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October 13, 2015

Summary of Financial Results of the Fiscal Year Ending August 31, 2015
[Japanese standards] (Consolidated)

Stock Exchange listings: Tokyo

Company name: ChiikiShinbunsha Company Limited
 Securities code: 2164 URL: <http://chiikinews.co.jp/>
 Representative: Yukifumi Chikama, Representative Director
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Scheduled date of ordinary general meeting of shareholders: November 27, 2015
 Scheduled date of payment of dividend: November 10, 2015
 Scheduled date of filing securities report: November 30, 2015
 Preparation of supplementary references regarding financial results: Yes
 Holding the briefing of financial results: Yes (For institutional investors and analysts)

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

1. Financial results of the Fiscal Year Ending August 31, 2015 (September 1, 2014 – August 31, 2015)

(1) Consolidated operating results (Percentages represent changes from previous year)

	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY08/2015	3,457	—	74	—	79	—	25	—
FY08/2014	—	—	—	—	—	—	—	—

(Note) Comprehensive income FY08/2015: 25 million yen (—%)
 FY08/2014: — million yen (—%)

	Net income per share	Diluted net income per share	Ratio of net income to equity	Ratio of ordinary income to total assets	Ratio of operating income to sales
	Yen	Yen	%	%	%
FY08/2015	13.59	—	2.8	4.9	2.1
FY08/2014	—	—	—	—	—

(Note) From FY08/2015, consolidated financial statements have been created and therefore amounts for FY08/2014 and increase/decrease ratios as compared to the previous year are not disclosed. In addition, since the current term is the first consolidated fiscal year, ratios of net income to equity and of ordinary income to total assets are respectively calculated based on the shareholders equity at the end of the period and on total assets at the end of the period.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY08/2015	1,634	894	54.7	485.24
FY08/2014	—	—	—	—

(Reference) Shareholders equity: FY08/2015: 894 million yen
 FY08/2014: — million yen

(Note) From FY08/2015, consolidated financial statements have been created and therefore amounts for FY08/2014 are not disclosed.

(3) Consolidated cash flow status (△ means decrease)

	Cash flow from operating activities	Cash flow from investments	Cash flow from financial activities	Balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
FY08/2015	9	△50	△48	448
FY08/2014	—	—	—	—

(Note) From FY08/2015, consolidated financial statements have been created and therefore amounts for FY08/2014 are not disclosed.

2. Dividends

(Record date)	Annual dividend					Total dividends	Dividend ratio (consolidated)	Ratio of dividends to net assets
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY08/2015	—	0.00	—	15.00	15.00	27	—	—
FY08/2014	—	0.00	—	10.00	10.00	18	73.5	2.1
FY08/2016 (forecasts)	—	0.00	—	2.00	2.00		223.6	

(Note) 1. From FY08/2015, consolidated financial statements have been created and therefore dividend ratio and ratio of dividends to net assets of FY08/2014 are not disclosed. In addition, since the current term is the first consolidated fiscal year, ratio of dividends to net assets of FY08/2015 is calculated based on net assets per share at the end of the period.

2. Year-end dividend of FY08/2014 consists of ordinary dividend of 12.50 yen and commemorative dividend of 2.50 yen.

3. Performance forecasts for the Fiscal Year Ending August 31, 2015 (September 1, 2015 – August 31, 2016)

(Percentages represent changes from previous year)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (cumulative total)	1,935	—	△67	—	△67	—	△67	—	△36.75
Full term	4,021	16.3	11	△84.8	10	△86.7	1	△93.4	0.89

***Notes**

- (1) Changes in important subsidiaries during the current period: Yes
(changes in specific subsidiaries resulting in modifications of the consolidation scope)
New company: 1 (name) The Shopper Incorporated
- (2) Changes in accounting principles, changes and restatements of accounting estimates
- 1) Changes in accounting principles caused by revision of accounting standards: No
 - 2) Changes other than 1): No
 - 3) Changes in accounting estimates: No
 - 4) Restatements: No
- (3) Number of outstanding shares (common shares)
- 1) Number of shares outstanding at the end of the period (including treasury stock)
FY08/2015: 1,843,800 shares FY08/2014: 1,843,800 shares
 - 2) Number of treasury stock at the end of the period
FY08/2015: 115 shares FY08/2014: 115 shares
 - 3) Average number of shares outstanding during the period
FY08/2015: 1,843,685 shares FY08/2014: 1,843,699 shares

(Reference) Unconsolidated business results

1. Unconsolidated business results of the Fiscal Year Ending August 31, 2015 (September 1, 2014 – August 31, 2015)

(1) Unconsolidated operating results (Percentages represent changes from previous year; △ means decrease)

	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY08/2015	3,092	5.3	111	△32.9	113	△32.0	61	△34.9
FY08/2014	2,935	3.5	165	21.1	167	22.1	94	28.2

	Net profit per share	Diluted net profit per share
	Yen	Yen
FY08/2015	33.32	—
FY08/2014	51.19	—

(2) Unconsolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen	%	Million yen	%	Million yen	%	Yen	
FY08/2015	1,500		931		62.1		504.96	
FY08/2014	1,540		897		58.3		486.64	

(Reference) Shareholders equity: FY08/2015: 931 million yen
FY08/2014: 897 million yen

2. Unconsolidated forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015 - March 31, 2016)

(Percentages represent changes from previous year; △ means decrease)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (cumulative total)	1,583	2.4	△1	△101.1	△0	△101.0	△0.32
Full term	3,224	4.3	20	△82.1	12	△80.2	6.59

*** Presentation concerning implementation status of audit procedures**

This summary of financial results are not the subject of an audit procedure based on the Financial Instruments and Exchange Act, and at the time of disclosing this summary of financial results, audit procedures regarding the consolidated financial statements based on the Financial Instruments and Exchange Act has not been completed.

*** Explanation regarding appropriate use of the earnings forecast and other special notes**

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered to be reasonable, and therefore actual business performance and other elements may differ substantially due to various factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 2, "1. Analysis on operating results and financial position".

1. Analysis on operating results and financial position

From the second quarter, consolidated financial statements have been created, and therefore no comparative analyses are made in terms of consolidated operating results and consolidated financial position with those in the previous year.

(1) Analysis on operating results

(Operating results of the current term)

During the current consolidated fiscal year Japanese economy has seen continuous trend in weaker yen due to various economic policies including monetary easing, and the effect of low price of crude oil has led seemingly improved profitability among, inter alia, large companies. On the other hand, although consumer spending in the context of gradual improvement of environment for employment/earning shows generally brisk movement, there still seems less progress in than anticipated for restoring consumer confidence. Moreover, economic downturn in Asian emerging countries including China might pose some risks on Japanese economy downwards, and the recent situations of uncertainty for the future still remains.

Free-paper/free-magazine market in which we operate has diversified its media and targets, whereas price competition has become common with not only printed advertisement but also with internet advertisement, making our management environment still hard to survive.

Under such circumstances, on December 25, 2014, we acquired the entire stockholding of Tokyo Shinbun Shopper Incorporated (renamed on that date as "The Shopper Incorporated"), now being our subsidiary. This has led to inclusion of The Shopper in the scope of consolidation since the second quarter consolidated fiscal period. In the future, customer base and know-how for editing and sales developed by both of ChiikiShinbunsha Co., Ltd. and The Shopper Inc. will be integrated, their operating resources will be proactively shared and utilized, thereby making various services provided our group should be further enhanced. Adding the subsidiary resulted in our group's fundamental business in publishing newspapers having increased in the number of versions from previously 55 in 55 areas within 2 prefectures to 64 in 64 areas within 3 prefectures and Tokyo; and weekly number of copies printed has increased from around 2.04 million to 2.90 million (as of August 31, 2015).

As part of our strategies for the business in publishing newspapers, editorial staff has been augmented and assigned to each of our sales bases, thereby enhancing abilities to gather more regionally-based information and evolving/developing our contents to the ones which readers would anticipate every week.

Also, we leveraged further integration of the "Chiiki Shinbun (regional newspaper)" (a free-paper) with "Chiikomi" (regional information community site managed by our Web business department), which has enabled us to provide more value-added advertisement, achieving higher customer satisfaction.

Despite our efforts as mentioned above, competition in free-paper market has become further intensive.

In our business of distributing inserted flyers, not only ChiikiShinbunsha but also for The Shopper, targeted customers of our clients have become more evident by utilizing Geographical Information System (GIS) customized according to their respective areas, and realizing efficient services aiming to maximize advertising effects has led to continuous increase in sales to our existing clients and further expansion of our new customer base.

Elsewhere, we started to publish "Lunch Passport - Kashiwa City" in Kashiwa City, Chiba Pref., and entered into new publication business. In addition, it is planned to enhance our business in dealing with lecture tickets by making use of available spaces on free-papers, which would be one of our business pillars.

Moreover, in preparation for expanding our future business we have, ahead of schedule, obtained excellent human resources as our personnel strategy; established Tsudanuma branch and Ichikawa branch of ChiikiShinbunsha as our area strategy; and established Tokyo branch of The Shopper for exploiting its new national clients.

In such context, sales in the current consolidated fiscal year was 3,457,147,000 yen, ordinary income was 79,333,000 yen, and net income was 25,074,000 yen.

(forecasts for the next term)

In terms of forecasts for the next term, although there seems to be a trend of improved profitability among, inter alia, large companies, recovery movement appears to be slowing down due to such as risk of downturn in overseas economy and impact of raised consumption tax rate, and therefore we assume that there remains tough situations in the context of worsened employment situation and stagnant consumer spending.

For the next term the Group will, recognizing competition in free-paper market that has become further intensive, attempt to arrange full-scale renewal of "Chiiki Shinbun", considering next year as "the first year of contents reform" in the field of our business in publishing newspapers. Under the slogan of "Newspapers creating opportunities to revitalize everyone in the community", we aim at accomplishing pre-renewal during the first half and full-scale renewal during the second half. As for measures of The Shopper, with exceptions for the former Saitama-Omiya/Ageo version for which distribution areas have already been segmentalized, five versions (for five areas) should be segmentalized where approximately 30,000 copies are distributed, and the current area-coverage rate (distribution density) of 50% would be raised to 65%. And in our business of distributing

inserted flyers, infrastructure reinforcement and business expansion will be sought, including establishing new delivery center, to meet the needs on inserted flyers about which The Shopper has increasingly received inquiries. Furthermore, greater amount of sales will be sought by enhancing publication business such as "Lunch Passport" and so-called posting business. And, in order to realize our mid-term goal of sales of 5 billion yen and ordinary income of 0.3 billion yen, we will put our efforts promoting optimized business activities and improved productivities by means of systemization.

In such context, we expect that in the next term sales would be 4,021,760,000 yen (up 16.3% YoY), ordinary income would be 10,526,000 yen (down 86.7% YoY), and net income would be 1,649,000 yen (down 93.4% YoY).

(2) Analysis on financial position

1) Status of assets, liabilities and net assets

A. Assets

Total assets at the end of the current consolidated fiscal year was 1,634,826,000 yen. It comprises total current assets of 1,274,663,000 yen and total non-current assets of 360,162,000 yen.

B. Liabilities

Total liabilities at the end of the current consolidated fiscal year was 740,189,000 yen. It comprises total current liabilities of 489,884,000 yen and total non-current liabilities of 489,884,000 yen.

C. Net assets

Total net assets at the end of the current consolidated fiscal year was 894,636,000 yen. It comprises mainly stock of 203,112,000 yen, capital surplus of 133,112,000 yen, and retained earnings of 588,441,000 yen.

Net assets per share was 504.96 yen.

2) Cash flow status

Balance of cash and cash equivalents (hereinafter, "business fund") at the end of the current consolidated fiscal year was 448,834,000 yen. Situations of each type of cash flow and main factors thereof are as follows.

A. Cash flow from operating activities

Business fund resulting from operating activities during the current consolidated fiscal year was 9,951,000 yen. This is mainly because, in addition to net income before income taxes of 71,705,000 yen, increasing factors such as increase in depreciation (55,065,000 yen) exceeded decreasing factors such as decrease in accounts payable - others (51,010,000 yen) and payment of corporate tax and other tax (58,645,000 yen).

B. Cash flow from investments

Business fund used as a result of investment activities during the current consolidated fiscal year was 50,171,000 yen. This is due to, despite of income by reimbursement of time deposits (400,000,000 yen) and proceeds from purchase of investments in subsidiaries (35,429,000 yen), expense to time deposits (405,000,000 yen) and in addition, expense by acquiring intangible assets (35,003,000 yen), expense by acquiring property, plant and equipment (24,208,000 yen) and payments for lease and guarantee deposits (17,526,000 yen).

C. Cash flow from financial activities

Business fund used as a result of financial activities during the current consolidated fiscal year was 48,205,000 yen. This is due to payment of dividends (27,552,000 yen) and expense by repayment of finance lease obligations (20,653,000 yen).

(Reference) Transition of cashflow-related indicators

	FY08/2011	FY08/2012	FY08/2013	FY08/2014	FY08/2015
Equity ratio (%)	60.8	58.3	56.8	58.3	54.7
Equity ratio based on market value (%)	27.8	33.9	40.0	52.0	62.2
Ratio of cash flow to interest-bearing liabilities (year)	0.9	0.2	0.5	0.3	5.4
Interest coverage ratio (times)	55.1	196.7	178.2	235.3	17.4

Equity ratio: $\text{Equity} / \text{Total assets}$

Equity ratio based on market value: $\text{Aggregate market value} / \text{Total assets}$

Ratio of cash flow to interest-bearing liabilities: $\text{Interest-bearing liabilities} / \text{Cash flow}$

Interest coverage ratio: $\text{Cash flow} / \text{Interest payment}$

NOTES:

1. Aggregate market value is calculated based on the number of shares issued, excluding treasury stock.
2. Cash flow from operating activities is used.
3. Interest-bearing liabilities include all the liabilities listed on the balance sheet for which interests have been paid.
4. For FY08/2011, FY08/2012, FY08/2013 and FY08/2014, since consolidated financial statements were not created, values are calculated based on individual financial results. Meanwhile, values for FY08/2015 are calculated based on consolidated financial results.

(3) Basic principle of profit allocation and dividends for the current/next term

Our basic principle of profit allocation is that stable dividends should be provided considering business performance, dividend ratio, and future business development as a whole.

In accordance with this principle, we would like to increase dividend ratio from 25% in the previous fiscal year to 30% for the current fiscal year on individual basis. So we have decided to pay out ordinary dividend of 10 yen per share for FY08/2015. We continue to think on returning our shareholders' profits, trying hard to enhance internal reserve. For the next term, we expect to pay out year-end dividend of 2 yen per share.

3. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

(Thousand yen; △ means decrease)

Current consolidated fiscal year
(August 31, 2015)

Assets	
Current assets	
Cash and deposits	848,834
Accounts receivable - trade	358,966
Merchandise and finished goods	207
Handouts	18,913
Work in process	5,412
Supplies	1,018
Prepaid expenses	29,955
Deferred tax assets	14,586
Other	6,168
Allowance for doubtful accounts	△9,400
Total current assets	1,274,663
Non-current assets	
Property, plant and equipment	
Buildings	82,353
Cumulative depreciation	△49,341
Buildings (net)	33,011
Machinery and equipment	4,821
Cumulative depreciation	△3,554
Machinery and equipment (net)	1,266
Vehicles	3,667
Cumulative depreciation	△2,762
Vehicles (net)	904
Tools, furniture and fixture	35,664
Cumulative depreciation	△21,493
Tools, furniture and fixture (net)	14,171
Leased assets	53,731
Cumulative depreciation	△45,810
Leased assets (net)	7,920
Total property, plant and equipment	57,275
Intangible assets	
Goodwill	42,796
Software	29,129
Software in progress	21,673
Leased assets	44,806
Other	0
Total intangible assets	138,406
Investments and other assets	
Deferred tax assets	37,670
Other	131,692
Allowance for doubtful accounts	△4,881
Total investments and other assets	164,481
Total non-current assets	360,162
Total assets	1,634,826

(Thousand yen; △ means decrease)

Current consolidated fiscal year
(August 31, 2015)

Liabilities	
Current liabilities	
Accounts payable - trade	139,848
Lease obligations	16,665
Accounts payable-others	252,719
Income taxes payable	1,733
Provision for bonuses	840
Reserve for point card certificates	800
Provision for sales returns	730
Other	76,546
Total current liabilities	489,884
Non-current liabilities	
Lease obligations	37,560
Liabilities on retirement benefits	187,279
Asset retirement obligations	14,326
Other	11,138
Total non-current liabilities	250,305
Total liabilities	740,189
Net assets	
Shareholders' equity	
Capital stock	203,112
Capital surplus	133,112
Retained earnings	558,441
Treasury shares	△30
Total shareholders' equity	894,636
Total net assets	894,636
Total liabilities and net assets	1,634,826

(2) Consolidated Statements of Income and Statement of Comprehensive Income

Consolidated Statements of Income

(Thousand yen; △ means decrease)

	Current consolidated fiscal year (Sep. 1, 2014 - Aug. 31, 2015)
Net sales	3,457,147
Cost of sales	965,662
Gross profit	2,491,485
Provision for sales returns	730
Gross profit - net	2,490,755
Selling, general and administrative expenses	2,416,568
Operating income	74,186
Non-operating income	
Interest income	773
Gain on cancellation of insurance contracts	1,135
Commission fee	664
Fiduciary obligation fee	5,500
Other	629
Total non-operating income	8,703
Non-operating expenses	
Interest expenses	571
Fiduciary obligation expenses	2,933
Other	50
Total non-operating expenses	3,556
Ordinary income	79,333
Extraordinary losses	
Impairment loss	5,503
Loss on relocation of head office	1,412
Loss on cancellation of lease contracts	711
Total extraordinary losses	7,627
Net income before income taxes	71,705
Income taxes-current	27,132
Income taxes-deferred	19,499
Total income taxes	46,631
Net income before minority interests	25,074
Net income	25,074

Consolidated Statements of Comprehensive Income

(Thousand yen; △ means decrease)

Current consolidated fiscal year
(Sep. 1, 2014 - Aug. 31, 2015)

Net income before minority interests	25,074
Comprehensive income	25,074
(detail)	
Comprehensive income attributable to owners of the parent	25,074
Comprehensive income attributable to minority interests	—

(3) Consolidated statements of shareholders' equity

Current consolidated fiscal year (Sep. 1, 2014 - Aug. 31, 2015)

(Thousand yen; △ means decrease)

	Shareholders' equity					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at the start of current period	203,112	133,112	561,022	△30	897,217	897,217
Changes of items during the period						
Dividends from surplus			△27,655		△27,655	△27,655
Net income			25,074		25,074	25,074
Total changes of items during the period	—	—	△2,581	—	△2,581	△2,581
Balance at the end of current period	203,112	133,112	558,441	△30	894,636	894,636

(4) Consolidated cash flow statement

	(Thousand yen)
	Current consolidated fiscal year (Sep. 1, 2014 - Aug. 31, 2015)
Cash flow from operating activities	
Net income before income taxes	71,705
Depreciation	55,065
Amortization of goodwill	4,755
Impairment loss	5,503
Increase/decrease in allowance for doubtful accounts (Δ means decrease)	1,956
Increase/decrease in reserve for bonuses (Δ means decrease)	305
Increase/decrease in provision for loss on relocation of head office (Δ means decrease)	Δ 706
Increase/decrease in liabilities on retirement benefit (Δ means decrease)	Δ 9,125
Loss/gain on cancellation of insurance contracts (Δ means gain)	Δ 1,135
Interest income	Δ 773
Interest expenses	571
Increase/decrease in sales credit (Δ means increase)	1,846
Increase/decrease in inventories (Δ means increase)	Δ 13,801
Increase/decrease in accounts payable (Δ means decrease)	19,547
Increase/decrease in accounts payable - others (Δ means decrease)	Δ 51,010
Other	Δ 16,311
Subtotal	68,395
Interest income received	772
Interest expenses paid	Δ 571
Income taxes paid	Δ 58,465
Cash flow from operating activities	<u>9,951</u>
Cash flow from investment activities	
Expense to time deposits	Δ 405,000
Reimbursement of time deposits	400,000
Expense by acquiring property, plant and equipment	Δ 24,208
Expense by acquiring intangible assets	Δ 35,003
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	35,429
Payments of loan receivables to employees	Δ 2,200
Collection of loan receivables from employees	2,245
Purchase of insurance funds	Δ 4,151
Proceeds from cancellation of insurance funds	3,408
Payments for lease and guarantee deposits	Δ 17,526
Proceeds from collection of lease and guarantee deposits	624
Purchase of long-term prepaid expenses	Δ 3,790
Cash flow from investment activities	<u>Δ50,171</u>
Cash flow from financial activities	
Expense by repayment of finance lease obligations	Δ 20,653
Dividends paid	Δ 27,552
Cash flow from financial activities	<u>Δ48,205</u>
Increase/decrease in cash and cash equivalents (Δ means decrease)	<u>Δ88,426</u>
Balance of cash and cash equivalents at the start of the period	<u>537,260</u>
Balance of cash and cash equivalents at the end of the period	<u>448,834</u>