

Financial Results for the Year Ended March 31, 2010

May 17, 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 to hold the ordinary general meeting of shareholders: June 25, 2010
 Scheduled date of filing annual securities report: June 28, 2010
 Scheduled date to start dividends distribution: June 28, 2010

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

1. Consolidated financial results for the year ended March 31, 2010 (April 1, 2009 - March 31, 2010)

(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, 2010	235,352	10.2	6,864	577.1	6,877	759.2	3,154	—
Year ended March 31, 2009	213,601	6.9	1,013	(53.3)	800	(60.8)	(1,090)	—

	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, 2010	45.64	—	6.5	5.7	2.9
Year ended March 31, 2009	(31.10)	—	(2.2)	0.7	0.5

Reference: Equity-method investment profit (loss): Year ended March 31, 2010: - million yen Year ended March 31, 2009: - million yen

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 year ended March 31, 2009 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 March 31, 2010	119,081	49,728	41.6	716.81
As of March 31, 2009	120,491	47,873	39.6	1,372.06

Reference: Shareholders' equity: As of March 31, 2010: 49,504 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 31, 2009 did not reflect the split.

(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, 2010	11,726	(738)	(11,607)	3,864
Year ended March 31, 2009	2,337	(4,139)	2,772	4,436

2. Dividends

	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			
Year ended March 31, 2009	—	11.00	—	11.00	22.00	769	—	1.6
Year ended March 31, 2010	—	6.00	—	6.00	12.00	831	26.3	1.7
Year ending March 31, 2011 (forecast)	—	7.00	—	7.00	14.00		27.6	

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 31, 2009 did not reflect the split.

3. Forecast of consolidated financial results for the year ending March 31, 2011 (April 1, 2010 - March 31, 2011)

(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	119,300	5.9	3,500	45.9	3,500	52.6	1,100	62.3	15.93
Full year	240,000	2.0	8,000	16.5	8,300	20.7	3,500	10.9	50.68

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, 2010 73,017,952 shares; The year ended March 31, 2009 36,508,976 shares

2) Number of shares of treasury stock at fiscal year-end:

The year ended March 31, 2010 3,955,469 shares; The year ended March 31, 2009 1,756,599 shares

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 did not reflect the split.

(Reference) Overview of the non-consolidated business results**1. Non-consolidated financial results for the year ended March 31, 2010 (April 1, 2009 - March 31, 2010)****(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, 2010	200,483	12.7	7,389	159.0	7,785	135.9	4,009	205.6
Year ended March 31, 2009	177,871	(4.1)	2,853	7.2	3,301	10.7	1,312	37.5

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2010	57.78	—
Year ended March 31, 2009	37.42	—

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2010	110,502	51,087	46.2	739.73
As of March 31, 2009	109,097	48,147	44.1	1,385.43

Reference: Shareholders' equity: As of March 31, 2010: 51,087 million yen As of March 31, 2009: 48,147 million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2011 (April 1, 2010 - March 31, 2011)

(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	109,800	18.1	3,850	32.0	4,000	31.9	1,800	17.4	26.06
Full year	221,000	10.2	8,400	13.7	8,900	14.3	4,400	9.7	63.71

*** 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 4-5 of the attached materials for the forecasts.

1. Business results

(1) Analysis of business results

1) Overview of business results

During the year ended March 31, 2010, the key development in the medical field in Japan was the decision to implement a 0.19% increase in medical service fees (the first overall increase since 2000) beginning in April 2010. This measure is intended to help improve conditions in emergency and obstetric medicine, lighten the burden on physicians, and improve management conditions for medical institutions. In the long-term care field, improvement of compensation for long-term care workers has been enhanced by an upward revision of 3% in compensation for long-term care workers, effective in April 2009, and the payment of subsidies to further improve the compensation for long-term care workers beginning in October. These service fee and compensation increases were undertaken with the overall aim of enhancing the social security functions of both fields.

Under these circumstances, the Nichii Group, under its revitalized administrative organization, established new companies, restructured subsidiaries, and took other actions to reorganize the Group. More specifically, we took these actions in order to improve the efficiency and strengthen the management of individual businesses, build organizational structures for creating synergies between individual businesses, and respond to diversifying customer needs with comprehensive services tailored to a wide range of life stages.

As for our business results, stable enrollment numbers for the Education Business and steady increases in users of both home-care and facility -care services in the Healthcare Business produced earnings increases significant enough for all of our businesses to end the year in the black for the first time in six years.

As a result, net sales during the fiscal year were 235,352 million yen (213,601 million yen in the previous fiscal year), operating income was 6,864 million yen (1,013 million yen in the previous fiscal year), ordinary income was 6,877 million yen (800 million yen in the previous fiscal year), and net income became 3,154 million yen (1,090 million yen of net loss in the previous fiscal year).

[Medical Support Business]

In the Medical Support Business, we continued our marketing efforts to focus on adjusting contract terms to more reasonable conditions and gaining new contracts. As a result, we increased the number of hospitals under contract and boosted revenue per medical institution. That made it possible to also improve staff compensation and retention, and, by extension, strengthen the foundation for qualitative improvements in service, and customer satisfaction.

We also took steps to: 1) Build a system for providing comprehensive management support services to medical institutions, which face particularly difficult business conditions; 2) Significantly strengthen existing services; and 3) Begin developing and offering new services applying voice-recognition technology, which is expected to lighten the burden on physicians. These steps included the establishment of Nichii Research Institute Co., Ltd. in May 2009, the formation of a business tie-up with Advanced Media, Inc. in August, and the establishment of Cyber Clerk Institute Co., Ltd. in December.

As a result, the net sales of the Medical Support Business were 101,548 million yen (101,289 million yen in the previous fiscal year), and operating income was 8,181 million yen (8,784 million yen in the previous fiscal year).

[Health Care Business]

In home-care services, we have seen both our revenue and profit improve due to the increase in the number of care plan users (up approximately 5,000 for the year, pushing the total above 40,000 for the first time in three years) and the steady increase in the number of users of individual services (increase of approximately 15,000 users of home-visit care, home-visit bathing, day-care, care equipment leasing over the year).

In facility-care services, an improved sales system produced steady increases in capacity utilization at all facilities and higher income as a result.

In the area of non-insured long-term care services, we are developing mainly housekeeping services but also other services that promptly respond to diversifying needs and will expand these services to cover the daily life support field moving forward.

Regarding the number of locations through which long-term care services are provided, all five of the former non-consolidated home-care subsidiaries were incorporated into the operations of the parent company in October 2009, and Keihin Life Service Co., Ltd. was absorbed in January 2010. With these changes, the number of home-care service offices increased by 120 and the number of care facilities increased by seven group homes.

Separately, five new group homes were established, bringing the total to 285 (including pay nursing homes).

As a result, net sales of the Health Care Business were 117,995 million yen (99,702 million yen in the previous fiscal year), and operating income was 3,586 million yen (758 million yen of operating loss in the previous fiscal year).

[Education Business]

Enrollment for our Home Helper Level 2 Course and Medical Office Work Course, our main education offerings, continued to grow steadily due to rising demand for professional qualifications (since last year), advertising emphasizing efficiency, and teaching facility development focused on convenience. As a result, these two courses led our Education Business with solid increases in both revenue and income.

As the government advances emergency job creation projects (the emergency human resource development support project implemented in April 2009 and the support program “Study and obtain a qualification as a care worker while working at long-term care facilities” implemented in October 2009) aimed at boosting the number of jobs for care workers, it is imperative that we implement our "Education-to-Work" business model to the greatest extent possible. Toward that end, we are making the most of the scale advantage we enjoy with 500 classrooms throughout the country and actively participating in these projects.

Furthermore, the government’s efforts to lighten the administrative burden on physicians by adding Medical Assistants to the service fee calculation (included in the April 2008 revision in medical service payment system) and implementing the April 2010 revision, which not only increased service fees but also enlarged the range of medical institutions eligible for the expanded service fee calculation, have significantly boosted the expectations for our Education Business. Our Medical Office Clerical Workers Course, established in October 2008, is training and supplying human resources that respond perfectly to medical administration needs. And we will continue to actively develop and offer training courses across a broad range of medical, long-term care, and daily living assistance fields.

As a result, net sales of the Education Business were 15,255 million yen (11,906 million yen in the previous fiscal year), and operating income was 2,992 million yen (677 million yen of operating loss in the previous fiscal year).

[Other Businesses]

To more efficiently expand our main businesses, we are developing various operations within the Group. One of these projects, “Himeharu no Sato,” is being developed by Nichii Green Farm Co., Ltd. in Mobara City, Chiba Prefecture (opening planned for the latter half of July in 2010). This project is being undertaken to promote the creation of new added value by, and further expand the operations of, our main businesses through gardening.

Net sales of Other Businesses were 553 million yen (702 million yen in the previous fiscal year), and operating income was 394 million yen (409 million yen in the previous fiscal year).

2) Outlook for the year ending March 31, 2011

In the face of a falling birthrate and rapidly aging population, Japan is redoubling its efforts to expand its social security functions. As such, the Nichii Group is heading toward a new growth stage and focusing on building a solid foundation for its main Medical Support, Health Care, and Education Businesses; restructuring for further growth, and developing new services.

In preparation for growth in the fiscal year ending March 31, 2011 and beyond, we are working to expand quantitatively, mainly by building new care facilities through which to provide facility-care services, and improve service quality by increasing medical and long-term care staff compensation to improve retention rates and enhancing training.

We are also devoting significant attention to improving operational efficiency and innovating in the medical, long-term care, and education fields by effectively applying voice-recognition technologies and e-learning systems.

Segment outlooks are given below.

[Medical Support Business]

Aiming to make the most of synergies between existing and new services, we will continue to expand and enhance our comprehensive management support services for medical institutions and adjust contract terms to more reasonable conditions, and will work to improve staff compensation.

In addition, we will improve our sales activities, gain new customers, expand existing contracts, and ultimately increase our sales, by restructuring our sales staff training system.

The child care business, for which the social need is elevated, will be expanded to strengthen daily life support services.

[Health Care Business]

The Nichii Group, with its fundamental focus on consumer-oriented business development, will move forward with efforts to strengthen its earnings base by working to further expand its home-care and facility-care services, and non-insured long-term care services, to build a broad range of services that respond to the needs of individual users.

In addition, we will work to greatly increase the earnings of our Health Care Business by making the most of the positive growth trends in users for our care plans and other services and increasing capacity utilization at both new and existing facilities.

As we act to further improve the operational efficiency of our Group post-restructuring, we will move forward with the building of management systems aimed at qualitative improvements in properly managed operations and services on a foundation consisting of the provision of safe and reliable services rooted in individual communities.

Regarding the establishment of new care facilities during the coming fiscal year, we will actively build new offices and facilities, reappportion existing facilities, and take other infrastructure measures based on local strategies to increase revenues. For the development of facility-care facilities, which is being undertaken in light of the 4th long-term care plan, we will place greater emphasis on group homes. As for home-care service locations, our plans are to pursue efficient development in accordance with local needs.

[Education Business]

In our Education Business, we will continue to actively develop our two main offerings – the Home Helper Level 2 Course and Medical Office Work Course. Furthermore, we will add greater emphasis to our Medical Office Clerical Workers Course, which aims to train Medical Assistants for which there is a growing need in medical service environments. We will also develop training courses addressing everyday needs in general, expanding our course offerings across fields spanning everything from medical and long-term care to hobbies and cultural topics. In developing educational services capable of responding to a wide variety of learning needs, we plan to incorporate and develop e-learning and other new education systems.

[Other Businesses]

The Nichii Group, with the businesses of each of its member companies serving as management resources, is strategically developing connections among businesses throughout the Group. Nichii Green Farm Co., Ltd., for example, is actively developing new services aimed at forming connections with our core businesses.

In consideration of these environments and prospects, our outlook for the performance in the year ending March 31, 2011 is 240,000 million yen for net sales (235,352 million yen for the current fiscal year), 8,000 million yen for operating income (6,864 million yen for the current fiscal year), 8,300 million yen for ordinary income (6,877 million yen for the current fiscal year), and 3,500 million yen in net income (3,154 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”) decreased by 571 million yen year on year to 3,864 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 11,726 million yen.

This was primarily the result of an increase in income before income taxes and minority interests, allowance for employee bonuses, and non-cash expenses, in the form of adjustment for amortization of goodwill.

[Cash flows from investing activities]

As a result of investing activities during the fiscal year, cash decreased by 738 million yen

This was primarily due to acquisition of tangible fixed assets such as facilities.

[Cash flows from financing activities]

As a result of financing activities during the fiscal year, cash decreased by 11,607 million yen.

The primary factors producing this result included an increase in payments for short-term and long-term loans, 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, 2009	Year ended March 31, 2010
Equity ratio (%)	39.6	41.6
Equity ratio based on present value (%)	45.6	47.7
Debt redemption (years)	16.9	2.7
Interest coverage ratio (times)	4.0	21.2

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 ended March 31, 2010, we are planning to pay a year-end dividend of 6 yen per share.

(Yen)

(Record date)	Cash Dividends per Share		
	2Q-end	Year-end	Annual
Year ended March 31, 2010	6.00 (Actual)	6.00 (Forecast)	12.00 (Forecast)
Year ending March 31, 2011	7.00 (Forecast)	7.00 (Forecast)	14.00 (Forecast)

(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 Level 2 Course, one of the main course offerings of our Education Business, is subject to the "ordinance concerning home-visit care providers" (Health, Labour and Welfare Ministry Ordinance No. 23 of March 10, 2000), and is required to obtain certification from the prefectural government.

The future revision of various systems in terms of qualifications, such as, changes in the qualification requirements (training hours, enhanced curriculum, etc.) for care workers taking the Home Helper Level 2 Training Course 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

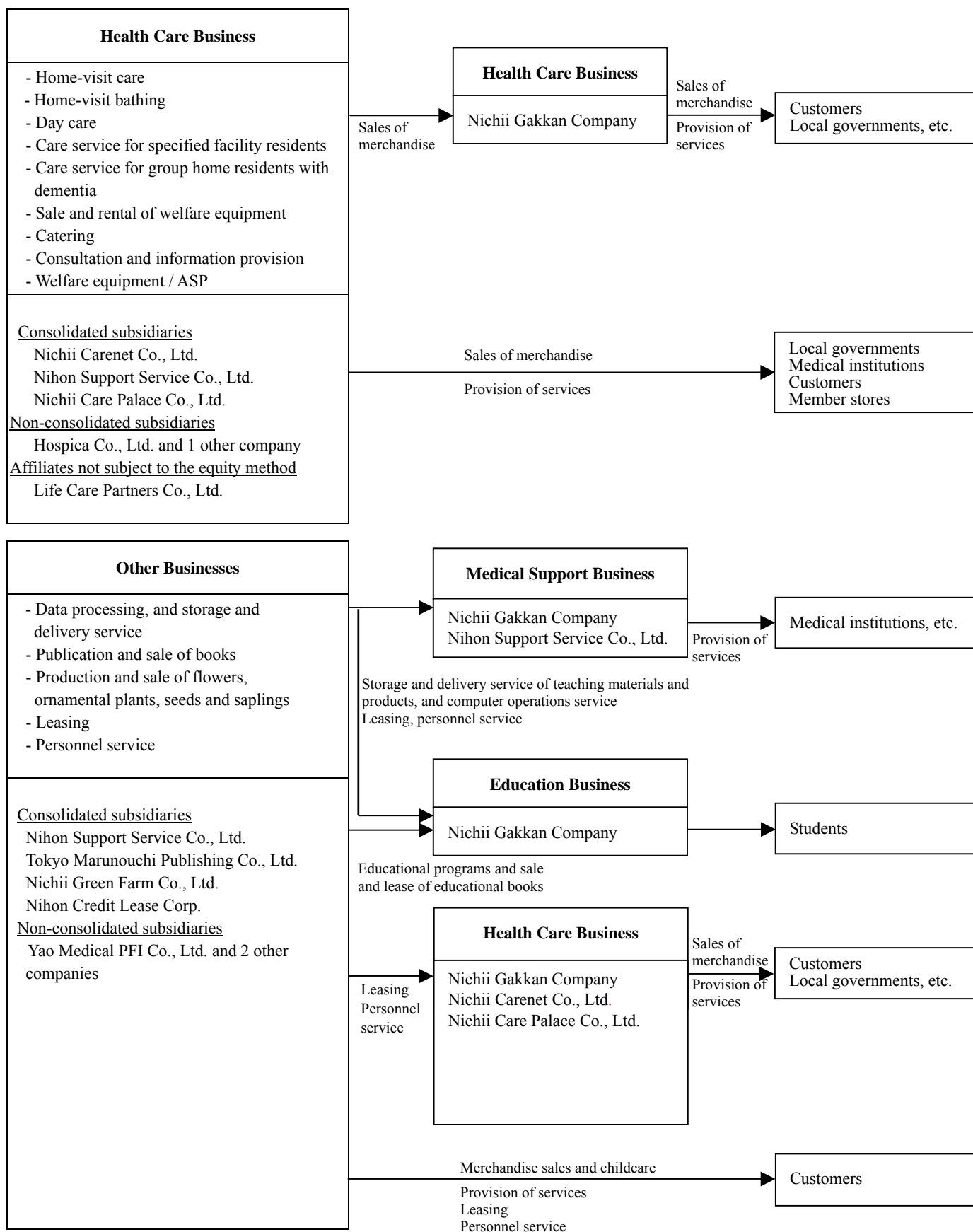
The Health Care Business uses land and buildings to provide a portion of its service offerings and has recorded goodwill in connection with its takeover of facility care business in November 2007. If there are material profitability decreases in the future, it will be necessary to record impairment losses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

2. Overview of Nichii Group

Nichii Group consists of Nichii Gakkan Company, its 11 subsidiaries, and 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 (inside hospitals); and medical affairs consulting. In the Health Care Business, the group provides home-care services under long-term care insurance system (home-care support, home-visit care, home-visit bathing, and day care services), facility care services (care service for specified facility residents, care service for group home residents with dementia, and management of rental housing specialized for the elderly), 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-care support (creation of care plan), 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 Nichii Carenet Co., Ltd. Nihon Support Service Co., Ltd. Nichii Care Palace Co., Ltd.
Education Business	Courses for medical office work, Home Helper Level 2 Course, 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. Nihon Credit Lease Corp.



3. Management principles

(1) Basic principles of management

Based on Nichii Group's management philosophy of "We will contribute to the enhancement of human life through the development of our business", we are developing our businesses with the aim of contributing to the progress and development of society in areas deeply connected to medical support, health care, and education, and earning the trust of society.

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

The Nichii Group has established the three long-term objectives given below. These performance indicators were selected given: 1) Our business as a provider of human resource services; 2) The expectation that markets will continue to grow in the business areas the Group is pursuing – medical support, health care, and education; and 3) Our emphasis on increasing 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 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]

Given factors like the compensation revision aimed at lightening the burden on physicians and promoting ties to local communities, which was included in the April 2010 medical service fee revision, conditions with regard to the medical support and long-term care businesses, and customer needs, are undergoing major changes.

Under this environment, the Medical Support Business is strengthening its earnings base and moving forward with the provision of products and services addressing market needs.

In the future as well, we will continue to develop outstanding personnel, and stably supply human resources, capable of providing high-quality services. We will also strengthen our development and provision of comprehensive support products, like doctors' office work support services applying voice-recognition technology.

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 increase our earnings potential by agilely and efficiently undertaking initiatives like improving instructor development and developing classrooms in service facilities.

In line with our resolve to consider the fiscal year ending March 31, 2011 one for a new beginning of our Education Business, we began on May 10, 2010 to develop new course offerings that apply e-learning and are intended to generate med- to long-term growth for our Education Business.

Looking ahead, we aim to expand our business activities and build a solid business position by efficiently developing the existing classroom-based and correspondence courses, and e-learning courses, that provide students with more convenient alternatives, and developing and offering various lifelong learning courses that are relatively unaffected by economic ups and downs.

[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)

	FY2009 (As of March 31, 2009)	FY2010 (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	4,727,904	4,128,264
Notes and accounts receivable	25,720,516	28,554,508
Merchandise and finished goods	311,592	341,091
Work in progress	3,100	2,356
Raw materials and supplies	155,076	204,690
Deferred tax assets	1,364,197	3,118,120
Others	5,357,831	4,853,347
Allowance for doubtful accounts	(106,666)	(72,066)
Total current assets	37,533,553	41,130,312
Fixed assets		
Tangible fixed assets		
Buildings and structures	39,886,406	41,257,776
Accumulated depreciation	(12,853,105)	(15,094,123)
Buildings and structures (net)	27,033,300	26,163,653
Machinery and vehicles	108,424	89,509
Accumulated depreciation	(91,924)	(79,251)
Machinery and vehicles (net)	16,499	10,258
Tools, furniture and fixtures	2,596,847	2,654,167
Accumulated depreciation	(2,047,124)	(2,228,546)
Tools, furniture and fixtures (net)	549,723	425,621
Land	8,085,288	7,950,899
Lease assets	690,493	2,293,300
Accumulated depreciation	(64,202)	(435,635)
Lease assets (net)	626,290	1,857,665
Construction in progress	257,901	800,822
Total tangible fixed assets	36,569,004	37,208,921
Intangible fixed assets		
Goodwill	19,920,273	14,530,389
Software	2,022,521	2,821,940
Software in progress	1,451,054	368,889
Lease assets	476,080	1,127,471
Others	185,860	181,873
Total intangible fixed assets	24,055,790	19,030,562
Investments and other assets		
Investment securities	985,382	1,731,538
Long-term loans receivable	8,199,496	4,649,163
Long-term prepaid expenses	769,397	1,892,089
Guarantee deposit	9,209,072	9,813,349
Deferred tax assets	1,716,323	2,926,032
Others	2,148,903	1,417,868
Allowance for doubtful accounts	(695,206)	(718,751)
Total investments and other assets	22,333,369	21,711,288
Total fixed assets	82,958,164	77,950,773
Total assets	120,491,717	119,081,085

(Thousands of yen)

	FY2009 (As of March 31, 2009)	FY2010 (As of March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable	803,676	940,792
Short-term loans payable	8,668,002	1,018,002
Current portion of long-term loans payable	1,418,872	2,869,789
Current portion of bonds	1,480,000	–
Lease liabilities	268,818	703,260
Income taxes payable	870,677	2,350,522
Consumption taxes payable	417,972	945,206
Other accrued expenses	12,800,370	13,906,413
Allowance for employee bonuses	2,626,995	4,199,857
Allowance for directors' bonuses	32,400	34,000
Others	7,709,067	7,526,000
Total current liabilities	37,096,853	34,493,845
Long-term liabilities		
Long-term loans payable	26,622,366	24,002,119
Lease liabilities	928,326	2,493,828
Long-term advances received	3,839,160	3,636,254
Allowance for employee retirement benefits	3,704,320	4,133,049
Allowance for directors' retirement benefits	142,044	149,221
Others	284,804	444,443
Total long-term liabilities	35,521,022	34,858,917
Total liabilities	72,617,875	69,352,763
Net assets		
Shareholders' equity		
Common stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	24,820,390	26,912,370
Treasury stock	(6,436,143)	(6,788,705)
Total shareholders' equity	47,672,252	49,411,670
Unrealized gains and adjustments		
Unrealized gains on other securities	10,028	92,759
Total unrealized gains and adjustments	10,028	92,759
Minority interests	191,560	223,893
Total net assets	47,873,842	49,728,322
Total liabilities and net assets	120,491,717	119,081,085

(2) Consolidated statements of income

(Thousands of yen)

	FY2009 (from April 1, 2008 to March 31, 2009)	FY2010 (from April 1, 2009 to March 31, 2010)
Net sales	213,601,767	235,352,317
Cost of sales	174,900,412	188,499,309
Gross profit	38,701,354	46,853,007
Selling, general and administrative expenses		
Advertising and promotion expenses	5,275,990	4,713,698
Directors' compensation	182,634	178,474
Salaries and benefits	13,683,434	14,487,746
Provision for employee bonuses	720,125	1,033,029
Provision for directors' bonuses	32,400	34,354
Provision for directors' retirement benefits	9,244	8,011
Directors' retirement benefits	–	1,316
Provision for employee retirement benefits	338,697	383,268
Legal welfare expenses	2,073,084	2,265,332
Travel and transportation expenses	1,445,919	1,456,619
Rent expenses	3,195,695	3,126,623
Provision for doubtful accounts	–	15,685
Depreciation and amortization	883,671	1,573,625
Amortization of goodwill	1,193,461	1,268,693
Others	8,653,192	9,442,398
Total selling, general and administrative expenses	37,687,553	39,988,878
Operating income	1,013,800	6,864,129
Non-operating income		
Interest income	29,451	23,273
Commission on consignment for office work	88,047	121,171
Rent income	222,955	146,357
Compensation for damage received	–	141,101
Others	133,471	246,184
Total non-operating income	473,925	678,087
Non-operating expenses		
Interest expenses	538,845	545,559
Bond interest	36,261	3,307
Rent expenses	–	54,420
Others	112,211	61,836
Total non-operating expenses	687,318	665,124
Ordinary income	800,407	6,877,093

(Thousands of yen)

	FY2009 (from April 1, 2008 to March 31, 2009)	FY2010 (from April 1, 2009 to March 31, 2010)
Extraordinary income		
Gain on sale of fixed assets	3,868	43,528
Gain on prior periods bad debts recovered	–	98,015
Gain on liquidation of subsidiaries and affiliates	63,250	–
Gain on reversal of allowance for doubtful accounts	26,168	–
Others	3,966	16,333
Total extraordinary income	97,254	157,878
Extraordinary losses		
Loss on retirement of fixed assets	29,229	47,986
Loss on sales of investment securities	–	120,945
Adjustment for amortization of goodwill	–	4,121,190
Impairment loss	121,847	89,751
Loss on liquidation of business	65,848	–
Loss on consolidation of subsidiaries and affiliates	74,837	–
Loss on liquidation of employee mutual aid society	132,000	–
Others	19,954	151,107
Total extraordinary losses	443,717	4,530,981
Net income before income taxes and minority interests	453,944	2,503,989
Income taxes	675,701	2,332,930
Income taxes–deferred	827,375	(3,020,388)
Total income and other taxes	1,503,076	(687,457)
Minority interests in income	41,384	36,832
Net income (loss)	(1,090,516)	3,154,614

(3) Consolidated statements of changes in shareholders' equity

(Thousands of yen)

	FY2009 (from April 1, 2008 to March 31, 2009)	FY2010 (from April 1, 2009 to March 31, 2010)
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	27,075,682	24,820,390
Changes of items during the period		
Dividends from retained earnings	(1,162,259)	(796,653)
Decrease by merger	-	(265,515)
Net income (loss)	(1,090,516)	3,154,614
Disposal of treasury stock	(2,515)	(466)
Total changes during the period	(2,255,292)	2,091,979
Balance at the end of the current period	24,820,390	26,912,370
Treasury stock		
Balance at the end of the previous period	(5,935,860)	(6,436,143)
Changes of items during the period		
Purchase of treasury stock	(503,697)	(353,461)
Disposal of treasury stock	3,414	899
Total changes during the period	(500,282)	(352,562)
Balance at the end of the current period	(6,436,143)	(6,788,705)
Total shareholders' equity		
Balance at the end of the previous period	50,427,827	47,672,252
Changes of items during the period		
Dividends from retained earnings	(1,162,259)	(796,653)
Decrease by merger	-	(265,515)
Net income (loss)	(1,090,516)	3,154,614
Purchase of treasury stock	(503,697)	(353,461)
Disposal of treasury stock	899	432
Total changes during the period	(2,755,575)	1,739,417
Balance at the end of the current period	47,672,252	49,411,670

(Thousands of yen)

	FY2009 (from April 1, 2008 to March 31, 2009)	FY2010 (from April 1, 2009 to March 31, 2010)
Unrealized gains and adjustments		
Unrealized gains on other securities		
Balance at the end of the previous period	26,761	10,028
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	(16,732)	82,730
Total changes during the period	(16,732)	82,730
Balance at the end of the current period	10,028	92,759
Total unrealized gains and adjustments		
Balance at the end of the previous period	26,761	10,028
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	(16,732)	82,730
Total changes during the period	(16,732)	82,730
Balance at the end of the current period	10,028	92,759
Minority interests		
Balance at the end of the previous period	154,675	191,560
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	36,884	32,332
Total changes during the period	36,884	32,332
Balance at the end of the current period	191,560	223,893
Total net assets		
Balance at the end of the previous period	50,609,264	47,873,842
Changes of items during the period		
Dividends from retained earnings	(1,162,259)	(796,653)
Decrease by merger	—	(265,515)
Net income (loss)	(1,090,516)	3,154,614
Purchase of treasury stock	(503,697)	(353,461)
Disposal of treasury stock	899	432
Changes other than shareholders' equity during the period (net)	20,152	115,063
Total changes during the period	(2,735,422)	1,854,480
Balance at the end of the current period	47,873,842	49,728,322

(4) Consolidated statements of cash flows

(Thousands of yen)

	FY2009 (from April 1, 2008 to March 31, 2009)	FY2010 (from April 1, 2009 to March 31, 2010)
Cash flows from operating activities		
Income before income taxes	453,944	2,503,989
Depreciation and amortization	2,778,966	3,634,337
Amortization of goodwill	1,193,461	1,268,693
Increase (decrease) in allowance for doubtful accounts	(48,155)	(12,024)
Increase (decrease) in allowance for employee bonuses	(392,664)	1,572,173
Increase (decrease) in allowance for directors' bonuses	(3,600)	1,600
Increase (decrease) in allowance for employee retirement benefits	319,552	428,729
Increase (decrease) in allowance for directors' retirement benefits	(1,164)	7,177
Interest and dividends income	(32,215)	(25,015)
Interest expenses	575,107	548,866
Gain on prior periods bad debts recovered	—	(98,015)
Loss (gain) on sales of investment securities	—	120,945
Adjustment for amortization of goodwill	—	4,121,190
Compensation for damage received	—	(141,101)
Loss on retirement of fixed assets	29,229	47,986
Loss (gain) on sale of fixed assets	(3,868)	(43,528)
Impairment loss	121,847	89,751
Loss (gain) on liquidation of subsidiaries and affiliates	(63,250)	—
Loss on consolidation of subsidiaries and affiliates	74,837	—
Loss on valuation of golf club memberships	12,836	—
Decrease (increase) in accounts receivable	8,539	(2,184,188)
Decrease (increase) in inventories	167,966	(77,046)
Decrease (increase) in other current assets	1,264,279	(222,665)
Decrease (increase) in claims provable in bankruptcies	(1,456)	(25,345)
Increase (decrease) in accounts payable	(947,557)	120,290
Increase (decrease) in other current liabilities	(111,446)	514,549
Increase (decrease) in consumption tax payable	(354,866)	526,589
Decrease (increase) in other fixed assets	301,867	560,782
Increase (decrease) in other long-term liabilities	(2,015,476)	(114,590)
Others	19,948	4,959
Subtotal	3,346,663	13,129,093
Interest and dividends received	35,459	25,764
Interest paid	(581,505)	(553,526)
Income taxes paid	(469,205)	(1,016,236)
Compensation for damage received	—	141,101
Income tax refund	5,942	—
Cash flows from operating activities	2,337,354	11,726,195

	(Thousands of yen)	
	FY2009	FY2010
	(from April 1, 2008 to March 31, 2009)	(from April 1, 2009 to March 31, 2010)
Cash flows from investing activities		
Payments into time deposits	(562,500)	(405,500)
Withdrawal of time deposits	562,160	433,500
Acquisition of tangible fixed assets	(782,081)	(1,228,500)
Proceeds from sale of tangible fixed assets	18,976	397,694
Acquisition of intangible fixed assets	(2,339,198)	(445,748)
Expenditure for business transfer	-	(160,667)
Acquisition of investment securities	-	(608,667)
Proceeds from sale of investment securities	-	32,055
Acquisition of shares of subsidiaries and affiliates	-	(250,000)
Proceeds from sale of shares of subsidiaries and affiliates	4,000	-
Proceeds from liquidation of subsidiaries and affiliates	73,182	-
Long-term prepaid expense paid	(91,082)	-
Payments of loans receivable	(1,053,560)	(228,775)
Collection of loans receivable	232,278	2,136,329
Payments for guarantee deposit	(736,847)	(678,605)
Collection of guarantee deposit	292,331	323,962
Others (net)	243,143	(55,437)
Cash flows from investing activities	<u>(4,139,198)</u>	<u>(738,361)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans	8,355,002	(7,650,000)
Payments for redemption of bonds	(3,808,000)	(1,480,000)
Proceeds from long-term loans	16,614	265,573
Repayments for long-term loans	(21,751)	(1,434,904)
Proceeds from sale of treasury stock	899	432
Acquisition of treasury stock	(503,697)	(1,588)
Payments for dividends by parent company	(1,157,213)	(808,997)
Payments for dividends to minority shareholders	(4,500)	(4,500)
Repayments of lease obligations	(104,733)	(493,363)
Cash flows from financing activities	<u>2,772,619</u>	<u>(11,607,346)</u>
Increase (decrease) in cash and cash equivalents	<u>970,775</u>	<u>(619,512)</u>
Increase in cash and cash equivalents from newly consolidated subsidiary	30,795	-
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries	-	47,872
Cash and cash equivalents at beginning of year	3,434,833	4,436,404
Cash and cash equivalents at end of year	<u>4,436,404</u>	<u>3,864,764</u>