

## DISCLAIMER

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January 7, 2016

**Summary of Financial Results of the First Quarter of the Fiscal Year ending August 31, 2016**  
**[Japanese standards] (Consolidated)**

Company name: ChiikiShinbunsha Company Limited  
 Securities code: 2164  
 Representative: Yukifumi Chikama, Representative Director  
 Contact: Kouji Miyamoto, Director, Administrative Headquarter Manager  
 and Manager of Business Management Division  
 Stock Exchange listings: Tokyo  
 URL: <http://chiikinews.co.jp/>  
 Tel: +81-47-420-0303  
 Scheduled date of filing of quarterly report: January 13, 2016  
 Scheduled date of payment of dividend: N/A  
 Preparation of supplementary references regarding quarterly results: Yes  
 Holding the briefing of quarterly results: No

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

**1. Financial Results of the First Quarter of the Fiscal Year ending August 31, 2016 (Sep. 1, 2015 – Nov. 30, 2015)**

(1) Consolidated results of operations (cumulative total)

(Percentages represent changes from previous year)

	Net Sales		Operating income		Ordinary income		Quarterly net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY08/2016	971	—	△38	—	△37	—	△48	—
1Q FY08/2015	—	—	—	—	—	—	—	—

(Note) Comprehensive income  
 1Q FY08/2016: △48 million yen  
 1Q FY08/2015: N/A

	Quarterly Net income per share	Diluted quarterly net income per share
	Yen	Yen
1Q FY08/2016	△26.19	—
1Q FY08/2015	—	—

(Note) From the 2Q of FY 08/2015, consolidated accounting period has been adopted for creating quarterly consolidated financial statements, and therefore amounts for the 1Q FY 08/2015 and increase/decrease ratios as compared to the previous year are not applicable.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q FY08/2016	1,606	802	50.0
FY08/2015	1,634	894	54.7

(Reference) Shareholders equity:  
 1Q FY08/2016: 802 million yen  
 FY08/2015: 894 million yen

**2. Dividends**

	Annual dividend				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY08/2015	—	0.00	—	10.00	10.00
FY08/2016	—	—	—	—	—
FY08/2016 (forecasts)	—	0.00	—	2.00	2.00

(NOTE) Revisions to dividend forecasts published most recently: None

**3. Consolidated performance forecasts for the Fiscal Year ending August 31, 2016 (Sep. 1, 2015 – Aug. 31, 2016)**

(Percentages represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net profit 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

(NOTE) Revisions to performance forecasts published most recently: None

## 1. Qualitative Information regarding the Current Quarter

From the previous 2Q consolidated fiscal period, quarterly 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) Descriptions regarding operating results

During the current first quarter consolidated cumulative period, Japanese economy has seen continuous progress in weaker yen and trend of high stock prices due to various economic policies including monetary easing, and also due to decline in crude oil price, resulting in gradual economic upswing with improved overall corporate profit and employment environment. Although consumer spending seems to have turned to recover, it remains in some uncertain situation for the future considering the current situation where financial policies in the U.S.A. have been normalized and economic downturn in Asian emerging countries including China, imposing risks which suppress overall economic climate.

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, customer base and know-how for editing and sales developed by both of ChiikiShinbunsha Co., Ltd. and The Shopper Inc. (the entire shares of which had been acquired by the Company, thereby becoming its subsidiary) have been integrated, their operating resources being proactively shared and utilized, that led to further enhancing various services provided by our group. 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 2.93 million (as of November 30, 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.

As for measures of The Shopper, in order to evolve/develop the "Shopper" paper to more community-based media, preparation work has been carried out for segmentalizing the area to distribute "Saitama-Omiya/Ageo" version (149,000 copies printed) into 4 areas, that means "Saitama-Omiya ver.", "Saitama-Minuma ver.", "Saitama-Kita ver.", and "Ageo-Okegawa ver." have been created from July, 2015.

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, which helped to realize efficient services aiming to maximize advertising effects, and as a result, we could keep stable business performance.

Elsewhere, we started to publish, following the preceding case in Kashiwa City (Chiba Pref.), "Lunch Passport - Ichikawa" in Ichikawa City (Chiba Pref.) and "Lunch Passport - Hachioji" in Hachioji City (Tokyo), to expand our publication business. In addition, our business as a ticket agency by making use of available spaces on free-papers expects further expansion. For example, the Company obtained exclusive right to sell tickets for "Professional Sumo in Machida" that is planned to be held in April, 2016.

In such context, sales in the current first quarter cumulative period was 971,808,000 yen, ordinary loss was 37,215,000 yen, and quarterly net loss attributable to owners of parent 48,300,000 yen.

### (2) Descriptions regarding financial position

#### 1) Status of assets, liabilities and net assets

##### A. Assets

Total assets at the end of the current first quarter consolidated fiscal period decreased from the end of the previous consolidated fiscal year by 28,629,000 yen to 1,606,197,000 yen. This is mainly because despite increase in accounts receivable-trade increased by 69,741,000 yen, cash and deposits decreased by 86,284,000 yen and, as described in the appendix "2. Matters regarding Summary Information (Notes), (3) Changes in accounting principles, changes and restatements of accounting estimates", amount of goodwill decreased by 26,003,000 yen due to, for example, applying the accounting standard for business combination.

##### B. Liabilities

Current liabilities at the end of the current first quarter consolidated fiscal period increased from the end of the previous consolidated fiscal year by 58,651,000 yen to 548,535,000 yen. This is mainly due to increase in reserve for bonuses by 28,543,000 yen and increase in accounts payable-trade by 14,115,000 yen.

Non-current liabilities at the end of the current first quarter consolidated fiscal period increased from the end of the previous consolidated fiscal year by 4,474,000 yen to 254,779,000 yen. This is due mainly to increase in lease obligations (included in "other") of 4,614,000 yen.

### C. Net assets

Total net assets at the end of the current first quarter consolidated fiscal period decreased from the end of the previous consolidated fiscal year by 91,753,000 yen to 802,883,000 yen. This is mainly because of allocating quarterly net loss of 48,300,000 yen, and in addition, as described in the appendix "2. Matters regarding Summary Information (Notes), (3) Changes in accounting principles, changes and restatements of accounting estimates", decrease in retained earnings by 25,015,000 yen due to applying the accounting standard for business combination, and also because of paying dividends of 18,436,000 yen.

### (3) Descriptions regarding future prospects such as consolidated performance forecasts

At present, there is no change in the performance forecasts for the second quarter consolidated cumulative period and for the full term, as described in the "Summary of Financial Results of the Fiscal Year ending August 31, 2016 [Japanese standards] (consolidated)" published on October 13, 2015. If it becomes necessary in the future to reconsider those forecasts due to economic situations and transition of our business performance, it shall be disclosed as soon as possible.

## 2. Matters regarding Summary Information (Notes)

### (1) Changes in important subsidiaries during the current consolidated cumulative period

Not applicable.

### (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement

Not applicable.

### (3) Changes in accounting principles, changes and restatements of accounting estimates

(Application of Accounting Standard for Business Combination, etc.)

"Accounting Standard for Business Combination" (Corporate Accounting Standard No. 21 of September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (Corporate Accounting Standard No. 22 of September 13, 2013), and "Accounting Standard for Business Divestitures" (Corporate Accounting Standard No. 7 of September 13, 2013) have been applied to the Group's accounting method since the current first quarter consolidated fiscal period, and therefore balance amount due to change in equity interest which the Group has in its subsidiaries in case of continuous control over them is allocated as capital surplus and expenses related to acquisition are allocated as having been incurred during the consolidated fiscal year during which such acquisition took place. With respect to business combination to be carried out after the beginning of the current first quarter consolidated fiscal period, accounting method has been revised so that allocation amount of acquisition cost readjusted due to ascertainment of provisional accounting treatment should be reflected on the quarterly consolidated financial statements for the quarterly consolidated fiscal period during which relevant business combination took place.

Application of Accounting Standards for Business Combination and for others are in compliance with the transitional treatments as set out in Accounting Standard for Business Combination, Sec. 58-2 (3), Accounting Standard for Consolidated Financial Statements, Sec. 44-5 (3), and Accounting Standard for Business Divestitures, Sec. 57-4 (3), having been applied, and assuming that new accounting principles were applied retroactively to every previous fiscal terms, cumulatively affected amount at the beginning of the current first quarter consolidated fiscal period has been reflected on the retained earnings.

As a result, amount of goodwill decreased by 25,015,000 yen and retained earnings also decreased by 25,015,000 yen at the beginning of the current first quarter consolidated fiscal period. In addition, operating loss, ordinary loss and net loss before income taxes and minority interests in the current first quarter consolidated cumulative period decreased respectively by 1,389,000 yen.