

Financial Results for the Year Ended March 31, 2008

May 22, 2008

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
 Telephone: 03-3291-2121
 Scheduled date of the ordinary general meeting of shareholders: June 26, 2008 Scheduled date of dividend payments: June 27, 2008
 Scheduled date of filing securities report: June 27, 2008

Amounts less than one million yen have been rounded down.

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

(1) Consolidated operating 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 March 31, 2008	199,797	(1.4)	2,171	(17.6)	2,042	(24.6)	(834)	-
Year ended March 31, 2007	202,549	(1.8)	2,635	(47.2)	2,709	(47.7)	774	(60.8)

	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 March 31, 2008	(23.69)	-	(1.6)	1.9	1.1
Year ended March 31, 2007	22.00	-	1.5	2.9	1.3

Notes: Equity-method investment profit (loss) Year ended March 31, 2008: - million yen Year ended March 31, 2007: - 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 March 31, 2008	121,284	50,609	41.6	1,432.54
Year ended March 31, 2007	92,115	52,247	56.6	1,479.10

Notes: Shareholders' Equity : Year ended March 31, 2008: 50,454 million yen Year ended March 31, 2007: 52,096 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 March 31, 2008	(289)	(29,162)	23,316	3,434
Year ended March 31, 2007	2,656	(1,090)	(4,386)	9,570

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			
	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2007	0.00	22.00	22.00	774	100.0	1.5
Year ended March 31, 2008	0.00	22.00	22.00	774	-	1.5
Year ended March 31, 2009 (Forecast)	11.00	11.00	22.00		-	

3. Forecast of consolidated results for the year ended March 2008 (April 1, 2008-March 31, 2009)

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
First six months	108,400	12.1	17	(98.1)	(138)	-	(960)	-	(27.26)
Full year	222,000	11.1	3,140	44.6	2,720	33.2	50	-	1.42

4. Others

(1) Significant changes in subsidiaries during the fiscal year

(Changes in specified subsidiaries resulting in changes in scope of consolidation): None

(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: Yes

2) Changes other than 1): None

(3) Number of shares outstanding (common stock)

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

The year ended March 31, 2008 36,508,976 shares; The year ended March 31, 2007 36,508,976 shares

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

The year ended March 31, 2008 1,288,636 shares; The year ended March 31, 2007 1,287,351 shares

(Reference) Overview of the non-consolidated business results

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

(1) Non-consolidated operating 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 March 31, 2008	185,557	(6.3)	2,660	6.2	2,983	11.2	954	11.5
Year ended March 31, 2007	198,099	0.2	2,506	(49.4)	2,682	(49.0)	856	-

	Net Income per Share	Net Income per Share after Adjusting for Latent Shares
	Yen	Yen
Year ended March 31, 2008	27.10	-
Year ended March 31, 2007	24.30	-

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2008	107,363	48,516	45.2	1,377.52
Year ended March 31, 2007	86,811	48,369	55.7	1,373.29

Notes: Shareholders' Equity: Year ended March 31, 2008: 48,516 million yen Year ended March 31, 2007: 48,369 million yen

2. Forecast of non-consolidated results for the year ended March 31, 2009 (April 1, 2008-March 31, 2009)

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
First six months	91,000	(3.0)	1,350	78.3	1,600	80.0	900	180.1	25.55
Full year	185,500	0.0	4,700	76.6	5,140	72.3	2,730	186.0	77.51

The amounts as above are rounded down to the nearest million yen. The above forecasts are based on information available as of time of this announcement. Actual results may differ due to various factors. Please refer page 4 of the attached materials for the forecasts.

1. Business results

(1) Analysis of business results

1) Overview of business results

During the year ended March 31, 2008, Nichii Group has expanded the service menus toward mid- to long-term business growth for each business category.

For the Health Care Business, we established a total long-term care service system that covers a broad range of user needs from preventive care to home care and facility care. Specifically in September 2007, we made Nichii Care Palace, Co., Ltd. (renamed from Nihon Silver Service Corporation) a wholly-owned subsidiary to promote the pay nursing home business, and during November through December of 2007, we took over COMSN's long-term care business.

In addition, we have aggressively worked for developing and providing new services. In the Medical Support Business, we developed the Receipt Check Eye which systematizes the know-how of medical service payment system, and the Marketing Eye which analyzes the ability of local medical institutions to attract customers. In the Education Business, we developed the Nurse Assistant Training Course and the Mental Training Course.

The group's earning environment was very challenging for the fiscal year. The Health Care Business suffered a decrease both in revenue and profit because mild care patients changed their service to preventive care service, which caused a decrease in the number of users of our services, and because home-care service fee fell influenced by the revision of long-term care insurance. The Education Business also faced a subsequent decrease in revenue from the Medical Office Work Course and the Home Helper Training Course.

As a result, net sales during the fiscal year decreased by 1.4% year on year to 199,797 million yen, the ordinary income decreased by 24.6% year on year to 2,042 million yen, and net loss became 834 million yen from the previous fiscal year's net income of 774 million yen.

2) Business results by segment

【Medical Support Business】

An imbalance of supply and demand in metropolitan areas has continued in the Medical Support Business. Therefore, we have worked on to improve the cost of contracted business and revise the contract with medical institutions. We have also promoted efficient allocation of human resources by increasing the amount of sales per hospital.

Regarding an investment strategy to human resources, it is essential to fortify the career-enhancement system and efficiently improve the skills of all staff. Therefore, we established a conscientious follow-up system for educating and training staff by placing senior professionals who are responsible for training medical office workers in each area-based management operations.

In March 2008, we started the recruitment information Web site Career Net for trainees who have completed our education courses to access human resources through a Web site.

As a result, the net sales of the Medical Support Business decreased by 1.6% year on year to 109,217 million yen, and the operating income decreased by 1.1% year on year to 10,700 million yen.

【Health Care Business】

Followed by the revision of long-term care insurance system in April 2006, our revenue decreased due to a fall in the service fee of mild care patients as well as a decrease of welfare equipment leasing through long-term care insurance benefits. In addition, a nationwide simultaneous audit of care service providers was conducted after a series of illegal transaction by long-term care service providers. These factors brought Health Care Business severe business results.

Although the business transferred from COMSN Inc. contributed to the increase of net sales, the rent for 21 in-progress facilities (group home: 4, pay nursing home: 15, rental housing for elderly: 2) and amortization of goodwill affected the revenue of the transferred subsidiaries with severe consequences. As a result, the net sales increased by 2.1% year on year to 79,631 million yen and the operating income decreased by 89.5% year on year to 190 million yen.

【Education Business】

In the Education Business, we fortified the advertising to the highly responded media and provided the courses pursuing student convenience under a branch management system specialized for each business segment. However, the decrease of qualification needs due to the improvement of employment environment and an uncertainty of market environment in medical and long-term care fields continuously affected the enrollment of students in the main courses such as the Medical Office Work Course and the Home Helper Training Course. As a result, the net sale decreased by 18.5% year on year to 10,157 million yen, and the operating loss was 1,793 million yen from the previous fiscal year's operating loss of 1,709 million yen.

【Other Businesses】

Because we are concentrating on strengthening our core businesses, the net sales for the Other Businesses decreased by 27.8% year on year to 790 million yen, and the operating income decreased by 15.7% year on year to 215 million yen.

3) Outlook for the year ending March 2009

As of April 1, 2008, in order to configure the organizational structure for further exertion of the group ability, Nichii Group transformed its three-business structure (Medical Support Business, Health Care Business, and Education Business) into two business integrated headquarters of Medical Support Business Headquarters and Health Care Business Headquarters, and one business headquarters of Education Business. We also incorporated Information and Strategy Headquarters in charge of developing new products and services into each headquarters.

Our new Mid-Term Business Plan has started from April 2008. Under the new organizational structure, we will fortify the cooperation among the group companies and the relationship between businesses and services, and develop new products and services adapting to the system changes and the customer needs, to enhance the competitive superiority of our group.

【Medical Support Business】

The revision of medical service payment system implemented from April 2008 includes new approaches to reduce burdens of doctors working in hospitals and to create the medical care system for 'late elderly' people (long life medical system). According to the revision, we will expand management support services for medical institutions.

Towards mid- to long-term sustainable growth, we will continuously proceed with the income-oriented business strategy by responding to diversified needs of medical institutions, promote the expansion of contracted business for each medical institution, and fortifying the negotiation and review of the contract towards the improvement of contract rates.

In order to deal with the medical office workers' shortage in the metropolitan districts, stabilizing human resources is necessary. We will attract and develop skilled human resources by enhancing the recruitment Web site Career Net for trainees who completed our education courses and fortifying the career-enhancement system accompanied by the improvement of labor conditions.

【Health Care Business】

The market of the Health Care Business is expected to remain harsh, because a major long-term care service provider conducted the business transfer and subsequently the care service providers are expected to be bipolarized.

In order to respond to the varied user needs, Nichii Group will expand the total long-term care service system ranging from preventive care to home care and facility care.

In addition, we will promote the Disabled Independence Support Services throughout the nation and develop and promote the Homemaker Services.

All in-progress facilities of Nichii no Hohoemi Co, Ltd., Nichii no Kirameki Co, Ltd., and Nichii Home Co, Ltd., and Nichii Care Palace Co., Ltd. will be opened and the operating results of 12 months will be incorporated in the income statement, so the net sales of the Health Care Business are expected to increase significantly.

As for the compliance with laws and social norms, we will train and instruct the staff in all offices and thoroughly proceed with the proper office management.

We will fulfill our responsibility as a leading company by continuously providing community-based and high quality services in a stable manner and contributing to the sound development of the long-term care service industry.

【Education Business】

The Health, Labor and Welfare Ministry announced regarding the qualification requirements for care workers that, Home Helper Level 1 Course and the Care Worker Basic Training will be integrated by 2012, while the Home Helper Level 2 Course will be maintained at the moment due to the present difficult situation to secure human resources for care workers.

The positioning and importance of Home Helper Level 2 qualification in the long-term care field has not changed; therefore, we will continue to enrich the long-term care field courses, such as the Care Worker Examination Course and the Care Worker Basic Training Course.

In the medical field course, to address the changes in medical management environment due to medical system reforms, we will promote the development and provision of practical courses in medical field such as the Medical Office Work Course and the Nurse Assistant Training Course responding to the computerization in medical institutions.

During the year ending March 2009, our profitability is expected to improve by effective business development such as carrying out the development of new courses or effective sales promotion activities in headquarters and effectively developing the courses and classes under the branch management system specialized for each business segment.

【Other Businesses】

Nichii Group will proceed with business development taking advantage of our management resources in medical and welfare services to realize the group strategy based on the most suitable organizational structure.

In consideration of these environments and prospects, our outlook for the performance in the year ending March 31, 2009 is 222,000 million yen for net sales (an increase by 11.1% year on year), 3,140 million yen for operating income (an increase by 44.6% year on year), 2,720 million yen for ordinary income (an increase by 33.2% year on year) and 50 million yen in net income (net loss of 834 million yen for the current fiscal year).

(2) Analysis of financial position

1) Overview of financial position

During the fiscal year, cash and cash equivalents ("cash") decreased by 6,135 million yen year on year to 3,434 million yen. Cash flows from each activity and their factors are shown below.

【Cash flows from operating activities】

As a result of operating activities during the fiscal year, cash decreased by 289 million yen (cash increased by 2,656 million yen during the previous fiscal year).

Especially in the Health Care Business, a decrease in revenue continued since the revision of long-term care insurance in April 2006 due to the fall in the service fee of mild care users, and the decrease of welfare equipment leasing through long-term care insurance benefit, which brought us a severe business result. Although the business transferred from COMSN Inc. contributed to the increase of net sales, the rent for 21 in-progress facilities (group home: 4, pay nursing home: 15, rental housing for the elderly: 2) and amortization of goodwill affected the revenues of transferred subsidiaries with severe results of 2,171 million yen for operating income (2,635 million yen for the previous fiscal year) and 1,093 million yen for income before income taxes.

【Cash flows from investing activities】

As a result of investing activities during the fiscal year, cash decreased by 29,162 million yen (cash decreased by 1,090 million yen for the previous fiscal year).

This is primarily due to the 21,000 million yen for the business transfer and 4,591 million yen for acquisition of newly consolidated subsidiaries.

【Cash flows from financing activities】

Cash from financing activities during the fiscal year increased by 23,316 million yen (cash decreased by 4,386 million yen for the previous fiscal year.).

This is mainly because long-term loan (syndicated loan) payable of 28,000 million yen was implemented.

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

	Year ended March 31, 2007	Year ended March 31, 2008
Equity ratio (%)	56.6	41.6
Equity ratio based on present value (%)	81.3	41.7
Debt redemption (years)	3.6	-
Interest coverage ratio	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 and dividends for the current and next fiscal year

Our basic policy is to provide our shareholders with stable and continuous profit distributions. Considering business performance trends from a mid- to long-term standpoint, we will promote a consolidated dividend policy.

Under this policy, we decided to pay 22 yen per share for the year-end dividend, which is the same as the previous fiscal year.

From the year ending March 31, 2009, we will start to pay interim dividends to make more opportunity for our shareholders to have profit distributions. Retained earnings will be invested to develop new businesses, backbone systems/software and M&A activities in order to continue our business growth and increase our corporate value.

(4) Business and other risks

Presented below are the potential risks to the operations of each business of Nichii Group. We work on to mitigate such risks by dispersing and acknowledging them. However, in the event of an unforeseeable incident, such risks may cause serious effect on our business performance and financial conditions of the group.

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

The following matters were determined to be potential risks by the group upon preparing this data as of the last day of the fiscal year, and may not cover all the risks when making an investment decision on our stocks.

1) Business risks

【Medical Support Business】

Nichii 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 biennial revision of the medical service payment system and the medical insurance system reform (Article 2, Paragraph 2 of the Health Insurance Law Revision Law).

The group provides services to medical institutions, so the contents of revision rate for medical treatment fees and medical insurance system reform may affect our contract fees and the contents.

【Health Care Business】

The group's Health Care Business is mainly attributed to services that are covered by Long-Term Care Insurance Law. Therefore, reviewing the long-term care insurance system and payment can have a major effect on the net sales and profits of the business. 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 payment is subject to review every three years, so the decisions hereafter may have an impact on the profitability of our Health Care Business. In the future also, revision of long-term care payment or review of the system may affect the revenue of the business.

In addition, we are promoting the community-based business by lease contract in our long-term care facilities such as group homes, pay nursing homes, and day care facilities. Since the contract term is 20 years in general, lowering in availability of facility due to the decrease of residents or the fall of average residential charge may affect the revenue of the business.

【Education Business】

The Home Helper Training Course, our major educational program, 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 requirements for care workers (i.e. increase in training hours and curriculums that workers must take) are scheduled to change on April 1, 2012. The qualification of the Home Helper Training Level 2 Course is going to be maintained due to the necessity of securing home helpers, but the future revision of various systems in terms of such qualifications may affect the net sales and revenue of this course.

2) Risks due to the internal management system

The Nichii 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.

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

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

3) Official license and legal regulation in personnel business

For the personnel business carried out for Medical Support Business and Health Care Business, we already acquired the permission of general workers dispatching business based on the “Law for securing the proper operation of worker dispatching undertakings as well as for securing improved working conditions for dispatched workers (Labor Dispatch Law)”.

As for “Labor Dispatch Law”, if a personnel service company is found to be disqualified or conducted illegal behaviors, it may be deprived of the permission of personnel business or ordered to suspend the business.

Nichii Group continues to thoroughly implement the compliance. However, violating the law, if it should occur in our group, may affect our group performance.

4) 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 extraordinary expenses.

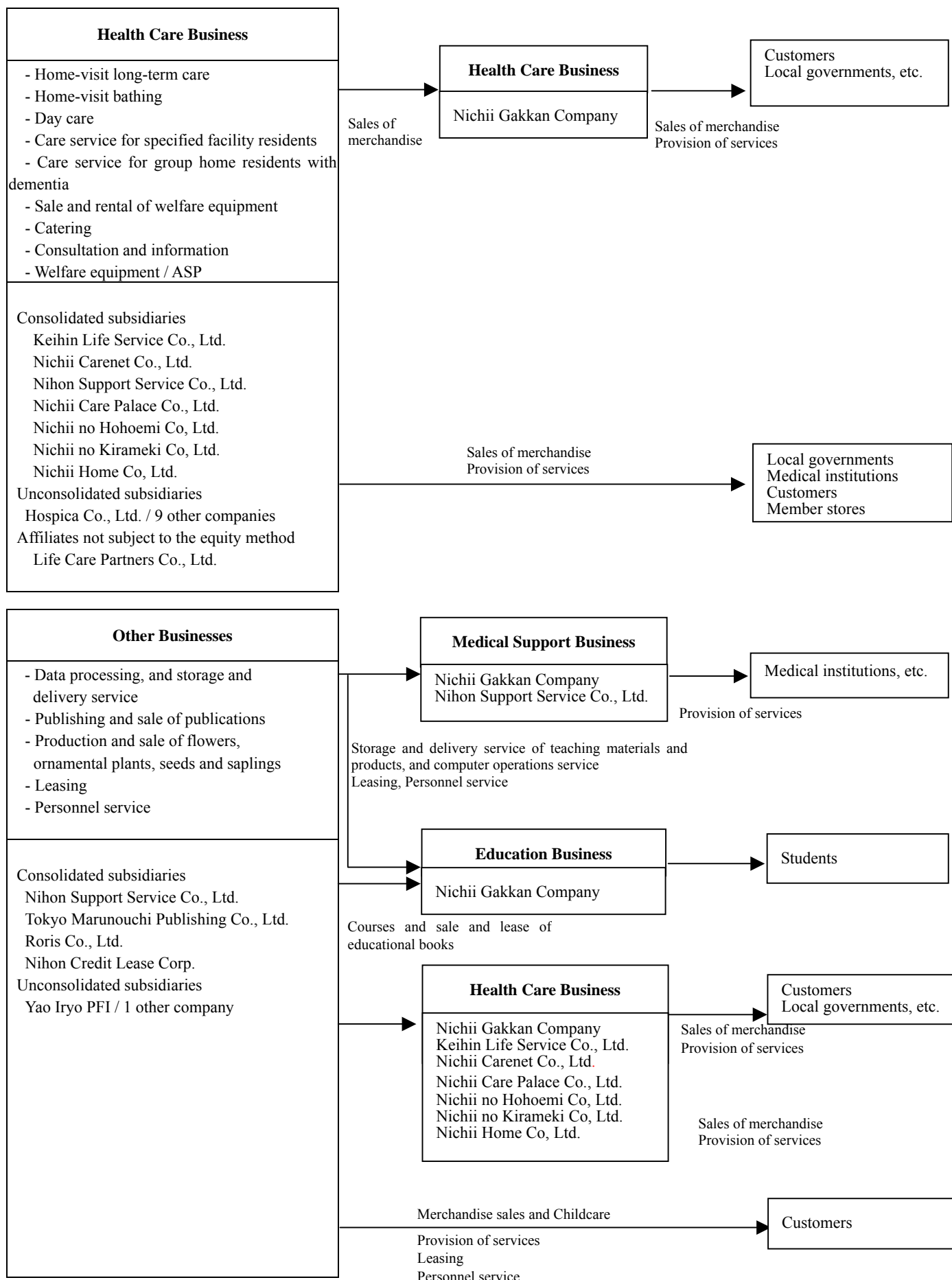
2. Overview of Nichii Group

Nichii Group consists of Nichii Gakkan Company, its 22 subsidiaries, and its one affiliate. Nichii Group is engaged in four businesses (Medical Support Business, Health Care Business, Education Business, and Other Businesses). In the 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 the Health Care Business, the group provides home care services mainly under long-term care services (home-visit care, home-visit bathing, day care), care service for specified facility residents, care service for group home residents with dementia, sale and rental of welfare equipment, catering, and other services. In the 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 personnel services.

Nichii Group's businesses and positioning of each business are 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, sale/disinfection/sterilization services (Inside the hospital) 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, care service for specified facility residents, care service for group home residents with dementia, rental/sale of welfare equipment, catering, etc.	Nichii Gakkan Company Keihin Life Service Co., Ltd. Nichii Carenet Co., Ltd. Nihon Support Service Co., Ltd. Nichii Care Palace Co., Ltd. Nichii no Hohoemi Co, Ltd. Nichii no Kirameki Co, Ltd. Nichii Home 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, personnel service, etc.	Nihon Support Service Co., Ltd. Tokyo Marunouchi Publishing Co., Ltd. Roris Co., Ltd. Nihon Credit Lease Corp.

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”, Nichii Group aims to be recognized as a trusted and appealing corporate group by contributing to improve the quality of life and society in the three fields; the medical support business, long-term care and education for daily living.

Nichii Group’s mission

- 1) Assist stable management of health care institutions in health care related fields.
- 2) Create an environment where people can live a full life through long-term care without worries.
- 3) Encourage self-improvement through supporting educational activities.

We also recognize that we must fulfill our social responsibilities as a corporate group, comply with corporate ethics, and increase 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 share 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

Nichii Group set the three long-term goals while taking the following points into consideration: a) The group is providing personnel service. b) Medical support and welfare businesses are expected to expand in the future. c) The group focuses on shareholder value.

- | | |
|----------------------------------|-----------------------|
| 1) Net sales growth | → double-digit growth |
| 2) Operating income to net sales | → 7% or higher |
| 3) ROE (return on equity) | → 15% or higher |

(3) Mid- to long-term strategies

In order to realize the sustainable growth and contribute to the improvement and development of social infrastructure in medical support, long-term care, and education fields, Nichii Group formulated the three-year Mid-Term Business Plan starting from April 2008 until March 2011. Based on the goal “Establishing the Nichii Health Care Network”, we will form the nucleus of branches specialized for each business segment throughout the nation.

In April 2008, we started new organizational structure responding to the expansion of business field and scale as the integration of organizational reform addressed since 2006. By working on “Business expansion”, “Ensuring fair profits”, “Fortifying the business model”, and “Compliance with laws and social norms”, we will establish the stout organization and business structure towards upgrading the service quality and improving the profitability.

We will continue to fortify the relationship among the service know-how, service network, and facility care service accumulated from existing business under new organizational structure, and promote the development and provision of high-value added service adapting to customer needs. Through these measures, we will exert our competitive superiority in the local care field and achieve the Mid-Term Business Plan and the group’s social responsibility.

【Business Expansion】

Nichii Group has established a total long-term care service system that covers all care services ranging from preventive care to facility care service including pay nursing home. Specifically, we started the rental housing business for elderly in May 2007 and taking over COMSN’s facility care service business in November 2007.

In order to respond to the diversified user needs, we will work on to provide services that are not covered by the long-term care insurance. Through these measures to stabilize the business revenue, we will develop and provide the service pursuing the synergy between business fields and high-value added services adequately responding to the system trend and customer needs.

【Ensuring Fair Profits】

Under the new organizational structure, we will drive to fortify the management and operation system flexibly responding to the changing business environment and business expansion through united corporation of each group company headquarters, area-based management of operations, branch specialized for each business segment, and service providing fields.

By strengthening the income and expenditure management for each business field, we will work to improve the contract contents, efficient business operation, and service quality, to ensure the fair profits.

【Fortifying Business Model】

The progressing of declining birthrate and aging population is expected to cause the decrease of labor population. Therefore, securing the high-quality human resources is essential for personnel business.

Since its inception, Nichii Group has operated the business based on the “Train and Employ” core business model and considers the investment to human resources as the most important theme to achieve mid- to long-term sustainable growth.

We will enrich the career-enhancement system including employing workers as official staff, improve the labor conditions, and foster the human resources who would be able to supply high-value added services. We will work on to foster human resources of potential ability who can be adaptable to various needs in medical and long-term care service fields.

【Compliance with Laws and Social Norms】

The improvement of various laws related to long-term care insurance system is being progressed, including the enactment of revised Long-Term Care Insurance Law in April 2008 for the purpose to oblige the improvement of service management system for long-term care service providers.

We established the Long-Term Care Service Audit Room to adequately operate the long-term care business. We will further improve the compliance system.

(4) Issues to be addressed

【Medical Support Business】

Since this spring, a medical care system reform started based on the three pillars of “moderation in health care costs”, “community care system improvement” and “the medical care system for 'late elderly' people”. Accordingly, a concrete reform including stronger coordination between medical and long-term care is being progressed.

The revision of medical service payment which was executed in April is the main content with plus-revised for the first time in 8 years, and includes the payment to the doctor assistant office worker arranged for reducing the burden of doctors working in hospitals.

In order to support the medical institutions as our partners, we will work on to improve the system services towards computerization in medical institutions by adapting to the changing medical environment and customers' needs. Specifically, we will structure the interconnection scheme of medical field and care service field utilizing the home care and facility care business, make online receipts processing obligatory, and promote electronic medical charts.

In addition, we will secure the human resources and improve the stability of the workforce to perform the stable supply of

human resources, and aggressively develop and provide the high-value-added Medical Management Support Service through providing human resources with improved skills.

【Health Care Business】

The long-term care payment is scheduled to be revised in 2009, and the long-term insurance system will be reviewed in 2011. Furthermore, with a view of rapidly progressing aging society, the reform of various systems such as the enactment of revised long-term care insurance law concerning the protection of illegal behaviors of long-term care service providers and full-scale discussion about the improvement of labor conditions to secure the care workers, are being progressed.

In 2025, the ratio of “Only aged household” occupied among the all households is expected to be 70%. To be prepared for the coming unprecedented aging society, the improvement of total social infrastructure for medical, long-term care, and residential facilities is called for urgent attention.

Nichii Group provides various services line up widely ranging from preventive care to facility care, and will endeavor to improve the service quality to provide long-term services to all of our customers.

We will also promote the services or develop products flexibly adapting to the system trend or community needs, expand the services for the handicapped, and raise the ratio of the revenue of the services not covered by long-term care insurance such as rental housing for the elderly and homemaker services, to configure the stable profit-earning system.

To secure and foster care workers, we will strengthen the staff support system by improving the career-enhancement system and training system, and fortifying the management system centering on respective service offices and branches specialized for each business segment.

【Education Business】

The number of students for our main courses Medical Office Work Course and Home Helper Level 2 Course is decreasing because the qualification needs was temporarily lowered due to the improvement of employment environment and the uncertainty about existence of home helper qualification. Nevertheless, we will improve the course quality by utilizing the know-how acquired by providing services in medical or long-term care field into the course curriculum, develop the courses considering the availability for students and pursuing the balanced earnings, and promote the effective advertising in media with high responsiveness.

We will develop and provide new courses adapting to various needs in medical and long-term care service fields or sub courses such as health care-related courses with high social needs. In addition, we will expand learning methods such as utilizing the Web site, to activate supplying the personnel into our business.

【Other Businesses】

Other Businesses take advantage of our management resources in the medical and welfare services to support operations.

In the future also, we will continue to implement our group strategies with the ideal form of organization in order to increase the value of the Nichii Group and develop efficiency of our business.

(5) Other significant matters for management

There are no applicable matters.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Category	Year ended March 31, 2007 (As of March 31, 2007)		Year ended March 31, 2008 (As of March 31, 2008)		YoY (%)
	Amount (thousands of yen)	Share (%)	Amount (thousands of yen)	Share (%)	Change (thousands of yen)
(ASSETS)					
I Current assets					
1. Cash and deposits	9,872,547		3,725,993		(6,146,553)
2. Notes and accounts receivable	24,124,838		25,666,006		1,541,168
3. Inventories	1,475,298		637,736		(837,562)
4. Deferred income tax assets	3,766,302		2,829,175		(937,127)
5. Other current assets	3,330,480		6,150,739		2,820,258
6. Allowance for doubtful accounts	(105,039)		(159,089)		(54,049)
Total current assets	42,464,428	46.1	38,850,562	32.0	(3,613,865)
II Fixed assets					
(1) Tangible fixed assets					
1. Buildings and structures	33,741,425		39,605,167		
Less: cumulative depreciation	7,389,680	26,351,745	11,090,332	28,514,834	2,163,089
2. Machinery and vehicles	138,853		127,520		
Less: cumulative depreciation	109,775	29,078	89,535	37,985	8,906
3. Tools, furniture and fixtures	1,532,729		2,525,249		
Less: cumulative depreciation	1,121,650	411,078	1,798,179	727,069	315,991
4. Land		7,681,997		8,140,738	458,741
Total tangible fixed assets		34,473,899		37,420,628	2,946,729
(2) Intangible fixed assets					
1. Goodwill		2,670,896		20,824,684	18,153,788
2. Software		735,451		886,082	150,630
3. Other intangible fixed assets		398,157		869,982	471,824
Total intangible fixed assets		3,804,505		22,580,749	18,776,243
(3) Investments and other assets					
1. Investment securities		1,201,807		1,076,664	(125,142)
2. Long-term loans receivable		2,444,542		8,589,315	6,144,772
3. Long-term prepaid expense		145,539		826,328	680,789
4. Guarantee deposit		4,763,833		8,785,984	4,022,150
5. Deferred income tax assets		1,525,228		1,561,377	36,148
6. Other investments and other assets		2,024,097		2,284,143	260,046
7. Allowance for doubtful accounts		(732,681)		(690,939)	41,741
Total investments and other assets		11,372,368	12.4	22,432,875	11,060,506
Total fixed assets		49,650,772	53.9	82,434,252	32,783,479
Total assets		92,115,200	100.0	121,284,814	29,169,613

Category	Year ended March 31, 2007 (As of March 31, 2007)		Year ended March 31, 2008 (As of March 31, 2008)		YoY (%)
	Amount (thousands of yen)	Share (%)	Amount (thousands of yen)	Share (%)	Change (thousands of yen)
(LIABILITIES)					
I Current liabilities					
1. Notes and accounts payable	1,144,987		1,751,233		606,246
2. Short-term loans payable	402,000		313,000		(89,000)
3. Current installments of long-term debt	33,178		20,960		(12,218)
4. Current redemption of bonds	3,808,000		3,808,000		-
5. Income taxes payable	154,193		690,768		536,575
6. Consumption tax payable	1,574,166		772,838		(801,327)
7. Accrued expense	16,011,429		16,199,170		187,740
8. Allowance for employee bonus	3,320,330		3,019,660		(300,669)
9. Allowance for directors' bonus	36,000		36,000		-
10. Other current liabilities	4,891,422		4,396,997		(494,424)
Total current liabilities	31,375,708	34.1	31,008,630	25.6	(367,077)
II Long-term liabilities					
1. Bonds	5,288,000		1,480,000		(3,808,000)
2. Long-term loan payable	19,118		28,025,416		28,006,297
3. Long-term advances received	-		4,289,627		4,289,627
4. Allowance for employee retirement benefits	2,941,991		3,384,767		442,775
5. Allowance for directors' retirement benefits	132,243		143,208		10,964
6. Other long-term liabilities	110,927		2,343,900		2,232,972
Total long-term liabilities	8,492,282	9.2	39,666,919	32.7	31,174,637
Total liabilities	39,867,990	43.3	70,675,550	58.3	30,807,560
(NET ASSETS)					
I Shareholders' equity					
1. Common stock	11,933,790	13.0	11,933,790	9.9	-
2. Capital surplus	17,354,214	18.8	17,354,214	14.3	-
3. Retained earnings	28,686,400	31.1	27,075,682	22.3	(1,610,717)
4. Treasury stock	(5,934,751)	(6.4)	(5,935,860)	(4.9)	(1,109)
Total shareholders' equity	52,039,654	56.5	50,427,827	41.6	(1,611,826)
II Unrealized gains and adjustments					
1. Unrealized gains on other marketable securities	56,826	0.0	26,761	0.0	(30,065)
Total unrealized gains and adjustments	56,826	0.0	26,761	0.0	(30,065)
III Minority interests	150,729	0.2	154,675	0.1	3,946
Total net assets	52,247,210	56.7	50,609,264	41.7	(1,637,946)
Total liabilities and net assets	92,115,200	100.0	121,284,814	100.0	29,169,613

(2) Consolidated statements of income

Category	Year ended March 31, 2007 (April 1, 2006 to March 31, 2007)		Year ended March 31, 2008 (April 1, 2007 to March 31, 2008)		YoY (%)		
	Amount (thousands of yen)	(%)	Amount (thousands of yen)	(%)	Change (thousands of yen)		
I Net sales		202,549,097	100.0		199,797,256	100.0	(2,751,840)
II Cost of sales		163,310,893	80.6		163,719,486	81.9	408,592
Gross profit		39,238,203	19.4		36,077,769	18.1	(3,160,433)
III Selling, general and administrative expenses							
1. Advertising and promotion expenses	6,938,565			4,883,789			
2. Directors' compensation	152,406			155,823			
3. Salaries and benefits	12,621,856			12,455,897			
4. Transfer to allowance for bonus	808,351			737,933			
5. Transfer to allowance for directors' bonus	36,000			36,000			
6. Transfer to allowance for directors' retirement benefits	8,501			10,964			
7. Directors' retirement benefits	86			-			
8. Employee retirement benefits	326,118			331,290			
9. Legal welfare expense	1,857,519			1,891,062			
10. Travel and transportation expenses	1,362,105			1,302,954			
11. Rent	3,439,362			3,010,022			
12. Transfer to allowance for doubtful accounts	29,184			-			
13. Depreciation expense	662,828			646,903			
15. Amortization of goodwill	207,389			421,574			
16. Others	8,152,111	36,602,387	18.1	8,021,560	33,905,776	17.0	(2,696,611)
Operating income		2,635,815	1.3		2,171,993	1.1	(463,822)
IV Non-operating income							
1. Interest income	26,342			33,647			
2. Commission on consignment for office work	90,904			88,761			
3. Income from lease of fixed assets	30,985			46,406			
4. Income from lease of facilities	-			50,747			
4. Others	150,529	298,762	0.1	129,946	349,510	0.2	50,748
V Non-operating expenses							
1. Interest expense	40,451			214,690			
2. Bond interest	57,409			72,381			
3. Compensation for damages	27,262			26,333			
4. Bond issue cost	32,940			-			
5. Loss on disengagement of guarantee deposit	41,063			33,012			
6. Others	25,500	224,627	0.1	132,517	478,935	0.2	254,308
Ordinary income		2,709,950	1.3		2,042,568	1.1	(667,382)

Category	Year ended March 31, 2007 (April 1, 2006 to March 31, 2007)		Year ended March 31, 2008 (April 1, 2007 to March 31, 2008)		YoY (%)	
	Amount (thousands of yen)	(%)	Amount (thousands of yen)	(%)	Change (thousands of yen)	
VI Extraordinary income						
1. Gain on sale of fixed assets	29,320		489			
2. Gain on sale of shares of related company	-		20,999			
3. Gain on sale of investment securities	2,850		21,000			
4. Gain on donation of fixed assets	-		218,130			
5. Gain on reversal of allowance for doubtful accounts	-		66,565			
6. Others	634	32,804	-	327,185	0.1	294,380
VI Extraordinary losses						
1. Loss on retirement of fixed assets	59,472		43,400			
2. Loss on sale of fixed assets	22,147		-			
3. Loss on revaluation of inventories	274,665		694,157			
4. Impairment loss	52,560		93,739			
5. Loss on disengagement of lease	103,395		-			
6. Litigation settlement	-		180,000			
7. Expense for changing brand	-		246,651			
9. Others	-	512,242	17,846	1,275,796	0.7	763,553
Income before income taxes		2,230,512		1,093,957	0.5	(1,136,555)
Income, inhabitants and business taxes	510,409		491,383			
Adjustments for income and other taxes	912,722	1,423,132	1,406,452	1,897,836	0.9	474,704
Minority interests		32,612		30,652	0.0	(1,959)
Net income (Net loss)		774,768		(834,531)	(0.4)	(1,609,299)

(3) Consolidated statements of changes in shareholders' equity**Consolidated statements of changes in shareholders' equity****The year ended March 31, 2007 (April 1, 2006 - 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
Changes of items during the period					
Dividends from retained earnings*			(774,937)		(774,937)
Directors' and auditors' bonus*			(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
Changes other than shareholders' equity during the period					
Total changes during the period	-	-	(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
Changes of items during the period				
Dividends from retained earnings*				(774,937)
Directors' and auditors' bonus*				(36,000)
Net income				774,768
Purchase of treasury stock				(6,370)
Retirement of treasury stock				808
Changes other than shareholders' equity during the period	(20,801)	(20,801)	18,240	(2,560)
Total changes during the period	(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 general meeting of shareholders in June 2006.

The year ended March 31, 2008 (April 1, 2007 - March 31, 2008)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	11,933,790	17,354,214	28,686,400	(5,934,751)	52,039,654
Changes of items during the period					
Dividends from retained earnings			(774,875)		(774,875)
Net income			(834,531)		(834,531)
Purchase of treasury stock				(3,215)	(3,215)
Retirement of treasury stock			(1,310)	2,105	795
Changes other than shareholders' equity during the consolidated fiscal year					
Total changes during the period	-	-	(1,610,717)	(1,109)	(1,611,826)
Balance as of March 31, 2008	11,933,790	17,354,214	27,075,682	(5,935,860)	50,427,827

	Unrealized gains and adjustments		Minority interests	Total net assets
	Unrealized gains on other securities	Total unrealized gains and adjustments		
Balance as of March 31, 2007	56,826	56,826	150,729	52,247,210
Changes of items during the period				
Dividends from retained earnings				(774,875)
Net income				(834,531)
Purchase of treasury stock				(3,215)
Retirement of treasury stock				795
Changes other than shareholders' equity during the consolidated fiscal year	(30,065)	(30,065)	3,946	(26,119)
Total changes during the period	(30,065)	(30,065)	3,946	(1,637,946)
Balance as of March 31, 2008	26,761	26,761	154,675	50,609,264

(4) Consolidated statements of cash flows

	Year ended March 31,2007 (April 1, 2006 - March 31, 2007)	Year ended March 31,2008 (April 1, 2007 - March 31, 2008)	YoY (%)
Category	Amount (thousands of yen)	Amount (thousands of yen)	Change (thousands of yen)
I Cash flows from operating activities			
Income before income taxes	2,230,512	1,093,957	(1,136,555)
Depreciation expense	2,021,741	2,291,512	269,770
Increase (decrease) in allowance for doubtful accounts	(1,836,397)	(81,141)	1,755,255
Decrease in allowance for employee bonus	(155,563)	(334,669)	(179,106)
Increase in allowance for directors' and auditors' bonus	36,000	-	(36,000)
Increase in allowance for employee retirement benefits	174,129	277,825	103,696
Increase in allowance for directors' and auditors' retirement benefits	3,034	10,964	7,930
Interest and dividends income	(39,181)	(39,377)	(196)
Interest expense	97,860	287,072	189,211
Loss on cancellation of guarantee deposit	-	33,012	33,012
Amortization of goodwill	207,389	421,574	214,184
Gain on sale of investment securities	(2,850)	(21,000)	(18,149)
Other income	(8,148)	-	8,148
Loss on retirement of fixed assets	59,472	43,400	(16,071)
Loss on sale of fixed assets	22,147	-	(22,147)
Gain on sale of fixed assets	(29,320)	(489)	28,830
Impairment loss	52,560	93,739	41,179
Litigation settlement	-	180,000	180,000
Expense for changing brand	-	246,651	246,651
Gain on sale of shares of related companies	-	(20,999)	(20,999)
Gain on donation of fixed assets	-	(218,130)	(218,130)
Loss on revaluation of inventories	274,665	694,157	419,491
(Increase) decrease in accounts receivable	1,135,841	1,402,522	266,680
Decrease in inventories	193,928	147,064	(46,863)
Increase in other current assets	(718,806)	(1,883,515)	(1,164,708)
Decrease in claims provable in bankruptcies	1,842,880	39,903	(1,802,976)
decrease in accounts payable	(591,739)	(289,753)	301,985
Increase (decrease) in other current liabilities	513,686	(3,715,182)	(4,228,868)
Increase (decrease) in consumption tax payable	(168,499)	(925,020)	(756,520)
Decrease in other fixed assets	73	431	357
Increase in other long-term liabilities	8,593	(592,149)	(600,743)
Directors' and auditors' bonus paid	(27,850)	-	27,850
Subtotal	5,296,163	(857,639)	(6,153,803)
Interest and dividends received	38,253	35,702	(2,551)
Interest paid	(85,398)	(288,918)	(203,520)
Income and other taxes paid	(2,592,692)	(222,218)	2,370,474
Income tax refund	-	1,223,751	1,223,751
Loss on litigation settlement	-	(180,000)	(180,000)
Cash flows from operating activities	2,656,325	(289,322)	(2,945,648)

	Year ended March 31,2007 (April 1, 2006 to March 31, 2007)	Year ended March 31,2008 (April 1, 2007 to March 31, 2008)	YoY (%)
Category	Amount (thousands of yen)	Amount (thousands of yen)	Change (thousands of yen)
II Cash flows from investing activities			
Payments for time deposits	(396,000)	(286,500)	109,500
Proceeds from time deposits	300,000	297,500	(2,500)
Acquisition of shares of newly consolidated subsidiary	-	(4,591,675)	(4,591,675)
Expenditure for business transfer	-	(21,000,000)	(21,000,000)
Acquisition of shares of consolidated subsidiaries	(7,000)	(15,000)	(8,000)
Acquisition of tangible fixed assets	(1,340,623)	(706,771)	633,851
Proceeds from sale of tangible fixed assets	160,977	88,983	(71,993)
Acquisition of intangible fixed assets	(132,451)	(603,990)	(471,539)
Purchases of investment securities	(300,000)	-	300,000
Proceeds from sale of investment securities	305,000	221,000	(84,000)
Acquisition of shares of related companies	-	(144,000)	(144,000)
Proceeds from sale of shares of related companies	-	41,000	41,000
Long-term prepaid expense paid	(47,022)	(69,786)	(22,764)
Loans payable	(61,400)	(778,566)	(717,166)
Proceeds from return of loans	173,355	184,289	10,934
Payments for guarantee deposit	(210,196)	(2,089,663)	(1,879,466)
Proceeds from collection of guarantee deposit	423,594	347,653	(75,941)
Other investments (net)	41,359	(57,007)	(98,366)
Cash flows from investing activities	(1,090,406)	(29,162,534)	(28,072,127)
III Cash flows from financial activities			
Proceeds from short-term loans	170,540,000	1,226,060,000	1,055,520,000
Repayments of short-term loans	(183,201,000)	(1,226,149,000)	(1,042,948,000)
Proceeds from bond issued	11,000,000	-	(11,000,000)
Payments for redemption of bonds	(1,904,000)	(3,808,000)	(1,904,000)
Proceeds from long-term loans	15,689	28,028,091	28,012,401
Repayments for long-term loans	(57,909)	(34,011)	23,897
Proceeds from sale of treasury stock	808	795	(12)
Acquisition of treasury stock	(6,370)	(3,215)	3,155
Payments for dividends by parent company	(769,594)	(774,017)	(4,422)
Payments for dividends to minority shareholders	(4,500)	(4,500)	-
Cash flows from financing activities	(4,386,876)	23,316,142	27,703,019
IV Effect of exchange rate changes on cash and cash equivalents	(1)	-	1
V Change in cash and cash equivalents	(2,820,958)	(6,135,713)	(3,314,755)
VI Cash and cash equivalents at beginning of the year	12,391,506	9,570,547	(2,820,958)
VII Cash and cash equivalents at end of the year	9,570,547	3,434,833	(6,135,713)