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

October 12, 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: October 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 Six Months Ended August 31, 2023 (March 1, 2023 to August 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	%
Six months ended August 31, 2023	46,397	(14.4)	993	(25.6)	937	(27.2)	509	(18.9)
Six months ended August 31, 2022	54,226	(1.8)	1,355	(20.9)	1,287	(23.5)	628	(24.8)

(Note) Comprehensive income: Six months ended August 31, 2023: ¥759 million (43.7%)  
 Six months ended August 31, 2022: ¥1,347 million 114.1%

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2023	33.59	—
Six months ended August 31, 2022	40.50	40.50

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2023	51,902	17,148	32.9
As of February 28, 2023	50,882	16,772	32.8

(Reference) Shareholders' equity: As of August 31, 2023: ¥17,095 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	—	0.00	—	—	—
FY2023 (Forecast)	—	—	—	22.00	22.00

(Note) Revisions to the most recently announced dividend forecast: No.

### 3. Consolidated Earnings Forecasts for Fiscal Year Ending February 29, 2024 (March 1, 2023 to February 29, 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 Group’s management environment in the six months ended August 31, 2023 saw the end of the COVID-19 pandemic, and in the second quarter, much like the first quarter, the number of people going to urban centers and tourist spots increased nationwide, and the way they use their leisure time changed, leading many eBook retailers to modify their promotional campaigns, such as offering significant discounts and high point rewards. As a result, many eBook retailers experienced a slowdown in their year-on-year growth rate. In addition, in the six months under review, the Group was significantly 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 six months ended August 31, 2023, net sales amounted to ¥46,397 million, down 14.4% year on year; operating profit totaled ¥993 million, down 25.6%; ordinary profit was ¥937 million, down 27.2%; and profit attributable to owners of parent came to ¥509 million, down 18.9%.

### (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 of publishers and eBook retailers and building of a next-generation system, aimed at achieving the targets laid out in the new medium-term management plan unveiled in April 2022.

In the six months ended August 31, 2023, many eBook distributors experienced a slowdown in growth, as some reviewed their promotional campaign measures amid people’s increased movements, which gave way to higher demand for outdoor entertainment after stay-at-home demand ran its course. Looking at the eBook market as a whole, the market size has expanded at a high growth rate of more than 20% since fiscal 2017, but the growth rate is expected to slow to the single-digit range as the market expands, with the forecast for fiscal 2023 of ¥648.1 billion, for fiscal 2025 of ¥734.4 billion, and for fiscal 2027 to be ¥806.6 billion.\*

In such a market environment, in order to continue contributing to the growth of the eBook market and increase our distribution share, the Group is working to build deeper relationships with publishers and eBook retailers by stepping up support for eBook retailers’ promotional campaign measures and proposing ways to shift sales channels, and at the same time is looking to improve its profit margin by promoting the streamlining and upgrading of business processes.

Consequently, net sales in the eBook distribution segment came to ¥42,802 million, down 15.6% year on year, and segment income was ¥2,510 million, down 8.8%.

\* Impress Research Institute’s eBook Marketing Report 2023 on Japanese market

#### Strategic Investment

The strategic investment businesses focused on business promotion aimed at the growth of the FanTop business and the IP & solutions business including vertical scroll comics (VSC) in order to continue establishing a second earnings pillar after the eBook distribution business.

Amid this, in the six months ended August 31, 2023, the transfer of Nagisa, Inc. and J-Comic Terrace Corporation implemented from the fiscal year ended February 28, 2023 onward as part of the business portfolio review was the reason for the decrease in revenue. In addition, at NIHONBUNGEISHA Co., Ltd., which is included in the imprint business, the recent surge in materials prices and logistics costs pushed down profits. On the other hand, we have seen steady progress toward controlling losses and achieving profitability due to the optimization of investments in the FanTop business, the steady accumulation of recurring income through the SaaS-type business model in the global business, and the growth of Flier Inc. and ARTRA ENTERTAINMENT Inc. in the IP & solutions business.

As a result, net sales in the strategic investment segment totaled ¥3,586 million, up 2.7% year on year, and the segment loss amounted to ¥737 million, compared with ¥762 million in the previous equivalent period.

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

As of August 31, 2023, total assets stood at ¥51,902 million, an increase of ¥1,020 million from the previous fiscal year-end. This increase was mainly due to increases in cash and deposits of ¥528 million and notes and accounts receivable—trade and contract assets of ¥1,040 million, compared to a decrease of ¥482 million in other current assets including a decrease in consumption taxes refund receivable.

Total liabilities amounted to ¥34,754 million, up ¥645 million from the previous fiscal year-end. This was attributable to a decrease in long-term borrowings of ¥651 million and increases in notes and accounts payable—trade of ¥867 million and income taxes payable of ¥442 million.

Total assets stood at ¥17,148 million, an increase of ¥375 million from the previous fiscal year-end. This increase was mainly due to increases in retained earnings of ¥509 million and accumulated other comprehensive income including foreign currency translation adjustments of ¥287 million, while capital surplus declined ¥422 million mainly owing to the cancellation of treasury shares.

### **(4) Cash Flows**

Cash and cash equivalents as of August 31, 2023 (“cash”) were ¥10,655 million.

Cash flows during the six months ended August 31, 2023, and the main contributory factors, were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥1,857 million (down 6.9% year on year).

The main cash inflows were profit before income taxes of ¥929 million, depreciation of ¥289 million, amortization of goodwill of ¥351 million, an increase in trade payables of ¥864 million, and a decrease in consumption taxes refund receivable of ¥409 million. Main cash outflows included an increase in trade receivables of ¥1,024 million, and a decrease in accounts payable—other of ¥135 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥363 million, compared to net cash used of ¥1,901 million in the same period of the previous fiscal year.

The main factor was purchases of intangible assets of ¥311 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,021 million, compared to net cash used of ¥290 million in the same period of the previous fiscal year.

The main factor was repayment of long-term borrowings of ¥651 million and purchases of treasury shares of ¥499 million.

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

The Company’s performance in the six months ended August 31, 2023 was marked by a decline in both revenue and profit because the impacts from changes in sales channels of major business partners continued during the period, in addition to the sluggish growth rate of the entire eBook market caused by cutbacks in sales campaigns of eBook retailers amid the increasing movement of people following the end of the COVID-19 pandemic. In the strategic investment businesses, although there was a year-on-year increase in revenue, the improvement in profit/loss was limited partly due to the impacts felt by some subsidiaries affected by the recent surge in materials prices and logistics costs. On the other hand, even in this business environment, we have been able to implement appropriate cost controls by upgrading and streamlining the efficiency of our business processes in our core eBook distribution business, and in the strategic investment businesses, we have seen steady progress toward controlling losses and achieving profitability by reducing losses from the steady business growth of some subsidiaries and optimizing investments.

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 August 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	10,127	10,655
Notes and accounts receivable - trade, and contract assets	21,706	22,746
Other	1,993	1,511
Allowance for doubtful accounts	(1)	(0)
Total current assets	33,825	34,912
Non-current assets		
Property, plant and equipment	630	600
Intangible assets		
Goodwill	6,874	6,641
Software	852	947
Software in progress	44	13
Other	1,270	1,383
Total intangible assets	9,041	8,985
Investments and other assets		
Investment securities	6,447	6,421
Deferred tax assets	380	399
Guarantee deposits	489	503
Other	74	86
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	7,384	7,404
Total non-current assets	17,056	16,990
Total assets	50,882	51,902

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(Millions of yen)

As of February 28, 2023      As of August 31, 2023

	As of February 28, 2023	As of August 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	24,511	25,378
Short-term borrowings	903	903
Current portion of long-term borrowings	1,302	1,302
Income taxes payable	65	508
Provision for bonuses	41	45
Other	1,966	1,937
Total current liabilities	28,789	30,076
Non-current liabilities		
Long-term borrowings	4,414	3,763
Deferred tax liabilities	156	161
Retirement benefit liability	638	642
Other	108	109
Total non-current liabilities	5,319	4,677
Total liabilities	34,109	34,754
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,934	5,959
Capital surplus	6,159	5,737
Retained earnings	3,933	4,443
Treasury shares	(48)	(48)
Total shareholders' equity	15,979	16,091
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	118	135
Foreign currency translation adjustment	596	867
Total accumulated other comprehensive income	715	1,003
Share acquisition rights	0	—
Non-controlling interests	77	53
Total net assets	16,772	17,148
Total liabilities and net assets	50,882	51,902

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

(Millions of yen)

Consolidated statements of income	Six months ended August 31, 2022	Six months ended August 31, 2023
Net sales	54,226	46,397
Cost of sales	48,713	41,090
Gross profit	5,512	5,306
Selling, general and administrative expenses	4,177	4,312
Operating profit	1,335	993
Non-operating income		
Interest and dividend income	22	24
Foreign exchange gains	16	11
Subsidy income	20	—
Gain on investments in investment partnerships	3	3
Other	7	4
Total non-operating income	70	43
Non-operating expenses		
Interest expenses	16	16
Commission expenses	20	—
Share of loss of entities accounted for using equity method	41	35
Donations	40	40
Other	—	6
Total non-operating expenses	117	99
Ordinary profit	1,287	937
Extraordinary income		
Gain on sale of non-current assets	0	—
Gain on reversal of share acquisition rights	—	0
Gain on change in equity	68	—
Total extraordinary income	68	0
Extraordinary losses		
Loss on retirement of non-current assets	62	0
Loss on sale of shares of subsidiaries and associates	—	6
Provision of allowance for doubtful accounts	165	—
Other	22	1
Total extraordinary losses	251	8
Profit before income taxes	1,105	929
Income taxes	504	458
Profit	600	471
Loss attributable to non-controlling interests	(28)	(38)
Profit attributable to owners of parent	628	509

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**Consolidated statements of comprehensive income**

	Six months ended August 31, 2022	Six months ended August 31, 2023
Profit	600	471
Other comprehensive income		
Valuation difference on available-for-sale securities	229	15
Foreign currency translation adjustment	517	270
Share of other comprehensive income of entities accounted for using equity method	—	2
Total other comprehensive income	746	287
Comprehensive income	1,347	759
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,375	797
Comprehensive income attributable to non-controlling interests	(28)	(38)

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### (3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,105	929
Depreciation	329	289
Amortization of goodwill	417	351
Increase (decrease) in allowance for doubtful accounts	164	(0)
Increase (decrease) in provision for bonuses	1	4
Increase (decrease) in provision for point card certificates	(60)	—
Increase (decrease) in retirement benefit liability	12	(8)
Interest and dividend income	(22)	(24)
Subsidy income	(20)	—
Interest expenses	16	16
Loss (gain) on investments in investment partnerships	(3)	(3)
Loss (gain) on sale of shares of subsidiaries and associates	—	6
Share of loss (profit) of entities accounted for using equity method	41	35
Loss (gain) on change in equity	(68)	—
Decrease (increase) in trade receivables	(2,302)	(1,024)
Increase (decrease) in advances received	145	147
Decrease (increase) in inventories	(19)	15
Decrease (increase) in prepaid expenses	45	40
Increase (decrease) in trade payables	2,382	864
Increase (decrease) in accounts payable - other	(37)	(135)
Increase (decrease) in deposits received	38	(82)
Increase (decrease) in accrued consumption taxes	(23)	(0)
Decrease (increase) in consumption taxes refund receivable	447	409
Other, net	44	7
Subtotal	2,634	1,839
Interest and dividends received	26	28
Subsidies received	20	—
Interest paid	(16)	(16)
Income taxes paid	(670)	(52)
Income taxes refund	—	59
Net cash provided by (used in) operating activities	1,995	1,857



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	Six months ended August 31, 2022	Six months ended August 31, 2023
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(179)	(15)
Purchase of intangible assets	(526)	(311)
Purchase of investment securities	(257)	(3)
Proceeds from sale of investment securities	—	14
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(902)	—
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(17)
Payments of guarantee deposits	(47)	(23)
Proceeds from refund of guarantee deposits	26	8
Other, net	(15)	(14)
Net cash provided by (used in) investing activities	(1,901)	(363)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	248	(0)
Proceeds from long-term borrowings	1,580	—
Repayments of long-term borrowings	(619)	(651)
Proceeds from issuance of shares with restriction of transfer	49	49
Proceeds from share issuance to non-controlling shareholders	215	79
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(431)	—
Dividends paid	(333)	—
Purchase of treasury shares	(999)	(499)
Net cash provided by (used in) financing activities	(290)	(1,021)
Effect of exchange rate change on cash and cash equivalents	174	55
Net increase (decrease) in cash and cash equivalents	(22)	528
Cash and cash equivalents at beginning of period	11,399	10,127
Cash and cash equivalents at end of period	11,377	10,655