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November 14, 2024

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2024 [Under Japanese GAAP]

Company name: Beaglee Inc. Listed on: Tokyo Stock Exchange
Securities code: 3981 URL: https://www.beaglee.com
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Date for commencement of dividend payments: –
Supplementary notes to financial statements: Yes
Briefing on financial statements: None

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2024 (January 1 to September 30, 2024)

(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, 2024	14,256	(1.4)	1,411	11.0	1,370	11.3	724	17.6
Third quarter of the fiscal year ended December 31, 2023	14,452	3.0	1,271	(8.2)	1,231	(2.3)	615	15.9

For reference: Comprehensive income
Third quarter of the fiscal year ending December 31, 2024: 724 million yen (17.6%)
Third quarter of the fiscal year ended December 31, 2023: 615 million yen (15.9%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
Third quarter of the fiscal year ending December 31, 2024	120.57	120.13
Third quarter of the fiscal year ended December 31, 2023	102.56	101.97

(2) Consolidated Financial Position

	Total assets	Net assets	Capital-to-asset ratio
	Millions of yen	Millions of yen	%
September 30, 2024	17,222	7,231	42.0
December 31, 2023	18,384	6,953	37.8

For reference: Shareholders' equity
As of September 30, 2024: 7,228 million yen
As of December 31, 2023: 6,953 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, 2023	–	0.00	–	15.00	15.00
Fiscal year ending December 31, 2024	–	0.00	–		
Fiscal year ending December 31, 2024 (Forecast)				17.00	17.00

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 the 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, 2024 (January 1 to December 31, 2024)

(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	20,118	5.4	1,846	23.4	1,804	25.3	925	34.3	153.52

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

* Notes

(1) Significant changes in the scope of consolidation during the third quarter under review: None
New: None Exclusion: None

(2) Application of special accounting treatment for the preparation of quarterly consolidated 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 the 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, 2024	6,263,986 shares	December 31, 2023	6,263,986 shares

(b) Number of treasury shares at end of period

September 30, 2024	497,053 shares	December 31, 2023	234,706 shares

(c) Average number of shares during the period (cumulative from the beginning of the fiscal year)

September 30, 2024	6,007,432 shares	September 30, 2023	6,003,453 shares

* Review of the attached quarterly consolidated financial statements by a certified public accountant or audit corporation: Yes (voluntary)

* 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 the notes on the underlying assumptions about the earnings forecasts and the use of the earnings forecasts, 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 Forecasts."

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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 quarter under review.

(1) Explanation of Operating Results

During the consolidated cumulative third quarter under review, the Japanese economy continued to show signs of gradual recovery, as socio-economic activities normalized, and corporate activities and personal consumption showed signs of improvement. But 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 2024," Impress Corporation estimates that the growth rate of the e-book market will be around 5% in fiscal 2024, 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.

As a result, net sales for the consolidated cumulative third quarter under review totaled 14,256,252 thousand yen (down 1.4% year on year), operating profit was 1,411,357 thousand yen (up 11.0% year on year), ordinary profit was 1,370,292 thousand yen (up 11.3% year on year), and profit attributable to owners of the parent totaled 724,292 thousand yen (up 17.6% 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. On the other hand, the number of active users was on a downward trend, and it continued to take a certain amount of time to retain and develop light users. As a result, Manga Kingdom net sales decreased 3.5% year on year.

In addition, the Group proceeded with negotiations on the content license for "yomoyo," a comic distribution service for North America that was launched in June 2023.

In collaboration with Amuse Inc., a general entertainment company, the Group announced the results of the "Aim for media mix! - contemporary romance x fantasy novel contest" that was held from July to October 2023, and it promoted the adaptation of the winning works into comics. In March 2024, the Group launched Project CO - MUSIX, a cross-media project to create next-generation content that fuses music and manga, and it developed the first omnibus works on Manga Kingdom, video platforms, SNS, etc.

On the profit front, while net sales decreased year on year, operating expenses, mainly advertising expenses, also decreased year on year.

As a result, segment net sales totaled 9,149,614 thousand yen (down 3.4% year on year) and operating profit was 446,235 thousand yen (down 1.5% year on year).

(Contents Segment)

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

In digital publishing, 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. As a result, net sales increased 10.9% year on year. In addition, as a new initiative, the Company launched the light BL label "GUSHgem" in April 2024.

In printed publishing, as a result of controlling the number of distributions and implementing bimonthly publications and suspended publications of magazines, net sales decreased 13.5% year on year.

In addition, in January 2024, two works from Bunkasha and Kaiohsha were made into TV dramas. ""I" that cannot be erased ～digital tattoos continue to go viral～" was broadcast on Nippon TV and "Although I love you, and you?" was broadcast on Yomiuri TV. Furthermore, a drama based on the popular BL title "Perfect Propose" that has a cumulative circulation of more than 210,000 copies has been distributed on Fuji TV's official video streaming service FOD since February 2024, and "Mr. Mitsuya's planned feeding" was broadcast on Mainichi Broadcasting System in July 2024.

On the profit front, profit increased year on year in digital publishing, while profit decreased in printed publishing.

As a result, segment net sales totaled 5,248,426 thousand yen (up 2.9% year on year) and operating profit was 964,505 thousand yen (up 17.9% year on year).

(2) Explanation of Financial Condition

(Assets)

Total assets at the end of the current consolidated third quarter amounted to 17,222,375 thousand yen, down 1,162,582 thousand yen compared to the end of the previous fiscal year.

Current assets totaled 8,447,582 thousand yen, down 561,613 thousand yen compared to the end of the previous fiscal year. This was mainly attributable to a decrease in cash and deposits of 192,849 thousand yen and a decrease in accounts receivable - trade of 339,236 thousand yen.

Non-current assets totaled 8,774,793 thousand yen, down 600,968 thousand yen compared to the end of the previous fiscal year. This was mainly attributable to a decrease in intangible assets of 600,957 thousand yen.

(Liabilities)

Total liabilities at the end of the current consolidated third quarter amounted to 9,990,830 thousand yen, down 1,440,885 thousand yen compared to the end of the previous fiscal year.

Current liabilities totaled 7,831,447 thousand yen, down 635,057 thousand yen compared to the end of the previous fiscal year. This was mainly attributable to a decrease in notes and accounts payable - trade of 461,712 thousand yen, a decrease in accounts payable - other of 81,037 thousand yen, a decrease in income taxes payable of 132,229 thousand yen, and a decrease in refund liabilities of 74,305 thousand yen, despite an increase in accrued consumption taxes of 110,695 thousand yen.

Non-current liabilities totaled 2,159,382 thousand yen, down 805,828 thousand yen compared to the end of the previous fiscal year. This was mainly attributable to a decrease in long-term loans payable of 765,000 thousand yen.

(Net assets)

Total net assets at the end of the current consolidated third quarter amounted to 7,231,545 thousand yen, up 278,303 thousand yen compared to the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings of 632,288 thousand yen, despite a decrease in treasury shares of 356,938 thousand yen.

As a result, the shareholders' capital ratio was 42.0%.

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

There have been no changes to the consolidated earnings forecast announced in "Consolidated Financial Results for the Fiscal Year Ended December 31, 2023" released on February 14, 2024.

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, 2023)	Consolidated Third Quarter (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	4,825,497	4,632,648
Notes receivable	30,745	30,644
Accounts receivable - trade	4,001,549	3,662,312
Merchandise and finished goods	58,552	54,973
Supplies	623	516
Advance payments - trade	8,097	35,312
Prepaid expenses	67,510	36,544
Accounts receivable - other	7,853	1,751
Income taxes receivable	4,839	1
Consumption taxes receivable	10,565	–
Other	1,091	652
Allowance for doubtful accounts	(7,729)	(7,775)
Total current assets	9,009,196	8,447,582
Non-current assets		
Property, plant and equipment		
Buildings	14,662	14,662
Facilities attached to buildings	75,012	75,258
Tools, furniture and fixtures	147,433	162,121
Accumulated depreciation	(168,060)	(182,375)
Accumulated impairment loss	(1,602)	(1,602)
Total property, plant and equipment	67,444	68,064
Intangible assets		
Goodwill	8,328,371	7,885,384
Software	127,602	103,492
Content assets	248,578	224,714
Software in progress	639	7,500
Content assets in progress	3,370	4,550
Publishing rights	432,666	314,666
Other	1,232	1,195
Total intangible assets	9,142,462	8,541,504
Investments and other assets		
Leasehold and guarantee deposits	108,492	108,492
Deferred tax assets	37,380	37,380
Others	19,981	19,352
Total investments and other assets	165,854	165,224
Total non-current assets	9,375,761	8,774,793
Total assets	18,384,958	17,222,375

(Unit: thousands of yen)

	End of Previous Consolidated Fiscal Year (As of December 31, 2023)	Consolidated Third Quarter (As of September 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,437,019	2,975,307
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	394,325	313,288
Accrued expenses	35,367	29,404
Income taxes payable	426,812	294,582
Accrued consumption taxes	27,328	138,024
Contract liabilities	592,763	580,429
Refund liabilities	366,313	292,008
Deposits received	39,295	94,051
Other	127,279	94,352
Total current liabilities	8,466,504	7,831,447
Non-current liabilities		
Long-term loans payable	2,805,000	2,040,000
Deferred tax liabilities	160,210	119,382
Total non-current liabilities	2,965,210	2,159,382
Total liabilities	11,431,715	9,990,830
Net assets		
Shareholders' equity		
Capital stock	1,901,359	1,901,359
Capital surplus	1,900,859	1,900,859
Retained earnings	3,501,267	4,133,555
Treasury shares	(350,242)	(707,181)
Total shareholders' equity	6,953,242	7,228,592
Share acquisition rights	–	2,953
Total net assets	6,953,242	7,231,545
Total liabilities and net assets	18,384,958	17,222,375

(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, 2023)	Current Consolidated Cumulative Third Quarter (January 1 to September 30, 2024)
Net sales	14,452,354	14,256,252
Cost of sales	9,380,975	9,275,442
Gross profit	5,071,378	4,980,810
Selling, general and administrative expenses	3,799,782	3,569,452
Operating profit	1,271,596	1,411,357
Non-operating income		
Interest income	24	324
Dividend income	107	127
Reimbursement receivables	2,090	1,804
Compensation receivables	1,908	–
Other	327	304
Total non-operating income	4,458	2,560
Non-operating expenses		
Interest expenses	39,330	36,947
Borrowing expenses	2,874	2,880
Other	2,552	3,797
Total non-operating expenses	44,757	43,624
Ordinary profit	1,231,297	1,370,292
Profit before income taxes	1,231,297	1,370,292
Income taxes – current	615,573	646,000
Total income taxes	615,573	646,000
Profit	615,724	724,292
Profit attributable to owners of the parent	615,724	724,292

Quarterly Consolidated Statement of Comprehensive Income

Consolidated Cumulative Third Quarter

(Unit: thousands of yen)

	Previous Consolidated Cumulative Third Quarter (January 1 to September 30, 2023)	Current Consolidated Cumulative Third Quarter (January 1 to September 30, 2024)
Profit	615,724	724,292
Comprehensive income	615,724	724,292
(Breakdown)		
Comprehensive income related to owners of the parent	615,724	724,292

(3) Notes to Quarterly Consolidated Financial Statements

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

Calculation of Tax Costs

Tax costs are calculated by reasonably estimating the effective tax rate after applying tax effect accounting on profit before income taxes for the consolidated fiscal year, including the current third quarter, and then multiplying profit before income taxes by the estimated effective tax rate.

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

(Notes to Segment Information, etc.)

Previous 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 revenue

(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.

Current Consolidated Cumulative Third Quarter (January 1 to September 30, 2024)

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

(Unit: thousands of yen)

	Reporting segment			Adjusted amount (Note 1)	Total (Note 2)
	Platform Segment	Contents Segment	Total		
Net sales					
Own distribution	8,572,475	–	8,572,475	–	8,572,475
Others' distribution	274,680	3,661,137	3,935,817	–	3,935,817
Printed publishing	–	1,113,931	1,113,931	–	1,113,931
Others	300,751	333,275	634,027	–	634,027
Revenue from contracts with customers	9,147,908	5,108,344	14,256,252	–	14,256,252
Net sales to external customers	9,147,908	5,108,344	14,256,252	–	14,256,252
Intersegment sales and transfers	1,706	140,082	141,788	(141,788)	–
Total	9,149,614	5,248,426	14,398,040	(141,788)	14,256,252
Segment profit	446,235	964,505	1,410,741	615	1,411,357

Notes: 1. Adjustments of segment profit of 615 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.

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

Previous 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 belongs to the previous consolidated cumulative third quarter but whose effective date is after the end of the previous consolidated cumulative third quarter
   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 previous consolidated cumulative third quarter to 3,427,786 thousand yen and 350,242 thousand yen, respectively, as of September 30, 2023.

Current Consolidated Cumulative Third Quarter (January 1 to September 30, 2024)

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 28, 2024	Common stock	90,439	15.00	December 31, 2023	March 29, 2024	Retained earnings

2. Dividends whose record date belongs to the current consolidated cumulative third quarter but whose effective date is after the end of the current consolidated cumulative third quarter
   N/A

3. Significant changes in the amount of shareholders' equity
   The Company disposed of 4,533 treasury shares on April 26, 2024 based on a resolution at the meeting of the Board of Directors held on March 28, 2024 as restricted share compensation paid to the Company's directors.

   In addition, based on a resolution at the meeting of the Board of Directors held on August 14, 2024, the Company acquired 266,834 treasury shares.

   As a result, retained earnings decreased by 1,565 thousand yen and treasury shares increased by 356,938 thousand yen during the current consolidated cumulative third quarter to 4,133,555 thousand yen and 707,181 thousand yen, respectively, as of September 30, 2024.

(Notes on the Going-Concern Assumption)

N/A

(Notes on the Statement of Cash Flows)

A quarterly consolidated statement of cash flows for the current consolidated cumulative third quarter has not been prepared. Depreciation (including amortization of intangible assets, excluding goodwill) and amortization of goodwill for the current consolidated cumulative third quarter are as follows.

	Previous Consolidated Cumulative Third Quarter (January 1 to September 30, 2023)		Current Consolidated Cumulative Third Quarter (January 1 to September 30, 2024)	
Depreciation	318,204	thousand yen	297,303	thousand yen
Amortization of goodwill	442,987	thousand yen	442,987	thousand yen

(Significant Subsequent Events)

Merger between consolidated subsidiaries

At the meeting of the Board of Directors held on September 26, 2024, the Company resolved to implement an absorption-type merger (hereinafter referred to as the "Merger") in which Bunkasha Co., Ltd., a consolidated subsidiary of the Company, will be the surviving company, and Bunkasha Group Co., Ltd., a consolidated subsidiary of the Company, will be the absorbed company. At Extraordinary General Meeting of Shareholders held on November 1, 2024, Bunkasha Co., Ltd. and Bunkasha Group Co., Ltd. resolved the Merger.

1. Overview of the Business Combination
   (1) Names of the companies involved in the Merger and the details of their businesses
      (a) Company surviving the Merger
         Name Bunkasha Co., Ltd.
         Details of the business Publishing
      (b) Company absorbed in the Merger
         Name Bunkasha Group Co., Ltd.
         Details of the business Holding company
   (2) Date of business combination
      December 1, 2024
   (3) Legal form of business combination
      An absorption-type merger in which Bunkasha Co., Ltd. is the surviving company and Bunkasha Group Co., Ltd. is the absorbed company
   (4) Name of the company after the Merger
      Bunkasha Co., Ltd.
   (5) Other matters related to an overview of the transaction
      The Merger is intended to streamline group management by dissolving Bunkasha Group Co., Ltd. and making Bunkasha Co., Ltd. a direct subsidiary of the Company. In addition, Bunkasha Co., Ltd., the surviving company after the Merger, will reduce its capital stock and capital reserves through a capital reduction.

2. Overview of the accounting treatment to be applied
   The Merger will be treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.