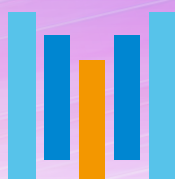


To Accomplish Our Goals

MEDIA DO Report 2022 | MEDIA DO Co., Ltd.



Media Do

Message from the CEO



Yasushi Fujita
President and CEO

MEDIA DO will incorporate the ever-growing possibilities of technology and take the initiative in installing frameworks for utilizing content to ensure that the benefits of technological process can be felt by the entire content industry.

**MEDIA DO at a Turning Point
Social Purpose Backed by
Forward-Looking Ambition**

MEDIA DO's vision of "More Content for More People!" was formulated more than a decade ago. Before getting into eBooks, MEDIA DO was involved in ringtone distribution services, which it got into shortly after its founding. This vision is therefore a reflection of our desire to contribute to the creation and distribution of not only eBooks but all different types of content. At the time of this vision's formulation, we lacked management resources to fulfill our vision for the future, so found ourselves needing to focus on the rapidly growing eBook market while waiting for our opportunity to realize our larger vision. Time has passed since then, bringing us to today, when we find MEDIA DO with an unrivaled No. 1 position in the domestic eBook distribution industry. The path leading to this position has been paved with our acquisition of and merger with Digital Publishing Initiatives Japan Co., Ltd., transition to a holding company system, introduction of an executive officer system, revision of human resource systems, and other measures for reinforcing our operating foundation. In addition, we have advanced a concerted effort to forge strong ties with publishers and eBook distributors and to supply systems and solutions that resolve the issues faced by the industry. Our pursuit of growth did not slow when the Company was listed on the stock exchange, as we proceeded to procure funds for the first time since listing, form a capital and business alliance with TOHAN CORPORATION, and take part in numerous M&A activities. I feel confident in touting the growth we have achieved and the contributions we have made to the industry through this dedication to forward-looking ambition.

Today, the MEDIA DO Group finds itself at a turning point. Technological progress has made the world more convenient than ever, granting us increased leisure time. At the same time,

content is being created at an unprecedented pace. We are now in an era in which content creation is not a pursuit limited to a small handful of geniuses and professionals. Not only can anyone now produce content, demand for such content is growing faster than ever imagined.

One might ask, what path, then, should MEDIA DO walk amid these trends? The answer is that we must faithfully fulfill the "More People" portion of our vision by delivering content through our existing eBook distribution business. Meanwhile, we will also need to work to enact the "More Content" element of our vision by leveraging the trust and position we have developed so far to engage in new undertakings together with content and intellectual property (IP) holders as a partner that fully understands the content business. Through this two-pronged approach, we should look to transform into an entity that is able to catalyze innovation across the industry.

The advent of the smartphone fundamentally changed the nature of technology and content. These tiny devices are now an integral part of our daily lives. As such, content and IP holders are now pressed to search for earnings opportunities and deliver superior customer experiences through these devices. Another change is likely to be seen with the development of blockchain technology, which has strong defenses against alteration. This technology has the potential to spark a massive increase in the presence of digital content.

Seeing the potential in this new technological development, MEDIA DO created a digital content asset model. This model endows digital content, which used to be infinitely reproducible with each new copy being the same as the last, with the concept of finiteness. This finiteness gives digital content value as an asset and makes it possible to trade. The digital content asset model is simultaneously an embodiment of our mission of "unleashing a virtuous cycle of literary creation" and a bold new undertaking for realizing our vision for the future of the MEDIA DO Group. Through this scheme, we aim to propose business

[Message from the CEO]

models for raising the value of music, books, videos, and other digital content that differs from the models used today in order to provide new options to artists and other creators along with new experiences for users. I personally feel that the way digital content is seen only as something to be consumed for enjoyment is a waste of potential. This is because the true value of digital content is exhibited when it is used to drive production and creation activities by users. As I stated a moment ago, we are witnessing a massive change in digital content and in the people who make it. When the market was dominated by physical content, the range of areas in which users could be directly involved in production and creation were incredibly limited. Technology, however, has since broadened the scope of areas in which users can get involved. If we can create frameworks in which users can become more than just consumers by taking part in production and creation, it will no doubt lead to the production of a greater range of content. Such a situation would have benefits beyond helping companies grow; it would also drive the development of a richer culture for society. MEDIA DO's purpose is to act as an intermediary for connecting content to technology, content to people, and people to society. Fulfilling this purpose will require us to continue to grow and evolve. This was the commitment that formed the foundation for the new medium-term management plan announced in April 2022.

Review of the Previous Medium-Term Management Plan and Overview of the Fiscal Year Ended February 28, 2022
Reinforcement of Group Operating Foundations to Prepare for Future Endeavors

The previous medium-term management plan, which was announced in July 2018, aimed to grow MEDIA DO into an entity that supports the entire eBook distribution industry. To this end, the plan put forth the three strategic frameworks of stimulate the growth of eBook markets, specifically by supporting the growth of the eBook market with our existing structures; invent future eBook markets, by capitalizing on advanced technologies to further expand the market; and aggressively invest in business expansion. We also defined five priorities. Initiatives were carried out based on these frameworks and priorities. Our largest success of the past four years was our securing an unrivaled No. 1 position in the domestic eBook distribution industry, which was made possible by the acquisition of and merger with Digital Publishing Initiatives Japan. This position is our greatest strength as well as our greatest asset. It is a symbol of the trust we have gained from publishers and eBook distributors and the expertise we have accumulated. Our position is thus a strength that our competitors will not be able to reproduce anytime soon. Moreover, our functions as an intermediary between publishers and eBook distributors grants us a window into the

shared issues on both the publishing side and the creation side of content, which is a core part of our ability to generate shared value for both parties. Our No. 1 share in the industry is the financial manifestation of this position. However, more important than the financial aspects are the non-financial elements of our position as an asset for supporting our future pursuits.

In terms of financial performance, our net sales have doubled over the past four years, surpassing ¥100.0 billion and achieving the target of the medium-term management plan a year earlier than anticipated. Unfortunately, we failed to meet our target for EBITDA due to our decision to extend the phase during which we invested in new businesses. As for our qualitative strategic targets, I am proud to say that we generally accomplished all of the goals set out for the plan's five priorities.

Looking at the fiscal year ended February 28, 2022, specifically, net sales rose 25.4% year on year, to ¥104.7 billion, while EBITDA was up 14.7%, to ¥3.9 billion. This was a year of great change as we leveraged our position to develop our business through undertakings such as promoting the digital transformation of the industry through our alliance with Tohan and boosting the value of digital content through the launch of the FanTop platform. In the face of this great change, we chose to delay the announcement of our new medium-term management plan by one year. However, I feel that this extra year enabled us to formulate a much clearer vision of the directives for our business domain that will need to be implemented under the new plan. Looking ahead, we will strive to ensure the accomplishment of the goals of the new plan while fully capitalizing on the successes we have achieved.

Growth Strategy Directives Based on the New Medium-Term Management Plan
Completion of Cultivation of New Earnings Pillars Founded on Trust

A central theme of the new medium-term management plan is the completion of the cultivation of new earnings pillars founded on the trust we have fostered. To expand upon our business domain, we will take advantage of the foundations we have built to evolve into a company that contributes to the content industry in order to lay the groundwork for the development of our digital content asset model. At the same time, we will pursue stable earnings growth by fostering additional earnings pillars to complement our eBook distribution business. This is a task that we were not able to fully tackle under the previous medium-term management plan.

Specifically, we have classified the new businesses we have fostered thus far into the imprint business, the publishing solution business, the global business, and the fan marketing business. These four businesses, which were cultivated in focus areas by taking advantage of the position and technologies we have amassed, are contained in the new strategic investment



These efforts were supported by our drive to create and distribute various types of content.

businesses segment. Even with the creation of these new businesses, however, our core eBook distribution business will continue to be positioned as our main business. The stable earnings generated by the eBook distribution business will be used to fund investments in strategic investment businesses to an even greater extent than before. Through this aggressive approach toward investment, we hope to accelerate the growth of these businesses to raise the portion of net sales attributable to strategic investment businesses from the current 8% to 25% by the fiscal year ending February 28, 2027, while also boosting the portion of EBITDA from these businesses to 50%.

Our goal for our mainstay eBook distribution business is to strengthen our position as an industry infrastructure provider through further reduction of distribution energy use and the provision of additional functions. Three measures have been defined to speed us toward this goal: Grow the eBook market by reducing distribution energy use, provide data marketing and other new functions, and develop new products and grow the market for non-graphic eBooks. Currently, we are seeing growth in the amount of content as well as in the number of campaigns, publishers, and eBook distributors. For this reason, one of the main expectations levied toward MEDIA DO, in its capacity as a wholesaler, is to provide frameworks and standards that allow for effective management of all of these factors along with safe and efficient distribution of eBooks. Moreover, it is important for us to further build upon our operational excellence through these efforts. By this, I mean continuing to reduce the amount of energy used for distribution through improvements to operational efficiency and to expedite distribution, for example by shortening the lead time between sending the manuscript to printers and commencing sales of published works. In this manner, we aim to further cement the foundations of our eBook distribution business.

Turning to our strategic investment businesses, a great amount of attention is being garnered by the physical publications we have been supplying with attached digital benefits using non-fungible tokens (NFTs). This was a scheme that we developed through our alliance with Tohan with the goal of contributing to the publishing industry. Japan's publishing market has continued to contract since it reached its peak of ¥2.6 trillion in 1996. Today, the scale of this market is only around ¥1.3 trillion,* speaking to the difficult environment with which this market has grappled for quite some time. MEDIA DO has been diligent in its search for ways to help save this industry. One area we looked at in this search was the increasing number of bookstores that are closing their doors, which has resulted in a sharp decrease in the presence of bookstores in Japan, particularly outside of urban areas. Speaking from my own experience, I remember a time when the closure of our local bookstore caused a sharp decline in the amount of conversation on cultural topics in the community. It was at that point when I realized that the loss of bookstores might become a serious social issue for Japan in the future. Recognition of this issue was one of the factors that fueled my drive to supply physical publications with digital NFT benefits. The first such publications hit the shelves in October 2021, and we were able to market some 15 titles with digital NFT benefits over the roughly six months that followed. We have attached such NFT benefits to books, magazines, and photobooks. Particularly impressive sales were seen for the *SPA!* weekly magazine published by FUSOSHA Publishing Inc. Despite the special edition featuring the NFT benefits being priced higher than the standard edition, it sold out. Moreover, *SPA!* became the first publication for which every copy came with a digital NFT benefit in July 2022.

In this way, our alliance with Tohan has already contributed to the proposal of new forms of publications and an increased

[Message from the CEO]

range of ways to enjoy these publications in just its first six months. This alliance has also been a vessel for promoting the digital transformation of the structure of the publishing industry by proposing new value that creates earnings opportunities and connections with readers to publishers and distributors. I therefore expect that this alliance will generate significant opportunities for growing content businesses in the future. The internet and digital technologies have the potential to erode and replace prior physical offerings, and this is something that holds true for any industry. Conversely, new technologies such as blockchain and NFTs complement physical offerings. As such, I see these as technologies that are co-creative toward physical spaces. One example of this co-creation can be seen in physical publications with digital NFT benefits. This is just one success that we have achieved over this short period, but introducing society to this new form of value is an important innovation, not only for how it proves the benefits of NFTs but also in how it will serve as a bridgehead for other such efforts in the future. Currently, the number of bookstores in Japan surpasses the number of physical stores for other types of content, like music and videos. MEDIA DO's new content business looks to transform bookstores into bases for the transmission of content so that a wider range of potential users can find something to enjoy at bookstores. The next step after having verified the benefits of business will be to determine the numbers of books and titles needing to be secured and how to develop frameworks to ensure that these items can continue to be sold via our FanTop NFT marketplace. Industry players and specific offerings are still unconnected at the moment. Going forward, it will be important to connect offerings and involve industry players like publishers, wholesalers, and distributors in these efforts in order to form

synergies and spread our initiatives across the industry. I am confident that this approach will help resolve the shared issues faced by the industry and create shared value. This process will in turn increase the value of the FanTop platform and subsequently produce clear financial benefits in the form of higher user numbers and sales. Our path is clear. Now it is up to us to move forward with the medium-term management plan in our quest to invigorate the entire publishing industry.

MEDIA DO also intends to ramp up its activities in overseas markets. With the addition of the Firebrand Group (Quality Solutions, Inc., NetGalley, LLC, and their subsidiaries) and Supadü Limited to our ranks, MEDIA DO's global business foundation is now significantly stronger than it was when our previous medium-term management plan was announced five years ago. The Firebrand Group is similar to the MEDIA DO Group in that it primarily plays a supportive role to the industry through business-to-business operations. Moreover, the Firebrand Group has developed a solid presence in the industry over its long 35-year history, and thus possesses significant insight into the issues and trends of overseas publishing industries. This conglomerate develops a multifaceted business encompassing publishing enterprise resource management centered on the bibliographical information management, information distribution, and eBook distribution. Through this business, it offers top-share services used by more than 100 companies including major U.S. publishers as well as publishers in the United Kingdom, Germany, and other parts of North America and Europe. By leveraging the Firebrand Group's strong ties with overseas publishers, we aim to apply the cutting-edge IP and insight of North American and European publishing industries, where digital transformation was adopted more quickly than in

Japan, to develop services for the Japanese and Asian markets. At the same time, we will use the Firebrand Group as our overseas foothold for raising the value of digital content around the world through our digital content asset model. The financial base that will be used for overseas investments has been solidified to a sufficient degree over the past several years. MEDIA DO is thus now well-equipped in terms of both information and finances to bolster its overseas operations. We will therefore be looking to accelerate our growth through global expansion going forward.

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

Approach toward Sustainability Management
Companywide Sustainability Initiatives for
Overcoming Tough Times

MEDIA DO has proceeded to formulate sustainability policies, define priority environmental, social, and governance (ESG) themes, and shape strategies based on these to build frameworks for achieving sustainable growth and improving corporate value while also helping resolve social issues. Seeking to further enhance our comprehensive risks management capabilities and maximize business opportunities based on social issues, we augmented these efforts with the reorganization of the Risk Management Committee to form the Sustainability Committee in June 2022.

I believe that sustainability management has a broader meaning than is commonly understood. Specifically, I think that an important part of sustainability management is to adopt new perspectives toward addressing the issues faced in existing businesses and to maintain an overarching perspective with regard to the ways in which society may change in the future. For this reason, companies need to be attentive in tracking the trends in various areas. In addition, incorporating diverse values and ways of thinking into a company is imperative to accomplishing the company's goals. My approach toward sustainability management is thus to attentively monitor trends around the world in order to reflect the major trends I see into management. The sports business and entrepreneur cultivation and support projects we are currently engaged in may, at first, seem to be unrelated to our core business, but I view such undertakings as an important part of our sustainability management. Moreover, ensuring the sustainability of the Company requires us to develop frameworks and a reputation that will allow us to receive support should we fall on tough times. Let me elaborate on this idea by talking about the entrepreneur support activities of TOKUSHIMA INNOVATION BASE ASSOCIATION (TIB). This organization currently has branches in 17 prefectures throughout Japan, and we look to expand this network to 30 prefectures in the future. Numerous managers have participated in or offered their support to the activities of TIB. These activities are,

of course, designed to be an undertaking for helping support regional economic development that MEDIA DO advances together with communities. Such socially minded activities serve to increase the trust and meaningfulness of the Company, and consequently boost our recognition and presence. This will strengthen the MEDIA DO brand and help reinforce our management foundation by aiding us in recruiting human resources. In other words, these connections demonstrate the extent of the social and relationship capital we have been able to amass. If MEDIA DO is around for long enough, it is sure to fall upon tough times eventually. If we are to be able to overcome this adversity, we must be attentive to the overarching trends seen throughout society. We also need to make allies who will support us in the face of such difficulty. These pursuits constitute the approach that MEDIA DO should take toward sustainability management.

In Closing
Strong Dedication to Accomplishing Goals

I mentioned earlier that MEDIA DO is at a turning point in its quest to move on to the next state of its development with the new medium-term management plan. If we are to take the correct path, management will need to ensure that we are successful in cultivating earnings pillars that can stand alongside our eBook distribution business. We must also expand our business scope to evolve MEDIA DO from a company that is synonymous with eBook distribution to one that is known for contributing to the greater content industry. In these undertakings, the effective implementation of our digital content asset model will be a task of utmost importance. We must therefore be sure to capitalize on the opportunities placed before us and to find a path toward success with this regard. I hope our shareholders, investors, and other stakeholders will look forward to the possibilities to be unlocked through MEDIA DO's strategies and services in the years to come.

August 2022

Yasushi Fujita
Yasushi Fujita
President and CEO



MEDIA DO is committed
to evolving into a company
that contributes to the
content industry.

Corporate Philosophy



MEDIA DO's Foundation

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.

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.

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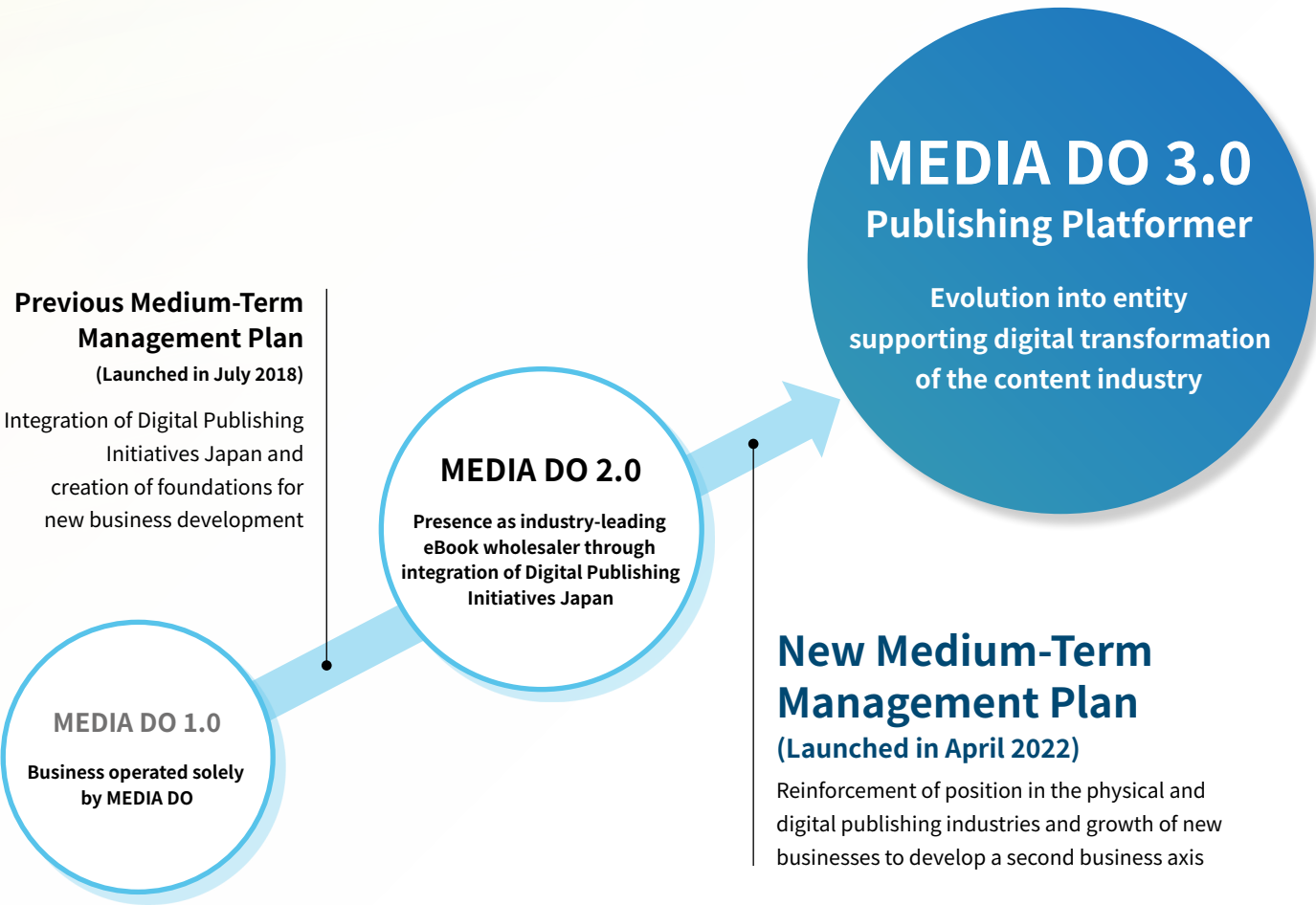
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Key Points of MEDIA DO Report 2022



In 2017, MEDIA DO acquired and then merged with Digital Publishing Initiatives Japan Co., Ltd., granting the Company its current position, which is its greatest strength. We were able to accomplish this feat thanks to the strong trust-based relationships we had forged with the industry through transactions with more than 2,200 publishers and over 150 eBook stores through our eBook distribution business.

Our new medium-term management plan calls on us to provide new options for customer experiences as an entity that has close connections with content and intellectual property (IP) holders. It also lays out directives for us to expand beyond eBooks to contribute to the entire content industry with our digital content asset model, which entails distributing digital content in a manner that grants it value as an asset. In line with these directives, we will be pursuing growth in new businesses (strategic investment businesses) based on trust and the position we have fostered thus far.

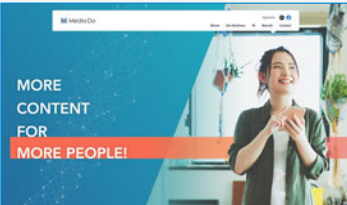
Editorial Policy
MEDIA DO Report 2022 has been prepared as an integrated report to function as a tool for comprehensive communication with stakeholders. This report describes the strategic directives, and the progress thereof, based on which all employees, united by a strong sense of conviction, will 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.

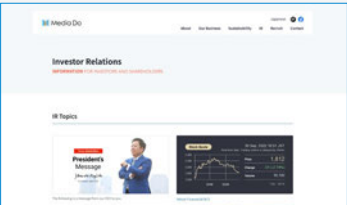
Reporting Period
Fiscal year ended February 28, 2022 (Fiscal 2021)
This report includes information on some activities taking place before or after this period.

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.

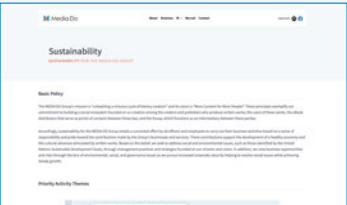
For More Information



 **Corporate website**
<https://mediado.jp/english/>



 **Investor relations website**
<https://mediado.jp/english/ir/>



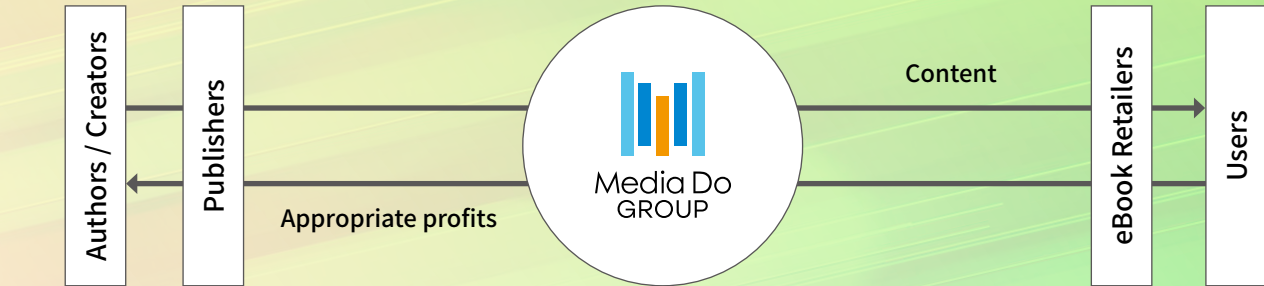
 **Sustainability website**
<https://mediado.jp/english/ir/sustainability/>

What Type of Company Is MEDIA DO?

MEDIA DO aspires to ensure that written works, particularly eBooks and other digital content, are widely distributed throughout society in order to make the greatest possible contributions to the publishing market and the greater content market.

Our position as an intermediary in the publishing value chain is a strength that allows us to develop and provide various solutions related to eBooks. We are also taking advantage of non-fungible tokens (NFTs) and other cutting-edge technologies to shape the future of content.

MEDIA DO's Role in the Publishing Industry



The MEDIA DO Group's Business Domain

Support for transformation and growth across the content market value chain centered on eBook distribution

Imprint Business

Production of IP

Ownership of sources of content and IP including novels and manga and acceleration of multi-channel deployment of IP through movie, TV drama, and other adaptations

Applicable Subsidiaries and Services

日本文芸社
NIHONBUNGEISHA
Publication and sale of how-to books, comics, novels, and magazines in both physical and digital formats

JIVE Ltd.
Development of imprint next-generation publishing business and operation of girl's comics label

エブリスタ
Novel submission website operation and image production business

ASTRA
Comic coloring and picture production support

Publishing Solution Business

Invigoration of the Industry

Invigoration of the entire publishing industry through digital library, vertical scroll comics, print on demand publishing, and other services

Applicable Subsidiaries and Services

PUBFUN
(Joint venture with Impress Holdings)
Expansion of the print on demand market through integration of corporate and private print on demand services

PUBNAVI
eBook sales management and integrated royalty management system for paper books and eBooks

flier Inc.
Operation of the flier book summary service

eBook Distribution Business

The Japanese publishing market is characterized by a number of publishers and eBook distributors that is significantly larger than the markets of Europe or the United States. MEDIA DO can provide various functions for both publishers and eBook distributors to support smooth distribution. Moreover, our function as an intermediary simplifies sales channels by eliminating the need for individual contracts between publishers and distributors.

Applicable Subsidiaries and Services

Media Do
Development of Japan's largest eBook distribution business boasting relationships with more than 2,200 publishers and over 150 eBook distributors in Japan

Media Do TECH TOKUSHIMA
Provision of wholesale business process outsourcing services

eBook Distribution Functions

Sales distribution

Contract intermediation

System supply

Campaign management

❶ Process coordination between publishers and eBook distributors

- Individual contract intermediation between publishers and eBook distributors
- Contract digital data verification services for individual eBook distributors

❷ Integrated management of sales, eBook uploads, and other data

- Coordination of data received from publishers with eBook distributors
- Integrated management of aggregated sales reports (increased accounting efficiency)
- Tracking and provision of information on trends in book sales by eBook distributors (provision of publisher dashboard programs)

❸ Formation of relationships with eBook distributors and sales promotion campaigns

- Provision of information on best-selling works to eBook distributors
- Proposal of sales promotion campaigns (price reductions, discounts, etc.) to maximize sales opportunities to eBook distributors (campaign management)

Global Business

Promotion of Digital Transformation and SaaS

Expansion of overseas publishing services and introduction of advanced overseas services into Japan

Applicable Subsidiaries and Services

MD-i
Media Do International
The MEDIA DO Group's global business base in San Diego

firebrand
Technologies
Deployment of bibliographical information management, information distribution, and eBook distribution services in the United States

NetGalley
Provision of NetGalley online book marketing tool

supadü
Supply of publisher sales websites on a software as a service (SaaS) basis to customers including major U.S. publishers

Fan Marketing Business

Creation of New Content Value

Deployment of business-to-consumer services capitalizing on technological capabilities to create new digital content value

Applicable Subsidiaries and Services

FanTop
NFT marketplace developed by MEDIA DO

MyAnimeList
Operation of the globally top-tier MyAnimeList community website focused on Japanese anime and manga

Nagisa
Operation of comics app and provision of fan marketing services

J-コミックテラス
Operation of free digital comics distribution service

MEDIA DO’s History

Ongoing Creation of New Industry Value with a View toward the Future

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.

June 1994	Founded by now Representative Director, President and CEO Yasushi Fujita while he was still in college
Apr. 1996	Fuji Techno Limited Company established in Nakamura-ku, Nagoya City, Aichi Prefecture
Apr. 1999	MEDIA DO Co., Ltd., established in Meieki Nakamura-ku, Nagoya
Oct. 2000	Developed the Pake-wari! system for reducing packet communication traffic volume
Nov. 2001	Merged with Fuji Techno Co., Ltd., and moved the head office to Meiekininami Nakamura-ku, Nagoya City, Aichi Prefecture
Nov. 2003	Established the Tokyo Office in Nishi-Shinjuku, Shinjuku-ku, Tokyo
July 2004	Launched online ringtone distribution service

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.

Oct. 2006	Developed the md-dc content distribution system
Nov. 2006	Launched the eBook distribution service
Feb. 2007	Launched the Contents Agency System (CAS) content distribution platform
Oct. 2007	Established the Tokushima Kito Office in Naka-Machi, Naka-gun, Tokushima Prefecture
Sep. 2010	Commenced provision of the IMenu Books DOCOMO eBook portal
Feb. 2012	Launched Japan's first digital rights management (DRM)-free MP3 music distribution service for smartphones
May 2012	Launched the CAS eBook distribution store solution for smartphones

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.

Apr. 2013	Began supply of content for the LINE MANGA service of LINE Corporation
Nov. 2013	Listed on the Mothers section of the TSE (securities code: 3678)
May 2014	Commenced a strategic business partnership with OverDrive, Inc., of the United States
Oct. 2014	Established LINE Book Distribution Corporation as a joint venture together with LINE Corporation, KODANSHA LTD., and Shogakukan Inc. to promote the global provision of the LINE MANGA service
Feb. 2016	Stock transferred to the First Section of the TSE
June 2016	Founded MEDIA DO INTERNATIONAL, INC., in San Diego, California in the United States
Nov. 2016	Acquired shares in Flier Inc., a supplier of book summarization services, and converted this company into a subsidiary

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.

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.

Mar. 2017	Acquired shares in Digital Publishing Initiatives Japan Co., Ltd., and converted this company into a subsidiary
Apr. 2017	Received transfer of all businesses of ARTRA ENTERTAINMENT Inc.
June 2017	Acquired 100% of shares in Digital Publishing Initiatives Japan Co., Ltd., and converted this company into a wholly owned subsidiary
Sep. 2017	Changed its name to MEDIA DO HOLDINGS Co., Ltd., and transitioned to the holding company system
Dec. 2018	Joined the World Wide Web Consortium (W3C), an organization promoting international standardization of internet technologies
Mar. 2019	Merged Digital Publishing Initiatives Japan Co., Ltd., and MEDIA DO Co., Ltd. (company name: MEDIA DO Co., Ltd.)
June 2020	Acquired shares of MyAnimeList, LLC, through subsidiary Media Do International, Inc.
June 2020	MEDIA DO HOLDINGS Co., Ltd., absorbed MEDIA DO Co., Ltd., and completed post-merger integration* (company name: MEDIA DO Co., Ltd.)
Oct. 2020	Announced procurement of funds through the issuance of share acquisition rights
	Acquired shares of Nagisa, Inc., provider of the ZERO Komi digital comics distribution app among other services, and converted this company into a subsidiary

* Process integration and management procedures aimed at realizing the intended synergies from business combinations

2021–

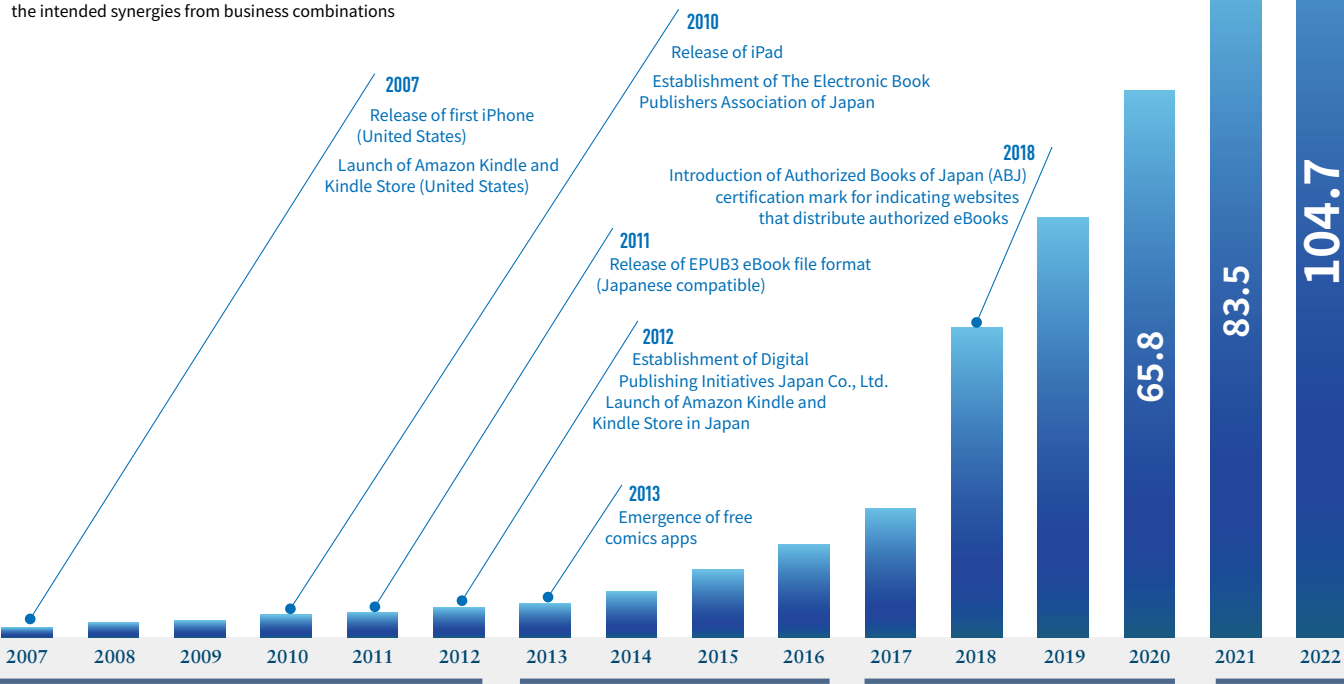
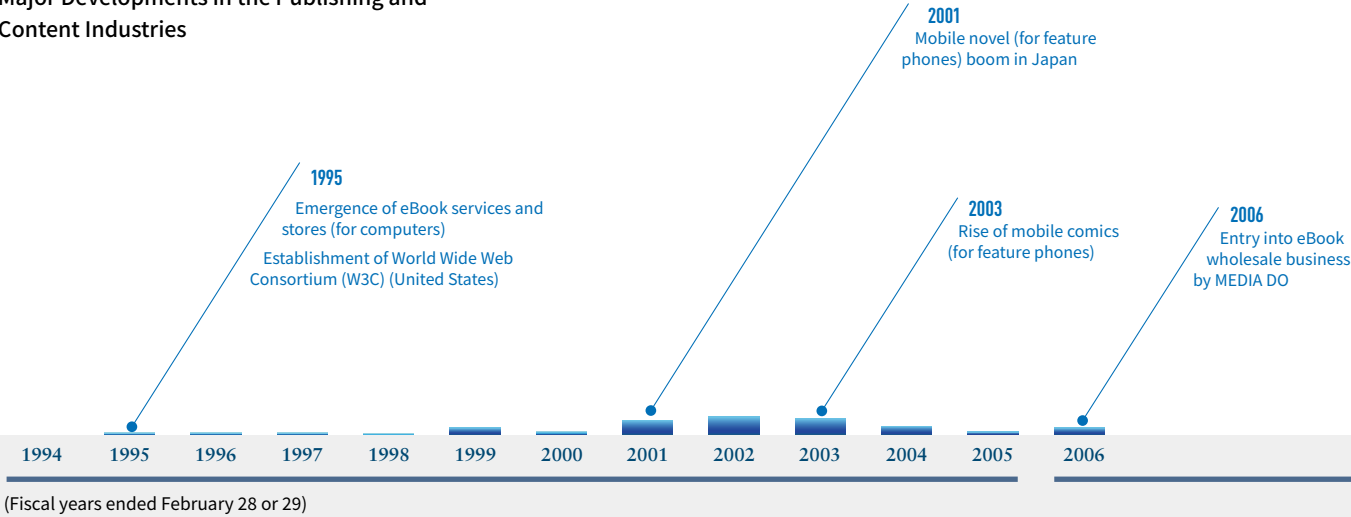
Capital and business alliance with major wholesaler Tohan, utilization of blockchain technology, and pursuit of market growth and new market creation

MEDIA DO announced its new medium-term management 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.

Jan. 2021	Acquired shares in the Firebrand Group (Quality Solutions, Inc., NetGalley, LLC, and their subsidiaries) through subsidiary Media Do International, Inc., and converted these companies into second-tier subsidiaries
Mar. 2021	Acquired shares in NIHONBUNGEISHA Co., Ltd., and converted this company into a subsidiary
	Commenced a capital and business alliance with TOHAN CORPORATION, a major paper book wholesaler
Apr. 2021	Launched project for using NFTs to provide digital benefit services based on blockchain technology together with Tohan
Oct. 2021	Launched FanTop NFT marketplace
Dec. 2021	Acquired shares in EVERYSTAR Co., Ltd., which operates a novel submission website and produces books and videos, and converted this company into a subsidiary
Feb. 2022	Acquired shares in Supadū Limited, a U.K.-based provider of sales website SaaS services in Europe and North America, through NetGalley UK Ltd., the U.K. subsidiary of consolidated subsidiary NetGalley, LLC, and converted Supadū into a subsidiary
Mar. 2022	Acquired additional shares in EVERYSTAR Co., Ltd., and converted this company into a wholly owned subsidiary
Apr. 2022	Established joint venture PUBFUN, Inc., together with Impress Holdings, Inc. Established GAMBAROU TOKUSHIMA Co., Ltd., a company for managing TOKUSHIMA GAMBAROUS, a basketball club aiming to become Tokushima's first B-League club
	Transferred shares to the Prime Market segment of the TSE

Net Sales (Billions of yen)

Major Developments in the Publishing and Content Industries



(Fiscal years ended February 28 or 29)

Strengths Forming Our Business Foundation

MEDIA DO utilizes a business scheme aimed at developing a unique intermediary platform in the eBook distribution chain through an SaaS business model that is unprecedented in the publishing industry and employs cutting-edge technologies. Based on this scheme, we are enhancing the position and technologies that represent our competitive edge.

Position

- Core distribution functions
- Global presence
- Dominating share
- Industry support

Gross transaction value

¥200.0 billion*

* Includes approximately ¥6.0 billion increase in transaction volume attributable to one-time large-scale campaigns by distributors

Total managed eBook distributor campaigns (FY2021)

More than 16,000

(up 32% year on year)

Number of content items distributed through campaigns (FY2021)

More than 1.5 million

(up 49% year on year)

Domestic eBook distribution market share

38%*

Unrivaled position as an intermediary between more than 2,200 publishers and over 150 eBook distributors

* Source: Calculation by the Company based on eBook Marketing Report 2022 on Japanese Market, Impress Research Institute (36.9% when calculated excluding the approximately ¥6.0 billion increase in transaction volume attributable to one-time large-scale campaigns by distributors)

Ability to conduct transactions with

More than 99%

of Japanese publishers offering eBooks

Only Asian company to dispatch an employee to serve as co-chair of the Publishing Business Group of the World Wide Web Consortium (W3C)*

Appointment of the first W3C evangelist from Japan

* Organization promoting international standardization of internet technologies

Technology

- Exceptional development capabilities
- One-stop service for system and data management and other services

Engineer team

Approx. 150 members*

* Represents 30% of total employee base

In-house development of all core systems

Ranging from eBook distribution platforms to NFT management systems using blockchain technology

Amount of content supplied through eBook distribution system

More than 900 million files per month

Launch of Japan's first product using Flow blockchain, which boasts

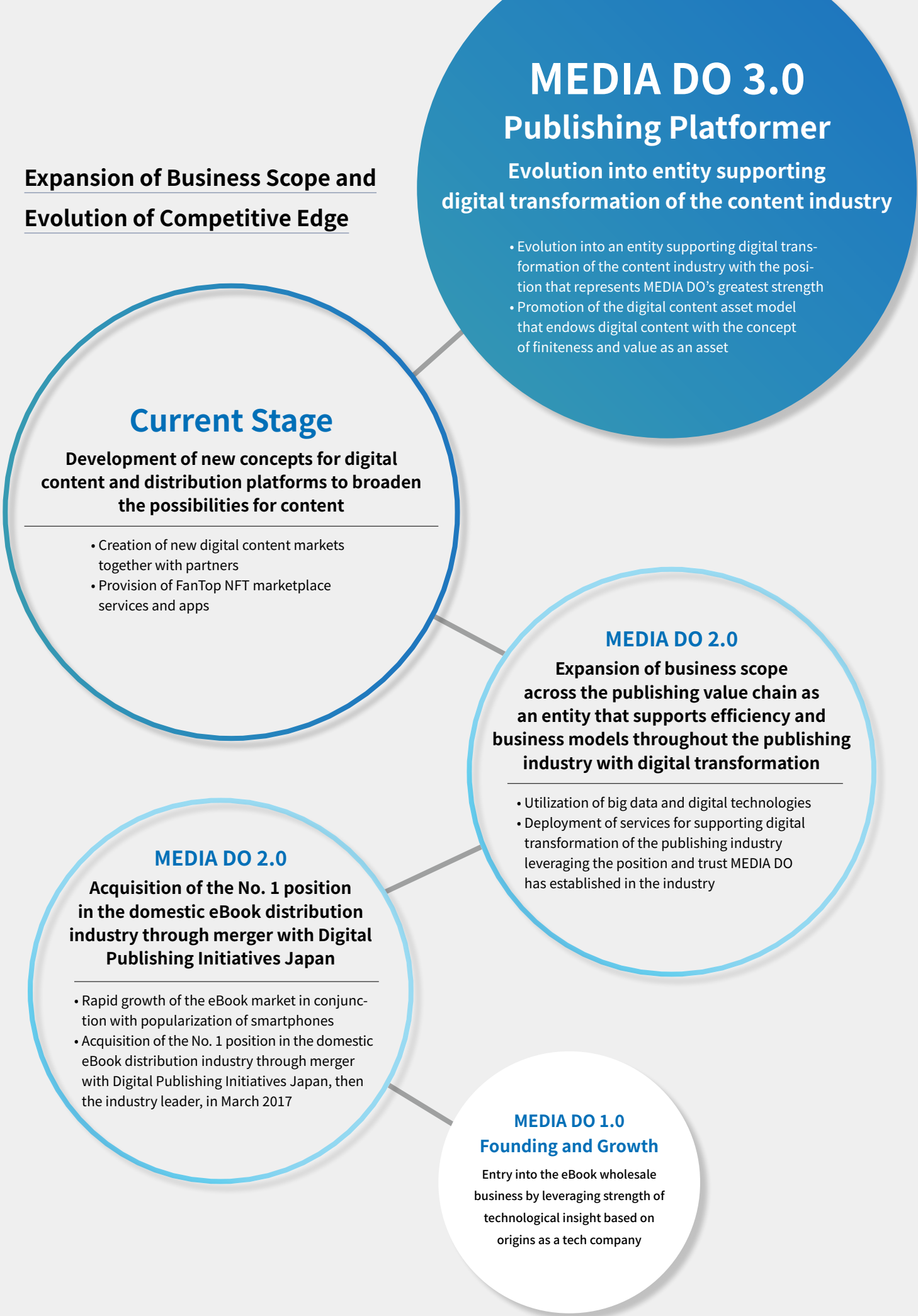
the highest number of user-to-user NFT transactions*

* Source: Blockchains by NFT Sales Volume (All-time), CryptoSlam!

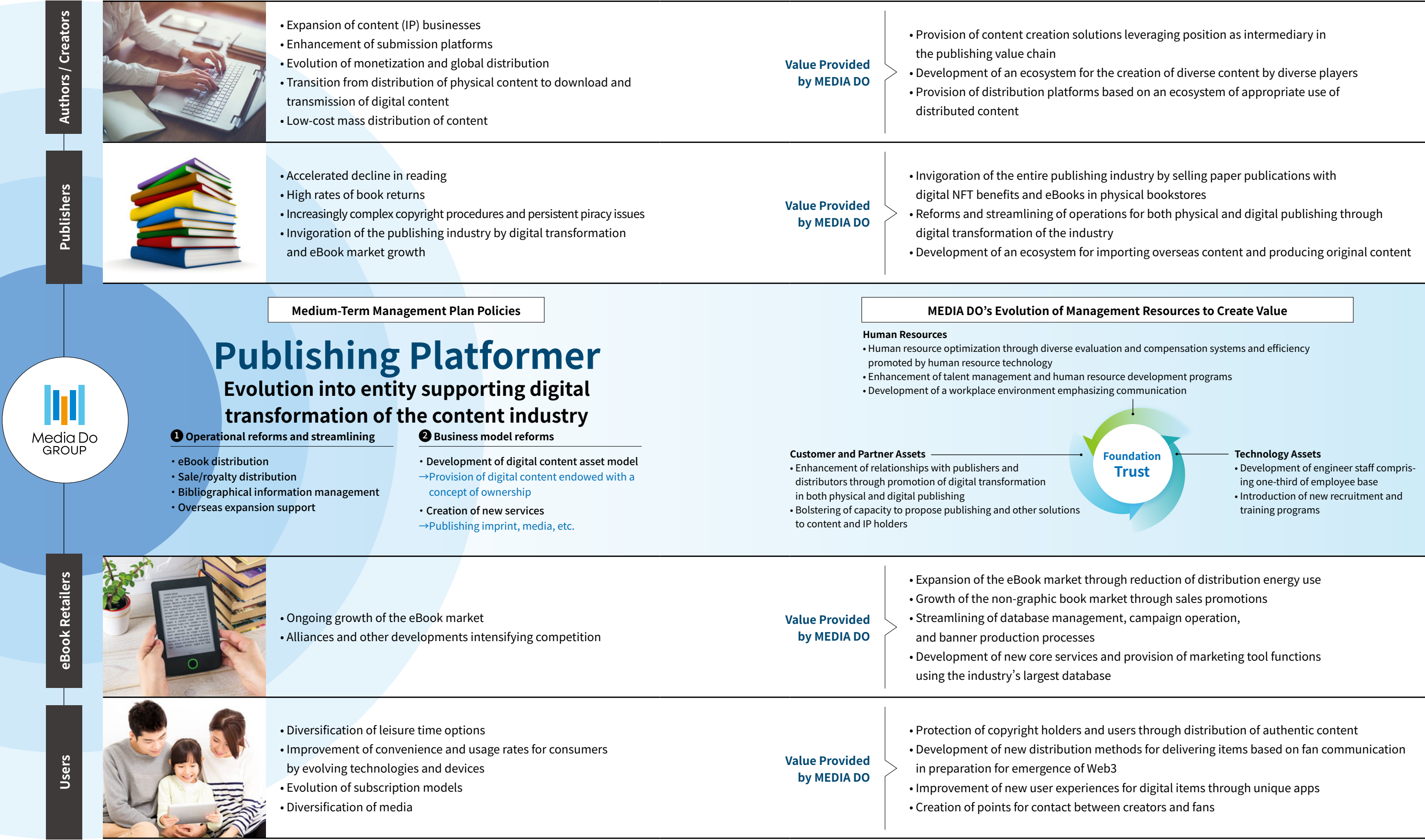
Release of Japan's first 3D and augmented reality (AR) functions

for an NFT marketplace viewer app (February 2022)

Expansion of Business Scope and Evolution of Competitive Edge



MEDIA DO's Role Founded on Its Strengths and on Industry Issues and Changes



Performance Highlights (For the years ended / As of February 28/29)

(Millions of yen)

	2018 (Consolidated)	2019 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)	2022 (Consolidated)	Year-on-year change
Financial Performance:						
Net sales* ¹	37,213	50,568	65,860	83,540	104,722	+21,182
eBook distribution business* ²	—	50,164	64,529	82,349	99,309	+16,960
Other businesses* ²	—	403	1,329	1,190	5,409	+4,219
Cost of sales; selling, general and administrative expenses	36,280	49,098	64,004	80,873	101,909	+21,036
Royalties	31,182	43,223	56,869	73,502	92,449	+18,947
Commissions	203	197	206	215	149	-66
Advertising expenses	407	522	627	877	476	-401
Personnel expenses	1,817	2,729	3,460	3,185	5,256	+2,071
Depreciation and amortization	846	918	806	757	1,114	+357
Other	1,817	1,502	2,027	2,325	2,457	+132
Operating profit	930	1,468	1,853	2,664	2,811	+147
Ordinary profit	831	1,492	1,761	2,720	2,783	+63
Profit (loss) attributable to owners of parent	358	(1,243)	884	1,519	1,576	+57
EBITDA* ³	1,777	2,391	2,661	3,424	3,927	+503
Financial Position (as of February 28/29 of each fiscal year):						
Total assets* ⁴	26,699	30,942	34,062	43,187	52,509	+9,322
Total liabilities	22,480	26,481	28,224	31,018	35,596	+4,578
Total net assets	4,218	4,461	5,838	12,169	16,912	+4,743
Total equity	4,096	4,369	5,791	12,105	16,815	+4,710
Interest-bearing debt (short-term and long-term)	11,396	10,070	8,245	6,654	5,575	-1,079
Cash Flows:						
Net cash provided by (used in) operating activities	1,470	2,458	1,928	2,544	4,632	+2,088
Net cash provided by (used in) investing activities	(7,960)	(481)	(77)	(1,275)	(7,835)	+6,560
Net cash provided by (used in) financing activities	9,944	(364)	(1,506)	3,349	2,089	-1,260
Free cash flow	(6,490)	1,977	1,851	1,269	(3,203)	-4,472
Cash and cash equivalents at end of period	5,685	7,747	8,089	12,703	11,399	-1,304
Per Share Information (Yen):						
Profit (loss)	32.56	(106.02)	64.58	104.52	99.75	-4.77
Dividends	10.50	10.50	13.00	21.00	21.00	±0.0
Dividend payout ratio (%)	32.2	—	20.1	20.1	21.1	+1.0
Net assets	359.67	353.96	408.61	787.66	1,059.59	+271.93
Major Indicators:						
Return on assets (ROA) (%)	3.1	5.2	5.4	7.0	5.8	-1.2
Return on equity (ROE) (%)	8.7	(29.4)	17.4	17.0	10.9	-6.1
Equity ratio* ⁴ (%)	15.3	14.1	17.0	28.0	32.0	+4.0
Financial leverage (times)	6.33	6.94	5.83	3.55	2.99	-0.56
Debt-to-equity (D/E) ratio (times)	2.78	2.30	1.42	0.54	0.33	-0.21
Number of employees (consolidated)	279	362	350	379	580	+201

*1 Net sales includes sales from business segments not included in reportable segments.

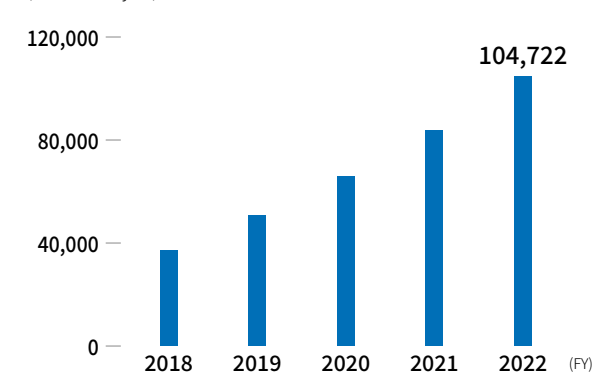
*2 The Company's business segments were reorganized in the fiscal year ended February 28, 2019. Accordingly, segment figures are not displayed for prior fiscal years.

*3 EBITDA = Operating profit + (Depreciation and amortization + Amortization of goodwill)

*4 "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.

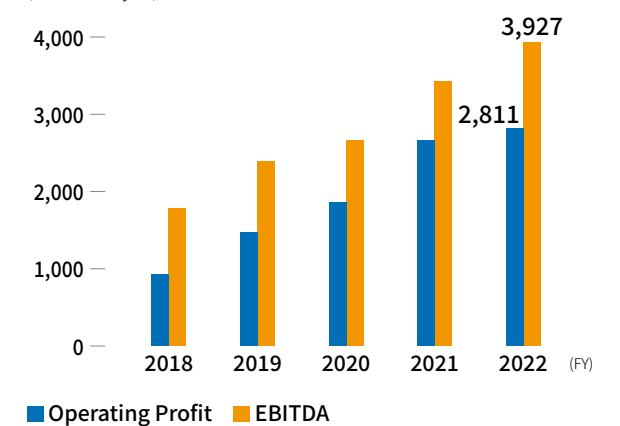
Net Sales

(Millions of yen)



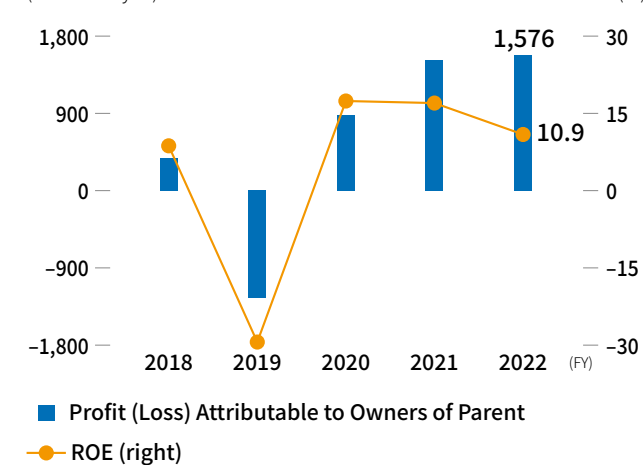
Operating Profit / EBITDA

(Millions of yen)



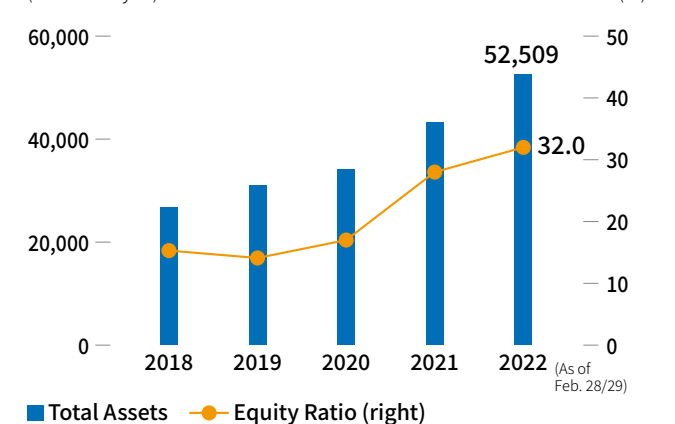
Profit (Loss) Attributable to Owners of Parent / ROE

(Millions of yen)



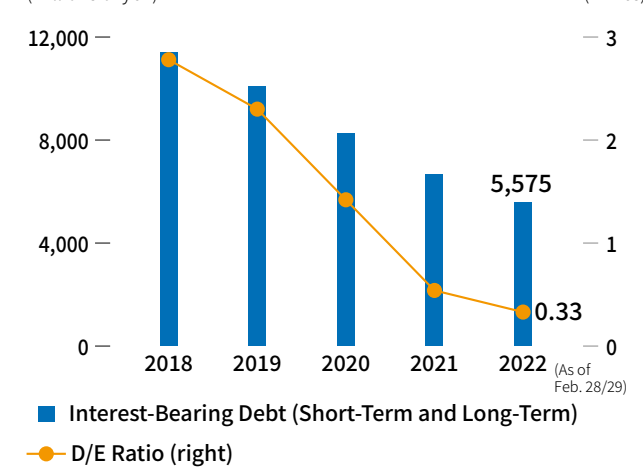
Total Assets / Equity Ratio

(Millions of yen)



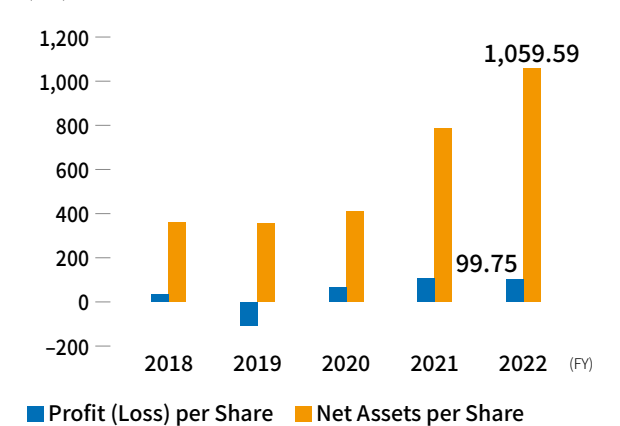
Interest-Bearing Debt (Short-Term and Long-Term) / D/E Ratio

(Millions of yen)



Profit (Loss) per Share / Net Assets per Share

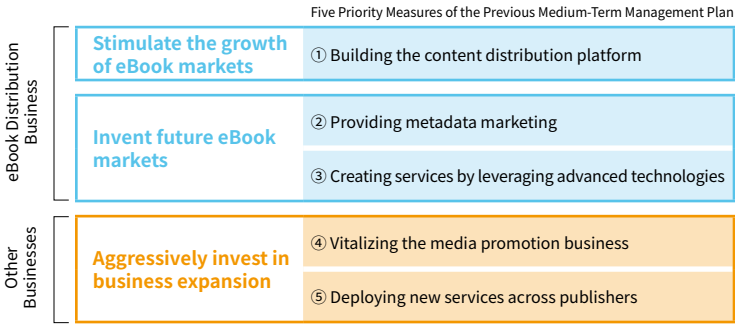
(Yen)



Review of the Previous Medium-Term Management Plan

Successes and Issues of the Previous Medium-Term Management Plan

Under the five-year medium-term management plan announced in July 2018, MEDIA DO proceeded to build its No. 1 position in the domestic eBook distribution industry by completing the post-merger integration process with Digital Publishing Initiatives Japan Co., Ltd. Later, the increases in consumption levels seen as people stayed home amid the COVID-19 pandemic sparked the growth of the eBook market, leading MEDIA DO to accomplish the net sales target set out for the medium-term management plan a year ahead of schedule. We also took advantage of this growth to invest in new business development.



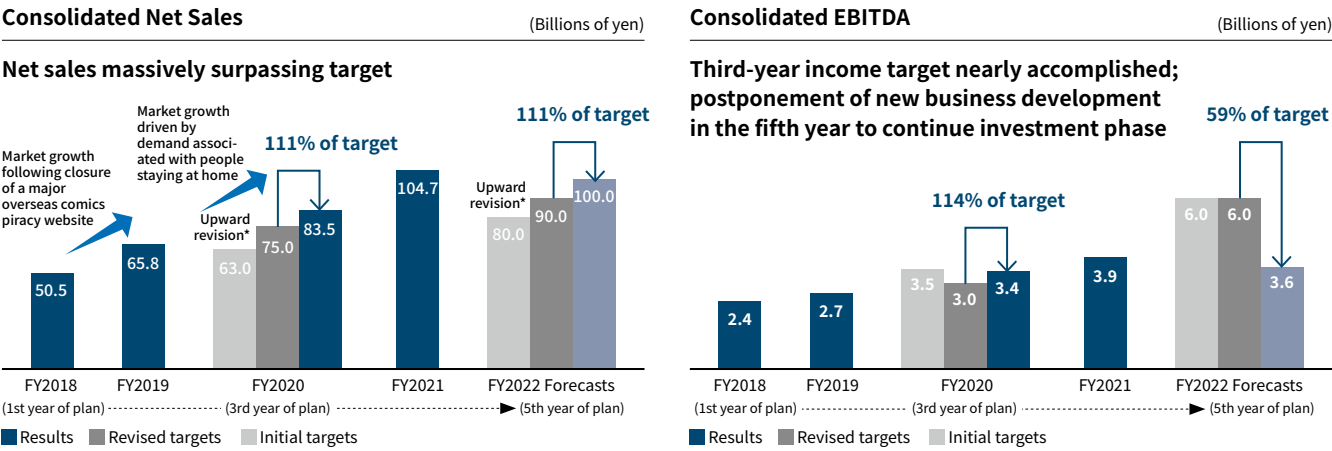
Issue ①
Lack of change in earnings structures dependent on main business despite business growth accompanying growth of the eBook market
Concern regarding transactions with major business partners and downturns following large-scale campaigns

Success ①
Promotion of new business development and alliances, progress in cultivating future growth drivers
Commencement of blockchain technology research in 2018, execution of M&A activities and investments in excess of ¥9.0 billion

Success ②
Organizational integration with Digital Publishing Initiatives Japan, reinforcement of corporate governance systems, and development of other management foundations
Establishment of differentiated position as the No. 1 domestic eBook wholesaler

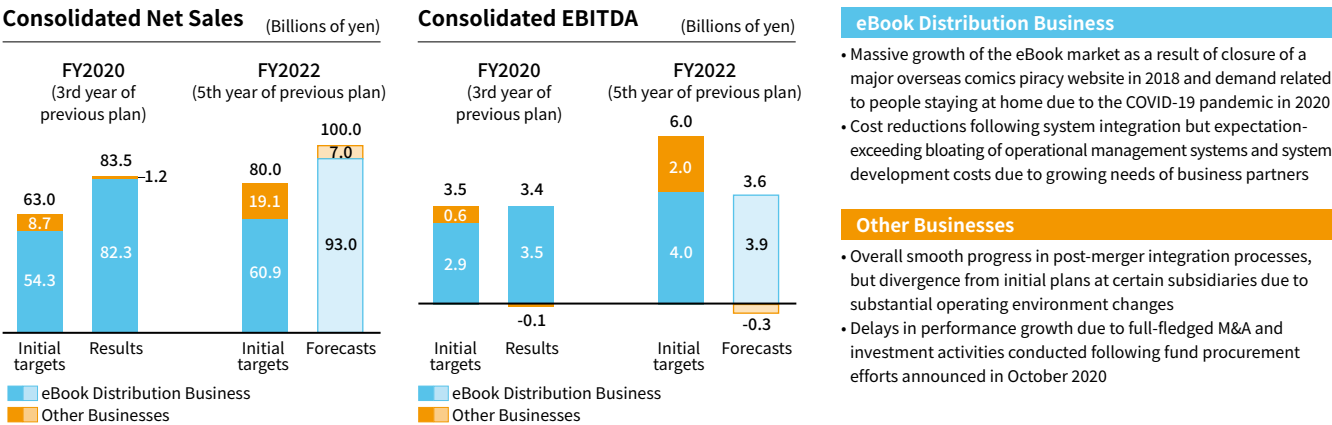
Quantitative Results

Consolidated performance: Third-year sales and income targets accomplished; need for revision in fifth year due to ongoing investment



* Targets were revised in January 2020 in response to the target for net sales being accomplished a year in advance.

Performance by business: Greater-than-expected growth in the eBook distribution business, but failure to meet targets in other businesses



Financial Position Improvement and Growth Investments Fueled by Equity Financing

In light of the growth of the eBook market, MEDIA DO procured approximately ¥7.5 billion through equity financing under the period of the previous medium-term management plan in order to accelerate its acquisition of additional growth drivers. These funds were used to invest in alliances, M&A activities, systems, and technologies for establishing new growth pillars. As a result, the equity ratio rose by roughly 10 percentage points over the period from August 31, 2020, to May 31, 2021.

Total Equity Financing of ¥7.5 Billion Conducted on Two Occasions under the Previous Medium-Term Management Plan	
	Amount Acquired
① October 13, 2020: Allocation of share warrants to securities company	Approx. ¥4.5 billion
② March 25, 2021: Capital and business alliance with TOHAN CORPORATION	Approx. ¥3.0 billion

Benefits

- ① Investments performed to drive future growth (funded through on-hand funds and equity financing)
- ② Improvement in financial position marked by net assets surpassing goodwill

- M&A activities (over ¥9.0 billion)
- Next-generation eBook distribution system development
- Blockchain technology development
- Human resource recruitment

Capital and Business Alliances and M&A Activities after Announcement of the Previous Medium-Term Management Plan (July 2018)

Name	Acquisition Timing	Business Progress and Integration Status
MyAnimeList	March 2019	Growth of MyAnimeList and improved reputation as globally top-tier Japanese anime and manga community website; capital injection from content and IP holders completed; accelerated overseas deployment of Japanese content commenced
JIVE Ltd.	August 2019	Delays in expansion and training of editorial and sales staff and other structural reinforcements resulting in sales falling below targets; organizational and management streamlining to be targeted alongside business expansion going forward
Nagisa	October 2020	Impairment loss of ¥394 million recorded in the fiscal year ended February 28, 2022, based on intensified competition and operating environment changes in the comics app business; provision of fan marketing services to be promoted going forward
firebrand technologies, NetGalley	January 2021	Lower-than-anticipated income due to reinforced security and higher personnel expenses following rising wages and increased hiring, but smooth business growth as a company promoting digital transformation in the U.S. publishing industry
日本文芸社	March 2021	Greater-than-expected performance improvement following strong performance of eBooks and how-to books and reduced rates of book returns due to distribution controls; exploration of vertical scroll comics and other new genres
TOHAN	March 2021	Distribution of paper books with digital NFT benefits, deployment of digital library services, and promotion of publishing industry digital transformation through alliance with leading wholesaler Tohan
エブリスタ	December 2021	Conversion to wholly owned subsidiary following March 2022 acquisition of equity stake from NTT DOCOMO; policy of developing media mix consisting of comic and video content based on submitted novels

Overview of the New Medium-Term Management Plan (FY2022–FY2026)

MEDIA DO’s Corporate Philosophy and Vision

Mission

Unleashing a virtuous cycle of literary creation

Vision

More Content for More People!

Management Policy

Leverage MEDIA DO’s position to help grow publishing and content markets through synergies between people, IT, and strategies

MEDIA DO’s Strengths P.14

Position

Trust from business partners that we can distribute authorized digital content and access to people and information

Technology

Technological capabilities for leading digital transformation of the publishing and content industries

Opportunities, Risks, and Social Issues to Be Addressed P.24

Operating Environment

- Ongoing growth of the eBook market, despite rising impact of overseas comics piracy websites
- Change in role expected of distributors (role of providing functions for reducing costs and boosting sales)
- New possibilities brought about by Web3 and digitization (NFT, vertical scroll comics, etc.)

Internal Conditions

- Inescapable need to redesign the wholesaling system
- Requirement for human resource recruitment to boost competitiveness, internal workflow streamlining, and development of post-merger integration systems
- Expectations related to financial strategies and also governance and sustainability measures

Strategic Directives of the New Medium-Term Management Plan

Publishing Platformer

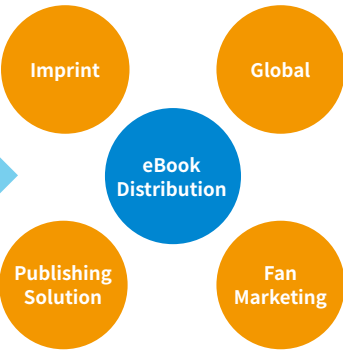
Evolution into entity supporting digital transformation of the content industry

The MEDIA DO Group will capitalize on the unparalleled strength of the position it has developed in the eBook distribution business, which is comprised of the trust from business partners that allows it to distribute authorized digital content and its access to people and information, in order to achieve ongoing growth while resolving social issues pertaining to digital content.

eBook Distribution
Current earnings pillar
Transactions with more than 2,200 domestic publishers and over 150 eBook distributors

Complete cultivation of new earnings pillars founded on trust fostered thus far

Cultivation into new earnings pillars



Performance Targets of the New Medium-Term Management Plan

MEDIA DO projects declines in both sales and income in the fiscal year ending February 28, 2023. These declines will be the results of decreases in sales following changes in sales channels by major business partners,* ongoing investments in business segments, and one-time office relation expenses. In the fiscal year ending February 28, 2027, the final year of the new medium-term management plan, we will target consolidated net sales of ¥150.0 billion and operating profit of ¥8.5 billion. These figures will be accomplished through the fostering of new earnings pillars by taking advantage of the growth of the eBook market and content businesses.

* 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.

Consolidated Performance

(Billions of yen)

	FY2021	FY2022 (1st year of plan)	FY2024 (3rd year of plan)	FY2026 (5th year of plan)
Net sales	104.7	100.0	120.0	150.0
Operating profit	2.8	2.0	4.0	8.5
EBITDA	3.9	3.5	5.5	10.0
Profit attributable to owners of parent	1.5	0.8	2.8	6.0
ROE (%)	10.9	5.2	15.0	23.0

Development of New Earnings Pillars through Strategic Investment Businesses

Leveraging the strength of the position and trust cultivated in its core eBook distribution business, MEDIA DO will continue investing to expand its business portfolio in order to develop new earnings pillars during the period of the new medium-term management plan. In the fiscal year ended February 28, 2022, the eBook distribution business accounted for nearly 90% of the Company’s net sales. However, in the fiscal year ending February 28, 2027, the final year of the plan, we are targeting a net sales distribution of 75% from the eBook distribution business and 25% from strategic investment businesses along with an even split of 50% of EBITDA from both categories of businesses.

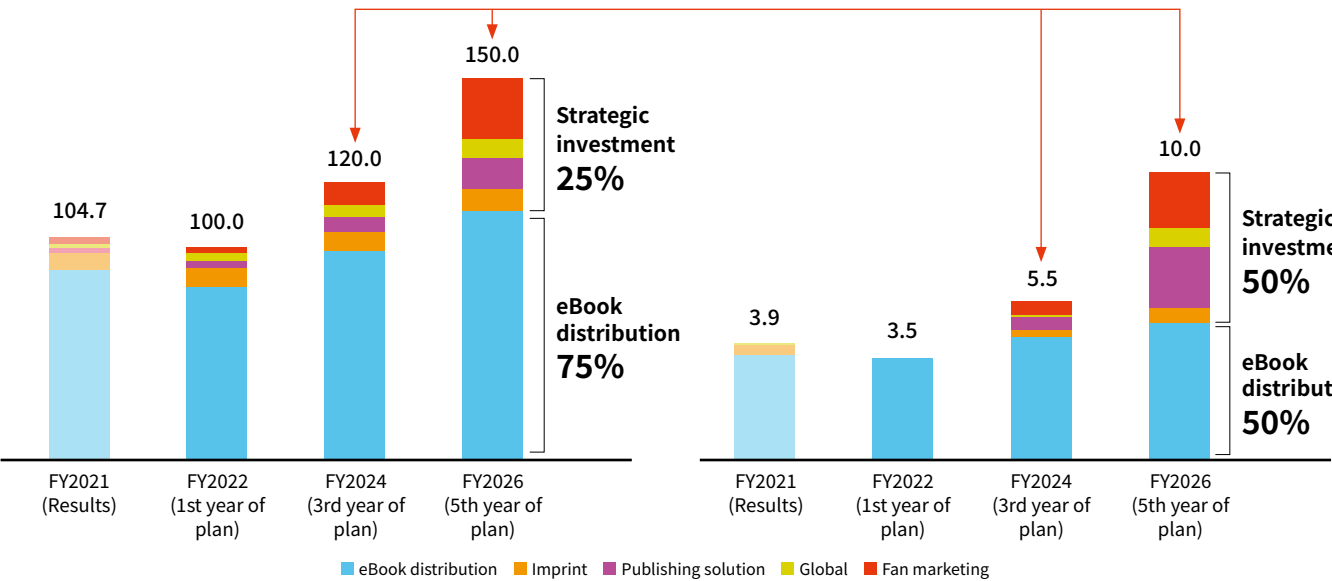
Consolidated Net Sales

(Billions of yen)

Consolidated EBITDA

(Billions of yen)

Examination of potential future M&A activities for expanding business



MEDIA DO’s Operating Environment

Megatrends Affecting the MEDIA DO Group • Changing expectations of eBook wholesalers (reinforcement of functions for reducing costs and boosting sales) • Emergence of new economic spheres due to transition to Web3 (blockchain technology, augmented reality (AR), virtual reality (VR), etc.) • Delays in changes to outdated industry practices and in digitalization • Expansion of content (IP) businesses	
Opportunities and Risks for MEDIA DO’s Businesses eBook Distribution • Improvement of consumer convenience through technological progress and evolution of devices and invigoration of industry through digital transformation • Provision of data-driven marketing solutions using integrated publishing database encompassing both physical and digital publishing • Necessity for rigorous and robust information security systems	
Strategic Investment Businesses Imprint Business • Development of digital printing technologies and reduction of publishing costs • Emergence of user-generated content and other forms of diversification of IP creation ecosystem (evolution of creator economies) • Increased competition for corporate acquisitions and difficulty in securing creators Publishing Solution Business • Streamlining and staff optimization through digital transformation • Delays in digitalization and digital transformation due to high dependence on outdated business practices • Copyright restrictions impeding use of books for educational purposes or by libraries around the world Global Business • New digital content businesses utilizing latest technologies • Widespread recognition of value of manga, anime, and other Japanese content • Borderless development of products, content, IP, and other offerings Fan Marketing Business • Transition to a world built on digital technologies following the COVID-19 pandemic (metaverse, etc.) • Society in which anyone can create and profit from content • Market entry by major platform holders and disruption of existing markets	
Risks to Business Sustainability Business Strategy Risks • Risks related to growth potential of the eBook industry ⚡P.26 • External factor (natural disasters, etc.) risks • Risks of piracy websites, etc. • Risks related to dependence on specific suppliers • Systems and information security risks ⚡P.52 • Investment and impairment risks ⚡P.40 Operational Risks • Human resource recruitment risks ⚡P.50 • Internal control risks ⚡P.68 • Risks related to dependence on specific individuals	

Strategies by Business

eBook Distribution Business Vision under the New Medium-Term Management Plan Strengthen position as an industry infrastructure provider through further reduction of distribution energy use and provision of additional functions	Priority Measures • Grow the eBook market by reducing distribution energy use • Provide data marketing and other new functions • Develop new products and grow market for non-graphic eBooks
Strategic Investment Businesses Imprint Business Vision under the New Medium-Term Management Plan Produce content and reinforce and expand publishing platform functions through intra-Group coordination	Priority Measures • Develop new frameworks for generating content • Strengthen publishing platform functions • Expand the imprint business through alliances
Publishing Solution Business Vision under the New Medium-Term Management Plan Coordinate with the industry to explore new business opportunities; cultivate vertical scroll comics ecosystem	Priority Measures • Promote digital transformation of physical and digital publishing through coordination with Tohan • Promote new alliances (print on demand joint venture, etc.) • Cultivate vertical scroll comics ecosystem
Global Business Vision under the New Medium-Term Management Plan Improve presence of the MEDIA DO Group as a publishing service platform provider in the global market	Priority Measures • Establish global position as a publishing infrastructure provider • Deploy new services on a global basis, introduce successful digital transformation approaches into Japan • Enhance functions and systems of Media Do International
Fan Marketing Business Vision under the New Medium-Term Management Plan Strengthen relationships between content and IP holders and fans; develop made-in-Japan framework for distributing authentic NFT content	Priority Measures • Promote development of NFT content through coordination with content and IP holders • Develop a differentiated NFT ecosystem • Facilitate direct communication between IP holders and fans

eBook Distribution Business

eBook Distribution Business Giving Rise to Unrivaled Position—MEDIA DO's Greatest Strength

Based on its mission and vision, MEDIA DO seeks to make the greatest possible contributions to the publishing market and to the greater content market through its eBook distribution business to ensure that written works, particularly eBooks and other digital content, are widely distributed throughout society. In this business, we are supported by the trusting relationships we have built through our transactions with more than 2,200 publishers and over 150 eBook distributors in Japan. These relationships give rise to our position within the industry, MEDIA DO's greatest strength, and make the eBook distribution business a central pillar of the Company's operations.

Part of our eBook distribution business, our wholesaling operations, entail promoting the reformation and streamlining of operations across the publishing industry. These operations continue to show strong performance. Performance in the fiscal

year ending February 28, 2023, will be impacted by the rebound from large-scale campaigns conducted by certain eBook distributors in the previous fiscal year as well as by the first extended vacation period in Japan to not be impeded by activity restrictions in three years, which took place in April and May 2022. Despite these one-time factors, these operations are expected to continue growing in conjunction with the expansion of the eBook market.

Another factor affecting performance will be the transference of certain wholesale and other back-end processes provided to a major business partner (LINE Digital Frontier Corporation) to eBook Initiative Japan Co., Ltd., in June 2022. Negotiations regarding this transference are still underway. The details, conditions, and timetable for this transference will be decided through these negotiations. To account for the expected

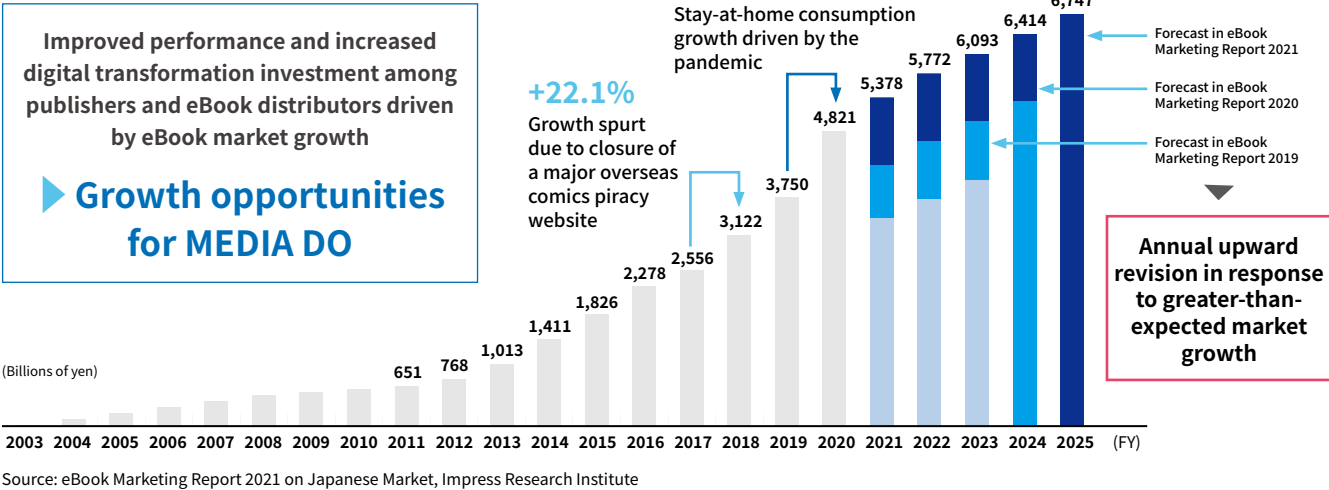
impacts of this transference, 50% year-on-year reductions in net sales and operating profit have been incorporated into the forecasts for the fiscal year ending February 28, 2023.

We also plan to transition to next-generation core systems during the period of the new medium-term management plan. These systems will be designed to ensure that MEDIA DO can maintain its competitive edge going forward and will include new functions for utilizing eBook sales data and accommodating vertical scroll comics and other new forms of content. These new functions are anticipated to contribute to the growth of the eBook market.

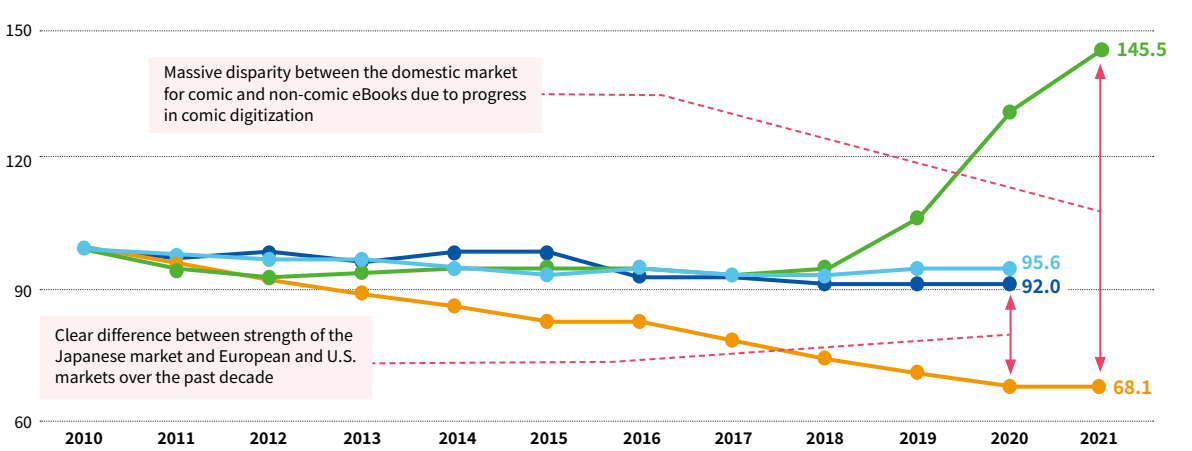
In addition, Comic navi, MEDIA DO's directly operated eBook distribution site featuring some 350,000 titles, was reinvented to create the MANGA SAISON service. This move was part of the

capital and business alliance with Credit Saison Co., Ltd., announced in July 2022 with the aim of boldly approaching new customer bases through collaboration with other companies. Credit Saison will handle promotions and customer recruitment for the MANGA SAISON service while MEDIA DO will be responsible for providing and operating systems and content. We plan to offer incentives through this service that allow users to buy comics using the points, which have no expiration dates, that they accrue through purchases using their credit cards. In addition, users will be constantly offered beneficial campaigns, such as those allowing points to be accrued equivalent to 50% of purchase amounts, in order to stimulate their desire to purchase comics and thereby acquire new users.

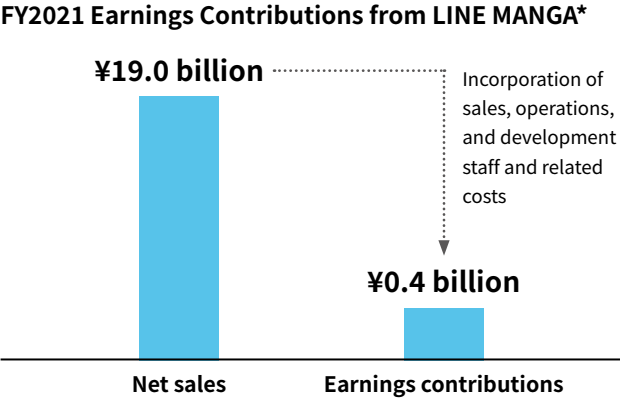
Ongoing Growth Forecast in the eBook Market



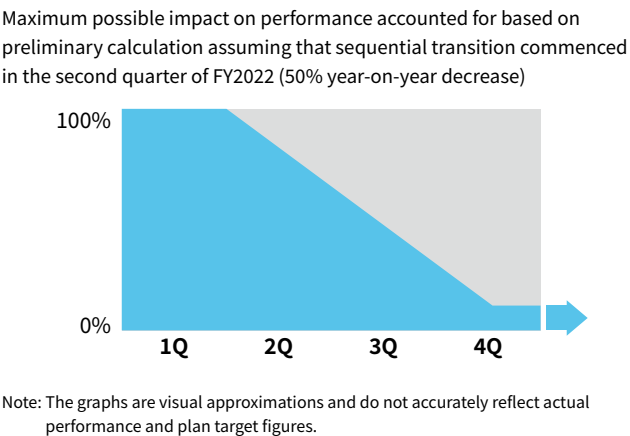
Publishing Market Scales by Country (2010 indexed to 100)



Impact of Change in Sales Channel for LINE MANGA

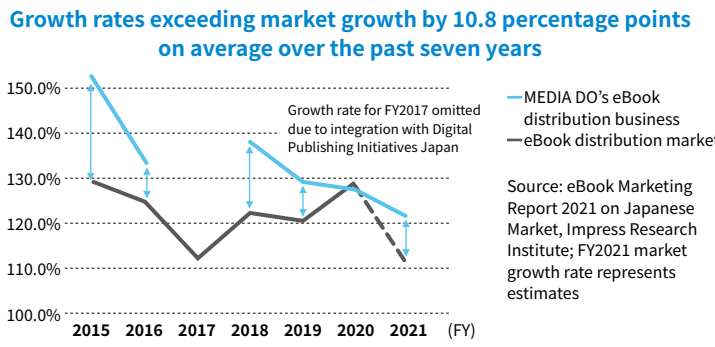


Impact on FY2022 Performance (Net Sales of LINE MANGA)



No Change to Unique Position in the eBook Distribution Industry; Potential for Business Growth in Conjunction with Future Market Growth

Growth Rate of MEDIA DO's eBook Distribution Business and Market



Transactions with rapidly growing publishers and eBook distributors

+

Sales planning and operation management team comprised of approximately 300 employees

In-house-developed wholesale platform and distribution system

→ Possibility of temporary decline in sales, but potential for accelerated business growth in conjunction with future market growth

Featured Discussion 01

Evolution of Wholesaling to Accelerate the Growth of the eBook Market

The eBook distribution business is a central pillar of the operations of the MEDIA DO Group and the driver behind its value creation efforts. The eBook market continues to grow as eBooks become more widely embraced throughout Japan. The following is a chronicle of a discussion between two managers responsible for overseeing the eBook business in which they talk about future business strategies regarding the approach that the MEDIA DO Group should take in further energizing the market and contributing to the overall publishing industry against this backdrop.

Evolution of the eBook Market

Hanamura: The fiscal year ended February 28, 2022, was a year that proved the growth of the eBook market was not merely a product of the special demand trend stimulated by people staying at home amid the COVID-19 pandemic. We saw more frequent purchases of eBooks among demographics not previously associated with such purchases. We also witnessed books that would normally only receive limited readership with sales numbered in the thousands, like how-to books on drawing hands, show up in top-seller rankings when major eBook distributors held large-scale campaigns.

Niina: I am under the impression that a large number of individuals who first tried out eBooks during the pandemic have continued to purchase eBooks thereafter. The numerous large-scale campaigns that took place around this time served to further cement this reader base. You could say that the eBook distribution market has moved on to the next stage of its evolution.

Hanamura: Important indicators for gauging the growth of the eBook market include user numbers, product numbers, and product prices. We are seeing increases in all of these indicators, a fact that underscores how bullish this market has become. In addition, we received a record number of inquiries regarding the establishment of new eBook stores. In the past, we would only see around two stores scheduled to start operations at any given time. However, in 2022 alone, we have received inquiries from more than 30 companies looking to open up such stores, and there are currently more than 10 stores that are being prepared for launch. We are also witnessing increased entry into the market by companies from other industries. One factor behind this trend, I believe, is the emergence of vertical scroll comics using the format of WEBTOON. I have heard that the production costs of vertical scroll comics can be a bit high due to the need for coloring, but they are still less expensive to produce than the products normally offered by the anime and video game industries, making it easier to begin mass production of these comics. Meanwhile, the price of eBooks is rising in tandem with the price of paper books. In the past, manga books would generally cost between ¥400 and ¥500, but now it is common to see books around ¥700 or ¥800. Given that books tend to be cheaper in Japan than in other countries, this should be taken to be a reflection of the increased value of eBooks and a sign of a bright future for the market.

Niina: I see a lot of potential for the eBook market. In fact, a study by the All-Japan Magazine and Book Publishers and Editors Association has found that domestic eBook market has grown by 151.8% over the period from 2019 to 2021. Moreover, based on what we can estimate from the information available, the domestic market for vertical scroll comics has growth by roughly 530% over the same period.

This trend seems to suggest that the vertical scroll comic format has become widely adopted among readers in Japan. Given this situation, MEDIA DO intends to deploy three measures targeting the vertical scroll comic market. The first is to produce original vertical scroll comics. The second is to import promising vertical scroll comics from overseas. The third is to distribute original comics through eBook stores in both Japan and overseas.

Producing vertical scroll comics requires entertaining works, capable production studios, and producers who are able to oversee the process. In terms of works, we have acquired EVERystAR Co., Ltd., which operates a novel submission website that has seen numerous submitted works adapted into comic or movie formats. This company is a wellspring of promising content. In addition, we have partnered with Tezuka Productions Co., Ltd., to announce a modernized remake of Osamu Tezuka’s famous *Dororo* manga. As for human resources, MEDIA DO has recruited the South Korean woman who was a leading proponent of the popularization of vertical scroll comics in Japan. The Company has also approved plans to invest in production studios centered on those in China and South Korea. In doing so, we are steadily moving forward with preparations for the development of a vertical scroll comic business.

Contributions Made Possible by Position between Publishers and Distributors

Hanamura: As you would expect, the widespread acceptance of eBooks is driving constant increases in the needs and demands of MEDIA DO’s business partners. MEDIA DO is a wholesaler, which means we have a responsibility to pursue effective coordination with both publishers and distributors and to build frameworks for sales and operations that ensure the accuracy of the information we collect and to expedite the speed of our responses. It is particularly important for us to bolster system coordination with distributors. Specifically, we need systems that can facilitate swift and accurate responses in the process of coordinating information on the countless campaigns and sales promotion measures that are conducted by distributors at any given time. For example, we currently ask for information on campaigns to be submitted a month in advance in the campaign, but a more effective system might make it possible for us to allow information to be submitted a mere two weeks in advance. Systems could also be upgraded to allow distribution of eBooks to be started the day the manuscripts are submitted, instead of having to wait the current one or two business days. Moreover, the wait for submission processing, which is normally around two weeks due to the large number of registered works, could be shortened to five days. MEDIA DO is thus currently pressed with the task of



Shin Niina

Director, Vice President, and COO



Kayoko Hanamura

Senior Executive Officer
(eBook Distribution Business)

Featured Discussion 01: Evolution of Wholesaling to Accelerate the Growth of the eBook Market

constructing systems that can maintain this increased level of accuracy and speed in order to fulfill the new role expected of the Company by publishers and distributors. I am always cognizant of the need to help accelerate the growth of the eBook market by diligently addressing the tasks on our plate.

Niina: Over the past three years, MEDIA DO’s eBook distribution business has successfully integrated its organizations, operations, and systems with Digital Publishing Initiatives Japan Co., Ltd., which was the No. 1 company in the industry at the time of its acquisition. This move has granted us an unrivaled share of the market while also making numerous publishers of all sizes shareholders of the Company, which served to cement our position in the industry. This increased presence was what enabled us to later form a capital and business alliance with TOHAN CORPORATION and to develop and launch such offerings as our enterprise resource planning system for the publishing industry. Through this progress, MEDIA DO has grown into an entity that can contribute to structural improvements across the publishing industry in regard to both eBooks and paper books. Thanks to this strong position, we have seen a start in moves to reduce the energy used for distribution by publishers using MEDIA DO systems to furnish a portion of their in-house systems. In this manner, we are working to address industry issues by engaging with various publishers and eBook distributors to provide the de facto standard for distribution systems. Paper book publishing is a field with a long history and traditions that make massive reforms to the ingrained business practices and regulatory systems something that is incredibly difficult. By comparison, eBook publishing is a field that is transforming in a dynamic manner. MEDIA DO is thus charged with the mission of quickly responding to emerging trends to lead the industry in a rational direction.

This path of our growth is not only underpinning our contributions to eBook distribution; it is also what has made it possible for us to contribute in a wide range of other fields. Examples of contributions include the supply of accessible libraries services that address the legislation regarding the provision of reading opportunities for people with impaired vision implemented in 2019 and our involvement in Authorized Books of Japan, which is tasked with combating piracy, and the Japan Publishing Industry Foundation for Culture, which seeks to make a month of reading a major industrywide event held every fall.

Hanamura: Whether you are a publisher or a distributor, working with MEDIA DO brings benefits in the areas of quantities and networks. For example, a publisher seeking to distribute its works directly to distributors, or a distributor seeking to form relationships with and sell the books of all publishers, requires complicated operations that are difficult to perform alone. MEDIA DO’s appeal as an intermediary comes from our ability to realize massive reductions in the amount of work required for these processes. The benefits of our wholesale services are particularly great for new eBook distributors who are just getting started. For MEDIA DO, meanwhile, our intermediary position as a wholesaler allows us to maintain an up-to-date understanding of industry trends. This information can then be supplied as a tool for use by both publishers and distributors, a process that is in turn beneficial to the growth of our employees and the expansion of our network. I hope to continue to build upon the unique benefits we provide from our intermediary position.

Niina: One thing we have to consider is where best to consolidate the information we collect in order to ensure that we can advance our various procedures with the greatest levels of efficiency. If we had frameworks for compiling the information we collect from publishers and eBook distributors so that it can be supplied to interested parties in an effective and appropriate manner, it would no doubt make for

a more beneficial environment.

Hanamura: As has been stated, there are a plethora of different ways to distribute the same eBook. In managing these different distribution methods, we, of course, use systems that take full advantage of the available technologies. Even so, there are some areas in which human hands and eyes are required.

For this reason, I look to provide systems that can help improve convenience while at the same reducing the rate of unwanted transmissions, especially when it comes to campaigns. These systems should not just contribute to increased efficiency for MEDIA DO. I also hope to make systems that streamline and automate the processes of publishers and eBook distributors. Accordingly, I am engaging in discussions with parties on both sides while taking a flexible approach toward revising and developing systems.

Niina: In the future, it can be anticipated that the domestic eBook market as well as the greater publishing market will become more globalized. We already see two South Korean distributors ranking among the top sellers in Japan’s eBook market, and U.S. distributors are also gaining traction. Major Chinese distributors have also recently begun entering the domestic market. When attempting to make headway in this market, the first place such foreign distributors turn is Japan’s largest eBook wholesaler: MEDIA DO. This is one of the reasons we are looking to contribute to the overseas expansion of the Japanese publishers. To help in such expansion, we are forming relations with overseas publishing industries through acquisitions and other means in a proactive attempt to build overseas networks.

We also must recognize that Japan’s eBook distribution market differs from those of other countries in the sheer breadth of options when it comes to eBook distributors, a fact that has a lot of appeal for end users. One factor supporting this diverse range of options is MEDIA DO’s presence as a wholesaler. Our eBook distribution business thus contributes to a framework that is rare when viewed on a global scale, in which publishers, eBook distributors, and end users are all treated to a glut of options when it comes to how to engage with this market.

Efforts to Always Be the Chosen Wholesale Partner

Hanamura: One trend we are seeing recently is publishers and eBook distributors adopting the new distribution approach of concluding direct contracts, but then frequently returning to the prior approach of going through a wholesaler even after these direct contracts have been concluded. This trend seems to suggest that having a wholesaler act as an intermediary is an approach that offers the most peace of mind for small and medium-sized publishers.

Niina: Something in digital publishing that is different from paper publication is how there is a massive gap in economic scale between publishers and eBook distributors. Another unique characteristic is how a large number of eBook distributors operate outside of the publishing industry. Given these characteristics, it is actually quite dangerous for small and medium-sized publishers to attempt to conclude direct contracts due to their limited bargaining power. Should they attempt this, it is likely that they will be forced to engage in negotiations in which their prior experience in paper publication cannot be applied. If this trend were to reach its natural conclusion, it would lead to a situation like the one that the music industry created for itself through such dealings with Apple Inc. The rise in direct contracts is indicative of the growth of the eBook market itself, and it is thus not necessarily a bad thing when viewed from the perspective of gross scale. This trend will also create challenges for MEDIA DO, but I am confident in our ability to amass the strength we need to overcome these challenges, and I am happy to rise to the occasion.

Hanamura: That is exactly why we need to keep improving our service quality and convenience in order to ensure that MEDIA DO will always be the chosen wholesale partner to our customers. For this reason, I want to focus on providing systems that boast increased speed and efficiency for publishers and distributors during the period of the medium-term management plan. Thankfully, MEDIA DO has been able to garner enough support from publishers, distributors, and creators to achieve a year-on-year increase in net sales of 121% in the fiscal year ended February 28, 2022. To help us achieve further growth, we are moving ahead with preparations to supply business integration tools*1 that can be used in analyzing things like sales data. We hope to begin providing these tools to publishers within 2022. My aim with these tools is to ramp up development with an emphasis on small to medium-sized publishers with the goal of deploying these tools to roughly 100 companies. I look forward to supplying highly convenient tools that are built on the unique capabilities stemming from MEDIA DO’s position as an intermediary between publishers and distributors.

*1 Services for publishers that allow for viewing of publisher sales data provided through Amazon QuickSight

Niina: Data coordination is a business goal we will be pursuing in the near future. Tohan possesses data on more than 5,000 physical bookstores across Japan while MEDIA DO has a wealth of data on eBook distributors. Enabling mutual use of this data would bring sales benefits for distributors of both paper books and eBooks. A major focus of this undertaking will be merging physical and digital publications through non-fungible tokens (NFTs). The physical publications with attached digital NFT benefits that MEDIA DO has been advocating offer a fresh new way for users to enjoy publications while also delivering new value for publishers and distributors in the form of earnings opportunities and connections with readers. Moreover, publishers have been proposing ways of using these publications that even we had not imagined. Tohan has also indicated a strong devotion to joint efforts with MEDIA DO. This dedication is apparent in its massive increase to its staff for planning NFT offerings and deploying them at stores and the establishment of a new division dedicated to storefront event planning.

There are still a lot of people who are apprehensive toward NFTs and blockchain technology as they do not fully understand them. I therefore believe that having the bookstores and publishers everyone knows sell NFTs will help alleviate some of the apprehension toward these items. This would make NFTs something that is more familiar while allowing consumers to get involved in the world of NFTs simply by buying a book. MEDIA DO is also working with Tohan to conduct verification tests on frameworks for selling eBooks in physical bookstores. We still face a lot of obstacles with this regard, but I sense a great deal of potential. We are currently delving deeper

into these frameworks while also examining the approach we will take for the next step. A partnership between wholesalers of paper books and eBooks, like the one between Tohan and MEDIA DO, is something that has not happened in the past, and I look forward to seeing how large an impact we can have on the industry going forward.

Hanamura: MEDIA DO began providing serialization approval tools*2 in the fiscal year ending February 28, 2023. In the future, I hope to supply systems that allow for new campaigns to be conducted in a more efficient manner. MEDIA DO’s position as an intermediary between publishers and distributors makes it possible for us to provide systems that allow for increased convenience in serialization and campaigns. However, I feel that our efforts on this front are currently lacking. There is thus a need to bolster our system divisions and continue to upgrade our offerings to enhance the services we provide to publishers and distributors.

*2 Services for managing approval of serialization services by publishers, eBook distributors, and MEDIA DO

Lofty Goals for Energizing the Publishing Industry

Hanamura: There are a lot of tasks that need to be addressed in the wholesaling business. We have to accommodate submission of manuscripts in data form, support campaigns, negotiate for early distribution rights, and manage serialization approval. Moreover, these tasks must be addressed while serving the entire value chain, spanning from upstream publishers to downstream eBook distributors. If we become complacent with our current systems, we will begin to stagnate. Never satisfied with our current level, I have thus sought to always remain mindful of the need to reduce the amount of energy used in distribution while ensuring accuracy as I work with frontline organizations. This is how I aim to ensure that MEDIA DO continues to be customers’ chosen distribution partner. I believe that my own personal mission is to help provide frameworks that make publishers and eBook distributors thankful of MEDIA DO’s existence while also sharing this value and purpose with employees so we can be united in our quest to become customers’ first choice. I am confident that my dedication to this mission will help MEDIA DO maintain its current competitive position and at the same time lay the groundwork for the next step of our business.

Niina: This might seem like a bit of a lofty goal, but I aim to bring the Japanese publishing market up to the same level as the global market. Japan’s publishing market peaked at ¥2.6 trillion in 1996, and its scale is currently only half that at ¥1.3 trillion. The global market, meanwhile, may not have grown much since its peak, but it has at least managed to maintain the same scale. I will remain strong in my commitment to revitalize Japan’s publishing industry through bold partnerships and coordination with other industries.



Imprint Business

Acceleration and Streamlining of IP Creation Using eBook Distribution Functions amid Rising Content Demand

Amid the rapid rise in global content demand, MEDIA DO has acquired multiple companies to accelerate and streamline the creation of IP. Specific acquisitions include NIHONBUNGEISHA Co., Ltd., and JIVE Ltd., both of which possess publishing functions, and EVERYSTAR Co., Ltd., which operates a novel submission website.

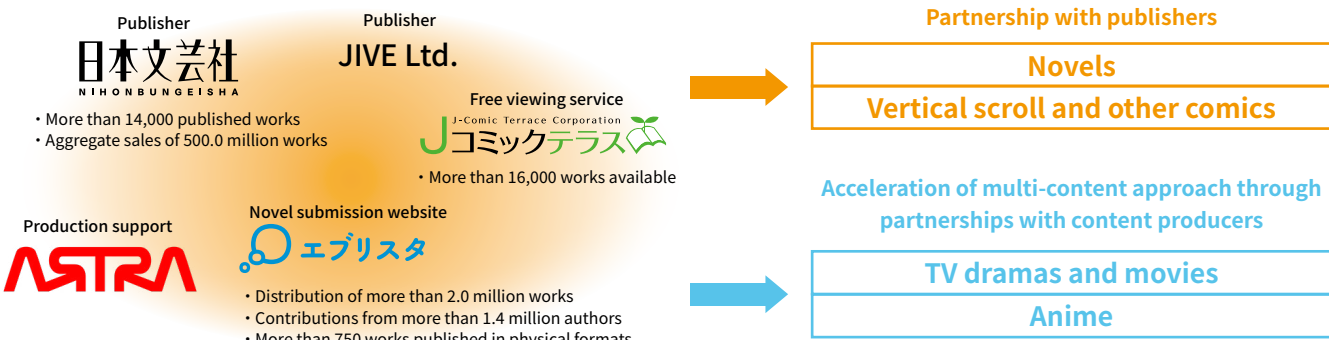
Publishing company Nihonbungeisha is guided by its vision of contributing to society through the creation, publication, and digital distribution of content that helps foster and enrich people. Based on this vision, it publishes a wide variety of magazines and books, including how-to books and novels, in both paper and digital formats. In recent years, this company has also been pursuing proactive digitization through development and distribution of comics apps.

EveryStar, meanwhile, has established a distinctive position as an operator of a community website for submitting written works.

This website allows anyone to submit novels or essays with ease, enabling them to connect directly with readers. Moreover, EveryStar undertakes the publication of submitted works as well as the production of comic and video adaption of these works. This well-established submission website platform holder has been responsible for producing numerous hit works.

We are promoting synergies between Nihonbungeisha and EveryStar through means such as the multimedia deployment of IP held by Group companies. To date, more than 200 titles owned by Group companies have been deployed in this manner through comic or other adaptations. We are also providing works for use in producing original titles for eBook distributors and for making vertical scroll comics, a format for which the market is rapidly growing. Through such synergies, we aim to contribute to the invigoration of the overall publishing market as well as to the improvement of the corporate value of the MEDIA DO Group.

Contributions to Content Industry Development by Maximizing IP Value for Small and Medium-sized Publishers Using MEDIA DO's Infrastructure



Multimedia Strategy Involving Comic and Other Adaptations of More than 200 Works Owned by Group Companies

Movie adaptation available on Disney+ (Starring Yuya Yagura)

NFT products (available through FanTop)

Comic adaptations of submitted novels (some TV drama and movie adaptations have also been made)

© Aya Tsukishima, Ririo, Futabaisha Publishers Ltd., EVERYSTAR Co., Ltd.

© Tori Hakamada, Morasu, Futabaisha Publishers Ltd., EVERYSTAR Co., Ltd.

© Hitotoki Renda, Nobuaki Kanazawa, Futabaisha Publishers Ltd., EVERYSTAR Co., Ltd.

© Mai Mochizuki, Ichijo Akizuki, Futabaisha Publishers Ltd., EVERYSTAR Co., Ltd.

© Yukino Natsugawa, Akiyo Kurozawa, Manga Box Co., Ltd.

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TV drama aired on Nippon Television Network (Starring Ryo Narita)

NFT products (available through FanTop)

Publishing Solution Business

Expansion of Business-to-Business Services Leveraging Position Developed in the eBook Distribution Business

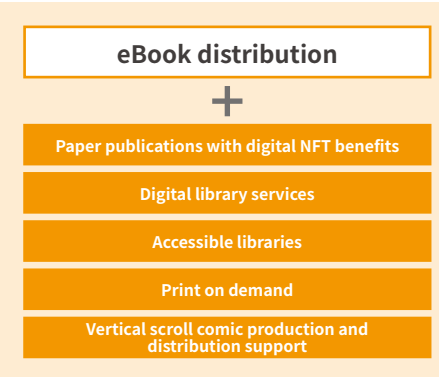
Since forming its capital and business alliance with Tohan in March 2021, MEDIA DO has continued to promote the sale of physical publications with digital NFT benefits along with the introduction of digital library services across Japan as ways of combining the benefits of physical books and digital NFTs. We began providing physical publications with NFT benefits in February 2022. Starting with magazines, we have proceeded to expand the range of items and mediums with attached NFT benefits to include comics serialized in magazines and even stuffed toys. These items propose a new way of enjoying content for users while also contributing to higher user numbers for the FanTop NFT marketplace operated in MEDIA DO's fan marketing business. Through these offerings, we look to help invigorate bookstores together with the overall industry while also supplying a new form of enjoying content via NFT benefits.

At the same time, MEDIA DO is promoting the introduction of digital library services to address accessibility issues for which there was previously no clear solution. Working together with

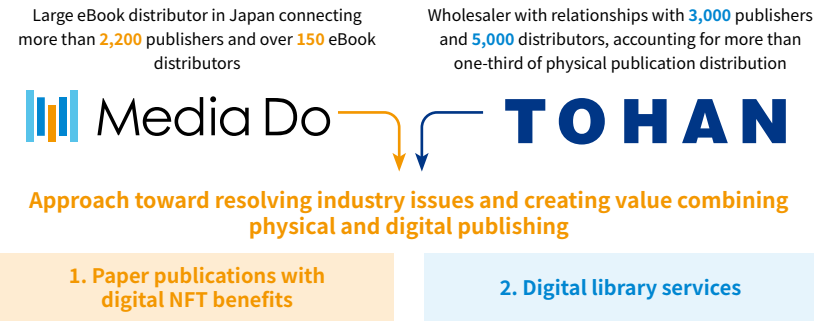
Tohan's network of 16 branches and sales office across Japan, we have been seeing smooth progress in the introduction of these services across Japan.

MEDIA DO also believes that the vertical scroll comic format, which has been rapidly spreading around the world, has the potential to become a new growth driver for the publishing market. In this area, we can take advantage of the competitive value chain we have assembled throughout the publishing industry. This value chain begins with the production of works through Group companies such as Nihonbungeisha and EveryStar and then continues to include the coloring and image production services offered by ARTRA ENTERTAINMENT Inc. and eventually the wholesale distribution that is MEDIA DO's main business. For wholesale, we will develop a dedicated system for vertical scroll comics. Meanwhile, we will invest in and collaborate with promising production studios in Japan and overseas in order to prepare for future growth in demand.

Business-to-Business Service Domain

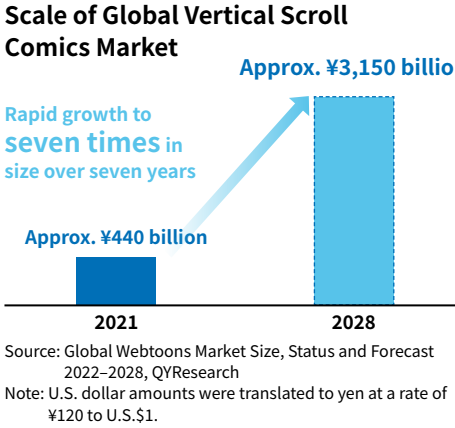


Creation of New Offerings and a Distribution Ecosystem through Combination of Physical Publications and NFTs via Coordination with Tohan



Market Growth Driven by Ecosystem for Vertical Scroll Comics that Differ from that of Traditional Manga

	Target	Content/IP holder	Production model	Format
Traditional manga	Primarily Japan	Publishers	Creators and editors	Physical and digital ✓Horizontal ✓Black and white ✓Individual volumes
Vertical scroll comics	Japan and overseas	Publishers, Video game companies, Anime companies, etc.	Studios (separate)	Digital (smartphone) ✓Vertical ✓Color ✓Individual chapters

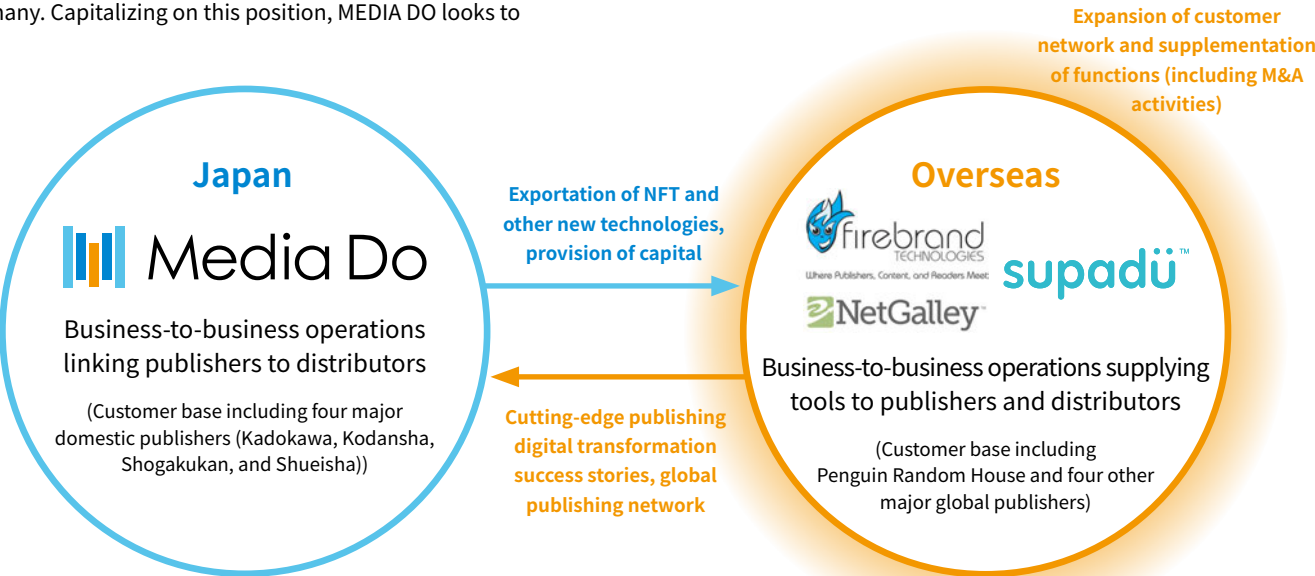


Global Business

Acquisition of High-Share Publishing SaaS Companies to Develop Global Infrastructure for Supporting Market Growth

MEDIA DO has been moving forward with the acquisition of publishing software as a service (SaaS) companies boasting high market shares. In January 2021, we acquired the Firebrand Group (Quality Solutions, Inc., NetGalley, LLC, and their subsidiaries), a conglomerate with a 35-year history boasting integrated publishing data management and analysis tools and communication marketing tools. This move was followed by the acquisition of Supadü Limited, a provider of comprehensive direct-to-consumer tools, in February 2022. These companies have formed strong relationships with publishers in North America and Europe, most notably in the United Kingdom and Germany. Capitalizing on this position, MEDIA DO looks to

import industry-specific SaaS services of these companies into Japan in order to promote the digital transformation of the domestic publishing industry. At the same time, we will use these companies to develop FanTop and other NFT platforms as well as to export made-in-Japan content. Going forward, we will continue to acquire publishing SaaS companies through M&A activities as part of our efforts to broaden our customer base and supplement our functions. We thereby aim to develop a global publishing infrastructure network and to heighten the MEDIA DO Group's global presence as a publishing service platform provider.



Steady business growth to be pursued in conjunction with content market growth by bolstering presence as an infrastructure provider supporting the global publishing market

Comprehensive Publishing Data Management and Analysis Tools

- Services boasting No. 1 shares used by more than 100 companies, including two major U.S. publishers
- Annual churn rate of zero

Communication Marketing Tools

- Services used by more than 500 companies, including five major U.S. publishers
- Annual churn rate of 3%

Comprehensive Direct-to-Consumer Tools

- Services used by more than 240 companies, including five major U.S. publishers (when including indirect provision)
- Annual churn rate of less than 3%

Fan Marketing Business

Creation of Unique NFT Distribution Frameworks Capitalizing on MEDIA DO's Strengths in Technologies and Content

MEDIA DO's fan marketing business primarily targets the NFT market. Issues such as the emergence of counterfeit works and speculative investment in art are creating obstacles to entry into this market for content IP holders, which are in turn stifling the growth of the market. This situation places MEDIA DO in a prime position to contribute to the healthy development of the market by distributing authentic content. This position is

supported by the understanding of the preferences and issues of content and IP holders fostered through our No. 1 position in the domestic eBook distribution industry. MEDIA DO will thus be continuing to build upon its relationships with content and IP holders and fans in order to distribute authentic NFT content originating in Japan.

Industrial Structure Changes and MEDIA DO's Road Map to Success

Digital Technologies × **Content** = **Rapid Growth in Global Content Demand**

✓ Shift in focus of content production, distribution, and consumption to digital venues (emerging issues related to counterfeit and pirated content)
✓ Increased competition in acquiring content due to influence of high-capital entities

Rising trend toward content businesses functioning as a primary industry

Position allowing MEDIA DO to fully utilize its strength as an entity able to handle the precious content of IP holders based on an understanding of their issues

MEDIA DO's Road Map to Success		
Trust	Mission	Unleashing a virtuous cycle of literary creation
	eBook distribution track record	Track record of handling authentic content using our No. 1 position in the domestic eBook distribution industry
	NFT track record	Distribution of paper books with digital NFT benefits through alliance with Tohan → Distribution of only authentic NFTs
	Inspections	Direct verification of authenticity

Rare position with a view of the entire industry allowing for an accurate understanding of content and IP holder issues

Guarantees of Content Authenticity through FanTop; Provision of Functions for Enjoying Content

AR room function

AR function

Provision of functions spanning the value chain from purchase to protection and enjoyment

Protection features for content and IP holders

- App with download restrictions to ensure that content can only be viewed by NFT holder
- Protection of Digital Content Assets™ (registered trademark of MEDIA DO) through digital rights management (DRM)
- Adoption of Flow in blockchain for smooth transactions

Features for fans

- 3D model display functions
- Augmented reality (AR) display and room functions
- New functions for enjoying virtual spaces with virtual reality (VR) technologies

Digital Content Assets™ with features for content and IP holders as well as fans

Featured Discussion 02



Atsushi Mizoguchi

Director and CBDO, MEDIA DO Co., Ltd.
(Chief Business Development Officer)

Akitomo Kishimoto

Senior Analyst, Equity Research Department
Mizuho Securities Co., Ltd.

MEDIA DO’s Growth Strategies in the Digital Content Market

MEDIA DO began developing new blockchain technology in 2018. These efforts have culminated in the launch of its first new blockchain-powered content platform, the FanTop marketplace for non-fungible tokens (NFTs), in October 2021. On the following pages, you will find a discussion between Akitomo Kishimoto, senior analyst at Mizuho Securities Co., Ltd., and Atsushi Mizoguchi, director and CBDO of MEDIA DO, in which they talk about what makes MEDIA DO’s business unique and what type of growth potential it can expect in the highly energized digital content market.

Dedication to Content-First Stance

Mizoguchi: I would like to start by explaining what led MEDIA DO to establish a fan marketing business. We started looking at this new business because, although our mainstay eBook distribution business was showing continuous growth, we recognized that there was a need for us to develop a new earnings pillar. When searching for business that could potentially become such a pillar, we looked for an area where we could utilize the unparalleled position and industry trust we have developed thus far to create new value while realizing our vision of “More Content for More People!”

In general, digital content is distributed in a manner that entails providing the right to view or use content, not the right of ownership of that content. Accordingly, it is currently impossible for such content to be borrowed, lent, sold, or transferred, as one can do with physical items. This made us realize that, if we could make it possible for such actions previously limited to physical items to be performed with digital content, it would provide a new form of value. This new value would make it easier for a wider range of people to enjoy such digital content while also sparking increases in the distribution of digital content.

It was this realization that prompted us to turn to blockchain technology, which was garnering attention at the time, as a tool for creating a digital content asset model based on an idea for a new form of digital content distribution. The digital content asset model is expected to increase the value of content, and consequently drive the growth of the market, by making content something that is more treasured by fans and by attracting new fans through the creation of a secondary market. The resulting transactions will also benefit copyright holders, thereby helping shape a society that is more conducive to the birth of appealing content. This is the goal of our fan marketing business. During the development process for commercializing this business, we got to thinking that the value we create need not be limited to copyright holders. This is when we set our sights on fan items. In the past, fan items have predominately been physical. However, we figured that, if we could make digital fan items that have the same asset value as physical items, we could stimulate the growth of the fan item market. This line of thinking led to the creation of our FanTop service, which is complemented by the FanTop app we developed to allow users to experience our digital content asset model and digital fan items.

Kishimoto: Thank you for that explanation. The idea that the best time to start a new business in when a company’s main business is still growing is a very conventional way of thinking, and one I am quite fond of. I think that MEDIA DO’s decision to enter this business adheres to the principles of your management philosophy. In my mind, there is a strong connection between MEDIA DO and the eBook business, its current core business. However, I recognize that this has not always been the case, as the Company has been involved in areas like music distribution services in the past. If the Company’s underlying management philosophy is one of providing entertainment content, it only makes sense that it would develop new businesses in areas adjacent to that philosophy. Mr. Mizoguchi, could you tell me your thoughts on the characteristics of the content business of MEDIA DO?

Mizoguchi: If I am going to talk about the characteristics of our services, I must first explain the underlying values that shape these services. Basically, we place emphasis on the principles of ensuing that content itself is valued and that content is properly supplied to the people who seek it. It might be easier to understand this if I use an example from the physical experiences that are currently commonplace. I suspect that everyone has the

experience of collecting things they liked, whether that be keychains, cards, CDs, or something else, and having fun displaying those items however they please. The most important part of MEDIA DO’s services is to create digital content that fans will actually desire. We also seek to develop an environment that provides a user interface and user experience that makes displaying and viewing those items something that is enjoyable. If a user is able to assemble a satisfying collection of digital items, or have another satisfying experience in digital spaces, they will likely feel the same desire to gain social validation by sharing this collection or this experience with someone else that we experience when it comes to our physical collections. However, this sense of validation cannot be gained without proof that one truly does own those items. This is where the need for blockchain technology, which can be used to prove ownership, arises. This was the process of thinking that led to the design concept for the FanTop service. To reiterate, we place the most importance on providing options for enjoying digital content.

Kishimoto: Based on what you just told me, I think there are two factors that will be important to the success of the FanTop service. The first is ensuring that content is always the top priority.

Featured Discussion 02: MEDIA DO’s Growth Strategies in the Digital Content Market

The second is the ability to create items that live up to the expectations and satisfy the desire of passionate fans. At the same time, the extent to which MEDIA DO is able to promote understanding of its content-first stance to IP holders will be a critical aspect of its efforts to develop this service going forward. Given this, one concern that can be imagined given what has happened with some prior online platforms is that the market will come to primarily be used for speculative trading seeking to generate profit through price increases. This would undermine the value of the market and would create a situation that is untenable for IP holders. With this respect, I think that MEDIA DO’s content-first stance is one that will be quite welcome among IP holders. As far as I am aware, there are still no mainstream platforms that are dedicated to such a stance. Accordingly, this stance could easily become a major and unique characteristic of FanTop. Furthermore, this service is not just designed to generate profit through the platform; it entails a system for producing revenues in upstream, midstream, and downstream areas of the value chain. This is something that is rare, even if we look at the entertainment industry as a whole.

Mizoguchi: That is why the trust-based relationships we have fostered with IP holders through our eBook business and the network of bookstores of alliance partner Tohan are so important to the success of the FanTop platform. You can find companies that are more technologically advanced than MEDIA DO, but a digital content business cannot be built on technologies alone. MEDIA DO’s ability to create such a business comes from us having these technologies and having a strong position in the industry. However, if we are to build this new platform, it will be important for us to continue to adhere to the principles of valuing content and content holders. As I explained a moment ago, we see NFT as a tool, not as a goal. The reaction to the idea of digitizing content can vary based on the publisher or creator. When asked about this, it is of utmost importance that we are able to explain the reason we are using NFTs, and to exercise integrity in addressing concerns so as to not betray the trust that prompted the party to consult with us.

Presence of Digital Content

Kishimoto: If we look back at the history of the digital content market, we will see numerous instances of new technologies, like virtual reality, being rejected due to a desire to return to physical experiences. For this reason, the success of MEDIA DO’s initiatives will hinge on the ability to attach value to digital data that can rival that of physical items and to ensure that this data has a strong presence in the digital world. However, we do see hope with this regard in the business success achieved by virtual YouTubers (VTubers). As VTubers are based in the digital world, they have the potential to help attach high levels of value to digital content. What are your thoughts, Mr. Mizoguchi, about the value and prospects of digital content going forward?



Mizoguchi: I think that the future of digital content will depend on the applications selected from the perspective of the user. However, I am sure there will be a rise in the number of occasions in which digital content is deemed to be of higher value than physical content. For example, MEDIA DO is currently distributing a type of digital acrylic stand. Do you know how acrylic stands are generally used?

Kishimoto: Physical acrylic stands can generally only be looked at, after perhaps placing a CD or some other object on them.

Mizoguchi: In the world of fan items, acrylic stands are used in communities where people enjoy the act of showing off their favorite something. For example, people will take pictures displaying acrylic stands of their favorite characters, etcetera, and post these pictures on social media. When you consider this application, you can’t help but ask if the acrylic stands need to be physical. On the contrary, if the purpose is to share these stands through social media and other digital venues, there must be cases in which digital stands or other fan items would better match the desires of the user. Digital items would allow for a greater freedom of expression as the methods of displaying these items or producing images would not be bound by the limitations of the physical world. Moreover, if the idea of the metaverse, which has been gaining attention as of late, becomes more deeply entrenched in society, it would only serve to increase the value of digital content. You can’t bring your physical items with you when you go meet up with your friends in a digital space. This means that increases in communication through digital venues will necessarily lead to increases in demand for items that allow users to express



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themselves or shape their surroundings as they please in a digital world. This will give rise to an even wider range of scenes in which digital content has greater value than physical content.

Kishimoto: I think you are exactly right. I have heard that the photobooth industry, which could be said to be part of the entertainment industry, is now adding to the traditional value it supplies, namely taking pictures in physical booths, drawing on them, and printing stickers of these pictures, with the new value of editing and sharing pictures via a smartphone app. This new way of enjoying photobooths places greater emphasis on the value provided by the experience of taking pictures with friends and sharing them via digital venues than on the prior value of paper stickers. In this manner, a change in method or purpose can give something an increased presence in digital spaces. I think this is something that gels well with the prior talk of social media. So long as people have a desire to connect with others, content that facilitates such connections is sure to have value.

Communication of Clear Vision for World to Be Realized through FanTop

Mizoguchi: Unfortunately, I must admit that there are some elements of the progress and potential of MEDIA DO’s FanTop service that might be difficult to understand when viewed from outside. It is generally easy to explain the value of such services if you can put forth numerical indicators, like content numbers or market shares. However, as we are currently seeking to create a completely new market, it is difficult to set numerical targets that accurately illustrate our progress. Accordingly, there is a need for us to explain, in clear language the more convenient and enjoyable world we envision, and to communicate this vision and allow stakeholders to experience it. When creating new content, it takes time for society to recognize the value of this content and embrace it. However, as we have finally released our first concrete service in this business, we need to also explain our vision toward this service and how the demand we are targeting is manifesting. This was also the approach we took when starting the eBook distribution business.

Kishimoto: It feels like the market is largely waiting for MEDIA DO’s NFT business to produce some killer content, given that the current amount of content handled in this business is small. It will be hard to give a fair evaluation of this business until it is able to offer such content. However, taking into consideration what you have told me today, especially with regard to your content-first stance, I feel confident that IP holders and fans will begin to embrace MEDIA DO’s vision before long. For the time being, I look forward to seeing users who have become aware of the appeal of FanTop gradually expanding the scope of their use of this service. I also understand that MEDIA DO has announced a number of other plans for businesses using NFTs and blockchain technology. I have high hopes for these businesses as well.

Message from the CSO and CFO

The new medium-term management plan will serve as the MEDIA DO Group’s guiding compass for navigating the turbulent operating environment to be seen in the coming five years.

During the period of the plan, my duty as a new director will be to shape our organization with an eye toward the next couple of years as well as the next decade.



Hiroshi Kanda | Director, CSO and CFO | Chairman, Sustainability Committee

Background for Appointment as Director, CSO and CFO and Role in the Position

In the past, I worked in investment bank-related services at a securities company and corporate rehabilitation support at a consulting firm. I also co-founded Flier Inc., where I served as director and CFO. Flier joined the MEDIA DO Group in 2016, and I thus became a member of the Company’s Corporate Planning Office in 2018, before being appointed CSO in 2020. In my position as CSO, I oversaw the strategic planning and investor relations (IR) activities for the entire Group. I also played a wide range of roles with regard to financial strategies by coordinating with the officer in charge of finances in relation to financial measures, investment, M&A activities, and Group company management.

It was deemed that a more linear approach was required toward planning and implementing management resource allocations and financial strategies in order to facilitate and improve the effectiveness of the new medium-term management plan announced in April 2022. To enable swifter management decision-making toward this end, I was appointed as a new director and given the concurrent positions of CSO and CFO.

As CSO and CFO, I believe that my role is to help improve corporate value by advancing growth strategies while

heightening capital efficiency in order to further MEDIA DO toward its goal of becoming a Publishing Platformer. Also, with my responsibilities for managing corporate divisions overall, I am committed to taking action, both in financial areas and in non-financial areas such as human capital management, for pursuing ongoing growth over the medium to long term.

Overview of Performance in the Fiscal Year Ended February 28, 2022, and Points Regarding Performance in the Fiscal Year Ending February 28, 2023

In the fiscal year ended February 28, 2022, MEDIA DO’s net sales surpassed ¥100.0 billion for the first time, enabling us to set a new record for sales as well as for income. We also undertook initiatives that will have significant strategic meaning toward the future growth of our business. For example, we concluded a capital and business alliance with TOHAN CORPORATION, converted NIHONBUNGEISHA Co., Ltd., into a subsidiary, and launched our FanTop NFT marketplace service.

However, if we look at performance on a quarterly basis, we will see some trends that differ from those witnessed in the past. The eBook market continued to grow throughout the fiscal year ended February 28, 2022, causing net sales to rise across all four quarters. Conversely, large-scale campaigns conducted by certain

eBook distributors caused sales in the first quarter to be the highest among all quarters. In the second quarter, sales were buoyed by special factors, namely the consolidation of a new subsidiary.*¹ The combination of these two factors led to sales in the first half of the fiscal year that were higher than those posted in the second half. The seemingly low rate of growth in second-half sales might give shareholders and other investors concern for the future of the eBook market. However, let me assure you that this is nothing to be concerned about. The market continues to grow, and MEDIA DO’s growth rates are surpassing the average for our sector.

*¹ Five months’ worth of performance for Nihonbungeisha was included within the scope of consolidation following its conversion into a subsidiary in May 2021.

Despite the strong growth of the market, MEDIA DO is projected to post lower sales and profit, for the first time since it was listed on the stock exchange, in the fiscal year ending February 28, 2023. There are three factors behind this outlook. The first is the absence of the aforementioned campaigns by eBook distributors that boosted performance in the fiscal year ended February 28, 2022. The second is a decline in sales due to the conclusion of our exclusivity contract for the LINE MANGA service operated by LINE Digital Frontier Corporation. The third will be upfront investments targeting future business growth.

In regard to the conclusion of our exclusivity contract, MEDIA DO was previously responsible for back-end processes related to eBook distribution for the LINE MANGA service. However, this function will be handled by eBook Initiative Japan Co., Ltd., in the future, resulting in a change in sales channel and the absence of the previously recorded sales associated with this service. In the fiscal year ended February 28, 2022, these sales amounted to approximately ¥19.0 billion. As of June 30, 2022, decisions have not been finalized with regard to potential future transactions between LINE Digital Frontier and MEDIA DO, or the possible conditions or transfer dates. Discussions with publishers and other relevant parties are still underway.

M&A Strategies for Accelerating Growth

MEDIA DO has continued to develop its business of providing the wholesale functions and eBook distribution functions needed to distribute content in order to invigorate the eBook market and subsequently the entire publishing industry. In the future, there will be no change in our policy of building upon and evolving these functions with the goal of reducing the energy used for distribution in the eBook market while playing a principal role in delivering diverse content to users.

Our solid operating foundation has enabled us to focus on functions for creating new value for the purposes of further leveraging our position in the industry and capitalizing on global growth in content demand. We have thus been conducting aggressive investment and M&As for the purpose of expanding our business in recent years.

One company acquired through these activities was EVERYSTAR Co., Ltd. This company operates a novel submission website, and we are seeing a rising number of cases in which popular works submitted on this website have been published as novels or adapted as comics, TV dramas, or even movies. EveryStar became a subsidiary in December 2021, and then a wholly owned subsidiary in March 2022. We expect to be able to generate synergies with this company by introducing novels posted on its submission site to the publishers we work with and supplying published novel or comic adaptations to eBook distributors. In this manner, the Group’s network of publishers and distributors, as well as the related information, is an asset that can be utilized to improve the earnings power of content and intellectual property (IP).

At the same time, however, I have to admit that the management organizations of our new subsidiaries are not yet as solid as they could be. Accordingly, were MEDIA DO, in its capacity as the parent company, to supply corporate functions for

	Publishing Solution Business	Imprint Business	Global Business	Fan Marketing Business	Investment Amount
Acquisition	 Joint venture with Impress Holdings, Inc. (established in April 2022)	 JIVE Ltd.	 firebrand technologies NetGalley supadü™	 MyAnimeList	¥5.6 billion
Capital and Business Alliance	 TOHAN			 HIKKY Digital Entertainment Asset Pte. Ltd.	¥3.4 billion
Investment Amount	¥2.9 billion	¥2.5 billion	¥2.3 billion	¥1.3 billion	Total: ¥9.1 billion

Note: Figures above include projects for which individual amounts are undisclosed.

Message from the CSO and CFO

complementing the management frameworks of these subsidiaries, it could stimulate further business growth while allowing for various coordinated ventures for generating synergies.

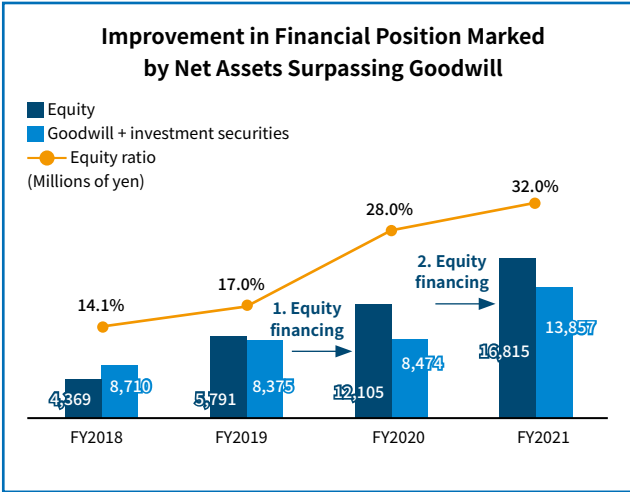
Challenges and Financial Strategies for M&As

The MEDIA DO Group is currently comprised of 20 companies, meaning that reinforcing our post-merger integration (PMI) frameworks is a matter of pressing importance. There is a need to bolster the staff of our PMI teams and to strengthen the functions for managing Group companies. We must also ensure the effective implementation of concrete plans for generating synergies with existing businesses.

The issuance of share acquisition rights announced in October 2020 and the capital and business alliance with Tohan unveiled in March 2021 caused the Company's equity ratio to rise from 18.3% on August 31, 2020, to 28.0% on May 31, 2021. In addition, the total of goodwill and investment securities surpassed below equity. However, we have been able to address this situation. While we still may be lacking in comparison to our peers, I still feel confident in saying that we have seen a significant improvement in our financial position.

PMI for companies introduced into the Group through investments and M&A activities is a pressing task. Nonetheless, we will continue to position M&A activities as an important strategic method of driving the future growth of the Group. As we undertake these activities, we will carefully examine the funding methods to be used by looking at stock prices and the health of our financial position.

At the same time, if we are to pursue various growth opportunities and develop new businesses, it will also be necessary to maintain a constant focus on the health of our business portfolio through swift withdrawals from underperforming businesses with sketchy future prospects. Our target for cost of capital is around 7%. We will thus be looking at the possibility of business plan or leadership changes, compensation revision, or sale of or withdrawal from businesses and subsidiaries projected to generate return on invested capital (ROIC) that falls below this level in the third year after their acquisition.



Development of New Businesses to Function as Additional Earnings Pillars

MEDIA DO is currently developing operations in two fields expected to see future business growth: The publishing solution business and the fan marketing business.

In the publishing solution business, we are teaming up with various companies to promote the digital transformation of the entire publishing industry. Examples of our initiatives in this business will include expansion of our business of providing physical publications with digital NFT benefits together with Tohan; the popularization of digital library services among local government and public facilities in Japan together with OverDrive, Inc., of the United States; the growth of our print on demand business through PUBFUN, our joint venture with Impress Holdings, Inc.; and the production and distribution of vertical scroll comics together with domestic and overseas production studios.

Some of these partnerships are still new, and it will take time for their benefits to begin appearing in performance. Fortunately, we have been able to build frameworks and acquire insight for promoting the co-creation of value with such partners through the capital and business alliance with Tohan that we commenced in 2021. We hope to use these assets to help ensure success in our other partnerships. Initiatives such as ours have been rare in the publishing industry, and our ability to engage in such joint initiatives has been thanks to our position as a distribution hub for the publishing industry, which has led to a high level of anticipation among partners. If we can build a track record of success in this area, I suspect that MEDIA DO will receive even more offers for partnerships going forward. This would open the door for capital tie-ups, which would allow for an even greater levels of partnership.

Another area where we have high expectations is the fan marketing business, through which we will be developing our FanTop NFT marketplace service. For this service, we need to develop a virtuous cycle of content acquisition and user acquisition. In other words, we look to acquire quality content that users will seek out for its scarcity, leverage this content to attract fans and consequently grow our userbase, improve service and content quality based on user feedback, and thereby generate a virtuous cycle for achieving exponential growth in this service. If user numbers exceed a certain point, we should begin to see the rise of a secondary transaction ecosystem, which will spur further growth in the FanTop service.

Key to this undertaking will be the amount of effort we are able to devote to the trial-and-error processes, such as acquiring content and developing technologies, needed to grow this service. We will also need to be constantly examining strategic options for achieving non-organic growth, such as acquiring our own content IP, or patents, or engineers. Appraisal values of fields that are the target of large amounts of attention tend to be rather high. Accordingly, we are deploying a policy of conducting dispersed investments with upper limits of a few hundred million yen based on careful consideration of investment candidates.

As CSO and CFO, I will promote a linear approach toward planning and implementing management resource allocations and financial strategies in order to contribute to improvements in corporate value.



Shareholder Returns Policy

In the fiscal year ended February 28, 2019, MEDIA DO put forth a policy of issuing shareholder returns based on the total return ratio. We also recently conducted share buybacks. This is the first time we have done so since the Company was listed on the stock exchange. As I mentioned, we are expecting a year-on-year decrease in sales in the fiscal year ending February 28, 2023. This was one factor behind the decision to conduct share buybacks. Another was the need to present a clear message to the market among the rising uncertainty and opaque outlook for the macro-economic environment due to such developments as rising interest rates in the United States and the war in Ukraine. We had previously targeted a total return ratio of 20% or more, but we have since decided to raise this target to 30% or more. This is not because we do not need to conduct growth investments anymore. Rather, it is a reflection of our commitment to securing the funds for these investments through an approach of financial discipline.

We look to send messages to the market in the form of dividends, share buybacks, and other resource allocations based on consideration of stock prices and our financial position.

Establishment of the Sustainability Committee

The MEDIA DO Group has defined its mission and vision of creating a healthy publishing ecosystem and contributing to the development of culture through copyrighted works by means of co-creation with publishers and eBook distributors. This mission and vision will guide us in accelerating our sustainability initiatives for achieving medium- to long-term improvements in corporate value and ongoing growth while also helping shape the society we envision.

The operating environment is growing increasingly opaque. We must therefore increase our focus on sustainability management if we are to heighten our ability to advance the new medium-term management plan. Based on this recognition, we established the Sustainability Committee by reorganizing our prior Risk Management Committee. This committee is tasked

with formulating management strategies based on the risks and opportunities for the Company as well as those for society and building the foundations necessary for executing our plans.

The Sustainability Committee has been positioned as an advisory body to the Board of Directors located under the Board. As the director in charge of corporate divisions, I was appointed as the chairman of this committee. I will lead the committee in looking beyond the narrow definition of risks to practice comprehensive risk management, identifying and periodically revising material issues, and discussing and examining matters related to our sustainability strategies. We will also monitor the status of measures and progress toward our targets. The findings of committee discussions will be reported to the Board of Directors at the appropriate times after each committee meeting. As chairman, I want to place particular emphasis on diversity, equity, and inclusion initiatives. Currently, MEDIA DO's employee base is divided evenly among gender. Moreover, we are a company that is involved in the publication of works founded on freedom of expression. These facts mean that we have an obligation to promote understanding with regard to diversity and the contributions of female employees. However, I feel that we are still lacking in this regard. By empowering our female employees, I hope to raise the ratio of female managers from the current 23% to 30%. Enhancing in-house training and education programs will, of course, be paramount to this undertaking. We are also implementing plans aimed at achieving Eruboshi certification, which signifies a company as being engaged in superior activities based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace. These initiatives may fall under the jurisdiction of the Human Resources Department, but they also require support from the entire organization along with appropriate reporting to management and feedback to frontline divisions. The Sustainability Committee will thus have a role to play in transcending the boundaries between divisions to discuss how we can tackle social issues as a united company. Moreover, we must monitor the initiatives advanced toward the resolution of these issues in order to help heighten their effectiveness.

Sustainability for the MEDIA DO Group

Basic Policy

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.

Sustainability Promotion System

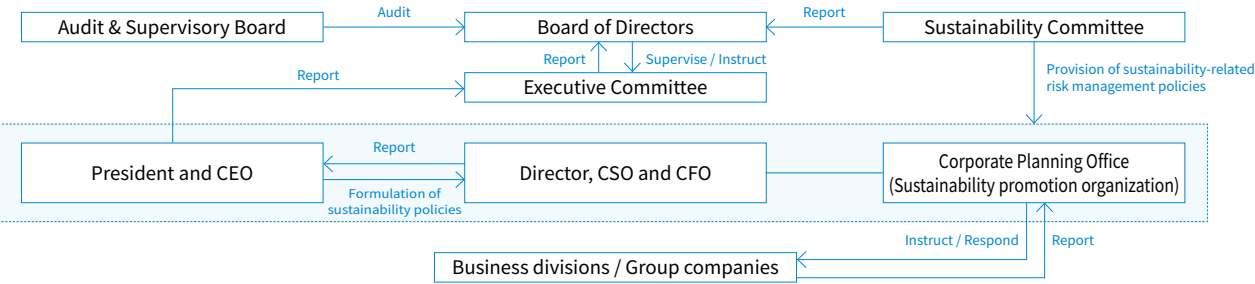
The pace of changes to industrial structures and social trends has been growing ever more rapid in recent years, making for increased uncertainty in the Company’s operating environment. As such, it is becoming increasingly important to find shared value with various stakeholders and create value by mutually complementing each other’s strengths. Given this backdrop, MEDIA DO reorganized its Risk Management Committee to form the Sustainability Committee. This committee is designed to help incorporate environmental and social issues into management strategies based on the recognition that they are important factors with the potential to impact both business activities and corporate value.

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 human resource and accounting divisions 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 are held four times a year (once every quarter).

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.

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 coordinates with the Corporate Planning Office 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 and targets are set for divisions and Group companies. The progress of such initiatives is monitored regularly by the Sustainability Committee.



Social Trends Affecting MEDIA DO

Environmental

- Establishment of business continuity plans in response to increasingly frequent abnormal weather events and natural disasters
- Industrywide need for response to trend toward returning and destroying books with emphasis on a circular economy

Social

- Rapid changes in industry structures and consumer lifestyles driven by digital shift
- Shrinking workforce and population aging in Japan
- Shift from centralized to decentralized social systems

Governance

- Necessity of sustainability committees and sustainability management
- Requirement for management emphasizing social issues and environmental impacts with an overarching view of value chains
- Transference to new market section of securities exchanges
- Revision of Stewardship Code and Japan’s Corporate Governance Code

Priority Activity Themes

Goals	Minimization of adverse impacts of business activities				Ongoing improvement of corporate value
	Expansion of business opportunities through harmonious coexistence with society				
	E	S			G
Major Tasks	Reduction of environmental impacts	Unleashing of a virtuous cycle of literary creation	Community contribution and regional development (contributions to social enrichment)	Empowerment of diverse human resources	Establishment of sound and highly transparent corporate governance systems
Major Initiatives	- Improvement of resource/energy-efficiency of Group business activities - Reduction of paper usage and distribution-related energy consumption by expanding the use of the eBook market	- Advance of business activities in accord with our corporate philosophy - Development and reinforcement of frameworks that can be reliably and confidently used by authors, publishers, and users (readers) - Participation in establishment of international standards	- Fair use and distribution of written works - Support for entrepreneurship to contribute to regional development - Creation of employment opportunities outside of major urban centers	- Promotion of diversity and development of workplace environments that enable everyone to succeed - Diversification of employment schemes and recruitment of talented human resources - Introduction of commitment-based evaluation systems	- Enhancement of corporate governance through engagement with a range of stakeholders - Entrenchment of compliance - Improvement of the risk management system
Benefits for MEDIA DO	- Reduction of the impact on the environment - Development of a sustainable infrastructure for the distribution of written works	- Capitalization on business opportunities in growing markets - Ongoing growth achieved through expansion of the business portfolio - Trusting relationships with stakeholders	- Harmonic coexistence with local communities - Improved brand power - Performance contributions from nearshore development	- Stronger competitiveness - Development of self-driven organizations - Improved labor productivity	- Greater growth opportunities and reduced business risks - A more robust corporate constitution
Value for Stakeholders	- Reduction of environmental impacts through the utilization of information and communications technology (ICT) - Contributions to reduction of society's CO₂ emissions	- Growth of the overall publishing market through new distribution platforms - Mutual growth of creators and business partners	- Contributions to social and cultural development and the enrichment of society - Invigoration of local economies	- Provision of opportunities for growth and development of skills, and fair evaluation - Contribution to the realization of a society that accepts diversity	- Enhanced management effectiveness - Improved corporate value

Sustainability for the MEDIA DO Group

ESG Highlights

Environmental	Total CO ₂ emissions (Scope 1 + Scope 2, t-CO ₂)* ¹		FY2018	FY2019	FY2020	FY2021
			160.1	171.1	126.0	130.9
	Scope 1 CO ₂ emissions (kg-CO ₂)		—	9.4	10.7	5.8
	Scope 2 CO ₂ emissions (kg-CO ₂)		160,136.3	171,070.4	125,985.8	130,908.2
	Electricity consumption (kWh)		351,948	365,535	283,688	296,844
	Water use (m ³)		—	15.9	11.1	7.4
	Paper use (t)		3.08	2.85	1.11	1.11
	Numbers of employees and ratio of female employees (figures in parentheses represent part-time and temporary employees)	Total	286 (48)	294 (78)	295 (70)	328 (72)
		Men	176 (10)	167 (15)	153 (13)	162 (16)
		Women	110 (38)	127 (63)	142 (57)	166 (56)
		Ratio of female employees (%)	44.31	51.08	54.52	55.50
Social	Number of managers* ²	Total	85	89	87	104
		Men	77	70	68	80
		Women	8	21	19	24
		Ratio of female managers (%)* ³	9.41	21.35	21.84	23.08
	Number of newly appointed female managers / Ratio of women among newly appointed managers (%)* ²		8 (53.33)	0 (0)	2 (18.18)	8 (24.24)
	Breakdown of female managers and ratios of total managers (%)* ²	Directors / Audit & Supervisory Board members	0 (0)	0 (0)	0 (0)	1 (11.11)
		General manager or above	0 (0)	6 (14.6)	3 (10.3)	4 (9.09)
		Other managers	8 (15.09)	15 (31.91)	16 (30.77)	20 (33.33)
		Total	41 (39)	207 (58)	216 (36)	62 (17)
	Number of newly hired employees in Japan (figures in parentheses represent part-time and temporary employees)	Men	27 (10)	117 (4)	113 (4)	31 (7)
		Women	14 (29)	90 (54)	103 (32)	31 (10)
		Total (% of total)	21 (6.29)	13 (3.49)	5 (1.37)	8 (2.01)
		Men	18	10	2	1
	Number of non-Japanese employees* ²	Women	3	3	3	7
		Men	22 (41)	28 (66)	27 (57)	28 (55)
		Number of employees with disabilities	1	3	2	2
		Total	35.28	34.89	35.39	35.35
	Average age of employees* ²	Men	35.94	36.16	37.21	36.84
		Women	32.61	33.2	33.38	33.88
		Total	54	58	59	48
	Number of engineers* ²	Men	44	49	50	42
		Women	8	9	9	6
		Men	1	2	2	1
	Number of employees that used the childcare leave system* ²	Women	4	5	7	9
		Ratio of leave takers returning to work (%)	100	100	100	100
		Total average monthly per person workhours* ⁵	168.9	169.5	168.5	176.0
	Average yearly per person overtime hours* ²		11.7	14.2	14.7	15.5
	Occupational accident frequency rate (%)* ⁶		1.83	1.80	0	0.0
	Ratio of employees undergoing stress checks (%)		94.6	95.0	95.7	97.0
	Ratio of employees undergoing regular health checkups (%)		78.1	92.3	99.7	99.7
	Average amount of training expenses per employee (yen)		—	40,000	40,293	51,031
	Number of security incidents		—	0	0	0
	Number of data leaks		—	0	0	0
	Number of services with ABJ mark certification* ⁷		509	700	777	830
	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		14.6	3.0	39.2	59.5
Governance	Number of directors	Total	7	6	6	6
		Women	0	0	0	1
		Outside	2	2	2	2
		Independent	2	2	2	2
	Number of Audit & Supervisory Board members	Total	4	3	3	3
		Women	0	0	0	0
		Outside	3	2	2	2
		Independent	3	2	2	2
	Ratio of independent directors		28.5	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)		88	84	98	107
	Total compensation paid to Audit & Supervisory Board members (millions of yen)		16	14	13	15
	Number of reports received through whistleblowing systems		3	0	0	0

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 years ended February 28, 2019, and February 29, 2020; current MEDIA DO Co., Ltd., and MEDIA DO TECH TOKUSHIMA Co., Ltd., for the fiscal year ended February 28, 2021, forward

Note: Certain information for the fiscal year ended February 28, 2019, has been omitted as a lack of data has impeded the ability to perform accurate year-on-year comparisons.

*1 CO₂ 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
	Technologies	Increased opportunities for investing in greenhouse gas emission-limiting business	Long term
		Evolution of eBook distribution systems	Long term
		Improvement of book distribution efficiency and reduction of book returns through database use	Medium term
Physical risks		Reduction of transportation energy use and costs through digitization	Medium term
		Halts or delays to operations due to typhoons, floods, or other abnormal weather events	Short term

Sustainability for the MEDIA DO Group

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.

Unleashing a Virtuous Cycle of Literary Creation
Fight against Piracy Together with ABJ

MEDIA DO is charged with the mission of continuously protecting the frameworks that support the ongoing creation of high-quality content and provide users with a safe environment that can be used with confidence to enjoy this content. We are also tasked with maximizing the volume of content distributed through these frameworks. 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 creation and distribution of content.

It has become clear that the fight against piracy requires consistent, long-term effort by a permanent organization. Based on this recognition, creator organizations, publishers, telecommunications companies, MEDIA DO, and other industry participants banded together to establish Authorized Books of Japan (ABJ) as their bulwark against piracy. As of July 31, 2022, ABJ was playing an ever-strong role as the nerve center for the fight against piracy with membership by 78 companies.

The damages of piracy remain severe, and the industry has maintained a unique front against this threat through strategies for improving user literacy and preventing damages to these users. 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 stores and distribution services. These strategies helped the industry gain ground by closing down two major overseas piracy websites, cutting the access numbers to such websites to half their peak levels. Supporting ABJ’s flank, MEDIA DO lends its aid by supplying intelligence to filtering and security companies and by erecting a defensive line to protect users. Moreover, we pledge our full support to the efforts to battle piracy websites lurking overseas advanced through an alliance between the publishing and communications industries and the relevant government agencies as well as to their user education activities in order to help create an environment in which creators feel safe to create.



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 December 2018, after which Daihei Shiohama, president and CEO of overseas subsidiary Media Do International, Inc., was appointed as the Asian co-chair of the Publishing Business Group of W3C. In 2020, Mr. Shiohama became one of only about 20 W3C evangelists, an

elite team of field specialists from around the world, and the first Japanese member of this team. International standardization will have a substantial impact on the creation and distribution of eBooks. Accordingly, the MEDIA DO Group is committed to sharing information regarding the future of the publishing industry together with advice on international standards through W3C while also encouraging members of the Japanese publishing industry to participate in this organization.

Community Contribution

Support for Entrepreneurship to Contribute to Regional Development

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 promoting regional development 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 outfluxes of population. Part of MEDIA DO’s efforts to address this issue was the establishment in 2020 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 charged with the mission of supporting entrepreneurs. MEDIA DO plays a leadership role in TIB’s activities.

TIB coordinates with universities and municipal government organizations as well as with the Entrepreneurs’ Organization, a global organization that has attracted participation by approximately 15,000 entrepreneurs from across the world and generates annual revenue in excess of ¥100 million. Through this

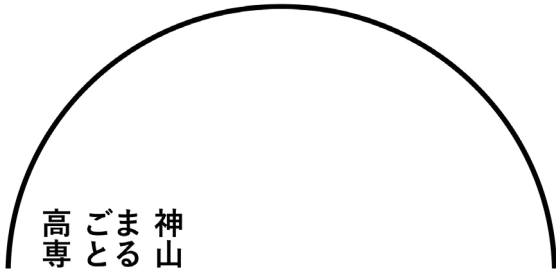
coordination, TIB offers valuable learning opportunities as well as programs for fostering mutually supportive relationships between managers with the aim of cultivating prominent entrepreneurs outside of urban centers. Other companies have followed this example, leading to similar initiatives underway or being planned in more than 30 other prefectures as of July 2022. MEDIA DO hopes to spread such initiatives across Japan in order 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.



Support for Establishment of the Kamiyama Marugoto College of Design, Technology, and Entrepreneurship Using Tax-Deductible Community Donation Scheme

Sansan, Inc., Representative Director & CEO and Founder Chika Terada is in the process of establishing the Kamiyama Marugoto College of Design, Technology, and Entrepreneurship, which will be the first in Japan to use the tax-deductible community donation scheme for corporations. Based on the concept of a school that marries technology and design to shape the future, this school will offer a five-year curriculum crafted to foster human resources with the power to transform society. Topics covered in this curriculum will include cutting-edge technologies; user interface, user experience, and other design principles; and entrepreneurship for shaping society. Another noteworthy characteristic of this school is its location in Kamiyama, Tokushima Prefecture. This area is gaining attention as a role model for invigorating its local economy by attracting companies or their satellite offices. At the same time, however, Kamiyama faces

social issues including population decline and the fact that a high percentage of its population (49%) is senior citizens. MEDIA DO chose to use the tax-deductible community donation scheme for corporations to support this school based on this background as well as on its endorsement of the philosophy of the school and the promise of this initiative as an opportunity for it to give back to society.



For more information

- ➡ Featured Discussion 03: Contributions to an Affluent Sustainable Society through Sustainable Business Activities (P.54)
- ➡ Kamiyama Marugoto College of Design, Technology, and Entrepreneurship homepage (in Japanese only)
<https://kamiyama-marugoto.com/>

Sustainability for the MEDIA DO Group

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

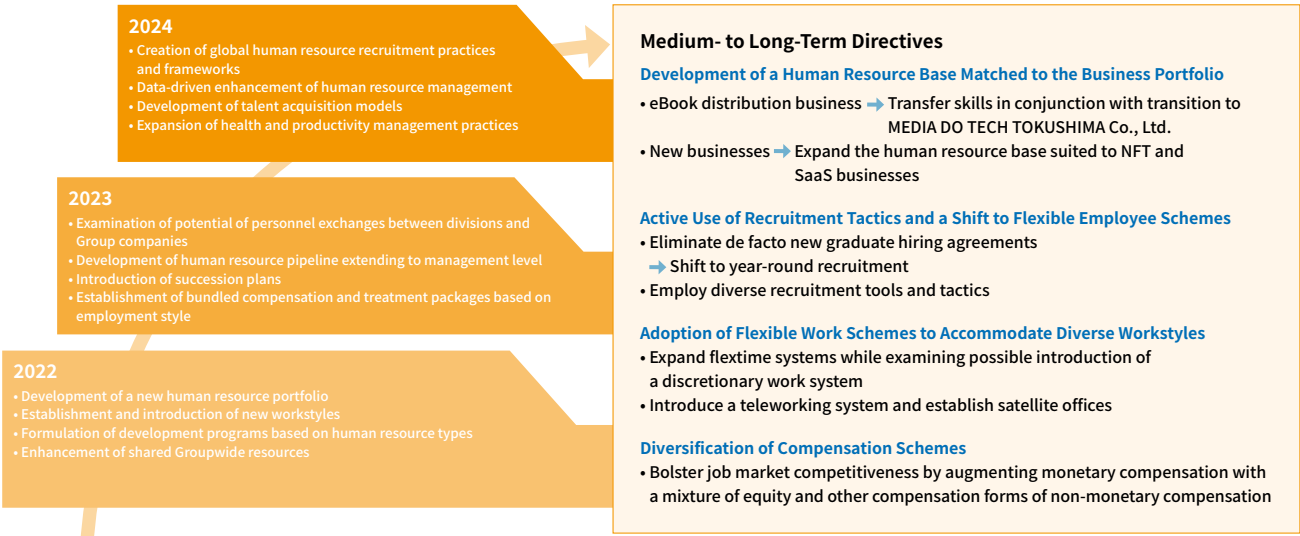
employees to acquire expertise and experience through their work and for us to utilize our corporate culture as a foundation for fully capitalizing on the growth and potential of our employees. Acting in accordance with this basic policy, we will seek to create environments that allow all employees to achieve independence and demonstrate their growth and potential as they take the initiative in tackling new challenges.

Human Resource Recruitment and Development Strategies

We leave the door open for engineers, business development staff, sales and planning personnel, and a wide range of other personnel year-round, actively welcoming individuals with specialized skills from a variety of backgrounds. We have continued to recruit new university graduates each year for more than 11 years, and such individuals are nurtured so that they can become core members of the Company after joining. In addition, we have reinvented our human resource evaluation and compensation systems to better invigorate the growth of both our business and our people. The new 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. In the future, the Company will look to diversify employment patterns through means such as introducing job-type evaluation and compensation systems for certain positions. At the same time, we are cultivating human resource development frameworks that will contribute to the reinforcement of MEDIA DO’s operational foundation by enhancing talent management practices and systematic human resource development programs.

Three-Year Human Resource Strategy Framework



Sustainability for the MEDIA DO Group

Social

Information Security

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 security is an

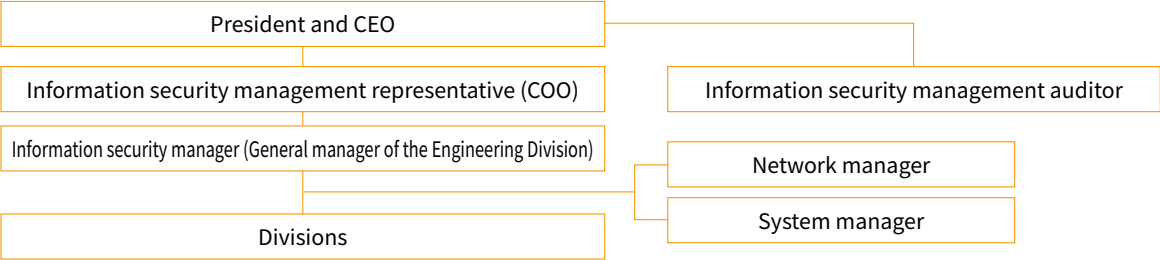
important management priority for ensuing smooth and appropriate business activities. Information security has thus been positioned as a management priority to be addressed on a Companywide basis. Accordingly, we work to safeguard all Company information systems and information assets against threats including unauthorized access, crimes, negligence, and natural disasters while also ensuring the confidentiality, completeness, and accessibility of information.

Information Security Management System

At MEDIA DO, the COO has been assigned responsibility for overseeing information security management. Positioned under the COO, the general manager of the Engineering Division has been designated as the information security manager. These individuals guide ongoing efforts to improve Groupwide information security by developing frameworks for managing and monitoring network and system operations.

The COO works to develop effective information 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 COO helps ensure that systems are effective while communicating with management on this subject. Meanwhile, the general manager of the Engineering Division exercises their responsibility for information security management throughout the MEDIA DO Group by establishing key performance indicators (KPIs) related to a number of information 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 security regulations, the execution of safety measures, and the arrangement of information security training.



Information Security 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

“

Ongoing Planning and Action from the Perspectives of Management and Business Continuity

In October 2021, MEDIA DO unveiled its Basic Information Security Policy. This policy put forth a clear guideline for the information security provisions that had previously been more of an unspoken shared understanding within the organization. More importantly, the policy includes a section on review and improvement. Our ability to constantly review and improve our information security systems will be critical to our future endeavors. The types of methodologies of cyberattacks and unauthorized access grow increasingly more diverse with each coming year, as do the avenues through which information can be leaked. At the same time, the costs of addressing these threats continue to grow. As such, there is no such thing as the perfect information security system. The essence of information security is thus constant improvement. We must always be looking at things like what information assets and systems we need to protect, what trends are being seen in cyberattacks, and how much of our effort should be devoted to each of the tasks placed before us. From these perspectives, we need to constantly develop new response plans based on the perspectives of management and business continuity.

For this reason, the MEDIA DO Group takes a two-pronged approach toward information security. The first is to apply the concept of zero-trust security to internal IT infrastructure in order to ensure business continuity. Prior efforts to safeguard information assets have focused primarily on securing the borders of our networks and managing on-premise accounts. Our new approach is to transition to cloud services for all of our systems in order to mitigate and transfer risks. Our priority for internal infrastructure will be to ensure high-quality internet connections in order to guarantee that the frameworks are in place to allow employees to adopt diverse workstyles through in-house, remote, or mobile access to Company networks. I also recognize that the importance of frameworks that protect the safety of accounts and terminals, given the rising variety of the applications and clouds that employees use during the course of their work, is increasing. Accordingly, we are examining technical response measures including the introduction of single sign-on authentication, endpoint detection and response,*1 and cloud access security broker*2 schemes. At the same time, we are bolstering education and training systems out of recognition of the critical importance of improving the information security literacy of our entire employee base.

The second is application-related initiatives. At the moment, we are using Amazon Web Services*3 to develop cloud environments as our platform infrastructure pertaining to our eBook distribution and other proprietarily developed applications. In 2020, we assembled a site reliability engineering team to manage and monitor this infrastructure. This team works together with the Amazon Web Services support team to make sure that we maintain a secure environment. Furthermore, we employ a third-party institution to test our systems for vulnerabilities with the aim of further improving our information security measures. Plans are also in place to establish a new quality control team in the fiscal year ending February 28, 2023, as part of our efforts to reinforce our foundations for supplying end users with services with guaranteed levels of quality and performance.

I am committed to our never-ending quest to review and improve our information security provisions and to thereby ensure that stakeholders feel safe and have peace of mind when they decide to entrust MEDIA DO with their content.



Kaname Nagano
General Manager, Engineering Division

*1 Solutions that monitor use of endpoint terminals (computers, servers, smartphones, tablets, etc.) connected to networks in order to detect and combat cyberattacks
*2 Solutions that provide effective security measures by monitoring use of cloud services by company or organization employees
*3 Cloud platform provided by U.S.-based Amazon.com, Inc.

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Featured Discussion 03

Chika Terada

Representative Director & CEO, Sansan, Inc.

Yasushi Fujita

President and CEO, MEDIA DO Co., Ltd.

Collaborative Feature

Discussion between Sansan and MEDIA DO

Contributions to an Affluent Sustainable Society through Sustainable Business Activities

In recent years, interest in social sustainability has risen together with the expectations for companies to contribute to the resolution of social issues. We arranged a discussion on this topic between Chika Terada, Representative Director & CEO of Sansan, Inc., and Yasushi Fujita, President and CEO of MEDIA DO, as they are fellow entrepreneurs and managers. In this discussion, they examine the importance of corporate sustainability initiatives and how these initiatives can be effective as well as what actions need to be taken for companies and managers to contribute to the realization of an affluent sustainable society.

Meaning of Sustainability for Corporate Management

Terada: In working toward sustainability, it is important for us to first think about how we can contribute to the resolution of social issues through our business. The services that Sansan provides are fundamentally oriented toward the resolution of social issues, as they support various corporate activities and help improve productivity through digital transformation. In order for a business to be a business, it needs to receive payment in compensation for its help in addressing the needs of society. Accordingly, there is no need for a company to separate its business activities from its social contribution activities. A more natural approach would be to forge a relationship with society through its business activities or through areas adjacent to its business activities. At Sansan, for example, we continue to be engaged in an initiative called Scan for Trees,* and this initiative is seen as a normal part of the user experience for our customers. In this manner, it is important to go just a step further in a company's business activities to find ways to make returns and contributions to society that can be enacted during the course of these business activities. Through such ongoing effort, I believe that Sansan will come to exhibit its purpose in the context of sustainability.

* An initiative in which Sansan plants trees in areas of need every time the total number of documents digitized through the company's services equals the paper produced from one tree.

Fujita: Sustainability must be a constant focus in corporate management. To achieve sustainability, it is important for a company to constantly act as an entity that is deemed necessary by society. This goes to what you said, but I think it is crucial for a company to rid itself of values, businesses, and schemes that are of no use to society, and to always be looking to develop the business models that society needs. We must also consider what exactly it is that shareholders and other investors are investing in. Of course, they could be said to be investing in the respective company, but you could also say that they are investing in the members of management who are entrusted with guiding the company in question. MEDIA DO's sustainability initiatives are viewed as an opportunity to display our ability to propose value that can be feasibly provided based on our relationship with society. TOKUSHIMA INNOVATION BASE ASSOCIATION (TIB), for example, is an organization that is active in the area of supporting entrepreneurs, an area that differs from MEDIA DO's traditional business. To date, we have not invested a significant amount in this company, and yet its activities for fostering entrepreneurs have continued to grow. We now have hundreds of people involved in these activities across Japan. There is significant potential for what we can accomplish with entrepreneurs. For example, we could develop frameworks that eventually grow into a movement that inspires society. Through such initiatives, I hope to provide a living testament to MEDIA DO that goes beyond the record of its past activities that is its financial statements. In this manner, I look to communicate our forward-looking approach, how we envision value, and the steps we are taking to create this value.

Opportunities Found in Resolution of Social Issues, Corporate Responsibilities, and Risk Management

Terada: The necessary approaches toward compliance and governance can vary based on factors such as the state of the global capital market and society and on the stage of a company's business. A failure to recognize this fact will expose a company to various risks. It is therefore crucial for a company to approach these matters from the two perspectives of risk management and of responsibility for responding to the needs of society. At Sansan, we believe that sustainability initiatives must be encouraged in a form that is actually feasible for a company to achieve. Based on this belief, we have established a sustainability policy, identified material issues, and formulated strategies for addressing these issues over the past year. Among the material issues we defined were the reinforcement of corporate governance and the entrenchment of compliance. By tackling these issues, we aim to clearly indicate the path we will take to stakeholders and to accelerate corporate initiatives for advancing along this path.

Fujita: I feel that the understanding among employees and management of the importance of environmental, social, and governance (ESG) initiatives changed fundamentally after MEDIA DO was listed on the stock exchange. Becoming a listed company bestows a greater responsibility for a company to act for the benefit of society. At the same time, it becomes more important than ever for that company to grow its business and achieve higher levels of sales and profit as it now must accommodate a wider range of stakeholders. I think that MEDIA DO's employees are taking a positive outlook with regard to these responsibilities. However, a proactive stance toward fulfilling our responsibilities alone is not enough. We must also be careful because, no matter how good a business may be, it has the potential to negatively impact society. Growth is calculated by subtracting negative factors from positive developments. It is for this reason that we must expand the range of activities that frontline employees are able to participate in order to contribute to a greater amount of positive developments. We are approaching this task from a variety of angles, including issuing integrated reports, adopting the principles of Japan's Corporate Governance Code, and reorganizing our prior Risk Management Committee to form the Sustainability Committee.

Shared Focuses and Values of Human Resource Development

Fujita: I feel that there can be no doubt that the workforce in Japan will continue to shrink going forward. In fact, this is one of the themes of MEDIA DO's human resource strategies. I was born in the Kito area of Tokushima Prefecture. I have engaged in various efforts to try and invigorate the local economy of this area, but I have found that there is a limit to what one individual can do. If I want to ensure that the Company and its activities can continue on into the future, I will need to build self-growing

Featured Discussion 03:
Contributions to an Affluent Sustainable Society through Sustainable Business Activities

frameworks and to foster individuals capable of sustaining these frameworks while I am still around. This is connected to succession planning for my position as president of MEDIA DO while also involving finding successors for the future of Japan itself. Finding such successors is a challenge for helping ensure future sustainability that I am poised to tackle in my position as a manager and as an entrepreneur.

Terada: Sansan is supporting establishment of the Kamiyama Marugoto College of Design, Technology, and Entrepreneurship scheduled to open in Tokushima Prefecture. This undertaking was started from my personal desire to help resolve social issues that could not be addressed through our business. Deciding that the best course of action would be to build a school, I began advancing a variety of initiatives on my own, and eventually became the chairperson of said school. Throughout this process, our board members talk a lot about the relationship between Sansan's management and the project. These discussions made me realize that at the heart of the project were the same issues that I sought to address as the manager of Sansan. The school will seek to endow students with a propensity for technology, design, and entrepreneurship in order to foster people who create things and can make things happen. This is exactly the type of human resource we need at Sansan. At the same time, if we look at Japan as a whole, we will see that the current frameworks, including those for corporate activities, are insufficient. This recognition led me to expand the scope of my focus on human resource development in-house and eventually guided me to the realization that supporting a school would be a highly meaningful approach. Fostering people through a school is a greater undertaking that will require a longer amount of time than the act of developing human resources through our business activities. However, I am also confident that this approach will get more at the essence of the issues we need to overcome. This is why we are trying to make it one of the material issues we address as a company.



Fujita: The school you speak of sought to acquire capital of ¥10.0 billion so that it can provide free tuition to students. It also uses a very impressive scheme for developing and operating funds. I suspect that this will have a large impact on, and spark a significant response from, society.

Terada: I would be greatly pleased if we did indeed spark a significant response from society. I am grateful for the financial support received from MEDIA DO as well as for the ¥2.4 billion we collected through the tax-deductible community donation scheme in Kamiyama. I believe that acquiring these funds was an incredibly meaningful undertaking. If the use of such systems becomes more commonplace, it should prompt companies to be more mindful of how they allocate funds so that they target the area where such funds are truly needed. The scheme we are currently working on for providing free tuition at the school could be rephrased as a system for borrowing money from Japanese companies, managing these assets, and using them to address social issues. I feel that this scheme represents a new initiative. I also believe that we have laid very exciting groundwork in preparation for the opening of the school in 2023. When I first explained my proposal for the school to you, I remember how you encouraged me by telling me that it was a great way to flesh out my presence as a manager.

Fujita: There are still some who hold a negative opinion in regard to keywords like IT venture company and entrepreneur. I think we have a responsibility to help rid society of such negative perceptions. If we are able to create a new form of shared value with society through this process, it will give society a more comprehensive view of emerging companies like Sansan and MEDIA DO. I seem to recall discussing something along these lines with you in the past. With this regard, it is worth noting that MEDIA DO receives a lot of questions regarding its sustainability initiatives when interviewing new job applicants. Even before joining MEDIA DO or coming in for an interview, a lot of university students seem to hold a more complete view of me that goes beyond my role as the president of an IT company to include how I am engaged in a variety of social contribution activities. The university students of today do not merely want to succeed in business; they also place a high degree of importance on the contributions that they will be able to make in their professional capacity.

Terada: What you are saying casts a light on the importance of companies defining their missions and visions. Putting our business goal and mission into words that emphasize our social

Expressing a company's social meaning
in contexts both inside and
outside of its business activities will
generate a strong sense of cohesion.

Chika Terada

It is important for a company to
constantly act as an entity that is
deemed necessary by society.

Yasushi Fujita

meaning allows us to confirm these principles while also generating a strong sense of cohesion within the organization. For example, Sansan's support for establishing the school has garnered a positive response within the organization, which I hope will generate a positive cycle for our advancement in the future.

Potential for Companies and Entrepreneurs to
Contribute to Social Sustainability

Terada: It is important to create beneficial flows of capital. This is not an easy concept to enunciate. I was made keenly aware of this fact when I was trying to find donations and investments for funding tuition at the school by myself. With a little ingenuity and some positive pressure, it is possible to create beneficial flows of capital that direct funds to areas that are the target of social expectations. If a greater deal of emphasis is placed on how funds are used, it would allow for smoother improvements in these areas. The process of establishing the school brought with it valuable opportunities to learn through discussions with people with various perspectives. For example, I learned the amount of money Japanese companies spend on their human resources is incredibly small in comparison to U.S. companies. At the same time, I was awakened to the potential for improvements in regard to both the good and bad elements of Japan if we are able to effectively spread understanding of such issues along with ideas for addressing these issues. If we can stimulate such an evolution, it will make it possible for companies and entrepreneurs to have meaning in an even wider range of areas.

Fujita: Continuing to foster people is important, and this is true for both companies and individuals. I was recently able to take part in a class on entrepreneurship at Tokushima University. At the class, I stated that entrepreneurship is the practice of measuring the gap between the issues and ideals of society and finding potential ways one can help close this gap. I also made a point of stressing that amassing capital to start a business by oneself is not the only way to be an entrepreneur. This is because identifying social issues is important for any job, whether one is a teacher, doctor, lawyer, or company worker. You could see the eyes of the students light up when they realized that this applied to them also. Analogies of how us managers and entrepreneurs seek to address social issues as a matter of course can be used to communicate the importance of a focus on social issues in any profession. This is what I hope to communicate to the students in your school in Kamiyama and to the entrepreneurs we are



cultivating at TIB. I believe that entrepreneurs have a responsibility to communicate this viewpoint.

In Closing

Terada: Sansan functions as a bridge between physical and digital spaces. By providing various services to companies and business people in this capacity, we aspire to contribute to fundamental improvements in productivity. Trying to digitize business cards, invoices, and contracts oneself can be a painful process, but our company is engaged in eliminating this pain through its own unique approach. Our company vision sees our services being widely used throughout society, becoming a part of social infrastructure. Realizing this vision is the greatest value that we can provide to society. Our pursuit of this vision will be accompanied by business growth, and I hope that we can earn the support of various stakeholders during this process.

Fujita: In our business, the management of MEDIA DO looks to increase earnings per share and create businesses with the potential to grow and generate returns. However, I understand that rapid business growth cannot be achieved if managers themselves do not grow first. While it is, of course, important to devote energy to growing our business, we managers must at the same time also gain new experiences and incorporate new management values through co-creation with others. This co-creation could take the form of activities like a company establishing a school or TIB, with us managers acting as the initiators, or other forms of collaboration with individuals with whom we would not normally have the opportunity to interact.

Growing as a manager through this process will help achieve rapid growth for our companies. As such, I believe that we have a responsibility to pursue such personal growth. I hope that stakeholders will not only look at the performance of a company's business but that they will also pay attention to the thinking, philosophies, and future goals of managers.

Creation of Shared Value through Business

Connect to the Future



Paper Publications with Digital NFT Benefits Provided Together with Tohan

The scale of sales in the Japanese publishing industry continued to decline after peaking in 1996. However, this decline was halted in 2019, as a result of the trend toward digitalization, primarily seen in the popularization of eBooks, as well as the evolution of reader experiences. Publishing industry members still rooted in the physical world like bookstores, meanwhile, continue to face difficult conditions.

The MEDIA DO Group finds business opportunities in the resolution of issues shared by all stakeholders involved in both the physical and digital sides of the publishing industry, including content creators, publishers, distributors, and users. Contributing to the resolution of these issues is one of the forms of shared value we supply. In this section, we will look at paper publications with attached digital NFT benefits, a new offering the MEDIA DO Group is researching and implementing together with major publication wholesaler Tohan. These items are meant to preserve bookstores and their role in Japan publishing culture and as community transmission points for culture and contents for future generations in order to realize our vision of “More Content for More People!”

Platform for Contributing to All Stakeholders Involved in Publishing

The paper publications with attached digital NFT benefits MEDIA DO offers involve attaching codes that can be exchanged for digital benefits through the Company’s FanTop NFT marketplace. These items are sold at the approximately 5,000 stores across Japan with which Tohan has connections. We have succeeded in selling publications with digital NFT benefits at prices that are on average 20% higher than their counterparts without NFTs. The higher prices not only create new earnings opportunities but also allow for a larger amount of profit to be returned to the publishers and copyright holders while simultaneously boosting the earnings of bookstores through

frameworks that return a portion of the additional profits to distributors and wholesalers. MEDIA DO will strive to expand the scale of this business going forward by broadening the range of titles, genres, and mediums for attached digital NFT benefits. We also aim to make publications with attached digital NFT benefits a type of media through which paper and electronic items, digital and physical spaces, and stores and people converge in order to bolster the assets and social and relationship capital of partners while creating a rich culture for future generations.

Vision of a World in Which People Can Freely Enjoy Both Paper and Digital Content

Creation of Frameworks for Linking Fans to Creators and IP Holders

In March 2021, MEDIA DO formed a capital and business alliance with TOHAN CORPORATION. Since then, we have continued to create new business models in various fields and to create new value propositions with the goal of transforming the publishing industry.

The following is a conversation between two individuals who are involved in the promotion of paper publications with attached digital non-fungible token (NFT) benefits, in which they discuss the accomplishments and challenges they have seen with these items. This new offering is designed to propose experience value to customers that blurs the lines between the physical and digital and to transform the business models of bookstores.



Hiromi Togawa

NFT Linkage Business Development Section,
Publishing Business Development Department,
Publishing Solution Business Division



Mika Kobayashi

NFT Linkage Business Development Section,
Publishing Business Development Department,
Publishing Solution Business Division

Framework for Paper Publications with Digital NFT Benefits



New Venture for a New Future

Togawa: More than a year has passed since I was seconded to MEDIA DO in March 2021 as part of the personnel exchanges that took place after the Company formed its capital and business alliance with Tohan. I joined Tohan out of university, and I had continued to work in its corporate strategy division thereafter. In this division, I was involved with the organization of committees as well as the development of new businesses. I thus had experience in starting up eBook businesses and in sourcing multimedia content. I am probably in the minority at Tohan in that I had almost no involvement in the wholesaling of paper books. However, this unique background gave me a lot of opportunities to learn and allowed me to take on new challenges without being shackled by preconceptions related to the divide between physical and digital publishing.

Kobayashi: I joined MEDIA DO after graduating from university. This was in the fiscal year ended February 29, 2020. At that time, I was assigned to the new subscription service team that had just been assembled. I was later transferred to a sales team tasked with approaching eBook distributors with MEDIA DO’s

proprietary developed content management system. About a year ago, I was reassigned to the NFT Linkage Business Development Section within the Publishing Solution Business Division. Here, I am responsible for sales of paper publications with digital NFT benefits as part of a team including members seconded from Tohan such as yourself, Ms. Togawa. This was a massive change for me, and there were a lot of things I didn’t understand. However, I aim to rise to this new challenge together with you and the other members of our team.

Efforts and Successes Thus Far

Kobayashi: A major difference between paper and digital publications is how we perceive quantities. In paper publication, quantities are an incredibly important factor that is considered at every step of the process, beginning with printing and ending with sales. This is not the case with publishing eBooks, which are essentially digital data. Due to this aspect of paper publication, quantity is a KPI that needs to be considered when planning digital NFT benefits for paper publications. Tohan and

Creation of Shared Value through Business—Connect to the Future



I love books and also have a lot of affection toward bookstores. This is why I am so passionate about helping unlock the potential of bookstores through digital transformation.

MEDIA DO hope to deliver NFTs that are affordable while also featuring fan items from a variety of genres. We cannot simply print and issue these items in large quantities. We must strike a balance in terms of the price gap between the standard editions of publications, which do not come with NFT benefits, and factors like profitability and the inherent appeal and value of NFT content, such as their scarcity. This has required a trial-and-error process for fine-tuning that is more difficult than I had imagined.

Togawa: The trial-and-error process we took part in over the past year has finally begun to pay off. At first, we had to start with explaining exactly what NFTs are, but now we are seeing an increase in the number of people at publishers and distributors who understand these items. We have also witnessed an increased degree of acceptance toward the higher prices needed to reflect the additional value of the NFTs, which has resulted in a rise in the rates at which the publications with NFTs are sold. This represents a big step forward. In other words, I feel that the pieces are falling into place for an environment that will make publishers and distributors more open toward the possibility of embracing NFTs. We have also seen some bookstores arrange special displays for paper publications with digital NFT benefits. A major advantage of digital NFT benefits is how they allow for sales promotions and marketing to be conducted through both physical and digital spaces. Using this hook, I hope to attract larger numbers of people to bookstores and to thereby contribute to their prosperity.

Future Challenges and Initiatives

Togawa: The large number of bookstores currently suffering from decreases in customers and sales is a serious issue for the industry. At the same time, we must acknowledge the society-wide trends, such as the restrictions imposed by the COVID-19 pandemic and the changes in reader behavior. Given these circumstances, it will become increasingly difficult for bookstores to survive if they do not embrace technology, not just to improve themselves but to go even further by transforming themselves. I got into this industry because I love books. I also have a lot of affection toward bookstores. This is why I am so passionate about helping unlock the potential of bookstores through digital transformation.

Kobayashi: It is not so much a challenge that needs to be overcome, but I do want to somehow start selling eBooks with NFTs, no matter how much time it might take. All processes spanning from production to distribution of eBooks can be completed through digital venues. This means that there is room to more effectively utilize and coordinate the position that represents a strength of MEDIA DO and the function of enjoying collectible items offered through the FanTop app. I talked earlier about how quantity is an important concern for paper publication. Another major concern when it comes to paper publication is time, specifically that required for scheduling printing and distribution. Based on these limitations, as well as the idea of providing users with a wider range of options, I think it would be best if we were able to attach NFTs to both paper and digital publications. A lot of people at MEDIA DO, myself included, are into things like literature, anime, and manga. This is something that motivates me in my efforts to provide digital benefits based on the IPs that everyone loves.



I hope to attract larger numbers of people to bookstores with digital NFT benefits and to thereby contribute to their prosperity.

Togawa: Ms. Kobayashi and I are in agreement when it comes to attaching NFTs to both paper and digital publications. I also think it would be great if we could find a way to link these efforts to items that are originally sold through the FanTop platform. I see room to improve our marketing and distribution functions by using the big data collected from users of the digital NFT benefits we are offering currently. The details of these efforts are something we will have to figure out going forward. Still, I am determined to generate a cycle that will allow us to make greater contributions to the interests of publishers, distributors, creators, and copyright holders. I look forward to the trial-and-error process for building this cycle.

Digital Transformation of Reader Experiences through Digital Library Services—Education and Learning Support Spreading Across Japan

In 2014, MEDIA DO formed a strategic alliance with OverDrive, Inc., allowing us to introduce its OverDrive cloud-based digital library service, the service most used by public libraries around the world, into Japan. As the COVID-19 pandemic transforms education venues and workstyles, demand for digital libraries is growing, prompting establishments across Japan to adopt the OverDrive service.

Delivering More Content to More People with Tohan and Accessible Library

The OverDrive digital library service is a tool that can be used by the libraries operated by municipalities and schools to allow users to check out books online with ease no matter their location. This service can handle eBooks of various genres and languages, including eBooks with English-language narration.

MEDIA DO's capital and business alliance with major paper publication wholesaler Tohan, which was formed in 2021, has helped double the sales of this service. This feat was accomplished by utilizing Tohan's network of sales offices across Japan and by working together with physical bookstores through Tohan to promote introduction of OverDrive.

Furthermore, MEDIA DO developed Accessible Library in June 2022 as an unlimited-use eBook service for people with disabilities. This service makes it possible for publications to be delivered to the estimated 300,000 people with disabilities in Japan in an efficient and ongoing manner.

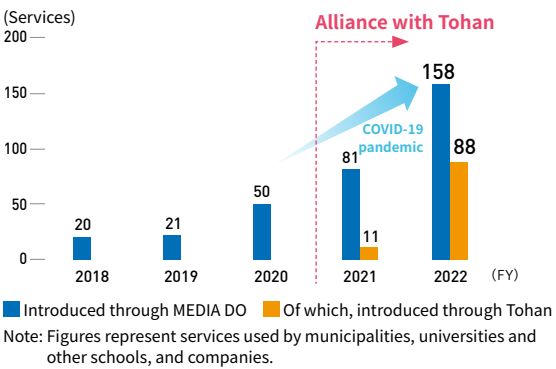
Legislation regarding the provision of reading opportunities for people with impaired vision that was implemented in Japan in 2019 is designed to contribute to a society in which everyone, regardless of whether or not they have a disability, can experience literature and its surrounding culture. The MEDIA DO Group believes that it is in a unique position to provide social value by facilitating the development of culture through such business and solutions as OverDrive and Accessible Library. Furthermore, the supply of these solutions to municipalities and schools is anticipated to drive the digital transformation of reader experiences and help deliver the joy of reading to an even wider range of people. These solutions

are also expected to function as tools for supporting the development of human resources who can excel in Japan and on the global stage by expanding the range of education and learning opportunities available to them.

* Source: Statistics on children and other people with disabilities released by the Ministry of Health, Labour and Welfare (2016)



Digital Library Services Used throughout Japan (Aggregate)



Case Study: Obihiro City, Hokkaido Prefecture (Introduced digital library service on April 1, 2021)



Masashi, Mabuchi, Assistant Director
Library Section, Lifestyle Support and Culture Office, Library Staff Lifestyle Support and Culture Division

Around the same time as the opening of the digital library, Obihiro City's school education section distributed ICT equipment and user IDs to all students in the city. We then went to promote the digital library service through a workshop on its use for parents and teachers of elementary and junior high school students during summer break in July 2021. The city-sponsored class on improving blood glucose levels arranged by the health promotion section was another opportunity used to promote this service.

Today, this service is used by a lot of students, and the number of books checked out through the digital library reached 150,000 in January 2022.

Together with the relevant government agencies, we aim to support education and lifelong learning while encouraging the people of Obihiro City to read.



Promotion for digital library service distributed through Obihiro City's official LINE account

MEDIA DO’s Management

I believe that there is no limit to the power of content or to the possibilities for technology. There is thus no end to MEDIA DO’s quest to create innovation that contributes to the entire content industry through the combination of content and technology. As president, I must lead the Company from a future-oriented perspective, always putting forth a clear vision of the things to come, in order to live up to the expectations of stakeholders.

Yasushi Fujita
Representative Director, President and CEO



I have more than two decades’ worth of experience in the distribution of content using the latest technologies. By capitalizing on this experience, I hope to predict future changes and build frameworks that use technology to put IP into the hands of people around the world.

Atsushi Mizoguchi
Director and CBDO



The Japanese publishing market currently appears to be in a slump when compared to the markets in Europe and the United States. I want to broaden the range of business opportunities available to MEDIA DO by using my wealth of experience in domestic and overseas publishing industries to help invigorate this industry.

Shin Niina
Director, Vice President, and COO

My duty is to ensure MEDIA DO accomplishes the targets of the medium-term management plan by bolstering financial and non-financial functions. In particular, I will focus on strategically allocating management resources, improving corporate governance, developing human capital strategies, and promoting sustainability.

Hiroshi Kanda
Director, CSO and CFO



Topics Discussed at Board of Directors’ Meetings

Themes	Major Topics	Number of Reports / Agenda Items
Management strategies	Management policies, 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	11
Investments and M&A activities	Potential investments and M&A activities	14
Human resources and organizations	Nomination of directors and executive officers, officer compensation (monetary, non-monetary)	7
Corporate governance	Evaluation of effectiveness of the Board of Directors, conflicts of interests among directors, policies and regulations for enhancing governance	13
Compliance and risk management	Compliance, risk management, internal controls, sustainability	9
Investor relations	Investor relations polices and activity reports	4

Director and Audit & Supervisory Board Member Skill Matrix

	Areas of Expertise / Anticipated Contribution											Attendance at Board of Directors’ Meetings	Attendance at Audit & Supervisory Board Meetings
	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		
Yasushi Fujita	●			●	●		●	●		●	—	17/17	—
Shin Niina	●			●	●		●		●	●	—	17/17	—
Atsushi Mizoguchi	●			●				●		●	—	17/17	—
Hiroshi Kanda	●		●			●	●				—	Appointed to current position in May 2022	

MEDIA DO’s Management

As a lawyer, I have been involved in international transactions and corporate legal affairs. I hope to combine this experience with an ESG perspective in order to help heighten the effectiveness of the Board of Directors from an independent standpoint and contribute to the enhancement of corporate governance.

Ayako Kanamaru

Outside Director
Chairperson, Nomination and Compensation Committee



For a company to achieve improved corporate value, it is important for it to build corporate governance systems that allow it to live up to the trust of society through healthy management and ongoing growth. I hope to fulfill my role as an Audit & Supervisory Board member in contributing to such systems.

Kazuyoshi Ohwada

Standing Audit & Supervisory Board Member



The reliability of accounting information can sometimes have a massive impact on the effectiveness of management decisions. This is why I am devoted to using my expertise in finances and accounting to ensure that decisions are not misled by inaccurate financial information.

Toshiaki Morifuji

Outside Audit & Supervisory Board Member



It is important for an outside Audit & Supervisory Board member to remain constantly aware of their responsibility as a proxy for the shared value of shareholders as well as the perspectives of minority shareholders. I therefore always aspire to oversee management from my independent standpoint as a lawyer.

Tsuyoshi Shiina

Outside Audit & Supervisory Board Member



If MEDIA DO is to be an organization that functions as a catalyst for creating a world brimming with content and creativity, all of its members will need to be firmly committed to evolving to be more fun and creative themselves.

Haruo Miyagi

Outside Director
Member, Nomination and Compensation Committee

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 FY2021

- Confirmation and potential revision of compensation systems for executive officers and other officers
- Examination of and report on compensation plans for individual officers
- Confirmation of director and Audit & Supervisory Board member skill matrix and examination of Board of Directors’ composition
- Examination of and report on succession plans, etc.

Director and Audit & Supervisory Board Member Skill Matrix

	Areas of Expertise / Anticipated Contribution											Attendance at Board of Directors' Meetings	Attendance at Audit & Supervisory Board Meetings
	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		
Ayako Kanamaru		●				●	●		●		●	13/13	—
Haruo Miyagi	●				●	●	●				●	Appointed in May 2022	
Kazuyoshi Ohwada	●	●	●			●					—	17/17	17/17
Toshiaki Morifuji		●	●								●	17/17	17/17
Tsuyoshi Shiina		●				●					●	17/17	17/17

Management Team

(As of May 26, 2022)



A Yasushi Fujita

Representative Director, President and CEO

- Apr. 1996 Established Fuji Techno Limited Company (merged into the Company in November 2001), Representative Director of the Company
- Apr. 1999 Established the Company, Representative Director and President of the Company
- Dec. 2013 Established FIBC Co., Ltd., Representative Director and President (current position)
- Mar. 2017 Representative Director and Chairman of Digital Publishing Initiatives Japan Co., Ltd. (changed its company name to MEDIA DO Co., Ltd., in March 2019, absorbed by the Company in June 2020)
- Sep. 2017 Representative Director and Group CEO of the Company
- Mar. 2018 Representative Director and Chairman of MEDIA DO Co., Ltd. (merged with Digital Publishing Initiatives Japan Co., Ltd., in March 2019) Representative Director, President, Executive Officer, and CEO of the Company
- May 2019 Representative Director, President and CEO (current position)

B Shin Niina

Director, Vice President, and COO

- Apr. 2003 General Manager of Books Business Department of Kadokawa Shoten Co., Ltd.
- Jan. 2007 Managing Director of Kadokawa Shoten Co., Ltd. (currently KADOKAWA CORPORATION)
- Jan. 2008 Representative Director of Kadokawa Editorial Co., Ltd.
- Apr. 2013 Assistant Secretary General of Kadokawa Culture Promotion Foundation
- Oct. 2013 Secretary General of Kadokawa Culture Promotion Foundation
- June 2014 Representative Director and President of Digital Publishing Initiatives Japan Co., Ltd. (changed its company name to MEDIA DO Co., Ltd., in March 2019, absorbed by the Company in June 2020)
- Mar. 2018 Representative Director and President of MEDIA DO Co., Ltd. (merged with Digital Publishing Initiatives Japan Co., Ltd., in March 2019) Vice President, Executive Officer, and COO of the Company
- May 2018 Director, Vice President, Executive Officer, and COO of the Company
- May 2019 Director, Vice President, and COO of the Company (current position)

C Atsushi Mizoguchi

Director and CBDO

- Apr. 2000 Joined NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.)
- July 2008 Joined the Company, Executive Officer and General Manager of the Content & Media Business Division of the Company
- Sep. 2009 Executive Officer and General Manager of the Sales Division of the Company
- May 2010 Director and General Manager of the Sales Division of the Company
- Mar. 2013 Director and General Manager of the Business Headquarters of the Company
- Sep. 2016 Director and General Manager of the Business Development Division of the Company
- Mar. 2017 Director of Digital Publishing Initiatives Japan Co., Ltd. (changed its company name to MEDIA DO Co., Ltd., in March 2019, absorbed by the Company in June 2020)
- Sep. 2017 Director and Group COO of the Company Director of MEDIA DO Co., Ltd. (merged with Digital Publishing Initiatives Japan Co., Ltd., in March 2019)
- Mar. 2018 Director, Executive Officer, and CBO of the Company
- May 2018 Executive Officer and CBO of the Company
- June 2019 Executive Officer and General Manager of the New Service Promotion Office of the Company
- June 2020 Director and CBDO of the Company (current position)
- July 2020 President and CEO, MyAnimeList, LLC (current position)

D Hiroshi Kanda

Director, CSO and CFO

- Apr. 2008 Joined UBS Securities Japan Ltd. (currently UBS Securities Japan Co., Ltd.)
- July 2009 Joined Frontier Management Inc.
- June 2013 Established Flier Inc., Director (current position)
- Jan. 2018 Joined the Company, General Manager in charge of Corporate Planning Office
- June 2019 General Manager of Corporate Planning Office of the Company
- June 2020 Executive Officer and CSO of the Company
- May 2022 Director, CSO and CFO of the Company (current position)

E Haruo Miyagi

Outside Director

- Mar. 1993 Established the ETIC. Student Entrepreneur Liaison Conference, Secretary General
- Mar. 2000 Established the Nonprofit Organization ETIC (Entrepreneurial Training for Innovative Communities), Representative Director
- Apr. 2010 Part-time Lecturer of Graduate School of Waseda University
- Nov. 2013 Advisor to Ministry of Education, Culture, Sports, Science and Technology
- Apr. 2015 Visiting Professor of Tama Graduate School of Business (current position)
- June 2019 Member of the Council on Overcoming Population Decline and Vitalizing Local Economy, Headquarters for Overcoming Population Decline and Vitalizing Local Economy (currently Office for the Council for the Realization of the Vision for a Digital Garden City Nation) of Cabinet Secretariat
- June 2021 Outside Director of DeNA Co., Ltd. (current position)
- May 2022 Outside Director of the Company (current position)

F Ayako Kanamaru

Outside Director

- Oct. 2006 Registered as attorney at law
- Joined Oh-Ebashi LPC & Partners
- Jan. 2016 Partner of Oh-Ebashi LPC & Partners (current position)
- June 2020 Outside Auditor of CDG Co., Ltd. (current position)
- May 2021 Outside Director of the Company (current position)

Major Concurrent Positions
Partner of Oh-Ebashi LPC & Partners
Outside Auditor of CDG Co., Ltd.

G Kazuyoshi Ohwada

Standing Audit & Supervisory Board Member

- June 1969 Joined Sony Audio Corporation (currently Sony Global Manufacturing & Operations Corporation)
- Mar. 2002 Joined the Company, General Manager of the Administration Department of the Company
- July 2003 Director and General Manager of the Administration Department of the Company
- Mar. 2008 Director and General Manager of the Administration Division of the Company
- May 2012 Senior Managing Director and General Manager of the Administration Division of the Company
- Sep. 2013 Director and General Manager of the Administration Division of the Company
- May 2014 Audit & Supervisory Board Member of the Company (current position)

H Toshiaki Morifuji

Outside Audit & Supervisory Board Member

- Oct. 2003 Joined ChuoAoyama Audit Corporation
- June 2007 Registered as a certified public accountant
- July 2007 Joined KPMG AZSA & Co. (currently KPMG AZSA LLC)
- July 2009 Established MORIFUJI Certified Public Account Office, Director of MORIFUJI Certified Public Account Office (current position)
- May 2010 Outside Audit & Supervisory Board Member of the Company (current position)
- Mar. 2013 Established Nagoya Tax Corporation, Representative of Nagoya Tax Corporation (current position)

Major Concurrent Positions
Director of MORIFUJI Certified Public Account Office
Representative of Nagoya Tax Corporation

I Tsuyoshi Shiina

Outside Audit & Supervisory Board Member

- Oct. 2002 Registered as a lawyer
- Joined Kimura Law Office
- Mar. 2003 Joined Kandabashi Law Office (currently White & Case LLP)
- July 2005 Joined Nagashima Ohno & Tsunematsu
- Oct. 2011 Joined Industrial Growth Platform, Inc.
- Jan. 2012 Advisor to the House of Representatives (transferred from Industrial Growth Platform, Inc., appointed to the National Diet of Japan Fukushima Nuclear Accident Independent Investigation Commission)
- Dec. 2012 Member of the Lower House of Representatives
- Nov. 2014 Registered as a tax accountant
- Dec. 2014 Representative of Tsuyoshi Shiina Legal and Tax Accountant Office (current position)
- Jan. 2017 Outside Director of Phone Appli Inc.
- May 2017 Outside Audit & Supervisory Board Member of the Company (current position)
- Nov. 2020 Member of the Working Group on Digital Transformation of Bandai Town (current position)

Major Concurrent Positions
Representative of Tsuyoshi Shiina Legal and Tax Accountant Office
Member of the Working Group on Digital Transformation of Bandai Town

Corporate Governance

Basic Policy

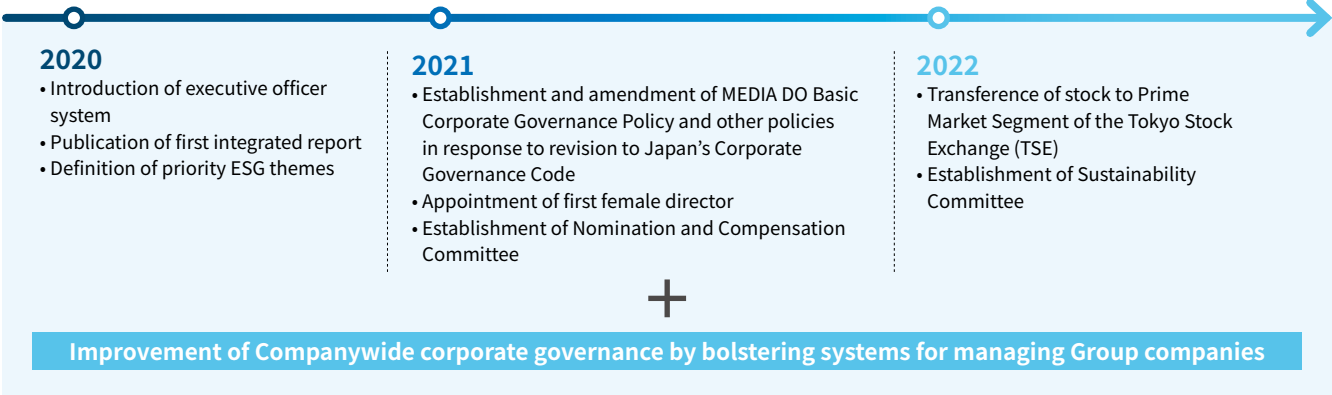
To accomplish its mission and vision, MEDIA DO has put forth the basic management policy of improving corporate value and thereby maximizing shareholder value over the medium to long term based on an accurate understanding of the importance of its various stakeholders. MEDIA DO recognizes the following 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, please refer to MEDIA DO's corporate website. <https://mediado.jp/english/sustainability/governance/policy/>

History of Corporate Governance System Enhancement



Corporate Governance System

At the Company, the Board of Directors has the highest authority for management decision-making while the Audit & Supervisory Board carries out the management oversight function. In addition, the Company's Executive Committee is a committee of similar standing to the Board of Directors, with the former associated with the operational execution functions of directors and executive officers and the latter involved in management decision-making and operation oversight functions. This division of functions contributes to increased efficiency in operational execution.

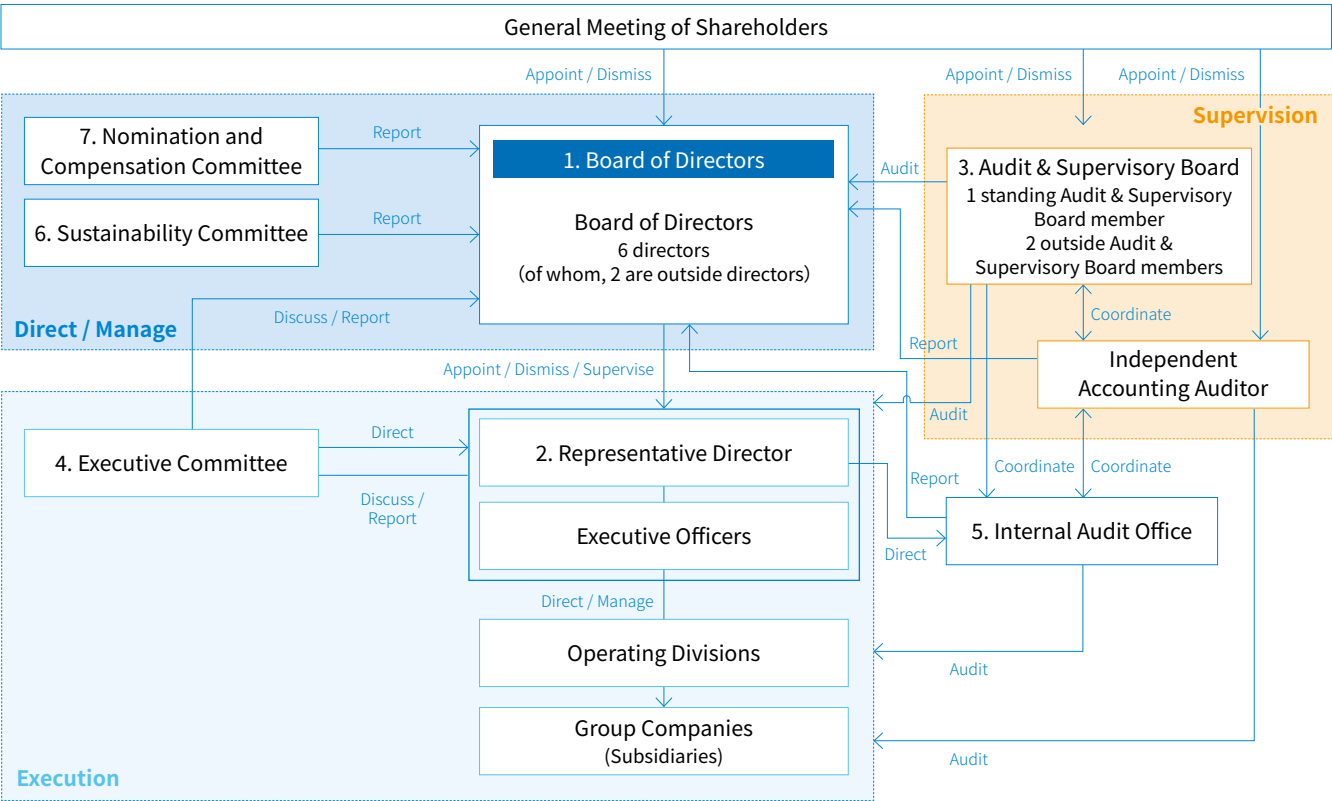
The Company has selected the Company with Board of Company Auditors structure described in the Companies Act of Japan for its organizational structure as this structure provides for two lines of checks on operational execution through supervision by the Board of Directors and audits from the perspectives 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 two outside directors are designated 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.

Overview of Corporate Governance System (As of June 1, 2022)	
Organizational structure	Company with Board of Company Auditors
Number of directors (of which, outside directors)	6 (2)
Number of Audit & Supervisory Board members (of which, outside Audit & Supervisory Board members)	3 (2)
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	KPMG AZSA LLC

Corporate Governance System (As of June 1, 2022)



Functions and Role of Corporate Governance System Constituents

Name	Overview	Number of Meetings / Frequency in FY2021
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. Representative Director	As the chief executive and the head of management, the representative director directs discussions at Board of Directors' meetings and oversees all aspects of operational execution at the Company.	—
3. 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 three 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
4. 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
5. Internal Audit Office	The Internal Audit Office is an organization under the direct jurisdiction of the representative director, president and CEO. This organization reports directly to the Board of Directors and performs internal audits in accordance with the plans approved by the representative director, president and CEO. In this manner, the office audits the Company's business activities while supervising the actions of directors and employees from the perspective of legal compliance. Any requests for improvements issued as part of these audits are submitted directly to the respective divisions and Group companies via the representative director, president and CEO to drive the necessary improvements. The results of internal control audits are reported to the Board of Directors and the Audit & Supervisory Board. Forums for exchanges of information between the Audit & Supervisory Board and the Internal Audit Office are arranged once every three months in order to build mutual understanding, gather information, and pursue higher levels of effectiveness and efficiency.	—
6. 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.	Established on June 1, 2022
7. 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.	Five times a year

Corporate Governance

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 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.

Succession Plan for CEO and Other Top Executives

Succession plans for the president and CEO are formulated through ongoing discussion and monitoring 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

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.

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 compensation shall be determined based on the roles and responsibilities of individuals and is comprised of monetary compensation and stock compensation. 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 FY2021

	Total Compensation (Millions of yen)	Compensation by Type (Millions of yen)		Number of Recipients
		Monetary Compensation	Non-Monetary Compensation (Stock Compensation)	
Directors (excluding outside directors)	98	79	18	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	6	6	—	1
Outside directors and auditors	18	18	—	5

Note: Figures for “Directors (excluding outside directors)” above include one director who resigned following the expiration of their term at the conclusion of the 22nd Annual General Meeting of Shareholders held on May 27, 2021.

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.

FY2022 Initiatives Based on Results of FY2021 Evaluation

Excluding the fact that the COVID-19 pandemic once again made it difficult to secure time for discussions on responses toward potential risks, the evaluation of the Board of Directors’ effectiveness conducted in March 2022 showed a generally positive evaluation of the Board of Directors, and improvements over the previous year’s evaluation were seen with regard to the items

pertaining to free, open, and constructive discussions at meetings of the Board of Directors and appropriate involvement of voluntarily established committees. In addition, the Sustainability Committee was established in June 2022 to spearhead the monitoring and promotion of measures for enhancing sustainability and diversity.

FY2021 Evaluation of Board of Directors’ Effectiveness

Process Overview	Results of Evaluation	Improvement Initiatives
Overview: Survey issued in March 2022, 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.	Highly Rated Items: • Diversity of the Board of Directors • Frequency of Board of Directors’ meetings and free, open, non-formulaic, and constructive discussions and exchanges of ideas • Oversight and monitoring systems for ensuring appropriate operational execution for contributing to medium- to long-term improvements to 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 • Securing of sufficient time for discussing important items and development of support systems • Appropriate oversight of systematic cultivation of successor candidates for the president and CEO and other members of management	1. Establishment of Sustainability Committee Established in June 2022, the Sustainability Committee is an advisory body to the Board of Directors that is chaired by the director who is responsible for corporate divisions, with executive officers responsible for human resource and accounting divisions serving as vice chairs and other members appointed via nomination. This committee adopts a broad definition of risk management to conduct comprehensive risks management for the entire Company and to discuss and examine sustainability strategies, which includes the identification and periodic revision of materiality issues. The Sustainability Committee also monitors the status of measures and progress toward targets. 2. Enhancement of Board of Directors’ Meeting Proceedings and Support Systems Procedures regarding the agendas and the sharing of information in advance of Board of Directors’ meetings will be revised to help secure sufficient time for discussion of important items for resolution. In addition, the new training opportunities will be provided to members of the Board of Directors in order to heighten their ability to respond to increasingly complex management and social issues.

Risk Management

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, asses, and combat risks with the potential to impact the ongoing growth and business activities of the Group. This committee meets once a quarter, in

principle, and the results of its examinations and discussions are reported to management. Based on these reports, management examines the relative weight of risks from its perspective to prioritize the risks needing to be addressed.

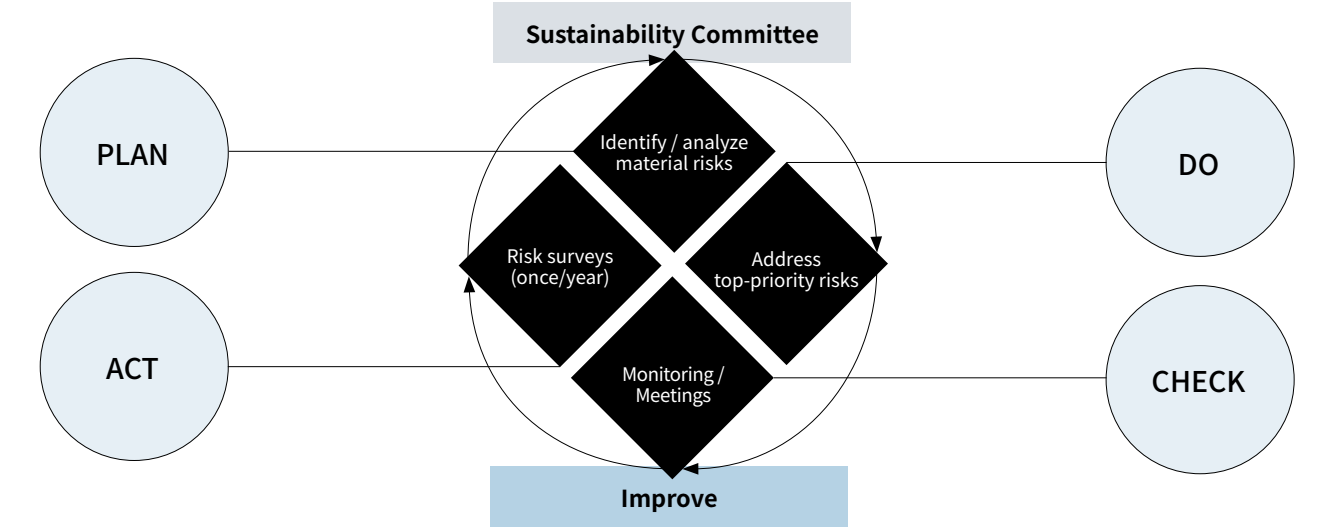
Identified risks are categorized as either business strategy risks or operational risks.

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.

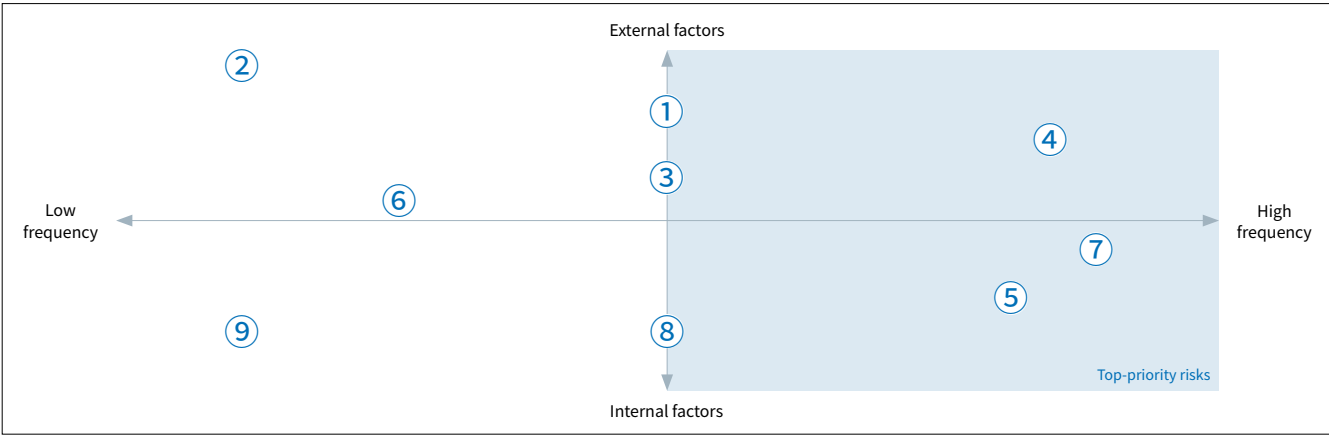
For risks judged to be material, response measures and countermeasures are examined and discussed after various levels, including the business, corporate, and senior management levels. The Sustainability Committee monitors progress in such measures as it works to promote ongoing improvements. In addition, 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 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	Supplementary Information
Business Strategy Risks	① Risks related to growth potential of the eBook industry ➡ P.26	• Risk of impacts on management policies and growth strategies • Risk of impacts on business performance	Potential for medium to large impacts (hundreds of millions of yen to billions of yen) on performance	The eBook market is expected to grow going forward, and the Company is committed to improving its systems and services to contribute to this growth.
	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	In response to the COVID-19 pandemic, the Company continued its business activities with approximately 30% of its employees teleworking full time. Conversely, the Company recognizes the need to establish business continuity plans and crisis response manuals and take other exhaustive measures to limit the potential impact of various external factors, such as pandemics, on business activities.
	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 number of accesses to such websites are on the rise, necessitating a joint response by the publishing industry and government agencies.
	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.
	⑤ Systems and information security risks ➡ P.52	• 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	Over the past year, there were no incidents resulting in economic losses and no incidents of information leakage. The Company recognizes the need for a Groupwide effort to enhance security systems and pursue ongoing improvements in order to prevent future incidents and information leaks.
	⑥ Investment and impairment risks ➡ P.40	• Risk of impacts on financial position • Risk of impacts on business activities, performance, cash flows, and stock price	Potential for medium impacts (hundreds of millions of yen) on performance	In the six months ended August 31, 2021, an impairment loss amounting to ¥394 million was recorded under extraordinary loss in relation to consolidated subsidiary Nagisa, Inc. This loss was recorded in response to changes in the operating environment pertaining to internet advertising regulations for operators of digital platforms, which affect the core manga app business of Nagisa. Based on these changes, an impairment loss was recorded following an examination of the progress toward the initial earnings forecast for this business and an assessment of the recoverability of goodwill.
Operational Risks	⑦ Human resource recruitment risks ➡ P.50	• 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 delays to business activities have been incurred as a result of human resource recruitment issues, but demand is already rising for recruitment of engineers and other human resources to fuel future growth.
	⑧ Internal control risks ➡ P.60	• 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 control systems in order to prevent future issues.
	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. However, it is still necessary to develop succession plans and otherwise prepare for unforeseen events.

MEDIA DO Co., Ltd. and its consolidated subsidiaries
As of February 28, 2022 and 2021

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

Financial Section

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

MEDIA DO Co., Ltd. and its consolidated subsidiaries

Years ended February 28, 2022 and 2021

Consolidated Statements of Income

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net sales	¥104,722	¥83,540	\$906,291
Cost of sales	94,848	75,810	820,839
Gross profit	9,874	7,730	85,452
Selling, general and administrative expenses (Note 12)	7,063	5,065	61,125
Operating profit (Note 18)	2,811	2,664	24,327
Other income (expenses)			
Interest and dividend income	10	6	86
Subsidy income	43	14	372
Gain on investments in investment partnership	2	17	17
Reversal of allowance for doubtful accounts	60	21	519
Share of profit of entities accounted for using equity method	—	50	—
Interest expenses	(31)	(36)	(268)
Share issuance costs	(15)	(22)	(129)
Foreign exchange losses	(9)	(9)	(77)
Share of loss of entities accounted for using equity method	(39)	—	(337)
Donations	(50)	—	(432)
Gain on sale of non-current assets (Note 13)	2	—	17
Gain on reversal of share acquisition rights	—	0	—
Reversal of provision for loss on business of subsidiaries and associates	37	—	320
Gain on change in equity	208	—	1,800
Loss on retirement of non-current assets (Note 14)	(66)	(0)	(571)
Loss on valuation of investment securities	(0)	(31)	(0)
Special provision of allowance for doubtful accounts	(178)	(139)	(1,540)
Provision for loss on business of subsidiaries and associates	—	(40)	—
Impairment loss (Note 15)	(405)	—	(3,504)
Other	(16)	0	(138)
Profit before income taxes	2,363	2,498	20,450
Income taxes—current	1,102	985	9,536
Income taxes—deferred	(236)	0	(2,042)
Total income taxes	865	985	7,485
Profit	¥ 1,498	¥ 1,513	\$ 12,964
Profit (loss) attributable to non-controlling interests	¥ (78)	¥ (6)	\$ (675)
Profit attributable to owners of parent	1,576	1,519	13,639

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)
	2022	2021	2022
Profit	¥1,498	¥1,513	\$12,964
Other comprehensive income (Note 16)			
Valuation difference on available-for-sale securities	(17)	(245)	(147)
Foreign currency translation adjustment	173	(2)	1,497
Total other comprehensive income	156	(248)	1,350
Comprehensive income	¥1,654	¥1,264	\$14,314
Comprehensive income attributable to:			
Owners of parent	¥1,732	¥1,271	\$14,989
Non-controlling interests	(78)	(6)	(675)

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, 2022 and 2021

	Millions of yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 1, 2020	¥1,899	¥2,778	¥ 665	¥(0)	¥ 5,342
Changes during period					
Issuance of new shares—exercise of share acquisition rights	2,490	2,490			4,981
Issuance of restricted shares	24	24			49
Dividends of surplus			(184)		(184)
Profit attributable to owners of parent			1,519		1,519
Purchase of treasury shares				(0)	(0)
Capital increase of consolidated subsidiaries		145			145
Sale of shares of consolidated subsidiaries		50			50
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					—
Total changes during period	2,515	2,710	1,335	(0)	6,561
Balance at February 28, 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					—
Balance at February 28, 2022	1,494	1,796	1,254	(0)	4,544
	¥5,909	¥7,285	¥3,254	¥(1)	¥16,447

	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
Balance at March 1, 2020	¥ 443	¥ 5	¥ 449	¥ 48	¥(1)
Changes during period					
Issuance of new shares—exercise of share acquisition rights					4,981
Issuance of restricted shares					49
Dividends of surplus					(184)
Profit attributable to owners of parent					1,519
Purchase of treasury shares					(0)
Capital increase of consolidated subsidiaries					145
Sale of shares of consolidated subsidiaries					50
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity	(245)	(2)	(248)	(37)	55
Total changes during period	(245)	(2)	(248)	(37)	55
Balance at February 28, 2021	¥ 198	¥ 3	¥ 201	¥ 11	¥53
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
Total changes during period	(6)	173	166	(10)	43
Balance at February 28, 2022	¥ 191	¥176	¥ 367	¥ 0	¥97

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at February 28, 2021	\$38,208	\$47,503	\$17,308	\$(8)	\$103,011
Changes during period					
Issuance of new shares	12,704	12,704			25,417
Issuance of new shares—exercise of share acquisition rights	0	0			0
Issuance of restricted shares	207	207			424
Dividends of surplus			(2,786)		(2,786)
Profit attributable to owners of parent			13,639		13,639
Purchase of treasury shares				(0)	(0)
Capital increase of consolidated subsidiaries		2,613			2,613
Net changes in items other than shareholders' equity					—
Total changes during period	12,929	15,543	10,852	(0)	39,324
Balance at February 28, 2022	\$51,138	\$63,046	\$28,160	\$(8)	\$142,336

	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
Balance at February 28, 2021	\$1,713	\$ 25	\$1,739	\$ 95	\$458
Changes during period					
Issuance of new shares					25,417
Issuance of new shares—exercise of share acquisition rights					0
Issuance of restricted shares					424
Dividends of surplus					(2,786)
Profit attributable to owners of parent					13,639
Purchase of treasury shares					(0)
Capital increase of consolidated subsidiaries					2,613
Net changes in items other than shareholders' equity	(51)	1,497	1,436	(86)	372
Total changes during period	(51)	1,497	1,436	(86)	372
Balance at February 28, 2022	\$1,662	\$1,523	\$3,176	\$ 0	\$839

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

Financial Section

CONSOLIDATED STATEMENTS OF CASH FLOWS

MEDIA DO Co., Ltd. and its consolidated subsidiaries
Years ended February 28, 2022 and 2021

		Millions of yen	Thousands of U.S. dollars [Note 1]
	2022	2021	2022
Cash flows from operating activities			
Profit before income taxes	¥ 2,363	¥ 2,498	\$ 20,450
Depreciation	455	279	3,937
Impairment loss	405	—	3,504
Amortization of goodwill	660	480	5,711
Increase in allowance for doubtful accounts	117	117	1,012
Increase (decrease) in provision for bonuses	10	(188)	86
(Decrease) increase in provision for point certificates	(24)	10	(207)
(Decrease) increase in provision for loss on business of subsidiaries and associates	(40)	40	(346)
Increase in retirement benefit liability	24	—	207
Interest and dividend income	(10)	(6)	(86)
Subsidy income	(37)	(14)	(320)
Interest expenses	31	36	268
Loss on valuation of investment securities	0	31	0
Gain on investments in investment partnerships	(2)	(17)	(17)
Share of loss (profit) of entities accounted for using equity method	39	(50)	337
Gain on change in equity	(208)	—	(1,800)
Increase in trade receivables	(1,385)	(3,836)	(11,986)
Increase in advances received	50	16	432
Decrease (increase) in inventories	3	(16)	25
Increase in prepaid expenses	(0)	(119)	(0)
Increase in trade payables	3,537	4,255	30,610
(Decrease) increase in accounts payable—other	(40)	85	(346)
Increase in deposits received	6	122	51
Decrease in accrued consumption taxes	(65)	(81)	(562)
Increase in consumption taxes refund receivable	(105)	(236)	(908)
Other, net	(59)	21	(510)
Subtotal	5,726	3,427	49,554
Interest and dividends received	14	10	121
Subsidies received	37	14	320
Interest paid	(32)	(35)	(276)
Income taxes paid	(1,113)	(873)	(9,632)
Net cash provided by (used in) operating activities	4,632	2,544	40,086
Cash flows from investing activities			
Purchase of property, plant and equipment	(66)	(11)	(571)
Purchase of intangible assets	(778)	(444)	(6,733)
Purchase of investment securities	(3,475)	(122)	(30,073)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,465)	(652)	(29,987)
Payments of guarantee deposits	(119)	(17)	(1,029)
Refund of guarantee deposits received	22	1	190
Other, net	48	(29)	415
Net cash provided by (used in) investing activities	(7,835)	(1,275)	(67,806)
Cash flows from financing activities			
Net increase in short-term borrowings	100	—	865
Repayments of long-term borrowings	(1,182)	(1,739)	(10,229)
Proceeds from issuance of shares	2,937	—	25,417
Proceeds from issuance of share acquisition rights	—	25	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	0	4,918	0
Purchase of treasury share acquisition rights	(10)	—	(86)
Proceeds from issuance of restricted shares	49	49	424
Proceeds from share issuance to non-controlling shareholders	517	199	4,474
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	79	—
Dividends paid	(322)	(184)	(2,786)
Purchase of treasury shares	(0)	(0)	(0)
Net cash provided by (used in) financing activities	2,089	3,349	18,078
Effect of exchange rate change on cash and cash equivalents	128	(4)	1,107
Net (decrease) increase in cash and cash equivalents	(985)	4,613	(8,524)
Cash and cash equivalents at beginning of period	12,703	8,089	109,935
Decrease in cash and cash equivalents resulting from change in scope of consolidation	(318)	—	(2,752)
Cash and cash equivalents at end of period [Note 17]	¥11,399	¥12,703	\$ 98,649

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, 2022 and 2021

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, 2022, which was ¥115.55 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 two 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.

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Significant subsidiaries and associates as of February 28, 2022 are as follows:

Company name	Share capital (Millions of yen)	Ownership interest (%)	Main business
Consolidated subsidiaries:			
Media Do International, Inc.	(Thousands of U.S. dollars) 17,972	100.0 (Direct)	eBook agency
NIHONBUNGEISHA Co., Ltd.	100	100.0 (Direct)	Publication and sale of books and magazines
Flier Inc.	306	74.0 (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
Nagisa, Inc.	100	68.8 (Direct)	Manga app operation
EVERYSTAR Co., Ltd.	50	70.0 (Direct)	Operation of the novel posting website, and other publishing-related businesses
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)	Operate the NetGalley website, which is a web marketing tool for books
NetGalley, UK Ltd.	(Thousands of pounds) 0	100.0 (Indirect)	Operate the NetGalley website, which is a web marketing tool for books
NetGalley, France SARL	(Thousands of euros) 40	100.0 (Indirect)	Operate the NetGalley website, which is a web marketing tool for books
and five 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

For the year ended February 28, 2022, the following changes have been made to the scope of consolidation and the equity method: The Company included NIHONBUNGEISHA Co., Ltd. and EVERYSTAR Co., Ltd. in the scope of consolidation since the Company acquired their shares. In addition, Quality Solutions, Inc., NetGalley, LLC and their subsidiaries are also included in the scope of consolidation since Media Do International, Inc., a consolidated subsidiary of the Company, acquired their shares and interests.

MyAnimeList Co., Ltd. was excluded from the scope of consolidation but included in the scope of the equity method since the Company’s ownership ratio decreased due to a third-party allotment. Similarly, A.I. Squared, Inc. was also excluded from the scope of the equity method since the Company’s ownership ratio decreased due to a third-party allotment.

pieces,Inc. and another company, wholly owned subsidiaries of the Company, are excluded from the scope of both consolidation and the equity method since their profit or loss (for the holding interest) and retained earnings (for the holding interest) are insignificant, and the impact is insignificant as a whole.

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.

As for EVERYSTAR Co., Ltd., since the deemed acquisition date is December 31, 2021 and the difference between the date and the Company’s closing date does not exceed three months, the Company has consolidated only their balance sheet items for the year ended February 28, 2022.

NIHONBUNGEISHA Co., Ltd. has changed their closing date to February 28/29 in order to be consistent to the Company’s closing date for consolidation. The closing dates of other consolidated subsidiaries are consistent to 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 with readily available market values are stated at market value based on the average prices for a period of one month before the balance sheet date. 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 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.

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 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.

(i) Provision for sales returns

The provision is provided for returned publications at the estimated amounts based on the past experiences of returned items.

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

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) 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

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translated at the average exchange rate for the fiscal year. Translation differences are included in foreign currency translation adjustment under net assets.

(m) Goodwill

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

(n) 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.

(o) Consumption taxes

The accounting method for national and local consumption taxes is based on the tax-exclusive method.

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

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021))

(1) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) in the United States conducted a joint project to clarify the comprehensive principles for recognizing revenues and published “Revenue from Contracts with Customers” (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. IFRS 15 will be applied from a fiscal period beginning on or after January 1, 2018 and Topic 606 will be applied from a fiscal period beginning on or after December 15, 2017. Under these circumstances, ASBJ also developed a comprehensive accounting standard for revenue recognition and published a new standard together with its implementation guidance.

As a basic policy for the development of the new standard, ASBJ determined to adopt the core principles of IFRS 15 to enhance the comparability of financial statements, which is one of the benefits of ensuring consistency with IFRS 15. In addition, for any practical issue to be considered in Japan, ASBJ is supposed to add alternative treatment to the extent that comparability is not impaired.

(2) Scheduled date of adoption

The Company will adopt the aforementioned standard and guidance from the beginning of the year ending February 28, 2023.

(3) Effect of adoption

The effect of adoption of the aforementioned standard and guidance on the Company’s consolidated financial statements is under evaluation.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019);

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019);

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) and

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, June 17, 2021)

(1) Overview

IASB and FASB provide detailed guidance on fair value measurements that is almost identical (IFRS 13 “Fair Value Measurement” by IASB and Accounting Standards Codification Topic 820 “Fair Value Measurement” by FASB). ASBJ has improved comparability with the provisions of these international accounting standards with regard to the guidance and disclosures about fair value of financial instruments, and issued these accounting standards along with the applicable guidelines.

The basic policy of ASBJ in developing accounting standards for the measurement of fair value is to basically incorporate all the provisions of IFRS 13 to improve the comparability of financial statements between domestic and foreign companies by using a uniform calculation method. In addition, in consideration of the practices that have been taken in Japan, other treatments for individual items are to be prescribed to the extent that they do not significantly impair comparability between financial statements.

(2) Scheduled date of adoption

The Company will adopt the aforementioned standards and guidance from the beginning of the year ending February 28, 2023.

(3) Effect of adoption

The effect of adoption of the aforementioned standards and guidance on the Company’s consolidated financial statements is not determined yet at this point in time.

(q) Changes in presentation

As shown below, effective from the year ended February 28, 2022, the Company has applied “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020). However, the disclosure for the previous fiscal year was not stated in accordance with the transitional treatment prescribed in a proviso to Paragraph 11 of ASBJ Statement No. 31.

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 sheet

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Goodwill	¥7,176	\$62,102

(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 (\$3,409 thousand) 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 amended on February 16, 2018).

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.

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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) Concentration of credit risk of financial instruments

As of February 28, 2022 and 2021, over 60.0% of operating receivables are from five major customers.

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

The fair value of financial instruments includes values based on market prices and values which are reasonably calculated in case market prices are not readily available. Since certain assumptions are used for the calculation, values may vary when different assumptions are applied.

(b) Fair values of financial instruments

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	¥—

Millions of yen			
	2021		
	Carrying value	Fair value	Difference
1) Cash and deposits	¥12,703	¥12,703	¥—
2) Notes and accounts receivable–trade	19,921	19,921	—
3) Investment securities			
Available-for-sale securities	271	271	—
Total assets	¥32,896	¥32,896	¥—
1) Notes and accounts payable–trade	¥22,507	¥22,507	¥—
2) Short-term borrowings	—	—	—
3) Long-term borrowings	6,653	6,653	—
Total liabilities	¥29,160	¥29,160	¥—

Thousands of U.S. dollars			
	2022		
	Carrying value	Fair value	Difference
1) Cash and deposits	\$ 98,649	\$ 98,649	\$—
2) Notes and accounts receivable–trade	201,557	201,557	—
3) Investment securities			
Available-for-sale securities	1,834	1,834	—
Total assets	\$302,059	\$302,059	\$—
1) Notes and accounts payable–trade	\$229,675	\$229,675	\$—
2) Short-term borrowings	865	865	—
3) Long-term borrowings	47,338	47,338	—
Total liabilities	\$277,888	\$277,888	\$—

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.

Thousands of U.S. dollars			
	Millions of yen		2022
	2022	2021	
Unlisted securities	¥3,819	¥ 298	\$33,050
Unlisted share acquisition rights	98	92	848
Investments in limited liability investment partnerships	226	190	1,955
Convertible bond-type bonds with share acquisition rights	1,525	1,437	13,197
Shares of associates	799	470	6,914
Guarantee deposits	503	375	4,353

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 [\$6,334 thousand] 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.

(c) 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	¥—	¥—	¥—

Millions of yen				
	2021			
	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	¥12,703	¥—	¥—	¥—
2) Notes and accounts receivables–trade	19,921	—	—	—
Total	¥32,625	¥—	¥—	¥—

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	Thousands of U.S. dollars			
	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	\$ 98,649	\$—	\$—	\$—
2) Notes and accounts receivables–trade	201,557	—	—	—
Total	\$300,216	\$—	\$—	\$—

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					
	2022			2021		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
1) Equity securities	¥ 410	¥ 275	¥135	¥ 265	¥ 22	¥242
2) Bonds						
Corporate bonds	1,084	956	127	996	956	40
3) Other	305	285	20	121	116	4
Total	¥1,800	¥1,517	¥283	¥1,383	¥1,095	¥287

	Thousands of U.S. dollars		
	2022		
	Carrying value	Acquisition cost	Difference
1) Equity securities	\$ 3,548	\$ 2,379	\$1,168
2) Bonds			
Corporate bonds	9,381	8,273	1,099
3) Other	2,639	2,466	173
Total	\$15,577	\$13,128	\$2,449

Securities with carrying values not exceeding acquisition costs

	Millions of yen					
	2022			2021		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
1) Equity securities	¥3,616	¥3,616	¥—	¥298	¥298	¥—
2) Bonds						
Corporate bonds	440	440	—	440	440	—
3) Other	24	24	—	167	169	{1}
Total	¥4,081	¥4,081	¥—	¥907	¥908	¥{1}

	Thousands of U.S. dollars		
	2022		
	Carrying value	Acquisition cost	Difference
1) Equity securities	\$31,293	\$31,293	\$—
2) Bonds			
Corporate bonds	3,807	3,807	—
3) Other	207	207	—
Total	\$35,318	\$35,318	\$—

(b) Available-for-sale securities sold

None

(c) Impairment loss on securities

The Company recognized an impairment loss of ¥0 million (\$0 thousand) on investment securities classified as available-for-securities for the year ended February 28, 2022 and an impairment loss of ¥31 million on shares of associates for the year ended February 28, 2021.

For securities whose fair value is extremely difficult to determine, an impairment loss is recognized when their actual value significantly declines due to deterioration of financial conditions or other reasons after taking into account collectibility.

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 2.0% as of March 31, 2022.

Long-term borrowings as of February 28, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unsecured long-term borrowings, weighted-average interest rates of 0.50% and 0.51% in 2022 and 2021, maturing through 2030	¥5,470	¥6,653	\$47,338
Less: Amounts due within one year	1,027	1,181	8,887
Long-term borrowings	¥4,443	¥5,471	\$38,450

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Amount included in Other under current liabilities	¥2	¥ 1	\$17
Amount included in Other under non-current liabilities	1	—	8

The redemption schedule for long-term borrowings and lease obligations

	Millions of yen					
	2022					
	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	¥1,027	¥1,007	¥1,007	¥1,007	¥1,007	¥415

	Thousands of U.S. dollars					
	2022					
	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	\$8,887	\$8,714	\$8,714	\$8,714	\$8,714	\$3,591

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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
	2022	2021	2022
Balance at beginning of the year	¥ —	¥—	\$ —
Increase due to newly consolidated subsidiaries	541	—	4,681
Retirement benefit expenses	80	—	692
Retirement benefit paid	(56)	—	(484)
Foreign currency translation adjustment	3	—	25
Balance at end of the year	¥569	¥—	\$4,924

(2) Retirement benefit expenses

		Millions of yen	Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit expenses calculated using the simplified method	¥80	¥—	\$692

(c) Defined contribution plan

		Millions of yen	Thousands of U.S. dollars
	2022	2021	2022
Contributions paid to the defined contribution plan	¥51	¥42	\$441
Total	¥51	¥42	\$441

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, 2022.

(a) Outline of stock options

	The 8th share acquisition rights	The 14th share acquisition rights
Date of resolution	Board of Directors’ meeting held on February 20, 2012	Board of Directors’ meeting held on July 22, 2015
Grantee	3 directors of the Company 2 auditors of the Company 39 employees of the Company	3 directors of the Company 6 employees of the Company
Number of stock options by class	Common share 384,000 shares (Note)	Common share 50,000 shares (Note)
Date of grant	February 25, 2012	August 10, 2015
Exercise period	From February 26, 2014 to February 25, 2022	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, 2022

	The 8th share acquisition rights	The 14th share acquisition rights
Non-vested (shares)		
February 28, 2021 – Outstanding	—	—
Granted	—	—
Expired	—	—
Vested	—	—
February 28, 2022 – Outstanding	—	—
Vested (shares)		
February 28, 2021 – Outstanding	3,600	15,000
Vested	—	—
Exercised	1,600	—
Expired	2,000	—
February 28, 2022 – Outstanding	—	15,000

For the 8th share acquisition rights, the number of shares is calculated after the stock splits carried out on September 14, 2013 (100-for-1), March 1, 2014 (2-for-1) and December 1, 2014 (2-for-1).

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.

For unexercised and expired share acquisition rights, the Company recognized a gain on reversal of share acquisition rights in the amounts of ¥- million (\$- thousand) and ¥0 million for the years ended February 28, 2022 and 2021, respectively.

(c) Price of share acquisition rights

	The 8th share acquisition rights		The 14th share acquisition rights	
	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥ 250	\$ 2.16	¥1,843	\$15.94
Average stock price at exercise	2,468	21.35	—	—
Fair value on the date of grant	—	—	10.00	0.08

Regarding the 8th share acquisition rights, the prices are calculated after the stock splits carried out on September 14, 2013 (100-for-1), March 1, 2014 (2-for-1) and December 1, 2014 (2-for-1). In addition, the fair value on the date of grant is not reasonably estimated for these stock options since the Company’s shares have not yet listed at the stock exchange on the grant date of the 8th share acquisition rights. Thus, for these stock options, the fair value on the date of grant presents the intrinsic value of respective option.

The Company applied both the transaction-based approach and the discounted cash flow (“DCF”) method to estimate the value of the Company’s shares on the date of grant. As a result, the estimated value of the Company’s shares was equal to the paid-in amount upon exercise of the share acquisition rights; therefore, the Company determines that the intrinsic value is zero and the fair value of share acquisition rights is also zero.

If calculating the intrinsic value per stock option unit, the total intrinsic value of stock option as of February 28, 2022 is ¥- million (\$- thousand) and the total intrinsic value exercised for the year ended February 28, 2022 is ¥3 million (\$25 thousand).

(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.

Financial Section

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
	2022	2021	2022
Balance at beginning of the year	¥ 74	¥63	\$ 640
Increase due to acquisition of property, plant and equipment	—	—	—
Adjustments due to the passage of time	0	0	0
Decrease due to performance of asset retirement obligations	(52)	—	(450)
Other	40	10	346
Balance at end of the year	¥ 63	¥74	\$ 545

10. INCOME TAXES

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Excess depreciation	¥ 110	¥ 82	\$ 951
Accrued enterprise tax	51	50	441
Loss on valuation of investment securities and investments in associates	486	437	4,205
Asset retirement obligations	19	22	164
Provision for point certificates	18	25	155
Provision for sales returns	21	—	181
Goodwill for tax purposes	64	—	553
Provision for bonuses	16	4	138
Excess allowance for doubtful accounts	224	188	1,938
Tax loss carryforwards	1,393	750	12,055
Retirement benefit liability	163	—	1,410
Other	83	50	718
Subtotal	2,654	1,613	22,968
Valuation allowance	(2,118)	(1,417)	(18,329)
Total deferred tax assets	535	195	4,630
Deferred tax liabilities:			
Intangible assets identified through business combinations	¥ (153)	¥ —	\$ (1,324)
Cost capitalized corresponding to asset retirement obligations	(10)	(13)	(86)
Valuation difference on available-for-sale securities	(80)	(87)	(692)
Other	(0)	(0)	(0)
Total deferred tax liabilities	¥ (245)	¥ (101)	\$ (2,120)
Net deferred tax assets	¥ 290	¥ 94	\$ 2,509

Note: Valuation allowance increases by ¥701 million (\$6,066 thousand) as of February 28, 2022. This increase consists of ¥476 million (\$4,119 thousand) of valuation allowance recognized by NIHONBUNGEISHA Co., Ltd., a newly consolidated subsidiary.

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

	2022	2021
Statutory tax rate	30.6%	30.6%
Adjustments:		
Permanent differences such as entertainment expenses	0.3	0.1
Inhabitants’ tax	0.3	0.3
Items deductible for tax purposes	(2.5)	—
Amortization of goodwill	12.6	4.7
Share of (gain) loss of entities accounted for using equity method	0.5	(0.6)
Gain on change in equity	(2.7)	—
Change in valuation allowance	(2.9)	5.0
Consolidation adjustment for gain or loss on sale of shares of subsidiaries	—	(0.7)
Other	0.4	0.1
Effective tax rate	36.6%	39.5%

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, 2022 and 2021:

		2022					
Resolution	Class of share	Total amount of dividends		Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Board of Directors’ meeting held on April 22, 2021	Common share	¥322	\$2,786	¥21.00	\$0.18	February 28, 2021	May 11, 2021

		2021			
Resolution	Class of share	Total amount of dividends	Dividends per share	Record date	Effective date
		(Millions of yen)	(Yen)		
Board of Directors' meeting held on April 23, 2020	Common share	¥184	¥13.00	February 29, 2020	May 12, 2020

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Dividends with a record date during the year ended February 28, 2022, but with an effective date subsequent to the year ended February 28, 2022, are as follows:

Resolution	Class of share	Total amount of dividends		Source	Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)		(Yen)	(U.S. dollars)		
Board of Directors' meeting held on April 21, 2022	Common share	¥333	\$2,881	Retained earnings	¥21.00	\$0.18	February 28, 2022	May 10, 2022

As of February 28, 2022 and 2021, 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		
	2022	2021
Common shares, issued and outstanding:		
At beginning of the year	15,370,300	14,175,100
Increase due to issuance of new shares in connection with exercise of the 18th share acquisition rights	—	680,400
Increase due to issuance of new shares in connection with exercise of stock options	1,600	508,900
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	10,902	5,900
At end of the year	15,872,451	15,370,300
Treasury shares:		
At beginning of the year	2,773	1,836
Increase due to purchase of odd-lot shares	44	137
Expiration of shares with certain transfer restrictions	—	800
At end of the year	2,817	2,773

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	2022	Millions of yen	Thousands of U.S. dollars
		2021	2022
Salaries and wages	¥2,569	¥1,482	\$22,232
Commissions	1,160	959	10,038
Retirement benefit expenses	87	32	752
Amortization of goodwill	660	480	5,711
Bonuses and provision for bonuses	147	46	1,272
Advertising expenses	472	746	4,084

13. GAIN ON SALE OF NON-CURRENT ASSETS

	2022	Millions of yen	Thousands of U.S. dollars
		2021	2022
Tools, furniture and fixtures	¥2	¥—	\$17
Other	0	—	0
Total	¥2	¥—	\$17

14. LOSS ON RETIREMENT OF NON-CURRENT ASSETS

	2022	Millions of yen	Thousands of U.S. dollars
		2021	2022
Buildings	¥ 4	¥—	\$ 34
Tools, furniture and fixtures	13	0	112
Software	47	—	406
Software under development	—	0	—
Other	1	—	8
Total	¥66	¥ 0	\$571

15. IMPAIRMENT LOSS

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

Company	Location	Use of assets	Type	Millions of yen	Thousands of U.S. dollars
Nagisa, Inc. (“Nagisa”)	Meguro-ku, Tokyo	Business assets	Goodwill	¥394	\$3,409
Flier Inc. (“Flier”)	Chiyoda-ku, Tokyo	Business assets	Tools, furniture and fixtures, Other intangible assets	10	86

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 with 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” (JICPA Accounting Committee Report No. 7, last amended on February 16, 2018).

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.

For the year ended February 28, 2021, no impairment loss is recognized.

16. OTHER COMPREHENSIVE INCOME

	2022	Millions of yen	Thousands of U.S. dollars
		2021	2022
Valuation difference on available-for-sale securities:			
Amounts incurred for the year	¥ (24)	¥(354)	\$ (207)
Reclassification adjustments	—	—	—
Before tax effect adjustments	(24)	(354)	(207)
Tax effect	7	108	60
Valuation difference on available-for-sale securities	(17)	(245)	(147)
Foreign currency translation adjustment:			
Amounts incurred for the year	173	(2)	1,497
Other comprehensive income, total	¥156	¥(248)	\$1,350

Financial Section

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, 2022 and 2021, are as follows:

		Millions of yen	Thousands of U.S. dollars
	2022	2021	2022
Cash and deposits	¥11,399	¥12,703	\$98,649
Time deposits with maturity in excess of three months	—	—	—
Cash and cash equivalents	¥11,399	¥12,703	\$98,649

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	Thousands of U.S. dollars
Quality Solutions, Inc. and NetGalley, LLC	2022	2022
Current assets	¥ 416	\$ 3,600
Non-current assets	21	181
Goodwill	713	6,170
Amount allocated as intangible assets	670	5,798
Current liabilities	(172)	(1,488)
Non-current liabilities	(73)	(631)
Acquisition cost of the newly consolidated subsidiaries due to acquisition of shares and interests	1,576	13,639
Balance of cash and cash equivalents of the newly consolidated subsidiaries	(266)	(2,302)
Difference: Amount paid for the acquisition	¥1,310	\$11,337

	Millions of yen	Thousands of U.S. dollars
NIHONBUNGEISHA Co., Ltd.	2022	2022
Current assets	¥ 3,278	\$ 28,368
Non-current assets	315	2,726
Goodwill	946	8,186
Current liabilities	(2,522)	(21,826)
Non-current liabilities	(517)	(4,474)
Acquisition cost of the newly consolidated subsidiary due to acquisition of shares and interests	1,500	12,981
Balance of cash and cash equivalents of the newly consolidated subsidiary	(183)	(1,583)
Difference: Amount paid for the acquisition	¥ 1,317	\$ 11,397

For the year ended February 28, 2021, Nagisa, Inc. newly became a consolidated subsidiary of the Company due to share acquisition. 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
Nagisa, Inc.	2021
Current assets	¥ 151
Non-current assets	58
Goodwill	779
Current liabilities	(125)
Non-current liabilities	(163)
Acquisition cost of the newly consolidated subsidiary due to share acquisition	699
Balance of cash and cash equivalents of the newly consolidated subsidiary	(46)
Difference: Amount paid for the acquisition	¥ 652

18. 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.

The Group consists of the following two reportable segments: “eBook distribution” and “Other.” The major segment of the Group is the “eBook distribution” business for mobile devices such as smartphones and tablet devices. The “Other” segment engages in various media operation, publishing and creative activity support business, and others.

(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				
	2022				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Net sales:					
Outside customers	¥99,309	¥5,409	¥104,718	¥ 4	¥104,722
Intersegment	50	517	568	(568)	—
Total	¥99,359	¥5,927	¥105,286	¥(564)	¥104,722
Segment income (loss)	¥ 2,650	¥ (179)	¥ 2,471	¥ 339	¥ 2,811
Other items:					
Amortization of goodwill	¥ 398	¥ 262	¥ 660	¥ —	¥ 660
Depreciation	291	116	407	48	455

	Thousands of U.S. dollars				
	2022				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Net sales:					
Outside customers	\$859,446	\$46,810	\$906,257	\$ 34	\$906,291
Intersegment	432	4,474	4,915	(4,915)	—
Total	\$859,878	\$51,293	\$911,172	\$(4,881)	\$906,291
Segment income (loss)	\$ 22,933	\$ (1,549)	\$ 21,384	\$ 2,933	\$ 24,327
Other items:					
Amortization of goodwill	\$ 3,444	\$ 2,267	\$ 5,711	\$ —	\$ 5,711
Depreciation	2,518	1,003	3,522	415	3,937

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) of ¥339 million (\$2,933 thousand) includes revenue from each reportable segment of ¥1,920 million (\$16,616 thousand) and corporate expenses of ¥(1,518) million (\$ (13,137) thousand). Corporate expenses are those relating to Head Office administrative divisions and not attributable to each reportable segment.
3. Segment income (loss) is reconciled to operating profit in the consolidated statements of income.

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Millions of yen					
	2021				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Net sales:					
Outside customers	¥82,349	¥1,190	¥83,540	¥ 0	¥83,540
Intersegment	10	175	186	(186)	—
Total	¥82,360	¥1,366	¥83,726	¥(185)	¥83,540
Segment income (loss)	¥ 2,594	¥ [248]	¥ 2,345	¥ 319	¥ 2,664
Other items:					
Amortization of goodwill	¥ 354	¥ 126	¥ 480	¥ —	¥ 480
Depreciation	172	20	193	85	279

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) of ¥319 million includes revenue from each reportable segment of ¥1,688 million and corporate expenses of ¥(1,364) million. Corporate expenses are those relating to Head Office administrative divisions and not attributable to each reportable segment.
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 there is no property, plant and equipment located outside Japan.

(c) Information on net sales by major customers

Company name	2022	Millions of yen	Thousands of U.S. dollars	Related segment
		2021	2022	
LINE Digital Frontier Corporation	¥19,093	¥17,002	\$165,235	eBook distribution
NTT Solmare Corporation	15,539	10,573	134,478	eBook distribution
Amazon Services International Inc.	13,349	11,501	115,525	eBook distribution
Digital Commerce Inc.	12,139	(Note)	105,054	eBook distribution
BookLive Co., Ltd.	(Note)	8,514	(Note)	eBook distribution

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

(Information on impairment loss)

Information on impairment loss for the year ended February 28, 2022 is as follows:

Millions of yen					
	2022				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Impairment loss	¥394	¥10	¥405	¥—	¥405

Thousands of U.S. dollars					
	2022				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Impairment loss	\$3,409	\$86	\$3,504	\$—	\$3,504

No impairment loss is recognized for the year ended February 28, 2021.

(Information on amortization and unamortized balances of goodwill)

Millions of yen					
	2022				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Amortization	¥ 398	¥ 262	¥ 660	¥—	¥ 660
Unamortized balances	4,195	2,980	7,176	—	7,176

Millions of yen					
	2021				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Amortization	¥ 354	¥126	¥ 480	¥—	¥ 480
Unamortized balances	4,988	725	5,713	—	5,713

Thousands of U.S. dollars					
	2022				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Amortization	\$ 3,444	\$ 2,267	\$ 5,711	\$—	\$ 5,711
Unamortized balances	36,304	25,789	62,102	—	62,102

19. RELATED-PARTY INFORMATION

For the year ended February 28, 2022

None

For the year ended February 28, 2021

Name	Title or description of business	Voting right	Transaction	Amount of transaction
				Millions of yen
Yasushi Fujita	Representative Director, President and CEO	15.8% directly owned	Exercise of share acquisition rights	¥ 73
Yoshiyuki Suzuki	Director and CAO	1.1% directly owned	Exercise of share acquisition rights	25
Atsushi Mizoguchi	Director and CBDO	1.3% directly owned	Exercise of share acquisition rights	25
FIBC Co., Ltd.	Asset management company	13.8% directly owned	Exercise of share acquisition rights	205

FIBC Co., Ltd. (“FIBC”) is an asset management company in which Yasushi Fujita, President and CEO of the Company, holds the majority of its voting rights. FIBC is located in Tokyo with share capital of ¥100 million.

20. PER SHARE INFORMATION

	Yen		U.S. dollars
	2022	2021	2022
Net assets per share	¥1,059.59	¥787.66	\$9.16
Profit per share	99.75	104.52	0.86
Diluted profit per share	99.68	102.80	0.86

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total net assets	¥16,912	¥12,169	\$146,360
Amounts deducted from the amount of total net assets	97	64	839
[Of which, share acquisition rights]	[0]	[11]	[0]
[Of which, non-controlling interests]	[97]	[53]	[839]
Net assets associated with common shares	16,815	12,104	145,521
Number of shares of common shares for the calculation of net assets per share (Share)	15,869,634	15,367,527	—

Financial Section

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Profit per share:			
Profit attributable to shareholders of the parent company	¥ 1,576	¥ 1,519	\$13,639
Amounts not attributable to common shareholders	—	—	—
Profit attributable to common shareholders of the parent company	1,576	1,519	13,639
Weighted-average number of common shares (Shares)	15,807,509	14,538,300	—
Diluted profit per share:			
Adjustments to profit attributable to shareholders of the parent company	¥ —	¥ —	\$ —
Increase in number of common shares (Shares)	10,639	243,657	—
[Of which, share acquisition rights (Shares)]	[10,639]	[243,657]	—
Details of diluted shares not included in the calculation of diluted profit per share due to no dilutive effect	(Note)	—	—

Notes: 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.

21. BUSINESS COMBINATIONS

(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 (\$13,639 thousand). Advisory fees of ¥9 million (\$77 thousand) were incurred as major acquisition-related cost.

Goodwill of ¥713 million (\$6,170 thousand) 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	Thousands of U.S. dollars
Quality Solutions, Inc. and NetGalley, LLC	2022	2022
Current assets	¥416	\$3,600
Non-current assets	21	181
Total assets	¥438	\$3,790
Current liabilities	¥172	\$1,488
Non-current liabilities	73	631
Total liabilities	¥246	\$2,128

Of total acquisition costs, ¥670 million (\$5,798 thousand) is allocated to intangible assets other than goodwill (i.e. trade-marks, 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’ performance for the period from April 1, 2021 to February 28, 2022.

The acquisition was made in exchange for cash of ¥1,500 million (\$12,981 thousand). Advisory fees of ¥13 million (\$112 thousand) were incurred as major acquisition-related cost.

Goodwill of ¥946 million (\$8,186 thousand) 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	Thousands of U.S. dollars
NIHONBUNGEISHA Co., Ltd.	2022	2022
Current assets	¥3,278	\$28,368
Non-current assets	315	2,726
Total assets	¥3,594	\$31,103
Current liabilities	¥2,522	\$21,826
Non-current liabilities	517	4,474
Total liabilities	¥3,039	\$26,300

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 (\$8,697 thousand). Advisory fees of ¥10 million (\$86 thousand) 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 14, 2022, the Company has 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	600,000 shares (maximum) (Ratio to the outstanding shares, excluding treasury shares: 3.78%)
Total amount of acquisition	¥1,000 million (\$8,654 thousand) (maximum)
Period of acquisition	From April 15, 2022 to September 30, 2022
Acquisition method	Market purchase including Tokyo Stock Exchange Trading NeTwork System (ToSTNeT-3)

Based on the resolution above, the Company acquired 462,500 shares of its own common shares (total acquisition cost: ¥999 million (\$8,645 thousand)) during the period from April 15, 2022 to April 18, 2022.



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, 2022 and 2021, 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, 2022 and 2021, 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 concerning the valuation of goodwill that arose from the acquisition of Nagisa	
The key audit matter	How the matter was addressed in our audit
As described in Note 15. “Impairment Loss” to the consolidated financial statements, the Company recognized the amount of ¥394 million as an impairment loss on goodwill that arose from the acquisition of Nagisa, Inc. (“Nagisa”) for the current fiscal year. The Company determined that the	The primary procedures we performed to assess the appropriateness of the judgment concerning the valuation of goodwill that arose from the acquisition of Nagisa included the following: (1) Internal control testing

substantive value of the shares of Nagisa reflecting excess earnings potential was deemed to have decreased significantly compared to the acquisition cost as at the end of the current year, and recorded a loss on valuation of investments in associates for investments in Nagisa in the nonconsolidated financial statements. As a result of recognition of the impairment loss, goodwill that arose from the acquisition of Nagisa was fully written off in the consolidated financial statements in accordance with Paragraph 32 of "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (Accounting Practice Committee Statement No. 7; the latest revision dated on February 16, 2018, issued by the Japanese Institute of Certified Public Accountants).

The substantive value reflecting excess earnings potential was estimated using the future cash flows calculated based on the business plan of Nagisa. Particularly estimates such as an expected increase in the number of customers included in the business plan involved a high degree of uncertainty. Accordingly, management’s judgment thereon had a significant effect on the estimated substantive value reflecting excess earnings potential.

In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the substantive value required a high degree of expertise in valuation.

We, therefore, determined that our assessment of the appropriateness of the judgment concerning the valuation of goodwill that arose from the acquisition of Nagisa 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 concerning the valuation of goodwill. In this assessment, we focused our testing on assessment of the reasonableness of the business plan and future cash flows and discount rate estimated based on the business plan, and on controls relevant to the approval system.

(2) Assessment of the reasonableness of the estimated future cash flows

In order to assess the appropriateness of key assumptions embedded in the business plan of Nagisa that formed the basis for estimating future cash flows, we inquired of management and the personnel responsible for the relevant business regarding the basis for the assumptions. In addition, we:

- evaluated the appropriateness of the assumptions for the expected increase in the number of customers by understanding the effects of key measures, inspecting management dashboard screen, and comparing the recent actual results with competitors’ historical performance and market forecasts published by external entities; and
- assessed whether there is information such as changes in the business environment that should be reflected in the business plan for the future fiscal years by inspecting the minutes of the board of directors’ meetings.

(3) Assessment of the reasonableness of the estimated discount rate

We performed the following procedures by involving a valuation specialist within our domestic network firms who assisted in our evaluation of the discount rate:

- assessment of the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards and others; and
- assessment of the reasonableness of the input data that formed the basis for calculating the discount rate through comparison with relevant data published by external organizations.

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.

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, 2022 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.

Noboru, Saito
Designated Engagement Partner
Certified Public Accountant

Tetsuro, Shimbo
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
July 29, 2022

Notes to the Reader of Independent Auditor’s Report:
This is a copy of the Independent Auditor’s Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Corporate and Stock Information

(As of February 28, 2022)

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	¥5,909 million
Location	Head Office: 5F, PALACESIDE Bldg., 1-1-1 Hitotsubashi, Chiyoda-ku, Tokyo 100-0003, Japan
Number of employees	Consolidated: 580 Non-consolidated: 308
Number of consolidated subsidiaries	18
Number of associated accounted for by the equity method	2
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	15,872,451
Number of shareholders	4,233
Securities code	3678
Stock listing	Tokyo Stock Exchange, First Section Corporate and Stock Information

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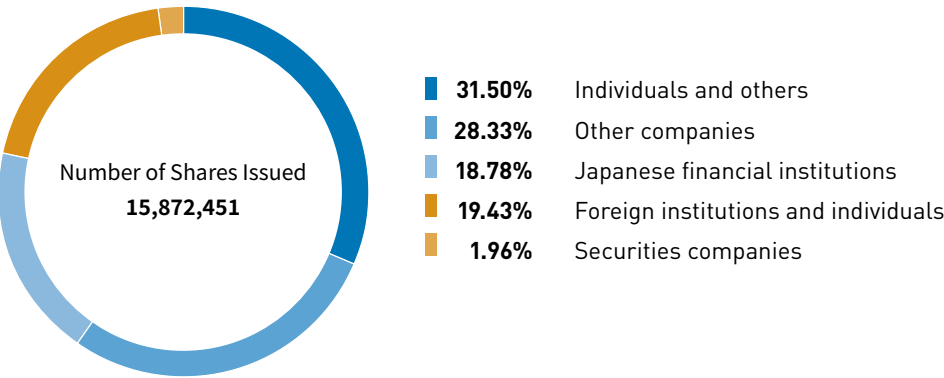
The vertical lines in MEDIA DO’s corporate logo represent each of our employees as they exercise independence in how they think, create, and act. This logo symbolizes the endless potential of growth between autonomous individuals and mutually supportive colleagues. Our corporate colors are blue and orange. 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	2,439,816	15.37
FIBC Co., Ltd.	2,114,700	13.33
Custody Bank of Japan, Ltd. (Trust Account)	1,371,100	8.64
GOLDMAN SACHS & CO. REG (Standing Proxy: Goldman Sachs Japan Co., Ltd.)	1,099,302	6.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,059,900	6.68
SHOGAKUKAN Inc	564,800	3.56
JP MORGAN CHASE BANK (Standing Proxy: Mizuho Bank, Ltd.)	547,832	3.45
KODANSHA LTD.	544,000	3.43
TOHAN CORPORATION	489,649	3.09
Kazuyoshi Ohwada	457,400	2.88

Note: Treasury stock (2,817 shares) has been eliminated from the total number of shares issued in calculating the percentage of total shares issued.

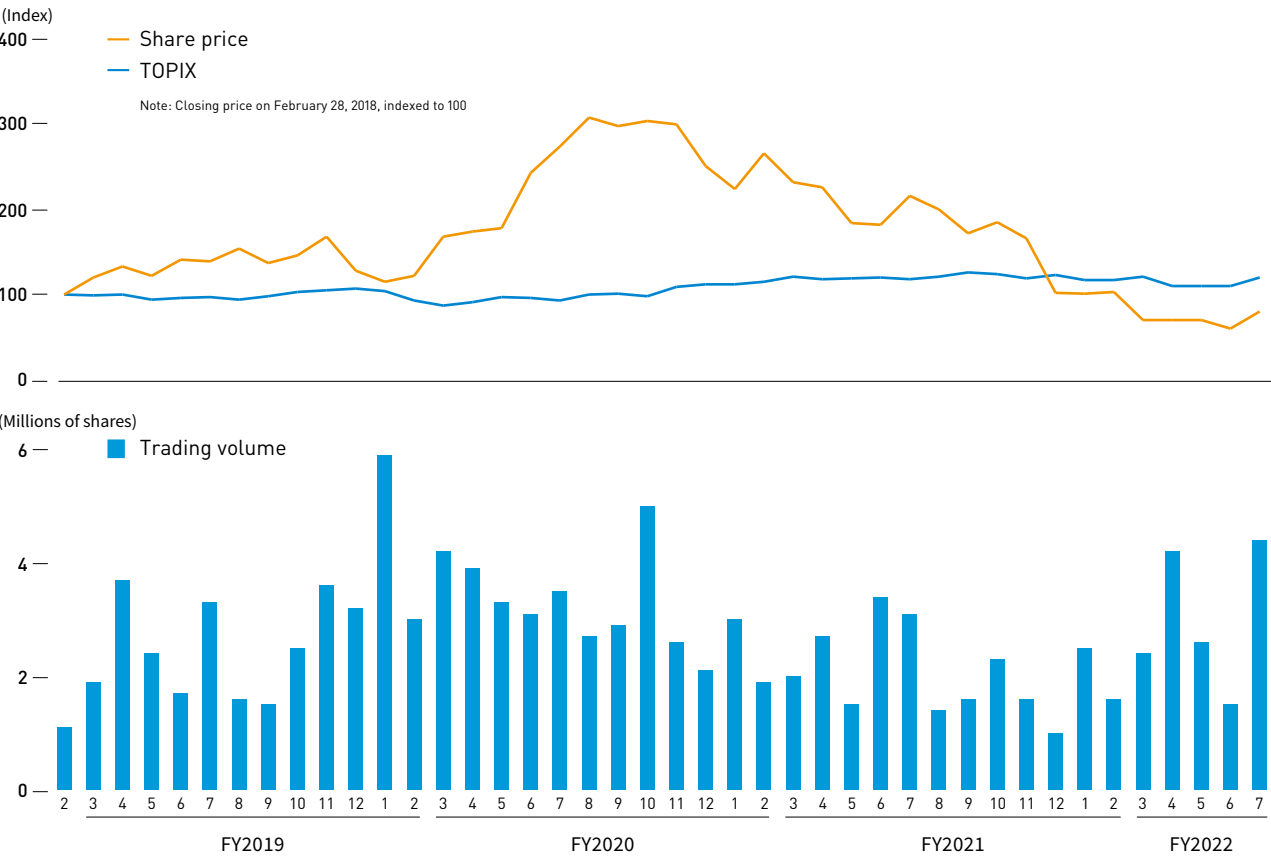
Distribution of Shares Held by Shareholder Type



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.	94.7%	120.4%	139.0%	270.9%	124.4%
TOPIX (including dividends)	117.6%	109.3%	105.3%	133.1%	137.6%
TOPIX (Information and Communication)	111.7%	114.9%	123.6%	177.2%	156.3%

Share Price and Trading Volume (Tokyo Stock Exchange)



Publication of Integrated Report, Purpose, and Production Process

It is often said that a company’s financial statements are like its report card. If this is true, then our integrated report, which includes non-financial information, would be a full-length mirror. I say this because, in preparing this year’s report, we took a cold hard look at the MEDIA DO of today and compared it to our vision for the Company of the future. This involved a process of discussion among relevant Group divisions and companies during which we verified our value creation model and reexamined the pertinent information from the perspectives of our stakeholders.

One of the most meaningful aspects of the process of producing an integrated report is how it gives us the opportunity to acknowledge the truth of the Company at this point in time, to compare ourselves with other companies, and to thereby find areas where we can improve. Since we published our first integrated report in 2020, we have proceeded to bolster the amount of information we disclose while also improving upon our corporate governance systems. These efforts helped us to procure funds in 2020 and then to list MEDIA DO’s shares on the Prime Market segment of the Tokyo Stock Exchange in April 2022. For the fiscal year ended February 28, 2023, we are projecting our first year of lower sales and profit since MEDIA DO was listed on the stock exchange. Our stock price has also declined from its peak. I suspect that these facts might be a cause of concern for our shareholders and other stakeholders, but rest assured that we are making steady progress in building the foundation for future growth in order to accomplish the targets of the new medium-term management plan announced in April 2022.

The process of producing this integrated report was overseen by President Yasushi Fujita and myself. Together with the Corporate Planning Office, 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. We believe that this report will be a valuable tool for fostering sustainability awareness, and will thus be using it at briefings for employees and other occasions.

It is my hope that this report will help our stakeholders gain a better understanding with regard to our initiatives.



Hiroshi Kanda

Director, CSO and CFO



Media Do

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Printed in Japan