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May 12, 2023

## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2023 [Japanese GAAP]

Company name:	Beagle Inc.	Listed on:	Tokyo Stock Exchange
Securities code:	3981	URL	<a href="https://www.beaglee.com">https://www.beaglee.com</a>
Representative:	Jimpei Yoshida	President and Representative Director	
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Scheduled date of quarterly report submission:	May 12, 2023		
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, 2023 (January 1 to March 31, 2023)

#### (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, 2023	4,675	0.0	369	(32.3)	355	(30.6)	168	(33.6)
First quarter of the fiscal year ended December 31, 2022	4,673	5.7	546	26.4	512	29.8	254	22.9

Note: Comprehensive income

First quarter of the fiscal year ending December 31, 2023: 168 million yen (-33.6%)

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

	Net income per share	Net income per share fully diluted
	Yen	Yen
First quarter of the fiscal year ending December 31, 2023	28.13	27.96
First quarter of the fiscal year ended December 31, 2022	42.63	42.23

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital-to-asset ratio
	Millions of yen	Millions of yen	%
March 31, 2023	17,789	6,412	36.0
December 31, 2022	19,039	6,314	33.2

For reference: Shareholders' equity

As of March 31, 2023: 6,412 million yen

As of December 31, 2022: 6,314 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, 2022	–	0.00	–	12.00	12.00
Fiscal year ending December 31, 2023	–				
Fiscal year ending December 31, 2023 (Forecast)		0.00	–	15.00	15.00

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 a dividend of surplus one time per year as a year-end dividend.

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2023 (January 1 to December 31, 2023)

(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	9,499	2.0	850	(17.0)	822	(14.4)	406	(3.3)	68.11
Full year	19,622	4.9	1,822	3.8	1,766	9.8	900	35.4	150.80

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: 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)

March 31, 2023	6,237,142 shares	December 31, 2022	6,236,342 shares
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(b) Number of treasury shares at end of period

March 31, 2023	238,985 shares	December 31, 2022	238,985 shares
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(c) Average number of shares during the period (cumulative from the beginning of the fiscal year)

March 31, 2023	5,997,525 shares	March 31, 2022	5,959,294 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.

### (1) Explanation of Operating Results

During the first quarter under review, Japan's economy continued to face an uncertain business environment amid unstable foreign exchange rates versus the yen and concerns over economic stagnation caused by inflation. Despite this, there was positive news as pandemic related restrictions were lifted and socioeconomic activities began to normalize with a more balanced approach to infection controls and economic activities.

As for the business environment surrounding the Company, the printed publication market is contracting, but the e-book publication market continues to grow. According to "eBook marketing report 2022," Impress Corporation estimates that the growth rate of the e-book market will be around 9% in fiscal 2023, and going forward, the e-book and e-comic markets are expected to continue to see moderate growth in size.

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 continued to implement 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 4,675,443 thousand yen (up 0.0% year on year), operating profit came in at 369,694 thousand yen (down 32.3% year on year), ordinary profit was 355,921 thousand yen (down 30.6% year on year) and profit attributable to owners of the parent totaled 168,684 thousand yen (down 33.6% 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," comicalized works with original, and works in popular genres such as fantasy and others.

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 2023) as a comic streaming service and broke through 1.9 billion in cumulative downloads in December 2022, while registered members broke through 7.5 million in April 2023.

As for "novelba," a service for posting novels, to promote the expansion of comicalized and media mix based on posted works, the Group implemented measures and held novel contests to increase the number of app users and posted works.

In terms of initiatives with Nippon TV, we launched a serialized work from THE TOKIWA, a documentary and variety program to find up-and-coming manga artist talent, and distributed it first exclusively on Manga Kingdom.

As a result, segment net sales totaled 3,091,843 thousand yen (up 0.4% year on year) and operating profit came in at 106,912 thousand yen (down 54.3%).

#### (Contents Segment)

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

Digital comic magazines PRIMO and COMIC Yamitsuki released in 2021 and comics in the &Emo. Label of love stories involving boys established in 2020 sold briskly, contributing to an increase in net sales. We also worked to create content and expand genres in line with reader tastes, including newly creating a digital comic magazine called “comic Killa” in April 2023. Additionally, we implemented a number of measures including hosting a collaborative café event on occasion of the 20th anniversary of BL comic magazine GUSH.

Furthermore, we stepped up collaboration between segments and focused on creating works utilizing the unique traits of our labels, which included holding the “2nd BK Comics f Reijo Novel Contest” jointly with Novelba on behalf of BK Comics f, a comicalized label of light novels for women focused on fantasy and Reijo (high-status women) works.

In addition, “HANJUKU FAMILIAR ~harapeko kyoudai no jukusei recipe,” a popular gourmet focused manga published by Bunkasha Co., Ltd. was made into a drama produced by AX-ON Inc., a subsidiary of Nippon Television Holdings, Inc.

As a result, segment net sales totaled 1,617,988 thousand yen (down 1.2% year on year) and operating profit came in at 262,748 thousand yen (down 15.7% year on year).

## (2) Explanation of Financial Condition

### (Assets)

Total assets at the end of the first quarter amounted to 17,789,830 thousand yen, down 1,250,101 thousand yen compared to the previous fiscal year end.

Current assets totaled 7,773,342 thousand yen, down 1,034,414 thousand yen over the previous fiscal year end. This is mainly attributable to decreases in cash and deposits of 568,650 thousand yen, notes and accounts receivable – trade of 356,973 thousand yen, and income taxes receivable of 105,588 thousand yen.

Non-current assets totaled 10,016,488 thousand yen, down 215,686 thousand yen compared to the previous fiscal year end. This is mainly attributable to a decrease in intangible assets of 214,504 thousand yen.

### (Liabilities)

Total liabilities at the end of the first quarter amounted to 11,377,781 thousand yen, down 1,347,458 thousand yen compared to the previous fiscal year end.

Current liabilities totaled 7,597,755 thousand yen, down 1,078,848 thousand yen over the previous fiscal year end. This is mainly attributable to an increase in deposits received of 51,976 thousand yen, which was offset by decreases in notes and accounts payable - trade of 442,675 thousand yen, accounts payable – other of 98,049 thousand yen, income taxes payable of 287,427 thousand yen, accrued consumption taxes of 65,991 thousand yen and refund liabilities of 167,049 thousand yen.

Non-current liabilities totaled 3,780,026 thousand yen, down 268,609 thousand yen over the previous fiscal year end. This is attributable to a decrease in long-term loans payable of 255,000 thousand yen.

(Net assets)

Net assets at the end of the first quarter totaled 6,412,048 thousand yen, up 97,356 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in retained earnings of 96,716 thousand yen.

As a result, the shareholders' capital ratio came to 36.0%.

(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, 2022” released on February 14, 2023.

## 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, 2022)	Consolidated First Quarter (As of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	4,217,980	3,649,330
Notes receivable	36,910	39,343
Accounts receivable - trade	4,341,938	3,984,965
Merchandise and finished goods	57,759	56,007
Supplies	793	758
Advance payments - trade	2,589	8,313
Prepaid expenses	48,218	40,938
Accounts receivable - other	7,313	3,662
Income taxes receivable	105,588	–
Other	480	944
Allowance for doubtful accounts	(11,817)	(10,922)
Total current assets	8,807,757	7,773,342
Non-current assets		
Property, plant and equipment		
Buildings	14,662	14,662
Facilities attached to buildings	70,634	70,634
Tools, furniture and fixtures	149,020	152,718
Accumulated depreciation	(165,549)	(169,562)
Accumulated impairment loss	(1,602)	(1,602)
Total property, plant and equipment	67,164	66,850
Intangible assets		
Goodwill	8,919,020	8,771,358
Software	191,638	172,994
Content assets	273,834	268,022
Software in progress	2,298	189
Content assets in progress	4,319	3,388
Publishing rights	590,000	550,666
Other	1,282	1,270
Total intangible assets	9,982,395	9,767,890
Investments and other assets		
Leasehold and guarantee deposits	108,492	108,492
Deferred tax assets	54,292	54,292
Others	19,830	18,962
Total investments and other assets	182,615	181,747
Total non-current assets	10,232,175	10,016,488
Total assets	19,039,932	17,789,830



(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2022)	Consolidated First Quarter (As of March 31, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	3,310,535	2,867,860
Short-term loans payable	2,000,000	2,000,000
Current portion of long-term loans payable	1,020,000	1,020,000
Accounts payable - other	463,785	365,735
Accrued expenses	34,785	27,829
Income taxes payable	496,755	209,327
Accrued consumption taxes	166,692	100,700
Contract liabilities	665,215	632,524
Refund liabilities	417,866	250,816
Deposits received	35,520	87,496
Other	65,447	35,464
Total current liabilities	8,676,604	7,597,755
<b>Non-current liabilities</b>		
Long-term loans payable	3,825,000	3,570,000
Deferred tax liabilities	223,636	210,026
Total non-current liabilities	4,048,636	3,780,026
<b>Total liabilities</b>	<b>12,725,240</b>	<b>11,377,781</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,893,301	1,893,621
Capital surplus	1,892,826	1,893,146
Retained earnings	2,885,192	2,981,909
Treasury shares	(356,628)	(356,628)
Total shareholders' equity	6,314,691	6,412,048
<b>Total net assets</b>	<b>6,314,691</b>	<b>6,412,048</b>
<b>Total liabilities and net assets</b>	<b>19,039,932</b>	<b>17,789,830</b>

## (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, 2022)	Current Consolidated First Quarter (January 1 to March 31, 2023)
Net sales	4,673,218	4,675,443
Cost of sales	2,972,876	3,022,726
Gross profit	1,700,341	1,652,716
Selling, general and administrative expenses	1,154,333	1,283,022
Operating profit	546,008	369,694
Non-operating income		
Interest income	11	11
Reimbursement receivables	704	792
Other	438	296
Total non-operating income	1,153	1,099
Non-operating expenses		
Interest expenses	31,857	13,484
Borrowing expenses	2,400	1,307
Other	10	81
Total non-operating expenses	34,267	14,872
Ordinary profit	512,893	355,921
Extraordinary losses		
Compensation for damages	900	–
Total extraordinary losses	900	–
Profit before income taxes	511,993	355,921
Income taxes – current	257,956	187,236
Total income taxes	257,956	187,236
Profit	254,037	168,684
Profit attributable to owners of the parent	254,037	168,684

Quarterly consolidated statement of comprehensive income

Consolidated First Quarter

(Unit: thousands of yen)

	Previous Consolidated First Quarter (January 1 to March 31, 2022)	Current Consolidated First Quarter (January 1 to March 31, 2023)
Profit	254,037	168,684
Comprehensive income	254,037	168,684
(Breakdown)		
Comprehensive income related to owners of the parent	254,037	168,684

(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, 2023)

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, 2023	Common stock	71,968	12.00	December 31, 2022	March 30, 2023	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.

(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.

(Segment Information, etc.)

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

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	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 of 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.

Current Consolidated First Quarter (January 1 to March 31, 2023)

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	2,904,562	–	2,904,562	–	2,904,562
Others' distribution	97,091	1,032,830	1,129,922	–	1,129,922
Printed publishing	–	441,685	441,685	–	441,685
Others	89,917	109,356	199,273	–	199,273
Revenue from contracts with customers	3,091,571	1,583,872	4,675,443	–	4,675,443
Net sales to external customers	3,091,571	1,583,872	4,675,443	–	4,675,443
Intersegment sales and transfers	272	34,116	34,389	(34,389)	–
Total	3,091,843	1,617,988	4,709,832	(34,389)	4,675,443
Segment profit	106,912	262,748	369,661	33	369,694

Notes: 1. Adjustments of segment profit of 33 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.