February 28, 2017

Company name	MEDIA DO Co., Ltd.
Representative	Yasushi Fujita, Chief Executive Officer (Stock Code: 3678 Tokyo Stock Exchange 1st Section)
Contact	Osamu Yamamoto, Director (Tel: +81-3-6212-5111)

Notice on the acquisition of shares in and inclusion as subsidiary of Digital Publishing Initiatives Japan Co., Ltd.

At a Board of Directors meeting held today, MEDIA DO Co., Ltd. (hereinafter the "Company") resolved to acquire a 70.52% stake in Digital Publishing Initiatives Japan Co., Ltd. (hereinafter the "Digital Publishing") from Innovation Network Corporation of Japan (hereinafter the "INCJ") making Digital Publishing a consolidated subsidiary.

As the transaction requires notice from Japan Fair Trade Commission (hereinafter the "JFTC") that it will not issue a cease and desist order for the business combination, the Company has undergone advance notification to JFTC in compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.

1. Purpose of Acquisition

The Company, with the concept of "digital distribution of copyrighted work", aims to establish a healthy cycle to create sound copyrightable work by delivering as many contents, to as many people as possible. In the field of e-books, the Company offers e-book contents entrusted by many publishers to the e-book stores playing a major role in the fast growing domestic e-book market as well as pushing forward distribution of prominent Japanese contents to the world.

The domestic e-book market has turned into the size of approximately 182.6B JPY in 2015 (including e-magazines) and estimated to be 348B JPY in 2020 but 80% of the e-books consists of "manga" genre (excerpt from "eBook Marketing Report 2016" by Impress Corporation). The Company has been considering many ways to improve the distribution of text based e-books in the field of business and literary art due to the fact that the Company's proportion of manga genre is in the same way.

Digital Publishing has been established in 2012 with cooperation from the publishing industry and funding from INCJ for the purpose of supporting digital publishing businesses. Later in 2013, Digital Publishing acquired and consolidated Bitway Co., Ltd. and has entered into the digital contents distribution business.

Digital Publishing from the inception holds wide range of publisher connections and is rich in text based contents for literary art and academics. In addition, Digital Publishing has undergone many new initiatives to expand e-book business and to build infrastructure to explore new readers.

Both the Company and the Digital Publishing conducts e-book contents distribution business, but they will complement with each other creating synergies since the Company's strength lies in comic contents as well as service package for e-book stores, and the Digital Publishing's strength lies in text based contents with a wide range of business partners including Amazon with a view of building an industry wide infrastructure.

Rationalization of the e-book contents distribution process, knowledge sharing of e-book file formats and information transmission to the publishing firms, system improvements for diversification of e-book contents' sales and distribution, and promotion of new business model developments are expected to take effect.

By realizing a more convenient and satisfactory service whereby challenging the competition for disposable time, expanding reading time, and acquiring new readers, this will in effect contribute to scaling and revitalizing of overall publisher market as well as improving social quality.

In addition, while the cross-border digital publishing business is becoming easier with the growth and expansion of internet and IT evolvement, internationalization of copyright arrangement and translation are urgent issues. For this point, by supporting publishing firm's overseas expansion from various angle with the synergies that will be created by the Company's already experienced overseas expansion support of publisher contents by its US subsidiary and partnership with Overdrive, and the Digital Publishing's built up knowledge through partnership with overseas publisher service provider such as NetGalley, it will contribute to the development of the publishing industry, and moreover to the development of Japanese culture in a large scale.

The purpose is to create new e-book distribution platform which enables to deliver as many contents, to as many people as possible across the globe by combining both companies' strengths.

2. Outline of the subsidiary subject to change

(1)	Company name	Digital Publishing Initiatives Japan Co.,Ltd.	
(2)	Address of head office	3-20 Nishiki-cho, Kanda, Chiyoda-ku, Tokyo	
(3)	Title and name of the representative	Shin Niina, President and Representative Director	
(4)	Description of business	e-book distributor and e-book creation support business	
(5)	Amount of capital stock	1,358,625,000 JPY (March 31, 2016)	
(6)	Date of establishment	April 2, 2012	
(7)	Large shareholder and ratio of shareholding *	Innovation Network Corporation of Japan	70.52%
		Kodansha Ltd.	8.33%
		Shueisha Inc.	8.33%
		Shogakukan Inc.	8.33%
		Dai Nippon Printing Co., Ltd.	1.94%
		Toppan Printing Co., Ltd.	1.94%
		KADOKAWA Corporation	0.10%
		Kobunsha Co., Ltd.	0.10%
		Shinchosha Publishing Co., Ltd.	0.10%
		Bungeishunju Ltd.	0.10%
		Impress Holdings, Inc.	0.06%
		Chikumashobo Ltd.	0.06%
		Yuhikaku Publishing Co., Ltd.	0.06%
		Keiso Shobo Co., Ltd.	0.02%
		Hanmoto.com LLP	0.02%
		Heibonsha Limited, Publishers	0.02%

(8)	Relationship, etc. between the Company and the Digital Publishing	Capital relationship	Not applicable
		Personal relationship	Not applicable
		Transactional relationship	There were 1.9 million JPY net sales transaction and 19 million JPY purchase transaction by the Company during 10 months from March to December 2016.

(9) Business results and financial position of the company in the last three years (Millions of yen)

	Year ended March 2014	Year ended March 2015	Year ended March 2016
Net assets	6,027	5,744	3,519
Total assets	8,711	8,891	8,256
Net assets per share (yen)	40,011.23*	38,135.98*	34,088.49*
Net sales	4,903	11,743	14,636
Operating income	△1,017	△212	625
Ordinary income	△1,015	△202	625
Net income	△1,093	△282	774
Net income per share	△7,259.15*	△1,875.24*	6,299.38*

* Calculated based on number of common stock after Innovation Network Corporation of Japan's preferred A stock gets converted.

3. Outline of the company selling the share

(1)	Company name	Innovation Network Corporation of Japan	
(2)	Address of head office	1-4-1 Marunouchi, Choyoda-ku, Tokyo	
(3)	Title and name of the representative	Toshiyuki Shiga, Chairman and CEO, Member of the Board Mikihide Katsumata, President and COO, Member of the Board	
(4)	Description of business	Specific business activity support based on Industrial Competitiveness Enhancement Act.	
(5)	Amount of capital stock	150,005 million JPY	
(6)	Date of establishment	July 17, 2009	
(7)	Net assets	735,906 million JPY (year ended March 2016)	
(8)	Total assets	1,205,910 million JPY (year ended March 2016)	
(9)	Large shareholder and ratio of shareholding	Minister of Finance	95.33%
		Development Bank of Japan Inc.	0.50%
		Asahi Kasei Corporation	0.17%
		Osaka Gas Co., Ltd.	0.17%
		Canon Inc.	0.17%
		Sharp Corporation	0.17%
		The Shoko Chukin Bank, Ltd.	0.17%
		Sumitomo Chemical Co., Ltd.	0.17%
		Sumitomo Corporation	0.17%
		Sumitomo Electric Industries, Ltd.	0.17%
		Sony Corporation	0.17%
		Takeda Pharmaceutical Company Limited	0.17%
		Toshiba Corporation	0.17%
		TOYOTA MOTOR CORPORATION	0.17%
		JGC Corporation	0.17%
		Panasonic Corporation	0.17%
		East Japan Railway Company	0.17%
		Hitachi, Ltd.	0.17%
		Marubeni Corporation	0.17%
		Mizuho Bank, Ltd.	0.17%
		Sumitomo Mitsui Banking Corporation	0.17%
		Mitsubishi Chemical Holdings Corporation	0.17%
		Mitsubishi Heavy Industries, Ltd.	0.17%
		Mitsubishi Corporation	0.17%
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.	0.17%
		General Electric Japan Holdings Limited	0.17%
		JX Nippon Oil & Energy Corporation	0.17%
(10)	Relationship, etc. between the Company and the Digital Publishing	Capital relationship	Not applicable
		Personal relationship	Not applicable
		Transactional relationship	Not applicable
		Related party status	Not applicable

4. Number of shares to be acquired, purchase price, number of convertible debt to be acquired and the status of holdings before and after the transfer

(1)	Number of shares held by the Company before the transfer	0 shares (0 voting rights and 0% shareholding)
(2)	Number of shares scheduled to be acquired by the Company	72,800shares (72,800 voting rights)
(3)	Purchase price	Common share of Digital Publishing* 7,840 million JPY Financial advisory fee (estimation) 100 million JPY Total (estimation) 7,940 million JPY
(4)	Number of shares to be held by the Company after the transfer	72,800 shares (72,800 voting rights and 70.52% shareholding)

* The purchase of Digital Publishing's common share is funded entirely by debt. Information to be disclosed after the detail is determined.

5. Schedule

(1)	Date of Board of Directors resolution	February 28, 2017
(2)	Date of signing	February 28, 2017
(3)	Date of share transfer (plan)	End of March 2017 (plan)

6. Financial outlook

There will be no impact on the financial results for this quarter (second quarter of 2017). The financial outlook for the next quarter will be disclosed which includes the impact of the share transfer.