



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

November 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: November 11, 2010

Scheduled date to start dividends distribution: December 10, 2010

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the second quarter ended September 30, 2010 (April 1, 2010 – September 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 | % |
| Six months ended September 30, 2010 | 119,623 | 6.2 | 3,401 | 41.9 | 3,727 | 62.6 | 1,329 | 96.1 |
| Six months ended September 30, 2009 | 112,643 | 6.3 | 2,398 | — | 2,293 | — | 677 | — |

| | Net Income per Share | Diluted Net Income per Share |
|-------------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Six months ended September 30, 2010 | 19.25 | — |
| Six months ended September 30, 2009 | 9.80 | — |

(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, 2010 | 122,228 | 50,516 | 41.1 | 727.99 |
| As of March 31, 2010 | 119,081 | 49,728 | 41.6 | 716.81 |

Reference: Shareholders' equity: As of September 30, 2010: 50,276 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 | — | 7.00 | | | |
| Year ending March 31, 2011 (Forecast) | | | — | 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 |
| 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 4.)

(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 (including treasury stock) | As of September 30, 2010: | 73,017,952 shares | As of March 31, 2010: | 73,017,952 shares |
| 2) Number of treasury stock | As of September 30, 2010: | 3,955,761 shares | As of March 31, 2010: | 3,955,469 shares |
| 3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period) | Six months ended September 30, 2010: | 69,062,344 shares | Six months ended September 30, 2009: | 69,183,778 shares |

*** 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 result forecasts” on page 3 of the quarterly summary financial report (appendix materials), 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 six months ended September 30, 2010, the Japanese economy, supported by exports to emerging markets, was on a recovery track, but, with stagnant personal incomes and difficult employment conditions adding to rapid yen appreciation, its future remained highly uncertain.

Regarding business conditions for the Nichii Group, debate regarding the scheduled 2012 revision of the long-term care insurance system got underway in May. Being discussed for social security reform are issues like the full-scale introduction of 24-hour home nursing service, improving compensation for care workers, and reviews of benefit and burden with an eye toward securing financial resources.

With that as a backdrop, the Nichii Group, with our philosophy “contribute to the enhancement of human life,” worked to further strengthen its internal training system, the goal of which is safe, secure service delivery. We also moved ahead with the development and delivery of new user-oriented services applying e-learning and voice-recognition technology.

In terms of business results, we maintained steady increases in both net sales and profit. In our Health Care Business, the number of users of home-care, facility-care and non-insurance services continued to rise steadily. And in our Education Business, services for the government’s support program “Study and obtain a qualification as a care worker while working at long-term care facilities” contributed to an increase of non-operating revenue.

As a result, net sales were 119,623 million yen (112,643 million yen in the same period of the previous year), operating income was 3,401 million yen (2,398 million yen in the same period of the previous year), ordinary income was 3,727 million yen (2,293 million yen in the same period of the previous year) and net income was 1,329 million yen (677 million yen in the same period of the previous year).

Operating results by segment were as follows.

Beginning with the current fiscal year, we have partially revised the standard for the allocation of expenses among segments.

<Medical Support Business>

Net sales for our Medical Support Business rose as we steadily increased the number of hospitals under contract and continued to make progress in contract revisions, increasing net sales per hospital. Profit, however, declined compared to the same period a year ago due to a cost increase on factors like the reallocation of expenses among segments and a hike in health insurance rates.

Regarding the development of new services, the Company responded to the April contract revision, which created new additional-medical-fee items and reassessed existing items to lighten the administrative burden of physicians. For this, we actively deployed medical office work assistants and started to offer new “cyber clerk” medical administration services applying voice-recognition technology in certain geographic areas.

As a result, sales of this segment were 51,213 million yen (50,435 million yen in the same period of the previous year), and operating income was 2,951 million yen (3,680 million yen in the same period of the previous year).

<Health Care Business>

In the Health Care Business, the number of users of care plan creation, home-visit care, day care, and other home-care services covered by the long-term care insurance system remained at favorable levels. These results, together with increases in users of non-insurance services such as welfare services for the handicapped and housekeeping services, contributed to an improvement in net sales.

In the area of facility-care services, individual facilities continued to see steady rises in service users, with stronger sales activities and efforts to revise pricing contributing to increases at Nichii Home in particular. Rising user numbers are helping to build a stable revenue base for our facility-care services.

Turning to the opening of new care facilities, we now have over 1,000 home-visit care service offices (including home-visit bathing service offices). Six new group homes added between April and September brought the number of care facilities to 290. In accordance with our efforts to operate care facilities that are tailored to local needs, we are planning to open nine new group homes and one pay nursing home in and after October.

As a result, segment sales during the period under review were 61,126 million yen (53,592 million yen in the same period of the previous year) and operating income was 3,102 million yen (731 million yen in the same period of the previous year).

<Education Business>

The Education Business saw a year-on-year decline in the number of students enrolled in its mainstay Home Helper Level 2 Course and Medical Office Work Course offerings. Despite that, however, the Company, with local governments pursuing emergency measures to create employment in the medical and long-term care fields, managed to keep its

performance in this business on track. We did this by actively working to promote our services for the government's support program "Study and obtain a qualification as a care worker while working at long-term care facilities" and other job training programs covered by subsidies.

With regard to the Web College, Nichii's e-learning educational program inaugurated in September, we are focusing on developing new courses to build a foundation for a new Education Business enterprise that meets learning needs in the medical and long-term care fields and a wide array of other areas, as well. Toward that end, we also devoted substantial efforts to PR activities including television commercials and participation in various types of events.

Therefore, sales of the segment during the period under review were 7,073 million yen (8,333 million yen in the same period of the previous year) and operating income amounted to 1,043 million yen (1,923 million yen in the same period of the previous year).

<Other Businesses>

In our Other Businesses segment, we are working to improve operational efficiency for the Group and moving ahead with the development of new businesses.

At Lakewoods Garden Himeharu no Sato, a project being undertaken by Nichii Green Farm Co. Ltd. in Mobara City, Chiba Prefecture, we are developing and preparing to offer gardening therapy, animal therapy and other new services, which are expected to bring synergy effects under the principal operations. The grand opening of Lakewoods Garden Himeharu no Sato is scheduled for early April 2011.

Sales of the Other Businesses during the period under review were 209 million yen (282 million yen in the same period of the previous year) and operating income was 5 million yen (185 million yen in the same period of the previous year).

(2) Qualitative information on consolidated financial position

Total assets at the end of the second quarter of the current fiscal year increased by 3,147 million yen compared with the figure at the end of the previous fiscal year to 122,228 million yen. This is mainly because current assets increased by 1,266 million yen due to an increase in notes and accounts receivable, etc., while fixed assets increased by 1,880 million yen due to increases in tangible fixed assets, etc.

Total liabilities increased by 2,359 million yen compared with the figure at the end of the previous fiscal year to 71,711 million yen. This is mainly because current liabilities increased by 2,509 million yen due to increase in short-term loans payable and accrued expenses, etc.

Total net assets increased compared with the figure at the end of the previous fiscal year by 788 million yen to 50,516 million yen.

(3) Qualitative information on consolidated financial result forecasts

Our consolidated financial result forecasts for the year ending March 31, 2011 has not been changed 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

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 first quarter of the current fiscal year, 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 42 million yen each, and income before income taxes and minority interests decreased by 546 million yen for the first six months ended September 30, 2010. The amount change of asset retirement obligations due to the application of the accounting standards was 1,196 million yen.

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

| | (Thousands of yen) | |
|--|--------------------------|----------------------|
| | As of September 30, 2010 | As of March 31, 2010 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,128,303 | 4,128,264 |
| Notes and accounts receivable | 29,425,451 | 28,554,508 |
| Merchandise and finished goods | 421,204 | 341,091 |
| Work in process | 17,477 | 2,356 |
| Raw materials and supplies | 206,836 | 204,690 |
| Others | 8,260,512 | 7,971,467 |
| Allowance for doubtful accounts | (62,944) | (72,066) |
| Total current assets | 42,396,840 | 41,130,312 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures (net) | 27,122,791 | 26,163,653 |
| Others (net) | 11,067,814 | 11,045,267 |
| Total tangible fixed assets | 38,190,606 | 37,208,921 |
| Intangible fixed assets | | |
| Goodwill | 14,047,528 | 14,530,389 |
| Others | 5,459,937 | 4,500,173 |
| Total intangible fixed assets | 19,507,465 | 19,030,562 |
| Investments and other assets | | |
| Others | 22,872,916 | 22,430,040 |
| Allowance for doubtful accounts | (739,311) | (718,751) |
| Total investments and other assets | 22,133,604 | 21,711,288 |
| Total fixed assets | 79,831,677 | 77,950,773 |
| Total assets | 122,228,517 | 119,081,085 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 773,790 | 940,792 |
| Short-term loans payable | 1,818,002 | 1,018,002 |
| Income taxes payable | 2,297,726 | 2,350,522 |
| Other accrued expenses | 14,475,522 | 13,906,413 |
| Allowance for employees' bonuses | 4,583,930 | 4,199,857 |
| Allowance for directors' bonuses | 19,900 | 34,000 |
| Others | 13,034,386 | 12,044,256 |
| Total current liabilities | 37,003,258 | 34,493,845 |
| Long-term liabilities | | |
| Long-term loans payable | 22,108,318 | 24,002,119 |
| Allowance for employees' retirement benefits | 4,340,663 | 4,133,049 |
| Allowance for directors' retirement benefits | 153,748 | 149,221 |
| Asset retirement obligations | 1,212,440 | — |
| Others | 6,893,333 | 6,574,526 |
| Total long-term liabilities | 34,708,506 | 34,858,917 |
| Total liabilities | 71,711,764 | 69,352,763 |

(Thousands of yen)

| | As of September 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 | 27,827,145 | 26,912,370 |
| Treasury stock | (6,788,946) | (6,788,705) |
| Total shareholders' equity | 50,326,203 | 49,411,670 |
| Unrealized gains and adjustments | | |
| Unrealized gains on other securities | (49,387) | 92,759 |
| Total unrealized gains and adjustments | (49,387) | 92,759 |
| Minority interests | 239,936 | 223,893 |
| Total net assets | 50,516,752 | 49,728,322 |
| Total liabilities and net assets | 122,228,517 | 119,081,085 |

(2) Quarterly consolidated statements of income
(Six months ended September 30, 2010)

(Thousands of yen)

| | Six months ended September 30, 2009 | Six months ended September 30, 2010 |
|--|--|--|
| Net sales | 112,643,552 | 119,623,409 |
| Cost of sales | 89,917,886 | 95,685,813 |
| Gross profit | 22,725,666 | 23,937,596 |
| Selling, general and administrative expenses | 20,327,577 | 20,535,625 |
| Operating income | 2,398,088 | 3,401,970 |
| Non-operating income | | |
| Interest income | 14,518 | 55,702 |
| Commission on consignment for office work | 58,752 | 57,552 |
| Rent income | 68,513 | 89,602 |
| Commission on consignment for job creation businesses | — | 227,424 |
| Others | 72,337 | 229,797 |
| Total non-operating income | 214,121 | 660,079 |
| Non-operating expenses | | |
| Interest expenses | 264,352 | 279,823 |
| Bond interest | 3,307 | — |
| Rent expenses | 30,901 | 25,336 |
| Others | 20,602 | 29,506 |
| Total non-operating expenses | 319,163 | 334,667 |
| Ordinary income | 2,293,046 | 3,727,383 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 43,528 | 210 |
| Gain on prior periods bad debts recovered | 69,757 | — |
| Reversal of allowance for employees' bonuses | — | 111,148 |
| Gain on sales of investment securities | — | 5,119 |
| Total extraordinary income | 113,286 | 116,478 |
| Extraordinary losses | | |
| Loss on retirement of fixed assets | 11,265 | 28,792 |
| Loss on sales of investment securities | 120,945 | — |
| Loss on liquidation of business | 7,392 | — |
| Loss on adjustment for changes of accounting standards for asset retirement obligations | — | 504,813 |
| Others | — | 5,716 |
| Total extraordinary losses | 139,602 | 539,321 |
| Income before income taxes and minority interests | 2,266,730 | 3,304,540 |
| Income taxes | 2,141,511 | 1,953,541 |
| Income taxes—deferred | (573,534) | 1,306 |
| Total income and other taxes | 1,567,977 | 1,954,847 |
| Income before minority interests | — | 1,349,692 |
| Minority interests income of consolidated subsidiaries | 21,029 | 20,542 |
| Net income | 677,723 | 1,329,149 |

(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.