February 5, 2021

Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2021 (Nine Months Ended December 31, 2020)

[Japanese GAAP]

Company name: Shobunsha Holdings, Inc.
Listing: Tokyo Stock Exchange, First Section
Stock code: 9475
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Scheduled date of filing of Quarterly Report: February 10, 2021
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, 2020 (April 1, 2020 – December 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	%
Nine months ended Dec. 31, 2020	4,582	(19.0)	(653)	-	(599)	-	(807)	-
Nine months ended Dec. 31, 2019	5,659	(9.8)	(222)	-	(162)	-	(2)	-

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2020: (499) (- %)
Nine months ended Dec. 31, 2019: 108 (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2020	(44.42)	-
Nine months ended Dec. 31, 2019	(0.13)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2020	17,996	14,713	81.8
As of Mar. 31, 2020	18,817	15,212	80.8

Reference: Shareholders' equity (million yen) As of Dec. 31, 2020: 14,713 As of Mar. 31, 2020: 15,212

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2021	-	0.00	-		
Fiscal year ending Mar. 31, 2021 (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, 2021. 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, 2021 (April 1, 2020 – March 31, 2021)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	6,460	(20.0)	(1,020)	-	(960)	-	(1,190)	-	(65.47)

*** 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, 2020:	18,178,173 shares	As of Mar. 31, 2020:	18,178,173 shares

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

As of Dec. 31, 2020:	851 shares	As of Mar. 31, 2020:	701 shares

3) Average number of shares during the period

Nine months ended Dec. 31, 2020:	18,177,421 shares	Nine months ended Dec. 31, 2019:	18,177,665 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 "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 5 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

The Japanese economy during the first nine months of the current fiscal year (from April 1, 2020 to December 31, 2020) (hereinafter “the period under review”) suffered from the novel coronavirus disease (“COVID-19”), which was first confirmed in China at the end of 2019 and quickly became a pandemic after the following year began. This resulted in a rapid slowdown in the world economy, causing export and industrial production to decrease substantially, and corporate earnings to deteriorate significantly. Further, personal consumption decreased rapidly centered in service and other relevant sectors such as food/beverage and accommodation services. After the first wave of COVID-19 subsided as a result of the state of emergency declared by the Japanese government in the spring of 2020, some signs of recovery were observed. However, the second wave of COVID-19 spread from the summer of 2020, and a third wave of it has spread since the fall of 2020, which is the country’s biggest surge in infections since the onset of the pandemic. The world remains on high alert against the further spread. It is therefore expected to take quite some time until the domestic economy sees a full-scale recovery. In the tourism industry, in which Shobunsha Holdings, Inc. (hereinafter “the Company”) and its subsidiaries and associates (hereinafter collectively “the Group”) operate their core business, such COVID-19 situation forced the Japanese government to suspend the Go To Travel campaign at the end of 2020. The economic stimulus program was kicked off in the summer of 2020, for which the government drew up a huge budget. For cross-border travel, the Japanese government started to ease entry restrictions on foreign nationals from some countries and regions for specific purposes only. However, the restrictions tightened again as a more contagious COVID-19 variant first identified in the U.K. was observed spreading. The outlook for the inbound and outbound tourism industries remains uncertain.

Under such circumstances, the Group converted to a holding company structure as planned. In the meantime, the Group has prioritized taking even stricter cost control measures in all business domains and having as much liquidity as possible to brace ourselves for an economic slowdown resulting from the spread of COVID-19. Specific cost control measures include cutting cost by reviewing the planned numbers of titles and copies in the retail publishing business according to market needs while offering a wider variety of map books that readers can enjoy at home and practical books; and curbing fixed expenses by limiting the number of staff members and daily operations to a bare minimum in overseas sites, especially in local activity facilities. The Group also proactively introduced a remote work system on a company-wide basis.

During the period under review, sales of our core retail publishing business have been greatly affected by the situation in which travel and other outings significantly declined and remained stagnant resulting from the wave-like spread of COVID-19 through all seasons. In addition, the Group’s activity facilities outside of Japan continued to be forced to suspend their operations. However, we recognized the transfer of non-current assets as sales revenue from the real estate business for the period under review. The transfer was announced on October 18, 2019 in association with the conversion to a holding company structure. As a result, net sales for the period under review were 4,582 million yen, down 1,077 million yen from 5,659 million yen one year earlier. In terms of profitability, operating loss was 653 million yen, worsened by 430 million yen from operating loss of 222 million yen one year earlier. This was a result of implementing thorough cost control in all business domains, and year-on year decreases in cost of sales and selling, general and administrative expenses due to a decline in provision for sales returns resulting from lower sales, both of which, however, did not eventually compensate for the drop in sales. Accordingly, ordinary loss was 599 million yen, worsened by 436 million yen from ordinary loss of 162 million yen one year earlier. Consequently, loss attributable to owners of parent was 807 million yen, worsened by 804 million yen from loss attributable to owners of parent of 2 million yen one year earlier. This was mainly due to extraordinary losses posted as a loss caused by COVID-19 in addition to the absence of extraordinary income large enough to match the amount of gain on sales of non-current assets posted one year earlier.

Taking the opportunity of the conversion to a holding company structure, the Group has disclosed segment information on its performance, starting from the current fiscal year. More specifically, the new segment structure consists of three reportable segments: the Media Business, the Solutions Business and the Real Estate Business segments, and the Other Businesses segment that covers businesses other than the above three. (Please note that no year-on-year figures are available because we have started to aggregate and announce figures from the current fiscal year.)

Media Business

This segment engages in selling retail publications, e-books, and applications; selling magazine and web ads; obtaining permission to use brands and trademarks on publications, etc. In the retail publishing business, given the current situation in which consumer behavior related to traveling and outings has been very sluggish, we have focused on plans that allow consumers to satisfy their intellectual curiosity and to enjoy imaginary trips at home. We have also focused on publications that introduce familiar desserts, consumer discretionary products, and other items. During the period under review, we published more volumes of the well-received "*Sutto Atama ni Hairu*" (Quickly learn) series with a focus on the exploration of Japanese history. New volumes are "*Chizu de Sutto Atama ni Hairu Sengoku Jidai*" (Quickly learn about the Warring States period with a map), "*Chizu de Sutto Atama ni Hairu Kojiki and Nihon Shoki*" (Quickly learn about Records of Ancient Matters and Chronicles of Japan with a map), "*Chizu de Sutto Atama ni Hairu Bakumatsu and Ishin*" (Quickly learn about the final years of the Edo period and the Meiji restoration with a map), and "*Zukai de Sutto Atama ni Hairu Edo Jidai*" (Quickly learn about the Edo period with illustrations). We also published "*Chizu de Sutto Atama ni Hairu America 50 shu*" (Quickly learn about the 50 U.S. states with a map) that allows readers to know about the history and characteristics of each state of the United States in which the presidential election took place in 2020. In addition, we increased the number of volumes of the *Torisetsu* series to 13, which is a popular entertaining map book series. New volumes include "*Saitama no Torisetsu*" (Discover Saitama Prefecture), "*Hiroshima no Torisetsu*" (Discover Hiroshima Prefecture), "*Osaka no Torisetsu*" (Discover Osaka Prefecture), "*Hokkaido no Torisetsu*" (Discover Hokkaido Prefecture), "*Gunma no Torisetsu*" (Discover Gunma Prefecture), "*Nara no Torisetsu*" (Discover Nara Prefecture), and "*Fukushima no Torisetsu*" (Discover Fukushima Prefecture). We plan to publish more sequels to both series as a map book that readers can enjoy at home. During the same period, we also expanded our lineup of books about desserts and consumer discretionary products by publishing five books as the popular sweets series: "*Choko Minto Bon*" (Book about mint chocolate), "*Purin Bon*" (Book introducing pudding shops centered in Tokyo), "*Purin Bon Osaka, Kyoto and Kobe*" (Book introducing pudding shops in Osaka, Kyoto and Kobe), which is the Kansai region's version of "*Purin Bon*," "*Zeri Bon*" (Book about jelly), and "*Chiizu Keeki*" (Book about cheesecake).

During the period under review, sales activities in the retail publishing business have been restricted for the following reasons: travel and outing spending activities have shrunk significantly due to the spread of COVID-19; and sales of the Group's core retail publishing business, especially overseas traveling product, have declined sharply.

As a result, net sales of the segment were 2,120 million yen, and operating loss was 1,215 million yen.

Solutions Business

This segment engages in selling the database of maps and guidebooks that are the Group's core competencies, selling system products and solutions using the database, etc.

During the period under review, the inbound business has been in a severe situation due to the impact of COVID-19, and our sales activities to receive new orders have been restricted. However, we have focused on receiving orders from government agencies and municipalities including police and fire departments that are unlikely to be influenced by economic trends. We have also focused on renewing contracts with private companies on subscription-based products. In the meantime, we have pushed the development of Solutions Business by offering new solutions such as "Distribution Helper," a business-use car navigation system equipped with a travel track-based route guidance function. This function was developed to meet strong customer needs. In addition, we have started to develop, procure and offer new products and services that respond to needs in this world of coexisting with COVID-19. Such products and services include "School Zone Safety Support System" that helps schools let their students stagger their commute times; "Thermal Camera" (body temperature screening camera) offered jointly with the company with which we have formed a business alliance; and "Sales Forecast AI

Modeling Service" (simulator that develops a model with AI and shows an optimal sales forecast for our clients to use internally) targeted at companies in the restaurant and retail industries currently in a challenging operating environment. At the same time, we looked ahead to needs in the post-COVID-19 era and released new service "Travelers' Mind" that provides an objective analysis of what places tourists are attracted to and what range of activities they plan to take. This service is offered to support the tourism industry that has been seriously affected by COVID-19. For our early detection support service "*OKAERI* (Welcome back) QR" that helps detect lost people and children, pets, lost items, and others, we have strengthened our business operations primarily by developing new sales channels and driving promotional activities toward achieving more product awareness and higher market penetration and toward establishing a brand. More specifically, we started offering special *Omamori* (Japanese lucky charm) "*OKAERI* QR *Omamori*" co-developed with Suzuka-myojinsha Shrine (in Zama City, Kanagawa Prefecture) and Yukawabe Co., Ltd. (Yamashina Ward, Kyoto City, Kyoto Prefecture), which is an *Omamori* manufacturer, in addition to face-to-face selling at post offices across the Tokyo metropolitan area.

As a result, net sales of the segment were 1,068 million yen, and operating loss was 235 million yen.

Real Estate Business

From the current fiscal year, we have established the real estate business as a new business segment. This segment aims to more effectively utilize the Group's property such as land and buildings in conjunction with the conversion to a holding company structure. The segment engages in sale or leasing of the Group's property to external parties.

In the period under review, we recorded revenue from sale of property mentioned above and leasing of other properties owned by the Company.

As a result, net sales of the segment were 1,162 million yen, and operating profit was 906 million yen.

Other Businesses

This segment engages in the following three businesses: the Tabinaka (during traveling) business, the tourism business, and the call center business. The Tabinaka business sends customers to a variety of activities including good restaurants and optional tours mainly in overseas travel destinations via the Group's own website. The tourism business operates the overseas activity facilities owned by the Group and offers relevant customer services. The call center business offers call center services to external counterparties and the Group's companies.

In the Tabinaka and tourism business during the period under review, we have curbed fixed expenses by limiting daily operations to a bare minimum and implementing in-house development because in fact, our business activities had to halt due to cross-border travel restrictions. In the meanwhile, we have made efforts to prepare for resuming operations, such as improving systems, cooperating with more online travel agencies, and strengthening our marketing activities. In order to respond to new needs under such business environment, we launched "MAPPLE Activity Online Platform." This platform allows tour and activity organizers and users to connect to each other on the internet, and enables the organizers to deliver online experiences of tours and events to the users. The call center business operates as scheduled.
As a result, net sales of the segment were 231 million yen, and operating loss was 283 million yen.

(2) Explanation of Financial Position

Total assets at the end of the third quarter on a consolidated basis decreased 821 million yen (4.4%) from the end of the previous fiscal year to 17,996 million yen. This was mainly due to increases in cash and deposits of 69 million yen, other in current assets of 45 million yen, other, net of property, plant and equipment of 66 million yen, other of intangible assets of 109 million yen, and investment securities of 385 million yen, which were partially offset by decreases in notes and accounts receivable-trade of 1,039 million yen, merchandise and finished goods of 255 million yen, and real estate for sale of 208 million yen. Total liabilities decreased 321 million yen (8.9%) from the end of the previous fiscal year to 3,283 million yen. This was mainly due to decreases of notes and accounts payable-trade of 228 million yen, provision for bonuses of 88 million yen, and provision for sales returns of 244 million yen, which were partially offset by increases in income taxes payable of 51 million yen and deferred tax liabilities of 160 million yen. Net assets decreased 499 million yen (3.3%) from the end of the previous fiscal year to 14,713 million yen. This was mainly due to reporting of loss attributable to owners of parent which was partially offset by an increase in valuation difference on available-for-sale securities of 293 million yen from the end of the previous fiscal year.

Consequently, the equity ratio improved 1.0 percentage point to 81.8%.

Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the third quarter on a consolidated basis increased 69 million yen from the end of the previous fiscal year to 5,039 million yen.

Net cash provided by operating activities was 371 million yen. The main factors were depreciation and amortization of 188 million yen, loss due to new coronavirus infection of 47 million yen a 1,039 million yen decrease in trade receivables, and a 378 million yen decrease in inventories as well as reporting of loss before income taxes of 646 million yen, which were partially offset by a 88 million yen decrease in provision for bonuses, a 244 million yen decrease in provision for sales returns, interest and dividend income of 32 million yen, a 228 million yen decrease in trade payables, and income taxes paid of 49 million yen.

Net cash used in investing activities was 306 million yen. The main factors include purchase of property, plant and equipment of 123 million yen, and purchase of intangible assets of 194 million yen.

Net cash used in financing activities was 0 million yen.

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

The Group’s business performance for the period under review has continued to deteriorate as explained above.

There are no revisions to the full-year forecast figures for the fiscal year ending March 31, 2021 announced on November 6, 2020 because the figures were estimated to a reasonably foreseeable extent based on the impact of the spread of the COVID-19 infection, particularly an impact on the tourism industry in which the Group operates its core business, and such situation is expected to continue at least during the fiscal year ending March 31, 2021.

It remains uncertain how the spread of the third wave of COVID-19 will impact the domestic economy. In particular, during the third wave this winter, the country marked the highest number of new positive cases. Therefore, if we expect that our performance will differ significantly from these forecast figures, we will announce a revised forecast promptly.

It is noted that these forecasts are based on information that is currently available and on assumptions that we believe are reasonable. However actual results may differ significantly from these forecasts for a number of factors. For information about business risks, which constitute the factors, please refer to the business risk section of our Annual Securities Report (*Yukashoken Hokokusho*) for the fiscal year ended March 31, 2020, which was filed on June 26, 2020.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	Third quarter of FY3/21 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	4,970,584	5,039,747
Notes and accounts receivable-trade	2,473,112	1,433,415
Merchandise and finished goods	1,585,853	1,330,693
Work in process	409,899	429,158
Raw materials and supplies	261	258
Real estate for sale	208,472	-
Other	118,001	163,619
Allowance for doubtful accounts	(29,703)	(16,972)
Total current assets	9,736,481	8,379,920
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,890,956	1,862,952
Land	3,488,222	3,488,222
Other, net	104,148	171,096
Total property, plant and equipment	5,483,327	5,522,271
Intangible assets		
Goodwill	254,478	231,455
Other	254,106	363,505
Total intangible assets	508,584	594,961
Investments and other assets		
Investment securities	1,589,851	1,975,233
Retirement benefit asset	1,308,359	1,341,623
Other	348,363	327,249
Allowance for doubtful accounts	(157,040)	(144,974)
Total investments and other assets	3,089,533	3,499,131
Total non-current assets	9,081,445	9,616,364
Total assets	18,817,926	17,996,284

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	Third quarter of FY3/21 (As of Dec. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	723,308	494,687
Short-term borrowings	770,000	770,000
Income taxes payable	81,400	133,096
Provision for bonuses	247,699	159,392
Provision for sales returns	577,897	333,491
Other	482,070	503,666
Total current liabilities	2,882,375	2,394,333
Non-current liabilities		
Deferred tax liabilities	466,272	626,454
Retirement benefit liability	72,137	78,125
Other	184,300	184,300
Total non-current liabilities	722,710	888,880
Total liabilities	3,605,085	3,283,214
Net assets		
Shareholders' equity		
Share capital	10,141,136	10,141,136
Capital surplus	4,168,372	4,168,372
Retained earnings	470,249	(337,121)
Treasury shares	(405)	(475)
Total shareholders' equity	14,779,352	13,971,911
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	502,519	795,532
Foreign currency translation adjustment	(7,591)	(9,937)
Remeasurements of defined benefit plans	(61,438)	(44,435)
Total accumulated other comprehensive income	433,488	741,159
Total net assets	15,212,840	14,713,070
Total liabilities and net assets	18,817,926	17,996,284

(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 FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Net sales	5,659,801	4,582,109
Cost of sales	3,777,405	3,324,047
Gross profit	1,882,396	1,258,061
Provision for sales returns-net	(93,992)	(244,406)
Gross profit-net	1,976,388	1,502,467
Selling, general and administrative expenses	2,199,322	2,156,040
Operating loss	(222,933)	(653,572)
Non-operating income		
Interest income	529	317
Dividend income	30,720	32,458
Rental income	12,098	5,575
Subsidy income	-	29,076
Other	30,663	20,101
Total non-operating income	74,011	87,529
Non-operating expenses		
Interest expenses	6,938	8,708
Rental costs	3,797	3,814
Share of loss of entities accounted for using equity method	1,650	8,245
Foreign exchange losses	670	12,100
Other	792	182
Total non-operating expenses	13,849	33,052
Ordinary loss	(162,772)	(599,096)
Extraordinary income		
Gain on sales of non-current assets	161,609	560
Gain on sales of investment securities	1,155	-
Settlement received	-	20,000
Gain on reversal of share acquisition rights	25,348	-
Total extraordinary income	188,112	20,560
Extraordinary losses		
Loss on sales of non-current assets	80	-
Loss on retirement of non-current assets	-	2,397
Loss on valuation of investment securities	7,999	-
Loss on sales of membership	100	-
Loss on valuation of membership	105	-
Loss due to new coronavirus infection	-	47,734
Loss on abandonment of inventories	-	17,925
Total extraordinary losses	8,285	68,058
Profit (loss) before income taxes	17,055	(646,594)
Income taxes-current	10,329	119,043
Income taxes-deferred	9,174	41,733
Total income taxes	19,504	160,776
Loss	(2,449)	(807,370)
Loss attributable to owners of parent	(2,449)	(807,370)

Quarterly Consolidated Statement of Comprehensive Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Loss	(2,449)	(807,370)
Other comprehensive income		
Valuation difference on available-for-sale securities	117,462	293,013
Foreign currency translation adjustment	(8,298)	(2,345)
Remeasurements of defined benefit plans, net of tax	2,090	17,003
Total other comprehensive income	111,254	307,670
Comprehensive income	108,805	(499,700)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	108,805	(499,700)
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	17,055	(646,594)
Depreciation and amortization	116,292	188,065
Loss (gain) on valuation of short-term and long-term investment securities	7,999	-
Gain on sales of non-current assets	(161,609)	(560)
Share of loss (profit) of entities accounted for using equity method	1,650	8,245
Gain on reversal of share acquisition rights	(25,348)	-
Loss (gain) on sales of membership	100	-
Loss on valuation of membership	105	-
Loss on abandonment of inventories	-	17,925
Loss due to new coronavirus infection	-	47,734
Increase (decrease) in allowance for doubtful accounts	(58,688)	(24,796)
Increase (decrease) in retirement benefit liability	2,094	5,988
Decrease (increase) in retirement benefit asset	(29,963)	(8,756)
Increase (decrease) in provision for bonuses	(32,458)	(88,302)
Increase (decrease) in provision for sales returns	(93,992)	(244,406)
Interest and dividend income	(31,249)	(32,776)
Rental income	(12,098)	(5,575)
Settlement received	-	(20,000)
Subsidy income	-	(29,076)
Interest expenses	6,938	8,708
Decrease (increase) in trade receivables	716,668	1,039,287
Decrease (increase) in inventories	(36,930)	378,692
Increase (decrease) in trade payables	(225,228)	(228,323)
Other, net	(121,928)	(4,907)
Subtotal	39,409	360,573
Interest and dividends received	31,321	32,849
Proceeds from rental income	10,634	4,799
Settlement package received	-	3,000
Proceeds from subsidy income	-	29,076
Interest paid	(7,093)	(8,677)
Extra retirement payments	(413,246)	-
Income taxes paid	(23,715)	(49,901)
Net cash provided by (used in) operating activities	(362,690)	371,719
Cash flows from investing activities		
Payments into time deposits	(1,648)	-
Proceeds from withdrawal of time deposits	3,278	-
Purchase of property, plant and equipment	(145,332)	(123,110)
Proceeds from sales of property, plant and equipment	240,030	195
Purchase of intangible assets	(231,839)	(194,864)
Purchase of investment securities	(60,764)	(4,506)
Payments for acquisition of businesses	(80,939)	-
Long-term loan advances to employees	(4,050)	-
Collection of loans receivable	12,223	2,105
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(60,243)	-
Other, net	55,960	13,678
Net cash provided by (used in) investing activities	(273,325)	(306,503)

(Thousands of yen)

	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Cash flows from financing activities		
Purchase of treasury shares	(117)	(69)
Dividends paid	(1,102)	(464)
Net cash provided by (used in) financing activities	(1,219)	(534)
Effect of exchange rate change on cash and cash equivalents	(8,025)	4,481
Net increase (decrease) in cash and cash equivalents	(645,261)	69,162
Cash and cash equivalents at beginning of period	5,845,914	4,970,584
Cash and cash equivalents at end of period	5,200,652	5,039,747

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

Reclassifications

"Rent income" and "Cost of lease revenue" included in "Non-operating income" and "Non-operating expenses" respectively in prior periods, have been reclassified and included in "Net sales" and "Cost of sales" respectively from the first quarter of FY3/21.

The reclassifications were made to properly indicate current business status as we have changed to position real estate business as one of our main business and manage its profitability under appropriate busines division. To conform to this change, the consolidated financial statements for the first nine months of FY3/20 has been reclassified.
As a result, "Rental income" of 12,129 thousand yen under non-operating income and "Rental costs" of 9,425 thousand yen under non-operating expenses presented in the quarterly consolidated statement of income for the previous first nine months are reclassified and included in "Net sales" and "Cost of sales" and increased 12,129 thousand yen and 9,425 thousand yen, respectively.

Segment and Other Information

Segment information

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

Omitted since the Group has only a single business segment.

II. First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)

1. Overview of reportable segments

The reportable segments of the Shobunsha Group are the constituent units where separate financial information can be obtained and the Board of Directors uses this information on a regular basis to allocate resources and evaluate business performance.

The Shobunsha group consists of three reportable segments classified by products or services based on the business operations: the Media Business, the Solutions Business, and the Real Estate Business segments.

Media Business engages in selling retail publications, e-books, and applications; selling magazine and web ads; obtaining permission to use brands and trademarks on publications, etc. Solutions Business engages in selling the database of maps and guidebooks that are the Group's core competencies, selling system products and solutions using the database, etc. Real Estate Business engages in sale or leasing of the Group's property to external parties.

2. Information pertaining to net sales and profit/loss in reportable segments (Thousands of yen)

	Reportable Segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	Media Business	Solutions Business	Real Estate Business	Subtotal				
Net sales								
Sales to external customers	2,120,554	1,068,344	1,162,109	4,351,008	231,101	4,582,109	-	4,582,109
Inter-segment sales and transfers	77,780	149,376	-	227,157	26,935	254,092	(254,092)	-
Total	2,198,335	1,217,720	1,162,109	4,578,165	258,036	4,836,201	(254,092)	4,582,109
Segment profit (loss)	(1,215,700)	(235,499)	906,010	(545,189)	(283,228)	(828,418)	174,845	(653,572)

Notes: 1. "Other" represents the businesses not included in any reportable segment and mainly consists of the tourism and call center businesses.

2. The 174,845 thousand yen adjustment to segment profit (loss) consists of 17,919 thousand yen of inter-segment elimination and 156,925 thousand yen of corporate revenues, net of expenses, which are not allocated to any reportable segment.

3. Segment profit (loss) is adjusted with operating loss shown on the quarterly consolidated statement of income.

3. Matters related to changes in reportable segment

The Group has been striving to create the types of value that match what people want and build a broader foundation for earnings through its global operations. Specifically, we have transformed our publishing business model by starting to offer e-books and introducing a membership system for readers who are attracted to our successfully branded publication series. We have also evolved our e-business operations from the provision of content to the provision of solutions. Furthermore, we have launched new businesses involving travel and activities at travel destinations.

Until the end of the previous fiscal year, we had performed management control and information disclosure with a single business segment, providing comprehensive services not restricted to a single medium such as those linked to both publications and smartphones and e-books. Effective from the current fiscal year ending March 31, 2021, we have decided to divide our operations into three reportable segments: Media Business, Solutions Business and Real Estate Business and disclose the segment-by-segment performance. With this three-segment structure, we believe that we can perform management control and information disclosure that reflect our business development more adequately so as to realize more growth and earnings in existing businesses and to assure the success of new businesses fast.

Having started management control with a multiple segment structure from the current fiscal year, we have found it impracticable to accurately reclassify figures for the previous fiscal year into those under the new segment structure, therefore we have omitted disclosure of comparable information by segment for the previous fiscal year.

Subsequent Events

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.