MAPPLE 明日、どこ行く?

August 3, 2018

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2019 (Three Months Ended June 30, 2018)

[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: Hiroyuki Kato, Executive Officer, General Manager, Business Administration Division
Tel: +81-3-3556-8171

Scheduled date of filing of Quarterly Report: August 13, 2018
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Quarter Ended June 30, 2018 (April 1, 2018 – June 30, 2018)

(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	%
Three months ended Jun. 30, 2018	2,181	(4.4)	(311)	-	(291)	-	(311)	-
Three months ended Jun. 30, 2017	2,281	(0.7)	(394)	-	(376)	-	(391)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2018: (353) (- %)
Three months ended Jun. 30, 2017: (283) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2018	(17.13)	-
Three months ended Jun. 30, 2017	(21.54)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2018	20,999	16,895	80.3
As of Mar. 31, 2018	22,188	17,612	79.3

Reference: Shareholders' equity (million yen) As of Jun. 30, 2018: 16,869 As of Mar. 31, 2018: 17,586

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	0.00	-	20.00	20.00
Fiscal year ending Mar. 31, 2019	-				
Fiscal year ending Mar. 31, 2019 (forecasts)		0.00	-	5.00	5.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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
First half	4,500	(3.2)	(510)	-	(480)	-	(455)	-	(25.03)
Full year	9,910	8.2	90	-	150	-	145	-	7.98

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

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. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Change in Accounting Policy" on page 9 of the attachments for further information.

(4) Number of issued shares (common stock)

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

As of Jun. 30, 2018:	18,178,173 shares	As of Mar. 31, 2018:	18,178,173 shares

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

As of Jun. 30, 2018:	300 shares	As of Mar. 31, 2018:	300 shares

3) Average number of shares during the period

Three months ended Jun. 30, 2018:	18,177,873 shares	Three months ended Jun. 30, 2017:	18,178,135 shares

* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

Cautionary statement with respect to forward-looking statements

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 quarter of the current fiscal year (from April 1, 2018 to June 30, 2018) (hereinafter, "the period under review"), the Japanese economy remained on an unstable, but moderate recovery path on the back of steady improvement in corporate earnings, employment, and personal income although attention should be paid to uncertainties over the global economy triggered by the recent protectionist trade policies and volatilities in the financial and capital markets.

Against this backdrop, the Shobunsha Publications Group (hereinafter, "the Group") continued its efforts to centralize database production in a subsidiary for improving efficiency and strengthening the operating structure, and also to implement measures for reducing returned publications under a new organizational structure following the structural business reforms carried out in the previous fiscal year. We have redefined the behavior of tourists, our major target customers, as "Tabimae" (before traveling), "Tabinaka" (during traveling) and "Tabiato" (after traveling) as part of our initiatives since the previous fiscal year. In the Tabimae business, in April we published "COLOR+," a new travel guidebook series with a concept of "Find something new, different from usual." In the Tabinaka business, in June we started distribution of the location-based advertising service named "Tourist Targeting Ad" for tourists who use "Mapple link" during their stay at travel destinations. "Mapple link" is an e-book app attached to our tourist guidebooks, which has surpassed 13 million downloads in total. Furthermore, in June the Company acquired 100% of shares of Kuqulu, Inc. from its shareholders and made it a subsidiary. Kuqulu operates a call center as its primary business, and we currently outsource a business process to Kuqulu. We expect call center operations to become more critical for our success as the Tabinaka business will expand in the future. Given these, the Company has determined to incorporate Kuqulu into the Group to establish a system that can flexibly meet our service needs such as 24-hour, 365-day support, multilingual support, and contracting & advertising sales support as our agent. We believe that a comprehensive approach to catering for needs of consumers in and out of Japan and developing businesses in peripheral fields will further enhance the synergy effects with our businesses.

In the period under review, e-business sales decreased 27 million yen from one year earlier to 487 million yen. One reason was a decrease in sales associated with portable navigation devices (PND) caused by the continuing effects of free GPS navigation apps, and the other was a decline in sales of some smartphone apps. In the retail publishing business, the cost of returned publications was down by 39 million yen from one year earlier because we continued the rigorous management of inventories at stores in order to reduce publication returns, which are a major cause of the decline in the performance of this business. On the other hand, sales of guidebooks were higher than the previous fiscal year due to the launch of the new series of travel guidebooks as mentioned above during the period under review. Despite that, overall sales decreased because sales of maps and magazines were down from one year earlier. As a result, sales of the retail publishing business decreased 55 million yen from one year earlier to 1,391 million yen. Meanwhile, fee income increased marginally as we put greater focus on a new "Tabinaka" service. Overall, consolidated sales for the period under review decreased 99 million yen (4.4%) from one year earlier to 2,181 million yen.

In terms of profitability, cost of sales decreased from one year earlier, which was more than the decline in sales, thanks to emerging benefits of improved efficiency associated with structural business reforms. On the other hand, the addition to the provision for sales returns was 27 million yen higher than one year earlier. Selling, general and administrative expenses were 13 million yen less than one year earlier due to the benefits of a variety of cost-cutting measures. As a result, operating loss improved by 82 million yen from 394 million yen one year earlier to 311 million yen and ordinary loss improved by 85 million yen from 376 million yen to 291 million yen. Consequently, loss attributable to owners of parent was 311 million yen, an improvement of 80 million yen from 391 million yen one year earlier.

(2) Explanation of Financial Position

Total assets decreased 1,188 million yen (5.4%) from the end of the previous fiscal year to 20,999 million yen at the end of the period under review. This was mainly due to decreases in cash and deposits of 1,059 million yen, notes and accounts receivable-trade of 153 million yen, and merchandise and finished goods of 113 million yen, which were partially offset by increases in goodwill of 194 million yen and other intangible assets of 61 million yen. Total liabilities decreased 471 million yen (10.3%) 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 345 million yen, income taxes payable of 50 million yen, provision for bonuses of 81 million yen, and other current liabilities of 63 million yen, which were partially offset by an increase in provision for sales returns of 71 million yen. Net assets decreased 717 million yen (4.1%) from the end of the previous fiscal year to 16,895 million yen. This was mainly due to a decrease in capital surplus of 4,622 million yen, which was partly offset by an increase in retained earnings of 3,947 million yen. Regarding the change in net assets, we reported a loss attributable to owners of parent and paid dividends out of capital surplus. Additionally, in accordance with the resolution made at the Annual General Meeting of Shareholders held on June 28, 2018, we reduced capital surplus by 4,259 million yen and transferred the entire amount to retained earnings brought forward to offset the accumulated deficit.

Consequently, the equity ratio improved 1.0 percentage points to 80.3%.

Cash flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the period under review on a consolidated basis decreased 1,060 million yen from the end of the previous fiscal year to 6,071 million yen.

Net cash used in operating activities was 394 million yen. The main factors were an 81 million yen decrease in provision for bonuses, a 345 million yen decrease in notes and accounts payable-trade, and payments of cancellation penalty of 232 million yen in addition to a loss before income taxes of 294 million yen, while there were depreciation and amortization of 30 million yen, a 71 million yen increase in provision for sales returns, a 166 million yen decrease in notes and account receivables-trade, and a 162 million yen decrease in inventories.

Net cash used in investing activities was 293 million yen. The main factors include purchase of shares of subsidiaries resulting in change in scope of consolidation of 195 million yen, as well as purchases of property, plant and equipment and intangible assets of 13 million yen and 85 million yen, respectively.

Net cash used in financing activities was 364 million yen. The main factor was the cash dividends paid of 364 million yen.

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

Regarding the operating results for the period under review, we have been making progress as largely we expected. Specifically, inventory management at stores to reduce returns is proceeding well while sales of our publications at book stores have not increased as much as we had anticipated. Therefore, we maintain the consolidated earnings forecasts for the first half and the full year of the fiscal year ending March 31, 2019 released on July 13, 2018. It is noted that, in "Notice of recording gain on liquidation of investment securities as an extraordinary income and revisions to earnings forecasts" released on the same day, we revised the consolidated earnings forecasts for the first half and the full year because we expected to record 55 million yen of gain on liquidation of investment securities as an extraordinary income following the liquidation of Avenry, Inc., our investee company, which had been approved at the Extraordinary General Meeting of Shareholders held on the same day.

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, 2018, which was filed on June 28, 2018.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	First quarter of FY3/19 (As of Jun. 30, 2018)
Assets		
Current assets		
Cash and deposits	7,132,362	6,073,249
Notes and accounts receivable-trade	2,924,247	2,770,490
Merchandise and finished goods	1,796,127	1,682,575
Work in process	328,711	279,649
Raw materials and supplies	645	672
Other	196,314	178,346
Allowance for doubtful accounts	(287)	(270)
Total current assets	12,378,121	10,984,712
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,173,989	2,147,243
Land	4,213,950	4,213,950
Other, net	9,131	18,515
Total property, plant and equipment	6,397,071	6,379,709
Intangible assets		
Goodwill	-	194,382
Other	-	61,794
Total intangible assets	-	256,176
Investments and other assets		
Investment securities	1,880,312	1,830,798
Net defined benefit asset	1,355,548	1,370,802
Other	698,837	698,904
Allowance for doubtful accounts	(521,559)	(521,509)
Total investments and other assets	3,413,138	3,378,996
Total non-current assets	9,810,210	10,014,882
Total assets	22,188,332	20,999,595

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	First quarter of FY3/19 (As of Jun. 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	998,012	652,245
Short-term loans payable	770,000	770,874
Income taxes payable	87,799	37,730
Provision for bonuses	350,380	269,182
Provision for sales returns	721,871	793,396
Other	780,699	717,631
Total current liabilities	3,708,761	3,241,060
Non-current liabilities		
Deferred tax liabilities	548,619	541,932
Net defined benefit liability	101,201	106,638
Other	217,042	214,542
Total non-current liabilities	866,862	863,112
Total liabilities	4,575,624	4,104,173
Net assets		
Shareholders' equity		
Capital stock	10,141,136	10,141,136
Capital surplus	10,581,938	5,959,300
Retained earnings	(3,894,606)	53,131
Treasury shares	(220)	(220)
Total shareholders' equity	16,828,247	16,153,347
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	744,447	712,803
Foreign currency translation adjustment	4,270	(5,508)
Remeasurements of defined benefit plans	9,602	8,716
Total accumulated other comprehensive income	758,320	716,012
Share acquisition rights	26,140	26,063
Total net assets	17,612,708	16,895,422
Total liabilities and net assets	22,188,332	20,999,595

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Three-month Period)

(Thousands of yen)

	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)
Net sales	2,281,420	2,181,983
Cost of sales	1,783,488	1,587,972
Gross profit	497,932	594,010
Provision for sales returns-net	44,222	71,525
Gross profit-net	453,710	522,485
Selling, general and administrative expenses	847,814	833,993
Operating loss	(394,103)	(311,507)
Non-operating income		
Interest income	187	170
Dividend income	14,013	14,440
Rent income	9,538	9,563
Other	7,264	3,647
Total non-operating income	31,003	27,822
Non-operating expenses		
Interest expenses	2,831	2,831
Share issuance cost	1,700	-
Cost of lease revenue	4,093	4,502
Share of loss of entities accounted for using equity method	4,942	73
Other	20	84
Total non-operating expenses	13,588	7,491
Ordinary loss	(376,687)	(291,176)
Extraordinary income		
Gain on sales of non-current assets	180	381
Gain on sales of investment securities	-	0
Total extraordinary income	180	382
Extraordinary losses		
Loss on valuation of investment securities	-	3,610
Loss on valuation of membership	5,770	-
Total extraordinary losses	5,770	3,610
Loss before income taxes	(382,277)	(294,405)
Income taxes-current	7,857	11,875
Income taxes-deferred	1,501	5,061
Total income taxes	9,358	16,937
Loss	(391,635)	(311,342)
Loss attributable to owners of parent	(391,635)	(311,342)

Quarterly Consolidated Statement of Comprehensive Income

(For the Three-month Period)

(Thousands of yen)

	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)
Loss	(391,635)	(311,342)
Other comprehensive income		
Valuation difference on available-for-sale securities	99,781	(31,643)
Foreign currency translation adjustment	-	(9,778)
Remeasurements of defined benefit plans, net of tax	7,911	(885)
Total other comprehensive income	107,693	(42,308)
Comprehensive income	(283,942)	(353,650)
Comprehensive income attributable to:		
Owners of parent	(283,942)	(353,650)
Non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)
Cash flows from operating activities		
Loss before income taxes	(382,277)	(294,405)
Depreciation and amortization	31,362	30,345
Loss (gain) on valuation of short-term and long-term investment securities	-	3,610
Share of loss (profit) of entities accounted for using equity method	4,942	73
Increase (decrease) in allowance for doubtful accounts	(630)	(66)
Increase (decrease) in net defined benefit liability	3,651	5,436
Decrease (increase) in net defined benefit asset	(4,902)	(16,530)
Increase (decrease) in provision for bonuses	(240,860)	(81,197)
Increase (decrease) in provision for sales returns	44,222	71,525
Interest and dividend income	(14,200)	(14,611)
Rent income	(9,538)	(9,563)
Interest expenses	2,831	2,831
Decrease (increase) in notes and accounts receivable-trade	665,596	166,836
Decrease (increase) in inventories	199,698	162,587
Increase (decrease) in notes and accounts payable-trade	(340,524)	(345,766)
Other, net	193,735	169,952
Subtotal	153,106	(148,942)
Interest and dividend income received	14,118	14,527
Proceeds from rent income	9,538	9,563
Interest expenses paid	(2,924)	(2,956)
Payments of cancellation penalty	-	(232,143)
Income taxes paid	(22,416)	(34,240)
Net cash provided by (used in) operating activities	151,422	(394,191)
Cash flows from investing activities		
Payments into time deposits	-	(1,620)
Purchase of property, plant and equipment	(34,013)	(13,970)
Proceeds from sales of property, plant and equipment	180	392
Purchase of intangible assets	(82,442)	(85,980)
Purchase of investment securities	(363)	(370)
Payments of long-term loans receivable from employees	(7,000)	-
Collection of loans receivable	535	465
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(195,320)
Other, net	-	3,201
Net cash provided by (used in) investing activities	(123,105)	(293,204)
Cash flows from financing activities		
Purchase of treasury shares	(73)	-
Cash dividends paid	(364,945)	(364,516)
Net cash provided by (used in) financing activities	(365,018)	(364,516)
Effect of exchange rate change on cash and cash equivalents	-	(8,820)
Net increase (decrease) in cash and cash equivalents	(336,701)	(1,060,733)
Cash and cash equivalents at beginning of period	7,899,931	7,132,362
Cash and cash equivalents at end of period	7,563,229	6,071,628

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders’ Equity

Not applicable.

Change in Accounting Policy

Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.

Effective April 1, 2018, the Company has applied the Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions (Practical Issues Task Force (PITF) No. 36, January 12, 2018; hereinafter, “PITF No. 36”), etc. Accordingly, transactions granting employees and others share acquisition rights, which involve considerations, with vesting conditions are accounted for in accordance with the Accounting Standard for Share-based Payment (Accounting Standards Board of Japan (ASBJ) Statement No. 8, December 27, 2005).

However, PITF No. 36 can be applied in accordance with the transitional provisions set forth in PITF No. 36, Paragraph 10 (3). Accordingly, the Company continues applying the previously used accounting treatment to the transactions in which the Company granted its employees and others share acquisitions rights, which involve considerations, with vesting conditions on the dates prior to the effective date of PITF No. 36.

Segment and Other Information

Segment information

I. First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)

Omitted since the Group has only a single business segment.

II. First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)

Omitted since the Group has only a single business segment.