

Significant Changes in Basis for Preparation of Consolidated Financial Statements

Application of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

The Company has adopted the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ), Practical Issues Task Force (PITF) No. 18, May 17, 2006). Accordingly, the Company has made the necessary adjustments to the consolidated financial statements in the fiscal period under review.

From January 1, 2002, Benesse's US consolidated subsidiary Berlitz International, Inc. adopted FASB Statement No. 142, “Goodwill and Other Intangible Assets” to goodwill on its books. As a result, Berlitz International has not amortized goodwill, but instead tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. However, following application of ASBJ PITF No. 18 described above, this goodwill is to be amortized primarily on a straight-line basis over 20 years.

As a result, the goodwill was retrospectively amortized in the amount of ¥19,418 million for prior-years' goodwill amortization and was deducted from retained earnings directly. ¥2,051 million from the amortization of goodwill for the fiscal year ended March 31, 2009 has been booked under selling, general and administrative expenses. As a result, operating income, ordinary income, and income before income taxes and minority interests have been reduced by ¥2,051 million, respectively.

The impact of adoption of these changes on segment information is reported in the respective segments.