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## Summary of Consolidated Financial Results for the Three Months Ended May 31, 2021 (Based on Japanese GAAP)

July 14, 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 filing quarterly securities report: July 14, 2021  
 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 Three Months Ended May 31, 2021 (March 1, 2021 to May 31, 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	%
Three months ended May 31, 2021	28,408	40.0	836	14.3	846	15.4	617	37.0
Three months ended May 31, 2020	20,292	31.3	732	68.4	734	60.9	450	70.0

(Note) Comprehensive income: Three months ended May 31, 2021: ¥450 million (17.5%)  
 Three months ended May 31, 2020: ¥383 million (−5.1%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2021	39.50	39.47
Three months ended May 31, 2020	31.80	30.95

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2021	55,897	15,712	28.0
As of February 28, 2021	43,187	12,169	28.0

(Reference) Shareholders' equity: As of May 31, 2021 ¥15,664 million As of February 28, 2021 ¥12,104 million

### 2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY2020	—	0.00	—	21.00	21.00
FY2021	—	—	—	—	—
FY2021 (Forecast)	—	—	—	—	—

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

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

(Note) Revisions to forecast of financial results in this quarter: No

## Qualitative Information Regarding Financial Results

### (1) Analysis of operating results

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 in order 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 attention to the fair exploitation of cultural products. These items serve as our guiding principle as we develop our business based on our mission of “unleashing a virtuous cycle of literary creation” in which the countless digitized written works are delivered to as many people as possible and the profits generated through the use of these works are appropriately returned to their creators, thereby stimulating the creation of new written works.

In the three months ended May 31, 2021, the MEDIA DO Group’s core eBook distribution business enjoyed ongoing growth in leisure demand stimulated by Japan’s second state of emergency declaration issued in response to the COVID-19 pandemic as well as the increases in free time and changes in consumer lifestyles resulting from the ensuing government requests to engage in teleworking and refrain from going outside. In addition, the eBook market continued to grow as a result of the ongoing shift from paper books to eBooks. Certain eBook distributors capitalized on this market growth by launching large-scale sales promotion campaigns, which proved beneficial to MEDIA DO’s business, leading to growth in sales and profit.

In the three months ended May 31, 2021, net sales amounted to ¥28,408 million, up 40.0% year on year; operating profit totaled ¥836 million, up 14.3%; ordinary profit was ¥846 million, up 15.4%; and profit attributable to owners of parent came to ¥617 million, up 37.0%.

### (2) Segment information

#### eBook Distribution

In the eBook distribution segment, MEDIA DO is developing its operations based on two policies: “stimulate the growth of eBook markets,” which entails supporting the growth of the eBook market, and “invent future eBook markets,” which will involve utilizing blockchain technologies to create new markets.

Initiatives to “stimulate the growth of eBook markets” included the ongoing provision of distribution and eBook transmission solutions to eBook distributors such as LINE MANGA, Amazon Kindle, and Comic Cmoa. The MEDIA DO Group is contributing to the development of the publishing industry as the largest eBook wholesaler in Japan, with business relationships with more than 2,200 publishers and 150 eBook distributors, a content library of over 2 million eBooks, and a track record of helping conduct more than 10,000 campaigns together with publishers and distributors (as of February 28, 2021).

Even during Japan’s second state of emergency declaration issued in response to the COVID-19 pandemic, the MEDIA DO Group continued to contribute to the growth of the eBook market by performing its role in supporting eBook distribution infrastructure while maintaining business continuity through teleworking.

At the same time, we moved forward with the development of foundations for creating new publishing cultures and distribution ecosystems through M&A activities and capital tie-ups such as the conversion of Nihon Bungeisha Co., Ltd., into a subsidiary and the conclusion of a capital and business alliance with TOHAN CORPORATION in March 2021. We also are also helping drive the digital transformation of the publishing industry. In addition, advertisement investments were made in Nagisa, Inc., to help us incorporate the growth of the manga app market. Another focus was the PUBNAVI eBook sales royalty management system being developed to support enterprise resource planning with regard to sales and royalty management in both eBook and paper book publishing.

To “invent future eBook markets,” efforts were made to provide frameworks that take advantage of the benefits of both eBooks and paper books to provide a sense of security combined with convenience in order to drive the growth of the eBook distribution market. At the same time, research and development was advanced on a new distribution platform that uses blockchain technologies to create new digital content distribution models and give form to the digital content asset model advocated by the MEDIA DO Group. Specifically, this platform will offer services that employ a never-before-seen approach to provide readers who bought books at distributors with digital benefits via non-fungible tokens (NFTs) and models in which eBooks and digital content can be sold at physical distributors in the same manner as paper books. Joint verification tests with Tohan are underway with regard to these offerings.

As a result, net sales in the eBook distribution segment came to ¥28,074 million, up 39.9% year on year, and segment income was ¥872 million, up 26.7%.

#### Other

In the Other segment, the Company continued to invest in earnings improvements and growth.

Television commercials were broadcast on an ongoing basis to raise recognition with regard to the business book summarization services

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of Flier Inc., leading to a growth rate in the number of companies using corporate plans triple that seen two years ago and otherwise producing strong increases in user numbers. In addition, MyAnimeList Co., Ltd., the operator of the MyAnimeList globally top-tier Japanese anime and comics community website, pursued business growth through capital tie-ups with numerous external content holders.

As a result, net sales in the Other segment totaled ¥334 million, up 46.4% year on year, and segment loss amounted to ¥121 million, compared with ¥69 million in the previous equivalent period.

### **(3) Analysis of financial position**

On May 31, 2021, total assets stood at ¥55,897 million, an increase of ¥12,709 million from the previous fiscal year-end. Factors behind this increase included higher working capital attributable to sales growth and a rise in investment securities due to the acquisition of shares of Tohan in relation to the capital and business alliance with the company. Another factor was the inclusion of assets related to companies newly introduced into the scope of consolidation, namely Quality Solutions, Inc., NetGalley, LLC, and their subsidiaries (the Firebrand Group) and Nihon Bungeisha.

Total liabilities on May 31, 2021, amounted to ¥40,185 million, up ¥9,166 million from the previous fiscal year-end, due to an increase in accounts payable – trade stemming from higher costs of procurement attributable to sales growth.

Total net assets stood at ¥15,712 million on March 31, 2021, an increase of ¥3,542 million from the previous fiscal year-end, due to higher retained earnings from the recording of ¥617 million in profit attributable to owners of parent, and increases in capital stock and capital surplus following the third-party allocation of shares from Tohan, despite the positing of ¥322 million in dividends from retained earnings.

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

Performance was strong in the three months ended May 31, 2021. Moving forward, the MEDIA DO Group will continue to contribute to increased eBook distribution as a Publishing Platformer promoting the growth of the publishing market while also implementing various measures to achieve its full-year targets and support the advancement of digital transformation in the publishing industry by heightening the value of content and using new technologies to support the production and use of content. At the moment, there has been no change to the consolidated earnings forecast for the fiscal year ending February 28, 2022, released on April 13, 2021.

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## Consolidated Financial Statements

### (1) Consolidated balance sheets

(Millions of yen)

	As of February 28, 2021	As of May 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	12,703	10,790
Notes and accounts receivable - trade	19,921	28,592
Other	1,278	1,576
Special account for claims on returned goods unsold	—	(149)
Allowance for doubtful accounts	(0)	(1)
Total current assets	33,902	40,807
Non-current assets		
Property, plant and equipment	303	409
Intangible assets		
Goodwill	5,713	7,858
Software	357	544
Software in progress	199	162
Other	59	75
Total intangible assets	6,329	8,640
Investments and other assets		
Investment securities	2,761	6,122
Deferred tax assets	96	124
Guarantee deposits	375	405
Other	33	41
Allowance for doubtful accounts	(615)	(653)
Total investments and other assets	2,651	6,039
Total non-current assets	9,285	15,089
Total assets	43,187	55,897

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(Millions of yen)

	As of February 28, 2021	As of May 31, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,507	30,375
Current portion of long-term borrowings	1,181	1,154
Income taxes payable	686	380
Provision for bonuses	14	53
Provision for point card certificates	84	71
Provision for sales returns	4	178
Other	945	2,056
Total current liabilities	25,425	34,270
Non-current liabilities		
Long-term borrowings	5,471	5,201
Deferred tax liabilities	2	6
Provision for loss on business of subsidiaries and associates	40	40
Retirement benefit liability	—	541
Other	79	124
Total non-current liabilities	5,593	5,914
Total liabilities	31,018	40,185
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,415	5,883
Capital surplus	5,489	7,172
Retained earnings	2,000	2,295
Treasury shares	(1)	(1)
Total shareholders' equity	11,903	15,350
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	198	198
Foreign currency translation adjustment	3	116
Total accumulated other comprehensive income	201	314
Share acquisition rights	11	0
Non-controlling interests	53	47
Total net assets	12,169	15,712
Total liabilities and net assets	43,187	55,897

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**(2) Consolidated statements of income and comprehensive income**

**Consolidated statements of income**

(Millions of yen)

	Three months ended May 31, 2020	Three months ended May 31, 2021
Net sales	20,292	28,408
Cost of sales	18,367	26,303
Gross profit	1,925	2,105
Selling, general and administrative expenses	1,193	1,268
Operating profit	732	836
Non-operating income		
Interest and dividend income	1	3
Subsidy income	4	32
Gain on investments in investment partnerships	12	—
Reversal of allowance for doubtful accounts	—	21
Share of profit of entities accounted for using equity method	2	—
Other	2	2
Total non-operating income	23	60
Non-operating expenses		
Interest expenses	9	8
Share issuance costs	—	15
Loss on investments in investment partnerships	—	7
Provision of allowance for doubtful accounts	8	—
Share of loss of entities accounted for using equity method	—	18
Other	3	0
Total non-operating expenses	21	50
Ordinary profit	734	846
Extraordinary income		
Gain on sales of non-current assets	—	2
Gain on reversal of share acquisition rights	0	—
Gain on change in equity	—	117
Total extraordinary income	0	119
Extraordinary losses		
Loss on retirement of non-current assets	0	3
Provision of allowance for doubtful accounts	—	52
Total extraordinary losses	0	55
Profit before income taxes	734	910
Income taxes	285	325
Profit	449	585
Loss attributable to non-controlling interests	(1)	(32)
Profit attributable to owners of parent	450	617

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## Consolidated statements of Comprehensive income

(Millions of yen)

	Three months ended May 31, 2020	Three months ended May 31, 2021
Profit	449	585
Other comprehensive income		
Valuation difference on available-for-sale securities	(64)	(245)
Foreign currency translation adjustment	(0)	110
Total other comprehensive income	(65)	(134)
Comprehensive income	383	450
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	385	482
Comprehensive income attributable to non-controlling interests	(1)	(32)