375,708
II Long-term liabilities					
1. Bonds	—	4,686,000	4,686,000	—	5,288,000
2. Long-term loans payable	34,197	15,929	(18,267)	(53.4)	19,118
3. Allowance for employee retirement benefits	2,837,224	3,015,864	178,640	6.3	2,941,991
4. Allowance for directors' and auditors' retirement benefits	131,102	134,383	3,281	2.5	132,243
5. Others	116,633	110,401	(6,232)	(5.3)	110,927
Total long-term liabilities	3,119,157	7,962,579	4,843,422	155.3	8,492,282
Total Liabilities	38,638,911	37,759,725	(879,186)	(2.3)	39,867,990
NET ASSETS					
I Shareholders' equity					
1. Common stock	11,933,790	11,933,790	—	—	11,933,790
2. Capital surplus	17,354,214	17,354,214	—	—	17,354,214
3. Retained earnings	27,962,329	27,913,321	(49,007)	(0.2)	28,686,400
4. Treasury stock	(5,931,124)	(5,935,447)	(4,323)	0.1	(5,934,751)
Total shareholders' equity	51,319,209	51,265,879	(53,330)	(0.1)	52,039,654
II Unrealized gains and adjustments					
Unrealized gains on other securities	70,827	59,092	(11,734)	(16.6)	56,826
Total unrealized gains and adjustments	70,827	59,092	(11,734)	(16.6)	56,826
III Minority interest					
Minority interest	136,753	154,030	17,276	12.6	150,729
Total net assets	51,526,790	51,479,001	(47,788)	(0.1)	52,247,210
Total liabilities and net assets	90,165,701	89,238,727	(926,974)	(1.0)	92,115,200

2. Quarterly Consolidated Statements of Income (Summary)

(Thousands of yen)

	Corresponding Quarter of Previous Year (1st quarter FY2007)	Current Quarter (1st quarter FY2008)	Change		(Reference) FY2007
	Amount	Amount	Amount	RC	Amount
I Net sales	51,096,916	48,624,839	(2,472,076)	(4.8)	202,549,097
II Cost of sales	41,372,554	39,781,933	(1,590,620)	(3.8)	163,310,893
Gross profit	9,724,361	8,842,905	(881,456)	(9.1)	39,238,203
III Selling, general and administrative expenses	9,463,982	8,613,255	(850,727)	(9.0)	36,602,387
Operating income	260,379	229,650	(30,728)	(11.8)	2,635,815
IV Non-operating income					
1. Interest income	8,229	5,210	(3,018)	(36.7)	26,342
2. Dividend income	12,333	5,261	(7,072)	(57.3)	12,838
3. Commission on consignment for office work	21,809	21,428	(380)	(1.7)	90,904
4. Income from lease of fixed assets	7,873	8,141	268	3.4	30,985
5. Others	18,028	23,162	5,134	28.5	137,690
Total non-operating income	68,274	63,205	(5,069)	(7.4)	298,762
V Non-operating expenses					
1. Interest expenses	17,404	4,046	(13,358)	(76.8)	40,451
2. Bond interest	—	19,875	19,875	—	57,409
3. Compensation for damages	2,057	4,036	1,979	96.2	27,262
4. Bond issue cost	—	—	—	—	32,940
5. Loss on disengagement of guarantee money deposited	56	698	642	—	41,063
6. Others	985	1,969	984	99.9	25,500
Total non-operating expenses	20,503	30,625	10,122	49.4	224,627
Ordinary income	308,150	262,229	(45,921)	(14.9)	2,709,950
VI Extraordinary income					
1. Gain on sale of fixed assets	—	38	38	—	29,320
2. Gain on sale of investment in securities	—	—	—	—	2,850
3. Others	—	22,117	22,117	—	634
Total extraordinary income	—	22,156	22,156	—	32,804
VII Extraordinary losses					
1. Loss on sale of fixed assets	—	—	—	—	22,147
2. Loss on retirement of fixed assets	8,719	8,873	154	1.8	59,472
3. Loss on revaluation of inventories	—	—	—	—	274,665
4. Loss on impairment	—	—	—	—	52,560
5. Loss on disengagement of lease	—	—	—	—	103,395
6. Expense for change of brands	—	34,580	34,580	—	—
Total extraordinary losses	8,719	43,454	34,735	398.4	512,242
Income before income taxes	299,431	240,931	(58,500)	(19.5)	2,230,512
Income, inhabitants and business taxes	140,452	119,395	(21,057)	(15.0)	510,409
Adjustments for income and other taxes	100,619	111,637	11,018	11.0	912,722
Minority interest	8,764	7,800	(963)	(11.0)	32,612
Net income	49,595	2,098	(47,497)	(95.8)	774,768