

Individual Financial Statements for the Year Ended March 2006

May 23, 2006

Name of listed company: Nichii Gakkan Company
 Company code number: 9792
 (URL: <http://www.nichiigakkan.co.jp>)
 Exchange where listed: Tokyo Stock Exchange
 Location of headquarters: Tokyo

Representative
 Title: President and Representative Director
 Name: Takashi Mori

Contact
 Title: Director, Vice President of Accounting Division and General Manager of Accounting Department
 Name: Koichi Terada
 Telephone: 03-3291-2121
 Date of convening of the board of directors for financial settlement: May 23, 2006
 Midterm dividend system: Adopted
 Scheduled starting date to pay dividends: June 29, 2006
 Date of convening of the ordinary general meeting of shareholders: June 28, 2006
 Unit stock system: Adopted (100 shares per unit)

1. Results for the year ended March 2006 (April 1, 2005 - March 31, 2006)

(1) Results

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended Mar. 31, 2006	197,635	3.7	4,956	△19.9	5,257	△18.4
Year ended Mar. 31, 2005	190,638	5.6	6,188	△54.2	6,438	△53.2

	Net Income		Net Income Per Share	Net Income Per Share after Adjusting for Latent Shares	Return on Equity	Ordinary Income to Gross Capital	Ordinary Income to Sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended Mar. 31, 2006	△978	-	△28.81	-	△2.0	6.1	2.7
Year ended Mar. 31, 2005	3,407	△55.9	94.93	-	6.9	8.2	3.4

Notes: 1. Average number of shares during the term
 Year ended 31st March, 2006: 35,234,670 shares
 Year ended 31st March, 2005: 35,514,999 shares

2. Changes in the method of accounting: Included

3. Percentages indicated for sales, operating income, ordinary income, and net income are increases (decreases) compared to the same period of the preceding fiscal year.

(2) Dividend situation

	Annual Dividend Per Share			Total Dividends (Yearly)	Dividend Payout Ratio	Dividend on Equity
	Midterm	Year-end	Year-end			
Year ended Mar. 31, 2006	Yen 22.00	Yen 0.00	Yen 22.00	Millions of yen 774	% -	% 1.6
Year ended Mar. 31, 2005	22.00	0.00	22.00	776	23.2	1.5

Note: Detailed dividends for the year ended March 2006
 Memorial dividend: - Yen
 Bonus dividend: - Yen

(3) Financial position

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity Per Share
	Millions of yen	Millions of yen	%	Yen
Year ended Mar. 31, 2006	92,666	48,350	52.2	1,371.63
Year ended Mar. 31, 2005	80,204	50,385	62.8	1,427.35

Note: 1. Number of outstanding shares at the end of the term
 Year ended 31st March, 2006: 35,224,427 shares
 Year ended 31st March, 2005: 35,275,043 shares

2. Number of treasury stock shares at the end of the term
 Year ended 31st March, 2006: 1,284,549 shares
 Year ended 31st March, 2005: 1,233,933 shares

2. Projected results for the Year ending 31st March, 2007 (April 1, 2006 - March 31, 2007)

	Net Sales	Ordinary Income	Net Income	Annual Dividend Per Share		
				Midterm	Year-end	Year-end
6 months ending Sep. 30, 2006	Millions of yen 102,700	Millions of yen 2,000	Millions of yen 900	Yen 0.00	Yen -	Yen -
Year ending Mar. 31, 2007	208,000	5,600	2,900	-	22.00	22.00

Supplementary information Projected net income per share for the fiscal year: ¥82.33

Note: Fractions of one million yen are rounded off. The above projections are based on information available as of time of this announcement. Actual results may differ due to various factors. Refer to page 9 of the Attachment for details on the projections.

6. Individual Financial Statements

(1) Balance Sheets

Category	Note No.	Year ended March 31, 2005 (As of March 31, 2005)		Year ended March 31, 2006 (As of March 31, 2006)		Year on year Increase/Decrease (thousands of yen)
		Amount (thousands of yen)	Share (%)	Amount (thousands of yen)	Share (%)	
ASSETS						
I. Current assets						
1. Cash and deposits		1,657,621		10,691,827		9,034,206
2. Notes		9,679		5,140		△4,538
3. Accounts receivable		22,955,537		24,151,666		1,196,129
4. Merchandise		3,738,790		1,319,066		△2,419,724
5. Teaching materials		247,110		188,120		△58,990
6. Prepaid expenses for operations in progress		1,915		1,534		△381
7. Prepaid expenses for constructions in progress		2,059		1,135		△923
8. Inventory goods		192,120		207,465		15,344
9. Prepaid expenses		1,048,326		1,288,565		240,238
10. Deferred tax assets		1,783,725		2,850,245		1,066,520
11. Short-term loans receivable of related company		57,000		72,000		15,000
12. Accounts due		1,455,977		1,263,639		△192,337
13. Other current assets		549,849		139,280		△410,569
14. Allowance for doubtful accounts		△52,706		△113,289		△60,582
Total current assets		33,647,007	42.0	42,066,398	45.4	8,419,391
II. Fixed assets						
(1) Tangible fixed assets						
1. Buildings	*2	21,766,912		28,427,292		
Accumulated depreciation		4,266,048	17,500,864	5,348,443	23,078,848	5,577,984
2. Structures	*2	1,382,282		1,906,197		
Accumulated depreciation		355,522	1,026,760	477,091	1,429,105	402,345
3. Machinery and devices		110,871		117,901		
Accumulated depreciation		74,963	35,907	81,733	36,168	260
4. Automotive equipment		18,152		11,908		
Accumulated depreciation		16,787	1,365	11,093	815	△549
5. Fittings	*2	1,435,930		1,532,999		
Accumulated depreciation		970,881	465,048	1,045,397	487,601	22,552

Category	Note No.	Year ended March 31, 2005 (As of March 31, 2005)		Year ended March 31, 2006 (As of March 31, 2006)		Year on year Increase/Decrease (thousands of yen)
		Amount (thousands of yen)	Share (%)	Amount (thousands of yen)	Share (%)	
6. Land			7,801,862		7,662,995	△138,866
7. Construction in progress			1,235,972		2,040,667	804,695
Total tangible fixed assets			28,067,780	35.0	34,736,202	6,668,422
(2) Intangible fixed assets						
1. Software			594,476		879,631	285,154
2. Rights of telephone subscription			78,034		78,034	-
3. Rights to use facilities			70,843		109,359	38,515
4. Rights of trademarks			871		324	△547
Total intangible fixed assets			744,225	0.9	1,067,348	323,122
(3) Investments and other assets						
1. Investment securities			1,390,998		893,442	△497,556
2. Shares of related company			4,760,888		3,173,916	△1,586,972
3. Bonds of related company			125,000		-	△125,000
4. Investment			2,024		2,000	△24
5. Investment in affiliates			20,000		20,000	-
6. Long-term loans receivable			79,102		152,910	73,808
7. Long-term loans receivable for employees			320		470	150
8. Long-term loans receivable for affiliates			4,450,360		453,000	△3,997,360
9. Bankruptcy claim, etc	*4		65,706		3,192,465	3,126,758
10. Long-term prepaid expenses			93,476		141,809	48,333
11. Deferred tax assets			963,107		3,269,507	2,306,399
12. Leasing assets		777,602			777,602	
Accumulated depreciation		217,319	560,283		249,789	527,813
13. Guarantee money deposited			4,754,296		4,849,483	95,187
14. Insurance reserve			510,895		609,612	98,717
15. Club membership			39,010		39,000	△10
16. Allowance for doubtful accounts	*4		△69,783		△2,528,685	△2,458,901
Other investments and assets			17,745,686	22.1	14,796,746	△2,948,940
Total fixed assets			46,557,692	58.0	50,600,297	4,042,605
Total Assets			80,204,699	100.0	92,666,696	12,461,996

Category	Note No.	Year ended March 31, 2005 (As of March 31, 2005)		Year ended March 31, 2006 (As of March 31, 2006)		Year on year
		Amount (thousands of yen)	Share (%)	Increase/Decrease (thousands of yen)	Share (%)	Increase/Decrease (thousands of yen)
LIABILITIES						
I. Current liabilities						
1. Accounts payable		948,593		1,230,455		281,862
2. Short-term loans payable		4,002,000		12,358,000		8,356,000
3. Payment due	*4	5,454,374		2,854,510		△2,599,863
4. Accrued expenses		11,496,209		15,213,763		3,717,553
5. Income taxes payable		544,683		1,981,924		1,437,240
6. Consumption taxes payable		-		1,721,800		1,721,800
7. Advance received		1,299,597		1,141,903		△157,693
8. Deposit received		323,128		586,632		263,504
9. Allowance for employee bonuses		3,219,130		3,431,969		212,839
10. Allowance for loss in liquidation of related company		-		903,000		903,000
Total current liabilities		27,287,717	34.0	41,423,959	44.7	14,136,242
II. Long-term liabilities						
1. Allowance for employee retirement benefits		2,354,084		2,707,603		353,518
2. Allowance for directors' and auditors' retirement benefits		123,181		124,529		1,347
3. Deposit received for guarantees		53,777		59,827		6,050
Total long-term liabilities		2,531,044	3.2	2,891,960	3.1	360,915
Total liabilities		29,818,761	37.2	44,315,919	47.8	14,497,158

Category	Note No.	Year ended March 31, 2005 (As of March 31, 2005)		Year ended March 31, 2006 (As of March 31, 2006)		Year on year Increase/Decrease (thousands of yen)
		Amount (thousands of yen)	Share (%)	Amount (thousands of yen)	Share (%)	
SHAREHOLDERS' EQUITY						
I. Common stock			11,933,790 14.9		11,933,790 12.9	-
II. Capital surplus						
(1) Capital reserve		15,262,748		15,262,748		
Total capital surplus			15,262,748 19.0		15,262,748 16.5	-
III. Retained earnings						
(1) Earned reserve		364,928		364,928		
(2) Voluntary reserve						
1. Contingent reserve		23,802,345		25,802,345		
(3) Unappropriated retained earnings for the current year		4,631,887		839,562		
Total retained earnings			28,799,160 35.9		27,006,835 29.1	△1,792,325
IV. Gain or loss from revaluation marketable securities			181,872 0.2		77,628 0.1	△104,243
V. Treasury stock			△5,791,633 △7.2		△5,930,226 △6.4	△138,592
Total shareholders' equity			50,385,937 62.8		48,350,776 52.2	△2,035,161
Total liabilities and shareholders' equity			80,204,699 100.0		92,666,696 100.0	12,461,996

(2) Statements of Income

Category	Note No.	Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)			Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)			Year on year
		Amount (thousands of yen)		Share (%)	Amount (thousands of yen)		Share (%)	Increase/Decrease (thousands of yen)
I. Net sales on								
1. Medical support		104,314,663			107,694,743			
2. Health care		70,875,348			76,341,560			
3. Education		15,448,775	190,638,787	100.0	13,599,349	197,635,653	100.0	6,996,865
II. Cost of sales on								
1. Medical support		87,971,499			88,754,633			
2. Health care		58,080,693			63,182,649			
3. Education		7,115,503	153,167,696	80.3	6,598,321	158,535,604	80.2	5,367,908
Gross profit			37,471,091	19.7		39,100,049	19.8	1,628,957
III. Selling, general and administrative expenses								
1. Advertising and promotion expenses		4,586,465			5,326,303			
2. Directors' compensation		84,073			102,660			
3. Salaries and benefits		11,831,967			12,573,014			
4. Transfer to allowance for bonuses		730,957			796,586			
5. Directors' and auditors' retirement benefits		874			320			
6. Allowance for directors' and auditors' retirement benefits		7,523			7,034			
7. Employee retirement benefits		380,124			409,764			
8. Legal welfare expenses		1,649,607			1,838,188			
9. Welfare expense		318,635			406,407			
10. Travel and transportation expenses		1,288,013			1,388,215			
11. Tax and dues		1,487,082			1,686,058			
12. Rent		2,703,723			3,050,523			
13. Printing cost		254,793			219,145			
14. Outsourcing expenses		427,341			350,748			
15. Commission paid		1,548,167			1,760,392			
16. Transfer to allowance for doubtful accounts		85,600			90,146			
17. Depreciation expenses		329,100			627,667			
18. Bad debt loss		8,379			-			
19. Other selling, general and administrative expenses		3,560,059	31,282,491	16.4	3,510,040	34,143,218	17.3	2,860,727
Operating income			6,188,600	3.3		4,956,830	2.5	△1,231,769

Category	Note No.	Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)		Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)		Year on year Increase/Decrease (thousands of yen)
		Amount (thousands of yen)	Share (%)	Amount (thousands of yen)	Share (%)	
IV. Non-operating income						
1. Interest income	*1	41,666		38,779		
2. Interest on securities		3,442		620		
3. Dividend income	*1	114,938		120,358		
4. Commission on consignment for office work		77,809		91,952		
5. Income from lease of fixed assets	*3	38,287		37,805		
6. Miscellaneous income		76,463	352,608	81,318	370,835	0.2
V. Non-operating expenses						
1. Interest expenses		34,125		49,555		
2. Compensation for damages		42,546		11,059		
3. Loss on disengagement of guarantee money deposited		20,784		854		
4. Casualty loss		5,057	102,514	9,017	70,487	0.0
Ordinary income			6,438,694		5,257,178	2.7
VI. Extraordinary income						
1. Gain on sale of fixed assets	*2	-		4		
2. Gain on sale of investment in securities		3,981		552,837		
3. Gain on sale of shares of related company		-	3,981	416,001	968,842	0.5

Category	Note No.	Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)			Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)			Year on year Increase/Decrease (thousands of yen)
		Amount (thousands of yen)		Share (%)	Amount (thousands of yen)		Share (%)	
VII. Extraordinary losses								
1. Loss on retirement of fixed assets	*2	66,301			68,977			
2. Loss on sale of fixed assets	*2	93,676			35,653			
3. Loss on revaluation of membership		4,849			10			
4. Loss on closedown of offices		112,048			7,552			
5. Loss on revaluation of inventories		-			2,422,614			
6. Loss on revaluation of shares of related company		-			1,433,466			
7. Loss on impairment	*4	-			131,098			
8. Transfer to allowance for doubtful accounts of related company		-			2,455,000			
9. Allowance for loss in liquidation of related company		-	276,876	0.2	903,000	7,457,372	3.8	7,180,495
Income or Loss before income taxes			6,165,799	3.2		△1,231,351	△0.6	△7,397,150
Income, inhabitants and business taxes		2,924,000			3,049,000			
Adjustments for income and other taxes		△165,637	2,758,362	1.4	△3,301,402	△252,402	△0.1	△3,010,765
Net income or loss			3,407,436	1.8		△978,948	△0.5	△4,386,385
Unappropriated retained earnings brought forward			1,226,022			1,819,836		593,813
Loss on liquidation of treasury stock			1,571			1,325		△246
Unappropriated retained earnings for the current year			4,631,887			839,562		△3,792,325

(3) Proposed Profit Distribution

Category	Note No.	Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)		Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)		Year on year
		Amount (thousands of yen)	Share (%)	Amount (thousands of yen)	Share (%)	Increase/Decrease (thousands of yen)
I. Unappropriated retained earnings for the current year			4,631,887		839,562	△3,792,325
II. Reversal of contingent reserve		-	-	1,000,000	1,000,000	1,000,000
Total			4,631,887		1,839,562	△2,792,325
III. Amount of profit distribution						
1. Dividends		776,050		774,937		
2. Bonuses for directors and auditors (Auditors' bonuses included)		36,000 (3,500)		36,000 (3,500)		
3. Contingent reserve		2,000,000	2,812,050	-	810,937	△2,001,113
IV. Retained earnings carried forward			1,819,836		1,028,624	△791,211

Significant Accounting Policies

Item	Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)	Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)
1. Valuation standard and method for Securities	<p>(1) Subsidiary's and affiliate's shares Stated at a cost determined using the moving average method</p> <p>(2) Other Securities Securities with available fair market values Stated at fair market value based on the quoted market price as of the end of the interim consolidated accounting period. The related valuation differences are directly charged or credited to the shareholders' equity and cost of securities sold is computed using the moving average method. Securities without available fair market value are stated at a cost determined using the moving average method.</p>	<p>(1) Subsidiary's and affiliate's shares Same as on the left</p> <p>(2) Other Securities Securities with available fair market values Same as on the left</p>
2. Valuation standard and method for Inventories	<p>(1) Merchandise Stated at a cost determined using the moving average method</p> <p>(2) Teaching materials Stated at a cost determined using the moving average method</p> <p>(3) Prepaid expenses for operations in progress Stated at a cost determined using the specific cost method</p> <p>(4) Prepaid expenses for construction in progress Stated at a cost determined using the specific cost method</p> <p>(5) Inventory goods Stated at a cost determined using the last-cost method</p>	<p>(1) Merchandise Same as on the left</p> <p>(2) Teaching materials Same as on the left</p> <p>(3) Prepaid expenses for operations in progress Same as on the left</p> <p>(4) Prepaid expenses for construction in progress Same as on the left</p> <p>(5) Inventory goods Same as on the left</p>
3. Depreciation method for fixed assets	<p>Tangible fixed assets.....Declining balance method However, buildings (except for building attachments) and day care facilities' building attachments, structures and fittings acquired on and after April 1, 1998 are depreciated using the straight-line method. The range of useful lives is as follows: Buildings: 15 to 50 years Structures: 10 to 20 years Fittings: 3 to 6 years</p> <p>Intangible fixed assets.....Straight-line method Software for internal use is amortized using the straight-line method over the expected available period (5 years).</p> <p>Long-term prepaid expenses.....Straight-line method</p>	<p>Same as on the left</p> <p>Same as on the left</p> <p>Same as on the left</p>

Item	Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)	Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)
4. Accounting for allowances and reserves	(1) Allowance for doubtful accounts In the case of bad debt loss for accounts receivable, general allowances are provided using a rate determined by past bad debt experience for general accounts, and also specific allowances are provided in the estimated amounts considered to be uncollectible after reviewing certain doubtful accounts.	(1) Allowance for doubtful accounts Same as on the left
	(2) Allowance for employee bonuses To provide for payment of bonuses to employees, allowance for employee bonuses are recorded as the amount expected to be paid.	(2) Allowance for employee bonuses Same as on the left
	(3) Allowance for employee retirement benefits To provide for employees' retirement benefits, a reserve for retirement benefits is recorded based on the projected retirement benefit obligations and related plan assets as of the current fiscal year end. Actuarial differences are to be charged to income from the following fiscal year based on determined years; 5 years for regular and junior employees and managing service staff, and 4 years for non-managing service staff.	(3) Allowance for employee retirement benefits Same as on the left
	(4) Allowance for directors' and auditors' retirement benefits To provide for benefits for retired directors and auditors, the reserve for retirement benefits is recorded for the necessary payment amount as of the end of the accounting period based on internal regulations.	(4) Allowance for directors' and auditors' retirement benefits Same as on the left
	—————	(5) Allowance for loss in liquidation of related company To provide for possible losses incurred by liquidating related companies, necessary amount is recorded.
5. Accounting for income and expenses	(1) Sales on medical support Sales of contracting services such as medical fee claims are recorded for the services that have been completed. For other medical practice services, the sales of services provided during the current fiscal year are recorded. (2) Sales on education Sales of training fees are recorded according to the duration of the training.	(1) Sales on medical support Same as on the left (2) Sales on education Same as on the left
6. Accounting for leases	Finance lease transactions, other than those that are deemed to transfer the ownership of the leased assets to lessees, are accounted for using the method that is applicable to ordinary operating leases.	Same as on the left
7. Other basic and significant issues for presenting financial statements	(1) Accounting for consumption taxes National and local consumption taxes are accounted for based on the tax exclusion method. Nondeductible consumption taxes are treated as selling, general and administrative expenses.	(1) Accounting for consumption taxes Same as on the left

Changes in Accounting Method

Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)	Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)
—	<p>(Accounting Standard for Impairment of Fixed Assets)</p> <p>From the current accounting period, we adopted the new accounting standard for impairment loss on fixed assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (The Financial Accounting Standard Implementation Guidance No. 6 issued on October 31, 2003). This resulted in a ¥131,098 thousand increase in loss before income taxes for the current accounting period.</p> <p>The accumulated impairment loss on fixed assets is deducted directly from the amount of each asset, based on the revised rules for financial statements.</p>

Changes in Listing Method

Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)	Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)
<p>"Accounts due" included in and listed as "Other current assets" of current assets in the previous fiscal year is categorized separately for this fiscal year because it has exceeded a hundredth of the total assets. The "accounts due" at the end of the previous term is 705,588 thousand yen.</p>	—

Additional Information

Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)	Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)
<p>Along with publication of practical application report No. 12 “Practical handling of listing dual corporate tax system contained in corporate enterprise tax for calculation of profits and losses” (issued by the Accounting Standards Board of Japan on February 13, 2004), the value added and equity portion (525,000 thousand yen) of corporate enterprise tax is treated as selling, general and administrative expenses according to the practical application report from the current consolidated fiscal year.</p> <p>As a result, the selling, general and administrative expenses were increased by 525,000 thousand yen, and the operating income, ordinary income and income before income taxes were decreased by the same amount.</p>	—

Notes on Balance Sheets

Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)	Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)												
<p>*1. Total number of shares issued by the Company Common stock: 110,000 thousands shares Total number of outstanding shares Common stock: 36,508 thousands shares</p> <p>*2. Due to the receipt of governmental subsidies related to tangible fixed assets, accumulated advanced depreciation amounts to 145,680 for buildings, 2,557 for structures, 15,238 for fittings, and 163,476 in total (thousands of yen).</p> <p>3. Overdraft contract The company has an overdraft contract and credit commitments from seven banks in order to perform efficient financing. Based on these contracts, total unused credit available at the end of this fiscal year was as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousands of yen)</td> </tr> <tr> <td>Total credit available and credit commitments</td> <td style="text-align: right;">43,875,000</td> </tr> <tr> <td>Total credit used</td> <td style="text-align: right;">4,002,000</td> </tr> </table> <hr/> <p>Balance 39,873,000</p>		(Thousands of yen)	Total credit available and credit commitments	43,875,000	Total credit used	4,002,000	<p>*1. Total number of shares issued by the Company Common stock: 110,000 thousands shares Total number of outstanding shares Common stock: 36,508 thousands shares</p> <p>*2. In the current fiscal year, due to the receipt of governmental subsidies, advanced depreciation was undertaken for buildings (13,332 thousand yen) and for fittings (3,617 thousand yen). Due to the receipt of governmental subsidies related to tangible fixed assets, accumulated advanced depreciation amounts to 159,012 for buildings, 2,557 for structures, 18,856 for fittings, and 180,426 in total (thousands of yen).</p> <p>3. Overdraft contract The company has an overdraft contract and credit commitments from seven banks in order to perform efficient financing. Based on these contracts, total unused credit available at the end of this fiscal year was as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousands of yen)</td> </tr> <tr> <td>Total credit available and credit commitments</td> <td style="text-align: right;">36,668,000</td> </tr> <tr> <td>Total credit used</td> <td style="text-align: right;">12,346,000</td> </tr> </table> <hr/> <p>Balance 24,322,000</p>		(Thousands of yen)	Total credit available and credit commitments	36,668,000	Total credit used	12,346,000
	(Thousands of yen)												
Total credit available and credit commitments	43,875,000												
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<p>*4. Notes on related companies Items related to businesses with related companies are included as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousands of yen)</td> </tr> <tr> <td>Unpaid</td> <td style="text-align: right;">3,740,500</td> </tr> </table> <p>The Unpaid at the end of previous term is 354,956 thousand yen.</p> <p>*5. Amount of treasury stock possessed by us Common stock 1,233,933 shares</p> <p>*6. Limitation on dividend The amount of net assets increased by adding market values to the assets defined in the Article 124, No. 3 of the Commercial Law Enforcement Regulations is 181,872 thousand yen.</p>		(Thousands of yen)	Unpaid	3,740,500	<p>*4. Notes on related companies Items related to businesses with related companies are included as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousands of yen)</td> </tr> <tr> <td>Bankruptcy claims, etc:</td> <td style="text-align: right;">3,131,277</td> </tr> <tr> <td>Allowance for doubtful accounts:</td> <td style="text-align: right;">2,468,073</td> </tr> </table> <p>*5. Amount of treasury stock possessed by us Common stock 1,284,549 shares</p> <p>*6. Limitation on dividend The amount of net assets increased by adding market values to the assets defined in the Article 124, No. 3 of the Commercial Law Enforcement Regulations is 77,628 thousand yen.</p>		(Thousands of yen)	Bankruptcy claims, etc:	3,131,277	Allowance for doubtful accounts:	2,468,073		
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Notes on Statement of Income

Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)	Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)																																																																																												
<p>*1. Notes on related companies Items related to businesses with related companies are included as follows: (thousands of yen)</p> <p style="text-align: right;">Interest income: 40,386 Dividend income: 87,600</p> <p>*2. Losses on sales of fixed assets and losses on retirement of fixed assets are itemized as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right;">(Thousands of yen)</td> </tr> <tr> <td>Losses on sales of fixed assets</td> <td></td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">67,729</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">2,113</td> </tr> <tr> <td>Machinery and Devices</td> <td style="text-align: right;">3,934</td> </tr> <tr> <td>Fittings</td> <td style="text-align: right;">19,898</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">93,676</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>Losses on retirement of fixed assets</td> <td style="text-align: right;">(Thousands of yen)</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">44,859</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">2,933</td> </tr> <tr> <td>Automotive equipment</td> <td style="text-align: right;">328</td> </tr> <tr> <td>Fittings</td> <td style="text-align: right;">16,678</td> </tr> <tr> <td>Software</td> <td style="text-align: right;">1,500</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">66,301</td> </tr> </table> <p>*3. Income from lease of fixed assets listed is offset by the expenses related to leasing. Leasing expenses are itemized as follows: (thousands of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Allowance for depreciation</td> <td style="text-align: right;">16,775</td> </tr> <tr> <td><u>Tax and dues</u></td> <td style="text-align: right;"><u>8,931</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">25,706</td> </tr> </table> <p>*4. Impairment losses</p>		(Thousands of yen)	Losses on sales of fixed assets		Buildings	67,729	Structures	2,113	Machinery and Devices	3,934	Fittings	19,898	Total	93,676			Losses on retirement of fixed assets	(Thousands of yen)	Buildings	44,859	Structures	2,933	Automotive equipment	328	Fittings	16,678	Software	1,500	Total	66,301	Allowance for depreciation	16,775	<u>Tax and dues</u>	<u>8,931</u>	Total	25,706	<p>*1. Notes on related companies Items related to businesses with related companies are included as follows: (thousands of yen)</p> <p style="text-align: right;">Interest income: 36,406 Dividend income: 93,500</p> <p>*2. Gains on sales of fixed assets, losses on sales of fixed assets, and losses on retirement of fixed assets are itemized as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right;">(Thousands of yen)</td> </tr> <tr> <td>Gains on sales of fixed assets</td> <td></td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">3</td> </tr> <tr> <td>Fittings</td> <td style="text-align: right;">1</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">4</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>Losses on sales of fixed assets</td> <td style="text-align: right;">(Thousands of yen)</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">35,653</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>Losses on retirement of fixed assets (Thousands of yen)</td> <td></td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">58,025</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">3,318</td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;">142</td> </tr> <tr> <td>Automotive equipment</td> <td style="text-align: right;">312</td> </tr> <tr> <td>Fittings</td> <td style="text-align: right;">7,177</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">68,977</td> </tr> </table> <p>*3. 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Impairment losses The group recorded the following impairment losses in the current accounting period.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Location</th> <th style="text-align: center;">Use</th> <th style="text-align: center;">Category</th> <th style="text-align: center;">Amount (Thousands of yen)</th> </tr> </thead> <tbody> <tr> <td rowspan="6" style="vertical-align: top;">Kitakanto Sterilization Center (Kawasato-mura, Kitasaitama-gun, Saitama)</td> <td rowspan="6" style="vertical-align: top;">Sterilization facility</td> <td>Buildings</td> <td style="text-align: right;">78,766</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">1,203</td> </tr> <tr> <td>Fittings</td> <td style="text-align: right;">5,035</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">44,813</td> </tr> <tr> <td>Long-term prepaid expenses</td> <td style="text-align: right;">100</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">1,179</td> </tr> </tbody> </table> <p>The group categorizes assets and applies asset-impairment accounting based on the smallest business units that generate cash flow independently. The headquarters and properties such as training facilities are recognized as shared assets, as they do not generate cash flow by themselves. The above-listed assets scheduled for sale have been accounted for as impaired assets, and the carrying amount was reduced to a recoverable value. Recoverable value is measured using net sale value. The calculation is based on the remaining balance of appraised value by a real estate appraiser after deducting estimated disposal cost.</p>		(Thousands of yen)	Gains on sales of fixed assets		Buildings	3	Fittings	1	Total	4			Losses on sales of fixed assets	(Thousands of yen)	Land	35,653			Losses on retirement of fixed assets (Thousands of yen)		Buildings	58,025	Structures	3,318	Machinery	142	Automotive equipment	312	Fittings	7,177	Total	68,977	Allowance for depreciation	32,469	<u>Tax and dues</u>	<u>6,768</u>	Total	39,238	Location	Use	Category	Amount (Thousands of yen)	Kitakanto Sterilization Center (Kawasato-mura, Kitasaitama-gun, Saitama)	Sterilization facility	Buildings	78,766	Structures	1,203	Fittings	5,035	Land	44,813	Long-term prepaid expenses	100	Others	1,179
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① Lease Transactions

Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)				Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)			
1. Finance lease transactions other than those that are deemed to transfer the ownership of the leased assets to lessees				1. Finance lease transactions other than those that are deemed to transfer the ownership of the leased assets to lessees			
(1) Acquisition cost, accumulated depreciation and period ending balance of leased assets				(2) Acquisition cost, accumulated depreciation and period ending balance of leased assets			
(Thousands of yen)				(Thousands of yen)			
	Acquisition cost	Accumulated depreciation	Period ending balance		Acquisition cost	Accumulated depreciation	Period ending balance
Machinery and devices	24,474	1,998	22,475	Buildings	16,172	3,520	12,652
Automotive equipment	2,363,175	1,689,522	673,652	Machinery and devices	199,637	26,021	173,615
Fittings	11,956,587	5,982,467	5,974,120	Automotive equipment	1,774,678	1,187,024	587,654
Software	2,562,976	1,268,629	1,294,347	Fittings	11,903,336	6,056,986	5,846,349
Total	16,907,213	8,942,617	7,964,596	Software	2,455,620	1,603,117	852,503
				Total	16,349,445	8,876,670	7,472,775
(2) Outstanding balance of future lease payments at the end of the period				(2) Outstanding balance of future lease payments at the end of the period			
			(Thousands of yen)				(Thousands of yen)
Within one year			3,458,348	Within one year			3,000,272
Over one year			4,802,407	Over one year			4,717,034
Total			8,260,756	Total			7,717,306
(3) Lease fee payments, depreciation expenses and interest expenses				(3) Lease fee payments, depreciation expenses and interest expenses			
			(Thousands of yen)				(Thousands of yen)
Lease fee payments			4,635,164	Lease fee payments			4,248,893
Depreciation expenses			4,169,210	Depreciation expenses			3,826,141
Interest expenses			366,675	Interest expenses			343,602
(4) Accounting method for depreciation expenses				(4) Accounting method for depreciation expenses			
Calculated by assuming the lease term is the depreciable life and depreciating the remaining amount to zero using the straight-line method.				Same as on the left			
(5) Accounting method for interest expenses				(5) Accounting method for interest expenses			
Interest expenses for leased assets are calculated as the difference between the total lease payments and the acquisition price of the leased assets, and the amount is allocated to each accounting period using the interest method.				Same as on the left			
2. Operating lease transactions				2. Operating lease transactions			
Future lease payments				Future lease payments			
			(Thousands of yen)				(Thousands of yen)
Within one year			25,804	Within one year			25,804
Over one year			79,896	Over one year			54,091
Total			105,700	Total			79,896

② Marketable Securities

In the previous fiscal year (Apr. 1, 2004 through Mar. 31, 2005) and the current fiscal year (Apr. 1, 2005 through Mar. 31, 2006) stocks of subsidiary and related companies have no market value.

③

Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)	Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)																																																																				
<p>1. Breakdown by cause of deferred tax assets and liabilities (Thousands of Yen)</p> <p>Deferred tax assets</p> <table> <tr><td>Accrued business tax</td><td style="text-align: right;">217,301</td></tr> <tr><td>Allowance for employee bonuses</td><td style="text-align: right;">1,309,863</td></tr> <tr><td>Accrued expenses</td><td style="text-align: right;">165,082</td></tr> <tr><td>Lump depreciation assets</td><td style="text-align: right;">36,127</td></tr> <tr><td>Allowance for doubtful accounts</td><td style="text-align: right;">35,924</td></tr> <tr><td>Allowance for employee retirement benefits</td><td style="text-align: right;">930,028</td></tr> <tr><td>Allowance for directors' and auditors' retirement benefits</td><td style="text-align: right;">50,122</td></tr> <tr><td>Loss on revaluation of golf club membership</td><td style="text-align: right;">27,293</td></tr> <tr><td>Others</td><td style="text-align: right;">99,863</td></tr> <tr><td><u>Sub total of differed tax assets</u></td><td style="text-align: right;"><u>2,871,607</u></td></tr> <tr><td>Total differed tax liabilities</td><td></td></tr> <tr><td>Gain or loss from revaluation of marketable securities</td><td style="text-align: right;">124,774</td></tr> <tr><td><u>Total differed tax liabilities</u></td><td style="text-align: right;"><u>124,774</u></td></tr> <tr><td>Net differed tax assets</td><td style="text-align: right;">2,746,833</td></tr> </table>	Accrued business tax	217,301	Allowance for employee bonuses	1,309,863	Accrued expenses	165,082	Lump depreciation assets	36,127	Allowance for doubtful accounts	35,924	Allowance for employee retirement benefits	930,028	Allowance for directors' and auditors' retirement benefits	50,122	Loss on revaluation of golf club membership	27,293	Others	99,863	<u>Sub total of differed tax assets</u>	<u>2,871,607</u>	Total differed tax liabilities		Gain or loss from revaluation of marketable securities	124,774	<u>Total differed tax liabilities</u>	<u>124,774</u>	Net differed tax assets	2,746,833	<p>1. Breakdown by cause of deferred tax assets and liabilities (Thousands of Yen)</p> <p>Deferred tax assets</p> <table> <tr><td>Accrued business tax</td><td style="text-align: right;">249,007</td></tr> <tr><td>Allowance for employee bonuses</td><td style="text-align: right;">1,396,468</td></tr> <tr><td>Accrued expenses</td><td style="text-align: right;">175,022</td></tr> <tr><td>Lump depreciation assets</td><td style="text-align: right;">45,613</td></tr> <tr><td>Allowance for doubtful accounts</td><td style="text-align: right;">1,056,515</td></tr> <tr><td>Allowance for employee retirement benefits</td><td style="text-align: right;">1,101,723</td></tr> <tr><td>Allowance for directors' and auditors' retirement benefits</td><td style="text-align: right;">50,671</td></tr> <tr><td>Loss on revaluation of golf club membership</td><td style="text-align: right;">27,704</td></tr> <tr><td>Loss on revaluation of shares of related companies</td><td style="text-align: right;">572,090</td></tr> <tr><td>Loss on revaluation of merchandise</td><td style="text-align: right;">985,028</td></tr> <tr><td>Allowance for loss on liquidation of related companies</td><td style="text-align: right;">367,430</td></tr> <tr><td>Loss on impairment</td><td style="text-align: right;">52,863</td></tr> <tr><td>Others</td><td style="text-align: right;">110,241</td></tr> <tr><td><u>Sub total of differed tax assets</u></td><td style="text-align: right;"><u>6,190,381</u></td></tr> <tr><td>Valuation reserve</td><td style="text-align: right;">△17,371</td></tr> <tr><td><u>Total differed tax assets</u></td><td style="text-align: right;"><u>6,173,010</u></td></tr> <tr><td>Total differed tax liabilities</td><td style="text-align: right;">6,173,010</td></tr> <tr><td>Gain or loss from revaluation of marketable securities</td><td style="text-align: right;">53,257</td></tr> <tr><td><u>Total differed tax liabilities</u></td><td style="text-align: right;"><u>53,257</u></td></tr> <tr><td>Net differed tax assets</td><td style="text-align: right;">6,119,752</td></tr> </table>	Accrued business tax	249,007	Allowance for employee bonuses	1,396,468	Accrued expenses	175,022	Lump depreciation assets	45,613	Allowance for doubtful accounts	1,056,515	Allowance for employee retirement benefits	1,101,723	Allowance for directors' and auditors' retirement benefits	50,671	Loss on revaluation of golf club membership	27,704	Loss on revaluation of shares of related companies	572,090	Loss on revaluation of merchandise	985,028	Allowance for loss on liquidation of related companies	367,430	Loss on impairment	52,863	Others	110,241	<u>Sub total of differed tax assets</u>	<u>6,190,381</u>	Valuation reserve	△17,371	<u>Total differed tax assets</u>	<u>6,173,010</u>	Total differed tax liabilities	6,173,010	Gain or loss from revaluation of marketable securities	53,257	<u>Total differed tax liabilities</u>	<u>53,257</u>	Net differed tax assets	6,119,752
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<p>2. Breakdown by cause of material difference between the statutory income tax rate and the effective income tax rate after the adoption of tax-effect accounting (%)</p> <table> <tr><td>Statutory income tax rate (Reconciliation items)</td><td style="text-align: right;">40.69</td></tr> <tr><td>Exclusion of entertainment cost from expenses</td><td style="text-align: right;">0.45</td></tr> <tr><td>Exclusion of dividend income from gross revenues</td><td style="text-align: right;">△0.59</td></tr> <tr><td>Inhabitants tax on per capita basis</td><td style="text-align: right;">4.29</td></tr> <tr><td>Others</td><td style="text-align: right;">△0.10</td></tr> <tr><td>Effective income tax rate after the adoption of tax-effect accounting</td><td style="text-align: right;">44.74</td></tr> </table>	Statutory income tax rate (Reconciliation items)	40.69	Exclusion of entertainment cost from expenses	0.45	Exclusion of dividend income from gross revenues	△0.59	Inhabitants tax on per capita basis	4.29	Others	△0.10	Effective income tax rate after the adoption of tax-effect accounting	44.74	<p>2. Breakdown by cause of material difference between the statutory income tax rate and the effective income tax rate after the adoption of tax-effect accounting</p> <p>Causes of material difference between the statutory income tax rate and the effective income tax rate after the adoption of tax-effect accounting are not shown because the loss before income taxes is recorded.</p>																																																								
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Per Share Information

Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)	Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)
Net assets per share 1,427.35 yen Net income per share 94.93 yen	Net assets per share 1,371.63 yen Net income per share 28.81 yen
Diluted net income per share is not presented because there were no potential stocks with dilutive effect.	Diluted net income per share is not presented because of a net loss per share.

(Note) Shown below is the basis for calculation of net income per share and diluted income per share.

	Year ended March 31, 2005 (Apr. 1, 2004 through Mar. 31, 2005)	Year ended March 31, 2006 (Apr. 1, 2005 through Mar. 31, 2006)
Net income per share		
Net income or Net loss (Δ) (thousands of yen)	3,407,436	Δ 978,948
Amount not attributable to common stockholders (thousands of yen)	36,000	36,000
(Directors' bonuses through profit distribution included)	(36,000)	(36,000)
Net income or Net loss relating to common stock (Δ) (thousands of yen)	3,371,436	Δ 1,014,948
Average number of shares during the period (thousands of share)	35,514	35,234
Net income per share – diluted		
Dilution of net income (thousands of yen)	-	-
Increase in amount of common stock (thousands of share)	-	-
(Warrants included)	-	-
Outline of stock not included in diluted net income per share due to lack of dilutive effect	<p>(1) Warrants Number of shares for the warrants based on the resolution of the ordinary general meeting of shareholders held on June 29, 2000: 157,300</p> <p>(2) Warrants Number of shares for the warrants based on the resolution of the ordinary general meeting of shareholders held on June 28, 2001: 207,408</p> <p>(3) Warrants Number of shares for the warrants based on the resolution of the ordinary general meeting of shareholders held on June 27, 2003: 2,250</p>	<p>(1) Warrants Number of shares for the warrants based on the resolution of the ordinary general meeting of shareholders held on June 28, 2001: 207,408</p> <p>(2) Warrants Number of shares for the warrants based on the resolution of the ordinary general meeting of shareholders held on June 27, 2003: 2,250</p>

(Important Subsequent Events)

Liquidation of subsidiaries

At the board meeting held on April 28, 2006, we decided to liquidate the following subsidiaries:

1. Background

To expand our corporate value in the severe business environment, we are advancing our business growth strategy, primarily concentrating on “Strengthening Core Business and Approaches to New Business and Services” and structural reforms such as restructuring of group companies.

As the new fiscal year started in April 2006, aiming to implement major system reform in both medical and long-term care fields, we have reexamined the profitability and possibilities of our subsidiaries. We also have comprehensively reviewed the settlement of accounts in the business year ending March, 2006, and considered the necessity of restructuring the group companies further. Consequently, although we have strived to restructure the business of the following two falling subsidiaries (Power Bank Co., Ltd. And Nihon Dental Service Co.,Ltd.), we deemed that a long-term period would be required to restructure these businesses, and so we decided to liquidate the two subsidiaries.

2. Summary of Subsidiaries to be Liquidated

(1) Corporate name	Power Bank Co., Ltd.	Nihon Dental Service Co.,Ltd.
(2) Headquarter location	Marunouchi, Chiyoda-ku, Tokyo	Kanda Surugadai, Chiyoda-ku, Tokyo
(3) Representative	Nobusuke Mori	Naoki Masuda
(4) Business	Manpower service	Business consulting for medical institutions
(5) Establishment	December, 1997	April, 2000
(6) Capital stock	0.8 billion (100% invested by us)	0.1 billion (70% invested by us)
(7) Liquidation schedule	Business suspended in May, 2006 Dissolution decided for September, 2006 Liquidation completed in December, 2006	Business suspended at the end of September, 2006 Dissolution decided for October, 2006 Liquidation completed in December, 2006

3. Accounting Procedures for the Current Period

In accordance with the decision to liquidate subsidiaries, a ¥4,742 million extraordinary loss was recorded for this fiscal year (for Power Bank Co., Ltd., Losses on revaluation of shares of related companies of ¥1,314 million and Transfer to allowance for loss in liquidation of related companies of ¥903 million; for Nihon Dental Service Co., Ltd, Transfer to allowance for doubtful accounts of related companies of ¥2,455 million and Losses on revaluation of shares of related companies of ¥69 million).

7. Changes in Management (slated for June 28, 2006)

1. Changes in Representatives

There is no relevant information.

2. Changes in other directors

(1) Candidates for incoming directors

There is no relevant information.

(2) Directors to resign

There is no relevant information.