

Supplementary Briefing Material on Financial Results for FY2023

**Impress Holdings, Inc.
(TSE Standard : 9479)**

May 13, 2024

Disclaimer

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Financial Results for FY2023 (April 1, 2023 to March 31, 2024)

Highlights of Financial Results for FY2023: Part1

- Despite positive aspects such as the continued recovery in digital advertising and the bottoming out of Target media in 4Q, consolidated sales were 14,466 million yen due to the impact of a significant decline in sales in the media business, especially in Publishing (-4.6%/-694 million yen y/y).
- The performance of the Media business deteriorated due to lower sales of profitable backlist books, e-books, and targeting advertisements; lower sales of new titles due to a reduction in the number of editors as part of business restructuring and the curbing of new publications in 4Q, plus higher cost of sales due to lower inventory valuation, as well as an increase in personnel expenses and business development investments. Operating profit was -483 million yen (-870 million yen y/y) and ordinary profit was -366 million (-860 million yen y/y).
- Profit fell sharply to -1,036 million yen (-1,412 million yen y/y) due to extraordinary losses of 431 million yen, including business restructuring costs for rationalizing the workforce and impairment losses on business assets with declining profitability, and corporate tax adjustments of -114 million yen due to a review of the recoverability of deferred tax assets.

Highlights of Financial Results for FY2023: Part2

- In Publishing/E-publishing, although the amount of returns has settled down, sales were 7,571 million yen (-6.9%/-562 million yen y/y) due to the continued decline in shipments of backlist books due to the weak product strength in the previous year, the overall weakness in e-books, and a decline in new titles sales due to the curbing of new publications in 4Q.
- In Internet media, sales increased to 1,925 million yen (+8.1%/+144 million yen y/y), with the continued recovery of internet advertisement and affiliate income remained strong.
- In Target media, market growth triggered by COVID-19 has slowed down and is bottoming out, but a decline in targeting advertisements and event revenues, resulted in sales of 1,135 million yen (-11.7%/-150 million yen y/y).
- In Platform business, the E-comic PF entered an adjustment phase due to the partial termination of services for publishers in 2Q of the previous fiscal year, resulting in a significant decline in sales. Despite better-than-expected performance driven by popular titles, net sales were 2,569 million yen (-4.9%/-131 million yen y/y).

Consolidated Financial Results for FY2023

(Million yen)

| | FY2022 | FY2023 (current) | | |
|------------------|--------|------------------|-------|--------|
| | Result | Result | Y/Y | |
| Net sales | 15,161 | 14,466 | -4.6% | -694 |
| Operating profit | 386 | -483 | - | -870 |
| Ordinary profit | 494 | -366 | - | -860 |
| Profit | 375 | -1,036 | - | -1,412 |

※ Extraordinary losses (business restructuring expenses, loss on impairment, etc.) posted in FY2023: 431m

Breakdown of Extraordinary Losses in FY2023

■ Total extraordinary losses: 431 million yen

【Breakdown】

■ Business restructuring expenses ... 135 million yen

- Costs associated with workforce rationalization measures such as second career support (e.g. severance payments)
- Costs related to the liquidation of unprofitable businesses

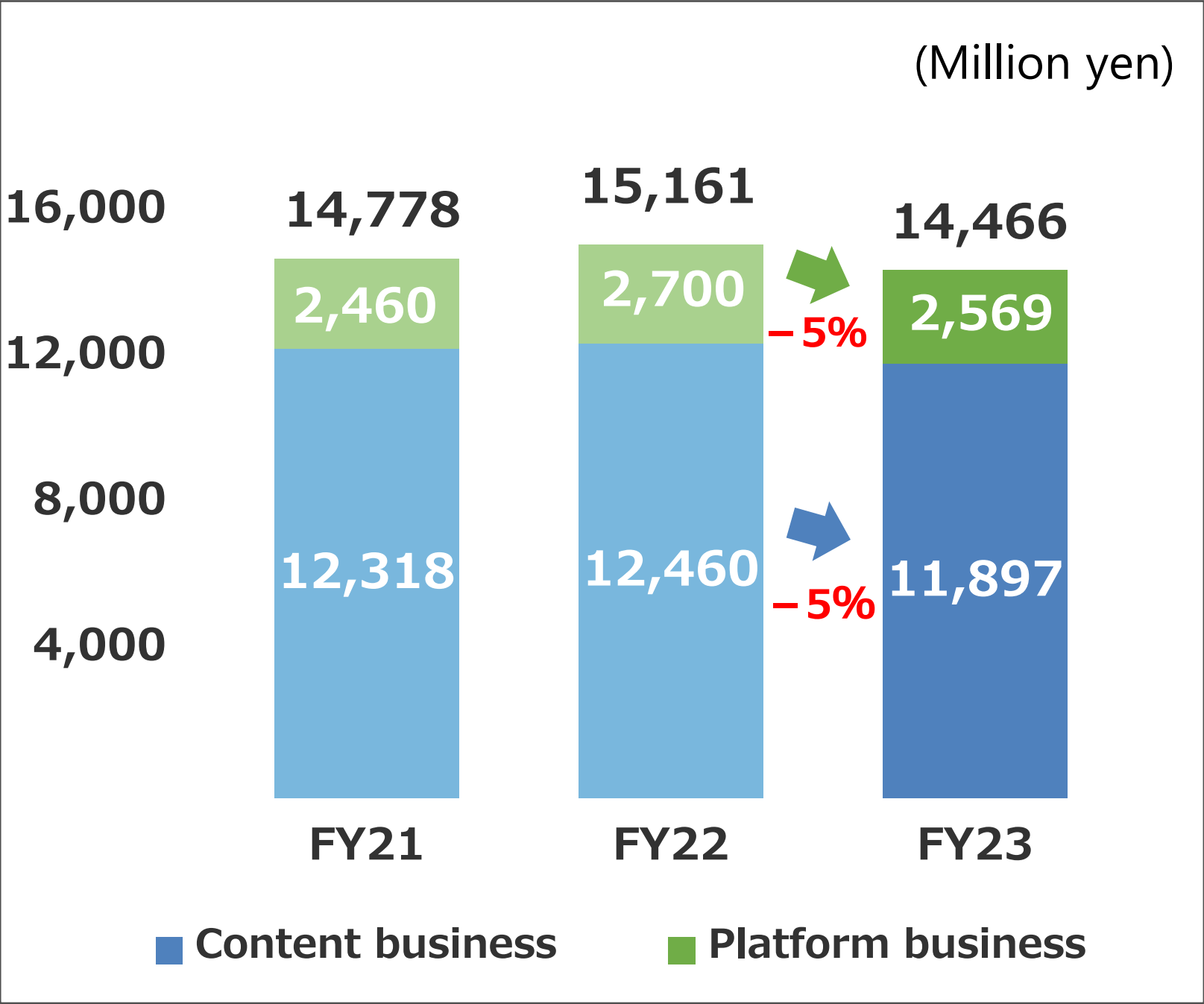
■ Impairment loss ... 288 million yen

- Impairment of fixed assets for which recovery of the investment is no longer expected due to a decline in profitability and the goodwill of the subsidiary PUBFUN, Inc.

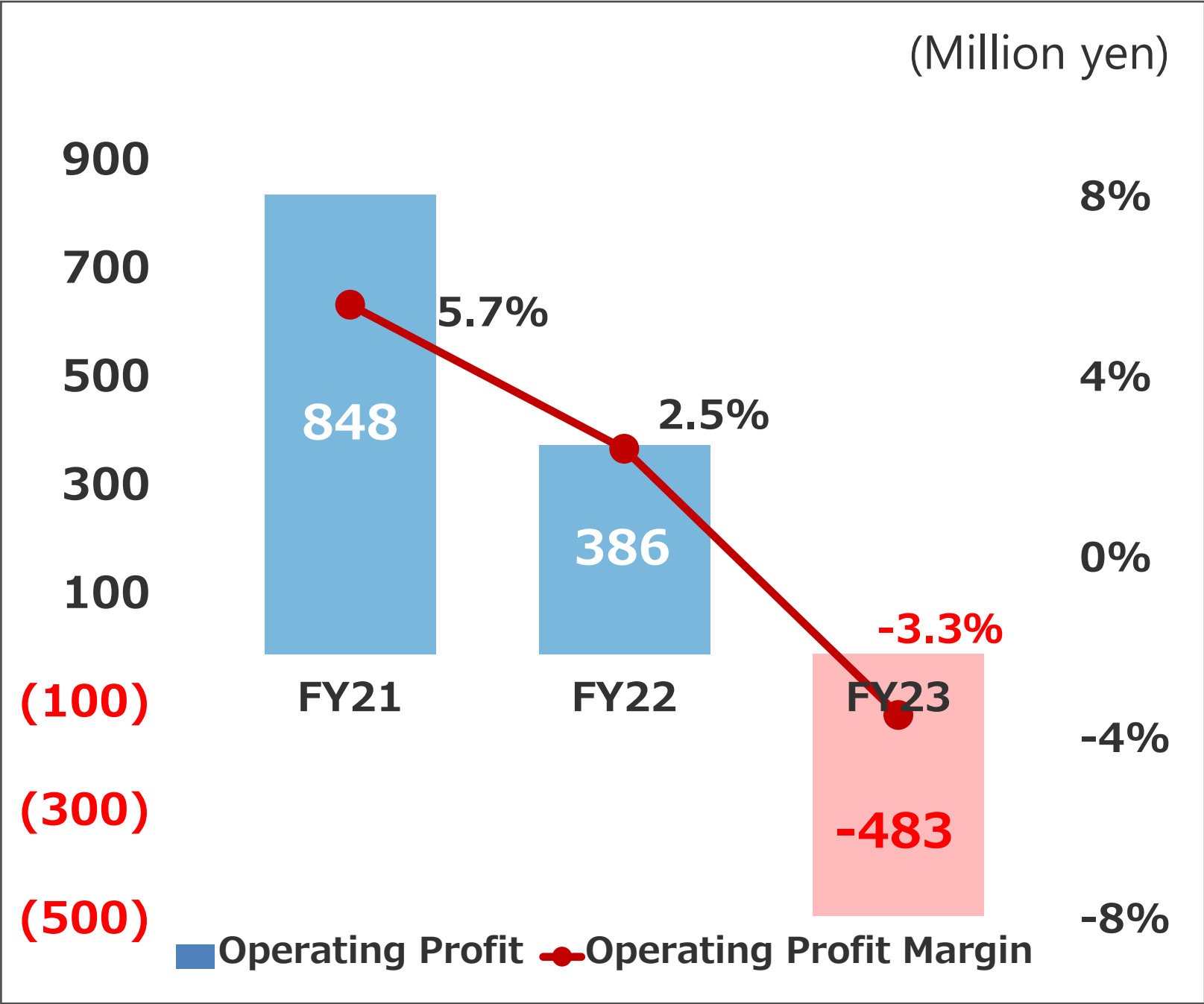
■ Loss on disposal of fixed assets ... 7 million yen

Development of Consolidated Financial Results (3 period comparison)

■ Net Sales



■ Operating Profit & Operating Profit Margin

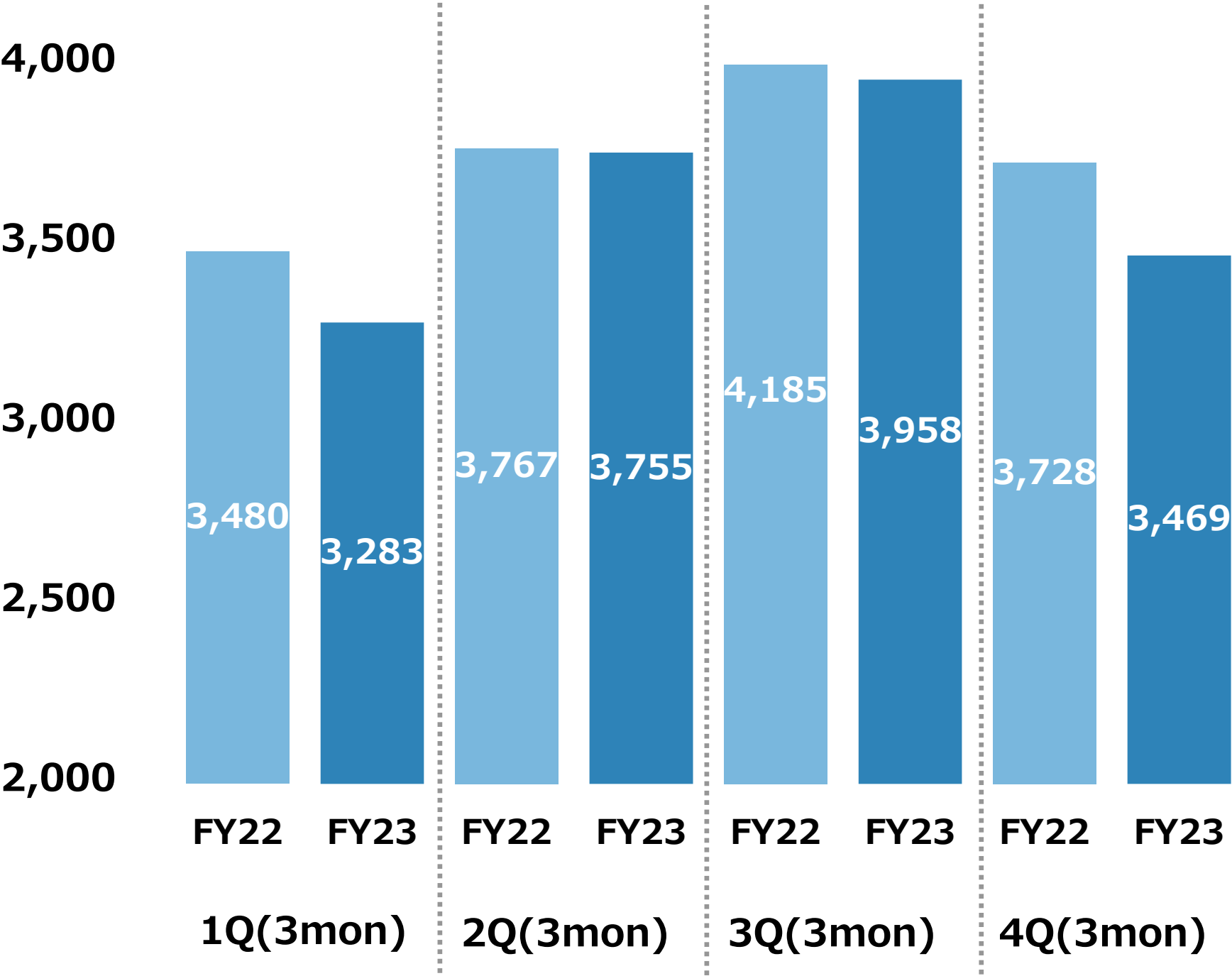


Development of Consolidated Financial Results

(Quarterly comparison)

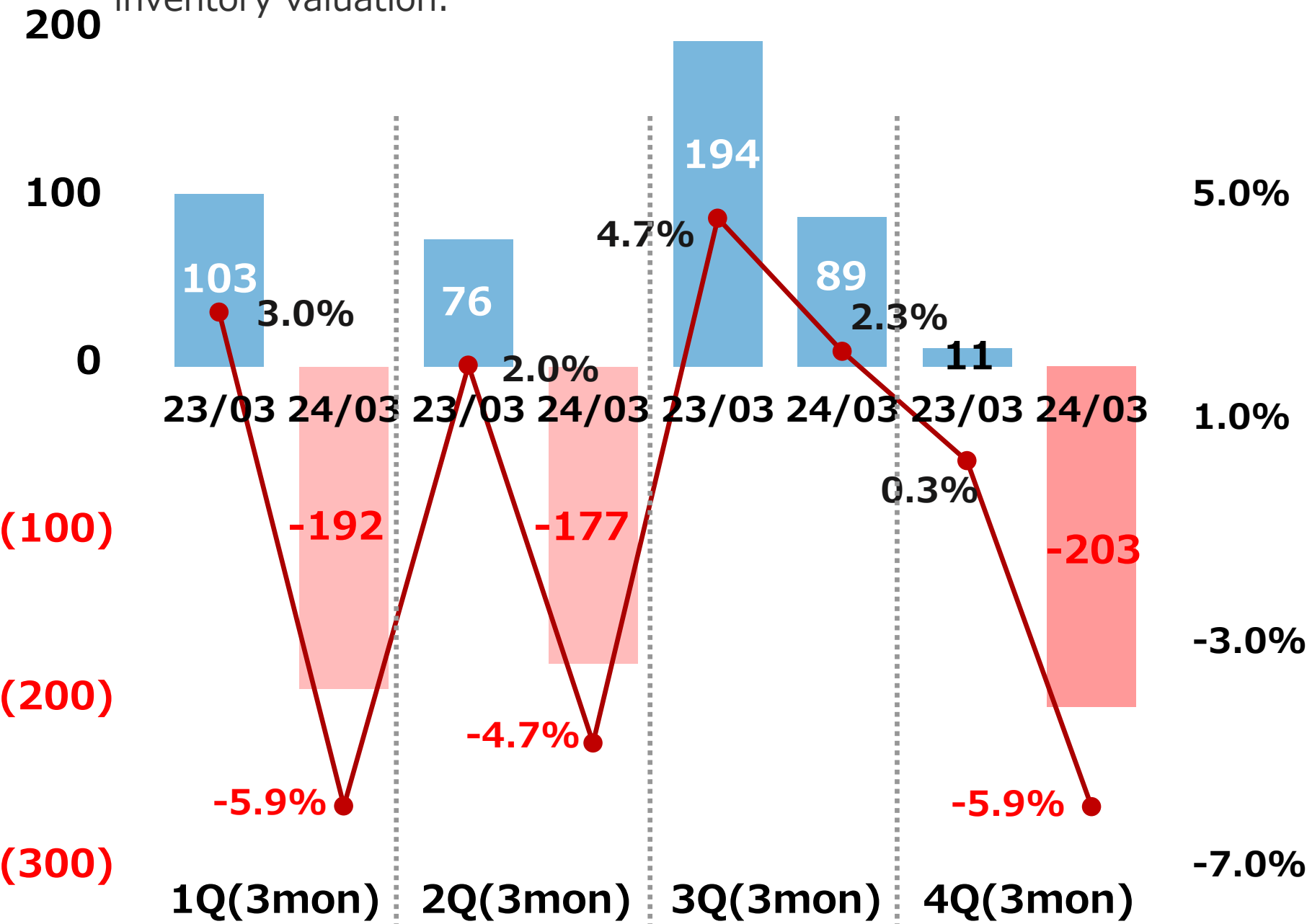
(Million yen)

■ Net Sales



■ Operating Profit & Operating Profit Margin

In 4Q, the operating loss increased due to a decline in shipments of backlist books, as well as curbs on new publications and lower inventory valuation.



Factors Affecting Decrease in Operating Profit for FY2023

(Million yen)

FY2023
operating profit

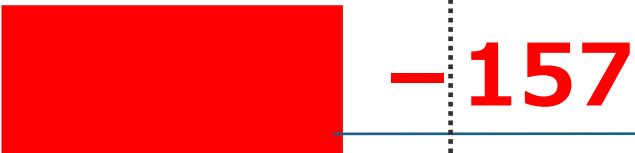
Increase in
investments

Increase in
SG&A expenses

Decrease in
gross profit margin

Decrease in sales

FY2022
operating profit



Lower profitability in
Media business (gross
profit margin -2.1pt)

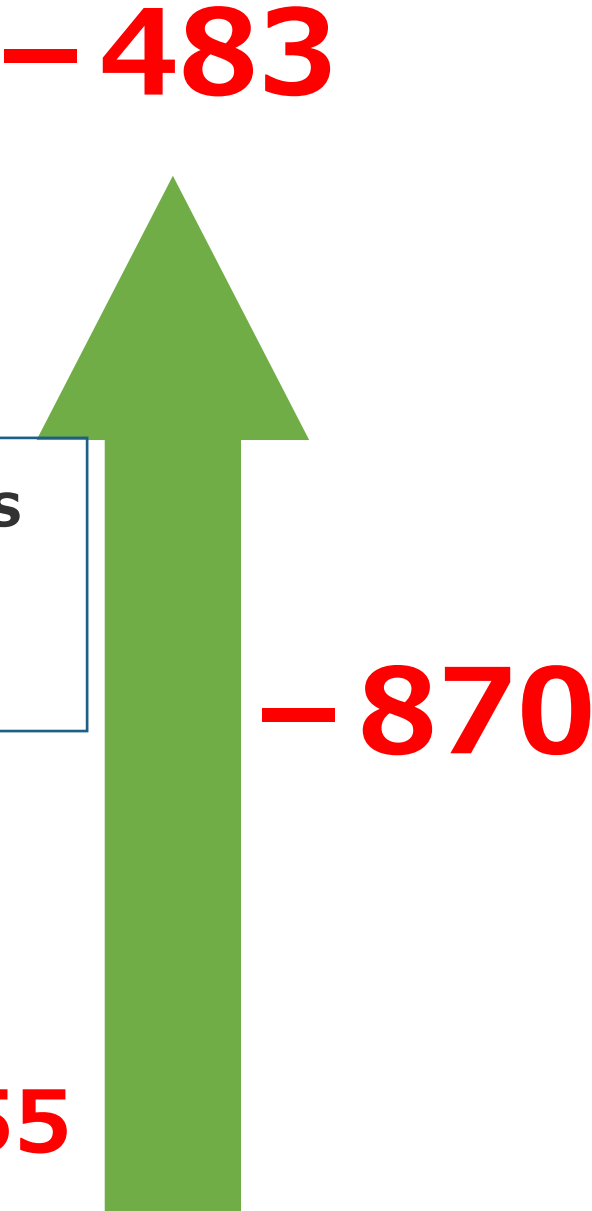


Decrease in revenues from
backlist books/e-pub/mooks,
Target media, E-comic PF



Investment in on-demand
platform business, development
of D to C business model , etc.

Increase in personnel expenses
due to higher headcount and
compensation levels



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Overview of Financial Results by Business Category & Segment

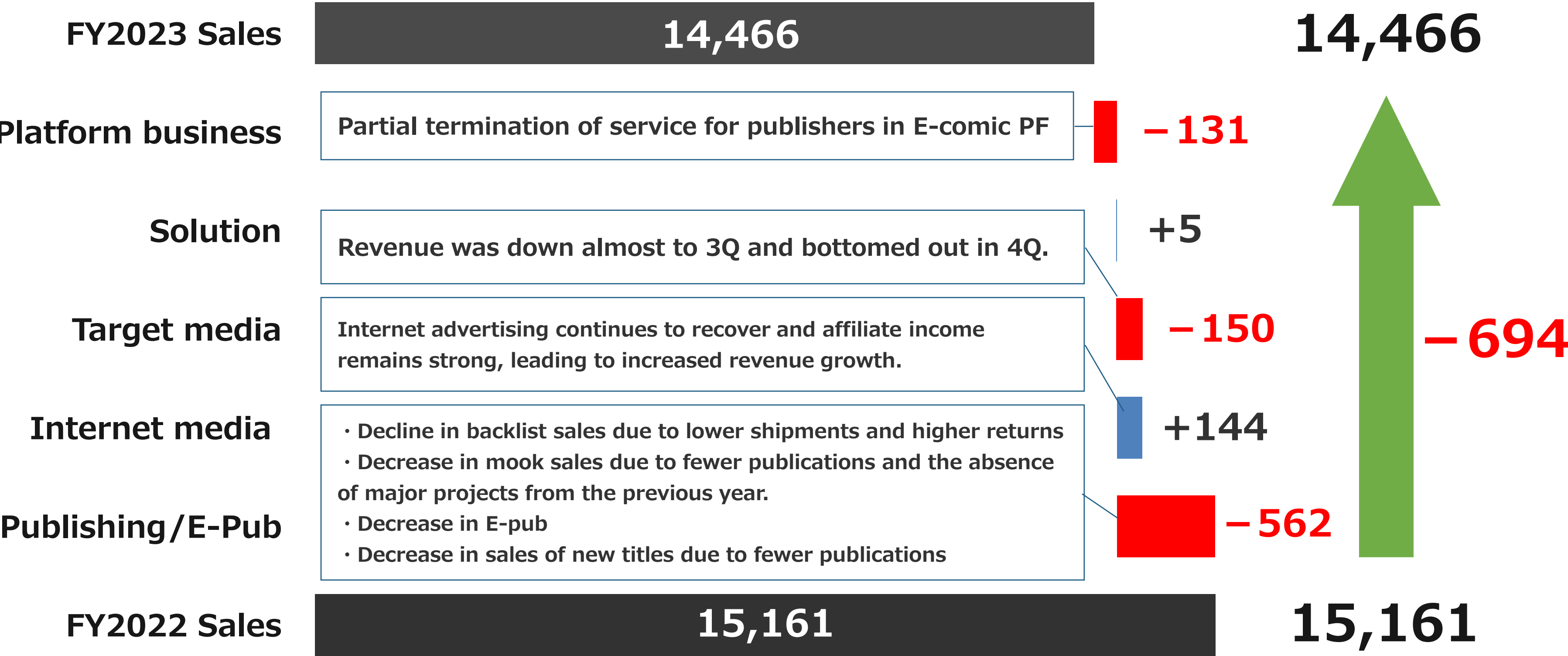
FY2023 Consolidated Net Sales by Business Category

(Million yen)

| Business category | FY2022 | FY2023 (current) | | |
|----------------------------------|--------|------------------|----------------|--------------|
| | Result | Result | Y/Y | |
| Content business | 12,460 | 11,897 | − 4.5% | − 562 |
| Publishing/Electronic publishing | 8,134 | 7,571 | − 6.9% | − 562 |
| Internet media | 1,781 | 1,925 | +8.1% | +144 |
| Target media | 1,285 | 1,135 | − 11.7% | − 150 |
| Solution | 1,259 | 1,265 | +0.5% | +5 |
| Platform business | 2,700 | 2,569 | − 4.9% | − 131 |
| Total | 15,161 | 14,466 | − 4.6% | − 694 |

Summary of Decrease in Net Sales by Business Category for FY2023

(Million yen)

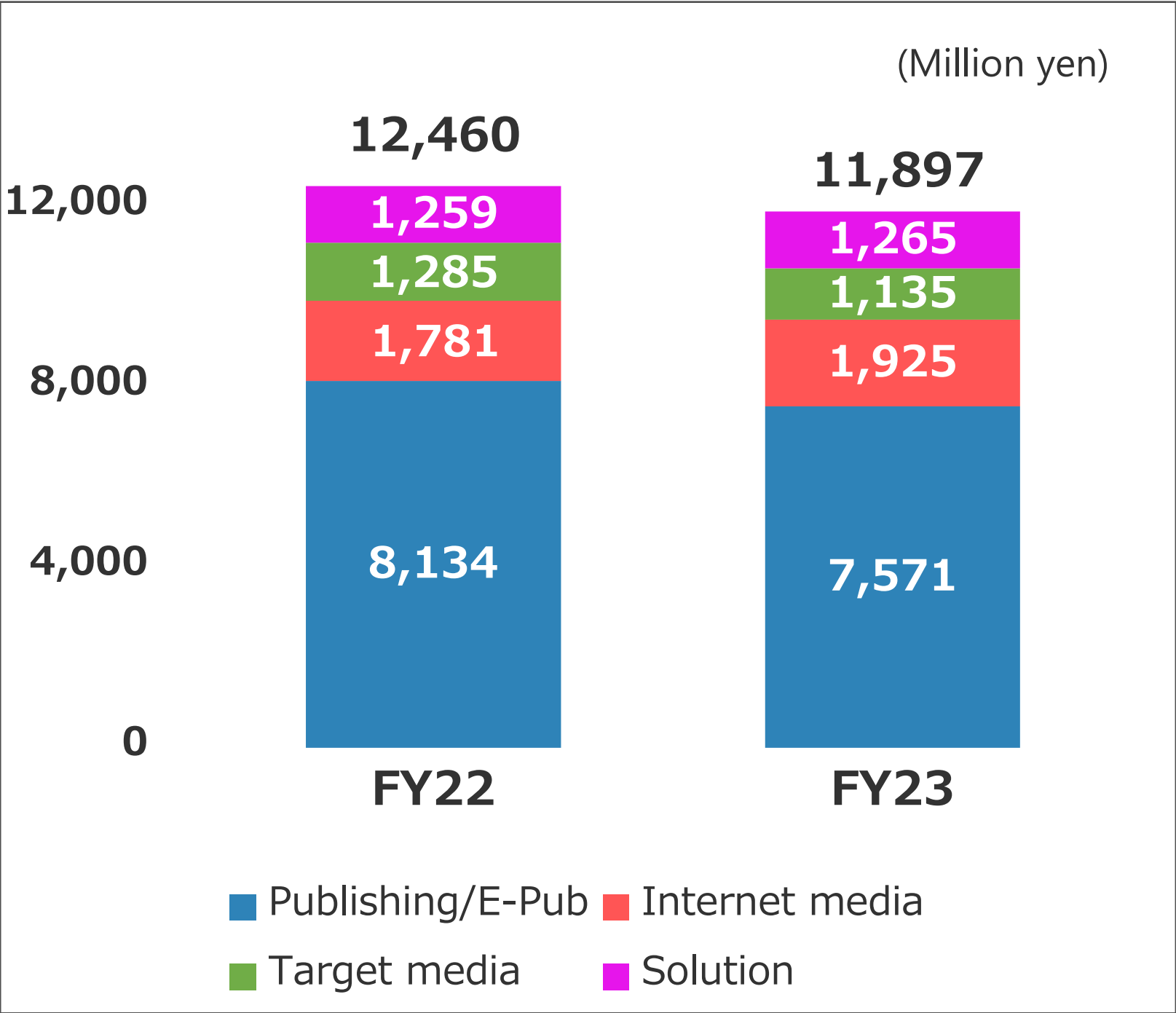


FY2023 Net Sales by Business Category: Content Business

■ Net Sales of Content Business

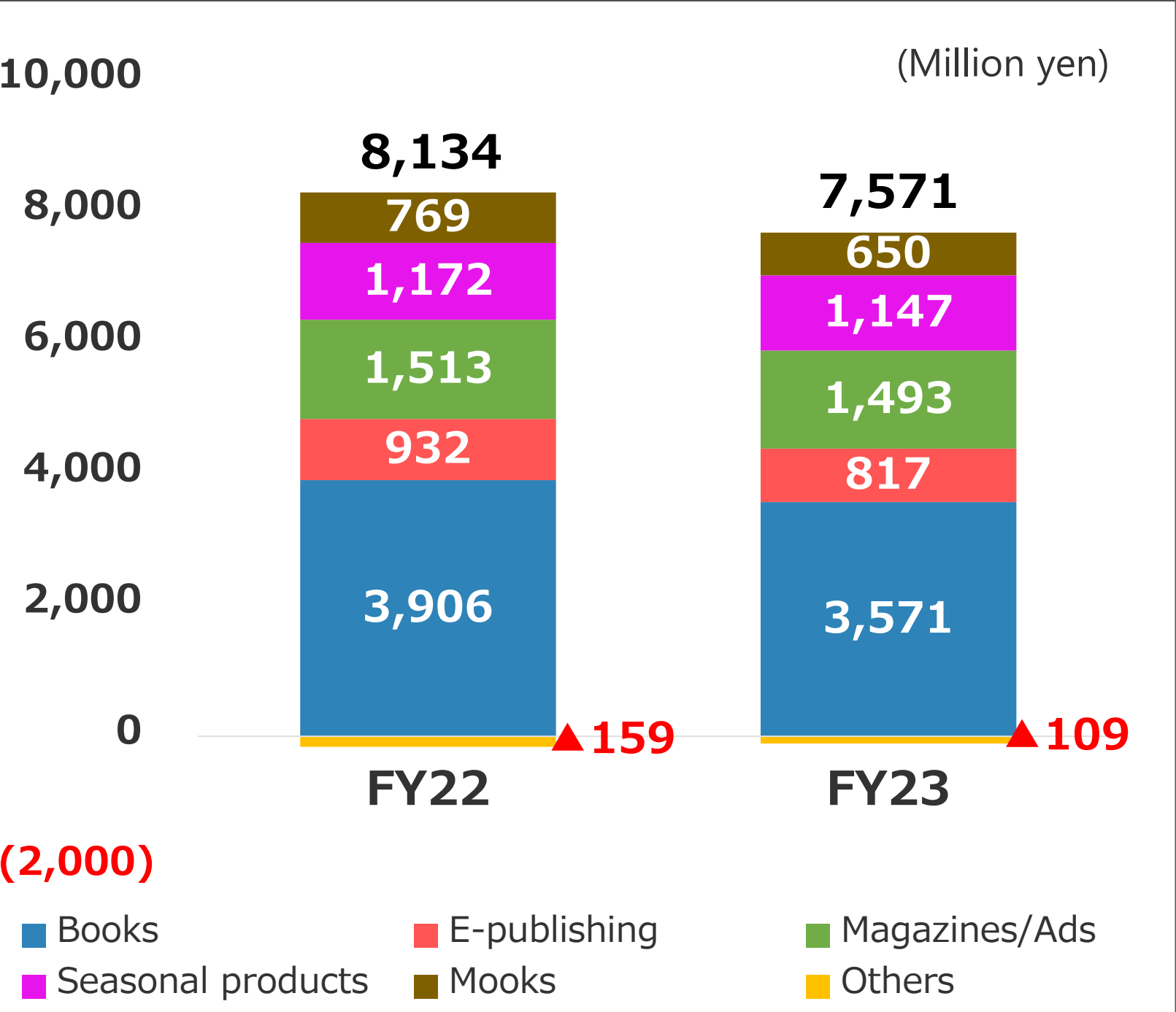
Content Business : -4.5% (-562M)

- Publishing/E-Publishing : -6.9% (-562M)
Despite an increase in good-selling books, sales of new titles declined due to a reduction in the number of editors due to business restructuring and curbs on new publications in 4Q. Sales of backlist books fell sharply due to lower shipments and higher returns. E-book sales were weak overall.
- Internet media : +8.1% (+144M)
Continued recovery in internet advertisement for the Impress Watch series and strong affiliate income led to increased revenue growth.
- Target media : -11.7% (-150M)
The market growth caused by COVID-19 is now slowing down. Despite bottoming out, targeting advertisements and event revenues have declined.



FY2023 Net Sales by Business Category: Content Business – Publishing/E-publishing

■ Content Business: Net Sales of Publishing/Electronic Publishing



Publishing/E-publishing : –6.9% (–562M)

Books : –8.6% (–334M)

In new titles, despite an increase in good-selling books, the number of titles fell by 60 titles (-49 titles in 4Q) compared to the previous year due to a reduction in the number of editors as a result of business restructuring and curbs on new publications in the 4Q. Sales of backlist books fell sharply due to a decrease in shipments and an increase in returns, affected by the weak product strength of books published in the previous year.

E-publishing : –12.3% (–114M)

Expansion in Aviation • Railways. Steady growth in Music, but weak overall trend.

Magazines/Ads : –1.3% (–19M)

Music and Nature performed well, but sales fell due to a suspension of publications in IT and a decrease in the number of publications in Aviation • Railways.

Seasonal products : –2.2% (–25M)

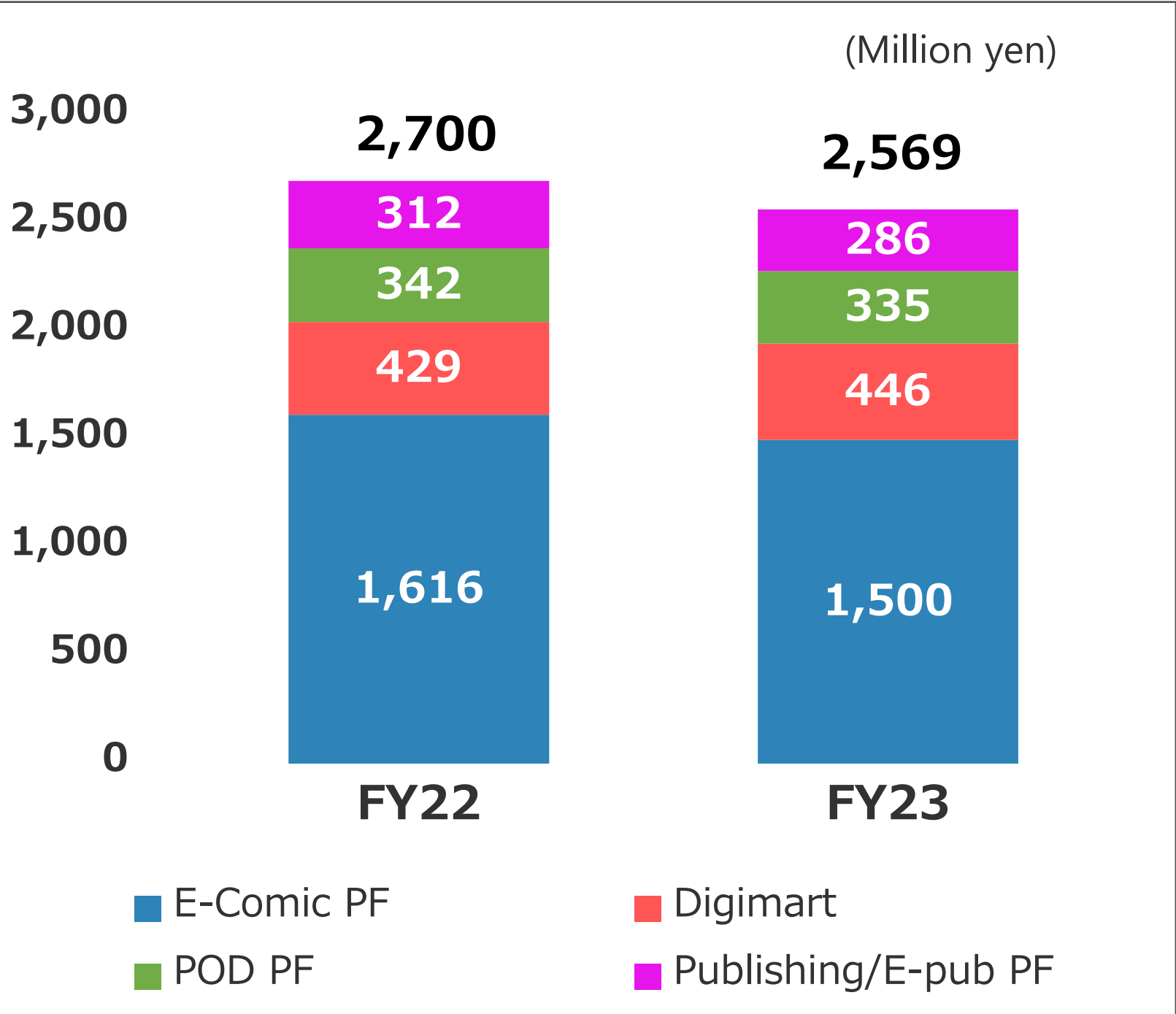
Sales of calendars increased due to an increase in the number of products and higher prices, but sales decreased due to a reduction in the scale of production of New Year's card mooks.

Mook : –15.4% (–118M)

Sales fell sharply due to a decline in the number of titles as a result of the liquidation of unprofitable titles in Aviation • Railways, as well as a lack of good-selling titles compared to the previous year in Music and Nature.

FY2023 Net Sales by Business Category: Platform Business

■ Net Sales of Platform Business



Platform Business : –4.9% (–131M)

- E-Comic PF : –7.2% (–115M)
Sales decreased due to the partial discontinuation of service for publishers. Key services performed well and orders for overseas projects increased.
- Digimart : +3.8% (+16M)
Transaction volumes remained steady and payment service income from music shops increased.
- POD PF : –1.8% (–6M)
Despite an increase in the number of publishers joining the corporate POD service, sales from existing publishers declined. Although the number of users of the POD service for individuals remained stable, sales declined due to a lack of hit titles.
- Publishing/E-pub PF : –8.3% (–25M)
Commission income and other income declined due to a decrease in business with partner publishers.

Overview by Segment for FY2023

- All segments recorded severe results with profit decreases due to difficult trends in the Media business.
- IT, which experienced the largest decline in profit, despite an increase in revenues due to a recovery in digital advertisements, significantly lower revenues in the more profitable businesses, including lower revenues from backlist books due to lower shipments and higher returns, and targeting advertisements and events, as well as higher SG&A expenses including personnel expenses, led to a significant decline in profit.
- The Nature, Design, Music and Aviation • Railways segments, which derive the majority of their revenues from publishing, resulted in a loss and the deficit widened in segment profit. In Nature, profits decreased due to lower sales of profitable backlist books and e-books, despite higher sales of new titles, magazines, and seasonal products. In Design, profits decreased due to lower sales of new titles as a result of business restructuring as well as lower sales of profitable backlist books and e-books. In Music, profits decreased due to an increase in SG&A expenses, despite an increase in sales. In addition, Aviation • Railways, which is in the restructuring phase of its business, saw a decline in revenue due to the liquidation of unprofitable magazines and mooks, as well as an increase in SG&A expenses, resulting in lower profits.
- In Mobile services, sales and profits declined due to an adjustment phase in which service for publishers was partially terminated, but key services remained strong and overseas projects expanded, resulting in a performance exceeding expectations.
- In Other, profit decreased due to investments in new developments for Platform business, etc.

FY2023 Net Sales and Operating Profit by Segment

(Million yen)

| Segment | Net sales | | Operating profit | |
|---------------------------|---------------|---------------|------------------|--------------|
| | Amount | Y/Y | Amount | Y/Y |
| IT | 6,203 | − 2.5% | 474 | − 428 |
| Music | 1,921 | + 4.2% | − 115 | − 5 |
| Design | 747 | − 26.2% | − 146 | − 71 |
| Nature | 1,643 | − 2.5% | − 141 | − 108 |
| Aviation ・ Railways | 1,375 | − 2.0% | − 186 | − 97 |
| Mobile services | 1,660 | − 8.8% | 344 | − 42 |
| Other | 1,651 | + 4.7% | − 133 | − 127 |
| Intercompany eliminations | − 737 | — | − 579 | + 11 |
| Total | 14,466 | − 4.6% | − 483 | − 870 |

Cash Flows

Cash Flows FY2023

| | FY2022 | FY2023 (current) | |
|---|--------|------------------|---------|
| | Result | Result | Y/Y |
| Operating cash flow | - 58 | - 513 | - 454 |
| Investing Cash Flow | - 70 | - 265 | - 195 |
| Financing cash Flow | - 204 | - 290 | - 86 |
| Net increase in cash and cash equivalents | - 333 | - 1,069 | - 735 |
| Cash and cash equivalents at beginning of the fiscal year | 6,316 | 5,983 | - 333 |
| Cash and cash equivalents at end of the fiscal year | 5,983 | 4,914 | - 1,069 |

Cash Flows

- Operating cash flow was -513 million yen due to losses incurred and an increase in working capital, but the year-end date (31 March) was a holiday, so the collection of receivables of approximately 750 million yen was carried forward to FY2024, resulting in real terms a positive cash flow of over 200 million yen.
- Operating cash flow was positive, even though a net loss before taxes of -797 million yen was posted, due to an actual decrease in working capital (cash increase), an impairment loss of 288 million yen with no cash outflow, and an income tax refund of 511 million yen.
- Investing cash flow was -265 million yen due to investments in system development for the on-demand platform business and the DtoC business, as well as the acquisition of securities.
- Financing cash flow was -290 million yen due to repayments of long-term debt and dividend payments.
- The balance of cash and cash equivalents decreased by -1,069 million yen from the beginning of the fiscal year to 4,914 million yen, but taking into account the discrepancy in the collection of accounts receivable (approximately 750 million yen), the balance in real terms would be approximately 5,650 million yen, a decrease of approximately 330 million yen.

Consolidated Financial / Dividend Forecasts for FY2024

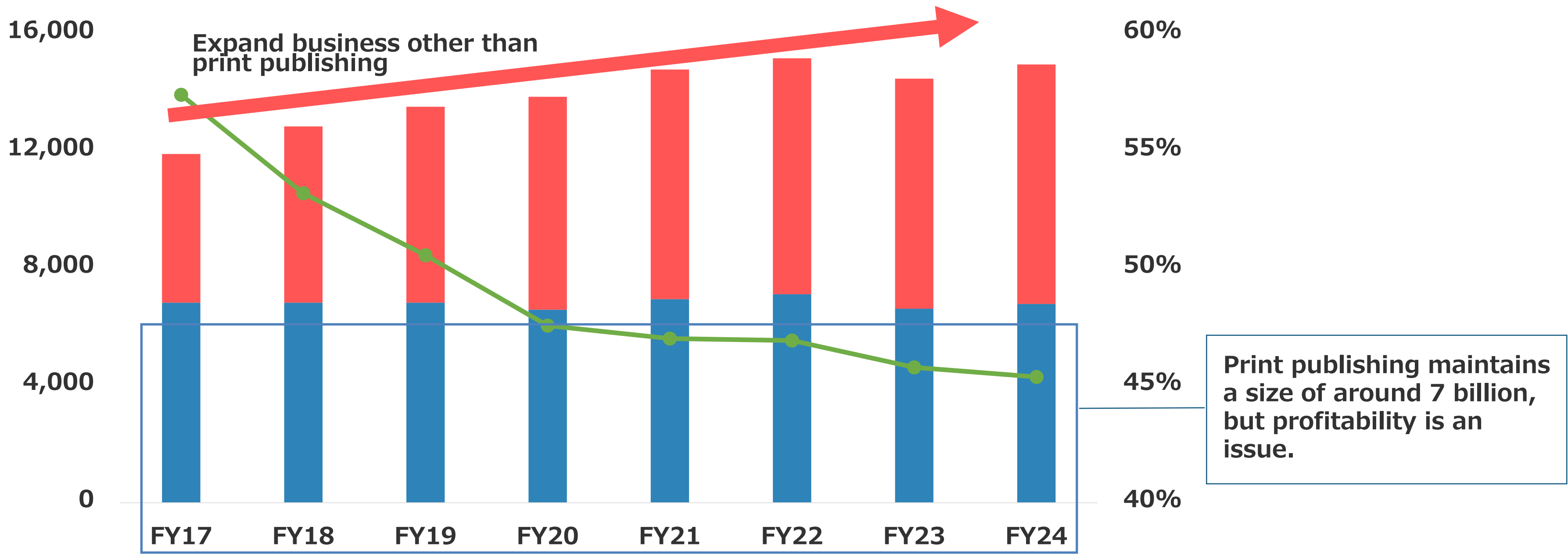
Basic Policy for FY2024

Promote the restructuring of existing businesses and the development of a foundation for medium and long-term growth by fundamentally reviewing the revenue and business portfolio in order to achieve the medium and long-term goal of "Increasing corporate value".

- ① **Recover the profitability in the Publishing and E-publishing business.**
 - Liquidation of unprofitable businesses and implementation of reorganization
 - Recover the competitiveness of the Publishing business.
- ② **Promote the structural transformation of the business portfolio**
 - Developing new business areas and models for Internet media, DtoC business, Solution and PF, etc.
 - New business development would continue to invest mainly in the development of the DtoC business model, with planned investments of around 170 million yen, the same level as in the previous year.
- ③ **Expand business scale and strengthen business development capabilities through collaboration with external parties (business and business alliances)**
 - Strengthen the competitiveness and business strength and promote the media mix in Publishing.
 - Establishing collaborative relationships in Internet media, Target media, Platform business areas, etc.

Structural Transformation of Business Portfolio

※Further structural transformation while recovering profitability in the print publishing



■ Print Publishing ■ Business other than Print Publishing ● Print Publishing ratio

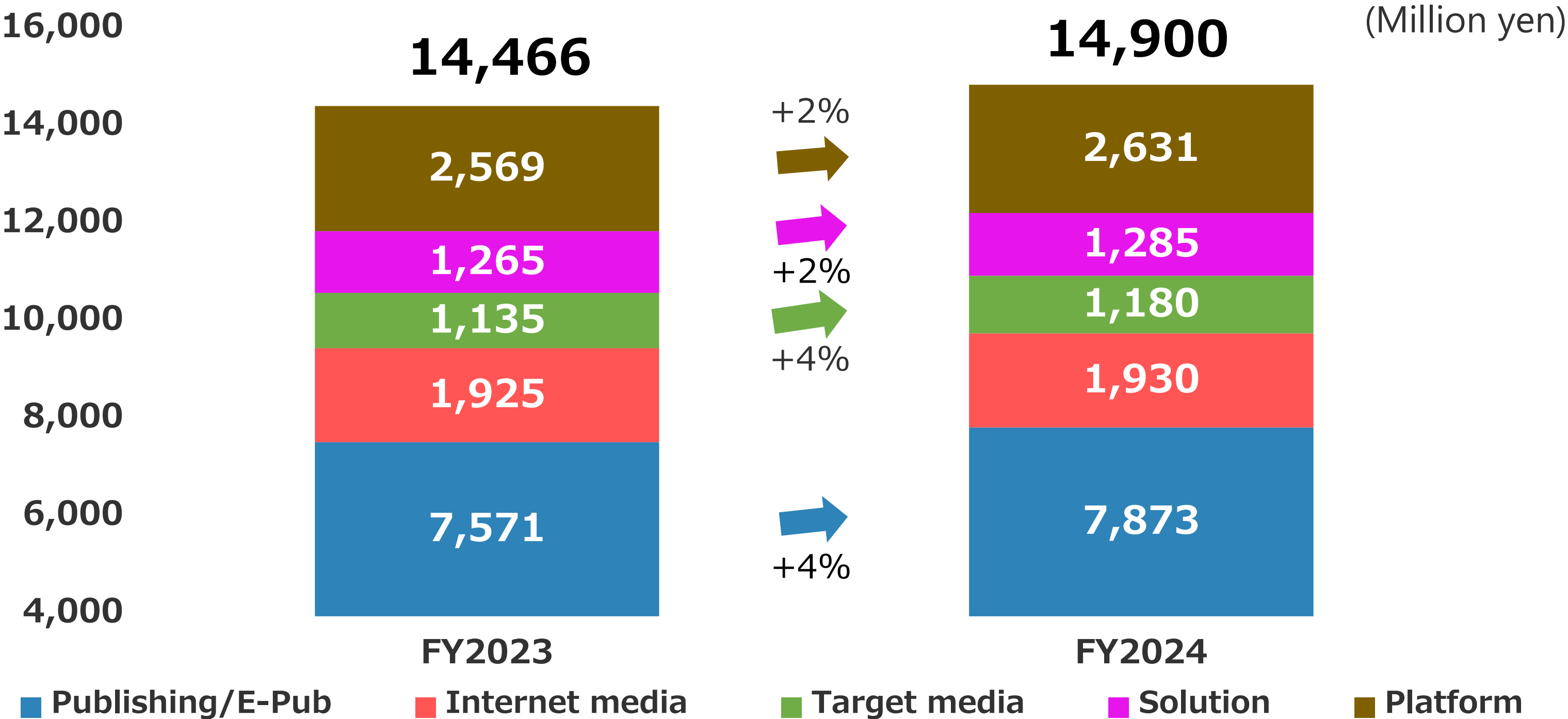
Consolidated Financial Forecasts for FY2024

(Million yen)

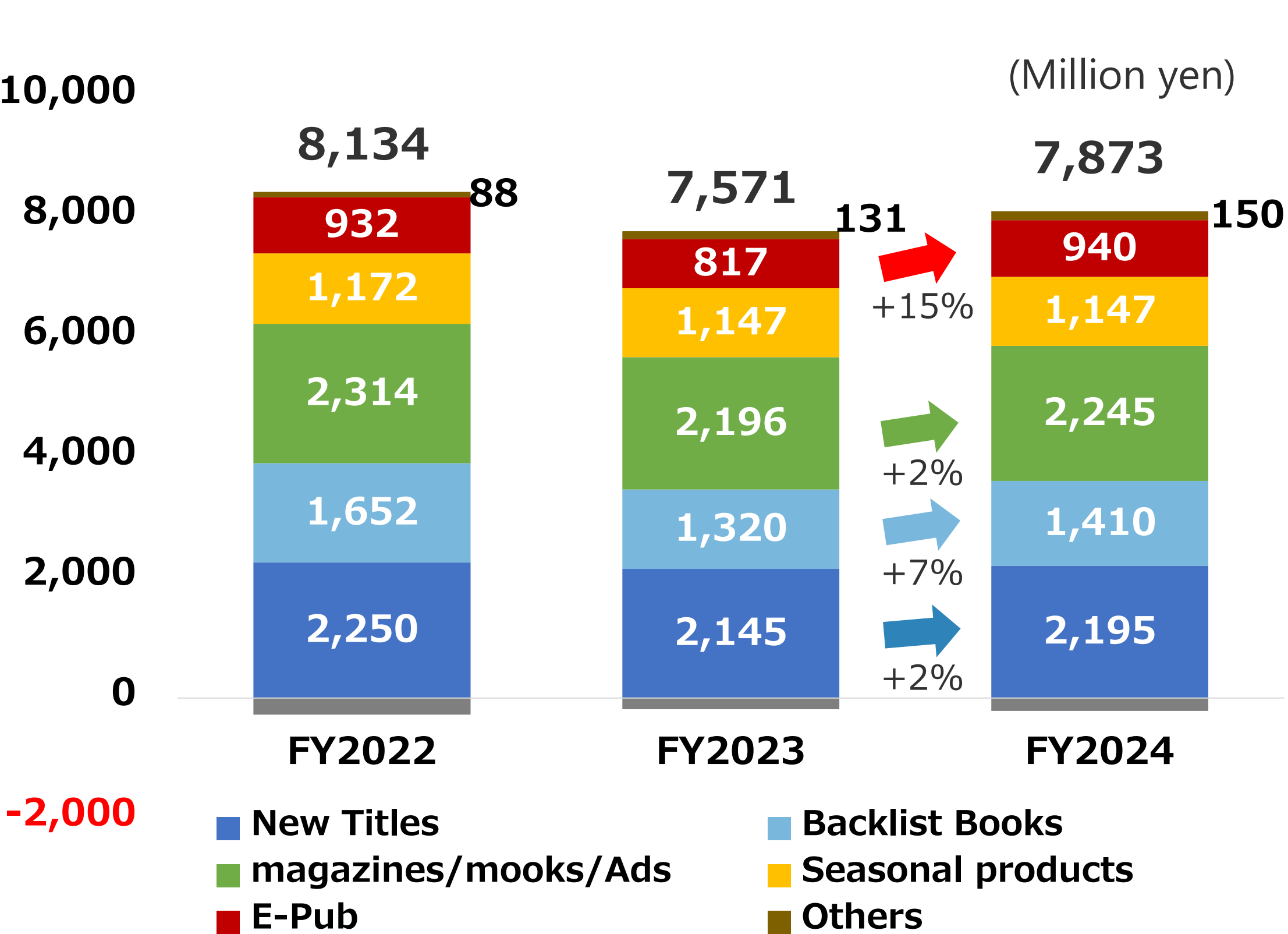
| | FY2023 | FY2024 | | |
|--------------------------------|---------------|---------------|--------------|---------------|
| | Result | Forecast | Y/Y | |
| Net sales | 14,466 | 14,900 | +3.3% | +433 |
| Operating profit | -483 | 250 | - | +733 |
| Ordinary profit | -366 | 350 | - | +716 |
| Profit | -1,036 | 200 | - | +1,236 |
| <i>Operating profit margin</i> | -3.3% | 1.7% | | +5.0% |
| <i>Print Publishing sales</i> | 6,621 | 6,781 | | +160 |
| <i>※Composition ratio</i> | 45.8% | 45.5% | | -0.3% |

Sales Outlook by Business Category for FY2024

※Planned sales increase of approximately 430 million yen (+3%), mainly due to an increase of approximately 300 million yen in Publishing and E-publishing.



Publishing and E-publishing sales forecast for FY2024



Publishing/E-Pub : +4% (Approx. 300M.)

New Titles : +2% (50M)
Although the number of publications would be reduced by about 30 titles due to the discontinuation of unprofitable series and other factors, sales would increase through a shift to higher-priced products and improved content quality.

Backlist Books : +7% (90M)
Sales would be boosted by an improvement in returns of approximately 90m, which increased mainly in the first half of FY2023 due to the poor sales of new publications in FY2022, and by an increase in shipments of new titles, whose sales had recovered in the previous year.

Magazines/Mooks/Ads : +2% (49M)
Increase revenue by raising fixed prices reflecting rising costs.

E-Pub : +15% (123M)
Sales would be increased, mainly due to original manga content, which is in the investment phase, and increased sales in Aviation・Railways, which are on an expansionary trend.



※ Sales are a management accounting figure that aggregates refund liabilities.

Factors Affecting Operating Profit for FY2024

※ Plans to return to profitability, mainly in publishing, by recovering revenues and reducing fixed and other costs through business restructuring, etc.

FY2024
operating profit

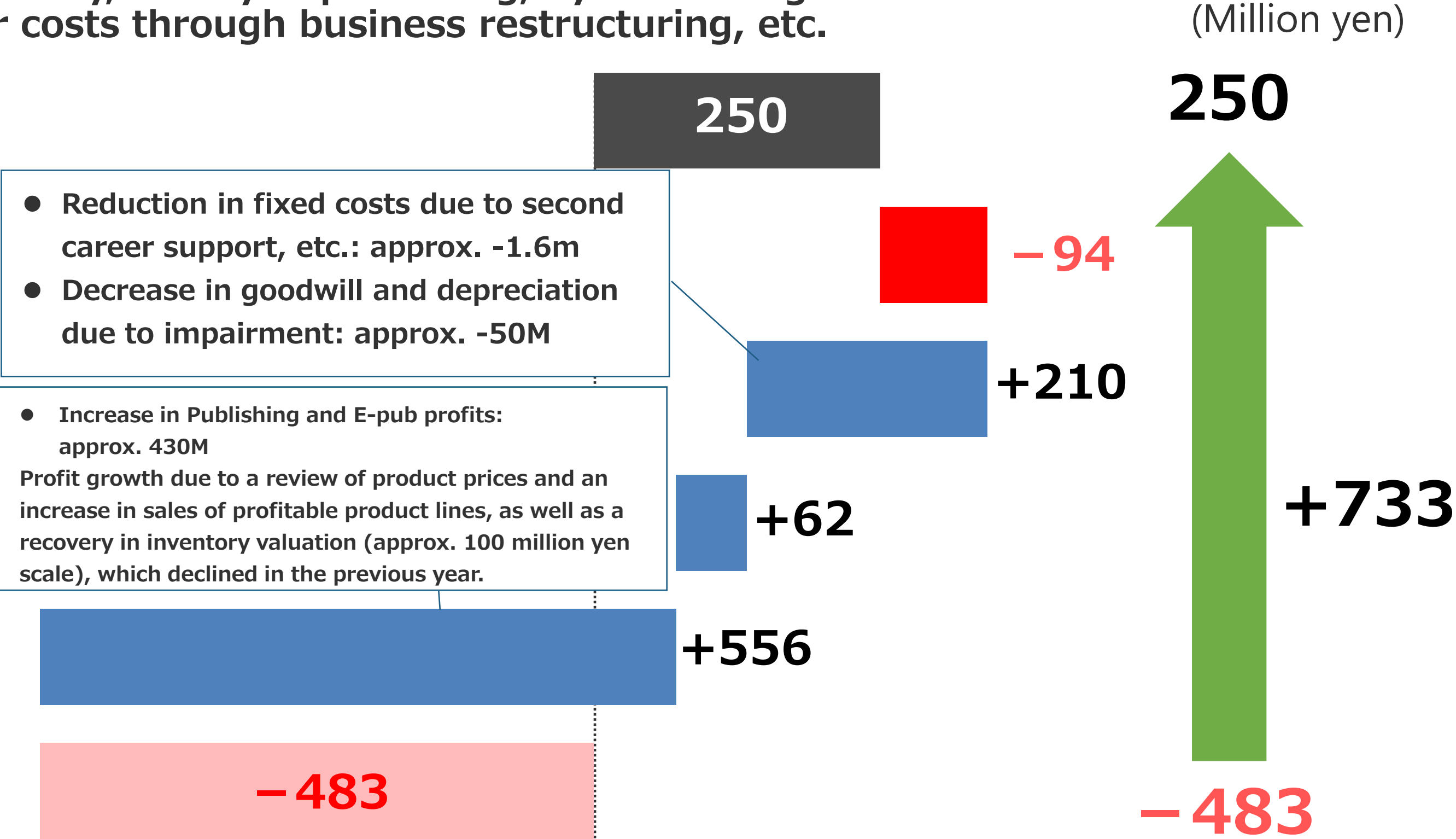
Increase in other SG&A
expenses, etc.

Fixed cost reductions from
business restructuring, etc.

Profit increase in
Platform business ※1

Profit increase in
Content business ※1

FY2023
operating profit



Operating Profit Improvement Points for FY2024

- Operating profit improvement (+733M) points for FY2024 are below.
- The business restructuring and impairment of business assets with declining profitability implemented in FY2023 would reduce fixed costs by 210 million yen in FY2024, contributing to an improvement in operating profit by the same amount (+210M).
- Profit improvement in the Content business would be +556 million yen. The main factors are as follows.
 - ▣ Inventory valuation in the Publishing business, which declined by 100 million yen due to decreased shipments and increased returns of backlist books, etc., is expected to stop declining in FY2024, contributing to improved profits (+100 million yen) in the Publishing and E-pub businesses.
 - ▣ Profit improvement in Publishing and E-pub business due to other factors: +330 million yen
※Refer next page for breakdown.
 - ▣ Profit growth would be +60 million yen in Internet media, which has maintained an upward trend, and Target media, which appears to have bottomed out.
- The Platform business is expected to remain strong, with an increase in profit of +62 million yen.

Profit Improvement Points for Publishing and E-Publishing

- The improvement in Publishing and E-publishing profits (+330 million yen) is mainly due to the following factors.
- Magazines +110M : Expect a significant increase in profit by reducing the publication of unprofitable titles (-12 titles) and maintaining sales by revising prices.
- Backlist Books +70M : Sales are expected to increase due to an improvement in book returns (90 million), which increased mainly in the first half of FY2023, and an increase in shipments due to a recovery trend in sales of books published in FY2023.
- New Titles +60M : Expect to improve profitability by reducing the cost of sales due to a decrease in the number of titles (-27 titles) resulting from withdrawal from unprofitable series, etc., and by shifting to higher-priced products and improving content quality (improve profit margin by 2pt).
- E-Publishing +80M : Sales are expected to increase due to original manga content, which is in the investment phase, and increased sales in Aviation · Railways, which are in an expansionary trend.

Dividend Forecasts for FY2024

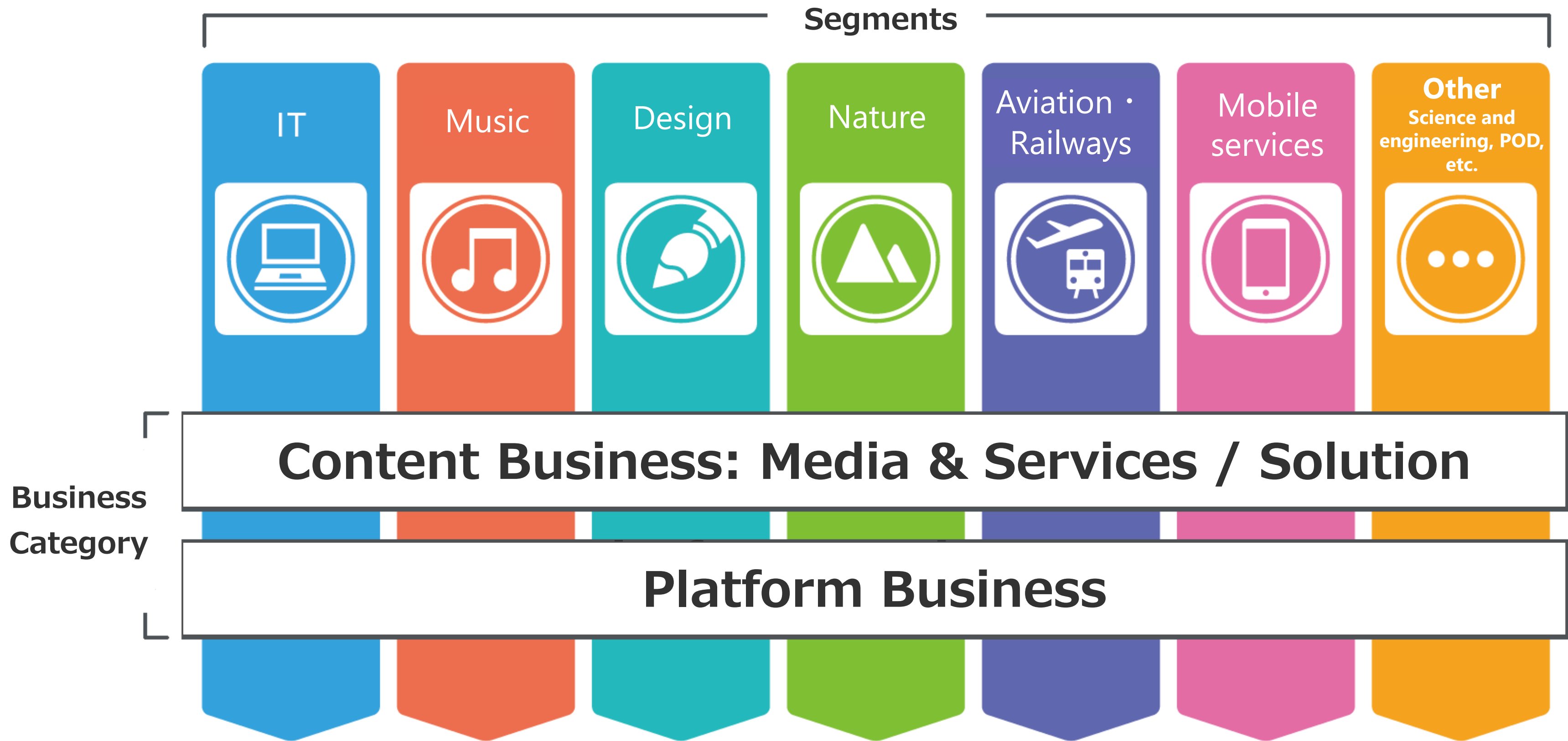
※ Maintain the dividend level for FY2023, taking into account on cash position and other factors.

| | FY2023 | FY2024 |
|------------------------------|-----------------|------------------------|
| | Result | Forecasts |
| Total dividend | 135 million yen | 135 million yen |
| Dividend per share | 4.0 yen | 4.0 yen |
| <i>Dividend payout ratio</i> | — | 67.7% |

※Dividend payout ratio for FY2023 is not shown due to negative profit (loss) attributable to shareholders of the parent.

Reference Material: Overview of Impress Group

Segment and Business of Impress Group



Content Business: Media & Services

Publishing/
Electronic Publishing



Specialized books,
magazines



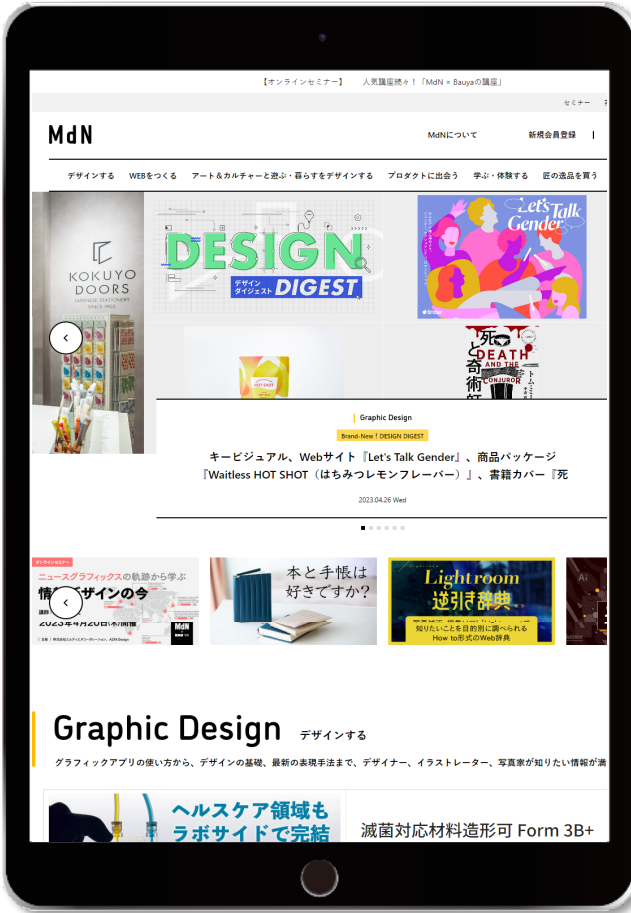
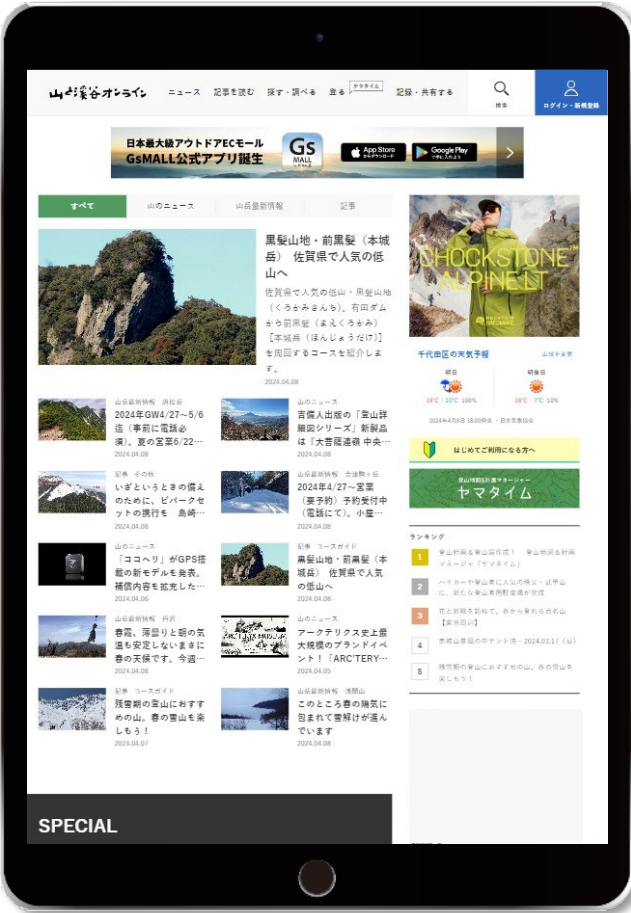
E-Books



New Year Card mooks,
calendar



山と溪谷オンライン



Digital general news

Mountaineering

Design

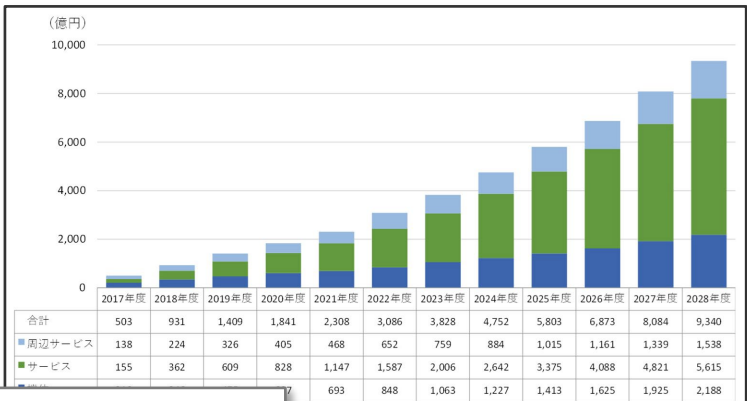
Music

Content Business: Media & Services

Target Media



Business media



Survey report



Events, seminars

Content Business: Solution



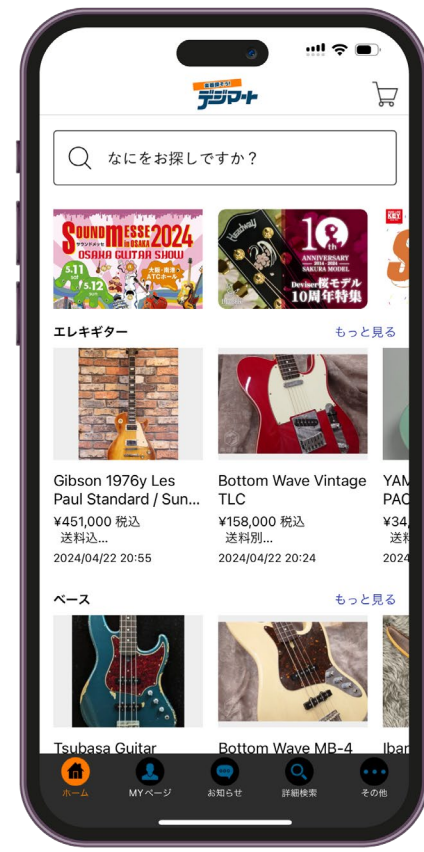
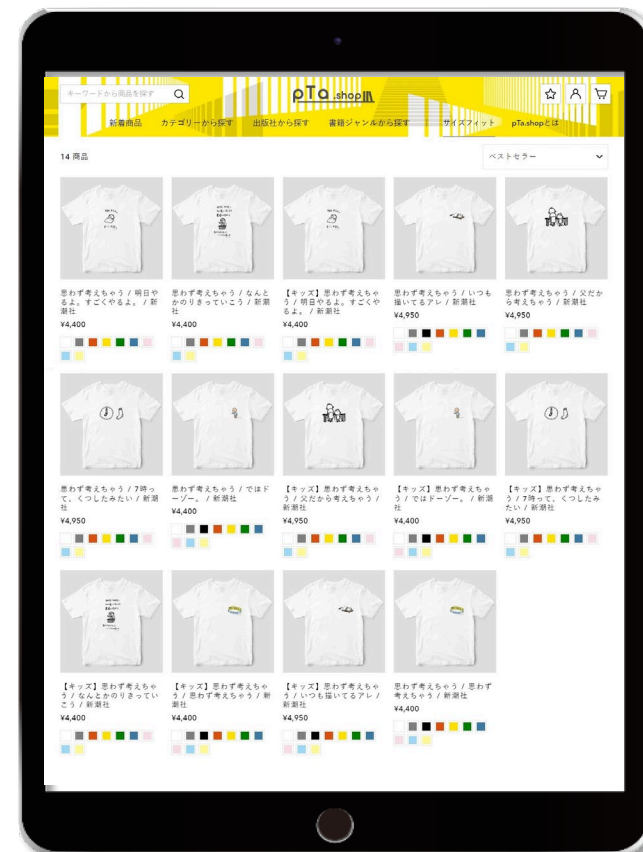
※Fukui City Tourism Association

Outsourced creation of sales promotion and public relations tools and websites for companies and local authorities

Platform Business

pTa.shop

楽器探そう!
デジポ



E-Commerce
platforms



E-Comic
platforms

PUBFUN



POD
platforms