



Summary of Consolidated Financial Results for the Year Ended February 29, 2024 (Based on Japanese GAAP)

April 11, 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 the Annual General Meeting of Shareholders: May 23, 2024
 Scheduled date for filing of Securities Report: May 24, 2024
 Scheduled starting date for dividend payment: May 8, 2024
 Preparation of supplementary materials on financial results: Yes
 Financial results briefing for institutional investors and analysts: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (March 1, 2023 to February 29, 2024)

(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 | % |
| FY2023 | 94,036 | (7.5) | 2,066 | (13.7) | 1,990 | (13.1) | (319) | — |
| FY2022 | 101,667 | (2.9) | 2,393 | (14.9) | 2,291 | (17.6) | 1,057 | (33.0) |

(Note) Comprehensive income: Comprehensive income: FY2023 ¥(180 million) (-%); FY2022 ¥1,332 million (-19.5%)

| | Earnings per share | Diluted earnings per share | Return on equity | Return on assets | Operating profit to net sales ratio |
|--------|--------------------|----------------------------|------------------|------------------|-------------------------------------|
| | Yen | Yen | % | % | % |
| FY2023 | (21.08) | — | (1.9) | 3.9 | 2.2 |
| FY2022 | 68.35 | 68.35 | 6.3 | 4.4 | 2.4 |

(Reference) Equity in earnings of affiliates: FY2023 ¥(28million); FY2022 ¥(82million)

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of February 29, 2024 | 51,612 | 16,208 | 31.4 | 1,070.86 |
| As of February 28, 2023 | 50,882 | 16,772 | 32.8 | 1,082.72 |

(Reference) Shareholders' equity: As of February 29, 2024 ¥16,812 million; As of February 28, 2023 ¥16,695 million

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|--------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------------|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| FY2023 | 3,171 | (688) | (1,645) | 11,004 |
| FY2022 | 1,916 | (3,070) | (276) | 10,127 |

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2. Dividends

| | Dividends per share (Yen) | | | | | Total dividends (Millions of yen) | Payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|-------------------|---------------------------|-----------------------|-----------------------|---------------------|-------|--------------------------------------|--------------------------------|-------------------------------------------------------|
| | First quarter- end | Second quarter-end | Third quarter- end | Fiscal year- end | Total | | | |
| FY2022 | — | 0.00 | — | 0.00 | 0.00 | — | — | — |
| FY2023 | — | 0.00 | — | 22.00 | 22.00 | 332 | — | 2.0 |
| FY2024 (Forecast) | — | 0.00 | — | 27.00 | 27.00 | | 30.7 | |

(Notes)

- For information about MEDIA DO's annual dividend (forecast) for FY2024 and policy for returning profits to shareholders, please refer to "Analysis of operating results (5) Basic policy on distribution of profits and dividend for the current and subsequent fiscal years."

3. Consolidated Earnings Forecasts for Fiscal Year Ending February 28, 2025 (March 1, 2024 to February 28, 2025)

(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 | 98,000 | 4.2 | 2,300 | 11.3 | 2,230 | 12.0 | 1,330 | — | 88.01 |

(Note) Consolidated earnings forecasts for the fiscal first half are omitted because the Company budgets on an annual basis. For details, please refer to "(4) Forecast for the fiscal year ending February 28, 2025" on page 7.

Qualitative Information Regarding Financial Results

(1) Analysis of operating results

Japan's economy in fiscal 2023, ended February 29, 2024, showed signs that economic and social activities were normalizing as the easing of pandemic-era restrictions after COVID-19 was downgraded to a Class 5 disease under the Infectious Disease Act led to an increase in personal consumption and inbound tourism demand in Japan. Meanwhile, future economic trends remain uncertain due to the prolonged geopolitical risks surrounding the situation in Ukraine, fluctuations in interest rates and exchange rates, and inflation.

In the e-book market, the pace of market expansion slowed down due to the impact of publishers and eBook retailers reviewing their advertising and marketing approach based on changes in the flow of people due to the easing of pandemic-era restrictions. The eBook market will continue to grow, but the Company believes that it has entered a maturity stage.

Furthermore, the eBook market in 2023 was valued at ¥535.1 billion, an increase of ¥33.8 billion (up 6.7%) from ¥501.3 billion in the previous year. Of this amount, sales of eComics increased by 7.8% to ¥483.0 billion, non-graphic eBooks decreased by 1.3% to ¥44.0 billion, and eMagazines decreased by 8.0% to ¥8.1 billion. (Source: The Research Institute for Publications of The All Japan Magazine and Book Publisher's and Editor's Association)

Under these circumstances, the MEDIA DO Group's mission 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.

In the fiscal year under review, the Company was affected by a one-off decrease in revenue (approximately ¥11.0 billion) following the transfer of back-end operations for LINE Manga operated by LINE Digital Frontier Corporation, which was a major business partner of the eBook distribution business, to eBook Initiative Japan Co., Ltd. In addition to acquiring new sales channels in February 2024, net sales to eBook retailers grew steadily, but the above-mentioned one-off decline in revenue exceeded these, causing consolidated net sales to decline compared to the previous fiscal year.

On the other hand, in regard to pirate sites, the number of accesses showed an increasing trend since 2020 when the COVID-19 pandemic first began, but about 20 foreign pirate sites have since been shutdown through collaboration with relevant parties including governments, publishers, and internet service providers. As a result, the number of accesses has fallen as of February 2024 to about one fourth the peak around the end of 2021.

In the strategic investment businesses, the investment phase for growth has run its course, and although the overall deficit has narrowed and the businesses have been making progress toward returning to profitability, some businesses struggled due to the deteriorating business environment. In the FanTop business, the loss narrowed after the Company established a business policy and optimized investments. The companies in the global business, which are developing a SaaS-type business model, and Flier Inc. in the IP solutions business are steadily accumulating recurring revenues due to growth in the number of corporate contracts. However, NIHONBUNGEISHA Co., Ltd. in the imprint business was affected by the external environment, such as soaring paper prices, printing costs, and transport costs, and its performance deteriorated compared to the initial forecast. To improve the performance of these strategic investment businesses and optimize the allocation of management resources, the Company is working to optimize its business portfolio by changing the executive structure and business policies of some subsidiaries.

In addition, the Company recorded an impairment loss of ¥1,015 million as extraordinary losses related to the strategic investment business, and a loss on valuation of investment securities of ¥716 million in fiscal 2023. Regarding impairment losses, a large amount was recorded due to the identification of impairment losses on intangible fixed assets related to the Vertical Scrolling Comics (VSC) business based on the long period of time required to recover the production costs of original works in the business, and the identification of impairment losses on goodwill related to consolidated subsidiary Supadū Limited based on the progress of the original business plan of the acquisition, although growth was recognized in terms of both revenue and profit.

Regarding the loss write-down of investment securities covered the investments in a Korean vertical scrolling comic production studio and the shares held in HIKKY Co., Ltd., in which the Company invested in 2022 with the intention of forming a business alliance in the Metaverse domain.

As a result of the above, net sales for fiscal 2023 were ¥94,036 million (down 7.5% year on year), ordinary profit was ¥1,990 million (down 13.1%), and net loss attributable to owners of parent was ¥319 million (net income attributable to owners of the parent was ¥1,057 million for the same period last year).

The operating results of each segment were as follows.

eBook Distribution

In the eBook distribution business, the Company continued to provide distribution and eBook transmission solutions to eBook retailers such as Comic Cmoa and Amazon Kindle. The MEDIA DO Group contributes 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 retailers, more than 2.1 million active contents handled, and more than 17,000 campaigns managed with publishers and eBook retailers (as of the end of February 29, 2024). As mentioned above, however, in fiscal 2023 the Company was impacted by a decline in transaction volume with its main business partners and by the review of marketing approach by publishers and eBook retailers based on changes in the flow of people, while the impact of pirate sites diminished. Although eBooks, including manga, have penetrated people's lives and the eBook market is gradually reaching a maturation stage, as the scale of the market expands, the number of active contents and promotional campaigns managed have more than tripled in six years, the operating costs for the distribution of eBooks are increasing year by year and partly due to the diversification of service formats such as the entrenchment of story-based distribution.

In this environment, the significance and expectations of eBook distribution is gradually increasing, which resulted in the acquisition of new sales channels in February 2024. The Company aims to increase its distribution share by improving services that will streamline operational efficiencies of business partners and by strengthening system development and collaboration with publishers through take part in our engineers.

Consequently, net sales in the eBook distribution segment came to ¥86,402 million (down 8.4% year on year), and segment income was ¥4,910 million (down 6.4%).

Strategic Investment

In the strategic investment businesses, the investment phase for growth has run its course, the Company is steadily promoting the business with the aim of narrowing the loss and returning to profitability.

In the FanTop business, the Company aims to revitalize the publishing and content industries by attaching NFT digital content with asset-like value to paper books and distributing NFT digital content on its NFT marketplace developed and operated in-house. In fiscal 2023, the Company focused on measures to increase the total number of copies issued and strengthened its approach to magazines with large circulations. As a result, the total number of copies issued by the end of February 2024 exceeded 2.3 million, contributing to an increase in the number of content available on the NFT marketplace and the number of members.

In the imprint business, the Company aims to help further expand the content market by producing influential original works from the novel-sharing site Everystar and the publisher NIHONBUNGEISHA, and promoting multimedia conversion. In fiscal 2023, the Company strengthened its licensing proposal activities along with PR functions, which enabled it to build a track record of five works adapted into TV drama, novel, or comic book. On the other hand, due to the external environment, such as soaring paper prices, printing costs, and transport costs, as well as the temporary decline in the number of hits, NIHONBUNGEISHA's business performance deteriorated

significantly from the initial forecast.

In the IP solutions business, the Company mainly aims to expand the domestic publishing market and capture synergistic revenue opportunities by developing a wide range of eBook services, spanning from publishers to consumers. Flier Inc., which provides book summary services, adopts a SaaS-type business model, and has steadily expanded its customer base, including reaching a cumulative number of corporate contracts of more than 960, contributing to reduce the losses in the strategic investment businesses. In addition, in the eLibrary business, sales and profits increased thanks to the increase in the number of municipalities as customers driven by a tailwind of government subsidies for encouraging the use of My Number cards. Regarding the VSC business, although the market for VSC is expected to grow globally in the future, the Company has decided to withdraw from the production of original works in collaboration with studios because the business model requires large production costs and long time to recoup investments due to the large production costs and time required to recoup investments, and, instead, to focus on the distribution of VSC in the future.

In the global business, the Company provides DX services to publishers in Europe and the United States, including the five major U.S. publishers, through a SaaS-type business model. In addition to building a network with publishers in Europe and the United States, the Company aims to expand the expertise of publishing DX overseas to publishers in Japan in the future. While the number of contracts with publishers has steadily increased, the churn rate of existing customers is low, so sales have improved along with the accumulation of corporate customers, which contributed to the reduction of losses in the strategic investment businesses in fiscal 2023.

As a result, net sales in the strategic investment businesses segment totaled ¥7,435 million (up 1.4% year on year), and the segment loss amounted to ¥1,291 million (compared with ¥1,462 million in the previous fiscal year).

(2) Analysis of financial position

Assets

As of February 29, 2024, total assets stood at ¥51,612 million, an increase of 1.4% or ¥730 million year on year.

Current assets totaled ¥36,396 million, an increase of 7.6% or ¥2,570 million.

The main factors were increases in cash and deposits of ¥877 million and notes and accounts receivable—trade and contract assets of ¥1,588 million, respectively.

Non-current assets stood at ¥15,215 million, a decrease of 10.8% or ¥1,840 million year on year.

The main factors were decreases in goodwill included in intangible assets of ¥1,108 million and investment securities included in investments and other assets of ¥576 million, respectively.

Liabilities

As of February 29, 2024, total liabilities came to ¥35,403 million, an increase of 3.8% or ¥1,294 million year on year.

Current liabilities totaled ¥31,386 million, an increase of 9.0% or ¥2,596 million.

The main factors were increases in notes and accounts payable—trade of ¥1,654 million and income taxes payable of ¥691 million, respectively.

Non-current liabilities totaled ¥4,017 million, a decrease of 24.5% or ¥1,302 million year on year.

The main factor was a decrease in long-term borrowings of ¥1,286 million.

Net assets

As of February 29, 2024, total net assets stood at ¥16,208 million, a decrease of 3.4% or ¥564 million year on year. This was mainly due to decreases in capital surplus of ¥422 million and retained earnings of ¥319 million, respectively, offsetting an increase in other comprehensive income of ¥204 million.

(3) Cash flows

Cash and cash equivalents as of February 29, 2024 (“cash”) was ¥11,004 million.

The status of cash flows during the fiscal year ended February 29, 2024 was as follows.

Cash flows from operating activities

Net cash provided by operating activities was ¥3,171 million (up 65.5% year on year).

The main cash inflows were profit before income taxes of ¥438 million, non-cash items depreciation of ¥625 million, impairment losses of ¥1,015 million, amortization of goodwill of ¥702 million, an adjustment of loss on valuation of investment securities of ¥716 million, and an increase in trade payables of ¥1,651 million. Main cash outflows included an increase in trade receivables of ¥1,580 million and income taxes paid of ¥344 million.

Cash flows from investing activities

Net cash used in investing activities was ¥688 million, compared to net cash used of ¥3,070 million in the previous fiscal year.

The main cash inflow was proceeds from sale of investment securities of ¥138 million, while the main cash outflows were purchase of property, plant and equipment of ¥113 million and purchase of intangible assets of ¥686 million.

Cash flows from financing activities

Net cash used in financing activities was ¥1,645 million, compared to net cash used of ¥276 million in the previous fiscal year.

The main cash outflows were repayments of long-term borrowings of ¥1,274 million and purchase of treasury shares of ¥499 million.

(Reference) Trends in cash flow-related indicators

| | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
|--------------------------------------------------|--------|--------|--------|--------|--------|
| Equity ratio (%) | 17.0 | 28.0 | 32.0 | 32.8 | 31.4 |
| Equity ratio based on market value (%) | 118.0 | 197.1 | 75.3 | 45.2 | 39.2 |
| Interest-bearing debt to cash flow ratio (years) | 4.3 | 2.6 | 1.2 | 3.5 | 1.7 |
| Interest coverage ratio (times) | 46.1 | 70.7 | 143.8 | 58.6 | 100.5 |

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest expense

(Notes) 1. Cash flows use operating cash flows.

2. Interest-bearing debt includes all debt appearing on the balance sheet on which interest is being paid.

(4) Forecast for the fiscal year ending February 28, 2025

The shift from paper books to e-books has been progressing as an irreversible trend, and the e-book market is expected to continue to expand over the medium to long term. On the other hand, the market size of the entire publishing market, including paper books, is on a downward trend again, and the entire publishing market needs to be revitalized. As the eBook market grows rapidly and gradually reaches maturity, partly due to the boost caused by stay-at-home consumption, expectations for the role required of the distribution business, which is our core business, are increasing. Through the efforts of each business in the strategic investment businesses, the Company will provide products and services tailored to the values of various stakeholders and aim to solve the problems of the industry.

In light of this environment, in fiscal 2024, the eBook distribution business is expected to return to a revenue growth trend because of the elimination of the temporary decline in revenue and the expected further growth of market share in distribution, including capturing new sales channels. This will be made possible by better understanding the trend of returning to distribution amid the increase in operating costs for eBook distribution and providing customer-oriented services to improve the operational efficiency of publishers and eBook retailers, as well as by strengthening system linkages with publishers and eBook retailers.

In the strategic investment businesses, in addition to the steady growth of each business, the Company will continue to tighten its business portfolio review and promote the optimization of the allocation of management resources, with the aim of reducing the losses of the strategic investment businesses as a whole. In the FanTop business, the Company will promote the use of FanTop beyond the publishing industry by advancing promotional measures that utilize the AirDrop feature that allows NFT digital content to be distributed to an unspecified number of users, in addition to continuing to aim to increase the total number of copies issued with NFT digital benefits in order to expand the number of members. In the imprint business, the Company will embark on fundamental reforms to restore the business performance of NIHONBUNGEISHA, including sales structure and other organizational reforms and control of the number of copies. Regarding the IP solutions business, the company expects that Flier Inc. will expand due to an increase in the number of corporate subscribers, and after a reinvestment phase starting in the fiscal year ending February 2020, it will expect to return to profitability for the full fiscal year in the fiscal year ending February 2025. In the global business, the Company also expects sales and profits to increase in fiscal 2024 due to an increase in the number of corporate contracts, as is the case with fiscal 2023.

In light of the above, for fiscal 2024, the Group is forecasting net sales of ¥98,000 million (up 4.2% year on year), operating profit of ¥2,300 million (up 11.3%), ordinary profit of ¥2,230 million (up 12.0%), and profit attributable to owners of parent of ¥1,330 million (net loss attributable to owners of the parent was ¥319 million for the same period last year).

(5) Basic policy on distribution of profits and dividend for the current and subsequent fiscal years

Recognizing that returning profits to shareholders is an important management issue, we believe that capital investment and strengthening the management foundation necessary for sustainable growth in the future are also important management goals. Therefore, the Group's basic policy is to pay dividends of profits by comprehensively judging the management condition, including financial position and performance trends, etc., while securing retained earnings.

Based on this policy, the Company aims to achieve a total return ratio*¹ of 30% or higher when including dividends and share buybacks. Toward this end, the Board of Directors passed a resolution at a meeting held on April 13, 2023 to undertake share buybacks (Up to a maximum of 450,000 shares and a maximum amount of ¥0.5 billion during the period from April 14 to July 31, 2023.). In addition, profit attributable to owners of parent was in the red in fiscal 2023, but extraordinary losses incurred were a loss on valuation of investment securities and an impairment loss. Since they did not involve an outflow of cash and the business performance is expected to recover from fiscal 2024 onward, after bottoming out in fiscal 2023, the year-end dividend for fiscal 2023 is scheduled to be resolved at ¥22.00 (total dividend of ¥332 million) at the Board of Directors meeting planned to be held on April 18, 2024, as originally forecast at the beginning of the year. In fiscal 2023, although profit attributable to owners of parent was in the red due to the recording of extraordinary losses and the total return ratio cannot be calculated correctly, the total return ratio on the initial forecast of profit attributable to owners of parent of ¥1,100 million is 75.7%, which is far above the target of 30%. Furthermore, the acquired treasury shares have already been canceled as of May 31, 2023.

Regarding the return of profits in fiscal 2024, including annual dividends, the Company will continue to determine it holistically based on financial position, business performance trends, and other factors, keeping in mind a total return ratio of 30% or more. As for the annual dividend forecast, the Company will increase the dividend by ¥5 to ¥27.00 per share, and we will consider further increases depending on future profit conditions. The Company will also flexibly determine share buybacks in accordance with stock price trends and other factors.

(Reference) Trends in total return ratio

| | FY2021 | FY2022 | FY2023 | FY2024 (Forecast) |
|-----------------------------------------------------|--------|--------|---------------------|----------------------|
| Dividends per share Fiscal year- end (Yen) | 21.00 | — | 22.00* ² | 27.00 |
| Acquisition of Treasury Shares (Millions of yen) | — | 1,000 | 500 | TBD |
| Total return ratio* ¹ | 21.1% | 94.6% | —* ³ | 30% or more |

(Notes)

*1. Total return ratio = (Total amount of dividends paid + Total amount of treasury shares acquired) / Profit attributable to owners of parent. From fiscal 2022, the basic policy for shareholder returns had changed from "Total return ratio of 20% or more" to "Total return ratio of 30% or more."

*2. The year-end dividend for fiscal 2023 is scheduled to be resolved at ¥22.00 (total dividend of ¥332 million) at the Board of Directors meeting planned to be held on April 18, 2024.

*3. Shown with a hyphen because net profit attributable to owners of parent is in the red and the total return ratio is negative. The total return ratio is 75.7% based on the forecast amount of net profit attributable to owners of parents of ¥1,100 million at the beginning of the fiscal 2023.

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Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

| | As of February 28, 2023 | As of February 29, 2024 |
|------------------------------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,127 | 11,004 |
| Notes and accounts receivable - trade, and contract assets | 21,706 | 23,294 |
| Other | 1,993 | 2,098 |
| Allowance for doubtful accounts | (1) | (0) |
| Total current assets | 33,825 | 36,396 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 689 | 701 |
| Tools, furniture and fixtures | 297 | 309 |
| Other | 27 | 121 |
| Accumulated depreciation | (384) | (460) |
| Total property, plant and equipment | 630 | 672 |
| Intangible assets | | |
| Goodwill | 6,874 | 5,765 |
| Software | 852 | 590 |
| Software in progress | 44 | 74 |
| Other | 1,270 | 1,162 |
| Total intangible assets | 9,041 | 7,592 |
| Investments and other assets | | |
| Investment securities | 6,447 | 5,870 |
| Deferred tax assets | 380 | 494 |
| Guarantee deposits | 489 | 471 |
| Other | 74 | 122 |
| Allowance for doubtful accounts | (7) | (7) |
| Total investments and other assets | 7,384 | 6,951 |
| Total non-current assets | 17,056 | 15,215 |
| Total assets | 50,882 | 51,612 |

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(Millions of yen)

| | As of February 28, 2023 | As of February 29, 2024 |
|-------------------------------------------------------|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 24,511 | 26,165 |
| Short-term borrowings | 903 | 902 |
| Current portion of long-term borrowings | 1,302 | 1,314 |
| Income taxes payable | 65 | 756 |
| Provision for bonuses | 41 | 42 |
| Other | 1,966 | 2,205 |
| Total current liabilities | 28,789 | 31,386 |
| Non-current liabilities | | |
| Long-term borrowings | 4,414 | 3,128 |
| Deferred tax liabilities | 156 | 120 |
| Retirement benefit liability | 638 | 615 |
| Other | 108 | 153 |
| Total non-current liabilities | 5,319 | 4,017 |
| Total liabilities | 34,109 | 35,403 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 5,934 | 5,959 |
| Capital surplus | 6,159 | 5,737 |
| Retained earnings | 3,933 | 3,614 |
| Treasury shares | (48) | (48) |
| Total shareholders' equity | 15,979 | 15,262 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 118 | 195 |
| Foreign currency translation adjustment | 596 | 725 |
| Total accumulated other comprehensive income | 715 | 920 |
| Share acquisition rights | 0 | — |
| Non-controlling interests | 77 | 25 |
| Total net assets | 16,772 | 16,208 |
| Total liabilities and net assets | 50,882 | 51,612 |

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(2) Consolidated statements of income and comprehensive income

(Millions of yen)

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|-------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Net sales | 101,667 | 94,036 |
| Cost of sales | 90,705 | 83,182 |
| Gross profit | 10,962 | 10,854 |
| Selling, general and administrative expenses | 8,568 | 8,788 |
| Operating profit | 2,393 | 2,066 |
| Non-operating income | | |
| Interest and dividend income | 27 | 26 |
| Foreign exchange gains | 14 | 18 |
| Subsidy income | 20 | — |
| Gain on investments in investment partnerships | 1 | — |
| Other | 11 | 6 |
| Total non-operating income | 75 | 52 |
| Non-operating expenses | | |
| Interest expenses | 32 | 31 |
| Share issuance costs | 1 | 0 |
| Commission expenses | 20 | — |
| Loss on investments in investment partnerships | — | 12 |
| Share of loss of entities accounted for using equity method | 82 | 28 |
| Donations | 40 | 40 |
| Other | — | 15 |
| Total non-operating expenses | 176 | 127 |
| Ordinary profit | 2,291 | 1,990 |
| Extraordinary income | | |
| Gain on sale of investment securities | — | 106 |
| Gain on reversal of share acquisition rights | — | 0 |
| Gain on change in equity | 68 | 110 |
| Total extraordinary income | 68 | 217 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 5 | — |
| Loss on retirement of non-current assets | 141 | 1 |
| Impairment losses | 499 | 1,015 |
| Loss on valuation of investment securities | 145 | 716 |
| Loss on sale of shares of subsidiaries and associates | 15 | 6 |
| Other | 22 | 29 |
| Total extraordinary losses | 830 | 1,769 |
| Profit before income taxes | 1,529 | 438 |
| Income taxes - current | 533 | 1,000 |
| Income taxes - deferred | 11 | (177) |
| Total income taxes | 545 | 823 |
| Profit (loss) | 984 | (384) |
| Loss attributable to non-controlling interests | (72) | (65) |
| Profit (loss) attributable to owners of parent | 1,057 | (319) |

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(Millions of yen)

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|--------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Profit (loss) | 984 | (384) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (72) | 76 |
| Foreign currency translation adjustment | 420 | 128 |
| Share of other comprehensive income of entities accounted for using equity method | 0 | 0 |
| Total other comprehensive income | 347 | 204 |
| Comprehensive income | 1,332 | (180) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,405 | (114) |
| Comprehensive income attributable to non-controlling interests | (72) | (65) |

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(3) Consolidated Statements of Change in Net Assets

Year ended February 28, 2023

(Millions of yen)

| | Shareholders' equity | | | | |
|-----------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 5,909 | 7,285 | 3,254 | (1) | 16,447 |
| Cumulative effects of changes in accounting policies | | | (44) | | (44) |
| Restated balance | 5,909 | 7,285 | 3,209 | (1) | 16,402 |
| Changes during period | | | | | |
| The issuance of shares certain transfer restrictions | 24 | 24 | | | 49 |
| Dividends of surplus | | | (333) | | (333) |
| Profit (loss) attributable to owners of parent | | | 1,057 | | 1,057 |
| Purchase of treasury shares | | | | (999) | (999) |
| Cancellation of treasury shares | | (1,001) | | 1,001 | — |
| Capital increase of consolidated subsidiaries | | 208 | | | 208 |
| Purchase of shares of consolidated subsidiaries | | (357) | | | (357) |
| Changes in parent shares held by equity method affiliates | | | | (48) | (48) |
| Net changes in items other than shareholders' equity | | | | | — |
| Total changes during period | 24 | (1,125) | 723 | (46) | (423) |
| Balance at end of period | 5,934 | 6,159 | 3,933 | (48) | 15,979 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|-----------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|----------------------------------------------|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 191 | 176 | 367 | 0 | 97 | 16,912 |
| Cumulative effects of changes in accounting policies | | | — | | | (44) |
| Restated balance | 191 | 176 | 367 | 0 | 97 | 16,867 |
| Changes during period | | | | | | |
| The issuance of shares certain transfer restrictions | | | — | | | 49 |
| Dividends of surplus | | | — | | | (333) |
| Profit (loss) attributable to owners of parent | | | — | | | 1,057 |
| Purchase of treasury shares | | | — | | | (999) |
| Cancellation of treasury shares | | | — | | | — |
| Capital increase of consolidated subsidiaries | | | — | | | 208 |
| Purchase of shares of consolidated subsidiaries | | | — | | | (357) |
| Changes in parent shares held by equity method affiliates | | | — | | | (48) |
| Net changes in items other than shareholders' equity | (72) | 420 | 347 | — | (19) | 328 |
| Total changes during period | (72) | 420 | 347 | — | (19) | (94) |
| Balance at end of period | 118 | 596 | 715 | 0 | 77 | 16,772 |

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Year ended February 29, 2024

(Millions of yen)

| | Shareholders' equity | | | | |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 5,934 | 6,159 | 3,933 | (48) | 15,979 |
| Changes during period | | | | | |
| The issuance of shares certain transfer restrictions | 24 | 24 | | | 49 |
| Profit (loss) attributable to owners of parent | | | (319) | | (319) |
| Purchase of treasury shares | | | | (499) | (499) |
| Cancellation of treasury shares | | (499) | | 499 | — |
| Capital increase of consolidated subsidiaries | | 51 | | | 51 |
| Net changes in items other than shareholders' equity | | | | | — |
| Total changes during period | 24 | (422) | (319) | (0) | (717) |
| Balance at end of period | 5,959 | 5,737 | 3,614 | (48) | 15,262 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|----------------------------------------------|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 118 | 596 | 715 | 0 | 77 | 16,772 |
| Changes during period | | | | | | |
| The issuance of shares certain transfer restrictions | | | — | | | 49 |
| Profit (loss) attributable to owners of parent | | | — | | | (319) |
| Purchase of treasury shares | | | — | | | (499) |
| Cancellation of treasury shares | | | — | | | — |
| Capital increase of consolidated subsidiaries | | | — | | | 51 |
| Net changes in items other than shareholders' equity | 76 | 128 | 204 | (0) | (51) | 152 |
| Total changes during period | 76 | 128 | 204 | (0) | (51) | (564) |
| Balance at end of period | 195 | 725 | 920 | — | 25 | 16,208 |

(4) Consolidated Statements of Cash Flows

(Millions of yen)

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|-------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,529 | 438 |
| Depreciation | 691 | 625 |
| Impairment losses | 499 | 1,015 |
| Amortization of goodwill | 783 | 702 |
| Increase (decrease) in allowance for doubtful accounts | (0) | (0) |
| Increase (decrease) in provision for bonuses | (9) | 1 |
| Increase (decrease) in provision for point card certificates | (60) | — |
| Increase (decrease) in retirement benefit liability | 54 | (32) |
| Interest and dividend income | (27) | (26) |
| Subsidy income | (20) | — |
| Interest expenses | 32 | 31 |
| Loss (gain) on valuation of investment securities | 145 | 716 |
| Loss (gain) on investments in investment partnerships | (1) | 12 |
| Loss (gain) on sale of investment securities | — | (106) |
| Loss (gain) on sale of shares of subsidiaries and associates | 15 | 6 |
| Share of loss (profit) of entities accounted for using equity method | 82 | 28 |
| Loss (gain) on change in equity | (68) | (110) |
| Decrease (increase) in trade receivables | 1,598 | (1,580) |
| Increase (decrease) in advances received | 67 | 152 |
| Decrease (increase) in inventories | (60) | 9 |
| Decrease (increase) in prepaid expenses | (78) | (56) |
| Increase (decrease) in trade payables | (2,033) | 1,651 |
| Increase (decrease) in accounts payable - other | 50 | (111) |
| Increase (decrease) in deposits received | (81) | 108 |
| Increase (decrease) in accrued consumption taxes | (5) | 16 |
| Decrease (increase) in consumption taxes refund receivable | (11) | (130) |
| Other, net | 75 | 87 |
| Subtotal | 3,168 | 3,450 |
| Interest and dividends received | 31 | 30 |
| Subsidies received | 20 | — |
| Interest paid | (32) | (31) |
| Income taxes paid | (1,272) | (344) |
| Income taxes refund | — | 66 |
| Net cash provided by (used in) operating activities | 1,916 | 3,171 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (517) | (113) |
| Purchase of intangible assets | (835) | (686) |
| Purchase of investment securities | (817) | (6) |
| Proceeds from sale of investment securities | — | 138 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (862) | — |
| Payments for sale of shares of subsidiaries resulting in change in scope of consolidation | (44) | (17) |
| Payments of guarantee deposits | (50) | (24) |
| Proceeds from refund of guarantee deposits | 44 | 41 |
| Other, net | 13 | (19) |
| Net cash provided by (used in) investing activities | (3,070) | (688) |

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(Millions of yen)

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|--------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 796 | (1) |
| Proceeds from long-term borrowings | 1,580 | — |
| Repayments of long-term borrowings | (1,273) | (1,274) |
| Proceeds from issuance of shares with restriction of transfer | 49 | 49 |
| Proceeds from share issuance to non-controlling shareholders | 335 | 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 | (276) | (1,645) |
| Effect of exchange rate change on cash and cash equivalents | 157 | 39 |
| Net increase (decrease) in cash and cash equivalents | (1,272) | 877 |
| Cash and cash equivalents at beginning of period | 11,399 | 10,127 |
| Cash and cash equivalents at end of period | 10,127 | 11,004 |