

Financial Results for the Year Ended March 2007 (Consolidated)

May 22, 2007

Name of listed company: Nichii Gakkan Company Location of headquarters: Tokyo Exchange where listed: Tokyo Stock Exchange
 Company code number: 9792 (URL: <http://www.nichiigakkan.co.jp/>)
 Representative: President and Representative Director Takashi Mori
 Contact: Director, Vice President of Accounting Division and General Manager of Accounting Department Koichi Terada
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 Scheduled date of the ordinary general meeting of shareholders: June 27, 2007 Scheduled date of dividend payments: June 28, 2007
 Scheduled date of filing securities report: June 28, 2007

All amounts are rounded off to the nearest million yen.

1. Consolidated results for the year ended March 2007 (April 1, 2006 - March 31, 2007)

(1) Consolidated results Percentage figures represent changes from previous year.

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended Mar. 31, 2007	202,549	(1.8)	2,635	(47.2)	2,709	(47.7)	774	(60.8)
Year ended Mar. 31, 2006	206,222	2.3	4,990	(5.6)	5,185	(5.3)	1,974	(2.7)

	Net Income Per Share	Net Income Per Share after Adjusting for Latent Shares	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended Mar. 31, 2007	22.00	-	1.5	2.9	1.3
Year ended Mar. 31, 2006	55.03	-	3.8	5.7	2.4

Notes: Equity-method investment profit (loss) Year ended 31st March, 2007: - million yen Year ended 31st March, 2006: - million yen

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
Year ended Mar. 31, 2007	92,115	52,247	56.6	1,479.10
Year ended Mar. 31, 2006	97,898	52,159	53.3	1,479.74

Notes: Shareholders' Equity: Year ended 31st March, 2007: 52,096 million yen Year ended 31st March, 2006: 52,159 million yen

(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 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended Mar. 31, 2007	2,656	(1,090)	(4,386)	9,570
Year ended Mar. 31, 2006	6,672	(5,538)	7,385	12,391

2. Dividends

	Dividends per Share (Yen)			Total Amount of Cash Dividends (Annual)	Dividends Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	Interim	Year-end	Full Year			
Year ended Mar. 31, 2006	0.00	22.00	22.00	774	40.0	1.5
Year ended Mar. 31, 2007	0.00	22.00	22.00	774	100.0	1.5
Year ended Mar. 31, 2008 (Forecast)	-	-	-	-	-	-

3. Forecast of Consolidated results for the year ended March 2008 (April 1, 2007 - March 31, 2008)

(Percentage figures represent changes from previous year for full year figures and from same period of previous year for interim period figures.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half Year	99,800	(2.4)	(250)	-	(180)	-	(570)	-	(16.18)
Full Year	201,600	(0.5)	2,730	3.6	2,840	4.8	970	25.2	27.54

4. Others

(1) Changes in significant subsidiaries during the year ended March 2007

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

[Newly consolidated: - Excluded: One (Power Bank Co., Ltd.)]

Note: Please refer to "Status of the Corporate Group", on page 7, for details.

(2) Changes in accounting principles, procedures and method of presentation associated with preparation of the consolidated financial statements (the matters to be included in the section, changes in basic important matters for preparation of consolidated financial statements)

1) Changes due to revisions of accounting standards etc.: Yes

2) Changes other than 1): None

Note: Please refer to "Basis of Presenting Consolidated Financial Statements", on page 22, for details.

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at fiscal year end (including treasury stock):

March 31, 2007 36,508,976 shares March 31, 2006 36,508,976 shares

2) Number of shares of treasury stock at fiscal year end:

March 31, 2007 1,287,351 shares March 31, 2006 1,284,549 shares

(Reference) Overview of the Non-Consolidated Business Results

1. Non-Consolidated Results for the Year Ended March 31, 2007 (April 1, 2006 - March 31, 2007)

(1) Non consolidated results

Percentage figures represent changes from previous year.

	Net Sales		Operating Income		Ordinary Income		Net Income Per Share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended Mar. 31, 2007	198,099	0.2	2,506	(49.4)	2,682	(49.0)	856	-
Year ended Mar. 31, 2006	197,635	3.7	4,956	(19.9)	5,257	(18.4)	(978)	-

	Net Income Per Share	Net Income Per Share after Adjusting for Latent Shares
	Yen	Yen
Year ended Mar. 31, 2007	24.30	-
Year ended Mar. 31, 2006	(28.81)	-

(2) Non consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
Year ended Mar. 31, 2007	86,811	48,369	55.7	1,373.29
Year ended Mar. 31, 2006	92,666	48,350	52.2	1,371.63

Notes: Shareholders' Equity: Year ended 31st March, 2007: 48,369 million yen Year ended 31st March, 2006: 48,350 million yen

2. Forecast of Non consolidated results for the year ended March 2008 (April 1, 2007 - March 31, 2008)

(Percentage figures represent changes from previous year for full year figures and from same period of previous year for interim period figures.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half Year	96,600	(3.4)	(300)	-	(200)	-	(500)	-	(14.20)
Full Year	195,000	(1.6)	2,600	3.7	2,840	4.4	1,100	28.5	31.23

The amounts as above are rounded off to the nearest million yen.

The above projections are based on information available as of time of this announcement. Actual results may differ due to various factors.

1. Business Results

(1) Analysis of business results

1) Overview of business results

Although the stability of Japan's economy is still unclear during this fiscal year due to such influences as the increase in the price of oil and raw materials, as general corporate performances were steady, an increase in capital investment and an improvement in the employment market led to a continuing recovery trend.

The market environment surrounding medical and health care businesses is under continuous fundamental reviews for public services in order that the social security system can be sustainable. This was typified when in April 2006, a full-scale system reform came into practice for nursing care insurance, which was the first since the new social security's conception. This meant a large change in operating procedures for nursing care operators.

The revision of the medical treatment fee and nursing care fee which went into effect at the same time lowered rates and the negative impact of the market for this revision was larger than expected and more strongly felt than the change in percentage of rate itself. Under these circumstances, our group has implemented active sales promotions by utilizing our national network strengths and the media mix strategy mainly through TV commercials.

In September 2006, to quickly respond to the change in the market environment from such factors as the system reform and economic trends, an "Information and strategy office" was created which promotes strengthening existing businesses, developing new services, and realizing mid-term business strategies. This will help us develop a new service menu and maintain our infrastructures.

Regarding sales, factors such as the sale and liquidation of consolidated subsidiaries due to the group reorganization, the revisions of nursing care insurance, and decline in the number of students in our education business led to a fall.

On profit, factors such as the revision in the treatment fee system, and limited effects of opening of classes in convenient locations for students and advertising investments led to the increase in advance fee and the consolidated accounting term was faced with unfavorable results.

As a result of these activities, net sales during the current accounting period were ¥202,549 million (down 1.8% year on year), ordinary income was ¥2,709 million (down 47.7% year on year), and net income was ¥774 million (down 60.8% year on year).

2) Business results by segment

【Medical Support Business】

Our "Medical Support Business" has improved and expanded services to increase per medical institute revenue and promoted the acquisition of new business contracts by offering support services matching changes in the health care system to Diagnosis Procedure Combination (DPC)-ready and -planning hospitals and aggressively strengthening sales to regional medical cooperation rooms.

Additionally, as an investment in human resources, we have begun introduction of the career-up system which includes improvements in hiring conditions and further strengthen the personnel service system through cooperation with the Education Business, with the aim of acquiring and securing human resources.

As a result of these activities, sales during the current fiscal year were ¥110,956 million (up 2.7% year on year) and operating income were ¥10,824 million (down 5.4% year on year).

【Health Care Business】

Regarding "Health Care Business", as of 2005, in order to conform to the nursing care insurance reform implemented in April 2006, we have actively promoted nation-wide openings of "multi-function care centers", which offer the advantages of combined service centers with the addition of a preventive care service. We also worked to help users' understanding of preventive care services, and offered these services.

However, the operational status of the "comprehensive regional support centers" operated by local government was modest and compared to the transition of light-level care patients to new preventive care service benefits, the growth in number of preventive care service users was limited. This greatly impacted the number of users for our home care service and day care service.

Also, in revision to the nursing care fees which was conducted at the same time, home nursing care fees were lowered by one percent on average and specifically, the home light nursing care fee was reduced by five percent on average which greatly affected us as we have many home light nursing care users.

Sales for this consolidated fiscal year was ¥78,027 million yen (down 1.7% year on year) and operating income was ¥1,820 million (down 9.5% year on year). However, regarding the non-insurance service centering on our manpower supply service to institutions, the number of contracts steadily increased and sales continued on a growing trend.

【Education Business】

Our "Education Business", which is the backbone of manpower supply to the medical support and health care business, was strengthened in sales by simultaneously running TV commercials to increase recognition of our corporate brand and by a highly-appealing advertising campaign in newspapers, magazines, and web sites intended to be image linked to the TV commercials.

Additionally, to improve the convenience for students, we revised our curriculum and class operation to improve our services.

Unfortunately, due to the lack of clarity of the home-helper qualification in the future and improvement in employment environment, the number of students enrolled in our main classes of "medical clerk" and "home-helper" declined. Sales for this consolidated fiscal year was ¥12,469 million yen (down 8.3% year on year) and operating loss was ¥1,709 million yen (operating loss of ¥2,419 million in the previous fiscal year).

【Other Businesses】

In Other Businesses, we are engaging in such businesses as welfare equipment leasing, storage and delivery service, and production and sale of flowers, ornamental plants, seeds, and saplings.

We are advancing our business growth strategy, primarily concentrating on strengthening existing business and approaches to new business and services, and restructuring of group companies. As a part of such reforms, we decided to liquidate Power Bank Co., Ltd. in the current fiscal year.

As a result, net sales for this segment were ¥1,095 million (down 78.9% year on year) and operating income was ¥254 million (up 508.0% year on year).

3) Outlook for the full year performance

【Medical Support Business】

Regarding our "Medical Support Business", as the business environment of medical institutions changes greatly, needs of medical institutions are becoming varied and we will promote the expansion of services to meet those needs.

Additionally, to bring more balanced conditions to contract services, we will be presenting reviews of contracts with medical institutions.

For our future growth strategy, factors such as the balancing of nursing care and medical treatment fees due to the revisions and reduction of hospital beds have increased the need for better cooperation between medical care and nursing care. To cope with this need, we will aggressively pursue contracts for regional medical cooperation rooms and seek cooperation with home nursing care support clinics, expand our hospital private finance initiative (PFI) business, deploy a support service for introducing DPC, and additionally develop and supply a service for supporting efficient medical business management for implementing IT technologies in medical institutions.

【Health Care Business】

On "Health Care Business", we will increase the amount of existing facilities to meet the needs of the increased amount of patients for such care as home care and day care services.

As the shift to new preventive cure benefits for light care patients (due to the revision of nursing care insurance) will settle down, we believe that the number of service users will gradually, but steadily increase.

Maximizing use of our deep and extensive service infrastructures, by appealing to local governments and users with our achievement records and response capabilities of preventive cure programs, we seek to acquire contracts for our regional support business and new users of preventive cure services.

On the subject of rental and sale of welfare equipment for light users who fell outside of the insurance bracket due to the revision of nursing care insurance, we will provide a non-insured price rental service to obtain sales and continuous users. Additionally, by transferring our welfare equipment wholesale business to Nichii Carenet Co., Ltd. (formerly reha team japan Co., Ltd.), we plan to increase the business efficiency within the group and strengthen our service providing system.

Additionally, in order to increase sales and secure profits, we will make efforts to expand non-insured services centering on providing helper workers to medical institutions and nursing care facilities and to promote the development and provision of new self-paid services.

【Education Business】

In Education Business, we are promoting to obtain more students by running the media mix advertising campaign through the high response rate advertising medium, by promoting convenient class operation, and by revising the curriculum for students.

We also plan to promote the improvement of business efficiency by reviewing business development in terms of the geographical area of responsibility of each branch office under the special type branch office system and by implementing effective classroom operations.

Due to an aging society, demand for qualifications in medical and nursing care is anticipated to remain steady in the future. Therefore, our company will attempt to expand our medical support business as well as to improve the quality of education by focusing on development of the care workers' basic course and the nursing care courses.

【Other Businesses】

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 Business, Health Care Business and Education Business.

For the fiscal year 2008, in addition to the above segment by segment business strategy, branch offices will be set-up to focus directly on Education, Medical, or Health care businesses, and these will strengthen sales and the management of income and expenditures.

In consideration of these situations and prospects, our outlook for performance in the year ending March 31, 2008 is ¥201,600 million in net sales (down 0.5% year on year), ¥2,730 million in operating income (up 3.6% year on year), ¥2,840 million in ordinary income (up 4.8% year on year) and ¥970 million in net income (up 25.2% year on year).

(2) Analysis of Financial Position

1) Overview of financial position

During the current accounting period, cash and cash equivalents ("funds") amounted to ¥9,570 million, down ¥2,820 million year on 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 fiscal year, funds increased by ¥2,656 million (in the same period of the previous fiscal year, funds increased by ¥6,672 million).

The revision of the nursing care insurance system caused a negative impact in the health care division and the investment made on the opening of classrooms in convenient locations for students and the advertisement expenses, including TV commercials, did not achieved a expected effects. As a result, operating income was 2,635 million yen (the previous consolidated fiscal year was 4,990 million yen) and net income before tax and other deductions was 2,230 million yen with the effect of the liquidation of a subsidiary company through group reorganization which continued on from the previous consolidated fiscal year.

【Cash flow from investing activities】

As a result of investing activities during the current fiscal year, funds decreased by ¥1,090 million (in the same period of the previous fiscal year, funds decreased by ¥5,538 million).

Principal investments include ¥965 million for day service centers, etc. (14 new facilities and 48 existing facilities) and ¥199 million for helper stations.

【Cash flow from financial activities】

As a result of financial activities during the current fiscal year, funds decreased by ¥4,386 million (in the same period of the previous fiscal year, funds decreased by ¥7,385 million).

This was because we issued unsecured bonds amounting to 11 billion yen and returned all short-term loans (fulfillment of payment obligations on commitment line contract).

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

	Year ended 31 March, 2006	Year ended 31 March, 2007
Equity ratio (%)	53.3	56.6
Equity ratio based on present value (%)	98.2	81.3
Debt redemption (years)	2.0	3.6
Interest coverage ratio	114.5	31.1

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 the end of period and the total number of outstanding shares at the end of period (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)Basic Principles of Profit Distribution

We make it a basic policy to provide our stockholders with stable and continuous profit distributions.

Considering business performance trends from a mid- to long-term standpoint, we will promote a consolidated dividend policy.

Retained earnings will be invested to continue our business growth and increasingly upgrade our corporate value. The investments include development of new businesses and backbone systems/software.

(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.

External factors and risk factors with low potential are also mentioned here from the standpoint of positive information disclosure on matters deemed important for those making investment decisions.

The matters below were determined to be potential risks by the Group upon preparing this data as of the end of the current accounting period, and may not cover all the risks related to investment in our stocks.

1) Risks to Business

【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 service management consultation services. Medical institutions will see major fluctuations in their medical revenues due to the revision of the medical service payment system approximately every two years and the medical insurance system reform (Article 2, Paragraph 2 of the Health Insurance Law Revision Law).

For our group which provides services to health care institutions, contents of revision rate for medical treatment fee and medical insurance system reform may impact our contract fee and its contents.

【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, and it is 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 home helper training course is expected to combine with the care worker's basic course in the future and this change may affect the sales and revenue of the course.

【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.

2) Risks due to the Internal Management System

The Nichii Gakkan group is working to strengthen the self-directed operational management framework as well as internal check functions, to prevent human errors and dishonesty of employees.

However, future operational management problems could cause a loss of trust by stakeholders, and could affect our business performance.

【Risks due to personal information】

Each business segment of the Group handles personal information specified in the Personal Information Protection Law.

As we recognize the protection of personal information as an extremely important business challenge, we have established an “Information Privacy Committee” to ensure appropriate acquisition and handling of information, and are working to prevent leakage of personal information and reoccurrence of such problems, setting up privacy policies and providing in-house training.

However, a personal information leak could affect our business performance due to loss of confidence, claims for damage, etc.

3) Risks due to natural disasters and accidents

Large-scale natural disasters such as earthquakes or tsunami might impede staff and facilities from operating properly.

If this causes unavailability of our services to users, it could reduce sales and incur special expenses.

2. Status of the Corporate Group

This consolidated corporate group consists of Nichii Gakkan Company, its 12 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.

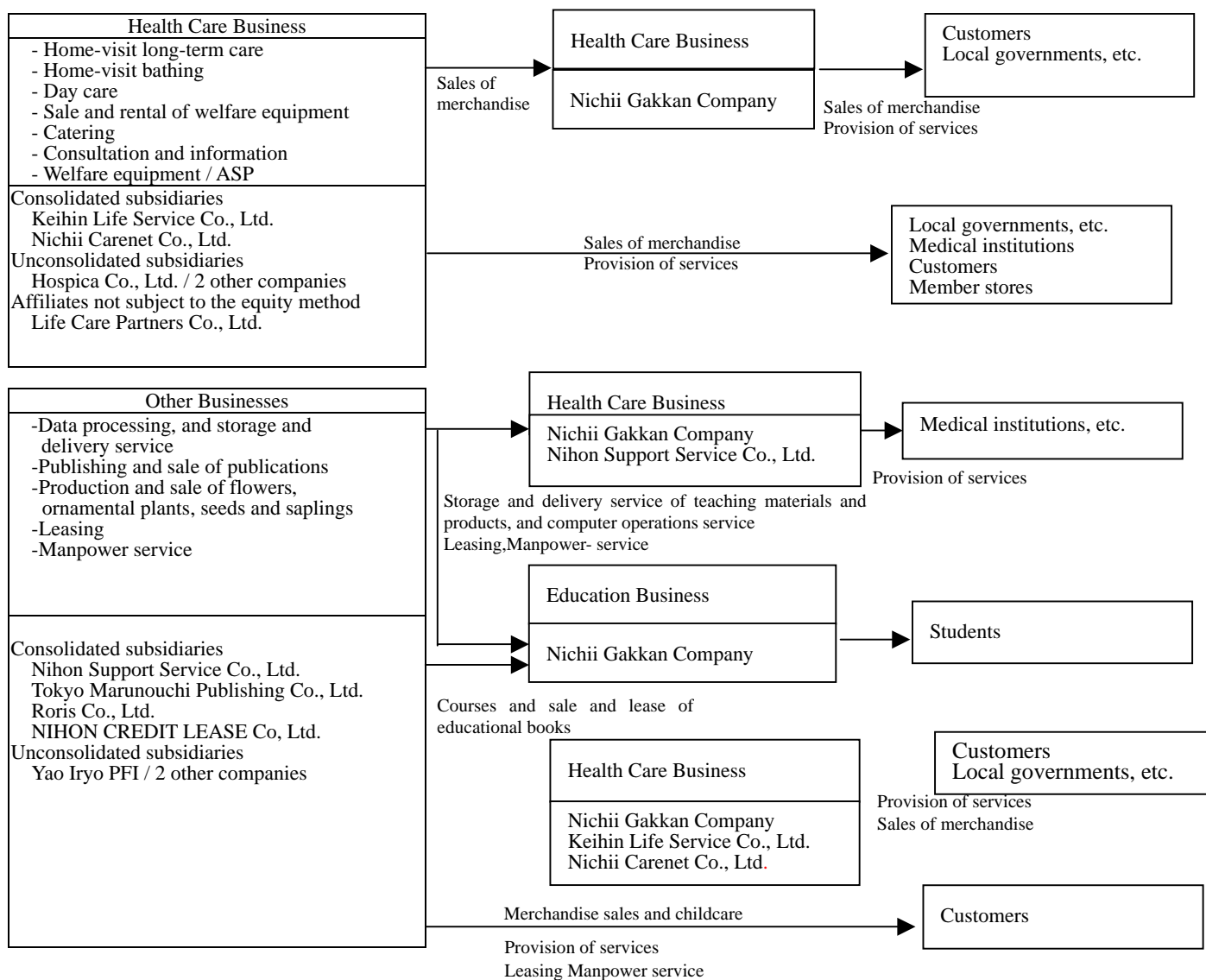
The Group's businesses and positioning of each business are as shown below. The business categories correspond to those in the segment information by business category.

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. Nichii Carenet Co., Ltd. Nihon Support Service 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.

Notes: 1) Power Bank Co., Ltd. was liquidated on March 27, 2007.

2) Reha team Japan Co., Ltd. was renamed to Nichii Carenet Co., Ltd. on January 1, 2007.

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



3. Management Principles

(1) Basic Principles of Management

Based upon the management philosophy of “Contributing to the health and welfare of society”, our company aims to be recognized as contributing to the improvement and furthering the quality of life and society in three fields; the medical support business, nursing care and education for daily living.

Nichii’s mission

- 1) Assist stable management of healthcare institutions in healthcare related fields.
- 2) Create an environment where people can live a full life through nursing care without worries.
- 3) Support educational activities, to encourage self-improvement.

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 deepening our trusting relationship with our shareholders and other stakeholders.

In order to achieve this goal, we wish to spread the idea of self-improvement to each organizational structure and employee as well as aggressively maximizing our corporate value based on the slogan, **“Strength through kindness.”**

(2) Management goals

Our long-term goal includes taking the following three points into consideration 1) our core business is manpower dispatching services, 2) the business of medical support and those businesses in the welfare field are expected to expand in the future and 3) share value should be focused upon;

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

(3) Mid- to long-term strategies

Japan is becoming a society that faces a decline in population due to a low birthrate and an aging population. Given the situation, our company is putting into effect a business growth strategy and organizational reform with an aim of establishing a robust corporate structure that quickly and adequately responds to the changes in business environment.

Regarding our business growth strategy, an “information and strategy office” was newly established in Kobe Port Island Center on September 16, 2006. The office is tackling the concepts of reinforcing existing businesses, expanding business operations and creating new businesses for each division.

In order to strengthen the management foundation of our group, we are promoting a reorganization and integration of subsidiaries with a transfer of businesses. Furthermore, as of March 26, 2007, a totally comprehensive plan for organizational renovation came into effect continuing on from 2004 in which our regional and branch office system changed to a “new business branch office system” where each business focused on a single division; educational business, medical support business or healthcare business. As a result, the regional office system changed to a sales control division which promotes and manages regional sales according to the 18 districts.

As a result of this renovation, our company plans to improve business performance and quality of services by establishing a branch office system, which can demonstrate an increase of performance by concentration as well as establishing a competitive regional system.

Although multiple brands existed in our group such as Nichii Gakkan and Iris Care Service, we integrated all these brands into one brand, “Nichii” on April 1, 2007 and are carrying out corporate activities aiming at improving our brand value.

Our group will attempt to realize our future goals which will lead to the maximization of corporate value by implementing a comprehensive management strategy.

(4) Issues to be handled

【Medical Support Business】

A healthcare system reform in Japan which started with the amendment of Healthcare Ordinance and Health Insurance in 2006 plans to start achieving its actual goals from April 2007 and further rapid progress is anticipated in the future.

In addition, the Japanese government is investigating a policy that aims at “regional decentralization” including healthcare system reform. As a result, medical institutions are further required to incorporate a working system to share and reinforce collaboration, so that to perform an effective medical business that can respond to various environmental changes.

To adequately deal with various problems faced by medical institutions, we aim to stabilize and improve utilization of human resources, and enhance human resources development.

As a mid- and long-term business strategy, we will promote expansion of system resource related services aiming at improving information technology for healthcare institutions and will aggressively develop and provide “Healthcare management support services” to produce better value services including the enhancement of staff members’ skills.

【Health Care Business】

“Introduction of disease prevention benefits”, “Partial collection of occupancy expense” and “Regulation reinforcement” were implemented in the reform in April 2006 and nursing care operators are urgently required to respond to the new system change as well as creating a new business model.

Further, reform is anticipated in 2009 and 2012 leading up to 2015 when the postwar baby-boom generation will become 65 years old or more. Bearing this situation in mind, our group is currently developing strategies and promoting business operations from a long-term perspective.

We will also attempt to expand and improve nursing care insurance services, welfare services for handicapped persons as well as promote development and provision of self-paid services which lie beyond nursing care insurance coverage. Furthermore, we plan to focus on the creation of value added services through collaboration with regional communities and businesses in different sectors to achieve further business expansions.

【Education Business】

The number of workers engaged in nursing care and welfare services in 2005 was 3.28 million, which is a 4.6 times increase over 1993 amounting to 710,000 workers.

In addition, due to the low birthrate and aging society in Japan, an increase in the number of workers engaged in nursing care and welfare services is anticipated for the future. (Source: Health, Labour and Welfare Ministry. Nursing care and welfare services means services dealing in the fields of the elderly, the handicapped, children and others.)

Our education business offers 12 courses focusing on medical/nursing care, and is engaged in enhancing human resources for the said fields. This business is based on our own business model exemplified with the key phrase of “education creates employment”, and is crucial for providing our company with human resources.

In a bid to improve our visibility and strengthen our personnel distribution system, we are promoting quantitative expansion measures mixed with an advertising strategy, while moving forward with school deployments that aim to improve students’ convenience, as well as placing advertisements mainly in the media (that have had a good response in the past) such as in television commercials and web ads.

Our education business will help us secure human resources necessary to maintain our company and will contribute to fulfilling the need for workers in the medical and health care industries, while further improving our main courses such as the medical clerk course and home helper training course, as well as promoting the development and expansion of the value-added courses such as care worker related courses.

【Other Businesses】

Other businesses focus on support operations such as welfare equipment leasing and publication of books on medicine and welfare, taking advantage of our management resources in the medical and welfare services.

The welfare equipment wholesale and welfare equipment leasing business are 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.

We will continue to implement our group strategies with the ideal form of organization in order to increase the corporate value of the Nichii Gakkan group.

Regarding the personnel deployment and nursing care reward claims, on December 27, 2006, our three offices responsible for in-patient care and in-home nursing care support received guidance and business improvement recommendations from the Tokyo Metropolitan Government. We are terribly sorry for the troubles and concerns this has caused you.

We will seriously take this guidance under advisement, reflect on our past conduct, and plan to ensure proper office management by further strengthening our management system of the nursing care business.

Although we have obtained a status of “Improved” from the Tokyo Metropolitan Government after they received our improvement plan and evaluated our quickly rectified procedure, our company is attempting to bring the system operation standard in our offices up to par with an aim of preventing further occurrence.

Furthermore, we are implementing a re-inspection of operation conditions according to a regulation standard by using in-house made, self-evaluation forms in every prefecture across the country.

In order to avoid such negative events in the future, our company plans to reinforce the compliance of our organizational structure and makes efforts of preventing further occurrence by recovering our reliability throughout the entire company.

(5) Other significant matters in the management

There are no relevant matters.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Category	Note No.	FY 2006 (As of March 31, 2006)		FY 2007 (As of March 31, 2007)		YoY (%)
		Amount (thousands of yen)	Share (%)	Amount (thousands of yen)	Share (%)	Change (thousands of yen)
(ASSETS)						
I Current assets						
1. Cash and deposits						
2. Notes and accounts receivable	*6					
3. Inventories						
4. Deferred tax assets						
5. Other current assets						
6. Allowance for doubtful accounts						
Total current assets			46.2		46.1	
II Fixed assets						
(1) Tangible fixed assets						
1. Buildings and structures	*3	30,759,463		33,741,425		
Less: cumulative depreciation		6,059,786	24,699,677	7,389,680	26,351,745	1,652,068
2. Machinery and vehicles		153,221		138,853		
Less: cumulative depreciation		114,522	38,698	109,775	29,078	(9,620)
3. Tools, furniture and fixtures	*3	1,566,994		1,532,729		
Less: cumulative depreciation		1,074,761	492,233	1,121,650	411,078	(81,155)
4. Land			7,844,328		7,681,997	(162,331)
5. Construction in progress			2,040,667		-	(2,040,667)
Total tangible fixed assets			35.9		37.4	(641,706)
(2) Intangible fixed assets						
1. Consolidated adjustment account			2,881,157		-	(2,881,157)
2. Goodwill			-		2,670,896	2,670,896
3. Software			922,147		735,451	(186,696)
4. Other intangible fixed assets			192,755		398,157	205,402
Total intangible fixed assets			4.1		4.1	(191,555)
(3) Investments and other assets						
1. Investment in securities	*1		1,219,031		1,201,807	(17,224)
2. Long-term loans receivable			2,557,397		2,444,542	(112,855)
3. Long-term prepaid expenses			147,460		145,539	(1,921)
4. Guarantee money deposited			4,977,231		4,763,833	(213,398)
5. Deferred tax assets			3,307,304		1,525,228	(1,782,075)
6. Other investments and other assets	*1, 2		3,873,504		2,024,097	(1,849,407)
7. Allowance for doubtful accounts	*4		(2,538,361)		(732,681)	1,805,679
Total investments and other assets			13.8		12.4	(2,171,201)
Total fixed assets			53.8		53.9	(3,004,463)
Total assets			100.0		100.0	(5,782,861)

		FY 2006 (As of March 31, 2006)		FY 2007 (As of March 31, 2007)		YoY (%)
Category	Note No.	Amount (thousands of yen)	Share (%)	Amount (thousands of yen)	Share (%)	Change (thousands of yen)
(LIABILITIES)						
I Current liabilities						
1. Notes and accounts payable		1,736,727		1,144,987		(591,739)
2. Short-term loans payable		13,063,000		402,000		(12,661,000)
3. Current installments of long-term debt		55,171		33,178		(21,992)
4. Current redemption of bonds		-		3,808,000		3,808,000
5. Income taxes payable		2,074,565		154,193		(1,920,372)
6. Consumption tax payable		1,742,666		1,574,166		(168,499)
7. Accrued expenses		15,402,527		16,011,429		608,901
8. Allowance for employee bonuses		3,475,893		3,320,330		(155,563)
9. Allowance for bonuses to directors		-		36,000		36,000
10. Other current liabilities		5,017,256		4,891,422		(125,833)
Total current liabilities		42,567,807	43.5	31,375,708	34.1	(11,192,099)
II Long-term liabilities						
1. Bonds		-		5,288,000		5,288,000
2. Long-term loans payable		39,345		19,118		(20,226)
3. Allowance for employee retirement benefits		2,767,862		2,941,991		174,129
4. Allowance for directors' and auditors' retirement benefits		129,209		132,243		3,034
5. Other long-term liabilities		102,333		110,927		8,593
Total long-term liabilities		3,038,751	3.1	8,492,282	9.2	5,453,530
Total liabilities		45,606,559	46.6	39,867,990	43.3	(5,738,569)
(MINORITY INTERESTS)						
Minority interests		132,488	0.1	-	-	-
(SHAREHOLDERS' EQUITY)						
I Common stock	*8	11,933,790	12.2	-	-	-
II Capital surplus		17,354,214	17.7	-	-	-
III Retained earnings		28,723,606	29.4	-	-	-
IV Unrealized gains on other securities		77,628	0.1	-	-	-
V Treasury stock	*9	(5,930,226)	(6.1)	-	-	-
Total shareholders' equity		52,159,014	53.3	-	-	-
Liabilities, minority interests and shareholders' equity		97,898,062	100.0	-	-	-
(NET ASSETS)						
I Shareholders' equity						
1. Common stock		-	-	11,933,790	13.0	-
2. Capital surplus		-	-	17,354,214	18.8	-
3. Retained earnings		-	-	28,686,400	31.1	-
4. Treasury stock		-	-	(5,934,751)	(6.4)	-
Total shareholders' equity		-	-	52,039,654	56.5	-
II Unrealized gains and adjustments						
1. Unrealized gains on other securities		-	-	56,826	0.0	-
Total unrealized gains and adjustments		-	-	56,826	0.0	-
III Minority interests		-	-	150,729	0.2	-
Total net assets		-	-	52,247,210	56.7	-
Total liabilities and net assets		-	-	92,115,200	100.0	-

(2) Consolidated Statements of Income

Category	FY 2006 (April 1, 2005 to March 31, 2006)		FY 2007 (April 1, 2006 to March 31, 2007)		YoY (%)		
	Amount (thousands of yen)	(%)	Amount (thousands of yen)	(%)	Change (thousands of yen)		
I Net sales		206,222,324	100.0		202,549,097	100.0	(3,673,227)
II Cost of sales		165,174,725	80.1		163,310,893	80.6	(1,863,831)
Gross profit		41,047,599	19.9		39,238,203	19.4	(1,809,395)
III Selling, general and administrative expenses							
1. Advertising and promotion expenses	5,121,130			6,938,565			
2. Directors' compensation	151,158			152,406			
3. Salaries and benefits	13,563,532			12,621,856			
4. Transfer to allowance for bonuses	861,687			808,351			
5. Transfer to allowance for directors' and auditors' bonuses	-			36,000			
6. Transfer to allowance for directors' and auditors' retirement benefits	7,604			8,501			
7. Directors' and auditors' retirement benefits	320			86			
8. Employee retirement benefits	422,501			326,118			
9. Legal welfare expenses	1,984,977			1,857,519			
10. Travel and transportation expenses	1,463,609			1,362,105			
11. Rent	3,604,763			3,439,362			
12. Transfer to allowance for doubtful accounts	101,661			29,184			
13. Depreciation expenses	674,210			662,828			
14. Amortization of consolidated adjustment account	215,964			-			
15. Amortization of goodwill	-			207,389			
16. Others	7,884,440	36,057,561	17.5	8,152,111	36,602,387	18.1	544,826
Operating income		4,990,037	2.4		2,635,815	1.3	(2,354,221)
IV Non-operating income							
1. Interest income	36,152			26,342			
2. Commission on consignment for office work	91,952			90,904			
3. Income from lease of fixed assets	-			30,985			
4. Others	153,670	281,775	0.1	150,529	298,762	0.1	16,987
V Non-operating expenses							
1. Interest expenses	57,430			40,451			
2. Bond interest	-			57,409			
3. Compensation for damages	11,931			27,262			
4. Bond issue cost	-			32,940			
5. Loss on disengagement of guarantee money deposited	931			41,063			
6. Others	16,169	86,463	0.0	25,500	224,627	0.1	138,163
Ordinary income		5,185,349	2.5		2,709,950	1.3	(2,475,398)

Category		FY 2006 (April 1, 2005 to March 31, 2006)		FY 2007 (April 1, 2006 to March 31, 2007)		YoY (%)
		Amount (thousands of yen)	(%)	Amount (thousands of yen)	(%)	Change (thousands of yen)
VI Extraordinary income						
1. Gain on sale of fixed assets	* 1	4		29,320		
2. Gain on sale of shares of related company		1,489,112		-		
3. Gain on sale of investment in securities		552,837		2,850		
4. Others		-	2,041,954	634	32,804	0.1
VI Extraordinary losses						
1. Loss on retirement of fixed assets	* 1	74,997		59,472		
2. Loss on sale of fixed assets	* 1	55,325		22,147		
3. Loss on revaluation of shares of related company		118,492		-		
4. Loss on revaluation of inventories		2,422,614		274,665		
5. Transfer to allowance for doubtful accounts		2,455,000		-		
6. Loss on closedown of offices		7,552		-		
7. Loss on impairment	* 2	131,098		52,560		
8. Loss on disengagement of lease		-		103,395		
9. Others		3,503	5,268,583	-	512,242	0.3
Income before income taxes			1,958,719		2,230,512	1.1
Income, inhabitants and business taxes		3,243,944		510,409		
Adjustments for income and other taxes		(3,295,144)	(51,199)	912,722	1,423,132	0.7
Minority interests			34,984		32,612	0.0
Net income			1,974,934	1.0	774,768	0.4

**(3) Consolidated Statements of Retained Earnings
and Consolidated Statements of Changes in Shareholders' Equity**

Consolidated Statements of Retained Earnings

		FY 2006 (April 1, 2005 to March 31, 2006)	
Category	Note No.	Amount (thousands of yen)	
(CAPITAL SURPLUS)			
I Capital surplus at beginning of the fiscal year			17,354,214
II Capital surplus at end of the fiscal year			17,354,214
(RETAINED EARNINGS)			
I Retained earnings at beginning of the fiscal year			27,562,047
II Increase in retained earnings			
1 Net income		1,974,934	1,974,934
III Decrease in retained earnings			
1 Dividends		776,050	
2 Directors' and auditors' bonuses		36,000	
3 Loss on retirement of treasury stock		1,325	813,376
IV Retained earnings at end of the fiscal year			28,723,606

Consolidated Statements of Changes in Shareholders' Equity

The current consolidated fiscal year (April 1, 2006 to March 31, 2007)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	11,933,790	17,354,214	28,723,606	(5,930,226)	52,081,385
Amount of fluctuation during the consolidated fiscal year					
Dividends from retained earnings*			(774,937)		(774,937)
Directors' and auditors' bonuses*			(36,000)		(36,000)
Net income			774,768		774,768
Purchase of treasury stock				(6,370)	(6,370)
Retirement of treasury stock			(1,037)	1,845	808
Amount of fluctuation of items other than shareholders' equity during the consolidated fiscal year					
Total amount of fluctuation during the consolidated fiscal year	-	-	(37,206)	(4,524)	(41,731)
Balance as of March 31, 2007	11,933,790	17,354,214	28,686,400	(5,934,751)	52,039,654

	Unrealized gains and adjustments		Minority interests	Total net assets
	Unrealized gains on other securities	Total unrealized gains and adjustments		
Balance as of March 31, 2006	77,628	77,628	132,488	52,291,502
Amount of fluctuation during the consolidated fiscal year				
Dividends from retained earnings*				(774,937)
Directors' and auditors' bonuses*				(36,000)
Net income				774,768
Purchase of treasury stock				(6,370)
Retirement of treasury stock				808
Amount of fluctuation of items other than shareholders' equity during the consolidated fiscal year	(20,801)	(20,801)	18,240	(2,560)
Total amount of fluctuation during the consolidated fiscal year	(20,801)	(20,801)	18,240	(44,291)
Balance as of March 31, 2007	56,826	56,826	150,729	52,247,210

*Appropriation of retained earnings approved at the ordinary general meeting of shareholders in June 2006.

(4) Consolidated Statements of Cash Flows

		FY2006 (April 1, 2005 to March 31, 2006)	FY2007 (April 1, 2006 to March 31, 2007)	YoY (%)
Category	Note No.	Amount (thousands of yen)	Amount (thousands of yen)	Change (thousands of yen)
I Cash flow from operating activities				
Income before income taxes		1,958,719	2,230,512	271,793
Depreciation expenses		1,781,896	2,021,741	239,845
Increase in allowance for doubtful accounts		2,530,998	(1,836,397)	(4,367,396)
Decrease in allowance for employee bonuses		(167,514)	(155,563)	11,950
Increase in allowance for directors' and auditors' bonuses		-	36,000	36,000
Increase in allowance for employee retirement benefits		359,693	174,129	(185,564)
Increase in allowance for directors' and auditors' retirement benefits		927	3,034	2,106
Interest and dividends income		(64,063)	(39,181)	24,882
Interest expenses		57,430	97,860	40,429
Amortization of consolidated adjustment account		215,964	-	(215,964)
Amortization of goodwill		-	207,389	207,389
Gain on sale of investment in securities		(552,837)	(2,850)	549,987
Other incomes		(2,521)	(8,148)	(5,626)
Loss on retirement of fixed assets		74,997	59,472	(15,524)
Loss on sale of fixed assets		55,325	22,147	(33,178)
Gain on sale of fixed assets		(4)	(29,320)	(29,315)
Loss on impairment		131,098	52,560	(78,537)
Gain on sale of shares of related companies		(1,489,112)	-	1,489,112
Loss on revaluation of shares of related companies		118,492	-	(118,492)
Loss on revaluation of inventories		2,422,614	274,665	(2,147,948)
Loss on extraordinary losses		3,503	-	(3,503)
(Increase) decrease in accounts receivable		(1,111,859)	1,135,841	2,247,701
Decrease in inventories		173,720	193,928	20,207
(Increase) decrease in other current assets		366,889	(718,806)	(1,085,696)
Decrease in claims provable in bankruptcies		-	1,842,880	1,842,880
Increase (decrease) in accounts payable		13,383	(591,739)	(605,122)
Increase in other current liabilities		1,698,167	513,686	(1,184,480)
Increase (decrease) in consumption tax payable		538,836	(168,499)	(707,335)
Decrease in other fixed assets		30,326	73	(30,252)
Increase in other long-term liabilities		13,006	8,593	(4,412)
Directors' and auditors' bonuses paid		(36,000)	(27,850)	8,150
Subtotal		9,122,079	5,296,163	(3,825,915)
Interest and dividends received		63,284	38,253	(25,030)
Interest paid		(58,274)	(85,398)	(27,123)
Income and other taxes paid		(2,546,191)	(2,592,692)	(46,500)
Income and other taxes refunded		91,923	-	(91,923)
Cash flow from operating activities		6,672,819	2,656,325	(4,016,493)

		FY2006 (April 1, 2005 to March 31, 2006)	FY2007 (April 1, 2006 to March 31, 2007)	YoY (%)
Category	Note No.	Amount (thousands of yen)	Amount (thousands of yen)	Change (thousands of yen)
II Cash flow from investing activities				
Payments for time deposits		(378,500)	(396,000)	(17,500)
Proceeds from time deposits		399,000	300,000	(99,000)
Acquisition of shares of consolidated subsidiaries		(20,000)	(7,000)	13,000
Acquisition of tangible fixed assets		(7,796,518)	(1,340,623)	6,455,895
Proceeds from sale of tangible fixed assets		58,593	160,977	102,384
Acquisition of intangible fixed assets		(250,691)	(132,451)	118,240
Purchases of investment in securities		-	(300,000)	(300,000)
Proceeds from sale of investment in securities		874,633	305,000	(569,633)
Acquisition of shares of related companies		(260,500)	-	260,500
Proceeds from sale of related companies		250,005	-	(250,005)
Proceeds from sale of subsidiary's shares with changes in the scope of consolidation		434,841	-	(434,841)
Long-term prepaid expenses paid		(94,749)	(47,022)	47,727
Loans payable		(232,942)	(61,400)	171,542
Proceeds from return of loans		1,659,152	173,355	(1,485,797)
Payments for guarantee money deposited		(319,504)	(210,196)	109,307
Proceeds from collection of guarantee money deposited		237,671	423,594	185,923
Other investments (net)		(99,005)	41,359	140,364
Cash flow from investing activities		(5,538,514)	(1,090,406)	4,448,108
III Cash flow from financial activities				
Proceeds from short-term loans		184,150,000	170,540,000	(13,610,000)
Repayments of short-term loans		(175,804,000)	(183,201,000)	(7,397,000)
Proceeds from bond issued		-	11,000,000	11,000,000
Payments for redemption of bonds		-	(1,904,000)	(1,904,000)
Proceeds from long-term loans		42,109	15,689	(26,419)
Repayments for long-term loans		(84,149)	(57,909)	26,240
Proceeds from sale of treasury stock		2,107	808	(1,299)
Acquisition of treasury stock		(142,025)	(6,370)	135,655
Payments for dividends by parent company		(776,050)	(769,594)	6,456
Payments for dividends to minority shareholders		(2,400)	(4,500)	(2,100)
Cash flow from financing activities		7,385,590	(4,386,876)	(11,772,467)
IV Effect of exchange rate changes on cash and cash equivalents		0	(1)	(1)
V Change in cash and cash equivalents		8,519,895	(2,820,958)	(11,340,854)
VI Cash and cash equivalents at beginning of the fiscal year		3,871,610	12,391,506	8,519,895
VII Cash and cash equivalents at end of the fiscal year		12,391,506	9,570,547	(2,820,958)