



Financial Results for the Year Ended March 31, 2011(J-GAAP)

May 16, 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: Masatoshi Saito, President and Representative Director
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 Scheduled date to hold the ordinary general meeting of shareholders: June 28, 2011
 Scheduled date of filing annual securities report: June 29, 2011
 Scheduled date to start dividends distribution: June 29, 2011
 Supplementary materials prepared: Yes
 Results information meeting held: Yes (for institutional investors and financial analysts)

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

1. Consolidated financial results for the year ended March 31, 2011 (April 1, 2010 - March 31, 2011)

(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, 2011	240,827	2.3	7,868	14.6	9,660	40.5	3,478	10.3
Year ended March 31, 2010	235,352	10.2	6,864	577.1	6,877	759.2	3,154	—

(Note) Comprehensive income: Year ended March 31, 2011: ¥3,375 million (3.1%); Year ended March 31, 2010: ¥ 3,274 million (-%)

	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, 2011	50.37	—	6.9	7.9	3.3
Year ended March 31, 2010	45.64	—	6.5	5.7	2.9

Reference: Equity-method investment profit (loss): Year ended March 31, 2011: - million yen Year ended March 31, 2010: - million yen

(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, 2011	125,781	52,200	41.3	752.15
As of March 31, 2010	119,081	49,728	41.6	716.81

Reference: Shareholders' equity: As of March 31, 2011: 51,944 million yen As of March 31, 2010: 49,504 million yen

(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, 2011	9,795	(5,402)	(4,518)	3,755
Year ended March 31, 2010	11,726	(738)	(11,607)	3,864

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, 2010	—	6.00	—	6.00	12.00	831	26.3	1.7
Year ended March 31, 2011	—	7.00	—	7.00	14.00	966	27.8	1.9
Year ending March 31, 2012 (forecast)	—	8.00	—	8.00	16.00		24.6	

3. Forecast of consolidated financial results for the year ending March 31, 2012 (April 1, 2011 - March 31, 2012)

(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	123,700	3.4	3,600	5.8	3,500	(6.1)	1,400	5.3	20.27
Full year	250,000	3.8	9,000	14.4	9,300	(3.7)	4,500	29.4	65.16

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

- 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 issued and outstanding (including treasury stock)	As of March 31, 2011:	73,017,952 shares	As of March 31, 2010:	73,017,952 shares
2) Number of treasury stock	As of March 31, 2011:	3,956,331 shares	As of March 31, 2010:	3,955,469 shares
3) Average number of shares issued and outstanding in each period	Year ended March 31, 2011:	69,062,089 shares	Year ended March 31, 2010:	69,123,403 shares

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended March 31, 2011 (April 1, 2010 - March 31, 2011)

(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, 2011	222,565	11.0	8,484	14.8	10,502	34.9	4,791	19.5
Year ended March 31, 2010	200,483	12.7	7,389	159.0	7,785	135.9	4,009	205.6

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2011	69.38	—
Year ended March 31, 2010	57.78	—

(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, 2011	118,831	54,840	46.1	794.08
As of March 31, 2010	110,502	51,087	46.2	739.73

Reference: Shareholders' equity:

As of March 31, 2011: 54,840 million yen

As of March 31, 2010: 51,087 million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2012 (April 1, 2011 - March 31, 2012)

(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	114,000	2.9	3,800	(0.9)	3,900	(8.3)	1,900	(9.2)	27.51
Full year	230,500	3.6	8,900	4.9	9,500	(9.5)	5,000	4.4	72.40

*** Implementation status of audit procedures**

The audit procedure based on the Financial Instruments and Exchange Act does not apply to this Financial Report, and the audit procedure based on the Financial Instruments and Exchange Act is in operation as of the release of this Financial Report.

*** 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 3 of the attached materials for the forecasts.

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1. Business results

(1) Analysis of business results

1) Overview of business results

It has been determined that when the Great East Japan Earthquake occurred on March 11, 2011, a total of 30 users of day care and facility-care services, all at our facility of Nichii Care Center Ishinomaki, lost their lives as a result of the disaster. Throughout the affected areas, the disaster also took the lives of eight employees. The whereabouts of one employee have yet to be determined.

We pray that all those who lost their lives in the earthquake and tsunami are resting in peace and express our deepest sympathies for everyone else affected by this tragedy.

During the consolidated fiscal year under review (April 1, 2010 - March 31, 2011), the Japanese economy, spurred by corporate earnings rising on the strength of factors like growing exports on the back of an expansion of emerging economies and by improving employment conditions, had begun to show signs of a recovery. After the Great East Japan Earthquake occurred on March 11, 2011, however, Japan is once again facing an unpredictable economic future.

With the economy facing the impacts of a declining birthrate, aging, and shrinking population, discussions of reforms aimed at unifying the country's social security and tax systems are moving ahead. In the lead up to the revision of the long-term care insurance system in 2012, a bill comprising a revision of the Long-term Care Insurance Law was approved by the Cabinet on March 11, 2011. That has given rise to prospects that the system will be restructured to create comprehensive regional systems that will allow everyone to live with peace of mind in their own communities.

Within these social and business conditions, the Nichii Group focused its attention on sales activities and building the infrastructure that will support construction of a Nichii service network that leverages synergies among core businesses in each region to generate additional growth for existing businesses.

Regarding the development of new services, we concentrated on enhancing our service line to meet diversifying service needs. Our activities in this respect included preparations for the full-scale launch of our new "cyber clerk" model for doctors' office work support using voice-recognition technology, expansion of our offerings of Nichii e-learning Web College courses, and preparation for the April 6, 2011 grand opening of Lakewoods Garden Himeharu no Sato in Mobara City, Chiba Prefecture. The latter was a step toward the development of therapy services in long-term care and other facilities.

Our business results were highlighted by increases in both net sales and income, with net sales setting a record for the third year in a row. These results were supported by continuing sales growth in our Medical Support Business, and by ongoing steady increases in the number of users of our home-visit, day care, and other home-care services in the Health Care Business, and higher utilization rates for our service centers and training facilities. The Education Business, meanwhile, saw higher non-operating income from steady growth in local government orders for the government's support program "Study and obtain a qualification as a care worker while working at long-term care facilities".

Regarding impacts of the Great East Japan Earthquake on our ability to provide services, of the 54 home care facilities located in the affected areas of Iwate, Miyagi, and Fukushima prefectures, one facility is unable to provide some services as a result of structural damage by tsunami. One other facility is located within the evacuation area surrounding the damaged nuclear plants and is unable to provide services.

Damages to buildings and facilities, restoration costs, allowances (estimated) for cancellations of vehicle and office equipment leases, and other expenses resulted in extraordinary losses totaling 643 million yen.

As a result, net sales during the fiscal year were 240,827 million yen (235,352 million yen in the previous fiscal year), operating income was 7,868 million yen (6,864 million yen in the previous fiscal year), ordinary income was 9,660 million yen (6,877 million yen in the previous fiscal year), and net income became 3,478 million yen (3,154 million yen in the previous fiscal year).

Situation by segment are given 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, net sales continued to rise steadily as advancement of our contract revision strategy expanded net sales per hospital, business with existing medical institutions under contract increased, and the number of hospitals (mainly private) newly under contract grew steadily. Income, on the other hand, declined due to higher health

insurance rates and an increase in staff compensation. In the second half, however, operational efficiency improvements gave rise to a slow but rising trend in income.

As for the childcare business, which was separated from the Medical Support Business in February, its business structure has been strengthened beyond the provision of child-care centers within medical institutions to include the provision of these services within offices, as well.

As a result, the net sales of the Medical Support Business were 103,217 million yen (101,548 million yen in the previous fiscal year), and operating income was 7,042 million yen (8,181 million yen in the previous fiscal year).

[Health Care Business]

For the Health Care Business, steady growth in the number of users of our home-visit, day care, and other home-care services combined with solid growth in the number of users of our welfare services for the handicapped and other non-insurance services contributed to maintain the upward trend in net sales and income.

In facility-care services, some facilities of the Nichii Home operated by Nichii Care Palace Co., Ltd. have been late in improving income, but solid increases in the number of service users at Nichii no Hohoemi and Nichii no Kirameki helped to improve income.

During the consolidated fiscal year under review, we opened 33 new home-visit facilities, 9 new day care facilities, and 21 new home-care support facilities in our home-care services. In our facility-care services, we opened 14 new Nichii no Hohoemi facilities and 2 new Nichii no Kirameki facilities, bringing the overall total to 300.

Nichii Carenet Co., Ltd., a wholesaler of welfare equipment, turned a profit for the first time in three fiscal years.

As a result, net sales of the Health Care Business were 124,204 million yen (117,995 million yen in the previous fiscal year), and operating income was 6,500 million yen (3,586 million yen in the previous fiscal year).

[Education Business]

In the Education Business, enrollment for the Medical Office Work Course and Home Helper Level 2 Course declined year on year, while enrollment rose for the government's support program "Study and obtain a qualification as a care worker while working at long-term care facilities" being promoted by local governments, and other job training programs including subsidized job trainings, aimed at ensuring manpower and improving the employment conditions in the medical and long-term care fields. The Education Business worked hard to hold trial course fairs throughout the country and pursue other promotion activities to call attention to the benefits of working in the medical and long-term care fields.

To expand Web College enrollment, course offerings were enhanced, bringing the total to 46 as of the end of March.

As a result, net sales of the Education Business were 12,904 million yen (15,255 million yen in the previous fiscal year), and operating income was 1,596 million yen (2,992 million yen in the previous fiscal year).

[Other Businesses]

The Other Businesses segment moved ahead with development of businesses that would further strengthen its core endeavors. Ahead of the start of its dog therapy services, Nichii Green Farm, Co., Ltd. began recruiting families to participate as foster families in its FCH (Family Care Home) System, a key part of its efforts to breed Australian Labradoodles, a breed that has excellent qualities for providing emotional therapy. The FCH System is an upfront investment in the provision of a new form of emotional healing by Nichii.

Net sales of Other Businesses were 501 million yen (553 million yen in the previous fiscal year), and operating loss was 68 million yen (394 million yen of operating income in the previous fiscal year).

2) Outlook for the year ending March 31, 2012

Japan's social security services, amid a declining birthrate, accelerating aging, and persistently difficult employment conditions, which add up to a greater need for enhanced services, are facing a lack of funding and the need for a total overhaul of their relationship with the tax system.

In the lead up to the simultaneous revisions of the medical service fee, long-term care insurance system and compensation for long-term care workers, scheduled for April 2012, there are urgent needs to prepare the infrastructure for establishing comprehensive and continuous service delivery systems that allow everyone to live with peace of mind in their own communities, and rebuild systems to make them sustainable.

Beginning in April 2011, the Nichii Group, under its new executive management system, will make the most of its

medical, long-term care, education, and daily life support management resources to reinforce its service infrastructure through connections among its various businesses, and implement continuous increases in staff compensation in an effort to ensure the delivery of high-quality services.

In addition, we will strengthen our business development, which is aimed at securing a stable revenue base, by furthering our efforts to build a system for delivering high-value-added services by expanding our housekeeping and other non-insurance services, and therapy, Web College, and other daily life support services.

In support of the recovery efforts against the Great East Japan Earthquake, aiming to provide daily life support for the victims, we will push ahead with efforts to offer a diversified set of medical related and long-term care services, continue to contribute relief goods, and accept disaster victims into our long-term care facilities to help affected areas recover as soon as possible.

Segment outlooks are given below.

[Medical Support Business]

In the Medical Support Business, we will continue to pursue our contract revision strategy; strive to extend growth in net sales and operating income; increase staff compensation, improve the career-up system, and enhance internal training system to help ensure we have the best staff possible; and deliver high-quality services that result in greater customer satisfaction.

We will leverage our 40-plus-year track record since our foundation and know-how to develop and offer cyber clerk business, international medical staff exchange services in medical institutions, and other new services, and focus on delivering high-value-added services by creating synergies among our childcare, long-term care, and other businesses. Our ultimate aim will be to strengthen our comprehensive medical management support services for medical institutions.

[Health Care Business]

For the Health Care Business, the aging of Japan's population which will peak in the foreseeable future makes it urgent to supplement infrastructure, ensuring manpower, and discern future system-level developments for building regional service networks.

In a growing market, the Nichii Group, leveraging its strengths in the form of a full service line of total long-term care service covering everything from minimizing care needs through home-care services, facility-care services, and non-insurance services to achieve continuous growth in the number of users of its services by moving ahead with the provision of services adapted to local needs. We will achieve further growth by enhancing our home-visit care, therapy, and other non-insurance services to build a business platform resilient against systemic changes.

Nichii Carenet Co., Ltd. will proceed with preparations for creating a business platform and establishing a business model for developing a business for wholesaling welfare equipment in China.

[Education Business]

Amid the harsh environment in the social security area in Japan, which includes severe employment conditions and acceleration of aging of the population, the Education Business will continue efforts to increase enrollment in its mainstay Medical Office Work Course and Home Helper Level 2 Course to promote high job-creation capacity and the human resources development in the medical and long-term care fields, which are noticeably short of manpower. In addition, through effective advertising campaigns and promotion activities to call attention to the benefits of working in the medical and long-term care fields, we will also focus on enhancing our Web College course offerings to improve profitability, reduce the impact of general economic conditions on our results, and attract a broader, deeper cross-section of students.

[Other Businesses]

In the Other Businesses segment, we will focus on expanding our business activities in an effort to promote organic ties to our core business segments and further strengthen our business platform as a company that provides comprehensive daily life support.

We held the grand opening of Lakewoods Garden Himeharu no Sato operated by Nichii Green Farm, Co., Ltd. in Mobara City, Chiba Prefecture on April 6, 2011. Moving forward, we will pursue promotion activities centered around the Australian Labradoodles, a breed that has excellent qualities as a therapy dog, to raise awareness of this facility as a theme

park that develops dog therapy, gardening therapy, and other new Nichii Group sources of healing in the field of long-term and medical care.

In consideration of these environments and prospects, our outlook for the performance in the year ending March 31, 2012 is 250,000 million yen for net sales (240,827 million yen for the current fiscal year), 9,000 million yen for operating income (7,868 million yen for the current fiscal year), 9,300 million yen for ordinary income (9,660 million yen for the current fiscal year), and 4,500 million yen in net income (3,478 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 109 million yen year on year to 3,755 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 9,795 million yen.

This was primarily the result of an increase in income before income taxes and minority interests and loss on adjustment for changes of accounting standard for asset retirement obligations.

[Cash flows from investing activities]

As a result of investing activities during the fiscal year, cash decreased by 5,402 million yen

This was primarily due to acquisition of software accompanying the development of Web College and 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 4,518 million yen.

The primary factors producing this result included an increase in payments for long-term loans.

Trends in cash flow indicators for the group can be seen below.

	Year ended March 31, 2010	Year ended March 31, 2011
Equity ratio (%)	41.6	41.3
Equity ratio based on present value (%)	47.7	35.9
Debt redemption (years)	2.7	3.2
Interest coverage ratio (times)	21.2	16.4

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, 2011, we are planning to pay a year-end dividend of 7 yen per share.

(Yen)

(Record date)	Cash Dividends per Share		
	2Q-end	Year-end	Annual
Year ended March 31, 2011	7.00 (Actual)	7.00 (Forecast)	14.00 (Forecast)
Year ending March 31, 2012	8.00 (Forecast)	8.00 (Forecast)	16.00 (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 acknowledging and dispersing 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. 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, medical insurance system reform and the progress of IT may affect our contract fees and the contents.

[Health Care Business]

The Nichii Group's Health Care Business provides mainly services regulated under the Long-Term Care Insurance Law (Law No. 123 of December 7, 1997) and other relevant laws. Income from these services could be impacted by revision of the long-term care insurance system, which occur every five years, and revision of compensation for long-term care workers, which occur every three years. The company strives to diversify risks by providing non-insurance services and by expanding its service offerings. Nevertheless, these efforts may not offset reduction in income arising from regulatory tightening and a lowering of payments from the insurance system and other factors which could result in significant negative impacts on income.

If future social security and tax system overhauls lead to changes in the way long-term care is provided, there could be impacts on the Health Care Business's operations depending on how the changes were made.

[Education Business]

We will actively pursue the course development and offer the changes necessitated by any future changes in systems related to qualification requirements for care workers including qualifications such as training hours, curriculum enhancement, etc. for care workers who enroll in our mainstay Home Helper Level 2 Course or other course offerings. Despite our efforts, however, there could still be impacts on the sales and income of these mainstay courses.

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

The Nichii Group’s various businesses provide services in medical institutions under contract, long-term care facilities, service centers and training facilities and other locations throughout Japan. It is conceivable that earthquakes, tsunamis, or other large-scale natural disasters, and the spread of novel forms of influenza or other infectious diseases could make it impossible for staff and our facilities to operate in the affected areas. The Nichii Group will make efforts to maintain system to provide its services by quickly restoring facility functions and dispatching support staff. However, if, despite these efforts, service provision becomes impossible, there could be impacts on the Nichii Group’s business results and financial condition.

In the wake of the Great East Japan Earthquake occurred on March 11, 2011, we will undertake a general review of business continuity risk management measures for emergencies in all of our branches and facilities, and strengthen our crisis management systems to ensure user safety above all else.

5) Risks related to the application of impairment accounting

The Health Care Business’s day care services are provided using buildings owned by the Company. In addition, goodwill was recorded when facility-care services were taken over. In both cases, significant declines in profitability in such facilities could necessitate the recording of impairment loss and, by extension, could also have an impact on income of the Health Care Business.

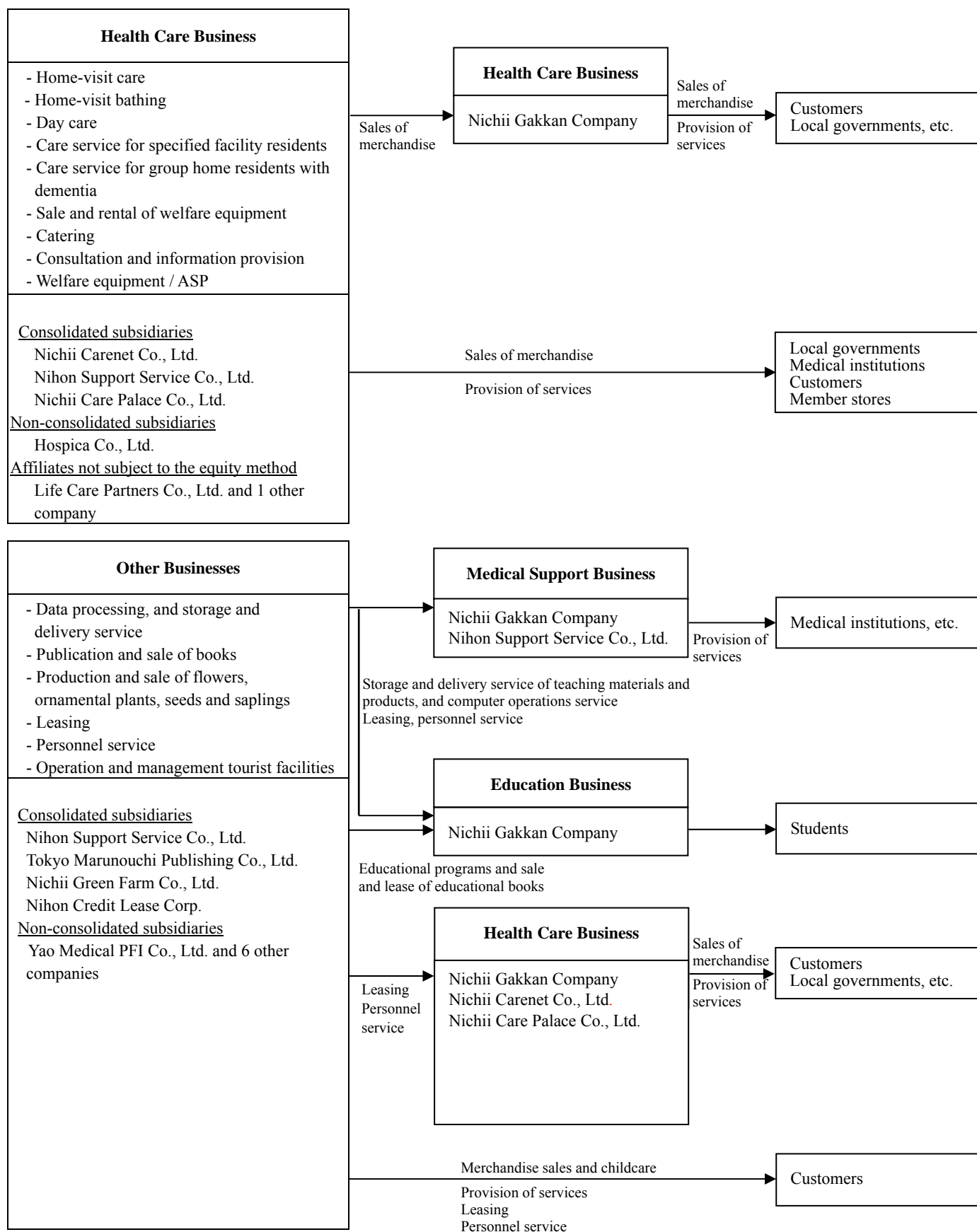
With regard to goodwill, in particular, if IFRS are adopted in the future, goodwill will become non-amortizable. A simulation of the impact of impairment conducted at least once a year indicates that negative impacts on recoverable value and book value, if they were to emerge, could result in the recording of impairment loss all at once.

2. Overview of Nichii Group

Nichii Group consists of Nichii Gakkan Company, its 14 subsidiaries, and two affiliates. 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, etc.), 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 welfare services for the handicapped. The Education Business is developing courses for training mainly medical office workers and home helpers, and a broad range of Web College and other Nichii e-learning offerings for those interested in pursuing self-development or hobbies. 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, personnel services and the operation of Lakewoods Garden Himeharu no Sato in Mobara City, Chiba Prefecture.

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, and welfare services for the handicapped, 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 clerk course of medical doctors, 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 and operation and management of tourist facilities, 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

The Nichii's "Target Five Stars" medium-term management strategy calls for the Nichii Group to lead the industry in □Net sales, □Earnings, □Product strength, □Employee compensation, and □Corporate ethics. To realize sustainable development for its self and contribute to a higher quality of life for everyone, the Nichii Group will address the issues given below based on this strategy.

1) Entering new markets

Expansion of the daily life support business

We will expand our business activities by pouring greater effort into developing daily life support services. Examples of these services include housekeeping and food services, lifelong learning courses administered through the Web College (e-learning), and childcare business for which the legal framework is currently being developed.

Global business development

The Nichii Group considers overseas business development to be a key element of its business strategy and, as part of its April 1, 2011 organizational restructuring, has newly established the International Business Department.

In addition, we have begun developing a welfare equipment wholesaling and other businesses in China, which is expected to experience both economic growth and a rapid aging in the future. Over the medium-to-long term we also aim to develop our Medical Support, Health Care, and Education Businesses in China, as well as other parts of Asia-Pacific region.

2) Profitability enhancement

The Nichii Group will provide higher-level services to improve amount per contract in the Medical Support Business, and strengthen development and promotion efforts for medical management support services in the Medical Support Business, non-insurance services in the Health Care Business, Web College (e-learning course) offerings in the Education Business, and other high-value-added services. At the same time, we will completely revamp our head office and other administrative functions to create a more balanced, effective transformation of business structure capable of producing stable income over the long-term.

3) Ensuring manpower and human resource development

The Nichii Group will move ahead with strategic human resource development in branches and facilities throughout the country. We will also actively implement medical and long-term care staff compensation improvements, enhanced training

and career-up systems, expand our offerings of training courses tailored to actual needs, and take other steps to stably ensure manpower over the long-term.

4) Provision of safe, secure, high-quality services

To take its ability to deliver safe, secure services to an even higher level, the Nichii Group will redouble its efforts to ensure legal compliance, strengthen system to provide its services, and enhance training system. We will also work to appropriately reflect customer needs in our products and services through steps like strengthening our call center function, as we concentrate on providing high-quality services.

(4) Other significant matters for management

There are no applicable matters.

4. Consolidated financial statements

(1) Consolidated balance sheets

(Thousands of yen)

	FY2010 (As of March 31, 2010)	FY2011 (As of March 31, 2011)
Assets		
Current assets		
Cash and deposits	4,128,264	3,912,556
Notes and accounts receivable	28,554,508	29,891,605
Merchandise and finished goods	341,091	404,983
Work in progress	2,356	4,283
Raw materials and supplies	204,690	278,660
Deferred tax assets	3,118,120	3,435,974
Others	4,853,347	6,292,293
Allowance for doubtful accounts	(72,066)	(56,829)
Total current assets	41,130,312	44,163,528
Fixed assets		
Tangible fixed assets		
Buildings and structures	41,257,776	43,828,036
Accumulated depreciation	(15,094,123)	(17,231,360)
Buildings and structures (net)	26,163,653	26,596,675
Machinery and vehicles	89,509	90,064
Accumulated depreciation	(79,251)	(82,071)
Machinery and vehicles (net)	10,258	7,993
Tools, furniture and fixtures	2,654,167	2,884,210
Accumulated depreciation	(2,228,546)	(2,354,668)
Tools, furniture and fixtures (net)	425,621	529,542
Land	7,950,899	8,031,872
Lease assets	2,293,300	5,877,110
Accumulated depreciation	(435,635)	(952,274)
Lease assets (net)	1,857,665	4,924,836
Construction in progress	800,822	235,983
Total tangible fixed assets	37,208,921	40,326,903
Intangible fixed assets		
Goodwill	14,530,389	13,564,666
Software	2,821,940	3,862,956
Software in progress	368,889	281,603
Lease assets	1,127,471	1,116,584
Others	181,873	192,648
Total intangible fixed assets	19,030,562	19,018,460
Investments and other assets		
Investment securities	1,731,538	1,489,149
Long-term loans receivable	4,649,163	5,636,625
Long-term prepaid expenses	1,892,089	2,538,018
Guarantee deposit	9,813,349	9,701,786
Deferred tax assets	2,926,032	2,444,506
Others	1,417,868	1,521,598
Allowance for doubtful accounts	(718,751)	(1,059,406)
Total investments and other assets	21,711,288	22,272,279
Total fixed assets	77,950,773	81,617,643
Total assets	119,081,085	125,781,172

(Thousands of yen)

	FY2010 (As of March 31, 2010)	FY2011 (As of March 31, 2011)
Liabilities		
Current liabilities		
Notes and accounts payable	940,792	979,919
Short-term loans payable	1,018,002	1,318,002
Current portion of long-term loans payable	2,869,789	4,781,871
Lease liabilities	703,260	936,059
Income taxes payable	2,350,522	3,538,277
Consumption taxes payable	945,206	743,978
Other accrued expenses	13,906,413	14,457,396
Allowance for employee bonuses	4,199,857	4,223,744
Allowance for directors' bonuses	34,000	35,100
Others	7,526,000	8,542,023
Total current liabilities	34,493,845	39,556,372
Long-term liabilities		
Long-term loans payable	24,002,119	18,991,565
Lease liabilities	2,493,828	5,441,179
Long-term advances received	3,636,254	2,777,994
Allowance for employee retirement benefits	4,133,049	4,428,149
Allowance for directors' retirement benefits	149,221	157,921
Asset retirement obligations	—	1,233,067
Others	444,443	994,525
Total long-term liabilities	34,858,917	34,024,403
Total liabilities	69,352,763	73,580,776
Net assets		
Shareholders' equity		
Common stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	26,912,370	29,492,922
Treasury stock	(6,788,705)	(6,789,290)
Total shareholders' equity	49,411,670	51,991,637
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	92,759	(46,849)
Total accumulated other comprehensive income	92,759	(46,849)
Minority interests	223,893	255,608
Total net assets	49,728,322	52,200,395
Total liabilities and net assets	119,081,085	125,781,172

(2) Consolidated statements of income and comprehensive income

(Consolidated statements of income)

(Thousands of yen)

	FY2010 (from April 1, 2009 to March 31, 2010)	FY2011 (from April 1, 2010 to March 31, 2011)
Net sales	235,352,317	240,827,319
Cost of sales	188,499,309	193,033,355
Gross profit	46,853,007	47,793,963
Selling, general and administrative expenses		
Advertising and promotion expenses	4,713,698	4,537,961
Directors' compensation	178,474	152,666
Salaries and benefits	14,487,746	14,508,228
Provision for employee bonuses	1,033,029	1,027,337
Provision for directors' bonuses	34,354	35,100
Provision for directors' retirement benefits	8,011	8,699
Directors' retirement benefits	1,316	–
Provision for employee retirement benefits	383,268	324,608
Legal welfare expenses	2,265,332	2,360,699
Travel and transportation expenses	1,456,619	1,490,276
Rent expenses	3,126,623	3,019,626
Provision for doubtful accounts	15,685	24,451
Depreciation and amortization	1,573,625	1,889,429
Amortization of goodwill	1,268,693	965,722
Others	9,442,398	9,580,386
Total selling, general and administrative expenses	39,988,878	39,925,192
Operating income	6,864,129	7,868,771
Non-operating income		
Interest income	23,273	113,596
Commission on consignment for office work	121,171	115,971
Rent income	146,357	200,810
Compensation for damage received	141,101	–
Commission on consignment for job creation businesses	–	1,628,650
Others	246,184	478,082
Total non-operating income	678,087	2,537,111
Non-operating expenses		
Interest expenses	545,559	599,663
Interest on bonds	3,307	–
Rent expenses	54,420	50,876
Others	61,836	94,848
Total non-operating expenses	665,124	745,389
Ordinary income	6,877,093	9,660,493

(Thousands of yen)

	FY2010 (from April 1, 2009 to March 31, 2010)	FY2011 (from April 1, 2010 to March 31, 2011)
Extraordinary income		
Gain on sale of fixed assets	43,528	210
Gain on prior periods bad debts recovered	98,015	–
Reversal of allowance for employees' bonuses	–	111,148
Others	16,333	5,119
Total extraordinary income	157,878	116,478
Extraordinary losses		
Loss on retirement of fixed assets	47,986	43,157
Loss on sales of investment securities	120,945	–
Adjustment for amortization of goodwill	4,121,190	–
Impairment loss	89,751	23,742
Provision of allowance for doubtful accounts	–	316,000
Loss on disaster	–	260,264
Provision of allowance for loss on disaster	–	382,800
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	504,813
Others	151,107	157,413
Total extraordinary losses	4,530,981	1,688,190
Net income before income taxes and minority interests	2,503,989	8,088,781
Income taxes-current	2,332,930	4,200,699
Income taxes for prior periods	–	114,000
Income taxes-deferred	(3,020,388)	259,450
Total income and other taxes	(687,457)	4,574,150
Income before minority interests	–	3,514,631
Minority interests in income	36,832	36,214
Net income (loss)	3,154,614	3,478,416

(Consolidated statements of comprehensive income)

(Thousands of yen)

	FY2010 (from April 1, 2009 to March 31, 2010)	FY2011 (from April 1, 2010 to March 31, 2011)
Income before minority interests	—	3,514,631
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(139,608)
Total other comprehensive income	—	(139,608)
Comprehensive income	—	3,375,022
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	—	3,338,807
Comprehensive income attributable to minority interests	—	36,214

(3) Consolidated statements of changes in shareholders' equity

(Thousands of yen)

	FY2010 (from April 1, 2009 to March 31, 2010)	FY2011 (from April 1, 2010 to March 31, 2011)
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	24,820,390	26,912,370
Changes of items during the period		
Dividends from retained earnings	(796,653)	(897,810)
Decrease by merger	(265,515)	—
Net income (loss)	3,154,614	3,478,416
Disposal of treasury stock	(466)	(54)
Total changes during the period	2,091,979	2,580,551
Balance at the end of the current period	26,912,370	29,492,922
Treasury stock		
Balance at the end of the previous period	(6,436,143)	(6,788,705)
Changes of items during the period		
Purchase of treasury stock	(353,461)	(680)
Disposal of treasury stock	899	96
Total changes during the period	(352,562)	(584)
Balance at the end of the current period	(6,788,705)	(6,789,290)
Total shareholders' equity		
Balance at the end of the previous period	47,672,252	49,411,670
Changes of items during the period		
Dividends from retained earnings	(796,653)	(897,810)
Decrease by merger	(265,515)	—
Net income (loss)	3,154,614	3,478,416
Purchase of treasury stock	(353,461)	(680)
Disposal of treasury stock	432	41
Total changes during the period	1,739,417	2,579,967
Balance at the end of the current period	49,411,670	51,991,637

(Thousands of yen)

	FY2010 (from April 1, 2009 to March 31, 2010)	FY2011 (from April 1, 2010 to March 31, 2011)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	10,028	92,759
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	82,730	(139,608)
Total changes during the period	82,730	(139,608)
Balance at the end of the current period	92,759	(46,849)
Total accumulated other comprehensive income		
Balance at the end of the previous period	10,028	92,759
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	82,730	(139,608)
Total changes during the period	82,730	(139,608)
Balance at the end of the current period	92,759	(46,849)
Minority interests		
Balance at the end of the previous period	191,560	223,893
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	32,332	31,714
Total changes during the period	32,332	31,714
Balance at the end of the current period	223,893	255,608
Total net assets		
Balance at the end of the previous period	47,873,842	49,728,322
Changes of items during the period		
Dividends from retained earnings	(796,653)	(897,810)
Decrease by merger	(265,515)	—
Net income (loss)	3,154,614	3,478,416
Purchase of treasury stock	(353,461)	(680)
Disposal of treasury stock	432	41
Changes other than shareholders' equity during the period (net)	115,063	(107,894)
Total changes during the period	1,854,480	2,472,073
Balance at the end of the current period	49,728,322	52,200,395

(4) Consolidated statements of cash flows

	(Thousands of yen)	
	FY2010	FY2011
	(from April 1, 2009 to March 31, 2010)	(from April 1, 2010 to March 31, 2011)
Cash flows from operating activities		
Income before income taxes	2,503,989	8,088,781
Depreciation and amortization	3,634,337	4,343,250
Amortization of goodwill	1,268,693	965,722
Increase (decrease) in allowance for doubtful accounts	(12,024)	325,417
Increase (decrease) in allowance for employee bonuses	1,572,173	23,886
Increase (decrease) in allowance for directors' bonuses	1,600	1,100
Increase (decrease) in allowance for employee retirement benefits	428,729	295,099
Increase (decrease) in allowance for directors' retirement benefits	7,177	8,699
Increase (decrease) in allowance for loss on disaster	-	382,800
Interest and dividends income	(25,015)	(117,737)
Interest expenses	548,866	599,663
Gain on prior periods bad debts recovered	(98,015)	-
Loss (gain) on sales of investment securities	120,945	(5,119)
Adjustment for amortization of goodwill	4,121,190	-
Compensation for damage received	(141,101)	-
Loss on retirement of fixed assets	47,986	43,157
Loss (gain) on sale of fixed assets	(43,528)	4,889
Impairment loss	89,751	23,742
Loss on disaster	-	260,264
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	504,813
Decrease (increase) in accounts receivable	(2,184,188)	(1,337,096)
Decrease (increase) in inventories	(77,046)	(139,788)
Decrease (increase) in other current assets	(222,665)	(1,164,567)
Decrease (increase) in claims provable in bankruptcies	(25,345)	(24,654)
Decrease (increase) in other fixed assets	560,782	499,699
Increase (decrease) in accounts payable	120,290	39,127
Increase (decrease) in consumption tax payable	526,589	(201,228)
Increase (decrease) in other current liabilities	514,549	590,398
Increase (decrease) in other long-term liabilities	(114,590)	(596,522)
Others	4,959	(15,726)
Subtotal	13,129,093	13,398,071
Interest and dividends received	25,764	23,104
Interest paid	(553,526)	(598,890)
Income taxes paid	(1,016,236)	(3,026,906)
Compensation for damage received	141,101	-
Cash flows from operating activities	11,726,195	9,795,378

(Thousands of yen)

	FY2010 (from April 1, 2009 to March 31, 2010)	FY2011 (from April 1, 2010 to March 31, 2011)
Cash flows from investing activities		
Payments into time deposits	(405,500)	(414,000)
Withdrawal of time deposits	433,500	420,000
Purchase of short-term investment securities	–	(100,000)
Proceeds from sales of short-term investment securities	–	100,000
Acquisition of tangible fixed assets	(1,228,500)	(2,198,956)
Proceeds from sale of tangible fixed assets	397,694	21,328
Acquisition of intangible fixed assets	(445,748)	(1,903,155)
Expenditure for business transfer	(160,667)	–
Acquisition of investment securities	(608,667)	–
Proceeds from sale of investment securities	32,055	12,120
Acquisition of shares of subsidiaries and affiliates	(250,000)	–
Payments of loans receivable	(228,775)	(1,305,605)
Collection of loans receivable	2,136,329	148,988
Payments for guarantee deposit	(678,605)	(479,398)
Collection of guarantee deposit	323,962	421,887
Subsidy income	–	229,251
Others (net)	(55,437)	(355,245)
Cash flows from investing activities	(738,361)	(5,402,785)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(7,650,000)	300,000
Payments for redemption of bonds	(1,480,000)	–
Proceeds from long-term loans	265,573	7,000,000
Repayments for long-term loans	(1,434,904)	(10,100,000)
Proceeds from sale of treasury stock	432	41
Acquisition of treasury stock	(1,588)	(680)
Payments for dividends by parent company	(808,997)	(894,448)
Payments for dividends to minority shareholders	(4,500)	(4,500)
Repayments of lease obligations	(493,363)	(767,599)
Others	–	(51,092)
Cash flows from financing activities	(11,607,346)	(4,518,279)
Effect of exchange rate change on cash and cash equivalents	–	15,977
Increase (decrease) in cash and cash equivalents	(619,512)	(109,708)
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries	47,872	–
Cash and cash equivalents at beginning of year	4,436,404	3,864,764
Cash and cash equivalents at end of year	3,864,764	3,755,056