

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2017
(Six Months Ended September 30, 2016)

[Japanese GAAP]

Company name: Shobunsha Publications, Inc. Listing: Tokyo Stock Exchange, First Section
 Stock code: 9475 URL: <http://www.mapple.co.jp/>
 Representative: Shigeo Kuroda, President & Representative Director
 Contact: Shinya Ohno, Director, General Manager, Business Administration Division Tel: +81-3-3556-8171
 Scheduled date of filing of Quarterly Report: November 11, 2016
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

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

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2016
(April 1, 2016 – September 30, 2016)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2016	4,750	(21.2)	(1,000)	-	(959)	-	(963)	-
Six months ended Sep. 30, 2015	6,030	(3.9)	(449)	-	(426)	-	(443)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2016: (991) (- %)
 Six months ended Sep. 30, 2015: (527) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2016	(57.92)	-
Six months ended Sep. 30, 2015	(26.69)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2016	25,580	20,316	79.3
As of Mar. 31, 2016	28,063	21,652	77.1

Reference: Shareholders' equity (million yen) As of Sep. 30, 2016: 20,288 As of Mar. 31, 2016: 21,625

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	0.00	-	20.00	20.00
Fiscal year ending Mar. 31, 2017	-	0.00	-	-	-
Fiscal year ending Mar. 31, 2017 (forecasts)	-	-	-	20.00	20.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	11,580	(11.2)	(1,200)	-	(1,140)	-	(1,150)	-	(69.16)

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change 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 estimates, and restatements

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

Note: Please refer to “2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting Estimates, and Restatements” on page 3 of the attachments for further information.

(4) Number of outstanding shares (common stock)

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

As of Sep. 30, 2016:	17,307,750 shares	As of Mar. 31, 2016:	17,307,750 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2016:	679,814 shares	As of Mar. 31, 2016:	679,814 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2016:	16,627,936 shares	Six months ended Sep. 30, 2015:	16,627,962 shares
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* Information regarding the implementation of quarterly review procedures

The current quarterly summary report is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for the quarterly financial statements have not been completed.

* Explanation of appropriate use of earnings forecasts, and other special items

Forward-looking statements in these materials are based on assumption judged to be valid and information available to the Company’s management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of factors. Please refer to “Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements” on page 3 of the attachments for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the current fiscal year (from April 1, 2016 to September 30, 2016) (hereinafter, “the current period”), the Japanese economy gradually recovered in a continued strong employment and income environment, but consumer sentiment remained at a standstill.

Against this backdrop, the Shobunsha Group’s e-business sales amounted to 1,351 million yen, down 320 million yen year on year. In addition to a continued decline in sales associated with PNDs (portable navigation devices), winning new contracts to make up for a failure to secure a large recurring business was unexpectedly difficult. Retail publishing sales also decreased significantly by 945 million yen year on year to 2,837 million yen. This was due to frequent bad weather on the weekends during the current second quarter in addition to a change in timing to publish revised editions of maps and magazines that occurred at the end of the previous fiscal year, causing substantially more number of old editions to be returned to us in the current first quarter than those returned in the same period of the previous fiscal year. Moreover, we did not have publications of completely revised edition of the series with many volumes and other newly published products during the current period. Overall, consolidated sales for the current period decreased 1,279 million yen (21.2%) year on year to 4,750 million yen.

The Group’s earnings for the current period significantly declined from the same period of the previous fiscal year. While there was a 276 million yen reversal of provision for sales returns, there was a substantial increase in returned products in retail publishing and a decline in sales of a high margin e-businesses. Furthermore, there was an increase in retirement benefit expenses due to application of the revised accounting standard for retirement benefits and also an increase in up-front costs for the new inbound business. Consequently, the Group reported operating loss of 1,000 million yen (compared with operating loss of 449 million yen in the same period of the previous fiscal year), ordinary loss of 959 million yen (compared with ordinary loss of 426 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 963 million yen (compared with loss attributable to owners of parent of 443 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets decreased 2,482 million yen (8.8%) from the end of the previous fiscal year to 25,580 million yen at the end of the current period. This was mainly due to decreases in notes and accounts receivable-trade of 1,714 million yen, merchandise and finished goods of 267 million yen, other in current assets of 174 million yen and investment securities of 409 million yen, which were partially offset by an increase in software of 149 million yen. Total liabilities decreased 1,146 million yen (17.9%) from the end of the previous fiscal year to 5,264 million yen. This was mainly due to decreases in notes and accounts payable-trade of 281 million yen, provision for sales returns of 276 million yen, other in current liabilities of 561 million yen and provision for directors’ retirement benefits of 246 million yen, which were partially offset by an increase in other in non-current liabilities of 251 million yen. Total net assets decreased 1,336 million yen (6.2%) from the end of the previous fiscal year to 20,316 million yen. This was mainly due to a decrease in retained earnings of 1,307 million yen as a result of the booking of loss attributable to owners of parent and the declaration of cash dividends.

As a result, the equity ratio improved 2.2 percentage points to 79.3%.

Cash flows

Cash and cash equivalents (hereafter “net cash”) at the end of the current period on a consolidated basis decreased 1,036 million yen from the end of the previous fiscal year to 8,913 million yen.

Net cash provided by operating activities was 536 million yen. The main factors were depreciation and amortization of 195 million yen, a 1,714 million yen decrease in notes and accounts receivable-trade and a 294 million yen decrease in inventories, while there were loss before income taxes of 960 million yen, a 276 million yen decrease in provision for sales returns, a 283 million yen decrease in notes and accounts payable-trade and a 163 million yen in other, net.

Net cash used in investing activities was 1,504 million yen. The main factors were purchases of securities, intangible assets and investment securities of 1,303 million yen, 309 million yen and 100 million yen, respectively, which were partially offset by proceeds from sales of investment securities of 224 million yen.

Net cash used in financing activities was 345 million yen. The main factor was the cash dividends paid of 332 million yen.

There was also an increase in cash and cash equivalents of 276 million yen from a newly consolidated subsidiary.

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

Sales and earnings for the current period were both below the initial forecast as stated above. We expect that the severe market environments will remain unchanged in the future for e-business sales of car navigation devices and also that it will be difficult to win large contracts to make up for a failure to secure a large recurring business. Also for the inbound business, there have been delays in our development of various services. As a result of these factors, we estimate sales for the current fiscal year will fall below the initial forecast. Meantime, we have decided to implement our fundamental improvement plan of our map database immediately during the current fiscal year, considering its importance in the future business development, which was originally scheduled in our medium-term plan. With this change, maintenance costs increased largely, which will result in a significant deterioration in earnings. Accordingly, we have changed the figures on our consolidated forecast for the current fiscal year announced on May 13, 2016 to the following:

Net sales:	11,580 million yen (Previous forecast: 12,360 million yen)
Operating loss:	1,200 million yen (Previous forecast: Operating income of 60 million yen)
Ordinary loss:	1,140 million yen (Previous forecast: Ordinary income of 110 million yen)
Loss attributable to owners of parent:	1,150 million yen (Previous forecast: Profit attributable to owners of parent of 80 million yen)

These forecasts are based on information that is currently available and on assumptions that we believe are reasonable. Actual sales and earnings may differ significantly from these forecasts. For information about business risk factors that may be a cause of differences in actual performance, refer to the business risk section of the Shobunsha Securities Report “*Yuka-shoken Hokokusho*” for the fiscal year ended March 31, 2016, which was filed on June 29, 2016.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

While it is not subject to the disclosure requirement regarding changes in specified subsidiaries, the Company newly established Tripcon Co., Ltd. in February 2016 as a wholly-owned subsidiary and included it in the scope of consolidation from the first quarter of the current fiscal year.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting Estimates, and Restatements

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on profit or loss for the current period is insignificant.

3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY3/16 (As of Mar. 31, 2016)	Second quarter of FY3/17 (As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	8,923,918	8,913,431
Notes and accounts receivable-trade	4,295,780	2,581,201
Securities	1,325,527	1,302,677
Merchandise and finished goods	1,762,628	1,495,590
Work in process	507,893	480,316
Raw materials and supplies	3,118	3,009
Other	373,378	198,959
Allowance for doubtful accounts	(808)	(482)
Total current assets	17,191,437	14,974,704
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,417,745	2,360,392
Land	4,213,950	4,213,950
Other, net	114,790	102,050
Total property, plant and equipment	6,746,486	6,676,394
Intangible assets		
Database	118,692	157,092
Software	614,414	763,423
Other	9,291	9,271
Total intangible assets	742,398	929,787
Investments and other assets		
Investment securities	2,151,129	1,741,609
Net defined benefit asset	1,032,552	1,053,747
Other	620,752	624,716
Allowance for doubtful accounts	(421,395)	(420,221)
Total investments and other assets	3,383,038	2,999,851
Total non-current assets	10,871,923	10,606,033
Total assets	28,063,361	25,580,738

	(Thousands of yen)	
	FY3/16 (As of Mar. 31, 2016)	Second quarter of FY3/17 (As of Sep. 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,015,847	734,674
Short-term loans payable	770,000	770,000
Current portion of long-term loans payable	20,838	8,340
Income taxes payable	66,605	60,875
Provision for bonuses	308,085	309,106
Provision for sales returns	1,013,605	736,852
Other	1,007,505	446,142
Total current liabilities	4,202,486	3,065,992
Non-current liabilities		
Bonds payable	1,000,000	1,000,000
Deferred tax liabilities	864,157	842,648
Provision for directors' retirement benefits	246,400	-
Net defined benefit liability	95,310	101,731
Other	2,092	253,992
Total non-current liabilities	2,207,959	2,198,372
Total liabilities	6,410,445	5,264,364
Net assets		
Shareholders' equity		
Capital stock	9,903,870	9,903,870
Capital surplus	10,708,236	10,708,236
Retained earnings	1,206,292	(101,546)
Treasury shares	(525,371)	(525,371)
Total shareholders' equity	21,293,026	19,985,187
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	609,046	529,290
Remeasurements of defined benefit plans	(276,870)	(225,788)
Total accumulated other comprehensive income	332,176	303,502
Subscription rights to shares	27,713	27,683
Total net assets	21,652,915	20,316,373
Total liabilities and net assets	28,063,361	25,580,738

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Six-month Period)**

	(Thousands of yen)	
	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Net sales	6,030,186	4,750,973
Cost of sales	4,204,873	3,990,640
Gross profit	1,825,313	760,332
Provision for sales returns-net	128,822	(276,753)
Gross profit-net	1,696,491	1,037,085
Selling, general and administrative expenses	2,145,527	2,037,335
Operating loss	(449,035)	(1,000,249)
Non-operating income		
Interest income	1,514	716
Dividend income	15,640	17,516
Rent income	15,243	18,219
Dividend income of insurance	4,003	4,486
Other	9,523	15,352
Total non-operating income	45,925	56,291
Non-operating expenses		
Interest expenses	6,160	5,980
Share issuance cost	10,858	-
Cost of lease revenue	4,304	6,960
Other	2,052	2,889
Total non-operating expenses	23,375	15,829
Ordinary loss	(426,486)	(959,787)
Extraordinary income		
Gain on sales of non-current assets	1,420	10
Gain on sales of investment securities	10,239	-
Total extraordinary income	11,660	10
Extraordinary losses		
Loss on sales of non-current assets	-	16
Loss on retirement of non-current assets	1,481	432
Total extraordinary losses	1,481	448
Loss before income taxes	(416,306)	(960,225)
Income taxes-current	23,828	18,964
Income taxes-deferred	3,717	(16,054)
Total income taxes	27,546	2,909
Loss	(443,853)	(963,135)
Loss attributable to owners of parent	(443,853)	(963,135)

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

	(Thousands of yen)	
	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Loss	(443,853)	(963,135)
Other comprehensive income		
Valuation difference on available-for-sale securities	(92,248)	(79,756)
Remeasurements of defined benefit plans, net of tax	8,437	51,082
Total other comprehensive income	(83,810)	(28,673)
Comprehensive income	(527,664)	(991,808)
Comprehensive income attributable to:		
Owners of parent	(527,664)	(991,808)
Non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Cash flows from operating activities		
Loss before income taxes	(416,306)	(960,225)
Depreciation and amortization	154,451	195,683
Loss (gain) on sales of short-term and long-term investment securities	(10,239)	-
Increase (decrease) in allowance for doubtful accounts	43,891	(1,499)
Increase (decrease) in net defined benefit liability	6,771	6,421
Decrease (increase) in net defined benefit asset	(15,026)	52,432
Increase (decrease) in provision for bonuses	(5,663)	273
Increase (decrease) in provision for sales returns	128,822	(276,753)
Interest and dividend income	(17,154)	(18,233)
Rent income	(15,243)	(18,219)
Interest expenses	6,160	5,980
Decrease (increase) in notes and accounts receivable-trade	315,806	1,714,578
Decrease (increase) in inventories	306,018	294,724
Increase (decrease) in notes and accounts payable-trade	(580,239)	(283,217)
Other, net	(170,578)	(163,282)
Subtotal	(268,531)	548,664
Interest and dividend income received	17,190	17,877
Proceeds from rent income	15,243	18,262
Interest expenses paid	(6,140)	(5,481)
Income taxes paid	(43,095)	(42,589)
Net cash provided by (used in) operating activities	(285,333)	536,733
Cash flows from investing activities		
Purchase of securities	-	(1,303,260)
Purchase of property, plant and equipment	(28,554)	(16,647)
Proceeds from sales of property, plant and equipment	1,420	12
Purchase of intangible assets	(338,772)	(309,554)
Purchase of investment securities	(210,656)	(100,678)
Proceeds from sales of investment securities	10,240	224,598
Collection of loans receivable	1,225	1,225
Net cash provided by (used in) investing activities	(565,098)	(1,504,304)
Cash flows from financing activities		
Repayments of long-term loans payable	(29,160)	(12,498)
Purchase of treasury shares	(89)	-
Proceeds from issuance of subscription rights to shares	16,944	-
Cash dividends paid	(332,642)	(332,648)
Net cash provided by (used in) financing activities	(344,947)	(345,146)
Net increase (decrease) in cash and cash equivalents	(1,195,378)	(1,312,717)
Cash and cash equivalents at beginning of period	11,782,287	9,949,446
Increase in cash and cash equivalents from newly consolidated subsidiary	-	276,703
Cash and cash equivalents at end of period	10,586,908	8,913,431

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

I. First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)

Omitted since the Shobunsha Group has only a single business segment.

II. First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)

Omitted since the Shobunsha Group has only a single business segment.

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.