October 31, 2018

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2019
(Six Months Ended September 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
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Scheduled date of filing of Quarterly Report: November 13, 2018
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, 2018 (April 1, 2018 – September 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	%
Six months ended Sep. 30, 2018	4,372	(5.9)	(315)	-	(276)	-	(303)	-
Six months ended Sep. 30, 2017	4,647	(2.2)	(547)	-	(517)	-	(534)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2018: (251) (- %)
Six months ended Sep. 30, 2017: (412) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2018	(16.72)	-
Six months ended Sep. 30, 2017	(29.40)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2018	20,862	16,997	81.3
As of Mar. 31, 2018	22,188	17,612	79.3

Reference: Shareholders' equity (million yen) As of Sep. 30, 2018: 16,971 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	-	0.00			
Fiscal year ending Mar. 31, 2019 (forecasts)			-	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
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 10 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 Sep. 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 Sep. 30, 2018:	351 shares	As of Mar. 31, 2018:	300 shares

3) Average number of shares during the period

Six months ended Sep. 30, 2018:	18,177,849 shares	Six months ended Sep. 30, 2017:	18,178,079 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

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 4 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, 2018 to September 30, 2018) (hereinafter, “the period under review”), the Japanese economy remained on an unstable, but moderate recovery path on the back of increasing export with the global economy growing steadily. It also got a push from solid personal consumption supported by steady improvement in employment and personal income with corporate earnings remaining strong. Nevertheless, attention should be paid to uncertainties over the global economy triggered by the recent protectionist trade policies and the impact of 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,” and in June published “Cities Tokyo,” a practical book designed as a map picture book that we have never published before. 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. Moreover, as part of the efforts to expand the scope of Tabinaka service, we added Oceania in August and North America in September to the existing service areas for the “MAPPLE Activities” and “TAYLOR” businesses, which are local optional tour reservation and sales agency services. As a result, as of September, we have expanded the areas available for both services to 32 areas and 126 cities and regions in the world. Further in September, as a new attempt of the Tabinaka service, we established GUAM OCEAN PARK CORPORATION, a local subsidiary that provides marine activity services as an organizer in Guam.

In the period under review, e-business sales decreased 49 million yen from one year earlier to 1,048 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 131 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. Sales of guidebooks and practical books were higher than the previous fiscal year due to the launch of the new series of travel guidebooks and the new title of practical book as mentioned above during the period under review. Despite that, overall sales of the business decreased, because sales of maps were down from one year earlier and the new series of magazines was already released in the previous fiscal year. As a result, sales of the retail publishing business decreased 226 million yen from one year earlier to 2,781 million yen. Meanwhile, fee income increased as we put greater focus on a new “Tabinaka” service. Overall, consolidated sales for the period under review decreased 274 million yen (5.9%) from one year earlier to 4,372 million yen.

In terms of profitability, cost of sales decreased from one year earlier, which was more than the decline in sales, thanks to the continuing benefits of improved efficiency associated with structural business reforms. On the other hand, the addition to the provision for sales returns was 29 million yen higher than one year earlier. Selling, general and administrative expenses were 37 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 232 million yen from 547 million yen one year earlier to 315 million yen and ordinary loss improved by 240 million yen from 517 million yen to 276 million yen. Consequently, loss attributable to owners of parent was 303 million yen, an improvement of 230 million yen from 534 million yen one year earlier.

(2) Explanation of Financial Position

Total assets decreased 1,325 million yen (6.0%) from the end of the previous fiscal year to 20,862 million yen at the end of the period under review. This was mainly due to decreases in cash and deposits of 929 million yen, notes and accounts receivable-trade of 352 million yen, and merchandise and finished goods of 479 million yen, which were partially offset by increases in work in process of 76 million yen, goodwill of 189 million yen, software of 89 million yen, and investment securities of 104 million yen. Total liabilities decreased 710 million yen (15.5%) from the end of the previous fiscal year to 3,865 million yen. This was mainly due to decreases in notes and accounts payable-trade of 377 million yen, income taxes payable of 26 million yen, provision for sales returns of 59 million yen, and other current liabilities of 303 million yen, which were partially offset by increases in provision for bonuses of 24 million yen and deferred tax liabilities of 33 million yen. Net assets decreased 615 million yen (3.5%) from the end of the previous fiscal year to 16,997 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 3,955 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 2.0 percentage points to 81.3%.

Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the period under review on a consolidated basis decreased 931 million yen from the end of the previous fiscal year to 6,201 million yen as a result of net cash used in operating activities of 188 million yen, net cash used in investing activities of 374 million yen, and net cash used in financing activities of 363 million yen.

Cash flows by category are described as follows.

Net cash used in operating activities was 188 million yen. The main factors were a 32 million yen increase in net defined benefit asset, a 59 million yen decrease in provision for sales returns, a 377 million yen decrease in notes and accounts payable-trade, payments of cancellation penalty of 232 million yen, and income taxes paid of 27 million yen in addition to a loss before income taxes of 279 million yen, while there were depreciation and amortization of 68 million yen, a 24 million yen increase in provision for bonuses, a 365 million yen decrease in notes and account receivables-trade, and a 402 million yen decrease in inventories.

Net cash used in investing activities was 374 million yen. The main factors include purchases of property, plant and equipment of 15 million yen, purchase of intangible assets of 136 million yen, purchase of investment securities of 25 million yen, and purchase of shares of subsidiaries resulting in change in scope of consolidation of 195 million yen.

Net cash used in financing activities was 363 million yen. The main factor was the cash dividends paid of 362 million yen.

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

Regarding the consolidated earnings forecasts for the fiscal year ending March 31, 2019, we have decided to maintain the current forecasts, as announced in “Notice of revisions to earnings forecasts” (Japanese version only) released on October 30, 2018, by the following reasons: we expect that sales, which fell short of the first half target, can be recovered in the third quarter and onward; although the provision for sales returns recognized in the first half was lower than initially estimated, we foresee the amount of the provision initially estimated will be required in the third quarter and onward; and we expect that selling, general and administrative expenses that were not used in the first half will be incurred in the third quarter and onward.

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)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	7,132,362	6,202,811
Notes and accounts receivable-trade	2,924,247	2,571,650
Merchandise and finished goods	1,796,127	1,317,036
Work in process	328,711	405,245
Raw materials and supplies	645	722
Other	196,314	164,503
Allowance for doubtful accounts	(287)	(251)
Total current assets	12,378,121	10,661,719
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,173,989	2,118,706
Land	4,213,950	4,213,950
Other, net	9,131	20,640
Total property, plant and equipment	6,397,071	6,353,298
Intangible assets		
Goodwill	-	189,523
Other	-	98,921
Total intangible assets	-	288,444
Investments and other assets		
Investment securities	1,880,312	1,984,472
Net defined benefit asset	1,355,548	1,385,542
Other	698,837	708,918
Allowance for doubtful accounts	(521,559)	(519,710)
Total investments and other assets	3,413,138	3,559,222
Total non-current assets	9,810,210	10,200,965
Total assets	22,188,332	20,862,685

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	998,012	620,708
Short-term loans payable	770,000	770,000
Income taxes payable	87,799	61,494
Provision for bonuses	350,380	374,632
Provision for sales returns	721,871	662,803
Other	780,699	477,411
Total current liabilities	3,708,761	2,967,050
Non-current liabilities		
Deferred tax liabilities	548,619	582,581
Net defined benefit liability	101,201	101,059
Other	217,042	214,542
Total non-current liabilities	866,862	898,182
Total liabilities	4,575,624	3,865,233
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)	60,594
Treasury shares	(220)	(258)
Total shareholders’ equity	16,828,247	16,160,772
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	744,447	803,603
Foreign currency translation adjustment	4,270	(792)
Remeasurements of defined benefit plans	9,602	7,831
Total accumulated other comprehensive income	758,320	810,641
Share acquisition rights	26,140	26,038
Total net assets	17,612,708	16,997,452
Total liabilities and net assets	22,188,332	20,862,685

(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 FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	4,647,412	4,372,924
Cost of sales	3,578,250	3,079,749
Gross profit	1,069,161	1,293,175
Provision for sales returns-net	(88,192)	(59,068)
Gross profit-net	1,157,353	1,352,243
Selling, general and administrative expenses	1,705,001	1,667,267
Operating loss	(547,647)	(315,024)
Non-operating income		
Interest income	775	360
Dividend income	20,496	18,485
Rent income	19,077	19,127
Dividend income of insurance	3,791	3,737
Other	15,091	12,059
Total non-operating income	59,231	53,771
Non-operating expenses		
Interest expenses	5,694	5,694
Share issuance cost	1,700	-
Cost of lease revenue	8,036	8,986
Share of loss of entities accounted for using equity method	13,273	99
Other	137	350
Total non-operating expenses	28,841	15,131
Ordinary loss	(517,257)	(276,383)
Extraordinary income		
Gain on sales of non-current assets	654	471
Gain on sales of investment securities	-	0
Gain on transfer of business	1,628	-
Total extraordinary income	2,282	472
Extraordinary losses		
Loss on retirement of non-current assets	0	-
Loss on valuation of investment securities	-	3,610
Loss on valuation of membership	5,700	-
Total extraordinary losses	5,700	3,610
Loss before income taxes	(520,674)	(279,521)
Income taxes-current	11,673	14,391
Income taxes-deferred	2,053	9,966
Total income taxes	13,726	24,357
Loss	(534,401)	(303,879)
Loss attributable to owners of parent	(534,401)	(303,879)

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Loss	(534,401)	(303,879)
Other comprehensive income		
Valuation difference on available-for-sale securities	106,330	59,156
Foreign currency translation adjustment	(369)	(5,062)
Remeasurements of defined benefit plans, net of tax	15,823	(1,771)
Total other comprehensive income	121,783	52,321
Comprehensive income	(412,617)	(251,558)
Comprehensive income attributable to:		
Owners of parent	(412,617)	(251,558)
Non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Cash flows from operating activities		
Loss before income taxes	(520,674)	(279,521)
Depreciation and amortization	67,330	68,158
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	13,273	99
Increase (decrease) in allowance for doubtful accounts	(573)	(1,884)
Increase (decrease) in net defined benefit liability	5,742	(141)
Decrease (increase) in net defined benefit asset	(8,965)	(32,547)
Increase (decrease) in provision for bonuses	(110,701)	24,252
Increase (decrease) in provision for sales returns	(88,192)	(59,068)
Interest and dividend income	(21,271)	(18,846)
Rent income	(19,077)	(19,127)
Interest expenses	5,694	5,694
Decrease (increase) in notes and accounts receivable-trade	588,330	365,676
Decrease (increase) in inventories	634,591	402,480
Increase (decrease) in notes and accounts payable-trade	(480,787)	(377,303)
Other, net	(89,461)	(42,220)
Subtotal	(24,742)	39,310
Interest and dividend income received	21,270	18,889
Proceeds from rent income	19,077	19,127
Interest expenses paid	(5,787)	(5,818)
Payments of cancellation penalty	-	(232,143)
Income taxes paid	(17,924)	(27,853)
Net cash provided by (used in) operating activities	(8,106)	(188,488)
Cash flows from investing activities		
Payments into time deposits	-	(1,615)
Proceeds from redemption of securities	500,000	-
Purchase of property, plant and equipment	(47,592)	(15,127)
Proceeds from sales of property, plant and equipment	180	511
Purchase of intangible assets	(154,974)	(136,560)
Purchase of investment securities	(17,131)	(25,670)
Payments of loans receivable	-	(8,843)
Payments of long-term loans receivable from employees	(7,000)	-
Collection of loans receivable	1,565	1,465
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(195,320)
Other, net	8,228	6,911
Net cash provided by (used in) investing activities	283,274	(374,251)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	(874)
Purchase of treasury shares	(147)	(37)
Cash dividends paid	(363,183)	(362,937)
Net cash provided by (used in) financing activities	(363,330)	(363,849)
Effect of exchange rate change on cash and cash equivalents	-	(4,577)
Net increase (decrease) in cash and cash equivalents	(88,162)	(931,166)
Cash and cash equivalents at beginning of period	7,899,931	7,132,362
Cash and cash equivalents at end of period	7,811,768	6,201,196

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

Omitted since the Group has only a single business segment.

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

Omitted since the Group has only a single business segment.