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Summary of Consolidated Financial Results for the Three Months Ended May 31, 2024 (Based on Japanese GAAP)

July 12, 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: Vice President and CFO Hiroshi Kanda (Tel: +81-3-6212-5111)
 Scheduled date of filing quarterly securities report: July 12, 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 Three Months Ended May 31, 2024 (March 1, 2024 to May 31, 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 | % |
| Three months ended May 31, 2024 | 25,113 | 11.0 | 475 | (2.1) | 490 | 11.0 | 244 | 5.0 |
| Three months ended May 31, 2023 | 22,632 | (13.8) | 485 | (21.6) | 441 | (27.9) | 232 | (25.6) |

(Note) Comprehensive income: Three months ended May 31, 2024: ¥385 million 62.7%
 Three months ended May 31, 2023: ¥236 million (60.4%)

| | Earnings per share | Diluted earnings per share |
|---------------------------------|--------------------|----------------------------|
| | Yen | Yen |
| Three months ended May 31, 2024 | 16.17 | — |
| Three months ended May 31, 2023 | 15.24 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of May 31, 2024 | 51,883 | 16,260 | 31.3 |
| As of February 29, 2024 | 51,612 | 16,208 | 31.4 |

(Reference) Shareholders' equity: As of May 31, 2024 ¥16,251 million As of February 29, 2024 ¥16,182 million

2. Dividends

| | Dividends per share (Yen) | | | | |
|-------------------|---------------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| FY2023 | — | 0.00 | — | 22.00 | 22.00 |
| FY2024 | — | — | — | — | — |
| FY2024 (Forecast) | — | 0.00 | — | 27.00 | 27.00 |

(Note) Revision to the forecast for dividends announced most recently: No

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) Revision to the financial results forecast announced most recently: No

Qualitative Information on financial results for the first three months ended February 28, 2025

(1) Explanation of financial results

Consolidated operating results

(Millions of yen)

| | First three months of fiscal 2023 (From March 1, 2023 to May 31, 2023) | First three months of fiscal 2024 (From March 1, 2024 to May 31, 2024) | Year on year change | |
|--|---|---|--------------------------------|--------------------------|
| | | | Amount of increase/decrease | Percentage change (%) |
| Net sales | 22,632 | 25,113 | 2,480 | 11.0% |
| Operating profit | 485 | 475 | (10) | (2.1)% |
| Ordinary profit | 441 | 490 | 48 | 11.0% |
| Profit attributable to owners of parent | 232 | 244 | 11 | 5.0% |

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 to 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.

During the three months ended May 31, 2024, net sales of the eBook distribution business were brisk due to a recovery trend in the number of campaigns by publishers and eBook retailers, as well as the contribution of new sales channels acquired in February 2024 to the financial results. On the other hand, in the strategic investment businesses, the segment loss increased year on year due to the impact of the imprint business, which includes NIHONBUNGEISHA, whose earnings temporarily deteriorated as the company initiated drastic reforms for restructuring, but the segment remained strong against the plan at the beginning of the fiscal year.

As a result, net sales amounted to ¥25,113 million (up 11.0% year on year), operating profit totaled ¥475 million (down 2.1% year on year), ordinary profit was ¥490 million (up 11.0% year on year) and profit attributable to owners of parent came to ¥244 million (up 5.0% year on year), respectively, in the first three months of fiscal 2024.

The operating results of each segment during the three months ended May 31, 2024, were as follows.

(2) Segment information

eBook Distribution Business

In the eBook distribution business, the Group continued to provide eBook wholesale and distribution solutions to eBook retailers, including 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 over 150 eBook retailers, handling more than 2.1 million items of content, and conducting more than 17,000 campaigns in collaboration with publishers and eBook retailers annually (as of the end of February 2024). In recent years, as the eBook market expands, the number of content and campaigns handled by publishers and eBook retailers continues to grow, and the operational costs associated with eBook distribution are increasing every year. As the significance of eBook wholesalers increases, the Company aims to expand the eBook market itself and increase its distribution share by linking core systems, developing new systems in line with current trends, and providing detailed support based on its accumulated expertise as a wholesaler, thereby contributing to the smooth distribution of eBooks, streamlining operations between publishers and eBook retailers, and reducing the accident rate of distribution.

During the three months ended May 31, 2024, the Company has returned to a growth trend again, with brisk sales from new sales channels acquired in February 2024 and existing sales channels.

Consequently, net sales in the eBook distribution segment were ¥23,235 million (up 11.8% year on year), and segment profit was ¥1,260 million (up 3.9% year on year).

Strategic Investment Businesses

The strategic investment businesses consist of four businesses: FanTop business, imprint business, IP solution business, global business.

As for the FanTop business, we aim to vitalize the publishing and content industries by attaching valuable NFT digital content with asset-like qualities to paper books and distributing NFT digital content on the NFT marketplace, which we have developed and operate in-house. As a result of our continued efforts to enhance our approach to magazines with large circulations, the total number of copies issued by the end of May 2024 exceeded 2.46 million, contributing to the sales growth of the publications. As for the imprint business, the Company aims to help further expand the content market by producing influential original works from the publisher NIHONBUNGEISHA, and by collaborating with other publishers to novelize and adopt into comics the works posted to the web-novel platform Everystar, as well as promoting multimedia conversions. In particular, under a new management structure Board of Directors, NIHONBUNGEISHA is pushing forward with organizational reforms to strengthen relationships with eBook retailers and manage proper book distribution, aiming to transform into a corporate structure capable of generating stable profits.

As for the IP solution business, the Company aims to expand the domestic publishing market and capture synergistic earnings opportunities by offering a wide range of eBook-related services, spanning from publishers to consumers. Flier Inc., which provides book summarization services, is developing a SaaS-type business model and is steadily expanding its customer base, with the total number of corporate contracts exceeding 1,000. In May 2024, it started offering a new employee survey service, “Flier Growth Organization Navi”. It intends to further expand its customer base by offering new services that align with its existing services and target audience.

As for the global business, the Company provides DX services to European and U.S. publishers, including the five major U.S. publishers, with a SaaS-type business model. In addition to building a network with European and U.S. publishers, the Company aims to transfer overseas publishing DX know-how to Japanese publishers in the future. The number of contracts with publishers, who are its customers, has been steadily increasing, and the churn rate of existing customers is very low, leading to an improvement in revenue as the number of corporate contracts piles up. In the three months ended May 31, 2025, the Firebrand Group launched a new service, FLYWHEEL. This service is an AI book marketing tool for publishers that specifically targets Amazon's algorithms, which account for approximately 60% of U.S. book sales, and enables efficient book sales promotion by automatically analyzing and predicting their sales trends and market trends.

In the FanTop business, IP solution business, and the global business, the cycle of growth investments has completed, resulting in reduced losses and increased profits. However, in the imprint business, losses increased compared to the previous fiscal year, particularly due to the implementation of reforms aimed at improving the structure of NIHONBUNGEISHA. Since the effects of these measures are expected to show in the second half of this fiscal year. Consequently, for the strategic investment businesses as, net sales totaled ¥1,832 million (down 1.0% year on year), with a segment loss of ¥364 million (segment loss of ¥331 million in the same period of the previous year).

(3) Explanation of financial position

As of May 31, 2024, total assets stood at ¥51,883 million, an increase of ¥271 million year on year, mainly due to a decrease of ¥252 million in cash and deposits, despite an increase of ¥300 million in notes and accounts receivable - trade, and contract.

Total liabilities amounted to ¥35,622 million, an increase of ¥218 million year on year, mainly due to a decrease of ¥504 million in income taxes payable and ¥321 million in long-term borrowings, despite an increase of ¥950 million in notes and accounts payable - trade.

Total net assets stood at ¥16,260 million, an increase of ¥52 million year on year, mainly due to a net decrease of ¥88 million in retained earnings because of the payment of dividends of ¥332 million, despite an increase of ¥157 million in foreign currency translation adjustment.

(4) Explanation of consolidated earnings forecasts and other forward-looking information

The company's performance in the three months ended May 31, 2024, although net sales increased due to a recovery trend in the number of campaigns by publishers and eBook retailers, operating profit declined slightly year on year, mainly due to the impact of the initiation of fundamental reforms to rebuild NIHONBUNGEISHA Co., Ltd., which belongs to the strategic investment businesses segment. In the eBook distribution business, the Company will continue to provide high-quality services that meet the needs of its business partners. The Company also aims to expand its market share by becoming indispensable and achieving business growth that exceeds the growth of the eBook market. In the strategic investment businesses, the Company will promote the optimization of investments and consider reassessing its business portfolio if the Return on Invested Capital (ROIC) of the business is below 8% in the third year of initiation or thereafter, with the aim of achieving the full-year plan by reducing deficits.

As of now, there is no change to the consolidated earnings forecast announced on April 11, 2024.

Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

As of February 29, 2024 As of May 31, 2024

| | As of February 29, 2024 | As of May 31, 2024 |
|--|-------------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 11,004 | 10,752 |
| Notes and accounts receivable - trade, and contract assets | 23,294 | 23,594 |
| Other | 2,098 | 2,311 |
| Allowance for doubtful accounts | (0) | (0) |
| Total current assets | 36,396 | 36,657 |
| Non-current assets | | |
| Property, plant and equipment | 672 | 711 |
| Intangible assets | | |
| Goodwill | 5,765 | 5,652 |
| Software | 590 | 656 |
| Software in progress | 74 | 46 |
| Other | 1,162 | 1,207 |
| Total intangible assets | 7,592 | 7,562 |
| Investments and other assets | | |
| Investment securities | 5,870 | 5,852 |
| Deferred tax assets | 494 | 497 |
| Guarantee deposits | 471 | 469 |
| Other | 122 | 138 |
| Allowance for doubtful accounts | (7) | (7) |
| Total investments and other assets | 6,951 | 6,951 |
| Total non-current assets | 15,215 | 15,225 |
| Total assets | 51,612 | 51,883 |

(Millions of yen)

As of February 29, 2024 As of May 31, 2024

| | As of February 29, 2024 | As of May 31, 2024 |
|---|-------------------------|--------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 26,165 | 27,115 |
| Short-term borrowings | 902 | 902 |
| Current portion of long-term borrowings | 1,314 | 1,308 |
| Income taxes payable | 756 | 252 |
| Provision for bonuses | 42 | 77 |
| Other | 2,205 | 2,261 |
| Total current liabilities | 31,386 | 31,918 |
| Non-current liabilities | | |
| Long-term borrowings | 3,128 | 2,807 |
| Deferred tax liabilities | 120 | 122 |
| Retirement benefit liability | 615 | 616 |
| Other | 153 | 157 |
| Total non-current liabilities | 4,017 | 3,704 |
| Total liabilities | 35,403 | 35,622 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 5,959 | 5,959 |
| Capital surplus | 5,737 | 5,737 |
| Retained earnings | 3,614 | 3,525 |
| Treasury shares | (48) | (48) |
| Total shareholders' equity | 15,262 | 15,173 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 195 | 195 |
| Foreign currency translation adjustment | 725 | 882 |
| Total accumulated other comprehensive income | 920 | 1,077 |
| Non-controlling interests | 25 | 9 |
| Total net assets | 16,208 | 16,260 |
| Total liabilities and net assets | 51,612 | 51,883 |

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

| | Three months ended May 31, 2023 | Three months ended May 31, 2024 |
|---|------------------------------------|------------------------------------|
| Net sales | 22,632 | 25,113 |
| Cost of sales | 19,999 | 22,443 |
| Gross profit | 2,633 | 2,670 |
| Selling, general and administrative expenses | 2,147 | 2,194 |
| Operating profit | 485 | 475 |
| Non-operating income | | |
| Interest and dividend income | 0 | 0 |
| Foreign exchange gains | 3 | 9 |
| Share of profit of entities accounted for using equity method | — | 12 |
| Other | 1 | 1 |
| Total non-operating income | 6 | 24 |
| Non-operating expenses | | |
| Interest expenses | 7 | 8 |
| Loss on investments in investment partnerships | 0 | 0 |
| Share of loss of entities accounted for using equity method | 39 | — |
| Other | 2 | 0 |
| Total non-operating expenses | 50 | 9 |
| Ordinary profit | 441 | 490 |
| Extraordinary income | | |
| Gain on sale of non-current assets | — | 1 |
| Total extraordinary income | — | 1 |
| Extraordinary losses | | |
| Loss on valuation of investment securities | — | 27 |
| Loss on sale of shares of subsidiaries and associates | 6 | — |
| Total extraordinary losses | 6 | 27 |
| Profit before income taxes | 435 | 464 |
| Income taxes | 218 | 236 |
| Profit | 217 | 227 |
| Loss attributable to non-controlling interests | (15) | (16) |
| Profit attributable to owners of parent | 232 | 244 |

(Millions of yen)

| | Three months ended May 31, 2023 | Three months ended May 31, 2024 |
|---|------------------------------------|------------------------------------|
| Profit | 217 | 227 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1 | (1) |
| Foreign currency translation adjustment | 17 | 157 |
| Share of other comprehensive income of entities accounted for using equity method | (0) | 1 |
| Total other comprehensive income | 19 | 157 |
| Comprehensive income | 236 | 385 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 252 | 401 |
| Comprehensive income attributable to non-controlling interests | (15) | (16) |