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Summary of Consolidated Financial Results for the Year Ended February 28, 2022 (Based on Japanese GAAP)

April 14, 2022

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 26, 2022
Scheduled date for filing of Securities Report: May 27, 2022
Scheduled starting date for dividend payment: May 10, 2022
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, 2022 (March 1, 2021 to February 28, 2022)

(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	%
FY2021	104,722	25.4	2,811	5.5	2,783	2.3	1,576	3.8
FY2020	83,540	26.8	2,664	43.8	2,720	54.4	1,519	71.7

(Note) Comprehensive income: Comprehensive income: FY2021 ¥1,654 million (30.8%); FY2020 ¥1.264 million (19.0%)

	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit to net sales ratio
	Yen	Yen	%	%	%
FY2021	99.75	99.68	10.9	5.8	2.7
FY2020	104.52	102.80	17.0	7.0	3.2

(Reference) Equity in earnings of affiliates: FY2021 ¥(39 million); FY2020 ¥50 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, 2022	52,509	16.912	32.0	1,059.59
As of February 28, 2021	43,187	12,169	28.0	787.66

(Reference) Shareholders' equity: As of February 28, 2022 ¥16,815 million; As of February 28, 2021 ¥12,104 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
FY2021	4,632	(7,835)	2,089	11,399
FY2020	2,544	(1,275)	3,349	12,703

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			
FY2020	—	0.00	—	21.00	21.00	322	20.1	3.5
FY2021	—	0.00	—	21.00	21.00	333	21.1	2.3
FY2022 (Forecast)	—	0.00	—	0.00	0.00		—	

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(Notes)

1. For information about the year-end dividend for FY2021, see the press release "Notice regarding extraordinary loss (impairment loss) and revisions to dividend forecast" released on October 13, 2021.
2. For information about MEDIA DO's annual dividend (forecast) for FY2022 and policy for returning profits to shareholders, please refer to "Analysis of operating results (6) Basic policy on distribution of profits and dividend for the current and subsequent fiscal years."

3. Consolidated Earnings Forecasts for Fiscal Year Ending February 28, 2023 (March 1, 2022 to February 28, 2023)

(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	-4.5	2,000	-28.9	1,870	-32.8	850	-46.1	53.56

(Note) Consolidated earnings forecasts for the fiscal first half are omitted because the Company budgets on an annual basis. For details, please refer to "(5) Forecast for the fiscal year ending February 28, 2023" on page 5.

Qualitative Information Regarding Financial Results

(1) Analysis of operating results

In FY2021, despite the ongoing impacts of the pandemic and Japan's reissuance of states of emergency, Japan's economic environment gradually began to see a normalization of economic activities following progress with the COVID-19 vaccination rollout. On the other hand, uncertainty persisted due to weakening consumer mindsets from an unstable employment situation and rapidly rising geopolitical risks.

The shift from paper books to eBooks continues as an irreversible trend and the market continues to grow. However, stay-at-home consumption driven by the increase in disposable time from working from home and avoiding going out appears to have peaked in the second half of FY2021. Additionally, the eBook market saw some factors inhibiting market growth, such as the impacts of pirate sites.

In FY2020, the eBook market was valued at ¥482.1 billion, a ¥107.1 billion increase from ¥375.0 billion in FY2019. Breaking down the eBook market, the magazine category is estimated* to be valued at ¥26.3 billion, non-graphic books (arts, how-to, photo compilations, etc.) at ¥55.6 billion, and comics at ¥400.2 billion. By FY2025, the domestic eBook market is projected to grow moderately to ¥674.7 billion, an approx. 40% increase from FY2020. (Source: Impress Research Institute's eBook Marketing Report 2021 on Japanese market)

* We revised the definition of the e-book market this year. The category of "eMagazines" that had been revised in the past is now included in "eBook." Furthermore, historical data has also been retroactively revised.

Under these circumstances, the MEDIA DO Group's mission 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.

As an initiative undertaken in FY2021, focusing on society both during and after the pandemic, we addressed the challenge of striking a balance between resolving societal issues and achieving sustainable growth by playing our role in providing infrastructure to support eBook distribution to match "the new normal," and confronting head-on the requests and problems of all stakeholders associated with digital content, such as creators, publishers, eBook retailers, and users. Specifically, we moved forward with the development of foundations for creating new publishing cultures and distribution ecosystems through multiple M&A activities and capital tie-ups. We are also helping drive the digital transformation of the publishing industry.

In addition, we developed and added non-fungible tokens (NFTs) as a service as new digital content using blockchain technology, and started selling NFTs on "FanTop," our operating platform. In cooperation with TOHAN CORPORATION, we are steadily working to realize the Digital Content Asset (DCA) advocated by MEDIA DO, such as the provision of a service that grants digital benefits using NFT to readers who visit bookstores and purchase books.

However, the number of pirated sites is growing once again. 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. Currently, the top-10 pirate sites are believed to collectively garner more traffic than the previous generation of major pirate sites.

As a result of the above, in FY2021 the Group recorded ordinary income of ¥2,783 million (up 2.3% YoY) and profit attributable to owners of parent of ¥1,576 million (up 3.8%) on net sales of ¥104,722 million (up 25.4%).

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(2) Segment information

eBook Distribution

In the eBook distribution business, MEDIA DO is developing its operations based on two policies: "stimulate the growth of eBook markets," which entails supporting the expansion of the eBook market, and "invent future eBook markets," which will involve utilizing blockchain and other technologies to create new markets and to propose new ways of enjoying digital content.

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, 2022). In the first quarter of FY2021, the MEDIA DO Group posted a substantial increase in sales from major sales promotion campaigns implemented by an eBook store and going forward we believe that these sales promotion campaigns of eBook stores with capital strength will be key to market expansion.

Additionally, MEDIA DO concluded a capital and business alliance with Tohan, making MEDIA DO Tohan's largest shareholder. In collaboration with Tohan, MEDIA DO implemented a service to grant and sell digital benefits using NFT for paper books and pushed ahead with expansion of our product lineup and new projects. Moreover, MEDIA DO and Tohan are also working together in the field of eLibraries to create synergies that transcend the boundaries of paper and digital, such as by tapping into new markets for introduction of services.

On top of this, we initiated beta testing on the PUBNAVI eBook sales royalty management system developed to support enterprise resource planning (ERP) for sales and royalty management not only for eBooks but also for paper book publishing.

In terms of "invent future eBook markets," the Group aims to build mechanisms promoting the further expansion of the eBook market. Toward this end, the Group is proposing new ways of enjoying digital contents to realize its Digital Content Asset (DCA) model as a new digital content distribution model and asset model.

In October 2021, we launched FanTop as our proprietary NFT platform and commenced service provision. FanTop seeks to transform the act of collecting of fan items, which until now had primarily taken place in the physical world, by combining the physical and digital to capitalize on the unlimited possibilities of the digital world. Moreover, MEDIA DO has developed an app with 3D, AR and VR functionality in preparation for building a secondary market where users can buy and sell items amongst themselves. This service launched in February 2022.

Consequently, segment income was ¥2,650 million (up 2.2% YoY) on net sales of ¥99,309 million (up 20.6%).

Other

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

We are promoting the expansion of the "flier" business book summary service as a core growth driver for the B2B SaaS business, undertaking initiatives to increase the number of subscribers through the expansion of sales force, promotions, and measures to improve paths to purchasing.

In August 2021, ARTRA ENTERTAINMENT Inc., which provides eComic coloring and comic production support services, completed the relocation and expansion of its office. It is now accelerating its response to rising demand for new digital content, such as vertical scrolling manga.

Moreover, NIHONBUNGEISHA Co., Ltd., which became a consolidated subsidiary in March 2021, posted strong sales and profits driven by the focus on improvement in the return book rate due to the strengthening of distribution control and the focus on sales of eBooks. Additionally, the Firebrand Group (Quality Solutions, Inc. as well as NetGalley, LLC and its subsidiaries) is making good progress with the steady growth of its existing businesses and measures to increase profits through PMI.

In addition to the above, we are working on initiatives to create the second axis of growth. This included acquiring Everystar Co., Ltd., which has a hybrid model of novel posting site and publishing, in December 2021, and acquiring the shares of Supadü Limited, which has D2C marketing functions, such as providing a publisher direct sales site with SaaS, based in London, United Kingdom in January 2022, with both companies joining the Group.

As a result, we recorded a segment loss of ¥179 million (vs. FY2020 segment loss of ¥248 million) on net sales of ¥5,409 million (up 354.3%).

(3) Analysis of financial position

Assets

As of February 28, 2022, total assets stood at ¥52,509 million, an increase of ¥9,321 million (up 21.6% YoY).

Current assets amounted to ¥36,361 million, an increase of ¥2,458 million, up 7.3%.

The main factors were an increase in notes and accounts receivable - trade by ¥3,368 million due to an increase in sales despite a decrease in cash and deposits by ¥1,303 million due to purchase of shares of subsidiaries.

Non-current assets totaled ¥16,147 million, an increase of ¥6,862 million, up 73.9%.

This is mainly attributable to an increase of ¥2,632 million in intangible assets such as goodwill and software in addition to a rise of ¥3,920 million in investment securities.

Liabilities

As of February 28, 2022, total liabilities stood at ¥35,596 million, an increase of ¥4,577 million (up 14.8% YoY).

Current liabilities amounted to ¥30,439 million, an increase of ¥5,014 million, up 19.7%.

This is mainly attributable to an increase in notes and accounts payable - trade of ¥4,032 million due to an increase in purchases from an increase in sales, as well as a rise in other current liabilities such as deposits received of ¥740 million.

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Non-current liabilities amounted to ¥5,156 million, a decrease of ¥436 million (down 7.8% YoY).

The main factors were a decrease in long-term borrowings of ¥1,027 million although the ¥569 million of retirement benefit liability resulting from inclusion of subsidiaries in consolidation caused non-current liabilities to increase.

Net assets

As of February 28, 2022, total net assets amounted to ¥16,912 million, an increase of ¥4,743 million (up 39.0% YoY).

This is mainly attributable to an increase in capital stock and capital surplus by ¥1,494 million and ¥1,796 million, respectively, due to the payment for third-party allocation of shares from Tohan and retained earnings decreased by ¥322 million due to dividends from surplus while profit attributable to owners of parent was ¥1,576 million.

(4) Cash flows

Cash and cash equivalents as of February 28, 2022 (“cash”) were ¥11,399 million.

The status of cash flows during the fiscal year ended February 28, 2022 were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4,632 million (up 82.1% YoY).

The main cash inflows were profit before income taxes of ¥2,363 million, depreciation of ¥455 million, amortization of goodwill of ¥660 million, and an increase in trade payables of ¥3,537 million. Main cash outflows included an increase in trade receivables of ¥1,385 million, and income taxes paid of ¥1,113 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥7,835 million, compared to net cash used of ¥1,275 million in the previous fiscal year.

The main factors were purchase of property, plant and equipment of ¥778 million, purchase of investment securities of ¥3,475 million, and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥3,465 million.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥2,089 million, compared to net cash provided of ¥3,349 million in the previous fiscal year.

The main cash inflows were proceeds from issuance of shares of ¥2,937 million. Main cash outflows included repayments of long-term borrowings of ¥1,182 million, and dividends paid of ¥322 million.

(Reference) Trends in Cash Flow Related Indicators

	FY2018	FY2019	FY2020	FY2021
Equity ratio (%)	14.1	17.0	28.0	32.0
Equity ratio based on market value (%)	98.3	118.0	197.1	75.3
Interest-bearing debt to cash flow ratio (years)	4.1	4.3	2.6	1.2
Interest coverage ratio (times)	50.5	46.1	70.7	143.8

Equity ratio: Shareholders’ equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest expense

(Notes) 1. Cash flows use operating cash flows.
2. Interest-bearing debt includes all debt appearing on the balance sheet on which interest is being paid.

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(5) Forecast for the fiscal year ending February 28, 2023

We expect the eBook market to continue growing over the mid to long term amid the ongoing shift from paper books to eBooks, which has become irreversible trend. In addition, as the integration of digital and physical progresses, we expect to see growth in new business opportunities such as NFTs and vertical scrolling manga, as well as changes in the role expected of our core distribution business.

In response to these changes in the environment, the Group recognizes that its raison d'etre and value proposition is to provide products and services that meet the diverse values of its diverse stakeholders through its own efforts to tackle the challenges of DX. Based on these, today, the Group announced its five-year medium-term management plan, which will commence in the fiscal year ending February 28, 2023.

In the fiscal year ending February 28, 2023, downward pressure on Japan's economy as a whole is expected to continue, including impacts on economic normalization following the aftermath of COVID-19 and the tense situation in Ukraine. In addition, in the field of eBook distribution, some of the Group's main business partners have indicated the possibility of changing their sales channels. For details regarding this matter, please refer to "Notice regarding status of transactions with main business partner, and of earnings forecasts for current fiscal year" separately announced today.

Based on these measures, under the new medium-term management plan, the Group will work on "operational transformation and streamlining" and "business model transformation" as a supporter of DX in the content industry, and the Group will work to expand the market and establish a second revenue pillar while resolving the issues faced by the content industry.

With regard to operational reform and streamlining, the Group will utilize position, which represents its competitive advantage, mainly in the distribution business, to enhance and improve the efficiency of various services and expand its lineup of solution services to promote DX in the publishing value chain.

With regard to business model transformation, as the Internet has begun to shift to the new concept of Web 3, we will accelerate DX in order to become a company that can provide more technology-oriented products and services while grasping the latest trends. By focusing on the FanTop platform to realize the DCA model, such as the monetization of digital content using NFTs, the Group will expand into the B2C domain in addition to the conventional B2B domain.

For details on the medium-term management plan (fiscal year ending February 2023 to fiscal year ending February 2027), including five-year management targets and segment themes, please refer to "Notice regarding formulation of medium-term management plan" separately announced today.

In light of the above, the Group is forecasting FY2022 net sales of ¥100,000 million (down 4.5% YoY), operating profit of ¥2,000 million (down 28.9% YoY), ordinary income of ¥1,870 million (down 32.8% YoY) and profit attributable to owners of parent of ¥850 million (down 46.1% 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.

(6) Basic policy on distribution of profits and dividend for the current and subsequent fiscal years

Recognizing that returning profits to shareholders is an important management issue, we believe that capital investment and strengthening of management foundation necessary for sustainable growth in the future are also important management goals. Therefore, the Group's basic policy is to pay dividends of profits by comprehensively judging the management condition, including financial position and performance trends, etc., while securing retained earnings.

Based on this policy, we intend to pay a year-end dividend for the fiscal year ended February 28, 2022 of ¥21.00 per share (total dividend: ¥333 million) based on the resolution of the Board of Directors at its meeting scheduled to be held on April 21, 2022. The dividend is based on a comprehensive assessment of the Company's results for the fiscal year under review, the future management environment, and growth investments for the future.

We will make decisions regarding returns of profits, including the next annual dividend, according to the stock price level, etc., focusing on a total return ratio* of 30% or more from dividends and share buybacks. Based on this shareholder return policy, the Board of Directors intends to resolve at its meeting on April 14, 2022 that the Company will implement share buybacks, from April 15 to September 30, 2020, up to 600,000 shares or the acquisition amount of ¥1 billion (please refer to "Notice regarding changes to shareholder return policy and determination of matters related to share buybacks" released today). As a result, as of February 28, 2023, we expect our total return ratio will be 117.6%, significantly exceeding the target. For this reason, we have decided not to pay dividends of surplus for FY2022 and we will intend to cancel all of the shares bought back.

* Total return ratio = (Total amount of dividends paid + Total amount of share buybacks) / Profit attributable to owners of parent

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Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	12,703	11,399
Notes and accounts receivable - trade	19,921	23,290
Other	1,278	1,759
special account for claoms on returned goods unsold	―	(86)
Allowance for doubtful accounts	(0)	(1)
Total current assets	33,902	36,361
Non-current assets		
Property, plant and equipment		
Buildings	357	514
Tools, furniture and fixtures	380	285
Other	14	53
Accumulated depreciation	(449)	(508)
Total property, plant and equipment	303	344
Intangible assets		
Goodwill	5,713	7,176
Software	357	854
Software in progress	199	119
Other	59	811
Total intangible assets	6,329	8,961
Investments and other assets		
Investment securities	2,761	6,681
Deferred tax assets	96	363
Guarantee deposits	375	503
Other	33	32
Allowance for doubtful accounts	(615)	(739)
Total investments and other assets	2,651	6,841
Total non-current assets	9,285	16,147
Total assets	43,187	52,509

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	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,507	26,539
Short-term borrowings	—	100
Current portion of long-term borrowings	1,181	1,027
Income taxes payable	686	761
Provision for bonuses	14	50
Provision for point card certificates	84	60
Provision for sales returns	4	213
Other	945	1,686
Total current liabilities	25,425	30,439
Non-current liabilities		
Long-term borrowings	5,471	4,443
Deferred tax liabilities	2	72
Provision for loss on business of subsidiaries and associates	40	—
Retirement benefit liability	—	569
Other	79	70
Total non-current liabilities	5,593	5,156
Total liabilities	31,018	35,596
Net assets		
Shareholders' equity		
Share capital	4,415	5,909
Capital surplus	5,489	7,285
Retained earnings	2,000	3,254
Treasury shares	(1)	(1)
Total shareholders' equity	11,903	16,447
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	198	191
Foreign currency translation adjustment	3	176
Total accumulated other comprehensive income	201	367
Share acquisition rights	11	0
Non-controlling interests	53	97
Total net assets	12,169	16,912
Total liabilities and net assets	43,187	52,509

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(2) Consolidated statements of income and comprehensive income

(Millions of yen)

Consolidated statements of income	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Net sales	83,540	104,722
Cost of sales	75,810	94,848
Gross profit	7,730	9,874
Selling, general and administrative expenses	5,065	7,063
Operating profit	2,664	2,811
Non-operating income		
Interest and dividend income	6	10
Subsidy income	―	6
Subsidy income	14	37
Gain on investments in investment partnerships	17	2
Reversal of allowance for doubtful accounts	21	60
Share of profit of entities accounted for using equity method	50	―
Other	14	3
Total non-operating income	126	120
Non-operating expenses		
Interest expenses	36	31
Share issuance costs	22	15
Foreign exchange losses	9	9
Share of loss of entities accounted for using equity method	―	39
Donations	―	50
Other	3	2
Total non-operating expenses	71	148
Ordinary profit	2,720	2,783
Extraordinary income		
Gain on sale of non-current assets	―	2
Gain on reversal of share acquisition rights	0	―
Reversal of provision for loss on business of subsidiaries and associates	―	37
Gain on change in equity	―	208
Total extraordinary income	0	248
Extraordinary losses		
Loss on retirement of non-current assets	0	66
Loss on valuation of investment securities	31	0
Provision of allowance for doubtful accounts	139	178
Provision for loss on business of subsidiaries and associates	40	―
Impairment losses	―	405
Other	10	17
Total extraordinary losses	221	667
Profit before income taxes	2,498	2,363
Income taxes - current	985	1,102
Income taxes - deferred	0	(236)
Total income taxes	985	865
Profit	1,513	1,498
Loss attributable to non-controlling interests	(6)	(78)
Profit attributable to owners of parent	1,519	1,576

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(Millions of yen)

Consolidated statements of Comprehensive income	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Profit	1,513	1,498
Other comprehensive income		
Valuation difference on available-for-sale securities	(245)	(17)
Foreign currency translation adjustment	(2)	173
Total other comprehensive income	(248)	156
Comprehensive income	1,264	1,654
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,271	1,732
Comprehensive income attributable to non-controlling interests	(6)	(78)

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(3) Consolidated Statements of Change in Net Assets

Year ended February 28, 2021 (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					—
Issuance of new shares - exercise of share acquisition rights	2,490	2,490			4,981
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
Sale of shares of consolidated subsidiaries		50			50
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			—			—
Issuance of new shares - exercise of share acquisition rights			—			4,981
The issuance of shares certain transfer restrictions			—			49
Dividends of surplus			—			(184)
Profit attributable to owners of parent			—			1,519
Purchase of treasury shares			—			(0)
Capital increase of consolidated subsidiaries			—			145
Sale of shares of consolidated subsidiaries			—			50
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

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Year ended February 28, 2022 (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,415	5,489	2,000	(1)	11,903
Changes during period					
Issuance of new shares	1,468	1,468			2,937
Issuance of new shares - exercise of share acquisition rights	0	0			0
The issuance of shares certain transfer restrictions	24	24			49
Dividends of surplus			(322)		(322)
Profit attributable to owners of parent			1,576		1,576
Purchase of treasury shares				(0)	(0)
Capital increase of consolidated subsidiaries		302			302
Sale of shares of consolidated subsidiaries					—
Net changes in items other than shareholders' equity					—
Total changes during period	1,494	1,796	1,254	(0)	4,544
Balance at end of period	5,909	7,285	3,254	(1)	16,447

	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	198	3	201	11	53	12,169
Changes during period						
Issuance of new shares			—			2,937
Issuance of new shares - exercise of share acquisition rights			—			0
The issuance of shares certain transfer restrictions			—			49
Dividends of surplus			—			(322)
Profit attributable to owners of parent			—			1,576
Purchase of treasury shares			—			(0)
Capital increase of consolidated subsidiaries			—			302
Sale of shares of consolidated subsidiaries			—			—
Net changes in items other than shareholders' equity	(6)	173	166	(10)	43	199
Total changes during period	(6)	173	166	(10)	43	4,743
Balance at end of period	191	176	367	0	97	16,912

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(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from operating activities		
Profit before income taxes	2,498	2,363
Depreciation	279	455
Impairment losses	—	405
Amortization of goodwill	480	660
Increase (decrease) in allowance for doubtful accounts	117	117
Increase (decrease) in provision for bonuses	(188)	10
Increase (decrease) in provision for point card certificates	10	(24)
Increase (decrease) in provision for loss on business of subsidiaries and associates	40	(40)
Increase (decrease) in retirement benefit liability	—	24
Interest and dividend income	(6)	(10)
Subsidy income	(14)	(37)
Interest expenses	36	31
Loss (gain) on valuation of investment securities	31	0
Loss (gain) on investments in investment partnerships	(17)	(2)
Share of loss (profit) of entities accounted for using equity method	(50)	39
Loss (gain) on change in equity	—	(208)
Decrease (increase) in trade receivables	(3,836)	(1,385)
Increase (decrease) in advances received	16	50
Decrease (increase) in inventories	(16)	3
Decrease (increase) in prepaid expenses	(119)	(0)
Increase (decrease) in trade payables	4,255	3,537
Increase (decrease) in accounts payable - other	85	(40)
Increase (decrease) in deposits received	122	6
Increase (decrease) in accrued consumption taxes	(81)	(65)
Decrease (increase) in consumption taxes refund receivable	(236)	(105)
Other, net	21	(59)
Subtotal	3,427	5,726
Interest and dividends received	10	14
Subsidies received	14	37
Interest paid	(35)	(32)
Income taxes paid	(873)	(1,113)
Net cash provided by (used in) operating activities	2,544	4,632
Cash flows from investing activities		
Purchase of property, plant and equipment	(11)	(66)
Purchase of intangible assets	(444)	(778)
Purchase of investment securities	(122)	(3,475)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(652)	(3,465)
Payments of guarantee deposits	(17)	(119)
Proceeds from refund of guarantee deposits	1	22
Other, net	(29)	48
Net cash provided by (used in) investing activities	(1,275)	(7,835)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	100
Repayments of long-term borrowings	(1,739)	(1,182)
Proceeds from issuance of shares	—	2,937
Proceeds from issuance of share acquisition rights	25	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	4,918	0
Expenditure for acquisition of own stock acquisition rights	—	(10)
Proceeds from issuance of shares with restriction of transfer	49	49
Proceeds from share issuance to non-controlling shareholders	199	517
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	79	—
Dividends paid	(184)	(322)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	3,349	2,089

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(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Effect of exchange rate change on cash and cash equivalents	(4)	128
Net increase (decrease) in cash and cash equivalents	4,613	(985)
Cash and cash equivalents at beginning of period	8,089	12,703
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	(318)
Cash and cash equivalents at end of period	12,703	11,399