



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

February 9, 2011

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

Contact: Koichi Terada, Director, Manager of Accounting and Finance Division

TEL: 03-3291-2121

Scheduled date of filing quarterly financial report: February 10, 2011

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 third quarter ended December 31, 2010 (April 1, 2010 – December 31, 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	%
Nine months ended December 31, 2010	180,643	2.2	6,187	28.6	6,856	41.5	2,794	23.6
Nine months ended December 31, 2009	176,693	10.8	4,810	—	4,844	—	2,260	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2010	40.47	—
Nine months ended December 31, 2009	32.70	—

#### (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, 2010	122,435	51,580	41.9	743.29
As of March 31, 2010	119,081	49,728	41.6	716.81

Reference: Shareholders' equity: As of December 31, 2010: 51,333 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: Revisions to the above forecast of dividends in the current quarter under review: 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: Revisions to the above forecast of dividends in the current quarter under review: 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 December 31, 2010:	73,017,952 shares	As of March 31, 2010:	73,017,952 shares
2) Number of treasury stock	As of December 31, 2010:	3,956,227 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)	Nine months ended December 31, 2010:	69,062,224 shares	Nine months ended December 31, 2009:	69,143,318 shares

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

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to the quarterly 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 consolidated financial results (appendix materials), regarding assumptions upon which forecasts are based and the use of forecasts.

Contents of the appendix materials

1. Qualitative information on quarterly consolidated financial results .....	2
(1) Qualitative information on consolidated operating results .....	2
(2) Qualitative information on consolidated financial position .....	3
(3) Qualitative information on consolidated financial result forecasts .....	3
2. Others .....	4
(1) Overview of significant changes to subsidiaries .....	4
(2) Overview of the simplified accounting as well as specific accounting .....	4
(3) Overview of changes in accounting policies, procedures and methods of presentation .....	4
3. Quarterly consolidated financial statements .....	5
(1) Quarterly consolidated balance sheets .....	5
(2) Quarterly consolidated statements of income .....	7
(3) Notes on premise of a going concern .....	8
(4) Notes on significant fluctuation in amounts of shareholders' equity .....	8

## 1. Qualitative information on quarterly consolidated financial results

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

During the first nine months ended December 31, 2010, the Japanese economy saw corporate earnings improve in some sectors, but, amid ongoing difficult employment conditions, its future remains highly unpredictable.

Regarding business conditions for the Nichii Group, the October 26, 2010 cabinet approval of the supplemental budget included an allocation of 1,123,900 million yen for improving child care, medical, long-term care, and social welfare. The budget also included funds for securing human resources for the field of nursing care for elderly. The field of social security, therefore, is expected to remain an area of growth characterized by high demand and employment creation.

Meanwhile, in the lead up to the long-term care insurance system revision slated for April 2012, discussions regarding two key topics – the realization of comprehensive regional systems that would provide organic and integrated medical, nursing care, preventive health care, residential, and household support services, and the building of a sustainable long-term care system aimed at balancing the burden for and receipt of those services. Looking ahead, attention is being focused on discussions of integrated reforms covering both long-term care and the tax system, which are expected to begin in earnest.

Against that backdrop, the Nichii Group continued to focus on improving compensation as a means to secure human resources for medical and nursing care services. In addition, we worked on the development of care worker training courses applying Nichii's e-learning educational program Web College and the provision of services aimed at helping nurses find jobs. At the same time, we pushed ahead with the construction of a system for providing comprehensive services spanning medical (nursing) and nursing care needs to enhance our service offerings, taking advantage of all our management resources, and to further promote synergies among our main businesses.

As for operating results, steady increases in users of our Health Care Business' home-visit care, day care, and other in-home care services, and a strong response to our Education Business' "Study and obtain a qualification as a care worker while working at long-term care facilities" program, contributed to an increase of non-operating revenue.

As a result, net sales were 180,643 million yen (176,693 million yen in the same period of the previous year), operating income was 6,187 million yen (4,810 million yen in the same period of the previous year), ordinary income was 6,856 million yen (4,844 million yen in the same period of the previous year) and net income was 2,794 million yen (2,260 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>

In our Medical Support Business, higher net sales per hospital resulting from ongoing progress in contract revisions and a steady increase in the number of hospitals (mainly private) under contract kept net sales on an upward trend. Profit, however, fell compared to the same period a year ago due to factors like higher health insurance rates and the implementation of compensation improvements. That said, however, there are signs that initiatives like our efforts to provide more services to medical institutions already under contract and assign personnel more efficiently are beginning to pay off.

We began offering our "cyber clerk" medical administration services in some areas in October and are focusing on promotion of these services as a way to not only lighten the administrative burden of physicians but also help secure more physicians by improving working environments.

As a result, sales of this segment during the first nine months ended December 31, 2010, were 77,113 million yen (75,884 million yen in the same period of the previous year), and operating income was 4,910 million yen (5,872 million yen in the same period of the previous year).

#### <Health Care Business>

The Health Care Business remained on a growth track on the strength of steady increases in users of our home-visit care, day care, and other in-home care services and steady increases in users of our facility-care services. The latter includes the impact of new care facility openings.

During the third quarter under review, we opened 14 new home-visit care service facilities, 6 new day care service facilities, and 13 new in-home care support facilities in our in-home care service operations. In our facility-care service operations, we added 4 new group homes (Nichii no Hohoemi) and 1 new pay nursing home (Nichii no Kirameki), bringing the overall total to 295.

Moving forward, we will continue to add new facilities tailored to local needs to address the shortage of care infrastructure and expand the Nichii Group's nursing care service network.

As a result, segment sales during the first nine months ended December 31, 2010, were 92,931 million yen (88,490 million yen in the same period of the previous year) and operating income was 5,125 million yen (2,296 million yen in the same period of the previous year).

**<Education Business>**

In the Education Business, enrollment figures for the mainstay Home Helper Level 2 Course and Medical Office Work Course offerings continued to fall relative to last year, which benefited from a sudden rise in demand for professional qualifications in response to a change in employment conditions. Nevertheless, with local governments promoting the “Study and obtain a qualification as a care worker while working at long-term care facilities” programs and strong enrollment figures for job training programs covered by subsidies to address shortages of medical and long-term care personnel, overall enrollment figures remained at high levels.

With regard to the Web College, we are advancing strategies aimed at building a stronger business foundation by focusing on the development of new courses to expand the range of population segments enrolling and actively pursuing event sponsorship and other PR initiatives in various locations.

Therefore, sales of the segment during the first nine months ended December 31, 2010, were 10,159 million yen (11,866 million yen in the same period of the previous year) and operating income amounted to 1,573 million yen (2,591 million yen in the same period of the previous year).

**<Other Businesses>**

In our Other Businesses segment, we are undertaking new initiatives to improve operational efficiency and promote additional synergies for the Group.

In the lead up to the grand opening of Lakewoods Garden Himeharu no Sato in the first half of April 2011, we are moving ahead with the preparation of operational infrastructure and focusing on the development of an animal (dog) therapy program to supplement the physical care provided in our Health Care Business with mental health care services focusing on emotional healing.

Sales of the Other Businesses during the first nine months ended December 31, 2010, were 439 million yen (452 million yen in the same period of the previous year) and operating income was 45 million yen (341 million yen in the same period of the previous year).

**(2) Qualitative information on consolidated financial position**

Total assets at the end of the third quarter of the current fiscal year increased by 3,353 million yen compared with the figure at the end of the previous fiscal year to 122,435 million yen. This is mainly because current assets increased by 919 million yen due to an increase in notes and accounts receivable, etc., while fixed assets increased by 2,434 million yen due to increases in tangible fixed assets, etc.

Total liabilities increased by 1,501 million yen compared with the figure at the end of the previous fiscal year to 70,854 million yen. This is mainly because current liabilities increased by 2,436 million yen due to increase in accrued expenses, etc.

Total net assets increased compared with the figure at the end of the previous fiscal year by 1,852 million yen to 51,580 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 previous 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

With respect to the calculation of inventory levels at the end of the third quarter of the current fiscal year, physical inventory is partially omitted and the method of calculation is based on a rational method on the foundation of levels of physical inventory at the end of the second quarter of the current fiscal year.

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

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 61 million yen each, and income before income taxes and minority interests decreased by 565 million yen for the first nine months of the current fiscal year. 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 December 31, 2010	As of March 31, 2010
<b>Assets</b>		
Current assets		
Cash and deposits	3,792,307	4,128,264
Notes and accounts receivable	30,065,198	28,554,508
Merchandise and finished goods	392,333	341,091
Work in process	4,680	2,356
Raw materials and supplies	200,833	204,690
Others	7,655,100	7,971,467
Allowance for doubtful accounts	(60,650)	(72,066)
Total current assets	42,049,803	41,130,312
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	26,900,447	26,163,653
Others (net)	12,233,991	11,045,267
Total tangible fixed assets	39,134,438	37,208,921
Intangible fixed assets		
Goodwill	13,806,097	14,530,389
Others	5,430,739	4,500,173
Total intangible fixed assets	19,236,837	19,030,562
Investments and other assets		
Others	22,755,684	22,430,040
Allowance for doubtful accounts	(741,751)	(718,751)
Total investments and other assets	22,013,932	21,711,288
Total fixed assets	80,385,207	77,950,773
Total assets	122,435,011	119,081,085
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	995,518	940,792
Short-term loans payable	340,000	1,018,002
Income taxes payable	1,314,402	2,350,522
Other accrued expenses	16,382,170	13,906,413
Allowance for employees' bonuses	2,245,724	4,199,857
Allowance for directors' bonuses	—	34,000
Others	15,652,407	12,044,256
Total current liabilities	36,930,223	34,493,845
Long-term liabilities		
Long-term loans payable	20,246,988	24,002,119
Allowance for employees' retirement benefits	4,457,328	4,133,049
Allowance for directors' retirement benefits	155,833	149,221
Asset retirement obligations	1,218,822	—
Others	7,845,281	6,574,526
Total long-term liabilities	33,924,253	34,858,917
Total liabilities	70,854,476	69,352,763

(Thousands of yen)

	As of December 31, 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	28,809,368	26,912,370
Treasury stock	(6,789,269)	(6,788,705)
Total shareholders' equity	51,308,103	49,411,670
Unrealized gains and adjustments		
Unrealized gains on other securities	24,943	92,759
Total unrealized gains and adjustments	24,943	92,759
Minority interests	247,488	223,893
Total net assets	51,580,535	49,728,322
Total liabilities and net assets	122,435,011	119,081,085



(2) Quarterly consolidated statements of income  
(Nine months ended December 31, 2010)

(Thousands of yen)

	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net sales	176,693,763	180,643,444
Cost of sales	141,865,606	144,484,659
Gross profit	34,828,157	36,158,785
Selling, general and administrative expenses	30,018,071	29,970,822
Operating income	4,810,086	6,187,962
Non-operating income		
Interest income	19,099	83,735
Commission on consignment for office work	91,295	86,828
Rent income	113,038	165,180
Compensation for damage received	141,101	—
Commission on consignment for job creation businesses	—	522,468
Others	143,248	323,100
Total non-operating income	507,782	1,181,313
Non-operating expenses		
Interest expenses	395,910	436,041
Bond interest	3,307	—
Rent expenses	42,474	38,858
Others	31,295	38,030
Total non-operating expenses	472,988	512,930
Ordinary income	4,844,880	6,856,345
Extraordinary income		
Gain on sales of fixed assets	43,528	210
Reversal of allowance for employees' bonuses	—	111,148
Gain on prior periods bad debts recovered	69,757	—
Gain on sales of investment securities	16,142	5,119
Total extraordinary income	129,428	116,478
Extraordinary losses		
Loss on retirement of fixed assets	13,133	38,441
Loss on sales of investment securities	120,945	—
Adjustment for amortization of goodwill	4,121,190	—
Loss on adjustment for changes of accounting standards for asset retirement obligations	—	504,813
Others	100,641	132,779
Total extraordinary losses	4,355,911	676,033
Income before income taxes and minority interests	618,397	6,296,790
Income taxes	555,037	2,239,207
Income taxes—deferred	(2,225,772)	1,234,680
Total income and other taxes	(1,670,734)	3,473,888
Income before minority interests	—	2,822,902
Minority interests in income	28,175	28,094
Net income	2,260,956	2,794,807

(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.