



KADOKAWA

Fiscal Year Ended March 31, 2023

Financial Results

May 11, 2023

KADOKAWA CORPORATION

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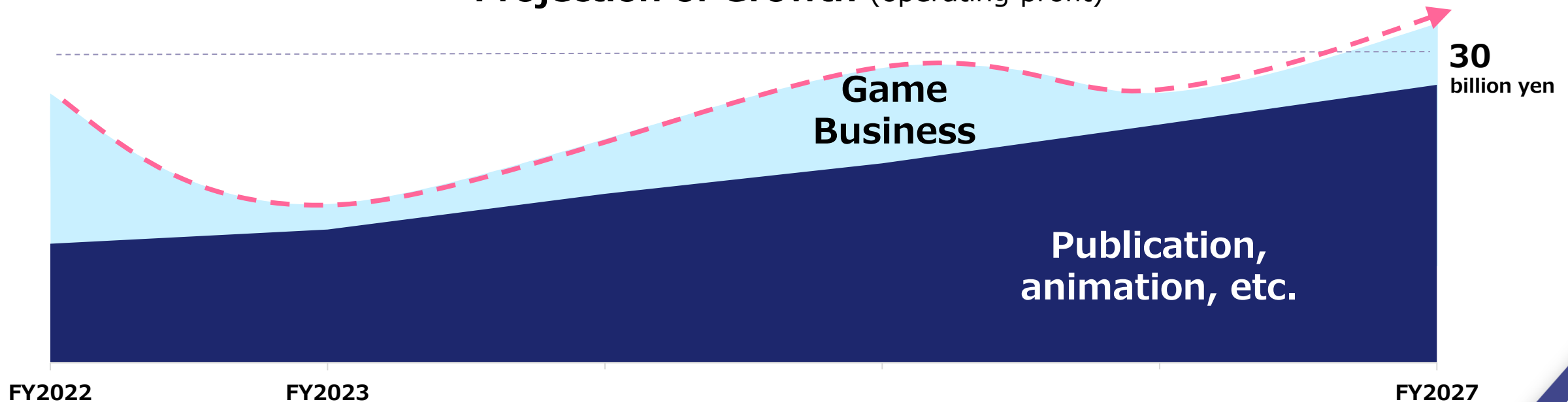
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**Consolidated Financial Results
for the Fiscal Year Ended March 31, 2023 and
Consolidated Financial Forecasts
for the Fiscal Year Ending March 31, 2024**

Management Policy for Achieving Sustainable Growth

- We achieved the numerical targets laid out in the current Mid-term Plan in the first fiscal year due to the huge success of ELDEN RING.
- We are examining new business objectives under the growth strategy. We plan to announce a new mid-term plan when we announce results for the first half of the fiscal year ending March 31, 2024.
 - Achieving sustainable expansion in our key segments, particularly publication and animation
 - Aiming to stabilize the performance in the game business, where results vary significantly, chiefly by extending the life of popular IP and expanding it to mobile games, and to achieve growth in the medium to long term
 - Discontinuing unprofitable businesses and allocating resources to growth fields

Projection of Growth (operating profit)



Management Policy for Achieving Sustainable Growth



Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

■ Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

Net sales: +15.5%, operating profit: +40.0%

- Achieved record-high net sales and operating profit.
- Thanks to the progress of digitization and the creation of strong IP, high growth continued in our key businesses including publication, animation, games and education.
The blockbuster title *ELDEN RING* contributed to the results of the entire Group.
- Partly due to the popularity of Japanese IP in the global market, the overseas sales ratio increased to 20.5%.
- Net income decreased, reflecting impairment losses incurred in the withdrawal from unprofitable businesses and other extraordinary losses.

■ Consolidated Financial Results for the 4th Quarter (Jan.-Mar.) of the Fiscal Year Ended March 31, 2023

Net sales: +3.4%, operating profit: +13.9%

- In Q4 (Jan.-Mar.), the reactionary decline in sales following the initial release of *ELDEN RING* in the fiscal year ended March 31, 2022 was absorbed, and sales increased as a whole.
Strong growth in the animation and education drove the overall increase in profit.
- For the construction of an optimal business portfolio and the improvement of the margin, we decided to withdraw from some unprofitable businesses.

Summary of Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2024

■ Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2024 net sales: 251.15 billion yen, operating profit: 17.8 billion yen

- Despite a decrease in sales and profit on the whole due to a reactionary fall in the sales of *ELDEN RING*, the total of the segments excluding the game segment are expected to post an increase in sales and profit. (net sales: +2.1%, operating profit: +11.8%)
- For the growing areas of publication, animation, games and education, we will invest aggressively in parallel with the steady growth of sales.
 - Publication: Sales of domestic paper-based books will increase due to a rise in the number of new titles. Sales of e-books will continue to be strong. Overseas, returns may increase in the first half but sales is expected to increase in the full-year results. We will continue to invest in the production and logistics facilities of domestic paper-based books, vertically scrolling comics, etc., so segment profit is expected to level off.
 - Video: Despite a reactionary decline in the number of new animated titles, it is expected that sales will increase backed by the improved profitability per title. The operating profit of live-action titles will improve due to a rebound from their devaluation in the fiscal year ended March 31, 2023.
 - Game The release of *ARMORED CORE VI FIRES OF RUBICON* is planned in August. We will aggressively invest in development of other pipelines as well.
 - Education: Steady growth will be maintained against the backdrop of the increasing number of students.
- In other segments, we will implement initiatives for medium to long term improvement.
 - Web services: The MAU of logged in users and the number of new viewers recovered in Q4 of the fiscal year ended March 31, 2023. We consider this to be a good opportunity to create an upward trend in sales and profit moving forward, and thus expenses will increase for investments in focused genres, improvement of user experiences and the reduction of IT infrastructure costs in the future.
 - Others: We expect profit to improve because of the withdrawal from some businesses in the fiscal year ended March 31, 2023, and we expect the continuous expansion of MD and other businesses to contribute to performance.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

(Unit: Million JPY)	Results for the fiscal year ended March 31, 2022	Results for the fiscal year ended March 31, 2023	Year on year (changed amount)	Jan.-Mar. 2022 Results	Jan.-Mar. 2023 Results	Year on year (changed amount)
Net sales	221,208	255,429	+15.5% (+34,221)	63,566	65,702	+3.4% (+2,135)
Operating profit	18,519	25,931	+40.0% (+7,411)	5,709	6,501	+13.9% (+791)
└ Operating margin	8.4%	10.2%	+1.8pt	9.0%	9.9%	+0.9pt
Ordinary profit	20,213	26,669	+31.9% (+6,456)	6,043	5,081	-15.9% (-962)
Profit attributable to owners of parent	14,078	12,679	-9.9% (-1,398)	4,508	519	-88.5% (-3,988)
EBITDA	24,623	32,060	+30.2% (+7,437)	7,712	8,373	+8.6% (+661)

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

Net Sales and Operating Profit by Business Segment

(Unit: Million JPY)		Results for the	Results for the	Year on year		Jan.-Mar. 2022	Jan.-Mar. 2023	Year on year	
		fiscal year ended	fiscal year ended	(changed amount)		Results	Results	(changed amount)	
		March 31, 2022	March 31, 2023						
Publication	Net sales	132,972	139,990	+5.3%	(+7,017)	35,265	36,455	+3.4%	(+1,189)
	Operating profit	17,370	13,155	-24.3%	(-4,214)	4,242	3,264	-23.1%	(-978)
Video	Net sales	33,112	43,289	+30.7%	(+10,176)	8,373	12,196	+45.7%	(+3,822)
	Operating profit	1,341	2,169	+61.8%	(+828)	-57	1,057	-	(+1,114)
Game	Net sales	19,490	30,351	+55.7%	(+10,860)	11,848	6,934	-41.5%	(-4,913)
	Operating profit	5,200	14,218	+173.4%	(+9,017)	4,794	5,147	+7.4%	(+352)
Web services	Net sales	21,342	22,063	+3.4%	(+721)	5,004	4,688	-6.3%	(-315)
	Operating profit	2,013	1,641	-18.5%	(-371)	-1	-178	-	(-177)
Education	Net sales	10,803	12,475	+15.5%	(+1,672)	2,520	3,193	+26.7%	(+672)
	Operating profit	742	1,768	+138.2%	(+1,026)	-588	96	-	(+684)
Others	Net sales	11,487	17,199	+49.7%	(+5,712)	2,908	4,538	+56.0%	(+1,629)
	Operating profit	-4,926	-4,535	-	(+391)	-1,502	-1,739	-	(-236)
Eliminations/ Corporate	Net sales	-7,999	-9,939	-	(-1,940)	-2,354	-2,303	-	(+50)
	Operating profit	-3,222	-2,488	-	(+733)	-1,177	-1,145	-	(+31)

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

(Unit: Million JPY)	Results for the fiscal year ended March 31, 2023	Forecasts for the fiscal year ending March 31, 2024	Year on year (changed amount)	Year on year (%)
Net sales	255,429	251,150	-4,279	-1.7%
Operating profit	25,931	17,800	-8,131	-31.4%
Ordinary profit	26,669	18,200	-8,469	-31.8%
Profit attributable to owners of parent	12,679	10,900	-1,779	-14.0%
EBITDA	32,060	24,200	-7,860	-24.5%

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

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

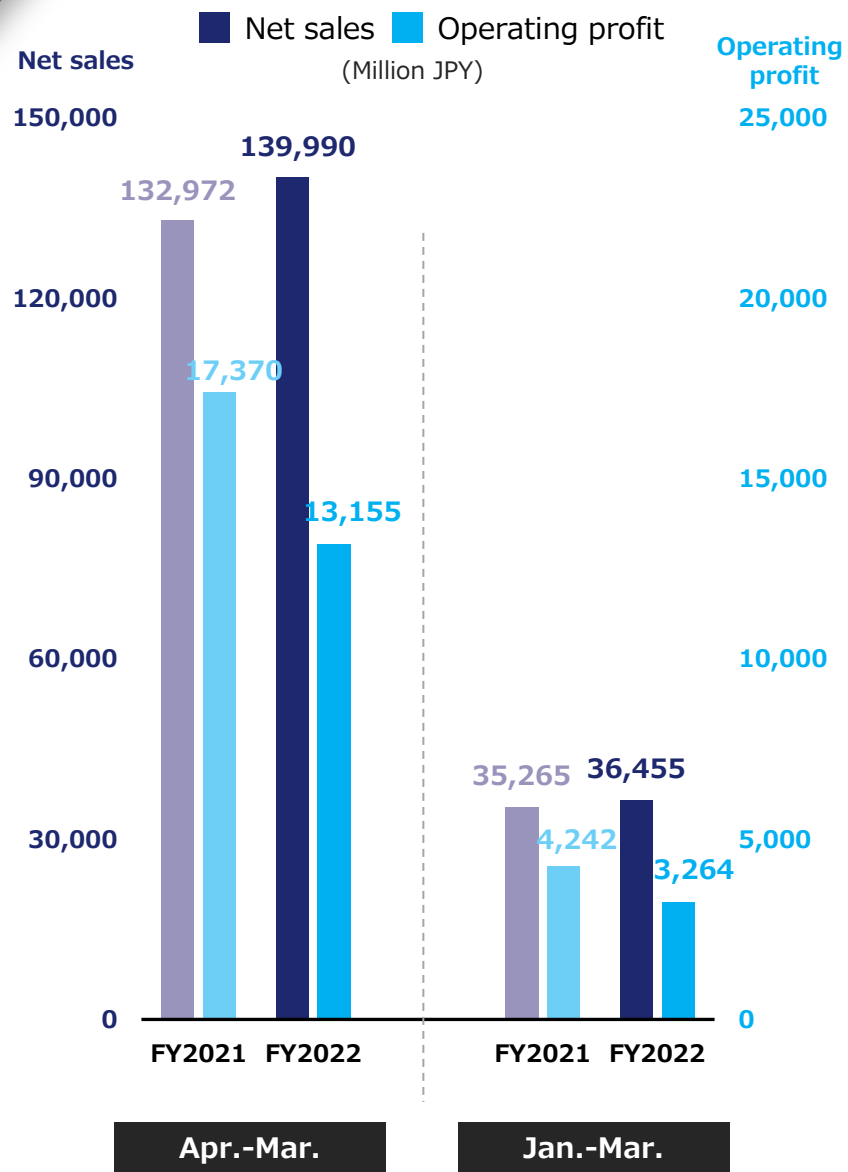
(Unit: Million JPY)		Results for the fiscal year ended March 31, 2023	Forecasts for the fiscal year ending March 31, 2024	Year on year (changed amount)	Year on year (%)
Publication	Net sales	139,990	144,300	+4,309	+3.1%
	Operating profit	13,155	13,100	-55	-0.4%
Video	Net sales	43,289	43,400	+110	+0.3%
	Operating profit	2,169	2,700	+530	+24.5%
Game	Net sales	30,351	21,400	-8,951	-29.5%
	Operating profit	14,218	4,700	-9,518	-66.9%
Web Service	Net sales	22,063	20,650	-1,413	-6.4%
	Operating profit	1,641	250	-1,391	-84.8%
Education	Net sales	12,475	13,550	+1,074	+8.6%
	Operating profit	1,768	2,350	+581	+32.9%
Others	Net sales	17,199	19,700	+2,500	+14.5%
	Operating profit	-4,535	-3,550	+985	-
Eliminations / Corporate	Net sales	-9,939	-11,850	-1,910	-
	Operating profit	-2,488	-1,750	+738	-

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

- Despite a decrease in sales and profit on the whole due to a reactionary fall in the sales of ELDEN RING, the total of the segments excluding the game segment are expected to post an increase in sales and profit. (net sales: +2.1%, operating profit: +11.8%)
- Achieving sustainable expansion in our key segments, particularly publication and animation
- Aiming to stabilize the performance in the game business, where results vary significantly, chiefly by extending the life of popular IP and expanding it to mobile games, and to achieve growth in the medium to long term

(Unit: Million JPY)		Results for the fiscal year ended March 31, 2022	Forecasts for the fiscal year ending March 31, 2023	Year on year (changed amount)	Year on year (%)
Game	Net sales	30,351	21,400	-8,951	-29.5%
	Operating profit	14,218	4,700	-9,518	-66.9%
Game以外	Net sales	225,078	229,750	+4,671	+2.1%
	Operating profit	11,712	13,100	+1,387	+11.8%

Business Overview – Publication Segment



YoY Analysis

Net sales: +5.3% / +7,017M (Q4 +3.4% / +1,189M)

Paper-based books
Information media*1
+2.9%

- Domestically, the number of new titles steadily grew. However, sales declined due to a significant impact of the reactionary contraction following the stay-at-home demand in the market during the COVID-19 pandemic. Sales increased in Q4 mainly due to an increased number of new titles and price revisions. The improvement trend of return rates continued.
- Overseas subsidiaries recorded more than 10% growth excluding impact of foreign exchange. In Q4, sales declined on a local currency basis due to a reactionary fall from large-scale orders placed by large-sized bookstores and retailers via Yen Press in the last several years and also due to increased returns.
- Rights licensing revenue steadily increased both in the full year and in Q4.

E-books
+11.2%
(Composition Ratio in Publication Segment: 38%)

- Robust growth was maintained in Q4, and even in the full year, the growth rate was around 15% excluding special factors from the fiscal year ended March 31, 2022*2.
 - The total number of paying users in Japan and overseas for the Company's own stores continued to increase.
 - In terms of sales in Japan and overseas, sales were strong in particular with titles being adapted into animation and games and titles targeting women.

Operating profit: -24.3% / -4,214M (Q4 -23.1% / -978M)

- Operating profit declined both in the full year and in Q4 primarily due to investments in human resources, soaring materials costs for paper-based books caused by inflation, and Investments in digital printing/logistics facilities and DX, etc.

*1 Considering the business transformation into digital, from Q1 the Company has changed the former name "paper-based magazines business" into "information media business" *2 Implemented major sales promotions at stores of other companies

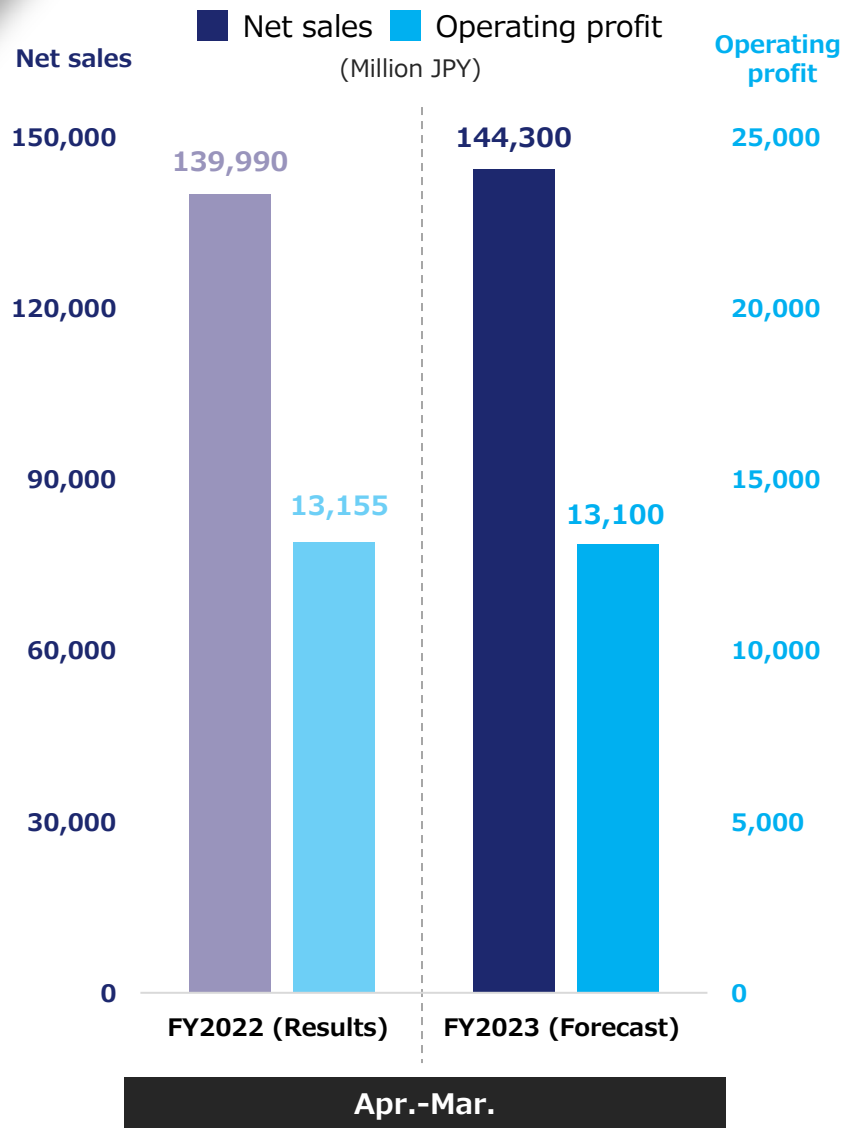
Business Overview – Publication Segment

(Changes in Sales Composition and Major Factors for YoY Profit Change)

- ◆ Breakdown of change in profit
 - Full year (down 24.3% YoY, -4,214M)
 - Q4 (down 23.1% YoY, -978M)

	Factors (full year)		Full year Impact	Factors (Q4)	4Q Impact
Paper-based books/ information media	Japan	Paper-based books/information media <ul style="list-style-type: none"> • Decline in net sales due to the significant impact of the contracting market • Increase in materials cost, etc. • Investments in digital printing/logistics facilities and DX 	Decrease in profit	<ul style="list-style-type: none"> • While the impact of the market contraction continued, sales increased due to an increase in the number of new titles. • The increase in materials cost, etc. continued. Effects of some price revisions began to appear. • Digital-related investments in the left column continued. 	Decrease in profit
		Strong rights licensing revenue	Increase in profit	Same as left	Increase in profit
	Overseas	<ul style="list-style-type: none"> • Net sales grew, but orders placed by large-sized bookstores and retailers decreased while returns increased in Q4. • Increases in costs including logistics expenses 	Slight decrease in profit	<ul style="list-style-type: none"> • Net sales decreased due to the factors stated in the left column. • Increases in costs, including logistics expenses, continued. 	Decrease in profit
E-books	<ul style="list-style-type: none"> • Sales continued to grow. • Aggressive investment in vertically scrolling comics 		Increase in profit	Same as left	Increase in profit
Common	Investment in human resources, including increased hiring and reform of personnel systems		Decrease in profit	Same as left	Decrease in profit

Full-year Forecast – Publication Segment



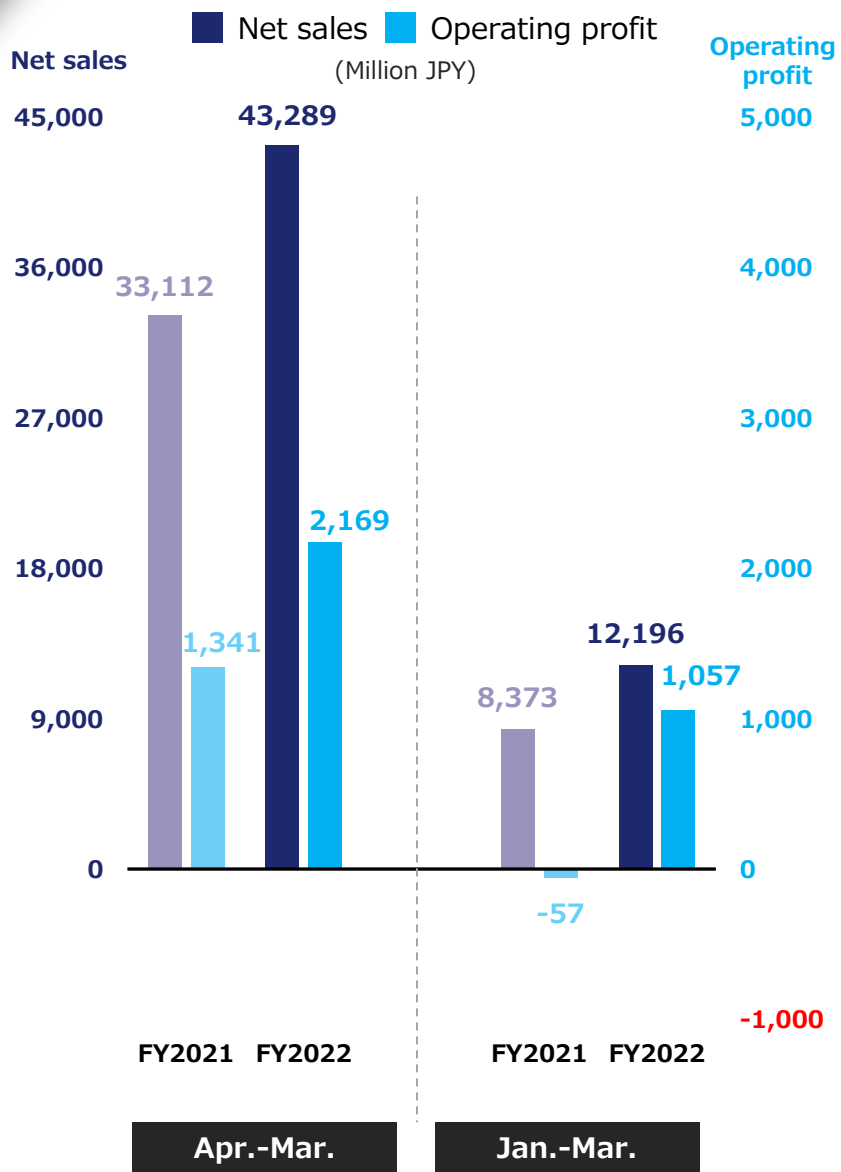
Results for the fiscal year ended March 31, 2023 vs. forecast for the fiscal year ending March 31, 2024 net sales +4,309M, operating profit -55M

- Despite the contraction of the market, we aim to increase sales of domestic paper-based books by increasing the number of new titles centered on comics, decreasing the amount of returns including digital integration with bookstores, and revising prices. Operating profit is expected to decrease owing to rising expenses for investment for the full-scale operation of digital printing and new logistics facilities and for the enhancement of human resources, but these measures are expected to contribute to future improvement of sales and profitability.
- Overseas subsidiaries aim to increase sales by about 10% as a whole. Profits will remain flat because of adjustments at Yen Press due to lower orders and higher returns throughout the first half and investments for local IP development at some locations, but there is no change in our view of the medium- to long-term growth potential given the continued popularity of Japanese IP.
- E-book sales will continue to grow faster than the market, and both sales and operating profit are expected to continue to increase.

Medium to long term direction

- We will increase the number of new domestic paper-based book titles by strengthening the editing system through the enhancement of DX operations and personnel and the vitalization of the UGC. In addition, we will peruse the stable performance of our business by improving the productivity of production and logistics. The maximization of profit from popular titles is being promoted by swiftly developing the media mix.
- In the overseas business, simultaneous development will be increased in Japan and overseas and for paper-based and digital publications. We will increase the number of titles to be published and accelerate publication by expanding the translation capacity and expand new areas.
- Regarding e-books, the comic genre is a growth driver, and in this area we are planning to increase touch points with users and take steps to acquire and cultivate authors. We will pursue the expansion of market share in the medium to long term in this genre.

Business Overview – Video Segment



YoY Analysis

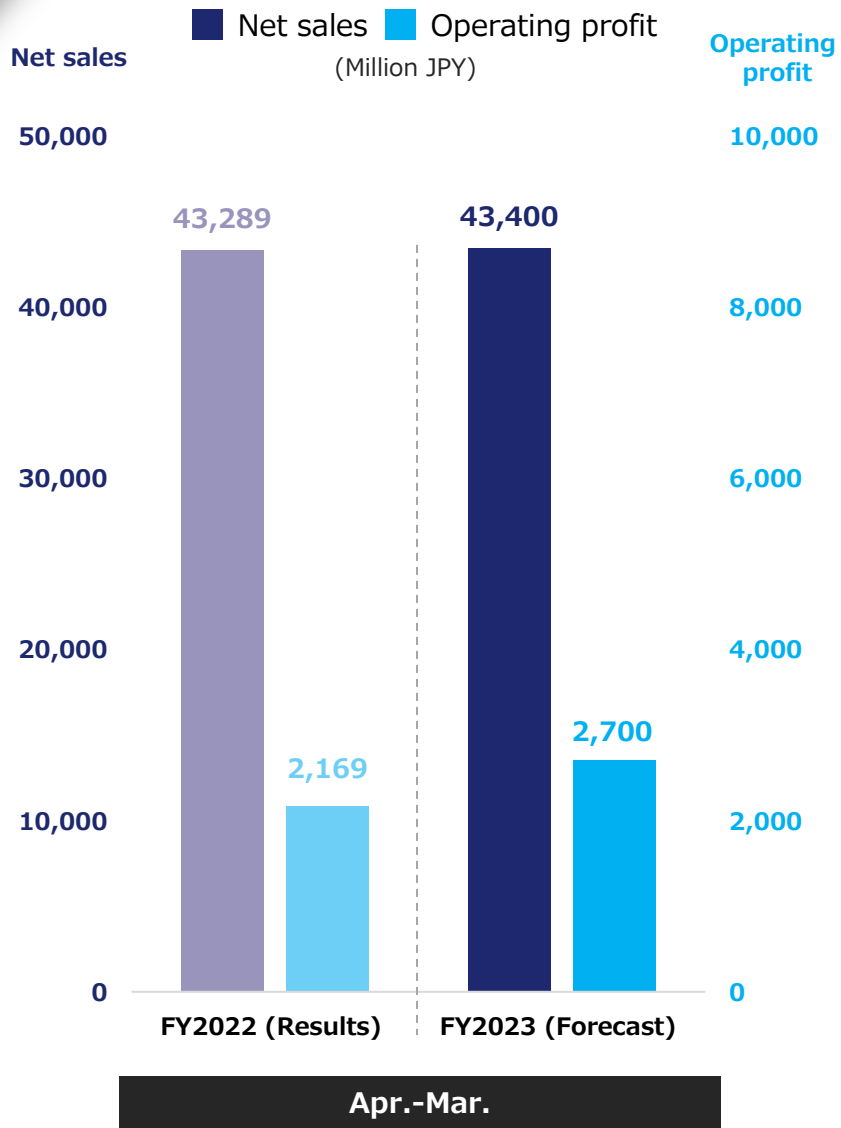
Net sales: +30.7% / +10,176M (Q4 +45.7% / +3,822M)

- In the animation business, rights licensing grew significantly in Japan and overseas due to a reactionary increase of new titles caused by tightened regulations in China and due to the increasing popularity of the Company's content such as *The Eminence in Shadow* and *Overlord*. Sales increased approx. 40% in the full year and approx. 50% in Q4.
- In the live-action business, sales continued to increase in Q4 following the increase through Q3 due to the success of *As Long as We Both Shall Live* and the contributions of contracted productions.

Operating profit: +61.8% / +828M (Q4 - / +1,114M)

- The live-action business was impacted by a temporary devaluation of some live-action videos in Q2 which was around 1.5 billion yen. On the other hand, partly because of the effect of the increased sales stated above, profit would have increased if we had not incurred this devaluation.
- The animation business achieved strong profit growth both in the full year and Q4 mainly due to rights licensing in Japan and overseas.

Full-year Forecast – Video Segment



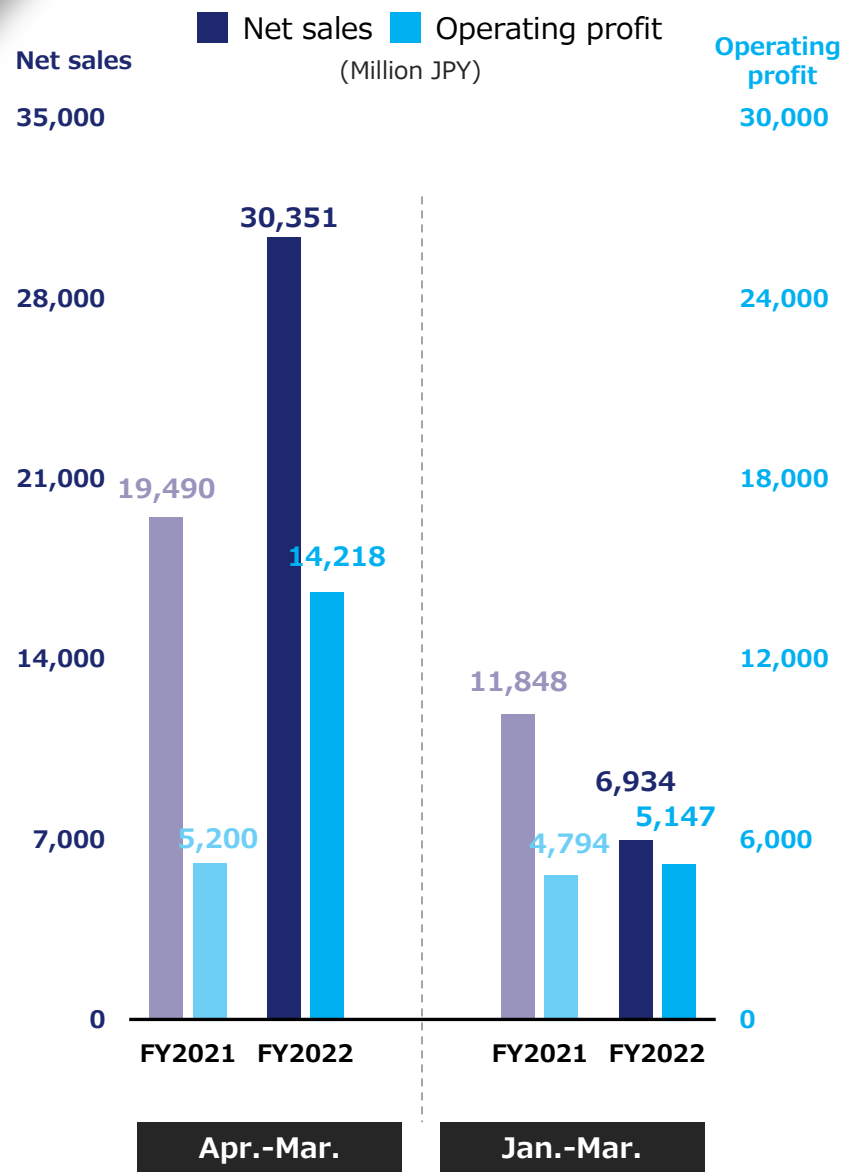
Results for the fiscal year ended March 31, 2023 vs. forecast for the fiscal year ending March 31, 2024 net sales +110M, operating profit +530M

- Although the number of new animated titles will be down slightly from the fiscal year ended March 31, 2023 when a reactionary increase was recorded, an increase in sales is expected with the measures to improve profitability per title through the development of the global media mix including games. A decrease in operating profit is expected partly due to the enhancement of advertisements aiming for further expansion of overseas business.
- The live-action business incorporates continuous contributions made by the successful theatrical releases of movies and new releases of highly anticipated titles. However, we project a decline in sales due to a reactionary fall in the number of contracted production projects. Operating profit is expected to improve from the fiscal year ended March 31, 2023 when the devaluation occurred.

Medium to long term direction

- The animation business is improving its production system, including a higher internal production rate, and it is strengthening its IP creation capabilities both qualitatively and quantitatively. We also aim to maximize our earning strength by quickly releasing sequels to popular series and enhancing the media mix.
- The live-action business is considering its perspective on collaborations with overseas studios, and produces dramas and movies that achieve a global-standard quality in anticipation of global streaming. At the same time, we are refining our focus to plans for theaters to transform into a global business that can consistently generate profits.

Business Overview – Game Segment



YoY Analysis

Net sales: +55.7% / +10,860M (Q4 -41.5% / -4,913M)

- FromSoftware's worldwide blockbuster title *ELDEN RING* drove a significant increase in sales.
- Net sales of the collaborative/contracted development business and Spike Chunsoft's new title increased.
- The success of the mobile game created from KADOKAWA's own IP was also greater than expected and contributed to the sales increase. We succeeded in maximizing profit across segments due to the effects of the media mix.
- In Q4, there was a reactionary decrease in sales following the initial sales of *ELDEN RING* in the fiscal year ended March 31, 2022.

Operating profit: +173.4% / +9,017M (Q4 +7.4% / +352M)

- Profit increased significantly thanks to contributions from *ELDEN RING*. In Q4 of the fiscal year ended March 31, 2023, profit increased mainly due to earnings related to shipments to overseas and other factors.



ELDEN RING

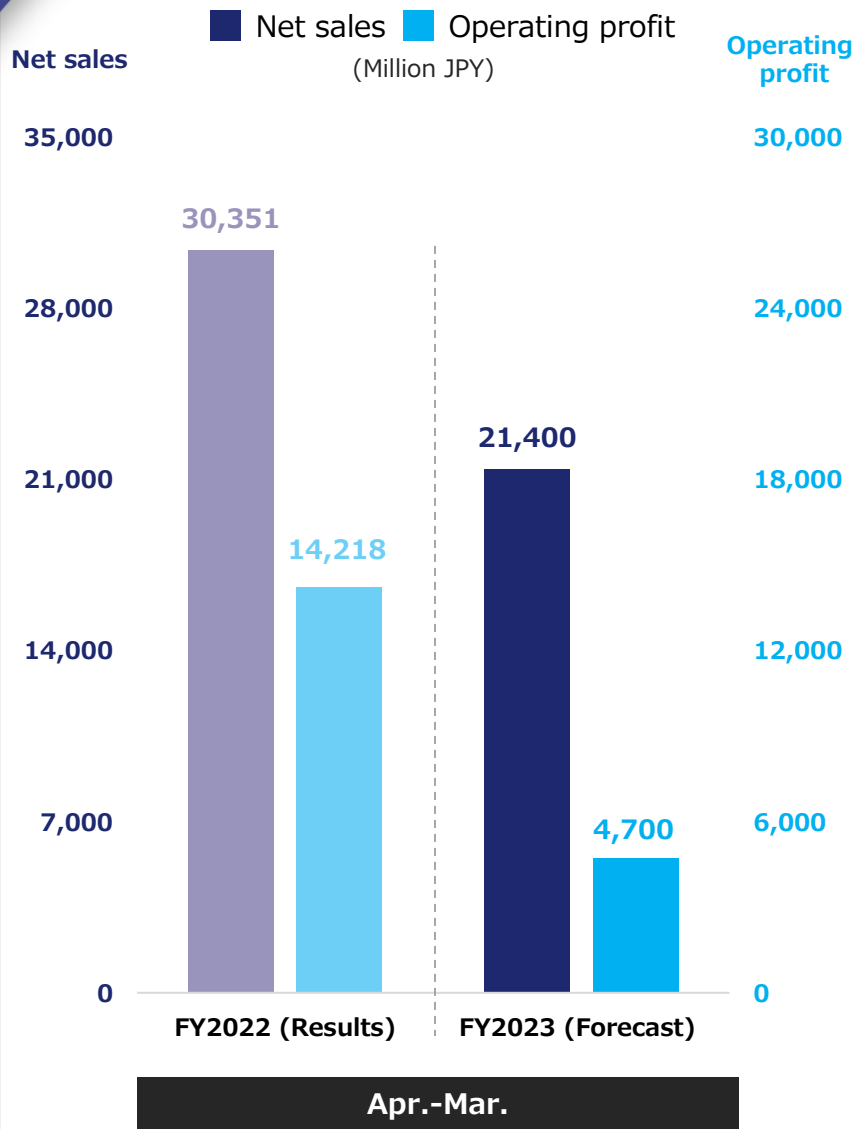
©Bandai Namco Entertainment Inc. / ©2022 FromSoftware, Inc.



The Eminence in Shadow Master of Garden

©Daisuke Aizawa, KADOKAWA / Shadow Garden / © Master of Garden Production Committee

Full-year Forecast – Game Segment



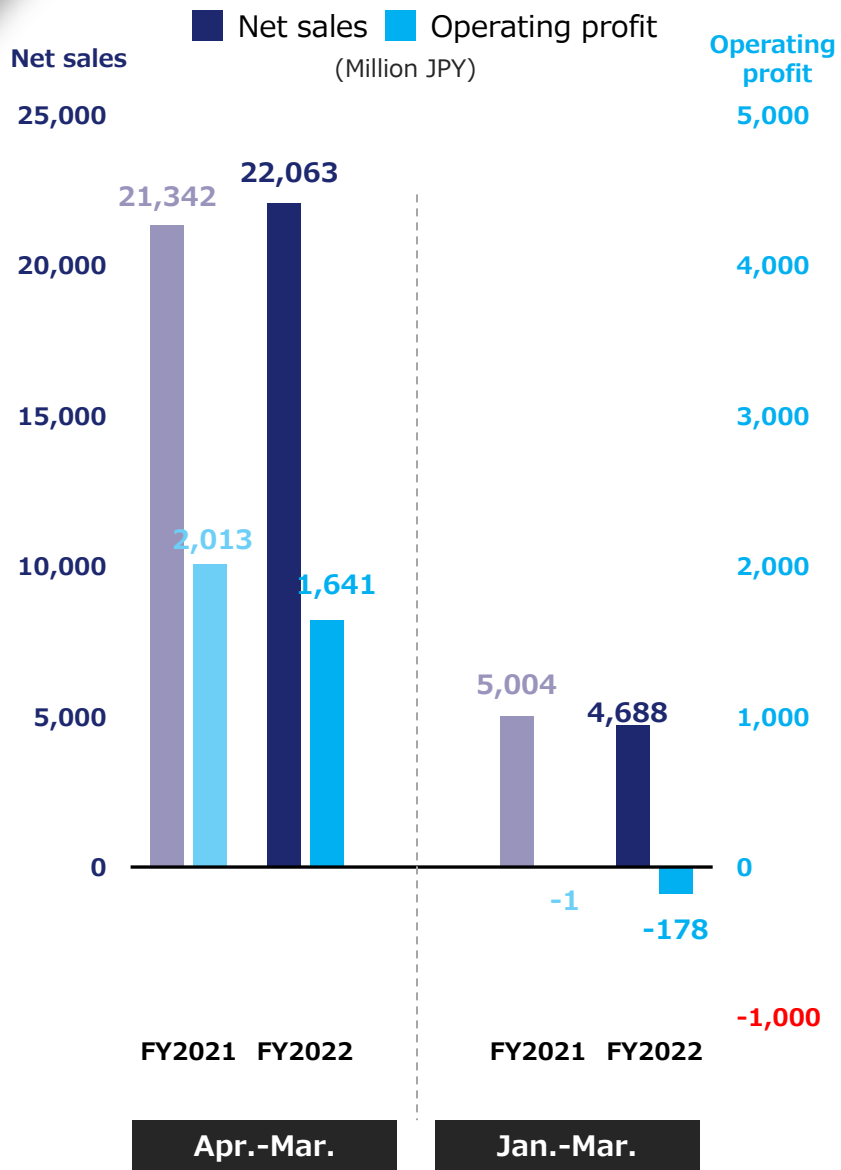
Results for the fiscal year ended March 31, 2023 vs. forecast for the fiscal year ending March 31, 2024 net sales -8,951M, operating profit -9,518M

- A reactionary decrease in sales and profit is expected due to the profit related to the shipment of *ELDEN RING* to overseas in the fiscal year ended March 31, 2023.
- From Q2 and onward, new titles below are expected to contribute to sales and profit.
 - FromSoftware is planning to release *ARMORED CORE VI FIRES OF RUBICON* on August 25. We expect the fan base to further expand.
 - Contributions made by Spike Chunsoft's new games and KADOKAWA's mobile games

Medium to long term direction

- We are now developing DLC that will contribute to the enhancement of the *ELDEN RING* franchise. We are pursuing the maximization of profit by prolonging the life of IP.
- FromSoftware aims to further strengthen its development capabilities by increasing personnel, etc. Additionally, we will strive to expand the scope of our own publishing and increase the opportunities for our media mix.
- We will reinforce our investment in mobile games that contribute to the maximization of the value of our IP as well as in books and animations. In the future, we aim to establish a system that can develop ten pipelines in parallel.

Business Overview – Web Services Segment



YoY Analysis

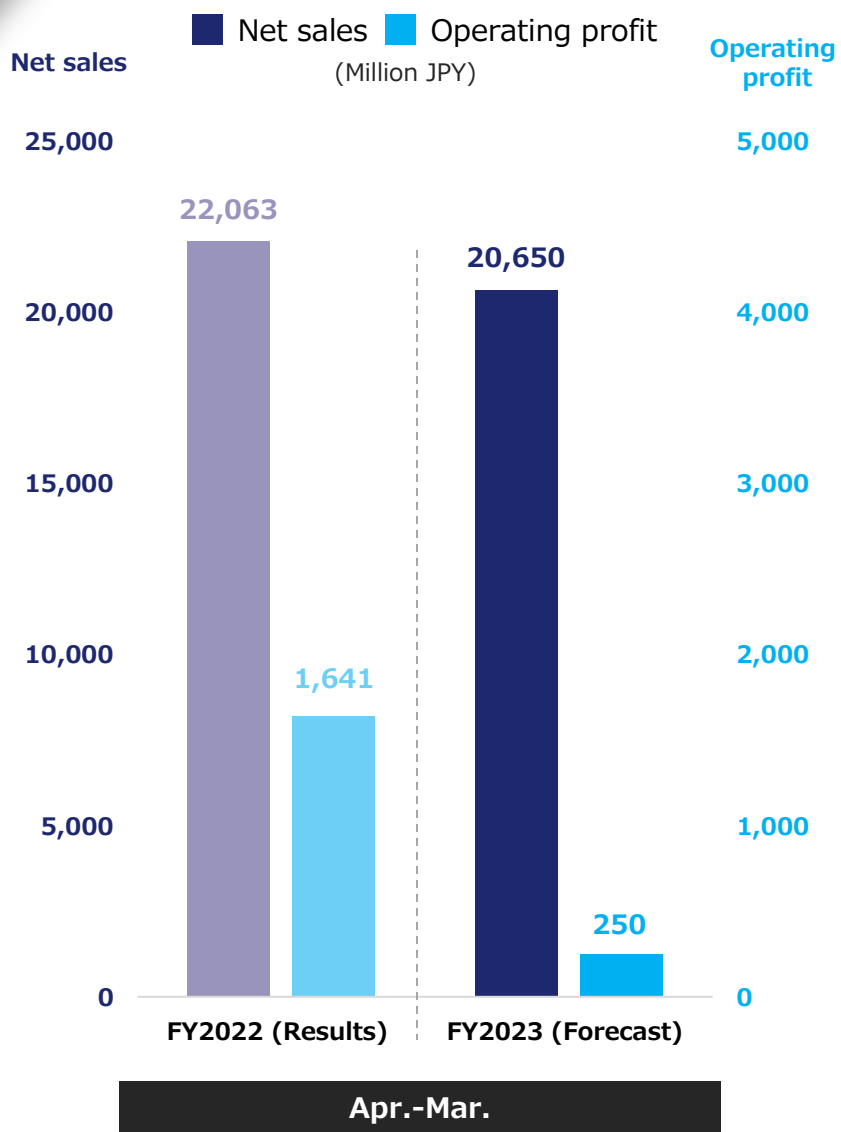
Net sales: +3.4% / +721M (Q4 -6.3% / -315M)

- Net sales from the niconico-related business increased by 3%
 - Despite the continuation of the trend of declining premium memberships, sales as a whole increased due to initiatives to diversify revenue sources (social tipping for videos, advertising, etc.) and other measures.
 - In Q4, this business's sales decreased 9% partly due to the reduction of some advertisement-related services ahead of schedule based on the forecast decline in profitability.
- In the live business, Animelo Summer Live 2022 (Q2) contributed to increased sales. Sales continuously increased in Q4.

Operating profit: -18.5% / -371M (Q4 - / -177M)

- Profit as a whole declined mainly due to decreasing premium memberships and the impact of the holding of large-scale Cho-Kaigi and Cho-Party events with the goal of increasing user activities in the niconico-related business.

Full-year Forecast – Web Services Segment



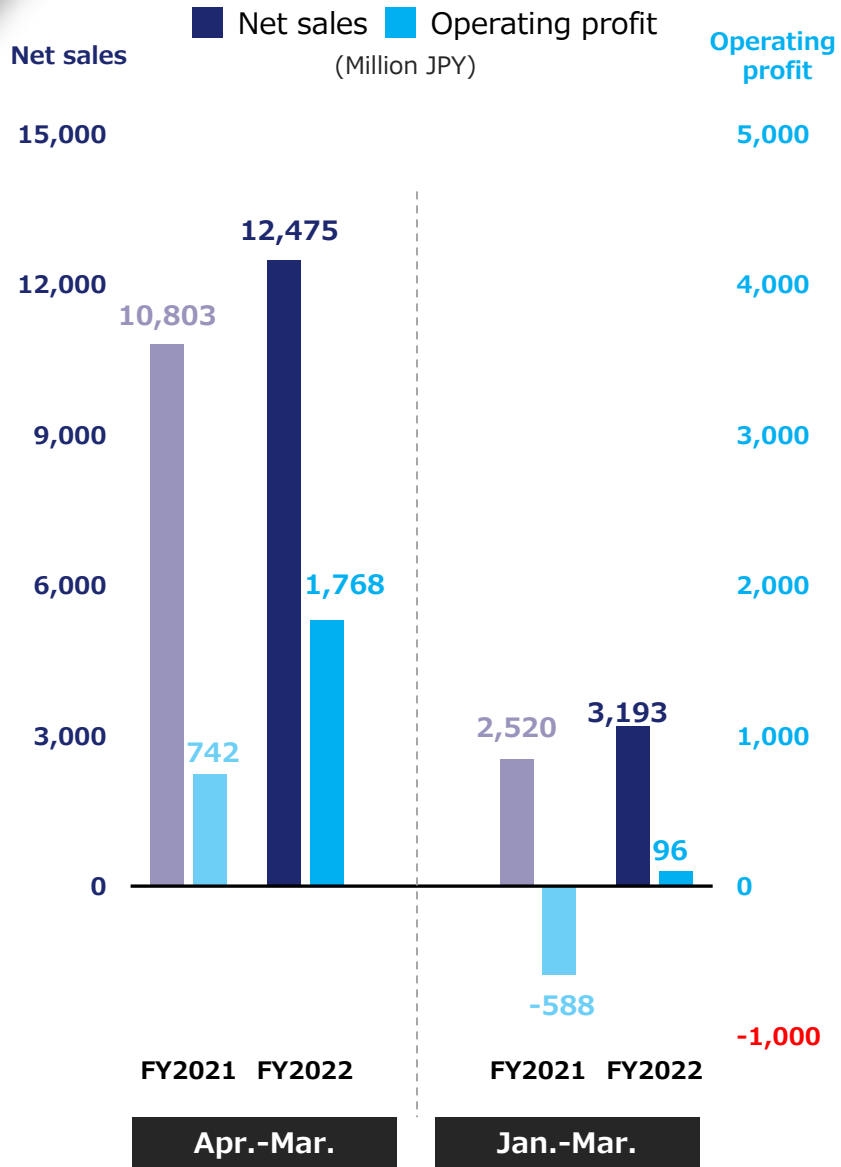
Results for the fiscal year ended March 31, 2023 vs. forecast for the fiscal year ending March 31, 2024 net sales -1,413M, operating profit -1,391M

- In the niconico-related business, sales and profit significantly fell partly due to investments for regrowth.
 - The decrease in premium memberships from the fiscal year ended March 31, 2023 impacted the decreasing sales and profit.
 - The reduction of some services in the fiscal year ended March 31, 2023 impacted the decreasing sales and profit.
 - In Q4 of the fiscal year ended March 31, 2023, login MAU and the number of new viewers of niconico-related services began to increase. We see it as a good opportunity to establish an upward trend in sales and profit going forward, we will implement below investments.
 - Increased investments in focused genres such as “vocaloid” and “animation” (approx. +300M yen)
 - Increased IT infrastructure expenses to improve the user experiences and reduce costs in the future (approx. +700M yen)
- In the live business, sales and profit grew due to increased ticket sales, the cancellation of some unprofitable events, etc.

Medium to long term direction

- For the turnaround of the downward trend in the number of premium memberships, we will continue above investments for the niconico-related business.
 - Investments regarding the costs of focused genres will be maintained at the level in the fiscal year ending March 31, 2024, and the increasing trend of costs for the reduction of IT infrastructure costs will continue through the fiscal year ending March 31, 2026. It is assumed that the effects of these investments will appear from the fiscal year ending March 31, 2027 when we will enter a harvesting phase.
- In terms of the planning of live concerts and other events, we will promote selection and concentration to make them profitable on a standalone basis.

Business Overview – Education Segment



YoY Analysis

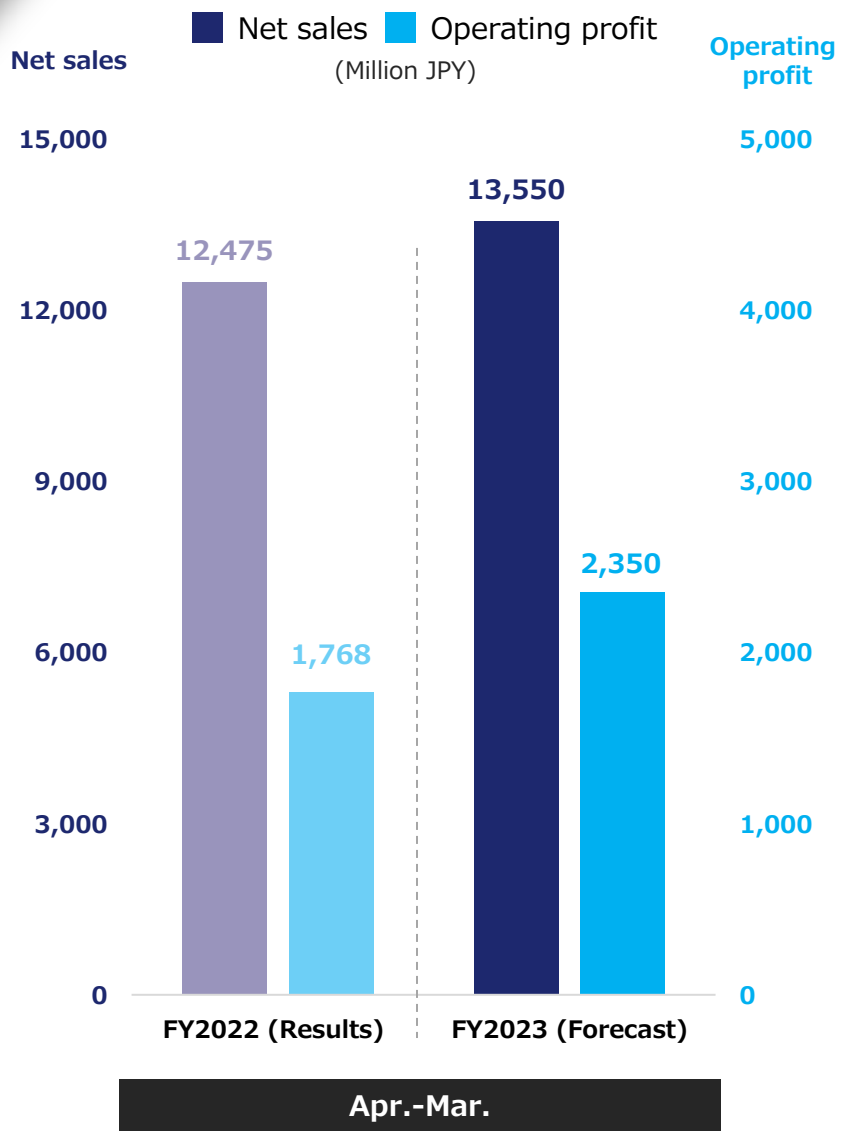
Net sales: +15.5% / +1,672M (Q4 +26.7% / +672M)

- Due to an increase in the number of students, we enjoyed a high growth rate in sales in the full year and in Q4.
 - At Vantan, the number of students grew due to the establishment of new courses and the contributions of a school opened in new area. In particular, the number of students of the Vantan Game Academy and Vantan Creator Academy increased, which contributed to the sales increase (+13%).
 - In the N High School and S High School business, sales rose 22% due to the steady 14% increase of the number of students thanks mainly to the opening of 14 new campuses for commuter courses. The number of students continuously increased in Q4 and sales increased by more than 30%.

Operating profit: +138.2% / +1,026M (Q4 - / +684M)

- We made investments in anticipation of the number of students continuing to increase, but profit increased significantly both in the full year and in Q4. We achieved a record-high margin.

Full-year Forecast – Education Segment



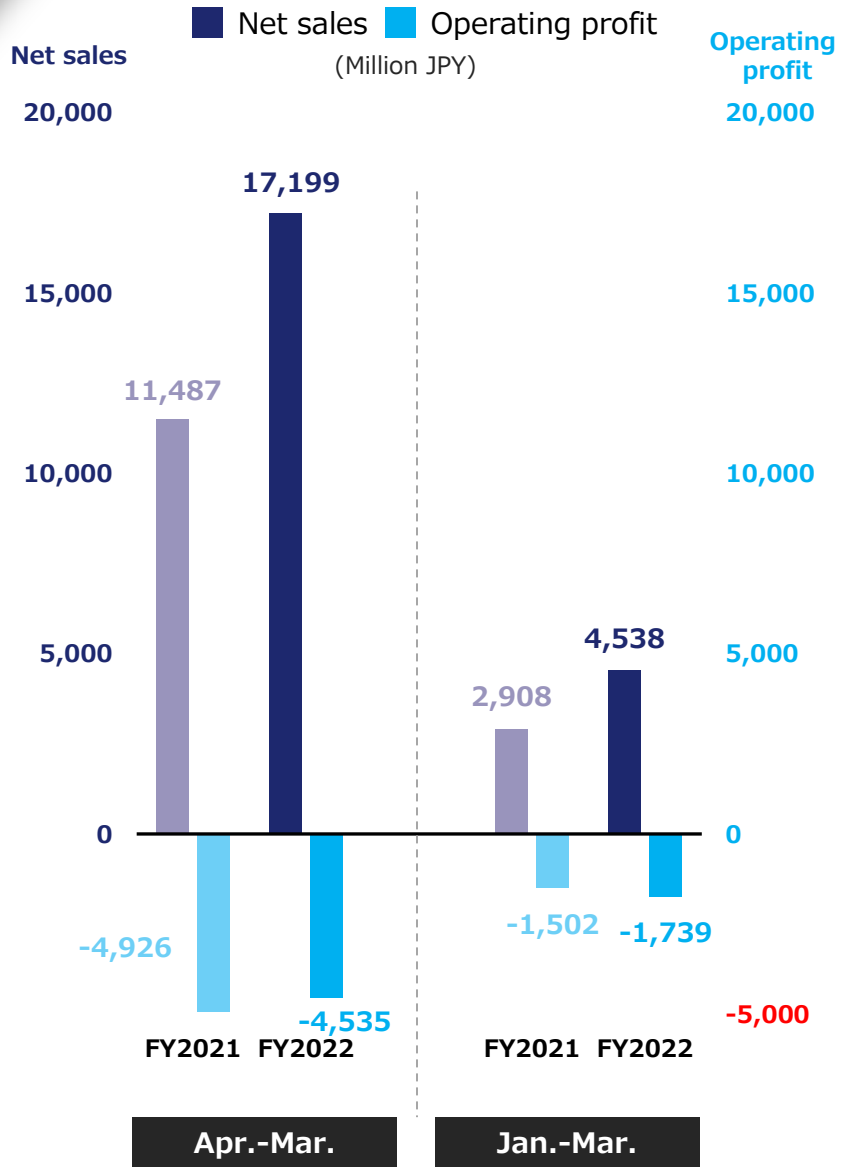
Results for the fiscal year ended March 31, 2023 vs. forecast for the fiscal year ending March 31, 2024 net sales +1,074M, operating profit +581M

- The number of students increased at Vantan, N High School and S High School, and overall sales and profit will grow.
 - In addition to the expanded courses for working adults at Vantan, new courses in the new area will contribute to the increase.
 - N High School and S High School are expected to improve their presence as the largest correspondence high schools in Japan and a continuous increase in new campuses for commuting courses is also expected.

Medium to long term direction

- At Vantan, we aim to achieve continuous growth by establishing new courses in fields leveraging group synergies in manga, animation, etc. and by expanding the areas of existing courses.
- At N High School and S High School, we aim to achieve continuously high growth by considering new measures to increase customers in addition to the advancement of their unique education system utilizing technology.
- Strengthening cooperation between Vantan, N High School and S High School

Results Overview – Others Segment



YoY Analysis

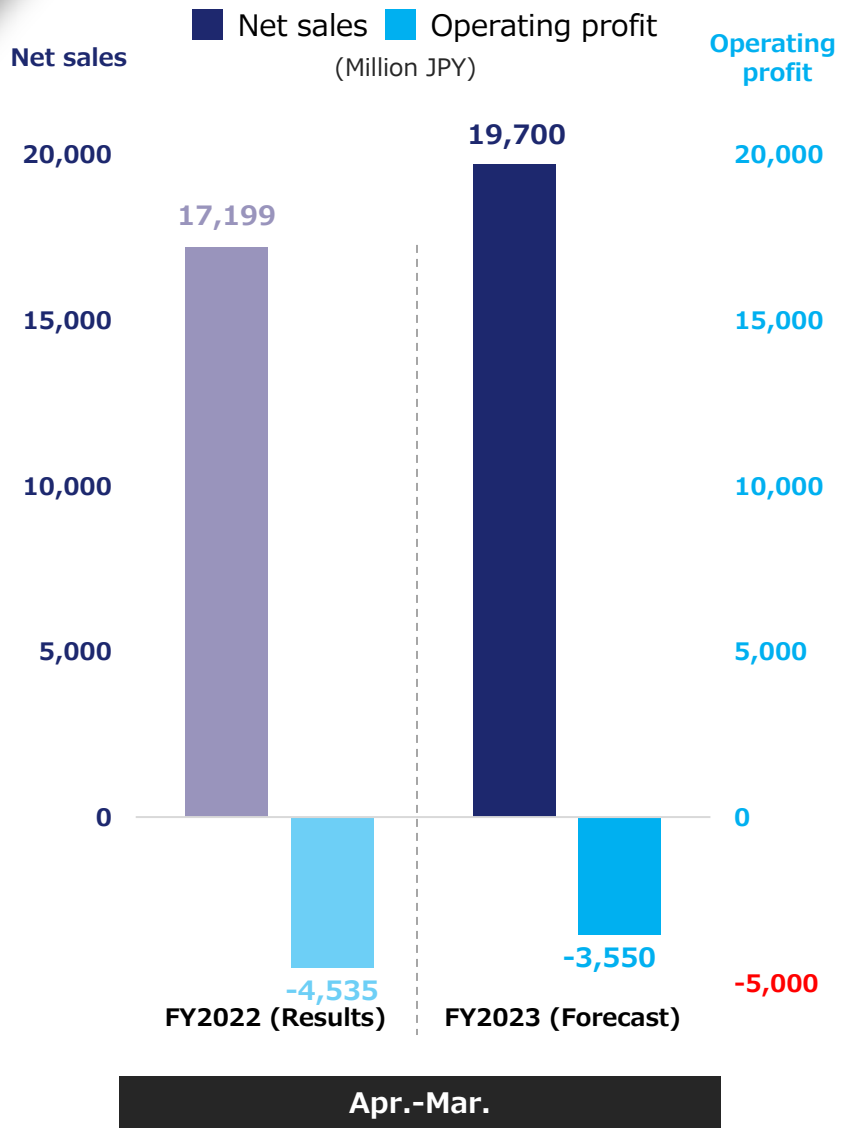
Net sales: +49.7% / +5,712M (Q4 +56.0% / +1.629M)

- Sales in the IP experience facility operation business increased.
- In the MD business, sales rose both in the full year and in Q4.
- In other businesses, sales also rose in the full year and in Q4 due to some new businesses launching services.

Operating profit: - / +391M (Q4 - / -236M)

- Profit from the IP experience facility operation business increased.
- In the MD business, sales increased but profit slightly decreased due to increasing costs due to soaring materials prices, etc.
- In other businesses, the deficit narrowed due to some new businesses' contribution.
- In Q4, profit was impacted by a decrease in sales of internal transactions outside the segment by a part of subsidiaries.

Full-year Forecast – Others Segment



Results for the fiscal year ended March 31, 2023 vs. forecast for the fiscal year ending March 31, 2024 net sales +2,500M, operating profit +985M

- It is expected that sales and profit will increase in the IP experience facility operation business due to the effects of the withdrawal from businesses which will improve profit by approx. 500M yen in addition to the capturing of demand related to people going out after the COVID-19 pandemic.
- The MD business enhances its planning centered on figures, and an increase in sales and profit is expected.
- In other businesses, we expect to increase sales and decrease deficits through the expansion of new services, etc.

Medium to long term direction

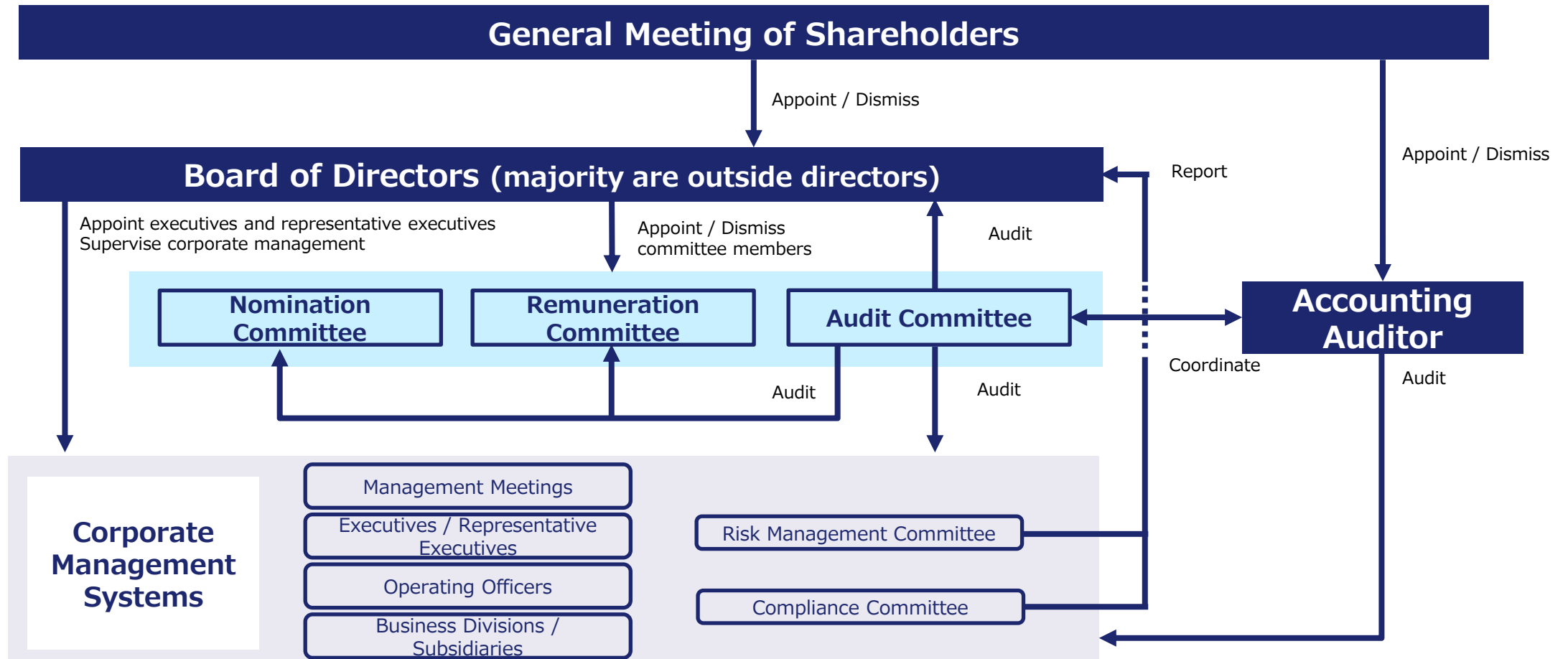
- In the IP experience facility operation business, we will plan facility-wide events utilizing our IP and also strengthen regional expansion to attract more customers. We will also continuously review the cost structure to promote reorganization into a sustainable business.
- In the MD business, we will further enhance the product lineup including figures and aim for growth in the medium to long term by enhancing overseas sales channels.
- VirtualCast, Inc. will establish a highly sustainable business model based on its unique technology that makes it possible to connect many people simultaneously via the Metaverse and safely distribute IP products in that space.

Management Policy

Strengthening Corporate Governance

Reorganizing the governance system

- At a meeting of the board of directors on May 11, 2023, the decision was made to introduce below agenda items for the regular general meeting of shareholders that is scheduled to be held on June 22, 2023:
 - Modification of the articles of incorporation in connection with the transition to a “company with a nomination committee, etc.”
 - Nomination of directors of the Company
- The roles and functions of each entity and meeting, such as the board of directors and management meetings, will be adjusted as we develop a system that strengthens our supervisory abilities and allows for efficient business administration.



Director structure after the transition to a company with a nomination committee, etc.

- We've screened the below candidates for the general meeting of shareholders in June 2023 based on their experience with business that is closely related to the promotion of Global Media Mix with Technology (the basic policy for our medium-term plan), and the governance expertise needed to properly supervise internal company matters in a way that prevents such outcomes, learning from the Olympics incident. These individuals can be expected to contribute to the improvement of our company's enterprise value.
- We intend to appoint the board chairman from among the outside directors.

Name	Outside	Nomination Committee	Remuneration Committee	Audit Committee
Takeshi Natsuno				
Naohisa Yamashita				
Shinobu Murakawa				
Noriko Kase				
Nobuo Kawakami				
Cindy Chou				
Hiroo Unoura	○	○	○	
Ruth Marie Jarman	○	○	○	
Tadaaki Sugiyama	○	○		○
Yū Sasamoto	○		○	
Akihiko Shiba	○			○
Ayumi Uzawa	○			○
David MacDonald	○		○	

Director skill matrix

■ The skills of directors under the new system are as follows.

Name	Corporate Management	Content Creation	Sales Marketing	IT / Tech	Finance / Accounting	Legal / Governance	HR / Training	Overseas Experience	Diversity / Other Industries
Takeshi Natsuno	○			○				○	○
Naohisa Yamashita	○	○	○				○		
Shinobu Murakawa		○	○						
Noriko Kase	○	○	○						
Nobuo Kawakami	○	○	○	○					
Cindy Chou			○					○	
Hiroo Unoura	○				○		○		○
Ruth Marie Jarman	○		○					○	○
Tadaaki Sugiyama						○			○
Yū Sasamoto	○		○	○				○	
Akihiko Shiba						○			○
Ayumi Uzawa					○	○			○
David MacDonald	○	○		○				○	

Progress of governance reform

- We've formed a Management Reform Promotion Committee and are working on a policy to prevent recurrence as advised by the Corporate Governance Inspection Committee.
- As of now, action has been taken on approximately half of the Inspection Committee's recommendations.
- We expect to finalize our response to all of the items, including by making adjustments to the powers and roles of the board of directors and other entities, in conjunction with the transition to a company with a nomination committee, etc. at the regular general meeting in June.
- Moving forward, we will continue to strengthen our corporate governance by increasing awareness of legal compliance, reinforcing our auditing systems, etc.

Recommendations from the Corporate Governance Inspection Committee to the Company

1. Improvement of corporate culture that gives excessive consideration to the will of superiors

(1) Clarify regulations, (2) Authority must be held by legitimate authorized persons, (3) Eliminate consideration towards specific persons, (4) Review personnel system, (5) Gain trust in the supervisory function of the Board of Directors (6) Strengthen audit system of the Audit Department

2. Improvement of internal control over decision making

(1) Recognize the importance of internal control of decision making, (2) Eliminate deficiencies of unsubstantiated meeting bodies

3. Reaffirming, reforming, and gaining trust in the role of the Board of Directors, etc.

(1) Reaffirm the duties of the Board of Directors and the duties of directors, (2) Establish channels for obtaining information on illegal activities and reporting requirements, (3) Improve the system for evaluating the effectiveness of the Board of Directors, (4) Clarify the distinction between execution and supervision

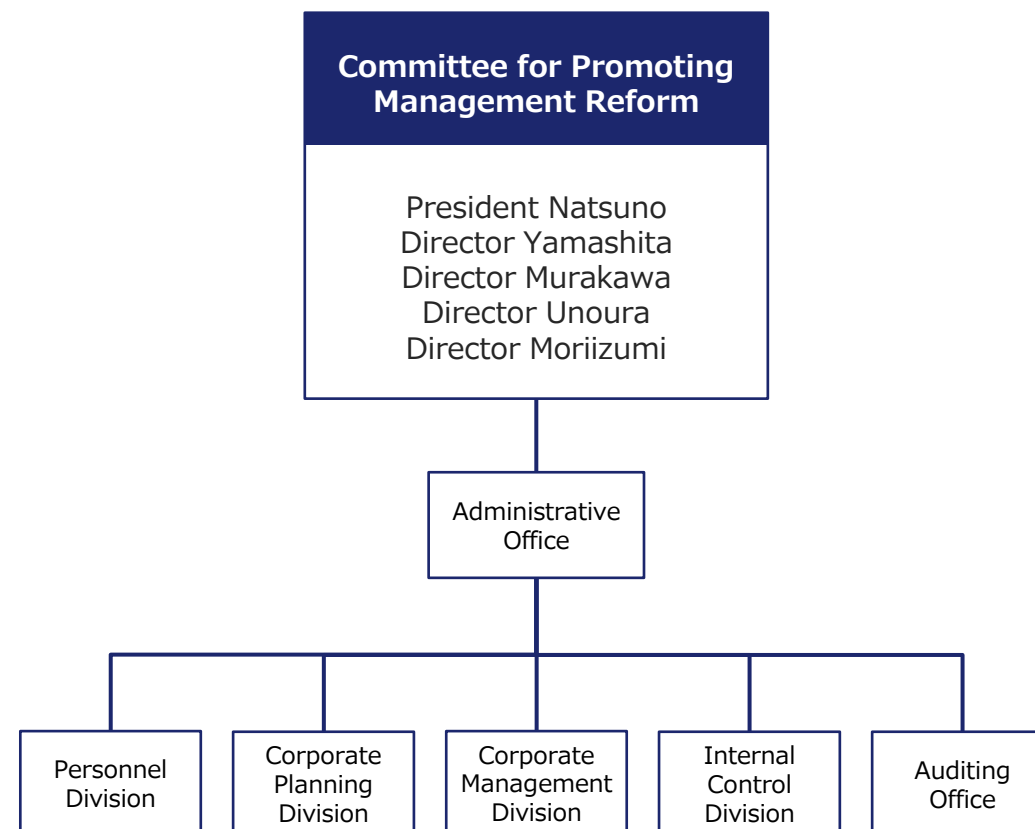
4. Fostering awareness of legal compliance

(1) Clarify the corporate philosophy, (2) Clarify the details of legal compliance, (3) Consider effective training methods, (4) Establish a legality check system, (5) Inform and promote the internal reporting system, etc., (6) Devise ways to enhance the functions of the Compliance Committee.

5. Establishment of checks and balances

(1) Organize and improve the concept of organizational structure, (2) Clarify and thoroughly implement the role of the legal division, (3) Thoroughly implement reporting rules, (4) Develop an audit office and internal audit division, (5) Confirm and develop approval procedures

Committee for Promoting Management Reform



1. Improvement of corporate culture that gives excessive consideration to the will of superiors

Item	Suggestion of Committee	Status	Current Situation	Future Plans
① Clearly define regulations	Moving forward, how to handle the position of chairperson is also an issue that must be dealt with First, we will modify the regulations that define professional powers and duties	Ongoing To be completed at the regular general meeting	Amend the regulations defining powers and duties and abolish clauses related to the chairperson	Abolish the chairperson position by amending the articles of incorporation at the regular general meeting in June
② Assign the right people the right powers	Clearly prohibit the interference of a unauthorized individual in the execution of business and related decision-making processes	Complete	Completed a review of regulations related to decision-making and reporting details and criteria for the purpose of clarifying the job positions and responsibilities associated with making decisions so that appropriate judgments can be made at meetings	—
③ Eliminate servility to particular people	Ensure that untoward servility to particular people is not distorting our business	Complete	In addition to ② above, we've reinforced the supervisory function of directors via board meetings etc. and taken other steps to complete the development of mechanisms that prevent the existence or will of any particular person from being prioritized over laws or regulations	—
④ Review HR systems	Clarify how HR powers are assigned Define evaluation criteria Clarify who conducts evaluations	Ongoing To be Completed in first half of the fiscal year	Abolished the Administrative Committee, which was ambiguously positioned Currently making adjustments to other powers related to human resources	In the first half of the fiscal year, we completed a review of HR-related powers and built a system for evaluating the management ranks
⑤ Build trust in the supervisory function of the board of directors	Reconstruct the supervisory function of the board and restore internal confidence in it	Ongoing To be completed following the regular general meeting	Completed the selection of candidate directors in accordance with the transition to a company with a nomination committee, etc.	Transition to a company with a nomination committee, etc. at the regular general meeting in June
⑥ Strengthen auditing systems within the Auditing Department	Focus on the risk factors involved in things like the chairperson incident and the idea of areas that are sacred and off-limits to determine auditing policies and other critical auditing matters	Work continues	Currently integrating the Auditing Office with the auditors of group companies and expanding the scope of auditing	Receive assessments from outside experts and review the scope and procedures for auditing

2. Improvement of internal control over decision making

Item	Suggestion of Committee	Status	Current Situation	Future Plans
① Recognize the importance of internal control for decision-making	Recognize the importance of internal control for decision-making	Complete	Abolished the Senior Managing Executive Officer Meetings After clarifying the voting body and meetings for discussion and study, we completed a review of regulations related to decision-making and reporting details and criteria	—
② Eliminate pointless meetings	Eliminate murky mechanisms that allow decisions to be substantially made at unofficial meetings and abolish all such institutions	Complete	Abolished the Senior Managing Executive Officer Meetings After clarifying the voting body and meetings for discussion and study, we completed a review of regulations related to decision-making and reporting details and criteria	—

3. Reaffirming, reforming, and gaining trust in the role of the Board of Directors, etc.

Item	Suggestion of Committee	Status	Current Situation	Future Plans
① Reexamine the duties of directors and the board	Recognize once again that supervision is the mission of the board of directors	Ongoing To be completed following the regular general meeting	Modify internal regulations to reflect the role of the board of directors following the transition to a company with a nomination committee, etc.	Pass a resolution to amend internal regulations following the transition to a company with a nomination committee, etc. at the regular general meeting in June
② Design reporting obligations and routes for obtaining information about illegal activity	Rebuild information-gathering systems, including the data that should be obtained, how it should be obtained, and devices for lowering the psychological hurdles to reporting	Ongoing To be completed following the regular general meeting	Effectively administered via meetings of outside directors and the attendance of outside directors at management meetings as before	Implement following the transition to a company with a nomination committee, etc. at the regular general meeting in June
③ Improve the mechanisms for evaluating the effectiveness of the board of directors	Organize and recognize the roles of the board and each of the directors, then conduct effective evaluations	Complete	Finished implementing questionnaires and interviews used by external entities	Continue to evaluate the effectiveness of the board of directors in the next fiscal year and onward
④ Clarify the division of executive and supervisory functions	Separate the executive and supervisory functions, making the board of directors a supervising body and management meetings an executive body.	Ongoing To be completed following the regular general meeting	Abolished the Administrative Committee, selected directors, and clarified assessment procedures Modify internal regulations to reflect the role of the board of directors in order to delineate the executive and supervisory functions	Amend regulations etc. that define the powers of the board of directors after the transition to a company with a nomination committee, etc. at the regular general meeting in June

4. Fostering awareness of legal compliance

Item	Suggestion of Committee	Status	Current Situation	Future Plans
① Clarify our corporate philosophy	Develop and share a corporate philosophy	Work continues	Currently studying how management can communicate their messaging and implement training to spread the corporate philosophy	Continue to communicate and implement training
② Clearly define matters related to legal compliance	Ensure that people have correct knowledge of legal compliance	Work continues	Moved the Intellectual Property and Legal Department from the group's Corporate Planning Division to the group's Internal Control Division and modified roles within the organization	Begin activities to raise awareness among employees and implement training for directors during this term
③ Study effective training methods	Implement training to teach knowledge and approaches for legal compliance etc.	Work continues	Currently studying how to implement compliance training for each job level	Continue to formulate training plans, implement training, and measure the effectiveness afterward
④ Construct a system for checking legality	Make it mandatory to check legality with regard to important matters; codify that point of view; create a system that makes relaying information to directors and relevant departments a requirement	Complete	Moved the Intellectual Property and Legal Department from the group's Corporate Planning Division to the group's Internal Control Division and modified roles within the organization Finished reviewing the approval process for outsourcing agreements and adding a check function to both the Legal and Internal Control Departments	—
⑤ Publicize and encourage the use of internal-reporting systems	Publicize internal-reporting systems and reporting hotlines and encourage their use	Work continues	Standardized the internal-reporting hotline (external) in June 2022 and made it easier for people to report Periodically put forth messaging from top management that we want people to report Created new procedures for handling reporting related to directors, revised regulations, and publicized those changes internally	Announced the system regularly and handled report cases individually
⑥ Devise ways to flesh out the functionality of the Compliance Committee	Build trust in the Compliance Committee among internal employees and make its functionality complete	Ongoing To be completed following the regular general meeting	Currently reviewing the role of the Compliance Committee as well as its composition, position in the hierarchy, and topics of study with the goal of enhancing the committee's abilities	Review the role, positioning, composition, and study topics of the Compliance Committee until the new system is launched after the regular general meeting, then hold Compliance Committee meetings under the new system when it starts

5. Establishment of checks and balances

Item	Suggestion of Committee	Status	Current Situation	Future Plans
① Make adjustments and improvements to our approaches to organizational architecture	Make the check functions of each department connect more logically and enhance the regulations governing the division of organizational units and their duties	Complete	Moved the Intellectual Property and Legal Department from the group's Corporate Planning Division to the group's Internal Control Division and modified roles within the organization	—
② Clarify the duties of the legal department and ensure that they are carried out	Clearly define and fully publicize the role of the Legal Department in order to make it more effective in ensuring legal compliance	Complete	Moved the Intellectual Property and Legal Department from the group's Corporate Planning Division to the group's Internal Control Division and modified roles within the organization	—
③ Ensure compliance with reporting rules	Ensure that information is conveyed to management, work sites, etc. when it is needed	Complete	Establish a rule that sounds the alarm when a potentially illegal item is discovered upon reviewing a contract	—
④ Make adjustments to the Auditing Office and the Internal Auditing Department	Review the goal of auditing so that it matches our corporate mission and policies and enhance the effectiveness of the Auditing Office and the Internal Auditing Department	Work continues	Currently integrating the Auditing Office with the auditors of group companies and expanding the scope of auditing	We plan to receive assessments from outside experts and review the scope and procedures for auditing
⑤ Verify and improve the decision-making process	Establish proper decision-making procedures; clarify who is responsible for making decisions; work to enhance the check function	Ongoing To be Completed in first half of fiscal year	Finished reviewing the sign-off process for outsourcing agreements and adding a check function to both the Legal and Internal Control Departments Currently reviewing the regulations that assign powers and duties	Revise the powers and duties chart in the first half of the fiscal year

Progress of the Mid-term Plan

Progress and Future of the Mid-term Plan

Basic policy

Global Media Mix with Technology

Achieve corporate transformation through open and fair management and a human capital strategy that maximizes individual creativity



Progress of the Mid-term Plan

Progress in Growth Business Domains

Expand and enhance the media mix

- The company's original story, *The Eminence in Shadow* became a hit with its simultaneous adaptation to animation and mobile games. Expand the mobile game pipeline.
- A film adaptation of the company's original story, *As Long as We Both Shall Live*, was a hit. Will be adapted to animation in July

Expansion of works simultaneously distributed globally, creation of hit IP originating overseas

- Reinforce sales promotion and product supply in North America. Hit in Greater China improves profitability. Launched e-book stores in Southeast Asia, etc.
- Cultivate IP originating overseas through initiatives such as the TATESC Comics Global Award.

Digital deployment and infrastructure development

- Begin distribution of the English versions of TATESC Comics on BOOK☆WALKER Global.
- Begin the active use of AWS in niconico distribution infrastructure. Towards the improvement of the user experience and the reduction of costs over the long term

Addressing Unprofitable Businesses

Facilitate the reorganization of the IP experience facility operation business.

- Withdrawal from two businesses where it was difficult to improve profit
- Proceed with reorganization into a sustainable business in the long term.

Formulation of New Mid-term Plan

- Mid-term Plan targets were achieved in the first year.
- The next Mid-term Plan will be formulated ahead of schedule and announced when Q2 results are announced.

Progress in Mid-term Plan (1): Media Mix Development

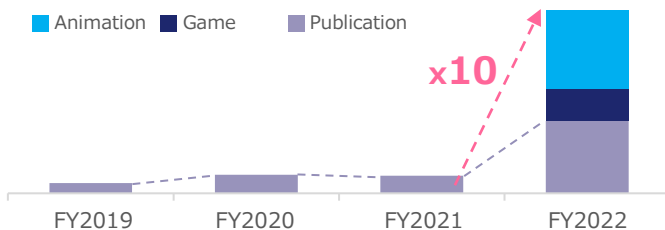
Successful simultaneous release of adaptations of the company's original stories into animation and mobile games
Further expansion of lines of development going forward

An animation produced by the company, *The Eminence in Shadow*, and the joint venture game *The Eminence in Shadow Master of Garden* became simultaneous hits. The IP value of the original stories increased.

Accelerated the media mix by expanding lines of development including in-house production of games in addition to publishing and animation.



The Eminence in Shadow IP Sales Trends



Due to its adaptation into animation and mobile games,

- Publication sales increased fourfold year on year.
- Total IP sales increased 10-fold year on year.

Creation of successful live-action films based on the company's original stories
Further expansion of the media mix with adaptation to animation, etc.

The in-house production *As Long as We Both Shall Live* became a hit movie. Continue to plan and develop large-scale works and works that make the most of original works in the future.

- The film *As Long as We Both Shall Live* released on March 17, was watched by 1.76 million people, achieving 2.3 billion yen in box-office revenue in its first month of release.
- Alongside the release of the film, the original paperback series achieved more than 360,000 reprints in total.
- Additionally, its animation version is scheduled to be released in July.



Progress in Mid-term Plan (2): Global Expansion

Expand Distribution of Works Overseas

Reinforcing promotion & product supply in North America

Exhibitions at anime events such as Anime Expo 2023, one of the largest anime events in North America
Expansion of the recognition of works



Distribution of MD products through various sales channels, including bookstore distribution



Increasing revenue in the Greater China market



Following last year's *Genshin*, publication projects of Chinese game IPs continue to produce hit titles.



The simplified Chinese version of *Suzume* by Guangzhou Tianwen Kadokawa Animation and Comics Co., Ltd. sold over 700,000 copies.*

* As of April 30, 2023

Strengthening e-book store development in Southeast Asia

The BOOK☆WALKER Thailand service was launched on March 28, 2023.



Create IP Originating Overseas

Global expansion of IPs originating overseas, including Japan



Film adaption of our original works in China and worldwide expansion



Publication planning and global expansion of Chinese IPs



Comic adaptation of Liu Cixin's work. Liu Cixin is the author of *The Three-Body Problem*



Strengthening the North American book development of Korean IPs originating from the internet

Strengthening creation of original IPs originating overseas



Kadokado's Novel Awards were held in Taiwan. The event was a success, attracting approximately 3,000 entries some of which were published in book form, and it will be held again in the future.



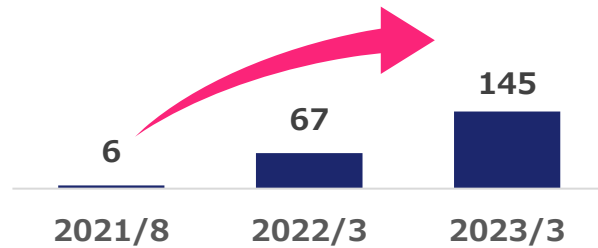
The TATESC COMICS Global Awards are being expanded to include six languages.

Progress in Mid-term Plan (3): Digital Expansion

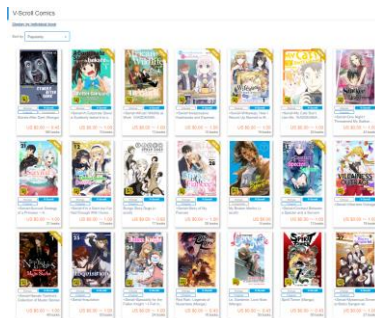
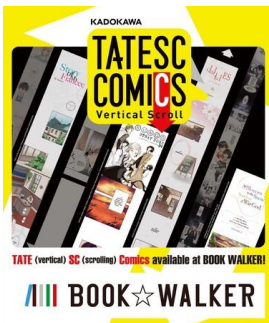
Strengthening E-book/TATESC Development

**E-books are outpacing the market growth rate
Reinforcing the lineup of TATESC works and beginning
global expansion**

- Continue to expand the number of works distributed by TATESC.



- TATESC COMICS, the English version of TATESC Comics, is now available on the company's e-book store, BOOK☆WALKER Global.



Development of Digital Infrastructure

**Invest in digital infrastructure to improve the user
experience and reduce costs over the long term.**

- Begin actively using AWS in the niconico business. Intensively invest over 3 years.

Goal

Improving the user experience

Long-term cost reduction

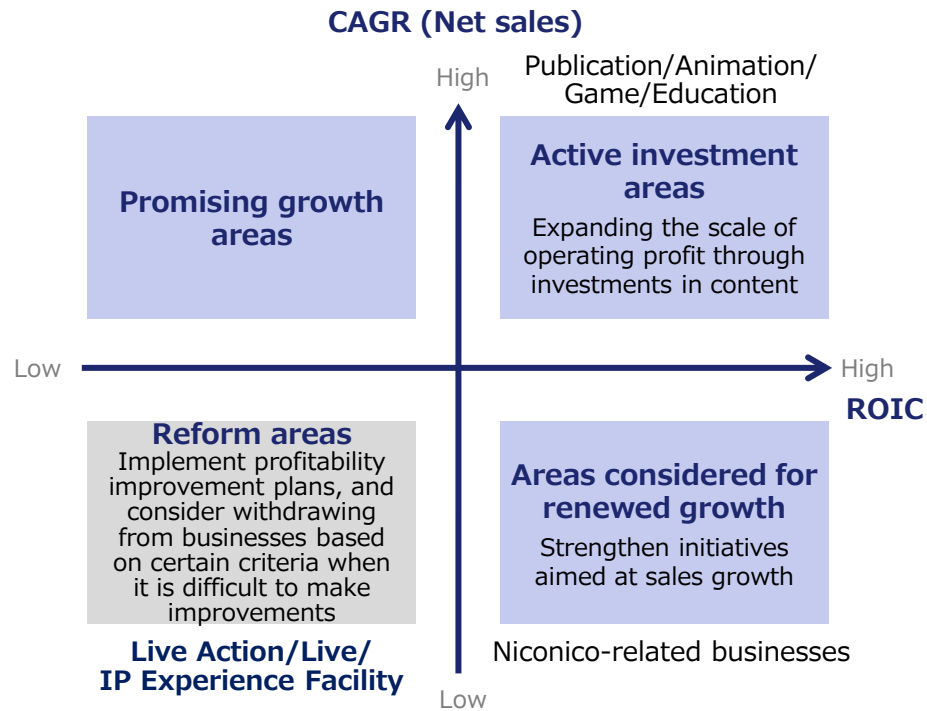
Increasing competitiveness

 ニコニコ ニコニコ生放送
ニコニコチャンネル+

Progress in Mid-term Plan (4): Addressing Unprofitable Businesses

Facilitate an optimal business portfolio building by increasing the profitability of businesses and capital efficiency under a capital cost-conscious investment management system.

In the reform area, review our business structure, reorganize our businesses, and withdraw from unprofitable businesses.



Withdrawal from two businesses where it is difficult to improve profit at the IP experience facility
Proceed with the reorganization into a sustainable business in the long term

- The EJ Anime Hotel and Narita Anime Deck have been struggling to attract customers since their opening, and we have decided to withdraw from both businesses, as it is expected to be difficult to secure profits in the future.
- We will continue to focus on improving earnings, including the reorganization of businesses.



EJ Anime Hotel



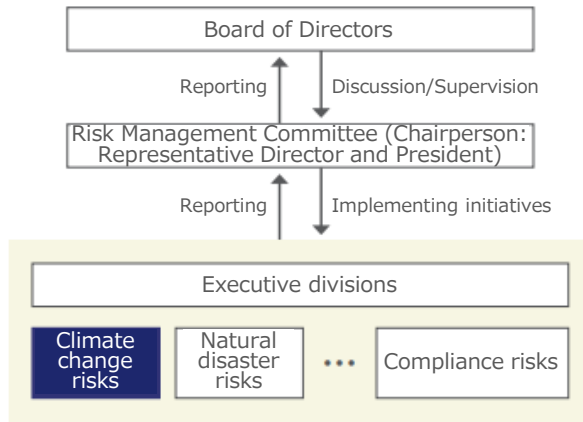
Narita Anime Deck

Initiatives for Addressing Climate Change: Response to the TCFD Recommendations



Governance/Risk Management

- Under the supervision of the Board of Directors, the Risk Management Committee (Chairperson: Representative Director and President) analyzes and addresses Group-wide risks, including those related to climate change.
- The Risk Management Committee reports its results and activities to the Board of Directors.

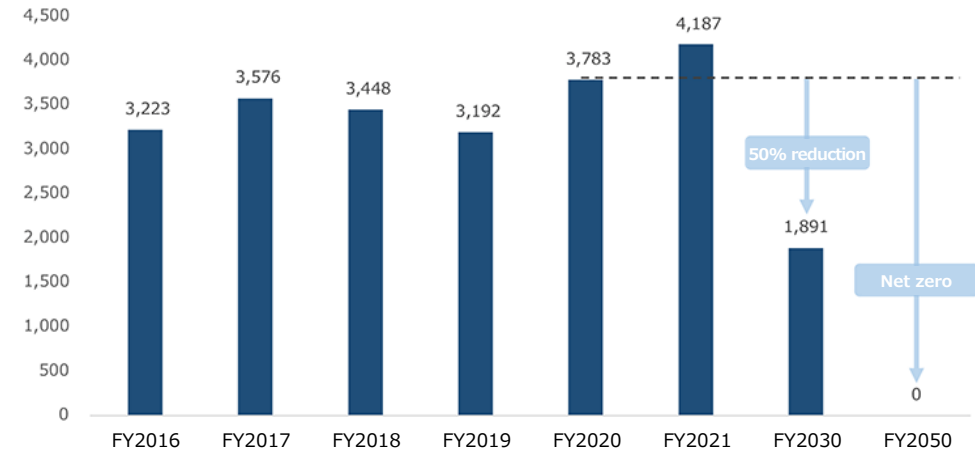


Metrics and targets

(Result) FY2020 GHG emissions: 3,783 t*

(Target) **FY2030: 50% reduction from FY2020, FY2050: virtually zero**

* Total emissions of KADOKAWA's head office on a non-consolidated basis, each sales office, and TOKOROZAWA SAKURA TOWN.



Strategies

- Invest in supply systems to prepare for the continued increase of demand for digital content (e-books, TATESC, etc.)
- **Reduce the book return rate and excess paper consumption** through the digitization of order-receiving and manufacturing processes (Digital manufacturing and logistics plant in TOKOROZAWA SAKURA TOWN →)
- Reduce commuting and travel and **reduce greenhouse gas (GHG) emissions** by introducing workplace choice, where employees can choose where to work (home or office).



Switching the power used in a total of four buildings, including the head office building, to renewable energy
(from January 2023)

- Shifting to offices with virtually zero CO2 emissions
- **Expected to reduce GHG emissions by 1,111 tons, or approximately 26.5% of GHG emissions** in FY2021
- Consideration of its expansion into TOKOROZAWA SAKURA TOWN and other group company locations

Human Capital Strategy

Strengthening the foundation for growth



Technology

Achieve in-depth business reform through DX

- Improve productivity through the digitization of production processes.
 - Data visualization and speed-up of operation through company-wide marketing dashboard
- Expand various systems and initiatives to improve the remote work environment
 - Work-from-home allowances
 - Distribution of proofreading tablets for editors
 - Popularize measures within the group using *Manga for the Thorough Utilization of ICT Tools*.



Motivation

Enhance personnel systems that improve motivation

In-house FA system

Employees can apply for their desired positions for better matching.

In-house recruitment system

Form cross-organizational teams by recruiting members from within the company according to the theme.

Side job system

Expanding work options and supporting voluntary career development

Qualification-obtaining support system

- One-off payments for obtaining qualifications
- N Prep School Free Course ID issuance



Creativity

Develop an environment that facilitates creativity

- Introduce workplace choice (workplace choice system) to enable autonomous work styles unrestricted by time and place.
- Introduce and enhance a range of leave systems and benefits for creative ideas and diverse work styles.
 - Subscription allowance (subsidizes the cost of employees using subscription services in the entertainment genre)
 - Childcare and nursing care leave, leave to care for sick or injured children
 - Maternity gift money, childcare allowance, babysitter user support

Diversity and Inclusion

Promoting opportunities for women

- Female employees are 42.2%* of all group employees, and many women are active in the company.
- 100% return to work and retention rates for both men and women following childcare leave*
- Percentage of managers and executives that are women on a consolidated basis
FY2021 23.9% → FY2030 30% target

*As of the end of March 2022

Employment of persons with disabilities

- In 2019, we established KADOKAWA CRAFT as a special subsidiary for the employment of people with disabilities.
- 67 employees with disabilities are active across the group. (as of the end of March 2023)



↑ KADOKAWA CRAFT also operates a coffee roasting and sales business.

Global human resources

- Established the Global Human Resources Development Center in 2021
- Strengthen recruitment worldwide, plan to accept foreign students for internships in Japan.
- Exchange of human resources between overseas offices and the head office in Japan, human resource mobility linked to the head office FA system, introduction of a reward and support system for overseas employees, and consideration of cross-border satellite work

Update on Basic Finance Policy and Allocation of Funds

Basic Approach

Execution of financial strategies that contribute to sustainable growth of sales and profit, capital efficiency that exceeds the cost of capital, and the medium- to long-term increase of corporate value

Ensure financial soundness

Maintain a capital adequacy ratio of at least 50%

Pursue capital efficiency and strengthen shareholder returns

Aim to achieve an ROE of at least 10% in the medium-to-long-term

Basic policy
Key KPIs

Foundation funds

Set the level of cash and cash equivalents to be retained based on approximately 2.5 months of monthly sales, working capital, future capital needs, etc.

Growth investments

Assume a maximum investment of about 2/3 of operating cash flow by making growth investments such as M&A activities for the strategic facilitation of core businesses the top priority.

Shareholder return

Shareholder dividend
Based on an annual dividend of 30 yen per share, target a payout ratio of at least 30%.

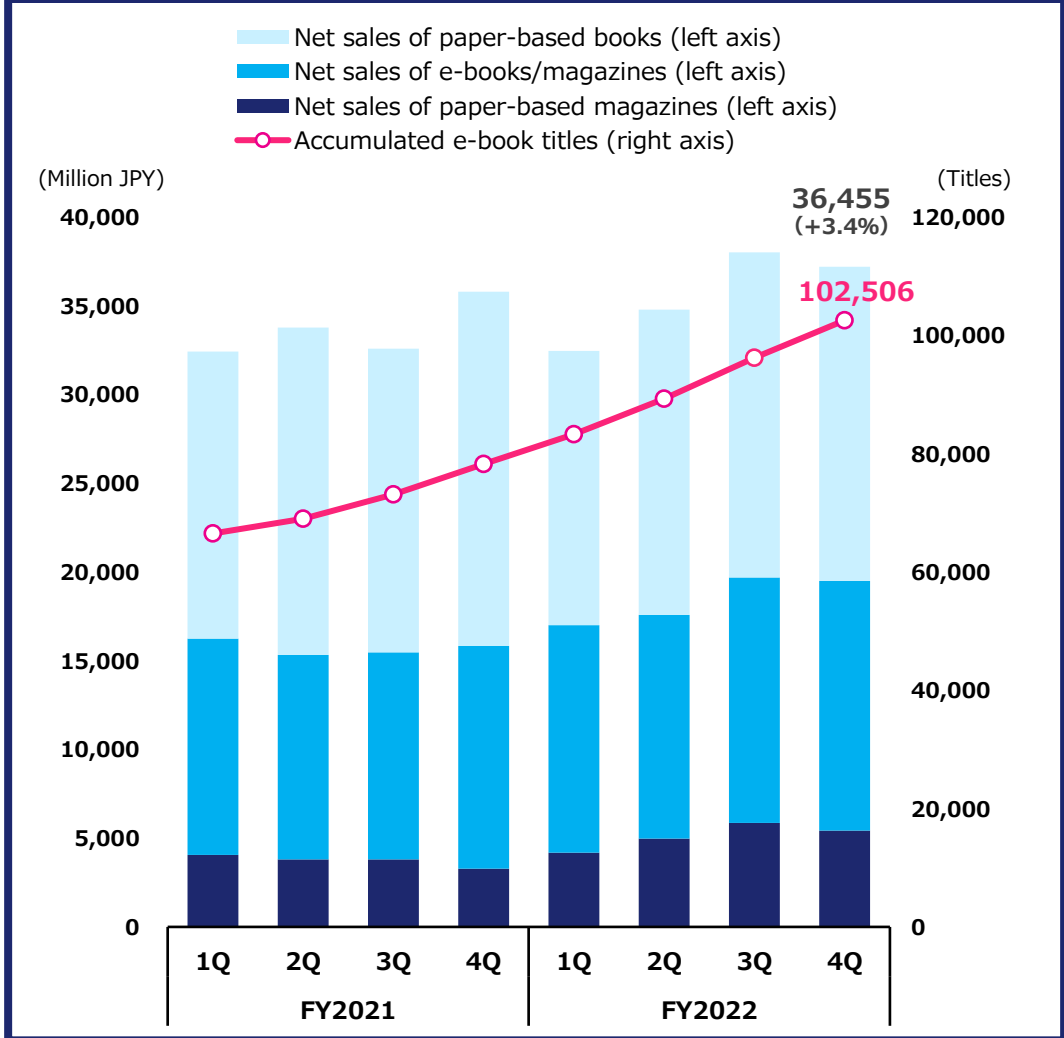
Acquisition of treasury stock
Flexible implementation in consideration of investment capacity, stock price level, etc.

Allocation of funds

Appendix

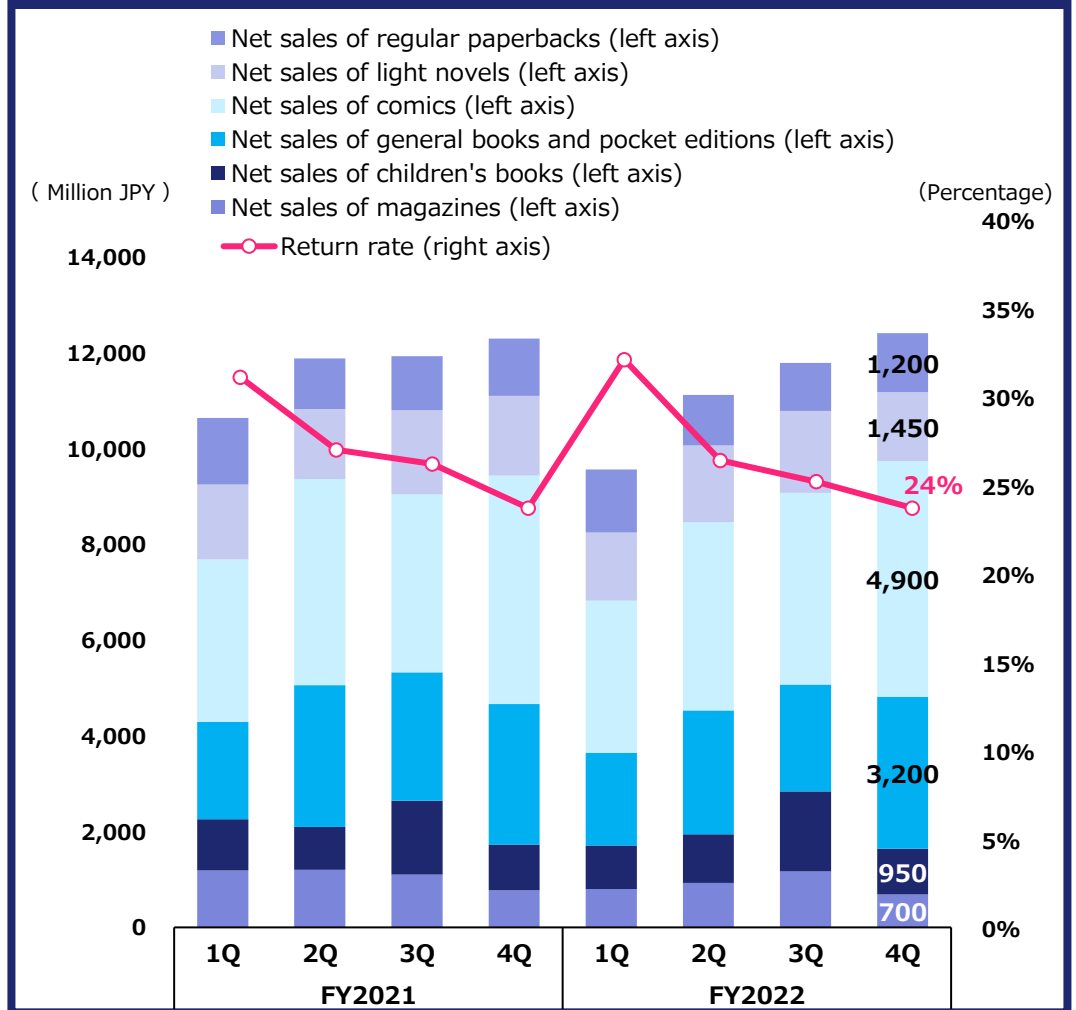
Publication Segment

Trend of sales of publication



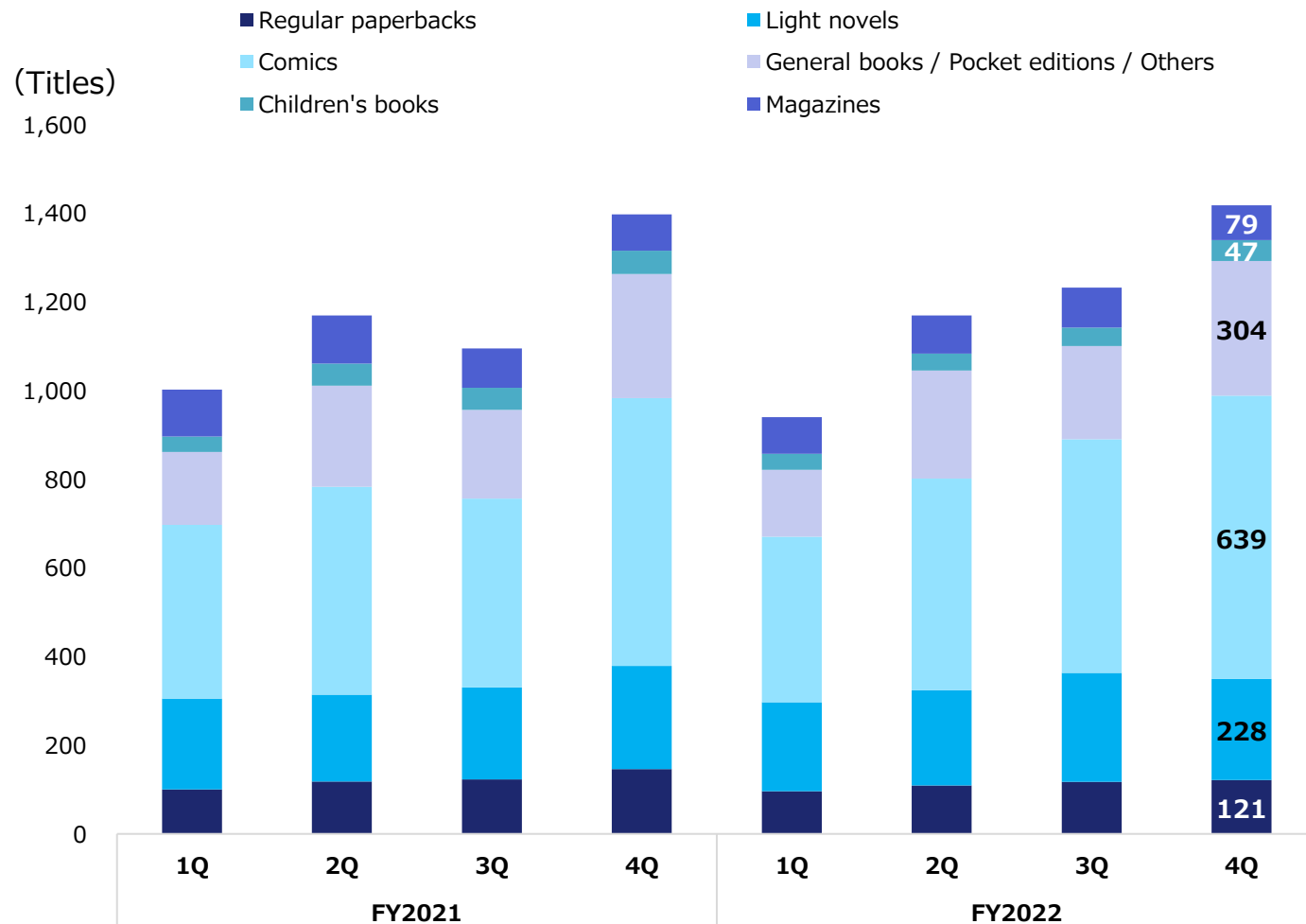
*Accumulated e-book titles include the number of distribution by chapter

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



Publication Segment

Number of new titles of paper-based books and magazines by genre (Actual)
(KADOKAWA Non-consolidated)



Titles contributing to sales



©Anri Sakano 2022 ©Daisuke Aizawa 2022 ©Touzai 2022



©Hotondoshindeiru

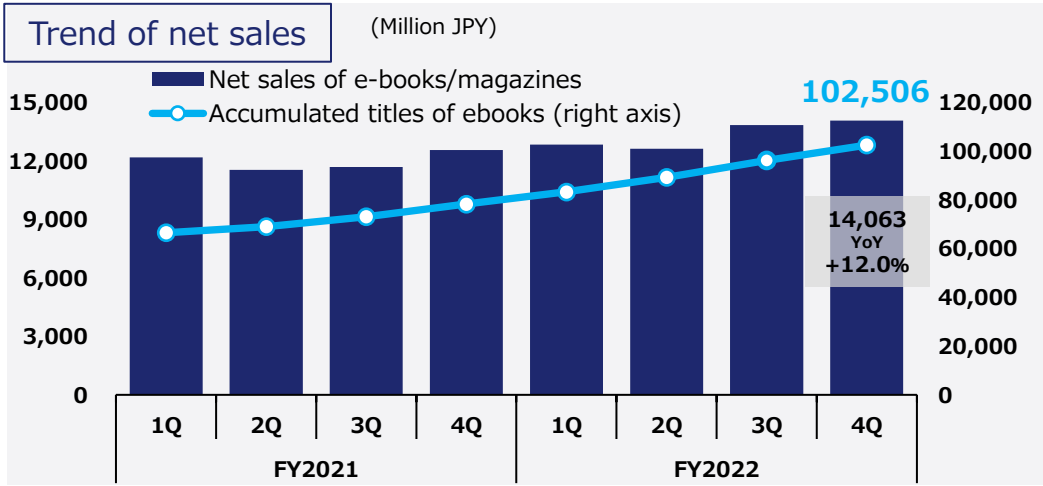


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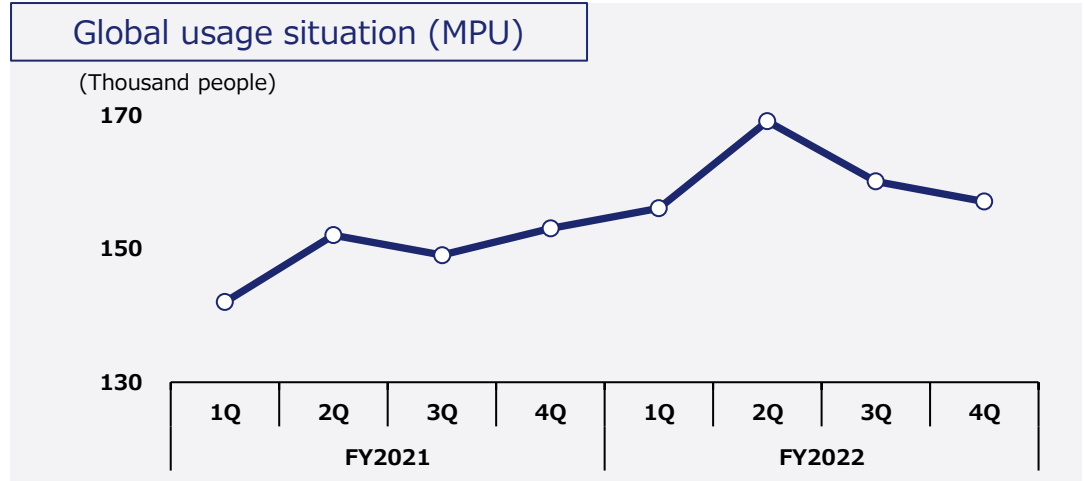
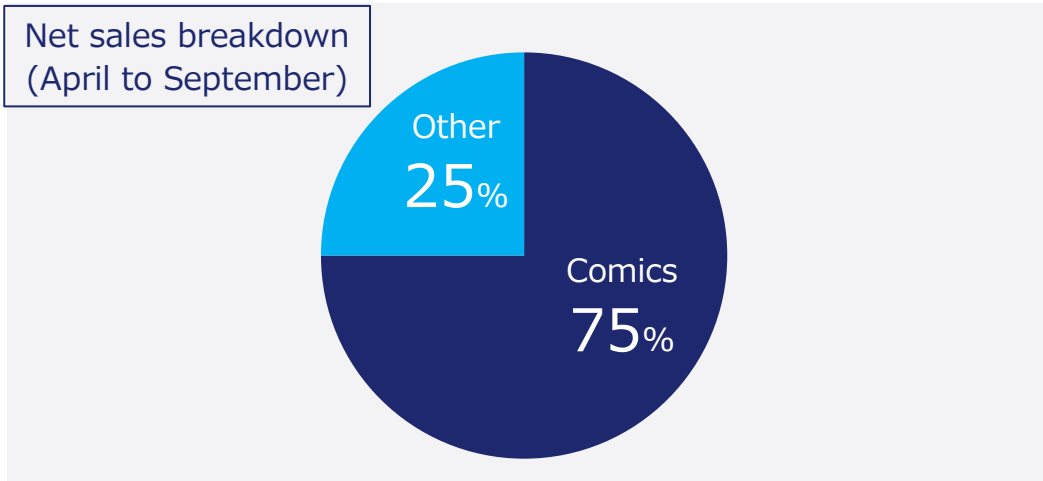
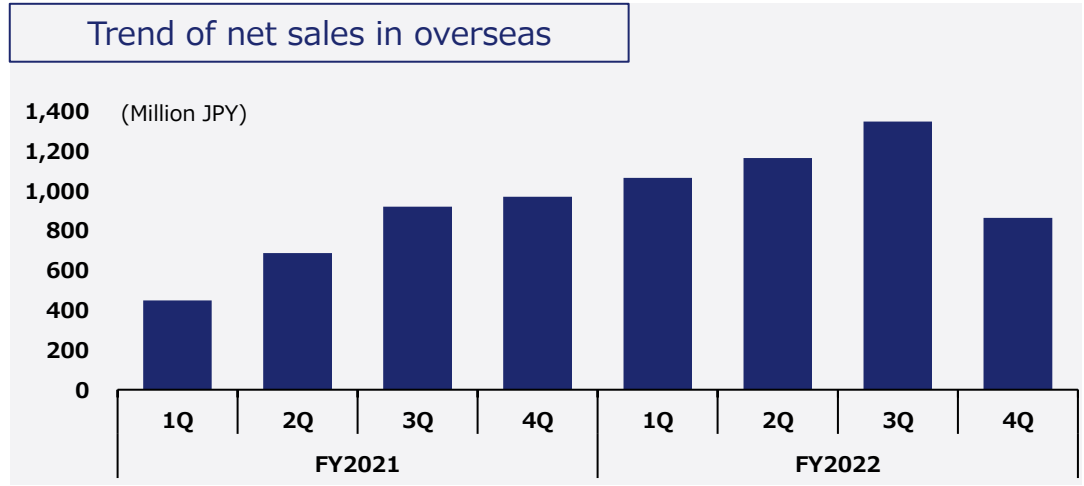


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E-books/magazines



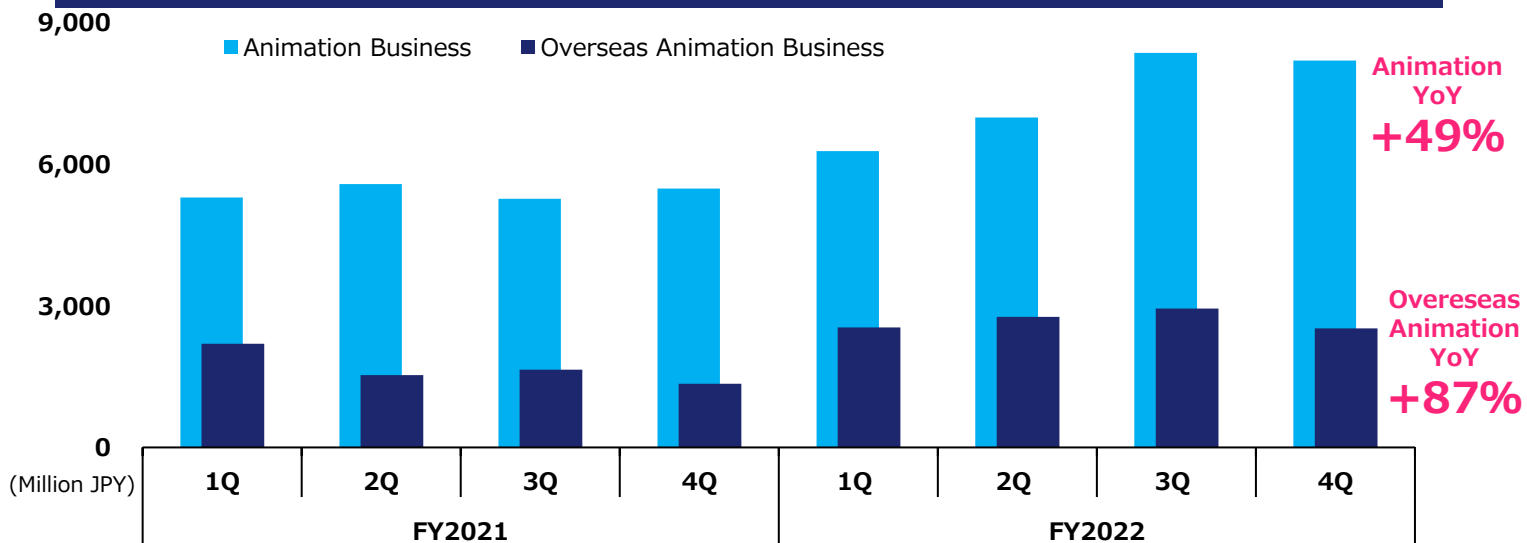
*Accumulated titles of ebooks include the number of distribution by chapter



*MPU(Monthly Paid User)

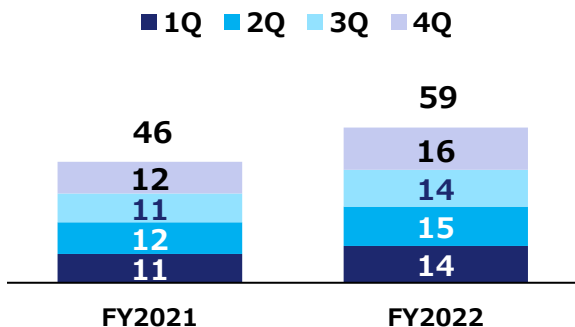
Video Segment

Net sales of animation business

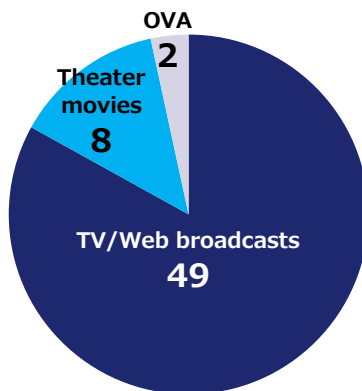


Animation video (Titles)

Number of new titles



Breakdown of presentation media in Apr. to Mar.



*Number of titles including minor investment

Titles contributing to sales



©Anri Sakano 2022 ©Daisuke Aizawa 2022 ©Touzai 2022



©Kafka ASAGIRI,Sango HARUKAWA/KADOKAWA/Bungo Stray Dogs Partners



©2023 "As Long as We Both Shall Live" Film Partners



©2023 Yuumikan, Koin/ KADOKAWA/ Bofuri2 Project

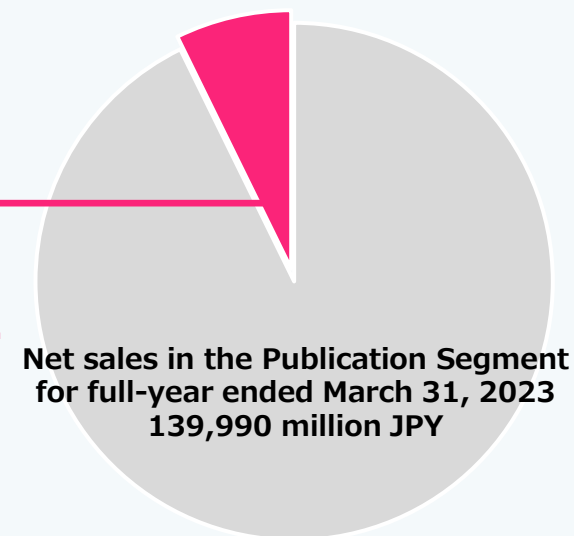
Contributions of the Top Ten Best-Selling Titles

(YTD for FY3/2023, including revenue from rights licensing, numerator is only the top ten titles from KADOKAWA alone)

Publication * Applies to entire series from starting year of publication to release of new titles in FY2022

Rank	Title Name (Series)	Year First Published	Video	Game
1	Sword Art Online	2009	○	○
2	Overlord	2012	○	○
3	The Eminence in Shadow	2018	○	○
4	KADOKAWA Manga Gakushu Series	2015	-	-
5	Pan Dorobou	2020	-	-
6	Re:ZERO -Starting Life in Another World-	2014	○	○
7	Bungo Stray Dogs	2013	○	○
8	The Irregular At Magic High School	2011	○	○
9	Fate	2004	○	○
10	Lovely!	2012	○	○

Top ten titles account for approx. **7%** of total sales

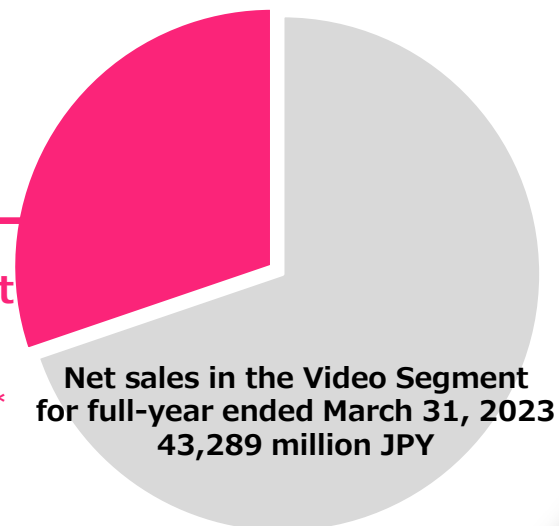


Video * Applies to all titles from starting year of broadcast to airing of new series installments in FY2022

Rank	Title Name (Series)	Year First Aired	Book	Game
1	Overlord	2015	○	○
2	Re:ZERO -Starting Life in Another World-	2016	○	○
3	The Eminence in Shadow	2022	○	○
4	The rising of the shield hero	2019	○	○
5	Bungo Stray Dogs	2016	○	○
6	Made in Abyss	2017	○	○
7	A Couple of Cuckoos	2022	-	-
8	Konosuba: God's Blessing on This Wonderful World!	2016	○	○
9	Classroom of the Elite	2017	○	-
10	Uncle from Another World	2022	○	-

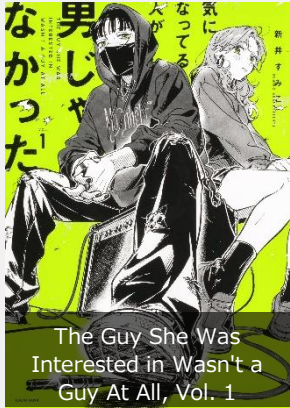
Top ten titles account for approx. **28%** of total sales*

* Denominator also includes the Studio Business



Eagerly Awaited Upcoming Titles

Books



The Guy She Was Interested in Wasn't a Guy At All, Vol. 1

©Sumiko Arai 2023



The Summer Hikaru Died, Vol.3

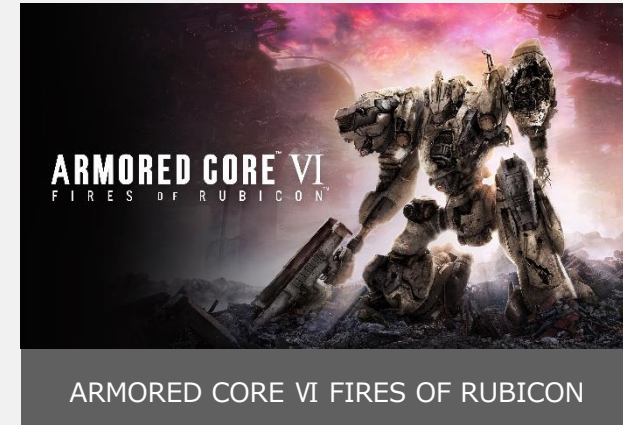
©Mokumokuren



My Love Story with Yamada-kun at Lv999, Vol.7

©MASHIRO/COMICSMART INC.

Games



ARMORED CORE VI FIRES OF RUBICON

ARMORED CORE VI FIRES OF RUBICON

©Bandai Namco Entertainment Inc. / ©1997-2023 FromSoftware, Inc. All right reserved.

Aug 25, 2023 release

Animation



KONOSUBA: An Explosion on This Wonderful World

©2023 Natsume Akatsuki, Kurone Mishima /KADOKAWA/KONOSUBA Explosion Partners



Kuma Kuma Kuma Bear - Punch!

©Kumanano/SHUFU TO SEIKATSU SHA /Kuma Kuma Kuma Bear Punch! Project



[OSHI NO KO]

©Aka Akasaka x Mengo Yokoyari /Shueisha, "OSHI NO KO" Partners



Master Detective Archives: RAIN CODE

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Jun 30, 2023 release

niconico-related business



niconico user data

*As of March 31, 2023

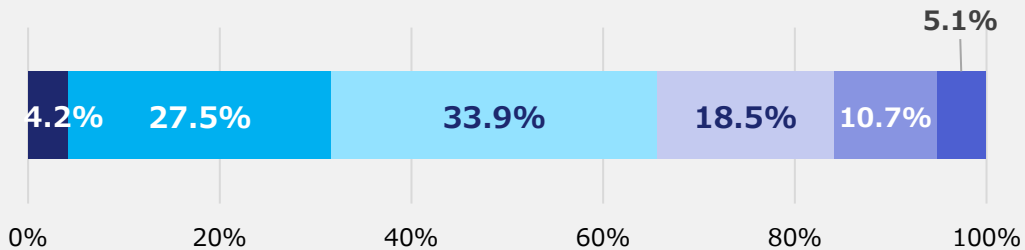
Regular members (Million) **95.10**

Premium members (Million) **1.31**

Age

*As of March 31, 2023

10s 20s 30s 40s 50s Others



Niconico Chokaigi 2022

Visitors (Thousand) **96**

Online audiences (Million) **13.89**

niconico Channel user data

*As of March 31, 2023

Number of channels **10,749**

Number of channels with monthly fee **2,149**

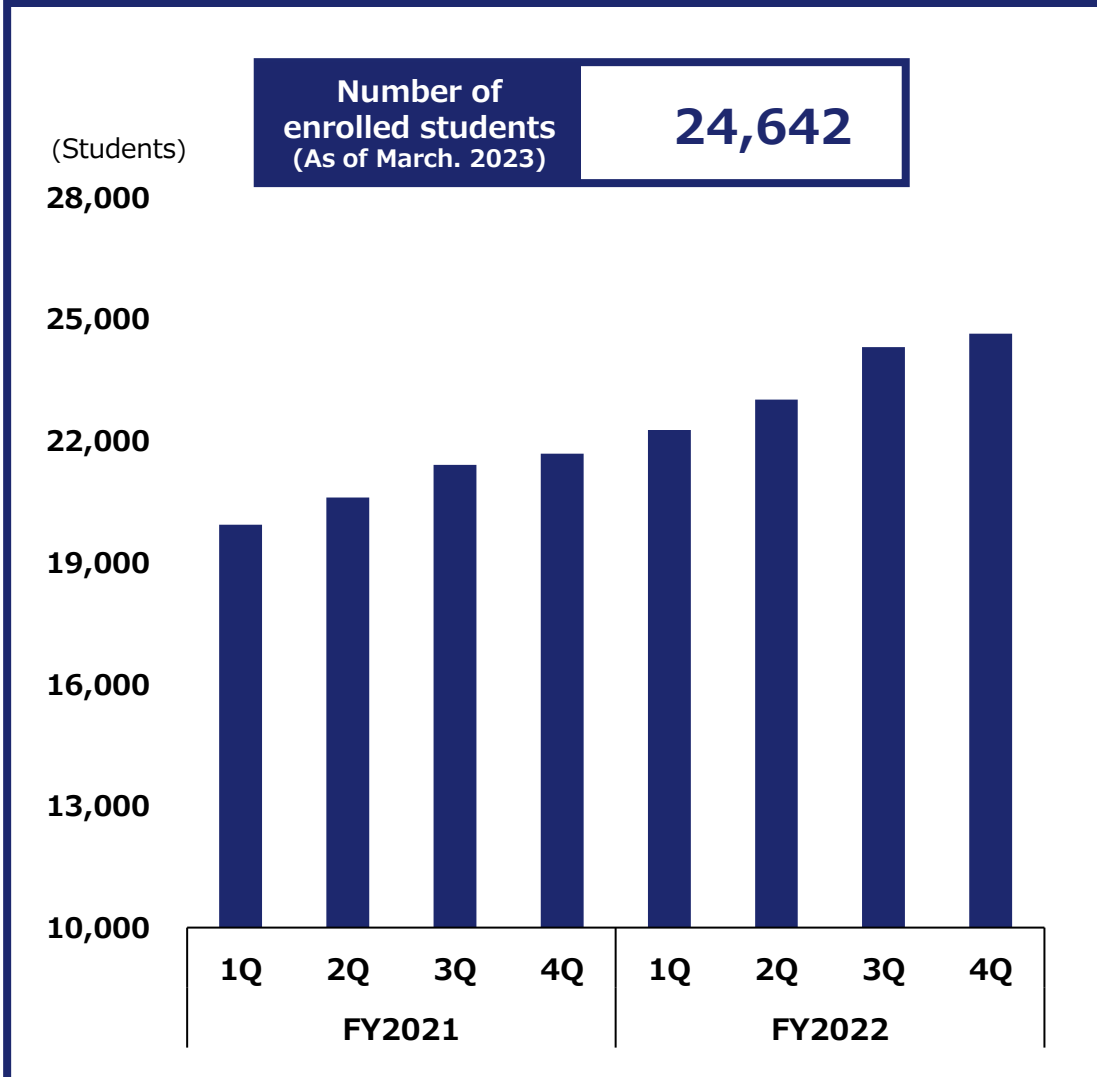
Dues-paying members (Million) **1.23**

niconico usage data

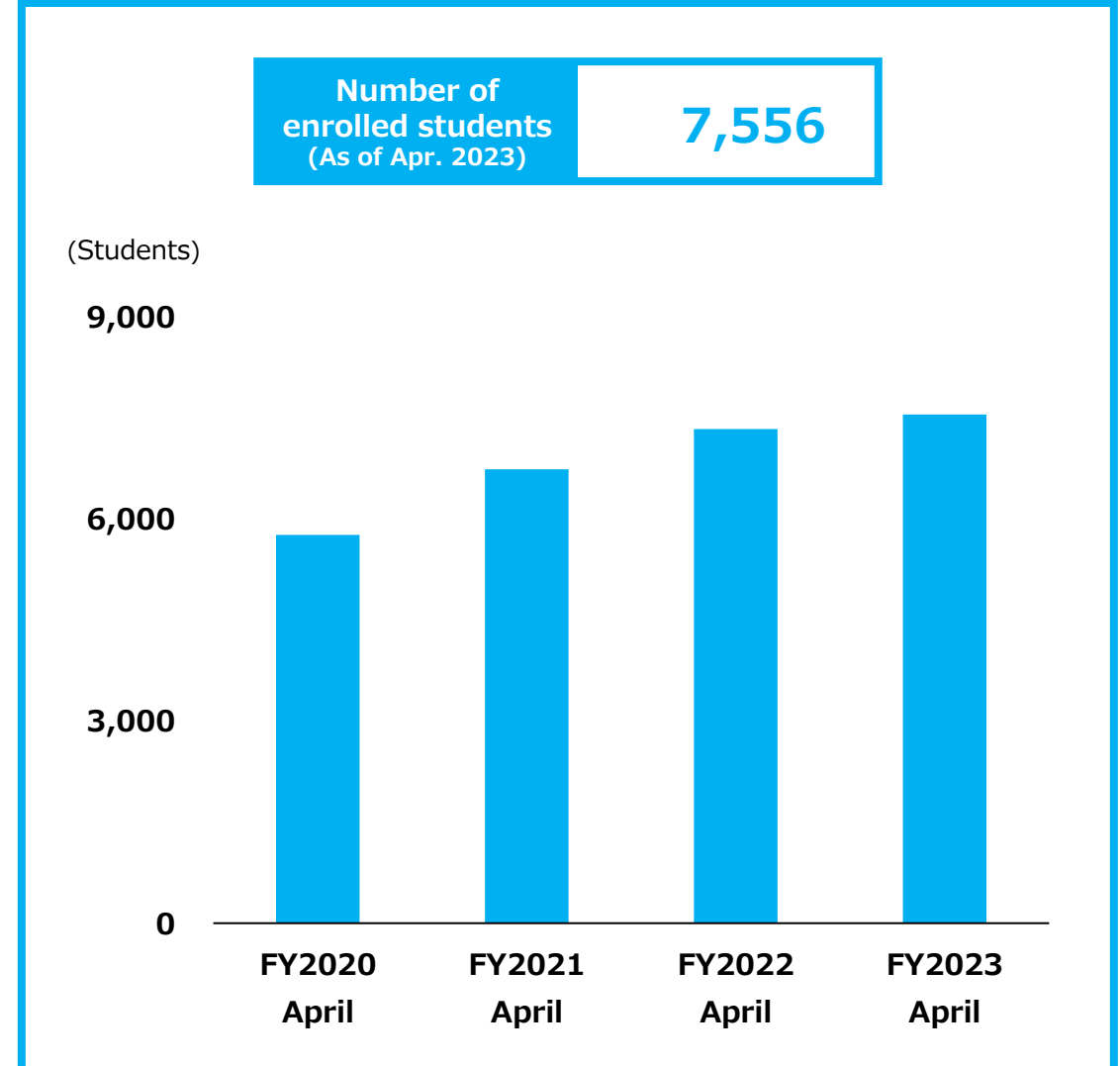
*Average of Jan to Mar 2023

	MAU (Million)	DAU (Million)
Logged In Unique Users + Unique Video Viewers Not Logged In	14.70	1.95
Google Analytics-based Unique Users	33.10	2.62

Trend of Number of N & S High School Students



Trend of Number of Vantan Students



Overseas Net Sales

- In 4Q, the Overseas Business continued to grow highly, particularly in North America and Asia (up +25% year on year). For full-year, in addition to the Publication Business and Video Business, revenue related to overseas shipments and so forth of the record-breaking blockbuster game *ELDEN RING* greatly contributed to sales.
- Overseas sales as a percentage of consolidated net sales rose continuously to 20.5%. Steady progress has been made toward being a global company that rolls out IP globally.

Breakdown of Overseas Net Sales by Segment

(Million JPY)

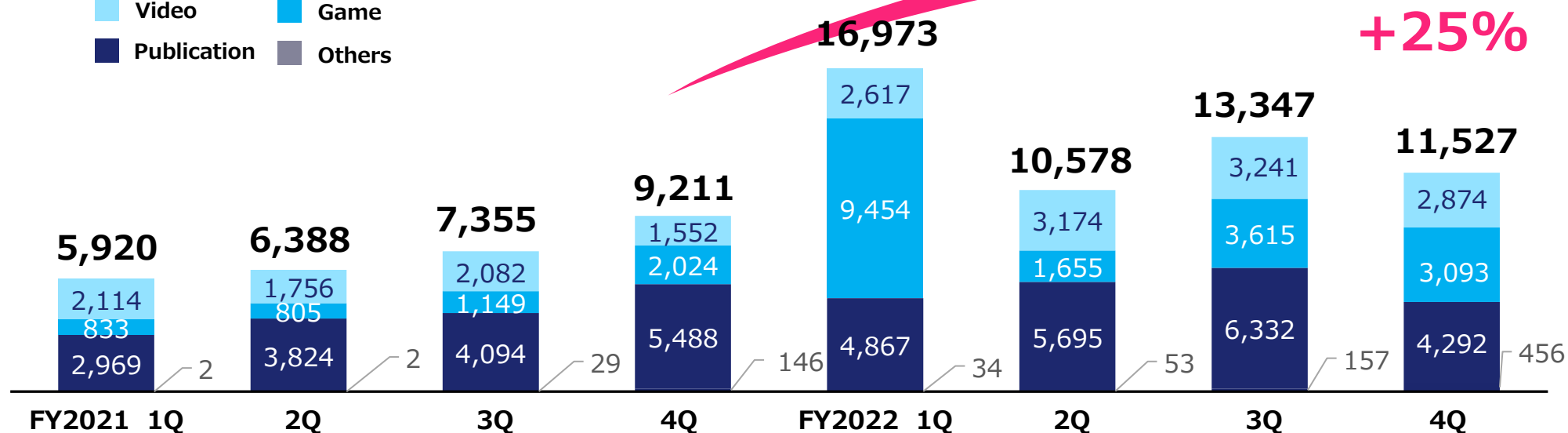
18,000

12,000

6,000

0

Video Game
Publication Others

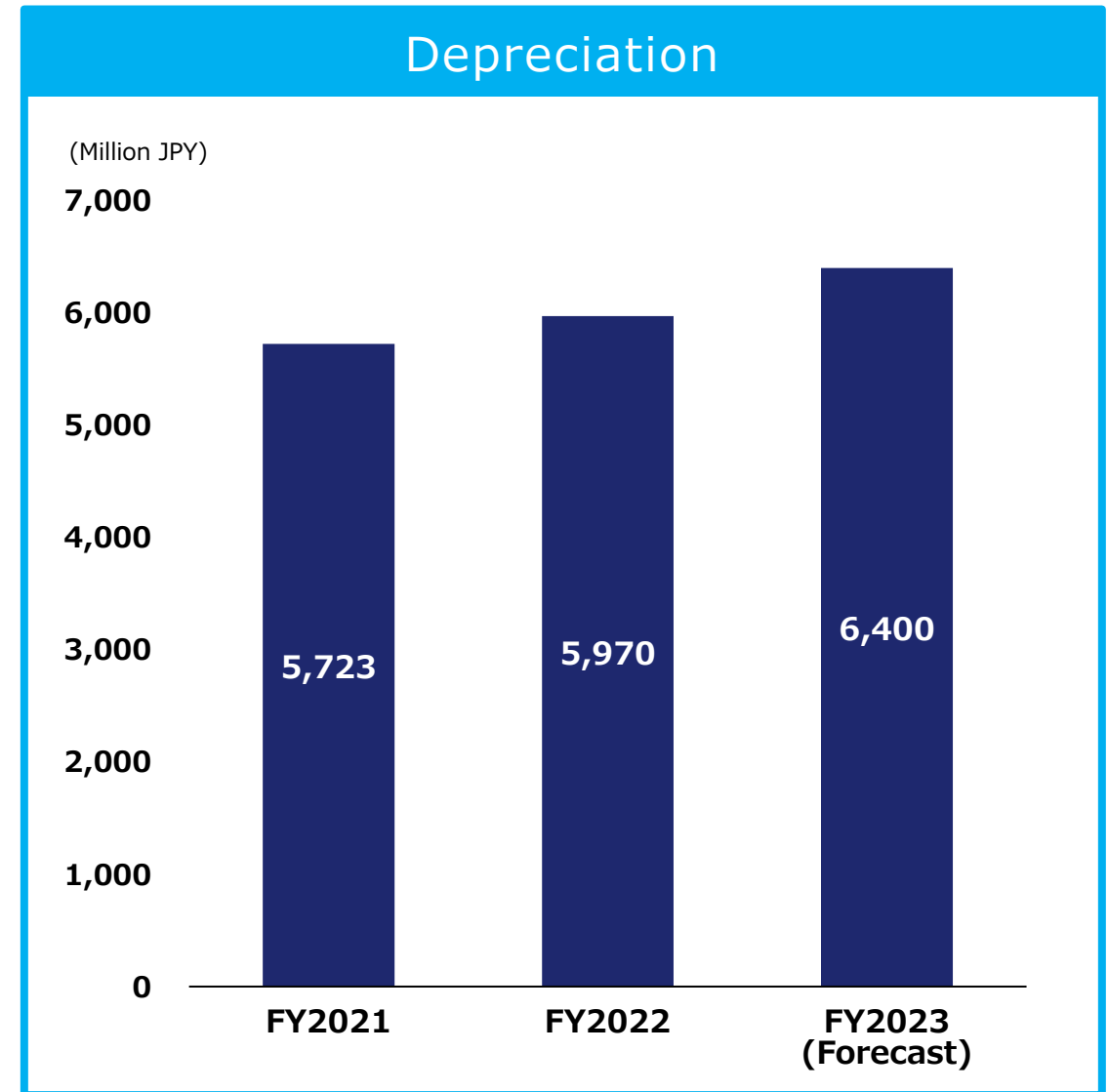
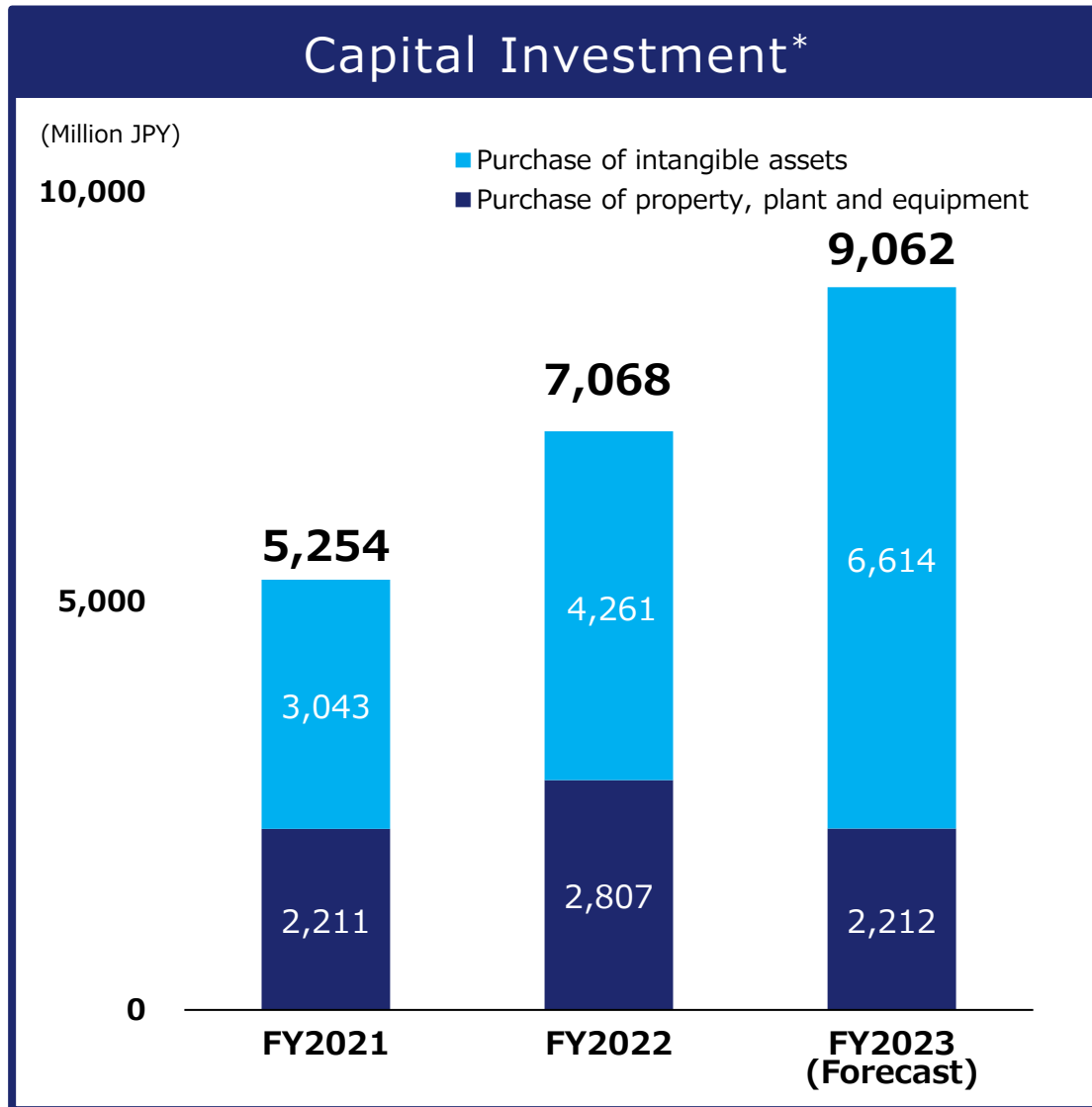


YoY
+25%

Breakdown by Region	Overseas Net Sales as a Percentage of Consolidated Net Sales								
		FY2021 1Q	2Q	3Q	4Q	FY2022 1Q	2Q	3Q	4Q
	NA	49.9%	57.9%	59.6%	52.7%	64.0%	58.6%	63.1%	54.7%
Asia	42.6%	34.8%	33.2%	37.8%	22.2%	32.8%	26.3%	31.0%	
Others	7.5%	7.4%	7.2%	9.5%	13.8%	8.6%	10.6%	14.3%	

* Business results for overseas 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

What was the impact of foreign exchange rates in the fiscal year ended March 31, 2023? 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 12.7 billion JPY) was approximately 10% for full year. As revenue from rights licensing (royalties) accounts for a certain percentage of overseas 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.

Q2

What was the growth rate of consolidated overseas net sales in the fiscal year ended March 31, 2023? Which segments and regions contributed to growth?

A

Overseas sales grew 82% for the full year (+38% excluding foreign exchange impact.) By segment, publishing was +29%, video was +59%, and games was +287%. Growth rates by region are +100% in North America, +34% in Asia, and +172% in other regions.

Q3

What impact will foreign exchange have in the forecast for the fiscal year ending March 31, 2024, compared to the previous year?

A

In the forecast for the fiscal year ending March 31, 2024, the projected exchange rate for the U.S. dollar, the main foreign currency, is 130 yen to the U.S. dollar, and the average exchange rate during the previous fiscal year was 131 yen to the U.S. dollar. We therefore believe that the impact of foreign exchange rates will be negligible compared to the previous fiscal year.

Q4

Why did only profit attributable to owners of parent decrease while operating profit and ordinary profit increased in the full-year results for the fiscal year ended March 31, 2023? Also, in the January-March 2023 results, why did ordinary profit and profit attributable to owners of parent decrease while operating profit increased?

A

We are currently working to develop more sophisticated mission-critical systems at our new logistics facility for the publication business in Tokorozawa. The main reason for the decrease is that a loss on disposal was incurred from October to December due to review of some systems during the process of sophistication, and an extraordinary loss of approximately 3.3 billion yen was incurred from January to March due to the withdrawal from unprofitable businesses in that process.

Q5 From April to March, what were the shares and growth rates for paper-based books and information media sales by genre?

A Share by genre: Comics 36%, general books and pocket editions 22%, light novels 14%, paperback books 10%, children's books 10%, magazines 8%
 Growth rate by genre: comics -1%, general books and pocket editions -6%, light novels -4%, paperback books -4%, children's books 2%, magazines -16%.

Q6 For sales amounts of e-books from April to March, what was the ratio of sales from the Company's own stores 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.
 The growth rate for the Company's own stores was 9%, and for stores of other companies was 13%.

Q7 What percentage of book shipments are new publications released from April to March?

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

Q8 What were the ratio of paper-based books and e-books in the overseas sales of the Publication Segment from April to March?

A Sales of paper-based books were approximately 80% and sales of e-books were approximately 20% of the total overseas sales of the Publication Segment.

Q9

Approximately when do you expect the digital production plant and logistics facility will start full operation?

A

The digital production plant began operations in April 2021. The production line is currently being expanded to enable 24-hour operation in the future. The new logistics facility is scheduled to begin operations during the fiscal year ending March 31, 2024. From that point and beyond, we will continually upgrade the system. Through these efforts, we will increase the efficiency of the domestic paper-based book business.

Q10

What are Tokorozawa project's depreciation for the fiscal year ended March 31, 2023 and in the future?

A

The amount for the fiscal year ended March 31, 2023 is 1.8 billion yen. Depreciation of the project is expected to be 2.1 billion yen for the fiscal year ending March 31, 2024 and the fiscal year ending March 31, 2025.



KADOKAWA

- Forward-looking statements such as results forecasts contained in this material are judgments of the Group based on currently available information.
- The forward-looking statements include various uncertainties, and actual results may differ from these values. Please refrain from making investment judgments, etc. by relying entirely on these values.