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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2024

(Based on Japanese GAAP)

January 10, 2025

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 starting date for commencing dividend payment: —
Preparation of supplementary materials on quarterly financial results: Yes
Quarterly financial results briefing for institutional investors and analysts: Yes

(Amounts less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended November 30, 2024 (March 1, 2024 to November 30, 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	%
Nine months ended November 30, 2024	75,442	8.8	1,691	15.3	1,641	14.2	912	5.9
Nine months ended November 30, 2023	69,315	(11.2)	1,466	(20.1)	1,437	(18.3)	861	95.1

(Note) Comprehensive income: Nine months ended November 30, 2024: ¥916 million (22.0%)
Nine months ended November 30, 2023: ¥1,175 million (8.7%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2024	60.29	—
Nine months ended November 30, 2023	56.84	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2024	51,290	16,854	32.8
As of February 29, 2024	51,612	16,208	31.4

(Reference) Shareholders' equity: As of November 30, 2024: ¥16,843 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)				35.00	35.00

(Note) Revision to the forecast for dividends announced most recently: Yes

For the revision of the dividend forecast, please refer to the "Notice regarding Revision of Dividend Forecast for the Fiscal Year Ending February 28, 2025 (Commemorative Dividend for the 30th Anniversary of the Foundation)," which was released today (January 10, 2025).

(Breakdown of fiscal year-end dividend: 27.00 yen of ordinary dividend plus 8.00 yen of commemorative dividend for the 30th anniversary of the foundation)

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 Nine Months Ended November 30, 2025

(1) Explanation of financial results

Consolidated operating results

(Millions of yen)

	Nine months of fiscal 2023 (From March 1, 2023 to November 30, 2023)	Nine months of fiscal 2024 (From March 1, 2024 to November 30, 2024)	Year on year change	
			Amount of increase/decrease	Percentage change (%)
Net sales	69,315	75,442	6,127	8.8%
Operating profit	1,466	1,691	224	15.3%
Ordinary profit	1,437	1,641	203	14.2%
Profit attributable to owners of parent	861	912	50	5.9%

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 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 financial results for the nine months ended November 30, 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 print book business to concentrate on the production and sales of eBooks.

As a result, net sales amounted to ¥75,442 million (up 8.8% year on year), operating profit totaled ¥1,691 million (up 15.3% year on year), ordinary profit was ¥1,641 million (up 14.2% year on year) and profit attributable to owners of parent came to ¥912 million (up 5.9% year on year), respectively, in the nine months of fiscal 2024.

The operating results of each segment during the nine 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 distributor 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). As the eBook market continues to expand, the widespread adoption of diverse distribution formats, including episode distribution, has led to a steady increase in the number of content offerings and campaigns handled by publishers and eBook retailers recently. As operational costs in the eBook distribution process rise year by year, the role played by eBook distributors is becoming increasingly important. 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 distributor. 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 nine 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 decreased slightly year on year, 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 ¥69,432 million (up 8.9% year on year), and segment profit was ¥3,641 million (down 0.3% 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 print 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 November 2024 exceeded 2.71 million. In addition, we aim to expand membership in a wider range of areas through initiatives for non-publication products, such as our first-ever attempt to sell products bundled with NFT digital content through multi-copy machines installed in approximately 60,000 convenience stores throughout Japan from December 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 the nine months ended November 30, 2024. 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, which occurred in the second quarter.

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 growing. We will aim to increase our revenue while pursuing personnel optimization 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 nine months ended November 30, 2024, the IP solution business, FanTop business, and global business contributed to reduce the deficit. On the other hand, as for the imprint business, despite steady improvement in performance at NIHONBUNGEISHA, the recovery has not fully offset the performance deterioration in the three months ended May 31, 2024, resulting in a year on year decline in profits.

Consequently, for the strategic investment businesses as, net sales totaled ¥5,780 million (up 5.5% year on year), with a segment loss of ¥759 million (segment loss of ¥997 million in the same period of the previous year).

(3) Explanation of financial position

As of November 30, 2024, total assets stood at 51,290 million yen, a decrease of 321 million yen compared to the end of the previous fiscal year. This was mainly due to an increase of 553 million yen in cash and deposits, offset by decreases of 192 million yen in notes and accounts receivable, trade and contract assets, and 477 million yen in goodwill.

Total liabilities amounted to 34,436 million yen, a decrease of 967 million yen compared to the end of the previous fiscal year, mainly due to an increase of 476 million yen in notes and accounts payable - trade, despite decreases of 829 million yen in short-term borrowings, 503 million yen in income taxes payable, and 408 million yen in long-term borrowings.

Total net assets stood at 16,854 million yen, an increase of 645 million yen compared to the end of the previous fiscal year, mainly due to an increase of 579 million yen in retained earnings.

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

As mentioned above, the Company’s consolidated operating results for the nine months ended November 30, 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 SSand achieving the full-year plan.

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

In addition, the Company has revised its dividend forecast for the fiscal year ending February 28, 2025 as follows.

The Company's shareholder return policy has set a total return ratio of 30% or higher as a benchmark through dividend payments and share buybacks (see note below). Based on this, the annual dividend forecast for the fiscal year ending February 28, 2025 is 27 yen per share, an increase of 5 yen over the previous year. Furthermore, the Company will mark its 30th fiscal year since its foundation in the fiscal year ending February 28, 2026, and to show its appreciation for the ongoing support of its shareholders, the Company has decided to pay a commemorative dividend of 8 yen per share for the fiscal year-end dividend for the fiscal year ending February 28, 2025.

Based on this, the fiscal year-end dividend will be 35 yen per share (27 yen of ordinary dividend plus 8 yen of commemorative dividend), for the total return ratio is expected to be 40%.

The Company will continue to make proactive investments to sustainably enhance corporate value in the future while maintaining a balance with internal reserves and will continue to provide stable returns to shareholders.

For details, please refer to the “Notice regarding Revision of Dividend Forecast for the Fiscal Year Ending February 28, 2025 (Commemorative Dividend for the 30th Anniversary of the Foundation)” released today (January 10, 2025).

(Note) Total return ratio = (Total dividends paid + Total share buybacks) / Net income attributable to shareholders of the parent company

Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	As of February 29, 2024	As of November 30, 2024
Assets		
Current assets		
Cash and deposits	11,004	11,557
Notes and accounts receivable - trade, and contract assets	23,294	23,101
Other	2,098	1,996
Allowance for doubtful accounts	(0)	(0)
Total current assets	36,396	36,655
Non-current assets		
Property, plant and equipment	672	677
Intangible assets		
Goodwill	5,765	5,287
Software	590	646
Software in progress	74	5
Other	1,162	1,128
Total intangible assets	7,592	7,068
Investments and other assets		
Investment securities	5,870	5,769
Deferred tax assets	494	502
Guarantee deposits	471	468
Other	122	155
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	6,951	6,889
Total non-current assets	15,215	14,635
Total assets	51,612	51,290

(Millions of yen)

	As of February 29, 2024	As of November 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,165	26,641
Short-term borrowings	902	73
Current portion of long-term borrowings	1,314	1,460
Income taxes payable	756	252
Provision for bonuses	42	82
Other	2,205	2,317
Total current liabilities	31,386	30,827
Non-current liabilities		
Long-term borrowings	3,128	2,720
Deferred tax liabilities	120	111
Retirement benefit liability	615	614
Other	153	161
Total non-current liabilities	4,017	3,608
Total liabilities	35,403	34,436
Net assets		
Shareholders' equity		
Share capital	5,959	5,990
Capital surplus	5,737	5,768
Retained earnings	3,614	4,193
Treasury shares	(48)	(48)
Total shareholders' equity	15,262	15,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	195	170
Foreign currency translation adjustment	725	769
Total accumulated other comprehensive income	920	939
Non-controlling interests	25	10
Total net assets	16,208	16,854
Total liabilities and net assets	51,612	51,290

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

	Nine months ended November 30, 2023	Nine months ended November 30, 2024
Net sales	69,315	75,442
Cost of sales	61,273	67,232
Gross profit	8,041	8,210
Selling, general and administrative expenses	6,575	6,519
Operating profit	1,466	1,691
Non-operating income		
Interest and dividend income	28	29
Foreign exchange gains	14	—
Gain on investments in investment partnerships	3	—
Share of profit of entities accounted for using equity method	4	5
Other	5	16
Total non-operating income	56	51
Non-operating expenses		
Interest expenses	25	26
Foreign exchange losses	—	1
Loss on investments in investment partnerships	—	28
Donations	40	40
Other	20	3
Total non-operating expenses	85	100
Ordinary profit	1,437	1,641
Extraordinary income		
Gain on sale of non-current assets	—	2
Gain on sale of investment securities	106	—
Gain on sale of businesses	—	18
Gain on reversal of share acquisition rights	0	—
Total extraordinary income	106	20
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Loss on valuation of investment securities	—	43
Loss on sale of shares of subsidiaries and associates	6	—
Loss on liquidation of business	—	23
Other	1	—
Total extraordinary losses	8	66
Profit before income taxes	1,535	1,595
Income taxes	736	698
Profit	799	897
Loss attributable to non-controlling interests	(62)	(15)
Profit attributable to owners of parent	861	912

(Millions of yen)

	Nine months ended November 30, 2023	Nine months ended November 30, 2024
Profit	799	897
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(25)
Foreign currency translation adjustment	363	44
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	376	19
Comprehensive income	1,175	916
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,237	932
Comprehensive income attributable to non-controlling interests	(62)	(15)