



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2012 (J-GAAP)

February 9, 2012

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: February 10, 2012

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, 2011 (April 1, 2011 – December 31, 2011)

(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, 2011	188,265	4.2	8,654	39.9	8,633	25.9	3,903	39.7
Nine months ended December 31, 2010	180,643	2.2	6,187	28.6	6,856	41.5	2,794	23.6

Note: Comprehensive income: Nine months ended December 31, 2011: 3,921 million yen (42.3%)
 Nine months ended December 31, 2010: 2,755 million yen (–%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
Nine months ended December 31, 2011	56.52		—	
Nine months ended December 31, 2010	40.47		—	

(2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2011	147,494		55,430		37.4	
As of March 31, 2011	125,781		52,200		41.3	

Reference: Shareholders' equity: As of December 31, 2011: 55,162 million yen As of March 31, 2011: 51,944 million yen

2. Dividends

	Annual Dividends (Yen)				
	First Quarter-End	Second Quarter-End	Third Quarter-End	Year-End	Annual
Year ended March 31, 2011	—	7.00	—	7.00	14.00
Year ending March 31, 2012	—	8.00	—		
Year ending March 31, 2012 (Forecast)				8.00	16.00

Note: Revisions since the most recently announced dividend forecast: None

3. Consolidated financial result forecasts for the year ending March 31, 2012 (April 1, 2011 – March 31, 2012)

(Percentage figures represent changes 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	253,700	5.3	11,000	39.8	11,700	21.1	5,700	63.9	82.39

Note: Revisions since the most recently announced financial result forecast: None

4. Others

- (1) Significant changes to subsidiaries during the term (Transfers of specific subsidiaries with changes in the scope of consolidation): None
- (2) Application of the specific accounting for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatement of revisions
- 1) Changes in accounting policies due to the revision of accounting standard, etc.: None
 - 2) Changes in accounting policies other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of revisions: None

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

1) Number of shares issued and outstanding (including treasury stock)	As of December 31, 2011	73,017,952 shares	As of March 31, 2011	73,017,952 shares
2) Number of treasury stock	As of December 31, 2011	3,574,601 shares	As of March 31, 2011	3,956,331 shares
3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)	Nine months ended December 31, 2011	69,061,330 shares	Nine months ended December 31, 2010	69,062,244 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**

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 4 of the quarterly consolidated financial results (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

The future of the Nichii Group's business environment could be significantly affected by the integrated reform of social security and taxation, which is currently being debated with aims such as reinforcing the functions of, and securing stable funding for, social security, and bringing about a mutually beneficial relationship with economic growth. Reform proposals focus on points like increasing support for child care and rearing, strengthening support for in-home care via collaboration between medical and long-term care services, and implementing tax reforms, including an increase in the consumption tax. Reform proposals are aiming to remake the social security system into one that sustainably serves all generations over the medium-to-long term.

This policy direction was reflected in the setting of revision rates (announced on December 21, 2011) as part of the revision of the medical treatment fees and long-term care fees scheduled for implementation in April 2012. Responding to the need to maintain the provision of acute medical services and enhance in-home care, medical treatment fees will be increased by 0.004% (1.38% increase for services, 1.38% decrease for drugs). Long-term care fees will be increased by 1.2% (1.0% increase for in-home care, 0.2% increase for facility care) with the aim of improving compensation for care workers and promoting the provision of comprehensive regional care.

Given these changes in its business environment, the Nichii Group took various measures to improve its business structure with the aim of supporting stable earnings growth. In addition to strengthening existing business operations and improving their efficiency, these measures included the expansion and enhancement of management support services in the Medical Support Business and uninsured services in the Health Care Business, and promotion of on-premises childcare services in the childcare business, as well as other initiatives for the development of new services.

In the Education Business, we purchased 96.59% of the outstanding shares of GABA Corporation, which operates English conversation schools, through a tender offer. After acquiring the remaining shares in exchange for treasury stock, we made GABA into a wholly owned subsidiary as of December 5, 2011. Our full-scale entry into the language education business is an indispensable source of competitive advantage for our efforts to develop new services and, through aggressive service development leveraging language education, will contribute to the expansion of each of our business segments and strengthen our business base.

As for our operating results, the inclusion of GABA in our consolidated results in October contributed to the third-quarter performance and added to the positive impacts of steady increases in users of our home-care and facility-care services and further operating efficiency improvements in our Medical Support Business and Health Care Business, accentuating the increase in our revenues and significantly boosting our bottom line.

As a result, net sales during the first nine months ended December 31, 2011 were 188,265 million yen (180,643 million yen in the same period of the previous year), operating income was 8,654 million yen (6,187 million yen in the same period of the previous year), ordinary income was 8,633 million yen (6,856 million yen in the same period of the previous year). Net income came to 3,903 million yen (2,794 million yen for the same period of the previous year) after considering factors like the reversal of 370 million yen in deferred tax assets following a change in corporate tax rates.

Operating results by segment were as follows.

<Medical Support Business>

In our Medical Support Business, we continued to increase our sales, while keeping an eye on profitability, and expanded our business with hospitals under contract.

In our efforts to increase the number of hospitals under contract, we moved ahead with sales activities using collaboration between medical facilities and long-term care services, medical management analysis, and other management support services as a foothold, and saw a steady increase in the number of private-sector hospitals under contract.

Continuous increases in staff compensation resulted in higher staff retention and skill improvement, and ultimately higher operating efficiency and rising profits.

In our efforts to expand and enhance our management support services, we focused our attention on developing new products like the "Medi-Voice" web/mobile patient satisfaction survey (launched in January 2012), and achieved progress in areas like preparations for the development of international medical exchange support services.

As a result, sales of this segment during the first nine months ended December 31, 2011 were 77,242 million yen (77,113 million yen in the same period of the previous year), and operating income was 6,266 million yen (4,910 million yen in the same period of the previous year).

<Health Care Business>

In the Health Care Business, our continuous efforts to open new long-term care facilities and increase utilization rates of existing facilities produced a steady rise in users for our home-care and facility-care services and helped us to keep our sales growth trend above the overall market growth rate.

Earnings continued to grow, despite the incursion of upfront expenses for opening new offices, because of rising facility utilization rates driven by the increased number of users, and our expanded provision of high-margin uninsured services. Nichii Care Palace Company, which operates medium-priced nursing homes, has been generating profits since June, and contributed to earnings improvement.

During the first nine months ended December 31, 2011, we opened 38 new care plan facilities (bringing the total to 732), 33 new home-visit care facilities (bringing the total to 1,055), 24 new day-care facilities (bringing the total to 318), 3 new care equipment leasing facilities (bringing the total to 135), and 19 new home-nursing facilities (bringing the total to 21). All of this activity took place in our home-care services. In our facility-care services, we opened 22 new Nichii no Hohoemi facilities (bringing the total to 239), 5 new Nichii no Kirameki facilities (bringing the total to 39), and 1 new Nichii Home (bringing the total to 49).

As a result, sales of this segment during the first nine months ended December 31, 2011 were 100,157 million yen (92,931 million yen in the same period of the previous year) and operating income was 7,527 million yen (5,125 million yen in the same period of the previous year).

<Education Business>

The Education Business continued to see declines in students for its mainstay Home Helper Level 2 Course and Medical Administration Course, even with a slight improvement in the active-job-openings-to-applicants ratio.

In language education, enrollment for GABA's one-on-one English conversation lessons is running ahead of plans and this operation is beginning to help stabilize earnings. Looking ahead, we expect that globalization will support even greater demand for language education and we are committed to achieving stable earnings growth through agile business development leveraging the Company's management resources.

As for the development of new courses, the need for specialists in dispensing pharmacy administration is growing as the separation of medical services and drug dispensing continues to drive up the ratio of non-hospital dispensing, and advances in home-care support for medical and long-term care needs are making dispensing pharmacies even more important. We, therefore, newly developed the Dispensing Pharmacy Administration Course, which we began offering in January 2012, and continued our efforts to develop and offer new Web College courses.

As a result, sales of this segment during the first nine months ended December 31, 2011 were 10,614 million yen (10,159 million yen in the same period of the previous year) and operating income was 714 million yen (1,573 million yen in the same period of the previous year).

<Other Businesses>

In Other Businesses, Lakewoods Garden Himeharu no Sato (Mobara City, Chiba Prefecture) opened in April 2011. In line with its mission to deliver "joy" and "healing," it held various types of events on its premises and pushed ahead with preparations to develop dog therapy and gardening therapy services, in cooperation with the Health Care Business.

Greater efforts to sell Lakewoods Garden-related and other products improved earnings, and a profit was achieved for the third quarter.

As a result, sales of this segment during the first nine months ended December 31, 2011 were 249 million yen (439 million yen in the same period of the previous year) and operating loss was 248 million yen (45 million yen of operating income in the same period of the previous year).

(2) Qualitative information on consolidated financial position

Total assets at the end of the first nine months ended December 31, 2011 increased by 21,713 million yen compared with the figure at the end of the previous fiscal year to 147,494 million yen. This change was caused mainly by an increase in marketable securities in connection with the addition of GABA as a consolidated subsidiary. Current assets increased by 5,640 million yen, and goodwill and other fixed assets increased by 16,072 million yen.

Total liabilities increased by 18,483 million yen compared with the figure at the end of the previous fiscal year to 92,064 million yen. This is mainly because long-term liabilities increased by 12,339 million yen due to an increase in long-term loans payable, etc.

Total net assets increased compared with the figure at the end of the previous fiscal year by 3,230 million yen to 55,430 million yen.

(3) Qualitative information on consolidated financial result forecasts

There is no change in the consolidated financial result forecasts for the year ending March 31, 2012 which was released on November 7, 2011.

2. Summary (other) information

(1) Significant changes to subsidiaries during the period

There is no related information.

(2) Application of the specific accounting for preparing the quarterly consolidated financial statements

There is no related information.

(3) Changes in accounting policies, accounting estimates and restatement

There is no related information.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2011	As of December 31, 2011
Assets		
Current assets		
Cash and deposits	3,912,556	5,320,117
Notes and accounts receivable	29,891,605	31,677,488
Short-term investment securities	—	1,900,200
Merchandise and finished goods	404,983	524,664
Work in process	4,283	9,466
Raw materials and supplies	278,660	325,317
Others	9,728,268	10,084,331
Allowance for doubtful accounts	(56,829)	(37,515)
Total current assets	44,163,528	49,804,071
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	26,596,675	27,106,865
Others (net)	13,730,227	19,947,851
Total tangible fixed assets	40,326,903	47,054,716
Intangible fixed assets		
Goodwill	13,564,666	21,817,893
Others	5,453,793	4,951,961
Total intangible fixed assets	19,018,460	26,769,854
Investments and other assets		
Others	23,331,685	24,889,844
Allowance for doubtful accounts	(1,059,406)	(1,023,923)
Total investments and other assets	22,272,279	23,865,921
Total fixed assets	81,617,643	97,690,492
Total assets	125,781,172	147,494,564

(Thousands of yen)

	As of March 31, 2011	As of December 31, 2011
Liabilities		
Current liabilities		
Notes and accounts payable	979,919	1,050,637
Short-term loans payable	1,318,002	1,000,000
Income taxes payable	3,538,277	1,208,524
Other accrued expenses	14,457,396	16,833,700
Allowance for employees' bonuses	4,223,744	2,639,247
Allowance for directors' bonuses	35,100	—
Others	15,003,932	22,968,548
Total current liabilities	39,556,372	45,700,658
Long-term liabilities		
Long-term loans payable	18,991,565	24,696,830
Allowance for employees' retirement benefits	4,428,149	4,725,048
Allowance for directors' retirement benefits	157,921	161,112
Asset retirement obligations	1,233,067	1,544,441
Others	9,213,699	15,235,989
Total long-term liabilities	34,024,403	46,363,422
Total liabilities	73,580,776	92,064,080
Net assets		
Shareholders' equity		
Common stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	29,492,922	32,062,944
Treasury stock	(6,789,290)	(6,133,660)
Total shareholders' equity	51,991,637	55,217,288
Accumulated other comprehensive income		
Unrealized gains (losses) on other securities	(46,849)	(54,998)
Total accumulated other comprehensive income	(46,849)	(54,998)
Minority interests	255,608	268,194
Total net assets	52,200,395	55,430,483
Total liabilities and net assets	125,781,172	147,494,564

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(Nine months ended December 31)

(Thousands of yen)

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Net sales	180,643,444	188,265,291
Cost of sales	144,484,659	148,919,725
Gross profit	36,158,785	39,345,565
Selling, general and administrative expenses	29,970,822	30,690,767
Operating income	6,187,962	8,654,798
Non-operating income		
Interest income	83,735	106,491
Commission on consignment for office work	86,828	86,228
Rent income	165,180	166,435
Commission on consignment for job creation businesses	522,468	163,500
Subsidy income	132,388	166,025
Others	190,711	123,264
Total non-operating income	1,181,313	811,945
Non-operating expenses		
Interest expenses	436,041	718,606
Rent expenses	38,858	42,111
Others	38,030	72,944
Total non-operating expenses	512,930	833,661
Ordinary income	6,856,345	8,633,082
Extraordinary income		
Gain on sales of fixed assets	210	—
Reversal of allowance for employees' bonuses	111,148	—
Gain on sales of investment securities	5,119	3,871
Reversal of provision for loss on store closing	—	14,641
Total extraordinary income	116,478	18,512
Extraordinary losses		
Loss on retirement of fixed assets	38,441	36,602
Loss on disaster	—	71,363
Loss on adjustment for changes of accounting standards for asset retirement obligations	504,813	—
Loss on transfer of defined contribution pension plan	—	147,031
Others	132,779	—
Total extraordinary losses	676,033	254,998
Income before income taxes and minority interests	6,296,790	8,396,597
Income taxes	2,239,207	2,789,793
Income taxes—deferred	1,234,680	1,677,015
Total income and other taxes	3,473,888	4,466,809
Income before minority interests	2,822,902	3,929,787
Minority interests in income	28,094	26,763
Net income	2,794,807	3,903,024

(Quarterly consolidated statements of comprehensive income)

(Nine months ended December 31)

(Thousands of yen)

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Income before minority interests	2,822,902	3,929,787
Other comprehensive income (losses)		
Unrealized gains (losses) on other securities	(67,815)	(8,148)
Total other comprehensive income (losses)	(67,815)	(8,148)
Comprehensive income	2,755,086	3,921,639
(Breakdown of comprehensive income)		
Parent company portion of comprehensive income	2,726,992	3,894,875
Minority interest portion of comprehensive income	28,094	26,763

(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.