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

October 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: Vice President and CFO Hiroshi Kanda (Tel: +81-3-6212-5111)
Scheduled date of filing quarterly securities report: October 11, 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 Six Months Ended August 31, 2024 (March 1, 2024 to August 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	%
Six months ended August 31, 2024	51,057	10.0	1,096	10.4	1,034	10.3	521	2.2
Six months ended August 31, 2023	46,397	(14.4)	993	(25.6)	937	(27.2)	509	(18.9)

(Note) Comprehensive income: Six months ended August 31, 2024: ¥775 million 2.2%
Six months ended August 31, 2023: ¥759 million (43.7%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2024	34.45	—
Six months ended August 31, 2023	33.59	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2024	52,961	16,713	31.5
As of February 29, 2024	51,612	16,208	31.4

(Reference) Shareholders' equity: As of August 31, 2024 ¥16,704 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	—	0.00			
FY2024 (Forecast)			—	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 six months ended February 28, 2025

(1) Explanation of financial results

Consolidated operating results

(Millions of yen)

	First six months of fiscal 2023 (From March 1, 2023 to August 31, 2023)	First six months of fiscal 2024 (From March 1, 2024 to August 31, 2024)	Year on year change	
			Amount of increase/decrease	Percentage change (%)
Net sales	46,397	51,057	4,660	10.0%
Operating profit	993	1,096	103	10.4%
Ordinary profit	937	1,034	96	10.3%
Profit attributable to owners of parent	509	521	11	2.2%

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.

As for the Group’s consolidated business results for the six months ended August 31, 2024, both net sales and profits increased due to strong performance in the eBook distribution business, which was partly attributable to the contribution of new sales channels acquired in February 2024, as well as growth in existing sales channels. Additionally, the operating deficit in the strategic investment businesses decreased, mainly due to improved profitability in the IP solution business, resulting in increased revenues and profits. On the other hand, we recorded an extraordinary loss related to the business liquidation of JIVE Ltd., our publishing subsidiary, which withdrew from the paper book business to concentrate on the production and sales of eBooks.

As a result, net sales amounted to ¥51,057 million (up 10.0% year on year), operating profit totaled ¥1,096 million (up 10.4% year on year), ordinary profit was ¥1,034 million (up 10.3% year on year) and profit attributable to owners of parent came to ¥521 million (up 2.2% year on year), respectively, in the first six months of fiscal 2024.

The operating results of each segment during the first six months ended fiscal 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, alongside the expansion of the eBook market, the amount of content and the number of campaigns handled by publishers and eBook retailers have continued to increase due to the prevalence of various distribution formats, such as the distribution of individual stories. This has led to a yearly increase in the operational costs related to the distribution of eBooks, highlighting the increasing significance of eBook wholesalers. 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. By doing so, we will contribute to the smooth distribution of eBooks, streamline operations between publishers and eBook retailers, and reduce the accident rate of distribution.

During the first six months of fiscal 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. On the other hand, segment profit increased only slightly, mainly due to the decrease in the amount of engineer personnel expenses transferred to assets in progress.

Consequently, net sales in the eBook distribution segment were ¥47,130 million (up 10.1% year on year), and segment profit was ¥2,514 million (up 0.1% 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 August 2024 exceeded 2.54 million, contributing to the sales growth of the publications. We have also made progress with initiatives for non-publication products, such as the world's first attempt to use special video content as digital content tickets (DCTs) at an event held in August 2024.

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, NIHONBUNGEISHA saw an increase in sales of active content due to the strengthening of its eBook campaigns. Additionally, in terms of paper book publishing, efforts to improve the profit structure through the optimization of the number of copies delivered have made progress. As a result, business performance bottomed out in the first quarter and has been improving since the second quarter. We will continue to promote various initiatives aiming for full-year profitability from the next fiscal year and beyond.

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, has developed a SaaS-type business model and has steadily expanded its customer base, with the cumulative number of corporate contracts exceeding 1,000 companies. As a result, it turned a profit in July and August 2024 on a single-month basis. The operating deficit was significantly reduced as a result of several factors, including sales from work commissioned by NTT DOCOMO, INC. for the launch of an electronic comic distribution service for overseas markets, increased sales from multiple hit titles provided to Audible in the audiobook business, and a temporary impact from the withdrawal from the production of original works in the VSC (Vertical Scrolling Comic) business.

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 low, ranging from 0% to 3%. As a result, revenue has been growing alongside the accumulation of corporate contracts. In North America, against the backdrop of the growing demand for Japanese content, mainly comics, the need for publishers and eBook retailers to enter overseas markets is expanding. We will aim to increase our revenue by continuing to actively support the distribution of content in overseas markets using our network and know-how.

As described above, in the strategic investment business during the six months ended August 31, 2024, the IP solution business, FanTop business, and global business contributed to reduce the deficit. The imprint business saw a year on year decrease in profits because the full effect from improvements in the corporate structure at NIHONBUNGEISHA Co., Ltd. is expected to be seen from the second half of the year, despite steady progress being made.

Consequently, for the strategic investment businesses as, net sales totaled ¥3,861 million (up 7.7% year on year), with a segment loss of ¥583 million (segment loss of ¥737 million in the same period of the previous year).

(3) Explanation of financial position

As of August 31, 2024, total assets stood at 52,961 million yen, an increase of 1,349 million yen compared to the end of the previous fiscal year. This was mainly due to an increase of 1,232 million yen in cash and deposits, and an increase of 913 million yen in notes and accounts receivable - trade and contract assets, despite a decrease of 664 million yen in other current assets.

Total liabilities amounted to 36,247 million yen, an increase of 844 million yen compared to the end of the previous fiscal year, mainly due to an increase of 1,723 million yen in notes and accounts payable - trade, despite a decrease of 828 million yen in short-term borrowings.

Total net assets stood at 16,713 million yen, an increase of 504 million yen compared to the end of the previous fiscal year, mainly due to an increase of 271 million yen in foreign currency translation adjustment in accumulated other comprehensive income and an increase of 188 million yen in retained earnings.

(4) Cash Flows

Cash and cash equivalents as of August 31, 2024 ("cash") were ¥12,237 million.

Cash flows during the six months ended August 31, 2024, and the main contributory factors, were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 2,498 million yen (up 34.5% year on year).

The main cash inflows were profit before income taxes of 984 million yen, depreciation of 320 million yen, amortization of goodwill of 329 million yen, an increase in trade payables of 1,712 million yen, and a decrease in consumption taxes refund receivable of 495 million yen. The main cash outflows were an increase in trade receivables of 864 million yen and income taxes paid of 697 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 336 million yen, compared to the 363 million yen in net cash used in the same period of the previous fiscal year.

The main cash outflows were for the purchase of property, plant and equipment of 70 million yen and for intangible assets of 248 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 995 million yen, compared to the 1,021 million yen in net cash used in the same period of the previous fiscal year.

The main cash inflows were proceeds from long-term borrowings of 798 million yen. The main cash outflows were a net decrease in short-term borrowings of 829 million yen, repayments of long-term borrowings of 693 million yen, and dividends paid of 332 million yen.

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

As mentioned above, the Company's consolidated operating results for the six months ended August 31, 2024, showed an increase in both net sales and profits. In the eBook distribution business, the Company will continue to provide high-quality services that meet the needs of its business partners and work closely with them, aiming to expand its market share and achieve business growth that exceeds the growth of the eBook market. In the strategic investment businesses, the Company will focus its management resources on promising businesses to drive growth, while also promoting a revitalization of its business portfolio through reassessment. These efforts are aimed at reducing deficits and achieving the full-year plan.

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 August 31, 2024
Assets		
Current assets		
Cash and deposits	11,004	12,237
Notes and accounts receivable - trade, and contract assets	23,294	24,207
Other	2,098	1,434
Allowance for doubtful accounts	(0)	(0)
Total current assets	36,396	37,878
Non-current assets		
Property, plant and equipment	672	686
Intangible assets		
Goodwill	5,765	5,537
Software	590	708
Software in progress	74	2
Other	1,162	1,252
Total intangible assets	7,592	7,501
Investments and other assets		
Investment securities	5,870	5,741
Deferred tax assets	494	513
Guarantee deposits	471	470
Other	122	176
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	6,951	6,894
Total non-current assets	15,215	15,082
Total assets	51,612	52,961

(Millions of yen)

	As of February 29, 2024	As of August 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,165	27,888
Short-term borrowings	902	74
Current portion of long-term borrowings	1,314	1,464
Income taxes payable	756	538
Provision for bonuses	42	46
Other	2,205	2,249
Total current liabilities	31,386	32,261
Non-current liabilities		
Long-term borrowings	3,128	3,083
Deferred tax liabilities	120	125
Retirement benefit liability	615	619
Other	153	157
Total non-current liabilities	4,017	3,986
Total liabilities	35,403	36,247
Net assets		
Shareholders' equity		
Share capital	5,959	5,990
Capital surplus	5,737	5,768
Retained earnings	3,614	3,802
Treasury shares	(48)	(48)
Total shareholders' equity	15,262	15,512
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	195	147
Foreign currency translation adjustment	725	1,044
Total accumulated other comprehensive income	920	1,192
Non-controlling interests	25	8
Total net assets	16,208	16,713
Total liabilities and net assets	51,612	52,961

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Net sales	46,397	51,057
Cost of sales	41,090	45,569
Gross profit	5,306	5,487
Selling, general and administrative expenses	4,312	4,391
Operating profit	993	1,096
Non-operating income		
Interest and dividend income	24	28
Foreign exchange gains	11	—
Gain on investments in investment partnerships	3	—
Other	4	7
Total non-operating income	43	35
Non-operating expenses		
Interest expenses	16	17
Foreign exchange losses	—	7
Loss on investments in investment partnerships	—	28
Share of loss of entities accounted for using equity method	35	2
Donations	40	40
Other	6	2
Total non-operating expenses	99	98
Ordinary profit	937	1,034
Extraordinary income		
Gain on sale of non-current assets	—	1
Gain on reversal of share acquisition rights	0	—
Total extraordinary income	0	1
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Loss on valuation of investment securities	—	27
Loss on sale of shares of subsidiaries and associates	6	—
Loss on liquidation of business	—	23
Other	1	—
Total extraordinary losses	8	51
Profit before income taxes	929	984
Income taxes	458	480
Profit	471	503
Loss attributable to non-controlling interests	(38)	(17)
Profit attributable to owners of parent	509	521

(Millions of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Profit	471	503
Other comprehensive income		
Valuation difference on available-for-sale securities	15	(49)
Foreign currency translation adjustment	270	319
Share of other comprehensive income of entities accounted for using equity method	2	1
Total other comprehensive income	287	271
Comprehensive income	759	775
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	797	793
Comprehensive income attributable to non-controlling interests	(38)	(17)

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Cash flows from operating activities		
Profit before income taxes	929	984
Depreciation	289	320
Amortization of goodwill	351	329
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for bonuses	4	3
Increase (decrease) in retirement benefit liability	(8)	(12)
Interest and dividend income	(24)	(28)
Interest expenses	16	17
Loss (gain) on valuation of investment securities	—	27
Loss (gain) on investments in investment partnerships	(3)	28
Loss (gain) on sale of shares of subsidiaries and associates	6	—
Share of loss (profit) of entities accounted for using equity method	35	2
Decrease (increase) in trade receivables	(1,024)	(864)
Increase (decrease) in advances received	147	53
Decrease (increase) in inventories	15	61
Decrease (increase) in prepaid expenses	40	33
Increase (decrease) in trade payables	864	1,712
Increase (decrease) in accounts payable - other	(135)	40
Increase (decrease) in deposits received	(82)	(139)
Increase (decrease) in accrued consumption taxes	(0)	(1)
Decrease (increase) in consumption taxes refund receivable	409	495
Other, net	7	58
Subtotal	1,839	3,123
Interest and dividends received	28	32
Interest paid	(16)	(16)
Income taxes paid	(52)	(697)
Income taxes refund	59	56
Net cash provided by (used in) operating activities	1,857	2,498

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(15)	(70)
Purchase of intangible assets	(311)	(248)
Purchase of investment securities	(3)	(4)
Proceeds from sale of investment securities	14	3
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(17)	—
Payments of guarantee deposits	(23)	(1)
Proceeds from refund of guarantee deposits	8	1
Other, net	(14)	(16)
Net cash provided by (used in) investing activities	(363)	(336)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(0)	(829)
Proceeds from long-term borrowings	—	798
Repayments of long-term borrowings	(651)	(693)
Proceeds from issuance of shares with restriction of transfer	49	61
Proceeds from share issuance to non-controlling shareholders	79	—
Dividends paid	—	(332)
Purchase of treasury shares	(499)	—
Net cash provided by (used in) financing activities	(1,021)	(995)
Effect of exchange rate change on cash and cash equivalents	55	65
Net increase (decrease) in cash and cash equivalents	528	1,232
Cash and cash equivalents at beginning of period	10,127	11,004
Cash and cash equivalents at end of period	10,655	12,237