

Financial Results Briefing Document

For the First Half of the Year Ending March 2011
(1H FY2011)

November 17, 2010

Information Meeting of
Financial Report
for the First Half of the Year
Ending March 2011

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President and Representative Director



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1H FY2011 financial results

Consolidated

(Million yen)

	1H FY2010	1H FY2011		
	Result	Forecast	Result	YoY
Net sales	112,643	119,300	119,623	6.2%
Operating income	2,398	3,500	3,401	41.9%
%	2.1%	2.9%	2.8%	
Ordinary income	2,293	3,500	3,727	62.6%
%	2.0%	2.9%	3.1%	
Net income	677	1,100	1,329	96.1%
%	0.6%	0.9%	1.1%	



1. Another record-high of 1H net sales

Another record-high sales: ¥119,623 million (up 6.2% year on year)

Health Care Business: ¥61,177 million (up 14.1% year on year)

Two consecutive years of record-high net sales

2. Two consecutive years of higher profits

Consolidated operating income for 1H FY2011: ¥3,401 million (up 41.9% year on year)

-- the Health Care Business leading the way

Net sales rose ¥6,979 million (or 6.2% year on year), while growth in SG&A expenses was held to ¥208 million (or 1.0% year on year)

3. Education Business: Employment program-related nursing care services contributed to overall earnings

Continued strong performance in operations like outsourcing services provided in connection with the government's support program "Study and obtain a qualification as a care worker while working at nursing care facilities."

Recorded ¥227 million as Commission on consignment for job creation business, and approx. ¥300 million as Other on non-operating income.

Constructing a robust business infrastructure to increase medium-to-long term profitability

1) Invest in safety and security

- Enhance training
- Strengthen call center operations
- Revamp day-care service transportation
- Move forward with efforts to gain ISMS certification (ISO/IEC27001:2005)

2) Invest in human resources

- Increase the retention rate through enhanced compensation
- Gain new employees through job-search support sites
- Develop staff with advanced skills

3) Invest in operations

Develop high-added-value services to serve diversifying needs

Physician shortage leading to more needs for medical administration support

Diversification of demand for professional qualifications, and lifestyles

**Growing need for nursing care services
Increase in users of nursing care services**

Cyber clerk business

Development of medical administration support services applying voice-recognition technology

Web College

Development of new courses
Greater application of e-learning in training systems

Additional home-care and facility-care locations

(Mar. – Sep. 2010)

Care plan:	8 locations
Home-visit care:	14 locations
Day care:	1 location
Group homes:	6 locations



1H FY2011 net sales and operating income by segment

Consolidated net sales

(Million yen)

	1H FY2010 Result	1H FY2011 Result	YoY
			%
Medical Support Business	50,435	51,223	1.6%
Health Care Business	53,632	61,177	14.1%
Education Business	8,333	7,076	-15.1%
Other Businesses	1,340	805	-39.9%
Eliminations	(1,098)	(660)	-
Total	112,643	119,623	6.2%

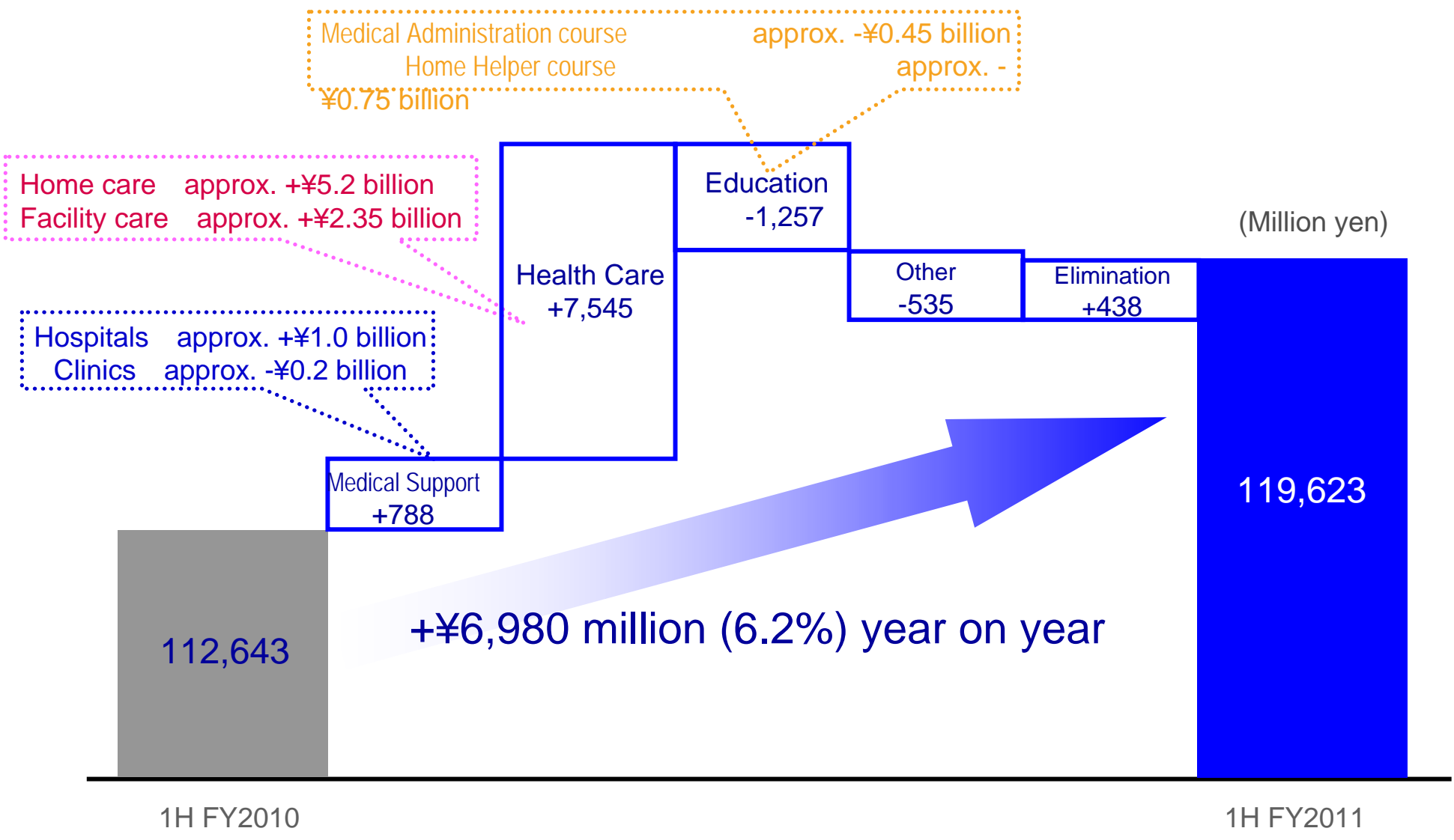
Consolidated operating income

(Million yen)

	1H FY2010 Result	1H FY2010 Result		YoY(to new standard)
		Previous standard	New standard	
Medical Support Business	3,680	3,509	2,951	-19.8%
Health Care Business	731	3,521	3,102	324.4%
Education Business	1,923	1,027	1,043	-45.8%
Other Businesses	185	5	5	-97.3%
Eliminations	(4,123)	(4,662)	(3,700)	-
Total	2,398	3,401	3,401	41.9%

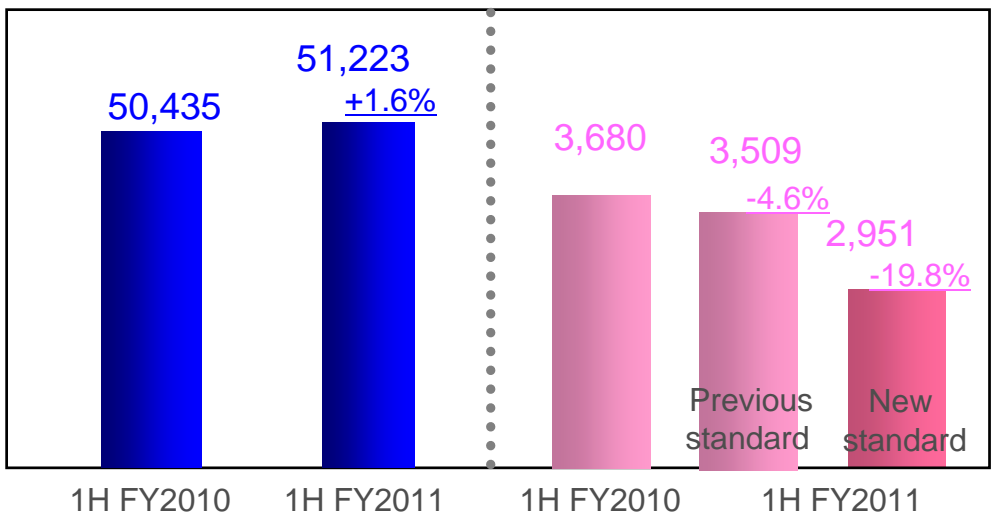


Factors of changes in net sales

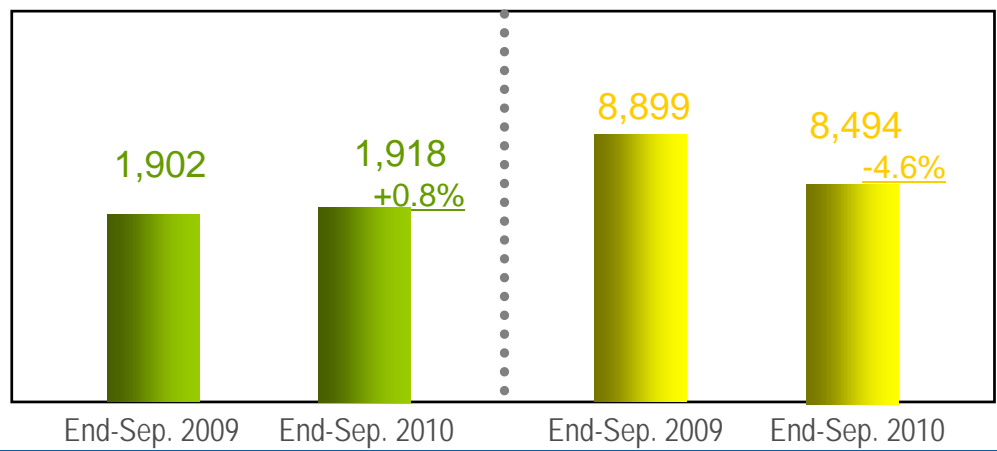




Consolidated ■ Net sales ■ Operating income (Million yen)



Number of contracted medical institutions ■ Hospitals ■ Clinics (Cases)

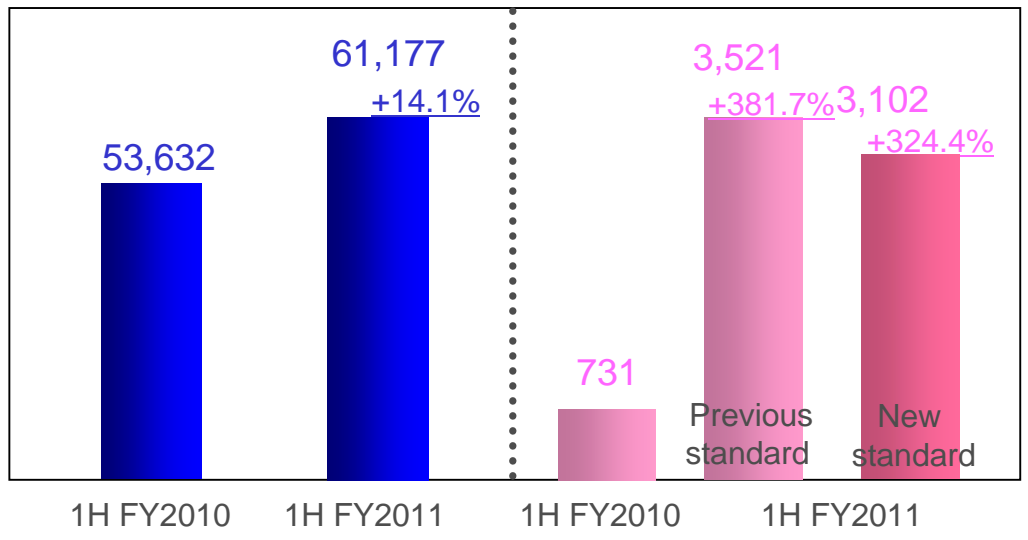


Overview of financial results for 1H FY2011

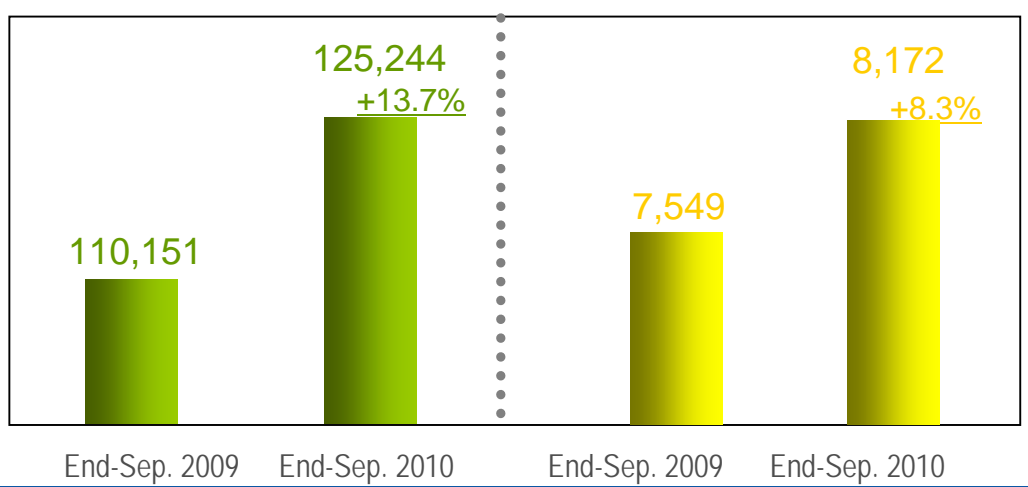
- ◆ **1.6% increase in net sales**
 - Growing net sales per medical institution will support continuing revenue growth in 2H FY2010 and beyond
 - Even with higher health insurance rates and other factors pushing up personnel expenses, profits were kept at about the same level as a year ago (based on the previous standard)
- ◆ **Reducing the administrative burden of physicians**
 - Prepared to introduce the cyber clerk business
 - Accelerated deployment of medical office work assistants
- ◆ **Development and enhancement of the childcare business**
 - Development and expansion of childcare services within medical institutions and office
- ◆ **Enhancing compliance**
 - Gained ISMS (Information Security Management System) certification for 20 branches



Consolidated ■ Net sales ■ Operating income (Million yen)



Number of users by service (Cases)
■ Home care ■ Facility care



Overview of financial results for 1H FY2011

◆ Home care and non-insurance nursing services

- Care plan users increased
 - Growth in the number of users of home-visit, day-care and welfare equipment rental services
- => Increases surpassing forecasts for these services

September 2010	(Forecast)	123,600 cases
	(Result)	125,244 cases

- Growth in the number of users of welfare services for the handicapped

◆ Facility care service

- Higher facility utilization rate due to growth in the number of service users
- September 30, 2009: 88.6%
- September 30, 2010: 94.6%

◆ Implementation of staff compensation improvements

- Continuously improved staff compensation
- Enhanced training for each job category



(Million yen)

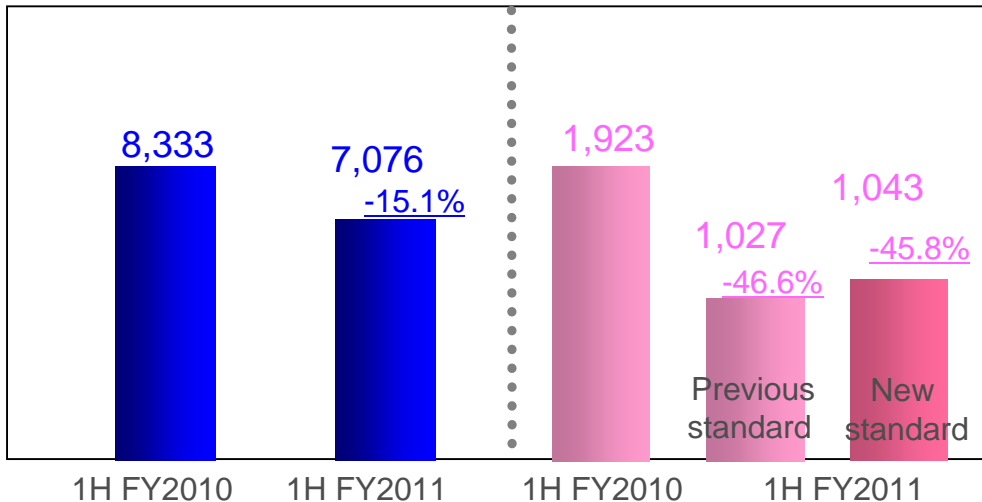
		FY2010			FY2011		
		1Q	2Q	1H	1Q	2Q	1H
		Amount	Amount	Amount	Amount	Amount	Amount
	Hohoemi	3,675	3,764	7,439	4,266	4,417	8,683
	Kirameki	1,176	1,316	2,493	1,622	1,654	3,276
	Home	3,558	3,592	7,150	3,688	3,816	7,505
Net sales		8,410	8,673	17,084	9,578	9,888	19,464
	Hohoemi	483	421	904	557	647	1,204
	%	13.1%	11.2%	12.2%	13.1%	14.6%	13.9%
	Kirameki	(93)	(20)	(113)	165	202	367
%	-7.9%	-1.5%	-4.5%	10.2%	12.2%	11.2%	
	Home	126	111	237	116	162	278
	%	3.5%	3.1%	3.3%	3.1%	4.2%	3.7%
Gross profit		515	511	1,028	839	1,011	1,850
%		6.1%	5.9%	6.0%	8.8%	10.2%	9.5%

➤ With respect to the Ohtohen, which was previously managed by Nichii Care Palace Co., Ltd. before merger, its brand name was changed to “Nichii Home” in January 2010.

➤ Only net sales and gross profit are reported due to the mergers and restructurings of the transferred companies.

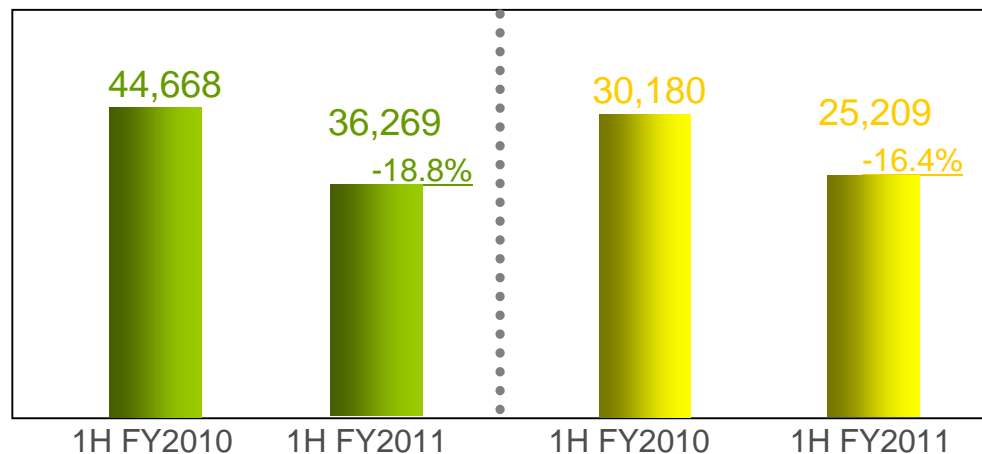


Consolidated ■ Net sales ■ Operating income (Million yen)



Number of students by course (Students)

■ Home Helper course ■ Medical Administration course

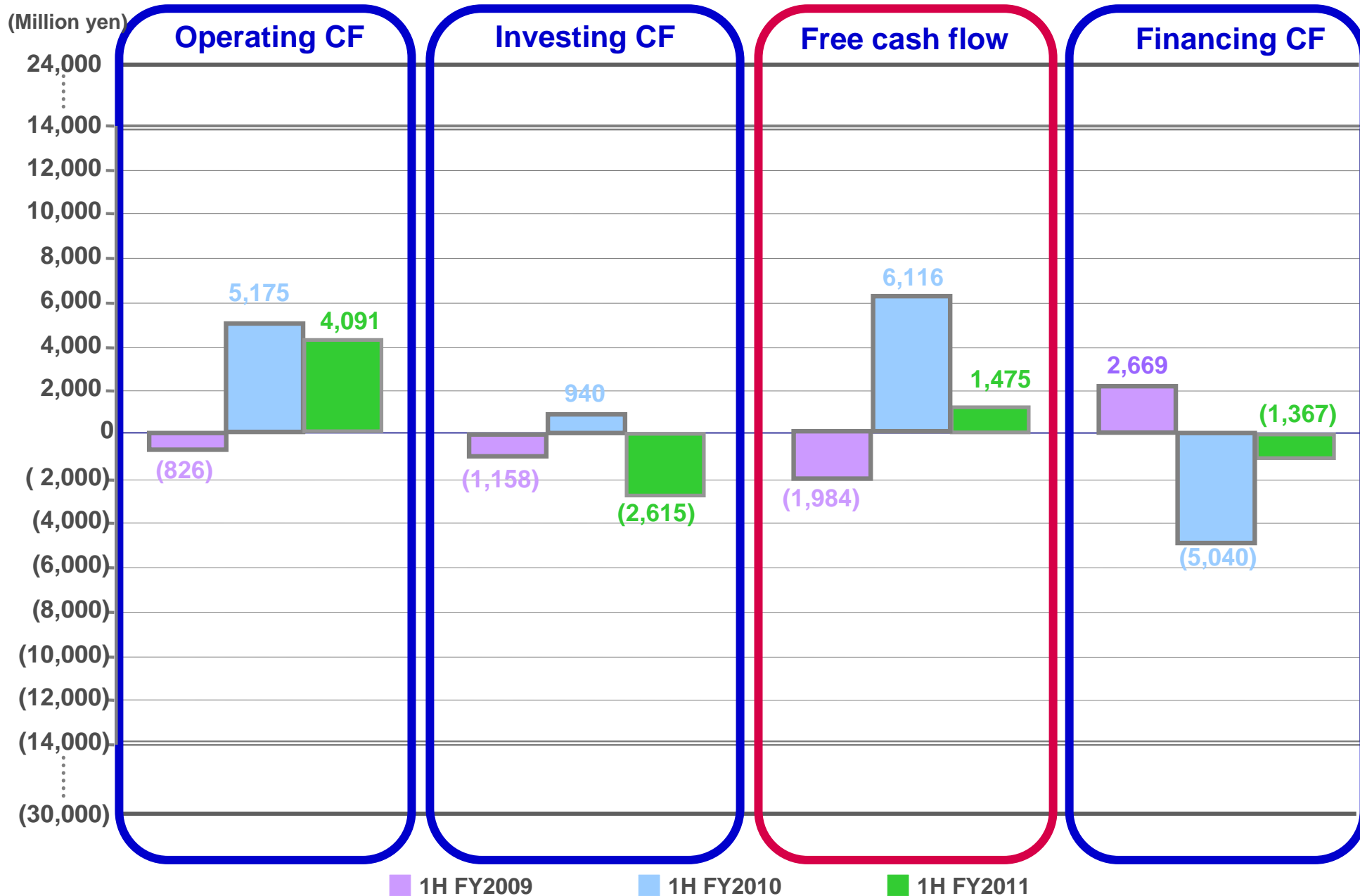


Overview of financial results for 1H FY2011

- ◆ Students increased particularly for 2 main courses
 - Medical Administration course: 25,209 students -16.4% YoY
 - Home Helper Level 2 course: 36,269 students -18.8% YoY
- ◆ Opened new Web College (e-learning) courses
 - Offered newly-developed courses (34 courses as of Sept. 30)
 - Offered existing courses on the Web College
 - Effective PR to improve awareness
- ◆ Promotion of “Emergency Job Creation Program”
 - Development Assistance Program (subsidies for job trainings) and “Study and obtain a qualification as a care worker while working at nursing care facilities” program.
- ◆ Enhanced development of Medical Administrator course
 - Active introduction of courses including curriculums for subsidized job training



Consolidated cash flows



FY2011 Forecast



FY2011 forecast

Consolidated

(Million yen)

	FY2010	FY2011	
	Result	Forecast	YoY
Net sales	235,352	240,000	2.0%
Operating income	6,864	8,000	16.5%
%	2.9%	3.3%	
Ordinary income	6,877	8,300	20.7%
%	2.9%	3.5%	
Net income	3,154	3,500	10.9%
%	1.3%	1.5%	



FY2011 net sales and operating income by segment

Consolidated net sales

(Million yen)

	FY2010 Result	FY2011 Forecast		YoY (to revised forecast) (%)
		Initial forecast	Revised forecast	
Medical Support Business	101,553	102,500	102,400	0.8%
Health Care Business	118,074	122,300	123,500	4.6%
Education Business	15,255	14,400	13,000	-14.8%
Other Businesses	2,603	2,700	2,300	-1.6%
Eliminations	(2,134)	(1,900)	(1,200)	-
Total	235,352	240,000	240,000	2.0%

Consolidated operating income

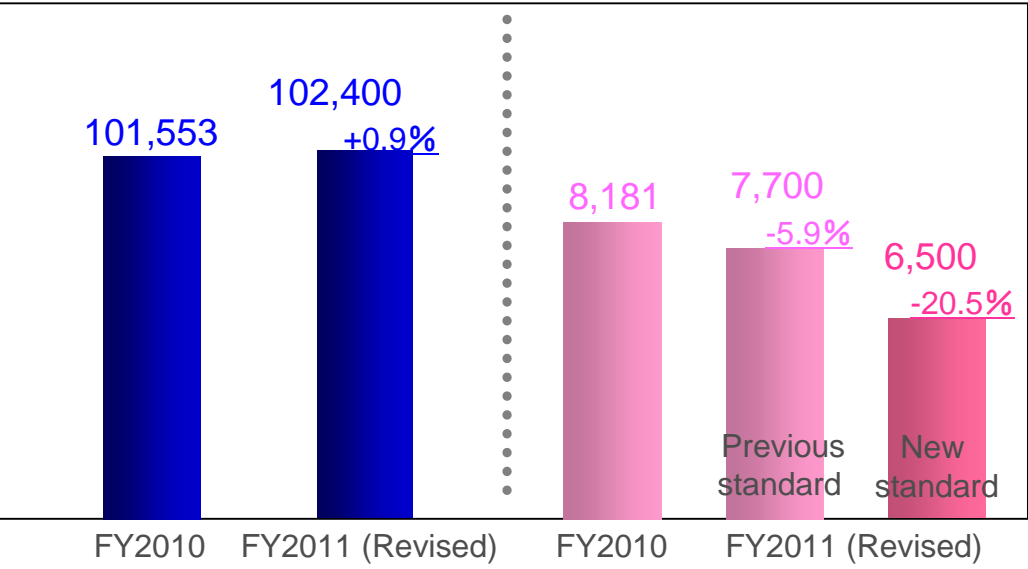
(Million yen)

	FY2010 Result	FY2011 Forecast (New standard)		YoY (to revised forecast) (%)
		Initial forecast	Revised forecast	
Medical Support Business	8,181	7,000	6,500	-20.5%
Health Care Business	3,586	5,300	7,300	103.6%
Education Business	2,992	2,700	1,600	-46.5%
Other Businesses	394	200	0	-
Eliminations	(8,291)	(7,200)	(7,400)	-
Total	6,864	8,000	8,000	16.5%

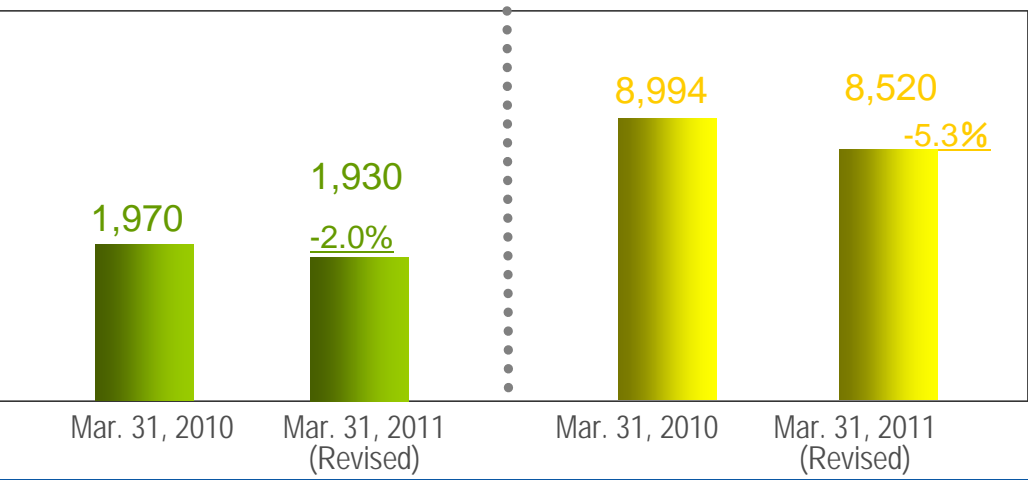
From the year ending March 31, 2011, allocation standards related to the calculation of operating income by segment are changed.



Consolidated ■ Net sales ■ Operating income (Million yen)



Number of contracted medical institutions ■ Hospitals ■ Clinics (Cases)



Major issues for FY2011

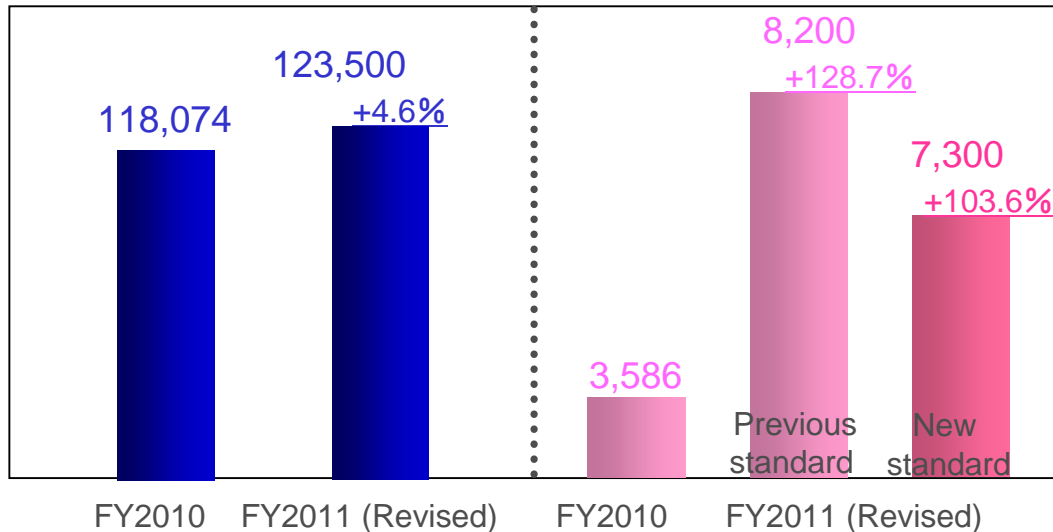
- ◆ Expansion of high-value-added services
- ◆ Introduction of cyber clerk business
 - Available since October in some areas as a new medical administration support business model
- ◆ Enhancement of medical management support services
 - Emphasis on sales of the Receipt Check Eye system (clinic version), the DPC* verification support system (DPC Revolution), and other services
 - Develop a new analysis support system and other services

*DPC=Diagnosis Procedure Combination
- ◆ Expansion of the childcare business
 - Actively promote childcare services within medical institutions and offices



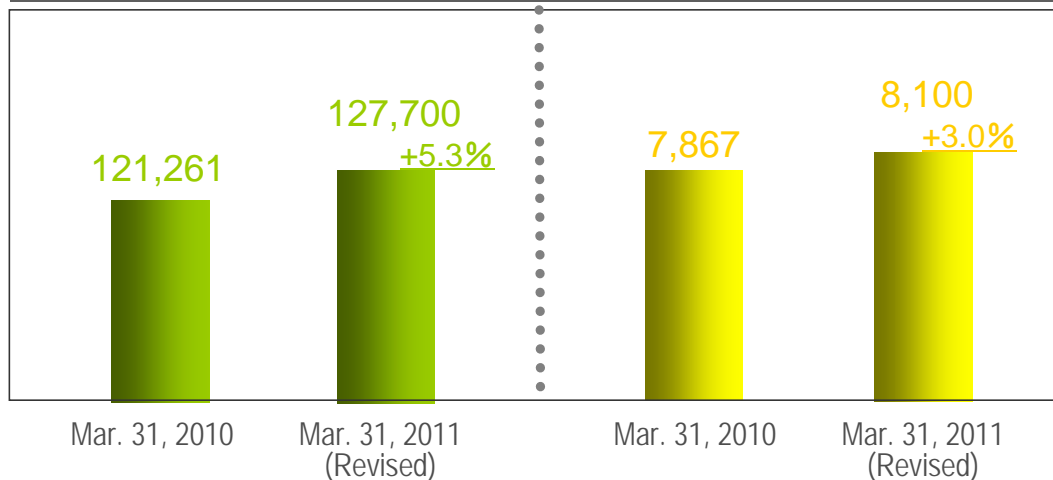
Health Care Business FY2011 forecast

Consolidated ■ Net sales ■ Operating income (Million yen)



Number of users by service (Cases)

■ Home care ■ Facility care



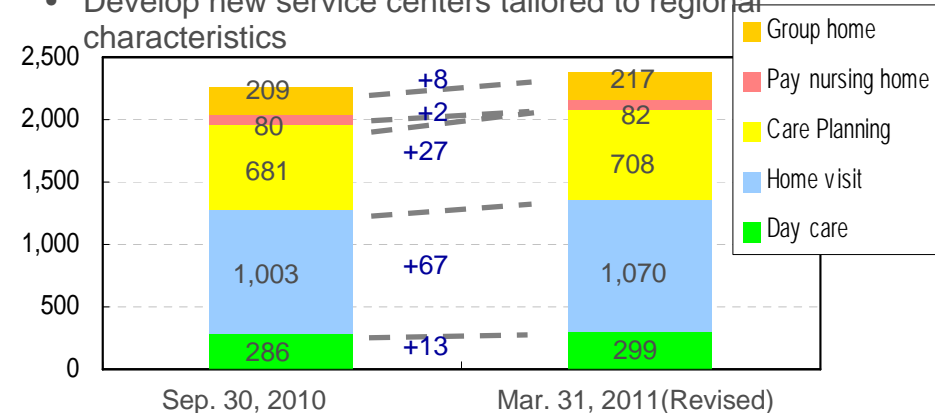
Major issues for FY2011

◆ Further enhancement of home-care and non-insurance nursing care services

- Focus on increasing the utilization rate of each service location
- Strengthen the development of welfare service for the handicapped and housekeeping service

◆ Further strengthening of service infrastructure

- Develop new service centers tailored to regional characteristics



◆ Strengthening of cooperation in nursing care and medical services

- Move ahead with efforts to receive additional compensation for nursing care workers through cooperation with medical institutions (medical cooperation additions, etc.)

◆ Continued improvement in staff compensation

- Continue applying higher revenues gained through contract revision to staff compensation to improve staff retention rates and service quality



Health Care Business Developments regarding the revision of the Long-Term Care Insurance Act

Key Considerations and Decisions of the Social Security Council and Others

Jul. 26	Health, Labour and Welfare Ministry: Agenda items provided Provision of benefits (home-care, facility-care); Issues regarding benefit provision and burden; Securement of care workers and improvement of their compensation
Aug. 23	Extension of day-care service hours (including overnight stays) *Presently less than 10 hours (direction set)
Sep. 21	Special nursing homes and facilities for the elderly requiring long-term care *Approval to construct facilities with both private and multiple-occupancy rooms to provide more meticulous care (direction set) *Consideration of limiting subsidies to only private rooms
Sep. 27	Consideration of plans to secure care workers and improve their compensation, and whether to allow care workers and others to suction sputum
Oct. 17	Interim report of the Health, Labour and Welfare Ministry's committee on "24-Hour Visiting Care Service" ~Creation of 24-Hour Visiting Care Service~ *Consideration of the introduction of 24-hour visiting care services under a comprehensive fixed-fee system
Oct. 26	Cabinet approval of the FY2010 supplementary budget Move up budget for "24-Hour Visiting Care Service and On-Demand of Visiting Care Service," originally set in special reserves of FY2011 budget request, into this fiscal year
Oct. 28	*Expansion of insurance premium collection scope *Consideration of fee hikes (up to 20%) for persons requiring assistance and for high earners *Collection of care plan fees
Nov. 5	*Exclusion of housekeeping services from insurance coverage => Introduction of housekeeping and other general services making use of local support operations (direction set)

Schedule

November 2010
Finalization of revision proposals

Spring 2011
Presentation of a bill in the regular Diet session

Fall/End of 2011
Consideration of revisions of compensation for long-term care workers

FY2013
Long-term care insurance system revision
Revision of compensation for long-term care workers



Safety measures for day-care service transportation vehicles

FY2010		FY2011	
Nov. 2009	<ul style="list-style-type: none"> •Revision of the manual for vehicle drivers and implementation of a stricter driving aptitude test 	Apr. 2010	<ul style="list-style-type: none"> •Strengthening of the system for promoting safe driving (Stricter physical examinations, mandatory driving aptitude test, etc.)
Dec. 2009	<ul style="list-style-type: none"> •Formalization of physical examinations for transportation staff 	May 2010	<ul style="list-style-type: none"> •Launch of safer-driving month (May and November of each year)
Jan. 2010	<ul style="list-style-type: none"> •Implementation of safe driving classes 		<ul style="list-style-type: none"> •Decision to limit drivers to those with Class-2 Passenger Vehicle Driver’s Licenses (Gradual implementation beginning in October)
Feb. 2010	<ul style="list-style-type: none"> •Formal designation of a “safe-driving day” (19th of every month) •Implementation of safe driving tests 	Oct. 2010	<ul style="list-style-type: none"> •Beginning of installation of “Drive Doctor**” systems in vehicles *System for warning of unsafe driving practices and creating video records of unsafe driving (Installation in all vehicles scheduled for completion by November 19) •Installation of driver name stickers in vehicles •Decision to prohibit use of mini-vehicles for transporting services (Enforcement begins with replacement of current vehicles)



Health Care Business FY2011 forecast of facility care service

(Million yen)

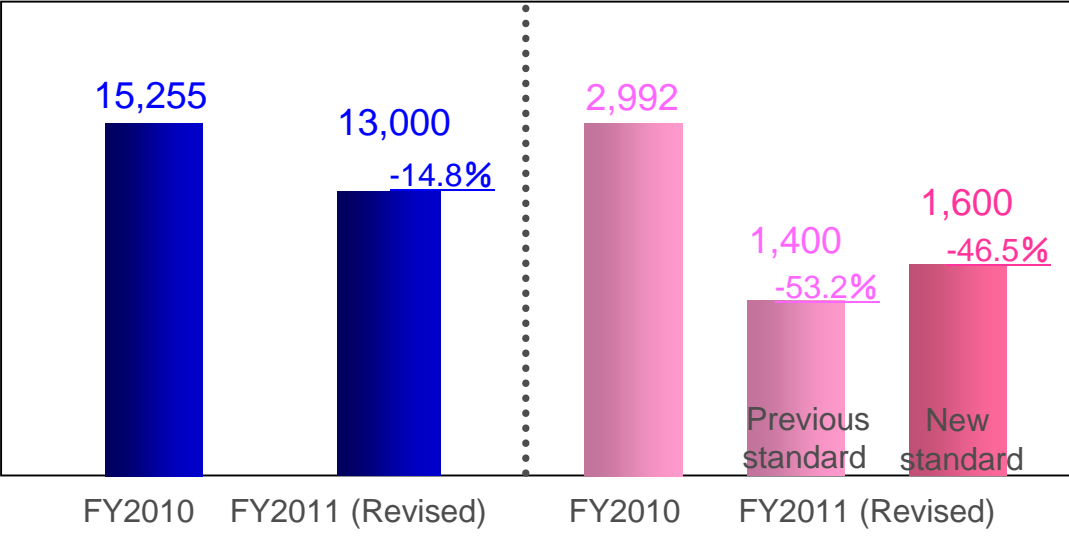
		FY2010		FY2011		
		1H	Full year	1H	Full year	
		Amount	Amount	Amount(Result)	Initial forecasts	Revised forecasts
	Hohoemi	7,439	19,120	8,683	17,200	17,600
	Kirameki	2,493	6,808	3,276	6,600	6,600
	Home	7,150	14,606	7,505	15,400	15,400
Net sales		17,084	40,535	19,464	39,200	39,600
	Hohoemi	904	2,440	1,204	2,240	2,450
	%	12.2%	12.8%	13.9%	13.0%	13.9%
	Kirameki	(113)	90	367	600	760
%	-4.5%	1.3%	11.2%	9.1%	11.5%	
	Home	237	665	278	960	960
	%	3.3%	4.6%	3.7%	6.2%	6.2%
Gross profit		1,028	3,196	1,850	3,800	4,170
%		6.0%	7.9%	9.5%	9.7%	10.5%

➤With respect to the business results for FY2010, results of Nichii no Hohoemi and Nichii no Kirameki for the 15-month period between January 2009 and March 2010 are included, as a result of consolidation to Nichii Gakkan Co., Ltd. on October 1, 2009 (their accounting periods have been changed).

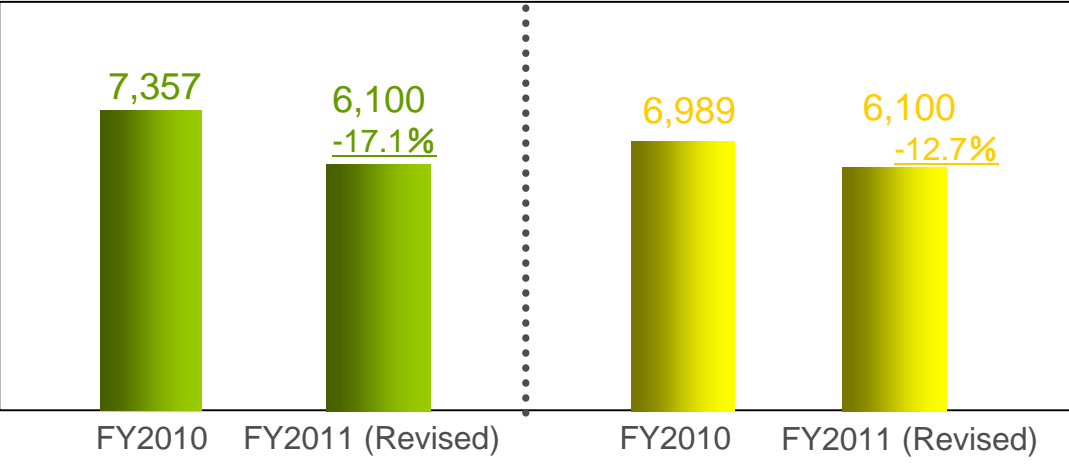
➤Only net sales and gross profit are reported due to the mergers and restructurings of the transferred companies.



Consolidated ■ Net sales ■ Operating income (Million yen)



Net sales by course (Million yen)
 ■ Home Helper course ■ Medical Administration course



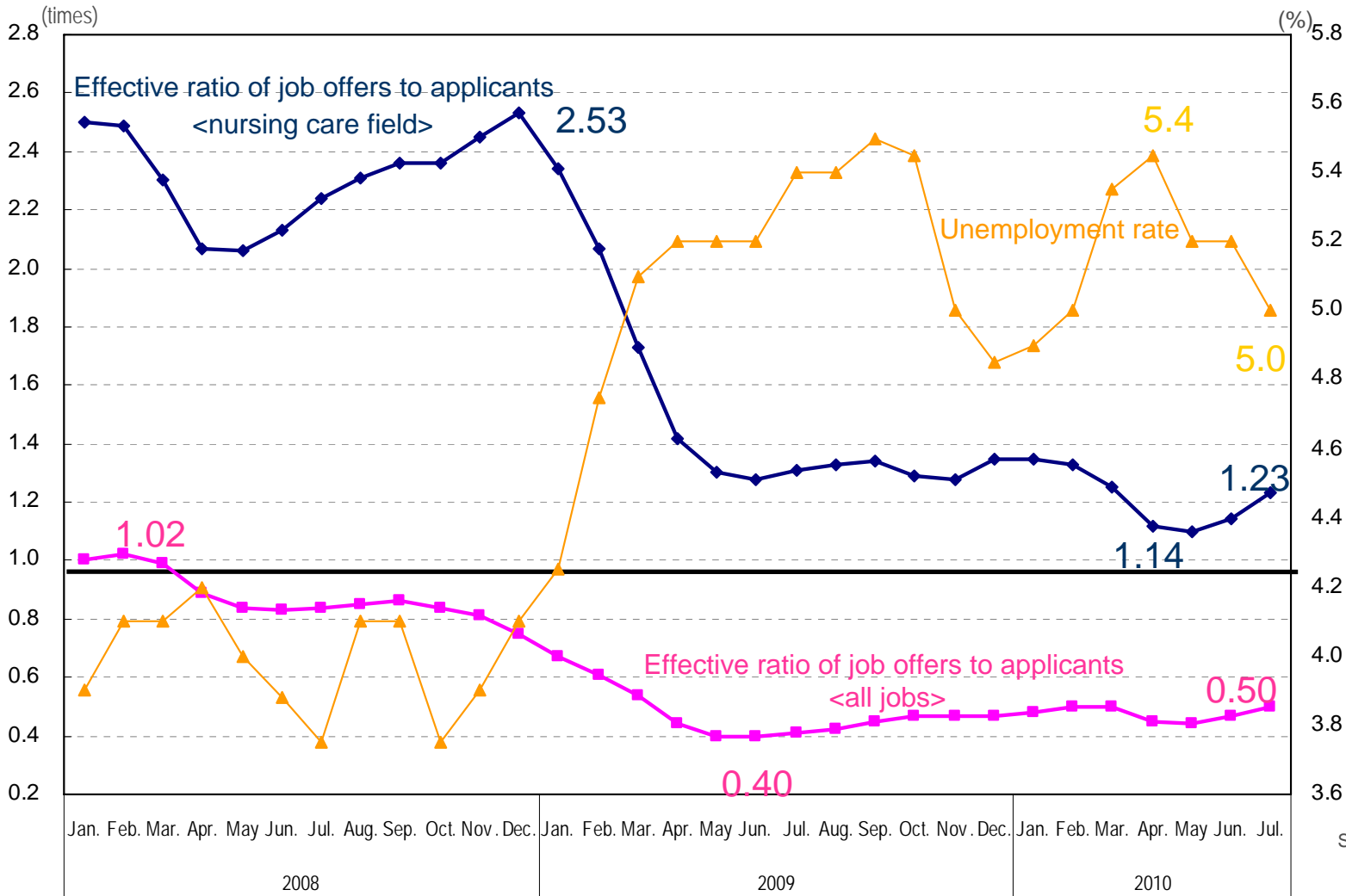
Major issues for FY2011

- ◆ **Enhancement of existing courses**
 - Stronger ties to the Web College
 - Wider development of the Medical Administrator course
- ◆ **Enhancement of the Web College (e-learning)**
 - Expand course offerings (scheduled 13 courses for the second half)
 - Enhance development and promotion of various learning courses
 - Increase awareness through effective PR activities
- ◆ **Promote “Emergency Job Creation Program”**

Actively promote accepting Human Resources Development Assistance Program (subsidies for job trainings)

 - Increase acceptance of students in the government’s support program “Study and obtain a qualification as a care worker while working at nursing care facilities”
 - Pursue job creation businesses in key areas

Trends in the effective ratio of job offers to applicants <all jobs and nursing care field> and the unemployment rate (January 2008 – July 2010)



End-2008 – Oct. 2009

- Significant worsening in the unemployment rate
- Decline in the effective ratio of job offers to Applicants in the nursing care field

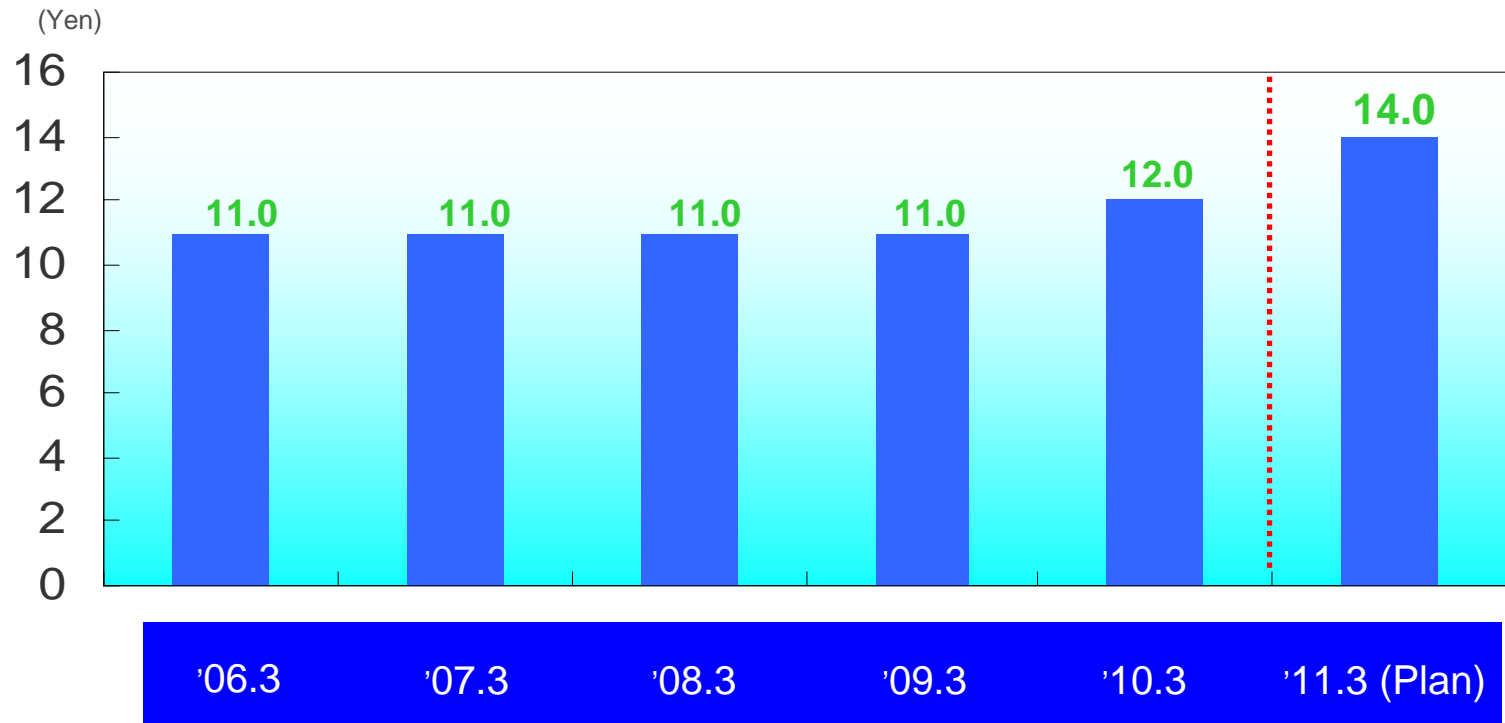
Dec. 2009 –

- Unemployment rate in the 4.8 - 5.0% range

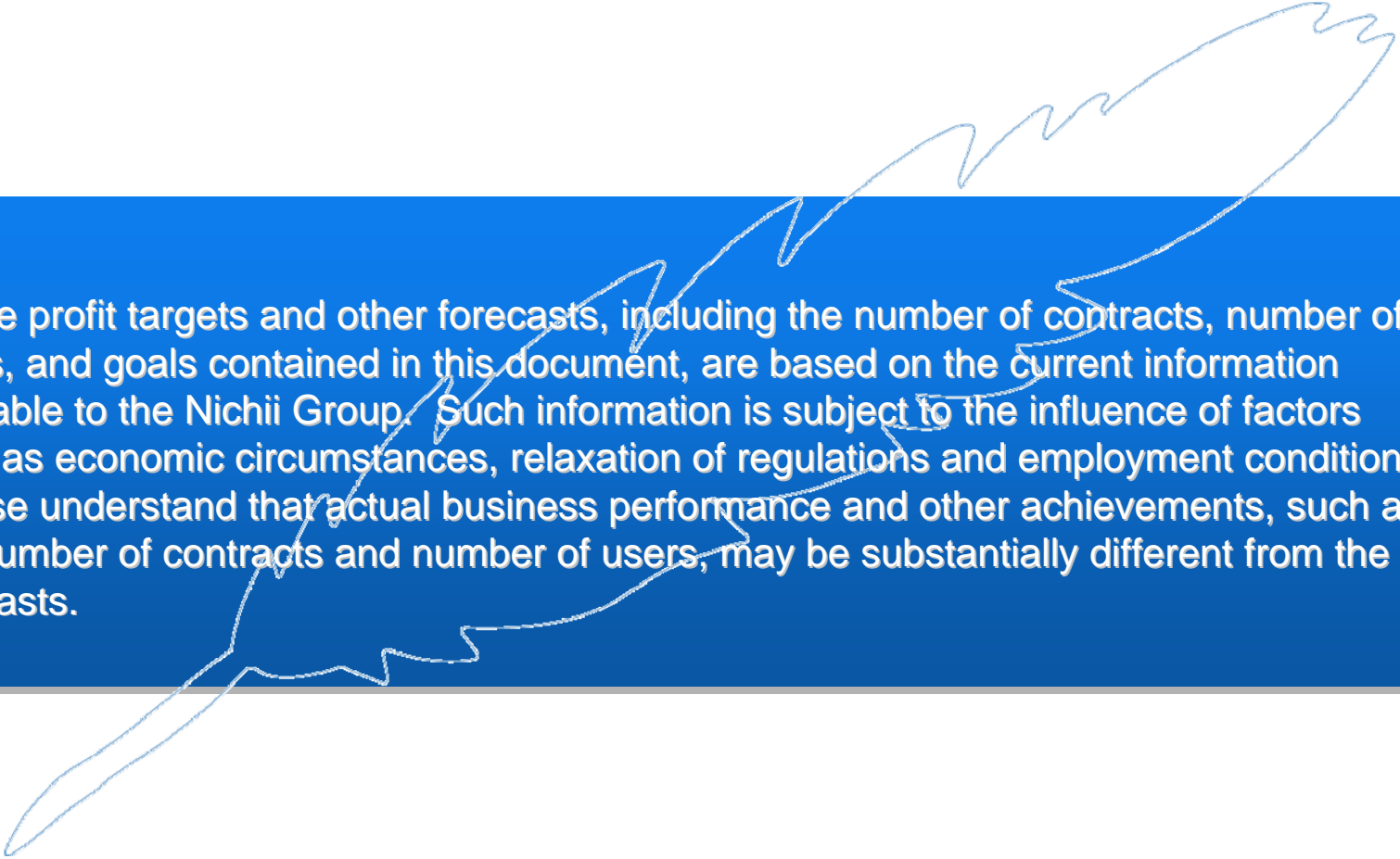
Source: Created by the Company based on the materials by Labour Force Survey, Ministry of Internal Affairs and Communications

**Annual dividend for FY2011: 14 yen
(7 yen interim dividend + 7 yen year-end dividend)**

2 yen increase of annual dividends for FY2011



The Company executed a 2-for-1 common share split on April 1, 2009, and the figures were retroactively adjusted accordingly.



All the profit targets and other forecasts, including the number of contracts, number of users, and goals contained in this document, are based on the current information available to the Nichii Group. Such information is subject to the influence of factors such as economic circumstances, relaxation of regulations and employment conditions. Please understand that actual business performance and other achievements, such as the number of contracts and number of users, may be substantially different from the forecasts.