



KADOKAWA

FY2023-FY2027

Mid-term Management Plan

A Platform for Creativity

View on Our Business Environment

Demand for IP

- Demand for animation IP continues to grow following the popularization of global video streaming
- Demand for content related to animation such as comics, novels, MD, events, is growing

- Demand is also growing internationally in related domains, led by animation
 - **There is a lot of room in the international media mix**

Market environment

- Publication** Domestically, paper books are decreasing while the e-book business continues to grow. Growth continues globally, mainly in emerging markets.
- Video** The streaming market continues to grow globally. Competition between streaming platforms is intensifying, including in emerging markets. IP is being hoarded by platformers.
- Gaming** The global game market will continue to grow long-term. Platform-based competition to retain production companies continues.
- Web and Others** The domestic creator economy market is expanding. MD sales increase. The domestic live entertainment market is recovering toward outgrowing what it was before COVID-19. Consumption for favorite artists and animation characters is rapidly increasing, mainly among young people.
- Education/EdTech** The domestic education market as a whole continues to grow. E-learning, correspondence courses and vocational schools expand while home tutoring shrinks.

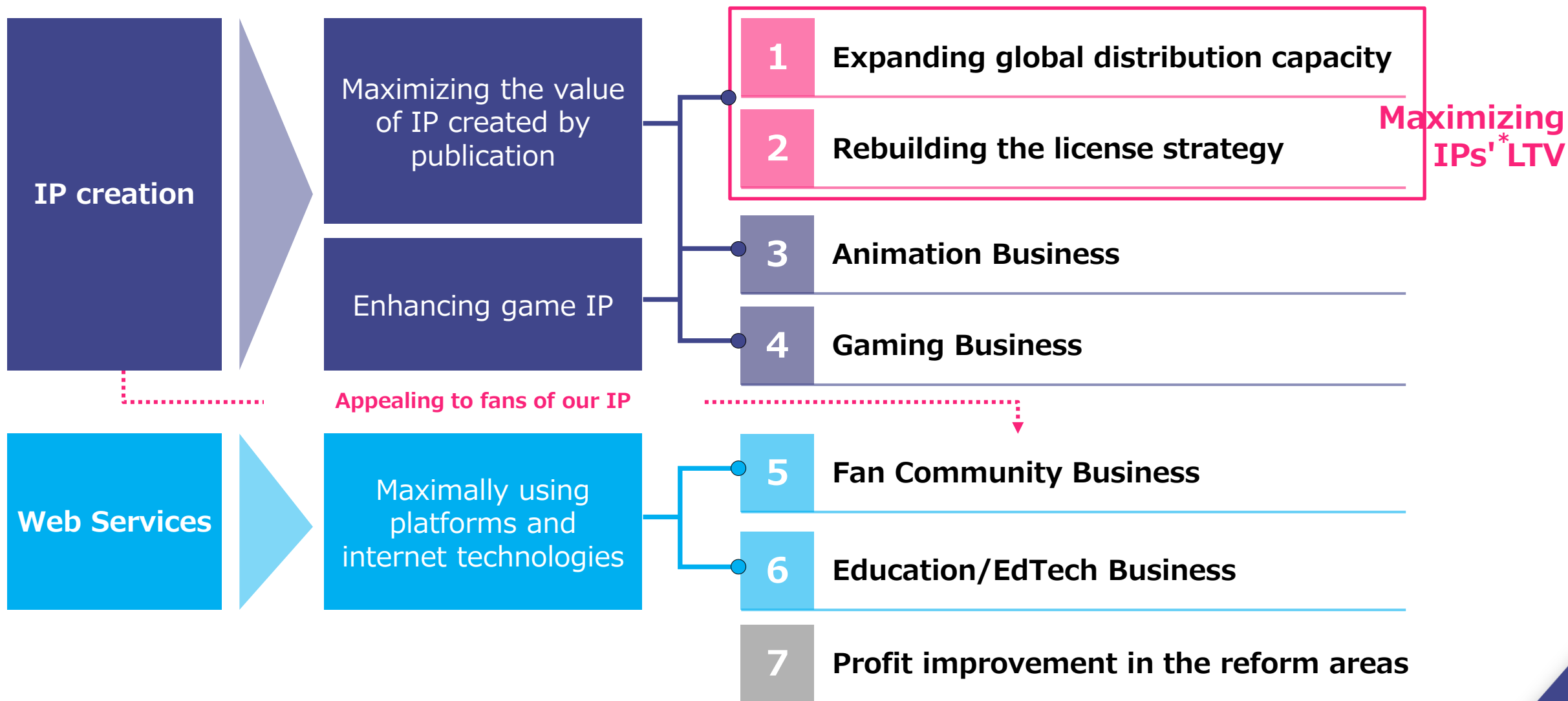
- The global entertainment market expands both in size and area. In Japan, the e-book business continues to grow.
 - **Great potential for growth by developing international markets**
 - **Domestic publishing can grow with e-books being a driver**

- The creator-fan co-creation market expands
 - **Fan Community business, events and MD have a lot of room for growth**

- Markets for realizing diverse learning styles and workstyles are expanding
 - **Great growth potential in providing learning environments centered on EdTech**

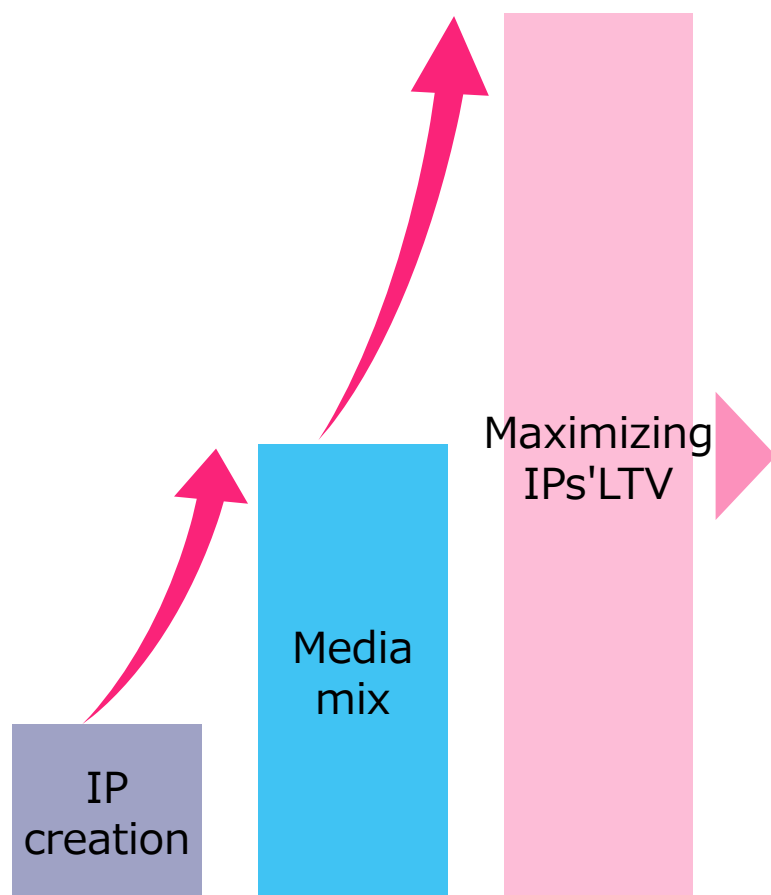
Mid-term Management Policy (1) Inter-business Collaboration Strategy

- Accelerate '**Global Media Mix with Technology**' to achieve sustainable growth



Mid-term Management Policy (2) Maximizing IPs' LTV

Steps to enhance the value of IPs



Maximizing IPs' LTV

Expand global distribution capacity

- **Increasing the number of publication titles internationally**
 - Translation of IPs originating in Japan and development of more IPs originating overseas at our local bases
- **Expansion of international bases**
 - Expansion into Europe, Southeast Asia, etc.
- **Expand international distribution of digital publications**
 - E-book store made available in different languages
- **Increase international distribution of MD products**
- **In-house game publishing**

Rebuilding the license strategy

- **Centralized management and operation of licensing business**
 - Promote full rights management to animations
 - Integrate publication and animation license teams (establish Global Licensing Division)
 - Centralize the management of IP rights. Put into practice the long-term value enhancement measure across different types of media
- **Strengthening international alliances**
 - Coordination with international bases
 - Strategic license expansion through partnership with local enterprises

Mid-term Management Policy (3) Strategies in Each Segment

Publication

Create more than 7,000 IPs annually. Expanded each genre and strengthen digital-first readiness

- Increase international sales through measures such as adding more international bases
- Keep making our e-book business grow so it outperforms domestic market growth

Increase productivity through the digital transformation of publishing by means of the digital manufacturing and distribution system, etc.

Video

Strengthen our animation production capabilities. Increase the number of stories produced per title and optimize license management

- Strengthening and newly establishing Group production studios or acquiring and entering into business alliances with other companies
- Promote full rights management to animations

For the live-action business, focus on major titles and improve profitability to higher return on investment

Gaming

Expand the game development lines. Aggressively invest in the development of mobile games using our IP
Expand the scope of FromSoftware's own publishing

Web Services

For the Niconico business, raise ARPPU by improving the services

Education/ EdTech

Establish ZEN University (tentative name) to enhance LTV per user and reach university students and working professionals

Attract more students to N/S High School

Expand Vantan's business by adding more courses and schools in new areas

Others

Expand the fan community business through the use of our IP and functional enhancements

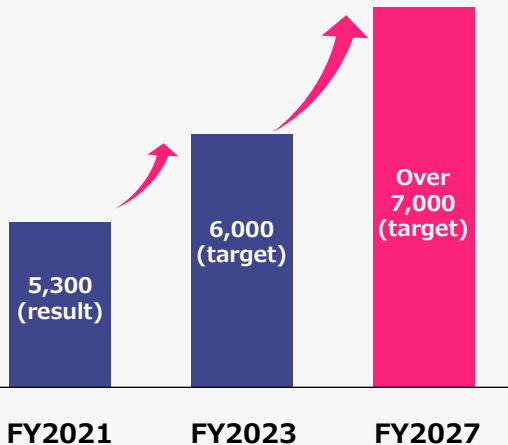
Increase products from the MD business and expand sales outlets globally

Improved profitability for the facility operation business by increasing the number of visitors and optimizing costs

IP Creation from the Publication Business

Expansion of IP creation

IP creation plan (KADOKAWA Group overall, publication)



- Increase creation of original IP to be the foundation for the media mix

IP creation targets

FY2023
Approx. **6,000** ▶ **Over 7,000** (FY2027)

Expansion of genre

Comics and children's books



Significant growth

Light novels and lifestyles



Solid growth

Digital-first reinforcement

- Have more works come out first in a digital form
- Add more works originally made in a digital form (increase them from the current 5% to 15% of the whole)
- Keep making the e-book business grow so it outperforms domestic market growth

Improvement of productivity through the DX of publication

Digital manufacturing and distribution system

- Operation of the facilities began in earnest in the FY2023

Paper-based books return rate target FY2022 **26.8%** ▶ **FY2027 22.4%**

Profitability improvement target — difference between having the system and not having it

FY2027

Operating profit
+1.3 billion yen

EBITDA
+2.9 billion yen

Editorial Support

Digital tools
Automation system

Strengthen marketing
Improve data infrastructure
Deepen analytics

Revitalize bookstores
AI-based bookstore staff
Send customers from our app

Absorb the aggressive investment in growth and cost increases resulting from the steep rise in prices by improving productivity with DX measures in publishing and phased price revisions

New planning and development policy

Lineup strategy

- **Increase the number of seasons and episodes per title** (increase the number of stories produced)
- **In addition to a diverse range of in-house original IPs, continue to acquire popular IPs from other companies**

Marketing policy

- **Roll out products in a way that suits their characteristics and the Internet era** (Webcast, TV broadcast, sneak peeks at theaters)
- **Increase our presence globally** (Strengthen advertising, exhibition at events and other activities globally)

Strengthen production system

Training and development of human resources



VANTAN

AI-based production support

Developing a common management system

Strengthening of Group Production Studios



ONGI

StudioKADAN

+
Addition of more studios
(fully owned subsidiaries),
M&A activities and alliances

Secure production quality and increase productivity
(Increase the annual number of titles produced in-house from 5 to 20)

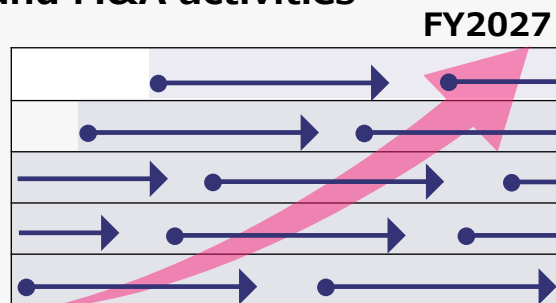
Promote a new license strategy and collaborate with the game business

Maximize global growth and the LTV of works = Maximize the value of our IP led by animation

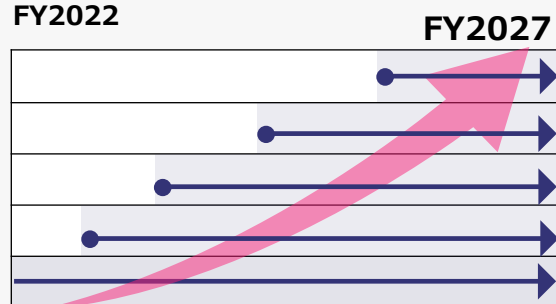
Expand the game development pipeline

Expand our development lines and add more IPs through strategic partnership and M&A activities

Console games
Enhancement of development system
 (increase the size of the development staff within the Group 20% or more)



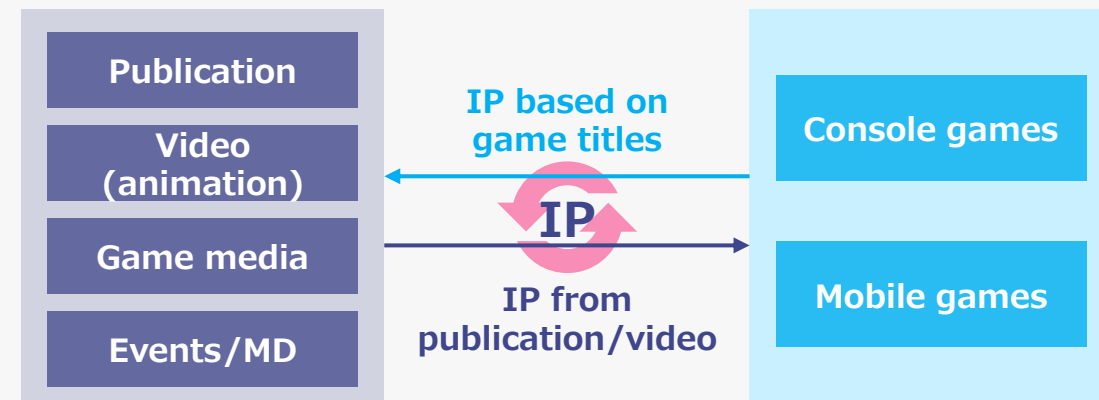
Mobile games
Add more titles
 (increase from 1 title/year to 8)



Expand global distribution capacity

Develop our readiness to expand the scope of FromSoftware's own publishing

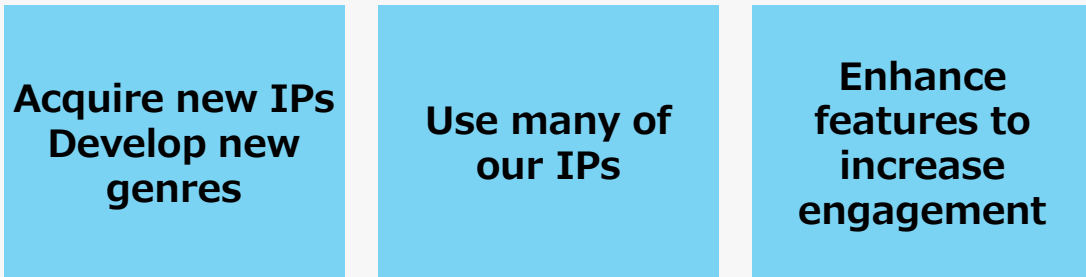
Strengthen our media mix through inter-business collaboration



Strengthen IP originated from games and expand the media mix of IP originated for publications

Maximally Using Platforms and Internet Technologies

Expand the fan community business

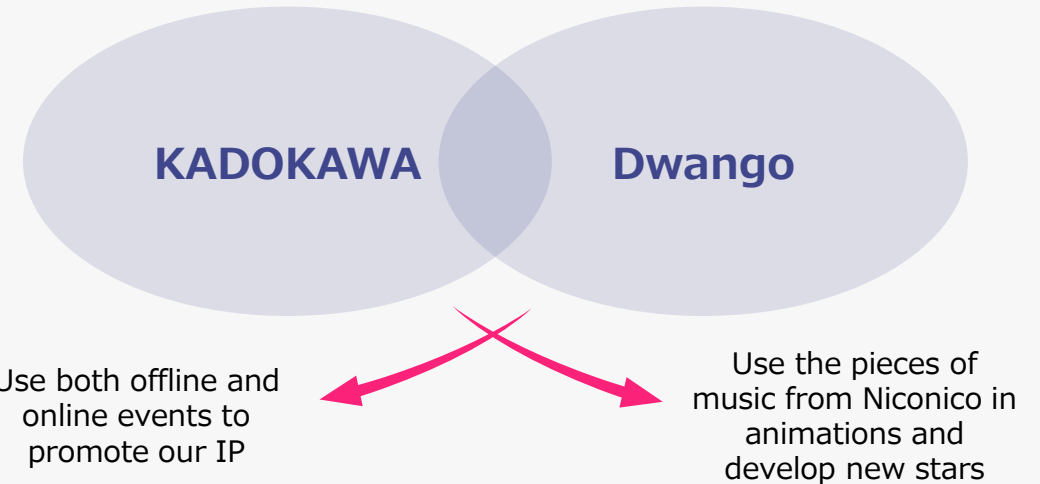


Achieve growth by providing an attractive place for creators, IPs and their fans to interact

Quickly increase our gross merchandise volume to twice the current volume of 10 billion yen or more

Expand our business over the event/music domain

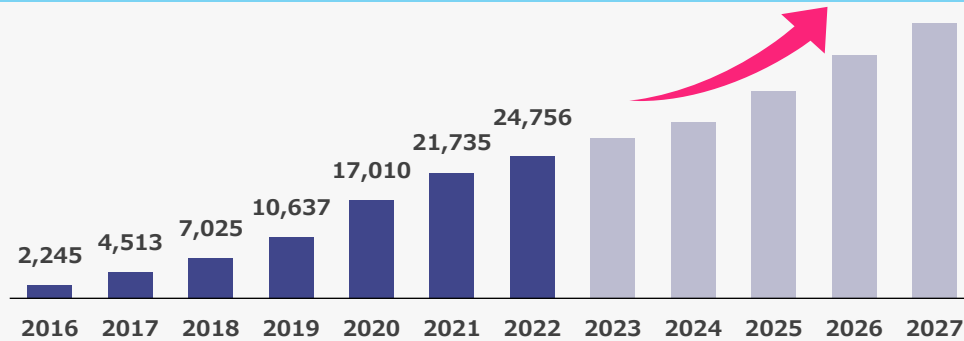
Pursue synergy between KADOKAWA and Dwango in the event/music business domain



Use the web services to increase the value of our IP and continue to boost NicoNico as an opportunity for IP creation and dissemination

Continue to attract more students to N/S High School

Students will continue to increase through measures such as the establishment of more schools and the development of commuting courses



Dwango offers cutting-edge EdTech in AI and VR

Establish ZEN University (tentative name)

Make it more accessible to new targets including university students and working professionals

Increase LTV through admissions from N/S High Schools

Attract more students to Vantan

Increase genres and expand areas

- Add schools in more places and with new genres
- Expand existing school curriculum to the new university courses

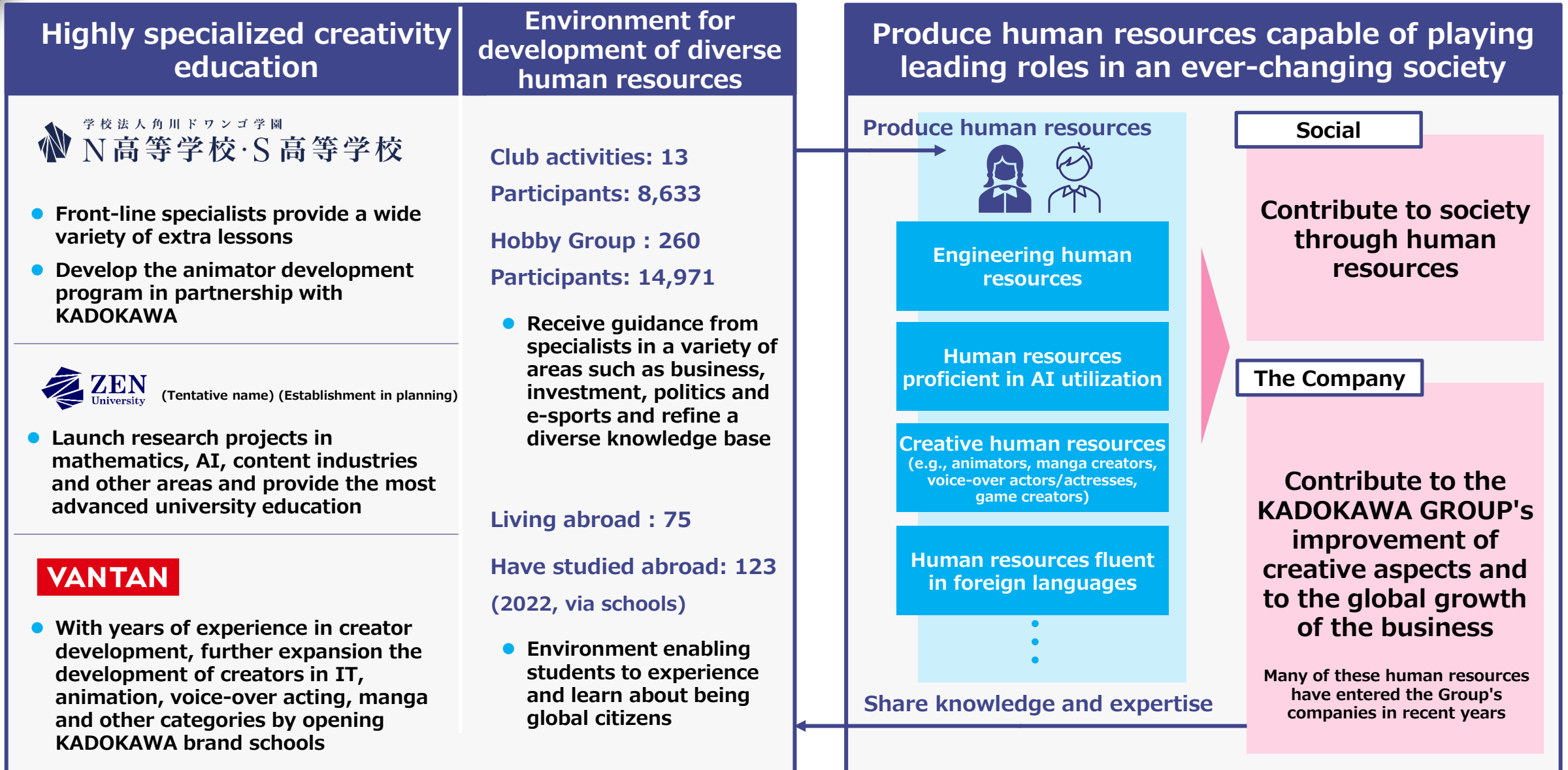
Open KADOKAWA brand schools

- Open KADOKAWA brand schools for manga and animation creators and voice-over actors/actresses



Develop and produce highly specialized human resources and contribute to the KADOKAWA Group's talent acquisition

Education/EdTech Business (develop and produce highly specialized human resources)

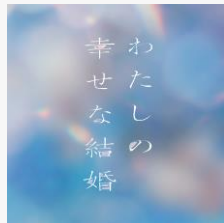


The live-action business shifts to a lineup of mainly major projects

Review our planning and development policy

Mainly develop major projects with the potential for success in the international markets

Focus on KADOKAWA's original works supported by core fans



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



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Increase profitability by targeting the works with the potential to become big hits and raising return on investment

Improvement of the facility operation business (TOKOROZAWA SAKURA TOWN)



Purpose of the business

- One of Japan's largest pop culture entertainment complexes that has welcomed approximately three million visitors over the years
- Activities for community coexistence and cultural succession
 - Events for local kids and families
 - Events showcasing local specialties
 - Events and fairs linked to books

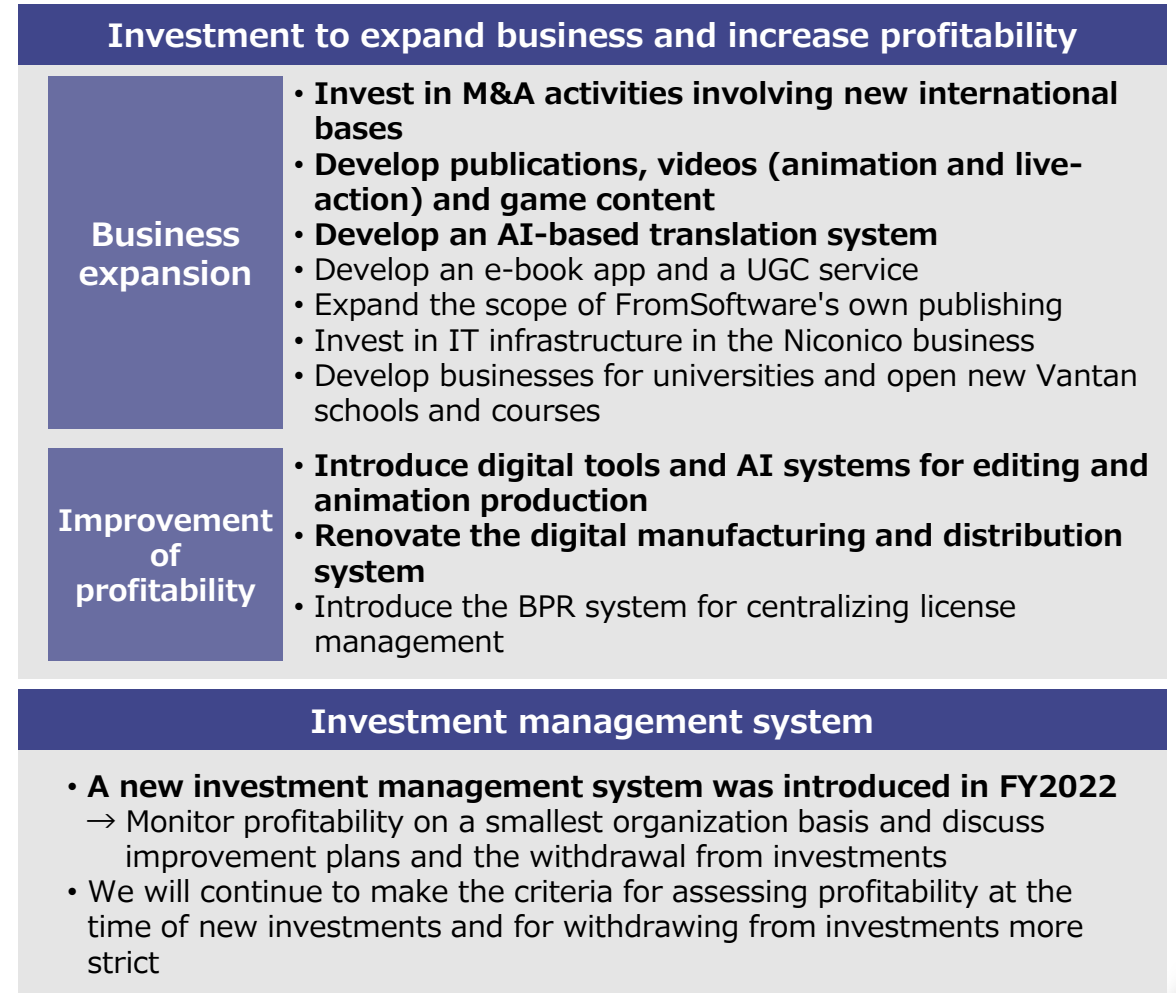
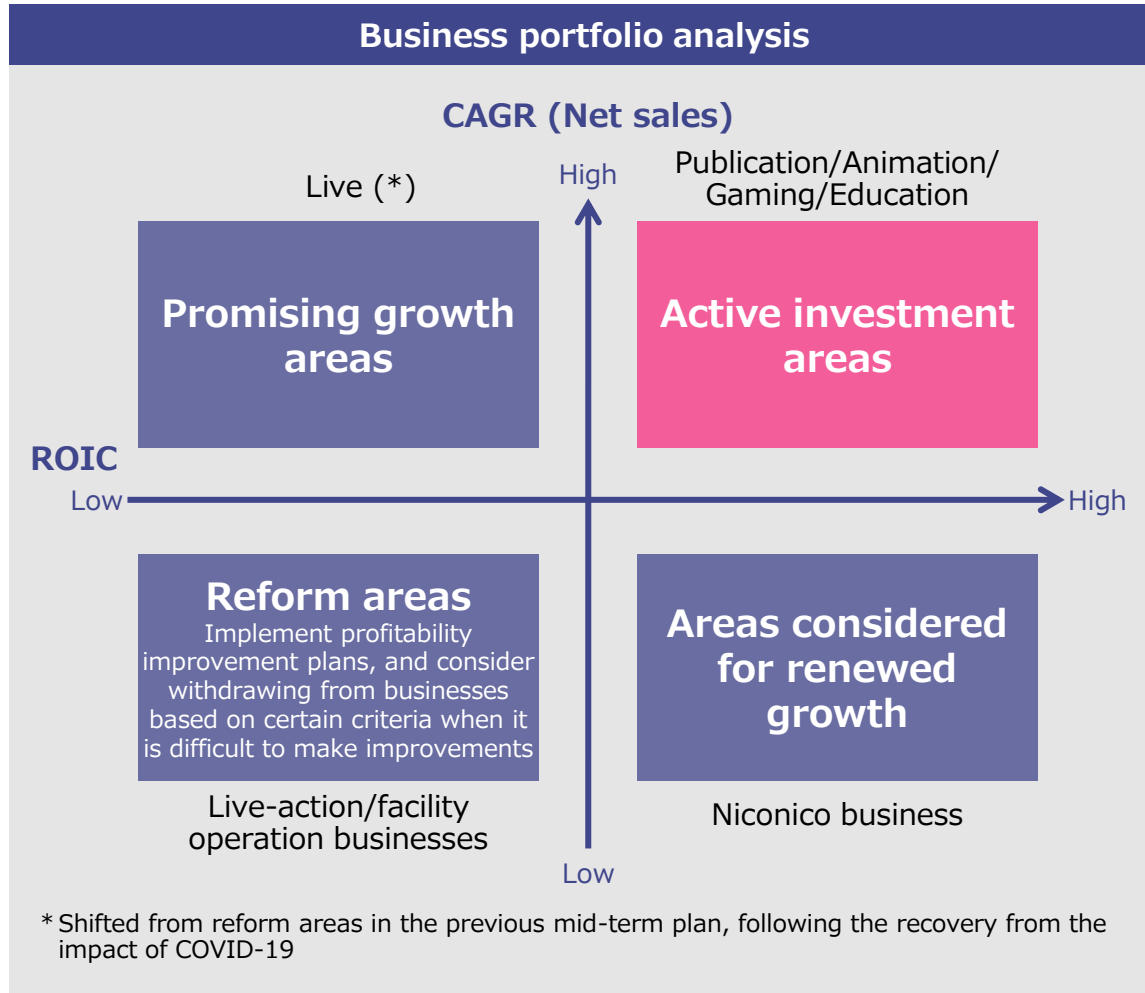
Future initiatives

- Tapping into demand from inbound tourists
- Encouraging local families and businesses to use the facility
- Streamlining operations and optimizing staffing

Continue to improve profitability by increasing the number of visitors and controlling costs and transition to being a sustainable business

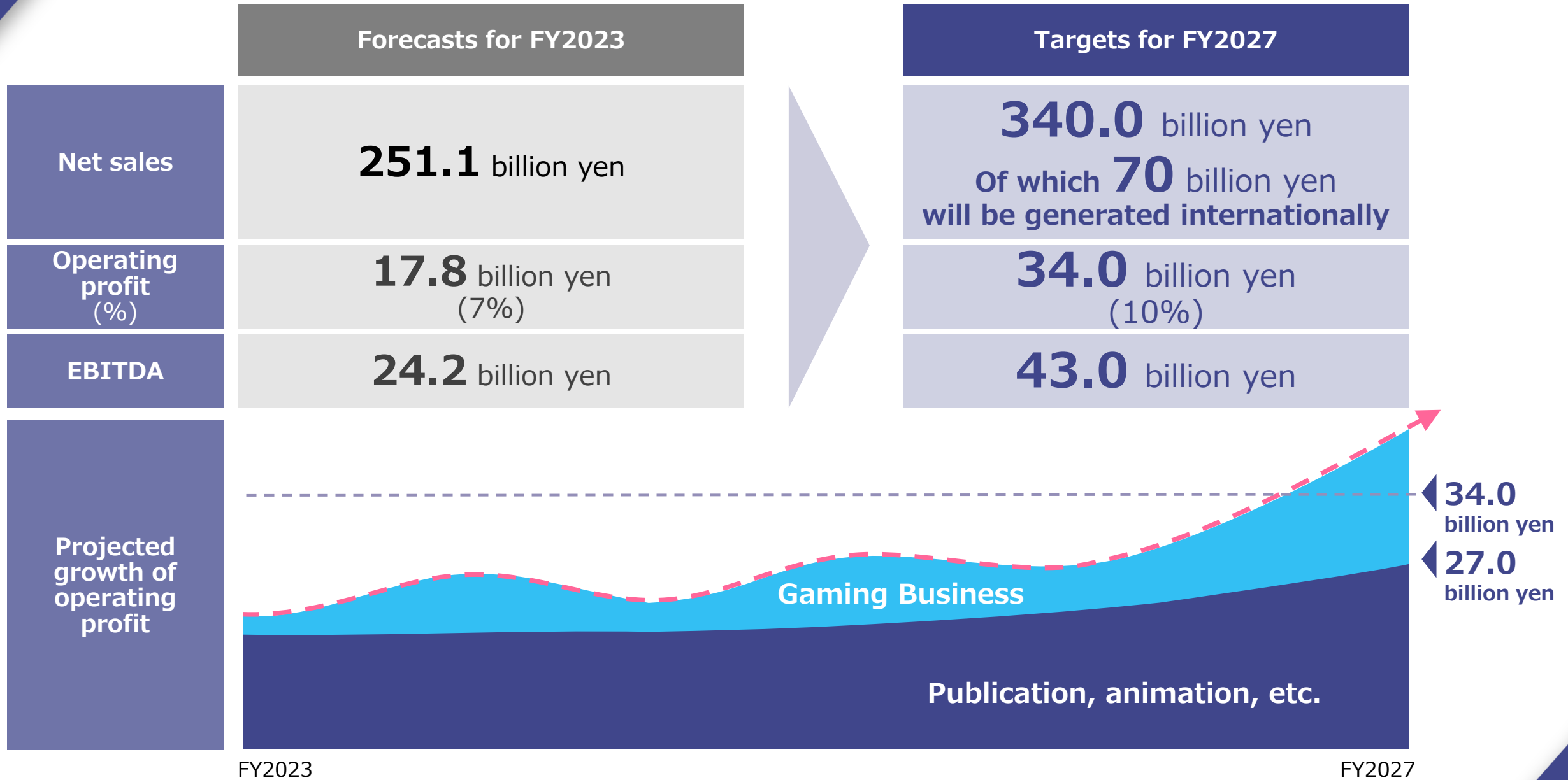
Business Portfolio and Investment Management

- **Strengthen investments in content development and technology utilization** with a focus on active investment areas
- **Make the profitability assessment and withdrawal criteria more strict** by, for example, introducing a new investment management system



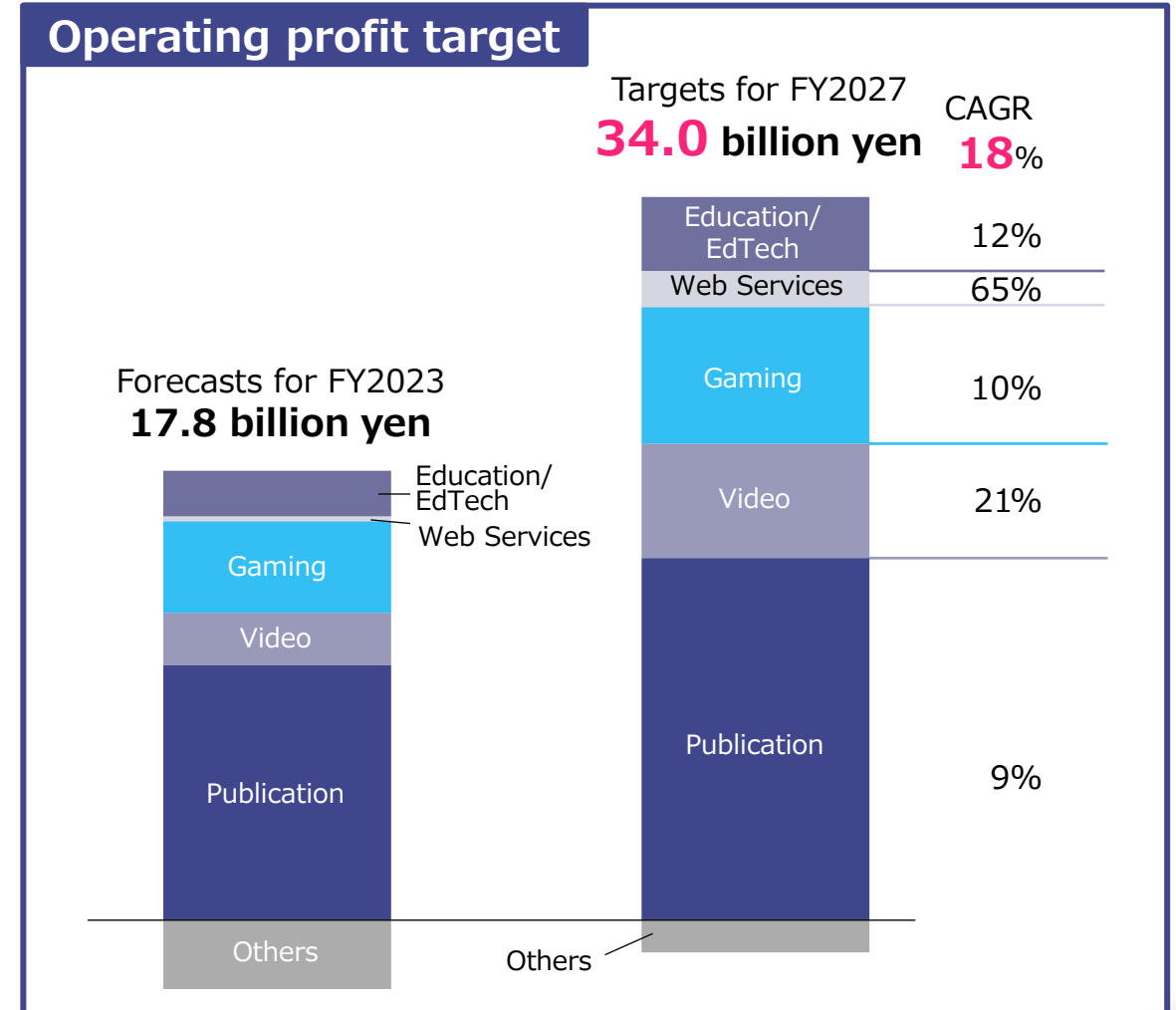
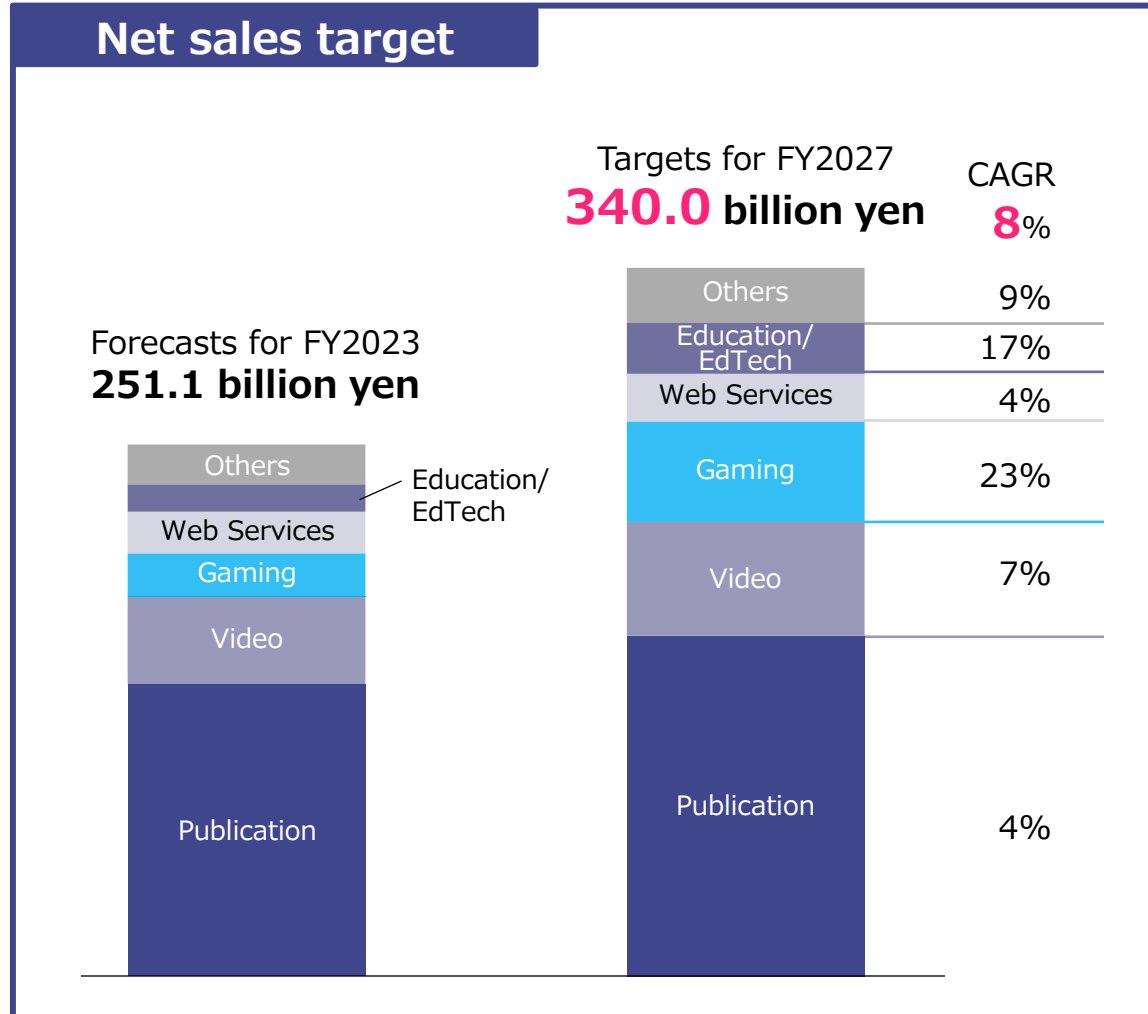
Management Targets for the New Mid-term Management Plan

— Set targets for FY2027 when the new strategy will bear fruit —



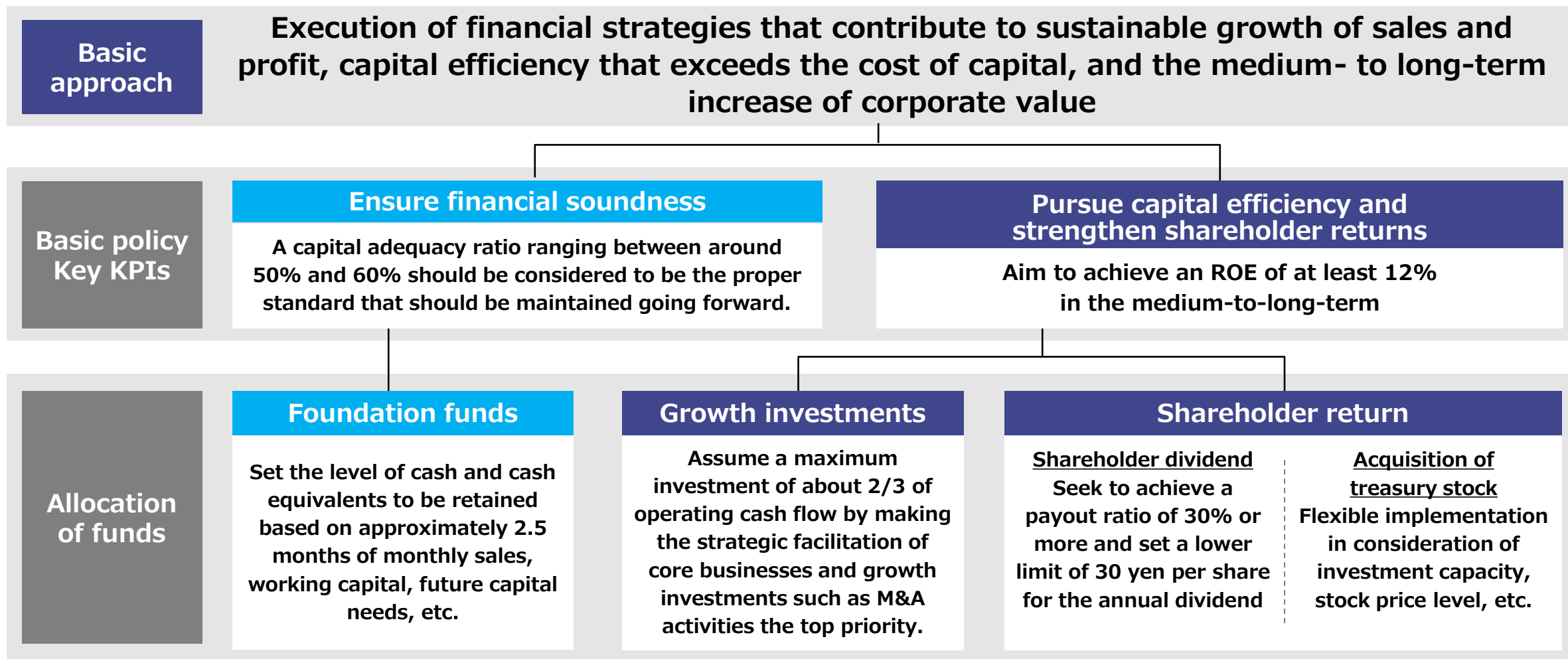
Net Sales and Operating Profit by Segment: Targets

- **Increasing both sales and profit is a common goal to all segments.** The publication, animation and education/EdTech businesses will grow and live-action and web services will get back onto a growth path
- It is assumed that the gaming segment can possibly fluctuate from the current plan in terms of both sales and profit depending on the titles released and their schedules



Update on Basic Finance Policy

- In terms of KPIs for our basic policy, the ROE target will be raised from the existing target of at least 10% to **at least 12%**. We specify a range to indicate the upper and lower limits of the capital adequacy ratio and seek to **achieve the compatibility of ensuring financial soundness and the pursuit of capital efficiency**. Again, clearly state that an annual dividend of 30 yen per share will certainly be paid to shareholders.



- **Build an environment that enables employees to remain highly motivated and maximize their creativity. Stimulate the continued improvement of human resources**



Creativity

Develop an environment that facilitates creativity

Point

Workplace choice system

The system enables to choose workplaces for 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)
- Increase maternity gift money, childcare allowance and related support
- Childcare support events and measures
Example: Family interaction events within the KADOKAWA Group



Motivation

Enhance personnel systems to improve employee motivation

Point

Enhance personnel systems that improve motivation

- In-house free agent system and encouraging employees to have concurrent jobs
- Side job system
- Enhance one-off payments for obtaining qualifications
- Open Call for group-wide cross-functional projects
Examples: A project allowing anyone, experienced in editing or not, to become a chief editor and make plans and proposals, a project for translating and publishing the world's top content, etc.
- Strengthen the program for supporting and discovering human resources for global operations

Reduce the percentage of managerial-level employees and streamline the organization to accelerate decision making



Technology

Achieve in-depth business reform through DX

Point

Improve operational efficiency through the digitization

- Use digital tools and AI to support production
- Effective use of sales promotion plan data through dashboard
- Centralize license management systems

Improve skills in the area of technology

- Organize a hackathon focused on the latest technologies
- Open the programming courses of N/S high schools to employees
- Organize training sessions, seminars and workshops in the area of technology tailored to the specific businesses

Expand various programs compatible with the remote working environment

Environment (TCFD)

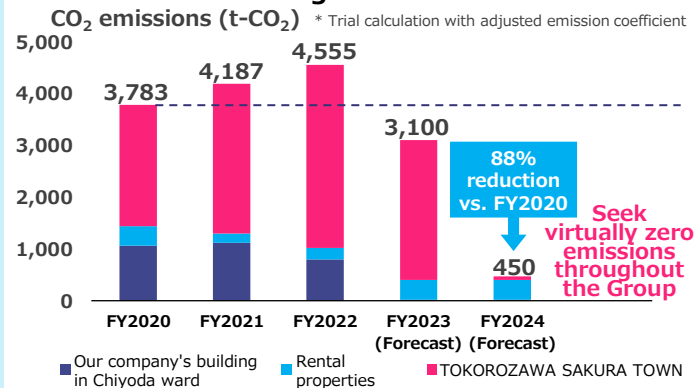
The target of reducing greenhouse gas (GHG) emissions by 50% by FY2030 is expected to be achieved during FY2024, earlier than planned. Pursue virtually zero emissions throughout the KADOKAWA Group

Topics

Realize an office with virtually zero CO₂ emissions

- The electricity used in our company's building in Tokyo's Chiyoda ward and TOKOROZAWA SAKURA TOWN will be virtually transitioned to renewable energy (scheduled in December 2023) and a 88% reduction will be achieved in FY2024
- We are also considering switching the sources of the electricity at Group companies

▶ Change in KADOKAWA's GHG emissions over time and target



Social

Encouraging employees to demonstrate their creativity and increasing their motivation. Developing an environment where diverse employees can demonstrate their capabilities

➢ Target female manager ratio*

FY2022 19.3% ▶ FY2030 30%

* The ratio combines KADOKAWA and its domestic consolidated subsidiaries

➢ Strengthen the recruiting, development and support of human resources for global promotion

Topics

Introducing programs and systems supporting creativity and motivation

- Improvement of programs and allowances supporting employees' careers
- Encouraging employees to make proposals

Active roles for diverse human resources

- Increase in the number of women in managerial-level positions throughout the KADOKAWA Group
- Increase in the number of employees with disabilities throughout the KADOKAWA Group under the special subsidiary company system.
- Increase in the number of non-Japanese employees throughout the KADOKAWA Group

Governance

Strengthen the Board of Directors' supervisory function, increase management transparency and accelerate decision making.

Increase awareness of legal compliance and continue to strengthen corporate governance by, for example, improving the audit system

Topics

Shifting to a company with a nominating committee, etc.

- A majority of directors are outside directors

Cultivating a corporate culture that places importance on compliance

- The Compliance Committee operates under stricter supervision
- Improve the whistle-blowing system, the questionnaires of officers and employees, the provision of opportunities to increase awareness of compliance and other initiatives

Reduction of cross-shareholdings

- Reduce cross shareholdings aiming for a certain percentage of net assets

- Contribute to the spread and development of culture through the creation of sustainable content

Priority SDGs initiatives

Streamlining paper consumption

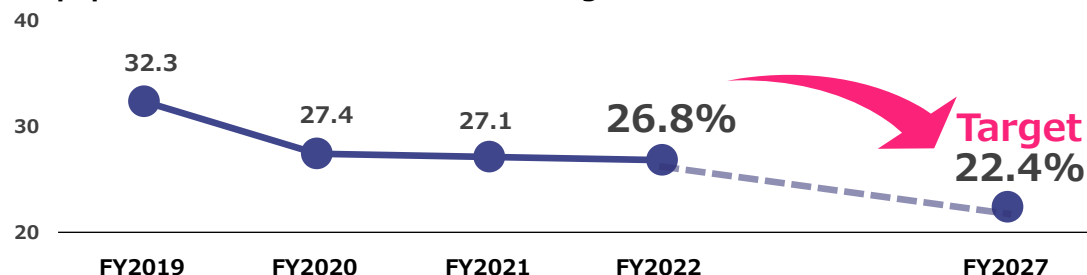


Reduce paper consumption by checking paper-based book returns

- Operate the logistics plant within TOKOROZAWA SAKURA TOWN
- Shift book production from forecast-based production to on-demand production
- Improve the accuracy of book distribution and shipment and automate the replenishment of store inventories



Change in the return rate of KADOKAWA Group paper-based books over time and target



Providing an equal and creative educational environment



Through the education/EdTech business, we will provide practical and specialized education opportunities which can open up a future for a large number of people

Provide cutting-edge EdTech to N/S High Schools and ZEN University (tentative name). Provide people seeking to acquire a high school diploma while working, aspiring to establish a career in culture, sports or other areas of specialization and many other people with many different learning opportunities



Develop and produce specialists in the creative industry and contribute to the industry's sustained growth

Implement creative education in partnership with Vantan's vocational schools, N/S High Schools and ZEN University (tentative name). Help make a variety of dreams come true and also contribute to the industry's growth

A Platform for Creativity

We discover talent, maximize their value and bring the content they create to a global audience with the power of technology.

Harnessing the Group's expertise, creativity and technology, we continuously create and develop innovative businesses.

Appendix

Results of Mid-term Plan (FY2022-FY2024) and Improvements Needed

Quantifiable targets

Mid-term plan targets were achieved in the first year (net sales, international net sales, operating profit and EBITDA)

- Making a hit game and the growth of other businesses helped increase operating profit from 18.5 billion yen in FY2021 to 25.9 billion yen in FY2022
- We continued the sustained expansion of the publication, animation and other priority businesses and the growth and stabilization of the gaming business which fluctuates significantly

IP creation

The planned number of IPs created has been achieved

- Five thousand or more publication IPs and 40 or more animation titles were created annually. We created global hit games.
- We continued the creation of strong IPs and the improvement of the publication business's operating margin

Media mix development

The international distribution of animation grew and we adapted our original works into animated works and mobile games in-house

- The Company's original animated title, The Eminence in Shadow became a hit simultaneously with its mobile game adaptation
- We continued to strengthen our production capacity in the animation business and expand our gaming business

International expansion

More of our publications, videos and games were distributed globally

- More of our works were simultaneously distributed globally and more international bases were added (North America: IZE PRESS and ANIME NEWS NETWORK, Europe: JNC Nina)
- We continued to add more international bases and rebuild our global license system

Digital deployment

Our e-book business grew and our education business expanded

- E-books are outpacing the market growth rate. Reinforced the lineup of TATESC works and began global expansion
- The number of students of N/S High Schools and Vantan increased
- We promoted the greater expansion of our education business and the development of the fan community business

Profitability improvement

Our facility operation business has been rebuilt

- We withdrew from operating EJ Anime Hotel, Narita Anime Deck and EJ Anime Theater Shinjuku
- We pushed forward with the improvement of our unprofitable businesses



KADOKAWA

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- 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.