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# Corporate Governance Report

Date of Latest Update: May 29, 2020

**MEDIA DO HOLDINGS Co., Ltd.**
Yasushi Fujita, President and CEO
Contact: Corporate Planning Office
Securities Code: 3678
https://mediado.jp/english/

The status of corporate governance at MEDIA DO Holdings Co., Ltd.,* is as follows.

* The Company changed its name to MEDIA DO Co., Ltd., on June 1, 2020.

## I. Basic Policy on Corporate Governance, Capital Structure, Company Details, and Other Basic Information

### 1. Basic Policy on Corporate Governance

Media Do pursues its vision of "More Content for More People!" through operations based on the concept of digital distribution of written works. Through this approach, the Company aims to fulfill its mission of "unleashing a virtuous cycle of literary creation" in which creators are appropriately compensated when their works are used in digitized formats.

To accomplish this mission, Media Do has put forth the basic management policy of improving corporate value and thereby maximizing shareholder value over the medium to long term based on an accurate understanding of the importance of its various stakeholders. The Company also realizes that, as the digital content industry increasingly comes to serve a borderless market, developing robust management foundations (corporate governance systems) as a global company will be of the utmost importance.

Information on Media Do's initiatives and initiative policies in relation to the principles of *Japan's Corporate Governance Code* can be found below.

#### Reasons for Not Adopting the Principles of *Japan's Corporate Governance Code*

**Supplementary Principle 4.1.**3
The Company recognizes that the development of succession plans for the president and CEO is an important management task. Accordingly, succession plans are formulated based on Media Do's corporate philosophy and management strategies. Successors are chosen by the Board of Directors after sufficient discussion for determining if candidates have the qualities required of the president and CEO.

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**Supplementary Principle 4.2.1**
Currently, the amounts of compensation paid to directors are decided by the representative director in accordance with the authority delegated from the Board of Directors. Compensation amounts are set for individual directors based on comprehensive consideration of factors such as the performance of the businesses they oversee, Companywide performance, and economic conditions.

Compensation for directors and other members of management comprises basic compensation (cash compensation) as well as stock options, which are allocated based on performance to link compensation to the Company's long-term performance, and restricted stock compensation.

The Company is examining potential procedures for deciding compensation systems and ratios and amounts of basic compensation, performance-linked compensation, cash compensation, and stock options to ensure objectivity and transparency.

**Supplementary Principle 4.3.2**
President and CEO Yasushi Fujita is the founder of Media Do. In addition to playing a leadership role in the management of the Company, his strong reputation contributes to the increased social recognition of the Company, and he has therefore been judged to be crucial to maximizing corporate value. Given this degree of influence, the selection and dismissal of the representative director has been deemed to be a strategic decision of extreme importance.

The Board of Directors is examining potential procedures for selection and dismissal of the president and CEO based on input from outside directors with the goal of developing procedures that ensure objectivity, timeliness, and transparency in these undertakings.

**Supplementary Principle 4.3.3**
The Company has not defined concrete procedures or evaluation standards for the dismissal of the president and CEO.

However, the Company has defined its commitment to pursuing higher levels of performance through means such as the establishment of medium- to long-term management targets to shape basic capital measure policies and ensure that the Company is able to continue creating value. Furthermore, the Company has appointed multiple outside directors and outside Audit & Supervisory Board members. Regular meetings are held among these outside officers and steps are taken to facilitate coordination with independent directors and independent auditors. Such officers supervise management while appropriately evaluating performance through exchanges of information and shared recognition building based on their independent and objective perspectives.

Going forward, the Company will examine methods of regularly evaluating the effectiveness of the president and CEO based on factors such as Companywide

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performance in order to ensure the objectivity, timeliness, and transparency of dismissal procedures.

**Supplementary Principle 4.10.1**
The Board of Directors comprises six directors, only two of which are outside directors who have been designated as independent directors. These directors do not represent a majority of directors, but this membership has been deemed appropriate given the scale and state of the Company's business. These outside directors voice opinions based on their specialties and experience and otherwise help enhance the oversight function of the Board of Directors and the accountability of the Company.

In the future, the Company will seek out procedures that facilitate effective contributions by outside directors that have been designated as independent directors regarding important management such as the nomination and compensation of members of management.

**Principle 5.2**
Media Do has established a five-year medium-term management plan and defined targets for net sales and operating profit, and the Company explains qualitative and quantitative factors related to the accomplishment of these targets through its financial results briefings and other investor relations activities.

Moving forward, the services of external advisors will be employed to set future targets for net sales, operating profit, return on equity, and other items based on an accurate assessment of cost of capital.

## Disclosure Based on the Principles of *Japan's Corporate Governance Code*

**Principle 1.4**
The Company's basic investment policy is to maintain limited, strategic holdings of stocks that will contribute to improved corporate value through new synergies created in the core eBook distribution business via business alliances and information sharing with investees. Strategic holding decisions are reviewed regularly and holdings are decreased if they are deemed to lack significance or to be incompatible with the Company's capital measures.

Cross-shareholdings are reviewed by the Board of Directors on an annual basis to examine the financial status of investees and to determine if the desired synergies are being generated. After assessing these factors as well as cost of capital and other aspects of profitability, the appropriateness of holdings is regularly evaluated, and the Company is examining the possibility of disclosing information regarding these evaluations.

Voting rights attached to cross-shareholdings are exercised based on how each proposal will contribute to the corporate value of the Company through its holding.

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**Principle 1.7**
Related party transactions are only conducted after receiving approval based on discussions by the Board of Directors that incorporate the opinions of outside directors and Audit & Supervisory Board members. The related officers are excluded from the vote due to their conflicts of interest. Furthermore, annual surveys are administered to Media Do officers to determine whether or not related party transactions are taking place.

**Principle 2.6**
The Company employs a defined contribution pension plan. It is not involved in the management of this fund, including in efforts to grow the fund, as an asset owner.

**Principle 3.1**
(1) Information on the Company's business philosophy, management strategies, and medium-term management plan can be found on the Company's corporate website and in its financial results briefing materials.
(2) Information on the Company's basic corporate governance stance and policies can be found on the Company's corporate website and in its corporate governance reports and annual securities reports.
(3) Internal regulations have been established regarding the policies and procedures for deciding director compensation and information on these regulations can be found in the Company's corporate governance reports.
(4) The standards for selecting director candidates are based on their projected contributions to the ongoing growth of the Company and to the improvement of its corporate value. Discussions are held with candidates after which the Board of Directors assesses and selects candidates. Candidates for positions as Audit & Supervisory Board members are selected with a focus on their ability to improve the soundness of management and help the Company earn greater trust from society and their capacity to conduct neutral and objective audits. Candidates for these positions are selected by the Board of Directors after discussions and consensus by the Audit & Supervisory Board.
(5) The reason for the selection of candidates for positions as directors and Audit & Supervisory Board candidates and for the dismissal of individuals from these positions can be found in the notices of convocation for the General Meeting of Shareholders. In addition, information on the career history of all candidates can be found in the reference materials for the notices of convocation for the General Meeting of Shareholders.

**Supplementary Principle 4.1.1**
The Board of Directors is responsible for decisions on matters defined in laws and regulations and in the articles of incorporation as well as for decisions on important matters described in the internal regulations for the Board of Directors. In addition, the scope of authority for discussion and approval regarding other decisions residing with the Board of Directors, the Executive Committee, the president and CEO, directors, executive officers, general managers, and other individuals is clearly defined in regulations for divisions of authority and approval procedures.

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**Principle 4.9**
Candidates for positions as outside directors to be designated as independent directors are selected after assessing their risks of representing conflicts of interest with general shareholders based on the conditions surrounding the Company. The standards defined by the Companies Act of Japan and the Tokyo Stock Exchange form the basis for these decisions.

When appointing outside directors to be designated as independent directors, the Company selects candidates that understand its business philosophy and that are expected to be able to offer objective input on its management policies and corporate strategies based on their specialized insight and experience.

**Supplementary Principle 4.11.1**
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 insight, experience, and skills of members. Evaluations and selection of directors are conducted 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.

Going forward, the Company will continue to adhere to this policy while formulating policies and procedures for ensuring diversity in the membership of the Board of Directors and the Audit & Supervisory Board members in terms of gender and nationality.

**Supplementary Principle 4.11.2**
Some outside directors and outside Audit & Supervisory Board members hold concurrent positions at other companies. However, it has been judged that these officers are still able to devote the necessary time and effort to performing their roles and duties as outside directors and outside Audit & Supervisory Board members of the Company despite these concurrent responsibilities.

Internal directors and standing Audit & Supervisory Board members do not hold concurrent positions at other listed companies and are therefore able to dedicate their attention fully to their positions at the Company.

Information on major concurrent positions at other companies held by outside directors and outside Audit & Supervisory Board members can be found in the Company's notices of convocation for the General Meeting of Shareholders and in its annual securities reports.

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**Supplementary Principle 4.11.3**
Self-evaluations and analyses of the effectiveness of the Board of Directors are performed for the purpose of improving the functionality 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.

In March 2020, questionnaires were issued to all directors and Audit & Supervisory Board members on the Board of Directors. Responses were submitted directly to the contracted third-party institution to maintain anonymity, and the institution submitted a report aggregating these responses. This report was analyzed, discussed, and evaluated at the regular meeting of the Board of Directors held in May 2020. The findings of this review process were as follows.

The responses to the questionnaires indicated that the membership of the Board of Directors, including the portion of outside directors, was appropriate and that the Company is effectively managing conflicts of interest with management, majority shareholders, and other parties related to the Company. In addition, it was determined that open, frank, and constructive discussions were being held at meetings of the Board of Directors and that outside directors were fulfilling their oversight function. Based on this general positive evaluation, it has been determined that the Board of Directors is effective overall.

Conversely, issues were identified including the need for documents to be provided within a time frame that allows for review prior to Board of Directors meetings and for more sufficient time to be secured at meetings for discussing matters such as the formulation of Groupwide corporate philosophies. Information on such issues was shared to facilitate the improvement of the functionality of the Board of Directors and to enhance discussions at meetings.

Based on this evaluation of the effectiveness of the Board of Directors, swift action will be taken after sufficient discussion of the identified issues to continuously heighten the functionality of the Board of Directors.

**Supplementary Principle 4.14.2**
Directors and Audit & Supervisory Board members are encouraged to actively take part in external seminars and organizations in order to improve their insight and skills and enable them to acquire the knowledge required for their positions while updating their understanding as necessitated by the times.

Outside directors and outside Audit & Supervisory Board members participate in Companywide training sessions held twice a year and are provided with other opportunities to acquire the necessary knowledge pertaining to the Company’s business, organization, and finances.

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**Principle 5.1**
The Corporate Planning Office, which is placed under the direct jurisdiction of the representative director, is responsible for investor relations activities. Communication with shareholders and other investors is practiced through quarterly financial results briefings as well as subsequent small meetings and individual meetings.

Materials and videos from financial results briefings are made available on the Company's corporate website and English-language versions of these materials and of shareholder newsletters are provided.

## 2. Capital Structure

| | |
|---|---|
| Ratio of shares held by foreign institutions and individuals | More than 10%, less than 20% |

### Major Shareholders

| Name | Number of shares | Percentage of total shares issued (%) |
|---|---|---|
| Yasushi Fujita | 2,718,700 | 19.18 |
| FIBC Co., Ltd. | 1,872,700 | 13.21 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 1,318,400 | 9.30 |
| Shogakukan Inc. | 564,800 | 3.98 |
| KODANSHA LTD. | 544,000 | 3.83 |
| Kazuyoshi Ohwada | 477,400 | 3.36 |
| SHUEISHA Inc. | 444,000 | 3.13 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 424,000 | 2.99 |
| MSIP CLIENT SECURITIES | 228,500 | 1.61 |
| The Awa Bank, Limited | 196,176 | 1.38 |

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| | |
|---|---|
| Has controlling shareholders (excluding parent company) | ――― |
| Has parent company | No |

Supplementary Information
―――

### 3. Company Details

| | |
|---|---|
| Stock exchange, section | Tokyo Stock Exchange, First Section |
| Fiscal year-end | February 28/29 |
| Industry | Information & Communication |
| Number of employees at end of previous fiscal year (consolidated) | Less than 500 |
| Net sales in previous fiscal year (consolidated) | More than ¥10 billion, less than ¥100 billion |
| Number of consolidated subsidiaries at end of previous fiscal year | More than 10, less than 50 |

### 4. Guidelines for Measures to Protect Minority Shareholders in the Event of Transactions with Controlling Shareholders
―――

### 5. Other Conditions That May Materially Affect Corporate Governance
N/A

## II. System of Business Management Organization for Management Decision-Making, Operational Execution, and Auditing and Other Corporate Governance Systems

### 1. Organizational Structures and Operation

| | |
|---|---|
| Organizational structure | Company with Company Auditor(s) |

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## Board of Directors

| | |
|---|---|
| Number of directors pursuant to articles of incorporation | 8 |
| Term of directors pursuant to articles of incorporation | 1 year |
| Chairman of Board of Directors | President and CEO |
| Number of directors | 6 |
| Has outside directors | Yes |
| Number of outside directors | 2 |
| Number of outside directors who are also independent directors | 2 |

Relationship between Outside Directors and the Company (1)

| Name | Association | Relationship with the Company* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Keiichi Enoki | Comes from other company | | | | | △ | | | | | | |
| Ken Takayama | Comes from other company | | | | | △ | | | | | | |

* Multiple choice items regarding relationship with the Company

* ○ indicates that the individual is now or was recently applicable under the item.

△ indicates that the individual was applicable under the item in the past.

* ● indicates that a close relative of the individual is now or was recently applicable under the item.

▲ indicates that a close relative of the individual was applicable under the item in the past.

a. A person involved in operation of the Company, its subsidiaries, or its affiliates

b. A person involved in operation or a non-executive director of the parent company of the Company

c. A person involved in operation of a subsidiary of the parent company of the Company

d. An entity or a person involved in operation of an entity that has a significant business

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relationship with the Company
e. An entity or a person involved in operation of an entity with which the Company has a significant business relationship
f. A consultant, an accounting specialist, or a legal specialist receiving large amounts of monetary payments or other financial assets from the Company, its subsidiaries, or its affiliates that are separate from the compensation paid for services as a director or an Audit & Supervisory Board member
g. A major shareholder of the Company or a person involved in operation of an entity that is a major shareholder of the Company
h. A person involved in operation of an entity with which the Company has a significant business relationship who does not qualify under d., e., or f. above (only applies to individual in question)
i. A person involved in operation of an entity at which a person involved in operation of the Company, its subsidiaries, or its affiliates serves as an outside director or an Audit & Supervisory Board member (only applies to individual in question)
j. A person involved in operation of an entity that receives large amounts of donations from the Company, its subsidiaries, or its affiliates (only applies to individual in question)
k. Other

Relationship between Outside Directors and the Company (2)

| Name | Independent director | Supplementary information regarding status of independence | Reason for appointment |
|---|---|---|---|
| Keiichi Enoki | ○ | Keiichi Enoki was involved in the operation of NTT DOCOMO, INC., a company with which core business companies have major business relationships, as a managing director until May 2005, but he has since resigned from this position. Accordingly, it has been judged that this past association will not have an impact on decision-making at the Company and Enoki does not present the risk of conflicts of interest with general shareholders. | Keiichi Enoki has extensive knowledge and experience in the fields of communications and digital content as well as extensive experience and in-depth knowledge as a corporate manager. He was appointed to the position of director so that his wealth of experience and insight can be utilized in the management of the Company.<br><br>Furthermore, notification has been submitted to the Tokyo Stock Exchange designating him as an independent director. This decision was made based on the judgment that he fulfilled the criteria for designation as an independent director stipulated by the Tokyo |

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| | | | |
|---|---|---|---|
| | | | Stock Exchange and that he does not present the risk of conflicts of interest with general shareholders. |
| Ken Takayama | ○ | Ken Takayama was involved in the operation of Rakuten, Inc., a company with which core business companies have major business relationships, as a director until March 2013, but he has since resigned from this position. Accordingly, it has been judged that this past association will not have an impact on decision-making at the Company and Takayama does not present the risk of conflicts of interest with general shareholders. | Ken Takayama is deeply acquainted with the corporate finance and financial fields and has extensive experience and broad knowledge pertaining to all aspects of corporate management of global internet businesses. He has been judged to be capable of providing appropriate advice on the general management of the Company by calling on this experience and insight as well as the familiarity with the Company's business operations gained through his experience as an outside Audit & Supervisory Board member of the Company. He is also expected to exercise the influence of his position as an outside director, which is based on the supervision of the execution of voting rights and the suitability of such decisions, on executive directors and thereby serve to strengthen the corporate governance of the Company. He was appointed to the position of director so that he can fulfill such a role.<br><br>Furthermore, notification has been submitted to the Tokyo Stock Exchange designating him as an independent director. This decision was made based on the judgment that he fulfilled the criteria for designation as an independent director stipulated by the Tokyo Stock Exchange and that he does |

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| | | | |
|---|---|---|---|
| | | | not present the risk of conflicts of interest with general shareholders. |

| | |
|---|---|
| Has committees equivalent to nominating committee or compensation committee | No |

## Audit & Supervisory Board

| | |
|---|---|
| Has Audit & Supervisory Board | Yes |
| Number of Audit & Supervisory Board members pursuant to articles of incorporation | 4 |
| Number of Audit & Supervisory Board members | 3 |

### Coordination between Audit & Supervisory Board Members, Accounting Auditor, and Internal Auditing Organizations

At the Company, the Audit & Supervisory Board, Internal Audit Office, and accounting auditor maintain independence from one another while also coordinating to improve the effectiveness and overall quality of audits.

Audit & Supervisory Board members and the accounting auditor share information regarding the results of on-site accounting audits by the accounting auditor and of business audits to increase the effectiveness and efficiency of audits.

Audit & Supervisory Board members meet with members of the Internal Audit Office when necessary to ensure effective audits.

Meetings are held between the accounting auditor and members of the Internal Audit Office as necessary to share information and opinions for the purpose of improving the overall quality of audits.

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| | |
|---|---|
| Has outside Audit & Supervisory Board members | Yes |
| Number of outside Audit & Supervisory Board members | 2 |
| Number of outside Audit & Supervisory Board members who are also independent auditors | 2 |

Relationship between Outside Audit & Supervisory Board Members and the Company (1)

| Name | Association | Relationship with the Company* | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Toshiaki Morifuji | Certified public accountant | | | | | | | | △ | | | | | |
| Tsuyoshi Shiina | Lawyer | | | | | | | | | | | | | |

* Multiple choice items regarding relationship with the Company

*○ indicates that the individual is now or was recently applicable under the item.

△ indicates that the individual was applicable under the item in the past.

* ● indicates that a close relative of the individual is now or was recently applicable under the item.

▲ indicates that a close relative of the individual was applicable under the item in the past.

a. A person involved in operation of the Company, its subsidiaries, or its affiliates
b. A non-executive director or an accounting advisor of the Company, its subsidiaries, or its affiliates
c. A person involved in operation or a non-executive director of the parent company of the Company
d. An Audit & Supervisory Board member of the parent company of the Company
e. A person involved in operation of a subsidiary of the parent company of the Company
f. An entity or a person involved in operation of an entity that has a significant business relationship with the Company
g. An entity or a person involved in operation of an entity with which the Company has a significant business relationship
h. A consultant, an accounting specialist, or a legal specialist receiving large amounts of monetary payments or other financial assets from the Company, its subsidiaries, or its affiliates that are separate from the compensation paid for services as a director or an Audit & Supervisory Board member

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i. A major shareholder of the Company or a person involved in operation of an entity that is a major shareholder of the Company
j. A person involved in operation of an entity with which the Company has a significant business relationship who does not qualify under f., g., or h. above (only applies to individual in question)
k. A person involved in operation of an entity at which a person involved in operation of the Company, its subsidiaries, or its affiliates serves as an outside director or an Audit & Supervisory Board member (only applies to individual in question)
l. A person involved in operation of an entity that receives large amounts of donations from the Company, its subsidiaries, or its affiliates (only applies to individual in question)
m. Other

Relationship between Outside Audit & Supervisory Board Members and the Company (2)

| Name | Independent auditor | Supplementary information regarding status of independence | Reason for appointment |
|---|---|---|---|
| Toshiaki Morifuji | ○ | Toshiaki Morifuji was previously employed by KPMG AZSA LLC, the Company's accounting auditor, but he resigned from this position in June 2009. Accordingly, it has been judged that this past association will not have an impact on decision-making at the Company and Morifuji does not present the risk of conflicts of interest with general shareholders. | Toshiaki Morifuji possesses specialized insight as a certified public accountant. He was therefore judged capable of appropriately performing the duties of an outside Audit & Supervisory Board member. He was appointed to the position of outside Audit & Supervisory Board member so that his specialized insight can be utilized in strengthening the auditing system of the Company.<br><br>Furthermore, notification has been submitted to the Tokyo Stock Exchange designating him as an independent auditor. This decision was made based on the judgment that he fulfilled the criteria for designation as an independent auditor stipulated by the Tokyo Stock Exchange and that he does not present the risk of conflicts of interest with general shareholders. |

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| | | | |
|---|---|---|---|
| Tsuyoshi Shiina | ○ | ――― | Tsuyoshi Shiina possesses experience as a lawyer and a tax accountant, as a member of the National Diet of Japan Fukushima Nuclear Accident Independent Investigation Commission, and as a member of the House of Representatives of Japan. He therefore has a wealth of specialized insight pertaining to corporate governance and crisis management, and he was thus judged capable of appropriately performing the duties of an outside Audit & Supervisory Board member. He was appointed to the position of outside Audit & Supervisory Board member so that his specialized insight can be utilized in strengthening the auditing system of the Company.<br><br>Furthermore, notification has been submitted to the Tokyo Stock Exchange designating him as an independent auditor. This decision was made based on the judgment that he fulfilled the criteria for designation as an independent auditor stipulated by the Tokyo Stock Exchange and that he does not present the risk of conflicts of interest with general shareholders. |

## Independent Directors and Auditors

| | |
|---|---|
| Number of independent directors and auditors | 4 |

Other Matters regarding Independent Directors and Auditors

―――

## Incentive Systems

| | |
|---|---|
| Incentives provided to directors | Stock option system, etc. |

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Supplementary Information
Free stock options are issued to directors and directors are also allowed to purchase stock options that have work and performance conditions that must be met in order for the stock options to be exercised. The goal of these stock options is to better motivate directors to pursue performance targets and to heighten their commitment to improved performance.

Moreover, a restricted stock compensation system in which shares of stock with transfer restrictions are issued to directors has been instituted to provide incentive for achieving medium- to long-term improvements in corporate value and shareholder value and to better encourage directors to share the value of shareholders.

| | |
|---|---|
| Individuals able to receive stock options | Internal directors and employees of the Company; directors and employees of subsidiaries; etc. |

Supplementary Information
Officers and employees of the Company and of Group companies are provided with free stock options and are also allowed to purchase stock options that have work and performance conditions that must be met in order for the stock options to be exercised. The goal of these stock options is to better motivate officers and employees to pursue performance targets and to heighten their commitment to improved performance.

Moreover, a restricted stock compensation system in which shares of stock with transfer restrictions are issued to officers and employees of the Company and of Group companies has been instituted to provide incentive for achieving medium- to long-term improvements in corporate value and shareholder value and to better encourage officers and employees to share the value of shareholders.

## Director Compensation

| | |
|---|---|
| Disclosure of compensation of individual directors | Compensation of individual directors not disclosed |

Supplementary Information
In the fiscal year ended February 29, 2020, no one individual received total compensation exceeding ¥100 million. Accordingly, individual compensation amounts are not disclosed.
Compensation amounts are disclosed in the form of totals for compensation paid to directors and to Audit & Supervisory Board members.

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| | |
|---|---|
| Has policies for deciding compensation amounts and calculation methods | No |

Disclosed Policies for Deciding Compensation Amounts and Calculation Methods
———

**Support Systems for Outside Directors and Audit & Supervisory Board Members**
The Corporate Planning Office serves as the venue through which outside directors and outside Audit & Supervisory Board members can receive support, and this office is thus responsible for informing these officers of Board of Directors meetings and providing pre-meeting briefing on items to be put to resolution. Outside directors and outside Audit & Supervisory Board members attend meetings of the Board of Directors at which documents on agenda items and other related materials are distributed. At Media Do, all important matters are raised to or reported to the Board of Directors, and all outside directors and outside Audit & Supervisory Board members are informed about these items accordingly.

**2. Matters concerning Operational Execution, Audits, Supervision, Nomination, Compensation, and Other Functions (Overview of Current Corporate Governance System)**
The following systems are in place to facilitate operational execution, audits, and supervision.

1. Board of Directors
The Board of Directors, which comprises six directors, two of which are outside 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.

2. Audit & Supervisory Board
The Audit & Supervisory Board comprises one standing Audit & Supervisory Board member and two Audit & Supervisory Board members. These Audit & Supervisory Board members attend meetings of the Board of Directors to maintain an understanding of conditions within the Company and perform audits of operations along with accounting audits by interviewing directors and reviewing relevant documents. The standing Audit & Supervisory Board member also attends 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.

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Moreover, information is shared between Audit & Supervisory Board members, the Internal Audit Office, and the accounting auditor to ensure efficient and synergetic audits.

3. 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.

4. Executive Committee
The Executive Committee comprises four internal directors and one standing Audit & Supervisory Board member. This 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.

5. Risk Management Committee
The Risk Management Committee is chaired by the director in charge of the General Affairs Department and comprises 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.

6. Lawyers, Accounting Auditor, etc.
Lawyers and the accounting auditor are involved in the corporate governance system in so much as legal advisors are consulted with regard to important legal matters while the accounting auditor is consulted with regard to important accounting matters. In this manner, the Company seeks to formulate effective measures for addressing such matters.

Currently, the Company has concluded consultant contracts with Mori Hamada & Matsumoto and OMM LAW OFFICE, and it is therefore able to receive legal advice through consultations regarding legal issues.

The Company contracts accounting auditor KPMG AZSA LLC to perform audits of finance and accounting activities based on Article 193-2 (1) of the Financial Instruments and Exchange Act of Japan. This provision ensures compliance with regard to financial reporting by enabling the Company to receive pertinent advice in relation to important accounting issues.

### 3. Reason for Selecting Current Corporate Governance System

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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 enhance corporate value through the exercise of its corporate philosophy while paying due consideration to the interests of general shareholders.

## III. Initiatives concerning Shareholders and Other Stakeholders

### 1. Measures to Ensure Interactive General Meetings of Shareholders and the Smooth Exercise of Voting Rights

| | Supplementary information |
|---|---|
| Early dispatch of notices of convocation of general meetings of shareholders | Notices of convocation of general meetings of shareholders are dispatched prior to the legally mandated date. |
| Avoidance of dates with high concentrations of shareholder meetings | The fiscal year-end of the Company is February 28/29, and its annual general meetings of shareholders are thus generally held in May. This month does not usually see high concentrations of shareholder meetings, but dates are selected to ensure that the largest number of shareholders can attend nonetheless. |
| Electronic methods of exercising voting rights | Electronic methods of exercising voting rights were introduced at the 17th Annual General Meeting of Shareholders held on May 25, 2016. |
| Participation in platforms for electronic voting rights exercise and other initiatives to enhance voting rights exercise options for institutional investors | The Company uses the platform for electronic voting rights exercise offered by ICJ, Inc. |

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| Provision of abbreviated English-language notices of convocation of general meetings of shareholders | Beginning with the 21st Annual General Meeting of Shareholders held on May 28, 2020, the Company has been preparing English-language notices of convocation of general meetings of shareholders to facilitate more constructive dialogue with shareholders and to respond to the increased representation of overseas institutional investors among the Company's shareholder base. These English-language notices are made available on the Company's corporate website prior to the dispatch of physical notices. |
| Other measures | Notices of convocation of general meetings of shareholders are made available on the Company's corporate website. |

## 2. Investor Relations Activities

| | Supplementary information | Explanations are provided directly from Company representative |
|---|---|---|
| Regular explanatory forums for individual investors | Explanatory forums for individual investors are held regularly, and individual investors are also able to participate in investor relations conferences. | Yes |
| Regular explanatory forums for analysts and institutional investors | Explanatory forums about the Company are held for analysts and institutional investors after quarterly financial results briefings. | Yes |
| Investor relations materials provided via Company website | An investor relations section has been established on the Company's corporate website. Financial results summaries, annual securities reports, quarterly reports, and other disclosure materials are posted on this section of the corporate website in a timely manner (some information is available in Japanese only). | |

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| Division (representative) responsible for investor relations | The Corporate Planning Office is responsible for investor relations. |

### 3. Activities concerning Respect for Stakeholders' Positions

| | Supplementary information |
|---|---|
| Policies regarding provision of information to stakeholders | Timely, appropriate, and proactive disclosure of important information on corporate activities is practiced to facilitate accurate understanding and evaluation of the Company by shareholders, investors, business partners (creators, publishers, eBook distributors, etc.), officers, employees, and all other stakeholders. |

## IV. Internal Control Systems

### 1. Basic Policies for Internal Control Systems and Implementation Status

1) System for Ensuring That Directors and Employees Carry Out their Duties in Accordance with Laws, Regulations, and the Articles of Incorporation

a. The Company has established Media Do's Four Values and 18 Stances to ensure that directors and employees of the Company, subsidiaries, and other Group companies act in accordance with laws, regulations, the articles of incorporation, and social norms. Awareness of and adherence to these guidelines is promoted among all Group directors and employees.

b. Regular meetings of the Board of Directors are held once a month, in principle, to make decisions regarding, management policies, legally required items, and other important management matters and to supervise operational execution by directors. In addition, special meetings are held when necessary in the event of the occurrence of material issues.

c. The representative director, president and CEO makes decisions pertaining to the operational execution matters of the Company delegated from the Board of Directors and carries out duties based on related decisions and the resolutions by the Board of Directors.

d. Directors report on the status of operational execution at the Company to the Board of Directors so that the Board of Directors can supervise this operational execution. At the same time, the directors monitor and supervise each other's operational execution.

e. Two or more outside directors are appointed to guarantee transparency in decisions by the Board of Directors.

f. Audit & Supervisory Board members audit operational execution by directors based on the audit standards and plans formulated by the Audit & Supervisory Board.

g. The Internal Audit Office is an organization under the direct jurisdiction of the representative director, president and CEO that performs regular internal audits of the

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status of operational execution to ensure compliance with laws, regulations, and the articles of incorporation.
h. Internal whistleblowing systems have been established to facilitate the prevention, swift identification, and rapid and effective resolution of issues.

2) System for Retaining and Managing Information Pertaining to Operational Execution by Directors
a. Information pertaining to operational execution by directors is retained and managed in accordance with laws and regulations and internal document management regulations.
b. Directors and Audit & Supervisory Board members are able to review stored documents at any time.

3) Regulations for Controlling Risks of Losses and Other Systems
a. Risk management regulations have been established to define the organizations and individuals responsible for managing specific risks with the potential to impact business activities, and systems for appropriately evaluating and managing these risks are in place.
b. Meetings of the Risk Management Committee are convened as necessary to enhance measures for preventing and mitigating business risks.
c. In the event of a major accident, natural disaster, scandal, or other management crisis, the Company will act in accordance with the Management Crisis Response Manual by assembling a response headquarters headed by the representative director, president and CEO and communicating the necessary information inside and outside the Company to furnish swift and accurate responses to the crisis.

4) System for Ensuring Effective Operational Execution by Directors
a. The management decision-making and operation oversight functions of the Board of Directors are separated from the operational execution functions of directors and executive officers.
b. Internal regulations have been established for the Board of Directors and officers and for divisions of work responsibility and authority to clarify the duties, authority, and responsibilities of directors.
c. Regular meetings of the Board of Directors are held once a month, in principle, and special meetings are held when necessary.

5) System for Ensuring the Appropriateness of Operations by the Conglomerate Comprising the Company, its Parent Company, and its Subsidiaries
a. The Company dispatches directors and Audit & Supervisory Board members to Group companies to monitor and supervise operational execution by directors at Group companies. Moreover, the directors of Group companies regularly report to the Board of Directors on the status of operations at their company and of operational execution by directors.
b. Group companies are positioned as extensions of the Company. Accordingly, chains of command, authority, and reporting obligations are established in a manner that incorporates the organizations of Group companies, and management is practiced in a comprehensive, Groupwide manner.

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c. Company directors with administrative responsibilities oversee the Groupwide management of risks with the potential to impact the corporate activities of Group companies.
d. The Internal Audit Office conducts internal audits targeting all areas of the Group to ensure appropriateness throughout Group operations.

6) Matters Pertaining to Employees Appointed to Assist Audit & Supervisory Board Members Based on Their Request, Their Independence from Directors, and Measures for Ensuring the Effectiveness of Instructions to These Employees
a. When Audit & Supervisory Board members request that employees be appointed to assist them in their duties, the Board of Directors will discuss this matter with the Audit & Supervisory Board members and appoint employees to offer such assistance from among the administrative and internal audit staff.
b. Authority for issuing instructions to employees assigned to assist Audit & Supervisory Board members will rest with Audit & Supervisory Board members with regard to the efforts of these employees to assist in auditing duties. These employees will be not be subject to instructions from directors and divisions managers in order to ensure their independence from directors.
c. Performance evaluations of employees assigned to assist Audit & Supervisory Board members will be conducted by Audit & Supervisory Board members with regard to the efforts of these employees to assist in auditing duties in order to ensure their independence from directors.
d. When employees assigned to assist Audit & Supervisory Board members are given concurrent duties at other divisions, they will be expected to prioritize auditing duties.

7) Systems for Reporting to Audit & Supervisory Board Members and for Preventing Disadvantageous Treatment of Report Issuers
a. Audit & Supervisory Board members attend meetings of the Board of Directors, the Executive Committee, and the Risk Management Committee as well as other important meetings and can request reports on the status of operational execution from directors and employees of the Company and of Group companies.
b. Should a director or employee of the Company or of a Group company become aware of a legal violation or of an occurrence with the potential to cause severe harm to the Company, they are expected to promptly report this matter to the Audit & Supervisory Board members.
c. Directors and employees of the Company and of Group companies are expected to promptly respond to requests for reports on the status of operational execution from Audit & Supervisory Board members.
d. Documents regarding operational execution are made available to Audit & Supervisory Board members to be viewed upon request, and Audit & Supervisory Board members may request reports from directors and employees of the Company and of Group companies.
e. Reports received through internal whistleblowing systems are to be promptly relayed to the Audit & Supervisory Board members when requested by the reporter or when the information reported will impact the execution of duties by Audit & Supervisory Board members.

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f. Individuals who submit reports to Audit & Supervisory Board members are not to suffer disadvantageous treatment due to their reporting. Work regulations stipulate that disciplinary measures will be enacted should a reporter suffer disadvantageous treatment or abuse as a result of reporting.

8) Policy for Handling of Expenses Associated with the Execution of Duties by Audit & Supervisory Board Members
Audit & Supervisory Board members will be reimbursed for expenses associated with the execution of their duties, except in cases when these expenses are clearly not related to their duties. Such reimbursement will be issued when a request is received from an Audit & Supervisory Board member for the prepayment of or reimbursement for expenses incurred during the course of the execution of their duties as an Audit & Supervisor Board member or of other related duties or for the payment of debts associated with these duties.

9) Other Systems for Ensuring the Effectiveness of Audits by Audit & Supervisory Board Members
a. In observance of laws and regulations, the Audit & Supervisory Board is to include outside Audit & Supervisory Board members and to ensure impartiality and transparency.
b. Audit & Supervisory Board members are to take part in regular discussions with the representative director, president and CEO to build mutual understanding.
c. Audit & Supervisory Board members are to regularly exchange information with the accounting auditor and members of the Internal Audit Office to facilitate coordination.
d. Audit & Supervisory Board members are to regularly exchange information with the auditors of Group companies to facilitate coordination.
e. Audit & Supervisory Board members may request opinions from lawyers, certified public accountants, and other specialists at the expense of the Company when deemed necessary to perform their auditing duties.

10. Basic Policies and Systems for Non-Association with Antisocial Forces
a. The Company has a strict policy of non-association with antisocial forces that threaten social order and healthy corporate activities. Employees and directors are expected to reject all associations with antisocial forces and to address illegitimate demands with a resolute, organization-wide response.
b. The divisions and individuals responsible for ensuring no connections are formed with antisocial forces have been made clear, and these forces are to be addressed through organization-wide responses via coordination with the police and lawyers.
c. New business partners are investigated to confirm that they have no connections with antisocial forces prior to the commencement of transactions. Transactions will be immediately discontinued if a partner is found to have connections with antisocial forces.
d. Internal regulations (manuals, etc.) have been established clearly detailing measures for addressing antisocial forces, and training and education programs are implemented in this regard to ensure awareness among directors and employees.

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### 2. Basic Policies for Non-Association with Antisocial Forces and Implementation Status

The Company has put forth its basic policy of non-association with antisocial forces, and internal regulations and systems are established and thoroughly entrenched to ensure non-association.

1) Basic Policy for Non-Association with Antisocial Forces

The Company's basic policy for non-association with antisocial forces is described as follows in its risk management regulations and manual for addressing antisocial forces.

Basic Policy

The Company refuses to provide profits to antisocial forces or to engage in other relationships with antisocial forces regardless of the form. Should illegitimate demands be made by antisocial forces, the Company will respond with a resolute attitude, swiftly coordinating with the police and other authorities and pursuing legal action from both civil and criminal perspectives. Moreover, all employees will be endowed with the knowledge necessary to resist antisocial forces in order to address these forces in an organization-wide manner.

2) Implementation Status of Measures for Non-Association with Antisocial Forces

a. Internal Regulations

The Company defines basic policies for non-association with antisocial forces in its manual for addressing antisocial forces, and all employees are made aware of the relevant internal systems and response measures.

b. Organizations and Individuals Responsible for Oversight

The general manager of the General Affairs Department is responsible for overseeing the Company's response to antisocial forces, and division heads are responsible for response measures in their respective divisions. Meetings of the Risk Management Committee are held when necessary to implement response measures while coordinating with external organizations.

3) Measures for Non-Association with Antisocial Forces

a. New Business Partners, Shareholders, Officers, and Employees

Civil investigation systems are used to confirm that there are no connections with antisocial forces.

Contracts state that parties must guarantee they have no connections with antisocial forces and that contracts will be cancelled and restitutions will be sought if connections with antisocial forces are discovered.

b. Existing Business Partners, etc.

The Company is diligent in its efforts to collect information and in its caution. In addition, annual surveys are performed to confirm that partners within a certain scope have no connections with antisocial forces.

c. Transactions will be immediately discontinued if an existing business partner is suspected or found to be an antisocial force.

## V. Others

### 1. Takeover Defense Measures

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|---|---|
| Has instituted takeover defense measures | No |

Supplementary Information
N/A

## 2. Other Matters regarding Corporate Governance Systems
N/A

