

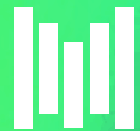


Media Do

More Content for More People!

MEDIA DO Co., Ltd.

MEDIA DO Report 2021



Media Do

**MEDIA DO Co., Ltd.**

5F, PALACESIDE Bldg., 1-1-1 Hitotsubashi,

Chiyoda-ku, Tokyo 100-0003, Japan

TEL: 03-6551-2805

URL: <https://mediado.jp/english/>

Contact Us [ir@mediado.jp](mailto:ir@mediado.jp)

Printed in Japan

**MEDIA DO Report 2021**

MEDIA DO Co., Ltd.

# 超える。

## Surpass

MEDIA DO aims to surpass  
existing frameworks,  
preconceptions, user expectations,  
and even its own past.

MEDIA DO does not fear challenges. This is because we recognize that change and risks are unavoidable in the current era of volatility, uncertainty, complexity, and ambiguity. Rather, we thrive on challenges, using them to fuel our quest to surpass our past along with the expectations of industries and users and to deliver the value to be found down this path.



# 拓く。

## Shape

In the current era in which the extraordinary becomes ordinary, MEDIA DO looks toward the future, seeking to shape the future as a pioneer.

As the No. 1 company in the domestic eBook distribution market, MEDIA DO realizes that it must offer more than just quality and speed; it must propose things that are completely new. Driven by resolution and pride, we lead the innovation of the industry with superior technological prowess and engage in co-creation with our various stakeholders to help shape the future.

# 繋ぐ。

## Connect

MEDIA DO forges connections between people and content, people and people, and the physical and digital, and ultimately creates connections with the future as an intermediary for connecting the world.

We believe in the potential of content, and we know that everyone has equal and limitless potential. MEDIA DO is an intermediary for connecting the world, and will therefore continue to link the limitless potential that exists between people and content. This is MEDIA DO's conviction and raison d'être.



# Corporate Philosophy



## MEDIA DO's Foundation

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

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

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

### Origin of the Company Name

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

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

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

### Corporate Creed

#### Growth and Potential

All people have limitless potential and can grow with time.  
The passage of time is equal for everything. This passage makes us aware of our own growth and equally aware of the great potential of others.  
At MEDIA DO, we vow to respect our colleagues, value them, and find joy in their growth and potential.  
We believe that this spirit of comradery will strengthen our organization and help us to accomplish the impossible.  
MEDIA DO will continue to grow so long as its people grow.  
By growing and adapting in any era, we will contribute to society.

## MISSION

Unleashing a virtuous cycle  
of literary creation

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

## VISION

More Content for More People!

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

## VALUES

Do Professional      Do Myself  
Do My Best          Do Sustainable

We act.

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



# Contents

## MEDIA DO’s Vision for the World

- 1 Cover Story: Defying All Expectations
- 6 Corporate Philosophy
- 10 Message from the CEO
- 16 Interview with the CBD0

## MEDIA DO’s Position and Strengths

- 20 MEDIA DO’s History
- 22 The MEDIA DO Group at a Glance
- 26 Performance Highlights

## MEDIA DO’s Strategies

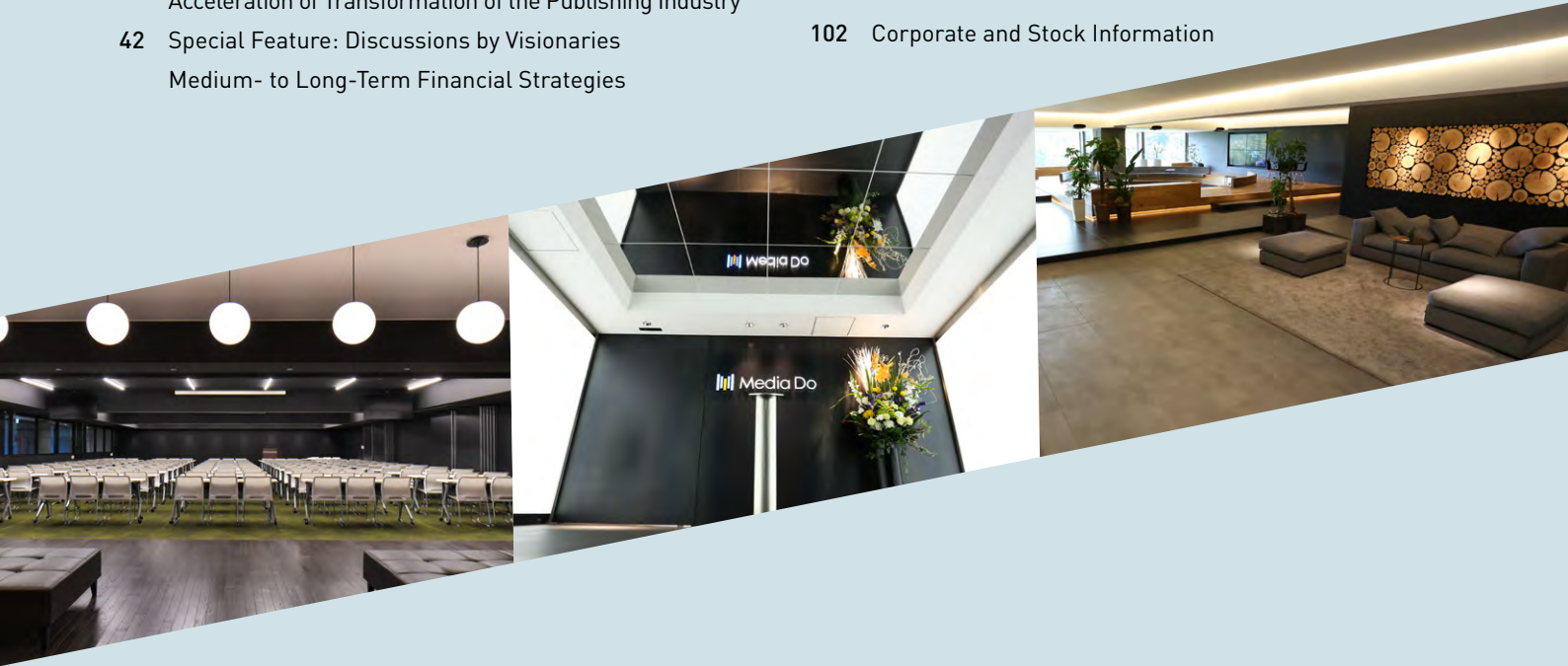
- 28 Growth Strategies of MEDIA DO
- 38 Special Feature: Discussions by Visionaries  
Acceleration of Transformation of the Publishing Industry
- 42 Special Feature: Discussions by Visionaries  
Medium- to Long-Term Financial Strategies

## MEDIA DO’s Transformation into a Sustainable Organization

- 46 Sustainability for the MEDIA DO Group
  - 49 ENVIRONMENTAL
  - 50 SOCIAL
  - 56 Pick Up: Recruitment of Talented Technological Staff
- 58 Corporate Governance Discussion
- 62 Introduction to MEDIA DO’s Management
- 64 Management Team
- 66 Corporate Governance
- 70 Risk Management

## Fact Data

- 72 Financial Section
- 102 Corporate and Stock Information



### Editorial Policy

MEDIA DO Report 2021 has been prepared as an integrated report to function as a tool for comprehensive communication with stakeholders. This report describes the strategic directives based on which all employees, united by a strong sense of conviction, will pursue the realization of our vision.

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

### Reporting Period

Fiscal year ended February 28, 2021 (Fiscal 2020)

This report includes information on some activities taking place before or after this period.

### Cautionary Notice Regarding Forward-Looking Statements

Information on plans, forecasts, and strategies contained in this report are forward-looking statements that represent the Company’s best judgments based on information available at the time of this report’s publication.

It is possible that actual performance could differ materially from these forecasts due to a variety of factors. Risks and uncertain factors with the potential to impact performance include economic conditions, competition, foreign exchange rates and taxation, and other systems pertaining to the Company’s operating environment.

## Key Points of MEDIA DO Report 2021

### POINT 01. Surpass

The COVID-19 pandemic changed how people perceive the physical and digital worlds and greatly transformed industry structures and consumer lifestyles. Viewing these changes as opportunities, the MEDIA DO Group will surpass existing frameworks and preconceptions to develop and supply products and services matched to the diverse values of equally diverse stakeholders.

- ➡ P.10 Message from the CEO
- ➡ P.16 Interview with the CBD0
- ➡ P.28–37 Growth Strategies of MEDIA DO

### POINT 02. Shape

Japanese society is rapidly moving toward its Society 5.0 vision, and this trend is expected to give rise to various new services and forms of culture that take advantage of digital technologies. Seeking to support the development of the publishing industry against this backdrop, the MEDIA DO Group will build upon its competitive edge while also giving rise to a new publishing culture by undertaking and promoting digital transformation.

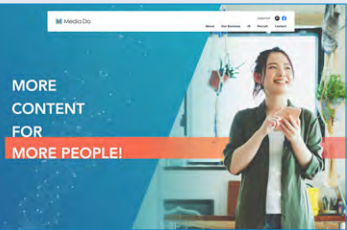
- ➡ P.10 Message from the CEO
- ➡ P.28–37 Growth Strategies of MEDIA DO
- ➡ P.38 Special Feature:  
Discussions by Visionaries  
Acceleration of Transformation of the Publishing Industry

### POINT 03. Connect

The MEDIA DO Group seeks to be a sustainable organization that generates value through coexistence and co-creation with its various stakeholders. Our goal is to form new connections between people and others and between people and content through the new opportunities for connection proposed by content in order to shape a more enriching future.

- ➡ P.46–71 MEDIA DO’s Transformation into a Sustainable Organization

### For More Information



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



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



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



# Message from the CEO

“ To ensure that the publishing industry and publishing culture can continue to evolve for generations to come, MEDIA DO will surpass existing frameworks and preconceptions to introduce its stakeholders to a new world. ”

**MEDIA DO's Mission**  
**—New Outlook on the Present and the Future**

The operating environment for the publishing industry is changing rapidly. These changes can be seen in society, as indicated by Japan's Society 5.0 vision; in industry structures and lifestyles, as driven by the COVID-19 pandemic; and in the ensuing rise in eBook use due to higher demand associated with people increasingly staying at home. The industry is thus pressed with a need to respond to these changes and undergo a digital shift. However, Japan's publishing industry has long been focused primarily on the physical world, indicated by paper books and brick-and-mortar bookstores. This situation has resulted in a lack of expertise pertaining to digital transformation and the digitization of content in most areas of the industry. It was this industry backdrop that created the opportunity for MEDIA DO to contribute to the growth of the eBook market as an eBook wholesaler armed with superior technologies, leading to us claiming the No. 1 position in the domestic market with this regard.

We are now in a time of great change. Recognizing this, we sat down to think about exactly what MEDIA DO, with its strong foundation of transactions with more than 2,200 publishers and over 150 major eBook stores, should seek to accomplish. We arrived at the realization that MEDIA DO's mission is to help develop an environment in which new and inspiring written works continue to be produced. This mission should be accomplished by utilizing our technological prowess to contribute to the digitization of content as well as to the streamlining of publishing processes and the enhancement of publishing value chains. At the same time, we are tasked with proposing new means of using digital content in order to heighten the value of said content. As a result of the evolution of digital devices, most people now have a venue for enjoying video, gaming, and various other content, literally, in the palm of their hands. We are thus now at a turning point in which the essence of the publishing industry and publishing culture is being called into question. As you know, the publishing industry and publishing culture are responsible for the distribution of written

works, or content, which are the vessels through which we communicate the wisdom that has shaped culture and society since the dawn of time. To ensure that the publishing industry and publishing culture can continue to evolve for generations to come will require us to go beyond simply invigorating the eBook market by utilizing MEDIA DO's expertise to reduce distribution costs and hassles. Rather, we must drive the evolution and digital transformation of the publishing industry by digging our roots deeper down into the publishing business as a whole, including the areas related to paper media, in order to support industry players with cutting-edge technologies. This will be a principal means through which we must provide value as well as an important mission of the MEDIA DO Group going forward.

**Evolution as a Publishing Platformer**  
**—MEDIA DO's Objectives**

Today, eBooks have come to account for more than 60% of the domestic comics market, and the representation of eBooks in this market is expected to continue to grow going forward. As a result of this trend, as well as the rise in demand associated with people increasingly staying at home, some major publishers that offer large quantities of manga content have been posting record-breaking earnings in this fiscal year. Looking at the publishing industry as a whole, however, we can see that many small to medium-sized publishers are behind the times when it comes to the digitization of content, with digitization rates of only 6% for non-graphic books, such as novels and self-help books, and 2% for magazines. This lack of digitization is gradually reducing the opportunities for people to encounter written works. Bookstores offer the opportunity for serendipitous encounters with books. However, these venues face structural issues, and would require substantial amounts of time and money to develop structures and value chains for supplying digital content. In this manner, Japan's publishing industry is currently in a state in which only certain players are prospering, creating a clear divide between those who are successful and those who are not. This situation should be seen as a matter of extreme concern with

**Yasushi Fujita**  
President and CEO





Message from the CEO

regard to the freedom of Japan’s free publishing culture to allow for content to be produced based on a diverse range of values. By addressing these industry issues and using MEDIA DO’s expertise and systems to promote the digital transformation of the industry, it is our goal to invigorate the bookstores and small to medium-sized publishers that have supported Japan’s publishing culture and thereby further the development and evolution of an ecosystem through which society will continue to be supplied with inspiring content.

Against this backdrop, the fiscal year ended February 28, 2021, became a year in which we were pressed to reassess the unique value we provide and to communicate our need to change to people both inside and outside of the organization. The policy of becoming a Publishing Platformer that we continued to pursue was aimed at reducing the energy used for distribution in the eBook market and thereby driving the growth of the eBook market. However, our reassessment of the Company led us to update our definition of a Publishing Platformer. Under the new definition, evolving as a Publishing Platformer will entail becoming a game changer that transforms the industry, broadening the scope of our targets to include both the physical and digital elements of the publishing industry as well as the overall content market, by providing higher levels of value across the value chain.

Furthermore, we procured funds, for the first time since the Company’s listing on the Tokyo Stock Exchange, through the issuance of share acquisition rights in October 2020. This move was aimed at securing the funds needed to acquire the necessary functions and services through growth investments and merger and acquisition (M&A) activities. The majority of these funds were allocated to M&A activities and capital and business alliances. For example, we converted digital comic distribution app provider Nagisa, Inc., into a subsidiary in October 2020 and then acquired the Firebrand Group (Quality Solutions, Inc., NetGalley, LLC, and their subsidiaries) through subsidiary Media Do International, Inc., in January 2021. The Firebrand Group has achieved the No. 1 share in the U.S. market for enterprise resource planning (ERP) systems provided via a software as a service (SaaS) scheme. Goals of the Firebrand Group acquisition include utilizing this group’s customer network to further the global expansion of the MEDIA DO Group. In addition, we will look to introduce the cutting-edge expertise of the U.S. publishing industry, a forerunner in digital transformation, to the Japanese publishing industry in order to accelerate its digital transformation. Finally, we concluded a capital and business alliance with TOHAN CORPORATION and acquired NIHONBUNGEISHA Co., Ltd., in March 2021. The alliance with Tohan is expected to allow us to form a powerful driver behind the digital transformation of the publishing industry by capitalizing on the strengths of both parties. With this regard, Tohan boasts robust management resources and physical bookstore and paper book distribution networks while MEDIA DO possesses significant expertise and technologies pertaining to eBook distribution. Nihonbungeisha, meanwhile, will be a powerful

asset for developing strategic content production systems focused on both the physical and digital sides of publishing with the aim of implementing MEDIA DO’s imprint vision for next-generation publishing.

Turning to our finances for a moment, the Company’s equity ratio had remained at a low level since the acquisition of Digital Publishing Initiatives Japan Co., Ltd., in 2017. However, the October 2020 fund procurement activities brought the equity ratio to the respectable level of 28.0% on February 28, 2021, a 9.7 percentage point increase from August 31, 2020, prior to the procurement activities. This change represents a notable improvement in our financial health.

Moreover, in the fiscal year ended February 28, 2021, we posted net sales of ¥83.5 billion, operating profit of ¥2.6 billion, and profit attributable to owners of parent ¥1.5 billion. Each of these figures represented a record high. Given this impressive performance, I feel confident in saying that we succeeded this year in laying the foundations for future business growth and progress.

Fresh Start toward Our Vision  
—Measures and Progress in the Fiscal Year Ending February 28, 2022

In the fiscal year ending February 28, 2022, we aim to make large steps forward in improving the value of digital content as we cement the foundations we have built thus far and streamline processes across the publishing industry in terms of both the physical and digital aspects. To guide these efforts, we have revised our growth strategies based on the aforementioned redefinition of a Publishing Platformer. The framework of our new growth strategies will be formed by the policies of development of our digital content asset (DCA) model\*, promotion of the digital transformation of the publishing industry, and new service creation.

The development of our DCA model will entail proposing new ways to enjoy digital content by endowing such content, something that was previously only consumed, with the concepts of ownership and finiteness. Up until now, digital content has been solicited based on the convenience it offers as this content could be sold or used anywhere. However, as digital content is the exact same for everyone, it lacked that special feeling of being something one owned. Blockchain technology has the power to change this reality by giving digital content the same feeling of ownership and uniqueness that was previously reserved only for physical content that one could take in hand. Recognizing this potential, we turned our attention toward blockchain technology in 2018, and have since been moving forward with research and development on this technology. Today, the social implementation of such technology is close to becoming a reality.

Specifically, we are planning the release of digital content services that uses non-fungible tokens (NFTs). The first of these services will be the introduction of digital benefits that use NFTs. Offered through collaboration with Tohan, this service will employ NFTs to attach digital content

to the paper books sold in bookstores to provide special benefits to people who purchase these books at stores. For bookstores, digital benefits differ from the physical benefits previously attached to paper books in that they do not have the same issues surrounding delivery, management, and return procedures. Accordingly, the use of these benefits reduces the amount of energy used for distribution while also improving operational efficiency at bookstores. In addition, attaching digital benefits to paper books will allow for higher selling prices while also functioning as sales promotions. In other words, they will have multiple advantages contributing to increased sales at bookstores as they attract large numbers of fans seeking to acquire the attached digital content. We are currently in the process of planning actual digital benefits with major publishers such as KADOKAWA CORPORATION, KODANSHA LTD., SHUEISHA Inc., and SHOGAKUKAN Inc. as well as with numerous other publishers. MEDIA DO also plans to develop a marketplace through which these digital benefits can be sold or traded. This marketplace is anticipated to encourage interaction between fans while also fostering a sense of community.

As we work together with publishers to roll out these services, MEDIA DO will utilize existing content, such as images, music, and digital trading cards, to provide digital benefits. Most importantly, we will seek to differentiate our service from other NFT marketplaces by supplying a marketplace that is not speculative. We thereby aim to provide a larger number of users with an easily accessible opportunity to experience digital content assets and to enable them to sell and buy NFTs with peace of mind. Through this approach, we will look to grow the digital content asset market. We also anticipate that this undertaking will lead to the creation of NFT-driven digital content industries the likes of which have never been seen before.

Moving on, to promote the digital transformation of the publishing industry we will focus on supporting and advancing the digital transformation of small to medium-sized publishers for which progress in digital transformation is low in comparison to overseas. For example, the frameworks for the royalties paid to writers differ for paper books and eBooks. Whereas paper book royalties are paid based on the number of copies of a work that are printed, eBook royalties are paid based on actual sales numbers. Accordingly, digital sales data must be tracked monthly on a somewhat perpetual basis. The development and implementation of the systems and frameworks necessary for managing this data is costly and labor-intensive, and these factors erect large hurdles to digitization for publishers.

To address this issue, MEDIA DO has developed a publishing SaaS-based ERP system that will contribute to the efficient management of sales and royalties. We began supplying this system to certain publishers in March 2021, and we expect to start providing service through this system within this year. In the future, we will look to infuse this system with the expertise of the Firebrand Group, which boasts the No. 1 share in the U.S. publishing ERP system market. We thereby plan to install additional



“ We will advance toward the realization of our vision based on our new framework for growth strategies in the fiscal year ending February 28, 2022. ”

features for bookmaking and marketing in order to evolve this system to be even more convenient.

We also see potential for the NetGalley business of the Firebrand Group to transform the distribution of paper books on a nationwide scale. NetGalley is a service that allows for galleys (preliminary versions of publications used for proofreading) of pre-publication books, which previously had to be provided in a paper format, to be shared with relevant individuals in a digital format. Through this service, galleys can be shared with bookstore staff, librarians, and even regular consumers, and the reviews of people with whom these galleys have been shared can be used in sales promotions or to predict sales numbers. Moreover, the market-oriented distribution approach advocated by Tohan could be applied to transform the business models of bookstores across Japan. We anticipate that this approach could help lower the rates at which books are returned to publishers unsold, which is becoming a serious issue for Japan’s publishing industry. At the same



Message from the CEO

“ If we are to continue making contributions to the publishing and content industries going forward, it will be imperative for the MEDIA DO Group to grow into a strong, sustainable conglomerate. ”



time, Tohan’s nationwide bookstore network could be used to promote the introduction of MEDIA DO’s digital library services at schools and public libraries.

New service creation efforts will entail capitalizing on MEDIA DO’s position within the industry to expand operations in peripheral areas to eBook distribution through M&A activities and the development of new businesses. One such new business is our imprint business. In this business, we converted Nihonbungeisha into a subsidiary with the goal of ramping up efforts to acquire licenses in the digital entertainment content market, which will no doubt continue to grow in today’s digital society. By augmenting this company’s digital content production capabilities, utilizing digital marketing, and streamlining back-office functions, we will work to make Nihonbungeisha into a model example for next-generation publishers. Going forward, we will build foundations for actively utilizing its content to coordinate with publishers, incorporating these publishers in the MEDIA DO Group, and providing solutions.

Media businesses will be another important venue for new services. MyAnimeList Co., Ltd., a major proponent of these businesses, conducted a third-party allocation of shares with the goal of expanding its scale in February 2021. A total of ¥600 million worth of the shares allocated was split among KODANSHA, SHUEISHA, SHOGAKUKAN, and MEDIA DO. Later, in May 2021, ¥300 million worth of shares was once again split among the four companies, and then another ¥450 million worth of shares was split between several companies including Dentsu Group Inc., in June, making for a total of ¥1,360 million worth of shares allocated. Demand for Japanese anime and manga continues to grow in overseas markets. This growth makes the third-party allocations of shares by MyAnimeList all the more significant as they laid the groundwork for collaboration between Japanese intellectual property (IP) holders aimed at deploying made-in-Japan content in the global market.

\* Digital content asset and DCA are registered trademarks of MEDIA DO Co., Ltd.

**Development of Unshakable Corporate Foundations through Initiatives in Priority Areas**  
**—Growth into a Strong, Sustainable Conglomerate**

If we are to continue making contributions to the publishing and content industries going forward, it will be imperative for the MEDIA DO Group to grow into a strong, sustainable conglomerate. For this reason, we have identified three priority areas in which to focus initiatives going forward—reinforcement of technological foundations, improvement of organizational capabilities, and realization of highly transparent corporate governance.

The MEDIA DO Group has succeeded in developing an unrivaled position at the heart of eBook distribution in Japan. This position is a core strength of the Group. Another core strength is our technologies. There is currently a need for the reinforcement of our technological foundations from the perspectives of availability and

security, and the development of engineers capable of advancing research and development toward these ends is thus a top priority. We are therefore devoting our efforts toward fostering a workplace environment that is conducive to the growth of our current engineer staff while recruiting talented new human resources. Our engineer recruitment team was placed under my direct control in June 2021. As the digital transformation of society advances, demand for engineers will no doubt grow. It is thus crucial for us to improve our workplace environment and evaluation systems, among other reforms, to ensure that we can secure the human resources needed to realize our vision and implement our management strategies while providing an environment that allows recruited engineers to grow together with Company. At the same time, effective information security is absolutely essential to maintaining the trust of the industry. We must take every precaution in reinforcing our systems and frameworks to prevent leaks of eBook content and to safeguard personal information in preparation for the projected expansion of the business-to-consumer operations of the MEDIA DO Group.

The improvement of organizational capabilities will take the form of enhancements to our evaluation and education frameworks to make MEDIA DO a place that is conducive to the contributions of longtime employees as well as mid-career hires. In 2019, we introduced new human resource evaluation systems designed to encourage employees to set lofty goals and heighten their ability to achieve these goals. Over the year since these systems were implemented, we felt the benefits, but at the same time we identified a number of issues needing improvement.

As for the realization of highly transparent corporate governance, MEDIA DO is currently overseen by me, its founder. There is thus room to improve the transparency and effectiveness of corporate governance at the Company by enhancing our systems and frameworks based on third-party guidelines such as Japan’s Corporate Governance Code. Efforts on this front have included formulating the MEDIA DO Basic Corporate Governance Policy, which discloses our basic stance toward corporate governance, and the establishment of the Nomination and Compensation Committee in June 2021. The goal of these initiatives was to better ensure the objective and rationality of management. In addition, we compiled a skill matrix to clarify the specific roles expected of each director. We are also promoting diversity at the core of the organization, as seen in the appointment of our first female outside director, who has been designated as an independent director.

**Defying All Expectations**  
**—Creation of Value by Adapting to Any Era or Change**

MEDIA DO’s vision of “More Content for More People!” was put forth roughly a decade ago to guide our efforts to grow the eBook market through eBook wholesale. As stated earlier, we are now in an era where eBook usage is much more widespread than it has been in the past. This new

era is the perfect timing for us to reexamine our mission and vision to determine the world that MEDIA DO should seek to shape going forward. This introspection has led us to recognize that our mission is to promote the digital transformation of the entire publishing industry, not just its digital arm. We envision a world in which blockchain technology is used to increase the value of digital content and in which transactions of this content are commonplace. There are significant hurdles to realizing this vision. We are currently in the process of conducting various investments for the purpose of removing these hurdles, and we feel that there is still a great deal of potential to be unlocked within the publishing industry, within the overall content industry, and within MEDIA DO itself in the pursuit of further growth.

Over the past year, we have seen a change in how employees perceive management. One factor that drove this change was the distribution of our first integrated report, which we published in 2020, to all employees. I believe that this report provided a good opportunity for employees to see how MEDIA DO is viewed from the outside and to reassess their own roles within the Company to further their growth. We also undertook fund procurement and forward-looking M&A activities, giving employees a chance to engage with different corporate cultures. This was also an opportunity to reflect on the Company’s growth strategies and direction for the future and what each individual employee needs to do given our strategy and direction.

Always with eyes to the future, we will unite to enhance our management capabilities, cement our foundations, and advance strategies that preemptively address change. Driven by a strong commitment to its mission, MEDIA DO will surpass existing frameworks and preconceptions to introduce its stakeholders to a new world.

June 2021

*Yasushi Fujita*

**Yasushi Fujita**  
President and CEO



# Interview with the CBD0

## Improvement of Content Value

MEDIA DO embarked on the development of a new content distribution platform powered by blockchain technology in 2018. The ways in which content is distributed and enjoyed has continued to evolve together with advancements such as the advent of the internet and smartphones. We asked MEDIA DO's CBD0 (Chief Business Development Officer) about the Company's vision for the future of the publishing and content industries as well as the services it will develop in the future.



Transformation  
and Expansion of  
Concept of Content  
Driven by  
Technology

Atsushi Mizoguchi  
Director and CBD0  
(Chief Business Development Officer)

### Q. What is your outlook for the future of the publishing and content industries?

Today, we tend to classify content into either physical content or digital content dependent upon its characteristics. In the future, however, I expect that the boundary between physical and digital content will become increasingly blurred, eventually leading to these distinctions disappearing altogether. The meaningfulness of IT expands beyond simply supporting digitization; IT is meant to make things more convenient. Right now, if one wants to buy and read a book, they are able to choose the form of the content based on their goal and circumstances. If they want to hold onto it and to be able to take it in hand and feel it, they will go to a bookstore to buy a paper book. If they just want to read the book as soon as possible, they may opt for an eBook. Furthermore, if they really want to read a paper book but cannot find the time to go to a bookstore, then they can choose the option of e-commerce. In the past, the venues for enjoying content were limited; you had to go buy content, attend a concert, or use another such venue. IT broadens the range of venues available to users, enabling them to find the one that suits them best, and we can expect that this range of options will only grow wider as new technologies appear. For example, it is currently common for one to read eBooks on the small display of a smartphone or some other device. However, virtual reality (VR) brings with it the possibility of reading on a relaxing virtual beach or anywhere else the user can image while augmented reality

(AR) could make it possible to experience reading in an open environment free of small displays. It is possible that people view MEDIA DO as a technology company that only deals with publications. However, as stated in our corporate philosophy, MEDIA DO's true mission is to raise the value of content and help it be more widely distributed. This is not limited to publications. The boundaries between entertainment content are actually a lot less clear than one might think. It is common for a fan of a particular Japanese anime work to want to read the manga on which it was based or to take an interest in the artist responsible for its theme song. While it is true that eBooks have been a central pillar of our business thus far, we look to expand the scope of content we handle going forward in order to make contributions to the growth of the overall content market. I am confident both in MEDIA DO's technological prowess and in the trust it has gained from the publishers who hold IP rights through the diligence with which it treats publications and other content. The fact that we can maintain cooperative relationships with publishers and a wide range of other IP holders as we seek to develop new services is a testament to the strong position that MEDIA DO has forged as a technology company serving the publishing industry.

### Q. In what ways does digital content need to evolve in the future?

The popularization of digital devices has given people greater and more-accessible opportunities to engage with digital content. For video and music content, for example, it is now extremely common for people to use subscription services. These services are quite appealing as they allow users to enjoy videos and songs from various genres just by paying a monthly fee. However, there is also a downside to these services. As each work is not assigned a price tag, it is difficult for users to feel that there is value in each piece of content, which in turn makes it more difficult for content holders to monetize their content. Still, this does not mean that these services have diminished the value of artists and content themselves. In the past, people would pay ¥1,000 to buy a CD single or ¥400 to rent a movie at their local video rental store. As both physical and digital content deliver the same data, one might be inclined to ask, "What is the difference between the physical content you can touch and the digital content you download?" The act of reading a book, listening to a song, or watching a video goes beyond mere consumption; it gives users a chance to engage with the fundamental value of content. There are people who enjoy collecting their favorite manga or the limited-edition albums of their favorite artist. They

like to show these items to their friends or sometimes sell them to fans with similar tastes to share their value. Similarly, watching a movie with someone else and sharing opinions with them makes one feel a greater sense of attachment toward that work while also stimulating communication with their co-viewer, granting a better understanding of this person. In this manner, we sense value in enjoying content, as well as in sharing our feelings toward content with others. In the world of digital content, however, users are generally only granted usage rights to content. This arrangement makes it difficult to share content with someone else through the internet or to, for example, set up video call with a friend to watch a movie via screensharing. If we could make it possible for digital content to provide the same type of sharing experiences offered by physical content, it would no doubt increase the value of digital content. MEDIA DO has been advocating a DCA model as the future of digital content. Through this model, the concept of finiteness would be infused into digital content, and it would be made clear who has ownership of a specific piece of digital content. Based on this model, we are developing new content services that use blockchain technology to transform users' digital content into assets.



Interview with the CBDO  
Improvement of Content Value

The next step down this path can be seen in the development of a service platform, tentatively named MEDIA DO NFT Marketplace, that will use NFTs to enable fans to

Q. What are the characteristics of NFTs?

NFTs have the power to introduce the concept of finiteness into digital content, but the potential of NFTs is not limited to just this. Tracing the IDs of a given piece of content makes it possible to track user histories, such as who bought what and sold what to whom, and to utilize this information for marketing purposes. In the past, one could get a clear picture of a single individual, such as a fan club member or ticket purchaser, but it was impossible to track to whom that fan lent or sold content. NFTs make it possible to track every fan that has engaged with a specific piece of content, right back to the first people to whom said content was lent or sold. This information can also be used to identify from among fans the influencers who have the greatest sway on other users.

No matter how much excitement one exhibits at a concert or how much they promote their favorite artist on social media, there is no guarantee that this enthusiasm will reach the artist. NFTs and blockchain, however, allow

show each other their digital content, or even to transfer ownership or sell this content.

for information on products sold and bought online and the degree to which one has recommended a given work to those around them to be communicated directly to the artist in the form of data, enabling them to practice more effective fan marketing. I oversee the IP Marketing Planning Office, which is tasked with the development of new businesses. In this office, we have a team that is primarily devoted to content using such technologies. They are known as the Fan Marketing Team. I believe that the ideal digital content ecosystem is one in which content is driven to spread and gain attention by the passion and attachment of fans, causing this content to grow in popularity and encouraging creators to make new content, thus giving rise to a cycle of new content creation. The Fan Marketing Team was named as such to symbolize their mission of supporting the development and ongoing functioning of such a cycle.

Q. What type of services is MEDIA DO looking to develop in the future?

As I mentioned, content has the potential to be more widely distributed in conjunction with increases in the passion of fans and the connections between fans. Realizing this widespread distribution will require, first of all, for us to create and sustain the necessary ecosystem. To reiterate, this ecosystem will involve a cycle in which fans enjoy digital content, and this fact is communicated back to the creators of this content, giving them encouragement to make their next work along with appropriate compensation. At the same time, we recognize that what fans fundamentally want is the feeling of connection with content. MEDIA DO is thus developing a new video streaming service that recreates the feeling of being at a live event in which vast numbers of fans have assembled in the same place at the same time. Scheduled for a public launch in November 2021, this is our new social video viewing service GREET. The slogan of the GREET service is “together with you.” GREET will take advantage of the wealth of video content offered by partnering content holders to provide a platform for a variety of shared viewing experiences. Examples we envision include events in which influencers view and commentate on videos for the enjoyment of large groups of fans, joint viewing sessions for promoting comradery in fan clubs, and viewing events arranged among dedicated fans.

The monetization framework is centered around ticket sales, with the proceeds from these sales being appropriately distributed among content holders and the performing influencers. I expect that the demand for creating such virtual spaces in which lovers of the same content can share their passion will only grow stronger in the current era, which places various restrictions on our ability to gather in physical spaces.

In addition, MEDIA DO has formed a capital and business alliance with Tohan through which it aims to use NFTs to put paper books with digital benefits on the shelves of bookstores across Japan (see pages 32 and 38). These digital benefits would be collectibles only available to individuals who bought the physical books. The MEDIA DO NFT Marketplace (tentative name) service mentioned earlier could be utilized to allow users to show off digital content such as these digital benefits to other users or even trade them. Such exchanges in the physical world often involve photographing items to post them on auction sites and then shipping them after the auctions have resolved, a process that can be a big hassle. Digital market places, however, do not entail such a hassle. Moreover, they allow for the tracking of purchase and transaction histories as well as easy, global distribution to people anywhere in the world.

In fact, such services are already available in overseas markets. The most successful of these services is a digital National Basketball Association (NBA) trading card service that uses NFTs. These trading cards come packaged with video of highlight reels of popular players’ on-court performances. Users have been trading these cards through digital marketplaces, and these trades have generated

shocking levels of profit, with more than three million transactions taking place since the start of the service at the end of 2020 and the total amount of these transactions climbing past U.S.\$500 million. Such existing success stories indicate the immense potential of the NFT-powered digital content distribution market.

Q. What should we look forward to from MEDIA DO in the future?

Even though we exist in the physical world, a large portion of our time is spent gazing at the digital world through our smartphones or computer monitors. Whether for online meetings, messenger chatting, video sharing via social media, or gaming, it would not be an exaggeration to say that there are numerous occasions in which our consciousness enters virtual spaces, regardless of where our physical bodies may be located at that time. One clear example of this is how younger generations have been finding significant meaning in buying equipment and items for their characters in online games, as opposed to purchasing clothes, bags, or shoes for themselves in the physical world. This is likely because, online, they are able to connect with, and show off their purchases to, a wider range of people than in the physical world, making these purchases seem more valuable. When VR and AR become a normal part of our everyday lives, we will no doubt be able to feel an even greater degree of immersion in digital spaces. This immersion will probably cause people to place greater emphasis on, and feel a sense of greater value in, their belongings and experiences in digital spaces than those in physical spaces. At MEDIA DO, we believe that this shift is as assured as was the transition from flip phones

to smartphones. We are thus charged with the task of building frameworks that will ensure when we do arrive at such a digital era, the vast quantities of written works available can maintain their value and be distributed with ease in digital spaces while stimulating the never-ending creation of new content. To build these frameworks, we will use the aforementioned blockchain technology and NFTs as well as our GREET service. At the same time, we have begun developing services for AR and VR headsets, and it is entirely possible that MEDIA DO will become involved in the development of content and devices for the world that lies even further down the line. As I stated earlier, MEDIA DO has been fostering close relations with the publishing and content industries over the past two decades. Our dedication to the distribution of written works and our constant advancement of research and development throughout this process is what has positioned us to build these frameworks today. Constantly mindful of the future, the current operating environment, and user needs, MEDIA DO will lead the industry in pursuing higher levels of value for written works to drive the growth of the content market in Japan and overseas.

New Age of Digital Content Brought about by the Concept of Finiteness Granted by NFTs

	Cryptocurrency	NFTs	Prior Digital Content
Technologies	Decentralized control (Public chain)	Decentralized control (Public chain)	Centralized control
Fungibility	Yes (Every Bitcoin has the same value)	No (One-of-a-kind data with ownership backed by serial number)	Yes (Everyone has the same content)
Examples	Cryptocurrency	Digital collectors’ items ➡ Concept of finiteness	eBooks, music, and videos distributed by conventional means ➡ Concept of consumption

# MEDIA DO's History

## Ongoing Creation of New Industry Values with a View toward the Future

1994-

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

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

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

2006-

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

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

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

2013-

Business growth in conjunction with smartphone-driven market growth

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

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

2017-

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

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

Mar. 2017	Established joint venture subsidiary MEDIA DO TECH TOKUSHIMA Co., Ltd., in Tokushima Prefecture
	Acquired shares in Digital Publishing Initiatives Japan Co., Ltd., and converted this company into a subsidiary
Apr. 2017	Received transfer of all businesses of ARTRA ENTERTAINMENT Inc.
June 2017	Acquired 100% of shares in Digital Publishing Initiatives Japan Co., Ltd., and converted this company into a wholly owned subsidiary
Sep. 2017	Changed its name to MEDIA DO HOLDINGS Co., Ltd., and transitioned to the holding company system
Dec. 2018	Joined the World Wide Web Consortium (W3C), an organization promoting international standardization of internet technologies
Mar. 2019	Merged Digital Publishing Initiatives Japan Co., Ltd., and MEDIA DO Co., Ltd. (company name: MEDIA DO Co., Ltd.)
	Acquired shares of MyAnimeList, LLC, through subsidiary Media Do International, Inc.
Aug. 2019	Acquired shares in JIVE Ltd. and converted this company into a subsidiary; JIVE Ltd. received transference of ownership of Next Books girl's comic label from OHZORA PUBLISHING Co., Ltd.

2020-

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

▶ The process of post-merger integration\* was completed with the merger of MEDIA DO HOLDINGS and MEDIA DO in June 2020. We thus proceeded to develop our business with the aim of creating new markets while enjoying growth in demand for digital content amid the COVID-19 pandemic together with resulting increases in sales.

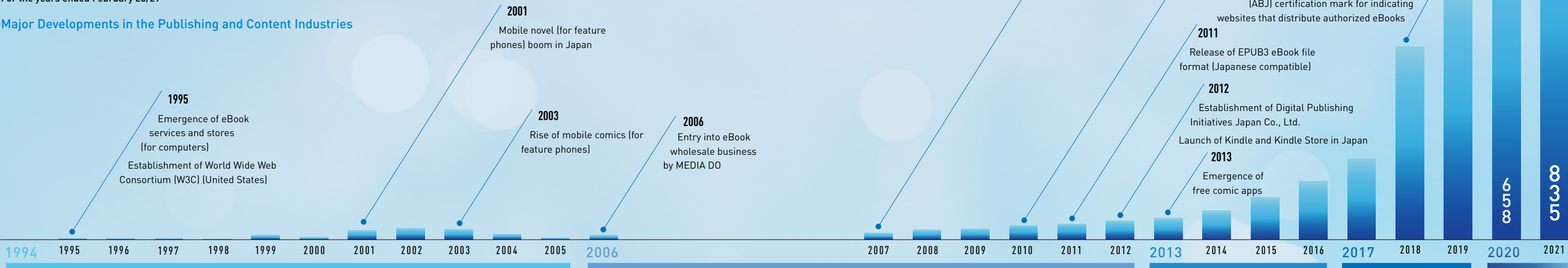
Jan. 2020	Established TOKUSHIMA INNOVATION BASE ASSOCIATION together with The Tokushima Shimbun, Shikoku Broadcasting Co., Ltd., The Awa Bank, Limited, and THE TOKUSHIMA TAISHO BANK, Ltd.
June 2020	MEDIA DO HOLDINGS Co., Ltd., absorbed MEDIA DO Co., Ltd. (company name: MEDIA DO Co., Ltd.)
Oct. 2020	Announced procurement of funds through the issuance of share acquisition rights
	Acquired shares of Nagisa, Inc., provider of the ZERO Komi digital comic distribution app among other services, and converted this company into a subsidiary
Jan. 2021	Acquired shares in the Firebrand Group (Quality Solutions, Inc., NetGalley, LLC, and their subsidiaries) through subsidiary Media Do International, Inc., and converted this company into a second-tier subsidiary
Mar. 2021	Acquired shares in NIHONBUNGEISHA Co., Ltd., and converted this company into a subsidiary
	Commenced a capital and business alliance with TOHAN CORPORATION, a major paper book wholesaler
Apr. 2021	Launched project for using NFTs to provide digital benefit services based on blockchain technology together with Tohan

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

### Net Sales (Billions of yen)

For the years ended February 28/29

#### Major Developments in the Publishing and Content Industries

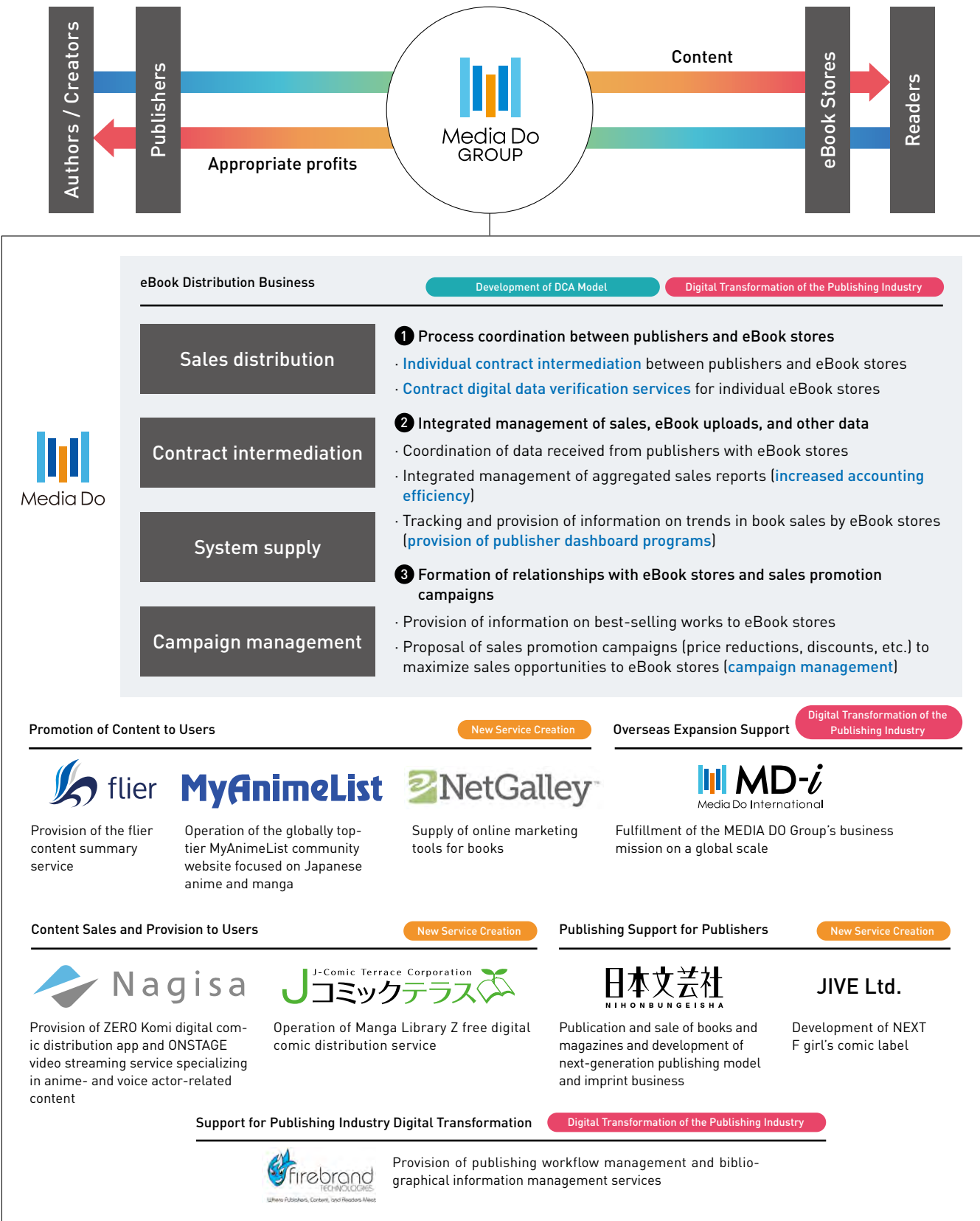




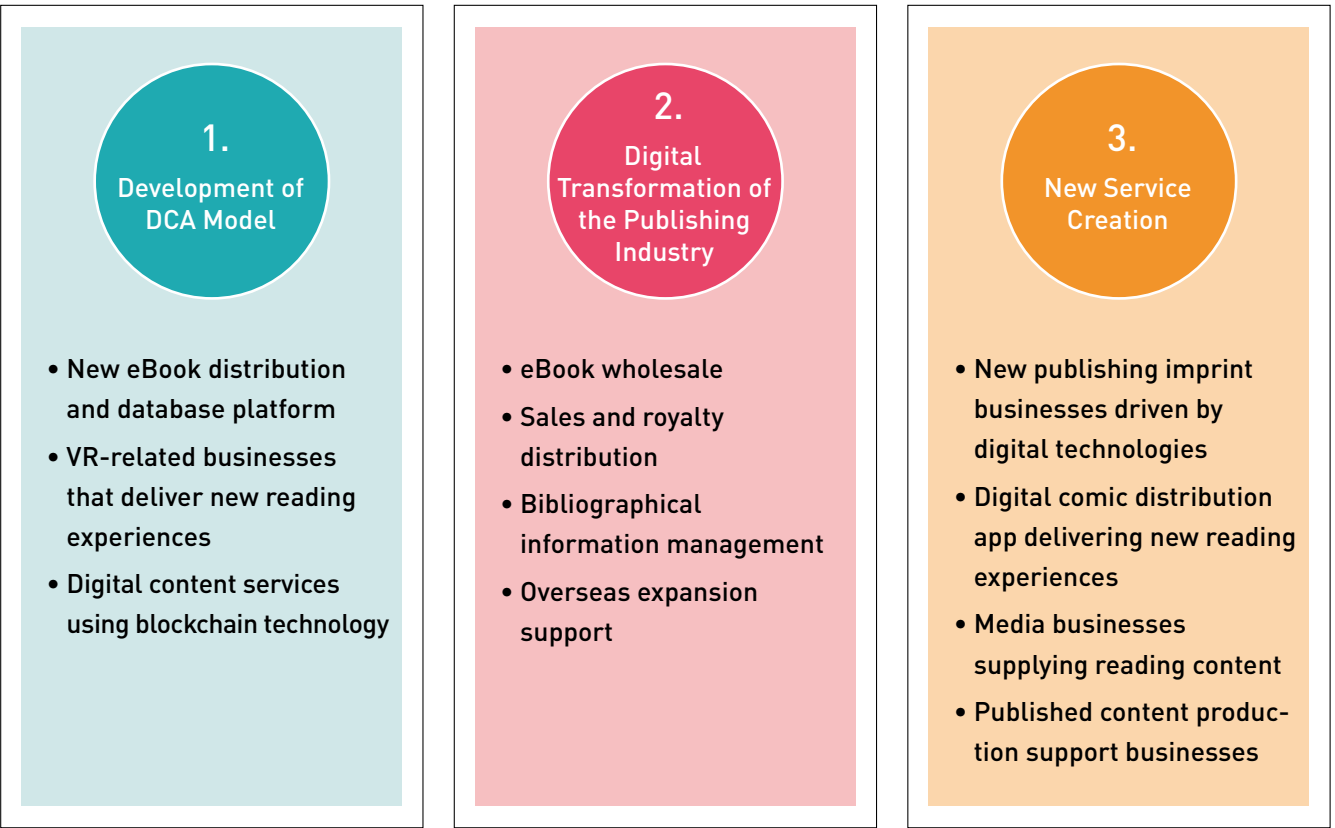
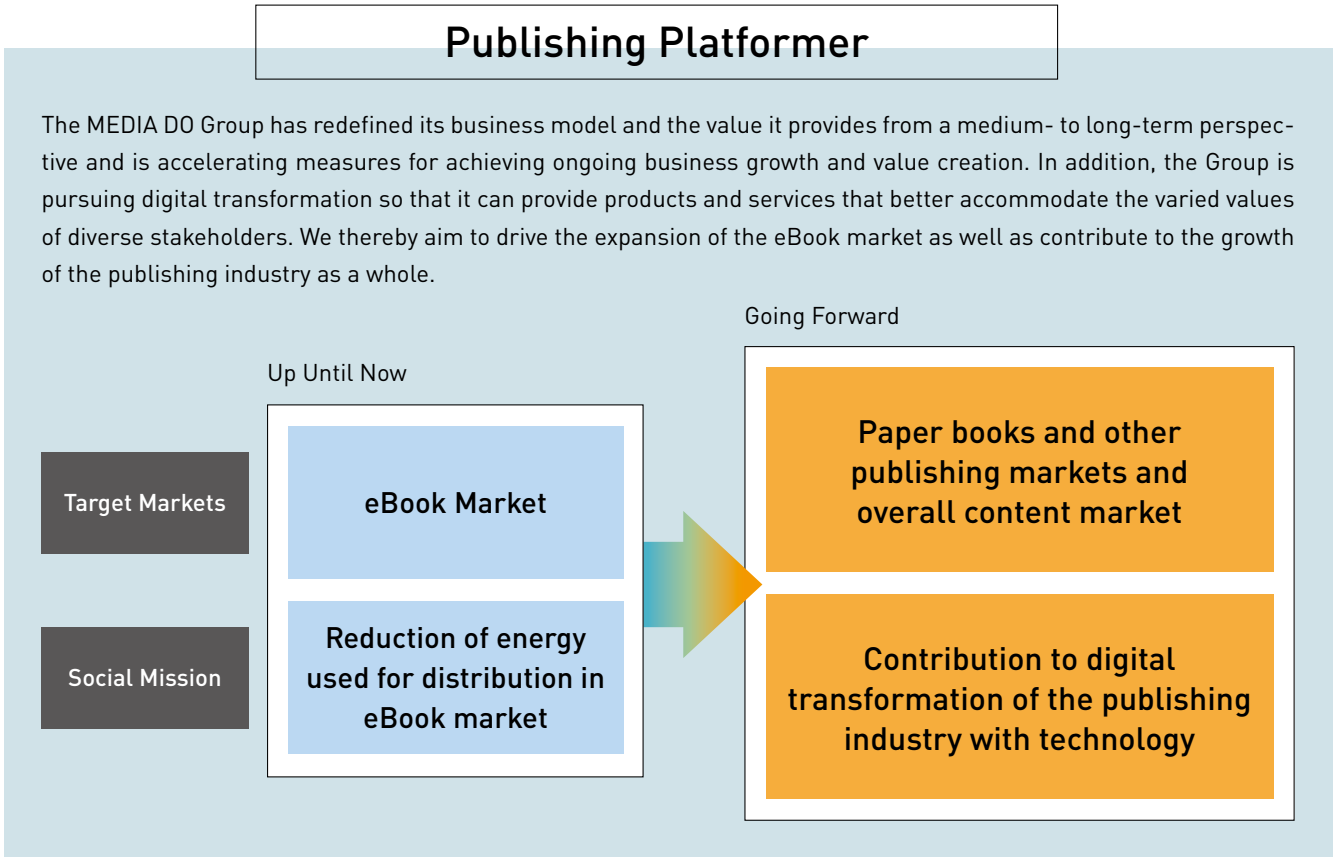
# The MEDIA DO Group at a Glance

The MEDIA DO Group aspires to popularize written works through distribution in the form of eBooks and other digital content, to make the largest possible contribution to the growth of the entire publishing industry. For this reason, we are developing businesses that support the creation and sale of such works while providing information and services to promote increased readership of these works.

## MEDIA DO's Role in the Publishing Industry



## Value Created for the Publishing Industry



The MEDIA DO Group at a Glance

Strengths Forming Our Business Foundation

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

Position

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

Technology

Gross transaction value  
(No. 2 in the world)  
¥155.0 billion

Total managed campaigns (annual)  
More than 15,000

Domestic eBook distribution market share\*  
35%

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

\* Source: Calculation by the Company based on eBook Marketing Report 2020  
on Japanese Market, Impress Research Institute

Ability to conduct transactions  
99%

of Japanese publishers offering eBooks

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

Appointment of the first W3C evangelist from Japan

\* Organization promoting international standardization of internet technologies

Technology

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

Engineer team  
100 members

In-house development of  
all core systems

These range from eBook  
distribution platforms to new platforms using  
blockchain technology.

Amount of content supplied through  
eBook distribution system  
Approx. 800 million files  
per month

Development of blockchain platform  
capable of processing  
more than 7,000  
transactions a second

The only Japanese company  
introduced among four  
blockchain examples  
at global re:Invent 2020 event of Amazon Web Services\*

\* Amazon Web Services is a trademark of Amazon.com, Inc., and its  
affiliates in the United States and other countries.

Messages from Chief Officers

Position

Japan's eBook distribution market has grown to the scale of ¥400.0 billion. In this market, MEDIA DO acts as an intermediate between more than 2,200 major and other publishers and over 150 major eBook stores to deliver system solutions and distribution operation procedures for optimizing the distribution of eBook content.

We seek only the most appropriate compensation, while maintaining the quality and speed of our services, to deliver services at prices that both publishers and stores can accept. This stance and the trust it has earned us are at the core of MEDIA DO's market position.

Over the past year, the growth in eBook demand associated with people increasingly staying at home due to COVID-19 drove massive increases in the number of campaigns conducted by publishers and stores as well as in the number of works sent to the printer. In response to this demand, the eBook Distribution Division united in an effort to improve service contract conditions and implementation measures based on the needs of business partners.

Going forward, we will continue to selectively concentrate the allocation of our resources, targeting such uses as the automation and streamlining of operations at MEDIA DO and at its business partners, while also addressing the issues that are apparent from our position to achieve further growth.

Kayoko Hanamura  
Executive Officer and CEDO  
(Chief eBook Distribution Officer)

Technology

Our eBook distribution system is the foundation that supports MEDIA DO in fulfilling its mission of "unleashing a virtuous cycle of literary creation." It is therefore crucial for us to ensure this system is always operational. At the same time, we must continue to augment its functionality to meet the needs of a variety of stakeholders from our position as an intermediary between publishers and eBook stores. This may go without saying, but it is important to first develop an understanding of business processes and customs and then to determine how to use technology to evolve these processes and customs. The fact that we are in a position to continuously optimize our system through this approach is a strength underpinning MEDIA DO's competitiveness.

Meanwhile, we are working to recruit talented human resources and provide them with an environment in which they dedicate their efforts to researching blockchain and other state-of-the-art technologies and to applying these technologies to services. As we advance forward, we will endeavor to enhance our workplace environments and human resource development programs in order to further hone our competitive edge.

Junichiro Izumi  
Executive Officer and CTO  
(Chief Technology Officer)

24

MEDIA DO Co., Ltd. MEDIA DO Report 2021 25



# Performance Highlights

For the years ended / As of February 28/29

(Millions of yen)

	2017 (Non-consolidated)	2018 (Consolidated)	2019 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)	Year-on-year change
<b>Financial Performance:</b>						
Net sales	15,532	37,213	50,568	65,860	83,540	+17,680
eBook distribution business*1	—	—	50,164	64,529	82,349	+17,820
Other businesses*1	—	—	403	1,329	1,190	-139
Cost of sales; selling, general and administrative expenses	14,874	36,280	49,098	64,004	80,873	+16,869
Royalties	12,240	31,182	43,223	56,869	73,502	+16,633
Commissions	325	203	197	206	215	+9
Advertising expenses	546	407	522	627	877	+250
Personnel expenses	850	1,817	2,729	3,460	3,185	-275
Depreciation and amortization	196	846	918	806	757	-49
Other	708	1,817	1,502	2,027	2,325	+298
Operating profit	656	930	1,468	1,853	2,664	+811
Profit (loss) attributable to owners of parent	414	358	(1,243)	884	1,519	+635
EBITDA*2	854	1,777	2,391	2,661	3,424	+763
<b>Financial Position (as of February 28/29 of each fiscal year):</b>						
Total assets*3	8,683	26,699	30,942	34,062	43,187	+9,125
Total liabilities	5,915	22,480	26,481	28,224	31,018	+2,794
Total net assets	2,767	4,218	4,461	5,838	12,169	+6,331
Total equity	2,716	4,096	4,369	5,791	12,105	+6,314
Interest-bearing debt (short-term and long-term)	1,460	11,387	10,063	8,241	6,652	-1,589
<b>Cash Flows:</b>						
Net cash provided by (used in) operating activities	949	1,470	2,458	1,928	2,544	+616
Net cash provided by (used in) investing activities	(2,082)	(7,960)	(481)	(77)	(1,275)	-1,198
Net cash provided by (used in) financing activities	1,464	9,944	(364)	(1,506)	3,349	+4,855
Free cash flow	(1,132)	(6,490)	1,977	1,851	1,269	-582
Cash and cash equivalents at end of period	2,056	5,685	7,747	8,089	12,703	+4,614
<b>Per Share Information (Yen):</b>						
Profit (loss)	41.65	32.56	(106.02)	64.58	104.52	+39.94
Dividends	8.80	10.50	10.50	13.00	21.00	+8.00
Dividend payout ratio (%)	21.1	32.2	—	20.1	20.1	±0.0
Net assets	270.33	359.67	353.96	408.61	787.66	+379.05
<b>Major Indicators:</b>						
Return on assets (ROA) (%)	9.3	3.1	5.2	5.4	7.0	+1.6
Return on equity (ROE) (%)	16.8	8.7	(29.4)	17.4	17.0	-0.4
Equity ratio*3 (%)	31.3	15.3	14.1	17.0	28.0	+11.0
Financial leverage (times)	3.14	6.33	6.94	5.83	3.55	-2.28
Debt-to-equity (D/E) ratio (times)	0.54	2.78	2.30	1.42	0.54	-0.88
Number of employees (consolidated)	130	279	362	350	379	+29

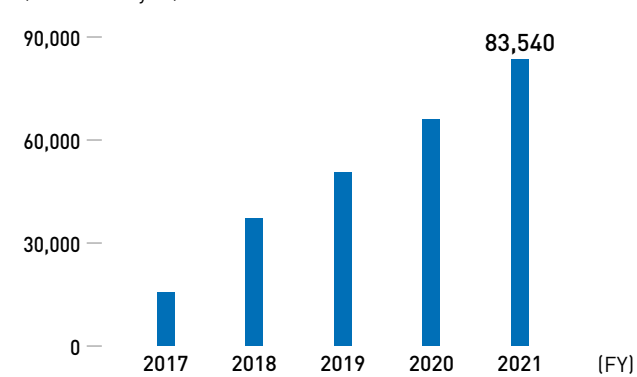
\*1 The Company's business segments were reorganized in the fiscal year ended February 28, 2019. Accordingly, segment figures are not displayed for prior fiscal years.

\*2 EBITDA = Operating profit + (Depreciation and amortization + Amortization of goodwill)

\*3 "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) was adopted effective March 1, 2019. Figures for the fiscal year ended February 28, 2019 have been restated to reflect this change.

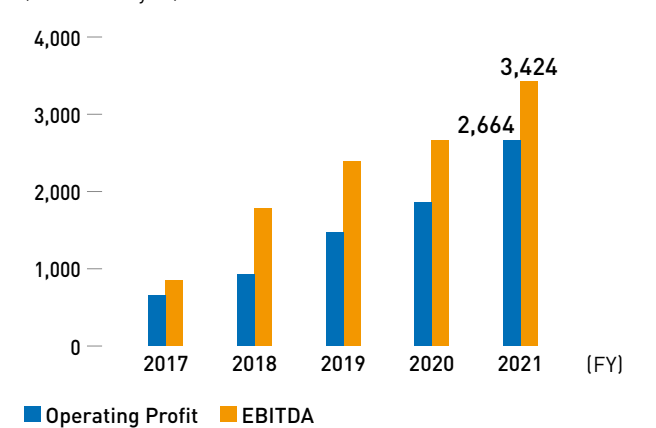
## Net Sales

(Millions of yen)



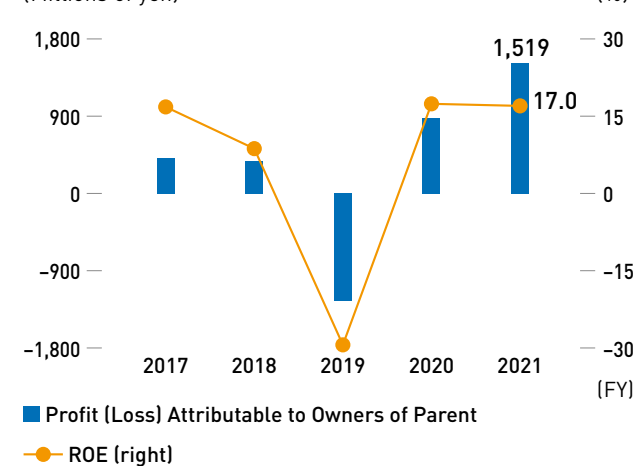
## Operating Profit / EBITDA

(Millions of yen)



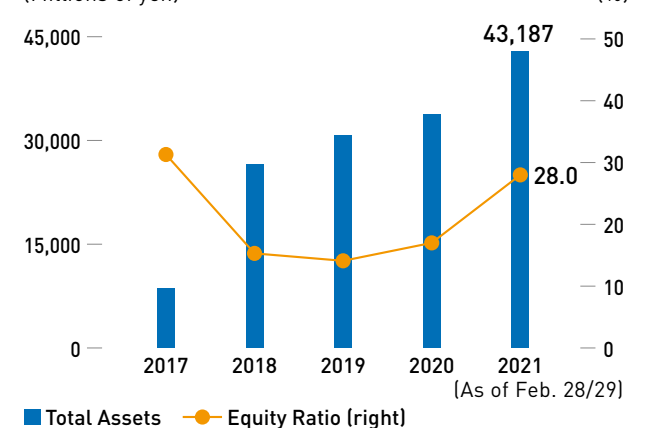
## Profit (Loss) Attributable to Owners of Parent / ROE

(Millions of yen)



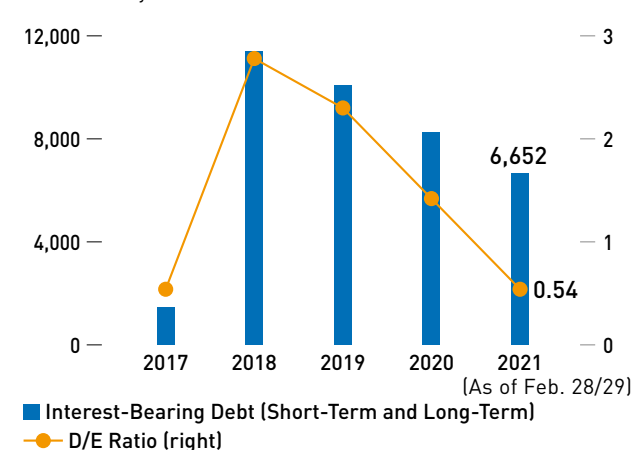
## Total Assets / Equity Ratio

(Millions of yen)



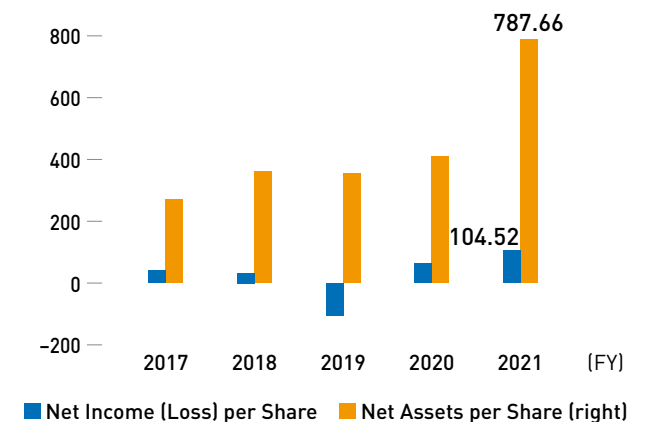
## Interest-Bearing Debt (Short-Term and Long-Term) / D/E Ratio

(Millions of yen)



## Net Income (Loss) per Share / Net Assets per Share

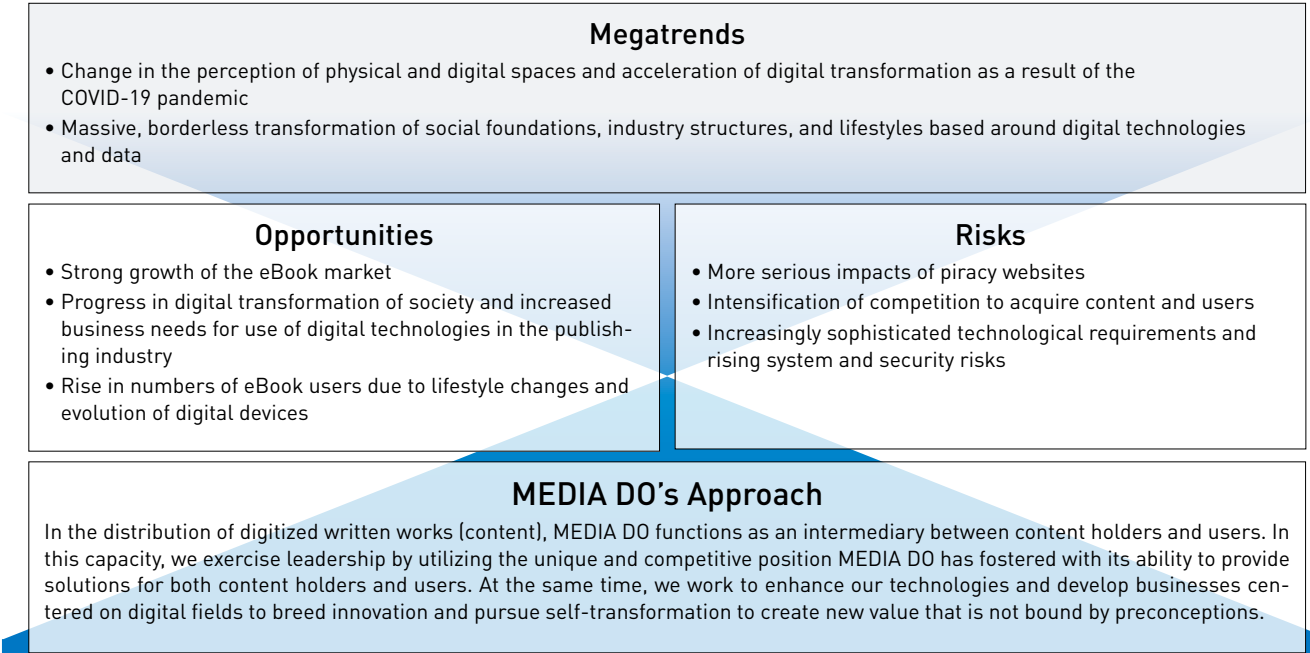
(Yen)



# Growth Strategies of MEDIA DO

## Overview of Growth Strategies

By leveraging the strengths of its position in the eBook market and its technologies, the MEDIA DO Group strives to provide a dedicated and earnest response to the desires and issues of all stakeholders related to digital content, including creators, publishers, stores, and users. Through this approach, we aim to help resolve social issues while at the same time achieving sustainable growth.





Growth Strategies of MEDIA DO

Priority of Medium-Term Strategies and Value Created

Framework for Medium-Term Strategies	Priorities	Social Value		Economic Value	Relevant SDGs
<div>Development of DCA model</div> <div>➡ P.32</div>	<div>Environment</div> <div>• Reduce CO<sub>2</sub> emissions</div>	<div>Resolution of social issues</div> <div>• Build sustainable publishing infrastructure</div> <div>• Grow together with authors, business partners, and users by building trust</div> <div>• Contribute to the development of culture and more enriched societies</div> <div>• Invigorate regional economies</div> <div>• Boost employee engagement and motivation</div> <div>• Help realize a society open to diversity</div>		<div>Pursuit of growth / earnings</div> <div>• Gross transaction value</div> <div>¥155.0 billion (FY2020)</div> <div>• Net sales from other businesses</div> <div>¥1.1 billion (FY2020)</div> <div>• Operating margin</div> <div>3.2% (FY2020)</div> <div>• Higher labor productivity</div> <div>• Business scale expansion</div>	<div><div>7 AFFORDABLE AND CLEAN ENERGY</div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>13 CLIMATE ACTION</div><div>15 LIFE ON LAND</div></div>
<div>Digital transformation of the publishing industry</div> <div>➡ P.34</div>	<div>Corporate philosophy</div> <div>• Promote fair use and distribution of written works</div> <div>• Build and strengthen infrastructure that stakeholders can use with confidence</div> <div>• Contribute to local communities and invigorate regional economies</div>				<div><div>4 QUALITY EDUCATION</div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>17 PARTNERSHIPS FOR THE GOALS</div></div>
<div>New service creation</div> <div>➡ P.36</div>	<div>Empowerment of diverse human resources</div> <div>• Help employees to grow in tandem with business</div>				<div><div>5 GENDER EQUALITY</div><div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div></div>
<div>Strengthening of corporate governance</div>	<div>Strengthen corporate governance through engagement with stakeholders and compliance with the revised version of Japan's Corporate Governance Code with the goal of listing on the Tokyo Stock Exchange Prime Market</div>				

Ongoing Improvement of Corporate Value


Initiatives for Strengthening Corporate Governance

FY2020	Introduction of executive officer system to expedite decision-making	
FY2021	Establishment of Nomination and Compensation Committee • Nomination and Compensation Committee established as advisory body to the Board of Directors • Committee tasked with ensuring management objectivity and rationality by making recommendations on director and executive officer appointment, dismissal, and compensation proposals • Membership comprised of a majority of outside directors with outside director appointed as chairperson	Promotion of Diversity • New appointment of Ayako Kanamaru, who boasts extensive knowledge and experience related to overseas corporate legal affairs and corporate governance, as an outside director designated as an independent director • Board of Directors' membership comprised of one-third outside directors (4 internal directors, 2 outside directors)

Message from the CIO

Organic Linking of the Capacities of Diverse Human Resources to Build Distinctive Organizational Foundations

Today, we are facing an operating environment characterized by volatile change. Pursuing rapid growth in this environment will require us to address a variety of management issues through multiangle approaches founded on speed and high levels of quality.  
For this reason, it is crucial for all employees to be united based on a clear understanding of their specific roles within the organization, especially given our finite resource pool. We must therefore develop organizational foundations that will support these employees while respecting diversity. Based on this recognition, I look to promote adjustments and integration in a manner that blurs the boundaries between organizations and areas of responsibility.



**Hajime Suzumura**  
Executive Officer and CIO  
(Chief Integration Officer)

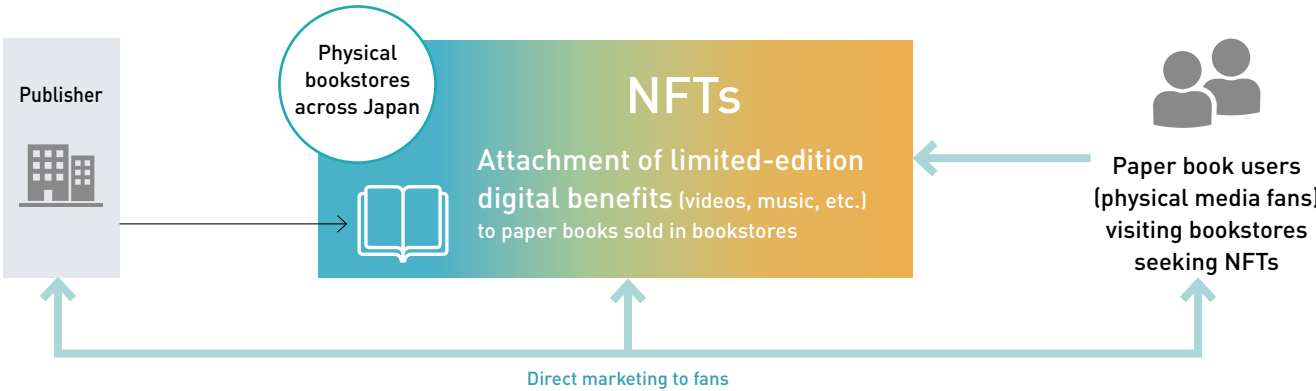
Growth Strategies of MEDIA DO

Development of DCA Model

The eBook market continues to post strong growth, and paper books and other entertainment content are being affected by the rapid digitization trend. MEDIA DO is developing a digital content asset (DCA)\* model that involves transforming the vast amounts of digital content available on the internet into assets similar to the cars and land people own in the physical world.

\* Digital content asset and DCA are registered trademarks of MEDIA DO Co., Ltd.

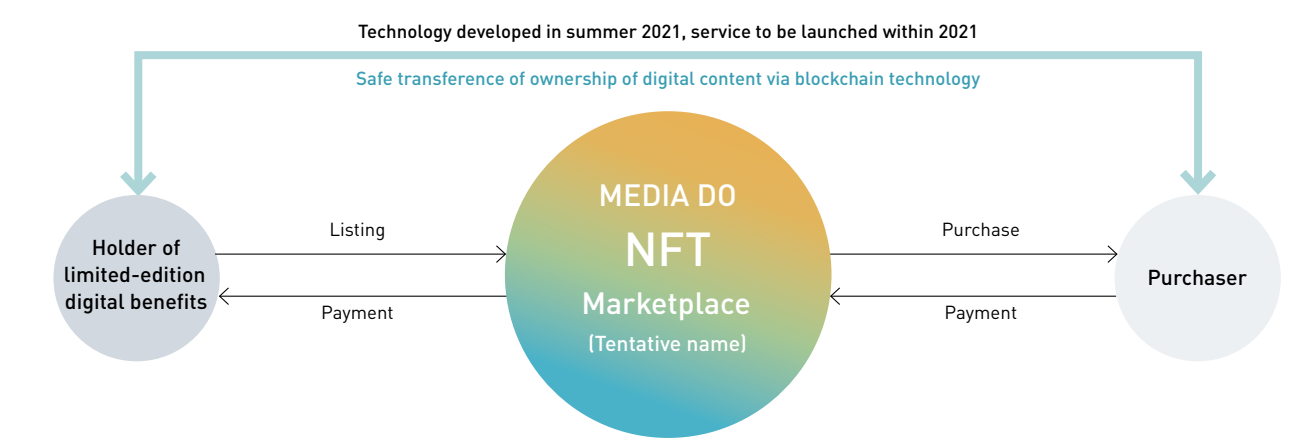
Exploration of Digital Content Market through Distribution of Digital Benefits



In the past, only physical items, such as limited-edition books, CDs, badges, stamps, stickers, and figures, stimulated fans' desire to collect, and there was no way to attach this idea of collectibility to digital content. However, MEDIA DO has found a way to use blockchain technology to endow digital content with a concept of ownership and to thereby propose a form of collectibility that was previously foreign to the digital world.

Specifically, we use NFTs to provide limited-edition digital benefits through collaboration with publishers and other IP holders. By attaching these digital benefits to paper books and distributing them through bookstores across Japan, via coordination with major paper book distributor TOHAN CORPORATION, we hope to provide users with more reasons to visit bookstores.

Provision of Marketplace for Digital Content Transactions



Acquired digital benefits utilize the characteristics of NFTs to ensure that each piece of digital content is one-of-a-kind and has a sense of ownership. These traits also mean that such benefits can be bought and sold by users.

MEDIA DO is developing a new service tentatively named MEDIA DO NFT Marketplace that will enable such transactions between users. Through this service, we hope to create a framework that will amplify fans' love for given content and to make such fan sentiment more trackable. We are currently moving ahead with the development of systems and service policies with the aim of launching this service within 2021.

Message from the CPSO

Development of Innovative Services Merging Digital and Physical Content While Pursuing Synergies

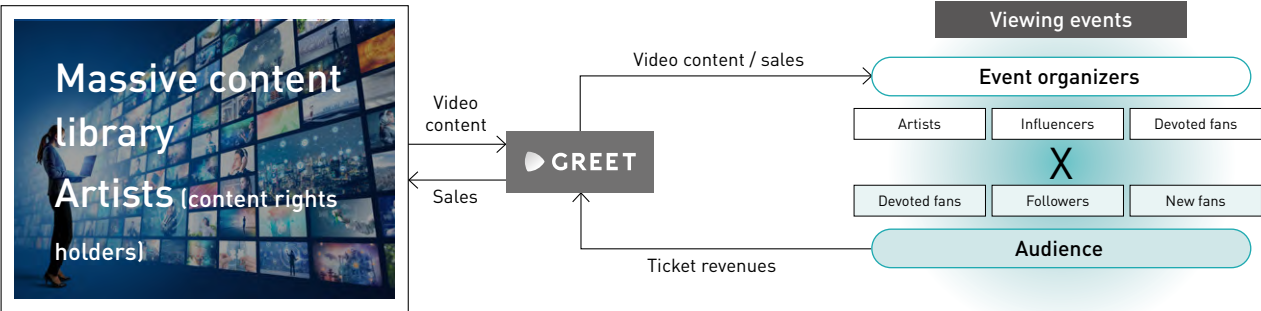
I oversee the Publication Solutions Division, which is charged with the mission of incubating new businesses, and all organizations positioned under this division are thus viewed as start-up companies. A major pillar of our activities in the fiscal year ending March 31, 2022, will be the capital and business alliance with Tohan. The first step of our joint efforts through this alliance will be the development of digital library services. Seven years ago, MEDIA DO concluded a license agreement for digital library services with OverDrive, Inc., which boasts an 80% share of the North American digital library service market. We have finally reached a stage at which we can anticipate rapid growth from our digital library services, and our alliance with Tohan, which boasts nationwide sales capabilities, is thus an unexpected but very welcome blessing. We are also planning the sale of paper books with attached digital benefits, made possible by NFTs, for the purpose of selling digital content at physical bookstores. We are developing such innovative services merging digital and physical content with the goal of delivering new reading experiences to readers gathering at physical bookstores.

Another advancement on this front was the January 2021 acquisition of the Firebrand Group (Quality Solutions, Inc., NetGalley LLC, and their subsidiaries), which has developed a strong, trust-based relationship with the North American publishing industry over the course of four decades. I am confident that acquisition of the Firebrand Group will create major business opportunities for developing operations in North America as well as for supplying its overseas publishing digital transformation expertise to Japanese publishers through collaboration with Tohan. I hope you will look forward to the progress of the Publication Solutions Division, which also possesses various other growth drivers, including its publishing on demand, NetGalley, and audiobook services.



**Susumu Tsukamoto**  
Executive Officer and CPSO  
(Chief Publication Solutions Officer)

Video Viewing Service Business for “Unleashing a Virtuous Cycle of Literary Creation”



MEDIA DO began blockchain technology development in 2018, and we are now working to create new businesses using this technology. Our first foray in blockchain-powered businesses is the recently announced GREET social video viewing service.

GREET is a service that takes advantage of the wealth of music, anime, and other video content that has been created to date to allow artists or devoted fans to organize online viewing events of said video content. Organizers are able to create new fans of their favorite content by organizing viewing events, and such events also have the possibility of granting new value to past works, thereby increasing their earning potential.

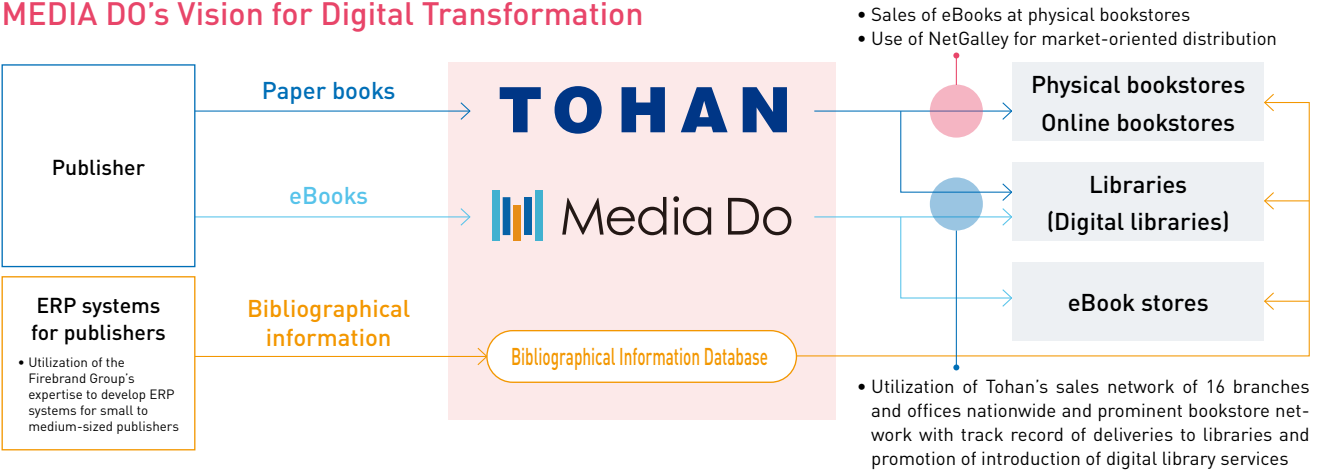
Records of video views and other user behavior will be stored indefinitely via blockchain technology to be used in the marketing activities of artists and companies. An alpha build of the GREET service was released to industry representatives in March 2021, launching discussions with major music labels and publishers. MEDIA DO plans to release this service for general use before the end of 2021.



Digital Transformation of the Publishing Industry

MEDIA DO acquired the U.S.-based Firebrand Group in January 2021 with the goal of introducing its North American publishing industry digital transformation successes into the Japanese publishing industry. In addition, the Company became a major shareholder of leading paper book wholesaler Tohan in March 2021 with the aim of promoting the digital transformation of physical bookstores and paper book distributors. Going forward, MEDIA DO will pursue coordination between Tohan, the Firebrand Group, and the Company in order to support the digital transformation of the publishing industry in order to integrate handling of paper books and eBooks to develop a global standard for the publishing industry.

MEDIA DO's Vision for Digital Transformation

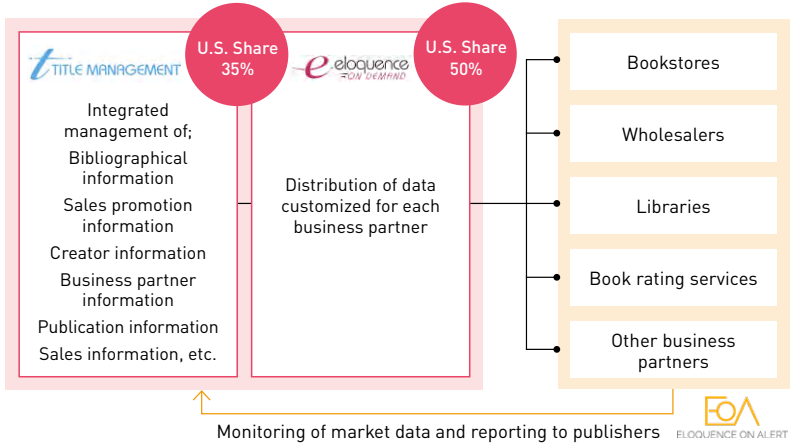


Development of Publishing ERP Systems

**Utilization of the Firebrand Group's Expertise**

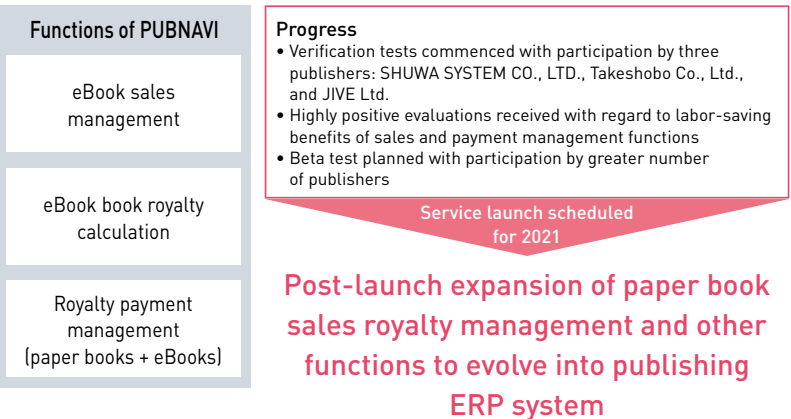
The Firebrand Group is developing a business in which it provides ERP systems through an SaaS model in North America and in European countries such as the United Kingdom and Germany. In this business, it boasts the No. 1 share in the U.S. market. Moreover, the Firebrand Group has amassed cutting-edge digital transformation expertise from the European and North American publishing industries, which are forerunners in digital transformation. MEDIA DO plans to utilize this expertise in the development of publishing ERP systems.

The Firebrand Group's Publishing ERP System



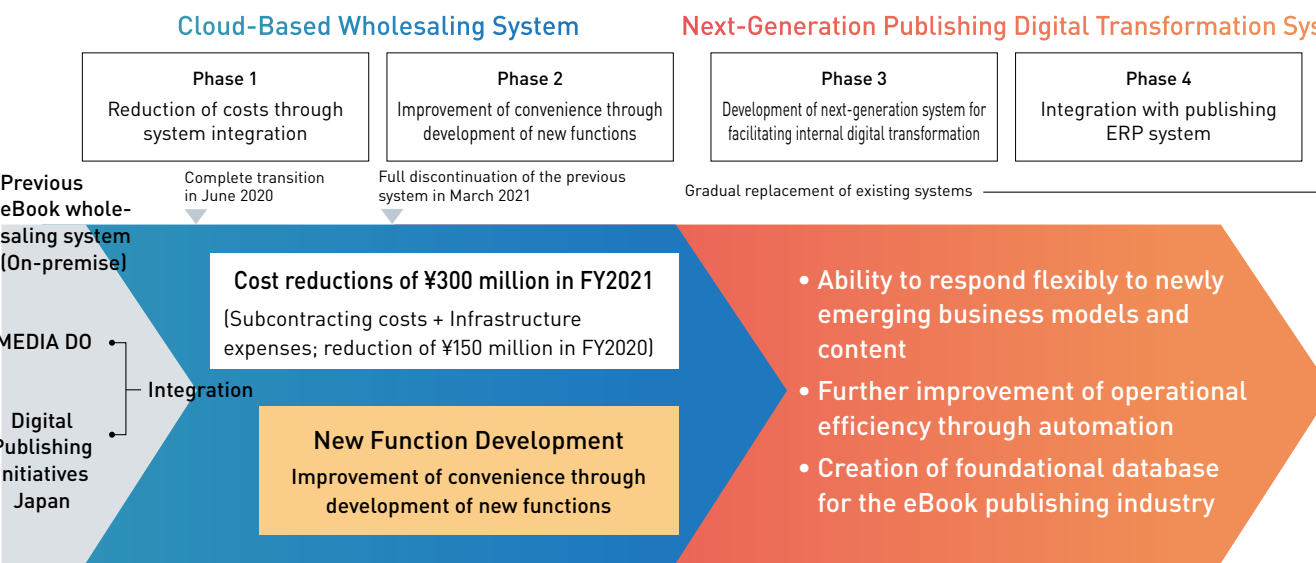
PUBNAVI SaaS eBook Sales Royalty Management System

MEDIA DO has partnered with KOWA COMPUTER CO., LTD., a company with a wealth of experience in developing systems related to paper books, to jointly develop publishing ERP systems. Through this partnership, we aim to launch the PUBNAVI SaaS eBook sales royalty management system, which we anticipate will be an affordable and easy-to-adopt option for small to medium-sized publishers, in 2021. We will then proceed to expand the functionality of PUBNAVI to evolve it into a publishing ERP system.



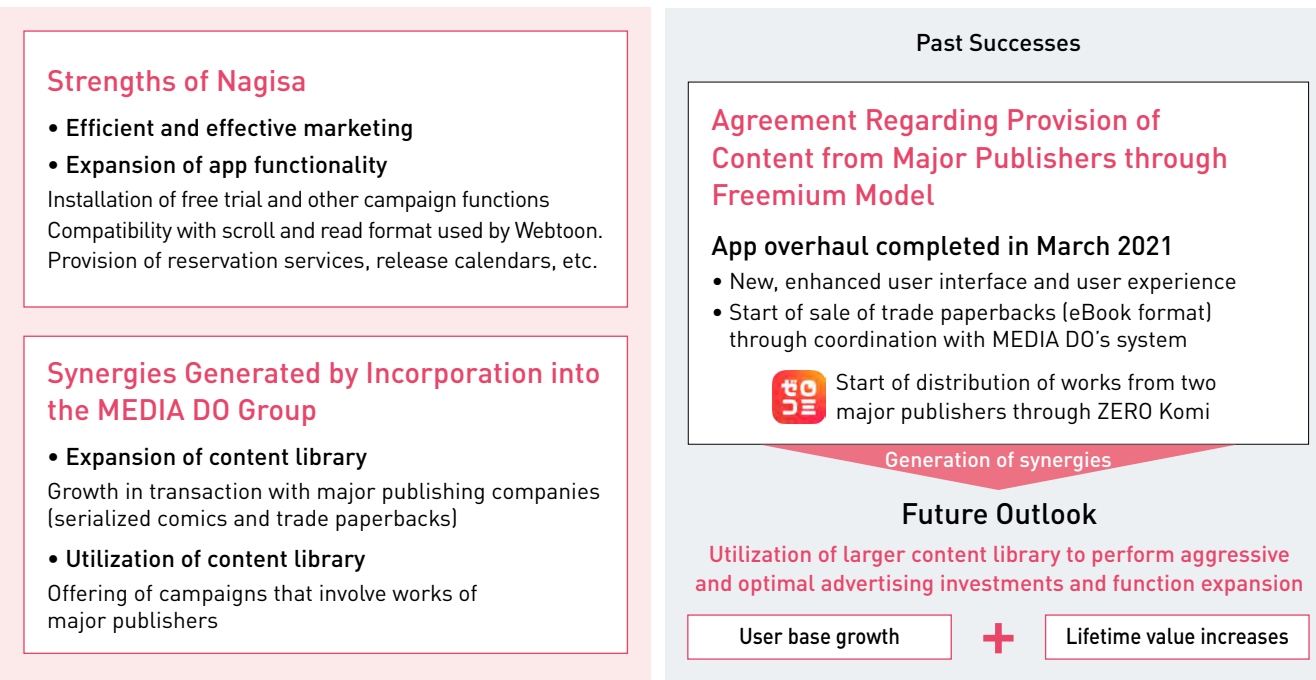
Evolution of Cloud-Based Wholesaling System to Create Next-Generation Publishing Digital Transformation System

Having completed the consolidation of its previous on-premise wholesaling systems and the transition to a single new cloud system, MEDIA DO has begun developing new functions for this system in order to further improve convenience. We have also started development of next-generation systems with the goal of supporting the digital transformation of publishers. In the future, we will look to merge these systems with the publishing ERP systems we are developing jointly with Kowa Computer to evolve these systems into a next-generation publishing digital transformation system.



Entry into Comic Distribution App Market with Acquisition of Nagisa

In October 2020, MEDIA DO acquired Nagisa, Inc., with the aim of expanding its gross transaction volume while accumulating and utilizing app operation expertise. Nagisa has superior app develop, promotion, and operation capacities, which it utilizes in providing its own comic distribution apps. Going forward, we will continue to expand the scale of Nagisa's operations by exercising synergies with this company to grow transactions with major publishers and generate other gains. Our focus in the fiscal year ending February 28, 2022, will be developing the foundations for supporting this undertaking.



Growth Strategies of MEDIA DO

New Service Creation

MEDIA DO aims to become an entity supporting the entire eBook distribution industry. This quest means that investments in future profitability improvements and corporate value increases are imperative. These investments must, of course, be targeted at the expansion of our share in the wholesale business. At the same time, it is important for us to actively invest in developing future growth pillars to strengthen our corporate constitution and in enhancing the range of services that the MEDIA DO Group can supply.

Growth Investments in Priority Areas

▶ NIHONBUNGEISHA Co., Ltd.



Business Overview

NIHONBUNGEISHA Co., Ltd., is a publishing company with a long history dating back to January 1959. MEDIA DO acquired this company in March 2021. Nihonbungeisha has a vast library of major content exemplified by *Shukan Manga Goraku*, a weekly manga publication specializing in comics for men launched in 1964, and featuring such standout titles as *Minami no Teio*, a long-seller with more than 1,400 weeks in syndication, and eBook hits *Gift ±* and *Monkey Peak*. In addition to comics, Nihonbungeisha has published a wide range of magazines and books, including how-to books and novels, in both paper and digital formats.



Future Strategies

With the goal of supporting the digital transformation of small to medium-sized publishers, the MEDIA DO Group is focused on developing an imprint business aimed at realizing a next-generation publishing approach that takes advantage of its technologies and publishing infrastructure functions. With the August 2019 acquisition of JIVE Ltd. and the new addition of Nihonbungeisha, MEDIA DO has made strides toward its goal in this business: Developing an efficient publishing process while enabling various publishers to maintain their unique brands and at the same time to efficiently share their management functions and expertise and inventory and production management systems. Going forward, we will develop our imprint business to allow for publishers to utilize infrastructure equivalent to that of large-scale publishers while continuing to exhibit their individual traditions and distinctive flavor. This infrastructure will even be made applicable to relatively small publishers that are both unique and have superior editing functions.

▶ MyAnimeList Co., Ltd.



Business Overview

Established in 2004, MyAnimeList, LLC, operates a globally top-tier Japanese anime and manga community website boasting 18 million monthly users, 270 million monthly page views, and users registered in more than 240 countries and regions worldwide. MyAnimeList was converted into a subsidiary in March 2019, and the majority of its operations were transferred to Japanese company MyAnimeList Co., Ltd., in July 2020.

Future Strategies

The popularity of Japanese anime and manga continues to grow overseas. In order to expand its scale as an IP sales and marketing platform catering to the interests of and demand from overseas anime and manga fans, MyAnimeList procured funds from Akatsuki Inc., The Anime Times Company, KADOKAWA CORPORATION, KODANSHA LTD., SHUEISHA Inc., SHOGAKUKAN Inc., DMM.com LLC, Dentsu Group Inc., Bushiroad Inc., and MEDIA DO in July 2021. Working together with its shareholders, content holders, and other business operators, MyAnimeList will seek to create an ideal fan community along with the optimal database to create the world's greatest anime and manga social media platform.

▶ Flier Inc.



Business Overview

Flier Inc. provides a service accessible via websites and smartphone apps that condenses a carefully curated selection of business and self-help books into summaries that allow an entire book to be previewed in about 10 minutes. This service boasts among the largest user bases in Japan (more than 750,000 users as of December 31, 2020). The high-quality summaries are prepared by a professional writer under the supervision of the publisher, and audio versions of these summaries are also available. Through this service, Flier proposes a new reading style in which people learn of the appeal of books through summaries.



Future Strategies

The aggregate number of contracted corporate users of Flier's service rose above 200 as the COVID-19 pandemic prevented face-to-face employee trainings, causing a rise in contracts from megabanks and other companies. In January 2021, Flier performed a third-party allocation of shares to comprehensive information service provider Mynavi Corporation and major company training service provider Insource Co., Ltd. Going forward, we will look to grow Flier's corporate service operations by installing new functions into its service, expanding its sales force, and investing in advertisements.

▶ ARTRA ENTERTAINMENT Inc.



ARTRA ENTERTAINMENT Inc. is a company incorporated into the MEDIA DO Group in 2017. This company provides manga coloring and image production services with exceptional levels of quality that have won a strong reputation among creators and publishers alike. This reputation has led Artra Entertainment to be involved in various famous manga works.

Overseas, comics are generally distributed in a colored format, meaning that coloring is important to increasing distribution of Japanese manga amid the competition seen in overseas markets. Meanwhile, WEBTOON Entertainment Inc. provides full-color digital comics in a scroll and read format. Given the rising popularity of Webtoon's service, it can be expected that the coloring and image production needs of manga producers will grow in the future, creating a widening range of business opportunities.

▶ JIVE Ltd.

Incorporated into the MEDIA DO Group in 2019, JIVE Ltd. is the publisher of the NEXT F girl's comic label. This label has won strong support from female readers of all ages, with particularly high levels of popularity among readers aged 10 to 29, with its focus on girl's comics featuring pure-minded, heart-wriving love stories. Jive also became a pioneer in the publishing industry with the release of its girl's comic app, also using the NEXT F name.

Jive will continue to grow its business to contribute to the promotion of the Group's imprint business together with Nihonbungeisha.





Special Feature: Discussions by Visionaries

# Acceleration of Transformation of the Publishing Industry

MEDIA DO concluded a capital and business alliance with TOHAN CORPORATION in March 2021. To commemorate this milestone, we arranged a discussion between representatives from both companies who were integral to the formation of the advancement of this alliance. This discussion covered topics including the current state of and issues faced by the publishing industry and how best to contribute to market growth that exceeds the boundaries between digital and paper media.

## Turning Point for the Publishing Industry

**Onishi:** Japan's distinctive publishing distribution frameworks and policies are starting to become ineffectual for the purpose of distributing paper books. Since the end of World War II, the distribution of paper books in Japan has been founded on a resale price maintenance system\*1 and a consignment system\*2, and this framework continues to be used today. This framework has led to the creation of an ecosystem in which distribution is focused more on the needs of the company than on those of the consumer. Personally, I believe that the resale price maintenance and consignment systems should be maintained, and increasingly used in a flexible manner, going forward. However, the era of rapid growth driven by this system is over, and we are already seeing the limits of distribution based on company needs. The industry's existing distribution functions have failed to adapt to the rapidly advancing trends toward digitization and digital transformation, causing these functions to fall into a state of ineffectualness.

**Niina:** Japan's publishing industry has long followed the path of coordination between different companies that have specialized in specific functions. Publishers publish written works, distributors distribute these works to retailers, such as bookstores, and these retailers sell these works to readers, with each company focusing only on a specific process. This framework can be problematic when an issue arises somewhere along the publishing value chain as it is difficult to analyze and address such issues from an industrywide perspective without shared recognition and smooth coordination between all parties.

**Onishi:** It could be said that this framework has created the most difficulties for the bookstores at the downstream end of the value chain. Saddled with low profit margins, bookstores have been unable to raise selling prices even as the sales volumes of paper books fall. As a result, the majority of bookstores have been forced to record operating losses due to rising personnel expenses, cashless payment processing fees, and other costs. It is therefore crucial for us to take steps to prevent the further loss of bookstores, which function as important transmission points for culture. At the same time, Japan's publishing industry is currently suffering from high rates of books being returned unsold by bookstores. The rate in Japan is around 40%, significantly higher than the rates of between 5% and 10% seen in Europe and the United States. I believe that this large disparity provides a hint at how we should address this issue.

**Niina:** European and U.S. publishers tend to employ a vertically integrated business model in which these companies handle distribution, bookstore operation, and other functions in-house. This model gives these publishers a strong recognition of how the issues that occur in distribution or at bookstores affect them. Japan's publishing industry, meanwhile, has just recently begun moving away from its prior structure of function specialization spread among different companies.

**Onishi:** If we can transition to more market-oriented distribution frameworks for the publishing industry, we should be able to raise the currently too-low profit margins of bookstores to the levels seen in Europe and the United States. Moreover, the development and entrenchment of frameworks for preventing unnecessary book returns would allow publishers to optimize production levels and thereby cut unnecessary costs, which could generate savings that can be returned in part to bookstores. In Europe and the United States, a market-oriented approach, as opposed to a company-oriented approach, is mainstream. Bookstores in these markets order books based on a desire to sell those specific books, and publishers produce and ship books based on order data. Tohan, as well, has been aggressively advancing initiatives aimed at driving the transition to market-oriented distribution in the publishing industry under the Reborn medium-term management plan we launched in 2019.

**Niina:** I think this significant change of course by Tohan has provided a great source of stimulation for the publishing industry. Publishing is currently comprised of physical and digital publishing venues. Given the turning point currently faced by the publishing industry, I feel strongly that there is a need to pursue digital transformation as a means for integrating these venues to share issues and identify common value between these two.

Moreover, the entire publishing industry, not just Tohan and MEDIA DO, have a shared recognition of the current state of and issues faced by Japan's publishing industry as well as how publishing should evolve in the future. I am convinced that Tohan and MEDIA DO have the potential to become a powerful driving force behind the digital transformation of Japan's publishing industry by sharing their insight and resources to promote the transformation of the publishing value chain.

**Onishi:** Tohan has received inquiries from bookstores wondering if there was a way that they could deal in eBooks. As the eBook market grows, I believe that bookstores must transform their business models so that they are not completely

Yoshifumi Onishi

Executive Managing Director  
TOHAN CORPORATION

Shin Niina

Director, Vice President, and COO  
MEDIA DO Co., Ltd.

Yoshifumi Onishi joined Tokyo Shuppan Hanbai Co., Ltd. in 1990, working at TAIWAN TOHAN CO., LTD., and in Tohan's e-commerce department before becoming an executive officer in 2012. He later became a director in 2016 and an executive managing director in 2018. Today, Mr. Onishi is responsible for management strategy and bookstore business departments as well as for affiliates of Tohan.



Special Feature: Discussions by Visionaries  
Acceleration of Transformation of the Publishing Industry

dependent on paper books. I think that Libri GmbH, a leading German book wholesaler, can serve as a model example of how to undertake such a transformation. This company leads the industry in its country in terms of both physical and digital distribution. We should definitely follow Libri’s example by utilizing data and digital technologies to streamline and invigorate all areas of the publishing value chain in order to develop our businesses in an integrated manner.

However, Tohan is a physical distribution company, and we therefore cannot achieve this transformation by ourselves. We are incredibly thankful of our alliance with MEDIA DO as its digital expertise, systems, and distribution frameworks are a powerful asset for us.

**Niina:** We can also see a good model example in Amazon, which accommodates reader convenience by selling paper books and eBooks on the same website. It may be prudent for us to pursue a similar model so that we can provide users with more fulfilling reading experiences. MEDIA DO is in a position in which it can contribute to the publishing industry with its technological prowess. Specifically, I think we can help with digital transformation targeting the entire publishing industry, from the perspectives of both paper books and eBooks, and with the digitization of the content of various genres. However, it will be difficult for us to implement these advancements in the greater society using just the systems, expertise, and resources possessed by MEDIA DO. This is one of the reasons we teamed up with Tohan. You boast a nationwide sales network and transactions with 3,000 publishers and 5,000 bookstores, a position forged over decades in the paper book distribution business. Our ability to ally ourselves with Tohan will be an invaluable asset to our efforts to accelerate publishing and distribution digital transformation affecting the entire publishing industry.

\*1 A system permitted under Japan’s Act on Prohibition of Private Monopolization and Maintenance of Fair Trade that allows for publishers to fix the prices at which bookstores and other retailers sell books and magazines

\*2 A method for selling published works based on contracts between publishers, distributors (wholesalers), and retailers such as bookstores in which items not sold within a predetermined timeframe may be returned to the publisher

Transformation Driven by Key Players in  
Physical and Digital Media Distribution

**Onishi:** We at Tohan were moved when we heard the vision MEDIA DO President Yasushi Fujita had for bookstores. He stated that bookstores have an important role to play in Japan’s publishing culture and that there is thus a need to help them escape their current unfavorable condition and to invigorate them. This sentiment resonated with us.

We have also received a favorable response from stakeholders with regard to our alliance with MEDIA DO, indicating their high levels of anticipation. MEDIA DO is still a relatively new company, and noteworthy characteristics people notice include its level of speed as an IT company and the degree of passion it exercises as it moves forward, driven by its corporate philosophy. Despite this strong drive, MEDIA DO is also flexible, able to adjust course to

create new services. In this manner, MEDIA DO gives an impression that is very different from that of Tohan, and many stakeholders were thus surprised to hear of our capital and business alliance. However, existing business partners and other stakeholders have since come to recognize the potential of this alliance, which has granted us a new, digital option for content and distribution.

**Niina:** The choice to form a capital and business alliance was an indication of the dedication of the management of Tohan and MEDIA DO. We are committed to advancing multifaceted projects over the long term through effective and mutual use of each other’s management resources, and we will not give up easily. The result of this alliance is a relationship in which we share risks and opportunities in our quest to co-create value.

Previously, MEDIA DO has been focused on contributing to the publishing industry through the venue of eBooks. Our alliance with Tohan, which has continued to support paper book distribution in Japan, is transforming MEDIA DO’s position in the publishing industry.

Crucial Importance of Information in  
Market-Oriented Distribution

**Niina:** The trends toward digitization and digital transformation are altering the very concept of publishing. In the past, the publishing industry was built upon printing on paper, a model that entailed significant costs. Moreover, as publishing involved the production of printed works, the typesetting, paper selection, and book construction functions of publishers were indispensable to the industry. This meant that only the few talented creators chosen by publishers were able to have their works transformed into paper books, and thus only these creators could approach readers. Today, however, the industry is merging physical and digital venues, meaning that individual creators can distribute their works on the internet without going through a publisher, greatly reducing the costs incurred over the process spanning from creation to publication. As a result, the emphasis in monetizing written works has shifted from the production of physical books to the distribution of content. At the same time, distributing content in a digital society requires information such as data related to online marketing and customer purchase histories as well as the necessary metadata and bibliographical information.

**Onishi:** You are correct. The crucial importance of data and other information can be seen in how the publishing industry in Germany, the home of the aforementioned Libri, discloses information regarding new books six months to a year prior to their release. This creates a period during which publishers, wholesalers, and bookstores can discuss matters such as sales promotion methods and numbers of copies to be produced. MEDIA DO has a lot of services that I hope to apply to the distribution of paper books. These include the ERP system for publishers you are developing, the operations of the Firebrand Group (Quality Solutions, Inc., NetGalley LLC, and their subsidiaries) that have the



“ The potential for our alliance with MEDIA DO is not limited to existing businesses, but is rather expanding constantly in a variety of directions. ”  
Yoshifumi Onishi

potential to further strengthen and evolve this system, and the NetGalley service that lets bookstores view the galleys (preliminary versions of publications used for proofreading) of pre-publication books.

A World in Which Readers Can Enjoy Both  
Physical and Digital Content

**Niina:** I see potential for joint businesses with Tohan in relation to the new technology of NFTs. Using blockchain technology, NFTs endow digital content with the type of feeling of ownership that was previously reserved for physical books. NFTs also allow for the reselling of digital content. As for conventional paper books, NFTs can be used to attach digital benefits to books to increase their value. I want to help shape a world in which customers flock to book stores to purchase such NFT-attached books, willing to pay even higher prices for them. Yes, NFTs have great potential. However, their popularization is being stifled by the intangible nature of the virtual world. For NFT providers, physical books and bookstores and actual readers must have great appeal.

**Onishi:** Bookstores offer a calming environment in which visitors have the opportunity to discover books they have never heard of. The bookshelves and flat displays stimulate intellectual curiosity, and people are able to take books in hand and find one they want to read. If it were then possible to purchase an eBook version of that book on the spot via a smartphone, it would be incredibly convenient. I hope to build a business model that makes this possible together with MEDIA DO. This model would be particularly beneficial for pictureless books, as it is rare for a person to enter a store with the express intent of purchasing a specific work of this type. However, we would need some killer content to promote the spread of this new kind of experience. I think

“ I am convinced that Tohan and MEDIA DO have the potential to become a powerful driving force behind the digital transformation of Japan’s publishing industry. ”  
Shin Niina

the digital benefits you speak of, Mr. Niina, could be just the killer content we need. These digital benefits would be something that users could enjoy themselves, or something they could sell to other users via the marketplace service MEDIA DO is in the process of developing. This would give digital content a feeling of ownership and the ability to stimulate communication. My first goal on this quest will thus be to use digital benefits as a conduit through which people can experience NFTs in a safe, secure, and accessible manner.

Pursuit of Continuous Development of  
Publishing Culture and Distribution

**Onishi:** The potential for our alliance with MEDIA DO is not limited to existing businesses, but is rather expanding constantly in a variety of directions. I look forward to building a closer, stronger relationship going forward. Moreover, I am confident that we can create the market-oriented distribution model we envision together with MEDIA DO. I recognize how important this relationship is to promoting the continuous development of the distribution systems of Japan’s publishing industry along with the publishing culture that is a cornerstone of Japan’s culture. I therefore aim to achieve success in businesses that will contribute to the future growth of the publishing industry together with MEDIA DO.

**Niina:** Our capital and business alliance with Tohan represents a large step forward toward the development of a world in which digital and physical content are treated as the same. Moreover, this is a large step forward in the transformation of existing publishing frameworks and how content is enjoyed. I have no doubt that people in the future will look back on our alliance as a major turning point in the history of Japan’s publishing industry. I hope stakeholders will look forward to the changes we will create.



Special Feature: Discussions by Visionaries

Medium- to Long-Term Financial Strategies

The MEDIA DO Group aims to become a Publishing Platformer. We arranged a discussion between CFO Ryo Yamada, who is responsible for financial strategies and fund procurement, and CSO Hiroshi Kanda, who is charged with developing management strategy drafting and execution processes, on topics including the management strategies to be implemented toward accomplishing this goal and the financial strategies that will support these strategies.

Review of the Fiscal Year Ended February 28, 2021

What are your thoughts regarding the fiscal year ended February 28, 2021, from your respective standpoints as CFO and CSO?

**Yamada:** In the fiscal year ended February 28, 2021, MEDIA DO posted net sales of ¥83.5 billion, a year-on-year increase of 26.8%, and operating profit of ¥2.6 billion, a massive rise of 43.7%. Both of these figures represented record highs. This impressive performance was largely a result of growth in eBook demand stemming from the rise in demand from people seeking forms of entertainment that can be enjoyed inside as they increasingly stayed at home due to the COVID-19 pandemic.

**Kanda:** Performance was particularly strong in the first half of the fiscal year, which spanned the period from March 1 to August 31, 2020, as aggressive promotions by eBook companies spurred rapid growth in the overall market. This strong performance prompted us to institute

upward revisions to our full-year forecasts for sales and profit in October. In the second half of the fiscal year, we felt the impacts of piracy websites. Although these impacts have not been too severe since the closure of particularly damaging websites in 2017 and 2018, we have been able to confirm the existence of numerous overseas piracy websites even today, and the access numbers of these websites are rising. Luckily, there has been progress in the development of regulatory frameworks for fighting piracy, as seen in the revisions to Japan's Copyright Act instituted in November 2020 and January 2021. The MEDIA DO Group is also taking action to eliminate piracy websites through coordination with the publishing industry, the communication industry, and the relevant government authorities. Returning to performance, the impacts of such websites resulted in us falling slightly short of our higher forecasts, but we achieved substantial growth, nonetheless, accomplishing the final net sales target for the previous medium-term management plan, which was launched in 2018, two years ahead of schedule.



Ryo Yamada

Executive Officer and CFO  
(Chief Financial Officer)



Hiroshi Kanda

Executive Officer and CSO  
(Chief Strategy Officer)

**Yamada:** The COVID-19 pandemic sparked a rapid rise in digital transformation needs in all corners of society. In the publishing industry, this has translated to growth in demand for services that call upon the technologies and expertise of MEDIA DO. We are actively investing in growth from a medium- to long-term perspective, and ensuring financial health while conducting ongoing growth investments has been an important priority for the Company. MEDIA DO recently received two major boosts to its financial base: fund procurement through the issuance of share acquisition rights announced in October 2020, which raised our equity ratio to 28.0%, and a third-party allocation of shares to TOHAN CORPORATION in March 2021. These two transactions resulted in the Company acquiring ¥7.4 billion worth of funds, in total. At the same time, we sought to lay the foundations for future growth. We achieved three major successes with this regard during the second half of the fiscal year with the acquisitions of Nagisa, Inc., the Firebrand Group (Quality Solutions, Inc., NetGalley LLC, and their subsidiaries), and NIHONBUNGEISHA Co., Ltd.

Policies for Medium- to Long-Term Financial Strategies

What financial strategies will MEDIA DO implement going forward?

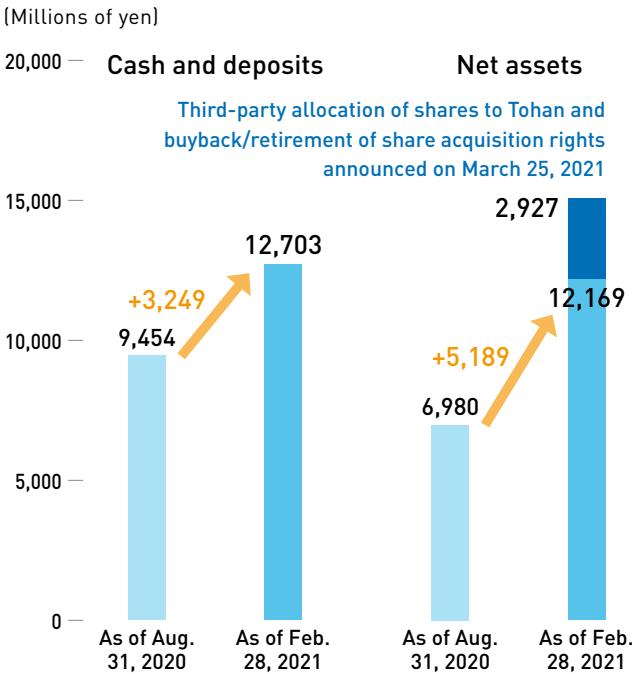
**Yamada:** Looking first at our financial position, goodwill exceeded net assets up until the fiscal year ended February 28, 2019. However, the aforementioned fund procurement activities, among others, caused net assets to rise to ¥12.1 billion on February 28, 2021, more than double the

¥5.7 billion in goodwill on the same date. As a result, the debt-to-equity (D/E) ratio fell below 1.0 times, indicating a substantial improvement in our financial balance. In terms of management efficiency, meanwhile, we maintain a high level of 17.0% for return on equity (ROE).

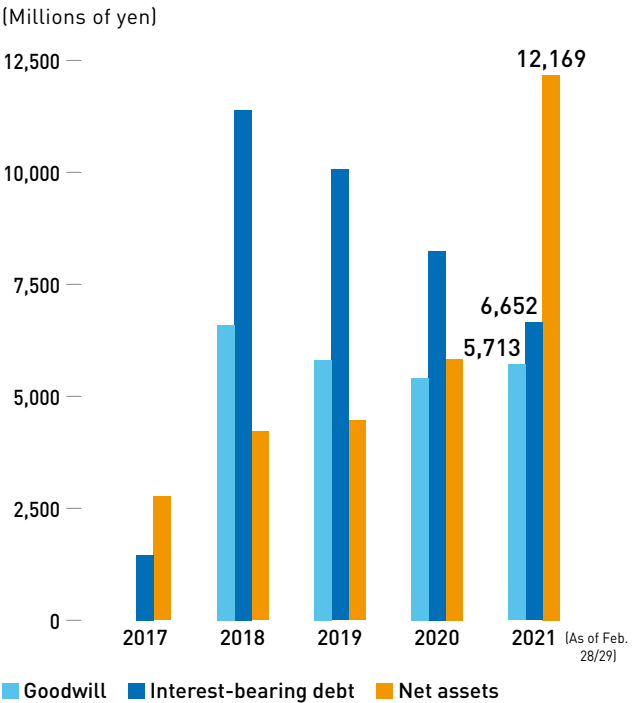
**Kanda:** The five-year medium-term management plan launched in 2018 positioned the fiscal year ending February 28, 2023, its final year, as the period for reaping the benefits of the initiatives implemented thus far. However, the market growth seen after the closure of major piracy websites in 2018 exceeded our expectations. Meanwhile, the advent of digital content using blockchain technology presented massive potential the likes of which had not been seen since the birth of smartphones. These changes in the operating environment led to the decision to revise our medium-term management plan. The new plan will position the fiscal years ending February 28, 2022 and 2023, as a period for continuing upfront investments from which full-fledged returns and earnings growth are projected to appear in the fiscal year ending February 29, 2024, and beyond. Moreover, we examined MEDIA DO's growth prospects from a medium- to long-term perspective. Through this examination, we reached the conclusion that our top priority at the moment should be establishing a solid position in the content market. As for the specific timing of earnings contributions and investment recovery, we intend to inform investors once the new plan has been fully compiled.

For growth investments, meanwhile, we have established policies based on two themes. The first theme is investment in the eBook distribution business, our current core business. In Japan, this business is expected to

Stabilization of Financial Balance



Major Balance Sheet Items





Special Feature: Discussions by Visionaries  
Medium- to Long-Term Financial Strategies

continue to grow centered on manga going forward. We also see potential to explore markets for other text-based content for which digitization has not yet been pursued. The second theme is investment in new businesses for developing and distributing digital content with an eye to the entire content market that expands beyond written works. MEDIA DO began using blockchain technology to develop new digital content in 2018. These efforts have put us in the position to provide various products and services that are cutting-edge even when viewed from a global perspective.

**Yamada:** The domestic eBook market currently has a scale of roughly ¥400.0 billion, and MEDIA DO boasts a massive share of this market. Meanwhile, the overall content market is significantly larger, with a scale of approximately ¥4 trillion. MEDIA DO's entry into the overall content market will be a substantial undertaking, and I hope stakeholders will look forward to our endeavors in this market.

**It has been stated that MEDIA DO intends to continue investments in even greater amounts. What type of internal investment standards and post-merger integration frameworks are in place?**

**Kanda:** We have established the Investment Committee under the Board of Directors for the purpose of making decisions regarding investments. The establishment of this committee was based on the lessons learned after recording losses in association with past M&A investments in the fiscal year ended February 28, 2019. This committee helps us maintain discipline by only approving investments after adequate examinations of the background and goals of investments, the appropriateness of investment amounts, post-merger integration plans, and exit standards. During the pre-investment screening phase, risks and opportunities are identified from a variety of perspectives, including that of the relevant business divisions as well as financial, legal affairs, and human resource perspectives. We also formulate investment strategy policies that define target investment fields and candidates as well as investment budgets, and our Companywide portfolio is reviewed regularly.



“ We reached the conclusion that our top priority for pursuing medium- to long-term growth should be establishing a solid position in the content market. ”

**Yamada:** One of the financial indicators we use as a standard for investment decisions is weighted-average cost of capital (WACC). MEDIA DO's level of WACC is between 6% and 7%, and returns exceeding this level have been defined as the minimum hurdle rate for investments. However, we recognize that acquisitions targets can be in various growth stages and have differing investment recovery periods. Accordingly, there are cases in which we might underestimate risks if we simply apply this WACC standard uniformly to all candidates. We therefore set WACC standards for each candidate based on their respective risk levels. By adjusting the current value of the candidate by this standard, we confirm whether the acquisition price being proposed in negotiations is appropriate.

**Kanda:** M&A activities are an important means of acquiring management resources MEDIA DO lacks as part of the process of expanding its business domain. For example, the Firebrand Group, which we acquired in the fiscal year ended February 28, 2021, possesses substantial expertise regarding ERP systems for publishing paper books and other articles. Nihonbungeisha, meanwhile, has a robust lineup of content centered on digital manga for male readers, and this company will be a powerful asset in expanding our imprint business. Moreover, the capital and business alliance with major paper book wholesaler Tohan announced in March 2021 has the potential to generate massive synergies in the distribution of physical and digital content, which will be produced by combining the differing competitive advantages of Tohan and MEDIA DO.

**Yamada:** MEDIA DO has conducted numerous M&A transactions, meaning that post-merger integration is a matter of utmost importance. Based on this recognition, we intend to incorporate detailed guidelines for post-merger action into the new medium-term management plan. As a recent example of our post-merger integration efforts, we worked closely with Nihonbungeisha to align our visions and set qualitative and quantitative targets to be pursued by both companies. Progress with regard to these targets will be gauged during the post-merger integration process in accordance with a monitoring sheet. As for the staff that will be responsible for actually advancing the integration, MEDIA DO will supply half

“ I will support the corporate strategies overseen by the CSO through financing and timely information provision. ”



of the members of Nihonbungeisha's Board of Directors, and representatives will be assigned by both companies to guide the integration process.

Growth investments will primarily be funded using operating cash flows, and these cash flows will be supported by the foundations we have established for generating consistent earnings in the eBook distribution business, which accounts for 98.6% of the Company's net sales, through the incorporation of market growth and the expansion of our customer base. However, as we are preparing for the massive undertaking that will be advancing into the overall content market, it can be expected that MEDIA DO will remain in the growth investment phase for quite some time. It is therefore possible that we will require funds that go beyond the scope of operating cash flows for conducting the necessary investments. Given that the fund procurement efforts undertaken in December 2020 and March 2021 greatly improved our financial position, debt finance centered on borrowings will be our primary instrument for meeting additional funding demand. However, we also anticipate that we might have to once again undertake equity finance measures in the medium term. Such measures will be based on consideration of our financial position as well as the growth potential of the respective investment candidate. As for dividend payments, we plan to target a total return ratio of 20% over the foreseeable future as MEDIA DO will still be in a growth phase. I hope that shareholders and investors will be accepting of this policy based on the promise that we will pay them back in long-term returns fueled by the growth to be achieved going forward.

**Roles of the CFO and CSO in MEDIA DO's Future Growth**

**What do you both see as the roles you need to fulfill at MEDIA DO going forward?**

**Kanda:** I oversee the Corporate Planning Office. This division is responsible for the establishment of medium-term management plans and other Companywide strategies, investor relations (IR) and other information disclosure activities, and M&A activity-related processes spanning from candidate selection to investment execution. I am

thus tasked with helping propose investment candidates that match our growth strategies and with formulating and implementing post-merger integration policies that will get investees operating in line with MEDIA DO's corporate governance policies while preserving the positive aspects of their corporate culture. Moreover, I practice careful and effective monitoring of trends in the performance of investees and disclose this information to outside stakeholders. I thereby aim to engage in appropriate communication with stakeholders while contributing to the growth of MEDIA DO and to shareholder returns.

Up until now, one could not be blamed for thinking that the sales increases MEDIA DO has enjoyed have merely been a product of the growth of the eBook market or of the resulting favorable operating environment. For this reason, it is important for MEDIA DO to evolve into a company that stakeholders will recognize as a driving force behind the growth of the market. Our approach toward achieving this evolution should involve establishing a cycle of effectively managing investment projects to grow the associated businesses and generate earnings as part of our efforts to develop various new services that lead the publishing and content industries. As CSO, I look to help chart our course for becoming such a new MEDIA DO and to proactively communicate this course to those outside of the Company.

**Yamada:** The Finance Department is responsible for procuring the funds necessary for M&A activities as well as controlling levels of invested capital on a by-business basis and ensuring that investments have a sufficient chance of being recovered. In this manner, our role is to secure the funding necessary for the overarching corporate strategies overseen by the CSO. At the same time, we devote a lot of funds to personnel expenses given that MEDIA DO is a technology company. Investing in human capital and comfortable workplace environments is a priority I think we should focus on when it comes to future M&A activities and other aspects of operations. Moreover, corporate strategies and financial strategies must be closely coordinated. For this reason, I look to maintain close communication with CSO Kanda and work together with him to improve MEDIA DO's corporate value and return appropriate profits to our shareholders and other stakeholders.



# Sustainability for the MEDIA DO Group

### Basic Policy

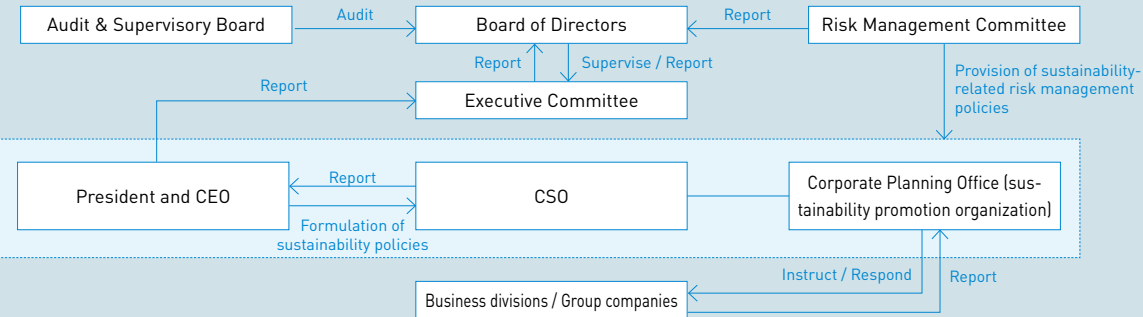
The MEDIA DO Group's mission is "unleashing a virtuous cycle of literary creation" and its vision is "More Content for More People!" These principles exemplify our commitment to building a social ecosystem founded on co-creation among the creators and publishers who produce written works, the users of these works, the eBook stores that serve as points of contacts between these two, and the Group, which functions as an intermediary between these parties. Accordingly, sustainability for the MEDIA DO Group entails a concerted effort by all officers and employees to carry out their business activities based on a sense of responsibility and pride toward the

contributions made by the Group's businesses and services. These contributions support the development of a healthy economy and the cultural advances stimulated by written works. Based on this belief, we seek to address social and environmental issues, such as those identified by the United Nations Sustainable Development Goals (SDGs), through management practices and strategies founded on our mission and vision. In addition, we view business opportunities and risks through the lens of environmental, social, and governance (ESG) issues as we pursue increased corporate value by helping to resolve social issues while achieving steady growth.

### Sustainability Promotion System

The pace of changes to industrial structures and social trends has been growing ever more rapid in recent years, making for increased uncertainty in the Company's operating environment. As such, it is becoming increasingly important to find shared value with various stakeholders and create value by mutually complementing each other's strengths. Recognizing this reality, MEDIA DO takes steps to track social trends and stakeholder expectations through a framework centered on the Corporate Planning Office, which is overseen directly by the president and CEO, and

on the CSO (Chief Strategy Officer), who has been assigned responsibility for this undertaking. Based on this information, coordination is pursued with the Risk Management Committee to formulate management plans that are consistent with the Company's medium- to long-term mission and vision. These management plans guide business divisions and Group companies in formulating concrete sustainability strategies and targets, which are advanced while being regularly monitored by the Corporate Planning Office and the CSO.



### Social Trends Affecting MEDIA DO

#### ENVIRONMENTAL

- Increasing severity of environmental issues as indicated by the Paris Agreement adopted at COP 21
- Accelerated pace of international cooperation for promoting decarbonization to limit global warming and climate change
- Establishment of business continuity plans in response to increasingly frequent abnormal weather events and natural disasters
- Industrywide need for response to trend toward returning and destroying books with emphasis on a circular economy

#### SOCIAL

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

#### GOVERNANCE

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

### Priority Activity Themes

Goals	Minimization of adverse impacts of business activities				Ongoing improvement of corporate value
	E	S			G
Major Tasks	Reduction of environmental impacts	Unleashing of a virtuous cycle of literary creation	Community contribution and regional development (contributions to social enrichment)	Empowerment of diverse human resources	Establishment of sound and highly transparent corporate governance systems
Major Initiatives	<ul style="list-style-type: none"><li>Improvement of resource/energy-efficiency of Group business activities</li><li>Reduction of paper usage and distribution-related energy consumption by expanding the use of the eBook market</li></ul>	<ul style="list-style-type: none"><li>Advance of business activities in accord with our corporate philosophy</li><li>Development and reinforcement of frameworks that can be reliably and confidently used by authors, publishers, and users (readers)</li><li>Participation in establishment of international standards</li></ul>	<ul style="list-style-type: none"><li>Fair use and distribution of written works</li><li>Support for entrepreneurship to contribute to regional development</li><li>Creation of employment opportunities outside of major urban centers</li></ul>	<ul style="list-style-type: none"><li>Promotion of diversity and development of workplace environments that enable everyone to succeed</li><li>Diversification of employment schemes and recruitment of talented human resources</li><li>Introduction of commitment-based evaluation systems</li></ul>	<ul style="list-style-type: none"><li>Enhancement of corporate governance through engagement with a range of stakeholders</li><li>Entrenchment of compliance</li><li>Improvement of the risk management system</li></ul>
Benefits for MEDIA DO	<ul style="list-style-type: none"><li>Reduction of the impact on the environment</li><li>Development of a sustainable infrastructure for the distribution of written works</li></ul>	<ul style="list-style-type: none"><li>Capitalization on business opportunities in growing markets</li><li>Ongoing growth achieved through expansion of the business portfolio</li><li>Trusting relationships with stakeholders</li></ul>	<ul style="list-style-type: none"><li>Harmonic coexistence with local communities</li><li>Improved brand power</li><li>Performance contributions from nearshore development</li></ul>	<ul style="list-style-type: none"><li>Stronger competitiveness</li><li>Development of self-driven organizations</li><li>Improved labor productivity</li></ul>	<ul style="list-style-type: none"><li>Greater growth opportunities and reduced business risks</li><li>A more robust corporate constitution</li></ul>
Value for Stakeholders	<ul style="list-style-type: none"><li>Reduction of environmental impacts through the utilization of information and communications technology (ICT)</li><li>Contributions to reduction of society's CO<sub>2</sub> emissions</li></ul>	<ul style="list-style-type: none"><li>Growth of the overall publishing market through new distribution platforms</li><li>Mutual growth of creators and business partners</li></ul>	<ul style="list-style-type: none"><li>Contributions to social and cultural development and the enrichment of society</li><li>Invigoration of local economies</li></ul>	<ul style="list-style-type: none"><li>Provision of opportunities for growth and development of skills, and fair evaluation</li><li>Contribution to the realization of a society that accepts diversity</li></ul>	<ul style="list-style-type: none"><li>Enhanced management effectiveness</li><li>Improved corporate value</li></ul>

Sustainability for the MEDIA DO Group

ESG Highlights

Environmental			FY2019	FY2020	FY2021
	Total CO <sub>2</sub> emissions (Scope 1 + Scope 2, t-CO <sub>2</sub> )*1		160.1	171.1	126.0
	Scope 1 CO <sub>2</sub> emissions (kg-CO <sub>2</sub> )		—	9.4	10.7
	Scope 2 CO <sub>2</sub> emissions (kg-CO <sub>2</sub> )		160,136.3	171,070.4	125,985.8
	Electricity consumption (kWh)		351,948	365,535	283,688
	Water use (m <sup>3</sup> )		15.7	11.1	1.01
	Paper use (t)		3.08	2.85	1.11
Social	Numbers of employees and ratio of female employees (figures in parentheses represent part-time and temporary employees)	Total	286 (48)	294 (78)	295 (70)
		Men	176 (10)	167 (15)	153 (13)
		Women	110 (38)	127 (63)	142 (57)
		Ratio of female employees (%)	44.31	51.08	54.52
		Total	85	89	87
	Number of managers*2	Men	77	70	68
		Women	8	19	19
		Ratio of female managers (%)*3	9.41	21.35	21.84
	Number of newly appointed female managers / Ratio of women among newly appointed managers (%)*2		8 (53.33)	0 (0)	2 (18.18)
	Breakdown of female managers and ratios of total managers (%)	Directors / Audit & Supervisory Board members	0 (0)	0 (0)	0 (0)
		General manager or above	0 (0)	6 (14.6)	3 (10.3)
		Other managers	8 (15.0)	15 (31.91)	16 (30.77)
		Total	41 (39)	207 (58)	216 (36)
	Number of newly hired employees in Japan (figures in parentheses represent part-time and temporary employees)	Men	27 (10)	117 (4)	113 (4)
		Women	14 (29)	90 (54)	103 (32)
		Total (% of total)	21 (6.29)	13 (3.49)	5 (1.37)
		Men	18	10	2
	Number of non-Japanese employees*2	Women	3	3	3
	Number of domestic employees stationed outside of major urban centers (figures in parentheses represent part-time and temporary employees)*4		22 (41)	28 (66)	27 (57)
	Number of employees with disabilities		1	3	2
	Average age of employees*2	Total	35.28	34.89	35.39
		Men	35.94	36.16	37.21
		Women	32.61	33.2	33.38
	Number of engineers*2	Total	54	58	59
		Men	44	49	50
		Women	8	9	9
	Number of employees that used the childcare leave system*2	Men	1	2	2
		Women	4	5	7
		Ratio of leave takers returning to work (%)	100	100	100
	Average per person rate of paid leave acquisition*2		63.7	73.3	52.1
	Total average monthly per person workhours*5		168.9	169.5	168.5
	Average yearly per person overtime hours*2		11.7	14.2	14.7
	Occupational accident frequency rate (%)*6		1.83	1.80	0
	Ratio of employees undergoing stress checks (%)		94.6	95.0	95.7
	Ratio of employees undergoing regular health checkups (%)		78.1	92.3	99.7
	Average amount of training expenses per employee (yen)		—	40,000	40,293
	Number of security incidents		—	0	0
	Number of data leaks		—	0	0
	Number of services with ABJ mark certification*7		509	700	777
	Number of requests to disclose user information from law enforcement agencies		0	0	0
	Number of users applicable to requests to disclose user information		0	0	0
	Social contribution activity-related expenses (millions of yen)*8		14.6	3.0	39.2
Governance	Number of directors	Total	7	6	6
		Women	0	0	0
		Outside	2	2	2
		Independent	2	2	2
	Number of Audit & Supervisory Board members	Total	4	3	3
		Women	0	0	0
		Outside	3	2	2
		Independent	3	2	2
	Ratio of independent directors		28.5	33.3	33.3
	Ratio of independent auditors		66.6	66.6	66.6
	Total compensation paid to directors (millions of yen)		88	84	98
	Total compensation paid to Audit & Supervisory Board members (millions of yen)		16	14	13
	Number of reports received through whistleblowing systems		3	0	0

Scope: Former MEDIA DO HOLDINGS Co., Ltd.; former MEDIA DO Co., Ltd.; Digital Publishing Initiatives Japan Co., Ltd.; and MEDIA DO TECH TOKUSHIMA Co., Ltd. for the fiscal years ended February 28, 2019, and February 29, 2020; current MEDIA DO Co., Ltd., and MEDIA DO TECH TOKUSHIMA Co., Ltd., for the fiscal year ended February 28, 2021

Note: Certain information for the fiscal year ended February 28, 2019, has been omitted as a lack of data has impeded the ability to perform accurate year-on-year comparisons.  
\*1 CO<sub>2</sub> emissions volumes were calculated with reference to *GHG Emissions Accounting and Reporting Manual Ver. 4.6*, which was published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry and is based on the Act on Promotion of Global Warming Countermeasures.  
\*2 Figures include full-time, part-time, and temporary employees.  
\*3 Figures represent the number of individuals that were first promoted to a management position in the relevant fiscal year.  
\*4 Figures represent the number of employees recruited and employed by MEDIA DO TECH TOKUSHIMA Co., Ltd.  
\*5 Figures include full-time, part-time, and temporary employees (including managers).  
\*6 Occupational accident frequency rate = (Number of occupational accident casualties ÷ Aggregate workhours) × 1,000,000  
\*7 The ABJ certification mark indicates that the certified eBook store or eBook distribution service is distributing authorized copies of content based on usage agreements with the copyright holder.  
\*8 Figures include donations, sponsorships, and investments.

ENVIRONMENTAL

Commitment to Protecting the Environment

Basic Policy

The reduction of environmental impacts is a task of utmost importance. This task is crucial to advancing the MEDIA DO Group’s quest to become an entity that is still operating a century from now and to ensuring that we can pass on a sustainable global environment to future generations. The global society is thus increasingly advocating the pursuit of a low-carbon, circular society to limit climate change.

A long-term approach toward activities to reduce environmental impacts is imperative to support sustainable development on a global scale. The MEDIA DO Group is not limiting its efforts to tracking the use of resources and energy in its business activities and taking steps to improve efficiency. We go further, contributing to the reduction of adverse impacts on the environment on an industrywide scale.

Reduction of Environmental Impacts

Technology-Power Reduction of Distribution Energy Use

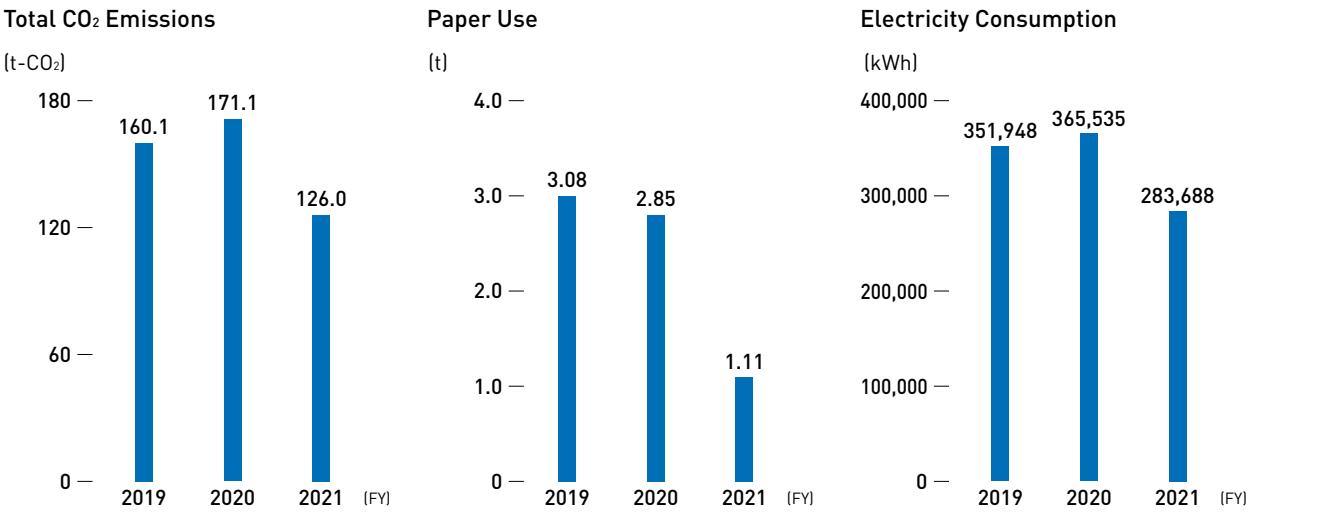
The MEDIA DO Group itself has a relatively low dependency on natural capital, given the characteristics of its business. The publishing industry as a whole, however, impacts the environment through the consumption of paper, the use of energy for distribution, and the return and disposal of written works.

Given this situation, the goal of expanding the eBook distribution market, set forth in the Group’s medium-term management plan, has the potential to contribute to reduced distribution energy use for publications and the publishing industry. This strategy will also benefit the

Group through direct contributions to corporate value achieved by increasing the recognition and use of eBooks. We are therefore maximizing our technological prowess to improve the convenience of eBooks and thereby develop and supply a sustainable infrastructure for the distribution of written works.

By contributing to the enrichment of society through efforts to reduce environmental impacts,the MEDIA DO Group will realize its vision of “More Content for More People!”

Environmental Data



Note: Increases in figures after the fiscal year ended February 28, 2019, are the result of the merger with the former Digital Publishing Initiatives Japan Co., Ltd., and the relocation and expansion of the head office.



Sustainability for the MEDIA DO Group

SOCIAL

Information Security

Basic Policy

The MEDIA DO Group’s mission is to provide the social infrastructure necessary for robust cultural development and thereby support sound digital distribution and a creation cycle for written works. The development of frameworks and systems that are deemed secure and reliable by creators, publishers, stores, users (readers), and other stakeholders is imperative to accomplishing this mission. Alongside the development and reinforcement of these systems, information

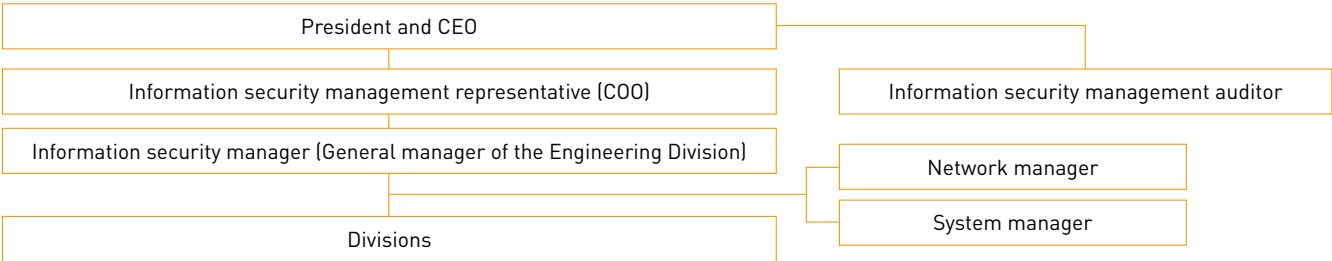
security is an important management priority for ensuing smooth and appropriate business activities. Information security has thus been positioned as a management priority to be addressed on a Companywide basis. Accordingly, we work to safeguard all Company information systems and information assets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

Information Security Management System

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

The COO works to develop effective information security management systems with regard to the handling of information systems and information assets and the formulation and implementation of strategies. By examining these systems to confirm that they accommodate changes to the

regulatory and operating environments based on annual plans, the COO helps ensure that systems are effective while communicating with management on this subject. Meanwhile, the general manager of the Engineering Division exercises their responsibility for information security management throughout the MEDIA DO Group by establishing key performance indicators (KPIs) related to a number of information security tasks and overseeing these tasks based on the indicators. Examples of these tasks include the management of confidential information and information systems, the establishment and implementation of information security regulations, the execution of safety measures, and the arrangement of information security training.



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

“

Never-Ending Quest of Improvement to Live Up to the Trust and Expectations of Stakeholders throughout Society

MEDIA DO handles massive quantities of eBook data along with the systems for distributing this data. This means that information security and system-related risk countermeasures are themes of utmost importance. In the eBook wholesale business, the Group’s supply chain is dependent on our connections with a wide range of business partners, including publishers and eBook stores. It is therefore crucial for MEDIA DO to be a company that creators and content holders can trust and feel at peace entrusting their precision content to. This recognition inspires us to pursue higher levels of information security based on a commitment to developing the most secure and robust security measures possible along our distribution value chain. MEDIA DO also aims to contribute to the digital transformation of the publishing industry as a whole. However, one glance at the publishing industry from the perspective of information security will reveal a myriad of issues still needing to be addressed. For example, small to medium-sized publishers and eBook stores, which have limited capital and human resources, face significant difficulties trying to implement robust security measures using only in-house resources. Providing such companies with MEDIA DO’s platform, while, of course, ensuring this platform offers peace of mind from the perspective of information security, is an effective way of improving the publishing industry’s overall level of information security.

MEDIA DO merged with Digital Publishing Initiatives Japan Co., Ltd., in 2019. Our current information security systems were built upon the insight and standards developed by this company. Seeking to improve the accessibility and redundancy of our systems while maintaining the same high level of Groupwide information security, we are continually updating our internal systems while regularly incorporating external insight and input through means such as vulnerability diagnoses by third-party institutions. Moreover, MEDIA DO has implemented internal systems for supporting the acquisition of information security-related qualifications, and we also provide ongoing employee training for the purpose of spreading information security awareness and promoting understanding of related rules. Meanwhile, proprietary standards for incidents and outlier values have been established to support the implementation of information security systems, and relevant divisions constantly monitor access to data and systems. Should an abnormality be detected, I will work closely with the COO to swiftly implement measures for addressing the issue and preventing reoccurrence.

Shaping a future in which content continues to be created in the largest volumes imaginable and taken in hand by the greatest numbers of users will entail an ongoing quest to ensure that people feel peace of mind with regard to digital content. MEDIA DO has entered a new leg of this journey with the launch of a business employing its DCA model. However, this has also increased the level of responsibility that MEDIA DO must exercise toward information security. We look to continue to grow our business while living up to the trust and expectations of stakeholders throughout society. To accomplish this objective, we will continue to ramp up our efforts from a variety of perspectives, including internal systems and frameworks and employee education.



Tomohiro Inoue  
General Manager,  
Engineering Division

”

Sustainability for the MEDIA DO Group

SOCIAL

Contributions to Society and to the Publishing Industry

Basic Policy

MEDIA DO's name encapsulates the Company's desire to become a medium that unites forms of value that would not have come together otherwise and thereby contribute continually to the evolution and development of society. The growth of the business of the MEDIA DO Group is linked to the ongoing and harmonious development of society as well as to the growth of the publishing industry. For this

reason, we recognize that it is important for our business activities and services to contribute to the healthy economic development as well as to the enrichment of culture and society. Going forward, the MEDIA DO Group will continue to pursue growth through business activities matched to contemporary trends and changes while leveraging its unique strengths to generate social value.

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

MEDIA DO is charged with the mission of continuously protecting the frameworks that support the ongoing creation of high-quality content and provide users with a safe environment that can be used with confidence to enjoy this content. We are also tasked with maximizing the volume of content distributed through these frameworks. The spread of illegally reproduced content (piracy) is one of the greatest threats to the publishing industry and a constant source of economic and mental stress to all involved in the creation and distribution of content.

Emergency measures for combating piracy have been advanced by various organizations, but it has become clear that the fight against piracy requires a consistent effort by a permanent organization. Based on this recognition, creator organizations, publishers, telecommunications companies, and other industry participants banded together to establish Authorized Books of Japan (ABJ) on July 1, 2020, as their bulwark against piracy. As an intermediary in eBook distribution, MEDIA DO has participated in this organization as one of its founding members, and COO Shin Niina serves as the representative director of ABJ.

The damages of piracy remain severe, but the publishing industry has been gaining ground, as seen in the revision to the Copyright Act aimed at regulating leech sites and the illegal download of copyrighted content. Meanwhile, the ABJ is taking action to combat streaming-style piracy sites, which have been seeing rises in access numbers, by seeking

out such illegal sites to compile lists, which are supplied to relevant parties. Another front for the battle against piracy is improving user literacy and preventing damages to these users. Measures on this front have included anti-piracy campaigns advanced through coordination between creators and ABJ members as well as the use of the ABJ certification mark to indicate authorized stores and distribution services. Supporting ABJ's flank, MEDIA DO lends its aid by supplying intelligence to filtering and security companies and by erecting a defensive line to protect users. Moreover, we pledge our full support to the efforts to battle piracy sites lurking overseas advanced through an alliance between the publishing and communications industries and the relevant government agencies as well as to their user education activities in order to help create an environment in which creators feel safe to create.



Participation in W3C Internet Technology International Standardization Organization

EPUB is a global standard file format for eBooks specified by the World Wide Web Consortium (W3C), an organization promoting the international standardization of internet technologies. MEDIA DO officially joined W3C in December 2018, after which Daihei Shiohama, president and CEO of overseas subsidiary Media Do International, Inc., was appointed as the Asian co-chair of the Publishing Business Group of W3C. In 2020, Mr. Shiohama became one of only about 20 W3C evangelists, an elite team of field specialists

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

Expansion of Digital Library Services that Guarantee Access to Written Works

The COVID-19 pandemic has erected a significant obstacle to frequent visits to public facilities. This situation has created a need to ensure that people have the opportunity to access written works even if they are unable to visit a library directly. MEDIA DO aspires to remove any restriction that may impede a person's ability to access written works, whether these restrictions be due to location, physical characteristics, or some other factor. To this end, we are deploying the OverDrive digital library service in Japan through a strategic business alliance with U.S. company OverDrive, Inc. The OverDrive digital library service allows users easy online access to written works, which they can check out, read, and return without any face-to-face interaction. Moreover, this service offers accessibility features such as the ability to enlarge text.

In addition, we launched an emergency digital library service introduction support campaign in May 2020 to respond

to demand from public and school libraries. Through this campaign, institutions are able to introduce these services without paying initial application expenses. We have received inquiries from numerous municipalities looking to adopt these services in response to the COVID-19 pandemic, and the number of institutions using our digital library service have roughly doubled since the start of the campaign (as of May 31, 2021), helping provide greater access to written works.

TOHAN CORPORATION, a major wholesaler with which MEDIA DO has formed a capital and business alliance, has also begun helping in the development of our digital library service business. By combining our resources, we will seek to support an even wider range of libraries in order to develop written work access environments that are suited to the emerging new normal for our lifestyles.

Comment from User

Maina Tsuchiya

Library Section, Lifestyle Support and Culture Office, Library Staff Lifestyle Support and Culture Division, Obihiro City, Hokkaido

Obihiro City introduced the OverDrive digital library service in December 2020 in order to enhance the range of non-face-to-face services that can be accessed without visiting a library amid the COVID-19 pandemic. After adopting this service, we took advantage of the national government's GIGA School Scheme to supply all students at schools in the city with tablets and with the ID needed to use this service (through the School Education Section). These tablets are being used to provide support for various school education settings, whether for class, for digital library access during morning reading sessions, or for English education. We also capitalized on the official Obihiro City social media service to spread awareness of the digital library service and promote use (through the Public Information Section). In this manner, government agencies citywide are united in utilizing the digital library service.



Obihiro City Library

Community Contribution

Support for Entrepreneurship to Contribute to Regional Development

Japan currently faces a number of serious social issues, including the contraction of its workforce and the rapid aging of its population. Recognizing these issues, MEDIA DO is actively promoting regional development to ensure that Japan can hand down an energized society to future generations. In this endeavor, an issue that needs to be addressed is the concentration of information and production capabilities in major urban centers, a situation that results in regional economies lacking information and experiencing outfluxes of population. Part of MEDIA DO's efforts to address this issue was the establishment in January 2020 of TOKUSHIMA INNOVATION BASE ASSOCIATION (TIB) in Tokushima Prefecture, where Founder and President Yasushi Fujita was born. Created jointly with four local companies, TIB is charged with the mission of supporting entrepreneurs.

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

offers valuable learning opportunities as well as programs for fostering mutually supportive relationships between managers with the aim of cultivating prominent entrepreneurs outside of urban centers. Other companies have followed this example, leading to similar initiatives in more than 20 other prefectures, including Iwate Prefecture and Nagano Prefecture. MEDIA DO hopes to spread such initiatives across Japan in order to create a robust flow of information and people into regional economies and to thereby contribute to the nationwide cultivation of new industries that will strengthen the Japanese economy as a whole.





Sustainability for the MEDIA DO Group

SOCIAL

Human Resource Management

Basic Policy

MEDIA DO's corporate creed states that "all people have limitless potential and can grow with time" and that "MEDIA DO will continue to grow so long as its people grow." As indicated by these statements, we view human resources as indispensable to the ongoing growth of the Company. Moreover, we seek to fulfill our mission of "unleashing a virtuous cycle of literary creation" and thereby realize our vision of "More Content for More People!" Moving forward

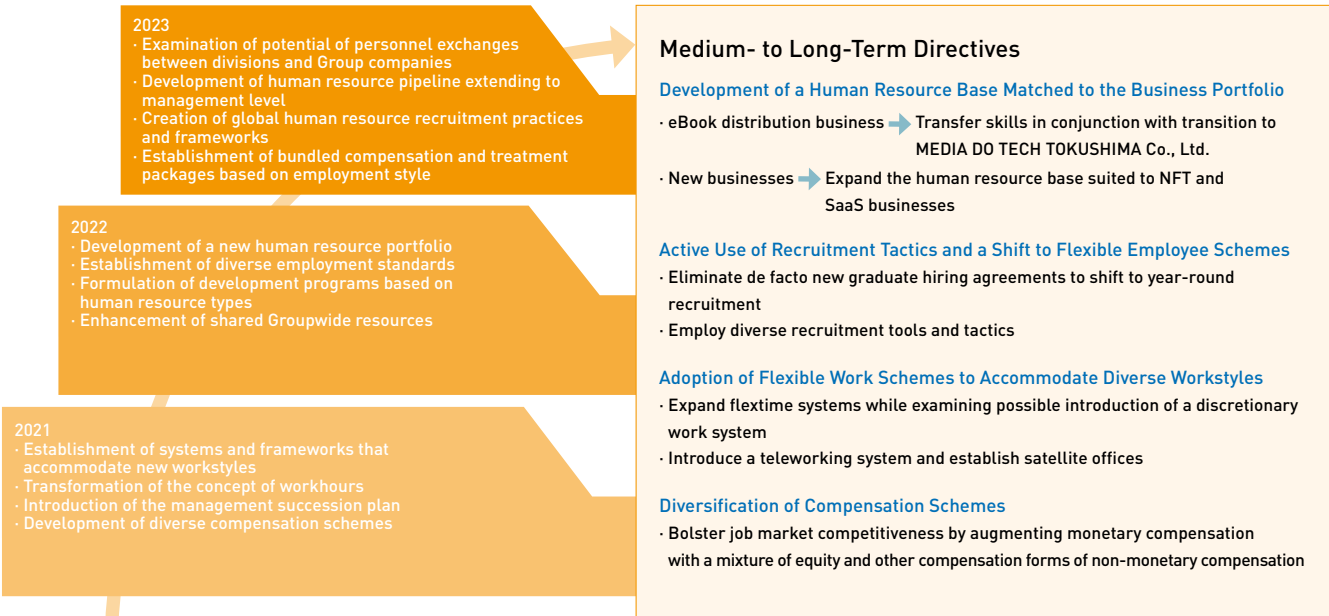
with this mission requires all employees to acquire expertise and experience through their work and for us to utilize our corporate culture as a foundation for fully capitalizing on the growth and potential of our employees. Acting in accordance with this basic policy, we will seek to create environments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

Human Resource Recruitment and Development Strategies

We leave the door open for engineers, business development staff, sales and planning personnel, and a wide range of other personnel year-round, actively welcoming individuals with specialized skills from a variety of backgrounds. We have continued to recruit new university graduates each year for more than 11 years, and such individuals are nurtured so that they can become core members of the Company after joining. In addition, we have reinvented our human resource evaluation and compensation systems to better stimulate the growth of both our business and our people. The new systems define action expectations for specific positions and ranks and clearly identify the experience, specialized knowledge, and other qualities required for each position and level.

This degree of clarity makes readily apparent the direction that each individual should pursue in their desired career path and the next step to take. Supervisors use action expectations to guide the growth of subordinates in a wide range of situations, such as when assigning work and requesting training program participation. In the future, the Company will look to diversify employment patterns through means such as introducing job-type evaluation and compensation systems for certain positions. At the same time, we are cultivating human resource development frameworks that will contribute to the reinforcement of MEDIA DO's operational foundation by enhancing talent management practices and systematic human resource development programs.

Three-Year Human Resource Strategy Framework



66

Human Resources as Driving Force behind Business Activities and Core Company Asset

Human resources are the most important asset driving business activities in MEDIA DO's quest for ongoing growth. Recruiting talented individuals who resonate with our mission, vision, and values and appointing them to positions in which they can effectively exercise their talents will thus be a crucial element of human resource management going forward. Another key element will be ensuring that these employees feel motivated in their work at MEDIA DO and are able to grow while contributing to our business.

We previously focused on recruiting human resources with talents in various fields. Going forward, however, we will need to place more emphasis on the acquisition of human resources that possess skills and experience that MEDIA DO's human resource base currently lacks. Engineers knowledgeable in the latest technologies will be of particular importance. Acquiring such human resources will be imperative to MEDIA DO's future ability to develop new businesses using blockchain and other cutting-edge technologies. We are therefore abandoning hiring preconceptions bound by traditional frameworks such as full-time and contract employees and subcontractors to expand the range of contact points we have with diverse human resources. At the same time, we are taking steps to flexibly accommodate a wider range of workstyles in our hiring activities.

In the fiscal year ended February 28, 2021, we implemented new human resource evaluation and compensation systems based on our mission, vision, and values. These systems place increased emphasis on the role of managers. Specifically, managers will be expected to play a wide range of roles. These roles include supporting team members in pursuing career development and exercising their skills. In addition, managers will be responsible for conducting commitment-based evaluations that entail determining salaries based on commitment goals for the following fiscal year decided through agreement with their subordinates. In light of this wide range of expected roles, we seek to fill management positions with individuals who have a deep understanding of our corporate strategies and who are also able to manage their teams while making autonomous progress in a direction aligned with those strategies. These skills will be fostered through management training and assessment courses. Looking ahead, we will work to accumulate a wider range of individual performance, development, and other data in order to further enhance our Companywide human resource database. Using this database, we aim to better identify the aptitudes of individual employees and support them in shaping their careers.

The fiscal year ended February 28, 2021, brought massive changes to employee workstyles as the COVID-19 pandemic forced us to adopt teleworking and brought other changes. MEDIA DO is committed to addressing any issues that may arise while pursuing improvements by actively collecting input from employees via twice-a-year employee satisfaction surveys. Major accomplishments with this regard in the fiscal year ended February 28, 2021, included the swift establishment of COVID-19 response guidelines and teleworking systems. We also offered financial support to employees for acquiring the necessary equipment for working from home and prepared easy-to-understand manuals detailing specific work rules.

We expect that teleworking and certain other new workstyles will continue even after COVID-19 has been contained. We therefore recognize the need to create an environment in which employees can continue to receive appropriate evaluations and to improve their motivation even under these new working conditions. To this end, we will create frameworks through which managers can monitor the progress of team members and support them in the accomplishment of their goals while revising human resource systems to match new workstyles.

Truly, human resource management is one of our most important management tasks. I therefore look to foster mutual beneficial relationships between MEDIA DO and its employees in which individual growth is linked to the growth of the Company. Through this approach, I hope to help MEDIA DO achieve even loftier targets while contributing to society through the provision of higher levels of value.



Yoichi Chihara  
Executive Officer and CHRO  
(Chief Human Resources Officer)

99

Sustainability for the MEDIA DO Group

Pick Up  
Recruitment of Talented Technological Staff

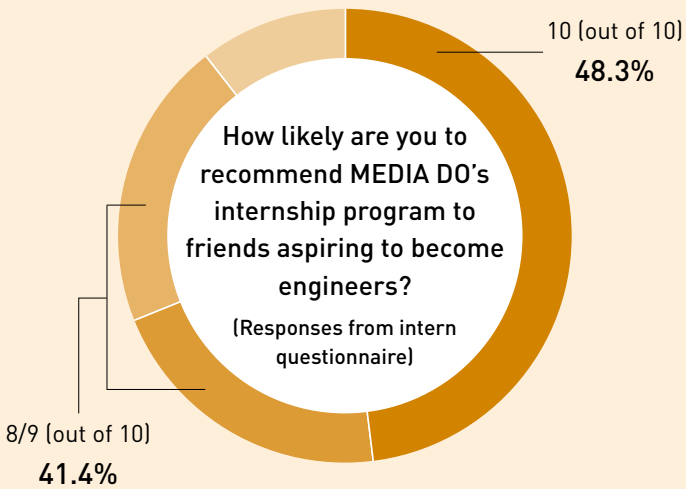
MEDIA DO's Engineer Staff

One of MEDIA DO's core competitive strengths is technology, and this strength is supported by our staff of more than 100 engineers. Our engineer staff is largely divided into two groups. The first is the business-to-business group, which is responsible for the development of eBook distribution platforms as well as SaaS publishing ERP systems. The other is the business-to-consumer group, which develops blockchain and other services and systems. Moreover, product-specific teams are formed within each group. We have in place an environment in which these product-specific teams, which are usually comprised of between five to eight members, can contribute in various fields and technology areas without being separated among the lines of back-end and front-end areas.



Completely Online Internships for New Graduates

In response to the COVID-19 pandemic, MEDIA DO began holding completely online internships for planning and sales staff as well as for engineers in 2020. The engineer internship program, entitled the MediaDo Tech Internship program, offered a paid internship that spanned a total of 10 days. During the first five days, interns were given the opportunity to experience the design sprint methodology for developing value-providing products. Interns then went on to work through the steps leading up to the development of an actual product during the last five days. During the course of the internships, engineer recruitment staff spoke with each intern on an individual basis to foster mutual understanding by addressing issues and concerns regarding the internship program and providing opportunities to think in a more focused manner about one's future career.



Tomoharu Ota (left)  
Saki Nashimoto (right)  
Engineer Recruitment Group,  
President & Group CEO Office

“Our role, our mission, could thus be said to be continuing to seek out and communicate reasons why engineers should choose, and continue choosing, MEDIA DO.”

MEDIA DO is currently developing a number of challenging new businesses with the potential to drive the evolution and digital transformation of the entire publishing industry. Recruiting talented engineers is an important management task to ensuring that we are able to succeed in these new businesses. The recruitment of engineers is a unique task that requires specialized knowledge of technologies, and the pace of change and progress with regard to this task is incredibly fast. We recruit engineers straight out of college as well as from other companies. New graduate hires have immense potential whereas mid-career hires are able to immediately begin making contributions. These engineers are shared among divisions to complement each other's strengths as we advance toward our goals.

After assembling our team, we recruit new graduates through one-on-one interviews and internships while mid-career individuals are approached through direct recruiting. It feels as though the tools and methodologies we use for recruitment are in line with market trends, but at the same time we are currently facing issues in fully communicating the essence and unique flavor of MEDIA DO to applicants. The same could be said of our engineer development programs. Our role, our mission, could thus be said to be continuing to seek out and communicate reasons why engineers should choose, and continue choosing, MEDIA DO. Remaining committed to this mission, we will continue to recruit new engineers while coordinating with the Human Resources Department and the Engineering Division.

“I hope to pursue self-growth in order to become the type of engineer that can resolve issues with technology based on an understanding of businesses.”

A major reason why I chose to join MEDIA DO was that I felt the Company offered an environment in which I could grow and chase the limits of my potential. Between university and graduate school, I majored in information and electronic engineering for six years, during which I had the opportunity to develop online apps and write code by myself. In recent years, finding new graduates with such experience has stopped being a rarity.

Given this situation, achieving swift growth as an engineer requires either an environment in which one is able to act in a goal-oriented manner and to tackle the issues they perceive or for a company to have a foundation for developing modern systems. I sensed that MEDIA DO offered such environments and foundations. Another reason for my choice of MEDIA DO was that I love manga, and thus wanted to work in a job related to content publishing. There are many companies involved in this area, but there are actually very few that put forth a vision or mission of helping more people enjoy content and that advance and evolve efforts based on this desire with technology. In the highly conducive environment offered by MEDIA DO, I hope to pursue self-growth in order to become the type of engineer that can resolve issues with technology based on an understanding of businesses.

Ryo Omori  
Product Development Department,  
Engineering Division  
(Joined MEDIA DO as a  
new graduate hire in April 2021)



# Corporate Governance Discussion

MEDIA DO has defined the establishment of sound and highly transparent corporate governance systems as one of its ESG priority activity themes. The following is a discussion between MEDIA DO President Yasushi Fujita and a long-term investor on subjects including their visions for MEDIA DO, its future direction, and the issues to be addressed going forward in order to establish effective corporate governance systems and entrench sustainability management.



**Tetsuro Ii**  
President and Representative Director  
Chief Investment Officer  
Commons Asset Management, Inc.



**Yasushi Fujita**  
President and CEO  
MEDIA DO Co., Ltd.

## Vision for Corporate Governance at MEDIA DO

**Fujita:** ESG factors are garnering a lot of attention. Meanwhile, the management of MEDIA DO is becoming increasingly global. This situation makes the pursuit of sustainable growth, to be achieved while heightening corporate value and practicing engagement with shareholders and other investors, more important than ever. As the founder of MEDIA DO and its leader, up until our listing on the Tokyo Stock Exchange in 2013, I practiced management based on the belief that I needed to direct the Company through strong leadership. However, this changed with our listing. Today, MEDIA DO should not be steered by a single hand, but rather by a team with diverse opinions and viewpoints. Moreover, this diverse management should be linked to the reinforcement of our organization. The introduction of an executive officer system and the enhancement of the membership of the Board of Directors in 2020 were both measures meant to contribute to increased soundness and transparency in corporate governance systems and to swifter management decision-making. I thus feel that these measures were important milestones for making MEDIA DO a stronger company.

**Ii:** As you say, there are certain growth stages in which the manager of a company should exercise strong leadership. Conversely, it is also incredibly important for companies to be managed by a team in which each member has a full understanding of the company's philosophy and growth strategies and is well-versed in their specific area of responsibility. United, such a team can lead to even stronger management. This type of management is imperative to the long-term sustainability of a company. Rather than trying to claim the No. 1 position by having an incredibly gifted manager run a full marathon, it is more effective to pursue victory via a relay approach in which each member of the board of directors plays their respective part. MEDIA DO included a skill matrix detailing the expertise of the members of its Board in the convocation notice for the General Meeting of Shareholders held in June 2021. Using the convocation notice as a venue for engagement with shareholders is an innovative idea, and I believe that such information is valuable for helping shareholders understand a company better. I also feel that MEDIA DO is exceptionally thorough in the information it discloses in briefing materials for institutional investors. I hope that you will continue to use such engagement tools to practice even more meaningful communication going forward. Based on the example set by your skill matrix, I think viable topics for engagement could include the management strategies to be implemented based on MEDIA DO's mission, vision, and values; the type of management team the Company will assemble to implement those strategies; and the members it will seek for that team. Engagement with external stakeholders takes effort, but by devoting such diligent effort it is possible to gain high levels of trust from investors and encourage ongoing, long-term investment. There are also

cases in which such diligent engagement can uncover new issues that were not readily apparent. Shareholders and other investors look to create a virtuous cycle in which they are able to grow together with companies through engagement.

## Organization Capable of Driving Robust Yet Sustainable Growth

**Fujita:** Half of the users of eBooks and other content are women, and a large number of MEDIA DO's employees are also women. We therefore recognize how important it is to create workplace environments that are comfortable for women and that allow them to develop their careers as they see fit. To facilitate these efforts, we welcomed Ms. Ayako Kanamaru as our first female director in June 2021. Ms. Kanamaru has a wealth of experience related to overseas corporate legal affairs as well as a wide range of insight pertaining to corporate governance. I expect that this expertise will help her play a role in strengthening risk management and corporate governance at MEDIA DO. Moreover, we look forward to the new viewpoints and objective input that she will bring to Board meetings.

**Ii:** I can praise MEDIA DO's diversity-minded management and director appointments. The Company is currently in the process of expanding its operations on a global scale. Accordingly, shareholders are interested in seeing whether its management and organizational structures are suited to global operations. In the past, I have seen a case in which a Japanese company has acquired an overseas company only to bleed precious human resources afterward due to insufficient female representation and global compatibility in its board of directors and management. As the acquired company was more mindful of diversity than the Japanese acquirer, there was a gap between the systems and corporate culture of the two companies. This made it difficult for the acquiring company to form an immediate connection with the employees of the acquired company, an issue that required swift action to rectify.

**Fujita:** Your story is most enlightening. In terms of empowering female employees, we appointed Ms. Kayoko Hanamura to the position of executive officer and CEDO (Chief eBook Distribution Officer). This position puts her in charge of the eBook distribution business, which accounts for 98% of our net sales. I also want to focus on enhancing our Board of Directors and other aspects of senior management and management teams in order to ensure that we can effectively implement our growth strategies and develop a workplace environment that is comfortable for all employees.

**Ii:** I also understand that MEDIA DO established the Nomination and Compensation Committee in June 2021.

**Fujita:** At MEDIA DO, we are approaching succession plans from both a short-term and a long-term perspective. For the short term, we have appointed 11 executive officers with clear roles to ensure that the Company can continue to grow even if I am not around. For the long term, we aim to



Corporate Governance Discussion

foster visionaries who will be capable of charting the future course of MEDIA DO. The Nomination and Compensation Committee will be looking to develop succession plans for the purpose of fostering such visionaries going forward.

**li:** In addition to enhancing decision-making frameworks, disseminating a company’s corporate philosophy is also crucial to the cultivation of future managers. I hope that the Nomination and Compensation Committee will take its time, devoting perhaps even several years to the selection and cultivation of candidates as it develops succession plans.

External Engagement for Heightening Organization-Wide Management Capabilities

**li:** For the perspective of investors, the presence of outside directors designated as external directors is a significant source of hope as it is these directors that represent outside viewpoints. For this reason, we tend to be curious as to what role these directors play in making important decisions at Board meetings. Recently, we have been seeing examples of companies trying to communicate the roles of outside directors to external stakeholders through means such as ESG meetings and other IR events. At these forums, various information is provided about the roles of outside directors, including explanations on their

judgments with regard to specific proposals and how their input has been effectively utilized.

In the case of MEDIA DO, given that the Company is dealing with the cutting-edge technology of NFTs, I think it would be beneficial for you to arrange a technology briefing for investors. In this briefing, you could explain how much growth potential you feel NFT-related operations have as well as what makes these ventures appealing investment targets. You, as president, would not need to be the only presenter. You could have the CTO (Chief Technology Officer) and engineers take to the podium to talk about the conditions seen on the front lines and the progress of your initiatives. I suspect that such an approach would be highly effective at fostering understanding with regard to your business among investors.

**Fujita:** Around the end of May 2021, we held just such an event, a briefing for institutional investors on the topic of NFTs. This briefing was arranged based on the request of a securities company. At this briefing, attendees expressed a great deal of interest in our engineering team and systems. It is just as you say, having managers of engineering divisions or other members of our engineering team participate would certainly contribute to more in-depth discussions.

**li:** I believe that proactive communication between external stakeholders and employees can have a positive impact on

human resource development. When working inside a company, it is hard to understand how the opinions of outside investors relate to oneself. However, by arranging opportunities for employees to speak directly with such external stakeholders, a company can help employees gain a better understanding of how they are perceived, what issues they need to be mindful of, and what is expected of them. This understanding can then be incorporated into their work.

**Fujita:** I see. As the founder and leader of MEDIA DO, I had pondered how best to communicate our efforts to achieve sound and transparent corporate governance to external stakeholders and how to foster understanding with regard to our long-term vision and growth strategies. These ruminations led to the decisions to hold briefings for institutional investors and to issue integrated reports. However, I was unsure as to whether the intent of these efforts has been clearly transmitted to stakeholders. You have made me realize the importance of engaging in an even deeper level of communication with stakeholders. There is definitely a need to work harder in terms of engagement to ensure that investors feel safe entrusting their money to MEDIA DO.

**li:** I think MEDIA DO’s issuance of an integrated report is incredibly laudable. Integrated reports are common among major companies, the types at which overseas investors represent large portions of their shareholder bases. Conversely, there are not many cases of companies choosing to prepare such reports of their own volition while they are still in the growth stage and thus are, like MEDIA DO, growing rapidly every year. The preparation of an integrated report is not a task contained solely within management and IR divisions; it is an involved process that requires the assistance of numerous employees working on the front lines. It is quite impressive that MEDIA DO is creating and enhancing such communication tools and thereby encouraging unity and management participation by employees. I hope that MEDIA DO will continue to practice such communication going forward in order to ensure its sustainability and improve its corporate value.

exactly an M&A transaction will contribute to improved corporate value.

**Fujita:** Decisions regarding M&A activities are not made by me alone. Rather, we share information on a Companywide basis about what functions we need to acquire in order to accomplish our goals, and it is important that we all understand the necessity of these M&A activities. In past business alliances and M&A activities, we have always made sure to thoroughly explain our goals to the counterparty to gain their understanding, and we have only commenced the alliance or transaction when we were convinced that we would be able to share a common goal. One reason for this approach was to ensure effective post-merger integration. Moreover, we prioritize utilizing the existing managers and culture of acquired companies as our basic policy for post-merger integration, and we regularly inspect the finances of acquired companies and participate in meetings of their boards of directors.

**li:** M&A activities are about accumulating a lot of small successes. The fact that MEDIA DO has such an established approach toward M&A activities and post-merger integration is no doubt something that will give investors peace of mind. When conducting M&A activities to expand business portfolios, many companies will look to see if any issues will arise from differences in the acquiree’s customs and culture. MEDIA DO’s approach, however, is quite unique. As your vision is clearly explained, this approach has led to M&A activities that line up with your strategies and that are convincing to external stakeholders.

The Future of MEDIA DO Shaped Together with Stakeholders

**li:** MEDIA DO is developing various new businesses, which means that it needs to be able to conduct management from a multifaceted perspective. It is also expected to advance ESG initiatives, such as workstyle reforms and diversity promotion activities. In the future, I hope that the Company will continue to arrange forums for engagement with external stakeholders to facilitate its growth strategies and risk management.

**Fujita:** I am convinced that proactive, thorough engagement with external stakeholders on an organization-wide level aimed at ensuring sound, transparent, and highly effective governance will also contribute to the sustainability of the Company. Mr. li, your words were so meaningful that I wrote many of them down. I hope to use what I learned today to improve MEDIA DO’s corporate governance and heighten our corporate value in order to make sure that shareholders and other investors can invest while feeling peace of mind and anticipation for the future we envision.

Tetsuro li

President and Representative Director  
Chief Investment Officer  
Commons Asset Management, Inc

After holding positions at Yamaichi Securities Co., Ltd., and Merrill Lynch Japan Securities Co., Ltd., Mr. Tetsuro li established Commons Asset Management, Inc., in 2008, taking up the position of president and representative director and later assuming the concurrent position of chief investment officer in June 2012.

Yasushi Fujita

President and CEO  
MEDIA DO Co., Ltd.





# Introduction to MEDIA DO's Management



**Yasushi Fujita**  
President and CEO



**Shin Niina**  
Director, Vice President, and COO

“ It is vital to evolve the corporate governance systems of MEDIA DO at a pace that matches, nay surpasses that of its growth. ”

“ We aim to return value to our stakeholders by unleashing a virtuous cycle of literary creation through efforts to grow our business while ensuring strong corporate governance. ”



**Atsushi Mizoguchi**  
Director and CBDO  
(Chief Business Development Officer)

“ New business development brings with it various risks. For this reason, coordinating with Company divisions in resolving issues and making decisions will contribute to stronger governance. ”



**Yoshiyuki Suzuki**  
Director and CAO  
(Chief Accounting Officer)

“ I look to help MEDIA DO live up to the expectations of all stakeholders by reinforcing the frameworks that allow the Company to supply the best possible answer while maintaining its unique flair, even in a highly volatile operating environment. ”



**Kazuyoshi Ohwada**  
Standing Audit & Supervisory Board Member

“ I look to perform my duties based on a full understanding of Japan's Corporate Governance Code while pursuing self-improvement to heighten audit quality. ”

## Major Topics of Discussion at Board of Directors' Meetings

Theme	Major Topics of Discussion	Number of Reports / Resolutions
Management strategies	Management policies, impacts of the COVID-19 pandemic, progress of the medium-term management plan, reports on businesses (new / existing)	14
Financial accounting	Group budgets, capital strategies (shareholder returns, fund procurement), financial results reports	14
Investments, M&As	Potential investments, M&As	6
Human Resources / Organization	Nomination of directors and executive officers, officer compensation (monetary / non-monetary)	6
Corporate Governance	Evaluation of Board of Directors' effectiveness, conflicts of interest among officers, policies and regulations for improving corporate governance	7
Compliance / Risk Management	Compliance, risk management, internal control, sustainability	5
IR	IR policies and activity reports	4



**Keiichi Enoki**  
Outside Director

“ Free and open discussion at Board meetings contributes to more effective governance. I will therefore continue promoting the free exchange of ideas. ”



**Ayako Kanamaru**  
Outside Director

“ Calling upon the experience I have gained in international transactions and corporate legal affairs throughout my career as a lawyer, I hope to contribute to increased effectiveness for the Board of Directors and the Nomination and Compensation Committee and thereby to more robust governance. ”



**Toshiaki Morifuji**  
Outside Audit & Supervisory Board Member

“ I am committed to accurately identifying the issues that MEDIA DO should prioritize and to conducting effective audits that make direct contributions to sustainable growth and improved corporate value. ”



**Tsuyoshi Shiina**  
Outside Audit & Supervisory Board Member

“ Always mindful of my role as an advocate for the common interests of shareholders, I look to supervise MEDIA DO's management from my independent standpoint as a lawyer. ”



Management Team

(As of June 1, 2021)



A. Yasushi Fujita

Representative Director, President and CEO

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

B. Shin Niina

Director, Vice President, and COO

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

C. Yoshiyuki Suzuki

Director and CAO

- Dec. 1986 Joined Takahashi Accounting Office
- Mar. 1997 Joined Red Hot Company Co., Ltd.
- Oct. 1997 Joined ASahi INTECC CO., LTD.
- Jan. 2001 Joined World Bridal Co., Ltd.
- Nov. 2007 Joined the Company
- Mar. 2008 General Manager of the Accounting and Finance Department of the Company
- July 2008 Executive Officer and General Manager of the Accounting and Finance Department of the Company
- Mar. 2014 Executive Officer and General Manager of the Business Administration Department of the Company
- Resigned from the Company
- May 2015 Joined the Company, Executive Officer and General Manager of the Administration Division
- Nov. 2015 Director and General Manager of the Administration Division of the Company
- May 2016 Audit & Supervisory Board Member of Digital Publishing Initiatives Japan Co., Ltd. (changed its company name to MEDIA DO Co., Ltd. in March 2019, absorbed by the Company in June 2020)
- Mar. 2017 Audit & Supervisory Board Member of MEDIA DO Co., Ltd. (merged with Digital Publishing Initiatives Japan Co., Ltd. in March 2019)
- Sep. 2017 Audit & Supervisory Board Member of MEDIA DO Co., Ltd. (merged with Digital Publishing Initiatives Japan Co., Ltd. in March 2019)
- Mar. 2018 Director, Executive Officer, and CAO of the Company
- May 2019 Director of the Company (in charge of the Finance and Accounting Department)
- June 2020 Director and CAO of the Company (current position)

D. Atsushi Mizoguchi

Director and CBDO

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

E. Keiichi Enoki

Outside Director

- Apr. 1974 Joined Nippon Telegraph and Telephone Public Corporation
- July 1992 Joined NTT Mobile Communications Network, Inc. (currently NTT DOCOMO, INC.)
- Mar. 1995 General Manager of the Tochigi Branch of NTT Mobile Communications Network, Inc.
- Jan. 1997 General Manager of the Corporate Sales and Marketing Department of NTT Mobile Communications Network, Inc.
- Aug. 1997 General Manager of the Gateway Business Department of NTT Mobile Communications Network, Inc.
- June 2000 Director and General Manager of the Gateway Business Department of NTT DOCOMO, INC.
- July 2001 Director and General Manager of the i-mode Business Division of NTT DOCOMO, INC.
- June 2003 Managing Director and General Manager of the i-mode Business Division of NTT DOCOMO, INC.
- June 2004 Managing Director and General Manager of the Products & Services Division of NTT DOCOMO, INC.
- June 2005 Representative Director and President of NTT DoCoMo Tokai, Inc. (currently the Tokai Regional Office of NTT DOCOMO, INC.)
- June 2008 Representative Director and President of DOCOMO Engineering Inc.
- June 2012 Advisor of DOCOMO Engineering Inc.
- June 2013 Outside Auditor of NDS Co., Ltd.
- Nov. 2016 Outside Director of UNIMEDIA INC. (current position)
- May 2017 Outside Director of the Company (current position)

Major Concurrent Position  
Outside Director of UNIMEDIA INC.

F. Ayako Kanamaru

Outside Director

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

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

G. Kazuyoshi Ohwada

Standing Audit & Supervisory Board Member

- June 1969 Joined Sony Audio Corporation (currently Sony Global Manufacturing & Operations Corporation)
- June 2007 Registered as a certified public accountant
- Mar. 2002 Joined the Company, General Manager of the Administration Department of the Company
- July 2003 Director and General Manager of the Administration Department of the Company
- Mar. 2008 Director and General Manager of the Administration Division of the Company
- May 2012 Senior Managing Director and General Manager of the Administration Division of the Company
- Sep. 2013 Director and General Manager of the Administration Division of the Company
- May 2014 Audit & Supervisory Board Member of the Company (current position)

H. Toshiaki Morifuji

Outside Audit & Supervisory Board Member

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

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

I. Tsuyoshi Shiina

Outside Audit & Supervisory Board Member

- Oct. 2002 Registered as a lawyer
- Joined Kimura Law Office
- Mar. 2003 Joined Kandabashi Law Office (currently White & Case LLP)
- July 2005 Joined Nagashima Ohno & Tsunematsu
- Oct. 2011 Joined Industrial Growth Platform, Inc.
- Oct. 2012 Advisor to the House of Representatives [transferred from Industrial Growth Platform, Inc., appointed to the National Diet of Japan Fukushima Nuclear Accident Independent Investigation Commission]
- Dec. 2012 Member of the Lower House of Representatives
- Nov. 2014 Registered as a tax accountant
- Dec. 2014 Representative of Tsuyoshi Shiina Legal and Tax Accountant Office (current position)
- Jan. 2017 Outside Director of Phone Appli Inc.
- May 2017 Outside Audit & Supervisory Board Member of the Company (current position)
- Nov. 2020 Member of the Working Group on Digital Transformation of Bandai Town (current position)
- Apr. 2021 Comprehensive External Auditor of Kanagawa Prefecture, Fiscal Year 2021 (current position)

Major Concurrent Positions  
Representative of Tsuyoshi Shiina Legal and Tax Accountant Office  
Member of the Working Group on Digital Transformation of Bandai Town  
Comprehensive External Auditor of Kanagawa Prefecture, Fiscal Year 2021



# Corporate Governance

### Basic Policy

To accomplish its mission and vision, MEDIA DO has put forth the basic management policy of improving corporate value and thereby maximizing shareholder value over the medium to long term based on an accurate understanding of the importance of its various stakeholders. MEDIA DO recognizes the following as important management issues to be addressed as its management grows increasingly more global: The expedition and streamlining of management decisions to facilitate the further broadening of its business and the heightening of corporate value, and the improvement of management health and transparency through enhanced corporate governance. Entrenching corporate ethics and awareness of these principles throughout the Company will be imperative to improving the health and transparency of management. By fostering such awareness, MEDIA DO aims to develop a corporate culture in

which all internal institutions, officers, and employees make fair and accurate decisions. Meanwhile, improving management transparency, and thereby building long-term, trusting relationships with stakeholders, will require prompt and proactive disclosure of information. Systems for information disclosure, both legally mandated and voluntary, are therefore being enhanced toward this end.

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

➡ For more details, please refer to the MEDIA DO Basic Corporate Governance Policy:  
<https://mediado.jp/english/ir/sustainability/governance/policy/>

### Corporate Governance System

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

The Company has selected the Company with Board of Company Auditors structure described in the Companies Act of Japan for its organizational structure as this structure provides for two lines of checks on operational execution through supervision by the Board of Directors and audits from the perspectives of legal compliance and appropriateness by the Audit & Supervisory Board. Under the Company’s current corporate governance system, all outside Audit & Supervisory

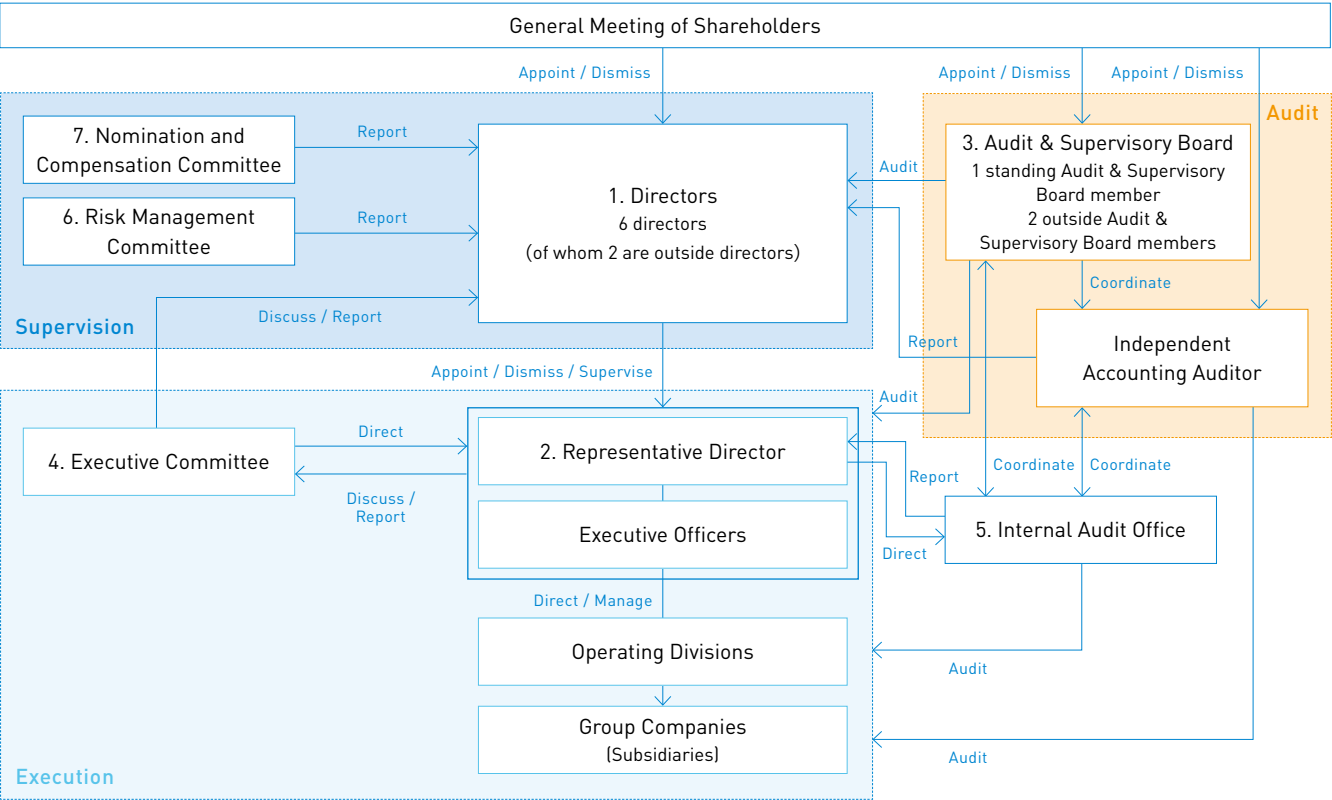
Board members have been designated as independent auditors as stipulated by the Tokyo Stock Exchange, while the two outside directors are designated as independent directors.

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

### Overview of Corporate Governance System (As of June 1, 2021)

Organizational structure	Company with Board of Company Auditors
Number of directors (of which, outside directors)	6 (2)
Number of Audit & Supervisory Board members (of which, outside Audit & Supervisory Board members)	3 (2)
Term of directors	1 year
Term of Audit & Supervisory Board members	4 years
Has executive officer system	Yes
Voluntary advisory body to the Board of Directors	Nomination and Compensation Committee
Incentives provided to directors	Restricted stock compensation system, etc.
Accounting auditor	KPMG AZSA LLC

### Corporate Governance System (As of June 1, 2021)



### Functions and Role of Corporate Governance System Constituents

Name	Overview	Number of Meetings / Frequency in FY2020
1. Board of Directors	The Board of Directors is the Company’s highest management decision-making body. Based on the internal regulations for the Board of Directors, the Board of Directors makes decisions on important matters (management policies, business plans, acquisition and disposal of important assets, etc.) and supervises the status of operational execution. Regular meetings of the Board of Directors are held once a month, in principle, and special meetings are convened as necessary.	17 times a year
2. Representative Director	As the chief executive and the head of management, the representative director directs discussions at Board of Directors’ meetings and oversees all aspects of operational execution at the Company.	—
3. Audit & Supervisory Board	Audit & Supervisory Board members attend meetings of the Board of Directors to maintain an understanding of conditions within the Company and perform audits of operations along with accounting audits by interviewing directors and review of relevant documents. Standing Audit & Supervisory Board members also attend important meetings other than those of the Board of Directors to provide for sufficient oversight of the status of operational execution by directors. The Audit & Supervisory Board meets once a month. At meetings, the three Audit & Supervisory Board members establish audit plans and review the status of audit implementation and audit results and perform other tasks to ensure effective and efficient audits. Moreover, information is shared between Audit & Supervisory Board members, the Internal Audit Office, and the accounting auditor to ensure efficient and synergetic audits.	14 times a year
4. Executive Committee	The Executive Committee meets once a week, in principle, primarily to discuss matters pertaining to business operation and to facilitate efficient operational execution through the examination and decision of matters pertaining to regulations for divisions of authority and basic operational execution items related to management that are not decided by the Board of Directors.	Once a week
5. Internal Audit Office	The Internal Audit Office is an organization under the direct jurisdiction of the representative director, president and CEO that performs internal audits in accordance with the plans approved by the representative director, president and CEO. In this manner, the office audits the Company’s business activities while supervising the actions of directors and employees from the perspective of legal compliance.	—
6. Risk Management Committee	The Risk Management Committee is chaired by the director in charge of the General Affairs Department and comprised of representatives from business divisions and other relevant divisions. Meetings of the Risk Management Committee are convened as necessary, with meetings being held on a quarterly basis, in principle. At these meetings, committee members identify the risks that may impact the Company, examine possible countermeasures, and discuss related matters. Information on decisions by the committee is communicated throughout the Company.	Three times a year
7. Nomination and Compensation Committee	The Nomination and Compensation Committee is to be comprised of three or more directors, including the representative director, appointed via resolution of the Board of Directors, a majority of which should be outside directors designated as independent directors. Moreover, the committee is to be chaired by an outside director designated as an independent director. 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.	Established on June 1, 2021

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 knowl- edge, experience, and skills of members as well as their gender and other diversity aspects. From the perspectives of objectivity and transparency, candidates for positions as direc- tors 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 Tokyo Stock Exchange. Moreover, these individuals must not present the risk of conflicts of interest with general shareholders.

Director and Audit & Supervisory Board Member Skill Matrix

		Areas of Expertise / Anticipated Contribution											Attendance at Board of Directors’ Meetings	Attendance at Audit & Supervisory Board Meetings
		Corporate manage- ment / strategy	Legal affairs, risk management	Finances, accounting, capital measures	Technologies, systems	Human resources, human resource develop- ment	Internal control, corporate governance	ESG, sustainability	Marketing, business development	International experience	Industry experience	Independence		
Directors	Yasushi Fujita Representative Director, President and CEO	○			○	○		○	○		○		17/17	—
	Shin Niina Director, Vice President, and COO	○			○	○		○		○	○		17/17	—
	Yoshiyuki Suzuki Director and CAO		○	○		○	○						17/17	—
	Atsushi Mizoguchi Director and CBD0	○			○				○		○		13/13	—
	Keiichi Enoki Outside Director	○			○				○	○		○	17/17	—
	Ayako Kanamaru Outside Director		○				○	○		○		○	Appointed to current position in May 2021	—
Audit & Supervisory Board Members	Kazuyoshi Ohwada Standing Audit & Supervisory Board Member	○	○	○			○						17/17	14/14
	Toshiaki Morifuji Outside Audit & Supervisory Board Member		○	○								○	17/17	14/14
	Tsuyoshi Shiina Outside Audit & Supervisory Board Member		○				○					○	17/17	14/14

Compensation of Directors and Audit & Supervisory Board Members

Compensation for directors is decided in accordance with the basic policies detailed to the right. In line with the basic policies, compensation for executive directors is comprised of monetary compensation (not consid- ered performance-linked compensation) and stock compensa- tion. Monetary compensation consists of basic compensation and commitment-linked compensation.

- 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 account- ability toward shareholders and other stakeholders.
- Compensation amounts should be set appropriately based on the roles and responsibility of each individual director.

Ratios of Executive Officer Compensation by Type

Monetary Compensation	Stock Compensation
80–90%	10–20%

Previously, the compensation to be paid to individual directors in a given fiscal year was decided based on comprehensive consideration of the role, degree of contribution, performance, and other factors pertaining to the director by the representa- tive director, president and CEO based on authority delegated by the Board of Directors while the compensation of Audit & Supervisory Board members was determined through

discussion among auditors. However, in June 2021 the Company established the Nomination and Compensation Committee as an advisory body to the Board of Directors tasked with examining and discussing matters pertaining to the nomination and compensation of directors for the purpose of ensuring the objectivity and transparency of decisions regarding these matters.

Compensation of Directors and Audit & Supervisory Board Members in FY2020

	Total Compensation (Millions of yen)	Compensation by Type (Millions of yen)				Number of Recipients
		Basic Compensation	Restricted Stock Compensation	Bonuses	Retirement Benefits	
Directors (excluding outside directors)	¥91	¥74	¥16	¥—	¥—	¥5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	6	6	—	—	—	1
Outside directors and auditors	14	14	—	—	—	4

Note: Figures for “Directors (excluding outside directors)” above include one director who resigned following the expiration of their term at the conclusion of the 21st Annual General Meeting of Shareholders held on May 28, 2020.

Evaluation of Effectiveness of the Board of Directors

Self-evaluations and analyses of the effectiveness of the Board of Directors are performed for the purpose of improving the func- tionality of the Board of Directors and subsequently the corporate value of the Company. Advice from third-party institutions has been received in performing the self-evaluations and analyses, which were performed through the following procedures.

Based on this evaluation of the effectiveness of the Board of Directors, swift action will be taken after sufficient discus- sion of the identified issues to continuously heighten the func- tionality of the Board of Directors.

FY2021 Initiatives Based on Results of FY2020 Evaluation

Excluding the fact that the COVID-19 pandemic made it difficult to arrange discussions among outside directors other than meetings of the Board of Directors, the evaluation of the Board of Directors’ effectiveness for the fiscal year ended February 28, 2021, showed improvements over the previous fiscal year with regard to almost all items. Issues needing to be resolved going forward will be addressed through the effective functioning of the

Nomination and Compensation Committee established in June 2021. In addition, the Board of Directors will play a central role in overseeing and promoting sustainability and diversity issues out of consideration for the revision to Japan’s Corporate Governance Code implemented in response to the reorganization of the Tokyo Stock Exchange.

FY2020 Evaluation of Board of Directors’ Effectiveness

Process Overview	Results of Evaluation	Improvement Initiatives
<p><b>Overview:</b> Survey issued in March 2021, results analyzed, discussed, and evaluated at regular May Board of Directors’ meeting</p> <p><b>Scope:</b> All directors and Audit &amp; Supervisory Board members</p> <p><b>Response Method:</b></p> <ul style="list-style-type: none"><li>• Anonymous questionnaires submitted directly to third-party institution to ensure anonymity</li></ul> <p><b>Major Topics:</b></p> <ul style="list-style-type: none"><li>• Board of Directors’ composition, meeting proceedings, and deliberations</li><li>• Oversight function of Board of Directors</li><li>• Performance of outside directors</li><li>• Support systems and training for directors and Audit &amp; Supervisory Board members</li><li>• Engagement with shareholders (investors), etc.</li></ul>	<p><b>Highly Rated Items:</b></p> <ul style="list-style-type: none"><li>• Number of Board of Directors’ members and balance of internal and outside directors</li><li>• Frequency of Board of Directors’ meetings and free, open, non-formulaic, and constructive discussions and exchanges of ideas</li><li>• Management of conflicts of interest with parties related to management and controlling interests</li><li>• Execution of oversight function of outside directors for contributing to medium- to long-term improvements to corporate value</li></ul> <p><b>Future Challenges:</b></p> <ul style="list-style-type: none"><li>• Development of appropriate management compensation systems</li><li>• Contribution to establishment and implementation of succession plans for the president and CEO and other members of management</li></ul>	<p><b>1. Establishment of Nomination and Compensation Committee</b> In June 2021, the Company established the Nomination and Compensation Committee. The committee is to be comprised of three or more directors, including the representa- tive director, a majority of which should be outside directors designated as independent directors, and the chairperson of this com- mittee shall be an outside director. The Board of Directors shall consult with and receive reports from this committee with regard to the compensation to be paid to individual directors, and the commitment will be involved in succession planning for the president and CEO and other members of management.</p> <p><b>2. Reinforcement of Corporate Governance Systems</b> In light of the impending transference of the Company’s stock to the Tokyo Stock Exchange Prime Market in 2022, the Board of Directors will conduct ongoing monitoring and verification of Group companies from the perspective of sustainability and diversity in order to reinforce oversight functions.</p>



# Risk Management

### Basic Policy

The MEDIA DO Group has established risk management regulations to mitigate risks and minimize the potential losses should risks be realized. In addition, the Risk Management Committee has been put in place to help identify, asses, and combat risks with the potential to impact the ongoing growth and business activities of the Group. This committee meets once a quarter,

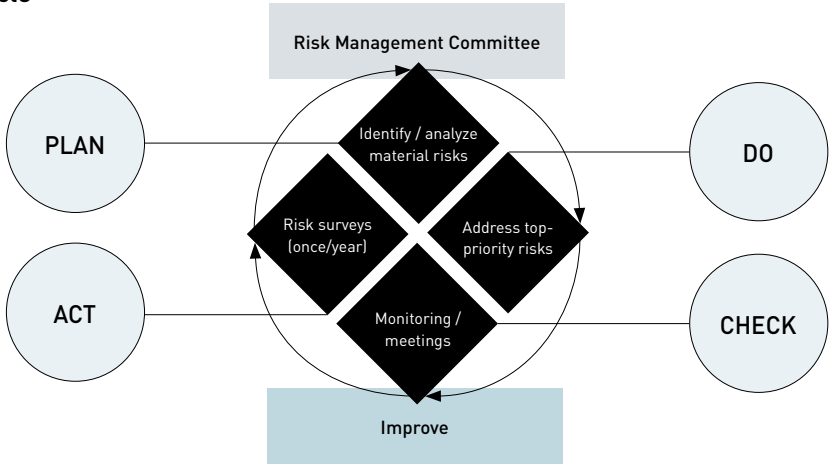
in principle, and the results of its examinations and discussions are reported to management. Based on these reports, management examines the relative weight of risks from its perspective to prioritize the risks needing to be addressed. Identified risks are categorized as either business strategy risks or operational risks.

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

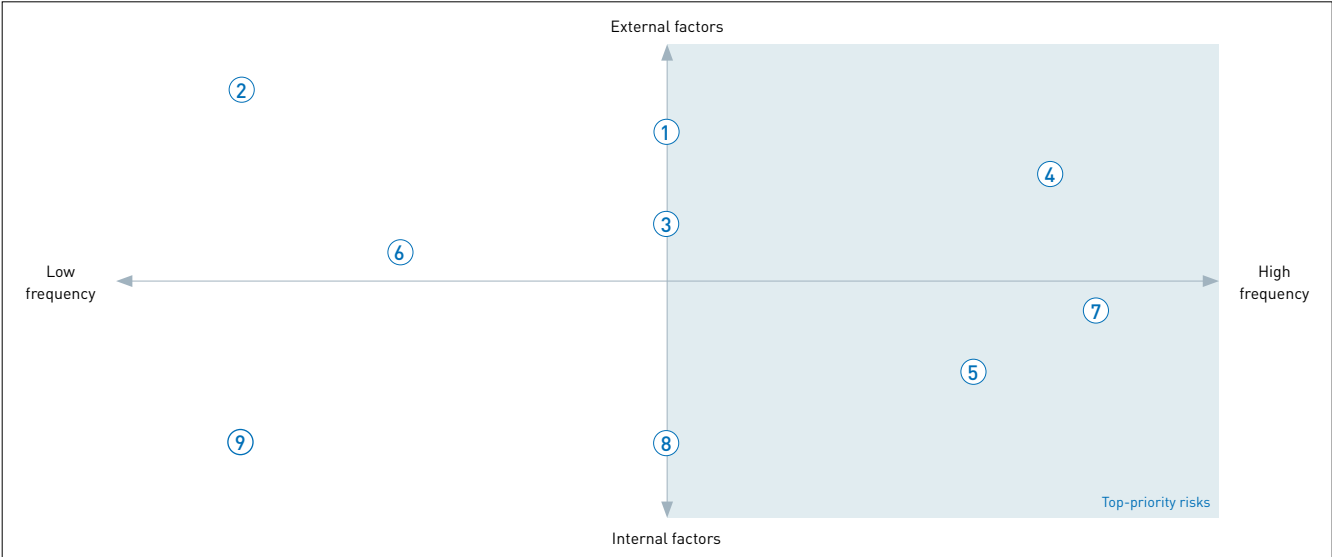
For risks judged to be material, response measures and countermeasures are examined and discussed after various levels, including the business, corporate, and senior management levels. The Risk Management Committee monitors progress in such measures as it works to promote ongoing improvements. In addition, Audit & Supervisory Board members attend meetings of the Board of Directors, review important

documents, and coordinate with the accounting auditor to confirm the effectiveness of measures implemented in response to high-priority risks. Furthermore, the Company establishes compliance-related regulations, defines the roles and regulations to be observed by Group officers and employees, and conducts internal audits to confirm the status of compliance.

### Risk Management Cycle



### Risk Assessment Map



### Major Business Risks and Scope of Impacts

	Recognized Risk	Scope of Impact	Degree of Impact	Supplementary Information
Business Strategy Risks	① Risks related to growth potential of the eBook industry ➡ P.28	• Risk of impacts on management policies and growth strategies • Risk of impacts on business performance	Potential for medium to large impacts (¥100 millions of yen to billions of yen) on performance	The eBook market is expected to grow going forward, and the Company is committed to improving its systems and services to contribute to this growth.
	② External factor (natural disasters, etc.) risks	• Risk of impacts on growth strategies and business activities • Risk of impacts on supply and demand • Risk of impacts on earnings	Potential for medium to large impacts (¥100 millions of yen to billions of yen) on performance	In response to the COVID-19 pandemic, as high as 98% of MEDIA DO’s employees transitioned to teleworking, enabling the Company to continue its business activities. Conversely, the Company recognizes the need to establish business continuity plans and crisis response manuals and take other exhaustive measures to limit the potential impact of external factors on business activities.
	③ Risks of piracy websites, etc.	• Risk of impacts on growth strategies and business activities • Risk of impacts on supply and demand • Risk of impacts on earnings	Potential for medium to large impacts (¥100 millions of yen to billions of yen) on performance	The emergence of small to medium-sized piracy websites has been confirmed after the closure of a major piracy website in April 2018. Although several websites are expected to be closed over the next year, it is possible that MEDIA DO’s business will be impacted by piracy websites in the future.
	④ Risks related to dependence on specific suppliers	• Risk of impacts on business activities • Risk of impacts on performance and financial position	Potential for medium to large impacts (¥100 millions of yen to billions of yen) on performance	MEDIA DO does not engage in frequent conditions negotiations with suppliers, but conditions are regularly reviewed from a two-way perspective.
	⑤ Systems and information security risks ➡ P.50	• Risk of impacts on performance and financial position • Risk of damage to brand value	Potential for medium impacts (¥100 millions of yen) on performance	Over the past year, there were no incidents resulting in economic losses and one incident of information leakage. The information leakage incident involved the NetGalley distribution service MEDIA DO utilizes in Japan. In December 2020, unauthorized access to the backup files of U.S.-based NetGalley, LLC, the company that manages and operates this service on a global basis, resulted in the leakage of personal information of users in Japan and other countries and corporate information of certain publishers. MEDIA DO recognizes the need for a Groupwide effort to enhance security systems in order to prevent future incidents and information leaks.
	⑥ Investment and impairment risks ➡ P.42	• Risk of impacts on financial position • Risk of impacts on business activities, performance, cash flows, and stock price	Potential for medium to large impacts (¥100 millions of yen to billions of yen) on performance	In the fiscal year ended February 28, 2019, the Company recorded a loss on valuation of investment securities of ¥1,217 million under extraordinary loss. In response to this loss, steps were taken to improve the rationality of investment decisions, including the establishment of the Investment Committee and the formulation of investment strategy policies. Regardless, it is possible that performance may be impacted by the intensification of competition going forward.
Operational Risks	⑦ Human resource recruitment risks ➡ P.54, 56	• Risk of impacts on growth strategies and business activities • Risk of impacts on performance and financial position	Potential for medium to large impacts (¥100 millions of yen to billions of yen) on performance	No major delays to business activities have been incurred as a result of human resource recruitment issues, but demand is already rising for human resource recruitment to fuel future growth.
	⑧ Internal control risks ➡ P.66	• Risk of impacts on performance and financial position • Risk of damage to brand value	Potential for medium impacts (¥100 millions of yen) on performance	No corporate governance issues have occurred at this point in time, but MEDIA DO recognizes the need to enhance internal control systems in order to prevent future issues.
	⑨ Risks related to dependence on specific individuals	• Risk of impacts on growth strategies and business activities • Risk of impacts on performance and financial position • Risk of damage to brand value	Potential for medium impacts (¥100 millions of yen) on performance	The Company is not currently dependent on any specific individuals. However, it is still necessary to develop succession plans and otherwise prepare for unforeseen events.

## Financial Section

## CONSOLIDATED BALANCE SHEETS

MEDIA DO Co., Ltd. and its consolidated subsidiaries

As of February 28, 2021 and February 29, 2020

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets			
Current assets			
Cash and deposits (Notes 4 and 16)	¥12,703	¥ 8,090	\$119,557
Accounts receivable-trade (Note 4)	19,921	16,022	187,491
Other	1,278	878	12,028
Allowance for doubtful accounts	(0)	(1)	(0)
Total current assets	33,902	24,989	319,077
Non-current assets			
Property, plant and equipment			
Buildings	357	331	3,360
Tools, furniture and fixtures	380	369	3,576
Other	14	14	131
Accumulated depreciation	(449)	(373)	(4,225)
Total property, plant and equipment	303	341	2,851
Investments and other assets			
Goodwill (Notes 3 and 17)	5,713	5,416	53,769
Investment securities (Notes 4 and 5)	2,290	2,504	21,552
Shares of associates (Note 4)	470	455	4,423
Guarantee deposits (Note 4)	375	322	3,529
Software	357	262	3,360
Software in progress	199	38	1,872
Long-term prepaid expenses	2	5	18
Deferred tax assets (Note 10)	96	166	903
Allowance for doubtful accounts	(615)	(498)	(5,788)
Other	90	63	847
Total investments and other assets	8,981	8,733	84,527
Total assets	¥43,187	¥34,063	\$406,465

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

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Liabilities			
Current liabilities			
Accounts payable-trade (Note 4)	¥22,507	¥18,248	\$211,830
Current portion of long-term borrowings (Notes 4 and 6)	1,181	1,663	11,115
Income taxes payable	686	519	6,456
Provision for bonuses	14	203	131
Provision for point certificates	84	47	790
Provision for loss on business liquidation	—	16	—
Other (Note 6)	950	700	8,941
Total current liabilities	25,425	21,396	239,294
Non-current liabilities			
Long-term borrowings (Notes 4 and 6)	5,471	6,579	51,491
Provision for loss on business of subsidiaries and associates	40	—	376
Deferred tax liabilities (Note 10)	2	177	18
Other (Note 6)	79	73	743
Total non-current liabilities	5,593	6,829	52,640
Total liabilities	31,018	28,225	291,934
Net assets (Note 11)			
Shareholders' equity			
Share capital (Note 11)	4,415	1,900	41,552
Capital surplus	5,489	2,779	51,661
Retained earnings	2,000	665	18,823
Treasury shares (Note 11)	(1)	(1)	(9)
Total shareholders' equity	11,903	5,343	112,028
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	198	443	1,863
Foreign currency translation adjustment	3	6	28
Total accumulated other comprehensive income	201	449	1,891
Share acquisition rights (Note 8)	11	48	103
Non-controlling interests	53	(2)	498
Total net assets	12,169	5,838	114,531
Total liabilities and net assets	¥43,187	¥34,063	\$406,465



Financial Section

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

MEDIA DO Co., Ltd. and its consolidated subsidiaries

Years ended February 28, 2021 and February 29, 2020

Consolidated Statements of Income

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales	¥83,540	¥65,860	\$786,258
Cost of sales	75,810	59,169	713,505
Gross profit	7,730	6,691	72,752
Selling, general and administrative expenses (Note 12)	5,065	4,837	47,670
Operating profit (Note 17)	2,664	1,854	25,072
Other income (expenses)			
Interest and dividend income	6	10	56
Subsidy income	14	27	131
Gain on investments in investment partnership	17	—	160
Reversal of allowance for doubtful accounts	21	—	197
Share of profit of entities accounted for using equity method	50	—	470
Interest expenses and sales discounts	(36)	(42)	(338)
Share issuance costs	(22)	1	(207)
Foreign exchange losses	(9)	(2)	(84)
Provision for allowance for doubtful accounts	—	(9)	—
Share of loss of entities accounted for using equity method	—	(68)	—
Loss on investments in investment partnership	—	(1)	—
Gain on sale of non-current assets	—	1	—
Gain on reversal of share acquisition rights	0	1	0
Gain on sale of investment securities	—	295	—
Loss on retirement of non-current assets (Note 13)	(0)	(24)	(0)
Loss on valuation of investment securities	(31)	(180)	(291)
Special provision of allowance for doubtful accounts	(139)	(151)	(1,308)
Provision for loss on business of subsidiaries and associates	(40)	—	(376)
Provision for loss on business liquidation	—	(16)	—
Impairment loss (Note 14)	—	(56)	—
Loss on sale of businesses	—	(32)	—
Other	0	(8)	0
Profit before income taxes	2,498	1,600	23,510
Income taxes—current	985	696	9,270
Income taxes—deferred	0	28	0
Total income taxes	985	724	9,270
Profit	¥ 1,513	¥ 876	\$ 14,240
Profit (loss) attributable to non-controlling interests	¥ (6)	¥ (9)	\$ (56)
Profit attributable to owners of parent	1,519	885	14,296

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

Consolidated Statements of Comprehensive Income

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit	¥1,513	¥ 876	\$14,240
Other comprehensive income (Note 15)			
Valuation difference on available-for-sale securities	(245)	188	(2,305)
Foreign currency translation adjustment	(2)	(1)	(18)
Total other comprehensive income	(248)	187	(2,334)
Comprehensive income	¥1,264	¥1,063	\$11,896
Comprehensive income attributable to:			
Owners of parent	¥1,271	¥1,072	\$11,962
Non-controlling interests	(6)	(9)	(56)

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

MEDIA DO Co., Ltd. and its consolidated subsidiaries

Years ended February 28, 2021 and February 29, 2020

	Millions of yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
	¥1,651	¥2,546	¥ (90)	¥(0)	¥ 4,107
Balance at March 1, 2019					
Changes during period					
Issuance of new shares—exercise of share acquisition rights	249	249			498
Issuance of restricted shares			(130)		(130)
Dividends of surplus			885		885
Profit attributable to owners of parent				(1)	(1)
Purchase of treasury shares					—
Capital increase of consolidated subsidiaries					—
Sale of shares of consolidated subsidiaries					—
Change in ownership interest of parent due to transactions with non-controlling interests		(16)			(16)
Net changes in items other than shareholders' equity					—
Total changes during period	249	233	755	(1)	1,236
Balance at February 29, 2020	¥1,900	¥2,779	¥ 665	¥(1)	¥ 5,343
Changes during period					
Issuance of new shares—exercise of share acquisition rights	2,490	2,490			4,981
Issuance of restricted shares	24	24			49
Dividends of surplus			(184)		(184)
Profit attributable to owners of parent			1,519		1,519
Purchase of treasury shares				(0)	(0)
Capital increase of consolidated subsidiaries		145			145
Sale of shares of consolidated subsidiaries		50			50
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					—
Total changes during period	2,515	2,710	1,335	(0)	6,561
Balance at February 28, 2021	¥4,415	¥5,489	¥2,000	¥(1)	¥11,903

	Millions of yen				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests
	¥ 255	¥ 7	¥ 262	¥ 72	¥ 21
Balance at March 1, 2019					
Changes during period					
Issuance of new shares—exercise of share acquisition rights			—		
Issuance of restricted shares			—		
Dividends of surplus			—		
Profit attributable to owners of parent			—		
Purchase of treasury shares			—		
Capital increase of consolidated subsidiaries			—		
Sale of shares of consolidated subsidiaries			—		
Change in ownership interest of parent due to transactions with non-controlling interests			—		
Net changes in items other than shareholders' equity	188	(1)	187	(24)	(23)
Total changes during period	188	(1)	187	(24)	(23)
Balance at February 29, 2020	¥ 443	¥ 6	¥ 449	¥ 48	¥ (2)
Changes during period					
Issuance of new shares—exercise of share acquisition rights			—		
Issuance of restricted shares			—		
Dividends of surplus			—		
Profit attributable to owners of parent			—		
Purchase of treasury shares			—		
Capital increase of consolidated subsidiaries			—		
Sale of shares of consolidated subsidiaries			—		
Change in ownership interest of parent due to transactions with non-controlling interests			—		
Net changes in items other than shareholders' equity	(245)	(2)	(248)	(37)	55
Total changes during period	(245)	(2)	(248)	(37)	55
Balance at February 28, 2021	¥ 198	¥ 3	¥ 201	¥ 11	¥ 53

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
	\$17,872	\$26,145	\$ 6,258	\$ 0	\$ 50,277
Balance at February 29, 2020					
Changes during period					
Issuance of new shares—exercise of share acquisition rights	23,435	23,435			46,880
Issuance of restricted shares	225	225			461
Dividends of surplus			(1,731)		(1,731)
Profit attributable to owners of parent			14,296		14,296
Purchase of treasury shares				(0)	(0)
Capital increase of consolidated subsidiaries		1,364			1,364
Sale of shares of consolidated subsidiaries		470			470
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					—
Total changes during period	23,670	25,505	12,564	(0)	61,750
Balance at February 28, 2021	\$41,552	\$51,661	\$18,823	\$(9)	\$112,028

	Thousands of U.S. dollars (Note 1)				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests
	\$ 4,169	\$ 47	\$ 4,225	\$ 451	\$ (9)
Balance at February 29, 2020					
Changes during period					
Issuance of new shares—exercise of share acquisition rights			—		
Issuance of restricted shares			—		
Dividends of surplus			—		
Profit attributable to owners of parent			—		
Purchase of treasury shares			—		
Capital increase of consolidated subsidiaries			—		
Sale of shares of consolidated subsidiaries			—		
Change in ownership interest of parent due to transactions with non-controlling interests			—		
Net changes in items other than shareholders' equity	(2,305)	(18)	(2,334)	(348)	517
Total changes during period	(2,305)	(18)	(2,334)	(348)	517
Balance at February 28, 2021	\$ 1,863	\$ 28	\$ 1,891	\$ 103	\$498

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

Financial Section

CONSOLIDATED STATEMENTS OF CASH FLOWS

MEDIA DO Co., Ltd. and its consolidated subsidiaries  
Years ended February 28, 2021 and February 29, 2020

		Millions of yen	Thousands of U.S. dollars [Note 1]
	2021	2020	2021
Cash flows from operating activities			
Profit before income taxes	¥ 2,498	¥ 1,600	\$ 23,510
Depreciation	279	345	2,625
Amortization of goodwill	480	462	4,517
Increase in allowance for doubtful accounts	117	161	1,101
(Decrease) increase in provision for bonuses	(188)	31	(1,769)
Increase in provision for point certificates	10	2	94
Increase in provision for loss on business of subsidiaries and associates	40	—	376
Interest and dividend income	(6)	(10)	(56)
Subsidy income	(14)	(27)	(131)
Interest expenses	36	42	338
Impairment loss	—	56	—
Gain on sale of investment securities	—	(295)	—
Loss on valuation of investment securities	31	180	291
(Gain) loss on investments in investment partnerships	(17)	1	(160)
Share of (profit) loss of entities accounted for using equity method	(50)	68	(470)
Gain on reversal of share acquisition rights	(0)	(1)	(0)
Increase in trade receivables	(3,836)	(3,843)	(36,103)
Increase (decrease) in advances received	16	(6)	150
(Increase) decrease in inventories	(16)	44	(150)
Increase in prepaid expenses	(119)	(26)	(1,120)
Decrease in long-term prepaid expenses	2	8	18
Increase in trade payables	4,255	3,756	40,047
Increase in accounts payable-other	85	66	800
Increase (decrease) in deposits received	122	(511)	1,148
(Decrease) increase in accrued consumption taxes	(81)	68	(762)
Increase in consumption taxes refund receivable	(236)	(223)	(2,221)
Other, net	18	40	169
Subtotal	3,427	1,988	32,254
Interest and dividends received	10	11	94
Subsidies received	14	22	131
Interest paid	(35)	(41)	(329)
Income taxes paid	(873)	(556)	(8,216)
Income taxes refund	—	505	—
Net cash provided by (used in) operating activities	2,544	1,929	23,943
Cash flows from investing activities			
Purchase of property, plant and equipment	(11)	(25)	(103)
Purchase of intangible assets	(444)	(303)	(4,178)
Proceeds from sale of investment securities	—	333	—
Purchase of investment securities	(122)	(86)	(1,148)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(652)	(27)	(6,136)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	32	—
Proceeds from sale of businesses	—	5	—
Payments of guarantee deposits	(17)	(13)	(160)
Refund of guarantee deposits received	1	9	9
Other, net	(29)	(2)	(272)
Net cash provided by (used in) investing activities	(1,275)	(77)	(12,000)
Cash flows from financing activities			
Repayments of long-term borrowings	(1,739)	(1,822)	(16,367)
Proceeds from issuance of share acquisition rights	25	—	235
Proceeds from issuance of shares resulting from exercise of share acquisition rights	4,918	475	46,287
Proceeds from issuance of restricted shares	49	—	461
Proceeds from share issuance to non-controlling shareholders	199	—	1,872
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(30)	—
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	79	—	743
Dividends paid	(184)	(130)	(1,731)
Purchase of treasury shares	(0)	(0)	(0)
Net cash provided by (used in) financing activities	3,349	(1,507)	31,520
Effect of exchange rate change on cash and cash equivalents	(4)	(2)	(37)
Net increase in cash and cash equivalents	4,613	343	43,416
Cash and cash equivalents at beginning of period	8,089	7,747	76,131
Cash and cash equivalents at end of period [Note 16]	¥12,703	¥ 8,090	\$119,557

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MEDIA DO Co., Ltd. and its consolidated subsidiaries  
Years ended February 28, 2021 and February 29, 2020

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 28, 2021, which was ¥106.25 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.

Effective from the year ended February 28, 2021, the Company has changed to omit amounts of less than one million yen on the accompanying consolidated financial statements, as permitted by the FIEA. 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) as of and for the year ended February 28, 2021 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 11 significant subsidiaries and two associates accounted for by the equity method.

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



Financial Section

Significant subsidiaries and associates as of February 28, 2021 are as follows:

Company name	Share capital (Millions of yen)	Ownership interest (%)	Main business
<b>Consolidated subsidiaries:</b>			
Digital Publishing Initiatives Japan Co., Ltd.	10	100.0 (Direct)	Copyright management
Media Do International, Inc. (Note)	(Thousands of U.S. dollars) 2,472	100.0 (Direct)	eBook agency
Flier Inc.	247	77.1 (Direct)	Text summary site operation
MangaNews Inc.	11	100.0 (Direct)	Manga review site operation
ARTRA ENTERTAINMENT Inc.	10	100.0 (Direct)	Coloring, eComics
MEDIA DO TECH TOKUSHIMA Co., Ltd.	45	100.0 (Direct)	Operation outsourcer
J-Comic Terrace Corporation	95	70.5 (Direct)	Online eBook distribution
MyAnimeList, LLC	(Thousands of U.S. dollars) 1,246	100.0 (Indirect) Note 2	Anime/manga community site operation
JIVE Ltd.	10	100.0 (Direct)	Planning, editing, publishing, and sales of books and magazines
MyAnimeList Co., Ltd.	10	100.0 (Direct)	Anime/manga community site operation
Nagisa, Inc.	100	68.8 (Direct)	Manga app operation
<b>Associates accounted for by the equity method:</b>			
A.I. Squared, Inc.	186	20.1 (Direct)	Various IT services and consulting using artificial intelligence ("AI")
TEC INFORMATION CORP.	230	25.0 (Direct)	Software development

(Note) Subsequent to its most current fiscal year-end, Media Do International Inc. increased its capital to \$17,972 thousand through a third-party allotment to the Company as an allottee. After the capital increase, the company falls under the category of specified subsidiary.

As stated in Note 20 “Business Combinations,” the former MEDIA DO Co., Ltd., a wholly owned subsidiary of the Company, was dissolved through an absorption-type merger on June 1, 2020 and excluded from the scope of consolidation. The Company changed its business name to MEDIA DO Co., Ltd. on the same date.

For the year ended February 28, 2021, MyAnimeList Co., Ltd., a newly established subsidiary, is included in the scope of consolidation. Nagisa, Inc. is also included in the scope of consolidation since the Company acquired its shares.

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

Investments in those two unconsolidated subsidiaries and LINE Book Distribution Inc., which is an associate not accounted for by the equity method, are excluded from the scope of the equity method since their profit or loss (for the holding interest) and retained earnings (for the holding interest) are insignificant, and the impact is insignificant as a whole.

Two of the Company’s subsidiaries 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 with readily available market values are stated at market value based on the average prices for a period of one month before the balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Costs of securities sold are determined by the moving-average method.

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

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

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

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

(d) Intangible assets (excluding leased assets)

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

(e) Leased assets

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

(f) Allowance for doubtful accounts

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

For the years ended February 28, 2021 and February 29, 2020, the Company provided provisions for its holding convertible bond-type bonds with share acquisition rights at the amount deemed to be uncollectible, and recorded as special provision for allowance for doubtful accounts in the consolidated statements of income.

(g) Provision for point certificates

As to the amount of points purchased in advance by customers to download or view content, the provision for point certificates is provided for the balance of unused points at the fiscal year-end at the amount of points expected to be used in the future.

(h) Provision for bonuses

The provision for employees’ bonuses is provided at the estimated amounts which the Company is obligated to pay to employees after the fiscal year-end based on services provided for the year.

(i) Provision for loss on business liquidation

Certain domestic consolidated subsidiaries provide the provision for loss on business liquidation based on a reasonable estimate.

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

The provision for loss on business of subsidiaries and associates is provided based on a reasonable estimate.

(k) 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.

(l) Goodwill

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

(m) 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.

Financial Section

(n) Consumption taxes

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

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

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

(1) Overview

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

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

(2) Scheduled date of adoption

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

(3) Effect of adoption

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

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

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

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019);

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

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

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

(2) Scheduled date of adoption

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

(3) Effect of adoption

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

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The objective of this standard is to disclose information that contributes to the understanding of financial statement users regarding the content of accounting estimates for items that have a risk of a significant impact on the financial statements for the following year, among the amounts recorded in the financial statements for the current year that are based on accounting estimates.

(2) Scheduled date of adoption

The Company will adopt the aforementioned standard from the year ending February 28, 2022.

3. GOODWILL

Goodwill arises from the acquisition of interests in subsidiaries and associates. Most of the Company’s goodwill resulted from the acquisition of the former Digital Publishing Initiatives Japan Co., Ltd. in March 2017. The amortization of goodwill is included in selling, general and administrative expenses.

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

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

Operating payables such as 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.

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

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

(3) Concentration of credit risk of financial instruments

As of February 28, 2021 and February 29, 2020, over 60.0% of operating receivables are from five major customers.

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

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



Financial Section

(b) Fair values of financial instruments

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

Millions of yen			
	2020		
	Carrying value	Fair value	Difference
1) Cash and deposits	¥ 8,090	¥ 8,090	¥—
2) Accounts receivable–trade	16,022	16,022	—
3) Investment securities			
Available-for-sale securities	767	767	—
Total assets	¥24,879	¥24,879	¥—
1) Accounts payable–trade	¥18,248	¥18,248	¥—
2) Long-term borrowings, including current portion	8,241	8,241	—
Total liabilities	¥26,489	¥26,489	¥—

Thousands of U.S. dollars			
	2021		
	Carrying value	Fair value	Difference
1) Cash and deposits	\$119,557	\$119,557	\$—
2) Accounts receivable–trade	187,491	187,491	—
3) Investment securities			
Available-for-sale securities	2,550	2,550	—
Total assets	\$309,609	\$309,609	\$—
1) Accounts payable–trade	\$211,830	\$211,830	\$—
2) Long-term borrowings, including current portion	62,616	62,616	—
Total liabilities	\$274,447	\$274,447	\$—

Notes: 1. Fair value measurement of financial instruments  
Assets:  
1) Cash and deposits and 2) Accounts receivable–trade  
The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.  
3) Investment securities  
The fair value is based on the price at securities exchanges.  
Liabilities:  
1) Accounts payable–trade  
The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.  
2) Long-term borrowings, including current portion  
The fair value approximates the carrying value since these borrowings bear variable interest rates which reflect market rates in a short period of time. Thus, the carrying value is deemed as the fair value. The current portion of long-term borrowings is included in long-term borrowings.

2. The following financial instruments are not included in the table above since their fair value is extremely difficult to determine.

		Millions of yen	Thousands of U.S. dollars
	2021	2020	2021
Unlisted securities	¥ 298	¥ 76	\$ 2,804
Unlisted share acquisition rights	92	24	865
Investments in limited liability investment partnerships	190	169	1,788
Convertible bond-type bonds with share acquisition rights	1,437	1,467	13,524
Shares of associates	470	454	4,423
Guarantee deposits	375	322	3,529

With regard to unlisted securities, unlisted share acquisition rights, convertible bond-type bonds with share acquisition rights, and shares of associates, their market prices are not readily available and it is extremely difficult to determine their fair value.  
As to investments in limited liability investment partnerships, the assets of the partnerships consist of unlisted securities and other items for which it is extremely difficult to determine their fair value.  
As to guarantee deposits, their future cash flows cannot be estimated and it is extremely difficult to determine their fair value.

(c) The redemption schedule for monetary claims

Millions of yen				
	2021			
	Due within 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
1) Cash and deposits	¥12,703	¥—	¥—	¥—
2) Accounts receivables–trade	19,921	—	—	—
Total	¥32,625	¥—	¥—	¥—

Millions of yen				
	2020			
	Due within 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
1) Cash and deposits	¥ 8,090	¥—	¥—	¥—
2) Accounts receivables–trade	16,022	—	—	—
Total	¥24,112	¥—	¥—	¥—

Thousands of U.S. dollars				
	2021			
	Due within 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
1) Cash and deposits	\$119,557	\$—	\$—	\$—
2) Accounts receivables–trade	187,491	—	—	—
Total	\$307,058	\$—	\$—	\$—

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

5. SECURITIES

(a) Available-for-sale securities

Securities with carrying values exceeding acquisition costs

Millions of yen						
	2021			2020		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
1) Equity securities	¥ 265	¥ 22	¥242	¥ 588	¥ 23	¥565
2) Bonds						
Corporate bonds	996	956	40	1,027	957	70
3) Other	121	116	4	—	—	—
Total	¥1,383	¥1,095	¥287	¥1,615	¥980	¥635

Financial Section

Thousands of U.S. dollars			
	2021		
	Carrying value	Acquisition cost	Difference
1) Equity securities	\$ 2,494	\$ 207	\$2,277
2) Bonds			
Corporate bonds	9,374	8,997	376
3) Other	1,138	1,091	37
Total	\$13,016	\$10,305	\$2,701

Securities with carrying values not exceeding acquisition costs

Millions of yen						
	2021			2020		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
1) Equity securities	¥298	¥298	¥—	¥275	¥1,675	¥(1,400)
2) Bonds						
Corporate bonds	440	440	—	441	441	—
3) Other	167	169	(1)	174	180	(6)
Total	¥907	¥908	¥(1)	¥890	¥2,296	¥(1,406)

Thousands of U.S. dollars			
	2021		
	Carrying value	Acquisition cost	Difference
1) Equity securities	\$2,804	\$2,804	\$—
2) Bonds			
Corporate bonds	4,141	4,141	—
3) Other	1,571	1,590	(9)
Total	\$8,536	\$8,545	\$ (9)

(b) Available-for-sale securities sold

Millions of yen						
	2021			2020		
	Sales proceeds	Gain	Loss	Sales proceeds	Gain	Loss
Equity securities	¥—	¥—	¥—	¥333	¥292	¥—

Thousands of U.S. dollars			
	2021		
	Sales proceeds	Gain	Loss
Equity securities	\$—	\$—	\$—

(c) Impairment loss on securities

The Company recognized an impairment loss of ¥31 million (\$291 thousand) on shares of associates for the year ended February 28, 2021 and an impairment loss of ¥180 million on investment securities classified as available-for-securities for the year ended February 29, 2020.

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

6. LONG-TERM BORROWINGS AND LEASE OBLIGATIONS

Long-term borrowings as of February 28, 2021 and February 29, 2020 are as follows:

Millions of yen			
	2021	2020	Thousands of U.S. dollars
Unsecured long-term borrowings, weighted-average interest rates of 0.51% and 0.44% in 2021 and 2020, maturing through 2030	¥6,653	¥8,242	\$62,616
Less: Amounts due within one year	1,181	1,663	11,115
Long-term borrowings	¥5,471	¥6,579	\$51,491

Lease obligations, maturing through 2021, are included in “Other” under current liabilities and non-current liabilities as follows:

Millions of yen			
	2021	2020	Thousands of U.S. dollars
Amount included in Other under current liabilities	¥ 1	¥3	\$ 9
Amount included in Other under non-current liabilities	—	1	—

The redemption schedule for long-term borrowings and lease obligations

Millions of yen						
	2021					
	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	¥1,181	¥1,027	¥1,007	¥1,007	¥1,007	¥1,421

Thousands of U.S. dollars						
	2021					
	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	\$11,115	\$9,665	\$9,477	\$9,477	\$9,477	\$13,374

7. RETIREMENT BENEFITS

(a) Outline of the retirement benefit plan

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

A consolidated subsidiary, which had the defined benefit plan applying the simplified method, was excluded from the scope of consolidation in the year ended February 29, 2020.

(b) Defined benefit plan applying the simplified method

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

Millions of yen			
	2021	2020	Thousands of U.S. dollars
Balance at beginning of the year	¥—	¥ 54	\$—
Retirement benefit expenses	—	4	—
Increase due to newly consolidated subsidiaries	—	—	—
Decrease due to exclusion from consolidation	—	(58)	—
Balance at end of the year	¥—	¥ —	\$—



Financial Section

(2) Retirement benefit expenses

		Millions of yen	Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit expenses calculated using the simplified method	¥—	¥4	\$—

(c) Defined contribution plan

		Millions of yen	Thousands of U.S. dollars
	2021	2020	2021
Contributions paid to the defined contribution plan	¥42	¥25	\$395
Contributions paid to the Smaller Enterprise Retirement Allowance Mutual Aid Scheme	—	11	—
Total	¥42	¥36	\$395

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.

(a) Outline of stock options

	The 8th share acquisition rights	The 10th share acquisition rights	The 14th share acquisition rights
Date of resolution	Board of Directors’ meeting held on February 20, 2012	General Meeting of Shareholders held on May 22, 2012 Board of Directors’ meeting held on February 15, 2013	Board of Directors’ meeting held on July 22, 2015
Grantee	3 directors of the Company 2 auditors of the Company 39 employees of the Company	14 employees of the Company	3 directors of the Company 6 employees of the Company
Number of stock options by class (Note 1)	Common share 384,000 shares (Note 2)	Common share 88,000 shares (Note 2)	Common share 50,000 shares (Note 2)
Date of grant	February 25, 2012	February 25, 2013	August 10, 2015
Exercise period	From February 26, 2014 to February 25, 2022	From February 26, 2015 to February 25, 2023	From May 31, 2018 to August 9, 2023

	The 17th share acquisition rights
Date of resolution	Extraordinary Meeting of Shareholders held on July 31, 2017
Grantee	4 directors of the Company 15 employees of the Company 2 directors of subsidiaries 12 employees of subsidiaries FIBC Co., Ltd. (Note 1)
Number of stock options by class	Common share 496,500 shares (Note 2)
Date of grant	August 17, 2017
Exercise period	From June 1, 2020 to December 30, 2020

Notes: 1. FIBC Co., Ltd. is an asset management company in which Yasushi Fujita, President and CEO of the Company.  
2. The number of stock options represents the number of respective shares.

(b) Number of stock options

	The 8th share acquisition rights	The 10th share acquisition rights	The 14th share acquisition rights
<b>Non-vested (shares)</b>			
February 29, 2020 – Outstanding	—	—	—
Granted	—	—	—
Expired	—	—	—
Vested	—	—	—
February 28, 2021 – Outstanding	—	—	—
<b>Vested (shares)</b>			
February 29, 2020 – Outstanding	5,200	6,800	44,000
Vested	—	—	—
Exercised	1,600	6,800	29,000
Expired	—	—	—
February 28, 2021 – Outstanding	3,600	—	15,000

	The 17th share acquisition rights
<b>Non-vested (shares)</b>	
February 29, 2020 – Outstanding	476,000
Granted	—
Expired	4,500
Vested	471,500
February 28, 2021 – Outstanding	—
<b>Vested (shares)</b>	
February 29, 2020 – Outstanding	—
Vested	471,500
Exercised	471,500
Expired	—
February 28, 2021 – Outstanding	—

For the 8th and the 10th share acquisition rights, the number of shares is calculated after the stock splits carried out on September 14, 2013 (100-for-1), March 1, 2014 (2-for-1), and December 1, 2014 (2-for-1).

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

For unexercised and expired share acquisition rights, the Company recognized a gain on reversal of share acquisition rights in the amounts of ¥0 million (\$0 thousand) and ¥1 million for the years ended February 28, 2021 and February 29, 2020, respectively.

(c) Price of share acquisition rights

	The 8th share acquisition rights		The 10th share acquisition rights		The 14th share acquisition rights	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥ 250	\$ 2.35	¥ 250	\$ 2.35	¥1,843	\$17.34
Average stock price at exercise	4,670	43.95	6,663	62.71	6,153	57.91
Fair value on the date of grant	—	—	—	—	10.00	0.09

	The 17th share acquisition rights	
	Yen	U.S. dollars
Exercise price	¥ 850	\$ 8.00
Average stock price at exercise	6,587	61.99
Fair value on the date of grant	100.87	0.94

Financial Section

Regarding the 8th and the 10th share acquisition rights, the prices are calculated after the stock splits carried out on September 14, 2013 (100-for-1), March 1, 2014 (2-for-1), and December 1, 2014 (2-for-1). In addition, the fair value on the date of grant is not reasonably estimated for these stock options since the Company’s shares have not yet listed at the stock exchange on the grant date of the 8th and the 10th share acquisition rights. Thus, for these stock options, the fair value on the date of grant presents the intrinsic value of respective option.

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

If calculating the intrinsic value per stock option unit, the total intrinsic value of stock option as of February 28, 2021 is ¥19 million (\$178 thousand) and the total intrinsic value exercised for the year ended February 28, 2021 is ¥50 million (\$470 thousand).

(Additional information)

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

9. ASSET RETIREMENT OBLIGATIONS

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

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

Changes in asset retirement obligations, included in “Other” under current liabilities, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of the year	¥63	¥64	\$592
Increase due to acquisition of property, plant and equipment	—	—	—
Adjustments due to the passage of time	0	0	0
Decrease due to performance of asset retirement obligations	—	—	—
Other	10	—	94
Balance at end of the year	¥74	¥64	\$696

10. INCOME TAXES

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Excess depreciation	¥ 82	¥ 58	\$ 771
Accrued enterprise tax	50	32	470
Loss on valuation of investment securities and investments in associates	437	603	4,112
Asset retirement obligations	22	20	207
Provision for point certificates	25	14	235
Provision for bonuses	4	64	37
Excess allowance for doubtful accounts	188	163	1,769
Tax loss carryforwards	750	280	7,058
Impairment loss	—	30	—
Other	50	26	470
Subtotal	1,613	1,290	15,181
Valuation allowance	(1,417)	(1,091)	(13,336)
Total deferred tax assets	195	199	1,835
Deferred tax liabilities:			
Cost capitalized corresponding to asset retirement obligations	(13)	(14)	(122)
Valuation difference on available-for-sale securities	(87)	(196)	(818)
Other	(0)	(0)	(0)
Total deferred tax liabilities	(101)	(210)	(950)
Net deferred tax assets	¥ 94	¥ (11)	\$ 884

Note: Valuation allowance increases by ¥326 million (\$3,068 thousand) as of February 28, 2021. This increase mostly consists of ¥378 million (\$3,557 thousand) of valuation allowance recognized by Nagisa, Inc., a newly consolidated subsidiary, at the beginning of consolidation.

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

	2021	2020
Statutory tax rate	30.6%	30.6%
Adjustments:		
Permanent differences such as entertainment expenses	0.1	0.1
Inhabitants’ tax	0.3	0.6
Amortization of goodwill	4.7	7.1
Share of (gain) loss of entities accounted for using equity method	(0.6)	1.3
Change in valuation allowance	5.0	7.0
Consolidation adjustment for gain or loss on sale of shares of subsidiaries	(0.7)	1.5
Loss on valuation of investment securities	—	(3.3)
Other	0.1	0.1
Effective tax rate	39.5%	45.2%

Consolidation adjustment for gain on sale of shares of subsidiaries of 1.5% as of February 29, 2020 is previously included in gain on sale of investment securities.

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.



Financial Section

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

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

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

The following tables summarize the dividends paid for the years ended February 28, 2021 and February 29, 2020:

2021							
Resolution	Class of share	Total amount of dividends		Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Board of Directors' meeting held on April 23, 2020	Common share	¥184	\$1,731	¥13.00	\$0.12	February 29, 2020	May 12, 2020

2020						
Resolution	Class of share	Total amount of dividends	Dividends per share	Record date	Effective date	
		(Millions of yen)	(Yen)			
Board of Directors' meeting held on April 25, 2019	Common share	¥130	¥10.50	February 28, 2019	May 13, 2019	

Dividends with a record date during the year ended February 28, 2021, but with an effective date subsequent to the year ended February 28, 2021, are as follows:

Resolution	Class of share	Total amount of dividends		Source	Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)		(Yen)	(U.S. dollars)		
Board of Directors' meeting held on April 22, 2021	Common share	¥322	\$3,030	Retained earnings	¥21.00	\$0.19	February 28, 2021	May 11, 2021

As of February 28, 2021 and February 29, 2020, 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		
	2021	2020
Common shares, issued and outstanding:		
At beginning of the year	14,175,100	12,341,100
Increase due to issuance of new shares in connection with exercise of the 18th share acquisition rights	680,400	—
Increase due to issuance of new shares in connection with exercise of stock options	508,900	1,834,000
Increase due to issuance of new shares in connection with granting shares with certain transfer restrictions	5,900	—
At end of the year	15,370,300	14,175,100
Treasury shares:		
At beginning of the year	1,836	152
Increase due to purchase of odd-lot shares	137	1,684
Expiration of shares with certain transfer restrictions	800	—
At end of the year	2,773	1,836

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
	2021	2020	2021
Salaries and wages	¥1,482	¥1,189	\$13,948
Commissions	959	967	9,025
Retirement benefit expenses	32	31	301
Amortization of goodwill	480	462	4,517
Bonuses and provision for bonuses	46	330	432
Advertising expenses	746	517	7,021

13. LOSS ON RETIREMENT OF NON-CURRENT ASSETS

		Millions of yen	Thousands of U.S. dollars
	2021	2020	2021
Software	¥—	¥ 0	\$—
Software under development	0	22	0
Tools, furniture and fixtures	0	0	0
Leased assets	—	2	—
Total	¥ 0	¥24	\$ 0

14. IMPAIRMENT LOSS

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

For the year ended February 29, 2020, the Company recognized an impairment loss as follows:

Company	Location	Use of assets	Type	Millions of yen
The former MEDIA DO Co., Ltd.	Head Office, Chiyoda-ku, Tokyo	Business assets	Tools, furniture and fixtures	¥56

As the profitability of these assets has declined due to its limited useful life, the Company reduced its carrying value to zero and recognized the amount of ¥56 million as an impairment loss.

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

Measuring the recoverable amount at the value of use, the Company deems the recoverable amount to be zero since the values measured based on the future cash flows were zero for the assets impaired for the year ended February 29, 2020.

15. OTHER COMPREHENSIVE INCOME

		Millions of yen	Thousands of U.S. dollars
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Amounts incurred for the year	¥(354)	¥ 405	\$(3,331)
Reclassification adjustments	—	(134)	—
Before tax effect adjustments	(354)	271	(3,331)
Tax effect	108	(83)	1,016
Valuation difference on available-for-sale securities	(245)	188	(2,305)
Foreign currency translation adjustment:			
Amounts incurred for the year	(2)	(1)	(18)
Other comprehensive income, total	¥(248)	¥ 187	\$(2,334)

Financial Section

16. CASH FLOW STATEMENTS

Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to accounts and amounts in the accompanying consolidated balance sheets as of February 28, 2021 and February 29, 2020, are as follows:

		Millions of yen	Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥12,703	¥8,090	\$119,557
Time deposits with maturity in excess of three months	—	—	—
Cash and cash equivalents	¥12,703	¥8,090	\$119,557

For the year ended February 28, 2021, Nagisa, Inc. newly became a consolidated subsidiary of the Company due to share acquisition. The breakdown of assets and liabilities at the beginning of consolidation and the reconciliation between the acquisition cost and the amount paid for the acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Nagisa, Inc.	2021	2021
Current assets	¥ 151	\$ 1,421
Non-current assets	58	545
Goodwill	779	7,331
Current liabilities	(125)	(1,176)
Non-current liabilities	(163)	(1,534)
Acquisition cost of a newly consolidated subsidiary due to share acquisition	699	6,578
Balance of cash and cash equivalents of the newly consolidated subsidiary	(46)	(432)
Difference: Amount paid for the acquisition	¥ 652	\$ 6,136

For the year ended February 29, 2020, MyAnimeList, LLC, and JIVE Ltd. newly became consolidated subsidiaries of the Company due to share acquisition. The breakdown of assets and liabilities at the beginning of consolidation and the reconciliation between the acquisition cost and the amount paid for the acquisition is as follows:

	Millions of yen
MyAnimeList, LLC	2020
Current assets	¥ 103
Non-current assets	1
Goodwill	29
Current liabilities	(12)
Acquisition cost of a newly consolidated subsidiary due to share acquisition	121
Balance of cash and cash equivalents of the newly consolidated subsidiary	(101)
Difference: Amount paid for the acquisition	¥ [20]

	Millions of yen
JIVE Ltd.	2020
Current assets	¥ 5
Goodwill	2
Current liabilities	(1)
Acquisition cost of a newly consolidated subsidiary due to share acquisition	6
Difference: Amount paid for the acquisition	¥(6)

For the year ended February 29, 2020, the Company sold all shares of Tokushima Data Service Co., Ltd. to TEC INFORMATION CORP., an associate of the Company. The breakdown of assets and liabilities at the time of sale and the reconciliation between the sale price and net proceeds from the sale is as follows:

	Millions of yen
Tokushima Data Service Co., Ltd.	2020
Current assets	¥ 580
Non-current assets	47
Current liabilities	(102)
Non-current liabilities	(98)
Gain on sale of investment securities	3
Sale price	430
Balance of cash and cash equivalents	(398)
Difference: Net proceeds from the sale	¥ 32

17. SEGMENT INFORMATION

(Segment information)

(a) Overview of reportable segments

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

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

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

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

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

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



Financial Section

Thousands of U.S. dollars					
	2021				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Net sales:					
Outside customers	\$775,049	\$11,200	\$786,258	\$ 0	\$786,258
Intersegment	94	1,647	1,750	(1,750)	—
Total	\$775,152	\$12,856	\$788,009	\$(1,741)	\$786,258
Segment income (loss)	\$ 24,414	\$ (2,334)	\$ 22,070	\$ 3,002	\$ 25,072
Other items:					
Amortization of goodwill	\$ 3,331	\$ 1,185	\$ 4,517	\$ —	\$ 4,517
Depreciation	1,618	188	1,816	800	2,625
Notes: 1. Assets and liabilities by each reportable segment are not disclosed since the Group does not allocate its assets and liabilities to each reportable segment for management reporting purposes. 2. Adjustments to segment income (loss) of ¥319 million (\$3,002 thousand) includes revenue from each reportable segment of ¥1,688 million (\$15,887 thousand) and corporate expenses of ¥(1,364) million (\$12,837 thousand). Corporate expenses are those relating to Head Office administrative divisions and not attributable to each reportable segment. 3. Segment income (loss) is reconciled to operating profit in the consolidated statements of income.					

Millions of yen					
	2020				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Net sales:					
Outside customers	¥64,530	¥1,330	¥65,860	¥ 0	¥65,860
Intersegment	40	108	148	(148)	—
Total	¥64,570	¥1,438	¥66,008	¥(148)	¥65,860
Segment income (loss)	¥ 1,862	¥ (287)	¥ 1,575	¥ 279	¥ 1,854
Other items:					
Amortization of goodwill	¥ 341	¥ 121	¥ 462	¥ —	¥ 462
Depreciation	278	16	294	51	345
Notes: 1. Assets and liabilities by each reportable segment are not disclosed since the Group does not allocate its assets and liabilities to each reportable segment for management reporting purposes. 2. Adjustments to segment income (loss) of ¥279 million includes revenue from subsidiaries of ¥1,415 million and corporate expenses of ¥(1,119) million. Corporate expenses are those relating to Head Office administrative divisions and not attributable to each reportable segment. 3. Segment income (loss) is reconciled to operating profit in the consolidated statements of income.					

(Related information)

(a) Information on products and services

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

(b) Information on geographical areas

(1) Net sales

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

(2) Property, plant and equipment

Property, plant and equipment information by geographical area is omitted since there is no property, plant and equipment located outside Japan.

(c) Information on net sales by major customers

Company name	2021	Millions of yen	Thousands of U.S. dollars	Related segment
		2020	2021	
LINE Digital Frontier Corporation	¥17,002	¥13,786	\$160,018	eBook distribution
Amazon Services International Inc.	11,501	8,450	108,244	eBook distribution
NTT Solmare Corporation	10,573	(Note)	99,510	eBook distribution
BookLive Co., Ltd.	8,514	7,542	80,131	eBook distribution

Note: The disclosure was omitted due to insignificance for the year ended February 29, 2020.

(Information on impairment loss)

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

Information on impairment loss for the year ended February 29, 2020 is as follows:

Millions of yen					
	2020				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Impairment loss	¥56	¥—	¥56	¥—	¥56

(Information on amortization and unamortized balances of goodwill)

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

Millions of yen					
	2020				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Amortization	¥ 341	¥121	¥ 462	¥—	¥ 462
Unamortized balances	4,564	852	5,416	—	5,416

Thousands of U.S. dollars					
	2021				
	Reportable segments			Adjustments	Consolidated
	eBook distribution	Other	Total		
Amortization	\$ 3,331	\$1,185	\$ 4,517	\$—	\$ 4,517
Unamortized balances	46,945	6,823	53,769	—	53,769

Financial Section

18. RELATED-PARTY INFORMATION

For the year ended February 28, 2021

Name	Title or description of business	Voting right	Transaction	Amount of transaction	
				Millions of yen	Thousands of U.S. dollars
Yasushi Fujita	Representative Director, President and CEO	15.8% directly owned	Exercise of share acquisition rights	¥ 73	\$ 687
Yoshiyuki Suzuki	Director and CAO	1.1% directly owned	Exercise of share acquisition rights	25	235
Atsushi Mizoguchi	Director and CBD0	1.3% directly owned	Exercise of share acquisition rights	25	235
FIBC Co., Ltd.	Asset management company	13.8% directly owned	Exercise of share acquisition rights	205	1,929

FIBC Co., Ltd. (“FIBC”) is an asset management company in which Yasushi Fujita, President and CEO of the Company, holds the majority of its voting rights. FIBC is located in Tokyo with share capital of ¥100 million (\$941 thousand).

For the year ended February 29, 2020

Name	Title or description of business	Voting right	Transaction	Amount of transaction
				Millions of yen
FIBC Co., Ltd.	Asset management company	13.2% directly owned	Exercise of share acquisition rights	¥469

19. PER SHARE INFORMATION

		Yen	U.S. dollars
	2021	2020	2021
Net assets per share	¥787.66	¥408.62	\$7.41
Profit per share	104.52	64.59	0.98
Diluted profit per share	102.80	60.85	0.96

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

		Millions of yen	Thousands of U.S. dollars
	2021	2020	2021
Total net assets	¥12,169	¥5,838	\$114,531
Amounts deducted from the amount of total net assets	64	46	602
[Of which, share acquisition rights]	[11]	[48]	[103]
[Of which, non-controlling interests]	[53]	[(2)]	[498]
Net assets associated with common shares	12,104	5,792	113,920
Number of shares of common shares for the calculation of net assets per share (Share)	15,367,527	14,173,264	—

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

		Millions of yen	Thousands of U.S. dollars
	2021	2020	2021
Profit per share:			
Profit attributable to shareholders of the parent company	¥ 1,519	¥ 885	\$14,296
Amounts not attributable to common shareholders	—	—	—
Profit attributable to common shareholders of the parent company	1,519	885	14,296
Weighted-average number of common shares (Shares)	14,538,300	13,699,905	—
Diluted profit per share:			
Adjustments to profit attributable to shareholders of the parent company	¥ —	¥ —	\$ —
Increase in number of common shares (Shares)	243,657	841,875	
[Of which, share acquisition rights (Shares)]	[243,657]	[841,875]	
Details of diluted shares not included in the calculation of diluted profit per share due to no dilutive effect	—	—	—

20. BUSINESS COMBINATIONS

(Transaction under common control)

At the Board of Directors’ meeting held on April 23, 2020, the Company resolved to conduct an absorption-type merger with the former MEDIA DO Co., Ltd., a wholly owned subsidiary of the Company. On the same date, the Company and the former MEDIA DO Co., Ltd. entered into the merger agreement.

Based on the agreement, the Company, the surviving company, absorbed the former MEDIA DO Co., Ltd. on June 1, 2020. Furthermore, the Company changed its business name to MEDIA DO Co., Ltd. on the same date.

The merger aims to speed up decision-making, reduce additional operating costs by eliminating duplication of management and human resources, improve management transparency by simplifying the Group’s management structure, and strengthen corporate governance.

Based on “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Revised Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), the Company accounted for this business combination as a transaction under common control.

21. SIGNIFICANT SUBSEQUENT EVENTS

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

At the Board of Directors’ meeting held on January 21, 2021, the Company resolved that Media Do International, Inc., a consolidated U.S. subsidiary of the Company, would acquire all shares of Quality Solutions, Inc., which conducts publishing workflow management and bibliographic information management services, and all equity of NetGalley LLC, which operates a website to provide a web marketing tool for books. The agreements to transfer the said shares and equity were concluded on the same date and these two companies, located in the United States, have become consolidated subsidiaries of Media Do International, Inc. effective January 28, 2021.

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

The acquisitions were made in exchange for cash of ¥1,484 million (\$13,967 thousand). Advisory fees of ¥9 million (\$84 thousand) were incurred as major acquisition-related cost. Amounts of goodwill, assets acquired, and liabilities assumed have not been determined yet.



Financial Section

(Acquisition of a domestic company as a wholly owned subsidiary)

At the Board of Directors’ meeting held on March 25, 2021, the Company resolved to acquire all shares of NIHONBUNGEISHA Co., Ltd., which engages in publishing and selling books and magazines, and the acquisition has been completed on March 30, 2021.

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

The acquisition was made in exchange for cash of ¥1,500 million (\$14,117 thousand). Advisory fees of ¥13 million (\$122 thousand) were incurred as major acquisition-related cost. Amounts of goodwill, assets acquired and liabilities assumed have not been determined yet.

(Capital and business alliance and issuance of new shares through a third-party allotment)

At the Board of Directors’ meeting held on March 25, 2021, the Company resolved to form a capital and business alliance with TOHAN CORPORATION (“TOHAN”), in the way that the Company would issue new shares of common stock through a third-party allotment for TOHAN as an allottee, and at the same time, the Company would acquire TOHAN’s treasury shares which would be disposed through a third-party allotment for the Company as an allottee. This capital and business alliance agree-ment was concluded on the same date.

Having the system and know-how of eBook distribution in addition to the blockchain technology and development capa-bilities which enable the distribution of various digital content, the Company sincerely discussed with TOHAN, a leading company in the distribution of paper publications that connects nationwide bookstores and publishers, based on common understanding that it would be necessary to build a publishing infrastructure to support further growth of the Japanese pub-lishing industry and value improvement of content. As a result, both companies considered it possible to further promote digital transformation in the publishing industry if both companies would combine each other’s strengths in management resources and establish a long-term and strong collaborative system; moreover, it should result in improvement of the corporate value and shareholder value of both companies. Thus, both companies reached an agreement to form an alliance. In addition, both companies agreed to hold each other’s shares in order to secure the effectiveness of the alliance.

The alliance mainly focuses on the following, which shall contribute to each other’s business expansion:

- Promotion of digital transformation in the publishing industry
- Digital transformation of book distribution, including eBook marketing
- Business cooperation with regard to eLibraries

Based on the capital and business alliance agreement, the Company issued new shares through a third-party allotment as follows:

Allottee	TOHAN
Class and number of shares issued	Common stock, 489,649 shares
Issue price	¥6,000 (\$56.47) per share
Total issue amount	¥2,937 million (\$27,642 thousand)
Total amount increased as share capital	¥1,468 million (\$13,816 thousand)
Payment date	April 12, 2021
Use of funds	All funds raised through the issuance of shares were used to acquire TOHAN’s shares as stated below.

Based on the capital and business alliance agreement, TOHAN disposed of its treasury shares through a third-party allot-ment as follows:

Allottee	The Company
Class and number of treasury shares disposed	Common stock, 3,917,192 shares
Issue price	¥750 (\$7.05) per share
Total issue amount	¥2,937 million (\$27,642 thousand)
Payment date	April 12, 2021
Portion to the total number of outstanding shares of TOHAN	5.56% (rounded to the nearest second decimal place)

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 consoli-dated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at February 28, 2021 and February 29, 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at February 28, 2021 and February 29, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those stan-dards 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 consoli-dated 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.

Emphasis of Matter

We draw attention to Note 21 to the consolidated financial statements.

- 1st The Company resolved that Media Do International, Inc., a consolidated U.S. subsidiary of the Company, would acquire all shares of Quality Solutions, Inc. and all equity of NetGalley, LLC at the Board of Directors’ meeting held on January 21, 2021. The agreements to transfer the said shares and equity were concluded on the same date and the acquisition has been completed on January 28, 2021.
- 2nd The Company resolved to acquire all shares of NIHONBUNGEISHA Co., Ltd. at the Board of Directors’ meeting held on March 25, 2021, and the acquisition has been completed on March 30, 2021.
- 3rd The Company resolved to issue new shares of common stock through a third-party allotment for TOHAN CORPORATION (“TOHAN”) as an allottee and acquire TOHAN’s treasury shares which would be disposed through a third-party allot-ment for the Company as an allottee at the Board of Directors’ meeting held on March 25, 2021. And the acquisition has been completed on April 12, 2021.

Our opinion is not modified in respect of this matter.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

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

Financial Section

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

Hiroyuki, Nakamura  
Designated Engagement Partner  
Certified Public Accountant

Kenji, Hirayama  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
July 14, 2021

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

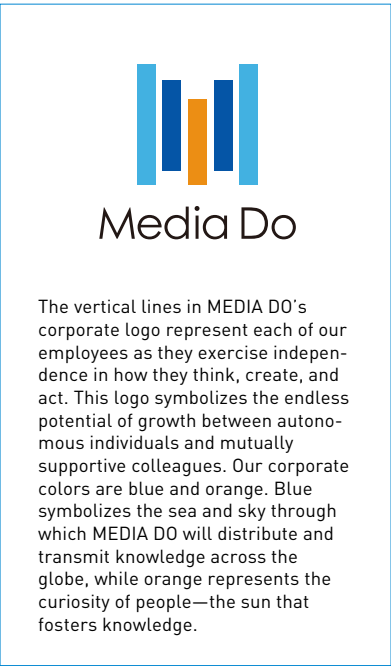


# Corporate and Stock Information

(As of February 28, 2021)

## Company Overview

Name	MEDIA DO Co., Ltd. (name changed on June 1, 2020)
Date of foundation	April 1, 1996
Date of establishment	April 1, 1999
Capital	¥4,415 million
Location	Head Office: 5F, PALACESIDE Bldg., 1-1-1 Hitotsubashi, Chiyoda-ku, Tokyo 100-0003, Japan
Number of employees	Consolidated: 379 Non-consolidated: 271
Number of consolidated subsidiaries	11
Number of associated accounted for by the equity method	2
Fiscal year	March 1–February 28/29
Annual General Meeting of Shareholders	May
Share unit number	100 shares
Shareholder registrar	Sumitomo Mitsui Trust Bank, Limited
Number of common shares issued	15,370,300
Number of shareholders	3,748
Securities code	3678
Stock listing	Tokyo Stock Exchange, First Section



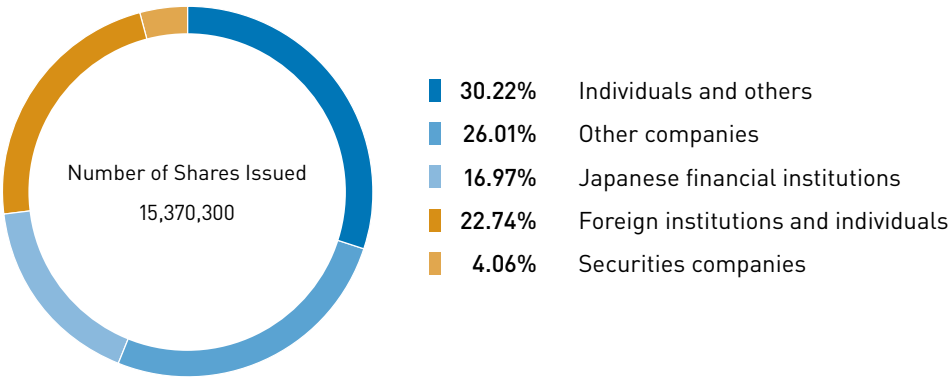
## Corporate and Stock Information

(As of February 28, 2021)

Name	Number of Shares	Percentage of Total Shares Issued (%)
Yasushi Fujita	2,434,800	15.84
FIBC Co., Ltd.	2,114,700	13.76
GOLDMAN SACHS & CO. REG (Standing Proxy: Goldman Sachs Japan Co., Ltd.)	1,150,589	7.49
Custody Bank of Japan, Ltd. (Trust Account)	897,600	5.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	634,000	4.13
SHOGAKUKAN Inc.	564,800	3.68
KODANSHA LTD.	544,000	3.54
Kazuyoshi Ohwada	457,400	2.98
SHUEISHA Inc.	444,000	2.89
Mizuho Securities Co., Ltd.	298,200	1.94

Note: Treasury stock (2,773 shares) has been eliminated from the total number of shares issued in calculating the percentage of total shares issued.

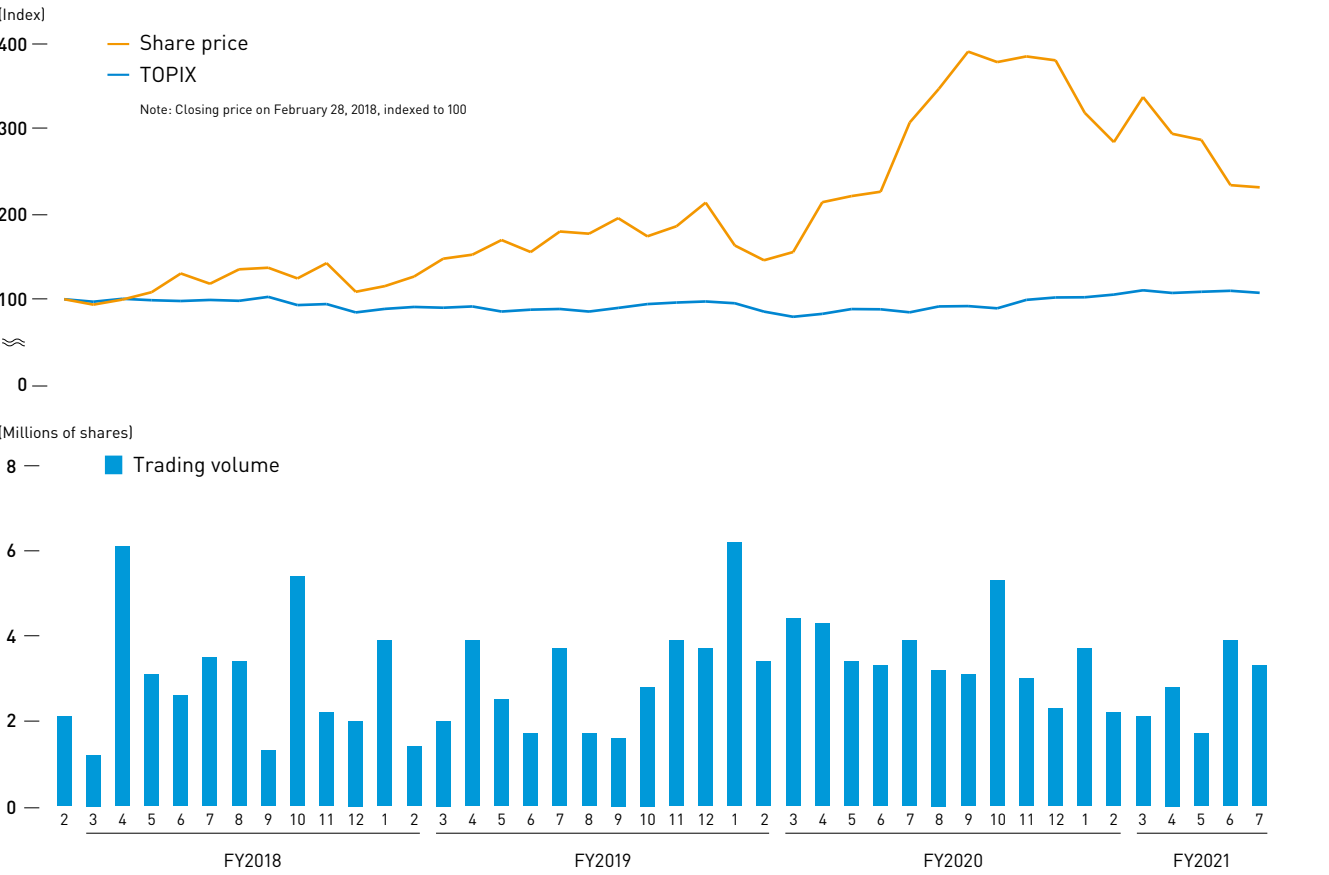
## Distribution of Shares Held by Shareholder Type



## Total Shareholder Return

Investment Period	One Year	Two Years	Three Years	Four Years	Five Years
	Aggregate annual return rate	Aggregate annual return rate	Aggregate annual return rate	Aggregate annual return rate	Aggregate annual return rate
MEDIA DO Co., Ltd.	162.0%	153.5%	194.9%	225.0%	437.8%
TOPIX (including dividends)	120.9%	142.2%	132.2%	127.3%	161.0%
TOPIX (Information and Communication)	112.7%	123.4%	124.2%	130.3%	182.1%

## Share Price and Trading Volume (Tokyo Stock Exchange)



## Publication of Integrated Report, Purpose, and Production Process

In 2020, MEDIA DO published its first integrated report, and this is thus our second year of preparing such a report. The first report was compiled based on the theme of explaining to stakeholders the role of MEDIA DO in the industry and the type of company it seeks to become. This approach proved successful in increasing understanding with regard to the Company, which was a benefit in such undertakings as the fund procurement activities announced in October 2020.

For this second integrated report, we sought to explain the sustainability and corporate governance initiatives that had been implemented over the past year as well as the current state and future outlook for MEDIA DO. Defining the report's theme as "surpass," we increased the page count by roughly 20 pages in comparison to last year's report to accommodate this robust scope of focus. In light of the upcoming market reorganization projected in April 2022, we look to develop frameworks that will allow us to earn greater levels of trust from our stakeholders in an effort to fuel the ongoing growth of MEDIA DO.

The process of producing this integrated report was overseen by President Yasushi Fujita and I guided us in forging this report through a process of multiple discussions with the secretariat centered on the Corporate Planning Office. We took a Companywide approach toward the production of this report, holding meetings with executive officers as well as with members of the Engineering Division, the General Affairs Department, the Human Resources Department, and the President & Group CEO Office. We believe that this report will be a valuable tool for fostering sustainability awareness among employees, and will thus be using it at briefings for employees and other occasions.



**Hiroshi Kanda**  
Executive Officer and CSO  
(Chief Strategy Officer)