



Financial Results for the Year Ended March 31, 2012(J-GAAP)

May 15, 2012

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 27, 2012
 Scheduled date of filing annual securities report: June 28, 2012
 Scheduled date to start dividends distribution: June 28, 2012
 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, 2012 (April 1, 2011 - March 31, 2012)

(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, 2012	257,340	6.9	11,672	48.3	12,674	31.2	5,897	69.5
Year ended March 31, 2011	240,827	2.3	7,868	14.6	9,660	40.5	3,478	10.3

(Note) Comprehensive income: Year ended March 31, 2012: ¥5,933 million (75.8%); Year ended March 31, 2011: ¥ 3,375 million (3.1%)

	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, 2012	85.27	—	10.8	8.9	4.5
Year ended March 31, 2011	50.37	—	6.9	7.9	3.3

Reference: Equity-method investment profit (loss): Year ended March 31, 2012: - million yen Year ended March 31, 2011: - 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, 2012	157,816	57,442	36.2	823.21
As of March 31, 2011	125,781	52,200	41.3	752.15

Reference: Shareholders' equity: As of March 31, 2012: 57,166 million yen As of March 31, 2011: 51,944 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, 2012	16,128	(14,217)	3,077	8,741
Year ended March 31, 2011	9,795	(5,402)	(4,518)	3,755

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2011	—	7.00	—	7.00	14.00	966	27.8	1.9
Year ended March 31, 2012	—	8.00	—	8.00	16.00	1,108	18.8	2.0
Year ending March 31, 2013 (forecast)	—	9.00	—	9.00	18.00		21.6	

3. Forecast of consolidated financial results for the year ending March 31, 2013 (April 1, 2012 - March 31, 2013)

(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	134,300	8.9	4,000	(18.4)	3,600	(25.9)	1,600	(27.6)	23.04
Full year	274,000	6.5	11,400	(2.3)	11,000	(13.2)	5,800	(1.6)	83.52

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 policies, changes in accounting estimates, restatements

- 1) Changes in accounting policies due to revisions of accounting standards, etc: None
- 2) Changes in accounting policies due to reasons other than those stated in 1): None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(3) Number of shares outstanding (common stock)

1) Number of shares issued and outstanding (including treasury stock)	As of March 31, 2012:	73,017,952 shares	As of March 31, 2011:	73,017,952 shares
2) Number of treasury stock	As of March 31, 2012:	3,574,673 shares	As of March 31, 2011:	3,956,331 shares
3) Average number of shares issued and outstanding in each period	Year ended March 31, 2012:	69,156,306 shares	Year ended March 31, 2011:	69,062,089 shares

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended March 31, 2012 (April 1, 2011 - March 31, 2012)

(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, 2012	229,889	3.3	11,031	30.0	12,395	18.0	6,288	31.2
Year ended March 31, 2011	222,565	11.0	8,484	14.8	10,502	34.9	4,791	19.5

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2012	90.93	—
Year ended March 31, 2011	69.38	—

(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, 2012	142,610	60,453	42.4	870.54
As of March 31, 2011	118,831	54,840	46.1	794.08

Reference: Shareholders' equity:

As of March 31, 2012: 60,453 million yen

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

2. Forecast of non-consolidated financial results for the year ending March 31, 2013 (April 1, 2012 - March 31, 2013)

(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	119,100	4.4	3,100	(41.0)	2,800	(48.3)	1,400	(51.0)	20.16
Full year	242,900	5.7	9,000	(18.4)	9,100	(26.6)	4,900	(22.1)	70.56

*** 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

The macro environment in which Japan's social security system operates is moving toward an integration of the tax and social security systems, with the revisions to the long-term care insurance system and compensation for medical service fees and for long-term care workers, both carried out in April 2012, laying the foundation for providing uninterrupted medical and long-term care with a view toward 2025, when the aging of Japan's society is expected to peak.

In addition, with regard to the establishment of a "new child care system" being proposed as a support program for raising children, related laws have been proposed in the Diet with the aim of their enactment in April 2013, and full-fledged discussions toward the elimination of waiting periods for children to get into child care centers and the quantitative expansion of child care services.

The Nichii Gakkan Group has been working to achieve long-term profit growth by increasing operational efficiency and further strengthening existing businesses, while at the same time expanding our medical management support services at the Medical Support Business, and striving to develop and provide new services at the Health Care Business, including the expansion of services not covered by the long-term care insurance system and childcare services that address regulatory developments.

The Education Business has fully entered the language education business by making the English conversation school operator Gaba Corporation a wholly owned subsidiary (as of December 5, 2011) and the Australian language school SELC a subsidiary, and preparations are being made to expand the Nichii Group's COCO Juku English conversation schools in the pursuit of further synergies between businesses and across the Group.

The Nichii Group's business development in China has also taken a major first step with our group wholesaler of long-term care products and welfare equipment, Nichii Carenet Company, establishing Riyi Fuli Qiju Maoyi (Shanghai) Co., Ltd., as a locally incorporated entity in February 2012.

In terms of operating results, we achieved record sales for the fourth consecutive year, and a third consecutive year of growth in operating income, which exceeded 10 billion yen, reflecting solid growth in the number of users for both our home-care and facility-care services, further improvements in operational efficiency at the Medical Services and Health Care businesses, and a half-year earnings contribution from the addition of GABA to the scope of consolidation.

The Great East Japan Earthquake had the effect of reducing net sales in areas that suffered damage, but we were able to utilize the strength of our nationwide network to minimize the impact of the disaster.

As a result, net sales for the fiscal year totaled 257,340 million yen (compared with 240,827 million yen in the previous fiscal year), with operating income of 11,672 million yen (7,868 million yen), ordinary income of 12,674 million yen (9,660 million yen), and net income of 5,897 million yen (3,478 million yen).

Results by business segment are as follows:

<Medical Support Business>

The Medical Support Business expanded its scope of operations at hospitals under contract, and carried out sales activities using collaboration between medical facilities and long-term care services, medical management analysis, and other management support services as a foothold from which to obtain new contracts.

As a means of expanding management support services, we held "2012's Revision on Medical Service Fee Compensation Seminar" nationwide, regarding the revisions carried out in April 2012, and strove to provide the comprehensive support to medical institutions including support for collaboration between medical services and long-term care, and initial preparations for support services for international medical exchanges.

The business also recorded large profit growth, through improved operational efficiency from continuous increases in staff compensation and higher staff retention and skill enhancement.

As a result, the segment recorded net sales of 103,299 million yen (103,217 million yen in the previous fiscal year) and operating income of 8,547 million yen (7,042 million yen).

<Health Care Business>

The Health Care Business continued to work to open new long-term care facilities and increase utilization rates at existing facilities, resulting in steady growth in the number of users for our home-care and facility-care services, and our mainline home-visit care services maintained growth rates that outpaced the overall market.

The development of services not covered by the long-term care insurance system included stepped-up development of private-brand equipment and the enhancement of services for handicapped persons, and the number of people with disabilities using our services surpassed 10,000 in March 2012.

The business also recorded large profit growth, through improved operational efficiency from increases in the number of service users, which as a result absorbed prior investment costs for opening facilities.

Nichii Care Palace Company, which operates medium-priced nursing homes, has maintained profitability since June, and with a change to the company's fiscal year-end from December to March, contributed to revenue and profit growth with 15 months' of results – from January 2011 to March 2012 – reflected in consolidated results.

In terms of new home-care service facilities opened during the fiscal year, we opened 43 new care plan facilities (bringing the total to 737), 40 new home-visit care facilities (1,062 (including home-visit bathing facilities), 32 new day-care facilities (326), 3 new care equipment leasing facilities (135), and 21 new home-nursing facilities (23). In the area of facility-care services, we opened 24 new Nichii no Hohoemi facilities (bringing the total to 241), 8 new Nichii no Kirameki facilities (42), and 2 new Nichii Home nursing homes (50).

As a result, segment sales for the fiscal year were 138,275 million yen (124,204 million yen in the previous year) and operating income was 10,142 million yen (6,500 million yen).

<Education Business>

The Education Business continued to experience declines in enrollment for its mainstay Home Helper Level 2 Course and Medical Administration Course, despite a slight improvement in the active-job-openings-to-applicants ratio. And therefore in the 4th quarter, the sign of ceasing this continuous decline has been observed.

In language education, student enrollment in GABA's one-on-one English conversation lessons is running ahead of plan on increased demand for language education associated with globalization, and this is already contributing to the stabilization of segment earnings.

In terms of new course development, we 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, in response to increased needs for specialists in dispensing pharmacy administration. We also moved forward with preparations to expand our COCO Juku English conversation schools.

As a result, segment sales totaled 15,450 million yen (12,904 million yen in the previous fiscal year) with operating income of 715 million yen (1,596 million yen).

<Other Businesses>

In Other Businesses, Lakewoods Garden Himeharu no Sato (Mobara City, Chiba Prefecture) opened in April 2011. In keeping with its mission to deliver "joy" and "healing," the facility held a variety of events on its premises and moved forward with preparations to develop dog therapy and gardening therapy services. The segment also worked to strengthen sales of Lakewoods Garden-related and other products.

As a result, the segment recorded full-year sales of 314 million yen (501 million yen in the previous fiscal year), with a 334 million yen operating loss (a 68 million yen loss in the previous year).

2) Outlook for the year ending March 31, 2013

The Nichii Group launched a new medium-term management strategy from April 2012. Under this strategy, we will pursue new growth strategies with the aim of improving the structural balance of our businesses, to eliminate the risk of earnings fluctuations from actions like regulatory changes, and achieve stable, long-term profit growth.

At the same time, we have begun restructuring to create a competitive, flexible organization in line with this strategy. By realigning the group organization, reviewing business and marketing structures, and developing human resources and strengthening staff training, we will work under this new organization to expand existing businesses, and aggressively develop new businesses to bolster our earnings strength.

In terms of new businesses, we will make maximum use of our management resources to address the increasing need for language education spurred by globalization, by strengthening our development of English conversation schools, and step up the development of our child care business with a view toward the enactment of a new child care system. We will also pursue businesses in areas where synergies can be achieved across the Group and between businesses, and work to expand our fields of business.

For the fiscal year ending March 31, 2013, we are forecasting a fifth consecutive year of sales growth from an increase in the number of users of our health care services, a full-year earnings contribution from GABA, and client growth from the

expansion of the language education business. Also taking into account the effect on profit from upfront investments to secure long-term earnings and from revisions to compensation for long-term care workers, our forecasts for the fiscal year ending March 31, 2013 are for sales of 274,000 million yen (from 257,340 million yen in the fiscal year to March 31, 2012), with operating income of 11,400 million yen (11,672 million yen), ordinary income of 11,000 million yen (12,674 million yen), and net income of 5,800 million yen (5,897 million yen).

(2) Analysis of financial position**1) Overview of financial position**

During the fiscal year, cash and cash equivalents (“cash”) increased by 4,986 million yen year on year to 8,741 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 16,128 million yen.

This was primarily the result of growth in income before income taxes and an increase in depreciation and amortization.

[Cash flows from investing activities]

As a result of investing activities during the fiscal year, cash decreased by 14,217 million yen

This was primarily due to acquisition of tangible fixed assets, and for the acquisition of shares of a subsidiary and affiliates resulting change in scope of consolidation of consolidation.

[Cash flows from financing activities]

As a result of financing activities during the fiscal year, cash increased by 3,077 million yen.

The primary factors producing this result included proceeds for long-term loans.

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

	Year ended March 31, 2011	Year ended March 31, 2012
Equity ratio (%)	41.3	36.2
Equity ratio based on present value (%)	35.9	48.8
Debt redemption (years)	3.2	2.9
Interest coverage ratio (times)	16.4	15.0

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, 2012, we are planning to pay a year-end dividend of 8 yen per share.

(Yen)

(Record date)	Cash Dividends per Share		
	2Q-end	Year-end	Annual
Year ended March 31, 2012	8.00 (Actual)	8.00 (Forecast)	16.00 (Forecast)
Year ending March 31, 2013	9.00 (Forecast)	9.00 (Forecast)	18.00 (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 occurs every five years, and revision of compensation for long-term care workers, which occurs 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 19 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.

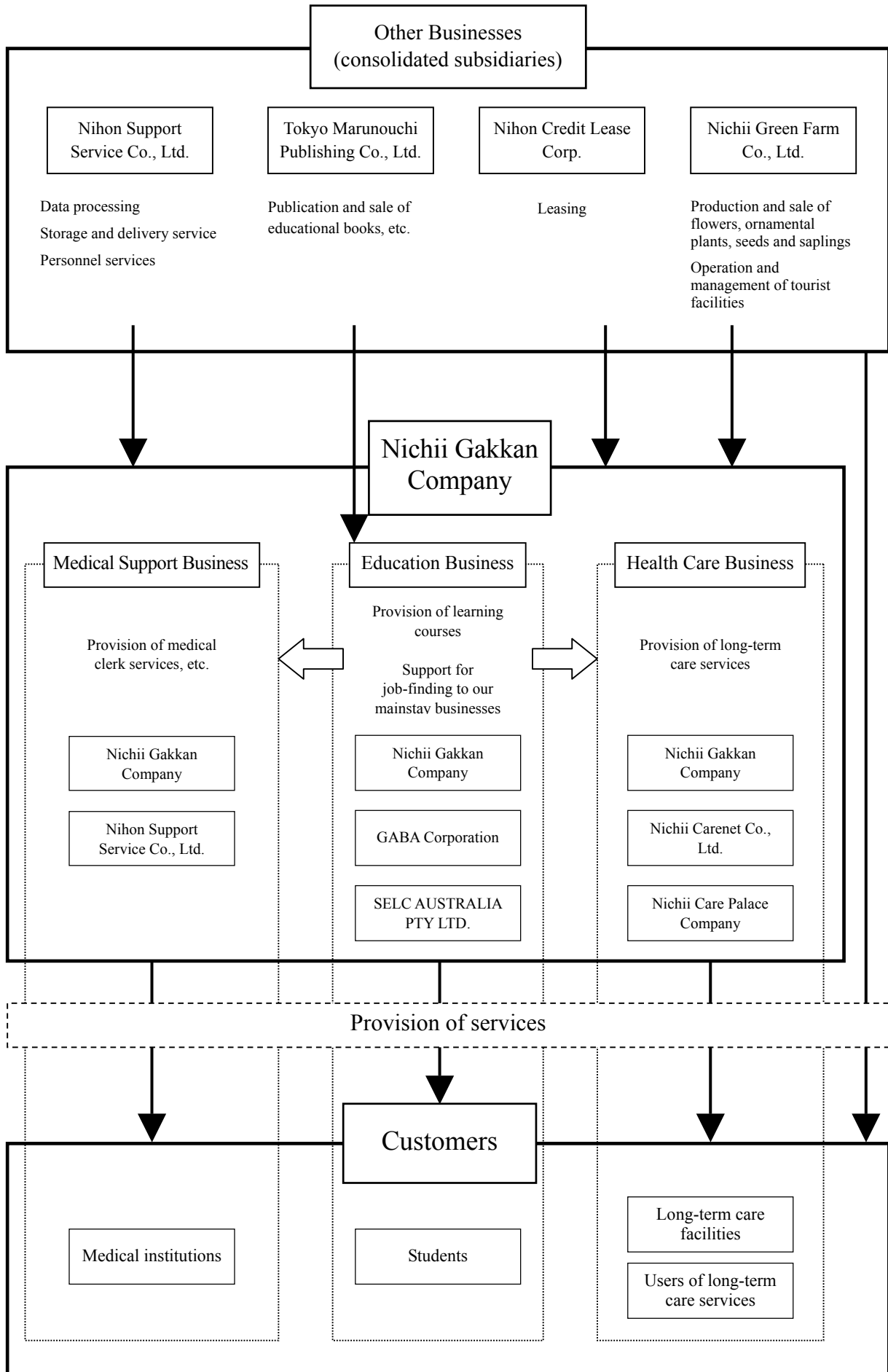
The Health Care Business provides home-care services under the long-term care insurance system (home-care support, home-visit care, home-visit bathing, day care services, etc.), facility care services (care service for specified facility residents, care service for group home residents with dementia, and management of rental housing specialized for the elderly), sale and rental of welfare equipment, catering, and welfare services for the handicapped. Nichii Carenet Company established Riya Fuli Qiju Maoyi (Shanghai) Co., Ltd., as a locally incorporated entity in China in February 2012, and began to develop a wholesale sales business for long-term care products and welfare equipment in China.

The Education Business develops courses mainly for training medical office workers and home helpers, and offers a broad range of Web College and other Nichii e-learning programs for persons interested in pursuing self-development or hobbies. The group has also become fully engaged in the language business with one-on-one English conversation lessons at GABA Corporation, which was made a consolidated subsidiary in September 2011 (and a wholly owned subsidiary in December 2011), and the commencement of group lessons at COCO Juku from April 2012.

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, clerk course of medical doctors and English conversation schools etc.	Nichii Gakkan Company GABA Corporation SELC AUSTRALIA PTY LTD.
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 our management philosophy of “We will contribute to the enhancement of human life through the development of our business”, the Nichii Group operates under a “Target Five Stars” management strategy that aims to make the Nichii Group the industry leader in *Net sales, *Earnings, *Product strength, *Employee compensation, and *Corporate ethics.

By strengthening our human and other management resources and providing safe and secure services to establish a favorable cycle that leads to sales and profit growth, we aim to achieve the Target Five Stars, and also to be a company that earns society’s trust by being able to contribute to social development and advances in areas closely tied to peoples’ daily lives, namely medical services, health care, education, and child care.

(2) Management goals

The Nichii Group has established the three objectives given below.

- | | |
|----------------------------------|-----------------------|
| 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 Group launched a medium-term management strategy from April 2012 with the aim of realizing our management philosophy and achieving our management targets.

This medium-term management strategy aims to expand the areas of operations and strengthen the operating base of each business, to improve the balance in our business structure to increase earnings strength and minimize the risk of earnings fluctuations, as a means of achieving stable, long-term profit growth.

Through the following activities, we intend to resolve the issues facing the company and achieve stable, long-term profit growth:

1) Improve the balance of our business structure

Among the issues to be addressed in our businesses, the Medical Services Business is faced with the situation that although stable earnings can be expected as a result of increases in operational efficiency, growth in the market for medical office services has reached a lull, and the business therefore needs to deal with how to increase its growth potential. At the Health Care Business, although high market growth is a forecast going forward, the business is dealing with avoiding risks from regulatory changes and increasing earnings strength. The Education Business is traditionally a highly profitable business, but with our business model encompassing both general education and specialized accreditation, earnings are swayed by the macro economy and shifts in accreditation needs for medical and nursing-care workers. We are therefore addressing the issue of building a business portfolio to support stable, long-term growth.

To achieve this, we are addressing issues at each business by expanding existing businesses while also expanding into peripheral business areas, to effectively use management resources for efficient business development that leads to increased growth, earnings, and stability for the group.

<Expanding areas of business>

- Medical Support Support medical exchanges, expand management support services including collaboration between medical facilities and long-term care services
- Health Care Expand services not covered by long-term care insurance, including welfare services for persons with disabilities and daily life support services
Develop services in China
- Education Expand language education business, where long-term demand is anticipated
Address the aging of society by expanding courses for older persons
- Child Care Develop child care facilities in line with the enactment of the new childcare system

2) Strengthen the organizational base

With growth expected going forward in social security services and other fields in which the group operates, it is essential for us to secure medical office staff and long-term care staff, as well as registered nurses and certified child care workers, and native instructors for language education. We will therefore strive to secure stable human resources by further strengthening human resource development and our capacity to supply staffing, expanding various training programs, continuously improving compensation, and utilizing management resources to quickly create channels for hiring at the Education Business.

In addition, social security services are seeing the establishment of comprehensive regional care structures, as represented by the regional medical service plans being promoted by various cities and prefectures, and we will emphasize swift management responses to accurately address these regional needs.

3) Address globalization

As Japanese society becomes increasingly global, the market for language education is seen continuing to grow over the long term. Along with strengthening both GABA and COCO Juku, we will work to expand the Australian language school SELC's operations into North America and Europe, to build a group structure that is able to secure study abroad destinations and provide quality instructors.

Going forward, we will also strengthen collaboration across the group to develop services that address globalization by offering language education to the elderly and to children, and at medical institutions.

In addition, with the Chinese population expected to experience significant aging, Nichii Carenet Company has established Riyi Fuli Qiju Maoyi (Shanghai) Co., Ltd., as a locally incorporated entity in China to develop a welfare goods wholesaling business. Working under an operational tie-up with Toyota Tsusho, we will strive to expand wholesale sales channels and promote the use of high-quality welfare goods in China. Over the longer term, we aim to move beyond welfare goods and develop all of Nichii's businesses in China.

4) Provide safe, secure, high-quality services

Nichii Gakkan views the providing of safe and secure services as an important management issue, and we have established a "Compliance Committee" as part of our system for internal controls to promote the importance of regulatory compliance.

In addition, a Nichii Group Compliance Policy has been formulated, outlining the ethics and guidelines that form the basis of legal compliance by employees, and this policy is instilled in employees through various training and study programs.

We are also striving to ensure and enhance the safety of our services by ensuring safe driving of our vehicles used in long-term care, installing safety equipment in care facilities, and sharing experiences of potentially dangerous incidents in the services we provide.

Going forward, we will also strive to provide safe, secure, high-quality services by strengthening our call center functionality to ensure that feedback from service users across Japan is appropriately reflected in our services.

(4) Other significant matters for management

There are no applicable matters.

4. Consolidated financial statements

(1) Consolidated balance sheets

(Thousands of yen)

	FY2011 (As of March 31, 2011)	FY2012 (As of March 31, 2012)
Assets		
Current assets		
Cash and deposits	3,912,556	8,699,654
Notes and accounts receivable	29,891,605	31,802,791
Securities	—	1,599,880
Merchandise and finished goods	404,983	599,236
Work in progress	4,283	5,810
Raw materials and supplies	278,660	333,724
Deferred tax assets	3,435,974	2,721,057
Others	6,292,293	8,378,019
Allowance for doubtful accounts	(56,829)	(38,293)
Total current assets	44,163,528	54,101,880
Fixed assets		
Tangible fixed assets		
Buildings and structures	43,828,036	46,573,130
Accumulated depreciation	(17,231,360)	(19,576,751)
Buildings and structures (net)	26,596,675	26,996,379
Machinery and vehicles	90,064	90,064
Accumulated depreciation	(82,071)	(84,132)
Machinery and vehicles (net)	7,993	5,931
Tools, furniture and fixtures	2,884,210	3,693,465
Accumulated depreciation	(2,354,668)	(3,087,984)
Tools, furniture and fixtures (net)	529,542	605,480
Land	8,031,872	8,142,343
Lease assets	5,877,110	17,434,209
Accumulated depreciation	(952,274)	(1,893,256)
Lease assets (net)	4,924,836	15,540,953
Construction in progress	235,983	878,952
Total tangible fixed assets	40,326,903	52,170,041
Intangible fixed assets		
Goodwill	13,564,666	21,918,063
Software	3,862,956	3,183,700
Software in progress	281,603	610,315
Lease assets	1,116,584	905,340
Others	192,648	201,080
Total intangible fixed assets	19,018,460	26,818,501
Investments and other assets		
Investment securities	1,489,149	1,758,191
Long-term loans receivable	5,636,625	6,561,118
Long-term prepaid expenses	2,538,018	2,602,576
Guarantee deposit	9,701,786	11,353,637
Deferred tax assets	2,444,506	2,060,822
Others	1,521,598	1,397,283
Allowance for doubtful accounts	(1,059,406)	(1,007,711)
Total investments and other assets	22,272,279	24,725,918
Total fixed assets	81,617,643	103,714,460
Total assets	125,781,172	157,816,341

(Thousands of yen)

	FY2011 (As of March 31, 2011)	FY2012 (As of March 31, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable	979,919	957,132
Short-term loans payable	1,318,002	193,091
Current portion of long-term loans payable	4,781,871	5,257,449
Lease liabilities	936,059	1,215,521
Income taxes payable	3,538,277	3,274,561
Consumption taxes payable	743,978	1,162,535
Other accrued expenses	14,457,396	16,178,955
Advances Received	3,270,247	9,560,434
Allowance for employee bonuses	4,223,744	4,775,256
Allowance for directors' bonuses	35,100	36,500
Others	5,271,775	6,298,064
Total current liabilities	39,556,372	48,909,502
Long-term liabilities		
Long-term loans payable	18,991,565	24,990,175
Lease liabilities	5,441,179	15,833,977
Long-term advances received	2,777,994	2,694,117
Allowance for employee retirement benefits	4,428,149	4,719,843
Allowance for directors' retirement benefits	157,921	162,923
Asset retirement obligations	1,233,067	1,542,245
Others	994,525	1,521,252
Total long-term liabilities	34,024,403	51,464,536
Total liabilities	73,580,776	100,374,038
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	34,057,020
Treasury stock	(6,789,290)	(6,133,715)
Total shareholders' equity	51,991,637	57,211,311
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(46,849)	(45,042)
Total accumulated other comprehensive income	(46,849)	(45,042)
Minority interests	255,608	276,034
Total net assets	52,200,395	57,442,302
Total liabilities and net assets	125,781,172	157,816,341

(2) Consolidated statements of income and comprehensive income

(Consolidated statements of income)

(Thousands of yen)

	FY2011 (from April 1, 2010 to March 31, 2011)	FY2012 (from April 1, 2011 to March 31, 2012)
Net sales	240,827,319	257,340,573
Cost of sales	193,033,355	203,513,674
Gross profit	47,793,963	53,826,898
Selling, general and administrative expenses		
Advertising and promotion expenses	4,537,961	4,959,690
Directors' compensation	152,666	225,221
Salaries and benefits	14,508,228	14,911,785
Provision for employee bonuses	1,027,337	1,175,233
Provision for directors' bonuses	35,100	36,500
Provision for directors' retirement benefits	8,699	8,192
Provision for employee retirement benefits	324,608	383,168
Legal welfare expenses	2,360,699	2,508,927
Travel and transportation expenses	1,490,276	1,504,077
Rent expenses	3,019,626	2,985,100
Provision for doubtful accounts	24,451	3,912
Depreciation and amortization	1,889,429	2,079,553
Amortization of goodwill	965,722	1,471,455
Others	9,580,386	9,901,765
Total selling, general and administrative expenses	39,925,192	42,154,584
Operating income	7,868,771	11,672,313
Non-operating income		
Interest income	113,596	142,107
Commission on consignment for office work	115,971	115,638
Rent income	200,810	243,793
Commission on consignment for job creation businesses	1,628,650	1,190,729
Subsidy income	194,894	284,934
Others	283,188	226,021
Total non-operating income	2,537,111	2,203,223
Non-operating expenses		
Interest expenses	599,663	1,074,869
Rent expenses	50,876	60,211
Others	94,848	65,695
Total non-operating expenses	745,389	1,200,776
Ordinary income	9,660,493	12,674,760

(Thousands of yen)

	FY2011 (from April 1, 2010 to March 31, 2011)	FY2012 (from April 1, 2011 to March 31, 2012)
Extraordinary income		
Gain on sale of fixed assets	210	–
Reversal of allowance for employees' bonuses	111,148	–
Reversal of provision for loss on store closing	–	14,643
Reversal of provision for loss on disaster	–	44,442
Others	5,119	7,831
Total extraordinary income	116,478	66,918
Extraordinary losses		
Loss on retirement of fixed assets	43,157	44,749
Impairment loss	23,742	–
Provision of allowance for doubtful accounts	316,000	–
Loss on disaster	260,264	69,940
Provision of allowance for loss on disaster	382,800	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	504,813	–
Provision for loss on store closing	–	42,345
Loss on transfer of defined contribution pension plan	–	148,117
Others	157,413	6,178
Total extraordinary losses	1,688,190	311,331
Net income before income taxes and minority interests	8,088,781	12,430,347
Income taxes-current	4,200,699	5,263,532
Income taxes for prior periods	114,000	–
Income taxes-deferred	259,450	1,235,097
Total income and other taxes	4,574,150	6,498,630
Income before minority interests	3,514,631	5,931,717
Minority interests in income	36,214	34,604
Net income (loss)	3,478,416	5,897,112

(Consolidated statements of comprehensive income)

(Thousands of yen)

	FY2011 (from April 1, 2010 to March 31, 2011)	FY2012 (from April 1, 2011 to March 31, 2012)
Income before minority interests	3,514,631	5,931,717
Other comprehensive income		
Valuation difference on available-for-sale securities	(139,608)	1,806
Total other comprehensive income	(139,608)	1,806
Comprehensive income	3,375,022	5,933,524
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,338,807	5,898,919
Comprehensive income attributable to minority interests	36,214	34,604

(3) Consolidated statements of changes in shareholders' equity

(Thousands of yen)

	FY2011 (from April 1, 2010 to March 31, 2011)	FY2012 (from April 1, 2011 to March 31, 2012)
Shareholders' equity		
Common stock		
Balance at the beginning of current 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 beginning of current 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 beginning of current period	26,912,370	29,492,922
Changes of items during the period		
Dividends from retained earnings	(897,810)	(1,035,921)
Net income (loss)	3,478,416	5,897,112
Disposal of treasury stock	(54)	(297,092)
Total changes during the period	2,580,551	4,564,098
Balance at the end of the current period	29,492,922	34,057,020
Treasury stock		
Balance at the beginning of current period	(6,788,705)	(6,789,290)
Changes of items during the period		
Purchase of treasury stock	(680)	(540)
Disposal of treasury stock	96	656,115
Total changes during the period	(584)	655,574
Balance at the end of the current period	(6,789,290)	(6,133,715)
Total shareholders' equity		
Balance at the beginning of current period	49,411,670	51,991,637
Changes of items during the period		
Dividends from retained earnings	(897,810)	(1,035,921)
Net income (loss)	3,478,416	5,897,112
Purchase of treasury stock	(680)	(540)
Disposal of treasury stock	41	359,022
Total changes during the period	2,579,967	5,219,673
Balance at the end of the current period	51,991,637	57,211,311

(Thousands of yen)

	FY2011 (from April 1, 2010 to March 31, 2011)	FY2012 (from April 1, 2011 to March 31, 2012)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	92,759	(46,849)
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	(139,608)	1,806
Total changes during the period	(139,608)	1,806
Balance at the end of the current period	(46,849)	(45,042)
Total accumulated other comprehensive income		
Balance at the beginning of current period	92,759	(46,849)
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	(139,608)	1,806
Total changes during the period	(139,608)	1,806
Balance at the end of the current period	(46,849)	(45,042)
Minority interests		
Balance at the beginning of current period	223,893	255,608
Changes of items during the period		
Changes other than shareholders' equity during the period (net)	31,714	20,426
Total changes during the period	31,714	20,426
Balance at the end of the current period	255,608	276,034
Total net assets		
Balance at the beginning of current period	49,728,322	52,200,395
Changes of items during the period		
Dividends from retained earnings	(897,810)	(1,035,921)
Net income (loss)	3,478,416	5,897,112
Purchase of treasury stock	(680)	(540)
Disposal of treasury stock	41	359,022
Changes other than shareholders' equity during the period (net)	(107,894)	22,233
Total changes during the period	2,472,073	5,241,906
Balance at the end of the current period	52,200,395	57,442,302

(4) Consolidated statements of cash flows

	(Thousands of yen)	
	FY2011	FY2012
	(from April 1, 2010 to March 31, 2011)	(from April 1, 2011 to March 31, 2012)
Cash flows from operating activities		
Income before income taxes	8,088,781	12,430,347
Depreciation and amortization	4,343,250	5,228,244
Amortization of goodwill	965,722	1,471,455
Increase (decrease) in allowance for doubtful accounts	325,417	(75,357)
Increase (decrease) in allowance for employee bonuses	23,886	456,476
Increase (decrease) in allowance for directors' bonuses	1,100	1,400
Increase (decrease) in allowance for employee retirement benefits	295,099	291,694
Increase (decrease) in allowance for directors' retirement benefits	8,699	5,002
Increase (decrease) in allowance for loss on disaster	382,800	(382,800)
Increase (decrease) in provision for loss on store closing	-	5,272
Interest and dividends income	(117,737)	(146,244)
Interest expenses	599,663	1,074,869
Loss (gain) on sales of investment securities	(5,119)	(4,111)
Loss (gain) on valuation of investment securities	-	2,827
Loss on retirement of fixed assets	43,157	44,749
Loss (gain) on sale of fixed assets	4,889	-
Impairment loss	23,742	-
Loss on disaster	260,264	69,940
Loss on adjustment for changes of accounting standard for asset retirement obligations	504,813	-
Decrease (increase) in accounts receivable	(1,337,096)	(1,579,884)
Decrease (increase) in inventories	(139,788)	(118,222)
Decrease (increase) in other current assets	(1,164,567)	176,945
Decrease (increase) in claims provable in bankruptcies	(24,654)	27,694
Decrease (increase) in other fixed assets	499,699	590,994
Increase (decrease) in accounts payable	39,127	(48,796)
Increase (decrease) in consumption tax payable	(201,228)	368,244
Increase (decrease) in other current liabilities	590,398	2,586,095
Increase (decrease) in other long-term liabilities	(596,522)	501,586
Others	(15,726)	(1,684)
Subtotal	13,398,071	22,976,739
Interest and dividends received	23,104	38,017
Interest paid	(598,890)	(1,076,470)
Income taxes paid	(3,026,906)	(5,809,468)
Cash flows from operating activities	9,795,378	16,128,818

(Thousands of yen)

	FY2011 (from April 1, 2010 to March 31, 2011)	FY2012 (from April 1, 2011 to March 31, 2012)
Cash flows from investing activities		
Payments into time deposits	(414,000)	(508,000)
Withdrawal of time deposits	420,000	808,000
Purchase of short-term investment securities	(100,000)	(1,100,054)
Proceeds from sales of short-term investment securities	100,000	–
Acquisition of tangible fixed assets	(2,198,956)	(2,897,415)
Proceeds from sale of tangible fixed assets	21,328	765
Acquisition of intangible fixed assets	(1,903,155)	(1,006,606)
Proceeds from sale of investment securities	12,120	304,216
Acquisition of shares of subsidiaries and affiliates	–	(151,108)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(7,658,337)
Payments of loans receivable	(1,305,605)	(1,330,949)
Collection of loans receivable	148,988	165,707
Payments for guarantee deposit	(479,398)	(1,335,582)
Collection of guarantee deposit	421,887	414,889
Subsidy income	229,251	594,218
Others (net)	(355,245)	(517,371)
Cash flows from investing activities	(5,402,785)	(14,217,627)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	300,000	(1,140,000)
Proceeds from long-term loans	7,000,000	17,950,000
Repayments for long-term loans	(10,100,000)	(11,531,200)
Proceeds from sale of treasury stock	41	89
Acquisition of treasury stock	(680)	(540)
Payments for dividends by parent company	(894,448)	(1,034,825)
Payments for dividends to minority shareholders	(4,500)	(4,500)
Repayments of lease obligations	(767,599)	(1,071,057)
Others	(51,092)	(90,407)
Cash flows from financing activities	(4,518,279)	3,077,558
Effect of exchange rate change on cash and cash equivalents	15,977	(2,036)
Increase (decrease) in cash and cash equivalents	(109,708)	4,986,713
Cash and cash equivalents at beginning of year	3,864,764	3,755,056
Cash and cash equivalents at end of year	3,755,056	8,741,769