

## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2022 [Japanese GAAP]

Company name:	Beagle Inc.	Listed on: Tokyo Stock Exchange
Securities code:	3981	URL <a href="https://www.beagle.com">https://www.beagle.com</a>
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Scheduled date of quarterly report submission:	May 13, 2022	
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 First Quarter of the Fiscal Year Ending December 31, 2022 (January 1 to March 31, 2022)

#### (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	%
First quarter of the fiscal year ending December 31, 2022	4,673	5.7	546	26.4	512	29.8	254	22.9
First quarter of the fiscal year ended December 31, 2021	4,422	-	431	-	395	-	206	-

For reference: Comprehensive income

First quarter of the fiscal year ending December 31, 2022: 254 million yen (22.9%)

First quarter of the fiscal year ended December 31, 2021: 206 million yen (-%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
First quarter of the fiscal year ending December 31, 2022	42.63	42.23
First quarter of the fiscal year ended December 31, 2021	34.84	34.36

Note: The Company finalized provisional accounting treatment related to business combinations in the third quarter of the fiscal year ended December 31, 2021. Numerical figures for the first quarter of the fiscal year ended December 31, 2021 reflect the finalized provisional accounting treatment. Year-on-year changes for the first quarter of the fiscal year ended December 2021 have been omitted because the Company began preparing consolidated financial statements from the fourth quarter 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	%
March 31, 2022	19,284	5,878	30.5
December 31, 2021	19,458	5,671	29.1

For reference: Shareholders' equity

As of March 31, 2022: 5,878 million yen

As of December 31, 2021: 5,671 million yen

## 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, 2021	–	0.00	–	8.00	8.00
Fiscal year ending December 31, 2022	–				
Fiscal year ending December 31, 2022 (Forecast)		0.00	–	12.00	12.00

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. At present, however, the Company's basic policy is to provide dividend of surplus one time per year as a year-end dividend.

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2022 (January 1 to December 31, 2022)

(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	9,224	(0.3)	719	8.9	655	11.5	312	31.9	52.50
Full year	18,791	0.8	1,536	14.2	1,416	17.8	695	56.3	116.97

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

\* Notice

(1) Changes in important subsidiaries during the first 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 supplemental materials entitled “(3) Notes to Quarterly Consolidated Financial Statements, (Application of Special Accounting Treatment for Preparation of 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: Yes

(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)

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

March 31, 2022	243,228 shares	December 31, 2021	243,228 shares
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(c) Average number of shares during the period (cumulative from the beginning of the fiscal year)

March 31, 2022	5,959,294 shares	March 31, 2021	5,930,388 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 entitled “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 appearing below are based on information available as of the end of the period under review.

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

The Company finalized provisional accounting treatment related to business combinations in the third quarter of the fiscal year ended December 31, 2021. Comparisons and analysis involving the previous first quarter use adjusted amounts based on finalization of this provisional accounting treatment.

### (1) Explanation of Operating Results

During the first quarter under review, Japan's economy continued to see elements of uncertainty regarding the future outlook due to the spread of new variants of COVID-19 (Omicron), soaring raw materials prices, and the impacts of the unstable political situation internationally, despite progress with the vaccine rollout and countermeasures to stop the spread of infections.

The e-book market, mainly comics, continued to see an increase in customer traffic and higher average purchases, and going forward, the e-book and e-comic markets are expected to continue to see moderate growth in size (source: Impress Corporation estimates, "eBook marketing report 2021").

On the other hand, a reactionary bounce from people voluntarily staying at home was observed due to the declining number of COVID-19 cases, and certain factors were seen inhibiting e-book market growth, such as the impacts from pirated websites.

Given this market environment, in the Platform Segment, the Group pursued efficient investments while focusing on building its brand, and in the Contents Segment, the Group generated stable profits driven by the ongoing growth in the digital domain.

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

As a result, net sales in the first quarter totaled 4,673,218 thousand yen (up 5.7% year on year), operating profit came in at 546,008 thousand yen (up 26.4% year on year), ordinary profit was 512,893 thousand yen (up 29.8% year on year) and profit attributable to owners of the parent totaled 254,037 thousand yen (up 22.9% year on year).

The management results for each segment are presented below.

#### (Platform Segment)

In terms of the comic distribution service Manga Kingdom, a mainstay service in the Platform Segment, the Group 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. 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 in April 2022) as a comic streaming service.

Additionally, the Group focused on creating works “only available on Manga Kingdom,” which included distributing new serialized works exclusive to Manga Kingdom and the advance distribution of *The Love Between the Director and the Company Livestock Is Frustrating*, a Bunkasha Co., Ltd. work adapted into a television drama, with limited edition bonus.

As a result, Manga Kingdom broke through 1.7 billion in cumulative downloads in February 2022, while registered members broke through 6 million.

In terms of initiatives with Nippon TV, the Company actively worked to discover, develop and support creators through comicalization planning of the 2.5-dimensional actor’s on YouTube channel *Bokutachi no Asobiba* operated by Nippon TV and the decision to broadcast the second installment of *THE TOKIWA*, a documentary and variety program to find up-and-coming manga artist talent.

As a result, segment net sales totaled 3,078,030 thousand yen (up 8.0% year on year) and operating profit came in at 234,192 thousand yen (up 234.7% year on year).

#### (Contents Segment)

The Contents Segment is driving the Group’s strong performance, despite a certain reactionary bounce from people voluntarily staying at home, as high margin digital contents sustained strong growth, with the digitalization rate at 65% as of March 31, 2022.

The Group focused on the creation of contents, which included generating hits in both *PRIMO* and *COMIC Yamitsuki*, which are digital comic magazines newly published last year.

In January 2022, a special New Year drama based on *Stepmom and Daughter Blues* along with a television drama based on *The Love Between the Director and the Company Livestock Is Frustrating*, available on Manga Yomonga, were broadcast and a comic website for smartphones was launched. In March 2022, *Kindan Shoten* was launched on Bunkasha Co., Ltd.’s official YouTube channel and video streaming with captions was launched for popular manga such as *Bishu no Daichi: Fukushu no Tame ni Kao wo Suteta Onna*.

As a result, segment net sales totaled 1,637,452 thousand yen (up 1.1% year on year) and operating profit came in at 311,660 thousand yen (down 14.1% year on year).

## (2) Explanation of Financial Condition for the First Quarter Under Review

#### (Assets)

Total assets at the end of the first quarter amounted to 19,284,350 thousand yen, down 174,063 thousand yen compared to the previous fiscal year end.

Current assets totaled 8,222,428 thousand yen, up 46,511 thousand yen over the previous fiscal year end. This is mainly attributable to a decrease in notes and accounts receivable – trade of 226,888 thousand yen, while cash and deposits increased by 303,822 thousand yen.

Non-current assets totaled 11,061,922 thousand yen, down 220,575 thousand yen compared to the previous fiscal year end. This is mainly attributable to a decrease in intangible assets of 221,029 thousand yen.

#### (Liabilities)

Total liabilities at the end of the first quarter amounted to 13,406,340 thousand yen, down 380,426 thousand yen compared to the previous fiscal year end.

Current liabilities totaled 7,876,422 thousand yen, down 159,706 thousand yen over the previous fiscal year end. This is mainly attributable to increases in notes and accounts payable – trade of 138,900 thousand yen and deposits received of 106,993 thousand yen, which were offset by decreases in current portion of long-term loans payable of 60,000 thousand yen, accrued expenses of 161,351 thousand yen, income taxes payable of 62,503 thousand yen, and refund liabilities of 92,591 thousand yen.

Non-current liabilities totaled 5,529,917 thousand yen, down 220,719 thousand yen over the previous fiscal year end. This is attributable to a decrease in long-term loans payable of 175,000 thousand yen.

(Net assets)

Net assets at the end of the first quarter totaled 5,878,010 thousand yen, up 206,362 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in retained earnings of 206,362 thousand yen.

As a result, the shareholders' capital ratio came to 30.5%.

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

There are no changes to the consolidated earnings forecast announced in “Consolidated Financial Results for the Fiscal Year Ended December 31, 2021” released on February 14, 2022.

## 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, 2021)	Consolidated First Quarter (As of March 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	3,545,290	3,849,113
Notes and accounts receivable - trade	4,371,699	4,144,811
Merchandise and finished goods	54,469	61,629
Supplies	1,058	1,017
Advance payments - trade	398	3,113
Prepaid expenses	69,083	50,158
Accounts receivable - other	45,552	24,947
Income taxes receivable	98,976	105,877
Other	11,373	1,357
Allowance for doubtful accounts	(21,985)	(19,596)
Total current assets	8,175,916	8,222,428
Non-current assets		
Property, plant and equipment		
Buildings	14,662	14,662
Facilities attached to buildings	62,827	62,827
Tools, furniture and fixtures	145,112	151,464
Accumulated depreciation	(158,556)	(163,678)
Accumulated impairment loss	(1,602)	(1,602)
Total property, plant and equipment	62,443	63,673
Intangible assets		
Goodwill	9,589,618	9,434,219
Software	225,098	216,557
Content assets	435,148	419,413
Software in progress	1,847	–
Content assets in progress	3,574	3,414
Publishing rights	747,333	708,000
Other	1,332	1,320
Total intangible assets	11,003,953	10,782,923
Investments and other assets		
Leasehold and guarantee deposits	108,492	108,492
Deferred tax assets	88,374	88,374
Others	19,234	18,458
Total investments and other assets	216,101	215,325
Total non-current assets	11,282,497	11,061,922
Total assets	19,458,414	19,284,350



(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2021)	Consolidated First Quarter (As of March 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,056,896	3,195,797
Short-term loans payable	2,000,000	2,000,000
Current portion of long-term loans payable	820,000	760,000
Accounts payable - other	357,802	345,801
Accrued expenses	187,812	26,461
Income taxes payable	333,806	271,303
Accrued consumption taxes	92,896	143,482
Deferred revenue	672,762	–
Contract liabilities	–	628,081
Refund liabilities	430,246	337,654
Deposits received	38,554	145,547
Other	45,350	22,292
Total current liabilities	8,036,129	7,876,422
Non-current liabilities		
Long-term loans payable	5,425,000	5,250,000
Deferred tax liabilities	325,637	279,917
Total non-current liabilities	5,750,637	5,529,917
Total liabilities	13,786,767	13,406,340
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,883,373	1,883,373
Capital surplus	1,882,873	1,882,873
Retained earnings	2,268,356	2,474,719
Treasury shares	(362,955)	(362,955)
Total shareholders' equity	5,671,647	5,878,010
Total net assets	5,671,647	5,878,010
Total liabilities and net assets	19,458,414	19,284,350

## (2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

## Quarterly consolidated statement of income

## Consolidated First Quarter

(Unit: thousands of yen)

	Previous Consolidated First Quarter (January 1 to March 31, 2021)	Current Consolidated First Quarter (January 1 to March 31, 2022)
Net sales	4,422,622	4,673,218
Cost of sales	2,804,821	2,972,876
Gross profit	1,617,801	1,700,341
Selling, general and administrative expenses	1,185,805	1,154,333
Operating profit	431,995	546,008
Non-operating income		
Interest income	14	11
Reimbursement receivables	836	704
Subsidy income	150	–
Other	296	438
Total non-operating income	1,296	1,153
Non-operating expenses		
Interest expenses	35,855	31,857
Borrowing expenses	2,405	2,400
Other	2	10
Total non-operating expenses	38,262	34,267
Ordinary profit	395,029	512,893
Extraordinary losses		
Compensation for damages	–	900
Total extraordinary losses	–	900
Profit before income taxes	395,029	511,993
Income taxes – current	188,396	257,956
Total income taxes	188,396	257,956
Profit	206,632	254,037
Profit attributable to owners of the parent	206,632	254,037

Quarterly consolidated statement of income

Consolidated First Quarter

(Unit: thousands of yen)

	Previous Consolidated First Quarter (January 1 to March 31, 2021)	Current Consolidated First Quarter (January 1 to March 31, 2022)
Profit	206,632	254,037
Comprehensive income	206,632	254,037
(Breakdown)		
Comprehensive income related to owners of the parent	206,632	254,037

### (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)

Current Consolidated First Quarter (January 1 to March 31, 2022)

#### 1. Dividend payment

Resolution	Type of shares	Total amount of dividend (thousands of yen)	Dividend per share (yen)	Date of record	Date of effect	Source of dividends
Annual General Meeting of Shareholders held on March 29, 2022	Common stock	47,674	8.00	December 31, 2021	March 30, 2022	Retained earnings

#### 2. Dividends whose record date falls within the consolidated cumulative period for the first quarter of the current fiscal year and whose effective date is after the last day of the first quarter consolidated accounting period

N/A

(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 first 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 calculating using the statutory effective tax rate.

(Changes in Accounting Policy)

#### Application of Accounting Standard for Fair Value Measurement

The Company has applied Accounting Standards for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019) from the beginning of the first quarter under review. The Company will apply the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement into the future in accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019). The Company does not hold financial instruments on the quarterly consolidated balance sheet that use market value; thus, there is no impact on quarterly consolidated financial statements.

(Additional Information)

#### Application of Accounting Standard on Revenue Recognition

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

As a result of the application of Accounting Standard on Revenue Recognition, "deferred revenue," which was presented in "current liabilities" on the consolidated balance sheet for the previous fiscal year, is now presented in "contract liabilities" from the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-4 of Accounting Standard on Revenue Recognition, the Company has not restated figures for the previous fiscal year using the new presentation method. In addition, in accordance with

the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12; March 31, 2020), the Company does not state information that breaks down revenues arising from contracts with customers for the previous first quarter.

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.

(Segment Information, etc.)

Previous Consolidated First Quarter (January 1 to March 31, 2021)

Information on the amount of net sales, profit/loss for each reporting segment

(Unit: thousands of yen)

	Reporting segment			Adjusted amount (Note 1)	Total (Note 2)
	Platform Segment	Contents Segment	Total		
Net sales					
Net sales to external customers	2,848,912	1,573,710	4,422,622	–	4,422,622
Intersegment sales and transfers	–	45,475	45,475	(45,475)	–
Total	2,848,912	1,619,185	4,468,098	(45,475)	4,422,622
Segment profit	69,976	362,855	432,832	(836)	431,995

Notes: 1. Adjustments of segment profit (-836 thousand yen) represents company-wide expenses and elimination of intersegment transactions.

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

Current Consolidated First Quarter (January 1 to March 31, 2022)

Information on the amount of net sales, profit/loss for each reporting segment

(Unit: thousands of yen)

	Reporting segment			Adjusted amount (Note 1)	Total (Note 2)
	Platform Segment	Contents Segment	Total		
Net sales					
Own distribution	2,837,515	–	2,837,515	–	2,837,515
Others' distribution	105,459	1,020,426	1,125,885	–	1,125,885
Printed publishing	–	469,148	469,148	–	469,148
Others	135,056	105,611	240,668	–	240,668
Revenue from contracts with customers	3,078,030	1,595,187	4,673,218	–	4,673,218
Net sales to external customers	3,078,030	1,595,187	4,673,218	–	4,673,218
Intersegment sales and transfers	–	42,264	42,264	(42,264)	–
Total	3,078,030	1,637,452	4,715,483	(42,264)	4,673,218
Segment profit	234,192	311,660	545,852	155	546,008

Notes: 1. Adjustments of segment profit (155 thousand yen) represents company-wide expenses and elimination of intersegment transactions.

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

(Business combinations)

#### Finalization of Provisional Accounting Treatment Related to Business Combinations

Regarding the business combination with NSSK-CC Co., Ltd. (trade name changed to Bunkasha Group Co., Ltd. on January 1, 2021) that took place on October 8, 2020, the Company had implemented provisional accounting procedures in the fiscal year ended December 31, 2020, but these procedures were finalized in the previous fiscal year.

Upon finalization of this provisional accounting treatment, an important review has been reflected in the initial allocation of acquisition costs in the comparative information contained in the quarterly consolidated financial statement for the first quarter.

As a result, operating profit, ordinary profit and profit before income taxes in the quarterly consolidated statement of income for the previous first quarter each declined by 31,616 thousand yen, while profit and profit attributable to owners of the parent each declined by 18,006 thousand yen.