

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [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:	Takashi Akui	General Manager, Finance and Accounting Division	
		Tel: +81-3-6706-4000	
Scheduled date of General Meeting of Shareholders:	March 29, 2023		
Date for commencement of dividend payments:	March 30, 2023		
Scheduled date of Securities Report submission:	March 30, 2023		
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, 2022 (January 1 to December 31, 2022)

(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, 2022	18,713	0.4	1,755	30.5	1,608	33.8	664	49.4
Fiscal year ended December 31, 2021	18,637	50.6	1,345	21.8	1,202	25.4	444	(1.7)

For reference: Comprehensive income
 Fiscal year ended December 31, 2022: 664 million yen (49.4%)
 Fiscal year ended December 31, 2021: 444 million yen (-1.7%)

	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, 2022	111.34	110.31	11.1	8.4	9.4
Fiscal year ended December 31, 2021	74.81	73.92	8.2	6.1	7.2

For reference: Share of loss (profit) of entities accounted for using equity method
 Fiscal year ended December 31, 2022: – million yen
 Fiscal year ended December 31, 2021: – million yen

(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, 2022	19,039	6,314	33.2	1,052.91
December 31, 2021	19,458	5,671	29.1	951.73

For reference: Shareholders' equity
As of December 31, 2022: 6,314 million yen
As of December 31, 2021: 5,671 million yen

(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, 2022	2,379	(244)	(1,461)	4,217
Fiscal year ended December 31, 2021	1,574	(330)	(929)	3,545

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, 2021	–	0.00	–	8.00	8.00	47	10.7	0.9
Fiscal year ended December 31, 2022	–	0.00	–	12.00	12.00	71	10.8	1.2
Fiscal year ending December 31, 2023 (Forecast)	–	0.00	–	15.00	15.00		10.0	

3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2023 (January 1 to December 31, 2023)

(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	9,499	2.0	850	(17.0)	822	(14.4)	406	(3.3)	68.11
Full year	19,622	4.9	1,822	3.8	1,766	9.8	900	35.4	150.80

* Notes

(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: Yes

(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, 2022	6,236,342 shares	December 31, 2021	6,202,522 shares
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(b) Number of treasury shares at end of period

December 31, 2022	238,985 shares	December 31, 2021	243,228 shares
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(c) Average number of shares during the period

December 31, 2022	5,968,136 shares	December 31, 2021	5,947,296 shares
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* 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 notes concerning underlying assumptions of the earnings forecast and the use of the earnings forecast, refer to page four of the supplemental materials 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 Wednesday, February 15, 2023. The Company will publish the presentation materials used during this meeting on its website immediately after the meeting.

○ Supplemental Materials

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1. Explanation of Operating Results, etc.

Forward-looking statements appearing below are based on information available as of the end of the period under review.

There were no impacts from the application of Accounting Standard on Revenue Recognition (ASBJ Statement No. 29; March 31, 2020).

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

During the fiscal year under review (January 1 to December 31, 2022), a recovery was seen in socioeconomic activities, mainly personal consumption, amid the gradual easing of the COVID-19 pandemic. However, an uncertain business environment persists because of the economic outlook domestically and internationally due to soaring raw materials and energy prices caused by the situation in Ukraine and yen depreciation resulting from the diverging monetary policy of countries around the world.

As for the business environment surrounding the Company, while the printed publication market is contracting, the e-book publication market continues to grow. In “eBook marketing report 2022,” Impress Corporation estimates that the growth rate of the e-book market will be around 10% in fiscal 2022, and going forward, the e-book and e-comic markets are expected to continue to see moderate growth in size.

Given this market environment, in the Platform Segment, the Group pursued efficient investments while focusing on building the brand of e-comic distribution service Manga Kingdom, and in the Contents Segment, the Group generated stable profits driven by the ongoing growth in the digital domain.

Furthermore, to strengthen functions as a content production company and accelerate growth, the Company implemented collaborative projects with Nippon Television Network Corporation (“Nippon TV”) with which it concluded a capital and business partnership agreement in November 2021.

As a result, consolidated net sales for the fiscal year under review totaled 18,713,173 thousand yen (up 0.4% year on year), operating profit came in at 1,755,563 thousand yen (up 30.5% year on year), ordinary profit was 1,608,247 thousand yen (up 33.8% year on year) and profit attributable to owners of the parent totaled 664,510 thousand yen (up 49.4% year on 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 actively carried out promotional campaigns appealing a sense of value and sales promotion activities for acquiring a broad range of users, in order to increase subscribers and customer spending by promoting the flow of visit, retention and purchase.

Furthermore, the Group focused on creation of works “only available on Manga Kingdom,” including the distribution of new serial works on Manga Kingdom.

As a result, Manga Kingdom pursued “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 in April 2022) as a comic streaming service and broke through 1.8 billion in cumulative downloads in July 2022, while registered members broke through 7 million in November 2022.

As for “novelba,” a service for posting novels, to promote the expansion of comicalized and media mix based on posted works, the Group implemented measures and held novel contests to increase the number of app users and posted works.

In terms of initiatives with Nippon TV, in September 2022, the Company distributed comicalized works of 2.5-dimensional actors on YouTube channel Bokutachi no Asobiba operated by Nippon TV. Between October and December 2022, the second installment of THE TOKIWA, a documentary and variety program to find up-and-coming manga artist talent was aired on a Nippon TV program, with the works created by those passing the audition beginning to be distributed. In this manner, the Company actively worked to discover, develop and support creators.

As a result, segment net sales totaled 12,237,278 thousand yen (down 1.0% year on year) and operating profit came in at 560,882 thousand yen (up 263.6%).

(Contents Segment)

High margin digital contents sustained strong growth, driving the Contents Segment.

The work “An Unwanted Bride Falls for the Crown Prince,” which appeared in PRIMO, a new digital comic magazine in the girl genre launched in the previous year, received rave reviews from many female readers. Following this, comic versions created based on original works grew at a robust clip. Among them, the contents geared toward women derived from BK Comics, which was first published in 2018, has seen a number of hits, including “Botsuraku Reijo, Binbo Kishi no Maid ni Narimasu,” successfully expanding the genre. Additionally, the Group implemented a number of measures around the 50th issue of “Manga Grimm Fairy Tales Kinpeibai,” a monumental work in the ladies comic genre, and successfully tapped into new reader segments in the e-comics market.

We are also publishing comics under the new &Emo. Label of love stories involving boys, which has produced multiple hits.

Furthermore, video streaming of popular manga with voice overs on Bunkasha Co., Ltd.’s official YouTube channel, Kindan Shoten, continues to receive positive reviews.

As a result, segment net sales totaled 6,629,889 thousand yen (up 2.9% year on year) and operating profit came in at 1,194,157 thousand yen (up 0.1% 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 19,039,932 thousand yen, down 418,482 thousand yen compared to the previous fiscal year end.

Current assets totaled 8,807,757 thousand yen, up 631,840 thousand yen over the previous fiscal year end. This is mainly attributable to an increase in cash and deposits of 672,689 thousand yen.

Non-current assets totaled 10,232,175 thousand yen, down 1,050,322 thousand yen compared to the previous fiscal year end. This is mainly attributable to a decrease in intangible assets of 1,021,557 thousand yen.

(Liabilities)

Total liabilities at the end of the fiscal year under review amounted to 12,725,240 thousand yen, down 1,061,526 thousand yen compared to the previous fiscal year end.

Current liabilities totaled 8,676,604 thousand yen, up 640,474 thousand yen over the previous fiscal year end. This is mainly attributable to increases in notes and accounts payable - trade of 253,638 thousand yen, current portion of long-term loans payable of 200,000 thousand yen, accounts payable – other of 105,982 thousand yen, income taxes payable of 162,948 thousand yen, and accrued consumption taxes of 73,795 thousand yen, which offset a decrease in accrued expenses of 153,027 thousand yen.

Non-current liabilities totaled 4,048,636 thousand yen, down 1,702,001 thousand yen over the previous fiscal year end. This is mainly attributable to decreases in long-term loans payable of 1,600,000 thousand yen and deferred tax liabilities of 102,001 thousand yen.

(Net assets)

Net assets at the end of the fiscal year under review totaled 6,314,691 thousand yen, up 643,043 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in retained earnings of 616,835 thousand yen.

As a result, the shareholders' capital ratio came to 33.2%.

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

The balance of cash and cash equivalents ("cash") was 4,217,980 thousand yen at the end of the fiscal year under review, up 672,689 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 2,379,313 thousand yen (compared to 1,574,214 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 1,442,770 thousand yen, along with depreciation of 470,589 thousand yen, impairment losses of 164,236 thousand yen, amortization of goodwill of 621,597 thousand yen, interest expenses of 105,984 thousand yen, an increase in notes and accounts payable - trade of 253,638 thousand yen, and an increase in accounts payable - other of 108,936 thousand yen. The main factors for a decrease were a decrease in accrued expenses of 153,027 thousand yen, interest expenses paid of 106,321 thousand yen, and income taxes paid of 694,593 thousand yen.

(Cash flows from investing activities)

Cash flows used in investing activities amounted to 244,959 thousand yen (compared to 330,127 thousand yen in the previous fiscal year).

The main factor for a decrease in cash flows from investing activities was a 212,716 thousand yen expenditure for the purchase of intangible assets.

(Cash flows from financing activities)

Cash flows used in financing activities amounted to 1,461,664 thousand yen (compared to 929,132 thousand yen in the previous fiscal year).

The main factor for an increase in cash flows from financing activities was proceeds from long-term loans payable of 5,100,000 thousand yen. The main factor for a decrease was repayments of long-term loans payable of 6,500,000 thousand yen.

(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 media mix based on posted works.

In the Contents Segment, in terms of publishing sales, in order to address surging paper costs and the contracting printed publication market, the Group will carefully determine initial publishing runs focused on profitability as well as exert greater efforts in distribution management and determining prices. In terms of digital sales, to further strengthen the content production system more in tune with changes in reader preferences and characteristics of distribution media, the Group will seek to accelerate growth by focusing on hiring and developing editors, striving to further grow content geared toward women, a mainstay genre, and expanding into new genres such as light novels, light teen love genre, and light novels for women targeting a broader audience of readers.

Furthermore, through the capital and business partnership agreement with Nippon TV, in each segment, the Group will seek to strengthen its content production function by creating IP and taking full advantage of the IP owned by both groups, while harnessing the strengths of both groups.

Based on the above, the Company's full-year earnings forecast for the fiscal year ending December 2023 calls for net sales of 19,622 million yen (up 4.9% year on year), operating profit of 1,822 million yen (up 3.8% year on year), ordinary profit of 1,766 million yen (up 9.8% year on year), and profit attributable to owners of the parent of 900 million yen (up 35.4% year on year).

2. Basic Approach Concerning Selection of Accounting Standards

The Group prepares consolidated financial statements in accordance with J-GAAP in consideration of comparability with other companies in the same industry in Japan. Furthermore, the Group will continue to examine, as needed, the application of International Financial Reporting Standards (IFRS) taking into account the future growth of its overseas business and the situation domestically and internationally.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2021)	End of Current Consolidated Fiscal Year (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	3,545,290	4,217,980
Notes and accounts receivable - trade	4,371,699	–
Notes receivable	–	36,910
Accounts receivable - trade	–	4,341,938
Merchandise and finished goods	54,469	57,759
Supplies	1,058	793
Advance payments - trade	398	2,589
Prepaid expenses	69,083	48,218
Accounts receivable - other	45,552	7,313
Income taxes receivable	98,976	105,588
Other	11,373	480
Allowance for doubtful accounts	(21,985)	(11,817)
Total current assets	8,175,916	8,807,757
Non-current assets		
Property, plant and equipment		
Buildings	14,662	14,662
Facilities attached to buildings	62,827	70,634
Tools, furniture and fixtures	145,112	149,020
Accumulated depreciation	(158,556)	(165,549)
Accumulated impairment loss	(1,602)	(1,602)
Total property, plant and equipment	62,443	67,164
Intangible assets		
Goodwill	9,589,618	8,919,020
Software	225,098	191,638
Content assets	435,148	273,834
Software in progress	1,847	2,298
Content assets in progress	3,574	4,319
Publishing rights	747,333	590,000
Other	1,332	1,282
Total intangible assets	11,003,953	9,982,395
Investments and other assets		
Leasehold and guarantee deposits	108,492	108,492
Deferred tax assets	88,374	54,292
Others	19,234	19,830
Total investments and other assets	216,101	182,615
Total non-current assets	11,282,497	10,232,175
Total assets	19,458,414	19,039,932

(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2021)	End of Current Consolidated Fiscal Year (As of December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,056,896	3,310,535
Short-term loans payable	2,000,000	2,000,000
Current portion of long-term loans payable	820,000	1,020,000
Accounts payable - other	357,802	463,785
Accrued expenses	187,812	34,785
Income taxes payable	333,806	496,755
Accrued consumption taxes	92,896	166,692
Deferred revenue	672,762	–
Contract liabilities	–	665,215
Refund liabilities	430,246	417,866
Deposits received	38,554	35,520
Other	45,350	65,447
Total current liabilities	8,036,129	8,676,604
Non-current liabilities		
Long-term loans payable	5,425,000	3,825,000
Deferred tax liabilities	325,637	223,636
Total non-current liabilities	5,750,637	4,048,636
Total liabilities	13,786,767	12,725,240
Net asset		
Shareholders' equity		
Capital stock	1,883,373	1,893,301
Capital surplus	1,882,873	1,892,826
Retained earnings	2,268,356	2,885,192
Treasury shares	(362,955)	(356,628)
Total shareholders' equity	5,671,647	6,314,691
Total net assets	5,671,647	6,314,691
Total liabilities and net assets	19,458,414	19,039,932

(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, 2021)	Current Consolidated Fiscal Year (January 1 to December 31, 2022)
Net sales	18,637,202	18,713,173
Cost of sales	12,124,343	12,086,895
Gross profit	6,512,858	6,626,277
Selling, general and administrative expenses	5,167,463	4,870,713
Operating profit	1,345,394	1,755,563
Non-operating income		
Interest income	26	25
Dividend income	87	87
Reimbursement receivables	3,476	2,794
Subsidy income	362	454
Refund income	1,002	201
Other	427	294
Total non-operating income	5,381	3,857
Non-operating expenses		
Interest expenses	139,350	105,984
Borrowing expenses	4,206	33,962
Consumption taxes - deferred	3,808	3,550
Other	1,075	7,677
Total non-operating expenses	148,441	151,174
Ordinary profit	1,202,335	1,608,247
Extraordinary income		
Gain on sale of non-current assets	13,500	–
Total extraordinary income	13,500	–
Extraordinary losses		
Impairment losses	132,130	164,236
Compensation for damages	6,390	1,240
Other	157	–
Total extraordinary losses	138,679	165,476
Profit before income taxes	1,077,156	1,442,770
Income taxes – current	656,998	846,180
Income taxes – deferred	(24,766)	(67,919)
Total income taxes	632,232	778,260
Profit	444,923	664,510
Profit attributable to owners of the parent	444,923	664,510

Consolidated statement of comprehensive income

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (January 1 to December 31, 2021)	Current Consolidated Fiscal Year (January 1 to December 31, 2022)
Profit	444,923	664,510
Comprehensive income	444,923	664,510
(Breakdown)		
Comprehensive income related to owners of the parent	444,923	664,510

(3) Consolidated Statement of Changes in Equity

Previous 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
Dividend of surplus			-		-
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

	Total net assets
Beginning balance	5,206,704
Change	
Issuance of new stock	15,083
Dividend of surplus	-
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

Current consolidated fiscal year (January 1 to December 31, 2022)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	1,883,373	1,882,873	2,268,356	(362,955)	5,671,647
Change					
Issuance of new stock	9,928	9,928			19,856
Dividend of surplus			(47,674)		(47,674)
Profit attributable to owners of the parent			664,510		664,510
Acquisition of treasury shares				(47)	(47)
Disposal of treasury shares		24	–	6,374	6,399
Change of items other than shareholders' equity (net)					
Total change	9,928	9,952	616,835	6,327	643,043
Year-end balance	1,893,301	1,892,826	2,885,192	(356,628)	6,314,691

	Total net assets
Beginning balance	5,671,647
Change	
Issuance of new stock	19,856
Dividend of surplus	(47,674)
Profit attributable to owners of the parent	664,510
Acquisition of treasury shares	(47)
Disposal of treasury shares	6,399
Change of items other than shareholders' equity (net)	–
Total change	643,043
Year-end balance	6,314,691

(4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (January 1 to December 31, 2021)	Current Consolidated Fiscal Year (January 1 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	1,077,156	1,442,770
Depreciation	503,514	470,589
Impairment losses	132,130	164,236
Amortization of goodwill	638,901	621,597
Interest expenses	139,350	105,984
Borrowing expenses	4,206	33,962
Decrease (increase) in notes and accounts receivable - trade	61,903	(7,150)
Increase (decrease) in notes and accounts payable - trade	113,773	253,638
Decrease (increase) in advance payments – trade	722	247
Increase (decrease) in accounts payable - other	10,895	108,936
Increase (decrease) in accrued expenses	24,491	(153,027)
Increase (decrease) in deferred revenue	41,022	–
Increase (decrease) in contract liabilities	–	(7,547)
Increase (decrease) in refund liabilities	(166,650)	(12,379)
Decrease/increase in consumption taxes receivable/payable	(11,922)	73,795
Other	(910)	84,460
Subtotal	2,568,583	3,180,115
Interest and dividend income received	113	112
Interest expenses paid	(139,312)	(106,321)
Income taxes paid	(855,170)	(694,593)
Cash flows from operating activities	1,574,214	2,379,313
Cash flows from investing activities		
Purchase of property, plant and equipment	(32,104)	(32,382)
Purchase of intangible assets	(338,835)	(212,716)
Income from return of lease and guarantee deposits	41,054	–
Other	(241)	138
Cash flows from investing activities	(330,127)	(244,959)
Cash flows from financing activities		
Proceeds from long-term loans payable	–	5,100,000
Repayments of long-term loans payable	(940,000)	(6,500,000)
Payments of borrowing expenses	(4,206)	(33,962)
Proceeds from issuance of common shares	15,083	19,856
Purchase of treasury shares	(9)	(47)
Payment of dividends	–	(47,510)
Cash flows from financing activities	(929,132)	(1,461,664)
Net increase (decrease) in cash and cash equivalents	314,954	672,689
Cash and cash equivalents at beginning of period	3,230,336	3,545,290
Cash and cash equivalents at end of period	3,545,290	4,217,980

(5) Notes to Consolidated Financial Statements

(Notes on the Going-Concern Assumption)

N/A

(Changes in Accounting Policy)

Application of Accounting Standard for Fair Value Measurement

The Company has applied Accounting Standards for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019) from the beginning of the fiscal year under review. The Company will apply the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement into the future in accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019). There is no impact on consolidated financial statements.

(Changes in Presentation Method)

Application of Accounting Standard on Revenue Recognition

The Company has applied Accounting Standard on Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the beginning of the fiscal year under review. The Company has applied the Accounting Standard on Revenue Recognition announced on March 30, 2018 since the beginning of the fiscal year ended December 31, 2019.

As a result of the application of Accounting Standard on Revenue Recognition, “Notes and accounts receivable – trade,” which was presented in “current assets” on the consolidated balance sheet for the previous fiscal year, is now presented in “Notes receivable” and “Accounts receivable” from the fiscal year under review. “Deferred revenue,” which was presented in “current liabilities” on the consolidated balance sheet for the previous fiscal year, is now presented in “Contract liabilities” from the fiscal year under review. Additionally, “Increase (decrease) in deferred revenue,” which was presented in “cash flows from operating activities” on the consolidated statement of cash flows for the previous fiscal year, is now presented in “Increase (decrease) in contract liabilities” from the fiscal year under review.

In accordance with the transitional treatment stipulated in Paragraph 89-4 of Accounting Standard on Revenue Recognition, the Company has not restated figures for the consolidated balance sheet and the consolidated statement of cash flows of the previous fiscal year. Furthermore, the Company does not state information that breaks down revenues arising from contracts with customers for the previous fiscal year.

(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 segment

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 profits 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 segment, and breakdown of profits

Previous 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	396,516	35,564	432,080	–	432,080

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

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

Current consolidated fiscal year (January 1 to December 31, 2022)

(Unit: thousands of yen)

	Reporting segment			Adjusted amount (Note 1)	Total (Note 2)
	Platform Segment	Contents Segment	Total		
Net sales					
Own distribution	11,396,767	–	11,396,767	–	11,396,767
Others' distribution	408,480	4,027,982	4,436,462	–	4,436,462
Printed publishing	–	1,987,402	1,987,402	–	1,987,402
Others	431,667	460,872	892,539	–	892,539
Revenue from contracts with customers	12,236,915	6,476,258	18,713,173	–	18,713,173
Net sales to external customers	12,236,915	6,476,258	18,713,173	–	18,713,173
Intersegment sales and transfers	363	153,631	153,995	(153,995)	–
Total	12,237,278	6,629,889	18,867,168	(153,995)	18,713,173
Segment profit	560,882	1,194,157	1,755,040	523	1,755,563
Segment assets	9,433,790	17,278,270	26,712,061	(7,672,129)	19,039,932
Other items					
Depreciation	287,594	183,128	470,723	(133)	470,589
Amortization of goodwill	274,845	346,752	621,597	–	621,597
Increase in tangible fixed assets and intangible fixed assets	(516,051)	(500,918)	(1,016,970)	133	(1,016,836)

Notes: 1. Adjustments of segment profit of 523 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.

(Per Share Information)

	Previous Consolidated Fiscal Year (January 1 to December 31, 2021)	Current Consolidated Fiscal Year (January 1 to December 31, 2022)
Net assets per share	951.73 yen	1,052.91 yen
Net income per share	74.81 yen	111.34 yen
Net income per share fully diluted	73.92 yen	110.31 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, 2021)	Current Consolidated Fiscal Year (January 1 to December 31, 2022)
Net income per share		
Profit attributable to owners of the parent (thousands of yen)	444,923	664,510
Amount not attributed to common shareholders (thousands of yen)	–	–
Profit attributable to owners of the parent related to common stock (thousands of yen)	444,923	664,510
Average number of common stock shares during the period (shares)	5,947,296	5,968,136
Net income per share fully diluted		
Profit attributable to owners of the parent (thousands of yen)	–	–
Increase in the number of common stock (shares)	71,794	55,633
(Of this, share acquisition rights [shares])	(71,794)	(55,633)
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