

Consolidated Financial Statements
for the First Quarter of the Fiscal Year Ending March 31, 2009

August 11, 2008

Nichii Gakkan Company

Listed on: Tokyo Stock Exchange 1st Section
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*Amounts under one million yen have been rounded down.

1. Consolidated Results for the First Quarter Ended June 30, 2008

(1) Consolidated business results (Percentage figures indicate the rate of change from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2008	52,815	—	(881)	—	(943)	—	(943)	—
Three months ended June 30, 2007	48,624	(4.8)	229	(11.8)	262	(14.9)	2	(95.8)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2008	(26.78)	—
Three months ended June 30, 2007	0.06	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2008	119,898	48,900	40.7	1,383.92
As of March 31, 2008	121,864	50,609	41.6	1,432.54

Reference: Shareholders' Equity: First quarter ended June 30, 2008: ¥43,738 million, Year ended March 31, 2008: ¥50,454 million

2. Dividends

(Record date)	Dividends per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Annual
Year ended March 31, 2008	—	0.00	—	22.00	22.00
Year ended March 31, 2009	—	—	—	—	—
Year ended March 31, 2009 (Forecast)	—	11.00	—	11.00	22.00

Note: There is no change in the forecast of dividends.

[Qualitative information and financial statements]

1. Qualitative Information on Consolidated Business Results

As to financial results of the Nichii Group in the period under review, net sales of Health Care Business rose by 35.8% from a year earlier to 24,595 million yen thanks to contributions from facility care services. However, the Medical Support Business saw revenues decline by 7.8% to 25,343 million yen. This drop was due to reviews continuing since last year of service contracts with medical institutions in order to adjust contract prices to appropriate levels. In the Education Business, net sales slipped by 4.3% to 2,733 million yen, but sales of courses for medical office work rose from last year and developed largely to plan amid signs of bottoming out.

As to income, in facility care services at the Health Care Business, operating losses occurred at two successor companies for facility care services and at Nichii Care Palace Co., Ltd. The reason was that while out of twenty facilities in process seven have opened for business (details are shown the table below), losses resulted from expenses such as property rents for the facilities yet to be opened as well as outlays incurred after facility openings and charges for goodwill amortization. Incidentally, the Education Business were incurred an operating loss.

As a result of these activities, net sales during the first quarter ended June 30, 2008 were 52,815 million yen (48,624 million yen in the same period of the previous year), operating loss was 881 million yen (229 million yen operating income in the same period of the previous year), ordinary loss was 943 million yen (262 million yen ordinary income in the same period of the previous year) and net loss was 943 million yen (2 million yen net income in the same period of the previous year).

Shown below is the net sales and operating income by segment.

Segment	Net Sales		Operating Income	
	Millions of yen	%	Millions of yen	%
Medical Support Business	25,343	92.2	1,791	74.5
Health Care Business	24,595	135.8	(690)	—
Education Business	2,733	95.7	(281)	—
Other Businesses	143	81.1	55	126.9

*Nichii Care Palace Co., Ltd., which in September 2007 became a 100% subsidiary of the Company, and the successor companies of the facility care services of COMSN, Inc. (namely, Nichii no Hohoemi, Co., Ltd.; Nichii no Kirameki, Co., Ltd.; and Nichii Home, Co., Ltd.) close their annual accounts in December; therefore, their financial results for the quarter ended March 31, 2008 are included.

Facilities in process of facility care services

	Number of facilities in process in the three months ended June 30, 2008 (January 1, 2008-March 31, 2008)		
Group home	4	1	3
Pay nursing home	14	6	8
Rental housing facilities for elderly	2	0	2
Total	20	7	13

2. Qualitative Information on Consolidated Financial Position

Total assets at the end of the first quarter under review were 119,898 million yen, having decreased by 1,386 million yen compared with the figure at the end of the previous fiscal year, mainly because other current assets decreased by 1,460 million yen.

Liabilities increased by 322 million yen compared with the figure at the end of the previous fiscal year to 70,997 million yen, mainly because short-term borrowings increased by 3,497 million yen, although notes and accounts

payable, accrued bonuses, accrued expenses and bonds decreased.

Net assets decreased by 1,709 million yen to 48,900 million yen.

3. Qualitative Information on Consolidated Financial Result Forecasts for the Year Ending March 31, 2009

The business results were in line with forecasts generally; therefore, consolidated financial result forecasts have not changed since May 22, 2008, the announcement date of the financial reports.

(Percentage figures indicate the rate of change from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months	108,400	12.1	17	(98.1)	(138)	—	(960)	—
Full year	222,000	11.1	3,140	44.6	2,720	33.2	50	—

4. Others

(1) Significant changes to subsidiaries during the term (transfers of specific subsidiaries with changes in the scope of consolidation)

There is no related information.

(2) Adoption of the simple accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes

*Adoption of simplified method in the accounting method

Inventories at the end of the quarter under review were calculated in a reasonable manner, omitting partial inventory taking, based on the physical inventory taking carried out at the end of the previous fiscal year.

Furthermore, write-downs on inventory carrying values were made only on inventories with clearly diminished commercial value based on the estimated net disposal value.

(3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements: Yes

*Changes in matters regarding Accounting Standards

1. *Accounting Standards for Quarterly Financial Reporting* (Accounting Standards No. 12) and *Implementation Guidance for Accounting Standards for Quarterly Financial Reporting* (Implementation Guidance No. 14) was applied starting this fiscal year, and quarterly financial reports were created in accordance with *Quarterly Financial Reporting Regulations*.

2. With regard to finance leases without ownership transfer, the Company has historically applied accounting treatment consistent with that for rental transactions. Beginning with the quarter under review, the Company has opted for the early adoption of the Financial Accounting Standard for Lease Transactions (Financial Accounting Standard No. 13) and the Application Guidelines for the Financial Accounting Standard for Lease Transactions (Financial Accounting Standard Application Guideline No. 16), using accounting treatment consistent with regular purchase transactions. The impact of this change on operating income is immaterial.

Quarterly Consolidated Financial Statements
(1) Consolidated balance sheet

(Thousands of yen)

	As of June 30, 2008	As of March 31, 2008
ASSETS		
Current assets		
Cash and deposits	3,472,864	3,725,993
Notes and accounts receivable	25,912,569	25,666,006
Merchandise	371,834	335,133
Finished products	46,607	64,072
Half-finished products	23,160	44,615
Raw materials	500	546
Products in process	32,090	30,320
Others	7,682,382	9,142,961
Allowance for doubtful accounts	(156,089)	(159,089)
Total current assets	37,385,920	38,850,562
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	28,076,554	28,514,834
Others, net	8,922,621	8,905,793
Total tangible fixed assets	36,999,175	37,420,628
Intangible fixed assets		
Goodwill	20,815,370	20,824,684
Others	2,084,052	1,756,064
Total intangible fixed assets	22,899,422	22,580,749
Investments and other assets		
Others	23,302,515	23,123,814
Allowance for doubtful accounts	(688,986)	(690,939)
Total investments and other assets	22,613,529	22,432,875
Total fixed assets	82,512,128	82,434,252
Total assets	119,898,048	121,284,814

(Thousands of yen)

	As of June 30, 2008	As of March 31, 2008
LIABILITIES		
Current liabilities		
Notes and accounts payable	1,019,143	1,751,233
Short-term loans payable	3,810,000	313,000
Income taxes payable	303,225	690,768
Accrued expenses	15,707,603	16,199,170
Allowance for employee bonuses	1,644,133	3,019,660
Allowance for directors' and auditors' bonuses	—	36,000
Others	9,539,003	8,998,796
Total current liabilities	32,023,109	31,008,630
Long-term liabilities		
Bonds	878,000	1,480,000
Long-term loans payable	28,023,906	28,025,416
Allowance for employee retirement benefits	3,477,745	3,384,767
Allowance for directors' and auditors' retirement benefits	143,293	143,208
Others	6,451,884	6,633,527
Total long-term liabilities	38,974,830	39,666,919
Total liabilities	70,997,940	70,675,550
NET ASSETS		
Shareholders' equity		
Common stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	25,357,479	27,075,682
Treasury stock	(5,936,387)	(5,935,860)
Total shareholders' equity	48,709,097	50,427,827
Unrealized gains and adjustments		
Unrealized gains on other securities	32,464	26,761
Total unrealized gains and adjustments	32,464	26,761
Minority interests	158,546	154,675
Total net assets	48,900,108	50,609,264
Total liabilities and net assets	119,898,048	121,284,814

(2) Consolidated statements of income

(Thousands of yen)

	Three months ended June 30, 2008
Net sales	52,815,977
Cost of sales	44,178,398
Gross profit	8,637,579
Service, general and administrative expenses	9,519,480
Operating loss	(881,901)
Non-operating income	
Interest income	7,760
Commission on consignment for office work	21,523
Income from lease of fixed assets	26,933
Others	32,216
Total non-operating income	88,433
Non-operating expenses	
Interest expenses	124,768
Bond interest	13,004
Others	12,614
Total non-operating expenses	150,387
Ordinary loss	(943,854)
Extraordinary income	
Reversal of allowance for doubtful receivables	2,857
Total extraordinary income	2,857
Extraordinary losses	
Loss on retirement of fixed assets	2,964
Total extraordinary losses	2,964
Loss before income taxes	(943,961)
Income, inhabitants and business taxes	146,325
Adjustments for income and other taxes	(155,289)
Total income and other taxes	(8,963)
Minority interests	8,370
Net loss	(943,368)

Accounting Standards for Quarterly Financial Reporting (Accounting Standards No. 12) and *Implementation Guidance for Accounting Standards for Quarterly Financial Reporting* (Implementation Guidance No. 14) was applied starting this fiscal year, and quarterly financial reports were created in accordance with *Quarterly Financial Reporting Regulations*.

(3) Notes on premise of a going concern

There is no related information.

(4) Notes on significant fluctuation in amounts of shareholders' equity

There is no related information.

(Reference)
Consolidated statements of income
of the three months ended June 30,2007

(Thousands of yen)

		Three Months ended June 30, 2007
I	Net sales	48,624,839
II	Cost of sales	39,781,933
	Gross profit	8,842,905
III	Service, general and administrative expenses	8,613,255
	Operating income	229,650
IV	Non-operating income	63,205
	Interest income	5,210
	Dividend income	5,261
	Commission on consignment for office work	21,428
	Income from lease of fixed assets	8,141
	Others	23,162
V	Non-operating expense	30,625
	Interest expenses	4,046
	Bond interest	19,875
	Compensation for damages	4,036
	Loss on cancellation of guarantee deposit	698
	Others	1,969
	Ordinary income	262,229
	Extraordinary income	28
	Others	22,117
	Extraordinary losses	43,454
	Loss on retirement of fixed assets	8,873
	Expenses for changing brand	34,580
	Income before income taxes	240,931
	Income and other taxes	119,395
	Income and other taxes adjustment	111,637
	Minority interests	7,800
	Net income	2,098