May 13, 2022

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (FY3/22)

[Japanese GAAP]

Company name: Shobunsha Holdings, Inc. Listing: Tokyo Stock Exchange
Stock code: 9475 URL: https://www.mapple.co.jp/
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Scheduled date of Annual General Meeting of Shareholders: June 29, 2022
Scheduled date of payment of dividend: -
Scheduled date of filing of Annual Securities Report: June 29, 2022
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: None

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2022	4,619	-	(1,407)	-	(1,288)	-	(1,578)	-
Fiscal year ended Mar. 31, 2021	6,313	(21.8)	(1,448)	-	(1,415)	-	(2,374)	-

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2022: (1,660) (- %)
Fiscal year ended Mar. 31, 2021: (1,925) (- %)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2022	(86.82)	-	(13.3)	(8.0)	(30.5)
Fiscal year ended Mar. 31, 2021	(130.62)	-	(16.7)	(7.9)	(22.9)

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2022: (16) Fiscal year ended Mar. 31, 2021: (42)

Note: Beginning with the first quarter of the fiscal year ended 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 Fiscal year ended March 31, 2022 incorporate this accounting standard and comparisons of net sales with the previous fiscal year are omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	15,250	10,461	68.6	575.54
As of Mar. 31, 2021	16,872	13,286	78.7	730.97

Reference: Shareholders' equity (million yen) As of Mar. 31, 2022: 10,461 As of Mar. 31, 2021: 13,286

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2022	(485)	(82)	(1)	3,970
Fiscal year ended Mar. 31, 2021	39	(386)	(0)	4,629

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Mar. 31, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Mar. 31, 2023 (forecasts)	-	0.00	-	-	-		-	

Note: There is currently no forecast for the year-end dividend for the fiscal year ending March 31, 2023. An announcement will be made promptly once it becomes possible to disclose a dividend forecast.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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
First half	2,280	(4.6)	(480)	-	(470)	-	(490)	-	(26.96)
Full year	5,710	23.6	(90)	-	(70)	-	(100)	-	(5.50)

*** Notes**

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

Newly added: - Excluded: -

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Restatements: None

Please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Change in Accounting Policy” on page 15 of the attachments for further information.

(3) Number of issued shares (common stock)

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

As of Mar. 31, 2022: 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 Mar. 31, 2022: 951 shares As of Mar. 31, 2021: 851 shares

3) Average number of shares during the period

Fiscal year ended Mar. 31, 2022: 18,177,273 shares Fiscal year ended Mar. 31, 2021: 18,177,397 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2022	1,361	-	247	(76.7)	392	(67.4)	(2,659)	-
Fiscal year ended Mar. 31, 2021	2,753	(63.8)	1,111	3,187.5	1,204	838.4	(2,317)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2022	(146.30)	-
Fiscal year ended Mar. 31, 2021	(127.49)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	11,937	10,180	85.3	560.08
As of Mar. 31, 2021	14,907	12,910	86.6	710.24

Reference: Shareholders’ equity (million yen) As of Mar. 31, 2022: 10,180 As of Mar. 31, 2021: 12,910

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

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

Cautionary statement with respect to forward-looking statements

Forward-looking statements in these materials are based on assumption judged to be valid and information available to the Company’s management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of factors. Please refer to “1. Overview of Results of Operations, (4) Outlook” on page 6 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 June 2022. 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. Overview of Results of Operations

(1) Results of Operations

During the current fiscal year (from April 1, 2021 to March 31, 2022) (hereinafter “the current fiscal year), the world economy that had sharply slowed down due to the COVID-19 pandemic finally started to recover owing to widespread vaccinations. 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 were long forced to operate in stagnant markets due to the wave-like spread of the virus every time its new variant emerged through the fiscal year, prompting the national and local governments to repeatedly declare a state of emergency or take quasi-emergency measures. In the inbound and outbound tourism industries, various countries including Japan imposed entry restrictions on cross-border travelers, causing these industries to go through challenging times with the outlook for which remaining unforeseeable. As economic activities headed for recovery, inflation started to rise around the world due to surging prices of resources such as crude oil and the impact of supply constraints caused by the pandemic. In addition, as Russia invaded Ukraine before the end of the current fiscal year, geopolitical risks surged, making the economic environment surrounding Japan uncertain again.

To address the great impact of the 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. However, as the pandemic has become lengthy, we became aware that we should need to reorganize our businesses further and take structural reforms. We, therefore, integrated and closed some sales and logistics sites in the retail publishing business. We also implemented a voluntary early retirement program to optimize our personnel structure to be consistent with our business strategy as announced in the press release “Notice of Implementation of Voluntary Early Retirement Program in a Consolidated Subsidiary (Japanese version only)” on January 11, 2022. We also decided to exclude the tourism business and the call center business that primarily engages in back-office operations for the tourism business from the Group’s businesses by underwriting a capital increase through a third-party allotment and transferring all shares held by the Company as announced in the press releases “Notice Regarding Changes in Consolidated Subsidiaries (Japanese version only)” on June 30, 2021 and “Notice Regarding Transfer of Shares Resulting in Change in Consolidated Subsidiaries and Recording of Extraordinary Losses (Japanese version only)” on March 4, 2022.

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current fiscal year. Therefore, this explanation of results of operations for the current fiscal year does not present changes in amounts from the previous fiscal year or year-on-year changes (%). Please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to 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 in April 2022. 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 current fiscal year were 4,619 million yen (6,313 million yen one year earlier). This was due to sales of the retail publishing business falling short of those in the previous fiscal year as a result of being constantly tossed about by the waves of COVID-19 infections through the fiscal year, although sales of the business rapidly recovered in the spring and early summer seasons of 2021, reflecting a rebound in sales after the operating environment was greatly affected when the state of emergency was first declared in Japan during the same period in 2020. The decrease in net sales is also attributable 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.

In terms of profitability, operating loss was 1,407 million yen, a slightly smaller loss than that of 1,448 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. Ordinary loss was 1,288 million yen (1,415 million yen one year earlier). This was due in part to the recording of non-operating income (foreign exchange gains) announced in the press release on August 6, 2021, in addition to the year-on-year slight decrease in operating loss. As extraordinary losses, we recorded, among others, impairment losses of 88 million yen as a result of assessing the future recoverability of non-current assets held by the Group in accordance with the “Accounting Standard for Impairment of Non-current Assets,” extra retirement payments of 40 million yen as a result of implementing a voluntary early retirement program in a consolidated subsidiary announced in the press release on February 25, 2022, and loss on sale of shares of subsidiaries and associates of 31 million yen as a result of transferring shares of the consolidated subsidiary announced in the press release on March 4, 2022. Extraordinary losses significantly improved from the previous fiscal year because no expenses were incurred during the current fiscal year, which correspond to impairment losses of 626 million yen recorded during the previous fiscal year. Consequently, loss attributable to owners of parent was 1,578 million yen, a smaller loss than that of 2,374 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 current fiscal year, 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 all 47 prefectures of Japan. 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), *Kamakura and Muromachi Jidai* (the Kamakura and Muromachi Periods), *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 to 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 to 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). After entering 2022 in which we can finally anticipate the post-covid demand rise, we published staple map book series including *Yama to Kogen Chizu* (Mountain and Highland Maps) 2022, which is the first map book series available for amateur mountaineers and a few books of the series that have been fully revised for the first time in two years, and Touring Mapple 2022, which is a map book series launched 37 years ago by and for motorcycle riders. 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 early summer during the current fiscal year, 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, sales of the business ended up decreasing. 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 in summer 2020; and the impact of the stagnant tourism industry on our advertising income. However, once the state of emergency was lifted in October, people were returning to the streets, and sales at bookstores recovered again. After entering the new year 2022, the new Omicron variant caused the sixth wave of coronavirus infections in Japan, prompting many local governments to take quasi-emergency measures, which resulted in a rapid drop in sales of the business again toward early spring. As just described, the current fiscal year has been at the mercy of the impact of the COVID-19 crisis. Net sales for the current fiscal year ended up falling short of those for the previous fiscal year. This was greatly attributable to the prolonged state of emergency and quasi-emergency measures. The level of profitability remained much lower than that before the pandemic hits although we were able to reduce the amount of operating loss thanks to the effects of our cost reduction efforts including cost cuts.

As a result, net sales of the segment were 2,957 million yen (compared with 3,259 million yen one year earlier), and operating loss was 1,631 million yen (compared with 2,010 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 current fiscal year, 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. Meanwhile, we have promoted our activities to receive orders for new solutions. They include Route Search Module Ver. 2 for business-use navigation systems; 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 manage unsafe spots in school zones with a map; and Travelers' Mind that analyzes what range of activities tourists plan to take. We also started taking initiatives aimed at helping realize a decarbonized society. For example, we started to co-develop energy storage systems and offer a variety of solutions through a business alliance formed with Headspring Inc. (headquartered in Shinagawa-ku, Tokyo).

In terms of profitability, the effects of our cost reduction efforts steadily led to decreases in cost of sales and selling, general and administrative expenses, which resulted in a turnaround. We recorded a small amount of operation profit.

As a result, net sales of the segment were 1,478 million yen (compared with 1,622 million yen one year earlier), and operating profit was 0 million yen (compared with operating loss of 183 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 current fiscal year, our sales activities have had to halt since last year due to cross-border travel restrictions resulting from the COVID-19 pandemic. However, MEGURU Co., Ltd., which operated the tourism business, and its consolidated overseas subsidiaries are no longer subsidiaries of the Company. Accordingly, the impact of the tourism business poor performance on the Group's operating results became insignificant. In the call center business, it operates as scheduled. (As mentioned above, we decided to exclude the tourism business and the call center business that engages in back-office operations for the tourism business from the Group's businesses from the next fiscal year.) 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 183 million yen (compared with 1,431 million yen one year earlier), and operating loss was 50 million yen (compared with operating profit of 515 million yen one year earlier).

(2) Financial Position

Total assets at the end of the current fiscal year decreased 1,621 million yen (9.6%) from the end of the previous fiscal year to 15,250 million yen. This was mainly due to decreases in cash and deposits of 659 million yen, notes and accounts receivable-trade of 282 million yen, merchandise and finished goods of 228 million yen, work in process of 50 million yen, buildings and structures, net of 267 million yen, land of 147 million yen and goodwill of 140 million yen, which were partly offset by increases in real estate for sale of 19 million yen, other of current assets of 21 million yen and investment securities of 192 million yen. Total liabilities increased 1,203 million yen (33.6%) from the end of the previous fiscal year to 4,788 million yen. This was mainly due to the addition of new account, refund liabilities of 1,932 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 102 million yen and income taxes payable of 163 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 2,825 million yen (21.3%) from the end of the previous fiscal year to 10,461 million yen. This was due to decreases in valuation difference on available-for-sale securities of 70 million yen and remeasurements of defined benefit plans of 13 million yen from the end of the previous fiscal year. We also reported loss attributable to owners of parent. Furthermore, in accordance with transitional measures related to retrospective application prescribed in the Accounting Standard for Revenue Recognition as a result of applying it as mentioned above, we added or subtracted the effect of a change in accounting standards to or from the beginning balance of the fiscal year in which we applied the accounting standard for the first time.

Consequently, the equity ratio decreased 10.1 percentage points to 68.6%.

(3) Cash flows

Cash and cash equivalents (hereinafter "net cash") at the end of the current fiscal year on a consolidated basis decreased 659 million yen from the end of the previous fiscal year to 3,970 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 485 million yen. The main factors were a 102 million yen decrease in trade payables and income taxes paid of 186 million yen as well as reporting of loss before income taxes of 1,532 million yen, which were partially offset by depreciation and amortization of 196 million yen, impairment loss of 88 million yen, a 382 million yen increase in refund liabilities, a 240 million yen decrease in trade receivables, a 259 million yen decrease in inventories, a 94 million yen decrease in other non-current assets and subsidy income received of 47 million yen.

Net cash used in investing activities was 82 million yen. The main factors were purchase of property, plant and equipment of 78 million yen, purchase of intangible assets of 91 million yen and purchase of investment securities of 302 million yen, which were partially offset by proceeds from sale of property, plant and equipment of 277 million yen and proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation of 96 million yen.

Net cash used in financing activities was 1 million yen.

(4) Outlook

Despite remaining concerns about the coming wave-like spread of COVID-19 due to emergence of its new variants, the pandemic itself is expected to gradually have less impact on the economic environment thanks to booster shots and more availability of drugs. Combined with the effects of economic stimulus programs launched by the national and local governments, people are expected to start showing positive consumption behavior, which has been depressed by restrictions and stay-at-home requests. Japan's food/beverage and accommodation services, passenger transport services, and tourism and travel related services that have been long forced to operate in stagnant markets are also expected to make a recovery in their business performance. However, amid the situation that some countries and regions have still been adversely affected by the pandemic, it is still unknown when countries around the world will return their entry restrictions on cross-border travelers to the level before the pandemic hits. In addition, inflation started to rise around the world as economies started to recover under supply constraints. The Western world centered around the United States and Europe have imposed strong sanctions on Russia over Ukraine invasion that started before the end of the current fiscal year. Such various negative factors may cast a shadow over the post-covid economic recovery.

Considering the Group is under such uncertain business environment, we will strive to turn our core businesses around early and to put them on track to regrowth while actively promoting our activities such as continuing to implement various initiatives through DX, developing new businesses, and developing products and services through business alliances with other companies.

As for the forecast for the fiscal year ending March 31, 2023, we expect net sales of 5,710 million yen (up 23.6% year on year) with operating loss of 90 million yen, ordinary loss of 70 million yen, and loss attributable to owners of parent of 100 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. A revised forecast will be announced promptly if we subsequently expect that our performance will differ significantly from these forecasts.

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

Distributing earnings to shareholders is one of the highest priorities of the Company. We have distributed earnings to shareholders from capital surplus even if retained earnings are negative so far based on the basic policy to pay a stable dividend that reflects results of operations and the operating environment. However, from the fiscal year ended March 31, 2019 and thereafter for some time, we will maintain a policy to pay dividends from retained earnings in consideration of the fundamental purpose of dividends.

We will use retained earnings effectively by investing in system development and capital assets for new businesses that we believe to have a great growth potential. We will consider and utilize investments efficiently from a long-term perspective, such as forming alliances with other companies in order to adapt quickly to the rapidly changing business climate.

Regarding the dividend from surplus for the current fiscal year, the forecast of which has been no distribution of dividends so far, given the forecast of our poor performance due to the severe impact of the pandemic on our business environment. It is most regrettable to announce that we are not able to distribute dividends because of recording of a loss and in accordance with the above policy.

The year-end dividend forecasts for the fiscal year ending March 31, 2023 were undetermined because we are concerned that our uncertain business environment may continue despite a sign of the pandemic subsiding and we take into account the consolidated earnings forecasts stated above and other conditions.

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

2. Basic Approach to the Selection of Accounting Standards

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

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	4,629,245	3,970,226
Notes and accounts receivable-trade	1,764,474	1,481,557
Merchandise and finished goods	1,066,361	837,523
Work in process	253,150	202,279
Raw materials and supplies	258	258
Real estate for sale	-	19,495
Other	155,844	177,124
Allowance for doubtful accounts	(21,336)	(5,861)
Total current assets	7,847,997	6,682,604
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,967,456	5,225,560
Accumulated depreciation	(4,327,607)	(3,853,457)
Buildings and structures, net	1,639,848	1,372,103
Machinery, equipment and vehicles	446,599	399,621
Accumulated depreciation	(432,680)	(386,401)
Machinery, equipment and vehicles, net	13,918	13,220
Tools, furniture and fixtures	577,430	538,567
Accumulated depreciation	(413,390)	(402,628)
Tools, furniture and fixtures, net	164,040	135,939
Land	3,416,206	3,268,997
Construction in progress	41,422	-
Total property, plant and equipment	5,275,436	4,790,260
Intangible assets		
Goodwill	140,927	-
Other	10,129	8,844
Total intangible assets	151,057	8,844
Investments and other assets		
Investment securities	2,048,469	2,240,819
Retirement benefit asset	1,398,950	1,406,241
Other	209,271	179,077
Allowance for doubtful accounts	(58,671)	(57,208)
Total investments and other assets	3,598,020	3,768,931
Total non-current assets	9,024,514	8,568,036
Total assets	16,872,511	15,250,640

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	619,465	516,531
Short-term borrowings	770,000	770,000
Accrued expenses	259,443	220,353
Income taxes payable	176,260	12,423
Accrued consumption taxes	34,958	16,151
Refund liabilities	-	1,932,507
Provision for bonuses	211,991	212,610
Provision for sales returns	401,236	-
Other	171,494	172,139
Total current liabilities	2,644,848	3,852,715
Non-current liabilities		
Deferred tax liabilities	676,860	664,353
Retirement benefit liability	79,505	87,439
Other	184,300	184,338
Total non-current liabilities	940,665	936,130
Total liabilities	3,585,514	4,788,846
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)	(4,646,363)
Treasury shares	(475)	(524)
Total shareholders' equity	12,405,009	9,662,620
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	888,880	818,742
Foreign currency translation adjustment	(645)	-
Remeasurements of defined benefit plans	(6,247)	(19,568)
Total accumulated other comprehensive income	881,987	799,173
Total net assets	13,286,996	10,461,793
Total liabilities and net assets	16,872,511	15,250,640

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	6,313,747	4,619,475
Cost of sales	5,068,750	3,882,338
Gross profit	1,244,997	737,137
Reversal of provision for sales returns	577,897	-
Provision for sales returns	401,236	-
Provision for sales returns-net	(176,661)	-
Gross profit-net	1,421,658	737,137
Selling, general and administrative expenses	2,870,465	2,144,149
Operating loss	(1,448,806)	(1,407,011)
Non-operating income		
Interest income	566	248
Dividend income	37,884	42,311
Rental income	7,220	4,900
Subsidy income	34,195	47,325
Foreign exchange gains	-	26,465
Income from sales of used paper	7,642	5,912
Gain on investments in investment partnerships	4,827	12,437
Other	21,111	8,224
Total non-operating income	113,449	147,824
Non-operating expenses		
Interest expenses	11,569	12,378
Rental costs	4,995	-
Share of loss of entities accounted for using equity method	42,059	16,513
Foreign exchange losses	21,063	-
Other	248	67
Total non-operating expenses	79,936	28,959
Ordinary loss	(1,415,294)	(1,288,146)
Extraordinary income		
Gain on sale of non-current assets	632	5,909
Settlement income	20,000	-
Total extraordinary income	20,632	5,909
Extraordinary losses		
Loss on sale of non-current assets	50,968	63,085
Loss on retirement of non-current assets	13,395	256
Loss on sale of shares of subsidiaries and associates	-	31,095
Loss on valuation of investment securities	13,279	-
Impairment losses	626,609	88,979
Extra retirement payments	-	40,970
Loss due to new coronavirus infection	72,712	-
Loss on abandonment of inventories	17,925	-
Loss on change in equity	-	25,986
Total extraordinary losses	794,890	250,374
Loss before income taxes	(2,189,552)	(1,532,611)
Income taxes - current	139,781	23,651
Income taxes - deferred	44,938	21,876
Total income taxes	184,720	45,528
Loss	(2,374,272)	(1,578,140)
Loss attributable to owners of parent	(2,374,272)	(1,578,140)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Loss	(2,374,272)	(1,578,140)
Other comprehensive income		
Valuation difference on available-for-sale securities	386,361	(70,138)
Foreign currency translation adjustment	6,946	645
Remeasurements of defined benefit plans, net of tax	55,190	(13,320)
Total other comprehensive income	448,498	(82,813)
Comprehensive income	(1,925,774)	(1,660,953)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,925,774)	(1,660,953)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,141,136	4,168,372	470,249	(405)	14,779,352
Changes during period					
Loss attributable to owners of parent			(2,374,272)		(2,374,272)
Purchase of treasury shares				(69)	(69)
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	(2,374,272)	(69)	(2,374,342)
Balance at end of period	10,141,136	4,168,372	(1,904,023)	(475)	12,405,009

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	502,519	(7,591)	(61,438)	433,488	15,212,840
Changes during period					
Loss attributable to owners of parent					(2,374,272)
Purchase of treasury shares					(69)
Net changes in items other than shareholders' equity	386,361	6,946	55,190	448,498	448,498
Total changes during period	386,361	6,946	55,190	448,498	(1,925,844)
Balance at end of period	888,880	(645)	(6,247)	881,987	13,286,996

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,141,136	4,168,372	(1,904,023)	(475)	12,405,009
Cumulative effects of changes in accounting policies			(1,169,273)		(1,169,273)
Restated balance	10,141,136	4,168,372	(3,073,296)	(475)	11,235,736
Changes during period					
Loss attributable to owners of parent			(1,578,140)		(1,578,140)
Purchase of treasury shares				(49)	(49)
Change in scope of equity method			5,073		5,073
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	(1,573,066)	(49)	(1,573,115)
Balance at end of period	10,141,136	4,168,372	(4,646,363)	(524)	9,662,620

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	888,880	(645)	(6,247)	881,987	13,286,996
Cumulative effects of changes in accounting policies					(1,169,273)
Restated balance	888,880	(645)	(6,247)	881,987	12,117,723
Changes during period					
Loss attributable to owners of parent					(1,578,140)
Purchase of treasury shares					(49)
Change in scope of equity method					5,073
Net changes in items other than shareholders' equity	(70,138)	645	(13,320)	(82,813)	(82,813)
Total changes during period	(70,138)	645	(13,320)	(82,813)	(1,655,929)
Balance at end of period	818,742	-	(19,568)	799,173	10,461,793

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Loss before income taxes	(2,189,552)	(1,532,611)
Depreciation and amortization	269,021	196,867
Loss (gain) on valuation of investment securities	13,279	-
Loss (gain) on change in equity	-	25,986
Impairment losses	626,609	88,979
Loss (gain) on sale of shares of subsidiaries and associates	-	31,095
Extra retirement payments	-	40,970
Gain on sale of non-current assets	(632)	(5,909)
Share of loss (profit) of entities accounted for using equity method	42,059	16,513
Loss due to new coronavirus infection	72,712	-
Loss on abandonment of inventories	17,925	-
Increase (decrease) in allowance for doubtful accounts	(106,736)	(16,938)
Increase (decrease) in retirement benefit liability	7,367	7,934
Decrease (increase) in retirement benefit asset	(11,042)	(43,211)
Increase (decrease) in Refund liabilities	-	382,791
Increase (decrease) in provision for bonuses	(35,703)	2,838
Increase (decrease) in provision for sales returns	(176,661)	-
Interest and dividend income	(38,451)	(42,559)
Rental income	(7,220)	(4,900)
Subsidy income	(34,195)	(47,325)
Settlement income	(20,000)	-
Interest expenses	11,569	12,378
Decrease (increase) in trade receivables	708,104	240,904
Decrease (increase) in inventories	794,434	259,835
Decrease (increase) in other current assets	(33,746)	38,363
Decrease (increase) in other non-current assets	209,794	94,088
Increase (decrease) in trade payables	(103,386)	(102,201)
Increase (decrease) in accrued consumption taxes	(6,703)	(13,298)
Increase (decrease) in other current liabilities	9,352	(27,306)
Increase (decrease) in other non-current liabilities	-	12,538
Subtotal	18,197	(384,176)
Interest and dividends received	38,479	42,598
Proceeds from rental income	6,270	4,920
Subsidies received	34,195	47,325
Settlement received	6,000	2,800
Interest paid	(11,569)	(12,316)
Income taxes paid	(52,408)	(186,750)
Net cash provided by (used in) operating activities	39,165	(485,600)

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from investing activities		
Purchase of property, plant and equipment	(245,981)	(78,374)
Proceeds from sale of property, plant and equipment	95,175	277,623
Purchase of intangible assets	(250,186)	(91,613)
Purchase of investment securities	(10,295)	(302,534)
Loan advances	(1,000)	(3,500)
Proceeds from collection of loans receivable	2,685	8,425
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	96,348
Other, net	23,514	11,440
Net cash provided by (used in) investing activities	(386,088)	(82,185)
Cash flows from financing activities		
Purchase of treasury shares	(69)	(49)
Dividends paid	(574)	(1,330)
Net cash provided by (used in) financing activities	(643)	(1,379)
Effect of exchange rate change on cash and cash equivalents	6,227	(16,783)
Net increase (decrease) in cash and cash equivalents	(341,339)	(585,948)
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	4,629,245	3,970,226

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

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 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 current fiscal year, is added to or subtracted from retained earnings at the beginning 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 a decrease of 371 million yen in sales, a decrease of 11 million yen in cost of sales, and an increase of 377 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 current fiscal year by 1,169 million yen.

Net assets for the current fiscal year per share decreased 85.12 yen and net loss increased 20.79 yen.

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 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 consolidated financial statements.

Notes to Consolidated Balance Sheet

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

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Investment securities (stocks)	14,908	11,025

Notes to Consolidated Statement of Income

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

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Packing and delivery expenses	88,267	63,718
Promotion expenses	68,238	57,928
Advertising expenses	35,017	9,906
Provision of allowance for doubtful accounts	1,736	(16,290)
Directors' compensations	202,616	172,802
Salaries, allowances and bonuses	996,415	815,514
Provision for bonuses	102,985	116,191
Legal welfare expenses	184,206	169,188
Retirement benefit expenses	43,281	20,637
Transportation expenses	75,007	58,805
Depreciation	102,065	121,936
Rent expenses	59,796	22,372
Business consignment expenses	109,853	67,996
Taxes and dues	72,244	45,617
Research and development expenses	17,154	463
Amortization of goodwill	28,579	19,438
Other	683,000	397,921
Total	2,870,465	2,144,149

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

(Thousands of yen)

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
17,154	463

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

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Machinery, equipment and vehicles	554	5,820
Tools, furniture and fixtures	78	89
Total	632	5,909

*4. Settlement received and loss on abandonment of inventories

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

We recorded a loss of 17,925 thousand yen on abandonment of products which have not met the Group's quality standard and corresponding settlement received of 20,000 thousand yen.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

Not applicable.

*5. Breakdown of loss on sales of non-current assets are as follows.

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Buildings and structures	50,475	63,085
Land	493	-
Total	50,968	63,085

*6. Breakdown of loss on disposal of non-current assets are as follows.

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Buildings and structures	7,930	256
Tools, furniture and fixtures	5,464	-
Total	13,395	256

*7. Impairment loss

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

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

Primary use	Class	Location
Operating assets	Buildings and structures	Suita, Osaka Prefecture; USA; Guam
Operating assets	Machinery, equipment and vehicles	USA; Guam
Operating assets	Tools, furniture and fixtures	Chiyoda-ku, Tokyo; Koto-ku, Tokyo; Suita, Osaka Prefecture; USA; Guam
Other	Goodwill	USA; Guam
Operating assets	Software	Chiyoda-ku, Tokyo; Koto-ku, Tokyo; Adachi-ku, Tokyo; Settsu, Osaka Prefecture; USA; Guam

Reason for decision to recognize impairment losses

There has been a strong concern about stagnant and significantly shrinking markets related to travel and other outings in which the Group operates its core business due to many waves of the COVID-19 pandemic throughout the fiscal year.

We expect that the impact of COVID-19 will remain strong and a severe business environment will continue in the future. As a result of examining future recoverability of the non-current assets held by the Group in accordance with the "Accounting Standard for Impairment of Non-current Assets," their carrying amounts have been written down to the recoverable amounts and the amount of reduction was recognized as an impairment loss.

Amount of impairment loss (Thousands of yen)

Class	Amount
Property, plant and equipment	
Buildings and structures	126,161
Machinery, equipment and vehicles	18,955
Tools, furniture and fixtures	25,033
Intangible assets	
Goodwill	83,956
Software	372,502
Total	626,609

Method used to group assets

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

Method for calculating recoverable amount

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

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

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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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

Primary use	Class	Location
Operating assets	Software	Chiyoda-ku, Tokyo; Koto-ku, Tokyo

Reason for decision to recognize impairment losses

The Group's results of operation was greatly affected by the spread of Covid-19. Although the pandemic itself is expected to gradually have less impact on the economic environment thanks to booster shots and more availability of drugs, there are remaining concerns about the coming wave-like spread of COVID-19 due to emergence of its new variants. At the same time there is the situation that some countries and regions have still been adversely affected by the pandemic, it is still unknown when countries around the world will return their entry restrictions on cross-border travelers to the level before the pandemic hits. There are many other negative factors, such as inflation that has started to rise around the world as economies started to recover under supply constraints and economic sanctions that the Western world have imposed on Russia over Ukraine invasion, that may cast a shadow over the post-covid economic recovery.

We expect that the impact of COVID-19 will remain strong and a severe business environment will continue in the future. As a result of examining future recoverability of the non-current assets held by the Group in accordance with the "Accounting Standard for Impairment of Non-current Assets," their carrying amounts have been written down to the recoverable amounts and the amount of reduction was recognized as an impairment loss.

Amount of impairment loss (Thousands of yen)

Class	Amount
Intangible assets	
Software	88,979
Total	88,979

Method used to group assets

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

Method for calculating recoverable amount

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

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

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

*8. Loss due to new coronavirus infection

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

The Group decided to cancel its plan to newly publish overseas travel guidebooks and other books and dispose these products due to COVID-19.

As a result, the Group recorded loss due to new coronavirus infection of 72,712 thousand yen for disposal of these products.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Not applicable.

Notes to Consolidated Statement of Comprehensive Income

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

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Valuation difference on available-for-sale securities:		
Amount incurred during the period	527,652	(90,352)
Reclassification adjustments	-	-
Before tax effect adjustments	527,652	(90,352)
Tax effect	(141,291)	20,214
Valuation difference on available-for-sale securities	386,361	(70,138)
Foreign currency translation adjustment:		
Amount incurred during the period	6,946	645
Remeasurements of defined benefit plans, net of tax:		
Amount incurred during the period	46,872	(22,522)
Reclassification adjustments	32,676	3,322
Before tax effect adjustments	79,548	(19,200)
Tax effect	(24,357)	5,879
Remeasurements of defined benefit plans, net of tax	55,190	(13,320)
Total other comprehensive income	448,498	(82,813)

Notes to Consolidated Statement of Changes in Equity

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

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

	Number of shares as of Apr. 1, 2020	Increase	Decrease	Number of shares as of Mar. 31, 2021
Outstanding shares				
Common stock	18,178	-	-	18,178
Total	18,178	-	-	18,178
Treasury shares				
Common stock (Note)	0	0	-	0
Total	0	0	-	0

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

2. Share acquisition rights

Not applicable.

3. Dividends

Not applicable.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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

	Number of shares as of Apr. 1, 2021	Increase	Decrease	Number of shares as of Mar. 31, 2022
Outstanding shares				
Common stock	18,178	-	-	18,178
Total	18,178	-	-	18,178
Treasury shares				
Common stock (Note)	0	0	-	0
Total	0	0	-	0

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

2. Share acquisition rights

Not applicable.

3. Dividends

Not applicable.

Notes to Consolidated Statement of Cash Flows

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

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Cash and deposits	4,629,245	3,970,226
Time deposits with maturity over three months	-	-
Cash and cash equivalents	4,629,245	3,970,226

*2. Significant non-cash transactions

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Transfer from property, plant and equipment to real estate for sale due to a change in holding purposes	-	19,495

Segment and Other Information

Segment information

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

1. Overview of reportable segments

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

The Shobunsha Group consists of two reportable segments classified by products or services based on the business operations: the Media Business and the Solutions Business segments.

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

2. Calculation methods for net sales, profit/loss, assets, and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as those listed in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

The Company values inventory assets using prices after write-downs of book value based on decline in profitability. Profit in reportable segment is based on operating profit, after amortization of goodwill.

Inter-segment sales and transfers are based on market prices.

3. Information pertaining to net sales, profit/loss, assets and other items in reportable segments

(Thousands of yen)

	Reportable Segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount in the consolidated financial statements (Note 3)
	Media Business	Solutions Business	Subtotal				
Net sales							
Sales to external customers	3,259,587	1,622,891	4,882,478	1,431,269	6,313,747	-	6,313,747
Inter-segment sales and transfers	88,719	208,271	296,991	35,400	332,391	(332,391)	-
Total	3,348,306	1,831,163	5,179,469	1,466,669	6,646,139	(332,391)	6,313,747
Segment profit (loss)	(2,010,026)	(183,223)	(2,193,250)	515,825	(1,677,425)	228,618	(1,448,806)
Segment assets	3,861,447	3,521,094	7,382,542	1,240,090	8,622,632	8,249,878	16,872,511
Other items							
Depreciation	11,374	81,895	93,269	26,635	119,905	120,536	240,441
Amortization of goodwill	-	-	-	28,579	28,579	-	28,579
Investments in entities accounted for using equity method	-	-	-	14,908	14,908	-	14,908
Increase in property, plant and equipment and intangible assets	62,925	114,669	177,594	43,342	220,937	295,046	515,983

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. Adjustment amount for inter-segment sales and transfers of minus 332,391 thousand yen is an eliminated inter-segment transaction.

Adjustment amount for segment profit (loss) of 228,618 thousand yen is comprised of an elimination of inter-segment transaction of 9,982 thousand yen and net amount of corporate income/expenses that are not distributed to each reportable segment of 218,636 thousand yen.

Adjustment amount for segment assets of 8,249,878 thousand yen is comprised of an elimination of inter-segment transaction of minus 1,981,669 thousand yen and corporate assets that are not distributed to each reportable segment of 10,231,547 thousand yen.

Corporate assets consist mainly of assets not belonging to specific reportable segments (cash and time deposits, investment securities) and assets related to administrative operations.

The depreciation cost adjustment amount of 120,536 thousand yen is for corporate assets that are not distributed to each reportable segment.

Adjustment of 295,046 thousand yen posted in increase in property, plant and equipment and intangible assets is an increase in corporate assets that are not distributed to each reportable segment.

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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

1. Overview of reportable segments

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

The Shobunsha Group consists of two reportable segments classified by products or services based on the business operations: the Media Business and the Solutions Business segments.

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

2. Calculation methods for net sales, profit/loss, assets, and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as those listed in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

The Company values inventory assets using prices after write-downs of book value based on decline in profitability.

Profit in reportable segment is based on operating profit, after amortization of goodwill.

Inter-segment sales and transfers are based on market prices.

3. Information pertaining to net sales, profit/loss, assets and other items 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							
Retail publishing	2,021,398	-	2,021,398	-	2,021,398	-	2,021,398
Special-order products	359,370	-	359,370	-	359,370	-	359,370
Advertising	329,274	-	329,274	-	329,274	-	329,274
e-business sales	245,100	1,474,749	1,719,849	-	1,719,849	-	1,719,849
Other	1,961	3,733	5,694	158,938	164,632	-	164,632
Revenue from contracts with customers	2,957,103	1,478,482	4,435,586	158,938	4,594,525	-	4,594,525
Other income	-	-	-	24,950	24,950	-	24,950
Sales to external customers	2,957,103	1,478,482	4,435,586	183,889	4,619,475	-	4,619,475
Inter-segment sales and transfers	71,225	166,111	237,337	33,878	271,216	(271,216)	-
Total	3,028,329	1,644,594	4,672,923	217,768	4,890,692	(271,216)	4,619,475
Segment profit (loss)	(1,631,378)	170	(1,631,207)	(50,887)	(1,682,095)	275,083	(1,407,011)
Segment assets	3,337,413	3,645,398	6,982,811	1,121,193	8,104,005	7,146,635	15,250,640
Other items							
Depreciation	4,387	18,454	22,841	17,619	40,460	136,968	177,429
Amortization of goodwill	-	-	-	19,438	19,438	-	19,438
Investments in entities accounted for using equity method	-	-	-	11,025	11,025	-	11,025
Increase in property, plant and equipment and intangible assets	44,881	65,850	110,732	295	111,027	67,791	178,818

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. Adjustment amount for inter-segment sales and transfers of minus 271,216 thousand yen is an eliminated inter-segment transaction.

Adjustment amount for segment profit (loss) of 275,083 thousand yen is comprised of an elimination of inter-segment transaction of 4,021 thousand yen and net amount of corporate income/expenses that are not distributed to each reportable segment of 271,062 thousand yen.

Adjustment amount for segment assets of 7,146,635 thousand yen is comprised of an elimination of inter-segment transaction of minus 2,247,105 thousand yen and corporate assets that are not distributed to each reportable segment of 9,393,740 thousand yen.

Corporate assets consist mainly of assets not belonging to specific reportable segments (cash and time deposits, investment securities) and assets related to administrative operations.

The depreciation cost adjustment amount of 136,968 thousand yen is for corporate assets that are not distributed to each reportable segment.

Adjustment of 67,791 thousand yen posted in increase in property, plant and equipment and intangible assets is an increase in corporate assets that are not distributed to each reportable segment.

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

4. 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 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 decreased 380,612 thousand yen and segment loss increased 398,692 thousand yen in the Media Business in FY3/22. Net sales increased 8,829 thousand yen and segment loss decreased 20,793 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 FY3/21 is prepared and disclosed based on the reportable segments after the revision.

Related information

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

1. Information by product or service

This information is omitted since the same information is presented in segment information.

2. Information by region

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major client (Thousands of yen)

Company name	Sales	Related segments
Company A (Note)	1,150,000	Real Estate Business
NIPPON SHUPPAN HANBAI INC.	1,040,322	Media Business
TOHAN CORPORATION	945,251	Media Business

Note: The transferee is a Japanese corporation. The overview of the transferee will not be disclosed due to the transferee's request.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

1. Information by product or service

This information is omitted since the same information is presented in segment information.

2. Information by region

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major client (Thousands of yen)

Company name	Sales	Related segments
NIPPON SHUPPAN HANBAI INC.	1,212,036	Media Business
TOHAN CORPORATION	1,116,662	Media Business

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

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Reportable Segment			Other	Total	Adjustment (Note)	Amount in the consolidated financial statements
	Media Business	Solutions Business	Subtotal				
Impairment loss	96,792	189,833	286,625	293,227	579,853	46,756	626,609

Note: Adjustment amount for impairment loss includes corporate assets that are not distributed to each reportable segment.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Reportable Segment			Other	Total	Adjustment (Note)	Amount in the consolidated financial statements
	Media Business	Solutions Business	Subtotal				
Impairment loss	40,494	47,187	87,681	-	87,681	1,298	88,979

Note: Adjustment amount for impairment loss includes corporate assets that are not distributed to each reportable segment.

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

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Reportable Segment			Other	Total	Adjustment	Amount in the consolidated financial statements
	Media Business	Solutions Business	Subtotal				
Amortization for the period	-	-	-	28,579	28,579	-	28,579
Balance at the end of period	-	-	-	140,927	140,927	-	140,927

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Reportable Segment			Other	Total	Adjustment	Amount in the consolidated financial statements
	Media Business	Solutions Business	Subtotal				
Amortization for the period	-	-	-	19,438	19,438	-	19,438
Balance at the end of period	-	-	-	-	-	-	-

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per-share Information

(Yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net assets per share	730.97	575.54
Net income (loss) per share	(130.62)	(86.82)

Notes: 1. Diluted net income per share is not presented since there is no potentially dilutive shares.
2. Basis for calculating net loss per share is as follows.

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net loss per share		
Loss attributable to owners of parent (Thousands of yen)	(2,374,272)	(1,578,140)
Amount not available to common shareholders (Thousands of yen)	-	-
Loss attributable to common shareholders of parent (Thousands of yen)	(2,374,272)	(1,578,140)
Average number of shares outstanding during period (Thousands of shares)	18,177	18,177
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

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.