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## Summary of Consolidated Financial Results for the Three Months Ended May 31, 2023 (Based on Japanese GAAP)

July 13, 2023

Company name: MEDIA DO Co., Ltd.  
 Stock exchange listing: Tokyo  
 Stock code: 3678 (URL: <https://mediado.jp/english/>)  
 Representative: President and CEO Yasushi Fujita  
 Inquiries: Director, CSO and CFO Hiroshi Kanda (Tel: +81-3-6212-5111)  
 Scheduled date of filing quarterly securities report: July 13, 2023  
 Scheduled starting date for commencing dividend payment: —  
 Preparation of supplementary materials on quarterly financial results: Yes  
 Quarterly financial results briefing for institutional investors and analysts: Yes

(Amounts less than one million yen are rounded down.)

### 1. Consolidated Financial Results for the Three Months Ended May 31, 2023 (March 1, 2023 to May 31, 2023)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2023	22,632	(13.8)	485	(21.6)	441	(27.9)	232	(25.6)
Three months ended May 31, 2022	26,269	(7.5)	619	(26.0)	612	(27.7)	312	(49.3)

(Note) Comprehensive income: Three months ended May 31, 2023: ¥236 million (60.4%)  
 Three months ended May 31, 2022: ¥597 million (32.5%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2023	15.24	—
Three months ended May 31, 2022	20.01	20.01

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2023	49,936	16,495	32.9
As of February 28, 2023	50,882	16,772	32.8

(Reference) Shareholders' equity: As of May 31, 2023 ¥16,447 million As of February 28, 2023 ¥16,695 million

### 2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY2022	—	0.00	—	0.00	0.00
FY2023	—	—	—	—	—
FY2023 (Forecast)	—	0.00	—	22.00	22.00

(Note) FY2021 dividends (forecast) have yet to be determined.

### 3. Consolidated Earnings Forecasts for Fiscal Year Ending February 28, 2024 (March 1, 2023 to February 28, 2024)

(Percentage figures are changes from the corresponding period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	100,000	(1.6)	2,000	(16.4)	2,000	(12.7)	1,100	(4.1)	71.33

(Note) Revisions to forecast of financial results in this quarter: No

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## Qualitative Information Regarding Financial Results

### (1) Analysis of operating results

The mission of the MEDIA DO Group is “unleashing a virtuous cycle of literary creation,” which inspires it to strive to distribute written works to its utmost ability, while ensuring that they are used under fair conditions and that the profits from these works are appropriately returned to their creators. The Group’s vision is “More Content for More People!” Based on this mission and vision, we are actively expanding the scope of our business and pursuing improvements in corporate value in order to contribute to the development of culture and enrichment of society in Japan.

Article 1 under Section 1 General Rules of Chapter I General Provisions of the Copyright Act of Japan refers to how authors’ rights contribute to cultural development and speaks of ensuring protection for the rights of authors while according attention to the fair exploitation of cultural products. The Group engages in business with the purpose of playing a role in the “virtuous cycle of literary creation” so that more digitalized and copyrighted works can be accessed by more people and authors can create new copyrighted works using the fair compensation proceeds paid to them for the use of their works.

The MEDIA DO Group’s management environment in the three months ended May 31, 2023 saw a return of crowds to urban areas and tourist destinations following Japan’s downgrading of COVID-19 from a Class 2 to a Class 5 infectious disease under the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response on May 8, 2023. Some companies also lifted restrictions on working in the office and encouraged workers to return to the office while telework remains entrenched. Additionally, based on this situation, some eBook retailers made changes to their promotional campaign measures during the extended national holidays in May, while many eBook retailers also experienced a weaker growth rate compared to the previous fiscal year. Amid this management environment, the Group was impacted by a decline in sales resulting from the transfer of LINE Manga back-end operations from LINE Digital Frontier Corporation, a major business partner of the Group’s eBook distribution business, to eBook Initiative Japan Co., Ltd. in the previous fiscal year.

As a result, in the three months ended May 31, 2023, net sales amounted to ¥22,632 million, down 13.8% year on year; operating profit totaled ¥485 million, down 21.6%; ordinary profit was ¥441 million, down 27.9%; and profit attributable to owners of parent came to ¥232 million, down 25.6%.

The operating results of each segment during the three months ended May 31, 2023 were as follows.

### (2) Segment information

#### eBook Distribution

In the eBook distribution business, the Group continued to provide distribution and eBook transmission solutions to eBook retailers such as Comic Cmoa and Amazon Kindle. The MEDIA DO Group is contributing to the development of the publishing industry as the largest eBook wholesaler in Japan, with business relationships with more than 2,200 publishers and 150 eBook distributors, a content library of over 2 million eBooks, and a track record of helping conduct more than 16,000 campaigns together with publishers and distributors (as of February 28, 2023).

Additionally, the Group continued working on various activities to streamline distribution, by pursuing operational excellence through greater operating efficiency and building of a next-generation core system, aimed at achieving the targets laid out in the new medium-term management plan unveiled in April 2022.

In the three months ended May 31, 2023, while demand for indoor entertainment recovered as the COVID-19 pandemic ended, the growth rate of the eBook market is returning to normal as stay-at-home consumption ran its course. Many eBook distributors experienced a slowdown in growth compared to the previous fiscal year, as some reviewed their promotional campaign measures as a result of the changing market environment. Additionally, revenue continued declining in the first quarter under review following the transfer of transactions with LINE Manga, which had been a major business partner. However, net sales for eBook retailers excluding LINE Manga have maintained positive growth compared to the previous fiscal year and remain strong. In order to continue contributing to the growth of the eBook market and increase our distribution share, the Group will support eBook retailers to further enhance their promotional campaign measures and build deeper relationships with publishers and eBook retailers by proposing ways to shift sales channels.

Consequently, net sales in the eBook Distribution segment came to ¥20,780 million, down 16.0% year on year, and segment income was ¥1,213 million, down 10.5%.

#### Strategic Investment

The strategic investment businesses focused on measures aimed particularly at expanding the FanTop business by deepening cooperation with TOHAN CORPORATION and the growth of the IP & solutions business including vertical scroll comics (VSC).

As for publications with digital NFT benefits launched in October 2021, the Group has seen more than 70 companies cooperate and the number of titles reach close to 100. The Group is now working to steadily increase cooperating companies and expand the lineup of products handled as NFT digital content by expanding the user interface and user experience functions of the FanTop app. Specifically, by adding a digital rights management (DRM) function to prevent screen capture or screen recording of video content, the Group is able to protect this content and it is possible to attach music or video to paper books as NFT digital content. In addition, with the addition of a specialized viewer function, it is also possible to handle text, and for five works of Hayakawa Publishing Inc.’s new label “Hayakawa Shinsho,” which was launched in June 2023, the same content as paper books was attached as NFT eBooks, marking the beginning of a new reading experience through paper books. Unlike other NFT platforms that handle one-of-a-kind art, by building a business model specializing in digital content,

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the Group will promote the increased membership and business expansion of FanTop, and in collaboration with Tohan, the Group will continue to work on paper/eBooks and promote digital transformation (DX) across the boundaries of paper/digital to contribute to the revitalization and transformation of the publishing industry.

The IP & solutions business is being advanced to grow the content market by fully maximizing the Group's original work creation function. As the worldwide content market grew rapidly during the COVID-19 pandemic, the market now faces the issue of a shortage of original works in various content, such as video and VSC, a new format of eComics. In response to this, the Group is implementing new measures and initiatives across the entire Group for creating and uncovering original works, including at Everystar Co., Ltd., which operates a novel-sharing site, and NIHONBUNGEISHA Co., Ltd., which publishes comics and how-to books. In addition, in VSC, which are becoming a driving force behind further growth in the eBook market, in anticipation of the expected increase in production demand in the future, the Group will continue to collaborate with leading production studios in Japan and overseas to improve product production capabilities and enhance existing functions.

Going forward, the Group will continue with initiatives to create a second revenue axis by proactively investing in earnings improvements and business growth.

As a result, net sales in the strategic investment segment totaled ¥1,851 million, up 20.1% year on year, and the segment loss amounted to ¥331 million, compared with ¥411 million in the previous equivalent period.

### **(3) Analysis of financial position**

As of May 31, 2023, total assets stood at ¥49,936 million, a decrease of ¥945 million from the previous fiscal year-end. This decrease was mainly due to decreases in cash and deposits of ¥703 million, notes and accounts receivable–trade and contract assets of ¥208 million and intangible assets, such as goodwill and software, of ¥172 million.

Total liabilities amounted to ¥33,440 million, down ¥668 million from the previous fiscal year-end. This was mainly attributable to a decrease in long-term borrowings including the current portion of ¥325 million and decrease in notes and accounts payable–trade of ¥557 million, offsetting an increase in income taxes payable of ¥158 million.

Total net assets stood at ¥16,495 million, a decrease of ¥277 million from the previous fiscal year-end. This was mainly due to a decrease in capital surplus of ¥499 million owing to the cancellation of treasury shares, while retained earnings increased ¥232 million.

### **(4) Forecast for the fiscal year ending February 29, 2024**

The Company's performance in the three months ended May 31, 2023 was marked by a decline in both revenue and profit because of the continued impacts from changes in sales channels of major business partners, in addition to the growth rate of the eBook market returned to normal following the end of the COVID-19 pandemic. On the other hand, in the strategic investment businesses, upfront investments have peaked, and the business continues to grow steadily, moving toward reducing losses and becoming profitable, and in the eBook distribution business, the Group is working to deepen relationships with publishers and book retailers by supporting the implementation of new promotional campaign measures and negotiations for switching sales channels. Under the medium-term management plan, the MEDIA DO Group will work on "operational transformation and streamlining" and "business model transformation" as a supporter of DX in the content industry, and the Group will work to expand the market and establish a second revenue axis while resolving the issues faced by the content industry. Additionally, the Group will seek to achieve its full-year targets through the steady implementation of various measures, such as content production using new technologies while heightening the value of content as well as facilitation of use of content beyond the boundaries of paper and digital. At the moment, there has been no change to the consolidated earnings forecast for the fiscal year ending February 29, 2024, released on April 13, 2023.

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## Consolidated Financial Statements

### (1) Consolidated balance sheets

(Millions of yen)

	As of February 28, 2023	As of May 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	10,127	9,424
Notes and accounts receivable - trade, and contract assets	21,706	21,497
Other	1,993	2,176
Allowance for doubtful accounts	(1)	(0)
Total current assets	33,825	33,097
Non-current assets		
Property, plant and equipment	630	616
Intangible assets		
Goodwill	6,874	6,707
Software	852	824
Software in progress	44	64
Other	1,270	1,272
Total intangible assets	9,041	8,869
Investments and other assets		
Investment securities	6,447	6,395
Deferred tax assets	380	389
Guarantee deposits	489	487
Other	74	88
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	7,384	7,353
Total non-current assets	17,056	16,839
Total assets	50,882	49,936

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	As of February 28, 2023	As of May 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	24,511	23,953
Short-term borrowings	903	903
Current portion of long-term borrowings	1,302	1,302
Income taxes payable	65	223
Provision for bonuses	41	74
Other	1,966	1,987
<b>Total current liabilities</b>	<b>28,789</b>	<b>28,444</b>
Non-current liabilities		
Long-term borrowings	4,414	4,089
Deferred tax liabilities	156	153
Retirement benefit liability	638	643
Other	108	109
<b>Total non-current liabilities</b>	<b>5,319</b>	<b>4,995</b>
<b>Total liabilities</b>	<b>34,109</b>	<b>33,440</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,934	5,934
Capital surplus	6,159	5,660
Retained earnings	3,933	4,166
Treasury shares	(48)	(48)
<b>Total shareholders' equity</b>	<b>15,979</b>	<b>15,712</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	118	120
Foreign currency translation adjustment	596	614
<b>Total accumulated other comprehensive income</b>	<b>715</b>	<b>735</b>
Share acquisition rights	0	0
Non-controlling interests	77	48
<b>Total net assets</b>	<b>16,772</b>	<b>16,495</b>
<b>Total liabilities and net assets</b>	<b>50,882</b>	<b>49,936</b>

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**(2) Consolidated statements of income and comprehensive income**

(Millions of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Net sales	26,269	22,632
Cost of sales	23,643	19,999
Gross profit	2,626	2,633
Selling, general and administrative expenses	2,007	2,147
Operating profit	619	485
Non-operating income		
Interest and dividend income	1	0
Foreign exchange gains	8	3
Subsidy income	21	—
Gain on investments in investment partnerships	6	—
Other	1	1
Total non-operating income	38	6
Non-operating expenses		
Interest expenses	7	7
Commission expenses	20	—
Loss on investments in investment partnerships	—	0
Share of loss of entities accounted for using equity method	17	39
Other	—	2
Total non-operating expenses	45	50
Ordinary profit	612	441
Extraordinary income		
Gain on sale of non-current assets	0	—
Gain on change in equity	68	—
Total extraordinary income	68	—
Extraordinary losses		
Loss on retirement of non-current assets	24	—
Loss on sale of shares of subsidiaries and associates	—	6
Provision of allowance for doubtful accounts	111	—
Other	26	—
Total extraordinary losses	162	6
Profit before income taxes	518	435
Income taxes	212	218
Profit	306	217
Loss attributable to non-controlling interests	(6)	(15)
Profit attributable to owners of parent	312	232

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	Three months ended May 31, 2022	Three months ended May 31, 2023
Profit	306	217
Other comprehensive income		
Valuation difference on available-for-sale securities	106	1
Foreign currency translation adjustment	184	17
Share of other comprehensive income of entities accounted for using equity method	—	(0)
Total other comprehensive income	290	19
Comprehensive income	597	236
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	603	252
Comprehensive income attributable to non-controlling interests	(6)	(15)