February 14, 2019

Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 [Japanese GAAP]

Company name: Beaglee Inc. Listed on: Tokyo Stock Exchange
Stock code: 3981 URL: https://www.beaglee.com/
Representative: Jinpei Yoshida Representative Director
Contact: Yuichi Sakurai Director, Manager of Administration, General Manager, President's Office
Tel.: +81-3-6706-4000

Scheduled date of General Meeting of Shareholders: March 27, 2019
Date for commencement of dividend payments: –
Scheduled date of Securities Report submission: March 29, 2019
Supplementary notes to financial statements: Yes
Briefing on financial statements: Yes (For institutional investors and analysts)

(Rounded down to nearest million yen)

1. Financial Results for the Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)

(1) Operating Results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2018	9,190	2.4	517	(54.1)	495	(54.4)	260	(61.6)
Fiscal year ended December 31, 2017	8,972	7.6	1,125	43.0	1,086	45.2	678	66.7

	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, 2018	43.75	42.84	5.3	6.7	5.6
Fiscal year ended December 31, 2017	114.65	110.97	16.3	14.8	12.5

For reference: Share of loss (profit) of entities accounted for using equity method
Fiscal year ended December 31, 2018: – million yen
Fiscal year ended December 31, 2017: – million yen

(2) Financial Position

	Total assets	Net assets	Capital-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2018	7,104	4,882	68.7	830.75
December 31, 2017	7,688	4,974	64.7	817.18

For reference: Shareholders' equity
As of December 31, 2018 4,882 million yen
As of December 31, 2017 4,973 million yen

(3) 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 2018	302	(631)	(611)	874
Fiscal year ended December 2017	1,335	(80)	(80)	1,814

2. Dividends

	Annual dividends					Cash dividends (Total)	Dividend payout ratio	Dividend-to-net-asset ratio
	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, 2017	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended December 31, 2018	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2019 (Forecast)	–	–	–	–	–		–	

Note: The Company's date of record for dividends is the final day of the second quarter and final day of the fiscal year per the provisions of the Articles of Incorporation. The dividend forecast amount for the applicable date of record is undetermined at the current point in time.

3. Earnings Forecast for the Fiscal Year Ending December 31, 2019 (January 1 to December 31, 2019)

(*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		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half (cumulative)	4,720	4.1	407	–	401	–	241	–	40.43
Full year	10,055	9.4	797	54.2	787	58.9	471	80.7	79.05

* Notice

(1) 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

(2) Number of shares issued (common stock)

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

December 31, 2018	6,127,348 shares	December 31, 2017	6,086,226 shares

(b) Number of treasury shares at end of period

December 31, 2018	250,180 shares	December 31, 2017	95 shares

(c) Average number of shares during the period

December 31, 2018	5,963,347shares	December 31, 2017	5,920,434 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 Monday, February 18, 2019. 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 3
   (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. Financial Statements and Notes 6
   (1) Balance sheet 6
   (2) Statement of income 8
   (3) Statement of changes in equity 9
   (4) Statement of cash flows 10
   (5) Notes to Financial Statements 11
   (Notes on the Going-Concern Assumption) 11
   (Segment Information, etc.) 11
   (Share of profit or loss of entities accounted for using equity method) 12
   (Per Share Information) 13
   (Significant Subsequent Events) 13

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, 2018), Japan's economy continued to see a moderate recovery. This was underpinned by the government's economic and fiscal policies. However, the future economic outlook remains one of uncertainty on concerns about the negative impact of unstable political situations outside of Japan and geopolitical risks, such as the protectionist trade policy of the United States and volatility on financial markets.

Driven by the growing use of smartphones and tablet devices, the e-book market, mainly comics, continues to see an increase in customer traffic thanks to TV and online advertisements and the spread of manga apps. It also is seeing higher average purchases buoyed by an increase in sales campaigns by e-book stores and publishers along with the growing marketing know-how of e-book stores. There is also a growing number of manga apps monetizing their free services through in-app purchases and advertising. At the same time, publishers are launching their own apps, too.

With smartphones and tablet devices set to evolve and see increased ownership, the e-book and e-comic markets are expected to continue growing. Other factors supporting growth include the growing use from rising visibility and improving convenience, an increase in works being published simultaneously in print and e-book forms, advancements in e-book store marketing know-how, sales of e-books with original content or value-added content, and growth in self-publishing. In fiscal 2017, the e-book market was valued at 224.1 billion yen, with e-comics accounting for 184.5 billion yen, or 82% of the total. This marked a 13.4% annual rate of growth (26.5 billion yen) over fiscal 2016 when the market was valued at 197.6 billion yen. By fiscal 2022, the market is expected to be valued at 315 billion yen, or roughly 1.4 times fiscal 2017. Only 17.7% of users read fee-based e-books. Yet, the number of users reading fee-based e-books increased 1.38 times from fiscal 2015 to fiscal 2018. (Source: Impress Corporation estimates, "EBook Marketing Report 2018")

However, the e-book market is expected to gradually become saturated as e-book business models diversify and mature. There are also concerns of pirated sites and other factors inhibiting the sound growth of the e-book market. However, the government took steps to comprehensively address pirated sites, including revising the Copyright Act to stop leech sites leading to pirated sites and ban downloads of still images, and lobbying content creators to curtail ad placements.

Given this market climate, the Company is working to set itself apart from competitors' services through such measures as creating original content and being the first to distribute titles. Also, the Company has continued to make improvements to its services to further enhance customer experience. This includes improving its function for recommending works using AI, expanding payment methods, and automatic purchases of newly published works.

In addition, the Company acquired Novelba Inc., which operates "novelba," a service for posting novels, in November 2018. The next month in December 2018 the Company expanded into the e-book business domain marked by the release of a free manga app called "Comic every."

Furthermore, the Company established the Japan-E-Bookstore Association for sound market development together with four other e-book companies in April 2018. The Company will now take the lead in efforts to raise awareness and promote understanding among readers in purchases of full versions as an e-book retailer that delivers contents to readers through the Internet. Moreover, the Company has obtained permission to use the ABJ mark that signifies it provides full version services with permission for use of contents granted by the copyright holders.

As a result, net sales for the current fiscal year totaled 9,190,387 thousand yen (up 2.4% over the previous year). Operating profit came in at 517,229 thousand yen (down 54.1%). Ordinary profit was 495,878 thousand yen (down 54.4%). Profit totaled 260,898 thousand yen (down 61.6%).

The Company engages in the Contents Platform Business only; therefore, there are no individual segments to report. Below is a report on the main business activities for this fiscal year.

(Contents Platform Business)

In the e-book business, the Company implemented measures to promote use of the comic distribution service "Manga Kingdom," a mainstay service, by customers. These included uploading a cumulative total of 38 original works, implementing a sales promotion campaign, and enhancing the "Trial Reading" service where customers can read more than 50 pages free. Also, the Company expanded payment methods by introducing Apple Pay and Amazon Pay, among others, increasing customer accessibility and convenience. In terms of creating original content, the Company is not only promoting content creation with publishers and authors but is also working on creating content using new approaches, such as holding a contest to transform stories into manga together with novel posting service called novelba (the Company acquired Novelba Inc., which operates this service, in November 2018). As a result, the number of registered members reached the 1.5 million mark in September 2018 and broke through the 2 million mark in January 2019. Furthermore, in December 2018, the Company released a free manga app called "Comic every" which is closely engrained in the daily lives of people who enjoy manga, appealing to all ages and genders.

In the games business, the Company announced the upcoming launch of Skygalleon of the Blue Sky, the latest release in the popular game franchise Skygalleon developed by G-MODE Corporation. Skygalleon has been downloaded over 1.5 million times to date. Development is now underway on this latest release. In addition, the Company is implementing an app game production project for smartphones harnessing its own strengths as well as those of Alt Plus Inc.

In other businesses, the Company continued to expand merchandise available at the FUNDIY STORE, and worked on producing various content, including through the search for IP and hosting of events. The Company began offering the first installment of its original comic called the "YUSEI HIGH SCHOOL ASTRONOMY CLUB" series, a mixed media project geared toward female readers. Currently, a total of 8 volumes of this series are available (as of January 2019).

(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 7,104,602 thousand yen, down 583,743 thousand yen compared to the previous fiscal year end.

Current assets totaled 2,667,435 thousand yen, down 811,221 thousand yen over the previous fiscal year end. This is mainly attributable to an increase in consumption taxes receivable of 125,161 thousand yen, while cash and deposits declined 940,071 thousand yen.

Non-current assets totaled 4,437,167 thousand yen, up 227,477 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in Investments and other assets of 211,600 thousand yen.

(Liabilities)

Total liabilities at the end of the fiscal year under review amounted to 2,221,646 thousand yen, down 492,634 thousand yen compared to the previous fiscal year end.

Current liabilities totaled 1,621,646 thousand yen, down 252,634 thousand yen over the previous fiscal year end. This is mainly attributable to an increase in accounts payable - trade of 160,889 thousand yen, and decreases in accounts payable - other of 67,754 thousand yen, and income taxes payable of 293,803 thousand yen.

Non-current liabilities totaled 600,000 thousand yen, down 240,000 thousand yen compared to the previous fiscal year end. This is attributable to a decrease in long-term loans payable of 240,000 thousand yen.

(Net assets)

Net assets at the end of the fiscal year under review totaled 4,882,956 thousand yen, down 91,109 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in retained earnings of 260,898 thousand yen and an increase in treasury shares of 373,148 thousand yen.

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

The balance of cash and cash equivalents in the fiscal year under review declined 940,071 thousand yen compared to the previous fiscal year end at 874,075 thousand yen.

The status of cash flows and factors influencing them in the fiscal year under review are presented below.

(Cash flows from operating activities)

The main factors for an increase in cash flows from operating activities in the fiscal year under review included 504,374 thousand yen in profit before income taxes, 123,057 thousand yen in depreciation, 243,897 thousand yen in amortization of goodwill, and an increase of 160,889 thousand yen in notes and accounts payable - trade. The main factors for a decrease in cash flows from operating activities included a decline of 63,128 thousand yen in accounts payable - other, a change of 165,284 thousand yen in consumption taxes receivable/payable, and 480,740 thousand yen in income taxes paid.

As a result, cash flows gained from operating activities totaled 302,580 thousand yen, compared to 1,335,705 thousand yen in the previous year.

(Cash flows from investing activities)

The main factor for an increase in cash flows from investing activities in the fiscal year under review was 14,368 thousand yen in proceeds from the liquidation of subsidiaries. In contrast, the main factors for a decrease in cash flows from investing activities included 377,324 thousand yen in purchase of intangible assets, 50,000 thousand yen in payments of loans receivable, and 205,388 thousand yen in purchase of shares of subsidiaries and associates.

As a result, cash flows used in investing activities totaled 631,031 thousand yen, compared to 80,052 thousand yen in the previous year.

(Cash flows from financing activities)

The main factor for an increase in cash flows from financing activities was 21,226 thousand yen in proceeds from issuance of common shares. In contrast, the main factors for a decrease in cash flows from financial activities included 240,000 thousand yen in repayments of long-term loans payable and 373,148 thousand yen in purchase of treasury shares.

As a result, cash flows used in financing activities totaled 611,621 thousand yen, compared to 80,409 thousand yen in the previous year.

(Reference) Trends in Cash Flow Related Indicators

	Fiscal year ended December 2016	Fiscal year ended December 2017	Fiscal year ended December 2018
Shareholders' capital ratio (%)	47.9	64.7	68.7
Shareholders' equity ratio based on market price (%)	–	140.7	60.6
Debt-to-cash-flow ratio (years)	4.5	0.8	2.8
Interest coverage ratio (times)	20.5	126.2	42.3

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market price: Market capitalization of stock / Total assets

Debt-to-cash-flow ratio: Debt / Cash flow

Interest coverage ratio: Cash flow / Interest payments

Notes:

1. The shareholders' equity ratio based on market price for fiscal 2016 is not presented because the Company's shares were not publicly traded at the time.
2. Market capitalization of stock is calculated by multiplying the closing stock price at year end by the number of shares outstanding (after deducting treasury shares).
3. Cash flow refers to cash flows from operating activities.
4. Debt includes all debt appearing on the balance sheet for which interest is paid.

(4) Future Outlook

The Company has worked to provide services and projects that distribute the works of creators mainly in the e-book business, based on the philosophy "continually seek out new discoveries and progress without being trapped by rigid preconceptions."

The future e-book market is expected to see even more intense competition. In this business climate, the Company will work to grow sales by growing the e-book business along with turning the game business and other business into profit centers.

In the e-book business, the Company will expand business into the general e-book segment beyond Manga Kingdom. In addition to increasing customer traffic to mainstay service Manga Kingdom, the Company will work toward making its free manga app called "Comic every" into a profitable business and generating synergies with novelba, a novel posting service. In addition, the Company will improve selection by continuing promoting the creation of original content that it began in earnest from the previous fiscal year along with obtaining licenses for works that are not under contract. Through these efforts, the Company will aim to reduce churn and increase subscribers by striving to provide high value-added services and increasing customer satisfaction.

Furthermore, as for promotion activities, the Company will use Internet advertising as well as actively pursue tie-ups for which it established a track record in the previous fiscal year.

In the game business, the Company plans on releasing a number of titles aimed at making the business a profit center. As for other business, the Company will continue working to develop services that will serve as the future pillars of its businesses.

Based on the above, the Company's full-year earnings forecast for the fiscal year ending December 2019 calls for net sales of 10,055 million yen (up 9.4% year on year), operating profit of 797 million yen (up 54.2%), ordinary profit of 787 million yen (up 58.9%), and profit of 471 million yen (up 80.7%), by focusing on investments for generating sales growth over the medium to long term as part of the first year of the medium-term management plan. Additionally, during the first half, the Company will focus on improving e-book business services and expand domains, while in the second half it plans to turn these into profit centers while expanding the game business and cultivating other business. The outlook for the first half of the fiscal year ending December 2019 indicates net sales of 4,720 million yen (up 4.1% year on year), operating profit of 407 million yen (compared to an operating loss of 89 million yen in the previous first half), ordinary profit of 401 million yen (compared to an ordinary loss of 107 million yen), and profit of 241 million yen (compared to a net loss of 113 million yen).

2. Basic Approach Concerning Selection of Accounting Standards

The Company 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. Financial Statements and Notes

(1) Balance sheet

(Unit: thousands of yen)

	End of Previous Fiscal Year (As of December 31, 2017)	End of Current Fiscal Year (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	1,514,146	574,075
Accounts receivable - trade	1,584,940	1,550,087
Securities	300,000	300,000
Merchandise	2,176	2,747
Work in process	105	–
Supplies	112	81
Advance payments - trade	324	12,673
Prepaid expenses	11,149	19,782
Deferred tax assets	59,858	32,631
Accounts receivable from subsidiaries and associates - other	30,192	199
Consumption taxes receivable	–	125,161
Other	7,662	52,076
Allowance for doubtful accounts	(32,011)	(2,080)
Total current assets	3,478,657	2,667,435
Non-current assets		
Property, plant and equipment		
Buildings	14,662	14,662
Facilities attached to buildings	10,964	10,964
Tools, furniture and fixtures	113,973	119,434
Accumulated depreciation	(94,273)	(100,912)
Accumulated impairment loss	(10,371)	(9,426)
Total property, plant and equipment	34,956	34,722
Intangible assets		
Goodwill	3,983,658	3,739,761
Trademark right	170	546
Software	7,242	98,785
Content assets	136,944	149,282
Software in progress	–	4,288
Content assets in progress	–	155,272
Other	3,810	–
Total intangible assets	4,131,826	4,147,937
Investments and other assets		
Shares of subsidiaries and associates	–	205,388
Investments in capital	1,000	–
Deferred tax assets	1,760	4,090
Other	40,145	45,028
Total investments and other assets	42,906	254,507
Total non-current assets	4,209,689	4,437,167
Total assets	7,688,346	7,104,602

(Unit: thousands of yen)

	End of Previous Fiscal Year (As of December 31, 2017)	End of Current Fiscal Year (As of December 31, 2018)
Liabilities		
Current liabilities		
Accounts payable - trade	831,388	992,278
Current portion of long-term loans payable	240,000	240,000
Accounts payable - other	292,480	224,726
Accounts payable - other of affiliates	2,400	–
Accrued expenses	18,747	14,973
Income taxes payable	307,959	14,156
Accrued consumption taxes	66,242	26,119
Deposits received	5,726	6,973
Provision for bonuses	–	20,663
Provision for point card certificates	109,242	81,755
Other	93	–
Total current liabilities	1,874,281	1,621,646
Non-current liabilities		
Long-term loans payable	840,000	600,000
Total non-current liabilities	840,000	600,000
Total liabilities	2,714,281	2,221,646
Net assets		
Shareholders' equity		
Capital stock	1,852,322	1,862,936
Capital surplus		
Legal capital surplus	1,851,822	1,862,436
Total capital surplus	1,851,822	1,862,436
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,269,525	1,530,424
Total retained earnings	1,269,525	1,530,424
Treasury shares	(200)	(373,348)
Total shareholders' equity	4,973,471	4,882,448
Share acquisition rights	594	508
Total net assets	4,974,065	4,882,956
Total liabilities and net assets	7,688,346	7,104,602

(2) Statement of income

(Unit: thousands of yen)

	Previous Fiscal Year (January 1 to December 31, 2017)	Current Fiscal Year (January 1 to December 31, 2018)
Net sales	8,972,920	9,190,387
Cost of sales	4,555,059	5,048,195
Gross profit	4,417,860	4,142,191
Selling, general and administrative expenses	3,291,880	3,624,962
Operating profit	1,125,980	517,229
Non-operating income		
Interest income	13	137
Dividend income	19	113
Foreign exchange gains	–	41
Gain on donation of non-current assets	–	2,247
Reimbursement receivables	–	2,141
Consumption taxes - deferred	1,517	1,202
Miscellaneous income	46	–
Other	54	200
Total non-operating income	1,651	6,084
Non-operating expenses		
Interest expenses	9,808	7,286
Borrowing expenses	6,946	2,891
Costs related to share listing	21,209	13,759
Commission for purchase of treasury shares	–	3,157
Miscellaneous loss	1,999	–
Other	708	341
Total non-operating expenses	40,673	27,436
Ordinary profit	1,086,958	495,878
Extraordinary income		
Gain on sale of non-current assets	15,000	–
Gain on liquidation of subsidiaries	–	16,768
Total extraordinary income	15,000	16,768
Extraordinary losses		
Impairment losses	–	7,271
Loss on valuation of investments in capital	–	1,000
Total extraordinary losses	–	8,271
Profit before income taxes	1,101,958	504,374
Income taxes - current	433,916	218,579
Income taxes - deferred	(10,736)	24,896
Total income taxes	423,179	243,476
Profit	678,778	260,898

(3) Statement of changes in equity

Previous Fiscal Year (January 1 to December 31, 2017)

(Unit: thousands of yen)

	Shareholders' equity							Share acquisition rights	Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings				
Beginning balance	1,373,875	1,373,375	1,373,375	590,746	590,746	–	3,337,996	–	3,337,996
Change									
Issuance of new stock	478,447	478,447	478,447				956,895		956,895
Profit				678,778	678,778		678,778		678,778
Acquisition of treasury shares						(200)	(200)		(200)
Change of items other than shareholders' equity (net)								594	594
Total change	478,447	478,447	478,447	678,778	678,778	(200)	1,635,474	594	1,636,068
Year-end balance	1,852,322	1,851,822	1,851,822	1,269,525	1,269,525	(200)	4,973,471	594	4,974,065

Current Fiscal Year (January 1 to December 31, 2018)

(Unit: thousands of yen)

	Shareholders' equity							Share acquisition rights	Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings				
Beginning balance	1,852,322	1,851,822	1,851,822	1,269,525	1,269,525	(200)	4,973,471	594	4,974,065
Change									
Issuance of new stock	10,613	10,613	10,613				21,226		21,226
Profit				260,898	260,898		260,898		260,898
Acquisition of treasury shares						(373,148)	(373,148)		(373,148)
Change of items other than shareholders' equity (net)								(86)	(86)
Total change	10,613	10,613	10,613	260,898	260,898	(373,148)	(91,023)	(86)	(91,109)
Year-end balance	1,862,936	1,862,436	1,862,436	1,530,424	1,530,424	(373,348)	4,882,448	508	4,882,956

(4) Statement of cash flows

(Unit: thousands of yen)

	Previous Fiscal Year (January 1 to December 31, 2017)	Current Fiscal Year (January 1 to December 31, 2018)
Cash flows from operating activities		
Profit before income taxes	1,101,958	504,374
Depreciation	165,052	123,057
Impairment losses	–	7,271
Amortization of goodwill	243,897	243,897
Increase (decrease) in allowance for doubtful accounts	(383)	262
Increase (decrease) in provision for bonuses	(36,339)	15,599
Increase (decrease) in provision for point card certificates	51,010	(27,486)
Interest and dividend income	(32)	(251)
Interest expenses	9,808	7,286
Borrowing expenses	6,946	2,891
Costs related to share listing	21,209	13,759
Gain (loss) on sale of intangible assets	(15,000)	–
Gain (loss) on liquidation of subsidiaries	–	(16,768)
Decrease (increase) in notes and accounts receivable - trade	156,755	34,853
Decrease (increase) in inventories	(2,311)	(434)
Increase (decrease) in notes and accounts payable - trade	(51,185)	160,889
Increase (decrease) in accounts payable - other	(141)	(63,128)
Increase (decrease) in accrued expenses	(4,384)	(3,773)
Increase (decrease) in income taxes payable - factor based tax	17,042	(31,642)
Decrease/increase in consumption taxes receivable/payable	(17,494)	(165,284)
Other	2,927	(12,369)
Subtotal	1,649,336	793,004
Interest and dividend income received	32	251
Interest expenses paid	(10,584)	(7,149)
Payments of borrowing expenses	(7,068)	(2,785)
Income taxes paid	(296,010)	(480,740)
Cash flows from operating activities	1,335,705	302,580
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,762)	(6,695)
Purchase of intangible assets	(92,290)	(377,324)
Proceeds from sale of intangible assets	15,000	–
Payments for lease and guarantee deposits	–	(5,991)
Payments of loans receivable	–	(50,000)
Purchase of shares of subsidiaries and associates	–	(205,388)
Proceeds from the liquidation of subsidiaries	–	14,368
Cash flows from investing activities	(80,052)	(631,031)
Cash flows from financing activities		
Proceeds from long-term loans payable	1,200,000	–
Repayments of long-term loans payable	(2,220,000)	(240,000)
Proceeds from issuance of common shares	956,895	21,226
Payments of costs related to share listing	(17,699)	(19,699)
Proceeds from issuance of share acquisition rights	594	–
Purchase of treasury shares	(200)	(373,148)
Cash flows from financing activities	(80,409)	(611,621)
Net increase (decrease) in cash and cash equivalents	1,175,243	(940,071)
Cash and cash equivalents at beginning of period	638,903	1,814,146
Cash and cash equivalents at end of period	1,814,146	874,075

(5) Notes to Financial Statements

(Notes on the Going-Concern Assumption)

N/A

(Segment Information, etc.)

[Segment Information]

The Company has only one business segment, the Contents Platform Business. Due to the insignificance of segments, segment information has been omitted.

[Related Information]

Previous Fiscal Year (January 1 to December 31, 2017)

1. Information by product and service

   Net sales to external customers of the single product and service category exceed 90% of net sales appearing on the statement of income; therefore, the presentation of this information is omitted.

2. Information by region

   (1) Net sales

   Net sales to external Japanese customers exceed 90% of net sales appearing on the statement of income; therefore, the presentation of this information is omitted.

   (2) Property, plant and equipment

   Not applicable as the Company does not own property, plant and equipment located outside of Japan.

3. Information on main customers

(Unit: thousands of yen)

Name of customer	Net sales
NTT DOCOMO, INC.	3,117,566
KDDI CORPORATION	2,225,720
SoftBank Corp.	1,581,053

Notes: 1. The presentation of related segment names is omitted because the Company has only one reporting segment.

2. Customer purchases are settled through a settlement provider for telecommunications carriers and paid to the Company. Therefore, these companies are considered suppliers.

Current Fiscal Year (January 1 to December 31, 2018)

1. Information by product and service

   Net sales to external customers of the single product and service category exceed 90% of net sales appearing on the statement of income; therefore, the presentation of this information is omitted.

2. Information by region

   (1) Net sales

   Net sales to external Japanese customers exceed 90% of net sales appearing on the statement of income; therefore, the presentation of this information is omitted.

   (2) Property, plant and equipment

   Not applicable as the Company does not own property, plant and equipment located outside of Japan.

3. Information on main customers

(Unit: thousands of yen)

Name of customer	Net sales
NTT DOCOMO, INC.	2,887,237
GMO Payment Gateway, Inc.	2,067,096
KDDI CORPORATION	2,066,508

Notes: 1. The presentation of related segment names is omitted because the Company has only one reporting segment.

2. Customer purchases are settled through a settlement provider for telecommunications carriers and paid to the Company. Therefore, these companies are considered suppliers.

[Information concerning impairment losses of non-current assets for each reporting segment]

The presentation of this information is omitted because the Company has only one reporting segment, the Contents Platform Business.

[Information concerning amortization of goodwill and unamortized balances for each reporting segment]

The presentation of this information is omitted because the Company has only one reporting segment, the Contents Platform Business.

[Information concerning gain on bargain purchase for each reporting segment]

N/A

(Share of profit or loss of entities accounted for using equity method)

Not applicable as the Company does not have any associated companies.

(Per Share Information)

	Previous Fiscal Year (January 1 to December 31, 2017)	Current Fiscal Year (January 1 to December 31, 2018)
Net assets per share	817.18 yen	830.75 yen
Net income per share	114.65 yen	43.75 yen
Net income per share fully diluted	110.97 yen	42.84 yen

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

	Previous Fiscal Year (January 1 to December 31, 2017)	Current Fiscal Year (January 1 to December 31, 2018)
Net income per share		
Profit (thousands of yen)	678,778	260,898
Amount not attributed to common shareholders (thousands of yen)	–	–
Net income related to common stock (thousands of yen)	678,778	260,898
Average number of shares during the period (shares)	5,920,434	5,963,347
Net income per share fully diluted		
Adjusted net income (thousands of yen)	–	–
Increase in the number of common stock (thousands of yen)	196,352	126,889
(Of this, share acquisition rights [shares])	(196,352)	(126,889)
Summary of diluted shares not included in the calculation of net income per share fully diluted because there were no dilution effects	One type of share acquisition rights (number of share acquisition rights: 2,970).	One type of share acquisition rights (number of share acquisition rights: 2,540).

(Significant Subsequent Events)

N/A