

Financial Situation

A stable management foundation is vital to continue the provision of high-quality medical care, research, and training. Furthermore, continuing to gain patients' trust by providing high-quality medical care is the foundation of sound management.

The NHO aims to balance earnings and expenditure, with each hospital responsible for generating its own medical earnings.

Stabilizing hospital management is not always considered easy. However, each NHO hospital employs various initiatives and the NHO headquarters works with hospitals to improve the quality of medical care and the efficiency of management. In doing so, the NHO continues to operate in the black each year and has paid outstanding debts incurred when it became an independent administrative body.

Moreover, the NHO has received praises for its international achievements in the final report of a research program for universal health coverage jointly conducted by the Japanese government and the World Bank Group.



"Universal health coverage for inclusive and sustainable development"

Initiatives to improve management

Improving profitability

- Optimizing medical fee billings.
- Acquiring upper references for medical fees.
- Enhancing accounts receivable measures.
- Strengthening regional cooperation.
- Increasing the number of clinical trials conducted, and so on.

Reducing expenditure

- Jointly bidding for drugs, test reagents, medical equipment, medical accounting systems, electronic medical records, and other necessities (reducing procurement costs using economies of scale).
- Promoting the use of generic drugs.
- Sharing expensive medical equipment.
- Reviewing optional contracts and establishing a proper contract office work, and so on.

Investments such as reconstruction

- Reviewing the standard construction costs.
- Standardizing design specifications and relaxing bidding conditions to rationalize costs, and creating a competitive environment by introducing flexible construction periods, and so on.

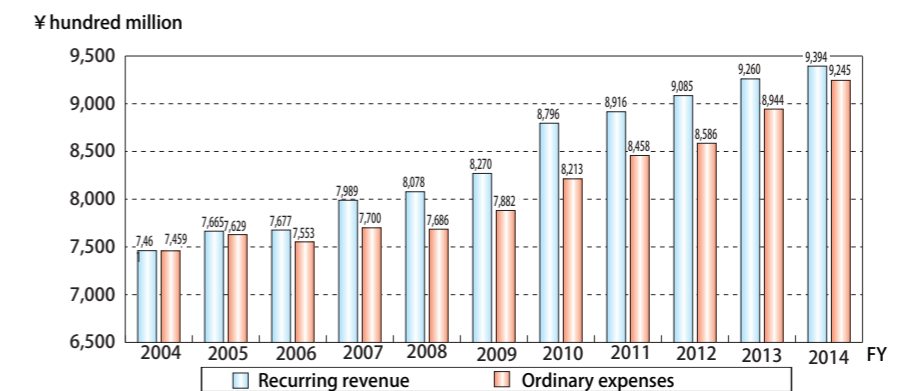


Ordinary revenue and expenditure, ratio of ordinary revenue to expenditure, and reducing debt

Overall, the NHO is aiming for a ratio of ordinary revenue to expenditure of at least 100% in profit-and-loss calculations each year. This is achieved by promoting management improvements following analysis of the financial situations of individual hospitals, comparing financial situations between hospitals, and preparing departmental balance sheets and monthly closing.

The NHO maintains a high ratio of ordinary revenue to expenditure each year by continuously improving management (e.g., by increasing numbers of new patients), as well as promoting the acquisition of upper references pertaining to medical fees (e.g., by appropriately allocating staff and shortening the average length of stay).

Furthermore, despite managing the NHO amid numerous dilapidated hospitals and massive debt inherited from the NHO's establishment, we are steadily reducing our fixed debt (outstanding long-term debt) each year as a result of steady reimbursement through various management efforts, including a review of construction costs. However, due to the large number of old buildings that have exceeded their service life, we are making calculated investments to complete building maintenance, with a focus on improving the patient care environment.



	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Ordinary income (¥ hundred million)	2	36	124	289	392	488	583	458	498	317	149
Ratio of ordinary revenue to expenditure	100.0%	100.5%	101.6%	103.8%	105.1%	104.9%	107.1%	105.4%	105.8%	103.5%	101.6%

Transition of fixed debt (outstanding long-term debt)

