

**Consolidated Financial Results  
for the Second Quarter of the Fiscal Year Ending March 31, 2009**

November 11, 2008

**Nichii Gakkan Company**

Listed on: Tokyo Stock Exchange 1st Section  
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 Filing date of quarterly financial report: Scheduled for November 14, 2008  
 Payment of dividends: Scheduled for December 11, 2008

(Amounts under one million yen have been rounded down.)

**1. Consolidated Results for the Second Quarter Ended September 30, 2008**

**(1) Consolidated business results (Cumulative)**

(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	%
Six months ended September 30, 2008	105,958	—	(1,181)	—	(1,313)	—	(1,539)	—
Six months ended September 30, 2007	96,701	(5.4)	880	(33.7)	966	(29.6)	13	(97.2)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2008	(43.72)	—
Six months ended September 30, 2007	0.39	—

**(2) Consolidated financial position**

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2008	121,315	48,306	39.7	1,366.88
As of March 31, 2008	121,284	50,609	41.6	1,432.54

Reference: Equity Capital: Second quarter ended September 30, 2008: ¥48,140 million, Year ended March 31, 2008: ¥50,454 million

**2. Dividends**

Dividend per Share (Yen)					
(Record date)	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	—	11.00	—	—	—
Year ended March 31, 2009 (Forecast)	—	—	—	11.00	22.00

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

### 3. Consolidated Financial Result Forecasts for the Year Ending March 31, 2009

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	215,000	7.6	1,000	(53.9)	580	(71.6)	(720)	—	(20.44)

Note: Revision of the forecasts in the second quarter of the fiscal year ending March 31, 2009: Yes

### 4. Others

**(1) Significant changes to subsidiaries during the term (transfers of specific subsidiaries with changes in the scope of consolidation):** No

**(2) Adoption of the simple accounting as well as specific accounting for preparing the quarterly consolidated financial statements:** No

Note: For details, please refer to Page 4, “4. Others” of “Qualitative information and financial statements.”

**(3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements** (changes described in the section of “Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements”)

1) Changes due to the revision of accounting standard, etc.: Yes

2) Changes other than 1): No

Note: For details, please refer to Page 4, “4. Others” of “Qualitative information and financial statements.”

**(4) Number of shares issued and outstanding (common stock)**

1) Number of shares issued and outstanding at the end of each period (including treasury stock)

As of September 30, 2008: 36,508,976 shares                      As of March 31, 2008: 36,508,976 shares

2) Number of treasury stock at the end of each period

As of September 30, 2008: 1,289,662 shares                      As of March 31, 2008: 1,288,636 shares

3) Average number of shares issued and outstanding in each period

Second quarter ended September 30, 2008: 35,219,862 shares

Second quarter ended September 30, 2007: 35,221,022 shares

#### **\* Explanation concerning the appropriate use of estimated business results and other special notes**

(Accounting Standards for Quarterly Financial Reporting)

(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) were applied starting this fiscal year, and quarterly financial reports were created in accordance with *Quarterly Financial Reporting Regulations*.

(2) The future prospects of the business results, etc., described in this material is based on information that the company has acquired as of the announcement date of financial report, and there is a possibility that actual business results, etc., will be materially different depending on various factors.

## **[Qualitative information and financial statements]**

### **1. Qualitative Information on Consolidated Business Results**

The Japanese economy during the six months from April 1 to September 30, 2008 was mired in deepening uncertainty over the global financial system in the wake of the US sub-prime loan problem. Followed by falling capital expenditure due to deteriorating corporate profits and stagnating personal consumption in the face of high prices for crude oil and grains, business sentiment has shifted from a sense of deceleration to strengthening signs of recession.

In this environment, Nichii Group has worked on medium and long-term strategies for business growth by concentrating its efforts on rebuilding its earning power, enhancing its platform for service provision, and reinforcing its capabilities in human resources supply.

As to operating results, sales posted the first overall increase in three years as facility-care service revenues in the Health Care Business contributed.

With regard to earnings, Health Care Business recorded a loss for the period mainly due to forward-looking investments in the facility-care service business, although the home-care service business has been recovering from the severe conditions that followed the revision of the long-term care insurance system.

In the Medical Support Business, earnings fell compared with a year earlier. This is mainly due to efforts to update contract terms with medical institutions, with a decline in the number of medical institutions under contract.

As a result of these activities, net sales during the six months ended September 30, 2008 increased 9.6% over the same period of the previous year to 105,958 million yen, operating loss was 1,181 million yen (880 million yen of operating income in the same period of the previous year), ordinary loss was 1,313 million yen (966 million yen of ordinary income in the same period of the previous year) and net loss was 1,539 million yen (13 million yen of net income in the same period of the previous year).

#### **<Medical Support Business>**

In the Medical Support Business, based on a medium and long-term perspective, we worked to update contract terms with medical institutions outsourcing to the company, in order to stabilize the market for medical service provision going forward and with a view to maximizing the income level per medical institution.

Efforts to update contract terms connected in the period under review to a temporary decline in the number of medical institutions under contract and impacted earnings for the period. Nonetheless, we will ensure an appropriate income level, enhance employee compensation, increase the staff retention ratio, provide high-quality services, and promote measures to enhance customer satisfaction.

To upgrade and expand services, the group has worked to create a product-mix consistent with customer needs, which includes the development and sales launch of “Medical Receipt Diagnosis 2.0” as an application for medical offices combining analysis of medical service fee statements and marketing services.

As a result, net sales of the Medical Support Business decreased by 7.7% over the same period of the previous year to 50,723 million yen, and operating income decreased by 27.0% to 3,736 million yen.

#### **<Health Care Business>**

In the Health Care Business, contributions from facility-care service connected to strong revenue growth compared with the same period of last year. Operating starts of the facility-care service facilities assumed by the group occurred largely as planned (nineteen facilities opened in the six-month period under review). However, although contributions to revenues and earnings are expected to gain full momentum beginning in the next fiscal year, the financial result for the

period under review has been unfavorable due to start-up costs such as staff expenses and goodwill amortization charges.

In home-care services, where severe conditions continued since the revision of the long-term care insurance system in 2006, signs of recovery have emerged including rising monthly user numbers compared with a year earlier since July.

As a result, net sales of the Health Care Business increased by 37.7% over the same period of the previous year to 49,516 million yen, and operating loss was 833 million yen (441 million yen of operating income in the same period of the previous year).

Since Nichii Care Palace Co., Ltd., which became a 100% subsidiary of the company in September 2007, 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., and Nichii Kanto, Inc.) close their annual accounts in December, their financial results for the six months ended June 30, 2008, are included.

### <Education Business>

In the Education Business, steps were taken to strengthen course contents and course offerings and to enhance convenience. Courses for medical office work (a key offering in the course program) were upgraded and expanded in step with the revision of medical service fees in 2008. In order to improve course participants' customer satisfaction, Manabi Net Plus was made available to all course participants from April, and a new Practical Dietary Education course has started in June.

With respect to sales promotion activities, we continued with advertising campaigns focused on response ratios and efficiency and took steps to provide information on trends in regulations and job opportunities related to medical and long-term care services by hosting field-specific course information and job consultation meetings.

Thanks to these efforts, sales of courses for medical office work during the period under review increased compared with the year earlier, and second-quarter sales of home helper courses also rose compared with last year, reflecting a recovery trend. As a result, net sale decreased by 1.0% over the same period of the previous year to 5,346 million yen, and operating loss was 887 million yen (820 million yen of operating loss in the same period of the previous year).

### <Other Businesses>

With regard to the business initiatives of Other Business in information processing, storage and delivery service, and production and sales of flowers, ornamental plants, seeds and seedlings, the group has been working on implementing efficient services.

Net sales for the Other Businesses decreased by 7.3% over the same period of the previous year to 371 million yen, and operating income increased by 454.7% to 119 million yen.

## 2. Qualitative Information on Consolidated Financial Position

Total assets at the end of the second quarter under review increased by 30 million yen compared with the figure at the end of the previous fiscal year to 121,315 million yen. This is mainly because cash and deposits, and other intangible fixed assets increased by 695 million, and 895 million yen, respectively, although other current assets and tangible fixed assets decreased by 1,010 million, and 415 million yen, respectively.

Liabilities increased by 2,333 million yen compared with the figure at the end of the previous fiscal year to 73,008 million yen. This is mainly because short-term borrowings increased by 5,357 million yen, whereas notes and accounts payable, accrued expenses, and bonds decreased by 815 million, 1,098 million, and 1,480 million yen, respectively.

Net assets decreased compared with the figure at the end of the previous fiscal year by 2,302 million yen to 48,306 million yen.

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

In the medical and long-term care service fields, a serious lack of medical doctors and care workers becomes a social problem. As a countermeasure, revisions of relevant laws and regulations are under way which include remuneration for deploying clerical support staff for medical doctors and enhanced conditions for care workers. As for the revision to care worker compensation for implementation in April 2009, the supplemental economic stimulus package announced in October provides for a 3.0 percent increase, the first raise since the introduction of the long-term care insurance system. Going forward, remuneration arrangements by type of service and region will be indicated in stages.

Nichii Group will strengthen the coordination with its group companies and between individual operations and services, engage in developing products and services consistent with regulatory trends and customer needs, and further increase the predominance of the Nichii Group.

In the Medical Support Business, the group will work to optimize its revenue and income structure by updating contracts with customers, and with a view to secure human resources take steps to upgrade career enhancement schemes and training schemes. During the second quarter under review, efforts to update contracts with an ensuing drop in the number of medical institutions under contract have led to lower revenues and earnings; however, profit margins are expected to improve beginning in the third quarter.

The Health Care Business has been seeing paced but steady growth in the number of home-care service users, associated with expectations of enhanced operating rates for facility-care centers. However, due to forward-looking investments for facility-care services, financial results will likely be unfavorable. The group's solid relations with medical institutions and marketing efforts through the branch network to promote facility-care services have started bearing fruit. Going forward, by pursuing synergies among individual services, we will offer solutions differentiated further still consistent with user needs.

In the Education Business, through a communications strategy which in an effective manner combines field-specific advertising campaigns and various information events at the individual branch level, efforts will be made to grow the group's business volume and to strengthen staff supply capabilities to the medical and long-term care fields.

With the continued weak employment environment, courses for qualifications will be placed under public attention, raising expectations that going forward the business environment will turn around.

In the development of courses, we will promote its offerings with a view to addressing new needs including staff supply consistent with regulatory trends. For example, a Course for Medical Office Clerical Workers which started in November enables acquiring skills equivalent to the "medical doctors' clerical support staff" provided under the revision of medical service fees implemented in April 2008 to support medical doctors in clerical tasks.

With regard to the Other Business, we will continue to work on business initiatives using group internal management resources, and promote group strategies through an optimized organizational structure.

In consideration of these environments and prospects, our outlook for the performance in the year ending March 31, 2009 is 215,000 million yen for net sales (an increase by 7.6% over the previous fiscal year), 1,000 million yen for operating income (a decrease by 53.9% year on year), 580 million yen for ordinary income (a decrease by 71.6% year on year) and 720 million yen in net loss (net loss of 834 million yen for the current fiscal year).

Full-year earnings estimates announced on May 22, 2008, for the fiscal year ending March 2009 have been revised as described in the "Revision Notice concerning Earnings Estimates" released today on November 11, 2008.

#### 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 simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements**

\*Adoption of simplified method in the accounting method

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 first quarter of the fiscal year 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 income and losses is immaterial.

**Quarterly Consolidated Financial Statements**  
**(1) Consolidated balance sheet**

(Thousands of yen)

	As of September 30, 2008	As of March 31, 2008
<b>ASSETS</b>		
Current assets		
Cash and deposits	4,421,047	3,725,993
Notes and accounts receivable	25,921,377	25,666,006
Merchandise	295,138	335,133
Finished products	65,613	64,072
Half-finished products	23,160	44,615
Raw materials	498	546
Products in process	32,147	30,320
Others	8,132,927	9,142,961
Allowance for doubtful accounts	(140,049)	(159,089)
Total current assets	38,751,860	38,850,562
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	27,929,471	28,514,834
Others, net	9,075,742	8,905,793
Total tangible fixed assets	37,005,213	37,420,628
Intangible fixed assets		
Goodwill	20,517,004	20,824,684
Others	2,651,615	1,756,064
Total intangible fixed assets	23,168,619	22,580,749
Investments and other assets		
Others	23,159,448	23,123,814
Allowance for doubtful accounts	(769,572)	(690,939)
Total investments and other assets	22,389,875	22,432,875
Total fixed assets	82,563,709	82,434,252
Total assets	121,315,569	121,284,814

(Thousands of yen)

	As of September 30, 2008	As of March 31, 2008
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	935,412	1,751,233
Short-term loans payable	5,670,000	313,000
Income taxes payable	569,635	690,768
Accrued expenses	15,100,726	16,199,170
Allowance for employee bonuses	3,120,094	3,019,660
Allowance for directors' and auditors' bonuses	24,100	36,000
Others	9,203,595	8,998,796
Total current liabilities	34,623,564	31,008,630
Long-term liabilities		
Bonds	-	1,480,000
Long-term loans payable	28,024,591	28,025,416
Allowance for employee retirement benefits	3,578,820	3,384,767
Allowance for directors' and auditors' retirement benefits	138,585	143,208
Others	6,643,027	6,633,527
Total long-term liabilities	38,385,024	39,666,919
Total liabilities	73,008,589	70,675,550
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	24,760,761	27,075,682
Treasury stock	(5,936,896)	(5,935,860)
Total shareholders' equity	48,111,869	50,427,827
Unrealized gains and adjustments		
Unrealized gains on other securities	28,708	26,761
Total unrealized gains and adjustments	28,708	26,761
Minority interests	166,401	154,675
Total net assets	48,306,980	50,609,264
Total liabilities and net assets	121,315,569	121,284,814



**(2) Consolidated statements of income**

(Thousands of yen)

	Six months ended September 30, 2008
Net sales	105,958,315
Cost of sales	88,049,542
Gross profit	17,908,772
Selling, general and administrative expenses	19,090,561
Operating loss	(1,181,788)
Non-operating income	
Interest income	15,930
Commission on consignment for office work	42,952
Income from lease of fixed assets	100,661
Others	49,433
Total non-operating income	208,977
Non-operating expenses	
Interest expenses	262,984
Bond interest	23,310
Others	54,647
Total non-operating expenses	340,942
Ordinary loss	(1,313,754)
Extraordinary income	
Reversal of allowance for doubtful accounts	12,264
Total extraordinary income	12,264
Extraordinary losses	
Loss on retirement of fixed assets	10,435
Loss on revaluation of stocks of affiliates	3,999
Provision for allowance for doubtful accounts	75,000
Total extraordinary losses	89,435
Loss before income taxes	(1,390,924)
Income, inhabitants and business taxes	266,927
Adjustments for income and other taxes	(134,435)
Total income and other taxes	132,492
Minority interests	16,225
Net loss	(1,539,642)

*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 six months ended September 30, 2007**

(Thousands of yen)

Category	Six months ended September 30, 2007		Ratio to net sales (%)
	Amount		
I Net sales		96,701,923	100.0
II Cost of sales		78,699,549	81.4
Gross profit		18,002,373	18.6
III Selling, general and administrative expenses		17,121,801	17.7
Operating income		880,572	0.9
IV Non-operating income			
1. Interest income	39,383		
2. Dividend income	5,292		
3. Commission on consignment for office work	43,714		
4. Income from lease of fixed assets	18,337		
5. Interest on refund of income taxes and others	30,210		
6. Income from lease of facilities	23,166		
7. Others	34,323	194,427	0.2
V Non-operating expenses			
1. Interest expenses	24,810		
2. Bond interest	39,128		
3. Compensation for damages	5,943		
4. Loss on cancellation of guarantee deposit	34,607		
5. Others	4,207	108,696	0.1
Ordinary income		966,303	1.0
VI Extraordinary income			
1. Gain on sale of fixed assets	489		
2. Reversal of allowance for doubtful accounts	62,377	62,866	0.1
VII Extraordinary losses			
1. Loss on retirement of fixed assets	25,468		
2. Loss on revaluation of inventories	216,258		
3. Cost for the settlement	180,000		
4. Expenses for changing brands	34,580	456,307	0.5
Income before income taxes		572,862	0.6
Income, inhabitants and business taxes	242,451		
Adjustments for income and other taxes	299,698	542,150	0.6
Minority interests		16,986	0.0
Net income		13,725	0.0