November 5, 2021

# Summary of Consolidated Financial Results
# for the Second Quarter of Fiscal Year Ending March 31, 2022
# (Six Months Ended September 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
Contact: Hiroyuki Kato, Director, General Manager, Business Administration Division
Tel: +81-3-3556-8171

Scheduled date of filing of Quarterly Report: November 12, 2021
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

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

## 1. Consolidated Financial Results for the Second Quarter Ended September 30, 2021 (April 1, 2021 – September 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 | % |
| Six months ended Sep. 30, 2021 | 2,388 | - | (566) | - | (506) | - | (585) | - |
| Six months ended Sep. 30, 2020 | 3,298 | (16.7) | (124) | - | (74) | - | (220) | - |

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2021: (616) (- %)
Six months ended Sep. 30, 2020: 45 (- %)

| | Net income per share | Diluted net income per share |
|---|---|---|
| | Yen | Yen |
| Six months ended Sep. 30, 2021 | (32.23) | - |
| Six months ended Sep. 30, 2020 | (12.12) | - |

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 six months ended September 30, 2021 incorporate this accounting standard and comparisons of net sales with the first six months of the previous fiscal year are omitted.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | Million yen | Million yen | % |
| As of Sep. 30, 2021 | 15,707 | 11,500 | 73.2 |
| As of Mar. 31, 2021 | 16,872 | 13,286 | 78.7 |

Reference: Shareholders' equity (million yen) As of Sep. 30, 2021: 11,500 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 | - | 0.00 | | | |
| Fiscal year ending Mar. 31, 2022 (forecasts) | | | - | 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 attributable to owners of parent | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 5,300 | (16.1) | (840) | - | (760) | - | (860) | - | (47.31) |

Note: Revisions to the most recently announced consolidated earnings forecasts: Yes

Please refer to the press release "Announcement of Extraordinary Losses, Differences between the Consolidated Forecast and Results for the First Half of the fiscal year ending March 31, 2022 and Revisions to Earnings Forecasts" (Japanese version only) announced today.

*** 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 Sep. 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 Sep. 30, 2021: | 901 shares | As of Mar. 31, 2021: | 851 shares |

3) Average number of shares during the period

| | | | |
|---|---|---|---|
| Six months ended Sep. 30, 2021: | 18,177,308 shares | Six months ended Sep. 30, 2020: | 18,177,452 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.

How to view supplementary materials for financial results

Supplementary materials for financial results will be available on the Company’s website at the beginning of December 2021. The Company decided to cancel the planned financial results meeting for analysts. Alternatively, the Company will have a conference call or other meeting.

Contents of Attachments


| | |
|---|---|
| 1. Qualitative Information on Quarterly Consolidated Financial Performance | 2 |
| (1) Explanation of Results of Operations | 2 |
| (2) Explanation of Financial Position | 4 |
| (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements | 5 |
| 2. Quarterly Consolidated Financial Statements and Notes | 6 |
| (1) Quarterly Consolidated Balance Sheet | 6 |
| (2) Quarterly Consolidated Statements of Income and Comprehensive Income | 8 |
| Quarterly Consolidated Statement of Income | |
| For the Six-month Period | 8 |
| Quarterly Consolidated Statement of Comprehensive Income | |
| For the Six-month Period | 9 |
| (3) Quarterly Consolidated Statement of Cash Flows | 10 |
| (4) Notes to Quarterly Consolidated Financial Statements | 11 |
| Going Concern Assumption | 11 |
| Significant Changes in Shareholders’ Equity | 11 |
| Changes in Accounting Policies | 11 |
| Segment and Other Information | 12 |
| Subsequent Events | 13 |

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first half of the current fiscal year (from April 1, 2021 to September 30, 2021) (hereinafter "the period under review"), the world economy that had sharply slowed down due to the COVID-19 pandemic was heading for recovery as a whole as vaccine rollouts progressed with differing vaccination rates between countries and regions. In the Japanese economy, both export and industrial production continued to increase although a part of them was affected by supply constraints. Corporate earnings were improving, and capital investment was beginning to grow again. Despite such relatively strong recovery in the manufacturing sector, food/beverage and accommodation services, passenger transport services, and tourism and travel-related services in particular continued to be long forced to operate in stagnant markets due to the country's fourth wave of COVID-19 infections around the Golden Week holidays and the subsequent fifth wave around summer breaks, which was rapidly driven by the highly contagious Delta variant that has replaced existing variants. These waves caused the government to declare again the state of emergency nationwide and repeatedly extend it. As cross-border travel was still restricted, the outlook for the inbound and outbound tourism industries remained uncertain.

To address the impact of the prolonged COVID-19 pandemic on the operating environment, Shobunsha Holdings, Inc. (hereinafter "the Company") and its subsidiaries and associates (hereinafter collectively "the Group") has 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. 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. In the tourism business, 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 became 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 half 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 2,388 million yen (3,298 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 566 million yen (operating loss of 124 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, such as streamlining of operations centered on DX promotions. Accordingly, ordinary loss was 506 million yen (ordinary loss of 74 million yen one year earlier). Consequently, loss attributable to owners of parent was 585 million yen (loss attributable to owners of parent of 220 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, Iwate, Toyama, Okinawa, Yamagata, Akita, Yamanashi, Shimane, Aomori, Ehime, Niigata, and Kagawa. In the well-received *Sutto Atama ni Hairu* (Quickly learn) series, we featured more periods and regions to expand the lineup of the series. We published *Chizu de Sutto Atama ni Hairu Showa and Kingendaishi* (Quickly learn about the Showa period and modern history with a map), *Chizu de Sutto Atama ni Hairu Yoroppa 47 Kakoku* (Quickly learn about 47 European countries with a map), and *Chizu de Sutto Atama ni Hairu Heian Jidai* (Quickly learn about the Heian period with a map). To meet the needs of parents and their kids staying at home, we also published more volumes of the Mapple Kids series. 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). 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.

From spring to summer during the period under review, sales of the retail publishing business rapidly recovered following a decline in sales during 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. From summer onward, however, such recovery of sales ended up losing momentum, and the current level of sales remained much lower than the level of sales before the pandemic hits, although sales during the period under review were higher than the same period of the previous fiscal year. The loss of momentum was attributable to the following three reasons: lingering stagnation in the operating environment resulting from the repeatedly extended state of emergency in the wake of the fifth COVID-19 wave; the absence of the Go To Travel campaign that strongly boosted the tourism industry last summer; and the impact of the stagnant tourism industry under the state of emergency on our advertising income.

As a result, net sales of the segment were 1,681 million yen (compared with 1,226 million yen one year earlier), and operating loss was 516 million yen (compared with 793 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, 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. However, map licensing sales were down from one year earlier due to the continuing smaller number of times that retail map licenses were granted for portable navigation devices (PND) apps, resulting from delays in the supply of semiconductors around the world and the severely affected inbound business by the lingering pandemic. In terms of profitability, we reduced loss as a result of cost reduction efforts. Meanwhile, we promoted our activities to receive orders for new solutions. They include Route Search Module Ver. 2 for business-use navigation systems, which enables heavy vehicle route planning based on information about heavy vehicle limits; 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. We also started taking initiatives aimed at helping realize a decarbonized society. We have formed a business alliance with Headspring Inc. (headquartered in Shinagawa-ku, Tokyo) for the purposes of co-developing energy storage systems and developing a variety of solutions. As one of the initiatives with the company, we released a map of electric vehicle charging stations on a demonstration site Mapple Lab.

As a result, net sales of the segment were 616 million yen (compared with 717 million yen one year earlier), and operating loss was 99 million yen (compared with 149 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, as mentioned above, MEGURU Co., Ltd., which operates the tourism business, and its consolidated overseas subsidiaries became the Company's equity-method affiliates. We had so far taken measures to minimize the impact of the pandemic for the tourism business. For example, we integrated and closed some overseas sites, and limited daily operations to a bare minimum and curbed fixed expenses. Going forward, we expect that the impact of the tourism business performance on the Group's operating results will be relatively insignificant. 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 90 million yen (compared with 1,354 million yen one year earlier), and operating loss was 37 million yen (compared with operating profit of 718 million yen one year earlier).

### (2) Explanation of Financial Position

Total assets at the end of the second quarter decreased 1,164 million yen (6.9%) from the end of the previous fiscal year to 15,707 million yen. This was mainly due to decreases in cash and deposits of 689 million yen, notes and accounts receivable-trade of 619 million yen, merchandise and finished goods of 41 million yen, other, net of property, plant and equipment of 41 million yen, which were partly offset by an increase in investment securities of 236 million yen. Total liabilities increased 621 million yen (17.3%) from the end of the previous fiscal year to 4,206 million yen. This was mainly due to the addition of new account, refund liabilities of 1,378 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 125 million yen, income taxes payable of 148 million yen and other of current liabilities of 82 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 1,786 million yen (13.4 %) from the end of the previous fiscal year to 11,500 million yen. This was due to a decrease in valuation difference on available-for-sale securities of 26 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 5.5 percentage points to 73.2%.

Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the second quarter on a consolidated basis decreased 689 million yen from the end of the previous fiscal year to 3,939 million yen, which include a decrease in cash and cash equivalents of 73 million yen resulting from exclusion of subsidiaries from consolidation.

Net cash used in operating activities was 172 million yen. The main factors were a 171 million yen decrease in refund liabilities and a 124 million yen decrease in trade payables as well as reporting of loss before income taxes of 566 million yen, which were partially offset by depreciation and amortization of 94 million yen, and a 596 million yen decrease in trade receivables.

Net cash used in investing activities was 425 million yen. The main factors include purchase of property, plant and equipment of 70 million yen, purchase of intangible assets of 63 million yen and purchase of investment securities of 295 million yen.

Net cash used in financing activities was 1 million yen.

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

During the period under review, the operating environment has been affected by the prolonged pandemic, especially from summer onward. Japan had its fifth wave of infections driven by the highly contagious Delta variant that has replaced existing variants, causing the government to repeatedly extend the declared nationwide state of emergency in prefectures with large cities and major tourist destinations. This resulted in lingering stagnation across the consumer service sector including food/beverage and accommodation services, tourism services, and passenger transport services. These negative factors have significantly influenced the Group’s operating results. Sales of the retail publishing business in particular were much lower than we expected; net sales amounted to 2,388 million yen (our previous forecast was 3,090 million yen). In terms of profitability, operating loss was 566 million yen (our previous forecast was operating loss of 1,020 million yen). This was due to curbed expenses as we decided to defer spending research and development expenses on driving DX across the Group as part of our plan; expenses budgeted for developing new businesses that fit in the era of living with the COVID-19 pandemic; and repair expenses in the real estate business, in addition to the effects of the company-wide cost reduction efforts both in cost of sales and SG&A expenses. For the Group’s operating results for the second half of the current fiscal year, we expect that the effects of curbing cost of sales and SG&A expenses will continue, but considering the possible impact of another wave of infections on net sales, especially sales of the retail publishing business, we revised, as follows, the 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.

| | |
|---|---|
| Net sales: | 5,300 million yen (Original target 7,090 million yen) |
| Operating loss: | 840 million yen (Original target 880 million yen) |
| Ordinary loss: | 760 million yen (Original target 840 million yen) |
| Loss attributable to owners of parent: | 860 million yen (Original target 860 million yen) |

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) | Second quarter of FY3/22 (As of Sep. 30, 2021) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,629,245 | 3,939,425 |
| Notes and accounts receivable-trade | 1,764,474 | 1,144,940 |
| Merchandise and finished goods | 1,066,361 | 1,024,565 |
| Work in process | 253,150 | 249,159 |
| Raw materials and supplies | 258 | 258 |
| Other | 155,844 | 153,242 |
| Allowance for doubtful accounts | (21,336) | (13,409) |
| Total current assets | 7,847,997 | 6,498,182 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 1,639,848 | 1,621,837 |
| Land | 3,416,206 | 3,416,206 |
| Other, net | 219,381 | 177,595 |
| Total property, plant and equipment | 5,275,436 | 5,215,640 |
| Intangible assets | | |
| Goodwill | 140,927 | 131,208 |
| Other | 10,129 | 29,703 |
| Total intangible assets | 151,057 | 160,911 |
| Investments and other assets | | |
| Investment securities | 2,048,469 | 2,284,994 |
| Retirement benefit asset | 1,398,950 | 1,406,255 |
| Other | 209,271 | 200,298 |
| Allowance for doubtful accounts | (58,671) | (58,491) |
| Total investments and other assets | 3,598,020 | 3,833,057 |
| Total non-current assets | 9,024,514 | 9,209,608 |
| Total assets | 16,872,511 | 15,707,790 |

(Thousands of yen)

| | FY3/21 (As of Mar. 31, 2021) | Second quarter of FY3/22 (As of Sep. 30, 2021) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 619,465 | 493,895 |
| Short-term borrowings | 770,000 | 770,000 |
| Income taxes payable | 176,260 | 28,092 |
| Refund liabilities | - | 1,378,701 |
| Provision for bonuses | 211,991 | 218,467 |
| Provision for sales returns | 401,236 | - |
| Other | 465,895 | 383,253 |
| Total current liabilities | 2,644,848 | 3,272,410 |
| Non-current liabilities | | |
| Deferred tax liabilities | 676,860 | 654,815 |
| Retirement benefit liability | 79,505 | 85,415 |
| Other | 184,300 | 194,218 |
| Total non-current liabilities | 940,665 | 934,450 |
| Total liabilities | 3,585,514 | 4,206,860 |
| 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) | (3,659,157) |
| Treasury shares | (475) | (500) |
| Total shareholders' equity | 12,405,009 | 10,649,851 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 888,880 | 862,172 |
| Foreign currency translation adjustment | (645) | (6,041) |
| Remeasurements of defined benefit plans | (6,247) | (5,050) |
| Total accumulated other comprehensive income | 881,987 | 851,079 |
| Total net assets | 13,286,996 | 11,500,930 |
| Total liabilities and net assets | 16,872,511 | 15,707,790 |

### (2) Quarterly Consolidated Statements of Income and Comprehensive Income

### Quarterly Consolidated Statement of Income

### (For the Six-month Period)

(Thousands of yen)

| | First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020) | First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021) |
|---|---|---|
| Net sales | 3,298,011 | 2,388,883 |
| Cost of sales | 2,147,335 | 1,848,346 |
| Gross profit | 1,150,676 | 540,536 |
| Provision for sales returns-net | (182,980) | - |
| Gross profit-net | 1,333,656 | 540,536 |
| Selling, general and administrative expenses | 1,458,151 | 1,107,387 |
| Operating loss | (124,495) | (566,851) |
| Non-operating income | | |
| Interest income | 247 | 133 |
| Dividend income | 21,679 | 21,894 |
| Rental income | 3,850 | 2,400 |
| Foreign exchange gains | - | 26,466 |
| Subsidy income | 28,264 | - |
| Other | 16,521 | 17,028 |
| Total non-operating income | 70,562 | 67,922 |
| Non-operating expenses | | |
| Interest expenses | 6,454 | 6,715 |
| Rental costs | 2,540 | - |
| Share of loss of entities accounted for using equity method | 5,481 | 621 |
| Other | 5,955 | 12 |
| Total non-operating expenses | 20,432 | 7,348 |
| Ordinary loss | (74,365) | (506,277) |
| Extraordinary income | | |
| Gain on sale of non-current assets | 143 | 10 |
| Total extraordinary income | 143 | 10 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 1,842 | 42 |
| Loss on change in equity | - | 25,986 |
| Impairment losses | - | 33,898 |
| Total extraordinary losses | 1,842 | 59,928 |
| Loss before income taxes | (76,064) | (566,195) |
| Income taxes-current | 103,411 | 12,195 |
| Income taxes-deferred | 40,786 | 7,469 |
| Total income taxes | 144,198 | 19,664 |
| Loss | (220,263) | (585,860) |
| Loss attributable to owners of parent | (220,263) | (585,860) |

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

(Thousands of yen)

| | First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020) | First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021) |
|---|---|---|
| Loss | (220,263) | (585,860) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 258,380 | (26,708) |
| Foreign currency translation adjustment | (4,193) | 645 |
| Remeasurements of defined benefit plans, net of tax | 11,335 | 1,212 |
| Share of other comprehensive income of entities accounted for using equity method | - | (6,057) |
| Total other comprehensive income | 265,522 | (30,907) |
| Comprehensive income | 45,259 | (616,768) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 45,259 | (616,768) |
| Comprehensive income attributable to non-controlling interests | - | - |

### (3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

| | First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020) | First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021) |
|---|---|---|
| Cash flows from operating activities | | |
| Loss before income taxes | (76,064) | (566,195) |
| Depreciation and amortization | 116,453 | 94,410 |
| Share of loss (profit) of entities accounted for using equity method | 5,481 | 621 |
| Loss (gain) on change in equity | - | 25,986 |
| Impairment losses | - | 33,898 |
| Increase (decrease) in allowance for doubtful accounts | (12,575) | (8,107) |
| Increase (decrease) in retirement benefit liability | 4,717 | 5,910 |
| Decrease (increase) in retirement benefit asset | (5,971) | (22,349) |
| Increase (decrease) in refund liabilities | - | (171,013) |
| Increase (decrease) in provision for bonuses | 9,770 | 6,476 |
| Increase (decrease) in provision for sales returns | (182,980) | - |
| Interest and dividend income | (21,926) | (22,027) |
| Rental income | (3,850) | (2,400) |
| Subsidy income | (28,264) | - |
| Interest expenses | 6,454 | 6,715 |
| Decrease (increase) in trade receivables | 1,071,920 | 596,102 |
| Decrease (increase) in inventories | 170,882 | 45,409 |
| Increase (decrease) in trade payables | (278,157) | (124,836) |
| Other, net | (58,689) | 18,447 |
| Subtotal | 717,199 | (82,952) |
| Interest and dividends received | 27,107 | 22,046 |
| Proceeds from rental income | 3,114 | 2,400 |
| Subsidies received | 17,113 | - |
| Settlement package received | - | 2,800 |
| Interest paid | (6,454) | (6,684) |
| Income taxes paid | (37,161) | (110,419) |
| Net cash provided by (used in) operating activities | 720,917 | (172,809) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (43,266) | (70,937) |
| Proceeds from sale of property, plant and equipment | 148 | 11 |
| Purchase of intangible assets | (137,157) | (63,236) |
| Purchase of investment securities | (4,115) | (295,798) |
| Long-term loan advances to employees | - | (2,000) |
| Proceeds from collection of loans receivable | 1,290 | 1,480 |
| Other, net | 10,251 | 4,680 |
| Net cash provided by (used in) investing activities | (172,850) | (425,801) |
| Cash flows from financing activities | | |
| Purchase of treasury shares | (46) | (24) |
| Dividends paid | (437) | (1,330) |
| Net cash provided by (used in) financing activities | (483) | (1,355) |
| Effect of exchange rate change on cash and cash equivalents | 4,045 | (16,783) |
| Net increase (decrease) in cash and cash equivalents | 551,629 | (616,749) |
| Cash and cash equivalents at beginning of period | 4,970,584 | 4,629,245 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | - | (73,070) |
| Cash and cash equivalents at end of period | 5,522,213 | 3,939,425 |

## (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 as 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 179 million yen in sales, and decreases of 9 million yen in cost of sales and 150 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 half of the previous fiscal year.

Application of the Accounting Standards for Calculation of Fair Value

The Company 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 six months of FY3/21 (Apr. 1, 2020 – Sep. 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 | 1,226,229 | 717,425 | 1,943,655 | 1,354,356 | 3,298,011 | - | 3,298,011 |
| Inter-segment sales and transfers | 68,249 | 116,550 | 184,800 | 18,020 | 202,820 | (202,820) | - |
| Total | 1,294,479 | 833,975 | 2,128,455 | 1,372,376 | 3,500,831 | (202,820) | 3,298,011 |
| Segment profit (loss) | (793,936) | (149,862) | (943,798) | 718,992 | (224,805) | 100,310 | (124,495) |

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 100,310 thousand yen adjustment to segment profit (loss) consists of 20,273 thousand yen of inter-segment elimination and 80,036 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

Not applicable.

II. First six months of FY3/22 (Apr. 1, 2021 – Sep. 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 | 1,395,798 | - | 1,395,798 | - | 1,395,798 | - | 1,395,798 |
| Special-order products | 86,016 | - | 86,016 | - | 86,016 | - | 86,016 |
| Advertising | 111,086 | - | 111,086 | - | 111,086 | - | 111,086 |
| e-business sales | 88,083 | 613,868 | 701,951 | - | 701,951 | - | 701,951 |
| Other | 453 | 2,840 | 3,293 | 80,698 | 83,992 | - | 83,992 |
| Revenue from contracts with customers | 1,681,438 | 616,708 | 2,298,146 | 80,698 | 2,378,845 | - | 2,378,845 |
| Other income | - | - | - | 10,037 | 10,037 | - | 10,037 |
| Sales to external customers | 1,681,438 | 616,708 | 2,298,146 | 90,736 | 2,388,883 | - | 2,388,883 |
| Inter-segment sales and transfers | 56,682 | 76,862 | 133,545 | 17,649 | 151,195 | (151,195) | - |
| Total | 1,738,121 | 693,571 | 2,431,692 | 108,386 | 2,540,079 | (151,195) | 2,388,883 |
| Segment profit (loss) | (516,326) | (99,420) | (615,747) | (37,521) | (653,268) | 86,417 | (566,851) |

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 86,417 thousand yen adjustment to segment profit (loss) consists of 10,194 thousand yen of inter-segment elimination and 76,223 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 six 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

As described in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of FY3/22 and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit or loss has been changed as well.

Compared with the previous method, net sales increased 172,788 thousand yen and segment loss decreased 134,215 thousand yen in the Media Business in the first six months of FY3/22. Net sales increased 6,925 thousand yen and segment loss decreased 16,238 thousand yen in the Solution Business.

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 six months of FY3/21 is prepared and disclosed based on the reportable segments after the revision.

**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.*