Financial Results for the First Half of the Fiscal Year Ending March 31, 2006 (Consolidated)

November 21, 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: Takashi Mori
U.S. Accounting Standards: N/A

1. Consolidated results for the six months ended September 30, 2005 (April 1, 2005 - September 30, 2005)

(1) Consolidated results

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 30, 2005	103,333	3.4	2,670	29.8	2,791	28.9
Six months ended Sep. 30, 2004	99,927	6.2	2,057	△69.0	2,165	△67.9
Year ended Mar. 31, 2005	201,590	—	5,284	—	5,472	—

	Net Income		Net Income Per Share	Net Income Per Share after Adjusting for Latent Shares
	Millions of yen	%	Yen	Yen
Six months ended Sep. 30, 2005	1,458	320.0	41.37	—
Six months ended Sep. 30, 2004	347	△90.5	9.71	—
Year ended Mar. 31, 2005	2,029	—	56.12	—

Notes:1. Equity-method investment profit (loss)
Six months ended 30th September, 2005: - million yen
Six months ended 30th September, 2004: - million yen
Year ended 31st March, 2005: - million yen

2. Average number of shares during the term (consolidated)
Six months ended 30th September, 2005: 35,243,877 shares
Six months ended 30th September, 2004: 35,741,299 shares
Year ended 31st March, 2005: 35,514,999 shares

3. Changes in the method of accounting: Included
4. Percentages indicated for sales, operating income, and net income are increases (decreases) compared to the same period of 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
Six months ended Sep. 30, 2005	90,373	51,856	57.4	1,472.06
Six months ended Sep. 30, 2004	80,965	50,292	62.1	1,414.19
Year ended Mar. 31, 2005	85,240	51,241	60.1	1,451.60

Note: Number of outstanding shares at the end of the term (consolidated)
Six months ended 30th September, 2005: 35,227,367 shares
Six months ended 30th September, 2004: 35,562,597 shares
Year ended 31st March, 2005: 35,275,043 shares

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) finance activities	Cash and cash equivalents at end of term
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Six months ended Sep. 30, 2005	2,587	△3,981	2,311	4,789
Six months ended Sep. 30, 2004	△1,543	△574	△1,450	2,849
Year ended Mar. 31, 2005	471	△4,502	1,486	3,871

(4) Scope of consolidation and application of equity method
Number of consolidated subsidiaries: 7 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: None Newly unconsolidated: 1 company Newly subjected to the equity method: None
Newly excluded from the equity method: None

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

	Net Sales	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Year ending Mar. 31, 2006	208,700	6,410	3,390

Supplementary information Projected net income per share for the fiscal year: ¥95.21

Note: Fractions of one 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. Refer to page 12 of the Attachment for details on the projections.

1. Status of the Corporate Group

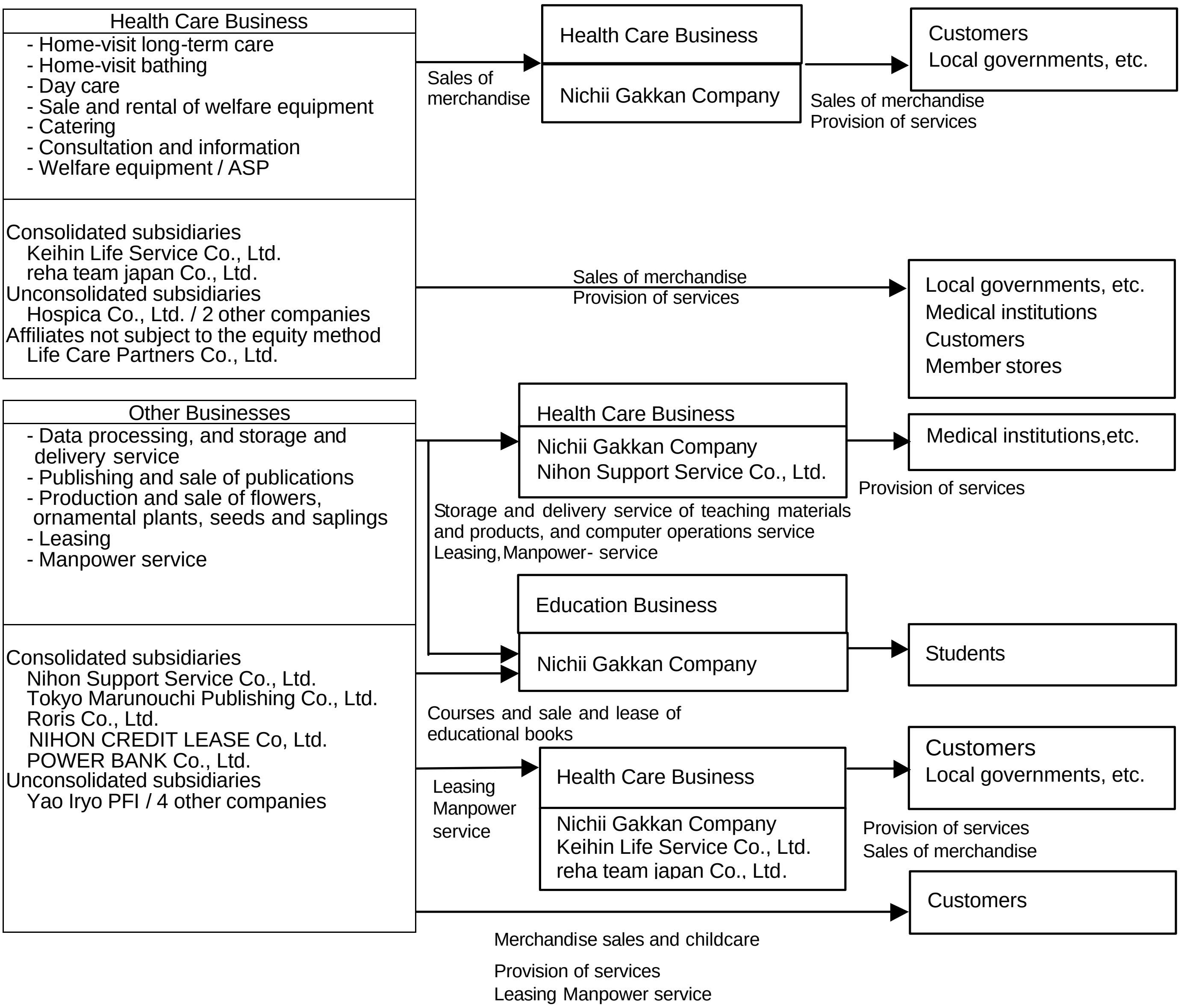
This consolidated corporate group consists of Nichii Gakkan Company, its 15 subsidiaries, and its 1 affiliate. The Group is engaged in four businesses (Medical Support Business, Health Care Business, Education Business, and Other Businesses). In Medical Support Business, the Group primarily provides 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 mainly under long-term care insurance (home-visit long-term 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, 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 long-term 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	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, leasing, manpower service, etc.	Nihon Support Service Co., Ltd. Tokyo Marunouchi Publishing Co., Ltd. Roris Co., Ltd. NIHON CREDIT LEASE Co., Ltd. Power Bank Co., Ltd.

<Note>
(1) Nichii Power Bank Co., Ltd. was renamed to Power Bank Co., Ltd. as of July 20, 2005.
(2) Nichii Gakkan Company transferred to Pharmaholdings Co., Ltd. all the shares of Sun Medic Co., Ltd. (which used to be its consolidated subsidiary engaged in management of
drug stores and pharmacies categorized in "other businesses") in its possessions as of September 30, 2005.

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



2. Management Principles

1. Basic Principles of Management

Ever since the establishment of the company, we have conducted business activities to improve the living standards of our customers in such areas as medical service, long-term care, and education, based on our "user oriented" business concept, and with the goal of being a "company which contributes to the public's health and welfare."

Our basic principle is to continue to develop and improve services that flexibly and properly respond to consumers' needs, and to contribute to the advancement and development of society.

We also recognize that we must fulfill our social responsibilities as a company, comply with corporate ethics, and elevate the corporate brand value in our activities while maintaining a trusting relationship with our shareholders and other stakeholders, in order to maximize our corporate value. To this end, we are actively working to improve the autonomy of each organization and employee, and carrying out business activities with the Nichii brand in mind.

2. Basic Principles of Profit Distribution

We make it a basic policy to provide our stockholders with stable and continuous profit distributions, and will continue our efforts to be able to return profits, with due consideration for business performance trends, investment plans and payout dividends from a mid- to long-term standpoint.

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 myriad long-term 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 double-digit sales growth and appropriate income. We also see ROE (return on equity) as an important indicator for business judgment in terms of efficient use of stockholder equity and emphasis on stockholder 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 to be handled

In the medical and welfare field, social security system benefits are expected to rise with the declining birthrate and aging population, and the Japanese government is contemplating a fundamental review of the medical and long-term care systems, as well as revisions and enforcement of public regulations. With the introduction of the designated manager system and PFI schemes (to build, operate and manage public facilities, taking advantage of private sector money), private companies are increasingly involved in public projects (such as welfare institutions operated by local governments), which indicates the business field of private-sector corporations is expanding.

Having recognized the necessity to transform our organization into a company with more flexible response capabilities and stronger organizational power in order to cope with the drastically changing business environment, Nichii Gakkan group has promoted fundamental structural reforms since 2003. In June 2005, we invited a new president from outside the company to begin a new management setup, shifting to a new phase in our structural reforms. To maximize the corporate value of the entire group, we are also working on restructuring of subsidiaries for improved efficiency of management resources.

Along with all these fundamental structural reforms, we intend to implement business expansion strategies aggressively in each business category, increasing the amount of services provided and developing new services with high added value.

【Medical Support Business】

With the long-term care insurance system to be revised in April 2006, discussions are now taking place over establishment of a new medical care system for the elderly and overhaul of the medical service payment system. This indicates the business environment of medical institutions is entering a phase of major change.

Against such a backdrop, medical institutions are facing various business challenges including operational efficiency improvement, pursuit of medical services from the viewpoint of patients, and strengthening of regional partnerships. The Nichii Gakkan group is making daily efforts to develop and provide outsourcing services and consulting services that offer total solutions for these issues.

We will designate the activities below as our mid-term strategy, promote our solution business to medical institutions aggressively, and employ extensive cost control for reasonable profits.

① Expand and improve medical institution operation support services using hospital PFI
② Expand and improve medical management analysis support services and consulting services
③ Expand contractual coverage of services provided to existing users and increase market the share by promoting sales to new users.
④ Review and improve work systems to enable the placement of proper personnel at medical institutions

【Health Care Business】

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

We are currently striving to shift ourselves to a "Preventive-care-focused system" (which will be the core of the revision of the long-term care insurance system), and building up important service infrastructure, on both the hardware and software sides, to provide preventive care services. On the "hardware" front, we are actively expanding our day-care facilities and introducing equipment and merchandise for strength training. On the "software" side, we are advancing the development of strength-improvement programs in partnership with specialized institutions, while pouring efforts into providing staff capable of instructing users.

As Japan sees the baby-boom generation of 7 million people reaching the elderly state in 2007, the service domain in the long-term care market is expected to scale up beyond the long-term care insurance policy limits. As a leader in the long-term care industry, the Nichii Gakkan group will spare no effort to develop the industry, taking a proactive stance in provision of services in collaboration with local communities, and creation of value-added services in cross-industrial partnerships, in order to adequately respond to diversifying customer needs.

In addition, to ensure complete compliance in preparation for the full enforcement of standardization of information disclosure (third party evaluation) and the Personal Information Protection Law, we formed a "Long-term Care Standardization Committee" composed of our field staff in April 2005, establishing a framework for appropriate service provisions.

We will promote our mid-term business strategies while focusing on the following activities:

① Create "multi-functional care centers" that can offer integrated services for "visit care," "day care," "preventive care," and "overnight care."
② Address comprehensive preventive care services including "body function improvement," "nutrition improvement," and "oral function improvement."
③ Address community support activities in collaboration with medical institutions and local governments.
④ Create and provide value added services not bound by the coverage of long-term care insurance.
⑤ Ensure compliance and intensify risk management through the "Long-term Care Standardization Committee."

【Education Business】

The social environment characterized by the declining birthrate and a graying population has created a greater demand for workers in the medical and welfare industries and an increasing need for qualifications in these industries while diversifying the skills required on site.
In response, we offer home helper training courses and medical office work courses as our main educational programs. In addition, we started a “preventive-care exercise instructor course” in May as a new program to train specialists to undertake preventive care services.

We will continue to increase and improve educational programs that answer the needs of the social environment, promote our unique “Train and Employ” business model linked with our main businesses (medical support business and health care business), and contribute to employment in the medical and welfare industries.

【Other Businesses】

Other businesses focus on support operations related to medical and social welfare services, such as welfare equipment leasing, publication of books on medicine and welfare, and manpower services.

The welfare equipment leasing business is responsible for rejuvenating product distribution in the welfare equipment market and improving the medical and long-term care environment. The publication business is making a contribution through improving the quality of personnel by providing the latest specialized information through publication of magazines specializing in medicine and welfare, and textbooks for the education business. The manpower service business places highly specialized personnel in the medical and welfare industries.

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

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

(1) Basic view

We regard enhancement of corporate governance as a high priority business challenge, and are working to establish corporate governance that pursues transparent and efficient corporate management, expedient managerial decision-making, and compliance and risk management.

(2) Implementation status of corporate governance measures

1) Organizational arrangement of the company
We employ an auditor system. The current management setup consists of 13 directors, 4 auditors (3 of which are outside auditors), and 4 executive officers. As for engagement of third parties such as lawyers, we have an advisory contract with a law firm, which allows us to seek advice on important matters in the management of the company and daily operations, as needed.

2) Development status of internal control system

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 thirteen directors, holds a periodic meeting, once a month in principle, and is chaired by the President and Representative Director. We have appointed and placed four executive officers primarily among managers of business areas and competencies. Executive officers expedite the execution of duties based on the responsibility and authority delegated by the Board of Directors.

Audit by auditors, internal audits, and accounting audit system

The Board of Auditors is composed of four auditors (3 of which are outside auditors), and monitors the performance of duties and management by the Board of Directors. For internal audits, we have set up an "audit office" as an internal audit system under the direct control of the President and Representative Director. The audit office checks whether management activities are performed properly and effectively, and renders concrete advice for business improvement. Accounting audits are carried out by ChuoAoyama PricewaterhouseCoopers under audit contract with our group, which allows us to quickly respond to any changes in the accounting system. We will reinforce the auditing system by strengthening collaboration between the internal audits and legal audits by the Board of Auditors and the accounting auditor, intending to enhance the internal check system, streamline management, and improve operational efficiency. The outside auditors do not have an interest, such as capital ties and business transactions, in our Group.

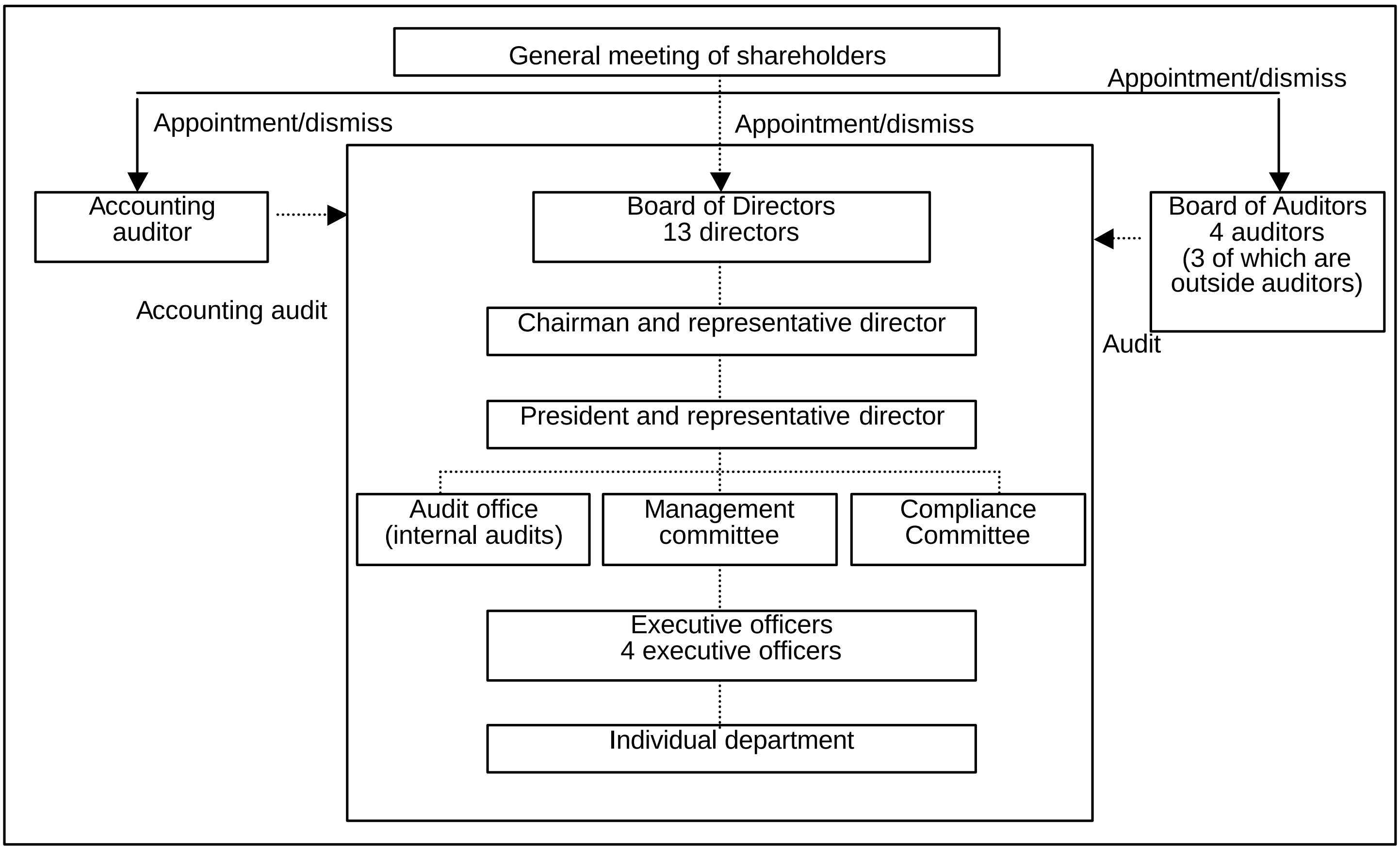
Risk management system

Having positioned compliance, which is the core of the internal control system, as a top managerial priority, we are working on developing a risk management system, installing a Compliance Committee as well as a "Compliance Hotline" to provide consultations on issues concerning corporate ethics. The Compliance Committee is chaired by the President and Representative Director, and is composed of relevant directors, standing auditors, the chief auditor, and an in-house counselor. The committee collaborates with relevant departments and committees to perform its tasks. Also, 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 to establish a system for properly handling personal information within the company.

IR System

For timely and fair information disclosure, we have improved the IR system for the related duties, provided thorough instructions with operational manuals and in-house training, and built a regular inspection system of disclosure duties for the audit office. Our IR activities include financial settlement briefings for the press and analysts, open house at our day service centers, disclosure of financial settlement information on our Web site, issuance of solid news releases, provision of extensive English-language tools (e.g., Investors' Guide), and welcoming visits by overseas investors. We will continue to engage in aggressive IR activities such as revamping IR catering to individual investors.

Organization structure and internal control system (as of September 2005)



3. Business Results and Financial Condition

1. Business Results

1) Overview of the current interim accounting period

Japan's economy showed a gradual upturn in the current interim accounting period; corporate business investment and consumer spending increased moderately, and the employment market was still severe, but saw improvements beginning to widen.

As for the medical and long-term care market environment that surrounds our Group, grounds-up reforms are moving ahead to rebuild social security into a sustainable system.

In the medical support business, various discussions are being held toward enactment of a medical insurance system reform bill to stem the rise in medical costs, such as a revision of medical service payments and a partial increase in the self-pay burden of the elderly. Under such circumstances, the business environment surrounding medical institutions requires further promotion of efficiency.

The health care business is accelerating the advance approach to the newly established “new preventive benefits” and “community support activities” centered on local governments, ahead of enforcement of the revised long-term care insurance law in April 2006. Not only long-term service providers but also companies from other industries are coming into this market, seeing the situation as a new business opportunity. The long-term care market is now shifting to a phase of further major change,

In the education business, medical office work courses and home helper training courses are enjoying high popularity as they lead directly to jobs. Various other certification courses are being developed to back up resources to undertake the medical and long-term care market with potential for further growth.

Against such a backdrop, we are striving to build a flexible and solid company capable of responses to drastic changes in the business environment. We have also made efforts to enhance our sales force and develop and provide new services, and have extended aggressive sales activities to existing and new users.

As a result of these activities, net sales during the current interim accounting period were ¥103,333 million (up 3.4% year on year), ordinary income was ¥2,791 million (up 28.9% year on year), and net interim income was ¥1,458 million (up 320.0% year on year).

2) Business results by segment

【Medical Support Business】

In the Medical Support Business, we have worked to tailor solutions to the various managerial issues faced by each medical institution, providing total support for a broad range of health service management, from receipt creation, outsourcing of medical practice services to health service management consulting, and development of original analysis system for management assistance. Having made attempts to intensify the sales structure and increase sales since the beginning of the period, we still see only small effects so far, with the sales increase in this interim accounting period at 2.9% over the same period last year.

In terms of operating expenses, operating income to sales improved as a result of our continuous efforts for higher efficiency of field operations, such as staff shift-work management and reduction of overtime.

As a result of these activities, net sales in the Medical Support Business during the current interim accounting period was ¥53,560 million (up 2.9% year on year) and operating income was ¥5,206 million (up 59.9% year on year).

【Health Care Business】

In the Health Care Business, since September 2005 we have driven forward with our multi-functional care center plan to establish new facilities and renovate exiting facilities for day care services with preventive-care functions, in anticipation of the shift to a “Preventive-care-focused system” which will be the focal point of the revision of the long-term care insurance system. As of the end of the current interim accounting period, we have 52 facilities capable of providing preventive care services and 217 day care facilities in total (year on year increase of 32.) As for home-visit long-term care, and home care support and rental of welfare equipment, our expansion and increase in facilities and professional staff last year lead to a gradual increase in new users, but the effects are still limited in some areas. The sales in this category rose by 7.6% over the same period for the previous year.

In terms of operating expenses, we incurred prior investment costs for the multi-functional care center plan, but the increase in users has directed the operating income to sales upward.

As a result of these activities, net sales for this segment were ¥39,159 million (up 7.6% year on year) and operating income was ¥1,236 million (up 0.3% year on year).

【Education Business】

In the Education Business, we started the “preventive-care exercise instructor course” in late May 2005 as a new program to train specialists in preventive care, which is building on solid growth as a skill-enhancement program for field staff. However, the home helper training course, as our flagship program, is still suffering from a severe market situation both in sales and number of students, and the details of changes in the qualifications for long-term care workers have not yet been made clear by the government. In response, we are currently working on higher efficiency of class management and reviewing the advertising strategy.

As a result, net sales for this segment amounted to ¥6,902 million (down 18.0% year on year) and our operating loss was ¥820 million (compared to an operating income of 493 million yen in the same period for the previous year.)

【Other Businesses】

In Other Businesses, we dedicated our efforts to improve operational efficiency by aggressively engaging in such businesses as welfare equipment leasing, pharmacy management, storage and delivery service, and production and sale of flowers, ornamental plants, seeds, and saplings.

Sun Medic Co., Ltd., engaged in pharmacy management, was restored to profitability in 2003, and continued to contribute to the balance in the current interim accounting period. Also, POWER BANK Co., Ltd., a manpower service company, reinforced cost management and strived for early improvement of business operations.

As a result, net sales for this segment were ¥3,710 million (up 21.3% year on year) and operating income was ¥57 million (compared to an operating loss of 110 million yen for the same period in the previous year.)

2. Financial Status

Cash flow in the current interim accounting period

During the current interim accounting period, cash and cash equivalents ("funds") amounted to ¥4,789 million, up ¥1,939 million from the same period the previous fiscal year. Cash flow from each activity and their factors are shown below.

【Cash flow from operating activities】

As a result of operating activities during the current interim accounting period, funds increased by ¥2,587 million (funds decreased by ¥1,543 million in the same period the previous fiscal year).
This mainly attributes to an increase in income before taxes and a decrease in the payment of income and other taxes.

【Cash flow from investing activities】

As a result of investing activities during the current interim accounting period, funds decreased by ¥3,981 million (in the same period the previous fiscal year, funds decreased by ¥574 million).
Principal investments include establishment of new facilities and expansion of existing facilities for day care service.

【Cash flow from financial activities】

As a result of financial activities during the current interim accounting period, funds increased by ¥2,311 million (funds decreased by ¥1,450 million in the same period the previous fiscal year).
This is primarily due to short-term loans payable to the parent company.

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

	Year ended March 31, 2004		Year ended March 31, 2005		Year ending March 31, 2006
	First-half	Full year	First-half	Full year	First-half
Shareholders' equity ratio (%)	60.4	62.2	62.1	60.1	57.4
Equity ratio based on present value (%)	239.2	237.5	126.3	133.7	108.0
Debt redemption (years)	-	0.3	-	10.3	1.6
Interest coverage ratio	-	77.2	-	11.1	103.1

Notes:
Shareholders' 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. 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).
4. In calculating the debt redemption for the first-half result, the operating cash flow is doubled to annualize the figure.
5. The debt redemption and interest coverage ratio for the first-half of the years ended March 31, 2004 and 2005 are not shown because the cash flow from operating activities was negative.

3. Outlook for the full year performance

In the Medical Support Business, we will aggressively provide medical institutions with seminars and study sessions for DPC (Diagnosis Procedure Combination) and revision of medical service fees, in preparation for the medical insurance system reform and revision of medical service fees in April 2006, intending to win short-term undertakings and to gain recognition of our business activities. As we have begun full-scale sales activities in order to acquire new clients and expand contracted operations with existing clients, we will make human resources available for such demands to achieve the sales target. As for profitability, we will continue our efforts to improve operational efficiency in the medical support business, establish a self-directed field framework, and negotiate with medical institutions for improvement of contracts.

In the Health Care Business, we plan to develop stronger relationships based on mutual trust with users in each community, which will lead to expansion of services. Furthermore, in order to build a system that can promptly respond to the needs of individual local communities, we will follow through on our attempts to improve infrastructure through the “multi-functional care center plan” (which is scheduled to establish 161 day care facilities with preventive-care functions and 244 day care facilities in total by March 2006), accumulate know-how on preventive care, and provide relevant services. We will also develop aggressive sales activities for long-term care worker dispatching services and contribute to the operational efficiency at medical and welfare institutions. To ensure higher profits, we will strive to increase the sales of each service and reinforce the high-margin sales of strength training equipment.

In the Education Business, the severe environment of the home helper training courses is anticipated to continue. However, we will make attempts to achieve our sales target using various methods, such as changing the appeal point of the programs, developing advertising activities using our brand power, diversifying the sales channels to take advantage of the web and e-mail, and promoting the programs aggressively in course-specific campaigns. For better profitability, we will try to improve the operating rate of classrooms and arrange proper personnel for instructors and staff.

In Other Businesses, we are centralizing our management resources by restructuring the subsidiaries. This category will contribute to our group management by establishing a group network that can provide better coordination and synergy effects with our core competence businesses (Medical Support, Health Care, and Education).

In consideration of these situations and prospects, our outlook for performance in the year ending 31st March, 2006 is ¥208,700 million in net sales (up 3.5% year on year), ¥6,410 in ordinary income (up 17.1% year on year), and net income of ¥3,390 million (up 67.1% 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 them, 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 as of the end of the current interim accounting period.

<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 health service management consultation services. 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 our contract amounts and contract provisions.

<Health Care Business>

Approximately 90% 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 long-term care insurance system or compensation can have a major effect on net sales and profits. These services are regulated by the Long-term 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 Long-term Care Insurance Law) and long-term care compensation is subject to review every three years. The service provision and care management is to undergo a great transformation with the revision of the Long-term Care Insurance Law to be implemented in April 2006, which will shift the current system to a “Preventive-care-focused system” with “new preventive benefits” and “community support activities,” and establish “community-based services” to enable those who require long-term care to keep living in their home community. Detailed service system and compensations to be determined hereafter may have an impact on the profitability of our health care business.

<Education Business>

Our major educational program, the home helper training courses, is subject to the “ordinance concerning home-visit care providers” (Health, Labor and Welfare Ministry Ordinance No. 23), and is required to obtain certification from the prefectural government. The Japanese government plans to change the qualifications for long-term care workers (e.g. longer training and more difficult curriculums), but have not yet disclosed detailed information. Depending on the outcome of the revision of the qualification system and related trends, it may significantly affect the sales and profitability of the courses.

<Other Businesses>

The welfare equipment leasing business may come under the influence of interest-rate drift, changes in the accounting standards on leasing transactions, and tax reforms.

4. Consolidated Financial Statements

（1）Consolidated Balance Sheets

		First half of FY 2005 (As of September 30, 2004)			First half of FY 2006 (As of September 30, 2005)			Summary of consolidated Balance Sheets for FY 2005 (As of March 31, 2005)		
Category	Note No.	Amount (thousands of yen)		Share (%)	Amount (thousands of yen)		Share (%)	Amount (thousands of yen)		Share (%)
ASSETS										
I. Current assets										
1. Cash and deposits			3,042,292			4,971,127			4,058,021	
2. Notes and accounts receivable			24,792,808			25,419,684			24,801,790	
3. Inventories			4,561,204			3,877,947			4,698,454	
4.Short-term loans receivable			561,585			1,607,030			38,066	
5. Deferred tax assets			2,400,127			2,432,112			1,847,149	
6. Other current assets			2,536,486			3,606,706			3,133,566	
7. Allowance for doubtful accounts			△21,996			△121,848			△74,974	
Total current assets			37,872,508	46.8		41,792,760	46.2		38,502,074	45.2
II. Fixed assets										
(1) Tangible fixed assets										
1. Buildings and structures		15,346,089			21,006,743			18,853,855		
2. Land		8,002,867			7,958,054			8,002,867		
3. Other tangible fixed assets		2,981,242	26,330,199	32.5	2,293,588	31,258,385	34.6	1,758,022	28,614,744	33.5
(2) Intangible fixed assets										
1. Consolidated adjustment account		3,225,086			3,005,063			3,112,075		
2. Other current liabilities		754,918	3,980,005	4.9	897,667	3,902,731	4.3	798,842	3,910,917	4.6
(3) Investments and other assets										
1. Investment securities		1,555,066			1,783,054			1,831,087		
2. Long-term loans receivable		4,288,015			4,959,347			5,089,519		
3. Guarantee money deposited		4,931,293			4,983,087			5,022,467		
4. Deferred tax assets		1,017,140			1,661,649			976,169		
5. Other investments		1,107,155			1,399,845			1,361,414		
6. Allowance for doubtful accounts		△116,136	12,782,535	15.8	△1,367,478	13,419,506	14.9	△68,257	14,212,400	16.7
Total fixed assets			43,092,740	53.2		48,580,623	53.8		46,738,062	54.8
Total Assets			80,965,248	100.0		90,373,384	100.0		85,240,136	100.0

Category	Note No.	First half of FY 2005 (As of September 30, 2004) Amount (thousands of yen)		Share (%)	First half of FY 2006 (As of September 30, 2005) Amount (thousands of yen)		Share (%)	Summary of consolidated Balance Sheets for FY 2005 (As of March 31, 2005) Amount (thousands of yen)		Share (%)
LIABILITIES										
I. Current liabilities										
1. Notes and accounts payable			2,047,441			1,640,093			2,391,017	
2. Short-term loans payable			921,839			7,959,000			4,717,000	
3. Current installments of long-term debt			72,234			70,716			78,734	
4. Accrued expenses			13,398,232			14,827,968			13,866,697	
5. Consumption taxes payable			830,016			1,155,931			1,205,357	
6. Income taxes payable			2,735,097			2,376,850			978,119	
7. Allowance for employee bonuses			4,410,686			4,010,601			3,681,227	
8. Other current liabilities			3,634,700			3,459,344			4,254,868	
Total current liabilities			28,050,248	34.6		35,500,506	39.3		31,173,021	36.6
II. Long-term liabilities										
1. Long-term loans payable			67,500			45,677			57,822	
2. Allowance for employee retirement benefits			2,226,032			2,599,771			2,414,372	
3. Allowance for directors' and auditors' retirement benefits			130,093			125,407			128,281	
4. Other long-term liabilities			76,990			94,133			87,950	
Total long-term liabilities			2,500,616	3.1		2,864,990	3.1		2,688,427	3.1
Total Liabilities			30,550,864	37.7		38,365,496	42.4		33,861,449	39.7
MINORITY INTERESTS										
Minority interests			122,263	0.2		151,055	0.2		137,380	0.2
SHAREHOLDERS' EQUITY										
I. Common stock			11,933,790	14.7		11,933,790	13.2		11,933,790	14.0
II. Capital surplus			17,354,214	21.4		17,354,214	19.2		17,354,214	20.4
III. Retained earnings			25,880,654	32.0		28,207,232	31.2		27,562,047	32.3
IV. Gain or loss from revaluation of marketable securities			29,436	0.0		283,867	0.4		182,888	0.2
V. Treasury stock			△4,905,975	△6.0		△5,922,273	△6.6		△5,791,633	△6.8
Total shareholders' equity			50,292,120	62.1		51,856,832	57.4		51,241,307	60.1
Total liabilities, minority interests, △and shareholders' equity			80,965,248	100.0		90,373,384	100.0		85,240,136	100.0

(2) Consolidated Statements of Income

Category	Note No.	First half of FY 2005 (April 1, 2004 through September 30, 2004) Amount (thousands of yen)		(%)	First half of FY 2006 (April 1, 2005 through September 30, 2005) Amount (thousands of yen)		(%)	Summary of consolidated Statements of Income for FY 2005 (April 1, 2004 through March 31, 2005) Amount (thousands of yen)		(%)
I. Net sales			99,927,900	100.0		103,333,872	100.0		201,590,179	100.0
II. Cost of sales			79,784,320	79.8		82,662,867	80.0		160,854,542	79.8
Gross profit			20,143,580	20.2		20,671,005	20.0		40,735,636	20.2
III. Selling, general and administrative expenses										
1. Advertising and promotion expenses		2,320,629			2,197,949			4,475,914		
2. Directors' compensation		60,024			71,245			122,785		
3. Salaries and benefits		6,450,024			6,507,085			13,788,154		
4. Transfer to allowance for bonuses		1,070,643			887,416			962,172		
5. Employee retirement benefits		186,963			211,720			414,845		
6. Allowance for directors' and auditors' retirement benefits		4,056			3,802			8,113		
7. Legal welfare expenses		976,688			992,101			1,970,513		
8. Travel and transportation expenses		730,412			734,185			1,441,280		
9. Rent		1,668,239			1,881,477			3,427,421		
10. Transfer to allowance for doubtful accounts		68,059			44,717			104,839		
11. Depreciation expenses		154,213			319,877			392,292		
12. Amortization of consolidated adjustment account		107,011			107,011			220,022		
13. Other selling, general and administrative expenses		4,289,600	18,086,567	18.1	4,042,353	18,000,944	17.4	8,122,597	35,450,954	17.6
Operating income			2,057,012	2.1		2,670,060	2.6		5,284,682	2.6
IV. Non-operating income										
1. Interest income		48,669			41,116			90,424		
2. Dividend income		17,065			19,790			27,391		
3. Commission on consignment for office work		41,761			43,571			77,809		
4. Income from lease of fixed assets		17,609			13,008			25,215		
5. Others		50,726	175,831	0.2	43,032	160,518	0.1	82,995	303,835	0.2
V. Non-operating expenses										
1. Interest expenses		18,212			24,506			44,036		
2. Compensation for damages		28,969			3,734			42,960		
3. Loss on disengagement of guarantee money deposited		18,574			-			21,473		
4. Others		1,671	67,427	0.1	11,328	39,569	0.0	7,367	115,838	0.1
Ordinary income			2,165,416	2.2		2,791,009	2.7		5,472,679	2.7

Category	Note No.	First half of FY 2005 (April 1, 2004 through September 30, 2004) Amount (thousands of yen)		(%)	First half of FY 2006 (April 1, 2005 through September 30, 2005) Amount (thousands of yen)		(%)	Summary of consolidated Statements of Income for FY 2005 (April 1, 2004 through March 31, 2005) Amount (thousands of yen)		(%)
VI. Extraordinary income										
1. Gain on sale of fixed assets		1,596			-			1,596		
2. Gain on sale of investment in securities		-			-			3,981		
3. Gain on sale of shares of related company		-	1,596	0.0	1,489,112	1,489,112	1.5	-	5,577	0.0
VII. Extraordinary losses										
1. Loss on retirement of fixed assets		35,288			32,143			71,812		
2. Loss on sale of fixed assets		244,706			-			244,706		
3. Loss on revaluation of golf club membership		2,400			-			4,849		
4. Loss on revaluation of shares of related company		-			27,494			-		
5. Transfer to allowance for doubtful accounts		-			1,308,488			-		
6. Loss on closedown of offices		112,048			-			112,048		
7. Loss on impairment		-			131,098			-		
8. Loss on revaluation of inventories		-			657,000			-		
9. Others		-	394,443	0.4		2,156,224	2.1	1,750	435,167	0.2
Income before income taxes			1,772,570	1.8		2,123,897	2.1		5,043,089	2.5
Income, inhabitants and business taxes		2,355,874			1,990,087			3,440,687		
Adjustments for income and other taxes		△943,021	1,412,852	1.5	△1,340,306	649,780	0.7	△454,261	2,986,425	1.5
Minority interest			12,527	0.0		16,075	0.0		27,644	0.0
Net income			347,189	0.3		1,458,041	1.4		2,029,019	1.0

(3) Consolidated Statements of Retained Earnings

Category	Note No.	First half of FY 2005 (April 1, 2004 through September 30, 2004) Amount (thousands of yen)		First half of FY 2006 (April 1, 2005 through September 30, 2005) Amount (thousands of yen)		Summary of consolidated Statements of Retained Earnings for FY 2005 (April 1, 2004 through March 31, 2005) Amount (thousands of yen)	
Capital surplus							
I. Capital surplus at beginning of the year			17,354,214		17,354,214		17,354,214
II. Capital surplus at end of the interim term			17,354,214		17,354,214		17,354,214
Retained earnings							
I. Retained earnings at beginning of year			26,713,350		27,562,047		26,713,350
II. Increase in retained earnings							
1. Net income		347,189	347,189	1,458,041	1,458,041	2,029,019	2,029,019
III. Decrease in retained earnings							
1. Dividends		626,218		776,050		626,218	
2. Bonuses for directors and auditors		36,000		36,000		36,000	
3. Loss on liquidation of treasury stock		1,135		806		1,571	
4. Decrease by consolidating additional subsidiaries		516,531	1,179,885	-	812,857	516,531	1,180,321
Ⅳ. Retained earnings at end of the interim term			25,880,654		28,207,232		27,562,047

(4) Consolidated Statement of Cash Flow

		First half of FY 2005 (April 1, 2004 through September 30, 2004)	First half of FY 2006 (April 1, 2005 through September 30, 2005)	Summary of consolidated Statement of Cash Flow for FY 2005 (April 1, 2004 through March 31, 2005)
Category	Note No.	Amount (thousands of yen)	Amount (thousands of yen)	Amount (thousands of yen)
I. Cash flow from operating activities				
1. Income before income taxes		1,772,570	2,123,897	5,043,089
2. Depreciation expenses		607,843	833,407	1,321,095
3. Increase in allowance for doubtful accounts		40,705	1,346,208	45,804
4. Increase in allowance for employee bonuses		1,225,226	367,193	495,767
5. Increase in allowance for employee retirement benefits		158,412	191,602	346,751
6. Change in directors' and auditors' retirement benefits		1,558	△2,847	△252
7. Interest income and dividend income		△65,734	△60,906	△117,815
8. Interest expenses		18,212	24,506	44,036
9. Amortization of consolidated adjustment account		107,011	107,011	220,022
10. Gain on sale of investment securities		-	-	△3,981
11. Loss on revaluation of golf club memberships		2,400	-	4,849
12. Loss on retirement of fixed assets		35,288	32,143	71,812
13. Loss on sale of fixed assets		244,706	-	244,706
14. Gain on sale of fixed assets		△1,596	-	△1,596
15. Loss on impairment		-	131,098	-
16. Gain on sale of shares of related companies		-	△1,489,112	-
17. Loss on revaluation of shares of related companies		-	27,494	-
18. Loss on revaluation of inventory		-	657,000	-
19. Increase in accounts receivable		△787,777	△1,158,373	△733,033
20. Decrease in inventory		243,858	5,280	106,607
21. Change in other current assets		△522,844	139,768	△765,570
22. Decrease in other fixed assets		9,362	17,621	9,524
23. Change in accounts payable		△1,622	△83,250	341,953

Category	Note No.	First half of FY 2005 (April 1, 2004 through September 30, 2004) Amount (thousands of yen)	First half of FY 2006 (April 1, 2005 through September 30, 2005) Amount (thousands of yen)	Summary of consolidated Statement of Cash Flow for FY 2005 (April 1, 2004 through March 31, 2005) Amount (thousands of yen)
24. Change in other current liabilities		△1,062,061	△59,603	64,487
25. Decrease in unpaid consumption taxes, etc.		△636,411	△47,898	△261,070
26. Increase in other long-term liabilities		15,850	4,806	26,700
27. Directors' bonuses paid		△36,000	△36,000	△36,000
Subtotal		1,368,957	3,071,020	6,467,892
Interests and dividends received		41,576	38,040	96,347
Interests paid		△18,085	△25,084	△42,626
Income and other taxes paid		△2,935,524	△588,401	△6,050,280
Income and other taxes refunded		-	91,492	-
Cash flow from operating activities		△1,543,075	2,587,068	471,333

		First half of FY 2005 (April 1, 2004 through September 30, 2004)	First half of FY 2006 (April 1, 2005 through September 30, 2005)	Summary of consolidated Statement of Cash Flow for FY 2005 (April 1, 2004 through March 31, 2005)
Category	Note No.	Amount (thousands of yen)	Amount (thousands of yen)	Amount (thousands of yen)
II. Cash flow from investing activities				
1. Net increase in time deposits		△192,000	△188,500	△385,000
2. Proceeds from time deposits		206,000	193,000	405,500
3. Acquisition of tangible fixed assets		△470,578	△3,494,577	△3,561,383
4. Proceeds from sales of tangible fixed assets		587,626	-	595,733
5. Acquisition of intangible fixed assets		△139,650	△175,811	△584,068
6. Purchases of investment in securities		-	△10,500	△27,455
7. Proceeds from sales of investments in securities		-	200,000	14,150
8. Expenditure for sale of subsidiary's shares with changes in the scope of consolidation		-	△165,159	-
9. Long-term prepaid expenses paid		△35,205	△19,458	△70,231
10. Loans extended		△197,090	△182,342	△694,180
11. Proceeds from repayment of loans		72,716	43,351	291,820
12. Deposits paid		△569,661	△167,936	△853,273
13. Proceeds from return of deposits		179,327	80,246	371,765
14. Other investments (net)		△15,563	△93,712	△6,363
Cash flow from investing activities		△574,080	△3,981,400	△4,502,985

		First half of FY 2005 (April 1, 2004 through September 30, 2004)	First half of FY 2006 (April 1, 2005 through September 30, 2005)	Summary of consolidated Statement of Cash Flow for FY 2005 (April 1, 2004 through March 31, 2005)
Category	Note No.	Amount (thousands of yen)	Amount (thousands of yen)	Amount (thousands of yen)
III. Cash flow from financing activities				
1. Proceeds from short-term loans		47,523,000	84,950,000	153,091,000
2. Repayment of short-term loans		△47,703,000	△81,708,000	△149,445,000
3. Proceeds from long-term loans		49,752	26,611	82,316
4. Repayment of long-term loans		△35,809	△46,773	△71,550
5. Proceeds from sales of treasury stock		5,133	1,250	6,052
6. Acquisition of treasury stock		△661,251	△132,696	△1,548,264
7. Payment of dividends by paren company		△626,218	△776,050	△626,218
8. Payment of dividends to minority shareholders		△2,100	△2,400	△2,100
Cash flow from investing activities		△1,450,494	2,311,940	1,486,234
IV. Effects of exchange rate changes on cash and cash equivalents		0	△0	0
V. Change in cash and cash equivalents		△3,567,649	917,608	△2,545,418
VI. Cash and cash equivalents at beginning of the year		5,900,180	3,871,610	5,900,180
VII. Cash and cash equivalents due to additional consolidated subsidiaries		516,848	-	516,848
VIII. Cash and cash equivalents at end of the interim term		2,849,379	4,789,218	3,871,610