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## Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2023 (Based on Japanese GAAP)

January 15, 2024

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: January 15, 2024  
 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 Nine Months Ended November 30, 2023 (March 1, 2023 to November 30, 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	%
Nine months ended November 30, 2023	69,315	(11.2)	1,466	(20.1)	1,437	(18.3)	861	95.1
Nine months ended November 30, 2022	78,040	(0.9)	1,835	(18.4)	1,760	(21.1)	441	(59.7)

(Note) Comprehensive income: Nine months ended November 30, 2023: ¥1,175 million (8.7%)  
 Nine months ended November 30, 2022: ¥1,287 million 39.4%

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2023	56.84	—
Nine months ended November 30, 2022	28.53	28.53

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2023	51,483	17,564	34.1
As of February 28, 2023	50,882	16,772	32.8

(Reference) Shareholders' equity: As of November 30, 2023: ¥17,535 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 nine months ended November 30, 2023, much like the first six months ended August 31, 2023, saw the number of people going to urban centers and tourist spots increase nationwide, and as the way they use their leisure time changed, many eBook retailers modified their promotional campaigns, leading to impacts due to previous 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 first six months ended August 31, 2023, 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.

Furthermore, in the nine months ended November 30, 2023, the Company recorded a gain on sale of investment securities of ¥106 million following the transfer of shares of A.I. Squared, Inc.

As a result of the above, in the nine months under review, net sales amounted to ¥69,315 million, down 11.2% year on year; operating profit totaled ¥1,466 million, down 20.1%; ordinary profit was ¥1,437 million, down 18.3%; and profit attributable to owners of parent came to ¥861 million, up 95.1%.

The operating results of each segment during the nine months ended November 30, 2023 were as follows.

#### 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 improvement of operating efficiency of publishers and eBook retailers and building of next-generation IT systems, aimed at achieving the targets laid out in the new medium-term management plan unveiled in April 2022.

In the nine months ended November 30, 2023, similar to the six months ended August 31, 2023, there was an increase in demand for outdoor entertainment and changes in the flows of people, which resulted in many eBook retailers posting little if no change in their growth rates, as some revised their promotional campaigns. While the entire eBook market had grown at a high growth rate exceeding 20% since fiscal 2017, the most recent forecast suggests this growth will slow to the single digit range, increasing to ¥648.1 billion in fiscal 2023, ¥734.4 billion in fiscal 2025, and ¥806.6 billion in fiscal 2027.\*

Taking this market environment into account, in order to continue to contribute to the growth of the eBook market and increase its distribution share, the Company is not only working to build deeper relationships with its business partners, i.e., stepping up support for eBook retailers’ promotional campaign measures, proposing ways to switch sales channels, and having engineers participate in publishers’ operations with the aim of building a seamless distribution system, but also promoting the streamlining and advancement of its business processes.

Consequently, net sales in the eBook distribution segment came to ¥63,761 million, down 12.2% year on year, and segment income was ¥3,653 million, down 8.5%.

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

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### **Strategic Investment**

In the strategic investment businesses segment, the Company continued to focus on business promotion for the growth of the FanTop business and the IP & solutions business including vertical scroll comics, in order to establish a second earnings pillar after the eBook distribution business.

In the FanTop business, the number of publications with NFT digital benefits launched in October 2021 has steadily increased, with more than 150 titles, 60 cooperating publishers, and the total number of copies issued standing at more than 2.3 million. In particular, the increase in the total number of copies issued is directly linked to the growing number of distributed content and members on FanTop. The Company will continue to accelerate the acquisition of content and members by increasing the number of planned works in media with a large circulation, such as manga magazines. In addition, as initiatives to expand awareness of the FanTop business, in November 2023, the Company hosted a booth for the first time at the KYOTO BOOK SUMMIT, and it held a briefing session on the FanTop business for the publishing industry and the media. Through the event, the Company's FanTop efforts became more visible, and not only the publishing industry, but also other industries such as the music industry and real bookstores became more interested in the business model of attaching NFT digital content to paper books. As a result, the Company obtained many new business leads.

In the IP & solutions business, the Company is focusing on the rapidly expanding global vertical scroll comics market by procuring, translating, and distributing prominent overseas titles, as well as producing and distributing original works of the MEDIA DO Group in collaboration with production studios in South Korea, where the Company has invested. In particular, the Company has begun to achieve certain results in the creation of its own IP, as some have topped the rankings of major eBook retailers in Japan and overseas.

As a result, net sales in the strategic investment businesses segment totaled ¥5,476 million, up 1.3% year on year, and segment loss was ¥997 million, compared to a segment loss of ¥1,129 million in the previous year.

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

As of November 30, 2023, total assets stood at ¥51,483 million, an increase of ¥601 million from the previous fiscal year-end. This was mainly due to a decrease in intangible assets such as goodwill and software of ¥105 million and an increase in cash and deposits of ¥658 million.

Total liabilities amounted to ¥33,918 million, down ¥190 million from the previous fiscal year-end. This was attributable to increases in income taxes payable of ¥399 million and other of current liabilities of ¥169 million, while recording a decrease in long term of borrowings of ¥953 million.

Total net assets stood at ¥17,564 million, an increase of ¥791 million from the previous fiscal year-end. This was mainly due to a decrease in capital surplus of ¥422 million owing to the cancellation of treasury shares, while posting increases in retained earnings of ¥861 million and accumulated other comprehensive income including foreign currency translation adjustment of ¥376 million.

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

The Company's consolidated results in the nine months ended November 30, 2023 resulted in a decrease in sales. This was mainly because of the two reasons: slowdown in the growth rate of the eBook market as a whole due to a revision of marketing strategies, such as holding back from promotional campaigns at eBook retailers, resulting from an increase in the number of people going out to urban centers and tourist spots nationwide compared to last year; and the significant impact of changes in the sales channels of major business partners until the end of the second quarter.

In this operating environment, in its mainstay eBook distribution business, the Company is working to expand its distribution share and implementing appropriate cost controls by streamlining/advancing its business processes. In the strategic investment businesses, sales increased year over year, and there was an improvement in the bottom line of the FanTop business, where investment optimization was promoted, in the IP & solutions business, where steady business progress was seen at subsidiaries, and in the global business. Although the bottom line of the imprint business deteriorated partly because a subsidiary was affected by the recent surge in material prices and logistics costs, losses reduced for the strategic investment businesses segment as a whole, and steady progress toward reducing losses and returning to profitability was observed.

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 November 30, 2023

Assets	As of February 28, 2023	As of November 30, 2023
Current assets		
Cash and deposits	10,127	10,785
Notes and accounts receivable - trade, and contract assets	21,706	21,760
Other	1,993	2,012
Allowance for doubtful accounts	(1)	(0)
Total current assets	33,825	34,557
Non-current assets		
Property, plant and equipment	630	626
Intangible assets		
Goodwill	6,874	6,504
Software	852	940
Software in progress	44	54
Other	1,270	1,436
Total intangible assets	9,041	8,935
Investments and other assets		
Investment securities	6,447	6,435
Deferred tax assets	380	380
Guarantee deposits	489	472
Other	74	82
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	7,384	7,363
Total non-current assets	17,056	16,925
Total assets	50,882	51,483

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(Millions of yen)

As of February 28, 2023 As of November 30, 2023

<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	24,511	24,648
Short-term borrowings	903	903
Current portion of long-term borrowings	1,302	1,308
Income taxes payable	65	464
Provision for bonuses	41	79
Other	1,966	2,135
<b>Total current liabilities</b>	<b>28,789</b>	<b>29,539</b>
Non-current liabilities		
Long-term borrowings	4,414	3,461
Deferred tax liabilities	156	163
Retirement benefit liability	638	610
Other	108	143
<b>Total non-current liabilities</b>	<b>5,319</b>	<b>4,378</b>
<b>Total liabilities</b>	<b>34,109</b>	<b>33,918</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,934	5,959
Capital surplus	6,159	5,737
Retained earnings	3,933	4,795
Treasury shares	(48)	(48)
<b>Total shareholders' equity</b>	<b>15,979</b>	<b>16,443</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	118	131
Foreign currency translation adjustment	596	960
<b>Total accumulated other comprehensive income</b>	<b>715</b>	<b>1,091</b>
Share acquisition rights	0	—
Non-controlling interests	77	29
<b>Total net assets</b>	<b>16,772</b>	<b>17,564</b>
<b>Total liabilities and net assets</b>	<b>50,882</b>	<b>51,483</b>

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

(Millions of yen)

Consolidated statements of income	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Net sales	78,040	69,315
Cost of sales	69,801	61,273
Gross profit	8,239	8,041
Selling, general and administrative expenses	6,403	6,575
Operating profit	1,835	1,466
Non-operating income		
Interest and dividend income	24	28
Foreign exchange gains	27	14
Subsidy income	20	—
Gain on investments in investment partnerships	3	3
Share of profit of entities accounted for using equity method	—	4
Other	4	5
Total non-operating income	80	56
Non-operating expenses		
Interest expenses	24	25
Commission expenses	20	—
Share of loss of entities accounted for using equity method	71	—
Donations	40	40
Other	—	20
Total non-operating expenses	155	85
Ordinary profit	1,760	1,437
Extraordinary income		
Gain on sale of non-current assets	0	—
Gain on sale of investment securities	—	106
Gain on reversal of share acquisition rights	—	0
Gain on change in equity	68	—
Total extraordinary income	68	106
Extraordinary losses		
Loss on retirement of non-current assets	140	0
Impairment losses	459	—
Loss on sale of shares of subsidiaries and associates	—	6
Provision of allowance for doubtful accounts	169	—
Other	22	1
Total extraordinary losses	792	8
Profit before income taxes	1,035	1,535
Income taxes	645	736
Profit	390	799
Loss attributable to non-controlling interests	(51)	(62)
Profit attributable to owners of parent	441	861

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Consolidated statements of comprehensive income	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Profit	390	799
Other comprehensive income		
Valuation difference on available-for-sale securities	211	12
Foreign currency translation adjustment	685	363
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	897	376
Comprehensive income	1,287	1,175
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,339	1,237
Comprehensive income attributable to non-controlling interests	(51)	(62)