May 15, 2020

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (FY3/20)

[Japanese GAAP]

Company name: Shobunsha Holdings, Inc. Listing: Tokyo Stock Exchange, First Section
Stock code: 9475 URL: https://www.mapple.co.jp/
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Scheduled date of Annual General Meeting of Shareholders: June 26, 2020
Scheduled date of payment of dividend: -
Scheduled date of filing of Annual Securities Report: June 26, 2020
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: None

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	%
Fiscal year ended Mar. 31, 2020	8,057	(8.1)	(68)	-	15	-	129	-
Fiscal year ended Mar. 31, 2019	8,770	(4.2)	(655)	-	(590)	-	(1,815)	-

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2020: (48) (- %)
Fiscal year ended Mar. 31, 2019: (1,961) (- %)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2020	7.15	-	0.9	0.1	(0.9)
Fiscal year ended Mar. 31, 2019	(99.85)	-	(11.1)	(2.8)	(7.5)

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2020: (2) Fiscal year ended Mar. 31, 2019: (4)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	18,817	15,212	80.8	836.91
As of Mar. 31, 2019	19,695	15,286	77.5	839.57

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 15,212 As of Mar. 31, 2019: 15,261

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2020	(523)	(349)	(1)	4,970
Fiscal year ended Mar. 31, 2019	(589)	(322)	(364)	5,845

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2019	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Mar. 31, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Mar. 31, 2021 (forecasts)	-	0.00	-	-	-		-	

Note: The most recently announced year-end dividend forecast for the fiscal year ended March 31, 2020 was revised. Please refer to the press release "Announcement for dividends of surplus (dividend suspension)" announced today (Japanese version only). There is currently no forecast for the year-end dividend for the fiscal year ending March 31, 2021. An announcement will be made promptly once it becomes possible to disclose a dividend forecast. Please refer to "1. Overview of Results of Operations, (5) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years" on page 5 for further details.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

We have not yet determined the consolidated earnings forecast for the fiscal year ending March 31, 2021 based on the judgement that it was difficult to make an appropriate estimate considering the impact of COVID-19 infection at this time. We will immediately release the forecast in a timely manner once a reasonable estimate becomes available.

*** 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) 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

(3) Number of issued shares (common stock)

1) Number of shares issued at the end of the period (including treasury shares)
As of Mar. 31, 2020: 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 Mar. 31, 2020: 701 shares As of Mar. 31, 2019: 401 shares
3) Average number of shares during the period
Fiscal year ended Mar. 31, 2020: 18,177,617 shares Fiscal year ended Mar. 31, 2019: 18,177,814 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2020	7,555	(10.9)	9	-	128	-	29	-
Fiscal year ended Mar. 31, 2019	8,483	(5.5)	(570)	-	(452)	-	(1,790)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2020	1.64	-
Fiscal year ended Mar. 31, 2019	(98.52)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	18,381	14,841	80.7	816.47
As of Mar. 31, 2019	19,186	14,960	77.8	821.59

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 14,841 As of Mar. 31, 2019: 14,934

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

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

Cautionary statement with respect to forward-looking statements

Forward-looking statements in these materials are based on assumption judged to be valid and information available to the Company's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of factors. Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 4 of attachments for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

The Company decided to cancel the planned financial results meeting for analysts due to the COVID-19 infection. Materials to be distributed at this event will be available on the Company's website at the beginning of June 2020.

Contents of Attachments

1. Overview of Results of Operations

(1) Results of Operations

Looking back at the Japanese economy in the fiscal year ended on March 31, 2020 (from April 1, 2019 to March 31, 2020) (hereinafter “the current fiscal year”), personal consumption continued to show a moderate growth trend until the third quarter ended December 31, 2019, supported by steady improvement in employment and personal income despite a temporary slowdown caused mainly by a rise in the consumption tax rate and natural disasters such as typhoons. However, in this winter, the novel coronavirus disease (COVID-19) spread rapidly, causing a global pandemic. In Japan, in order to prevent its health care system from collapsing as a result of the outbreak of COVID-19, the government asked certain business operators to suspend their business activities; encouraged general companies to allow their employees to work from home; and asked the public to stay home unless they need to go out. As a result, we expect this will greatly impact the economy as a whole.

Under such circumstances, Shobunsha Holdings, 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, 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 recession in publication business.

More specifically, we had the grand opening of the marine activity facility “Guam Ocean Park” in May 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 foreign tourists. In August, the aforementioned 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 in September, and Kanto Office started it across the Tokyo metropolitan area in October. In March 2020, we also published “Touring MAPPLE” and “Mountain and Highland Maps,” two perennially popular map series for longtime fans.

In response to the prevention of the spread of COVID-19, we implement new initiatives in line with the government’s policy. For example, after the government declared the state of emergency, we promote teleworking in broader areas, which we have advanced as part of a work environment improvement initiative toward work-style reforms and improving operational efficiency. We also offer the smartphone app of the perennially popular map series “Mountain and Highland Maps” free of charge during the stay-at-home period upon the government’s state of emergency declaration.

In the current fiscal year, e-business sales decreased by 245 million yen from the previous fiscal year to 2,024 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 773 million yen from the previous fiscal year 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 the previous fiscal year due to the lingering recession in publication business and the growth in the use of smartphone apps in addition to the effects of the 15th and 19th typhoons in 2019, causing extensive damage to the areas that the typhoons passed over as well as a slump in the demand for domestic and overseas travel due to the impact of COVID-19 especially after February 2020 and the postponement of new publications accordingly. As a result, sales of the retail publishing business decreased by 514 million yen from the previous fiscal year to 4,478 million yen. In addition, advertising revenue was down from the previous fiscal year due to changes in the market conditions, etc. Sales of special-order products were also down from the previous fiscal year 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 the previous fiscal year owing to the additional revenue of Kuqulu, Inc. that became our consolidated subsidiary in June 2019, 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 current fiscal year decreased by 712 million yen (8.1%) from the previous fiscal year to 8,057 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, the decrease in cost of sales exceeded the decrease in consolidated sales despite an increase in provision for sales returns-net, leading to a year-on-year increase in gross profit. Selling, general and administrative expenses decreased from the previous fiscal year due to a significant decrease in personnel expenses, reflecting the reduced headcount, for the same reason as the labor costs in cost of sales as well as decreases in provision of allowance for doubtful accounts, transportation expenses, and business consignment expenses. Consequently, operating loss improved by 587 million yen from 655 million yen in the previous fiscal year to 68 million yen, and ordinary profit also improved by 605 million yen from ordinary loss of 590 million yen in the previous fiscal year to 15 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. Furthermore, extraordinary loss improved by 1,200 million yen from the previous fiscal year because no expenses were incurred during the current fiscal year, which correspond to impairment loss of 751 million yen and extra retirement payments of 413 million yen recorded during the previous fiscal year. As a result, profit attributable to owners of parent improved by 1,945 million yen from loss attributable to owners of parent of 1,815 million yen in the previous fiscal year to 129 million yen.

Sales results (Millions of yen)

Category	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	YoY change (%)
Retail publishing			
Maps	1,500	1,493	99.5
Magazines	2,658	2,339	88.0
Guidebooks	677	513	75.8
Practical books	156	131	84.1
Subtotal	4,992	4,478	89.7
Special-order products	622	510	82.0
Advertising income	676	620	91.7
e-business sales	2,269	2,024	89.2
Fees and commissions	209	285	136.2
Facility income	-	138	-
Total	8,770	8,057	91.9

Notes: 1. The amounts are based on selling prices.
2. The above amounts do not include consumption taxes.

(2) Financial Position

Total assets at the end of the current fiscal year decreased 877 million yen (4.5%) from the end of the previous fiscal year to 18,817 million yen. This was mainly due to decreases in cash and deposits of 876 million yen, notes and accounts receivable-trade of 249 million yen, merchandise and finished goods of 40 million yen, buildings and structures of 153 million yen, land of 126 million yen, investment securities of 154 million yen, which were partially offset by increases in work in process of 177 million yen, real estate for sale of 208 million yen, goodwill of 74 million yen, and software of 252 million yen as well as a decrease in allowance for doubtful accounts of investments and other assets of 46 million yen. Total liabilities decreased 803 million yen (18.2%) from the end of the previous fiscal year to 3,605 million yen. This was mainly due to decreases in notes and account payable-trade of 117 million yen, accrued expenses of 535 million yen, other of current liabilities of 42 million yen, and deferred tax liabilities of 65 million yen. Net assets decreased 73 million yen (0.5%) from the end of the previous fiscal year to 15,212 million yen. This was mainly due to decreases in valuation difference on available-for-sale securities of 123 million yen, remeasurements of defined benefit plans of 53 million yen, and share acquisition rights of 25 million yen. In addition, capital surplus decreased 1,790 million yen as a result of transferring the entire amount to retained earnings as described below. Retained earnings increased 1,920 million yen, which consisted of the amount transferred from profit 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 3.3 percentage points to 80.8%.

(3) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year on a consolidated basis decreased 875 million yen from the end of the previous fiscal year to 4,970 million yen. Cash flows by category are described as follows.

Net cash used in operating activities was 523 million yen. The main cash outflow factors were a 39 million yen decrease in allowance for doubtful accounts, a 39 million yen increase in retirement benefit asset, interest and dividend income of 35 million yen, a 137 million yen increase in inventories, a 148 million yen increase in other non-current assets, a 123 million yen decrease in trade payables, a 172 million yen decrease in other current liabilities, and extra retirement payments of 413 million yen. These factors were partially offset by cash inflow factors such as depreciation and amortization of 163 million yen and a 257 million yen decrease in trade receivables on top of the reporting of profit before income taxes of 166 million yen.

Net cash used in investing activities was 348 million yen. The main cash outflow factors include purchase of property, plant and equipment of 157 million yen; purchase of intangible assets of 274 million yen; purchase of investment securities of 93 million yen; and payments for acquisition of businesses of 81 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.

(4) Outlook

In the persistently challenging business environment, we were convinced that an early improvement in earnings was our top priority. Based on this conviction, we transited to a three-business division system to focus on the following three divisions: the Media Business Division, the Solutions Business Division, and the Global Business Division. The Media Business Division offers information and services meeting the needs of users through publications and digital media, including websites and apps; the Solutions Business Division provides data-based solutions to businesses and municipalities in various forms of media both online and offline; and the Global Business Division delivers services that address travel-related needs from around the world, including not only sending travelers to destinations by providing travel information on the internet but also offering activity programs at travel destinations both in Japan and abroad. Although the Company had worked on businesses under the three-business division system, it has shifted, as announced on September 30, 2019, to a holding company structure where the holding company holds these businesses as independent corporate entities, since April 1, 2020. The purpose of this new shift is to push forward with the three-business division system in a more tangible manner, enhance transparency of business operations and further speed up decision making of each business. Under the new holding company structure, the holding company is responsible for strategies and management of the entire group.

As for business outlook, the economy will continue to be severely challenged by the COVID-19 outbreak and its aftermath for some time in the future. It is actually concerned that the COVID-19 pandemic might drive down the world economy even further. Many fear the risk that a decline in corporate earnings worsen employment and income conditions, and subsequently undermine consumer spending, even if all emergency relief measures are implemented by the government as scheduled. The state of emergency declared on April 7, 2020 has practically ordered that a broad range of service companies and self-employed businesses temporarily suspend or curtail their business operations and all citizens voluntarily stay home. In addition, many countries around the world, including Japan, have strictly controlled entry of foreign visitors, the direct and indirect impact of which is immeasurably large especially on companies, including us, in the travel/tourism industry. Under these circumstances, it has become extremely difficult for us to reasonably forecast our future earnings. We, therefore, have decided not to finalize and announce our earnings forecasts for the fiscal year ending March 31, 2021 at the moment but announce the forecasts as soon as they become available.

(5) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

Distributing earnings to shareholders is one of the highest priorities of the Company. We have distributed earnings to shareholders from capital surplus even if retained earnings are negative so far based on the basic policy to pay a stable dividend that reflects results of operations and the operating environment. However, from the previous fiscal year and thereafter for some time, we will maintain a policy to pay dividends from retained earnings in consideration of the fundamental purpose of dividends.

Retained earnings will be used for efficient investments from a long-term perspective. We will use retained earnings effectively by investing in system development and capital assets for new businesses that we believe to have a great growth potential. We will also make investments to form alliances with other companies in order to adapt quickly to the rapidly changing business climate.

Regarding the dividend from surplus, the forecast of which has not been disclosed so far, it is most regrettable to announce that we are not able to distribute dividends for the current fiscal year. Although we reported a profit for the current fiscal year, it was below our expectation. In addition, it remains difficult to foresee to what extent the Company’s financial performance will be affected by the risk of the spread of the COVID-19 infection with no sign of subsiding at this moment and by the potential downside risk of the economic environment caused by the COVID-19 pandemic. Therefore, we have decided to place the highest management priority on securing liquidity on hand as much as possible.

We sincerely apologize to our shareholders for the situation. We will make every effort to resume dividend payment in the near future, and also, we would like to ask for continued support.

Regarding year-end dividends for the next fiscal year, further details are undecided at this point. We will make an announcement as soon as forecasts are provided after giving comprehensive consideration to relevant factors including our dividend policy, future impact of the external operating environment on earnings, and our financial soundness.

(6) Business Risks

As for risk factors that may materially influence results of operations, financial position and other aspects of the performance of the Group, we will list them in the Annual Securities Report. Risk factors associated with COVID-19, however, are described below, although details of these risk factors will be provided also in the Shobunsha Securities Report, which will be published later. The following risk factors may have a material effect on decisions by investors.

Risks associated with the COVID-19

At the moment, we are not yet in a stage where we can predict when the pandemic of COVID-19 will come to an end. The COVID-19 may be contained and suppressed gradually over time. However, with the changing of seasons, the virus may again start spreading from countries in the Southern Hemisphere where its influence has been relatively immaterial. Many also speculate that we may face the second and third waves of the pandemic; and some warn that even if COVID-19 vaccine and drugs are developed successfully and the disease becomes curable, it could take years to fully contain the virus.

As for the influence of COVID-19 on the Group's business performance, we believe we need to sort out the influence for each of our major business categories.

Our retail publishing business is subcategorized into the following four genres: Maps, Magazines, Guidebooks and Practical books. Of which, maps, magazines and guidebooks are planned and offered for the purpose of providing readers with information on outings, including traveling.

If the influence of COVID-19 lasts longer and the government and municipalities continue to call for self-quarantine and self-restraint, including voluntary postponement or cancellation of traveling from cities to rural areas, such influence on sales of our publications in the retail publishing business will also persist.

In particular, many of our magazines and guidebooks are planned and offered based on the assumption that people can freely travel abroad. If immigration and other restrictions implemented by many countries around the world prolong, it will materially impact sales of our products of this genre. The primary purpose of these magazines and guidebooks is to deliver to readers compelling and helpful information, which we gathered directly from local restaurants, leisure and tourist facilities. Should the prolonged state of emergency impede local restaurants, leisure and tourist facilities from returning to normal operations earlier, we will not be able to obtain sufficient information, and as a consequence, may not be able to publish the planned number of titles for magazines and guidebooks or have to postpone publication, as these magazine and guidebooks are compiled based on information gathered directly from these restaurants, leisure and tourist facilities.

The impact of the COVID-19 on the retail publishing business is a structural issue applicable also to our online publications (apps), such as "MAPPLE Magazine," "co-Trip" and "Mountain and Highland Maps."

We sell the majority of our publications for retailing through a nationwide network of ordinary bookstores. Most of these bookstores do not fall under the scale or industries that are subject to voluntary curtailment or closing of operations under the state of emergency declared by the Japanese government and municipalities. However, some of these bookstores have voluntarily closed or curtailed operations in order to prevent potential infection with COVID-19. A prolonged influence of COVID-19, therefore, can result in a loss of sales opportunities during such voluntary closure or curtailment of operations by these bookstores. Moreover, in the event they actually go under or are forced to go out of business, we may not be able to collect receivables from these bookstores.

In the advertising business, its advertising clients include a lot of accommodation facilities, tourist facilities and leisure facilities at tourist destinations. If the temporary closure or curtailment of operations by these facilities prolong, or if they continue operations but cannot attract sufficient visitors/customers as they did before the COVID-19 outbreak, the impact on our advertising business can be massive.

In the e-business and special-order products businesses, we produce and offer special-order products and data-based solutions besides maps and travel related information, and customers for these businesses include many municipal governments. These municipal governments are now focused on minimizing opportunities of contact with local residents as their top priority agenda. The Group has special expertise in proposals themed on revitalizing communities and drawing people from cities to local areas. These proposals, however, basically conflict with their top priority agenda, and therefore, activities we propose are more likely to be cancelled or postponed, which we believe can also have a substantial impact on our business. Further, immigration restrictions for foreign travelers will continue to have a significant impact especially on the type of businesses dependent heavily on inbound travelers, regardless of whether or not the customers are municipalities, as long as these restrictions are not lifted.

In the fees and commissions business, the Group has earned fees and commissions mainly by providing services to reserve restaurants or subscribe to activity programs at leisure or other facilities abroad for overseas travelers who were attracted to these services via websites. The negative impact on the performance of this business, however, will be material if immigration restrictions in each country last longer.

Furthermore, in the business segment where we earn income from facilities, the marine activity facility “Guam Ocean Park” newly opened in May last year is temporarily closed due to immigration restrictions in the U.S. The immigration restrictions can materially impact the performance of our facilities, including another facility the Group owns in Guam, if the restrictions will not be lifted for long.

Under these circumstances, the Group is determined to consider and implement all kinds of measures to address these challenges, while keeping a close eye on developments.

First, we will control costs more rigorously, in all business domains, to increase our cash position to the extent possible. For now, we will carefully review and adjust the planned number of titles and circulation in line with actual needs in the market to further cut costs for the retail publishing business. We will also reduce costs by promoting "remote" marketing. In addition, we consider suppressing fixed costs through a range of measures, such as reducing the number of employees and daily operations at business locations overseas, especially at local activity facilities, to the minimum required levels.

Also, in the retail publishing business, we consider reducing titles for magazines and guidebooks on overseas and domestic traveling, which tend to be affected materially by self-quarantine orders from the government and municipalities, and instead increasing titles for practical books, which we believe are less affected by such orders.

2. Basic Approach to the Selection of Accounting Standards

The Group uses generally accepted accounting principles in Japan because group companies operate primarily in Japan and there is normally no need to procure funds in other countries. In addition, the use of Japanese accounting principles facilitates comparisons with other companies in Japan in the same industry.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	5,847,544	4,970,584
Notes and accounts receivable-trade	2,722,415	2,473,112
Merchandise and finished goods	1,625,858	1,585,853
Work in process	232,062	409,899
Raw materials and supplies	668	261
Real estate for sale	-	208,472
Other	141,927	118,001
Allowance for doubtful accounts	(22,682)	(29,703)
Total current assets	10,547,794	9,736,481
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,299,205	6,613,609
Accumulated depreciation	(5,254,823)	(4,722,652)
Buildings and structures, net	2,044,382	1,890,956
Machinery, equipment and vehicles	440,714	456,286
Accumulated depreciation	(433,687)	(422,980)
Machinery, equipment and vehicles, net	7,026	33,306
Tools, furniture and fixtures	732,860	711,773
Accumulated depreciation	(728,189)	(662,209)
Tools, furniture and fixtures, net	4,671	49,563
Land	3,614,234	3,488,222
Construction in progress	3,446	21,278
Total property, plant and equipment	5,673,761	5,483,327
Intangible assets		
Goodwill	179,804	254,478
Other	1,774	254,106
Total intangible assets	181,578	508,584
Investments and other assets		
Investment securities	* 1,744,269	* 1,589,851
Retirement benefit asset	1,346,949	1,308,359
Other	* 404,537	* 348,363
Allowance for doubtful accounts	(203,526)	(157,040)
Total investments and other assets	3,292,230	3,089,533
Total non-current assets	9,147,571	9,081,445
Total assets	19,695,365	18,817,926

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	840,961	723,308
Short-term borrowings	770,000	770,000
Accrued expenses	829,700	294,481
Income taxes payable	76,058	81,400
Accrued consumption taxes	57,965	41,661
Provision for bonuses	261,940	247,699
Provision for sales returns	597,652	577,897
Other	187,997	145,927
Total current liabilities	3,622,276	2,882,375
Non-current liabilities		
Deferred tax liabilities	531,374	466,272
Retirement benefit liability	69,275	72,137
Other	185,642	184,300
Total non-current liabilities	786,291	722,710
Total liabilities	4,408,568	3,605,085
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)	470,249
Treasury shares	(288)	(405)
Total shareholders' equity	14,649,502	14,779,352
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	625,532	502,519
Foreign currency translation adjustment	(6,030)	(7,591)
Remeasurements of defined benefit plans	(7,555)	(61,438)
Total accumulated other comprehensive income	611,946	433,488
Share acquisition rights	25,348	-
Total net assets	15,286,797	15,212,840
Total liabilities and net assets	19,695,365	18,817,926

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	8,770,072	8,057,599
Cost of sales	6,252,536	5,249,974
Gross profit	2,517,536	2,807,625
Reversal of provision for sales returns	721,871	597,652
Provision for sales returns	597,652	577,897
Provision for sales returns-net	(124,219)	(19,755)
Gross profit-net	2,641,755	2,827,380
Selling, general and administrative expenses	*1, *2 3,297,628	*1, *2 2,896,047
Operating loss	(655,873)	(68,667)
Non-operating income		
Interest income	749	704
Dividend income	33,090	34,880
Rental income	38,254	29,389
Dividend income of insurance	3,760	-
Income from sales of used paper	10,104	8,255
Gain on investments in investment partnerships	10,796	32,115
Other	6,147	14,269
Total non-operating income	102,903	119,614
Non-operating expenses		
Interest expenses	11,296	10,408
Rental costs	18,766	17,581
Share of loss of entities accounted for using equity method	4,650	2,738
Other	2,855	4,888
Total non-operating expenses	37,569	35,616
Ordinary profit (loss)	(590,539)	15,330
Extraordinary income		
Gain on sales of non-current assets	*3 1,543	*3 161,613
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	56,538	188,117
Extraordinary losses		
Loss on sales of non-current assets	*4 21,811	*4 80
Loss on valuation of investment securities	3,610	17,989
Loss on valuation of investments in capital of subsidiaries and associates	-	18,999
Loss on valuation of membership	165	105
Loss on sales of membership	-	100
Impairment loss	*5 751,579	-
Extra retirement payments	*6 413,246	-
Loss on termination of retirement benefit plan	47,083	-
Total extraordinary losses	1,237,496	37,275
Profit (loss) before income taxes	(1,771,496)	166,172
Income taxes-current	38,683	24,240
Income taxes-deferred	4,939	11,964
Total income taxes	43,623	36,205
Profit (loss)	(1,815,120)	129,967
Profit (loss) attributable to owners of parent	(1,815,120)	129,967

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Profit (loss)	(1,815,120)	129,967
Other comprehensive income		
Valuation difference on available-for-sale securities	(118,914)	(123,013)
Foreign currency translation adjustment	(10,300)	(1,561)
Remeasurements of defined benefit plans, net of tax	(17,158)	(53,883)
Total other comprehensive income	* (146,373)	* (178,458)
Comprehensive income	(1,961,493)	(48,491)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,961,493)	(48,491)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,141,136	10,581,938	(3,894,606)	(220)	16,828,247
Changes during period					
Deficit disposition		(4,259,081)	4,259,081		-
Dividends of surplus		(363,557)			(363,557)
Loss attributable to owners of parent			(1,815,120)		(1,815,120)
Purchase of treasury shares				(67)	(67)
Net changes in items other than shareholders' equity					
Total changes during period	-	(4,622,638)	2,443,960	(67)	(2,178,745)
Balance at end of period	10,141,136	5,959,300	(1,450,645)	(288)	14,649,502

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	744,447	4,270	9,602	758,320	26,140	17,612,708
Changes during period						
Deficit disposition						-
Dividends of surplus						(363,557)
Loss attributable to owners of parent						(1,815,120)
Purchase of treasury shares						(67)
Net changes in items other than shareholders' equity	(118,914)	(10,300)	(17,158)	(146,373)	(792)	(147,165)
Total changes during period	(118,914)	(10,300)	(17,158)	(146,373)	(792)	(2,325,910)
Balance at end of period	625,532	(6,030)	(7,555)	611,946	25,348	15,286,797

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,141,136	5,959,300	(1,450,645)	(288)	14,649,502
Changes during period					
Deficit disposition		(1,790,927)	1,790,927		-
Profit attributable to owners of parent			129,967		129,967
Purchase of treasury shares				(117)	(117)
Net changes in items other than shareholders' equity					-
Total changes during period	-	(1,790,927)	1,920,894	(117)	129,849
Balance at end of period	10,141,136	4,168,372	470,249	(405)	14,779,352

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	625,532	(6,030)	(7,555)	611,946	25,348	15,286,797
Changes during period						
Deficit disposition						-
Profit attributable to owners of parent						129,967
Purchase of treasury shares						(117)
Net changes in items other than shareholders' equity	(123,013)	(1,561)	(53,883)	(178,458)	(25,348)	(203,806)
Total changes during period	(123,013)	(1,561)	(53,883)	(178,458)	(25,348)	(73,956)
Balance at end of period	502,519	(7,591)	(61,438)	433,488	-	15,212,840

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	(1,771,496)	166,172
Depreciation and amortization	150,334	163,103
Loss (gain) on valuation of short-term and long-term investment securities	3,610	17,989
Loss (gain) on liquidation of investment securities	(54,993)	-
Impairment loss	751,579	-
Loss on valuation of investments in capital of subsidiaries and affiliates	-	18,999
Gain on reversal of share acquisition rights	-	(25,348)
Extra retirement payments	413,246	-
Loss on abolishment of retirement benefit plan	47,083	-
Share of loss (profit) of entities accounted for using equity method	4,650	2,738
Loss (gain) on sales of membership	-	100
Loss on valuation of membership	165	105
Increase (decrease) in allowance for doubtful accounts	(295,637)	(39,464)
Increase (decrease) in retirement benefit liability	(31,925)	2,862
Decrease (increase) in retirement benefit asset	(63,215)	(39,074)
Increase (decrease) in provision for bonuses	(88,439)	(14,241)
Increase (decrease) in provision for sales returns	(124,219)	(19,755)
Interest and dividend income	(33,839)	(35,584)
Rental income	(38,254)	(29,389)
Interest expenses	11,296	10,408
Decrease (increase) in trade receivables	214,911	257,374
Decrease (increase) in inventories	266,895	(137,423)
Decrease (increase) in other current assets	40,107	23,240
Decrease (increase) in other non-current assets	306,532	(148,398)
Increase (decrease) in trade payables	(157,050)	(123,209)
Increase (decrease) in accrued consumption taxes	(16,396)	(16,303)
Increase (decrease) in other current liabilities	120,654	(172,145)
Increase (decrease) in other non-current liabilities	(31,400)	(1,342)
Subtotal	(375,801)	(138,585)
Interest and dividends received	33,872	35,593
Proceeds from rental income	38,254	27,856
Interest paid	(11,265)	(10,532)
Payments of cancellation penalty	(232,143)	-
Extra retirement payments	-	(413,246)
Income taxes paid	(42,236)	(24,870)
Net cash provided by (used in) operating activities	(589,319)	(523,785)
Cash flows from investing activities		
Payments into time deposits	(1,629)	(1,648)
Proceeds from withdrawal of time deposits	-	3,278
Purchase of property, plant and equipment	(47,951)	(157,346)
Proceeds from sales of property, plant and equipment	48,912	240,031
Purchase of intangible assets	(182,785)	(274,195)
Purchase of investment securities	(43,538)	(93,177)
Proceeds from sale of investment securities	1	7,230
Proceeds from liquidation of investment securities	80,184	-
Payments for acquisition of businesses	-	(81,560)
Loan advances	(7,628)	(4,050)
Collection of loans receivable	3,925	12,763
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (195,320)	*2 (60,243)
Other, net	23,410	60,430
Net cash provided by (used in) investing activities	(322,422)	(348,487)

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(874)	-
Purchase of treasury shares	(67)	(117)
Dividends paid	(363,712)	(1,236)
Net cash provided by (used in) financing activities	(364,654)	(1,353)
Effect of exchange rate change on cash and cash equivalents	(10,051)	(1,703)
Net increase (decrease) in cash and cash equivalents	(1,286,447)	(875,329)
Cash and cash equivalents at beginning of period	7,132,362	5,845,914
Cash and cash equivalents at end of period	*1 5,845,914	*1 4,970,584

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Notes to Consolidated Balance Sheet

* The following items are applicable to a non-consolidated subsidiary and affiliates.

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Investment securities (stocks)	6	56,967
Investments and other assets, other (investments in capital)	19,000	0
Total	19,006	56,967

Notes to Consolidated Statement of Income

*1. Major items of selling, general and administrative expenses

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Packing and delivery expenses	141,306	136,936
Promotion expenses	85,987	93,529
Advertising expenses	89,328	107,984
Provision of allowance for doubtful accounts	67,167	10,425
Directors’ compensations	153,052	135,640
Salaries, allowances and bonuses	1,223,057	970,107
Provision for bonuses	119,486	111,101
Legal welfare expenses	215,125	176,282
Retirement benefit expenses	36,321	27,349
Transportation expenses	149,336	122,539
Depreciation	86,643	77,518
Rent expenses	48,996	53,811
Business consignment expenses	122,291	100,771
Taxes and dues	60,541	76,305
Research and development expenses	14,779	42,151
Amortization of goodwill	14,578	21,156
Other	669,628	632,436
Total	3,297,628	2,896,047

*2. Total amount of research and development expenses included in general and administrative expenses

(Thousands of yen)

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
14,779	42,151

*3. Breakdown of gain on sales of non-current assets

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Buildings and structures	-	47,789
Machinery, equipment and vehicles	1,464	2,083
Tools, furniture and fixtures	79	86
Land	-	111,654
Total	1,543	161,613

*4. Details of loss on sales of non-current assets are as follows.

As the Company recognized either gain or loss by each class of asset when it sold non-current assets that consist of buildings and land, the net loss resulted from such transactions was recorded as loss on sales of non-current assets.

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Buildings and structures	(4,937)	-
Tools, furniture and fixtures	-	80
Land	26,748	-
Total	21,811	80

*5. Impairment loss

The Group recognized an impairment loss on the following groups of assets.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Primary use	Class	Location
Operating assets	Land	Koto-ku, Tokyo; Kazo, Saitama Prefecture
Operating assets	Buildings and structures	Hawaii, USA
Operating assets	Machinery, equipment and vehicles	Chiyoda-ku, Tokyo; Osaka, Osaka Prefecture
Operating assets	Tools, furniture and fixtures	Chiyoda-ku, Tokyo; Koto-ku, Tokyo; Adachi-ku, Tokyo; Osaka, Osaka Prefecture; Shinjuku-ku, Tokyo; Ichihara, Chiba Prefecture; Hawaii, USA; Guam, USA; Republic of Singapore
Operating assets	Database	Koto-ku, Tokyo
Operating assets	Software	Chiyoda-ku, Tokyo; Koto-ku, Tokyo; Shinjuku-ku, Tokyo; Ichihara, Chiba Prefecture

Reason for decision to recognize impairment losses

In this ongoing challenging business environment, the Group regards urgent improvement in our financial performance as the top priority. To this end, we have introduced a three-business division system, implemented in-house production of previously outsourced works, and consolidated the operations of database production into a subsidiary, though we are suffering from the continued major impacts of the changing operational environment surrounding us, including the lingering recession in publication business and the growth in the use of free-of-charge navigation apps, in our core businesses: publishing business and e-business.
We expect a severe business environment to continue in the future. As a result of examining future recoverability of the non-current assets held by the Group in accordance with the "Accounting Standard for Impairment of Non-current Assets," their carrying amounts have been written down to the recoverable amounts and the amount of reduction was recognized as an impairment loss.

Amount of impairment loss (Thousands of yen)

Class	Amount
Property, plant and equipment	
Land	538,426
Buildings and structures	12,163
Machinery, equipment and vehicles	14,597
Tools, furniture and fixtures	14,324
Intangible assets	
Database	8,851
Software	163,215
Total	751,579

Method used to group assets

Grouping of assets is based on the asset classification used for managerial accounting whereby the Group measures operating performance and cash flows on a regular basis. Idle assets, however, are grouped on an individual asset basis.

Method for calculating recoverable amount

The Group measures the recoverable amount based on value in use or net selling price.

As the amount of value in use based on the future cash flows is zero, the recoverable amount is assessed to be zero.

In addition, net selling price is reasonably estimated based on market price.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

*6. Breakdown of extra retirement payments

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

The Company recorded 413,246 thousand yen of extra retirement payments to those employees who elected to retire under the voluntary early retirement program.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

Notes to Consolidated Statement of Comprehensive Income

* Reclassification adjustments and tax effect with respect to other comprehensive income

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Valuation difference on available-for-sale securities:		
Amount incurred during the period	(133,526)	(175,143)
Reclassification adjustments	-	(1,155)
Before tax effect adjustments	(133,526)	(176,298)
Tax effect	14,611	53,285
Valuation difference on available-for-sale securities	(118,914)	(123,013)
Foreign currency translation adjustment:		
Amount incurred during the period	(10,300)	(1,561)
Remeasurements of defined benefit plans, net of tax:		
Amount incurred during the period	(26,307)	(81,682)
Reclassification adjustments	1,576	4,018
Before tax effect adjustments	(24,730)	(77,664)
Tax effect	7,572	23,780
Remeasurements of defined benefit plans, net of tax	(17,158)	(53,883)
Total other comprehensive income	(146,373)	(178,458)

Notes to Consolidated Statement of Changes in Equity

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

1. Type and number of outstanding shares and treasury shares (Thousands of shares)

	Number of shares as of Apr. 1, 2018	Increase	Decrease	Number of shares as of Mar. 31, 2019
Outstanding shares				
Common stock	18,178	-	-	18,178
Total	18,178	-	-	18,178
Treasury shares				
Common stock (Note 1)	0	0	-	0
Total	0	0	-	0

Note: 1. An increase of 0 thousand shares in the number of treasury shares of common stock is due to the acquisition of odd-lot shares.

2. Share acquisition rights

Category	Details of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights (shares)				Balance as of Mar. 31, 2019 (Thousands of yen)
			As of Apr. 1, 2018	Increase	Decrease	As of Mar. 31, 2019	
Filing company (Parent)	Share acquisition rights No. 1	Common stock	600,000	-	-	600,000	6,120
	Share acquisition rights No. 2	Common stock	130,000	-	-	130,000	208
	Share acquisition rights No. 3	Common stock	100,000	-	-	100,000	15
	Share acquisition rights No. 4 (as stock option)	-	-	-	-	-	19,005
Total		-	-	-	-	-	25,348

3. Dividends

Dividend payment

Resolution	Type of share	Total dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on Jun. 28, 2018	Common stock	363,557	20	Mar. 31, 2018	Jun. 29, 2018

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

1. Type and number of outstanding shares and treasury shares (Thousands of shares)

	Number of shares as of Apr. 1, 2019	Increase	Decrease	Number of shares as of Mar. 31, 2020
Outstanding shares				
Common stock	18,178	-	-	18,178
Total	18,178	-	-	18,178
Treasury shares				
Common stock (Note 1)	0	0	-	0
Total	0	0	-	0

Note: 1. An increase of 0 thousand shares in the number of treasury shares of common stock is due to the acquisition of odd-lot shares.

2. Share acquisition rights

Category	Details of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights (shares)				Balance as of Mar. 31, 2020 (Thousands of yen)
			As of Apr. 1, 2019	Increase	Decrease	As of Mar. 31, 2020	
Filing company (Parent)	Share acquisition rights No. 1	Common stock	600,000	-	600,000	-	-
	Share acquisition rights No. 2	Common stock	130,000	-	130,000	-	-
	Share acquisition rights No. 3	Common stock	100,000	-	100,000	-	-
	Share acquisition rights No. 4 (as stock option)	-	-	-	-	-	-
Total		-	-	-	-	-	-

3. Dividends

Dividend payment

Not applicable.

Notes to Consolidated Statement of Cash Flows

*1. Reconciliation of cash and cash equivalents at the end of the fiscal year and amount on the consolidated balance sheet

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Cash and deposits	5,847,544	4,970,584
Time deposits with maturity over three months	(1,629)	-
Cash and cash equivalents	5,845,914	4,970,584

*2. Major components of assets and liabilities of the company newly included in the scope of consolidation as a result of the acquisition of shares

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Details of assets and liabilities of Kuqulu, Inc. at time of its consolidation resulting from the acquisition of stock as well as the relationship between the acquisition price of Kuqulu, Inc. stock and expenditures (net) for its acquisition are as follows:

	(Thousands of yen)
Current assets	27,844
Non-current assets	6,187
Goodwill	194,382
Current liabilities	18,414
Acquisition cost of Kuqulu, Inc. stock	210,000
Cash and cash equivalents held by Kuqulu, Inc.	(14,679)
Difference: net expenditures to acquire Kuqulu, Inc.	195,320

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Details of assets and liabilities of SUNNY SIDE UP GUAM, INC. at time of its consolidation resulting from the acquisition of stock as well as the relationship between the acquisition price of SUNNY SIDE UP GUAM, INC. stock and expenditures (net) for its acquisition are as follows:

	(Thousands of yen)
Current assets	16,100
Non-current assets	9,711
Goodwill	54,410
Current liabilities	14,680
Acquisition cost of SUNNY SIDE UP GUAM, INC. stock	65,541
Cash and cash equivalents held by SUNNY SIDE UP GUAM, INC.	(5,298)
Difference: net expenditures to acquire SUNNY SIDE UP GUAM, INC.	60,243

*3. Material non-cash transactions

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

There are no significant items.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

There are no significant items.

Segment and Other Information

Segment information

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Omitted since the Group has only a single business segment.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Omitted since the Group has only a single business segment.

Related information

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

1. Information by product or service (Thousands of yen)

Category		Sales to external customers
Retail publishing	Maps	1,500,818
	Magazines	2,658,443
	Guidebooks	677,075
	Practical books	156,441
Subtotal		4,992,779
Special-order products		622,100
Advertising		676,147
e-business sales		2,269,405
Fees and commissions		209,639
Total		8,770,072

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan exceeded 90% of sales on the consolidated statement of income.

(2) Property, plant and equipment

Omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client (Thousands of yen)

Company name	Sales
NIPPON SHUPPAN HANBAI INC.	2,452,856
TOHAN CORPORATION	1,824,844

Note: The Group does not provide segment information because it has only a single business segment.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

1. Information by product or service (Thousands of yen)

Category		Sales to external customers
Retail publishing	Maps	1,493,689
	Magazines	2,339,829
	Guidebooks	513,418
	Practical books	131,611
Subtotal		4,478,549
Special-order products		510,294
Advertising		620,301
e-business sales		2,024,172
Fees and commissions		285,454
Facility		138,826
Total		8,057,599

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan exceeded 90% of sales on the consolidated statement of income.

(2) Property, plant and equipment

Omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client (Thousands of yen)

Company name	Sales
NIPPON SHUPPAN HANBAI INC.	2,213,006
TOHAN CORPORATION	1,742,784

Note: The Group does not provide segment information because it has only a single business segment.

Information related to impairment losses on non-current assets for each reportable segment

Omitted since the Group has only a single business segment.

Information related to goodwill amortization and the unamortized balance for each reportable segment

Omitted since the Group has only a single business segment.

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per-share Information

(Yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net assets per share	839.57	836.91
Net income (loss) per share	(99.85)	7.15

Notes: 1. Diluted net income per share for FY3/20 is not presented since there is no potentially dilutive shares.
Diluted net income per share for FY3/19 is not presented since the Company has outstanding dilutive securities, but posted a net loss per share.
2. Basis for calculating net income (loss) per share is as follows.

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net income (loss) per share		
Profit (loss) attributable to owners of parent (Thousands of yen)	(1,815,120)	129,967
Amount not available to common shareholders (Thousands of yen)	-	-
Profit (loss) attributable to common shareholders of parent (Thousands of yen)	(1,815,120)	129,967
Average number of shares outstanding during period (Thousands of shares)	18,177	18,177
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	Share acquisition rights No. 1 (Number of share acquisition rights: 6,000 units) Share acquisition rights No. 2 (Number of share acquisition rights: 1,300 units) Share acquisition rights No. 3 (Number of share acquisition rights: 1,000 units) Share acquisition rights No. 4 (Number of share acquisition rights: 7,602 units) The outline of the share acquisition rights is disclosed in “Part IV Status of Filing Company, 1. Status of Shares, etc., (2) Status of Share Acquisition Rights, etc.” of Securities Report.	-

Subsequent Events

Transfer of non-current assets

The Company transferred its non-current assets on April 28, 2020.

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	April 28, 2020

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. The Company implemented the absorption and divestiture on April 1, 2020.

In conjunction with the conversion to a holding company structure, the Company plans to rename itself Shobunsha Holdings, Inc. on April 1, 2020.

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 handling e-books in the publishing business and promoting branding of 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 to realize more growth and earnings in existing businesses and to assure the success of new businesses fast.

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 absorption-type divestiture agreement at the Board of Directors	December 6, 2019
Signing of absorption-type divestiture agreement	December 6, 2019
Approval of absorption-type divestiture agreement at the General Meeting of Shareholders	January 10, 2020
Effective date of absorption-type divestiture	April 1, 2020

(2) Method used for the absorption-type divesture

This is the absorption-type 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 successor 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 share 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 absorption-type 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 absorption-type 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.	25.07%
	Toshio Kuroda	19.66%
	Shigeo Kuroda	9.34%
	Japan Trustee Services Bank, Ltd. (Trust account)	3.68%
	The Master Trust Bank of Japan, Ltd. (Trust account)	2.44%

Note: Shobunsha Publications, Inc. was renamed Shobunsha Holdings, Inc. on 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, and 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 was renamed Shobunsha Publications, Inc. on April 1, 2020.

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

	Divestiture company (As of Mar. 31, 2020)	Successor company (i) (As of Mar. 31, 2020)	Successor company (ii) (As of Mar. 31, 2020)	Successor company (iii) (As of Mar. 31, 2020)
Company name	Shobunsha Publications, Inc.	Shobunsha Publications Preparatory Company	Mapple, Inc.	MEGURU Co., Ltd.
Net assets	15,212 million yen (consolidated)	18 million yen	18 million yen	19 million yen
Total assets	18,817 million yen (consolidated)	20 million yen	20 million yen	20 million yen
Net assets per share	836.91 yen (consolidated)	9,343.42 yen	9,374.92 yen	9,602.24 yen
Net sales	8,057 million yen (consolidated)	-	-	-
Operating profit	(68) million yen (consolidated)	(1) million yen	(1) million yen	(0) million yen
Ordinary profit	15 million yen (consolidated)	(1) million yen	(1) million yen	(0) million yen
Profit attributable to owners of parent	129 million yen (consolidated)	(1) million yen	(1) million yen	(0) million yen
Net income per share	7.15 yen (consolidated)	(656.58) yen	(625.08) yen	(397.77) 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	5,858 million yen	1,631 million yen	65 million yen	7,555 million yen
Pct. of consolidated sales before the divestiture	77.5%	21.6%	0.9%	-

Note: Figures are prepared based on the statement of income for the fiscal year ended March 31, 2020.

(3) Assets and liabilities to be succeeded

Figures are calculated based on the balance sheet as of March 31, 2020.

Shobunsha Publications Preparatory Company

Assets		Liabilities	
Item	Carrying amount	Item	Carrying amount
Current assets	4,474 million yen	Current liabilities	1,180 million yen
Non-current assets	714 million yen	Non-current liabilities	196 million yen
Total	5,189 million yen	Total	1,376 million yen

Mapple Inc.

Assets		Liabilities	
Item	Carrying amount	Item	Carrying amount
Current assets	844 million yen	Current liabilities	264 million yen
Non-current assets	490 million yen	Non-current liabilities	97 million yen
Total	1,334 million yen	Total	361 million yen

MEGURU Co., Ltd.

Assets		Liabilities	
Item	Carrying amount	Item	Carrying amount
Current assets	150 million yen	Current liabilities	65 million yen
Non-current assets	202 million yen	Non-current liabilities	4 million yen
Total	352 million yen	Total	70 million yen

7. Status after the absorption-type divestiture

	Divestiture company	Successor company (i)	Successor company (ii)	Successor company (iii)
(1) Company name	Shobunsha Holdings, Inc. (renamed from Shobunsha Publications, Inc. on April 1, 2020)	Shobunsha Publications, Inc. (renamed 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, and 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 absorption-type 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.