

Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 [Japanese GAAP]

Company name:	Beagle Inc.	Listed on:	Tokyo Stock Exchange
Securities code:	3981	URL	https://www.beagle.com
Representative:	Jimpei Yoshida	President and Representative Director	
Contact:	Yuichi Sakurai	Director, Director of Administration Department, General Manager of Corporate Communication and Investor Relations Office	
		Tel: +81-3-6706-4000	
Scheduled date of General Meeting of Shareholders:	March 29, 2022		
Date for commencement of dividend payments:	March 30, 2022		
Scheduled date of Securities Report submission:	March 31, 2022		
Supplementary notes to financial statements:	Yes		
Briefing on financial statements:	Yes (For institutional investors and analysts)		

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (January 1 to December 31, 2021)

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2021	18,637	50.6	1,345	21.8	1,202	25.4	444	(1.7)
Fiscal year ended December 31, 2020	12,378	–	1,104	–	959	–	452	–

For reference: Comprehensive income
 Fiscal year ended December 31, 2021: 444 million yen (1.7%)
 Fiscal year ended December 31, 2020: 452 million yen (-%)

	Net income per share	Net income per share fully diluted	Return on equity	Return on asset	Operating profit margin
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2021	74.81	73.92	8.2	6.1	7.2
Fiscal year ended December 31, 2020	76.51	75.30	8.7	4.8	8.9

For reference: Share of loss (profit) of entities accounted for using equity method
 Fiscal year ended December 31, 2021: – million yen
 Fiscal year ended December 31, 2020: – million yen

Note: The Company finalized provisional accounting treatment related to business combinations in the third quarter. Numerical figures for the fiscal year ended December 21, 2020 reflect the finalized provisional accounting treatment. Year-on-year changes for the fiscal year ended December 2020 have been omitted because the Company began preparing consolidated financial statements from the fourth quarter of the fiscal year ended December 31, 2020.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital-to-asset ratio	Net income per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2021	19,458	5,671	29.1	951.73
December 31, 2020	20,036	5,206	26.0	878.19

For reference: Shareholders' equity

As of December 31, 2021: 5,671 million yen

As of December 31, 2020: 5,206 million yen

Note: The Company finalized provisional accounting treatment related to business combinations in the third quarter. Numerical figures for the fiscal year ended December 21, 2020 reflect the finalized provisional accounting treatment.

(3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended December 31, 2021	1,574	(330)	(929)	3,545
Fiscal year ended December 31, 2020	901	(3,938)	4,302	3,230

2. Dividends

	Annual dividends					Cash dividends (total)	Dividend payout ratio (consolidated)	Dividend-to-net-asset ratio (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2020	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended December 31, 2021	–	0.00	–	8.00	8.00	47	10.7	0.9
Fiscal year ending December 31, 2022 (Forecast)	–	0.00	–	12.00	12.00		10.3	

3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2022 (January 1 to December 31, 2022)

(Percentage indicates the rate of change year on year for full-year figures and year on year of the same quarter for quarterly figures)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	9,224	(0.3)	719	8.9	655	11.5	312	31.9	52.50
Full year	18,791	0.8	1,536	14.2	1,416	17.8	695	56.3	116.97

* Notice

(1) Changes in important subsidiaries during the period (change in specified subsidiaries which accompanies a change in the scope of consolidation): None

New: None

Exclusion: None

(2) Changes in accounting policy and changes and restatements of accounting estimates

(a) Changes in accounting policy accompanying the revision of accounting standards: None

(b) Changes in accounting policy other than those listed in (a): None

(c) Changes in accounting estimates: None

(d) Restatements: None

(3) Number of shares issued (common stock)

(a) Number of shares issued at end of period (including treasury shares)

December 31, 2021	6,202,522 shares	December 31, 2020	6,175,661 shares
-------------------	------------------	-------------------	------------------

(b) Number of treasury shares at end of period

December 31, 2021	243,228 shares	December 31, 2020	246,723 shares
-------------------	----------------	-------------------	----------------

(c) Average number of shares during the period

December 31, 2021	5,947,296 shares	December 31, 2020	5,914,179 shares
-------------------	------------------	-------------------	------------------

* The Company's financial statements are not subject to audits by certified public accountant or audit corporation.

* Appropriate use of earnings forecasts and other pertinent information

(Cautionary Statement with Respect to Forward-Looking Statements)

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation as well as certain reasonable assumptions. Actual results may differ materially from those expressed or implied by forward-looking statements due to a range of factors. For notices concerning underlying assumptions of the earnings forecast and the use of the earnings forecast, refer to page five of the attachment entitled "1. Explanation of Operating Results, etc., (4) Future Outlook."

(How to access the supplementary notes to financial statements and briefing on financial statements)

The Company plans to hold a briefing on financial statements for institutional investors and analysts on Tuesday, February 15, 2022. The Company will publish the presentation materials used during this meeting on its website immediately after the meeting.

○ Supplemental Materials

1. Explanation of Operating Results, etc.	2
(1) Explanation of Operating Results for the Fiscal Year Under Review	2
(2) Explanation of Financial Condition for the Fiscal Year Under Review	4
(3) Explanation of Cash Flows for the Fiscal Year Under Review	4
(4) Future Outlook.....	5
2. Basic Approach Concerning Selection of Accounting Standards	5
3. Consolidated Financial Statements and Notes	6
(1) Consolidated balance sheet.....	6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	8
(3) Consolidated statement of changes in equity	10
(4) Consolidated statement of cash flows.....	12
(5) Notes to Consolidated Financial Statements.....	13
(Notes on the Going-Concern Assumption)	13
(Changes in Presentation Method).....	13
(Segment Information, etc.).....	13
(Per Share Information)	15
(Significant Subsequent Events).....	15

1. Explanation of Operating Results, etc.

(1) Explanation of Operating Results for the Fiscal Year Under Review

During the fiscal year under review (January 1 to December 31, 2021), Japan's economy continued to see a recovery amid the rising vaccination rate against COVID-19 and countermeasures to stop the spread of infections. However, the future economic outlook remains one of uncertainty due to the spread of new variants and Japan's issuance of states of emergencies covering the Greater Tokyo area and other regions on multiple occasions.

Amidst this situation, the e-book market, mainly comics, continued to see an increase in customer traffic and higher average purchases while last year the market experienced substantial growth. The e-book and e-comic markets are expected to continue growing. (Source: Impress Corporation estimates, "Ebook Business Survey Report 2021")

However, the reactionary bounce from people voluntarily staying at home is beginning to appear as the number of COVID-19 cases eases. The e-book market is expected to gradually become saturated as e-book business models diversify and mature. Furthermore, impacts on the market from pirated websites continue to grow. Going forward, the Group will continue to carefully gather information and take the necessary response after collaborating with relevant industry groups.

Given this market environment, in the Platform Segment, the Group actively invested to expand scale and establish its brand, and in the Contents Segment, the Group is generating stable profits driven by the ongoing digital shift.

Furthermore, to strengthen functions as a content production company and accelerate growth, in November 2021 the Company concluded a capital and business partnership agreement with Nippon Television Network Corporation, which excels in different domains.

Moreover, in light of the growing COVID-19 pandemic, the Group continued to implement countermeasures for preventing the occurrence and spread of infections and securing the safety of suppliers, employees, and other stakeholders throughout the fiscal year under review, and endeavored to balance these initiatives with business growth.

In this management environment, the Group posted record high net sales for the full year.

As a result, net sales for the fiscal year under review totaled 18,637,202 thousand yen (up 50.6% over the previous year), operating profit came in at 1,345,394 thousand yen (up 21.8% over the previous year), ordinary profit was 1,202,335 thousand yen (up 25.4% over the previous year) and profit attributable to owners of parent totaled 444,923 thousand yen (down 1.7% over the previous year).

The management results for each segment are presented below.

(Platform Segment)

In terms of the comic distribution service "Manga Kingdom," a mainstay service in the Platform Segment, the Group focused on promotional campaigns appealing a sense of value and branding activities, in order to increase subscribers and customer spending by promoting the flow of visit, retention and purchase. In addition to the loyalty points program provided on the Manga Kingdom website that rebates up to 50% of spending every day for both the purchase and the use of points, the Group actively carried out sales promotion activities for acquiring a broad range of users and appealing a sense of value. Additionally, the Group is actively deploying a broad range of advertising activities to drive traffic to the site and promote greater interest among users. In this manner, Manga Kingdom promoted various events both on and off the site to promote its "No. 1 Value" (the Group received number one ranking in services with the greatest sense of value in a survey of e-comic services conducted by a third-party research institution from October to November 2020) as a comic streaming service.

In addition to being the first in Japan to exclusively distribute South Korea's comic label "HC Comics", the Company is promoting content expansion and differentiation, such as early distribution of "BK Comics" works offered by Group company Bunkasha Co., Ltd., and comicalization planning of the 2.5-dimensional actor's on YouTube channel "Bokutachi no Asobiba" operated by Nippon Television Network Corporation.

As a result, "Manga Kingdom" broke through 1.6 billion in cumulative downloads in September 2021, while registered members broke through 5.5 million in September 2021 and 6.0 million in February 2022. However, special demand from people staying at home has run its course.

Regarding "novelba," a service for posting novels, the Company continues to not only support the debut of posters as commercial authors, but is also creating synergies within the Group. In the first Novelba Novels Gateway to Success (novel posting contest), the BK Comics Special Award was selected. The winning work was to be commercialized on BK Comics, operated by Bunkasha Co., Ltd. In the love novel contest jointly held with Publishing Link, Ltd. in April 2021, in addition to a promise to commercialize the winning work by Takeshobo Co., Ltd., a comicalize award was selected where winning works will be comicalized online on Manga Kingdom and Bunkasha Co., Ltd.

In terms of IP production, the Group revised its operating structure for "Mushoku Tensei: Game Ni Nattemo Honki Dasu", our smartphone game currently being distributed, to improve profits, completing its transition to development and operating companies in October 2021.

Additionally, the Company is working to promote synergies within the Group, including using the e-commerce website "FUNDIY STORE" to sell popular merchandise under the "GUSH COMICS" and "&.Emo comics" labels of Group company Kaiosha Co., Ltd.

As a result, segment net sales totaled 12,365,762 thousand yen (up 11.4% year on year) and operating profit came in at 154,276 thousand yen (down 82.8% year on year). In addition, services in "Comic every" and "RenCa:A/N" ended and the Group recorded an impairment loss of 132,130 thousand yen because future recoverability is not expected in "novelba" and "Mushoku Tensei: Game Ni Nattemo Honki Dasu."

(Contents Segment)

The Contents Segment is driving the Group's strong performance, as high margin digital contents sustained strong growth, with net sales up 29% year over year and the digitalization rate stood at 61% as of December 31, 2021.

In printed publishing, we added second additions to 77 comic titles mainly targeting women readers and we continued to see robust performance in our periodicals mainly in the car genre.

In addition to launching a new light novel business for the purpose of expanding the genre and starting distribution of multiple light novels and comicalized works in parallel with editing and production activities, the Group has actively expanded contents such as newly launching "PRIMO" and "COMIC Yamitsuki" as digital comic magazines targeting female light users.

Furthermore, a television drama based on "The Love Between the Director and the Company Livestock Is Frustrating" available on "Manga Yomonga," a comic website for smartphones, and a special New Year drama based on "Stepmom and Daughter Blues" both began airing in January 2022.

As a result, segment net sales totaled 6,440,255 thousand yen (up 387.1% year on year) and operating profit came in at 1,192,868 thousand yen (up 465.2% year on year).

(2) Explanation of Financial Condition for the Fiscal Year Under Review

(Assets)

Total assets at the end of the fiscal year under review amounted to 19,458,414 thousand yen, down 577,704 thousand yen compared to the previous fiscal year end.

Current assets totaled 8,175,916 thousand yen, up 322,644 thousand yen over the previous fiscal year end. This is mainly attributable to a decrease in notes and accounts receivable – trade of 61,903 thousand yen, while cash and deposits increased by 314,954 thousand yen and income taxes receivable increased by 98,976 thousand yen.

Non-current assets totaled 11,282,497 thousand yen, down 900,348 thousand yen compared to the previous fiscal year end. This is mainly attributable to a decrease of intangible assets of 902,265 thousand yen.

(Liabilities)

Total liabilities at the end of the fiscal year under review amounted to 13,786,767 thousand yen, down 1,042,646 thousand yen compared to the previous fiscal year end.

Current liabilities totaled 8,036,129 thousand yen, down 196,846 thousand yen over the previous fiscal year end. This is mainly attributable to increases in notes and accounts payable – trade of 113,773 thousand yen and deferred revenue of 41,022 thousand yen, which were offset by decreases in the current portion of long-term loans payable of 120,000 thousand yen, income taxes payable of 108,479 thousand yen, and refund liabilities of 166,650 thousand yen.

Non-current liabilities totaled 5,750,637 thousand yen, down 845,800 thousand yen over the previous fiscal year end. This is attributable to a decrease in long-term loans payable of 820,000 thousand yen.

(Net assets)

Net assets at the end of the fiscal year under review totaled 5,671,647 thousand yen, up 464,942 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in retained earnings of 444,646 thousand yen.

As a result, the shareholders' capital ratio came to 29.1%.

(3) Explanation of Cash Flows for the Fiscal Year Under Review

The balance of cash and cash equivalents (“cash”) was 3,545,290 thousand yen at the end of the fiscal year under review, up 314,954 thousand yen compared to the end of the previous fiscal year.

Cash flows and the factors behind them are detailed below.

(Cash flows from operating activities)

Cash flows gained from operating activities amounted to 1,574,214 thousand yen (compared to 901,524 thousand yen in the previous fiscal year).

The main factors for an increase in cash flows from operating activities were profit before income taxes of 1,077,156 thousand yen, along with depreciation of 503,514 thousand yen, impairment losses of 132,130 thousand yen, amortization of goodwill of 638,901 thousand yen, interest expenses of 139,350 thousand yen, a decline in notes and accounts receivable - trade of 61,903 thousand yen, and an increase in notes and accounts payable - trade of 113,773 thousand yen. The main factors for a decrease were the decline in refund liabilities of 166,650 thousand yen, interest expenses paid of 139,312 thousand yen, and income taxes paid of 855,170 thousand yen.

(Cash flows from investing activities)

Cash flows used in investing activities amounted to 330,127 thousand yen (compared to 3,938,102 thousand yen used in the previous fiscal year).

The main factor for a decrease in cash flows from investing activities was a 338,835 thousand yen expenditure for the purchase of intangible assets.

(Cash flows from financing activities)

Cash flows used in financing activities amounted to 929,132 thousand yen (compared to 4,302,386 thousand yen gained in the same period of the previous fiscal year).

The main factor for a decrease in cash flows from financing activities was a 940,000 thousand yen expenditure for repayments of long-term loans payable.

(4) Future Outlook

The Group has worked to implement its medium-term management plan targeting “transform from a comic distributor to a contents producer,” based on the philosophy “continually seek out new discoveries and progress without being trapped by rigid preconceptions.”

Going forward, the Group will aspire for greater growth as a contents production company in order to create greater media mix of works using the comic business as its strength.

In the Platform Segment, the Company will focus on the steady growth of Manga Kingdom, which underpins the Group’s growth. The Group will continue to conduct efficient promotions to acquire new users and develop them into loyal customers with high spending motivation through our “No. 1 sense of value” strategy. Additionally, the Group is working to differentiate itself by expanding works “only available on Manga Kingdom.” In “novelba,” a novel posting service, the Group is working to generate synergies within the Group by promoting the expansion of comicalized and mixed media works based on posted works.

In the Contents Segment, the Company will focus on growing digital sales and pay greater attention to the quantity of first edition runs and book distribution management focusing on greater profitability in publishing sales. With regard to our strength in the editorial system, the Group will strive to further grow the content for women, which is a mainstay genre, by reinforcing personnel and strengthening human resource development, and accelerate growth by expanding into new genres with high affinity.

Based on the above, the Company’s full-year earnings forecast for the fiscal year ending December 2022 calls for net sales of 18,791 million yen (up 0.8% year on year), operating profit of 1,536 million yen (up 14.2% year on year), ordinary profit of 1,416 million yen (up 17.8% year on year), and profit attributable to owners of the parent of 695 million yen (up 56.3% year on year).

2. Basic Approach Concerning Selection of Accounting Standards

The Group has not decided on when it will begin using International Financial Reporting Standards (IFRS) as attention continues to focus on when IFRS will be adopted in Japan.

3. Consolidated Financial Statements and Notes

(1) Consolidated balance sheet

(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2020)	End of Current Consolidated Fiscal Year (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	3,230,336	3,545,290
Notes and accounts receivable - trade	4,433,602	4,371,699
Merchandise and finished goods	76,524	54,469
Supplies	1,265	1,058
Advance payments - trade	10,438	398
Prepaid expenses	36,506	69,083
Accounts receivable - other	51,805	45,552
Income taxes receivable	–	98,976
Other	42,314	11,373
Allowance for doubtful accounts	(29,522)	(21,985)
Total current assets	7,853,272	8,175,916
Non-current assets		
Property, plant and equipment		
Buildings	14,662	14,662
Facilities attached to buildings	48,838	62,827
Tools, furniture and fixtures	185,683	145,112
Accumulated depreciation	(188,816)	(158,556)
Accumulated impairment loss	(9,426)	(1,602)
Total property, plant and equipment	50,941	62,443
Intangible assets		
Goodwill	10,273,221	9,589,618
Software	262,490	225,098
Content assets	296,127	435,148
Software in progress	3,742	1,847
Content assets in progress	164,586	3,574
Publishing rights	904,666	747,333
Other	1,382	1,332
Total intangible assets	11,906,218	11,003,953
Investments and other assets		
Leasehold and guarantee deposits	148,955	108,492
Deferred tax assets	58,170	88,374
Others	18,560	19,234
Total investments and other assets	225,686	216,101
Total non-current assets	12,182,846	11,282,497
Total assets	20,036,118	19,458,414

(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2020)	End of Current Consolidated Fiscal Year (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,943,123	3,056,896
Short-term loans payable	2,000,000	2,000,000
Current portion of long-term loans payable	940,000	820,000
Accounts payable - other	347,247	357,802
Accrued expenses	163,321	187,812
Income taxes payable	442,286	333,806
Accrued consumption taxes	104,818	92,896
Deferred revenue	631,739	672,762
Refund liabilities	596,896	430,246
Deposits received	28,240	38,554
Other	35,300	45,350
Total current liabilities	8,232,976	8,036,129
Non-current liabilities		
Long-term loans payable	6,245,000	5,425,000
Deferred tax liabilities	351,437	325,637
Total non-current liabilities	6,596,437	5,750,637
Total liabilities	14,829,413	13,786,767
Net assets		
Shareholders' equity		
Capital stock	1,875,831	1,883,373
Capital surplus	1,875,331	1,882,873
Retained earnings	1,823,710	2,268,356
Treasury shares	(368,169)	(362,955)
Total shareholders' equity	5,206,704	5,671,647
Total net assets	5,206,704	5,671,647
Total liabilities and net assets	20,036,118	19,458,414

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

Consolidated Statement of Income

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (January 1 to December 31, 2020)	Current Consolidated Fiscal Year (January 1 to December 31, 2021)
Net sales	12,378,124	18,637,202
Cost of sales	7,710,219	12,124,343
Gross profit	4,667,904	6,512,858
Selling, general and administrative expenses	3,563,436	5,167,463
Operating profit	1,104,468	1,345,394
Non-operating income		
Interest income	16	26
Dividend income	68	87
Reimbursement receivables	14,834	3,476
Subsidy income	2,423	362
Refund income	–	1,002
Other	54	427
Total non-operating income	17,397	5,381
Non-operating expenses		
Interest expenses	38,001	139,350
Borrowing expenses	116,416	4,206
Consumption taxes - deferred	6,796	3,808
Other	1,572	1,075
Total non-operating expenses	162,786	148,441
Ordinary profit	959,079	1,202,335
Extraordinary income		
Gain on sale of non-current assets	–	13,500
Gain on reversal of share acquisition rights	486	–
Total extraordinary income	486	13,500
Extraordinary losses		
Impairment losses	126,869	132,130
Compensation for damages	–	6,390
Other	196	157
Total extraordinary losses	127,066	138,679
Profit before income taxes	832,498	1,077,156
Income taxes – current	402,719	656,998
Income taxes – deferred	(22,705)	(24,766)
Total income taxes	380,013	632,232
Profit	452,485	444,923
Profit attributable to owners of the parent	452,485	444,923

Consolidated statement of comprehensive income

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (January 1 to December 31, 2020)	Current Consolidated Fiscal Year (January 1 to December 31, 2021)
Profit	452,485	444,923
Comprehensive income	452,485	444,923
(Breakdown)		
Comprehensive income related to owners of the parent	452,485	444,923

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (January 1 to December 31, 2020)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	1,868,930	1,868,430	1,371,988	(373,392)	4,735,957
Change					
Issuance of new stock	6,901	6,901			13,802
Profit attributable to owners of the parent			452,485		452,485
Acquisition of treasury shares					–
Disposal of treasury shares			(763)	5,222	4,459
Change of items other than shareholders' equity (net)					
Total change	6,901	6,901	451,721	5,222	470,747
Year-end balance	1,875,831	1,875,331	1,823,710	(368,169)	5,206,704

	Share acquisition rights	Total net assets
Beginning balance	486	4,736,443
Change		
Issuance of new stock		13,802
Profit attributable to owners of the parent		452,485
Acquisition of treasury shares		–
Disposal of treasury shares		4,459
Change of items other than shareholders' equity (net)	(486)	(486)
Total change	(486)	470,261
Year-end balance	–	5,206,704

Current consolidated fiscal year (January 1 to December 31, 2021)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	1,875,831	1,875,331	1,823,710	(368,169)	5,206,704
Change					
Issuance of new stock	7,541	7,541			15,083
Profit attributable to owners of the parent			444,923		444,923
Acquisition of treasury shares				(9)	(9)
Disposal of treasury shares			(277)	5,222	4,945
Change of items other than shareholders' equity (net)					
Total change	7,541	7,541	444,646	5,213	464,942
Year-end balance	1,883,373	1,882,873	2,268,356	(362,955)	5,671,647

	Share acquisition rights	Total net assets
Beginning balance	–	5,206,704
Change		
Issuance of new stock		15,083
Profit attributable to owners of the parent		444,923
Acquisition of treasury shares		(9)
Disposal of treasury shares		4,945
Change of items other than shareholders' equity (net)	–	–
Total change	–	464,942
Year-end balance	–	5,671,647

(4) Consolidated statement of cash flows

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (January 1 to December 31, 2020)	Current Consolidated Fiscal Year (January 1 to December 31, 2021)
Cash flows from operating activities		
Profit before income taxes	832,498	1,077,156
Depreciation	285,980	503,514
Impairment losses	126,869	132,130
Amortization of goodwill	378,837	638,901
Interest expenses	38,001	139,350
Borrowing expenses	116,416	4,206
Decrease (increase) in notes and accounts receivable - trade	(649,084)	61,903
Increase (decrease) in notes and accounts payable - trade	659,382	113,773
Decrease (increase) in advance payments – trade	69,322	722
Increase (decrease) in accounts payable - other	(230,482)	10,895
Increase (decrease) in accrued expenses	(237,057)	24,491
Increase (decrease) in deferred revenue	(78,452)	41,022
Increase (decrease) in deferred revenue	37,556	(166,650)
Decrease/increase in consumption taxes receivable/payable	(44,473)	(11,922)
Other	(38,816)	(910)
Subtotal	1,266,498	2,568,583
Interest and dividend income received	85	113
Interest expenses paid	(37,236)	(139,312)
Income taxes paid	(327,823)	(855,170)
Cash flows from operating activities	901,524	1,574,214
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,943)	(32,104)
Purchase of intangible assets	(408,581)	(338,835)
Payments for lease and guarantee deposits	(41,054)	–
Income from return of lease and guarantee deposits	–	41,054
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,479,524)	–
Other	–	(241)
Cash flows from investing activities	(3,938,102)	(330,127)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,000,000	–
Proceeds from long-term loans payable	7,000,000	–
Repayments of long-term loans payable	(4,595,000)	(940,000)
Payments of borrowing expenses	(116,416)	(4,206)
Proceeds from issuance of common shares	13,802	15,083
Purchase of treasury shares	–	(9)
Cash flows from financing activities	4,302,386	(929,132)
Net increase (decrease) in cash and cash equivalents	1,265,808	314,954
Cash and cash equivalents at beginning of period	1,964,528	3,230,336
Cash and cash equivalents at end of period	3,230,336	3,545,290

(5) Notes to Consolidated Financial Statements

(Notes on the Going-Concern Assumption)

N/A

(Changes in Presentation Method)

Related to consolidated statement of cash flows

“Increase (decrease) in refund liabilities” included in "Other" of "Cash Flows from Operating Activities" in the previous fiscal year is presented separately from the fiscal year under review because its importance has increased.

As a result, the amount of (1,259 thousand) listed in "Other" of "Cash Flows from Operating Activities" in the consolidated statements of cash flows for the previous has been restated as 37,556 thousand yen for “Increase (decrease) in refund liabilities” and (38,816 thousand yen) in "Other" from the fiscal year under review.

(Segment Information, etc.)

1. Summary of reporting segments

(1) Method of determining reporting segments

The Company’s reporting segments provide financial information prepared separately from other reporting segments and they are subject to periodic reviews by the Board of Directors in order to determine allocation of management resources and evaluate business performance. The Company comprises segments for each business type, with the reporting segments classified as Platform Segment and Contents Segment.

(2) Types of products and services belonging to each reporting segment

The Platform Segment comprises subscription services and other ancillary businesses centered on Manga Kingdom, the Company’s existing business.

The Contents Segment comprises e-books, publishing and other ancillary businesses centered on the Group’s subsidiary Bunkasha Group’s existing businesses.

2. Method of calculating the amount of net sales, profit/loss, assets, liabilities, and other accounting items for each reporting segments

Accounting treatment methods for reported business segments are generally the same as those appearing in “Significant matters that form the basis of preparing consolidated financial statements.”

Reporting segment profit are based on operating profit. Intersegment profits and transfers are based on real market prices.

3. Information on the amount of net sales, profit/loss, assets, liabilities, and other accounting items for each reporting segments

Previous consolidated fiscal year (January 1 to December 31, 2020)

(Unit: thousands of yen)

	Reporting segment			Adjusted amount (Note 1)	Amount on consolidated financial statement (Note 2)
	Platform Segment	Contents Segment	Total		
Net sales					
Net sales to external customers	11,102,481	1,275,643	12,378,124	–	12,378,124
Intersegment sales and transfers	–	46,566	46,566	(46,566)	–
Total	11,102,481	1,322,209	12,424,690	(46,566)	12,378,124
Segment profit	894,533	211,068	1,105,601	(1,133)	1,104,468
Segment assets	11,582,169	16,675,839	28,258,009	(8,221,890)	20,036,118
Other items					
Depreciation	240,721	45,258	285,980	–	285,980
Amortization of goodwill	292,149	86,688	378,837	–	378,837
Increase in tangible fixed assets and intangible fixed assets	712,300	3,121	715,421	(160)	715,261

Notes: 1. Adjustments of segment profit (-1,133 thousand yen) represents company-wide expenses and elimination of intersegment transactions.

2. Segment profit is the same as operating profit on the consolidated statement of income.

Current consolidated fiscal year (January 1 to December 31, 2021)

(Unit: thousands of yen)

	Reporting segment			Adjusted amount (Note 1)	Amount on consolidated financial statement (Note 2)
	Platform Segment	Contents Segment	Total		
Net sales					
Net sales to external customers	12,365,762	6,271,440	18,637,202	–	18,637,202
Intersegment sales and transfers	–	168,815	168,815	(168,815)	–
Total	12,365,762	6,440,255	18,806,017	(168,815)	18,637,202
Segment profit	154,276	1,192,868	1,347,144	(1,749)	1,345,394
Segment assets	10,420,554	17,093,725	27,514,280	(8,055,865)	19,458,414
Other items					
Depreciation	324,400	179,233	503,634	(120)	503,514
Amortization of goodwill	292,149	346,752	638,901	–	638,901
Increase in tangible fixed assets and intangible fixed assets	(389,065)	(501,578)	(890,643)	(119)	(890,763)

Notes: 1. Adjustments of segment profit (-1,749 thousand yen) represents company-wide expenses and elimination of intersegment transactions.

2. Segment profit is the same as operating profit on the quarterly consolidated statement of income.

(Per Share Information)

	Previous Consolidated Fiscal Year (January 1 to December 31, 2020)	Current Consolidated Fiscal Year (January 1 to December 31, 2021)
Net assets per share	878.19 yen	951.73 yen
Net income per share	76.51 yen	74.81 yen
Net income per share fully diluted	75.30 yen	73.92 yen

Note: The basis for calculating the amounts of net profit per share and net profit per share fully diluted is presented below.

	Previous Consolidated Fiscal Year (January 1 to December 31, 2020)	Current Consolidated Fiscal Year (January 1 to December 31, 2021)
Net income per share		
Profit attributable to owners of the parent (thousands of yen)	452,485	444,923
Amount not attributed to common shareholders (thousands of yen)	–	–
Profit attributable to owners of the parent related to common stock (thousands of yen)	452,485	444,923
Average number of common stock shares during the period (shares)	5,914,179	5,947,296
Net income per share fully diluted		
Profit attributable to owners of the parent (thousands of yen)	–	–
Increase in the number of common stock (shares)	94,662	71,794
(Of this, share acquisition rights [shares])	(94,662)	(71,794)
Summary of diluted shares not included in the calculation of net income per share fully diluted because there were no dilution effects	–	–

(Significant Subsequent Events)

N/A