Consolidated Financial Summary for the Second Quarter of Fiscal Year Ending March 31, 2018 (Six Months Ended September 30, 2017)

[Japanese GAAP]
November 10, 2017

Company name: **With us Corporation**
Stock listed on TSE JASDAQ
Stock code: 9696
URL: http://www.with-us.co.jp/
Representative: Tomio Ikoma, President
Contact: Yoshiaki Ijiri, Managing Director
Telephone: +81-(6)-6264-4202
Scheduled date of filing of Quarterly Report: November 13, 2017
Scheduled date of dividend payment: December 5, 2017
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on November 10, 2017 at 15:10 (GMT +9).

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

1. Consolidated financial results for the six months ended September 30, 2017 (April 1, 2017 - September 30, 2017)

(1) Consolidated business results (The percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2017	7,466	15.3	(1)	-	17	-	(63)	-
Six months ended Sep. 30, 2016	6,474	3.9	(52)	-	(39)	-	(83)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2017: 47 (-%)
Six months ended Sep. 30, 2016: (131) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2017	(6.28)	-
Six months ended Sep. 30, 2016	(8.32)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2017	12,122	4,877	36.7	441.59
As of Mar. 31, 2017	12,652	4,939	35.8	449.95

Reference: Shareholders' equity (million yen) As of Sep. 30, 2017: 4,443 As of Mar. 31, 2017: 4,527

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	6.00	-	10.00	16.00
Fiscal year ending Mar. 31, 2018	-	6.00			
Fiscal year ending Mar. 31, 2018 (forecast)			-	10.00	16.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated earnings forecast for the fiscal year ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(The percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	15,856	10.8	1,016	61.3	883	35.2	272	141.5	27.03

Note: Revisions to the most recently announced consolidated earnings forecast: None

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others:	None
2) Changes in accounting policies other than 1) above:	None
3) Changes in accounting-based estimates:	None
4) Restatements:	None

(4) Number of shares issued (common shares)

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

As of Sep. 30, 2017:	10,440,000 shares	As of Mar. 31, 2017:	10,440,000 shares

2) Number of treasury shares at the end of the period

As of Sep. 30, 2017:	377,728 shares	As of Mar. 31, 2017:	377,728 shares

3) Average number of shares during the period

Six months ended Sep. 30, 2017:	10,062,272 shares	Six months ended Sep. 30, 2016:	10,062,272 shares

Note 1: The current quarterly summary report is not subject to quarterly review procedures.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forward-looking statements in this report are based on assumptions judged to be valid and information currently available to the Company. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of factors. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements” on page 5 for assumptions for forecasts and notes of caution for usage.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Business Results

During the first half of the fiscal year ending March 31, 2018 (hereinafter "the period under review"), the Japanese economy saw an improvement in corporate earnings along with a pick-up in consumer spending. While the economy continued its moderate recovery trend led principally by improvements in employment and personal income, the outlook remains uncertain due to a distinct shortage of labor in the domestic market as well as political uncertainties in the U.S. and geopolitical risks surrounding the Korean Peninsula.

In the educational services sector, in which we operate, we have observed more clearly the trends to diversify services such as exploring opportunities for capital and business alliances, and branching out into new business domains while there is an intensified competition with industry peers, given the environment where the number of children per household continues to decline. On the other hand, the private education sector sees an opportunity for offering educational services as demand for educational services will be stimulated by the introduction of English as a mandatory subject and computer programming education into elementary school curriculum, and reform of university entrance exams.

In addition, rapid technological innovation in the field of ICT gave rise to demand for more sophisticated educational services including distribution of audio and visual lectures, and utilization of Learning Management System.

Against this backdrop, With us Corporation (hereinafter "the Company") and its subsidiaries and associates (hereinafter collectively "the Group") are aiming for further growth and increased corporate value by standing on the corporate vision "To become an outstanding educational institution capable of fostering people able to perform successfully in society." To this end, the Group has set the following targets as the core of its management policy to promptly address the changing environment that surrounds us: 1) enhancing customer satisfaction, 2) strengthening service quality, 3) redesigning lines of service and developing new business formats, 4) expanding the business domains, 5) developing human resources and strengthening management, and 6) rebuilding the intra-Group synergies.

During the period under review, to achieve sustainable growth of our mainstay gakushu-juku and high school and careers support business segments, we vigorously reinforced our services within the dominant areas to increase our market share within the area. Specifically, we expanded our facilities by opening ten new schools (two of which are Japanese language schools), relocating three schools and expanding floor areas of two other schools. In addition, as part of the diversification of service offerings, we implemented measures such as expanding educational services by utilizing audio-visuals supported by ICT, setting up attractive courses by anticipating the needs of the times, and forming cross-industry partnerships aimed at nurturing specialists.

Furthermore, as a measure to further expand our scope of business activities going forward, we entered into new business fields including language services such as translation and interpretation, Japanese-language education services, and ICT-enabled education solution.

We brought two companies into the Group in the previous fiscal year: Kikko Corporation, a language-service provider for interpretation and translation services and specialists staffing services, and Genki Global, Inc., a Japanese-language educational service provider. Both of them have fully contributed to the Group's operating results since the beginning of the current fiscal year. As a result, net sales for the period under review amounted to 7,466 million yen (up 15.3% year-on-year) with operating loss of 1 million yen (compared with operating loss of 52 million yen for the same period a year earlier), ordinary profit of 17 million yen (compared with ordinary loss of 39 million yen for the same period a year earlier), and loss attributable to owners of parent was 63 million yen (compared with loss attributable to owners of parent of 83 million yen for the same period a year earlier).

The Group's earnings are significantly affected by our core business that is subject to seasonal fluctuations. Specifically, the student enrollment is smallest in April, the first month of the academic year, and increases thereafter. Furthermore, sales of the months in which we offer the summer, winter and spring seminars are higher than those of other average months. In addition, up-front expenditures such as fixed expenses and advertising and marketing expenses required during the first half of the fiscal year also contribute to such fluctuations.

Reportable segment performance was as follows.

1) Gakushu-juku business

In the gakushu-juku business segment, we have offered our teaching faculty more intensive training for lessons of higher quality to enhance our competitiveness and develop skilled human resources, while thoroughly implementing the plus-cycle study method evolved from the Educational Method of Self-motivation (EMS) program. The EMS program, established from the latest findings in brain science, is our exclusive approach to stimulating the desire to learn; and the plus-cycle study method helps students deepen their learning experience in a way that makes them say “I did it!” rather than “I think I get it.”

In addition, by combining individualized instruction method with a visual instruction method with use of ICT, we implemented a new learning style that enables students to study multiple subjects in a well-balanced way. We have also introduced several other new courses and methods that involve more than just memorization work for elementary school pupils in lower grades. Examples of such courses include “GALILEO,” a course that focuses on utilizing knowledge and building thinking skills, and the “module time” method aimed at activating right brain function by doing speed-reading exercises on iPad before class. As such, we provide advanced educational services that have never been implemented before in the conventional subject teaching.

During the period under review, we improved our facilities by opening seven new schools, relocating three schools, and expanding floor areas of two schools to increase our competitiveness. Although the student enrollment for the most recent summer seminars exceeded that for the same period a year earlier, the enrollment at the end of the period under review was 19,128 (down 0.4% year-on-year), slightly lower than that for the previous fiscal year, which was affected by the consolidation of seven schools at the end of the previous fiscal year. However, net sales totaled 3,826 million yen (up 1.3% year-on-year) owing to an increase in tuition fees per student following an increase in the number of optional courses offered.

On September 19, 2017, the Group acquired Kyodai Seminar Kubo-Juku Co., Ltd. (hereinafter “Kubo-Juku”) headquartered in Kobe City, Hyogo Prefecture through an M&A deal and made it a wholly-owned subsidiary. Based in Hyogo Prefecture as its business territory, Kubo-Juku offers assistance with academic courses and exam preparation targeting elementary school pupils and junior high school students to help them pass the entrance exam for Kobe High School and other highly selective private junior high schools and high schools in the area between Osaka and Kobe (Hanshin area). Its high level of teaching skills and high examination pass rates have helped gain trust from the regional community and succeeded in establishing a strong brand image. The Group will leverage the addition of Kubo-Juku to expand the dominant area of our gakushu-juku business. Kubo-Juku will start contributing to the Group’s earnings from the third quarter of the current fiscal year.

2) High school and careers support business

During the period under review, we opened three new schools (two of which provide Japanese language education services) to enhance our competitive position as well as to diversify into new business domains. The enrollment for the segment at the end of the period under review was 6,666 (down 3.8% year-on-year). This was due mainly to a decrease in the enrollment of the career support course for adults affected by an institutional change related to the nursing care training course although the enrollment of our mainstay correspondence high school reached 5,673 (up 4.9% year-on-year).

Nevertheless, net sales of the segment totaled 2,194 million yen (up 12.8% year-on-year). This was attributable mainly to an increase in the enrollment of the high school category with a higher unit price per customer, and contribution of Genki Global, Inc., a Japanese-language educational service provider who operates in Fukuoka and Tokyo and the Company’s wholly-owned subsidiary since the end of the previous fiscal year.

3) Other businesses

The other businesses segment consists mainly of the advertising business, ICT education and skill development business, in-house training portal site content development and sales business for corporate clients, and language services business. Kikko Corporation, a wholly-owned subsidiary of the Company through the M&A deal since the previous fiscal year, operated in the field of language services including interpretation and translation services and specialists staffing services and fully contributed to the Company's consolidated earnings from the current fiscal year. As a result, net sales of the segment increased to 1,446 million yen (up 92.2% year-on-year).

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Assets

Current assets decreased 19.5% from the end of the previous fiscal year to 4,483 million yen. This was due mainly to decreases of 879 million yen in cash and deposits, and 330 million yen in accounts receivable-school fees.

Non-current assets increased 7.8% from the end of the previous fiscal year to 7,638 million yen. This was due mainly to increases of 161 million yen in other of the investments and other assets section, and 132 million yen in investment securities.

As a result, total assets decreased 4.2% from the end of the previous fiscal year to 12,122 million yen.

Liabilities

Current liabilities decreased 15.0% from the end of the previous fiscal year to 4,636 million yen. This was due mainly to a decrease of 846 million yen in advances received.

Non-current liabilities increased 15.5% from the end of the previous fiscal year to 2,607 million yen. This was due mainly to increases of 189 million yen in long-term loans payable and 145 million yen in other.

As a result, total liabilities decreased 6.1% from the end of the previous fiscal year to 7,244 million yen.

Net assets

Net assets decreased 1.3% from the end of the previous fiscal year to 4,877 million yen. This was attributable mainly to an increase of 72 million yen in valuation difference on available-for-sale securities and a decrease of 169 million yen in retained earnings.

2) Cash Flows

The balance of cash and cash equivalents (hereinafter "net cash") as of the end of the period under review increased 304 million yen year-on-year to 3,377 million yen as a result of below mentioned cash flows.

Cash flows during the period under review and major components were as follows:

Cash flows from operating activities

Net cash used in operating activities was 516 million yen in the period under review, compared with 552 million yen used in the same period of the previous fiscal year. This was due mainly to decreases of 324 million yen in notes and accounts receivable-trade and 846 million yen in advances received.

Cash flows from investing activities

Net cash used in investing activities was 480 million yen in the period under review, compared with 809 million yen used in the same period of the previous fiscal year. The result was attributable mainly to payments of 134 million yen for purchase of intangible assets, 129 million yen for purchase of insurance funds, and 119 million yen for purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows from financing activities

Net cash provided by financing activities was 111 million yen in the period under review, compared with 111 million yen used in the same period of the previous fiscal year. The result was attributable mainly to proceeds from long-term loans payable of 302 million yen, which was partly offset by cash dividends paid of 100 million yen.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

We will not make any revisions to the consolidated earnings forecast for the fiscal year ending on March 31, 2018 that was announced on May 12, 2017.

The above forecasts are made by the Company on information available at the time of release of this summary report. Actual results may differ from these forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	As of Mar. 31, 2017	As of Sep. 30, 2017
Assets		
Current assets		
Cash and deposits	4,361,037	3,481,318
Notes and accounts receivable-trade	292,464	297,644
Accounts receivable-school fees	394,931	64,880
Merchandise and finished goods	32,358	28,311
Teaching material	37,229	31,759
Raw materials and supplies	6,401	12,696
Other	453,856	574,231
Allowance for doubtful accounts	(9,802)	(7,661)
Total current assets	5,568,479	4,483,181
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,243,582	2,324,238
Other, net	630,104	674,523
Total property, plant and equipment	2,873,686	2,998,761
Intangible assets		
Goodwill	599,755	618,599
Other	474,286	551,655
Total intangible assets	1,074,041	1,170,255
Investments and other assets		
Investment securities	814,046	946,613
Lease and guarantee deposits	1,184,967	1,224,686
Other	1,178,186	1,339,719
Allowance for doubtful accounts	(41,261)	(41,203)
Total investments and other assets	3,135,940	3,469,816
Total non-current assets	7,083,668	7,638,833
Total assets	12,652,147	12,122,014

(Unit: thousand yen)

	As of Mar. 31, 2017	As of Sep. 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	327,264	177,803
Short-term loans payable	700,000	750,000
Current portion of bonds	80,000	80,000
Current portion of long-term loans payable	116,789	162,806
Income taxes payable	248,876	214,280
Advances received	2,932,706	2,086,386
Provision for bonuses	183,079	200,043
Other	865,708	965,619
Total current liabilities	5,454,423	4,636,939
Non-current liabilities		
Bonds payable	40,000	-
Long-term loans payable	267,419	456,435
Net defined benefit liability	933,462	956,789
Provision for directors' retirement benefits	20,613	21,653
Asset retirement obligations	700,218	730,178
Other	296,899	442,725
Total non-current liabilities	2,258,613	2,607,781
Total liabilities	7,713,036	7,244,721
Net assets		
Shareholders' equity		
Capital stock	1,299,375	1,299,375
Capital surplus	1,527,761	1,527,761
Retained earnings	1,871,873	1,701,905
Treasury shares	(143,724)	(143,724)
Total shareholders' equity	4,555,285	4,385,318
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	174,960	247,211
Revaluation reserve for land	(282,354)	(250,367)
Remeasurements of defined benefit plans	79,620	61,246
Total accumulated other comprehensive income	(27,773)	58,089
Subscription rights to shares	22,757	29,118
Non-controlling interests	388,841	404,766
Total net assets	4,939,110	4,877,293
Total liabilities and net assets	12,652,147	12,122,014

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income
(For the Six-month Period)

(Unit: thousand yen)

	Apr. 1, 2016 - Sep. 30, 2016	Apr. 1, 2017 - Sep. 30, 2017
Net sales	6,474,897	7,466,510
Cost of sales	4,962,657	5,586,407
Gross profit	1,512,239	1,880,102
Selling, general and administrative expenses	1,564,729	1,881,222
Operating loss	(52,490)	(1,119)
Non-operating income		
Interest income	4,443	4,691
Dividend income	9,660	10,518
Income from participated event	4,148	4,197
Other	13,985	19,031
Total non-operating income	32,238	38,438
Non-operating expenses		
Interest expenses	4,626	5,194
Share of loss of entities accounted for using equity method	9,907	10,449
Other	4,614	4,408
Total non-operating expenses	19,148	20,052
Ordinary profit (loss)	(39,400)	17,266
Extraordinary income		
Gain on change in equity	28,310	-
Surrender value of insurance	-	14,657
Compensation income	-	12,585
Total extraordinary income	28,310	27,243
Extraordinary losses		
Loss on sales of non-current assets	-	4,605
Loss on retirement of non-current assets	2,884	3,967
Loss on valuation of investment securities	20,270	-
Total extraordinary losses	23,155	8,572
Profit (loss) before income taxes	(34,244)	35,937
Income taxes-current	85,880	135,369
Income taxes-deferred	(59,152)	(66,842)
Total income taxes	26,727	68,526
Loss	(60,972)	(32,589)
Profit attributable to non-controlling interests	22,742	30,576
Loss attributable to owners of parent	(83,714)	(63,165)

Consolidated Statement of Comprehensive Income
(For the Six-month Period)

(Unit: thousand yen)

	Apr. 1, 2016 - Sep. 30, 2016	Apr. 1, 2017 - Sep. 30, 2017
Loss	(60,972)	(32,589)
Other comprehensive income		
Valuation difference on available-for-sale securities	(54,719)	72,250
Revaluation reserve for land	-	25,808
Remeasurements of defined benefit plans, net of tax	(15,816)	(18,373)
Total other comprehensive income	(70,536)	79,684
Comprehensive income	(131,508)	47,095
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(154,250)	16,519
Comprehensive income attributable to non-controlling interests	22,742	30,576

(3) Consolidated Statement of Cash Flows

(Unit: thousand yen)

	Apr. 1, 2016 - Sep. 30, 2016	Apr. 1, 2017 - Sep. 30, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	(34,244)	35,937
Depreciation	178,618	185,034
Share-based compensation expenses	6,603	6,360
Loss on retirement of non-current assets	-	3,967
Surrender value of insurance	-	(14,657)
Loss (gain) on change in equity	(28,310)	-
Amortization of goodwill	19,683	64,051
Increase (decrease) in allowance for doubtful accounts	(6,931)	(2,197)
Increase (decrease) in provision for bonuses	26,799	13,763
Increase (decrease) in net defined benefit liability	(1,337)	(9,163)
Increase (decrease) in provision for directors' retirement benefits	1,039	1,039
Interest and dividend income	(14,104)	(15,209)
Interest expenses	4,626	5,194
Share of (profit) loss of entities accounted for using equity method	9,907	10,449
Loss (gain) on valuation of investment securities	20,270	-
Loss (gain) on sales of property, plant and equipment	-	4,605
Decrease (increase) in notes and accounts receivable-trade	382,955	324,870
Decrease (increase) in inventories	14,389	10,908
Increase (decrease) in notes and accounts payable-trade	(57,226)	(149,460)
Increase (decrease) in advances received	(944,362)	(846,319)
Decrease (increase) in other assets	14,072	(51,196)
Increase (decrease) in other liabilities	(138,267)	122,729
Other, net	5,328	-
Subtotal	(540,489)	(299,293)
Interest and dividend income received	13,080	14,244
Interest expenses paid	(4,761)	(4,982)
Income taxes paid	(19,924)	(226,243)
Net cash provided by (used in) operating activities	(552,095)	(516,275)
Cash flows from investing activities		
Purchase of property, plant and equipment	(105,505)	(116,586)
Proceeds from sales of non-current assets	-	11,668
Purchase of intangible assets	(49,932)	(134,473)
Purchase of investment securities	-	(21,180)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(595,352)	(119,312)
Purchase of shares of subsidiaries and associates	-	(11,512)
Payments for asset retirement obligations	(14,531)	(10,524)
Payments or guarantee for lease deposits	13,087	(3,165)
Purchase of insurance funds	(90,549)	(129,505)
Proceeds from cancellation of insurance funds	42,401	59,969
Other, net	(9,515)	(6,134)
Net cash provided by (used in) investing activities	(809,897)	(480,756)

(Unit: thousand yen)

	Apr. 1, 2016 - Sep. 30, 2016	Apr. 1, 2017 - Sep. 30, 2017
Cash flows from financing activities		
Increase in short-term loans payable	350,000	730,000
Decrease in short-term loans payable	(183,790)	(680,000)
Proceeds from long-term loans payable	50,000	302,000
Repayments of long-term loans payable	(156,310)	(66,967)
Redemption of bonds	(70,000)	(40,000)
Repayments of lease obligations	(9,740)	(14,767)
Payments for long-term accounts payable-other	(1,382)	(4,146)
Cash dividends paid	(80,084)	(100,156)
Dividends paid to non-controlling interests	(10,626)	(14,651)
Net cash provided by (used in) financing activities	(111,933)	111,311
Net increase (decrease) in cash and cash equivalents	(1,473,926)	(885,720)
Cash and cash equivalents at beginning of period	4,546,708	4,263,075
Cash and cash equivalents at end of period	3,072,782	3,377,355

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

Not applicable.

Changes in Accounting-based Estimates

Not applicable.

Segment and Other Information

Segment information

I. Apr. 1, 2016 – Sep. 30, 2016

1. Information related to net sales, profit or loss for each reportable segment (Unit: thousand yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Gakushu-juku	High school and careers support	Subtotal				
Net sales							
External sales	3,777,488	1,944,945	5,722,433	752,463	6,474,897	-	6,474,897
Inter-segment sales and transfers	-	-	-	493,953	493,953	(493,953)	-
Total	3,777,488	1,944,945	5,722,433	1,246,417	6,968,851	(493,953)	6,474,897
Segment profit	395,210	102,049	497,260	74,120	571,380	(623,870)	(52,490)

Notes: 1. The "Other" segment consists of activities that are not included in any of the reportable segments: the advertising business, the ICT education and skill development business, the content development and sales business for corporate training portal site, and other activities.

2. The minus 623,870 thousand yen adjustment to segment profit includes minus 46,843 thousand yen in elimination for inter-segment transactions, goodwill amortization of minus 19,683 thousand yen, costs related to acquisition of shares of subsidiaries of minus 28,200 thousand yen, and minus 529,144 thousand yen in corporate expenses that cannot be allocated to any reportable segment. Corporate expenses mainly include general and administration expenses of the Company that cannot be attributed to any reportable segment.

3. Segment profit is adjusted to be consistent with operating loss on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant change in goodwill

At the time of business combination with Kikko Corporation in the second quarter of the previous fiscal year, the amount of goodwill was determined on a provisional basis as the allocation process of the acquisition cost was not completed. With completion of the allocation process at the end of the previous fiscal year, the Company adjusted the amount of goodwill that had been accounted for on a provisional basis. As a result of the adjustment, the comparative information in the quarterly consolidated financial statements for the first half of the current fiscal year has reflected the significant adjustment of the initially allocated amounts of the acquisition cost. Specifically, allocation of 172,000 thousand yen to customer-related assets as intangible assets has caused the provisionally calculated amount of goodwill to reduce by 119,368 thousand yen, from 379,326 thousand yen to 259,958 thousand yen.

As the deemed acquisition date for Kikko Corporation is the end of the second quarter of the previous fiscal year, the above treatment has no effect on the consolidated statement of income for the first half of the previous fiscal year.

II. Apr. 1, 2017 – Sep. 30, 2017

1. Information related to net sales, profit or loss for each reportable segment (Unit: thousand yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Gakushu-juku	High school and careers support	Subtotal				
Net sales							
External sales	3,826,098	2,194,281	6,020,380	1,446,129	7,466,510	-	7,466,510
Inter-segment sales and transfers	-	-	-	470,956	470,956	(470,956)	-
Total	3,826,098	2,194,281	6,020,380	1,917,085	7,937,466	(470,956)	7,466,510
Segment profit	379,729	125,611	505,340	162,622	667,962	(669,082)	(1,119)

Notes: 1. The “Other” segment consists of activities that are not included in any of the reportable segments: the advertising business, the ICT education and skill development business, the language services business, the content development and sales business for corporate training portal site, and other activities.

2. The minus 669,082 thousand yen adjustment to segment profit includes minus 34,580 thousand yen in elimination for inter-segment transactions and minus 634,501 thousand yen in corporate expenses that cannot be allocated to any reportable segment. Corporate expenses mainly include general and administration expenses of the Company that cannot be attributed to any reportable segment.

3. Segment profit is adjusted to be consistent with operating loss on the quarterly consolidated statement of income.

2. Information related to changes in reportable segments

Changes in the method for measuring profit or loss of each reportable segment

Since the fourth quarter of the previous fiscal year, we have included goodwill amortization in the operating results of each business segment to evaluate performance of each business segment more appropriately.

In the first half of the fiscal year, this change has reduced profits of the “high school and careers support” segment and the “other” segment by 43,603 thousand yen and 20,448 thousand yen, respectively, compared with the amounts accounted for under the previous method.

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