

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.



## Summary of Consolidated Financial Results for the Year Ended February 28, 2021 (Based on Japanese GAAP)

April 13, 2021

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: Director and CAO Yoshiyuki Suzuki (Tel: +81-3-6212-5113)  
 Scheduled date of the Annual General Meeting of Shareholders: May 27, 2021  
 Scheduled date for filing of Securities Report: May 28, 2021  
 Scheduled starting date for dividend payment: May 11, 2021  
 Preparation of supplementary materials on financial results: Yes  
 Financial results briefing for institutional investors and analysts: Yes

(Amounts less than one million yen are rounded down)

### 1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

#### (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	%
FY2020	83,540	26.8	2,664	43.8	2,720	54.4	1,519	71.7
FY2019	65,860	30.2	1,853	26.3	1,761	18.0	884	-

(Note) Comprehensive income: FY2020 ¥1,264 million (19.0%);

FY2019 ¥1,062 million (-%)

	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit to net sales ratio
	Yen	Yen	%	%	%
FY2020	104.52	102.80	17.0	7.0	3.2
FY2019	64.58	60.85	17.4	5.4	2.8

(Reference) Equity in earnings of affiliates: FY2020 ¥50 million;

FY2019 ¥(67) million

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2021	43,187	12,169	28.0	787.66
As of February 29, 2020	34,062	5,838	17.0	408.61

(Reference) Shareholders' equity: As of February 28, 2021 ¥12,104 million;

As of February 29, 2020 ¥5,791 million

#### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2020	2,544	(1,275)	3,349	12,703
FY2019	1,928	(77)	(1,506)	8,089

### 2. Dividends

	Dividends per share (Yen)					Total dividends (Millions of yen)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
FY2019	—	0.00	—	13.00	13.00	184	20.1%	3.4%
FY2020	—	0.00	—	21.00	21.00	322	20.1%	3.5%
FY2021 (Forecast)	—	—	—	—	—	—	—	—

(Note) FY2021 dividends (forecast) have yet to be determined.

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

### 3. Consolidated Financial Forecasts for Fiscal Year Ending February 28, 2022 (March 1, 2021 to February 28, 2022)

(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
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	100,000	19.7	3,000	12.6	2,820	3.7	1,600	5.3	100.90

(Note) Consolidated earnings forecasts for the fiscal first half are omitted because the Company budgets on an annual basis.

## Qualitative Information Regarding Financial Results

### (1) Analysis of operating results

In FY2020, Japan's economic environment was marked by adversity and murky visibility due to the global COVID-19 pandemic, with corporate earnings slowing and employment conditions deteriorating to the detriment of consumer sentiment. The pandemic weighed heavily on the global economy also, prompting the World Bank to lower its 2020 global economic growth forecast to -4.3%. With the World Bank now forecasting 2021 global growth at +4.0%, the global economy is expected to bounce back from the pandemic's impacts, but it has not yet recovered to its pre-pandemic activity levels.

In contrast, the eBook market, the Group's core business domain, continued to grow in FY2020. Its growth was largely attributable to readers becoming more habituated to eBooks as a result of aggressive promotional campaigns by eBook retailers and publishers in response to growth in entertainment demand in the form of stay-at-home consumption as consumers found themselves with more free time as they hunkered down at home, and in many cases switched to working from home, to prevent the spread of COVID-19.

The eBook market is expected to keep growing by virtue of growth in usership of smartphones and other electronic devices, diversification of available content formats, migration from paper books to eBooks, growing user recognition and development of user-friendlier eBook technologies. In FY2019, the eBook market was valued at ¥347.3 billion, a ¥64.7 billion increase from ¥282.6 billion in FY2018. The eBook and ¥27.7 billion eMagazine market are together valued at an estimated ¥375 billion. By FY2024, the domestic eBook market is projected to grow to ¥566.9 billion, a 50% increase from FY2019. (Source: Impress Research Institute's eBook Marketing Report 2020 on Japanese market)

Against such a backdrop, the Group has proactively endeavored to expand its businesses and accrue more value to itself to help enrich society and move Japanese culture forward in accord with its vision: More Content for More People! The Group is committed to fair use of written works in pursuit of its mission of unleashing a virtuous cycle of literary creation, which means distributing written works as broadly as possible and giving their creators a fair share of the profits from doing so.

In October 2020, the Company raised capital through a private-placement offering of share acquisition rights (with a resettable exercise price and an exercisability restriction) in the aim of strengthening its financial foundation to enable agile and flexible investment, M&A and capital/operational alliances to sustainably grow its businesses, create value and redefine its business models and value proposition from a medium- to long-term perspective. Proceeds from the share acquisition rights' exercise funded the October 2020 acquisition of wholly owned subsidiary Nagisa, Inc., developer of the ZeroComi manga app, and January 2021 acquisitions of two US companies, Quality Solutions, Inc. (Firebrand Technologies) and NetGalley LLC, both of which are now wholly owned subsidiaries of Media Do International, Inc. The two US subsidiaries operate publishing ERP and online content businesses.

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

On the downside, online piracy has recently been resurgent. It had previously subsided after the major pirated manga sites that plagued the publishing industry in 2017-18 were shut down. Recently, however, pirate sites serving up Japanese content from Vietnam and elsewhere outside of Japan have been coming to light in rapid succession. The top-10 pirate sites are believed to collectively garner more traffic than the previous generation of major pirate sites.

The Group earned FY2020 operating profit of ¥2,664 million (+43.8% YoY), ordinary income of ¥2,720 million (+54.4% YoY) and profit attributable to owners of parent of ¥1,519 million (+71.7% YoY) on net sales of ¥83,540 million (+26.8% YoY).

## **(2) Segment Information**

### **eBook distribution business**

The eBook distribution business seeks to stimulate the eBook market's growth and invent future eBook markets.

To stimulate the eBook market's growth, the Group continued to distribute eBooks and provide eBook distribution solutions to eBook retailers such as LINE Manga and Amazon Kindle in FY2020. The Group is a key driver of the publishing industry as Japan's biggest eBook wholesaler. With a content library of over 2 million titles as of February 28, 2021, it serves over 2,200 publishers and 150 eBook retailers, in collaboration with both of which it has conducted over 10,000 promotional campaigns. In FY2020, it steadily laid a foundation for the future through such means as aggressively advertising to expedite synergies from its October 2020 acquisition of Nagisa, Inc., and developing publishing ERP solutions that track revenues and royalties for not only eBooks but also paper books.

In terms of inventing future eBook markets, the Group aims to provide secure and convenient infrastructure that combines eBooks and paper books' respective advantages to further expand the eBook market. Toward this end, it has been researching and developing a new blockchain-enabled distribution platform to realize its Digital Content Asset (DCA) concept as a new digital content distribution model and asset model.

The eBook distribution business earned segment income of ¥2,594 million (+39.4% YoY) on net sales of ¥82,349 million (+27.6% YoY).

### **Other businesses**

Other businesses continued to actively invest in growing their earnings and otherwise driving growth.

Flier, a business book summary service, achieved robust growth in usership, largely through continued TV advertising to increase brand recognition. Its corporate subscribership in particular has tripled over the two years through FY2020. Additionally, it issued class A preferred stock through a private-placement offering.

MyAnimeList reorganized as a Japanese corporation in FY2020. It also raised capital from multiple external content owners in pursuit of further business expansion.

Other businesses collectively earned segment loss of ¥248 million (vs. FY2019 segment loss of ¥286 million) on net sales of ¥1,190 million (down 10.5% YoY).

## **(3) Forecast for the fiscal year ending February 28, 2022**

In FY2021, the Group expects economic activity to remain under heavy pressure from the COVID-19 pandemic's aftereffects. Its own operations and earnings, however, have been largely unaffected by the pandemic. The eBook market is expected to continue to grow in the wake of growth in usership of smartphones and other electronic devices, diversification of available content formats, migration from paper books to eBooks, growing user recognition and development of user-friendlier eBook technologies.

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Meanwhile, online manga piracy is on the rise. The Group is working together with law enforcement, the publishing industry and Internet service providers to eradicate pirate sites, but it expects piracy to be a near-term drag on earnings. It also expects stay-at-home demand to taper off relative to FY2020, leading to normalization of top-line growth.

Amid such an operating environment, the Group aims to not only expand eBook distribution as a publishing platform that drives publishing industry DX but also continue to grow its earnings and gain more trust within the industry by helping to expand the publishing market and promoting production and utilization of content enabled by innovative technologies while maximizing content's value.

Additionally, the Group is laying the groundwork to create a new publishing culture and build a distribution ecosystem through M&A. In March 2021, the Group wholly acquired Nihonbungeisha Co., Ltd., and entered into a capital/operational alliance with Tohan Corporation. In FY2021, it plans to invest on a priority basis in gaining a stronger foothold in pursuit of future profit growth through such means as allocating advertising budget to Nagisa to capture growth in the app market, and accelerating the rollout of services that utilize blockchain technologies, including non-fungible tokens, as steps toward realization of Digital Content Assets (DCAs).

In light of the above, the Group is forecasting FY2021 net sales of ¥100,000 million (+19.7% YoY), operating profit of ¥3,000 million (+12.6% YoY), ordinary income of ¥2,820 million (+3.7% YoY) and profit attributable to owners of parent of ¥1,600 million (+5.3% YoY).

These forecasts are based on currently available information and involve substantial uncertainty. Actual outcomes may differ from the forecasts as a result of, e.g., changes in business conditions.

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	8,089	12,703
Accounts receivable - trade	16,022	19,921
Other	876	1,278
Allowance for doubtful accounts	(0)	(0)
Total current assets	24,988	33,902
Non-current assets		
Property, plant and equipment		
Buildings	330	357
Tools, furniture and fixtures	368	380
Other	14	14
Accumulated depreciation	(372)	(449)
Total property, plant and equipment	341	303
Intangible assets		
Goodwill	5,416	5,713
Software	261	357
Software in progress	37	199
Other	61	59
Total intangible assets	5,777	6,329
Investments and other assets		
Investment securities	2,958	2,761
Long-term prepaid expenses	4	2
Deferred tax assets	166	96
Guarantee deposits	322	375
Other	1	31
Allowance for doubtful accounts	(497)	(615)
Total investments and other assets	2,955	2,651
Total non-current assets	9,073	9,285
Total assets	34,062	43,187

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	18,247	22,507
Current portion of long-term borrowings	1,662	1,181
Income taxes payable	519	686
Provision for bonuses	202	14
Provision for point card certificates	46	84
Provision for loss on business liquidation	15	—
Other	701	950
Total current liabilities	21,396	25,425
Non-current liabilities		
Long-term borrowings	6,578	5,471
Provision for loss on business of subsidiaries and associates	—	40
Deferred tax liabilities	177	2
Other	72	79
Total non-current liabilities	6,828	5,593
Total liabilities	28,224	31,018
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,899	4,415
Capital surplus	2,778	5,489
Retained earnings	665	2,000
Treasury shares	(0)	(1)
Total shareholders' equity	5,342	11,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	443	198
Foreign currency translation adjustment	5	3
Total accumulated other comprehensive income	449	201
Share acquisition rights	48	11
Non-controlling interests	(1)	53
Total net assets	5,838	12,169
Total liabilities and net assets	34,062	43,187

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

## (2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Net sales	65,860	83,540
Cost of sales	59,168	75,810
Gross profit	6,691	7,730
Selling, general and administrative expenses	4,837	5,065
Operating profit	1,853	2,664
Non-operating income		
Interest and dividend income	9	6
Subsidy income	0	—
Subsidy income	26	14
Gain on investments in investment partnerships	—	17
Reversal of allowance for doubtful accounts	—	21
Share of profit of entities accounted for using equity method	—	50
Other	5	14
Total non-operating income	42	126
Non-operating expenses		
Interest expenses	42	36
Share issuance costs	1	22
Foreign exchange losses	2	9
Loss on investments in investment partnerships	1	—
Provision of allowance for doubtful accounts	9	—
Share of loss of entities accounted for using equity method	67	—
Other	9	3
Total non-operating expenses	134	71
Ordinary profit	1,761	2,720
Extraordinary income		
Gain on sales of non-current assets	0	—
Gain on reversal of share acquisition rights	1	0
Gain on sales of investment securities	295	—
Total extraordinary income	296	0
Extraordinary losses		
Loss on retirement of non-current assets	23	0
Loss on valuation of investment securities	180	31
Provision of allowance for doubtful accounts	151	139
Provision for loss on business of subsidiaries and associates	—	40
Provision for loss on business liquidation	15	—
Impairment loss	55	—
Loss on sale of businesses	32	—
Other	—	10
Total extraordinary losses	458	221
Profit before income taxes	1,599	2,498
Income taxes - current	695	985
Income taxes - deferred	28	0

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Total income taxes	724	985
Profit	875	1,513
Net loss attributable to non-controlling shareholders	(8)	(6)
Profit attributable to owners of parent	884	1,519

## Consolidated Comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Profit	875	1,513
Other comprehensive income		
Valuation difference on available-for-sale securities	188	(245)
Foreign currency translation adjustment	(1)	(2)
Total other comprehensive income	186	(248)
Comprehensive income	1,062	1,264
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,071	1,271
Comprehensive income attributable to non-controlling interests	(8)	(6)

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

### (3) Consolidated Statements of Change in Net Assets

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,650	2,545	(90)	(0)	4,105
Changes during period					
Issuance of new shares - exercise of share acquisition rights	248	248			497
The issuance of shares certain transfer restrictions					—
Dividends of surplus			(129)		(129)
Profit attributable to owners of parent			884		884
Purchase of treasury shares				(0)	(0)
Capital increase of consolidated subsidiaries					—
Sales of shares of consolidated subsidiaries					—
Change in ownership interest of parent due to transactions with non-controlling interests		(15)			(15)
Net changes in items other than shareholders' equity					—
Total changes during period	248	232	755	(0)	1,236
Balance at end of period	1,899	2,778	665	(0)	5,342

(Millions of yen)

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	255	6	262	72	20	4,461

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Changes during period						
Issuance of new shares - exercise of share acquisition rights			—			497
The issuance of shares certain transfer restrictions			—			—
Dividends of surplus			—			(129)
Profit attributable to owners of parent			—			884
Purchase of treasury shares			—			(0)
Capital increase of consolidated subsidiaries			—			—
Sales of shares of consolidated subsidiaries			—			—
Change in ownership interest of parent due to transactions with non-controlling interests			—			(15)
Net changes in items other than shareholders' equity	188	(1)	186	(23)	(22)	140
Total changes during period	188	(1)	186	(23)	(22)	1,376
Balance at end of period	443	5	449	48	(1)	5,838

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,899	2,778	665	(0)	5,342
Changes during period					
Issuance of new shares - exercise of share acquisition rights	2,490	2,490			4,981

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

The issuance of shares certain transfer restrictions	24	24			49
Dividends of surplus			(184)		(184)
Profit attributable to owners of parent			1,519		1,519
Purchase of treasury shares				(0)	(0)
Capital increase of consolidated subsidiaries		145			145
Sales of shares of consolidated subsidiaries		50			50
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					—
Total changes during period	2,515	2,710	1,335	(0)	6,561
Balance at end of period	4,415	5,489	2,000	(1)	11,903

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	443	5	449	48	(1)	5,838
Changes during period						
Issuance of new shares - exercise of share acquisition rights			—			4,981
The issuance of shares certain transfer restrictions			—			49

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Dividends of surplus			—			(184)
Profit attributable to owners of parent			—			1,519
Purchase of treasury shares			—			(0)
Capital increase of consolidated subsidiaries			—			145
Sales of shares of consolidated subsidiaries			—			50
Change in ownership interest of parent due to transactions with non-controlling interests			—			—
Net changes in items other than shareholders' equity	(245)	(2)	(248)	(37)	55	(229)
Total changes during period	(245)	(2)	(248)	(37)	55	6,331
Balance at end of period	198	3	201	11	53	12,169

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

#### (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Cash flows from operating activities		
Profit before income taxes	1,599	2,498
Depreciation	344	279
Amortization of goodwill	462	480
Increase (decrease) in allowance for doubtful accounts	160	117
Increase (decrease) in provision for bonuses	30	(188)
Increase (decrease) in provision for point card certificates	2	10
Increase (decrease) in provision for loss on business of subsidiaries and associates	—	40
Interest and dividend income	(9)	(6)
Subsidy income	(0)	—
Subsidy income	(26)	(14)
Interest expenses	42	36
Impairment loss	55	—
Loss (gain) on sales of investment securities	(295)	—
Loss (gain) on valuation of investment securities	180	31
Loss (gain) on investments in investment partnerships	1	(17)
Share of loss (profit) of entities accounted for using equity method	67	(50)
Gain on reversal of share acquisition rights	(1)	(0)
Decrease (increase) in trade receivables	(3,843)	(3,836)
Increase (decrease) in advances received	(5)	16
Decrease (increase) in inventories	44	(16)
Decrease (increase) in prepaid expenses	(25)	(119)
Decrease (increase) in long-term prepaid expenses	7	2
Increase (decrease) in trade payables	3,755	4,255
Increase (decrease) in accounts payable - other	65	85
Increase (decrease) in deposits received	(510)	122
Increase (decrease) in accrued consumption taxes	67	(81)
Decrease (increase) in consumption taxes refund receivable	(222)	(236)
Other, net	40	18
Subtotal	1,988	3,427
Interest and dividends received	10	10
Proceeds from subsidy income	0	—
Subsidies received	21	14
Interest paid	(41)	(35)
Income taxes paid	(556)	(873)
Income taxes refund	505	—
Net cash provided by (used in) operating activities	1,928	2,544
Cash flows from investing activities		
Purchase of property, plant and equipment	(25)	(11)
Purchase of intangible assets	(302)	(444)
Proceeds from sales of investment securities	333	—

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Purchase of investment securities	(85)	(122)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(27)	(652)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	31	—
Proceeds from sale of businesses	5	—
Payments of guarantee deposits	(13)	(17)
Proceeds from refund of guarantee deposits	8	1
Other, net	(1)	(29)
Net cash provided by (used in) investing activities	(77)	(1,275)
Cash flows from financing activities		
Repayments of long-term borrowings	(1,821)	(1,739)
Proceeds from issuance of share acquisition rights	—	25
Proceeds from issuance of shares resulting from exercise of share acquisition rights	475	4,918
Proceeds from issuance of shares with restriction of transfer	—	49
Proceeds from share issuance to non-controlling shareholders	—	199
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(29)	—
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	79
Dividends paid	(129)	(184)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(1,506)	3,349
Effect of exchange rate change on cash and cash equivalents	(2)	(4)
Net increase (decrease) in cash and cash equivalents	342	4,613
Cash and cash equivalents at beginning of period	7,747	8,089
Cash and cash equivalents at end of period	8,089	12,703