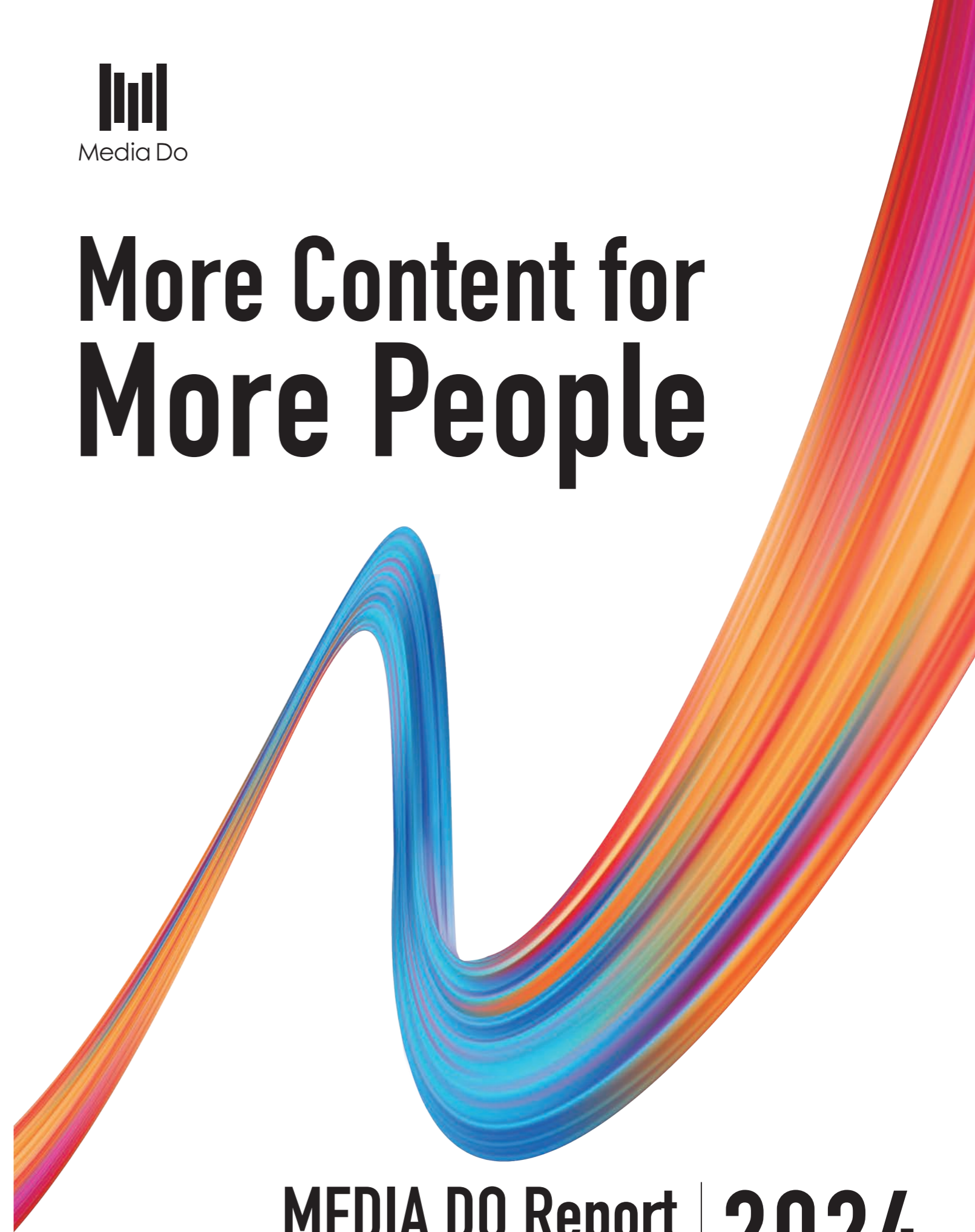




More Content for More People



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MEDIA DO Report | **2024**
MEDIA DO Co., Ltd. | Integrated Report

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The Key Points and Preparation Process of the Integrated Report 2024

The cover design features a powerful letter "N." MEDIA DO has overcome decreased revenue and profit in the 10 years since its initial public offering (IPO) and the 30 years since its founding. Now, it has started to see a trend of returning to growth in a second N-shaped recovery.

In May 2024, MEDIA DO moved to a dual-executive system to continue growing as a corporation and making contributions to society. What are the values that MEDIA DO

has consistently cherished as it expands a variety of businesses through content in line with current trends? What should the Company pass on to the next generation in its corporate DNA as it aims to become an organization that will continue for 100 years? With these questions at its core, the fifth MEDIA DO Report puts human resources as the focus of value creation at MEDIA DO and newly defines the human resources that MEDIA DO wants.

In preparing the report, the Company built a framework for a cross-sectional series of discussions involving each executive officer,

business, and corporate division. This process was led by the President and CEO and the Vice President and CFO, with the Corporate Planning Department playing a central role. Based on the feedback gained from regular dialogs with stakeholders, the Company aimed to convey its attractiveness and its efforts toward increasing its corporate value holistically. We would be pleased if this publication can help our stakeholders understand the Company better and empathize with its efforts even slightly more than before.



Hiroshi Kanda
Vice President and CFO

Saki Tobar
Public Relations Section, Corporate Planning Division

Takashi Kuramoto
Finance / IR Section, Corporate Planning Division

Natsuka Miyagi
Deputy General Manager, Corporate Planning Division

Editorial Policy

MEDIA DO Co., Ltd. Integrated Report 2024 (MEDIA DO Report) is published as an integrated communication tool for all stakeholders, including shareholders and investors, business partners and employees. Its goal is to convey the financial and non-financial aspects of each business strategy's direction, aiming to realize MEDIA DO's mission and vision, sustainability activities and progress.

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

Period Covered

FY2023, the fiscal year ended February 29, 2024 (March 1, 2023, through February 29, 2024)
*Note: Some information from outside this time frame is included.

Cautionary Note on Forward-Looking Statements

The current plans, projections, strategies and other information included in this booklet are based on the information available when these materials were created and include forward-looking statements determined by the Company. Actual future performance depends on various factors, so please understand that the results might differ greatly from the outlook. Some of these risks and uncertainties affect business performance, including economic conditions influencing the Company's business environment, market competition, exchange rates and tax or other policies.

Information Disclosure Framework

Financial Highlights	Non-Financial Highlights
Integrated Report 2024	
<p>IR Information https://mediado.jp/english/ir/</p> <p>Securities Report (Japanese Only) https://mediado.jp/ir/library/securities/</p> <p>Summary of Consolidated Financial Results https://mediado.jp/english/ir/library/</p> <p>Financial Results Briefing https://mediado.jp/english/ir/library/</p> <p>Medium-term Management Plan https://mediado.jp/english/ir/library/midplan/</p>	<p>Sustainability https://mediado.jp/english/sustainability/</p> <p>ESG Highlights https://mediado.jp/english/sustainability/</p> <p>Corporate Governance Report https://www.release.tdnet.info/inbs/ek/140120240521502510.pdf</p>
Other	
<p>Recruitment Information (Japanese Only) https://mediado.jp/recruit/</p> <p>List of Group Companies https://mediado.jp/english/about/profile/</p>	<p>Introduction to the Office https://mediado.jp/english/about/office/</p>

Origin of the Company Name

MEDIA DO

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.

WHAT WILL NEVER CHANGE



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.

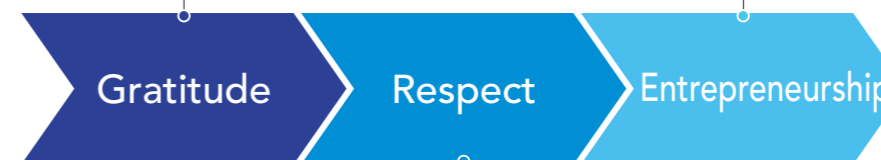
MISSION

Unleashing a virtuous cycle of literary creation

Human resources who are independently entrepreneurial, respectful and grateful for the environment that gave rise to us

MEDIA DO will contribute to the expansion of culture, taking on the role of distributing "crystallized wisdom," and never forgetting to be grateful to the environment that gave rise to us.

To become a reliable company that surpasses the expectations of those who gave rise to us, we are acting to generate intermediary value while taking pleasure in seeing ourselves grow through trial and error.



We will treat authors, their written works, every peer and colleague working in the content industry and at MEDIA DO and everyone who nurtured us with respect, and build deep relationships of trust with them.

VISION

More Content for More People!

"4 Policies"

VALUES

Do Professional
Do Myself
Do My Best
Do Sustainable
We act.

"18 Stances"

AT A GLANCE

Our Now

Introducing “the now” of a company aiming to expand its industry and contribute to society while continuing to create value.

Consolidated Performance Highlights

Consolidated Net Sales

¥94 billion

eBook Distribution Business: ¥86.4 billion
Strategic Investment Businesses: ¥7.4 billion

Consolidated operating profit

¥2.06 billion

Quantifying MEDIA DO

Founding

30th anniversary

In June 1994, the Company was established by President and CEO Fujita while he was still in college.

Gross transaction value of distribution and Japan’s eBook distribution market share

¥170 billion,
Approx. **30 %**

The Company is Japan’s largest eBook wholesale distributor.

Number of business partners

Publishers: More than **2,200**
eBook retailers: Over **150**

We have dealt with almost all publishers and eBook retailers that handle eBooks and have built strong relationships of trust with them.

Number of managed eBook distributor campaigns

Over **17,000** annually

This was an increase of 3.1 times over the five years since the fiscal year ended February 28, 2019.

Number of employees (non-consolidated/consolidated)

316 Persons (non-consolidated)
606 Persons (consolidated)

We have group companies in Japan and overseas, and are striving to build a robust organization.

*Note: This does not include temporary hires.

Percentage of women among all managers (non-consolidated)

30.7 %

The Company works to empower women and its other diverse human resources to play an active role in its operations.

MEDIA DO’s Aim for

The Future

The Company contributes to expanding culture through content and building a richer society.

Digital transformation of the publishing industry

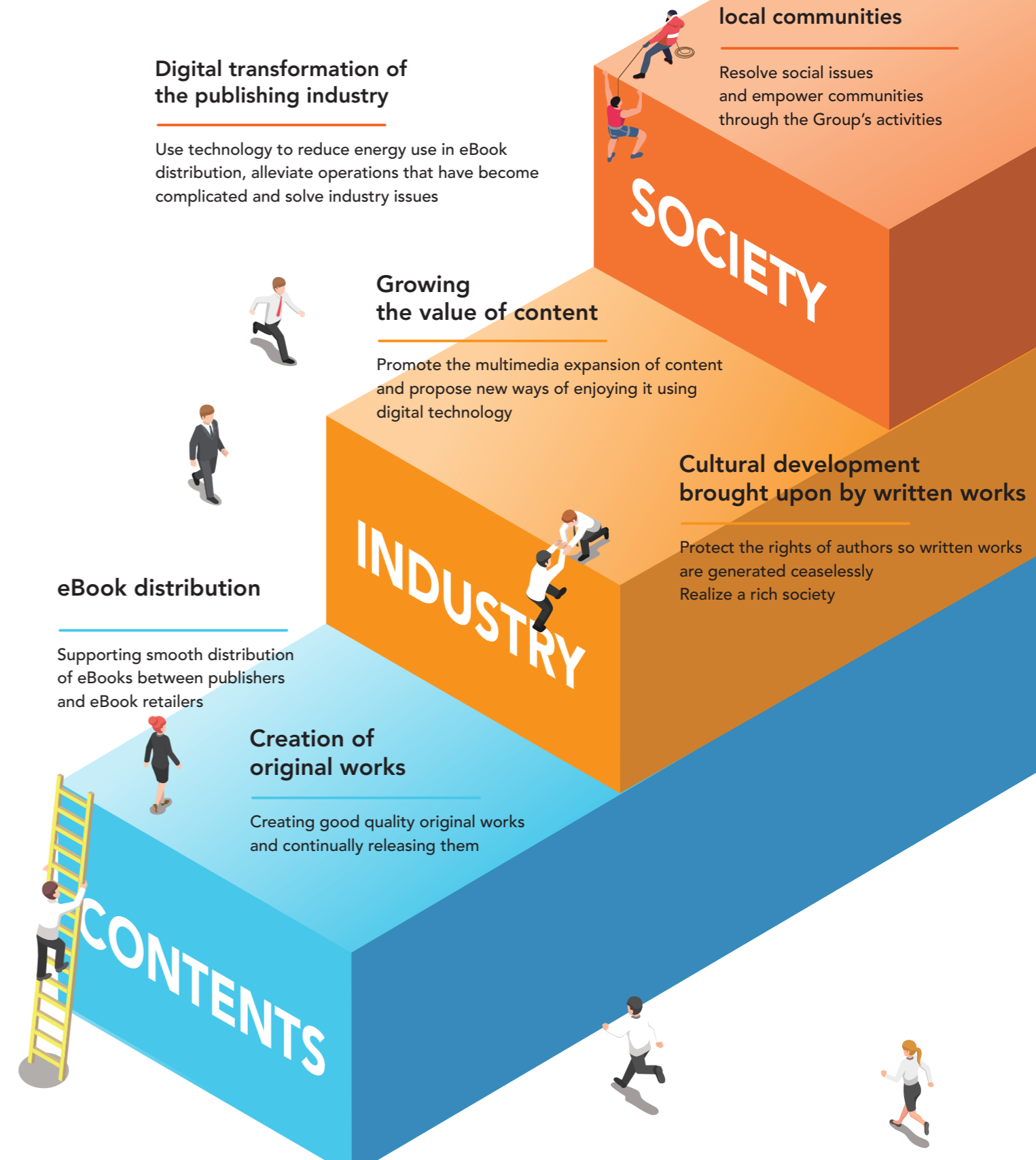
Use technology to reduce energy use in eBook distribution, alleviate operations that have become complicated and solve industry issues

Growing the value of content

Promote the multimedia expansion of content and propose new ways of enjoying it using digital technology

Developing the economies of local communities

Resolve social issues and empower communities through the Group’s activities



OUR STRENGTH

In the 30 years of history since its founding, MEDIA DO has cultivated a one-of-a-kind presence by building relationships of trust with the industry, and has developed in-house technological capabilities that contribute to reduced energy use in distribution. It will seek to improve its strengths moving forward and plans to further develop its business.

POSITION The One and Only Presence

TECHNOLOGY The In-House Developed Technology

Through our eBook Distribution Business, we have dealt with almost all publishers and eBook retailers that handle eBooks and have built strong relationships of trust with them. This position is one of our greatest strengths, and even today, as the largest eBook distributor in Japan, we have a one and only presence in the industry.

A feature of the Company is its organizational structure, which can develop an optimal system in-house to respond to the publishing and content industry. Wielding these in-house technological capabilities will enable it to reduce publishers and eBook retailers' energy use in distribution.

No. 1
eBook distribution market share in Japan

Gross transaction value of distribution
Approx. ¥170 billion

Track record of transactions with over 2,200 publishers and more than 150 eBook retailers (in Japan)

Total managed eBook distributor campaigns
More than 17,000
(up 5.9% year on year)

Number of content items distributed through campaigns
More than 2.1 million
(up 20.5% year on year)

Shareholders share of the publishing industry, led by major publishers and TOHAN CORPORATION, is approximately 15%, building strong relationships as a partner

Speedy one-stop support
from system development to data analysis

The development and proven track record of a core distribution system, driven by a strong commitment to the industry and our business partners

Based on an understanding of the business and commercial practices, it **engages in development focused on customer satisfaction, and provides added value**

*Note: All figures are results from fiscal year ended February 28, 2024

OUR HISTORY

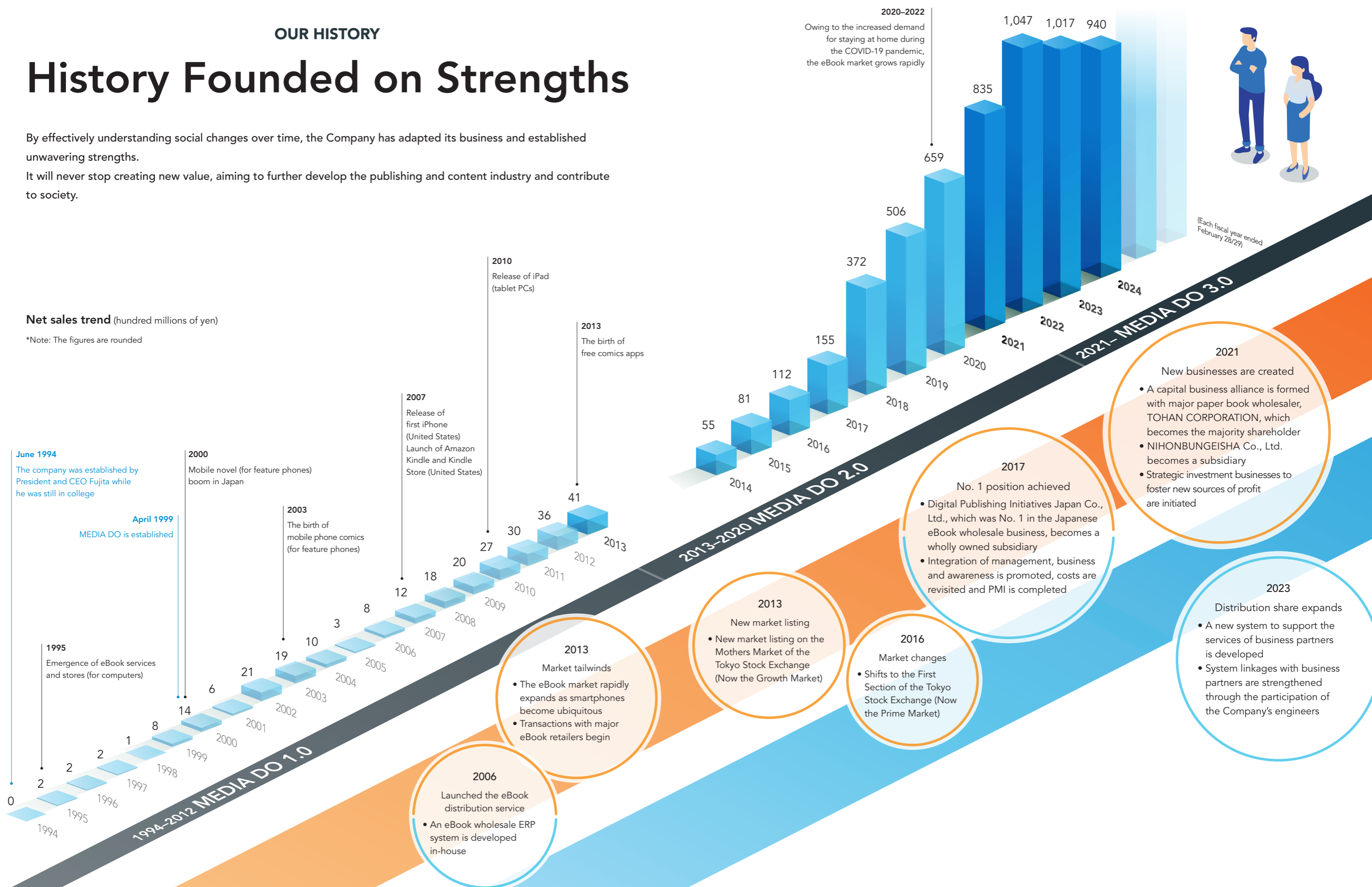
History Founded on Strengths

By effectively understanding social changes over time, the Company has adapted its business and established unwavering strengths.

It will never stop creating new value, aiming to further develop the publishing and content industry and contribute to society.

Net sales trend (hundred millions of yen)

*Note: The figures are rounded



2006
Launched the eBook distribution service

- An eBook wholesale ERP system is developed in-house

2013
Market tailwinds

- The eBook market rapidly expands as smartphones become ubiquitous
- Transactions with major eBook retailers begin

2013
New market listing

- New market listing on the Mothers Market of the Tokyo Stock Exchange (Now the Growth Market)

2016
Market changes

- Shifts to the First Section of the Tokyo Stock Exchange (Now the Prime Market)

2017
No. 1 position achieved

- Digital Publishing Initiatives Japan Co., Ltd., which was No. 1 in the Japanese eBook wholesale business, becomes a wholly owned subsidiary
- Integration of management, business and awareness is promoted, costs are revisited and PMI is completed

2021
New businesses are created

- A capital business alliance is formed with major paper book wholesaler, TOHAN CORPORATION, which becomes the majority shareholder
- NIHONBUNGEISHA Co., Ltd. becomes a subsidiary
- Strategic investment businesses to foster new sources of profit are initiated

2023
Distribution share expands

- A new system to support the services of business partners is developed
- System linkages with business partners are strengthened through the participation of the Company's engineers

POSITION

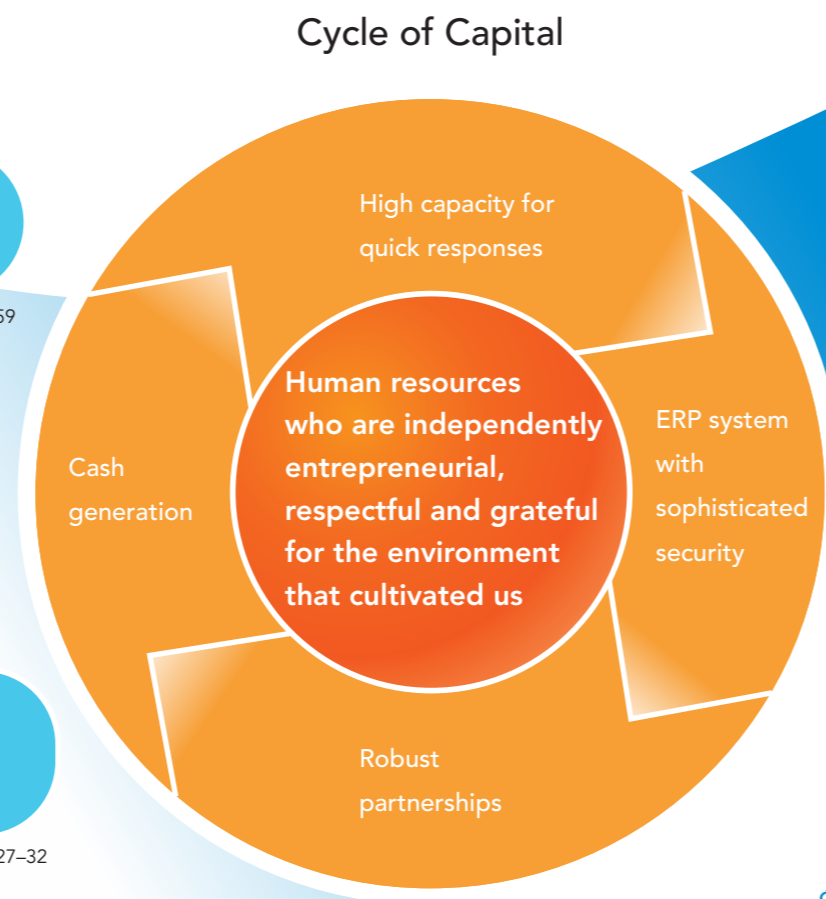
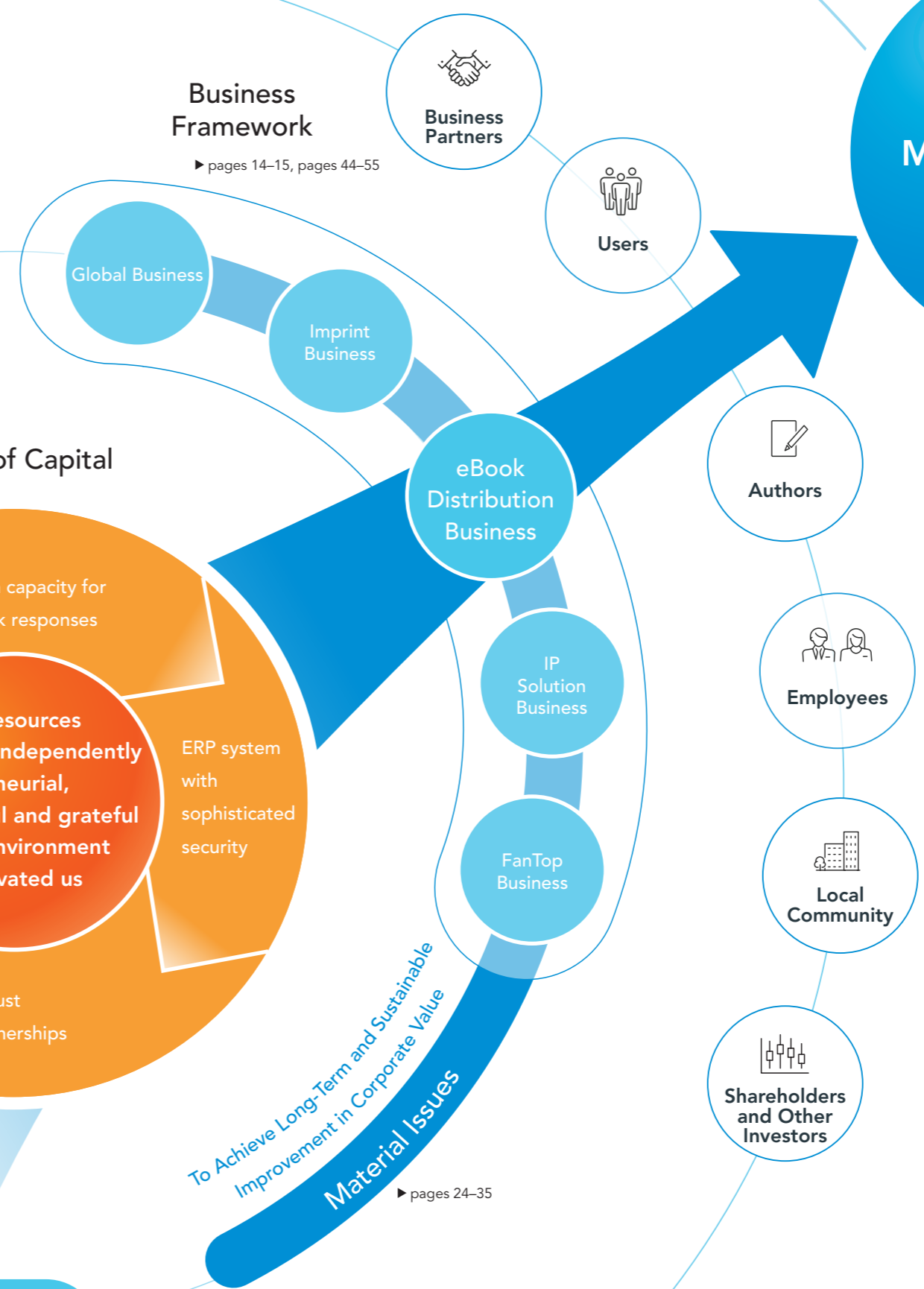
TECHNOLOGY

VALUE CREATION PROCESS

Framework For Generating Value

Working human resources are the drivers of value creation in all businesses the Group develops, and employee growth is linked to the medium- to long-term growth of the Company. By utilizing a variety of capital centered on human resources with the aim of realizing this philosophy is building a cycle to maximize added value.

MISSION | Unleashing a virtuous cycle of literary creation



Financial Capital
Stable financial base and operating profit that supports business activities
▶ pages 58–59

Intellectual and Technological Capital
Sophisticated development capabilities and framework to support heavy traffic
▶ pages 6–7, pages 33–35

Human Capital
Human resources supporting business activities and value creation and human resource portfolio construction
▶ pages 12–13, pages 27–32

Social Capital
Over 30 years since its founding, the Company has built resilient relationships with the publishing industry and local communities
▶ pages 6–7, pages 30–32

Natural Capital
Promotion of environmental conservation in response to issues related to environmental impact and climate change
▶ page 26

Social challenges and external environment

Steady growth of the eBook market in Japan

Growing operational burden of eBook distribution in line with the diversification of eBook distribution

Worldwide spread of Japanese content, especially comics

The heightened momentum toward digital transformation in the publishing industry, and changes in the industry structure involving mostly issues related to the ratio of paper and eBooks



The Human Resources that MEDIA DO Wants

Human resources who are independently entrepreneurial, respectful and grateful for the environment that cultivated us



Gratitude is our cornerstone as we remain dedicated to the growth of our employees

The vision for the human resources pursued by the Company, laid out for the first time in this publication, reflects the founding management's philosophy and the employees working under its leadership and is based on discussions involving the management team. Written works have broadened our sensibilities and horizons since childhood. We feel heartfelt gratitude toward the creators and industry that produce such works, which is the fundamental value that informs all of our corporate activities.

Because of these values, we respect the content, can generate new ideas to contribute to the development of the content industry and proactively



make proposals and act on them. I am passionate about world-class content from Japan. In fact, what led me to join the Company was its focus on adding value to such content in terms of distribution.

With this in mind, I see my role in HR as instilling a framework of methods that allows every employee working at the Company to recognize the roles they are expected to perform in the organization, foster self-reflection and extend the scope of their contributions to the content industry and to society as a whole. By improving the overall performance of our entire workforce, we should be able to further increase the content industry's expectations and the Company's presence in the field.

I have made a career in business/management planning and human resources, and I have long been committed to building an appropriate human resource management framework tied to the management strategy. This is essentially my life's work. For me, there can be no greater pleasure than contributing to the growth of the whole organization and every single employee working

for it. I intend to do whatever I can to provide every employee with many opportunities to thrive and to facilitate an environment where anyone can work enthusiastically.



Minoru Mikoda
Executive Officer and CHRO

Furnishing an environment that nurtures engineers, and supporting content distribution through IT

I want the Company's engineers to aspire to be IT leaders who support digital content distribution. I believe that pursuing this role will further boost the value of the Company's contributions to its stakeholders, which is why we are concentrating on building a technical organization and training our engineers.

To summarize the Company's human resource needs regarding engineers, I believe engineers should possess development skills, the capacity to understand business, make proposals and be self-motivated. A key to cultivating such engineers is an organizational environment where they can engage in highly specialized work early on and have access to skills



development opportunities, irrespective of age.

In the past, the Company capitalized on its expertise in some specific technologies to drive its business growth. Even so, with successive partial optimizations through M&A and other means, the domains of technologies being utilized have been steadily increasing. Now, we have a policy of building up expertise in the technological domains we have expanded into, have laid out a medium- to long-term roadmap and are working to achieve organizational improvements. As a result of these efforts, we seek to develop a technical organization that can deliver added value, maximizing the content creation cycle and value at a higher quality and quicker pace.

The Company's material (key) issues will be addressed in parallel with organizational improvements. As part of its efforts to utilize advanced technologies, the Company will prepare a basis for utilizing its varied data, identify the optimal technologies and conceive of new services that contribute to the industry. To strengthen information



Kaname Nakano
Executive Officer and CIO

security, the Company will build an infrastructure that is more secure than before for content distribution and reinforce its countermeasures against all threats.

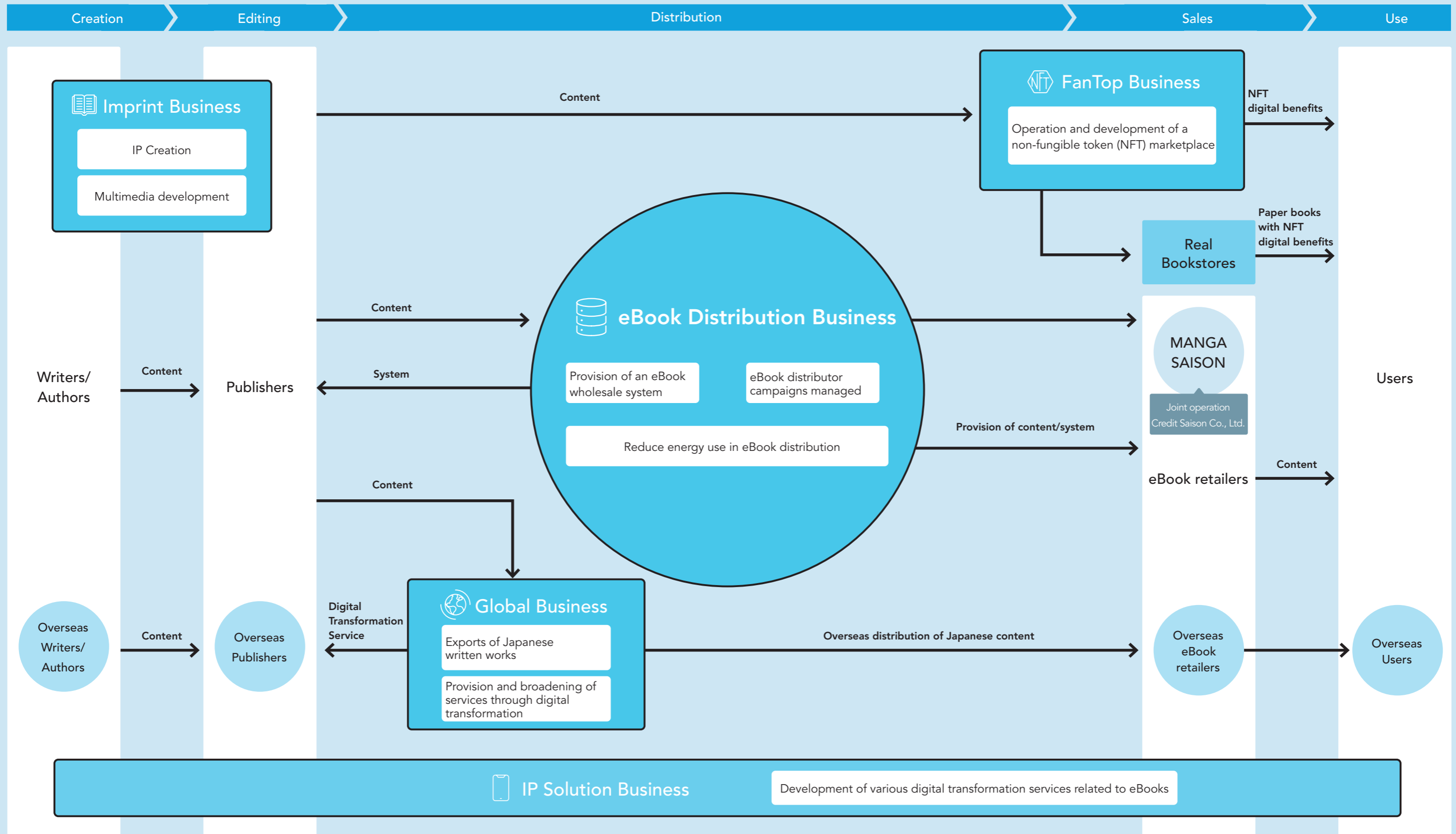
Each of these initiatives depends on the Company's engineers staying with the Company long-term, learning proactively and increasing their capacity to make proposals and develop skills. Furnishing an environment in which highly motivated engineers can flourish, and reducing the fluidity of human resources, will result in more sophisticated technological capabilities for the whole organization.



BUSINESS MODEL

Business Framework

Since the dawn of the eBook era, the Company has supported eBook distribution and consistently developed a content-oriented business. It aims to distribute written works expansively worldwide in a fair-use environment, expand culture and build a richer society.





CEO Message

Applying all 30 of my years of management experience to the aim of making MEDIA DO a company that is always needed by taking on the challenge of maximizing great trust and the value we provide

Yasushi Fujita

President and CEO

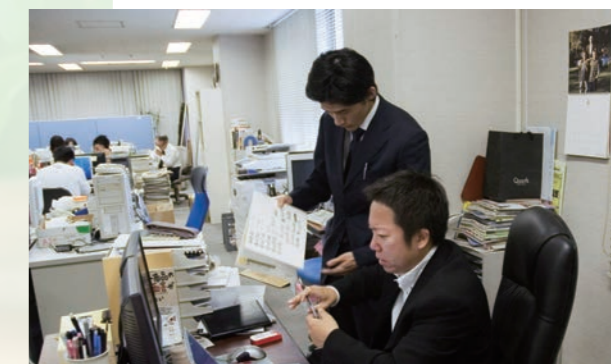
Convictions Springing from the Roots of MEDIA DO

MEDIA DO traces its roots back to 1994 when I started the company in my third year in college. Of my 50 years of life to date, 30 have been spent continuously engaged in management, and about 10 have passed since the Company's IPO. I take pride in my unshakable determination to pull out all the stops along the route MEDIA DO has traveled to cement its position and credibility in the publishing industry.

No company or manager always gets everything right in the beginning. MEDIA DO today is the product of our cumulative efforts to incorporate the insights gained from more than a decade of launching a number of businesses from square one and tackling the challenges of the business world with determination.

When I contemplate our 30-year history, I would say that the elements characterizing MEDIA DO are a venturesome spirit willing to take on challenges and the conviction to keep asking ourselves what sets us apart from other companies.

In this section, I will reflect on the key milestones of MEDIA DO's past, laying out how MEDIA DO's principles were forged, the unchanging values it upholds and where MEDIA DO is headed in the future.



What the N-Shaped Recovery Showed Us About Management

“N-shaped recovery” is the wording signifying our milestone. It represents a rebound from a period of sluggish performance and a return to a rightward slope. It was around 2000–2005, even before we entered the eBook market when we experienced our first N-shaped recovery. Back then, our mobile phone sales business was just taking off, and we had just begun developing a new IT business. Because we had no prior experience in the IT business, confusion ensued as we promoted it, making the organization unstable. As a result, the performance of the Company fell into a slump. We had exhausted virtually all of our funds, so you could even say that the Company was at death’s door.

The failure of a business or company does not lie with the employees or business partners—it is management’s responsibility. This is why I persisted in carrying out my management responsibilities in the midst of the crisis. First, I stood at the forefront and found potential new businesses myself. Most importantly, I never paid salaries or any other payments late. At all times, the employees who support our company, and then our business partners, are our top priority. Once you lose the confidence of others, there is no way to get the company back on its feet. I became convinced that, in a crisis, management must never let any weakness or insecurity surface or try desperately to get help from others. Instead, management is expected to take responsibility for causing the failure so that employees remain positive in any situation. It must continuously look for the light in dark times and provide a road map for emerging from the crisis.

In those days, we were finally able to escape from the death spiral while rebuilding our organization by increasing our performance after entering the content market with a new

ringtone distribution business. Nonetheless, the ringtone market already had a company with an approximately 80% share. Unless we can aspire to be No. 1 in the industry, someday, things will start to go south, and we will end up following an M-shaped curve. That’s what we predicted. I then decided to entrust the ringtone distribution business to my team as soon as it was on track, and I pioneered marketing for the eBook business in 2005, ahead of the competition, to achieve the position of No. 1.

It is not easy to get a new business on track. In the first slump, I was a manager who was responsible for taking on risks but lacked knowledge of the business. This forced employees who were not responsible for assuming risk to hold more authority than necessary in the new business, resulting in confusion within the organization. A business that is not directed by someone who shoulders the risks of management or understands the risks deeply is a kite with a broken string—it cannot be rebuilt when it goes astray. This failure taught me that managers must step up and lead the business from the front when faced with a crisis. They have to quickly adapt to correct the business’s course when conditions differ from their hypothesis.

Following this misstep, I headed up the planning of all business operations and spearheaded the exploration of business partners and proposals. Moreover, I have led my employees as a representative carrying risks and have been responsible for making progress by identifying a wide range of issues and making judgments accordingly. MEDIA DO is now in the eBook business as a result of applying the know-how we acquired from each business through the process of launching several businesses and sometimes making decisions to withdraw from some of them.

Resilience to Achieve a Second N-Shaped Recovery

Now, the Company is starting to see its second N-shaped recovery. This fiscal year marked the second consecutive term of lost revenue and profit due to non-recurring factors such as the termination of an exclusive relationship for the back-end services of the LINE Manga business of LINE Digital Frontier Corp. From FY2024, the fiscal year ended February 28, 2025, we will return to a trend of increased revenue and profit. I strongly believe in the course we have charted toward a second N-shaped recovery to achieve this outcome.

There were significant differences with our first N-shaped recovery when we recovered from a situation where we had virtually nothing. Now, we have a profit base in the eBook distribution business that we built with our employees. Also, the management team now carries risks, rather than me

assuming them alone. We have a solid business foundation. This ensures that the employees can engage in individual tasks and make improvements, and that multiple management members, including myself, can accept risks in the areas they are in charge of. We now have the capacity to respond flexibly to overcome crises as an organization. In other words, we have evolved to increase our resilience. Thanks to this resilience, we can now achieve an N-shaped recovery in three years, compared to almost five years the first time.

Society never stops changing. Whether a corporation succeeds or fails depends on its capacity to adapt immediately to the ups and downs that arise due to this change. Our experience to date has forged the resilience to achieve a flexible recovery. So, I believe that even if we are faced with this

situation for a third time, we will be able to overcome it quickly.

Another powerful method for creating an even more durable organization are mergers and acquisitions (M&A). We have taken on the bold challenges of financing and M&A over the eight years since MEDIA DO’s IPO, starting with our acquisition of Digital Publishing Initiatives Japan Co., Ltd. Our strong position at the center of the industry supporting eBook distribution allows us to collect a vast range of information inside and outside the publishing industry. You could say that this led to several opportunities for M&A.

The ultimate goal of an M&A is to amplify the value MEDIA DO can deliver to society in a limited amount of time. This process takes far too much time when done with organic growth alone. This is why securing a major position in the industry through acquiring Digital Publishing Initiatives Japan, which was No. 1 at the time, is an essential chapter in the narrative of MEDIA DO’s today. We are in the midst of using what we have learned through MEDIA DO’s many M&As moving forward as we ceaselessly take on challenges with a view to the future to increase the value we contribute even further over the next ten years.

Possibilities and Responsibilities in eBook Distribution

In our plans for our second N-shaped recovery, we will double down on the customer needs in the eBook distribution business, make complicated work more efficient and reduce the energy used in distribution further. At the same time, we will aim to expand our distribution share by increasing the distribution speed to raise the volume of content distributed. Also, we have been trying to find a new forward-looking role for MEDIA DO as we work to bolster system linkages with our business partners and have engineers take part in their system development.

We have always faced our *raison d’être*, which makes us essential in supporting eBook distribution. While we are in the wholesale business, we distribute content over the Internet, which is different from wholesale that involves physical distribution of published works in paper format. I have always believed that this has its own significance.

Conventionally, wide-ranging delivery of content such as books, visual media and music was impossible without printing copies in a physical format. However, this changed completely at the start of the 2010s with the proliferation of smartphones. Everyone held an exit window for content on their displays that looked into a domain of endless entertainment. Over time, it became possible for users to pay at the same time as they consumed content directly. You can say that content in the digital domain escapes any physical restriction because it uses a variety of technologies.

The digital domain is even more prone to technological leverage than the physical one, and it evolves rapidly. On the other hand, the system for physical wholesale distribution will not change greatly. Accordingly, the concept

of the same word, “wholesale,” carries great differences between the physical and digital domains in terms of roles in systems and conceptions.

MEDIA DO operates in the digital domain, where no physical movement of objects occurs, and the energy required in distribution is low. Having a distribution network without any restrictions in Japan makes it easier to expand globally.

MEDIA DO specializes in digital services, executing tasks efficiently and promptly. It holds a great responsibility as an expert in supporting the distribution of digital content between publishers and e-book retailers. While fulfilling this responsibility over the decades, we have attracted a large number of employees who are passionate about the content, and the dedication of every employee to delivering more Japanese content to more people has also been highly praised. This leads me to believe that we now play an unparalleled role in magnifying the potential of Japanese content through the power of technology, going beyond a mere “eBook distributor.” We now carry the expectation of pursuing technologies and frameworks, coming up with new solutions and assisting in magnifying the potential of the content. Being passionate about the content, making our expertise in digital distribution more sophisticated and fulfilling our obligation to continue to pursue technology are our greatest *raison d’être*.

MEDIA DO will strive to push its technological capabilities to new heights and extend the scale of its contributions by pursuing new technologies. One example is ChatGPT, the quintessential large language model (LLM). True to its name,





the LLM is premised on language processing. It is highly compatible with book content, as it deals with language. It offers a potential for companies that handle books to instantly produce accurately translated e-book data of domestic content and simultaneously distribute it worldwide. Another example demonstrating how technology is extending the scope of our contribution is the Company's FanTop business, which offers digital content using non-fungible token (NFT) technology.

MEDIA DO must preserve the trust of the publishing industry to continue to offer these contributions and take on these challenges. This trust makes MEDIA DO the first place to go for information. MEDIA DO is in a position to wield technology based on this information, in collaboration with publishers and other content creators, to create new businesses that will contribute to the publishing industry's future. One could say that our one-of-a-kind position itself is now an intrinsic core strength of MEDIA DO.

We remain passionate and respectful about content and are committed to making our expertise more sophisticated as it grows. This is because we are a corporation that will always answer the trust placed in it and keep rising to meet various challenges to realize its *raison d'être*.

because I believed I could quickly build relationships of trust once my character and values were understood.

Yuzu is the most succinct expression of my character. Kito yuzu is the local specialty of my hometown, formerly known as Kito Village in Tokushima Prefecture (now Kito Area, Naka-cho). It is known for its unparalleled fragrance and intense sour flavor, which they call the best yuzu in Japan. Around 70 years ago, it was said that "peach and chestnut seeds take three years to bear fruit, and persimmons take eight years. Yuzu takes a ridiculous 18 years to bear fruit" in Japan.

My father and uncle cooperated with local farmers in Kito Village to grow yuzu fruit in a short 3–5 years. Kito yuzu symbolizes the family and hometown that I hold dear.



Over the past 28 years since I established the Company in 1996, I have sent boxes of Kito yuzu cultivated at my family home to my business partners every fall. These boxes also include thank-you messages and accounts of what is happening in my hometown. Typically, it is virtually impossible to trust a person truly after just one hour or so of conversation. I am well aware of how difficult it is for a modest start-up company to earn the trust of others. Still, by having MEDIA DO deliver yuzu with a letter, my business partners came to know my character, and we have built lasting credibility in many of our relationships with them.

Though I started this tradition, I view it as essentially something MEDIA DO has undertaken. MEDIA DO must maintain the holistic understanding and trust of others if it is to grow and persist. "Empowerment of communities" is a plan to ensure that MEDIA DO is perceived holistically and is designed to be deeply trusted.

One issue as Japanese society faces a decreasing birthrate and graying population is that rural communities are depopulating and urban centers are housing an increasing concentration of the population. One might see this as part of society becoming more efficient. Still, if this depopulation of rural communities continues, it means losing the history of those who had roots in those communities. I come from a remote village facing depopulation so severe that its history is in danger of being lost. That is why I can tell that I am well aware of the potential of rural communities, something that goes unnoticed when seen by urbanites. At present, the MEDIA DO Group is striving to protect these local economies and cultures, devising measures to improve them and using its close ties with Tokushima Prefecture as a foundation for gaining the trust and cooperation of local governments, financial institutions, the media and a great many local people. Along the way, we continue to support entrepreneurs, run a professional sports club and other businesses.

We have been engaged in the Tokushima Innovation Base Association, a business to support entrepreneurs started in 2020 and jointly funded with a group of four other organizations, including financial institutions and media outlets in Tokushima.

As a result, the business model have extended across Japan. Now, organizations of Innovation Base are in 15 prefectures, including Tokushima, and more than 1,000 entrepreneurs have become members and take part in the organization. The Tokushima Gambarous men's professional basketball team was founded by 23 shareholders from Tokushima's leading companies and the Company. During the 2023–2024 season in the B3 League, its first season, the Gambarous defied many expectations to finish fourth out of 18 teams—a great achievement for a team in its debut year in the professional ranks.

Thanks to the efforts of shareholders and partners to liven up all of Tokushima and daily media coverage, the Tokushima Gambarous have gradually become a fun conversation topic shared by the people of Tokushima Prefecture and a fixture in their daily lives. We see it as our top priority not only to achieve good results and grow the Tokushima Gambarous into a beloved club that contributes to Media DO's branding, but also to ensure its success as a business that contributes to MEDIA DO's profits by making it profitable. I want us to ensure it gives hope to members of the local community who aim to enliven Tokushima for years to come.



Empowerment from the community has enabled MEDIA DO to establish relationships of trust and achieve growth on many levels. Simply giving back to the community is not the extent of the material issue of "empowerment of communities." Believing in the power of the communities that permitted us to surmount the unsurmountable, we intend to refine our capacity to transcend any future barriers standing in our way as we strive to tackle a variety of initiatives together with the communities.

"Empowerment of communities" is a key challenge that will mold MEDIA DO's future value and *raison d'être* for the next five to ten years and beyond, just as its businesses do. This initiative is also symbolic of MEDIA DO's singular originality. Even in the distant future, MEDIA DO will still bolster its relationships of trust and one-of-a-kind position as it meets its responsibilities to contribute to its industry and society. It will continue to demonstrate resilience as it persists as an entity that continues to take on new challenges.

I would like to express my appreciation to our shareholders, investors and all other stakeholders for continuing to support the Group. Please hold on to your expectations for our management and business and grant us your lasting support.

August 2024

藤田恭嗣
Yasushi Fujita

Resolution for the Continuity of MEDIA DO and for Continually Upholding Its Responsibilities

When we entered the eBook market at its dawn, we were what you might call an outsider start-up company. Despite this, we stayed in touch with the publishing industry's needs to gain credibility and spent a considerable number of years refining our business. Based on our experience of not becoming No. 1 in the ringtone distribution business, we understood that we needed to surmount the daunting barriers to taking part in this business by any means to become a corporation that generates considerable contributed value. MEDIA DO's spirit of challenging anything to the best of its ability is also connected to its capacity to achieve its responsibilities, and *raison d'être* expected today.

To ensure that MEDIA DO keeps growing and meeting its future responsibilities, I made my first major decision upon turning 50, after 30 years of management and 10 years of

experience since our IPO. That is the transition to a dual-executive structure. I am committed to ensuring that the transition to a dual-executive structure will successfully be the first of many generational transitions to come for MEDIA DO.

Generational changes will continue to take place repeatedly as long as MEDIA DO persists. The Nomination and Compensation Committee is taking the lead in our discussions of the future vision of MEDIA DO's organization and management structure to ensure that the first time is a success and that the second and subsequent times will be successful as well. Upon having Hiroshi Kanda, who has been a director since 2022, appointed as Vice President and CFO, he and I have discussed with a committee that is meticulously mapping out the future of MEDIA DO, instead of me doing so alone.

"Empowerment of Communities" Will Define MEDIA DO's Future *Raison d'être*

The Company is particularly unique in its focus on empowering the local community as a material issue in the management of MEDIA DO for the Company to continue to be trusted and sought after by society. Behind the growth achieved to place MEDIA DO in its current position is the closely embedded

influence of the yuzu citrus fruit. When we were an uninfluential start-up company, I needed to place gaining the holistic understanding of others toward me and the Company above all. As well as my thoughts on business and work, I also tried to help those around me understand my family and personal stories

Sustainability

Contributing to industry growth as a sustainable business

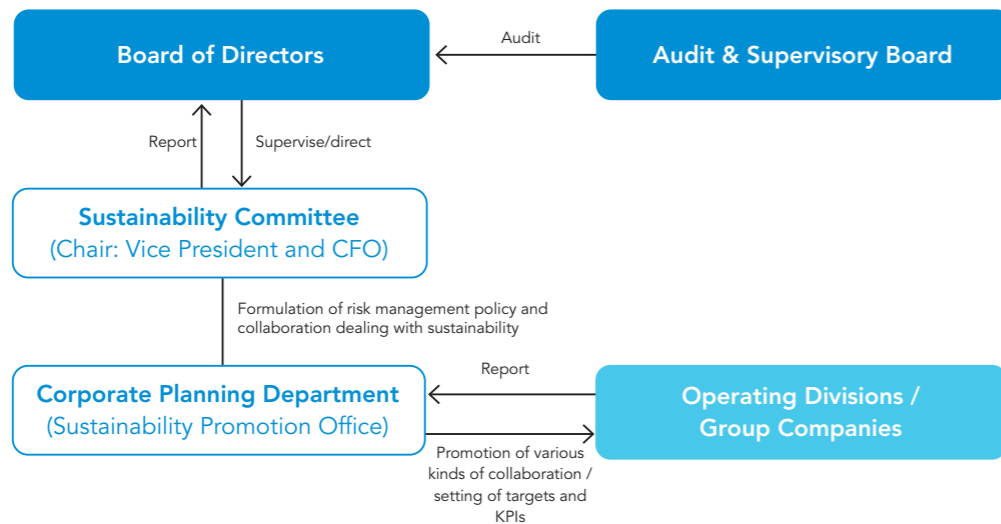
To the MEDIA DO Group, sustainability means fulfilling our mission of “Unleashing a virtuous cycle of literary creation” and our vision of “More Content for More People!” Or in other words, through businesses and services, we will contribute to the development of a healthy economy and the cultural advances stimulated by written works.

Based on this philosophy, while aligning stakeholder demands with our medium- to long-term growth strategy, we have identified material

issues (priorities) and established goals alongside frequent conversations with all concerned parties. With a focus on these material issues, we will resolve social issues and achieve steady growth, for the purpose of increasing corporate value.

Furthermore, in working out these material issues, we have adopted resolutions at a Board of Directors meeting after referring to international guidelines, including SASB, GRI and IIRC, and carrying out deliberations at the Sustainability Committee.

Sustainability Promotion System



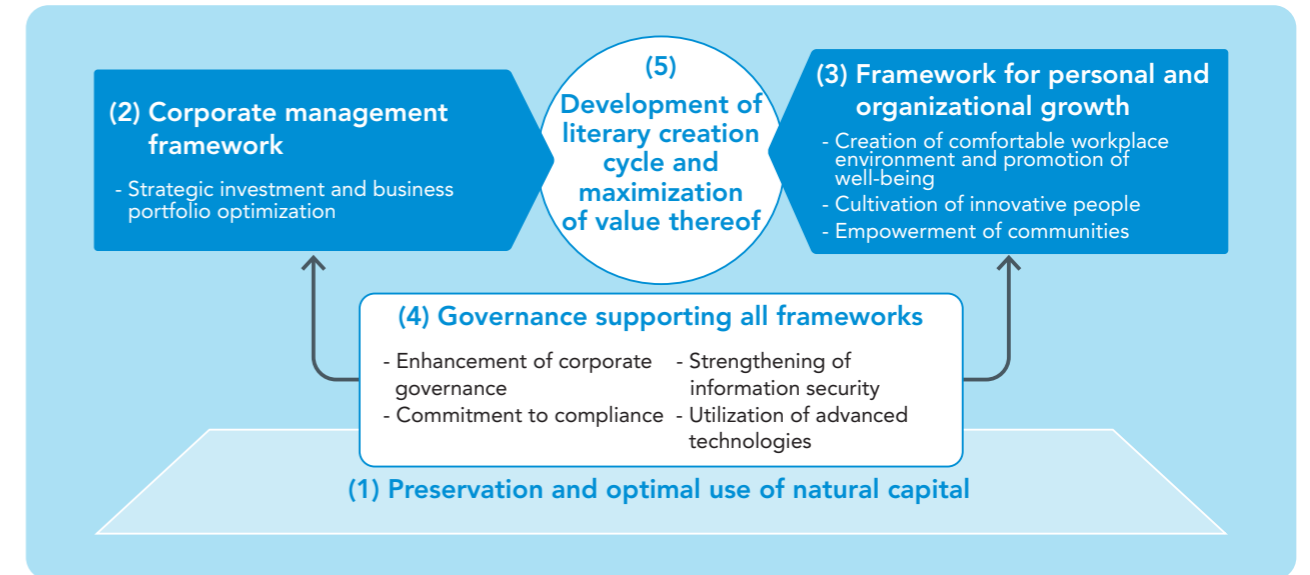
MEDIA DO Group Basic Sustainability Policy

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

At the MEDIA DO Group, we are firm believers in the potential of content as well as in the endless possibilities of all people.

By connecting the unlimited potential of content and people, we seek to always function as an intermediary that unites the world and helps shape a better future for society.

Relationship Diagram for Material Issues



(1) Preservation and optimal use of natural capital

For the purpose of preserving a pristine natural environment for future generations and continuing to be a viable conglomerate even a century from now, the Group's efforts entail measuring and optimizing use of natural capital in its business activities; we also aspire to support the sustainability of our industry and operating environment through active involvement in the optimization of product mixes and resource use practices across the industry.

we will create a comfortable environment at offices and other work sites and expand new training programs providing firsthand experience in building strong cooperative relationships with the local community; through this, we will develop and cultivate core human resources while striving to foster entrepreneurship that gives form to new ideas and enables solutions to social issues.

(2) Corporate management framework

We are committed to the maximization of our business value through efficient business operation and disciplined investment based on a consideration of cost of capital and profitability of used capital. In tandem with these investments, we are optimizing our business portfolio while diversifying our management and businesses.

(4) Governance supporting all frameworks

To provide the social infrastructure necessary for robust cultural development, it is imperative that we develop frameworks and systems that are deemed secure and reliable by all stakeholders. While supporting the digital transformation of the content industry through superior IT governance, the Group will ensure impartial and highly effective management by improving corporate governance, entrenching corporate ethics, establishing regulations and strengthening compliance through means such as increasing employee awareness.

(3) Framework for personal and organizational growth

As described in our corporate creed “Growth and Potential,” the MEDIA DO Group believes in the potential of its employees and aspires to create mutually beneficial win-win relationships in which the growth and ambitions of employees drive the growth of the Group; it provides the right environment to meet these aims. As we work to improve and establish the human resources system,

(5) Development of literary creation cycle and maximization of value thereof











We aim to maximize business value based on the understanding that this approach is congruent with our mission and our vision while also being a driver of corporate value creation.

⇒ For more details, please refer to MEDIA DO's corporate website. <https://mediado.jp/english/sustainability/>

Material Issues

In consideration of the MEDIA DO Group Basic Sustainability Policy, the Group has identified 10 material issues (priorities) that must be addressed. With a focus on these material issues, we will further synchronize social and corporate sustainability and strive to achieve long-term and continuous improvements to corporate value.

➔ For details of all material issues, please refer to the Sustainability page on our corporate website. <https://mediado.jp/english/sustainability/>

	Theme	Action Plan for Fiscal Year Ending February 2025	Key Performance Indicators (KPI) for Fiscal Year Ending February 2025	Page	
Environmental	 Preservation and optimal use of natural capital¹	<ul style="list-style-type: none"> - Development of in-house systems in support of the Task Force on Climate-related Financial Disclosures (TCFD) - Disclosures based on TCFD - Discussion of initiatives to reduce total CO₂ emissions and setting of targets 		p. 26 (Environment page)	—
	 Development of literary creation cycle and maximization of value thereof	<ul style="list-style-type: none"> - Formulation of appropriate KPI linked to reviews of medium-term management plan figures (set after review and disclosure of medium-term management plan figures) 		p. 44–46 (eBook Distribution Business)	—
Social	 Creation of comfortable workplace environment and promotion of well-being	<ul style="list-style-type: none"> - Review of dual-track career path and compensation resource allocation policy for the purpose of providing career fulfillment and ease of work - Development of work environment (office environment, benefits) - Development of healthy environment (curbing of overtime, encouragement for taking paid leave) - Development of D&I environment 	<p>Career fulfillment:</p> <ul style="list-style-type: none"> - Career fulfillment score on employee surveys: 3% increase from previous term <p>Ease of work:</p> <ul style="list-style-type: none"> - Total health risk: maintained prior level - Ratio of female managers: 30% - Percentage of employees with disabilities: 2.5% (legally mandated standard) 	p. 27–29 (Society > Human Capital pages)	Framework for personal and organizational growth
	 Cultivation of innovative people	<p>Establishment of environment where all employees are aware of their expected roles and can experience growth</p> <ul style="list-style-type: none"> - Manager support for staff members' achievement and growth - Opportunities for challenges, dialog and training provided to employees - Understanding of changes in promotion and turnover rates under the new human resources system and setting of targets <p>Investment in the area of human resources in view of medium- to long-term business growth</p>	<ul style="list-style-type: none"> - Understanding of individual contributions to growth through one-on-one meetings with supervisors (newly established in the period ending February 28, 2025) - Training hours per person: 10% increase from previous term - Recruitment lead time: 5% decrease from previous term - Ratio of gross profit to labor costs: maintained prior level 	p. 27–29 (Society > Human Capital pages)	
	 Empowerment of communities	<ul style="list-style-type: none"> - Initiation and steady implementation of experiential training from the period ending February 28, 2025, as an opportunity for employee growth through contributions to economic growth and the addressing of local social issues, starting with Tokushima - Implementation of initiatives aimed at expanding high-quality relational capital with all stakeholders 	<ul style="list-style-type: none"> - Systemization and establishment of experiential training (newly established in the period ending February 28, 2025) - Total sponsors (TOKUSHIMA INNOVATION BASE ASSOCIATION, TOKUSHIMA GAMBAROUS): 100 or more companies - Average attendance (TOKUSHIMA GAMBAROUS): 1,500 or more persons (based on promotion to the B2 league) 	p. 30–32 (Society > Human Capital pages)	
	 Utilization of advanced technologies	<ul style="list-style-type: none"> - Migration to a data analysis infrastructure with exceptional processing speed and costs - Development of business intelligence tools making maximum use of databases used for information aggregation and provision of useful analytical information to business partners - Creation of in-house managerial accounting dashboard used to promote increased efficiency in in-house operations 		p. 33 (Society > Advanced Technologies page)	Governance supporting all frameworks
	 Strengthening of information security	<ul style="list-style-type: none"> - Development of a zero trust environment to achieve a highly secure work environment allowing employees to work flexibly even outside of the office - Reduction of security risks through improvements to indicated items (device management, access control management, etc.) in the initial CIS Controls score evaluation conducted in 2023 - Planning and implementation of employee training aimed at improving their security awareness 	<ul style="list-style-type: none"> - CIS Controls score: B (standard) rank, 2.6 pts. or more - Rate of attendance at employee training: 100% 	p. 34–35 (Society > Information Security pages)	
	 Enhancement of corporate governance	<ul style="list-style-type: none"> - System-building aimed at achieving the governance level demanded of a company listed on the Prime Market by stakeholders - Building of a management base not dependent on the founder's influence by improving the effectiveness of the Board of Directors, reviewing organizational design and strengthening the internal controls division - Formulation of policy for succession plans at the Nomination and Compensation Committee 	<ul style="list-style-type: none"> - Frequency of evaluation of effectiveness of Board of Directors: once a year - Rate of attendance at board meetings: 100% - Ratio of outside directors: 30% or more - Ratio of female directors: 30% or more 	p. 68–73 (Corporate Governance pages)	
Governance	 Commitment to compliance	<ul style="list-style-type: none"> - Monitoring of the development/application of regulations ensuring the effectiveness of compliance action guidelines - Planning/implementation of systematic and ongoing training contributing to the fostering and improvement of employee compliance awareness 	<ul style="list-style-type: none"> - Serious legal violations and accompanying reports: 0 cases - Rate of attendance at employee training: 100% 	p. 68–73 (Corporate Governance pages)	Corporate management framework
	 Strategic investment and business portfolio optimization	<ul style="list-style-type: none"> - Setting of appropriate ROIC and ROE standards - Review of business plans for target businesses conflicting with business portfolio review standards, and examination of pivoting, managerial changes, selling and liquidation, etc. 	<ul style="list-style-type: none"> - ROIC²: 6.3% or more - ROE: 8.0% or more 	p. 38–43 (CFO Message pages)	

¹ Scope of key performance indicators: "Preservation and optimal use of natural capital" applies to MEDIA DO Co., Ltd. and MEDIA DO TECH TOKUSHIMA Co., Ltd.

Other material issues apply to MEDIA DO Co., Ltd.

² ROIC = (operating profit - corporate taxes + equity method investment gains/losses) ÷ (net assets + interest-bearing debt)

Material Issues

Preservation and optimal use of natural capital

Disclosures Based on TCFD Recommendations

Endorsement Announcement for TCFD Recommendations

In June 2024, MEDIA DO announced its endorsement of TCFD recommendations. We will continue to fully disclose information based on TCFD frameworks.

➔ For more details, please refer to our home page. <https://mediado.jp/english/sustainability/environment/>



Strategy

In the fiscal year ended February 29, 2024, we anticipated changes in the business environment caused by climate change and conducted scenario analysis to ascertain the impact (risks, opportunities) on the Group and its business. During scenario analysis, we assessed the financial impact centered on a scenario where the Paris Agreement's target of 1.5°C is achieved and a scenario in which countermeasures are not implemented and global warming worsens by 4°C. Consequently, while there may be tremendous business opportunities due to the growth of the eBook market, we also calculated a financial impact showing increases in operating and procurement costs and losses caused by the escalation of natural disasters.

Risks and Opportunities for Business Activities

Risks	Concrete Example	Scenario		Time Line	Degree of Impact	Risk Avoidance/Reduction-focused Initiatives Conducted by the Group	
		1.5°C	4°C				
Transition Risks	Measures/regulations	- Introduction of carbon tax and renewable energy policies: increase of business operating costs	● (-3.1 million yen)	● (+0.4 million yen)	Medium- to long-term	Minimal	- Understanding of policy trends
	Market	- Steep rise in wood prices: increase of procurement costs for paper products	●	●	Short- to long-term	Moderate	- Periodic supplier reviews - Understanding of demand for paper books, appropriate publishing/circulation management and cost control based on improved operational efficiency - Leading of customers to eBooks
		- Steep rise in crude oil prices: increase of business operating costs	●	●	Long-term	Minimal	- Monitoring of transportation-related costs and setting of reduction targets
Physical Risks	Physical (Acute)	- Increase of forest fires: increase of raw material costs incurred by print media due to reduced lumber resources		●	Medium- to long-term	Moderate	- Periodic supplier reviews - Understanding of demand for paper books, appropriate publishing/circulation management and cost control based on improved operational efficiency - Leading of customers to eBooks
		- Increase of natural disasters: human/physical losses and suspended operations due to damage to branches	● (-1.21 million yen)	● (-3.31 million yen)	Medium- to long-term	Minimal	- Strengthening of BCPs
	Physical (Chronic)	- Rise in average temperatures: increase of air conditioning costs	● (-0.1 million yen)	● (-0.1 million yen)	Medium- to long-term	Minimal	- Monitoring of energy costs and setting of reduction targets - Reduction of cooling load through heat-blocking and other measures

Opportunities	Concrete Example	Scenario		Time Line	Degree of Impact	Opportunity Acquisition-focused Initiatives Conducted by the Group	
		1.5°C	4°C				
Transition Opportunities	Technology	- Promotion of digital transformation: increased demand in digital content contributing to carbon reduction	●		Long-term	Large	- Achieve energy-saving capabilities and increased efficiency in developed systems - Develop robust systems capable of addressing future increases in demand
	Market	- Increased demand in sustainable products: increased demand in paperless content	●		Short- to long-term	Large	- Improve brand value by appealing to environmental considerations
Physical Opportunities	Physical (Chronic)	- Rise in average temperatures: increased demand in eBooks due to growing stay-at-home consumption		●	Medium- to long-term	Moderate	- Develop robust systems capable of addressing future increases in demand - Improve brand value by appealing to environmental considerations

*The numbers appearing in parentheses show the financial impact calculated.
*Scope of calculation: energy consumption by MEDIA DO, three subsidiaries sharing the same base and MEDIA DO TECH TOKUSHIMA Co., Ltd.; location information for MEDIA DO and all consolidated subsidiaries

Metrics and Targets

The Group has calculated and disclosed GHG emissions (Scope 1 and 2), while working toward the reduction of greenhouse gases. We will proceed with our calculations and review specific initiatives and reduction target settings aimed at achieving net-zero emissions by 2050.

➔ For all figures, please refer to ESG Highlights (p. 37).

Material Issues

MEDIA DO's Human Capital



"MEDIA DO employees are all fundamentally driven by a sincere feeling of gratitude, knowing they can contribute to the distribution of books, the embodiment of wisdom. This sense of thankfulness leads to a deep respect for the publishing industry, and that very respect inspires them to take the initiative so that they can contribute positively to expectations." This is the process that defines the kind of human resources we are looking for: "talented persons who can show gratitude for the environment that nurtured us, while working in an independent manner with a sense of respect." This is how our ideas have been described during discussions with our founding president Yasushi Fujita. Since entering the publishing industry, we have been very mindful of this gratitude as we continue to contribute by closely attending to our customers' diverse needs. While earning their deep trust, we have also managed to grow as a company.

We are now looking to achieve an N-shaped recovery for the second time since our founding, overcoming the loss in revenue and profits we have endured for two straight terms due to various changes in the business environment. To complete that recovery starting in the fiscal year ending February 28, 2025, we first needed to articulate once again MEDIA DO's uniqueness and the values we must cherish on into the future, while also expediting the independent challenges and growth undertaken by employees.

President Fujita's attitude toward his employees is one of the reasons why I decided to join the Company last year amid this period of transition. He wishes for employees to act in the best interest of others, developing personnel who leave stakeholders with the impression, "I'm so glad to have met them." This approach to personnel development matches the values I hold dear as a human resources professional. I will apply my expertise and build a human

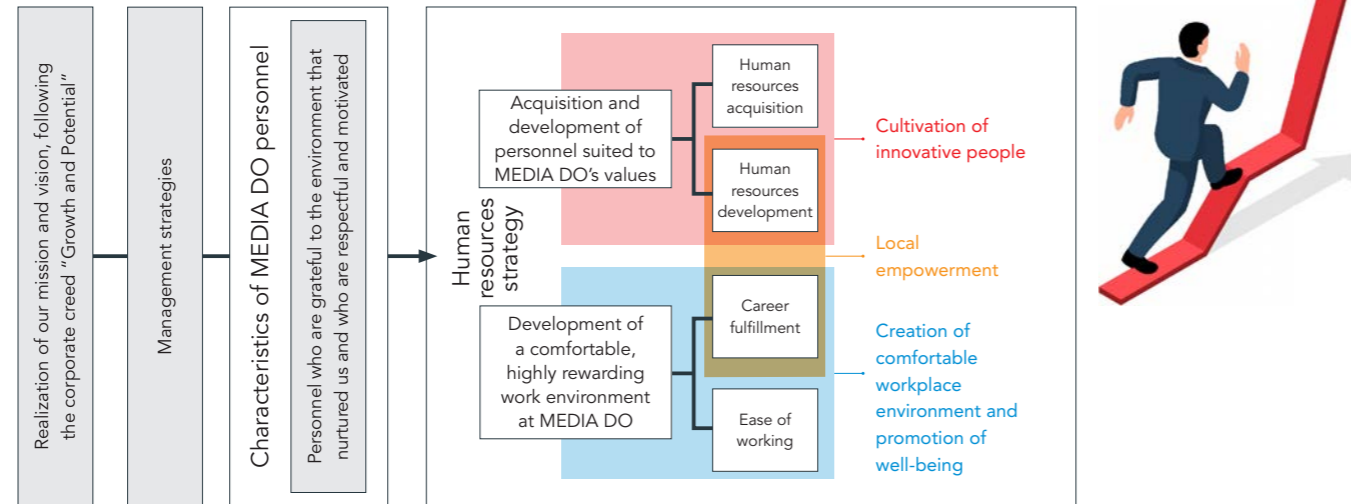
resources system that adopts servant leadership and coaching as fundamental concepts. I believe that I can contribute to the Company in this way.

Having recently joined, I have had lunch and one-on-one meetings with many employees so I can understand more about the Company. During that time, I found there are many greatly earnest and dutiful employees who love content and wish to share it with many people, and who themselves were supported by content at some key moment in their lives. The Company has succeeded in building good relationships in-house between supervisors and staff, and between the staff members themselves, and I feel that this has shaped the trust placed in our Company and the value we provide.

While utilizing these various strong points, I will follow and uphold our corporate creed of "Growth and Potential." When someone works for the good of other people and realizes their contributions, this increases their motivation to work and the degree of contributions they wish to make. Instead of doing what they appear capable of at that moment, they will develop to the point at which they will realize the role expected of them and then rise above those expectations through a process of trial and error. Therefore, following discussions with the management team, we have introduced a new human resources system by setting forth a personnel policy promoting contributions in consideration of one's role and treatment based on the size of contributions. As the CHRO, I will carefully maintain the consistent values and culture serving as the foundation of the Company without change since its founding, and through the application and improvement of this new human resources system, I hope to contribute to the further development of human capital management at MEDIA DO.

Material Issues | MEDIA DO's Human Capital

Overview of Human Capital Management



*Note: Colored text indicates material issues at MEDIA DO.

Importance of Human Capital Management and Material Issues

We consider the three material issues of "Cultivation of innovative people," "Empowerment of communities" and "Creation of comfortable workplace environment and promotion of well-being" as being key issues necessary for the enhancement of human capital management at MEDIA DO.

Cultivation of innovative people

This material issue is tied to the "Acquisition and development of personnel suited to MEDIA DO's values." While striving to develop organizational structures with a focus on human resources development, we will expand and control the workforce according to business plans and improve the retention rate, with the aim of maintaining human resources.

In upholding the corporate creed of "Growth and Potential," we will create an organization where we achieve mutual respect through our relationships with others and then build and maintain good relationships that celebrate and enhance growth. Through a culture that strives to develop such an organization, each employee will continuously grow and thrive, further increasing our value as a company that contributes to the publishing industry and all of society. As a means of encouraging each employee's growth and success with a focus on our corporate creed, we will push initiatives dealing with the development of the human resources system, as well as Kito Training and two other material issues.

Kito Training takes place in founding president Fujita's hometown, the village formally known as Kito in Tokushima Prefecture (currently,

Naka, Kito District), over three days and two nights, and is attended by new university graduates and other junior employees. This initiative allows staff to learn the true meaning of "Growth and Potential," and bears a connection with "Empowerment of communities" and "Creation of comfortable workplace environment and promotion of well-being."

President Fujita himself speaks to participants about the Company's history from its founding to the current day, in addition to the values and supporting factors that have held great importance as he has led MEDIA DO up to this point. This provides an occasion for employees to pay serious consideration to our organization's past. As a result, they learn more about President Fujita and their coworkers in a human sense, and develop a deeper understanding of the Company's history and values, as well as the role required of the publishing industry and its potential. By fostering a sense of gratitude toward the people and industry of the past that have built this Company, we hope that participants complete this training feeling confident that they are very knowledgeable about MEDIA DO.

Empowerment of communities

This material issue primarily contributes to human resources development and career fulfillment, and further increases value unique to our Company. To develop local communities, we proactively participate in activities such as entrepreneurial support business and professional sports business entailing region-wide cooperation with

our Company as the starting point. In doing so, we want our employees to sense the values, spirit and identity that MEDIA DO has emphasized in order to remain a company that is trusted and needed by society, and we also hope they return those positives to our organization and their work.

As part of the entrepreneurial support business, we launched TOKUSHIMA INNOVATION BASE ASSOCIATION (TIB) as a five-company venture together with financial institutions and media in Tokushima Prefecture, and have thereby assisted the growth of local entrepreneurs and business operators. Similar innovation bases have now spread to 15 prefectures nationwide during a span of approximately five years since its founding. Through this initiative, the Company has built a network of trusting relationships dealing with local issues in collaboration with government, financial institutions, media and other parties. In connection with innovation bases nationwide, we also manage xIB JAPAN, which supports activities and interchange.

During the professional sports business, by means of trusting relationships cultivated through the entrepreneurial support business, we have established a management company for the professional men's basketball team TOKUSHIMA GAMBAROUS through a

23-company venture featuring TIB's five founding companies and corporations representing Tokushima both inside and outside the prefecture, including Otsuka Pharmaceutical Co., Ltd. and Nichia Corporation. Joining the B3 League in its inaugural season in 2023–2024, the Gambarous finished as the fourth best club out of 18 teams. We now plan to continue to expedite initiatives aimed at inspiring Japan from Tokushima through united regional efforts.

When conducting these business development initiatives, the Company is focused on valuing trusting relationships with other concerned parties and working in unity toward a common cause. Beyond the employees participating in these activities, we have prepared opportunities for other employees to undertake experiential training in which they take part in each project a short time and experience these kinds of business promotion processes and approaches that prioritize trust.

Creation of comfortable workplace environment and promotion of well-being

This material issue is connected to the "Development of a comfortable, rewarding work environment at MEDIA DO." People, meaning employees, are the source of value at our Company. Their performance will change depending on the environment and their desire to contribute to others. In order for MEDIA DO to continue to contribute to the publishing industry for many years, our employees must grow amid our culture and environment, and through that growth, they must further contribute to business partners and other stakeholders. Earning high praise both internally and externally, they will then build a virtuous cycle together with the Company, allowing for additional growth and ensuring continuous, long-term achievement. In turn, we are focused on preparing an environment that increases career fulfillment and ease of work for our employees.

To promote career fulfillment, we have conducted initiatives such as the "Cultivation of innovative people" and "Empowerment of communities" so that employees can engage in various challenges after building trusting relationships with coworkers and business partners, and while applying themselves closely, they can develop skills and discover goals and the value of working at our Company. To achieve ease of work, we have continuously developed and improved a range of systems and infrastructure. As employees spend most of their day in the office, we designed it with a sense of care taking into account that it is an important medium that expresses how we hope to address our business partners and other stakeholders.

Located near Kanda Jinbocho, an area known as "Booktown" due to the many bookstores and publishers operating there, our office is in the Palace Side Building that sits directly in front of Hiraoka Gate and overlooks the lush greenery surrounding the Imperial Palace. A historic masterpiece of modern Japanese architecture opened more than half a century ago, the Palace Side Building was designed to last for 100 to 150 years according to its architect, Shoji Hayashi. Due to its location, history and durable design, it symbolizes our joy to be engaged in the book business and our aim to be a sustainable company that continues to contribute to the industry by maintaining trusting relationships and dialog with business partners for many years. By continuing to convey this approach through our office, the employees working here and the Company itself can further build such vital relationships.



Entrance to our office in the Palace Side Building

Topics
I want to be an employee everyone can depend on



Rei Takemura
eBook Distribution Business Management Headquarters
Operation Management Headquarters, Publishing Operations Division
Head of Publishing Operations Section 1

When I first joined the company as a new university graduate in 2017, I hoped to develop a deep understanding of the entire eBook Wholesale Business and become the kind of employee who could be depended on by anyone inside or outside the Company, with people saying, "Just ask Takemura. She knows everything." At the same time, the expected behavior indicated by the new human resources system has been very helpful for me and my subordinates in clarifying the path we must take to achieve growth in the future. By increasing my knowledge and experience within various departments beyond my current work as a section chief in Publishing Operations, and by gaining a correct understanding of the wholesale business's strengths and issues, I hope to broaden the range of roles I can undertake so that I can assist as many people as possible.

Material Issues | MEDIA DO's Human Capital

Empowerment of communities

In order to enhance human capital management unique to our Company, our aim is to have employees independently engage in regional cooperation and contribution efforts within the Group and expand social capital, while fully learning our unique beliefs and immutable values cultivated by our founder's management ethos, and spreading those ideas throughout the organization. As activities that empower communities, the Group is carrying out an entrepreneurial support business and a professional sports business.

Entrepreneurial Support Business

For the purpose of producing many capable entrepreneurs who will support the development of the local economy, we established TOKUSHIMA INNOVATION BASE ASSOCIATION (TIB) in January 2020 together with four local companies in Tokushima Prefecture. Through multifaceted collaboration involving media, financial institutions, government, universities and other sectors, we provide opportunities for dialog and content allowing local entrepreneurs to improve their

management outlook and achieve growth. In the fourth year of its founding, TIB reached 328 members*.

Furthermore, following the same framework as TIB, innovation bases (IB) have now been launched a total of 15 prefectures*. In January 2023, we established xIB JAPAN, as we build an IB network spreading nationwide and provide cross-sectional support.

*As of June 2024



TIB's first-ever annual general meeting was held in May 2023

Professional Sports Business

To contribute to the development of the local economy and culture through the promotion of sports, we established GAMBAROU TOKUSHIMA Co., Ltd. in April 2022 through a joint investment with 23 companies with ties to Tokushima Prefecture. Building on the trusting relationships we have forged with local companies in Tokushima Prefecture, we manage TOKUSHIMA GAMBAROUS in collaboration with the government, associations and various corporations including 47 sponsor companies.

TOKUSHIMA GAMBAROUS joined the B3 League in the 2023–24 season, becoming the prefecture's first-ever professional men's basketball team. A large number of local media outlets covered their play as the season progressed, including The Tokushima Press (165 articles), Shikoku Broadcasting (31 times on TV, 18 times on radio) and

NHK Tokushima (34 times). An average of 1,297 fans attended each home game, resulting in a total attendance of 33,732. Out of 18 teams, the club finished in fifth during the regular season, and after entering the playoffs, they advanced to the semifinals.



Approximately 150 employees from the Company and our subsidiaries attended the opening game held in October 2023

Initiatives for the Fiscal Year Ended February 29, 2024

During the year, we strengthened collaboration with MEDIA DO TECH TOKUSHIMA Co., Ltd. through TIB's activities, with that subsidiary's employees participating in business management. A total of 28 junior employees from the Company also participated in TIB's activities and they announced the things they learned at a company-wide morning assembly.

For TOKUSHIMA GAMBAROUS, our employees led the launch of the club and management team from the ground up, resulting in a successful performance during the inaugural season in the B3 League.

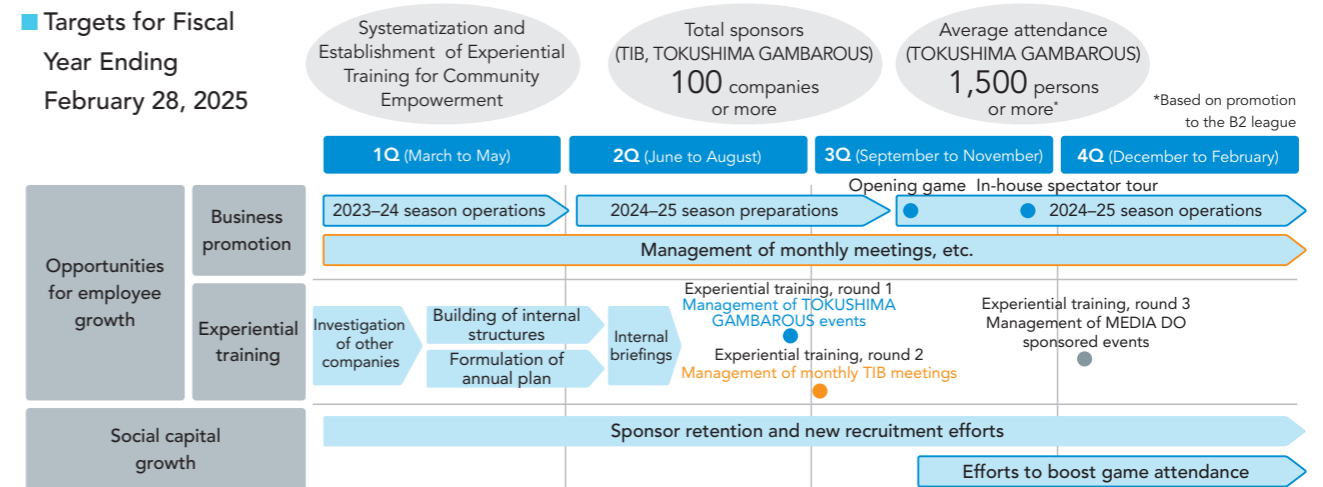
Action Plan for Fiscal Year Ending February 28, 2025

Action Plan Overview

As part of the human resources development process, we will begin Experiential Training for Community Empowerment, targeting interested employees across the entire company. During this training, through the experience of engaging for a short time in various business activities that contribute to the region, participants will learn about our approach emphasizing good relations with the local community, as well as our values and philosophy in relation to the Company's business and operations.

By carrying out such efforts, we will also further enhance trusting relationships with the local community and expand the Company's social capital.

Targets for Fiscal Year Ending February 28, 2025



Interview No. 1

The sense of growth gained from creating something from the ground up; aiming to increase the positive effect provided by the sports business



Ikuto Usuki

GAMBAROU TOKUSHIMA Co., Ltd. President and CEO

2014: Joined MEDIA DO as a new university graduate. Engaged in eBook distribution operations, etc.
 2017: Transferred to the Management Planning Office. Engaged in Group company management, etc.
 2019: Transferred to the President & Group CEO Office. Responsible for the founding of GAMBAROU TOKUSHIMA Co., Ltd. and TIB.
 2022: Participated in the launch of TOKUSHIMA GAMBAROUS as the coordinating manager.
 Jan. 2024: Appointed President and CEO of GAMBAROU TOKUSHIMA Co., Ltd.

When I joined TOKUSHIMA GAMBAROUS, there was no office or employees at that time. We launched everything from the ground up. When the decision was made to enter the B3 League in April 2023, we set up the team in terms of players and staff in a little less than half a year, and remarkably finished as the fourth best club.

While we were engaged in the team-building, someone from a local company said to me, "If MEDIA DO is running the show, I'm sure it will turn out pretty exciting." Because we were the newest team, we were now resolved to build our club in a different way than our rivals. In a unique measure, we ventured to appoint a General Manager who was a former sportscaster without any playing or coaching experience, but who had an in-depth knowledge of the basketball scene in the U.S. Although there were many times when

I was painfully aware of my own shortcomings, we have gradually grown into a club loved by the people of Tokushima. With the cooperation and encouragement provided by local companies, the government and local citizens serving as our driving force, we managed to have a successful first year. Through this experience of creating something from scratch while gaining the involvement of the local area at such great speed, I have acquired a sense of growth that is quite unmatched.

As the club develops, I believe that this will also increase MEDIA DO's social impact and value further. While pursuing a club image that will ensure continuous support from here forward, we will endeavor with all our power to the inspire people's hearts and minds through sports and take aim at reaching the B2 and B1 leagues.

Interview No. 2

Gaining the involvement of the local community and shaping the future growth of MEDIA DO

Mayu Hara
Head of President Office



Kohei Monden
Head of Regional Development
Section 1, President Office



Hara: Since TIB's founding, I have continuously engaged in the various activities conducted locally starting in 2020. As opposed to directly solving local issues, we have witnessed President Fujita's efforts to continuously communicate with stakeholders, build trusting relationships and promote involvement, with the aim of building an environment through which the local community will strive to solve problems themselves and everyone will move forward together, with MEDIA DO serving as the starting point. We have also seen people come upon this atmosphere and become gradually more passionate, before one day taking aim at the same goals and making a large impact as a key participant. This approach by which we interact with the local community and boldly undertake challenges is something the Company has constantly and thoroughly believed in, and we must pass this belief down to future generations.

It is the duty of the President Office to inspire the local community and the Company through our precise planning, passion and also respect, so as to direct the Company toward the future we must strive for. After the first phase that primarily involved increasing our local presence and generating results, we have now gained a certain level a success and are moving into the second phase starting the period ending February 28, 2025, when we will focus on promoting and spreading understanding within the Company. The new experiential training we are now rolling out is one of our initiatives targeting those goals. When I recall the days when we founded TIB, it brings me so

much happiness that we have reached the stage in which we have prepared opportunities for employees to broadly experience the purpose, aims and unique learning by which the Company undertakes all activities. We will continue to endeavor so that we may further deepen the essential connection with our management strategy and business.

Monden: Since May 2023, I have attended to the operation and management of TIB and xIB JAPAN. While interacting with managers from various industries, I have come to know how deep business philosophy and management can be. In particular, I have learned to not only focus on short-term business results, but also apply importance to a long-term vision extending the next five years, 10 years and beyond, and while embracing that perspective, I think I have developed the ability to engage others around me.

We are committed to ensuring rich communication by thoroughly sharing information on a daily basis with all members, including the President Office spearheading these efforts and the management team at MEDIA DO TECH TOKUSHIMA Co., Ltd. As we repeat this approach, it gives rise to a strong sense among all the participants that they are inspiring the region. As a result, this has enriched dialog with government, financial institutions, media, and other parties, and helped bring about broader connections. On into the future, while engaging the local community and bringing joy to the region, I hope that I can contribute to MEDIA DO's growth and development.

Material Issues

Utilization of advanced technologies

By selecting the right technologies at the right time, we build data infrastructure that can be utilized with various internal and external services.

Specific Initiatives

Building services that contribute to increased productivity internally and externally

We will build infrastructure (data links) that integrates data distributed and managed within the Group, for use with various internal and external services.

During the year, we have started developing a highly productive environment with the goal of allowing business partners to focus on content production, service improvement and promotion, and allowing the Company to direct its energies at planning management strategy and conducting business activities. Specifically, we have launched an initiative to accumulate and analyze wide-ranging in-house data in a cross-sectional manner. For the eBook Distribution Business, we have built a dashboard that quickly analyzes and visualizes marketing information in a more detailed manner, and we have begun to provide it to our business partners. For the benefit of internal operations, so that we can expedite appropriate management decisions through fast and accurate management strategy planning, we have started to build a system that automates and streamlines managerial accounting for the entire Group, including 16 subsidiaries. Within the Company, we are also undertaking efforts to increase the efficiency of budget drafting and reporting by integrating and visualizing data such as the number of system failures and cloud service usage fees for each service and resource.

Action Plan for Fiscal Year Ending February 28, 2025

Action Plan Overview

We will be able to provide our business partners with analytical information that is more useful and broader in scope. We will also push further improvements to operational efficiency within the Company. We will compare and study the optimal infrastructure for data analysis and introduce new infrastructure that achieves both improved processing speed and reduced costs.

	1Q (March to May)	2Q (June to August)	3Q (September to November)	4Q (December to February)
Improved processing speed and reduced costs achieved by data analysis infrastructure	Replacement with analysis infrastructure with exceptional processing speed and costs			
Improvements in the provision of marketing information	Improvements made from feedback received from stakeholders			
Review and development of further data utilization	Planning	Sample creation		
	Development of analytical infrastructure	Improvements aiding actual operation		



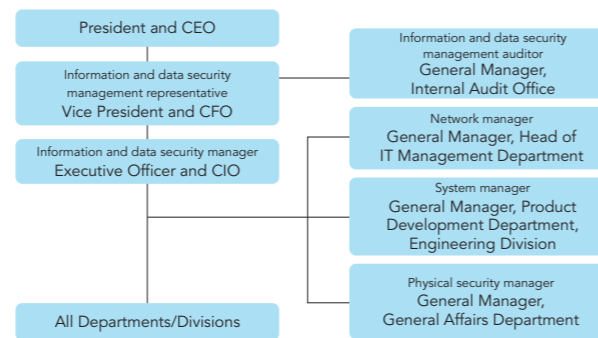
Material Issues

Strengthening of information security

In accordance with the Information Security Policy, the Group will advance the following initiatives for the purpose of fulfilling our social responsibility to achieve the safe and sound digital distribution of written works, with a focus on the eBook Distribution Business.

Management System

Under the direct supervision of the Vice President and CFO, the Executive Officer and CIO undertakes management responsibility and engages in regulating security requirements reflecting the enactment or abolition of laws and changes in the business environment, and in building an appropriate information security management system. Based on this framework, the Group stipulates KPIs and carries out monitoring and improvements in relation to areas including the management of confidential information and information systems, the preparation and application of regulations for information security measures, the handling and monitoring of vulnerabilities and the implementation of educational training.



Specific Initiatives

(1) Ensuring work style options

The Group introduced remote work due to the coronavirus pandemic. So that we can continue to build an environment that allows employees to make use of remote work options and undertake their job flexibly with a good work-life balance, we will strive to ensure a high level of information security. As one such measure, the Group will develop a zero trust environment.

During the year, we have identified issues in device management, data access and authentication that have become apparent as the Group looks to ensure flexible work styles, and we have defined the requirements that must be met. We have adopted tools with high priority based on those requirements and strengthened device protection/management and various kinds of authentication. In consideration of our achievements during the year, we have set forth a roadmap covering areas including system-building and the introduction of tools for the period ending February 28, 2025 onward.

(2) Visualizing security issues and applying improvements

By continuously conducting risk assessment concerned with information security, we can clarify the differences between the ideal conditions for the entire Group and the actual level of our response. Based on the issues visualized, we will review the content of measures required for strengthening information security at the Group, as well as the priority of those measures and the systems promoting them.

During the year, we carried out risk assessment based on an information security framework for the first time. Through that approach, we then identified measures for improving information security at the Group, and we also established the order of priority and executed countermeasures. For the various systems developed by the Group, we have continued to diagnose vulnerabilities each year, while identifying the issues requiring improvements for each system and implementing countermeasures.

(3) Quickly detecting cyber-attacks and internal fraud, and establishing an investigation/response system

We will prevent data leaks in advance by comprehensively monitoring the flow of data transmission. We will also implement the real-time detection of abnormalities including unauthorized access and malware infection occurring within the Group's systems, networks and devices, while strengthening analysis concerned with the range of impact and intrusion routes.

During the year, we expanded the area monitored within the Group by introducing SIEM¹, and we built an environment for detecting incidents in real time and quickly investigating them and applying countermeasures. We examined all detected abnormalities and confirmed that there are no problems such as data leaks or unauthorized access occurring within the Company. In addition, we established an SOC² support system operated by outside experts in preparation for potential incidents, thereby reducing the man-hours required for in-house management.

(4) Reducing human risk involved in information security

By reviewing information security regulations and providing related training, we strive to improve employees' awareness of information security. Through these regulations, we set detailed rules and tool-specific guidelines according to the job type and authority level, and this furthers employees' understanding. By making continuous revisions in consideration of actual operations, we can prevent those rules from becoming trivialized.

During the year, we reviewed the regulations, disseminated them within the Company and conducted periodic training, while establishing a highly continuous process for revising regulations. We achieved a 100% rate of attendance during the year for periodic training directed at our employees (full-time employees excluding persons on leave or temporarily transferred, etc.)

Action Plan for Fiscal Year Ending February 28, 2025

Action Plan Overview

Based on the differences between the ideal conditions for the entire Group and the actual level of our response as visualized during risk assessment, we will strengthen intrusion measures/protection, log monitoring, system-building for incident responses and other approaches required as priority countermeasures. We will also continue to engage in improving awareness of information security among all employees.

KPIs for Fiscal Year Ending February 28, 2025

- CIS Controls average score improvement for state of compliance: B (standard) rank, 2.6 pts. or more
- Rate of attendance at training: 100%

CIS Controls are a security framework established by CIS, an Internet security standards organization in the U.S., that indicate technical security measures dependent on the scale of an organization. They are widely used overseas. It is said that at least 70% of major cyber-security risks can be avoided by conforming with CIS standards.

From the year in question, the Company will assess risk by evaluating compliance with all of the items under this framework on a five-point scale, and we will make significant improvements to the level of security.

Average Score average		
S	Measures at optimal level	4.6-5.0
A	Exemplary measures	3.6-4.5
B	Standard measures	2.6-3.5
C	Problems with some measures	1.6-2.5
D	Problematic measures	1.0-1.5

Action Plan for Fiscal Year Ending February 28, 2025

	1Q (March to May)	2Q (June to August)	3Q (September to November)	4Q (December to February)
Ensuring work style options	Strengthening measures addressing outside threats			
	Strengthening monitoring of internal fraud			
	Strengthening management of leased devices			
	Improving authentication security			
Visualizing security issues and applying improvements	Conducting risk assessment			
	Diagnosing system vulnerabilities			
	Audit		Renewing P marks	
Quickly detecting cyber-attacks and internal fraud, and establishing an investigation/response system	Detecting abnormalities continuously			
Reducing human risks related to information security	Reviewing regulations each year	Conducting training each year		

Interview Words from a Supervisor

During the year, we significantly improved the level of information security at the Company in view of technology, systems and literacy, such as by introducing new security tools, establishing a specialized department, developing regulations and bolstering employee training.

Considering that this initiative has been identified as one of the Company's material issues and that we have properly prioritized measures based on quickly implemented risk assessment, it feels as if we have gained the understanding and cooperation of the entire Company as we advance these efforts.

I entered MEDIA DO as a new university graduate in an engineering role, hoping to contribute to the content industry. After attending to areas such as public cloud security management, I was assigned to my current post. It has given me absolutely tremendous motivation that I can now carry out work based on other viewpoints like regulations and training beyond the limits of an engineer.

Information security contributes both internally and externally across a great range, and we will continue to operate as a company to which partners in the industry can entrust their content. Strengthening of information security to make content distribution channels more secure is an initiative that directly converges with our mission of "Unleashing a virtuous cycle of literary creation." On into the future, we will review and advance security improvement measures suited to the current age and the Company's culture, while endeavoring to earn the constant trust of our partners at publishers and eBook retailers.








Taiki Mimori
Manager
IT Management Department,
Information Security Section

¹ Security Information and Event Management: system that centrally stores and manages log information generated by applications and security appliances for firewalls, etc., and conducts correlational analysis on those logs.
² Security Operation Center: specialized organization that detects and analyzes cyber-attacks and conducts countermeasures.

Stakeholder Engagement

To increase corporate value, we actively engage in dialog with our stakeholders so as to strengthen and improve relations and improve management quality.

Stakeholders	Scale (scope of impact)	Approach	Engagement methods/results
 Business partners	<ul style="list-style-type: none"> • Publishers 2,200 companies • eBook retailers 150 stores • eBook market 644.9 billion yen¹ 	To achieve our vision of “More Content for More People!”, we strive to understand needs and improve daily operations so that we may continue to provide high-quality services. We also endeavor to build trusting relationships in accordance with laws and regulations so that we can prosper together with publishers, eBook retailers and other members of the publishing and content industries.	<ul style="list-style-type: none"> • Daily sales activities • Everyday communication • The Company's website
 Content publishing industry	<ul style="list-style-type: none"> • Content market 12,441.8 billion yen² • Publishing market 1,596.3 billion yen³ 	We will contribute to the perpetual growth of the content and publishing markets by participating in industry organizations (General Incorporated Association ABJ) aimed at eradicating piracy websites and planning for the invigoration and streamlining of the eBook market through measures including the creation of a common industry data format.	<ul style="list-style-type: none"> • Participation in ABJ (Authorized Books of Japan) • Participation in W3C • Participation in the Japan Electronic Publishing Association
 Shareholders and investors	<ul style="list-style-type: none"> • Shareholders 5970 	We will endeavor to disclose highly transparent information in a fair and timely manner, provide feedback to the management team on the opinions and desires expressed during dialog, and thereby implement management improvements and identify material issues.	<ul style="list-style-type: none"> • General Meeting of Shareholders, integrated reports • The Company's website • Financial results briefings 4 times • Individual meetings with institutional investors 183 times • IR email distribution 7 times
 Employees	<ul style="list-style-type: none"> • Consolidated 606 	Setting forth the corporate creed of “Growth and Potential,” we will achieve career fulfillment and ease of work by developing various kinds of climates and environments in order to connect the growth of each individual with the growth of the Company.	<ul style="list-style-type: none"> • Management policy briefings 2 times • Employee training 12 times • Owned media (incl. newsletters) 30 times • Whistleblowing system/consultation desk
 Local communities	<ul style="list-style-type: none"> • Local branches 4 businesses • Associated members nationwide 1,200 • Local alliance 73 companies 	To address local issues in the region, we will collaborate with local governments, local companies, educational institutions and other partners, while creating an environment focus on sustainable business management and building relationships that can grow together with the local community.	<ul style="list-style-type: none"> • Board/committee conducted with local community 30 times • Plans for hosting monthly meetings and home games, etc. 40 times • PR for alliance companies • Everyday communication

All figures were taken as of the end of February 2024 or from the fiscal year ended February 2024 (March 2023 to February 2024), except when referring to the following sources:
 1 Impress Corporation: 2024 eBook Business Survey Report
 2 Ministry of Internal Affairs and Communications, Information and Communication Policy Research Center: 2024 Survey on the State of Production and Distribution of Media Software
 3 All-Japan Magazine and Book Publishers and Editors Association: 2024 Annual Report on Publishing Indicators

ESG Highlights

		Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024	
Environmental	Total CO ₂ emissions (Scope 1 + Scope 2, t-CO ₂) ¹	136.7	136.4	175.2	169.7	
	Scope 1 (t-CO ₂)	10.7	5.5	5.0	4.4	
	Scope 2 (t-CO ₂)	126.0	130.9	170.2	165.3	
	Electricity consumption (kWh)	283,688	296,844	376,563	430,460	
	Water use (m ³)	11.1	7.4	14.8	313	
	Paper use (t)	1.1	1.1	1.4	1.2	
Social	Numbers of employees and ratio of female employees (figures in parentheses represent part-time and temporary employees)	Total	295 (70)	328 (72)	345 (79)	341 (90)
		Men	153 (13)	162 (16)	172 (25)	171 (27)
		Women	142 (57)	166 (56)	173 (54)	170 (63)
	Ratio of female employees (%)	Total	54.5	55.5	50.1	49.9
		Men	87	104	97	106
		Women	68	80	75	75
	Number of managers ²	Total	19	24	22	31
		Men	21.8	23.1	22.7	29.3
		Women	2 (18.2)	8 (24.2)	2 (18.2)	13 (43.3)
	Breakdown of female managers and ratios of total managers (%) ²	Directors / Audit & Supervisory Board members	0 (0)	1 (11.1)	1 (11.1)	1 (16.7)
		General manager or above	3 (10.3)	4 (9.1)	7 (13.7)	6 (13.3)
		Other managers	16 (30.8)	20 (33.3)	14 (30.4)	25 (40.3)
	Number of newly hired employees in Japan (figures in parentheses represent part-time and temporary employees)	Total	216 (36)	62 (17)	64 (32)	42 (37)
		Men	113 (4)	31 (7)	35 (14)	19 (9)
		Women	103 (32)	31 (10)	29 (18)	23 (28)
	Number of non-Japanese employees ²	Total (%)	5 (1.4)	8 (2.0)	9 (2.8)	9 (2.6)
		Men	2	1	2	3
		Women	3	7	7	6
	Number of domestic employees stationed outside of major urban centers (figures in parentheses represent part-time and temporary employees) ¹	Total	27 (57)	28 (55)	31 (64)	6 (0)
		Men	2	2	4	9
Women		35.4	35.4	34.1	34.7	
Average age of employees ²	Men	37.2	36.8	34.6	37.1	
	Women	33.4	33.9	33.6	33.9	
	Total	59	48	46	27	
Number of engineers ²	Men	50	42	39	23	
	Women	9	6	7	4	
	Men	2	1	0	0	
Number of employees that used the childcare leave system ²	Women	7	9	8	10	
	Ratio of leave takers returning to work (%)	100	100	83.4	93.0	
	Total average monthly work hours per person ⁵	168.5	176.0	174.2	160.7	
Total average monthly overtime hours per person ²	14.7	15.5	12.6	9.4		
Occupational accident frequency rate (%) ⁶	0	0	0	6		
Ratio of employees undergoing stress checks (%)	95.7	97.0	96.8	100.0		
Ratio of employees undergoing regular health checkups (%)	99.7	99.7	100.0	100.0		
Average amount of training expenses per employee (yen)	40,293	51,031	194,293	47,678		
Number of security incidents	0	0	0	0		
Number of data leaks	0	0	0	0		
Number of services with ABJ mark ⁷ certification	777	830	881	929		
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 ⁸ (millions of yen)	39.2	59.5	70.0	55.6		
Governance	Number of directors	Total	6	6	6	8
		Women	0	1	1	3
		Outside	2	2	2	3
	Number of Audit & Supervisory Board members	Independent	2	2	2	3
		Total	3	3	3	4
		Women	0	0	0	1
	Ratio of independent directors (%)	Outside	2	2	2	3
		Independent	2	2	2	3
		Total	33.3	33.3	33.3	37.5
	Ratio of independent auditors (%)	66.6	66.6	66.6	75.0	
Total compensation paid to directors (millions of yen)	98	107	132	163		
Total compensation paid to Audit & Supervisory Board members (millions of yen)	13	15	16	24		
Number of reports received through whistleblowing systems	0	0	11	2		

Scope: MEDIA DO Co., Ltd. and MEDIA DO TECH TOKUSHIMA Co., Ltd.

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 work hours) × 1,000,000
 7 The ABJ certification mark indicates that the certified eBook retailer 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.

CFO Message

We will achieve an N-shaped recovery and the early profitability of our strategic investment businesses by revising our investment policy and streamlining our management resources.

In the process, we will strive to maximize our corporate value

After Becoming Vice President and CFO

I wish to express my deep gratitude to our shareholders and other investors for your constant and exceptional support.

I was appointed Vice President and CFO at the Company's 25th Annual General Meeting of Shareholders held on May 23, 2024.

In 2013, I worked with President and CEO Oga to co-found Flier Inc., which is currently a subsidiary of the Company. Flier joined the MEDIA DO Group in 2016. After transferring to the Company's Corporate Planning Office (now the Corporate Planning Department) in 2018, I have fulfilled a wide array of responsibilities as an executive officer and director, including IR, the budgeting and medium-term planning, corporate management of Group companies, management committee support, financing, as well as in non-financial areas such as corporate divisions for a company listed on the Prime Market, governance system reform and the promotion of sustainability activities.

Bringing to bear the entrepreneurial and content business experience I gained while dedicated to Flier's business growth, organizational development and scaling, I intend to enhance corporate value through the corporate management of our businesses and Group companies, swift decision-making and business operations, as well as the optimal allocation of resources by building stronger relationships of trust with publishers and eBook retailers.

In this dual-executive structure, I will continue to work with President and CEO Fujita to forge a new MEDIA DO while looking ahead to the next five to ten years. As such, I would like to ask for your continued understanding and support for our efforts hereafter.

Hiroshi Kanda

Vice President and CFO
Chairperson of Sustainability
Committee
Member of Nomination and
Compensation Committee

Corporate Management Performance in Fiscal Year Ended February 29, 2024

Our consolidated performance for Fiscal Year Ended February 29, 2024, following decreased revenue and profit in the previous year, shows net sales down 7.5% year over year to ¥94.0 billion, operating profit down 13.7% to ¥2.0 billion, ordinary profit down 13.1% to ¥1.9 billion and net income attributable to shareholders at a net loss of ¥0.3 billion. The principal driver of the decreased revenue was the decrease in net sales in the eBook distribution business, owing to the transfer of the business operations of LINE Digital Frontier Corporation, the operator of LINE Manga, to another company. However, despite the fact that the impact of LINE Manga's decreased revenue was ¥11.0 billion over the year, we believe that our trend of net sales expansion was largely sustained in line with the growth of the eBook market, given that the overall decreased revenue was only ¥7.6 billion.

Results were somewhat sluggish in terms of profitability, mainly because NIHONBUNGEISHA Co., Ltd., our wholly owned subsidiary,

posted a loss caused by a sharp rise in the price of paper and other resources and a decline in sales of flagship magazines. Against this backdrop, we met our initial target of operating profit of ¥2.0 billion. We believe this reflects the effectiveness of our cost control measures. There was a net loss of approximately ¥0.3 billion in net income attributable to shareholders. This is due to impairment losses of ¥1.0 billion in strategic investment businesses, including impairment of goodwill toward a subsidiary, and losses on valuation of investment securities of ¥0.7 billion, including investment in a Korean vertical scrolling comic production studio and the 2022 acquisition of HIKKY. We regret the concern we have caused our stakeholders about the loss of bottom-line profit due to the combination of decreased net sales in our eBook distribution business and the underperformance of our investments in our strategic investment businesses.

Growth Potential of the eBook Market and the Future Outlook of the Company's eBook Distribution Business

Nevertheless, we remain confident that our business performance will pick up in FY2024, the fiscal year ending February 28, 2025, and beyond.

For the past several years, the Group's cornerstone, the eBook market, has been experiencing robust growth. As the shift from paper books to eBooks continues, the eBook market, especially eComics, has grown significantly. This growth has been driven by the closure of illegal piracy websites and the expansion of stay-at-home consumption due to the spread of COVID-19 infections. A study by Impress Corporation found that the e-publishing market grew only 7.0% year over year to ¥644.9 billion in 2023, indicating a slower growth rate than before. While sales of non-graphic books and eMagazines declined, sales of core eComics rose 8.6% year over year to ¥564.7 billion, underscoring a clear

trend toward polarization. The eBook market will continue to expand. Yet, as eBooks gained widespread exposure in daily life these past few years, perhaps it can be said that the market is moving from a high-growth period marked by rapid growth in demand to a matured stage characterized by moderate progression.

Given these market conditions, we recognize that distributor's roles and functions have undergone major changes during the past several years. Until a few years ago, publishers and eBook retailers expected the Company to make their eBook distribution operations more efficient and less labor intensive. This means that they greatly reduce their time and effort by letting MEDIA DO handle the whole process instead of staffing and building a distribution system themselves.

However, with the dramatic increase in the volume of electronic content distribution in recent years, the need to refine commercial distribution through DX has emerged as a challenge for the industry as a whole. With a printed book, for example, author royalties are calculated at the time of the first print run or reprint, but with an eBook, sales must be totaled each month, and the royalties payable to the author and writer through the publishers must be calculated. Unlike printed books, which must be sold at a set price due to the system for maintaining resale prices, eBooks have many limited-time discounts and free eBook distributor campaigns run for them, and the Company undertakes 17,000 eBook distributor campaigns a year. In fact, this figure has been increasing

every year. There are various ways to provide eBooks. Every company has its own innovative service, offering eBooks for purchase by the volume, distributed by the episode or for free as long as the user views an advertisement. Besides the increasing complexity of these transactions, the Company handles 2,100,000 files of content per year, and more electronic files are accumulated every day. We are entering an age in which eBook distribution requires the involvement of systems based on sophisticated technology to run smoothly. The Company will control and manage the flow of electronic content with its in-house developed IT systems to streamline operations and take the lead in expanding the industry.

Status of Strategic Investment Businesses and Future Growth Scenario

MEDIA DO changed its business segments from Fiscal Year Ended February 28, 2023. Now, it operates in two core business segments: eBook distribution business and strategic investment businesses. Our strategic investment business segment is composed of the Imprint, IP solution, Global and FanTop businesses. In Fiscal Year Ended February 29, 2024, these contributed approximately ¥7.4 billion in net sales, which accounts for 8% of the consolidated net sales. It incorporates businesses with latent potential for business upscaling by capitalizing on the one-of-a-kind position the Company has cultivated in the eBook distribution business, including the FanTop business, responsible for the distribution of non-fungible token (NFT) digital content, and Flier, a service that provides book summaries. As part of its Medium-Term Management Plan, the Company has been actively investing in its businesses in order to establish a profit segment secondary to the eBook distribution business.

Meanwhile, the Company was unable to secure adequate resources, including human resources, to drive the business forward on the expanded lines of engagement. Because of limited focus on businesses that ought to have been invested in intensively, it was again unable to generate segment revenues that were profitable in Fiscal Year Ended February 29, 2024. Particularly for BtoC businesses, such as Nagisa, J Comic Terrace, GREET and Vertical Scrolling Comics, the Company's

business portfolio review standard of 8% ROIC was not being met. Given that the desired business results it originally planned were not achieved, it was decided to withdraw from these businesses after discussions at Board of Directors meetings. By comparison, Flier's net sales for corporate clients are on the rise, and its overseas group companies, which provide digital transformation services for publishers, are also demonstrating consistent growth. It is also seeing positive signs of eliminating the deficits in its strategic investment businesses.

Its policy hereafter is to secure an early contribution to becoming profitable and consolidate performance by concentrating the Group's management resources.

In terms of specific initiatives, it has been focusing most on rejuvenating NIHONBUNGEISHA's performance, which posted a loss in Fiscal Year Ended February 29, 2024. Since May 2024, it welcomed a new president, Hibiki Takemura, who has contributed to business growth by catering to the trends of each publisher. It will step up efforts to promote eBook sales and advance measures to enhance the value of leading IPs, such as animated films and video adaptations. Based on these efforts, the Company expects to resolve the deficit or return to profitability in the strategic investment businesses by Fiscal Year Ending February 28, 2027.



M&A Strategy of MEDIA DO for Business Portfolio Diversification: That which Makes the Difference between Success and Failure

MEDIA DO Group has been broadening its operations and diversifying its portfolio through strategic alliances and M&A. A prime successful example is the acquisition of Digital Publishing Initiatives Japan Co., Ltd. in 2017. MEDIA DO, which shifted to the First Section of the Tokyo Stock Exchange (Now Prime Market) the year before, announced its acquisition of Digital Publishing Initiatives Japan in February of that year and made it a wholly owned subsidiary in June. By acquiring the company, MEDIA DO captured the top position in Japanese eBook wholesale. It spent the next three years aligning the organizations, in-house systems and wholesale systems and successfully completed the PMI (integration process) through the definitive merger.

By contrast, as mentioned earlier, there were several instances where its M&As did not succeed, and it had to sell or retreat from a business. The causes can be broadly categorized into cases involving a venture still in the investment phase that did not achieve synergy creation because an immediate transition to profitability was prioritized and cases where the potential for realizing integrated synergy was overestimated. When the Company considers new acquisitions in the future, it is expected to conduct a rigorous review after carefully verifying the feasibility of measures for synergy creation and running multiple simulations on how it will realize a return on its investment.

Focusing on Pioneering Global Markets to Further Amplify Business Scale

Despite the robust expansion of the eBook market so far, the publishing industry in Japan as a whole is shrinking gradually year by year against the backdrop of a declining birthrate and graying population. Meanwhile, market globalization continues to accelerate—major publishers have been pushing for the full-fledged export of their content overseas, and eBook retailers have been successfully venturing into overseas markets. Expanding its business base globally by enriching its content for overseas markets with great market potential is the key to MEDIA DO's future sustainable growth. In 2016, the Company became the forerunner in the industry's overseas expansion. It established Media Do International, Inc. in San Diego, California, U.S., and has worked to

propagate translated content throughout various overseas regions. In addition to wholesale for overseas eBook retailers, Media Do International has recently published English translations in print and eBook formats, marketed and supported the expansion of book retailer distribution for Shueisha's Love Like the Falling Petals by Keisuke Uyama and Tokyo Swindlers by Ko Shinjo, which will be released on November 12. Looking ahead, it will strive to pioneer and delve deeper into overseas markets in tandem with publishers, eBook retailers and other business partners.

Financing: Selecting the Best Method in Light of Performance, Stock Price, Cost of Capital and Other Factors

In the Company's core business, eBook distribution, it receives sales proceeds from eBook retailers. Because the business model involves returns to the publishers, accounts payable exceed accounts receivable. This is an asset regarding the Company's financial health: the Company is unlikely to face a shortfall in working capital needed to sustain its business growth. Effective investment, on the other hand, is essential for the Company's medium- to long-term growth, and financing is an integral part of its financial strategy. The basic policy of the Company's financing is to select the optimal method while upholding sound financial discipline, considering recent performance trends, financial position, share price levels, the cost of capital, external economic and interest rate conditions and other relevant factors.

Past examples of the Company's M&A and alliances include financing in 2020 and the capital business alliance with Tohan Corporation in 2021, for which equity financing was provided. Before this, the acquisition of the Digital Publishing Initiatives Japan in 2017 was fully financed by bank loans.

My particular focus in directing finances, not exclusively financing, is on return on equity (ROE). Into the 2020s, the Company's ROE has been trending downward, and this is evident in the weak stock price trend. The Company intends to optimize its price-to-book ratio (PBR), a measure of corporate value, and its share price by setting a medium-term target of ROE of 10% or more and a price-earnings ratio (PER) of 20 to 30. Conceivable initiatives that are essential to the improvement and

enhancement of these indicators are improving profits from expanding the distribution share in the eBook distribution business, transitioning to profitability of the strategic investment businesses early and aiming to

expand information disclosure with an awareness of both financial and non-financial aspects.

MEDIA DO's Shareholder Return Policy

Since its IPO in 2013, MEDIA DO has considered shareholder return a crucial management issue. It has been carrying out a capital policy that balances enriching the necessary internal reserves to reinforce its investment and management base and providing stable dividends and steady growth to amplify shareholder value. Since Fiscal Year Ended February 28, 2023, the total return ratio for shareholder returns, combining dividends and share buybacks, has been modified from 20% to 30% or more. In Fiscal Year Ended February 28, 2023, all shareholder returns were made through share buybacks. However, based on discussions with shareholders and other investors, the Company revised its method for Fiscal Year Ended February 29, 2024 to a combination of dividends and share buybacks. In Fiscal Year Ended February 29, 2024,

the Company was unprofitable as of the end of the fiscal year. Still, the principal cause of the extraordinary loss was non-cash outflow. Moreover, it is expected that the Company's business performance will improve moving forward, having bottomed out in Fiscal Year Ended February 29, 2024. As initially planned, the Company delivered a year-end dividend of ¥22 per share. For Fiscal Year Ending February 28, 2025, we plan to increase the dividend by ¥5 to ¥27—this is the threshold for reaching a total return ratio of 30% based on dividends alone, the expectation of increased sales and profit.

While further enhancing the dividend payout ratio, the Company intends to enrich its relationship with shareholders and other investors through timely, equitable disclosure and constructive dialog.

Basic Approach to Sustainability

Respect for the natural environment and economic and social sustainability is now a requirement for corporate continuity when undertaking business and financial strategies. MEDIA DO is engaged in a wide range of activities to accomplish its goals and bring its vision to fruition, including respect for the environment, supporting the development of publishing culture through its business and developing a highly transparent governance structure. These are just some topics related to material issues affecting the company's sustainability.

In June 2022, the Company reorganized what had been the Risk Management Committee into the Sustainability Committee. The Sustainability Committee monitors the Company's business operations and performance for potential risks that may substantially harm them and

devises control measures to prevent or mitigate such risks. It identifies material issues, considers both risks and opportunities and promotes KPI management and assistance in carrying out measures. I oversee business strategy and financial strategy as Vice President and CFO. As such, I see the Sustainability Committee as like my alter ego. The risk assessment data compiled and analyzed by the committee, coupled with its recommendations on sustainability measures, are invaluable tools for making decisions. Over the past two years since its reorganization, the Sustainability Committee's role and function have become more widely recognized internally, and I am reassured that momentum is building throughout the Company to reflect on risks and opportunities and the viability of its sustainability.

Sustainability Initiatives: Governance, Information Security and Human Capital

MEDIA DO has identified management issues requiring attention to achieve the long-term, sustainable improvement of corporate value as material issues. The Company is promoting priority initiatives under the three themes of the enhancement of corporate governance, strengthening of information security and development and cultivation

of innovative human resources.

Regarding governance, three of the seven directors are outside directors, and three of the seven are women. The Company recognizes that it is adequately ensuring the checks and balances function of management and gender diversity. In light of the annual effectiveness

assessment, we will upgrade the functions of the Board of Directors and the Nomination and Remuneration Advisory Committee and have set the elimination of management's black box externally as a challenge for the future.

As for information security, in response to large-scale cyberattacks, such as ransomware, and file leaks, which have become increasingly common in recent years, we have taken comprehensive action, including revising rules and working to develop and introduce a system that can prevent trouble, such as information leaks. We will take strides to reinforce our security framework and make our information management more sophisticated so we can maintain the trust of our customers and business partners as a company that supports the industry's infrastructure.

Our emphasis is on strengthening our managers in terms of the development and cultivation of innovative human resources. I am confident that they will communicate a clear vision and targets to their teams and manage and evaluate their progress appropriately. By repeating this process, the managers will be sure to grow as well. Because the Company's business has grown swiftly, most of our hiring efforts, I have seen, have been to aim to recruit and utilize mid-career personnel who can hit the ground running. However, we now need to go beyond that to promote the development of proper human resources working with us since they graduate.

Human capital is the source of the Group's competitive advantage. Therefore, the Group plans to boost its human capital by establishing an HR policy and furnishing a work environment that supports employee self-actualization. The Group also plans to hire women and persons with disabilities and many other human resources with diverse careers and backgrounds. Having a variety of values interacting will foment a corporate culture with vitality.



A Message for All of Our Stakeholders

Since its founding in 1994, MEDIA DO has continuously predicted the trends of the time and changes in economic and social conditions and repeatedly evolved its business foundation and profit structure, allowing it to achieve sustained growth. For this, we would also like to sincerely thank our shareholders and other investors, business partners, members of local communities and various stakeholders for their support. Looking to the future, we will uphold the management principles valued the most by our founder, President Fujita. At the same time, in our business activities, we will continue to increase the resolution to our MISSION of Unleashing a virtuous cycle of literary creation and what we chant in our VISION of More Content For More People! I will lead the business's certain and daily progression with a wide-ranging view and a high vantage point. We will strive for sustained growth into the future and maximize our corporate value.

As for the forecast for the consolidated performance in Fiscal Year Ending February 28, 2025, we expect net sales to be ¥98.0 billion (a year-over-year increase of 4.2%), operating profit to be ¥2.3 billion

(an 11.3% increase), ordinary profit to be ¥2.23 billion (a 12.0% increase) and net income attributable to shareholders to be ¥1.33 billion. Although the eBook market is on the upswing, we expect the business environment to remain volatile over the next few years, as demand for stay-at-home consumption runs its course and real wages decline due to global inflation. However, the Company is devoted to innovative management and business operations, so we will boost our presence further in the Japanese and overseas markets. As such, we resolve to create a sustainable corporate group that enjoys the trust of all of our stakeholders. We will further accelerate our efforts to establish secondary and tertiary segments and to solve social issues. As always, your continued understanding and support are greatly appreciated.

August 2024

荻田明史
Hiroshi Kanda

Business Strategy

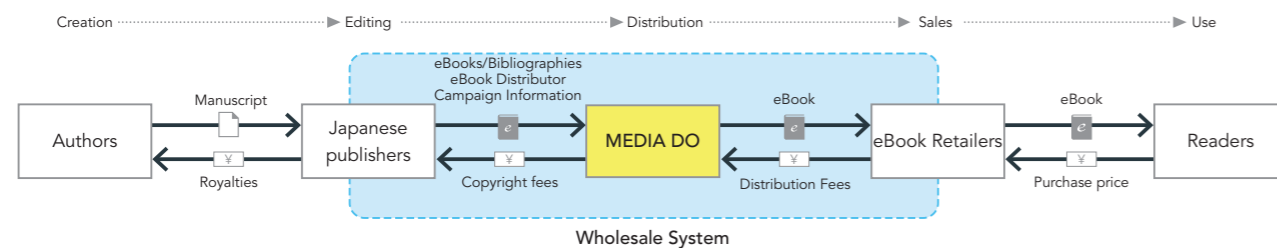
eBook Distribution Business

Expand the Entire Publishing Market through Reduction of Distribution Energy Use

The Company's mainstay, the eBook distribution business, has a proven record of transactions with more than 2,200 publishers and over 150 eBook retailers. As the largest eBook wholesale distributor in Japan, the Company has built a strong relationship of trust with the publishing industry. We centralize the management of content, bibliographical information and other information received from publishers and distribute it to eBook retailers through a wholesale enterprise resource

planning (ERP) system we developed in-house. In addition, we carry out managed eBook distributor campaigns, such as discounts, free shipping and other promotions, as well as permanent sales distribution. Our purpose is to contribute to the development of the overall publishing market by streamlining the tremendous number of operational activities involved in eBook distribution and reducing the energy used in distribution through the provision of this type of system.

Business Model



Analysis of Current Status

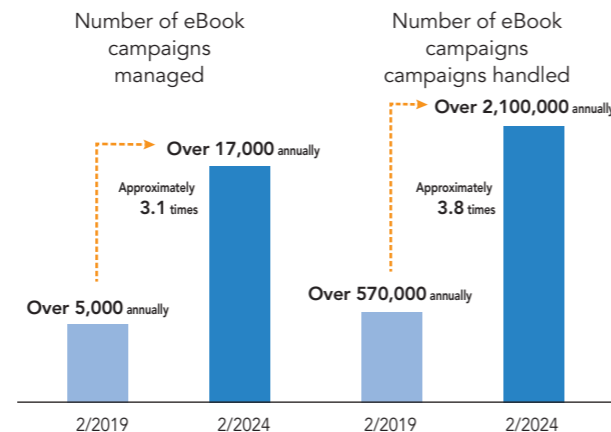
The eBook market continued to grow at a double-digit rate, starting in the early 2010s, as users switched from feature phones and PCs to smartphones. eBooks, including manga comics, have been extensively adopted in people's daily lives, following the demand for stay-at-home consumption due to the expansion of COVID-19. The market is now entering a mature stage. With the continued momentum toward expansion, the market is forecast to reach approximately ¥80.0 billion in 2027.

As the market has expanded, eBook service formats have diversified significantly, such as episode distribution, rather than volume distribution, unlimited subscription services, and free reading upon viewing an advertisement. Every year, the operational tasks related to eBook distribution have become progressively more complicated. Moreover, the Company has approximately tripled the number of eBook distributor campaigns it manages (over 17,000) in the five years since Fiscal Year Ended February 28, 2019. Increased competition among publishers and eBook retailers for customers has spurred various measures, such as eBook discounts, limited-time free releases

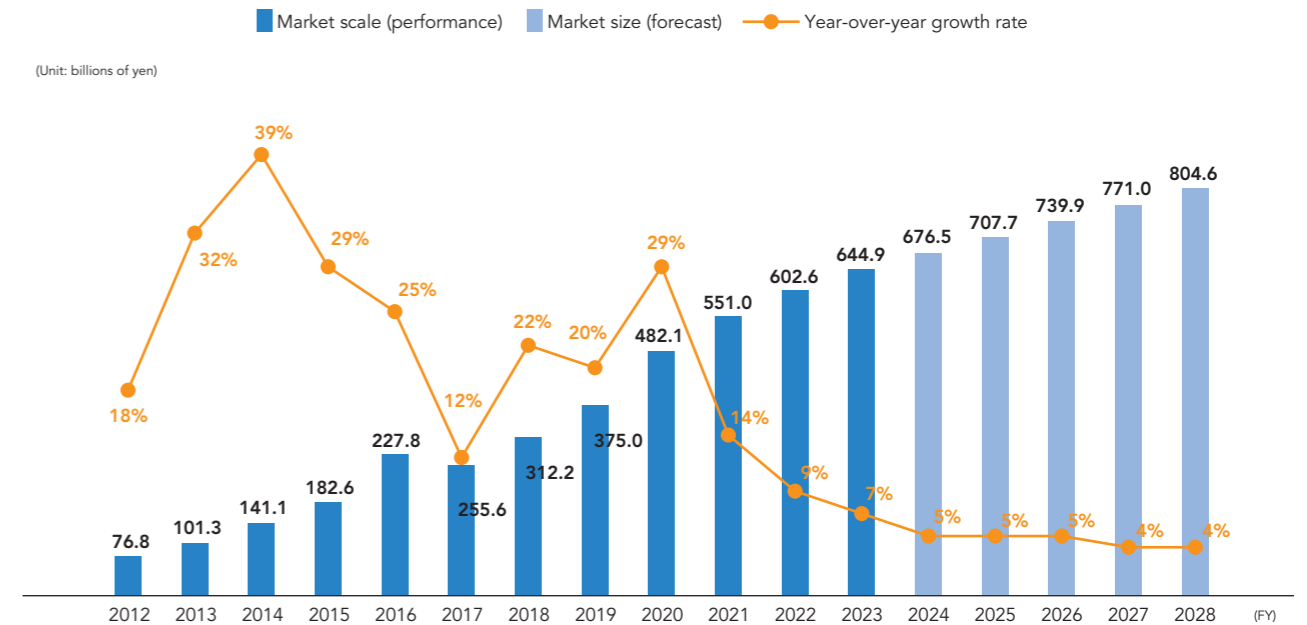
and point rebates.

Given these conditions, the burden imposed on publishers and eBook retailers in handling eBook operations in-house has been steadily growing, which has increased industry demand and the expectations placed on eBook wholesalers.

Number of managed eBook Distributor Campaigns and Trends of Content Handled



Projected Scale of eBook Market in Japan



Source: eBook Marketing Report 2024 on Japanese Market, Impress Research Institute

Results in Fiscal Year Ended February 29, 2024 and Direction Moving Forward

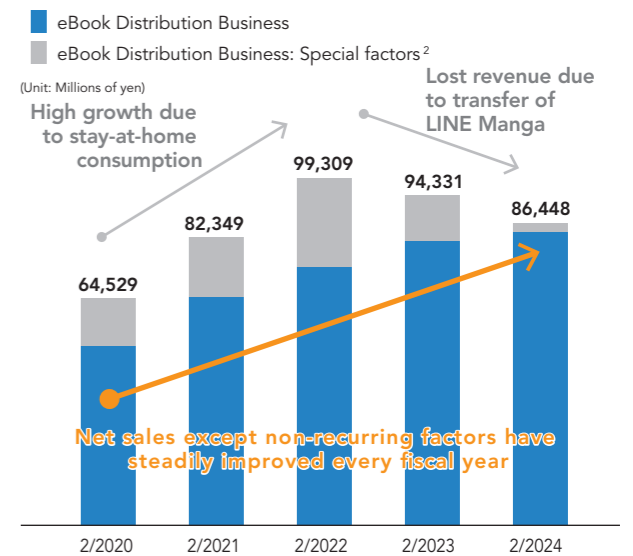
Fiscal Year Ended February 29, 2024 results showed a decrease in revenues (down 8.4% year over year) due to the effects of a non-recurring decrease in profits (approximately ¥11.0 billion).¹ However, when adjusted to exclude this effect, net sales showed an increase of 4.3% year over year, indicating that the Company continues to achieve steady annual growth.

Following the downgrade of COVID-19 to Class 5 in May 2023, many publishers and eBook retailers downsized their marketing initiatives, cognizant of the shift in consumer demand away from indoor entertainment and toward outdoor leisure activities. The growth rate of the Company's net sales year over year was 104.3%, approximately six percentage points lower than the growth rate forecast at the beginning of the fiscal year.

A specific example is the sluggish growth rate seen since May 2023, caused by consecutive months with fewer eBook retailers campaigns. At the same time, there has been a gradual increase in the number of campaigns since around the New Year's holiday season, and the Company also secured a new commercial distribution channel with a major eBook retailer in February 2024. Once again, the growth rate has topped 110% continuously.

Building upon the trust and track record we have developed with the foundation of a wholesale organization of more than 150 people, in Fiscal Year Ending February 28, 2025 and beyond, we will provide information that appropriately captures the evolving needs of the

Net sales trend



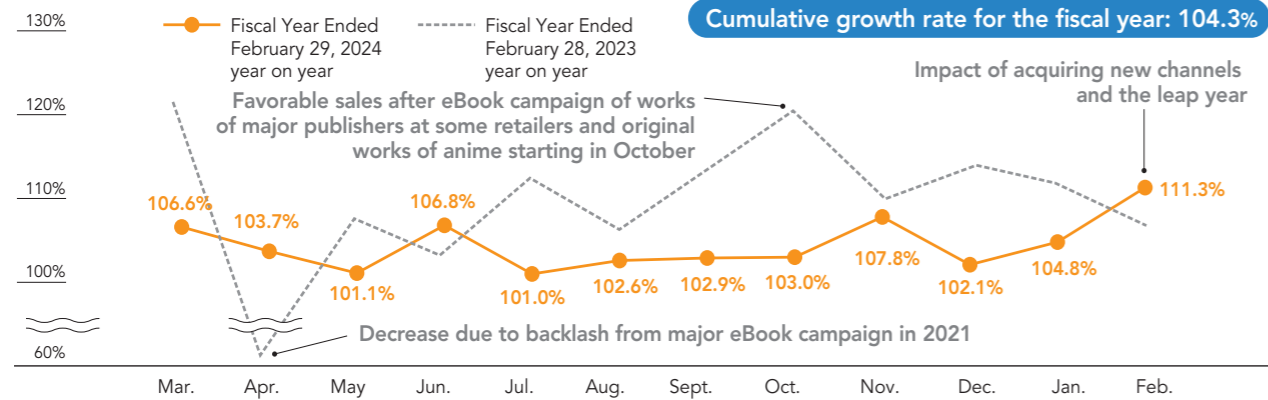
¹ There was a non-recurring decrease in profits due to the transfer of back-end operations for LINE Manga, operated by LINE Digital Frontier Corporation, formerly a major business partner, to eBook Initiative Japan Co., Ltd. The transfer's impact on sales is only until the end of Fiscal Year Ended February 29, 2024; there will be no impact from Fiscal Year Ending February 28, 2025 onward. For details, please refer to the "Notice regarding status of transactions with main business partner, and earnings forecasts for current fiscal year" (https://ssl4.eir-parts.net/doc/3678/ir_material_for_fiscal_ym2/116242/00.pdf), dated April 14, 2022.

² Sum of net sales for LINE Manga and the effects of large-scale eBook distributor campaigns by some book retailers in Fiscal Year Ended February 28, 2022 and other activities.

industry and the market environment, support operations meticulously and develop and provide systems. The reduction of eBook distribution energy use allows publishers and eBook retailers to focus more on enhancing the content creation and services they provide and

marketing, promotion and other pursuits. This will further cement eBook wholesale's significant role and expand our distribution share once more.

Growth rate of net sales year over year



Message from Executive Officer in Charge

Streamline eBook Distribution and Contribute to the Growth of the Industry

MEDIA DO stands between numerous publishers and eBook retailers to provide system solutions to optimize eBook content distribution and distribution operations.

Kayoko Hanamura
Director and COO



The Company's greatest appeal for publishers is its ability to provide written works to many retailers and readers; for retailers, it is its ability to have written works on hand from a variety of publishers. The Company is also highly regarded for its operations, which reduce the overall burden of operational activities and are capable of further accelerating distribution speed.

As operational activities grow more complex, the Company will continue to take up the challenge of resolving issues only visible when positioned between publishers and retailers one by one, streamlining and automating work and further increasing speed for the greater development of the industry.

I am aware of the key role we are playing in the eBook industry and am working to reinforce the relationships of trust built inside and outside of the Company so the employees supporting this process can

concentrate on the business with pride. Every employee endeavors to work diligently at all times. We are working to contribute to the market's expansion inside and outside of Japan and deliver greater value than expected.

We ask that you continue to grant us your understanding and support.

Profile

Joined For-side.com Co., Limited. in 2000 and engaged in the content distribution business. Since joining the Company in 2015, she has been consistently involved in the eBook distribution business and has led the growth of what is currently a core business. She has worked as a general manager of the eBook Distribution Business Department, as an executive officer, and since May 2023, as a director.

Business Strategy

Strategic Investment Business: Imprint Business

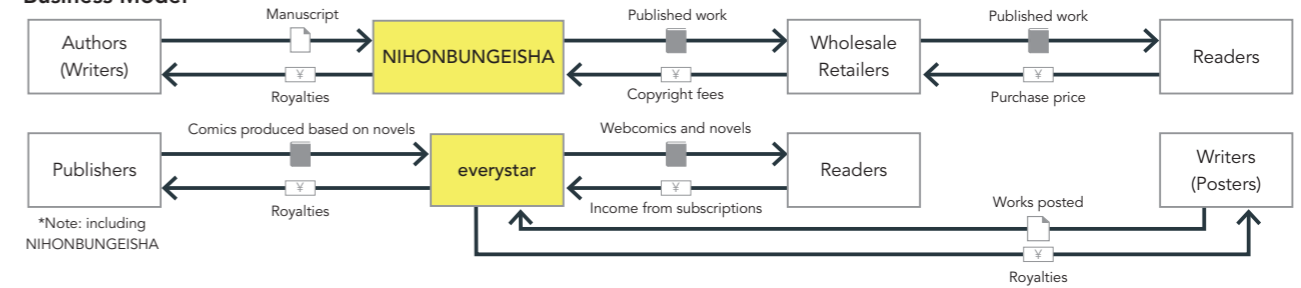
Maximizing the Value of Content through the Creation of Original Works, Media Mix and Multiple Usage

In the imprint business segment, the function of creating original works in the Group is assumed by NIHONBUNGEISHA Co., Ltd., which publishes Weekly Manga Goraku, a manga magazine with a 60-year history, and a wide range of genres such as comics and practical guides, in paper and electronic formats, and by everystar Co., Ltd., which operates everystar, a website that allows the public to freely

submit novels and other works.

We will maximize the value of content by having both companies produce prominent original works, promote media mix and allow wide-ranging multiple usage of individual works, all with the aim of further growing the publishing and content market.

Business Model



Analysis of Current Status

The financial burden of paper publishing is trending toward increases. The cost of printing has soared due to increases in the cost of shipping and paper materials. At the same time, increased demand for indoor entertainment triggered by COVID-19 has contributed to the

widespread diffusion of video content distribution services, thus altering the structure of the global content market.

Results in Fiscal Year Ended February 29, 2024

The first loss in five terms was recorded, mainly at subsidiary NIHONBUNGEISHA, as results deviated from the forecast at the start of the fiscal year. Not only has the cost of paper publishing increased, but the manga segment has also entered a temporary dip accompanying

the end of the serialization of a hit work. The range of genres handled has been narrowed to emulate past successes in practical guides. An overall state of contraction has resulted in a worsening of both net sales and operating profit.

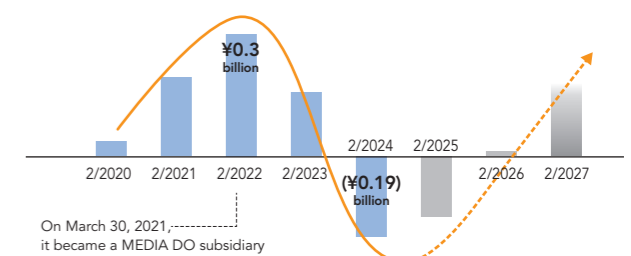
Business Policy for Fiscal Year Ending February 28, 2025

With regard to NIHONBUNGEISHA, Hibiki Takemura, who has extensive experience in the publishing industry, was invited to become president of NIHONBUNGEISHA, which commenced with a transformation of its management structure and other fundamental changes in order to pursue renewed growth. Concerning digital distribution, we will actively participate in new initiatives with eBook retailers in digital distribution and build a framework that will enable us to vigorously apply our work and editorial skills in the eBook market. For paper publishing, we will also promote the streamlining of services by upgrading our inventory management and renewing our system to build a more powerful profit structure. In Fiscal Year Ending February 28, 2025, our focus is on establishing a structure to apply the strengths of our content and creating a foundation for renewed growth. We aim for a return to profitability in Fiscal Year Ending February 28, 2026 and beyond.

With Everystar, we intend to offer the platform of choice for writers, readers and publishers. So, we will strengthen the platform's appeal by

advancing a range of measures, including assigning one staff member per title for writers and broadening a support system as we propose commercialization to multiple business partners. Looking forward, we will continue to build a system that generates a multitude of hit productions.

Trends in the operating profit of NIHONBUNGEISHA (representation)



Message from the Executive Officer in Charge



Bringing together
all passion for content
and never letting it grow cold

Hibiki Takemura
NIHONBUNGEISHA Co., Ltd.
President and CEO

Rekindling the Passion of Publishers

The most important thing for a publisher is passion. They must pick up the author's passion through editing and then deliver it to readers through sales and distribution without letting it grow cold. This is an intrinsic aspect of the publishing industry.

Many factors might make this passion grow cold. Logical management decisions focused on profit, the commoditization of works due to marketing-driven editorial decisions, the slowdown in distribution speed caused by cautious business judgments, and, above all, the stagnation from having been in the business for too long. NIHONBUNGEISHA is one of the oldest publishers with a proud, 70-year history. So, there are several things that have caused its passion to grow considerably cold.

My first mission has been to reignite this passion by dispelling as

many cooling influences as possible. This led me to talk to every one of our more than 70 employees individually to find out what their passion was and convey it.

Once we started talking, it was like you would expect from a long-time publisher. Every one of them was truly passionate about their work. That means the coldness must be occurring somewhere in the way this passion is communicated. Management that supports the passion on the ground, editing that maximizes the potential of authors to expand their work, optimal distribution through quick decision-making and digital transformation (DX), and breaking the monotony through various stimuli. I immediately started working on these issues.

With NIHONBUNGEISHA, I feel a strong capacity for creating books. The company has the planning capabilities to appropriately assign numerous types of authors and to boost them. What is even more remarkable is the style by which the works are provided to readers at low prices across a wide range. However, rising costs, falling

sales and other factors affecting the overall market have made this provision at low prices unfeasible. This has led to a decline in the quality of its products, reprinting decisions have turned conservative and the speed of distribution has become sluggish. This leads me to believe that the market and NIHONBUNGEISHA's passions have grown cold.

Adapting to the external environment is the key to rekindling their passion, rather than further galvanizing the editorial process or taking other such measures. We must adjust NIHONBUNGEISHA so that its qualities can be fully exhibited in the market through work efficiency transformations, using DX as the delivery method to readers and other measures.

Forging Ahead with Multiple Usage Adapted to New Technologies

Another thing I want to introduce to NIHONBUNGEISHA is the concept of "one content, multiple uses." You could say publishers' fundamental mission is concentrated on using a multi-pronged approach to planning and execution to maximize the value of the content generated by authors, rather than only selling books at retailers.

While there are extremely high-quality books and comics being created, there is a dilemma in terms of innovation—works are created to be distributed at retailers and convenience stores because of previous successes, and it has been difficult to move on from its legacy in distribution operations. It is my belief that we need to maximize the value of the good content we manage by adapting to new technologies and media as quickly as possible.

Almost eight years have already passed since the emergence of piccoma, an eComic application and the most successful of the new organizations taking on the challenge of the eComic market. NIHONBUNGEISHA was active in the eBook market from its dawn and was among the first to start transactions with piccoma. It must reclaim its pioneering spirit, break the ceiling of eComics, and take on the new challenges and steps needed for the future in unity.

Taking on a new challenge is also required in the electronic distribution of books. Virtually no success cases have emerged in the multiple usage of books. Despite this, I have several ideas. I hope, this

Profile

After graduating from Doshisha University in 2000, he joined Takeshobo Co., Ltd. After working as an editor, he has led digital business segments since the early days of eBooks. He contributed to the rebuilding of Takeshobo by serving as an executive officer and a director. In 2020, he retired and served as a manga consultant to publishers and an advisor to 15 companies, such as retailers. From December 2023, he served as an executive officer at NIHONBUNGEISHA, and then went on to serve as CEO from May 2024.

can be an initiative that will facilitate the development of the entire book industry.

Shareholder Capitalism and Publishers

My last theme is shareholder capitalism and publishers. Many historic publishers are privately owned companies. Most of them are facing business succession issues. A number of publishers have remained independent in both capital and activities. Yet, market dynamics are making it increasingly challenging for them to stay independent, especially in terms of capital.

The natural choices to stabilize capital are an IPO or perhaps allying with a publicly traded company. However, the traits of the content publishers produce are not easily quantifiable, such as being funny or intriguing. They are also challenging to articulate in the contexts of IR and PL/BS management, and the reality is that much can go wrong.

Yet, we live in a golden age of shareholder capitalism. We can become a powerhouse in the publishing industry in the future if we can adjust to this environment. We are also committed to establishing a framework with the expectation that smooth relations with listed companies will serve more publishers in the future and become a useful case study.

One game-changer has been our partner MEDIA DO, which has tackled challenges and served the publishing industry since the infancy of the eBook segment. Also, it is great that President Fujita is passionate about his work.

I first met Mr. Fujita about 15 years ago. Back then, he spoke to me for two hours straight about his company's businesses without faltering. In over 20 years in the industry, only a few people have demonstrated this level of passion. Since then, I have always regarded Mr. Fujita as a person who is passionate about his work.

The passion of various elements, authors, publishers, readers, managers and capitalists, must be brought together and never allowed to grow cold. I think this is my current mission. We shall do our utmost to convey our passion to you. We would be encouraged if you kept your expectations high regarding NIHONBUNGEISHA's challenges and continued to grant us your support.

Business Strategy

Strategic Investment Business: FanTop Business

With a Framework Ensuring the Best in All Aspects for Authors, Publishers, Retailers and Users, We Will Vitalize the Industry

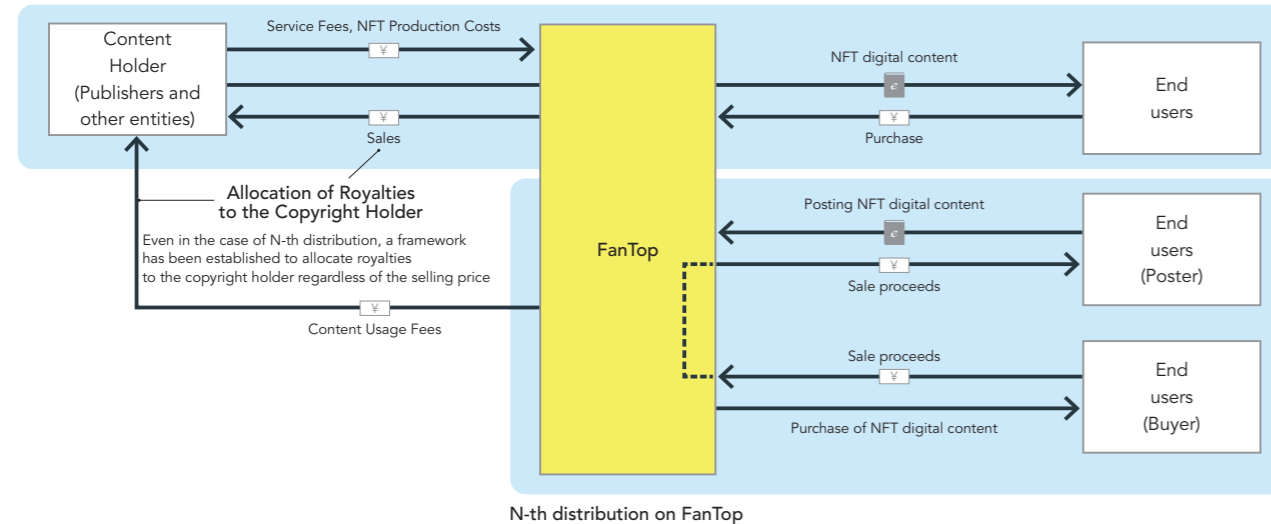
In the FanTop segment, FanTop (developed and operated in-house) is being developed as an NFT* marketplace, where official digital content can be owned and sold using NFT technology that prevents data manipulation and reproduction. Also, to add value to published work, we are striving to distribute publications with digital NFT benefits and paper books with bar codes through which NFT digital content can be

acquired through retailers across Japan. We aim to contribute to the renewal of the publishing and content industry, including paper books, by creating new ways of enjoying digital content and providing a framework that ensures the best for authors, publishers, retailers and users.

*The abbreviation for Non-Fungible Token

Business Model

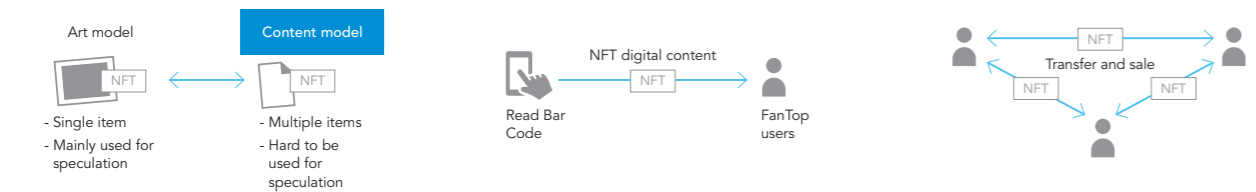
NFT Content Production and Primary Sales



N-th distribution on FanTop

Major Characteristics of FanTop

- i. The platform specializes in handling widely distributable digital content (≠ art content)
- ii. Users can acquire NFT digital content from the bar codes on paper books
- iii. Since NFT digital content has value as an asset, users can enjoy selling and transferring it on the platform



Analysis of Current Status

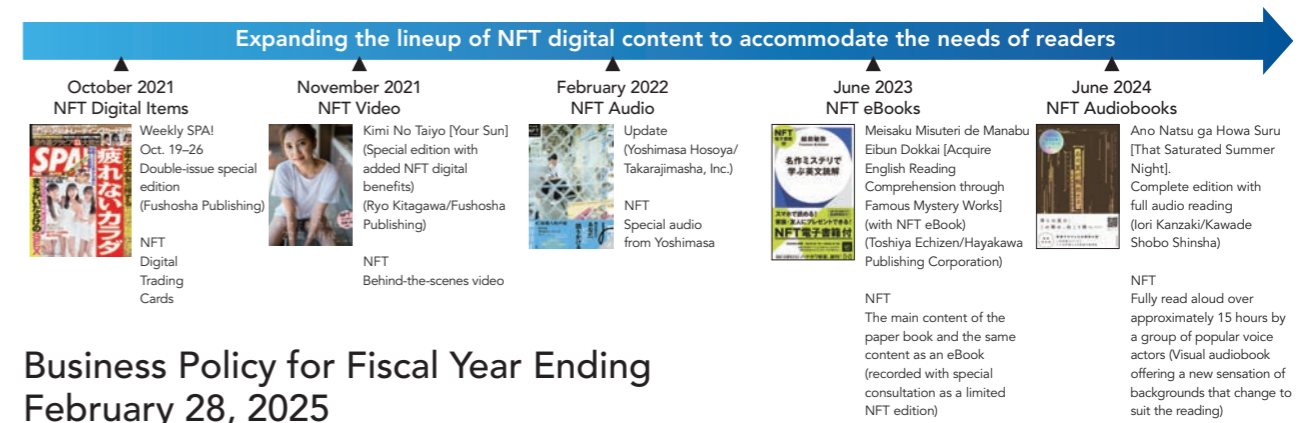
By attaching NFT digital content as a benefit to published work, we have contributed to the increase in the unit price of paper books and the actual sales ratio. Meanwhile, the scale of the Japanese publishing market has steadily been shrinking following the spread of the Internet in the mid-1990s and the popularization of smartphones in the 2010s.

Efforts to revitalize the market have been sought after, given that the number of retailers has declined in proportion to the market's shrinking, and there are fewer than half as many of them compared to the peak in 1996.

Results in Fiscal Year Ended February 29, 2024

Since launching in October 2021, it has completed the proof-of-concept phase, established a business policy focusing on the distribution of publications with digital NFT benefits and has endeavored to expand cumulative circulation. The cumulative circulation of publications with digital NFT benefits surpassed 2.46 million as of the end of June 2024. Up to now, we have been

able to decrease the business segment's overall losses by striving to optimize for investment the content that was tested through proof of concept, starting with the sale and distribution of individual NFT content only purchasable on FanTop, rather than staying with publications with digital NFT benefits.



Business Policy for Fiscal Year Ending February 28, 2025

Boosting the Number of Distributed Content and Members with a Whole-Industry Approach

We issued shared bar codes and implemented an airdrop function, which allows NFT digital content to be distributed to an indeterminately large number of users. This effort allows us to meet a variety of needs, especially for conventional store and net distribution and as a means of promotion. It is expected to lower the hurdle for FanTop users and expand the settings in which they use it. We have positioned the cumulative circulation of publications with digital NFT benefits as an important factor that will contribute to increasing the number of distributed content and members on FanTop and will continue to

pursue a policy of approaching magazines that are widely circulated. Looking ahead, we will broaden the scope of use beyond the publishing industry. By focusing on a whole-industry approach, we will take action to increase co-creation with content holders and plan the rich NFT digital content that users want, which will enrich our lineup. Through these endeavors, we will further amplify our business segment and increase the number of distributed content and members.

TOPIC

Briefing on the FanTop Business for the Publishing Industry and the Media on the Occasion of its Second Anniversary

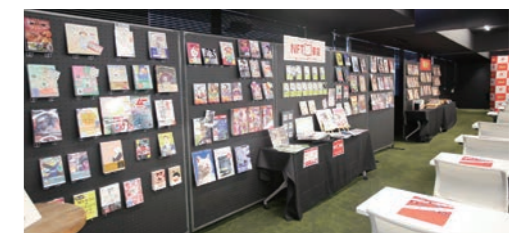
FanTop has been in service for two years since launching on October 12, 2021. To commemorate this occasion, we held a briefing on the FanTop business for the publishing industry and the media in November 2023.

At the briefing, we described the background and purpose of the first-time issuance of added NFT digital benefits to Weekly Manga Goraku, a magazine targeting young adults issued by NIHONBUNGEISHA. We also had the responsible staff at the department in charge of the FanTop business speak on its strategy for growth and development. In addition, we also invited as special guests Masayuki Kusumi, the author who provided "Sururi no Bento Sake" [Smooth Bento and Sake] as a work with NFT digital benefits and Ryo Koshino and held a talk session.

Over 230 people participated, and it drew attention within the publishing industry as a new type of initiative.



Held a briefing for the publishing industry and media (November 2023)



Display of books with NFT digital benefits prepared to date

Business Strategy

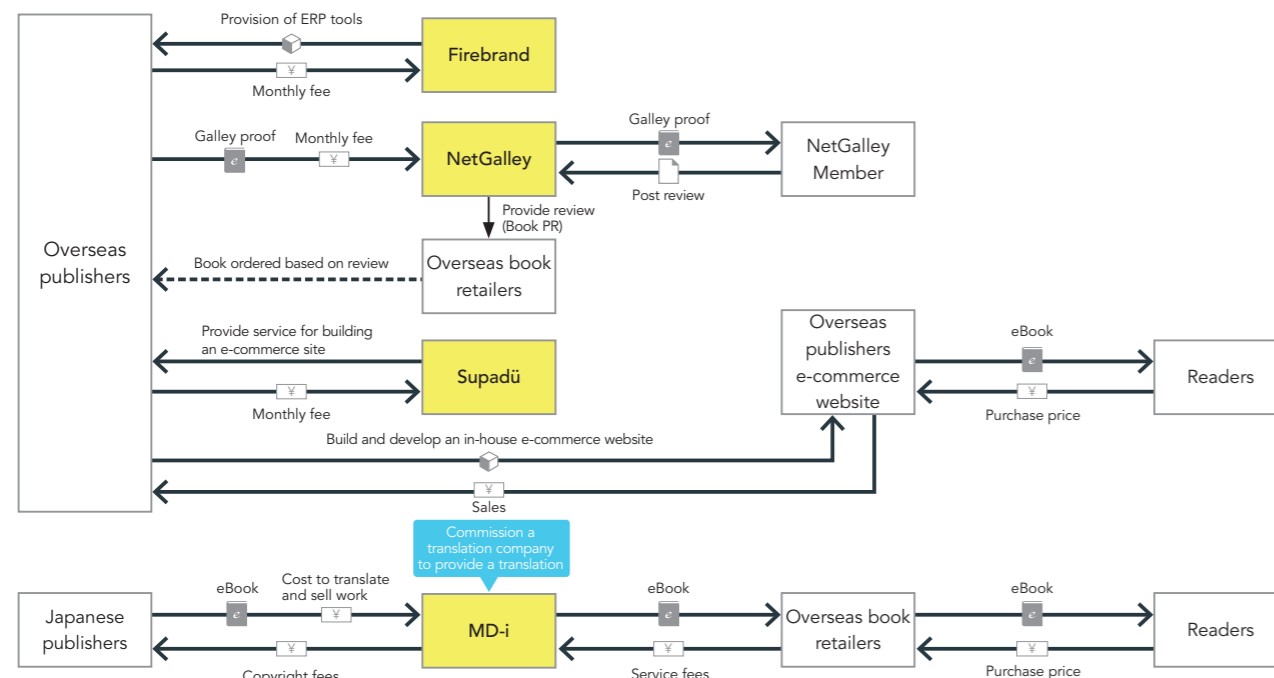
Strategic Investment Business: Global Business

Developing the Publishing Industry Inside and Outside of Japan through Digital Transformation Services for Publishers and Helping Japanese Works Make Further Inroads Overseas

In the Global Business segment, we are working to develop a SaaS business model for a service that supports the DX of five publishers in Europe and North America through our overseas subsidiaries, Firebrand, NetGalley and Supadū. We aim to build a network with European and North American publishers and further expand our share in digital transformation services for overseas publishers. Moreover, with Media

Do International, Inc. (MD-i), which is based in the United States, we provide multifaceted support to deliver Japanese works worldwide, including translation and the overseas wholesale of eBook retailers, as well as support for marketing and promotion. Through the Global Business, we will heighten the Group's presence overseas and aim to further develop the publishing industry in and outside of Japan.

Business Model



Analysis of Current Status

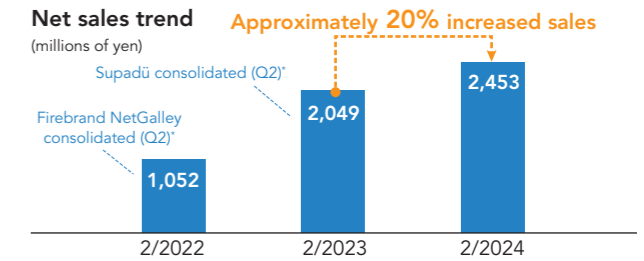
In the publishing industry in Europe and the United States, a system of retailers buying books outright from publishers is in place, unlike in Japan. Therefore, it is characterized by the fact that retailers assume the risk of holding inventory. Moreover, the sales channel for approximately 60% of books is now through Amazon, making them highly dependent. For this reason, retailers must aim to lower inventory risk and expand sales through Amazon. This has led to a rise in the demand for marketing tools, such as sales trend analysis, sales promotion aligned with market trends and e-commerce sites with excellent user interfaces.

Furthermore, in recent years, there has been a dramatic increase in

demand for Japanese content. In 2022, Japan's content industry's exports reached an all-time high of ¥4.7 trillion, nearly rivaling the size of the semiconductor industry, which stands at ¥5.7 trillion. As for the work to help manga and publisher content make inroads overseas, paper is still the main format, and only 14,000 titles, or 2% of it, has been officially translated into English. Overseas markets, including digitization, are a segment with the potential to expand Japanese content further in the future.

Results in Fiscal Year Ended February 29, 2024

With the SaaS digital transformation service for publishers provided by each overseas Group company, contracts with publishers have increased and the cancellation rate with existing clients is low. Therefore, the count of corporate contracts has steadily risen. In line with the rise in the count of corporate contracts, sales have trended upward over the past two fiscal years, with net sales increasing by 20% year over year in Fiscal Year Ended February 29, 2024.



* Because they are consolidated from Q2, nine months of sales are reflected each year.
* Exchange rate: Fiscal Year Ended February 28, 2022 (¥110.4/dollar), Fiscal Year Ended February 28, 2023 (¥132.1/dollar) and Fiscal Year Ended February 29, 2024 (¥141.2/dollar).

Business Policy for Fiscal Year Ended February 29, 2024

One-Stop Support for the Workflow of Publishers, Expanding Customer Networks

We are striving to increase sales and profit continuously by steadily expanding our recurring income with the SaaS business model. Firebrand Group launched FLYWHEEL, a new service and AI book marketing tool targeting publishers seeking to boost their sales on Amazon. Blending a foundation of data based on the Firebrand Group's over 35 years of achievements supporting publishers with a foundation of technology in maintaining the top share in support for the digital transformation of publishers with AI technology. This makes it possible

to analyze market trends and sales for published books and automatically update book information, which will increase the number of visits to the Amazon website and sales. We are striving to increase the number of adoptions and expand customer networks by raising the level of synergy across each service in the Global Business segment and providing one-stop support for the workflow of publishers.

Multifaceted Support for Japanese Works to Make Inroads Overseas

Because demand for Japanese content has been growing, the overseas development of Japanese works has been trending upward every year. Utilizing the overseas industry network and expertise we have cultivated

thus far, we will continue to offer multifaceted support for Japanese publishers to make inroads overseas and for the development of their works through Md-i.

TOPIC MyAnimeList—Spreading Japanese Content Across the World

The Company's equity affiliate, MyAnimeList Co., Ltd., operates MyAnimeList, the largest community and database for Japanese anime and manga.* It has solidified its position as an indispensable network to achieve the further vitalization of the publishing industry and support Japanese content in making inroads overseas.

In December 2023, NTT DOCOMO INC., Akatsuki Inc., MyAnimeList Co., Ltd. and the Company entered into a business alliance

to provide eComic distribution services for overseas markets. We are looking into providing both an app and browser version, with a wide selection of works read horizontally, typical in Japanese manga, and works read vertically, ideal for reading on smartphones. We aim to launch services in the United States in the fall of 2024, offering a comprehensive platform to support the official overseas distribution of Japanese manga.



* There are 18 million registered members, 99% of whom are based overseas. The app has 4.2 million downloads and holds big data of over 1.1 billion views and reads (As of December 2023, investigated through MyAnimeList.)

Business Strategy

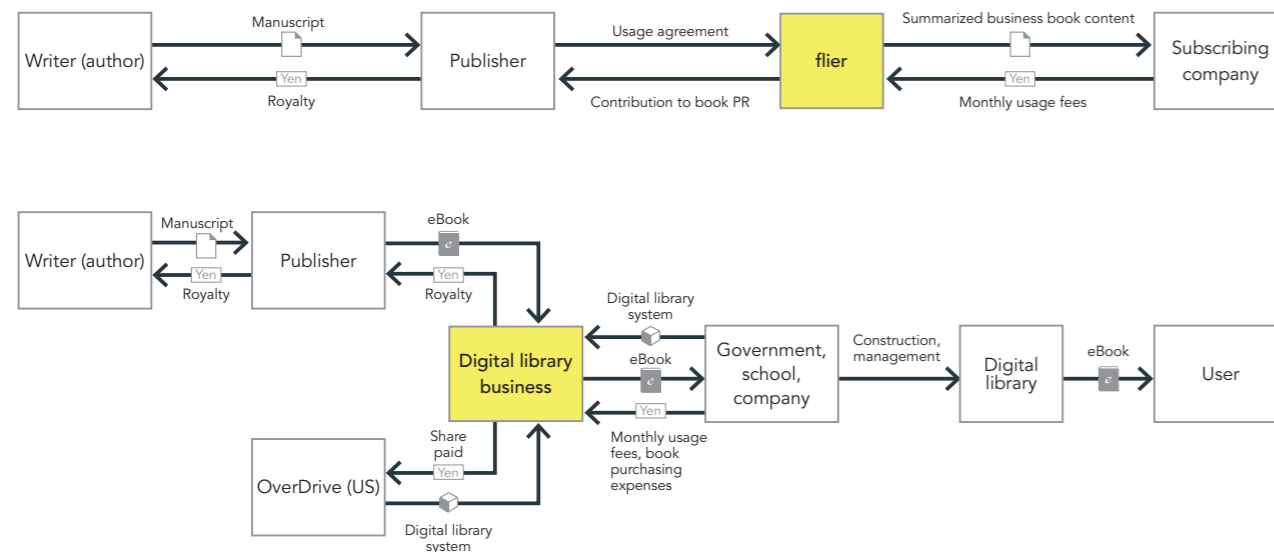
Strategic Investment Businesses: IP Solution Business

Developing diverse publishing and eBook-related services to gain synergistic revenue opportunities

The IP Solution Business carries out a wide range of eBook services spanning the upstream to downstream segments of the publishing value chain. Through an SaaS business model, our Group company Flier Inc. provides companies and private users with a book summary service known as flier, and is working to expand effective reading and learning opportunities. The Digital Library Business strives to increase access to books and libraries by offering the digital library service OverDrive, from which domestic government bodies, schools and

companies can loan eBooks at any time or place, as well as Accessible Library, a digital library for the vision impaired featuring an automatic text-to-speech function. By also operating a wide range of other services, including the eBook sales management and integrated paper/electronic royalty management system PUBNAVI and the print-on-media service PUBFUN targeting companies and private users, we are aiming to build synergistic revenue opportunities.

Business Model (excerpt showing major services)



Analysis of Current Conditions

Since 2023, the disclosure of information about human capital has become mandatory for approximately 4,000 major companies. There has been a greater push for the disclosure of initiatives dealing with human capital, including factors such as the amount invested in human resources and employee satisfaction. With work styles becoming more flexible as seen through the repeal of rules prohibiting side jobs and the spread of remote work, there is also increased need for employee re-skilling and the enhancement of human resources development systems. Amid these current trends, more attention is now being paid to services that utilize books capable of stimulating each employee's

interest levels and encouraging independent study.

Nationwide, the number of public libraries is rising, being a place where people can acquire various kinds of knowledge and information. At the same time, following the implementation and revision of the Barrier-Free Reading Law and the Law on the Elimination of Discrimination against Persons with Disabilities, there is increased demand for access to books and libraries as part of efforts to expand new library services that can be used by anyone anywhere at any time.

Results in Fiscal Year Ended February 29, 2024

In addition to strengthening its sales structures, flier has increased the number of companies adopting "flier business", a summary service directed at corporations, for the purpose of developing human resources from the standpoint of human capital management. It had thereby raised the number of corporate subscribers in a consistent manner, eclipsing 1,000 total companies by the end of April 2024. Through the steady expansion of its client base, it has contributed to reductions in the deficit held by Strategic Investment Businesses.

In the Digital Library Business, we achieved an increase in income and profits through a rise in the number of government bodies introducing services, driven by the rollout of government subsidies promoting the use of My Number Cards.

Meanwhile, the Vertical Scroll Comic Business has developed its operations through two central objectives involving the procurement and distribution of foreign works and the discovery, production and distribution of prominent original works from Japan. It has also invested in a vertical scroll comic production studio in Korea. However, this business recorded an evaluation loss on investment securities due to slumping business performance at production studios, as well as an extraordinary loss of 465 million yen due to the impairment of existing content assets and systems. Although the market is projected to grow worldwide, in consideration of the high cost of producing original works and the long period required to recover costs, we plan to focus on the distribution of works and suspend efforts to produce original works in collaboration with studios.

Business Policy for Fiscal Year Ending February 28, 2025

Aiming to build up the number of contracts and service installations

For "flier business", flier has expanded functions that increase its convenience as a human resources development service supporting human capital management, while pushing efforts to support more audio and video formats. In May 2024, it also started providing "flier Growth Organization Navi" as an employee survey service intended for corporations. Through both services, it supports companies' human capital management and looks to expand sales profits and the number of subscribers through cross-selling, with the aim of achieving full-year profitability.

The Digital Library Business is expanding the adoption of digital library services by actively promoting initiatives expanding their range of use, targeting persons who have lacked opportunities to use digital libraries or physical libraries up to this time. In June 2024, it started offering Chiisana Kosodate Library (Little Child-rearing Library) as a new digital library service specializing in books for people of child-rearing age. By strengthening its approach toward such users and municipalities looking to improve public services in view of supporting parenting and enabling government digitization, it is aiming to increase the number of persons using digital libraries.



TOPIC Creating opportunities for digital libraries in collaboration with My Number Cards

In October 2023, for the first time ever nationwide, we achieved fully online user registration and login for digital library services through app authentication using My Number Cards in collaboration with xID, a GovTech startup that comprehensively supports local governments and companies in solving issues and creating new businesses by utilizing My Number Cards and digital IDs. This allows users to access digital libraries immediately without needing to visit any kind of service counter. The xID app carries out multi-factor authentication, including the use of biometrics, to ensure security, convenience and fair usage.

To give an example of the use of My Number Cards, digital library services enabled through this collaboration can be covered by the

Digital Garden City National Concept Grant, and have now been introduced in four municipalities (as of the end of June 2024). We will promote this plan widely as a model that can be easily introduced in various municipalities following the rollout of government subsidies.



Business Partner Interview



As the Director of the Publishing and Sales Headquarters, I coordinate all areas of the eBook distribution business, and while concurrently serving as General Manager of Digital Sales Department 1, I work in the distribution of e-comics.

Our company was one of the first in the industry to enter the eBook market, and from the very beginning, we have been actively engaged in the digitization of books and comics. Although there have been many services distributing eBooks since the feature phone (Galapagos cell phone) era, that number has now reached well over 100. Although Kodansha is a well-known publisher, compared to other private companies, we are a mid-sized organization, with less than a thousand employees overall. We hardly have the resources to do business seamlessly with that many eBook stores. We can only distribute eBooks smoothly after an eBook wholesale agent carries out the countless tasks that take place between publishers and site operators, from file registration with each eBook store, to pricing, the organization of campaigns and sales management. In recent years, we have also seen the spread of a variety of sales methods, including an increase in so-called pay-per-chapter sales and limited-time free campaigns. Amid these increasingly complex sales methods, MEDIA DO is a wholesale agent who has become an absolutely essential partner as we look to optimize the distribution of eBooks that are continuously growing in terms of the number of files.

When I interact with different managers and employees at MEDIA DO, what really strikes me is the love and respect they have for content. As someone on the publishing side, I find it especially encouraging to see their consideration for copyright holders, their

KODANSHA Ltd.

With shared goals in mind, delivering created works far and wide

Takeshi Yamahata

Director, Publishing and Sales Headquarters
and General Manager, Digital Sales Department 1

great interest in comic book culture and their strong passion for the growth of the eBook market. Even for works that we recommend, they read and comprehend that content carefully, and then provide detailed assistance by reviewing matters with us including the most effective distribution methods and consultations with eBook stores strengthening sales. I think that is what really makes MEDIA DO stand out. On top of their passion, I think their excellent distribution system is another major strong point. They have built a system that optimizes the intermediate distribution of eBooks, accounting for hundreds of thousands of files at our company alone, and delivers the benefits of labor reduction and value-added creation to both publishers and websites. I imagine this has given everyone engaged in the distribution of eBooks a great sense of assurance and trust.

With about 10 years passing since eBooks were fully introduced to the public and the market's rapid growth during the coronavirus pandemic now returning to normal, we are at a stage in which we must explore what measures we can take to achieve further growth. In addition to publishing and selling original content, Kodansha is striving to create excitement and bring joy to legions of fans by developing works in a variety of ways, including merchandise, anime, video games and events. In order to further increase the overall sustainability of the publishing industry, it is important that we ensure the appeal of content to a wider range of age groups. If we work together in some form within these areas, I am sure it will broaden our creative and collaborative relationship even further.

While MEDIA DO has declared a vision of "More Content for More People!", through our operations as a publisher, our aim is to deliver each and every work created with great effort by authors so that as many people as possible can enjoy them. As partners who share the same goals, let us build even closer collaboration between both companies from here forward and work toward the further development of the eBook market.



NTT Solmare Corporation

Furthering irreplaceable collaboration and expanding our market base

Toshiaki Asahi

President and CEO

NTT Solmare Corporation primarily develops eBook and video game businesses with a corporate vision focused on providing customers with fresh surprises and moving experiences, while contributing to the building of a richer society. Our flagship general eBook store Comic Cmoa celebrated its 20th anniversary this year, having first provided services in 2004, making it one of the longest-running stores in the industry. It is currently one of the industry's largest operators with over 35 million monthly users and more than 1.37 million books in wide-ranging genres. It offers a large variety of campaigns numbering almost 3,000 a month, while providing immersive experiences for many customers.

Without the role played by eBook wholesale agents, we could never have developed this eBook business properly. Also considering our location in Osaka, as a single eBook store, it would be difficult for us to directly access every publisher and build close relationships. In the role of a wholesale agent, it is MEDIA DO who builds relationships in our place and assists our business expansion efforts. We receive information of unmatched volume, quality and freshness concerning eBook distribution, and it originates from dealings with the majority of publishers. The information and quick support MEDIA DO provides us while we conduct business are irreplaceable as we strive to conduct business in a seamless manner.

It seems to me that MEDIA DO is full of people who are honest and sincere toward customers, business partners and the market as a whole. At the same time, I have the impression that it is a company that really likes to embrace challenges as it forms partnerships and builds systems that optimize the distribution process. President Fujita's management vision, placing the development of content and the industry as a whole as a matter of the highest priority, and his positive attitude toward the work of his employees embody the corporate approach followed by MEDIA DO. I feel that this is in agreement with our company's core values.

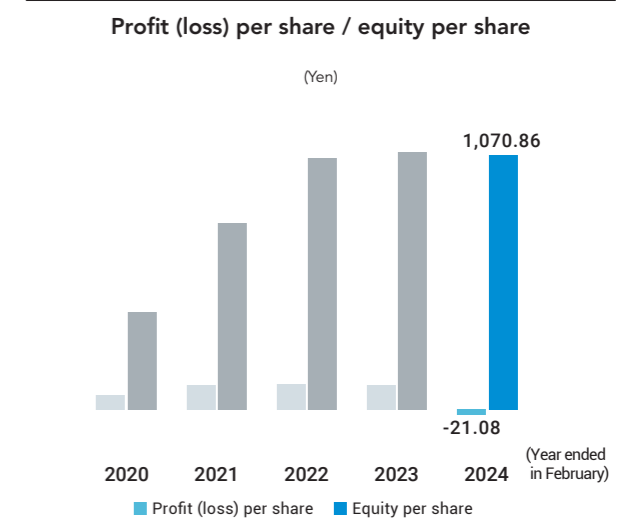
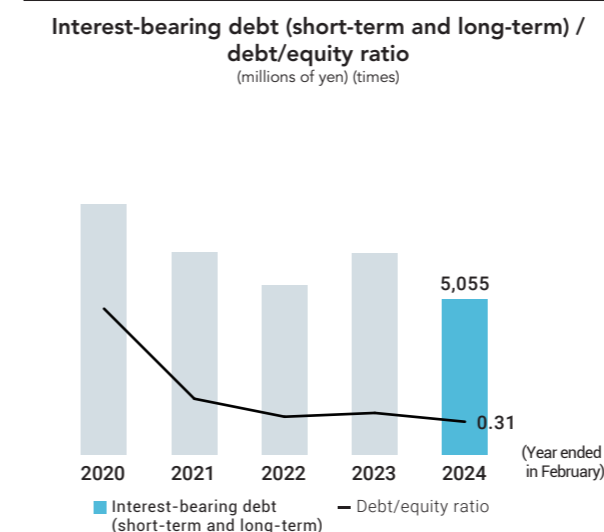
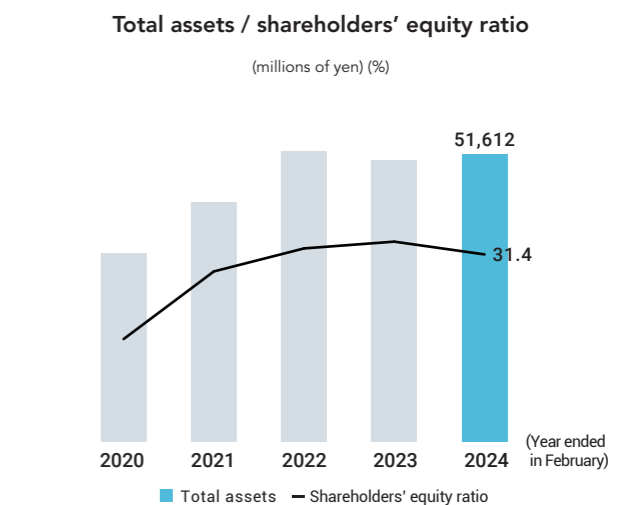
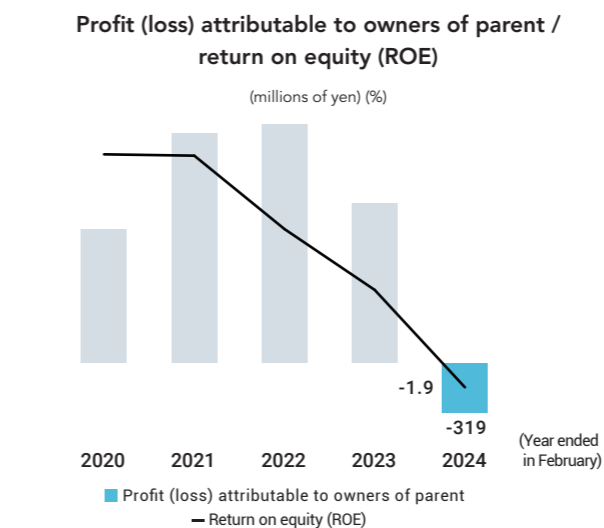
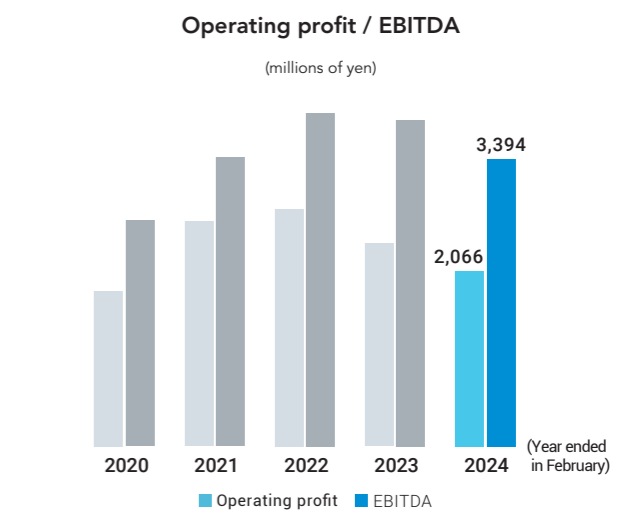
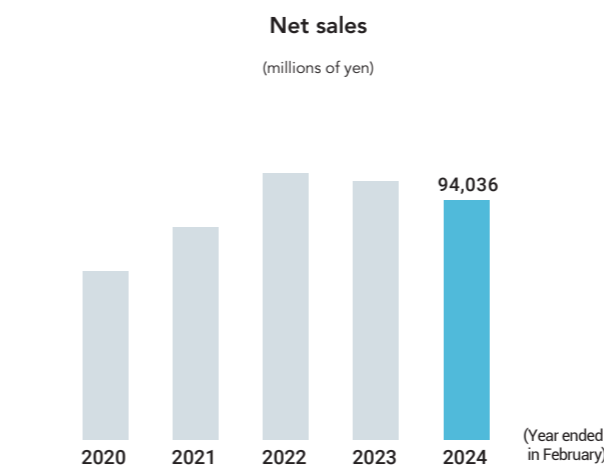
From here forward, we would especially like to enlist MEDIA DO's help in creating new value combining the wide-ranging data and information both of our companies own, and in supporting overseas market expansion. Although the Japanese eBook market is projected to grow further, the rate of growth is expected to level off. For our company as well as the Japanese publishing industry and eBook industry to achieve medium- to long-term growth, it is essential that we develop the overseas market at an even greater speed. In 2022, we launched MangaPlaza, a digital manga store targeting the U.S., and started distributing Japanese content. We are also thinking of expanding our market base on a global scale, while receiving help from MEDIA DO, who are knowledgeable about overseas business. By means of such collaboration, it is the mission of both of our companies who engage in distribution and sales to deliver Japanese content, representing a culture we are very proud of, to as many people as possible in every corner of the world.

By gradually expanding our business domains in the future, taking on the challenge of creating new IPs and developing content across numerous types of media, we will evolve into a multi-entertainment company and pursue further increases in business value. While continuing to receive the support of everyone at MEDIA DO in developing our business thanks to their amazing ability to provide information and create solutions, we hope that we can work closely together to create new value as partners who share the same aspirations.

Performance Highlights

	(millions of yen)					
	2/2020 (consolidated)	2/2021 (consolidated)	2/2022 (consolidated)	2/2023 (consolidated)	2/2024 (consolidated)	From previous term
Operating results:						
Net sales ¹	65,860	83,540	104,722	101,667	94,036	-7,631
eBook Distribution Business	64,529	82,349	98,728	94,331	86,402	-7,929
Strategic Investment Businesses	1,329	1,190	5,990	7,331	7,435	104
Cost of sales, SG&A expenses	64,004	80,873	101,909	99,274	91,970	-7,304
Copyright fees, etc.	56,869	73,502	92,449	87,964	80,770	-7,194
Commission, etc.	206	215	149	124	103	-21
Advertising and promotion expenses	627	877	476	238	243	5
Labor expenses, etc.	3,460	3,185	5,256	6,176	6,226	50
Write-offs, etc.	806	757	1,114	1,474	1,328	-146
Other	2,027	2,325	2,457	3,294	3,297	3
Operating profit	1,853	2,664	2,811	2,393	2,066	-327
Ordinary profit	1,761	2,720	2,783	2,291	1,990	-301
Profit (loss) attributable to owners of parent	884	1,519	1,576	1,057	-319	-1,376
EBITDA ²	2,661	3,424	3,927	3,868	3,394	-474
Financial position (end of fiscal year):						
Total assets	34,062	43,187	52,509	50,882	51,612	730
Total liabilities	28,224	31,018	35,596	34,109	35,403	1,294
Total net assets	5,838	12,169	16,912	16,772	16,208	-564
Equity	5,791	12,105	16,815	16,695	16,182	-513
Interest-bearing debt (short-term and long-term)	8,245	6,654	5,575	6,623	5,055	-1,568
Cash flows:						
Cash flows from operating activities	1,928	2,544	4,632	1,916	3,171	1,255
Cash flows from investing activities	-77	-1,275	-7,835	-3,070	-688	2,382
Cash flows from financing activities	-1,506	3,349	2,089	-276	-1,645	-1,369
Free cash flows	1,851	1,269	-3,203	-1,154	2,483	3,637
Cash and cash equivalents at end of year	8,089	12,703	11,399	10,127	11,004	877
Per share data (yen):						
Profit (loss)	64.58	104.52	99.75	68.35	-21.08	-89.43
Dividends	13.00	21.00	21.00	0.00	22.00	22.00
Dividend payout ratio (%)	20.1	20.1	21.1	0.0	—	—
Equity	408.61	787.66	1,059.59	1,082.72	1,070.86	-11.86
Major management indicators:						
Ratio of ordinary profit to total assets (ROA) (%)	5.4	7.0	5.8	4.4	3.9	-0.5
Return on equity (ROE) (%)	17.4	17.0	10.9	6.3	-1.9	-8.2
Debt/equity ratio (%)	17.0	28.0	32.0	32.8	31.4	-1.4
Financial leverage (times)	5.88	3.57	3.12	3.04	3.18	0.14
Debt/equity ratio (times)	1.42	0.54	0.33	0.39	0.31	-0.08
Number of employees ³	350	379	580	610	606	-4

1 Includes sales from business segments other than reported segments.
 2 EBITDA = operating profit + (depreciation and amortization + goodwill amortization).
 3 Shows the number of employees in the MEDIA DO Group.



Management Team



- 1. Yasushi Fujita
President and CEO
- 2. Hiroshi Kanda
Vice President and CFO
- 3. Kayoko Hanamura
Director and COO
- 4. Koichi Sekiya
Director
- 5. Ayako Kanamaru
Outside Director
- 6. Haruo Miyagi
Outside Director
- 7. Junko Mokuno
Outside Director
- 8. Kazuyoshi Ohwada
Standing Audit & Supervisory Board Member
- 9. Makoto Nakajima
Standing Outside Audit & Supervisory Board Member
- 10. Toshiaki Morifuji
Outside Audit & Supervisory Board Member
- 11. Tsuyoshi Shiina
Outside Audit & Supervisory Board Member



Management Team Career Summaries

Directors



Yasushi Fujita
President and CEO

1994 Jun. Founded the Company while enrolled in university
 1996 Apr. Established Fuji Techno Limited Company (absorbed into the Company in November 2001), appointed as Representative Director
 1999 Apr. Established the Company, appointed as Director and President
 2013 Dec. Established FIBC Co., Ltd., appointed as Director and President (current post)
 2017 Mar. Appointed as Representative Director and Chairman of Digital Publishing Initiatives Japan Co., Ltd.*
 Appointed as President and CEO of MEDIA DO TECH TOKUSHIMA Co., Ltd.
 Sept. Appointed as President and CEO at the Company, Group CEO
 2018 Mar. Appointed as Representative Director and Chairman of MEDIA DO Co., Ltd. (absorbed into Digital Publishing Initiatives Japan Co., Ltd. in March 2019)
 Appointed as Representative Director, President and Executive Officer, CEO at the Company
 2019 May. Appointed as President and CEO (current post) at the Company
 2020 Jan. Appointed as Representative Director (current post) at TOKUSHIMA INNOVATION BASE ASSOCIATION (general incorporated association)
 2022 Apr. Appointed as Representative Director (current post) at GAMBAROU TOKUSHIMA Co., Ltd.
 2023 Jan. Appointed as Representative Director (current post) at xIB JAPAN (general incorporated association)
 * Company name of Digital Publishing Initiatives Japan Co., Ltd. changed to MEDIA DO Co., Ltd. in March 2019, absorbed into the Company in June 2020.



Hiroshi Kanda
Vice President and CFO

2008 Apr. Entered UBS Securities Japan Ltd. (currently, UBS Securities Japan Co., Ltd.)
 2009 Jul. Entered Frontier Management Inc.
 2013 Jun. Established Flier Inc., appointed as Director
 2018 Jan. Entered the Company, appointed as General Manager, Corporate Planning Office
 2019 Jun. Appointed as Head of Management Planning Office
 2020 Jun. Appointed as Executive Officer and CSO at the Company
 2022 May. Appointed as Director and CSO/CFO at the Company
 2024 May. Appointed as Vice President and CFO (current post) at the Company



Kayoko Hanamura
Director and COO

2000 Apr. Entered Forside.com, Co., Ltd. (currently, Forside Co., Ltd.)
 2007 Sept. Appointed as Executive Officer, General Manager, Distribution and Sales Department at above company
 2010 Mar. Appointed as Director, Head of Licensing Division at above company
 2015 Feb. Entered the Company, appointed as General Manager, Licensing Business Department
 2020 Jun. Appointed as Executive Officer and CEO at the Company
 2022 Jun. Appointed Senior Executive Officer in charge of eBook Distribution Business at the Company
 2023 May. Appointed as Director and CBO at the Company
 2024 May. Appointed as Director and COO (current post) at the Company



Koichi Sekiya
Director

1989 Sept. Entered Kadokawa Haruki Corporation
 1993 Mar. Entered Kadokawa Shoten Co., Ltd.
 2005 Mar. Appointed as President and CEO at Kadokawa Book Service Co., Ltd.
 2007 Mar. Appointed as President and CEO at Kadokawa Group Publishing Co., Ltd.
 2009 Jun. Appointed as Director at KADOKAWA GROUP HOLDINGS, INC.
 2013 Apr. Appointed as Managing Director at above company
 2015 Apr. Appointed as Director, Senior Managing Executive Officer at KADOKAWA CORPORATION
 2016 Apr. Appointed as President and CEO at KADOKAWA UPLINK INC.
 May. Appointed as President and CEO at TOKOROZAWA SAKURA TOWN INC.
 2019 Jun. Appointed as Director at KADOKAWA CORPORATION
 2020 Jun. Appointed as Representative Director and Chairman at Cool Japan Travel, Inc.
 2022 Jun. Appointed as President and CEO at KADOKAWA KEY-PROCESS Co., Ltd.
 2024 May. Entered the Company, appointed as Director (current post)



Ayako Kanamaru
Outside Director

2006 Oct. Registered as an attorney
 Entered Oh-Ebashi LPC & Partners
 2016 Jan. Appointed as Partner (current post) at above office
 2020 Jun. Appointed as Outside Audit & Supervisory Board Member (current post) at CDG, Co., Ltd.
 2021 May. Appointed as Outside Director (current post) at the Company
 2023 Jun. Appointed as Outside Director (current post) at AUTOBACS SEVEN CO., LTD.



Haruo Miyagi
Outside Director

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



Junko Mokuno
Outside Director

1984 Apr. Appointed as System Engineer at Yokogawa Hewlett-Packard Company (currently, Hewlett Packard Japan, G.K.)
 1991 Jul. Entered Arthur D. Little Japan, Inc.
 2002 Jan. Appointed as Executive Officer at The Pokémon Company
 2008 Sept. Appointed as Director at The Walt Disney Company (Japan) Ltd.
 2015 Oct. Appointed as Executive Officer at Tsuburaya Productions Co., Ltd.
 2018 Jun. Appointed as Member (current post) of the Laboratory for Design of Social Innovation in Global Networks at Tokyo Institute of Technology
 2019 Jun. Appointed as Outside Director (current post) at COLOWIDE Co., Ltd.
 Jul. Appointed as Deputy Representative (current post) at TRAIL INC.
 2023 May. Appointed as Outside Director (current post) at the Company
 Jun. Appointed as Outside Director (current post) at Cool Japan Fund Inc.
 Jul. Appointed as Extraordinary Professor (current post) at Deep Tech Industrial Development Organization at Tokyo University of Agriculture and Technology

Audit & Supervisory Board Members



Kazuyoshi Ohwada
Standing Audit & Supervisory Board Member

1969 Jun. Entered Sony Audio Corporation (currently, Sony Global Manufacturing & Operations Corporation)
 2002 Mar. Entered the Company, appointed as General Manager, Administration Department
 2003 Jul. Appointed as Director, General Manager, Administration Department at the Company
 2008 Mar. Appointed as Director, Head of Administration Department at the Company
 2012 May. Appointed as Senior Managing Director, Head of Administration Department at the Company
 2013 Sept. Appointed as Director, General Manager, Administration Department at the Company
 2014 May. Appointed as Standing Audit & Supervisory Board Member (current post) at the Company



Makoto Nakajima
Outside Standing Audit & Supervisory Board Member

2000 Apr. Entered Ministry of Construction (currently, the Ministry of Land, Infrastructure, Transport and Tourism)
 2004 Dec. Entered Shin Nihon & Co. (currently, Ernst & Young ShinNihon LLC)
 2020 Sept. Entered Hoosiers Holdings Co., Ltd.
 2021 Apr. Appointed as General Manager of Internal Audit Office at above company
 2023 May. Appointed as Outside Audit & Supervisory Board Member (current post) at the Company
 2024 May. Appointed as Outside Audit & Supervisory Board Member (current post) at CEL Corporation
 Jun. Appointed as Outside Audit & Supervisory Board Member (current post) at ZENKOKU HOSHO Co., Ltd.



Toshiaki Morifuji
Outside Audit & Supervisory Board Member

2003 Oct. Entered ChuoAoyama Audit Corporation
 2007 Jun. Registered as a certified public accountant
 Jul. Entered KPMG AZSA & Co. (currently, KPMG AZSA LLC)
 2009 Jul. Established MORIFUJI Certified Public Account Office, appointed as Director (current post)
 2010 May. Appointed as Outside Audit & Supervisory Board Member (current post) at the Company
 2013 Mar. Established Nagoya Tax Corporation, appointed as Representative (current post)



Tsuyoshi Shiina
Outside Audit & Supervisory Board Member

2002 Oct. Registered as an attorney
 Oct. Entered Kimura Law Office
 2003 Mar. Entered Kandabashi Law Office (currently White & Case LLP)
 2005 Jul. Entered Nagashima Ohno & Tsunematsu
 2011 Oct. Entered Industrial Growth Platform, Inc.
 2012 Jan. 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. Elected Member of the Lower House of Representatives
 2014 Nov. Registered as a tax accountant
 Dec. Appointed as a Representative (current post) at Tsuyoshi Shiina Legal and Tax Accountant Office
 2017 Jan. Appointed as Outside Director at Phone Appli Inc.
 May. Appointed as Outside Audit & Supervisory Board Member (current post) at the Company
 2020 Nov. Appointed as Member (current post) of the Working Group on Digital Transformation of Bandai Town

Skills Matrix

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



Haruo Miyagi

Outside Director
Nomination and Compensation
Committee member

Ayako Kanamaru

Outside Director
Nomination and Compensation
Committee chair

Junko Mokuno

Outside Director
Nomination and Compensation
Committee member

Special Conversation

Building effective governance in pursuit of our company vision

MEDIA DO has invited three persons from outside the Company to serve among our seven Directors, with the aim of improving the transparency and effectiveness of corporate governance. In this special section, our three Outside Directors exchange candid opinions about the current state of governance and challenges for the future.

Points treated with importance during the execution of duties

Mokuno: Before being appointed as an Outside Director at MEDIA DO in May 2023, I worked in management and marketing at consulting firms and entertainment companies. I currently serve as an Outside Director at multiple companies and also support the societal implementation of university research as a Specially Appointed Professor at Tokyo University of Agriculture and Technology. I believe that an Outside Director needs to view things in both a first-person and third-person perspective. I try to provide objective advice by looking at MEDIA DO's business management issues from a first-person perspective, and considering matters of governance and independence from a third-person perspective.

Miyagi: Up to this time, I have been involved in many startups and the development of social entrepreneurs. Since May 2022, I have served as an Outside Director at MEDIA DO. When managers and employees are in the heat of the action on the front lines of business, it is difficult for them to keep a broad perspective allowing them to grasp the overall business picture. I hope to fulfill my duties as a Director by taking a firm look from all angles when considering what direction the Company is aiming for and what kind of conditions it is currently dealing with.

Kanamaru: I was appointed Outside Director at MEDIA DO in May 2021. While making use of my knowledge and expertise as an attorney, I have been working to increase the effectiveness of compliance and governance. I place much importance on the perspective of shareholders. While considering whether the Company's strategies and measures align with the interests of shareholders, who are the most important stakeholders, I aim to establish governance that ensures transparency and increases the speed of decision-making so that Outside Directors' supervisory function does not diminish the push to execute those policies.

Impressions of MEDIA DO's management team and employees

Mokuno: When it comes to MEDIA DO, although President Fujita's strong leadership has made a firm impression, I think that he values communication with employees more than forcing his ideas on everyone. He also appears to be thinking of the growth of the entire industry, including publishers, authors, book stores and eBook stores. Looking at the way in which each employee addresses their work while empathizing with the President's philosophy, I see a passion to develop the eBook market and the flexibility to address various issues in an agile manner.

Miyagi: It is my impression that MEDIA DO has many warm-hearted employees who sincerely think about other people. This appears to be a reflection of how President Fujita's nature and management policies permeate the organization. This kind of climate is also reflected in the Company's governance, as everyone is earnestly engaged in establishing a highly transparent management system both internally and externally. Upper management firmly addresses the problems and issues indicated by the Board of Directors and focuses on applying improvements. Although this may seem like a simple arrangement, it is actually quite difficult to implement.

Kanamaru: Out of the three of us, I have served as an Outside Director for the longest time. When I was appointed three years ago, I focused on President Fujita's leadership, as just explained by Director Mokuno. But it is not possible for the President to run the Company on his own. Because all employees share his management philosophy and strive to expand the content market with a sense of love and a desire to undertake challenges, I believe this is the greatest reason why MEDIA DO has achieved spectacular growth.

Special Conversation

Evaluating corporate governance at MEDIA DO

Mokuno: MEDIA DO is pouring energy into improving the effectiveness of governance based on a basic policy that aims to achieve sound and continuous growth. As one future challenge, I think the Company must transform from management led by President Fujita as its founder to management more focused on the organization. It seems that employees talk about the Company by including President Fujita as the main subject, but in order to create a company that continues for 100 years, it is essential to develop human resources responsible for the next generations and foster a corporate culture for future operations and organizational considerations, while also carrying forward the ideas of the founder.

Miyagi: One particularly excellent aspect of the governance conducted by MEDIA DO is the very thorough level at which it provides information to Outside Directors. At various opportunities, it furnishes information required for decision-making regarding topics including medium- to long-term management visions, current conditions and challenges for each business, risk preparedness, and upper management's evaluation of current performance and financial indicators. It thereby aims to achieve the shared recognition of challenges. We Outside Directors can actively express our opinions without worrying that there are problems we are unaware of.

Kanamaru: I have been highly impressed with the Company's proactive and sincere approach to strengthening its management system. Even when looking back upon the past three years, it has undertaken immediate improvement initiatives to address problems and issues indicated by the Board of Directors. I have been reassured by and empathized with the fact that each Director seriously considers and debates what kind of strategies and measures must be undertaken so that MEDIA DO can attain further growth, as well as what must be done to further invigorate discussions by the Board of Directors, and then connects those ideas to the next year's results.

Launching a new management system

Mokuno: I have just mentioned the urgency of establishing a management system suited to a company that will continue for

100 years. In that regard, I think that the appointment of Director Kanda in May as a vice president with representative authority marks a major development as MEDIA DO begins to take the next step.

You could say that this is a step toward developing MEDIA DO for the next generation. On the other hand, I feel that the manner in which the Company carries forward the founder's philosophy and vision as part of its DNA will have an essential impact on future growth.

Miyagi: The appointment of Director Kanda to Vice President truly is a change that symbolizes the fact that MEDIA DO, with 30 years of history since its founding, is now meeting the next generation. I am now watching closely with great anticipation as MEDIA DO evolves into a robust enterprise that is highly prominent within the industry, having started as a venture company that has made rapid progress thanks to its founder's leadership serving as a driving force. Due to the birth of a dual-Representative Director structure occupied by President Fujita and Vice President Kanda, MEDIA DO is now taking a historic step.

Kanamaru: When taking into account current conditions at MEDIA DO now that the size of its business has grown, I have felt that there were times when the centralized decision-making structure under President Fujita lacked agility when making decisions. By appointing Director Kanda as a vice president with representative authority, I believe that this restructuring is a timely and wise decision by which the division of roles with President Fujita will allow for agile decision-making and strategic implementation.

MEDIA DO's medium- to long-term growth strategy

Mokuno: I think the keyword is "transformation." MEDIA DO continues to undertake challenges that surpass industry conventions, such as by building innovative systems that increase the efficiency of eBook distribution and establishing partnerships with relevant companies throughout the supply chain. It is also expediting initiatives aimed at enhancing the management system, such as by introducing a new human resources system that supports the achievements made by employees. In order for companies to grow continuously amid a constantly changing business environment, it is essential that they create businesses and services that are ahead of their time and strengthen the management foundations that support them. I have every expectation that, while following the challenge-loving DNA it has possessed since its founding, MEDIA DO will take up the challenge of carrying out management and business transformation throughout its organization on into the future.

Miyagi: To continue to be a company where each individual



demonstrates sincerity and creativity even as the organization grows, MEDIA DO is striving to strengthen governance and boost human capital. But following other companies' success cases is not what MEDIA DO is all about. In striving to revolutionize eBook distribution and create new value, it must possess suitable transformation methods and processes. It is vital that it formulates and executes a unique growth strategy that may serve as a model for new venture companies.

Kanamaru: I am especially interested in the human resources strategy. MEDIA DO is a company where "people are vital," and it has recently introduced a new human resources system that is primarily based on the appropriate allocation of personnel and human resources development. Although new problems and issues will probably occur during the operation of this new system in the future, as Director Mokuno has emphasized on a daily basis, it is important to keep making improvements in close alignment with employees' desires and the ideals the Company wishes to achieve. If employees maintain a high level of motivation as they work, that will be the key to further business growth.

Challenges and initiatives aimed at improving governance

Mokuno: I understand that the realization of individual strengths and organizational strengths in business and management represents a vital challenge at MEDIA DO from here forward. While maintaining its strong points consisting of individual creativity and innovation capabilities, it will strengthen its functions as a business entity. Although MEDIA DO has continued to develop steadily up to this time as a group of talented individuals centered around President Fujita, it is now entering a stage in which it will evolve into an organization that can perform such functions to the greatest extent.

Miyagi: I share the same impression. As companies increase in size, it has become quite common for individual autonomy and creativity to clash with organizational logic. In order to allow all company divisions to carry out creative work, it is essential that each employee possesses an attitude favoring continuous improvements without being satisfied in the state of their work, and embrace the spirit of entrepreneurship in that way. To meet that aim, all employees will endeavor to execute strategy and measures with a firm recognition of the roles they must fulfill firsthand, and then share the results with members of the organization. This will surely lead to the birth of innovativeness and creativity at that business entity.

Kanamaru: I think that it remains important that Outside Directors and the Nomination and Compensation Committee properly fulfill supervisory and checking functions concerned with management strategy and business execution. By increasing management transparency and working to disseminate timely and accurate information, the Company can gain stakeholders' trust and understanding, and this will also lead to appropriate stock market evaluations that reflect corporate value.

Roles and duties Outside Directors must perform to aid future growth

Mokuno: As Director Kanamaru pointed out a moment ago, the responsibility of an Outside Director is to fulfill supervisory functions concerned with management and provide appropriate advice based on a broad prospective, so as to provide objective justification for decision-making and business execution carried out by upper management and Executive Officers. If the management team is complacent, the Company will not be able to rise above fierce competition, preventing it from sustaining its business over a long period of time. By introducing an outside perspective, we undertake the crucial mission of increasing the Company's sustainability. This is a duty that will remain constant even as time goes by.

Miyagi: MEDIA DO is generally understood as being a company that possesses venture-like characteristics and that has achieved rapid growth grounded in an innovative business model. I do not think, however, that the Company is pursuing only creativity without placing importance on the traditions held by the industry and society. MEDIA DO is not the kind of organization to expand its business operations fervently through means such as M&A, like a company that embodies a more American model of success. I think the best way for MEDIA DO to increase corporate value is to aspire to develop the eBook industry as a whole, deepen trusting relationships through dialog and collaborative creation with stakeholders, and thereby give form to a harmonious environment. On into the future, I am determined to serve as an Outside Director who will thoroughly support quick and appropriate decision-making and strategy execution at the Company.

Kanamaru: Since its founding in 1994, MEDIA DO has realized continuous growth while creating new businesses and services in response to the current environment. But despite its rapid growth, it is in fact still in the middle of developing its management system and business foundations. I feel that it is an Outside Director's role to support management decision-making and the actualization of management visions across situations requiring the necessary caution and courage, namely, investment decisions involving new business and M&A, operations management at Group companies, governance and risk management. While working in close collaboration with Director Mokuno, Director Miyagi and the other executives, I will walk side-by-side with MEDIA DO as it takes on the challenges of the future.



Corporate Governance

Basic Policy

Alongside our vision of "More Content for More People!", the Group has set forth the mission of "Unleashing a virtuous cycle of literary creation," by which we will distribute written works as widely as possible under fair usage conditions and return the profits to their creators. We will thereby strive to contribute to the development of culture and enrichment of society on a global scale. To accomplish this mission, MEDIA DO has put forth the basic management policy of improving corporate value and thereby maximizing shareholder value over the medium to long term based on an accurate understanding of the importance of its various stakeholders. MEDIA DO recognizes the following as important management issues to be addressed as its management grows increasingly more global: The expedition and streamlining of management decisions to facilitate the further broadening of its business and the heightening of corporate value, and the improvement of management health and transparency through enhanced corporate governance. Entrenching corporate ethics and awareness of these principles throughout the Company will be

imperative to improving the health and transparency of management. Entrenching corporate ethics and awareness of these principles throughout the Group will be imperative to improving the health and transparency of management. By fostering such awareness, the MEDIA DO Group aims to develop a corporate culture in which all internal institutions, officers and employees make fair and accurate decisions. 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/>

History of Corporate Governance System Enhancement



Corporate Governance System

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

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

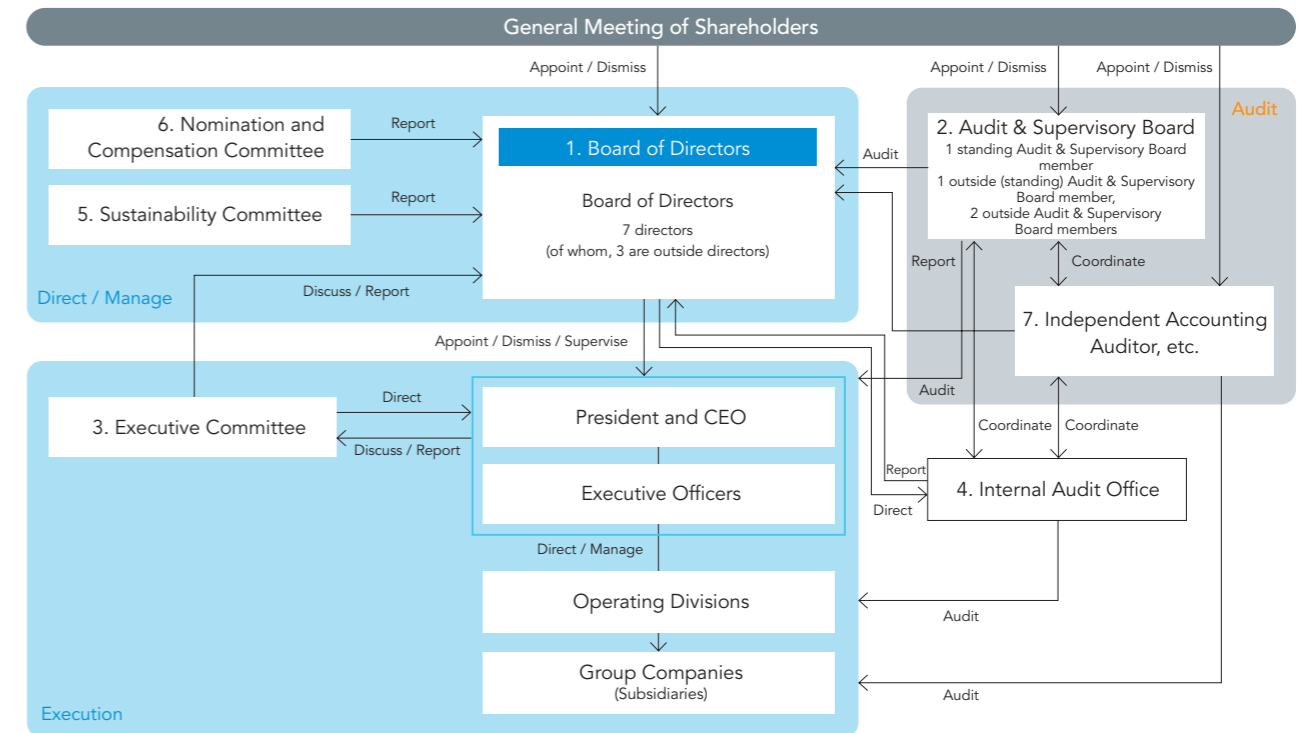
while enhancing sustainability management initiatives. Going forward, the Company will continue working to increase corporate value through the exercise of its corporate philosophy and the improvement of the effectiveness of its corporate governance systems.

Governance data (as of June 1, 2024)

Organizational structure	Company with Board of Company Auditors
Term of directors	1 year
Board of Directors Chair	President and CEO
Number of directors (of which, outside directors)	7 (3)
Attendance rate of Outside Directors at board meetings	100% (FY2023)
Incentives provided to directors	Restricted stock compensation system, etc.
Term of Audit & Supervisory Board members	4 years
Number of Audit & Supervisory Board members (of which, outside Audit & Supervisory Board members)	4 (3)
Major meetings attended by Audit & Supervisory Board Members	Board of Directors, Audit & Supervisory Board, planning progress meetings ^{*1} , Sustainability Committee ^{*2} , etc.
Attendance rate of Outside Audit & Supervisory Board Members at board meetings	100% (FY2023)
Attendance rate of Outside Audit & Supervisory Board Members at Audit & Supervisory Board	100% (FY2023)
Has executive officer system	Yes
Voluntary advisory body to the Board of Directors	Nomination and Compensation Committee
Accounting auditor	Avantia G.P.
Internal audit division	Internal Audit Office under the Board of Directors

*1 Attended only by Standing Audit & Supervisory Board Members; *2 Voluntary attendance

Corporate Governance System (As of June 1, 2024)



Functions and Role of Corporate Governance System Constituents

Name	Overview	Number of Meetings / Frequency in Fiscal Year Ended February 29, 2024
(1) Board of Directors	The Board of Directors is composed of seven Directors (three of whom are Outside Directors). The President and CEO serves as the chair. The Board of Directors is the Company's highest management decision-making body. Based on the internal regulations for the Board of Directors, it makes decisions on important matters (management policies, business plans, acquisition and disposal of important assets, etc.) and supervises the status of operational execution. It generally meets once a month, with extraordinary meetings held as need demands.	17 times
(2) Audit & Supervisory Board	The Audit & Supervisory Board is composed of two Standing Audit & Supervisory Board Members and two Part-time Audit & Supervisory Board Members. An Outside Audit & Supervisory Board Member serves as the chair. 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 at least once a month. At meetings, the four Audit & Supervisory Board Members establish audit plans and review the status of audit implementation and audit results and perform other tasks to ensure effective and efficient audits. To ensure that audits are conducted in an efficient and mutually complementary manner with the Internal Audit Office and Accounting Auditors, the board strives to share information and collaborate with those entities.	17 times
(3) Executive Committee	The Executive Committee is held once a week, and is composed of four Standing Directors and two Standing Audit & Supervisory Board Members. It primarily meets to discuss matters pertaining to business operation and to facilitate efficient operational execution through the examination and decision of matters pertaining to regulations for divisions of authority and basic operational execution items related to management that are not decided by the Board of Directors.	Once a week
(4) Internal Audit Office	The Internal Audit Office is an organization under the direct jurisdiction of the Board of Directors. This organization performs internal audits in accordance with the associated plans and thereby audits the Company's business activities while supervising the actions of directors and employees from the perspective of legal compliance. The findings of such activities are reported directly to the Board of Directors and the Audit & Supervisory Board. Any requests for improvements issued as part of these audits are submitted directly to the respective divisions and Group companies via the Board of Directors to drive the necessary improvements.	—
(5) Sustainability Committee	The Sustainability Committee is chaired by the Vice President and CFO and membered by oversight representatives that divisions have defined to clarify responsibility for managing risks and opportunities. Positioned beneath the Board of Directors, this committee reports to the Board of Directors on the findings of its discussions when appropriate, with the aim of creating a more sustainable organization. Meetings are held once a quarter as the committee seeks to identify, manage and oversee business opportunities and risks based on not only a narrow definition of risk management, but also the perspectives of social expectations toward ESG and SDGs. This approach is taken to facilitate management and strategy implementation based on MEDIA DO's mission and vision.	3 times / once per quarter
(6) Nomination and Compensation Committee	The Nomination and Compensation Committee shall be composed of three or more directors, including the representative director, selected via resolution of the Board of Directors, a majority of which should be outside directors designated as independent directors. The chairperson of this committee shall be selected from among the members who are outside directors designated as independent directors based on a majority vote by members. These measures will be taken in order to ensure high levels of independence and transparency. As an advisory body to the Board of Directors, the Nomination and Compensation Committee reports to the Board of Directors on its examinations and deliberations pertaining to matters such as the nomination of director candidates, the appointment and dismissal of directors and executive officers, policies and procedures related to the compensation of directors and executive officers, and succession plans for the President and CEO.	3 times
(7) Independent Accounting Auditor, etc.	Legal advisors are consulted with regard to important legal matters while the accounting auditor is consulted with regard to important accounting matters. In this manner, the Company seeks to formulate effective measures for addressing such matters. Currently, the Company has concluded consultant contracts with Mori Hamada & Matsumoto and OMM LAW OFFICE, and it is therefore able to receive legal advice through consultations regarding legal issues. The Company contracts accounting auditor Avantia G.P. to perform audits of finance and accounting activities based on Article 193-2 (1) of the Financial Instruments and Exchange Act of Japan. This provision ensures compliance with regard to financial reporting by enabling the Company to receive pertinent advice in relation to important accounting issues.	—

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, nationality, age, and other diversity aspects.

From the perspectives of objectivity and transparency, candidates for positions as directors are selected by the Board of Directors after consulting with the Nomination and Compensation Committee and receiving reports on the discussions and evaluations of this committee.

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

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

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

members who provide supervision of the execution of duties by directors and of the Company's management from their respective professional standpoints and thereby contribute to the strengthening of management monitoring functions.

Skills Matrix Definitions

Corporate management, strategy	Experience in company management at a business firm, the demonstration of leadership as a top executive during company management
Legal affairs, risk management	Primarily legal experience, expertise and network of contacts in the area of crisis management
Finances, accounting, capital measures	Expertise in finance and accounting required for financial reporting and auditing, experience and expertise in fund procurement/management at a company
Technologies, systems	Knowledge, experience and expertise in information security, basic infrastructure and the provision of services utilizing appropriate technologies
Human resources, human resource development	Experience in environmental and organizational development aimed at maximizing the abilities of the people involved, experience and expertise in human resources development aimed at the continuous cultivation of diverse personnel
Internal control, corporate governance	Knowledge and expertise in legal compliance, regulatory compliance, internal controls and the promotion of other standards and corporate behavior required by society
ESG, sustainability	Experience and expertise as a facilitator of ESG, knowledge, experience and expertise pertaining to the social significance and sustainability of companies
Marketing, business development	Experience and expertise in sales and marketing, knowledge, expertise and planning ability that will contribute to the promotion of new business
International experience	Cross-cultural communications skills, knowledge and expertise in markets, economies and businesses overseas
Industry experience	Experience in carrying out operations and management primarily in the publishing, content and entertainment industries

Succession Planning at MEDIA DO (plans for successors)

Since President and CEO Fujita founded the Company during his time at university, he has continuously served as the President. In aiming to develop an organization that will continue for 100 years, we realize the exceptional importance of carrying out succession planning (plans for successors). 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.

Alongside continuous deliberations by the Nomination and Compensation Committee, these capabilities are to be assessed based on consideration of factors such as the strength of their leadership, the level of passion they devote to exercising MEDIA DO's corporate philosophy, their reputation inside and outside of the Company, their pursuit of innovation, and their personality and popularity. This plan also involves systematic efforts to carry out management training camps and executive training.

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 composed of monetary compensation and stock compensation (restricted stock compensation). In addition, performance-linked compensation was introduced in the fiscal year ended February 28, 2023. For more details, please refer to the following tables.

Compensation Type	Fixed Compensation		Performance-Linked Compensation
	Monetary	Stock	Monetary
Ratio of Compensation	Approx. 70%	Approx. 20%	Approx. 10%
Policies for Calculation Methods	<ul style="list-style-type: none"> • Fixed monetary compensation shall be determined based on the roles and responsibilities of individuals (with consideration paid to the salaries of employees who are not directors). Fixed compensation for executive directors will also be influenced by comprehensive evaluations of individual performance in the preceding fiscal year as well as individual performance targets (commitments) set for the given fiscal year. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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 Fiscal Year Ended February 29, 2024

Category	Total Compensation (millions of yen)	Compensation by Type (millions of yen)			Members
		Fixed Compensation	Performance-Linked Compensation	Stock	
Directors (Outside directors)	163 (13)	123 (13)	3 (—)	36 (—)	8 (3)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Member)	24 (15)	24 (15)	— (—)	— (—)	4 (3)
Total (Outside directors and auditors)	187 (29)	147 (29)	3 (—)	36 (—)	12 (6)

Activities of the Nomination and Compensation Committee

The Nomination and Compensation Committee was established on June, 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.

Committee Members

Chair: Ayako Kanamaru (Outside Director)

Members: Haruo Miyagi (Outside Director), Junko Mokuno (Outside Director), Yasushi Fujita (President and CEO), Hiroshi Kanda (Vice President and CFO)

Executive Office: Corporate Planning Department / Human Resources Department

Major Topics of Discussion in Fiscal Year Ended February 29, 2024

- Formulation of director and Audit & Supervisory Board Member skill matrix and examination of Board of Directors' composition
- Review of roles in preparation for the transition to a structure with two Representative Directors
- Examination of director evaluation systems, processes and items
- Confirmation and potential revision of compensation systems for executive officers and other officers

Corporate Governance

Evaluation of Effectiveness of the Board of Directors

Without fail, the Company directly evaluates and analyzes the effectiveness of the Board of Directors each year for the purpose of enhancing its functionality. Based on evaluations of the effectiveness of

the Board of Directors, appropriate and earnest action is then taken after sufficient discussion of the identified issues to continuously heighten the functionality of the Board of Directors.

Initiatives Ensuring the Effectiveness of the Board of Directors

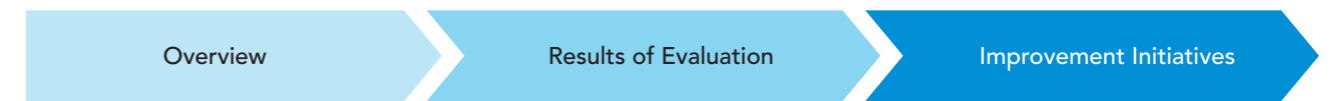
To ensure that the Board of Directors engages in quick and appropriate decision-making, we have carried out the following initiatives.

- Outside of the Board of Directors, the Executive Committee composed of Standing Directors and in-house Audit & Supervisory Board Members generally meets once a month in order to review and determine basic matters concerned with the execution of business operations. It thereby aims to increase the efficiency of the Board of Directors' operations.
- As part of the Board of Directors' operations, we send meeting participants materials up to two business days prior to the scheduled date as a basic policy, and also accept questions beforehand, so as to ensure the Board of Directors sufficiently engages in active deliberation and discussion.
- The Board of Directors Executive Office composed of employees from the Corporate Planning Department and Legal Affairs Department plans the annual Board of Directors meeting schedule prior to the fiscal year, and sends the agenda of the day one week prior to the meeting date each month. It thereby aims to ensure that operations on the day and cooperation between other divisions proceed smoothly.
- In relation to the effectiveness of the Board of Directors, we send a survey from an outside institution to all Directors and Audit & Supervisory Board Members each fiscal year. The Board of Directors Executive Office identifies issues based on the survey results, summarizes plans for addressing those issues and provides reports to the Board of Directors. We also review the contents of the survey items each fiscal year, and disclose a summary of the evaluation results every year as well.

Topics Discussed at Board of Directors' Meetings

Theme	Major Topics	Number of Reports / Agenda Items
Management strategies	Group capital strategies, strategic investments, progress of the medium-term management plan, reports on businesses (new, existing)	13
Finances and accounting	Group corporate management, capital policies (shareholder returns, fund procurement), financial reporting	27
Investments and M&A activities	New investment, M&A, review of business portfolios	5
Human resources and organizations	Nomination of directors and executive officers, officer compensation (monetary, non-monetary), review of human resources system	14
Governance	Effectiveness evaluations for Shareholders' Meetings, the Audit & Supervisory Board and Board of Directors, development of policies/regulations aimed at improving governance	22
Compliance and risk management	Compliance, risk management, internal control	8
Sustainability	Reporting for sustainability efforts	5
Investor relations	IR policies, IR activity reports and state of dialog with investors	4

Evaluation of Effectiveness in Fiscal Year Ended February 2024



Period:

Survey issued in March 2024, analysis results reported and discussed at Board of Directors meeting in May 2024

Scope:

All Directors and Audit & Supervisory Board Members (12)

Response Method:

Anonymous questionnaires submitted directly to third-party institution to ensure anonymity

Major Topics:

Board of Directors composition, operation and discussions; monitoring functions; discussions aimed at reducing capital costs and securing profits; performance of Outside Directors; support systems and training for executives; dialog with investors, etc.

Highly Rated Items:

- Stable management of the Board of Directors, including the sending of materials in advance, personnel system supporting the provision of appropriate information
- Holding of constructive discussions at the Board of Directors in a free and open manner
- Discussion and development of objective, timely, and transparent processes for appointment, dismissal, and non-reappointment of President and CEO
- Provision of feedback regarding engagement with investors

Future Challenges:

- Review of Board of Directors agenda at the Executive Committee
- Securing of discussion time concerning medium- to long-term strategy for the entire Company
- Review of business portfolios, securing of regular discussion time concerning differences between management plans and business progress
- Active involvement in formulation and implementation of plans for systematic cultivation of successor candidates for the President and CEO and other top executives
- Strengthening of capabilities to disseminate information internally and externally among individual investors and employees, etc.

- Examination of specific measures accompanying stricter business portfolio review standards, creation of periodic inspection cycle
- Examination of institutional planning aimed at strengthening governance, planning of agenda at Nomination and Compensation Committee
- Further promotion of sustainability efforts

Subjects of Interest among Investors

Area	Ratio	Questions Received
eBook Distribution Business	38.8%	<ul style="list-style-type: none"> • Growth potential of eBook market • Impact of transference of sales channels for LINE Manga • Conditions at major business partners and growth rate • Profitability improvement • New sales channels acquired in February, etc.
Strategic Investment Businesses	28.4%	<ul style="list-style-type: none"> • Outlook and business model of Vertical Scroll Comic Business • Progress and growth potential of FanTop business • Performance and conditions at Nihon Bungeisha Co., Ltd. • Cost structures • Business portfolio review and policies, etc.
Other	32.8%	<ul style="list-style-type: none"> • Review period for medium-term management plan • Performance outlook for next fiscal year and beyond • Background and role of changes in management system • Investment strategies (plans, investment scales and targets, etc.) • Basketball business • Shareholder return policies, etc.

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. Based on these regulations, the Sustainability Committee has been put in place to help identify, evaluate (assess), and combat company-wide risks with the potential to impact the ongoing growth and business activities of the Group. This committee meets once a quarter, in principle, to spearhead examinations. The committee also designates risk owners in association with specific risks and clarifies their roles to ensure the effectiveness of response measures. The results of risk assessments are reported to the Board of Directors, which examines the relative weight of risks from the perspective of management to prioritize the risks needing to be addressed and issue instructions on

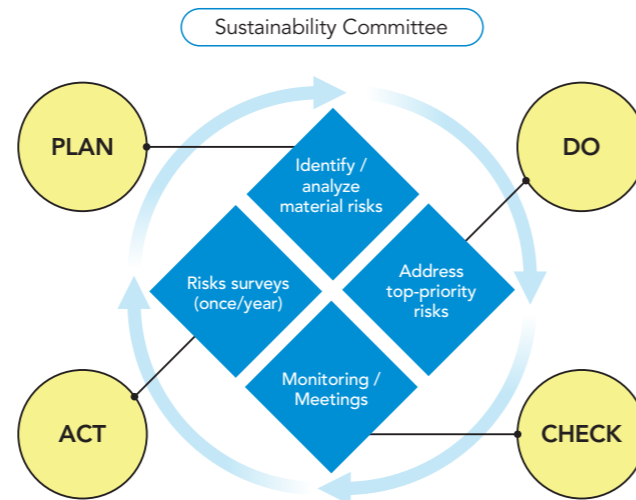
the measures to be implemented.

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

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

For risks judged to be material, response measures and countermeasures are examined and discussed at various levels, including the business, corporate and senior management levels. On top of monitoring the progress of such measures, the Sustainability Committee constantly makes risk-related preparations and works to promote ongoing improvements, such as by instituting a management crisis manual and a crisis management and PR manual dealing with risk items that are considered particularly urgent, and also clarifying the response flow. In addition, Audit & Supervisory Board members attend meetings of the Board of Directors, review important documents, and coordinate with the accounting auditor to confirm the effectiveness of measures implemented in response to high-priority risks. Furthermore, the Company establishes compliance-related policies and regulations, defines the roles and regulations to be observed by Group officers and employees, and conducts internal audits to confirm the status of compliance.

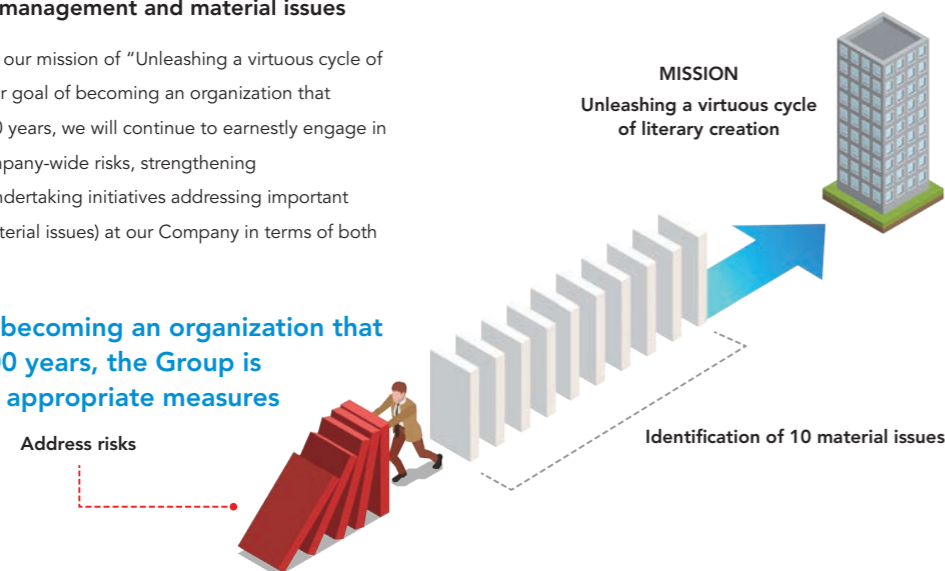
Risk Management Cycle



Importance of risk management and material issues

While aiming to achieve our mission of “Unleashing a virtuous cycle of literary creation” and our goal of becoming an organization that endures for the next 100 years, we will continue to earnestly engage in properly identifying company-wide risks, strengthening countermeasures and undertaking initiatives addressing important management issues (material issues) at our Company in terms of both opportunity and risk.

With the aim of becoming an organization that continues for 100 years, the Group is undertaking the appropriate measures



Major Business Risks and Scope of Impacts

	Risks	Scope of Impact	Degree of Impact	Response Measures
Business Strategy Risks	1 Risks related to growth potential of the eBook industry	Risk of impacts on management policies, growth strategies and performance	Potential for large impacts (hundreds of millions of yen to billions of yen) on performance due to changes in the competitive environment, etc.	With an ongoing focus on the growth of the eBook market, MEDIA DO will seek to strengthen its position as an industry infrastructure provider through a customer-focused approach aimed at reducing distribution energy use as well as the improvement of system-based collaboration between publishers and eBook stores. To this end, we are expanding our content lineup, enhancing the Group's distribution systems, developing and supplying services and solutions matched to the needs of users and embracing new technologies. These efforts are anticipated to help broaden the scope of MEDIA DO's user base and the publishing market as a whole while differentiating the Company from its rivals.
	2 External factor (natural disasters, etc.) risks	Risk of impacts on growth strategies, business activities, supply and demand, and profits	Potential for medium to large impacts (hundreds of millions of yen to billions of yen) on performance due to impediments to business activities, etc.	As an entity responsible for a piece of social infrastructure in the publishing industry, the MEDIA DO Group aspires to continue to provide frameworks that can be reliably and confidently used by authors, publishers, and users (readers). We are also furthering initiatives in preparation of unforeseen and unexpected events, such as by continuously deliberating and reviewing the formulation of BCPs and the creation of emergency response manuals, including management crisis manuals and crisis management and PR manuals, in accordance with risk management regulations.
	3 Risks of piracy websites, etc.	Risk of impacts on growth strategies, business activities, supply and demand, and profits	Potential for medium to large impacts (hundreds of millions of yen to billions of yen) on performance due to the growth of damages following an increase in the users of piracy websites, etc.	There are currently many small to medium-sized piracy websites based overseas. Although many leading sites have closed simultaneously and the number of users accessing piracy websites has decreased approximately 25% compared to peak levels, the industry has not yet been able to completely eradicate these sites. Accordingly, the publishing industry continues to coordinate with government agencies to close piracy websites and identify their operators.
	4 Risks related to dependence on purchases from specific industries/suppliers	Risk of impacts on business activities, performance and financial position	Potential for medium to large impacts (hundreds of millions of yen to billions of yen) on performance due to changes to business terms, etc.	Although the Company does not frequently negotiate terms with suppliers, we do review terms periodically together with those partners. MEDIA DO maintains its stance of working together with suppliers to grow the eBook market. At the same time, it seeks to foster new earnings sources that can stand alongside its eBook distribution business.
	5 Systems and information security risks	Risk of impacts on performance and financial position, risk of damage to brand value	Potential for medium impacts (hundreds of millions of yen) on performance due to the suspension of some of our businesses and the damage to our credibility and reputation	At MEDIA DO, the IT Management Division works to strengthen security by formulating and implementing information security regulations and related rules, creating and distributing information security handbooks and providing employee training concerned with information security via e-learning. It also assesses information security risks and introduces EDR (end point detection and response) and CASB (cloud access security broker). The Company will continue to advance Groupwide information and data security measures related to matters such as sales activities, systems development, and back-office processes.
	6 Investment and impairment risks	Risk of impacts on financial position, business and operating results, cash flows and stock price	Potential for medium to large impacts (hundreds of millions of yen to billions of yen) on performance due to delayed business progress, etc.	The MEDIA DO Group is committed to the maximization of its business value through efficient business operation and disciplined investment based on a consideration of cost of capital and profitability of used capital. In tandem with these investments, we are diversifying our management and businesses while engaging in initiatives aimed at optimizing our business portfolio. Through such efforts, we will set an ROIC of 8% for the screening criteria for business and investment candidates and improve overall processes for monitoring frameworks.
Operational Risks	7 Human resource recruitment risks	Risk of impacts on growth strategies, business activities, performance and financial position	Potential for medium impacts (hundreds of millions of yen) on performance due to delayed business progress, etc.	No major shortages in human resources or delays in projects have occurred in business or systems development activities at this point in time, but demand is already rising for recruitment of engineers and other human resources to fuel future growth. We have built more comfortable workplaces, such as by fully renovating some offices, and encouraged each employee to undertake challenges and contribute to the organization with an awareness of the roles that they must perform themselves. We have thereby reformed our human resources system in order to treat employees appropriately regardless of seniority. We continue efforts to recruit and retain human resources through the creation of workplace environments that fulfill the physical, mental, and social needs of employees.
	8 Internal control risks	Risk of impacts on performance and financial position, risk of damage to brand value	Potential for medium impacts (hundreds of millions of yen) on performance due to damage to our credibility and reputation	No corporate governance issues have occurred at this point in time, but the Company recognizes the need to enhance internal management and control systems in order to prevent future issues. Accordingly, steps are being taken to bolster the effectiveness of systems in conjunction with the company-wide risk management activities of the Sustainability Committee, as seen through the systematic introduction of e-learning aimed at stimulating employees' compliance awareness and the review and redevelopment of the compliance action guidelines (17 items) stipulated by the Company.
	9 Risks related to dependence on specific individuals	Risk of impacts on growth strategies and business activities, risks of impacts on performance and financial position, risk of damage to brand value	Potential for medium impacts (hundreds of millions of yen) on performance due to delayed business progress, etc.	The Company is not currently dependent on any specific individuals. Nevertheless, the Board of Directors and the Nomination and Compensation Committee, an advisory body to the Board of Directors, are moving forward with discussions aimed at the development of succession plans. By introducing a two-Representative Director structure, we have enabled quick decision-making, and we will now endeavor to establish sustainable company management and corporate governance.

Financial Section

CONSOLIDATED BALANCE SHEETS

MEDIA DO Co., Ltd. and its consolidated subsidiaries

As of February 28, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets			
Current assets			
Cash and deposits (Notes 4 and 18)	¥11,004	¥10,127	\$ 73,004
Notes and accounts receivable – trade, and contract assets (Note 4)	23,294	21,706	154,541
Other	2,098	1,993	13,918
Allowance for doubtful accounts	(0)	(1)	(0)
Total current assets	36,396	33,825	241,464
Non-current assets			
Property, plant and equipment			
Buildings	701	689	4,650
Tools, furniture and fixtures	309	297	2,050
Other	121	27	802
Accumulated depreciation	(460)	(384)	(3,051)
Total property, plant and equipment	672	630	4,458
Investments and other assets			
Goodwill (Notes 3 and 18)	5,765	6,874	38,247
Investment securities (Notes 4 and 5)	5,058	5,713	33,556
Shares of associates (Note 4)	812	734	5,387
Guarantee deposits	471	489	3,124
Software	590	852	3,914
Software in progress	74	44	490
Deferred tax assets (Note 10)	494	380	3,277
Allowance for doubtful accounts	(7)	(7)	(46)
Other	1,284	1,344	8,518
Total investments and other assets	14,543	16,425	96,483
Total assets	¥51,612	¥50,882	\$342,413

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liabilities			
Current liabilities			
Notes and accounts payable – trade (Note 4)	¥26,165	¥24,511	\$173,588
Short-term borrowings (Notes 4 and 6)	902	903	5,984
Current portion of long-term borrowings (Notes 4 and 6)	1,314	1,302	8,717
Income taxes payable	756	65	5,015
Provision for bonuses	42	41	278
Other (Notes 6 and 19)	2,205	1,966	14,628
Total current liabilities	31,386	28,789	208,226
Non-current liabilities			
Long-term borrowings (Notes 4 and 6)	3,128	4,414	20,752
Deferred tax liabilities (Note 10)	120	156	796
Retirement benefit liability (Note 7)	615	638	4,080
Other (Notes 6 and 9)	153	108	1,015
Total non-current liabilities	4,017	5,319	26,650
Total liabilities	35,403	34,109	234,876
Net assets (Note 11)			
Shareholders' equity			
Share capital (Note 11)	5,959	5,934	39,534
Capital surplus	5,737	6,159	38,061
Retained earnings	3,614	3,933	23,976
Treasury shares (Note 11)	(48)	(48)	(318)
Total shareholders' equity	15,262	15,979	101,253
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	195	118	1,293
Foreign currency translation adjustment	725	596	4,809
Total accumulated other comprehensive income	920	715	6,103
Share acquisition rights (Note 8)	—	0	—
Non-controlling interests	25	77	165
Total net assets	16,208	16,772	107,530
Total liabilities and net assets	¥51,612	¥50,882	\$342,413

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 29, 2024 and February 28, 2023

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net sales (Note 19)	¥94,036	¥101,667	\$623,870
Cost of sales	83,182	90,705	551,860
Gross profit	10,854	10,962	72,009
Selling, general and administrative expenses (Note 12 and 13)	8,788	8,568	58,302
Operating profit (Note 20)	2,066	2,393	241,464
Other income (expenses)			
Interest and dividend income	26	27	172
Foreign exchange gains	18	14	119
Subsidy income	—	20	—
Gain on investments in investment partnership	—	1	—
Interest expenses	(31)	(32)	(205)
Share issuance costs	(0)	(1)	(0)
Commission expenses	—	(20)	—
Loss on investments in investment partnership	(12)	—	(79)
Share of loss of entities accounted for using equity method	(28)	(82)	(185)
Donations	(40)	(40)	(265)
Gain on sale of Investment securities	106	—	703
Gain on reversal of share acquisition rights	0	—	0
Gain on change in equity	110	68	729
Loss on sale of non-current assets (Note 14)	—	(5)	—
Loss on retirement of non-current assets (Note 15)	(1)	(141)	(6)
Impairment loss (Note 16)	(1,015)	(499)	(6,733)
Loss on valuation of investment securities	(716)	(145)	(4,750)
Loss on sale of shares of subsidiaries and associates	(6)	(15)	(39)
Other	(38)	(11)	(252)
Profit before income taxes	438	1,529	2,905
Income taxes – current	1,000	533	6,634
Income taxes – deferred	(177)	11	(1,174)
Total income taxes	823	545	5,460
Profit (Loss)	¥ (384)	¥ 984	\$ (2,547)
Profit (loss) attributable to non-controlling interests	¥ (65)	¥ (72)	\$ (431)
Profit (Loss) attributable to owners of parent	(319)	1,057	(2,116)

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Profit (loss)	¥ (384)	¥ 984	\$ (2,547)
Other comprehensive income (Note 17)			
Valuation difference on available-for-sale securities	76	(72)	504
Foreign currency translation adjustment	128	420	849
Share of other comprehensive income of entities accounted for using equity method	0	0	0
Total other comprehensive income	204	347	1,053
Comprehensive income	¥ (180)	¥ 1,332	\$ (1,194)
Comprehensive income attributable to:			
Owners of parent	¥ (114)	¥ 1,405	\$ (756)
Non-controlling interests	(65)	(72)	(431)

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

Financial Section

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

MEDIA DO Co., Ltd. and its consolidated subsidiaries

Years ended February 29, 2024 and February 28, 2023

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance at March 1, 2022	¥5,909	¥7,285	¥3,254	¥(1)		¥16,447
Cumulative effects of changes in accounting policies			(44)			(44)
Restated balance	5,909	7,285	3,209	(1)		16,402
Changes during period						
Issuance of restricted shares	24	24				49
Dividends of surplus			(333)			(333)
Profit attributable to owners of parent			1,057			1,057
Purchase of treasury shares				(999)		(999)
Cancellation of treasury shares		(1,001)		1,001		—
Capital increase of consolidated subsidiaries		208				208
Purchase of shares of consolidated subsidiaries		(357)				(357)
Change in shares of parent held by entities accounted for using equity method				(48)		(48)
Net changes in items other than shareholders' equity						—
Total changes during period	24	(1,125)	723	(46)		(423)
Balance at February 28, 2023	¥5,934	¥6,159	¥3,933	¥(48)		¥15,979
Changes during period						
Issuance of restricted shares	24	24				49
Loss attributable to owners of parent			(319)			(319)
Purchase of treasury shares				(499)		(499)
Cancellation of treasury shares		(499)		499		—
Capital increase of consolidated subsidiaries		51				51
Net changes in items other than shareholders' equity						—
Total changes during period	24	(422)	(319)	(0)		(717)
Balance at February 29, 2024	¥5,959	¥5,737	¥3,614	¥(48)		¥15,262

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Non-controlling interests
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at March 1, 2022	¥191	¥176	¥367	¥0	¥97	¥16,912
Cumulative effects of changes in accounting policies			—			(44)
Restated balance	191	176	367	0	97	16,867
Changes during period						
Issuance of restricted shares			—			49
Loss attributable to owners of parent			—			(333)
Purchase of treasury shares			—			(999)
Cancellation of treasury shares			—			—
Capital increase of consolidated subsidiaries			—			208
Purchase of shares of consolidated subsidiaries			—			(357)
Change in shares of parent held by entities accounted for using equity method			—			(48)
Net changes in items other than shareholders' equity	(72)	420	347	—	(19)	328
Total changes during period	(72)	420	347	—	(19)	(94)
Balance at February 28, 2023	¥118	¥596	¥715	¥0	¥77	¥16,772
Changes during period						
Issuance of restricted shares			—			49
Loss attributable to owners of parent			—			(319)
Purchase of treasury shares			—			(499)
Cancellation of treasury shares			—			—
Capital increase of consolidated subsidiaries			—			51
Net changes in items other than shareholders' equity	76	128	204	(0)	(51)	152
Total changes during period	76	128	204	(0)	(51)	(564)
Balance at February 29, 2024	¥195	¥725	¥920	—	¥25	¥16,208

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance at February 28, 2023	\$39,368	\$40,861	\$26,093	\$(318)		\$106,010
Changes during period						
Issuance of restricted shares	159	159				325
Loss attributable to owners of parent			(2,116)			(2,116)
Purchase of treasury shares				(3,310)		(3,310)
Cancellation of treasury shares		(3,310)		3,310		—
Capital increase of consolidated subsidiaries		338				338
Net changes in items other than shareholders' equity						—
Total changes during period	159	(2,799)	(2,116)	(0)		(4,756)
Balance at February 29, 2024	\$39,534	\$38,061	\$23,976	\$(318)		\$101,253

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Non-controlling interests
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at February 28, 2023	\$782	\$3,954	\$4,743	\$0	\$510	\$111,271
Changes during period						
Issuance of restricted shares			—			325
Loss attributable to owners of parent			—			(2,116)
Purchase of treasury shares			—			(3,310)
Cancellation of treasury shares			—			—
Capital increase of consolidated subsidiaries			—			338
Net changes in items other than shareholders' equity	504	849	1,353	(0)	(338)	1,008
Total changes during period	504	849	1,353	(0)	(338)	(3,741)
Balance at February 29, 2024	\$1,293	\$4,809	\$6,103	—	\$165	\$107,530

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 29, 2024 and February 28, 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash flows from operating activities			
Profit before income taxes	¥ 438	¥ 1,529	\$ 2,905
Depreciation	625	691	4,146
Impairment loss	1,015	499	6,733
Amortization of goodwill	702	783	4,657
Increase (decrease) in allowance for doubtful accounts	(0)	(0)	(0)
Increase (decrease) in provision for bonuses	1	(9)	6
Increase (decrease) in provision for point certificates	—	(60)	—
Increase (decrease) in retirement benefit liability	(32)	54	(212)
Interest and dividend income	(26)	(27)	(172)
Subsidy income	—	(20)	—
Interest expenses	31	32	205
Loss (gain) on valuation of investment securities	716	145	4,750
Loss (gain) on investments in investment partnerships	12	(1)	79
Loss (gain) on sale of investment securities	(106)	—	(703)
Loss (gain) on sale of shares of subsidiaries and associates	6	15	39
Share of loss (profit) of entities accounted for using equity method	28	82	185
Loss (gain) on change in equity	(110)	(68)	(729)
Decrease (increase) in trade receivables	(1,580)	1,598	(10,482)
Increase (decrease) in advances received	152	67	1,008
Decrease (increase) in inventories	9	(60)	59
Decrease (increase) in prepaid expenses	(56)	(78)	(371)
Increase (decrease) in trade payables	1,651	(2,033)	10,953
Increase (decrease) in accounts payable – other	(111)	50	(736)
Increase (decrease) in deposits received	108	(81)	716
Increase (decrease) in accrued consumption taxes	16	(5)	106
Decrease (increase) in consumption taxes refund receivable	(130)	(11)	(862)
Other, net	87	75	577
Subtotal	3,450	3,168	22,888
Interest and dividends received	30	31	199
Subsidies received	—	20	—
Interest paid	(31)	(32)	(205)
Income taxes paid	(344)	(1,272)	(2,282)
Income taxes refund	66	—	437
Net cash provided by (used in) operating activities	3,171	1,916	21,037
Cash flows from investing activities			
Purchase of property, plant and equipment	(113)	(517)	(749)
Purchase of intangible assets	(686)	(835)	(4,551)
Purchase of investment securities	(6)	(817)	(39)
Proceeds from sales of investment securities	138	—	915
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(862)	—
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(17)	(44)	(112)
Payments of guarantee deposits	(24)	(50)	(159)
Proceeds from refund of guarantee deposits	41	44	272
Other, net	(19)	13	(126)
Net cash provided by (used in) investing activities	(688)	(3,070)	(4,564)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(1)	796	(6)
Proceeds from long-term borrowings	—	1,580	—
Repayments of long-term borrowings	(1,274)	(1,273)	(8,452)
Proceeds from issuance of shares with restriction of transfer	49	49	325
Proceeds from share issuance to non-controlling shareholders	79	335	524
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(431)	—
Dividends paid	—	(333)	—
Purchase of treasury shares	(499)	(999)	(3,310)
Net cash provided by (used in) financing activities	(1,645)	(276)	(10,913)
Effect of exchange rate change on cash and cash equivalents	39	157	258
Net Increase (decrease) in cash and cash equivalents	877	(1,272)	5,818
Cash and cash equivalents at beginning of period	10,127	11,399	67,186
Cash and cash equivalents at end of period (Note 18)	¥11,004	¥10,127	\$73,004

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

Financial Section

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MEDIA DO Co., Ltd. and its consolidated subsidiaries

Years ended February 29, 2024 and February 28, 2023

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 29, 2024, which was ¥150.73 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 16 significant subsidiaries and three associates accounted for by the equity method.

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

Financial Section

Significant subsidiaries and associates as of February 29, 2024 are as follows:

Company name	Share capital (Millions of yen)	Ownership interest (%)	Main business
Consolidated subsidiaries:			
Flier Inc.	497	65.6 (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
JIVE Ltd.	10	100.0 (Direct)	Planning, editing, publishing and sales of books and magazines
NIHONBUNGEISHA Co., Ltd.	100	100.0 (Direct)	Publication and sale of books and magazines
EVERYSTAR Co., Ltd.	50	100.0 (Direct)	Operation of the novel posting website, and other publishing-related businesses
GAMBAROU TOKUSHIMA Co., Ltd.	50	68.0 (Direct)	Operation of a basketball team
Media Do International, Inc.	(Thousands of U.S. dollars) 26,702	100.0 (Direct)	eBook agency
Quality Solutions, Inc.	(Thousands of U.S. dollars) 348	100.0 (Indirect)	Conduct of publishing workflow management and bibliographic information management services
NetGalley, LLC	(Thousands of U.S. dollars) 4,501	100.0 (Indirect)	Operation of the NetGalley website, which is a web marketing tool for books
NetGalley, UK Ltd.	(Thousands of pounds) 5,564	100.0 (Indirect)	Operation of the NetGalley website, which is a web marketing tool for books
NetGalley, France SARL	(Thousands of euros) 40	100.0 (Indirect)	Operation of the NetGalley website, which is a web marketing tool for books
Supadū Limited and other three companies	(Thousands of pounds) 0	100.0 (Indirect)	Providing e-commerce solutions
Associates accounted for by the equity method:			
MyAnimeList Co., Ltd.	300	30.3 (Direct)	Anime/manga community site operation
TEC INFORMATION CORP.	230	25.0 (Direct)	Software development
PUBFUN, Inc.	10	49.0 (Direct)	Print on demand (POD) publishing services

For the year ended February 29, 2024, the following changes have been made to the scope of consolidation and the equity method:

J-Comic Terrace Corporation was excluded from the scope of consolidation since the Company sold all of its holding shares. In addition, another company was also excluded from the scope of consolidation since its liquidation was completed.

Media Do International, Inc., Quality Solutions, Inc., NetGalley, LLC, and six 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.

(b) Securities

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

Costs of securities sold are determined by the moving-average method.

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

Financial Section

(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 15 years
Tools, furniture and fixtures	4 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.

(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) 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.

(i) Basis of recognizing significant revenue and expenses

The Company recognizes revenue when control of a promised good or service is transferred to the customer at the amount expected to be received in exchange for the good or service. Details of major performance obligations of the Group's business are stated in Note 19 "Revenue Recognition."

(j) Translation of foreign currencies

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

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

(k) Goodwill

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

(l) 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.

(m) Changes in accounting policies

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the year ended February 29, 2024, the Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, last revised June 17, 2021; the "Implementation Guidance on Accounting Standard for Fair Value Measurement"). In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has applied the new accounting policy specified in the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively. There is no impact on the consolidated financial statements.

Financial Section

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Evaluation of Goodwill

(a) Amounts on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Goodwill	¥5,765	¥6,874	\$38,247

(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 29, 2024, the Company recognized impairment losses on goodwill related to shares of Supadü Limited in the amount of ¥438 million (\$2,905 thousand).

The business plan, etc., as the assumption used for these accounting estimates, was prepared along the best estimate and judgment by the Company on the basis of available information as of the date of use. However, when such assumption needs to be revised due to the impact from changes in future business environment, it may result in giving significant impact on the consolidated financial statements in the following fiscal year and thereafter.

4. FINANCIAL INSTRUMENTS

(a) Qualitative information on financial instruments

(1) Policy for financial instruments

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

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

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

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

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

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

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

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

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

Financial Section

(4) Concentration of credit risk of financial instruments

As of February 29, 2024 and February 28, 2023, over 60.0% of operating receivables are from five major customers.

(b) Fair value of financial instruments

As of February 29, 2024

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

	Millions of yen		
	2024		
	Carrying value	Fair value	Difference
Investment securities			
Available-for-sale securities	¥692	¥692	¥—
Total assets	¥692	¥692	¥—

	Thousands of U.S. dollars		
	2024		
	Carrying value	Fair value	Difference
Investment securities			
Available-for-sale securities	\$4,590	\$4,590	\$—
Total assets	\$4,590	\$4,590	\$—

As of February 29, 2024, "Cash and deposits," "Notes and accounts receivable-trade," "Notes and accounts payable-trade" and "Short-term borrowings" are omitted since their fair value approximates the respective carrying value due to short maturity. As to "Long-term borrowings," the fair value approximates the carrying value since these borrowings bear variable interest rates which reflect market rates; thus, the disclosure is omitted.

Unlisted equity securities (carrying value ¥4,916 million (\$32,614 thousand)) are not included in "Investment securities" since they do not have readily available market values. Furthermore, investments in limited liability investment partnerships (carrying value ¥261 million (\$1,731 thousand)) are not subject to the fair value disclosures based on the provision of Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

The redemption schedule for monetary claims

	Millions of yen			
	2024			
	Due within 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥11,004	¥—	¥—	¥—
Notes receivable-trade	22	—	—	—
Accounts receivable-trade	23,271	—	—	—
Total	¥34,299	¥—	¥—	¥—

	Thousands of U.S. dollars			
	2024			
	Due within 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	\$73,004	\$—	\$—	\$—
Notes receivable-trade	145	—	—	—
Accounts receivable-trade	154,388	—	—	—
Total	\$227,552	\$—	\$—	\$—

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

Financial Section

As of February 28, 2023

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

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

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

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

The redemption schedule for monetary claims

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

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

Breakdown of fair value of financial instruments by level

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

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

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

Financial instruments measured at fair value in the consolidated balance sheet

As of February 29, 2024

Classification	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥235	¥—	¥—	¥235
Corporate bonds	—	—	456	456
Total	¥235	¥—	¥456	¥692

Financial Section

Thousands of U.S. dollars

Classification	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	\$1,559	\$—	\$—	\$1,559
Corporate bonds	—	—	3,025	3,025
Total	\$1,559	\$—	\$3,025	\$4,590

Notes: 1. Techniques and inputs used for the fair value measurement

Listed equity securities are measured by using quoted prices. Since listed equity securities are traded in active markets, they are classified into Level 1.

Convertible bond-type bonds with share acquisition rights are measured by the income approach (present value technique). For the fair value measurement of convertible bond-type bonds with share acquisition rights, significant unobservable inputs are used; thus, they are classified into Level 3.

2. Information on financial instruments classified into Level 3 fair value

a. Quantitative information on significant unobservable inputs

Valuation technique	Discount rate adjustment technique and expected present value technique
Significant unobservable inputs	Discount rate
Range of inputs	2.6% to 13.3%

b. Reconciliation between the beginning balance and the ending balance

	Millions of yen	Thousands of U.S. dollars
	Investment securities	
Available-for-sale securities:		
Corporate bonds	¥492	\$3,264
Beginning balance		
Record as income or loss:		
Loss on valuation of investment securities	(29)	(192)
Record as other comprehensive income:		
Valuation difference on available-for-sale securities	(6)	(39)
Ending balance	¥456	\$3,025

c. Fair value measurement process

For financial instruments classified into Level 3, the responsible personnel determine the valuation technique based on the nature, character and risk of the applicable financial instruments, and calculates the fair value after checking if the technique and inputs used are appropriate. The calculation results are reviewed and approved by the executive officer of the Accounting Department.

d. Impact on the fair value when significant unobservable inputs are changed

When discount rates are dramatically increased (or decreased), the fair value of investment securities will be dramatically decreased (or increased).

As of February 28, 2023

Classification	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥217	¥—	¥—	¥217
Corporate bonds	—	—	492	492
Total	¥217	¥—	¥492	¥710

Notes: 1. Techniques and inputs used for the fair value measurement

Listed equity securities are measured by using quoted prices. Since listed equity securities are traded in active markets, they are classified into Level 1.

Convertible bond-type bonds with share acquisition rights are measured by the income approach (present value technique). For the fair value measurement of convertible bond-type bonds with share acquisition rights, significant unobservable inputs are used; thus, they are classified into Level 3.

2. Information on financial instruments classified into Level 3 fair value

a. Quantitative information on significant unobservable inputs

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

Financial Section

b. Reconciliation between the beginning balance and the ending balance

		Millions of yen
Investment securities		
Available-for-sale securities:	Corporate bonds	
Beginning balance		¥1,525
Record as income or loss:		
Loss on valuation of investment securities		(145)
Record as other comprehensive income:		
Valuation difference on available-for-sale securities		(154)
Reversal of allowance for doubtful accounts		(732)
Ending balance		¥492

c. Fair value measurement process

For financial instruments classified into Level 3, the responsible personnel determine the valuation technique based on the nature, character and risk of the applicable financial instruments, and calculates the fair value after checking if the technique and inputs used are appropriate. The calculation results are reviewed and approved by the executive officer of the Accounting Department.

d. Impact on the fair value when significant unobservable inputs are changed

When discount rates are dramatically increased (or decreased), the fair value of investment securities will be dramatically decreased (or increased).

5. SECURITIES

(a) Available-for-sale securities

Securities with carrying values exceeding acquisition costs

							Millions of yen
	2024			2023			
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference	
1) Equity securities	¥1,113	¥862	¥250	¥515	¥353	¥161	
2) Bonds							
Corporate bonds	—	—	—	—	—	—	
3) Other	189	130	58	180	139	40	
Total	¥1,302	¥993	¥308	¥695	¥493	¥202	

				Thousands of U.S. dollars
	2024			
	Carrying value	Acquisition cost	Difference	
1) Equity securities	\$7,384	\$5,718	\$1,658	
2) Bonds				
Corporate bonds	—	—	—	
3) Other	1,253	862	384	
Total	\$8,637	\$6,587	\$2,043	

Securities with carrying values not exceeding acquisition costs

							Millions of yen
	2024			2023			
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference	
1) Equity securities	¥3,226	¥3,226	¥(0)	¥4,448	¥4,448	¥—	
2) Bonds							
Corporate bonds	456	489	(33)	492	519	(26)	
3) Other	72	72	—	76	76	—	
Total	¥3,755	¥3,788	¥(33)	¥5,017	¥5,044	¥(26)	

				Thousands of U.S. dollars
	2024			
	Carrying value	Acquisition cost	Difference	
1) Equity securities	\$21,402	\$21,402	\$(0)	
2) Bonds				
Corporate bonds	3,025	3,244	(218)	
3) Other	477	477	—	
Total	\$24,912	\$25,131	\$(218)	

Financial Section

(b) Available-for-sale securities sold

							Millions of yen
	2024			2023			
	Sales proceeds	Gain	Loss	Sales proceeds	Gain	Loss	
1) Equity securities	¥138	¥106	¥—	¥—	¥—	¥—	
2) Bonds							
Corporate bonds	—	—	—	—	—	—	
3) Other	—	—	—	—	—	—	
Total	¥138	¥106	¥—	¥—	¥—	¥—	

				Thousands of U.S. dollars
	2024			
	Sales proceeds	Gain	Loss	
1) Equity securities	\$915	\$703	\$—	
2) Bonds				
Corporate bonds	—	—	—	
3) Other	—	—	—	
Total	\$915	\$703	\$—	

(c) Impairment loss on securities

The Company recognized an impairment loss of ¥716 million (\$4,750 thousand) and ¥145 million on investment securities classified as available-for-sale securities for the years ended February 29, 2024 and February 28, 2023, respectively.

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

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

The weighted-average interest rate for the year-end balance of short-term borrowings was 0.74% and 0.73% as of February 29, 2024 and February 28, 2023, respectively.

Long-term borrowings as of February 29, 2024 and February 28, 2023 are as follows:

		Millions of yen	Thousands of U.S. dollars
		2024	2023
Unsecured long-term borrowings, weighted-average interest rates of 0.48% in 2024 and 2023, maturing through 2032		¥4,442	¥5,716
Less: Amounts due within one year		1,314	1,302
Long-term borrowings		¥3,128	¥4,414

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

				Millions of yen	Thousands of U.S. dollars
				2024	2023
Amount included in Other under current liabilities				¥6	¥1
Amount included in Other under non-current liabilities				32	0

The redemption schedule for long-term borrowings and lease obligations

							Millions of yen
	2024						
	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	¥1,314	¥1,289	¥1,291	¥443	¥4	¥100	
Lease obligations	6	7	7	7	6	5	

Financial Section

Thousands of U.S. dollars

	2024					
	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	\$8,717	\$8,551	\$8,564	\$2,939	\$26	\$663
Lease obligations	39	46	46	46	39	33

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
	2024	2023	2024
Balance at beginning of the year	¥638	¥569	\$4,232
Increase due to newly consolidated subsidiaries	—	—	—
Retirement benefit expenses	63	72	417
Retirement benefit paid	(96)	(17)	(636)
Foreign currency translation adjustment	8	15	53
Balance at end of the year	¥615	¥638	\$4,080

(2) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Retirement benefit expenses calculated using the simplified method	¥63	¥72	\$417

(c) Defined contribution plan

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Contributions paid to the defined contribution plan	¥62	¥57	\$411
Total	¥62	¥57	\$411

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 29, 2024.

(a) Outline of stock options

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

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

Financial Section

(b) Changes in number of stock options for the year ended February 29, 2024

	The 14th share acquisition rights
Non-vested (shares)	
February 28, 2023 – Outstanding	—
Granted	—
Expired	—
Vested	—
February 29, 2024 – Outstanding	—
Vested (shares)	
February 28, 2023 – Outstanding	15,000
Vested	—
Exercised	—
Expired	15,000
February 29, 2024 – Outstanding	—

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 stock options, the Company recognized a gain on reversal of share acquisition rights in the amounts of ¥0 million [\$0 thousand] for the years ended February 29, 2024.

(c) Price of share acquisition rights

	The 14th share acquisition rights	
	Yen	U.S. dollars
Exercise price	¥1,843	\$12.22
Average stock price at exercise	—	—
Fair value on the date of grant	10.00	0.06

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

(Additional information)

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

9. ASSET RETIREMENT OBLIGATIONS

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

The Company calculates its asset retirement obligations by assuming the occupancy period to be 10 to 15 years and applying discount rates of 0.2% 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
	2024	2023	2024
Balance at beginning of the year	¥101	¥63	\$670
Increase due to acquisition of property, plant and equipment	11	65	72
Adjustments due to the passage of time	0	0	0
Decrease due to performance of asset retirement obligations	—	(27)	—
Balance at end of the year	¥113	¥101	\$749

Financial Section

10. INCOME TAXES

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Accrued enterprise tax	¥43	¥12	\$285
Provision for bonuses	13	13	86
Contract liabilities	64	20	424
Refund liabilities	48	38	318
Excess depreciation	272	93	1,804
Goodwill for tax purposes	60	61	398
Loss on valuation of investment securities and investments in associates	916	755	6,077
Asset retirement obligations	35	31	232
Retirement benefit liability	202	176	1,340
Tax loss carryforwards	826	856	5,479
Other	81	94	537
Subtotal	2,566	2,154	17,023
Valuation allowance	(1,794)	(1,607)	(11,902)
Total deferred tax assets	771	547	5,115
Deferred tax liabilities:			
Intangible assets identified through business combinations	¥(244)	¥(253)	\$(1,618)
Cost capitalized corresponding to asset retirement obligations	(23)	(23)	(152)
Valuation difference on available-for-sale securities	(69)	(45)	(457)
Other	(59)	(1)	(391)
Total deferred tax liabilities	(397)	(323)	(2,633)
Net deferred tax assets	¥374	¥223	\$2,481

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

	2024	2023
Statutory tax rate	30.6%	30.6%
Adjustments:		
Permanent differences such as entertainment expenses	4.1	0.6
Inhabitants' tax	1.6	0.5
Items deductible for tax purposes	(4.3)	(3.0)
Amortization of goodwill	80.8	21.1
Share of (gain) loss of entities accounted for using equity method	2.0	1.7
Gain on change in equity	(7.7)	(1.4)
Consolidation adjustment for gain or loss on sale of shares of subsidiaries	3.3	(1.5)
Change in valuation allowance	78.3	(12.5)
Other	(0.9)	(0.5)
Effective tax rate	187.8%	35.6%

11. NET ASSETS

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

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

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

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

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

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

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

Dividends with a record date during the year ended February 29, 2024, but whose effective date is after February 29, 2024 are as follows:

Resolution	Class of share	2024		Dividends per share		Record date	Effective date
		Total amount of dividends		(Yen)	(U.S. dollars)		
		(Millions of yen)	(Thousands of U.S. dollars)				
Board of Directors' meeting held on April 18, 2024	Common share	¥332	\$2,202	¥22.0	\$0.14	February 29, 2024	May 8, 2024

As of February 29, 2024 and February 28, 2023, 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	
	2024	2023
Common shares, issued and outstanding:		
At beginning of the year	15,437,820	15,872,451
Increase due to issuance of new shares in connection with granting shares with certain transfer restrictions	33,309	30,686
Decrease due to cancellation of treasury shares	(340,218)	(465,317)
At end of the year	15,130,911	15,437,820
Treasury shares:		
At beginning of the year	18,118	2,817
Increase due to acquisition of shares based on the resolution of the Board of Directors' meeting held on April 13, 2023 and April 14, 2022	340,000	462,500
Increase due to acquisition of shares by associates accounted for by the equity method (the Company's portion)	—	18,118
Expiration of shares with certain transfer restrictions	1,313	—
Increase due to acquisition of odd-lot shares	41	—
Decrease due to cancellation of treasury shares	(340,218)	(465,317)
At end of the year	19,254	18,118

Financial Section

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Salaries and wages	¥3,556	¥3,330	\$23,591
Bonuses and provision for bonuses	150	144	995
Retirement benefit expenses	113	89	749
Commissions	1,334	1,487	8,850
Amortization of goodwill	702	783	4,657

13. RESEARCH AND DEVELOPMENT EXPENSES INCLUDED IN ADMINISTRATIVE EXPENSES

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Research and development expenses included in administrative expenses	¥51	¥—	\$338

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Loss on sale of non-current assets:			
Buildings	¥—	¥5	\$—

15. LOSS ON RETIREMENT OF NON-CURRENT ASSETS

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Buildings	¥0	¥62	\$0
Tools, furniture and fixtures	0	5	0
Software	—	34	—
Software under development	—	37	—
Other	0	—	0
Total	¥1	¥141	\$6

16. IMPAIRMENT LOSS

For the year ended February 29, 2024, the Company recognized an impairment loss as follows:

Company	Location	Use of assets	Type	Millions of yen	Thousands of U.S. dollars
MEDIA DO Co., Ltd.	Chiyoda-ku, Tokyo	Business assets	Software, other intangible assets	¥564	\$3,741
Supadü Limited	UK	Business assets	Goodwill	438	2,905
NIHONBUNGEISHA Co., Ltd.	Chiyoda-ku, Tokyo	Business assets	Software	13	86

An impairment loss was recognized for software and other intangible fixed assets of MEDIA DO Co., Ltd. during the process of reviewing the Company's business plans based on results in the vertical scroll comics business, etc.

An impairment loss was recognized for Supadü Limited's goodwill because the Company found that there was a gap between Supadü Limited's business plan at the time of acquisition and its actual results after acquisition.

An impairment loss was recognized for software of NIHONBUNGEISHA Co., Ltd. as, following a review of business strategy, it is no longer expected to be used in the future.

Financial Section

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

The Company measures the recoverable amount at the value in use. As for MEDIA DO Co., Ltd., the recoverable amount of the software and other intangible fixed assets was evaluated to be zero since the value measured based on the future cash flows over the remaining economic useful life was negative. In addition, the recoverable amount of the software of NIHONBUNGEISHA Co., Ltd. was evaluated to be zero since the value measured based on the future cash flows was zero.

The value in use of Supadü Limited's goodwill was measured by discounting the future cash flows at the rate of 15%.

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

Company	Location	Use of assets	Type	Millions of yen
MEDIA DO Co., Ltd.	Chiyoda-ku, Tokyo	Business assets	Software	¥171
Nagisa, Inc. ("Nagisa")	Chiyoda-ku, Tokyo	Business assets	Goodwill	287
JIVE Ltd. ("JIVE")	Chiyoda-ku, Tokyo	Business assets	Goodwill, software, other intangible assets	40

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

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

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

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

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

17. OTHER COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Valuation difference on available-for-sale securities:			
Amounts incurred for the year	¥112	¥32	\$743
Reclassification adjustments	(12)	(140)	(79)
Before tax effect adjustments	100	(107)	663
Tax effect	(23)	35	(152)
Valuation difference on available-for-sale securities	76	(72)	504
Foreign currency translation adjustment:			
Amounts incurred for the year	128	420	849
Share of other comprehensive income of entities accounted for using equity method:			
Amounts incurred for the year	0	0	0
Other comprehensive income, total	¥204	¥347	\$1,353

Financial Section

18. 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 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and deposits	¥11,004	¥10,127	\$73,004
Time deposits with maturity in excess of three months	—	—	—
Cash and cash equivalents	¥11,004	¥10,127	\$73,004

For the year ended February 29, 2024, due to the sale of shares, J-Comic Terrace Corporation became no longer a consolidated subsidiary for the year ended February 29, 2024. The following summarizes the breakdown of assets and liabilities at the time of sale and amount paid for the sale is as follows:

	Millions of yen	Thousands of U.S. dollars
	2024	2024
J-Comic Terrace Corporation		
Current assets	¥71	\$471
Non-current assets	0	0
Current liabilities	(6)	(39)
Non-current liabilities	—	—
Non-controlling interests	(13)	(86)
Loss on sale of shares	(6)	(39)
Sale price of shares	45	298
Balance of cash and cash equivalents	(62)	(411)
Difference: Amount paid for the sale	¥(17)	\$(112)

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

	Millions of yen
Supadū Limited	2023
Current assets	¥58
Non-current assets	2
Goodwill	623
Amount allocated as intangible assets	259
Current liabilities	(51)
Acquisition cost of the newly consolidated subsidiary due to acquisition of shares	892
Balance of cash and cash equivalents of the newly consolidated subsidiary	(29)
Difference: Amount paid for the acquisition	¥862

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

	Millions of yen
Nagisa, Inc.	2023
Current assets	¥101
Non-current assets	129
Current liabilities	(151)
Non-current liabilities	(62)
Non-controlling interests	—
Loss on sale of shares	(15)
Sale price of shares	1
Balance of cash and cash equivalents	(45)
Difference: Amount paid for the sale	¥(44)

Financial Section

19. REVENUE RECOGNITION

(a) Information on disaggregated revenue from contracts with customers

For the year ended February 29, 2024

	Millions of yen				
	2024				
	Reportable segments			Adjustments	Total
eBook distribution	Strategic investment	Total			
eBook distribution business	¥85,103	¥—	¥85,103	¥—	¥85,103
Books and magazines publishing	—	2,247	2,247	—	2,247
Web service operations	1,298	2,311	3,610	—	3,610
Publishing solution business	—	2,453	2,453	—	2,453
Other	—	423	423	198	621
Revenue from contracts with customers	¥86,402	¥7,435	¥93,838	¥198	¥94,036
Other revenue	¥—	¥—	¥—	¥—	¥—
Net sales to outside customers	¥86,402	¥7,435	¥93,838	¥198	¥94,036

(Note) "Adjustments" include ticket revenue from business segments not included in reportable segments.

	Thousands of U.S. dollars				
	2024				
	Reportable segments			Adjustments	Total
eBook distribution	Strategic investment	Total			
eBook distribution business	\$564,605	\$—	\$564,605	\$—	\$564,605
Books and magazines publishing	—	14,907	14,907	—	14,907
Web service operations	8,611	15,332	23,950	—	23,950
Publishing solution business	—	16,274	16,274	—	16,274
Other	—	2,806	2,806	1,313	4,119
Revenue from contracts with customers	\$573,223	\$49,326	\$622,556	\$1,313	\$623,870
Other revenue	\$—	\$—	\$—	\$—	\$—
Net sales to outside customers	\$573,223	\$49,326	\$622,556	\$1,313	\$623,870

For the year ended February 28, 2023

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

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

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

(1) eBook distribution business

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

(2) Books and magazines publishing

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

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(3) Web service operations

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

(4) Publishing solution business

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

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

(1) Balance of contract assets and contract liabilities

For the year ended February 29, 2024

	Millions of yen		Thousands of U.S. dollars	
	2024		2024	
	Balance at beginning of the year	Balance at end of the year	Balance at beginning of the year	Balance at end of the year
Receivable arising from contracts with customers (Note)	¥21,706	¥23,294	144,005	154,541
Contract liabilities	328	491	2,176	3,257

Note: The ending balance of ¥23,294 million (\$154,541 thousand) consists of ¥22 million (\$145 thousand) of notes receivable–trade and ¥23,271 million (\$154,388 thousand) of accounts receivable–trade as of February 29, 2024.

Contract liabilities consist of advances received from customers based on contractual terms for services to be provided over a period of time and the unused balance of points sold to customers, both of which are reversed when revenue is recognized. As of February 29, 2024, the balance of contract liabilities is included in “Other” under current liabilities.

The balance of contract liabilities as of March 1, 2023 was all recognized as revenue for the year ended February 29, 2024.

For the year ended February 28, 2023

	Millions of yen	
	2023	
	Balance at beginning of the year	Balance at end of the year
Receivable arising from contracts with customers (Note)	¥23,290	¥21,706
Contract liabilities	246	328

Note: The ending balance of ¥21,706 million consists of ¥24 million of notes receivable–trade and ¥21,681 million of accounts receivable–trade as of February 28, 2023.

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

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

(2) Transaction price allocated to remaining performance obligations

The disclosure is omitted since the Company and its consolidated subsidiaries have not identified any transaction with an initial expected contract period exceeding one year.

Financial Section

20. 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's two reportable segments are the “eBook Distribution Business,” which serves as an intermediary providing eBook content to eBook retailers through distribution systems and which expands eBook distribution through joint operations with alliance partners, and the “Strategic Investment Businesses,” from which the Company aims to create a second profit axis utilizing the robust network that it has cultivated in the publishing industry through its eBook distribution business.

(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

For the year ended February 29, 2024

	Millions of yen				
	2024				
	Reportable segments			Adjustments	Consolidated
eBook distribution	Strategic investment	Total			
Net sales:					
Outside customers	¥86,402	¥7,435	¥93,838	¥198	¥94,036
Intersegment	46	1,178	1,224	(1,224)	—
Total	¥86,448	¥8,613	¥95,062	¥(1,025)	¥94,036
Segment income (loss)	¥4,910	¥(1,291)	¥3,619	¥(1,553)	¥2,066
Other items:					
Amortization of goodwill	¥253	¥448	¥702	¥—	¥702
Depreciation	306	291	597	28	625

	Thousands of U.S. dollars				
	2024				
	Reportable segments			Adjustments	Consolidated
eBook distribution	Strategic investment	Total			
Net sales:					
Outside customers	\$573,223	\$49,326	\$622,556	\$1,313	\$623,870
Intersegment	305	7,815	8,120	(8,120)	—
Total	\$573,528	\$57,141	\$630,677	\$(6,800)	\$623,870
Segment income (loss)	\$32,574	\$(8,564)	\$24,009	\$(10,303)	\$13,706
Other items:					
Amortization of goodwill	\$1,678	\$2,972	\$4,657	\$—	\$4,657
Depreciation	2,030	1,930	3,960	185	4,146

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

Financial Section

For the year ended February 28, 2023

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

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

(Related information)

(a) Information on products and services

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

(b) Information on geographical areas

(1) Net sales

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

(2) Property, plant and equipment

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

(c) Information on net sales by major customers

Company name	Millions of yen		Thousands of U.S. dollars	Related segment
	2024	2023	2024	
NTT Solmare Corporation	¥24,196	¥21,079	\$160,525	eBook distribution
Amazon Services International LLC	14,880	14,070	98,719	eBook distribution
LINE Digital Frontier Corporation	(Note)	12,779	(Note)	eBook distribution

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

(Information on impairment loss)

Information on impairment loss for the years ended February 29, 2024 and February 28, 2023 is as follows:

	Millions of yen				
	2024				
	Reportable segments			Adjustments	Consolidated
eBook distribution	Strategic investment	Total			
Impairment loss	¥—	¥1,015	¥1,015	¥—	¥1,015

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

Financial Section

Thousands of U.S. dollars

	2024				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Strategic investment	Total		
Impairment loss	\$—	\$6,733	\$6,733	\$—	\$6,733

(Information on amortization and unamortized balances of goodwill)

	Millions of yen				
	2024				
	Reportable segments			Adjustments	Consolidated
eBook distribution	Strategic investment	Total			
Amortization	¥253	¥448	¥702	¥—	¥702
Unamortized balances	3,321	2,443	5,765	—	5,765

Millions of yen

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

Thousands of U.S. dollars

	2024				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Strategic investment	Total		
Amortization	\$1,678	\$2,972	\$4,657	\$—	\$4,657
Unamortized balances	22,032	16,207	38,247	—	38,247

21. PER SHARE INFORMATION

	Yen		U.S. dollars
	2024	2023	2024
Net assets per share	¥1,070.86	¥1,082.72	\$7.10
Profit (Loss) per share	(21.08)	68.35	(0.13)
Diluted profit per share	—	68.35	—

Note: Diluted profit per share after residual share adjustment for the fiscal year under review is not stated since there is a net loss per share and there are no residual shares.

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total net assets	¥16,208	¥16,772	\$107,530
Amounts deducted from the amount of total net assets	25	77	165
[Of which, share acquisition rights]	[—]	[0]	[—]
[Of which, non-controlling interests]	[25]	[77]	[165]
Net assets associated with common shares	16,182	16,695	107,357
Number of shares of common shares for the calculation of net assets per share (Shares)	15,111,657	15,419,702	—

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
	2024	2023	2024
Profit (Loss) per share:			
Profit (Loss) attributable to owners of parent	¥(319)	¥1,057	\$(2,116)
Amounts not attributable to common shareholders	—	—	—
Profit (Loss) attributable to common shareholders of the parent company	(319)	1,057	(2,116)
Weighted-average number of common shares (Shares)	15,146,347	15,465,550	—
Diluted profit per share:			
Adjustments to profit attributable to owners of parent	¥—	¥—	\$—
Increase in number of common shares (Shares)	—	747	—
[Of which, share acquisition rights (Shares)]	[—]	[747]	[—]
Details of diluted shares not included in the calculation of diluted profit per share due to no dilutive effect	—	—	—

22. BUSINESS COMBINATIONS

For the year ended February 28, 2023

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

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

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

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

The acquisition was made in exchange for cash of ¥892 million. Advisory fees of ¥39 million were incurred as major acquisition-related cost.

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

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

	Millions of yen
Supadū Limited	2023
Current assets	¥58
Non-current assets	2
Total assets	¥60
Current liabilities	¥51
Total liabilities	¥51

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

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 29, 2024, and the consolidated statements of income and comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and the notes to consolidated financial statements, including 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 29, 2024, and its consolidated financial performance and its consolidated cash flows for the year 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 Goodwill Valuation

Description of the Key Audit Matter

As described in Note 3. (SIGNIFICANT ACCOUNTING ESTIMATES) to the consolidated financial statements, the Group reported goodwill of 5,765 million yen (Approximately 11% of total assets) in the consolidated balance sheets for the fiscal year ended February 29, 2024. The goodwill arose from acquisition of its subsidiaries by M&A.

The Company assesses indications of impairment based on whether there is a group of assets (including goodwill, a broader unit) whose operating profit and loss is, or expected to be, negative for consecutive periods, significant deterioration in the business environment, and so forth. Whenever indications of impairment are identified, the group of assets including goodwill is tested for recognition of impairment loss by comparing the total amount of undiscounted future cash-flow generating from the group of assets to which goodwill is allocated with the carrying amount. If the recognition of an impairment loss is necessary, the carrying amount shall be reduced to the recoverable amount, and the resulting decrease in the carrying amount is recorded as an impairment loss. Impairment loss of 438 million yen was reported as extraordinary loss in the consolidated statements of income for the consolidated fiscal year.

The future cash-flow used in recognizing and measuring impairment loss was based on the business plans developed by the management. Those business plans incorporate a continuous increase in sales from existing services and an increase in sales from new services, and cost reductions in the existing service as key assumptions. Since these effects are susceptible to internal and external factors such as changes in the market environment and the business environment, and change of business strategies, the projection involves a high degree of uncertainty. Accordingly, management's subjective judgement has significant impact on the estimated future cash-flows.

We, therefore, determined that our assessment on the appropriateness of goodwill valuation was the most significant matter in our audit of the consolidated financial statement for this fiscal year, and accordingly, a key audit matter.

How the Matter Was Addressed in the Audit

The primary procedures we performed to assess the appropriateness of the goodwill valuation included the following:

- Verified the consistency of business plans underlying to the estimated future cash-flow with those approved by the board of directors.
- Obtained an understanding of the process for developing business plans at the group level and the significant assumptions of the business plan by interviewing the managements and those responsible for the services.

- Examined the accuracy of the impairment determination sheet used by the management, the reliability of the information and its reasonableness by interviewing, reviewing relevant materials, and recalculating.
- Assessed the accuracy of the estimates by comparing the business plan of the previous fiscal year with the actual result, while gaining an understanding of the causes for the variance, and evaluated the impact of the variance and the reasons on the rationality of the future business plan.
- Examined the reasonableness of significant assumptions used for developing the future business plan such as a continuous increase in sales from existing services and an increase in sales from new services, and cost reductions in the existing service by conducting a trend analysis with the actual results from the past while considering the market environment and the business environment.
- Assessed the reasonableness of the discount rate used by the management in measuring the impairment loss.

Other Matter

The consolidated financial statements of MEDIA DO Co., Ltd., for the year ended February 28, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on July 28, 2023.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements and our auditor's report thereon.

Management is responsible for the preparation and presentation of the other information. In addition, the audit and supervisory board and its members are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's reporting process for the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Board and its Members 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, and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit and supervisory board and its members 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. 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 an 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, decide audit procedures that are selected and applied at our discretion, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in making those risk assessments 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 of the consolidated financial statements are in accordance with accounting principles 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 the audit and supervisory board and its members 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 and other matters required by the auditing standards.

We also provide the audit and supervisory board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory board and its members, 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 29, 2024 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

Our firm and its designated engagement partners 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.

Naoto Kimura

Naoto Kimura
Designated Engagement Partner
Certified Public Accountant of Japan

Kenzo Fujita

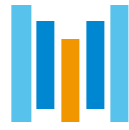
Kenzo Fujita
Designated Engagement Partner
Certified Public Accountant of Japan

Avantia GP
Chiyoda-ku, TOKYO, JAPAN
July 31, 2024

Company and Stock Information

Company Overview (As of February 29, 2024)

Name	MEDIA DO Co., Ltd.
Date Founded/Established	June 1, 1996 / April 1, 1999
Capital	5,959 million yen
Office Headquarters:	5F/8F, PALACESIDE Bldg., 1-1-1 Hitotsubashi, Chiyoda-ku, Tokyo 100-0003, Japan
Employees	on a consolidated basis: 606; non-consolidated: 316
Consolidated subsidiaries	16
Equity method affiliates:	3
Fiscal year:	March 1 to end of February the following year
Annual General Meeting of Shareholders	May
Trading unit:	100 shares
Shareholder registry administrator:	Sumitomo Mitsui Trust Bank, Limited
Number of shares issued:	15,130,911
Shareholders	5,970
Securities code	3678
Stock exchange listing	Tokyo Stock Exchange Prime Market

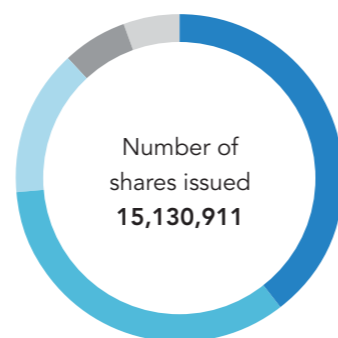


Media Do

The vertical lines in our symbol represent each employee as they think, create and take action in an independent manner. This design embodies the growth and endless potential that exist between self-reliant individuals and the people who support them. As for our corporate colors, navy from the ocean and sky blue symbolize the worldwide wisdom that MEDIA DO distributes and disseminates, while orange represents the sun, which nurtures wisdom, and the curiosity that lies within people's hearts.

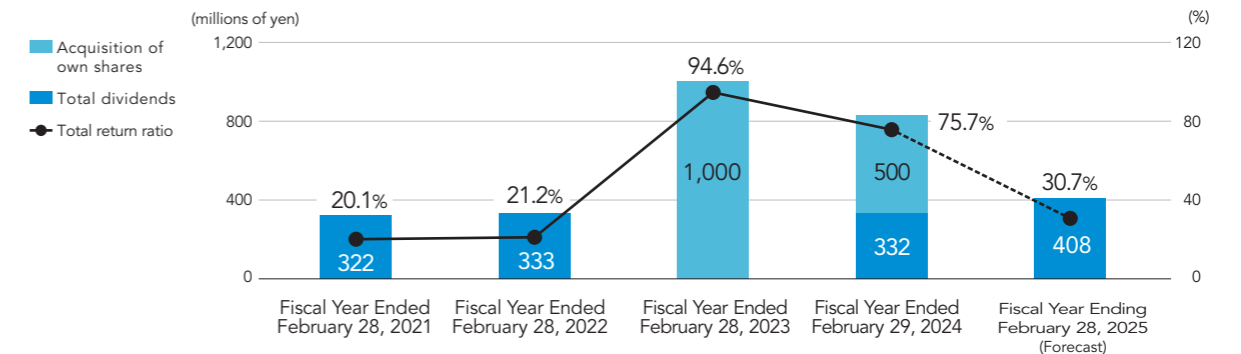
Status of Major Shareholders (as of February 29, 2024)

Shareholders	Shares owned	Percentage owned (%)
Yasushi Fujita	2,468,068	16.31
FIBC Co., Ltd.	1,731,700	11.45
The Master Trust Bank of Japan, Ltd. (trust account)	906,800	5.99
Custody Bank of Japan, Ltd. (trust account)	716,600	4.74
SHOGAKUKAN Inc.	564,800	3.73
KODANSHA LTD.	544,000	3.60
TOHAN CORPORATION	489,649	3.24
Credit Saison Co., Ltd.	466,600	3.08
HIKARI TSUSHIN, INC.	446,600	2.95
SHUEISHA Inc.	444,000	2.93



- 39.53%: Individuals, etc.
- 34.32%: Other corporations
- 14.32%: Financial institutions
- 6.33%: Foreign corporations, etc. (incl. individuals)
- 5.50%: Financial instruments business operators

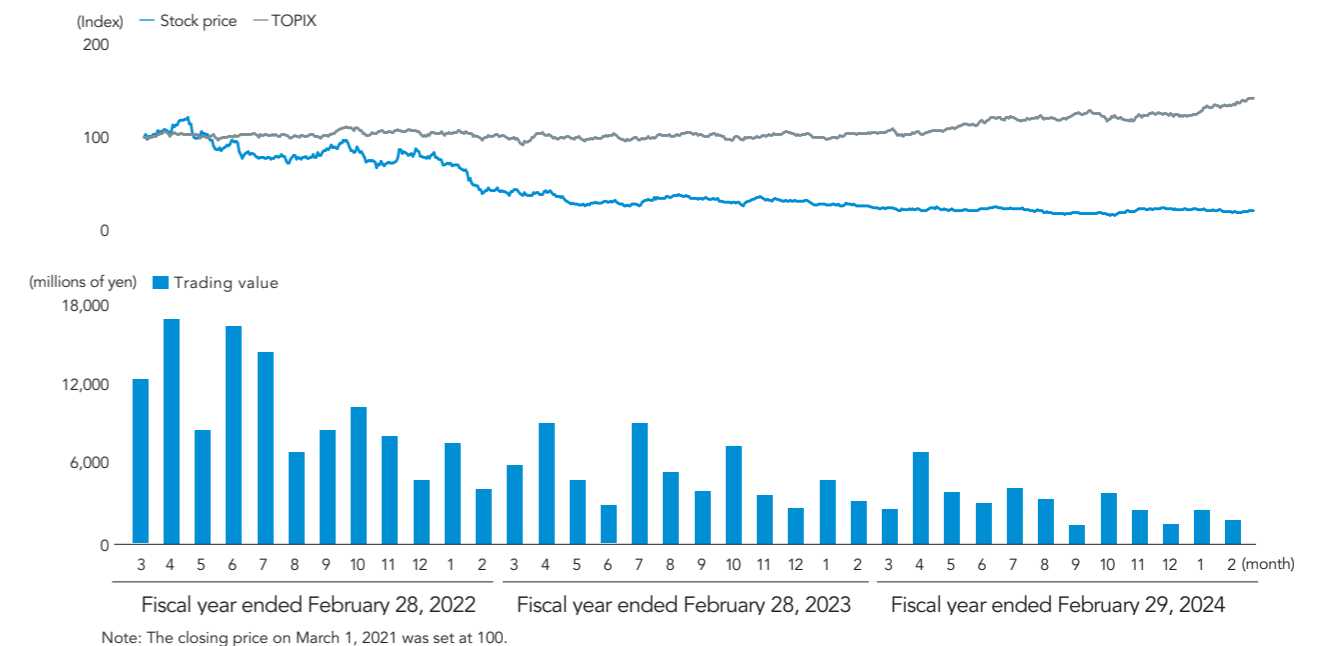
Changes in Shareholder Returns



	21 yen	21 yen	—	22 yen	27 yen
Cash dividends per share	21 yen	21 yen	—	22 yen	27 yen
Value of own shares acquired	—	—	1 billion yen	0.5 billion yen	TBD
Total return ratio ¹	20.1%	21.1%	94.6%	— ²	30.7%

¹ Total return ratio = (total dividends paid + total of own shares acquired) / profit (loss) attributable to owners of parent. Starting the fiscal year ended February 28, 2023, the total return ratio was changed from 20% or more to 30% or more as our basic policy for shareholder returns.
² A total return ratio could not be calculated because a loss was recorded for profit (loss) attributable to owners of parent. However, a total return ratio of 75.7% was calculated based on a forecasted profit (loss) attributable to owners of parent of 1,100 million yen at the beginning of the period.

Changes in Stock Price and Trading Value (March 1, 2021 to February 29, 2024)



External Rating



Contact for inquiries related to this report:

ir@mediado.jp (Corporate Planning Department finance and IR sections)

Official Social Media Account(Japanese Only)

Facebook



Owned media (Medicome!) (Japanese Only)

Note: Will be integrated into our home page in the future.

