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For immediate release

MEDIA DO Co., Ltd.
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**Notice regarding status of transactions with main business partner,
and earnings forecasts for current fiscal year**

LINE Digital Frontier Corporation (“LDF”), which operates “LINE Manga,” outsources back-end operations, including eBook distribution, to MEDIA DO Co., Ltd. (“MEDIA DO” or “the Company”). LDF is one of MEDIA DO’s main business partners.

MEDIA DO has received a request to the effect that, when preparations have been completed, LDF wishes to discuss the transfer of operations currently outsourced to MEDIA DO to eBook Initiative Japan Co., Ltd. (“EIJ”), which is a wholly owned subsidiary of LDF. Accordingly, we provide notice of a possible change in sales channels going forward, and comment on the impact of the transfer on the earnings of MEDIA DO, as follows.

1. Background to change in sales channels, and current status

On May 31, 2021, we received a notification from LDF to the effect that EIJ would be making a disclosure on June 1 that LDF will transfer to EIJ of some of the back-end operations currently performed by MEDIA DO, including eBook distribution. In response to this, MEDIA DO and LDF have decided to conduct discussions regarding the transfer of these operations beginning from after this disclosure on June 1.

The disclosure to be made on June 1 will include a statement to the effect that EIJ, a subsidiary of Yahoo Japan Corporation, and LDF, a spin-off from LINE Corporation, agreed to conclude a business alliance. A plan of action was also revealed whereby, following this development, some of the back-end operations for LINE Manga would in future be outsourced to EIJ, which would seek to improve operational efficiency and enhance content capabilities by working to standardize said operations. Specifically, the three operations mentioned above were (1) development and operation of a back-end system for the distribution of eBooks, (2) operations relating to the submission of content for distribution and the management of bibliographic data, (3) procurement and provision of eBook content. These operations had thus far been partially outsourced to MEDIA DO.

Furthermore, on September 30, 2021, a tender offer by LDF for the shares of EIJ was announced, and a transaction was completed on November 16, 2021. Through this sequence of transactions, which was conducted on the assumption that the shares would latterly be taken private, LDF became the parent company of EIJ, holding 100% of the shares. Against the backdrop of the strong capital relationship between these two companies, changes may occur going forward in the content of the tripartite transactions between MEDIA DO, LDF, and EIJ.

However, at this point in time, none of the specific details, terms and conditions, or scheduled transfer dates for transactions between MEDIA DO and LDF going forward have been decided, and discussions continue between those involved and other related parties, such as publishers. On the other hand, LDF is one of MEDIA DO’s main business partners, accounting for approximately 20% of the latter’s sales. Going forward, in the event that the transfer of these operations to EIJ takes place, it is undeniable that it could have an impact on the business plans and earnings of MEDIA DO, hence the issuing of this notice.

2. Overview of business partner

| | | |
|--|---|---|
| (1) Name | LINE Digital Frontier Corporation | |
| (2) Address | 1-6-1 Yotsuya, Shinjuku-ku, Tokyo | |
| (3) Position/name of representative | Jun Koo Kim, Representative Director and CEO | |
| (4) Nature of business | Digital manga service using communication networks and digital technology | |
| (5) Capital | ¥5,280 million (as of December 31, 2021) | |
| (6) Established | July 2, 2018 | |
| (7) Net assets | ¥13,670 million (as of December 31, 2021) | |
| (8) Total assets | ¥29,528 million (as of December 31, 2021) | |
| (9) Major shareholders and shareholding ratio | Webtoon Entertainment Inc. 70.0% NAVER WEBTOON Ltd. 30.0% | |
| (10) Relationship between MEDIA DO and the company in question | Capital relationship | None |
| | Personnel relationship | None |
| | Business relationship | Company conducts back-end operations, including eBook distribution, on its behalf |
| | Status of relationship with related parties | None |

3. Impact on the earnings of the Company

Actual net sales of the Company from business with LDF thus far are as follows..

(Millions of yen)

| | FY2019 | FY2020 | FY2021 |
|--|---------|---------|---------|
| Net sales | 13,790 | 17,002 | 19,093 |
| (Percentage of net sales of the Company) | (20.9%) | (20.3%) | (18.2%) |

The impact on profits related to this business going forward is explained in the “Medium-Term Management Plan,” which was announced separately today. Earnings targets in the medium-term plan are calculated on the assumption that the operations in question will be transferred to EIJ with some exceptions, and that the amount of business conducted with LDF will decrease by approximately 50% from the FY2021 (ended February 28, 2022) level in FY2022, which is the first year of the plan, and by approximately 90% in FY2023.

However, none of the specific details, terms and conditions, or scheduled transfer dates for transactions between MEDIA DO and LDF going forward have been decided, and discussions continue, so in the event that the process is delayed the earnings of the Company could be affected.

(Reference)

◆ Medium-term Management Plan; Numerical Targets

(Billions of yen)

| | FY2022 (1 st year of plan) | FY2024 (3 rd year of plan) | FY2026 (5 th year of plan) |
|---|--|--|--|
| Net sales | 1,000 | 1,200 | 1,500 |
| Operating profit | 20 | 40 | 85 |
| EBITDA | 35.9 | 55 | 100 |
| Profit attributable to owners of parent | 8.5 | 28 | 60 |

4. Outlook

The new medium-term management plan announced today incorporates a policy of further strengthening the eBook distribution that is the core business of the Company, while proactively investing in new businesses in order to establish a second revenue.

Going forward, in the event that details regarding the transfer are decided, or events occur that require disclosure, such as the impact on the earnings of the Company, we will provide prompt notice of the same.