

Nichii Gakkan Company
Financial Results
Briefing Document
for the Year Ended March 2008
(FY2008)

May 28, 2008



FY2008 Financial Highlights
Mid-term Business Perspective

President and Representative Director
Takashi Mori



FY2008 Financial Results (Consolidated/Non-consolidated)

Consolidated

(Millions of yen)

	FY2007 Result	FY2008 Result	YoY	
			Change	%
Net sales	202,549	199,797	(2,752)	(1.4)
Operating income	2,635	2,171	(464)	(17.6)
Ordinary income	2,709	2,042	(667)	(24.6)
Net income	774	(834)	(1,608)	-

Non-consolidated

(Millions of yen)

	FY2007 Result	FY2008 Result	YoY	
			Change	%
Net sales	198,099	185,557	(12,542)	(6.3)
Operating income	2,506	2,660	154	6.2
Ordinary income	2,682	2,983	301	11.2
Net income	856	954	98	11.5



FY2008

- Take over the Long-term care business from COMSN Inc. and M & A
Establish one-stop services for long-term care business
(Preventive care service and facility care service)
- Move to Specialized Branch System - branch management system specialized for each business segment
- Integrate multiple brand names used in the group into “Nichii”
- Draw up Mid-Term Business Plan (FY2009-FY2011)



History of Healthcare Business

Implement a growth strategy with internal growth and M&A combined
Aiming to be a leading company providing home care and facility care businesses

2000/4 Established 770 long-term care service facilities across the country

□ = Internal growth

□ = M&A

Merger 4
Conversion to subsidiary 3

2007/11
Took over the long-term care business of COMSN, Inc.

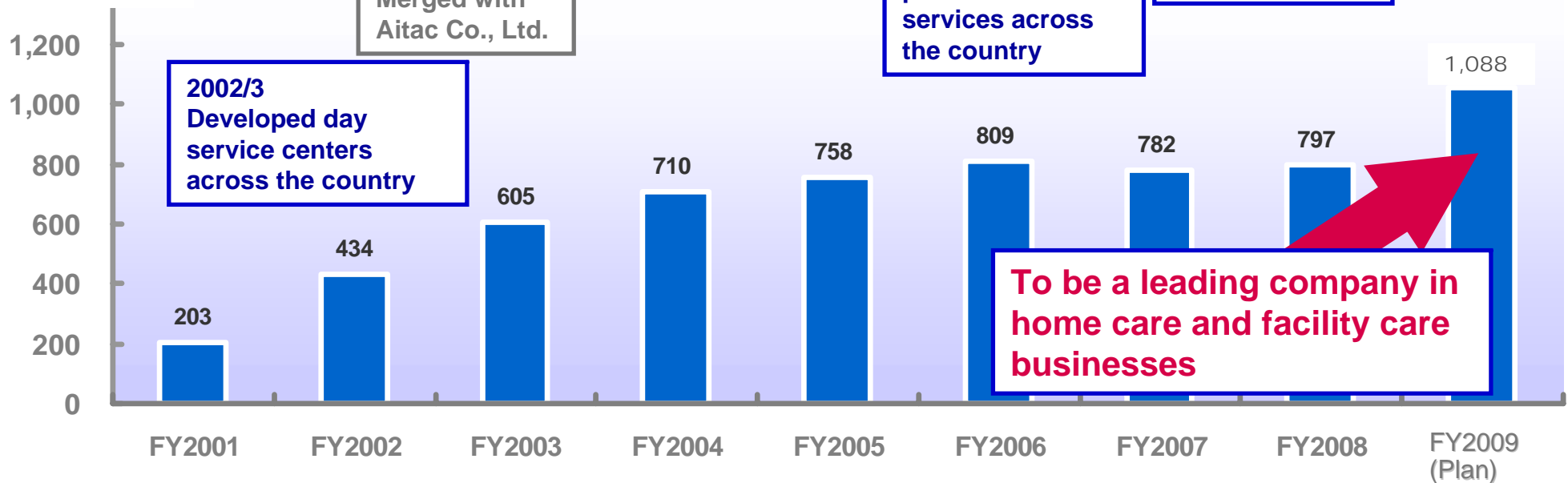
1999/7 Merged with Healthy Life Service Co., Ltd.

2002/4 Merged with Aitac Co., Ltd.

2006/4 Expanded preventive care services across the country

2007/4 Moved to the Specialized Branch System

(Millions of yen)

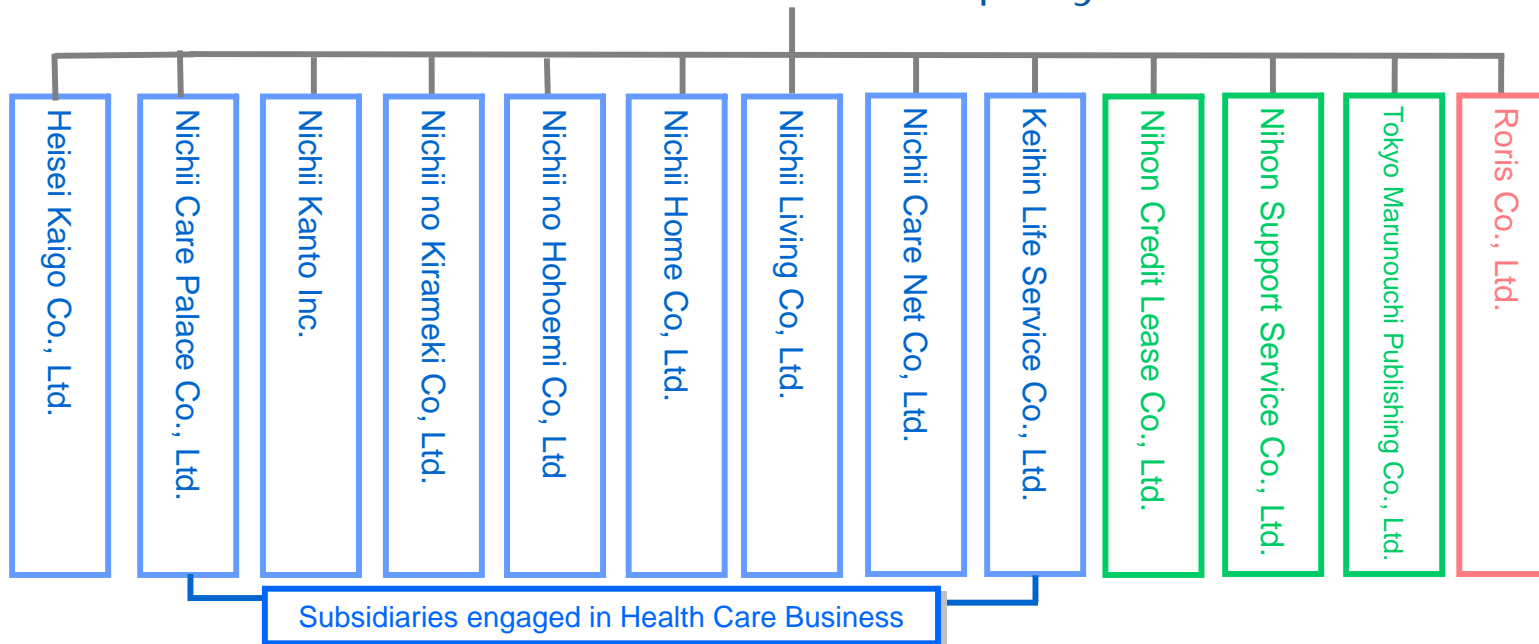


To be a leading company in home care and facility care businesses



Organization of the Nichii Group


Nichii Gakkan Company



<New subsidiaries>

[Nichii no Hohoemi Co, Ltd]

Representative: Kensuke Oba

Capital: ¥100 million

[Nichii no Kirameki Co, Ltd.]

Representative: Yoko Kawase

Capital: ¥40 million

[Nichii Home Co, Ltd.]

Representative: Michihiro Tokiwa

Capital: ¥60 million

[Nichii Kanto Inc.] (Non-consolidated)

Representative: Masao Taguchi

Capital: ¥10 million

[Nichii Care Palace Co., Ltd.]

(Previous "Nihon Silver Service Corporation")

Representative: Yu Tatebe

Capital: ¥80 million

[Heisei Kaigo Co., Ltd.] (Non-consolidated)

Representative: Yu Tatebe

Capital: ¥52 million



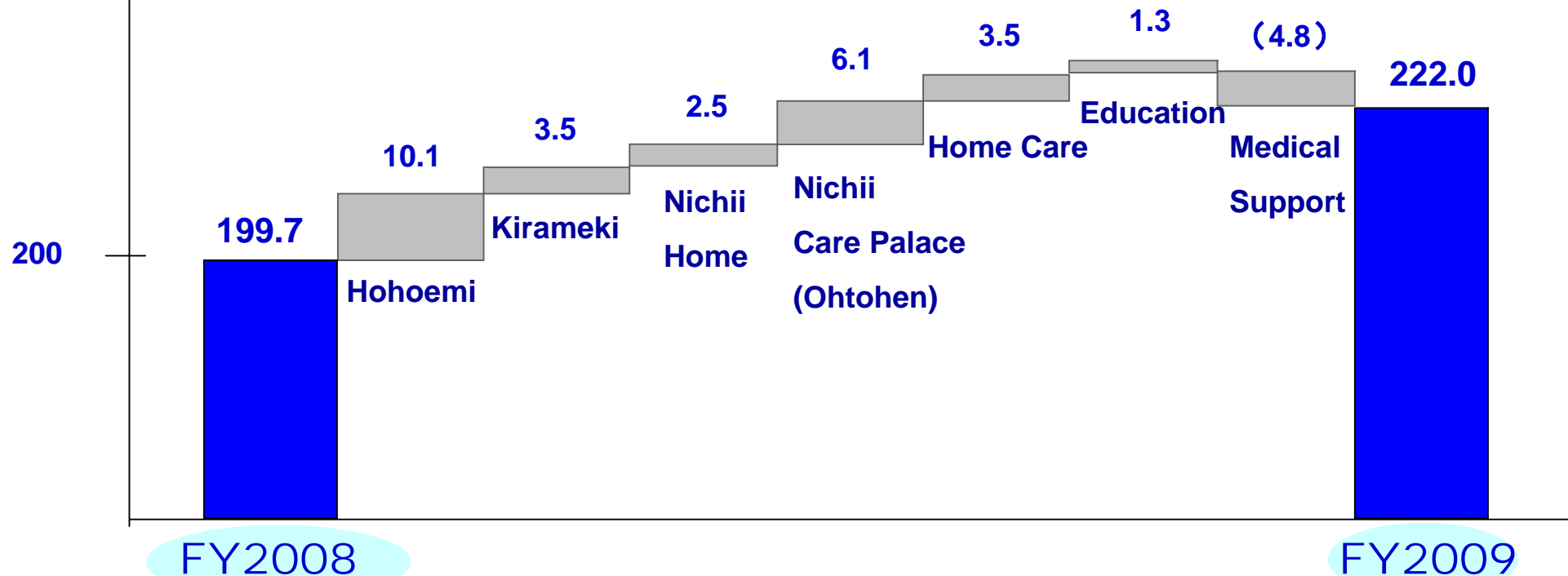
FY2009 Growth of net sales by segment (year-to-year comparison)

Net sales

(Billions of yen)

300

**Health care business steps up to the second growth stage
Facility care business initiatively drives growth**





Key points of each segment

◆ **Health Care Business**

April 2009 Long-term care payment revision

◆ **Medical Support Business**

Reform of the medical-care system

Revision of medical treatment payment

◆ **Education Business**

Reform of long-term care and medical system

Economic Trend

* Reform of social security system



■ “Special measures law on securing human resources for care workers”

May 21, 2008 Unanimously approved in the Upper House plenary session

- 1) Take necessary measures by April 1, 2009
- 2) Investigate measures for improving labor conditions while considering wage levels and other conditions

■ “Revised long-term care insurance law”

May 21, 2008 Unanimously approved in the Upper House plenary session

(1) Obligation for long-term care service providers to improve service management

The following instructions to the providers shall be given by every local government.

- On-site inspection, business improvement administrative recommendation or order
- Change from abolition notification to prior notification system
- Judgment about complicity

(2) The service providers are obliged to secure services for users in abolishing the business.

Additional resolutions

- 1) Obligation for improving the service management system shall require improvement of the supervisory system as well as avoiding excessive burdens on long-term care service providers.
- 2) Improvement of labor conditions for care workers shall be included in the next long-term care payment revision.
- 3) Consider how the taxation system revision may affect elderly households for the insurance payment calculation



■ Review of long-term care insurance benefits

May 13 Estimation of long-term care insurance benefits to be restrained (see the following cases) was presented by the Ministry of Finance to the Finance Council

- Cases where mild-level care users are excluded from the long-term care insurance benefits
- Cases where livelihood support benefit for mild-level care users is abolished.
- Cases where the self-pay burden ratio of mild-level care users is raised by 10 - 20%.

■ Revision of long-term care payment

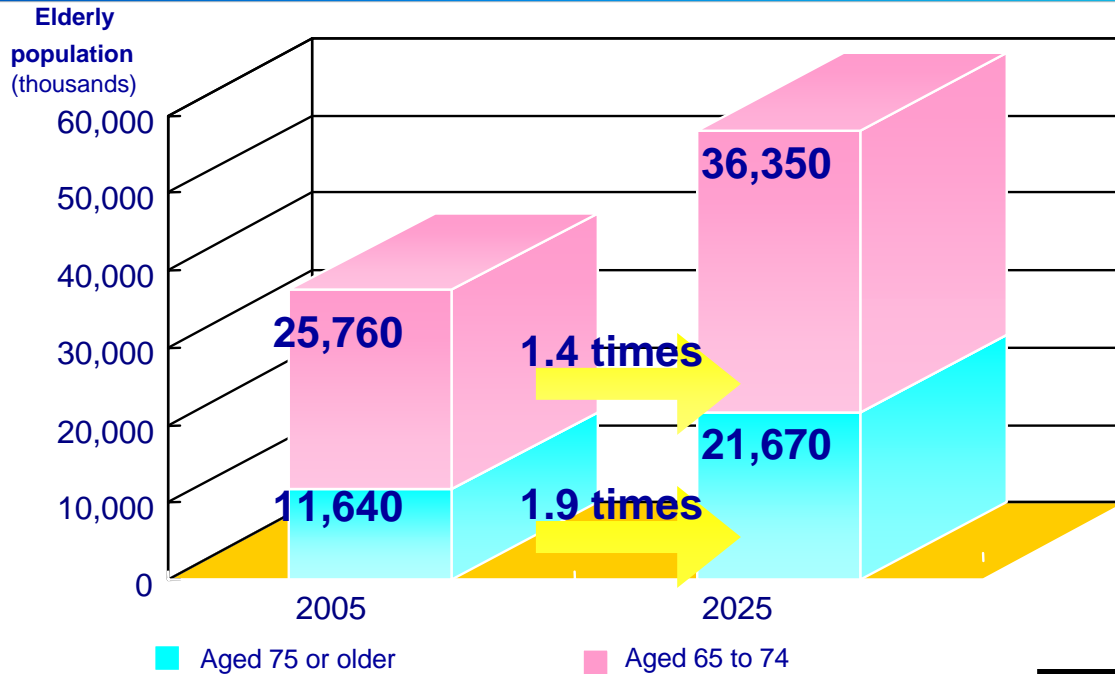
December, 2007 Long-term Care Benefits Session of the Social Security Council

Study by working team to grasp the current situation of the long-term care service business

- 1) Method to evaluate the efforts leading to career-enhancement for workers
- 2) Workload
- 3) Level of wages
- 4) Standard for staff assignment, evaluation of long-term care payment, etc.



Responding to a changing society with total long-term care service



Accelerated increase in the number of the elderly aged 75 or older

The ratio of the elderly aged 75 or over certified as care levels 4 and 5

Age-specific rate of certification (Jan. 2008)

	Population	People certified as requiring long-term care	Rate of certification of care needs
Elderly aged 65 to 74	14,760 thousand	658 thousand	4.5%
Elderly aged 75 or older	12,700 thousand	3,779 thousand	29.8%

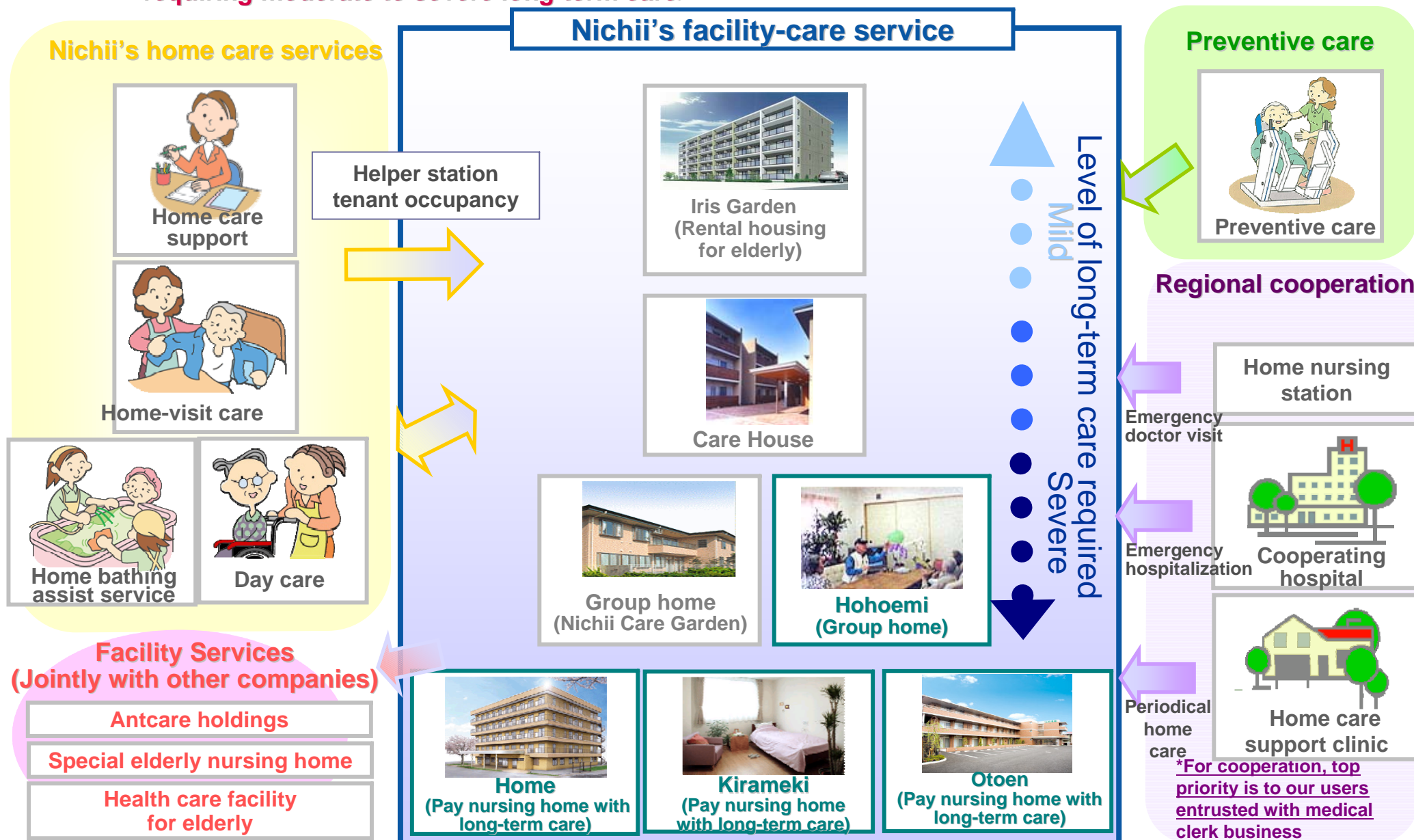
	Care level 4	Care level 5	Total
Total certified people (1)	585 thousand	524 thousand	1,109 thousand
Aged 75 or older (2)	490 thousand	436 thousand	926 thousand
Rate of the aged 75 or older ((2)/(1))	83.9%	83.1%	83.5%

Responding to a changing society with total long-term care service



Nichii's total long-term care service

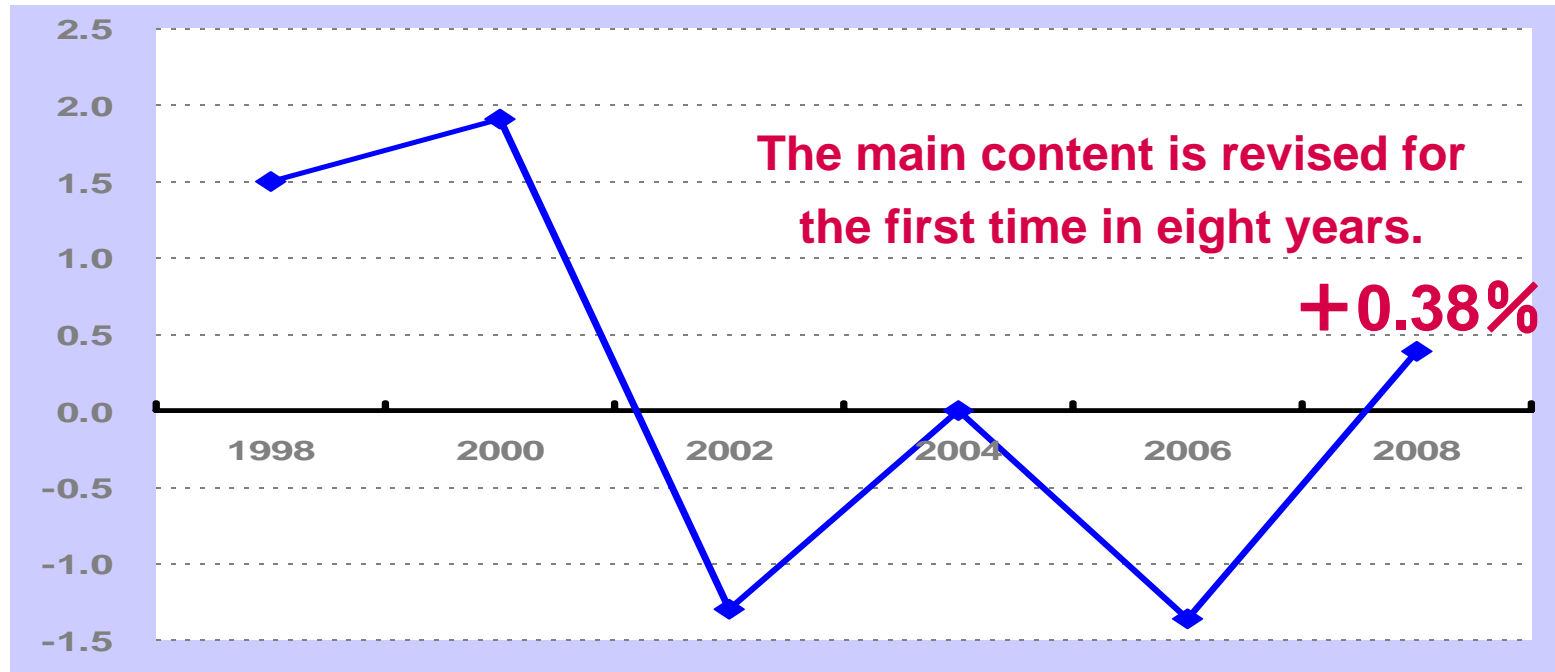
<Completely cover all service infrastructures for users, including independent people and those requiring moderate to severe long-term care>





The revision of the medical treatment payment

Change in the revision rate for medical treatment payment (The main content)

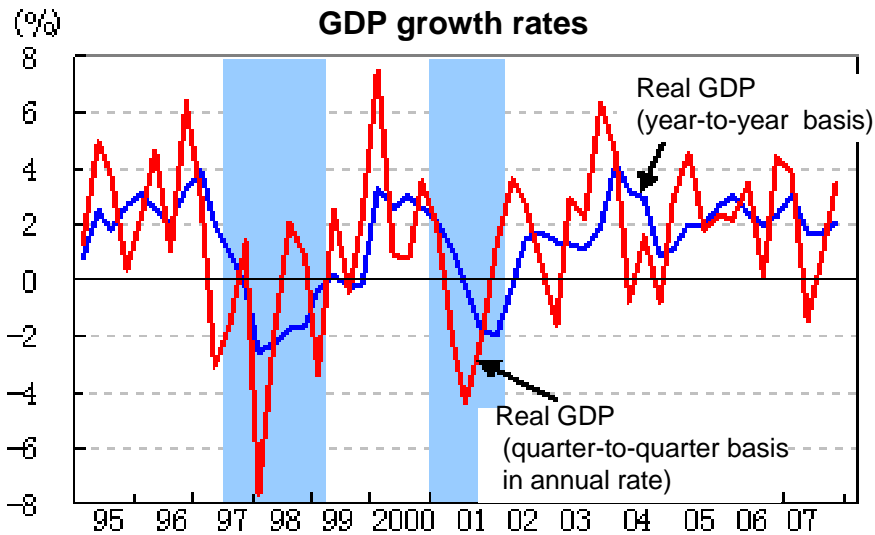


Six keywords of revision 2008

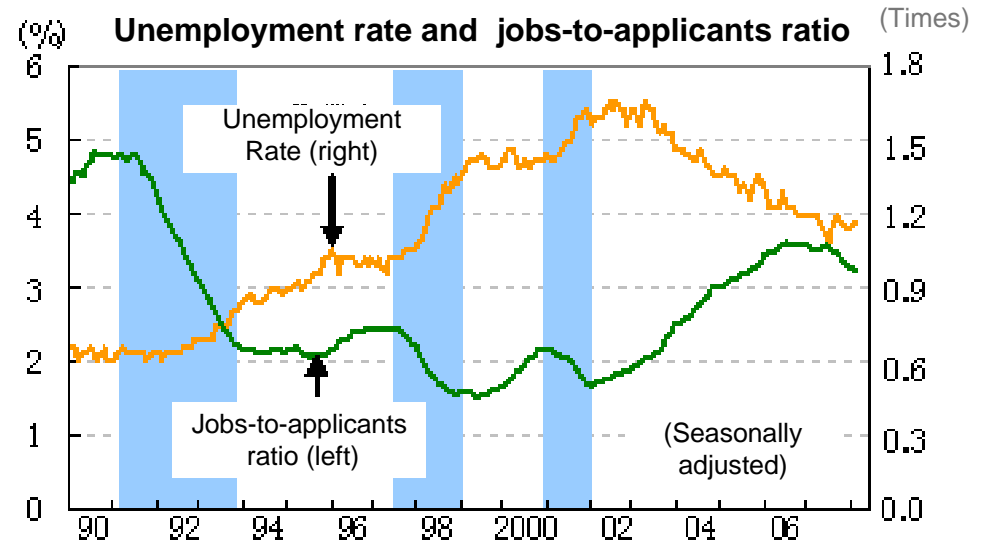
- ◆ Reduction of burdens on doctors working in hospitals
- ◆ Reduction of financial resources of clinics and small-and-medium-sized hospitals
- ◆ Follow-up of previous revision
- ◆ Foundation of benefits for latter-stage elderly people
- ◆ Rearrangement of cooperative routes and promotion of earlier hospital discharge
- ◆ Evaluation of outcome after acute stage



Economic trends and change in number of students



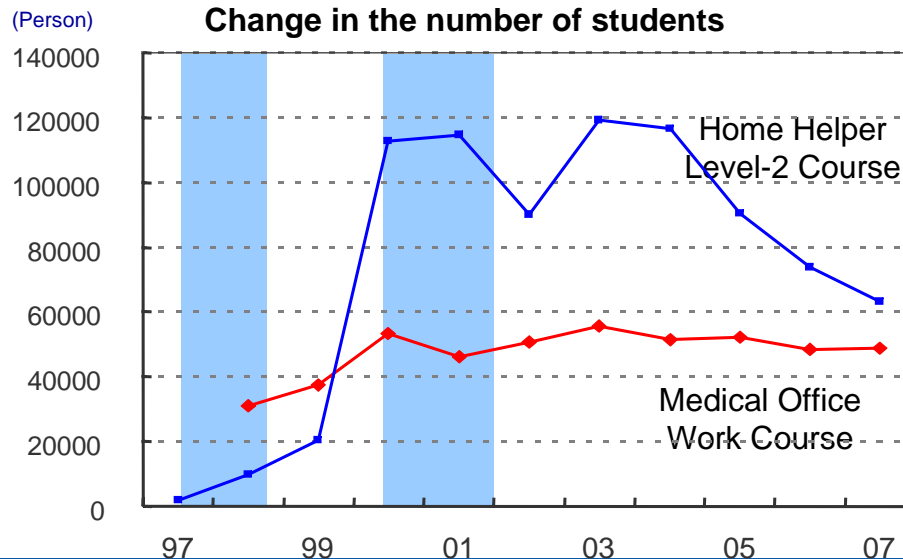
Source: Cabinet Office
 (Note) The periods in blue represents recession.
 (Last updated: April 28)
 Source: Nikkei NET



Source: Unemployment rate: Ministry of Internal Affairs and Communications
 Jobs-to-applicants ratio: Ministry of Health, Labor and Welfare
 (Note) The periods in blue represents recession.

(Last updated: April 28)
 Source: Nikkei NET

Education Business

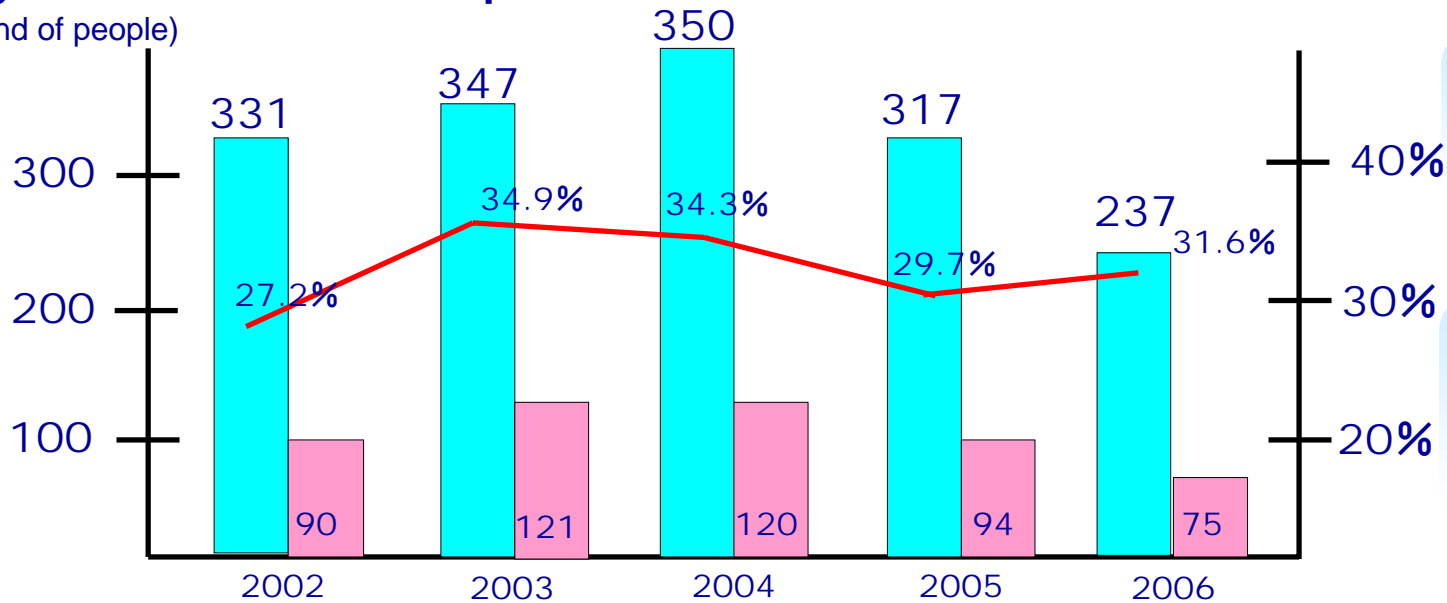




Nichii supports training of care workers in Japan

Changes in share of home helper trainees

(Thousand of people)



Responsibility as a leading company in the industry

Continue to foster human resources in the longer run

■ Total number of home helper trainees from level 1 to level 3 (Reference: National Commission on Social Security)

■ Total number of students enrolled in our classes of home-helper level 1 and 2

Estimated number of workers in the long-term care industry

2005 1,012 thousand people (of which care workers are 2,590 thousands)



2014 1,460 -1,560 thousand people

The figures were our estimation based on increase in the number of care service users.

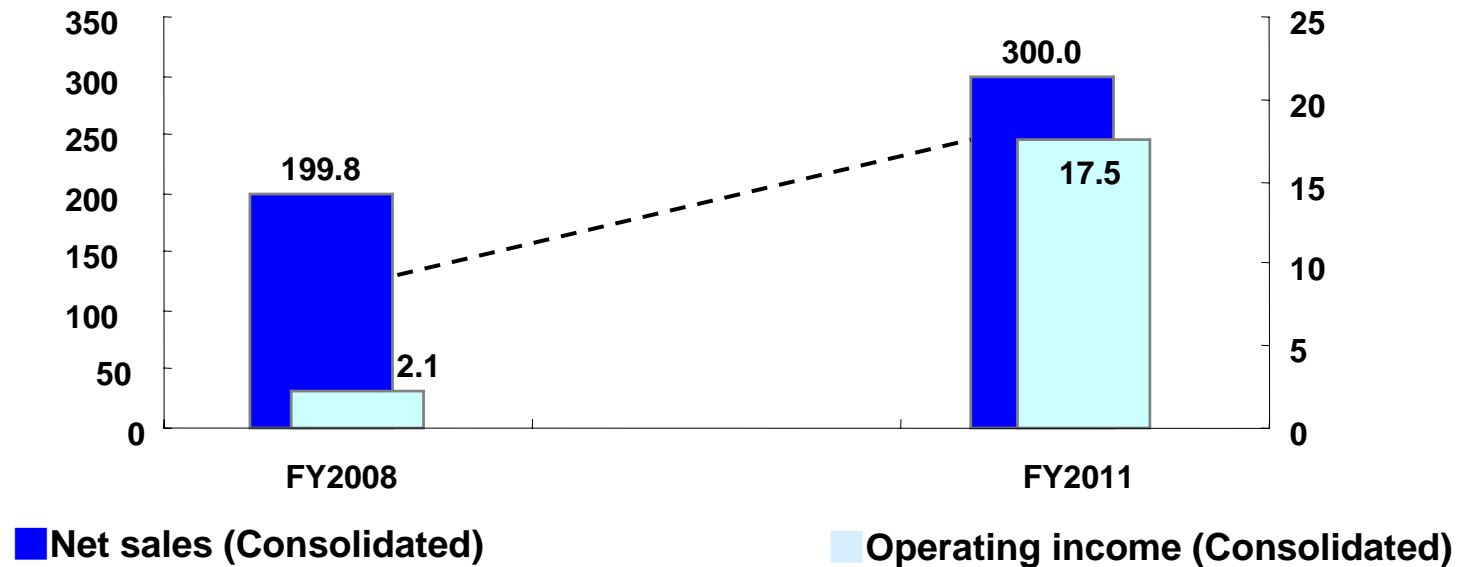
(Reference: Documents of Ministry of Health, Labor and Welfare)



Mid-Term Business Plan (FY2008-FY2011)

(Billions of yen)

To two-digit growth trend in sales and profits again



Point of growth strategy

Endeavors to securely achieve the sales profit goal for FY2011



Mid-Term Business Plan

Nichii supporting Japan's safety net

- **Medical Support Business** Support medical institutions under the universal health insurance system
- **Health Care Business** Provide total services for long-term care insurance
(Preventive care • Home care • Facility care)
- **Education Business** Train and develop human resources for the universal health insurance and long-term care insurance system



To be a leading company in human directly connected industry

Expand and improve services for each Medical Support Business, Health Care Business and Education Business

Meet new needs of the public

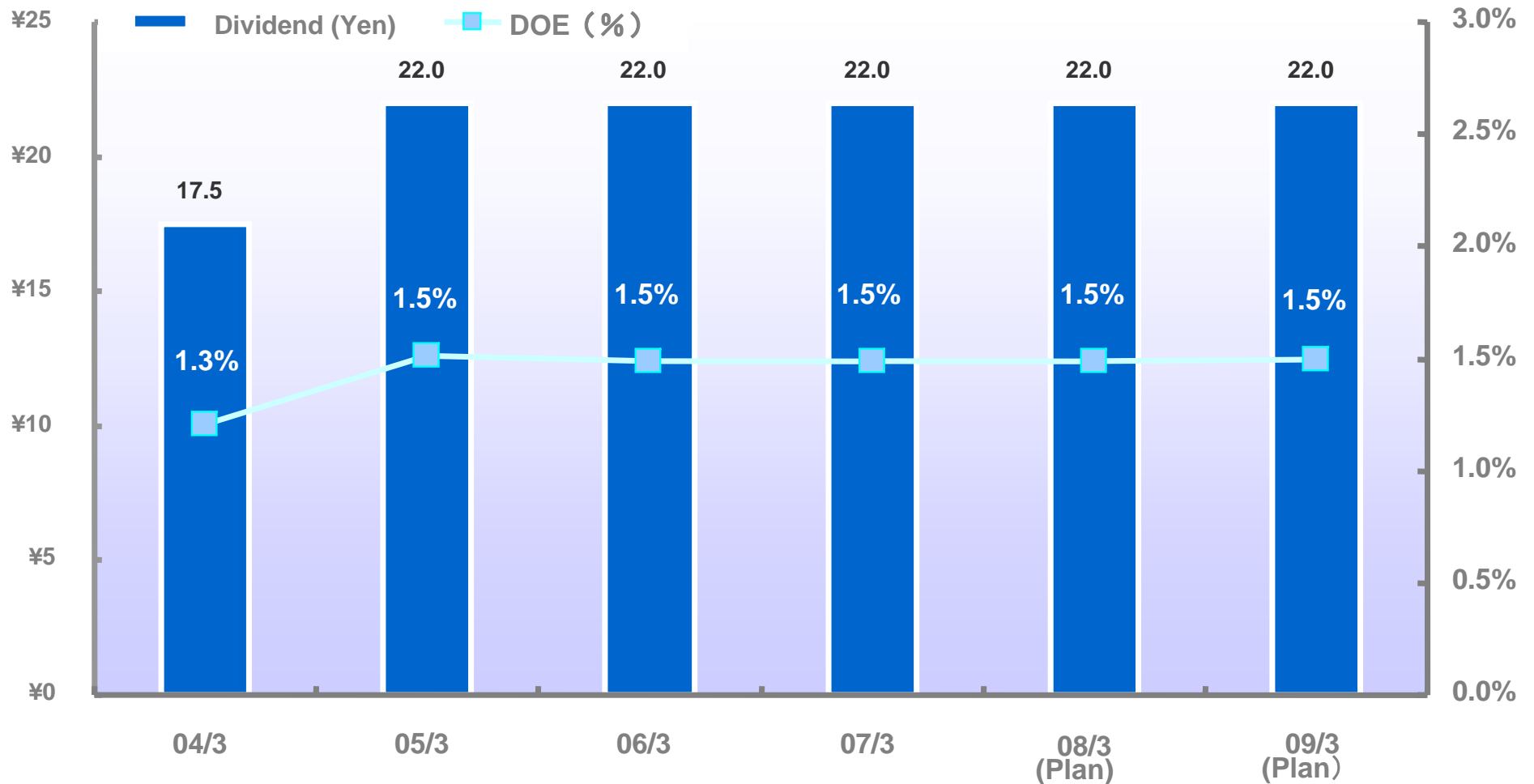
*Human directly connected industry : Theme discussed in Council on Economic and Fiscal Policy

The human directly connected industry, covering service fields such as medical, health support, child care, long-term care life support, education, movement, and community business, and the potential needs for such industry, are very high, so that this is defined as a growth field. For just the medical and long-term care fields, the market scale and the number of employees for 2010 are expected to be about 75 trillion yen and about 7.5 million, respectively.

By supporting Japan's safety net and meeting new needs, the Nichii, as the leading company, will aim to become a Number 1 company in the market for "Net sales," "Profits," "Product competitiveness" "Employees' working conditions," and "Compliance."



Dividend



*DOE . . . Ratio of dividends to shareholders' equity
(Dividend payout ratio × ROE (Consolidated))

09/9 pay an interim dividend



FY2008 Financial Result
FY2009 Forecast



Senior Executive Director
(in charge of business promotion)
Daisuke Terada



FY2008 Financial highlights and topics

Take over the facility care service in the Health Care Business,
and construct a mid-term growth base

POINT 1 ◆ Health Care Business first increase in revenue in 2 periods

Net sales: 79,702 million yen

(1,429 million yen increase from the previous year)

POINT 2 ◆ Cost-reduction in selling, general and administrative expenses

Down 7.4% year on year

POINT 3 ◆ Non-consolidated result: First increase in profits in 4 periods

Operating income: 2,660 million yen

(154 million yen increase from the previous year)



Result of FY2008 (Consolidated/Non-consolidated)

Consolidated

(Millions of yen)

	FY2007 Result	FY2008 Result	YoY	
			Change	%
Net sales	202,549	199,797	(2,752)	(1.4)
Operating income	2,635	2,171	(464)	(17.6)
Ordinary income	2,709	2,042	(667)	(24.6)
Net income	774	(834)	(1,608)	-

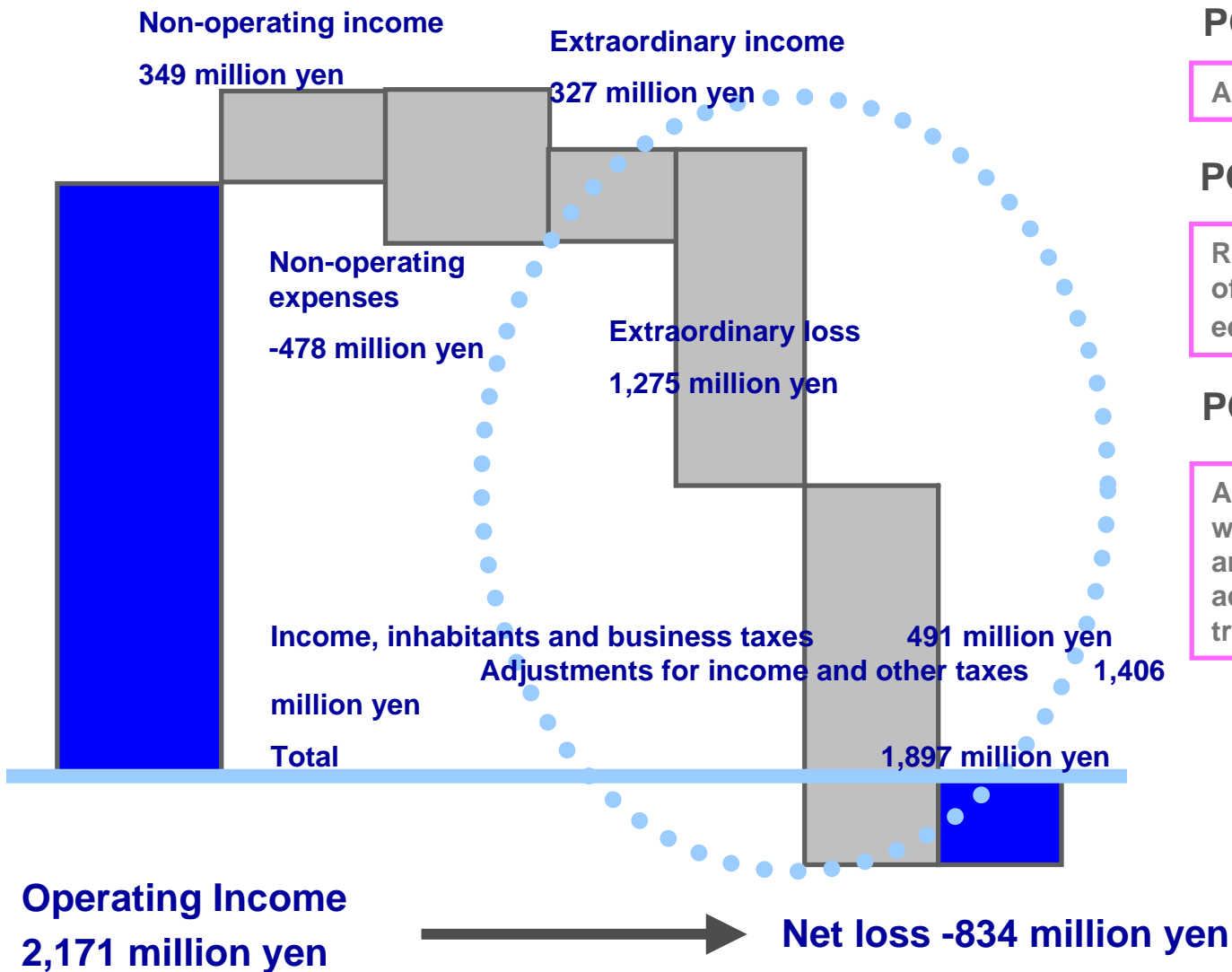
Non-consolidated

(Millions of yen)

	FY2007 Result	FY2008 Result	YoY	
			Change	%
Net sales	198,099	185,557	(12,542)	(6.3)
Operating income	2,506	2,660	154	6.2
Ordinary income	2,682	2,983	301	11.2
Net income	856	954	98	11.5



FY2008 Performance factors



POINT 1

Achieved our goal for operating income

POINT 2

Resulted in extraordinary loss due to posting of losses on revaluation of welfare equipment

POINT 3

Adjustments for income and other taxes were increased due to adaptation of amortization of goodwill into tax effect accounting associated with the business transfer.

The bottom line was lowered due to posting of extraordinary loss and adjustment for income and other taxes



FY2009 Net sales and operating income by segment (Consolidated)

(Millions of yen)

Net sales

	FY2007 Result	FY2008 Result	YoY
			%
Medical Support Business	110,966	109,217	(1.6)
Health Care Business	78,272	79,702	1.8
Education Business	12,478	10,158	(18.6)
Others	2,793	1,970	(29.4)
Eliminations	(1,962)	(1,251)	-
Total	202,549	199,797	(1.4)

Operating income

(Millions of yen)

	FY2007 Result	FY2008 Result	YoY
			%
Medical Support Business	10,824	10,700	(1.1)
Health Care Business	1,820	190	(89.5)
Education Business	(1,709)	(1,793)	-
Others	254	215	(15.4)
Eliminations	(8,555)	(7,139)	(16.5)
Total	2,635	2,171	(17.6)



FY2008 Financial conditions by quarter (Consolidated)

Consolidated

Net sales began to increase in the 2nd quarter

	FY2007				FY2008			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	51,096	51,115	50,954	49,384	48,624	48,077	50,622	52,377
Operating income	260	1,068	763	544	229	651	916	304
Ordinary income	308	1,063	788	550	262	704	965	69
Net income	49	435	417	(127)	2	11	263	(1,126)

The number of consolidated subsidiaries

FY2008 2Q: 6 companies

3Q: 7 companies

4Q: 10 companies



Financial conditions by segment (consolidated)

	FY2007				FY2008			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Medical Support Business	27,623	27,702	27,942	27,699	27,475	27,470	27,382	26,890
Health Care Business	19,778	19,917	19,783	18,794	18,131	17,862	20,622	23,087
Education Business	3,471	3,279	2,992	2,736	2,856	2,545	2,432	2,325
Others	1,029	667	621	476	463	502	560	445
Eliminations	(806)	(451)	(384)	(321)	(301)	(303)	(375)	(272)
Net sales	51,096	51,115	50,954	49,384	48,624	48,077	50,622	52,474
Medical Support Business	2,424 8.8%	2,747 9.9%	2,656 9.5%	2,997 10.8%	2,405 8.8%	2,711 9.9%	2,625 9.6%	2,959 11.0%
Health Care Business	265 1.3%	800 4.0%	532 2.7%	223 1.2%	238 1.3%	203 (1.1)%	1 (0.0)%	(252) (1.1)%
Education Business	(315) (9.1)%	(325) (9.9)%	(605) (20.2)%	(464) (17.0)%	(351) (12.3)%	(469) (18.4)%	(372) (15.3)%	(601) (25.8)%
Others	39 3.8%	7 1.0%	169 27.2%	39 8.2%	43 9.3%	(22) (7.3)%	164 (29.3)%	30 (6.7)%
Eliminations	(2,153)	(2,160)	(1,990)	(2,252)	(2,107)	(1,771)	(1,501)	(1,760)
Operating income	260 0.5%	1,068 2.1%	763 1.5%	544 1.1%	229 0.5%	651 1.4%	916 1.8%	375 0.7%

(Millions of yen)

POINT

(1) Medical Support Business

While the number of contracts was squeezed, profits were maintained.

(2) Health Care Business

Sales bottomed out in the 2nd quarter and profits bottomed out in the 4th quarter.

(3) Education Business

While the fall in revenue continued, costs were restrained.



Medical Support Business Result of FY2008

Consolidated

(Millions of yen)

	FY2007	FY2008	Change	Change (%)
Net sales	110,966	109,217	(1,749)	(1.6)
Operating Income	10,824	10,700	(124)	(1.1)
Operating income margin(%)	9.8	9.8	-	-

Non-consolidated

(Millions of yen)

	FY2007	FY2008	Change	Change (%)
Net sales	110,609	108,879	(1,730)	(1.6)
Operating Income	5,962	6,417	455	7.6
Operating income margin(%)	5.4	5.9	-	-

Home care Net sales by service

(Millions of yen)

	FY2007	FY2008	Change	Change (%)
Hospitals	91,881	91,351	(530)	(0.6)
Clinics	18,727	17,527	(1,200)	(6.4)
Total	110,609	108,879	(1,730)	(1.6)

Contractual medical facilities

(Case)

	2007/3	2008/3	Change	Change (%)
Hospitals	2,368	2,204	(164)	(6.9)
Clinics	10,746	10,232	(514)	(4.8)
Total	13,114	12,436	(678)	(5.2)

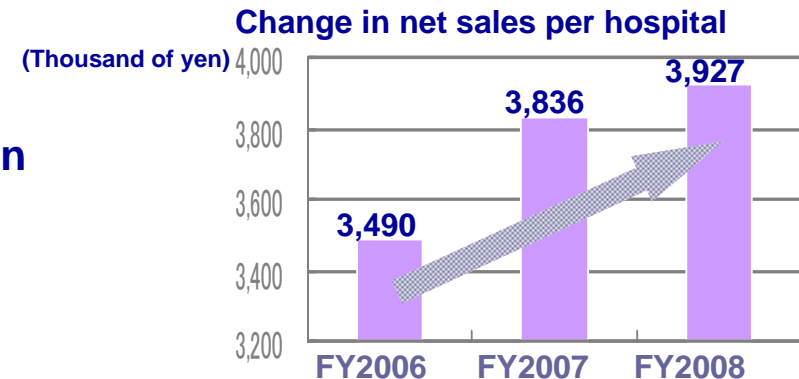


Medical Support Business Our approach in FY2008

Pursue profit-oriented strategy

Expand contract services per medical institution

- Acquire contracts for new businesses
- Acquire short-term contracts



Expanding business support service

Obligatory online receipts processing

Deal with increased patients in medical institutions

Promote cooperation between medical and long-term care services through the “Community Care System Improvement” in each prefectures



Develop and supply “Receipt Check Eye” which systematizes the know-how of medical service payment system

Develop and supply “Marketing Eye” which analyzes the ability of local medical institutions to attract customers (Marketing Service)

Develop a “Map for medical, care and welfare services”



Health Care Business Result of FY2008

Consolidated

(Millions of yen)

	FY2007	FY2008	Change	Change (%)
Net sales	78,272	79,702	1,430	1.8
Operating income	1,820	190	(1,630)	(89.6)
Operating income margin(%)	2.3	0.2	-	-

Non-consolidated

(Millions of yen)

	FY2007	FY2008	Change	Change (%)
Net sales	75,011	66,519	(8,492)	(11.3)
Operating income	(1,206)	(1,569)	(363)	-
Operating income margin(%)	(1.6)	(2.4)	-	-

(Non-consolidated) Home care Net sales by service

(Millions of yen)

	FY2007	FY2008	Change	Change (%)
Home-visit care service	40,453	37,849	(2,604)	(6.4)
Day care service	14,256	15,301	1,045	7.3
Sales and rental of welfare	10,501	6,032	(4,469)	(42.6)
Others	9,801	7,337	(2,464)	(25.1)
Total	75,011	66,519	(8,492)	(11.3)

(Non-consolidated) Home care Users by service

(Case)

	2007/3	2008/3	Change	Change (%)
Care planning service	34,443	32,916	(1,527)	(4.4)
Home-visit care service	61,877	61,193	(684)	(1.1)
Day care service	17,338	17,600	262	1.5
Sales and rental of welfare	26,294	23,999	(2,295)	(8.7)
Total	105,509	102,792	(2,717)	(2.6)



(1) Expand Preventive Care Services

- Revise our program based on the actual data of preventive effects
- Care center numbers: 839 (As of March 2008)

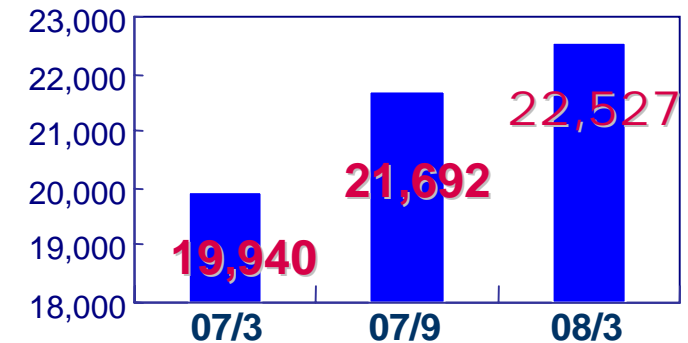
(2) Expand welfare services for the disabled

- Expansion of care centers nationwide: app. 730
- Pursue to expand services

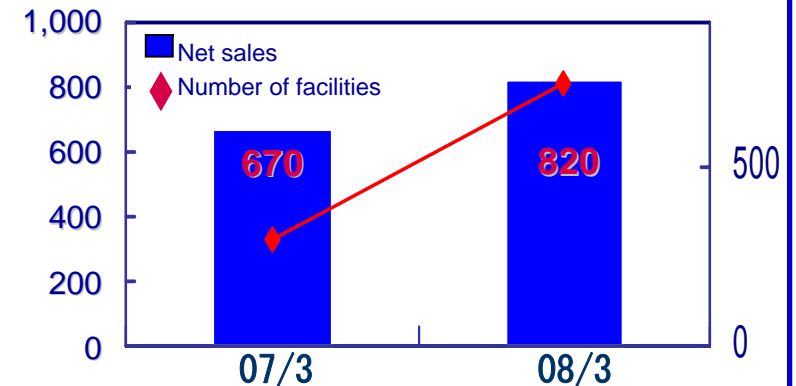
(3) Seek to acquire contracts for our regional support business

- Number of contracts in FY2007: 124

Number of preventive care services



(Millions of yen) Welfare services for the disabled



Acquire potential users for services using long-term care benefits

(Provide long-term services to our clients)



Acquired companies P/L (3rd quarter of FY2007)

	Nichii no Hohoemi	Nichii no Kirameki	Nichii Home	Nichii Care Palace	Total
Net sales	1,966	458	394	5,528	8,383
Operating income (loss)	(11)	(199)	(94)	(377)	(682)
Operating income (loss) margin (%)	(0.6)	(43.4)	(23.9)	(6.8)	(8.1)

Acquired companies; Two months (November and December in 2007)

Nichii Care Palace Co., Ltd. ; Six months (from September to December in 2007)

Factors in our operating loss

(1) Amortization of goodwill

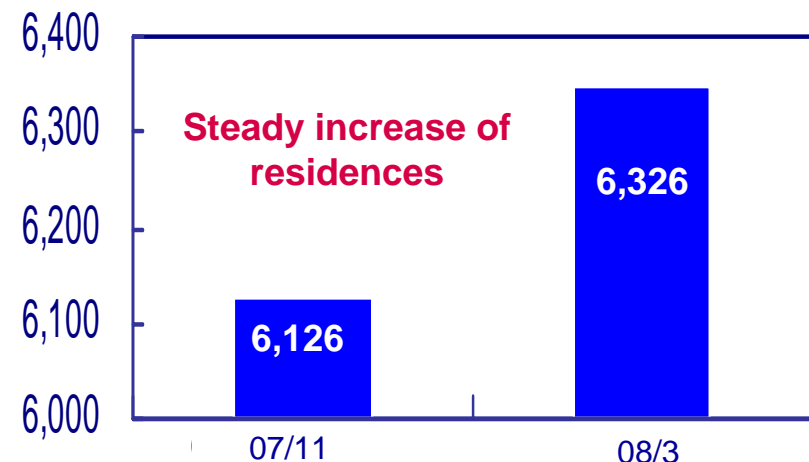
Amortization of goodwill of the four companies during FY2008:
214 million yen

(2) Costs for rent of in-progress facilities were generated

All facilities in progress will open by July 1.
(16 of which opened by May 1)

(3) Sales force temporarily lowered by taking over the business

Number of residences at facilities





Education Business Result of FY2008

Consolidated

(Millions of yen)

	FY2007	FY2008	Change	Change(%)
Net sales	12,478	10,158	(2,320)	(18.6)
Operating income	(1,709)	(1,793)	(84)	-
Operating income margin(%)	(13.7)	(17.7)	-	-

Non-consolidated

(Millions of yen)

	FY2007	FY2008	Change	Change(%)
Net sales	12,478	10,158	(2,320)	(18.6)
Operating income	(2,250)	(2,187)	63	-
Operating income margin (%)	(18.0)	(21.5)	-	-

Net sales by course

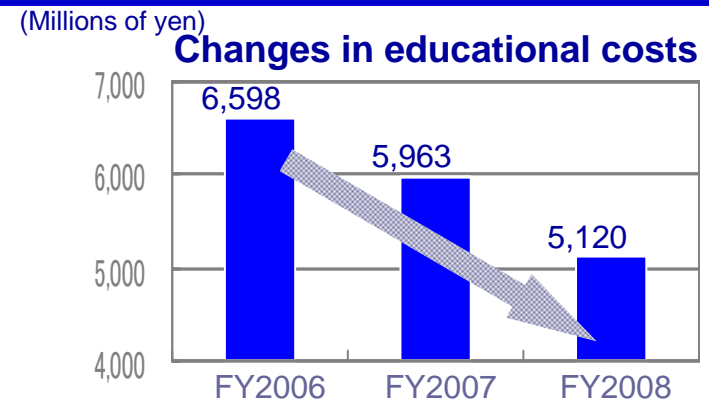
(Millions of yen)

	FY2007	FY2008	Change	Change(%)
Medical Office Work	5,500	5,022	(478)	(8.7)
Home Helper Level-2	5,754	4,292	(1462)	(25.4)
Babysitter and Others	1,224	844	(380)	(31.0)
Total	12,478	10,158	(2320)	(18.6)



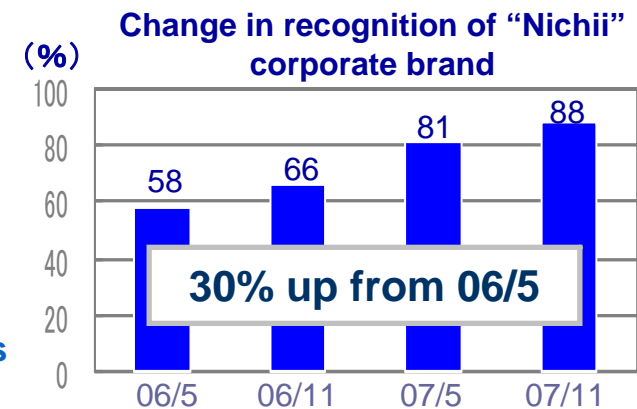
(1) Promote effective class management

- Increase the number of students per class
- Conduct effective class management under the Specialized Branch System



(2) Promote efficient advertisement

- Place advertisements in the media with a good response in the past
- Focus advertisements on a month when classes start and the attendance are very high
- Promote the effective commercial on TV with high responsiveness



(3) Develop new courses

- Develop courses to meet needs in medical and long-term care service fields
 - Nurse Assistant Training Course (starting in September)
- Develop livelihood support-related courses
 - Mental Training Course (starting in February)



Qualifications of care workers under the long-term care insurance system

<National Certification>

Care workers

Care Workers' Basic Course

Home-Visit Care Worker (Home Helper)
Training Course Level 1

Home-Visit Care Worker (Home Helper)
Training Course Level 2

Home-Visit Care Worker (Home Helper)
Training Course Level 3



To be integrated into
Care Workers' Basic
Course in 2012.

**Home Helper Level 2
qualification is maintained
due to secure care workers.**



To be excluded from the
long-term care payment
calculation in 2009.

Source: Documents of Ministry of Health, Labor and Welfare



Forecast of FY2009



FY2009 Forecast (Consolidated/Non-consolidated)

Consolidated

(Millions of yen)

	FY2008 Result	FY2009 Forecast	YoY	
			Change	%
Net sales	199,797	222,000	22,203	11.1
Operating income	2,171	3,140	969	44.6
Ordinary income	2,042	2,720	678	33.2
Net income	(834)	50	884	-

Non-consolidated

(Millions of yen)

	FY2008 Result	FY2009 Forecast	YoY	
			Change	%
Net sales	185,557	185,500	(57)	0.0
Operating income	2,660	4,700	2,040	76.6
Ordinary income	2,983	5,140	2,157	72.3
Net income	954	2,730	1,776	186.0



Forecast of net sales and operating income by segment (Consolidated)

Net sales

(Millions of yen)

	FY2008	FY2009	YoY
	Result	Forecast	%
Medical Support Business	109,217	104,400	(4.4)
Health Care Business	79,702	105,400	32.2
Education Business	10,158	11,500	13.2
Other	1,970	2,000	1.5
Eliminations	(1,251)	(1,300)	-
Total	199,797	222,000	11.1

Operating income

(Millions of yen)

	FY2008	FY2009	YoY
	Result	Forecast	%
Medical Support Business	10,700	9,600	(10.3)
Health Care Business	190	700	268.4
Education Business	(1,793)	(900)	-
Other	215	200	(7.0)
Eliminations	(7,139)	(6,460)	-
Total	2,171	3,140	44.6



Establish a solid business base aimed to enforce mid- and long-term profitability

(1) Maintain a profit-oriented strategy

- Increase the net sales per hospital
- Further review the contracts (Select and focus)

(2) Invest in human resources

- Improve the stability of the workforce with the better working conditions
- Recruit workers through the Web site
- Foster highly-skilled staff

(3) Expand the management support service

Provide the high-value-added service responding to the new system

Additional payment to the doctor assistant office worker
 General hospitals, excluding special functioning hospitals (app. 7,700 institutions)
 Requirements:
 (1) Contract of dispatched worker
 (2) Prohibition of dual employment (neither full-time nor part-time)

Healthcare system reforms implemented in April 2008
Community Care System Improvement

- Development of infrastructure for decrease in the number of beds for medical treatment
- Cooperation between medical institutions and long-term care facilities

Obligatory online receipts processing by 2011

Expand temp staff business
Strengthen the staff support system

Develop and market new products that match the new system

- Enhance sales of receipt check system Receipt Check Eye
- Develop and supply marketing service Marketing Eye



- Stabilize profits -

Home care services

- Improve operation efficiency per care worker
- Expand our regional support business and the disabled independence support services
- Improve customer satisfaction
- Strengthen the management of income and expenditures

Facility care services

- Improve operation efficiency at newly launched facilities
- Promote rearrangement of facilities operations within the group
- Improve customer satisfaction
- Strengthen the management of income and expenditures

Promote livelihood support services

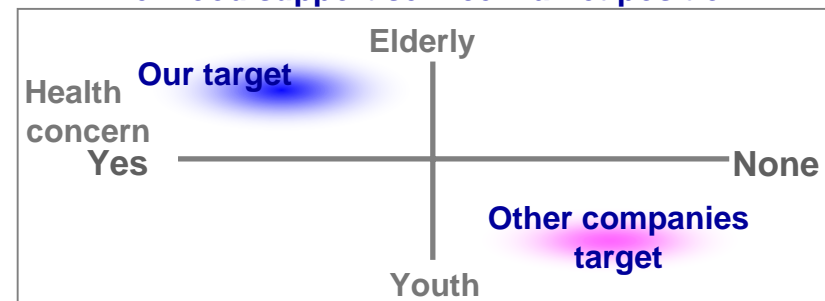
- Promote homemaker services especially for the elderly.
(Acquire potential users of long-term care services)

Promote cooperation between home care and facility care services

- (1) Improve ability to attract and retain care workers
- (2) Attract more customers through one-stop service
- (3) Expand non-insured pay services

Enhance competitiveness

Livelihood support service market position





Quantitative expansion of Education Business

- Aggressively promote the related courses tailored to the trend of care worker qualification
- Promote group-based courses
- Develop new courses adapted to the site's needs and health related course

Ability to supply human resources

- Promote cooperation between branches for Medical Support Business and branches for Health Care Business
- Promote helper internal instructors and promote periodic training for medical office work instructors
- Aggressively hold recruiting orientations

Profit improvement

- Promote an increase in the number of students per class
- Promote group-based courses
- Earlier switch training facilities run by other companies to our own facilities