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Media Do

Summary of Consolidated Financial Results for the Year Ended February 28, 2023
(Based on Japanese GAAP)

April 13, 2023

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, CSO and CFO	Hiroshi Kanda	(Tel: +81-3-6212-5111)
Scheduled date of the Annual General Meeting of Shareholders:			May 25, 2023
Scheduled date for filing of Securities Report:			May 26, 2023
Scheduled starting date for dividend payment:			—
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, 2023 (March 1, 2022 to February 28, 2023)

(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	%
FY2022	101,667	(2.9)	2,393	(14.9)	2,291	(17.6)	1,057	(33.0)
FY2021	104,722	25.4	2,811	5.5	2,783	2.3	1,576	3.8

(Note) Comprehensive income: Comprehensive income: FY2022 ¥1,332 million (-19.5%); FY2021 ¥1,654 million (30.8%)

	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit to net sales ratio
	Yen	Yen	%	%	%
FY2022	68.35	68.35	6.3	4.4	2.4
FY2021	99.75	99.68	10.9	5.8	2.7

(Reference) Equity in earnings of affiliates: FY2022 ¥(82million); FY2021 ¥(39 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, 2023	50,882	16,772	32.8	1,082.72
As of February 28, 2022	52,509	16.912	32.0	1,059.59

(Reference) Shareholders' equity: As of February 28, 2023 ¥16,695 million; As of February 28, 2022 ¥16,815 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
FY2022	1,916	(3,070)	(276)	10,127
FY2021	4,632	(7,835)	2,089	11,399

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			
FY2021	—	0.00	—	21.00	21.00	333	21.1	2.3
FY2022	—	0.00	—	0.00	0.00	—	—	—
FY2023 (Forecast)	—	0.00	—	22.00	22.00		32.3	

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(Notes)

1. For information about MEDIA DO's annual dividend (forecast) for FY2023 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 29, 2024 (March 1, 2023 to February 29, 2024)

(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	(1.6)	2,000	(16.4)	2,000	(12.7)	1,100	4.1	71.33

(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 29, 2024" on page ~~5~~7.

Qualitative Information Regarding Financial Results

(1) Analysis of operating results

Japan's economy in FY2022, ended February 28, 2023, saw a move toward normalization of economic activities as the impacts of the COVID-19 pandemic gradually waned owing to the easing of travel restrictions and mask mandates in Japan and overseas. Meanwhile, a number of events continue to weigh heavily on consumer sentiment as before, including elevated prices of energy and raw materials caused by the protraction of the situation in Ukraine, an acceleration in yen depreciation resulting from changes in the monetary policy of other countries, inflation, and fluctuating interest rates.

On the other hand, the pace of expansion of the eBook market appears to have returned to the pre-pandemic level because "stay-at-home consumption," which was driven by increased free time resulting from people working from home and refraining from going out.

Furthermore, the eBook market in 2022 was valued at ¥501.3 billion, marking an increase of 7.5%, or ¥35.1 billion, from ¥466.2 billion in 2021. Of this, eComics rose by 8.9% to ¥447.9 billion, non-graphic eBooks declined by 0.7% to ¥44.6 billion, and eMagazines fell by 11.1% to ¥8.8 billion. (Source: The Research Institute for Publications of the All-Japan Magazine and Book Publishers and Editors Association)

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.

In the eBook industry, in which the Group operates, the market environment, customer needs and competition is constantly changing due to the emergence of new formats of eComics, such as vertical scroll comics (VSCs), and the

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growing borderless nature of the business. Additionally, in the broadly defined content industry including eBooks and publishing, amid a shift in focus of content production, distribution, and consumption to digital venues, worldwide demand for content is sharply increasing and competition is intensifying among major companies to acquire content worldwide. Accordingly, the business environment continues to undergo intense changes.

Based on this, the Group announced a new medium-term management plan in April 2022. Furthermore, the Group changed its two previous reporting segments of “eBook distribution business” and “other businesses” to “eBook distribution business” and “strategic investment businesses.” The eBook distribution business comprises the eBook wholesale business and eBook platform business aimed at further growing the eBook market. The strategic investment businesses comprise the four businesses of imprint, IP & solutions, global, and FanTop, with the objective to create a second revenue axis on par with the eBook distribution business. In the strategic investment business, the Group utilizes its position as a competitive advantage built up through the eBook distribution business to promote digital transformation (DX) along with operational upgrades and streamlining in the publishing industry as well as develop and provide new solutions and products.

In FY2022, the first year of the new medium-term management plan, revenue of the eBook distribution business declined by a total of approximately ¥12 billion due to the following factors. First, the back-end operations of LINE Manga operated by LINE Digital Frontier Corporation, a major business partner of the eBook distribution business, were transferred to eBOOK Initiative Japan Co., Ltd. Second, there was a rebound decline of major promotional campaigns implemented by certain book retailers in the previous fiscal year. Sales to eBook retailers grew steadily, but the above-mentioned decline in revenue exceeded these sales, causing consolidated net sales to decline compared to the previous fiscal year.

Furthermore, in regard to pirate sites, the number of accesses increased since 2020 when the COVID-19 pandemic first began, but several pirate sites have since been shutdown through collaboration with relevant parties including governments, publishers, and internet service providers. As a result, the number of accesses has been cut in half as of February 2023 compared to the peak around the end of 2021.

Looking at initiatives in the strategic investment businesses, the Company pressed ahead with the FanTop business, considered an area with particularly high growth expectations, which operates the digital content platform called FanTop for non-fungible tokens (NFTs) as well as investment in and establishment of a business foundation for the VSC business included in the IP & solutions business, seeking to build a new earnings pillar comparable to the current core eBook distribution business. Additionally, to focus on growing these businesses, the Company is working to optimize its business portfolio; a process that involves reviewing the allocation of management resources companywide, terminating certain services and transferring the shares of Group companies.

As a result of the above, in FY2022 the Group recorded ordinary income of ¥2,291 million (down 17.6% YoY) and profit attributable to owners of parent of ¥1,057 million (down 33.0%) on net sales of ¥101,667 million (down 2.9%).

The operating results of each segment were as follows.

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(2) Segment information

eBook Distribution business

In the eBook distribution business, the Company continued to provide distribution and eBook transmission solutions to eBook retailers such as Amazon Kindle and Comic Cmoa. In addition, the MEDIA DO Group is working on various activities to streamline distribution, by pursuing operational excellence through improvement of operating efficiency and building of a next-generation core system, aimed at achieving the targets laid out in the new medium-term management plan. The 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 16,000 campaigns together with publishers and distributors (as of February 28, 2023). Nevertheless, as noted above, in FY2022 the impacts of pirate sites waned, but the Group was affected by a decline in transaction volume with major business partners and the rebound decline of large promotional campaigns implemented by certain book retailers in the previous fiscal year. In addition, as for “Manga Saison,” which was revamped through a capital and business alliance with Credit Saison Co., Ltd. from July 2022, the Company is working to further expand services and improve usability, such as linking loyalty points with “Eikyufumetsu points (points that never expire)” starting on October 31, 2022, as a bold measure to tap into new customer bases through collaboration with other companies, shifting from direct operation.

Consequently, net sales in the eBook distribution segment came to ¥94,331 million, down 4.5% year on year, and segment income was ¥5,248 million, up 9.8%.

Strategic investment businesses

The strategic investment businesses continued to focus on the FanTop business and measures aimed at the provision of VSCs. As for the FanTop business, since service launch in October 2021, the MEDIA DO Group has steadily increased the number of titles and made progress with diversifying media, by distributing publications with digital NFT benefits at nationwide book retailers, while deepening collaboration with Tohan, a major paper book wholesaler in which the Group is the largest shareholder. As a result, we have established a track record where the selling prices and sell through ratio of publications with digital NFT benefits (special editions) are both higher than normal editions at over 30% each. Through its initiatives over the past year, the Group has been working to upgrade FanTop services, aiming to create a more enriching user experience and expand plans for digital NFT benefits. Specifically, the Group is striving to increase the value provided by FanTop to the entire content industry, and not just the publishing industry, by not only attaching images and photographs to paper books but also expanding services to content such as videos or music.

Meanwhile, in terms of VSCs, the Group is working to upgrade functions, such as building production systems for its original products, along with procurement and distribution of overseas works, by capitalizing on its established position in the publishing industry, utilizing the functions of Group companies, and promoting partnerships with leading production studios inside and outside Japan anticipating demand for production likely to increase in the future. In February 2023, the Group established YUZU comics as a new VSC label and made investments in Story Soop Inc. and Contents Lab Blue Co., Ltd., two South Korean production studios. Going forward, the Group will continue with initiatives to create a second revenue axis by proactively investing in earnings improvements and business growth.

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As a result, net sales in the Strategic Investment Businesses segment totaled ¥7,331 million, up 22.4% year on year, and the segment loss amounted to ¥1,462 million, compared with ¥832 million in the previous equivalent period.

(3) Analysis of financial position

Assets

As of February 28, 2023, total assets stood at ¥50,882 million, a decrease of 3.1% or ¥1,626 million year on year.

Current assets totaled ¥33,825 million, a decrease of 7.0% or ¥2,535 million.

The main factors were decreases in trade receivables (notes and accounts receivable—trade and contract assets) of ¥1,584 million and cash and deposits of ¥1,272 million, respectively.

Non-current assets totaled ¥17,056 million, an increase of 5.6% or ¥908 million year on year.

This was mainly due to an increase in investments and other assets of ¥543 million and a rise in property, plant and equipment, including buildings, of ¥285 million.

Liabilities

As of February 28, 2023, total liabilities amounted to ¥34,109 million, down 4.2% or ¥1,487 million year on year.

Current liabilities totaled ¥28,789 million, down 5.4% or ¥1,649 million.

This was mainly attributable to decreases in notes and accounts payable—trade of \2,028 million and in income taxes payable of \696 million, respectively, which offset an increase in short-term borrowings of \803 million.

Non-current liabilities totaled ¥5,319 million, up 3.1% or ¥162 million.

The main factor was an increase in deferred tax liabilities of ¥83 million.

Net assets

As of February 28, 2023, total net assets stood at ¥16,722 million, a decline of 0.8% or ¥139 million year on year.

This was mainly due to a decrease in capital surplus of ¥1,125 million owing to the cancellation of treasury shares implemented in May 2022, offsetting increases in retained earnings of ¥678 million and in accumulated other comprehensive income of ¥347 million, respectively.

(4) Cash flows

Cash and cash equivalents as of February 28, 2023 (“cash”) was ¥10,127 million.

The status of cash flows during the fiscal year ended February 28, 2023 was as follows.

Cash flows from operating activities

Net cash provided by operating activities was ¥1,916 million (down 58.6% year on year).

The main cash inflows were profit before income taxes of ¥1,529 million, depreciation of ¥691 million, amortization of goodwill of ¥783 million, and a decrease in trade receivables of ¥1,598 million. Main cash outflows included a decrease in trade payables of ¥2,033 million, and income taxes paid of ¥1,272 million.

Cash flows from investing activities

Net cash used in investing activities was ¥3,070 million, compared to net cash used of ¥7,835 million in the previous

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fiscal year.

The main factors were purchase of property, plant and equipment of ¥835 million, purchase of investment securities of ¥817 million, and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥862 million.

Cash flows from financing activities

Net cash used in financing activities was ¥276 million, compared to net cash provided of ¥2,089 million in the previous fiscal year.

The main cash inflows were net increase of short-term borrowings of ¥796 million and proceeds from long-term borrowings of ¥1,580 million. Main cash outflows included repayments of long-term borrowings of ¥1,273 million, purchase of treasury shares of ¥999 million, and purchase of shares of subsidiaries not resulting in changes in the scope of consolidation of ¥431 million.

	FY2018	FY2019	FY2020	FY2021	FY2022
Equity ratio (%)	14.1	17.0	28.0	32.0	32.8
Equity ratio based on market value (%)	98.3	118.0	197.1	75.3	45.2
Interest-bearing debt to cash flow ratio (years)	4.1	4.3	2.6	1.2	3.5
Interest coverage ratio (times)	50.5	46.1	70.7	143.8	58.6

(Reference) Trends in Cash Flow Related Indicators

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 29, 2024

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, new business opportunities are expected to grow with changes in the roles expected of our core distribution business and increasing business opportunities within business strategies including subsidiaries, such as FanTop and vertical scroll comics.

In light of these changes in the environment, the Group recognizes that its raison d'etre and value proposition is to resolve industry issues and provide products and services that meet the diverse values of its diverse stakeholders through its own efforts to tackle the challenges of digital transformation (DX).

In FY2023, the Group expects that the eBook distribution business will continue to grow steadily in line with the expansion of the eBook market, but we forecast that revenue will decline due to the remaining impact of delays in the transfer of back-end operations for LINE Manga, which was a major business partner.

Among the strategic investment businesses, in the FanTop business, we aim to further expand service functions and scope of projects in order to increase the distribution volume of publications with NFT digital benefits.

In the VSC business, while paying close attention to trends in this rapidly growing global market, the Group will continue to collaborate with studio production companies for the purpose of distributing original works and importing overseas works, and will strengthen its own IP to secure original works, which are becoming increasingly competitive. Specifically, we will utilize the original stories and IP created by Everystar, a Group company that operates a novel-sharing site, to realize a media mix of VSCs and videos.

In light of the above, the Group is forecasting FY2023 net sales of ¥100,000 million (down 1.6% YoY), operating profit of ¥2,000 million (down 16.4% YoY), ordinary income of ¥2,000 million (down 12.7% YoY) and profit attributable to owners of parent of ¥1,100 million (up 4.1% 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 the 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, the Company aims to achieve a total return ratio* of 30% or higher when including dividends and share buybacks. Toward this end, the Board of Directors passed a resolution at a meeting held on April 14, 2022 to undertake share buybacks (Up to a maximum of 600,000 shares and a maximum amount of ¥1.0 billion during the period from April 15 to September 30, 2022. For details, please see “Notice regarding changes to shareholder return policy and determination of matters related to share buybacks” released on the same day), but not to pay a dividend of surplus which is to be paid from May 2023, on the record date of February 28, 2023. As a result of these share buybacks, the Company’s total return ratio as of February 28, 2023 significantly exceeded the target, reaching 94.6%. Furthermore, the shares bought back have already been canceled as treasury shares as of May 30, 2022.

Regarding the return of profits in FY2023 including annual dividend, the Company plans to return profits by combination of dividend and share buybacks by comprehensively judging management condition including the share price level, financial position, and performance trends, with an eye toward sustaining the total return ratio at 30% or higher.

First, with regard to share buybacks, the Company recognizes that our business lines were greatly expanded and corporate value increased following the completion of the post merger integration process after the acquisition of Digital Publishing Initiatives Japan Co., Ltd. in 2017. However, the share price is trending below the level where it was in 2017. Given this situation, a resolution was passed by the Board of Directors to implement share buybacks (Up to a maximum of 450,000 shares and a maximum amount of ¥500 million during the period from April 14 to July 31, 2017. For details, please see “Notice regarding determination of matters related to share buybacks” (in Japanese only) released on the same day.) We will intend to cancel all of the shares bought back.

In addition, in FY2022, the second year of the medium-term management plan, the Group continued to make upfront investments in growth areas in order to create new earnings pillars based atop our position and trust in the industry we have built up in the eBook distribution business. The COVID-19 pandemic and changes in the sales channels of major business partners have had transient impacts on performance, but these factors have eased, and going forward, we anticipate that the eBook distribution business will grow steadily alongside further market growth, and that the loss in the strategic investment business will contract and grow toward profitability. Therefore, we plan to pay a dividend of surplus of ¥22 per share, taking into account the future performance and business environment, and ¥1.1 billion of net profit attributable to owners of the parent for FY2023 multiplied by 30% of our total return ratio.. As a result, the total return ratio as of February 29, 2024 is expected to be around 75.6%.
* Total return ratio = (Total amount of dividends paid + Total amount of treasury shares acquired) / Profit attributable to owners of parent

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Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	11,399	10,127
Notes and accounts receivable - trade	23,290	—
Notes and accounts receivable - trade, and contract assets	—	21,706
Other	1,759	1,993
Special account for claims on returned goods unsold	(86)	—
Allowance for doubtful accounts	(1)	(1)
Total current assets	36,361	33,825
Non-current assets		
Property, plant and equipment		
Buildings	514	689
Tools, furniture and fixtures	285	297
Other	53	27
Accumulated depreciation	(508)	(384)
Total property, plant and equipment	344	630
Intangible assets		
Goodwill	7,176	6,874
Software	854	852
Software in progress	119	44
Other	811	1,270
Total intangible assets	8,961	9,041
Investments and other assets		
Investment securities	6,681	6,447
Deferred tax assets	363	380
Guarantee deposits	503	489
Other	32	74
Allowance for doubtful accounts	(739)	(7)
Total investments and other assets	6,841	7,384
Total non-current assets	16,147	17,056
Total assets	52,509	50,882

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	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,539	24,511
Short-term borrowings	100	903
Current portion of long-term borrowings	1,027	1,302
Income taxes payable	761	65
Provision for bonuses	50	41
Provision for point card certificates	60	—
Provision for sales returns	213	—
Other	1,686	1,966
Total current liabilities	30,439	28,789
Non-current liabilities		
Long-term borrowings	4,443	4,414
Deferred tax liabilities	72	156
Retirement benefit liability	569	638
Other	70	108
Total non-current liabilities	5,156	5,319
Total liabilities	35,596	34,109
Net assets		
Shareholders' equity		
Share capital	5,909	5,934
Capital surplus	7,285	6,159
Retained earnings	3,254	3,933
Treasury shares	(1)	(48)
Total shareholders' equity	16,447	15,979
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	191	118
Foreign currency translation adjustment	176	596
Total accumulated other comprehensive income	367	715
Share acquisition rights	0	0
Non-controlling interests	97	77
Total net assets	16,912	16,772
Total liabilities and net assets	52,509	50,882

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(2) Consolidated statements of income and comprehensive income

(Millions of yen)

Consolidated statements of income	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Net sales	104,722	101,667
Cost of sales	94,848	90,705
Gross profit	9,874	10,962
Selling, general and administrative expenses	7,063	8,568
Operating profit	2,811	2,393
Non-operating income		
Interest and dividend income	10	27
Foreign exchange gains	—	14
Subsidy income	6	—
Subsidy income	37	20
Gain on investments in investment partnerships	2	1
Reversal of allowance for doubtful accounts	60	—
Other	3	11
Total non-operating income	120	75
Non-operating expenses		
Interest expenses	31	32
Share issuance costs	15	1
Commission expenses	—	20
Foreign exchange losses	9	—
Share of loss of entities accounted for using equity method	39	82
Donations	50	40
Other	2	—
Total non-operating expenses	148	176
Ordinary profit	2,783	2,291
Extraordinary income		
Gain on sale of non-current assets	2	—
Reversal of provision for loss on business of subsidiaries and associates	37	—
Gain on change in equity	208	68
Total extraordinary income	248	68
Extraordinary losses		
Loss on sale of non-current assets	—	5
Loss on retirement of non-current assets	66	141
Impairment losses	405	499
Loss on valuation of investment securities	0	145
Loss on sale of shares of subsidiaries and associates	—	15
Provision of allowance for doubtful accounts	178	—
Other	17	22
Total extraordinary losses	667	830
Profit before income taxes	2,363	1,529
Income taxes - current	1,102	533
Income taxes - deferred	(236)	11
Total income taxes	865	545
Profit	1,498	984
Loss attributable to non-controlling interests	(78)	(72)
Profit attributable to owners of parent	1,576	1,057

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(Millions of yen)

Consolidated statements of comprehensive income

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit	1,498	984
Other comprehensive income		
Valuation difference on available-for-sale securities	(17)	(72)
Foreign currency translation adjustment	173	420
Share of other comprehensive income of entities accounted for using equity method	—	0
Total other comprehensive income	156	347
Comprehensive income	1,654	1,332
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,732	1,405
Comprehensive income attributable to non-controlling interests	(78)	(72)

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(3) Consolidated Statements of Change in Net Assets

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
Cumulative effects of changes in accounting policies					–
Restated balance	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)
Cancellation of treasury shares					–
Capital increase of consolidated subsidiaries		302			302
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
Cumulative effects of changes in accounting policies			–			–
Restated balance	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)
Cancellation of treasury shares			–			–
Capital increase of consolidated subsidiaries			–			302
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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Year ended February 28, 2023~~2~~ (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,909	7,285	3,254	(1)	16,447
Cumulative effects of changes in accounting policies			(44)		(44)
Restated balance	5,909	7,285	3,209	(1)	16,402
Changes during period					
The issuance of shares certain transfer restrictions	24	24			49
Dividends of surplus			(333)		(333)
Profit attributable to owners of parent			1,057		1,057
Purchase of treasury shares				(999)	(999)
Cancellation of treasury shares		(1,001)		1,001	—
Capital increase of consolidated subsidiaries		208			208
Purchase of shares of consolidated subsidiaries		(357)			(357)
Changes in parent shares held by equity method affiliates				(48)	(48)
Net changes in items other than shareholders' equity					—
Total changes during period	24	(1,125)	723	(46)	(423)
Balance at end of period	5,934	6,159	3,933	(48)	15,979

	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	191	176	367	0	97	16,912
Cumulative effects of changes in accounting policies			—			(44)
Restated balance	191	176	367	0	97	16,867
Changes during period						
The issuance of shares certain transfer restrictions			—			49
Dividends of surplus			—			(333)
Profit attributable to owners of parent			—			1,057
Purchase of treasury shares			—			(999)
Cancellation of treasury shares			—			—
Capital increase of consolidated subsidiaries			—			208
Purchase of shares of consolidated subsidiaries			—			(357)
Changes in parent shares held by equity method affiliates			—			(48)
Net changes in items other than shareholders' equity	(72)	420	347	—	(19)	328
Total changes during period	(72)	420	347	—	(19)	(94)

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Balance at end of period	118	596	715	0	77	16,772

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	2,363	1,529
Depreciation	455	691
Impairment losses	405	499
Amortization of goodwill	660	783
Increase (decrease) in allowance for doubtful accounts	117	(0)
Increase (decrease) in provision for bonuses	10	(9)
Increase (decrease) in provision for point card certificates	(24)	(60)
Increase (decrease) in provision for loss on business of subsidiaries and associates	(40)	—
Increase (decrease) in retirement benefit liability	24	54
Interest and dividend income	(10)	(27)
Subsidy income	(37)	(20)
Interest expenses	31	32
Loss (gain) on valuation of investment securities	0	145
Loss (gain) on investments in investment partnerships	(2)	(1)
Loss (gain) on sale of shares of subsidiaries and associates	—	15
Share of loss (profit) of entities accounted for using equity method	39	82
Loss (gain) on change in equity	(208)	(68)
Decrease (increase) in trade receivables	(1,385)	1,598
Increase (decrease) in advances received	50	67
Decrease (increase) in inventories	3	(60)
Decrease (increase) in prepaid expenses	(0)	(78)
Increase (decrease) in trade payables	3,537	(2,033)
Increase (decrease) in accounts payable - other	(40)	50
Increase (decrease) in deposits received	6	(81)
Increase (decrease) in accrued consumption taxes	(65)	(5)
Decrease (increase) in consumption taxes refund receivable	(105)	(11)
Other, net	(59)	75
Subtotal	5,726	3,168
Interest and dividends received	14	31
Subsidies received	37	20
Interest paid	(32)	(32)
Income taxes paid	(1,113)	(1,272)
Net cash provided by (used in) operating activities	4,632	1,916
Cash flows from investing activities		
Purchase of property, plant and equipment	(66)	(517)
Purchase of intangible assets	(778)	(835)
Purchase of investment securities	(3,475)	(817)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,465)	(862)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(44)
Payments of guarantee deposits	(119)	(50)
Proceeds from refund of guarantee deposits	22	44
Other, net	48	13
Net cash provided by (used in) investing activities	(7,835)	(3,070)

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(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	100	796
Proceeds from long-term borrowings	—	1,580
Repayments of long-term borrowings	(1,182)	(1,273)
Proceeds from issuance of shares	2,937	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	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	517	335
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(431)
Dividends paid	(322)	(333)
Purchase of treasury shares	(0)	(999)
Net cash provided by (used in) financing activities	2,089	(276)
Effect of exchange rate change on cash and cash equivalents	128	157
Net increase (decrease) in cash and cash equivalents	(985)	(1,272)
Cash and cash equivalents at beginning of period	12,703	11,399
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(318)	—
Cash and cash equivalents at end of period	11,399	10,127