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November 14, 2023

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

Company name:	Beaglee Inc.	Listed on: Tokyo Stock Exchange
Securities code:	3981	URL https://www.beaglee.com
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Scheduled date of quarterly report submission:	November 14, 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 Third Quarter of the Fiscal Year Ending December 31, 2023 (January 1 to September 30, 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	%
Third quarter of the fiscal year ending December 31, 2023	14,452	3.0	1,271	(8.2)	1,231	(2.3)	615	15.9
Third quarter of the fiscal year ended December 31, 2022	14,035	(0.5)	1,385	46.4	1,260	50.0	531	57.1

For reference: Comprehensive income

Third quarter of the fiscal year ending December 31, 2023: 615 million yen (15.9%)

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

	Net income per share	Net income per share fully diluted
	Yen	Yen
Third quarter of the fiscal year ending December 31, 2023	102.56	101.97
Third quarter of the fiscal year ended December 31, 2022	89.10	88.24

(2) Consolidated Financial Position

	Total assets	Net assets	Capital-to-asset ratio
	Millions of yen	Millions of yen	%
September 30, 2023	18,424	6,869	37.3
December 31, 2022	19,039	6,314	33.2

For reference: Shareholders' equity

As of September 30, 2023: 6,869 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	–	0.00			
Fiscal year ending December 31, 2023 (Forecast)			–	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 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)

(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	19,622	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

* Notes

(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: 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, 2023	6,243,986 shares	December 31, 2022	6,236,342 shares
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(b) Number of treasury shares at end of period

September 30, 2023	234,706 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)

September 30, 2023	6,003,453 shares	September 30, 2022	5,963,440 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 notes 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.”

○ Supplemental Materials

1. Qualitative Information on the Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Condition for the Third Quarter Under Review.....	4
(3) Explanation of Forward-Looking Information including Consolidated Earnings Forecast	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
(Notes on the Going-Concern Assumption)	9
(Notes on Significant Changes in the Amount of Shareholders' Equity)	9
(Application of Special Accounting Treatment for Preparation of Quarterly Consolidated Financial Statements).....	9
(Additional Information)	9
(Segment Information, etc.).....	10

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 consolidated cumulative third quarter under review, the Japanese economy returned to normal in terms of socioeconomic activities with a more balanced approach to infection control and economic activities, as pandemic-related restrictions were lifted, the status of COVID-19 under the Infectious Diseases Control Law was lowered to a Class V Infectious Disease, and the mobility of people recovered both in Japan and abroad. On the other hand, the business environment remained uncertain due to concerns of economic stagnation brought about by the unstable yen exchange rate and inflation, as well as the tense global situation.

As for the business environment surrounding the Company, the printed publication market shrank, but the e-book publication market continued to grow. According to “eBook marketing report 2023,” Impress Corporation estimates that the growth rate of the e-book market will be around 8% 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, which led to net sales for Manga Kingdom up 3.3% year on year. In addition, 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, consolidated net sales for the cumulative third quarter under review totaled 14,452,354 thousand yen (up 3.0% year on year), operating profit came in at 1,271,596 thousand yen (down 8.2% year on year), ordinary profit was 1,231,297 thousand yen (down 2.3% year on year) and profit attributable to owners of the parent totaled 615,724 thousand yen (up 15.9% 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 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 creating works that are “only available on Manga Kingdom,” comicalized works with the originals, 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 2.0 billion in cumulative downloads in May 2023, while registered members broke through 8.0 million in October 2023.

In June 2023, the Company started offering a “yomoyo” comic distribution service in the e-comic market of North America, which is expected to grow particularly among overseas countries by leveraging the know-how cultivated in the domestic comic distribution business.

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 addition, with the aim of creating an original IP, a collaboration has been started with Amuse Inc., which is engaged in a wide range of businesses including those related to events, music/video, etc. As a first initiative, we held the “Aim for media mix! - contemporary romance x fantasy novel contest” in “novelba.”

As for the initiatives with Nippon TV, after the completion of the e-comic version of a manga that was serialized in Manga Kingdom at the end of last year and that originated from “THE TOKIWA,” a documentary and variety program to find up-and-coming manga artists, the manga was then launched as a paperback book in August 2023.

As for expenses, selling, general and administrative expenses increased mainly through advertising expenses due to placing advertisements in a stable advertising market.

As a result, segment net sales totaled 9,467,569 thousand yen (up 2.1% year on year) and operating profit came in at 453,141 thousand yen (down 14.0% year on year).

(Contents Segment)

In the Contents Segment, the Company implemented cost controls for printed publishing in consideration of the shrinking market for such publishing, increased the number of publications mainly through digital contents, and actively conducted sales promotion activities tailored to the characteristics and readers’ needs of each e-bookstore.

As a result, net sales were up 7.7% year on year in digital publishing. On the other hand, for printed publishing, factors such as return rate increase and profit margin decline were observed, therefore countermeasures continue to be needed.

Under these circumstances, the Company worked to create content and expand genres in line with readers’ tastes, and strengthened promotions using SNS and video platforms. As a result, sales of works in the women’s comic genre, particularly the BL and TL genres which are Bunkasha Co., Ltd.’s strengths, and works from digital comic magazines launched in recent years remained strong.

Additionally, we implemented a number of measures, including hosting a collaborative café event and “GUSH 20th anniversary exhibition-with LOVE” on the occasion of the 20th anniversary of GUSH, a BL comic magazine.

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 manga focusing on gourmet published by Bunkasha Co., Ltd. was made into a drama produced by AX-ON Inc., a subsidiary of Nippon Television Holdings, Inc. “The Princess Club,” published by Bunkasha, was also made into a video in a Fuji Television program in June 2023.

As a result, segment net sales totaled 5,100,280 thousand yen (up 4.4% year on year) and operating profit came in at 817,895 thousand yen (down 4.7% 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 18,424,439 thousand yen, down 615,492 thousand yen compared to the previous fiscal year end.

Current assets totaled 8,828,747 thousand yen, up 20,990 thousand yen over the previous fiscal year end. This is mainly attributable to a decrease in accounts receivable - trade of 51,355 thousand yen, and income taxes receivable of 101,106 thousand yen, offset with an increase in cash and deposits of 110,676 thousand yen and prepaid expenses of 53,781 thousand yen.

Non-current assets totaled 9,595,691 thousand yen, down 636,483 thousand yen compared to the previous fiscal year end. This is mainly attributable to a decrease in intangible assets of 638,156 thousand yen.

(Liabilities)

Total liabilities at the end of the third quarter amounted to 11,554,677 thousand yen, down 1,170,562 thousand yen compared to the previous fiscal year end.

Current liabilities totaled 8,311,869 thousand yen, down 364,734 thousand yen over the previous fiscal year end. This is mainly attributable to an increase in notes and accounts payable - trade of 227,960 thousand yen, offset with a decrease in accounts payable - other of 89,759 thousand yen, income taxes payable of 222,366 thousand yen, accrued consumption taxes of 122,567 thousand yen, and refund liabilities of 157,400 thousand yen.

Non-current liabilities totaled 3,242,808 thousand yen, down 805,828 thousand yen over the previous fiscal year end. This is mainly attributable to a decrease in long-term loans payable of 765,000 thousand yen.

(Net assets)

Net assets at the end of the third quarter totaled 6,869,761 thousand yen, up 555,069 thousand yen compared to the previous fiscal year end. This is mainly attributable to an increase in retained earnings of 542,593 thousand yen.

As a result, the shareholders' capital ratio came to 37.3%.

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

The company's performance in this consolidated cumulative third quarter fell slightly short of its full-year earnings forecast due to deteriorating earnings in printed publishing and an increase in selling, general and administrative expenses such as advertising expenses. As for the Company's full-year earnings forecast for the fiscal year ending December 2023, in addition to year-end sales campaigns, with the distribution of several new titles in the pipeline, 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 Third Quarter (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	4,217,980	4,328,657
Notes receivable	36,910	40,629
Accounts receivable - trade	4,341,938	4,290,583
Merchandise and finished goods	57,759	61,106
Supplies	793	649
Advance payments - trade	2,589	9,018
Prepaid expenses	48,218	101,999
Accounts receivable - other	7,313	1,729
Income taxes receivable	105,588	4,481
Other	480	651
Allowance for doubtful accounts	(11,817)	(10,758)
Total current assets	8,807,757	8,828,747
Non-current assets		
Property, plant and equipment		
Buildings	14,662	14,662
Facilities attached to buildings	70,634	73,662
Tools, furniture and fixtures	149,020	160,507
Accumulated depreciation	(165,549)	(179,307)
Accumulated impairment loss	(1,602)	(1,602)
Total property, plant and equipment	67,164	67,922
Intangible assets		
Goodwill	8,919,020	8,476,033
Software	191,638	137,616
Content assets	273,834	253,521
Software in progress	2,298	536
Content assets in progress	4,319	3,284
Publishing rights	590,000	472,000
Other	1,282	1,245
Total intangible assets	9,982,395	9,344,238
Investments and other assets		
Leasehold and guarantee deposits	108,492	108,492
Deferred tax assets	54,292	54,292
Others	19,830	20,745
Total investments and other assets	182,615	183,531
Total non-current assets	10,232,175	9,595,691
Total assets	19,039,932	18,424,439

(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2022)	Consolidated Third Quarter (As of September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,310,535	3,538,495
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	374,025
Accrued expenses	34,785	36,696
Income taxes payable	496,755	274,388
Accrued consumption taxes	166,692	44,124
Contract liabilities	665,215	594,486
Refund liabilities	417,866	260,466
Deposits received	35,520	44,464
Other	65,447	124,720
Total current liabilities	8,676,604	8,311,869
Non-current liabilities		
Long-term loans payable	3,825,000	3,060,000
Deferred tax liabilities	223,636	182,808
Total non-current liabilities	4,048,636	3,242,808
Total liabilities	12,725,240	11,554,677
Net assets		
Shareholders' equity		
Capital stock	1,893,301	1,896,359
Capital surplus	1,892,826	1,895,859
Retained earnings	2,885,192	3,427,786
Treasury shares	(356,628)	(350,242)
Total shareholders' equity	6,314,691	6,869,761
Total net assets	6,314,691	6,869,761
Total liabilities and net assets	19,039,932	18,424,439

(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)

	Previous Consolidated Cumulative Third Quarter (January 1 to September 30, 2022)	Current Consolidated Cumulative Third Quarter (January 1 to September 30, 2023)
Net sales	14,035,953	14,452,354
Cost of sales	9,062,258	9,380,975
Gross profit	4,973,695	5,071,378
Selling, general and administrative expenses	3,588,380	3,799,782
Operating profit	1,385,314	1,271,596
Non-operating income		
Interest income	24	24
Dividend income	87	107
Reimbursement receivables	2,112	2,090
Subsidy income	454	–
Refund income	201	–
Compensation receivables	–	1,908
Other	365	327
Total non-operating income	3,246	4,458
Non-operating expenses		
Interest expenses	91,578	39,330
Borrowing expenses	34,211	2,874
Other	2,465	2,552
Total non-operating expenses	128,256	44,757
Ordinary profit	1,260,305	1,231,297
Extraordinary losses		
Impairment losses	115,236	–
Compensation for damages	1,240	–
Total extraordinary losses	116,476	–
Profit before income taxes	1,143,829	1,231,297
Income taxes - current	612,478	615,573
Total income taxes	612,478	615,573
Profit	531,350	615,724
Profit attributable to owners of the parent	531,350	615,724

Quarterly Consolidated Statements of Comprehensive Income

Consolidated Cumulative Third Quarter

(Unit: thousands of yen)

	Previous Consolidated Cumulative Third Quarter (January 1 to September 30, 2022)	Current Consolidated Cumulative Third Quarter (January 1 to September 30, 2023)
Profit	531,350	615,724
Comprehensive income	531,350	615,724
(Breakdown)		
Comprehensive income related to owners of the parent	531,350	615,724

(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, 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 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 4,279 treasury shares on April 28, 2023 based on a resolution at the meeting of the board of directors held on March 29, 2023 as restricted share compensation paid to the Company's directors. As a result, retained earnings and treasury shares decreased by 1,161 thousand yen and 6,385 thousand yen, respectively, during the consolidated cumulative third quarter under review to 3,427,786 thousand yen and 350,242 thousand yen, respectively, as of September 30, 2023.

(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.

(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 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 impairment 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.

Current Consolidated Cumulative Third Quarter (January 1 to September 30, 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	8,886,074	–	8,886,074	–	8,886,074
Others' distribution	297,086	3,311,588	3,608,675	–	3,608,675
Printed publishing	–	1,319,448	1,319,448	–	1,319,448
Others	283,589	354,566	638,155	–	638,155
Revenue from contracts with customers	9,466,751	4,985,602	14,452,354	–	14,452,354
Net sales to external customers	9,466,751	4,985,602	14,452,354	–	14,452,354
Intersegment sales and transfers	818	114,677	115,496	(115,496)	–
Total	9,467,569	5,100,280	14,567,850	(115,496)	14,452,354
Segment profit	453,141	817,895	1,271,036	560	1,271,596

Notes: 1. Adjustments of segment profit of 560 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.