

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

February 9, 2010

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: February 12, 2010  
 Scheduled date to start dividends distribution: —

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

## 1. Consolidated financial results for the third quarter ended December 31, 2009 (April 1, 2009 – December 31, 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	%
Nine months ended December 31, 2009	176,693	10.8	4,810	—	4,844	—	2,260	—
Nine months ended December 31, 2008	159,422	—	(392)	—	(552)	—	(1,319)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2009	32.70	—
Nine months ended December 31, 2008	(37.52)	—

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 nine 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 December 31, 2009	117,539	48,785	41.3	703.27
As of March 31, 2009	120,491	47,873	39.6	1,372.06

Reference: Shareholders' equity: As of December 31, 2009: 48,570 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 current 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	235,000	10.0	6,400	531.3	6,300	687.1	2,700	—	39.06

Note: Revision of the forecasts in the current quarter of the fiscal year ending March 31, 2010: Yes

#### 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 5, "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 December 31, 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 December 31, 2009:	3,955,229 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)

Nine months ended December 31, 2009:	69,143,318 shares	Nine months ended December 31, 2008:	35,166,243 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 nine months ended December 31, 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**

During the first nine months of the fiscal year ending March 31, 2010, the Japanese economy has gradually transitioned from the recession that began with the global financial crisis in 2008 into a slow recovery phase. Nevertheless, with factors like weak employment conditions continuing with a persistently high unemployment rate, the overall situation remains difficult.

Regarding conditions with a more direct effect on the Nichii Group, shortages of physicians, nurses, and other medical personnel and long-term care workers are a particular concern, and the securing and training of medical and long-term care personnel is a critical need.

Under these circumstances, however, the long-term care field saw some progress, as the government has implemented an upward revision of 3% in compensation for long-term care workers effective in April 2009, followed by the provision of subsidies to further improve the said compensation starting from October in the same year. In addition, the medical field also expects to see an upward revision of 0.19% in overall medical service fees, the first increase since 2000, which will take effect on and after April 1, 2010. As such, several public policies for ensuring manpower based on the improvement of compensation are under way in both fields, where the potential for job-creating is significant.

Under its mid-to-long-term business strategy, the Nichii Group is working to develop and efficiently implement services responding to various issues in the medical and long-term care fields, actively improving staff compensation and entering into strategic capital and operational tie-ups, and restructuring health care subsidiaries so that synergies and more efficient business operations can be pursued within the Group.

Business results saw a significant improvement in profitability based on greater capacity utilization for service centers and training facilities. The Education Business saw student numbers surpass the level for the same period last year, while the Health Care Business enjoyed steady increases in users for both home-care and facility-care services.

As a result, net sales were 176,693 million yen (159,422 million yen in the same period of the previous year), operating income was 4,810 million yen (392 million yen of operating loss in the same period of the previous year), ordinary income was 4,844 million yen (552 million yen of ordinary loss in the same period of the previous year) and net income was 2,260 million yen (1,319 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 continued our efforts to adjust contract terms to more reasonable conditions and to improve staff compensation, in order to provide more efficient, higher-quality service through lower staff turnover and bring about a virtuous cycle that results in greater customer satisfaction. In addition, by moving ahead with marketing efforts aimed at gaining new contracts, we have managed to increase the number of new contracts with hospitals and clinics and have seen both our revenue and profit improve beginning with the first quarter of the current fiscal year.

We have also expanded our existing medical support services and pushed ahead with development of comprehensive medical management support services to strengthen our medical management support service offerings. Looking ahead, we aim to develop new services, for example, by promoting the use of IT in applications like doctors' office work support services employing voice recognition technology.

As a result, sales of this segment were 75,884 million yen (75,983 million yen in the same period of the previous year), and operating income was 5,872 million yen (6,112 million yen in the same period of the previous year).

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

In the Health Care Business, the number of users has steadily increased not only because of mergers with subsidiaries, which added home-care service users, but also solid gains in users of our home-visit care and day care services. Efficiencies achieved through an increase in the number of care plans per care manager and adjustments in staff assignments have led the way to improved profitability. Our facility-care services also enjoyed increased capacity utilization for existing facilities and higher income as a result.

To further increase the efficiency of our long-term care operations, cut indirect expenses, and realize greater synergies with our other businesses, we reorganized the operations of our subsidiaries as of October 1. Now, all three of the former consolidated subsidiaries (Nichii no Hohoemi Co., Ltd., Nichii no Kirameki Co., Ltd., and Nichii Kanto Co., Ltd.) and all five of the former non-consolidated home-care subsidiaries (Nichii Care Nagano Co., Ltd., Nichii Care Gifu Co., Ltd., Nichii Care Aichi Co., Ltd., Nichii Care Kyoto Co., Ltd., and Nichii Care Hyogo Co., Ltd.) have been incorporated into the operations of the parent company.

As a result of this merger, third-quarter consolidated results include three additional months of results for the facilities taken over from Nichii no Hohoemi and the other two former consolidated subsidiaries.

The number of care facilities rose to a total of 284 with the addition of a new group home opened in December. As for home-care service offices, the 99 offices previously operated by the five non-consolidated subsidiaries in five different prefectures (Nagano, Gifu, Aichi, Kyoto, and Hyogo) became a part of the operations of Nichii Gakkan with the October reorganization.

As a result, segment sales during the period under review were 88,490 million yen (74,751 million yen in the same period of the previous year) and operating income was 2,296 million yen (747 million yen of operating loss in the same period of the previous year).

**<Education Business>**

With the government advancing its emergency job creation project (i.e., the support program “Study and obtain a qualification as a care worker while working at long-term care facilities”), we undertook to aid job creation in the field of long-term care by participating in this program under our “Education-to-Work” business model.

Enrollment for our course offerings continued to show steady growth especially for our mainstay “Medical Office Work” and “Home Helper” training courses, which we are conducting throughout the country. Enrollment for our “Home Helper” training course, in particular, outpaced levels for the same period last year. As part of our focus on developing and offering courses responding to front-line medical and long-term care needs, we are offering our “Medical Office Clerical Workers” training course as a tailored response to personnel demand and supply conditions. Looking to the future, we are planning to expand our course offerings to cover not only the medical and long-term care fields but also areas related to daily life.

Therefore, overall sales of the segment during the period under review were 11,866 million yen (8,196 million yen in the same period of the previous year) and operating income amounted to 2,591 million yen (1,019 million yen of operating loss in the same period of the previous year).

**<Other Businesses>**

With attention focused on our main businesses, we moved to improve the efficiency of our Group operations. To further expand operations at Nichii Green Farm Co., Ltd. through gardening and agriculture, we prepared for the opening of “Himeharu no Sato” in Mobara City, Chiba Prefecture and strengthened ties with our main businesses.

Overall sales of the Other Businesses during the period under review were 452 million yen (490 million yen in the same period of the previous year) and operating income 341 million yen (272 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 nine months of the current fiscal year decreased by 2,952 million yen compared with the figure at the end of the previous fiscal year to 117,539 million yen. This is mainly because current assets increased by 2,123 million yen due to increases in cash and deposits, notes and accounts receivable, etc., while fixed assets decreased by 5,075 million yen due to decrease in goodwill.

Liabilities decreased by 3,863 million yen compared with the figure at the end of the previous fiscal year to 68,753 million yen. This is mainly because current liabilities decreased by 2,884 million yen due to decrease in short-term loans payable, despite increase in accrued expenses, etc. In addition, long-term liabilities decreased by 979 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 911 million yen to 48,785 million yen.

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

Our consolidated financial results forecast for the year ending March 31, 2010 has been updated since the last forecast announcement on May 19, 2009. For details, please refer to the “Notification of Revised Results Forecast” dated February 9, 2010.

Differences compared to the results forecast included in the financial report dated May 19, 2009 are given below.

Fiscal Year Ending March 31, 2010 (April 1, 2009 – March 31, 2010)

	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)
Previous forecasts (A)	236,000	5,470	5,350	2,500	35.97
Revised forecast (B)	235,000	6,400	6,300	2,700	39.06
Change (B – A)	(1,000)	930	950	200	—
Change (%)	(0.4)	17.0	17.8	8.0	—
(Reference) Previous year results (Fiscal year ended March 31, 2009)	213,601	1,013	800	(1,090)	(31.10)

**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

In determining the value of inventory assets as of the end of the third quarter, some physical inventory counts were omitted. Reasonable estimates based on physical inventory counts as of the end of the second quarter were used instead.

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 December 31, 2009	As of March 31, 2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,962,710	4,727,904
Notes and accounts receivable	28,346,049	25,720,516
Merchandise and finished goods	423,835	311,592
Work in progress	9,565	3,100
Raw materials and supplies	188,084	155,076
Others	5,798,952	6,722,029
Allowance for doubtful accounts	(72,614)	(106,666)
<b>Total current assets</b>	<b>39,656,583</b>	<b>37,533,553</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures (net)	26,576,407	27,033,300
Others (net)	9,729,335	9,535,703
<b>Total tangible fixed assets</b>	<b>36,305,743</b>	<b>36,569,004</b>
<b>Intangible fixed assets</b>		
Goodwill	14,807,727	19,920,273
Others	4,413,763	4,135,517
<b>Total intangible fixed assets</b>	<b>19,221,491</b>	<b>24,055,790</b>
<b>Investments and other assets</b>		
Others	23,068,302	23,028,576
Allowance for doubtful accounts	(712,937)	(695,206)
<b>Total investments and other assets</b>	<b>22,355,365</b>	<b>22,333,369</b>
<b>Total fixed assets</b>	<b>77,882,600</b>	<b>82,958,164</b>
<b>Total assets</b>	<b>117,539,183</b>	<b>120,491,717</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	934,779	803,676
Short-term loans payable	2,040,000	8,668,002
Income taxes payable	475,119	870,677
Accrued expenses	15,022,133	12,800,370
Allowance for employee bonuses	2,260,807	2,626,995
Allowance for directors' bonuses	5,040	32,400
Others	13,474,801	11,294,730
<b>Total current liabilities</b>	<b>34,212,680</b>	<b>37,096,853</b>
<b>Long-term liabilities</b>		
Long-term loans payable	24,670,550	26,622,366
Allowance for employee retirement benefits	4,105,634	3,704,320
Allowance for directors' retirement benefits	147,106	142,044
Others	5,617,905	5,052,291
<b>Total long-term liabilities</b>	<b>34,541,196</b>	<b>35,521,022</b>
<b>Total liabilities</b>	<b>68,753,877</b>	<b>72,617,875</b>

	(Thousands of yen)	
	As of December 31, 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	26,150,621	24,820,390
Treasury stock	(6,788,602)	(6,436,143)
Total shareholders' equity	48,650,024	47,672,252
Unrealized gains and adjustments		
Unrealized gains on other securities	(79,954)	10,028
Total unrealized gains and adjustments	(79,954)	10,028
Minority interests	215,236	191,560
Total net assets	48,785,306	47,873,842
Total liabilities and net assets	117,539,183	120,491,717

**(2) Quarterly consolidated statements of income**  
(Nine months ended December 31, 2009)

(Thousands of yen)

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net sales	159,422,201	176,693,763
Cost of sales	131,727,027	141,865,606
Gross profit	27,695,174	34,828,157
Selling, general and administrative expenses	28,087,822	30,018,071
Operating income (loss)	(392,648)	4,810,086
Non-operating income		
Interest income	22,883	19,099
Commission on consignment for office work	65,571	91,295
Income from lease of fixed assets	184,962	—
Rent income	—	113,038
Compensation for damage received	—	141,101
Others	84,176	143,248
Total non-operating income	357,594	507,782
Non-operating expenses		
Interest expenses	405,308	395,910
Bond interest	31,499	3,307
Rent expenses	—	42,474
Others	80,399	31,295
Total non-operating expenses	517,208	472,988
Ordinary income (loss)	(552,262)	4,844,880
Extraordinary income		
Gain on sales of fixed assets	908	43,528
Gain on prior periods bad debts recovered	—	69,757
Others	—	16,142
Total extraordinary income	908	129,428
Extraordinary losses		
Loss on retirement of fixed assets	15,099	13,133
Loss on sales of investment securities	4,923	120,945
Loss on valuation of stocks of subsidiaries and affiliates	3,999	—
Provision of allowance for doubtful accounts	75,000	—
Adjustment for amortization of goodwill	—	4,121,190
Others	—	100,641
Total extraordinary losses	99,022	4,355,911
Net income (loss) before income taxes and minority interests	(650,376)	618,397
Income taxes	429,982	555,037
Income taxes—deferred	215,378	(2,225,772)
Total income and other taxes	645,361	(1,670,734)
Minority interests income of consolidated subsidiaries	23,687	28,175
Net income (loss)	(1,319,425)	2,260,956



**(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.