

Financial Results for the Year Ended March 31, 2009

May 19, 2009

Name of listed company: Nichii Gakkan Company Listed on: Tokyo Stock Exchange 1st Section
 Securities code: 9792 URL: <http://www.nichiigakkan.co.jp>
 Representative: Daisuke Terada, President and Representative Director
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 Scheduled date to hold the ordinary general meeting of shareholders: June 26, 2009
 Scheduled date of filing annual securities report: June 29, 2009
 Scheduled date to start dividends distribution: June 29, 2009

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated financial results for the year ended March 2009 (April 1, 2008 - March 31, 2009)

(1) Consolidated operating results

(Percentage figures represent changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2009	213,601	6.9	1,013	(53.3)	800	(60.8)	(1,090)	-
Year ended March 31, 2008	199,797	(1.4)	2,171	(17.6)	2,042	(24.6)	(834)	-

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2009	(31.10)	-	(2.2)	0.7	0.5
Year ended March 31, 2008	(23.69)	-	(1.6)	1.9	1.1

Reference: Equity-method investment profit (loss): Year ended March 31, 2009: - million yen Year ended March 31, 2008: - million yen

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2009	120,491	47,873	39.6	1,372.06
Year ended March 31, 2008	121,284	50,609	41.6	1,432.54

Reference: Shareholders' equity: Year ended March 31, 2009: 47,682 million yen Year ended March 31, 2008: 50,454 million yen

(3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2009	2,337	(4,139)	2,772	4,436
Year ended March 31, 2008	(289)	(29,162)	23,316	3,434

2. Dividends

(Record date)	Cash Dividends per Share					Total Dividends Paid (annual)	Payout Ratio (consolidated)	Dividends to Net Assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2008	-	0.00	-	22.00	22.00	774	-	1.5
Year ended March 31, 2009	-	11.00	-	11.00	22.00	769	-	1.6
Year ending March 31, 2010 (forecast)	-	6.00	-	6.00	12.00		33.4	

3. Forecast of consolidated financial results for the year ending March 2010 (April 1, 2009 - March 31, 2010)

(Percentage figures represent changes from previous year for full year figures and from same period of previous year for interim period figures.)

	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
First six months	113,300	6.9	1,600	-	1,500	-	500	-	7.19
Full year	236,000	10.5	5,470	439.6	5,350	568.4	2,500	-	35.97

4. Others

(1) Significant changes in subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and method of presentation associated with preparation of the consolidated financial statements (the matters to be included in the section, changes in basic important matters for preparation of consolidated financial statements)

- 1) Changes due to revisions of accounting standards: Yes
- 2) Changes other than 1): None

(3) Number of shares outstanding (common stock)

- 1) Number of shares outstanding at fiscal year-end (including treasury stock):
The year ended March 31, 2009 36,508,976 shares; The year ended March 31, 2008 36,508,976 shares
- 2) Number of shares of treasury stock at fiscal year end:
The year ended March 31, 2009 1,756,599 shares; The year ended March 31, 2008 1,288,636 shares

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended March 31, 2009 (April 1, 2008 - March 31, 2009)

(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	%
Year ended March 31, 2009	177,871	(4.1)	2,853	7.2	3,301	10.7	1,312	37.5
Year ended March 31, 2008	185,557	(6.3)	2,660	6.2	2,983	11.2	954	11.5

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2009	37.42	—
Year ended March 31, 2008	27.10	—

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2009	109,097	48,147	44.1	1,385.43
Year ended March 31, 2008	107,363	48,516	45.2	1,377.52

Reference: Shareholders' equity: Year ended March 31, 2009: 48,147 million yen Year ended March 31, 2008: 48,516 million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2010 (April 1, 2009 - March 31, 2010)

(Percentage figures represent changes from previous year for full year figures and from same period of previous year for interim period figures.)

	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
First six months	93,200	5.3	2,000	866.0	2,100	451.0	1,100	—	15.83
Full year	200,900	12.9	5,500	92.8	5,700	72.7	3,100	136.2	44.60

* Explanation concerning the appropriate use of financial result forecasts and other special notes

(Forward looking statements)

The above forecasts are based on information available as of time of this announcement. Actual results may differ due to various factors. Please refer to page 4 of the attached materials for the forecasts.

(Regarding the share split)

Nichii Gakkan Company has executed a share split in which it has issued to the shareholders appearing on the list of shareholders and list of beneficial shareholders as of March 31, 2009 two shares for each share held. The impact of this share split has been taken into account for conditions regarding the dividend (tentative) for the year ending March 2010 and the per-share net income information included in the results forecast (consolidated and non-consolidated).

1. Business results

(1) Analysis of business results

1) Overview of business results

The Health Care Business experienced significant changes in its business environment during the year ended March 31, 2009. After the Long-Term Care Worker Compensation Improvement Law was passed in May 2008, numerous measures for improving long-term-care employee compensation and securing human resources were considered. A decision to increase compensation for these workers 3% was made in December, marking the first raise since the establishment of the long-term care insurance system, and local governments, acting in accordance with national government objectives, took steps to support professional training and help individuals obtain long-term care professional certifications. Given the downturn in export-oriented industries and negative impacts on related employment caused by the global economic crisis, long-term care, welfare, and other areas of the social support services sector are now viewed as growth generators that contribute to the expansion of internal demand.

For the year, Nichii Group reported record-setting net sales on the full-year contribution of the Health Care Business's facility care business, which was taken over in November 2007.

Results for the Medical Support Business suffered as the drive to revise contracts with medical institutions resulted in a temporary drop in clients for the related services, and the opening of new nursing care facilities in the Health Care Business necessitated the incurrence of upfront expenses. The Education Business, however, experienced a major increase in students for its Medical Office Work and Home Helper courses in the second half, and saw its profitability begin to improve.

As a result, net sales during the fiscal year were 213,601 million yen (199,797 million yen in the previous fiscal year), operating income was 1,013 million yen (2,171 million yen in the previous fiscal year), ordinary income was 800 million yen (2,042 million yen in the previous fiscal year), and net loss became 1,090 million yen (834 million yen of net loss in the previous fiscal 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.

In sum, despite a temporary decline in medical institution clients and its significant earnings impact, the operating margin has improved since the second quarter.

Regarding expansion of the medical management support services, sales of the Medical Receipt Diagnosis 2.0 management support product combining precise receipt examination and marketing services for clinics, and the MediClips homepage creation service for medical institutions, got underway, a medical management consulting division was established in November, and other steps were taken to build a comprehensive medical management support system.

As a result, the net sales of the Medical Support Business were 101,289 million yen (109,217 million yen in the previous fiscal year), and operating income was 8,784 million yen (10,700 million yen in the previous fiscal year).

[Health Care Business]

In home care services, the downward trend in service users that began with the 2006 revision in the long-term care insurance system continued through the first half, but a recovery marking year-on-year monthly increases began in July.

In facility care services, marketing activities seeking to make the most of the branch network resulted in a steady increase in service users, particularly at the 19 new locations opened in the first half, and pushed operating income before goodwill amortization into positive territory in the fourth quarter.

As for services not covered by long-term care insurance, nationwide development of Homemaker Services, which include the performance of cleaning and a full range of other housework services, began in October in a bid to expand into the field of daily life support services.

As a result, net sales of the Health Care Business were 99,702 million yen (79,631 million yen in the previous fiscal year), and operating loss was 758 million yen (190 million yen of operating income in the previous fiscal 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 Co., Ltd.) close their annual accounts in December, their financial results from January 1, 2008 to December 31, 2008 are included.

[Education Business]

In the Education Business, advertising focused on a high response rate and efficiency was continued and a career promotion campaign aimed at recruiting personnel to work in the company's nursing care facilities and simultaneously earn professional qualifications was pursued. Trial classes were also held at 100 classrooms throughout the country to promote medical and long-term care courses. These efforts and factors like the heightened demand for professional qualifications resulted in significant year-on-year enrollment gains for the mainstay Medical Office Work and Home Helper Level 2 courses through the second half. The Education Business achieved its first year-on-year net sales gain in five years and pulled quarterly operating income into the black in the fourth quarter.

New courses for new areas and to meet existing medical and long-term care needs were actively developed and offered. In a move to expand into daily-life-related areas, the Practical Dietary Education course was added in June and the Medical Office Clerical Workers course in November, the latter in response to the addition of doctors' office work aid in the April medical service fee system revision.

As a result, net sales of the Education Business were 11,906 million yen (10,157 million yen in the previous fiscal year), and operating loss was 677 million yen (1,793 million yen of loss in the previous fiscal year).

[Other Businesses]

Attention was focused on core businesses and improving the group's operational efficiency. Net sales were 702 million yen (790 million yen in the previous fiscal year), and operating income was 409 million yen (215 million yen in the previous fiscal year).

2) Outlook for the year ending March 2010

With medical and long-term-care expense control policies at a turning point, the environment for social support services in Japan is about to undergo changes. In its November 2008 meeting, the government's Social Security Committee recommended the reinforcement of both social security functions and funding. And the supplemental economic stimulus measures put forth in October 2008 and April 2009 focused on enhancing medical, long-term care, and child care services, and increasing the compensation of people who work in these fields. As these measures and others like them demonstrate, step-by-step initiatives aimed at strengthening social support for the Japanese people are being taken.

Responding to rapidly changing business conditions and diversifying customer needs, Nichii Group adopted a new executive management system (Daisuke Terada, President and Representative Director) on April 1, 2009 to help ensure the company is capable of generating sustained growth.

Efforts to further strengthen the business based under the new executive management system are to begin during the year ending March 2010.

Segment outlooks are given below.

[Medical Support Business]

The Medical Support Business will continue to offer products and services that help to address and resolve a broad range of issues faced by medical institutions, and carry on with efforts to revise contracts with existing medical institution clients.

At the same time, it will strive to improve customer satisfaction by improving service quality. This will be done by expanding the career-enhancement and staff training systems to help ensure that high-quality services are delivered by high-quality staff.

To strengthen medical management support services, a Consulting Business Department (the present New Company Establishment Planning Office) was established in October 2007, and this unit will make the most of expertise developed in medical office administrative services and PFI businesses to offer medical institutions comprehensive support in everything from management consulting to personnel training, studies, and research.

Measures to strengthen units managing the child care businesses will be advanced in an effort to expand this business and strengthen daily life support services.

[Health Care Business]

Conditions for the Health Care Business are expected to see ongoing efforts to revamp the long-term care insurance system to make it sustainable. These will likely include the implementation of measures aimed at improving compensation for long-term care workers, the supplementary economic stimulus measures passed by the government in April, and other initiatives for bringing about better compensation for care workers and more favorable business conditions for long-term

care service providers.

Nichii Gakkan, for its part, will increase staff compensation and training to strengthen its workforce, and push ahead with efforts to promote appropriate facility operations and enhance compliance.

In mounting a more detailed response to consumer needs, the total long-term care service system ranging from minimizing care needs to home care and facility care will be further strengthened, with the ultimate goal of providing ongoing services tailored to the life stages of individual clients.

Efforts to gain facility care customers will continue for the long-term care business taken over in November 2007. Furthermore, in pursuit of operational efficiency and synergies among the various services offered, non-consolidated subsidiaries – Nichii Care Nagano Co., Ltd., Nichii Care Gifu Co., Ltd., Nichii Care Kyoto Co., Ltd., Nichii Care Aichi Co., Ltd., and Nichii Care Hyogo Co., Ltd. – providing home care services in five prefectures will be absorbed by Nichii Gakkan Company in October 2009. Similarly, in the May 19, 2009 Board of Directors meeting, it was decided that Nichii no Kirameki Co., Ltd., a consolidated subsidiary operating economically priced nursing homes; Nichii no Hohoemi Co., Ltd., a group home operator; and Nichii Kanto, Co., Ltd, which provides day care services in the Tokyo metropolitan area, would also be absorbed into Nichii Gakkan Company.

Nichii Home Co., Ltd., an operator of medium-priced nursing homes, and Nichii Living Co., Ltd., a provider of rental housing specialized for the elderly, will be absorbed by Nichii Care Palace Co., Ltd., which operates medium-priced nursing homes, for further business development and operational efficiency.

The mergers of Nichii Gakkan Company with eight of its subsidiaries will be submitted for approval in the 37th ordinary general meeting of shareholders scheduled for June 26, 2009.

The financial impacts of these mergers are included in the results forecast for the year ending March 2010.

[Education Business]

Given the heightened interest in professional qualification courses in the medical and long-term care fields, the Education Business is expected to turn in a solid performance. To achieve growth over the long-term, it will move forward with the development of daily-life support and health-related courses and strengthen development efforts for the Medical Office Clerical Workers course and Care Worker Basic Training courses, which are seeing growing demand in the medical and long-term care fields.

In response to growing student needs for alternative ways to take courses, attention will be focused on increasing convenience for students and on efficient business development.

[Other Businesses]

Nichii Group is pursuing business development that makes the most of the group's management resources and implementing optimal group strategies. Nichii Green Farm Co., Ltd. is preparing facilities and organizational systems in pursuit of agricultural operations linked to the Health Care Business.

In consideration of these environments and prospects, our outlook for the performance in the year ending March 31, 2010 is 236,000 million yen for net sales (213,601 million yen for the current fiscal year), 5,470 million yen for operating income (1,013 million yen for the current fiscal year), 5,350 million yen for ordinary income (800 million yen for the current fiscal year), and 2,500 million yen in net income (net loss of 1,090 million yen for the current fiscal year).

(2) Analysis of financial position**1) Overview of financial position**

During the fiscal year, cash and cash equivalents (“cash”) increased by 1,001 million yen year on year to 4,436 million yen. Cash flows from each activity and their factors are shown below.

[Cash flows from operating activities]

As a result of operating activities during the fiscal year, cash increased by 2,337 million yen.

This was primarily the result of non-cash expenses, in the form of depreciation and goodwill amortization, and progress in recovering accounts and other operating receivables.

[Cash flows from investing activities]

As a result of investing activities during the fiscal year, cash decreased by 4,139 million yen

This was mainly due to purchase of intangible fixed assets such as software, and payments of loans receivable to related companies.

[Cash flows from financing activities]

As a result of financing activities during the fiscal year, cash increased by 2,772 million yen.

The primary factors producing this result included an increase in proceeds from short-term borrowings, and outlays for corporate bond redemptions and dividend payments.

Trends in cash flow indicators for the group can be seen below.

	Year ended March 31, 2008	Year ended March 31, 2009
Equity ratio (%)	41.6	39.6
Equity ratio based on present value (%)	41.7	45.6
Debt redemption (years)	–	16.9
Interest coverage ratio (times)	–	4.0

Notes: Equity ratio: Shareholders' equity/total assets

Equity ratio based on present value: Total present value of stock/total assets

Debt redemption: Interest-bearing liabilities/operating cash flow

Interest coverage ratio: Operating cash flow/interest payments

- Each indicator was calculated from consolidated financial results.
- Total present value of stock is the product of closing stock price at the end of period and the total number of outstanding shares at the end of period (after deducting treasury stock).
- Operating cash flow is equal to the cash flows from operating activities in the consolidated statements of cash flow.
Interest-bearing liabilities are all the liabilities on which interest is paid, out of the liabilities in the consolidated balance sheet.
Interest payments are the interest payments as shown in the consolidated statements of cash flow.

(3) Basic principles of profit distribution and dividends for the current and next fiscal year

Our basic policy is to provide our shareholders with stable and continuous profit distributions. Considering business performance trends from a mid- to long-term standpoint, we formulated a consolidated dividend policy.

For the year under review, we are planning to pay a year-end dividend of 11 yen per share. For the year ending March 2010, we are looking forward to paying an annual dividend of 6 yen per share, which reflects the April 1, 2009 2-for-1 share split and an increase in profit distribution in consideration of business performance.

(Yen)

(Record date)	Cash Dividends per Share		
	2Q-end	Year-end	Annual
Year ended March 31, 2009	11.00 (Actual)	11.00 (Forecast)	22.00 (Forecast)
Year ending March 31, 2010	6.00 (Forecast)	6.00 (Forecast)	12.00 (Forecast) Given the share split, the annual per-share dividend will come to 24 yen.

(4) Business and other risks

Presented below are the potential risks to the operations of each business of Nichii Group. We work on to mitigate such risks by dispersing and acknowledging them. However, in the event of an unforeseeable incident, such risks may cause serious effect on our business performance and financial conditions of the group.

External factors and risk factors with low possibilities are also disclosed here from the standpoint of positive information disclosure on the matters deemed important for those making investment decisions.

The following matters were determined to be potential risks by the group upon preparing this data as of the last day of the fiscal year, and may not cover all the risks when making an investment decision on our stocks.

1) Business risks**[Medical Support Business]**

Nichii Group's Medical Support Business provides, among other services, medical practice services other than medical practice itself, medical-related duties, and medical service management consultation services.

Medical institutions will see major fluctuations in their medical revenues due to the biennial revision of the medical service fee system and the medical insurance system reform (Article 2, Paragraph 2 of the Health Insurance Law Revision Law).

The group provides services to medical institutions, so the contents of revision rate for medical service fees and medical insurance system reform may affect our contract fees and the contents.

[Health Care Business]

The group's Health Care Business is mainly attributed to services that are covered by Long-Term Care Insurance Law. Therefore, reviewing the long-term care insurance system and payment can have a major effect on the net sales and profits of the business. These services are regulated by the Long-term Care Insurance Law (Law No. 123, December 7, 1997) and various other laws and ordinances.

The entire system is subject to review every five years (Article 2 of Supplementary Provisions of the Long-term Care Insurance Law) and long-term care payment is subject to review every three years, so the decisions hereafter may have an impact on the profitability of our Health Care Business. In the future also, revision of long-term care payment or review of the system may affect the revenue of the business.

In addition, we are promoting the community-based business by lease contract in our long-term care facilities such as group homes, pay nursing homes, and day care facilities. Since the contract term is 20 years in general, lowering in availability of facility due to the decrease of residents or the fall of average residential charge may affect the revenue of the business.

[Education Business]

The Home Helper Training Course, our major educational program, is subject to the "ordinance concerning home-visit care providers" (Health, Labour and Welfare Ministry Ordinance No. 23), and is required to obtain certification from the prefectural government.

Changes in the qualification requirements (training hours, enhanced curriculum, etc.) for care workers taking the Home

Helper Level 1 Course are scheduled to take effect April 1, 2012. The future revision of various systems in terms of such qualifications may affect net sales and revenue of this course.

2) Risks due to the internal management system

The Nichii Group is working to strengthen the self-directed operational management framework as well as internal check functions, to prevent human errors and dishonesty of employees. However, future operational management problems could cause a loss of trust by stakeholders, and could affect our business performance.

[Risks due to personal information]

Each business segment of the group handles personal information specified in the Act on Protection of Personal Information.

We recognize the protection of personal information as an extremely important business issue. Therefore, we have established the Information Protection Committee to ensure appropriate acquisition and handling of information, and are working to prevent leakage of personal information and reoccurrence of such problems through setting up privacy policies and providing in-house training.

However, a personal information leak could cause loss of confidence in society, claims for damage, etc. to affect our business performance.

3) Official license and legal regulation in personnel business

For the personnel business carried out for Medical Support Business and Health Care Business, we already acquired the permission of general workers dispatching business based on the “Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (Labor Dispatch Law).”

As for “Labor Dispatch Law,” if a personnel service company is found to be disqualified or conducted illegal behaviors, it may be deprived of the permission of personnel business or ordered to suspend the business.

Nichii Group continues to thoroughly implement the compliance. However, violating the law, if it should occur in our group, may affect our group performance.

4) Risks due to natural disasters and accidents

Large-scale natural disasters such as earthquakes, tsunami or the spread of new influenza strains, etc. might impede staff and facilities from operating properly. If this causes unavailability of our services to users, it could reduce sales and incur extraordinary expenses.

5) Risks related to the application of impairment accounting

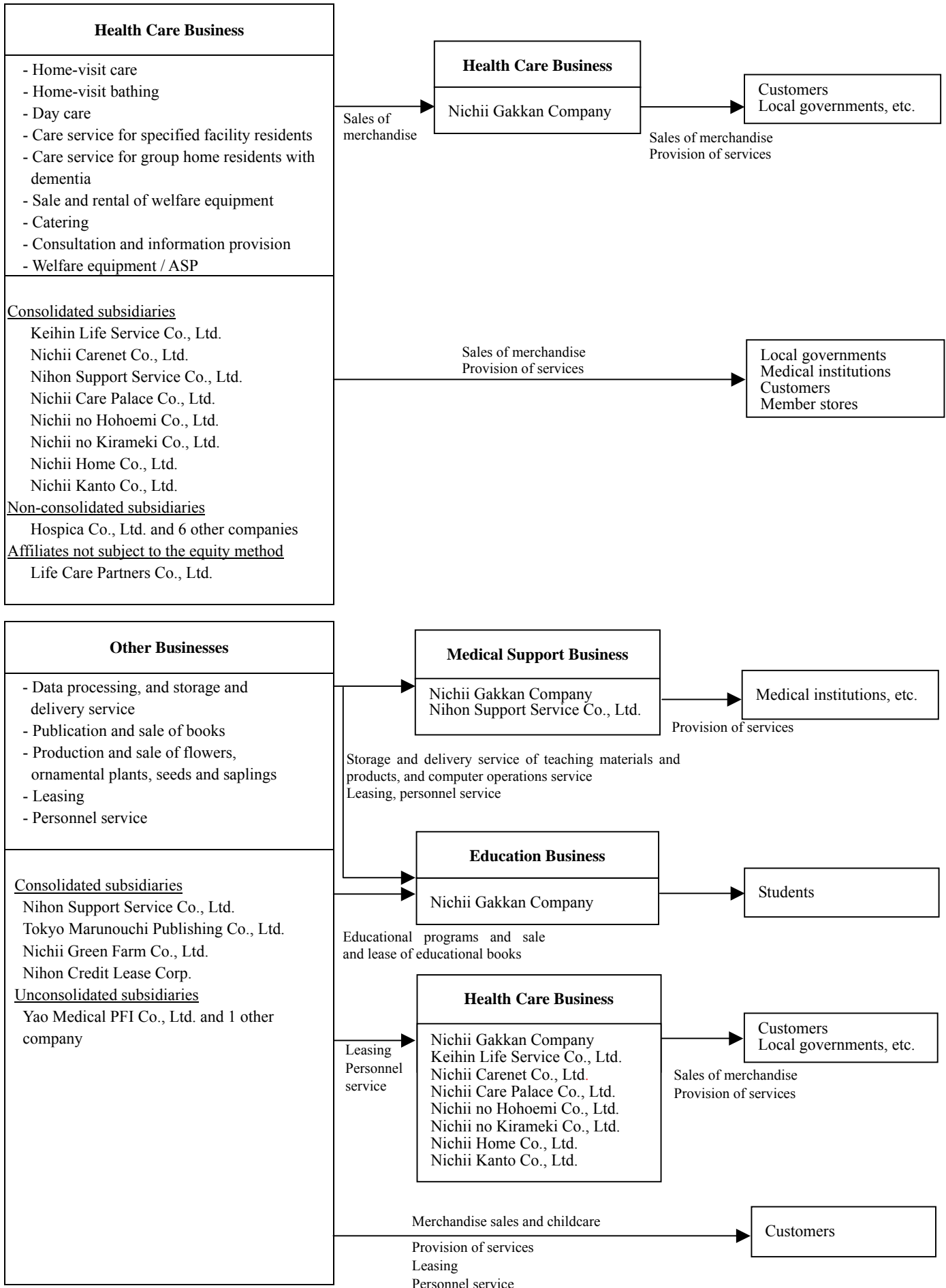
The Health Care Business uses land and buildings to provide a portion of its service offerings and has recorded goodwill in connection with its takeover of facility care business in November 2007. If there are material profitability decreases in the future, it will be necessary to record impairment losses that could impact Health Care Business earnings.

2. Overview of Nichii Group

Nichii Group consists of Nichii Gakkan Company, its 20 subsidiaries, and its one affiliate. Nichii Group is engaged in four businesses (Medical Support Business, Health Care Business, Education Business, and Other Businesses). In the Medical Support Business, the group primarily provides medical practice services to medical institutions and pharmacies; sales, disinfection, and sterilization services for medical equipment; and medical affairs consulting. In the Health Care Business, the group provides home care services mainly under long-term care insurance system (home-visit care, home-visit bathing, and day care), care service for specified facility residents, care service for group home residents with dementia, sale and rental of welfare equipment, catering, and other services. In the Education Business, the group provides educational programs primarily for medical office workers and home helpers. In Other Businesses, Nichii Gakkan Company's subsidiaries take the lead in providing data processing, storage and delivery service, book publication and sale, production and sale of flowers, ornamental plants, seeds and saplings, leasing, and personnel services.

Nichii Group's businesses and positioning of each business are shown below. The business categories correspond to those in the segment information by business category.

Business Category	Principal Businesses/Products	Principal Companies
Medical Support Business	Medical practice services such as reception, medical fee claims, accounting, computer operations, and medical record management, sale, disinfection and sterilization services (inside the hospital) for medical equipment, medical affairs consulting, etc.	Nichii Gakkan Company Nihon Support Service Co., Ltd.
Health Care Business	Home-visit care, home-visit bathing, day care, care service for specified facility residents, care service for group home residents with dementia, sale and rental of welfare equipment, catering, etc.	Nichii Gakkan Company Keihin Life Service Co., Ltd. Nichii Carenet Co., Ltd. Nihon Support Service Co., Ltd. Nichii Care Palace Co., Ltd. Nichii no Hohoemi Co., Ltd. Nichii no Kirameki Co., Ltd. Nichii Home Co., Ltd. Nichii Kanto Co., Ltd.
Education Business	Courses for medical office work, home helper training, babysitter training, and sign language, etc.	Nichii Gakkan Company
Other Businesses	Data processing, storage and delivery service, publication and sale of books, production and sale of flowers, ornamental plants, seeds and saplings, leasing, personnel service, etc.	Nihon Support Service Co., Ltd. Tokyo Marunouchi Publishing Co., Ltd. Nichii Green Farm Co., Ltd. (Former Roris Co., Ltd.) Nihon Credit Lease Corp.



3. Management principles

(1) Basic principles of management

Based upon the management philosophy of “aiming to help bring about the realization of a prosperous society and comfortable living in business areas related to healthy lives, Nichii Group, through creative and constructive business activities, contributes to the good health and happiness of individuals in meaningful ways,” Nichii Group aims to be recognized as a trusted and appealing corporate group by contributing to improve the quality of life and society in the three fields; Education, Medical Support, and Health Care.

We also recognize that we must fulfill our social responsibilities as a corporate group, comply with corporate ethics, and increase the corporate brand value in our activities while deepening our trusting relationship with our shareholders and other stakeholders. In order to achieve this goal, we wish to share the idea of self-improvement to each organizational structure and employee as well as aggressively maximizing our corporate value based on the slogan, “Strength through kindness.”

(2) Management goals

Nichii Group set the three long-term goals while taking the following points into consideration: a) The group is providing personnel service. b) Medical support and welfare businesses are expected to expand in the future. c) The group focuses on shareholder value.

- | | |
|----------------------------------|-----------------------|
| 1) Net sales growth | → double-digit growth |
| 2) Operating income to net sales | → 7% or higher |
| 3) ROE (return on equity) | → 15% or higher |

(3) Mid- to long-term strategies and issues to be addressed

Nichii Group, based on the management philosophy above, aims to achieve sustainable growth and contribute to the building and development of social infrastructure in the fields of education, medicine, and long-term care. In addition, under the new management system implemented in 2009, we are incorporating the views of employees as consumers in promoting the development and offering of high-value-added services that meet market needs. At the same time, we are moving to strengthen the service expertise and networks developed through existing businesses and pursuing synergies through organic connections within the group as we strive to provide a wide range of services covering the daily life support and other fields, and meet corporate social responsibilities.

[Medical Support Business]

The environment surrounding the Medical Support Business, which includes factors like the medical care system reform begun in 2008 and medical service fee revisions implemented in April 2008, is seeing the introduction and implementation of new policies, as well as changing needs in the medical services environment and customer needs.

As such, the Medical Support Business restructured its business systems in April 2009 to strengthen its earnings base and move forward with the provision of products and services addressing market needs.

We will work to secure, and offer the stable provision of, outstanding human resources for the ongoing delivery of high-quality services, and develop and provide services that help to improve the efficiency of medical institutions, marketing strategy support, and other high-value-added Medical Management Support Services.

We will also actively develop and offer timely products and services. These are exemplified by: 1) Comprehensive regional care services based on the seamless connection of medical and long-term care applying the operational base we have built for our home care and facility care services, and 2) Expansion of child care businesses aimed at enhancing child care support services.

[Health Care Business]

The operating environment for the Health Care Business is experiencing legal changes undertaken to address Japan’s rapidly aging society. Long-term care payment, for example, was revised in April 2009, and changes in long-term care insurance are scheduled for 2011. In 2025, the ratio of “Only aged household” occupied among the all households is expected to be 70%. To be prepared for the coming unprecedented aging society, the improvement of total social infrastructure for medical, long-term care, and residential facilities is called for urgent attention.

Nichii Group strives to improve the quality of its broad range of existing services covering everything from minimizing care needs to home care and facility care. However, we are also devoting significant attention to welfare services for the disabled, homemaker services, and other services not covered by long-term care insurance in an effort to provide long term,

comprehensive services that meet diversifying customer needs.

We are working to expand our service system to cover the entire country by expanding the number of facility care locations, and improving career-enhancement and staff training systems to help secure and educate care workers. Our objective in this regard is to strengthen staff support systems within individual service offices and branches specialized for particular business segments.

[Education Business]

Against the need to strengthen medical, long-term care, and other social welfare functions, the services offered by the Education Business, which nurtures the development of human resources for these fields, are gaining in importance.

To solidify systems that provide human resources to our Medical Support Business and Health Care Business, we will further improve our course quality by using information gained through our medical and long-term care services as feedback for course curricula. Furthermore, we will build systems that generate stable earnings by developing classrooms and classes that balance student convenience and company earnings, and place effective ads in media with high response rates. To expand our student target, we will actively develop and offer health-related courses, for which there is great societal demand, and other new courses outside our main offerings in a broad business development push.

[Other Businesses]

For Other Businesses, we will apply management resources normally used to deliver medical and welfare-related services to start up agricultural operations and take other steps to strengthen operations that are useful to the fields of medical and welfare services.

In the future also, we will continue to implement our group strategies with the ideal form of organization in order to increase the value of the Nichii Group and develop efficiency of our business.

(4) Other significant matters for management

There are no applicable matters.

4. Consolidated financial statements

(1) Consolidated balance sheets

(Thousands of yen)

	FY 2008 (As of March 31, 2008)	FY 2009 (As of March 31, 2009)
Assets		
Current assets		
Cash and deposits	3,725,993	4,727,904
Notes and accounts receivable	25,666,006	25,720,516
Inventories	637,736	–
Merchandise and finished goods	–	311,592
Work in progress	–	3,100
Raw materials and supplies	–	155,076
Deferred tax assets	2,829,175	1,364,197
Others	6,150,739	5,357,831
Allowance for doubtful accounts	(159,089)	(106,666)
Total current assets	38,850,562	37,533,553
Fixed assets		
Tangible fixed assets		
Buildings and structures	39,605,167	39,886,406
Accumulated depreciation	(11,090,332)	(12,853,105)
Buildings and structures (net)	28,514,834	27,033,300
Machinery and vehicles	127,520	108,424
Accumulated depreciation	(89,535)	(91,924)
Machinery and vehicles (net)	37,985	16,499
Tools, furniture and fixtures	2,525,249	2,596,847
Accumulated depreciation	(1,798,179)	(2,047,124)
Tools, furniture and fixtures (net)	727,069	549,723
Land	8,140,738	8,085,288
Lease assets	–	690,493
Accumulated depreciation	–	(64,202)
Lease assets (net)	–	626,290
Construction in progress	–	257,901
Total tangible fixed assets	37,420,628	36,569,004
Intangible fixed assets		
Goodwill	20,824,684	19,920,273
Software	886,082	2,022,521
Software in progress	–	1,451,054
Lease assets	–	476,080
Others	869,982	185,860
Total intangible fixed assets	22,580,749	24,055,790
Investments and other assets		
Investment securities	1,076,664	985,382
Long-term loans receivable	8,589,315	8,199,496
Long-term prepaid expenses	826,328	769,397
Guarantee deposit	8,785,984	9,209,072
Deferred tax assets	1,561,377	1,716,323
Others	2,284,143	2,148,903
Allowance for doubtful accounts	(690,939)	(695,206)
Total investments and other assets	22,432,875	22,333,369
Total fixed assets	82,434,252	82,958,164
Total assets	121,284,814	120,491,717

(Thousands of yen)

	FY 2008 (As of March 31, 2008)	FY 2009 (As of March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable	1,751,233	803,676
Short-term loans payable	313,000	8,668,002
Current portion of long-term loans payable	20,960	1,418,872
Current portion of bonds	3,808,000	1,480,000
Lease liabilities	—	268,818
Income taxes payable	690,768	870,677
Consumption taxes payable	772,838	417,972
Other accrued expenses	16,199,170	12,800,370
Allowance for employee bonuses	3,019,660	2,626,995
Allowance for directors' bonuses	36,000	32,400
Others	4,396,997	7,709,067
Total current liabilities	31,008,630	37,096,853
Long-term liabilities		
Bonds	1,480,000	—
Long-term loans payable	28,025,416	26,622,366
Lease liabilities	—	928,326
Long-term advances received	4,289,627	3,839,160
Allowance for employees' retirement benefits	3,384,767	3,704,320
Allowance for directors' retirement benefits	143,208	142,044
Others	2,343,900	284,804
Total long-term liabilities	39,666,919	35,521,022
Total liabilities	70,675,550	72,617,875
Net assets		
Shareholders' equity		
Common stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	27,075,682	24,820,390
Treasury stock	(5,935,860)	(6,436,143)
Total shareholders' equity	50,427,827	47,672,252
Unrealized gains and adjustments		
Unrealized gain on other securities	26,761	10,028
Total unrealized gains and adjustments	26,761	10,028
Minority interests	154,675	191,560
Total net assets	50,609,264	47,873,842
Total liabilities and net assets	121,284,814	120,491,717

(2) Consolidated statements of income

(Thousands of yen)

	FY2008 (from April 1, 2007 to March 31, 2008)	FY2009 (from April 1, 2008 to March 31, 2009)
Net sales	199,797,256	213,601,767
Cost of sales	163,719,486	174,900,412
Gross profit	36,077,769	38,701,354
Selling, general and administrative expenses		
Advertising and promotion expenses	4,883,789	5,275,990
Directors' compensation	155,823	182,634
Salaries and benefits	12,455,897	13,683,434
Provision for employees' bonuses	737,933	720,125
Provision for directors' bonuses	36,000	32,400
Provision for directors' retirement benefits	10,964	9,244
Provision for employees' retirement benefits	331,290	338,697
Legal welfare expenses	1,891,062	2,073,084
Travel and transportation expenses	1,302,954	1,445,919
Rent expenses	3,010,022	3,195,695
Depreciation and amortization	646,903	883,671
Amortization of goodwill	421,574	1,193,461
Others	8,021,560	8,653,192
Total selling, general and administrative expenses	33,905,776	37,687,553
Operating income	2,171,993	1,013,800
Non-operating income		
Interest income	33,647	29,451
Commission on consignment for office work	88,761	88,047
Income from lease of facilities	50,747	-
Income from lease of fixed assets	46,406	-
Rent income	-	222,955
Others	129,946	133,471
Total non-operating income	349,510	473,925
Non-operating expenses		
Interest expenses	214,690	538,845
Bond interest	72,381	36,261
Compensation for damage	26,333	-
Loss on cancellation of guarantee deposit	33,012	-
Commission for syndicate loans	120,153	-
Others	12,364	112,211
Total non-operating expenses	478,935	687,318
Ordinary income	2,042,568	800,407

(Thousands of yen)

	FY2008 (from April 1, 2007 to March 31, 2008)	FY2009 (from April 1, 2008 to March 31, 2009)
Extraordinary income		
Gain on sale of fixed assets	489	3,868
Gain on sale of shares of related companies	20,999	—
Gain on sale of investment securities	21,000	—
Gain on donation of fixed assets	218,130	—
Gain on liquidation of related companies	—	63,250
Gain on reversal of allowance for doubtful accounts	66,565	26,168
Others	—	3,966
Total extraordinary income	327,185	97,254
Extraordinary losses		
Loss on disposition of fixed assets	43,400	29,229
Loss on revaluation of inventories	694,157	—
Impairment loss	93,739	121,847
Loss on liquidation of business	—	65,848
Loss on liquidation of related companies	—	74,837
Loss on liquidation of employee mutual aid society	—	132,000
Litigation settlement	180,000	—
Expense for changing brand	246,651	—
Others	17,846	19,954
Total extraordinary losses	1,275,796	443,717
Net income before income taxes and minority interests	1,093,957	453,944
Income taxes	491,383	675,701
Income taxes—deferred	1,406,452	827,375
Total income taxes	1,897,836	1,503,076
Minority interests income of consolidated subsidiaries	30,652	41,384
Net income (loss)	(834,531)	(1,090,516)

(3) Consolidated statements of changes in shareholders' equity

(Thousands of yen)

	FY2008 (from April 1, 2007 to March 31, 2008)	FY2009 (from April 1, 2008 to March 31, 2009)
Shareholders' equity		
Common stock		
Balance at the end of the previous period	11,933,790	11,933,790
Changes of items during the period		
Total changes during the period	—	—
Balance at the end of the current period	11,933,790	11,933,790
Capital surplus		
Balance at the end of the previous period	17,354,214	17,354,214
Changes of items during the period		
Total changes during the period	—	—
Balance at the end of the current period	17,354,214	17,354,214
Retained earnings		
Balance at the end of the previous period	28,686,400	27,075,682
Changes of items during the period		
Dividends from retained earnings	(774,875)	(1,162,259)
Net income (loss)	(834,531)	(1,090,516)
Disposal of treasury stock	(1,310)	(2,515)
Total changes during the period	(1,610,717)	(2,255,292)
Balance at the end of the current period	27,075,682	24,820,390
Treasury stock		
Balance at the end of the previous period	(5,934,751)	(5,935,860)
Changes of items during the period		
Purchase of treasury stock	(3,215)	(503,697)
Disposal of treasury stock	2,105	3,414
Total changes during the period	(1,109)	(500,282)
Balance at the end of the current period	(5,935,860)	(6,436,143)
Total shareholders' equity		
Balance at the end of the previous period	52,039,654	50,427,827
Changes of items during the period		
Dividends from retained earnings	(774,875)	(1,162,259)
Net income (loss)	(834,531)	(1,090,516)
Purchase of treasury stock	(3,215)	(503,697)
Disposal of treasury stock	795	899
Total changes during the period	(1,611,826)	(2,755,575)
Balance at the end of the current period	50,427,827	47,672,252

(Thousands of yen)

	FY2008 (from April 1, 2007 to March 31, 2008)	FY2009 (from April 1, 2008 to March 31, 2009)
Unrealized gains and adjustments		
Unrealized gains on other securities		
Balance at the end of the previous period	56,826	26,761
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	(30,065)	(16,732)
Total changes during the period	(30,065)	(16,732)
Balance at the end of the current period	26,761	10,028
Total unrealized gains and adjustments		
Balance at the end of the previous period	56,826	26,761
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	(30,065)	(16,732)
Total changes during the period	(30,065)	(16,732)
Balance at the end of the current period	26,761	10,028
Minority interests		
Balance at the end of the previous period	150,729	154,675
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	3,946	36,884
Total changes during the period	3,946	36,884
Balance at the end of the current period	154,675	191,560
Total net assets		
Balance at the end of the previous period	52,247,210	50,609,264
Changes of items during the period		
Dividends from retained earnings	(774,875)	(1,162,259)
Net income (loss)	(834,531)	(1,090,516)
Purchase of treasury stock	(3,215)	(503,697)
Disposal of treasury stock	795	899
Changes other than shareholders' equity during the period (net)	(26,119)	20,152
Total changes during the period	(1,637,946)	(2,735,422)
Balance at the end of the current period	50,609,264	47,873,842

(4) Consolidated statements of cash flows

(Thousands of yen)

	FY2008 (from April 1, 2007 to March 31, 2008)	FY2009 (from April 1, 2008 to March 31, 2009)
Cash flows from operating activities		
Income before income taxes	1,093,957	453,944
Depreciation and amortization	2,291,512	2,778,966
Increase (decrease) in allowance for doubtful accounts	(81,141)	(48,155)
Increase (decrease) in allowance for employee bonuses	(334,669)	(392,664)
Increase (decrease) in allowance for directors' bonuses	-	(3,600)
Increase (decrease) in allowance for employee retirement benefits	277,825	319,552
Increase (decrease) in allowance for directors' retirement benefits	10,964	(1,164)
Interest and dividends income	(39,377)	(32,215)
Interest expenses	287,072	575,107
Loss on cancellation of guarantee deposit	33,012	-
Amortization of goodwill	421,574	1,193,461
Loss (gain) on sale of investment securities	(21,000)	-
Loss on retirement of fixed assets	43,400	29,229
Loss (gain) on sale of fixed assets	(489)	(3,868)
Impairment loss	93,739	121,847
Loss (gain) on liquidation of related companies	-	(63,250)
Loss on liquidation of related companies	-	74,837
Loss on valuation of golf club memberships	-	12,836
Litigation settlement	180,000	-
Expense for changing brand	246,651	-
Loss (gain) on sale of shares of related companies	(20,999)	-
Gain on donation of fixed assets	(218,130)	-
Loss on revaluation of inventories	694,157	-
Decrease (increase) in accounts receivable	1,402,522	8,539
Decrease (increase) in inventories	147,064	167,966
Decrease (increase) in other current assets	(1,883,515)	1,264,279
Decrease (increase) in claims provable in bankruptcies	39,903	(1,456)
Increase (decrease) in accounts payable	(289,753)	(947,557)
Increase (decrease) in other current liabilities	(3,715,182)	(111,446)
Increase (decrease) in consumption tax payable	(925,020)	(354,866)
Decrease (increase) in other fixed assets	431	301,867
Increase (decrease) in other long-term liabilities	(592,149)	(2,015,476)
Others	-	19,948
Subtotal	(857,639)	3,346,663
Interest and dividends received	35,702	35,459
Interest paid	(288,918)	(581,505)
Income taxes paid	(222,218)	(469,205)
Income tax refund	1,223,751	5,942
Loss on litigation settlement	(180,000)	-
Cash flows from operating activities	(289,322)	2,337,354

(Thousands of yen)

	FY2008 (from April 1, 2007 to March 31, 2008)	FY2009 (from April 1, 2008 to March 31, 2009)
Cash flows from investing activities		
Payments into time deposits	(286,500)	(562,500)
Withdrawal of time deposits	297,500	562,160
Acquisition of shares of newly consolidated subsidiary	(4,591,675)	—
Expenditure for business transfer	(21,000,000)	—
Acquisition of shares of consolidated subsidiaries	(15,000)	—
Acquisition of tangible fixed assets	(706,771)	(782,081)
Proceeds from sale of tangible fixed assets	88,983	18,976
Acquisition of intangible fixed assets	(603,990)	(2,339,198)
Proceeds from sale of investment securities	221,000	—
Acquisition of shares of related companies	(144,000)	—
Proceeds from sale of shares of related companies	41,000	4,000
Proceeds from liquidation of related companies	—	73,182
Long-term prepaid expense paid	(69,786)	(91,082)
Payments of loans receivable	(778,566)	(1,053,560)
Collection of loans receivable	184,289	232,278
Payments for guarantee deposit	(2,089,663)	(736,847)
Collection of guarantee deposit	347,653	292,331
Others (net)	(57,007)	243,143
Cash flows from investing activities	(29,162,534)	(4,139,198)
Cash flows from financing activities		
Proceeds from short-term loans	1,226,060,000	—
Repayments of short-term loans	(1,226,149,000)	—
Net increase (decrease) in short-term loans	—	8,355,002
Payments for redemption of bonds	(3,808,000)	(3,808,000)
Proceeds from long-term loans	28,028,091	16,614
Repayments for long-term loans	(34,011)	(21,751)
Proceeds from sale of treasury stock	795	899
Acquisition of treasury stock	(3,215)	(503,697)
Payments for dividends by parent company	(774,017)	(1,157,213)
Payments for dividends to minority shareholders	(4,500)	(4,500)
Repayments of lease obligations	—	(104,733)
Cash flows from financing activities	23,316,142	2,772,619
Increase (decrease) in cash and cash equivalents	(6,135,713)	970,775
Increase in cash and cash equivalents from newly consolidated subsidiary	—	30,795
Cash and cash equivalents at beginning of year	9,570,547	3,434,833
Cash and cash equivalents at end of year	3,434,833	4,436,404