

Medium-Term Management Plan Overview and Progress

Overview of the Medium-Term Management Plan

In July 2018, the MEDIA DO Group established and unveiled its five-year medium-term plan. Through the steady implementation of this plan, we aim to create a next-generation platform to spread eBooks throughout society and to achieve further growth, while unlocking new possibilities and contributing to the expansion of the entire publishing industry.

Strengths Cultivated since MEDIA DO's Foundation

Position × Technology

▶ See pages 14–15

1 MEDIA DO's Current Position

Growth outpacing the market

Promising market environment

2 Growth-Oriented Strategies

First Step toward Our Goal

Medium-Term Management Plan FY2018–2023

3 Goal

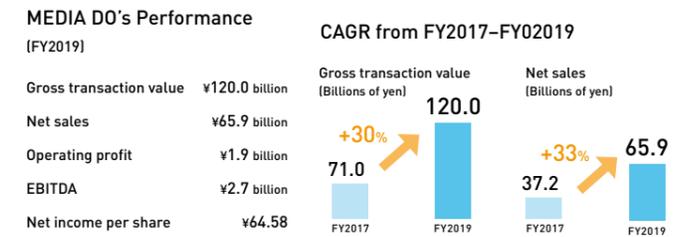
Publishing Platformer

The MEDIA DO Group aims to transform itself into an entity that supports the entire eBook distribution industry by combining its unique, dominant position in eBook distribution—its greatest strength—and its cutting-edge technologies.

1 MEDIA DO's Current Position

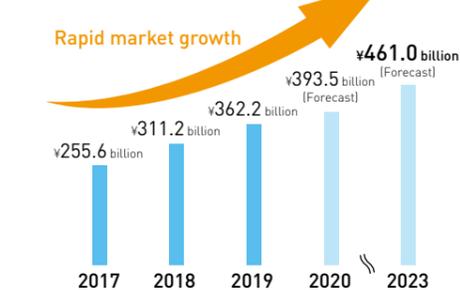
Growth Outpacing the Market, Achieved with Strategies That Leverage Our Strengths

The Japanese electronic publishing market was estimated at ¥362.2 billion in 2019, in terms of the total for books, comics, and magazines, and this market has boasted a compound average growth rate (CAGR) of more than 15% for the past three years. The market's scale is projected to reach ¥461.0 billion in 2023, which will represent growth of nearly 30% from 2019, an incredibly swift rate of expansion. Concurrently, the MEDIA DO Group has enjoyed growth outpacing the market, with increases of around 30% in gross transaction value and net sales over the same three-year period.



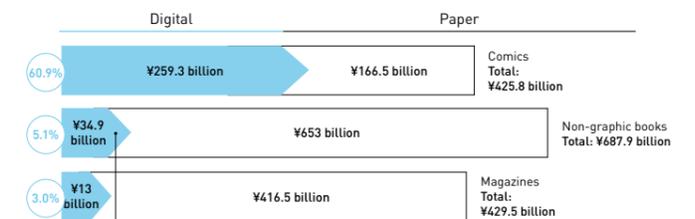
Promising Market Environment for MEDIA DO

eBook Market Scale



Source: eBook Marketing Report 2019 on Japanese Market, Impress Research Institute

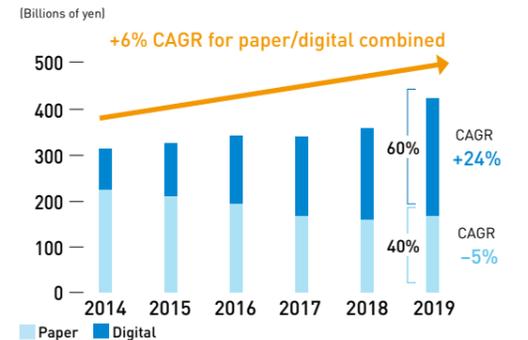
Publishing Market Scale by Genre (2019)



30%–40% share of total publishing market represented by eBooks in the United States and China / Significant room for the Japanese market to grow

○ Figures in circles represent the share of eBooks in the market for the respective category. Source: All-Japan Magazine and Book Publishers and Editors Association

Market for Comics (Standalone Publications)



Source: Annual Report on the Publications Market 2019, All-Japan Magazine and Book Publishers and Editors Association

Digital comics surpass paper comics due to the digital advantage: They can be purchased anywhere at any time

Slowed pace of downward sales growth of paper comics by virtue of the catalog effect from consumers being exposed to digital comics

Growth in eBook distribution directly linked to the revitalization of the publishing market

2 Growth-Oriented Strategies

Growth and Contributions to Publishing Market Expansion, Achieved through Unique Strengths

Japan's publishing market has been on the decline since 1996. Conversely, the eBook market has been growing rapidly as an increasingly large number of people come to own smartphones and tablets and the methods of delivering content grow more diverse. Given this backdrop, the MEDIA DO Group aims to achieve further growth through business strategies that go beyond simply accommodating and supporting the shift toward eBooks, to contribute to the expansion of the entire publishing market.

Three Strategic Themes for Realizing Our Goal

- 1 Stimulate the growth of eBook markets
- 2 Invent future eBook markets
- 3 Aggressively invest in business expansion

Numerical Targets of the Medium-Term Management Plan

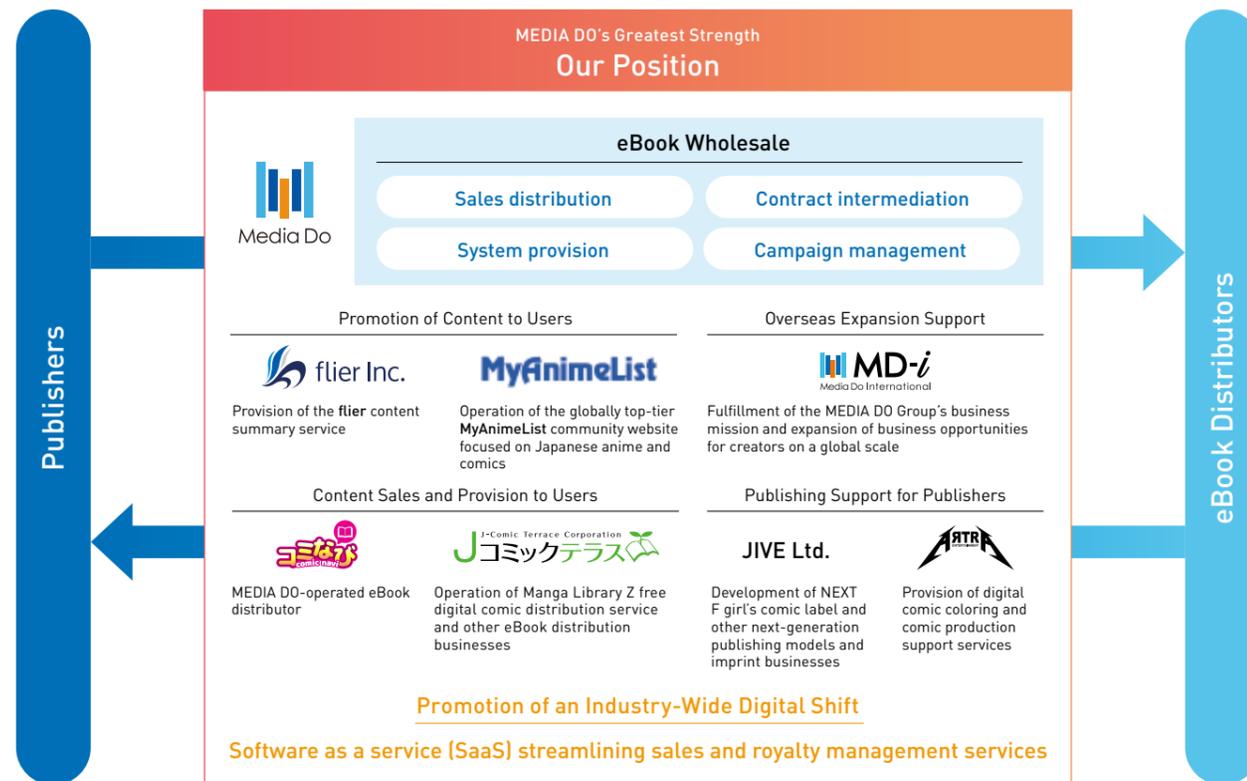
| | Gross transaction value | Net sales | Operating profit | EBITDA | Net income per share |
|---|-------------------------|---------------|------------------|--------------|----------------------|
| Targets for FY2020 (third year of the plan) | ¥140.0 billion | ¥77.0 billion | ¥2.2 billion | ¥3.0 billion | ¥77 |
| Targets for FY2022 (fifth year of the plan) | ¥165.0 billion | ¥90.0 billion | ¥5.0 billion | ¥6.0 billion | ¥135 |

▶ See pages 34–39

Medium-Term Management Plan Overview and Progress

Priorities of the Medium-Term Management Plan

In its medium-term management plan, the MEDIA DO Group has defined three strategic themes based on its position, its greatest strength. The first theme is "stimulate the growth of eBook markets," which entails growing the eBook market and reducing the amount of energy used for distribution. The second theme is "invent future eBook markets," which will involve utilizing cutting-edge technologies to further the growth of the publishing market. The third and final theme is "aggressively invest in business expansion." By carrying out strategies based on these themes, we will seek to become the Publishing Platformer described in the medium-term management plan.



Milestones toward Accomplishing Our Goal

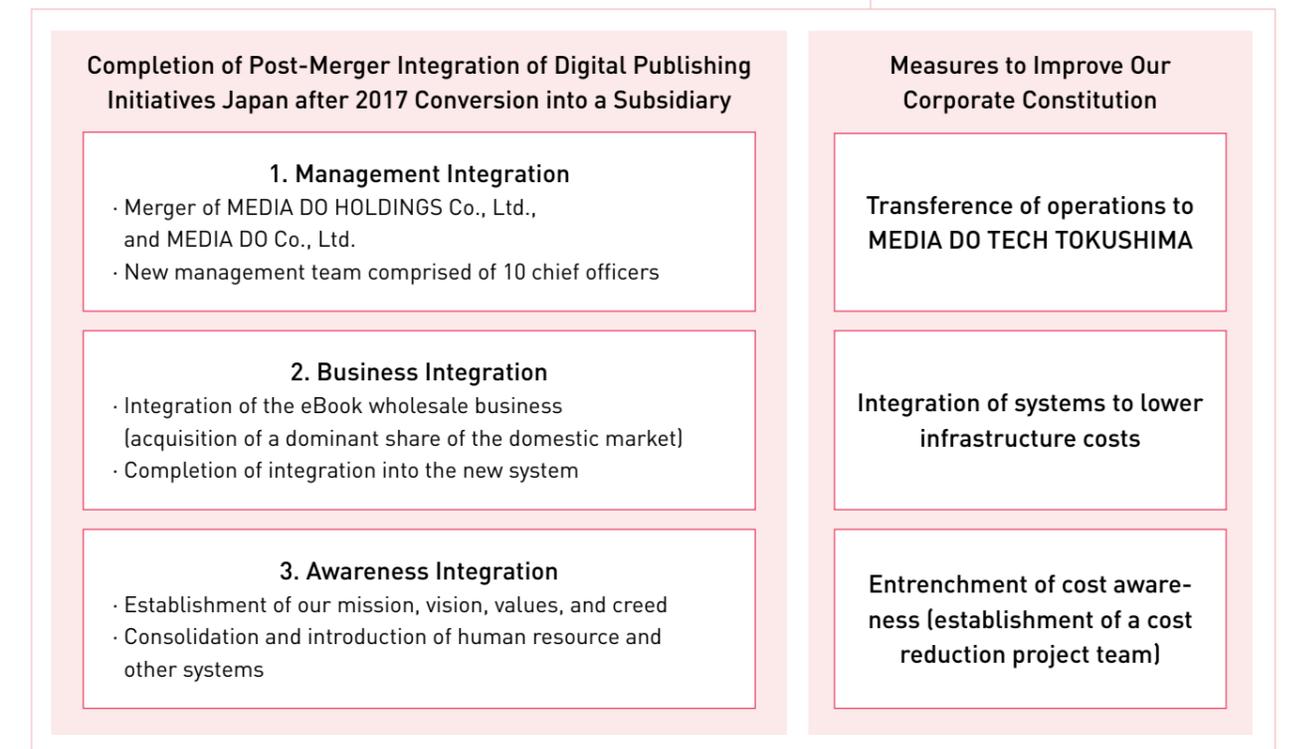
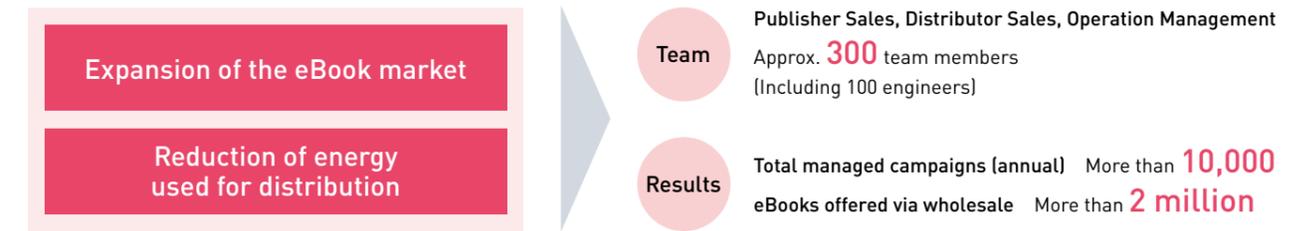
| | Priority Measures | First year (FY2018) | Second year (FY2019) | Third year (FY2020) | Fourth year (FY2021) | Fifth year (FY2022) |
|-----------------------------|---|---------------------|---|---|--|---------------------------------|
| eBook Distribution Business | Stimulate the growth of eBook markets | | Building the content distribution platform | Developed a new system, completed system migration in April 2020 | Realize cost reduction | Upgrade to the new system |
| | Invent future eBook markets | | Providing metadata marketing | Create a proof of concept | Develop the platform | Launch our service in 3Q FY2020 |
| Other Businesses | Aggressively invest in business expansion | | Creating services by leveraging advanced technologies | Continue to invest in advertising and competitiveness enhancement in pursuit of further expansion | | Achieve profitability |
| | | | Deploying new services across publishers | Launched business in 3Q FY2019 | Strengthen publishing functions, offer multiple imprint levels | |

■ Completed measures
 ■ Targets of additional investment
 ■ Anticipated future benefits

Stimulate the growth of eBook markets

Building the content distribution platform

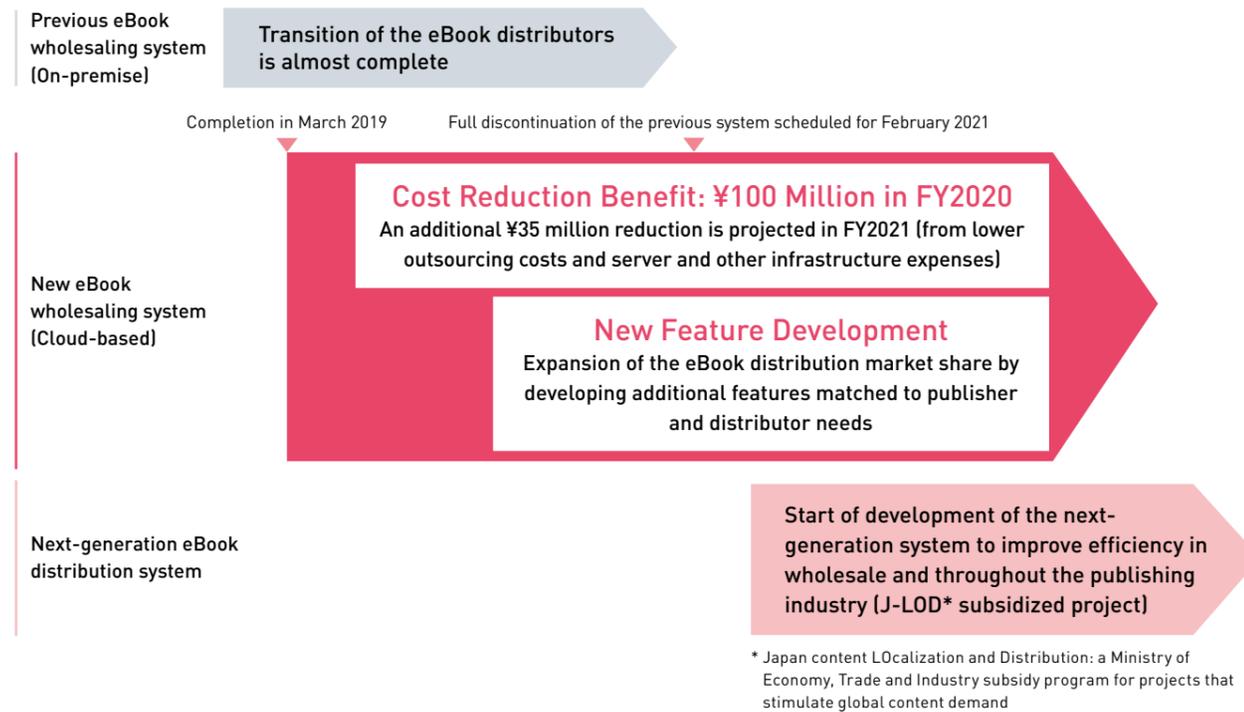
After converting Digital Publishing Initiatives Japan Co., Ltd., into a subsidiary in March 2017, this company was merged with wholly owned subsidiary MEDIA DO Co., Ltd. in March 2019, making the MEDIA DO Group the largest eBook wholesaler in Japan. Going forward, we will continue to help grow the eBook distribution market by responding to the needs of publishers, eBook distributors, and readers. At the same time, we will implement measures to streamline and reinforce our team in pursuit of cost reductions.



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Transition from the Cost Reduction Phase to the Additional Feature Development Phase of the New System

Seeking to reduce the amount of energy consumed by distribution, we have consolidated our previously multiple, on-premise content uploading and distribution systems into a single new cloud system and started the transition toward this system. In FY2020, we began conducting additional development investments in this system with the aim of growing MEDIA DO's share in the eBook distribution market.



Initiatives Targeting Growth

Transference of Operations to MDTT

We are currently in the process of transferring certain operations, such as those pertaining to managing campaigns and the uploading and distribution of eBooks, to MEDIA DO TECH TOKUSHIMA Co., Ltd. (MDTT). This transition is scheduled for completion in April 2021. By entrusting work that can be performed efficiently in Tokushima Prefecture to MDTT and focusing on the work that can only be done in Tokyo, MEDIA DO aims to improve operational efficiency.

Enhancement of Marketing of Comic navi, Our Directly Operated eBook Distributor

In light of the continuously robust growth of the digital comic market, MEDIA DO is investing in Comic navi, its directly operated eBook distributor, in a bid to expand it to a sufficient scale. This undertaking will enable MEDIA DO to overhaul its systems to create a large-scale system that is able to take it beyond its prior role of tracking market trends to respond to the needs of its wide-ranging clientele. In this way, we aim to increase the number of customers to which we supply our new system.

Joint Development of SaaS Sales and Royalty Management Services

MEDIA DO has partnered with KOWA COMPUTER CO., LTD., a company with a wealth of experience in developing systems related to paper books and other media, to jointly develop services for integrated management of sales and royalties for eBooks and royalties on paper books. This service will be offered on a software as a service (SaaS) basis. This development project has been deemed applicable for the J-LOD subsidies offered by the Ministry of Economy, Trade and Industry. By offering a service that will be affordable and easy to introduce even for small to medium-sized publishers, we aim to help such publishers streamline their administrative operations and cut costs.

Entry into the Audiobook Market

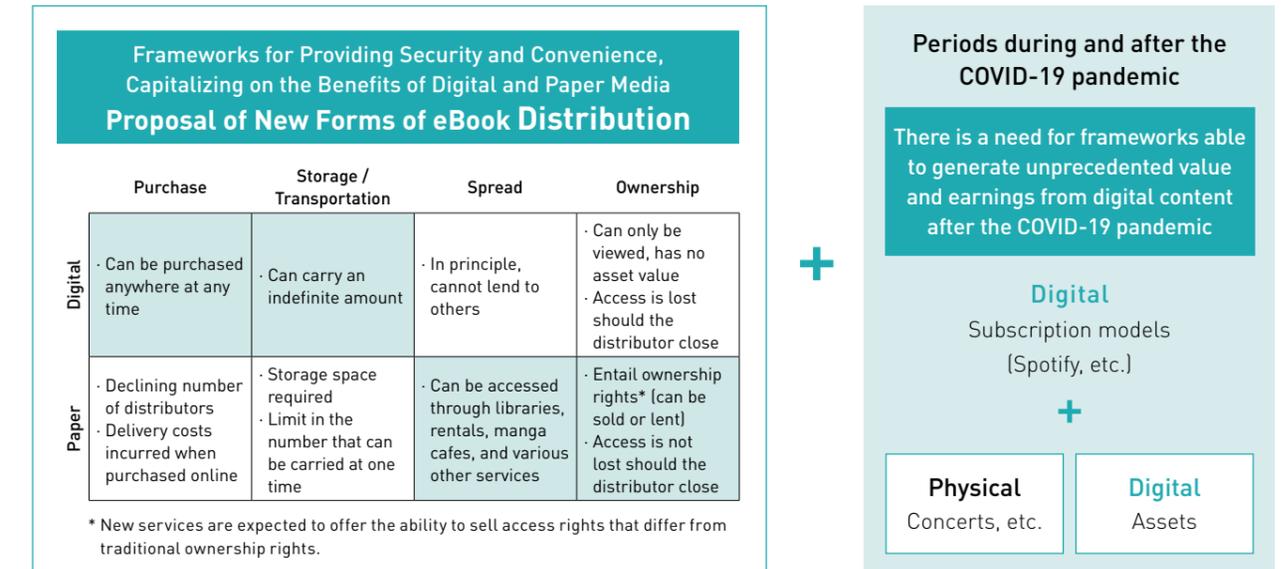
The market for audiobooks is growing rapidly overseas, and it can therefore be expected that the number of audiobook users as well as the selection of content available in Japan will grow in the years ahead. At MEDIA DO, we have begun efforts to support publishers in their production of audiobooks and supply these services to Audible, Inc., an Amazon.com, Inc., subsidiary that offers one of the world's largest audiobook and voice content production and distribution services.

Invent Future eBook Markets

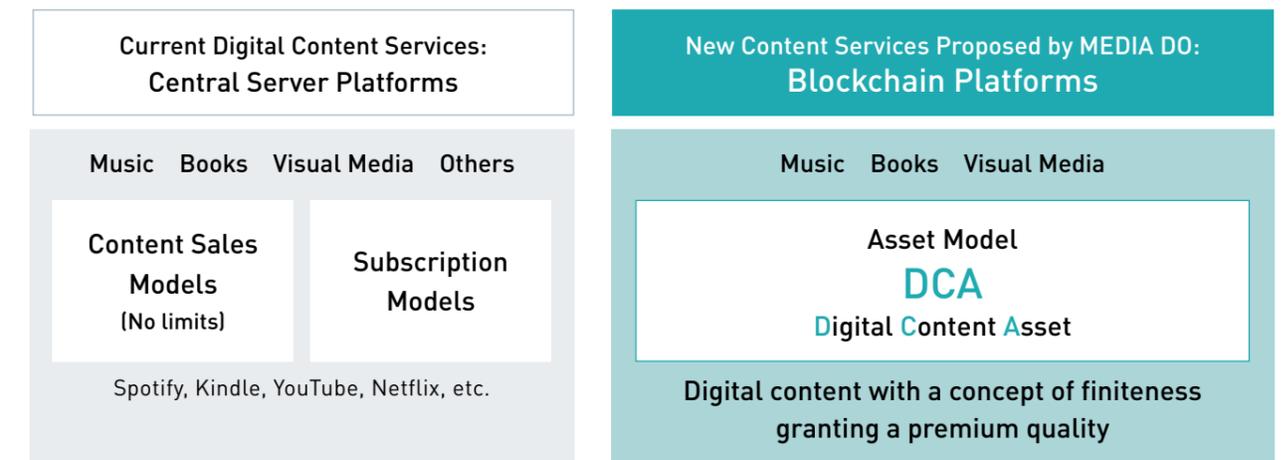
Creating new markets with new technologies

Proposal of New eBook Possibilities to Further Expand the Publishing Market

The eBook market continues to experience strong growth, but paper books still offer features and value that eBooks cannot. If we can improve user convenience by addressing this issue and enrich eBooks with new forms of value, we should be able to contribute to the further growth of the publishing market. With this as our goal, we are building new digital content distribution platforms using blockchain technologies.



New Possibilities for Digital Content Envisioned by MEDIA DO

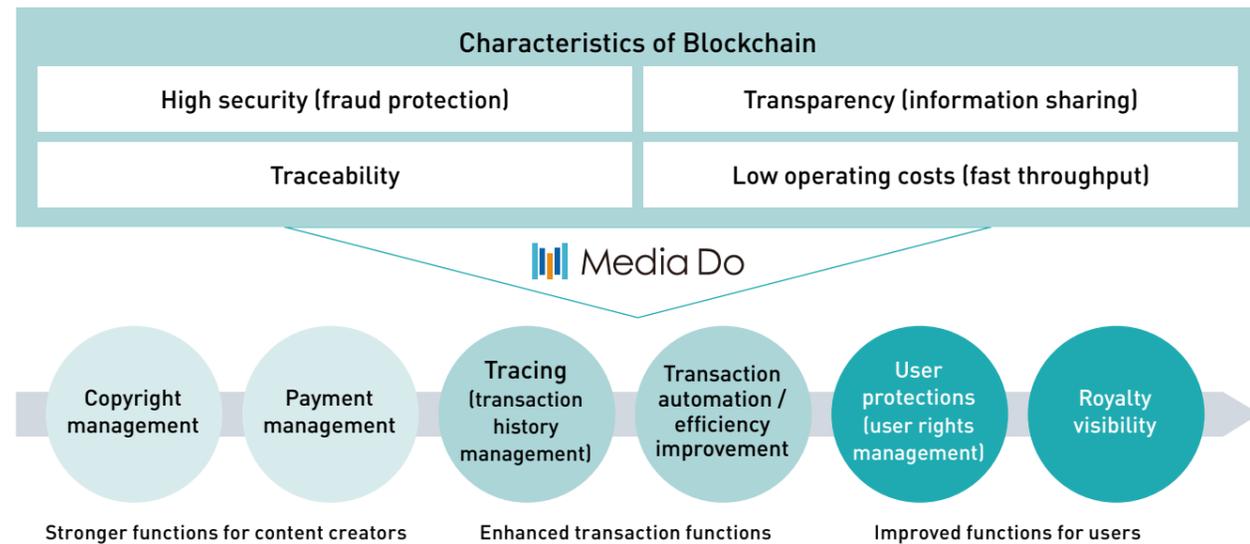


Content businesses have continued to transform themselves in conjunction with the technological evolution of smartphones and other terminals and installation and enhancement of the Internet infrastructure. Meanwhile, as phenomena such as the global COVID-19 pandemic have limited our abilities to engage with the physical world, a rapid shift toward digital content is taking place. Given these trends, MEDIA DO sees a need for frameworks able to generate unprecedented value and earnings from digital content. Guided by this recognition, we are seeking to create business schemes that attach new value to books and other content through platforms without centralized authority that differ from conventional central server platforms.

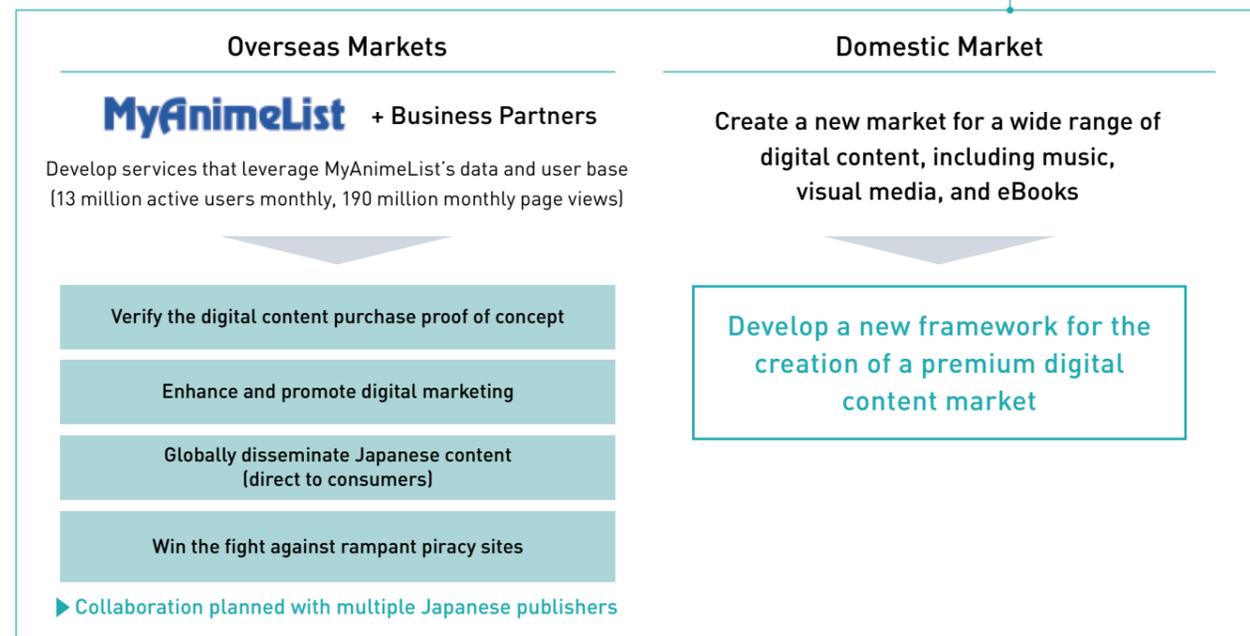
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Potential for Content Businesses Made Possible by Blockchain Technologies

Blockchain technologies are expected to transform the Internet from a venue that revolutionizes information to a tool for revolutionizing value. These technologies have the potential to make eBooks safer and more convenient by preventing the reproduction and alteration of information, and by enabling dispersed management to improve reliability while facilitating traceability. Furthermore, blockchain technologies can contribute to higher levels of convenience for both content providers and users. In this area, MEDIA DO has developed a new consortium-type platform able to provide high-processing speeds with a capacity that can cover annual distribution volumes in the trillions of yen. We have also constructed a new service platform that ensures competitiveness. The official release of the resulting services is in preparation.



Future Service Deployment Guidelines



Aggressively Invest in Business Expansion

MEDIA DO aims to become an entity that supports the entire eBook distribution industry. For this reason, investing in future profitability and corporate value improvements is crucial. In addition to expanding our share of the wholesale business, we are aggressively investing in strengthening our corporate constitution to develop future pillars of growth, as well as in the enhancement of the services provided by the MEDIA DO Group.

Priority Targets of Growth Investments

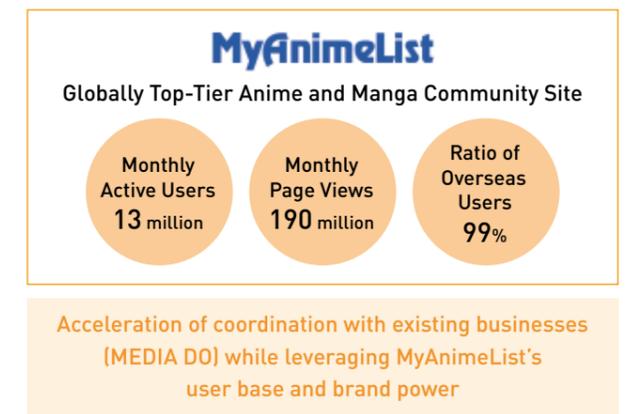
JIVE

JIVE Ltd. has a role in developing the imprint business, which supports the digital transformations of small and medium-sized publishers. MEDIA DO launched an imprint business in October 2019 with the aim of using the Group's technologies and publishing infrastructure functions to achieve next-generation publishing. This imprint business constitutes a new type of publishing business that contributes to the expansion of the overall publishing industry, including both paper and digital publishing. This is accomplished by supporting the process of creating products in the form of written works that is a cornerstone of publishing culture, along with market-oriented distribution that utilizes eBooks and print on demand. Through this business, we aim to improve medium- to long-term performance while contributing to the growth of the publishing industry and the development of publishing culture.

MyAnimeList

Business Overview: MyAnimeList, LLC. operates a globally top-tier Japanese anime and manga community website. Established in 2005, information on this website is registered and updated by the community of users. MyAnimeList was converted into a subsidiary in March 2019.

Future Strategies: Going forward, MyAnimeList will seek to improve its earnings by diversifying its monetization model while ramping up coordination with MEDIA DO to expand the Group's overseas operations. Moreover, this company aims to contribute to the further popularization of Japanese content in overseas markets. Efforts to this end will include offering planning, development, and operating support to companies looking to deploy their intellectual property in overseas markets and developing services that draw on MyAnimeList's user base and data as part of MEDIA DO's blockchain business.



Flier

Business Overview: Flier Inc. provides a service accessible via websites and smartphone applications 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. 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 flier book labo online readers community launched in May 2020 is proving incredibly popular. Both private and corporate usership of this service is growing rapidly through the introduction of corporate plans for large-scale companies and collaboration with companies. This community advocates a new entry point for reading experiences in the form of summaries and is thereby attracting new readership for these books in Japan. Flier's medium- to long-term goal is to make new discoveries and ideas a part of our daily life by providing a range of services for highly receptive businesspeople.

