August 6, 2021

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2022 (Three Months Ended June 30, 2021)

[Japanese GAAP]

Company name: Shobunsha Holdings, Inc. Listing: Tokyo Stock Exchange, First Section
Stock code: 9475 URL: https://www.mapple.co.jp/
Representative: Shigeo Kuroda, President & Representative Director
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Scheduled date of filing of Quarterly Report: August 12, 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 First Quarter Ended June 30, 2021 (April 1, 2021 – June 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2021	1,249	-	(338)	-	(295)	-	(338)	-
Three months ended Jun. 30, 2020	2,071	4.9	217	-	235	-	113	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2021: (477) (- %)
Three months ended Jun. 30, 2020: 275 (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2021	(18.63)	-
Three months ended Jun. 30, 2020	6.23	-

Note: Beginning with the first quarter of the fiscal year ending March 31, 2022, the Company has applied Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). All figures for the three months ended June 30, 2021 incorporate this accounting standard and comparisons of net sales with the first quarter of the previous fiscal year are omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2021	15,921	11,640	73.1
As of Mar. 31, 2021	16,872	13,286	78.7

Reference: Shareholders' equity (million yen) As of Jun. 30, 2021: 11,640 As of Mar. 31, 2021: 13,286

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2022	-				
Fiscal year ending Mar. 31, 2022 (forecasts)		0.00	-	0.00	0.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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
First half	3,090	(6.3)	(1,020)	-	(990)	-	(1,010)	-	(55.56)
Full year	7,090	12.3	(880)	-	(840)	-	(860)	-	(47.31)

*** 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:	Yes
2) Changes in accounting policies other than 1) above:	None
3) Changes in accounting estimates:	None
4) Restatements:	None

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 11 of the attachments for further information.

(4) Number of issued shares (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

As of Jun. 30, 2021:	18,178,173 shares	As of Mar. 31, 2021:	18,178,173 shares

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

As of Jun. 30, 2021:	851 shares	As of Mar. 31, 2021:	851 shares

3) Average number of shares during the period

Three months ended Jun. 30, 2021:	18,177,322 shares	Three months ended Jun. 30, 2020:	18,177,472 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

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. 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

During the first quarter of the current fiscal year (from April 1, 2021 to June 30, 2021) (hereinafter “the period under review”), the world economy that had been long stagnant due to the COVID-19 pandemic was finally heading for recovery with the effects of rapid vaccine rollouts centered in developed countries. The Japanese economy, however, became clearly polarized into strongly recovering sectors and still stagnant sectors. For example, the manufacturing sector was strongly recovering as both export and industrial production were gradually increasing, corporate earnings were improving, and capital investment was beginning to grow again; however, the consumer service sector remained stagnant. Due to the state of emergency declared mainly in prefectures with large cities every time the number of new COVID-19 cases rebounds, the consumer service sector continued to be forced to operate in challenging circumstances, particularly food/beverage and accommodation services, passenger transport services, and tourism and travel-related services. As cross-border travel was still restricted, the outlook for the inbound and outbound tourism industries remained uncertain.

Under such circumstances, Shobunsha Holdings, Inc. (hereinafter “the Company”) and its subsidiaries and associates (hereinafter collectively “the Group”) has prioritized taking even stricter cost control measures and having as much liquidity as possible. We have also proactively introduced and utilized DX, which was so far used in limited areas such as the promotion of teleworking, as a strategy for achieving further cost reduction. Means for this include seizing new profit opportunities, increasing the existing profit, and streamlining (improving the efficiency of) indirect operations in all business domains of the Group. As having been affected by the prolonged COVID-19 pandemic, we have continued to take cost control measures since the previous fiscal year. They include cutting cost by reviewing the numbers of titles and copies in the retail publishing business according to market needs; and curbing fixed expenses by limiting the number of staff members and daily operations to a bare minimum in overseas sites. As announced in the press release “Notice Regarding Changes in Consolidated Subsidiaries (Japanese version only)” on June 30, 2021, MEGURU Co., Ltd. and its consolidated overseas subsidiaries are expected to become the Company’s equity-method affiliates as MEGURU Co., Ltd. consolidated shares and increased capital through a third-party allotment as scheduled and described in the press release.

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. Therefore, this explanation of results of operations for the period under review does not present changes in amounts from the first quarter of the previous fiscal year or year-on-year changes (%). Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” for further information.

Net sales for the period under review were 1,249 million yen (2,071 million yen one year earlier). This was due to an absence of sales whose amount is equivalent to the amount of gain on transfer of non-current assets recognized as sales revenue from the real estate business one year earlier; however, sales of the retail publishing business picked up from the same period of the previous fiscal year, reflecting a rebound in sales after the operating environment was greatly affected when the state of emergency was first declared in Japan during that period. In terms of profitability, operating loss was 338 million yen (operating profit of 217 million yen one year earlier). This was due to the aforementioned absence of sales whose amount is equivalent to the amount of revenue from the real estate business recorded one year earlier, whose cost of sales remained almost the same as the carrying amount. We, however, decreased cost of sales and selling, general and administrative expenses from one year earlier by implementing thorough cost control in all business domains. Accordingly, ordinary loss was 295 million yen (ordinary profit of 235 million yen one year earlier). Consequently, loss attributable to owners of parent was 338 million yen (profit attributable to owners of parent of 113 million yen one year earlier).

Results by business segment of the Group were as follows.

From the first quarter of the current fiscal year, the Group has changed the reportable segment classification. Accordingly, the prior-year figures have been reclassified into the new segments for comparison purposes.

Media Business

This segment engages in planning, producing and selling retail publications, e-books and applications; selling magazine and web ads; planning, producing and selling customized items; obtaining permission to use brands and trademarks on publications, and others.

During the period under review, given the situation in which consumer behavior related to traveling and outings has been very restricted or restrained due to the prolonged COVID-19 pandemic, in the retail publishing business, we have planned book series that allow consumers to satisfy their intellectual curiosity and to enjoy imaginary trips at home. We have also published more books that introduce familiar sweets, consumer discretionary products, and other items. We increased the number of volumes of the *Torisetsu* series, which is a popular entertaining map book series introducing regional characteristics and attractive features that people can enjoy reading at home. New volumes include the following prefecture versions: Ibaraki, Nagasaki, Kyoto, Fukui, Shiga, Yamaguchi, Gifu, Kagoshima, and Iwate. To meet the needs of parents and their kids staying at home, we also published more volumes of the Mapple Kids series. New volumes include *Nihon Chizu-cho* (Japanese map), *Sekai Chizu-cho* (global map), *Chizu de Batchiri Wakaru 47 Todofuken Omoshiro Zukan* (interesting picture and illustrated book about 47 prefectures with maps that help readers have a crystal-clear understanding), and *Chizu de Batchiri Wakaru Sekai no Kuniguni Omoshiro Zukan* (interesting picture and illustrated book about countries around the world with maps that help readers have a crystal-clear understanding). We also published collector’s edition *Yoshida Hatsusaburo Chokanzu-shu* (collection of bird’s-eye view maps drawn by Hatsusaburo Yoshida) for amateurs. It is a collection of panoramic maps of famous places throughout Japan drawn by the extraordinary cartographer with extremely difficult techniques that no one can copy. Further, we published more books about sweets and consumer discretionary products: *Fruit Sand Bon* (book about fruit sandwiches), *Kakigori Bon* (book about Japanese shaved ice dessert flavored with various sorts of syrup and fruits), and *Kakigori Bon Osaka, Kyoto and Nara* (book introducing *Kakigori* shops in Osaka, Kyoto and Nara). In addition, we drastically revamped Mapple Link, which has 20 million downloads in total, from a guidebook supplementary app to an app that helps users find their perfect trip. The current level of sales still significantly falls short of the level of sales before the pandemic hits. For example, our advertising income has been negatively affected by the stagnant travel accommodation market under the repeatedly declared state of emergency. However, as mentioned above, sales of the retail publishing business picked up from the same period of the previous fiscal year in which the operating environment was greatly affected by such factors as voluntary closure or shorter operating hours by bookstores when the state of emergency was first declared in Japan.

As a result, net sales of the segment were 909 million yen (compared with 446 million yen one year earlier), and operating loss was 287 million yen (compared with 543 million yen one year earlier).

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, and other activities.

During the period under review, the inbound business has remained in a severe situation. 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. Map licensing sales were down from one year earlier due to the smaller number of times that retail map licenses were granted for portable navigation devices (PND) apps and other media, resulting from the lingering effects of the pandemic. We, however, constantly received a larger number of orders for navigation system products that are in steady demand, such as Software Development Kit (SDK) for Business-use Navigation Systems. We have also continued to receive orders for new solutions. They include Thermal Camera (body temperature screening camera) that is offered by the company with which we have formed a business alliance, School Zone Safety Support System that helps users to inspect and manage unsafe spots in school zones with a map, and Travelers’ Mind that provides an objective analysis of what places tourists are attracted to and what range of activities they plan to take.

As a result, net sales of the segment were 295 million yen (compared with 306 million yen one year earlier), and operating loss was 92 million yen (compared with 158 million yen one year earlier).

Other Businesses

This segment engages in the tourism business consisting of two services: the Tabinaka business that sends customers to good restaurants, optional tours and activity spots mainly in overseas travel destinations via the Group’s own website, and the facility operation services that include operations of the overseas activity facilities owned by the Group and offer relevant customer services; the call center business that offers call center services to external counterparties and the Group’s companies; and the real estate business that sells or leases the Group’s property, such as land and buildings, to external counterparties.

During the period under review, in the tourism business, our sales activities have had to halt due to continued cross-border travel restrictions. Accordingly, we have limited daily operations to a bare minimum and curbed fixed expenses in addition to the integration and closure of some overseas sites during the previous fiscal year. In the meanwhile, to prepare for resuming operations, we have cooperated with more online travel agencies and continued our marketing efforts to increase the number of social media followers. To respond to emerging needs amid the pandemic, we offer 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 experiences of tours and events to the users. In the call center business, it operates as scheduled. In the real estate business, it also operates as scheduled although it did not have sales whose amount is equivalent to the amount of gain on transfer of non-current assets recognized as sales revenue one year earlier.

As a result, net sales of the segment were 45 million yen (compared with 1,318 million yen one year earlier), and operating loss was 35 million yen (compared with operating profit of 843 million yen one year earlier).

(2) Explanation of Financial Position

Total assets at the end of the first quarter decreased 950 million yen (5.6%) from the end of the previous fiscal year to 15,921 million yen. This was mainly due to decreases in cash and deposits of 279 million yen, notes and accounts receivable-trade of 457 million yen, merchandise and finished goods of 65 million yen, work in process of 45 million yen and investment securities of 156 million yen, which were partly offset by an increase in other of current assets of 55 million yen. Total liabilities increased 696 million yen (19.4%) from the end of the previous fiscal year to 4,281 million yen. This was mainly due to the addition of new account, refund liabilities of 1,467 million yen as a result of applying the Accounting Standard for Revenue Recognition, which was partly offset by decreases in notes and accounts payable-trade of 87 million yen, income taxes payable of 159 million yen, provision for bonuses of 53 million yen, other of current liabilities of 35 million yen and deferred tax liabilities of 39 million yen as well as a decrease in provision for sales returns of 401 million yen as this account was deleted as a result of applying the Accounting Standard for Revenue Recognition. Total net assets decreased 1,646 million yen (12.4%) from the end of the previous fiscal year to 11,640 million yen. This was due to a decrease in valuation difference on available-for-sale securities of 112 million yen from the end of the previous fiscal year. There were also the reporting of loss attributable to owners of parent, and the difference between the aforementioned amount of newly added refund liabilities and that of deleted provision for sales returns as a result of applying the Accounting Standard for Revenue Recognition.

Consequently, the equity ratio decreased 5.6 percentage points to 73.1%.

Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the first quarter on a consolidated basis decreased 279 million yen from the end of the previous fiscal year to 4,349 million yen.

Net cash used in operating activities was 159 million yen. The main factors were an 81 million yen decrease in refund liabilities, a 53 million yen decrease in provision for bonuses, interest and dividend income of 14 million yen, an 87 million yen decrease in trade payables and income taxes paid of 115 million yen as well as reporting of loss before income taxes of 329 million yen, which were partially offset by a 436 million yen decrease in trade receivables and a 111 million yen decrease in inventories.

Net cash used in investing activities was 102 million yen. The main factors include purchase of property, plant and equipment of 51 million yen and purchase of intangible assets of 49 million yen.

Net cash used in financing activities was 0 million yen.

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

We consider the operating results as a whole for the period under review are progressing within the range of our expectations, despite the impact of the prolonged COVID-19 pandemic on the operating environment. Due to this outlook, there are no revisions to the first half and full-year forecast figures for the fiscal year ending March 31, 2022 that were announced in "Notice of revisions to earnings forecasts" (Japanese version only) released on June 30, 2021.

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, 2021, which was filed on June 29, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	First quarter of FY3/22 (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	4,629,245	4,349,906
Notes and accounts receivable-trade	1,764,474	1,307,155
Merchandise and finished goods	1,066,361	1,000,621
Work in process	253,150	207,213
Raw materials and supplies	258	258
Other	155,844	210,893
Allowance for doubtful accounts	(21,336)	(15,273)
Total current assets	7,847,997	7,060,775
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,639,848	1,644,754
Land	3,416,206	3,416,206
Other, net	219,381	192,444
Total property, plant and equipment	5,275,436	5,253,405
Intangible assets		
Goodwill	140,927	136,067
Other	10,129	19,569
Total intangible assets	151,057	155,637
Investments and other assets		
Investment securities	2,048,469	1,892,465
Retirement benefit asset	1,398,950	1,411,090
Other	209,271	207,139
Allowance for doubtful accounts	(58,671)	(58,518)
Total investments and other assets	3,598,020	3,452,177
Total non-current assets	9,024,514	8,861,220
Total assets	16,872,511	15,921,995

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	First quarter of FY3/22 (As of Jun. 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	619,465	532,190
Short-term borrowings	770,000	770,000
Income taxes payable	176,260	16,324
Refund liabilities	-	1,467,864
Provision for bonuses	211,991	158,804
Provision for sales returns	401,236	-
Other	465,895	430,853
Total current liabilities	2,644,848	3,376,037
Non-current liabilities		
Deferred tax liabilities	676,860	637,622
Retirement benefit liability	79,505	83,990
Other	184,300	184,300
Total non-current liabilities	940,665	905,913
Total liabilities	3,585,514	4,281,951
Net assets		
Shareholders’ equity		
Share capital	10,141,136	10,141,136
Capital surplus	4,168,372	4,168,372
Retained earnings	(1,904,023)	(3,411,851)
Treasury shares	(475)	(475)
Total shareholders’ equity	12,405,009	10,897,181
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	888,880	775,949
Foreign currency translation adjustment	(645)	(27,415)
Remeasurements of defined benefit plans	(6,247)	(5,671)
Total accumulated other comprehensive income	881,987	742,862
Total net assets	13,286,996	11,640,043
Total liabilities and net assets	16,872,511	15,921,995

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
(For the Three-month Period)

(Thousands of yen)

	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)
Net sales	2,071,634	1,249,910
Cost of sales	1,218,983	1,052,756
Gross profit	852,651	197,154
Provision for sales returns-net	(106,047)	-
Gross profit-net	958,698	197,154
Selling, general and administrative expenses	740,802	536,128
Operating profit (loss)	217,895	(338,973)
Non-operating income		
Interest income	96	60
Dividend income	14,851	14,195
Rental income	2,034	1,200
Foreign exchange gains	-	26,467
Other	13,323	5,968
Total non-operating income	30,305	47,892
Non-operating expenses		
Interest expenses	2,822	3,852
Rental costs	1,278	-
Share of loss of entities accounted for using equity method	2,770	442
Other	6,280	22
Total non-operating expenses	13,152	4,317
Ordinary profit (loss)	235,049	(295,399)
Extraordinary income		
Gain on sale of non-current assets	143	-
Total extraordinary income	143	-
Extraordinary losses		
Loss on retirement of non-current assets	39	-
Impairment losses	-	33,898
Total extraordinary losses	39	33,898
Profit (loss) before income taxes	235,153	(329,298)
Income taxes-current	88,377	5,468
Income taxes-deferred	33,457	3,788
Total income taxes	121,834	9,256
Profit (loss)	113,319	(338,555)
Profit (loss) attributable to owners of parent	113,319	(338,555)

Quarterly Consolidated Statement of Comprehensive Income

(For the Three-month Period)

(Thousands of yen)

	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)
Profit (loss)	113,319	(338,555)
Other comprehensive income		
Valuation difference on available-for-sale securities	157,015	(112,931)
Foreign currency translation adjustment	(543)	(26,769)
Remeasurements of defined benefit plans, net of tax	5,667	576
Total other comprehensive income	162,140	(139,124)
Comprehensive income	275,459	(477,679)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	275,459	(477,679)
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	235,153	(329,298)
Depreciation and amortization	53,812	45,382
Share of loss (profit) of entities accounted for using equity method	2,770	442
Impairment losses	-	33,898
Increase (decrease) in allowance for doubtful accounts	(9,916)	(6,216)
Increase (decrease) in retirement benefit liability	3,765	4,485
Decrease (increase) in retirement benefit asset	15,526	(11,309)
Increase (decrease) in refund liabilities	-	(81,850)
Increase (decrease) in provision for bonuses	(56,996)	(53,187)
Increase (decrease) in provision for sales returns	(106,047)	-
Interest and dividend income	(14,947)	(14,256)
Rental income	(2,034)	(1,200)
Interest expenses	2,822	3,852
Decrease (increase) in trade receivables	865,728	436,563
Decrease (increase) in inventories	62,987	111,703
Increase (decrease) in trade payables	(183,973)	(87,371)
Other, net	(43,096)	(106,853)
Subtotal	825,555	(55,214)
Interest and dividends received	14,899	13,971
Proceeds from rental income	2,234	1,200
Interest paid	(2,853)	(3,852)
Income taxes paid	(31,153)	(115,918)
Net cash provided by (used in) operating activities	808,681	(159,813)
Cash flows from investing activities		
Purchase of property, plant and equipment	(32,868)	(51,952)
Proceeds from sale of property, plant and equipment	148	21
Purchase of intangible assets	(78,977)	(49,826)
Purchase of investment securities	(395)	(403)
Loan advances	-	(1,000)
Proceeds from collection of loans receivable	540	610
Other, net	2,510	-
Net cash provided by (used in) investing activities	(109,042)	(102,552)
Cash flows from financing activities		
Dividends paid	(367)	(189)
Net cash provided by (used in) financing activities	(367)	(189)
Effect of exchange rate change on cash and cash equivalents	1,114	(16,783)
Net increase (decrease) in cash and cash equivalents	700,385	(279,338)
Cash and cash equivalents at beginning of period	4,970,584	4,629,245
Cash and cash equivalents at end of period	5,670,970	4,349,906

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition

The Company started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

Accordingly, we have made the following changes:

The Company previously recorded "Provision for sales returns" under current liabilities to provide for losses resulting from the return of products. The provision was calculated based on the outstanding balance of trade receivables at the end of each fiscal year. The provision covered profit from the sale of products that are expected to be subsequently returned and expenses for discarding the returned products. However, the Company has shifted to the method by which it does not recognize net sales from the sale of merchandise and finished goods that are expected to be subsequently returned, and presents refund liabilities under current liabilities.

Regarding transactions in which the Company acts an agent in providing goods to a customer, the Company previously recognized the gross amount of consideration to be received from the customer as revenue. However, the Company has shifted to the method by which it recognizes revenue at the net amount after deducting the amount to be paid to the supplier of goods from the amount to be received from the customer.

In addition, in the case of the right to access intellectual property over a license term, the Company has shifted to the method by which it recognizes revenue from licensing-related business over a certain period of time. In the case of the right to use intellectual property at the time the license is granted, the Company has shifted to the method by which it recognizes revenue from licensing-related business at a point in time.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, compared with the previous accounting method, the application of the new standard resulted in an increase of 90 million yen in sales, and decreases of 4 million yen in cost of sales and 95 million yen each in operating loss, ordinary loss and loss before income taxes. In addition, the new standard reduced retained earnings at the beginning of the first quarter by 1,169 million yen.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information on revenue from contracts with customers broken down for the first quarter of the previous fiscal year.

Application of the Accounting Standards for Calculation of Fair Value

Shobunsha Holdings has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value prospectively in accordance with the transitional measures in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Segment and Other Information

Segment information

I. First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)

1. 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	Subtotal				
Net sales							
Sales to external customers	446,604	306,117	752,722	1,318,912	2,071,634	-	2,071,634
Inter-segment sales and transfers	11,513	67,014	78,528	8,896	87,424	(87,424)	-
Total	458,117	373,132	831,250	1,327,808	2,159,059	(87,424)	2,071,634
Segment profit (loss)	(543,102)	(158,312)	(701,415)	843,289	141,874	76,021	217,895

Notes: 1. “Other” represents the businesses not included in any reportable segment and mainly consists of the real estate, tourism and call center businesses.

2. The 76,021 thousand yen adjustment to segment profit (loss) consists of 7,241 thousand yen of inter-segment elimination and 68,779 thousand yen of corporate revenues, net of expenses, which are not allocated to any reportable segment.

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

2. Information related to impairment of non-current assets, goodwill, etc. for each reportable segment

Not applicable.

II. First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)

1. Information pertaining to net sales and profit/loss in reportable segments and on revenue breakdown

(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	Subtotal				
Net sales							
Retail publishing	766,352	-	766,352	-	766,352	-	766,352
Special-order products	36,914	-	36,914	-	36,914	-	36,914
Advertising	69,447	-	69,447	-	69,447	-	69,447
e-business sales	36,848	293,614	330,463	-	330,463	-	330,463
Other	50	1,421	1,472	41,095	42,568	-	42,568
Revenue from contracts with customers	909,613	295,035	1,204,648	41,095	1,245,744	-	1,245,744
Other income	-	-	-	4,165	4,165	-	4,165
Sales to external customers	909,613	295,035	1,204,648	45,261	1,249,910	-	1,249,910
Inter-segment sales and transfers	10,720	37,754	48,475	8,704	57,179	(57,179)	-
Total	920,333	332,790	1,253,123	53,966	1,307,090	(57,179)	1,249,910
Segment profit (loss)	(287,425)	(92,420)	(379,845)	(35,341)	(415,187)	76,213	(338,973)

Notes: 1. “Other” represents the businesses not included in any reportable segment and mainly consists of the real estate, tourism and call center businesses.

2. The 76,213 thousand yen adjustment to segment profit (loss) consists of 17,904 thousand yen of inter-segment elimination and 58,308 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.

2. Information related to impairment of non-current assets, goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Due to the COVID-19 pandemic, the traveling- and outing-related markets in which the Group operates its core business have continued to be significantly shrinking and stagnant.

We expect that the impact of the pandemic will remain strong and that a severe business environment will continue. As such, 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 in the Media and Solutions Businesses.

The amount of impairment loss in the first three months of FY3/22 was 11,743 thousand yen in the Media Business segment and 22,154 thousand yen in the Solutions Business segment.

3. Matters related to changes in reportable segment

Due to its decreasing importance, the Real Estate Business and Tourism Business were excluded from reportable segments and included in the other segment beginning with the first quarter of FY3/22.

The segment information for the first three months of FY3/21 is prepared and disclosed based on the reportable segments after the revision.

Subsequent Events

Changes in consolidated subsidiaries

At the meeting of the Board of Directors held on June 30, 2021, the Company resolved that MEGURU Co., Ltd., its consolidated subsidiary, would consolidate shares and increase capital through a third-party allotment, and the entity implemented them accordingly.

As MEGURU Co., Ltd., a consolidated subsidiary of the Company, increased capital through a third-party allotment as scheduled, the entity and their subsidiaries namely, SHOBUNSHA HAWAII CORPORATION, SHOBUNSHA GUAM CORPORATION, SHOBUNSHA SINGAPORE PTE. LTD., and MMS GUAM CORPORATION, are all expected to become the Company's equity-method affiliates.

(1) Reason for the changes

MEGURU Co., Ltd., a consolidated subsidiary of the Company, is mainly engaged in selling local tours in overseas travel destinations and offering website services, such as the reservation of overseas restaurants. Their business has been greatly affected by the COVID-19 pandemic since March 2020, and in fact, the entity has suspended its operations. It is still unforeseeable when people become able to freely travel across borders again. To maintain the entity's business until such opportunity comes, we expect it costs approximately 130 million yen per year (the amount of expenses incurred in the previous fiscal year). If such opportunity is likely to come too late and we therefore decide to withdraw from the business, we expect that a large amount of money will be required for withdrawal, mainly lease payments for activity facilities located in Guam, the U.S. Taking into account such circumstances, we concluded that the entity should take on new investors and increase capital to maintain its business and prepare for resuming operations when the time comes. Although the entity will become the Company's equity-method affiliate from the Company's consolidated subsidiary, the entity intends to remain the largest shareholder of its subsidiaries. The entity will make effective use of its systems, know-how, talent, and other assets acquired through making investments in the past and focus on business expansion.

(2) Method for the changes

MEGURU Co., Ltd. consolidated every 10,000 shares of common stock issued into one share, and subsequently increased capital through a third-party allotment with allottees of the Company, corporations, and individuals.

(3) Outline of the subject subsidiaries

1) Company name	MEGURU Co., Ltd.	
2) Business	Tourism	
3) Relationships between Shobunsha and MEGURU	Capital	Wholly owned subsidiary of the Company
	Personnel	Four directors of the Company serves concurrently as the representative director, directors and corporate auditors of this company. (Note)
	Business	There are intergroup transactions in which the Company gives management guidance, leases offices, etc. to MEGURU Co., Ltd.

Note: As MEGURU Co., Ltd. increased capital through a third-party allotment, Shigeo Kuroda and Hiroyuki Kato retired from the position of director of MEGURU Co., Ltd., and Niima Iizuka retired from the position of corporate auditor of MEGURU Co., Ltd. In addition, MEGURU Co., Ltd. converted to a company without a board of directors.

1) Company name	SHOBUNSHA HAWAII CORPORATION	
2) Business	Tourism	
3) Relationships between Shobunsha and SHOBUNSHA HAWAII	Capital	Wholly owned subsidiary of the consolidated subsidiary of the Company
	Personnel	Not applicable.
	Business	Not applicable.

1) Company name	SHOBUNSHA GUAM CORPORATION	
2) Business	Tourism	
3) Relationships between Shobunsha and SHOBUNSHA GUAM CORPORATION	Capital	Wholly owned subsidiary of the consolidated subsidiary of the Company
	Personnel	Not applicable.
	Business	Not applicable.

1) Company name	SHOBUNSHA SINGAPORE PTE.LTD.	
2) Business	Tourism	
3) Relationships between Shobunsha and SHOBUNSHA SINGAPORE	Capital	Wholly owned subsidiary of the consolidated subsidiary of the Company
	Personnel	Two directors of the Company serves concurrently as the president and the vice president each
	Business	Not applicable.

1) Company name	MMS GUAM CORPORATION	
2) Business	Tourism	
3) Relationships between Shobunsha and MMS GUAM CORPORATION	Capital	Wholly owned subsidiary of the consolidated subsidiary of the Company
	Personnel	A director of the Company serves concurrently as the vice president
	Business	Not applicable.

(4) The third-party allotment

i. Outline of the third-party allotment

a) Total number of shares outstanding:	19,999 shares	
b) Amount to be paid	10,000 yen per share	
c) Total amount to be paid in	199,990,000 yen	
d) Capital to be increased	99,995,000 yen	
e) Capital reserve to be increased	99,995,000 yen	
f) Prospective allottee and number of shares allotted	Shobunsha Holdings, Inc.	4,500 shares
	CYBRiDGE GROUP CORPORATION	3,000 shares
	Yugengaisya Hide Inter	1,500 shares
	P+KACHI inc.	1,500 shares
	Enigmo Inc.	999 shares
	and other nine individuals	8,500 shares
g) Payment date	July 20, 2021	
h) Capital after additional investment	20,000 shares	
i) Capital reserve after additional investment	199,995,000 yen	

ii. Number of voting rights before and after the capital increase through a third-party allotment and the ratio to the number of voting rights held by all shareholders

	Before additional investment	After additional investment
a) The number of voting rights	1 (1 share)	4,501 (4,501 shares)
b) Ratio to the number of voting rights held by all shareholders	100.0%	22.5%
c) Attributes	Consolidated subsidiaries	Equity-method affiliate

iii. Outline of third-party allottees

Third-party allottees are the Company, four corporations, and nine individuals. There is no applicable matter in terms of the capital, personnel and business relationships between a listed company and each of the four corporations and nine individuals.

(5) Outlook

These changes in consolidated subsidiaries will have only a negligible effect on results of operations in the fiscal year ending in March 2022. An announcement will be made promptly if there is any additional information that should be disclosed.

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.