February 14, 2020

Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 [Japanese GAAP]

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Scheduled date of General Meeting of Shareholders: March 26, 2020
Date for commencement of dividend payments: –
Scheduled date of Securities Report submission: March 31, 2020
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, 2019 (January 1 to December 31, 2019)

(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, 2019	10,401	13.2	817	58.1	812	63.8	496	90.4
Fiscal year ended December 31, 2018	9,190	2.4	517	(54.1)	495	(54.4)	260	(61.6)

	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, 2019	84.47	83.42	10.3	10.9	7.9
Fiscal year ended December 31, 2018	43.75	42.84	5.3	6.7	5.6

For reference: Share of loss (profit) of entities accounted for using equity method
Fiscal year ended December 31, 2019: – million yen
Fiscal year ended December 31, 2018: – million yen

(2) Financial Position

	Total assets	Net assets	Shareholders' capital ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2019	7,753	4,736	61.1	802.71
December 31, 2018	7,104	4,882	68.7	830.75

For reference: Shareholders' equity
As of December 31, 2019 4,735 million yen
As of December 31, 2018 4,882 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 2019	1,685	(368)	(228)	1,964
Fiscal year ended December 2018	310	(636)	(614)	874

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, 2018	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended December 31, 2019	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2020 (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, 2020 (January 1 to December 31, 2020)

(*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)	5,446	8.3	376	31.7	371	30.5	220	30.3	37.47
Full year	11,538	10.9	1,009	23.4	1,001	23.3	586	18.0	99.67

* Notice

(1) 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): Yes
  (c) Changes in accounting estimates: None
  (d) Restatements: None

Note: For details, please refer to "3. Financial Statements and Notes (5) Notes to Financial Statements (Changes in Accounting Policy)" on page 11.

(2) Number of shares issued (common stock)

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

December 31, 2019	6,150,198 shares	December 31, 2018	6,127,348 shares

(b) Number of treasury shares at end of period

December 31, 2019	250,223 shares	December 31, 2018	250,180 shares

(c) Average number of shares during the period

December 31, 2019	5,880,993 shares	December 31, 2018	5,963,347 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" on page 5.

(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 17, 2020. 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.

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

During the fiscal year under review (January 1 to December 31, 2019), Japan's economy continued to see a moderate recovery. This was underpinned by rising corporate earnings and the improved employment and income environment. 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.

The e-book market, mainly comics, continues to see user growth and increasing customer traffic. Manga apps that monetize through in-app purchases and advertising are also growing. At the same time, publishers are launching their own apps, too. Looking ahead, both the e-book and e-comic markets are expected to continue growing. (Source: Impress Corporation estimates, "eBook Marketing Report 2019")

However, the e-book market is expected to gradually become saturated as e-book business models diversify and mature.

Given this market climate, the Company is working to shore up its product lineup and strengthen its editing functions by creating original content and being the first to distribute exclusive titles. The Company is also focused on obtaining licenses for works that are not under contract to help expand its contents. Also, the Company has worked continuously to improve services that customers will continue using over the long term, including improving website presentation and functionality, etc.

In the games business, the Company is releasing multiple titles, including RenCa:A/N, a proprietary new game for smartphones.

As a result, net sales for the fiscal year under review surpassed 10 billion yen, marking a record high.

The following section discusses the main activities of the Company's Contents Platform Business in the fiscal year under review.

Through the comic distribution service "Manga Kingdom," a mainstay service in the e-book business, the Company has uploaded a cumulative total of 82 original titles while promoting differentiation of content, including distribution of original labels such as exclusive first-release titles. The Company also expanded content, including launching distribution of works from Square Enix Co., Ltd., which has produced a number of popular comics. Furthermore, the Company made improvements for even easier access, such as launching a deferred payment option given strong demand from customers to address the needs of customers without credit cards or customers who have been reluctant to use the service, and introducing an in-app download function. Also, the Company rolled out several measures for improving services based on analysis of past data and promoting use tailored to each segment (customer attribution) as part of its measures to increase business with customers, which increased site traffic. As a result, in September 2019 cumulative downloads broke through 1.1 billion works and in October 2019 membership levels broke through the 3 million mark, illustrating that growth continues. As for free manga app "Comic every," the Company has continued to expand contents since the app was first released, including launching distribution of the manga works of Shinchosha Publishing Co., Ltd. in December 2019. The Company has a broad offering of contents after increasing the number of titles that can be read for free to 1,100 covering more than 30,000 stories, from new releases to previously released works.

In the games business, the Company released "RenCa:A/N" for smartphones developed with Alt Plus Inc. in December 2019 and held a number of events, including fan meetings and a radio broadcast on the official website.

In other businesses, the Company continued to actively explore business opportunities, which included not only contents development, but also production activities, including promotion support. The Company was commissioned to produce the PR video for app game “Samurai Spirits Online – Legend of Oborozuki,” and engaged movie director Takashi Miike.

As a result, net sales for the current fiscal year totaled 10,401,060 thousand yen (up 13.2% over the previous year). Operating profit came in at 817,923 thousand yen (up 58.1%). Ordinary profit was 812,488 thousand yen (up 63.8%). Profit totaled 496,791 thousand yen (up 90.4%). Additionally, the application of “Accounting Standard on Revenue Recognition” will only have a minimal impact on the Company’s business results.
The Company engages in the Contents Platform Business only; therefore, there are no individual segments to report.

(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 7,753,074 thousand yen, up 648,471 thousand yen compared to the previous fiscal year end.

Current assets totaled 3,292,031 thousand yen, up 657,227 thousand yen over the previous fiscal year end. This is mainly attributable to an increase in cash and deposits of 1,090,453 thousand yen, while accounts receivable – trade declined 270,448 thousand yen and consumption taxes receivable dropped 125,161 thousand yen.

Non-current assets totaled 4,461,042 thousand yen, down 8,756 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in intangible assets of 204,051thousand yen, while investments and other assets declined 216,250 thousand yen.

(Liabilities)

Total liabilities at the end of the fiscal year under review amounted to 3,016,630 thousand yen, up 794,983 thousand yen compared to the previous fiscal year end.

Current liabilities totaled 2,656,630 thousand yen, up 1,034,983 thousand yen over the previous fiscal year end. This is mainly attributable to increases in accounts payable - trade of 95,424 thousand yen, accounts payable - other of 59,650 thousand yen, income taxes payable of 202,430 thousand yen and deferred revenue of 710,192 thousand yen, and a decrease in provision for point card certificates of 81,755 thousand yen. Part of deferred revenue that was recorded as net sales according to the previous accounting standard has been newly recognized as contract liabilities according to the application of the “Accounting Standard on Revenue Recognition.”

Non-current liabilities totaled 360,000 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 4,736,443 thousand yen, down 146,512 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in retained earnings of 496,791 thousand yen following the recording of profit, while the beginning balance fell 655,227 thousand yen due to the application of “Accounting Standard on Revenue Recognition.”

As a result, the shareholders’ capital ratio came to 61.1%.

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

The balance of cash and cash equivalents ("cash") was 1,964,528 thousand yen at the end of the fiscal year under review, up 1,090,453 thousand yen compared to the previous fiscal year end.

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 were profit before income taxes of 812,488 thousand yen, depreciation of 158,557 thousand yen, amortization of goodwill of 264,002 thousand yen, a decrease in notes and accounts receivable – trade of 270,811 thousand yen, an increase of in notes and accounts payable – trade of 95,172 thousand yen, an increase in accounts payable - other of 51,569 thousand yen, and a change in consumption taxes receivable/payable of 129,969 thousand yen. On the other hand, the main factor for a decrease in cash flows was 103,583 thousand yen in income taxes paid.

As a result, cash flows gained from operating activities totaled 1,685,741 thousand yen, compared to 310,802 thousand yen in the previous year.

(Cash flows from investing activities)

The main factor for a decrease in cash flows from investing activities included 359,847 thousand yen in purchase of intangible assets.

As a result, cash flows used in investing activities totaled 368,380 thousand yen, compared to 636,095 thousand yen in the previous year.

(Cash flows from financing activities)

The main factor for a decrease in cash flows from financial activities included 240,000 thousand yen in repayments of long-term loans payable.

As a result, cash flows used in financing activities totaled 228,054 thousand yen, compared to 614,778 thousand yen in the previous year.

(Reference) Trends in Cash Flow Related Indicators

	Fiscal year ended December 2017	Fiscal year ended December 2018	Fiscal year ended December 2019
Shareholders' capital ratio (%)	64.7	68.7	61.1
Shareholders' equity ratio based on market price (%)	140.7	60.6	98.2
Debt-to-cash-flow ratio (years)	0.8	2.7	0.4
Interest coverage ratio (times)	126.2	43.5	362.7

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. 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).
2. Cash flow refers to cash flows from operating activities.
3. 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 expand the Contents Platform Business 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 aim to expand the size of other services while maintaining the steady growth of Manga Kingdom. In the mainstay service Manga Kingdom, the Company will continue working toward improving customer engagement that proposes services tailored to each individual, in an effort to expand customer segments and encourage greater use. To sustain the growth momentum of free manga app “Comic every” from the second half of last year, the Company will expand contents and improve services, while also working to make “novelba,” a novel posting service, a profitable business and generate synergies. In addition, the Company will improve selection through expanding the number of works “that can only be read here” by further focusing on the creation of original content 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 take steps to focus more on the efficiency of conventional Internet advertising and to actively pursue tie-ups.

In the game business, the Company will aim for greater monetization by actively investing in projects with an eye on expansion of the media mix. As for other businesses, the Company will continue working to develop services that will serve as the future pillars of its businesses, with a focus on marketing support, which it has steadily expanded.

Based on the above, in the second year of the medium-term management plan leading to the third, the Company’s full-year earnings forecast for the fiscal year ending December 2020 calls for net sales of 11,538 million yen (up 10.9% year on year), operating profit of 1,009 million yen (up 23.4%), ordinary profit of 1,001 million yen (up 23.3%), and profit of 586 million yen (up 18.0%). Additionally, during the first half, the Company plans to focus on operational improvements and modifying services to unlock further growth in the contents platform business. The outlook for the first half of the fiscal year ending December 2020 indicates net sales of 5,446 million yen (up 8.3% year on year), operating profit of 376 million yen (up 31.7% year on year), ordinary profit of 371 million yen (up 30.5% year on year), and profit of 220 million yen (up 30.3% year on year).

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, 2018)	End of Current Fiscal Year (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	574,075	1,664,528
Accounts receivable - trade	1,550,087	1,279,639
Securities	300,000	300,000
Merchandise	2,747	2,987
Supplies	81	1,323
Advance payments - trade	12,673	19,728
Prepaid expenses	19,782	25,263
Accounts receivable from subsidiaries and associates - other	199	–
Consumption taxes receivable	125,161	–
Other	52,076	404
Allowance for doubtful accounts	(2,080)	(1,843)
Total current assets	2,634,804	3,292,031
Non-current assets		
Property, plant and equipment		
Buildings	14,662	14,662
Facilities attached to buildings	10,964	11,655
Tools, furniture and fixtures	119,434	131,853
Accumulated depreciation	(100,912)	(110,579)
Accumulated impairment loss	(9,426)	(9,426)
Total property, plant and equipment	34,722	38,165
Intangible assets		
Goodwill	3,739,761	3,717,017
Trademark right	546	432
Software	98,785	188,135
Content assets	149,282	403,767
Software in progress	4,288	8,264
Content assets in progress	155,272	34,371
Total intangible assets	4,147,937	4,351,988
Investments and other assets		
Shares of subsidiaries and associates	205,388	–
Deferred tax assets	36,722	26,968
Other	45,028	43,919
Total investments and other assets	287,139	70,888
Total non-current assets	4,469,798	4,461,042
Total assets	7,104,602	7,753,074

(Unit: thousands of yen)

	End of Previous Fiscal Year (As of December 31, 2018)	End of Current Fiscal Year (As of December 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	992,278	1,087,702
Current portion of long-term loans payable	240,000	240,000
Accounts payable - other	224,726	284,377
Accrued expenses	14,973	21,648
Income taxes payable	14,156	216,586
Accrued consumption taxes	26,119	30,927
Deferred revenue	–	710,192
Deposits received	6,973	7,850
Provision for bonuses	20,663	45,783
Provision for point card certificates	81,755	–
Other	–	11,561
Total current liabilities	1,621,646	2,656,630
Non-current liabilities		
Long-term loans payable	600,000	360,000
Total non-current liabilities	600,000	360,000
Total liabilities	2,221,646	3,016,630
Net assets		
Shareholders' equity		
Capital stock	1,862,936	1,868,930
Capital surplus		
Legal capital surplus	1,862,436	1,868,430
Total capital surplus	1,862,436	1,868,430
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,530,424	1,371,988
Total retained earnings	1,530,424	1,371,988
Treasury shares	(373,348)	(373,392)
Total shareholders' equity	4,882,448	4,735,957
Share acquisition rights	508	486
Total net assets	4,882,956	4,736,443
Total liabilities and net assets	7,104,602	7,753,074

(2) Statement of income

(Unit: thousands of yen)

	Previous Fiscal Year (January 1 to December 31, 2018)	Current Fiscal Year (January 1 to December 31, 2019)
Net sales	9,190,387	10,401,060
Cost of sales	5,048,195	5,765,013
Gross profit	4,142,191	4,636,047
Selling, general and administrative expenses	3,624,962	3,818,123
Operating profit	517,229	817,923
Non-operating income		
Interest income	137	550
Dividend income	113	87
Foreign exchange gains	41	–
Gain on donation of non-current assets	2,247	–
Reversal of provision for bonuses	–	408
Interest on refund	–	508
Reimbursement receivables	2,141	1,275
Penalty income	–	1,000
Consumption taxes - deferred	1,202	208
Other	200	790
Total non-operating income	6,084	4,829
Non-operating expenses		
Interest expenses	7,286	4,785
Borrowing expenses	2,891	3,858
Costs related to share listing	13,759	–
Commission for purchase of treasury shares	3,157	–
Other	341	1,620
Total non-operating expenses	27,436	10,264
Ordinary profit	495,878	812,488
Extraordinary income		
Gain on liquidation of subsidiaries	16,768	–
Total extraordinary income	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	504,374	812,488
Income taxes - current	218,579	305,943
Income taxes - deferred	24,896	9,753
Total income taxes	243,476	315,697
Profit	260,898	496,791

(3) Statement of changes in equity

Previous 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
Cumulative effects of changes in accounting policies									
Restated 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

Current Fiscal Year (January 1 to December 31, 2019)

(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	1,862,936	1,862,436	1,862,436	1,530,424	1,530,424	(373,348)	4,882,448	508	4,882,956
Cumulative effects of changes in accounting policy				(655,227)	(655,227)		(655,227)		(655,227)
Restated balance	1,862,936	1,862,436	1,862,436	875,197	875,197	(373,348)	4,227,220	508	4,227,728
Change									
Issuance of new stock	5,994	5,994	5,994				11,989		11,989
Profit				496,791	496,791		496,791		496,791
Acquisition of treasury shares						(43)	(43)		(43)
Change of items other than shareholders' equity (net)								(22)	(22)
Total change	5,994	5,994	5,994	496,791	496,791	(43)	508,736	(22)	508,714
Year-end balance	1,868,930	1,868,430	1,868,430	1,371,988	1,371,988	(373,392)	4,735,957	486	4,736,443

(4) Statement of cash flows

(Unit: thousands of yen)

	Previous Fiscal Year (January 1 to December 31, 2018)	Current Fiscal Year (January 1 to December 31, 2019)
Cash flows from operating activities		
Profit before income taxes	504,374	812,488
Depreciation	123,057	158,557
Impairment losses	7,271	–
Amortization of goodwill	243,897	264,002
Increase (decrease) in allowance for doubtful accounts	262	(237)
Increase (decrease) in provision for bonuses	20,663	25,120
Increase (decrease) in provision for point card certificates	(27,486)	–
Interest and dividend income	(251)	(638)
Interest expenses	7,286	4,785
Borrowing expenses	2,891	3,858
Costs related to share listing	13,759	–
Commission for purchase of treasury shares	3,157	–
Loss (gain) on liquidation of subsidiaries	(16,768)	–
Decrease (increase) in notes and accounts receivable - trade	34,853	270,811
Decrease (increase) in inventories	(434)	(1,466)
Decrease (increase) in advance payments – trade	(12,349)	(7,054)
Increase (decrease) in notes and accounts payable - trade	160,889	95,172
Increase (decrease) in accounts payable - other	(63,128)	51,569
Increase (decrease) in accrued expenses	(3,773)	5,012
Increase (decrease) in advances received	–	11,561
Increase (decrease) in deferred revenue	–	(26,854)
Increase (decrease) in income taxes payable - factor based tax	(31,642)	–
Decrease/increase in consumption taxes receivable/payable	(165,284)	129,969
Other	(20)	493
Subtotal	801,226	1,797,151
Interest and dividend income received	251	638
Interest expenses paid	(7,149)	(4,648)
Payments of borrowing expenses	(2,785)	(3,816)
Income taxes paid	(480,740)	(103,583)
Cash flows from operating activities	310,802	1,685,741
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,695)	(10,226)
Purchase of intangible assets	(382,388)	(359,847)
Proceeds from sale of intangible assets	–	1,693
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	(636,095)	(368,380)
Cash flows from financing activities		
Repayments of long-term loans payable	(240,000)	(240,000)
Proceeds from issuance of common shares	21,226	11,989
Payments of costs related to share listing	(19,699)	–
Purchase of treasury shares	(376,305)	(43)
Cash flows from financing activities	(614,778)	(228,054)
Net increase (decrease) in cash and cash equivalents	(940,071)	(1,089,306)
Cash and cash equivalents at beginning of period	1,814,146	874,075
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	1,147
Cash and cash equivalents at end of period	874,075	1,964,528

(5) Notes to Financial Statements

(Notes on the Going-Concern Assumption)

N/A

(Changes in Accounting Policy)

(Application of "Accounting Standard on Revenue Recognition")

"Accounting Standard on Revenue Recognition" (ASBJ Accounting Standard No. 29; March 30, 2018; hereinafter, "Revenue Recognition Accounting Standard") and "Implementation Guidance on Accounting Standard on Revenue Recognition (ASBJ Implementation Guidance No. 30; March 30, 2018) can be applied from the start of business years beginning on or after April 1, 2018. As a result, the Company has applied Revenue Recognition Accounting Standard from the start of the fiscal year under review, and recognizes revenue in the amount estimated to be received in exchange for the promised property or service, at the point in time when control of said property or service is transferred to the customer.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the provison of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative total affect in case of retroactively applying the new accounting standard to before the start of the fiscal year is adjusted in retained earnings at the start of the fiscal year and the new accounting policy is applied from this initial balance. However, the Company applies the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard and does not retroactively apply the new accounting policy to contracts for which the nearly all revenue is recognized following the previous treatment up to the start of the fiscal year. In addition, the Company applies the method stipulated in provison (1) of Paragraph 86 of the Revenue Recognition Accounting Standard, and for contract changes made prior to the start of the fiscal year, the Company will carry out (1) to (3) below and adjust the cumulative total affect in retained earnings of the fiscal year, based on contract provisions after reflecting all contract changes.

(1) Classification of met and unmet performance obligations
(2) Estimation of transaction price
(3) Allocation of met and unmet portion of performance obligation to transaction price

Conventionally, for its service "Manga Kingdom," the Company has recognized the entire amount of points at the time of purchase as revenue. However, the Company changed to a method of recognizing revenue related to points as contract liabilities by deferring it until the points are used or expire. These contract liabilities are presented in the quarterly balance sheet as "Deferred revenue."

As a result, the balance of retained earnings at the beginning of the year declined 655,227 thousand yen. Furthermore, this will have minimal impact on the Company's net sales, operating profit, ordinary profit and profit before income taxes for the fiscal year under review.

(Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.)

The Company applied "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc." (Practical Solution No. 36; January 12, 2018; hereinafter "Practical Solution No. 36") starting January 1, 2019. The Company decided to perform accounting treatment on transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions, etc. in accordance with "Accounting Standard on Stock Options (ASBJ Accounting Standard No. 8; December 27, 2005).

However, the application of Practical Solution No. 36 follows the transitional treatment stipulated in Paragraph 10 (3) of Practical Solution No. 36, and the previous accounting treatment will continue to be used for transactions where employees are granted stock acquisition rights which involve considerations with vesting conditions prior, etc., to the application date of Practical Solution No. 36.

(Changes in Presentation Method)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.")

The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." (ASBJ Accounting Standard No. 28; February 16, 2018) from the start of the fiscal year under review. As a result, deferred tax assets are presented in investments and other assets and deferred tax liabilities are presented in noncurrent liabilities.

As a result, "deferred tax assets" of 32,631 thousand yen presented under "current assets" in the balance sheet of the previous fiscal year are now presented as "deferred tax assets" of 36,722 thousand yen under "investments and other assets."

(Segment Information)

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

(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, 2018)	Current Fiscal Year (January 1 to December 31, 2019)
Net assets per share	830.75 yen	802.71 yen
Net income per share	43.75 yen	84.47 yen
Net income per share fully diluted	42.84 yen	83.42 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, 2018)	Current Fiscal Year (January 1 to December 31, 2019)
Net income per share		
Profit (thousands of yen)	260,898	496,791
Amount not attributed to common shareholders (thousands of yen)	–	–
Net income related to common stock (thousands of yen)	260,898	496,791
Average number of shares during the period (shares)	5,963,347	5,880,993
Net income per share fully diluted		
Adjusted net income (thousands of yen)	–	–
Increase in the number of common stock (thousands of yen)	126,889	73,996
(Of this, share acquisition rights [shares])	(126,889)	(73,996)
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: 2,540).	One type of share acquisition rights (number of share acquisition rights: 2,430).

(Significant Subsequent Events)

N/A