

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

February 10, 2009

Nichii Gakkan Company

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 Code number: 9792 URL: <http://www.nichigakkan.co.jp>
 Representative: Takashi Mori, President and Representative Director
 Contact: Koichi Terada, Director, Vice President of Accounting Division and General Manager of Accounting Department
 Telephone: 03-3291-2121
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(Amounts under one million yen have been rounded down.)

1. Consolidated Results for the Third Quarter Ended December 31, 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	%
Nine months ended December 31, 2008	159,422	—	(392)	—	(552)	—	(1,319)	—
Nine months ended December 31, 2007	147,323	(3.8)	1,796	(14.1)	1,931	(10.6)	276	(69.3)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2008	(37.52)	—
Nine months ended December 31, 2007	7.86	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2008	120,374	47,631	39.4	1,365.58
As of March 31, 2008	121,284	50,609	41.6	1,432.54

Reference: Equity Capital: Third quarter ended December 31, 2008: ¥47,457 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 ending March 31, 2009	—	11.00	—	—	—
Year ending March 31, 2009 (Forecast)	—	—	—	11.00	22.00

Note: Change in the forecast of dividends in the third quarter of the fiscal year ending March 31, 2009: No

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

(Percentage figures indicate the rate of change from 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 third quarter of the fiscal year ending March 31, 2009: No

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:** Yes

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 December 31, 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 December 31, 2008: 1,755,995 shares As of March 31, 2008: 1,288,636 shares

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

Third quarter ended December 31, 2008: 35,166,243 shares Third quarter ended December 31, 2007: 35,220,844 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

Through the third quarter of the current fiscal year (April 1, 2008 - December 31, 2008), the business environment surrounding the nursing care field has dramatically changed. Affected by the increase in long-term care payments of 3% (1.7% for home care and 1.3% for facility care), which is expected to come into effect in April 2009, and by the rapid deterioration in the economy, the long-term care industry is drawing attention as a job-generating industry, and various measures are being examined by public bodies such as job training, support for gaining certification, and efforts to retain employees.

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.

Earnings were negatively affected by various reasons including a decline in the number of contracted medical institutions following standardization of contracts and upfront expenses for the facility care business. However, profitability, particularly in the facility care business and Education Business, is improving as a result of several developments such as an increase in the utilization rate at nursing care facilities that were opened in the first half and growth in the number of students taking core courses in the Education Business.

As a result of these activities, net sales during the nine months ended December 31, 2008 were 159,422 million yen (147,323 million yen in the same period of previous year), operating loss was 392 million yen (1,796 million yen of operating income in the same period of the previous year), ordinary loss was 552 million yen (1,931 million yen of ordinary income in the same period of the previous year) and net loss was 1,319 million yen (276 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.

Through the third quarter, the number of contracted medical institutions temporarily declined following revisions to contracts, which impacted income. However, we made efforts to strengthen the foundation for future growth, centered on our capabilities in human resource supply by improving the skills of staff at contracted medical institutions and helping graduates of the medical office work course find jobs.

Progress was also made in strengthening the organization and expanding the range of services with the goal of fully launching sales support service. In November, the Consulting Business Department was established at headquarters.

As a result, net sales of the Medical Support Business were 75,983 million yen (82,327 million yen in the same period of previous year), and operating income was 6,112 million yen (7,741 million yen in the same period of previous year).

<Health Care Business>

As for the Health Care Business, conditions of home care services had been difficult since revisions were made to the long-term care insurance system in 2006. Since July however, the earnings were on a recovery track, which was evident by year-on-year growth in the number of care plans created and number of users of our services for every month.

The profitability of facility care services is improving as the benefits of efforts to strengthen sales through the effective use of our branch office network appeared and the number of residents at facilities increased.

In October, the homemaker service, which covers all housework such as cleaning, was introduced throughout Japan, and services were expanded to the daily life support field.

As a result, net sales of the Health Care Business were 74,751 million yen (56,560 million yen in the same period of previous year), and operating loss was 747 million yen (442 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 nine months ended September 30, 2008, are included.

<Education Business>

In the Education Business, we worked on expanding core courses, as well as developing and providing courses that meet the needs of medical and long-term care fields. In October, we started the "medical doctor's clerk" course to train medical office assistants who help with the office work of doctors at hospitals, in response to the revision of medical service fees in April which added assignment of such assistants as an evaluation standard.

As for sales promotion activities, we conducted trial course fairs throughout Japan and continued to develop efficient advertising that create greater responses.

The number of students taking the home helper level 2 course and the medical office work course, both of which are our core courses, were firm, and sales for the Education Business rose year-on-year for the first time in five quarters.

As a result, net sales were 8,196 million yen (7,833 million yen in the same period of previous year), and operating loss was 1,019 million yen (1,192 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, we have been working on implementing efficient services.

Net sales for the Other Businesses were 490 million yen (601 million yen in the same period of previous year), and operating income was 272 million yen (185 million yen in the same period of previous year).

2. Qualitative Information on Consolidated Financial Position

Total assets at the end of the third quarter under review decreased by 910 million yen compared with the figure at the end of the previous fiscal year to 120,374 million yen. This is mainly because other current assets and buildings and structures decreased by 1,256 million, and 1,058 million yen, respectively, although other intangible fixed assets increased by 1,704 million yen.

Liabilities increased by 2,067 million yen compared with the figure at the end of the previous fiscal year to 72,742 million yen. This is mainly because short-term borrowings increased by 5,477 million yen, whereas allowance for employee bonuses and bonds decreased by 1,515 million, and 1,480 million yen, respectively.

Net assets decreased compared with the figure at the end of the previous fiscal year by 2,977 million yen to 47,631 million yen.

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

Our outlook for the performance in the year ending March 31, 2009 is 215,000 million yen for net sales, 1,000 million yen for operating income, 580 million yen for ordinary income and 720 million yen in net loss, as announced 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

*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) were 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 December 31, 2008	As of March 31, 2008
ASSETS		
Current assets		
Cash and deposits	4,223,732	3,725,993
Notes and accounts receivable	25,206,665	25,666,006
Merchandise	326,136	335,133
Finished products	66,403	64,072
Half-finished products	28,970	44,615
Raw materials	377	546
Products in process	16,483	30,320
Others	7,886,437	9,142,961
Allowance for doubtful accounts	(139,250)	(159,089)
Total current assets	37,615,956	38,850,562
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	27,456,797	28,514,834
Others, net	9,220,560	8,905,793
Total tangible fixed assets	36,677,358	37,420,628
Intangible fixed assets		
Goodwill	20,218,638	20,824,684
Others	3,460,547	1,756,064
Total intangible fixed assets	23,679,186	22,580,749
Investments and other assets		
Others	23,180,249	23,123,814
Allowance for doubtful accounts	(778,102)	(690,939)
Total investments and other assets	22,402,146	22,432,875
Total fixed assets	82,758,692	82,434,252
Total assets	120,374,648	121,284,814

(Thousands of yen)

	As of December 31, 2008	As of March 31, 2008
LIABILITIES		
Current liabilities		
Notes and accounts payable	762,567	1,751,233
Short-term loans payable	5,790,000	313,000
Income taxes payable	509,562	690,768
Accrued expenses	16,224,444	16,199,170
Allowance for employee bonuses	1,504,567	3,019,660
Allowance for directors' and auditors' bonuses	10,540	36,000
Others	9,291,599	8,998,796
Total current liabilities	34,093,281	31,008,630
Long-term liabilities		
Bonds	—	1,480,000
Long-term loans payable	28,025,531	28,025,416
Allowance for employee retirement benefits	3,695,633	3,384,767
Allowance for directors' and auditors' retirement benefits	140,778	143,208
Others	6,787,732	6,633,527
Total long-term liabilities	38,649,675	39,666,919
Total liabilities	72,742,956	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	24,591,692	27,075,682
Treasury stock	(6,435,472)	(5,935,860)
Total shareholders' equity	47,444,224	50,427,827
Unrealized gains and adjustments		
Unrealized gains on other securities	13,604	26,761
Total unrealized gains and adjustments	13,604	26,761
Minority interests	173,863	154,675
Total net assets	47,631,692	50,609,264
Total liabilities and net assets	120,374,648	121,284,814

(2) Consolidated statements of income

[Third quarter of the fiscal year ending March 31, 2009 (cumulative)]

(Thousands of yen)

	Nine months ended December 31, 2008
Net sales	159,422,201
Cost of sales	131,727,027
Gross profit	27,695,174
Selling, general and administrative expenses	28,087,822
Operating loss	(392,648)
Non-operating income	
Interest income	22,883
Commission on consignment for office work	65,571
Income from lease of fixed assets	184,962
Others	84,176
Total non-operating income	357,594
Non-operating expenses	
Interest expenses	405,308
Bond interest	31,499
Others	80,399
Total non-operating expenses	517,208
Ordinary loss	(552,262)
Extraordinary income	
Gain on sales of fixed assets	908
Total extraordinary income	908
Extraordinary losses	
Loss on retirement of fixed assets	15,099
Loss on valuation of investment securities	4,923
Loss on valuation of stocks of affiliates	3,999
Provision for allowance for doubtful accounts	75,000
Total extraordinary losses	99,022
Loss before income taxes	(650,376)
Income, inhabitants and business taxes	429,982
Adjustments for income and other taxes	215,378
Total income and other taxes	645,361
Minority interests	23,687
Net loss	(1,319,425)

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*.

(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 nine months ended December 31, 2007

(Thousands of yen)

Category	Nine months ended December 31, 2007		Ratio to net sales (%)
	Amount		
I Net sales		147,323,129	100.0
II Cost of sales		118,192,599	80.2
Gross profit		29,130,530	19.8
III Selling, general and administrative expenses		27,333,534	18.6
Operating income		1,796,996	1.2
IV Non-operating income			
1. Interest income	129,372		
2. Dividend income	5,730		
3. Commission on consignment for office work	66,571		
4. Income from lease of fixed assets	21,803		
5. Interest on refund of income taxes and others	30,230		
6. Income from lease of facilities	37,340		
7. Others	49,778	340,827	0.2
V Non-operating expenses			
1. Interest expenses	100,928		
2. Bond interest	57,209		
3. Compensation for damages	7,805		
4. Loss on cancellation of guarantee deposit	33,583		
5. Others	6,421	205,948	0.1
Ordinary income		1,931,874	1.3
VI Extraordinary income			
1. Gain on sale of fixed assets	489		
2. Gain on sale of investment securities	21,000		
3. Gain on sale of stocks of affiliates	20,999		
4. Reversal of allowance for doubtful accounts	68,758	111,247	0.1
VII Extraordinary losses			
1. Loss on retirement of fixed assets	41,510		
2. Loss on revaluation of inventories	216,258		
3. Cost for the settlement	180,000		
4. Expenses for changing brands	123,591	561,360	0.4
Income before income taxes		1,481,761	1.0
Income, inhabitants and business taxes	378,020		
Adjustments for income and other taxes	803,298	1,181,319	0.8
Minority interests		23,471	0.0
Net income		276,970	0.2