November 1, 2019

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2020 (Six Months Ended September 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
Contact: Hiroyuki Kato, Executive Officer, General Manager, Business Administration Division
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Scheduled date of filing of Quarterly Report: November 13, 2019
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, 2019 (April 1, 2019 – September 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	%
Six months ended Sep. 30, 2019	3,950	(9.7)	(171)	-	(128)	-	(141)	-
Six months ended Sep. 30, 2018	4,372	(5.9)	(315)	-	(276)	-	(303)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: (172) (- %)
Six months ended Sep. 30, 2018: (251) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	(7.78)	-
Six months ended Sep. 30, 2018	(16.72)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2019	18,652	15,113	80.9
As of Mar. 31, 2019	19,695	15,286	77.5

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 15,089 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	-	0.00			
Fiscal year ending Mar. 31, 2020 (forecasts)			-	-	-

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
Full year	9,070	3.4	120	-	210	-	360	-	19.80

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

3) Average number of shares during the period

Six months ended Sep. 30, 2019:	18,177,713 shares	Six months ended Sep. 30, 2018:	18,177,849 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

Looking back at the Japanese economy during the first half of the current fiscal year (from April 1, 2019 to September 30, 2019) (hereinafter “the period under review”), we saw weak export impacted by the continued slowdown of the overseas economies. On the other hand, favorable corporate earnings overall continued and capital investment maintained a growth trend. In addition, personal consumption continued to show an unstable, yet moderate growth trend, 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 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.

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 July, the Group subscribed to a capital increase by assigned new shares to a third party, Cerulean Blue Co., Ltd., and acquired their shares in order to further enhance the Tabinaka business. Cerulean Blue Okinawa is a tour organizer in all aspects of tours in the Okinawa Islands, one of popular destinations for both Japanese and foreign tourists. In August, GUAM OCEAN PARK CORPORATION purchased all businesses of Apra Dive Marine, Inc. that has strengths in marine sports activities such as flyboards, jet skis, and banana boats in Guam. The Group intends to promptly create business synergies with both Cerulean Blue Okinawa and Apra Dive Marine, Inc. and contribute to developing the Tabinaka business. In addition, we obtained cooperation from JAPAN POST Co., Ltd. to offer our early detection support service “OKAERI (Welcome back) QR” that helps detect people with dementia, lost children, lost items, etc. Their Tokyo Office started face-to-face selling the service across Tokyo in July. Likewise, Minami-Kanto Office started the service across Kanagawa prefecture and Yamanashi prefecture in September.

In the period under review, e-business sales decreased by 82 million yen from one year earlier to 962 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 a decrease following sales of a large project that we bid for and won in the inbound business during the previous fiscal year. In the retail publishing business, the cost of returned publications decreased by 423 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 maps, practical books, magazines, and guidebooks were down from one year earlier due to the lingering recession in publication business and the growth in the use of smartphone apps. As a result, sales of the retail publishing business decreased by 362 million yen from one year earlier to 2,418 million yen. In addition, advertising sales were slightly down from one year earlier. Sales of special-order products were also down from one year earlier because we emphasize profit especially during the current fiscal year and may pass up projects that are unlikely to generate profit. 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 services related to “GURUYAKU,” a restaurant reservation service for overseas travelers, and the Tabinaka business. Furthermore, we earned facility income from the above-mentioned grand opening of the marine activity facility “Guam Ocean Park” during the second quarter of the current fiscal year. Overall, consolidated sales for the period under review decreased by 422 million yen (9.7%) from one year earlier to 3,950 million yen.

In terms of profitability, cost of sales decreased in line with a reduction in outsourcing costs as a result of promoting in-house production within the Group as well as a decrease in labor costs, reflecting a reduced headcount after the voluntary retirement program implemented in the previous fiscal year. Nevertheless, 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 due to a decrease in personnel expenses for the same reason as the labor costs in cost of sales. Consequently, operating loss improved by 143 million yen from 315 million yen one year earlier to 171 million yen, and ordinary loss also improved by 147 million yen from 276 million yen one year earlier to 128 million yen. As a result, loss attributable to owners of parent improved by 162 million yen from 303 million yen one year earlier to 141 million yen.

(2) Explanation of Financial Position

Total assets at the end of the second quarter decreased 1,043 million yen (5.3%) from the end of the previous fiscal year to 18,652 million yen. This was mainly due to decreases in cash and deposits of 408 million yen, notes and accounts receivable-trade of 632 million yen, and merchandise and finished goods of 325 million yen, which were partially offset by increases in work in process of 134 million yen; buildings and structures, net of 28 million yen; other, net of property, plant and equipment of 39 million yen and investment securities of 24 million yen as well as a decrease in allowance for doubtful accounts of investments and other assets of 52 million yen. Total liabilities decreased 870 million yen (19.7%) from the end of the previous fiscal year to 3,538 million yen. This was mainly due to decreases in notes and account payable-trade of 270 million yen, income taxes payable of 11 million yen, provision for sales returns of 11 million yen and other of current liabilities of 601 million yen, which were partially offset by an increase in provision for bonuses of 24 million yen. Net assets decreased 172 million yen (1.1%) from the end of the previous fiscal year to 15,113 million yen. This was mainly due to the reporting of loss attributable to owners of parent in addition to a decrease in valuation difference on available-for-sale securities of 24 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 from other capital surplus to retained earnings brought forward to offset the accumulated deficit by the same amount.

Consequently, the equity ratio improved 3.4 percentage points to 80.9%.

Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the second quarter on a consolidated basis decreased 406 million yen from the end of the previous fiscal year to 5,439 million yen.

Net cash used in operating activities was 77 million yen. The main cash outflow factors were a 57 million yen decrease in allowance for doubtful accounts, a 20 million yen increase in retirement benefit asset, a 11 million yen decrease in provision for sales returns, interest and dividend income of 19 million yen, rental income of 17 million yen, a 270 million yen decrease in trade payables, extra retirement payments of 413 million yen, and income taxes paid of 16 million yen on top of the reporting of loss before income taxes of 126 million yen. These factors were partially offset by cash inflow factors such as depreciation and amortization of 73 million yen, a 632 million yen decrease in trade receivables, and a 190 million yen decrease in inventories.

Net cash used in investing activities was 319 million yen. The main cash outflow factors include purchase of property, plant and equipment of 127 million yen, purchase of intangible assets of 164 million yen, and purchase of investment securities of 60 million yen, which were partially offset by collection of loans receivable of 7 million yen.

Net cash used in financing activities was 1 million yen.

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

The consolidated operating results for the period under review show that sales of our publications to bookstores have not increased as much as we had expected and fell short of our forecast, but profits were higher than our forecast. This is because there are some expenses that were to be incurred during the period under review but delayed to the following periods. Given such a situation, we consider the business as a whole is progressing as initially planned. Therefore, we have maintained the full-year forecast for the fiscal year ending March 31, 2020, which was announced on September 12, 2019.

These forecasts are based on information that is c 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. 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)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	5,847,544	5,439,410
Notes and accounts receivable-trade	2,722,415	2,090,146
Merchandise and finished goods	1,625,858	1,300,849
Work in process	232,062	366,943
Raw materials and supplies	668	258
Other	141,927	101,639
Allowance for doubtful accounts	(22,682)	(17,283)
Total current assets	10,547,794	9,281,963
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,044,382	2,073,176
Land	3,614,234	3,614,234
Other, net	15,144	55,017
Total property, plant and equipment	5,673,761	5,742,428
Intangible assets		
Goodwill	179,804	170,084
Other	1,774	128,057
Total intangible assets	181,578	298,142
Investments and other assets		
Investment securities	1,744,269	1,768,494
Retirement benefit asset	1,346,949	1,369,358
Other	404,537	342,664
Allowance for doubtful accounts	(203,526)	(151,035)
Total investments and other assets	3,292,230	3,329,481
Total non-current assets	9,147,571	9,370,052
Total assets	19,695,365	18,652,015

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	840,961	570,480
Short-term borrowings	770,000	770,000
Income taxes payable	76,058	64,974
Provision for bonuses	261,940	286,382
Provision for sales returns	597,652	586,364
Other	1,075,664	473,763
Total current liabilities	3,622,276	2,751,965
Non-current liabilities		
Deferred tax liabilities	531,374	530,491
Retirement benefit liability	69,275	70,636
Other	185,642	184,971
Total non-current liabilities	786,291	786,098
Total liabilities	4,408,568	3,538,064
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)	198,938
Treasury shares	(288)	(324)
Total shareholders’ equity	14,649,502	14,508,123
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	625,532	601,364
Foreign currency translation adjustment	(6,030)	(14,282)
Remeasurements of defined benefit plans	(7,555)	(6,161)
Total accumulated other comprehensive income	611,946	580,920
Share acquisition rights	25,348	24,908
Total net assets	15,286,797	15,113,951
Total liabilities and net assets	19,695,365	18,652,015

(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 FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	4,372,924	3,950,072
Cost of sales	3,079,749	2,655,539
Gross profit	1,293,175	1,294,532
Provision for sales returns-net	(59,068)	(11,288)
Gross profit-net	1,352,243	1,305,820
Selling, general and administrative expenses	1,667,267	1,477,053
Operating loss	(315,024)	(171,232)
Non-operating income		
Interest income	360	358
Dividend income	18,485	19,163
Rental income	19,127	17,602
Dividend income of insurance	3,737	-
Other	12,059	20,754
Total non-operating income	53,771	57,878
Non-operating expenses		
Interest expenses	5,694	4,927
Rental cost	8,986	8,672
Share of loss of entities accounted for using equity method	99	0
Other	350	1,825
Total non-operating expenses	15,131	15,426
Ordinary loss	(276,383)	(128,779)
Extraordinary income		
Gain on sales of non-current assets	471	1,829
Gain on sales of investment securities	0	1,155
Total extraordinary income	472	2,984
Extraordinary losses		
Loss on sales of non-current assets	-	81
Loss on valuation of investment securities	3,610	799
Loss on sales of membership	-	100
Loss on valuation of membership	-	105
Total extraordinary losses	3,610	1,085
Loss before income taxes	(279,521)	(126,880)
Income taxes-current	14,391	8,215
Income taxes-deferred	9,966	6,246
Total income taxes	24,357	14,462
Loss	(303,879)	(141,343)
Loss attributable to owners of parent	(303,879)	(141,343)

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Loss	(303,879)	(141,343)
Other comprehensive income		
Valuation difference on available-for-sale securities	59,156	(24,168)
Foreign currency translation adjustment	(5,062)	(8,252)
Remeasurements of defined benefit plans, net of tax	(1,771)	1,393
Total other comprehensive income	52,321	(31,026)
Comprehensive income	(251,558)	(172,370)
Comprehensive income attributable to:		
Owners of parent	(251,558)	(172,370)
Non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities		
Loss before income taxes	(279,521)	(126,880)
Depreciation and amortization	68,158	73,216
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	99	0
Loss (gain) on sales of membership	-	100
Loss on valuation of membership	-	105
Increase (decrease) in allowance for doubtful accounts	(1,884)	(57,889)
Increase (decrease) in retirement benefit liability	(141)	1,360
Decrease (increase) in retirement benefit asset	(32,547)	(20,399)
Increase (decrease) in provision for bonuses	24,252	24,441
Increase (decrease) in provision for sales returns	(59,068)	(11,288)
Interest and dividend income	(18,846)	(19,522)
Rental income	(19,127)	(17,602)
Interest expenses	5,694	4,927
Decrease (increase) in trade receivables	365,676	632,269
Decrease (increase) in inventories	402,480	190,538
Increase (decrease) in trade payables	(377,303)	(270,480)
Other, net	(42,220)	(83,074)
Subtotal	39,310	320,621
Interest and dividends received	18,889	19,568
Proceeds from rental income	19,127	16,781
Interest paid	(5,818)	(5,082)
Payments of cancellation penalty	(232,143)	-
Extra retirement payments	-	(413,246)
Income taxes paid	(27,853)	(16,351)
Net cash provided by (used in) operating activities	(188,488)	(77,710)
Cash flows from investing activities		
Payments into time deposits	(1,615)	(1,648)
Proceeds from withdrawal of time deposits	-	3,278
Purchase of property, plant and equipment	(15,127)	(127,875)
Proceeds from sales of property, plant and equipment	511	1,454
Purchase of intangible assets	(136,560)	(164,366)
Purchase of investment securities	(25,670)	(60,378)
Loan advances	(8,843)	-
Long-term loan advances to employees	-	(1,000)
Collection of loans receivable	1,465	7,798
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(195,320)	-
Other, net	6,911	23,130
Net cash provided by (used in) investing activities	(374,251)	(319,608)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(874)	-
Purchase of treasury shares	(37)	(35)
Dividends paid	(362,937)	(1,033)
Net cash provided by (used in) financing activities	(363,849)	(1,069)
Effect of exchange rate change on cash and cash equivalents	(4,577)	(8,116)
Net increase (decrease) in cash and cash equivalents	(931,166)	(406,504)
Cash and cash equivalents at beginning of period	7,132,362	5,845,914
Cash and cash equivalents at end of period	6,201,196	5,439,410

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

Transfer of non-current assets

Shobunsha Publications, Inc. (hereinafter "the Company") resolved to transfer its non-current assets at the meeting of the Company's Board of Directors held on September 12, 2019, and entered into a transfer agreement on September 17, 2019.

1. Reason for the transfer

The Company decided to transfer the land and building of its Yokohama Sales Office to more effectively utilize its assets and improve its financial foundation.

2. Details of assets to be transferred

(1) Name of assets	Yokohama Sales Office
(2) Location	1-3-3, Okano, Nishi-ku, Yokohama, Kanagawa Prefecture
(3) Area of land	289.12 square meters
(4) Total floor space of the building	577.82 square meters
(5) Gain on transfer	159 million yen
(6) Current state	Office and parking lot

Note: The carrying amount and transfer value of the assets will not be disclosed due to the transferee's request.

3. Overview of the transferee

(1) Name of the asset	Kuriko Co., Ltd.
(2) Location	1-11-8, Sengencho, Nishi-ku, Yokohama, Kanagawa Prefecture
(3) Representative's title and name	Representative Director, Ryohei Isogai
(4) Business	Manufacture and sale of *Taiyaki* (fish-shaped waffles)
(5) Relationship between the Company and the transferee	The transferee does not have any capital, personal or business relationship with the Company, and is not a related party of the Company.

4. Schedule of the transfer

(1) Date of resolution by the Board of Directors	September 12, 2019
(2) Date of execution of the transfer agreement	September 17, 2019
(3) Date of delivery	In December 2019 (planned)

5. Impact of the transfer on profit or loss of the Company

With the transfer of the non-current assets, the Company plans to record gain on sales of non-current assets of 159 million yen as extraordinary income during the third quarter of the current fiscal year.

Segment and Other Information

Segment information

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

Omitted since the Group has only a single business segment.

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

Omitted since the Group has only a single business segment.

Subsequent Events

Transfer of non-current assets

The Company resolved to transfer its non-current assets at the meeting of the Company’s Board of Directors held on October 18, 2019, and entered into a transfer agreement on October 29, 2019.

1. Reason for the transfer

The Company decided to transfer the land and building of its Osaka Office to more effectively utilize its assets and improve its financial foundation.

2. Details of assets to be transferred

(1) Name of the assets	Osaka Office
(2) Location	6-11-23, Nishinakajima, Yodogawa-ku, Osaka, Osaka Prefecture
(3) Area of land	487.16 square meters
(4) Total floor space of the building	2,154.63 square meters
(5) Gain on transfer	906 million yen
(6) Current state	Office and parking lot

Note: The carrying amount and transfer value of the assets will not be disclosed due to the transferee’s request.

3. Overview of the transferee

The transferee is a Japanese corporation. The overview of the transferee will not be disclosed due to the transferee’s request.

The transferee does not have any capital, personal or business relationship with the Company, and is not a related party of the Company.

4. Schedule of the transfer

(1) Date of resolution by the Board of Directors	October 18, 2019
(2) Date of execution of the transfer agreement	October 29, 2019
(3) Date of delivery	In April 2020 (planned)

5. Impact of the transfer on profit or loss of the Company

There is no impact of the transfer on the operating results for the fiscal year ending March 31, 2020 because the transfer will take place during the fiscal year ending March 31, 2021.

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.