

NICHII GAKKAN COMPANY

Financial Results Briefing Document  
for the year ended March 2006

May 24, 2006



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All the profit targets and other future data including the number of contracts, number of users and goals contained in this document are forecasts based on the information that Nichii Group has a grasp of at present. Such information is subject to influence of uncertain factors such as economic circumstances, relaxation of regulations and employment conditions. Please understand, therefore, that actual outcome of business performance and other achievements such as the number of contracts and number of users may be substantially different from the forecast.

# Financial highlights (1)

1

Attainment of year-on-year sales increase for 11 consecutive periods since 1995 public offering

(Sales growth rate ended March 2006: Up 2.3%)

2

Restructuring our group in earnest

Achievement of best-suited organizational form by selection and concentration

3

Configuring infrastructure capable of providing preventive care services across the country

(171 places across the country: Operation begun in April 2006)

# Financial highlights (2)

- ● ● ● ● Business activity points for the year ended March 2006 ● ● ● ● ●

## Medical Support Business

- Increase of profit margin by 2.1%  
(Profit margin: 8.5% for the year ended March 2005 -> 10.6% for the year ended March 2006)
- Launching management support services for medical institutions  
(Development of medical management analysis support services, DPC introduction support seminar, and expansion of hospital PFI business)

## Health Care Business

- Number of long-term care service users exceeded 160,000  
(Total as of March 2006: 160,439) ※Including the number of care plan users
- Achievement of nation-wide preventive care service infrastructure ~ Multi-functional care centers ~  
(56 new day-care facilities and 115 existing renovated day-care facilities which began operation in April 2006)

## Education Business

- Enhancement of sales promotion using new advertising strategy
- Launching new training course development  
(Preventive-care exercise instructor course: Approximately 8,000 persons were trained.)

# Progress of Organizational Strategy Aimed at Strong Enterprise Power

Key phrase for FY 2006 “Investment in human resources serving as the foundation for further development.”

## Fiscal years 2003 through 2005

### Restructuring the Nichii Group

Realizing organizational form best-suited to business field surrounding Nichii Group

### Organizational strategy for Nichii Gakkan (Parent company)

Fortifying headquarter management system  
Strengthening the management system by restructuring branch offices and branch shops  
Organizational expansion by restructuring the sales system  
3 outside auditors were selected to fortify the internal audit division

### Respective business operation strategies

Launch “business improvement projects” for each business to shorten the distance between on-site staffs and management teams, and establish a scheme to promptly address various on-site problems

### Other strategies

Brand strategy ••• Constructing brand concepts  
IT strategy ••••• Utilization of managerial information resources by launching and promoting the “IT Project.”  
Human resources and organization •••• Accumulation and enhancement of corporate culture, and recruitment of younger staff.

## FY 2006 (Current year)

### Organizational strategy

Respective business organizational strategies  
→“Business improvement projects” for each business to shorten the distance between on-site staff and management teams, shifted into the second stage.

### Human resources strategy

Aggressively invest in human resources and establish a sustainable business growth model for the future  
→Improving career-enhancement system and promoting full-fledged employee recruitment system

### IT strategy

Goes into full-scale operation in FY 2008 in cooperation with consulting company.  
→Full-scale utilization of management information, intensification of customer acquisition power, productivity improvement, new product development, and others

# [Medical Support Business] Sales Growth Strategy (1)

## ~ Fortify Management Support Services ~

### Market environment

1. Downward revision of medical service fees  
(The largest-ever drop of 3.16% is marked.)

2. Acceleration of bringing information  
technology into medical institutions  
Computerized receipt creation:  
To be required by the year 2013 (Proposal)

3. Increasing the number of DPC-applied hospitals  
(216 hospitals are to be launched by the end of 2006)

**Medical institutions are expected to incorporate  
efficient medical management, capable of  
coping with various environmental changes**

### Our company strategy

1. **Fortifying the management support business**
  - Expansion of PFI business  
(Involvement in various PFI cases)
  - Promotion of hospital management support with a consortium  
of trading companies or construction companies
2. **Management information analysis support service**
  - Promotion of medical information analysis services such as  
cost analysis
  - Constructing a benchmark-analysis database
3. **DPC-related services**
  - Promotion of DPC introduction support business
  - Opening of DPC-related seminars

# [Medical Support Business] Sales Growth Strategy (2)

~ Fortify Local Partnership Support Services ~

## Market environment

### 1. Approval of plan for reduction of recuperation beds at Cabinet

Approx. 350,000beds (FY 2004)  Approx. 120,000beds (FY 2012)

### 2. Promotion of differentiation and combination of medical practices in medical service fee system

Mutual cooperation between medical institutions and home care in the community is expected.

## Our company strategy

1. Promotion of accepting management work for cooperation between hospitals and the community  
(Acceptance result in 2005 :  
Approx. 150 hospitals)

2. Promotion of accepting home-care support clinics

3. Provision of home-visit nursing responding to area needs

4. Fortify cooperation with home care service constituting our resources

Maximize synergy with health care business

# [Medical Support Business] Strategy for Investment in Human Resources

FY2006-

FY2007-

Deliberate securing of training course-Completed trainees

Promotion of recruitment plan in combination with the training course plan  
Promotion of utilizing personnel over a large area  
Training for employment guidance clerks

Gradual introduction of career-enhancement system

Expansion of staff evaluation  
Expansion of pay system  
Clarification of career-enhancement plan

Stabilization of human resource provision

Improvement of utilizing human resource utilization

Fostering professional Staff Fostering training course instructors

Strengthening various training courses  
Fostering medical records & information management consultants  
Arrangement of senior professional staff capable of analyzing medical management information  
Recommending the acquiring professional qualifications

Provision of high-value added products by enhancing staff skills



# [Health Care Business] Response to Revision of the Long-term Care Insurance System (1)

Expansion of integrated services  
by multi-function care centers

Market  
environment

Foundation of new preventive benefits

Revision of long-term care benefits

Establishment of multi-functional care centers

Preventive care service facility [At end of September 2006 (planned)]

**Setup of 206 facilities across the country**

Extend total long-term care services including preventive care services and address various service approaches



Expanding outsourcing services

Market  
environment

Foundation of community support business  
[Target: Specific elderly; 1.25 million people,  
General elderly; 19 million people]

Labor shortages at facilities

Long-term care services in specific facilities  
Partially authorized to be entrusted  
to external providers

Aggressive involvement in community support business  
[entrusted by local governments]

Expansion of staff dispatching service to facilities

Efforts toward specific facility business  
with utilization of external services

★ “Partial entrustment of long-term care services in specific facilities” business approved in this revision

# [Health Care Business] Market environment changed by revision of the long-term care insurance system (2)

<Market environment changed by revision of the long-term care>

Strengthening support for moderate to severely handicapped people  
Improving service quality  
Full-fledged commitment to functional classification

**Field restructuring between medical and long-term care business segments**  
Single service providers or providers with no investment ability are expected to meet severe management environments.

## Superiority of Nichii Gakkan

### Comprehensive strength

- Revenue base to complement the investment burden
- Trusted relationships with medical institutions, and good service-provision results
- Personnel-acquirement scheme based on education business

### Comprehensive service-provision structure

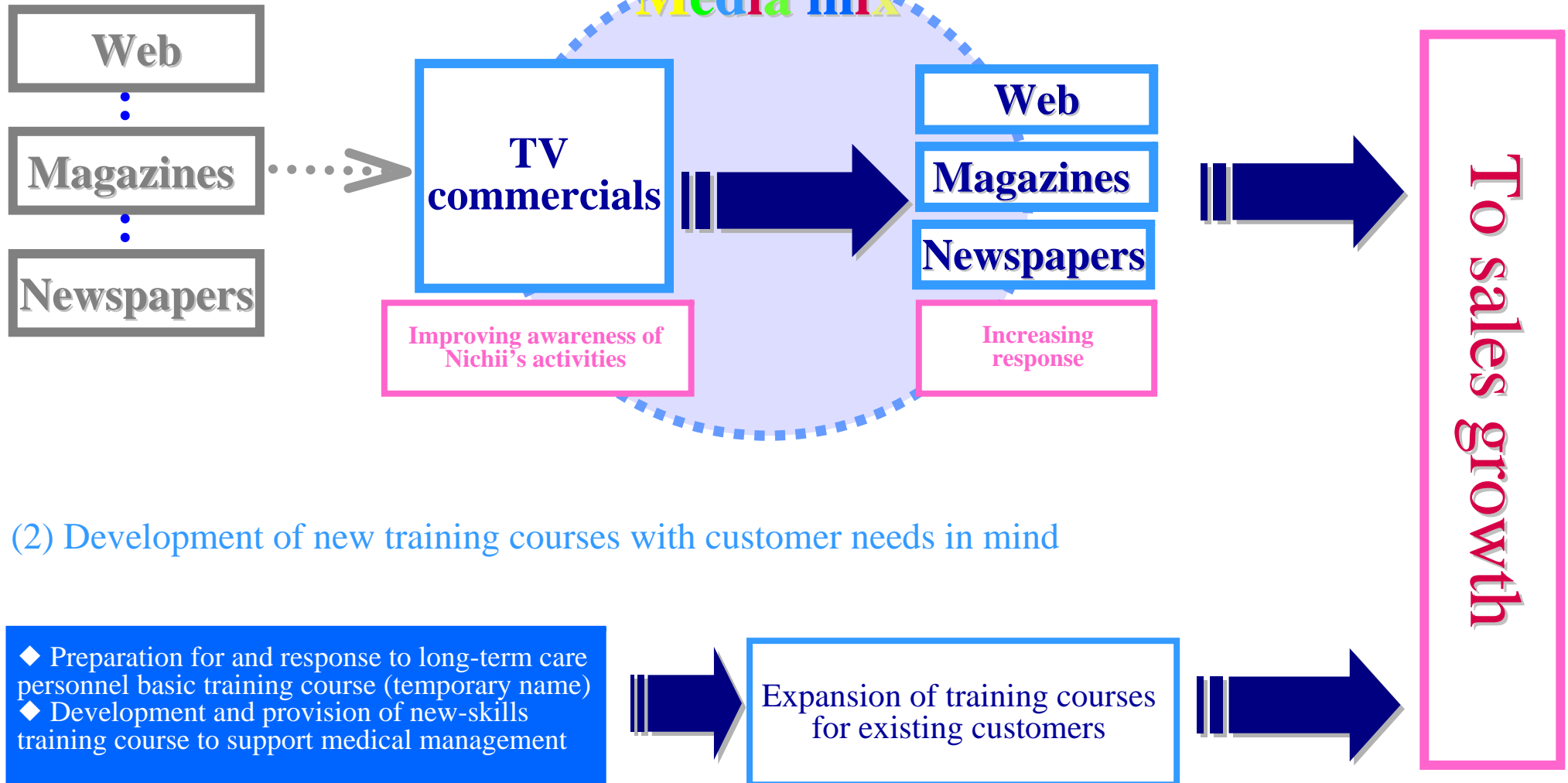
Establishment of total long-term care service system enabling comprehensive support for various care services ranging from preventive care to long-term care

# [Education Business] Sales Strategy

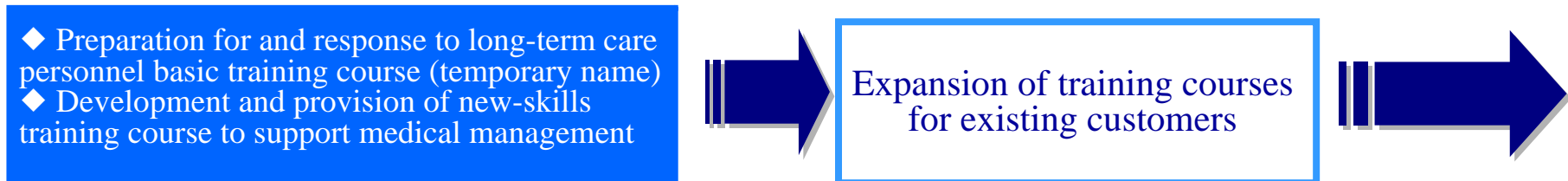
(1) Full-fledged commencement of new advertisement strategy

<New advertisement strategy >

<Existing media >



(2) Development of new training courses with customer needs in mind



# [Education Business] Profit Improvement Strategy

## Promotion of streamlining the training course management

- ◆ Preparation for training courses to maintain supply & demand balance
- ◆ Increasing the availability by effective time utilization

## Revision of training course curriculum

- Medical office work course  
(Medical and dental course)
- ◆ Efficient training course planning by introducing a new training system in response to student needs
  - ★ Joint lectures are arranged for each course.

Reduce costs by efficient management

Going for early profit increases

# [Future Business Strategy] Management Goal for Each Business to be Emphasized

• • • **Fiscal 2006 through 2010** • • •

<Aiming to attain 300 billion yen in company-wide consolidated sales by fiscal year 2010 >

## Medical Support Business

Provision of high value added solution by shifting from labor-intensive to knowledge-intensive business

## Health Care Business

Expansion of market size  
Expansion of service providers



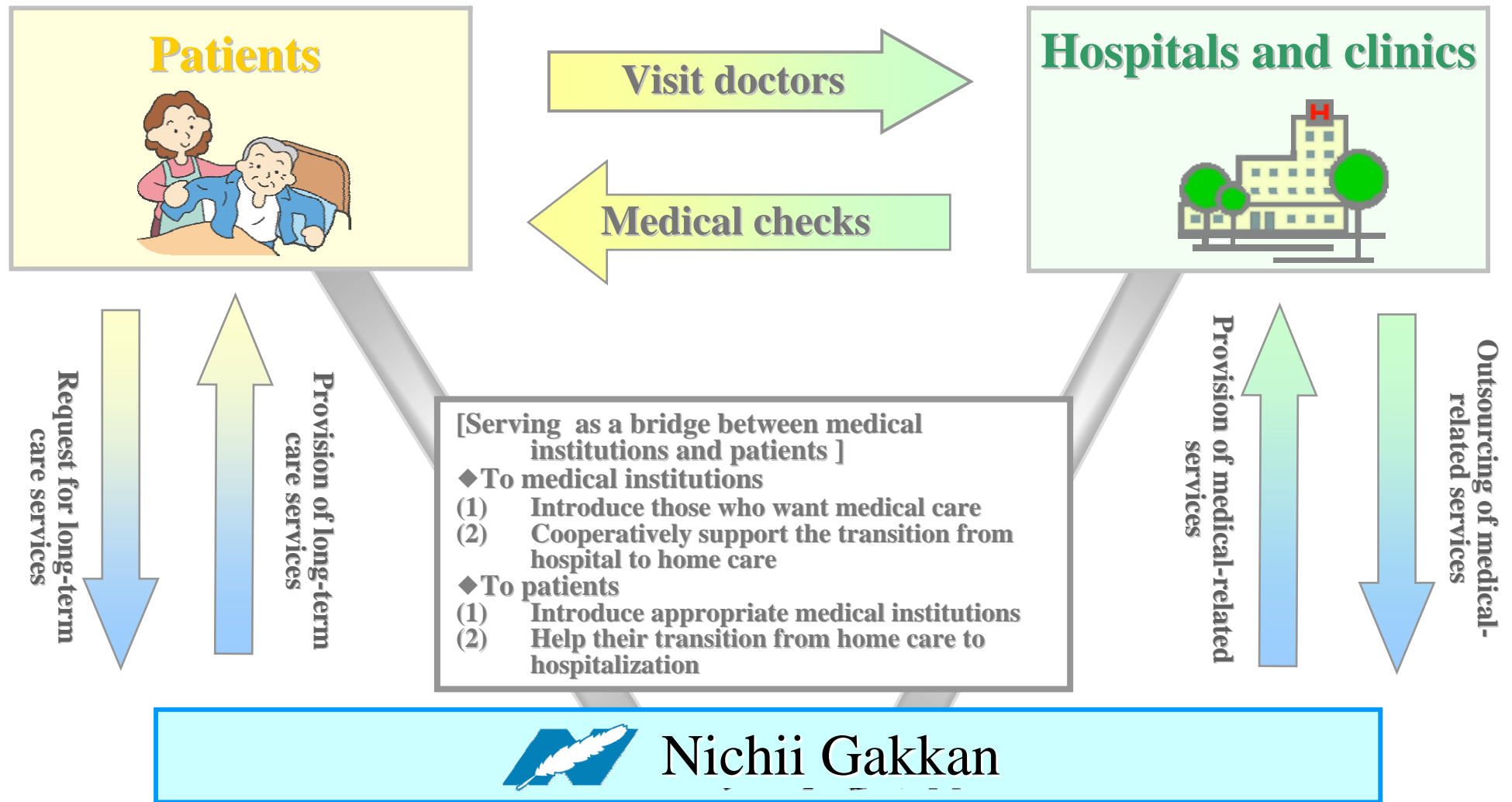
Expansion of insurance-uncovered service menus and volume on a basis of long-term care insurance service

## Education Business

Generate company brand-name awareness, develop and extend training courses suited to customer needs, aiming to produce high-profit services

# [Future Business Strategy] Local Partnership Scheme Addressed by Nichii Gakkan

(Scheme for strengthening partnership between medical and long-term care promoted by Nichii )



Nichii Gakkan will serve as a liaison between medical institutions and patients to create a partnership between the medical field and care-service field.

# [Reference Data] Nichii Gakkan's CSR Activities

## Approach to employees

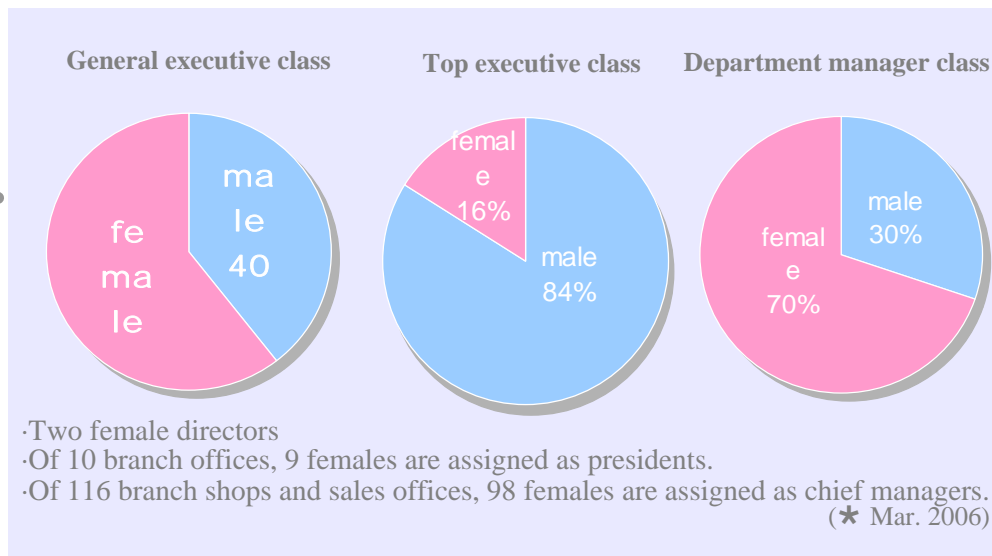
### ◆ Approach to utilization of female employees

Proportion of female executives is high.

### ◆ Active appointment of female executives

### ◆ Provision of school-event holidays

Provision of three school-event holidays annually for employees who have elementary-school children.



## Social contribution activities

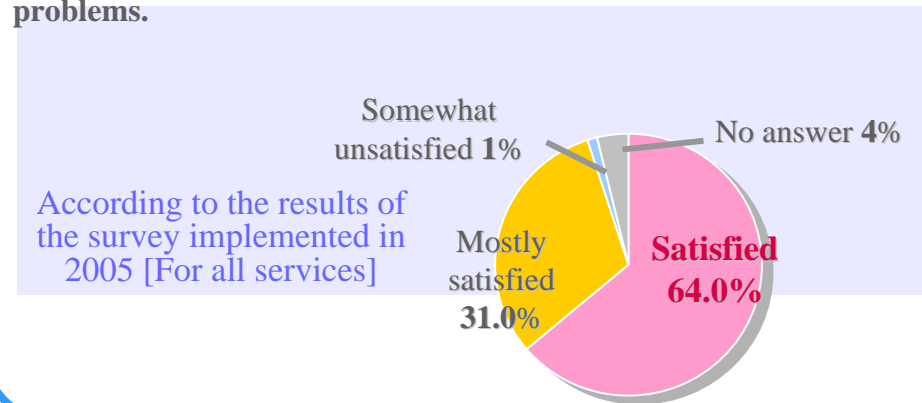
Acceptance of junior high school students of Chiyoda-ku area for internship at one of our care facilities (Tokyo) (July through August 2005)



By providing practical training opportunities at care facilities to junior high school students, we help them improve their communication abilities and, understand the value of the elderly.

## Customer satisfaction survey

Since 2001, an anonymous survey has been conducted annually by selecting 30% of the users for each service from among our home-care service users using a random-sampling method. The survey results are disclosed on our web site and are fed back to the on-site care service staff, so as to improve service quality and help solve problems.

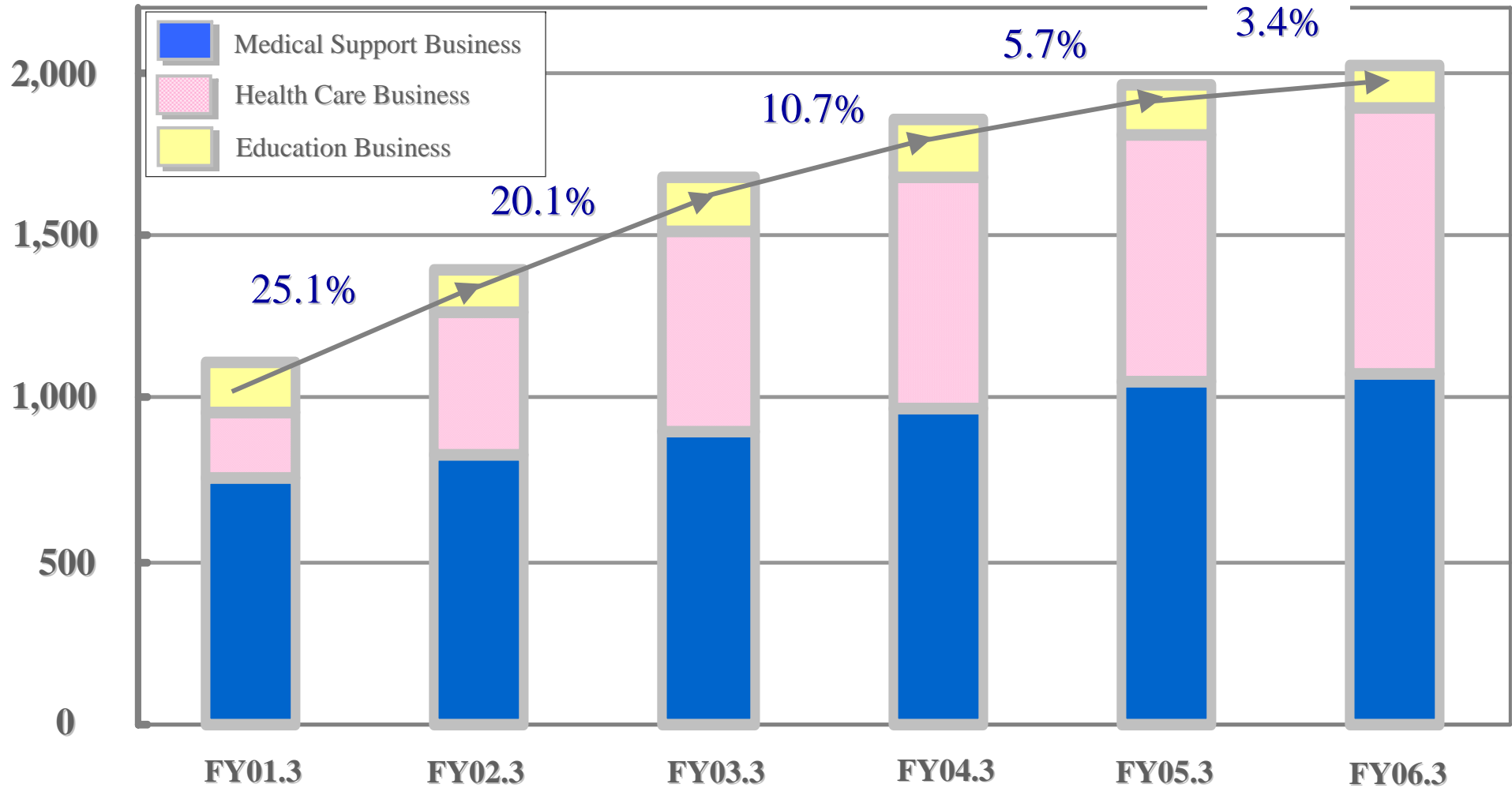


# [Reference Data] Changes in Sales and Growth Rate for Each Business (Consolidated)

## Changes in sales and growth rate

(Billions of Yen)

Sales growth rate

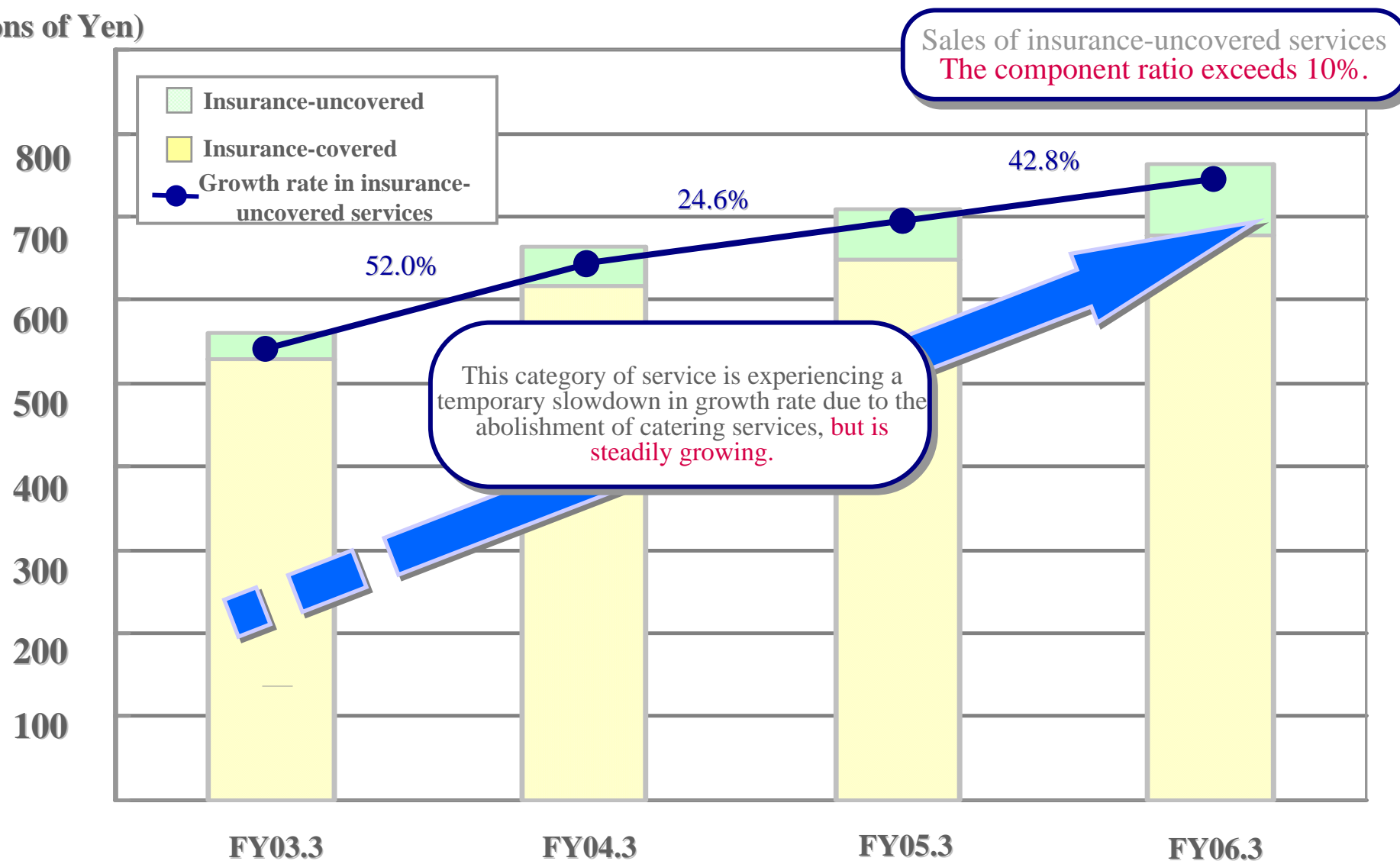




# [Reference Data] Expanding Healthcare Insurance-uncovered Services (Non-consolidated)

## Changes in sales of our insurance-uncovered services

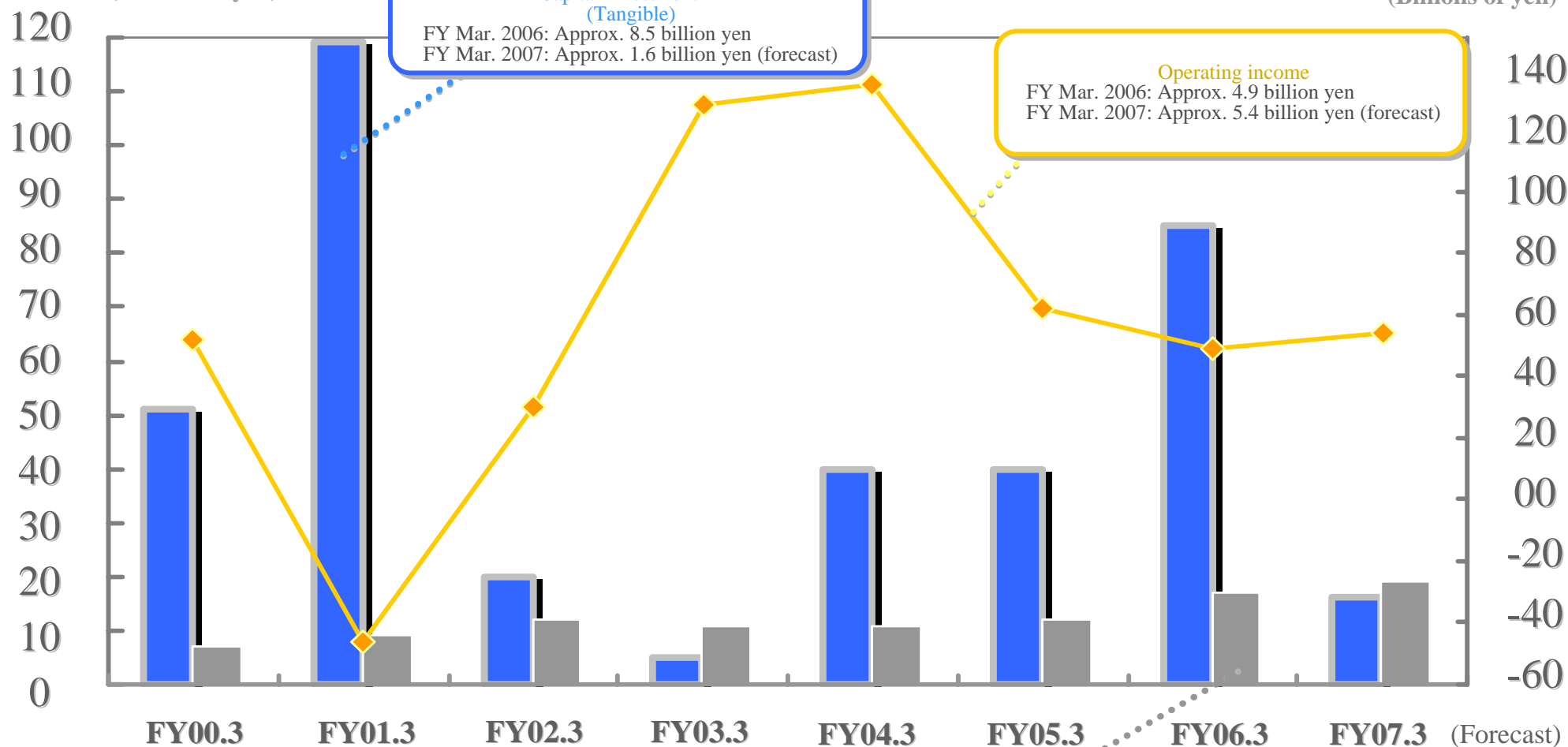
(Billions of Yen)



# [Reference Data] Changes in Capital Investment and Depreciation Allowances (Non-consolidated)

Capital investment and depreciation allowances: (Billions of yen)

Operating income: (Billions of yen)



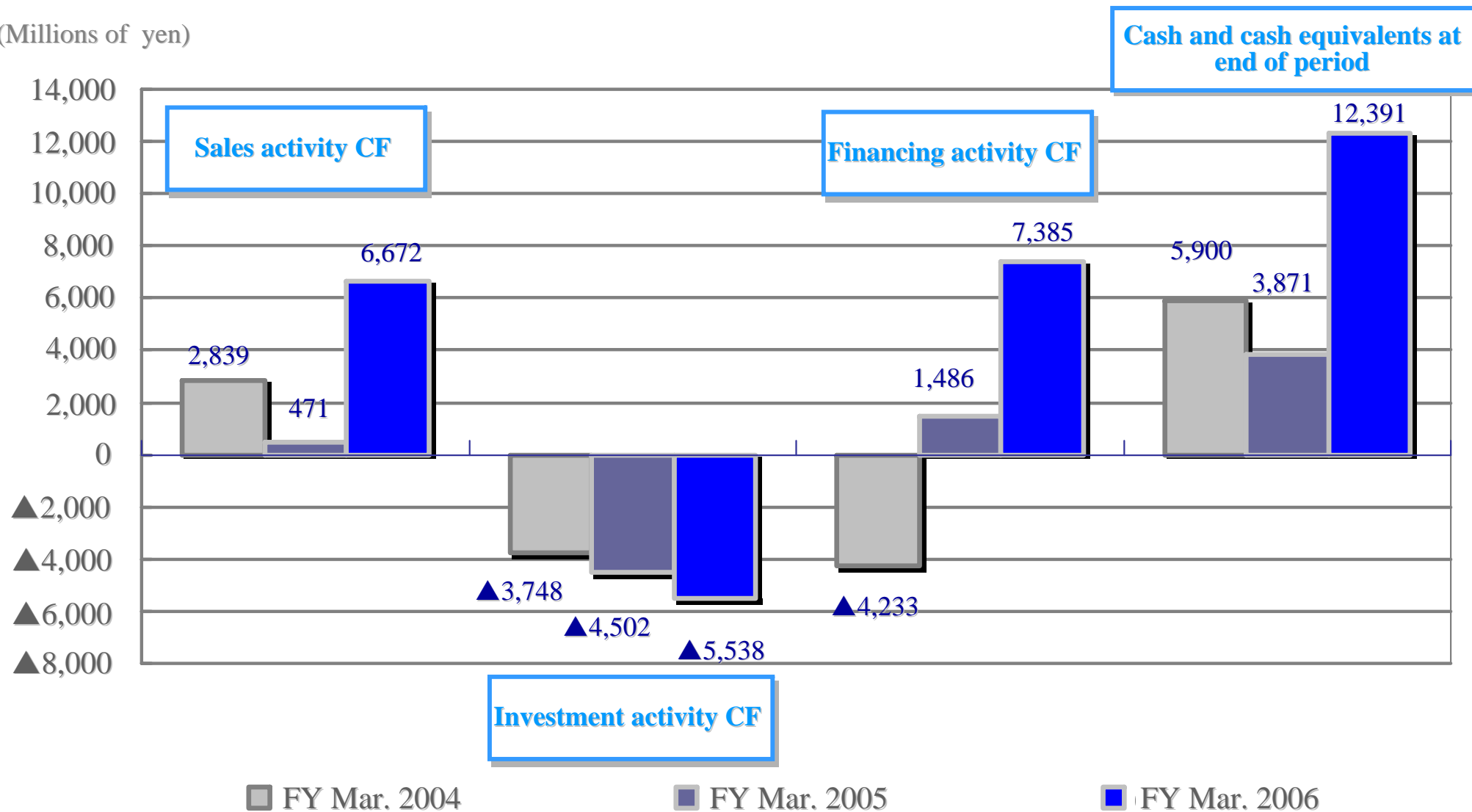
Capital investment (Tangible)  
 FY Mar. 2006: Approx. 8.5 billion yen  
 FY Mar. 2007: Approx. 1.6 billion yen (forecast)

Operating income  
 FY Mar. 2006: Approx. 4.9 billion yen  
 FY Mar. 2007: Approx. 5.4 billion yen (forecast)

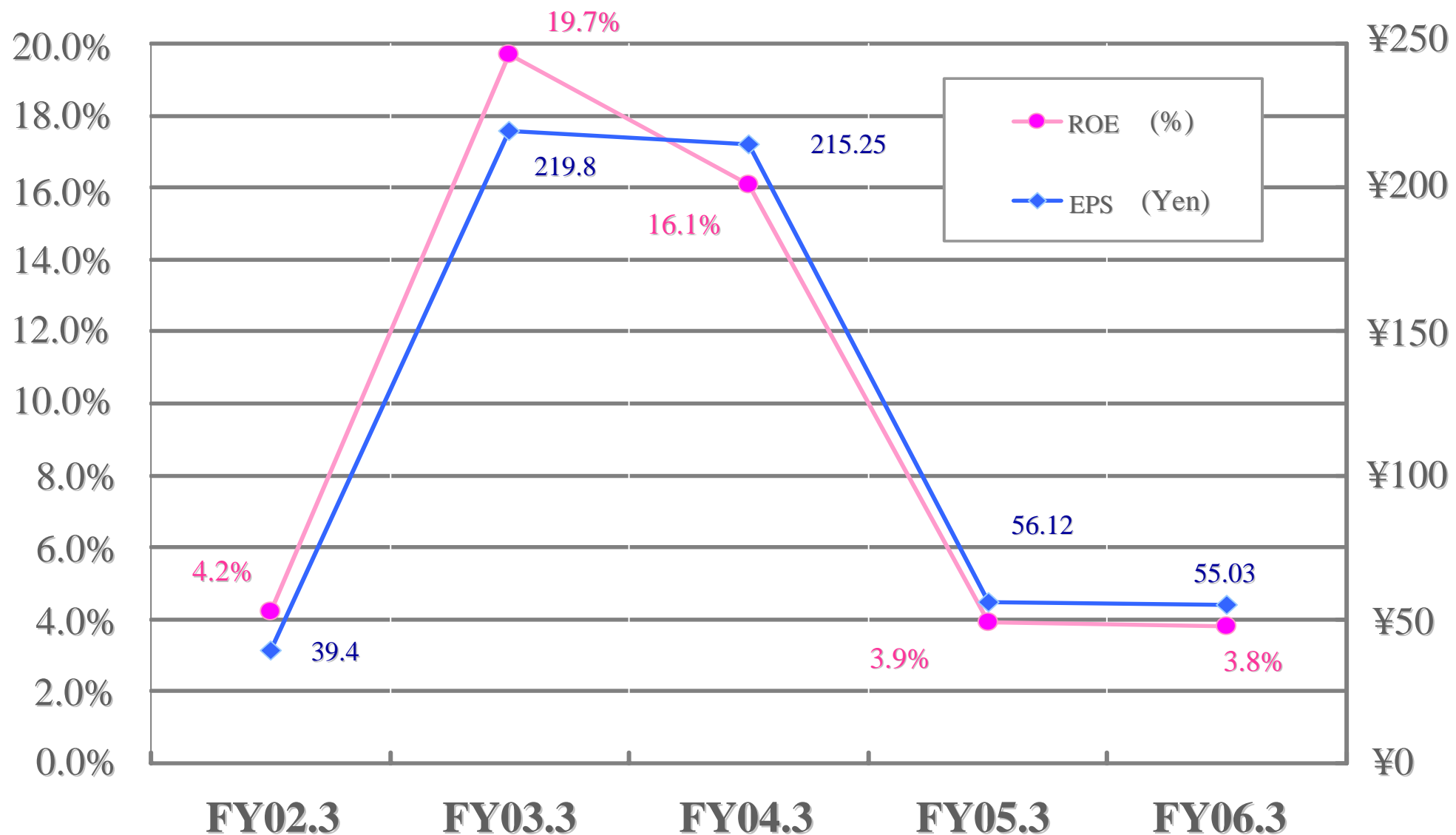
Depreciation allowances (which includes tangibles, intangibles, and others)  
 FY Mar. 2006: Approx. 1.7 billion yen  
 FY Mar. 2007: Approx. 1.9 billion yen (forecast)

# [Reference Data] Changes in Cash Flow (Consolidated)

(Millions of yen)

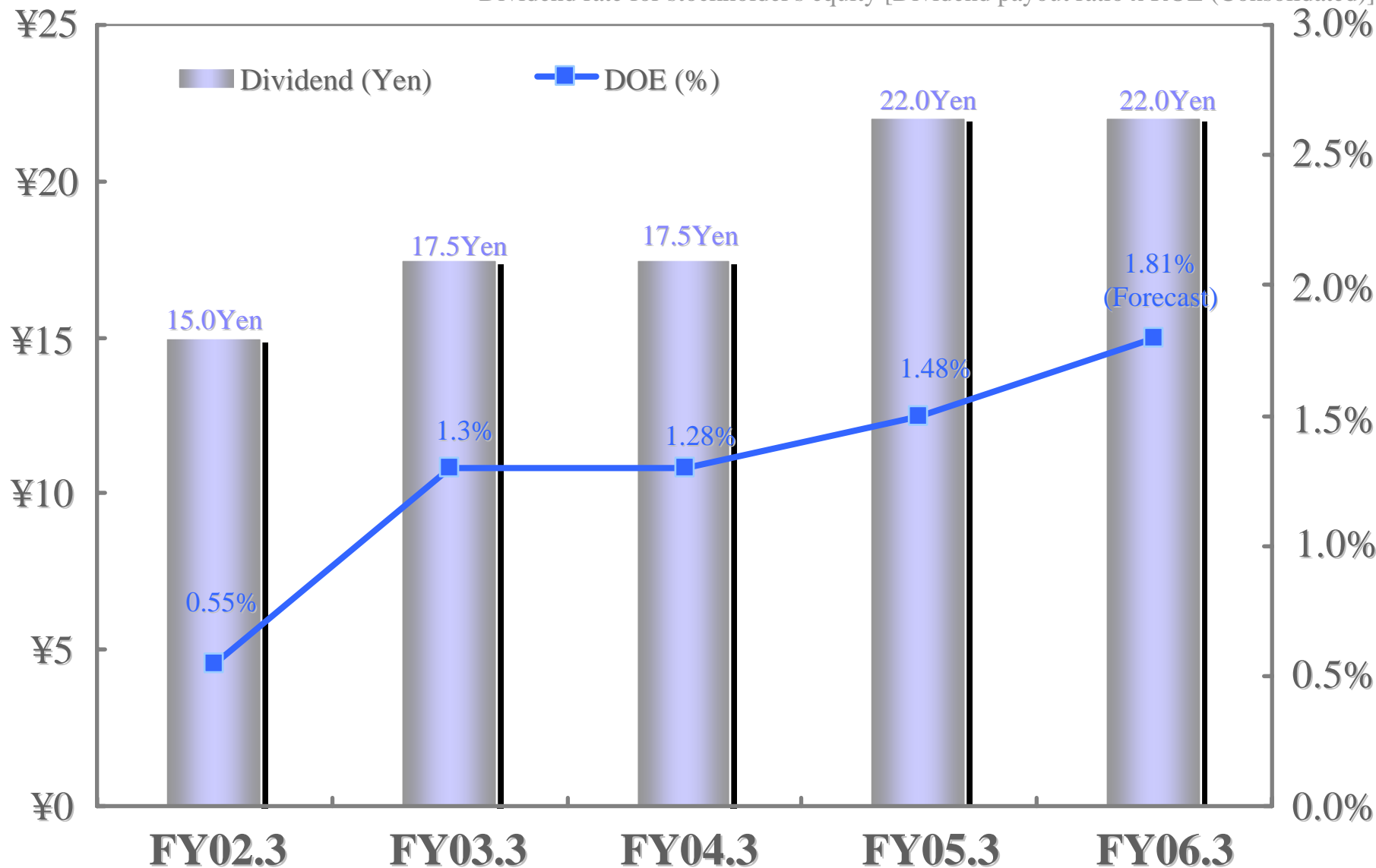


# [Reference Data] Changes in ROE/EPS (Consolidated)



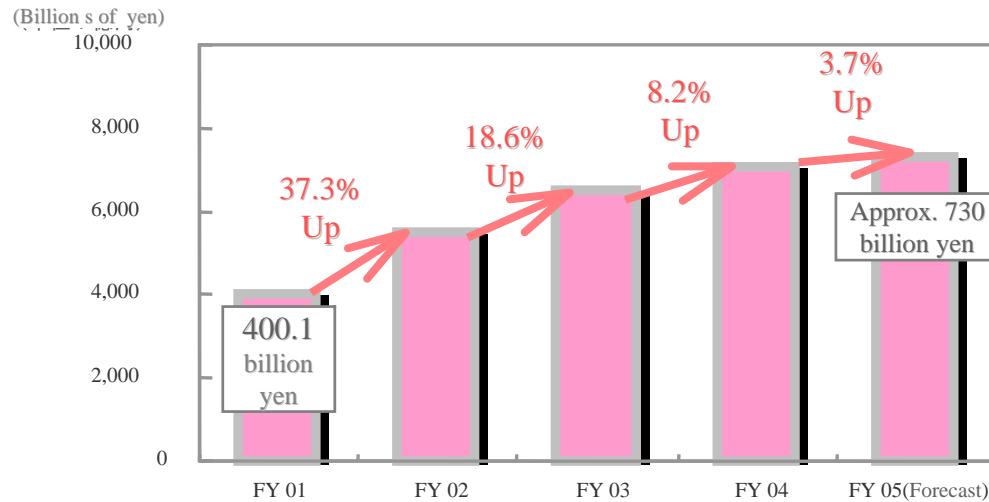
# [Reference Data] Status of Shareholder Return

\* Dividend rate for stockholder's equity [Dividend payout ratio x ROE (Consolidated)]



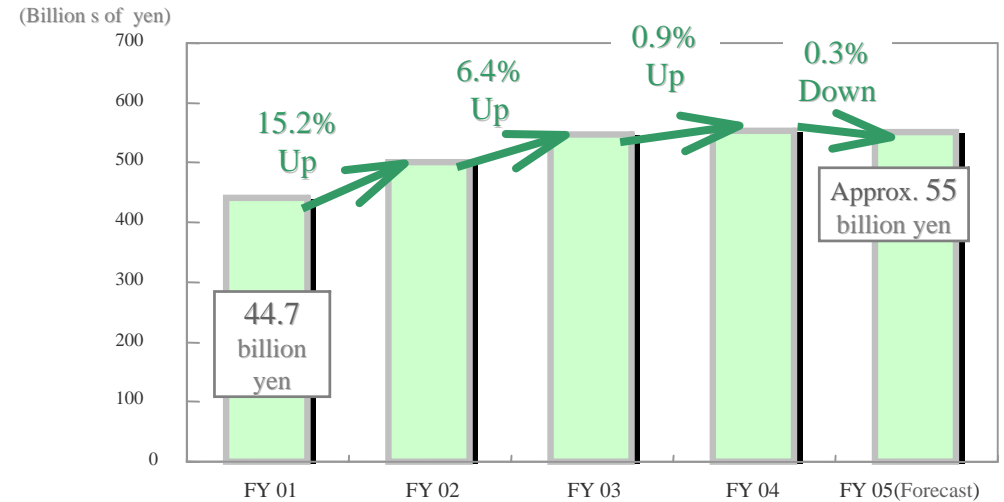
# [Reference Data] Changes in Long-term Care Benefits for Respective Services and Market Size

## Market for home-visit long-term care service

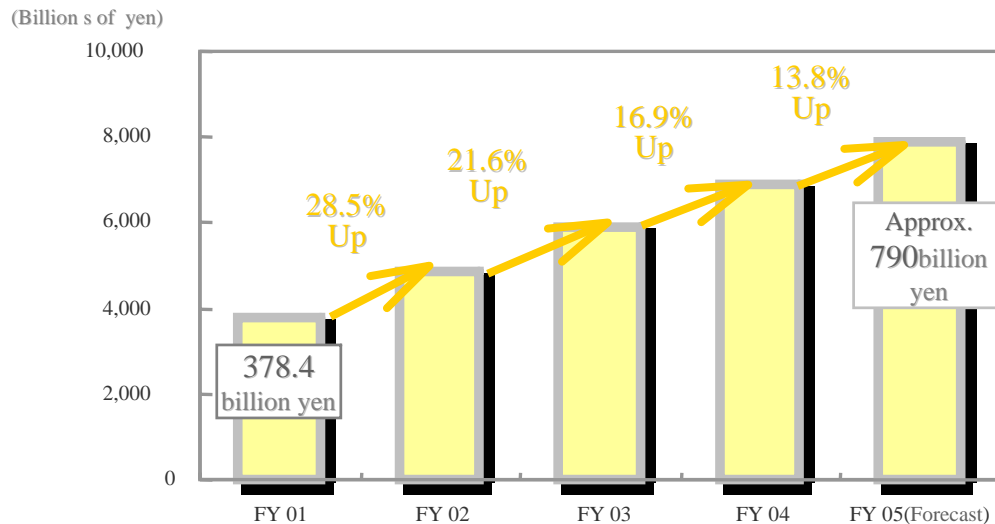


## Market for home-visit bathing service

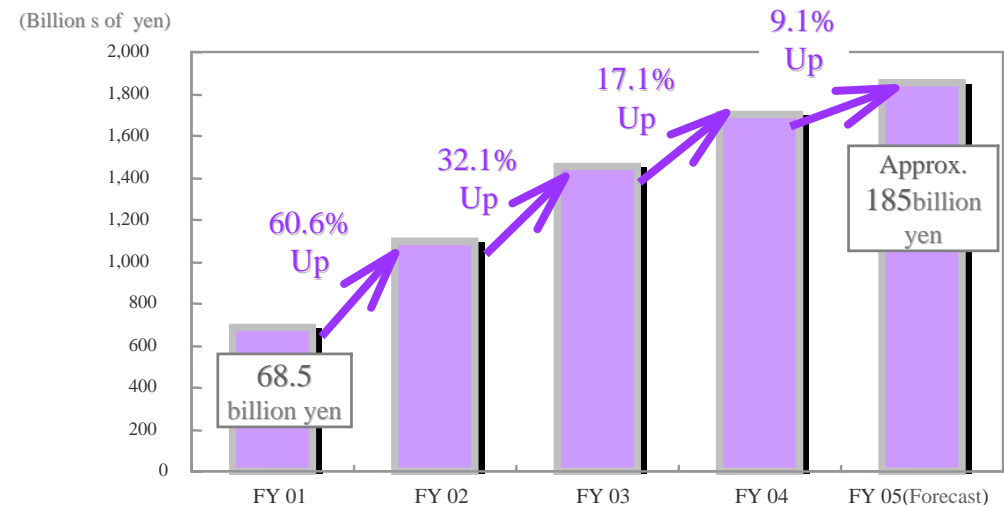
(Source: Monthly report for the survey of actual conditions in Long-term Care Benefits of the Health, Labor and Welfare Ministry)



## Market for day-care service



## Welfare equipment rental service



\* The forecast figure is calculated on the basis of the "Monthly report for the survey of actual conditions in Long-term Care Benefits of the Health, Labor and Welfare Ministry."