October 31, 2017

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

[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 13, 2017
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, 2017 (April 1, 2017 – September 30, 2017)

(1) Consolidated results of operations (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	4,647	(2.2)	(547)	-	(517)	-	(534)	-
Six months ended Sep. 30, 2016	4,750	(21.2)	(1,000)	-	(959)	-	(963)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2017: (412) (- %)
Six months ended Sep. 30, 2016: (991) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2017	(29.40)	-
Six months ended Sep. 30, 2016	(57.92)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2017	22,922	18,818	82.0
As of Mar. 31, 2017	24,550	19,596	79.7

Reference: Shareholders' equity (million yen) As of Sep. 30, 2017: 18,792 As of Mar. 31, 2017: 19,568

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	-	0.00	-	20.00	20.00
Fiscal year ending Mar. 31, 2018	-	0.00			
Fiscal year ending Mar. 31, 2018 (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, 2018 (April 1, 2017 – March 31, 2018)

(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	10,320	0.1	(850)	-	(810)	-	(870)	-	(47.86)

Note: Revisions to the most recently announced consolidated earnings forecasts: Yes

*** 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

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 estimates:	None
4) Restatements:	None

(4) Number of issued shares (common stock)

1) Number of shares issued at the end of the period (including treasury shares)			
As of Sep. 30, 2017:	18,178,173 shares	As of Mar. 31, 2017:	18,178,173 shares
2) Number of treasury shares at the end of the period			
As of Sep. 30, 2017:	200 shares	As of Mar. 31, 2017:	0 share
3) Average number of shares during the period			
Six months ended Sep. 30, 2017:	18,178,079 shares	Six months ended Sep. 30, 2016:	16,627,936 shares

* The current quarterly financial report is not subject to quarterly review procedures.

* 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.

Contents of Attachments

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, 2017 to September 30, 2017), the Japanese economy recovered at a moderate pace as consumer spending improved because of continuing strength in employment and personal income.

In response to the challenging business environment, the Shobunsha Publications Group implemented a number of structural business reforms with the goal of quickly improving our performance. Major actions included revisions to our operating framework, the centralization of database production at a subsidiary to improve efficiency and strengthen this function, absorbing subsidiary Canvas Mapple Co., Ltd., and establishing a performance-linked personnel system. In addition, we established subsidiaries in Hawaii, Guam and Singapore. The objective is to support the growth of the GURUYAKU restaurant reservation service for overseas travelers, which we acquired at the end of the previous fiscal year, and the MAPPLE Activity business, which handles reservations and sales of local tours for travelers. In July, we established a jointly owned company with Headspring Inc., a company that provides innovative energy solutions. The aim of this new company, which is an equity-method affiliate, is to start new businesses that utilize the strengths of Shobunsha and Headspring.

In the first half, e-business sales decreased 254 million yen from one year earlier to 1,097 million yen. One reason was a decrease in sales associated with portable navigation devices (PND) caused by the continuing effects of free car GPS navigation apps. In addition, we stopped receiving orders involving a large, recurring project in the previous fiscal year. First half sales in the retail publishing business increased 171 million yen from one year earlier to 3,008 million yen. The cost of returned publications was down by 380 million yen from one year earlier because of the rigorous management of inventories at stores. Publication returns were a major cause of the decline in the performance of this business in the previous fiscal year. However, performance was negatively affected by measures to hold down the number of publications supplied to book stores in order to reduce returns. Furthermore, revised editions of guidebooks were released during the first half of the previous fiscal year but there were no newly revised editions during the current fiscal year’s first half. There was also a small increase in fee income associated with the addition of the GURUYAKU and MAPPLE Activity services. Overall, consolidated sales for the first half decreased 103 million yen (2.2%) from one year earlier to 4,647 million yen.

The cost of sales decreased more than the decline in sales. The addition to the provision for sales returns was 188 million yen higher than one year earlier but there were emerging benefits of higher efficiency associated with structural business reforms. Selling, general and administrative expenses were 332 million yen less than one year earlier due to a decrease in personnel expenses resulting from a decline in the workforce and to the benefits of a variety of cost-cutting measures. As a result, operating loss improved by 452 million yen from 1,000 million yen one year earlier to 547 million yen and ordinary loss improved by 442 million yen from 959 million yen to 517 million yen. Loss attributable to owners of parent was 534 million yen, an improvement of 428 million yen from 963 million yen one year earlier.

(2) Explanation of Financial Position

Total assets decreased 1,628 million yen (6.6%) from the end of the previous fiscal year to 22,922 million yen at the end of the first half. This was mainly due to decreases in notes and accounts receivable-trade of 588 million yen, securities of 500 million yen and merchandise and finished goods of 772 million yen, which were partially offset by increases in work in process of 138 million yen, intangible assets of 123 million yen and investment securities of 142 million yen. Total liabilities decreased 850 million yen (17.2%) from the end of the previous fiscal year to 4,104 million yen. This was mainly due to decreases in notes and accounts payable-trade of 480 million yen and provision for bonuses of 110 million yen and other current liabilities of 187 million yen. Net assets decreased 777 million yen (4.0%) from the end of the previous fiscal year to 18,818 million yen. Due to loss attributable to owners of parent and dividends paid from the capital surplus, capital surplus decreased 363 million yen and retained earnings decreased 534 million yen.

As a result, the equity ratio improved 2.3 percentage points to 82.0%.

In a press release dated May 12, 2017, Shobunsha announced its intention to reduce the other capital surplus of 5,077 million yen by 3,077 million yen in accordance with Article 452 of the Companies Act and transfer the entire amount to retained earnings brought forward in order to offset the negative retained earnings brought forward. This reduction and transfer were approved at the Annual General Meeting of Shareholders held on June 29, 2017. However, in association with subsequent retroactive revisions made to financial statements in prior fiscal years, the amount of the negative retained earnings brought forward decreased. As a result, we have decided to not conduct this transfer because the amount of transfer would be more than the negative retained earnings brought forward.

Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the first half on a consolidated basis decreased 88 million yen from the end of the previous fiscal year to 7,811 million yen.

Net cash used in operating activities was 8 million yen. The main factors were a 110 million yen decrease in provision for bonuses and a 480 million yen decrease in notes and accounts payable-trade, while there were loss before income taxes of 520 million yen, depreciation and amortization of 67 million yen, a 588 million yen decrease in notes and account receivables-trade, a 634 million yen decrease in inventories.

Net cash provided by investing activities was 283 million yen. The main factors include proceeds from redemption of securities of 500 million yen, while there were purchases of property, plant and equipment and intangible assets of 47 million yen and 154 million yen, respectively.

Net cash used in financing activities was 363 million yen. The main factor was the cash dividends paid of 363 million yen.

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

Although we have been making progress with managing inventories at stores in order to reduce returns, book stores still have a large volume of books that we supplied during the previous fiscal year. As a result, returns during the first half of the current fiscal year were about 100 million yen more than anticipated. In addition, the volume of publications supplied to stores during the first half was far below expectations due to sales activities that reflected the need to lower returns. But personnel and all other categories of selling, general and administrative expenses were lower than expected. The result was a first half operating loss that was 147 million yen higher than the initial forecast.

In the second half, we expect that retail publishing business sales will be in line with the initial forecast. We foresee a continuation of the decline in the supply of books to stores as we rigorously manage store inventories to hold down return but we also expect a decline in returns. However, we do not believe that second half performance will offset the first half downturn. In addition, although e-business sales were as expected in the first half, we expect second half sales to be well below the initial forecast. One reason is the delay of sales from a car navigation project from the initially expected second half to the next fiscal year. Another reason is weak orders during the first half in other e-business activities. In the reservation service business, which was recently started, we expect that sales will fall short of the initial forecast because of delays in the start of operations in other countries.

Earnings are benefiting from progress with reductions in personnel expenses and other categories of selling, general and administrative expenses. However, we do not expect the cost of sales to decline as much as was originally anticipated. The reason is the longer than expected time that will be needed for benefits of the higher efficiency of database production activities due to structural business reforms to emerge.

Accordingly, we have revised our consolidated forecast for the current fiscal year that was announced on May 12, 2017:

Net sales:	10,320 million yen	(Previous forecast: 11,600 million yen)
Operating loss:	850 million yen	(Previous forecast: Operating profit of 80 million yen)
Ordinary loss:	810 million yen	(Previous forecast: Ordinary profit of 120 million yen)
Loss attributable to owners of parent:	870 million yen	(Previous forecast: Profit attributable to owners of parent of 100 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, please refer to the business risk section of our Securities Report "*Yuka-shoken Hokokusho*" for the fiscal year ended March 31, 2017, which was filed on June 29, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	7,899,931	7,811,768
Notes and accounts receivable-trade	3,421,214	2,832,883
Securities	500,000	-
Merchandise and finished goods	2,136,025	1,363,980
Work in process	314,714	452,994
Raw materials and supplies	1,495	670
Other	256,023	199,384
Allowance for doubtful accounts	(633)	(556)
Total current assets	14,528,770	12,661,124
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,310,389	2,247,706
Land	4,213,950	4,213,950
Other, net	9,503	25,144
Total property, plant and equipment	6,533,844	6,486,801
Intangible assets	9,267	132,639
Investments and other assets		
Investment securities	2,087,128	2,230,012
Net defined benefit asset	1,202,630	1,234,403
Other	712,634	700,425
Allowance for doubtful accounts	(523,390)	(522,894)
Total investments and other assets	3,479,003	3,641,946
Total non-current assets	10,022,115	10,261,387
Total assets	24,550,885	22,922,512

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,064,972	584,184
Short-term loans payable	770,000	770,000
Income taxes payable	69,110	70,267
Provision for bonuses	694,233	583,531
Provision for sales returns	789,746	701,554
Other	725,818	538,363
Total current liabilities	4,113,879	3,247,901
Non-current liabilities		
Deferred tax liabilities	493,236	538,983
Net defined benefit liability	93,608	99,350
Other	253,992	217,792
Total non-current liabilities	840,836	856,126
Total liabilities	4,954,716	4,104,028
Net assets		
Shareholders’ equity		
Capital stock	10,141,136	10,141,136
Capital surplus	10,945,502	10,581,938
Retained earnings	(2,126,264)	(2,660,666)
Treasury shares	-	(147)
Total shareholders’ equity	18,960,373	18,062,261
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	693,955	800,286
Foreign currency translation adjustment	-	(369)
Remeasurements of defined benefit plans	(85,765)	(69,941)
Total accumulated other comprehensive income	608,190	729,974
Subscription rights to shares	27,605	26,248
Total net assets	19,596,169	18,818,484
Total liabilities and net assets	24,550,885	22,922,512

(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 FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	4,750,973	4,647,412
Cost of sales	3,990,640	3,578,250
Gross profit	760,332	1,069,161
Provision for sales returns-net	(276,753)	(88,192)
Gross profit-net	1,037,085	1,157,353
Selling, general and administrative expenses	2,037,335	1,705,001
Operating loss	(1,000,249)	(547,647)
Non-operating income		
Interest income	716	775
Dividend income	17,516	20,496
Rent income	18,219	19,077
Dividend income of insurance	4,486	3,791
Other	15,352	15,091
Total non-operating income	56,291	59,231
Non-operating expenses		
Interest expenses	5,980	5,694
Share issuance cost	-	1,700
Cost of lease revenue	6,960	8,036
Share of loss of entities accounted for using equity method	-	13,273
Other	2,889	137
Total non-operating expenses	15,829	28,841
Ordinary loss	(959,787)	(517,257)
Extraordinary income		
Gain on sales of non-current assets	10	654
Gain on transfer of business	-	1,628
Total extraordinary income	10	2,282
Extraordinary losses		
Loss on sales of non-current assets	16	-
Loss on retirement of non-current assets	432	0
Loss on valuation of membership	-	5,700
Total extraordinary losses	448	5,700
Loss before income taxes	(960,225)	(520,674)
Income taxes-current	18,964	11,673
Income taxes-deferred	(16,054)	2,053
Total income taxes	2,909	13,726
Loss	(963,135)	(534,401)
Loss attributable to owners of parent	(963,135)	(534,401)

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

(Thousands of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Loss	(963,135)	(534,401)
Other comprehensive income		
Valuation difference on available-for-sale securities	(79,756)	106,330
Foreign currency translation adjustment	-	(369)
Remeasurements of defined benefit plans, net of tax	51,082	15,823
Total other comprehensive income	(28,673)	121,783
Comprehensive income	(991,808)	(412,617)
Comprehensive income attributable to:		
Owners of parent	(991,808)	(412,617)
Non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Cash flows from operating activities		
Loss before income taxes	(960,225)	(520,674)
Depreciation and amortization	195,683	67,330
Share of (profit) loss of entities accounted for using equity method	-	13,273
Increase (decrease) in allowance for doubtful accounts	(1,499)	(573)
Increase (decrease) in net defined benefit liability	6,421	5,742
Decrease (increase) in net defined benefit asset	52,432	(8,965)
Increase (decrease) in provision for bonuses	273	(110,701)
Increase (decrease) in provision for sales returns	(276,753)	(88,192)
Interest and dividend income	(18,233)	(21,271)
Rent income	(18,219)	(19,077)
Interest expenses	5,980	5,694
Decrease (increase) in notes and accounts receivable-trade	1,714,578	588,330
Decrease (increase) in inventories	294,724	634,591
Increase (decrease) in notes and accounts payable-trade	(283,217)	(480,787)
Other, net	(163,282)	(89,461)
Subtotal	548,664	(24,742)
Interest and dividend income received	17,877	21,270
Proceeds from rent income	18,262	19,077
Interest expenses paid	(5,481)	(5,787)
Income taxes paid	(42,589)	(17,924)
Net cash provided by (used in) operating activities	536,733	(8,106)
Cash flows from investing activities		
Proceeds from redemption of securities	-	500,000
Purchase of securities	(1,303,260)	-
Purchase of property, plant and equipment	(16,647)	(47,592)
Proceeds from sales of property, plant and equipment	12	180
Purchase of intangible assets	(309,554)	(154,974)
Purchase of investment securities	(100,678)	(17,131)
Proceeds from sales of investment securities	224,598	-
Payments of long-term loans receivable from employees	-	(7,000)
Collection of loans receivable	1,225	1,565
Other, net	-	8,228
Net cash provided by (used in) investing activities	(1,504,304)	283,274
Cash flows from financing activities		
Repayments of long-term loans payable	(12,498)	-
Purchase of treasury shares	-	(147)
Cash dividends paid	(332,648)	(363,183)
Net cash provided by (used in) financing activities	(345,146)	(363,330)
Net increase (decrease) in cash and cash equivalents	(1,312,717)	(88,162)
Cash and cash equivalents at beginning of period	9,949,446	7,899,931
Increase in cash and cash equivalents from newly consolidated subsidiary	276,703	-
Cash and cash equivalents at end of period	8,913,431	7,811,768

(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 FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)

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

II. First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)

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.