November 4, 2022

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2023
(Six Months Ended September 30, 2022)

[Japanese GAAP]

Company name: Shobunsha Holdings, Inc. Listing: Tokyo Stock Exchange, Standard Market
Stock code: 9475 URL: https://www.mapple.co.jp/
Representative: Shigeo Kuroda, President & Representative Director
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Scheduled date of filing of Quarterly Securities Report: November 11, 2022
Scheduled date of payment of dividend: –
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2022 (April 1, 2022 – September 30, 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	%
Six months ended Sep. 30, 2022	2,411	1.0	(217)	–	(155)	–	(183)	–
Six months ended Sep. 30, 2021	2,388	–	(566)	–	(506)	–	(585)	–

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2022: (258) (–%)
Six months ended Sep. 30, 2021: (616) (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2022	(10.10)	–
Six months ended Sep. 30, 2021	(32.23)	–

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 six months ended September 30, 2021 incorporate this accounting standard. However, all figures for the six months ended September 30, 2020 are not adjusted by the retrospective application of the Accounting Standards and comparisons of net sales of the six months ended September 30, 2021 with the six months ended September 30, 2020 are omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2022	15,001	10,203	68.0
As of Mar. 31, 2022	15,250	10,461	68.6

Reference: Equity (Shareholders' equity + Accumulated other comprehensive income) (million yen)
As of Sep. 30, 2022: 10,203 As of Mar. 31, 2022: 10,461

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	–	0.00	–	0.00	0.00
Fiscal year ending Mar. 31, 2023	–	0.00			
Fiscal year ending Mar. 31, 2023 (forecasts)			–	–	–

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

There is currently no forecast for the year-end dividend for the fiscal year ending March 31, 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
Full year	5,710	23.6	(90)	–	(70)	–	20	–	1.10

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 10 of the attachments for further information.

(4) Number of issued shares (common stock)

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

As of Sep. 30, 2022:	18,178,173 shares	As of Mar. 31, 2022:	18,178,173 shares

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

As of Sep. 30, 2022:	951 shares	As of Mar. 31, 2022:	951 shares

3) Average number of shares during the period

Six months ended Sep. 30, 2022:	18,177,222 shares	Six months ended Sep. 30, 2021:	18,177,308 shares

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

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

Cautionary statement with respect to forward-looking statements

Forward-looking statements in these materials are based on assumption judged to be valid and information available to the Company's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of factors. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 4 of the attachments for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

Supplementary materials for financial results will be available on the Company's website at the beginning of December 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. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the current fiscal year (from April 1, 2022 to September 30, 2022) (hereinafter "the period under review"), the Japanese economy was picking up under the situation where infection prevention measures against COVID-19 were increasingly compatible with economic activities, though partly affected by soaring resource prices. Export and industrial production maintained an increasing trend amid gradual easing impacts of supply constraints. Corporate earnings as a whole remained strong, and this helped capital investment to recover and personal consumption, mainly in service sectors, to increase moderately. In the tourism industry, in which Shobunsha Holdings, Inc. (hereinafter "the Company") and its subsidiaries and associates (hereinafter collectively "the Group") operate its core business, we saw a clear economic rebound because the Golden Week holidays and summer holiday seasons this year were the first long vacations in three years under no restriction on movements, allowing vacation resorts to be crowded with many people. Behind this was decisions by the government of Japan and local governments to put off taking measures to restrict movements, though the new Omicron variant BA.5 caused the largest-ever seventh wave of coronavirus infections in this summer, having impacts such as a huge strain on the healthcare system. While entry restrictions on cross-border travelers were increasingly eased in countries and regions, we saw sharp and historic depreciation of the yen partly due to the difference of the monetary policy stances between Japan and other countries, as well as spikes in energy prices stemmed from the Russian invasion of Ukraine. This has put concerns on the recovery of the market in the outbound tourism industry; however, the inbound tourism market has been highly expected to bounce back, along with the planned overall review on the border control measures in Japan, which has been gradually relaxed to date.

Under these circumstances, the Group addressed issues caused by the prolonged impact of the COVID-19 pandemic. In doing do, we implemented the Group's business restructuring including, among others, the restructuring of the retail publishing business. Furthermore, we have proactively introduced and utilized DX as a strategy for seizing new profit opportunities and reducing costs through rationalization and streamlining of the operations across the Group. To address changes in the domestic market landscape as we are seeing a sign that the pandemic will end, we have continued to take measures such as strengthening our lineups in the retail publishing business. In addition, we have been focusing on initiatives such as developing new goods and services with a view to a new age coming after the COVID-19 pandemic, including efforts to realize a decarbonized society.

Net sales for the period under review increased 22 million yen (1.0 %) to 2,411 million yen (compared with 2,388 million yen one year earlier), supported by strong sales such as in retail publications and favorable sales growth of e-books including unlimited access services. Behind this was easing impacts of COVID-19 on the business environment throughout the period under review, aided by both the Japanese and local governments' decisions to put off taking measures to restrict movements, though the Omicron variant BA.5 triggered the seventh wave of coronavirus infections with the largest cases to date. These situations offset the impact reflecting the exclusion of some of the consolidated subsidiaries from the scope of consolidation for the period under review as a result of the business restructuring stated above (please refer to "Other" businesses as described in the segment information below.) In terms of profitability, operating loss was 217 million yen, an improvement of 349 million yen from operating loss of 566 million yen one year earlier. This improvement was due to a decrease in both cost of sales and selling, general and administrative expenses from one year earlier as a result of the exclusion of some of the consolidated subsidiaries from the scope of consolidation as in the case with net sales, as well as the effect of restructuring of the retail publishing business. Accordingly, ordinary loss was 155 million yen, an improvement of 350 million yen from ordinary loss of 506 million yen one year earlier. In addition, loss attributable to owners of parent was 183 million yen, an improvement of 402 million yen from loss attributable to owners of parent of 585 million yen one year earlier. This improvement can be explained by the fact that we did not record such an extraordinary loss as loss on change in equity resulting from changes in subsidiaries in the period under review, which we did in the same period of the previous fiscal year.

Results by business segment of the Group were as follows.

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, consumer behavior related to traveling and outings was greatly encouraged thanks in part to the "kenmin wari" travel subsidy program implemented by the prefectural governments to stimulate demand, as the Golden Week holidays and summer holiday seasons this year were the first long vacations in three years under no restriction on movements. In the retail publications, pickup in demand was so strong that the supply of some *MAPPLE Magazine* (published by domestic locations), our staple traveling magazine, became scarce. Given that, the retail publishing business operated in line with these changes in circumstances. In doing so, we not only built up the stock of *MAPPLE Magazine*, but also worked to broaden the lineups related to travelling and outings inside Japan. Specifically, we published the latest revision of *Mapple Oishii Michi no Eki Drive* (magazine introducing fine foods at michi-no-eki roadside stations), *Yama to Kogen Chizu Guide* (guide about Mountain and Highland Maps), *Zenkoku Camp-jo Guide* (guide about campsites nationwide), *Kazoku de Odekake Natsuyasumi-go, Kanto/Shutoken hatsu* and *Kazoku de Odekake Natsuyasumi-go, Keihanshin/Nagoya hatsu* (summer issue of guides introducing suitable spots for family outings departing from the Kanto and the Tokyo metropolitan area for the former, and departing from the Keihanshin area and Nagoya for the latter) and others. Meanwhile, we began new initiatives such as the launch of *co-Trip passport* service. This is the first subscription service of *co-Trip* series to provide unlimited access to e-books of the series, including *co-Trip*, a popular travelling guide book series targeted for female readers with over 18 million copies in total published during the period under review, and quarterly *co-Trip Magazine*, and others. Another initiative was the renewal of our travelling magazine series, *MAPPLE Magazine*. Started from the issuance in September, we revamped the size of the magazine from the AB size to the B5 special size (a size convenient for travelers), by reducing the area of a copy by about 25% to make the magazine easier to carry and use with abundant information about travelling unchanged. Additionally, in the well-received book series that allow consumers to satisfy their intellectual curiosity at home, we published more books such as *Sekai no Sandai Shukyo* (book about the three major religions in the world), *Chugoku Sengoku Jidai* (book about the Warring States period in China), *Chuto & Isuramu 30 no Kuni to Chiiki* (book about the 30 countries and regions of the Middle East and Islamic world), as the *Chizu de Sutto Atama ni Hairu* (Quickly learn with a map) series. Furthermore, we published *Taiwan no Torisetsu* (map book about Taiwan) as the first of the *Torisetsu* series (map book series introducing regional characteristics and attractive features) covering a foreign country.

As a result, net sales of the segment were 1,720 million yen (compared with 1,681 million yen one year earlier), and operating loss was 61 million yen (compared with operating loss of 516 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 continued to focus on receiving orders from government agencies and others including police and fire departments that were less susceptible to economic trends. We also focused on renewing contracts with private companies on subscription-based products. In addition, we released the latest system products and services that leveraged our core competencies. They include the following: Super Mapple Digital 23, a digital map software; Mapple Mapping Tool, a website service that allows users to cut out maps as they prefer; Business-use Car Navigation System SDK Ver. 7.0; Route Search Module Ver. 3; and Mapple API Route Search API, a website version of API that uses Route Search Module Ver. 3 as a search engine. Besides, we began to offer electric vehicle charging stations in cooperation with Headspring Inc. as part of our initiatives to realize a decarbonized society. In efforts to develop new businesses and expand product functionality, we have cooperated with Mitsui Sumitomo Insurance Company, Limited on the School Zone Safety Support System that helps users to inspect and manage unsafe spots in school zones with a map, and launched into the development of functions using accident data owned by Mitsui Sumitomo Insurance Company.

As a result, net sales of the segment were 651 million yen (compared with 616 million yen one year earlier), and operating loss was 154 million yen (compared with operating loss of 99 million yen one year earlier).

Other Businesses

This segment engages in the real estate business that sells or leases the Group's property, such as land and buildings, to external counterparties, and so on.

During the period under review, the real estate business operated as scheduled.

As a result, net sales of the segment were 39 million yen (compared with 90 million yen one year earlier), and operating loss was 10 million yen (compared with operating loss of 37 million yen one year earlier).The results for the same period of the previous fiscal year included the tourism business and the call center business, which are not included for the period under review. This was because MEGURU Co., Ltd. responsible for the tourism business and its consolidated overseas subsidiaries and Kuqulu, Inc. responsible for the call center business were both no longer subsidiaries of the Company as of the end of the previous fiscal year, as mentioned above.

(2) Explanation of Financial Position

Total assets at the end of the second quarter decreased 248 million yen (1.6%) from the end of the previous fiscal year to 15,001 million yen. This was mainly due to decreases in accounts receivable-trade of 228 million yen, merchandise and finished goods of 89 million yen, other of current assets of 38 million yen, buildings and structures, net of 41 million yen, and investment securities of 125 million yen, which were partly offset by increases in cash and deposits of 254 million yen and other of intangible assets of 47 million yen. Total liabilities increased 9 million yen (0.2%) from the end of the previous fiscal year to 4,798 million yen. This was mainly due to increases in refund liabilities of 154 million yen and other of non-current liabilities of 36 million yen, which were partly offset by decreases in notes and accounts payable-trade of 80 million yen, other of current liabilities of 48 million yen, and deferred tax liabilities of 47 million yen. Total net assets decreased 258 million yen (2.5%) from the end of the previous fiscal year to 10,203 million yen. This was due to a decrease in valuation difference on available-for-sale securities of 78 million yen from the end of the previous fiscal year in addition to the reporting of loss attributable to owners of parent.

Consequently, the equity ratio decreased 0.6 percentage points to 68.0%.

Cash flows

Cash and cash equivalents (hereinafter "net cash") at the end of the second quarter on a consolidated basis increased 254 million yen from the end of the previous fiscal year to 4,224 million yen.

Net cash provided by operating activities was 332 million yen. The main factors were a 154 million yen increase in refund liabilities, a 228 million yen decrease in trade receivables, a 116 million yen decrease in inventories despite the reporting of loss before income taxes of 175 million yen.

Net cash used in investing activities was 78 million yen. The main factor was purchase of intangible assets of 77 million yen.

There was no net cash used in or provided by financing activities.

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

For the operating results for the period under review, net sales ended up being slightly more than our forecast because certain orders, for which we expected to book sales in the third quarter or thereafter, were placed ahead of our expectation. In addition, changes in the operating environment caused by the signs of the COVID-19 pandemic coming to an end have already been incorporated into the consolidated earnings forecasts to some extent. As such, we consider sales and profits overall for the period under review progressed within the range of our expectations. Based on this outlook, we have decided not to revise the full-year forecast figures for the fiscal year ending March 31, 2023, as shown in "Notice Regarding Transfer of Non-Current Assets, Recording of Extraordinary Income, and Revision to Full-Year Earnings Forecast (Japanese version only)" released on September 16, 2022.

These forecasts are based on information that is currently available to us and on assumptions that we believe are reasonable. Actual sales and earnings may differ significantly due to a variety of factors. For information about business risks, which constitute such factors, please refer to the business risk section of our Annual Securities Report (*Yukashoken Hokokusho*) for the fiscal year ended March 31, 2022 filed on June 29, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	3,970,226	4,224,414
Notes and accounts receivable-trade	1,481,557	1,253,328
Merchandise and finished goods	837,523	748,282
Work in process	202,279	194,390
Raw materials and supplies	258	258
Real estate for sale	19,495	–
Other	177,124	138,388
Allowance for doubtful accounts	(5,861)	(4,931)
Total current assets	6,682,604	6,554,131
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,372,103	1,330,303
Land	3,268,997	3,268,997
Other, net	149,159	126,097
Total property, plant and equipment	4,790,260	4,725,399
Intangible assets		
Other	8,844	56,512
Total intangible assets	8,844	56,512
Investments and other assets		
Investment securities	2,240,819	2,115,422
Retirement benefit asset	1,406,241	1,428,494
Other	179,077	167,239
Allowance for doubtful accounts	(57,208)	(45,550)
Total investments and other assets	3,768,931	3,665,606
Total non-current assets	8,568,036	8,447,517
Total assets	15,250,640	15,001,649

(Thousands of yen)

	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	516,531	435,903
Short-term borrowings	770,000	770,000
Income taxes payable	12,423	20,618
Refund liabilities	1,932,507	2,086,637
Provision for bonuses	212,610	194,731
Other	408,644	359,941
Total current liabilities	3,852,715	3,867,832
Non-current liabilities		
Deferred tax liabilities	664,353	616,969
Retirement benefit liability	87,439	92,856
Other	184,338	220,548
Total non-current liabilities	936,130	930,374
Total liabilities	4,788,846	4,798,206
Net assets		
Shareholders’ equity		
Share capital	10,141,136	10,141,136
Capital surplus	4,168,372	4,168,372
Retained earnings	(4,646,363)	(4,829,925)
Treasury shares	(524)	(524)
Total shareholders’ equity	9,662,620	9,479,058
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	818,742	740,342
Remeasurements of defined benefit plans	(19,568)	(15,958)
Total accumulated other comprehensive income	799,173	724,383
Total net assets	10,461,793	10,203,442
Total liabilities and net assets	15,250,640	15,001,649

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	2,388,883	2,411,698
Cost of sales	1,848,346	1,654,729
Gross profit	540,536	756,968
Selling, general and administrative expenses	1,107,387	973,992
Operating loss	(566,851)	(217,024)
Non-operating income		
Interest income	133	68
Dividend income	21,894	25,711
Rental income	2,400	1,520
Share of profit of entities accounted for using equity method	–	270
Foreign exchange gains	26,466	–
Subsidy income	–	27,525
Other	17,028	13,087
Total non-operating income	67,922	68,183
Non-operating expenses		
Interest expenses	6,715	5,694
Share of loss of entities accounted for using equity method	621	–
Other	12	1,343
Total non-operating expenses	7,348	7,037
Ordinary loss	(506,277)	(155,878)
Extraordinary income		
Gain on sale of non-current assets	10	62
Gain on sale of membership	–	713
Total extraordinary income	10	776
Extraordinary losses		
Loss on retirement of non-current assets	42	0
Loss on change in equity	25,986	–
Impairment losses	33,898	20,734
Total extraordinary losses	59,928	20,734
Loss before income taxes	(566,195)	(175,836)
Income taxes-current	12,195	9,360
Income taxes-deferred	7,469	(1,634)
Total income taxes	19,664	7,725
Loss	(585,860)	(183,562)
Loss attributable to owners of parent	(585,860)	(183,562)

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

(Thousands of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Loss	(585,860)	(183,562)
Other comprehensive income		
Valuation difference on available-for-sale securities	(26,708)	(78,399)
Foreign currency translation adjustment	645	–
Remeasurements of defined benefit plans, net of tax	1,212	3,610
Share of other comprehensive income of entities accounted for using equity method	(6,057)	–
Total other comprehensive income	(30,907)	(74,789)
Comprehensive income	(616,768)	(258,351)
Comprehensive income attributable to:		
Owners of parent	(616,768)	(258,351)
Non-controlling interests	–	–

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from operating activities		
Loss before income taxes	(566,195)	(175,836)
Depreciation and amortization	94,410	73,861
Share of loss (profit) of entities accounted for using equity method	621	(270)
Loss (gain) on change in equity	25,986	–
Gain on sale of non-current assets	–	(62)
Loss (gain) on sale of membership	–	(713)
Impairment losses	33,898	20,734
Increase (decrease) in allowance for doubtful accounts	(8,107)	(12,587)
Increase (decrease) in retirement benefit liability	5,910	5,416
Decrease (increase) in retirement benefit asset	(22,349)	(17,048)
Increase (decrease) in refund liabilities	(171,013)	154,130
Increase (decrease) in provision for bonuses	6,476	(17,878)
Interest and dividend income	(22,027)	(25,780)
Rental income	(2,400)	(1,520)
Subsidy income	–	(27,525)
Interest expenses	6,715	5,694
Decrease (increase) in trade receivables	596,102	228,228
Decrease (increase) in inventories	45,409	116,626
Increase (decrease) in trade payables	(124,836)	(80,627)
Other, net	18,447	91,285
Subtotal	(82,952)	336,126
Interest and dividends received	22,046	25,784
Proceeds from rental income	2,400	1,320
Subsidies received	–	27,525
Settlement package received	2,800	–
Interest paid	(6,684)	(5,787)
Extra retirement payments	–	(40,970)
Income taxes paid	(110,419)	(15,654)
Income taxes refund	–	4,475
Net cash provided by (used in) operating activities	(172,809)	332,820
Cash flows from investing activities		
Purchase of property, plant and equipment	(70,937)	(16,652)
Proceeds from sale of property, plant and equipment	11	62
Purchase of intangible assets	(63,236)	(77,044)
Purchase of investment securities	(295,798)	(1,821)
Long-term loan advances to employees	(2,000)	–
Proceeds from collection of loans receivable	1,480	970
Other, net	4,680	15,852
Net cash provided by (used in) investing activities	(425,801)	(78,632)
Cash flows from financing activities		
Purchase of treasury shares	(24)	–
Dividends paid	(1,330)	–
Net cash provided by (used in) financing activities	(1,355)	–
Effect of exchange rate change on cash and cash equivalents	(16,783)	–
Net increase (decrease) in cash and cash equivalents	(616,749)	254,188
Cash and cash equivalents at beginning of period	4,629,245	3,970,226
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(73,070)	–
Cash and cash equivalents at end of period	3,939,425	4,224,414

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no effect of the application of these standards on the quarterly consolidated financial statements. There is no effect of the application of these standards on the quarterly consolidated financial statements.

Additional Information

Application of the Practical Solution on Accounting and Disclosure under the Group Tax Sharing System

The Company and its consolidated subsidiaries have transitioned from the consolidated tax payment system to the group tax sharing system from the first quarter ended June 30, 2022. Accordingly, the Company's accounting for and disclosure of corporate tax, local corporation tax, and tax effects are in compliance with the Practical Solution on Accounting and Disclosure under the Group Tax Sharing System (Practical Solution No. 42 of August 12, 2021; hereinafter "Practical Solution No. 42"). Also, based on Paragraph 32-1 of Practical Solution No. 42, the Company deems that changes in accounting policies associated with the application of Practical Solution No. 42 have had no impact on its consolidated financial results.

Transfer of non-current assets

The Company resolved to transfer its non-current assets at the meeting of the Company's Board of Directors held on September 16, 2022, and entered into a transfer agreement on September 27, 2022.

1. Reason for the transfer

The Company decided to transfer the land and building of its former Tokyo Product Center to more effectively utilize its assets and improve its financial foundation.

2. Details of assets to be transferred

(1) Name of the assets	Former Tokyo Product Center
(2) Location	7-3-2, Nishiarai, Adachi-ku, Tokyo
(3) Area of land	808.06 square meters
(4) Total floor space of the building	2,333.46 square meters
(5) Gain on transfer	114,335 thousand yen
(6) Current state	Warehouse

Note: The carrying amount and transfer value of the assets will not be disclosed due to the transferee's request.

3. Overview of the transferee

(1) Name	Yamazaki C.A. Co., Ltd.
(2) Location	2-19-20, Kamijima, Naka-ku, Hamamatsu-shi, Shizuoka Prefecture
(3) Title and name of representative	Takamichi Yamazaki, Representative Director and President

4. Schedule of the transfer

(1) Date of resolution by the Board of Directors	September 16, 2022
(2) Date of execution of the transfer agreement	September 27, 2022
(3) Date of delivery	December 28, 2022 (planned)

5. Impact on earnings

As a result of the above transfer, the Company plans to record gain on sale of non-current assets of 114,335 thousand yen as extraordinary income during the third quarter of the current fiscal year.

Segment and Other Information

Segment information

I. First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

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

(Thousands of yen)

	Reportable Segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	Media Business	Solutions Business	Subtotal				
Net sales							
Retail publishing	1,395,798	–	1,395,798	–	1,395,798	–	1,395,798
Special-order products	86,016	–	86,016	–	86,016	–	86,016
Advertising	111,086	–	111,086	–	111,086	–	111,086
e-business sales	88,083	613,868	701,951	–	701,951	–	701,951
Other	453	2,840	3,293	80,698	83,992	–	83,992
Revenue from contracts with customers	1,681,438	616,708	2,298,146	80,698	2,378,845	–	2,378,845
Other income	–	–	–	10,037	10,037	–	10,037
Sales to external customers	1,681,438	616,708	2,298,146	90,736	2,388,883	–	2,388,883
Inter-segment sales and transfers	56,682	76,862	133,545	17,649	151,195	(151,195)	–
Total	1,738,121	693,571	2,431,692	108,386	2,540,079	(151,195)	2,388,883
Segment profit (loss)	(516,326)	(99,420)	(615,747)	(37,521)	(653,268)	86,417	(566,851)

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

2. The 86,417 thousand yen adjustment to segment profit (loss) consists of 10,194 thousand yen of inter-segment elimination and 76,223 thousand yen of corporate revenues, net of expenses, which are not allocated to any reportable segment.

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

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

Impairment losses related to non-current assets

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

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

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

II. First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)

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	1,409,231	–	1,409,231	–	1,409,231	–	1,409,231
Special-order products	68,319	–	68,319	–	68,319	–	68,319
Advertising	95,565	–	95,565	–	95,565	–	95,565
e-business sales	144,318	649,353	793,671	–	793,671	–	793,671
Other	3,485	1,690	5,176	25,212	30,389	–	30,389
Revenue from contracts with customers	1,720,920	651,044	2,371,965	25,212	2,397,177	–	2,397,177
Other income	–	–	–	14,520	14,520	–	14,520
Sales to external customers	1,720,920	651,044	2,371,965	39,733	2,411,698	–	2,411,698
Inter-segment sales and transfers	60,672	64,598	125,271	–	125,271	(125,271)	–
Total	1,781,593	715,643	2,497,236	39,733	2,536,970	(125,271)	2,411,698
Segment profit (loss)	(61,243)	(154,815)	(216,059)	(10,996)	(227,055)	10,030	(217,024)

Notes: 1. “Other” represents the businesses not included in any reportable segment and mainly consists of the real estate business.
2. The 10,030 thousand yen adjustment to segment profit (loss) consists of 17,275 thousand yen of inter-segment elimination and minus 7,245 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

The COVID-19 infection has significantly impacted the Group’s operating results. Although the pandemic itself is expected to gradually have less impact on the economic environment thanks to booster shots and spread of treatment drugs, concerns remain about the coming wave-like spread of COVID-19 due to emergence of its new variants still remain. Furthermore, inflation started rising around the world as economies started to recover under supply constraints. The western world has imposed economic sanctions on Russia over the Ukraine invasion. Such various negative factors may cast a shadow over the post-covid economic recovery.

Considering the Group will be under such uncertain business environment going forward, and 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 impairment losses in both the Media Business segment and the Solutions Business segment.

The amount of impairment losses in the first six months of FY3/23 was 5,741 thousand yen in the Media Business segment and 14,993 thousand yen in the Solutions Business segment.

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.