

Special Feature

Some people devote their lives to making comics.

Others devote their lives to writing books.

And there are those devote their lives to supporting these people and transforming their wisdom into content.

At MEDIA DO, we protect the content that people devote their lives to producing and the people who produce it, as we work toward our vision of “More Content for More People!”

This is our mission as a company shaping the future of content distribution.

About This Special Feature

As advances are made in IT, the potential of digital content is growing, as are the expectations of its users. At the same time, new markets are transforming themselves in the wake of the global COVID-19 pandemic. MEDIA DO is also witnessing the transformation of the scope of its varied service lineup following the merger and post-merger integration with Digital Publishing Initiatives Japan Co., Ltd. In this special feature, we will look at how MEDIA DO sees these transformations, its goals in response to these developments, and how it will transform such change into business opportunities. These factors will be looked at through concrete initiatives and a clear timetable for MEDIA DO's advance as a company shaping the future of content distribution.

Interview with the COO



Shin Niina

Director, Vice President, and COO

Q. What do you see as MEDIA DO's purpose and strengths in the publishing industry?

This question is easier to answer if we take a look back at the history of the publishing industry. I have been involved in the publishing industry as an editor for 30 years now. This period has been a time of change that, for the publishing industry and the culture of publishing in Japan, was greater than the change brought about by the Meiji Restoration. After World War II, the publishing industry continued to enjoy strong growth through 1996, when record-breaking sales were posted. The trend was reversed after reaching this peak, however, resulting in a downward trend that continues today.

This might lead you to ask: What happened in 1996? This was the year that the Japanese-version of Yahoo! was launched. Moreover, Amazon.com, Inc., was established two years before. Yes, 1996 was when the Internet started gaining popularity. Japan also felt the impact of this trend as people began increasingly using websites to gather information, as opposed to books and magazines.

The spread of the Internet was a global trend, but overseas publishing industries did not suffer the negative growth experienced by the Japanese publishing industry. This is because these industries transformed themselves in response to the Internet, incorporating it into their industry to boldly embrace digital technologies through the

distribution of electronic books as well as of paper books. These technologies were even used in marketing.

Sensing that it was facing a crisis, the Japanese publishing industry accepted support from the industry reform institution of a government finance fund as well as from Dai Nippon Printing Co., Ltd., and Toppan Printing Co., Ltd., to establish Digital Publishing Initiatives Japan, where I would eventually serve as president. With this backing and technological support from major companies, the company came to handle a wide range of content from numerous publishers. At the same time, a promising venture company had developed flexible systems with a small team of genius engineers and was rapidly growing through the distribution of Japanese manga and other content. This company was MEDIA DO. These two companies were polar opposites in terms of their characteristics and strengths, but they were united by their shared vision of breathing new life into Japan's publishing industry with digital technologies. Their merger gave rise to the industry leader in eBook distribution: the MEDIA DO of today.

MEDIA DO's purpose is thus to leverage its strengths to promote the digital transformation of Japan's publishing industry.

Q. What digital trends are currently affecting the publishing industry?

The Internet brought about one large change in particular, not limited to the publishing industry. This change was in how we connect with one another. The current climate is one in which the power of the individual is growing. By using the Internet, people are now broadcasting their thoughts and feelings to others, and society can respond instantly, creating a situation in which such statements can easily take off and

trend. Individuals also have increased their power in the business sphere. For example, we are seeing the rise of business models such as those of Uber Technologies Inc. and Airbnb, Inc. Now, all one needs is a car to become a taxi driver or an unused room to rent to operate a hotel. The Internet makes it easy for people to connect with other people. These connections no longer need capital or companies.

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This, of course, holds true for the publishing industry. There is no denying how much the gap between creators and readers has shrunk. Under conventional methods, having one's work read required a process that included editing, printing, publishing, and distribution. This process entailed a need for capital and labor. The result was an industry structure that made it easy for creators to flock to large publishers capable of effectively managing this process. Technological progress has decreased the disparity between large and small to medium-sized publishers. However, it is not as though all small to medium-sized publishers are benefiting equally from this situation. For example, there are some that suffer due to a lack of expertise with digital transformations. MEDIA DO looks to extend a helping hand to such publishers.

Moreover, the Internet and digital transformations are not all a publisher needs to prosper. The world of today is one in which an individual can connect with other people all across the globe. As a result, even Japanese publishers, which are generally thought to be part of a domestic industry, face the risk of suddenly finding themselves involved in international

issues. Examples of such issues include the development of international standards and the threat of piracy.

The movement to develop international standards for eBooks has created a situation in which it is crucial to adapt Japanese-language displays and unique cultural expressions to conform with such international standards. MEDIA DO acts as an advocate for the digital publishing industry in this movement through means such as sending a representative to serve as the co-chair of a working group of the World Wide Web Consortium, which is guiding the movement toward international standardization.

Meanwhile, pirated versions of Japanese manga come almost exclusively from overseas. MEDIA DO is participating in initiatives to combat such piracy. In fact, I was the first representative director of Authorized Books of Japan, an organization established in April 2020* that is playing a central role in the fight against piracy.

* An organization established by authors, book distributors, and publishers to advance continual measures to prevent piracy of eBooks.

Q. How is the global COVID-19 pandemic impacting MEDIA DO and the publishing industry as a whole?

The trend toward at-home consumption stimulated by the global COVID-19 pandemic resulted in eBook sales exceeding forecasts over the period from March to May 2020. This was an increase similar to that seen for use of video streaming sites. In fact, our digital library business received a year's worth of inquiries from both public and school libraries in only one month during this period. The trends surrounding the pandemic created an opportunity for a wider range of readers to engage with eBooks and understand their benefits. It could be said that this development led to a fundamental rise in the number of eBook readers.

Conversely, traditional paper books were hit pretty hard. For example, bookstores in large-scale commercial facilities were forced to suspend their operations as these facilities closed temporarily. In addition, the closure of movie theaters

resulted in the cancellation of book campaigns that had been scheduled to take place in conjunction with the release of movies.

As the distribution of paper books was stifled by the extreme circumstances, it was eBooks that supported the distribution of published works. A major significance of the advent of eBooks was the diversification of venues for distributing published works. People often mistakenly assume that eBooks are a new form of media. Quite the contrary, the content of eBooks is almost identical to that of their paper counterparts. The main, and revolutionary, difference from paper books is the form of distribution. We are not looking to overturn the publishing industry with digital content. Rather, we feel that digital distribution has an important role to play when there are issues with the distribution of paper books.

Q. What exactly is MEDIA DO's vision of becoming a Publishing Platformer?

We aim to create a platform that can help to invigorate the entire publishing industry through digital transformations. Many Japanese publishers are locked into the conventions of distributing the intellectual property (IP) that authors and editors worked so hard to create in the form of printed paper books sold in local bookstores. MEDIA DO, however, feels that there is more untapped potential for published IP.

Japan is advocating a view for the future of society in its Society 5.0 vision. As we move toward the realization of this vision, it will likely become increasingly common for new services and culture to emerge through the use of the Internet. In this society, the ongoing survival and growth of the publishing industry will hinge on the ability to create

platforms to support both digital and electronic publication. We view our role at MEDIA DO as being to support digital transformations in the publishing industry throughout the entire publishing process, ranging from the discovery of writers to the creation of paper and digital content, the promotion of sales, and the acquisition of reader data.

Overseas, large-scale publishers dominate the market. In Japan, however, small to medium-sized independent publishers account for roughly 70% of the market in terms of sales. This situation has led to the creation of diverse publishing cultures. However, as such independent publishers lack the human and capital resources of large-scale publishers, they tend to be slower in implementing digital

transformations. The imprint business launched by MEDIA DO in 2019 is a scheme for achieving digital transformations easily and inexpensively by allowing such publishers to jointly use a business process platform developed by the Company.

One example would be MEDIA DO's Picassol service. This service converts digital content into tagged text files based on defined rules through a process designed to help get the most use out of published IP. The result is a framework in which digital files are first produced to create content that can then be used for both paper and digital publication and that can even be applied to whatever new services may appear in the future. Moreover, this service comes equipped with incredibly potent proofreading functions. Other services include our PUBRID print on demand service, which helps to alleviate issues pertaining to inventories of paper books, as well as NetGalley, a service that enables extensive online marketing of pre-release books.

Looking ahead, we plan to begin offering an audiobook service in the autumn of 2020 to help publishers make even better use of IP. We are also developing a system for integrating the management of the sales and royalties of eBooks with the royalties of paper books, using subsidies from the Ministry of Economy, Trade and Industry. Both services will be cloud-based and capable of use for a low monthly fee, with no need for troublesome server maintenance or specialized technical knowledge.

The term "Publishing Platformer" that we use to describe our vision refers to the amalgamation of these services. We believe that, in this capacity, we can help publishers of all sizes to provide the world with amazing books by having small and medium-sized publishers compete in terms of editing and sales, while sharing the systems for the non-competitive aspects of business such as marketing and back-office support.

Q. What do you see as your role as COO, and how do you see the future of MEDIA DO?

As CEO, President Yasushi Fujita is responsible for management strategies. He is thus directing businesses to create a sustainable legacy for exploring new markets with blockchain and other new technologies. Meanwhile, as COO I am responsible for businesses designed to take our eBook legacy to the next level, which have our content distribution systems as their core. The systems themselves require ongoing evolution, and new needs from publishers and eBook distributors are continually arising around these systems. My job is to transform these needs into businesses.

As a member of the publishing industry, I started my career with letterpress printing and then moved on to phototypesetting and Adobe InDesign and other desktop publishing methods, electronic printing, and finally print on demand and audiobooks. I have experienced all of the printing technologies that arose over the roughly 570 years following Gutenberg's invention of the printing press. I am also very

familiar with the sentiments that authors and editors have toward their work. With this background, I cannot help but feel that it was fate for me to arrive at the position of COO of MEDIA DO, a company that is committed to contributing to the publishing industry through digital technologies. Given the great changes taking place in the publishing industry as the Internet permeates society, as the move toward international standardization advances, I hope my experience will help to endow MEDIA DO with strengths not found in our peers.

I am confident that MEDIA DO is a company that can continue to treasure the traditional culture of the publishing industry and its history as it supports writers, publishers, distributors, and other members of the publishing industry dedicated to pioneering this new era of publishing with digital transformations that go beyond mere digitization, standing by their side throughout the process.



Special Feature

Messages from Chief Officers

In June 2020, MEDIA DO transitioned to an operating holding company system. In conjunction with this change, the Company adopted an executive officer system to strengthen Group management and expedite decision-making. On the following pages, you will find messages from the Group's chief officers in which they explain what they see as necessary to accelerate the Group's business growth and what their role is within the organization.

Guidance for drawing out the maximum performance from management resources as an accounting professional

I joined the Company in 2007, right around the time when the eBook business was approaching the end of its first year. Now, just over a decade later, the scale of our sales is more than 40 times larger than it was back then. I witnessed this rapid growth firsthand, and our momentum has been palpable throughout the process.

MEDIA DO handles written works, which are incredibly important for enriching our lives. At the same time, we are using digital technologies to rapidly create new methodologies and value within the Company. Accordingly, we accountants have had to go beyond simply performing our basic accounting duties to investigate new possibilities and tackle new challenges, thereby growing together with the Company. This experience is a precious asset to me and the rest of the accounting team, a treasure in which we take pride. I am confident that I have contributed to the corporate value of the Company by dispensing with preconceptions to examine a number of strategies to maintain the brisk speed of our growth.

I hope to help fulfill our mission of "unleashing a virtuous cycle of literary creation" in the future by maintaining openness to change, as necessitated by the times, and disclosing relevant numerical data both inside and outside of the organization.

A never-ending ambition to combine MEDIA DO assets and technologies to raise the value and distribution of written works

A look at history shows that written works have changed continually in conjunction with the emergence of new communications technologies, and users have thus found themselves interacting with such works in a variety of ways. Communications technologies are now on the cusp of the 5G era, a new phase that is seeing the emergence of technologies for the Internet of Things as well as virtual reality, augmented reality, and other reality-altering technologies. At the same time, the Internet, previously merely a channel for distributing written works, is becoming a venue that can attach new and different value to these works via blockchain technologies.

Against this backdrop, my mission is to use technology to transform Japan's IP into forms suited to the times, and into digital content assets to blaze the trail that will lead IP holders to new revenue sources. To accomplish this, I aim to create new businesses that defy conventions by combining MEDIA DO's relationships with publishers, and its expertise in dealing in written works, with the technology capabilities that have been refined to handle these assets.

By proposing new value through this process, I hope to enrich our world by providing people with sources of amazement and inspiration. Chasing this vision for the future is my duty and my mission.

Stimulation of industry growth through impeccable internal and external communication

In Japan eBook services emerged in 2002, five years before the Amazon Kindle in the United States. As Japan was the first in the world to embrace this medium, the domestic eBook industry has grown into a market boasting a scale of nearly ¥400.0 billion today, as members of this industry continue to pursue growth through experimentation and collaboration. In this industry, MEDIA DO acts as an intermediary between more than 2,200 publishers and over 150 eBook distributors to provide system solutions and distribution services to optimize the distribution of eBooks.

Our goal is to decrease the burden of eBook distribution while improving its accuracy. Today, we are No. 1 in gross transaction value for eBooks in Japan and second only to Amazon on a global scale. MEDIA DO is thereby now in a position in which it must go further by acting as a central figure in resolving issues that arise and thereby spurring the growth of the industry. As the head of eBook distribution, I recognize that I have been entrusted with an important role. I also hope to enable the employees who support me in this role to feel pride in their work. I will therefore undertake to fulfill my role as CEDO through impeccable internal and external communication.

Exploration of new growth fields and global markets to provide the ideal services for content creators and content lovers alike

MEDIA DO is Japan's largest provider of digital publishing and distribution services, and we help to deliver countless written works into the hands of users every day in the form of eBooks. As we pursue future growth, we will expand our operations in relation to both content and consumers while maintaining distribution as the heart of our business. The nature of our business puts us in a position of interacting with many partners and amassing large quantities of data. The advantage of this position is that it helps us to access a wealth of content and develop services for consumers. One of the goals of MEDIA DO is thus to become a company that provides solutions covering all areas of the supply chain, from upstream to downstream areas.

At the same time, the range of areas in which we can contribute is expanding as we develop our business on a global scale. We ally ourselves with numerous domestic and overseas companies in a variety of forms. Our aim is to generate synergies with these companies. Synergies, after all, are the catalyst for explosive growth.

In the past, I served at major distributors and major publishers. I look to accomplish our goals by calling on the experience gained at these companies and the networks formed over the course of two decades involved in overseas business.



Yoshiyuki Suzuki
Director and CAO
(Chief Accounting Officer)



Atsushi Mizoguchi
Director, Executive Officer, and CBDO
(Chief Business Development Officer)



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



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

Special Feature Messages from Chief Officers

Digital transformation of the publishing industry driven by MEDIA DO's technologies and position

I joined MEDIA DO in 2018, right in the middle of an important project that was imperative for the solidification of our business foundation: the conversion of Digital Publishing Initiatives Japan into a subsidiary and the integration of its eBook wholesale system into MEDIA DO's. This process was anything but smooth. I was therefore tasked with reevaluating and deciding our integration strategy and approaches while guiding a massive overhaul of our technological systems, which entailed shifting completely from on-premise systems to cloud systems. Our new eBook wholesale system was released roughly six months later, and the system integration was more or less complete by June 2020.

However, this system integration was not our end goal; it merely established the foundation for our next step. This next step will see MEDIA DO utilizing its technologies and its position as the domestic eBook wholesale share leader to promote digital transformations in the eBook as well as in other fields, and develop and supply systems that evolve and benefit the wider publishing industry.

Ongoing improvements in corporate value achieved through a virtuous cycle of financial base reinforcement, growth investments, and appropriate shareholder return

In the fiscal year ended February 29, 2020, we set new records for net sales and operating profit. In addition, the equity ratio, D/E ratio, and goodwill/shareholders' equity ratio, indicators of our financial health, all showed steady improvement from the fiscal year ended February 28, 2018, when these ratios took a negative turn due to the acquisition of Digital Publishing Initiatives Japan. Moreover, the post-merger integration of this company is now complete. We also achieved our target for shareholder return of a total return ratio of 20.1%.

As CFO, I am charged with the important tasks of reinforcing our financial base and promoting aggressive growth investments. M&A activities are one effective method to accomplish these tasks, but they can also be a double-edged sword with the potential to adversely impact a company's financial health. In my capacity as CFO, I will draw on my two decades of experience in business development to identify promising acquisition candidates with a high degree of accuracy and consideration for capital costs, while seeking to improve our financial base, and I will work to ensure effective post-merger integration. I thereby hope to guide the Company in executing measures to reinforce its financial base.

By creating a virtuous cycle that sees us striking a balance between growth investment and reinforcement of the financial base over the medium term, and using the results generated to issue appropriate shareholder return, I aim to support ongoing improvements in corporate value.

Business growth and corporate value improvement through enhancement of intangible assets

I joined MEDIA DO in January 2019 as the general manager of its Human Resources Division. My first act in this position was to design and implement new human resource systems that would guide the growth of employees based on the Company's mission, vision, and values. Since June 2020, I have been enhancing our multifaceted business support systems as the CHRO in charge of overseeing the human resources, general affairs, and legal affairs divisions.

As we move ahead with digital transformations, intangible assets will become increasingly important as sources of corporate value and competitiveness. My personal mission is therefore to create an environment that is conducive to the ongoing growth of the Company and its people by enhancing its major intangible assets, including its corporate culture, employee skills and motivation, compliance, and the non-tangible benefits of facilities.

The global COVID-19 pandemic is serving to accelerate workstyle reforms, bringing about the possibility of a major transformation in workstyles. Given this environment, efforts to build frank and open corporate cultures and systems, effective corporate governance, and efficient and comfortable workplaces, all of which are appealing to diverse human resources, will contribute to improved corporate value and competitiveness.

Sophisticated corporate strategy frameworks and execution guidance, along with accountability to stakeholders

The MEDIA DO Group's growth strategies include efforts to accomplish the targets of the five-year medium-term management plan established in 2018 as well as those efforts that look toward the period after this plan from a medium- to long-term perspective.

Initiatives for accomplishing the medium-term management plan's targets are being advanced through coordination with other chief officers while managing progress toward those targets. Initiatives from a medium- to long-term perspective, meanwhile, need to be carried out based on a diverse range of intricately connected themes. These themes include developing our mainstream eBook distribution business, conducting investments and M&A activities to create new businesses, expanding operations overseas, formulating capital strategies and determining management resource allocations to support these efforts, and addressing environmental, social, and governance issues. My duty as CSO is to develop sophisticated corporate strategy frameworks that integrate these themes and offer related execution guidance while exercising accountability to stakeholders. We have been ramping up engagement with and disclosure for stakeholders since 2019. As a result, we have seen an increase in investment in the Company based on the assumption of maintaining investment in the Company for the long term. The MEDIA DO Group is united in its commitment to advancing with steps that will make stakeholders look to its future with anticipation.



Junichiro Izumi
Executive Officer and CTO
(Chief Technology Officer)



Ryo Yamada
Executive Officer and CFO
(Chief Financial Officer)



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



Hiroshi Kanda
Executive Officer and CSO
(Chief Strategy Officer)