Financial Summary for the Fiscal Year Ended March 31, 2007

May 18, 2007

Company name: **With us Corporation**
Stock listed on JASDAQ
Stock code: 9696
URL: http://www.with-us.co.jp
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Scheduled date of General Meeting of Shareholders: June 28, 2007
Scheduled date of filing of Annual Security Report: June 28, 2007
Scheduled date of dividend payment: June 29, 2007

(All amounts are rounded down to the nearest million yen)

1. Financial result for the fiscal year ended March 31, 2007 (Apr. 1, 2006 to Mar. 31, 2007)

(1) Consolidated business results

(The percentages shown for net sales, operating income, ordinary profit, and net income represent year-on-year changes)

	Net sales		Operating income		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2007	13,056	4.0	1,508	26.9	1,463	24.1	491	31.0
Fiscal year ended Mar. 31, 2006	12,558	7.4	1,188	48.4	1,179	41.7	375	15.3

	Net income per share	Diluted net income per share	ROE	Ordinary profit to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2007	51.43	-	10.6	13.6	11.6
Fiscal year ended Mar. 31, 2006	38.50	-	8.8	11.8	9.4

Reference: Equity method income (million yen) Mar. 2007: (7) Mar. 2006: (27)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2007	11,161	4,839	43.4	506.36
As of March 31, 2006	10,435	4,416	42.3	460.53

Reference: Shareholders' equity (million yen) Mar. 2007: 4,839 Mar. 2006: 4,416

(3) Consolidated cash flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2007	1,073	(1,129)	59	2,243
Fiscal year ended Mar. 31, 2006	1,537	(1,018)	59	2,240

2. Dividends

	Dividend per share			Total dividends	Payout ratio	Dividend on equity
Record date	Interim	Year-end	Annual	(Annual)	(Consolidated)	(Consolidated)
	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2006	5.50	11.00	16.50	156	42.9	3.7
Fiscal year ended Mar. 31, 2007	5.50	8.00	13.50	129	26.2	2.8
Fiscal year ending Mar. 31, 2008 (forecast)	5.50	8.00	13.50	-	188.3	-

3. Consolidated forecasts for the fiscal year ending March 31, 2008 (Apr. 1, 2007 to Mar. 31, 2008)

(Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary profit		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,735	0.2	(539)	-	(607)	-	(884)	-	(92.60)
Full year	14,013	7.3	1,415	(6.2)	1,256	(14.1)	68	(86.1)	7.17

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): Yes

Newly added: 1 (Navi, Co., Ltd.)   Excluded: -

Note: Please refer to "Corporate Group Structure" on page 9 for further information.

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standard: Yes

2) Other changes: None

Note: Please refer to "Change in Basis of Presenting Consolidated Financial Statements" on page 22 for further information.

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding at the end of period (including treasury stock)

Mar. 2007: 10,440,000 shares   Mar. 2006: 10,440,000 shares

2) Number of treasury stock at the end of period

Mar. 2007: 883,313 shares   Mar. 2006: 883,313 shares

Note: Please refer to "Per Share Information" on page 30 for the number of shares used in calculating consolidated net income per share.

(Reference) Summary of Unconsolidated Financial Results

1. Unconsolidated financial result for the fiscal year ended March 31, 2007 (Apr. 1, 2006 to Mar. 31, 2007)

(1) Unconsolidated business results

(The percentages shown for net sales, operating income, ordinary profit, and net income represent year-on-year changes)

	Net sales		Operating income		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2007	11,954	2.1	1,343	23.6	1,282	13.5	389	27.5
Fiscal year ended Mar. 31, 2006	11,713	1.7	1,086	39.1	1,129	32.1	305	0.1

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2007	40.72	-
Fiscal year ended Mar. 31, 2006	31.02	-

(2) Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2007	10,006	4,634	46.3	484.99
As of March 31, 2006	9,409	4,311	45.8	449.56

Reference: Shareholders' equity (million yen)   Mar. 2007: 4,634   Mar. 2006: 4,311

2. Unconsolidated forecasts for the fiscal year ending March 31, 2008 (Apr. 1, 2007 to Mar. 31, 2008)

(Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary profit		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,262	(0.6)	(452)	-	(504)	-	(775)	-	(81.19)
Full year	12,614	5.5	1,295	(3.6)	1,165	(9.1)	24	(93.8)	2.54

*Cautionary statement with respect to forward-looking statements

Forward-looking statements in this report are based on reasonable judgments in accordance with information currently available. Actual results may differ significantly from these forecasts for a number of factors. Please refer to "1. Business Performance, (1) Analysis of Results of Operations" on page 3 for precondition and assumption as the basis of the above forecasts.

1. Business Performance

(1) Analysis of Results of Operations

1) Summary

During the fiscal year under review, Japan's economy saw a robust recovery. While capital investment increased in the export-oriented industries, such as automobile and precision machinery, partially benefiting from weaker yen, the employment market turned better, as starting salary and annual pay hike were reported to be raised at certain companies. In the stock market, on the other hand, concerns remained not cleared off due to elevated prices of natural resources, particularly crude oil and non-ferrous metals, and uncertainty over the U.S. economy, represented by the slowdown of the housing market.

Under these macro economic circumstances, the Company entered into the 31st year since its establishment. The Group still faced the competitive business environment in the fiscal year under review. Particularly, the re-zoning of public high schools in Osaka Prefecture affected the *gakushu-juku** segment of the Company much. The division faced competition intensifying with not only new large-scale entrants induced from other regions but the existing local peers now stimulated to secure their markets though they had been dominant within the fragmented areas, respectively, and therefore relatively calm,.

*an after-school private school which offers supplementary education function to public school, sometimes a cramming school, a prep school or any of the likes.

Fighting these business conditions for further business expansion, the Group continued to make efforts in improving educational services and increasing satisfaction of students and their parents in each education business segment. In terms of scale, a correspondence high school which had opened in the previous year contributed to business expansion by increasing its students than the original plan. In addition, the Group's second wide area correspondence high school in a special zone for structural reform was authorized by the Cabinet Office, and is expected to open April 2008 if everything goes as scheduled. This had been planned in anticipation of the number of students reaching capacity at the existing school not so long, and applied for jointly with the City of Yabu, Hyogo Prefecture.

The business status, by segment, during the fiscal year under review was as follows:

Gakushu-juku business

In the Gakushu-juku business, which serves elementary, junior high and high school students, the Group took the following actions during the fiscal year;

a. Preparatory works for the change of school education curriculum scheduled in the next fiscal year (i.e. launching a brand new class in order to retain the current level of the successful rate in entrance examinations to the high-ranked public high schools in response to the re-zoning of high schools in Osaka Prefecture as well as introducing a new education program, including English as a newly adopted mandatory subject in the elementary schools curriculum)

b. Promotion of the joint course from the junior high school to high school educations, which facilitates entries of graduates from the junior high school course to the high school course, as a remedy to secure and increase students and thereby strengthen the high school business

c. Dissemination of the career-oriented education, which is jointly conducted by an NPO, and differentiation from the peers thereby

As a result of taking these major measures and the likes, although the gakushu-juku segment slightly increased average number of students by 51 or 0.3% from the previous fiscal year, net sales rose 3.5% annually to 6,785 million yen. Five schools shut down during the fiscal year account for this slight increase of the student, coupled with lack of new schools early in the year due to a policy change from opening in March (and some in December when the winter course started) to opening mainly in summer. In terms of earnings in contrast thereto, the segment sharply increased operating income 30.7% annually to 1,338 million yen. It was due to the improved class occupancy ratio (i.e. number of student increased per class), the year-end intensive seminar for high school students implemented for the first time and other actions taken in addition to the schools shut down. (The said operating income is before allocation of non-operating expenses booked at the administration division in the head office.)

Business of konin*, support school and correspondence high school**

The business of konin, support school and correspondence high school (“KSC”) took the major initiatives during the fiscal year under review as set forth below:

a. Visits to junior high and high schools located in the neighborhood of the Group’s schools in order to build so a close relationship with them as they may trust on the Group and introduce the Group’s schools to certain students of theirs

b. Dissemination of the Konin system by the Group in order to enhance the publicity of the Group and thereby occupy a larger market share

c. Quality improvement and operational efficiency enhancement through management united between the *Dai-ichi Koto Gakuin*, a konin and support school, and the With Us High School, a correspondence high school

d. Actions to meet diverse needs and increase students, including a comprehensive curriculum at the With Us High School

* short for “*Kotogakko Sotsugyo Teido Nintei Shiken*” in Japanese, meaning High School Graduate Level Certification Examination

** offers educational support to long-term absentee student

Mainly as a result of these actions, the number of student steadily increased 519 persons from the previous year to an average of 7,503 for the year under review. Specifically speaking, the number of students of the high school course in the support school business increased 382 persons in the average for the year, which resulted in a large increase of the enrollment at the With Us High School. This led to not only the performance higher than expected in the correspondence high school business, but opening a second correspondence high school as mentioned before. However the average number of the commuting students failed to reach the expectation for the fiscal year though they increased slightly in comparison with that in the previous year. An increase of the konin market share is regarded as one of the issues to challenge for in the following fiscal year. As a result of them the KSC segment reported net sales of 5,839 million yen (a 4.1% annual increase) and operating income of 1,298 million yen (an 8.3% annual increase). (The said operating income is before allocation of non-operating expenses booked at the administration division in the head office.)

In total for the fiscal year on a consolidation basis, net sales increased 4.0% to 13,056 million yen, ordinary profit increased 24.1% to 1,463 million yen, compared with the previous fiscal year. Net income increased 31.0% to 491 million yen.

Reference: Net sales and the number of students by business segment

(Unit: thousand yen, rounded down)

Segment \ Period	Apr. 1, 2005 – Mar. 31, 2006			Apr. 1, 2006 – Mar. 31, 2007			Difference
	Enrollment	Amount	Comp.	Enrollment	Amount	Comp.	
	Number	Thousand yen	%	Number	Thousand yen	%	
Gakushu-juku	15,130	6,559,310	52.2	15,181	6,785,610	52.0	3.5
Konin, support school, and correspondence high school	6,980 (114)	5,612,079	44.7	7,503 (299)	5,839,413	44.7	4.1
Other Business	529	386,658	3.1	492	431,653	3.3	11.6
Total	22,639	12,558,048	100.0	23,176	13,056,677	100.0	4.0

(Note 1) The number of students in the KSC segment counts those who did not take a support school course but a correspondence high school only and is represented by the parenthesized figure. (The number of students who took both support school and correspondence high school courses are including in that enrolled at the support schools.)

(Note 2) The Preschool Education Division is included in the Other Business Division because it is negligibly insignificant though it should have been included in the Educational Business by its nature. In addition to the preschool education, the Other Business Division includes sales from external customers in the health related services, tenant leasing and advertising businesses, which are operated by consolidated subsidiaries, in its amount, while the number of children in the preschool education business is stated in its enrollment.

(Note 3) The enrollment figures above represent averages for the period.

(Note 4) The amounts above do not include consumption taxes.

2) Forecast for the new fiscal year

Looking forward, the ongoing economic recovery is expected to be sustained though there will remain some uncertainty. The Group’s industry sees competition intensifying though the birth rate coming to an end of years’ decline and households find themselves able to afford educational expenditures a little more than before, which accompanied the recent economic recovery and improved employment.

Under these circumstances, roaring waves of changing environment of educational systems wash the gakushu-juku segment. The policy of opening a school will be changed from opening correspondently with a school year start to opening in summer based on a thorough marketing research. In response to the re-zoning of public high schools in Osaka Prefecture, a school, under the brand name of “*SUR Gokaku Shido-kai*,” will be built up in each of the four redrawn zone for the students hoping to enter one of prestigious high schools. Also in certain specific zone where competition is high, teaching expertise will be enhanced by shifting all the teaching staff to full-time appointed staff. In some selected areas, school facilities under various brand names, including *Dai-ichi* Seminar, *Kobetsu Shido* Pharos, Dai-ichi Seminar Eureka and Dai-ichi Seminar Passeed, will be integrated as a collective and independent school.

The KSC segment regard it as an urgent issue to increase commuting students in the konin course. A nationwide “Konin Promotin Campaign” will be conducted for the purpose to disseminate the Konin system and thereby increase market share. Brand value of Dai-ichi Koto Gakuin will be raised as a career-oriented school for differentiation of the Group from the peers. The correspondence high school segment will open a sports department to meet widely ranging needs as well as a special correspondence department of social welfare for high school graduates or higher-educated persons hoping to obtain application qualification for a certified care worker or children’s nurse. Information dissemination will continuously be promoted for further business expansion.

By taking the above mentioned actions, the Group expects consolidated net sales of 14,013 million yen and ordinary profit of 1,256 million yen. However consolidated net income will stay as low as 68 million yen due to an extraordinary loss of provision of prior years’ reserves for officers’ retirement benefits, which is supposed to be charged in accordance with the “Auditing Treatment regarding Reserves under the Special Taxation Measures Law and provisions, reserves, officers’ retirement benefits, etc. under Special Laws” (Report No. 42 dated April 13, 2007 issued by the Committee of Auditing and Guarantee Practices, the Japanese Institute of Certified Public Accountants).

(2) Analysis of Financial Condition

[Balance sheet position]

1) Assets

Total assets increase to 11,161 million yen as of March 31, 2007, 725 million yen or 7.0% higher than as of March 31, 2006. It was mainly due to an increase in purchase of tangible fixed assets as well as investment securities.

2) Liabilities

Total liabilities increased to 6,321 million yen as of March 31, 2007, with a 5.0% increase of 302 million yen from March 31, 2006. It was mainly due to an increase in short-term borrowings.

3) Net assets

Net assets increased to 4,839 million yen as of March 31, 2007, 423 million yen or 9.6% up from March 31, 2006. It was mainly due to an increase in retained surplus associated with an increase in net income and net unrealized holding gain on other securities.

[Cash flow position]

Cash and cash equivalents (“net cash”) at the end of the fiscal year under review increased 3 million yen or 0.2% on a consolidation basis, compared with the previous fiscal year. While income before income taxes was reported 1,050 million yen, the non-cash items include depreciation and amortization of 428 million yen, an increase in allowance for doubtful account of 315 million yen and loss on revaluation of investment securities of 76 million yen, and the major cash outflows are income taxes paid of 688 million yen, acquisition of fixed assets of 602 million yen, acquisition of investment securities of 411 million yen, and payments for loans and advances of 240 million yen, and sales of investment securities of 167 million yen is the main cash inflow. As a result, net cash increased 3 million yen to 2,243 million yen, compared with at the end of the previous year. Cash flows during the fiscal year under review and major items were stated below.

1) Cash flow from operating activities

Net cash provided from operating activities was 1,073 million yen for the fiscal year under review, 464 million yen less than for the previous year. It was mainly because the non-cash items, including depreciation and amortization of 428 million yen and an increase in allowance for doubtful account of 315 million yen, were added on income before income taxes of 1,050 million yen, but income taxes paid of 688 million yen was deducted there from.

2) Cash flow from investing activities

Net cash used in investing activities was 1,129 million yen for the fiscal year under review, while 1,018 million yen had been used for the previous year. Principal investments include acquisition of tangible fixed assets of 485 million yen mainly associated with purchasing a new building for an independent school and moving existing schools for integration with it, acquisition of investment securities of 411 million yen and payments for loans and advances of 240 million yen.

3) Cash flow from financing activities

Net cash provided from financing activities was 59 million yen for the fiscal year under review, while 59 million yen had also been provided for the previous year. Major items were short- and long-term borrowings of 2,200 million yen, their repayment of 1,982 million yen and cash dividend paid by the Company of 158 million yen.

(Reference: Cash flow indicators)

	March 2004	March 2005	March 2006	March 2007
Ratio of shareholders’ equity to total assets (%)	45.3	42.8	42.3	43.4
Ratio of shareholders’ equity to total assets (market value basis) (%)	42.2	38	69.2	44.3
Cash flows to debt ratio (%)	112.7	174.3	102.9	167.7
Interest coverage ratio (times)	94.9	93.3	96.3	60.5

(Notes) Indicators are calculated as follows:

- Ratio of shareholders’ equity to total assets: Shareholders equity / Total assets
  Figures as of March 31, 2007:
  (Total net assets – new stock acquisition rights – minority interests) / Total assets
- Ratio of shareholders’ equity to total assets (market value basis): Stock value on market basis / Total assets
- Cash flows to debt ratio: Interest-bearing debt / Operating cash flow
- Interest coverage ratio: Operating cash flow / Interests paid

1. Indicators are calculated using figures on a consolidated basis.
2. The stock value on market basis is calculated using the last value at the period end times the number of shares issued (less treasury stocks).
3. The operating cash flow used in these calculations is that of the cash flow found in the consolidated statement of cash flow. Interest-bearing debt is the aggregate of those liabilities on the consolidated balance sheet on which the Company pays interest. Figures for interests paid are that stated as “Interests paid” on the consolidated statement of cash flow.

(3) Fundamental profit sharing principles and dividends for the current and next fiscal year

We regard profit sharing with shareholders as our most important management priority. As such, we have been aggressive and stable in returning profits to shareholders while preserving and strengthening our competitiveness and ensuring sufficient capital. We plan to continue determining dividend payouts with the same approach while maintaining sufficient internal reserves to survive in this highly competitive industry.

We hold a policy of maintaining dividend per share stable on a certain level, which has been 13.50 yen per share a year, except 16.50 yen per share for the previous fiscal year as 3.00 yen had been added on it as commemorative dividend of the 30th anniversary of the Company's establishment. Basically, we seek for well-balanced distribution of allocations to shareholders and employees and internal reserve. While will make efforts to keep dividend per share at the current level, we will implement a proactive policy of dividends in case where net income has increased.

Based on the policy, dividend is planned 13.50 yen per share for the fiscal year under review and 13.50 per share for the new fiscal year.

(4) Business risks

Some of information regarding business and financial situations of the Group may affect investors' decision. Here is such information listed as set forth below. The Group basically intends to prevent those risks from emerging as much as and as early as possible when such risks are recognized respectively or to take a quick and proper action against it when such risk has emerged.

The forward-looking parts of the statements listed below are based on the judgment of the Group at the end of the fiscal year under review.

1) Competition in the gakushu-juku industry

While the birth rate is continuously decreasing for a structural reason, the market is overcrowded with various size of *juku* private schools of group and personal educations. It results in severe competition among these schools, coupled with the shrinking market. Competitions used to be fragmented with local peers within their homeland markets, respectively. Those days, while the locally rooted and small-sized juku schools were price competitive, large-scale and financially strong ones attracted students and their parents with their wide school networks, track records of high successful rate in entrance exminations and accumulated expertise, and it resulted in market compartmentalization in a comparatively good order. However, recent years, major juku groups from the Kanto* and Tokai* districts have entered the Kansai* market. In addition, as the existing 9 school zones were redrawn into 4 after the re-zoning of public high schools in Osaka Prefecture, we may come to compete with a large-scale peer based in an area where competition had been less high in cases where both have their schools in an area. Such case may affect the Group's business results.

*Kanto, Tokai and Kansai regions are greater regions of Tokyo, Nagoya and Osaka, respectively

2) Hiring and retaining capable staff

The Company holds 500 or more permanent teaching staff and 1,600 or more non-permanent teachers. A situation where Company finds it hard to hire and retain capable staff may affect earnings of the Group. In cases where a teacher who is a great favorite with students quits the job, some students may also leave the school because they and/or their parents are deeply affected by such teacher.

3) Change of the education system

The education change system has changed as frequently as almost every year under the guidance of the Government. Any wrong decision or negligence in response to such change may cause a significant negative effect on business results of the Group. (Giving some examples out of those in the recent years , such influential changes include the renewal from the *Daiken* to the Konin system, review on the so-called non-cramming education and adoption of English as a subject of the elementary school curriculum on the national horizon as well as the re-zoning of public high schools in Osaka Prefecture as a local change. Looking forward, even educational administration may be greatly affected by the amendment of the Fundamental Law of Education.)

4) Personal information handling

The Group holds an immense volume of personal information concerning the average of over 23,000 enrolled students during the current fiscal year as well as concerning past graduates. As part of its measures to handle this information properly, the Group received Privacy Mark certification. However, the leak of personal information for whatever reason could result in a loss of public confidence that may affect the earnings of the Group.

2. Corporate Group Structure

The Corporate Group consists of With us Corporation (the Company), seven subsidiaries (Breeze Inc., Harmonic Corporation, SRJ Co., Ltd., Nihon Sokunou Sokudoku Kyoukai Co, Ltd ., Navi Co., Ltd., Tomatis Japan Inc., and Melic Melic Education System Co., Ltd., and five affiliates (Dai-Ichi Progress, Inc., Will System Co., Ltd., Career Navi Co., Ltd., Unicharm Eduo Co., Ltd., and Yugakusha Co., Ltd.). The changes made within the Group in the fiscal year ended March 2007 are establishments of Tomatis Japan Inc. (a 86.9% stake in equity) in June 2006 and Navi Co., Ltd. (a 100% stake in equity) in November 2006 as well as equity participation in Melic Education System Co., Ltd. in January 2007 (a 75% stake in equity). SRJ Co., Ltd. and Nihon Sokunou Sokudoku Kyoukai Co, Ltd., which had previously been affiliates, re-categorized as consolidated subsidiary within the Group because the controls of the Company on them were effectively increased.

[Summary of the With Us Corporate Group]

Two advertising agency group companies:

While Breeze Inc. is engaged in advertising agency business in western Japan (principally in the Osaka region), Dai-Ichi Progress, Inc. is involved in both advertising and publishing, mainly in the greater Tokyo region of eastern Japan. Operations include planning and advertising our student and staff recruitment programs, and production and printing aching materials, brochures and other materials to be used by the Company. These operations are conducted in ever-closer collaboration with the Company, and contribute to effective strategy for acquiring students.

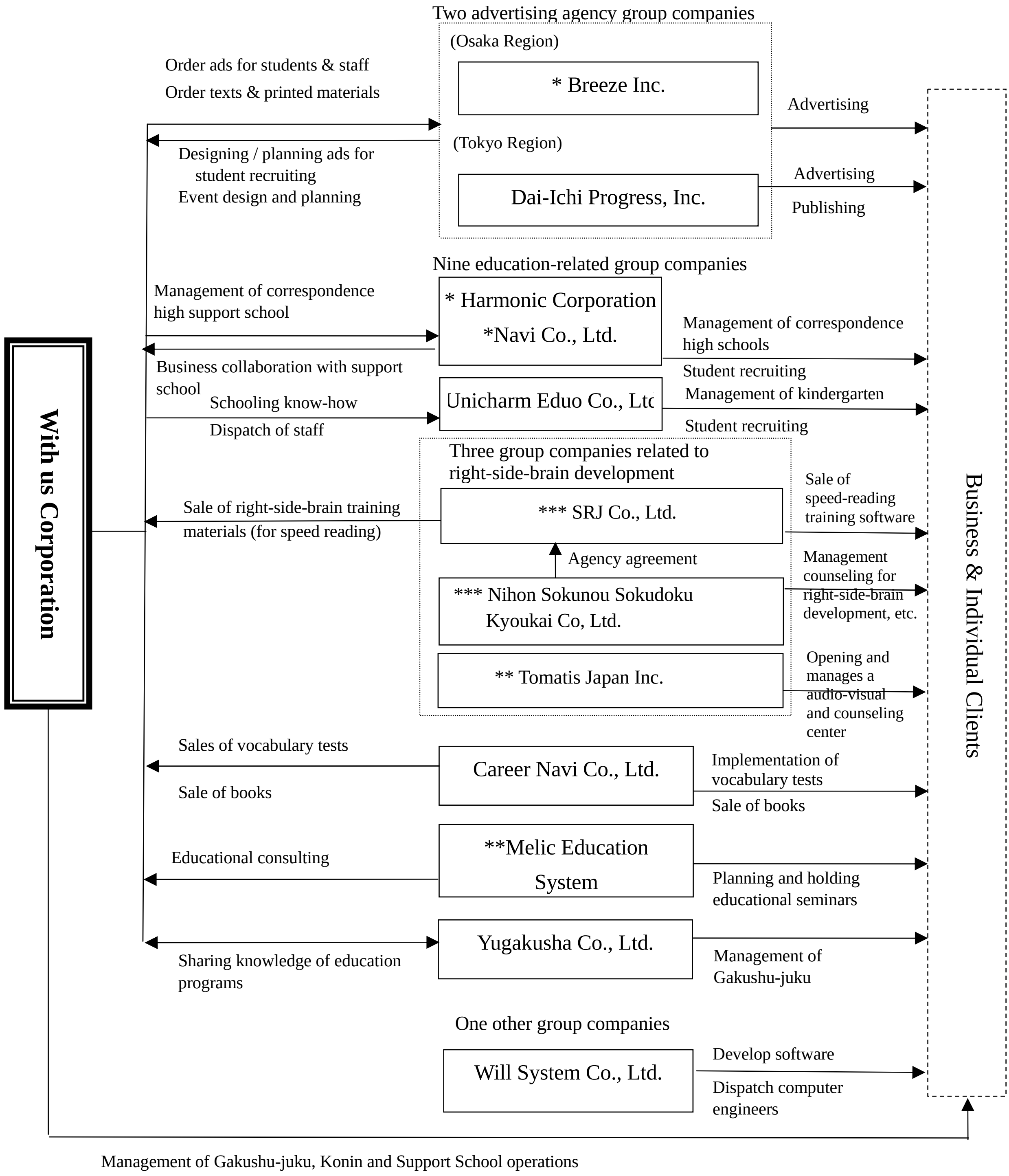
Nine education-related group companies:

Yugakusha Co., Ltd. operates entrance examination preparation schools in Osaka prefecture. We work closely with Yugakusha in order to improve the two companies' education programs through the sharing of knowledge with our *Gakushu-juku* segment. SRJ Co., Ltd. and Nihon Sokunou Sokudoku Kyoukai Co., Ltd. are engaged mainly in the development of speed-reading instructional software and managing speed-reading classes. The Company has introduced a right-side-brain development courses and has a close business relationship with both. Career Navi Co., Ltd. is an education service company, mainly offering English vocabulary qualification tests to both students and adult learners enrolled in classes managed by the Company and its joint ventures. Unicharm Eduo Co., Ltd. was established jointly with Unicharm Corporation and was originally owned on an equal basis. (After Eiko Co., Ltd. acquired some stake in it in January 2005, Unicharm Corporation and the Company now hold a 44.44% stake, respectively.) The joint venture opens classes to help children of ages nine or younger develop their talents and manages classes preparatory for elementary school entrance examination and classes of elementary school pupils in lower grades in the greater Tokyo region. Harmonic Corporation was established as a wholly owned subsidiary of the Company to operate a correspondence high school course. The Group proposed to the City of Takahagi, Ibaraki Prefecture, to open a wide area correspondence high school managed by a joint stock company, taking advantage of the city's special zone for structural reform as designated by the Cabinet Office. Also Navi Co., Ltd. was established as a subsidiary to manage the Group's second wide area correspondence high school, which will be open in the City of Yabu, Hyogo Prefecture, another designated special zone for structural reform, in April 2008. Tomatis Japan Inc. is engaged in managing a hearing- and psycho-related counseling center and giving lectures to counselors. Tomatis Japan and SRJ have right-side-brain development business in common and closely cooperate to explore new customers. Melic Education System Co., Ltd. is an educational consulting firm, offering services of planning and holding educational seminars, too.

Group company in other businesses:

Will System Co., Ltd. is engaged in dispatching computer technicians and developing computer software in and around Hokkaido.

[Corporate Group chart]



Companies marked with an asterisk (*): consolidated subsidiaries.

Companies marked with two asterisks (**): unconsolidated subsidiary.

Companies marked with three asterisks (***): equity-method unconsolidated subsidiary.

Non-marked companies: affiliates to which the equity method applies.

3. Management Principles

(1) Fundamental management principles

Our fundamental management principle guides us to be more than mere supplements to or byproducts of public school education. Our aim is "to make a positive contribution to society by helping to revolutionize Japanese education through the development of private educational institutions of historical significance." Through doing this, we intend to continue growing our business into the future. We are doing the following to actualize those principles:

1) Designing sophisticated educational systems to help students understand and retain content covered in the current public school education curriculum
2) Establishing unique, original programs and know-how in areas not covered by the current educational system
3) Establishing an exceptional quality educational framework for a wide area correspondence high school, Konin preparation, Support School education and study abroad programs in response to growing demand for diverse educational alternatives.

Through these activities, we aim to strengthen our business base to return profits to shareholders, customers, and employees.

(2) Key Performance indicators

We are working to establish a unique private educational institution unparalleled in Japan, and to do so, we have been researching a variety of new educational systems, business development possibilities, and plans for expansion and increased profitability. We regard ROA important as a key performance gauge because we view effective capital investment is vital for the introduction of impairment accounting. We set a target at 15% in ordinary profit to net sales because we believe it is important to raise particularly this ratio as component of ROA (ordinary profit to net sales x capital turnover). Among expense items, personnel expense holds a significantly large portion in overall expense in our business and affects greatly income results. Therefore, we closely monitor ordinary profit to net sales performance in our routine management, trying to maintain well balanced quality of teaching staff. The Company is aware that indicators such as ROE and EVA can be useful in view of returns on invested capital, but numerical targets have yet to be fixed for these indicators.

(3) Mid to long-term business strategies

As the number of children per household continues to decline and customers become more selective, we expect to see competition increasing in the education industry; competition in which only the best and strongest survive. In this environment, we seek aggressively to develop the market and create new format of operation and service through M&A, business alliances, capital participation and new company foundation in education-related areas. Under the medium- and long-term strategy, the Group is going to convert its business concept for clear differentiation from the peers, i.e. we are going to convert the current concept of ourselves as being an "education business" to a concept of being a "career development assistant business," though we continue to enhance the education services in the gakushu-juku and the business of konin, support school and correspondence high school ("KSC") as we have done. We strive to be one of the most excellent educational institutions, which will fulfill its corporate vision that of "fostering people able to perform successfully in society" while we incorporate career development assistance to each student in education services in addition to giving education for the purpose to achieve the objective for the time being. Simultaneously, we will explore a new business which will combine existing resources with promotion of the career-oriented education.

(4) Challenges

The followings are the current challenges which the Group regards it faces.

The gakushu-juku business faces the roaring waves of environmental changes in the education system such as the swing-back of the school education from the so-called non-cramming education, adopting English as a compulsory subject of the elementary school curriculum, the new type of public school integral from junior high to high school education. The Group is required to take proper actions to meet needs of students and their parents in response to these environmental changes. Basically we recognize the following requirements very keenly; that all the teaching staff should improve their teaching expertise, that we should serve students and their parents well enough to gain their trusts on us, that, to this end, we should systematically hire capable teaching staff, and that it is essential to us as a foothold in our strategy and tactics that maintain and increase successful rate in respective entrance examinations. Specifically in areas where a high competition is expected, we aim to convert all the teaching staff there into full-time employment and enhance teaching expertise. We will set up the Human Resource Development Department and intend to improve teaching expertise and seek persistently for better quality in giving lectures. In addition it, by introducing career-oriented education, we intend to fulfill our mission of “fostering people able to perform successfully in society, who first challenge a prestigious high school for this purpose” and also put emphasis on our distinctiveness in encouraging students to study on their initiatives.

The konin, support school and correspondence high school business regards it as an urgent issue to increase commuting students in the konin courses, following the previous fiscal year. To this end, we are going to emphasize the career-oriented education, visit junior high and high schools to establish a close relationship with them, respectively. And thereby, we aim to be an educational institution as “another school” which offers what a public school cannot offer.

The correspondence business will open a department of sports and invite Mr. Arthur Antunes Coimbra, former chief coach of Japanese national soccer team, known as Zico in February 2007 as a super-advisory to the With Us High School, who agreed on the educational mission of the school. We are sure that his appointment will contribute to enhancing the presence of the With us Group

Furthermore, our second correspondence high school, scheduled to open in our dominant area of Hyogo Prefecture in the Kinki region in April 2008, will not only become a touchstone whether the business of konin and support school and that of correspondence high school, but be studied for cooperation with the gakushu-juku business in sight to further improve operational efficiency on a consolidation basis.

(5) Internal control established in place

As to this matter, please refer to a corporate governance report titled “Basic Idea and Preparation regarding Internal Control System.”

(6) Other material management issues

Not applicable.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: thousand yen, %, rounded down)

Item	Note	As of Mar. 31, 2006			As of Mar. 31, 2007			Increase (Decrease)
		Amount		%	Amount		%	
(Assets)								
I. Current assets								
1. Cash on hand and in banks			2,247,134			2,250,786		3,652
2. Trade notes and accounts receivable-trade			22,624			3,346		(19,278)
3. Accounts receivable-school fees			406,500			450,094		43,593
4. Securities			-			20,000		20,000
5. Inventories			57,646			139,366		81,719
6. Deferred tax assets			124,478			134,845		10,367
7. Others			270,432			338,464		68,032
Allowance for doubtful accounts			(26,185)			(32,985)		(6,800)
Current assets total			3,102,630	29.7		3,303,917	29.6	201,286
II. Fixed assets								
1. Tangible fixed assets								
(1) Buildings and structures	*2	3,424,477			3,764,872			
Accumulated depreciation		1,596,491	1,827,986		1,739,298	2,025,574		197,587
(2) Land	*2,3		715,345			715,345		
(3) Construction in process			60,000			23,168		(36,831)
(4) Others		369,169			407,963			
Accumulated depreciation		247,518	121,651		285,792	122,170		519
Tangible fixed assets total			2,724,983	26.1		2,886,259	25.9	161,275
2. Intangible fixed assets								
(1) Software			351,219			300,127		(51,092)
(2) Others			57,509			114,338		56,828
Intangible fixed assets total			408,729	3.9		414,466	3.7	5,736
3. Investments and other assets								
(1) Investment securities	*1		1,403,444			1,838,785		435,340
(2) Long-term loans receivable			236,566			417,961		181,394
(3) Leasing and guarantee deposits			1,323,470			1,281,146		(42,324)
(4) Prepaid pension expenses			167,391			178,198		10,807
(5) Deferred tax assets			324,542			342,686		18,144
(6) Reserve for insurance			529,745			601,119		71,374
(7) Others			98,637			118,620		19,982
Allowance for doubtful accounts			(6,709)			(315,265)		(308,556)
Investments and other assets total			4,077,090	39.1		4,463,252	40.0	386,162
Fixed assets total			7,210,803	69.1		7,763,978	69.6	553,174
III. Deferred assets								
1. Formation expenses			593			904		310
2. Inauguration expenses			121,455			92,278		(29,176)
Deferred assets total			122,048	1.2		93,182	0.8	(28,865)
Assets total			10,435,482	100.0		11,161,077	100.0	725,595

(Unit: thousand yen, %, rounded down)

Item	Note	As of Mar. 31, 2006			As of Mar. 31, 2007			Increase (Decrease)
		Amount		%	Amount		%	
(Liabilities)								
I. Current liabilities								
1. Notes and accounts payable-trade			256,522			324,688		68,165
2. Short-term borrowings	*2		1,017,440			1,200,320		182,880
3. Current portion of corporate bonds			-			300,000		300,000
4. Accounts payable-other			442,940			322,795		(120,144)
5. Income taxes payable			409,862			383,356		(26,506)
6. Consumption taxes payable			54,733			43,910		(10,822)
7. Advances from customers			2,539,239			2,649,023		109,783
8. Reserve for bonuses			182,754			187,707		4,952
9. Others			112,408			172,535		60,127
Current liabilities total			5,015,901	48.1		5,584,337	50.0	568,435
II. Long-term liabilities								
1. Corporate bond			500,000			200,000		(300,000)
2. Long-term debt	*2		65,520			100,000		34,480
3. Reserve for retirement benefits			395,560			401,371		5,810
4. Deferred tax liabilities related to revaluation of land	*3		309			309		-
5. Others			42,168			35,904		(6,264)
Long-term liabilities total			1,003,558	9.6		737,585	6.6	(265,973)
Liabilities total			6,019,460	57.7		6,321,922	56.6	302,462
(Shareholders' equity)								
I. Common stock	*5		1,299,375	12.5		-		-
II. Capital surplus			1,589,377	15.2		-		-
III. Retained surplus			3,128,813	30.0		-		-
IV. Reserve for revaluation of land	*3		(1,297,766)	(12.4)		-		-
V. Unrealized gain (loss) on other securities			41,178	0.3		-		-
VI. Treasury stock	*6		(344,955)	(3.3)		-		-
Shareholders' equity total			4,416,022	42.3		-		-
Liabilities and shareholders' equity total			10,435,482	100.0		-		-
(Net assets)								
I. Shareholders' equity								
1. Common stock			-	-		1,299,375	11.6	-
2. Capital surplus			-	-		1,589,377	14.2	-
3. Retained surplus			-	-		3,444,713	31.0	-
4. Treasury stock			-	-		(344,955)	(3.1)	-
Shareholders' equity total			-	-		5,988,510		-
II. Valuation and translation adjustments								
1. Net unrealized holding gain (loss) on other securities			-	-		148,411	1.3	-
2. Reserve for revaluation of land			-	-		(1,297,766)	(11.6)	-
Total valuation and translation adjustments			-	-		(1,149,355)		-
Total net assets			-	-		4,839,155	43.4	-
Liabilities and net assets total			-	-		11,161,077	100.0	-

(2) Consolidated Statement of Income

(Unit: thousand yen, %, rounded down)

Item	Note	Apr. 1, 2005 – Mar. 31, 2006 Amount		%	Apr. 1, 2006 – Mar. 31, 2007 Amount		%	Increase (Decrease)
I. Net sales			12,558,048	100.0		13,056,677	100.0	498,628
II. Cost of sales			9,325,715	74.3		9,352,433	71.6	26,718
Gross profit on sales			3,232,333	25.7		3,704,243	28.4	471,910
III. Selling, general and administrative expenses	*1		2,043,741	16.3		2,195,379	16.8	151,637
Operating income			1,188,591	9.4		1,508,864	11.6	320,272
IV. Non-operating income								
1. Interest income		4,621			10,873			
2. Dividend income		5,834			12,528			
3. Gain on sales of investment securities		35,839			1,530			
4. Consumption tax refund		13,048			-			
5. Income from participated event		-			5,352			
6. Others		17,830	77,173	0.6	20,964	51,248	0.4	(25,925)
V. Non-operating expenses								
1. Interest expenses		15,659			18,083			
2. Loss on equity investments in unconsolidated companies		27,954			7,900			
3. Provision of allowance for doubtful accounts		-			33,030			
4. Amortization of business initial costs		31,296			31,296			
5. Amortization of bond issuance costs		2,400			-			
6. Loss on cancellation of insurance		1,530			901			
7. Others		7,118	85,960	0.7	5,131	96,343	0.7	10,383
Ordinary profit			1,179,805	9.3		1,463,769	11.3	283,964
VI. Extraordinary income								
1. Reversal of allowance for doubtful accounts		5,003			3,500			
2. Gain on sales of fixed assets	*2	481			2,762			
3. Gain on sales of investment securities		33,500	38,984	0.3	104,647	110,910	0.8	71,925
VII. Extraordinary losses								
1. Loss on disposal of fixed assets	*3	94,005			115,484			
2. Impairment losses	*4	266,804			20,342			
3. Directors retirement benefits		13,955			9,624			
4. Loss on valuation of investment securities		-			76,677			
5. Allowance for doubtful accounts		-			275,189			
6. Loss on valuation of club membership		-			1,600			
7. Others		24,903	399,668	3.1	25,240	524,157	4.0	124,489
Income before income taxes			819,121	6.5		1,050,521	8.1	231,400
Corporate, inhabitant and enterprise taxes		524,961			663,058			
Deferred taxes		(80,952)	444,009	3.5	(103,993)	559,064	4.3	115,055
Net income			375,112	2.9		491,457	3.8	116,344

(3) Consolidated Surplus Statement and Statement of Changes in Shareholders' Equity

Consolidated Surplus Statement

(Unit: thousand yen, rounded down)

Item	Apr. 1, 2005 – Mar. 31, 2006	
	Amount	
(Capital surplus)		
I. Capital surplus, beginning of the year		1,517,236
II. Increase in capital surplus		
1. Gain on disposal of treasury stock	72,141	72,141
III. Capital surplus, end of the year		1,589,377
(Retained surplus)		
I. Retained surplus, beginning of the year		3,022,415
II. Increase in retained surplus		
1. Net income	375,112	375,112
III. Decrease in retained surplus		
1. Dividends paid	125,019	
2. Directors' bonuses	14,730	
3. Reversal of reserve for revaluation of land	128,964	268,714
IV. Retained surplus, end of the year		3,128,813

Consolidated Statements of Changes in Shareholders' Equity

Apr. 1, 2006 – Mar. 31, 2007

(Unit: thousand yen, rounded down)

	Shareholders' equity				
	Common stock	Capital surplus	Retained surplus	Treasury stock	Shareholders' equity total
Balance as of March 31, 2006	1,299,375	1,589,377	3,128,813	(344,955)	5,672,611
Changes in the current year					
Dividend of surplus (Note 1)			(157,685)		(157,685)
Directors' bonuses (Note 2)			(14,800)		(14,800)
Decrease due to decrease in the number of equity-method affiliates			(3,072)		(3,072)
Net income			491,457		491,457
Changes (net) in items other than shareholders' equity					
Total changes in the current year	-	-	315,899	-	315,899
Balance as of March 31, 2007	1,299,375	1,589,377	3,444,713	(344,955)	5,988,510

(Unit: thousand yen, rounded down)

	Valuation and translation adjustments			Net assets total
	Net unrealized holding gain (loss) on other securities	Reserve for revaluation of land	Valuation and translation adjustments total	
Balance as of March 31, 2006	41,178	(1,297,766)	(1,256,588)	4,416,022
Changes in the current year				
Dividend of surplus (Note 1)				(157,685)
Directors' bonuses (Note 2)				(14,800)
Decrease due to decrease in the number of equity-method affiliates				(3,072)
Net income				491,457
Changes (net) in items other than shareholders' equity	107,233		107,233	107,233
Total changes in the current year	107,233	-	107,233	423,132
Balance as of March 31, 2007	148,411	(1,297,766)	(1,149,355)	4,839,155

(Note 1) Dividend of surplus is appropriation items resolved at the Annual General Meeting of Shareholders held in June 2006 and Board of Directors' meeting in November 2006.

(Note 2) These appropriation items are those resolved at the Annual General Meeting of Shareholders held in June 2006.

(4) Consolidated Statement of Cash Flow

(Unit: thousand yen, rounded down)

Item	Apr. 1, 2005 – Mar. 31, 2006 Amount	Apr. 1, 2006 – Mar. 31, 2007 Amount	Increase (Decrease)
I. Cash flows from operating activities			
Income before income taxes	819,121	1,050,521	
Depreciation and amortization	407,622	428,859	
Impairment losses	266,804	20,342	
Bond issuance costs amortization	2,400	-	
Amortization for formation expenses	296	448	
Amortization of initial expenses	31,296	31,296	
Loss on disposal of fixed assets	38,760	55,413	
Increase (decrease) in allowance for doubtful account	7,081	315,357	
Increase (decrease) in reserve for bonuses	(3,262)	4,952	
Increase in reserve for retirement benefits	34,273	5,810	
Decrease (increase) in prepaid pension expenses	(81,137)	(10,807)	
Interest and dividend income	(10,455)	(23,401)	
Interest expenses	15,659	18,083	
Loss on equity investments in unconsolidated companies	27,954	7,900	
Directors retirement benefits	13,955	9,624	
Gain on sales of investment securities	(69,339)	(106,178)	
Loss on sales of investment securities	-	492	
Loss on valuation of investment securities	-	76,677	
Gain on sales of tangible fixed assets	(481)	(1,876)	
Gain on sales of intangible fixed assets	-	(886)	
Loss on valuation of club membership	-	1,600	
Proceeds from sale of business	-	(4,450)	
Loss on cancellation of insurance	1,530	901	
Decrease (increase) in trade receivables	(11,339)	(24,315)	
Decrease (increase) in inventories	19,314	(81,438)	
Increase (decrease) in trade payables	(17,235)	68,165	
Decrease (increase) in other assets	96,621	(92,265)	
Increase in advances from customers	59,497	109,783	
Increase (decrease) in other liabilities	132,847	(77,479)	
Directors' bonuses paid	(14,730)	(14,800)	
Sub-total	1,767,056	1,768,333	1,277
Interest and dividend income received	10,644	20,824	
Interests paid	(15,969)	(17,759)	
Directors retirement benefits paid	(13,955)	(9,624)	
Income taxes paid	(209,781)	(688,055)	
Net cash provided by operating activities	1,537,994	1,073,718	(464,276)
II. Cash flows from investing activities			
Payments for increase in time deposits	14,012	7,007	
Proceeds from decrease in time deposits	(14,013)	(7,008)	
Payments for acquisition of tangible fixed assets	(313,089)	(485,407)	
Proceeds from sales of tangible fixed assets	4,812	5,409	
Payments for acquisition of intangible fixed assets	(81,590)	(117,139)	
Proceeds from sales of intangible fixed assets	1,400	886	
Payments for acquisition of investment securities	(702,791)	(411,419)	
Proceeds from sales of investment securities	290,124	169,382	
Payments for loans and advances	(165,200)	(240,500)	
Proceeds from collection of loans and advances	7,474	12,720	
Decrease (increase) in leasing and guarantee deposits	50,485	42,324	
Payment of formation expenses	-	(1,186)	
Proceeds from other investment activities	13,120	18,430	
Payments for other investment activities	(122,759)	(122,904)	
Net cash used in investing activities	(1,018,015)	(1,129,405)	(111,389)

Item	Apr. 1, 2005 – Mar. 31, 2006 Amount	Apr. 1, 2006 – Mar. 31, 2007 Amount	Increase (Decrease)
III. Cash flows from financing activities			
Increase in short-term borrowings	2,000,000	2,100,000	
Repayment of short-term borrowings	(1,500,000)	(1,750,000)	
Proceeds from long-term debt	-	100,000	
Repayment of long-term debt	(502,040)	(232,640)	
Proceeds from sales of treasury stock	189,300	-	
Payments for acquisition of treasury stock	(2,930)	-	
Cash dividends paid by parent company	(125,019)	(158,021)	
Net cash provided by financing activities	59,309	59,338	29
IV. Effect of exchange rate changes on cash and cash equivalents	-	-	-
V. Increase (decrease) in cash and cash equivalents	579,288	3,650	(575,638)
VI. Cash and cash equivalents at beginning of year	1,660,838	2,240,127	579,288
VII. Cash and cash equivalents at end of period *1	2,240,127	2,243,777	3,650

Basis of Presenting Consolidated Financial Statements

Item	Apr. 1, 2006 – Mar. 31, 2007
1. Consolidated subsidiaries	(A) Number of consolidated subsidiaries: 3 Consolidated subsidiaries: Breeze Inc. Harmonic Corporation Navi Co., Ltd. Navi Co., Ltd. was included as a consolidated subsidiary in November 2006 as its establishment. (B) Number of unconsolidated subsidiaries Major unconsolidated subsidiaries: SRJ Co., Ltd. Nihon Sokunou Sokudoku Kyoukai Co., Ltd. Tomatis Japan Inc. Melic Education System Co., Ltd. (Reason for exclusion from the consolidation) The consolidated financial statements do not include the accounts of unconsolidated subsidiaries since the entities are a small-scale business whose total assets, net sales, net income (to be applicable under the equity method) or retained surplus (to be applicable under the equity method) have no significant effect on the overall results of consolidated financial statements.
2. Affiliates consolidated under the equity method	(A) Number of unconsolidated subsidiaries accounted for under the equity method: 2 SRJ Co., Ltd. Nihon Sokunou Sokudoku Kyoukai Co., Ltd. These two companies were included as equity-method subsidiaries in the current fiscal year. However, these companies are not included in the consolidation because of relatively little significance in the context of consolidated financial statements. (B) Number of affiliates accounted for under the equity method: 5 Dai-Ichi Progress Inc. Will System Co., Ltd. Career Navi Co., Ltd. Unicharm Eduo Co., Ltd. Yugakusha Co., Ltd. YouDEC Co., Ltd. previously accounted for by the equity method in the previous fiscal year, has been excluded due to partial sale of its shares during the current fiscal year. Dai-Ichi Progress Inc., Will system Co., Ltd., Career Navi Co., Ltd. and Nihon SokunouSokudoku Kyoukai Co, Ltd. and Yugakusha Co., Ltd. have fiscal years different from that of the parent company and of other consolidated subsidiaries and affiliates. Consolidation adjustment necessary to prepare for these consolidated financial statements were made based on the financial statements as to Dai-Ichi Progress, Career Navi and Nihon Sokudoku Kyoukai Co, Ltd. and Yugakusha Co., Ltd., because their periods also year end March 31, 2007. As for Will System, we used financial statements using consolidated year end with temporary year end adjustment applied to the books. (C) Number of unconsolidated subsidiaries not accounted for under the equity method: 2 Equity method is not applied for Tomatis Japan Inc. and Melic Education System Co., Ltd. are not accounted for under the equity method, since it has a very minor effect on net income/loss (equity in earnings/losses) and retained earrings (equity in earnings) and is relatively insignificant in the context of the consolidated financial statements for the current fiscal year.
3. Closing date of consolidated subsidiaries	All consolidated subsidiary’s year ends on the closing date for consolidated financial statements.

Item	Apr. 1, 2006 – Mar. 31, 2007
4. Items related to accounting standards for accounting treatment	(A) Valuation basis and valuation methodology of material assets (1) Securities Other securities Quoted securities Market value method is applied. Based on the market prices at the last day of the fiscal year. (Differences in valuation are included in net assets using the moving average method for cost calculation.) Unquoted securities Valued at cost using the moving average method. (2) Inventories Teaching material: Value at cost on FIFO basis Merchandise and supplies: Valued at cost using the final purchase cost method (B) Depreciation and amortization assets (1) Tangible fixed asset Declining-balance method except for buildings (excluding equipment), acquired on and after April 1, 1998. Straight-line method for buildings acquired on and after April 1, 1998. Main useful lives are as follows: Building and structures: 5 to 50 years Others: 3 to 20 years (2) Intangible fixed assets Straight-line method. Straight-line method over 5-year period, for software for in-house usage. Number of expected unit sales is used to depreciate software for sales. (C) Accounting treatments on deferred assets (1) Inauguration expenses and formation expenses Straight-line method over 5-year period. (D) Recognition standard of allowances and reserves (1) Allowance for doubtful accounts In order to properly reserve for loss from uncollectible accounts, an amount is set up for regular receivables, based on actual default ratio experienced and for doubtful accounts, based on management's estimated uncollectible amount. (2) Reserve for bonuses Reserve for bonuses was set up to provide for the estimated employees bonus payment amount on the respective period. (3) Reserve for retirement benefits To provide for employees' retirement benefits, the Company recognizes an amount deemed to have accrued at the end of the fiscal year based on retirement benefits liabilities and estimated pension assets at the end of the fiscal year. Prior service cost is to be amortized by straight-line method over the certain period (5 years) within average balance of employment period to retirement of employees. (E) Accounting treatment for lease transactions Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that used for ordinary operating leases. (F) Other significant items for preparing consolidated financial statement Accounting treatment for consumption taxes Consumption taxes are not included in the amounts of respective revenue and cost or expense items.
5. Valuation of assets and debt of consolidated subsidiary	Valuation of all the assets and liabilities of consolidated subsidiary is based on market price method.
6. Cash and cash equivalents in the consolidated statement of cash flow	Cash and cash equivalents in the consolidated statement of cash flow are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

Changes in Basis of Presenting Consolidated Financial Statements

Apr. 1, 2006 – Mar. 31, 2007
(Accounting standard concerning presentation of net assets on balance sheet) Effective from the fiscal year under review, the Company has adopted "Accounting Standard for Presentation of Net Assets on Balance Sheet" (ASBJ Standard No. 5, December 9, 2005) and "Accounting Standard Implementation Guidance for Presentation of Net Assets on Balance Sheet" (ASBJ Guidance No. 8, December 9, 2005). The amount equivalent to "Shareholders' equity total" under the previous accounting standard is 4,839,155,000 yen. Effective from the fiscal year under review, the Company has adopted the amended "Regulations Regarding Terminology, Forms, and Methods of Preparation of Consolidated Financial Statements." Accordingly, the consolidated balance sheets conform to the amended regulations. (Accounting standards for directors' bonuses) Effective from the fiscal year under review, affiliates under the equity method have adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005). This change in accounting policy has no significant effect on the amount of operating income, ordinary profit, and net income.

Reclassifications

Apr. 1, 2006 – Mar. 31, 2007
Effective from the fiscal year, "Income from participated event," included in "Others" under non-operating income in prior periods, is reclassified and presented as a separate line item since the amount exceeded 10/100 of total non-operating income. The "Income from participated event" in the previous fiscal year was 5,114,000 yen.

Notes

Notes to Consolidated Balance Sheets

Consolidated Balance Sheet

As of March 31, 2006

*1. Note of unconsolidated subsidiaries and affiliates

Note of unconsolidated subsidiaries and affiliates is as follows

Investment securities (Shares): 190,112,000 yen

*2. Assets provided as collateral

	(Unit: thousand yen)
Buildings	374,499
Land	342,462
Total	716,962
(Liabilities for which collateral is provided)	
Short-term borrowings	700,000
Current portion of long-term debt	36,000

*3. The Law concerning Revaluation of Land

The Company revaluates land for business in accordance with the Law concerning Revaluation of Land (issued on March 31, 1998, Law No. 34) and on the basis of the amendment to the Law (revised on March 31, 1999.)

The amount of revaluation differences deducted from equivalent to taxes related to the revaluation differences are stated as “Reserve for revaluation of land” in net assets of consolidated balance sheet.

- Method of revaluation: Revaluation is conducted in accordance with Article 2, No.3, No.4 and No.5 of Government Ordinance on Land Revaluation Act (issued on March 31, 1998, Ordinance No. 119).
- Date of revaluation: March 31, 2002
- The difference between the market value of land and book value after revaluation: (203,757,000) yen

4. Guarantee liabilities

The Company grants corporate guarantee to banks on 4,876,000 yen debt concerning employees loan program.

Notes to Consolidated Statement of Income

Apr. 1, 2006 – Mar. 31, 2007

*1. Major items of selling, general and administrative expenses

(Unit: thousand yen)

Advertising expenses	1,080,288
Employees' salaries	221,301
Provision of reserve for bonuses	9,354
Retirement benefit expenses	7,197
Provision of allowance for doubtful accounts	27,551

*2. Major item of gain on sales of fixed assets

(Unit: thousand yen)

Disposal of equipment	1,300
Disposal of vehicles	447
Others	1,015
Total	2,762

*3. Major item of loss on disposal of fixed assets

(Unit: thousand yen)

Disposal of buildings	629
Disposal of equipment	42,110
Disposal of structures	3,909
Disposal of furniture and fixture	2,484
Forfeit of guarantee deposit due to cancellation of rental agreement	3,922
Restitution of rented premise after cancellation of rental agreement	60,070
Others	2,357
Total	115,484

*4. Impairment losses

Impairment losses were reported as for assets groups that underwent land price fall and profitability deterioration for the fiscal year under review.

(Unit: thousand yen)

Usage	Location	Item	Impairment losses
Schooling	Four schools in Osaka and elsewhere	Equipment, etc.	20,342

At the Group, a set of schooling asset is a minimum unit that generates cash flow, and categorized to a group. For calculation of impairment losses, salvage value is assumed nil.

The breakdown of the impairment losses is equipment 14,532,000 yen, structures 950,000 yen, furniture and fixture 1,937,000 yen and long-term prepaid expenses 2,921,000 yen.

Notes to Consolidated Statements of Changes in Shareholders' Equity

Apr. 1, 2006 – Mar. 31, 2007

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Mar. 31, 2006 (shares)	Increase during the year (shares)	Decrease during the year (shares)	Number of shares as of Mar. 31, 2007 (shares)
Outstanding shares				
Common shares	10,440,000	-	-	10,440,000
Total	10,440,000	-	-	10,440,000
Treasury stock				
Common shares	883,313	-	-	883,313
Total	883,313	-	-	883,313

2. Items related to acquisition rights for new shares and treasury stock

Not applicable.

3. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (thousand yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 29, 2006	Common shares	105,123	11	March 31, 2006	June 30, 2006
Board of directors on November 17, 2006	Common shares	52,561	5.5	September 30, 2006	December 8, 2006

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (thousand yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 28, 2007	Common shares	76,453	Retained surplus	8.0	March 31, 2007	June 29, 2007

Notes to Consolidated Statement of Cash Flows

Apr. 1, 2006 – Mar. 31, 2007

*1. Relationship between cash and cash equivalents in the consolidated statement of cash flows and cash on hand and in banks in the consolidated balance sheet (As of March 31, 2007)

(Unit: thousand yen)

Cash on hand and in banks	2,250,786
Time deposits etc. with deposits term of over three months	(7,008)
Cash and cash equivalents	2,243,777

Lease Transaction

Apr. 1, 2006 – Mar. 31, 2007

1. Finance leases other than those which are deems to transfer the ownership of the leased assets to lessees

(1) Equivalent purchase amount, accumulated depreciation amounts, accumulated impairment losses and balance at period-end

(Unit: thousand yen)

	Equivalent purchase amount	Equivalent accumulated depreciation amount	Equivalent balance at period-end
Furniture and fixture	384,703	226,054	158,648
Software	55,045	28,225	26,820
Total	439,748	254,279	185,468

(2) Future minimum lease payments for the remaining lease period

(Unit: thousand yen)

Due within one year	87,362
Due after one year	102,765
Total	190,127

(3) Lease payment, reversal from lease asset impairment, pro forma depreciation, pro forma interest expenses, and impairment losses

(Unit: thousand yen)

Lease payments	87,361
Pro forma depreciation expenses	82,605
Pro forma interest expenses	5,240

(4) Calculation method of pro forma depreciation expenses

The straight-line method with lease period as depreciable life and residual value of zero is adopted.

(5) Calculation method of pro forma interest expenses

The difference between total lease payments and equivalent purchase amounts is treated as interest equivalent. It is allocated to each period using interest method.

2. Operating leases

(Unit: thousand yen)

Future minimum lease payment	
Due within one year	5,986
Due after one year	14,140
Total	20,126

(Impairment losses)

There is no impairment loss on leased asset-impairment account.

Securities

1. Other securities with quoted price

(Unit: thousand yen)

	Type	As of March 31, 2007		
		Acquisition cost	Carrying value	Difference
Securities valued on consolidated balance sheet at amount greater than acquisition cost	(1) Shares	346,127	677,322	331,194
	(2) Bonds	10,600	10,644	44
	(3) Others	63,712	69,355	5,642
	Sub-total	420,440	757,321	336,880
Securities for which valuation on consolidated balance sheet do not exceed acquisition cost	(1) Shares	566,081	499,360	(66,720)
	(2) Bonds	19,150	17,194	(1,955)
	(3) Others	9,883	8,767	(1,116)
	Sub-total	595,114	525,321	(69,792)
Total		1,015,554	1,282,643	267,088

(Note) Securities of which market values are decreased significantly are compulsorily written down.
The internal policy for devaluation of the securities is for those individual stocks with market value lowered more than 30% of the acquisition cost, which did not recover to the level above 70% of the acquisition cost during a month immediately prior to the end of the period. However, those stocks whose market prices fell lowered more than 50% of the acquisition costs on the balance sheet date are subject to impairment treatment. (No subject to impairment treatment of “other securities” as of March 31, 2007)

2. Other securities sold during the fiscal year ended March 31, 2007

(Unit: thousand yen)

Apr. 1, 2006 – Mar. 31, 2007		
Sales proceeds	Total capital gain	Total capital loss
166,382	106,178	-

3. Unquoted securities

(Unit: thousand yen)

	As of March 31, 2007
	Carrying value
Other securities	
Unquoted shares	238,700
Bonds	70,000
Equity in investment association	77,328
Total	386,029

(Note) Fiscal year ended March 31, 2007, impairment losses on unquoted shares of 12,049,000 yen, and equity in investment association of 64,627,000 yen.

4. Redemption schedule of other securities with maturity

(Unit: thousand yen)

	As of March 31, 2007			
	Within 1 year	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Investment fund beneficiary securities	-	14,191	8,767	-
Bonds	20,000	20,093	7,745	50,000
Equity in limited partnership of investment business	40,372	36,956	-	-
Total	60,372	71,240	16,512	50,000

Derivatives

Apr. 1, 2006 – Mar. 31, 2007

Not applicable since we did not enter into any derivative transaction.

Retirement Benefit

1. Summary of retirement benefit program adopted

The Company adopts defined benefit plan then we establish noncontributory pension plan and severance payment plan. Retirement benefit plan of the Company applies for employees who leave the Company after the third anniversary and such employees are paid lump-sum severance payment computed in accordance with internal rule and based on actual service period and the amount of basic salary. To prepare for such payments, the Company subscribes for noncontributory pension plan in addition to internal funding. Employees who leave the Company after service period of not less than three years and less than ten years are paid severance payment out of internal fund and those who leave the Company after the service period of not less than ten years are indemnified retirement benefit (lump-sum payment or defined benefit pension) out of internal fund and external noncontributory pension plan the Company subscribes.

However, our subsidiaries Breeze Inc., and Harmonic Corporation adopt defined severance payment plan, with payment to those who retire after three years of services and meeting certain criteria.

2. Retirement benefits obligation

(Unit: thousand yen)

	As of March 31, 2007
(1) Retirement benefits obligation	(948,988)
(2) Pension plan assets	725,815
(3) Deficit in obligation for retirement benefits [(1)+(2)]	(223,173)
(4) Unrecognized prior service cost (decrease in obligation)	-
(5) Net obligation stated in Consolidated B/S [(3)+(4)]	(223,173)
(6) Prepaid pension expenses	178,198
(7) Reserve for retirement benefits [(5)-(6)]	(401,371)

(Note) The projected benefit obligation is computed by the simple method.

3. Retirement benefit expenses

(Unit: thousand yen)

	April 1, 2006 - March 31, 2007
(1) Service costs	92,711
(2) Interest expenses	17,517
(3) Expected return on plan assets	(17,165)
(4) Amortization of actuarial loss	(313)
(5) Amortization of prior service cost	14,275
(6) Retirement benefit expenses [(1)+(2)+(3)+(4)+(5)]	107,025

(Note) Retirement benefit expenses of consolidated subsidiaries using the simple method are included in “1) service costs.”

4. Assumption underlying the calculation of obligation for retirement benefit

	As of March 31, 2007
(1) Method of allocating prospective retirement benefit to each period	Periodic straight-line basis
(2) Discount rate	2.0%
(3) Expected rate of return on plan assets	2.5%
(4) Amortization period of prior service cost	5 years (amortized by straight-line method over the certain period within average balance of employment).
(5) Amortization period for actuarial gains or losses	Charged to expenses immediately in the consolidated fiscal year in which difference are recognized.

Tax Effect Accounting

Apr. 1, 2006 – Mar. 31, 2007

1. Breakdown of deferred tax assets and deferred tax liabilities by causes

(Unit: thousand yen)

Deferred tax assets	
Reserve for bonus exceeding tax deductible amount	76,960
Accrued enterprise tax	32,633
Allowance for doubtful accounts exceeding tax deductible amount	135,492
Loss on valuation of club membership	2,500
Loss on valuation of investment securities	31,437
Reserve for retirement benefits exceeding tax deductible amount	166,685
Impairment losses	180,523
Others	28,217
Subtotal	654,452
Valuation reserve	(725)
Deferred tax assets total	653,726
Deferred tax liabilities	
Prepaid pension expenses	(73,061)
Unrealized gains (losses) on other securities	(103,133)
Deferred tax liabilities total	(176,194)
Net deferred tax assets	477,532

Net deferred tax assets are included in the following consolidated balance sheet accounts

Current assets – Deferred tax assets	134,845
Fixed assets – Deferred tax assets	342,686

2. Breakdown of differences (if any) between legal effective tax and Income tax and others accompanying adoption of tax effect accounting by causes

(Unit: %)

Legal effective tax	41.0
(adjustment)	
Per capita rate of inhabitant tax	7.0
Entertainment expenses	2.6
Loss on equity investments in unconsolidated companies	0.3
Additional taxes paid with revised tax returns	3.2
Others	(0.9)
Income tax and others accompanying adoption of tax effect accounting	53.2

Segmental Information

a. Segmental information by business types

For the fiscal year ended March 31, 2007, the percentages of educational business in total sales and in operating income exceeded 90%, thus we have omitted the disclosure of segmental information by business type.

b. Segmental information by locations

For the fiscal year ended March 31, 2007, we did not have subsidiaries subject to consolidation nor branches in countries and areas other than Japan; thus does not apply.

c. Sales overseas

For the fiscal year ended March 31, 2007, we did not have any sales overseas; thus does not apply.

Related Party Transactions

Fiscal year ended March 31, 2007 (April 1, 2006 - March 31, 2007)

Directors and major individual shareholders

Relationships	Name	Address	Capital contribution	Occupation	Voting Power	Dual roles in directorship	Business relationship
Father of Representative President	Kazuo Horikawa	-	-	Farmer	-	-	-

Relationships	Name	Types of transaction	Transaction amount (Unit: thousand yen)	Account	Balance at year-end (Unit: thousand yen)
Father of Representative President	Kazuo Horikawa	Leasing warehouse (Note 1)	2,057	Guarantee deposits	1,000

(Note 1) Lease payment is determined using near-by comparable market.

(Note 2) Transaction amount does not include consumption taxes. Balance at year-end includes consumption taxes.

Stock Options

Not applicable.

Business Combinations

Not applicable.

Per Share Information

Apr. 1, 2006 – Mar. 31, 2007	
Net assets per share	506.36 yen
Net income per share	51.43 yen
Diluted net income per share is omitted because net income is reported and there are no dilutive potential shares of the common stock for the fiscal year under review.	

(Note) Basis for calculating net income per share is as follows:

(Unit: thousand yen)

	Apr. 1, 2006 – Mar. 31, 2007
Net income	491,457
Amount not attributed to common shareholders	-
[Profit used to Directors’ bonuses]	-
Net income attributed to common stock	491,457
Average number of shares outstanding during the year (thousand shares)	9,556

Subsequent Event

Not applicable.

5. Unconsolidated Financial Statements

(1) Unconsolidated Balance Sheet

(Unit: thousand yen, %, rounded down)

Item	Note	As of Mar. 31, 2006			As of Mar. 31, 2007			Increase (Decrease)
		Amount		%	Amount		%	
(Assets)								
I. Current assets								
1. Cash on hand and in banks			1,521,004			1,389,223		(131,781)
2. Accounts receivable-trade			6,095			-		(6,095)
3. Accounts receivable-school fees			405,810			449,444		43,633
4. Securities			-			20,000		20,000
5. Merchandise			22,075			20,915		(1,160)
6. Teaching material			22,946			46,467		23,520
7. Supplies			12,861			12,999		138
8. Advances			-			26,250		26,250
9. Prepaid expenses			208,494			195,073		(13,421)
10. Deferred tax assets			119,370			119,451		81
11. Short-term loans receivable			5,185			31,902		26,716
12. Accounts receivable - other	*4		104,120			83,272		(20,847)
13. Others			28,953			43,147		14,194
Allowance for doubtful accounts			(26,812)			(33,598)		(6,786)
Current assets total			2,430,107	25.8		2,404,549	24.0	(25,557)
II. Fixed assets								
1. Tangible fixed assets								
(1) Buildings	*1	3,076,785			3,409,378			
Accumulated depreciation		1,553,550	1,523,235		1,679,062	1,730,315		207,080
(2) Structures		37,873			38,032			
Accumulated depreciation		20,260	17,612		17,027	21,004		3,391
(3) Vehicles		6,032			6,032			
Accumulated depreciation		530	5,501		2,933	3,099		(2,402)
(4) Furniture and fixtures		319,919			347,983			
Accumulated depreciation		232,389	87,530		258,579	89,403		1,873
(5) Land	*1,5		715,345			715,345		-
(6) Construction in process			60,000			23,168		(36,831)
Tangible fixed assets total			2,409,224	25.6		2,582,336	25.8	173,111
2. Intangible fixed assets								
(1) Leasehold rights			14,930			14,930		-
(2) Telephone rights			39,520			39,520		-
(3) Software			340,867			279,131		(61,735)
(4) Others			77			56,906		56,828
Intangible fixed assets total			395,395	4.2		390,488	3.9	(4,907)

(Unit: thousand yen, %, rounded down)

Item	Note	As of Mar. 31, 2006		As of Mar. 31, 2007		Increase (Decrease)
		Amount	%	Amount	%	
3. Investments and other assets						
(1) Investment securities		1,217,882		1,648,672		430,789
(2) Capital stock of affiliates		379,335		386,500		7,164
(3) Long-term loans receivable		165,953		360,293		194,339
(4) Long-term loans receivable of affiliates		110,000		114,160		4,160
(5) Long-term loans receivable for employees		1,829		867		(961)
(6) Long-term prepaid expenses		87,372		59,519		(27,853)
(7) Leasing and guarantee deposits		1,304,903		1,261,903		(43,000)
(8) Reserve for insurance		529,745		601,119		71,374
(9) Club membership		3,600		2,120		(1,480)
(10) Claim in bankruptcy		6,498		5,389		(1,108)
(11) Prepaid pension expenses		167,391		178,198		10,807
(12) Deferred tax assets		347,798		333,623		(14,174)
(13) Long-term Accounts receivable - other		-		50,585		50,585
(14) Others		500		500		-
Allowance for possible losses on investments		(141,017)		-		141,017
Allowance for doubtful accounts		(6,705)		(374,079)		(367,374)
Investments and other assets total		4,175,087	44.4	4,629,372	46.3	454,284
Fixed assets total		6,979,708	74.2	7,602,197	76.0	622,489
Assets total		9,409,815	100.0	10,006,747	100.0	596,931

(Unit: thousand yen, %, rounded down)

Item	Note	As of Mar. 31, 2006			As of Mar. 31, 2007			Increase (Decrease)
		Amount		%	Amount		%	
(Liabilities)								
I. Current liabilities								
1. Accounts payable-trade	*4		23,488			25,052		1,563
2. Short-term borrowings	*1		800,000			1,150,000		350,000
3. Current portion of long-term debt	*1		32,000			36,000		4,000
4. Current portion of corporate bonds			-			300,000		300,000
5. Accounts payable-other	*4		533,310			415,097		(118,212)
6. Accrued expenses			59,413			117,956		58,542
7. Income taxes payable			382,248			325,409		(56,838)
8. Consumption taxes payable			53,480			21,490		(31,989)
9. Advanced from customers			2,023,307			2,037,059		13,751
10. Deposits received			41,616			40,390		(1,225)
11. Deferred revenues			1,870			1,244		(625)
12. Reserve for bonuses			175,228			166,179		(9,049)
Current liabilities total			4,125,963	43.9		4,635,880	46.3	509,916
II. Long-term liabilities								
1. Corporate bond			500,000			200,000		(300,000)
2. Long-term debt	*1		36,000			100,000		64,000
3. Reserve for retirement benefits			394,322			399,742		5,419
4. Deferred tax liabilities related to revaluation of land	*5		309			309		-
5. Deposits received			42,168			35,904		(6,264)
Long-term liabilities total			972,800	10.3		735,956	7.4	(236,844)
Liabilities total			5,098,763	54.2		5,371,836	53.7	273,072
(Shareholders' equity)								
I. Common stock	*2		1,299,375	13.8		-	-	-
II. Capital surplus								
1. Additional paid-in capital		1,517,213			-			
2. Other capital surplus								
(1) Gain on disposal of treasury stock		72,163			-			
Capital surplus total			1,589,377	16.9		-	-	-
III. Retained surplus								
1. Legal income reserves		158,450			-			
2. Voluntary reserve								
(1) Special reserve		1,450,000			-			
3. Unappropriated retained earnings		1,415,393			-			
Retained surplus total			3,023,843	32.1		-	-	-
IV. Reserve for revaluation of land	*5		(1,297,766)	(13.8)		-	-	-
V. Unrealized gain (loss) on other securities			41,178	0.4		-	-	-
VI. Treasury stock	*3		(344,955)	(3.6)		-	-	-
Shareholders' equity total			4,311,052	45.8		-	-	-
Liabilities and shareholders' equity total			9,409,815	100.0		-	-	-

(Unit: thousand yen, %, rounded down)

Item	Note	As of Mar. 31, 2006			As of Mar. 31, 2007			Increase (Decrease)
		Amount		%	Amount		%	
(Net assets)								
I. Shareholders' equity								
1. Common stock			-	-		1,299,375	13.0	-
2. Capital surplus								
(1) Additional paid-in capital		-			1,517,213			
(2) Other capital surplus		-			72,163			
Capital surplus total			-	-		1,589,377	15.9	-
3. Retained surplus								
(1) Legal income reserves		-			158,450			
(2) Other retained surplus								
Special reserve		-			1,450,000			
Retained surplus carried forward		-			1,632,018			
Retained surplus total			-	-		3,240,468	32.3	-
4. Treasury stock			-	-		(344,955)	(3.4)	-
Shareholders' equity total			-	-		5,784,266	57.8	-
II. Valuation and translation adjustments								
1. Net unrealized holding gain (loss) on other securities			-	-		148,411	1.5	-
2. Reserve for revaluation of land			-	-		(1,297,766)	(13.0)	-
Valuation and translation adjustments total			-	-		(1,149,355)	(11.5)	-
Net assets total			-	-		4,634,910	46.3	-
Liabilities and net assets total			-	-		10,006,747	100.0	-

(2) Unconsolidated Statement of Income

(Unit: thousand yen, %, rounded down)

Item	Note	Apr. 1, 2005 – Mar. 31, 2006			Apr. 1, 2006 – Mar. 31, 2007			Increase (Decrease)
		Amount		%	Amount		%	
I. Net sales			11,713,864	100.0		11,954,982	100.0	241,118
II. Cost of sales			8,770,756	74.9		8,596,677	71.9	(174,078)
Gross profit on sales			2,943,108	25.1		3,358,304	28.1	415,196
III. Selling, general and administrative expenses								
1. Advertising expenses		846,635			888,258			
2. Provision of allowance for doubtful accounts		17,564			28,168			
3. Remuneration for directors and auditors		100,786			98,022			
4. Salaries and bonuses		200,137			216,295			
5. Provision for reserve for bonuses		9,046			10,154			
6. Retirement benefit expenses		862			6,807			
7. Welfare		37,884			39,330			
8. Rent		85,483			86,883			
9. Supplies		15,802			11,775			
10. Lease payment		26,782			28,376			
11. Commission paid		143,816			134,243			
12. Accumulated depreciation		49,868			47,575			
13. Others		321,574	1,856,246	15.8	418,717	2,014,609	16.9	158,362
Operating income			1,086,861	9.3		1,343,695	11.2	256,833
IV. Non-operating income								
1. Interest income		4,618			10,725			
2. Dividend income		7,434			14,128			
3. Gain on sales of investment securities		35,839			1,530			
4. Income from participated event		-			5,352			
5. Others		16,833	64,725	0.6	20,427	52,163	0.4	(12,562)
V. Non-operating expenses								
1. Interest expenses		11,175			16,711			
2. Losses on cancellation of insurance		1,530			901			
3. Bond issuance costs amortization		2,112			-			
4. Commission paid		2,400			3,193			
5. Provision of allowance for doubtful accounts		-			91,217			
6. Others		4,701	21,919	0.2	1,429	113,453	0.9	91,533
Ordinary profit			1,129,667	9.7		1,282,405	10.7	152,738
VI. Extraordinary income								
1. Gain on sales of fixed assets	*1	481			2,315			
2. Gain on sales of investment securities		33,500			104,647			
3. Reversal of allowance for doubtful accounts		5,081			3,500			
4. Reversal of allowance for possible losses on investments		-	39,063	0.3	47,771	158,234	1.3	119,171

(Unit: thousand yen, %, rounded down)

Item	Note	Apr. 1, 2005 – Mar. 31, 2006			Apr. 1, 2006 – Mar. 31, 2007			Increase (Decrease)
		Amount		%	Amount		%	
VII. Extraordinary losses								
1. Loss on disposal of fixed assets	*2	94,005			115,344			
2. Loss on valuation of club memberships		-			1,600			
3. Loss on valuation of investment securities		-			78,767			
4. Directors retirement benefits		13,955			9,624			
5. Reversal of allowance for doubtful accounts		-			275,189			
6. Reversal of allowance for possible losses on investments		50,019			-			
7. Impairment losses	*3	266,804			20,342			
8. Others		27,813	452,598	3.9	24,748	525,615	4.3	73,017
Income before income taxes			716,132	6.1		915,024	7.7	198,891
Corporate, inhabitant and enterprise taxes		490,398			586,338			
Deferred taxes		(79,394)	411,003	3.5	(60,424)	525,913	4.4	114,909
Net income			305,128	2.6		389,111	3.3	83,982
Retained earnings brought forward from previous period			1,290,149			-		-
Interim dividends			50,921			-		-
Reversal of reserve for revaluation of land			128,964			-		-
Unappropriated retained earnings			1,415,393			-		-

Cost Report

(Unit: thousand yen, %, rounded down)

Item	Note	Apr. 1, 2005 – Mar. 31, 2006			Apr. 1, 2006 – Mar. 31, 2007			Increase (Decrease)
		Amount		%	Amount		%	
1. Payroll costs			5,051,633	57.6		4,891,484	56.9	(160,148)
2. Teaching material costs			440,729	5.0		439,622	5.1	(1,106)
3. Other costs								
Traveling expenses		88,032			70,105			
Telecommunication expenses		106,224			94,175			
Rent		1,352,818			1,260,938			
Group lodging event		231,401			256,608			
Utilities		171,159			163,090			
Supplies		248,482			205,884			
Book printing costs		56,820			76,110			
Accumulated depreciation		322,464			347,134			
School bus services		106,024			120,039			
Others		594,963	3,278,392	37.4	671,482	3,265,569	38.0	(12,823)
Cost of sales			8,770,756	100.0		8,596,677	100.0	(174,078)

(Note)

(Unit: thousand yen, rounded down)

Apr. 1, 2006 – Mar. 31, 2007	
1. Cost of sales includes expenses associated with operation of schools.	
2. Payroll costs include provision for reserve for bonuses and retirement benefit expenses as follows.	
Provision for reserve for bonuses	156,024
Retirement benefit expenses	94,647

(3) Appropriation of Retained Earnings and Unconsolidated Statements of Changes in Shareholders' Equity

Appropriation of Retained Earnings

(Unit: thousand yen, rounded down)

	General Meeting of Shareholders As of June 29, 2006	
I. Unappropriated retained earnings		1,415,393
II. Appropriation of retained earnings		
1. Dividends -total	105,123	
2. Directors' bonuses	14,800	119,923
III. Retained earnings carried forward to next period		1,295,469

Unconsolidated Statements of Changes in Shareholders' Equity

Apr. 1, 2006 – Mar. 31, 2007

(Unit: thousand yen, rounded down)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Capital surplus total
Balance as of March 31, 2006	1,299,375	1,517,213	72,163	1,589,377
Changes in the current year				
Dividend of surplus (Note 1)				
Directors' bonuses (Note 2)				
Net income				
Changes (net) in items other than shareholders' equity				
Total changes in the current year	-	-	-	-
Balance as of Mar. 31, 2007	1,299,375	1,517,213	72,163	1,589,377

(Unit: thousand yen, rounded down)

	Shareholders' equity					
	Retained surplus				Treasury stock	Shareholders' equity total
	Legal income reserves	Other retained surplus		Retained surplus total		
		Special reserve	Unappropriated retained earnings			
Balance as of March 31, 2006	158,450	1,450,000	1,415,393	3,023,843	(344,955)	5,567,640
Changes in the current year						
Dividend of surplus (Note 1)			(157,685)	(157,685)		(157,685)
Directors' bonuses (Note 2)			(14,800)	(14,800)		(14,800)
Net income			389,111	389,111		389,111
Changes (net) in items other than shareholders' equity						
Total changes in the current year	-	-	216,625	216,625	-	216,625
Balance as of Mar. 31, 2007	158,450	1,450,000	1,632,018	3,240,468	(344,955)	5,784,266

(Unit: thousand yen, rounded down)

	Valuation and translation adjustments			Net assets total
	Unrealized holding gain (loss) on other securities	Reserve for revaluation of land	Valuation and translation adjustments total	
Balance as of March 31, 2006	41,178	(1,297,766)	(1,256,588)	4,311,052
Changes in the current year				
Dividend of surplus (Note 1)				(157,685)
Directors' bonuses (Note 2)				(14,800)
Net income				389,111
Changes (net) in items other than shareholders' equity	107,233	-	107,233	107,233
Total changes in the current year	107,233	-	107,233	323,858
Balance as of Mar. 31, 2007	148,411	(1,297,766)	(1,149,355)	4,634,910

(Note 1) Dividend of surplus is appropriation items resolved at the Annual General Meeting of Shareholders held in June 2006 and Board of Directors' meeting in November 2006.

(Note 2) These appropriation items are those resolved at the Annual General Meeting of Shareholders held in June 2006.

Basis of Presenting Unconsolidated Financial Statements

Item	Apr. 1, 2006 – Mar. 31, 2007
1. Valuation basis and valuation methodology of securities	(1) Unconsolidated subsidiaries and affiliates Valued at cost using the moving average method. (2) Other securities Quoted securities: Market value method is applied. Based on the market prices at the last day of the annual accounting period. (Differences in valuation are included directly in net assets. The cost of securities sold is determined by the moving-average method. Unquoted securities: Valued at cost using the moving average method.
2. Valuation basis and valuation methodology of inventories	(1) Teaching material Valued at cost on FIFO basis. (2) Merchandise and supplies Valued at cost using the final purchase cost method.
3. Depreciation of fixed assets	(1) Tangible fixed assets Declining-balance method except for building, acquired on and after April 1, 1998. Straight method for buildings (excluding equipment) acquired on and after April 1, 1998. Main useful lives are as follows; Buildings 5 to 50 years Furniture and fixtures 3 to 20 years (2) Software Straight-line method. Amortized by straight-line method over 5-year period, for software for in-house usage. (3) Long-term prepaid expenses Straight-line method.
4. Recognition standard of allowance and reserves	(1) Allowance for doubtful accounts In order to properly reserve for loss from uncollectible accounts, an amount is set up for regular receivables, based on actual default ratio experienced and for doubtful accounts, based on management's estimated uncollectible amount. (2) Reserve for bonuses Reserve for bonuses was set up to provide for the estimated employees bonus payment amount on the period. (3) Reserve for retirement benefits To provide for employees' retirement benefits, the Company recognizes an amount based on retirement benefits liabilities and estimated pension assets at the end of the annual accounting period. Prior service cost is to be amortized by straight-line method over the certain period (5 years) within average balance of employment period to retirement of employees. Recognized actuarial gain or loss is to be charged to expenses as incurred.
5. Recognition standard for profits	Tuitions and income for summer camp training are recognized according to the period covered by them. Material sales income is recognized when the materials are handed to students. Revenue from entrance and guidance fees is recognized for the fiscal year entrance.
6. Accounting treatment for lease transactions	Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that used for ordinary operating leases.
7. Other significant items for preparing financial statement	(1) Accounting treatment for consumption taxes: Consumption taxes are not in the amounts of respective revenue and cost or expense items.

Changes in Basis of Presenting Unconsolidated Financial Statements

Apr. 1, 2006 – Mar. 31, 2007
(Accounting standard concerning presentation of net assets on balance sheet) Effective from the fiscal year under review, the Company has adopted “Accounting Standard for Presentation of Net Assets on Balance Sheet” (ASBJ Standard No. 5, December 9, 2005) and “Accounting Standard Implementation Guidance for Presentation of Net Assets on Balance Sheet” (ASBJ Guidance No. 8, December 9, 2005). The amount equivalent to “Shareholders’ equity total” under the previous accounting standard is 4,634,910,000 yen. Effective from the fiscal year under review, the Company has adopted the amended “Regulations Regarding Terminology, Forms, and Methods of Preparation of Financial Statements.” Accordingly, the unconsolidated balance sheets conform to the amended regulations.

Reclassifications

Apr. 1, 2006 – Mar. 31, 2007
Effective from the fiscal year, “Income from participated event,” included in “Others” under non-operating income in prior periods, is reclassified and presented as a separate line item since the amount exceeded 10/100 of total non-operating income. The “Income from participated event” in the previous fiscal year was 5,114,000 yen.

Notes

Notes to Unconsolidated Balance Sheet

As of Mar. 31, 2007

*1. Assets provided as collateral

	(Unit: thousand yen)
Buildings	374,499
Land	342,462
Total	716,962
(Liabilities for which collateral is provided)	
Short-term borrowings	700,000
Current portion of long-term debt	36,000

*4. Note to affiliates

Assets and liabilities to affiliates as follows:

	(Unit: thousand yen)
Accounts receivable - other	46,820
Account payable - trade	5,096
Accounts payable - other	154,518

*5. The Law concerning Revaluation of Land

The Company revaluates land for business in accordance with the Law concerning Revaluation of Land (issued on March 31, 1998, Law No. 34) and on the basis of the amendment to the Law (revised on March 31, 1999.)

The amount of revaluation differences deducted from equivalent to taxes related to the revaluation differences are stated as "Reserve for revaluation of land" in net assets of balance sheet.

- Method of revaluation: Revaluation is conducted in accordance with Article 2, No.3, No.4 and No.5 of Government Ordinance on Land Revaluation Act (issued on March 31, 1998, Ordinance No. 119).
- Date of revaluation: March 31, 2002
- The difference between the market value of land and book value after revaluation: (203,757,000) yen.

6. Guarantee liabilities

The Company grants corporate guarantee to banks on 5,678,000 yen debt concerning employees loan problem.

The Company also extends guarantee to the bank, which has made a 14,320,000 yen loan to Harmonic Corporation, an unconsolidated subsidiary, in relation to this borrowing.

Notes to Unconsolidated Statement of Income

Apr. 1, 2006 – Mar 31, 2007

*1. Major item of gain on sales of fixed assets

	(Unit: thousand yen)
Sales of equipment	1,300
Others	1,015
Total	2,315

*2. Major item of loss on disposal of fixed assets

Disposal of buildings	629
Disposal of equipment	42,110
Disposal of structures	3,909
Disposal of furniture and fixture	2,484
Forfeit of guarantee deposit due to cancellation of rental agreement	3,922
Restitution of rented premise after cancellation of rental agreement	59,930
Others	2,357
Total	115,344

*3. Impairment losses

Impairment losses were reported as for assets groups that underwent land price fall and profitability deterioration for the fiscal year under review.

(Unit: thousand yen)

Usage	Location	Item	Impairment losses
Schooling	4 school in Osaka and elsewhere	Equipment, etc.	20,342

At the Company, a set of schooling asset is a minimum unit that generates cash flow, and categorized to a group. For calculation of impairment losses, salvage value is assumed nil.

The breakdown of the impairment losses is equipment 14,532,000 yen, structures 950,000 yen, furniture and fixture 1,937,000 yen and long-term prepaid expenses 2,921,000 yen.

Notes to Unconsolidated Statements of Changes in Shareholders' Equity

Apr. 1, 2006 – Mar. 31, 2007

Type and number of outstanding shares and treasury stock

	Number of shares as of Mar. 31, 2006 (shares)	Increase during the year (shares)	Decrease during the year (shares)	Number of shares as of Mar. 31, 2007 (shares)
Common shares	883,313	-	-	883,313
Total	883,313	-	-	883,313

Lease Transaction

Apr. 1, 2006 – Mar. 31, 2007

1. Finance leases other than those which are deems to transfer the ownership of the leased assets to lessees

(1) Equivalent purchase amount, accumulated depreciation amounts, accumulated impairment losses and balance at period-end

(Unit: thousand yen)

	Equivalent purchase amount	Equivalent accumulated depreciation amount	Equivalent balance at period-end
Furniture and fixture	337,401	205,724	131,676
Software	6,801	4,207	2,594
Total	344,203	209,932	134,271

(2) Future minimum lease payments for the remaining lease period

(Unit: thousand yen)

Due within one year	68,153
Due after one year	69,734
Total	137,887

(3) Lease payment, reversal from lease asset impairment, pro forma depreciation, pro forma interest expenses, and impairment losses

(Unit: thousand yen)

Lease payments	67,377
Pro forma depreciation expenses	63,496
Pro forma interest expenses	4,129

(4) Calculation method of pro forma depreciation expenses and interest expenses

Calculation method of pro forma depreciation expenses

The straight-line method with lease period as depreciable life and residual value of zero is adopted.

Calculation method of pro forma interest expenses

The difference between total lease payments and equivalent purchase amounts is treated as interest equivalent. It is allocated to each period using interest method.

2. Operating leases

(Unit: thousand yen)

Future minimum lease payment	
Due within one year	5,986
Due after one year	14,140
Total	20,126

(Impairment losses)

There is no impairment loss on leased asset-impairment account.

Securities

All equity securities on subsidiaries or affiliates have no quoted value for the fiscal year ended March 31, 2007.

Tax Effect Accounting

Apr. 1, 2006 – Mar. 31, 2007

1. Breakdown of deferred tax assets and deferred tax liabilities by causes

	(Unit: thousand yen)
Deferred tax assets	
Reserve for bonus exceeding tax deductible amount	68,133
Accrued enterprise tax	26,717
Allowance for doubtful accounts exceeding tax deductible amount	161,447
Loss on valuation of club membership	2,500
Loss on valuation of investment securities	71,718
Reserve for retirement benefits exceeding tax deductible amount	163,894
Impairment losses	180,523
Others	20,684
Subtotal	695,619
Valuation reserve	(66,350)
Deferred tax assets total	629,269
Deferred tax liabilities	
Prepaid pension expenses	(73,061)
Unrealized gains (losses) on other securities	(103,133)
Deferred tax liabilities total	(176,194)
Net deferred tax assets	453,075

2. Breakdown of differences (if any) between legal effective tax and Income tax and others accompanying adoption of tax effect accounting by causes

	(Unit: %)
Legal effective tax	41.0
(adjustment)	
Per capita rate of inhabitant tax	7.2
Entertainment expenses	2.8
Allowance for doubtful accounts	2.7
Loss on valuation of investment securities	0.1
Additional taxes paid with revised tax returns	3.7
Others	(0.1)
Income tax and others accompanying adoption of tax effect accounting	57.4

Per Share Information

Apr. 1, 2006 – Mar. 31, 2007	
Net assets per share	484.99 yen
Net income per share	40.72 yen
Diluted net income per share is omitted because net income is reported and there are no dilutive potential shares of the common stock for the fiscal year under review.	

(Note) Basis for calculating net income per share is as follows:

(Unit: thousand yen)

	Apr. 1, 2006 – Mar. 31, 2007
Net income	389,111
Amount not attributed to common shareholders	-
[Profit used to Directors' bonuses]	-
Net income attributed to common stock	389,111
Average number of shares outstanding during the year (thousand shares)	9,556

Subsequent Event

Not applicable.

6. Others

(1) Change in board of directors

1) Change of representing director

Not applicable.

2) Change of board members

Not applicable.

** This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*