

Nichii Gakkan Company  
Financial Results  
Briefing Document  
for the year ended March 2007

May24, 2007





FY Mar. 2007  
Financial Highlights  
FY Mar. 2008  
Forecast

President and Representative Director  
Takashi Mori





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# FY Mar. 2007 Financial Results

## Consolidated

(Millions of Yen)

	FY Mar. 2006	FY Mar. 2007	YoY	
			Change	%
Net Sales	206,222	202,549	(3,673)	(1.8)%
Operating Income	4,990	2,635	(2,355)	(47.2)%
Ordinary Income	5,185	2,709	(2,476)	(47.7)%
Net Income	1,974	774	(1,200)	(60.8)%

## Non-consolidated

(Millions of Yen)

	FY Mar. 2006	FY Mar. 2007	YoY	
			Change	%
Net Sales	197,635	198,099	464	0.2%
Operating Income	4,956	2,506	(2,450)	(49.4)%
Ordinary Income	5,257	2,682	(2,575)	(49.0)%
Net Income	(978)	856	1,834	-





# Segmental Results of Net Sales (Consolidated)

(Millions of Yen)

	FY Mar. 2006	FY Mar. 2007	YoY
			%
Medical Support Business	108,091	110,966	2.7%
Health Care Business	80,902	78,272	(3.3)%
Education Business	13,599	12,478	(8.2)%
Others	12,072	2,793	(76.9)%
Eliminations	(8,443)	(1,962)	-
Total	206,222	202,549	(1.8)%



## Segmental Results of Operating Income (Consolidated)

(Millions of Yen)

	FY Mar. 2006	FY Mar. 2007	YoY
			%
Medical Support Business	11,438	10,824	(5.4)%
Health Care Business	2,010	1,820	(9.5)%
Education Business	(2,419)	1,709	-
Others	41	254	519.5%
Eliminations	(6,081)	8,555	-
Total	4,990	2,635	(47.2)%



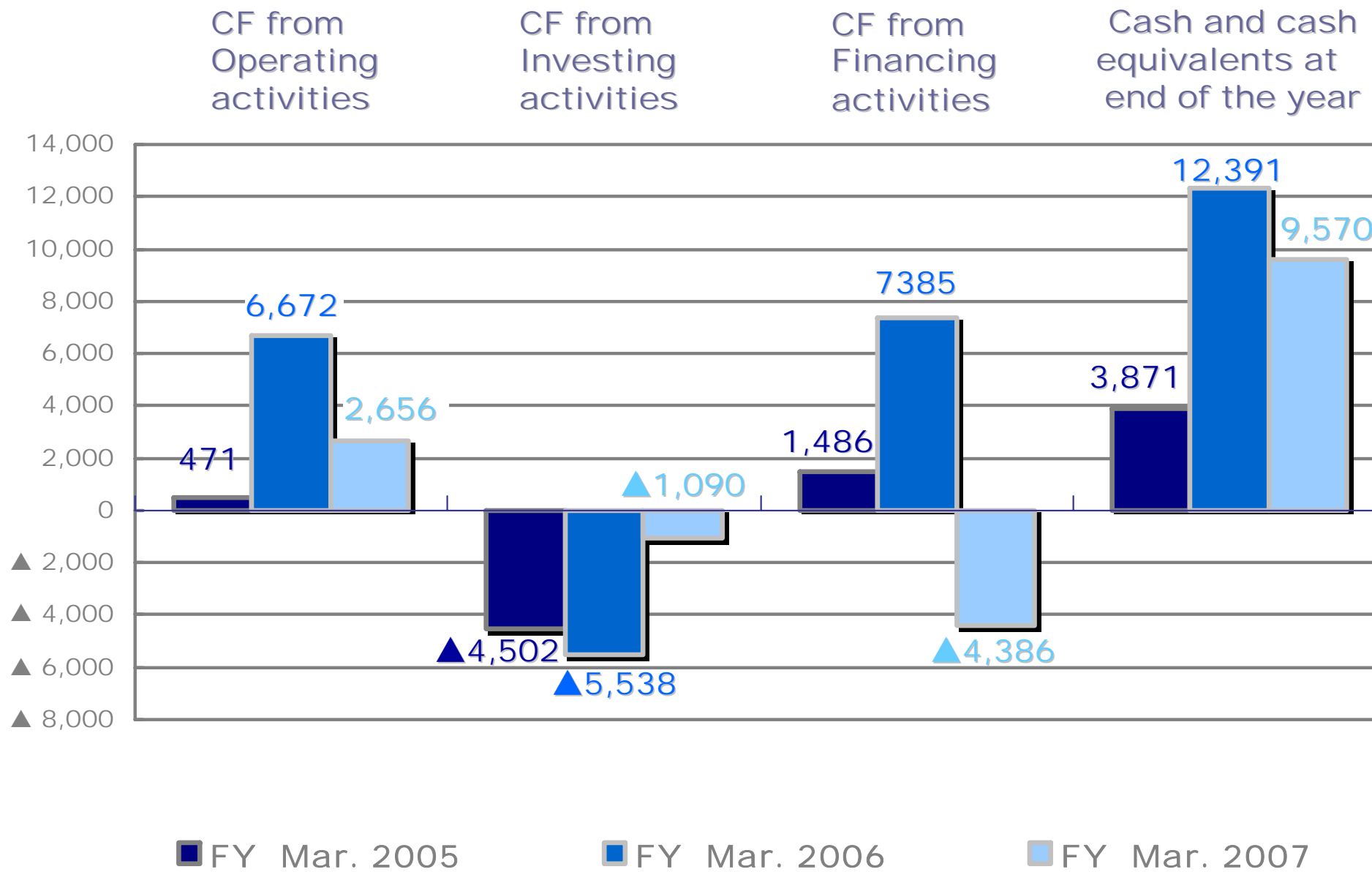
# FY Mar. 2007 Balance Sheets (Consolidated)

(Millions of Yen)

		FY Mar. 2006	FY Mar. 2007	Change
Current Assets		45,242	42,464	(2,778)
Fixed Assets	Tangible Fixed Assets	35,115	34,473	(641)
	Intangible Fixed Assets	3,996	3,804	(191)
	Investments and Other Assets	13,543	11,372	(2,171)
Total Assets		97,898	92,115	(5,782)
Current Liabilities		42,567	31,375	(11,192)
Long - term Liabilities		3,038	8,492	5,453
Total Liabilities		45,606	52,247	(5,738)
Total Shareholders' Equity		52,159	52,039	(119)



# Changes in Cash Flows (Consolidated)







# Overview of FY Mar. 2005 – FY Mar. 2007

## Approaches to Fundamental Organizational Reform for Long Term Steady Growth

### Fiscal Year Ended March 2005

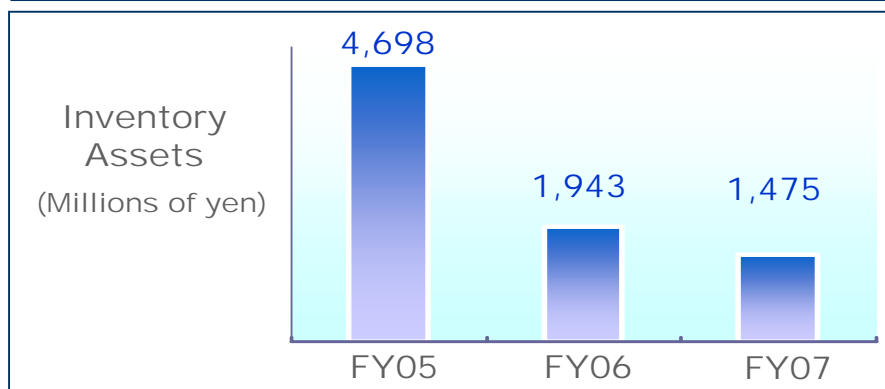
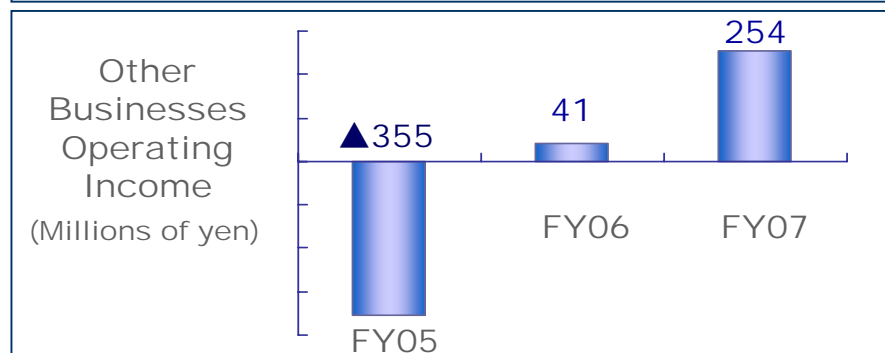
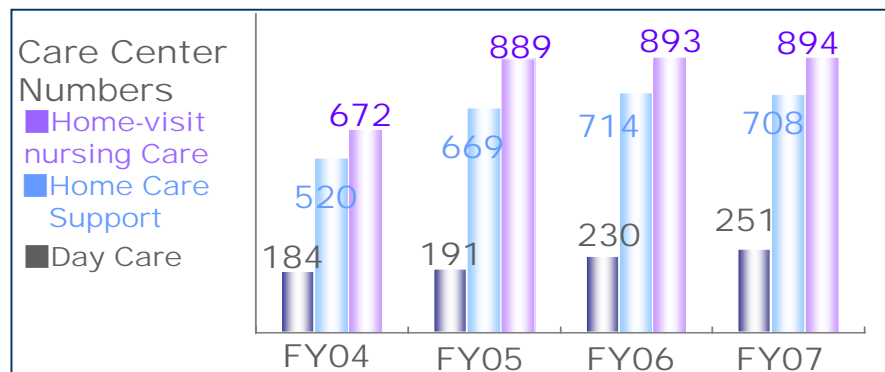
- Adoption of new employment system
- Maintenance and improvement of care service centers and system  
(217 additional home care service centers, 149 additional home care support centers)

### Fiscal Year Ended March 2006

- Maintenance of nation-wide care and preventive care service infrastructure system (864 centers offering preventive care service \*Property based counting)
- Restructure of our group [1 subsidiary transferred, decisions to liquidate 2 subsidiaries reached]
- Renewal to new employment system
- Transition to new management system

### Fiscal Year Ended March 2007

- Response to revision of care insurance system and treatment fee
- Formulation and implementation of new advertising strategy including TV commercials
- Unifying Brand
- Transition to Specialized Branch System





# About Specialized Branch System

Organization  
System  
Organizing  
Situation

- 1980 Set up sales system in all 47 prefectures
- 2000 With care insurance laws in force, maintenance of 780 care centers nation wide proceeded
- 2007 Organized to business specialized branch system



## Organization:

- 47 Education Business Backbone Branch Offices
- 96 Medical Support Business Branch Offices
- 96 Health Care Branch Offices
- 18 Block Sales Management Departments
- 3 Head Office Business Head Quarter

About  
Specialized  
Branch System

## Aim:

- [1] Improving qualities of business and promoting quantitative expansion
- [2] Building stable human resource supply system
- [3] Further improving sales system





FY Mar. 2008  
Forecast





# FY Mar. 2008 Forecast (Consolidated)

(Millions of Yen)

	FY Mar. 2008 Forecast	YoY
		%
Net Sales	201,600	(0.5)%
Operating Income	2,730	3.6%
Ordinary Income	2,840	4.8%
Net Income	970	25.2%



## FY Mar. 2008 Segmental Forecast of Net Sales (Consolidated)

(Millions of Yen)

	FY Mar. 2008 Forecast	YoY
		%
Medical Support Business	111,500	0.5%
Health Care Business	77,100	(1.5)%
Education Business	12,500	0.2%
Others	2,600	(6.9)%
Eliminations	(2,100)	-
Total	201,600	(0.5)%



## FY Mar. 2008 Segmental Forecast of Operating Income (Consolidated)

(Millions of Yen)

	FY Mar. 2008 Forecast	YoY
		%
Medical Support Business	10,670	(1.4)%
Health Care Business	1,400	(23.1)%
Education Business	(970)	-
Others	250	(1.6)%
Eliminations	(8,620)	-
Total	2,730	3.6%



# Medical Support Business FY Mar. 2008 Forecast

## Consolidated

(Millions of Yen)

	07/3	08/3	Change	Increase
Net Sales	110,966	111,500	534	0.5%
Operating Income	10,824	10,670	(154)	(1.4)%
Rate of Operating Income	9.8%	9.6%	-	-

## Non-consolidated

(Millions of Yen)

	07/3	08/3	Change	Increase
Net Sales	110,609	111,100	491	0.4%
Operating Income	5,962	5,800	(162)	(2.7)%
Rate of Operating Income	5.4%	5.2%	-	-

## Sales breakdown

	07/3	08/3	Change	Increase
Hospitals	91,881	92,300	419	0.5%
Clinics	18,727	18,800	73	0.4%
Total	110,609	111,100	491	0.4%

## Number of contracted medical institutions

(Case)

	07/3	08/3	Change	Increase
Hospitals	2,368	2,350	(18)	(0.8) %
Clinics	10,746	10,750	4	0.03%
Total	13,114	13,100	(14)	(0.1) %





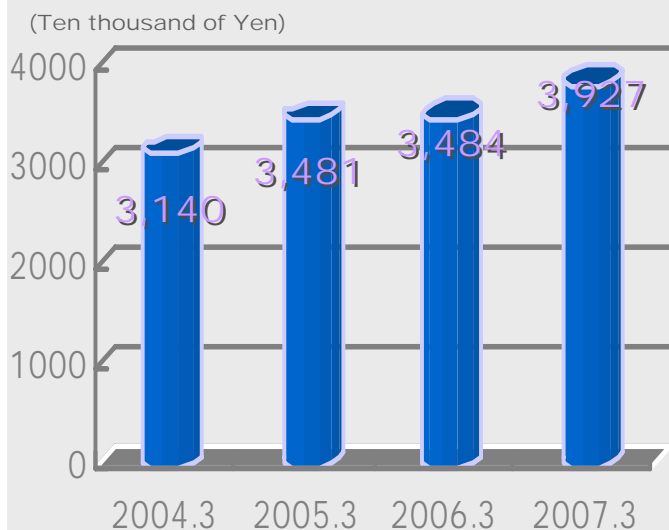
# Medical Support Business Approaches for March 2008

## Review and revisions of Contract

- Ensure appropriateness of contracts
- Secure appropriate profit

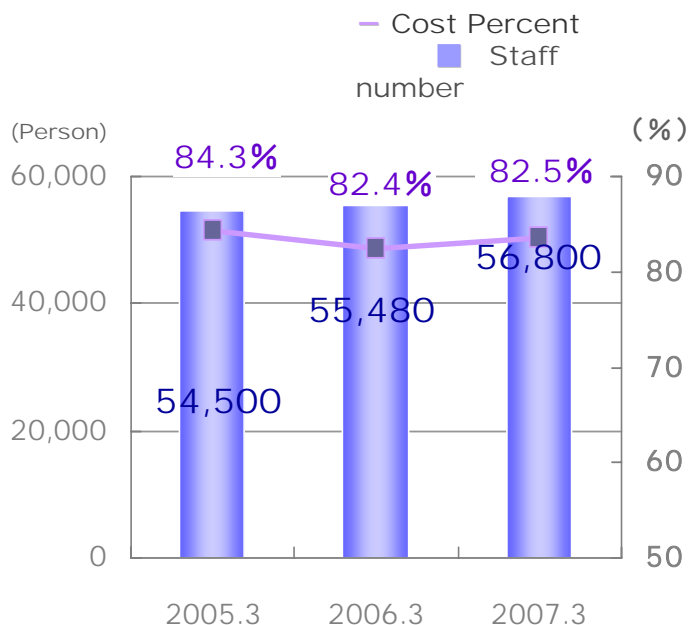
- 1) Expanding contracts of current users
- 2) Improving efficiency of business by improving skills of employee

[Change in Net Sales per Hospital]



## Securing and Developing Human Resources

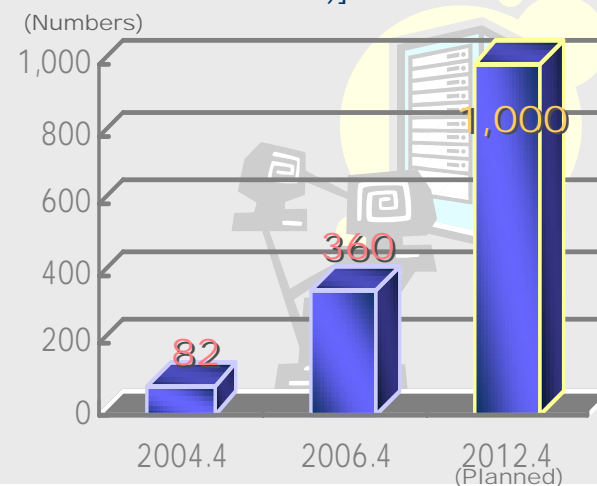
- Reviewing and improving the Career-up system
- Improving various courses



## Expanding Business Support Service

- Receipt accuracy study
- DPC Business
- Assessment returns analysis system
- Opening user support website
- Expanding regional medical cooperation business
- Receipt Check System

[Number of nation-wide DPC-ready Hospitals (Ministry of Health, Labour and Welfare)]







# Health Care Business FY Mar. 2008 Forecast

## Consolidated

(Millions of Yen)

	07/3	08/3	Change	Increase
Net Sales	78,272	77,100	1172	1.5%
Operating Income	1,820	1,400	420	(1.4)%
Rate of Operating Income	2.3%	1.8%	-	-

## Non-consolidated

(Millions of Yen)

	07/3	08/3	Change	Increase
Net Sales	110,609	111,100	491	0.4%
Operating Income	5,962	5,800	(162)	(2.7)%
Rate of Operating Income	5.4%	5.2%	-	-

## Sales breakdown

(Millions of Yen)

	07/3	08/3	Change	Increase
Home-visit nursing care service	40,453	40,000	(453)	(1.1)%
Day care service	14,256	15,800	1544	10.8%
Sales and rental of welfare equipment	10,501	7,000	(3501)	(33.3)%
Other service	9,801	8,600	(1201)	(12.3)%
Total	75,011	71,400	(3611)	(4.8)%

## Number of service users

(case)

	07/3	08/3	Change	Increase
Care planning service	34,443	37,800	3,357	9.7%
Home-visit nursing care service	61,877	62,800	923	1.5%
Day care service	17,338	19,000	1,662	9.6%
Sales and rental of welfare equipment	26,294	28,600	2,360	8.8%
Total	105,509	110,400	4,891	4.6%

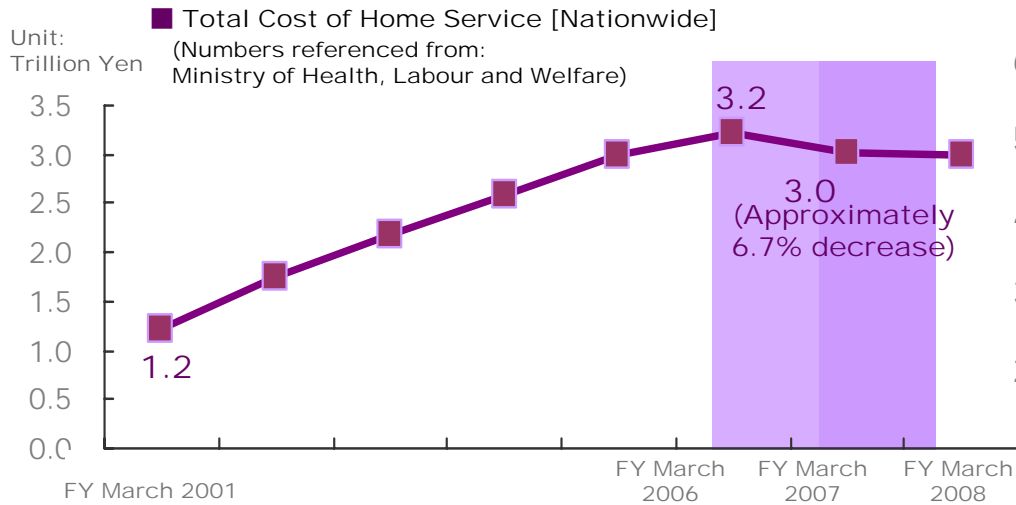




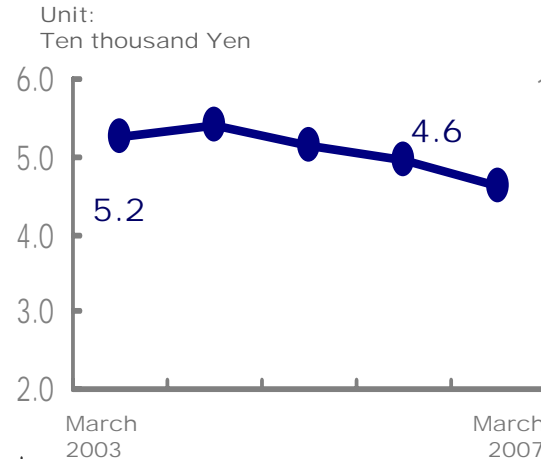
# Segment Information Health Care Business

(On Effects of Reforms of Nursing Care Insurance System)

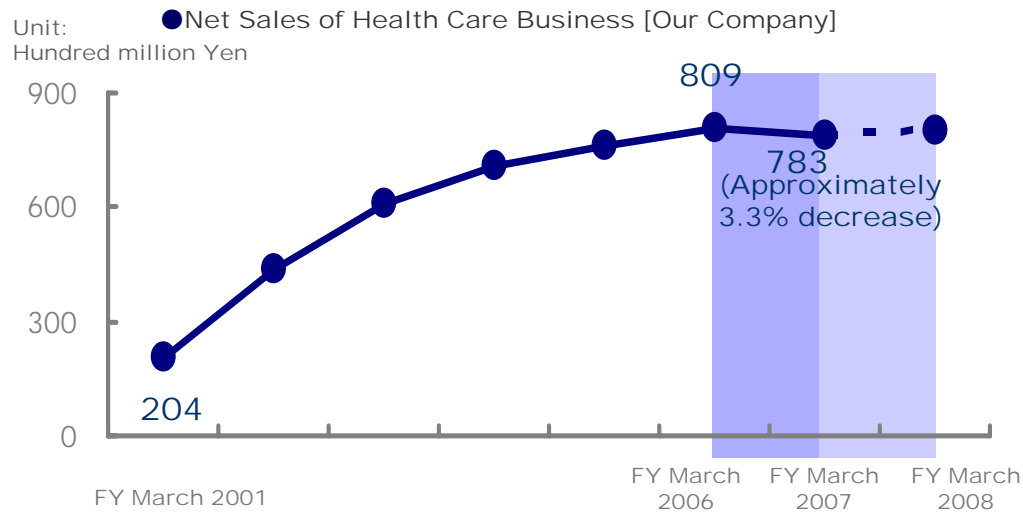
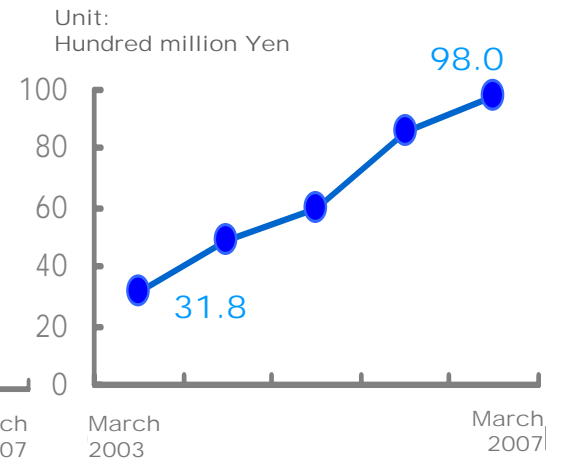
## Changes of Home Service Cost



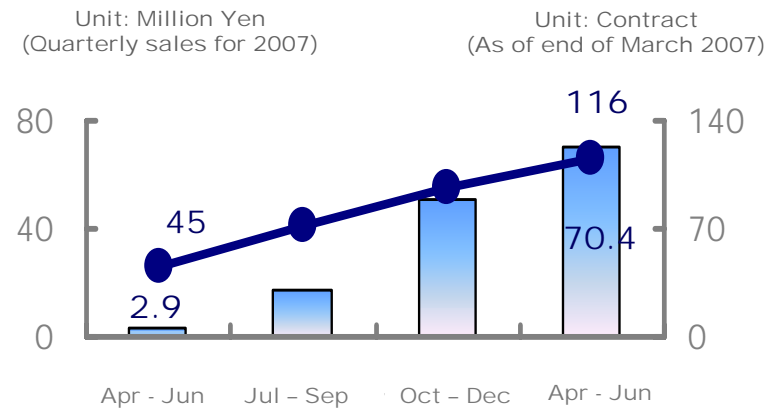
## Average Spending Amount of Home-visit nursing Care Service (Our Company)



## Net Sales of Other Non-insurance Covered Services



## Contract and Sales of Regional Support Business



Annual sales  
FY March 2007  
1.4 hundred million Yen

↓

FY March 2008 (Planned)  
4.0 hundred million Yen





- New Company Name: Nichii Living Inc.
- Date of Foundation: July 2007
- Capital Stock: One hundred million Yen (100% Investment by Nichii)
- Businesses: (1) Rental housing business for elderly  
(2) Provide necessary life support services at above facility  
(3) Provide care services  
(4) Relevant services accompanying and relating to (1)-(3)



## ■ First-year Business Plan:

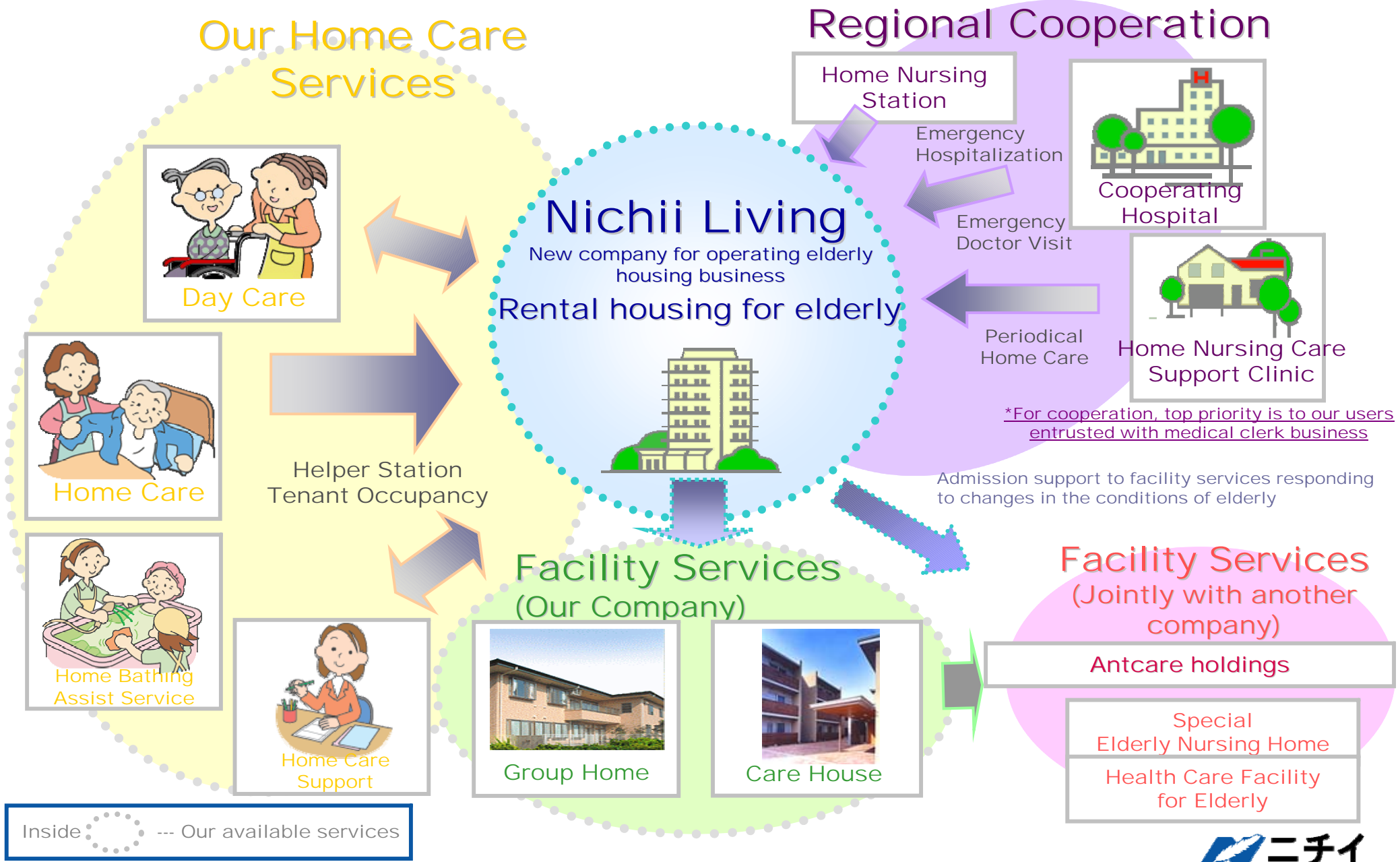
First business facility is planned to be completed by February 2008. The goal is to achieve the even point on operating income base in the third year after the start of business.



\* Pictures are images of services.



# Health Care Business Development of Elderly Rental Housing Business



## Business (System) Names and Service Contents



### [Regional Support Business (Nursing Preventive Care Service)]

- Population Approach (General Business)  
Group education, spreading and educating activities, etc.
- High-risk Approach (Specified Business)  
Provide and evaluate service based on simple nursing preventive care plan

\* Business style will be "local government commission"

### [Home Nursing Care]

#### <New Preventive Care Service (Nursing Preventive Care)>

- Improving locomotion,
- Improving nutrition,
- Improving oral function, etc.

#### <Nursing Care Service>

- Home-visit nursing care service,
- Home bathing support
- Day care, Welfare equipment, etc.

### [Specified Facilities]

- Pay Nursing Home with Nursing Care
- Care House
- Group Home

### [3 Facilities of Nursing Care Insurance]

- Special Elderly Nursing Home
- Health Care Facility for Elderly
- Nursing Care type Medical Facility

[New "Home"]  
Rental housing  
for elderly

Comprehensive  
Regional Support  
Center

Home Care  
Support Center

Home Nursing  
Care  
Support Clinic

\*Total amount control  
of pay nursing home

\*Revision of hospital beds  
(From April 2012)

## Our Approach

[Regional support business]  
Acquired Contracts: 116  
Record for year ended March 2007

[Home Nursing Care]  
< New Preventive Care Service >  
Number of Users: 19,940  
Number of Centers: 1,319  
Record for year ended March 2007

<Nursing Care Service>  
Number of Users: 85,569  
Number of Centers: 1,334  
Record for year ended March 2007

[Company for Business of Rental  
Housing for Elderly]  
Launching of "Nichii Living"

[Facility Type Nursing Care]  
Investment for Antcare Holdings





# Education Business Forecast for Fiscal Year Ending in March 2008

## Consolidated

## Non-consolidated

(Millions of yen)

(Millions of yen)

	07/3	08/3	Changes in Amount	Growth Percentage
Net Sales	12,478	12,500	22	0.2%
Operating Income	(1709)	(970)	739	-
Rate of Operating Income	(0)	(0)	-	-

	07/3	08/3	Changes in Amount	Growth Percentage
Net Sales	12,478	12,500	22	0.2%
Operating Income	(2250)	(1500)	750	-
Rate of Operating Income	(18.0)%	(12.0)%	-	-

## Change in Course-by-course Sales

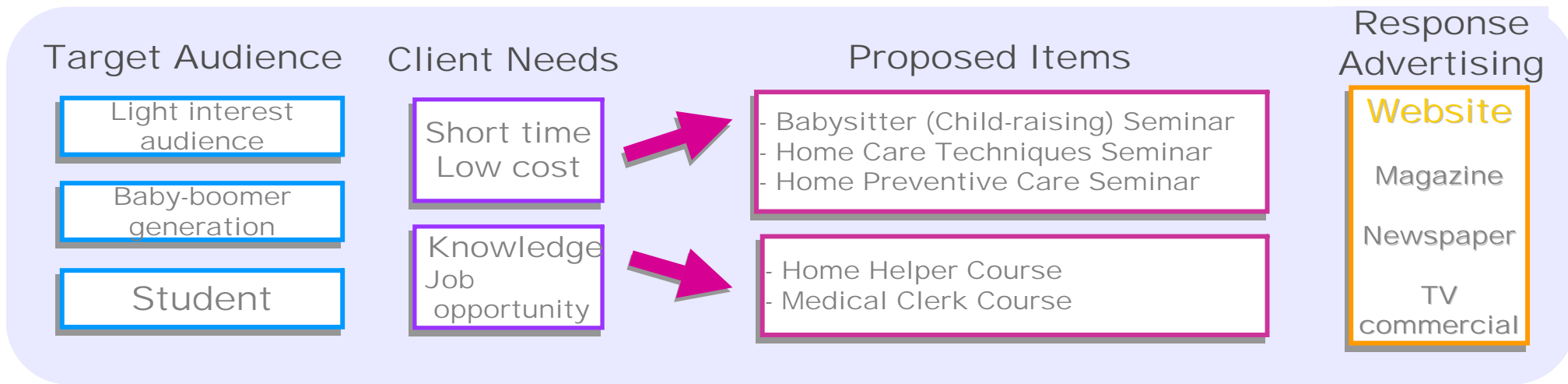
(Millions of yen)

	07/3	08/3	Change	Increase
Medical Clerk Class	5,500	6,000	500	9.1%
Home Helper 2nd Class	5,754	5,300	(454)	(7.9)%
Babysitter and Others	1,224	1,200	(24)	(2.0)%
Total	12,478	12,500	22	0.2%

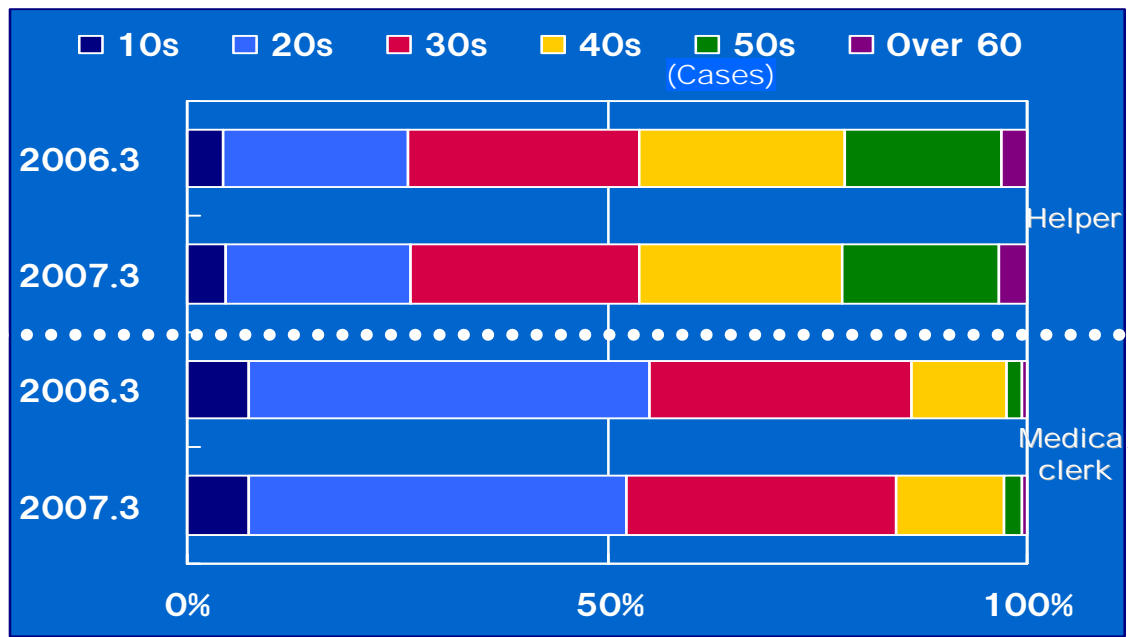




# Education Business Expanding Shares into New Student Targets



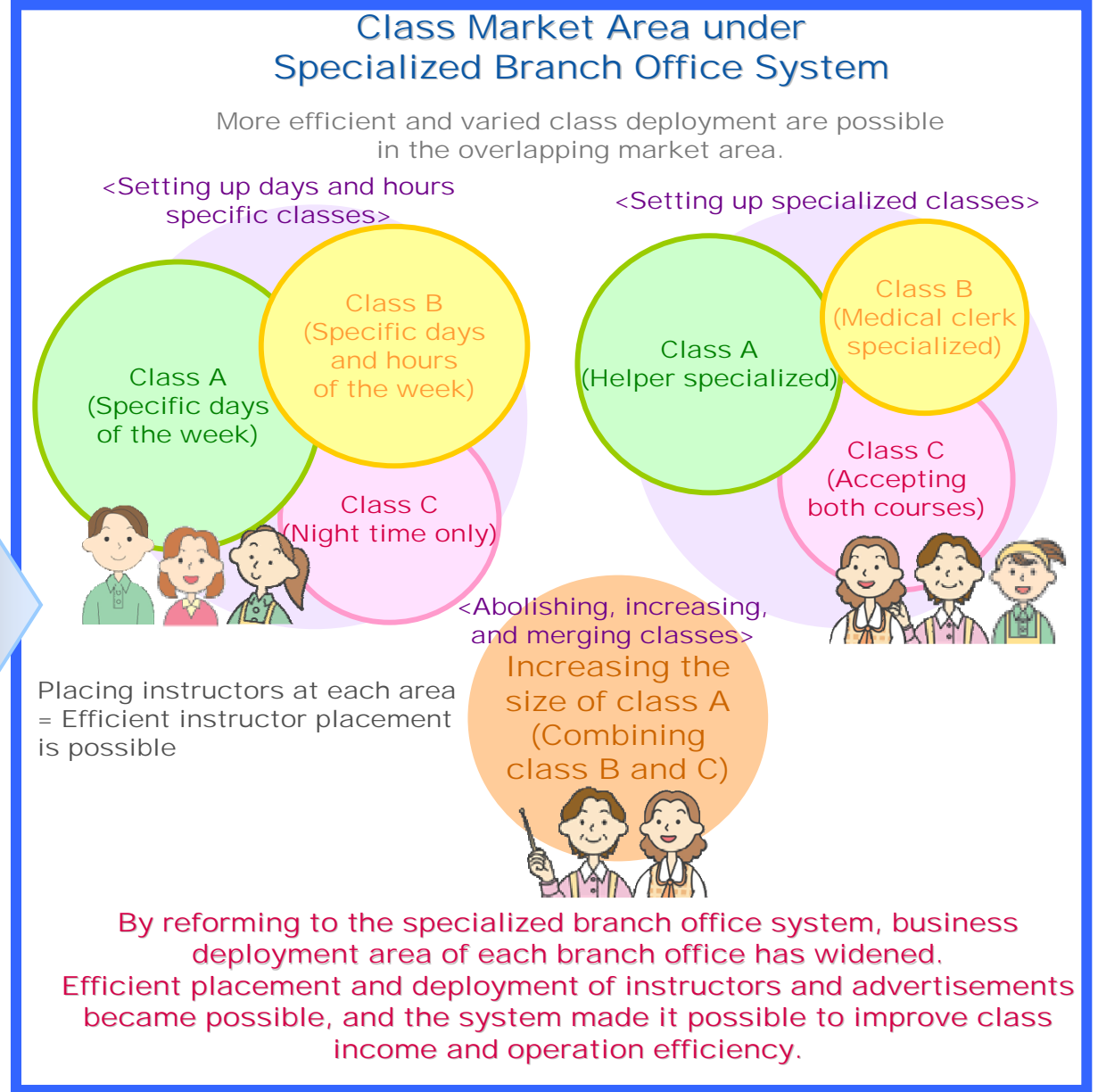
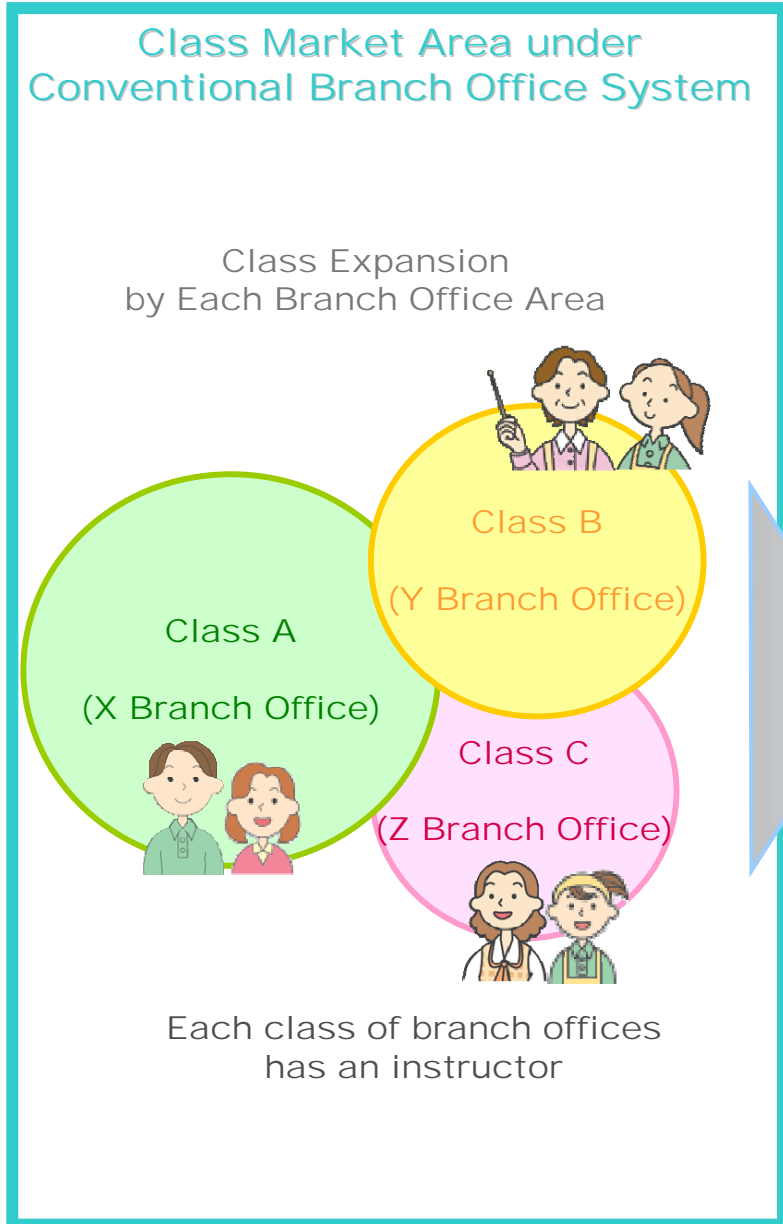
Our by-Age Student Makeup Ratio







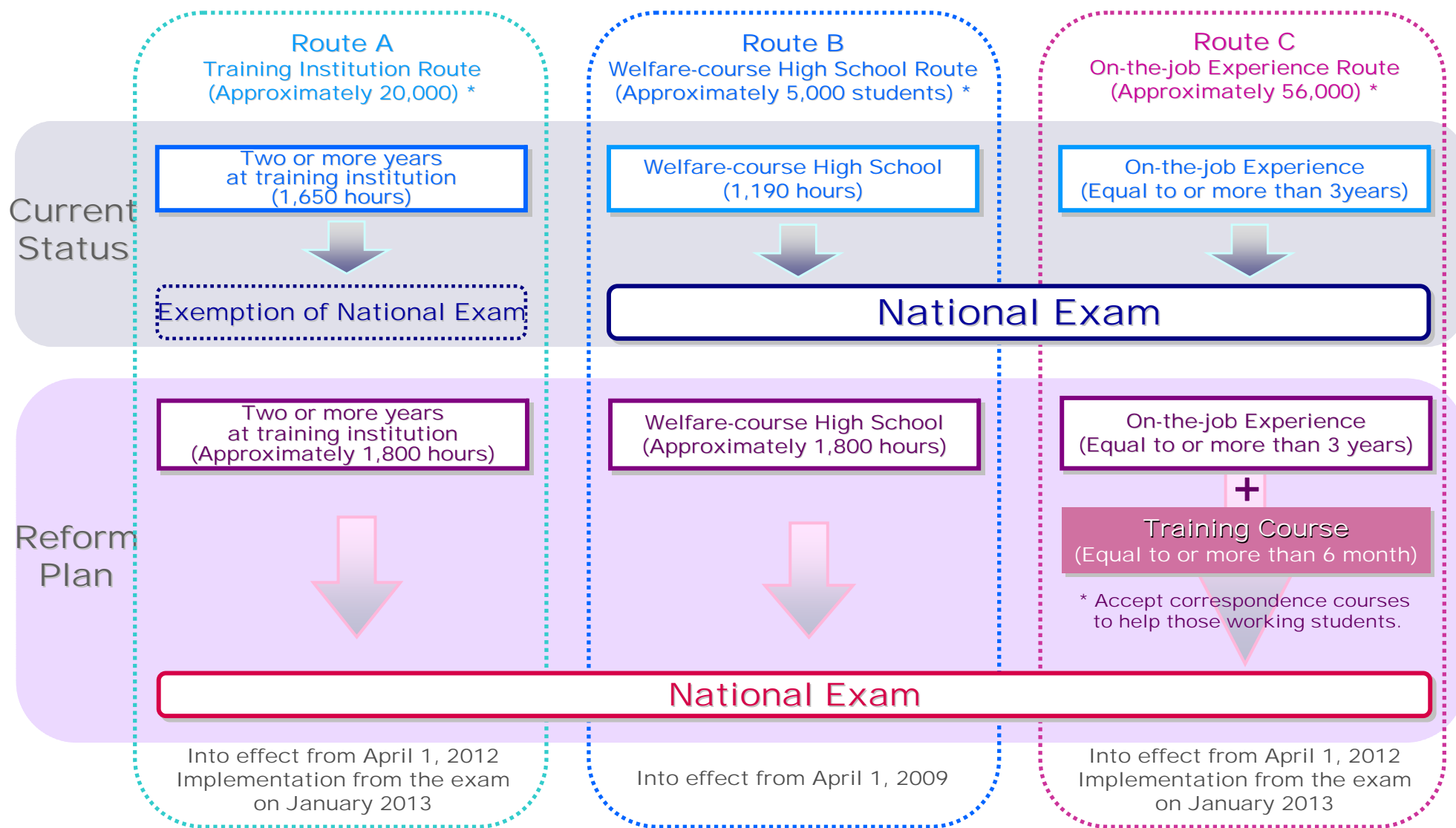
# Education Business Efficient Class Deployment by Specialized Branch Office System







# Education Business Future Methods of Certifications for Care Workers



\* 2007 Number of Newly Certified Care Worker

(Reference: Ministry of Health, Labour and Welfare. Bill for partial revision of social and health care workers laws)





# Current Status for Number of Care Worker (1)

<Reference> Documents of Ministry of Health, Labour and Welfare

## Number of Care Workers

( Person )

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Number of Care Worker	548,924	661,588	755,810	884,981	1,002,144	1,124,691
Index numbers with 100 for the number of employees on year 2000	100	121	138	161	183	205

## Changes of Care Related Worker's Active Job Opening Ratio

(Multiples)

		FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Care Related Jobs	Permanent (Including part time workers)	-	-	-	-	1.14	1.47
	Permanent (Excluding part time workers)	-	-	-	-	0.69	0.97
	Permanent part time workers	-	-	-	-	2.62	2.86
All Employees	Permanent (Including part time workers)	0.60	0.54	0.54	0.66	0.83	0.94
	Permanent (Excluding part time workers)	0.47	0.42	0.41	0.53	0.71	0.84
	Permanent part time workers	1.39	1.28	1.28	1.45	1.32	1.29

Active Job Opening Ratio: Ratio of number of applicants to job openings available at public job security offices

Permanent: Those employed with an indefinite period of contract or more than 4 months

Part time workers: Those with shorter working hours than normal workers

Permanent part time worker: Part timer workers who work under an indefinite period of contract or more than 4 months

## Job Entering and Turnover Rate (FY 2005)

	Job Entering Rate	Turnover Rate
Home visit Care Workers + Nursing Care Workers	28.20%	20.20%
All Workers	17.40%	17.50%

## Average Years of Continued Services (Year 2005)

	FY 2005
Home Helper	4.6 years
All Industries	12.0 years

Job Entering and Turnover Rate: <Home Care worker + Nursing Care Worker> Rate of workers at October 31, 2004 who are hired (or leave) until the next year

<All Workers> Rate of workers as of January 1, 2005 who are hired for or left the job from the time period of January 1st to the end of December





# Current Status for Number of Care Workers (2)

<Reference> Documents of Ministry of Health, Labour and Welfare

## Future Estimate for Number of Care Workers

### I Estimated Number of Care Service Applicable Persons

○ Estimate of the number with certified care needs and others, of nursing care insurance users, and of old-old users (equal to or over 75)

Ten thousands

		2004	2008	2011	2014	2024	2030
Number of Certified Care Needs and Others	No Preventive Effect [A]	410	520	580	640	-	-
	Preventive Effect [B]	-	500	540	600	-	-
	<b>Preventive Effect [C]</b>	<b>330</b>	<b>410</b>	<b>450</b>	<b>500</b>	-	-
Number of Nursing Care Insurance Users	At Facility	80	100	100	110	-	-
	At Home	250	310	350	390	-	-
Old-old (Equal to or Over 75) [D]		1,110	1,290	1,430	1,530	1,980	2,100

(Note 1) The number of nursing care insurance users [C] is based on the current number with certified care needs and others [A]. The reason this number does not equal the number with certified care needs and others is that the rate of nursing care insurance use is around 80% due to hospitalization and family care.

(Note 2) According to "Japan's Future Population (Estimated on January 2002)" by the National Institute of Population and Social Security Research, year 2030 will be the peak for the number of old-old.

### II Estimated Number (Actual Number-based) of Care Workers in Nursing Care Insurance Business

Ten thousands (Actual number)

Using any estimate, the number of care workers at 2014 is at 1.40 to 1.55 million, and in the next 10 years, the yearly increase is estimated to be in the range of 40 thousand to 55 thousand.

	2004	2008	2011	2014	2024	2030
Case [A]	100.2	127.1	141.7	156.4	-	-
Case [B]	Facility 29.8 Home 70.4	122.2	132.0	146.6	-	-
Case [C]		124.6	135.9	150.8	-	-
Case [D]		116.4	129.1	138.1	178.7	189.6

(Note 3) For the estimate of case [C], individual estimates for facility and home were added.

\* The composition of permanent and non-permanent care workers of 2004  
 Facility: Permanent 259 thousand (86.7%), Non-permanent 40 thousand (13.3%)  
 Home: Permanent 334 thousand (47.5%), Non-permanent 370 thousand (52.5%)





# Other Businesses FY Mar. 2008 Forecast

## Consolidated

(Millions of yen)

	07/3	08/3	Change	Increase
Net Sales	202,549	201,600	(949)	(0.5)%
Operating Income	2,635	2,730	95	3.6%
Rate of Operating Income	1.3%	1.4%	-	-

## Changes in the other business

(Millions of yen)

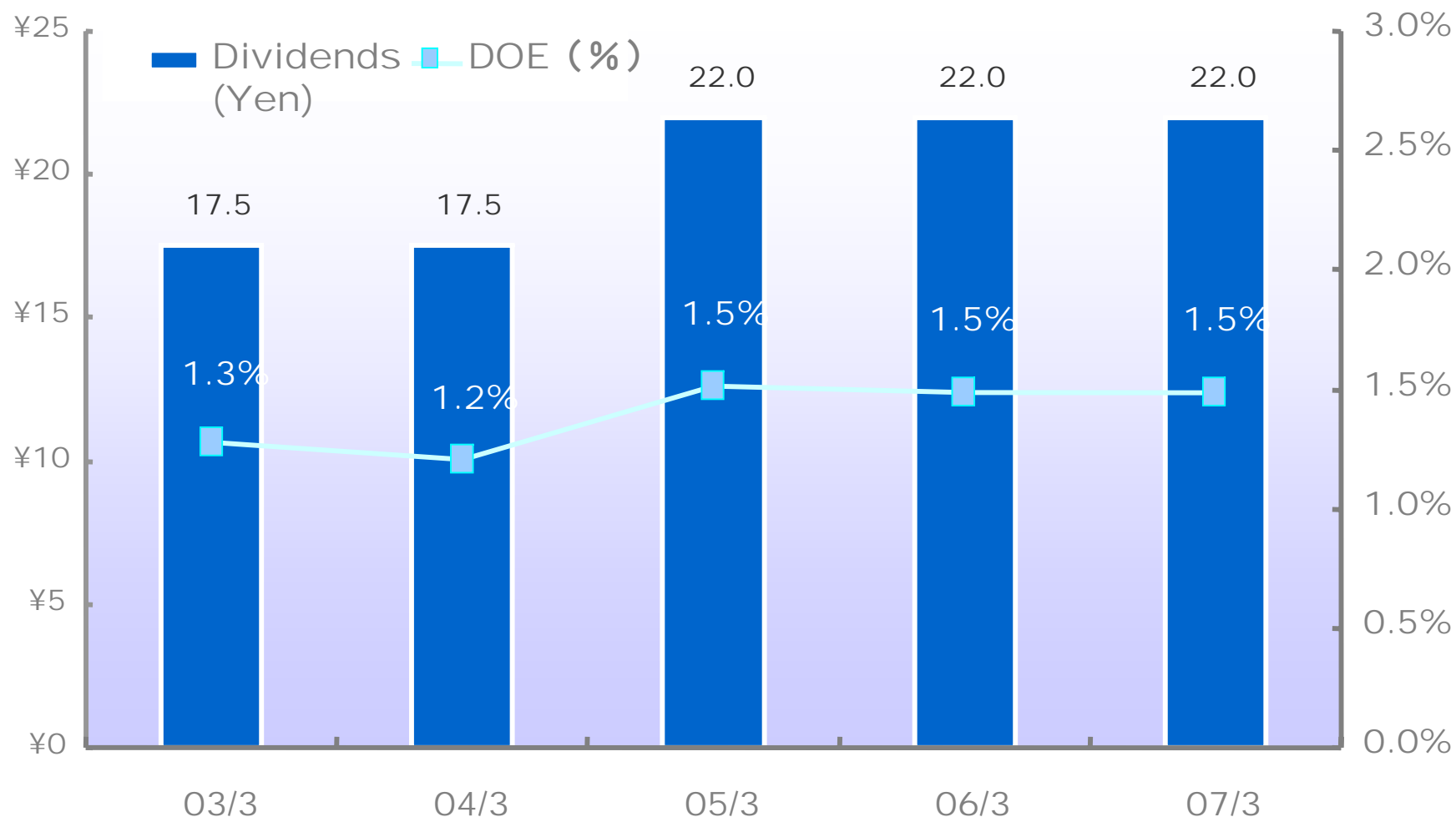
	07/3	08/3	Change	Increase
Net Sales	2,793	2,600	(193)	(6.9)%
Operating Income	254	250	(4)	(1.6)%
Rate of Operating Income	9.1%	9.6%	-	-

Consolidated subsidiaries	Principal Businesses
Nihon Support Service Co., Ltd.	<ul style="list-style-type: none"> <li>Data processing and storage and delivery service</li> </ul>
Tokyo Marunouchi Publishing Co., Ltd.	<ul style="list-style-type: none"> <li>Publishing and sale of publications and educational tools</li> </ul>
Nihon Credit Lease Corp.	Leasing etc.
Nichii Carenet Co., Ltd.	<ul style="list-style-type: none"> <li>buying- in and wholesale of welfare equipment</li> <li>home renovation</li> </ul>
Keihin Life Service Co., Ltd.	<ul style="list-style-type: none"> <li>Home-visit bathing</li> <li>Home-visit nursing care service</li> </ul>
Roris Co., Ltd.	<ul style="list-style-type: none"> <li>Production and sale of flowers, ornamental plants, seeds and saplings</li> </ul>





# FY Mar. 2007 Status of Shareholder Return



※DOE・・・Dividend rate for stockholder's equity  
[Dividend payout ratio x ROE (Consolidated)]



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 at present. Such information is subject to influence by factors such as economic circumstances, relaxation of regulations and employment conditions.

