February 12, 2021

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese GAAP]

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

Scheduled date of General Meeting of Shareholders	March 25, 2021
Date for commencement of dividend payments:	–
Scheduled date of Securities Report submission	March 31, 2021
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, 2020 (January 1 to December 31, 2020)

(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, 2020	12,378	-	1,136	−	990	−	470	−
Fiscal year ended December 31, 2019	–	-	-	−	–	−	–	−

For reference: Comprehensive income
Fiscal year ended December 31, 2020: 470 million yen (-%)
Fiscal year ended December 31, 2019: – million yen (-%)

	Net income per share	Net income per share fully diluted	Return on equity	Return on asset	Operating profit margin
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2020	79.55	78.30	9.0	5.0	9.2
Fiscal year ended December 31, 2019	-	-	-	-	-

For reference: Share of loss (profit) of entities accounted for using equity method
Fiscal year ended December 31, 2020: – million yen
Fiscal year ended December 31, 2019: – million yen

Note: Figures for the fiscal year ended December 31, 2019 and year-on-year change have been omitted because the Company began preparing consolidated financial statements from the fourth quarter of the fiscal year ended December 31, 2020. In addition, return on equity (ROE) and return on assets (ROA) are calculated based on shareholders' equity and total assets as of the end of the fiscal year because the fiscal year under review is the first using consolidation.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2020	19,741	5,224	26.5	881.22
December 31, 2019	-	-	-	-

For reference: Shareholders' equity
As of December 31, 2020 5,216 million yen
As of December 31, 2019 - million yen

Note: Figures for the fiscal year ended December 31, 2019 have been omitted because the Company began preparing consolidated financial statements from the fourth quarter of the fiscal year ended December 31, 2020.

(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 2020	901	(3,938)	4,302	3,230
Fiscal year ended December 2019	-	-	-	-

Note: Figures for the fiscal year ended December 31, 2019 have been omitted because the Company began preparing consolidated financial statements from the fourth quarter of the fiscal year ended December 31, 2020.

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, 2019	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended December 31, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2021 (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. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2021 (January 1 to December 31, 2021)

(*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	9,374	-	449	-	376	-	91	-	14.82
Full year	19,682	-	1,350	-	1,210	-	524	-	84.87

Note: Year-on-year change has been omitted because the Company began preparing consolidated financial statements from the fourth quarter of the fiscal year ended December 31, 2020

* Notice

(1) Changes in important subsidiaries during the period (change in specified subsidiaries which accompanies a change in the scope of consolidation): Yes

New: 1 company (company name: Bunkasha Co., Ltd.) / Exclusion: None

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

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

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

(c) Changes in accounting estimates: None

(d) Restatements: None

(3) Number of shares issued (common stock)

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

December 31, 2020	6,175,661 shares	December 31, 2019	6,150,198 shares

(b) Number of treasury shares at end of period

December 31, 2020	246,723 shares	December 31, 2019	250,223 shares

(c) Average number of shares during the period

December 31, 2020	5,914,179 shares	December 31, 2019	5,880,993 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 four 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 15, 2021. 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 3
   (4) Future Outlook 4
2. Basic Approach Concerning Selection of Accounting Standards 5
3. Consolidated Financial Statements and Notes 6
   (1) Consolidated balance sheet 6
   (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income 8
   (3) Consolidated Statement of changes in equity 10
   (4) Statement of cash flows 11
   (5) Notes to Financial Statements 12
   (Notes on the Going-Concern Assumption) 12
   (Segment Information, etc.) 12
   (Per Share Information) 14
   (Significant Subsequent Events) 14

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, 2020), Japan's economy saw a moderate recovery amid an improving employment environment, despite some weakness seen in corporate earnings and capital investment. However, the future economic outlook remains one of uncertainty due to the rapid slowdown caused by restrictions on economic activities resulting from Japan's state of emergencies issued in response to the spread of COVID-19 since February 2020.

The e-book market, mainly comics, continues to see an increase in customer traffic and higher average purchases. The e-book and e-comic markets are expected to continue growing. Furthermore, the COVID-19 pandemic has spurred on consumption at home, and it is expected to increase user numbers further and contribute to the retention of users. (Source: Impress Corporation estimates, "eBook Marketing Report 2020")

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 Manga Kingdom serialized works and being the first to distribute exclusive titles. The Company has also worked to differentiate contents. In addition, the Company focused on strengthening its brand, including holding campaigns marketing service improvements and a sense of value, in order to increase subscribers and customer spending by promoting the flow of visit, retention and purchase. In addition, in October 2020, the Company acquired the shares of Bunkasha Group Co., Ltd., with Bunkasha Co., Ltd., an integrated publishing company, as its core operating company, with the purpose of enhancement of its functions as a contents producer, and strived to reinforce its business portfolio.

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

As a result, net sales in the fiscal year under review totaled 12,370 million yen (The Company transitioned to consolidated accounting from the fourth quarter of the fiscal year ended December 31, 2020).

The following section discusses the main activities of the Group's Platform Segment and Contents Segment in the fiscal year under review.

Through the comic distribution service "Manga Kingdom," a mainstay service in the Platform Segment, the Company has uploaded a cumulative total of 126 Manga Kingdom serialized works while promoting differentiation of content. As for the Manga Kingdom website, the Company actively carried out sales promotion activities for acquiring a broad range of users and appealing a sense of value, including a loyalty points program that rebates up to 50% of spending every day for both the purchase of points and works and regularly implementing various promotional campaigns. Also, the Company received the distinction of "No. 1 Value" (number one ranking in services with the greatest sense of value) in a survey of e-comic services conducted by a third-party research institution from October to November 2020. Additionally, from August 2020, the Company began broadcasting its own new radio program called "The world is made from Manga presented by Manga Kingdom". Furthermore, the Company has decided to air television commercials from January 2021. In this manner, the Company is implementing a wide range of advertising activities that promote user interest and drive user traffic to the site.

Through these initiatives, the Group has recorded sustained growth, as cumulative downloads broke through the 1.4-billion mark in December 2020 and number of registered members broke through the 4.5-million mark in January 2021 (cumulative total downloads include free titles and titles in comic strip format converted to books).

In the novel posting service called "novelba," the Company supported author debuts and differentiated its services by jointly holding a love novel contest in April 2020 with Publishing Link, Ltd. that guarantees publication of an e-novel with Takeshobo Co., Ltd. as the grand prize. The Company also published the first work under the original label called "Novelba Novels" in November 2020.

Additionally, in August 2020, the Company began distribution of works from MICRO MAGAZINE, INC., including highly popular light novel "That Time I Got Reincarnated as a Slime" and in December 2020, the Company began distribution for Gagaga Bunko of Shogakukan Inc. As a result, the Company focused not only on posted works, but also acquiring copyrights to commercial works, promoting the expansion of contents across a wide range of genre, and striving to invigorate the site.

In terms of IP production, the Company is investing in projects with an eye on synergies with Manga Kingdom. This includes announcing the distribution of a smartphone game based on "Mushoku Tensei: Isekai Ittara Honki Dasu," an extremely popular novel made into a book by MF Books with total distribution in the series exceeding four million copies. Moreover, the Company is working on support activities for various contents production and promotions, including holding online events and online lotteries.

In the Contents Segment, the Company held dynamic activities. This included hosting the Manga Yomonga New Author Awards four times annually on Manga Yomonga, a comic website for smartphones run by the Bunkasha Group, in order to publish new and existing titles and identify up-and-coming authors mainly at Bunkasha Co., Ltd.

As a result, consolidated net sales for the fiscal year under review totaled 12,378,124 thousand yen, consolidated operating profit came in at 1,136,084 thousand yen, consolidated ordinary profit was 990,695 thousand yen and profit attributable to owners of the parent totaled 470,492 thousand yen.

The management results for each segment are presented below. Furthermore, the Company has made changes to the classification of reporting segments from the fiscal year under review.

(Platform Segment)
Segment net sales totaled 11,102,481 thousand yen and operating profit came in at 894,533 thousand yen.

(Contents Segment)
Segment net sales totaled 1,322,209 thousand yen and operating profit came in at 242,684 thousand yen.

Furthermore, comparisons with the previous consolidated fiscal year have been omitted because the Group began preparing consolidated financial statements from the fiscal year under review.

(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 19,741,111 thousand yen.

Current assets totaled 7,853,272 thousand yen. This is mainly attributable to notes and accounts receivable – trade of 4,433,602 thousand yen and cash and deposits of 3,230,336 thousand yen.

Non-current assets totaled 11,887,838 thousand yen, which is mainly due to intangible assets amounting to 11,611,210 thousand yen.

(Liabilities)

Total liabilities at the end of the fiscal year under review amounted to 14,516,399 thousand yen.

Current liabilities totaled 8,232,976 thousand yen. This is mainly attributable to notes and accounts payable - trade of 2,943,123 thousand yen, short-term loans payable of 2,000,000 thousand yen, current portion of long-term loans payable of 940,000 thousand yen and deferred revenue of 631,739 thousand yen.

Non-current liabilities totaled 6,283,423 thousand yen. This is mainly attributable to long-term loans payable of 6,245,000 thousand yen.

(Net assets)

Net assets at the end of the fiscal year under review totaled 5,224,711 thousand yen. This is mainly attributable to capital stock of 1,875,831 thousand yen, capital surplus of 1,875,331 thousand yen, and retained earnings of 1,841,717 thousand yen.

As a result, the shareholders' capital ratio came to 26.5%.

Furthermore, year-on-year change has been omitted because the Company began preparing consolidated financial statements from the fourth quarter of the fiscal year ended December 31, 2020.

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

The balance of cash and cash equivalents ("cash") was 3,230,336 thousand yen at the end of the fiscal year under review.

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

(Cash flows from operating activities)

Cash flows gained from operating activities totaled 901,524 thousand yen.

The main factors for an increase in cash flows from operating activities in the fiscal year under review were profit before income taxes of 864,115 thousand yen, with the main factors for an increase in cash flows were an increase of in notes and accounts payable – trade of 659,382 thousand yen, amortization of goodwill of 386,554 thousand yen and depreciation of 246,646 thousand yen. On the other hand, the main factors for a decrease in cash flows were the increase in notes and accounts receivable - trade of 649,084 thousand yen, income taxes paid of 327,823 thousand yen, and a decrease in accrued expenses of 237,057 thousand yen.

(Cash flows from investing activities)

Cash flows used in investing activities totaled 3,938,102 thousand yen.

The main factor for a decrease in cash flows from investing activities included 3,479,524 thousand yen in purchase of shares of subsidiaries resulting in change in scope of consolidation.

(Cash flows from financing activities)

Cash flows gained from financing activities totaled 4,302,386 thousand yen.

The main factor for an increase in cash flows from financial activities included 7,000,000 thousand yen in proceeds from long-term loans payable and 2,000,000 thousand yen in short-term loans payable, while the main factor for a decrease in cash flows was 4,595,000 thousand yen in repayments of long-term loans payable.

Furthermore, year-on-year change has been omitted because the Company began preparing consolidated financial statements from the fourth quarter of the fiscal year ended December 31, 2020.

(4) Future Outlook

The Group has worked to provide services and projects that distribute the works of creators mainly in the e-book service, 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 Group will work to expand the contents production business and accelerate synergies within the Group by growing the e-book service and turning game IP production into profit centers.

In the Platform Segment, the Company will focus on the steady growth of Manga Kingdom and also promote the monetization of other services. In the mainstay service Manga Kingdom, the Company will continue to regularly implement the loyalty points program that rebates up to 50% of spending every day for both the purchase of points and works aimed at a broad range of users. It will also actively implement various promotional campaigns. As a result, the Company will aim to increase customer satisfaction, encourage, visits, retention, and purchases, and increase net sales. 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 Manga Kingdom serialized works 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 continue to place greater emphasis on efficiency of conventional Internet advertising, and it will also work on a broad range of advertising activities that drive traffic to the site. As for the novel posting service “novelba”, the Company will monetize individual services by continuing to expand contents and it will work on creating synergies with existing services through comicalization.

In IP production, 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. In the game business, the Company will aim to monetize and invest in projects with an eye toward synergies with Manga Kingdom.

In the Contents Segment, the Company will enhance digital contents and optimize paper publishing. It will also comicalize works distributed on “novelba” to accelerate synergies within the Group along with implement measures to increase sales by tapping into new genres, and reduce costs at the same time in an effort to increase the profits of the entire Group.

Based on the above, the Company’s full-year earnings forecast for the fiscal year ending December 2021 calls for net sales of 19,682 million yen, operating profit of 1,350 million yen, ordinary profit of 1,210 million yen, and profit

attributable to owners of the parent of 524 million yen. These forecasts are in line with targets under the medium-term management plan.

Additionally, the outlook for the first half of the fiscal year ending December 2021 indicates net sales of 9,374 million yen, operating profit of 449 million yen, ordinary profit of 376 million yen, and profit attributable to owners of the parent of 91 million yen. This is because in the first half, the Company will focus on advertising activities that drive traffic to the site for the growth of Manga Kingdom.

2. Basic Approach Concerning Selection of Accounting Standards

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

3. Consolidated Financial Statements and Notes

(1) Consolidated balance sheet

(Unit: thousands of yen)

	End of Current Consolidated Fiscal Year (As of December 31, 2020)
Assets	
Current assets	
Cash and deposits	3,230,336
Notes and accounts receivable - trade	4,433,602
Merchandise and finished goods	76,524
Supplies	1,265
Advance payments - trade	10,438
Prepaid expenses	36,506
Accounts receivable - other	51,805
Other	42,314
Allowance for doubtful accounts	(29,522)
Total current assets	7,853,272
Non-current assets	
Property, plant and equipment	
Buildings	14,662
Facilities attached to buildings	48,838
Tools, furniture and fixtures	185,683
Accumulated depreciation	(188,816)
Accumulated impairment loss	(9,426)
Total property, plant and equipment	50,941
Intangible assets	
Goodwill	10,882,880
Software	262,490
Content assets	296,127
Software in progress	3,742
Content assets in progress	164,586
Other	1,382
Total intangible assets	11,611,210
Investments and other assets	
Leasehold and guarantee deposits	148,955
Deferred tax assets	58,170
Other	18,560
Total investments and other assets	225,686
Total non-current assets	11,887,838
Total assets	19,741,111

(Unit: thousands of yen)

	End of Current Consolidated Fiscal Year (As of December 31, 2020)
Liabilities	
Current liabilities	
Notes and accounts payable - trade	2,943,123
Short-term loans payable	2,000,000
Current portion of long-term loans payable	940,000
Accounts payable - other	347,247
Accrued expenses	163,321
Income taxes payable	442,286
Accrued consumption taxes	104,818
Deferred revenue	631,739
Refund liabilities	596,896
Deposits received	28,240
Other	35,300
Total current liabilities	8,232,976
Non-current liabilities	
Long-term loans payable	6,245,000
Deferred tax liabilities	38,423
Total non-current liabilities	6,283,423
Total liabilities	14,516,399
Net assets	
Shareholders' equity	
Capital stock	1,875,831
Capital surplus	1,875,331
Retained earnings	1,841,717
Treasury shares	(368,169)
Total shareholders' equity	5,224,711
Total net assets	5,224,711
Total liabilities and net assets	19,741,111

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

Consolidated statement of income

(Unit: thousands of yen)

	Current Consolidated Fiscal Year (January 1 to December 31, 2020)
Net sales	12,378,124
Cost of sales	7,670,886
Gross profit	4,707,237
Selling, general and administrative expenses	3,571,153
Operating profit	1,136,084
Non-operating income	
Interest income	16
Dividend income	68
Reimbursement receivables	14,834
Subsidy income	2,423
Other	54
Total non-operating income	17,397
Non-operating expenses	
Interest expenses	38,001
Borrowing expenses	116,416
Consumption taxes - deferred	6,796
Other	1,572
Total non-operating expenses	162,786
Ordinary profit	990,695
Extraordinary income	
Gain on reversal of share acquisition rights	486
Total extraordinary income	486
Extraordinary losses	
Impairment losses	126,869
Other	196
Total extraordinary losses	127,066
Profit before income taxes	864,115
Income taxes – current	402,719
Income taxes – deferred	(9,096)
Total income taxes	393,622
Profit	470,492
Profit attributable to owners of the parent	470,492

Consolidated statement of comprehensive income

(Unit: thousands of yen)

	Current Consolidated Fiscal Year (January 1 to December 31, 2020)
Profit	470,492
Comprehensive income	470,492
(Breakdown)	
Comprehensive income related to owners of the parent	470,492

(3) Consolidated Statement of changes in equity

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

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	1,868,930	1,868,430	1,371,988	(373,392)	4,735,957
Change					
Issuance of new stock	6,901	6,901			13,802
Profit attributed to owners of the parent			470,492		470,492
Disposal of treasury shares			(763)	5,222	4,459
Change of items other than shareholders' equity (net)					
Total change	6,901	6,901	469,728	5,222	488,753
Year-end balance	1,875,831	1,875,331	1,841,717	(368,169)	5,224,711

	Share acquisition rights	Total net assets
Beginning balance	486	4,736,443
Change		
Issuance of new stock		13,802
Profit attributed to owners of the parent		470,492
Disposal of treasury shares		4,459
Change of items other than shareholders' equity (net)	(486)	(486)
Total change	(486)	488,267
Year-end balance	-	5,224,711

(4) Statement of cash flows

(Unit: thousands of yen)

	Current Consolidated Fiscal Year (January 1 to December 31, 2020)
Cash flows from operating activities	
Profit before income taxes	864,115
Depreciation	246,646
Impairment losses	126,869
Amortization of goodwill	386,554
Interest expenses	38,001
Borrowing expenses	116,416
Decrease (increase) in notes and accounts receivable - trade	(649,084)
Increase (decrease) in notes and accounts payable - trade	659,382
Decrease (increase) in advances paid	69,322
Increase (decrease) in accounts payable - other	(230,482)
Increase (decrease) in accrued expenses	(237,057)
Increase (decrease) in deferred revenue	(78,452)
Decrease/increase in consumption taxes receivable/payable	(44,473)
Other	(1,259)
Subtotal	1,266,498
Interest and dividend income received	85
Interest expenses paid	(37,236)
Income taxes paid	(327,823)
Cash flows from operating activities	901,524
Cash flows from investing activities	
Purchase of property, plant and equipment	(8,943)
Purchase of intangible assets	(408,581)
Payments for lease and guarantee deposits	(41,054)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,479,524)
Cash flows from investing activities	(3,938,102)
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	2,000,000
Proceeds from long-term loans payable	7,000,000
Repayments of long-term loans payable	(4,595,000)
Payments of borrowing expenses	(116,416)
Proceeds from issuance of common shares	13,802
Cash flows from financing activities	4,302,386
Net increase (decrease) in cash and cash equivalents	1,265,808
Cash and cash equivalents at beginning of period	1,964,528
Cash and cash equivalents at end of period	3,230,336

(5) Notes to Financial Statements

(Notes on the Going-Concern Assumption)

N/A

(Segment Information, etc.)

1. Summary of Reporting Segments

(1) Changes to reporting segments

The Company acquired all of the shares of NSSK-CC Co., Ltd. (trade name changed to Bunkasha Holdings Co., Ltd. on October 8, 2020), a holding company of NSSK-C Co., Ltd. (trade name changed to the Bunkasha Group Co., Ltd. on October 8, 2020), a holding company of Bunkasha Co., Ltd. and its Group companies Kaiohsha Co., Ltd., Shin Apollo Publishing Co., Ltd., Bunyusha Co., Ltd., and Rakuraku Publishing Co., Ltd. and made them a wholly-owned subsidiary. As a result, reporting segments were changed to the Platform Segment and the Contents Segment from the fourth quarter of the fiscal year ended December 31, 2020.

(2) Method of determining reporting segments

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

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

The Platform Segment comprises subscription services and other ancillary businesses centered on Manga Kingdom, the Company's existing business. The Contents Segment comprises e-books, publishing and other ancillary businesses centered on the Group's subsidiary Bunkasha Group's existing businesses.

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

Accounting treatment methods for reported business segments are generally the same as those appearing in "Significant matters that form the basis of preparing consolidated financial statements."
Reporting segment profit are based on operating profit. Intersegment profits and transfers are based on real market prices.

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

Fiscal year under review (January 1, 2020 to December 31, 2020)

(Unit: thousands of yen)

	Reporting segment			Adjusted amount (Note 1)	Amount on consolidated financial statement (Note 2)
	Platform Segment	Contents Segment	Total		
Net sales					
Net sales to external customers	11,102,481	1,275,643	12,378,124	-	12,378,124
Intersegment sales and transfers	-	46,566	46,566	(46,566)	-
Total	11,102,481	1,322,209	12,424,690	(46,566)	12,378,124
Segment profit	894,533	242,684	1,137,218	(1,133)	1,136,084
Segment assets	11,582,169	16,414,056	27,996,226	(8,221,890)	19,774,335
Other items					
Depreciation	240,721	5,925	246,646	-	246,646
Amortization of goodwill	292,149	94,405	386,554	-	386,554
Increase in tangible fixed assets and intangible fixed assets	712,300	3,121	715,421	(160)	715,261

Notes:

1. Adjustments of segment profit (-1,133 thousand yen) represents company-wide expenses and elimination of intersegment transactions.
2. Segment profit is the same as operating profit on the consolidated statement of income.

(Per Share Information)

	Current Consolidated Fiscal Year (January 1 to December 31, 2020)
Net assets per share	881.22 yen
Net profit per share	79.55 yen
Net profit per share fully diluted	78.30 yen

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

	Current Consolidated Fiscal Year (January 1 to December 31, 2019)
Net income per share	
Profit attributable to owners of the parent (thousands of yen)	470,492
Amount not attributed to common shareholders (thousands of yen)	-
Profit attributable to owners of the parent related to common stock (thousands of yen)	470,492
Average number of common stock shares during the period (shares)	5,914,179
Net income per share fully diluted	
Adjusted profit attributable to owners of the parent (thousands of yen)	-
Increase in the number of common stock (thousands of yen)	94,662
(Of this, share acquisition rights [shares])	(94,662)
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)

Merger between consolidated subsidiaries

A resolution was passed at the meeting of the board of directors held on October 30, 2020 regarding the execution of an absorption-type merger involving the Company's consolidated subsidiaries of Bunkasha Holdings Co., Ltd. and Bunkasha Group Co., Ltd., which was executed on January 1, 2021.

1. Overview of business combination

(1) Name of combined companies and details of their businesses

A. Company combining

Name	Bunkasha Holdings Co., Ltd.
Details of business	Publishing

B. Business being combined

Name	Bunkasha Group Co., Ltd.
Details of business	Holding company

(2) Date of business combination

January 1, 2021

(3) Legal format of business combination

Absorption-type merger where Bunkasha Holdings Co., Ltd. is the surviving company and Bunkasha Group Co., Ltd. is the non-surviving company.

(4) Name of company after business combination

Bunkasha Group Co., Ltd.
Note: Bunkasha Holdings Co., Ltd. changed its name to the above trade name effective January 1, 2021.

(5) Other matters concerning the overview of this transaction

The Company undertook the absorption-type merger and changed the company's trade name in order to clarify that the company is a regional headquarters of affiliated companies and to increase the efficiencies of Group management as part of the management of the Company's Group.

2. Overview of accounting treatment to be implemented

The transaction will be accounted for as a common control transaction pursuant to the Accounting Standard for Business Combinations and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.