

Media Do Co., Ltd. announced earnings results for 1H FY02/22.

Cumulative (JPYmn)	FY02/20				FY02/21				FY02/22		FY02/22	
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	% of Est.	FY Est.
Sales	15,454	31,881	47,967	65,860	20,292	41,734	62,007	83,540	28,408	55,233	55.2%	100,000
YoY	44.3%	37.3%	32.6%	30.2%	31.3%	30.9%	29.3%	26.8%	40.0%	32.3%		19.7%
Gross profit	1,599	3,306	4,946	6,691	1,925	3,929	5,869	7,730	2,105	4,939		
YoY	26.8%	26.2%	20.6%	16.6%	20.4%	18.8%	18.7%	15.5%	9.4%	25.7%		
Gross profit margin	10.3%	10.4%	10.3%	10.2%	9.5%	9.4%	9.5%	9.3%	7.4%	8.9%		
SG&A expenses	1,164	2,378	3,580	4,837	1,193	2,399	3,717	5,065	1,268	3,251		
YoY	8.4%	14.2%	13.9%	13.3%	2.5%	0.9%	3.8%	4.7%	6.3%	35.5%		
SG&A ratio	7.5%	7.5%	7.5%	7.3%	5.9%	5.7%	6.0%	6.1%	4.5%	5.9%		
Operating profit	434	928	1,365	1,853	732	1,529	2,151	2,664	836	1,688	56.3%	3,000
YoY	132.1%	73.0%	42.3%	26.2%	68.7%	64.8%	57.6%	43.8%	14.2%	10.4%		12.6%
Operating profit margin	2.8%	2.9%	2.8%	2.8%	3.6%	3.7%	3.5%	3.2%	2.9%	3.1%		3.0%
Recurring profit	456	851	1,243	1,761	734	1,583	2,198	2,720	846	1,683	59.7%	2,820
YoY	141.1%	59.4%	31.6%	18.0%	61.0%	86.0%	76.8%	54.5%	15.3%	6.3%		3.7%
Recurring profit margin	3.0%	2.7%	2.6%	2.7%	3.6%	3.8%	3.5%	3.3%	3.0%	3.0%		2.8%
Net income	265	484	888	884	450	910	1,264	1,519	617	836	52.3%	1,600
YoY	326.4%	-	-	-	69.8%	88.0%	42.3%	71.8%	37.1%	-8.1%		5.3%
Net margin	1.7%	1.5%	1.9%	1.3%	2.2%	2.2%	2.0%	1.8%	2.2%	1.5%		1.6%
Quarterly (JPYmn)	FY02/20				FY02/21				FY02/22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	15,454	16,427	16,086	17,893	20,292	21,442	20,273	21,533	28,408	26,825		
YoY	44.3%	31.3%	24.2%	24.3%	31.3%	30.5%	26.0%	20.3%	40.0%	25.1%		
Gross profit	1,599	1,707	1,640	1,745	1,925	2,004	1,940	1,861	2,105	2,834		
YoY	26.8%	25.7%	10.6%	6.7%	20.4%	17.4%	18.3%	6.6%	9.4%	41.4%		
Gross profit margin	10.3%	10.4%	10.2%	9.8%	9.5%	9.3%	9.6%	8.6%	7.4%	10.6%		
SG&A expenses	1,164	1,214	1,202	1,257	1,193	1,206	1,318	1,348	1,268	1,983		
YoY	8.4%	20.3%	13.3%	11.6%	2.5%	-0.7%	9.7%	7.2%	6.3%	64.4%		
SG&A ratio	7.5%	7.4%	7.5%	7.0%	5.9%	5.6%	6.5%	6.3%	4.5%	7.4%		
Operating profit	434	494	437	488	732	797	622	513	836	852		
YoY	132.1%	41.4%	3.4%	-4.1%	68.7%	61.3%	42.3%	5.1%	14.2%	6.9%		
Operating profit margin	2.8%	3.0%	2.7%	2.7%	3.6%	3.7%	3.1%	2.4%	2.9%	3.2%		
Recurring profit	456	395	392	518	734	849	615	522	846	837		
YoY	141.1%	14.5%	-4.5%	-5.4%	61.0%	114.9%	56.9%	0.8%	15.3%	-1.4%		
Recurring profit margin	3.0%	2.4%	2.4%	2.9%	3.6%	4.0%	3.0%	2.4%	3.0%	3.1%		
Net income	265	219	404	-4	450	460	354	255	617	219		
YoY	326.4%	-	98.4%	-	69.8%	110.0%	-12.4%	-	37.1%	-52.4%		
Net margin	1.7%	1.3%	2.5%	-	2.2%	2.1%	1.7%	1.2%	2.2%	0.8%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

#### Impact of pirate websites

Pirate websites had a negative impact on sales in 2H FY02/18 and Q1 FY02/19.

#### Seasonality of sales

Sales growth tends to be higher during Q2 (which includes August summer vacations) and Q4 (winter vacations in December and January). This increase is because young students and office workers read more manga during these times, and because e-bookstores tend to run more sales.

## New segments (from FY02/20)

By segment (cumulative) (JPYmn)	FY02/20				FY02/21				FY02/22	
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2
Sales	15,454	31,881	47,967	65,860	20,292	41,734	62,007	83,540	28,408	55,233
YoY	44.3%	37.3%	32.6%	30.2%	31.3%	30.9%	29.3%	26.8%	40.0%	32.3%
eBook Distribution	15,127	31,208	46,896	64,529	20,064	41,206	61,163	82,349	28,074	52,881
YoY	42.3%	35.4%	30.7%	28.6%	32.6%	32.0%	30.4%	27.6%	39.9%	28.3%
Other	326	673	1,070	1,329	228	528	843	1,190	334	2,352
YoY	255.8%	285.3%	274.7%	229.8%	-30.1%	-21.5%	-21.2%	-10.5%	46.5%	345.5%
Operating profit	434	928	1,365	1,853	732	1,529	2,151	2,664	836	1,688
YoY	132.1%	73.0%	42.3%	26.2%	68.7%	64.8%	57.6%	43.8%	14.2%	10.4%
Operating profit margin	2.8%	2.9%	2.8%	2.8%	3.6%	3.7%	3.5%	3.2%	2.9%	3.1%
eBook Distribution	408	896	1,401	1,861	688	1,442	2,090	2,594	872	1,530
YoY	67.7%	47.6%	32.9%	15.0%	68.6%	60.9%	49.2%	39.4%	26.7%	6.1%
Segment profit margin	2.7%	2.9%	3.0%	2.9%	3.4%	3.5%	3.4%	3.2%	3.1%	2.9%
Other	-71	-177	-238	-286	-69	-97	-183	-248	-121	-23
YoY	-	-	-	-	-	-	-	-	-	-
Segment profit margin	-	-	-	-	-	-	-	-	-	-
Adjustments	97	209	203	279	113	184	244	319	85	180
By segment (Quarterly) (JPYmn)	FY02/20				FY02/21				FY02/22	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	15,454	16,427	16,086	17,893	20,292	21,442	20,273	21,533	28,408	26,825
YoY	44.3%	31.3%	24.2%	24.3%	31.3%	30.5%	26.0%	20.3%	40.0%	25.1%
eBook Distribution	15,127	16,081	15,688	17,633	20,064	21,142	19,957	21,186	28,074	24,807
YoY	42.3%	29.5%	22.3%	23.4%	32.6%	31.5%	27.2%	20.1%	39.9%	17.3%
Other	326	347	397	259	228	300	315	347	334	2,018
YoY	255.8%	317.9%	257.9%	120.6%	-30.1%	-13.5%	-20.7%	34.0%	46.5%	572.7%
Operating profit	434	494	437	488	732	797	622	513	836	852
YoY	132.1%	41.4%	3.4%	-4.1%	68.7%	61.3%	42.3%	5.1%	14.2%	6.9%
Operating profit margin	2.8%	3.0%	2.7%	2.7%	3.6%	3.7%	3.1%	2.4%	2.9%	3.2%
eBook Distribution	408	488	505	460	688	754	648	504	872	658
YoY	67.7%	34.2%	13.0%	-18.5%	68.6%	54.5%	28.3%	9.6%	26.7%	-12.7%
Segment profit margin	2.7%	3.0%	3.2%	2.6%	3.4%	3.6%	3.2%	2.4%	3.1%	2.7%
Other	-71	-106	-61	-48	-69	-28	-86	-65	-121	98
YoY	-	-	-	-	-	-	-	-	-	-
Segment profit margin	-	-	-	-	-	-	-	-	-	4.9%
Adjustments	97	112	-6	76	113	71	60	75	85	95

Source: Shared Research based on company data.

Segment breakdowns for FY02/19 have been retroactively adjusted to the post-revision segments, effective from FY02/20.

Adjustments refer to sales and profits/losses not attributable to any segment. Media Do receives business advisory fees from subsidiaries based on the previous year's sales in each subsidiary. Since FY02/20, the company generated profits not attributable to any segment as sales including business advisory fees exceeded its expenses.

Starting in Q1 FY02/20, the company changed its reporting segments from eBook Distribution, Media Promotion, and Other, to eBook Distribution and Other, leaving it with two reporting segments instead of three. The YoY comparison figures were retroactively adjusted to reflect the changes in the company's segmentation scheme.

## Sales progress vs. initial forecast

% of Initial FY Est.	FY02/20				FY02/21				FY02/22	
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2
Total sales	25.8%	53.1%	79.9%	109.8%	26.4%	54.2%	80.5%	108.5%	28.4%	55.2%
eBook Distribution	25.9%	53.3%	80.2%	110.3%	26.5%	54.5%	80.9%	108.9%	-	-

Source: Shared Research based on company data

## 1H FY02/22 results

### Summary

For 1H FY02/22, the company reported consolidated sales of JPY55.2bn (+32.3% YoY), operating profit of JPY1.7bn (+10.4% YoY), recurring profit of JPY1.7bn (+6.3% YoY), and net income attributable to owners of the parent of JPY836mn (-8.1% YoY). 1H results left the company with 55.2% of its full-year target for consolidated sales, 56.3% for operating profit, 59.7% for recurring profit, and 52.3% for net income.

- ▶ In the company's mainstay eBook Distribution business, 1H FY02/22 sales were up 28.3% YoY, with Q1 sales up 39.9% YoY and Q2 sales up 17.3% YoY.
- ▶ In the Other business, 1H FY02/22 sales were up 345.5% YoY. An increase in the number of consolidated subsidiaries due to M&A activity served to boost sales by 572.7% YoY in the three months of Q2.
- ▶ The company made no change to its initial full-year FY02/22 forecast.

- ▶ After previously deferring from issuing a forecast, the company announced that it expected to pay a FY02/22 year-end dividend of JPY21 per share.

## Overview of results by business segment

### eBook Distribution business

For 1H FY02/22, the eBook Distribution business reported sales of JPY52.9bn (+28.3% YoY) and segment profit of JPY1.5bn (+6.1% YoY).

- ▶ Consumers' lifestyles continued to change prompted by an increase in the amount of discretionary time as more people teleworked and refrained from going out in efforts to prevent the spread of COVID-19. The shift from paper books to e-books also continued to make progress, contributing to sustained market growth. The company saw the continued implementation of large-scale promotional campaigns by some e-bookstores seeking to benefit from this market expansion as a good opportunity to expand its distribution share and strategically focus on top-line growth measures.
- ▶ The company in Q2 posted an extraordinary loss (impairment loss) of JPY394mn on goodwill at consolidated subsidiary Nagisa. The company declared a goodwill impairment loss after examining earnings progress against initial expectations in Nagisa's mainstay manga app business in light of changes in the external environment, particularly in terms of digital platformer compliance with regulations regarding online advertising.

### Other business

In 1H FY02/22, the Other business reported sales of JPY2.4bn (+345.5% YoY) and a segment loss of JPY23mn (versus a loss of JPY97mn in 1H FY02/21).

- ▶ The company's consolidated income statements from Q2 FY02/22 reflect the inclusion of earnings at Firebrand group (Quality Solutions, Inc., Net Galley, LLC. and related subsidiaries) and Nihonbungeisha Co., Ltd.
- ▶ Following a third-party allocation of new shares and an decrease in Media Do's equity stake, MyAnimeList was removed from the company's scope of consolidation at the end of Q1 FY02/22 and is now treated as an equity-method affiliate. The company in Q2 accordingly booked a gain on changes in equity of JPY208mn as extraordinary gains.

## Topics

### Acquisition of Everystar Co., Ltd. shares and its conversion into a subsidiary

The company on September 29, 2021 announced that it would acquire Everystar Co., Ltd. from DeNA Co., Ltd. (TSE1: 2432; shareholding: 70%) and make it a subsidiary. The acquisition price is JPY2.1bn, and the share transfer execution date is scheduled for December 1, 2021. The share transfer will be executed as soon as the preconditions are met, and the company is currently assessing the likely impact on its business performance. The company says it will promptly announce any matters requiring disclosure as soon as they arise.

- ▶ Everystar Co., Ltd. operates a novel submission site. It publishes submitted works and sometimes adapts them into manga and/or video versions. Media Do intends to enhance Everystar's functions as a community site for novel submissions, and to create an environment where a variety of works can be produced through direct communication with readers and users. In addition, the two companies will pursue synergies in new content creation by leveraging Media Do's imprint business. This will include publication of submitted works and promotion of content in other media (manga, video, etc.), as well as submitting originals to e-bookstores that work on unique contents and to the fast-growing Webtoon Entertainment.
- ▶ In FY03/21, Everystar recorded revenue of JPY881mn, operating profit of JPY233mn, recurring profit of JPY235mn, and net income of JPY162mn. Its net assets were JPY1.8bn.

# Company forecast for FY02/22

(JPYmn)	FY02/20			FY02/21			FY02/22		
	1HAct.	2HAct.	FY Act.	1HAct.	2HAct.	FY Act.	1HAct.	2HEst.	FY Est.
<b>Sales</b>	<b>31,881</b>	<b>33,979</b>	<b>65,860</b>	<b>41,734</b>	<b>41,806</b>	<b>83,540</b>	<b>55,233</b>	<b>44,767</b>	<b>100,000</b>
YoY	37.3%	24.2%	30.2%	30.9%	23.0%	26.8%	32.3%	7.1%	19.7%
Cost of sales	28,574	30,594	59,168	37,805	38,005	75,810	50,294		
YoY	38.7%	26.3%	32.0%	32.3%	24.2%	28.1%	33.0%		
<b>Gross profit</b>	<b>3,306</b>	<b>3,385</b>	<b>6,691</b>	<b>3,929</b>	<b>3,801</b>	<b>7,730</b>	<b>4,939</b>		
YoY	26.2%	8.5%	16.6%	18.8%	12.3%	15.5%	25.7%		
Gross profit margin	10.4%	10.0%	10.2%	9.4%	9.1%	9.3%	8.9%		
SG&A expenses	2,378	2,459	4,837	2,399	2,666	5,065	3,251		
YoY	14.2%	12.4%	13.3%	0.9%	8.4%	4.7%	35.5%		
SG&A ratio	7.5%	7.2%	7.3%	5.7%	6.4%	6.1%	5.9%		
<b>Operating profit</b>	<b>928</b>	<b>925</b>	<b>1,853</b>	<b>1,529</b>	<b>1,135</b>	<b>2,664</b>	<b>1,688</b>	<b>1,312</b>	<b>3,000</b>
YoY	73.0%	-0.7%	26.2%	64.8%	22.7%	43.8%	10.4%	15.6%	12.6%
Operating profit margin	2.9%	2.7%	2.8%	3.7%	2.7%	3.2%	3.1%	2.9%	3.0%
<b>Recurring profit</b>	<b>851</b>	<b>910</b>	<b>1,761</b>	<b>1,583</b>	<b>1,137</b>	<b>2,720</b>	<b>1,683</b>	<b>1,137</b>	<b>2,820</b>
YoY	59.4%	-5.1%	18.0%	86.0%	24.9%	54.5%	6.3%	0.0%	3.7%
Recurring profit margin	2.7%	2.7%	2.7%	3.8%	2.7%	3.3%	3.0%	2.5%	2.8%
<b>Net income</b>	<b>484</b>	<b>400</b>	<b>884</b>	<b>910</b>	<b>609</b>	<b>1,519</b>	<b>836</b>	<b>764</b>	<b>1,600</b>
YoY	-	-	-	88.0%	52.3%	71.8%	-8.1%	25.5%	5.3%
Net margin	1.5%	1.2%	1.3%	2.2%	1.5%	1.8%	1.5%	1.7%	1.6%

Source: Shared Research based on company data

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