

**NICHII GAKKAN COMPANY**  
For the Year Ended March 2011 (FY2011)  
**Financial Results Briefing Document**

May 23, 2011

やさしさを、私たちの強さにしたい。



**Information Meeting of  
Financial Report for the Year  
Ended March 31, 2011**

President and Representative Director  
Masatoshi Saito

# Overview of Financial Results

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## **FY2011 Overview of Financial Results**

# Impacts of the Great East Japan Earthquake and the Company's Response

The areas overseen by the following branches suffered damage:  
Aomori Branch, Hachinohe Branch, Morioka Branch, Kitakami Branch, Sendai Branch,  
Furukawa Branch, Fukushima Branch, Iwaki Branch, Koriyama Branch, Mito Branch

<b>Medical Support Business</b>	Medical institutions under contract were damaged Medical institutions under contract are in the area evacuated due to the nuclear accident → Support staff of other branches have been dispatched to affected branches
<b>Health Care Business</b>	Company's facilities providing long-term care were damaged Company's facilities providing long-term care are in the area evacuated due to the nuclear accident → Concentrating on restoring services → Striving to confirm the safety of users
<b>Education Business</b>	Company's training facilities were damaged Company's training facilities are in the area evacuated due to the nuclear accident Suspension of advertising activities → Transferring classes unable to give lectures to classes that are held → Transferring classes unable to give lectures to Web College (e-learning)

## ◆ Relief activities by the Company

### 1. Material support

- (1) Provision of food and other daily life necessities to evacuation centers
- (2) Acceptance of disaster victims into long-term care facilities

### 2. Physical support

- (1) Assistance with the 24/7 operation of disaster base hospitals
- (2) Dispatch of long-term care staff to confirm the safety of senior citizens
- (3) Dispatch of home-visit bathing vehicles to evacuation centers

Kitakami Branch staff called for help and the Company supported the rescue of over 100 survivors.

Nichii's capabilities on the ground, comprehensive strength, and national network are helping to reassure and support communities.

# FY2011 Financial Results

## Consolidated

(Million yen)

	FY2010	FY2011		
	Amount	Amount (Forecast)	Amount (Result)	Y on Y
<b>Net sales</b>	235,352	240,000	240,827	2.3%
<b>Operating income</b>	6,864	8,000	7,868	14.6%
%	2.9%	3.3%	3.3%	
<b>Ordinary income</b>	6,877	8,300	9,660	40.5%
%	2.9%	3.5%	4.0%	
<b>Net income</b>	3,154	3,500	3,478	10.3%
%	1.3%	1.5%	1.4%	

<b>&lt;Reference&gt; Comprehensive income</b>	<b>3,274</b>		<b>3,375</b>	<b>3.1%</b>
%	1.4%		1.4%	

## 1. Another record-high sales

- 1) Net sales reached another record high (3 consecutive years) .  
¥240,827 million (up 2.3% year on year)
- 2) Performance of the mainstay Medical Support and Health Care businesses is trending upward.

## 2. Two consecutive years of higher profits

- 1) Operating income: ¥7,868 million (up 14.6% year on year)
- 2) Ordinary income: The 3rd highest of ¥9,660 million (up 40.5%)  
→ ¥12,891 million (FY2003), ¥14,045 million (FY2004)  
Of ¥2,537 million in non-operating income, ¥1,628 million is commission on consignment for job creation businesses  
\* Job-creation operations: Personnel expenses are recorded as costs, while service fees are recorded as non-operating income
- 3) Net income: ¥3,478 million (up 10.3% year on year)



# FY2011 Net Sales and Operating Income by Business

## Consolidated net sales

(Million yen)

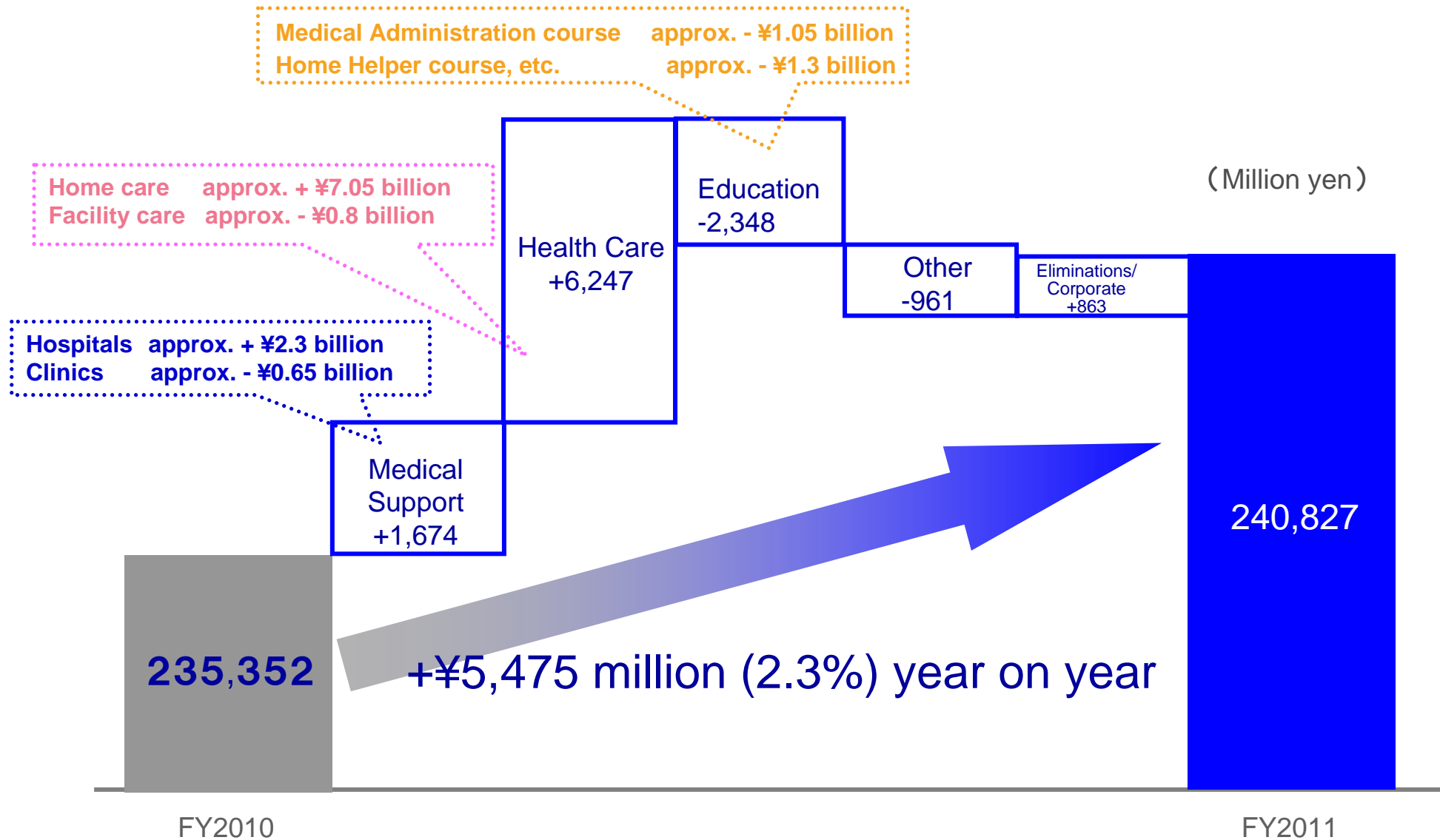
	FY2010 Result	FY2011 Result	Y on Y	
			Change	%
<b>Medical Support Business</b>	101,553	103,227	1,674	1.6%
<b>Health Care Business</b>	118,074	124,321	6,247	5.3%
<b>Education Business</b>	15,255	12,907	(2,348)	(15.4%)
<b>Other Businesses</b>	2,603	1,642	(961)	(36.9%)
<b>Eliminations / Corporate</b>	(2,134)	(1,271)	863	-
<b>Total</b>	235,352	240,827	5,475	2.3%

## Consolidated operating income

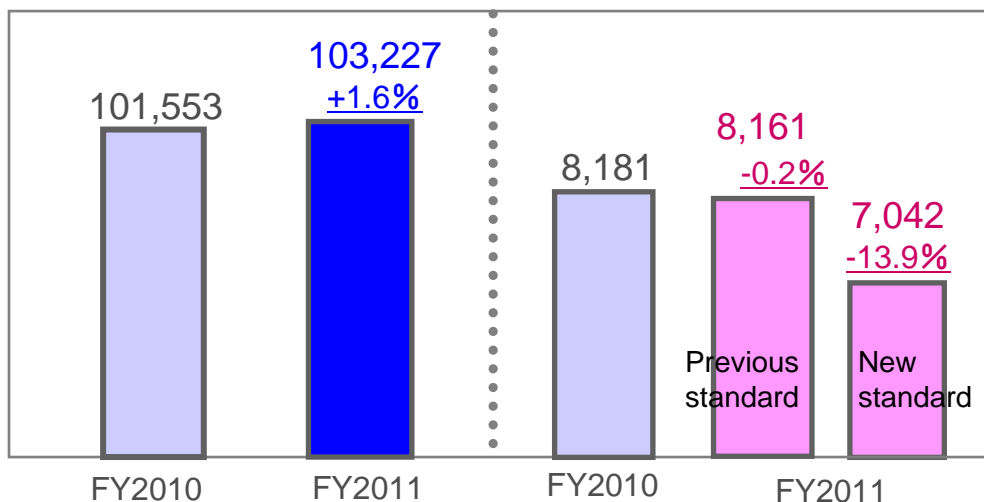
(Million yen)

	FY2010 Result	FY2011 Result		Y on Y (to new standard)
		(Previous standard)	(New standard)	%
<b>Medical Support Business</b>	8,181	8,161	7,042	(13.9%)
<b>Health Care Business</b>	3,586	7,433	6,500	81.2%
<b>Education Business</b>	2,992	1,482	1,596	(46.7%)
<b>Other Businesses</b>	394	(68)	(68)	-
<b>Eliminations / Corporate</b>	(8,291)	(9,139)	(7,201)	-
<b>Total</b>	6,864	7,868	7,868	14.6%

# Factors of Changes in Net Sales

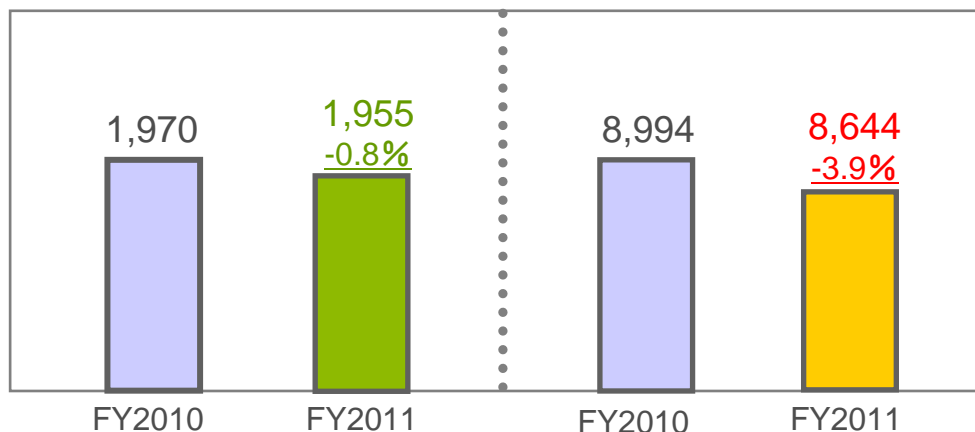


Consolidated ■ Net sales ■ Operating income (Millions yen)



## Number of contracted medical institutions

■ Hospitals ■ Clinics (Cases)



## Overview of financial results for FY2011

### ◆ Higher net sales per hospital

- Continuous pursuit of the contract revision strategy produced higher net sales per hospital and a second consecutive fiscal year of higher net sales
- Per hospital net sales: ¥46 million (FY2010: ¥44 million)

### ◆ Continued increases in staff compensation

- Continued increases in staff compensation have promoted the hiring of outstanding personnel and greater efficiency in staff deployment, resulting in upward trend upward of income in second half  
→ Even with higher health insurance rates and other factors which contributed to higher personnel expense, income remained at roughly the same level as FY2010 (based on existing standards)

### ◆ Reducing the administrative burden of physicians

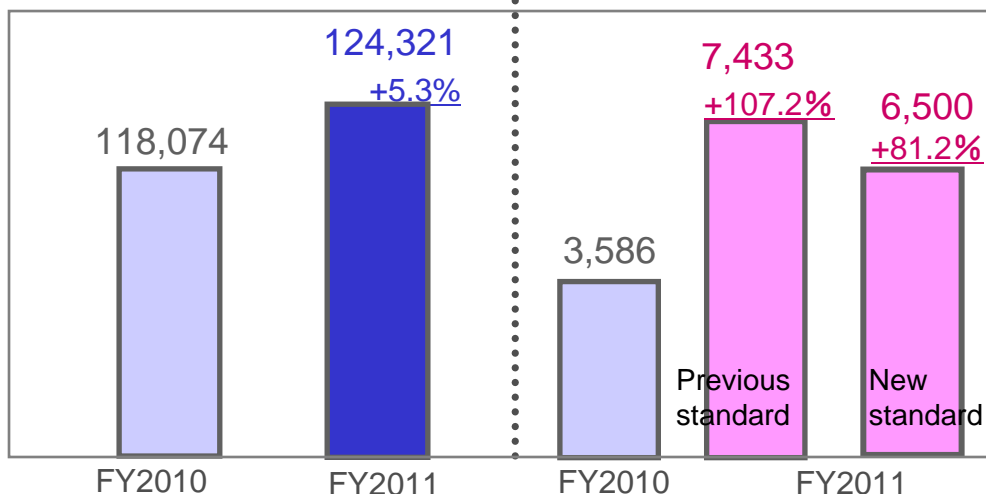
- Launched of the cyber clerk business
- Promoted deployment of medical office work assistants

### ◆ Redoubled efforts to develop the childcare business

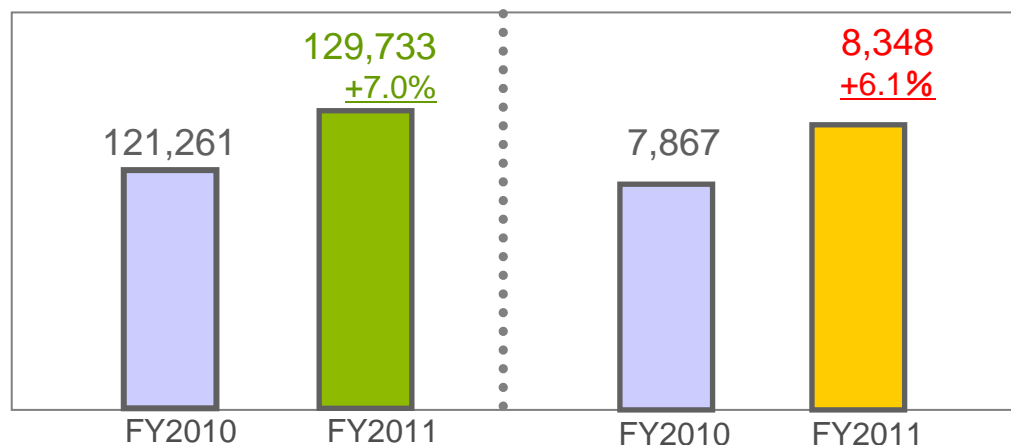
- The childcare business division was made into a separate division in February and efforts have been redoubled to develop childcare services within offices and medical institutions

# Health Care Business FY2011 Financial Results

Consolidated ■ Net sales ■ Operating income (Million yen)



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



## Overview of financial results for FY2011

### ◆ Home-care services and non-insurance services

- Increase in Care plan users
- Increase in users of home-visit care, day care, and care equipment leasing services (up 7% vs. FY2010)
- Increase in number of designated home-care support facilities acquired additional compensation
- Increase in users of welfare services for the handicapped (up 50% vs. FY2010)

### ◆ Stronger efforts to develop service centers

- Numbers of new service centers for primary services

	FY2010	FY2011
Care plan	673	694 (+21)
Home-visit	989	1,022 (+33)
Day-care	285	294 (+9)
Hohoemi	203	217 (+14)
Kirameki	32	34 (+2)

### ◆ Implementation of staff compensation improvements

- Continued to increase staff compensation
- Enhanced job-specific training to improve skills

# Health Care Business FY2011 Financial Results – Facility care service –

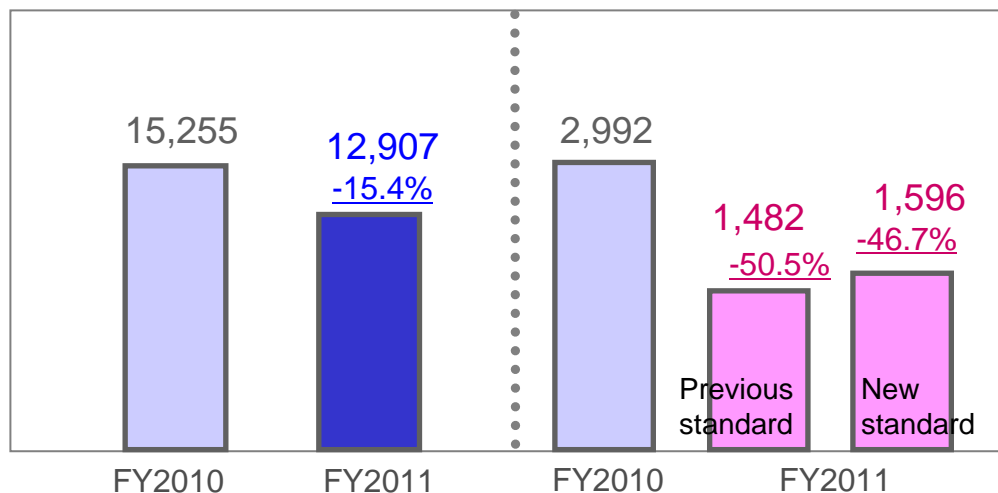
(Million yen)

		FY2010					FY2011					
		1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q	4Q	Full Year	
		Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount (Result)	Amount (Forecast)	Amount (Result)
Hohoemi		3,675	3,764	7,776	3,903	19,120	4,266	4,416	4,479	4,478	17,600	17,640
	Kirameki	1,176	1,316	2,831	1,483	6,808	1,622	1,653	1,644	1,674	6,600	6,594
	Home	3,558	3,592	3,682	3,373	14,606	3,688	3,816	3,962	4,003	15,400	15,471
Net sales		8,410	8,673	14,290	9,160	40,535	9,578	9,885	10,085	10,155	39,600	39,705
Hohoemi		483	421	1,070	473	2,440	557	647	667	596	2,450	2,467
	%	13.1%	11.2%	13.8%	12.1%	12.8%	13.1%	14.7%	14.9%	13.3%	13.9%	14.0%
	Kirameki	(93)	(20)	129	95	90	165	202	180	168	760	716
%	(7.9%)	(1.5%)	4.6%	6.4%	1.3%	10.2%	12.2%	10.9%	10.0%	11.5%	10.9%	
Home		126	111	188	239	665	116	162	265	294	960	838
	%	3.5%	3.1%	5.1%	7.1%	4.6%	3.1%	4.2%	6.7%	7.3%	6.2%	5.4%
Grpss profit		515	511	1,387	809	3,196	839	1,011	1,113	1,058	4,170	4,021
%		6.1%	5.9%	9.7%	8.8%	7.9%	8.8%	10.2%	11.0%	10.4%	10.5%	10.1%

\* 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.

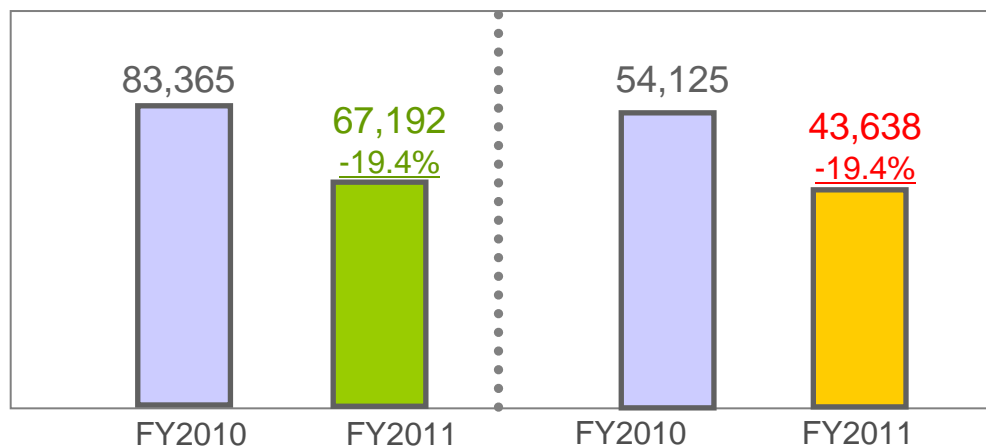
\* Because of fiscal year changes of the successor companies following mergers and reorganizations, Hohoemi and Kirameki recorded six months worth of results as of the end of the third quarter of the fiscal year ended March 2010. For the full term, these two companies recorded 15 months worth of results.

Consolidated ■ Net sales ■ Operating income (Million yen)



Number of students by course (Students)

■ Home Helper course ■ Medical Administration course



## Overview of financial results for FY2011

### ◆ Students increased particularly for 2 main courses

- Home Helper Level 2 course:  
67,192 students (down 19.4% year on year)
- Medical Administration course:  
43,638 students (down 19.4% year on year)

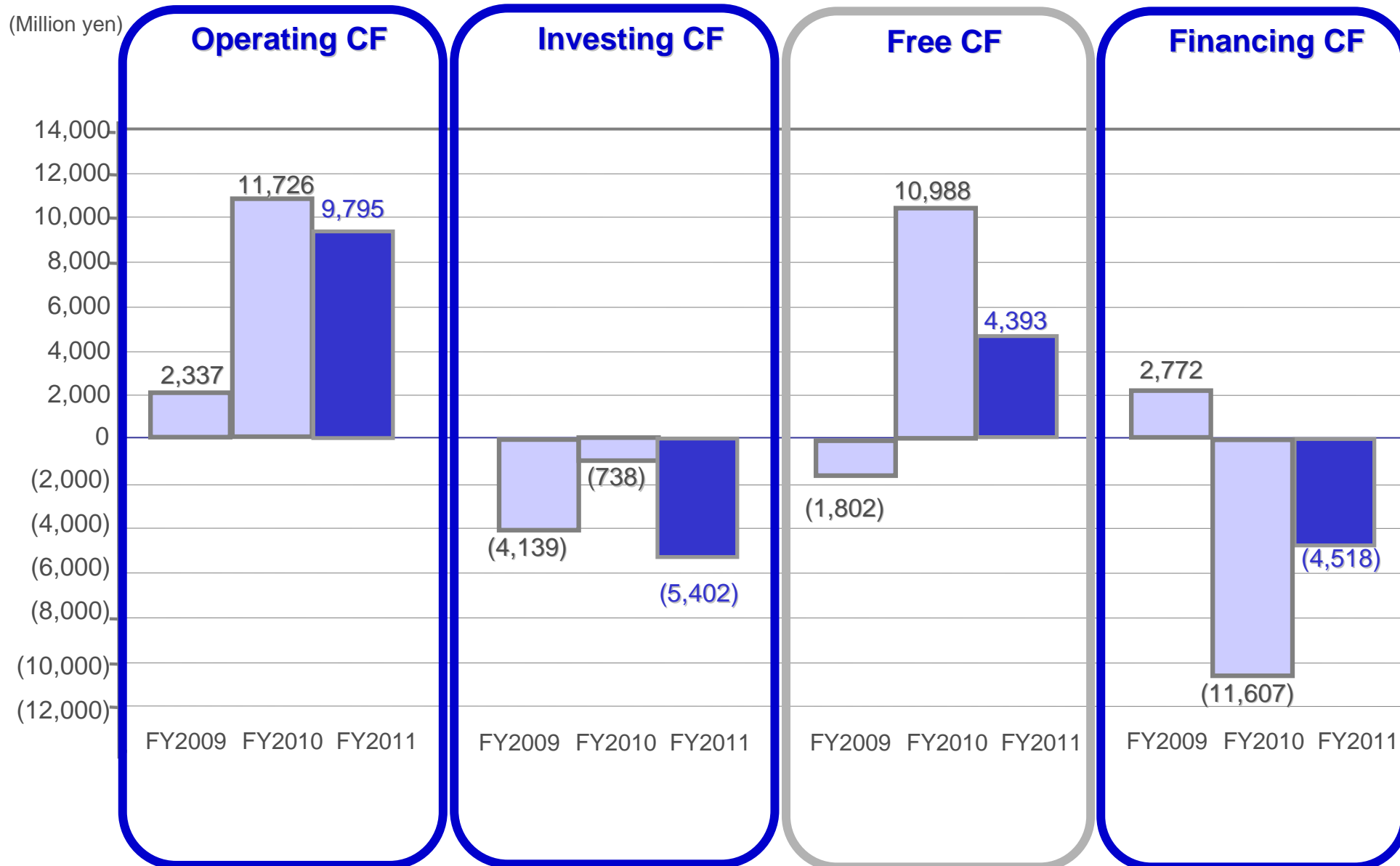
### ◆ Redoubled efforts to develop Web College (e-learning) services

- Developed new courses (46 courses offered as of March 31, 2011)
- Boosted efficiency by using e-learning for internal training
- Pursued efficient advertising and promotion activities to raise awareness

### ◆ Aggressively moved ahead with efforts to win job training program contracts

- Actively pursued contracts of job training programs by public bodies and Human Resources Development Assistance Program (such as the government's support program "Study and obtain a qualification as a care worker while working at long-term care facilities" and the subsidized job trainings)  
→ Recorded ¥1,628 million of commission on consignment for job creation businesses as non-operating income

# Consolidated Cash Flows



# FY2012 Forecast



# FY2012 Forecast

Consolidated

(Million yen)

	FY2011	FY2012	
	Amount (Result)	Amount (Forecast)	Y on Y
Net sales	240,827	250,000	3.8%
Operating income	7,868	9,000	14.4%
%	3.3%	3.6%	
Ordinary income	9,660	9,300	(3.7%)
%	4.0%	3.7%	
Net income	3,478	4,500	29.4%
%	1.4%	1.8%	

## 1. Another record-high sales

Net sales reached record high (4 consecutive years)

	¥250,000 million (+3.8% year on year)
Health care	¥133,400 million (+7.3% year on year)
Medical support	¥104,300 million (+1.0% year on year)

## 2. Three consecutive years of higher operating income

¥9,000 million (+14.4% year on year)

## 3. Expansion of group management capabilities

- (1) Nichii Care Palace Co., Ltd. go into black
- (2) Transition to new executive management system at Nichii Carenet Co., Ltd.

# FY2012 Forecast : Net Sales and Operating Income by Business

## Consolidated net sales

(Million yen)

	FY2011 Result	FY2012 Forecast	year on year
			%
Medical Support Business	103,227	104,300	1.0%
Health Care Business	124,321	133,400	7.3%
Education Business	12,907	12,000	(7.0)%
Other Businesses	1,642	1,500	(8.7)%
Eliminations / Corporate	(1,271)	(1,200)	-
<b>Total</b>	<b>240,827</b>	<b>250,000</b>	<b>3.8%</b>

## Consolidated operating income

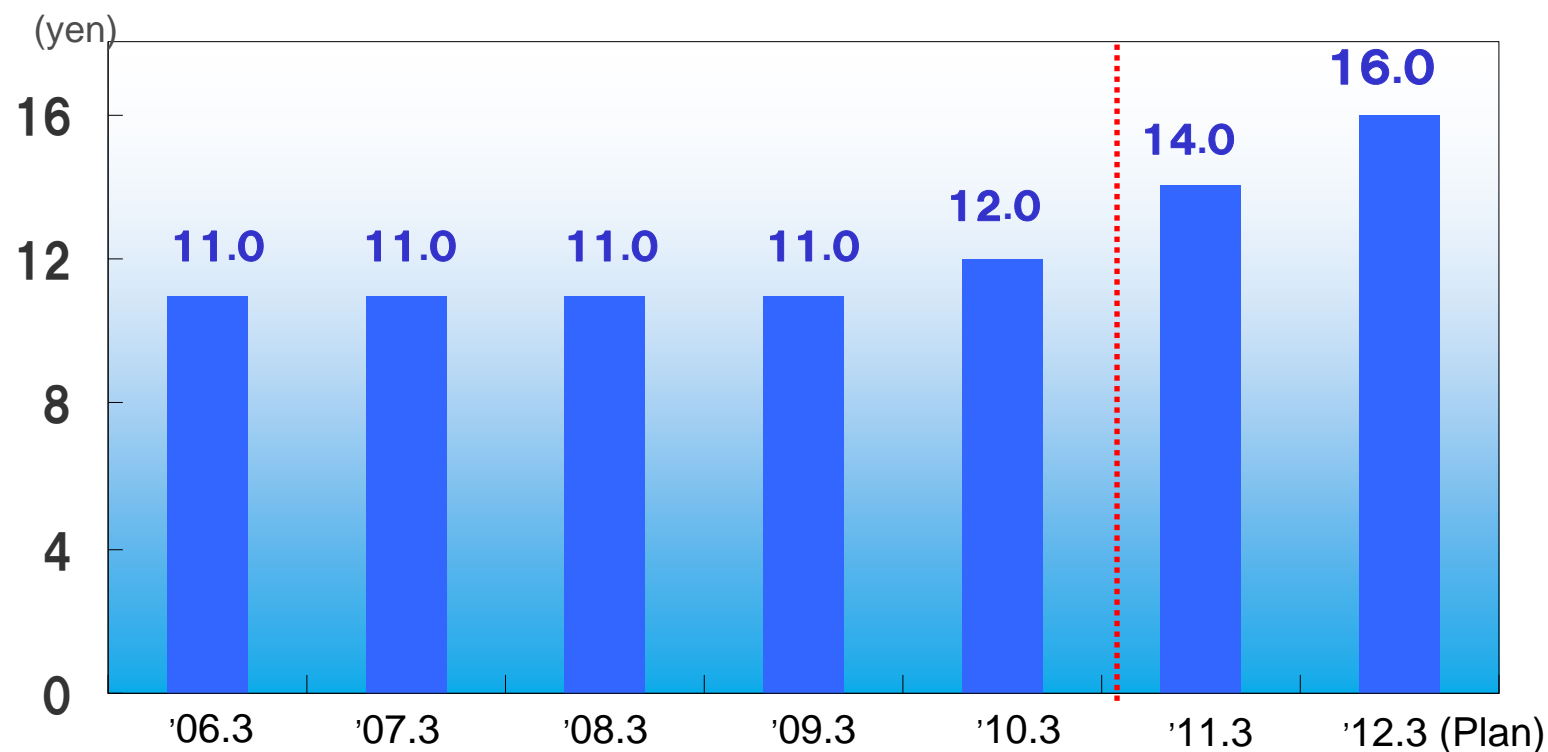
(Million yen)

	FY2011 Results	FY2012 Forecast	year on year
			%
Medical Support Business	7,042	7,400	5.1%
Health Care Business	6,500	8,500	30.8%
Education Business	1,596	900	(43.6)%
Other Businesses	(68)	(100)	-
Eliminations / Corporate	(7,201)	(7,700)	-
<b>Total</b>	<b>7,868</b>	<b>9,000</b>	<b>14.4%</b>

## Dividend increase for 3 consecutive years

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

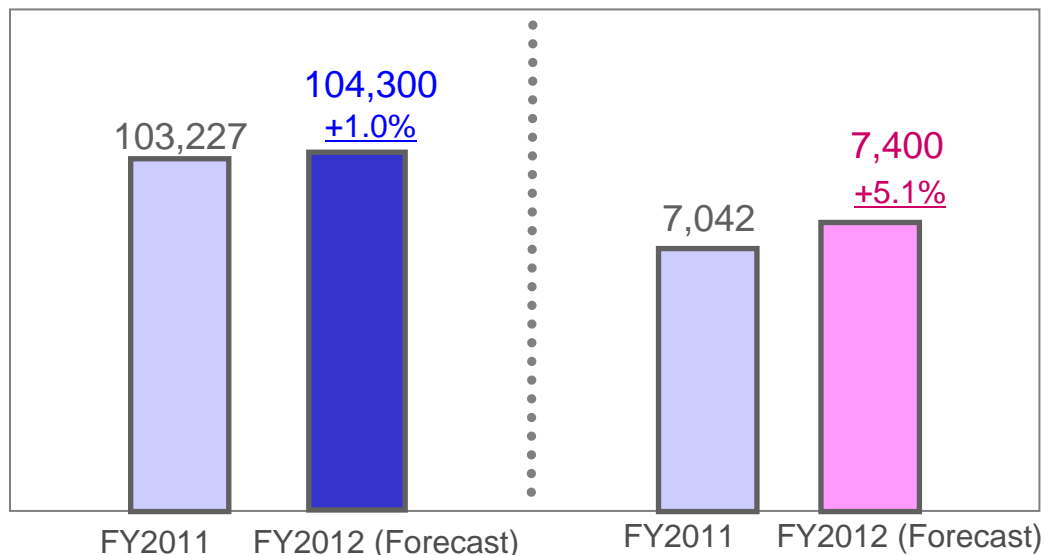
Forecast for FY2012: ¥16 (¥8 interim dividend + ¥8 year-end dividend)



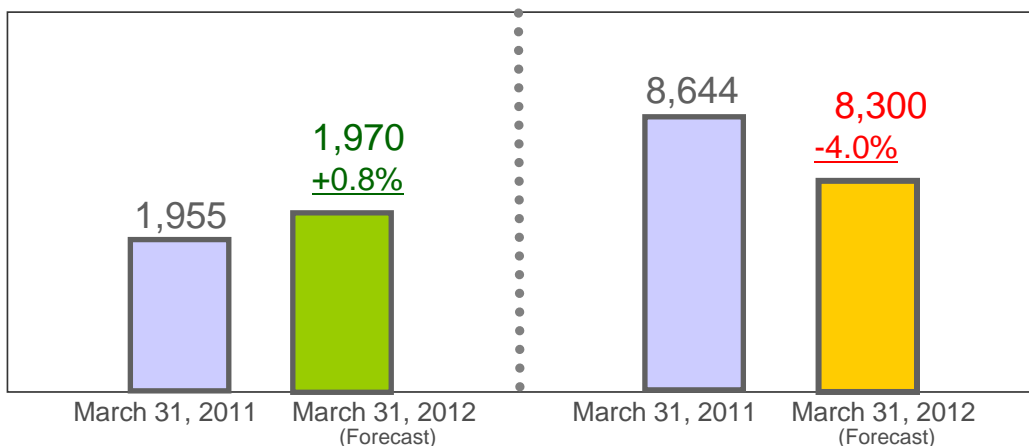
The Company executed a 2-for-1 common share split on April 1, 2009, and the figures were retroactively adjusted accordingly.

# Medical Support Business FY2012 Forecast

Consolidated ■ Net sales ■ Operating income (Million yen)



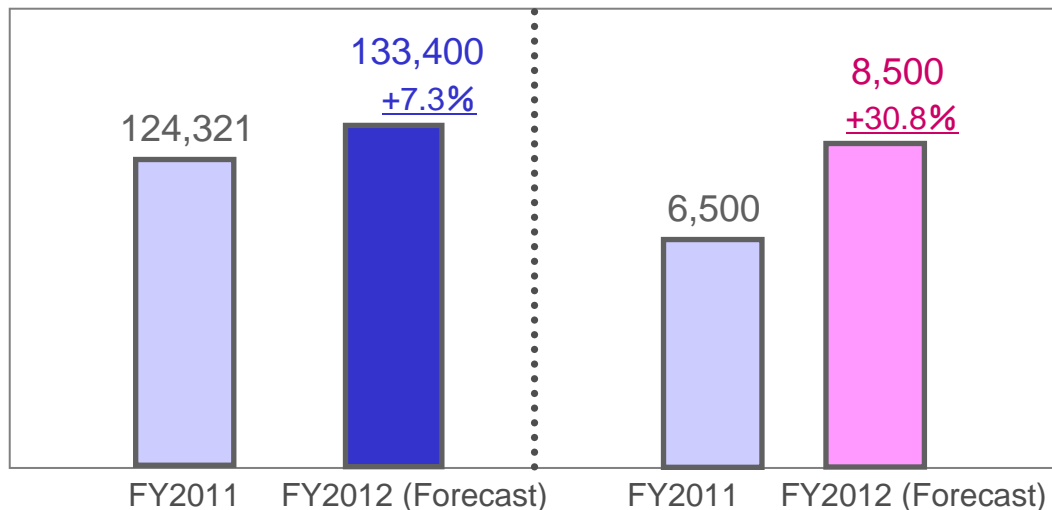
Number of contracted medical institutions (Cases) ■ Hospitals ■ Clinics



## Major issues for FY2012

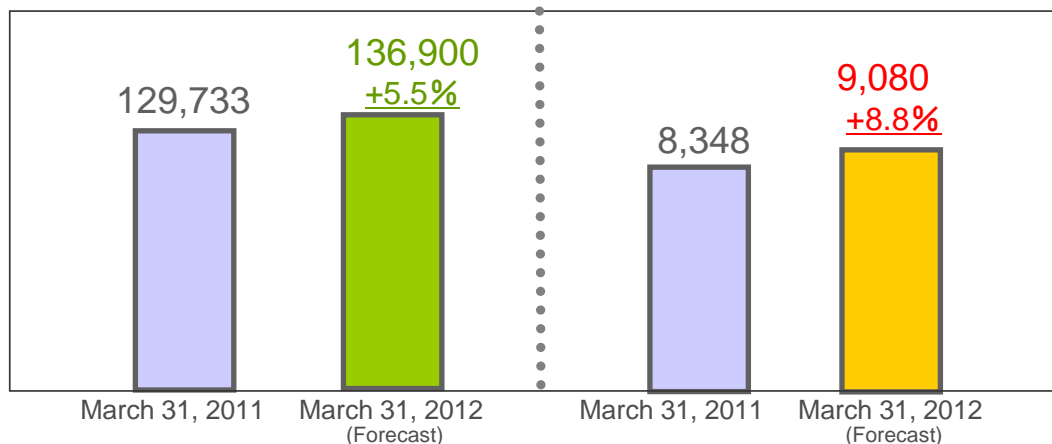
- ◆ Further strengthening of medical management support system - Management support department established
  - Reinforce comprehensive support systems for medical institutions by expanding doctors' office work support services and management support products
  - Link to long-term care business
  - Undertake the project for supporting development of a system to certify medical institutions to receive foreign patients by the Ministry of Health, Labor and Welfare
- ◆ Continuation of the contract revision strategy for a fourth consecutive fiscal year
  - Continue to improve profit margin and staff compensation by increasing net sales per medical institution and gaining new contracts at appropriate pricing
- ◆ Gain new contracts
  - Strengthen sales efforts targeting private hospitals
  - Strengthen sales efforts targeting clinics (Everyday work and receipt examination work)
  - Gain new contracts for PFI business

Consolidated ■ Net sales ■ Operating income (Million yen)



Number of users by service (Cases)

■ Home care ■ Facility care



## Major issues for FY2012

### ◆ Further strengthening of home-care & facility-care services

- Increase the usage rate of each service facility
- Improve efficiency further by boosting productivity of individual service center and training facility
- Actively open new facilities

	March 31, 2011	March 31, 2012 (Plan)
Care plan	694	747 (+53)
Home-visit	1,022	1,085 (+63)
Day-care	294	319 (+25)
Hohoemi	217	240 (+23)
Kirameki	34	44 (+10)
Nichii Home	48	49 (+1) Plan as of December 31, 2011

### ◆ Enhancement of services not covered by insurance

- Actively develop welfare services for the handicapped and homemaker services
- Commencement of therapy service

### ◆ Actively advance home-visit nursing care services

- Strengthen development of home-visit nursing care services
- Strengthen ties to existing services
- 100 facilities in operation three years from now

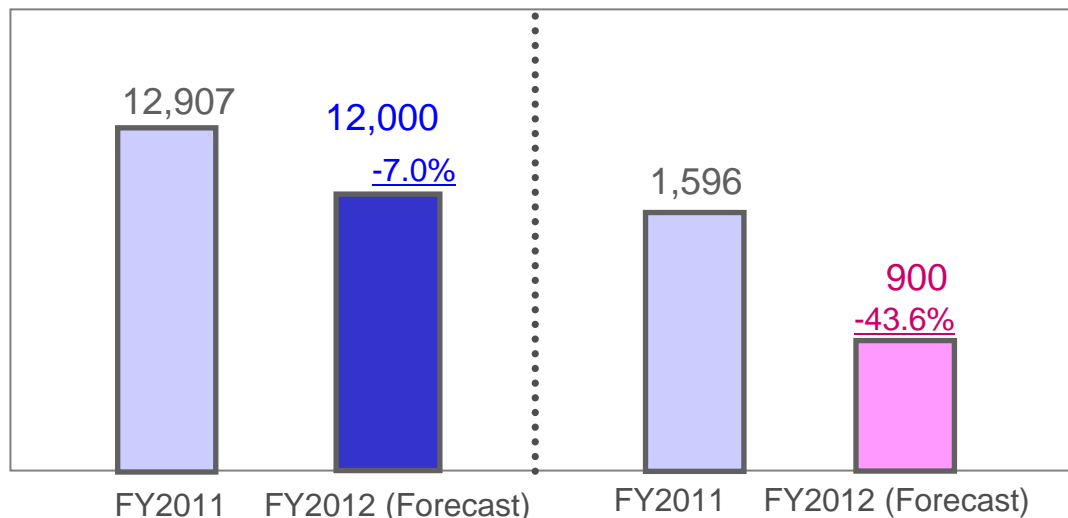
# Health Care Business FY2012 Forecast of Facility Care Service

(Million yen)

		FY2011						FY2012	
		1Q	2Q	1Q+2Q	3Q	4Q	Full year	1Q+2Q	Full year
		Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	Hohoemi	4,266	4,416	8,683	4,479	4,478	17,640	9,500	19,200
	Kirameki	1,622	1,653	3,276	1,644	1,674	6,594	3,600	7,400
	Home	3,688	3,816	7,505	3,962	4,003	15,471	8,000	16,500
Net sales		9,578	9,885	19,464	10,085	10,155	39,705	21,100	43,100
	Hohoemi	557	647	1,204	667	596	2,467	1,300	2,500
	%	13.1%	14.7%	13.9%	14.9%	13.3%	14.0%	13.7%	13.0%
	Kirameki	165	202	367	180	168	716	400	800
%	10.2%	12.2%	11.2%	10.9%	10.0%	10.9%	11.1%	10.8%	
%	3.1%	4.2%	3.7%	6.7%	7.3%	5.4%	6.9%	9.7%	
Gross profit		839	1,011	1,850	1,113	1,058	4,021	2,250	4,900
%		8.8%	10.2%	9.5%	11.0%	10.4%	10.1%	10.7%	11.4%

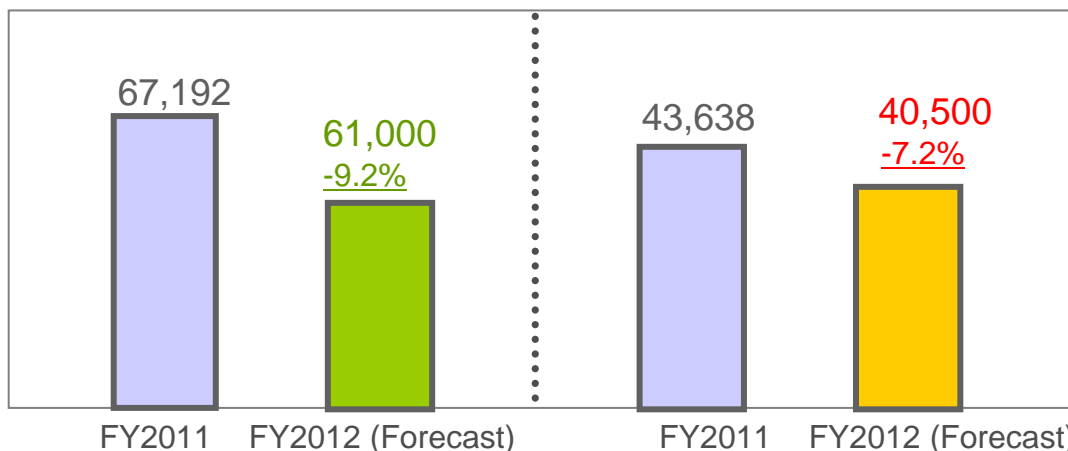
\* Only net sales and gross profit are reported due to the mergers and restructurings of the transferred companies.

Consolidated ■ Net sales ■ Operating income (Million yen)



Net sales by course (Million yen)

■ Home helper course ■ Medical Administration course



## Major issues for FY2012

### ◆ Course improvement

- 1) Make existing courses more attractive
  - Achieve further improvements in course quality
- 2) Enhancement of the Web College (e-learning)
  - Expand course offerings
  - Enhance development and promotion of various learning courses
  - Increase awareness through effective PR activities

### ◆ Promotion of course enrollment

- Enhancement of promotion for companies & schools

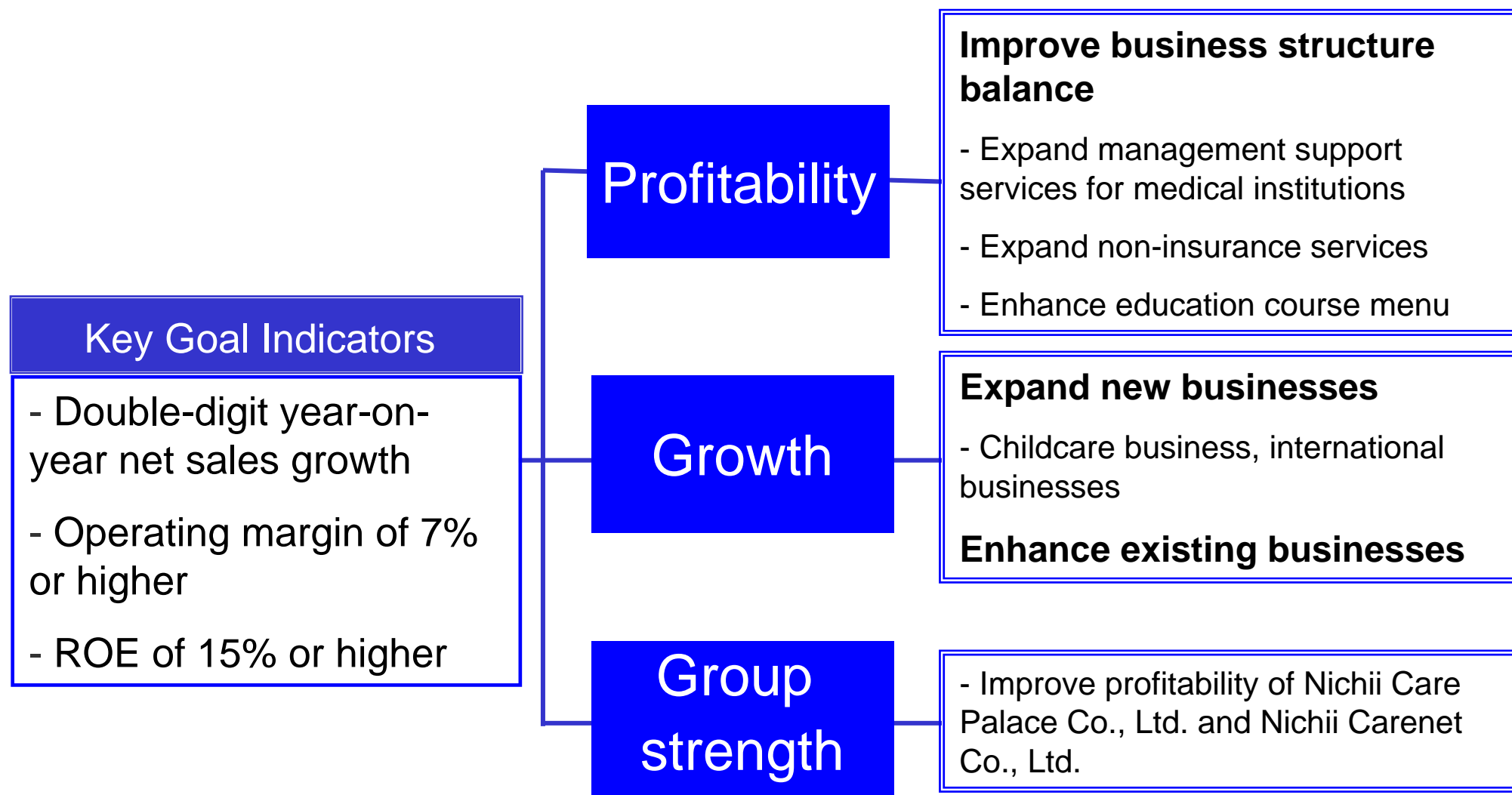
### ◆ Actively pursue job training program contracts

- Actively pursue contracts of the Human Resources Development Assistance Program (such as the subsidized job trainings and the government's support program "Study and obtain a qualification as a care worker while working at long-term care facilities")

\* Transition to job-seeker support system (scheduled for October 2011)



# Management Strategy

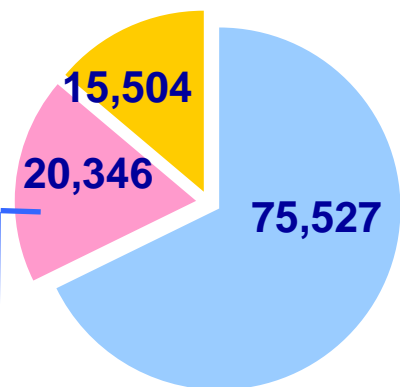


# Change in the Business Structure Balance -Business scale has expanded-

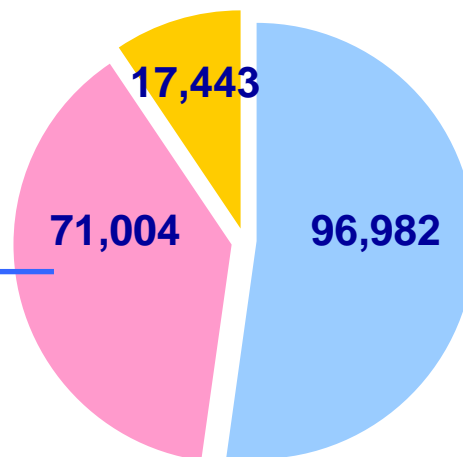
Group-wide Sales Structure

■ Medical support   
 ■ Health care   
 ■ Education

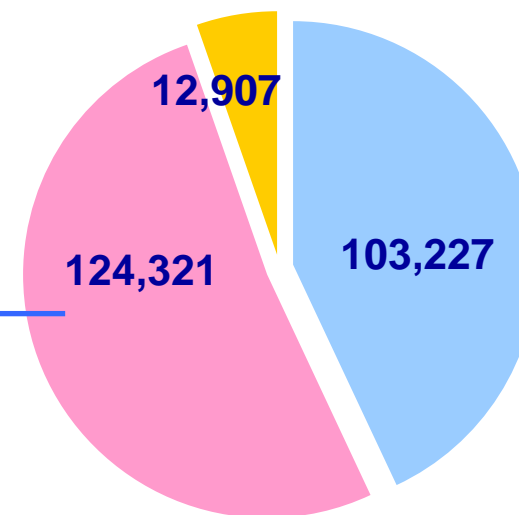
**FY2001**  
¥114,226 million



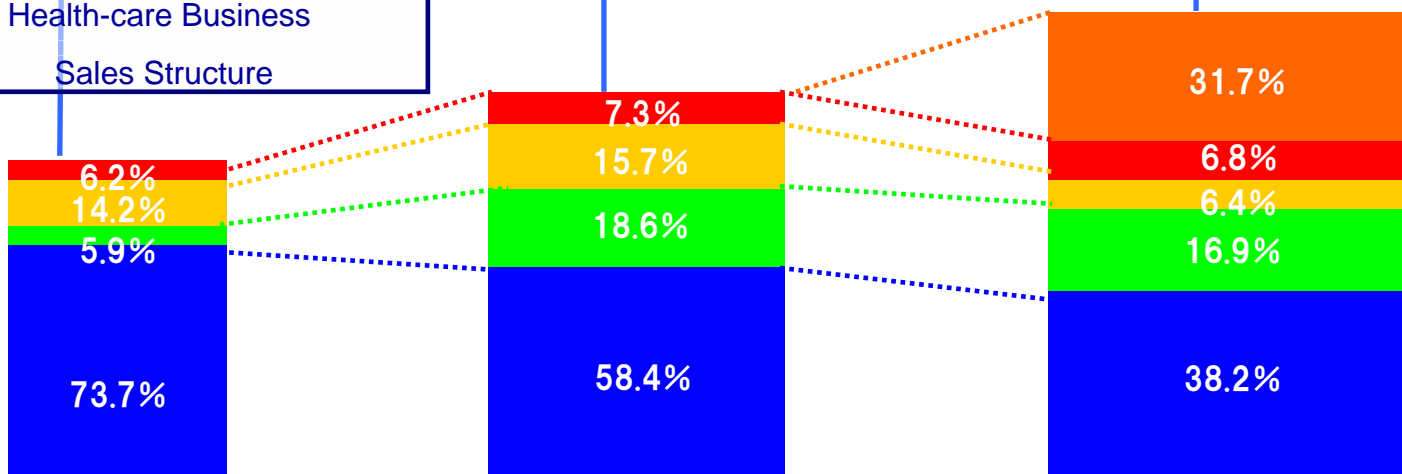
**FY2004**  
¥189,987 million



**FY2011**  
¥240,827 million

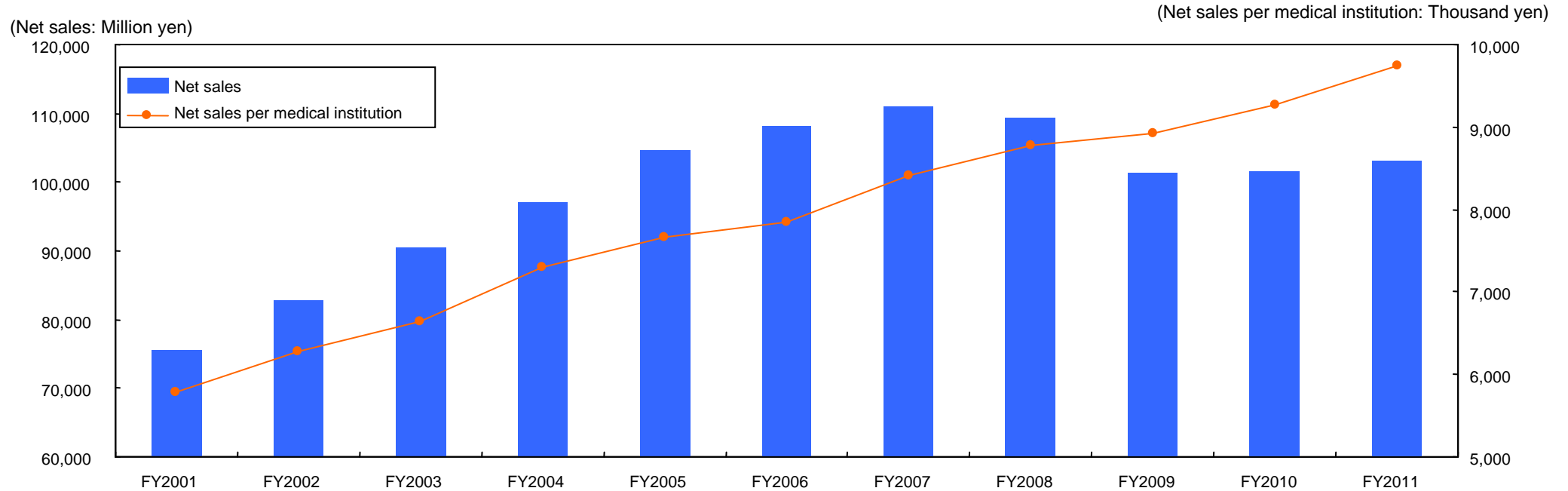


Health-care Business Sales Structure



# Medical Support: Business Strategy

## Medical institutions Expand management support services



### Added value for medical practice services

Medical practice services

Medical fee claims

### Enhancement of management support related services

2005: Start-up of Yao Medical PFI Co., Ltd. Launched hospital PFI business.

2009: Established Nichii Research Institute Co., Ltd.

2009: Began offering "DPC Revolution," "MediClips," and "Lifeclover" services.

2010: Made Cyber Clerk Institute Co., Ltd. into a subsidiary. Launched the "cyber clerk business."

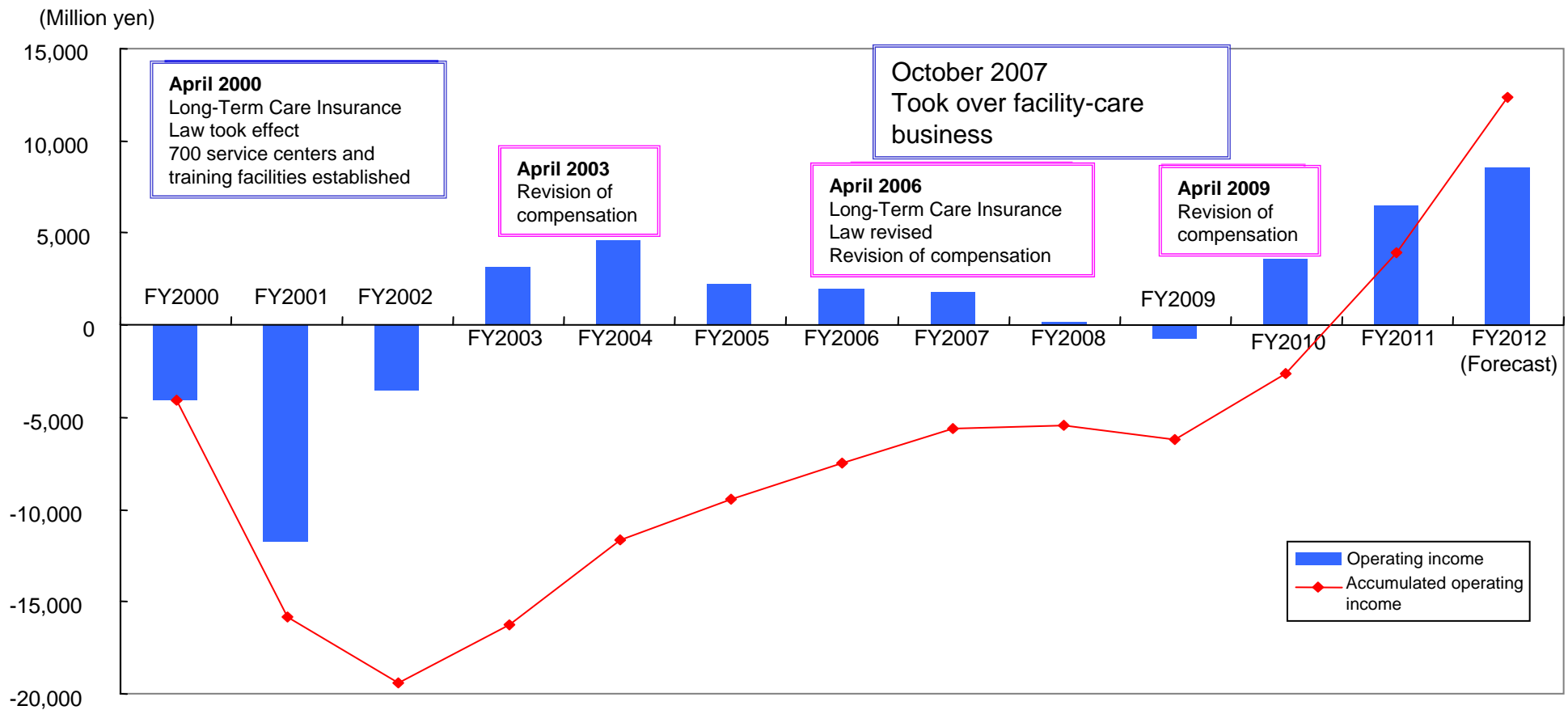
2011: Selected as an implementation body of the project for supporting development of a system to certify medical institutions to receive foreign patients by the Ministry of Health, Labor and Welfare.

# Health-care Business

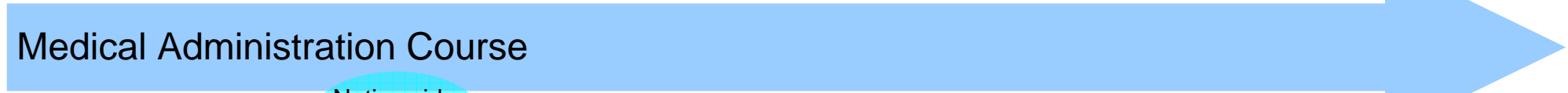
October 2007 -: Took over facility-care business and stabilized income around two core operations of home-care services and facility-care services

Year ended March 31, 2011: Recording cumulative operating income

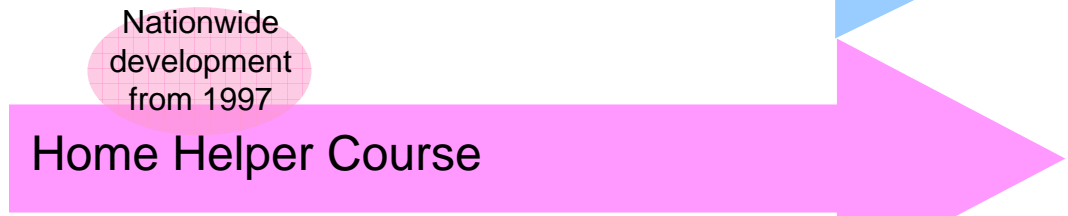
April 2011: Established the Health Care Business department to enhance non-insurance services



# Education: Business Strategy

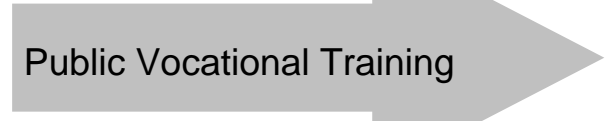


Nationwide development from 1980

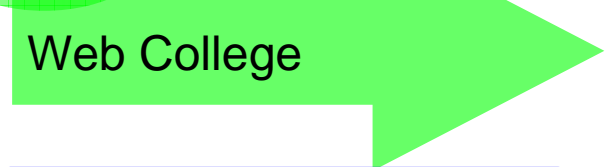


Nationwide development from 1997

## Nichii e-learning “Web College”



Started in 2010



Education Business supporting the “Education-to-Work” business model

Education Business supporting a society with participation by all

## Developing the Childcare Centers which Utilizing Synergies with Nichii's Core Businesses

- Promotion of the Childcare Business Using Nichii's Management Resource Keeping Future System Design in Mind -

### Establishment of a new childcare system (Launch slated for 2013)

#### [System Overview]

- (1) Government-backed system and centralized financial support
- (2) Unification of nursery school and preschool services
- (3) Provision of diversified childcare services

#### [Services]

##### (1) Kodomo-en (Tentative name)

This facility will do away with the barriers separating preschools, nursery schools, certified Kodomo-en, public and private facilities, and certified and non-certified facilities to provide both nursery school and preschool services. It is necessary to respond to the needs for short-term and nighttime services, services for children recovering from illnesses, etc.

##### (2) Small-scale childcare services

For areas with declining populations, we limit the number of children per facility to 20, consisting mainly of children less than 3 years old. Facilities will cooperate with Kodomo-en and other facilities to provide small-scale childcare services.

##### (3) Home-visit services

Nursery school services will be provided to applying users at their homes. These services will be available to families with children recovering from illnesses or who need services within the home environment.

### ● Survey on IT Contributions to the Management Efficiency and Stability for Long-Term Care Service Provider

Ministry of Economy, Trade and Industry <Fiscal 2010>

The Company accepted a commission to study the application of voice-recognition technology to improve the front-line operations of long-term care facilities and ultimately improve their management efficiency and operational stability.

The Company proceeded with studies and assessments of topics including the document creation scheme using voice-recognition technology for business documents, possibilities for improving the front-line operations of long-term care facilities by centralizing administrative tasks, and new job creation approaches.

### ● Project for supporting development of a system to certify medical institutions to receive foreign patients

International Strategic Project: International Medical Exchanges <Fiscal 2012>

Ministry of Health, Labor and Welfare has been promoting a development of certification system for medical institutions for the purpose of smoothly receiving foreign patients as part of the International Medical Exchanges positioned as a National Strategic Project under the New Growth Strategy approved by the Cabinet on June 18, 2010. The Company accepted a commission of the supporting business from the said Ministry.



# Lakewoods Garden Himeharu no Sato

## ■ Lakewoods Garden Himeharu no Sato Grand Opening on April 6, 2011

A park resting on the concept of bringing joy and healing to all visitors in an atmosphere of harmony between humankind and nature

### ● Beautiful flowers in each season

Featuring venerable and noted species of hybrid tea roses whose big blooms grace every season, the Garden is the only one in Japan where visitors can get a good appreciation of the variety and history of roses. There are also German irises, cherry trees that blossom along the banks of the lake, and an abundance of other flowers to delight the eye, whatever the season.



### ● Contact with lovable dogs

Rare and beautiful species of dogs such as the Australian Labradoodle, which has great promise for service as a therapy dog, also await visitors at the Garden. Don't miss the chance to meet these dogs and enjoy the various events staged in the Garden!



### ● Visitor-friendly facilities

In keeping with the Nichii spirit, efforts were made to condition the Garden environment to enable enjoyment with peace of mind by all visitors including the aged and those in wheelchairs. The Garden has a room where visitors can rest or get first aid, and rents wheelchairs for a fee.

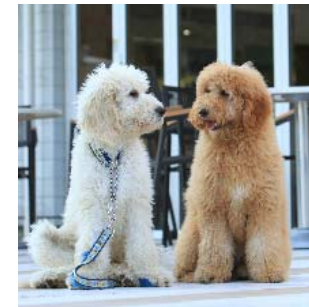


## ■ The Australian Labradoodle, a species of dog that has excellent qualities for service as a therapy dog

The Australian Labradoodle was bred for the purpose of service as a care dog for people who are allergic to animals. Nichii uses this species in the dog therapy it provides at long-term care facilities.

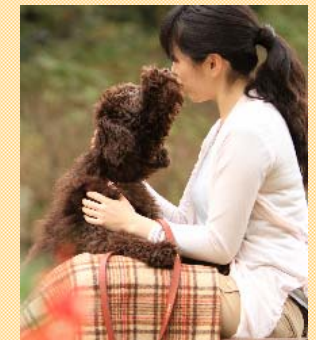
### ● Features and appeal of the Australian Labradoodle

- Allergy-friendly
- Almost no odor
- Intelligent
- Loving
- Little shedding



### ■ Family Care Home (FCH) system

In advance of implementation of dog therapy, a new form of care provided in its long-term care facilities and other facilities, Nichii instated this system to maintain the pedigree of the Australian Labradoodle, a species of dog bred to serve as a therapy dog. We are recruiting foster families to cooperate with breeding activities.



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.

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やさしさを、私たちの強さにしたい。

