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November 14, 2022

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

Company name:	Beagle Inc.	Listed on:	Tokyo Stock Exchange
Securities code:	3981	URL	https://www.beagle.com
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Scheduled date of quarterly report submission:	November 14, 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 Third Quarter of the Fiscal Year Ending December 31, 2022 (January 1 to September 30, 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	%
Third quarter of the fiscal year ending December 31, 2022	14,035	(0.5)	1,385	46.4	1,260	50.0	531	57.1
Third quarter of the fiscal year ended December 31, 2021	14,107	-	946	-	840	-	338	-

For reference: Comprehensive income

Third quarter of the fiscal year ending December 31, 2022: 531 million yen (57.1%)

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

	Net income per share	Net income per share fully diluted
	Yen	Yen
Third quarter of the fiscal year ending December 31, 2022	89.10	88.24
Third quarter of the fiscal year ended December 31, 2021	56.92	56.23

Note: Year-on-year changes for the third 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	%
As of September 30, 2022	18,419	6,164	33.5
As of December 31, 2021	19,458	5,671	29.1

For reference: Shareholders' equity

As of September 30, 2022: 6,164 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	–	0.00	–		
Fiscal year ending December 31, 2022 (Forecast)				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)

(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	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 consolidated 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 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)

September 30, 2022	6,206,542 shares	December 31, 2021	6,202,522 shares
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(b) Number of treasury shares at end of period

September 30, 2022	238,985 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)

September 30, 2022	5,963,440 shares	September 30, 2021	5,943,562 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).

(1) Explanation of Operating Results

During the consolidated cumulative third quarter under review, a recovery was seen in socioeconomic activities, mainly personal consumption, amid the gradual easing of the COVID-19 pandemic, but subsequent waves of the pandemic caused socioeconomic activities to contract again. In addition, the business environment remained unclear amid soaring raw materials and energy prices caused by the situation in Ukraine coupled with the sharp depreciation of the yen.

The e-book market, mainly comics, continues to grow despite a cycle of ups and downs as stay-at-home demand rises and then wanes thereafter repeatedly, 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 2022”).

On the other hand, a reactionary bounce from people voluntarily staying at home was observed, 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 the brand of e-comic distribution service Manga Kingdom, 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, consolidated net sales for the cumulative third quarter under review totaled 14,035,953 thousand yen (down 0.5% year on year), operating profit came in at 1,385,314 thousand yen (up 46.4% year on year), ordinary profit was 1,260,305 thousand yen (up 50.0% year on year) and profit attributable to owners of the parent totaled 531,350 thousand yen (up 57.1% 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 actively carried out promotional campaigns appealing a sense of value and sales promotion activities for acquiring a broad range of users, in order to increase subscribers and customer spending by promoting the flow of visit, retention and purchase.

Furthermore, the Group focused on creation of works “only available on Manga Kingdom,” including the distribution of new serial works on Manga Kingdom.

As a result, Manga Kingdom pursued “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 and broke through 1.8 billion in cumulative downloads in July 2022, while registered members broke through 6.5 million in the same month.

In terms of initiatives with Nippon TV, the Company actively worked to discover, develop and support creators through comicalization, and it streamed 2.5-dimensional actors on YouTube channel Bokutachi no Asobiba operated by Nippon TV in September 2022, and began broadcasting the second installment of THE TOKIWA, a documentary and variety program to find up-and-coming manga artist talent in October 2022.

As a result, segment net sales totaled 9,271,219 thousand yen (down 1.4% year on year) and operating profit came in at 527,078 thousand yen (compared to an operating loss of 13,684 thousand yen in the previous third quarter).

(Contents Segment)

High margin digital contents sustained strong growth, driving the Contents Segment.

The Group produced hits in both PRIMO and COMIC Yamitsuki, which are digital comic magazines published last year, and above all, “Koakuma Kyoushi Saiko” became the greatest hit. In August 2022, the Group also published the first edition of a digital comic magazine called COMIC NOAN, which received positive reviews.

In addition to existing genres in women’s comics where the Company excels, we are expanding into light novels, light teen love genre, and light novels for women targeting a broader range of readers. In the process, we created hits in each of these genres. We are also publishing comics under the new &Emo. Label of love stories involving boys, which has produced multiple hits.

Manga Yomonga, a comic website for smartphones, saw a steady increase in users as it marked its third year in operation in July 2022. It features “The Love Between the Director and the Company Livestock Is Frustrating,” which has been made into a television drama. The Group steadily rolled out video streaming with captions of popular manga on Bunkasha Co., Ltd.’s official YouTube channel, Kindan Shoten.

As a result, segment net sales totaled 4,884,080 thousand yen (up 1.0% year on year) and operating profit came in at 858,025 thousand yen (down 10.6% year on year).

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

(Assets)

Total assets at the end of the third quarter amounted to 18,419,999 thousand yen, down 1,038,415 thousand yen compared to the previous fiscal year end.

Current assets totaled 7,900,162 thousand yen, down 275,754 thousand yen over the previous fiscal year end. This is mainly attributable to an increase in cash and deposits of 191,102 thousand yen, which was offset by a decrease in notes and accounts receivable – trade of 407,157 thousand yen.

Non-current assets totaled 10,519,837 thousand yen, down 762,660 thousand yen compared to the previous fiscal year end. This is mainly attributable to a decrease in intangible assets of 763,572 thousand yen.

(Liabilities)

Total liabilities at the end of the third quarter amounted to 12,255,106 thousand yen, down 1,531,660 thousand yen compared to the previous fiscal year end.

Current liabilities totaled 7,928,706 thousand yen, down 107,423 thousand yen over the previous fiscal year end. This is mainly attributable to increases in current portion of long-term loans payable of 200,000 thousand yen, accounts payable – other of 76,252 thousand yen, and accrued consumption taxes of 60,250 thousand yen, which were offset by decreases in notes and accounts payable - trade of 118,830 thousand yen, accrued expenses of 165,266 thousand yen, and refund liabilities of 120,159 thousand yen.

Non-current liabilities totaled 4,326,400 thousand yen, down 1,424,236 thousand yen over the previous fiscal year end. This is mainly attributable to decreases in long-term loans payable of 1,345,000 thousand yen and deferred tax liabilities of 79,236 thousand yen.

(Net assets)

Net assets at the end of the third quarter totaled 6,164,892 thousand yen, up 493,244 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in retained earnings of 483,676 thousand yen.

As a result, the shareholders' capital ratio came to 33.5%.

(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 Third Quarter (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	3,545,290	3,736,392
Notes and accounts receivable - trade	4,371,699	3,964,542
Merchandise and finished goods	54,469	69,313
Supplies	1,058	848
Advance payments - trade	398	5,862
Prepaid expenses	69,083	32,082
Accounts receivable - other	45,552	1,488
Income taxes receivable	98,976	105,878
Other	11,373	1,918
Allowance for doubtful accounts	(21,985)	(18,164)
Total current assets	8,175,916	7,900,162
Non-current assets		
Property, plant and equipment		
Buildings	14,662	14,662
Facilities attached to buildings	62,827	66,684
Tools, furniture and fixtures	145,112	156,213
Accumulated depreciation	(158,556)	(174,150)
Accumulated impairment loss	(1,602)	(1,602)
Total property, plant and equipment	62,443	61,806
Intangible assets		
Goodwill	9,589,618	9,123,420
Software	225,098	204,407
Content assets	435,148	278,290
Software in progress	1,847	–
Content assets in progress	3,574	3,633
Publishing rights	747,333	629,333
Other	1,332	1,295
Total intangible assets	11,003,953	10,240,380
Investments and other assets		
Leasehold and guarantee deposits	108,492	108,492
Deferred tax assets	88,374	88,374
Others	19,234	20,782
Total investments and other assets	216,101	217,649
Total non-current assets	11,282,497	10,519,837
Total assets	19,458,414	18,419,999

(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2021)	Consolidated Third Quarter (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,056,896	2,938,066
Short-term loans payable	2,000,000	2,000,000
Current portion of long-term loans payable	820,000	1,020,000
Accounts payable - other	357,802	434,055
Accrued expenses	187,812	22,546
Income taxes payable	333,806	332,756
Accrued consumption taxes	92,896	153,147
Deferred revenue	672,762	–
Contract liabilities	–	624,860
Refund liabilities	430,246	310,086
Deposits received	38,554	72,172
Other	45,350	21,014
Total current liabilities	8,036,129	7,928,706
Non-current liabilities		
Long-term loans payable	5,425,000	4,080,000
Deferred tax liabilities	325,637	246,400
Total non-current liabilities	5,750,637	4,326,400
Total liabilities	13,786,767	12,255,106
Net assets		
Shareholders' equity		
Capital stock	1,883,373	1,884,981
Capital surplus	1,882,873	1,884,506
Retained earnings	2,268,356	2,752,032
Treasury shares	(362,955)	(356,628)
Total shareholders' equity	5,671,647	6,164,892
Total net assets	5,671,647	6,164,892
Total liabilities and net assets	19,458,414	18,419,999

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

Quarterly consolidated statement of income

Consolidated Cumulative Third Quarter

(Unit: thousands of yen)

	Previous Consolidated Cumulative Third Quarter (January 1 to September 30, 2021)	Current Consolidated Cumulative Third Quarter (January 1 to September 30, 2022)
Net sales	14,107,931	14,035,953
Cost of sales	9,150,634	9,062,258
Gross profit	4,957,297	4,973,695
Selling, general and administrative expenses	4,010,869	3,588,380
Operating profit	946,427	1,385,314
Non-operating income		
Interest income	25	24
Dividend income	87	87
Reimbursement receivables	2,596	2,112
Subsidy income	362	454
Refund income	1,002	201
Other	359	365
Total non-operating income	4,431	3,246
Non-operating expenses		
Interest expenses	105,877	91,578
Borrowing expenses	3,781	34,211
Other	1,060	2,465
Total non-operating expenses	110,720	128,256
Ordinary profit	840,138	1,260,305
Extraordinary income		
Gain on sale of non-current assets	13,500	–
Total extraordinary income	13,500	–
Extraordinary losses		
Impairment losses	30,324	115,236
Compensation for damages	–	1,240
Total extraordinary losses	30,324	116,476
Profit before income taxes	823,314	1,143,829
Income taxes – current	485,011	612,478
Total income taxes	485,011	612,478
Profit	338,302	531,350
Profit attributable to owners of the parent	338,302	531,350

Quarterly consolidated statement of comprehensive income

Consolidated Cumulative Third Quarter

(Unit: thousands of yen)

	Previous Consolidated Cumulative Third Quarter (January 1 to September 30, 2021)	Current Consolidated Cumulative Third Quarter (January 1 to September 30, 2022)
Profit	338,302	531,350
Comprehensive income	338,302	531,350
(Breakdown)		
Comprehensive income related to owners of the parent	338,302	531,350

(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 Cumulative Third Quarter (January 1 to September 30, 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 third quarter of the current fiscal year and whose effective date is after the last day of the third quarter consolidated accounting period

N/A

3. Significant changes in the amount of shareholders' equity

The Company disposed of 4,272 treasury shares on April 28, 2022 based on a resolution at the meeting of the board of directors held on March 29, 2022 as restricted share compensation paid to the Company's directors. As a result, during the consolidated cumulative third quarter under review, treasury shares decreased by 6,374 thousand yen to 356,628 thousand yen 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 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 of the current fiscal year. 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 of the current fiscal year. 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 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 consolidated balance sheet of the previous fiscal year. 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 third 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 Cumulative Third Quarter (January 1 to September 30, 2021)

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

(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 of 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.

Current Consolidated Cumulative Third Quarter (January 1 to September 30, 2022)

1. Information on the amount of net sales, profit/loss for each reporting segment, and breakdown of profits

(Unit: thousands of yen)

	Reporting segment			Adjusted amount (Note 1)	Total (Note 2)
	Platform Segment	Contents Segment	Total		
Net sales					
Own distribution	8,604,568	–	8,604,568	–	8,604,568
Others' distribution	327,145	3,060,601	3,387,746	–	3,387,746
Printed publishing	–	1,365,787	1,365,787	–	1,365,787
Others	339,413	338,436	677,850	–	677,850
Revenue from contracts with customers	9,271,128	4,764,825	14,035,953	–	14,035,953
Net sales to external customers	9,271,128	4,764,825	14,035,953	–	14,035,953
Intersegment sales and transfers	90	119,255	119,346	(119,346)	–
Total	9,271,219	4,884,080	14,155,299	(119,346)	14,035,953
Segment profit	527,078	858,025	1,385,104	210	1,385,314

Notes: 1. Adjustments of segment profit of 210 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.

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 impairments losses on intangible assets related to certain services related to games.

Furthermore, these impairment losses amounted to 115,236 thousand yen in the third quarter under review.