Media Do

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MEDIA DO Co., Ltd.

MEDIA DO Report 2023

Printed in Japan

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MEDIA DO Report 2023

MORE CONTENT FOR MORE PEOPLE!

Written works, condensed forms of human wisdom, are something with which everyone is familiar and has learned from since a young age.

Without creative written works, our culture and society would stagnate.

MEDIA DO is committed to shaping a future in which content continues to be created in the largest volumes imaginable and taken in hand by the greatest numbers of users.

MEDIA DO's Foundation

Origin of the Company Name

All value created in society is the product of the union of forms of value that would not have come together otherwise.

MEDIA DO's name encapsulates the Company's desire to become a medium that unites forms of value that would not have come together otherwise and thereby make ongoing contributions to the evolution and development of society.

MEDIA DO aims to be an ever-present organization that continues to contribute to society while adapting to contemporary trends and changes.

Corporate Creed

Growth and Potential

All people have limitless potential and can grow with time.
The passage of time is equal for everything.
This passage makes us aware of our own growth and equally aware of the great potential of others.

At MEDIA DO, we vow to respect our colleagues, value them, and find joy in their growth and potential.
We believe that this spirit of comradery will strengthen our organization and help us to accomplish the impossible.

MEDIA DO will continue to grow so long as its people grow.
By growing and adapting in any era, we will contribute to society.

MISSION

Unleashing a virtuous cycle of literary creation

MEDIA DO's mission is to contribute to the development of culture and enrichment of society on a global scale by creating a system in which written works are distributed to our utmost ability, while ensuring that they are used under fair conditions, and that the profits from these works are appropriately returned to their creators.

VISION

More Content for More People!

MEDIA DO supports content creators, publishers, distributors, users, and all other stakeholders in its quest to make all of humanity's vast library of content available to anyone, anywhere in the world.

VALUES

Do Professional　Do Myself
Do My Best　Do Sustainable

We act.
Driven by commitment to our mission,
we will embrace our four values as we pursue our vision.

My goal has not changed since I founded MEDIA DO. This goal can be found in Article 1 of the Copyright Act of Japan, which describes the purpose of ensuring protection for the rights of authors and how this will contribute to cultural development.

This is the goal that is encapsulated in our corporate philosophy.

Everyone at the MEDIA DO Group embraces our corporate philosophy, working toward our shared mission of "unleashing a virtuous cycle of literary creation" via their daily endeavors and growing through this process. The path toward growth for the MEDIA DO Group lies on the road toward fulfilling this mission.

We continue to exercise our corporate philosophy as we introduce new technologies to the greater content industry, of which publishing is a part, and as we work toward our vision of "More Content for More People!," we strive to contribute to cultural development while improving our corporate value.

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Editorial Policy

MEDIA DO Report 2023 has been prepared as an integrated report to function as a tool for comprehensive communication with stakeholders.

This report describes the strategic directives, and the progress thereof, based on which all employees, united by a strong sense of conviction, will pursue the fulfillment of our mission and the realization of our vision.

Unless otherwise noted, "the Company," when used in this report, refers to MEDIA DO Co., Ltd., and "the Group" refers to the conglomerate comprised of the Company and its consolidated subsidiaries and associates as well as jointly controlled companies.

Reporting Period

Fiscal year ended February 28, 2023 (Fiscal 2022)
This report includes information on some activities taking place before or after this period.

Cautionary Notice Regarding Forward-Looking Statements

Information on plans, forecasts, and strategies contained in this report are forward-looking statements that represent the Company's best judgments based on information available at the time of this report's publication. It is possible that actual performance could differ materially from these forecasts due to a variety of factors. Risks and uncertain factors with the potential to impact performance include economic conditions, competition, foreign exchange rates and taxation, and other systems pertaining to the Company's operating environment.

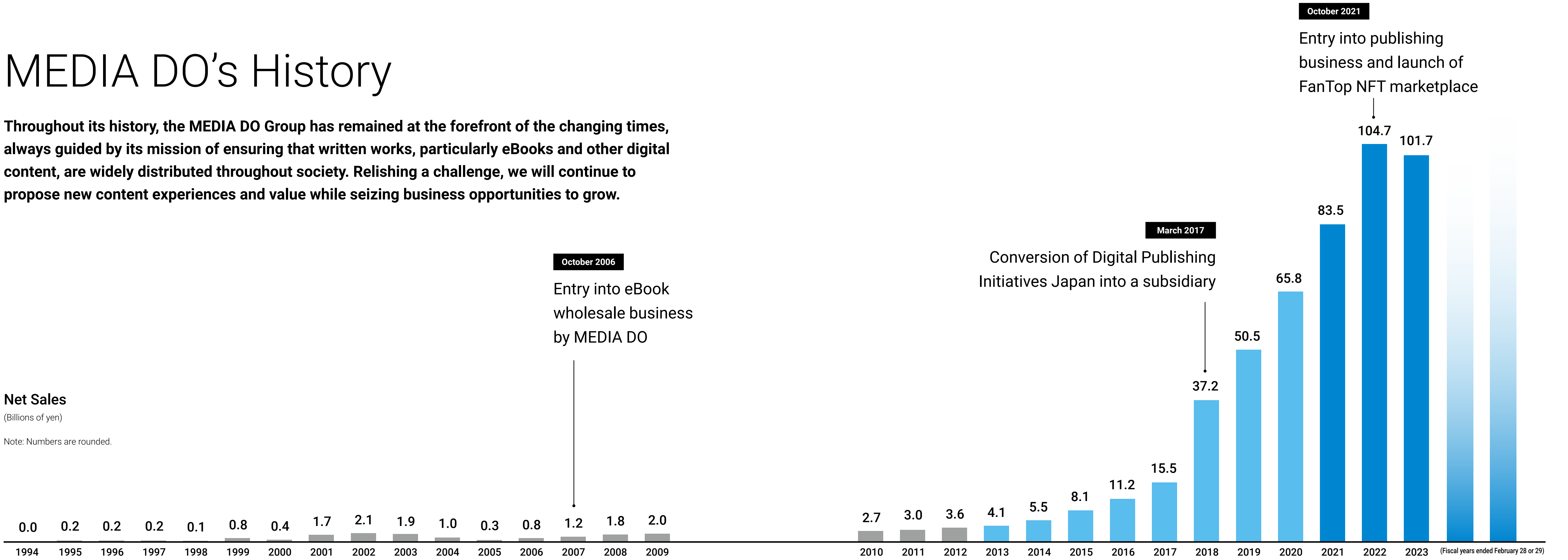
004_MEDIA DO's History
006_What Type of Company Is MEDIA DO?
008_Strengths Forming Our Business Foundation
010_Office Renovation: Designed to Further Communication with Internal and External Colleagues

What We Do

In this section, we will look at the core business of MEDIA DO and how it has grown, with a focus on the Company's history and the strengths forged over this history.

MEDIA DO's History

Throughout its history, the MEDIA DO Group has remained at the forefront of the changing times, always guided by its mission of ensuring that written works, particularly eBooks and other digital content, are widely distributed throughout society. Relishing a challenge, we will continue to propose new content experiences and value while seizing business opportunities to grow.



1994–2012 MEDIA DO 1.0 | **2013–2020 MEDIA DO 2.0** | **2021– MEDIA DO 3.0**

Major Events

- **1995** Emergence of eBook services and stores (for computers)
- **2000** Mobile novel (for feature phones) boom in Japan
- **2003** Rise of mobile comics (for feature phones)
- **2007** Release of first iPhone (United States) Launch of Amazon Kindle and Kindle Store (United States)
- **2010** Release of iPad
- **2013** Emergence of free comics apps

1994

Origin as a tech company, start of the content distribution business

Now Representative Director, President and CEO Yasushi Fujita founded MEDIA DO's predecessor in June 1994 while he was still in college, entering the mobile phone business at this time. MEDIA DO Co., Ltd., was established in April 1999. It was this company that launched the Pake-wari! system for reducing packet communication traffic volume in October 2000, before starting a content distribution business by releasing a ringtone distribution service in July 2004.

2006

Shift from music to eBooks and entry into the eBook wholesale business

Using the IT and content business insight gained through the provision of Pake-wari! and its ringtone distribution service, the Company entered the eBook distribution market, which enjoyed great potential for share growth. In October 2006, MEDIA DO developed the proprietary md-dc content distribution service and went on to launch its eBook wholesale business.

2013

Business growth in conjunction with smartphone-driven market growth

The popularization of smartphones drove the rapid growth of the eBook market. MEDIA DO took advantage of this rapid market growth through means such as commencing the supply of content for the LINE Manga service in April 2013, achieving massive increases in its sales and market share as a result. The Company was thus able to list its stock on the Mothers section in November 2013 and then transfer its stock to the First Section of the Tokyo Stock Exchange (TSE) in February 2016.

2017

Conversion of Digital Publishing Initiatives Japan into a subsidiary and achievement of the No. 1 position in the domestic eBook distribution industry

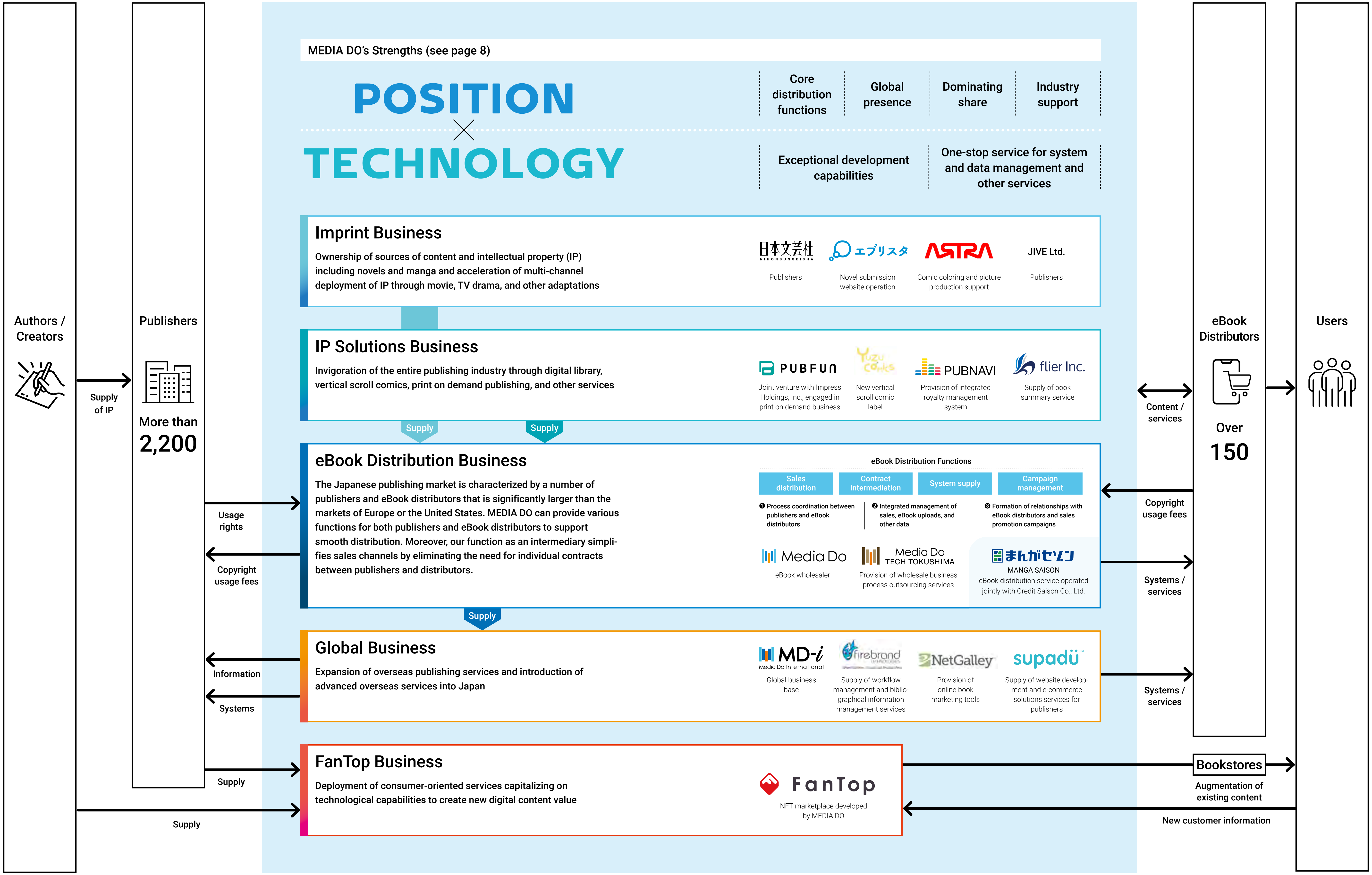
MEDIA DO acquired Digital Publishing Initiatives Japan Co., Ltd., as a subsidiary in March 2017 and then proceeded to convert it into a wholly owned subsidiary in June of that year. This move earned the MEDIA DO Group the No. 1 position in the domestic eBook distribution industry.

2021

Capital and business alliance with major paper book wholesaler Tohan, becoming its major shareholder; utilization of blockchain technology; and pursuit of market growth and new market creation

MEDIA DO announced its new medium-term management plan in April 2022, declaring its goal of establishing new earnings pillars to grow its business based on operating environment changes, such as the social changes spurred by the COVID-19 pandemic and the increased competition in acquiring content.

What Type of Company Is MEDIA DO?



Strengths Forming Our Business Foundation

POSITION × TECHNOLOGY

MEDIA DO utilizes a business scheme aimed at developing a unique intermediary platform in the eBook distribution chain through a software as a service (SaaS) business model. Based on this scheme, we are enhancing the position and technology that represent our competitive edge.

POSITION

Top share in the domestic eBook distribution market

- Transactions with more than 2,200 publishers and over 150 eBook distributors
- Ability to conduct transactions with more than 99% of Japanese publishers offering eBooks
- Share of 36% in the domestic eBook distribution market*1 and position as the No. 2 global distributor of eBooks

*1 Calculated by dividing MEDIA DO's forecast gross transaction value for the fiscal year ending February 28, 2028, by the total transaction value for the market as a whole

- Gross transaction value ¥190.0 billion (FY2022)
- Total managed eBook distributor campaigns (FY2022)
  More than 16,000 (down 0.4% year on year)
- Number of content items distributed through campaigns (FY2022)
  More than 1.8 million (up 15.6% year on year)

Strong connections within the industry

- Approximately 14% of shares held by publishing industry members, including four major publishers*2 and Tohan

*2 The figure for shareholdings is based on the number of shares issued as of February 28, 2023.
"Four major publishers" refers to KADOKAWA CORPORATION, KODANSHA LTD., SHUEISHA Inc., and SHOGAKUKAN Inc.

- Only Asian company to dispatch an employee to serve as co-chair of the Publishing Business Group of the World Wide Web Consortium (W3C),*3
  Appointment of the first W3C evangelist from Japan

*3 W3C is an organization promoting international standardization of internet technologies. In February 2019, MEDIA DO joined the ranks of world-leading publisher Penguin Random House, which has dispatched representatives for both the United States and Europe, by dispatching Daihei Shiohama, president and CEO of Media Do International, Inc., to serve as co-chair. Shiohama later became the first W3C evangelist from Japan in January 2021.

TECHNOLOGY

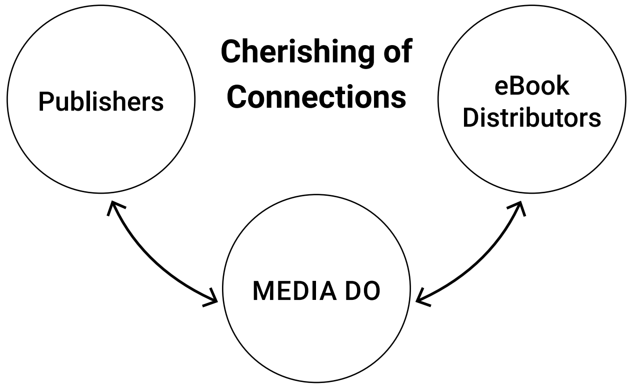
Engineer team Approx. 100 members

- In-house development of everything from eBook distribution platforms for supporting massive quantities of data traffic to services built on blockchain and other advanced technologies

Office Renovation

Designed to Further Communication with Internal and External Colleagues

The COVID-19 pandemic created benefits for MEDIA DO in the forms of special demand as a result of people increasingly staying at home as well as advancement of the digital transformation trend. At the same time, however, the pandemic greatly reduced opportunities for communication with colleagues inside and outside of the Company, and therefore diluted internal coordination and co-creation with external partners. As an intermediary positioned between publishers and eBook distributors, close communication between partners in both categories is of utmost importance to MEDIA DO. The pandemic thus served to remind us of the importance of building strong relationships between employees and with business partners and of promoting co-creation through communication. We therefore undertook a complete renovation of the eighth-floor office space of our head office with the goal of creating a workplace environment where people would want to gather or visit. Based on the concept of "Creation & Energy," this renovation was completed in September 2022.



CREATION & ENERGY

Through the renovation of its office space, MEDIA DO sought to produce a space that places books more close at hand while also being a place where people gather naturally to talk and produce new ideas. This space is anticipated to help us create the services and solutions that publishers and eBook distributors need. Not satisfied simply with this creation, we will also cherish the joy and confidence felt when business partners embrace the created services and solutions and use these feelings as the energy that drives us to propose even more viable services and solutions.

Peripatetic Forest

Taking inspiration from the Peripatetic school of ancient Greece, which was known to discuss philosophy while waking in the shade of trees, the Peripatetic Forest was designed with the goal of creating a space that would encourage employees to walk and think around the office, engaging in communication with people from other divisions and companies. The vast indoor "forest" containing more than 100 actual trees is made to feel even more expansive by the large south-facing window that looks out on the rich greenery surrounding the Imperial Palace. Working and talking in this environment is anticipated to lead to the creation of fresh new ideas.

Fahrenheit 451 Café

Located in the Peripatetic Forest, the Fahrenheit 451 Café is a café area named after *Fahrenheit 451*, a science fiction novel by U.S. writer and poet Ray Bradbury. This name was chosen as the concept of the novel, which inspires readers to ruminate on the power of thought and the importance of books as a form of record, perfectly matched the concept of the new office. The confections sold at the café were created under the guidance of Yusaku Shibata, a member of the Japanese team that won the 2023 Coupe du Monde de la Pâtisserie (World Pastry Cup) in France, claiming the victory for Japan for the first time in eight competitions since the prior win in 2007. A tasty confection and a drink will surely accent the conversations that take place at this café.

Peripatetic Forest Library

The Peripatetic Forest Library contains a collection of around 5,000 works carefully selected by a team led by Vice President Shin Niina, who spent years working as a literary editor at a publisher. By ensuring that a book is always close at hand, the library beckons employees to reach for its shelves for a source of new innovation. This area is an expression of MEDIA DO's respect for publishing and books, and is symbolic of the value and history of publishing.

In this library, visitors will also find the Leonardo da Vinci Room, which displays rare and exquisitely reproduced facsimiles of the manuscripts of its namesake Renaissance artist. This room is a representation of MEDIA DO's unfaltering commitment to transcendental ideals.

012_Message from the CEO
018_Special Feature 1: Unlocking the Potential of Content

Why We Do It?

This section examines the reasons behind MEDIA DO's commitment to content and the potential of said content. Here, we will look at the ideals President and CEO Yasushi Fujita injected into MEDIA DO's corporate philosophy and the approach the Company will take toward unlocking the potential of content.

Message from the CEO

Yasushi Fujita
President and CEO

As a venue for connecting content with other content, people, and technologies, MEDIA DO will continue to build upon its position with the goal of maximizing its positive impact on society and thereby realizing its vision of “More Content for More People!”

Greater Impact on a Wider Range of Business Fields

In leading the MEDIA DO Group, I always try to remain mindful of our purpose. Examining this purpose in a variety of management settings always brings me back to one place: our point of origin, our mission of "unleashing a virtuous cycle of literary creation." Creative works cannot exist without their creators, and we therefore can have no cycle of literary creation without a framework for returning the earnings generated from works to their creators. Until now, the eBook distribution business has been the primary engine behind the Group's growth. In this business, we develop such frameworks for eBooks in the digital sphere. I feel pride in the contributions we have

made to cultural development, as described in Article 1 of the Copyright Act of Japan, through this business. Our eBook distribution business entails publishers and other content holders entrusting us with authorized digital content, which we distribute to a wide range of users. Our faithful fulfillment of our duties has earned us a position characterized by trust from the industry, which grants us access to people and information. This has also enabled us to grow and achieve net sales surpassing ¥100 billion.

However, these are all only milestones. The virtuous cycle of creation proposed in our mission does not refer purely to the creation of books. Rather, we look to contribute to the creation of music, video, and the full spectrum of creative works. As such, we are not limiting our sights to the publishing industry, but aspiring to generate a greater impact in a wider range of business fields. This is the true mission of MEDIA DO, and the goal I have pursued since its founding.

The position and technologies we have developed in the eBook distribution business equate to the trust we have earned from the publishing industry and the technological prowess that enables us to lead the promotion of digital transformation. I am confident that these strengths will allow MEDIA DO to grow into an entity with the power to support the transformation and evolution of the greater content industry, of which publishing is a part. This confidence shaped MEDIA DO's five-year medium-term management plan, which is slated to conclude with the fiscal year ending February 28, 2027. This plan calls on us to leverage the trust MEDIA DO has earned thus far as the foundation for cultivating new earnings sources that can stand alongside the eBook distribution business. We thereby aim to transform MEDIA DO from a company synonymous with eBook distribution to a company that is recognized for its contributions to the content industry.

Progress as Anticipated in the First Year of the Medium-Term Management Plan

The medium-term management plan identifies four strategic investment businesses to be cultivated into a new pillar of earnings. These are the imprint business, the global business, the IP solutions business (previously referred to as the publishing solution business), and the FanTop business (previously referred to as the fan marketing business). Currently, the eBook distribution business represents around 90% of MEDIA DO's net sales. We will, of course, continue to grow this business. At the same time, however, we will conduct aggressive investments in our high-margin strategic investment businesses. Our goal is to grow these businesses to account for roughly 25% of net sales and 50% of EBITDA in the fiscal year ending February 28, 2027, the final year of the plan. This process is anticipated to lead us to accomplish our targets of net sales of ¥150.0 billion and operating profit of ¥8.5 billion set for the same year.

In the fiscal year ended February 28, 2023, the first year of the medium-term management plan, both net sales and operating profit were down, with figures of ¥101.6 billion and ¥2.4 billion, respectively. However, we expected this sort of outcome, as you can see in the targets the plan sets for this year of net sales of ¥100.0 billion and operating profit of ¥2.0 billion. Accordingly, I would say that our progress thus far has been as anticipated. There are two main causes behind these declines. The first is the rebound from the benefits of large-scale campaigns conducted by distributors in the fiscal year ended February 28, 2022. The other is a reduction in sales associated with a change in the sales channel for a major business partner.*1 If these two factors are excluded from calculations, net sales would be ¥79.7 billion for the fiscal year ended February 28, 2022, and ¥88.6 billion for the fiscal year ended February 28, 2023, which would represent double-digit year-on-year growth and the continuation of our prior growth trend.

*1 For more information, please refer to the news release entitled "Notice regarding status of transactions with main business partner, and earnings forecasts for current fiscal year," which was issued on April 14, 2022.

eBook Distribution Business

Pursuit of Operational Excellence through Increased Internal and External Communication

I would now like to go on to discuss our mainstay eBook distribution business. We made steady progress in increasing our share of distribution and building upon our foundation of trust from the publishing industry amid solid growth in the eBook distribution market.

The COVID-19 pandemic ignited a rapid growth trend in the eBook market. However, the effects of the pandemic have since dissipated, resulting in a decline in the rate at which the eBook market is growing. Nevertheless, we anticipate that the market will continue to show firm growth, especially given that the scale of this market is projected to surpass ¥800.0 billion in four years.*2 Our eBook distribution business will thus be able to continue to benefit from robust market growth. I believe it is important that we maintain our momentum as we progress going forward, taking appropriate risks and pursuing operational excellence.

One threat that has particularly concerned me in recent years amid the COVID-19 pandemic is the potential for the dilution of co-creation and coordination with internal and external partners. The eBook distribution business functions as an intermediary between publishers and eBook distributors and has grown by developing various solutions in the form of systems based on communication with both of these business partners. During the pandemic, this communication with partners and the proposal of such solutions needed to be performed via the internet. Within the Company as well, online communication between the sales representatives engaging with partners and the engineers developing our systems took place online. No doubt, there were cases in which people were unable to effectively communicate what they wanted to get across.

I was thus concerned that, if things continued like this, it would adversely impact our relationships with business partners as well as the quality of our solutions. Fortunately, we were able to resolve this by fully renovating the eighth-floor office space in our head office. Completed in September 2022, this renovation resulted in a jump in the ratio of employees coming into the office. Specifically, on March 31, 2023, 65.6% of employees came into the office, a massive improvement of the rate of 36.8% seen prior to the renovation. This more conducive office environment invigorated communication between employees. Similarly, we have transitioned from online to offline meetings with business partners, which has helped bolster co-creation and coordination with people both inside and outside of the Company. Guests from publishers and other partners visiting our renovated office have praised the new space, stating that it was the type of office only MEDIA DO could create. Going forward, we will continue to take advantage of the benefits of teleworking while also focusing on enhancing internal and external communication in our pursuit of operational excellence.

*2 Source: eBook Marketing Report 2022 on Japanese Market, Impress Research Institute

Strategic Investment Businesses

Steady Cultivation of New Earnings Sources

Our strategic investment businesses are not yet producing earnings contributions. Nevertheless, we made steady progress in cultivating these businesses into a new earnings pillar in the fiscal year ended February 28, 2023.

Anticipations are particularly high with regard to our FanTop business. Launched in 2021, this business is using non-fungible tokens (NFTs), a blockchain-based technology, to create a new distribution model for digital content. The advent of NFTs made it possible to give digital items, which were previously infinitely reproducible, the quality of finiteness, or, in other words, value as assets. This revolutionary new form of digital asset resulted in the rapid appearance of marketplaces trading one-of-a-kind items, like digital art, at high prices. At the same time, however, issues surrounding counterfeit and fraudulent NFTs also began popping up. In this newly emerging market, MEDIA DO aspires to create a differentiated platform specially designed for the content industry. This platform takes advantage of the strengths and characteristics of the position founded on the trust we have gained by working closely with the industry and only dealing in authorized content for the past quarter of a century. We are also extending our platform into the physical realm, namely paper books and the bookstores that sell them. By consolidating and merging digital and physical elements into a single platform, FanTop becomes a hub for maximizing the value and distribution of content.

With this larger goal in mind, we are presently devoting the most attention to physical publications with attached digital NFT benefits in our partnership with TOHAN CORPORATION. We are still in the phase of marketing these new offerings, but we have already succeeded in attaching NFTs to some 500,000 paper publications thus far.

On average, the prices of physical publications with attached digital NFT benefits sold over the period from January 2022 until today have risen by around 33%, and the rate of sales has increased by about 37 percentage points (calculated using the first 30 days after the start of sales for the rate of sales of new publication and excluding reprints). Up until now, we have helped provide more than 120 physical publications with attached digital NFT benefits through collaboration with over 70 content holders. These numbers may still be small, but I believe we can say that we are making steady contributions to the energization of the publishing industry.

Moreover, if purchasers of physical publications with attached digital NFT benefits want to claim their NFTs, they must sign up for FanTop. Accordingly, an increase in the number of physical publications with attached digital NFT benefits will translate to an increase in the number of FanTop users. As FanTop is a platform business, its success will be dependent on the number of its users. In Japan, the number of publications distributed each year climbs to around 2 billion. Increasing the number of physical publications with attached digital NFT benefits will therefore be an important task for MEDIA DO going forward. Nonetheless, our initiatives thus far have given us a clear understanding of the potential for FanTop, the challenges that need to be overcome, and the ways we can differentiate FanTop from other NFT marketplaces. Based on this understanding, we aim to accelerate the growth of the number of physical publications with attached digital NFT benefits distributed. At the same time, we will make ongoing improvements to the user interface and experience of FanTop and work to increase its user numbers, and consequently heighten its value as a platform.

Next, I would like to talk about the IP solutions business. The pandemic radically transformed the content industry by stimulating a sharp increase in demand and diversifying the way in which services are provided. Japan has one of the largest stocks of comic content in the world. Japanese comics, or manga, have earned a strong reputation around the world for their exquisite storytelling. One of my ambitions is to provide fuel to ignite the fires of passion for producing manga in Japan in order to introduce the world to an even wider array of high-quality content. One vessel for this creation is EVERYSTAR Co., Ltd., a company we acquired in 2021. This company operates a novel submission website that currently holds the No. 1 spot in the industry in terms of number of works submitted as well as the No. 4 spot when it comes to monthly access numbers. More than 80,000 authors have submitted works to the EveryStar website, which are read by its more than 2.6 million users. One work that got its start on this website was Karada Sagashi, which has since been the subject of novel, comic, and movie adaptations, making it a prime example of the multimedia deployment of an IP born on EveryStar. With the goal of promoting such multimedia deployment, we are bolstering our frameworks for improving the value of IP while proposing such IP to publishers. In 2022, we made 100 such proposals. In 2023, this number rose to more than 600. By forming a virtuous cycle in which works that capture the hearts of users are collected on EveryStar, and these works then give rise to new content, we aim to acquire and develop the functions that will be core to our content business.

Another area we have set our sights on is vertical scroll comics, for which the market has been growing rapidly in recent years. The scale of the global market for vertical scroll comics was ¥630.0 billion in 2022, and this market is expected to grow to a scale of more than ¥3 trillion in 2028. In this area, we are supplementing the work production pipeline of EveryStar by bolstering our production capacity through capital participation in companies in South Korea, a country that pioneered this format, and investments in vertical scroll comic studios located in this country.

In the imprint business, meanwhile, we intend to pursue synergies for growing the sales of NIHONBUNGEISHA Co., Ltd., a core subsidiary in this business, through our partnership with Tohan as well as through coordination with FanTop. We will also transform this business in terms of distribution control and digitalization.

Lastly, in the global business, the Firebrand Group, a conglomerate comprised of U.S. publishing SaaS companies that we acquired in 2021, has been playing a central role in growing our market share in Europe and the United States. MEDIA DO has also been working together with the Firebrand Group with the aim of deploying FanTop in the European and U.S. markets.

Introduction of New Technologies into the Content Industry

Technology has the power to transform industry structures and conventions in a moment. We therefore must take a long-term perspective in determining how we introduce technologies into society. As seen in the example of eBook piracy websites, a misstep in embracing technologies can put content in the hands of more users in the short term while also preventing the creation of future content if the earnings from said content are not returned to its creators and publishers.

Moreover, we cannot just digitize everything; we must also protect the value of physical media. The overall domestic publishing market is currently expanding, after striking bottom, due to the growth of eBooks. However, this does not change the fact that the number of bookstores has declined by 50% over the past two decades. If this situation continues, it will impede the cycle of reproduction of enduring works while also reducing opportunities for serendipitous encounters with new types of books and killing off venues for satisfying one's intellectual curiosity. This in turn will create serious social issues by lowering the level of education and culture in Japan.

MEDIA DO's mission is "unleashing a virtuous cycle of literary creation." We will go about doing this by contributing to the resolution of such issues faced by the publishing and content industries while implementing the ideal technologies. One such technology-fueled solution is physical publications with digital NFT benefits. These items not only produce new earnings opportunities for creators and publishers but can also be used in frameworks that return earnings to physical bookstores through peer-to-peer distribution. If this approach becomes more recognized and entrenched as a de facto standard for the distribution of paper books, it will become possible to adapt this approach to accommodate an even wider range of content, including music and videos.

Over the years, MEDIA DO has proceeded to use technology to support the distribution of eBook content and realize its vision of "More Content for More People!" In the future, we aim to continue to utilize cutting-edge technologies, such as NFTs, to build a platform that can contribute to the development of creation value chains for all content, both physical and digital. I am convinced that this will help us resolve social issues.

Sustainable Organization Created through Exercise of Our Corporate Philosophy

Fulfilling this function and making ongoing contributions to cultural development can be accomplished through the exercise of our corporate philosophy. An earnest commitment to our corporate philosophy is sure to transform the organization of the MEDIA DO Group into one that is still around 50 or even 100 years from now. In June 2022, we established the Sustainability Committee to help us incorporate environmental and social issues, which will no doubt be important factors impacting our business and value creation activities, into our management strategies. The efforts of this committee have included formulating the MEDIA DO Group Basic Sustainability Policy and identifying material issues that will need to be tackled by management. Both of these items were announced in May 2023. Our 10 material issues include conservation and optimal use of natural capital, unleashing a cycle of literary creation and maximizing value, and establishing a comfortable workplace environment and promoting initiatives for well-being. These issues act as the guiding compass for our efforts to connect the sustainability of society to the sustainability of MEDIA DO in order to achieve long-term and ongoing improvements to corporate value.

Both management and employees were included in the process of identifying material issues as we sought to identify and analyze the issues faced by the MEDIA DO Group. After discussion by the Board of Directors, this process culminated in the selection of issues that represent a shared understanding for all members of the Group, something I believe to be incredibly valuable. This shared understanding aligns us in our quest to overcome these issues while also giving a glimpse of the possibilities that may lie beyond. I also expect that our efforts to tackle these issues will grant MEDIA DO a distinctive position that is unique from its peers and that highlights its strengths.

If MEDIA DO is to become an entity that is still operating a century from now, it is crucial that everyone, including both management and employees, think about to whom they can entrust their role to ensure that we are able to continue to fulfill our responsibility toward the content industry. Earlier, I spoke of how I always try to remain mindful of our purpose. A focus on our purpose, I believe, is vital to fostering this type of awareness regarding those who will take over our roles. It is therefore important that we effectively explain this purpose and to thereby encourage employees to grow. Every employee at MEDIA DO should try to find a goal that they can accomplish only because they are at the Company, something that can be the legacy they create for the benefit of the next generation of employees. Each legacy created will lay another brick on our path toward becoming an entity that is still operating a century from now.

Maximization of Social Impact by Capitalizing on Competitive Edge

The ultimate goal of our medium-term management plan is fostering new earnings pillars, and we have made large strides toward accomplishing this goal. Our FanTop business, for example, is expected to catalyze the growth of Groupwide earnings by growing itself while also contributing to the growth of our eBook distribution business and of other strategic investment businesses. This business has thus formed an important foothold for the transformation of MEDIA DO from a company synonymous with eBook distribution to a company that is recognized for its contributions to the content industry. Nevertheless, our journey toward this goal has only just begun.

The pandemic hammered home the potential of content and the fact that it is indispensable to fulfilling lifestyles and an enriched culture. Our mission of "unleashing a virtuous cycle of literary creation" is the task of creating a world brimming with content based on our faith in the endless potential of this content.

The MEDIA DO Group has competed primarily in the publishing industry and in the greater content industry for a quarter of a century. Going forward, we will continue to leverage the position we have fostered over the years, the greatest factor behind our competitive edge, to address the issues faced by this industry as well as greater society. In this pursuit, will seek to give rise to innovation through co-creation with various content and IP holders. As a venue for connecting content with other content, people, and technologies, MEDIA DO will continue to build upon its position with the goal of maximizing its positive impact on society and thereby realizing its vision of "More Content for More People!"

I hope our shareholders, investors, and other stakeholders will continue to grant us their understanding and support.

August 2023

Yasushi Fujita

Yasushi Fujita
President and CEO

Q1
What is the social significance of books and other content and what issues are faced by the publishing industry?

Q2
How will MEDIA DO continue to contribute to the publishing industry?

Q3
What is your role in helping MEDIA DO explore new business fields?

Q4
What does MEDIA DO need to develop a business centered on IP?

Special Feature 1

Unlocking the Potential of Content

Shin Niina
Director, Vice President, and COO

Teruyoshi Ando
Executive Officer
(IP Solutions Business)

MEDIA DO has long contributed to the greater industry, of which of which publishing is a part, by distributing content through its eBook distribution business. Today, MEDIA DO is preparing to embark on business ventures for creating content. On the following pages, you will find interviews with Director, Vice President, and COO Shin Niina and Executive Officer Teruyoshi Ando in which they explore the reasons behind this new undertaking by looking at the meaningfulness of growing the new strategic investment businesses as well as the future prospects for these businesses.

Shin Niina
Director, Vice President, and COO

Shin Niina became representative director and president of Digital Publishing Initiatives Japan Co., Ltd., after holding positions at CHUOKORON-SHINSHA. INC. and KADOKAWA CORPORATION He assumed his current position in 2018, following the merger of Digital Publishing Initiatives Japan and MEDIA DO. In 2020, he became representative director of the anti-piracy organization Authorized Books of Japan.

Q1 What is the social significance of books and other content and what issues are faced by the publishing industry?

Content is significant to society in that it enriches culture and encourages diverse values. A society that only accepts a limited scope of values is weak to change, whereas a society that is accepting toward diverse values remains strong in the face of change. This hypothesis has been proven true again and again throughout the course of our history. For this reason, content is all the more important in today's rapidly changing society.

However, this purpose cannot be fulfilled without a diverse selection of content that can be accessed by a wide range of people. For published works, it is the responsibility of the publishing industry to ensure access to diverse content. This is why MEDIA DO defines its vision as "More Content for More People!"

In the simplest of terms, the publishing industry has two major functions: creating works and delivering these works to readers. The first function is fulfilled by writers and publishers. The second by wholesalers and bookstores. Up until now, the publishing industry has been built upon this clear division of functions. However, a glance at the publishing industry of today will make one cognizant of the limits of this structure. These limits are nowhere more clear than in the recent struggles in the management of bookstores and in the resulting steady decline in the number of bookstores in Japan, which is only one-third of what it was 25 years ago. As seen in these examples, the functions for creating works and for delivering works to readers are no longer linking up like they used to. The popularization of the internet and the trend toward globalization have transformed social structures, making them more complicated and exposing their cracks. This is the cause of the serious issues faced by the publishing industry. Regardless, the industry still maintains its prior division of functions, with each function pursuing optimization within its respective domain. As such, the industry has been unable to keep up with the changes in society. If this situation is not changed, content may lose the social significance I spoke of earlier. I have been involved in the publishing industry for many years. I therefore recognize that the industry is currently at an important turning point and needs to revise its fundamental structures from the perspective of overall optimization.

#1 What We Do
#2 Why We Do It?
#3 How We Do It?

Q2 How will MEDIA DO continue to contribute to the publishing industry?

MEDIA DO has established a strong position in the eBook sector of the overall publishing industry. We see a division of functions when it comes to eBooks that is similar to that of the overall publishing industry, with the main difference being a digital format as opposed to a physical format. In terms of the functions for creating works and for delivering works, MEDIA DO's mainstay eBook distribution business falls into the latter category as it is essentially a wholesaler.

One way that the eBook market differs from the paper book market is that the eBook market is actually showing strong growth. After 2019, this growth was further accelerated by the special demand trend associated with people staying at home during the COVID-19 pandemic. The growth of eBooks translated to impressive growth for the overall publishing industry, when accounting for both paper books and eBooks. The MEDIA DO Group contributed to this through its efforts to reduce the burden placed on publishers and distributors and to make their work more efficient. These efforts have earned us an unshakable position underscored by a 36% share of the domestic eBook distribution market in the fiscal year ended February 28, 2023.

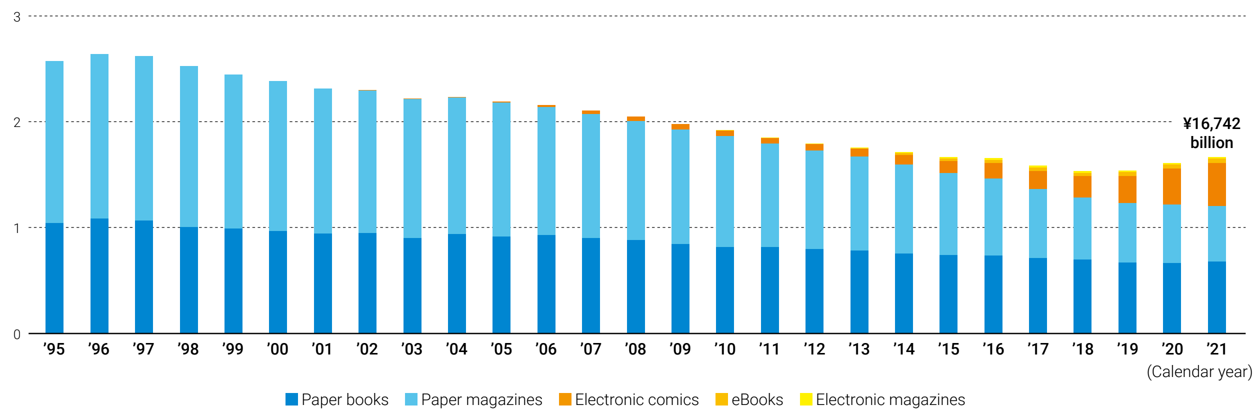
However, this does not mean that there are no issues with the current structure of the eBook market, which, again, is prefaced on a division of functions. For example, eBooks are easier to produce and distribute than paper books, but once they are on the market they will never completely disappear. This presents the serious problem of how exactly to manage the limitless amount of content that may be produced going forward. This is a problem that cannot be fully addressed from the perspective of optimization of one side of the divided functions. Moreover, it can be expected that numerous such issues will appear in the future.

Under its medium-term management plan, the MEDIA DO Group is developing four new strategic investment businesses, namely the imprint business, the IP solutions business, the global business, and the FanTop business. However, our goal is not simply to grow these businesses. Another important aim of the development of these businesses is to acquire functions for creating works to augment existing functions for delivering works to readers so that we can possess all of the functions that are important to publishing. A full range of functions will equip us to approach the various issues faced by the publishing industry from the perspective of overall optimization and to play a leadership role in the overall industry. We are not limiting our sights to eBooks; we also have ambitions for paper publications. Smooth progress is being made in our joint efforts with Tohan, a major paper publication wholesaler with which we formed a capital and business alliance in 2021. I therefore see the potential for the Group to utilize its strengths in technologies to contribute to the publishing industry in both the paper and digital sectors.

Assessing our progress in these strategic investment businesses after the first year of the medium-term management plan, in the imprint business, I would say that Nihonbungeisha, and the other publishers welcomed to the Group have been demonstrating their unique strengths. We have also begun forays in the production of vertical scroll comics, but these efforts have yet to create results. The FanTop business, meanwhile, is helping invigorate the publishing industry in both the paper and digital sectors through its physical publications with digital NFT benefits. In the IP solutions business, which is overseen by Mr. Ando, we saw the release of a movie adaptation of Karada Sagashi, a work born on the EveryStar novel submission website, in 2022. EveryStar has a lot of potential as a framework for creating new content.

Scale of Publishing Market (Paper + Digital)

(Trillions of yen)



Source: All-Japan Magazine and Book Publishers and Editors Association

Teruyoshi Ando
Executive Officer (IP Solutions Business)

Teruyoshi Ando has experience in business promotion and sales management at Kadokawa Group Publishing Co., Ltd., and has held important posts at subsidiaries of this company. He joined MEDIA DO in 2022 before assuming his current position.

Q3 What is your role in helping MEDIA DO explore new business fields?

Prior to joining MEDIA DO in 2022, I worked at KADOKAWA, mainly building my career in areas related to sales to publishers and digital marketing. In other words, I was involved in the functions for creating works that Vice President Niina talked about. I too sensed the structural issues with the publishing industry that he spoke of. It is a sad situation if the works we devote so much effort to creating never make it into the hands of readers. Recognizing this issue, I decided that I wanted to branch out from the content creation function to get involved in the content distribution function. This prompted my decision to join MEDIA DO. When viewed from the outside, it is clear that the MEDIA DO Group excels at delivering content in an appropriate manner. Here, "appropriate" refers to a diverse range of qualities including speed and impartiality. I have utter confidence in the security and reliability of the Group's eBook distribution business.

In terms of helping MEDIA DO explore new business fields, I believe that I can contribute by empowering the Group with the IP business insight and expertise I have amassed over my career thus far. The IP solutions business I oversee was originally called the publishing solution business. This change in name was made because I felt that we should not limit ourselves to publishing, but should rather broaden our scope to include content outside of books as well as the characters and other IP that arise from said content.

Vice President Niina talked a little bit about EveryStar. This website is playing an important role as part of our content production pipeline. As I also oversee the imprint business, I look for new IP through this website and then research promising content in which we might want to invest. I also see a lot of potential with regard to a multimedia approach toward IP, as was witnessed with the movie adaptation of Karada Sagashi. This approach can be used to increase the value of IP while also generating immediate benefits from the perspective of branding for the MEDIA DO Group. This is why I plan to continue our aggressive investment in IP. We are also exploring avenues such as voice businesses, although these initiatives are still quite small. In this manner, I look to use all available options to maximize the value of IP and expand the MEDIA DO Group's operations in new fields.

Q4 What does MEDIA DO need to develop a business centered on IP?

It goes without saying that our success in these forays will be dependent on our ability to create or discover the promising IP that will be at the heart of these businesses. There is no guaranteed approach for identifying winning content, and we will no doubt choose some losers along the way. This is why we must refrain from concentrating all of our management resources in one area. Rather, we should take an approach like that of Japan's general trading companies, which increase their resilience by building diverse business portfolios. Learning from this example, I think it would be prudent for MEDIA DO to ready multiple pipelines for creating and discovering IP and allocate its management resources to the pipelines in the optimal manner. This will require us to recruit or cultivate human resources with what you could call a content-oriented mindset. I feel that such individuals are still a rarity within the MEDIA DO Group. To address this, we are implementing aggressive recruitment campaigns in both the IP solutions business and the imprint business.

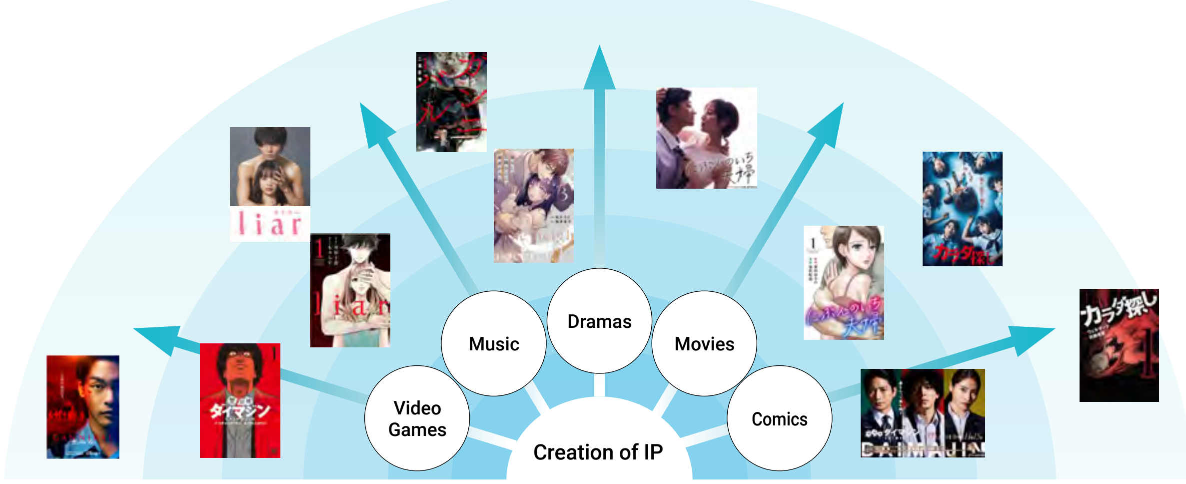
When it comes to maximizing the value of promising IP, we already have a decent amount of success stories and expertise within the Group, like the multimedia deployment example I mentioned earlier. We are also more than equipped to utilize the function of delivering works to readers that MEDIA DO has cultivated throughout its history. Furthermore, the NFTs that are central to the FanTop business, a target of Groupwide attention, are a game-changing technology with the potential to radically transform the content industry. I therefore expect NFTs to be a powerful driver behind improvements to the value of IP.

The MEDIA DO Group is the only entity poised to create content, deliver it to users in an appropriate manner, and maximize its value. There is no other company that can resolve the issues arising from the content industry's current division of functions by performing all of these functions itself. Of course, we cannot promise that we will succeed in creating and discovering IP that will capture the imaginations of a wide range of people. I can, however, say that we are committed to this task, and we will not throw in the towel in our efforts to support creators going forward. When a promising opportunity emerges, the entire MEDIA DO Group will muster its collective strength to generate the maximum value.

The exploration of new business fields by MEDIA DO is an undertaking that will help it realize its vision of "More Content for More People!" while also contributing to the invigoration of the entire content industry. I hope that all of our stakeholders will watch with anticipation as MEDIA DO advances to the next stage of its evolution.

Multimedia Deployment of Works Submitted through the EveryStar Novel Submission Website or Produced by Nihonbungeisha

Maximization of IP Value



Expression of IP in multiple mediums to raise value

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Special Feature 1
Unlocking the Potential of Content

All about NFTs

Non-fungible tokens (NFTs) are a technology for attaching one-of-a-kind recording data (tokens) to individual pieces of digital content, such as music or eBooks.

Previously, eBooks, music, videos, and other forms of digital content were purely meant to be consumed by users for their own enjoyment. NFT technology attaches recording data to each individual piece of digital content to assign an identification number. This makes it possible to determine who owns a piece of content while also protecting said content from hacking, alteration, or deletion. Moreover, NFTs can be traded among peers, thereby giving digital content value as an asset. In this manner, NFT technology creates two new ways to enjoy digital content that were previously impossible: collecting and forming connections with other fans.

	Concept of "ownership" **NFTs**	Concept of "consumption" Prior **Digital Content**
Technologies	**Decentralized control (Public chain)**	**Centralized control**
Fungibility	**No** (One-of-a-kind data with ownership backed by identification number and certificate of ownership)	**Yes** (Everyone has the same content)
Examples	**Digital collectors' items** (NBA Top Shot, CryptoKitties, etc.)	**eBooks, music, and videos distributed by conventional means** (Kindle, YouTube, Spotify, etc.)

MEDIA DO's NFTs

Hajime Suzumura
Executive Officer
(Group Integration, President & CEO Office, and FanTop Business)

In the FanTop business, we provide services that use NFTs to attach new value to physical publications in forms such as digital items in order to expand the possibilities for these publications. However, NFTs are merely technology. It is our creativity that allows us to use this technology to increase the value of physical publications and other content. With our creativity, we can imagine countless routes for using NFT technology. We could attach videos or music to physical publications. We could even provide eBooks that contain side stories that differ from what is actually in the book to which they are attached. Also, while physical publications cannot be changed after they are printed, NFTs are digital, which means that their content can be updated even after they are attached. This ability to change is another major characteristic of NFTs.

At the moment, the most common application of NFTs is for digital art. Under this model, NFTs themselves are traded at high prices, but, as they are one-of-a-kind items, prices are highly volatile and the number of users that can enjoy these NFTs is limited. Conversely, MEDIA DO's FanTop service offers a number of NFTs that can be purchased for only a couple hundred yen. Moreover, the creators receive royalties for all of these purchases. However, as the amounts of single transactions are significantly smaller than those of digital art NFTs, there is no avoiding the emergence of a model centered on small profits and quick returns. As such, we have yet to make a service that can truly be enjoyed by a wide range of users. Overcoming these challenges will be essential to realizing our vision of "More Content for More People!," and this question is also what makes this business so exciting.

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030_Performance Highlights
032_Growth Strategies
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042_The MEDIA DO Group's Sustainability
043_The MEDIA DO Group's Material Issues
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How We Do It?

This section examines how MEDIA DO will heighten its corporate value to achieve its vision and shape its desired future through explanations on the growth strategies and sustainability strategies implemented in pursuit of ongoing improvements to corporate value.

Message from the CSO and CFO

Hiroshi Kanda
Director, CSO and CFO
Chairman, Sustainability Committee

MEDIA DO will continue to create corporate value by engaging with the market, with an emphasis on cost of capital and its share price, while taking appropriate risks and optimizing its portfolio.

Overview of the Fiscal Year Ended February 28, 2023 (First Year of the Medium-Term Management Plan)

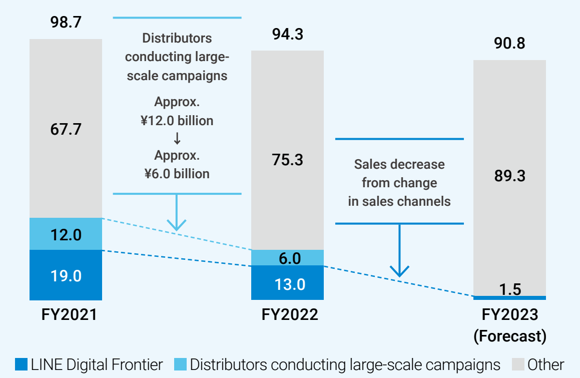
In the fiscal year ended February 28, 2023, MEDIA DO posted net sales of ¥101.6 billion, down 2.9% year on year; operating profit of ¥2.3 billion, down 14.9%; EBITDA of ¥3.8 billion, down 1.5%; and profit attributable to owners of parent of ¥1.0 billion, down 33.0%. The primary factor behind these declines was the change in sales channels for LINE Manga, a service operated by major business partner LINE Digital Frontier Corporation.*1 Other factors included the rebound from the benefits of large-scale campaigns conducted by distributors in the previous fiscal year, ongoing growth investments, and impairment losses following the transference of the shares of certain subsidiaries and the discontinuation of services as part of business portfolio reforms. However, it should be noted that these declines were something that we had expected at the beginning of the fiscal year. Despite these projected declines, we still implemented an upward revision to performance forecasts in the third quarter, and we were even able to achieve performance surpassing these revised forecasts. I therefore feel confident in saying that we made strong progress in the first year of the medium-term management plan.

MEDIA DO primarily develops its business in the eBook market. Although this market had previously benefited from the special demand associated with people increasingly staying at home during the COVID-19 pandemic, this demand for in-home entertainment has begun to dissipate together with the pandemic. Accordingly, the growth of this market appears to have returned to its normal level. During the height of the pandemic, MEDIA DO enjoyed growth rates of as high as 20% to 40%. Now that this trend has concluded, however, we found ourselves posting a net sales growth of 11.2% in the fiscal year ended February 28, 2023, when excluding the aforementioned extraordinary factors. It could thus be said that MEDIA DO has moved beyond a phase of rapid growth to enter into a phase of steady growth in line with the natural growth of the eBook market.

*1 For more information, please refer to the news release entitled "Notice regarding status of transactions with main business partner, and earnings forecasts for current fiscal year," which was issued on April 14, 2022.

Distributors Conducting Large-Scale Campaigns

(Billions of yen)



Note: A reorganization of the Company's segments was conducted effective April 1, 2022.

Consolidated Performance Forecast for the Fiscal Year Ending February 29, 2024

I regret having to inform you that, given these conditions, we are projecting that MEDIA DO will once again post decreases in sales and profit in the fiscal year ending February 29, 2024. The largest cause behind these decreases will be the lost revenues from the change in sales channels for LINE Manga in the eBook distribution business. To elaborate, in the fiscal year ended February 28, 2023, the amount of transactions associated with LINE Manga was ¥13.0 billion (the amount of transactions associated with LINE Manga in the fiscal year ended February 28, 2022, was ¥19.0 billion). In the fiscal year ending February 29, 2024, we will retain ¥1.5 billion of this amount through transactions based on exclusivity agreements with publishers, but the remaining ¥11.5 billion in revenue will be lost. Looking ahead, there are three main focuses we will emphasize in our efforts to compensate for this loss and to achieve recovery and growth in the eBook distribution business. These are the growth potential of the eBook market, the maintenance of MEDIA DO's share therein, and the development of MANGA SAISON, an eBook distribution service we are operating jointly with Credit Saison Co., Ltd.

In terms of the growth potential of the eBook market, we cannot expect the market to continue to grow at the rate seen during the period of the special demand from people staying at home in response to the COVID-19 pandemic. Nevertheless, we do anticipate that the market will continue to grow at a stable pace given that the trend toward transitioning from paper books to eBooks has proven to be irreversible. In the past, the growth of the domestic eBook market has been driven by people picking up electronic comics instead of paper comics. In the future, however, we expect to see growth in the adoption of new forms of content, such as vertical scroll comics. It is also anticipated that a full-fledged transition to digital for non-graphic books and other more mainstream publications might be just beyond the horizon. Such growth in the eBook market would be closely linked to growth in MEDIA DO's business. Based on this recognition, we began disclosing information on the monthly growth rate of MEDIA DO's distribution volume, a management indicator we wanted to share with stakeholders, in April 2023. The more the eBook market grows, the more market participants will have to deal with a multitude of sales management, campaign management, and other processes, and the more complicated these processes will become. This should create additional demand from companies looking to entrust us with integrating management of such processes. We anticipate that this will enable us to recover the share we lost following the transference of processes associated with LINE Manga.

Moving on, I would like talk about MANGA SAISON, an eBook distribution service that was started through a capital and business alliance with Credit Saison. This service differentiates itself from others through its high rate of point returns. Specifically, MANGA SAISON users are able to accrue points equivalent to 50% of the amount of any purchase, a level that our competitors simply cannot mimic. Moreover, these points can be linked to the points Credit Saison provides with no expiration dates. We intend to continue working together with Credit Saison to determine the best types of services and promotions to be rolled out for holders of such points with no expiration dates as well as new cardholders based on its management plans and targets.

In addition to our eBook distribution business, we are also developing strategic investment businesses. Under the medium-term management plan, we aim to grow these businesses into a second pillar of earnings. All of these businesses, which are anticipated to grow going forward, are moving on from the investment phase to the earnings improvement phase. Of particular note are the FanTop business and the IP solutions business, which includes our vertical scroll comic operations. These businesses will be crucial to the accomplishment of the targets of the medium-term management plan. Accordingly, we intend to define key performance indicators (KPIs) and otherwise develop frameworks for disclosing our progress in these businesses. We expect that the fiscal year ending February 29, 2024, will be a low point for consolidated performance, and we remain committed to lowering losses and achieving profitability in strategic investment businesses so that we can resume growth in overall sales and profit.

Performance and Targets by Segment (Billion of yen)

Declines up until FY2023 | Profit improvement beginning in FY2023

	eBook distribution		Strategic investment businesses		Adjustments		Total	
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023
Net sales	94.33	90.80	8.60	10.30	-1.30	1.10	101.66	100.00
Operating profit (loss)	5.24	4.75	-1.46	-1.09	-1.39	-1.65	2.39	2.00
EBITDA	5.85	5.34	-0.61	-0.15	-1.37	-1.59	3.86	3.60

Shareholder Returns Policy

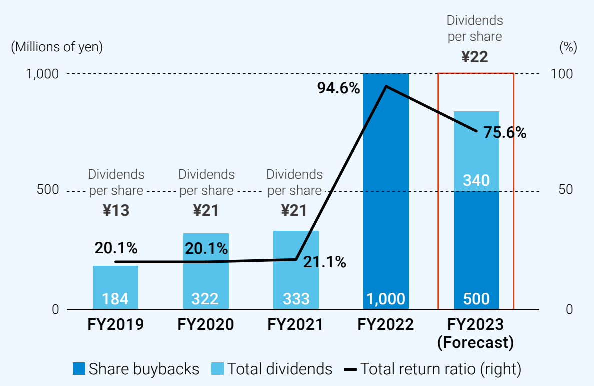
Even as we continue to invest in future growth, we maintain our recognition of the fact that the return of profits to shareholders is an important management task. It is the basic policy of MEDIA DO to issue dividends based on a comprehensive assessment of management conditions such as the Company's financial position and performance trends while also securing internal revenues. In accordance with this policy, a target of 30% or more has been set for the total return ratio.*2 In the fiscal year ended February 28, 2023, we chose to conduct share buybacks with an upper limit of ¥1.0 billion in light of the forecast for lower sales and profit as well as the need to communicate a clear message to shareholders regarding our commitment to business growth.

As for the fiscal year ending February 29, 2024, we intend to issue a year-end dividend of ¥22 per share, and we have already carried out another round of share buybacks, this time with an upper limit of ¥0.5 billion. There are two reasons for this hybrid approach toward shareholder returns combining share buybacks and dividends. The first reason is that we believe MEDIA DO's shares are being undervalued. The post-merger integration process following the 2017 acquisition of Digital Publishing Initiatives Japan (DPIJ) greatly expanded the scope of our operations, granting us a prominent position in the industry, and we believe that MEDIA DO's corporate value has been improving since then as a result. Regardless, MEDIA DO's recent stock price has been lower than it was when the Company merged with DPIJ as well as lower than when it conducted share buybacks in April 2022. We therefore believe that we are being undervalued. The second reason behind this approach toward shareholder returns is that we anticipate that the eBook distribution business will resume steady growth in the fiscal year ending February 29, 2024, and that strategic investment businesses will see reductions in losses, with some even posting profitability. As such, we plan to resume dividend payments to send a message of our confidence in these outcomes. The dividend forecast of ¥22 per share was arrived at by calculating a total return ratio of 30% based on the projected level of ¥1.1 billion for profit attributable to owners of parent in the fiscal year ending February 29, 2024. Even when considering the internal revenues needing to be retained based on investment plans, this should still make for a total return ratio of 75.6% on February 29, 2024, given that we have completed the ¥0.5 billion worth of share buybacks as intended. This round of share buybacks was concluded on May 1, 2023, and all acquired shares were canceled on May 31 from the perspective of improving earnings per share.

Going forward, we will continue to examine the ideal amounts of dividends and share buybacks based on our share price and financial position, with the aim of communicating our intended message to shareholders and other stakeholders.

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

Shareholder Returns



Business Initiatives and Financial Strategies for Growing Strategic Investment Businesses

Ongoing acquisitions are one way to grow a business. However, MEDIA DO is taking a new approach under the current medium-term management plan.

In the past, we have aggressively invested in acquisitions when we judged that their growth potential could be heightened by utilizing the sales capabilities and networks fostered through our core eBook distribution business. Through this approach, we succeeded in growing the scale of sales at Flier Inc., which was acquired in 2016, by multiple times after the reinvestment phase, though it had even achieved full-year profitability prior to that. We expect to be able to find more companies with potential to make positive contributions to MEDIA DO's performance in the future. Our largest acquisition to date was DPIJ, which we purchased in 2017. The post-merger integration process with this company, which had a business scale larger than that of MEDIA DO at the time, was incredibly challenging. Nevertheless, we were able to succeed in integrating our management, organizations, and businesses, and the benefits were massive.

At the same time, there are a number of companies whose business we have gone on to withdraw from, and to sometimes even sell the companies themselves, after acquisition. In some cases, this was due to a decline in profitability following changes in the operating environment. However, the most common cause is a lack of the necessary teams or on-site capabilities to be successful in the post-merger integration process. Even if we prioritize acquisitions in which we can expect synergies by utilizing MEDIA DO's sales capabilities and networks to acquire new customers and content, a company at which the necessary foundations are not in place will be heavily impacted by even the smallest change in the operating environment. This can lead to a situation in which too many issues emerge before we are able to successfully produce the intend synergies and we are thus unable to devote our energies to generating these synergies in light of the issues. This is why the first thing I did when I became a director in 2022 was to review our business portfolio. Using the benchmark of cost of capital of between 7% and 8%, I identified those businesses and subsidiaries in which return on invested capital (ROIC) was falling below the benchmark. It was then a matter of determining whether we should adjust business plans, change directions, or pull out. This is how I sought to rehabilitate our business portfolio. This process enabled us to concentrate our previously dispersed management assets on more promising investment areas. In future acquisitions as well, we will use the leeway in our management resources as an important criterion for judgment.

In October 2020, we announced plans to perform equity financing, and through this financing we were able to procure a total of ¥7.5 billion, comprised of ¥4.5 billion from the allocation of share warrants to securities companies and ¥3.0 billion acquired through the capital and business alliance with TOHAN CORPORATION. This financing was aimed at improving MEDIA DO's financial health and securing funds for investments. On February 29, 2020, prior to the financing, MEDIA DO had an equity ratio of 17.0%.

We will work to make MEDIA DO an organization that will thrive over the next century while constantly generating corporate value and having a positive impact on society.

The 2017 acquisition of Digital Publishing Initiatives Japan along with various other investments had resulted in the Company holding goodwill and investment securities in an amount that exceeded net assets. As such, MEDIA DO was in a position in which a large impairment loss could present the risk of insolvency. Following the financing, the equity ratio rose to the current level of 32.8% seen in the fiscal year ended February 28, 2023, and net assets surpassed the total of goodwill and investment securities, making for a much safer financial position.

The funds acquired through the financing were primarily directed toward M&A activities. Among these acquisitions, there are some, such as NIHONBUNGEISHA Co., Ltd., and EVERYSTAR Co., Ltd., which are producing benefits surpassing our expectations by expanding our media mix through the ability to adapt their works into video mediums. However, there are also those new subsidiaries that are still in the phase in which they need us to invest. There are also cases like the capital and business alliance with Tohan, which has created benefits through synergies for starting up the FanTop business and expanding our digital library service but has yet to generate returns commensurate to the investment amount. I will therefore continue reviewing our business portfolio to facilitate post-merger integration with newly acquired subsidiaries and synergies with alliance partners in order to speed us toward our goal of return on equity (ROE) of more than 8%.

Consolidated Performance (Billions of yen)

	FY2022 (Results)	FY2023 (Forecast)	FY2024 (Third year of medium-term management plan)	FY2026 (Fifth year of medium-term management plan)
Net sales	101.66	100.00	120.0	150.0
Operating profit	2.39	2.00	4.0	8.5
EBITDA	3.86	3.60	5.5	10.0
Profit attributable to owners of parent	1.05	1.10	2.8	6.0
ROE	6.3%	6.4%	15.0%	23.0%

Sustainability Initiatives Supporting Strategies

Up until now, I have been explaining the Group's growth potential from the perspective of corporate and financial strategies. However, as the director in charge of corporate functions, I also recognize that I am charged with the mission of bolstering and strengthening the foundations and management resources that support the implementation of these strategies. In the fiscal year ended February 28, 2023, my goal in this regard was to identify a set of material issues for the MEDIA DO Group. Centered around the Sustainability Committee, which I chair, we sought out to identify the risks and opportunities faced throughout our businesses via close communication with the representatives of business divisions. We also examined various social issues and the desires of stakeholders to determine the factors that would be indispensable to the ongoing growth of the MEDIA DO Group over the medium to long term. These factors were assessed to gauge their impact on society. We even involved members of frontline organizations in this process. This process of analysis and evaluation, which included multiple discussions at meetings of the Executive Committee and the Board of Directors, lasted around a year. In the end, we succeeded in identifying 10 material issues, which were announced in May 2023.

The process of identifying these issues cast light on the need to bolster our efforts pertaining to human capital strategies and information and data security. With regard to human capital strategies, MEDIA DO has only been around for about a quarter of a century, and this relatively young age means that our people and our frameworks are our greatest management resources. At the moment, approximately 70% of our employee base is comprised of mid-career hires. We thus have a staff of various ages and genders with a diverse range of backgrounds and skill sets. Given the diversity of our staff, I hope to promote true diversity and inclusion at MEDIA DO. I believe we should go about this by analyzing and evaluating a number of factors, including how we seek to draw out the full potential of our diverse employees, the sufficiency of our training and retention measures, and whether we provide a workplace environment that has no shortcomings in comparison to our peers and is appealing to a wide range of individuals. The findings of these analyses and evaluations should then be used to mold our workplace based on our vision for MEDIA DO. Something similar could be said with regard to information and data security. Developing infrastructure for the safe and secure distribution of creative works will not only build greater trust for MEDIA DO, it will also help us exercise our corporate philosophy of delivering creative works to as many people as possible.

In this manner, our efforts to address the material issues we have identified will contribute to the strengthening of risk management, the acquisition of management resources, and the exercise of our philosophy. As we decide upon the KPIs to be used to gauge progress, we will work to make MEDIA DO an organization that will thrive over the next century while constantly generating corporate value and having a positive impact on society.

Performance Highlights

(Millions of yen)

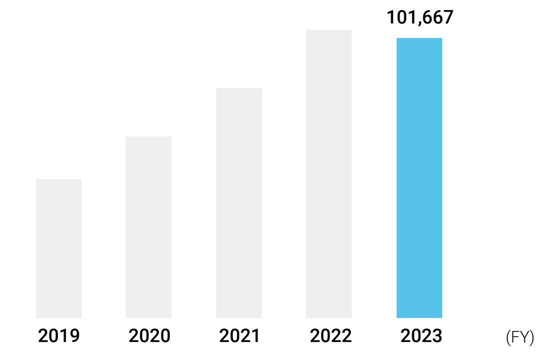
(For the year ended/As of February 28/29)	2019 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)	2022 (Consolidated)	**2023 (Consolidated)**	**Year-on-year change**
Financial Performance:						
Net sales*1	50,568	65,860	83,540	104,722	**101,667**	**−3,055**
eBook distribution business	50,164	64,529	82,349	99,309	**94,331**	**−4,978**
Other businesses	403	1,329	1,190	5,409	**7,331**	**+1,922**
Cost of sales; selling, general and administrative expenses	49,098	64,004	80,873	101,909	**99,274**	**−2,635**
Royalties	43,223	56,869	73,502	92,449	**87,964**	**−4,485**
Commissions	197	206	215	149	**124**	**−25**
Advertising expenses	522	627	877	476	**238**	**−238**
Personnel expenses	2,729	3,460	3,185	5,256	**6,176**	**+920**
Depreciation and amortization	918	806	757	1,114	**1,474**	**+360**
Other	1,502	2,027	2,325	2,457	**3,294**	**+837**
Operating profit	1,468	1,853	2,664	2,811	**2,393**	**−418**
Ordinary profit	1,492	1,761	2,720	2,783	**2,291**	**−492**
Profit (loss) attributable to owners of parent	(1,243)	884	1,519	1,576	**1,057**	**−519**
EBITDA*2	2,391	2,661	3,424	3,927	**3,868**	**−59**
Financial Position (as of February 28/29 of each fiscal year):						
Total assets*3	30,942	34,062	43,187	52,509	**50,882**	**−1,627**
Total liabilities	26,481	28,224	31,018	35,596	**34,109**	**−1,487**
Total net assets	4,461	5,838	12,169	16,912	**16,772**	**−140**
Total equity	4,369	5,791	12,105	16,815	**16,695**	**−120**
Interest-bearing debt (short-term and long-term)	10,070	8,245	6,654	5,575	**6,623**	**+1,048**
Cash Flows:						
Net cash provided by (used in) operating activities	2,458	1,928	2,544	4,632	**1,916**	**−2,716**
Net cash provided by (used in) investing activities	(481)	(77)	(1,275)	(7,835)	**(3,070)**	**+4,765**
Net cash provided by (used in) financing activities	(364)	(1,506)	3,349	2,089	**(276)**	**−2,365**
Free cash flow	1,977	1,851	1,269	(3,203)	**(1,154)**	**+2,049**
Cash and cash equivalents at end of period	7,747	8,089	12,703	11,399	**10,127**	**−1,272**
Per Share Information (yen):						
Profit (loss)	(106.02)	64.58	104.52	99.75	**68.35**	**−31.40**
Dividends	10.50	13.00	21.00	21.00	**0.00**	**−21.00**
Dividend payout ratio (%)	—	20.1	20.1	21.1	**—**	**—**
Net assets	353.96	408.61	787.66	1,059.59	**1,082.72**	**+23.13**
Major Indicators:						
Return on assets (ROA) (%)	5.2	5.4	7.0	5.8	**4.4**	**−1.4**
Return on equity (ROE) (%)	(29.4)	17.4	17.0	10.9	**6.3**	**−4.6**
Equity ratio*3 (%)	14.1	17.0	28.0	32.0	**32.8**	**+0.8**
Financial leverage (times)	7.08	5.88	3.57	3.12	**3.04**	**−0.08**
Debt-to-equity (D/E) ratio (times)	2.3	1.42	0.54	0.33	**0.39**	**+0.06**
Number of employees (consolidated)	362	350	379	580	**610**	**+30**

*1 Net sales includes sales from business segments not included in reportable segments.
*2 EBITDA = Operating profit + (Depreciation and amortization + Amortization of goodwill)
*3 "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) was adopted effective March 1, 2019. Figures for the fiscal year ended February 28, 2019, have been restated to reflect this change.

Performance Highlights

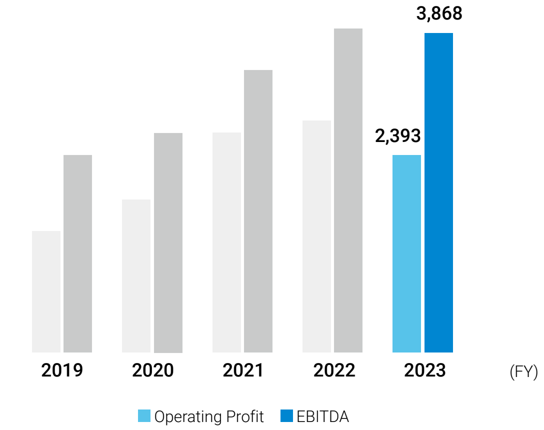
Net Sales

(Millions of yen)



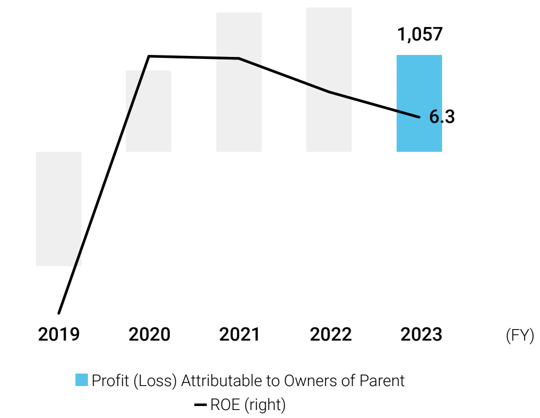
Operating Profit / EBITDA

(Millions of yen)



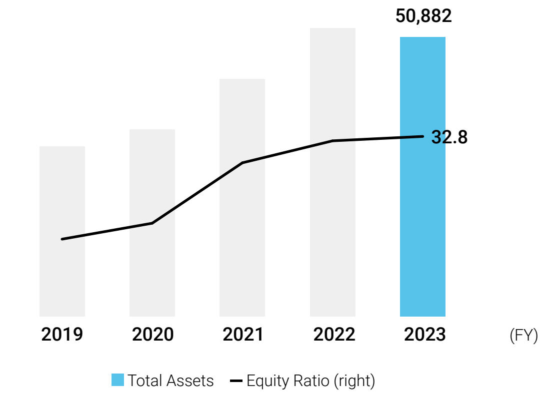
Profit (Loss) Attributable to Owners of Parent / ROE

(Millions of yen) (%)



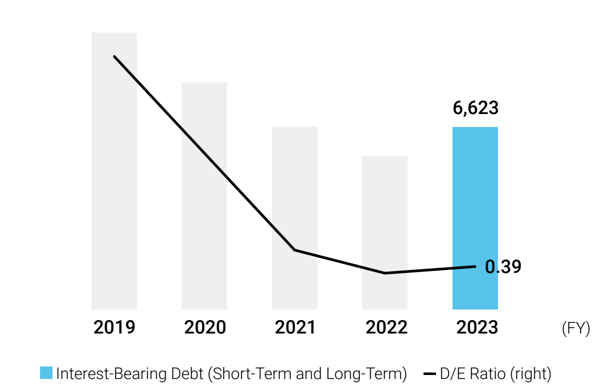
Total Assets / Equity Ratio

(Millions of yen) (%)



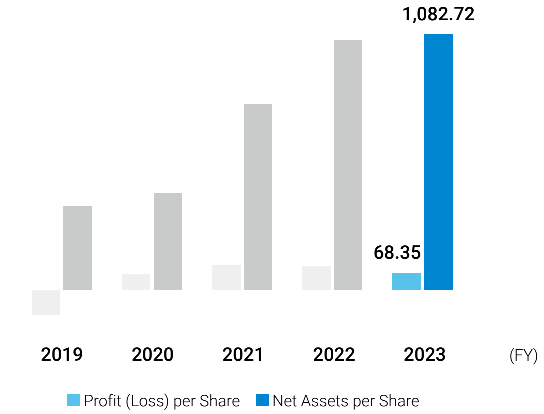
Interest-Bearing Debt (Short-Term and Long-Term) / D/E Ratio

(Millions of yen) (Times)



Profit (Loss) per Share / Net Assets per Share

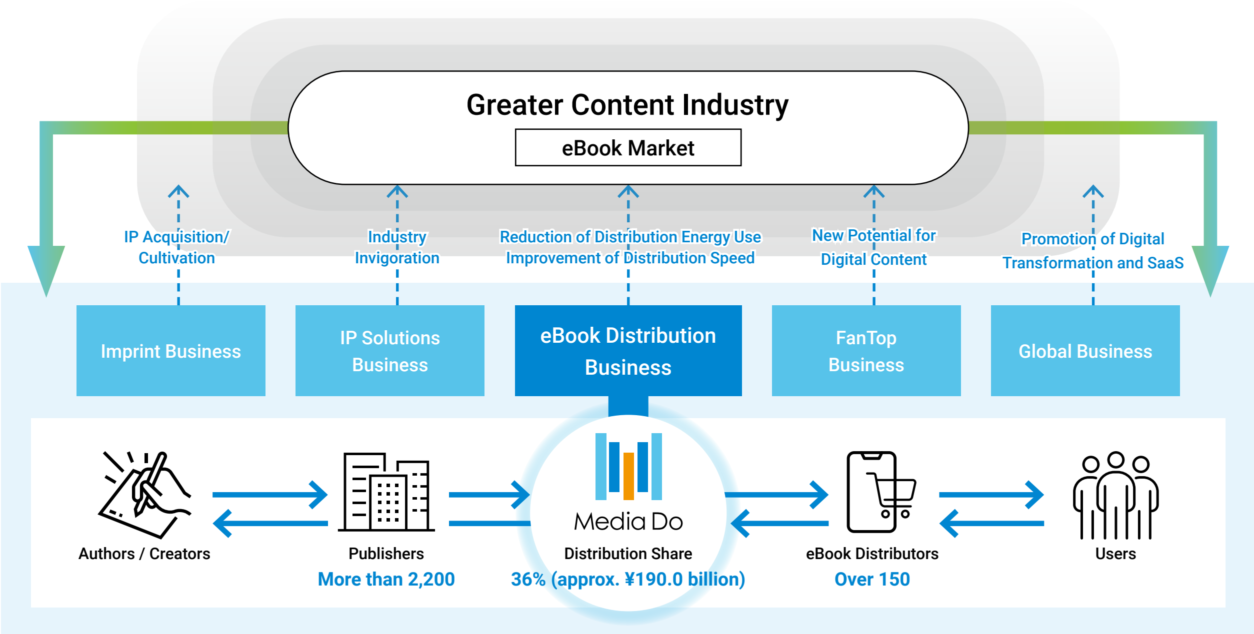
(Yen)



eBook Distribution Business

The eBook distribution business is MEDIA DO's greatest strength. In this business, MEDIA DO will contribute to the growth of the industry while pursuing sustainable growth.

The MEDIA DO Group is committed to the popularization of eBooks and other digital content and creative works with the goal of making the largest possible contributions to the growth of the greater content industry, of which publishing is a part. Through our transactions with more than 2,200 publishers and over 150 eBook distributors in Japan, we have earned great trust from these industries as the leading eBook wholesaler, boasting an unrivaled share in the eBook distribution market of 36%, or approximately ¥190.0 billion, in the fiscal year ended February 28, 2023. This trust forms the basis for the position in the eBook distribution industry that is the greatest strength of the MEDIA DO Group. By capitalizing on this position, we look to expand our eBook distribution business while also conducting strategic investments in focus areas where this strength can be exercised in order to realize further growth of the Group.



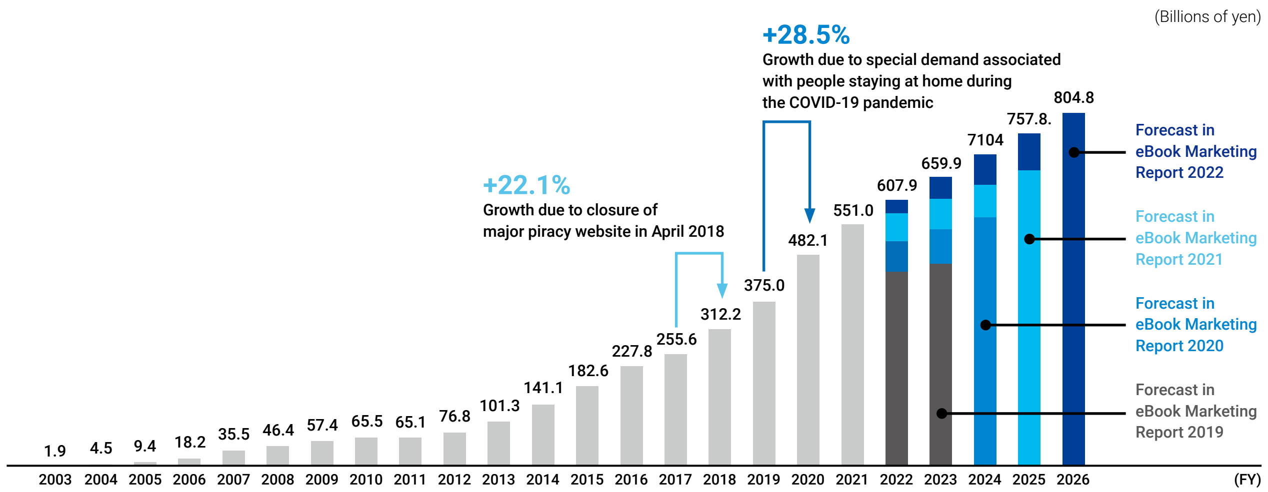
Performance and Market Trends in the Fiscal Year Ended February 28, 2023

In the fiscal year ended February 28, 2023, net sales rose 11.2% year on year, when excluding extraordinary factors, such as the transference of certain wholesale and other back-end processes provided to a major business partner (LINE Digital Frontier Corporation) and the rebound from the benefits of large-scale campaigns conducted by distributors in the previous fiscal year. We also saw strong performance by creative works that had been adapted to other media forms, such as anime or movies, while enjoying the benefits of proactive campaigns by distributors. As a result, the distribution business was able to continue stable growth, despite the dissipation of the special demand associated with people staying at home during the COVID-19 pandemic.

The eBook market has shown rapid growth over the past several years as a result of the closure of major piracy websites and the benefits of the aforementioned special demand associated with people staying at home. Even after this demand began to dissipate, the transition from paper books to eBooks continues as an irreversible trend. This fact, couple with the anticipated benefits of proactive campaigns by publishers and eBook distributors, is expected to support the stable growth of the eBook market. In April 2023, MEDIA DO began disclosing information on the monthly growth rate of its distribution volume, which has a correlative relationship with trends in the market.

We are committed to achieving operational excellence by boosting operational efficiency and developing next-generation core systems. As we go about this, we will also take action to reduce the amount of energy used for distribution in order to expand MEDIA DO's share of distribution and thereby achieve business growth that outpaces the growth of the market.

eBook Market Scale and Growth Potential

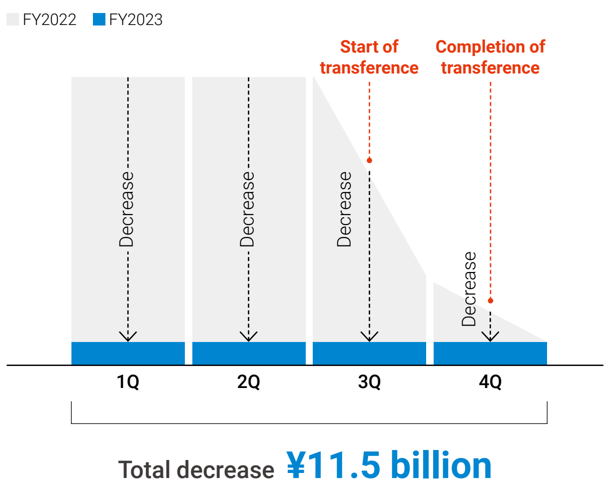


Source: eBook Marketing Report 2022 on Japanese Market, Impress Research Institute

Impact of Change in Sales Channel for LINE Manga

The transference of back-end processes provided for LINE Manga was nearly completed in the fiscal year ended February 28, 2023, when transaction volumes associated with LINE Manga amounted to ¥13.0 billion. In the fiscal year ending February 29, 2024, this amount will decrease by ¥11.5 billion, as all that will remain will be ¥1.5 billion associated with transactions to publishers with which MEDIA DO has exclusivity agreements. As substantial progress in the transference was made after the start of the third quarter, the decline in earnings in the fiscal year ending February 29, 2024, is expected to be particularly pronounced prior to the third quarter.

Sales to LINE Manga by Fiscal Quarter



TOPIC

Launch of MANGA SAISON Service

MEDIA DO formed a capital and business alliance with Credit Saison Co., Ltd., in July 2022, through which it relaunched its directly operated eBook distribution site to create the MANGA SAISON service. The most significant characteristic of the MANGA SAISON service is how users are able to accrue points equivalent to a massive 50% of their purchase amounts anytime they buy an electronic comic provided they have registered for the SAISON COURSE using their SAISON CARD, a credit card offered by Credit Saison. These substantial returns are only possible because of our partnership with Credit Saison, a provider of payment services, and is thus a major point of differentiation for MANGA SAISON in comparison to other eBook distributors.

Since the launch of MANGA SAISON

- The range of cards eligible for the SAISON COURSE has expanded.
- Campaigns offering points equivalent to 100% of purchase amounts have been held.
- The service has been linked to the points with no expiration dates provided by Credit Saison.
- The number of works available has been increased through means such as the start of distribution of works published by KADOKAWA CORPORATION.
- Viewer functionality has been enhanced and other steps have been taken to improve user interface and experience.

In these manners, a number of steps have been implemented to expand and improve the efficiency of this service.

The combination of Credit Saison's cardholder base and MEDIA DO's eBook distributor operation expertise is anticipated to allow us to acquire a large number of new customers. We will thereby aim to establish a position for MANGA SAISON as a major eBook distributor and further drive the growth of the eBook market.

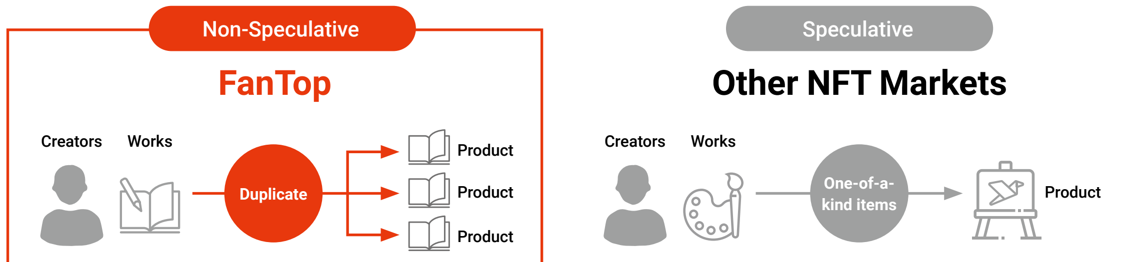
Strategic Investment Businesses

FanTop Business

FanTop is a core component of the strategic investment businesses MEDIA DO looks to grow into a second pillar of earnings. In our FanTop business, we aspire to create frameworks that are beneficial to creators, publishers, distributors, and users alike while also establishing a business model for the expansion and reproduction of content.

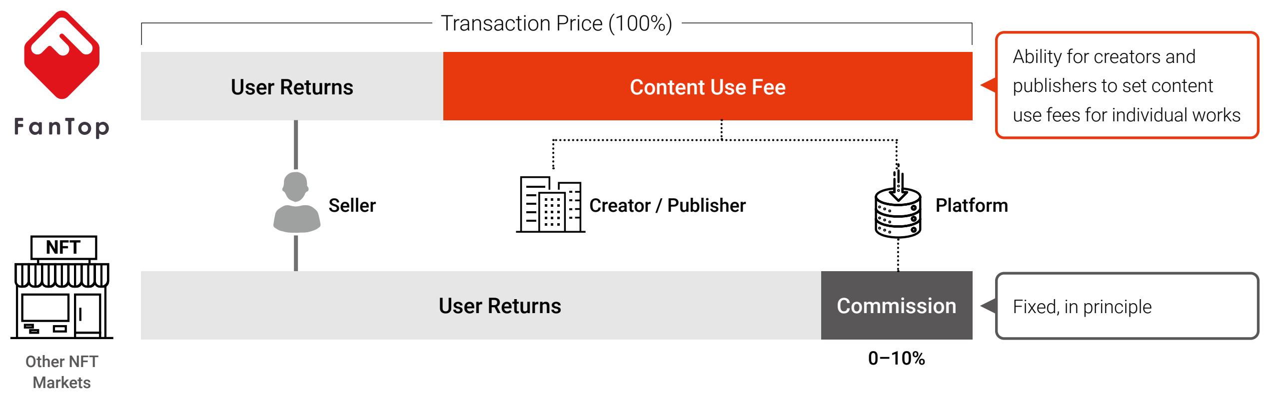
MEDIA DO is developing four strategic investment businesses: the FanTop business (previously referred to as the fan marketing business), the IP solutions business (previously referred to as the publishing solution business), the imprint business, and the global business. The medium-term management plan announced in April 2022 calls on us to grow these strategic investment businesses into an earnings pillar that can stand alongside our eBook distribution business. To this end, MEDIA DO will leverage the industry trust and position it has fostered in its eBook distribution business to develop and supply various services and solutions for both the upstream and downstream areas of the publishing value chain. The FanTop business is one of the businesses expected to achieve particularly noteworthy growth during the period of the medium-term management plan.

The growth of the market for FanTop has previously been driven by the newly emerging non-fungible tokens (NFTs), which have been traded at high prices due to their one-of-a-kind nature. However, the distribution of counterfeit NFTs on market places crashed the previously globally thriving NFT market. MEDIA DO looks to utilize the trust it has earned from publishers and content holders to create a new market for NFTs, viewed by some as merely vessels for speculative investment, in which these items are treated as non-speculative, authentic digital content. Since the launch of FanTop in October 2021, we have devoted particular attention to the distribution of physical publications with attached digital NFT benefits, which are sold at physical stores but come with digital NFT content. To date, MEDIA DO has provided more than 120 physical publications with attached digital NFT benefits through collaboration with over 70 content holders. On average, physical publications with attached digital NFT benefits sell at prices 33% higher than their benefit-less counterparts, and we have also seen an increase of 37 percentage points in ratio of sales of publications with attached digital NFT benefits. These results verify the viability of physical publications with attached digital NFT benefits. Going forward, we will seek to expand the distribution of such publications as well as the number of users of FanTop. Efforts toward this purpose will include improving the user interface and experience of the FanTop app platform and enhancing the lineup and increasing the number of publications with attached digital NFT benefits.



	FanTop	Other NFT Markets
Items	Mass produced authentic digital content	Art and other one-of-a-kind items
Prices	Stable (Balanced between supply and demand)	High volatility (Lack of balance between supply and demand)
Business Model	Distribution of royalties to content holders and creators	Impossible to distribute royalties to content holders and creators

Business Model for Paying Royalties from Peer-to-Peer Distribution to Creators and Publishers Regardless of Transaction Price



Service Enhancement for Expanding Range of Ways for Users to Enjoy Content

By enhancing the FanTop service through means such as improving the user interface and experience of the app, we aim to expand the range of digital content that can be attached to physical publications in the form of digital NFT benefits to include not just images but also eBooks, music, and videos.

Specifically, we have equipped the app with digital rights management (DRM) functions as well as with a dedicated viewer. DRM is used to prevent the violation of the copyrights and other rights of content holders by limiting the use and reproduction of content. The introduction of DRM has enabled us to attach video, music, and other digital content to physical publications in the form of NFTs. As this protection prevents users from recording or taking screenshots of the content, there is no risk of unauthorized distribution via the internet, which also reduces the risk of the value of these items being diminished through reproduction. Moreover, this approach contributes to an increased sense of peace of mind among rights holders (music labels, etc.) while also providing value to users in the feeling that they truly own an item.

The dedicated viewer was introduced to make it easier to read novels and non-graphic eBooks attached to physical publications on personal devices such as a smartphone or tablet. This viewer allows for the resizing of text and also features a reflow function that can be used to change the layout of a work to be more easily read. We have also installed a word search function.

The photobook chronicling the final concert of the girls' band BiSH came with digital NFT benefits that contained videos of interviews and rehearsals held on the night before the concert.

The first products to take advantage of this viewer are the five works included in the first round of publications under the Hayakawa Books & Magazine label, which was launched in June 2023 by Hayakawa Publishing Corporation, a publisher known for mystery, science fiction, and non-fiction works. Each of the five works can be purchased along with an attached NFT eBook that contains the same content as the book itself. We believe that the development of this business model, which entails distributing physical publications with attached digital NFT benefits through bookstores while paying royalties to creators, will help invigorate the greater content industry. Moreover, this business model will be an embodiment of our mission of "unleashing a virtuous cycle of literary creation."

A press conference held on June 1, 2023, to announce the new lineup of physical publications with attached digital NFT benefits was attended by more than 200 members of the press and the industry when including online participation.

Strategic Investment Businesses—FanTop Business

PICK UP

It is really motivating when I see people enjoying digital NFT content through venues like social media.

I am constantly working to improve the user interface and experience of the FanTop platform to help customers better enjoy digital NFT content.

After the press conference with Hayakawa Publishing at which we announced our new lineup of physical publications with attached digital NFT benefits, I noticed a strong response from both members of the press and users of FanTop. This really hit home the success we have had in developing FanTop. My daily work is not limited to creating new products, as I also find myself planning campaigns in coordination with physical bookstores and distributing items via AirDrop. Gauging the benefits of these efforts to assess user trends and analyzing the users of different types of content is another one of my responsibilities as I seek to improve FanTop's user interface, add new functions, and design new products. It is my goal to provide both users and content holders with completely new types of value through FanTop. From a medium- to long-term perspective, I will strive to propose ways of enjoying content that are unique to FanTop in order to foster a loyal customer base.

My focus is always on ensuring strong security as we improve the quality and convenience of our systems and on developing new products.

My everyday work includes developing new functions, creating webpages, and optimizing our existing systems. Recently, I was involved in the development of digital NFT benefits for the photobook chronicling the final concert of the girls' band BiSH. As content holders are entrusting us with their precious content, it is vital that we are able to protect that content from security risks, such as unauthorized use. This is why my focus is always on ensuring strong security as we improve the quality and convenience of our systems. In order to allow content holders to feel peace of mind when they provide us with content, I endeavored to make sure that our DRM video distribution platform had the same level of security as standard video distribution platforms. I also aspired to protect the value of NFTs for users with DRM and to improve convenience via streaming. The BiSH photobook was an unprecedented undertaking, but I was committed to working together with rights holders as well as with our design and business staff to make these NFTs, an important punctuation on the end of the career of this group, a reality.

Strategic Investment Businesses

IP Solutions Business, etc.

MEDIA DO's IP solutions business entails creating content IP while developing content distribution functions. In this business, we seek to create new IP by expanding the operations of Group companies EVERYSTAR Co., Ltd., and NIHONBUNGEISHA Co., Ltd., and exploring the vertical scroll comics market.

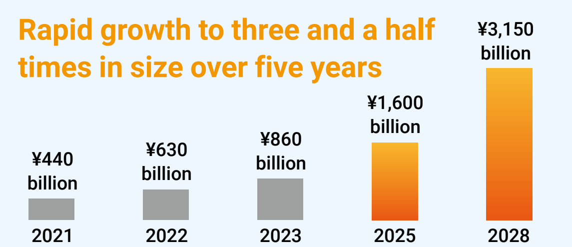
One aspect of the IP solutions business is vertical scroll comics. South Korea was one of the pioneers of this format, and MEDIA DO has invested in two production studios in this country. Vertical scroll comics are a next-generation comic format that is perfectly suited to smartphones and tablets. These vertically oriented, and generally full-color, comics are distributed in single episodes, meaning they tend to have stories that can be read in a shorter amount of time than required for reading traditional comics. In recent years, social media platforms for distributing simple videos have become embraced by people of various ages. This trend is indicative of how media that can be completely consumed in a shorter amount of time matches the tastes of contemporary users. The reason that vertical scroll comics have seen rapid growth in South Korea, China, and other parts of the world is likely due to how this format similarly accommodates this desire for shorter forms of content. Vertical scroll comics are anticipated to become a powerful driver behind the growth of the eBook market in Japan as well. At the same time, however, the domestic market for vertical scroll comics faces issues in that a number of the vertical scroll comic works from overseas are offered based on exclusivity agreements with certain prominent distributors. This situation has created effective monopolies in this market. Based on this reality, MEDIA DO looks to utilize its position in the publishing industry to distribute vertical scroll comics to a wider range of eBook distributors. Meanwhile, we will develop our business with the aim of providing new original works that take advantage of the content of Group publishing company Nihonbungeisha and the works submitted on the novel submission website EveryStar.

The production of vertical scroll comics also differs greatly from that of conventional comics. Vertical scroll comics are produced by standalone production studios that contain individuals responsible for all steps of production, including writing, character design, penciling, character art, coloring, and final touches. MEDIA DO has invested in two such production studios in South Korea: vertical scroll comic pioneer StorySoop and CONTENTS LAB. BLUE. Both studios employ various creators from around the world. They also possess their own creator cultivation frameworks and operate novel submission websites. Accordingly, these studios are anticipated to have benefits in terms of procurement of works in addition to the acquisition of work production pipelines.


Production floor of CONTENTS LAB. BLUE


StorySoop CEO Hyungang Seo (center left) with MEDIA DO President and CEO Yasushi Fujita and others

Scale of Global Vertical Scroll Comics Market



Source: Global Webtoons Market Size, Status and Forecast 2022–2028, QYResearch
Note: U.S. dollar amounts were translated to yen at a rate of ¥120 to U.S.$1.

The special demand associated with people staying at home that arose during the COVID-19 pandemic transformed the content industry. As people spent more time at home, they found themselves with a wider range of content to be enjoyed. These content options included online video and music distribution services and online video games, in addition to conventional paper books and eBooks.

This diversification of options for entertainment also spurred the trend toward multimedia deployment of IP. In fact, it could be said that the industry's ability to create works and IP is not keeping up with the expanding range of media channels, resulting in a lack of works to meet the demand.

For this reason, MEDIA DO is not limiting its efforts to vertical scroll comics. For example, we have been augmenting EveryStar's novel submission website with functions for enhancing communication between users as well as with the addition of the Star Gift function that allows users to provide monetary support to creators, thereby offering new earnings opportunities to creators. We also propose the multimedia deployment of submitted works to publishers. This business is being developed aggressively to produce a work creation pipeline for the MEDIA DO Group and to contribute to the growth of the domestic market.

Special Feature 2

Quest to Become an Entity That Is Still Operating a Century from Now

A Discussion between Directors

The MEDIA DO Group aspires to become an entity that is still operating a century from now. The following is a conversation between Kayoko Hanamura, who recently assumed the position of director, and outside directors Ayako Kanamaru and Junko Mokuno, in which they discuss key points for improving organizational sustainability as the Group advances on its quest to accomplish this goal. Specifically, they talk about the structure of the Board of Directors while also sharing their thoughts on diversity and inclusion.

Kanamaru: I would first like to thank both of you for joining me today. We will be discussing the challenges the MEDIA DO Group will face in becoming an entity that is still operating a century from now as well as the initiatives it should advance on its quest to accomplish this goal.

I, personally, have been involved in MEDIA DO's Board of Directors as an outside director for two years. The atmosphere at Board meetings is rather casual, which makes it easy to speak up. Moreover, management has proven to be extremely responsive toward my earnest input, which makes me feel at ease when I choose to voice my opinion. I suspect that you two may have similar views. A lively debate at Board meetings is imperative to an effective oversight function, and I therefore hope that MEDIA DO's Board will maintenance this conducive atmosphere.

However, if I am going to be frank, there were some issues with how the Board meetings were conducted when I first joined. At this time, it was not uncommon for materials on agenda items to be supplied right before meetings, and there were no attempts to limit the number of items prescribed for a given meeting. As a result, discussion would often go on for longer than planned. Fortunately, I have witnessed a massive improvement with this regard over the past two years. There has been a large increase in the frequency with which the materials pertinent to resolutions are supplied in advance of meetings, and we have also been provided venues for asking questions prior to meetings, which has helped improve the overall efficiency of meetings. Moreover, steps are taken to narrow the scope of items presented at each meeting, which has enabled us to secure time for discussion on medium- to long-term themes, as opposed to being limited to items requiring resolution or reporting. We are still in the process of improving the efficiency of Board meetings, but I feel that we are headed in an overall positive direction.

Hanamura: I joined MEDIA DO in 2015. At the time, there was not really a clear division between the responsibilities of different employees, and we were often lacking in terms of manuals and training. Swift action was taken to prepare the needed rules and frameworks, leading us to the position we are in today. It sounds like the same could be said for Board meetings. Ms. Kanamaru, what do you view as the drive behind those improvements?

Kanamaru: An evaluation of the effectiveness of the Board of Directors is conducted once a year, and results of these evaluations are discussed by Board members. In addition, regular meetings of outside directors and Audit & Supervisory Board members are held to provide a forum for sharing opinions on how to improve the proceedings of Board meetings. Information on the matters discussed at said meetings is shared with the executive team. President Fujita and other members of the Board are proactive toward incorporating such feedback, and this stance has been a catalyst for improvements. This echoes back to what you said, Ms. Hanamura, but I feel that the greatest driver behind improvements has been the strong motivation to pursue such improvements held by everyone at MEDIA DO.

Mokuno: The atmosphere at meetings of the Board of Directors and the strong motivation toward improvements Ms. Kanamaru spoke of are something that one can clearly envision if they have experienced MEDIA DO's corporate culture. This culture, in turn, is a reflection of the personality of the Company's founder and president, Mr. Yasushi Fujita. My interactions

Ayako Kanamaru registered as an attorney at law and joined Oh-Ebashi LPC & Partners in 2006. She was appointed as a partner of Oh-Ebashi LPC & Partners in 2016, and became an auditor of CDG Co., Ltd., in 2020. She then became an outside director of MEDIA DO in 2021. As an attorney at law, Ms. Kanamaru possesses a wealth of experience and specialized knowledge pertaining to international transactions and other aspects of corporate law as well as internal control and corporate governance. She offers pertinent advice from the viewpoint of risk management and governance based on her knowledge and experience and provides effective supervision of the management team from an independent and objective standpoint.

#1 What We Do
#2 Why We Do It?
#3 How We Do It?

with President Fujita thus far have left me with the impression that he is a highly influential individual, with a penchant for communication and a propensity for inspiring others to become involved in his endeavors.

There was mention of the Company's efforts to limit the scope of agenda items for Board meetings. I actually chair the board of directors at a different company, and how best to limit the agenda is something that I struggle with in this position. The topic of today's discussion was chosen as how MEDIA DO can become an entity that is still operating a century from now. As can be seen by this choice, management places emphasis on sustainability topics such as climate change and diversity and inclusion, which have been garnering considerable attention as of late. Accordingly, there is a wide range of subjects requiring scrutiny by the Board of Directors. At the same time, however, we face restrictions when it comes to time, and it is important to consider when a particular matter will be brought to discussion by the Board. As MEDIA DO is currently at the stage of its development in which it is pressed to broaden the scope of its business, it can be anticipated that the scope of themes to be discussed will grow even wider, increasing the need for effective management of Board meeting agendas.

Kanamaru: As all three of us are women, this seems like an ideal opportunity to talk about the topic of diversity and inclusion. Personally, I have not felt that my gender has presented any obstacles to performing my duties as an outside director. Of course, this might be due in some part to the fact that I have subconsciously stopped considering the fact that I am a woman. As you know, the legal field is predominately occupied by men, with women not even representing 30% of legal professionals. This environment has caused me to become inured to workplaces where women are in the minority, and I have thus stopped questioning this reality. I was previously the only woman on the Board of Directors at MEDIA DO. I did not feel discomfort because of this, nor did I concern myself with gender when voicing my opinion. On the contrary, if I was expected to provide input from the perspective of a women, I am afraid to say that I might not have been living up to those expectations. I do not believe that a board of directors necessarily needs high representation of women. However, if female representation is too low, it could result in the board lacking certain opinions or perspectives. Certain decisions by a board of directors do indeed need to be made while considering the perspective of gender. Accordingly, I think that MEDIA DO should ensure that its Board of Directors has sufficient diversity. I believe that the both of you will be a great asset as directors and I look forward to seeing how you contribute.

The differing characteristics and thought patterns between gender are the building blocks of diversity. The content distributed by MEDIA DO reaches a diverse range of individuals. This means that it is incredibly important to understand the unique perspectives and characteristics of women. A healthy balance of genders in management is also valuable from the perspective of increasing the sustainability of the Company.

Hanamura: I oversee MEDIA DO's eBook distribution business. In this business, it goes without saying that speed and precision are imperative in our interactions with publishers and distributors. In addition, there are times when a little consideration can make the entire process go smoother. This situation gives rise to the idea that such tasks might be best suited to women, and it is for this reason that I think that women tend to be successful in this business. In an environment like this, I have not really felt that my gender has resulted in any inconveniences in my professional life.

However, I cannot deny the difficulty of balancing work with childrearing. I therefore want to help the Company look into concrete measures for supporting individuals raising small children and for enabling their partners to play an active role in childrearing and housework. This is not something we can get done overnight, but I am committed to facilitating steady progress in the right direction.

Promoting diversity and inclusion is fundamentally about understanding others. For this reason, it is important that we do not become preoccupied with gender and other labels to the extent that it detracts from our ability to understand actual people.


Director
Kayoko Hanamura

Kayoko Hanamura began her career at Forside Co., Ltd., in 2000, where she continued to work in the content business. After holding important positions at this company, she joined MEDIA DO in 2015. At the Company, she has been involved in all facets of the eBook distribution business, in positions as general manager of the Licensing Business Division and the eBook Distribution Division and as an executive officer. Following approval at the General Meeting of Shareholders held in May 2023, Ms. Hanamura assumed the position of director. She is expected to tap into her extensive experience in content businesses to build an operational model that encompasses the entire eBook distribution business, in areas spanning from planning to IT operations management, while identifying unmet needs of publishers and distributors.

Mokuno: I agree completely. In fact, there are elements of the word "inclusion" that I am not particularly fond of. Specifically, this word seems to set up an uneven relationship between the people to be included and those doing the including.

Ms. Hanamura, you spoke of the idea of understanding people. This idea, I believe, differs from inclusion in that it involves equal relationships built on mutual respect and understanding each other's values. This concept speaks more to my ideal view of diversity.

Understanding others, however, does not mean accommodating their every need. In fact, it is not even feasible to do so. This creates one of the major challenges of managing a company, a challenge that it is important for us to tackle as directors. Given this reality, it is vital that we set priorities based on the objectives of MEDIA DO. Currently, I do believe that addressing the issues faced by women is a high priority. I therefore think that your appointment as director, Ms. Hanamura, was incredibly meaningful.

Hanamura: Thank you. I hope that I can fulfill the important role that is anticipated of me.

Kanamaru: Lastly, I was wondering if you two could talk about what you hope to accomplish in the future as directors. How about we hear from you first, Ms. Mokuno?

Mokuno: I have a rather diverse career background. I was initially an engineer, which I believe gives me relatively strong intuitions when it comes to IT systems and other technology fields. In addition, I have been involved in marketing related to new business launches on several occasions throughout my career. This experience should prove to be an asset as MEDIA DO explores new markets. I may technically be from outside of the Company, but I hope that I can join hands with everyone at MEDIA DO as a comrade working toward a shared goal. It is a great pleasure to be able to serve on the Board of Directors at the same time as Ms. Hanamura, as you are always a joy, and I look forward to continuing to work with you.

Hanamura: MEDIA DO's eBook distribution business has continued to show rapid growth. However, we are now facing challenges, such as the change in sales channels to LINE Manga, which was previously a practically exclusive business partner. In the face of such challenges, it is important for everyone at MEDIA DO to consider what we can do with our unique role as a wholesale intermediary positioned between publishers and distributors. We should then make daily efforts to ensure our business partners feel that contacting MEDIA DO was the right choice. This is something incredibly simple, but it is this simplicity that makes it easy to forget. We also must share MEDIA DO's treasured values and transmit these values through the ages. I am confident that this approach will enable MEDIA DO to become an entity that is still operating a century from now. In the future, we will no doubt face both good times and bad. However, no matter how times may change, I want to be active on the front lines of business, always smiling as I tackle the challenges through a process of trial and error.

Kanamaru: In 2022, I took up the position of chairperson of the Nomination and Compensation Committee. If MEDIA DO is to accomplish its goal of becoming an entity that is still operating a century from now, it will be crucial to ensure that the Company is always in the hands of a capable management team. The Nomination and Compensation Committee will have an important role to play in this process. When thinking about the membership of the Board of Directors over this past year, I am constantly reminded of the true value of the experience and insight that you two bring. You perfectly filled a gap in the Board's makeup. I genuinely feel that I can rely on you two, and I look forward to working with you in the future.

President Fujita and MEDIA DO's others directors all emit a positive aura, and their drive can be felt in a variety of areas. I expect that your presence will grant further momentum to the Board. I feel that my role is to calmly assess the Company's business from the perspective of managing legal and other risks, and I remain committed to helping MEDIA DO move in a positive direction. I look forward to working with you in this process. Thank you for your time today.

Junko Mokuno joined Yokogawa Hewlett-Packard Company as a system engineer in 1984. She then went on to acquire a Master of Business Administration (MBA) at the University of Washington in 1989 before joining Arthur D Little Japan in 1991. Ms. Mokuno later joined and became an executive officer at The Pokémon Company in 2002. Here, she would go on to oversee corporate planning, finance, accounting, general affairs, legal affairs, and overseas business divisions. After becoming a member of The Walt Disney Company (Japan) Ltd., in 2008, she would go on to assume the positions of corporate officer at Tsuburaya Productions Co., Ltd., in 2015, and outside director and chairperson of the board of directors at COLOWIDE Co., Ltd. Ms. Mokuno then became an outside director of MEDIA DO in May 2023.


Outside Director
Junko Mokuno

The MEDIA DO Group's Sustainability

Basic Approach toward Sustainability

The MEDIA DO Group's mission is "unleashing a virtuous cycle of literary creation" and its vision is "More Content for More People!" These principles exemplify our commitment to building a social ecosystem founded on co-creation among the creators and publishers who produce written works, the users of these works, the eBook stores that serve as points of contacts between these two, and the Group, which functions as an intermediary between these parties. Accordingly, sustainability for the MEDIA DO Group entails a concerted effort by all officers and employees to carry out their business activities based on a sense of responsibility and pride toward the contributions made by the Group's businesses and services. These contributions support the development of a healthy economy and the cultural advances stimulated by written works. Based on this belief, we seek to address social and environmental issues, such as those identified by the United Nations Sustainable Development Goals (SDGs), through management practices and strategies founded on our mission and vision. In addition, we view business opportunities and risks through the lens of environmental, social, and governance (ESG) issues as we pursue increased corporate value by helping to resolve social issues while achieving steady growth.

MEDIA DO Group Basic Sustainability Policy

Based on the principles of growth and potential espoused by its corporate creed, the MEDIA DO Group (comprised of MEDIA DO Co., Ltd., and its consolidated subsidiaries) aspires to have a positive impact on society as a facilitator for maximizing the value provided to all stakeholders involved in the process of exercising its corporate philosophy. We thereby aim to become an organization that will thrive over the next century.

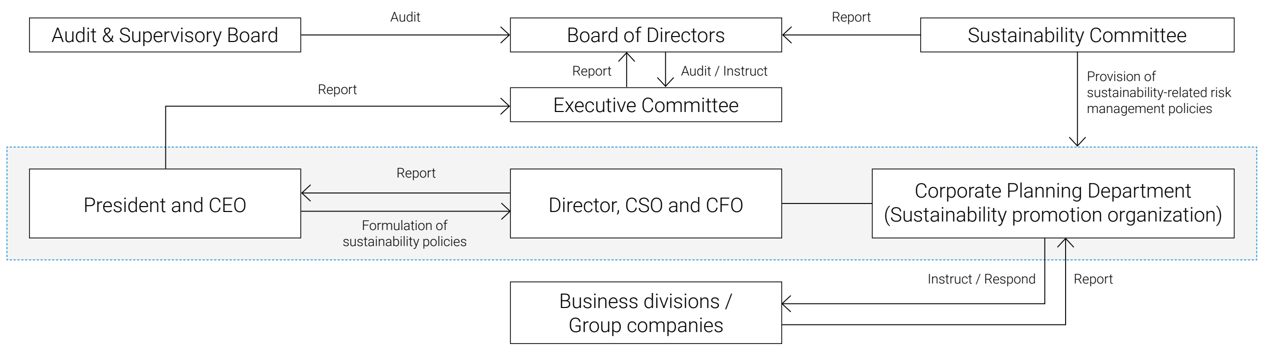
At the MEDIA DO Group, we are firm believers in the potential of content as well as in the endless possibilities of all people. By connecting the unlimited potential of content and people, we seek to always function as an intermediary that unites the world and helps shape a better future for society.

Sustainability Promotion System

MEDIA DO realizes that environmental and social issues have the potential to impact its business and corporate value creation activities, and these issues are being addressed through internal action. Such action is guided by the Sustainability Committee, which was established in June 2022. The Sustainability Committee is chaired by the director who serves as CSO and CFO and who is responsible for corporate divisions, with executive officers responsible for the Human Resources Department and the Accounting Department serving as vice chairs. Other members include officers designated by the chairperson and by representatives from other divisions. In principle, meetings of the Sustainability Committee will be held four times a year (once every quarter).

The committee also submits reports to the Board of Directors at the appropriate times after meetings in order to facilitate the identification and investigation of climate change and other risks and opportunities with the potential to affect the sustainability of the Company, the assessment of sustainability strategies and measures, and the enhancement of oversight and monitoring functions.

Moreover, the committee will coordinate with the Corporate Planning Department and the General Affairs Department, which will function as its secretariat, to maintain an understanding of social trends and shareholder expectations to be reflected in the medium- to long-term mission, vision, and strategies of the Company. This information will also be utilized when identifying and revising material issues. Based on the opportunities and risks identified in the process of defining material issues, concrete sustainability strategies, risk items to be managed, and response policies will be set for divisions and Group companies, and relevant measures will be monitored regularly.



The MEDIA DO Group's Material Issues

Process for Selecting Material Issues

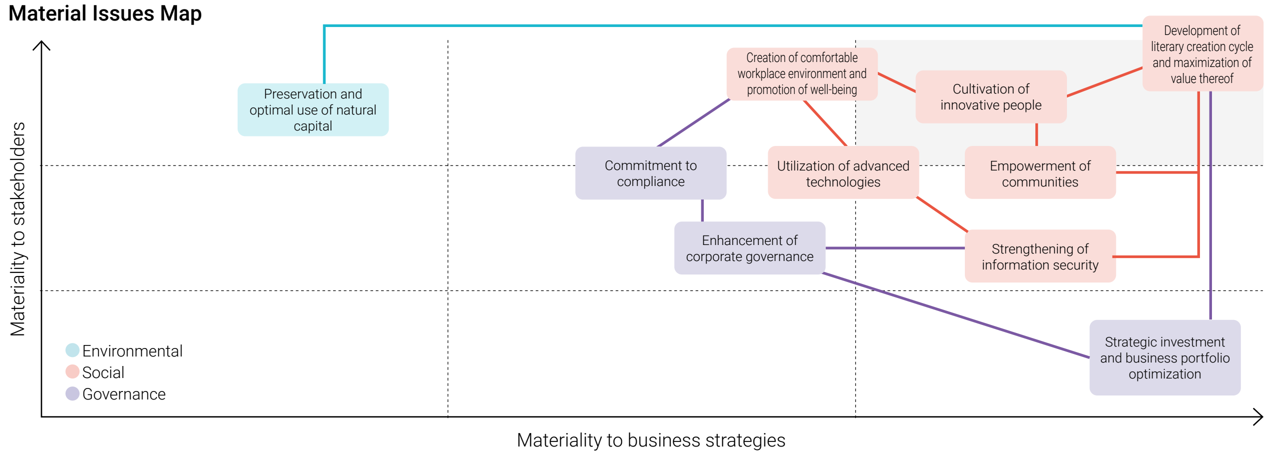
❶ Identification of Issues
- Identification of social issues based on SASB, GRI, IIRC, and other international reporting frameworks and criteria of ESG evaluation firms, and tracking and compilation of hypotheses regarding desires of specific stakeholder groups

❷ Analysis of Issues
- Comparison and analysis of identified social issues and opportunities and risks with the potential to impact fulfillment of MEDIA DO's purpose and implementation of business strategies
- Examination of analysis results and business risks to compile long list

❸ Reporting to and Evaluation and Examination by Management
- Prioritization of issues on long list through evaluation of potential impacts on stakeholders, strategy implementation, the environment, society, economies, etc., by the Sustainability Committee to compile short list
- Analysis of and deliberation on short list issues by the Executive Committee and the Board of Directors

❹ Selection of Material Issues
- Selection of material issues with significant potential to impact management through deliberation and resolution by the Board of Directors

Material Issues Map



Monitoring and Disclosure

The Sustainability Committee will play a central role in the regular monitoring of initiatives for addressing material issues. From the perspective of stakeholder engagement, the material issues will be periodically reassessed, and information on related initiatives will be disclosed on MEDIA DO's corporate website as appropriate.

Stakeholder Engagement

Stakeholder	Principal Engagement Venues	Area of Influence on Management/Strategies
Customers	Contact venues Websites, social media Email magazines	• Improvement/development of products and services based on customer input • Appropriate management of personal information
Business partners	Sales activities, everyday communication Briefings for business partners Business partner questionnaires	• Improvement of value provided through value chain via stronger business partnerships • Fair business practices • Building of close relationships founded on mutual trust
Shareholders and other investors	General Meeting of Shareholders Briefings for institutional investors Integrated reports Investor relations website Meetings with investors	• Improvement of management quality through constructive conversations with shareholders and other investors • Appropriate accounting practices and timely information disclosure • Development of transparent and highly effective governance systems
Employees	Management policy briefings Employee surveys (Employee Net Promoter Score® surveys, stress checks, etc.) Internal communications (newsletters, owned media, etc.) Hotlines Employee training (for new graduates, mid-career hires, and managers) Health consultations with industrial physicians and public health nurses Conduct guidelines	• Enhancement of workplaces and systems to share Company vision and help employees exercise individuality • Prevention of all forms of harassment • Promotion of occupational health and safety • Recruitment, cultivation, and retention of diverse human resources • Provision of opportunities for growth
Natural environment	Reduction of environmental impact from business activities Information disclosure based on TCFD recommendations	• Popularization of eBooks through business activities • Promotion of internal digital transformation
Communities and industries	Donations, sponsorship, and other forms of support Development of businesses based outside of urban centers Participation in and leadership of industry organizations (W3C, ABJ, JEPA, etc.)	• Partnership with communities and society • Contributions to local communities and industry through business • Identification and resolution of social issues using cutting-edge technologies
Press	Press releases Interviews Everyday communication	• Earnest communication of accurate information • Transparent presentation of corporate value

The MEDIA DO Group's Material Issues

The MEDIA DO Group's Material Issues

Theme	Details	Opportunities	Risks
Preservation and optimal use of natural capital	The MEDIA DO Group aims to continue to be a viable conglomerate even a century from now. The preservation and optimal use of natural capital is an important responsibility for the purpose of accomplishing this goal, as well as for reducing environmental impacts and preserving a pristine natural environment for future generations. The Group's efforts do not stop at measuring and optimizing use of natural capital in its business activities; we also aspire to support the sustainability of our industry and operating environment through active involvement in the optimization of product mixes and resource use practices across the industry.	• Creation of business opportunities by examining ideal mix of paper and electronic mediums across the publishing industry and promoting digital transformation • Promotion of eBooks to grow business while contributing to effective use of paper and other resources and reductions in energy used in distribution	• Concern for industry depression due to potential increases in energy consumption and greenhouse gas emissions from returning and destroying physical books • Increased costs for introducing and adopting renewable energy and damage to social reputation due to slow adoption
Development of literary creation cycle and maximiza-tion of value thereof	Sustainability for the MEDIA DO Group entails a concerted effort by all officers and employees to carry out their business activities based on a sense of responsibility and pride toward the contributions made by the Group's businesses and services to the development of a healthy economy and the cultural advances stimulated by written works. We carry out our business activities based on the understanding that this approach is congruent with our mission and our vision while also being a driver of corporate value creation.	• Exercise of corporate philosophy and contributions to social development and intellectual creation • Provision of social infrastructure through frameworks and systems deemed secure and reliable by creators, publishers, stores, users (readers), and other stakeholders • Mutual development with stakeholders founded on trust-based relationships and improvements to MEDIA DO's presence	• Impediments to social development and intellectual creation from declines in creative works and creators • Reduction to competitiveness and earnings through accelerated industry decline and diminishment of MEDIA DO's presence
Creation of comfortable workplace environment and promotion of well-being	MEDIA DO's corporate creed states that "MEDIA DO will continue to grow so long as its people grow." As indicated by this statement, we view human resources as indispensable to the ongoing growth of the Company. We therefore seek to create a workplace environment that draws out the growth and potential of our employees and that allows all employees to achieve independence and demonstrate their growth and potential as they take the initiative in tackling new challenges.	• Stabilization of management foundation through development of physically, mentally, and socially fulfilling workplace environment that contributes to human resource recruitment and retention • Enhancement of human capital and improvement of productivity driven by acceptance and inclusion of diverse values and individuals	• Difficulty in recruiting and retaining human resources and instability of management foundation resulted from growing negative impacts associated with workplace environment • Reduced service quality, customer success, and labor productivity due to human capital shortages
Cultivation of innovative people	As described in its corporate creed, the MEDIA DO Group believes in the potential of its employees and aspires to create mutually beneficial win–win relationships with employees in which the growth and ambitions of employ-ees drive the growth of the Group. To this end, training and evaluation systems are being improved and expanded to cultivate people who are adept at transforming change into opportunities with their innovativeness and at tying these opportunities to the creation of new ideas or solutions to issues via entrepreneurship.	• Improvement of organization resilience through cultivation of independent and autonomous human resources based on consideration of changing employ-ment types and needs of consumers and other stakeholders • Increased opportunities for innovation created by fostering entrepreneurial spirit and providing opportunities to exercise skills and grow	• Decreased resilience and weakened organization foundations as a result of lack of organizational flexibility • Reduced competitiveness and earnings opportunities due to diminished capacity for innovation
Empowerment of communities	We are keenly attuned to the relationship between society and the MEDIA DO Group as we seek to link the sustainability of society to the value created by the Group and to achieve improvements thereof. At the same time, we adopt a collective impact approach, reaching beyond the boundaries of the organization to partner with various stakeholders in order to generate a positive impact on society by addressing the issues faced by communities and society as a whole.	• Creation of positive collective impact through partnership with communities and associated stakeholders • Increased trust from stakeholders and brand value achieved by contributing to resolution of community issues and to community development	• Fewer business opportunities and chances to create positive social impact • Reduced trust from stakeholders, fewer supporters, and lower brand value following declines in opportunities for coordination and engagement with a wide range of stakeholders
Utilization of advanced technologies	The MEDIA DO Group takes a technology-first approach toward developing and supplying solutions to the issues faced by the industry and society as a whole. By embracing internal digital transformation, we seek to deliver products and services that are matched to the needs of our diverse stakeholders and their equally diverse values to become an entity that supports the digital transformation of the content industry.	• Increased competitiveness through diversification achieved by selecting optimal technologies for business/service needs • Greater capacity to supply solutions by positioning in-house research and development of sophisticated technologies as opportunities for engineering growth	• Diminished competitiveness through lessened value or commodification of technological assets • Reduced business opportunities and efficiency due to inability to use ideal technologies
Strengthening of information security	The MEDIA DO Group's mission is to provide the social infrastructure necessary for robust cultural development and thereby support sound digital distribution and a creation cycle for written works. The development of frameworks and systems that are deemed secure and reliable by creators, publishers, stores, users (readers), and other stakeholders is imperative to accomplishing this mission. We have therefore identified information security as an important management priority and are implementing measures to strengthen security on a Groupwide basis.	• Provision of frameworks and services that are deemed secure and reliable by creators, publishers, stores, users (readers), and other stakeholders • Acquisition of trust from customers through faithful fulfillment of function as distribution infrastructure for written works	• Damage to reputation through information or data leakage • Costs or loss of earnings opportunities due to service failures or other incidents
Strategic investment and business portfolio optimization	The MEDIA DO Group is committed to the maximization of its business value through efficient business operation and disciplined investment based on a consideration of cost of capital and profitability of used capital. In tandem with these investments, we are optimizing our business portfolio while diversifying our management and businesses in order to accomplish our goal of becoming a Publishing Platformer.	• Increased corporate value through management emphasizing cost and profitability of capital based on balance sheet • Enhanced competitiveness by diversifying management while maintaining good financial balance through investment discipline and effective manage-ment resource allocation	• Decreased business value as a result of impairment of non-current assets or other adverse impacts on balance sheet • Reduced corporate value due to lower growth potential
Enhancement of corporate governance	The MEDIA DO Group recognizes the following as important management issues to be addressed as its management grows increasingly more global: The improvement of management health and transparency through enhanced corporate governance to facilitate the further broadening of its business and the heightening of corporate value. To ensure impartial and highly effective management, the Group will continue to strengthen its corporate governance systems through such means as more effectively allocating resources and expediting decisions under the guidance of the Board of Directors.	• Realization of vision by reinforcing management foundation through ongoing pursuit of highly transparent and reliable corporate governance • Increased trust from stakeholders	• Weakened management foundations, reduced business continuity, and lower corporate value due to insufficient governance functions • Damage to reputation and corporate value
Commitment to compliance	Entrenching corporate ethics and awareness of these principles throughout the Group will be imperative to improving the health and transparency of management. By fostering such awareness, the MEDIA DO Group aims to develop a corporate culture in which all internal institutions, officers, and employees make fair and accurate decisions. At the same time, we pledge to remain mindful of our social responsibility as a good corporate citizen in all of our business activities in order to maintain the trust of our various stakeholders.	• Fulfillment of responsibilities as good corporate citizen through legal compli-ance and honest business activities • Increased trust from society earned through disciplined business activities	• Halts or delays to business activities due to insufficient compliance or legal violations • Loss of social trust and damage to reputation and corporate value

ESG Highlights

			FY2019	FY2020	FY2021	FY2022
Environmental	Total CO_2 emissions (Scope 1 + Scope 2, t-CO_2)*1		171.1	126.0	130.9	170.2
	Scope 1 CO_2 emissions (kg-CO_2)		9.4	10.7	5.8	5.0
	Scope 2 CO_2 emissions (kg-CO_2)		171,070.4	125,985.8	130,908.2	170,206.5
	Electricity consumption (kWh)		365,535	283,688	296,844	376,563
	Water use (m^3)		15.9	11.1	7.4	14.8
	Paper use (t)		2.85	1.11	1.11	1.43
Social	Numbers of employees and ratio of female employees (figures in parentheses represent part-time and temporary employees)	Total	294 (78)	295 (70)	328 (72)	345 (79)
		Men	167 (15)	153 (13)	162 (16)	172 (25)
		Women	127 (63)	142 (57)	166 (56)	173 (54)
		Ratio of female employees (%)	51.08	54.52	55.50	50.14
	Number of managers*2	Total	89	87	104	97
		Men	68	68	80	75
		Women	21	19	24	22
	Ratio of female managers (%)*3		21.35	21.84	23.08	22.68
	Number of newly appointed female managers / Ratio of women among newly appointed managers (%)*2		0 (0)	2 (18.18)	8 (24.24)	2 (18.18)
	Breakdown of female managers and ratios of total managers (%)*2	Directors / Audit & Supervisory Board members	0 (0)	0 (0)	1 (11.11)	1 (11.11)
		General manager or above	6 (14.6)	3 (10.3)	4 (9.09)	7 (13.73)
		Other managers	15 (31.91)	16 (30.77)	20 (33.33)	14 (30.43)
	Number of newly hired employees in Japan (figures in parentheses represent part-time and temporary employees)*4	Total	207 (58)	216 (36)	62 (17)	64 (32)
		Men	117 (4)	113 (4)	31 (7)	35 (14)
		Women	90 (54)	103 (32)	31 (10)	29 (18)
	Number of non-Japanese employees*2	Total	13 (3.49)	5 (1.37)	8 (2.01)	9 (2.75)
		Men	10	2	1	2
		Women	3	3	7	7
	Number of domestic employees stationed outside of major urban centers (figures in parentheses represent part-time and temporary employees)*4		28 (66)	27 (57)	28 (55)	31 (64)
	Number of employees with disabilities		3	2	2	4
	Average age of employees*2	Total	34.89	35.39	35.35	34.11
		Men	36.16	37.21	36.84	34.56
		Women	33.20	33.38	33.88	33.57
	Number of engineers*2	Total	58	59	48	46
		Men	49	50	42	39
		Women	9	9	6	7
	Number of employees that used the childcare leave system*2	Men	2	2	1	0
		Women	5	7	9	8
		Ratio of leave takers returning to work (%)	100	100	100	83.35%
	Total average monthly per person workhours*5		169.5	168.5	176.0	174.2
	Average yearly per person overtime hours*2		14.2	14.7	15.5	12.6
	Occupational accident frequency rate (%)*6		1.8	0	0	0
	Ratio of employees undergoing stress checks (%)		95.0	95.7	97.0	96.8
	Ratio of employees undergoing regular health checkups (%)		92.3	99.7	99.7	100.0
	Average amount of training expenses per employee (yen)		40,000	40,293	51,031	194,293
	Number of security incidents		0	0	0	1
	Number of data leaks		0	0	0	0
	Number of services with ABJ mark certification*7		700	777	830	881
	Number of requests to disclose user information from law enforcement agencies		0	0	0	0
	Number of users applicable to requests to disclose user information		0	0	0	0
	Social contribution activity-related expenses (millions of yen)*8		3.0	39.2	59.5	70.0
Governance	Number of directors	Total	6	6	6	6
		Women	0	0	1	1
		Outside	2	2	2	2
		Independent	2	2	2	2
	Number of Audit & Supervisory Board members	Total	3	3	3	3
		Women	0	0	0	0
		Outside	2	2	2	2
		Independent	2	2	2	2
	Ratio of independent directors (%)		33.3	33.3	33.3	33.3
	Ratio of independent auditors (%)		66.6	66.6	66.6	66.6
	Total compensation paid to directors (millions of yen)		84	98	107	107
	Total compensation paid to Audit & Supervisory Board members (millions of yen)		14	13	15	16
	Number of reports received through whistleblowing systems		0	0	0	11

Scope: Former MEDIA DO HOLDINGS Co., Ltd.; former MEDIA DO Co., Ltd.; Digital Publishing Initiatives Japan Co., Ltd.; and MEDIA DO TECH TOKUSHIMA Co., Ltd., for the fiscal year ended February 29, 2020; current MEDIA DO Co., Ltd., and MEDIA DO TECH TOKUSHIMA Co., Ltd., for the fiscal year ended February 28, 2021, forward

*1 CO_2 emissions volumes were calculated with reference to Greenhouse Gas Emissions Accounting and Reporting Manual (Ver. 4.6), which was published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry and is based on the Act on Promotion of Global Warming Countermeasures.
*2 Figures include full-time, part-time, and temporary employees.
*3 Figures represent the number of individuals that were first promoted to a management position in the relevant fiscal year.
*4 Figures represent the number of employees recruited and employed by MEDIA DO TECH TOKUSHIMA Co., Ltd.
*5 Figures include full-time, part-time, and temporary employees (including managers).
*6 Occupational accident frequency rate = (Number of occupational accident casualties ÷ Aggregate workhours) × 1,000,000
*7 The ABJ certification mark indicates that the certified eBook store or eBook distribution service is distributing authorized copies of content based on usage agreements with the copyright holder.
*8 Figures include donations, sponsorships, and investments.

ENVIRONMENTAL

Commitment to Protecting the Environment

Basic Policy

The reduction of environmental impacts is a task of utmost importance. This task is crucial to advancing the MEDIA DO Group's quest to become an entity that is still operating a century from now and to ensuring that we can pass on a sustainable global environment to future generations. The global society is thus increasingly advocating the pursuit of a low-carbon, circular society to limit climate change. A long-term approach toward activities to reduce environmental impacts is imperative to support sustainable development on a global scale. The MEDIA DO Group is not limiting its efforts to tracking the use of resources and energy in its business activities and taking steps to improve efficiency. We go further, contributing to the reduction of adverse impacts on the environment on an industrywide scale.

Reduction of Environmental Impacts and Response to Climate Change

The MEDIA DO Group itself has a relatively low dependency on natural capital, given the characteristics of its business. Accordingly, the risk of climate change having a direct impact on business activities or financial targets over the short to medium term has been deemed to be low. The publishing industry as a whole, however, impacts the environment through the consumption of paper, the use of energy for distribution, and the return and disposal of written works. Given this situation, the Group's efforts to increase the use of eBooks and to promote the digital transformation of the overall publishing industry, while not contributing directly to improvements in the Group's corporate value, has the potential to contribute to reduced distribution energy use for publications and the publishing industry. These reductions in energy use will also help combat climate change by lowering energy consumption and greenhouse gas emissions. Going forward, the Sustainability Committee will examine the possibility of enhancing information disclosure through scenario analyses, targets, and management processes incorporating long-term climate change risk and opportunities based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

		Details	Time Frame
Opportunities	Business growth	Reduction of physical energy consumption through popularization of eBooks	Present
Transition risks	Government policies, regulations	Carbon taxes, new/higher carbon prices, etc.	Medium term
	Markets	Higher costs for introducing renewable energy	Medium term
		Change in user preferences	Medium term
		Increased opportunities for investing in greenhouse gas emission-limiting business	Long term
	Technologies	Evolution of eBook distribution systems	Long term
		Improvement of book distribution efficiency and reduction of book returns through database use	Medium term
		Reduction of transportation energy use and costs through digitization	Medium term
Physical risks		Halts or delays to operations due to typhoons, floods, or other abnormal weather events	Short term

SOCIAL

Information Security Management

Basic Policy

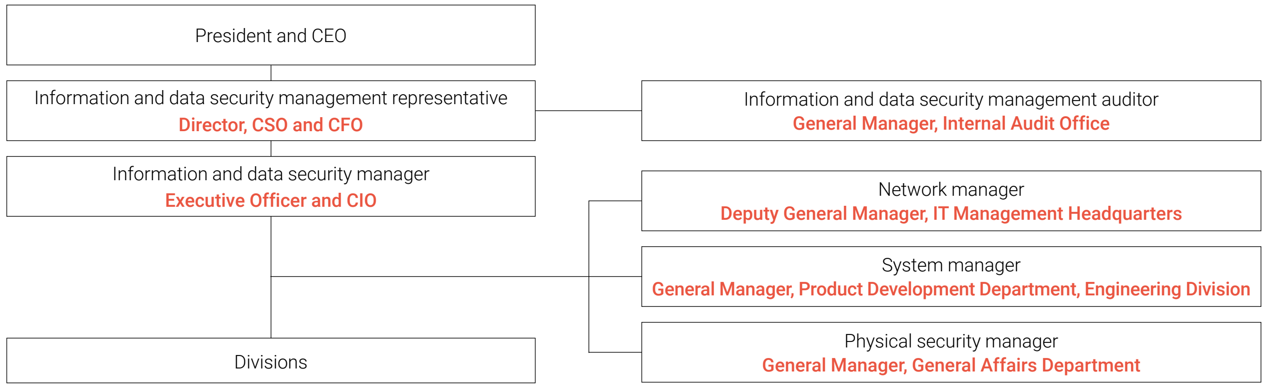
The MEDIA DO Group's mission is to provide the social infrastructure necessary for robust cultural development and thereby support sound digital distribution and a creation cycle for written works. The development of frameworks and systems that are deemed secure and reliable by creators, publishers, stores, users (readers), and other stakeholders is imperative to accomplishing this mission. Alongside the development and reinforcement of these systems, information and data security is an important management priority for ensuing smooth and appropriate business activities. Information and data security has thus been positioned as a management priority to be addressed on a Companywide basis. Accordingly, we work to safeguard all Company information systems and information assets against threats including unauthorized access, crimes, negligence, and natural disasters while also ensuring the confidentially, completeness, and accessibility of information.

Information and Data Security Management System

At MEDIA DO, the director who serves as CSO and CFO has been assigned responsibility for overseeing information security management. Positioned under this individual, the executive officer who serves as CIO has been designated as the information security manager. These individuals guide ongoing efforts to improve Groupwide information and data security by developing frameworks for managing and monitoring network and system operations.

The director who serves as CSO and CFO works to develop effective information and data security management systems with regard to the handling of information systems and information assets and the formulation and implementation of strategies. By examining these systems to confirm that they accommodate changes to the regulatory and operating environments based on annual plans, the director who serves as CSO and CFO helps ensure that systems are effective while communicating with management on this subject. Meanwhile, the executive officer who serves as CIO exercises their responsibility for information and data security management throughout the MEDIA DO Group by establishing KPIs related to a number of information and data security tasks and overseeing these tasks based on the indicators. Examples of these tasks include the management of confidential information and information systems, the establishment and implementation of information and data security regulations, the execution of safety measures, and the arrangement of information and data security training.

Information and Data Security Management Organizations and System



Information Security Management Risks

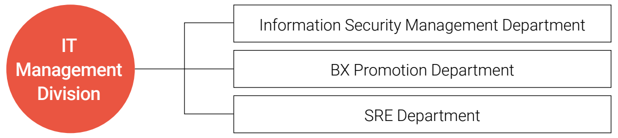
Cyberattacks	Information alteration	Telecommunications and other system malfunctions	Malware
Leakage of personal information	Distribution of pirated content	Denial-of-service attacks	Natural disasters
Copying of eBooks	Unauthorized access	Power outages	Loss of trust

Reinforcement of Information and Data Security

Transition to New Organizational Structure

MEDIA DO established the Information Security Management Office in December 2022 to advance Groupwide information and data security measures related to matters such as daily sales activities, systems development, and back-office processes. Later, in March 2023, the Information Security Management Office was reorganized to form the IT Management Division, an organization for integrated management of information and data security functions that consolidates the functions of the prior organization together with corporate IT infrastructure, site reliability engineering, and other functions. A CIO was appointed in conjunction with the creation of this new organization.

The IT Management Division is currently moving forward with assessments of Group companies as part of its efforts to strengthen information and data security. The aim of these assessments is to determine the level of security on a Groupwide basis through comparison with guidelines so that this understanding can be used when formulating and implementing strategies. This organization will play a central role in MEDIA DO's initiatives for promoting more wide-ranging IT governance. By tracking the status of IT governance at Group companies, incorporating the latest cybersecurity trends, and prioritizing and formulating measures for responding to such trends, we will seek to heighten the effectiveness of IT governance from the perspectives of management and business continuity.



Roles of Information and Data Security Organizations

Organization	Role
IT Management Division	The IT Management Division is responsible for promoting Groupwide information and data security measures, including the enhancement of IT governance through the development of systems, frameworks, and regulations. Other activities include audits performed by means of assessments and vulnerability screening as well as the introduction and operation of single sign-on,*1 endpoint detection and response,*2 security information and event management,*3 cloud access security broker,*4 and other tools.
BX Promotion Department	The Business Transformation (BX) Promotion Department is tasked with sourcing, installing, and operating the IT resources used on a Companywide basis. For example, this department installs the hardware and software used for back-office processes and internal communication, introduces SaaS tools, procures and manages computers and mobile terminals, provides helpdesk functions, and implements internal and teleworking infrastructure.
SRE Department	The Site Reliability Engineering (SRE) Department is in charge of improving the reliability of all of the services provided by MEDIA DO. This department handles the development of service infrastructure, the introduction of infrastructure as code tools,*5 the monitoring of services to detect and address abnormalities, the automation of formulaic work, and the management of costs and other aspects of cloud infrastructure.

*1 Functions or infrastructure that allow for multiple independent applications or system resources to be used with a single user authentication
*2 Solutions that monitor commands toward and actions by endpoints of networks to which a user's computer, server, smartphone, tablet, or other device connects to detect and react to cyberattacks
*3 Systems that can allow for integrated storage, management, and comparative analysis of the logs produced by firewalls and other security appliances and applications
*4 Solutions that monitor the use of cloud services by employees of a given company or organization to provide appropriate security measures
*5 Automatic management and development of IT infrastructure made possible by converting infrastructure designs and settings into code

Information Security Regulation Establishment and Dissemination

In conjunction with the transition to the new organizational structure for information security management, MEDIA DO conducted a thorough review and amendment of its Information Security Management Regulations, which set forth guidelines for the ongoing process of review and improvement prescribed by its Basic Information Security Policy. At the same time, detailed guidelines were prepared for employees, systems development engineers, and network managers. We are also moving ahead with the development of usage guidelines that describe the type of decisions that should be made when using AI, social media, mobile terminals, and other tools with significant potential to lead to security incidents.

MEDIA DO's information security-related regulations can be viewed by employees at any time via the Company intranet. In addition, training programs are implemented to disseminate understanding of these regulations and improve security awareness among employees.

#1 What We Do
#2 Why We Do It?
#3 How We Do It?

SOCIAL

Contributions to Society and to the Publishing Industry

Basic Policy

MEDIA DO's name encapsulates the Company's desire to become a medium that unites forms of value that would not have come together otherwise and thereby contribute continually to the evolution and development of society. The growth of the business of the MEDIA DO Group is linked to the ongoing and harmonious development of society as well as to the growth of the publishing industry. For this reason, we recognize that it is important for our business activities and services to contribute to healthy economic development as well as to the enrichment of culture and society. Going forward, the MEDIA DO Group will continue to pursue growth through business activities matched to contemporary trends and changes while leveraging its unique strengths to generate social value.

Fight against Piracy Together with ABJ

MEDIA DO is charged with the mission of continuously protecting the frameworks that support the ongoing production of high-quality creative works and provide users with a safe environment that can be used with confidence to enjoy these works. We are also tasked with maximizing the volume of works distributed through these frameworks in order to contribute to the development of the culture these works shape. The spread of illegally reproduced content (piracy) is one of the greatest threats to the publishing industry and a constant source of economic and mental stress to all involved in the production and distribution of creative works. Creator organizations, publishers, telecommunications companies, MEDIA DO, and other industry participants banded together to establish Authorized Books of Japan (ABJ) in 2020 as an organization for driving consistent, long-term efforts to fight piracy. As of April 1, 2023, membership in ABJ totaled 90 companies.

ABJ has led the charge in combating piracy by improving user literacy and preventing the damages that piracy causes. Measures on this front have included anti-piracy campaigns advanced through coordination between creators and ABJ members as well as the use of the ABJ certification mark to indicate authorized distribution services. As of July 31, 2023, there were approximately 900 eBook distributors and distribution services displaying the ABJ certification mark. Meanwhile, an anti-piracy campaign thanking people for their love of manga, which was a collaborative undertaking by publishers together with popular artist Vaundy, garnered significant attention in March 2023, with the campaign video being played more than 10 million times on social media.

The industry has been gaining ground through these efforts, which have successfully halved the access numbers of the 10 most used piracy websites from the peak levels seen in January 2022. Another victory in the war on piracy was the closure of a major piracy website in June 2023. Nevertheless, the access numbers of piracy websites remain high. ABJ will thus be rolling out surveys of users and other measures aimed at examining the underlying cause of piracy in its crusade to eradicate piracy and help create an environment in which creators feel safe to create.

Website for ABJ anti-piracy campaigns (in Japanese only)
https://www.abj.or.jp/arigato

Easy Access to Books for People with Disabilities through Accessible Library

In June 2019, Japan instituted a law aimed at ensuring that everyone has access to books, regardless of whether they have a disability. This law requires municipalities to provide accessible books and eBooks that can be used with ease by people with vision impairments and to pursue increases in the quantity and quality of the books available. MEDIA DO seeks to make active contributions to the development of culture by helping develop frameworks that grant everyone easy access to books. This desire prompted us to develop the Accessible Library, a digital library service for people with disabilities that uses automated text-to-voice technologies for eBook files. Launched in June 2022, Accessible Library was designed as a tool for supporting municipalities in creating libraries that accommodate people with disabilities.

To help address the diverse issues of a wide range of municipalities, Accessible Library is provided through a scheme that allows it to be introduced at prices determined based on population size that are lower than the standard asking price. This service uses the reflowable EPUB*1 format files produced by publishers to allow users to enjoy unlimited access to easy-to-hear readings via the automated text-to-voice function.

It is estimated that there is roughly 300,000 people with vision impairments in Japan, and approximately 10% of these individuals use braille on a general basis to obtain information.*2 A number of the books that public libraries provide for people with vision impairments are translated to braille or are in the form of voice recordings produced through the hard work of volunteers. However, as libraries have to prioritize popular works likely to be in high demand when producing such options for people with vision impairments, it is difficult for them to offer a wide range of options from diverse genres. Seeking to resolve this issue, MEDIA DO embarked on the development of Accessible Library as a framework for providing, in an efficient and ongoing manner, options for people with vision impairments to read a diverse range of past and future works.

In October 2022, MEDIA DO was presented with the grand prize in the Digital Agency's good digital award program, recognizing Accessibly Library as a service for realizing inclusive and accessible digital transformation. Also, in December 2022, we received first prize in the 2022 iteration of the digital publishing award program organized by the Japan Electronic Publishing Association to promote digital publishing and the refinement of related technologies in Japan. As of June 30, 2023, we were offering more than 16,000 works through Accessible Library, thanks to the support of 13 publishers, and this service was used by some 90 municipal government agencies and public libraries across Japan. People with vision impairments throughout the country are being encouraged to take advantage of this service.

*1 eBook files that can flexibly adjust text and layout features
*2 Source: Statistics on Children and Other People with Disabilities Released by the Ministry of Health, Labour and Welfare (2016)

Message from an Accessible Library User

Yasuyuki Suzuki
Director, Sakakimachi Township Library, Nagano Prefecture
(Introduced Accessible Library in May 2023)

Nagano is one of the largest prefectures in Japan, and is covered with mountains. As such, there are towns in which libraries are far away as well as those that do not have a library at all. This situation was further compounded by the typhoons that occurred in 2019 as well as by the COVID-19 pandemic, which began in 2020, creating a strong need to address the issue of not being able to check out a book without actually going to a library. In response to this situation, Nagano Prefecture launched a digital library operated jointly by prefectural and municipal government agencies on August 5, 2022.

This library employees a new scheme in which the prefectural government operates the overall platform, and all 77 municipalities in Nagano Prefecture purchase the portion of the eBooks to which they have been assigned. The goal of this project is to overcome geographical limitations to allow anyone to read eBooks, for free, regardless of place or time.

We were able to take another large step toward our ideal of providing access to "anyone" thanks to Accessible Library. The decision to take this step was based on a discussion by a committee of representatives from prefectural and municipal government agencies on how we could make reading more accessible for people with vision impairments. I look forward to further involving Nagano's information services to be even more inclusive going forward.

SOCIAL

Contributions to Society and to the Publishing Industry

Aid for Entrepreneurs and Managers Who Support Regional Economies

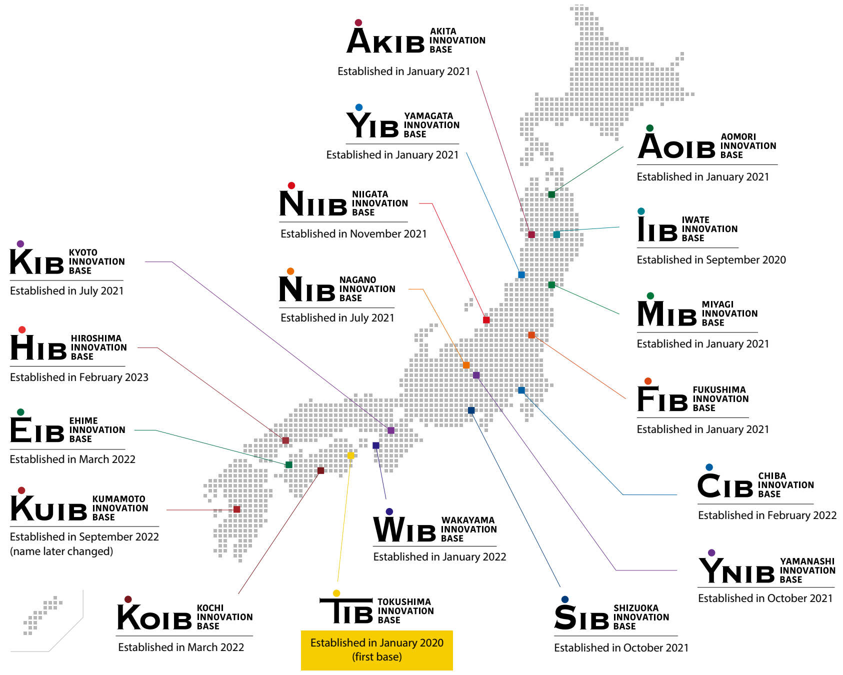
Japan currently faces a number of serious social issues, including the contraction of its workforce and the rapid aging of its population. Recognizing these issues, MEDIA DO is actively aiding the entrepreneurs and managers who support the development of regional economies to ensure that Japan can hand down an energized society to future generations.

In this endeavor, an issue that needs to be addressed is the concentration of information and production capabilities in major urban centers, a situation that results in regional economies lacking information and experiencing of their population decline. One of MEDIA DO's efforts to address this issue was the 2020 establishment of TOKUSHIMA INNOVATION BASE ASSOCIATION (TIB) in Tokushima Prefecture, where Founder and President Yasushi Fujita was born. Created jointly with four local companies, TIB is spearheading efforts to assist entrepreneurs and managers active in regional economies in honing their management skills and to help them grow in a safe and secure environment.

TIB coordinates with media organizations, financial institutions, universities, and municipal government organizations as well as with the Entrepreneurs' Organization, a global organization that has attracted participation by approximately 18,000 entrepreneurs from 76 countries across the world and generates annual revenue in excess of ¥100 million. Through this coordination, TIB aspires to foster capable managers who can support economic development in their region. To accomplish this goal, the organization offers diverse learning opportunities as well as programs for fostering mutually supportive relationships between managers to its more than 270 members (as of June 1, 2023).

Other companies have followed this example, leading to similar innovation bases being established in 18 prefectures and planned in another 13 prefectures as of July 1, 2023. In January 2023, MEDIA DO joined hands with five other companies sponsoring innovation bases to establish xIB JAPAN to act as a support hub for connecting innovation bases across Japan. By forming a network of regional entrepreneurs and managers throughout the nation, MEDIA DO aims to create a robust flow of information and people into regional economies and to thereby contribute to the nationwide cultivation of new industries that will strengthen the Japanese economy as a whole.

Annual innovation base meeting assembly for all members (May 2023)



Professional Basketball Club Contributing to Regional Economy

To help create a more fulfilling society, the MEDIA DO Group encourages the empowerment of regional communities by driving local economic and cultural development through support for professional sports. As one facet of these efforts, MEDIA DO, through joint investment with 22 other companies with connections to Tokushima, established GAMBAROU TOKUSHIMA Co., Ltd., in April 2022. This company aims to create the first Tokushima-based men's basketball club to join the Japan Professional Basketball League (B.League).

While maintaining close coordination with shareholders and other companies, organizations, and government agencies, GAMBAROU TOKUSHIMA manages the TOKUSHIMA GAMBAROUS basketball club. TOKUSHIMA GAMBAROUS joined the 2023–2024 season of the B3 League, a league below the B.League, in July 2023. The opening game of the season is slated to be held in Tokushima City, Tokushima Prefecture in October.

TOKUSHIMA GAMBAROUS is engaged in efforts to contribute to the regional economy in Tokushima Prefecture by encouraging sports tourism through official games expected to draw large numbers of spectators and staff and through the attraction of lodging facilities. Another goal of TOKUSHIMA GAMBAROUS is to contribute to culture and education and to the creation of venues through which community members can communicate through sports.

TGS
GAMBAROUS
TOKUSHIMA

Participation in W3C Internet Technology International Standardization Organization

EPUB is a global standard file format for eBooks specified by the World Wide Web Consortium (W3C), an organization promoting the international standardization of internet technologies. MEDIA DO officially joined W3C in 2018 with the aim of playing an active role in discussions on the impacts of technological progress on the content industry, how to respond to these impacts, and how technology can be used by the industry. Currently, Daihei Shiohama, president and CEO of overseas subsidiary Media Do International, Inc., is serving as the Asian co-chair of the Publishing Business Group of W3C. In 2020, Mr. Shiohama became the first Japanese member among the W3C evangelists, an elite team of field specialists from around the world. In this role, he encourages members of the Japanese publishing industry to participate in this organization.

Based on the recommendations of W3C, EPUB 3.3 was adopted as the new international standard for eBooks on May 25, 2023. In addition to employing the latest specifications, EPUB 3.3 is also guaranteed to feature backward compatibility. The adoption of this new standard is anticipated to accelerate the distribution of eBook files in Japan and around the world. Meanwhile, the newly adopted EPUB Accessibility 1.1 specification will offer the levels of accessibility required by global social foundations.

Progress in internet and other technologies with the potential to impact society is moving forward at an increasingly rapid pace, and the operating environment for the content industry is constantly changing as a result. To respond to such change, the MEDIA DO Group will continue to be an active participant in discussions regarding EPUB specifications while sharing information regarding the future of the publishing industry and the environment pertaining to media with publishing and media industries around the world. At the same time, we will advance the conversation on cases of new technologies being used in next-generation publishing in order to realize MEDIA DO's vision of "More Content for More People!"

SOCIAL

Human Resource Management

Basic Policy

MEDIA DO's corporate creed states that "all people have limitless potential and can grow with time" and that "MEDIA DO will continue to grow so long as its people grow." As indicated by these statements, we view human resources as indispensable to the ongoing growth of the Company. Moreover, we seek to fulfill our mission of "unleashing a virtuous cycle of literary creation" and thereby realize our vision of "More Content for More People!" Moving forward with this mission requires all employees to acquire expertise and experience through their work and for us to utilize our corporate culture as a foundation for fully capitalizing on the growth and potential of our employees. Acting in accordance with this basic policy, we will seek to create environments that allow all employees to achieve independence and demonstrate their growth and potential as they take the initiative in tackling new challenges.

Human Resource Retention and Development Strategies

In addition to recruitment of new-graduate and mid-career hires, MEDIA DO has adopted a human resource development approach toward fostering future leaders targeting people seeking new places of employment one to three years after joining a different company out of university. Meanwhile, new-graduate recruits are positioned as core members of the Company. We are bolstering the range of internships and online and offline explanatory forums aimed at people searching for employment out of university, and applications are accepted from individuals throughout Japan with the goal of recruiting people with high motivation and potential for growth.

MEDIA DO has been recruiting new graduates for more than 13 years, and many employees recruited in this manner have grown to become core members of the Company, with some even holding management positions. We also welcome mid-career individuals, and are proactively recruiting engineers; business development, sales, and corporate personnel; and a wide range of other professionals from a variety of backgrounds. To better invigorate the growth of both our business and our people, our human resource evaluation and compensation systems define action expectations for specific positions and ranks and clearly identify the experience, specialized knowledge, and other qualities required for each position and level. This degree of clarity makes readily apparent the direction that each individual should pursue in their desired career path and the next step to take. Supervisors use action expectations to guide the growth of subordinates in a wide range of situations, such as when assigning work and requesting training program participation.

Enhancement of Human Capital

To facilitate the accomplishment of the targets of the medium-term management plan, MEDIA DO has implemented succession plans based on organization plans linked to business strategies. On-the-job and off-the-job training is conducted in a systematic manner based on the project future needs of the Company's business and on the career plans of individual employees in order to improve both skills and motivation.

External recruitment is practiced alongside the systematic cultivation of internal employees in order to obtain the ideal employees for proactive and optimal assignments based on clearly defined conditions for the human resources required to advance business activities. To facilitate external recruitment, we make offers that are appealing toward individuals motivated to grow while also pursuing constant improvements to our workplace environment in terms of both infrastructure and culture. These efforts are contributing to the ongoing enhancement of human capital.

Development of New Systems and Workplace Environment Matched to New Workstyles

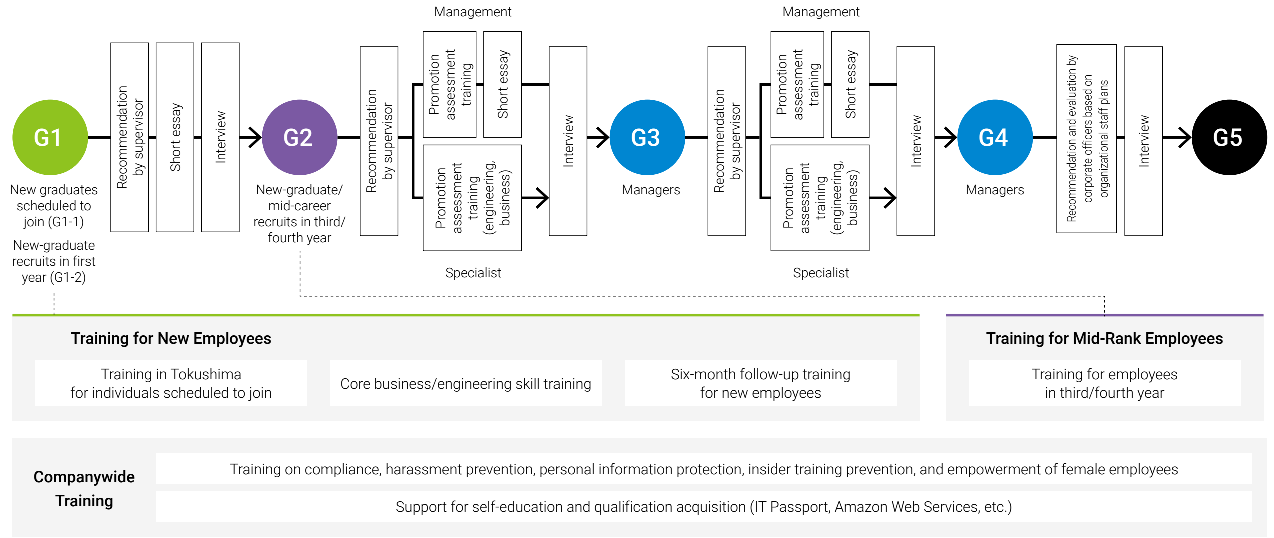
Job-Type Human Resource Systems

In the fiscal year ended February 28, 2022, job-type human resource systems were introduced for engineers and certain other career paths to promote individual ambition and clarify work duties and responsibilities. By creating multiple paths for evaluation and compensation systems, we aim to recruit talented people who are competitive in the job market and stimulate the individual growth of employees while also driving improvements in corporate performance.

Training Programs

Training programs have been developed for various career paths, including management, engineers, and non-engineer specialists. These programs are designed to promote understanding with regard to the expectations of each job type and to offer hands-on opportunities to acquire the necessary knowledge and skills. At the same time, the skills of individual employees are assessed when deciding promotions to assign each individual to their ideal position and to the processes that best match their aptitudes.

Training Programs



Workstyle Reforms and Value Creation Promotion

MEDIA DO proposes new workstyles that incorporate flexible ways of working through the use of flextime, teleworking, and other systems. As the extreme circumstances that arose amid the COVID-19 pandemic dissipate, we seek to promote the creation of value through communication and connections between employees and others both inside and outside of the organization. To this end, a massive renovation was undertaken at MEDIA DO's head office in the fiscal year ended February 28, 2023, to build a café and otherwise realize a more comfortable workplace.

Promotion of Diversity

MEDIA DO had previously targeted a ratio of female employees in management of 30%, but this target was accomplished in March 2023, a year ahead of schedule. However, the empowerment of female employees remains an important management task. To achieve further improvements with this regard, we have introduced two new internal training programs on empowering our female staff, one for female employees highly motivated toward growth and one for managers of all genders. The Company is also promoting the employment of people with disabilities. We have trained job coaches to expand the range of duties that employees with disabilities can perform at MEDIA DO, and we are proactive in recruiting such individuals. Moreover, we are coordinating with external support firms to develop a workplace environment in which employees with disabilities can feel peace of mind and reliably perform their duties.

Management Team

(As of May 25, 2023)

Management Team
(As of May 25, 2023)

1. Representative Director, President and CEO
Yasushi Fujita

2. Director, Vice President, and COO
Shin Niina

3. Director and CRO
Atsushi Mizoguchi

4. Director, CSO and CFO
Hiroshi Kanda

5. Director
Kayoko Hanamura

6. Outside Director
Ayako Kanamaru

7. Outside Director
Haruo Miyagi

8. Outside Director
Junko Mokuno

9. Standing Audit & Supervisory Board Member
Kazuyoshi Ohwada

10. Outside Audit & Supervisory Board Member (Full-Time)
Makoto Nakajima

11. Outside Audit & Supervisory Board Member
Toshiaki Morifuji

12. Outside Audit & Supervisory Board Member
Tsuyoshi Shiina

Basic Policy

MEDIA DO pursues its vision of "More Content for More People!" through operations based on the concept of digital distribution of written works. Through this approach, the Company aims to fulfill its mission of "unleashing a virtuous cycle of literary creation" in which creators are appropriately compensated when their works are used in digitized formats. To accomplish this mission, MEDIA DO has put forth the basic management policy of improving corporate value and thereby maximizing shareholder value over the medium to long term based on an accurate understanding of the importance of its various stakeholders. MEDIA DO recognizes the following as important management issues to be addressed as its management grows increasingly more global: The expedition and streamlining of management decisions to facilitate the further broadening of its business and the heightening of corporate value, and the improvement of management health and transparency through enhanced corporate governance. Entrenching corporate ethics and awareness of these principles throughout the Company will be imperative to improving the health and transparency of management. By fostering such awareness, MEDIA DO aims to develop a corporate culture in which all internal institutions, officers, and employees make fair and accurate decisions. Meanwhile, improving management transparency, and thereby building long-term, trusting relationships with stakeholders, will require prompt and proactive disclosure of information. Systems for information disclosure, both legally mandated and voluntary, are therefore being enhanced toward this end.

To ensure impartial and highly effective management, MEDIA DO will continue to strengthen its corporate governance systems through such means as more effectively allocating resources, expediting decisions, and entrenching compliance awareness under the guidance of the Board of Directors.

For more details, pleaser refer to MEDIA DO's corporate website.
https://mediado.jp/english/sustainability/governance/policy/

History of Corporate Governance System Enhancement

2020
- Introduction of executive officer system
- Publication of first integrated report
- Definition of priority ESG themes

2021
- Establishment and amendment of MEDIA DO Basic Corporate Governance Policy and other policies in response to revision to Japan's Corporate Governance Code
- Appointment of first female director
- Establishment of Nomination and Compensation Committee

2022
- Transference of stock to Prime Market segment of the Tokyo Stock Exchange (TSE)
- Establishment of Sustainability Committee

2023
- Appointment of first female director candidate from within the Company via internal promotion
- Identification of material issues

+

Improvement of Companywide corporate governance by bolstering systems for managing Group companies

Corporate Governance System

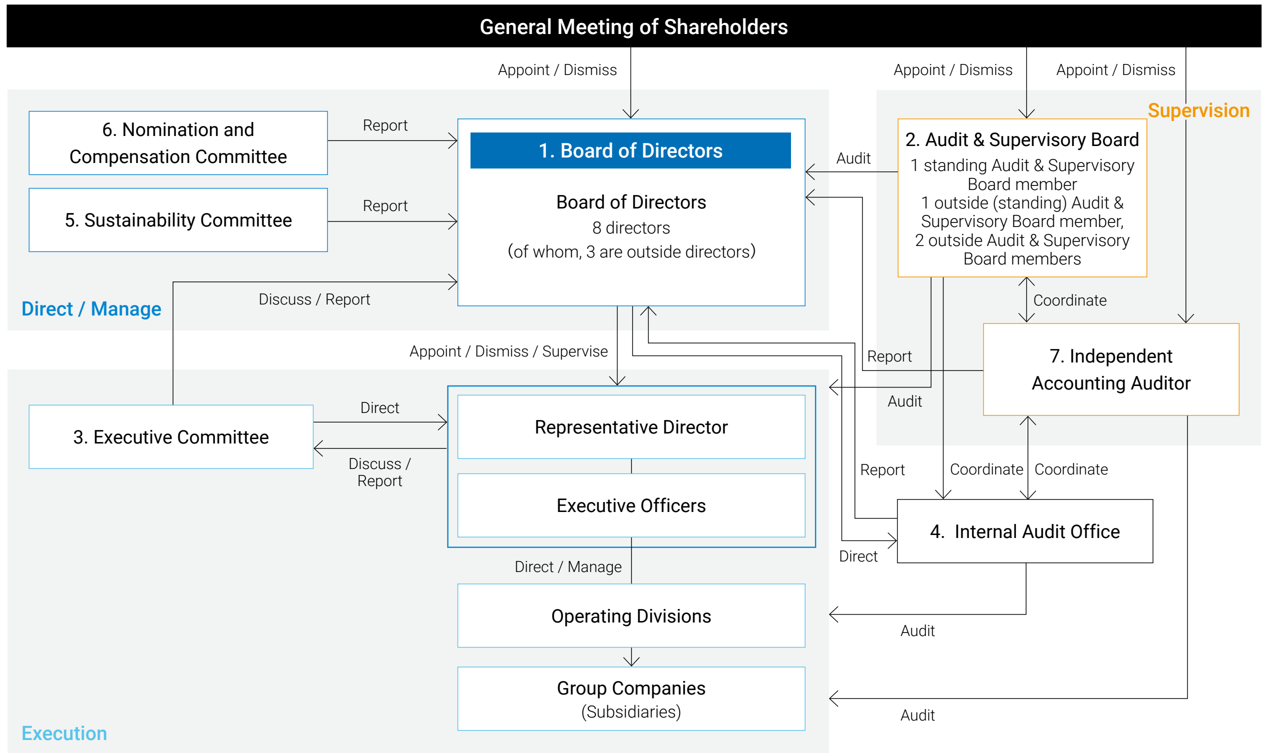
The Company has selected the Company with Board of Company Auditors structure described in the Companies Act of Japan for its organizational structure as this structure provides for two lines of checks on operational execution through supervision by the Board of Directors and audits from the perspectives of legal compliance and appropriateness by the Audit & Supervisory Board. Under the Company's current corporate governance system, all outside Audit & Supervisory Board members have been designated as independent auditors as stipulated by the TSE, while the three outside directors are established as independent directors.

This composition makes it possible for outside Audit & Supervisory Board members to audit the operational execution of directors with operational execution functions (executive directors) from the perspectives of legal compliance and appropriateness. Similarly, outside directors are able to exert influence on executive directors through the supervision of their exercise of voting rights at meetings of the Board of Directors and the appropriateness of these decisions. With all officers performing their functions in this manner, the Company is working to protect the interests of general shareholders. Furthermore, the Nomination and Compensation Committee was voluntarily established in June 2021 to facilitate the improvement of management transparency and impartiality, to strengthen the oversight function of the Board of Directors, and to expedite the execution of decisions. In addition, the Sustainability Committee was established in June 2022 to help build upon integrated Companywide risk management activities while enhancing sustainability management initiatives. Going forward, the Company will continue working to increase corporate value through the exercise of its corporate philosophy and the improvement of the effectiveness of its corporate governance systems.

Overview of Corporate Governance System (As of June 1, 2023)

Organizational structure	Company with Board of Company Auditors
Number of directors (of which, outside directors)	8 (3)
Number of Audit & Supervisory Board members (of which, outside Audit & Supervisory Board members)	4 (3)
Term of directors	1 year
Term of Audit & Supervisory Board members	4 years
Has executive officer system	Yes
Voluntary advisory body to the Board of Directors	Nomination and Compensation Committee
Incentives provided to directors	Restricted stock compensation system, etc.
Accounting auditor	Avantia G.P.

Corporate Governance System (As of June 1, 2023)



Functions and Role of Corporate Governance System Constituents

Name	Overview	Number of Meetings / Frequency in FY2022
1. Board of Directors	The Board of Directors is the Company's highest management decision-making body. Based on the internal regulations for the Board of Directors, the Board of Directors makes decisions on important matters (management policies, business plans, acquisition and disposal of important assets, etc.) and supervises the status of operational execution. Regular meetings of the Board of Directors are held once a month, in principle, and special meetings are convened as necessary.	17 times a year
2. Audit & Supervisory Board	Audit & Supervisory Board members attend meetings of the Board of Directors to maintain an understanding of conditions within the Company and perform audits of operations along with accounting audits by interviewing directors and reviewing relevant documents. Standing Audit & Supervisory Board members also attend important meetings other than those of the Board of Directors to provide for sufficient oversight of the status of operational execution by directors. The Audit & Supervisory Board meets once a month. At meetings, the four Audit & Supervisory Board members establish audit plans and review the status of audit implementation and audit results and perform other tasks to ensure effective and efficient audits. Moreover, information is shared between Audit & Supervisory Board members, the Internal Audit Office, and the accounting auditor to ensure efficient and synergetic audits.	17 times a year
3. Executive Committee	The Executive Committee meets once a week, in principle, primarily to discuss matters pertaining to business operation and to facilitate efficient operational execution through the examination and decision of matters pertaining to regulations for divisions of authority and basic operational execution items related to management that are not decided by the Board of Directors.	Once a week
4. Internal Audit Office	The Internal Audit Office is an organization under the direct jurisdiction of the Board of Directors. This organization performs internal audits in accordance with the associated plans and thereby audits the Company's business activities while supervising the actions of directors and employees from the perspective of legal compliance. The findings of such activities are reported directly to the Board of Directors and the Audit & Supervisory Board. Any requests for improvements issued as part of these audits are submitted directly to the respective divisions and Group companies via the Board of Directors to drive the necessary improvements.	—
5. Sustainability Committee	The Sustainability Committee is chaired by the director in charge of corporate divisions and membered by oversight representatives that divisions have defined to clarify responsibility for managing risks and opportunities, and is tasked with guiding the evolution of MEDIA DO into a more sustainable organization and company. Positioned beneath the Board of Directors, this committee reports to the Board of Directors on the findings of its discussions when appropriate. Meetings are held as necessary (once a quarter, in principle) as the committee seeks to identify, manage, and oversee business opportunities and risks based on a broad definition of risk management incorporating the perspectives of social expectations related to such matters as ESG and the SDGs. This approach is taken to facilitate management and strategy implementation based on MEDIA DO's mission and vision.	3 times a year
6. Nomination and Compensation Committee	The Nomination and Compensation Committee shall be comprised of three or more directors, including the representative director, appointed via resolution of the Board of Directors, a majority of which should be outside directors designated as independent directors. The chairperson of this committee shall be selected from among the members who are outside directors designated as independent directors based on a majority vote by members. These measures will be taken in order to ensure high levels of independence and transparency. As an advisory body to the Board of Directors, the Nomination and Compensation Committee reports to the Board of Directors on its examinations and deliberations pertaining to matters such as the nomination of director candidates, the appointment and dismissal of directors and executive officers, policies and procedures related to the compensation of directors and executive officers, and succession plans for the president and CEO.	3 times a year
7. Independent Accounting Auditor, etc.	Lawyers and the accounting auditor are involved in the corporate governance system in so much as legal advisors are consulted with regard to important legal matters while the accounting auditor is consulted with regard to important accounting matters. In this manner, the Company seeks to formulate effective measures for addressing such matters. Currently, the Company has concluded consultant contracts with Mori Hamada & Matsumoto and OMM LAW OFFICE, and it is therefore able to receive legal advice through consultations regarding legal issues. The Company contracts accounting auditor Avantia G.P. to perform audits of finance and accounting activities based on Article 193-2 (1) of the Financial Instruments and Exchange Act of Japan. This provision ensures compliance with regard to financial reporting by enabling the Company to receive pertinent advice in relation to important accounting issues.	—

Policies for Appointment of Directors and Audit & Supervisory Board Members

The articles of incorporation stipulate that the Board of Directors should comprise eight or less directors and that the Company should have four or less Audit & Supervisory Board members. Within this scope, the Company's basic policy is to choose the membership of the Board of Directors that is deemed ideal while considering the balance of business knowledge, experience, and skills of members as well as their gender, nationality, age, and other diversity aspects. From the perspectives of objectivity and transparency, candidates for positions as directors are selected by the Board of Directors after consulting with the Nomination and Compensation Committee and receiving reports on the discussions and evaluations of this committee.

Evaluations and decisions regarding director candidates are carried out with comprehensive consideration paid to their experience, insight, and specialties based on MEDIA DO's business philosophy and management strategies. In selecting candidates for positions as outside directors and outside Audit & Supervisory Board members, the Company seeks individuals that fulfill the requirements for outside directors and outside auditors stipulated by the Companies Act of Japan and for independent directors and independent auditors put forth by the TSE. Moreover, these individuals must not present the risk of conflicts of interest with general shareholders.

Areas of Expertise and Experience of Directors and Audit & Supervisory Board Members (Skill Matrix)

The Company's Board of Directors consists of diverse directors with the differing expertise, experience, skills, and backgrounds necessary to raise the level of sustainability in Board governance while enhancing the effectiveness of corporate governance.

Moreover, the Company's Audit & Supervisory Board consists of Audit & Supervisory Board members who provide supervision of the execution of duties by directors and of the Company's management from their respective professional standpoints and thereby contribute to the strengthening of management monitoring functions.

Areas of Expertise / Anticipated Contribution

Name	Corporate management, strategy	Legal affairs, risk management	Finances, accounting, capital measures	Technologies, systems	Human resources, human resource development	Internal control, corporate governance	ESG, sustainability	Marketing, business development	International experience	Industry experience	Independence
Directors											
Yasushi Fujita	●			●	●		●	●		●	
Shin Niina	●			●	●		●		●	●	
Atsushi Mizoguchi	●			●				●		●	
Hiroshi Kanda	●		●			●	●				
Kayoko Hanamura				●	●			●		●	
Ayako Kanamaru		●				●	●		●		●
Haruo Miyagi	●				●	●	●				●
Junko Mokuno	●			●				●		●	●
Audit & Supervisory Board Members											
Kazuyoshi Ohwada	●	●	●			●					
Makoto Nakajima		●	●			●	●				●
Toshiaki Morifuji		●	●								●
Tsuyoshi Shiina		●				●					●

Succession Plan for CEO and Other Top Executives

Succession plans for the president and CEO are formulated through ongoing discussion by the Nomination and Compensation Committee to ensure that these plans account for factors such as the Company's medium-term management policies, the progress of its strategies, and changes to its operating environment. Candidates for the position of president and CEO may be chosen from within management or from outside of the Company and should be individuals judged to possess a strong track record combined with superior management decision-making capabilities. These capabilities are to be assessed based on consideration of factors such as the strength of their leadership, the level of passion they devote to exercising MEDIA DO's corporate philosophy, their reputation inside and outside of the Company, their pursuit of innovation, and their personality and popularity. The final decision regarding the successor to the president and CEO will be made by the Board of Directors, selecting the most suited individual from among the candidates and with due consideration paid to input from the Nomination and Compensation Committee.

Compensation of Directors and Audit & Supervisory Board Members

Executive Director Compensation Policies and Composition

- Compensation systems for directors should be designed to generate strong motivation to pursue ongoing improvements in corporate value.
- Compensation systems should also incorporate objective and transparent procedures founded on principles of accountability toward shareholders and other stakeholders.
- Compensation amounts should be set appropriately based on the roles and responsibility of each individual director.

Compensation for directors is decided in accordance with the basic policies detailed above.

The Nomination and Compensation Committee was established in June 2021 to heighten transparency in deciding compensation in line with the basic policies. Based on discussion by the Nomination and Compensation Committee, compensation of directors and executive directors is comprised of monetary compensation and stock compensation (restricted stock compensation). In addition, performance-linked compensation was introduced in the fiscal year ended February 28, 2022. The indicators used for calculating performance-linked compensation have been set as consolidated net sales and operating profit in order to emphasize profitability and growth potential. In addition, amounts of stock compensation issued to individuals are determined with due consideration paid to the degree of each individual's contributions to the accomplishment of qualitative targets related to ESG from the perspective of facilitating ongoing growth and improving medium- to long-term corporate value.

Compensation Type	Fixed Compensation		Performance-Linked Compensation
	Monetary	Stock	Monetary
Ratio of Compensation	Approx. 70%	Approx. 20%	Approx. 10%
Policies for Calculation Methods	• Fixed monetary compensation shall be determined based on the roles and responsibilities of individuals (with consideration paid to the salaries of employees who are not directors). Fixed compensation for executive directors will also be influenced by comprehensive evaluations of individual performance in the preceding fiscal year as well as individual performance targets (commitments) set for the given fiscal year.	• Stock compensation shall be allocated to individuals in amounts determined based on a comprehensive evaluation of each individual's contribution to the accomplishment of ESG and other qualitative goals set from the perspectives of ongoing growth and medium- to long-term improvements in corporate value.	• The indicators used for calculating performance-linked compensation shall be consolidated net sales and operating profit in order to emphasize profitability and growth potential.

Compensation of Directors and Audit & Supervisory Board Members in FY2022

	Total Compensation (Millions of yen)	Compensation by Type (Millions of yen): Monetary Compensation	Compensation by Type (Millions of yen): Non-Monetary Compensation (Stock Compensation)	Number of Recipients
Directors (excluding outside directors)	122	92	30	5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	6	6	—	1
Outside directors and auditors	19	19	—	5

Note: Figures for "Directors (excluding outside directors)" above include compensation paid to two directors who resigned following the expiration of their term at the conclusion of the 23rd Annual General Meeting of Shareholders held on May 26, 2022.

Activities of the Nomination and Compensation Committee

The Nomination and Compensation Committee was established on June 1, 2021, as an advisory body to the Board of Directors for the purpose of improving the transparency and objectivity with regard to the decision-making processes for nomination and compensation of directors. The committee is to be comprised of three or more directors, including the representative director, appointed via resolution of the Board of Directors, a majority of which should be outside directors designated as independent directors. The chairperson of this committee shall be selected from among the members who are outside directors designated as independent directors based on a majority vote by members.

Major Topics of Discussion in FY2022

- Formulation of director and Audit & Supervisory Board member skill matrix and examination of Board of Directors' composition
- Examination of director evaluation systems, processes, and items
- Confirmation and potential revision of compensation systems for executive officers and other officers
- Examination of succession plans

Evaluation of Effectiveness of the Board of Directors

Self-evaluations and analyses of the effectiveness of the Board of Directors are performed for the purpose of improving the functionality of the Board of Directors and subsequently the corporate value of the Company. Advice from third-party institutions has been received in performing the self-evaluations and analyses, which were performed through the following procedures. Based on evaluations of the effectiveness of the Board of Directors, swift action is taken after sufficient discussion of the identified issues to continuously heighten the functionality of the Board of Directors.

FY2023 Initiatives Based on Results of FY2022 Evaluation

The evaluation of the effectiveness of the Board of Directors conducted in March 2023 showed a generally positive evaluation of the Board of Directors. Factors cited in this positive evaluation included the appointment of support staff, setting of appropriate agendas, and provision of training opportunities to aid directors and Audit & Supervisory Board members and ensure that discussion time at meetings is sufficient. Meanwhile, issues were identified including the need to respond to potential risks and opportunities, emphasize cost of capital in management, and develop succession plans for members of management. The Board of Directors will spearhead the monitoring and promotion of measures for addressing these issues, which are congruent to the material issues defined by the Company.

FY2022 Evaluation of Board of Directors' Effectiveness

Process Overview

Overview:
Survey issued in March 2023, results analyzed, discussed, and evaluated at regular May Board of Directors' meeting

Scope:
All directors and Audit & Supervisory Board members

Response Method:
- Anonymous questionnaires submitted directly to third-party institution to ensure anonymity

Major Topics:
- Board of Directors' composition, meeting proceedings, and deliberations
- Oversight function of the Board of Directors
- Performance of outside directors
- Support systems and training for directors and Audit & Supervisory Board members
- Engagement with shareholders (investors), etc.

Results of Evaluation

Highly Rated Items:
- Provision of information, support staff, and training opportunities to aid directors and Audit & Supervisory Board members
- Discussion and development of objective, timely, and transparent processes for appointment, dismissal, and non-reappointment of president and CEO
- Oversight and monitoring systems for ensuring appropriate operational execution for contributing to medium- to long-term improvements in corporate value
- Provision of feedback regarding engagement with shareholders (investors)

Future Challenges:
- More in-depth discussions regarding medium- to long-term corporate and management strategies and potential risks and opportunities
- Examination and revision of Groupwide business portfolio based on cost of capital
- Development of Groupwide internal control systems and enhancement of monitoring of implementation status
- Active involvement in formulation and implementation of plans for systematic cultivation of successor candidates for the president and CEO and other top executives

Improvement Initiatives

1. Identification of Material Issues
In May 2023, the Company identified and approved a set of material issues. These issues were selected through a series of discussions at meetings of the Board of Directors aimed at compiling and prioritizing potential risks and opportunities to better link management strategies to the resolution of social issues and thereby facilitate medium- to long-term improvements in corporate value. Individuals responsible for the promotion of initiatives in relation to each issue have been appointed, and KPIs have been set for use in monitoring progress with this regard.

2. Promotion of Emphasis on Cost of Capital in Management
During the period of the current medium-term management plan, the established business portfolio review standards will be applied when assessing and analyzing businesses, Group companies, and investees. Moreover, more robust examinations and discussions will be held in relation to efforts to accomplish the targets of the medium-term management, and progress toward these targets will be managed.

Topics Discussed at Board of Directors' Meetings

Themes	Major Topics	Number of Reports / Agenda Items
Management strategies	Group capital strategies, strategic investments, impacts of the COVID-19 pandemic, progress of the medium-term management plan, reports on businesses (new, existing)	16
Finances and accounting	Group budgets, capital strategies (shareholder returns, fund procurement), financial reporting	9
Investments and M&A activities	Potential investments and M&A activities	9
Human resources and organizations	Nomination of directors and executive officers, officer compensation (monetary, non-monetary)	10
Corporate governance	Evaluation of effectiveness of the Board of Directors, conflicts of interests among directors, policies and regulations for enhancing governance	10
Compliance and risk management	Compliance, risk management, internal controls, sustainability	9
Investor relations	Investor relations (IR) polices and activity reports	4

Engagement with Stakeholders

In pursuit of ongoing growth and medium- to long-term improvements in corporate value, MEDIA DO includes policies regarding frameworks and initiatives for facilitating constructive dialogue with shareholders in the MEDIA DO Basic Corporate Governance Policy, which is available for viewing. By acting in accordance with these policies, the Company seeks to improve its transparency through effective disclosure and engagement. In addition, a disclosure policy has been implemented and other steps are taken to share value and build trust with shareholders and other investors through effective communication.

Moreover, MEDIA DO seeks to improve management by incorporating the feedback it gains through continuous and proactive information disclosure and engagement activities.

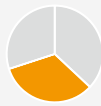
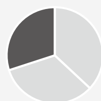
MEDIA DO Basic Corporate Governance Policy
https://mediado.jp/english/sustainability/governance/policy/

Disclosure Policy
https://mediado.jp/english/ir/information/disclosure/

Frameworks for Facilitating Constructive Dialogue

Representatives	President and CEO and director, CSO and CFO
Internal venue for facilitating engagement	Corporate Planning Department (finance and IR sections)
Major activities	• Briefings for analysts and institutional investors • Regular engagement activities targeting domestic and overseas shareholders and other investors • Participation in conferences for domestic and overseas investors arranged by securities companies • Organization of non-deal road shows for investors overseas • Preparation and disclosure of financial results materials and IR tools
Methods of incorporating feedback	• Quarterly reports on input gained through IR activities to the Board of Directors • Communication of feedback to heads of relevant businesses
Examples of incorporation of feedback	• Disclosure of monthly distribution growth rates https://mediado.jp/english/ir/finance/monthly/

Subjects of Interest among Institutional Investors

Area	Topics of Questions Received
eBook Distribution Business 37% 	• Growth potential of eBook market • Impact of transference of sales channels for LINE Manga • Trends among eBook distributors • Disclosure of monthly distribution growth rates • Impacts of piracy websites, etc.
Strategic Investment Businesses 33% 	• Overview of vertical scroll comic operations and business models • Growth potential of vertical scroll comics market • Market scale and growth potential of FanTop business • KPIs for monitoring strategic investment businesses • Potential for AI use in strategic investment businesses • Business portfolio policies, etc.
Other 30% 	• Progress of medium-term management plan and probability of accomplishing targets • Performance outlook for fiscal year ending February 29, 2024, and beyond • Factors affecting costs • Investment strategies (plans, investment scales and targets, etc.) • Shareholder return policies, etc.

Basic Policy

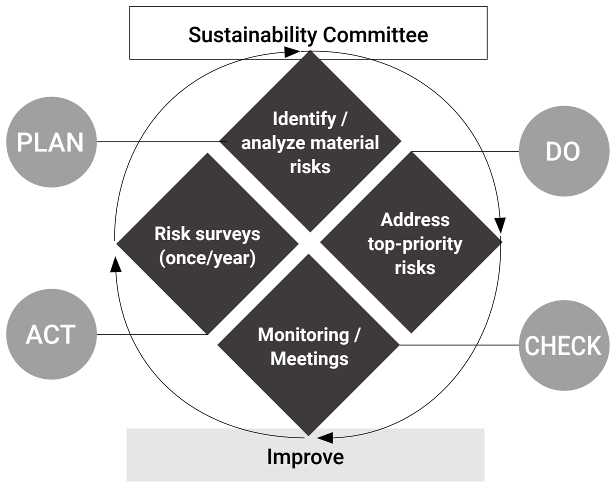
The MEDIA DO Group has established risk management regulations to mitigate risks and minimize the potential losses should risks be realized. In addition, the Sustainability Committee has been put in place to help identify, assess, and combat risks with the potential to impact the ongoing growth and business activities of the Group based on these regulations. This committee meets once a quarter, in principle, to spearhead examinations and assessments regarding Companywide risks. The committee also designates risk owners in association with specific risks and clarifies their roles to ensure the effectiveness of response measures. The results of risk assessments are reported to the Board of Directors, which examines the relative weight of risks from the perspective of management to prioritize the risks needing to be addressed and issue instructions on the measures to be implemented.

Identified risks are categorized as either business strategy risks or operational risks, the definitions of which are described below.

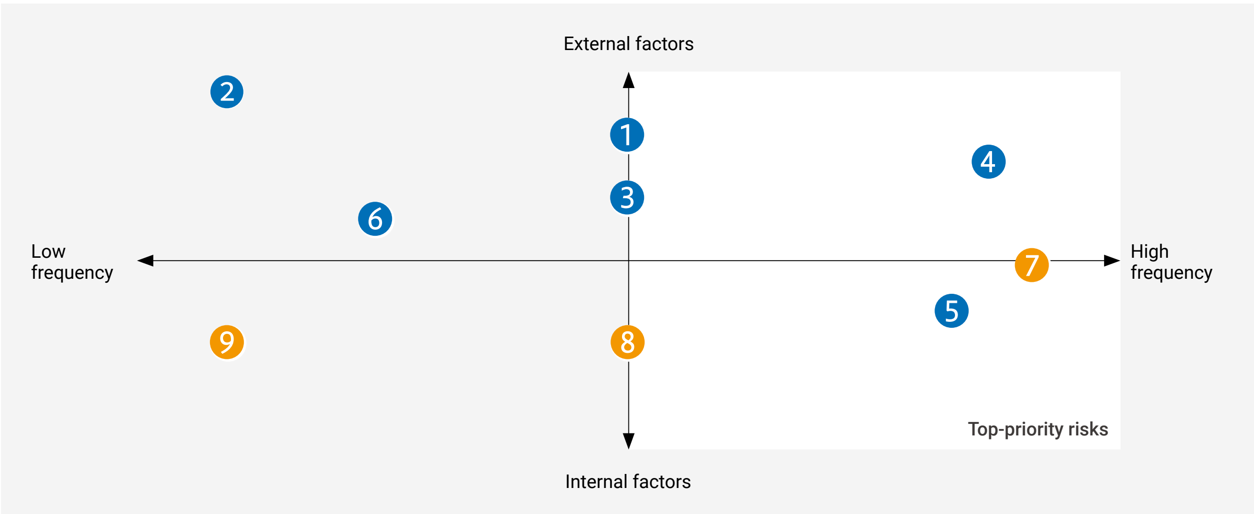
Business Strategy Risks	Business strategy risks represent the potential that the Company will be unable to achieve the desired results or benefits of its management policies or business strategies. Measures for countering these risks are to be formulated based on the scope and extent of their potential impact on the ongoing growth of the Company.
Operational Risks	Operational risks refer to the risk of operational phenomenon, obstructions, or losses occurring during the course of implementing business strategies. These risks shall be limited to a predetermined level during the course of business activities.

For risks judged to be material, response measures and counter-measures are examined and discussed at various levels, including the business, corporate, and senior management levels. The Sustainability Committee monitors progress in such measures as it works to promote ongoing improvements. In addition, Audit & Supervisory Board members attend meetings of the Board of Directors, review important documents, and coordinate with the accounting auditor to confirm the effectiveness of measures implemented in response to high-priority risks. Furthermore, the Company establishes compliance-related policies and regulations, defines the roles and regulations to be observed by Group officers and employees, and conducts internal audits to confirm the status of compliance.

Risk Management Cycle



Risk Assessment Map



Major Business Risks and Scope of Impacts

		Recognized Risk	Scope of Impact	Degree of Impact	Response Measures
Business Strategy Risks	1	**Risks related to growth potential of the eBook industry**	• Risk of impacts on management policies and growth strategies • Risk of impacts on business performance	Potential for large impacts (hundreds of millions of yen to billions of yen) on performance	With an ongoing focus on the growth of the eBook market, MEDIA DO will seek to strengthen its position as an industry infrastructure provider through further reduction of distribution energy use and provision of additional functions. To this end, we are expanding our content lineup, enhancing the Group's distribution systems, developing and supplying services and solutions matched to the needs of users, and embracing new technologies. These efforts are anticipated to help broaden the scope of MEDIA DO's user base and the publishing market as a whole while differentiating the Company from its rivals.
	2	**External factor (natural disasters, etc.) risks**	• Risk of impacts on growth strategies and business activities • Risk of impacts on supply and demand • Risk of impacts on earnings	Potential for medium to large impacts (hundreds of millions of yen to billions of yen) on performance	As an entity responsible for a piece of social infrastructure in the publishing industry, the MEDIA DO Group aspires to continue to provide frameworks that can be reliably and confidently used by authors, publishers, and users (readers). Measures to this end include the installation of backups for systems and procedures and the formation of risk response organizations.
	3	**Risks of piracy websites, etc.**	• Risk of impacts on growth strategies and business activities • Risk of impacts on supply and demand • Risk of impacts on earnings	Potential for medium to large impacts (hundreds of millions of yen to billions of yen) on performance	There are currently numerous small to medium-sized piracy websites based overseas. Though some of these websites have been closed, the access numbers of such websites go through cycles of rise and decline as the industry has not yet been able to completely eradicate these sites. Accordingly, the publishing industry continues to coordinate with government agencies to close piracy websites and identify their operators.
	4	**Risks related to dependence on specific suppliers**	• Risk of impacts on business activities • Risk of impacts on performance and financial position	Potential for medium to large impacts (hundreds of millions of yen to billions of yen) on performance	The Company does not engage in frequent conditions negotiations with suppliers, but conditions are regularly reviewed from a two-way perspective. MEDIA DO maintains its stance of working together with suppliers to grow the eBook market. At the same time, it seeks to foster new earnings sources that can stand alongside its eBook distribution business.
	5	**Systems and information security risks**	• Risk of impacts on performance and financial position • Risk of damage to brand value	Potential for medium impacts (hundreds of millions of yen) on performance	MEDIA DO established the Information Security Management Office in December 2022 and then reorganized this body in conjunction with the augmentation of its functions and staff in March 2023 to form the IT Management Division. The IT Management Division is responsible for formulating and implementing information security regulations, conducting information and data security risk assessments, and introducing endpoint detection and response and cloud access security broker tools. The Company will continue to advance Groupwide information and data security measures related to matters such as sales activities, systems development, and back-office processes.
	6	**Investment and impairment risks**	• Risk of impacts on financial position • Risk of impacts on business activities, performance, cash flows, and stock price	Potential for medium to large impacts (hundreds of millions of yen to billions of yen) on performance	The MEDIA DO Group is committed to the maximization of its business value through efficient business operation and disciplined investment based on a consideration of cost of capital and profitability of used capital. In tandem with these investments, we are diversifying our management and businesses while implementing a full spectrum of process reforms aimed at optimizing our business portfolio. The reforms include refining business and investment candidate screening criteria and enhancing analysis and monitoring frameworks.
Operational Risks	7	**Human resource recruitment risks**	• Risk of impacts on growth strategies and business activities • Risk of impacts on performance and financial position	Potential for medium impacts (hundreds of millions of yen) on performance	No major shortages in human resources or delays in projects have occurred in business or systems development activities at this point in time, but demand is already rising for recruitment of engineers and other human resources to fuel future growth. In September 2022, MEDIA DO completed the full renovation of its eighth-floor office space as part of its initiatives to develop a more comfortable workplace. We continue efforts to recruit and retain human resources through the creation of workplace environments that fulfill the physical, mental, and social needs of employees.
	8	**Internal control risks**	• Risk of impacts on performance and financial position • Risk of damage to brand value	Potential for medium impacts (hundreds of millions of yen) on performance	No corporate governance issues have occurred at this point in time, but the Company recognizes the need to enhance internal management and control systems in order to prevent future issues. Accordingly, steps are being taken to bolster the effectiveness of systems in conjunction with the Companywide risk management activities of the Sustainability Committee.
	9	**Risks related to dependence on specific individuals**	• Risk of impacts on growth strategies and business activities • Risk of impacts on performance and financial position • Risk of damage to brand value	Potential for medium impacts (hundreds of millions of yen) on performance	The Company is not currently dependent on any specific individuals. Nevertheless, the Board of Directors and the Nomination and Compensation Committee, an advisory body to the Board of Directors, are moving forward with discussions aimed at the development of succession plans in order to ensure the sustainability of management and institute strong Board governance.

CONSOLIDATED BALANCE SHEETS

MEDIA DO Co., Ltd. and its consolidated subsidiaries
As of February 28, 2023 and 2022

	Millions of yen 2023	2022	Thousands of U.S. dollars (Note 1) 2023
Assets			
Current assets			
Cash and deposits (Notes 4 and 17)	¥10,127	¥11,399	$ 74,282
Notes and accounts receivable–trade (Note 4)	—	23,290	—
Notes and accounts receivable–trade, and contract assets (Note 4)	21,706	—	159,216
Other	1,993	1,759	14,618
Special account for claims on returned goods unsold	—	(86)	—
Allowance for doubtful accounts	(1)	(1)	(7)
Total current assets	33,825	36,361	248,111
Non-current assets			
Property, plant and equipment			
Buildings	689	514	5,053
Tools, furniture and fixtures	297	285	2,178
Other	27	53	198
Accumulated depreciation	(384)	(508)	(2,816)
Total property, plant and equipment	630	344	4,621
Investments and other assets			
Goodwill (Notes 3 and 19)	6,874	7,176	50,421
Investment securities (Notes 4 and 5)	5,713	5,881	41,905
Shares of associates (Note 4)	734	799	5,383
Guarantee deposits (Note 4)	489	503	3,586
Software	852	854	6,249
Software in progress	44	119	322
Deferred tax assets (Note 10)	380	363	2,787
Allowance for doubtful accounts	(7)	(739)	(51)
Other	1,344	844	9,858
Total investments and other assets	16,425	15,802	120,479
Total assets	¥50,882	¥52,509	$373,226

The accompanying notes are an integral part of these financial statements.

	Millions of yen 2023	2022	Thousands of U.S. dollars (Note 1) 2023
Liabilities			
Current liabilities			
Notes and accounts payable–trade (Note 4)	¥24,511	¥26,539	$179,791
Short-term borrowings (Notes 4 and 6)	903	100	6,623
Current portion of long-term borrowings (Notes 4 and 6)	1,302	1,027	9,550
Income taxes payable	65	761	476
Provision for bonuses	41	50	300
Provision for point certificates	—	60	—
Provision for sales returns	—	213	—
Other (Notes 6 and 18)	1,966	1,686	14,420
Total current liabilities	28,789	30,439	211,171
Non-current liabilities			
Long-term borrowings (Notes 4 and 6)	4,414	4,443	32,377
Deferred tax liabilities (Note 10)	156	72	1,144
Retirement benefit liability (Note 7)	638	569	4,679
Other (Notes 6 and 9)	108	70	792
Total non-current liabilities	5,319	5,156	39,015
Total liabilities	34,109	35,596	250,194
Net assets (Note 11)			
Shareholders' equity			
Share capital (Note 11)	5,934	5,909	43,526
Capital surplus	6,159	7,285	45,177
Retained earnings	3,933	3,254	28,849
Treasury shares (Note 11)	(48)	(1)	(352)
Total shareholders' equity	15,979	16,447	117,208
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	118	191	865
Foreign currency translation adjustment	596	176	4,371
Total accumulated other comprehensive income	715	367	5,244
Share acquisition rights (Note 8)	0	0	0
Non-controlling interests	77	97	564
Total net assets	16,772	16,912	123,025
Total liabilities and net assets	¥50,882	¥52,509	$373,226

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

MEDIA DO Co., Ltd. and its consolidated subsidiaries
Years ended February 28, 2023 and 2022

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Net sales (Note 18)	¥101,667	¥104,722	$745,741
Cost of sales	90,705	94,848	665,334
Gross profit	10,962	9,874	80,407
Selling, general and administrative expenses (Note 12)	8,568	7,063	62,847
Operating profit (Note 19)	2,393	2,811	17,552
Other income (expenses)			
Interest and dividend income	27	10	198
Foreign exchange gains	14	—	102
Subsidy income	20	43	146
Gain on investments in investment partnership	1	2	7
Reversal of allowance for doubtful accounts	—	60	—
Interest expenses	(32)	(31)	(234)
Share issuance costs	(1)	(15)	(7)
Commission expenses	(20)	—	(146)
Foreign exchange losses	—	(9)	—
Share of loss of entities accounted for using equity method	(82)	(39)	(601)
Donations	(40)	(50)	(293)
Gain on sale of non-current assets (Note 13)	—	2	—
Reversal of provision for loss on business of subsidiaries and associates	—	37	—
Gain on change in equity	68	208	498
Loss on sale of non-current assets (Note 13)	(5)	—	(36)
Loss on retirement of non-current assets (Note 14)	(141)	(66)	(1,034)
Impairment loss (Note 15)	(499)	(405)	(3,660)
Loss on valuation of investment securities	(145)	(0)	(1,063)
Loss on sale of shares of subsidiaries and associates	(15)	—	(110)
Special provision of allowance for doubtful accounts	—	(178)	—
Other	(11)	(16)	(80)
Profit before income taxes	1,529	2,363	11,215
Income taxes–current	533	1,102	3,909
Income taxes–deferred	11	(236)	80
Total income taxes	545	865	3,997
Profit	¥ 984	¥ 1,498	$ 7,217
Profit (loss) attributable to non-controlling interests	¥ (72)	¥ (78)	$ (528)
Profit attributable to owners of parent	1,057	1,576	7,753

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Profit	¥ 984	¥1,498	$ 7,217
Other comprehensive income (Note 16)			
Valuation difference on available-for-sale securities	(72)	(17)	(528)
Foreign currency translation adjustment	420	173	3,080
Share of other comprehensive income of entities accounted for using equity method	0	—	0
Total other comprehensive income	347	156	2,545
Comprehensive income	¥1,332	¥1,654	$ 9,770
Comprehensive income attributable to:			
Owners of parent	¥1,405	¥1,732	$10,305
Non-controlling interests	(72)	(78)	(528)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

MEDIA DO Co., Ltd. and its consolidated subsidiaries
Years ended February 28, 2023 and 2022

Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 1, 2021	¥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
Issuance of restricted shares	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
Net changes in items other than shareholders' equity					—
Total changes during period	1,494	1,796	1,254	(0)	4,544
Balance at February 28, 2022	¥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					
Issuance of restricted shares	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)
Change in shares of parent held by entities accounted for using equity method				(48)	(48)
Net changes in items other than shareholders' equity					—
Total changes during period	24	(1,125)	723	(46)	(423)
Balance at February 28, 2023	¥5,934	¥ 6,159	¥3,933	¥ (48)	¥15,979

Millions of yen

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at March 1, 2021	¥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
Issuance of restricted shares			—			49
Dividends of surplus			—			(322)
Profit attributable to owners of parent			—			1,576
Purchase of treasury shares			—			(0)
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 February 28, 2022	¥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						
Issuance of restricted shares			—			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)
Change in shares of parent held by entities accounted for using equity method			—			(48)
Net changes in items other than shareholders' equity	(72)	420	347	—	(19)	328
Total changes during period	(72)	420	347	—	(19)	(94)
Balance at February 28, 2023	¥118	¥596	¥715	¥ 0	¥ 77	¥16,772

Thousands of U.S. dollars (Note 1)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at February 28, 2022	$43,343	$53,436	$23,868	$ (7)	$120,641
Cumulative effects of changes in accounting policies			(322)		(322)
Restated balance	43,343	53,436	23,538	(7)	120,311
Changes during period					
Issuance of restricted shares	176	176			359
Dividends of surplus			(2,442)		(2,442)
Profit attributable to owners of parent			7,753		7,753
Purchase of treasury shares				(7,327)	(7,327)
Cancellation of treasury shares		(7,342)		7,342	—
Capital increase of consolidated subsidiaries		1,525			1,525
Purchase of shares of consolidated subsidiaries		(2,618)			(2,618)
Change in shares of parent held by entities accounted for using equity method				(352)	(352)
Net changes in items other than shareholders' equity					—
Total changes during period	176	(8,252)	5,303	(337)	(3,102)
Balance at February 28, 2023	$43,526	$45,177	$28,849	$ (352)	$117,208

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at February 28, 2022	$1,401	$1,290	$2,691	$0	$ 711	$124,051
Cumulative effects of changes in accounting policies			—			(322)
Restated balance	1,401	1,290	2,691	0	711	123,721
Changes during period						
Issuance of restricted shares			—			359
Dividends of surplus			—			(2,442)
Profit attributable to owners of parent			—			7,753
Purchase of treasury shares			—			(7,327)
Cancellation of treasury shares			—			—
Capital increase of consolidated subsidiaries			—			1,525
Purchase of shares of consolidated subsidiaries			—			(2,618)
Change in shares of parent held by entities accounted for using equity method			—			(352)
Net changes in items other than shareholders' equity	(528)	3,080	2,545	—	(139)	2,405
Total changes during period	(528)	3,080	2,545	—	(139)	(689)
Balance at February 28, 2023	$ 865	$4,371	$5,244	$0	$ 564	$123,025

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

MEDIA DO Co., Ltd. and its consolidated subsidiaries
Years ended February 28, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities			
Profit before income taxes	¥ 1,529	¥ 2,363	$ 11,215
Depreciation	691	455	5,068
Impairment loss	499	405	3,660
Amortization of goodwill	783	660	5,743
(Decrease) increase in allowance for doubtful accounts	(0)	117	(0)
(Decrease) increase in provision for bonuses	(9)	10	(66)
Decrease in provision for point certificates	(60)	(24)	(440)
Decrease in provision for loss on business of subsidiaries and associates	—	(40)	—
Increase in retirement benefit liability	54	24	396
Interest and dividend income	(27)	(10)	(198)
Subsidy income	(20)	(37)	(146)
Interest expenses	32	31	234
Loss on valuation of investment securities	145	0	1,063
Gain on investments in investment partnerships	(1)	(2)	(7)
Loss on sale of shares of subsidiaries and associates	15	—	110
Share of loss of entities accounted for using equity method	82	39	601
Gain on change in equity	(68)	(208)	(498)
Decrease (increase) in trade receivables	1,598	(1,385)	11,721
Increase in advances received	67	50	491
(Increase) decrease in inventories	(60)	3	(440)
Increase in prepaid expenses	(78)	(0)	(572)
(Decrease) increase in trade payables	(2,033)	3,537	(14,912)
Increase (decrease) in accounts payable–other	50	(40)	366
(Decrease) increase in deposits received	(81)	6	(594)
Decrease in accrued consumption taxes	(5)	(65)	(36)
Increase in consumption taxes refund receivable	(11)	(105)	(80)
Other, net	75	(59)	550
Subtotal	3,168	5,726	23,237
Interest and dividends received	31	14	227
Subsidies received	20	37	146
Interest paid	(32)	(32)	(234)
Income taxes paid	(1,272)	(1,113)	(9,330)
Net cash provided by (used in) operating activities	1,916	4,632	14,054
Cash flows from investing activities			
Purchase of property, plant and equipment	(517)	(66)	(3,792)
Purchase of intangible assets	(835)	(778)	(6,124)
Purchase of investment securities	(817)	(3,475)	(5,992)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(862)	(3,465)	(6,322)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(44)	—	(322)
Payments of guarantee deposits	(50)	(119)	(366)
Refund of guarantee deposits received	44	22	322
Other, net	13	48	95
Net cash provided by (used in) investing activities	(3,070)	(7,835)	(22,518)
Cash flows from financing activities			
Net increase in short-term borrowings	796	100	5,838
Proceeds from long-term borrowings	1,580	—	11,589
Repayments of long-term borrowings	(1,273)	(1,182)	(9,337)
Proceeds from issuance of shares	—	2,937	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	0	—
Purchase of treasury share acquisition rights	—	(10)	—
Proceeds from issuance of restricted shares	49	49	359
Proceeds from share issuance to non-controlling shareholders	335	517	2,457
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(431)	—	(3,161)
Dividends paid	(333)	(322)	(2,442)
Purchase of treasury shares	(999)	(0)	(7,327)
Net cash provided by (used in) financing activities	(276)	2,089	(2,024)
Effect of exchange rate change on cash and cash equivalents	157	128	1,151
Net decrease in cash and cash equivalents	(1,272)	(985)	(9,330)
Cash and cash equivalents at beginning of period	11,399	12,703	83,613
Decrease in cash and cash equivalents resulting from change in scope of consolidation	—	(318)	—
Cash and cash equivalents at end of period (Note 17)	¥10,127	¥11,399	$ 74,282

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MEDIA DO Co., Ltd. and its consolidated subsidiaries
Years ended February 28, 2023 and 2022

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of MEDIA DO Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act in Japan (the "FIEA") and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accompanying consolidated financial statements have been reformatted and translated into English with some expanded explanations from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the FIEA. In preparing these consolidated financial statements, certain reclassifications have been made in the prior fiscal year's consolidated financial statements to conform to the classification used in the current fiscal year.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 28, 2023, which was ¥136.33 to U.S.$1.00. The Japanese yen amounts, which are presented in millions of Japanese yen in the consolidated financial statements, are directly converted into U.S. dollar amounts by simple arithmetic calculation. As such, there are cases for which the conversion of the amounts in Japanese yen with the prevailing exchange rate are different from those in U.S. dollars shown in the consolidated financial statements. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

As permitted by the FIEA, amounts of less than one million yen on the accompanying consolidated financial statements are omitted. Similarly, amounts of less than one thousand U.S. dollars are omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

Consolidated financial statements include the accounts of the Company and 18 significant subsidiaries and three associates accounted for by the equity method.

Under the control or influence concept, those companies in which the Company, either directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for using the equity method.

Significant subsidiaries and associates as of February 28, 2023 are as follows:

Company name	Share capital (Millions of yen)	Ownership interest (%)	Main business
Consolidated subsidiaries:			
NIHONBUNGEISHA Co., Ltd.	100	100.0 (Direct)	Publication and sale of books and magazines
Flier Inc.	457	67.2 (Direct)	Text summary site operation
ARTRA ENTERTAINMENT Inc.	10	100.0 (Direct)	Coloring, eComics
MEDIA DO TECH TOKUSHIMA Co., Ltd.	45	100.0 (Direct)	Operation outsourcer
J-Comic Terrace Corporation	95	70.5 (Direct)	Online eBook distribution
JIVE Ltd.	10	100.0 (Direct)	Planning, editing, publishing and sales of books and magazines
EVERYSTAR Co., Ltd.	50	100.0 (Direct)	Operation of the novel posting website, and other publishing-related businesses
GAMBAROU TOKUSHIMA Co., Ltd.	50	68.0 (Direct)	Operation of a basketball team
Media Do International, Inc.	(Thousands of U.S. dollars) 26,702	100.0 (Direct)	eBook agency
Quality Solutions, Inc.	(Thousands of U.S. dollars) 348	100.0 (Indirect)	Conduct of publishing workflow management and bibliographic information management services
NetGalley, LLC	(Thousands of U.S. dollars) 824	100.0 (Indirect)	Operation of the NetGalley website, which is a web marketing tool for books
NetGalley, UK Ltd.	(Thousands of pounds) 0	100.0 (Indirect)	Operation of the NetGalley website, which is a web marketing tool for books
NetGalley, France SARL	(Thousands of euros) 40	100.0 (Indirect)	Operation of the NetGalley website, which is a web marketing tool for books
Supadü Limited	(Thousands of pounds) 0	100.0 (Indirect)	Providing e-commerce solutions
and four other companies			
Associates accounted for by the equity method:			
MyAnimeList Co., Ltd.	100	36.9 (Direct)	Anime/manga community site operation
TEC INFORMATION CORP.	230	25.0 (Direct)	Software development
PUBFUN, Inc.	10	49.0 (Direct)	Print on demand (POD) publishing services

For the year ended February 28, 2023, the following changes have been made to the scope of consolidation and the equity method:

The Company included GAMBAROU TOKUSHIMA Co., Ltd. in the scope of consolidation due to new establishment. In addition, Supadü Limited was also included in the scope of consolidation since NetGalley, UK Ltd., a consolidated subsidiary of the Company, acquired all of their shares and interests.

Nagisa, Inc. was excluded from the scope of consolidation since the Company sold all of its holding shares. In addition, MangaNews Inc. was also excluded from the scope of consolidation since its liquidation was completed. PUBFUN, Inc. was included in the scope of the equity method due to new establishment.

Supadü Limited has a fiscal year-end of March 31. Media Do International, Inc., Quality Solutions, Inc., NetGalley, LLC, and five other subsidiaries of the Company have a fiscal year-end of December 31. Significant transactions occurring from January 1 to February 28/29 are adjusted in these consolidated financial statements.

EVERYSTAR Co., Ltd. has changed their closing date to February 28/29 in order to be consistent with the Company's closing date for consolidation. The closing dates of other consolidated subsidiaries are consistent with the Company's closing date for consolidation.

(b) Securities

Equity securities issued by subsidiaries and associates which are not consolidated nor accounted for by the equity method are stated at moving-average cost. Available-for-sale securities other than equity securities with no readily available market values are stated at market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Costs of securities sold are determined by the moving-average method.

Available-for-sale equity securities with no readily available market values are stated at moving-average cost. Investment in partnerships is stated at the amount equivalent to the holding share of the partnerships' assets.

(c) Property, plant and equipment (excluding leased assets)

Property, plant and equipment of the Group are carried at cost. Depreciation is mainly computed using the straight-line method. The useful lives of major assets are as follows:

Buildings	8 to 18 years
Tools, furniture and fixtures	3 to 10 years

(d) Intangible assets (excluding leased assets)

Internal-use software is amortized using the straight-line method over a useful life of 3 to 5 years.

(e) Leased assets

Leased assets under finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero based on the straight-line method over a useful life period corresponding to the lease contract period.

(f) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at the amount determined based on the historical experience of bad debt with respect to ordinary receivables and an estimate of uncollectible amounts determined by reference to specific doubtful receivables of customers experiencing financial difficulties.

As of February 28, 2022, the allowance is also provided for its holding convertible bond-type bonds with share acquisition rights at the amount deemed to be uncollectible, and recorded as special provision of allowance for doubtful accounts in the consolidated statements of income.

(g) Provision for bonuses

Certain consolidated subsidiaries provide the provision for employees' bonuses at the estimated amounts which the subsidiaries are obligated to pay to their employees after the fiscal year-end based on services provided for the year.

(h) Provision for point certificates

As of February 28, 2022, as to the amount of points purchased in advance by customers to download or view content, the provision for point certificates is provided for the balance of unused points at the fiscal year-end at the amount of points expected to be used in the future. See (p) "Changes in accounting policies" below.

(i) Provision for sales returns

As of February 28, 2022, the provision is provided for returned publications at the estimated amounts based on the past experiences of returned items. See (p) "Changes in accounting policies" below.

(j) Provision for loss on business of subsidiaries and associates

As of February 28, 2022, the provision for loss on business of subsidiaries and associates is provided based on a reasonable estimate.

(k) Retirement benefits

Certain consolidated subsidiaries apply the simplified method that assumes the amount required for voluntary resignation at the fiscal year-end to be retirement benefit obligation in determining defined benefit liability.

(l) Basis of recognizing significant revenue and expenses

Applying the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020; hereinafter, the "Accounting Standard for Revenue Recognition") and its related guideline, the Company recognizes revenue when control of a promised good or service is transferred to the customer at the amount expected to be received in exchange for the good or service. Details of major performance obligations of the Group's business are stated in Note 18 "Revenue Recognition."

(m) Translation of foreign currencies

Available-for-sale securities denominated in foreign currencies are translated into Japanese yen at the year-end spot exchange rates, and translation differences are included in valuation difference on available-for-sale securities under net assets.

The balance sheets of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate on the year-end closing date except that net assets accounts are translated at historical rates and the statements of income are translated at the average exchange rate for the fiscal year. Translation differences are included in foreign currency translation adjustment under net assets.

(n) Goodwill

Goodwill is amortized equally within a period of 5 to 20 years by the straight-line method.

(o) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less that are readily convertible into known amounts of cash and are not exposed to significant risk of changes in value.

(p) Changes in accounting policies

(Application of the Accounting Standard for Revenue Recognition and its related guideline)

Applying the Accounting Standard for Revenue Recognition and its related guideline, effective from the beginning of the year ended February 28, 2023, the Company recognizes revenue at the amount expected to be received in exchange for a promised good or service at the point in time that control of the said good or service is transferred to the customer.

Major changes due to the application of the Accounting Standard for Revenue Recognition and its related guideline are as follows:

(1) Revenue recognition on point certificates

As to the amount of points purchased in advance by customers to download or view content, the Company previously recognized revenue at the time of sale of points and provided provision for point certificates for the balance of unused points at the fiscal year-end at the amount of points expected to be used in the future. However, the Company has changed its revenue recognition method; that is, when such points provide customers with significant rights, they are identified as performance obligations and the associated revenue is deferred.

(2) Revenue recognition on sale of publications with the right of return

For publications (paper books and magazines) with the right of return at the time of sale, the Company previously recognized revenue at the time of shipment and provided provision for sales returns at the estimated amounts based on the past experiences of returned items. However, the Company has changed its revenue recognition method; that is, the revenue is measured by deducting estimated amounts of refunds for returned items from the total consideration at the time of sale, and returned assets and refund liabilities are recognized.

In accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, the Company adjusted the beginning balance of retained earnings for the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the year ended February 28, 2023, and then has applied the new accounting policy from the beginning of the year ended February 28, 2023.

In addition, the receivable previously shown as "Notes and accounts receivable–trade" under "Current assets" is shown as "Notes and accounts receivable–trade, and contract assets" as of February 28, 2023. However, in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the reclassification of the previous balances was not made.

Financial Section

As a result, compared to the previous method, net sales and cost of sales decreased by ¥294 million ($2,156 thousand) and ¥299 million ($2,193 thousand), respectively, and both operating profit and profit before income taxes increased by ¥5 million ($36 thousand) for the year ended February 28, 2023. In addition, due to the cumulative effect of adjustments to net assets at March 1, 2022, the beginning balance of retained earnings in the consolidated statements of changes in net assets decreased by ¥44 million ($322 thousand) at March 1, 2022.

The effect on per share information is stated in Note 20 "Per Share Information."

In accordance with the transitional treatment prescribed in the proviso to Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the previous year's disclosure is not stated in Note 18 "Revenue Recognition."

(Application of Accounting Standard for Fair Value Measurement)

Effective from the beginning of the year ended February 28, 2023, the Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter, the "Accounting Standard for FVM"), etc. In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for FVM and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company has applied the new accounting policy prospectively.

The impact of this application on the consolidated financial statements is insignificant.

In addition, the breakdown of fair value of financial instruments by level is disclosed in Note 4 "Financial Instruments." In accordance with the transitional treatment prescribed in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), relevant information for the year ended February 28, 2022 is not disclosed.

(q) Accounting standards and guidance issued but not yet applied

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, last revised June 17, 2021)

(1) Overview

When the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) was originally issued on July 4, 2019, it was considered necessary to spend a certain period of time to complete discussions among parties concerned with regard to the "fair value measurement of investment trusts." It was also considered necessary to discuss how fair value of the "investments in partnerships which are presented in a balance sheet at the net amount equivalent to the holding equity interest" should be disclosed. Those discussions had been carried out over approximately one year after the issuance of the Accounting Standard for FVM, and finally the relevant amendment was issued.

(2) Scheduled date of application

The Company is scheduled to apply this implementation guidance from the beginning of the year ending February 29, 2024.

(3) Effect of application

The impact of the application of this implementation guidance is under evaluation.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Significant accounting estimates were made for the following item that may have a risk of a significant impact on the financial statements for the following year:

Evaluation of Goodwill

(a) Amounts on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Goodwill	¥6,874	¥7,176	$50,421

(b) Information on significant accounting estimates for identified items

Goodwill arising through a business combination is recognized at the difference between the acquisition cost and the fair value of identified assets and liabilities of the acquired company as of the business combination date. The amount of goodwill is amortized on a straight-line basis over the effective period of the goodwill.

To determine the amortization period, the Company estimates the effective period of excess earning power by taking into consideration the expected payback period of the investment based on the business plan as of the acquisition date.

As of the end of each fiscal year, the Company reviews whether there is any indication of goodwill impairment. When any indication of impairment is identified, the Company determines whether it is required to recognize an impairment loss by comparing the total future cash flows expected from the business to which the goodwill belongs and the carrying value of the goodwill.

For the year ended February 28, 2022, the Company recognized ¥394 million of impairment loss on goodwill related to shares of Nagisa, Inc. in accordance with Paragraph 32 of the "Practical Guidance on Consolidation Procedures Related to Equity Accounts in Consolidated Financial Statements" (The Japanese Institute of Certified Public Accountants ("JICPA") Accounting Committee Report No. 7, last revised February 16, 2018).

For the year ended February 28, 2023, the Company reviewed whether or not it is necessary to recognize an impairment loss on goodwill (carrying value of ¥557 million ($4,085 thousand)) related to shares of Quality Solutions, Inc. since its operating performance has deteriorated compared to the business plan at the time of acquisition and signs of impairment have been recognized. The most recent business plan, which is the basis for estimating undiscounted future cash flows for the review, assumes revenue growth from new services as well as continued revenue growth from existing services as key assumptions. As a result of the review, the total amount of undiscounted future cash flows from the business exceeded the carrying value of the asset group including the goodwill; thus, it was determined that no impairment loss was required.

For the year ended February 28, 2023, the Company recognized impairment losses on goodwill related to shares of Nagisa, Inc. in the amount of ¥287 million ($2,105 thousand) and that of JIVE Ltd. in the amount of ¥12 million ($88 thousand). The business plan, etc., as the assumption used for these accounting estimates, was prepared along the best estimate and judgment by the Company on the basis of available information as of the date of use. However, when such assumption needs to be revised due to the impact from changes in future business environment, it may result in giving significant impact on the consolidated financial statements in the following fiscal year and thereafter.

4. FINANCIAL INSTRUMENTS

(a) Qualitative information on financial instruments

(1) Policy for financial instruments

The Group invests excess funds other than those necessary for its business operations in highly stable financial instruments such as short-term bank deposits. As a policy, the Group finances funds by issuing new shares or bank loans, depending on the use of funds.

(2) Details of financial instruments, their risks and risk management system

Operating receivables such as notes and accounts receivable–trade are exposed to credit risk. To mitigate such risk, the Group reviews customers' credit status by monitoring their credit conditions in accordance with the credit management rules, while monitoring the due dates and balances by customer.

Investment securities mainly consist of shares of companies with business relationships or capital tie-ups. The Group has a policy to hold them in the medium to long term. The Group regularly reviews the issuers' financial conditions and continuously evaluates the holding status taking the business relationship into account.

Operating payables such as notes and accounts payable–trade are mostly due within three months and exposed to liquidity risk. The Group manages such risk by preparing the cash management plan on a monthly basis and checking account balances on a daily basis.

Short-term borrowings and long-term borrowings are mainly made for the purpose of mergers and acquisitions. They are variable interest rate borrowings and exposed to interest rate fluctuation risk.

In addition, there is a risk that the Company may be required to make early repayments of certain borrowings due to infringement of financial covenants.

(3) Supplemental information on the fair value of financial instruments

Since certain assumptions are used for the calculation of the fair value of financial instruments, values may vary when different assumptions are applied.

(4) Concentration of credit risk of financial instruments

As of February 28, 2023 and 2022, over 60.0% of operating receivables are from five major customers.

(b) Fair value of financial instruments

As of February 28, 2023

Carrying value, fair value and the difference between the two are as follows:

Millions of yen

	2023		
	Carrying value	Fair value	Difference
Investment securities			
Available-for-sale securities	¥710	¥710	¥—
Total assets	¥710	¥710	¥—

Thousands of U.S. dollars

	2023		
	Carrying value	Fair value	Difference
Investment securities			
Available-for-sale securities	$5,207	$5,207	$—
Total assets	$5,207	$5,207	$—

As of February 28, 2023, "Cash and deposits," "Notes and accounts receivable–trade," "Notes and accounts payable–trade" and "Short-term borrowings" are omitted since their fair value approximates the respective carrying value due to short maturity. As to "Long-term borrowings," the fair value approximates the carrying value since these borrowings bear variable interest rates which reflect market rates; thus, the disclosure is omitted.

Unlisted equity securities (carrying value ¥5,480 million ($40,196 thousand)) are not included in "Investment securities" since they do not have readily available market values. Furthermore, investments in limited liability investment partnerships (carrying value ¥256 million ($1,877 thousand)) are not subject to the fair value disclosures based on the provision of Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

The redemption schedule for monetary claims

Millions of yen

	2023			
	Due within 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥10,127	¥—	¥—	¥—
Notes receivable–trade	24	—	—	—
Accounts receivable–trade	21,681	—	—	—
Total	¥31,833	¥—	¥—	¥—

Thousands of U.S. dollars

	2023			
	Due within 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	$ 74,282	$—	$—	$—
Notes receivable–trade	176	—	—	—
Accounts receivable–trade	159,033	—	—	—
Total	$233,499	$—	$—	$—

Please see Note 6 "Short-Term Borrowings, Long-Term Borrowings and Lease Obligations" for long-term borrowings.

Breakdown of fair value of financial instruments by level

The Company classifies the fair value of financial instruments into three categories depending on whether the inputs for a fair value measurement are observable or significant.

Level 1 fair value:	Fair value measured by using quoted prices in active markets as observable inputs for assets or liabilities subject to a fair value measurement
Level 2 fair value:	Fair value measured by using observable inputs other than those for Level 1
Level 3 fair value:	Fair value measured by using unobservable inputs

When multiple inputs of different categories are used in measuring fair value, the Company classifies the fair value into a category to which the lowest priority is assigned.

Financial instruments measured at fair value in the consolidated balance sheet

Millions of yen

	2023			
	Fair value			
Classification	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥217	¥—	¥ —	¥217
Bonds	—	—	492	492
Total	¥217	¥—	¥492	¥710

Thousands of U.S. dollars

	2023			
	Fair value			
Classification	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	$1,591	$—	$ —	$1,591
Bonds	—	—	3,608	3,608
Total	$1,591	$—	$3,608	$5,207

Notes: 1. Techniques and inputs used for the fair value measurement
Listed equity securities are measured by using quoted prices. Since listed equity securities are traded in active markets, they are classified into Level 1. Convertible bond-type bonds with share acquisition rights are measured by the income approach (present value technique). For the fair value measurement of convertible bond-type bonds with share acquisition rights, significant unobservable inputs are used; thus, they are classified into Level 3.
2. Information on financial instruments classified into Level 3 fair value
a. Quantitative information on significant unobservable inputs

Valuation technique	Discount rate adjustment technique and expected present value technique
Significant unobservable inputs	Discount rate
Range of inputs	2.5% to 15.0%

b. Reconciliation between the beginning balance and the ending balance

	Millions of yen	Thousands of U.S. dollars
Investment securities Available-for-sale securities:	Corporate bonds	Corporate bonds
Beginning balance	¥1,525	$11,186
Record as income or loss:		
Loss on valuation of investment securities	(145)	(1,063)
Record as other comprehensive income:		
Valuation difference on available-for-sale securities	(154)	(1,129)
Reversal of allowance for doubtful accounts	(732)	(5,369)
Ending balance	¥ 492	$ 3,608

c. Fair value measurement process
For financial instruments classified into Level 3, the responsible personnel determine the valuation technique based on the nature, character and risk of the applicable financial instruments, and calculates the fair value after checking if the technique and inputs used are appropriate. The calculation results are reviewed and approved by the executive officer of the Accounting Department.
d. Impact on the fair value when significant unobservable inputs are changed
When discount rates are dramatically increased (or decreased), the fair value of investment securities will be dramatically decreased (or increased).

As of February 28, 2022

Millions of yen

	2022		
	Carrying value	Fair value	Difference
1) Cash and deposits	¥11,399	¥11,399	¥—
2) Notes and accounts receivable–trade	23,290	23,290	—
3) Investment securities			
Available-for-sale securities	212	212	—
Total assets	¥34,903	¥34,903	¥—
1) Notes and accounts payable–trade	¥26,539	¥26,539	¥—
2) Short-term borrowings	100	100	—
3) Long-term borrowings	5,470	5,470	—
Total liabilities	¥32,110	¥32,110	¥—

Notes: 1. Fair value measurement of financial instruments
Assets:
1) Cash and deposits and 2) Notes and accounts receivable–trade
The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.
3) Investment securities
The fair value is based on the price at securities exchanges.
Liabilities:
1) Notes and accounts payable–trade
The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.
2) Short-term borrowings and 3) Long-term borrowings
The fair value approximates the carrying value since these borrowings bear variable interest rates which reflect market rates in a short period of time. Thus, the carrying value is deemed as the fair value. The current portion of long-term borrowings is included in long-term borrowings.
2. The following financial instruments are not included in the table above since their fair value is extremely difficult to determine.

Millions of yen

	2022
Unlisted securities	¥3,819
Unlisted share acquisition rights	98
Investments in limited liability investment partnerships	226
Convertible bond-type bonds with share acquisition rights	1,525
Shares of associates	799
Guarantee deposits	503

With regard to unlisted securities, unlisted share acquisition rights, convertible bond-type bonds with share acquisition rights and shares of associates, their market prices are not readily available and it is extremely difficult to determine their fair value. For convertible bond-type bonds with share acquisition rights, ¥732 million is reserved as the allowance for doubtful accounts.

As to investments in limited liability investment partnerships, the assets of the partnerships consist of unlisted securities and other items for which it is extremely difficult to determine their fair value.

As to guarantee deposits, their future cash flows cannot be estimated and it is extremely difficult to determine their fair value.

3. The redemption schedule for monetary claims

Millions of yen

	2022			
	Due within 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
1) Cash and deposits	¥11,399	¥—	¥—	¥—
2) Notes and accounts receivables–trade	23,290	—	—	—
Total	¥34,690	¥—	¥—	¥—

Please see Note 6 "Short-Term Borrowings, Long-Term Borrowings and Lease Obligations" for long-term borrowings.

5. SECURITIES

(a) Available-for-sale securities

Securities with carrying values exceeding acquisition costs

Millions of yen

	2023			2022		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
1) Equity securities	¥515	¥353	¥161	¥ 410	¥ 275	¥135
2) Bonds						
Corporate bonds	—	—	—	1,084	956	127
3) Other	180	139	40	305	285	20
Total	¥695	¥493	¥202	¥1,800	¥1,517	¥283

Thousands of U.S. dollars

	2023		
	Carrying value	Acquisition cost	Difference
1) Equity securities	$3,777	$2,589	$1,180
2) Bonds			
Corporate bonds	—	—	—
3) Other	1,320	1,019	293
Total	$5,097	$3,616	$1,481

Securities with carrying values not exceeding acquisition costs

Millions of yen

	2023			2022		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
1) Equity securities	¥4,448	¥4,448	¥ —	¥3,616	¥3,616	¥—
2) Bonds						
Corporate bonds	492	519	(26)	440	440	—
3) Other	76	76	—	24	24	—
Total	¥5,017	¥5,044	¥(26)	¥4,081	¥4,081	¥—

Thousands of U.S. dollars

	2023		
	Carrying value	Acquisition cost	Difference
1) Equity securities	$32,626	$32,626	$ —
2) Bonds			
Corporate bonds	3,608	3,806	(190)
3) Other	557	557	—
Total	$36,800	$36,998	$(190)

(b) Available-for-sale securities sold

None

(c) Impairment loss on securities

The Company recognized an impairment loss of ¥145 million ($1,063 thousand) and ¥0 million on investment securities classified as available-for-securities for the years ended February 28, 2023 and 2022, respectively.

As a policy, the Company recognizes an impairment loss of securities when the fair value as of the balance sheet date declines 50% or more of its acquisition cost. When the fair value declines by 30% or more, but less than 50% of the acquisition cost, the Company recognizes an impairment loss after taking into account the recoverability of the fair value. For equity securities with no readily available market values, an impairment loss is recognized when their actual value significantly declines due to deterioration of financial conditions or other reasons after taking into account recoverability.

6. SHORT-TERM BORROWINGS, LONG-TERM BORROWINGS AND LEASE OBLIGATIONS

The weighted-average interest rate for the year-end balance of short-term borrowings was 0.73% and 2.0% as of February 28, 2023 and 2022, respectively.

Long-term borrowings as of February 28, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unsecured long-term borrowings, weighted-average interest rates of 0.48% and 0.50% in 2023 and 2022, maturing through 2032	¥5,716	¥5,470	$41,927
Less: Amounts due within one year	1,302	1,027	9,550
Long-term borrowings	¥4,414	¥4,443	$32,377

Lease obligations are included in "Other" under current liabilities and non-current liabilities as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Amount included in Other under current liabilities	¥1	¥2	$7
Amount included in Other under non-current liabilities	0	1	0

The redemption schedule for long-term borrowings and lease obligations

Millions of yen

	2023					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term borrowings	¥1,302	¥1,302	¥1,289	¥1,285	¥437	¥101

Thousands of U.S. dollars

	2023					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term borrowings	$9,550	$9,550	$9,454	$9,425	$3,205	$740

7. RETIREMENT BENEFITS

(a) Outline of the retirement benefit plan

The Company and certain consolidated subsidiaries have adopted the defined contribution plan.

Certain consolidated subsidiaries, which have adopted the defined benefit plan, apply the simplified method that assumes the amount required for voluntary resignation at the fiscal year-end to be retirement benefit obligation in determining defined benefit liability and retirement benefit expenses.

(b) Defined benefit plan applying the simplified method

(1) Movement in retirement benefit liability for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of the year	¥569	¥ —	$4,173
Increase due to newly consolidated subsidiaries	—	541	—
Retirement benefit expenses	72	80	528
Retirement benefit paid	(17)	(56)	(124)
Foreign currency translation adjustment	15	3	110
Balance at end of the year	¥638	¥569	$4,679

(2) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit expenses calculated using the simplified method	¥72	¥80	$528

(c) Defined contribution plan

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Contributions paid to the defined contribution plan	¥57	¥51	$418
Total	¥57	¥51	$418

8. STOCK OPTIONS

The Company adopts stock options as a strong incentive for management and employees to perform at a higher level, which will rapidly improve corporate value of the Company in the fast-growing eBook market. For each stock option, the vesting condition and exercise period are strategically determined in detail, with consultation of an independent third-party professional, based on the very high-level performance target in a short run.

The following summarizes the status of the Company's stock options as of February 28, 2023.

(a) Outline of stock options

	The 14th share acquisition rights
Date of resolution	Board of Directors' meeting held on July 22, 2015
Grantee	3 directors of the Company 6 employees of the Company
Number of stock options by class	Common share 50,000 shares (Note)
Date of grant	August 10, 2015
Exercise period	From May 31, 2018 to August 9, 2023

Note: The number of stock options presents the number of respective shares.

(b) Changes in number of stock options for the year ended February 28, 2023

	The 14th share acquisition rights
Non-vested (shares)	
February 28, 2022 – Outstanding	—
Granted	—
Expired	—
Vested	—
February 28, 2023 – Outstanding	—
Vested (shares)	
February 28, 2022 – Outstanding	15,000
Vested	—
Exercised	—
Expired	—
February 28, 2023 – Outstanding	15,000

The number of share acquisition rights expired in the table shows the actual number of share acquisition rights expired, since it is difficult to estimate the number of share acquisition rights which will expire in the future on a reasonable basis.

(c) Price of share acquisition rights

	The 14th share acquisition rights	
	Yen	U.S. dollars
Exercise price	¥1,843	$13.51
Average stock price at exercise	—	—
Fair value on the date of grant	10.00	0.07

For the 14th share acquisition rights, the price is calculated using the Monte Carlo simulation, which is generally used to calculate option prices.

(Additional information)
As to transactions granting employees and others share acquisition rights, which involve considerations, with vesting conditions, etc., before applying the "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc." (Practical Issues Task Force ("PITF") No. 36, January 12, 2018), the Company continues previously applied accounting treatment as follows, based on Paragraph 10, (3) of PITF No. 36: When issuing share acquisition rights, the paid-in amount is accounted for as share acquisition rights under net assets. When share acquisition rights are exercised and new shares are issued, the paid-in amount for issuance of the share acquisition rights and the paid-in amount for exercise of the share acquisition rights are reclassified to share capital and legal capital surplus. When the share acquisition rights expire, the amount corresponding to the expiration is recognized as a gain for the accounting period in which the expiration is confirmed.

9. ASSET RETIREMENT OBLIGATIONS

The Company recognizes asset retirement obligations primarily related to future restoration obligation under real estate leases for buildings such as offices.

The Company calculates its asset retirement obligations by assuming the occupancy period to be 2 to 10 years and applying discount rates of 0.0% to 0.6%.

Changes in asset retirement obligations, included in "Other" under non-current liabilities, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of the year	¥ 63	¥ 74	$ 462
Increase due to acquisition of property, plant and equipment	65	—	476
Adjustments due to the passage of time	0	0	0
Decrease due to performance of asset retirement obligations	(27)	(52)	(198)
Other	—	40	—
Balance at end of the year	¥101	¥ 63	$ 740

10. INCOME TAXES

Significant components of deferred tax assets and liabilities are as follows:

	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars 2023
Deferred tax assets:			
Accrued enterprise tax	¥ 12	¥ 51	$ 88
Provision for bonuses	13	16	95
Contract liabilities	20	—	146
Provision for point certificates	—	18	—
Refund liabilities	38	—	278
Provision for sales returns	—	21	—
Excess depreciation	93	110	682
Goodwill for tax purposes	61	64	447
Loss on valuation of investment securities and investments in associates	755	486	5,538
Excess allowance for doubtful accounts	0	224	0
Asset retirement obligations	31	19	227
Retirement benefit liability	176	163	1,290
Tax loss carryforwards	856	1,393	6,278
Other	94	83	689
Subtotal	2,154	2,654	15,799
Valuation allowance	(1,607)	(2,118)	(11,787)
Total deferred tax assets	547	535	4,012
Deferred tax liabilities:			
Intangible assets identified through business combinations	¥ (253)	¥ (153)	$ (1,855)
Cost capitalized corresponding to asset retirement obligations	(23)	(10)	(168)
Valuation difference on available-for-sale securities	(45)	(80)	(330)
Other	(1)	(0)	(7)
Total deferred tax liabilities	(323)	(245)	(2,369)
Net deferred tax assets	¥ 223	¥ 290	$ 1,635

Note: As of February 28, 2023, valuation allowance decreased by ¥511 million ($3,748 thousand) since Nagisa, Inc. was excluded from the scope of consolidation. As of February 28, 2022, valuation allowance increased by ¥701 million. This increase consists of ¥476 million of valuation allowance recognized by NIHONBUNGEISHA Co., Ltd., a newly consolidated subsidiary.

(a) Reconciliation between the statutory tax rate and the effective tax rate

	2023	2022
Statutory tax rate	30.6%	30.6%
Adjustments:		
Permanent differences such as entertainment expenses	0.6	0.3
Inhabitants' tax	0.5	0.3
Items deductible for tax purposes	(3.0)	(2.5)
Amortization of goodwill	21.1	12.6
Share of (gain) loss of entities accounted for using equity method	1.7	0.5
Gain on change in equity	(1.4)	(2.7)
Change in valuation allowance	(12.5)	(2.9)
Consolidation adjustment for gain or loss on sale of shares of subsidiaries	(1.5)	—
Other	(0.5)	0.4
Effective tax rate	35.6%	36.6%

11. NET ASSETS

Under the Companies Act of Japan ("the Act"), the entire amount paid for new shares is required to be designated as share capital. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

The Act provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus (other than additional paid-in capital) and retained earnings (other than legal earnings reserve) be transferred to additional paid-in capital and the legal earnings reserve, respectively, until the total of additional paid-in capital and the legal earnings reserve equals 25% of the share capital account.

Such distributions can be made at any time by resolution of the General Meeting of Shareholders, or by resolution of the Board of Directors if certain conditions are met.

Under the Act, additional paid-in capital and the legal earnings reserve may not be distributed as dividends; the Act allows all additional paid-in capital and all legal earnings reserve to be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

The following tables summarize the dividends paid for the years ended February 28, 2023 and 2022:

Resolution	Class of share	2023 Total amount of dividends (Millions of yen)	2023 Total amount of dividends (Thousands of U.S. dollars)	2023 Dividends per share (Yen)	2023 Dividends per share (U.S. dollars)	Record date	Effective date
Board of Directors' meeting held on April 21, 2022	Common share	¥333	$2,442	¥21.00	$0.15	February 28, 2022	May 10, 2022

Resolution	Class of share	2022 Total amount of dividends (Millions of yen)	2022 Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 22, 2021	Common share	¥322	¥21.00	February 28, 2021	May 11, 2021

As of February 28, 2023 and 2022, the number of the Company's authorized shares is 44,329,600 shares. The following table summarizes the number of shares of common shares, issued and outstanding, and treasury shares:

	Number of shares 2023	Number of shares 2022
Common shares, issued and outstanding:		
At beginning of the year	15,872,451	15,370,300
Increase due to issuance of new shares in connection with exercise of stock options	—	1,600
Increase due to issuance of new shares through a third-party allotment	—	489,649
Increase due to issuance of new shares in connection with granting shares with certain transfer restrictions	30,686	10,902
Decrease due to cancellation of treasury shares	(465,317)	—
At end of the year	15,437,820	15,872,451
Treasury shares:		
At beginning of the year	2,817	2,773
Increase due to acquisition of shares based on the resolution of the Board of Directors' meeting held on April 14, 2022	462,500	—
Increase due to acquisition of shares by associates accounted for by the equity method (the Company's portion)	18,118	—
Decrease due to cancellation of treasury shares	(465,317)	—
Increase due to acquisition of odd-lot shares	—	44
At end of the year	18,118	2,817

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Salaries and wages	¥3,330	¥2,569	$24,426
Commissions	1,487	1,160	10,907
Retirement benefit expenses	89	87	652
Amortization of goodwill	783	660	5,743
Bonuses and provision for bonuses	144	147	1,056

13. GAIN OR LOSS ON SALE OF NON-CURRENT ASSETS

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gain on sale of non-current assets:			
Tools, furniture and fixtures	¥—	¥2	$—
Other	—	0	—
Total	¥—	¥2	$—

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Loss on sale of non-current assets:			
Buildings	¥5	¥—	$36

14. LOSS ON RETIREMENT OF NON-CURRENT ASSETS

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Buildings	¥ 62	¥ 4	$ 454
Tools, furniture and fixtures	5	13	36
Software	34	47	249
Software under development	37	—	271
Other	—	1	—
Total	¥141	¥66	$1,034

15. IMPAIRMENT LOSS

For the year ended February 28, 2023, the Company recognized an impairment loss as follows:

Company	Location	Use of assets	Type	Millions of yen	Thousands of U.S. dollars
MEDIA DO Co., Ltd.	Chiyoda-ku, Tokyo	Business assets	Software	¥171	$1,254
Nagisa, Inc. ("Nagisa")	Chiyoda-ku, Tokyo	Business assets	Goodwill	287	2,105
JIVE Ltd. ("JIVE")	Chiyoda-ku, Tokyo	Business assets	Goodwill, software, other intangible assets	40	293

An impairment loss was recognized for software of MEDIA DO Co., Ltd. since future use is no longer expected due to the termination of social video viewing services through smartphone applications.

An impairment loss was recognized for Nagisa's goodwill since it is no longer expected to generate excess earning capacity in the future due to the sale of all holding shares in Nagisa.

An impairment loss was recognized for JIVE's goodwill and other business assets since the recoverable amount of these assets declined in line with the Company's decision to reorganize and downsize JIVE's business.

The Group classifies its holding assets primarily based on the grouping used for managerial accounting purposes.

The Company measures the recoverable amount at the value in use. As for each of software of MEDIA DO Co., Ltd., Nagisa's goodwill and JIVE's goodwill and other business assets, the recoverable amount was evaluated to be zero since the value measured based on the future cash flows was zero.

For the year ended February 28, 2022, the Company recognized an impairment loss as follows:

Company	Location	Use of assets	Type	Millions of yen
Nagisa, Inc.	Meguro-ku, Tokyo	Business assets	Goodwill	¥394
Flier Inc. ("Flier")	Chiyoda-ku, Tokyo	Business assets	Tools, furniture and fixtures, Other intangible assets	10

As for Nagisa's goodwill, the Company determined that it would be difficult to accomplish the business plan prepared at the acquisition date as a result of changes in the external environment, such as regulatory compliance for platformers related to internet advertising in the manga app business, the main business of the company. Thus, the Company decided to recognize an impairment loss at the amount determined in accordance with Paragraph 32 of the Practical Guidance on Consolidation Procedures Related to Equity Accounts in Consolidated Financial Statements.

As for Flier's assets, the total of future cash flows for the remaining economic life of use declined to be negative as a result of a review of the business plan using the number of member customers acquired and other accomplishments. Thus, the Company decided to recognize an impairment loss at the amount determined from the carrying value.

The Group classifies its holding assets primarily based on the grouping used for managerial accounting purposes.

The Company measures the recoverable amount at the value in use. The value in use of Nagisa's goodwill was measured by discounting the future cash flows at the rate of 14%.

The recoverable amount of Flier's assets was evaluated to be zero since the value measured based on the future cash flows over the remaining economic useful life was negative.

16. OTHER COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Amounts incurred for the year	¥ 32	¥ (24)	$ 234
Reclassification adjustments	(140)	—	(1,026)
Before tax effect adjustments	(107)	(24)	(784)
Tax effect	35	7	256
Valuation difference on available-for-sale securities	(72)	(17)	(528)
Foreign currency translation adjustment:			
Amounts incurred for the year	420	173	3,080
Share of other comprehensive income of entities accounted for using equity method:			
Amounts incurred for the year	0	—	0
Other comprehensive income, total	¥ 347	¥156	$ 2,545

17. CASH FLOW STATEMENTS

Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to accounts and amounts in the accompanying consolidated balance sheets as of February 28, 2023 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and deposits	¥10,127	¥11,399	$74,282
Time deposits with maturity in excess of three months	—	—	—
Cash and cash equivalents	¥10,127	¥11,399	$74,282

For the year ended February 28, 2023, Supadü Limited newly became a consolidated subsidiary of the Company due to acquisition of shares. The breakdown of assets and liabilities at the beginning of consolidation and the reconciliation between the acquisition cost and the amount paid for the acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Supadü Limited	2023	2023
Current assets	¥ 58	$ 425
Non-current assets	2	14
Goodwill	623	4,569
Amount allocated as intangible assets	259	1,899
Current liabilities	(51)	(374)
Acquisition cost of the newly consolidated subsidiary due to acquisition of shares	892	6,542
Balance of cash and cash equivalents of the newly consolidated subsidiary	(29)	(212)
Difference: Amount paid for the acquisition	¥862	$6,322

Due to the sale of shares, Nagisa, Inc. became no longer a consolidated subsidiary for the year ended February 28, 2023. The following summarizes the breakdown of assets and liabilities at the time of sale and amount paid for the sale is as follows:

	Millions of yen	Thousands of U.S. dollars
Nagisa, Inc.	2023	2023
Current assets	¥ 101	$ 740
Non-current assets	129	946
Current liabilities	(151)	(1,107)
Non-current liabilities	(62)	(454)
Non-controlling interests	–	–
Loss on sale of shares	(15)	(110)
Sale price of shares	1	7
Balance of cash and cash equivalents	(45)	(330)
Difference: Amount paid for the sale	¥ (44)	$ (322)

For the year ended February 28, 2022, Quality Solutions, Inc., NetGalley, LLC and NIHONBUNGEISHA Co., Ltd. newly became consolidated subsidiaries of the Company due to acquisition of shares and interests. The breakdown of assets and liabilities at the beginning of consolidation and the reconciliation between the acquisition cost and the amount paid for the acquisition is as follows:

	Millions of yen
Quality Solutions, Inc. and NetGalley, LLC	2022
Current assets	¥ 416
Non-current assets	21
Goodwill	713
Amount allocated as intangible assets	670
Current liabilities	(172)
Non-current liabilities	(73)
Acquisition cost of the newly consolidated subsidiaries due to acquisition of shares and interests	1,576
Balance of cash and cash equivalents of the newly consolidated subsidiaries	(266)
Difference: Amount paid for the acquisition	¥1,310

	Millions of yen
NIHONBUNGEISHA Co., Ltd.	2022
Current assets	¥ 3,278
Non-current assets	315
Goodwill	946
Current liabilities	(2,522)
Non-current liabilities	(517)
Acquisition cost of the newly consolidated subsidiary due to acquisition of shares and interests	1,500
Balance of cash and cash equivalents of the newly consolidated subsidiary	(183)
Difference: Amount paid for the acquisition	¥ 1,317

18. REVENUE RECOGNITION

(a) Information on disaggregated revenue from contracts with customers

For the year ended February 28, 2023

Millions of yen

	2023				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Total
eBook distribution business	¥93,039	¥ —	¥ 93,039	¥—	¥ 93,039
Books and magazines publishing	—	2,531	2,531	—	2,531
Web service operations	1,292	2,356	3,649	—	3,649
Publishing solution business	—	2,049	2,049	—	2,049
Other	—	394	394	3	398
Revenue from contracts with customers	¥94,331	¥7,331	¥101,663	¥ 3	¥101,667
Other revenue	¥ —	¥ —	¥ —	¥—	¥ —
Net sales to outside customers	¥94,331	¥7,331	¥101,663	¥ 3	¥101,667

(Note) "Adjustments" include outsourcing revenue at the head office.

Thousands of U.S. dollars

	2023				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Total
eBook distribution business	$682,454	$ —	$682,454	$—	$682,454
Books and magazines publishing	—	18,565	18,565	—	18,565
Web service operations	9,477	17,281	26,765	—	26,765
Publishing solution business	—	15,029	15,029	—	15,029
Other	—	2,890	2,890	22	2,919
Revenue from contracts with customers	$691,931	$53,773	$745,712	$22	$745,741
Other revenue	$ —	$ —	$ —	$—	$ —
Net sales to outside customers	$691,931	$53,773	$745,712	$22	$745,741

(b) Information on the basis of understanding revenue from contracts with customers

(1) eBook distribution business

The Company sells eBook content to eBook retailers. When selling eBook content, the Company grants distribution licenses based on contracts and recognizes revenue based on actual distribution performance at the eBook retailers that are its customers.

(2) Books and magazines publishing

The consolidated subsidiaries sell publications including paper books and magazines. Since most sales of publications are subject to contractual terms that allow for returns (right of return) and the associated refunds are considered as variable consideration, revenue is recognized by deducting the estimated amount of refunds based on historical experience from the total consideration, and refund liabilities is accounted for.

(3) Web service operations
The Company and its consolidated subsidiaries distribute various types of content on the web. For those services operated on a membership fee basis, revenue is recognized over the period the services are provided since the Company and its consolidated subsidiaries are obligated to provide services based on the terms of use with the members. Furthermore, as to services for which points are sold to customers when they download or view various types of content, revenue is recognized based on the actual use or expiration of such points.

(4) Publishing solution business
The Company and its consolidated subsidiaries provide business support services to the publishing industry in the form of SaaS. The Company and its consolidated subsidiaries are obligated to provide these services based on usage contracts with customers; thus, revenue is recognized over the period the services are provided. Furthermore, for implementation support and customization of these services, revenue is recognized when the transfer of control is completed as a result of customer acceptance.

(c) Information regarding relationship between fulfillment of performance obligations in accordance with contracts with customers and cash flows arising from the contracts, as well as amounts and timing of revenue expected to be recognized in the following fiscal year onward from contracts with customers existing at the end of the current fiscal year

(1) Balance of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars	
	2023		2023	
	Balance at beginning of the year	Balance at end of the year	Balance at beginning of the year	Balance at end of the year
Receivable arising from contracts with customers (Note)	¥23,290	¥21,706	$170,835	$159,216
Contract liabilities	246	328	1,804	2,405

Note: The ending balance of ¥21,706 million ($159,216 thousand) consists of ¥24 million ($176 thousand) of notes receivable–trade and ¥21,681 million ($159,033 thousand) of accounts receivable–trade as of February 28, 2023.

Contract liabilities consist of advances received from customers based on contractual terms for services to be provided over a period of time and the unused balance of points sold to customers, both of which are reversed when revenue is recognized. As of February 28, 2023, the balance of contract liabilities is included in "Other" under current liabilities.

The balance of contract liabilities as of March 1, 2022 was all recognized as revenue for the year ended February 28, 2023.

(2) Transaction price allocated to remaining performance obligations
The disclosure is omitted since the Company and its consolidated subsidiaries have not identified any transaction with an initial expected contract period exceeding one year.

19. SEGMENT INFORMATION

(Segment information)

(a) Overview of reportable segments

The Group defines its reportable segments as a component of the Group for which separate financial information is available and whose operating results are regularly evaluated by the Board of Directors to make decisions about how resources are to be allocated among the Group and assess their performance.

In the Group's new Medium-Term Management Plan, which begins in the year ended February 28, 2023, the Group's basic policy is to further strengthen its core eBook distribution business and eBook platform business and to create a second profit axis by developing the "Strategic investment" business, which is defined to be the business groups that leverage its competitive advantage in the publishing industry cultivated through its eBook distribution business.

Thus, the Group has changed the reportable segments from "eBook distribution" and "Other" to "eBook distribution" and "Strategic investment" effective from the year ended February 28, 2023.

The prior fiscal year's segment information is restated based on the current fiscal year's classification of reportable segments after the change.

In addition, as stated in Note 2 (p) "Changes in accounting policies," applying the Accounting Standard for Revenue Recognition and its related guideline, effective from the beginning of the year ended February 28, 2023, the Company has changed the accounting treatment for revenue recognition, and accordingly changed the method to measure segment income and loss.

(b) Basis of measurement about reported net sales, segment income or loss, segment assets and other material items

Accounting policies of the reportable segments are substantially the same as the ones mentioned in Note 2 "Summary of Significant Accounting Policies." Segment income (loss) is based on operating profit (loss).

(c) Information on reportable segment income or loss, segment assets, segment liabilities and other material items

Millions of yen

	2023				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Consolidated
Net sales:					
Outside customers	¥94,331	¥ 7,331	¥101,663	¥ 3	¥101,667
Intersegment	66	1,272	1,338	(1,338)	—
Total	¥94,398	¥ 8,604	¥103,002	¥(1,334)	¥101,667
Segment income (loss)	¥ 5,248	¥(1,462)	¥ 3,786	¥(1,392)	¥ 2,393
Other items:					
Amortization of goodwill	¥ 304	¥ 478	¥ 783	¥ —	¥ 783
Depreciation	301	369	671	20	691

Thousands of U.S. dollars

	2023				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Consolidated
Net sales:					
Outside customers	$691,931	$ 53,773	$745,712	$ 22	$745,741
Intersegment	484	9,330	9,814	(9,814)	—
Total	$692,422	$ 63,111	$755,534	$ (9,785)	$745,741
Segment income (loss)	$ 38,494	$(10,723)	$ 27,770	$(10,210)	$ 17,552
Other items:					
Amortization of goodwill	$ 2,229	$ 3,506	$ 5,743	$ —	$ 5,743
Depreciation	2,207	2,706	4,921	146	5,068

Notes: 1. Assets and liabilities by each reportable segment are not disclosed since the Group does not allocate its assets and liabilities to each reportable segment for management reporting purposes.
2. Adjustments to segment income (loss) mainly includes administrative expenses that do not belong to reportable segments.
3. Segment income (loss) is reconciled to operating profit in the consolidated statements of income.

Millions of yen

	2022				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Consolidated
Net sales:					
Outside customers	¥98,728	¥5,990	¥104,718	¥ 4	¥104,722
Intersegment	50	517	568	(568)	—
Total	¥98,778	¥6,508	¥105,286	¥ (564)	¥104,722
Segment income (loss)	¥ 4,781	¥ (832)	¥ 3,948	¥(1,137)	¥ 2,811
Other items:					
Amortization of goodwill	¥ 398	¥ 262	¥ 660	¥ —	¥ 660
Depreciation	291	116	407	48	455

Notes: 1. Assets and liabilities by each reportable segment are not disclosed since the Group does not allocate its assets and liabilities to each reportable segment for management reporting purposes.
2. Adjustments to segment income (loss) mainly includes administrative expenses that do not belong to reportable segments.
3. Segment income (loss) is reconciled to operating profit in the consolidated statements of income.

(Related information)

(a) Information on products and services

Information on products and services is omitted since applicable information is disclosed in the segment information section.

(b) Information on geographical areas

(1) Net sales

Net sales information by geographical area is omitted since sales in Japan accounted for more than 90% of consolidated net sales of the Company. Net sales are classified by company or region on the basis of the end users' location.

(2) Property, plant and equipment

Property, plant and equipment information by geographical area is omitted since carrying value of property, plant and equipment located in Japan accounted for more than 90% of that in the consolidated balance sheets.

(c) Information on net sales by major customers

	Millions of yen		Thousands of U.S. dollars	
Company name	2023	2022	2023	Related segment
NTT Solmare Corporation	¥21,079	¥15,539	$154,617	eBook distribution
Amazon Services International Inc.	14,070	13,349	103,205	eBook distribution
LINE Digital Frontier Corporation	12,779	19,093	93,735	eBook distribution
Digital Commerce Inc.	(Note)	12,139	(Note)	eBook distribution

Note: The disclosure is omitted since net sales of the top three customers for the fiscal year are disclosed.

(Information on impairment loss)

Information on impairment loss for the years ended February 28, 2023 and 2022 is as follows:

Millions of yen

	2023				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Consolidated
Impairment loss	¥—	¥499	¥499	¥—	¥499

Millions of yen

	2022				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Consolidated
Impairment loss	¥394	¥10	¥405	¥—	¥405

Thousands of U.S. dollars

	2023				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Consolidated
Impairment loss	$—	$3,660	$3,660	$—	$3,660

(Information on amortization and unamortized balances of goodwill)

Millions of yen

	2023				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Consolidated
Amortization	¥ 304	¥ 478	¥ 783	¥—	¥ 783
Unamortized balances	3,575	3,298	6,874	—	6,874

Millions of yen

	2022				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Consolidated
Amortization	¥ 398	¥ 262	¥ 660	¥—	¥ 660
Unamortized balances	4,195	2,980	7,176	—	7,176

Thousands of U.S. dollars

	2023				
	Reportable segments				
	eBook distribution	Strategic investment	Total	Adjustments	Consolidated
Amortization	$ 2,229	$ 3,506	$ 5,743	$—	$ 5,743
Unamortized balances	26,223	24,191	50,421	—	50,421

20. PER SHARE INFORMATION

	Yen		U.S. dollars
	2023	2022	2023
Net assets per share	¥1,082.72	¥1,059.59	$7.94
Profit per share	68.35	99.75	0.50
Diluted profit per share	68.35	99.68	0.50

The following summarizes the basis of calculation of net assets per share.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total net assets	¥ 16,772	¥ 16,912	$123,025
Amounts deducted from the amount of total net assets	77	97	564
[Of which, share acquisition rights]	[0]	[0]	[0]
[Of which, non-controlling interests]	[77]	[97]	[564]
Net assets associated with common shares	16,695	16,815	122,460
Number of shares of common shares for the calculation of net assets per share (Shares)	15,419,702	15,869,634	—

The following summarizes the basis of calculation of profit per share and diluted profit per share.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Profit per share:			
Profit attributable to owners of parent	¥ 1,057	¥ 1,576	$7,753
Amounts not attributable to common shareholders	—	—	—
Profit attributable to common shareholders of the parent company	1,057	1,576	7,753
Weighted-average number of common shares (Shares)	15,465,550	15,807,509	—
Diluted profit per share:			
Adjustments to profit attributable to owners of parent	¥ —	¥ —	$ —
Increase in number of common shares (Shares)	747	10,639	—
[Of which, share acquisition rights (Shares)]	[747]	[10,639]	—
Details of diluted shares not included in the calculation of diluted profit per share due to no dilutive effect	—	(Note)	—

Note: As for the 18th share acquisition rights (5,059 units or 100 shares per share acquisition right as of February 28, 2021), all rights were acquired on April 9, 2021 and canceled on the same date.

As stated in Note 2 (p) "Changes in accounting policies," the Company applied the Accounting Standard for Revenue Recognition and its related guideline, and followed the transitional treatment prescribed in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, net assets per share decreased by ¥2.58 ($0.01) as of February 28, 2023 and profit per share and diluted profit per share increased by ¥0.33 ($0.00) for the year ended February 28, 2023.

21. BUSINESS COMBINATIONS

For the year ended February 28, 2023

(Acquisition of U.K. company as an indirect wholly owned subsidiary)

On February 8, 2022, NetGalley, UK Ltd., a consolidated subsidiary of the Company, acquired all shares of Supadü Limited, which provides e-commerce solution services.

Through this acquisition, the Company aims to accelerate the plan to establish the Global Publishing Service Platform, which has been promoted mainly by Media Do International, Inc. At the same time, by introducing the expertise and achievements of the publishing industry in Europe and the United States, the Company expects to make a significant contribution to the digital transformation of the publishing industry in Japan.

The consolidated financial statements for the year ended February 28, 2023 include the acquired company's performances for the period from April 1, 2022 to December 31, 2022.

The acquisition was made in exchange for cash of ¥892 million ($6,542 thousand). Advisory fees of ¥39 million ($286 thousand) were incurred as major acquisition-related cost.

Goodwill of ¥623 million ($4,569 thousand) was generated through this acquisition since excess earning power is highly expected from its future businesses mainly in Europe and the United States. The Company will amortize this goodwill over 10 years using a straight-line method.

The following summarizes assets acquired and liabilities assumed as of the date of business combination.

	Millions of yen	Thousands of U.S. dollars
Supadü Limited	2023	2023
Current assets	¥58	$425
Non-current assets	2	14
Total assets	¥60	$440
Current liabilities	¥51	$374
Total liabilities	¥51	$374

Of total acquisition costs, ¥259 million ($1,899 thousand) is allocated to intangible assets other than goodwill (i.e., trademarks, client-related assets and technology-related assets), and their weighted-average period of amortization is 14 years.

For the year ended February 28, 2022

(Acquisitions of U.S. companies as indirect wholly owned subsidiaries)

On January 28, 2021, Media Do International, Inc., a consolidated U.S. subsidiary of the Company, acquired all shares of Quality Solutions, Inc., which conducts publishing workflow management and bibliographic information management services, and all equity of NetGalley, LLC, which provides a web marketing tool for books.

Through these acquisitions, the Company aims to gain access to the U.S./European publishing industry network as a stepping-stone to global expansion and to incorporate leading-edge IP/know-how from the Western publishing industry into services in Japan. Considering this is the key step toward becoming a global publishing platform, the Company decided to acquire these companies.

The consolidated financial statements for the year ended February 28, 2022 include the acquired companies' performances for the period from April 1, 2021 to December 31, 2021.

The acquisitions were made in exchange for cash of ¥1,576 million. Advisory fees of ¥9 million were incurred as major acquisition-related cost.

Goodwill of ¥713 million was generated through these acquisitions since excess earning power is highly expected from their future businesses mainly in the United States. The Company will amortize this goodwill over 10 years using a straight-line method.

The following summarizes assets acquired and liabilities assumed as of the date of business combination.

	Millions of yen
Quality Solutions, Inc. and NetGalley, LLC	2022
Current assets	¥416
Non-current assets	21
Total assets	¥438
Current liabilities	¥172
Non-current liabilities	73
Total liabilities	¥246

Of total acquisition costs, ¥670 million is allocated to intangible assets other than goodwill (i.e., trademarks, client-related assets and technology-related assets), and their weighted-average period of amortization is 14 years.

(Acquisition of domestic companies as wholly owned subsidiaries)

On March 30, 2021, the Company acquired all shares of NIHONBUNGEISHA Co., Ltd., which engages in publication and sale of books and magazines.

Through this acquisition, the Company expects not only more effective and efficient sales promotions by collaborating the vast content library owned by NIHONBUNGEISHA Co., Ltd. into the Group's distribution platform but also a synergistic effect among the Group companies in such fields as marketing of new digital content including Webtoon as well as collaboration with the Group's eBook retailers.

The consolidated financial statements for the year ended February 28, 2022 include the acquired company's performance for the period from April 1, 2021 to February 28, 2022.

The acquisition was made in exchange for cash of ¥1,500 million. Advisory fees of ¥13 million were incurred as major acquisition-related cost.

Goodwill of ¥946 million was generated through this acquisition since excess earning power is highly expected from future business development including collaboration with each of the Group companies. The Company will amortize this goodwill over 10 years using a straight-line method.

The following summarizes assets acquired and liabilities assumed.

	Millions of yen
NIHONBUNGEISHA Co., Ltd.	2022
Current assets	¥3,278
Non-current assets	315
Total assets	¥3,594
Current liabilities	¥2,522
Non-current liabilities	517
Total liabilities	¥3,039

On December 14, 2021, the Company acquired 70% of the shares of EVERYSTAR Co., Ltd., which engages in operation of the novel posting website, and other publishing-related businesses.

The novel posting website "EVERYSTAR" produces a wide variety of new novels through direct communication with readers/users. Through this acquisition, the Company expects to promote collaboration with each of the Group businesses, and further improve the Group's corporate value and revitalize the publishing industry as a whole.

For the consolidation purposes for the year ended February 28, 2022, the Company consolidated only balance sheet items since the deemed acquisition date is December 31, 2021 and the difference between the date and the consolidated balance sheet date does not exceed three months.

The acquisition was made in exchange for cash of ¥1,005 million. Advisory fees of ¥10 million were incurred as major acquisition-related cost.

Amounts of goodwill, assets acquired and liabilities assumed have not been determined yet.

22. SIGNIFICANT SUBSEQUENT EVENTS

Acquisition of treasury shares

At the Board of Directors' meeting held on April 13, 2023, the Company resolved to acquire its own shares as follows in accordance with the Articles of Incorporation as stipulated in Paragraph 1, Article 459 of the Companies Act:

Class of shares	Common share of the Company
Total number of shares to be acquired	450,000 shares (maximum) (Ratio to the outstanding shares, excluding treasury shares: 2.91%)
Total amount of acquisition	¥500 million ($3,667 thousand) (maximum)
Period of acquisition	From April 14, 2023 to July 31, 2023
Acquisition method	Market purchase on the Tokyo Stock Exchange

Based on the resolution above, the Company acquired 340,000 shares of its own common shares (total acquisition cost: ¥499 million ($3,660 thousand)) during the period from April 14, 2023 to May 1, 2023.

KPMG

Independent auditor’s report

To the Board of Directors of MEDIA DO Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of MEDIA DO Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at February 28, 2023 and 2022, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at February 28, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the judgment as to whether an impairment loss should be recognized on goodwill that arose from the acquisition of shares in Quality Solutions, Inc.

The key audit matter	How the matter was addressed in our audit
MEDIA DO Co., Ltd. (“the Company”) and its consolidated subsidiaries recognized goodwill of ¥6,874 million in the consolidated balance sheet for the fiscal year ended February 28, 2023. Included therein was goodwill that arose from the acquisition of shares in Quality Solutions, Inc. (“QS”) of ¥557 million.	The primary procedures we performed to assess the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill that arose from the acquisition of QS included the following: (1) Internal control testing
While goodwill is amortized in a systematic manner, it needs to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups to which the goodwill has been allocated with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease is recognized as an impairment loss. As described in Note 3. SIGNIFICANT ACCOUNTING ESTIMATES to the consolidated financial statements, QS reported operating results lower than those expected in the business plan at the time of the share acquisition, which resulted in an impairment indicator. Accordingly, an impairment test was performed for the current fiscal year. However, no impairment loss was recognized, since the undiscounted future cash flows that are expected to be generated from the operation of QS exceeded the carrying amount of the asset groups to which the goodwill has been allocated. The future cash flows used in the impairment test was estimated based on the business plan of QS developed by management, which incorporated a continuous increase in net sales from existing services and an increase in net sales from new services as key assumptions. Projection of these effects involves a high degree of uncertainty. Accordingly, management’s judgment thereon had a significant effect on the estimated future cash flows. We, therefore, determined that our assessment of the appropriateness of the judgment as to whether an impairment loss should be recognized on goodwill that arose from the acquisition of shares in QS was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the appropriateness of the judgment as to whether an impairment loss should be recognized on goodwill. In the assessment, we focused our testing on controls relevant to the estimation of future cash flows, which was based on the business plan. (2) Assessment of the reasonableness of the estimated future cash flows In order to assess the appropriateness of key assumptions incorporated in the business plan of QS that formed the basis for estimating the future cash flows, we inquired of management and the personnel responsible for the operation of QS regarding the basis for the assumptions. In addition, we: ● evaluated the appropriateness of the assumptions for the expected increase in the net sales from existing businesses by understanding the effects of key measures and comparing the assumptions with the historical trends in net sales, recent actual net sales and market forecasts published by external information providers; ● evaluated the accuracy and appropriateness of the expected net sales from new services by taking into account the actual net sales from the current test sales and recent achievement in the contracts closed; and ● independently estimated the future cash flows by incorporating the effect of specific uncertainty into the business plan, after considering the results of our evaluation of the key assumptions such as the expected increase in net sales from existing services and the expected acquisition of net sales from new services, as well as our assessment of the achievement of past business plans and the cause of variances from the plans. Then, we compared our estimates with those developed by management and assessed whether there was any potential effect on the judgment as to whether an impairment loss should be recognized.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Tetsuro, Shimbo
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
July 28, 2023

Corporate and Stock Information

(As of February 28, 2023)

Company Overview

Name	MEDIA DO Co., Ltd. (name changed on June 1, 2020)
Date of foundation	April 1, 1996
Date of establishment	April 1, 1999
Capital	¥5,934 million
Head Office:	8F, 5F, PALACESIDE Bldg., 1-1-1 Hitotsubashi, Chiyoda-ku, Tokyo 100-0003, Japan
Number of employees	Consolidated: 610 Non-consolidated: 320
Number of consolidated subsidiaries	18
Number of associates accounted for by the equity method	3
Fiscal year	March 1–February 28/29
Annual General Meeting of Shareholders	May
Share unit number	100 shares
Shareholder registrar	Sumitomo Mitsui Trust Bank, Limited
Number of common shares issued	15,437,820
Number of shareholders	6,014
Securities code	3678
Stock listing	Prime Market

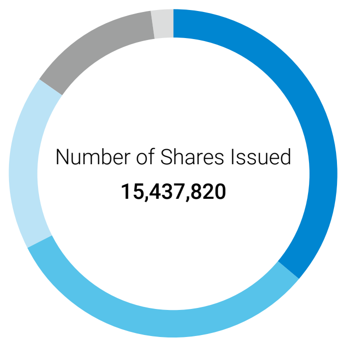
Media Do

The vertical lines in MEDIA DO's corporate logo represent each of our employees as they exercise independence in how they think, create, and act. This logo symbolizes the endless potential of growth between autonomous individuals and mutually supportive colleagues. Our corporate colors are blue and orange. Blue symbolizes the sea and sky through which MEDIA DO will distribute and transmit knowledge across the globe, while orange represents the curiosity of people—the sun that fosters knowledge.

Corporate and Stock Information

Name	Number of Shares	Percentage of Total Shares Issued (%)
Yasushi Fujita	2,452,612	15.89
FIBC Co., Ltd.	1,831,700	11.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,151,800	7.46
Custody Bank of Japan, Ltd. (Trust Account)	955,200	6.19
SHOGAKUKAN Inc.	564,800	3.66
KODANSHA LTD.	544,000	3.52
TOHAN CORPORATION	489,649	3.17
Credit Saison Co., Ltd.	466,600	3.02
JP MORGAN CHASE BANK (Standing Proxy: Mizuho Bank, Ltd.	448,177	2.90
SHUEISHA Inc.	444,000	2.88

Distribution of Shares Held by Shareholder Type



- **36.18%** ..... Individuals and others
- **31.34%** ..... Other companies
- **17.30%** ..... Japanese financial institutions
- **12.98%** ..... Foreign institutions and individuals
- **2.20%** ..... Securities companies

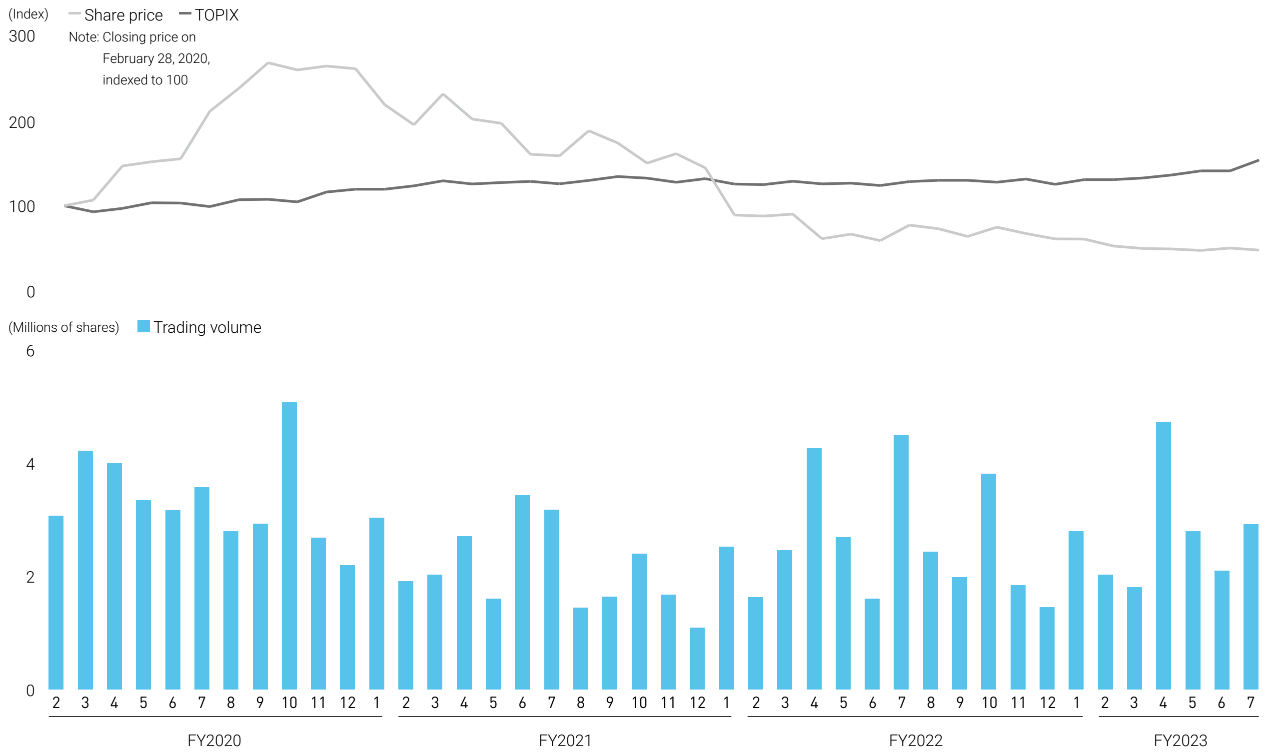
Corporate and Stock Information

(As of February 28, 2023)

Total Shareholder Return

Investment Period	One Year	Two Years	Three Years	Four Years	Five Years
	Aggregate annual return rate	Aggregate annual return rate	Aggregate annual return rate	Aggregate annual return rate	Aggregate annual return rate
MEDIA DO Co., Ltd.	**127.2%**	**147.0%**	**287.0%**	**131.4%**	**80.1%**
TOPIX (including dividends)	92.9%	89.5%	113.2%	117.0%	127.0%
TOPIX (Information and Communication)	102.8%	110.6%	158.5%	139.8%	152.3%

Share Price and Trading Volume (Tokyo Stock Exchange)



Publication of Integrated Report, Purpose, and Production Process

Hiroshi Kanda
Director, CSO and CFO

This is the fourth iteration of our MEDIA DO Report. In 2020, when we issued our report, it was rare for a company of similar scale, age, and stage as MEDIA DO to issue an integrated report. However, it was decided that it would be prudent for the Company to practice in engagement with various stakeholders to deepen understanding of MEDIA DO and its stance toward co-creation of value at an early stage in its development. This decision was made based on the rising trends toward management emphasizing cost of capital and growing expectations regarding disclosure of information pertaining to human capital strategies, climate change response measures, and other sustainability topics. We remain committed to this proactive stance toward engagement going forward.

The process of preparing and publishing these reports is meaningful in that it allows us to develop a deeper understanding of anticipation and expectations of various stakeholders while painting an accurate picture of MEDIA DO in comparison to its peers. This helps us to identify issues and areas in which we can improve and to reflect these discoveries in our management and organization terms. In 2022, questionnaires were issued to all employees to gauge the degree of dissemination of our values and to identify and confirm areas warranting improvement. The Corporate Planning Department and the Sustainability Committee lead efforts to address the identified material issues, and the results of these activities are detailed throughout this report.

The process of producing this integrated report was overseen by President Yasushi Fujita and myself. Together with the Corporate Planning Department, which functions as the secretariat, we took a Companywide approach toward the production of this report through a process of multiple discussions with officers, business divisions, and corporate divisions. It is my hope that this report will help our stakeholders gain a better understanding of our initiatives.