

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2021 [Japanese GAAP]

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Stock code:	3981	URL: https://www.beagle.com/
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Scheduled date of quarterly report submission:	November 12, 2021	
Date for commencement of dividend payments:	-	
Supplementary notes to quarterly financial statements:	Yes	
Briefing on quarterly financial statements:	None	

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2021 (January 1 to September 30, 2021)

(1) Consolidated Operating Results (cumulative)

(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	%
Third quarter of the fiscal year ending December 31, 2021	14,107	-	946	-	840	-	338	-
Third quarter of the fiscal year ended December 31, 2020	-	-	-	-	-	-	-	-

For reference: Comprehensive income

Third quarter of the fiscal year ending December 31, 2021: 338 million yen (- %)

Third quarter of the fiscal year ended December 31, 2020: -million yen (- %)

	Net income per share	Net income per share fully diluted
	Yen	Yen
Third quarter of the fiscal year ending December 31, 2021	56.92	56.23
Third quarter of the fiscal year ended December 31, 2020	-	-

Note: Figures for the third quarter of the fiscal year ended December 31, 2020 and year-on-year change have been omitted because the Company began preparing consolidated financial statements from the end of the fiscal year ended December 31, 2020.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	19,538	5,564	28.5
As of December 31, 2020	20,036	5,206	26.0

For reference: Shareholders' equity

As of September 30, 2021 5,564 million yen

As of December 31, 2020 5,206 million yen

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

2. Dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2020	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2021	–	0.00	–		
Fiscal year ending December 31, 2021 (Forecast)				–	–

Note: Revisions from the most recently announced dividend forecast: None

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)

(Percentages represent year-on-year changes)

	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
Full year	19,682	–	1,350	–	1,210	–	524	–	84.87

Note: Revisions from the most recently announced earnings forecast: None

Note: Year-on-year changes have been omitted because the Company began preparing consolidated financial statements from the end of the fiscal year ended December 31, 2020.

* Notice

(1) Changes in important subsidiaries during the cumulative third quarter under review (change in specified subsidiaries which accompanies a change in the scope of consolidation): None

New: None

Exclusion: None

(2) Application of special accounting treatment for the preparation of the quarterly financial statements: Yes

Note: For details, refer to page 9 of the attached materials “(3) Notes to Quarterly Consolidated Financial Statements.”

(3) 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

(4) Number of shares issued (common stock)

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

September 30, 2021	6,201,322 shares	December 31, 2020	6,175,661 shares
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(b) Number of treasury shares at end of period

September 30, 2021	243,228 shares	December 31, 2020	246,723 shares
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(c) Average number of shares during the period (cumulative from the beginning of the fiscal year)

September 30, 2021	5,943,562 shares	September 30, 2020	5,909,981 shares
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* The Company’s quarterly financial statements are not subject to quarterly review by a 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 4 of the Supplemental Materials “1. Qualitative Information on the Quarterly Financial Results (3) Explanation of Forward-Looking Information including Consolidated Earnings Forecast.”

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1. Qualitative Information on the Quarterly Financial Results

Forward-looking statements made below have been determined by the Company as of the final day of the consolidated third quarter under review.

Furthermore, the Group has not carried out comparison analysis with the previous cumulative third quarter for its explanation of management results because it began preparing consolidated financial statements from the end of the previous fiscal year.

In addition, regarding the business combination with NSSK-CC conducted on October 8, 2020 (trade name changed to Bunkasha Group Co., Ltd. effective January 1, 2021), the Company conducted provisional accounting treatment in the previous fiscal year, but this treatment was finalized in the third quarter under review. As a result, the comparison analysis with the end of the previous fiscal year during the explanation of financial situation uses figures after review using the finalized provisional accounting treatment.

(1) Explanation of Operating Results

During the consolidated cumulative third quarter under review, Japan's economy continues to see a recovery as the vaccination rate against COVID-19 increases and countermeasures are being carried out to stop the spread of infections, but a state of emergency was declared for the Greater Tokyo Metropolitan Area and other regions in July and later, indicating uncertainty remains concerning the future.

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

However, the reactionary bounce from people voluntarily staying at home is beginning to appear as the number of COVID-19 cases eases. The e-book market is expected to gradually become saturated as e-book business models diversify and mature. Furthermore, although damages to the e-book market from pirated comic websites continue to grow, the Group believes that it is only minimally impacted. The Group will continue to gather information while closely monitoring the situation and take necessary measures after coordinating with relevant industry groups.

Given this market climate, the Group focused on building and growing the Manga Kingdom brand. Additionally, the Bunkasha Group's contents are growing steadily, and with the continued publication of high quality works, not just the wealth of works accumulated thus far, the Bunkasha Group is becoming a source of content production. Within the Group, the Bunkasha Group is increasing its presence as an important driver of media mix expansion, and we will continue to deepen collaboration for generating greater synergies within the Group.

Moreover, in light of the growing COVID-19 pandemic, following similar efforts in the previous fiscal year, the Group is implementing countermeasures for preventing the occurrence and spread of infections and securing the safety of suppliers, employees, and other stakeholders, and striving to balance these initiatives with business growth.

In this management environment, the Group posted record high net sales continuously from the fourth quarter of the previous fiscal year.

As a result, consolidated net sales for the cumulative third quarter under review totaled 14,107,931 thousand yen, consolidated operating profit came in at 946,427 thousand yen, consolidated ordinary profit was 840,138 thousand yen and profit attributable to owners of the parent totaled 338,302 thousand yen.

The management results for each segment are presented below.

(Platform Segment)

In terms of the comic distribution service “Manga Kingdom,” a mainstay service in the Platform Segment, the Group focused on promotional campaigns appealing a sense of value and branding activities, in order to increase subscribers and customer spending by promoting the flow of visit, retention and purchase. In addition to the loyalty points program provided on the Manga Kingdom website that rebates up to 50% of spending every day for both the purchase and the use of points, the Group actively carried out sales promotion activities for acquiring a broad range of users and appealing a sense of value. Additionally, the Group is actively deploying a broad range of advertising activities to drive traffic to the site and promote greater interest among users. In this manner, Manga Kingdom promoted various events both on and off the site to promote its “No. 1 Value” (the Group received number one ranking in services with the greatest sense of value in a survey of e-comic services conducted by a third-party research institution from October to November 2020) as a comic streaming service. As part of content expansion and differentiation, the Group has begun distributing new works read up-to-down and comicalized serial works for “The Aquatope on White Sand,” a television anime currently being broadcast on TOKYO MX and others. Furthermore, the Group vitalized services and conducted aggressive advertising activities after producing hits from exclusive advanced distributed works.

As a result, the Group recorded its highest-ever net sales for consecutive third quarters. This was underpinned by the continued growth of Manga Kingdom, which broke through 5.5 million members in September 2021 and grew by 500,000 new members at the fastest pace ever.

In the novel posting service called “novelba,” the Group tried new ways of content differentiation, including distributing audio novels read by popular voice actors/actresses and announcers. Also, the Group established a regular novel posting contents for original novels to support the debut of commercial authors from posting authors. Moreover, the Group is working to create synergies within the Group. In the first Novelba Novels Gateway to Success (novel posting contest), the BK Comics Special Award was selected. The winning work was to be commercialized on BK Comics, operated by Group company Bunkasha Co., Ltd.

In terms of IP production, the Group worked to expand its in-game contents, including holding a collaborative event with “KonoSuba: God’s Blessing on This Wonderful World!”, a very popular anime, in September 2021 on “Mushoku Tensei: Game Ni Nattemo Honki Dasu”, our smartphone game currently being distributed. The Group also revised its operating structure to improve profits, completing the transition to development and operating companies in October 2021.

As a result, segment net sales totaled 9,403,383 thousand yen and operating loss came in at 13,684 thousand yen.

(Contents Segment)

In the Contents Segment, we continued to see strong performance because the Group conducted various effective campaigns, including the Kaiohsha Day Fair held on Marine Day every year in July by Kaiohsha, part of the Bunkasha Group. The Group is making steady progress with its digital shift, with the digital ratio at 64% as of September 30, 2021, which is driving the segment’s solid performance.

In printed publishing, we added second additions to 16 comic titles mainly targeting women readers and we continued to see robust performance in our periodicals mainly in the car genre.

In the light novel business, newly launched as a focus field, the Group actively expanded by beginning distribution of 5 comicalized works in August running parallel to its editing and production activities.

As a result, segment net sales totaled 4,834,098 thousand yen and operating profit came in at 960,002 thousand yen. Furthermore, the Group completed the identification of identifiable assets and liabilities, and accordingly, the Group newly posted 62,232 thousand yen as an add on to amortization of goodwill and depreciation of publishing rights in

the first and second quarters. For details, please see the supplemental materials published today (November 12, 2021).

(2) Explanation of Financial Condition

(Assets)

Total assets at the end of the third quarter amounted to 19,538,050 thousand yen, down 498,068 thousand yen compared to the previous fiscal year end.

Current assets totaled 7,950,931 thousand yen, up 97,659 thousand yen over the previous fiscal year end. This is mainly attributable to a decrease in notes and accounts receivable – trade of 120,489 thousand yen, while cash and deposits increased by 183,375 thousand yen.

Non-current assets totaled 11,587,118 thousand yen, down 595,727 thousand yen compared to the previous fiscal year end. This is mainly attributable to a decrease of intangible assets of 571,545 thousand yen.

(Liabilities)

Total liabilities at the end of the third quarter amounted to 13,973,983 thousand yen, down 855,430 thousand yen compared to the previous fiscal year end.

Current liabilities totaled 8,018,980 thousand yen, down 213,995 thousand yen over the previous fiscal year end. This is mainly attributable to increases in accounts payable – other of 99,823 thousand yen, accrued expenses of 299,696 thousand yen, and deferred revenue of 51,468 thousand yen, which were offset by decreases in notes and accounts payable – trade of 58,338 thousand yen, current portion of long-term loans payable of 60,000 thousand yen, income taxes payable of 325,938 thousand yen, and refund liabilities of 193,351 thousand yen.

Non-current liabilities totaled 5,955,002 thousand yen, down 641,434 thousand yen compared to the previous fiscal year end. This is attributable to a decrease in long-term loans payable of 645,000 thousand yen.

(Net assets)

Net assets at the end of the third quarter totaled 5,564,066 thousand yen, up 357,362 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in retained earnings of 338,025 thousand yen.

As a result, the shareholders' capital ratio came to 28.5%.

(3) Explanation of Forward-Looking Information including Consolidated Earnings Forecast

There are no changes to the consolidated earnings forecast that was announced on May 14, 2021 with the Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2021.

In the Platform Segment, the Group will aim to increase sales through continued proactive advertising activities on mainstay service Manga Kingdom. Furthermore, the Group will enhance services to promote Manga Kingdom's mainstay point of appealing a sense of value and increase contents by creating original works and acquiring the first to distribute exclusive titles, both of which will lead to the Group's medium- to long-term growth. Furthermore, the Group anticipates a recovery in profits because of reviews made to the operating structure concerning game contents.

In the Contents Segment, the Group will work to create hits while securing the number of works mainly in the manga genre geared toward women. The Group will also seek to achieve sales growth of digital contents, which is a growth field, by stepping up collaboration with e-bookstores. Also, the Group will actively work on growing the light novel business, a focus field, and creating synergies within the Group.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2020)	Consolidated Third Quarter (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	3,230,336	3,413,711
Notes and accounts receivable - trade	4,433,602	4,313,113
Merchandise and finished goods	76,524	61,918
Supplies	1,265	1,098
Advance payments - trade	10,438	429
Prepaid expenses	36,506	82,433
Accounts receivable - other	51,805	31,169
Other	42,314	74,821
Allowance for doubtful accounts	(29,522)	(27,764)
Total current assets	7,853,272	7,950,931
Non-current assets		
Property, plant and equipment		
Buildings	14,662	14,662
Facilities attached to buildings	48,838	62,827
Tools, furniture and fixtures	185,683	199,955
Accumulated depreciation	(188,816)	(202,257)
Accumulated impairment loss	(9,426)	(9,426)
Total property, plant and equipment	50,941	65,761
Intangible assets		
Goodwill	10,273,221	9,794,045
Software	262,490	232,480
Content assets	296,127	517,561
Software in progress	3,742	–
Content assets in progress	164,586	2,574
Publishing rights	904,666	786,666
Other	1,382	1,345
Total intangible assets	11,906,218	11,334,673
Investments and other assets		
Leasehold and guarantee deposits	148,955	108,492
Deferred tax assets	58,170	58,170
Other	18,560	20,020
Total investments and other assets	225,686	186,683
Total non-current assets	12,182,846	11,587,118
Total assets	20,036,118	19,538,050

(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2020)	Consolidated Third Quarter (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,943,123	2,884,785
Short-term loans payable	2,000,000	2,000,000
Current portion of long-term loans payable	940,000	880,000
Accounts payable - other	347,247	447,071
Accrued expenses	163,321	463,018
Income taxes payable	442,286	116,348
Accrued consumption taxes	104,818	92,815
Deferred revenue	631,739	683,207
Refund liabilities	596,896	403,545
Deposits received	28,240	29,264
Other	35,300	18,924
Total current liabilities	8,232,976	8,018,980
Non-current liabilities		
Long-term loans payable	6,245,000	5,600,000
Deferred tax liabilities	351,437	355,002
Total non-current liabilities	6,596,437	5,955,002
Total liabilities	14,829,413	13,973,983
Net assets		
Shareholders' equity		
Capital stock	1,875,831	1,882,893
Capital surplus	1,875,331	1,882,393
Retained earnings	1,823,710	2,161,735
Treasury shares	(368,169)	(362,955)
Total shareholders' equity	5,206,704	5,564,066
Total net assets	5,206,704	5,564,066
Total liabilities and net assets	20,036,118	19,538,050

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

Quarterly consolidated statement of income

Consolidated Cumulative Third Quarter

(Unit: thousands of yen)

	Consolidated Cumulative Third Quarter (January 1 to September 30, 2021)
Net sales	14,107,931
Cost of sales	9,150,634
Gross profit	4,957,297
Selling, general and administrative expenses	4,010,869
Operating profit	946,427
Non-operating income	
Interest income	25
Dividend income	87
Reimbursement receivables	2,596
Subsidy income	362
Refund income	1,002
Other	359
Total non-operating income	4,431
Non-operating expenses	
Interest expenses	105,877
Borrowing expenses	3,781
Other	1,060
Total non-operating expenses	110,720
Ordinary profit	840,138
Extraordinary income	
Gain on sale of non-current assets	13,500
Total extraordinary income	13,500
Extraordinary losses	
Impairment losses	30,324
Total extraordinary losses	30,324
Profit before income taxes	823,314
Income taxes – current	481,446
Income taxes – deferred	3,565
Total income taxes	485,011
Profit	338,302
Profit attributable to owners of the parent	338,302

Quarterly consolidated statement of comprehensive income

Consolidated Cumulative Third Quarter

(Unit: thousands of yen)

	Consolidated Cumulative Third Quarter (January 1 to September 30, 2021)
Profit	338,302
Comprehensive income	338,302
(Breakdown)	
Comprehensive income related to owners of the parent	338,302

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going-Concern Assumption)

N/A

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Consolidated Cumulative Third Quarter (January 1 to September 30, 2021)

(Significant changes in shareholders' equity)

The Company disposed of 3,500 treasury shares on April 23, 2021 based on a resolution at the meeting of the board of directors held on March 25, 2021 as restricted share compensation paid to the Company's directors. As a result, in the third quarter under review, retained earnings decreased by 277 thousand yen and treasury shares decreased by 5,222 thousand yen to 2,161,735 thousand yen and 362,955 thousand yen respectively at the end of the consolidated third quarter.

(Application of Special Accounting Treatment for Preparation of Quarterly Consolidated Financial Statements)

Calculation of Tax Costs

Tax costs are calculated by reasonably estimating the effective tax rate for each business year's profit before income taxes, including the third quarter under review, after application of tax effect accounting and then multiplying this estimated effective tax rate by profit before income taxes.

However, in cases where the calculation of tax costs using the estimated effective tax rate yields a result that is notably lacking rationality, then tax expenses are calculated using the statutory effective tax rate.

(Segment Information, etc.)

[Segment Information]

Consolidated Cumulative Third Quarter (January 1 to September 30, 2021)

1. Information on the amount of net sales, profit/loss for each reporting segments

(Unit: thousands of yen)

	Reporting segment			Adjusted amount (Note 1)	Amounts reported on the quarterly consolidated statements of income (Note 2)
	Platform Segment	Contents Segment	Total		
Net sales					
Net sales to external customers	9,403,383	4,704,547	14,107,931	–	14,107,931
Intersegment sales and transfers	–	129,551	129,551	(129,551)	–
Total	9,403,383	4,834,098	14,237,482	(129,551)	14,107,931
Segment profit (loss)	(13,684)	960,002	946,318	109	946,427

Notes: 1. Adjustments of segment profit (loss) (109 thousand yen) represents company-wide expenses and elimination of intersegment transactions.

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

2. Information concerning impairment losses of non-current assets or goodwill for each reporting segment
(Material impairment losses related to non-current assets)

In the Platform Segment, the Group recorded impairment losses on intangible assets related to certain services related to comics and certain services related to games.

Furthermore, these impairment losses amounted to 30,324 thousand yen in the third quarter under review.

(Business Combinations)

Finalization of Provisional Accounting Treatment Related to Business Combinations

Regarding the business combination with NSSK-CC conducted on October 8, 2020 (trade name changed to Bunkasha Group Co., Ltd. effective January 1, 2021), the Company conducted provisional accounting treatment in the previous fiscal year, but this treatment was finalized in the third quarter under review.

Following the finalization of this provisional accounting treatment, the comparison information included in the quarterly consolidated financial statements for the third quarter under review reflect important changes in the initial classification amounts of acquisition cost and part of the amounts booked as goodwill have been reclassified.

As a result, the provisional amount of goodwill totaling 7,552,417 thousand yen has declined by 617,376 thousand yen to 6,935,041 thousand yen as a result of finalization of accounting treatment. The decline in goodwill is due to the increase in publishing rights of 944,000 thousand yen and deferred tax liabilities of 326,624 thousand yen.

In addition, as of the end of the previous fiscal year, goodwill decreased by 609,658 thousand yen and retained earnings by 18,006 thousand yen, while publishing rights increased by 904,666 thousand yen and deferred tax liabilities by 313,014 thousand yen.

(Additional Information)

Accounting estimates associated with the COVID-19 pandemic

There are no significant changes in the assumptions concerning the impacts of the COVID-19 pandemic appearing in “Additional Information” of the Company’s securities report for the previous fiscal year.

(Significant Subsequent Events)

Conclusion of Capital and Business Partnership Agreement and Issuance of Common Stock through Third-Party Allotment

A resolution was passed at the Company's Board of Directors' meeting held on November 12, 2021 approving a capital and business partnership agreement (hereinafter, "the capital and business partnership agreement" and the capital and business partnership under this agreement as "the Partnership") with Nippon Television Network Corporation (hereinafter, "Nippon Television Network" and when referring to Nippon Television Network and the Company collectively, "Both Companies") and the issuance of common stock to Nippon Television Network by means of a third-party allotment (hereinafter, "capital increase by third-party allotment") under the condition of the successful execution of a tender offer for the Company's common stock by Nippon Television Network (hereinafter, "the Tender Offer").

Furthermore, this partnership is expected to result in changes in the Company's principal shareholders.

1. About the Partnership

(1) Purpose of the Partnership

Nippon Television Holdings Inc., the parent company of Nippon Television Network, has 52 subsidiaries including Nippon Television Network and 30 affiliated companies (as of September 30, 2021), making it a corporate group with its core business in media contents (hereinafter, "the Nippon Television Group"). The Nippon Television Group possesses strengths in content production for anime, drama, and movies. It has content promotion skills as well as management assets in a broad range of domains, including the television broadcast business, video streaming business, movie business including initiatives in video related contents, events business and merchandising business.

In contrast, the Company and its six consolidated subsidiaries (hereinafter, "the Group" and when referring to the Nippon Television Group and the Group collectively, "Both Groups") provide the three forms of value of create, select and deliver in order to connect fans and contents emotionally through our two segments: platform segment and content segment. The platform segment, centered on Manga Kingdom, continues to grow under a strategy of efficiently expanding sales promotion activities for appealing its sense of value among users by engaging in thorough operations using decision making driven by data analysis. The content segments centered on Bunkasha Co., Ltd., an integrated publishing company, is making steady progress with the digital shift and excels at manga genre for women. In the platform segment, which operates comic distribution service Manga Kingdom and novel posting service novelba, the Group has promoted the accumulation of big data (tracking information such as which users viewed which works) believed to be beneficial to understanding the characteristics of users and contents, while in the content segment, which creates not only works from media, but also works following Internet user trends, which change constantly, the Group has accumulated approximately 5,000 manga works. In addition, through direct licensing agreements on Manga Kingdom and Bunkasha Co., Ltd., which has 70 years of history in the publishing business, the Group maintains as a management asset diverse connections particularly with publishers, authors and creators involved in manga.

Both Groups excel at different fields as outlined above. (i) Nippon Television Network recognized the need to explore partner candidates that can position it to get involved in the process of works creation from an early stage with an eye toward promoting movie versions and expansion of other media mixes in the entertainment contents domain where it has engaged. (ii) The Company had been exploring opportunities in producing movie versions of contents and expanding into other media mixes related to the production and sales of its contents, in addition

to the platform business and contents business it has engaged in. As a result, Both Companies decided to conclude the capital and business partnership agreement between themselves today recognizing that building a partnership relationship between Both Companies can result in mutually beneficial growth through expansion of business opportunities in their respective fields of expertise.

(2) Details of the Business Partnership

The goal of the business partnership is for Both Companies to aim for continued growth as content production companies through “joint intellectual property (IP) development” and “expanded use of existing IP or IP produced individually” as well as the mutual utilization of such. To achieve this, Both Companies’ resources will be contributed mutually through this transaction and by using these mutually together, Both Companies will pursue the maximization of their profits. Furthermore, in order to contribute to the achievement of the purpose of the capital and business partnership, Nippon Television Network will respect the independence and autonomy of the Company recognizing that it is a publicly traded company.

A summary of the business partnership to be implemented by Both Companies pursuant to the capital and business partnership agreement is presented below.

- (a) The Group will be involved in creation and original works and will pursue collaboration (including broadcast of contents using the terrestrial broadcasting allocation of Nippon Television Network) for the secondary use of contents for which rights for secondary use are acquired for movie creation, merchandising, and adaptations, etc., and the acquisition of necessary rights;
- (b) The production and use jointly of secondary copyrighted works through ePublishing, games, anime, drama creation and merchandising, etc., of contents and works, etc., created and cultivated by Both Companies’ Groups;
- (c) The creation and cultivation of contents and works, etc., by Both Companies’ Groups (including review of joint financing or investment in companies or contents);
- (d) Projects for original work creation or author discovery or proposals for the joint implementation of planning equivalent to such; and
- (e) Sharing of market information as reference for secondary use regarding existing contents.

After concluding the capital and business partnership agreement, Both Groups will conduct faithful discussions for the achievement of (a), (b), and (c). Regarding (d) and (e), partial discussions will be commenced in order to maximize the characteristics of Both Groups to maximize efforts aimed at concrete implementation.

In addition, even if the Tender Offer is not successfully executed, Both Groups plan to continue discussions regarding a business partnership.

2. About the Tender Offer

(1) Summary of the Tender Offer

- | | |
|------------------------------|---|
| 1. Tender offeror | Nippon Television Network |
| 2. Scope | The Company’s shares
(however, excluding the treasury shares owned by the Company) |
| 3. Tender offer period | Monday, November 15, 2021 to Thursday, December 23, 2021
(28 business days) |
| 4. Tender offer price | 1,900 yen per one common share of stock |
| 5. Planned purchases | Lower limit 713,000 shares
Upper limit 1,514,900 shares |
| 6. Start date of settlements | Wednesday, December 29, 2021 |
| 7. Purchase conditions | If the total number of applied share certificates, etc. falls below the lower limit of the planned number of shares to be purchased (713,000 shares), Nippon Television Network will not purchase all of the applied stock certificates, etc. |

If the total number of applied share certificates, etc. is at least the lower limit of the planned number of shares to be purchased (713,000 shares) and the upper limit of the planned number of shares (1,514,900 shares), Nippon Television Network will purchase all applied share certificates, etc.

If the total number of applied stock certificates, etc. exceeds the maximum number of purchased shares (1,514,900 shares), the purchase shall not be made for the surplus portion in part or its entirety, and Nippon Television Network shall make settlements such as deliveries pertaining to the purchase of stock certificates, etc. in a manner proportional to the provision of shares, etc. pursuant to Article 27-13, Paragraph 5 of the Financial Instruments and Exchange Act and Article 32 of the Cabinet Office Ordinance on Disclosure of Share Certificates, etc. for Tender Offers by Persons Other than the Issuer.

8. Withdrawal events

When any of the reasons stipulated in Article 14, Paragraph 1, Item 1, from *i* to *nu* and from *wa* to *tsu*, No. 3 from *i* to *chi* and *nu*, Item 4. and Paragraph 2, Item 3 to Item 6 of the Enforcement Order of the Financial Instruments and Exchange Act occur.

3. About the Issuance of Common Stock through Third-Party Allotment

(1) Summary of the Subscription

- | | |
|---|--|
| 1. Payment period | December 24, 2021 to February 28, 2022 |
| 2. Number of subscribed shares | Subscribed shares: 1,069,400 shares (Note 1) (Note 2) |
| 3. Issuance price | 1,900 yen per share of common stock |
| 4. Amount of money procured | 2,031,860,000 yen (Note 1) |
| 5. Subscription or allotment method
(Scheduled Subscriber) | Through the method of third-party allotment
(Nippon Television Network: 1,069,400 shares) (Note 1) |
| 6. Use of funds | Original content production and reinforcement of promotion |
| 7. Other | The above is subject to the entry into force of the notification under the Financial Instruments and Exchange Act. |

Furthermore, the amount of capital incorporated is 950 yen per share, and the total amount of capital incorporated is 1,015,930,000 yen (Note 1).

- Notes: 1. With regard to the capital increase by third-party allotment, the Company shall, based on the capital and business partnership agreement, confirm the results of the Tender Offer with Nippon Television Network after the approval of the Tender Offer, and (1) if Nippon Television Network's fully diluted ownership ratio prior to the capital increase does not reach 25.00%, Nippon Television Network shall apply for the underwriting of the shares (the number of shares rounded up to less than 100 shares) up to the number so that its ownership ratio prior to the capital increase becomes 25%, and the Company shall allocate the Company's shares to Nippon Television Network, (2) if Nippon Television Network's fully diluted ownership ratio prior to the capital increase becomes 25.00% after the approval of the Tender Offer, Nippon Television Network has agreed not to apply for or pay any of the subscribed shares pertaining to the capital increase by third-party allotment. On the other hand, if the Tender Offer is not executed successfully, Nippon Television Network will not apply for underwriting and payment of the subscribed shares pertaining to the capital increase by third-party allotment. Therefore, Nippon Television Network may not pay all or part of the shares (1,069,400 shares of common stock) resolved by the Company as the issuance of subscribed shares through the capital increase by third-party allotment of shares, depending on the results of the Tender Offer, and in that case, it will disclose such.
2. The ratio of fully diluted ownership before the capital increase is the shareholding ratio before the capital increase by third-party allotment is implemented. It is the ratio calculated with the Company's shares totaling the number of the Company's shares that will be owned by Nippon Television Network through the Tender Offer as the numerator and the number of shares calculated by adding the number of

issued shares of the Company as of September 30, 2021 (6,201,322 shares) as described in the Company's quarterly report subtracted by the total number of treasury shares (243,228 shares) held by the Company as of the same date described in the Company's quarterly report to the total number of shares issued by the Company as of September 30, 2021 for the purpose of the total of 101,464 units of the fourth series and fifth series share warrants issued by the Company as of September 30, 2021 (101,464 shares) as the denominator (rounded to the second decimal place).

(2) Number of Voting Rights and Percentage of Total Voting Rights related to Ownership of the Shares Before and After the Change

	Percentage of total voting rights
Before	0.00%
After	25.43%

Notes: 1. In calculating the percentage of voting rights, the number of voting rights (59,580) calculated in the following way is used as the number of total voting rights. The total number of issued shares (6,201,322 shares) as of September 30, 2021 per the quarterly report subtracted by the number of treasury shares held by the Company (243,228 shares) as of the same date per the quarterly report equals 5,958,094 shares. The number of voting rights related to these 5,958,094 shares is 59,580 as of September 30, 2021.

2. The shareholding ratio is rounded to the second decimal place.

4. Future Earnings Outlook

The impact of the transaction on the Company's earnings will be promptly disclosed in the event there is a matter to be disclosed.