February 4, 2022

Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2022 (Nine Months Ended December 31, 2021)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: February 10, 2022
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, 2021 (April 1, 2021 – December 31, 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	%
Nine months ended Dec. 31, 2021	3,560	-	(656)	-	(553)	-	(696)	-
Nine months ended Dec. 31, 2020	4,582	(19.0)	(653)	-	(599)	-	(807)	-

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2021: (725) (- %)
Nine months ended Dec. 31, 2020: (499) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2021	(38.34)	-
Nine months ended Dec. 31, 2020	(44.42)	-

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 nine months ended December 31, 2021 incorporate this accounting standard and comparisons of net sales with the first nine months of the previous fiscal year are omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2021	15,472	11,391	73.6
As of Mar. 31, 2021	16,872	13,286	78.7

Reference: Shareholders' equity (million yen) As of Dec. 31, 2021: 11,391 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: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others:	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 Dec. 31, 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 Dec. 31, 2021:	951 shares	As of Mar. 31, 2021:	851 shares

3) Average number of shares during the period

Nine months ended Dec. 31, 2021:	18,177,289 shares	Nine months ended Dec. 31, 2020:	18,177,421 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	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 Nine-month Period	8
Quarterly Consolidated Statement of Comprehensive Income	
For the Nine-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
Additional Information	12
Segment and Other Information	12
Subsequent Events	14

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first nine months of the current fiscal year (from April 1, 2021 to December 31, 2021) (hereinafter "the period under review"), the world economy that had sharply slowed down due to the COVID-19 pandemic finally started to recover. In the Japanese economy, both export and industrial production basically 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 after 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. The government also reimposed stricter border control measures on cross-border travelers and other restrictions amid concerns over the spread of the Omicron variant that was newly reported abroad in early winter in addition to concerns over the Delta variant. Thus, the outlook for the inbound and outbound tourism industries still remained unforeseeable.

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. increased capital through a third-party allotment.

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 nine months 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.

As announced in the press release "Notice of Selection and Application for Listing on Standard Market under New Market Segments (Japanese version only)" on December 17, 2021, the Group decided to select listing on the Standard Market for the transition to the new market segments of the Tokyo Stock Exchange scheduled in April 2022, and has been following prescribed procedures necessary for such listing. To reach the decision, we have taken into comprehensive consideration the current business environment surrounding the Group, including the fact that the industry in which the Group operates its core business has already matured as a whole.

Net sales for the period under review were 3,560 million yen (4,582 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 656 million yen, almost the same as a loss of 653 million yen one year earlier. This was due to a decrease in 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 553 million yen (compared with 599 million yen one year earlier). Consequently, loss attributable to owners of parent was 696 million yen, a smaller loss than that of

807 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. In the *Torisetsu* series, which is a popular entertaining map book series introducing regional characteristics and attractive features that people can enjoy reading at home, we completed covering almost all prefectures of Japan (46 out of 47 prefectures) as of December 31, 2021. In the well-received *Chizu de Sutto Atama ni Hairu* (Quickly learn with a map) series, we featured more periods and regions to expand the lineup of the series. New volumes of the series are *Showa and Kingendaishi* (the Showa period and modern history), *Heian Jidai* (the Heian Period), *Jomon Jidai* (the Jomon Period), *47 Todofuken* (47 prefectures of Japan), *Yoroppa 47 Kakoku* (47 European countries), and *Ajia 25 no Kuni to Chiiki* (25 countries and regions in Asia). 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), *Kakigori Bon Osaka, Kyoto and Nara* (book introducing *Kakigori* shops in Osaka, Kyoto and Nara), and *Chocolat Bon* (book introducing chocolate shops). 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. This 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 on our advertising income. However, once the state of emergency was lifted in October 2021, people were returning to the streets, and sales at bookstores exceeded their projections. As such, the period under review had many ups and downs. The level of sales during the period under review remained much lower than that before the pandemic hits although sales were higher than those in the same period a year ago and we were able to reduce the amount of operating loss thanks to the effects of our cost reduction efforts.

As a result, net sales of the segment were 2,477 million yen (compared with 2,120 million yen one year earlier), and operating loss was 664 million yen (compared with 1,215 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 solution services 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 small number of times that retail map licenses were granted for portable navigation devices (PND) apps, resulting from a prolonged shortage of semiconductors around the world and an uncertain outlook for the inbound business by the pandemic. In terms of profitability, we reduced loss as a result of solid 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 946 million yen (compared with 1,068 million yen one year earlier), and operating loss was 123 million yen (compared with 235 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. Accordingly, 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 136 million yen (compared with 1,393 million yen one year earlier), and operating loss was 41 million yen (compared with operating profit of 622 million yen one year earlier).

(2) Explanation of Financial Position

Total assets at the end of the third quarter decreased 1,399 million yen (8.3%) from the end of the previous fiscal year to 15,472 million yen. This was mainly due to decreases in cash and deposits of 992 million yen, notes and accounts receivable-trade of 583 million yen, merchandise and finished goods of 88 million yen, buildings and structures, net of 75 million yen and property, plant and equipment, net of 56 million yen, which were partly offset by increases in work in process of 116 million yen, other of intangible assets of 36 million yen, and investment securities of 237 million yen. Total liabilities increased 495 million yen (13.8%) from the end of the previous fiscal year to 4,081 million yen. This was mainly due to the addition of new account, refund liabilities of 1,362 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 165 million yen, provision for bonuses of 53 million yen, and other of current liabilities of 121 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 1,895 million yen (14.3%) from the end of the previous fiscal year to 11,391 million yen. This was due to a decrease in valuation difference on available-for-sale securities of 25 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 5.1 percentage points to 73.6%.

Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the third quarter on a consolidated basis decreased 992 million yen from the end of the previous fiscal year to 3,636 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 457 million yen. The main factors were a 187 million yen decrease in refund liabilities, a 53 million yen decrease in provision for bonuses, a 124 million yen decrease in trade payables, and income taxes paid of 174 million yen as well as reporting of loss before income taxes of 664 million yen, which were partially offset by depreciation and amortization of 144 million yen, impairment loss of 90 million yen, and a 560 million yen decrease in trade receivables.

Net cash used in investing activities was 443 million yen. The main factors include purchase of property, plant and equipment of 75 million yen, purchase of intangible assets of 80 million yen and purchase of investment securities of 297 million yen.

Net cash used in financing activities was 1 million yen.

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

There is no change in the consolidated earnings forecast for the current fiscal year that was announced on November 5, 2021 because the figures in the forecast reflect the impact of the COVID-19 pandemic especially on the tourism industry in which the Group operates its core business to the extent reasonably foreseeable, and also reflect our expectation that the current circumstances will continue at least by the end of the current fiscal year.

We are currently reviewing how the details of the following two news releases influence the consolidated earnings forecast for the fiscal year ending March 31, 2022: “Notice of Implementation of Voluntary Early Retirement Program in a Consolidated Subsidiary (Japanese version only)” on January 11, 2022 and “Notice Regarding Transfer of Non-Current Asset and Recording of Extraordinary Loss in a Consolidated Subsidiary (Japanese version only)” on January 25, 2022. If we need to make any revisions to the forecast, we will announce them immediately.

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, and the Quarterly Report for the first half of the fiscal year ending March 31, 2022, which was filed on November 12, 2021 and included important changes in business risks described in the Annual Securities Report.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Third quarter of FY3/22 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	4,629,245	3,636,666
Notes and accounts receivable-trade	1,764,474	1,180,733
Merchandise and finished goods	1,066,361	977,605
Work in process	253,150	369,326
Raw materials and supplies	258	258
Other	155,844	190,527
Allowance for doubtful accounts	(21,336)	(13,909)
Total current assets	7,847,997	6,341,207
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,639,848	1,563,862
Land	3,416,206	3,393,628
Other, net	219,381	162,698
Total property, plant and equipment	5,275,436	5,120,190
Intangible assets		
Goodwill	140,927	126,348
Other	10,129	46,328
Total intangible assets	151,057	172,677
Investments and other assets		
Investment securities	2,048,469	2,285,870
Retirement benefit asset	1,398,950	1,417,658
Other	209,271	193,464
Allowance for doubtful accounts	(58,671)	(58,273)
Total investments and other assets	3,598,020	3,838,718
Total non-current assets	9,024,514	9,131,587
Total assets	16,872,511	15,472,795

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Third quarter of FY3/22 (As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	619,465	494,355
Short-term borrowings	770,000	770,000
Income taxes payable	176,260	11,106
Refund liabilities	-	1,362,659
Provision for bonuses	211,991	158,289
Provision for sales returns	401,236	-
Other	465,895	344,724
Total current liabilities	2,644,848	3,141,134
Non-current liabilities		
Deferred tax liabilities	676,860	659,230
Retirement benefit liability	79,505	86,469
Other	184,300	194,218
Total non-current liabilities	940,665	939,918
Total liabilities	3,585,514	4,081,052
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)	(3,770,275)
Treasury shares	(475)	(524)
Total shareholders’ equity	12,405,009	10,538,708
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	888,880	863,271
Foreign currency translation adjustment	(645)	(5,706)
Remeasurements of defined benefit plans	(6,247)	(4,532)
Total accumulated other comprehensive income	881,987	853,033
Total net assets	13,286,996	11,391,742
Total liabilities and net assets	16,872,511	15,472,795

(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 FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)
Net sales	4,582,109	3,560,776
Cost of sales	3,324,047	2,614,871
Gross profit	1,258,061	945,905
Provision for sales returns-net	(244,406)	-
Gross profit-net	1,502,467	945,905
Selling, general and administrative expenses	2,156,040	1,602,038
Operating loss	(653,572)	(656,133)
Non-operating income		
Interest income	317	193
Dividend income	32,458	33,423
Rental income	5,575	3,640
Foreign exchange gains	-	26,465
Share of profit of entities accounted for using equity method	-	699
Subsidy income	29,076	27,465
Other	20,101	19,971
Total non-operating income	87,529	111,859
Non-operating expenses		
Interest expenses	8,708	9,578
Rental costs	3,814	-
Share of loss of entities accounted for using equity method	8,245	-
Foreign exchange losses	12,100	-
Other	182	65
Total non-operating expenses	33,052	9,644
Ordinary loss	(599,096)	(553,917)
Extraordinary income		
Gain on sale of non-current assets	560	5,472
Settlement received	20,000	-
Total extraordinary income	20,560	5,472
Extraordinary losses		
Loss on retirement of non-current assets	2,397	256
Loss on change in equity	-	25,986
Loss due to new coronavirus infection	47,734	-
Loss on abandonment of inventories	17,925	-
Impairment losses	-	90,284
Total extraordinary losses	68,058	116,527
Loss before income taxes	(646,594)	(664,972)
Income taxes-current	119,043	20,971
Income taxes-deferred	41,733	11,034
Total income taxes	160,776	32,006
Loss	(807,370)	(696,978)
Loss attributable to owners of parent	(807,370)	(696,978)

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

(Thousands of yen)

	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)
Loss	(807,370)	(696,978)
Other comprehensive income		
Valuation difference on available-for-sale securities	293,013	(25,608)
Foreign currency translation adjustment	(2,345)	645
Remeasurements of defined benefit plans, net of tax	17,003	1,729
Share of other comprehensive income of entities accounted for using equity method	-	(5,719)
Total other comprehensive income	307,670	(28,953)
Comprehensive income	(499,700)	(725,932)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(499,700)	(725,932)
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)
Cash flows from operating activities		
Loss before income taxes	(646,594)	(664,972)
Depreciation and amortization	188,065	144,885
Gain on sale of non-current assets	(560)	(5,472)
Share of loss (profit) of entities accounted for using equity method	8,245	(699)
Loss (gain) on change in equity	-	25,986
Loss on abandonment of inventories	17,925	-
Impairment losses	-	90,284
Loss due to new coronavirus infection	47,734	-
Increase (decrease) in allowance for doubtful accounts	(24,796)	(7,824)
Increase (decrease) in retirement benefit liability	5,988	6,964
Decrease (increase) in retirement benefit asset	(8,756)	(32,936)
Increase (decrease) in refund liabilities	-	(187,055)
Increase (decrease) in provision for bonuses	(88,302)	(53,702)
Increase (decrease) in provision for sales returns	(244,406)	-
Interest and dividend income	(32,776)	(33,617)
Rental income	(5,575)	(3,640)
Settlement received	(20,000)	-
Subsidy income	(29,076)	(27,465)
Interest expenses	8,708	9,578
Decrease (increase) in trade receivables	1,039,287	560,308
Decrease (increase) in inventories	378,692	(27,797)
Increase (decrease) in trade payables	(228,323)	(124,377)
Other, net	(4,907)	(9,290)
Subtotal	360,573	(340,843)
Interest and dividends received	32,849	33,668
Proceeds from rental income	4,799	3,660
Settlement package received	3,000	2,800
Subsidies received	29,076	27,465
Interest paid	(8,677)	(9,609)
Income taxes paid	(49,901)	(174,554)
Net cash provided by (used in) operating activities	371,719	(457,413)
Cash flows from investing activities		
Purchase of property, plant and equipment	(123,110)	(75,989)
Proceeds from sale of property, plant and equipment	195	596
Purchase of intangible assets	(194,864)	(80,353)
Purchase of investment securities	(4,506)	(297,800)
Long-term loan advances to employees	-	(2,000)
Proceeds from collection of loans receivable	2,105	2,415
Other, net	13,678	9,200
Net cash provided by (used in) investing activities	(306,503)	(443,932)
Cash flows from financing activities		
Purchase of treasury shares	(69)	(49)
Dividends paid	(464)	(1,330)
Net cash provided by (used in) financing activities	(534)	(1,379)
Effect of exchange rate change on cash and cash equivalents	4,481	(16,783)
Net increase (decrease) in cash and cash equivalents	69,162	(919,508)
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	5,039,747	3,636,666

(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 197 million yen in sales, and decreases of 10 million yen in cost of sales and 141 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 nine months of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) 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 Fair Value Measurement prospectively in accordance with the transitional measures in Paragraph 19 of the Accounting Standard for Fair Value Measurement 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.

Additional Information

Application of consolidated taxation system

The Company and its consolidated subsidiaries in Japan have applied the consolidated taxation system from the first quarter of the current fiscal year.

Application of tax effect accounting associated with the transition from the consolidated taxation system to the group tax sharing system

With regard to the transition to the group tax sharing system established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was revised in line with the transition to the group tax sharing system, pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 39, issued on March 31, 2020), the Company and its consolidated subsidiaries did not apply the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, issued on February 16, 2018). Accordingly, the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the revision.

Segment and Other Information

Segment information

I. First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 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	2,120,554	1,068,344	3,188,898	1,393,210	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	3,416,055	1,420,145	4,836,201	(254,092)	4,582,109
Segment profit (loss)	(1,215,700)	(235,499)	(1,451,200)	622,781	(828,418)	174,845	(653,572)

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 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.

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

Not applicable.

II. First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 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	1,990,431	-	1,990,431	-	1,990,431	-	1,990,431
Special-order products	148,200	-	148,200	-	148,200	-	148,200
Advertising	177,390	-	177,390	-	177,390	-	177,390
e-business sales	160,803	943,345	1,104,149	-	1,104,149	-	1,104,149
Other	1,161	3,143	4,304	118,704	123,008	-	123,008
Revenue from contracts with customers	2,477,987	946,488	3,424,476	118,704	3,543,180	-	3,543,180
Other income	-	-	-	17,595	17,595	-	17,595
Sales to external customers	2,477,987	946,488	3,424,476	136,300	3,560,776	-	3,560,776
Inter-segment sales and transfers	63,992	110,474	174,466	26,079	200,545	(200,545)	-
Total	2,541,980	1,056,962	3,598,942	162,379	3,761,322	(200,545)	3,560,776
Segment profit (loss)	(664,462)	(123,281)	(787,744)	(41,245)	(828,989)	172,856	(656,133)

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 172,856 thousand yen adjustment to segment profit (loss) consists of 11,792 thousand yen of inter-segment elimination and 161,064 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.

We also decided to transfer the head office building of a consolidated subsidiary and recognized the difference between the carrying amount and the recoverable amount as an impairment loss in the Solutions Business. The purposes of the transfer are to increase asset efficiency and improve financial soundness because the head office building needs to be repaired as it becomes dilapidated and a smaller number of employees of the consolidated subsidiary now go to the office as we promote teleworking.

The amount of impairment loss in the first nine months of FY3/22 was 11,743 thousand yen in the Media Business segment and 78,540 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 188,508 thousand yen and segment loss decreased 122,560 thousand yen in the Media Business in the first nine months of FY3/22. Net sales increased 8,752 thousand yen and segment loss decreased 19,106 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 nine months of FY3/21 is prepared and disclosed based on the reportable segments after the revision.

Subsequent Events

Voluntary early retirement program

On January 11, 2022, the Board of Directors approved a resolution to implement the voluntary early retirement program for the employees of Shobunsha Publications, Inc., a consolidated subsidiary of the Company.

1. Reason for implementing the voluntary early retirement program

The severe business environment has continued centered in our core publishing business. To overcome this situation, we have taken various measures including the relocation and integration of offices, no bonuses, pay cuts, and the application of the employment adjustment subsidy due to temporary closure. However, the business environment is expected to remain very severe as long as the COVID-19 pandemic and other uncertain situations continue.

Under this adverse economic environment, it is inevitable to optimize our personnel structure to be consistent with our business strategy in order to accelerate recovery of business performance. For this reason, we have determined to call for voluntary early retirement.

2. Outline of the voluntary early retirement program

(1) Eligibility: Regular employees of 41 years old or older

(2) Application period: From February 1 to February 18, 2022

(3) Date of retirement: March 31, 2022

(4) Support incentives: Voluntary retirees are eligible for special retirement allowances (retirement upon company's request allowance plus additional allowance) calculated as of the date of retirement. They will also have outplacement support.

3. Impact on earnings

We have not determined the amount of special allowances and expenses for the outplacement support, which will accrue to us as a result of implementing the voluntary early retirement program because the total number of retirees and the total amount of their special allowances are not determined yet.

Transfer of non-current assets

The Company's consolidated subsidiary Shobunsha Creative Co., Ltd. resolved at a meeting of its Board of Directors on January 25, 2022 to sale the following non-current assets.

1. Reason for the sale

The subsidiary decided to transfer ts non-current assets for the purposes of increasing asset efficiency and improving financial soundness because the facility to be sold needs to be repaired as it becomes dilapidated and a smaller number of employees now go to the office as we promote teleworking.

2. Details of the assets to be sold

(1) Use of funds before sale	Head office building
(2) Location	3926-1, Goi, Ichihara City, Chiba
(3) Land area	2007.28 square meters
(4) Total floor space of building	2142.28 square meters
(5) Book value	334 million yen
(6) Sales price	287 million yen
(7) Current status	Office

3. Overview of the purchaser

(1) Company name	SHINSHOWA CORPORATION	
(2) Location	4-3-3, Higashisakada, Kimitsu City, Chiba	
(3) Representative	Yoshihiko Matsuda	
(4) Business	Construction and real estate business	
(5) Capital	1,082 million yen	
(6) Established	April 2, 1970	
(7) Relationships between Shobunsha and the purchaser	Capital	Not applicable.
	Personnel	Not applicable.
	Business	Not applicable.
	Related parties	Not applicable.

4. Schedule of the sale

(1) Date of resolution by the Board of Directors	January 25, 2022
(2) Date of contract	January 28, 2022
(3) Date of delivery	March 31, 2022 (tentative)

5. Impact on earnings

As a result of the sale of the non-current assets, the Company expects to record a loss on sale of non-current assets of 56 million yen as extraordinary losses in the fourth quarter of the fiscal year ending March 31, 2022.

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.