August 2, 2019

Summary of Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2020
(Three Months Ended June 30, 2019)

[Japanese GAAP]

Company name: Shobunsha Publications, Inc.
Listing: Tokyo Stock Exchange, First Section
Stock code: 9475
URL: https://www.mapple.co.jp/
Representative: Shigeo Kuroda, President & Representative Director
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Scheduled date of filing of Quarterly Report: August 13, 2019
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, 2019 (April 1, 2019 – June 30, 2019)

(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, 2019	1,975	(9.5)	(263)	-	(234)	-	(242)	-
Three months ended Jun. 30, 2018	2,181	(4.4)	(311)	-	(291)	-	(311)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2019: (212) (- %)
Three months ended Jun. 30, 2018: (353) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	(13.32)	-
Three months ended Jun. 30, 2018	(17.13)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2019	18,760	15,074	80.2
As of Mar. 31, 2019	19,695	15,286	77.5

Reference: Shareholders' equity (million yen) As of Jun. 30, 2019: 15,048 As of Mar. 31, 2019: 15,261

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2020	-				
Fiscal year ending Mar. 31, 2020 (forecasts)		0.00	-	-	-

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

There is currently no forecast for the year-end dividend for the fiscal year ending March 31, 2020. An announcement will be made promptly once it becomes possible to disclose a dividend forecast.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	4,110	94.0	(400)	-	(350)	-	(350)	-	(19.25)
Full year	9,070	103.4	120	-	210	-	200	-	11.00

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: 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 Jun. 30, 2019:	18,178,173 shares	As of Mar. 31, 2019:	18,178,173 shares

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

As of Jun. 30, 2019:	501 shares	As of Mar. 31, 2019:	401 shares

3) Average number of shares during the period

Three months ended Jun. 30, 2019:	18,177,755 shares	Three months ended Jun. 30, 2018:	18,177,873 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 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

Looking back at the Japanese economy during the first quarter of the current fiscal year (from April 1, 2019 to June 30, 2019) (hereinafter “the period under review”), we saw weak export and industrial production impacted by the slowdown of the overseas economies. On the other hand, favorable corporate earnings and business sentiment overall continued and capital investment maintained a growth trend. In addition, personal consumption showed an unstable, yet moderate growth, supported by steady improvement in employment and personal income.

Against this backdrop, the Shobunsha Publications Group (hereinafter “the Group”) continued its efforts to centralize database production in a subsidiary for improving efficiency, and to implement measures for reducing returned publications. In the meantime, under the three-business division system updated during the previous fiscal year, we have launched products and services based on our strategy of offering added value such as new planning value, brand value, customized solution value, safe and secure value, and real service value along with maps and travel information in order to limit the continuing decline in revenue impacted by increasing free-of-charge information provision due to the diffusion of web services and smartphone apps in addition to the lingering recession in publication business.

Following “Heiseibon” (Heisei album) published during the previous fiscal year, we published in April, the last month of the Heisei era, “Heisei 31 Returns” available only in convenience stores with a concept of “Let’s take a quick look at the Heisei era before entering into the Reiwa era!” In May, we had the grand opening of the marine activity facility “Guam Ocean Park” operated by Guam Ocean Park Corporation, which is one of our overseas subsidiaries and is regarded as the forefront of the Group’s Tabinaka (during traveling) business strategy. In June, as a new product of our Tabimae (before traveling) business, we published “Re” (pronounced as R-E), a new travel guidebook series for adults to re-discover the excitement of traveling. The guidebooks featuring six prefectures and regions of Japan—Hokkaido, the Tohoku region, Tokyo, Kanazawa city and the Hokuriku region, Kyoto, and Okinawa—are available in major bookstores nationwide.

In the period under review, e-business sales decreased 61 million yen from one year earlier to 425 million yen due to a decrease in sales of embedded portable navigation devices (PND) apps caused by the continuing effects of free GPS navigation apps and because we have narrowed down projects to only profitable ones as a result of our re-examination of profitability, including the projects for which we continue to receive orders every year. In the retail publishing business, the cost of returned publications decreased by 297 million yen from one year earlier because we continued to focus on the 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 magazines were higher than one year earlier due to the launch of the new series of travel guidebooks as mentioned above. However, sales of maps were down from one year earlier due to the lingering recession in publication business and the growth in the use of smartphone apps. Sales of guidebooks were significantly down from one year earlier due to a decrease following the launch of the new and major series of guidebooks during the previous fiscal year. As a result, sales of the retail publishing business decreased 147 million yen from one year earlier to 1,243 million yen. In addition, advertising sales were slightly down from one year earlier partially impacted by the stagnant advertising market against a backdrop of the predicted economic downturn due to the coming consumption tax increase. Sales of special-order products were down from one year earlier because we passed up some projects that are unlikely to generate profit to emphasize profit especially during the current fiscal year. Meanwhile, fee income was up from one year earlier due to the additional revenue of Kuqulu, Inc. that became our consolidated subsidiary in June 2018, and the expansion of the Tabinaka business-related services. Overall, consolidated sales for the period under review decreased 206 million yen (9.5%) from one year earlier to 1,975 million yen.

In terms of profitability, cost of sales ratio decreased from one year earlier, thanks to the continuing effort of reducing the cost. On the other hand, an increase in provision for sales returns-net led to a year-on-year decrease in gross profit. Selling, general and administrative expenses decreased from one year earlier. This is because personnel expenses decreased, reflecting a reduced headcount after the voluntary retirement program implemented in the previous fiscal year, while advertising, rent and other expenses increased due to the addition of newly consolidated subsidiaries. Consequently, operating loss improved by 48 million yen from 311 million one year earlier to 263 million yen. As a result, ordinary loss also improved by 56 million yen from 291 million yen one year earlier to 234 million yen, and loss attributable to owners of parent was 242 million yen, an improvement of 69 million yen from 311 million yen one year earlier.

(2) Explanation of Financial Position

Total assets at the end of the first quarter decreased 935 million yen (4.7%) from the end of the previous fiscal year to 18,760 million yen. This was mainly due to decreases in cash and deposits of 815 million yen, notes and accounts receivable-trade of 210 million yen, and merchandise and finished goods of 49 million yen, and work in process of 23 million yen, which were partially offset by increases in other, net of property, plant and equipment of 91 million yen and other of intangible assets of 74 million yen, and investment securities of 46 million yen. Total liabilities decreased 722 million yen (16.4%) from the end of the previous fiscal year to 3,686 million yen. This was mainly due to decreases of notes and account payable-trade of 268 million yen, income taxes payable of 47 million yen, provision for bonuses of 57 million yen, and other of current liabilities of 471 million yen, which were partially offset by increases in provision for sales returns of 98 million yen and deferred tax liabilities of 20 million yen. Net assets decreased 212 million yen (1.4%) from the end of the previous fiscal year to 15,074 million yen. This was mainly due to reporting of loss attributable to owners of parent, which was partially offset by an increase in valuation difference on available-for-sale securities of 29 million yen. It is noted that, in accordance with the resolution made at the Annual General Meeting of Shareholders held on June 27, 2019, we reduced legal capital surplus by 1,790 million yen and transferred the entire amount to other capital surplus. Subsequently, we transferred the entire amount to retained earnings brought forward to offset the accumulated deficit by the same amount.

Consequently, the equity ratio improved 2.7 percentage points to 80.2%.

Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the first quarter on a consolidated basis decreased 815 million yen from the end of the previous fiscal year to 5,030 million yen.

Net cash used in operating activities was 620 million yen. The main factors were a 57 million yen decrease in provision for bonuses, interest and dividends received of 14 million yen, a 268 million yen decrease in trade payables, extra retirement payments of 413 million yen, and income taxes paid of 28 million yen as well as reporting of loss before income taxes of 234 million yen, which were partially offset by depreciation and amortization of 35 million yen, a 98 million yen increase in provision for sales returns, a 210 million yen decrease in trade receivables, and a 73 million yen decrease in inventories.

Net cash used in investing activities was 194 million yen. The main factors include purchase of property, plant and equipment of 94 million yen and purchase of intangible assets of 107 million yen, which were partially offset by collection of loans receivable of 7 million yen.

Net cash used in financing activities was 0 million yen.

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

Although sales of our publications to bookstores in the first quarter have not increased as much as we had expected and fell somewhat short of our forecast, the overall business is progressing largely in line with the plan. Based on this outlook, we have maintained the first-half and the full-year forecasts of the fiscal year ending March 31, 2020 announced on May 15, 2019.

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 Annual Securities Report (*Yukashoken Hokokusho*) for the fiscal year ended March 31, 2019, which was filed on June 27, 2019.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	5,847,544	5,032,176
Notes and accounts receivable-trade	2,722,415	2,511,562
Merchandise and finished goods	1,625,858	1,576,008
Work in process	232,062	208,727
Raw materials and supplies	668	668
Other	141,927	138,339
Allowance for doubtful accounts	(22,682)	(20,784)
Total current assets	10,547,794	9,446,698
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,044,382	2,016,719
Land	3,614,234	3,614,234
Other, net	15,144	106,345
Total property, plant and equipment	5,673,761	5,737,300
Intangible assets		
Goodwill	179,804	174,944
Other	1,774	76,565
Total intangible assets	181,578	251,510
Investments and other assets		
Investment securities	1,744,269	1,790,389
Retirement benefit asset	1,346,949	1,358,466
Other	404,537	379,420
Allowance for doubtful accounts	(203,526)	(203,539)
Total investments and other assets	3,292,230	3,324,736
Total non-current assets	9,147,571	9,313,546
Total assets	19,695,365	18,760,245

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	840,961	572,323
Short-term borrowings	770,000	770,000
Income taxes payable	76,058	28,595
Provision for bonuses	261,940	204,153
Provision for sales returns	597,652	696,505
Other	1,075,664	604,255
Total current liabilities	3,622,276	2,875,833
Non-current liabilities		
Deferred tax liabilities	531,374	551,994
Retirement benefit liability	69,275	72,752
Other	185,642	185,642
Total non-current liabilities	786,291	810,388
Total liabilities	4,408,568	3,686,221
Net assets		
Shareholders' equity		
Share capital	10,141,136	10,141,136
Capital surplus	5,959,300	4,168,372
Retained earnings	(1,450,645)	98,106
Treasury shares	(288)	(324)
Total shareholders' equity	14,649,502	14,407,290
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	625,532	654,788
Foreign currency translation adjustment	(6,030)	(6,289)
Remeasurements of defined benefit plans	(7,555)	(6,858)
Total accumulated other comprehensive income	611,946	641,640
Share acquisition rights	25,348	25,093
Total net assets	15,286,797	15,074,023
Total liabilities and net assets	19,695,365	18,760,245

(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 FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	2,181,983	1,975,768
Cost of sales	1,587,972	1,375,595
Gross profit	594,010	600,172
Provision for sales returns-net	71,525	98,853
Gross profit-net	522,485	501,319
Selling, general and administrative expenses	833,993	764,482
Operating loss	(311,507)	(263,162)
Non-operating income		
Interest income	170	127
Dividend income	14,440	14,396
Rental income	9,563	9,563
Share of profit of entities accounted for using equity method	-	113
Other	3,647	11,480
Total non-operating income	27,822	35,681
Non-operating expenses		
Interest expenses	2,831	2,676
Rental cost	4,502	4,275
Share of loss of entities accounted for using equity method	73	-
Other	84	483
Total non-operating expenses	7,491	7,435
Ordinary loss	(291,176)	(234,917)
Extraordinary income		
Gain on sales of non-current assets	381	1,202
Gain on sales of investment securities	0	-
Total extraordinary income	382	1,202
Extraordinary losses		
Loss on sales of non-current assets	-	68
Loss on valuation of investment securities	3,610	799
Loss on valuation of membership	-	105
Total extraordinary losses	3,610	972
Loss before income taxes	(294,405)	(234,688)
Income taxes-current	11,875	4,268
Income taxes-deferred	5,061	3,218
Total income taxes	16,937	7,487
Loss	(311,342)	(242,175)
Loss attributable to owners of parent	(311,342)	(242,175)

Quarterly Consolidated Statement of Comprehensive Income

(For the Three-month Period)

(Thousands of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Loss	(311,342)	(242,175)
Other comprehensive income		
Valuation difference on available-for-sale securities	(31,643)	29,255
Foreign currency translation adjustment	(9,778)	(259)
Remeasurements of defined benefit plans, net of tax	(885)	696
Total other comprehensive income	(42,308)	29,693
Comprehensive income	(353,650)	(212,482)
Comprehensive income attributable to:		
Owners of parent	(353,650)	(212,482)
Non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Cash flows from operating activities		
Loss before income taxes	(294,405)	(234,688)
Depreciation and amortization	30,345	35,145
Loss (gain) on valuation of short-term and long-term investment securities	3,610	799
Share of loss (profit) of entities accounted for using equity method	73	(113)
Loss on valuation of membership	-	105
Increase (decrease) in allowance for doubtful accounts	(66)	(1,885)
Increase (decrease) in retirement benefit liability	5,436	3,476
Decrease (increase) in retirement benefit asset	(16,530)	(10,511)
Increase (decrease) in provision for bonuses	(81,197)	(57,786)
Increase (decrease) in provision for sales returns	71,525	98,853
Interest and dividend income	(14,611)	(14,523)
Rental income	(9,563)	(9,563)
Interest expenses	2,831	2,676
Decrease (increase) in trade receivables	166,836	210,853
Decrease (increase) in inventories	162,587	73,185
Increase (decrease) in trade payables	(345,766)	(268,637)
Other, net	169,952	(26,882)
Subtotal	(148,942)	(199,498)
Interest and dividends received	14,527	14,501
Proceeds from rental income	9,563	8,831
Interest paid	(2,956)	(2,831)
Payments of cancellation penalty	(232,143)	-
Extra retirement payments	-	(413,246)
Income taxes paid	(34,240)	(28,241)
Net cash provided by (used in) operating activities	(394,191)	(620,485)
Cash flows from investing activities		
Payments into time deposits	(1,620)	(1,648)
Proceeds from withdrawal of time deposits	-	1,629
Purchase of property, plant and equipment	(13,970)	(94,416)
Proceeds from sales of property, plant and equipment	392	1,119
Purchase of intangible assets	(85,980)	(107,677)
Purchase of investment securities	(370)	(378)
Collection of loans receivable	465	7,093
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	(293,204)	(194,278)
Cash flows from financing activities		
Purchase of treasury shares	-	(35)
Dividends paid	(364,516)	(247)
Net cash provided by (used in) financing activities	(364,516)	(283)
Effect of exchange rate change on cash and cash equivalents	(8,820)	(338)
Net increase (decrease) in cash and cash equivalents	(1,060,733)	(815,386)
Cash and cash equivalents at beginning of period	7,132,362	5,845,914
Cash and cash equivalents at end of period	6,071,628	5,030,528

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

Omitted since the Group has only a single business segment.

II. First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)

Omitted since the Group has only a single business segment.