November 29, 2024

MEDIA DO Co., Ltd.
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Financial Results FAQs for 2Q FY25/2

MEDIA DO Co., Ltd. (hereafter "the Company") hereby discloses the main questions received from investors regarding the financial results for the second 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 second 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_ym2/164943/00.pdf
■ Summary of Consolidated Financial Results
URL: https://ssl4.eir-parts.net/doc/3678/ir_material_for_fiscal_ym2/164945/00.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_ym2/165487/00.pdf

End

Financial Results FAQs

MEDIA DO Co., Ltd.
Financial Results for 2Q FY25/2
November 29, 2024

List of FAQs

2Q

Year-round

Financial Results FAQs

2Q FY25/2

Q1 What is your assessment of the 2Q FY25/2 results?

A The 2Q results for FY25/2 were favorable, with both net sales and operating profit increasing, and progress rates of net sales and profit toward the full-year forecast exceeding internal expectations. Net sales grew 10.0% YoY due to higher growth in existing sales channels in the eBook distribution business than in the previous fiscal year and the acquisition of new sales channels in February 2024. Operating profit grew 10.4% YoY due to the impact of profit improvement in the strategic investment businesses, mainly in the IP solutions business. As for the percentage of progress toward the full-year forecast, net sales accounted for 52.1%, while the percentage of progress in profit items was less than 50%, but all of them exceeded the internal forecast.

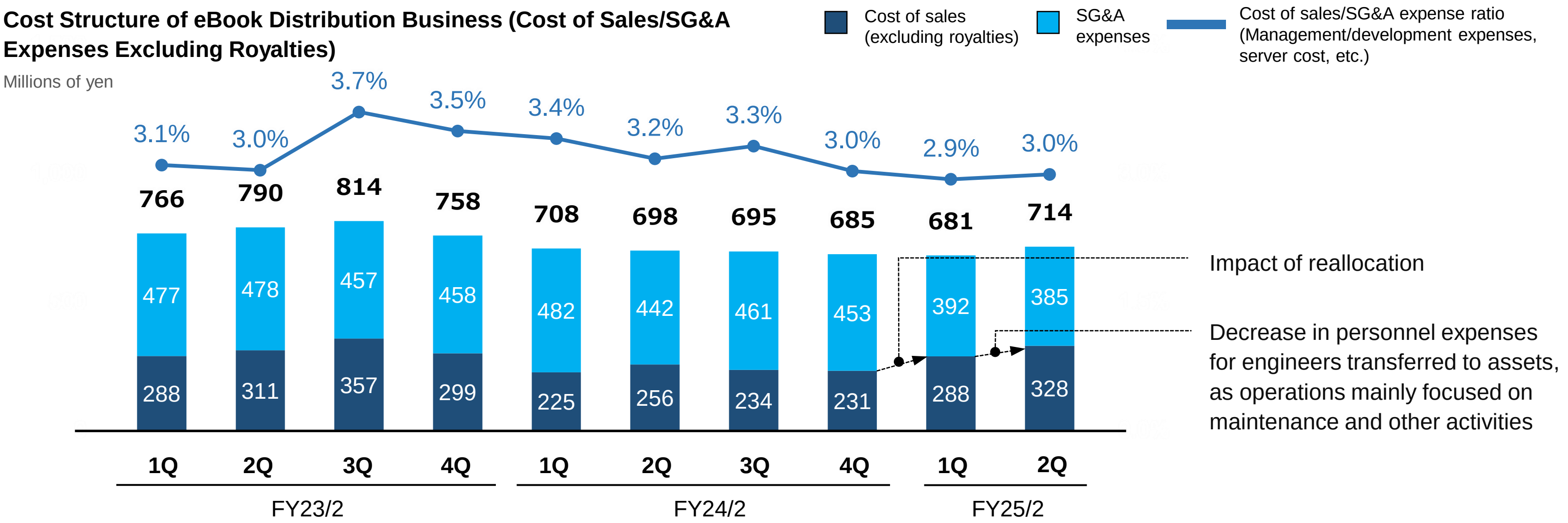
	2Q FY24/2	2Q FY25/2	YoY	Progress rate from initial forecast
Net sales	**¥46.3bn**	**¥51.0bn**	**+10.0%** (+4.7bn)	**52.1%**
EBITDA	**¥1,635mn**	**¥1,746mn**	**+6.8%** (+111mn)	**49.1%**
Operating profit	**¥993mn**	**¥1,096mn**	**+10.4%** (+103mn)	**47.7%**
Net income attributable to owners of parent	**¥509mn**	**¥521mn**	**+2.2%*** (+12mn)	**39.2%**

*Effect of business liquidation loss of 23 million yen and other factors due to JIVE's withdrawal from the print book business to focus on the production and sale of eBooks

Q2 What was the reason for the decrease in operating profit in the eBook distribution business despite the increase in net sales YoY and QoQ in 2Q FY25/2?

A The main reasons for this were (1) an increase in the proportion of sales from major publishers, from whom we receive lower commissions, and (2) a decrease in the amount of asset transfers for engineering personnel expenses, as maintenance and other operations were the main activities. The changes in cost of sales and SG&A expenses, excluding royalties, are shown below.

Cost Structure of eBook Distribution Business (Cost of Sales/SG&A Expenses Excluding Royalties)



Q3 In the strategic investment businesses, 2Q FY25/2 sales were the highest ever. What were the factors behind the sales increase?

A

The main reasons for the increase in sales in 2Q FY25/2 are,

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

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

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

(4) Increase in sales due to withdrawal from production of original works in the vertical scrolling comic business

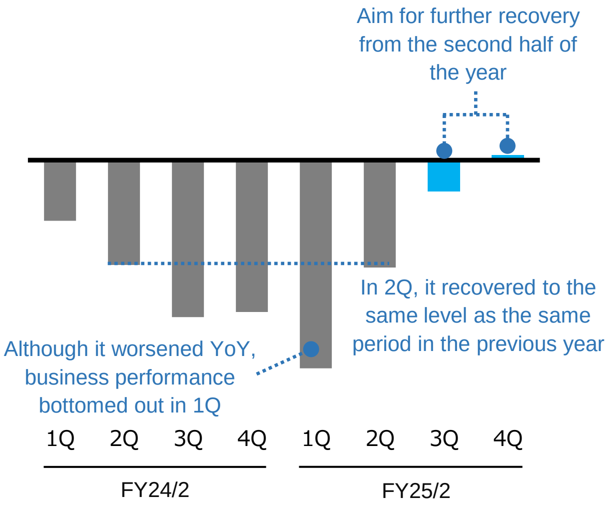
Of these, (4) is a temporary factor that occurred only in 2Q FY25/2.

Q4 What measures have led to improved performance in NIHONBUNGEISHA's recent efforts?

A

Since May 2024, we have invited Mr. Hibiki Takemura, who contributed to the company's business growth and digitalization as a director of Takeshobo, to serve as Representative Director, and have begun a fundamental reform in digital and print books. In the digital book business, we have strengthened relationships with each eBook retailers, and have had multiple stores run high frequency, unique campaigns. Through closer relationships, some titles have increased their distribution amount by 6.7 times (from 35 million yen to 233 million yen) compared to the previous three months. In the print book business, in addition to strengthening product planning to meet market needs, we are also focusing on adjusting distribution and circulation to the current market environment. As a result of our efforts, we have already achieved a reduction in the return rate, and in addition, a reduction in the number of copies issued and the resale of returned books has led to a reduction in both paper and transportation costs, and a more powerful sales and profit structure is being realized. With the progress of these digital and print book measures, operating profit for 2Q FY25/2 has recovered to the same level as the same period of the previous year. We will continue to make further improvements in the second half of the fiscal year and beyond, with the aim of returning to profitability in FY26/2.

Image of changes in operating profit



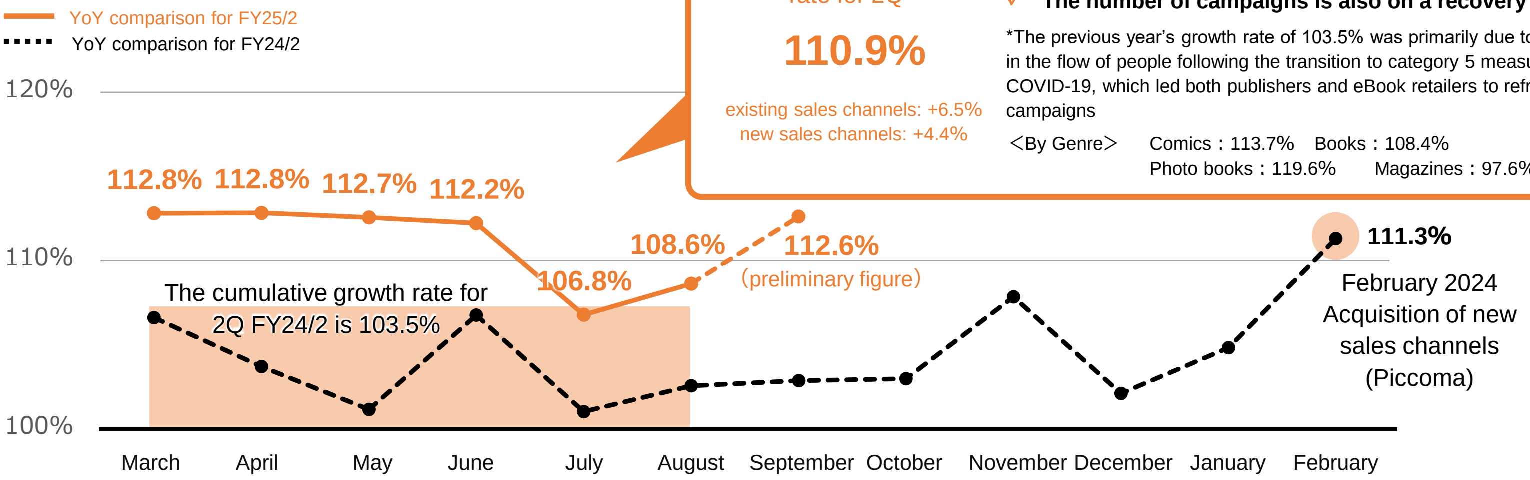
Financial Results FAQs

Year-round

Q5 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 4.4% YoY increase in sales in the first half of FY25/2. In addition, the number of campaigns by publishers and eBook retailers is increasing YoY, and the growth rate of existing sales channels is 6.5%, indicating that the overall growth rate of the market is on the road to recovery.

YoY net sales growth rate of eBook distribution business*



The cumulative growth rate for 2Q

110.9%

existing sales channels: +6.5%
new sales channels: +4.4%

- ✓ **The acquisition of new sales channels in February 2024 contributed**
- ✓ **The number of campaigns is also on a recovery trend**

*The previous year's growth rate of 103.5% was primarily due to changes in the flow of people following the transition to category 5 measures for COVID-19, which led both publishers and eBook retailers to refrain from campaigns

＜By Genre＞ Comics：113.7% Books：108.4% Photo books：119.6% Magazines：97.6%

* Calculated excluding sales for LINE Manga

Q6 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.

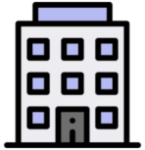
The scale of the eBook market in Japan is expanding to approximately 640 billion yen, and the operational burden is increasing every year due to the diversification of distribution formats, including the increasing number of campaigns and episode distribution, making the need for eBook distributors even 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

Share of introduction by publishers*

73%

(96/132 companies)



Management system for episode distribution

Share of introduction by eBook retailers

88%

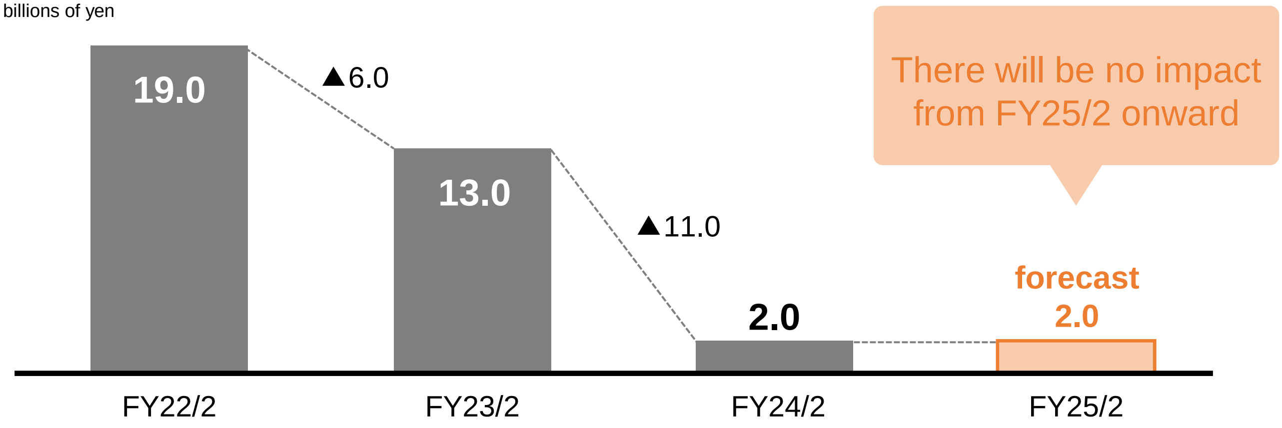
(15/17 companies)

* Including the number of companies scheduled to sign up

Q7 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 FY23/2 and approximately 11 billion yen in FY24/2, we do not expect any negative impact on sales due to the transfer in FY25/2 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 FY25/2

Net sales to LINE Manga* by fiscal year

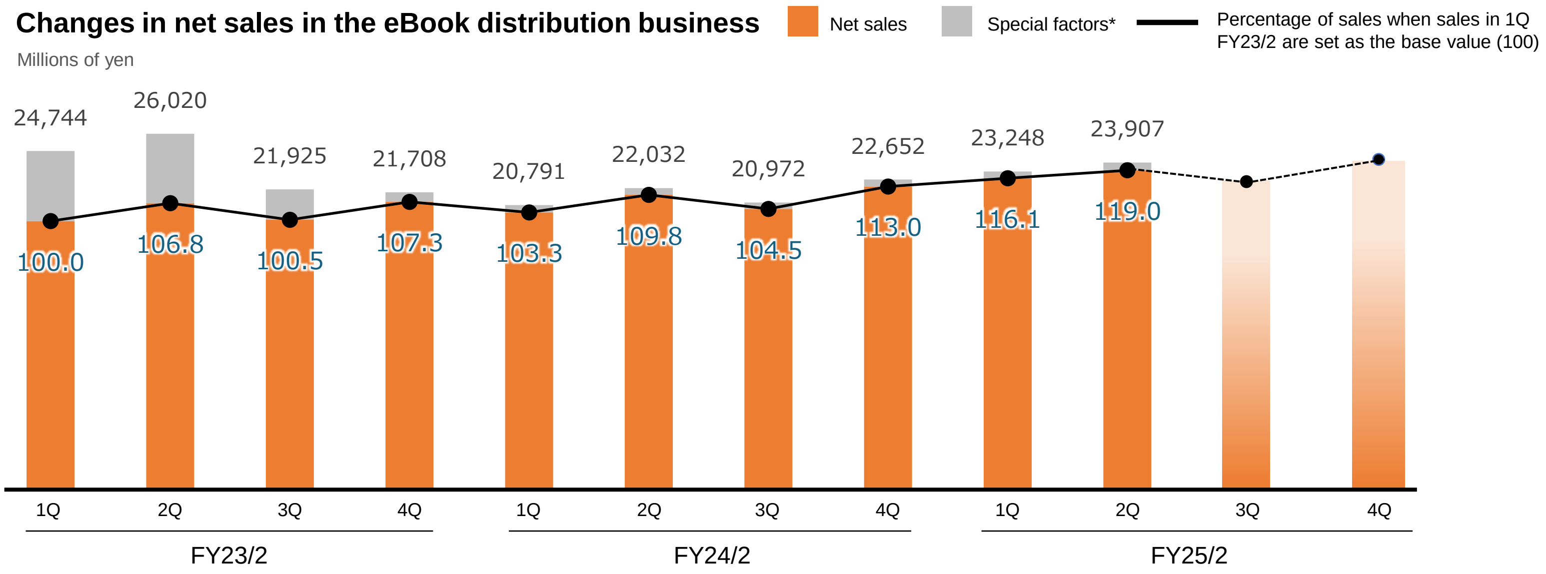


* Figures given are for net sales to LINE Digital Frontier Corporation, which operates LINE Manga

Q8 What is the seasonality of sales?

A Every year, sales tend to be higher in the second and fourth quarters, which include long vacations (e.g., summer and winter vacations) that lead to increased sales.

Changes in net sales in the eBook distribution business



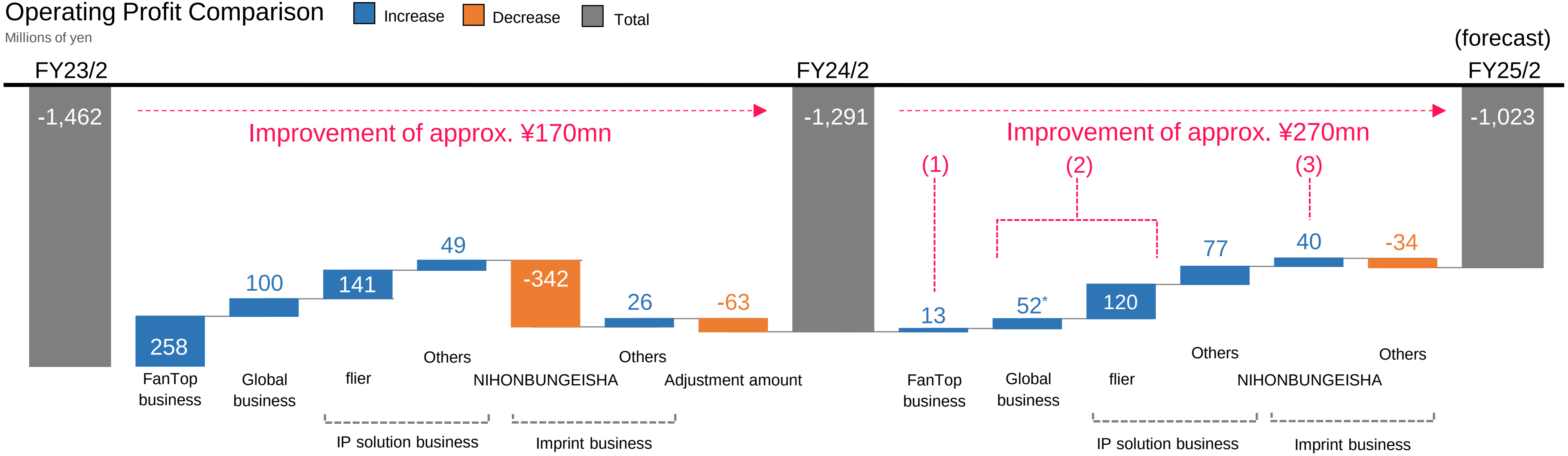
* Sales for LINE Manga

Q9 When do you expect the strategic investment businesses as a whole to return to profitability?

A We aim to return to profitability in FY27/2 or FY28/2.The projected operating loss in the strategic investment businesses for FY25/2 is 1.02 billion yen. The main factors expected to improve profits from FY26/2 to FY28/2 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 FY24/2 and FY25/2, 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

Millions of yen



*Includes the impact of the decrease in goodwill amortization expenses due to the impairment of goodwill of Supadü implemented in FY24/2.

Q10 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.

-FY23/2: Sale of Nagisa and liquidation of Manga Shimbun

-FY24/2: 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

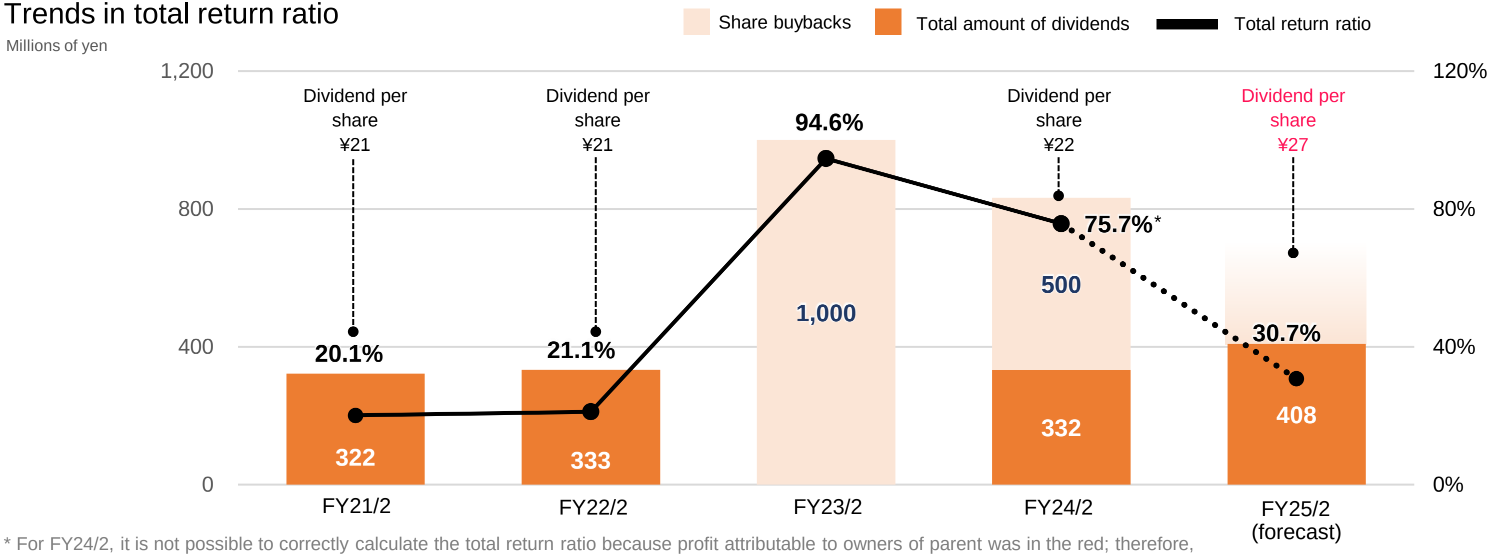
-FY25/2: Change of representative director at NIHONBUNGEISHA, withdrawal from JIVE's print book business (focusing on eBook production and sales), merger of everystar and JIVE, sale of PUBNAVI

Q11 What is your shareholder return policy?

A

Since FY23/2, we have raised our total return ratio from 20% or more to 30% or more. For FY25/2, we plan to pay a dividend of 27 yen per share, an increase of 5 yen per share from the previous year, and the total return ratio for dividends alone is expected to exceed 30%. We will also flexibly decide on share buybacks depending on share price performance.

Trends in total return ratio



* For FY24/2, it is not possible to correctly calculate the total return ratio because profit attributable to owners of parent was in the red; therefore, the total return ratio of 75.7%, calculated using the initial forecast amount of the profit attributable to owners of parent of ¥1,100mn, is presented

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 FY23/2 to FY27/2. 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 FY25/2).

Q13 What is the status of your compliance with the criteria for maintaining prime market listings and what is your policy for the future?

A As of the Company's fiscal year-end record date (February 29, 2024), the "tradable share market capitalization" does not meet the criteria for maintaining listing. The share price required to achieve a tradable share market capitalization of 10 billion yen is 1,387 yen (calculated based on the shareholder composition as of the end of August 2024).In order to meet the criteria for maintaining listing by the end of February 2025, we will focus on improving the tradable market capitalization by improving improvement of ROE and PER.

*For details of the policy, please refer to the "Plan for Meeting the Maintenance of Listing Standards (Japanese only)" disclosed on May 24, 2024.

Forward-looking statement and unaudited information disclaimers

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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Such risks and uncertainties include general industry and market conditions and general domestic and international economic conditions, including interest rate and exchange rate movements. MEDIA DO assumes no responsibility to update or revise forward-looking statements contained herein, even if new information becomes available or unanticipated events occur.

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