Financial Results for the Fiscal Year Ended March 31, 2005 (Consolidated)

May 23, 2005

Name of listed company: Nichii Gakkan Company
Exchange where listed: Tokyo Stock Exchange
Company code number: 9792
Location of headquarters: Tokyo
(URL: http://www.nichiigakkan.co.jp)
Representative Title: President and Representative Director Name: Akihiko Terada
U.S. Accounting Standards: N/A

1. Consolidated results for the year ended March 31, 2005 (April 1, 2004 - March 31, 2005)

(1) Consolidated results

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2005	201,590	6.1	5,284	△61.9	5,472	△61.0
Year ended March 31, 2004	189,987	10.9	13,869	7.4	14,045	8.9

	Net Income		Net Income Per Share	Net Income Per Share after Adjusting for Latent Shares	ROE	ROA	Operating Income to Sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended March 31, 2005	2,029	△73.9	56.12	—	3.9	6.5	2.7
Year ended March 31, 2004	7,762	11.1	215.25	215.09	16.1	17.3	7.4

Notes:1. Equity-method investment profit (loss) Year ended March 31, 2005: - million yen
Year ended March 31, 2004: - million yen

2. Average number of shares during the term (consolidated) Year ended March 31, 2005: 35,514,999 shares
Year ended March 31, 2004: 35,894,227 shares

3. Changes in the method of accounting: None

4. Percentages indicated for sales, operating income, and net income are increases (decreases) compared to the preceding fiscal year.

(2) Consolidated financial position

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity Per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2005	85,240	51,241	60.1	1,451.60
Year ended March 31, 2004	83,333	51,791	62.2	1,446.33

Note: Number of outstanding shares at the end of the term (consolidated) Year ended March 31, 2005: 35,275,043 shares
Year ended March 31, 2004: 35,783,941 shares

(3) Consolidated cash flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in 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, 2005	471	△4,502	1,486	3,871
Year ended March 31, 2004	2,839	△3,748	△4,233	5,900

(4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 8 Number of unconsolidated subsidiaries subject to the equity method: None
Number of affiliates subject to the equity method: None

(5) Changes in companies subject to consolidation and equity method

Newly consolidated: 1 company Newly unconsolidated: None Newly subjected to the equity method: None
Newly excluded from the equity method: None

2. Projected consolidated results for the Year ended March 31, 2006 (April 1, 2005 - March 31, 2006)

	Net Sales	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Interim	106,900	3,680	1,900
Year ended March 31, 2006	223,700	11,230	6,230

Supplementary information
Projected net income per share for the fiscal year: ¥175.59

Note: Fractions of million yen are rounded off. The above projections are based on information available as of time of this announcement.
Actual results may differ due to various factors.

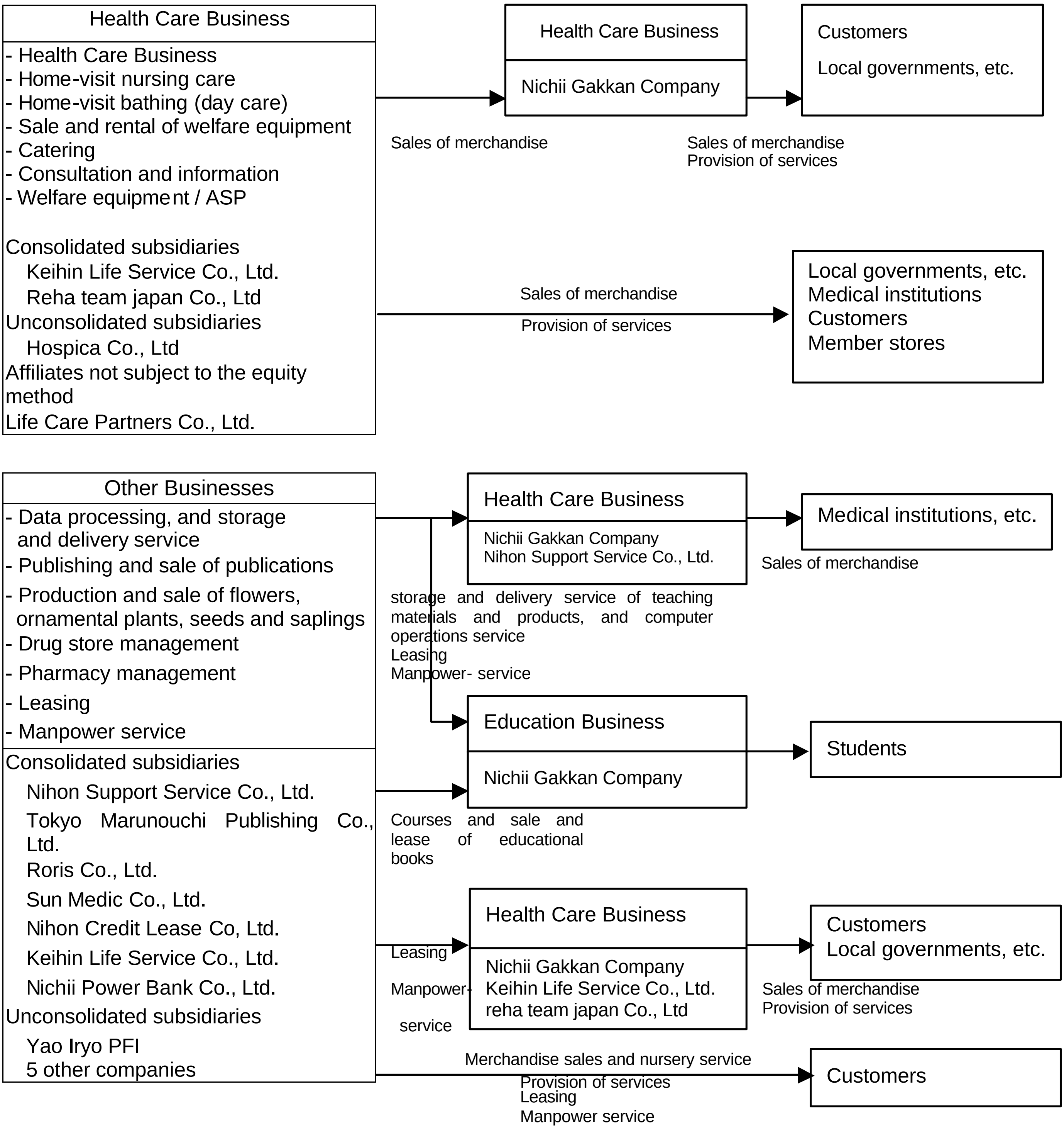
1. Status of the Corporate Group

This consolidated corporate group consists of Nichii Gakkan Company, its 15 subsidiaries, and its 1 affiliate. The Group is engaged in four businesses (Medical Support Business, Health Care Business, Education Business, and Other Businesses). In Medical Support Business, the Group primarily provides medical practice services to medical institutions and pharmacies; sales, disinfection, and sterilization services for medical equipment; and medical affairs consulting. In Health Care Business, the Group provides home care services under long-term care insurance (home-visit nursing care, home-visit bathing, day care), sale and rental of welfare equipment, catering, and other services. In Education Business, the Group provides educational programs primarily for medical office workers and home helpers. 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, drugstore and pharmacy management, leasing, and manpower services.

The Group's businesses and positioning of each business are as 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, sell/disinfection/sterilization services for medical equipment, medical affairs consulting	Nichii Gakkan Company Nihon Support Service Co., Ltd.
Health Care Business	Home-visit nursing care, home-visit bathing, day care, rental/sale of welfare equipment, catering, etc.	Nichii Gakkan Company Keihin Life Service Co., Ltd. reha team japan Co., Ltd.
Education Business	Correspondence courses for medical office work, home helper training, babysitter training, and sign language	Nichii Gakkan Company
Other Businesses	Information processing, storage and delivery service, publication and sale of books, production and sale of flowers, ornamental plants, seeds, and saplings, management of drug stores and pharmacies, leasing, manpower service, etc.	Nihon Support Service Co., Ltd. Tokyo Marunouchi Publishing Co, Ltd. Roris Co., Ltd. Sun Medic Co., Ltd. Nihon Credit Lease Co., Ltd. Keihin Life Service Co., Ltd. Nichii Power Bank Co., Ltd.

The functions of the corporate group described above can be illustrated as shown below.



2. Management Principles

1. Basic Principles

Based on our business concept of "user orientation," we are constantly striving to improve the living standards of the people by establishing unique business models in such areas as medical service, nursing care, and education that are closely tied to the lives of the people. We also recognize that we must fulfill our social responsibilities as a company and comply with corporate ethics in our corporate activities to win the trust of all stakeholders such as stockholders, customers, suppliers, employees, and local community and also to maximize our corporate value. To this end, we are actively working to improve the autonomy of each organization and employee.

As the Japanese population grays at an unprecedented pace, the social environment and economic conditions will also undergo dramatic changes. We intend to become a company that can promptly and properly respond to consumers' needs and one that can achieve sustainable growth. At the same time, we will contribute to the development of the medical and welfare industry as a whole.

2. Basic Principles on Profit Distribution

We are working to improve our corporate value by providing our stockholders with stable and yet aggressive profit distribution.

During the year ended March 31, 2005, we experienced a temporary setback in performance. As there are signs of recovery in performance from the next fiscal year, however, we would like to increase the return of profits to our stockholders and improve our corporate value. Therefore, we plan to increase the dividend paid at the end of last fiscal year (¥17.50) by ¥4.50 and pay a common dividend of ¥22 at the end of this fiscal year.

Marketing buying of treasury stock amounted to 503,800 shares of common stock, or ¥1,522,415,000, by March 31, 2005. The acquisition is 72% of the scheduled acquisition of 700,000 shares (announced on August 13, 2004).

Retained earnings will be invested strategically to expand mid- and long-term businesses in anticipation of the scheduled revision of the long-term care insurance system in April 2006. The investments include reinforcement of preventive care services and opening of multi-functional care centers that will provide a myriad of nursing care services.

3. Management goals

The medical and welfare markets in which we operate are likely to continue to grow rapidly with the quickly graying Japanese population. Therefore, as our mid-term management goal, we aim to achieve at least a double-digit sales growth and appropriate income. We also see ROE (return on equity) as an important business indicator in terms of efficient use of stockholders' equity and emphasis on stockholders' value.

① Sales growth → double-digit growth
② Operating income to sales → 8%
③ ROE (return on equity) → 15%

4. Mid- to long-term strategies and issues

We have continued our effort to turn ourselves into a solid company that can promptly and accurately accommodate social changes. As a facet of this effort, we have aimed to improve the autonomy of our frontline operations by restructuring and improving the frontline organizations. The investments required for the grounds-up organizational reform and the marketing system, whose restructuring had not been completed, affected the performance in the year ended March 31, 2005. Through the reform, however, management strategy is making progress and cost awareness is taking root throughout the company. Furthermore, to rejuvenate marketing, we will focus on reinforcing the marketing system in fiscal year 2005, and hold periodic marketing strategy meetings at all branch stores, branch offices, and head office to confirm the progress in achieving targets and to plan the necessary measures. This will allow us to form a system for sharing information among all the companies in a timely fashion to achieve higher profitability and greater market shares.

As Japanese society grays to an unprecedented age, the Japanese government is considering revisions and enforcement of public regulations, including a review of the medical and long-term care insurance systems. We will aggressively take various measures to remain the leader and grow further in the environment of dramatic changes in public systems.

We are scheduling the grand opening of Kobe Port Island Center, a facility constructed under Kobe's Medical Industry Development Project, in the spring of 2006 to coincide with the opening of Kobe Airport. As a center for research and development and source for new information, Kobe Port Island Center will materialize our company's future vision of "corporate philosophy and social contribution from the consumers' point of view." To this end, the center will provide meaningful services and information to improve medical care and welfare services.

【Medical Support Business】

With the declining birthrate and graying population, people have increasingly greater expectations of lower medical fees, more efficient medical provider systems, and better patient services. At the same time, the government is attempting to renovate the medical system into a sustainable system by considering grounds-up reform proposals on medical system, such as by integrating the medical insurance plans, creating a new medical system for the elderly, and reviewing the medical service fee system.

Against such a backdrop, medical institutions increasingly rely on outsourcing to private businesses to help them improve the quality of medical care and to make hospital management more efficient.

To help medical institutions meet such severe changes in operating environment, we will develop and improve services that meet the needs of medical institutions, and boost the support system for medical institutions. We will designate the activities below as our mid- to long-term strategy, promote the improvement of service quality and development of new services, and employ more extensive cost control.

① Expand medical institution operation support services by using hospital PFI
② Provide medical management consulting service and medical management analysis system at Kobe Port Island Center
③ Provide existing users with more extensive operational services and rectify contractual provisions
④ Review and improve work systems to enable the placement of proper personnel to medical institutions

【Health Care Business】

Long-term care insurance system is subject to review every five years. The first revision since the enforcement of the system is scheduled In April 2006.

We feel that the proposed revisions such as the creation of community-based services and the establishment of preventive care system present us with an opportunity to launch new services. We are therefore maintaining speed and flexibility in our businesses. On the other hand, in the rapidly growing nursing care market, increasing competition between companies and market saturation can be expected. By providing high-quality services catering to users' needs and a more extensive nursing care service menu, we intend to stay ahead of the competition. In addition, we formed Nursing Care Standardization Committee in the company in April 2005 to ensure complete compliance in preparation for the full enforcement of standardization of information disclosure (third party evaluation) and Personal Information Protection Law.

We will promote the activities below in an effort to improve the quality of our services and increase our market shares.

① Create "multi-functional care centers" that can offer "visit care," "day care," "preventive care," and "overnight

care." Day service center will be the core of each multi-functional care center.
② Improve the recognition of our nursing care services at the some 800 visit care facilities across the nation.
③ Create a service network by reinforcing the collaboration between medical institutions and our nursing care services.
④ Create high value added products by expanding services that are not covered by long-term care insurance.
⑤ Ensure compliance by installing Nursing Care Standardization Committee.

【Education Business】
The social environment characterized by declining birthrate and graying population has created a greater demand for workers in medical and welfare industries and an increasing need for qualifications in these industries. In response, we will further improve our existing correspondence courses such as medical office work course and home helper training course. In addition, we will start a preventive exercise instructor course to train students in preventive care service, which is scheduled for implementation under the revised long-term insurance system.

We will continue to develop new courses for trainees to acquire the necessary service skills catering to the needs in the field, and thereby contribute to the creation of employment in the medical and welfare industries.

【Other Businesses】
Other businesses include support operations related to medical and welfare services such as welfare equipment leasing, publication of books on medicine or welfare, manpower service, and management of pharmacies.

The welfare equipment leasing business is responsible for rejuvenating product distribution in the welfare equipment market and to improve the medical and nursing care environment.

The publication business is making a contribution in improving the quality of personnel by providing the latest specialized information by publishing magazines specializing in medicine or welfare and textbooks for the education business.

The manpower service business places highly specialized personnel in the medical and welfare industries to help alleviate the difficult employment situation.

We will continue to aggressively develop our businesses with the help of our group companies by taking advantage of our core competence in medical and welfare services.

5. Basic view of corporate governance and implementation status of related measures

(Basic view of corporate governance)
Our goal is to become a company that is trusted by all the stakeholders, including stockholders, investors, and users, and that can further contribute to the development of the local community. We are aggressively working to achieve this goal by designating as a high priority management issue the establishment of corporate governance that pursues transparent and efficient corporate management, expedient managerial decision-making, and compliance and risk management.

(Implementation status of corporate governance measures)
We employ the auditor system. The functions of the company are described below.

Board of Directors and Executive Officers

- The Board of Directors promptly and appropriately makes decisions on important management goals, management strategies, and other matters as required by law, and supervises the execution of duties. The Board of Directors is composed of fifteen directors, holds a periodic meeting, in principle, once a month, and is chaired by the President and Representative Director.
- Executive officers expedite the execution of duties based on the responsibility and authority delegated by the Board of Directors.

We have appointed and placed four executive officers primarily among managers of business areas and competencies.

Appointment of outside auditors

- Auditors monitor the performance of duties and management by the Board of Directors. The Board of Auditors is composed of four auditors, of which two are outside auditors to reinforce auditing of management. The outside auditors do not have an interest, such as business transaction, in our Group.

Group management

- Group Company Management Section meets regularly with top management of group companies to provide guidance and supervise their operations to ensure the efficient operations and supervisory functions of our group companies.

Compliance and risk management

Our Group's operations are expected to be carried out under the most stringent compliance system due to the effect of the operations on the public and society. In response, we have designated compliance, which is the core of the infernal control system, as a top managerial priority, and have begun to develop a system with a focus on the Compliance Committee. The Compliance Committee is chaired by the President and Representative Director, and is composed of relevant directors, standing auditors, chief auditor, and in-house counselor. The committee collaborates with relevant departments and committees to perform its tasks. In addition, we have installed a "Compliance Hotline" to ensure that issues concerning corporate ethics and information from the field reach the Compliance Committee.

- To gain the trust of stakeholders in our protection of personal information, we have followed a compliance program that sets forth the policies, planning, and implementation system for compliance, and formed the Personal Information Protection Committee in September 2004 to establish a system for properly handling personal information within the company.
- The Nursing Care Standardization Committee was formed in April 2005 so Health Care Business can provide services of the best possible quality and properly manage its operations. The committee ensures that Health Care Business is prepared for risks and complies with bills concerning nursing care business.

IR activities

- We practice fair disclosure to ensure transparency of management. Besides holding financial settlement briefings for the press and analysts, we hold open house at our day service centers, disclose account settlement information on our Web site, and issue news releases according to our policy of timely and fair information disclosure.
- issue news releases to disclose timely and fair information. As IR activity catering to overseas investors, we provide an extensive English-language tool (e.g., Investors' Guide) and welcome visits by overseas investors. We will continue to engage in aggressive IR activities such as by revamping IR catering to individual investors.

3. Business Results and Financial Condition

1. Business Results

① Overview

Consolidated business results

(Millions of yen)

	FY3/04	FY3/05	YoY (%)
Net Sales	189,987	201,590	106.1
Operating Income	13,869	5,284	△ 61.9%
Ordinary Income	14,045	5,472	△ 61.0%
Net Income	7,762	2,029	△ 73.9%

In the year ended March 31, 2005, the Japanese economy began to make a turnaround, as corporate profits improved and businesses, particularly those in manufacturing, resumed capital investment. On the other hand, Japan saw one of the worst heat waves in recent years, landing of several typhoons, and earthquakes. These natural disasters, combined with the cloud cast over the future by the fall in personal income and increasing burden of social security expenses by individuals, dampened personal consumption, and made the future uncertain for many people.

As for the environment that surrounds our Group, grounds-up reforms are being implemented and discussed to rebuild the social security system for medicine and nursing care into a sustainable system under the rapid aging of the population.

In the area of medical insurance system, the government is promoting a reform to modernize and improve the efficiency of medical management by reviewing the medical service fee system and promoting the implementation of IT medical charts to rectify medical expenses and improve the efficiency of medical service system. More medical institutions are seeking the help of reliable partners (contractors) to improve management and promptly solve managerial issues.

The long-term insurance system is scheduled for a major revision in April 2006. Noteworthy points of the revision are the creation of community-based services and the establishment of preventive care system to improve living functions and to slow down the deterioration of patients who require nursing care. Nursing care fee system is also scheduled for a review at the same time. These changes will mean a major turning point for businesses that provide nursing care services.

Against such a backdrop, we have made grounds-up organizational restructuring, and reinforced and improved the service field system to establish a strong corporate organization that can quickly and flexibly meet major changes in the market environment. On the other hand, the temporary delay in organizational system improvement from the structural reforms of the head office, branch offices, and branch stores at the beginning of the fiscal year and the investment for changes to the work system have affected the performance of each business field. In service field system, too, a delay in training field supervisors hindered aggressive and efficient business activities. In the latter half of the fiscal year, organizational structure and service field structure were gradually completed so we could focus on restoring business performance and making field activities more efficient. We also launched in October 2004 the multi-functional care center plan, which is our mid-term plan, to promote a business strategy for the future. As a result of these activities, net sales during the year ended March 31, 2005 was ¥201,590 million (up 6.1% year on year), ordinary income was ¥5,472 million (down 61.0% year on year), and net income was ¥2,029 million (down 73.9% year on year).

② Business results by segment

【Medical Support Business】

In Medical Support Business, we aggressively entered new businesses and diversified services to tailor solutions to the various managerial issues faced by each medical institution. Our forays include Japan's first hospital PFI business at Yao City Hospital in May 2004 and a comprehensive medical and nursing care service system that caters to the local community in a business alliance with Kitakyushu Hospital Group in November 2004. As a result of these activities, net sales increase exceeded that of last fiscal year (7.3%).

In terms of operating expenses, the additional control costs of the substantially changed work system have greatly affected income. As a solid field control system has been gradually established, however, we are beginning to see such benefits as more extensive cost control by user and improvement in service quality.

As a result of these activities, net sales in Medical Support Business during year ended March 31, 2005 was

¥104,672 million (up 7.9% year on year) and operating income was ¥8,876 million (down 16.6% year on year).

【Health Care Business】

In Health Care Business, we have increased nursing care service facilities to accommodate the rise in demand for services and improved the service menu as the number of elderly persons and others who require nursing care reached some 4 million in Japan and will continue to increase. As of March 31, 2005, we have 889 facilities for home-visit nursing care (year on year increase of 217), 669 home care support offices (increase of 149), 191 day care centers (increase of 7), and 223 welfare equipment offices (increase of 59), thus exceeding the initial plan for the number of facilities. In addition, we launched the multi-functional care center plan in October 2004, and have begun two new services -- preventive care service and overnight care service -- at some locations. As these examples illustrate, we aggressively increased the number of facilities this fiscal year. Due to the delay in training the staff at the new facilities, however, we did not achieve the anticipated sales effect, and could not accelerate the increase in the number of users. This fiscal year was also plagued by such natural disasters as heat wave, typhoons, and earthquake. In terms of operating expenses, the increase in miscellaneous expenses accompanying the increase in the number of facilities temporarily diluted the income per facility. In addition, we incurred an unexpected increase in the expenses for hiring and training nursing care specialists.

As a result of these activities, net sales of this segment was ¥73,973 million (up 6.3% year on year) and operating income was ¥2,213 million (down 51.6% year on year).

【Education Business】

In Education Business, we strove to training human resources suited to the needs of the times through such courses as medical office work course, home helper training course, and baby sitter training course. We also founded Manabi Net, a Web site specializing in medical and nursing care education curriculums, that provides brief descriptions of courses and accepts enrollment applications on-line, to add another channel for attracting students. Due to the effect of the press report that the government is contemplating a review of the qualifications for nursing care workers (e.g., longer training and more difficult curriculums), however, both sales and number of students fell short of forecasts.

As for operating expenses, due to the difficulty in signing up students, increase in advertising and promotion expenses, and smaller than anticipated class sizes, the cost to sign up each student has increased.

As a result, net sales of this segment amounted to ¥15,446 million (down 11.4% year on year) and operating income was ¥83 million (down 97.3% year on year).

【Other Businesses】

In Other Businesses, we dedicated our efforts to achieve profitability and improve operational efficiency by aggressively engaging in such businesses as welfare equipment leasing, publishing in medical and welfare field, manpower service, pharmacy management, storage and delivery service, and production and sale of flowers, ornamental plants, seeds, and saplings. The inability of Nichii Power Bank, a manpower service company that had increased the number of sales facilities at the beginning of the fiscal year, to achieve its targets had a large impact on operating expenses.

As a result, net sales of this segment was ¥7,498 million (up 24.9% year on year) and operating loss was ¥355 million (operating income was ¥307 million last fiscal year).

2. Financial Status

① Overview

During the year ended March 31, 2005, cash and cash equivalents ("funds") amounted to ¥3,871 million, down ¥2,028 million from the last fiscal year. Cash flows and factors of the cash flows are shown below.

【Cash flows from operating activities】
As a result of operating activities during the year ended March 31, 2005, funds increased by ¥471 million (down ¥2,368 million from the previous fiscal year).

This result can be attributed to a number of reasons. In Medical Support Business, although net sales increase exceeded that in the previous fiscal year, the increase in operating expenses, namely the large increase in control costs of the revamped work system, dampened profits. In Health Care Business, the number of our nursing care service facilities exceeded our projection as we aggressively expanded our business. Due to the delay in training the staff at the new facilities, sales efficiency deteriorated, and the number of users failed to meet our expectations. In terms of operating expenses, the increase in miscellaneous expenses from the increase in the number of facilities temporarily diluted profit per facility. In addition, the increase in the expenses for hiring and training nursing care specialists was more than we had anticipated. Furthermore, in Education Business, the press report that the government is considering a review of the qualifications for home helpers is partly to blame for the shortfall in net sales and the number of students from the projected figures. In terms of operating expenses, the cost to sign up each student increased due to the higher advertising and promotion expenses and the need to hold classes with fewer students than had been planned. As a result, income before income taxes was ¥5,043 million, or down ¥9,055 million from the previous fiscal year.

【Cash flows from investing activities】
As a result of investing activities during the year ended 31st March, 2005, funds decreased by ¥4,502 million (in the previous fiscal year, funds decreased by ¥3,748 million).

Principal investments include ¥1,476 million for Kobe Port Island Center, ¥2,036 million for day service centers, etc. (27 new facilities and 2 existing facilities), and acquisition of software.

【Cash flows from financial activities】
As a result of financial activities during the year ended 31st March, 2005, funds increased by ¥1,486 million (funds decreased by ¥4,233 million in the previous fiscal year).
This is primarily due to an increase in short-term loans.

Trends in cash flow indicators of the Group can be seen below.

	Year ended March 31, 2004	Year ended March 31, 2005
Equity ratio (%)	62.2	60.1
Equity ratio based on present value (%)	237.5	133.7
Debt redemption (years)	0.3	10.3
Interest coverage ratio	77.2	11.1

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

1. Each indicator was calculated from consolidated financial results.
2. Total present value of stock is the product of closing stock price at end of term and total number of outstanding shares at the end of term (after deducting treasury stock).
3. Operating cash flow is equal to the cash flows from operating activities in the consolidated cash flow statement. 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 cash flow statement.

3. Outlook for Next Term

In Medical Support Business, we will use as new business models the hospital PFI business, which we started this fiscal year, and alliances with medical institutions, and develop services to provide comprehensive support for medical management. In addition, next fiscal year, we will reinforce our marketing to aggressively call on private hospitals and clinics, learn the needs of users, and address these needs with product development and service provision in the future. Furthermore, based on the reinforcement of the field management system that we started last year, we will review contracts and improve operational efficiency to develop the foundation for consistent earnings.

In Health Care Business, we will add more day service centers that also offer preventive care service and overnight care service to promote the multi-functional care center plan, which is our mid-term plan, and to improve our service system. By accurately addressing the needs of users and their families, and effectively communicating with the local communities and governments, we will aim to become the top service provider in each community. As for profitability, we will reinforce marketing through the greatly expanded facility network to increase the number of uses and improve profits per facility at an early stage.

In Education Business, we plan to open a preventive exercise instructor course, a new course that will train specialized staff for preventive care service, in late May 2005. We anticipate the demand for the course will increase as it is designed to improve the skills of helpers. We will review existing courses for their curriculum and prices to attract more students, launch more efficient advertising and promotion, and review classroom operations to promptly improve profitability.

In Other Businesses, we will launch services that support our core businesses (Medical Support Business, Health Care Business, and Education Business) and that can achieve maximum synergy to improve managerial efficiency.

As a result of these activities, our outlook for performance in the year ending March 31, 2006 is ¥223,700 million in net sales (up 11% year on year), ¥11,230 in ordinary income (up 105.2% year on year), and net income of ¥6,230 million (up 207.0% year on year).

4. Business Risks

Presented below are matters that may be of risk to the operations of each business of the Group. Although we mitigate such risks by dispersing and acknowledging such risks, in the event of an unforeseeable incident, such risks may cause serious effect on the business performance or financial conditions of the Group. The matters below were determined to be potential risks by the Group upon preparing this data.

【Medical Support Business】

The Group's Medical Support Business provides, among other services, medical practice services other than medical practice itself, medical-related duties, and medical consultation service. Medical institutions will see major fluctuations in their medical revenues due to the revision of the medical service fee system approximately every two years and the medical insurance system reform (Article 2, Paragraph 2 of the Health Insurance Law Revision Law). As we provide services to medical institutions, such fluctuations can affect contract amounts and contract provisions.

【Health Care Business】

Approximately 90% of the net sales of our Group's Health Care Business can be attributed to services that are covered by public long-term care insurance. Therefore, a review of the system or compensation can have a major effect on net sales and profits. These services are regulated by the Nursing Care Insurance Law (Law No. 123, December 7, 1997) and various other laws and ordinances.

The entire system is subject to review every five years (Article 2 of Supplementary Provisions of the Nursing Care Law) and nursing care compensation is subject to review every three years. Both are scheduled for revision in April 2006.

The bill to revise the Nursing Care Law, which has been submitted to the current diet session, proposes benefits and compensations for services to prevent individuals who are in need of minor nursing care and those in equivalent conditions from deteriorating. Depending on the outcome of the bill, it may have an impact on the Group's mid- to long-term business profitability.

【Education Business】
Due to the effect of the press report that the bill to revise the long-term care insurance proposes a review of the qualifications for nursing care workers (e.g., longer training and more difficult curriculums), net sales of the home helper training course rank 2 curriculum in our Education Business has suffered. Depending on the outcome of the revision of the system, it may affect the profitability of the course.

The Group is working to improve CS by providing services in each business field while maintaining high degree of expertise. At the same time, we will promptly and accurately respond to fluctuations in the business environment and systems and make our operations more efficient to lay a solid foundation for earnings.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets (unit: thousands of yen)

Category	FY 2004 (As of March 31, 2004) Amount		(%)	FY 2005 (As of March 31, 2005) Amount		(%)	YoY Change
(ASSETS)							
I. Current assets							
1. Cash and deposits		6,107,096			4,058,021		△2,049,075
2. Notes and accounts receivable		24,038,050			24,801,790		763,739
3. Inventories		4,480,062			4,698,454		218,392
4. Deferred tax assets		1,831,407			1,847,149		15,742
5. Short-term loans receivable		364,715			38,066		△326,648
6. Other current assets		2,371,275			3,133,566		762,290
7. Allowance for doubtful accounts		? 31,333			△74,974		△43,640
Total current assets		39,161,273	47.0		38,502,074	45.2	△659,199
II. Fixed assets							
(1) Tangible fixed assets							
1. Buildings and structures	19,805,872			23,763,739			
Less: cumulative depreciation	4,101,539	15,704,332		4,909,884	18,853,855		3,149,522
2. Machinery and vehicles	397,062			152,863			
Less: cumulative depreciation	336,555	60,507		113,395	39,467		△21,039
3. Tools, furniture and fixtures	1,570,158			1,522,839			
Less: cumulative depreciation	1,148,524	421,634		1,040,257	482,582		60,947
4. Land		8,707,065			8,002,867		△704,198
5. Construction in progress		2,224,092			1,235,972		△988,120
Total tangible fixed assets		27,117,632	32.5		28,614,744	33.5	1,497,112
(2) Intangible fixed assets							
1. Consolidated adjustment account		3,317,097			3,112,075		△205,022
2. Software		120,736			642,336		521,599
3. Other current assets		160,116			156,505		△3,610
Total intangible fixed assets		3,597,950	4.3		3,910,917	4.6	312,966

(unit: thousands of yen)

Category	FY 2004 (As of March 31, 2004) Amount	(%)	FY 2005 (As of March 31, 2005) Amount	(%)	YoY Change
(3) Investments and other assets					
1. Investment securities	2,889,764		1,831,087		△1,058,677
2. Long-term loans receivable	4,239,511		5,089,519		850,008
3. Long-term prepaid expenses	92,796		104,898		12,102
4. Guarantee money deposited	4,483,854		5,022,467		538,613
5. Other investments	920,635		1,256,516		335,880
6. Deferred tax assets	895,977		976,169		80,192
7. Allowance for doubtful accounts	△66,093		△68,257		△2,164
Total investments and other assets	13,456,445	16.2	14,212,400	16.7	755,954
Total fixed assets	44,172,028	53.0	46,738,062	54.8	2,566,034
Total Assets	83,333,302	100.0	85,240,136	100.0	1,906,834
(Liabilities)					
I. Current liabilities					
1. Notes and accounts payable	2,049,063		2,391,017		341,953
2. Short-term loans payable	853,839		4,717,000		3,863,160
3. Current installments of long-term debt	58,889		78,734		19,844
4. Income taxes payable	3,035,910		978,119		△2,057,791
5. Consumption taxes payable	1,466,427		1,205,357		△261,070
6. Accrued expenses	13,406,554		13,866,697		460,142
7. Allowance for employee bonuses	3,163,864		3,681,227		517,363
8. Other current liabilities	4,810,068		4,254,868		△555,200
Total current liabilities	28,844,620	34.6	31,173,021	36.6	2,328,401
II. Long-term liabilities					
1. Long-term loans payable	66,901		57,822		△9,078
2. Deferred tax liabilities	261,791		735		△261,056
3. Allowance for employee retirement benefits	2,067,620		2,414,372		346,751
4. Allowance for directors' and auditors' retirement benefits	128,534		128,281		△252
5. Other long-term liabilities	60,515		87,215		26,700
Total long-term liabilities	2,585,363	3.1	2,688,427	3.1	103,064
Total Liabilities	31,429,983	37.7	33,861,449	39.7	2,431,465

(unit: thousands of yen)

Category	FY 2004 (As of March 31, 2004)		FY 2005 (As of March 31, 2005)		YoY
	Amount	(%)	Amount	(%)	Change
(Minority interests)					
Minority interests	111,835	0.1	137,380	0.2	25,544
(Shareholders' equity)					
I. Common stock	11,933,790	14.3	11,933,790	14.0	
II. Capital surplus	17,354,214	20.8	17,354,214	20.4	
III. Retained earnings	26,713,350	32.1	27,562,047	32.3	848,697
IV. Gain or loss from revaluation of marketable securities	41,119	0.1	182,888	0.2	141,768
V. Treasury stock	△4,250,992	△5.1	△5,791,633	△6.8	△1,540,641
Total shareholders' equity	51,791,482	62.2	51,241,307	60.1	△550,175
Total liabilities, minority interests, and shareholders' equity	83,333,302	100.0	85,240,136	100.0	1,960,834

(2) Consolidated Statements of Income (unit: thousands of yen)

Category	FY 2004 (April 1, 2003 to March 31, 2004) Amount		(%)	FY 2005 (April 1, 2004 to March 31, 2005) Amount		(%)	YoY Change
I. Net sales		189,987,711	100.0		201,590,179	100.0	11,602,467
II. Cost of sales		146,196,298	77.0		160,854,542	79.8	14,658,244
Gross profit		43,791,413	23.0		40,735,636	20.2	△3,055,776
III. Selling, general and administrative expenses							
1. Advertising and promotion expenses	3,614,119			4,475,914			
2. Directors' compensation	127,655			122,785			
3. Salaries and benefits	12,188,386			13,788,154			
4. Transfer to allowance for bonuses	761,059			962,172			
5. Allowance for directors' and auditors' retirement benefits amount of transfer	7,997			8,113			
6. Directors' and auditors' retirement benefits	-			874			
7. Employee retirement benefits	296,057			414,845			
8. Legal welfare expenses	1,647,735			1,970,513			
9. Travel and transportation expenses	1,393,516			1,441,280			
10. Rent	2,620,788			3,427,421			
11. Transfer to allowance for doubtful accounts	24,806			104,839			
12. Depreciation expenses	291,874			392,292			
13. Consolidated adjustment	153,201			220,022			
14. Other selling, general and administrative expenses	6,794,623	29,921,821	15.7	8,121,723	35,450,954	17.6	5,529,132
Operating income		13,869,591	7.3		5,284,682	2.6	△8,584,908
IV. Non-operating income							
1. Interest income	90,965			90,424			
2. Dividend income	30,405			-			
3. Commission on consignment for office work	48,571			77,809			
4. Income from lease of fixed assets	36,980			25,215			
5. Others	81,506	288,428	0.2	110,386	303,835	0.2	28,879
V. Non-operating expenses							
1. Interest expenses	37,085			44,036			
2. New share issue expenses	2,204			-			
3. Compensation damages	17,886			42,960			
4. Loss on disengagement of guarantee money deposited	38,625			21,473			
5. Others	16,519	112,321	0.1	7,367	115,838	0.1	3,517
Ordinary income		14,045,699	7.4		5,472,679	2.7	△8,573,019
VI. Extraordinary income							
1. Gain on sale of fixed assets	3,229			1,596			
2. Gain on sale of investment in securities	134,697	137,926	0.1	3,981	5,577	0.0	△132,348

(unit: thousands of yen)

Category	FY 2004 (April 1, 2003 to March 31, 2004) Amount		(%)	FY 2005 (April 1, 2004 to March 31, 2005) Amount		(%)	YoY Change
VII. Extraordinary losses							
1. Loss on retirement of fixed assets	55,053			71,812			
2. Loss on sale of fixed assets	167			244,706			
3. Loss on revaluation of golf club membership	16,460			4,849			
4. Loss on closedown of offices	-			112,048			
5. Loss on closedown of stores	13,213			-			
6. Others	-	84,894	0.1	1,750	435,167	0.2	350,273
Income before income taxes		14,098,730	7.4		5,043,089	2.5	△9,055,641
Income, inhabitants and business taxes	6,265,957			3,440,687			
Adjustments for income and other taxes	40,911	6,306,868	3.3	△454,261	2,986,425	1.5	△3,320,442
Minority interest		29,537	0.0		27,644	0.0	△1,893
Net income		7,762,324	4.1		2,029,019	1.0	△5,733,305

(3) Consolidated Statements of Retained Earnings

(unit: thousands of yen)

Category	FY 2004 (April 1, 2003 to March 31, 2004) Amount		FY 2005 (April 1, 2004 to March 31, 2005) Amount		YoY Change
(Capital surplus)					
I. Capital surplus at beginning of the year		14,361,414		17,354,214	2,992,800
II. Increase in capital surplus					
1. New issue of stock by capital surplus	2,992,800	2,992,800	-	-	△2,992,800
III. Capital surplus at end of term		17,354,214		17,354,214	
(Retained earnings)					
I. Retained earnings at beginning of year		19,559,999		26,713,350	7,153,351
II. Increase in retained earnings					
1. Net income	7,762,324	7,762,324	2,029,019	2,029,019	△5,733,305
III. Decrease in retained earnings					
1. Dividends	569,889		626,218		
2. Bonuses for directors and auditors	36,000		36,000		
3. Decrease in additional consolidated subsidiaries	-		516,531		
4. Loss on liquidation of treasury stock	3,083	608,973	1,571	1,180,321	571,348
IV. Retained earnings at end of the year		26,713,350		27,562,047	848,697

(4) Consolidated Statements of Cash Flows

(unit: thousands of yen)

Category	FY 2004 (April 1, 2003 to March 31, 2004)	FY 2005 (April 1, 2004 to March 31, 2005)	YoY
	Amount	Amount	Change
I. Cash flows from operating activities			
Income before income taxes	14,098,730	5,043,089	△9,055,641
Depreciation expenses	1,218,075	1,321,095	103,020
Change in allowance for doubtful accounts	△90,641	45,804	136,446
Change in allowance for employee bonuses	△171,908	495,767	667,675
Increase in allowance for employee retirement benefits	282,963	346,751	63,788
Change in directors' and auditors' retirement benefits	7,997	△252	△8,250
Interest income and dividend income	△121,370	△117,815	3,555
Interest expenses	37,085	44,036	6,951
Foreign exchange rate loss	10	0	△9
Amortization of consolidated adjustment account	153,201	220,022	66,820
Loss on sale of investment securities	△134,697	△3,981	130,716
Other income	-	0	0
Loss on revaluation of golf club membership	16,460	9,549	△6,910
Loss on retirement of fixed assets	55,053	71,812	16,758
Loss on sale of fixed assets	167	244,706	244,539
Gain on sale of fixed assets	△3,229	△1,596	1,632
Increase in accounts receivable	△2,428,274	△733,033	1,695,241
Change in inventory	△1,750,252	106,607	1,856,860
Increase in other current assets	△223,092	△770,270	△547,178
Increase in accounts payable	87,132	341,953	254,821
Increase in other current liabilities	1,891,507	64,487	△1,827,019

(unite: thousands of yen)

Category	FY 2004 (April 1, 2003 to March 31, 2004)	FY 2005 (April 1, 2004 to March 31, 2005)	YoY
	Amount	Amount	Change
Decrease in unpaid consumption taxes, etc.	△379,061	△261,070	117,991
Decrease in other fixed assets	3,954	9,524	5,570
Increase in other long-term liabilities	15,967	26,700	10,732
Directors' bonuses paid	△36,000	△36,000	-
Subtotal	12,529,780	6,467,892	△6,061,887
Interests and dividends received	76,099	96,347	20,247
Interests paid	△36,770	△42,626	△5,855
Income and other taxes paid	△9,729,565	△6,050,280	3,679,285
Cash flows from operating activities	2,839,543	471,333	△2,368,210
II. Cash flows from investing activities			
Net increase in time deposits	△351,380	△385,000	△33,619
Proceeds from time deposits	263,521	405,500	141,978
Acquisition of stock in consolidated subsidiary	△4,000	-	4,000
Acquisition of tangible fixed assets	△3,444,380	△3,561,383	△117,002
Proceeds from sale of tangible fixed assets	6,250	595,733	589,483
Acquisition of intangible fixed assets	△39,478	△584,068	△544,590
Purchases of investment in securities	△1,173,000	△27,455	1,145,544
Proceeds from sale of investments in securities	770,234	14,150	△756,084
Long-term prepaid expenses paid	△64,439	△70,231	△5,791
Loans extended	△554,735	△694,180	△139,444
Proceeds from repayment of loans	1,135,194	291,820	△843,373
Deposits paid	△672,701	△853,273	△180,571

(unit: thousands of yen)

Category	FY 2004 (April 1, 2003 to March 31, 2004)	FY 2005 (April 1, 2004 to March 31, 2005)	YoY
	Amount	Amount	Change
Proceeds from return of deposits	394,534	371,765	△22,769
Other investments (net)	△13,658	△6,363	7,294
Cash flows from investing activities	△3,748,040	△4,502,985	△754,945
III. Cash flows from financing activities			
Proceeds from short-term loans	73,345,531	153,091,000	79,745,468
Repayments of short-term loans	△73,805,000	△149,445,000	△75,640,000
Proceeds from long-term loans	-	82,316	82,316
Repayment of long-term loans	△86,257	△71,550	14,707
Proceeds from sale of treasury stock	16,269	6,052	△10,216
Acquisition of treasury stock	△3,132,717	△1,548,264	1,584,453
Payment of dividends by parent company	△569,889	△626,218	△56,329
Payment of dividends to minority shareholders	△1,500	△2,100	△600
Cash flows from investing activities	△4,233,563	1,486,234	5,719,798
IV. Effects of exchange rate changes on cash and cash equivalents	△10	0	9
V. Decrease in cash and cash equivalents	△5,142,070	2,545,418	2,596,652
VI. Cash and cash equivalents at beginning of the year	11,042,251	5,900,180	△5,142,070
VII. Cash and cash equivalents due to additional consolidated subsidiaries	-	516,848	516,848
VIII.Cash and cash equivalents at end of the year	5,900,180	3,871,610	△2,028,570