



KADOKAWA

The 3rd Quarter Ended
December 31, 2023

Earnings Results

February 8, 2024

KADOKAWA CORPORATION

1

**Consolidated Earnings Results for the
3rd Quarter Ended December 31, 2023
and Consolidated Earnings Forecasts for
the Fiscal Year Ending March 31, 2024**

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Summary of Consolidated Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2024

- **Over the first nine months, net sales declined 1.4% while operating profit declined 31.4%. Profit attributable to owners of parent fell 48.1%.
In the third quarter, net sales declined 6.4%, while operating profit declined by 23.6% and profit attributable to owners of parent increased 34.9%.**
 - In the first nine months, sales and profit declined due mainly to the contraction of the domestic market, the effects of increased returns at US book stores, and other factors in the Publication segment.
 - In the third quarter, the above factors driving sales and profit down in the Publication segment persisted, but profit increased in the Video segment, reflecting ongoing successes with the IP media mix strategy for both animation and live-action, in addition to profit gains in other key segments including Gaming and Education/EdTech.
- **Consolidated earnings forecasts for the fiscal year ending March 31, 2024 revised**

Net sales: 252,400 million JPY, operating profit: 15,800 million JPY, profit attributable to owners of parent: 7,400 million JPY

 - In 4Q, as a management of the reform area, the possibility of impairment loss (approx. 2.4 billion yen) related to a partial business structural reform at TOKOROZAWA SAKURA TOWN is incorporated.
 - Domestic publication will catch up in 4Q, but unexpected events occurred by 3Q, including the impact of market contraction and temporary disruptions at new logistics facilities. In addition, the recovery of the paper-based book business in the US was slower than expected.
 - Both the Video and Gaming segments performed strongly. Additional investment will be made in Education/EdTech segment in response to higher-than-expected demand.
- **Outlook for the next fiscal year and beyond**
 - We expect the main factors pushing down profit in the Publication segment this fiscal year (effects from temporary disruptions at new logistics facilities, rising material costs, international paper-based book business, etc.) will ease or be eliminated in the short- to medium-term, and project the return to a growth track afterwards.
 - We will aim for solid growth in animation, where a lineup of content from popular IPs is upcoming, and in Gaming, where multiple titles are in the development pipeline.
In the Education/EdTech segment, we forecast accelerating growth due to the opening of new schools in the next fiscal year and beyond.
 - We will further drive reforms to the live-action and IP experiential facilities operation businesses, aiming to develop business structures which is sustainable in the medium- to long-term.

Consolidated Earnings Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2024

(Unit: Million JPY)	Apr.-Dec. 2022 Results	Apr.-Dec. 2023 Results	Year-over-year (changed amount)	Oct.-Dec. 2022 Results	Oct.-Dec. 2023 Results	Year on year (changed amount)
Net sales	189,727	187,024	-1.4% (-2,702)	67,087	62,817	-6.4% (-4,270)
Operating profit	19,429	13,334	-31.4% (-6,095)	6,192	4,730	-23.6% (-1,462)
↳ Operating margin	10.2%	7.1%	-3.1pt	9.2%	7.5%	-1.7pt
Ordinary profit	21,588	13,408	-37.9% (-8,179)	4,691	4,019	-14.3% (-672)
Profit attributable to owners of parent	12,159	6,313	-48.1% (-5,845)	1,622	2,188	+34.9% (+565)
EBITDA	23,687	18,122	-23.5% (-5,564)	7,763	6,526	-15.9% (-1,236)

EBITDA is the total of operating profit, depreciation and amortization of goodwill.

Net Sales and Operating Profit by Business Segment

(Unit: Million JPY)		Apr.-Dec. 2022 Results	Apr.-Dec. 2023 Results	Year-over-year (changed amount)		Oct.-Dec. 2022 Results	Oct.-Dec. 2023 Results	Year on year (changed amount)	
Publication	Net sales	103,534	102,061	-1.4%	(-1,473)	37,392	35,748	-4.4%	(-1,643)
	Operating profit	9,891	5,659	-42.8%	(-4,232)	4,159	2,403	-42.2%	(-1,755)
Video	Net sales	31,092	32,824	+5.6%	(+1,732)	12,138	10,792	-11.1%	(-1,346)
	Operating profit	1,111	3,616	+225.2%	(+2,504)	1,051	1,111	+5.7%	(+60)
Gaming	Net sales	23,416	19,078	-18.5%	(-4,338)	6,279	5,407	-13.9%	(-872)
	Operating profit	9,071	5,994	-33.9%	(-3,076)	1,478	1,966	+33.0%	(+487)
Web services	Net sales	17,375	16,082	-7.4%	(-1,293)	5,826	5,081	-12.8%	(-745)
	Operating profit	1,820	1,067	-41.3%	(-752)	878	418	-52.3%	(-459)
Education/EdTech	Net sales	9,282	9,795	+5.5%	(+513)	3,016	3,092	+2.5%	(+76)
	Operating profit	1,672	1,558	-6.8%	(-113)	355	391	+10.1%	(+36)
Others	Net sales	12,661	14,596	+15.3%	(+1,935)	5,095	5,203	+2.1%	(+107)
	Operating profit	-2,795	-3,033	-	(-237)	-1,006	-1,107	-	(-100)
Corporate/ Eliminations	Net sales	-7,635	-7,414	-	(+221)	-2,662	-2,509	-	(+153)
	Operating profit	-1,342	-1,528	-	(-186)	-723	-454	-	(+269)

Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024

(Unit: Million JPY)	Results for the fiscal year ended March 31, 2023	Initial forecasts* for the fiscal year ending March 31, 2024	Revised forecasts* for the fiscal year ending March 31, 2024	Year on year (changed amount)		Initial vs. revised forecast
Net sales	255,429	251,150	252,400	-3,029	(-1.2%)	+1,250
Operating profit	25,931	17,800	15,800	-10,131	(-39.1%)	-2,000
Ordinary profit	26,669	18,200	15,800	-10,869	(-40.8%)	-2,400
Profit attributable to owners of parent	12,679	10,900	7,400	-5,279	(-41.6%)	-3,500
EBITDA	32,060	24,200	22,600	-9,460	(-29.5%)	-1,600

EBITDA is the total of operating profit, depreciation and amortization of goodwill.

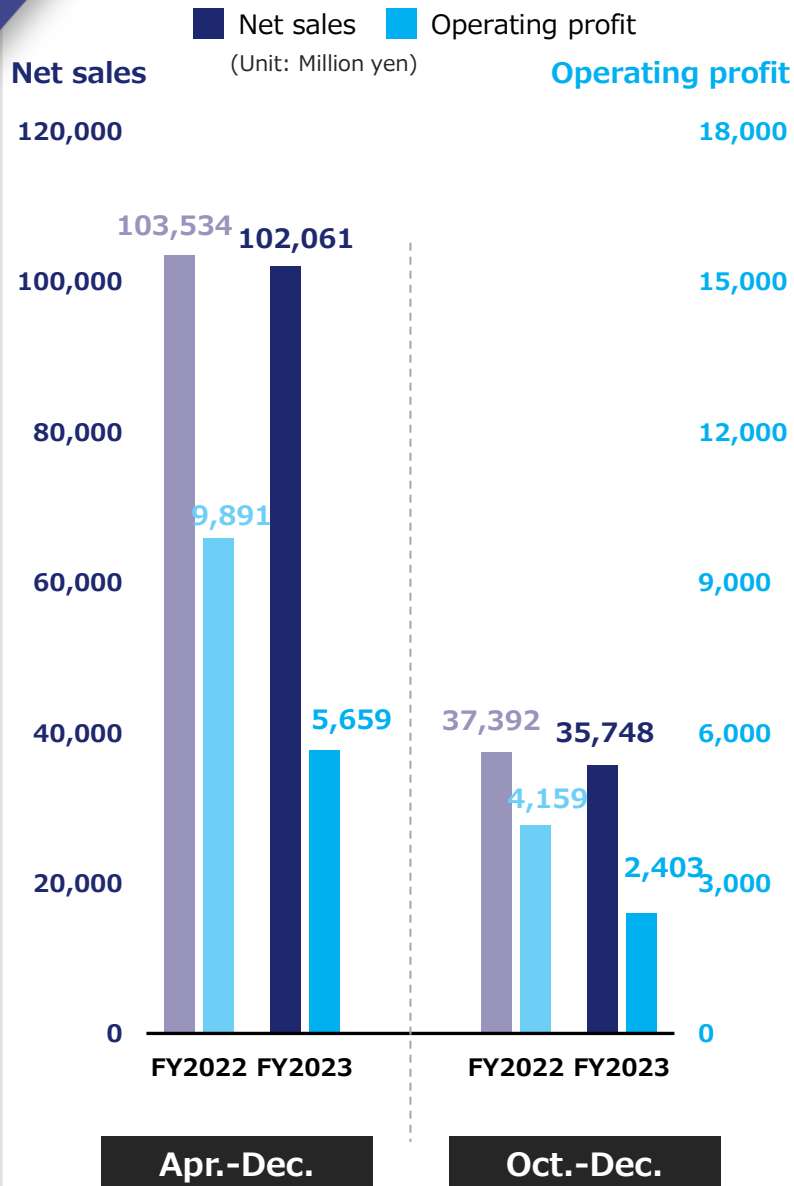
* Announced on May 11, 2023

Net Sales and Operating Profit Forecasts by Business Segment for the Fiscal Year Ending March 31, 2024

* Announced on May 11, 2023

(Unit: Million yen)		Results for the fiscal year ended March 31, 2023	Initial* forecasts for the fiscal year ending March 31, 2024	Revised forecasts for the fiscal year ending March 31, 2024	Year on year (Changed amount)	Initial vs. revised forecast	Change in profit from initial forecast
Publication	Net sales	139,990	144,300	140,900	+0.6% (+909)	-3,400	<ul style="list-style-type: none"> For domestic paper-based books, impact due to greater than expected market contraction and temporary disruptions at new logistics facilities Impact due to US booksellers' cutbacks on orders and increased returns continuing into the second half
	Operating profit	13,155	13,100	9,200	-30.1% (-3,955)	-3,900	
Video	Net sales	43,289	43,400	44,800	+3.5% (+1,510)	+1,400	<ul style="list-style-type: none"> In the animation business, performance was greater than expected chiefly due to streaming sales from <i>[OSHI NO KO]</i> and other titles, and rights licensing sales from video games and merchandise.
	Operating profit	2,169	2,700	4,400	+102.8% (+2,230)	+1,700	
Gaming	Net sales	30,351	21,400	23,200	-23.6% (-7,151)	+1,800	<ul style="list-style-type: none"> Greater than expected contributions from new FromSoftware title <i>AC6</i> as well as <i>ELDEN RING</i>
	Operating profit	14,218	4,700	7,000	-50.8% (-7,218)	+2,300	
Web Services	Net sales	22,063	20,650	20,900	-5.3% (-1,163)	+250	<ul style="list-style-type: none"> Impact due to lower-than-expected decline in premium memberships in the niconico-related business Effects of reduced costs in the mobile business
	Operating profit	1,641	250	500	-69.5% (-1,141)	+250	
Education/ EdTech	Net sales	12,475	13,550	13,400	+7.4% (+924)	-150	<ul style="list-style-type: none"> Downturn in profit in part due to proactive additional investment in business expansion for the next period and beyond
	Operating profit	1,768	2,350	1,400	-20.9% (-368)	-950	
Other	Net sales	17,199	19,700	19,700	+14.5% (+2,500)	±0	<ul style="list-style-type: none"> Profit improvement effects from increased sales lower than expected, despite reduced expenses due to business structural reform and cost control at TOKOROZAWA SAKURA TOWN In Merchandise, profit was somewhat sluggish due to delays of the release of multiple large, high-margin products.
	Operating profit	-4,535	-3,550	-4,600	- (-64)	-1,050	
Eliminations/ Corporate	Net sales	-9,939	-11,850	-10,500	- (-560)	+1,350	-
	Operating profit	-2,488	-1,750	-2,100	- (+388)	-350	

Business Overview – Publication Segment



Apr.-Dec. YoY Analysis

Net sales (-1.4%/-1,473M)

Paper-based books/
information
media
-4.6%
(3Q -7.5%)

- Despite the impact of market contraction (-5.7%), domestic sales outperformed the market, with a -4.0% decrease. There are signs of the extent of market contraction easing.
 - As with 1H, the number of our new IPs increased YoY in 3Q (YTD +7.7%, 3Q +5.9%)
 - Impact from reduced shipments due to initial disruptions at new logistics facilities cleared up during 2Q and had no impact in 3Q
- International sales declined. Asia continued to experience strong growth (+25%), but in the US the rebound (booksellers cutting back on orders, returns increasing year on year) from the rapid increase in demand in the past few years continued in 3Q.
- Rights licensing sales grew 18% due to strong performance for gambling machines.

E-books
+3.8%
(3Q +1.2%)

- Performance remained strong domestically (sales for external stores up 9% and up 10% at company-owned stores on a distribution value basis). A negative effect on sales occurred in 3Q due to the impact of exchange rates at international subsidiaries and others.

Operating profit (-42.8% / -4,232M)

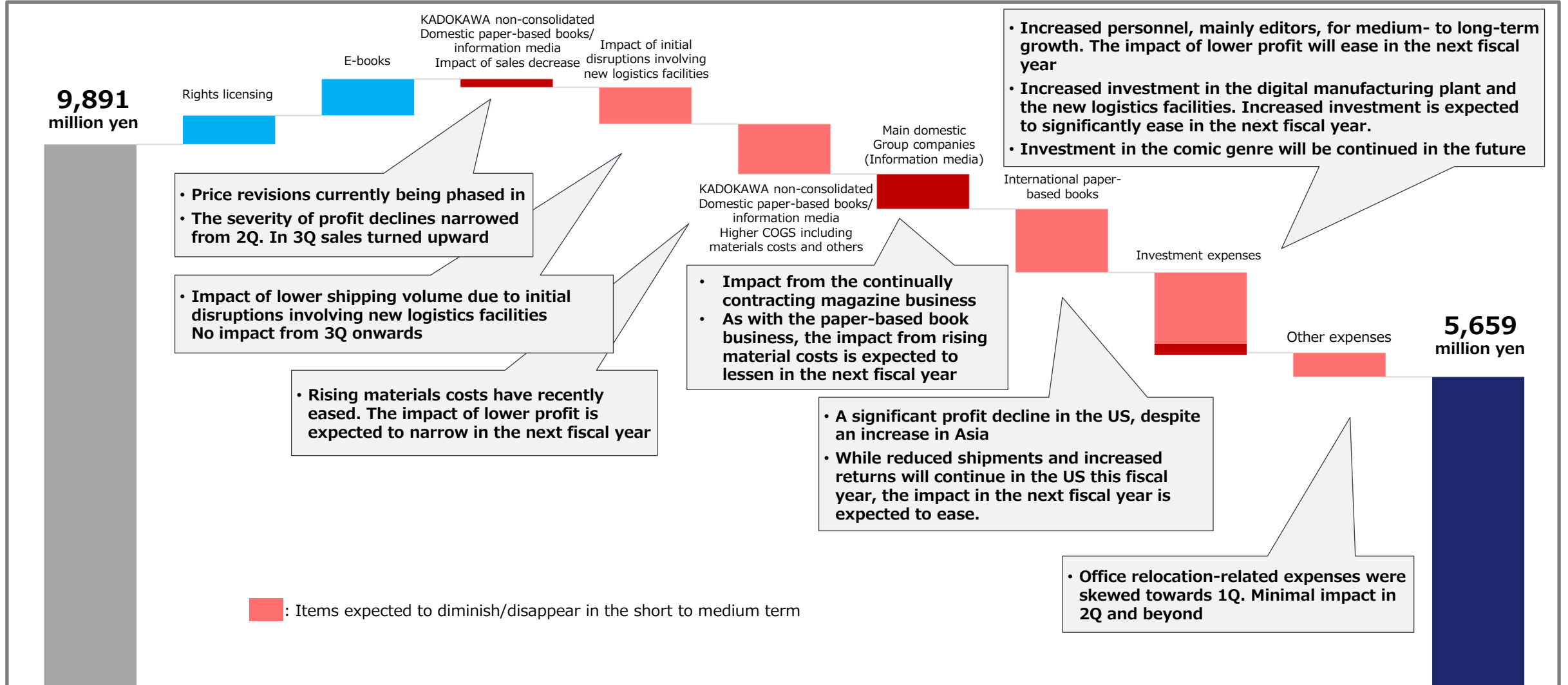
- Profit decreased chiefly due to rising material costs and personnel increases, and investments in digital manufacturing plants and new logistics facilities, in addition to the impact from lower sales.

Future Outlook

- For domestic paper-based books, the number of new IPs is expected to continue to increase in the next fiscal year. Additionally, the impact of rising material costs is projected to contract, and we will consider price revisions as appropriate while maintaining a close watch on trends in expenses. Increased investment in new logistics facilities is expected to significantly ease in the next fiscal year.
- Solid growth is also expected for rights licensing sales in the next fiscal year.
- For international paper-based books, the effects of reduced order placements and increased returns are forecast to ease in the US. Continued strong performance in Asia and contribution of the new bases are expected.
- For e-books, we will aim for growth that outperforms the market by increasing the number of new IPs through measures such as strengthening of the comic genre.

Business Overview – Publication Segment (Factors for Y/Y Operating Profit Change, 3Q YTD)

◆ Publication Segment Operating Profit: -42.8% YoY, -4,232M



Apr.-Dec. FY2022
Operating profit

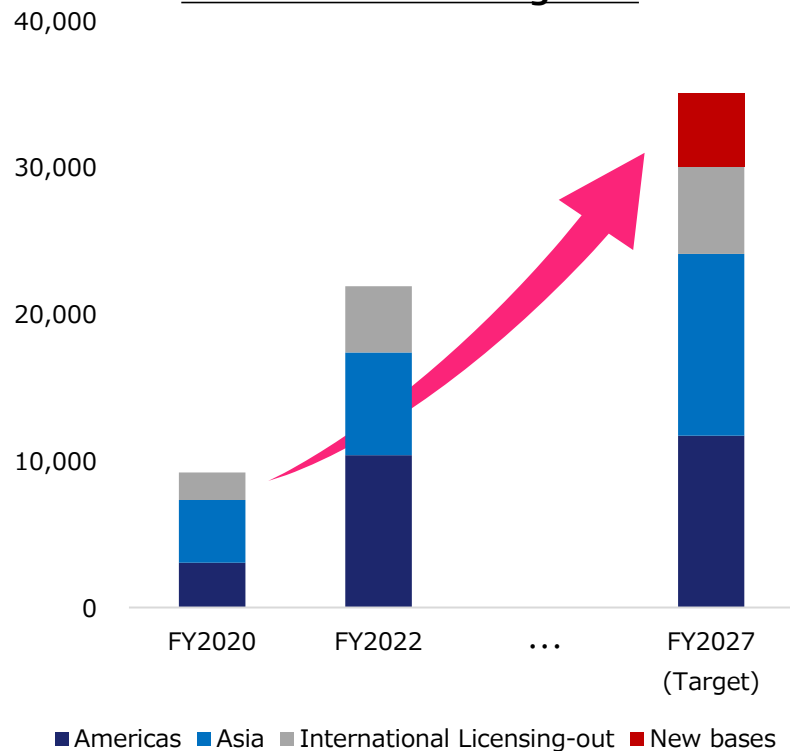
Apr.-Dec. FY2023
Operating profit

Progress of International Business Expansion in the Publication Segment

- ✓ Toward the final year of the Mid-term Management Plan, the Publication Segment will aim for more than 35 billion yen from international subsidiaries' sales and international license-outs
- ✓ While conditions in the North American paper-based book business are harsh in the short term, the business has undergone high growth of 97% (on a local currency basis) when comparing the first nine months with the same pre-pandemic period (FY2019).

Change in international sales

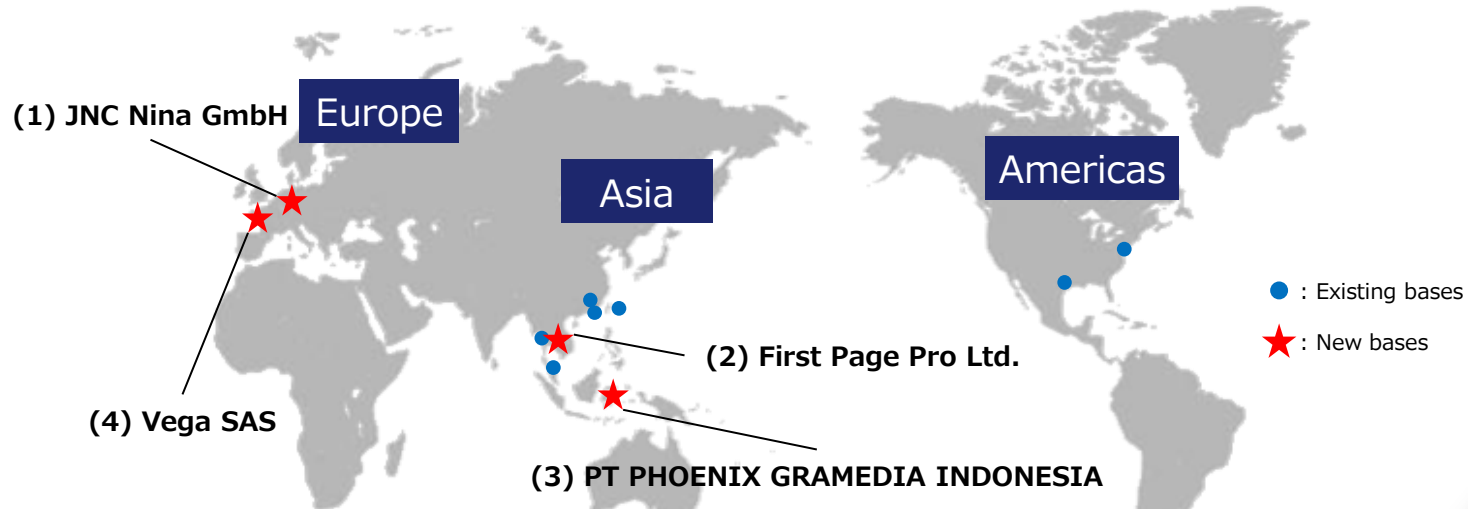
(Unit: Million JPY) **in the Publication Segment**



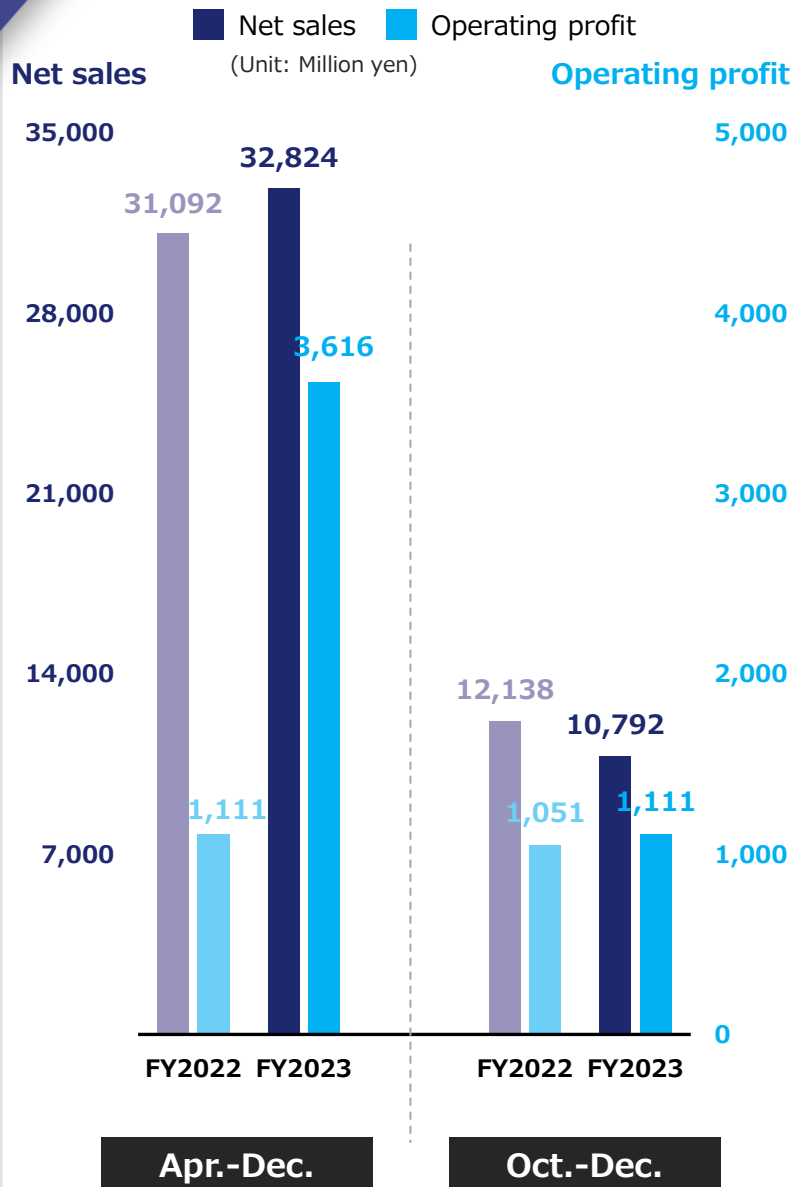
- ✓ For the fiscal year ending March 31, 2024, the following new expansions have been achieved or decided on. Business foundations are being steadily expanded.
- ✓ International bases expansion will be continued. Growth is expected to accelerate.

* There is a three-month delay in the reflecting of the business results of international subsidiaries in KADOKAWA's consolidated financial results.

Timing of consolidation*	Country/region of expansion	Business activities and strategic positioning
(1) May 2023	Europe	Launched light novel subscription service in Europe. → Established the Group's first European base. Laid the groundwork for expansion into Europe.
(2) January 2024	Thailand	Manga and light novel translation and publication business → Worked with existing base to further solidify leading position in Thailand's manga and light novel market.
(3) January 2024	Indonesia	Manga and light novel translation and publication business, etc. → Accelerated the Group's growth in Southeast Asia by expanding into Indonesia, which features a large youth population and rising popularity of Japanese IPs
(4) Planned for May 2024 onwards	France	Manga and light novel translation and publication business aimed at the markets in French-speaking countries → We aim to gain market share in French-speaking countries by expanding into France, whose manga market is second only to Japan's.



Business Overview – Video Segment



Apr.-Dec. YoY Analysis

Net sales (+5.6% / +1,732M)

Animation

- Rights licensing sales remained strong, especially for domestic streaming and games/merchandise, growing approximately 8%
- In 3Q sales declined in part due to lower sales from video box sets (in the previous 3Q the composition of titles was weighted relatively heavily toward video box sales)

Live action

- Net sales remained flat due to the absence of major consigned production projects that had been underway in the previous year, despite contributions from the media mix title *As Long as We Both Shall Live* in the 1H and the new title *KUBI* in 3Q.

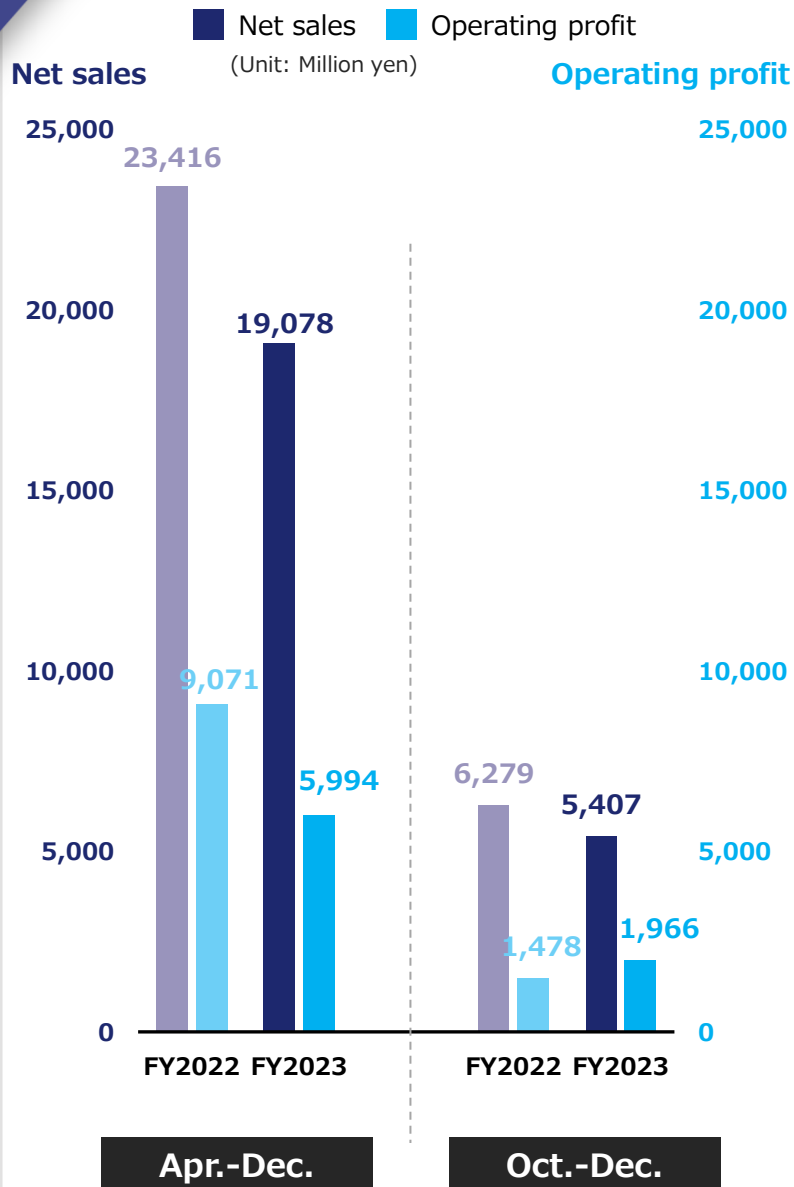
Operating profit (+225.2% / +2,504M)

- Operating profit in the animation business grew with the steady growth of sales, despite increased expenses related to the strengthened international sales promotions. Operating profit in 3Q declined due to the above factors that reduced net sales
- In live action, profit increased significantly in a rebound from devaluations recorded in the previous year, in addition to the impact of contributions from the major titles described above

Future Outlook

- In Animation, we plan to air sequels to multiple popular series including *KonoSuba: God's Blessing on This Wonderful World!* and *【OSHI NO KO】* in the next fiscal year, and expect to further advance the media mix strategy
- In Live Action, we will pursue a focus on major projects that respond to demand in the global market in order to improve investment recovery rates, and are currently making structural improvements to ensure continual profitability in the future

Business Overview – Gaming Segment



Apr.-Dec. YoY Analysis

Net sales (-18.5%/-4,338M)

- Both on a YTD basis and in 3Q, sales declined from the previous year when *ELDEN RING* from FromSoftware contributed significantly, but even recently repeat sales of the title have remained steady, and the new title *ARMORED CORE VI FIRES OF RUBICON* has contributed beyond expectations
 - In 3Q, royalties were recorded based on actual international shipments in 2Q and estimated shipments in 3Q
- Due to the contribution of the new title *Master Detective Archives: RAIN CODE* and other titles, sales of Spike Chunsoft increased.
- Sales from mobile games planned in-house increased, in part benefiting from the effects of linking *The Eminence in Shadow* with the second season of its animated series in 3Q

Operating profit (-33.9% / -3,076M)

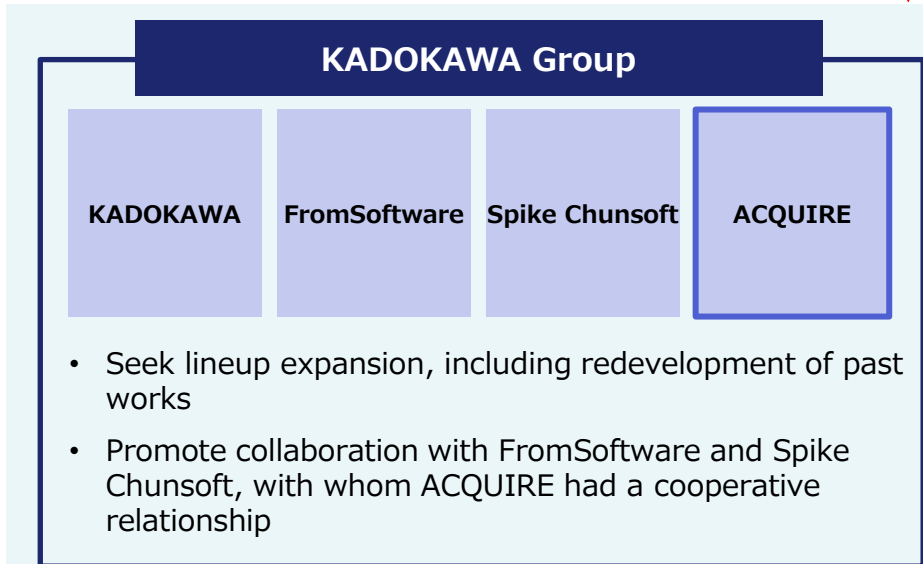
- Profit declined due to lower sales. In 3Q, despite lower sales, profit increased in part due to reduced costs at Spike Chunsoft.

Future Outlook

- FromSoftware will further step up efforts to improve profitability in the medium to long term
 - Various measures are currently in progress for *ELDEN RING*, including the development of major DLC, to maximize LTV.
 - We are also making progress considering schemes to expand the scope of our own publishing
- Spike Chunsoft plans to release the new title *Shiren the Wanderer 6* in 4Q
- We aim to further develop a media mix through the mobile game business to maximize the value of our popular IPs, including *Re:ZERO*.
- We have multiple game titles in the development pipeline, both for consoles and mobile platforms. To further strengthen the ability to create IP in games, we have made ACQUIRE Corp. into a wholly owned subsidiary

Progress on the Ability to Create IP in the Gaming Segment

- ✓ To strengthen the ability to create IP in games as part of our game business strategy, we have made ACQUIRE Corp. into a wholly owned subsidiary
- ✓ By acquiring the company, which has produced million-seller hit titles, we expect to generate synergies with our existing game-related subsidiaries, strengthen our planning and development capabilities Groupwide, and enhance our lineup of console games



◆ Outline of ACQUIRE Corp.

- Founded in 1994. The company develops and markets original game titles for home consoles and also engages in contracted development.
- Its games are focused on the RPG and action genres, and has the planning and development capabilities to produce million-selling titles, as evidenced by *Octopath Traveler* (cumulative series sales of over 4 million units) and *Tenchu*.

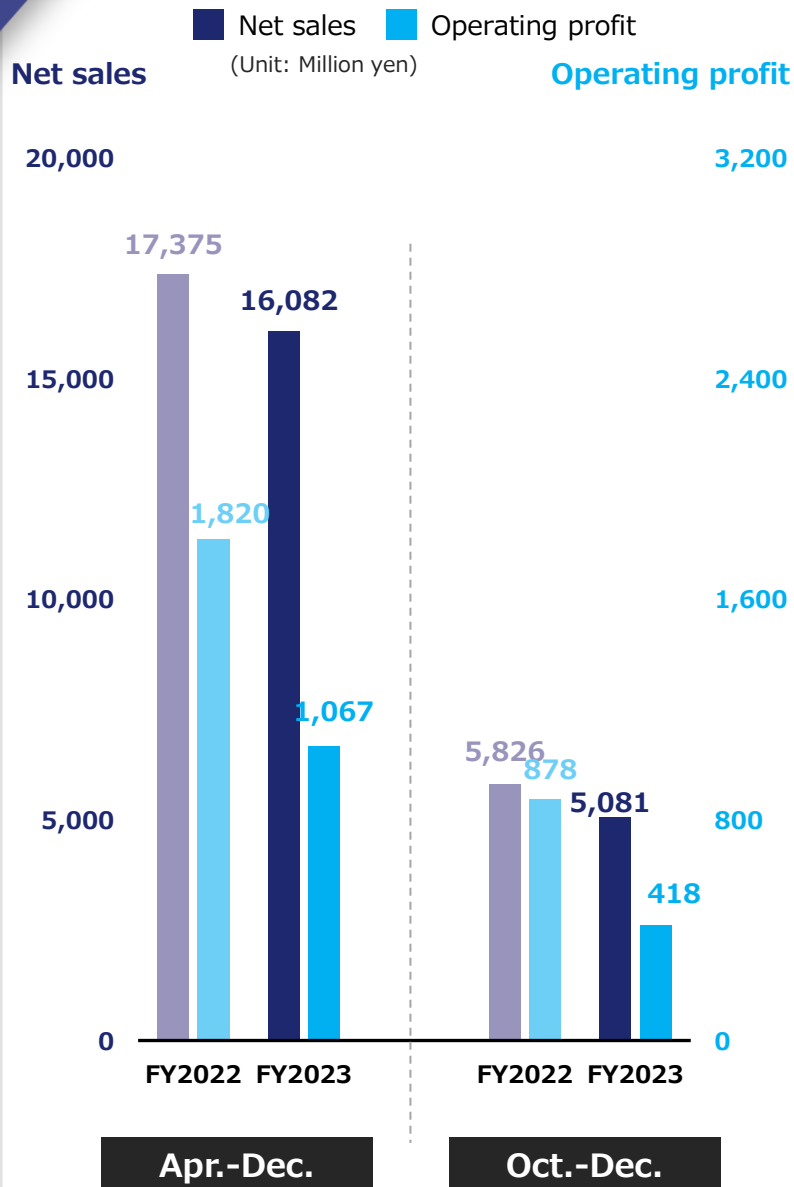


Tenchu 4
Release: FromSoftware
Development: ACQUIRE
©2008 FromSoftware, Inc.



Octopath Traveler II
Release: Square Enix
Development: ACQUIRE
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Business Overview – Web Services Segment



Apr.-Dec. YoY Analysis

Net sales (-7.4%/-1,293M)

- Sales from the niconico-related business decreased both in 3Q and on a YTD basis.
 - Impact of scaling back some advertising-related services, given the investment effect, in addition to the decline in premium membership
- Sales declined due to the cancellation of several unprofitable events as part of efforts to return the live business to profitability at an early stage
- Reduced sales due to ongoing contraction of the mobile business

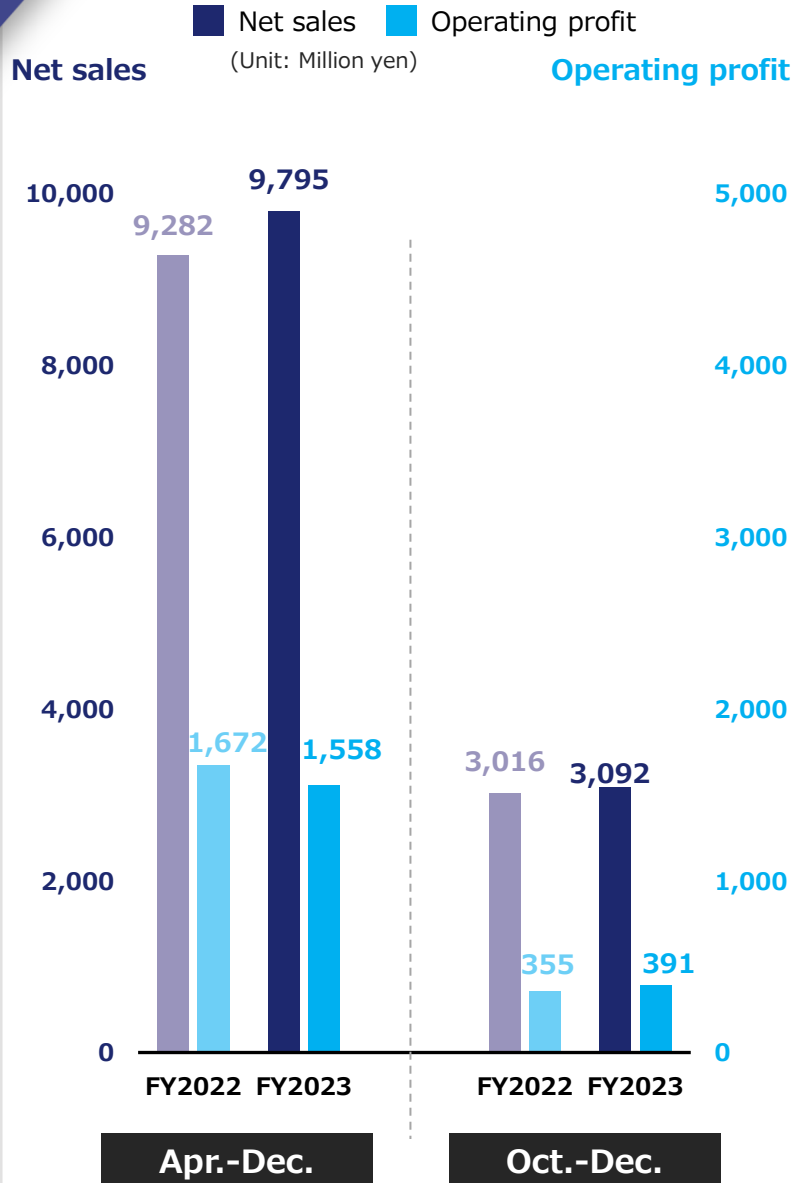
Operating profit (-41.3% / -752M)

- Profit declined in the niconico-related business, in part due to higher strategic investment to speed up future development and streamline IT infrastructure costs from FY2025 onwards, in addition to the impact from lower sales described above
- Profit increased in the live business
 - The cancellation of multiple unprofitable events, in addition to the impact of increased profit from Animelo Summer Live held in 2Q, had an impact

Future Outlook

- Initiatives aimed at putting the niconico-related business back on the growth track are underway. Increased sales are expected in the next fiscal year.
 - There are plans to raise the price of premium memberships (from 550 yen to 790 yen a month) in March 2024. The number of members cancelling their memberships in the wake of the price announcement has been within our expectations
 - Efforts will continue in key genres to reverse the MAU trend in FY2024 and premium membership in FY2025.
- In the live business we will continue with a strategy of selection and concentration in planning, step up collaboration with our animation business in the area of events and music, and work to expand the business.

Business Overview – Education/EdTech Segment



Apr.-Dec. YoY Analysis

Net sales (+5.5% / +513M)

- Sales increased both in 3Q and on a YTD basis due to an increase in the number of students.
 - The number of students at Vantan increased in 3Q, helped by the expansion of its operating regions, and an increase in enrollments mainly for adult education courses that Vantan has been enhancing.
 - In the N/S high school business, student enrollment has continued its upward trend, mainly due to the opening of new campuses for in-person courses.

Operating profit (-6.8% / -113M)

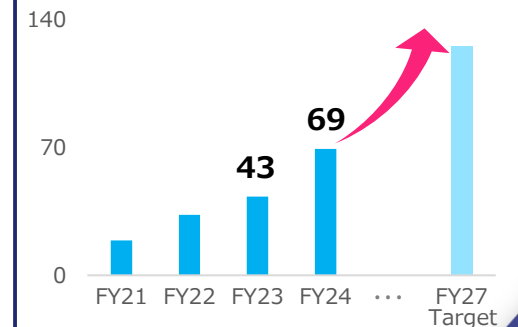
- Despite the overall positive trend in sales, aggressive investments at Vantan led to an overall decrease in profit. In 3Q, profit increased thanks to reduced advertising expenses in the N/S high school business, despite increased investment at Vantan.
 - At Vantan, considering that the number of applicants has far surpassed initial expectations for two highly anticipated new schools to open in the next fiscal year, KADOKAWA SCHOOL OF ANIME and KADOKAWA SCHOOL OF MANGA, additional advertising expenses were incurred to acquire even more students.

Future Outlook

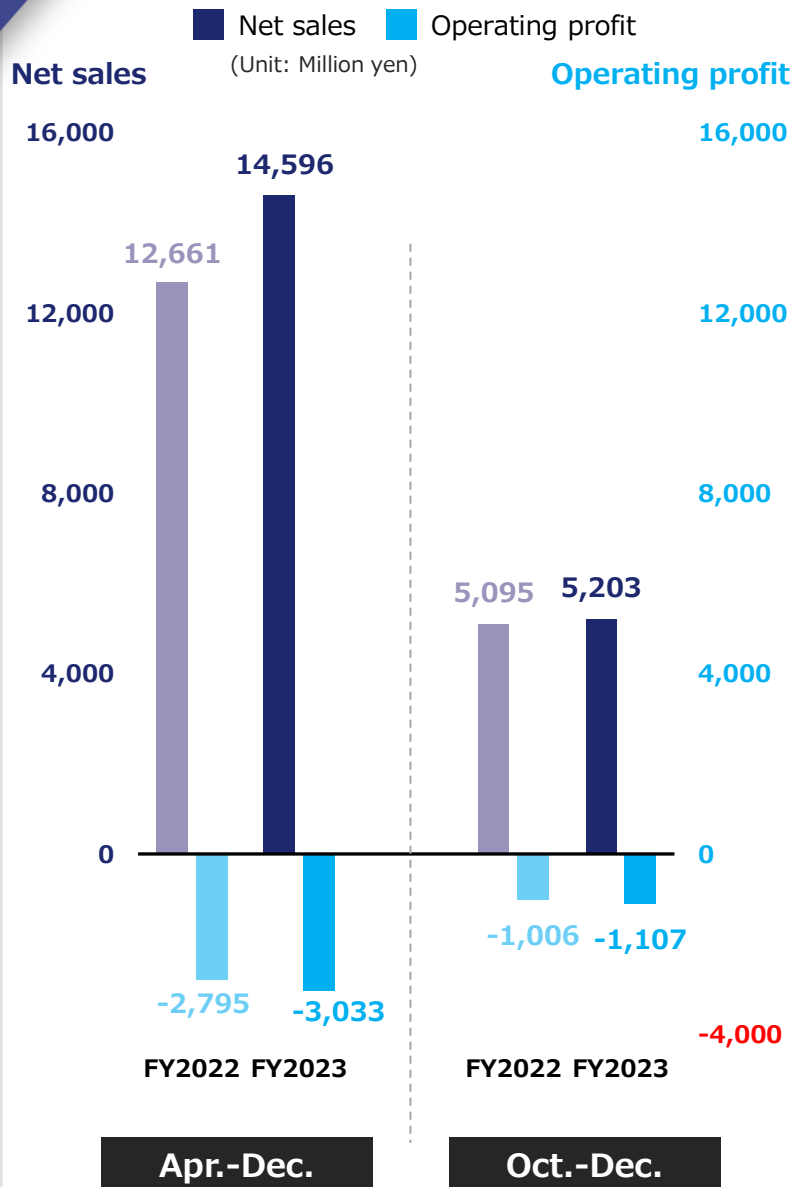
- At Vantan, high growth in student enrollment over several years is expected due to the expansion of operating regions and opening of new schools in the next fiscal year.
- Student enrollments in the N/S high school business are also expected to increase from the next fiscal year and beyond, in part due to ongoing increases in new campuses for in-person courses.
- Preparations are underway for ZEN University*, which is scheduled to open in April 2025.

*ZEN University (provisional name) is currently applying for the establishment approval by MEXT.

Number of N/S High School Campuses for In-person Courses



Business Overview – Others Segment



Apr.-Dec. YoY Analysis

Net sales (+15.3% / +1,935M)

- Profit from the IP experiential facilities operation business levelled off.
- Sales increased in the MD business, primarily due to increased sales of collectible figures.
- Other businesses also saw their sales grow due to the steady expansion of services in some new businesses.

Operating profit (—/ -237M)

- The IP experiential facilities operation business continued to improve its operating loss through the impact of the withdrawal from some businesses and efforts to optimize costs.
- Despite increased sales, profit declined slightly in the MD business due mainly to investments in new product genres.
- In other businesses, there was an impact (approx. -400 million yen, no impact on a consolidated basis) from reduced profit mainly due to internal transaction decreases at a functional subsidiary which takes on the role of the Group's DX. Without this impact, the entire segment would have recorded increased profit.

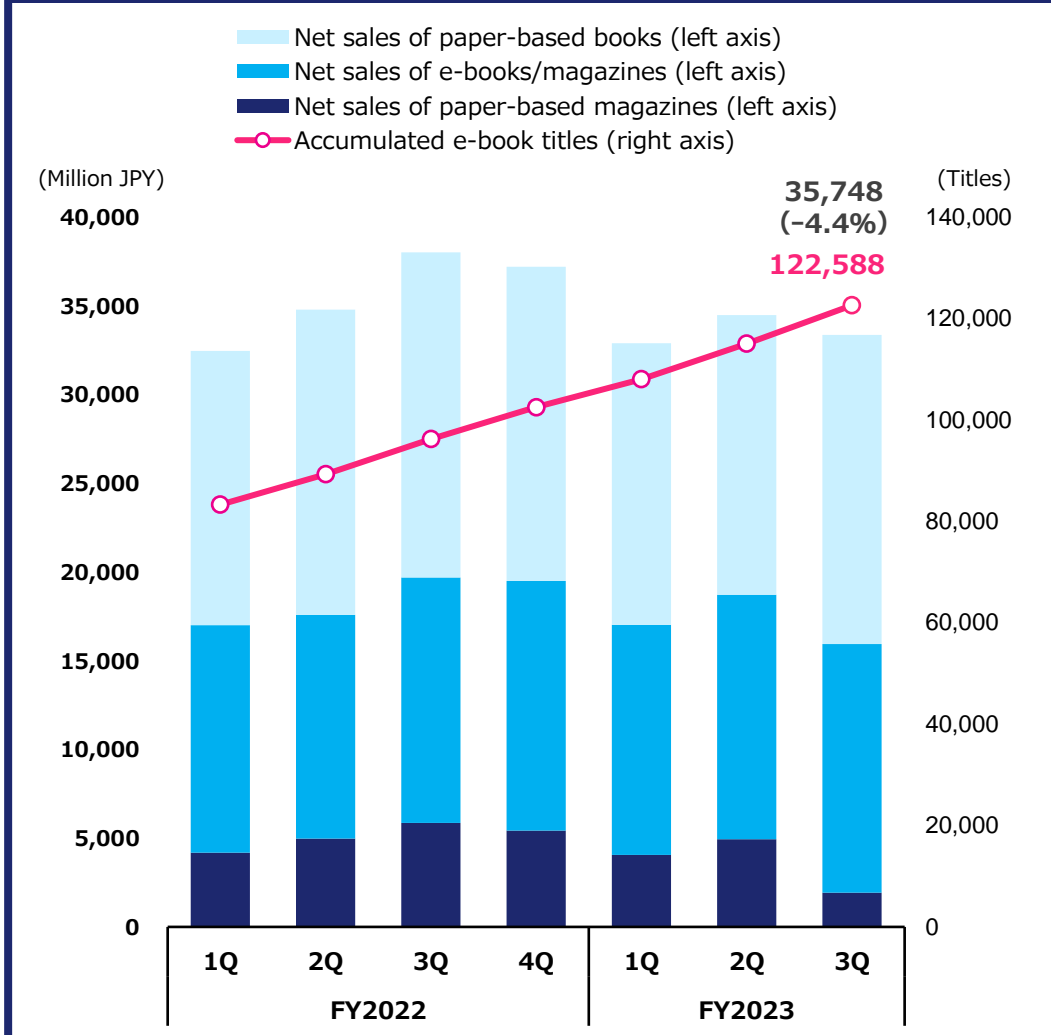
Future Outlook

- The IP experiential facilities operation business will further promote cost optimization and enhance IP planning with the aim of achieving a turnaround into a sustainable business.
- The MD business will strive to expand profit by enhancing its product lineup focused on online raffle services and expanding into new product genres.

Appendix

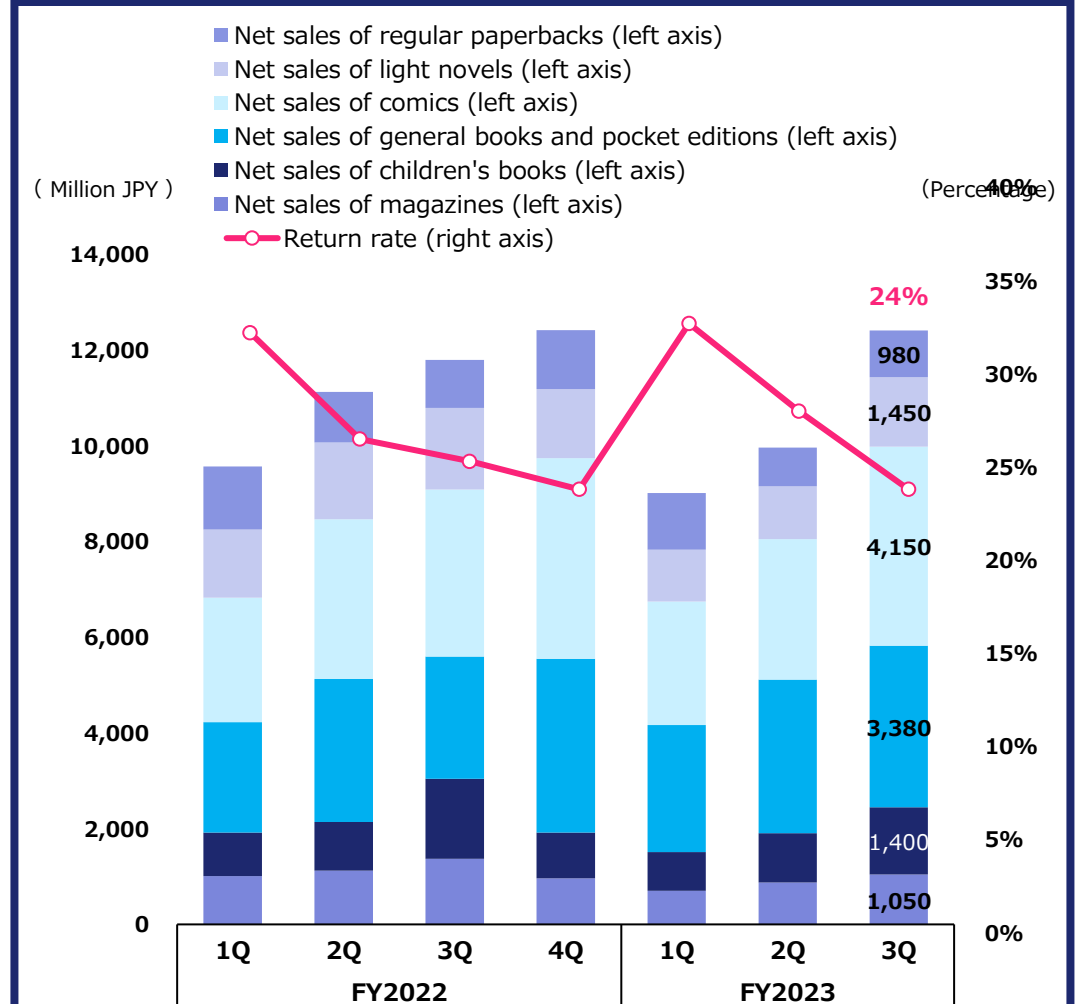
Publication Segment

Trend of sales of publication



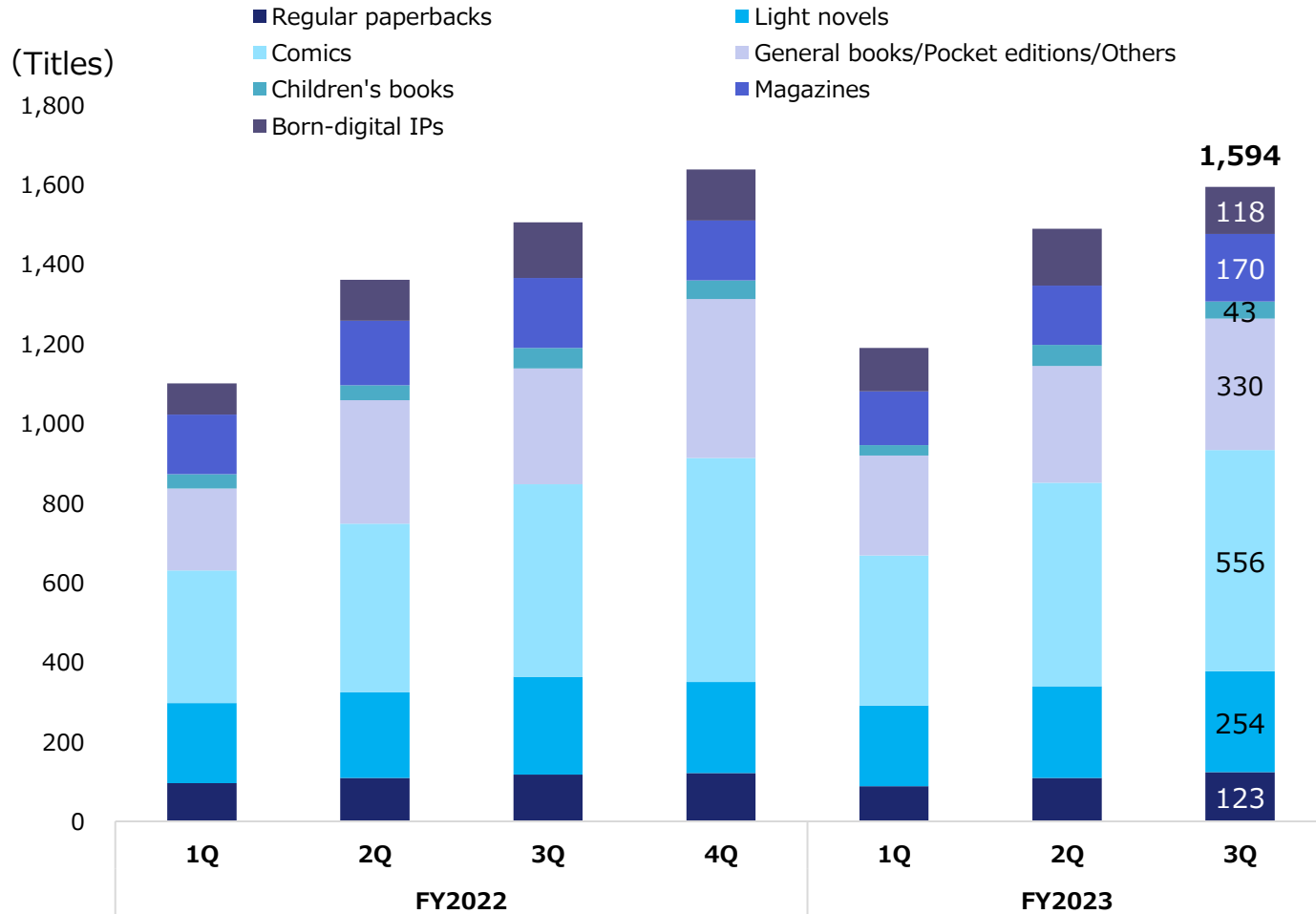
*Accumulated e-book titles include the number of distribution by chapter

Trend of net sales of paper-based books/magazines and returns rate (KADOKAWA Non-consolidated *excluding magazines)



Publication Segment

Number of new IPs of paper-based books and magazines by genre (Actual)

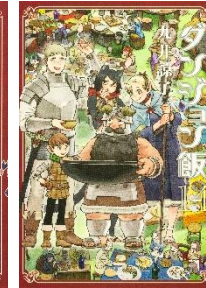


Titles contributing to sales



Delicious in Dungeon
Vol. 13 & 14

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Pan Dorobou, Vol.5



The Summer Hikaru Died
Vol.4

©Mokumokuren

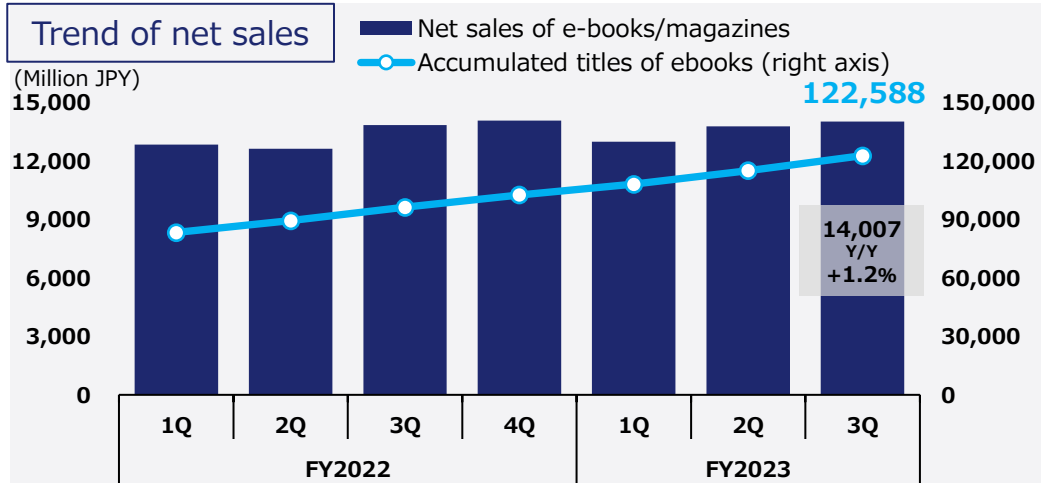


My Love Story with
Yamada-kun at Lv999
Vol.8

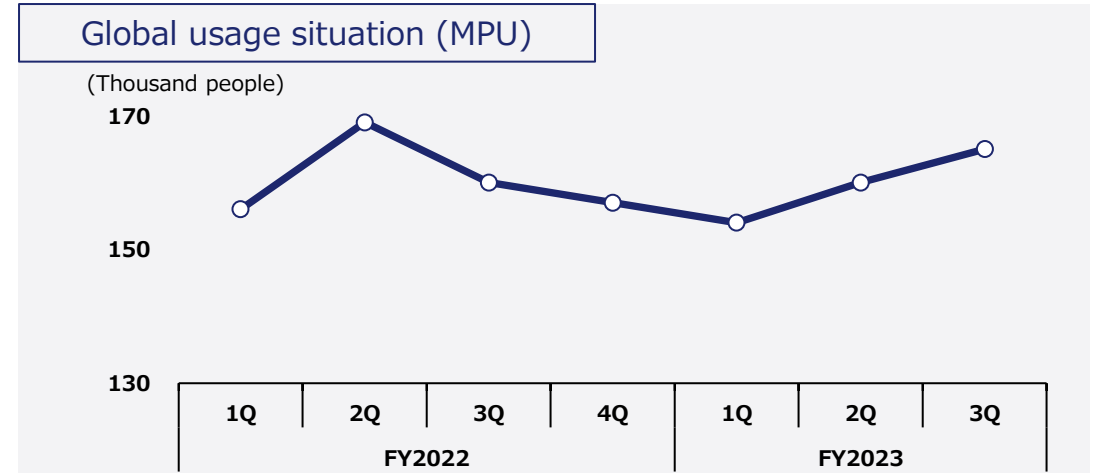
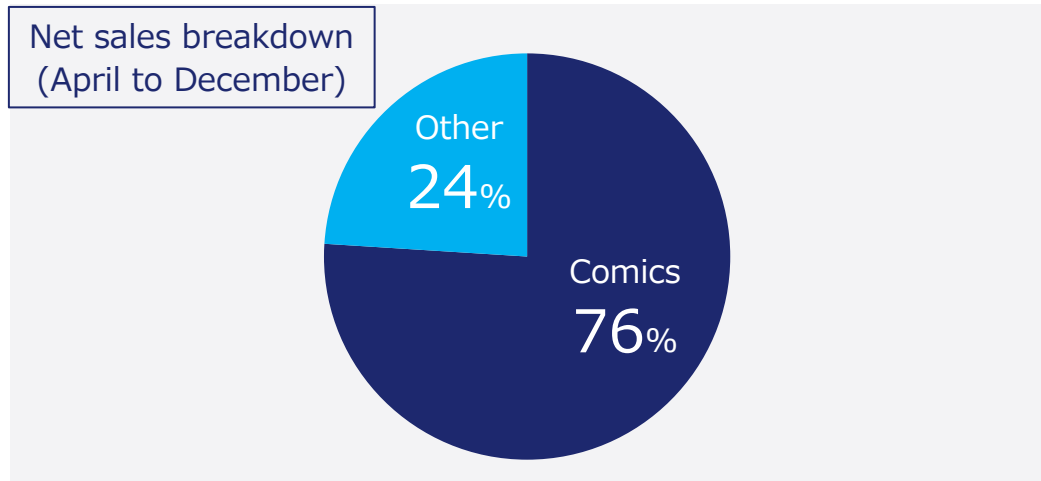
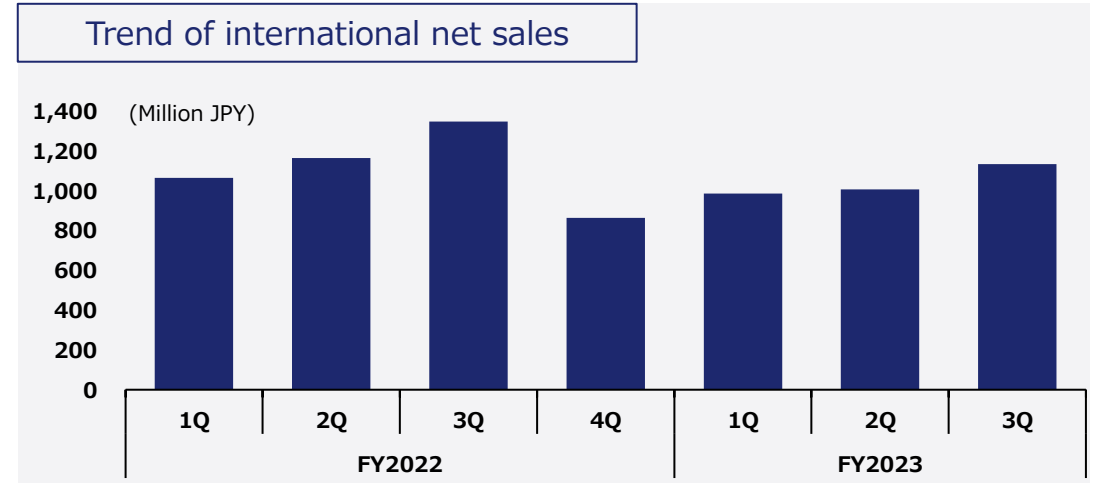
©MASHIRO/COMICSMART INC.

* Total of IPs including Group companies' and born-digital titles in addition to KADOKAWA non-consolidated paper-based books from this disclosure material

E-books/magazines



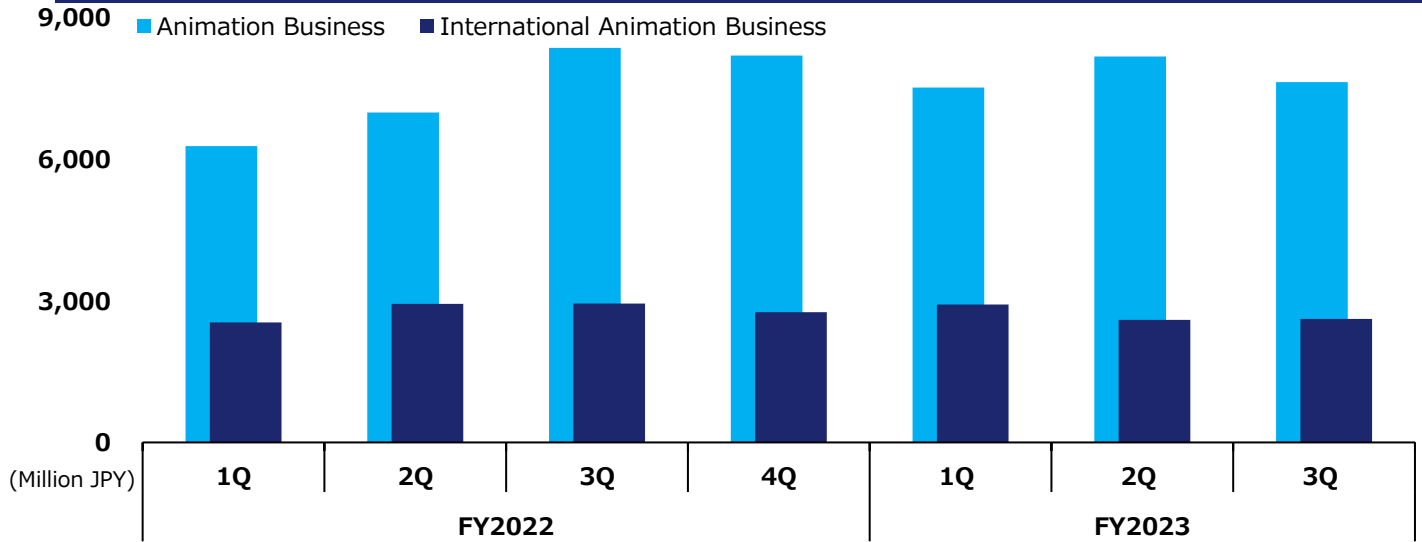
*Accumulated titles of ebooks include the number of distribution by chapter



*MPU(Monthly Paid User)

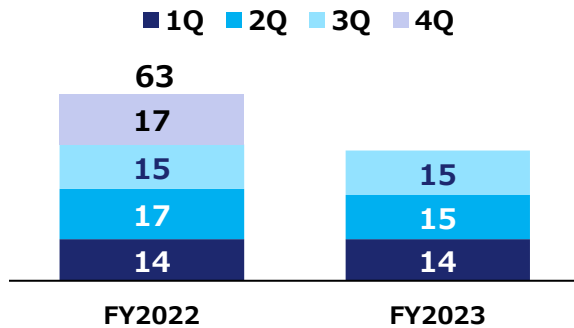
Video Segment

Net sales of animation business

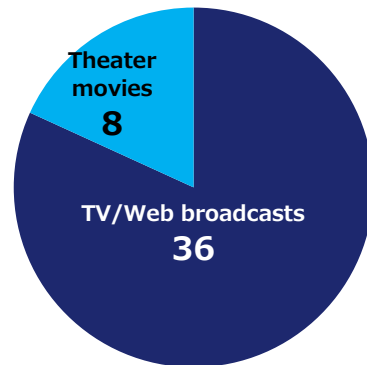


The number of animation titles

Number of new titles



Breakdown of presentation media in Apr. to Dec.



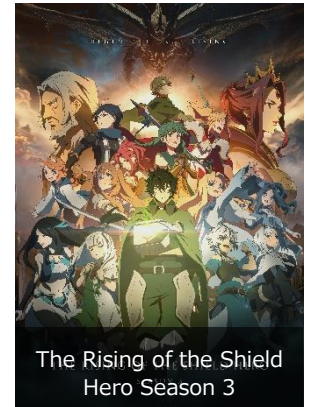
*Number of titles including minor investment

Titles contributing to sales



The Eminence in Shadow 2nd season

©Daisuke Aizawa, KADOKAWA/Shadow Garden



The Rising of the Shield Hero Season 3

©AnekoYusagi_Seira Minami/KADOKAWA/Shield Hero S3 Project



The Saint's Magic Power is Omnipotent Season 2

©Yuka Tachibana, Yasuyuki Syuri/KADOKAWA/The Saint's Magic Power is Omnipotent 2 Partners

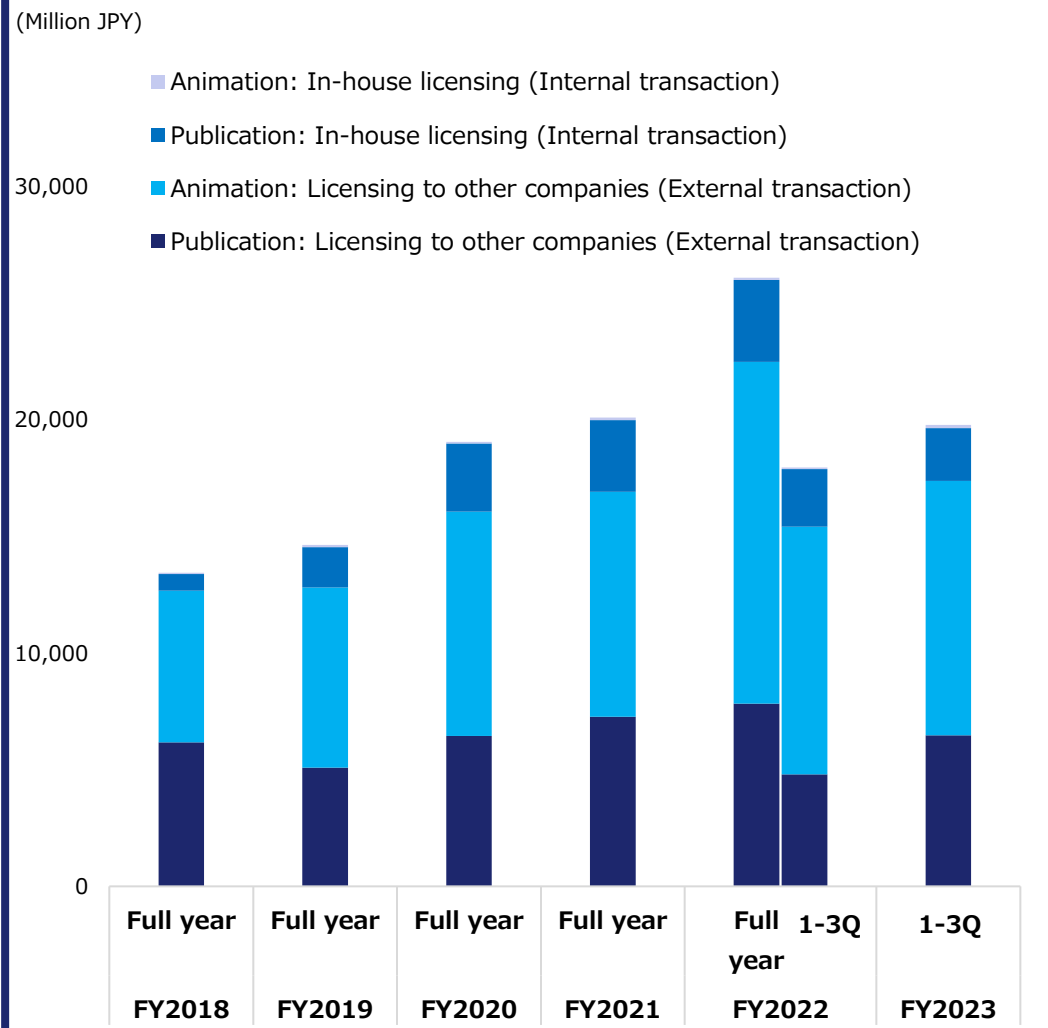


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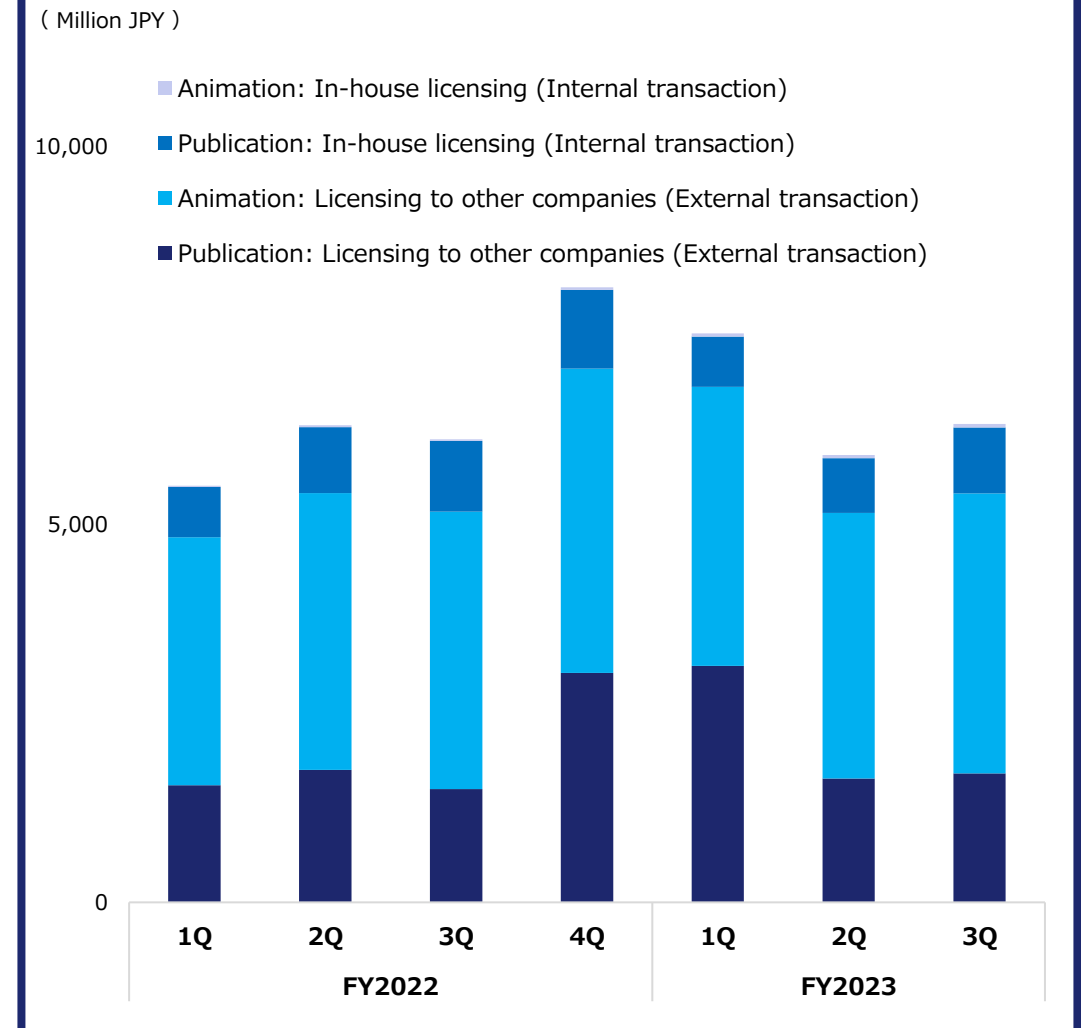
Sales from Rights-Licensing in Publication and Animation Businesses

(KADOKAWA Non-consolidated)

Yearly and YTD basis



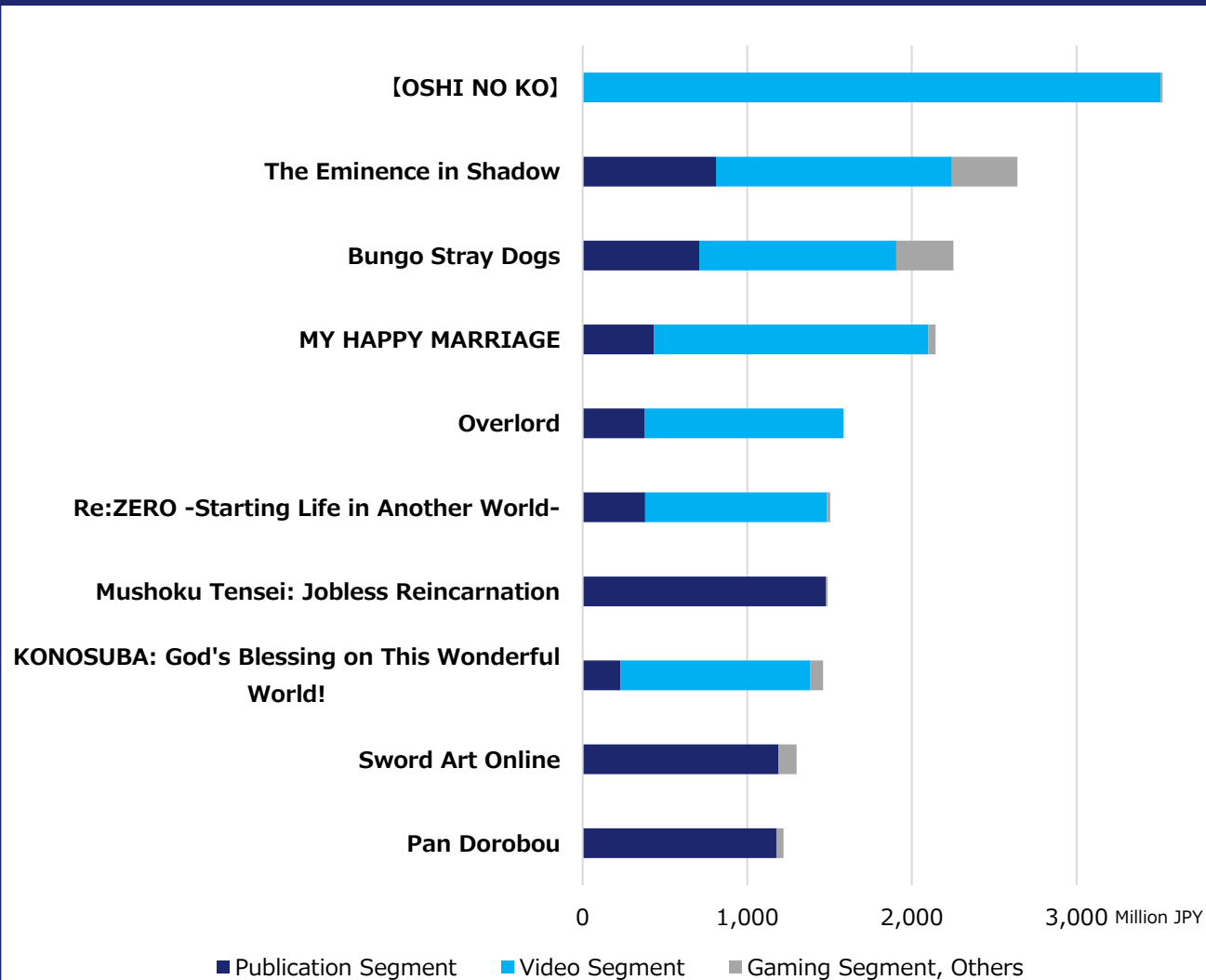
Quarterly basis



Net Sales of the Top Ten Best-Selling Titles

(including sales from rights licensing, KADOKAWA Non-consolidated)

FY2023 YTD



Publication

*Applies to entire series from starting year of publication to the latest release

Rank	Title Name (Series)	Year First Published
1	Mushoku Tensei: Jobless Reincarnation	2014
2	Sword Art Online	2009
3	Pan Dorobou	2020
4	My Love Story with Yamada-kun at Lv999	2020
5	The Eminence in Shadow	2018
6	A Certain Scientific Railgun	2007
7	Bungo Stray Dogs	2013
8	KADOKAWA Manga Gakushu Series	2015
9	Delicious in Dungeon	2015
10	MY HAPPY MARRIAGE	2019

Video

* Applies to all titles from starting year of broadcast to the latest airing

Rank	Title Name (Series)	Year First Aired
1	[OSHI NO KO]	2023
2	MY HAPPY MARRIAGE	2023
3	The Eminence in Shadow	2022
4	Overlord	2015
5	Bungo Stray Dogs	2016
6	KONOSUBA: God's Blessing on This Wonderful World!	2016
7	Re:ZERO -Starting Life in Another World-	2016
8	The Rising of the Shield Hero	2019
9	Gamera	1965
10	Spy Classroom	2023

Eagerly Awaited Upcoming Titles

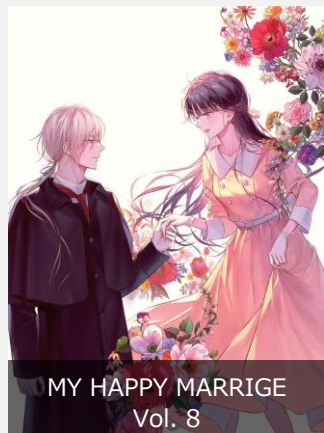
Books



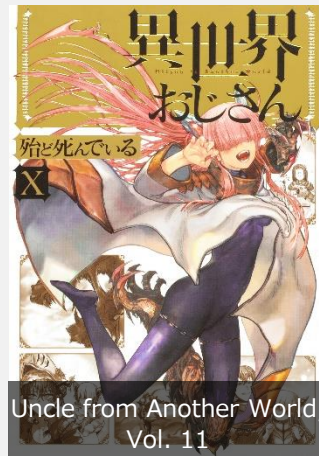
©Sumiko Arai/KADOKAWA



©Asaura 2024 ©Spider Lily/アニプレックス・ABCアニメーション・BS11



©Akumi Agitogi 2024



©Hotondoshindeiru 2024

Animation and Live-Action



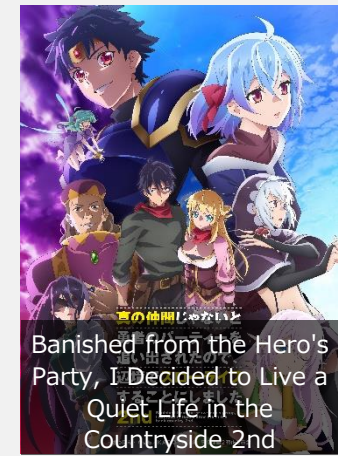
©Ryoko Kui,KADOKAWA/Delicious in Dungeon PARTNERS



©2023 Keiso/KADOKAWA/ISHURA Partners



Syugo Kinugasa,PUBLISHED BY KADOKAWA CORPORATION/YOUZITSU3 PARTNERS



©Zappon,Yasumo/KADOKAWA/The Brave Man's Group 2 Partners

Niconico-Related Business

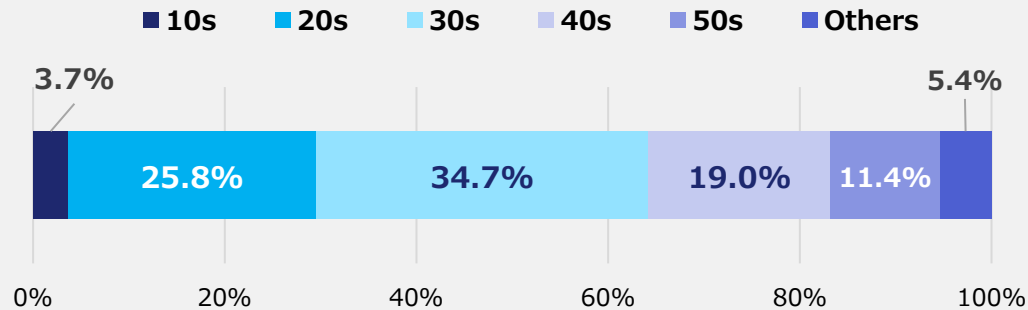


Niconico user data *As of December 31, 2023

Regular members (Million) **97.96**

Premium members (Million) **1.25**

Age *As of December 31, 2023



Niconico Chokaigi 2023

Visitors (Thousand) **118**

Niconico Channel user data *As of December 31, 2023

Number of channels **11,098**

Number of channels with monthly fee **2,300**

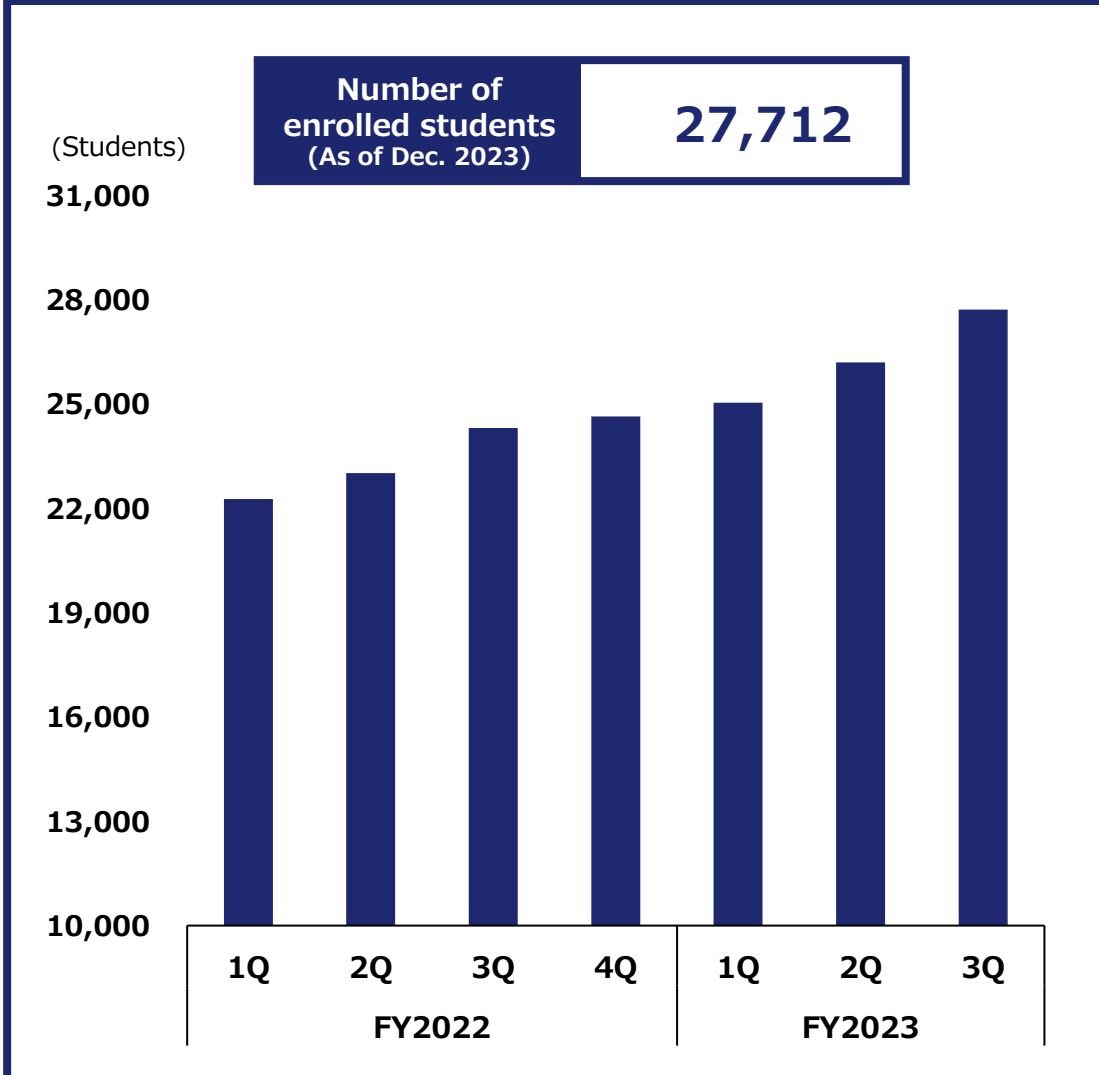
Dues-paied members (Million) **1.27**

Niconico usage data *Average of October to December 2023

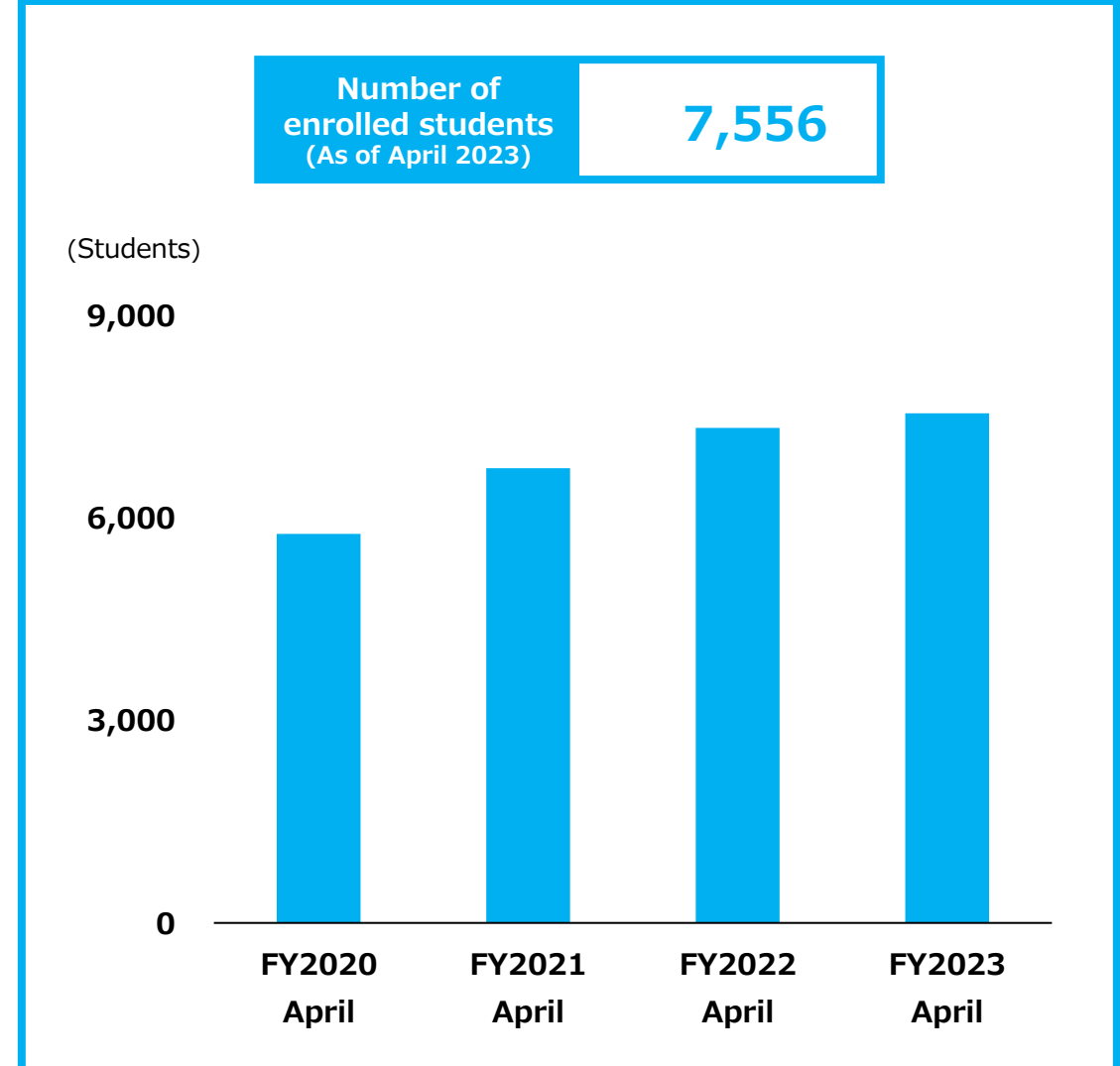
	MAU (Million)	DAU (Million)
Logged In Unique Users + Unique Video Viewers Not Logged In	12.96	1.68
Logged In Unique Users	4.63	1.27
Google Analytics-based Unique Users	27.85	2.21

Education/EdTech Segment

Trend of Number of N & S High School Students

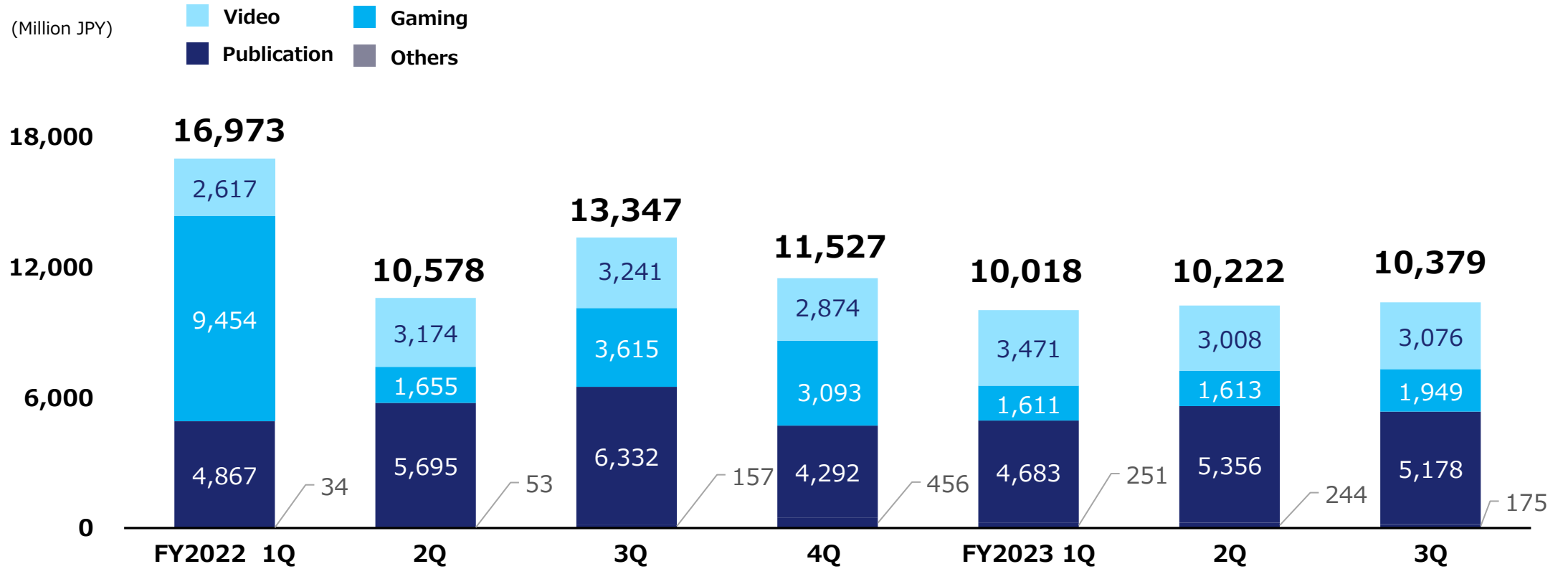


Trend of Number of Vantan Students



International Net Sales

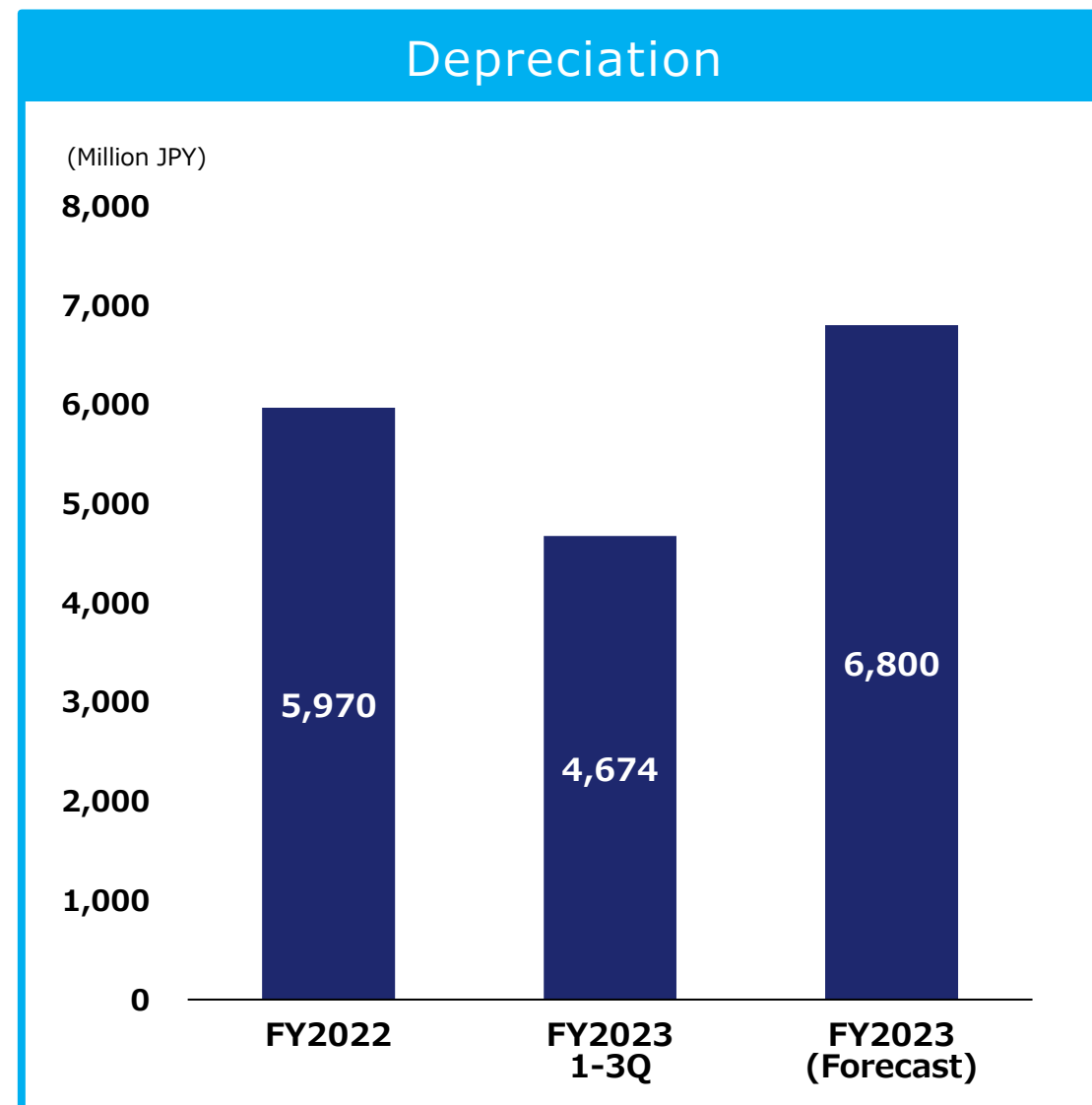
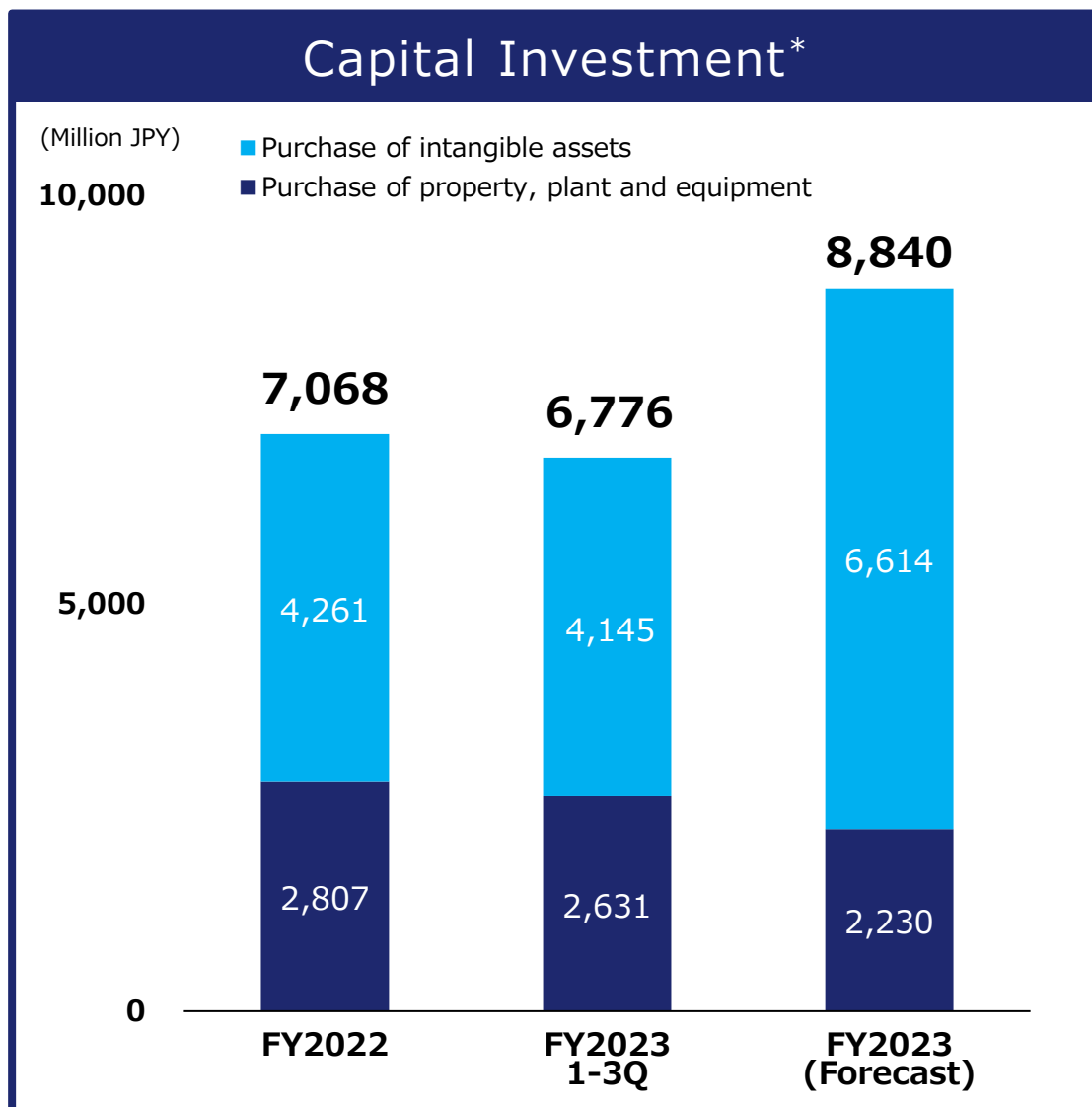
Breakdown of International Net Sales by Segment



Breakdown by Region	Americas	64.0%	58.6%	63.1%	54.7%	58.6%	56.2%	51.3%
	Asia	22.2%	32.8%	26.3%	31.0%	32.6%	34.7%	37.9%
	Others	13.8%	8.6%	10.6%	14.3%	8.8%	9.1%	10.8%

* Business results for international subsidiaries are reflected in KADOKAWA's consolidated financial results on a three-month delay.

Capital Investment and Depreciation



*"Capital investment" is a cash-based amount. It is the total of "purchase of property, plant and equipment" and "purchase of intangible assets" listed in the consolidated statement of cash flows, and includes consideration for non-current assets acquired in the previous fiscal year (Fiscal Year n-1) for which expenditures were made in the current fiscal year (Fiscal Year n).

Q1 In the October to December period of the fiscal year ending March 31, 2024, why did profit attributable to owners of parent increase (+34.9%) while operating profit (-23.6%) and ordinary profit (-14.3%) decreased?

A This is mainly due to losses on disposal (approx. 900 million JPY) incurred in connection with revisions to some systems at our new logistics facility in the Publication segment during the October to December period of the previous year.

Q2 What was the impact of foreign exchange rates from April to December in the fiscal year ending March 31, 2024? Additionally, what was the growth rate for sales and operating profit excluding the foreign exchange impact?

A The growth rate of sales excluding the impact of foreign exchange (approximately 450 million JPY) was approximately -1.7% in the April to December period.
As sales from rights licensing (royalties) accounts for a certain percentage of international sales, we believe that costs affected by foreign exchange rates are limited, but since it is difficult to identify these costs accurately, we have not estimated their impact on profit.

Q3 From April to December, what were the shares and growth rates for paper-based books and information media sales by genre?

A Share by genre: Comics 31%, general books and pocket editions 29%, light novels 12%, paperback books 9%, children's books 10%, magazines 8%
Growth rate by genre: comics +3%, general books and pocket editions +18%, light novels -23%, paperback books -12%, children's books -10%, magazines -25%. (KADOKAWA non-consolidated basis)

Q4 For sales amounts of e-books from April to December, and from October to December, what was the ratio of sales from the Company's own store to those of other companies, and what were the growth rates of each?

A The ratio of sales at the Company's own stores (BOOK☆WALKER) to stores of other companies was 1:3, and the growth rates are 10.1% (BOOK☆WALKER) and 8.7% (other companies' stores) from April to December. From October to December, the ratio of sales was 1:3, and the growth rates of them are 14.1% and 10.9% each.

Q5 What percentage of book shipments are new publications released from April to September?

A Of shipments of paper-based books, approximately 50% were from publications released in the current fiscal year.

Q6 What were the ratio of paper-based books and e-books in the international sales of the publication segment from April to September?

A Sales of paper-based books were approximately 80% and sales of e-books were approximately 20% of the total international sales of the publication segment.

Q7 From April to December, what were the sales shares of the top 10 best sellers in the publication segment and the video segment?

A The shares for the top 10 best sellers consisted of 8% in the publication segment and 40% in the video segment.

Q8 In the Publication (paper-based books and media) segment, how has the number of new IPs progressed, and what are your future targets?

A In the fiscal year ended March 31, 2022, we published approximately 5,300 titles. This grew to around 5,600 titles in the fiscal year ended March 31, 2023, and around 4,300 titles in the first nine months in this fiscal year. To expand the creation of original IP which is the basis of our media mix strategy, we aim to release more than 7,000 titles in the fiscal year ending March 31, 2028.

Q9 What is the trend of pricing per unit for paper-based books?

A In the April to December and October to December periods of the fiscal year ending March 31, 2024, the average unit price of our own paper-based books increased in the high single digits in percentage terms in both periods, in part due to price revisions and changes in the genres accounting for sales.

Q10 What is the development status of DLC for *ELDEN RING* and when will it be released?

A We are currently working hard on the development of DLC for *ELDEN RING* but we have not announced a release date at this time.

Q11 What net sales were recorded during the April to December period of the fiscal year ending March 31, 2024 for ARMORED CORE VI?

A We do not disclose sales results and forecasts for individual titles.

Q12 What are Tokorozawa project's depreciation for the fiscal year ended March 31, 2024 and in the future? (Digital manufacturing plants, new logistics facilities, IP experiential facilities, office etc.)

A The amount for the fiscal year ending March 31, 2024 is 2.1 billion yen. Depreciation of the project is expected to be 2.25 billion for the fiscal year ending March 31, 2025, and to be 2.3-2.5 billion yen for the fiscal year ending March 31, 2026 and beyond. However, we have not considered the impact of potential impairment losses related to the IP experiential facilities, which is incorporated to 4Q in this fiscal year, into these depreciation costs.

Q13 What is the operational status of the digital manufacturing plant and logistics facilities?

A To further reduce returns and manufacturing costs and increase profitability, the Company has started the operation of its digital manufacturing plant that flexibly manufactures publications in small quantities using digital printing technology and the new logistics facilities. We will strive to improve the operating rates of each facility going forward, and aim to achieve a return rate of 22.4% (down from 26.8% in the fiscal year ended March 31, 2023) by the fiscal year ending March 31, 2028.



KADOKAWA

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