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February 28, 2025

MEDIA DO Co., Ltd.
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Financial Results FAQs for Q3 FYE 2/25

MEDIA DO Co., Ltd. (hereafter "the Company") hereby discloses the main questions received from investors regarding the financial results for the third quarter of the fiscal year ended February 28, 2025, and their answers as follows.
To enhance information dissemination to investors and ensure fair disclosure, the Company plans to release this information at the end of the month following the financial results announcement (August, November, February, and May). While there may be slight discrepancies due to timing differences, the most recent responses are provided as the Company's latest policy at that time.
Please refer to the attached "Financial Results FAQs" for details.

Additionally, the documents related to the financial results for the third quarter of the fiscal year ended February 28, 2025, are available at the following link.

■ Financial Results Briefing
URL: https://ssl4.eir-parts.net/doc/3678/ir_material_for_fiscal_ym2/170672/00.pdf
■ Summary of Consolidated Financial Results
URL: https://ssl4.eir-parts.net/doc/3678/ir_material_for_fiscal_ym2/170656/00.pdf
■ Video of Financial Results Briefing (Japanese only)
URL: https://mediado.jp/ir/
■ Transcript of presentation
URL: https://ssl4.eir-parts.net/doc/3678/ir_material_for_fiscal_ym2/171096/00.pdf



Financial Results FAQs

MEDIA DO Co., Ltd.
Financial Results for Q3 FYE 2/25
February 28, 2025

List of FAQs

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Financial Results FAQs

Q3 FYE 2/25

Q1 What is your assessment of the Q3 FYE 2/25 results?

A

The Q3 FYE 2/25 results were favorable, with both net sales and operating profit increasing. The Q3 net sales reached a record high due to the contribution of new sales channels acquired in February 2024, growing +8.8% YoY. The operating profit grew +15.3% YoY due to profit improvement in the strategic investment businesses, mainly the IP solution business. As for the percentage of progress toward the full-year forecast, net sales reached 77.0%. Q3 sales are seasonally lower than Q2 and Q4 sales, which include long vacations, so exceeding 75% as of Q3 is considered favorable. Although some profit items were below 75%, all of them exceeded the internal forecast, and we are on track to achieve the full-year forecast.

	Q3 FYE 2/24	Q3 FYE 2/25	YoY	Progress rate from initial forecast
Net sales	**¥69.31bn**	**¥75.44bn**	**+8.8%** (+6.13bn)	**77.0%**
EBITDA	**¥2.45bn**	**¥2.67bn**	**+8.9%** (+0.22bn)	**75.0%**
Operating profit	**¥1.46bn**	**¥1.69bn**	**+15.3%** (+0.23bn)	**73.5%**
Net income attributable to owners of parent	**¥0.86bn**	**¥0.91bn**	**+5.9%** (+0.05bn)	**68.6%**

Q2 Since June 2024, the number of accesses to pirate sites for Japan has increased rapidly. What do you think about the impact of this increase on your business performance?

A

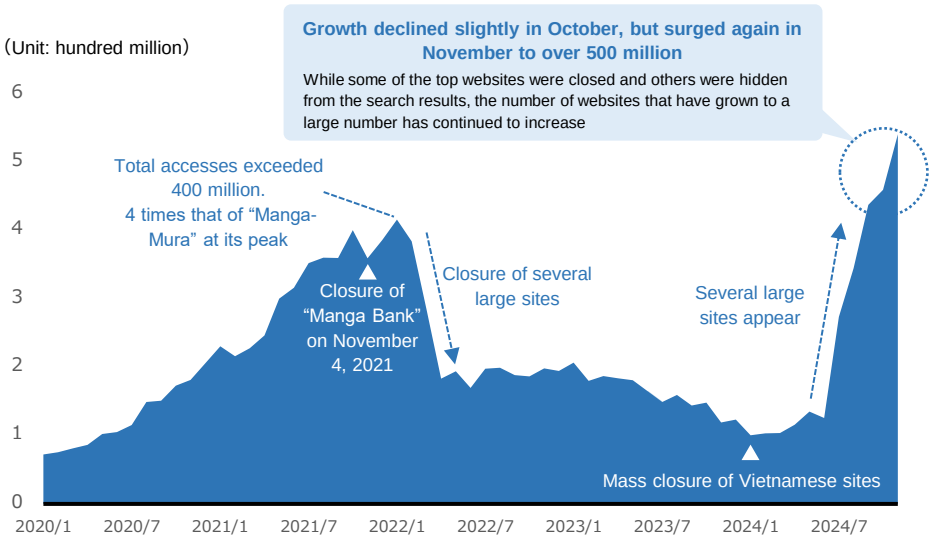
We believe that the impact of the increase in the number of accesses to pirate sites on our business performance is limited at this time. Although the sales growth rate*1 since July 2024, when the number of accesses to pirate sites increased rapidly, appears low compared to the sales growth rate from March to June 2024, we believe this is mainly due to the particularly strong growth rate from March to June rather than the impact of pirate sites.

The public and private sectors have been working together to strengthen measures against pirate sites.

The government has budgeted a total of 430 million yen for anti-piracy projects in the 2024 fiscal year and is promoting initiatives such as an AI-based site detection verification test.

ABJ*2, a private organization established by the Company and other companies in the publishing industry, has been promoting the distribution of legitimate content through educational activities such as the “STOP! Piracy Campaign.”

Trends in the total number of accesses to the top 10 sites for pirated publications for Japan*3



*3 Pirate sites are changed monthly. The top 10 sites include those with non-publication content
Source: General Incorporated Association ABJ
Citation: https://www.abj.or.jp/data (in Japanese only)

*1 Please refer to page 10 for sales growth rate in the eBook distribution business.
*2 At the time of the organization's establishment, Niina, then a vice president of the Company, was appointed as the representative director. Currently, Hanamura, Director and COO of the Company, serves on the Board of Directors.

Q3 What were the factors behind the operating loss of -176 million yen in the strategic investment businesses in the Q3 FYE 2/25, which was the lowest quarterly loss amount?

A

The improvement in operating profit in Q3 FYE 2/25 was mainly due to profit improvement in the Imprint business and IP solution businesses, driven by the following four factors:

(1) Narrowing of operating loss due to progress in business reforms at NIHONBUNGEISHA

(2) Steady accumulation of corporate contracts for Flier, a SaaS-type business model

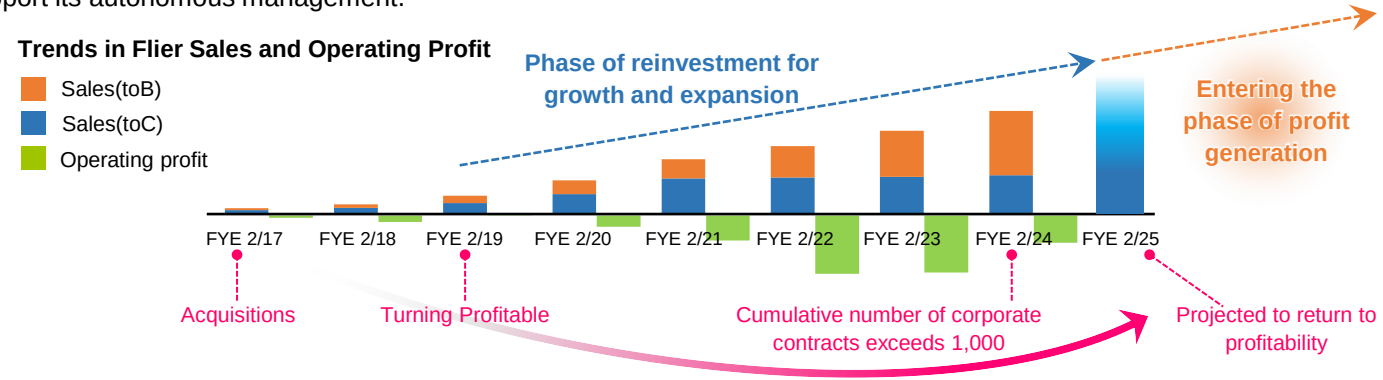
(3) Increase in sales in the audiobook business due to multiple hits of works provided to Audible

(4) Recording of outsourcing sales for the launch of overseas electronic comic distribution service with NTT DOCOMO.

Q4 What is the background of the initial listing of your consolidated subsidiary Flier Inc. on the Growth Market of the Tokyo Stock Exchange, and how will it affect your consolidated financial results?

A

Our consolidated subsidiary, Flier Inc. was listed on the Growth Market of the Tokyo Stock Exchange on February 20, 2025. Flier was acquired by the Company in 2016, and although it became profitable in FYE 2/19, it entered a reinvestment phase to expand its B2B services and pursue further growth. During this phase, the focus shifted to developing sales channels and expanding and enhancing features for corporate clients. As a result, Flier has successfully captured the demand for human resource development among companies, with the cumulative number of corporate contracts exceeding 1,100, and sales to corporate clients doubling over the last two years, and operating profit is expected to return to profitability in FYE 2/25. On the other hand, in order to further promote the expansion of existing and new services, it is important to improve creditworthiness, secure talented human resources, and strengthen our financial position, and Flier aims to achieve these goals by listing their shares on the stock exchange. Although our shareholding ratio will decrease as a result of the listing, we will maintain the shareholding ratio that makes Flier a consolidated subsidiary for the time being. Therefore, this transaction will have a negligible impact on our consolidated business performance. However, we will consider gradually reducing our shareholding ratio in stages as we respect Flier's independence and support its autonomous management.

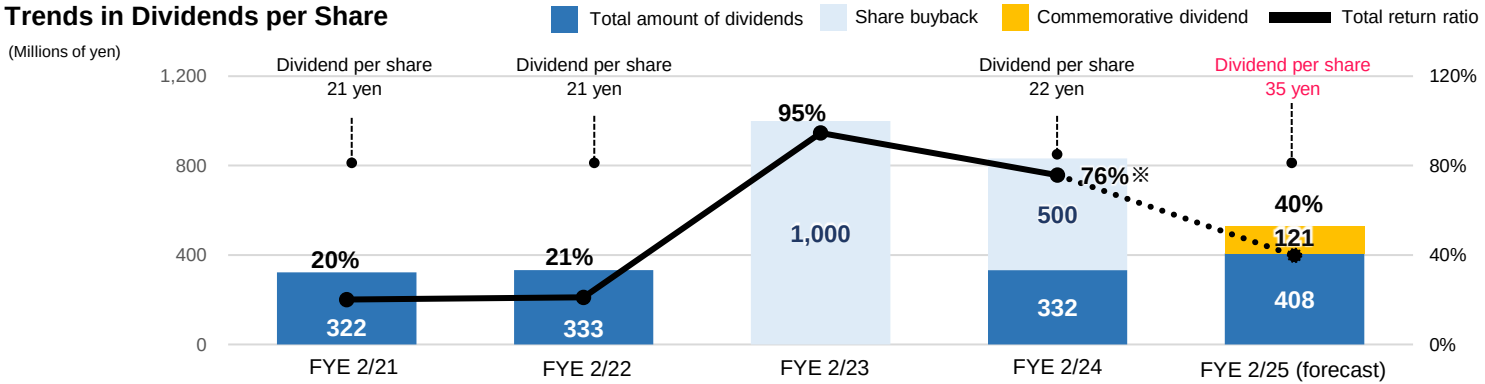


Q5 The dividend forecast for FYE 2/25 has been revised upward to 35 yen per share (ordinary dividend: 27 yen, commemorative dividend: 8 yen), and the total return ratio for FYE 2/25 is 40%, up from 30%. What is your shareholder return policy?

A

The Company raised the total return ratio from at least 20% to at least 30% in FYE 2/23. For FYE 2/25, while we initially planned to achieve a total return ratio of over 30% through dividends alone, we resolved to revise our dividend forecast upward on January 10, 2025. As a result, the dividend per share was set at 35 yen, comprising an ordinary dividend of 27 yen (an increase of 5 yen from the previous fiscal year) and a commemorative dividend of 8 yen for the 30th anniversary of our founding. Consequently, the total return ratio for FYE 2/25 is expected to reach 40%. Our shareholder return policy for FYE 2/26 and beyond will be announced with our full-year financial results in April 2025. As we enter a phase of renewed revenue and profit growth from FYE 2/25, we will work to enhance shareholder returns while reassessing the balance between growth investments and our new growth strategy.

Trends in Dividends per Share



*Since correct calculations for FYE 2/24 cannot be made due to the net income deficit, the total return ratio (76%) to the forecasted net income of 1,100 million yen at the beginning of the fiscal year is shown

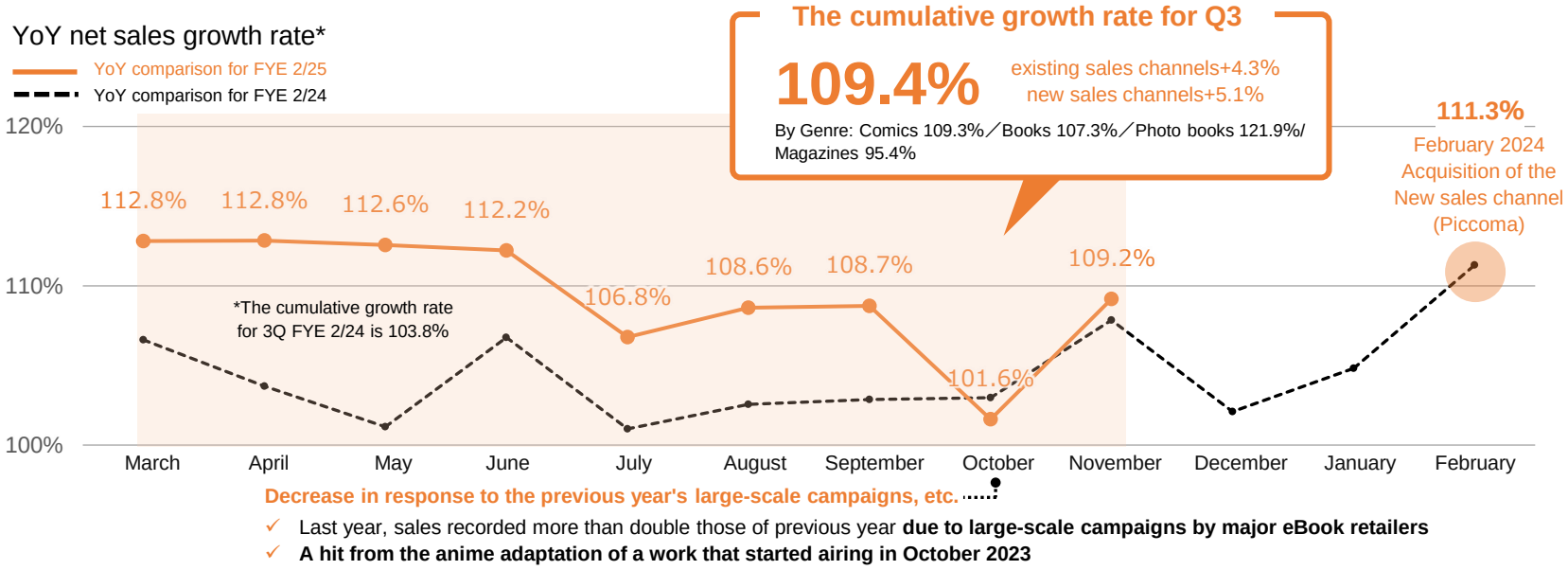
Financial Results FAQs

Year-round

Q6 What is the contribution of new sales channels to sales growth, including the Piccoma sales channel acquired in February 2024?

A

New sales channels, mainly Piccoma, contributed to a sales growth of +5.1% YoY in Q3 FYE 2/25. The number of campaigns by publishers and eBook retailers increased YoY, resulting in a sales growth rate of +4.3% for existing sales channels.



* Calculated excluding sales for LINE Manga

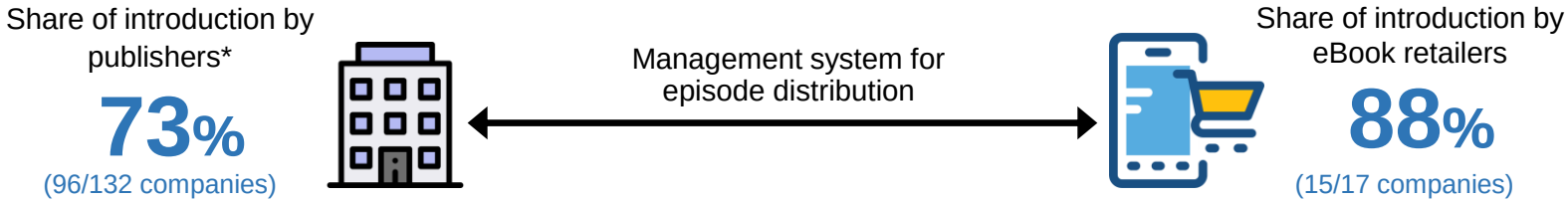
Q7 Approximately 40% of eBook distribution channels are through distributors. What are you doing to increase MEDIA DO's market share?

A

We believe that the share of eBook distribution via distributors will continue to grow in the future. At the dawn of the eBook market, most transactions were conducted directly between publishers and eBook retailers, but as the market has expanded, the operational burden associated with eBook distribution has increased, and transactions through distributors now account for about 40% of all transactions.

The scale of the eBook market in Japan is expanding to approximately 640 billion yen, and the operational burden is increasing every year due to the diversification of distribution formats, including the increasing number of campaigns and episode distribution, making the need for eBook distributors even more critical. We aim to contribute to the reduction of the operational burden of eBooks and increase our market share by developing a system that will become an infrastructure in the industry and providing it to a wide range of publishers and eBook retailers.

Developing management systems for episode distribution, which has become an increasingly important part of the industry's infrastructure in recent years



* Including the number of companies scheduled to sign up (as of October 2024)

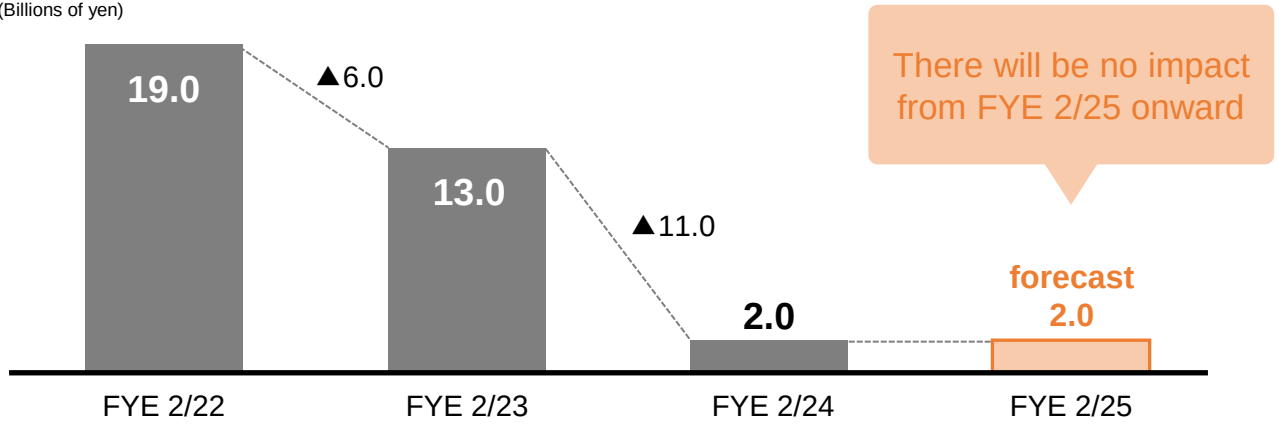
Q8 Has the impact of the decline in sales due to the transfer of LINE Manga run its course?

A

Although there was a negative impact of approximately 6 billion yen in FYE 2/23 and approximately 11 billion yen in FYE 2/24, we do not expect any negative impact on sales due to the transfer in FYE 2/25 and beyond. Some transactions are expected to continue, such as those with publishers under exclusive contracts. As a result, we anticipate sales of approximately 2 billion yen in FYE 2/25.

Net sales to LINE Manga* by fiscal year

(Billions of yen)



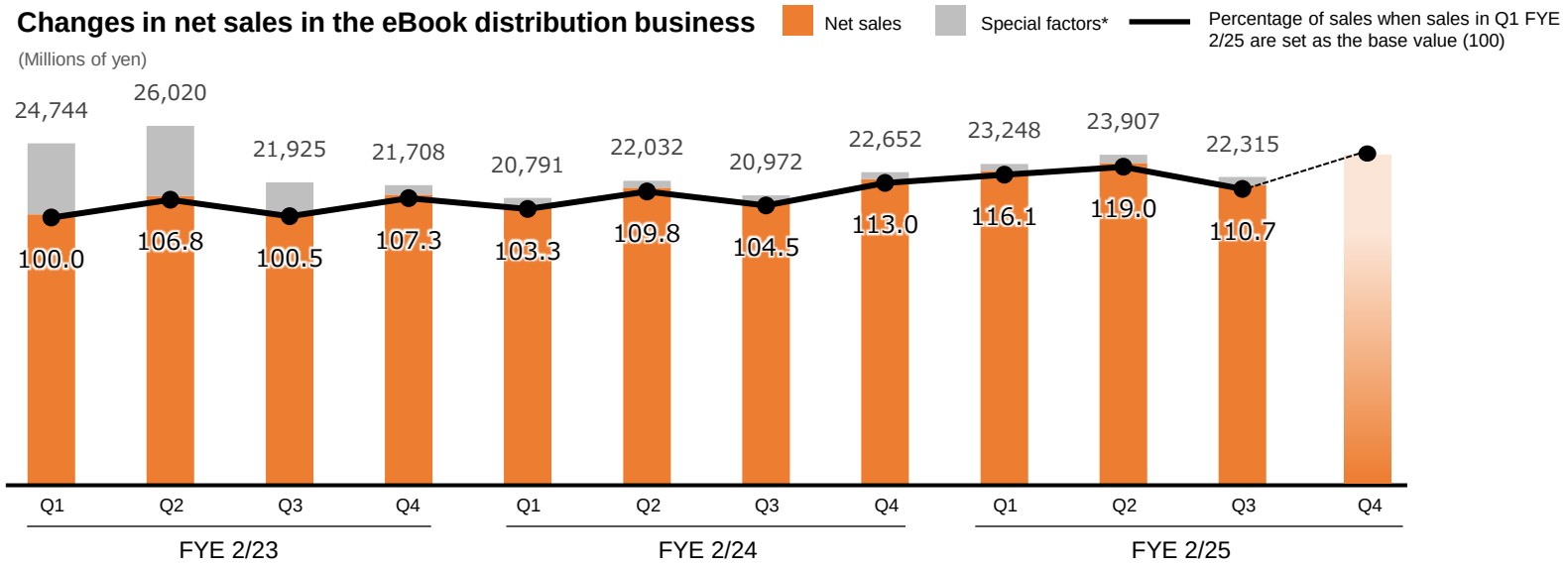
* Figures given are for net sales to LINE Digital Frontier Corporation, which operates LINE Manga

Q9 What is the seasonality of sales?

A

Every year, sales tend to be higher in Q2 and Q4, which include long vacations (e.g., summer and winter vacations) that lead to increased sales.

Changes in net sales in the eBook distribution business



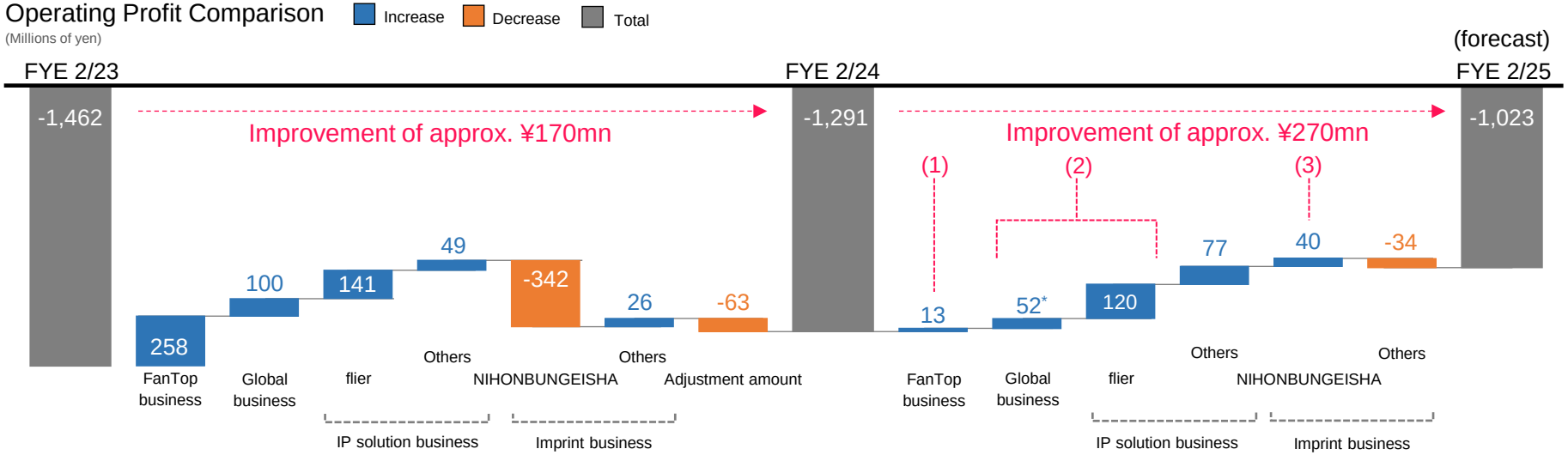
* Sales for LINE Manga

Q10 When do you expect the strategic investment businesses as a whole to return to profitability?

A

We aim to return to profitability in FYE 2/27 or FYE 2/28. The projected operating loss in the strategic investment businesses for FYE 2/25 is 1.02 billion yen. The main factors expected to improve profits from FYE 2/26 to FYE 2/28 include: (1) steadily increasing the number of corporate contracts for the global business and Flier, which are SaaS-type business models, (2) rebuilding NIHONBUNGEISHA, which had struggled in FYE 2/24 and FYE 2/25, and (3) promoting business portfolio review, including withdrawal from and sale of unprofitable businesses. We expect to achieve a total profit improvement of more than 1.0 billion yen.

Operating Profit Comparison



*Includes the impact of the decrease in goodwill amortization expenses due to the impairment of goodwill of Supadü implemented in FYE 2/24.

Q11 What are the criteria for reviewing the business portfolio?

A

We have set an 8% ROIC standard for the review of our portfolio of businesses. After the third year of acquisition, if the ROIC standard is expected to fall below the standard, the target business will be pivoted, management will be replaced, or the business will be sold or exited. In recent years, we have taken the following initiatives and will continue to promote appropriate review of our business portfolio.

-FYE 2/23: Sale of Nagisa and liquidation of Manga Shimbun

-FYE 2/24: In the vertical scrolling comics business, we withdrew from the production of original works in cooperation with a Korean studio (focusing on distribution) and sold investment securities

-FYE 2/25: Change of representative director at NIHONBUNGEISHA, withdrawal from JIVE's print book business (focusing on eBook production and sales), merger of Everystar and JIVE, sale of PUBNAVI, and sale of investment securities, sale of Everystar

Q12 When do you plan to announce new performance targets for the medium-term management plan under review?

A

In April 2022, we formulated and announced our medium-term management plan for the period from FYE 2/23 to FYE 2/27. Two years have passed since the plan was formulated, and we are currently reviewing the numerical plan due to significant changes in the external and internal environment. The new numerical plan is expected to be announced in April 2025 (at the time of the full-year results announcement for FYE 2/25).

Q13 What is the Company's compliance status with all criteria required to maintain its listing on the Prime Market?

A

As of the fiscal year-end record date for FYE 2/24 (February 29, 2024), the Company's market capitalization of tradable shares did not meet the criteria for maintaining its listing on the Prime Market. Consequently, on May 24, 2024, the Company disclosed its “Plan for Meeting the Maintenance of Listing Standards (Japanese only).”

However, as of the fiscal year-end record date for FYE 2/25 (February 28, 2025), the Company is expected to meet all criteria required to maintain its listing on the Prime Market."

Forward-looking statement and unaudited information disclaimers

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