February 7, 2020

Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2020 (Nine Months Ended December 31, 2019)

[Japanese GAAP]

Company name: Shobunsha Publications, Inc. Listing: Tokyo Stock Exchange, First Section
Stock code: 9475 URL: https://www.mapple.co.jp/
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Scheduled date of filing of Quarterly Report: February 13, 2020
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 Third Quarter Ended December 31, 2019 (April 1, 2019 – December 31, 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	%
Nine months ended Dec. 31, 2019	5,647	(9.9)	(225)	-	(162)	-	(2)	-
Nine months ended Dec. 31, 2018	6,271	(4.7)	(320)	-	(269)	-	(276)	-

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2019: 108 (- %)
Nine months ended Dec. 31, 2018: (469) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2019	(0.13)	-
Nine months ended Dec. 31, 2018	(15.21)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2019	18,867	15,370	81.5
As of Mar. 31, 2019	19,695	15,286	77.5

Reference: Shareholders' equity (million yen) As of Dec. 31, 2019: 15,370 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 Dec. 31, 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 Dec. 31, 2019:	701 shares	As of Mar. 31, 2019:	401 shares

3) Average number of shares during the period

Nine months ended Dec. 31, 2019:	18,177,665 shares	Nine months ended Dec. 31, 2018:	18,177,827 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 nine months of the current fiscal year (from April 1, 2019 to December 31, 2019) (hereinafter “the period under review”), we saw weak export impacted by the continued slowdown of the overseas economies. However, favorable corporate earnings overall continued and capital investment maintained a growth trend. Personal consumption also continued to show a moderate growth trend, supported by steady improvement in employment and personal income despite a temporary slowdown that is caused mainly by a rise in the consumption tax rate and natural disasters such as typhoons.

Against this backdrop, Shobunsha Publications, Inc. (hereinafter “the Company”) and its subsidiaries and associates (hereinafter collectively “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 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” 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 third-party allocation of the shares of Cerulean Blue Co., Ltd., and acquired its 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. Furthermore, in November, the Company acquired SUNNY SIDE UP GUAM INC. and all of its shares in order to incorporate their parasailing business into its tour and activity business. Parasailing is the most popular activity in Guam now.

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, and others in order to help people live more securely. 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, and Kanto Office started the service across the Tokyo metropolitan area in October.

In the period under review, e-business sales decreased by 129 million yen from one year earlier to 1,394 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 492 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 506 million yen from one year earlier to 3,397 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 current fiscal year. Overall, consolidated sales for the period under review decreased by 623 million yen (9.9%) from one year earlier to 5,647 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 and the decrease in consolidated sales 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 94 million yen from 320 million yen one year earlier to 225 million yen, and ordinary loss also improved by 106 million yen from 269 million yen one year earlier to 162 million yen. In addition, as the Company announced on September 12, 2019, it transferred the land and building of its Yokohama Sales Office to the external company, and recorded gain on sales of non-current assets of 159 million yen as extraordinary income. As a result, loss attributable to owners of parent improved by 274 million yen from 276 million yen one year earlier to 2 million yen.

(2) Explanation of Financial Position

Total assets at the end of the third quarter decreased 827 million yen (4.2%) from the end of the previous fiscal year to 18,867 million yen. This was mainly due to decreases in cash and deposits of 646 million yen, notes and accounts receivable-trade of 708 million yen, merchandise and finished goods of 233 million yen, and land of 71 million yen, which were partially offset by increases in work in process of 270 million yen; buildings and structures, net of 20 million yen; other, net of property, plant and equipment of 78 million yen; goodwill of 79 million yen; investment securities of 146 million yen; and retirement benefit asset of 32 million yen as well as a decrease in allowance for doubtful accounts of investments and other assets of 52 million yen. Total liabilities decreased 911 million yen (20.7%) from the end of the previous fiscal year to 3,497 million yen. This was mainly due to decreases in notes and account payable-trade of 219 million yen, income taxes payable of 32 million yen, provision for bonuses of 32 million yen, provision for sales returns of 93 million yen, and other of current liabilities of 557 million yen. Net assets increased 83 million yen (0.5%) from the end of the previous fiscal year to 15,370 million yen. This was mainly due to an increase in valuation difference on available-for-sale securities of 117 million yen, which was partially offset by a decrease in share acquisition rights of 25 million yen as well as the reporting of loss attributable to owners of parent. 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 4.0 percentage points to 81.5%.

Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the third quarter on a consolidated basis decreased 645 million yen from the end of the previous fiscal year to 5,200 million yen.

Net cash used in operating activities was 362 million yen. The main cash outflow factors were gain on sales of non-current assets of 161 million yen, gain on reversal of share acquisition rights of 25 million yen, a 58 million yen decrease in allowance for doubtful accounts, a 29 million yen increase in retirement benefit asset, a 32 million yen decrease in provision for bonuses, a 93 million yen decrease in provision for sales returns, interest and dividend income of 31 million yen, rental income of 24 million yen, a 36 million yen increase in inventories, a 225 million yen decrease in trade payables, extra retirement payments of 413 million yen, and income taxes paid of 23 million yen. These factors were partially offset by cash inflow factors such as depreciation and amortization of 116 million yen and a 716 million yen decrease in trade receivables on top of the reporting of profit before income taxes of 17 million yen.

Net cash used in investing activities was 273 million yen. The main cash outflow factors include purchase of property, plant and equipment of 145 million yen, purchase of intangible assets of 231 million yen, purchase of investment securities of 60 million yen, and payments for acquisition of businesses of 80 million yen, which were partially offset by proceeds from sales of property, plant and equipment of 240 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 and e-business sales have fallen short of our expectations, but for profits, we have continued to take various measures, and 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 in the initially planned range. Therefore, we have maintained the full-year forecast for the fiscal year ending March 31, 2020, which was announced on September 12, 2019. It is noted that the World Health Organization declared the COVID-19 epidemica Public Health Emergency of International Concern, and the Japanese government also designated the virus as a Designated Infectious Disease in a Cabinet Order. The Company does not see signs of rapid spread of infection in Japan at this moment, but now closely monitors the situation to see whether or not it will affect the tourism industry in Japan and abroad. The Company will immediately disclose information if it becomes clear that the outbreak has some specific impacts on its forecasts of the current fiscal year.

These forecasts are based on information that is currently available and on assumptions that we believe are reasonable. 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)	Third quarter of FY3/20 (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	5,847,544	5,200,652
Notes and accounts receivable-trade	2,722,415	2,013,818
Merchandise and finished goods	1,625,858	1,392,531
Work in process	232,062	502,681
Raw materials and supplies	668	307
Other	141,927	137,325
Allowance for doubtful accounts	(22,682)	(16,468)
Total current assets	10,547,794	9,230,849
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,044,382	2,065,242
Land	3,614,234	3,542,834
Other, net	15,144	93,958
Total property, plant and equipment	5,673,761	5,702,035
Intangible assets		
Goodwill	179,804	259,763
Other	1,774	204,788
Total intangible assets	181,578	464,552
Investments and other assets		
Investment securities	1,744,269	1,891,109
Retirement benefit asset	1,346,949	1,379,926
Other	404,537	349,949
Allowance for doubtful accounts	(203,526)	(151,052)
Total investments and other assets	3,292,230	3,469,933
Total non-current assets	9,147,571	9,636,521
Total assets	19,695,365	18,867,370

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	Third quarter of FY3/20 (As of Dec. 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	840,961	621,289
Short-term borrowings	770,000	770,000
Income taxes payable	76,058	43,159
Provision for bonuses	261,940	229,482
Provision for sales returns	597,652	503,660
Other	1,075,664	517,853
Total current liabilities	3,622,276	2,685,445
Non-current liabilities		
Deferred tax liabilities	531,374	556,118
Retirement benefit liability	69,275	71,369
Other	185,642	184,300
Total non-current liabilities	786,291	811,788
Total liabilities	4,408,568	3,497,233
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)	337,832
Treasury shares	(288)	(405)
Total shareholders’ equity	14,649,502	14,646,935
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	625,532	742,994
Foreign currency translation adjustment	(6,030)	(14,328)
Remeasurements of defined benefit plans	(7,555)	(5,464)
Total accumulated other comprehensive income	611,946	723,201
Share acquisition rights	25,348	-
Total net assets	15,286,797	15,370,137
Total liabilities and net assets	19,695,365	18,867,370

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Net sales	6,271,573	5,647,671
Cost of sales	4,337,962	3,767,979
Gross profit	1,933,610	1,879,692
Provision for sales returns-net	(188,081)	(93,992)
Gross profit-net	2,121,691	1,973,684
Selling, general and administrative expenses	2,442,312	2,199,322
Operating loss	(320,620)	(225,637)
Non-operating income		
Interest income	542	529
Dividend income	29,404	30,720
Rental income	28,690	24,227
Dividend income of insurance	3,760	-
Other	15,316	30,663
Total non-operating income	77,715	86,141
Non-operating expenses		
Interest expenses	8,557	6,938
Rental cost	13,528	13,223
Share of loss of entities accounted for using equity method	3,408	1,650
Other	1,047	1,463
Total non-operating expenses	26,541	23,275
Ordinary loss	(269,446)	(162,772)
Extraordinary income		
Gain on sales of non-current assets	833	161,609
Gain on sales of investment securities	0	1,155
Gain on liquidation of investment securities	54,993	-
Gain on reversal of share acquisition rights	-	25,348
Total extraordinary income	55,828	188,112
Extraordinary losses		
Loss on sales of non-current assets	21,811	80
Loss on valuation of investment securities	3,610	7,999
Loss on sales of membership	-	100
Loss on valuation of membership	-	105
Total extraordinary losses	25,421	8,285
Profit (loss) before income taxes	(239,039)	17,055
Income taxes-current	22,632	10,329
Income taxes-deferred	14,778	9,174
Total income taxes	37,411	19,504
Loss	(276,451)	(2,449)
Loss attributable to owners of parent	(276,451)	(2,449)

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

(Thousands of yen)

	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Loss	(276,451)	(2,449)
Other comprehensive income		
Valuation difference on available-for-sale securities	(188,331)	117,462
Foreign currency translation adjustment	(2,523)	(8,298)
Remeasurements of defined benefit plans, net of tax	(2,657)	2,090
Total other comprehensive income	(193,513)	111,254
Comprehensive income	(469,964)	108,805
Comprehensive income attributable to:		
Owners of parent	(469,964)	108,805
Non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	(239,039)	17,055
Depreciation and amortization	108,569	116,292
Loss (gain) on valuation of short-term and long-term investment securities	3,610	7,999
Loss (gain) on liquidation of investment securities	(54,993)	-
Gain on sales of non-current assets	-	(161,609)
Share of loss (profit) of entities accounted for using equity method	3,408	1,650
Gain on reversal of share acquisition rights	-	(25,348)
Loss (gain) on sales of membership	-	100
Loss on valuation of membership	-	105
Increase (decrease) in allowance for doubtful accounts	(1,929)	(58,688)
Increase (decrease) in retirement benefit liability	1,182	2,094
Decrease (increase) in retirement benefit asset	(48,263)	(29,963)
Increase (decrease) in provision for bonuses	(91,226)	(32,458)
Increase (decrease) in provision for sales returns	(188,081)	(93,992)
Interest and dividend income	(29,947)	(31,249)
Rental income	(28,690)	(24,227)
Interest expenses	8,557	6,938
Decrease (increase) in trade receivables	801,894	716,668
Decrease (increase) in inventories	210,314	(36,930)
Increase (decrease) in trade payables	(361,485)	(225,228)
Other, net	(63,213)	(121,928)
Subtotal	30,664	27,280
Interest and dividends received	30,045	31,321
Proceeds from rental income	28,690	22,763
Interest paid	(8,681)	(7,093)
Payments of cancellation penalty	(232,143)	-
Extra retirement payments	-	(413,246)
Income taxes paid	(29,536)	(23,715)
Net cash provided by (used in) operating activities	(180,960)	(362,690)
Cash flows from investing activities		
Payments into time deposits	(1,669)	(1,648)
Proceeds from withdrawal of time deposits	-	3,278
Purchase of property, plant and equipment	(26,155)	(145,332)
Proceeds from sales of property, plant and equipment	48,272	240,030
Purchase of intangible assets	(157,653)	(231,839)
Purchase of investment securities	(43,420)	(60,764)
Proceeds from liquidation of investment securities	80,184	-
Payments for acquisition of businesses	-	(80,939)
Loan advances	(9,085)	(4,050)
Collection of loans receivable	3,451	12,223
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(195,320)	(60,243)
Other, net	11,911	55,960
Net cash provided by (used in) investing activities	(289,487)	(273,325)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(874)	-
Purchase of treasury shares	(67)	(117)
Dividends paid	(363,438)	(1,102)
Net cash provided by (used in) financing activities	(364,380)	(1,219)
Effect of exchange rate change on cash and cash equivalents	(2,591)	(8,025)
Net increase (decrease) in cash and cash equivalents	(837,419)	(645,261)
Cash and cash equivalents at beginning of period	7,132,362	5,845,914
Cash and cash equivalents at end of period	6,294,943	5,200,652

(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

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.

Segment and Other Information

Segment information

I. First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)

Omitted since the Group has only a single business segment.

II. First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)

Omitted since the Group has only a single business segment.

Subsequent Events

(Divestiture due to conversion to a holding company structure)

At the meeting of the Company's Board of Directors held on December 6, 2019, the Company resolved to enter into absorption and divestiture agreements with three divestiture preparation companies, which are wholly owned subsidiaries, for the purpose of using divestitures to change to a holding company structure.

In conjunction with the conversion to a holding company structure, the Company plans to rename itself Shobunsha Holdings, Inc. on April 1, 2020 and revise its business purposes to match its operations following this conversion.

Shareholders approved a resolution for the conversion to a holding company structure at the Extraordinary General Meeting of Shareholders held on January 10, 2020.

Some information about this absorption and divestiture is not disclosed because this involves wholly owned subsidiaries of the Company.

Conversion to a holding company structure using a divestiture

1. Background and purpose

Since the start of the 21st century, the information and communications revolution fueled by the internet has created a prolonged downturn in the publishing industry. Furthermore, advancements in technologies involving the internet have produced rapid growth of new types of media for disseminating information, such as blogs and social networking services. The result is changes in consumption patterns on an unprecedented scale. In addition, the traditional business model of content providers, consisting of the collection, packaging and dissemination of information to consumers, is threatened by the widespread use of smartphones. People have more complex and diverse demands regarding the value of information due in part to the utilization of metadata and big data facilitated by information and communication technologies and artificial intelligence. Due to these events, there have been dramatic changes in the business climate for the publishing business and e-business of the Company.

One response to these events has been the use in the publishing business of e-books and brands for publication series in order to increase the number of readers who become members. In the e-business, there are activities for converting operations from the provision of content to the provision of solutions. These measures include the start of businesses involving travel and activities at travel destinations. All activities are aimed at creating the types of value that match what people want and using global operations for building a broader foundation for earnings.

The purpose of changing to the holding company structure is to succeed as an organization that provides support for good living and enjoyable traveling. The goals are more growth and earnings in existing businesses and the success of new businesses by moving quickly.

The specific purposes of the divestiture are as follows.

(1) Make decisions faster by clarifying authority and responsibilities for management of the group and individual businesses

Separating the organizations used to manage the group and for the management of each business unit will clearly define the authority and responsibilities for these management activities. In addition, this structure will facilitate faster decision-making concerning business operations and provide more transparency about business conditions because each business unit will report its performance separately. The objective is to use this structure to become more competitive by quickly adapting with flexibility to changes in market conditions.

(2) Strengthen a function for determining group management strategies

The holding company will concentrate on the management of the entire Group, determine group management strategies for business expansion, including M&A, and maximize the corporate value of the group by optimally allocating and efficiently using the group's resources. The holding company will also oversee new businesses in the fields of real estate and logistics.

(3) Shift to a system compatible with the corporate culture and business domains

While diversifying business activities, we will establish and upgrade personnel and labor management systems that are compatible with the corporate culture and business domain of each group company in order to strengthen human resources and improve employee motivation.

2. Summary of conversion to a holding company structure

(1) Schedule of the absorption-type divestiture

Establishment of three divestiture preparation companies:	October 1, 2019
Notice of shareholders meeting record date:	November 14, 2019
Shareholders meeting record date:	November 29, 2019
Approval of divestiture agreement at the Board of Directors:	December 6, 2019
Signing of divestiture agreement	December 6, 2019
Approval of divestiture agreement at the General Meeting of Shareholders:	January 10, 2020
Effective date of divestiture:	April 1, 2020 (planned)

(2) Method used for the absorption-type divesture

This is a divestiture of the Company's businesses to three wholly owned companies established to prepare for the transfer of these businesses: Shobunsha Publications Preparatory Company, Mapple, Inc., and MEGURU Co., Ltd. The business operations of the Company will be divided among these three companies.

The Company will retain its stock listing as a holding company.

(3) Allocation of stock associated with the absorption-type divestiture

For the absorption-type divestiture, the three companies will each issue 8,000 shares of common stock to be allocated to the Company.

(4) Treatment of share acquisition rights and bonds with share acquisition rights in association with the absorption-type divestiture

There will be no changes to the share acquisition rights issued by the Company due to this divestiture.

(5) Change of capital in association with the absorption-type divestiture

There is no capital increase or decrease due to this divestiture.

(6) Rights and obligations to be transferred to the successor companies

The three successor companies will receive on the effective date of divestiture the assets, liabilities, labor contracts, and other rights and obligations that are necessary to perform their respective businesses within the extent defined by the absorption and divestiture agreement.

(7) Prospects for fulfilling debt obligations

After evaluating the expected assets and liabilities of the Company and the three successor companies and the outlook for their earnings, the Company believes that this divestiture will have no material impact on the ability of the holding company and the three successor companies to fulfill obligations regarding liabilities that become due after the divestiture. Furthermore, the Company will be jointly responsible for the liabilities to be transferred to the three successor companies.

3. Summary of the divestiture company

(1) Company name	Shobunsha Publications, Inc.
(2) Location	3-1 Kojimachi, Chiyoda-ku, Tokyo
(3) Representative	Shigeo Kuroda, President & Representative Director
(4) Business	The provision of maps and travel information including the following activities: planning, production, publishing and sale of maps, magazines and guide books using primarily proprietary map and travel guide data; planning, production and sale of digital databases; services associated with all of these businesses
(5) Share capital	10,141 million yen
(6) Established	June 11, 1964
(7) No. of shares outstanding	18,178,173 shares
(8) Fiscal year end	March 31
(9) Major shareholders and shareholding ratios	MTI Ltd. 23.18% Toshio Kuroda 19.66% Shigeo Kuroda 9.34% Japan Trustee Services Bank, Ltd. (Trust account) 4.55% The Master Trust Bank of Japan, Ltd. (Trust account) 1.97%

Note: Shobunsha Publications, Inc. will be renamed Shobunsha Holdings, Inc. as of April 1, 2020.

4. Summary of the successor companies

(1) Company name	Shobunsha Publications Preparatory Company	Mapple, Inc.	MEGURU Co., Ltd.
(2) Location	3-1 Kojimachi, Chiyoda-ku, Tokyo	3-1 Kojimachi, Chiyoda-ku, Tokyo	3-1 Kojimachi, Chiyoda-ku, Tokyo
(3) Representative	Yasushi Shimizu, Representative Director	Shigeo Kuroda, Representative Director	Tsugunori Uehara Representative Director
(4) Business	Planning, editing, production and sale of media based mainly on maps and travel information; advertisements, production of customized items, brand licensing	Planning, production, sale and licensing of digital database based mainly on maps and travel guide information and services associated with these activities	Tourism business, including restaurant and tour reservations, activities at tourism destinations, and other activities
(5) Share capital	20 million yen	20 million yen	20 million yen
(6) Established	October 1, 2019	October 1, 2019	October 1, 2019
(7) No. of shares outstanding	2,000 shares	2,000 shares	2,000 shares
(8) Fiscal year end	March 31	March 31	March 31
(9) Major shareholders and shareholding ratios	Shobunsha Publications, Inc. 100%	Shobunsha Publications, Inc. 100%	Shobunsha Publications, Inc. 100%
(10) Relationship with the Company			
Capital	Wholly owned subsidiary of the Company	Wholly owned subsidiary of the Company	Wholly owned subsidiary of the Company
Personnel	A director of the Company serves concurrently as the Representative Director of this company.	The Representative Director of the Company serves concurrently as the Representative Director of this company.	A director of the Company serves concurrently as the Representative Director of this company.
Business	No relationship because this company has not yet started operating.	No relationship because this company has not yet started operating.	No relationship because this company has not yet started operating.

Note: Shobunsha Publications Preparatory Company will be renamed Shobunsha Publications, Inc. as of April 1, 2020.

5. Financial position and results of operations in the most recent fiscal year

	Divestiture company (As of Mar. 31, 2019)	Successor company (1) (As of Oct. 1, 2019)	Successor company (2) (As of Oct. 1, 2019)	Successor company (3) (As of Oct. 1, 2019)
Company name	Shobunsha Publications, Inc.	Shobunsha Publications Preparatory Company	Mapple, Inc.	MEGURU Co., Ltd.
Net assets	15,286 million yen (consolidated)	20 million yen	20 million yen	20 million yen
Total assets	19,695 million yen (consolidated)	20 million yen	20 million yen	20 million yen
Net assets per share	839.57 yen (consolidated)	10,000 yen	10,000 yen	10,000 yen
Net sales	8,770 million yen (consolidated)	-	-	-
Operating profit	(655) million yen (consolidated)	-	-	-
Ordinary profit	(590) million yen (consolidated)	-	-	-
Profit attributable to owners of parent	(1,815) million yen (consolidated)	-	-	-
Net income per share	(99.85) yen	-	-	-

6. Businesses to be divested

(1) Activities of businesses to be divested

Successor companies	Activities of businesses to be divested
Shobunsha Publications Preparatory Company	Planning, editing, production and sale of media based mainly on maps and travel information; advertisements, production of customized items, brand licensing (a)
Mapple, Inc.	Planning, production, sale and licensing of digital database based mainly on maps and travel guide information and services associated with these activities (b)
MEGURU Co., Ltd.	Tourism business, including restaurant and tour reservations, activities at tourism destinations, and other activities (c)

(2) Results of operations of businesses to be divested

	Divested Business (a)	Divested Business (b)	Divested Business (c)	The Company (before divestiture)
Net sales	6,552 million yen	1,875 million yen	55 million yen	8,483 million yen
Pct. of consolidated sales before the divestiture	77.2%	22.1%	0.7%	-

Note: Figures are prepared based on the statement of income for the fiscal year ended March 31, 2019.

(3) Assets and liabilities to be succeeded

Figures are calculated based on the balance sheet as of September 30, 2019.

Shobunsha Publications Preparatory Company

Assets		Liabilities	
Item	Carrying amount	Item	Carrying amount
Current assets	3,727 million yen	Current liabilities	1,122 million yen
Non-current assets	776 million yen	Non-current liabilities	230 million yen
Total	4,503 million yen	Total	1,352 million yen

Mapple Inc.

Assets		Liabilities	
Item	Carrying amount	Item	Carrying amount
Current assets	593 million yen	Current liabilities	227 million yen
Non-current assets	492 million yen	Non-current liabilities	110 million yen
Total	1,085 million yen	Total	338 million yen

MEGURU Co., Ltd.

Assets		Liabilities	
Item	Carrying amount	Item	Carrying amount
Current assets	177 million yen	Current liabilities	135 million yen
Non-current assets	321 million yen	Non-current liabilities	8 million yen
Total	499 million yen	Total	143 million yen

7. Status after the absorption-type divestiture

	Divestiture company	Successor company (1)	Successor company (2)	Successor company (3)
(1) Company name	Shobunsha Holdings, Inc. (plans to rename from Shobunsha Publications, Inc. on April 1, 2020)	Shobunsha Publications, Inc. (plans to rename from Shobunsha Publications Preparatory Company on April 1, 2020)	Mapple Inc.	MEGURU Co., Ltd.
(2) Location	3-1 Kojimachi, Chiyoda-ku, Tokyo	3-1 Kojimachi, Chiyoda-ku, Tokyo	3-1 Kojimachi, Chiyoda-ku, Tokyo	3-1 Kojimachi, Chiyoda-ku, Tokyo
(3) Representative	Shigeo Kuroda, President & Representative Director	Yasushi Shimizu, Representative Director	Shigeo Kuroda, Representative Director	Tsugunori Uehara Representative Director
(4) Business	Management of group companies, real estate business and logistics business	Planning, editing, production and sale of media based mainly on maps and travel information; advertisements, production of customized items, brand licensing	Planning, production, sale and licensing of digital database based mainly on maps and travel guide information and services associated with these activities	Tourism business, including restaurant and tour reservations, activities at tourism destinations, and other activities
(5) Share capital	10,141 million yen	100 million yen	100 million yen	100 million yen
(6) Fiscal year end	March 31	March 31	March 31	March 31

8. Outlook

This absorption-type divestiture will not have a material effect on the consolidated performance of the Company because all three successor companies are wholly owned subsidiaries. After the divestiture, the sales of the Company are expected to be primarily dividends from subsidiaries, fees for administrative services provided to subsidiaries, real estate leasing income and revenue for logistics services for subsidiaries. Expenses of the Company are expected to be primarily expenses for activities involving the management and other oversight of group companies as a holding company.