

# Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2010

November 10, 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 of filing quarterly financial report: November 12, 2009  
 Scheduled date to start dividends distribution: December 10, 2009

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

## 1. Consolidated financial results for the second quarter ended September 30, 2009 (April 1, 2009 – September 30, 2009)

### (1) Consolidated operating results

(Percentage figures represent changes 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, 2009	112,643	6.3	2,398	—	2,293	—	677	—
Six months ended September 30, 2008	105,958	—	(1,181)	—	(1,313)	—	(1,539)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2009	9.80	—
Six months ended September 30, 2008	(43.72)	—

Note: Since we have executed a 2-for-1 common share split on April 1, 2009, the figure of net income per-share for the six months ended September 2008 did not reflect the split.

### (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, 2009	120,553	47,821	39.5	689.42
As of March 31, 2009	120,491	47,873	39.6	1,372.06

Reference: Shareholders' equity: As of September 30, 2009: 47,613 million yen As of March 31, 2009: 47,682 million yen

Note: Since we have executed a 2-for-1 common share split on April 1, 2009, the figure of net assets per share for the year ended March 2009 did not reflect the split.

## 2. Dividends

(Record date)	Dividends per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Annual
Year ended March 31, 2009	—	11.00	—	11.00	22.00
Year ending March 31, 2010	—	6.00			
Year ending March 31, 2010 (Forecast)			—	6.00	12.00

Note: Change in the forecast of dividends in the second quarter of the fiscal year ending March 31, 2010: None

Note: Since we have executed a 2-for-1 common share split on April 1, 2009, the figure of dividend per share for the year ended March 2009 did not reflect the split.

## 3. Consolidated financial result forecasts for the year ending March 31, 2010 (April 1, 2009 – March 31, 2010)

(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	236,000	10.5	5,470	439.6	5,350	568.4	2,500	—	35.97

Note: Revision of the forecasts in the quarter of the fiscal year ending March 31, 2010: None

#### 4. Others

(1) **Significant changes to subsidiaries during the term (transfers of specific subsidiaries with changes in the scope of consolidation):** None

(2) **Adoption of the simplified 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.: None

2) Changes other than 1): None

(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, 2009:	73,017,952 shares	As of March 31, 2009:	36,508,976 shares
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2) Number of treasury stock at the end of each period

As of September 30, 2009:	3,955,090 shares	As of March 31, 2009:	1,756,599 shares
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3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)

Six months ended September 30, 2009:	69,183,778 shares	Six months ended September 30, 2008:	35,219,862 shares
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Note: Since we have executed a 2-for-1 common share split on April 1, 2009, above figures representing the number of shares issued and outstanding (including treasury stock) and the number of treasury stock as of March 31, 2009, as well as the average number of shares issued and outstanding (quarterly consolidated cumulative period) for the six months ended September 30, 2008 did not reflect the split.

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

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 first six months ended September 30, 2009 has bottomed out and entered into the recovery phase, while the volume of domestic production and exports surged, buoyed by the economic stimulus initiatives taken place inside and outside Japan. However, the recovery is still not convincing enough, as the conditions of employment and earnings remain sluggish

Amidst these circumstances, the long-term care field saw some developments. These include a 3% upward revision of compensation for long-term care workers effective in April, and the government's decision on subsidy starting from October to improve working conditions of long-term care workers. Likewise, there have been a range of initiatives in the medical industry, aimed at enhancing the social security functions, including measures to address doctor shortage.

Under the new executive management system, the Nichii Group has worked on mid- to long-term strategies for business growth which can maximize the performance of its business model "Education creates Employment," in conjunction with strengthening the Group's management resources.

Net sales for the first six months ended September 30, 2009 continue to maintain a growing trend, which, as a result, led to a significant improvement in earnings. This strong performance was mainly due to a steady growth in the number of students in the Education Business with higher demand for professional qualifications, as well as improved profitability of the Health Care Business thanks to increasing number of home care service users .

As a result, consolidated financial results for the six months ended September 30, 2009 showed significant growth: net sales were 112,643 million yen (105,958 million yen in the same period of the previous year), operating income was 2,398 million yen (1,181 million yen of operating loss in the same period of the previous year), ordinary income was 2,293 million yen (1,313 million yen of ordinary loss in the same period of the previous year) and net income was 677 million yen (1,539 million yen of net loss in the same period of the previous year).

Business results by segment were as follows.

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

In the Medical Support Business, we have been focusing on enhancing existing services as well as exploring new solution services. During the first six months under review, the number of new contracts with hospitals was on the increase, reflecting our efforts to strengthen sales operations to acquire new customers.

Meanwhile, in the medical management support service, we launched "Lifeclover" in July, a portal site for searching information on medical institutions and care facilities. This initiative was made to promote further comprehensive services that can support medical management operations.

As a result, net sales of the Medical Support Business were 50,435 million yen (50,723 million yen in the same period of the previous year), and operating income was 3,680 million yen (3,736 million yen in the same period of the previous year).

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

In the Health Care Business during the first six months under review, we have made efforts to improve the quality of existing services and promote new services, with a view to strengthening the framework of total long-term care services. Furthermore, we addressed to improve the working conditions for our staff under a new compensation system for long-term care workers, which was revised and officially announced in April.

For home-care services, the number of service users including users of care planning, home-visit care, and day care services was increased steadily. In addition, operational profitability was much improved resulting from the increased number of care plans per care manager as well as efforts for more efficient utilization of staff. For facility-care services, profitability was also improved substantially from the previous period, as the capacity utilization rate of facilities, which were taken over by the Group, began to rise after reopening.

As a result, both consolidated net sales and operating income for the six months ended September 30, 2009 showed significant growth, posting 53,592 million yen (49,516 million yen in the same period of the previous year) and 731 million yen (833 million yen of operating loss in the same period of the previous year), respectively.

#### **<Education Business>**

In the Education Business, we actively engaged in providing existing courses in order to respond to the increasing demand for courses for medical and long-term care qualifications. In addition, we strengthened development efforts for the "Medical Office Clerical Workers," a training course for medical clerical workers, who have come under the spotlight due to the government's measures to address the shortage of doctors. We also focused on promoting other related courses which can foster proficient, ready-to-work personnel in the fields of medical and care services.

These efforts resulted in solid growth in the number of students, particularly in our mainstay courses of "Medical Office Work" and "Home-Helper Level 2." Therefore, net sales during the period under review increased to 8,333 million yen (5,346 million yen in the same period of the previous year) and operating income increased to 1,923 million yen (887 million yen of operating loss in the same period of the previous year).

#### <Other Businesses>

As a result of our efforts to streamline operations within the Group while focusing on our core businesses, net sales of the Other Businesses for the first six months under review were 282 million yen (371 million yen in the same period of the previous year) and operating income 185 million yen (119 million yen in the same period of the previous year).

#### **2. Qualitative Information on Consolidated Financial Position**

Total assets at the end of the first six months under review increased by 61 million yen compared with the figure at the end of the previous fiscal year to 120,553 million yen. This is mainly because current assets increased by 3,176 million yen due to increases in cash and deposits, notes and accounts receivable, etc., while fixed assets decreased by 3,114 million yen along with decreases in investments and other assets.

Liabilities increased by 114 million yen compared with the figure at the end of the previous fiscal year to 72,732 million yen. This is mainly because current liabilities increased by 803 million yen due to increases in allowance for employee bonuses, income taxes payable, etc., despite decreases in short-term loans payable and redemption of debenture due within one year. In addition, long-term liabilities decreased by 689 million yen due mainly to a drop in long-term loans payable.

Net assets decreased compared with the figure at the end of the previous fiscal year by 52 million yen to 47,821 million yen.

#### **3. Qualitative Information on Consolidated Financial Result Forecasts for the Year Ending March 31, 2010**

With respect to the consolidated financial result forecasts for the year ending March 31, 2010, we decided to leave our forecasts announced on May 19, 2009 unchanged. We expect the financial results for the third and fourth quarters to be in line with our initial forecasts; however, such projections may be revised at any time should we deem it necessary to do so, taking into consideration the future business development. Any revisions will be promptly disclosed.

#### **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

Method used to value inventories

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**

There is no related information.

**5. Quarterly Consolidated Financial Statements****(1) Quarterly consolidated balance sheets**

(Thousands of yen)

	As of September 30, 2009	As of March 31, 2009
<b>Assets</b>		
Current assets		
Cash and deposits	5,800,411	4,727,904
Notes and accounts receivable	27,139,920	25,720,516
Merchandise and finished goods	452,038	311,592
Work in progress	2,636	3,100
Raw materials and supplies	203,486	155,076
Others	7,230,718	6,722,029
Allowance for doubtful accounts	(119,624)	(106,666)
Total current assets	40,709,588	37,533,553
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	26,887,062	27,033,300
Others (net)	9,262,005	9,535,703
Total tangible fixed assets	36,149,067	36,569,004
Intangible fixed assets		
Goodwill	19,323,462	19,920,273
Others	4,410,637	4,135,517
Total intangible fixed assets	23,734,099	24,055,790
Investments and other assets		
Others	20,649,937	23,028,576
Allowance for doubtful accounts	(688,999)	(695,206)
Total investments and other assets	19,960,938	22,333,369
Total fixed assets	79,844,105	82,958,164
Total assets	120,553,694	120,491,717
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	890,503	803,676
Short-term loans payable	5,538,002	8,668,002
Income taxes payable	2,470,222	870,677
Accrued expenses	13,267,539	12,800,370
Allowance for employee bonuses	3,955,504	2,626,995
Allowance for directors' bonuses	24,976	32,400
Others	11,753,890	11,294,730
Total current liabilities	37,900,637	37,096,853
Long-term liabilities		
Long-term loans payable	25,323,437	26,622,366
Allowance for employee retirement benefits	3,965,483	3,704,320
Allowance for directors' retirement benefits	144,990	142,044
Others	5,397,517	5,052,291
Total long-term liabilities	34,831,429	35,521,022
Total liabilities	72,732,067	72,617,875

(Thousands of yen)

	As of September 30, 2009	As of March 31, 2009
Net assets		
Shareholders' equity		
Common stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	25,115,503	24,820,390
Treasury stock	(6,788,520)	(6,436,143)
Total shareholders' equity	47,614,987	47,672,252
Unrealized gains and adjustments		
Unrealized gains on other securities	(1,451)	10,028
Total unrealized gains and adjustments	(1,451)	10,028
Minority interests	208,090	191,560
Total net assets	47,821,627	47,873,842
Total liabilities and net assets	120,553,694	120,491,717

**(2) Quarterly consolidated statements of income**  
(Six months ended September 30, 2009)

(Thousands of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net sales	105,958,315	112,643,552
Cost of sales	88,049,542	89,917,886
Gross profit	17,908,772	22,725,666
Selling, general and administrative expenses	19,090,561	20,327,577
Operating income (loss)	(1,181,788)	2,398,088
Non-operating income		
Interest income	15,930	14,518
Commission on consignment for office work	42,952	58,752
Income from lease of fixed assets	100,661	—
Rent income	—	68,513
Others	49,433	72,337
Total non-operating income	208,977	214,121
Non-operating expenses		
Interest expenses	262,984	264,352
Bond interest	23,310	3,307
Rent expenses	—	30,901
Others	54,647	20,602
Total non-operating expenses	340,942	319,163
Ordinary income (loss)	(1,313,754)	2,293,046
Extraordinary income		
Gain on sales of fixed assets	—	43,528
Reversal of allowance for doubtful accounts	12,264	—
Gain on prior periods bad debts recovered	—	69,757
Total extraordinary income	12,264	113,286
Extraordinary losses		
Loss on retirement of fixed assets	10,435	11,265
Loss on valuation of investment securities	—	120,945
Loss on valuation of stocks of subsidiaries and affiliates	3,999	—
Provision of allowance for doubtful accounts	75,000	—
Loss on liquidation of business	—	7,392
Total extraordinary losses	89,435	139,602
Net income (loss) before income taxes and minority interests	(1,390,924)	2,266,730
Income taxes	266,927	2,141,511
Income taxes—deferred	(134,435)	(573,534)
Total income and other taxes	132,492	1,567,977
Minority interests income of consolidated subsidiaries	16,225	21,029
Net income (loss)	(1,539,642)	677,723

**(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.