

en-japan inc.



2nd Quarter FY March 2017 Earnings Announcement [Japan GAAP] (Consolidated)

November 10, 2016

Company Name	en-japan inc.	Listing Exchanges	Tokyo Stock Exchange (Jasdaq Market)
Stock Code	4849	URL	http://corp.en-japan.com/
Representative (Title)	President	(Name)	Takatsugu Suzuki
Contact (Title)	Administrative office, Executive general manager	(Name)	Tomoki Tamai
Scheduled date for submission of Quarterly Report	November 11, 2016	Telephone	+81-3-3342-4506
Scheduled date to begin dividend payments	—		
Preparation of Quarterly Summary Supplementary Explanatory Materials	Yes		
Quarterly Earnings Briefing	Yes (for institutional investors)		

(Figures rounded down to nearest million yen)

1. FY Ending March 2017 Cumulative Second Quarter Operating Results (From April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results (cumulative) (percentages indicate percent change from prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE 3/17 2nd Qtrr	14,860	22.0	3,928	36.6	3,863	32.0	2,579	39.8
FYE 3/16 2nd Qtrr	12,184	32.4	2,875	65.4	2,927	52.4	1,844	56.6

(Note) Comprehensive income FYE3/17 2nd Qtrr 2,025 million yen (7.6%) FYE 3/16 2nd Qtrr 1,882 million yen (82.3%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/17 2nd Qtrr	56.69	56.56
FYE 3/16 2nd Qtrr	40.84	40.82

(Note) Effective April 1, 2016, the Company executed a 2-for-1 split of its common share. Therefore, EPS and fully diluted EPS are calculated on the assumption that the previously mentioned stock split was executed at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/17 2nd Qtrr	28,522	21,787	76.1
FYE 3/16	28,558	21,112	73.4

(Reference) Core capital FYE 3/17 2nd Qtrr 21,703 million yen FYE 3/16 20,955 million yen

2. Dividends

	Dividends per Share				
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year-end	Full Year
	Yen	Yen	Yen	Yen	Yen
FYE 3/16	–	0.00	–	34.50	34.50
FYE 3/17	–	0.00			
FYE 3/17 (projected)			–	23.30	23.30

(Note) Revisions to the Company's latest dividend forecast: None

Effective April 1, 2016, the Company executed a 2-for-1 split of its common share.

3. FY Ending March 2017 Projected Consolidated Operating Results (April 1, 2016 - March 31, 2017)

(Percentages indicate percentage change from prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to owners of parent		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	31,110	19.0	6,800	32.9	6,500	28.8	4,400	59.6	96.70

(Note) Revisions to the Company's latest operating results projections: Yes

* Notes

- (1) Changes in major subsidiaries during the cumulative quarter under review (Change in specific subsidiaries that will accompany a change in scope of consolidation) No
 Newly included None (Name of company) –
 Exclusion None (Name of company) –
- (2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements No
- (3) Changes in accounting policy, changes in accounting estimates, or restatement due to correction
 - a. Changes in accounting policy accompanying amendment of accounting principles: Yes
 - b. Changes in accounting policy other than "a." No
 - c. Changes in accounting estimates: No
 - d. Restatement due to correction: No

(Note) For details, refer to "2. Summary Information (Notes) (3) Changes in Accounting Policy, Changes in Accounting Estimates, or Restatement due to Correction" on pages 4 of the Attachments

(4) Number of shares issued (common stock)

- a. Number of shares issued at the end of the period (including treasury stock)
 FYE 3/17 2nd Qtr 49,716,000 shares FYE 3/16 49,716,000 shares
- b. Number of shares of treasury stock at the end of the period
 FYE 3/17 2nd Qtr 4,215,672 shares FYE 3/16 4,215,640 shares
- c. Average number of shares issued during the period (Quarter Year-to-Date)
 FYE 3/17 2nd Qtr 45,500,329 shares FYE 3/16 2nd Qtr 45,172,636 shares

(Notes) Effective April 1, 2016, the Company executed a 2-for-1 split of its common share. Numbers of shares are calculated on the assumption that the previously mentioned stock split was executed at the beginning of the previous fiscal year.

* Notice regarding quarterly review procedures

- This quarterly earnings announcement is not within the scope of the quarterly review procedure under the Financial Instruments and Exchange Act. As of the time of disclosure of this quarterly earnings announcement, the quarterly review over the quarterly financial statements has not yet been completed.

* Explanation regarding appropriate use of operating results projections, other special notes

(Notes concerning forward-looking statements)

- Forward-looking statements including projected operating results contained in this report and supplementary

materials are based on information currently available to the Company and on certain assumptions deemed as rational, and are not intended to guarantee achievements by the Company. Actual results may differ significantly from such projections due to various factors. For assumptions used when preparing projected operating results and reminders when using projected operating results, please refer to “1. Qualitative Information of Consolidated Performance during the Quarter under Review (3) Explanation of Future Projections such as Projections of Consolidated Operating Results” on page 4 of the Attachments.

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1. Qualitative Information of Consolidated Performance during the Quarter under Review

(1) Explanation of Operating Results

There were uncertainties over the outlook for the domestic economy, with concerns about the yen's rapid appreciation triggered by the U.K.'s exit from the European Union, economic slowdowns in emerging countries and other factors. Amid this situation, the business environment of the human resources market in the first half of the fiscal year ending March 31, 2017 saw the job-to-applicant ratio continue to rise to 1.38 times in September 2016. The rise was primarily due to a structural shortage of human resources especially in domestic-demand-driven companies.

Under these circumstances, the Company focused further on improving the quality of job recruitment information on websites and the convenience of users while working to also enhance the convenience of corporate clients. In addition, the Company continued to strengthen its promotional activities to raise awareness of the Company, which continued to have a favorable impact on the number of applications received by the website, leading to the acquisition of new clients and an expansion of sales to existing clients.

In our job placement business, we continued to strengthen en-japan's "en agent" and its subsidiary, en World Japan K.K. The Company continued to strengthen measures to improve the productivity of "en agent", while en World Japan K.K. reinforced its structure and made efforts to expand sales to Japanese global companies along with other measures.

Meanwhile, our overseas subsidiaries made efforts to improve the productivity of existing services while working to reinforce services for Japanese companies in an effort to cultivate a new business field and made other efforts to expand the earnings platform for the future.

As a result, the Company recorded net sales of ¥14,860 million (up 22.0% on a year-on-year basis), operating income of ¥3,928 million (up 36.6% year on year), ordinary income of ¥3,863 million (up 32.0% year on year) and profit attributable to owners of parent of ¥2,579 million (up 39.8% year on year) during the first half of the fiscal year ending March 31, 2017.

Operating results by segment are as follows (net sales include internal sales).

[1] Hiring Business

The Hiring Business comprises management of job advertisement website, provision of job placement services, and operations at overseas subsidiaries, among others.

(Job advertisement website)

Net sales of [en] Career Change Info, the Company's core service site, increased year on year after marking another record high in the number of advertisement listings on a quarterly basis. This is attributable to the strong momentum of applications received by the website, contributing to a rise in repeat orders and new clients for recruitment advertisements.

Other recruitment sites also recorded higher net sales than in the same period of the previous fiscal year due largely to a rise in listings by large-lot clients. This was supported by an encouraging number of applications received as a result of efforts made to improve the usability of the sites, reinforce promotional activities, etc.

(Job placement service)

en-japan's job placement service "en agent" recorded higher net sales than in the same period of the previous fiscal year, due to an increase in the number of employment contracts concluded through "en agent," which was driven by continuing efforts to reinforce the system for training sales employees and consultants.

The Company's subsidiary, en World Japan K.K. implemented a structural reorganization and stepped up measures to leverage en-japan's resources in response to the need for a more robust structure to achieve growth in the coming years. As a result, the subsidiary posted a year-on-year decrease in net sales.

(Overseas subsidiaries)

Overseas subsidiaries posted an increase in net sales year on year, with a contribution made by higher earnings recorded by a large subsidiary in Vietnam, even though the foreign exchange impact caused by the appreciation of the yen was a negative factor for net sales.

As a result of the above, net sales of this segment amounted to ¥14,390 million (up 22.1% year on year) and operating income was ¥3,943 million (up 33.6% year on year).

[2] Education/Evaluation Business

The Education/Evaluation Business comprises a flat-rate training service and provision of personnel-related system, among others.

(Flat-rate training service)

The Company focused on developing new services that combine aptitude testing and training in addition to promoting repeat orders and acquiring new clients. As a result, net sales marked an increase year on year.

(Personnel-related system)

Cbase Corporation, a subsidiary of the Company, has transferred the recruitment management system business of to the Company from the current period. For this reason, net sales fell short of the level from a year earlier although they were above the plan, due mainly to steady performance from repeat orders and new orders received for other services, including the personnel evaluation system.

As a result of the above, net sales of this segment amounted to ¥508 million (up 18.9% year on year) and operating loss was ¥18 million (operating loss of ¥76 million was posted a year earlier).

(2) Explanation of Financial Position

Analysis of Financial Position

Total assets at the end of the second quarter of the fiscal year ending in March 31, 2017 decreased ¥35 million compared to the end of the previous fiscal year to ¥28,522 million.

Current assets increased ¥172 million to ¥20,052 million. This was mainly due to an increase in cash and deposits of ¥107 million and an increase in notes and accounts receivable - trade of ¥111 million, etc. Noncurrent assets decreased ¥208 million to ¥8,470 million. This was primarily attributable to a decrease in goodwill of ¥462 million, due to changes in accounting policy associated with amendments to accounting standards, etc.

Total liabilities at the end of the second quarter of the fiscal year ending March 31, 2017 were ¥6,735 million, a decrease of ¥710 million compared to the end of the previous fiscal year.

Current liabilities decreased ¥758 million to ¥6,014 million. This mainly stemmed from a decrease in provision for bonuses of ¥238 million and an increase in advances received of ¥160 million. Non-current liabilities increased ¥48 million to ¥720 million. This was primarily due to an increase in provision for share benefits of ¥19 million.

Total net assets were ¥21,787 million, up ¥674 million from the end of the previous fiscal year.

This was mainly attributable to an increase in retained earnings of ¥1,750 million due to the posting of profit attributable to owners of parent and to a decrease in capital surplus of ¥449 million due to additional acquisition of shares of a consolidated subsidiary.

Analysis of Cash Flows

Cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2017 increased ¥107 million from the end of the previous fiscal year to ¥16,060 million.

Changes in the respective cash flows in the cumulative second quarter of the fiscal year ending March 31, 2017 and their factors are described as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities in the cumulative second quarter of the fiscal year ending March 31, 2017 were ¥2,784 million (against ¥2,200 million in the same period of the previous fiscal year). This was primarily a result of posting profit before income taxes of ¥3,894 million, which was reduced by income taxes paid of ¥1,230 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the cumulative second quarter of the fiscal year ending March 31, 2017 were ¥1,086 million (against ¥319 million in the same period of the previous fiscal year). This was mainly due to purchase of intangible assets of ¥733 million

(Cash Flows from Financing Activities)

Net cash used in financing activities in the cumulative second quarter of the fiscal year ending March 31, 2017 were ¥1,377 million

(against ¥791 million in the same period of the precious fiscal year). This mainly consisted of cash dividend paid of ¥825 million.

(3) Explanation of Future Projections such as Projections of Consolidated Operating Results

In light of the recent operating performance, we made revisions to our full-year consolidated earnings forecast for the year ending March 31, 2017 announced on May 12, 2016. For details, please refer to the “Notice Concerning Differences between Projections and Actual Performance of Operating Results for the First Half and Revision of the Full-Year Operating Results Projections” issued today.

2. Summary Information (Notes)

(1) Changes in Status of Material Subsidiaries during the Cumulative Quarter under Review

The Company had no material items to report.

(2) Adoption of Special Accounting Treatment used in Preparation of the Quarterly Consolidated Financial Statements

The Company had no material items to report.

(3) Changes in Accounting Policy, Changes in Accounting Estimates, or Restatement due to Correction

(Changes in Accounting Policy)

In conjunction with a revision to the corporate tax law, the Company has adopted the “Practical Solution on Accounting for Changes in Depreciation Method Related to the 2016 Tax Law Changes” (Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter, and changed the method for depreciating equipment and structures attached to buildings acquired on and after April 1, 2016 from the declining balance method to the straight-line method.

This change had only minor impacts on operating income, ordinary income, and profit before income taxes on a consolidated basis for the second quarter of the fiscal year ending March 31, 2017.

(4) Additional Information

The Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan Guidance No. 26, March 28, 2016) from the first quarter of the fiscal year ending March 31, 2017.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

	(Unit: Thousand yen)	
	Previous Fiscal Year (As of March 31, 2016)	Second Quarter of Current Fiscal Year (As of September 30, 2016)
Assets		
Current Assets		
Cash and deposits	13,953,273	14,060,645
Notes and accounts receivable - trade	3,069,625	3,181,539
Securities	2,000,000	2,000,000
Other	891,526	851,952
Allowance for doubtful accounts	-34,204	-41,572
Total Current Assets	19,880,220	20,052,564
Non-current Assets		
Property, plant and equipment	699,356	613,013
Intangible assets		
Goodwill	3,671,565	3,209,416
Other	2,365,687	2,584,341
Total intangible assets	6,037,252	5,793,758
Investments and other assets		
Investment securities	362,893	392,349
Shares of subsidiaries and associates	253,590	237,636
Other	1,473,449	1,583,747
Allowance for doubtful accounts	-148,112	-150,087
Total investments and other assets	1,941,820	2,063,645
Total Non-current Assets	8,678,430	8,470,418
Total Assets	28,558,651	28,522,983
Liabilities		
Current Liabilities		
Accounts payable - trade	58,656	54,053
Income taxes payable	1,290,402	1,347,507
Provision for bonuses	1,024,767	786,738
Other provision	10,000	12,624
Advances received	1,207,035	1,367,394
Other	3,182,872	2,446,679
Total Current Liabilities	6,773,735	6,014,998
Non-current Liabilities		
Provision for share benefits	188,009	207,292
Asset retirement obligations	230,628	236,478
Other	253,334	276,817
Total Non-current Liabilities	671,971	720,588
Total Liabilities	7,445,706	6,735,586
Net Assets		
Shareholders' Equity		
Capital stock	1,194,993	1,194,993
Capital surplus	673,767	224,429
Retained earnings	21,359,666	23,110,492
Treasury shares	-2,880,410	-2,880,465
Total Shareholders' Equity	20,348,017	21,649,449
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	-1,369	-10,241
Foreign currency translation adjustment	609,129	64,318
Total Accumulated Other Comprehensive Income	607,759	54,076
Subscription rights to shares	36,361	57,271
Non-controlling interests	120,806	26,598
Total Net Assets	21,112,944	21,787,396
Total Liabilities and Net Assets	28,558,651	28,522,983

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

Cumulative Second Quarter

		(Unit: Thousand yen)	
		Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2015 to September 30, 2015)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2016 to September 30, 2016)
Net sales		12,184,646	14,860,553
Cost of sales		1,086,008	1,406,168
Gross profit		11,098,638	13,454,384
Selling, general and administrative expenses		8,223,503	9,526,038
Operating income		2,875,135	3,928,345
Non-operating income			
Interest income		30,618	5,460
Dividends income		6,307	188
Share of profit of entities accounted for using equity method		20,816	25,361
Other		14,735	11,248
Total non-operating income		72,478	42,258
Non-operating expenses			
Interest expenses		153	301
Foreign exchange losses		12,263	101,267
Other		8,077	5,544
Total non-operating expenses		20,494	107,112
Ordinary income		2,927,118	3,863,491
Extraordinary income			
Gain on sales of non-current assets		—	31,083
Total extraordinary income		—	31,083
Extraordinary losses			
Loss on retirement of non-current assets		620	—
Total extraordinary losses		620	—
Profit before income taxes		2,926,498	3,894,575
Income taxes-current		1,147,514	1,178,813
Income taxes-deferred		-74,333	116,601
Total income taxes		1,073,181	1,295,414
Profit		1,853,317	2,599,160
Profit attributable to non-controlling interests		8,637	19,712
Profit attributable to owners of parent		1,844,680	2,579,448

Quarterly Consolidated Statements of Comprehensive Income

Cumulative Second Quarter

(Unit: Thousand yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2015 to September 30, 2015)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2016 to September 30, 2016)
Profit	1,853,317	2,599,160
Other comprehensive income		
Valuation difference on available-for-sale securities	-23,653	-8,871
Foreign currency translation adjustment	33,245	-606,234
Share of other comprehensive income of entities accounted for using equity method	19,736	41,315
Total other comprehensive income	29,328	-573,790
Comprehensive income	1,882,646	2,025,370
(Break down)		
Comprehensive income attributable to owners of parent	1,872,699	2,025,765
Comprehensive income attributable to non-controlling interests	9,946	-395

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Thousand yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2015 to September 30, 2015)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Profit before income taxes	2,926,498	3,894,575
Depreciation	387,792	454,467
Amortization of goodwill	185,609	210,647
Increase (decrease) in allowance for doubtful account	5,623	13,036
Increase (decrease) in provision for bonuses	84,302	-232,635
Increase (decrease) in other provision	-15,297	2,797
Interest and dividend income	-36,925	-5,648
Foreign exchange losses (gains)	12,263	79,487
Share of (profit) loss of entities accounted for using equity method	-20,816	-25,361
Loss (gain) on investments in partnership	6,779	4,250
Loss (gain) on valuation of investment securities	-7,980	—
Loss (gain) on sales of property, plant and equipment	—	-31,083
Loss on retirement of non-current assets	620	—
Decrease (increase) in notes and accounts receivable - trade	-249,237	-174,552
Increase (decrease) in notes and accounts payable - trade	-1,359	-4,243
Increase (decrease) in accounts payable - other	-100,188	-537,693
Decrease (increase) in other current assets	38,365	-109,565
Increase (decrease) in other current liabilities	-111,829	162,962
Decrease (increase) in other non-current assets	-79,647	232,853
Increase (decrease) in other non-current liabilities	50,250	37,343
Subtotal	3,074,824	3,971,637
Interest and dividend income received	126,502	5,554
Income taxes paid	-1,021,263	-1,230,453
Income taxes refund	20,545	37,572
Net cash provided by (used in) operating activities	2,200,609	2,784,311
Cash flows from investing activities		
Purchase of property, plant and equipment	-72,863	-106,634
Purchase of intangible assets	-463,051	-733,432
Purchase of investment securities	-73,347	-50,000
Proceeds from sales of investment securities	327,915	3,500
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	28,775	—
Payment for lease and guarantee deposits	-10,236	-20,879
Proceeds from collection of lease and guarantee deposits	63	6,725
Purchase of insurance funds	-6,456	-6,456
Payments of loans receivable	-51,155	-180,547
Collection of loans receivable	1,190	945
Net cash provided by (used in) investing activities	-319,167	-1,086,779

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2015 to September 30, 2015)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2016 to September 30, 2016)
Cash flows from financing activities		
Purchase of treasury shares	-92	-55
Cash dividends paid	-757,461	-825,892
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-23,718	-543,150
Repayment of lease obligations	-10,672	-8,716
Net cash provided by (used in) financing activities	-791,944	-1,377,814
Effect of exchange rate change on cash and cash equivalents	7,823	-212,344
Net increase (decrease) in cash and cash equivalents	1,097,319	107,372
Cash and cash equivalents at beginning of period	9,137,790	15,953,273
Cash and cash equivalents at end of period	10,235,110	16,060,645

(4) Notes regarding Quarterly Consolidated Financial Statements

(Notes relating to the Going Concern Assumption)

There are no pertinent items.

(Notes on Significant Changes to Shareholders' Equity)

The Company acquired additional shares of New Era India Consultancy Pvt. Ltd., a consolidated subsidiary, as of September 21, 2016. As a result, capital surplus decreased by ¥449,337,000 in the first half of the fiscal year ending March 31, 2017, making the balance of capital surplus stand at ¥224,429,000 as of the end of the first half under review.

(Segment Information)

[Segment Information]

I Cumulative second quarter of the previous fiscal year (April 1, 2015 to September 30, 2015)

1. Information on sales and profit/loss by reporting segment

(Unit: Thousand yen)

	Reportable segments			Adjustments (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Hiring Business	Education/ Evaluation Business	Total		
Net sales					
Sales to outside customers	11,779,611	405,034	12,184,646	—	12,184,646
Internal sales among segments, transfers	9,405	22,830	32,236	-32,236	—
Total	11,789,017	427,865	12,216,882	-32,236	12,184,646
Segment profit (loss)	2,951,790	-76,954	2,874,835	300	2,875,135

(Notes) 1. Adjustments to segment profit (loss) are eliminations of intersegment transactions.

2. Segment profit (loss) is adjusted from the operating income booked in the consolidated financial statements.

II Cumulative second quarter of the fiscal year under review (from April 1, 2016 to September 30, 2016)

1. Information on sales and profit/loss by reporting segment

(Unit: Thousand yen)

	Reportable segments			Adjustments (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Hiring Business	Education/ Evaluation Business	Total		
Net sales					
Sales to outside customers	14,386,575	473,977	14,860,553	—	14,860,553
Internal sales among segments, transfers	4,070	34,966	39,036	-39,036	—
Total	14,390,645	508,943	14,899,589	-39,036	14,860,553
Segment profit (loss)	3,943,360	-18,221	3,925,139	3,206	3,928,345

(Notes) 1. Adjustments to segment profit (loss) are eliminations of intersegment transactions.

2. Segment profit (loss) is adjusted from the operating income booked in the consolidated financial statements.

2. Information concerning impairment loss or goodwill on fixed assets by segment

There are no pertinent items.

3. Matters related to changes in the reporting segment

As stated in “Changes in Accounting Policy,” in conjunction with a revision to the corporate tax law, the Company changed the method for depreciating equipment and structures attached to buildings acquired on and after April 1, 2016 from the declining balance method to the straight-line method. The same depreciation method is applied in business segment reporting.

This change had only a minor impact on segment profits on a consolidated basis for the second quarter of the fiscal year under review.