

I. Nova Corporation (herein, Nova) violated the Specific Commercial Transaction Law (herein, The Law) in conducting its business regarding contracts for foreign language lessons such as regular courses and the like.

1. Inadequate documents (Article 46, paragraphs 1 & 2)

Outline documents and contracts contained no explanations about cooling off periods for related goods* or information regarding the cancellation of contracts. Documents indicated that the start of the service period was the date one registered his or her name with Nova even though no contract defining the start of the service period had been finalized.

*Related goods refers to merchandise that must be purchased for the specified continuous service (foreign language lessons).

2. Misleading advertising (Article 43)

Advertisements contained indications that were considerably different from the truth and misled consumers into believing that if they signed up during a campaign period the sign-up fee would be waived, when in fact sign-up fees were not normally charged throughout the year.

3. Misrepresentation (Article 44, paragraph 1)

- a. In soliciting contracts, Nova informed consumers that they could reserve lessons in their chosen time slots when in fact these time slots were difficult to reserve.
- b. When more than eight days had passed after consumers registered their names and addresses with Nova but had not concluded a contract, and when less than eight days had passed following the conclusion and delivery of a contract, Nova informed consumers that the cooling off period did not apply. Nova also informed consumers that they had received permission from METI regarding the cooling off period when in fact they had not.
- c. Even though consumers had concluded contracts in which the sign-up fee was waived, in announcing their intention to cancel their contracts, consumers were told that the sign-up fee was deducted from the course fees, and that since the sign-up fee was listed in the contract, part of the fee would be deducted as an initial cost when canceling a contract.

4. Failure to disclose important matters (Article 44, paragraph 2)

While knowing that certain time slots were difficult to reserve at many schools, Nova failed to inform consumers of this fact when soliciting contracts.

5. Refusing to perform or unjustly delaying performance of obligations that occur through the rescission of contracts in whole or in part (Article 46, item 1)

- a. When consumers concluded contracts after being told that the sign-up fee would be waived, and then later canceled their contracts, Nova included the sign-up fee in the tuition amount when calculating refunds and refused to refund an amount equivalent to the sign-up fee to consumers.
- b. Under Nova's point system (1 point entitles consumers to a 40-minute lesson), a fixed percentage of points expired after a fixed period of time, but when consumers canceled contracts for reasons attributable to Nova, such as being unable to make reservations for lessons, in calculating refunds, Nova treated the applicable points as if they had expired and

did not refund the money owed to consumers. This system was used only when a consumer canceled a contract. Furthermore, when consumers canceled contracts for reasons attributable to Nova, such as being unable to make lesson reservations, Nova, without justification, calculated the used points at a higher rate than they were originally purchased at, and did not refund money owed to consumers.

- c. When consumers used credit cards to pay for lessons, in calculating refunds using the cancellation formula based on the contract Nova had with its consumer credit company, costs that should have been born by Nova in calculating the refund were charged to consumers, and money owed to consumers was not refunded.

6. Refusal to discharge obligations arising from the cancellation of contracts for related goods (Article 46, item 3 and Article 39, item 6 of the ministerial ordinance)

- a. When consumers concluded contracts and purchased videophones after being informed that the videophones were required for the lessons and then later canceled their contracts, consumers were told that the videophones were not required for the lessons nor were they related goods, and were refused a refund.
- b. In concluding contracts where consumers purchased materials after being informed that they were required for their lessons and then consumers later canceled their contracts, no refunds were given for the materials even when they were unused or the packaging was partially opened and in a returnable condition.

II. In Nova's children's lessons (Nova Kids), in which fees are paid monthly, when contracts were concluded where the total cost of the sign-up and lesson fees was 50 thousand yen or more, notwithstanding that the specified continuous services fell under The Law, Nova maintained that the services were not subject to The Law and therefore not subject to a cooling off period, and failed to deliver statutory documents.

III. Nova admitted to company-wide violations of the aforementioned items in following manuals, directives, and instructions issued to all schools by head office when soliciting contracts from consumers.

IV. Over the next two years, Nova shall report quarterly all complaints regarding the solicitation, conclusion, and cancellation of contracts, as well as how it handled complaints to the Ministry of Economy, Trade and Industry, who shall provide guidance based on the contents of the report.

V. Nova admitted to the following violations to which the Ministry of Economy, Trade and Industry provided administrative guidance.

- a. Regarding Voice lessons*, Nova informed consumers that they had to sign a contract for a set that included regular lessons despite the fact that it was possible to sign a separate contract for regular lessons (Article 44, paragraph 1).

*Voice lessons are free-conversation classes where a student can improve their conversation skills by talking with an instructor waiting in a room. One ticket allows a student to freely attend Voice lessons all day.

- b. When consumers who had already purchased contracts concluded new contracts for lesson points, Nova did not deliver outline documents and the contract itself. When consumers tried to exercise their right to a cooling off period, Nova informed consumers that the cooling off period was not applicable (Article 42, paragraphs 1 and 2 & Article 44, paragraph 1).

Details of the administrative punishment concerning Nova Corporation

I. Corporate profile

1. *Name*: Nova Corporation (Nova)
2. *Representative*: Nozomu Sahashi, president
3. *Head office*: Osaka Prefecture, Osaka City, Chuo-ku, Nishi Shinsaibashi, 2-3-2
Offices: Tokyo-to, Shinjuku-ku, Nishi Shinjuku 2-4-1, plus 924 schools across Japan (as of February 2007)
4. *Established*: May 14, 1974
5. *Capitalization*: 5 billion yen
6. *Goods and services*: Goods include teaching materials such as texts and CDs, and videophone systems. Services include regular courses, such as *ekimae* room lessons and *ochanoma ryuugaku*, Voice, and children's lessons (Nova Kids).
7. *Sales*: 66,900,690,000 yen (fiscal 2005)
8. *Employees*: 2,522 (not including foreign instructors) as of the end of January 2007.

II. Business overview

Nova Corporation (herein, Nova) is headquartered in Osaka City with an office in Shinjuku Ward, Tokyo and over 900 schools across the country that provide regular foreign language lessons (such as *ekimae ryuugaku* room lessons and *ochanoma ryuugaku*), Voice, and lessons for children known as Nova Kids, via a reservation system.

Nova concludes contracts between consumers relating to specified continuous service offers and the like prescribed by the Specific Commercial Transaction Law (herein, The Law). In concluding said contracts, Nova solicits packaged sets of books and CDs required for lessons, sales contracts for videophone systems, as well as contracts for foreign language lessons to consumers who visit schools after seeing various advertisements. (Nova admitted that it made solicitations that rental contracts for videophone systems were possible and these instances are thus exempt from this decision).

III. Details of the administrative punishment

1. Partial suspension of business (Article 47, paragraph 1)

Nova shall suspend the following operations (excluding the renewal of contracts) for offers of specified continuous services whose duration is greater than 1 year or 70 hours (excluding Nova Kids) for a period of six months from June 14, 2007 until December 13, 2007:

1. The soliciting of specified continuous service contracts.
2. The receiving of applications for specified continuous services.
3. The conclusion of specified continuous service contracts.

2. Orders (Article 46)

Regarding the provision of specified continuous services (excluding Nova Kids):

1. Outline documents (price lists) must be provided before a contract is concluded.
2. Contracts shall be delivered, without delay, upon their conclusion.

3. In advertising the terms and conditions of services, the display of the consideration for the services shall not be significantly different from the actual price so as to cause misunderstanding.
4. No misrepresentation shall be made in soliciting contracts or to prevent the rescission of such contracts.
5. No misrepresentation shall be made in soliciting contracts that intentionally fails to disclose important facts.
6. Nova shall not refuse to discharge all or part of its obligations arising from the rescission of contracts.
7. Nova shall not refuse to discharge all or part of its obligations arising from the rescission of contracts for related goods.

Regarding the provision of specific continuous services relating to Nova Kids:

1. Outline documents must be provided before a contract is concluded.
2. Contracts shall be delivered, without delay, upon their conclusion.
3. No misrepresentation shall be made in soliciting contracts or to prevent the rescission of such contracts.

IV. Order to suspend operations and the facts resulting in administrative punishment

1. Inadequate documents

a. Inadequate outline documents (Article 42, paragraph 1)

Nova's outline documents (price lists) did not contain statutory indications for related goods such as videophone systems, and contained indications that the period of offering services began on the date one registered his name and address with Nova when in fact the period should begin from the date the details of the contract are decided upon and those details are delivered in a contract. Furthermore, Nova did not contain statutory information in documents thought to be outline documents delivered to consumers before contracts were concluded for Nova Kids lessons.

b. Inadequate contracts and delivery (Article 42, paragraph 2)

Nova's contract forms (Nova Application Form) contained statutory misstatements regarding the period of offering services (the start date for offering services was the date a student registered at a school without finalizing a specified continuous service contract), and also did not contain contain statutory information for related goods such as videophone systems. Furthermore, in concluding contracts for Nova Kids lessons, Nova did not deliver contracts that clearly listed the details of the contract.

2. Misleading advertising (Article 43)

In advertising the terms and conditions for specific continuous services during periods such as Spring campaigns, consumers were misled by advertisements containing indications that if they signed up during the campaign period, the sign-up fee would be waived, even though sign-up fees were not normally charged throughout the year.

Furthermore, in advertising the terms and conditions of its services, Nova's ads contained statements such as "Campaign underway! Campaign limited for the first 10 at each school to sign up! No sign-up fee & up to 10% cash back on lesson fees" that offered discounts to the first 10

consumers to sign up. In reality, however, head office instructed that the number of consumers concluding contracts based on the above campaign promotions exceed 10, and if the number of new contracts at one school during the campaign exceeded 10, that the excess contracts be shifted to schools who had space in their campaign quotas. Quickly concluding contracts based on price was conspicuous and caused consumers confusion.

3. Misrepresentation

a. Misrepresentation relating to the solicitation of contracts (Article 44, paragraph 1, item 1)

i. In soliciting contracts for *ekimae ryuugaku* room lessons, Nova informed consumers that they could take lessons at their convenience or that the reservation system meant that students could take lessons when it suited their schedule, although students were unable to take lessons because certain time slots were difficult to reserve.

ii. In soliciting contracts for Voice lessons, Nova was suspected of informing consumers that the service was a set package and that contracts could not be sold unless Voice tickets, which always come with the set, were purchased, even though it was possible to sign separate contracts (Article 44, paragraph 1).

*Voice lessons are free-conversation classes where a student can improve their conversation skills by talking with an instructor waiting in a room. One ticket allows a student to freely attend Voice lessons all day.

b. Misrepresentation relating to the rescission of contracts (Article 44, paragraph 1, item 6)

i. Although The Law provides a cooling off period from the date a contract is concluded and a contract detailing the services to be provided is issued, Nova deemed the date consumers registered their name and address with a school as the start of the cooling off period despite no formal contract being concluded, and informed consumers that the cooling off period did not apply even when a contract was concluded and a contract detailing the services to be provided was delivered within the 8-day period. Nova informed a consumer information center staff member, acting on behalf of consumers in negotiations to have a contract canceled, that the cooling off period did not apply because they had received permission from the Ministry of Economy, Trade and Industry when in fact they had not.

ii. In soliciting contracts, Nova concluded contracts by informing consumers that no sign-up fee would be charged if they "joined before the end of May" or that "the sign-up fee would be waived for this period only." However, actual contracts listed the sign-up fee as 31,500 yen, and when consumers pointed this out, they were told that the sign-up fee was deducted from the lesson fee, and that the listing of the sign-up fee was simply a formality. Later, when consumers requested to cancel their contracts, in refund statements presented to consumers, they were told that since the sign-up fee was listed in the contract, part of it was deducted from the refund as an initial cost.

iii. Lesson fees for Nova Kids classes are paid on a monthly basis, but in concluding a contract, the lessons were sold as a package costing more than 50,000 yen which included a sign-up fee, 3 months of lessons (the lesson fees plus facilities usage fees) as well as textbooks and CDs. Although the lessons are specific continuous services in The Law, Nova told consumers who wanted to cancel contracts during the cooling off period that since Nova Kids lessons did not fall under the Specific Commercial Transaction Act, the cooling off period did not apply.

iv. When consumers who had already purchased contracts, concluded new contracts for lesson points (for example, new expiry dates, and the sign-up fee had been paid again) Nova was

suspected of not delivering outline documents and the contract itself (Article 42, paragraphs 1 and 2). Furthermore, when the aforementioned consumers notified Nova of the cooling off period, Nova was suspected of informing them that since the new contract was a continuation of the existing contract, the cooling off period did not apply (Article 44, paragraph 1).

4. Failure to disclose important matters (Article 44, paragraph 2)

While clearly knowing that certain time slots for *ekimae* room lessons were difficult to reserve at many schools, Nova did not inform consumers of this when soliciting contracts.

5. Refusing to perform or unjustly delaying performance of obligations that occur through the rescission of contracts in whole or in part (Article 46, item 1)

a. When consumers concluded contracts after being informed that the sign-up fee would be waived, and then later canceled their contracts, the refund document delivered to the consumer listed the sign-up fee as part of the tuition fee in the calculation of the refund, and Nova refused to refund an amount equivalent to the sign-up fee owed to consumers.

b. For a number of consumers who canceled contracts for reasons attributable to Nova, such as being unable to make reservations for lessons, in outline documents prior to October 15, 2005, Nova set the expiry date so that the first third of the lesson points would expire one year after the contract date, the second third of the points would expire two years after the contract date, and the last third would expire three years after the contract date. When contracts were canceled for reasons attributable to Nova, unused but still valid points were treated and calculated as expired points, even though no reasonable grounds existed to treat them as such, and money that was owed to consumers was not refunded.

In actual operations, however, for consumers who continued taking lessons with no intention of canceling their contract, even if they do not use one third of the points within the first year of the contract, Nova does not invalidate a portion equivalent to one third of the used points, but when consumers intend to cancel a contract, Nova's explanation of the point deductions is thought to be intended to discourage cancellations. Ultimately, the expiry date is said to be the date that the contract is canceled.

In directives related to the Specific Commercial Transaction Law, the Ministry of Economy, Trade and Industry has stated "In principle, the price used upon concluding contracts and no other price can be used without reasonable justification," but when consumers canceled contracts for reasons attributable to Nova, such as being unable to reserve lessons, the closure of the nearest school, or it had become difficult to attend lessons, Nova, for no justifiable reason, did not use the point price when the contract was concluded, but the point price of the nearest course with a lower number of points (and a higher point price than the contracted points) to calculate the refund, and did not refund money owed to consumers.

After the Supreme Court rendered a decision on April 3 stating that points should be refunded at the price they were purchased, the Ministry of Economy, Trade and Industry revised the said directive to reflect the Supreme Court's decision.

c. Where consumers paid for lessons using a consumer credit company with which Nova had a merchant contract with, and then decided to cancel their contract, Nova charged consumers an "education loan contract cancellation fee" using the cancellation formula based on the contract with the consumer credit company it had a contracted with, and costs that should have been born by Nova were charged to the consumer, and money owed to the consumer, defined in article 49, paragraph 2, item b of The Law (50 thousand yen or 20% of the consideration for the specified continuous services not offered whichever is lowest) as "an amount of damages that are normally caused" was not refunded to consumers.

6. Refusal to discharge obligations arising from the rescission of contracts for related goods (Article 46, paragraph 3 and Article 39, paragraph 6 of the ministerial ordinance)

- a. In concluding contracts where consumers purchased videophones after being informed that they were required for their lessons, and then later canceled their contracts, consumers were told that the videophones were not required for the lessons and were not a related goods, and were refused a refund.
- b. In concluding contracts where consumers purchased materials after being informed that they were required for their lessons, and then later canceled their contracts, no refunds were given for the materials even if they were unused or the packaging was partially opened and in a returnable condition.

V. Case studies

Case 1

In June of 2006, Consumer A thought learning conversational English would be useful for traveling overseas, so she went to a Nova school to inquire about lessons. Employee X told her that there would be no sign-up fee if she joined during the campaign period. While showing Consumer A tickets with labels stating the sign-up fee was waived, Employee X explained that the tickets labeled exempt could only be used during the campaign period. Consumer A wanted to sign up during the campaign but felt that the 30 thousand yen sign-up fee was a lot of money and decided to register her name with Nova with the intention of signing a contract a few days later.

Consumer A returned to the Nova branch three days later. Employee X told her that she could study English if she used a videophone, and that it would allow her study at home on days when she couldn't come to Nova. Employee X also added that she could use the videophone if she joined Nova and that she could study at her convenience, even at night. Upon hearing Employee X's explanation, Consumer A was under the impression that the videophone was a simply one tool for studying English at home. Consumer A was not asked if she wanted to buy a videophone or not. Employee X showed Consumer A actual lessons in progress through the window, and told her that she could book a lesson whenever she was free, and that in doing so, she would use up a lot of points.

After listening to Employee X's explanation, Consumer A decided to sign a contract and purchased the amount of points recommended by Employee X. She also purchase a book and CD to use during the lessons. When Consumer A looked at the credit application form and saw that the sign-up fee was listed on the form, she asked to make sure that there was no sign-up fee. Employee X replied that there was no sign-up fee and that it would be deducted from the lesson fee, but Consumer A didn't understand how and from where the fee would be deducted. Consumer A, instead of paying by credit card, paid approximately 100 thousand yen using a debit card, but Employee X did not explain what the payment was for. Employee X then presented the book, CD, and videophone system from beneath the counter, and Consumer A took them home.

After signing the contract, Consumer A became unsure that she wanted to continue, and phoned Nova the day after she signed the contract to tell them that she wanted to cancel it. The next day, Consumer A, along with her husband, went to Nova to cancel the contract and return the book , CD, and videophone. Employee Y, who was in charge of canceling contracts, was not in at the moment, but Consumer A's husband had Employee X contact Employee Y, and when he said that he was leaving the videophone and other study aids with Nova, Employee Y said that since the items had been purchased, there was no cooling off period and that the purchase of the videophone system had

been explained to Consumer A. Consumer A's husband immediately replied that his wife had not been told these things and that Nova should be able to provide a refund. Employee Y replied that he was wrong, and since the study aids had been willfully purchased to improve Consumer A's language abilities, they were not subject to a cooling off period. Employee Y also added that no refund would be given and that they should take the study aids home.

Employee Y noted that the box the videophone was in had been opened and therefore could not be returned, and that since the videophone was not a Nova product she did not have the authority to cancel the contract for it. When Consumer A's husband pointed out that the sign-up fee was listed on the credit application form even though his wife had signed a contract after being told the sign-up fee would be waived, Employee Y replied that the sign-up fee was deducted from the lesson fee and that the listing of the fee on the contract was simply a formality. Since Nova would not accept the study aids and videophone, Consumer A and her husband had no choice but to return home with the items.

Case 2

In December of 2005, Consumer B, who had been thinking of studying a foreign language for some time, was passing by a Nova school and decided to enter and inquire about lessons. He spoke with Employee Z who told him that the usual 30 thousand yen sign-up fee would be waived. He was also told that since there were few students taking lessons for the language he was interested in, he could use a videophone system to take lessons from home with other students from across Japan. Another company would connect the videophone so it could be used. However, Consumer B was only making an inquiry and had no intention of signing a contract that day. Employee Z asked him to leave his name and address with Nova, and he filled out his name and address on a form.

A few days later, Consumer B returned to the Nova branch and purchased the points recommended to him by Employee Z. He paid for the points by applying for a loan. He made a small down payment in cash, paid for the videophone system by credit card, and took the videophone home with him that day. Installation of the videophone was delayed and it was a month before he could finally use it. It wasn't until February of 2006 that he reserved a lesson and took a class. However, he found that he was doing self-introductions each lesson, which consisted of three students plus a teacher, who were different each lesson. The students all had different abilities and if a beginner was in the group, the class was adjusted to his level. As a result, classes consisted of simple topics such as "Where are you from?" and "What food do you like?"

Consumer B felt he wasn't learning anything since he did not want to study the same thing over and over each lesson, so he contacted Nova to take a level check so he could be put in a higher-level class. However, the Nova employee who answered the phone said that since his teacher had not recommended him Nova could not give him a level check.

Without a level check, he could not advance to a higher class, but even though the class he was in was for beginners, Consumer B felt he could at least study from the supplementary materials. But when he was told that there were no supplementary materials for his class, he felt there was no point in continuing the lessons and decided to cancel his contract.

As he decided to cancel his contract, he consulted with a consumer affairs center and sent a letter to Nova informing them that he was canceling his contract. He also returned the videophone system. Approximately two weeks after sending his letter, he received a statement from Nova. The refund was calculated using a point price that was higher than the price he paid for the lessons, and was also charged a 25,500 yen sign-up fee plus the entire amount for the videophone system.

Case 3

In March of 2006, Consumer C wanted her daughter, who was two years old at the time, to take English lessons, and phoned a local Nova branch to ask about Nova Kids lessons. The woman on the phone explained that the initial fees for Nova Kids lessons would cost 55,800 yen, but if Consumer C signed up now, one month of lessons would be free meaning that at that price, she would be paying for four months of lessons.

Consumer C later called the branch again to ask for more details about the cost of Nova Kids lessons, but nobody answered the phone at the school. She then called a different branch where she was told that the initial costs were a 21 thousand yen sign-up fee, a monthly lesson fee of 9,800 yen, and 6,800 yen for teaching materials for a year, but had to pay for three month's worth of lessons up front.

A few days later, Consumer C took her daughter to Nova and signed up for lessons after being shown around the school. A Nova staff member filled out an application form and handed it to Consumer C for her to fill in her name and address. The Nova staff member then filled in an amount for the lessons and asked how Consumer C would like to pay for the lessons. Consumer C replied that she would pay by credit card and that she would make the payment in full. The staff member handed Consumer C a copy of the price list and a handbook but not a copy of the application form.

Consumer C returned home, but after reading the price list and the handbook, she noticed they listed a 1,800 yen facilities fee and 12,800 yen for materials, which were never mentioned when she phoned Nova. Thinking the differences to be odd, she immediately phoned Nova to clarify the matter. When Consumer C asked why she was not told about the facilities fee over the phone and that teaching materials for one year cost 6,800 yen and not 12,800 yen, the employee on the other end of the line replied that the teaching materials cost 12,800 yen because they were a package, and were only sold as a package.

Consumer C was not satisfied with this explanation and told the person on the phone that she would like to cancel the contract since it was still within the cooling off period, to which she was told that she could not do so. They then got into an argument, and Consumer C hung up and called a different Nova branch since she wasn't receiving any clear answers. When she told the branch that she had signed a contract for Nova Kids lessons and wanted to cancel the contract within the cooling off period because the contract was different from the explanation she received, the second Nova staff member brushed her off with the reply that the cooling off period did not apply because the lessons were paid for on a monthly basis.

Consumer C was still not satisfied, and contacted a consumer affairs center. Acting on the center's advice, she mailed them a postcard. From that point, the center acted on Consumer C's behalf in negotiations with Nova.

A letter arrived in June stating Nova would refund one month of lessons plus the teaching materials fee. Consumer C knew that asking for more would only drag things out and accepted Nova's offer.

Case 4

On the 28th(month and year not known), Consumer D thought he would like to learn English and went to a Nova school to inquire about lessons after seeing some commercials on TV. Consumer D was shown around the school and spoke for about five minutes with an instructor so he could get a sense of what an actual lesson would be like. Consumer D was about to leave when a female staff member informed him that he had taken a lesson and that he needed to sign and date the form she had. Consumer D did as he was asked, and filled out his name, address, and the date, and received one copy out of several copies of the form. The staff member then told him that he should sign up soon because if he joined by the end of the month he wouldn't have to pay a sign-up fee. She also asked Consumer D to pay 5,000 yen fee for the lesson. He paid in cash, made a reservation for a level check, and then left the school.

A few days later, Consumer D took a level check at Nova, and the next day was shown a lesson package drawn up by Employee W. The package contained Voice lessons, and when Consumer D asked what they were, Employee W said they were lessons where you could go to a classroom any time and talk with an instructor. Consumer D said that he didn't need Voice lessons, but Employee W replied that since the lessons were a package he had to purchase them. In discussing the videophone system, Consumer D mentioned that he did not have a phone line, wondering how much the installation and monthly charges would cost, and asked if Nova couldn't sell him the package without the videophone. Employee W replied that the cost of the phone line and monthly charges were included in the package and persuaded him that the speed at which one progressed by having a videophone versus not having a videophone was completely different, but Consumer D could not bring himself to say that he didn't need the videophone system.

The high cost of the lessons worried Consumer D so he asked for a package with fewer points. Employee W replied that he wouldn't save any money in purchasing fewer points since the more points he purchased, the cheaper the lessons would be. Consumer D really wanted fewer points, but when he was told that he wouldn't save any money, he agreed to the package recommended by Employee W. Employee W told him to sign a form, but when Consumer D looked at it, he saw that it contained a sign-up fee of 31,500 yen. Consumer D asked about the sign-up fee since he was told that one would not be charged, but Employee W said that the amount would be put towards the cost of the videophone system, and that the listing of the sign-up fee was a formality and that it actually was zero yen. Consumer D thought this was strange but signed the form anyway.

A few days later, at the insistence and worry of his family, Consumer D phoned Nova to inform them that he wanted to cancel his contract in the cooling off period. The female staff member on the phone told him that he could not cancel the contract since it was signed on the 28th and that the cooling off period was for four days only. When Consumer D expressed his surprised at the 28th being the date of the contract, the staff member replied that the law from the Ministry of Economy, Trade and Industry was explicit, and since cooling off was not applicable, canceling the contract would be of Consumer D's own volition and would incur a cancellation fee. Consumer D became worried, and when he went to Nova the next day to cancel the contract, Employee W told him that cooling off was not possible since he signed the contract on the 28th. The videophone system was not not subject to cooling off, and canceling the contract would result in cancellation fees. Consumer D was very shocked that in a short time span he had had to pay over 100 thousand yen and had yet to take a lesson.

Consumer D later took his contract to a consumer affairs center. After a consultant reviewed the contract, he said it wasn't a contract since the Nova Application Form (Memo) was dated the 28th of month Y, but the form itself contained no details about the lessons or any other important information. The Nova Application Form (student registration/student copy) on the same form was

dated the 31st of Month Y and contained the lesson package and its cost. A credit form was also dated the 31st of Month Y.

The consultant phoned Nova and informed Employee W that the contract date was the 31st since no package had been purchased on the 28th. Employee W confirmed that the date was in fact the 31st and admitted that the contract could be canceled in the cooling off period. However, Employee W said that the videophone system was not subject to cooling off. When the consultant asked if the videophone was related goods, Employee W replied that the phone was not related goods but sales merchandise.

Case 5

In October of 2003, Consumer E wanted to learn to speak English, and visited a Nova branch near her prep school. Consumer E asked for an instructor who could speak Japanese because the instructors at the previous English conversation school she went to couldn't answer her questions because they couldn't speak Japanese. But because Employee V told her that nearly all of the instructors at this school could speak Japanese, Consumer E signed a contract even though she originally intended to just see the school. Employee V explained that Consumer E had to purchase lesson tickets in advance and that one lesson cost one ticket. She added that lessons could be booked at her convenience and that she could take a lesson any time she wanted to. Consumer E purchased 150 tickets. The tickets had an expiry date and ultimately expired after three years with blocks of 50 tickets expiring after one year. Consumer E thought she would use up all of her tickets in three years after Employee V explained that the expiry date didn't really mean anything. No sign-up fee was charged since it was during a campaign because that's what was written on the posters around the school at the time. Although a sign-up fee was listed on the student registration form, Employee V said that it was on the form because they had to include it but that Consumer E didn't have to pay it.

After taking lessons at Nova for a while, Consumer E found that what she was told differed from reality in that few of the instructors could actually speak Japanese. It also became difficult for Consumer E to attend the school she was taking lessons at because she had moved and it was difficult to book lessons at smaller schools. After having problems with booking lessons two weeks in advance, Consumer E raised this issue with Nova staff and was told that they tried to find slots for her and even spoke to their higher-ups. Even when she managed to book a lesson, the lesson was suddenly canceled on the day it was scheduled due to the instructor not showing up.

Consumer E decided to cancel her contract since she couldn't take lessons with an instructor who could speak Japanese on the days she wanted and had trouble booking lessons. When she read the statement sent to her days later, she was charged a sign-up fee even though she told one would not be charged. Moreover, since the refund she received was much smaller than she expected, she told Employee U, who managed the area, that she was dissatisfied with the small refund since half of her tickets were unused. Employee U replied that the sign-up fee was in the contract and wouldn't be refunded, and that blocks of 50 tickets expired after a year and that Nova was charging her for the number of used tickets. Employee U added that the service Nova provides expired while Consumer E was taking lessons as a student and she could have used her tickets, and that the lesson refund was calculated by making deductions from unexpired tickets, and that this was the way Nova did things so it could stay in business. When Consumer E countered that she was told that the one year expiry date on the tickets meant nothing and could be used for three years, Employee U replied that staff member who gave the explanation had probably misspoke and that the terms and conditions were all in the fine print.

Consumer E decided to give studying at Nova one more chance, but even when she finally was able to book a lesson, her problems with booking lessons and trouble with lessons suddenly being

canceled because of something to do with the instructors persisted, she decided to cancel her contract, and had Nova send her a statement. Although the statement showed the discounted price for the 150 tickets, the price used for the refund was calculated based on the price of several used tickets. Consumer E tried to have Employee U change the price to the price used when she bought the tickets, but was unsuccessful.

Case 6

In March of 2006, Consumer F wanted her daughter to study English and decided to visit Nova after seeing commercials on TV and various advertisements. She had intended to only ask for a pamphlet but the staff member pressed her hard and got her to take a free demonstration lesson the next day.

When Consumer F went with her daughter to Nova the next day and took the 20-minute lesson, her daughter said that the lesson was fun and appeared satisfied. Consumer F decided to sign her daughter up for lessons since she was having fun learning English. The Nova staff member explained to Consumer F that the most expensive point package was for three years and consisted of 600 points. Since the package cost 900 thousand yen, she didn't want to make the decision by herself, so she returned home. After discussing it with her husband, Consumer F returned to Nova the next day and purchased a 600 point package. She received a Voice card, not for lessons, but for talking to foreign instructors at any time, and also purchased a textbook for the lessons. The Nova staff member mentioned that the videophone system came with the lesson package and encouraged Consumer F to buy it. However, Consumer F didn't own a TV and declined the purchase. The Nova staff member persisted with her sales pitch that the system was still part of the package even if Consumer F refused to purchase the videophone. Consumer F gave in and signed a contract for the videophone system.

After signing the contract, Consumer F's daughter returned from her first lesson to complain that she couldn't understand anything the instructor said. The lesson was almost entirely in English, and since her daughter had never studied English, she couldn't understand anything, but since Consumer F had paid for a lot of lessons, she decided to keep booking lessons and keep on studying. Consumer F booked lessons after her daughter finished her class. She thought that she could book lessons at least one week in advance, but there were times when she had to make reservations two weeks in advance. There were also instances when she had to book lessons three weeks in advance after her daughter's lesson. After talking with her daughter, Consumer F decided to cancel the contract since it was more difficult to book lessons than she thought.

Consumer F took the videophone system that had been unopened ever since it was delivered to her and went to Nova to cancel the contract. The staff member accepted the videophone. Consumer F returned to Nova a few days later to do some paperwork to cancel the contract and received a statement in the mail a several days later. Of the payments Consumer F made, she noticed that the statement contained an entry for 89,900 yen for an unknown "Ancillary fee." She phoned Nova for an explanation to which she was told the fee was for the videophone system.

Case 7

In March of 2006, Consumer G wanted to maintain his ability in the foreign language he learned overseas, and went to Nova to inquire about lessons. He later received a phone call from Nova Employee T who said that Nova was having a promotional campaign for a limited number of people, and that if he signed up during the campaign he would receive a discount on the lessons, 20 Voice tickets, and a travel voucher worth 30 thousand yen. The sales pitch enticed Consumer G, who wanted to become more proficient, and he went to Nova the next day.

Employee T explained that the minimum amount of points was 150 points, which were valid for three years, and reasoned with Consumer G that even though the points cost a lot of money, if he thought about it in terms of monthly payments, the lessons would only be about 10 thousand yen a month, which was a reasonable amount. Consumer G felt the 600 thousand yen for the lesson was very expensive, but after the staff member told him that he should have no problems paying that amount, he felt he could easily make the monthly payments. He made a partial payment of five thousand yen with the intention of purchasing a 150-point contract, and received a receipt.

Consumer G went to Nova the next day to take a level check and decided to purchase a package of 150 points that included 30 Voice tickets and a videophone system. Consumer G wanted to take lessons for the language he was interested in, but signed a contract that included a videophone system after being told that even if he didn't purchase it, the cost of the package would remain the same, and he could take lessons at any hour of the day which was a plus. He was only told about purchasing a videophone system and didn't know that it was possible to rent one. He also thought that the small down payment he made in cash was for the cost of the lessons and not the videophone system, and did not know that the monthly fee from the videophone company was three thousand yen per month.

Consumer G had problems taking *ochanoma ryuugaku* lessons because the videophone system was always busy. He called the Multimedia Center for advice, but his problems continued and eventually left him frustrated as even when he could connect for a 40-minute lesson, much of the time was wasted dealing with technical problems. Moreover, even though he could not take lessons for the language he wanted, he was dismayed that he was using up points and repeatedly demanded that Nova return his points. Nova staff responded to his demands by telling him to contact the Multimedia Center, but when he did so, the staff at the Center replied that they couldn't return the points because communication problems were his responsibility.

Consumer G felt that if the line was that bad then it was impossible to continue taking lessons, so he asked the Multimedia Center staff to cancel his contract and also phoned Nova with the same request. He felt uncertain over canceling his contract and went to a consumer affairs center for advice.

The consultant who handled Consumer G's case contacted an area manager at Nova and asked if the videophone system was necessary since there were no instructors in the language Consumer G wanted to take at his school. The area manager replied that even if there were no instructors at the school, he could take lessons through Nova's multimedia facilities. A few days later, the Nova area manager said that the videophone system was not related goods but a promotional product, and that when Consumer G signed his contract he was told verbally that an instructor who spoke the language he wanted to learn was at another school. The manager added that even if Consumer G refused the videophone, he had ultimately purchased it and therefore could return it.

Case 8

In April of 2005, Consumer H wanted to learn basic conversational English thinking it would make vacations more enjoyable, and went to Nova to inquire about lessons. The female staff member told him that he had to purchase points in advance in order to take lessons, and that he wouldn't learn much if he purchased a small amount of points since one had to talk a lot when learning a language. She explained that purchasing 600 points would save him money because the cost per point would be cheaper, and that although the points expired in three years, he could cancel his contract if he decided he could no longer continue studying, and that he would receive a refund less the points used.

The staff member also explained that he could reserve lessons any time he wanted, and if he couldn't attend a lesson suddenly because of work, he could phone Nova and cancel the lesson. Consumer H thought he could take lessons any time and would get a refund if he couldn't use all of the 600 points, and so decided to purchase a 600-point package. He signed a contract that day for 600 points and 30 Voice tickets, received a copy of the Nova Application Form (student registration), made a reservation to take a level check the next day, and returned home.

The next day, Consumer H took his level check at Nova and paid for his lesson points in cash. He decided to use his credit card to pay the balance, and received a copy of the form and went home. Consumer H thought it would be easier to take lessons by going to the Nova branch near his home, and returned to Nova to arrange a transfer to a different school.

Since Consumer H was told that he would not improve unless he took intensive lessons, he thought he would take lessons two or three times a week after work plus one Saturday. However, even though he thought he could make a reservation two or three days in advance when it looked like he had time in his work schedule, he was unable to reserve a lesson unless he made the reservation one or two weeks in advance. Ultimately, he was only able to take a lesson once a week. Since his work schedule during the week only allowed him to plan two or three days in advance, the number of lessons he took decreased.

Then, on a day Consumer H could not make a reservation, he visited Nova and was surprised to see that the classrooms at that time were empty. He thought the reason why he couldn't make a reservation was due to the lack of instructors.

Consumer H wanted to learn American English, but the teachers were all from different countries such as New Zealand, Australia, Ireland, Scotland, and England, pronounced words differently, and had different teaching methods. He was initially told that he could talk with a native English-speaking instructor, but when he reserved a lesson, he didn't know what kind of English to focus on learning with all of the different pronunciations and accents. Since he couldn't attend lessons, he phoned Nova and told them he wanted to cancel his contract.

A few days later, a female Nova staff member phoned to inform Consumer H that his cancellation had been processed and that he owed 70 thousand yen. Consumer H was expecting a refund and was shocked that Nova was asking him for money.

The next day, Consumer H went to Nova to see the paperwork for canceling his contract and was told that he had to pay more than 70 thousand yen. The staff member handling his cancellation explained to him for the first time that when a contract is canceled, a price different from the one when the contract was signed is used in the calculation and that 200 points expired every year whether he used them or not. The staff member added that he should keep studying and use his points because if he canceled now, he would lose points.

Case 9

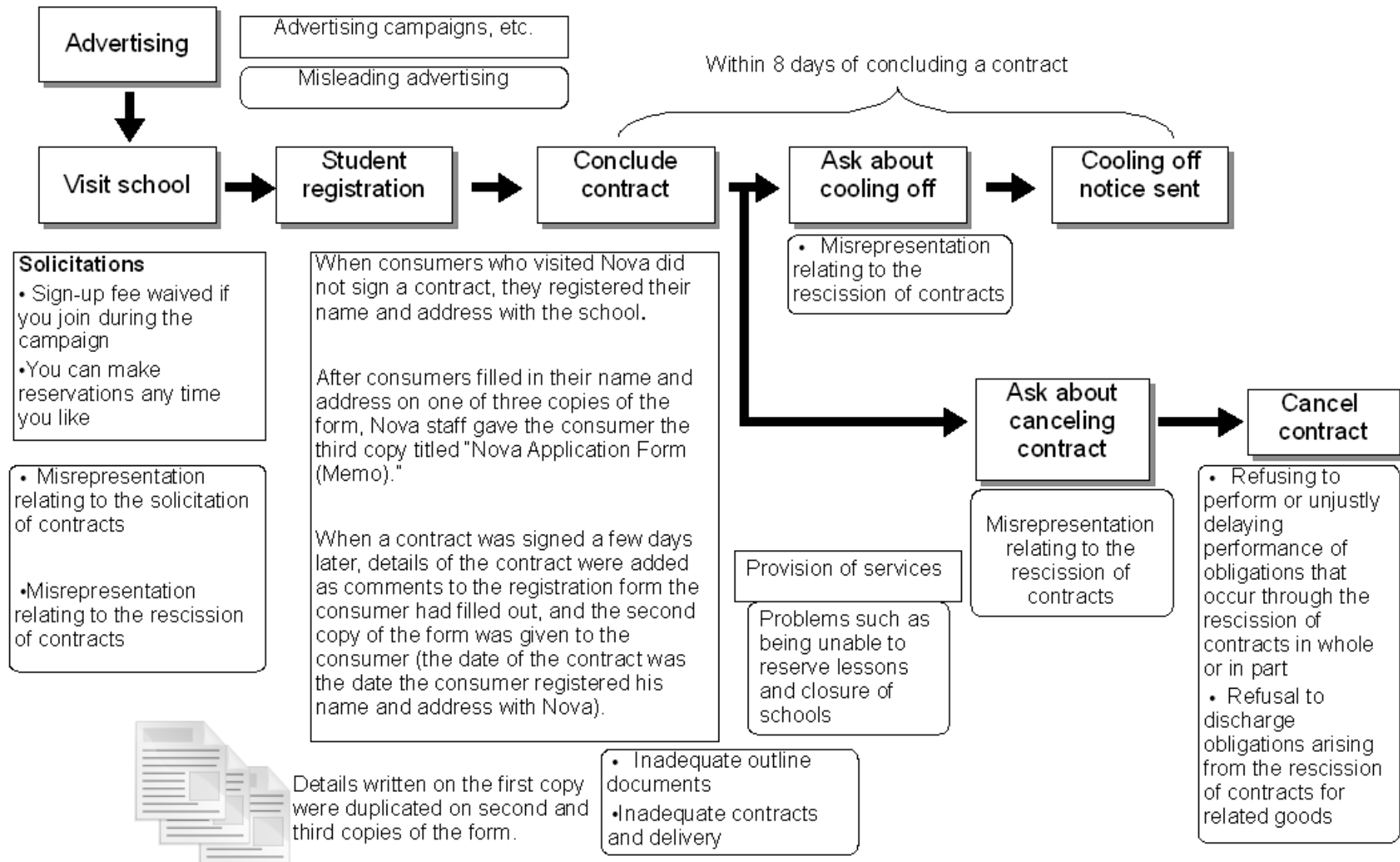
In September of 2005, Consumer I wanted her daughter to learn English, so the two of them went to Nova to inquire about lessons. The staff member explained that lessons at Nova were reserved in advance by phone and that Consumer I could reserve a lesson when ever she had time during mornings or afternoons. When Consumer I said she wanted her daughter to study once a week, the staff member recommended a three-year, 150-point package and that the more points she purchased, the cheaper the lessons, and that if she signed up now during the campaign she would receive a 10% discount. Since Consumer I's daughter wanted to lean English, Consumer I purchased 150 points. Consumer I thought that her daughter didn't need a textbook since she was a beginner, but the staff member explained that students from beginner to advanced used a five-volume set, so Consumer I bought a set.

Consumer I had trouble booking lessons for daughter. A Nova staff member had told her she could make reservations any time, and even when her daughter called to make a reservation, she was told that the classes were full. When Consumer I's daughter asked when she could take a lesson, the staff member gave her a date and she was finally able to study at Nova. Consumer I's daughter confided in her mother that she couldn't make a reservation. Even when her daughter managed to reserve a lesson, she wasn't satisfied with what was taught in class. He daughter manged to make a reservation after repeatedly calling Nova, but after two months she was unable to make any reservation at all. The daughter confided in Consumer I again who suggested that she call Nova more frequently. However, her daughter told her that no matter when she called, Nova always told her the classes were full. When she asked when a class would be available, the Nova staff said there wouldn't be an opening for a while. As Consumer I's daughter continued to be unable to make a reservation despite her frequent calls, Consumer I decided to cancel the contract.

Consumer I phoned Nova to tell them she was canceling her contract due to the difficulties in making a reservation. The Nova staff member replied that Nova was planning to increase the number of instructors and wouldn't she consider continuing her studies. Consumer I was left with the impression that saying they were going to add more teachers was a vain attempt by Nova to get her to stay when she said she was quitting. After all of her daughter's repeated calls Nova did nothing but say that classes were full.

In the statement Consumer I received from Nova, she noticed that the refund was calculated at a higher rate than the lessons were purchased at, and she was charged for all of the textbooks she was told would be used despite the fact only one of the texts was actually used.

Flow chart of process leading to contract cancellations



How contract cancellations are calculated

Point price

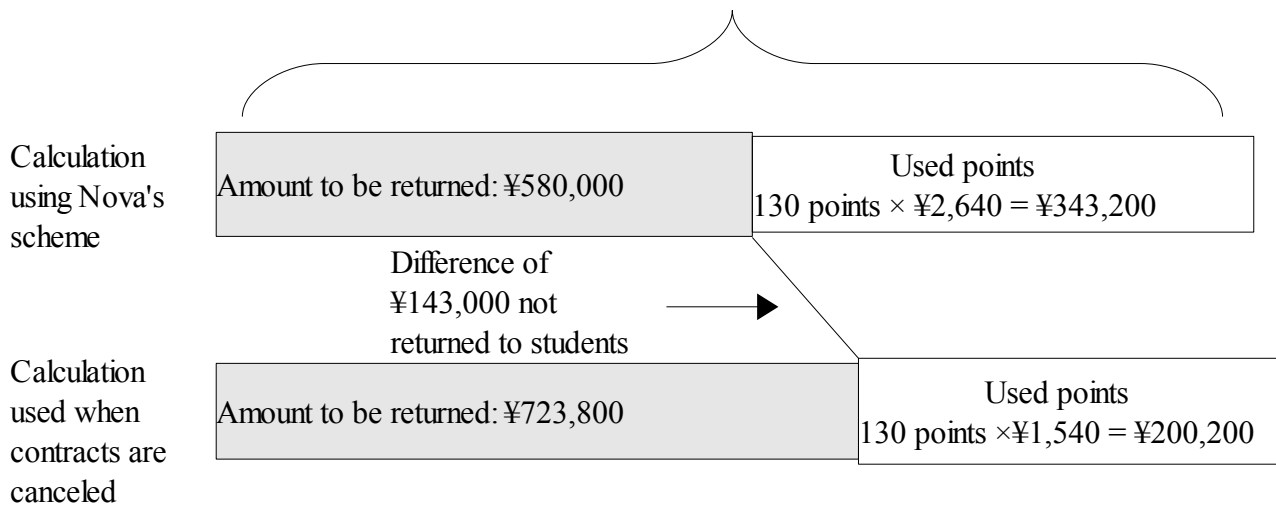
In Nova Corporation's (herein, Nova) calculation scheme, the point price of the next lower package closest to the point price used at the time a contract is concluded, not the actual point price used, was used to calculate the price of used points (changed since April 2007).

Example: 600 points are purchased, but the contract is canceled after having only used 130 points.

Lesson price for 600 points: ¥1,540

Lesson price when 100-point package used as it is the next closest package to 130 points: ¥2,640

Amount paid: 600 points × ¥1,540 = ¥924,000



The setting of expiry dates

Between June 2002 and October 15, 2005, under the Nova scheme used for contracts, when 150 or more points were purchased, regardless if the points were used or unused, the expiry date of the points was set so that the first third would expire one year after the contract date, the second third, two years after the contract date; and the final third three years after the contract date. When 100 or fewer points were purchased, the first third expired four months after the contract date, the second third, eight months after the contract date; and the final third, one year after the contract date.

Example: 150 points are purchased, but the contract is canceled after using 30 points in the first year, 45 points in the second year, and 15 points in the third year.

	1st year from the contract date		2nd year from the contract date		3rd year from the contract date	
Number of points using Nova calculation scheme: 115 pts	50 pts		50 pts		15pts	35 pts left over
Actual points used: 90 pts	30 pts	20 pts	45 pts	5pts	15pts	20+5+35= 60 pts left over
Number of points deemed as used according to Nova's calculation scheme						