



## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2011 (J-GAAP)

August 10, 2010

Name of listed company: Nichii Gakkan Company

Listed on: Tokyo Stock Exchange 1st Section

Securities code: 9792

URL: <http://www.nichiigakkan.co.jp>

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Scheduled date of filing quarterly financial report: August 12, 2010

Scheduled date to start dividends distribution: —

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: None

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

### 1. Consolidated financial results for the first quarter ended June 30, 2010 (April 1, 2010 – June 30, 2010)

#### (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	%
Three months ended June 30, 2010	59,468	5.9	1,721	64.5	1,834	85.4	523	380.4
Three months ended June 30, 2009	56,174	6.4	1,046	—	989	—	109	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2010	7.58	—
Three months ended June 30, 2009	1.57	—

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2010	119,698	49,778	41.4	717.48
As of March 31, 2010	119,081	49,728	41.6	716.81

Reference: Shareholders' equity:

As of June 30, 2010: 49,550 million yen

As of March 31, 2010: 49,504 million yen

### 2. Dividends

	Annual Dividends (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Annual
Year ended March 31, 2010	—	6.00	—	6.00	12.00
Year ending March 31, 2011	—				
Year ending March 31, 2011 (Forecast)		7.00	—	7.00	14.00

Note: Revision in the forecast of dividends during the current quarter: None

### 3. Consolidated financial result forecasts for the year ending March 31, 2011 (April 1, 2010 – March 31, 2011)

(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
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

Note: Revision of the forecasts during the current quarter: None

**4. Others (For more details, refer to “2. Others” of the appendix materials on page 3.)**

**(1) Significant changes to subsidiaries during the term: None**

Note: This refers to transfers of specific subsidiaries with changes in the scope of consolidation during the quarter.

**(2) Application of the simplified accounting as well as specific accounting: Yes**

Note: This refers to application of the simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements.

**(3) Changes in accounting policies, procedures and methods of presentation**

1) Changes due to the revision of accounting standard, etc.: Yes

2) Changes other than 1): None

Note: This refers to changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements described in the section of “Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements.”

**(4) Number of shares issued and outstanding (common stock)**

1) Number of shares issued and outstanding at the end of each period (including treasury stock)

As of June 30, 2010:	73,017,952 shares	As of March 31, 2010:	73,017,952 shares
As of June 30, 2010:	3,955,615 shares	As of March 31, 2010:	3,955,469 shares
Three months ended June 30, 2010:	69,062,442 shares	Three months ended June 30, 2009:	69,305,787 shares

2) Number of treasury stock at the end of each period

3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)

**\* Presentation of implementation status for quarterly review procedures**

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to these Consolidated Financial Results and the procedure based on this Act was not complete as of the release of these Consolidated Financial Results.

**\* Explanation concerning the appropriate use of financial forecasts and other special notes (Forward looking statements)**

The above forecasts are based on information Nichii Gakkan had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. Various factors may cause actual results to differ significantly from forecasts. Please refer to the disclaimers, provided under “Qualitative information on consolidated financial results forecasts” on page 3 of the quarterly summary financial report (attachment), regarding assumptions upon which forecasts are based and the use of forecasts.

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## 1. Qualitative information on quarterly consolidated financial results

### (1) Qualitative information on consolidated operating results

During the first three months of the fiscal year ending March 31, 2011, the Japanese economy experienced a mild recovery. Exports and production gradually picked up, and capital investments ceased to decline with the help of corporate earnings improvements. Nevertheless, with unemployment in the 5% range over the April-June quarter, employment conditions remained difficult.

As for the business conditions affecting the Nichii Group, a 0.19% increase in medical service fees (the first overall increase in 10 years) was implemented with the aims of improving conditions in emergency and obstetric medicine, lightening the burden on physicians, and improving the management for medical institutions. In June, the cabinet passed a new growth strategy to promote medicine, long-term care, and health-related fields as economic growth sectors. The strategy aims to create new markets worth approximately 50 trillion yen and 2.84 million jobs by 2020.

Against this background, the Nichii Group actively investing in new endeavors as part of its medium- to long-term business strategy. Examples included the use of voice-recognition technology to lighten the administrative burden on physicians and the development of new courses applying e-learning systems.

Our business results were highlighted by increases in both revenue and profits especially in Health Care Business, driven mainly by steady increases in users of home-care and facility-care services.

As a result, net sales were 59,468 million yen (56,174 million yen in the same period of the previous year), operating income was 1,721 million yen (1,046 million yen in the same period of the previous year), ordinary income was 1,834 million yen (989 million yen in the same period of the previous year) and net income was 523 million yen (109 million yen in the same period of the previous year).

Operating results by segment were as follows.

#### <Medical Support Business>

In the Medical Support Business, we entered the third year of our five-year plan to adjust contract terms to more reasonable conditions. And endeavors in this area are beginning to pay off with rising revenue per medical institution under contract, and an upward revenue trend for the business as a whole.

Regarding our expansion of medical management support services, we responded to the April medical service fee increase by adding new emphasis to the development of doctors' office work support services and efforts to use our long-term care foundation to link medical and long-term care. We focused in particular on laying the groundwork for development of new office work support services for doctors (Cyber Clerk) applying voice-recognition technology.

As a result, sales of this segment were 25,500 million yen (25,124 million yen in the same period of the previous year), and operating income was 1,342 million yen (1,667 million yen in the same period of the previous year).

#### <Health Care Business>

In home-care services, we saw steady increases in users of our care plan preparation, home-visit care, day care, and other services. A steady rise in the number of care plans handled per care manager in the area of care plan preparation also contributed to the ongoing improvement in profits.

In facility-care services, solid increases in numbers of users of existing facilities pushed availability of all facilities up to 93.5% as of the end of June. The total number of care facilities rose to 288 with the establishment of four new group homes in the April-June quarter.

As a result, segment sales during the period under review were 30,040 million yen (26,382 million yen in the same period of the previous year) and operating income was 1,249 million yen (97 million yen in the same period of the previous year).

#### <Education Business>

As fewer and fewer people seek employment in areas like manufacturing and construction, more and more turn to medical and long-term care, where employment numbers continue to rise and job creation is expected to continue. Within that context, the Education Business actively worked to gain employment training contracts and pursued advertising and teaching facility development focused on efficiency.

Enrollment for our Home Helper Level 2 Course and Medical Office Work Course, our main education offerings, declined relative to last year, but, on the whole, remained steady.

As for new course offerings, we introduced nine e-learning courses, including bookkeeping and English conversation offerings launched in May, as we moved ahead with efforts to expand our course line-up beyond medical and long-term care to include more general skills useful for work and life.

Therefore, sales of the segment during the period under review were 3,823 million yen (4,528 million yen in the same period of the previous year) and operating income amounted to 871 million yen (1,319 million yen in the same period of the previous year).

#### <Other Businesses>

In Other Businesses, we pushed ahead with the development of new ventures aimed at creating additional synergies with our main businesses.

The “Lakewoods Garden / Himeharu no Sato” project being developed by Nichii Green Farm Co., Ltd. in Mobara City, Chiba Prefecture (opening planned for the early April of 2011) is one example of our efforts to develop and offer new services that can be expected to deliver synergies with existing businesses.

Sales of the Other Businesses during the period under review were 104 million yen (138 million yen in the same period of the previous year) and operating income 60 million yen (76 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 three months of the current fiscal year increased by 617 million yen compared with the figure at the end of the previous fiscal year to 119,698 million yen. This is mainly because current assets decreased by 816 million yen due to a decrease in cash and deposits, etc., while fixed assets increased by 1,433 million yen due to increase in tangible fixed assets.

Liabilities increased by 567 million yen compared with the figure at the end of the previous fiscal year to 69,920 million yen. This is mainly because long-term liabilities increased by 717 million yen due to increase in asset retirement obligation followed by the application of the Accounting Standards Related to Asset Retirement Obligations.

Net assets increased compared with the figure at the end of the previous fiscal year by 49 million yen to 49,778 million yen.

#### (3) Qualitative information on consolidated financial result forecasts

Our consolidated financial result forecasts for the year ending March 31, 2011 has been updated since the last forecast announcement on May 17, 2010.

## 2. Others

#### (1) Overview of significant changes to subsidiaries

There is no related information.

#### (2) Overview of the simplified accounting as well as specific accounting

##### \* Simplified accounting method

##### Method used to value inventories

In determining the value of inventory assets as of the end of the current first quarter, some physical inventory counts were omitted. Reasonable estimates based on physical inventory counts as of the end of the previous fiscal year 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) Overview of changes in accounting policies, procedures and methods of presentation

##### \* Changes in the accounting standards

##### (Application of Accounting Standards for Asset Retirement Obligations)

Effective from the current first quarter, Nichii Gakkan has applied the “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No.18 issued on March 31, 2008) and the “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued on March 31, 2008).

As a result of this application, operating income and ordinary income declined by ¥20 million each, and income before income taxes and minority interests decreased by ¥525 million. The amount change of asset retirement obligations due to the application of the accounting standards was ¥1,196 million.

**3. Quarterly consolidated financial statements****(1) Quarterly consolidated balance sheets**

	(Thousands of yen)	
	As of June 30, 2010	As of March 31, 2010
<b>Assets</b>		
Current assets		
Cash and deposits	3,281,750	4,128,264
Notes and accounts receivable	29,436,151	28,554,508
Merchandise and finished goods	401,874	341,091
Work in progress	4,147	2,356
Raw materials and supplies	213,728	204,690
Others	7,049,321	7,971,467
Allowance for doubtful accounts	(72,733)	(72,066)
Total current assets	40,314,240	41,130,312
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	26,607,396	26,163,653
Others (net)	11,460,513	11,045,267
Total tangible fixed assets	38,067,909	37,208,921
Intangible fixed assets		
Goodwill	14,288,958	14,530,389
Others	4,993,266	4,500,173
Total intangible fixed assets	19,282,224	19,030,562
Investments and other assets		
Others	22,756,970	22,430,040
Allowance for doubtful accounts	(722,431)	(718,751)
Total investments and other assets	22,034,538	21,711,288
Total fixed assets	79,384,672	77,950,773
Total assets	119,698,912	119,081,085
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	942,173	940,792
Short-term loans payable	3,140,000	1,018,002
Income taxes payable	295,278	2,350,522
Other accrued expenses	14,679,699	13,906,413
Allowance for employee bonuses	2,392,720	4,199,857
Allowance for directors' bonuses	19,900	34,000
Others	12,874,283	12,044,256
Total current liabilities	34,344,055	34,493,845
Long-term liabilities		
Long-term loans payable	23,046,273	24,002,119
Allowance for employee retirement benefits	4,239,918	4,133,049
Allowance for directors' retirement benefits	151,337	149,221
Asset retirement obligations	1,206,059	—
Others	6,933,035	6,574,526
Total long-term liabilities	35,576,624	34,858,917
Total liabilities	69,920,680	69,352,763

(Thousands of yen)

	As of June 30, 2010	As of March 31, 2010
Net assets		
Shareholders' equity		
Common stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	27,021,771	26,912,370
Treasury stock	(6,788,832)	(6,788,705)
Total shareholders' equity	49,520,943	49,411,670
Unrealized gains and adjustments		
Unrealized gains on other securities	29,735	92,759
Total unrealized gains and adjustments	29,735	92,759
Minority interests	227,552	223,893
Total net assets	49,778,231	49,728,322
Total liabilities and net assets	119,698,912	119,081,085

(2) Quarterly consolidated statements of income  
(Three months ended June 30, 2010)

	(Thousands of yen)	
	Three months ended June 30, 2009	Three months ended June 30, 2010
Net sales	56,174,054	59,468,184
Cost of sales	44,914,458	47,652,530
Gross profit	11,259,596	11,815,654
Selling, general and administrative expenses	10,213,116	10,093,737
Operating income (loss)	1,046,480	1,721,916
Non-operating income		
Interest income	7,769	27,541
Commission on consignment for office work	29,076	28,342
Rent income	33,174	36,651
Commission on consignment for job creation businesses	—	122,417
Others	33,219	93,752
Total non-operating income	103,239	308,705
Non-operating expenses		
Interest expenses	132,849	138,625
Bond interest	2,568	—
Rent expenses	15,403	12,344
Others	9,559	45,507
Total non-operating expenses	160,381	196,477
Ordinary income (loss)	989,338	1,834,144
Extraordinary income		
Gain on sales of fixed assets	350	—
Gain on prior periods bad debts recovered	69,757	—
Others	—	116,832
Total extraordinary income	70,108	116,832
Extraordinary losses		
Loss on retirement of fixed assets	8,293	1,297
Loss on valuation of investment securities	120,945	—
Loss on liquidation of business	3,192	—
Loss on adjustment for changes of accounting standards for asset retirement obligations	—	504,813
Others	—	5,716
Total extraordinary losses	132,431	511,826
Net income (loss) before income taxes and minority interests	927,014	1,439,151
Income taxes	314,034	132,582
Income taxes—deferred	495,761	774,633
Total income and other taxes	809,795	907,216
Income before minority interests	—	531,934
Minority interests income of consolidated subsidiaries	8,179	8,158
Net income (loss)	109,039	523,775



(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.