



KADOKAWA

Integrated Report 2023

1	THE KADOKAWA GROUP	04	3	ESG INFORMATION	32
	History of the KADOKAWA Group	06		Environment	34
	The KADOKAWA Group's Strength	08		Social	36
	Value Creation Process	10		● (Special Contents 2)	
	Value Provided	12		Giving Shape to Employees' Ideas	42
	FY2022 at a Glance	14		Corporate Governance	44
				● Systems for Risk Management and Compliance	48
2	BUSINESS STRATEGY	16		● Members of the Board	50
	Message from the CEO	18		● Members of the Board (Skills Matrix)	52
	Progress of the Mid-term Plan			● Stakeholder Engagement	54
	Enhancement of Corporate Governance			● (Special Contents 3)	
	Human Capital Strategy			Independent Board Member's Round-Table Discussion	56
	Financial Results for FY2022	24	4	DATA SECTION	62
	(Special Contents 1)			Financial Highlights and Non-Financial Highlights	64
	Initiatives for Overseas Business	28		Consolidated Financial Statements	66
	Financial Strategy	30		Key Performance Indicators, etc. (Consolidated)	70
				Stock Information	72
				Company Information and List of Group Companies	74

Special Contents

P28 Initiatives for Overseas Business

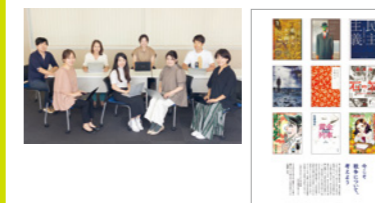
Takashi Sensui, CGO
Takeshi Kikuchi, CAO

The increase in the percentage of the KADOKAWA Group's overseas sales is attributed to the global popularity of IP originating from Japan. We are making great strides toward becoming a global company that deploys IP on a global scale and are making concrete efforts toward this aim, including expanding our overseas business bases, implementing marketing measures, and expanding our media mix. Focusing on our overseas publishing and overseas animation businesses, these special contents section provides information about the Group's global expansion through interviews with Chief Officers Takashi Sensui and Takeshi Kikuchi.



P42 Giving Shape to Employees' Ideas

The KADOKAWA Group has established a system which allows employees to propose ideas for new businesses or business improvements openly and autonomously. In this special contents section, we provide information about our *HR Project Focusing on Childcare Support* in which revisions to personnel regulations were made through Project Open Call, where employees themselves propose projects and form teams, and the "Now is the Time to Think about War" Project, in which direct proposals were made to the CEO to continue thinking about war in general.



P56 Independent Board Member's Round-Table Discussion

Independent Board Member's Round-Table Discussion with Seven Independent Board Members

After the General Meeting of Shareholders held in June 2023, we transitioned to a company with a Nomination Committee, etc., welcoming five new Independent Board Members with extensive experience in each of their respective fields. Aiming to further enhance corporate governance and enlarge our businesses, we will look into how we will improve corporate value for all stakeholders through this new version of KADOKAWA. All of our seven Independent Board Members will talk about their individual roles and what they hope to accomplish from the Company under the new structure.



Editorial Policy

The aim of this Integrated Report is to enable stakeholders to gain a better understanding of various topics relating to the KADOKAWA Group. Such topics include the process by which the Group leverages its capital and strengths to generate value together with users, fans, and creators, the Group's business strategy for continuing to create value over the medium to long term, its ESG information, and the finances that underpin the Group's business activities. The editorial team endeavored to make it an easy-to-understand, engaging report.

When editing the report, the editorial team referred to the International Reporting Framework of the IFRS Foundation and the Guidance for Collaborative Value Creation 2.0 of the Japanese Ministry of Economy, Trade and Industry.



Reporting Period FY2022 (April 1, 2022 to March 31, 2023)
Note that some content relating to information before or after FY2022 is also included.
Scope of Report KADOKAWA CORPORATION and its Group companies in Japan and overseas

Performance forecasts and other forward-looking data included in this Integrated Report were determined by the KADOKAWA Group based on information available at the time of printing. Forward-looking data involve many uncertainties, and actual performance may differ from such data. Readers are therefore advised to refrain from relying completely on this data when making decisions, particularly regarding investment.



<https://group.kadokawa.co.jp/global/>
KADOKAWA Group portal site provides a variety of information on topics including investor relations, an overview of the Group's business, and sustainability. Readers are recommended to refer to the website in conjunction with reading this Integrated Report.



1



THE KADOKAWA GROUP

- History of the KADOKAWA Group06
- The KADOKAWA Group's Strength08
- Value Creation Process10
- Value Provided.....12
- FY2022 at a Glance.....14

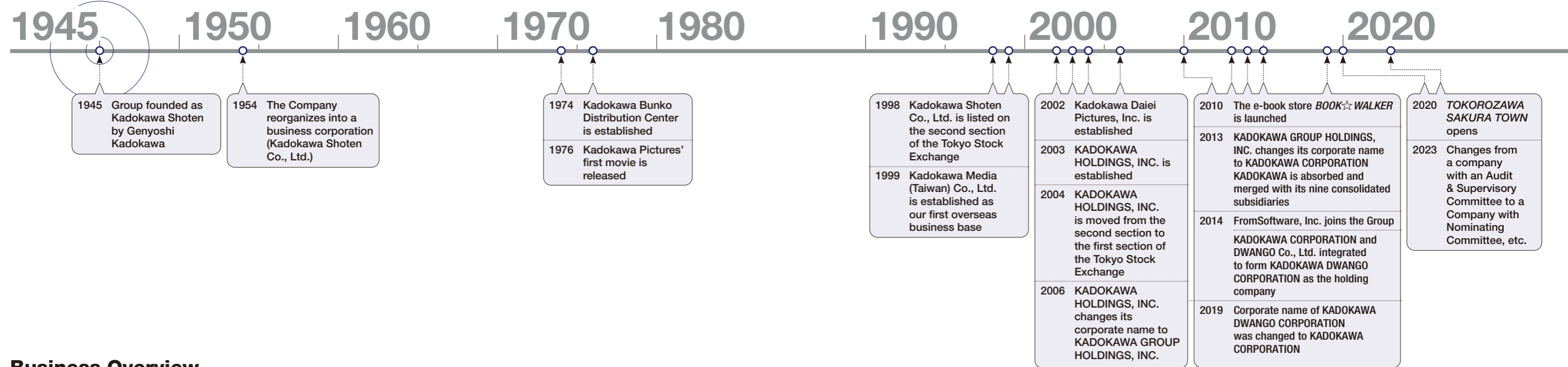
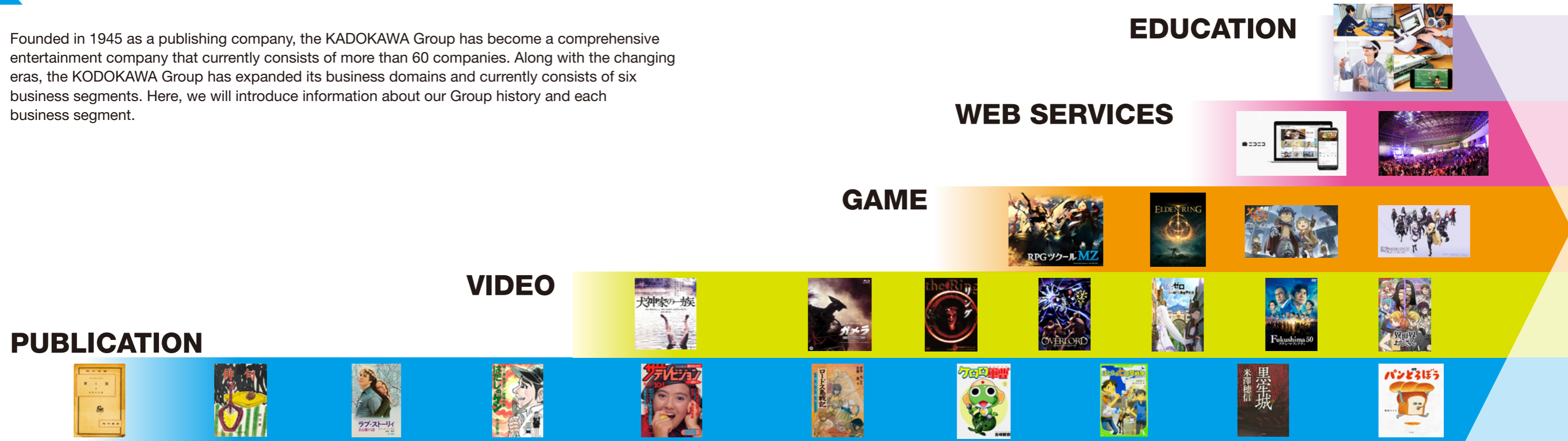
Group Philosophy

CONTINUITY AND CHANGE

“Continuity and Change” is the philosophy that Matsuo Basho, internationally renowned haiku poet of the 17th century, had ultimately arrived at. Such a philosophy is what Genyoshi Kadokawa, founder of KADOKAWA SHOTEN, had considered to be the cornerstone of the publishing business he founded and had put into practice in his business. The constant pursuit of novelty brings visibility to what essentially remains eternally unchanged. The will to continue taking on new challenges without fear of change is what comprises the “KADOKAWA Spirit.” “Continuity and Change” is the management philosophy of KADOKAWA and what we will continue to aspire towards, to connect ourselves with the future.

History of the KADOKAWA Group

Founded in 1945 as a publishing company, the KADOKAWA Group has become a comprehensive entertainment company that currently consists of more than 60 companies. Along with the changing eras, the KADOKAWA Group has expanded its business domains and currently consists of six business segments. Here, we will introduce information about our Group history and each business segment.



Business Overview

PUBLICATION

We continuously publish new creative works, amounting to some 5,000 titles each year in a diverse range of genres including literature, comics, light novels, children's books, and how-to books. In addition to publishing in paper and e-book formats, we are focusing on improving our ability to create works through collaboration with other businesses, such as video distribution, events, and merchandise businesses, as well as developing various electronic platforms centered on the comprehensive e-book store BOOK☆WALKER, and discovering new talent on online user-generated content (UGC) platforms or on social media.

VIDEO

In addition to planning, producing, and distributing live-action and animated films, selling packaged software, and licensing rights, such as video distribution rights, the Company operates KADOKAWA Cinema Yurakucho and Mubichike electronic ticket service. In recent years, we have produced approximately 40 animated works per year, including original works by other companies and original animations in addition to our own original works. In the live-action field, we are producing dramas and movies with a focus on providing quality at a global standard.

GAME

We plan, develop, sell, and license game software as well as online games. While developing console games including FromSoftware, Inc. global hit title ELDEN RING, we are also working on the development of mobile games based on our own book and animation-based IP such as *The Eminence in Shadow: Master of Garden*.

WEB SERVICES

Niconico, one of Japan's largest video social network services, has developed a platform where people can enjoy communicating using a unique commenting function, including Niconico Douga and Niconico Live Streaming, and also hosts events such as Niconico Chokaigi, a hybrid event designed to connect Niconico's virtual world with real life, and Animelo Summer Live, the world's largest anime songs music festival. These are examples of the digital content and services that Niconico provides based on the strength of its diverse ideas and advanced technological capabilities utilizing technology.

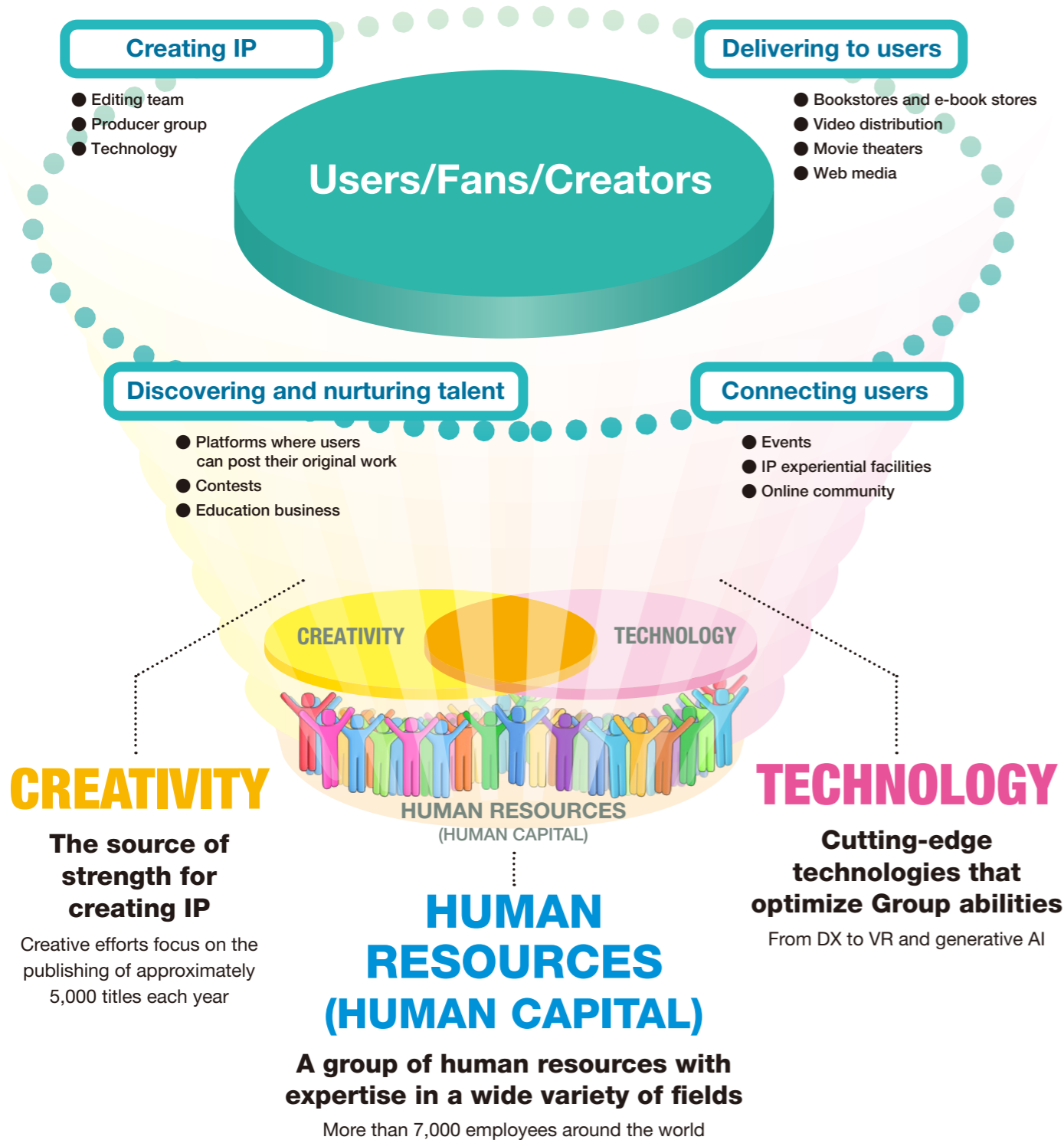
EDUCATION

A professional educational institution specializing in preparing students for work in creative fields, Vantan Inc. focuses on fostering creators in a variety of fields, including fashion and food, in addition to fostering human resources who can work in the entertainment field and next-generation media. DWANGO Co., Ltd. provides cutting-edge online learning systems, including VR teaching materials and online classes, to N High School and S High School, correspondence-course high schools that use the Internet.

OTHERS

This segment also includes the operation of IP experiential facilities including TOKOROZAWA SAKURA TOWN, a commercial facility for events, dining, etc., as well as the planning and sale of character goods, including character figures based on our own IP, and other new businesses.

The KADOKAWA Group's strength is its ability to maximize the value of its IP (intellectual property) by being involved in all spheres of entertainment at every stage of an IP's development from its very beginnings. With our human resources (human capital) serving as the core of our strength, we work together with users, fans, and creators to implement the following four actions: "Creating IP", "Delivering to users", "Connecting users", and "Discovering and nurturing talent".



Four Actions That Give the Group Its Strength

Creating IP

We use the Group's editorial and production capabilities, along with technology, to convert information, ideas, and narratives generated by creators into intellectual property that can be delivered to users in the form of media such as books, animations, and games. We also increase points of contact with users and extend the potential for artistic expression by deploying individual IP across multiple media (i.e., pursuing a "media mix").

Delivering to users

We deliver IP in the form of books, animation, and games to users and fans around the world. The network connecting the IP handled by the Group with users is expanding globally by operating directly-managed bookstores, e-bookstores, IP experience facilities including theaters, management of web media by each Group company, and through collaboration with many partners in Japan and overseas.

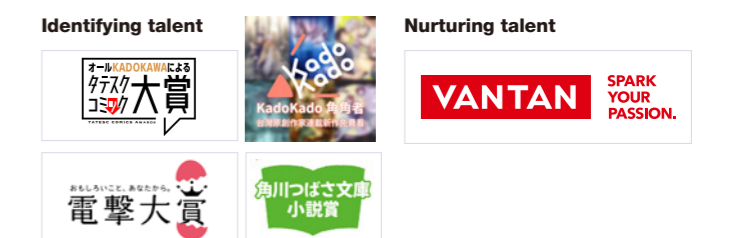
Connecting users

We connect users together by operating our own platforms and IP experiential facilities. By doing this, we offer opportunities and locations for users to have fun together through means such as online fan communities as well as hybrid events and content linking the online world with the real-world.

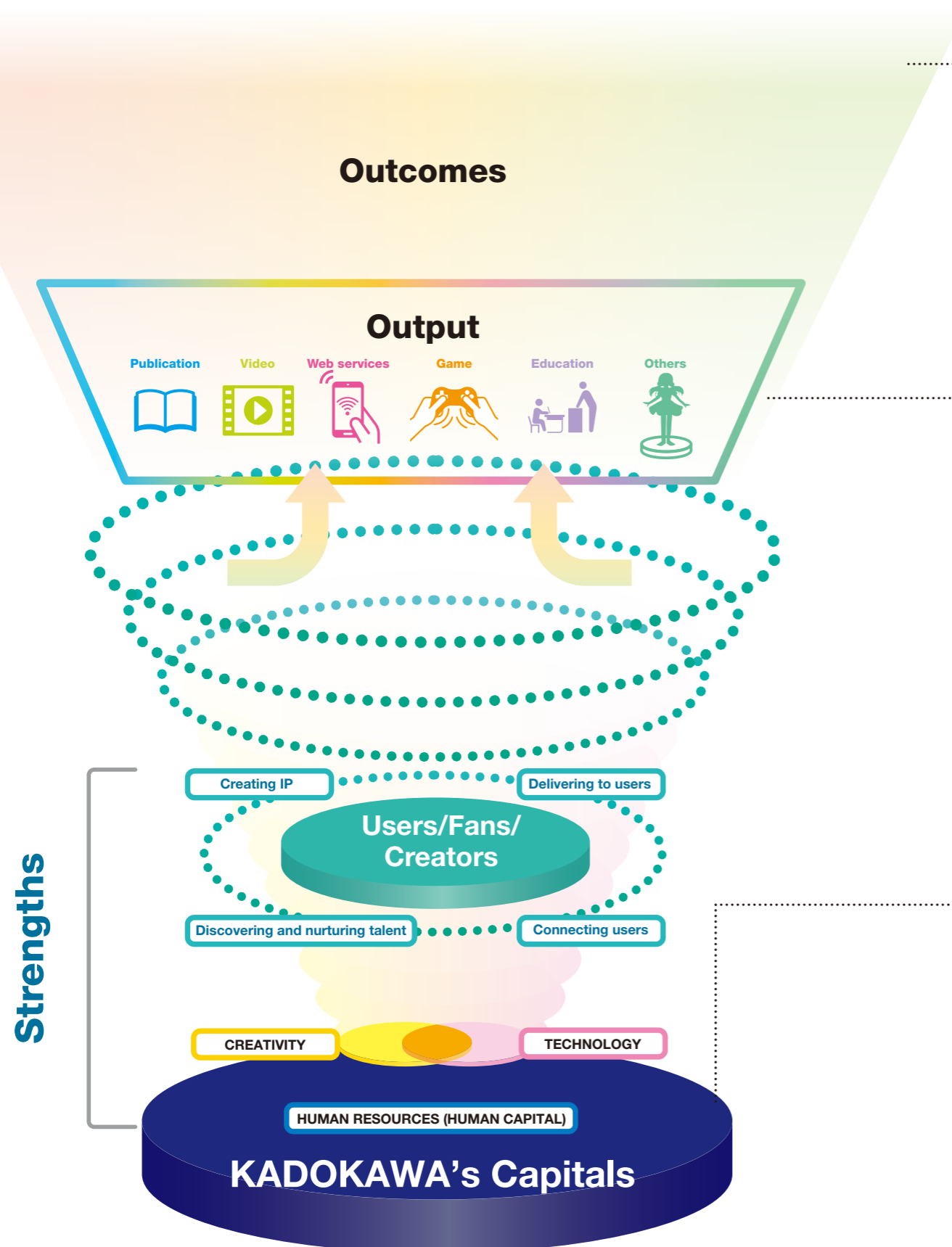
Discovering and nurturing talent

We identify new talent by running contests, as well as online platforms where users can post their original work, to provide spaces and opportunities for creators to generate new narratives. In the education business, we help individuals bring out their diverse talent by providing learning environments that respond to various needs as well as the latest VR learning materials.

Example of IP deployment: *The Eminence in Shadow*



The strengths born from the capitals possessed by the KADOKAWA Group continue to expand in response to users, fans, and creators around the world lead to the generation of new output, thereby providing value to individuals, society, and culture on a sustained basis.



Value Provided

<h3>Individuals</h3> <p>Each individual finds their own types of content that make them happy in their own way.</p>	<h3>Social</h3> <p>Diverse content promotes mutual understanding throughout society.</p>	<h3>Culture</h3> <p>Culture is passed on to the next generation, then new culture emerges.</p>
---	--	--

Output

No. of books	Approx. 5,000	No. of translation languages for books deployed overseas	29	No. of participants (Niconico Chokaigi 2022)	Approx. 13.99 million
No. of live action titles	19	Cumulative no. of visitors to IP experiential facility TOKOROZAWA SAKURA TOWN	Approx. 3 million	No. of venue visitors	Approx. 96,000
No. of animations	59	No. of VANTAN students	7,373	No. of online participants	Approx. 13.89 million
No. of registered members (BOOK☆WALKER)	3.5 million	No. of open contests for creative works (organized by KADOKAWA)	36+	No. of Niconico regular members	95.1 million
Ratio of cinema complexes using Mubichike	100%	No. of novels, etc. posted on Kakuyomu made into titles (inc. titles published by other companies)	374	No. of Niconico channels	10,749
				No. of events (organized by KADOKAWA)	32

Note: Data shown are as of March 31, 2023.

KADOKAWA's Capitals

HUMAN CAPITAL	INTELLECTUAL CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	FINANCIAL CAPITAL	MANUFACTURED CAPITAL	NATURAL CAPITAL
<p>Diverse human resources with a high degree of expertise and creativity</p> <ul style="list-style-type: none"> No. of Group employees: 7,363/ editing personnel: approx. 650 (parent company only) No. of non-Japanese employees: approx. 800 No. of overseas Group companies: (consolidated subsidiaries and affiliated companies) 22 	<p>Assets for creation and development of IP</p> <ul style="list-style-type: none"> A wealth of archived titles: more than 120,000 books, more than 2,000 videos Operation of TOKOROZAWA SAKURA TOWN, movie theaters, studios, etc. 	<p>Networks and trust that maximize value</p> <ul style="list-style-type: none"> No. of bookstores that can carry KADOKAWA products: Approx. 8,400 throughout Japan No. of individual business partners such as creators and writers: Approx. 75,000 	<p>Funding for continuing business activities</p> <ul style="list-style-type: none"> Capital adequacy ratio: 52.9%/ 	<p>Production, distribution, and sales bases in Japan and overseas</p> <ul style="list-style-type: none"> Digital Production and Distribution Plant at TOKOROZAWA SAKURA TOWN 	<p>Reduce consumption of resources and energy through business improvements</p> <ul style="list-style-type: none"> Reduce excessive consumption of paper by reforming the printing, distribution, and editing process of books

Aiming to Become a Corporate Group Where Customers Can Find What They Love

The KADOKAWA Group sets its sights ahead of the times as it continuously reforms itself to create value through collaboration with users and creators. The value we create can be described from three perspectives: the individuals who are the ultimate targets of our business activities, the society formed when those diverse individuals come together, and the culture that is forged during the progress of time from the past into the present, and on into the future.

Providing opportunities for customers to find and enjoy what they love anytime, anywhere



Providing opportunities to consider social themes through creative works



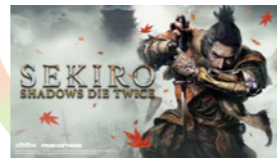
Fostering a culture where artists are born thanks to Me Singing and Me Dancing



Providing various types of contents that they love to the world through the light novel genre



Numerous action games that provide players with challenges and high sense of accomplishment



Individuals

Each individual finds their own types of content that make them happy in their own way.

We create spaces and environments in which users, creators, and everybody else can fully express their own creativity and appreciation for content at every stage of the process from content creation, through experiencing and sharing, to cultivation of new content. We support individuals in finding their own types of content and their own form of happiness, whether they are merely curious about certain content, are offering their own top recommendations, or are passionate about creating new content.

Social

Diverse content promotes mutual understanding throughout society.

Transcending the bounds of language and culture to deliver a diverse range of content worldwide offers people an opportunity to encounter values they were previously unaware of and think about others. The enjoyment such content affords, and the experience of sharing the feelings it arouses, forge emotional connections among people with differing values all over the world, helping to deepen their understanding of each other.

Helping to create a place for gaming fans to enjoy together through e-sports



Supporting ramen culture by disseminating ramen information all over Japan



Creating opportunities for fans to support creative works by voting for them in award events



Helping to provide educational opportunities through technology regardless of environment



Supporting students turn their passion into a career



Supporting learning in a wide variety of genres, from business to lifestyle



Culture

Culture is passed on to the next generation, then new culture emerges.

Ever since Kadokawa Shoten was founded in 1945, the Company has worked to propagate and advance culture by creating content and services. Looking ahead, we will continue enriching people's inner lives, and society, by passing culture on to future generations, while also creating new culture. The words written by Kadokawa Shoten founder Genyoshi Kadokawa in 1949, entitled "On the Occasion of Kadokawa Bunko's Launch" state his sense of responsibility and determination with regard to culture, and these words now comprise one of the philosophies underpinning the Group's business activities.

Supporting a new dance culture and professional dancers, providing opportunities to deliver excitement to a wide audience



Passing on culture through the preservation, restoration, and dissemination of Classic Masterpiece Motion Picture Films



Financial results for FY2022 are presented along with creative works that have led to these results.

Publication

Net Sales were 139,990 million yen (up 5.3% year on year)
Operating profit was 13,155 million yen (down 24.3% year on year)

The Eminence in Shadow, Vol.8
Comic adaptation of a very popular otherworldly fantasy novel series that has sold more than four million copies.

Pan Dorobou: Onigiri Boya No Tabidachi
A popular picture book series that has sold more than 2.3 million copies in total since the first book was released in 2020.

Uncle from Another World, Vol.9
A new type of otherworldly comedy manga. A mega-hit comic book series that has sold more than 3.5 million copies.

Ratio of Net Sales: **55%**

Segment	FY2021 (million yen)	FY2022 (million yen)
Publication	132,972	139,990
Video	33,112	43,289
Game	19,490	30,351
Web Service	21,342	22,063
Education	10,803	12,475
Others	11,487	17,199

Net sales

(million yen)

255,429

Publication 139,990

Video 43,289

Game 30,351

Web Service 22,063

Education 12,475

Others 17,199

Operating profit

(million yen)

25,931

Publication 13,155

Video 2,169

Game 14,218

Web Service 1,641

Education 1,768

Others (4,535)

Education 742

FY2021 FY2022

Web Service

Net Sales were 22,063 million yen (up 3.4% year on year)
Operating profit was 1,641 million yen (down 18.5% year on year)

Niconico
One of the largest video social network services in Japan. The number of monthly premium members is 1.31 million (as of the end of March 2023).

Animelo Summer Live 2022
Animelo Summer Live is the biggest anime song music festival in the world. During Animelo Summer Live 2022, more than 50 individual artists/group from various record labels performed.

Niconico Chokaigi 2022
An event that is held both on the Internet and at an actual venue. Venue visitors numbered 96,000 despite the COVID-19 pandemic.

Ratio of Net Sales: **9%**

Video

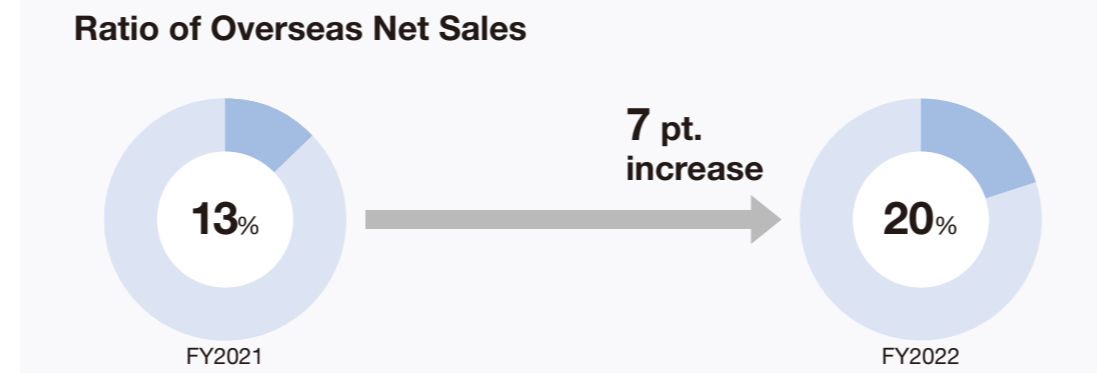
Net Sales were 43,289 million yen (up 30.7% year on year)
Operating profit was 2,169 million yen (up 61.8% year on year)

The Eminence in Shadow
Anime adaptation of the very popular otherworldly fantasy novel *The Eminence in Shadow*.

As Long as We Both Shall Live
Snow Man, idol group member Meguro Ren's first starring role was in this movie. *As Long as We Both Shall Live* was ranked No. 1 in the nationwide movie mobilization rankings.

Bungo Stray Dogs
An animated series based on the superpower action battle manga series that has sold more than 12 million copies.

Ratio of Net Sales: **17%**



Education

Net Sales were 12,475 million yen (up 15.5% year on year)
Operating profit was 1,768 million yen (up 138.2% year on year)

VANTAN CREATOR ACADEMY
Vantan Creator Academy specializes in training professionals in the online video industry, which is considered a next-generation media. These future media professionals include YouTubers and other video creators, producers and channel operators who support them, writers who are essential for video production, video directors, and event planners and administrators.

VANTAN GAME ACADEMY
Japan's oldest technical school for game and other content creators.

Providing VR learning materials, etc. through DWANGO
Provides educational content and systems to N High School and S High School correspondence-course high schools, etc.

Ratio of Net Sales: **5%**

Game

Net Sales were 30,351 million yen (up 55.7% year on year)
Operating profit was 14,218 million yen (up 173.4% year on year)

ELDEN RING
An action RPG where players can enjoy adventures with a high degree of freedom in a large world with a variety of situations present. Released on February 25, 2022, *ELDEN RING* became a worldwide hit, shipping more than 20 million units worldwide. The game also won various awards, including "Game of the Year" at *The Game Awards 2022*.

AI: THE SOMNIUM FILES - nirvanA Initiative
AI: THE SOMNIUM FILES - nirvanA Initiative is the sequel to the suspense adventure game *AI: THE SOMNIUM FILES*, which was highly acclaimed by mystery fans around the world.

The Eminence in Shadow: Master of Garden
The first official RPG version of *The Eminence in Shadow*.

Ratio of Net Sales: **12%**

Others

Net Sales were 17,199 million yen (up 49.7% year on year)
Operating loss was 4,535 million yen

TOKOROZAWA SAKURA TOWN
TOKOROZAWA SAKURA TOWN is one of Japan's largest pop culture centers that has welcomed approximately three million visitors over the years.

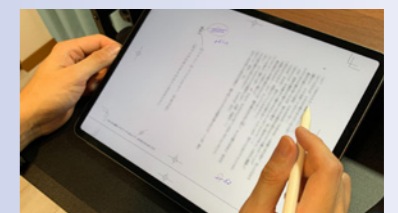
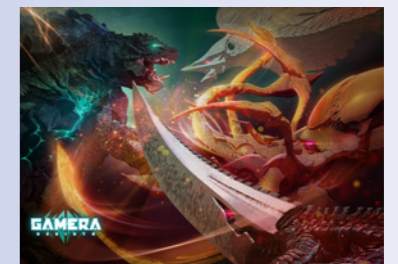
Merchandising business, new businesses, etc.
This segment includes the merchandising business, which is involved in the planning and sales of character goods, such as character figures, which are also popular overseas, and other new businesses which some of them have started offering services.

Ratio of Net Sales: **7%**

● The ratio of net sales by segment was calculated based on FY2022 performance.
● The ratio of net sales by segment includes net sales deriving from internal transactions between business segments.
Due to the elimination of internal transactions between business segments in calculating consolidated net sales, which is the denominator for calculating the ratio by segment, the ratio of net sales by segment does not total 100%.



2



BUSINESS STRATEGY

- Message from the CEO18
 - Progress of the Mid-term Plan
 - Enhancement of Corporate Governance
 - Human Capital Strategy
- Financial Results for FY202224
- (Special Contents 1) Initiatives for Overseas Business28
- Financial Strategy30



Aiming to Become a Corporate Group That Will Lead the World in IP Creation

Japanese content is now attracting attention worldwide. Many Japanese creators are active around the world, not only in the areas of animation, games, novels, and movies, but also in video, music, and dance. The KADOKAWA Group serves as a platform to maximize the value of such creators' talents. It is one of the few corporate groups in the world that not only creates original works, but also produces animation and games, operates video platforms, and provides educational systems to foster and support creators in a broadest sense.

We want to be a creative company that maximizes the value of content. In order to support creators, we have to be creative ourselves. This is where our cutting-edge technology comes into play. As a technology company, KADOKAWA goes all out with efforts to utilize technology for maximizing creativity. Our management is doing its best to be creative in motivating its employees since we believe that motivating our employees is paramount as a creative company. We are also devoted to open and fair decision-making and continue to try all kinds of new approaches in order to bring out the full potential of all our employees.

Today, KADOKAWA is a corporate group that mainly deploys IP from Japan around the world. In the future however, we would like to become a platform for discovering and promoting talent from around the globe. Therefore, we intend to further globalize our businesses and organization to increase our presence in the global market.

Please continue to keep an eye on KADOKAWA, a global creative tech Company.

TAKESHI NATSUNO

Chief Executive Officer

Progress of the Mid-term Plan

Basic Policy

Global Media Mix with Technology

We will realize our corporate transformation through open and fair management and a human capital strategy that maximizes individual creativity

Creativity

×

Motivation

×

Technology

Progress of the Mid-term Plan

- Enlarging and enhancing the media mix

- Improving digital deployment and digital infrastructure

- Expanding works simultaneously distributed on a global scale
- Creating hit IP originating overseas

- Promoting the reorganization of our IP experience facilities operation business

Overview

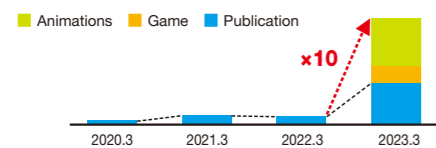
Enlarging and Enhancing the Media Mix

The Eminence in Shadow, an anime series produced by KADOKAWA, and the game *The Eminence in Shadow: Master of Garden*, which we developed through a joint venture, both became hits at the same time

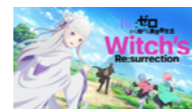
Publication segment sales quadrupled year on year due to an animated series and mobile game adaptation of *The Eminence in Shadow*. Total IP net sales increased by 10x year on year.



The Eminence in Shadow IP Net Sales



Accelerated media mix business operations by expanding development lines to include in-house production of games in addition to publishing and animation



Created a hit with a live-action movie based on an original story by our Company. Further increased our media mix through animation adaptations, etc.

The movie *As Long as We Both Shall Live*, which was released in March 2023, achieved an audience of 1.76 million and box-office revenue of 2.3 billion yen in its first month after release. The original novel series that the movie is based on has sold a total of 7 million copies (includes e-book and comic versions).

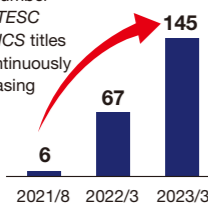


Digital Deployment and Infrastructure Improvement

Enhancing e-book/TATESC* deployment

Our e-books business grew faster than the market growth rate. We strengthened the lineup of TATESC titles and started their global deployment.

The number of TATESC COMICS titles is continuously increasing



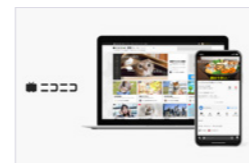
TATESC COMICS, the English-language version, is now available on the Company's own e-book store, BOOK☆WALKER Global.

* TATESC COMICS, an imprint dedicated to vertically scrolling comics

Improvement of digital infrastructure

Investment in digital infrastructure to improve user experience and reduce costs over the long term

Started the active utilization of AWS in our Niconico businesses. Carrying out three years of focused investment.



Aims

- Improve user experience
- Reduce costs over the long term
- Increase competitiveness

Overview

Expand works simultaneously distributed on a global scale / Create hit IP originating overseas

Expansion of product deployment overseas

Expanded promotions in North America

We have exhibited products at anime events including *Anime Expo 2023*, one of the largest anime events in North America. This has expanded awareness of our works.



Distribution of merchandise through various sales channels such as through bookstore distribution



Increased profits in the Greater China market



Following *Genshin Impact* from last year, Chinese game IP publishing projects continue to become hits



The simplified Chinese version of *Suzume* by Guangzhou Tianwen Kadokawa became a hit with over 700,000 copies* sold *As of April 31, 2023

Enhancing e-book/TATESC deployment in Southeast Asia

March 28, 2023

The e-book store BOOK☆WALKER Thailand was launched



Create IP originating overseas

Global deployment of IP originating overseas (includes deployment in Japan)



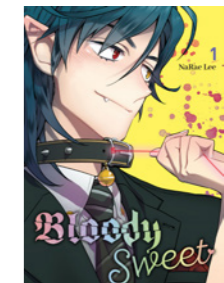
Video adaptation of our original Japanese works in China and global deployment



Comic adaptation of *The Three-Body Problem* author Liu Cixin's works



Chinese IP publishing planning and global deployment



Enhanced the deployment of books in North America based on IP from the Internet in South Korea



Held the *KadoKado Novel Awards* in Taiwan. The event was a success, with some of the approximately 3,000 submissions resulting in becoming books. We are planning to hold the event again.



TATESC COMICS Awards has been expanded to comics in six languages and is now being developed as the TATESC COMICS Global Awards

Promoting the reorganization of our IP experience facilities operation business

Under an investment management system that is conscious of capital costs, we are improving the profitability and capital efficiency of our business and promoting the construction of an optimal business portfolio

In the area of reform, we are reviewing and reorganizing our business structure and withdrew from unprofitable businesses

The Company withdrew from two IP experience facility businesses where it was difficult to improve profits and is promoting reorganization to form long-term sustainable businesses

The decision was made to withdraw from our *EJ Anime Hotel* and *Narita Anime Deck* businesses, which have struggled to attract customers since their opening, since we expect that it will be difficult to secure earnings from those businesses in the future. Going forward, we will continue to focus on improving profitability through restructuring and other measures.



EJ Anime Hotel (closed at the end of May 2023)



Narita Anime Deck (closed at the end of June 2023)

Enhancement of Corporate Governance

Overview

Progress of Governance Reform

I like to express my deepest apologies for any concern and inconvenience caused to all concerned by the arrest and indictment of our Company officers and employees on charges of bribery in connection with sponsor selection for the Tokyo 2020 Olympic and Paralympic Games. Based on the recommendations of the Corporate Governance Inspection Committee, which is independent of the Company, we formed the Management Reform Promotion Committee and worked on all the items indicated by the recommendations. Along with the transition to a Company with Nominating Committee, etc. after the 9th General Meeting of Shareholders held in June 2023, we have responded to most of the issues. Moving forward, we will continue to work on fostering awareness of legal compliance and enhancing our supervisory system.

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 Members of the Board, (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 Members of the Board, etc.	(1) Reaffirm the duties of the Members of the Board and the duties of the Members of the Board, (2) Establish channels for obtaining information on illegal activities and reporting requirements, (3) Improve the system for evaluating the effectiveness of the Members of the Board, (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

The Report of the Corporate Governance Inspection Committee (published document)
https://ssl4.eir-parts.net/doc/9468/ir_material/199788/00.pdf



The Report of the Corporate Governance Inspection Committee (Summary) (English version)
https://ssl4.eir-parts.net/doc/9468/ir_material/199950/00.pdf



Our three commitments for restoring trust

Since assuming the position of CEO, I have been very conscious of whether or not open decision-making is taking place. I will continue to pursue this. I want to create a version of KADOKAWA that is open and easy to understand, not only for our employees and management, but also for our investors, readers, and users.

There are some differences between the current governance system and the one that existed around the time of the Tokyo 2020 Olympic and Paralympic Games incident since it occurred in 2016. The report issued by the Governance Verification Committee pointed out the need to establish an appropriate governance structure. We had been working on the establishment of an appropriate governance system before and after I assumed the position of President. Also, I feel ashamed because of the incident that occurred.

In order to restore trust, the management team has disseminated three commitments both internally

and externally on various occasions.

The first is to ensure open decision-making. There will never be a time in a future which we do not know where a decision was made. We will make decisions where we can properly explain the reasons for our actions and policies.

The second is to make fair business decisions. Of course, there is no decision that fully satisfies all stakeholders, including users, readers, shareholders, and employees.

However, we will do it properly and fairly, and we will manage our business with attention to fairness.

Finally, we will eliminate giving into the wishes or excessive consideration being given to groups or individuals within the Company. We will create a corporate culture in which it is perfectly acceptable for anyone to speak about anything they feel is not right. I will make every effort to reach out to our employees and promise to engage in fair and open dialogue regarding raised issues with those who have voiced their concerns.


Human Capital Strategy

Overview

Strengthening our foundations for growth

We have identified Creativity, Motivation, and Technology as three tools for strengthening our foundations for growth.

We are actively working to motivate our employees in order to bring out their creativity to a further extent. Since we also believe that technology is essential to maintaining motivation, we want to create and maintain a situation where we are as good as any IP company in terms of technology. We will continue to use technology to create a better working environment for our employees, motivate them, and bring out their creativity to a further extent.

Creativity	Motivation	Technology
Developing an environment that facilitates creativity <ul style="list-style-type: none"> Introduction of “workplace choice” (work location selection system) for autonomous work styles where employees are not restricted to certain times or location. Introduction and strengthening of various leave systems and allowances for promoting creative ideas and diverse work styles Subscription allowance (Subsidizes the cost of employees’ use of subscription services in the entertainment genre) Childcare and nursing care leave and leave to care for children Childbirth gifts, childcare allowances, and babysitter support 	Enhancing personnel systems that improve motivation <ul style="list-style-type: none"> “Free-agent” transfer system: Employees apply for and are matched to positions. Project Open Call: Cross-organizational team formation by recruiting members from within the Company according to theme Side job system: Expand work-style options and support voluntary career development Support system for qualification acquisition: <ul style="list-style-type: none"> Lump-sum payment for qualification acquisition Issuance of Free ID for N Prep School 	Achieving in-depth business reform through DX <ul style="list-style-type: none"> Increasing productivity through the digitalization of operations <ul style="list-style-type: none"> Company-wide marketing dashboard visualizes data and improves work speed Expanding various systems to create a remote work environment <ul style="list-style-type: none"> Telecommuting allowance Tablet devices for proofreading are distributed to editors Disseminate measures throughout the Group using “Manga for Thorough Utilization of ICT Tools” 

In search of human resources that do not lose their originality or own ideas while working for KADOKAWA

The lifeblood of our Company is creativity. In other words, if you do the same thing that someone else is doing, you are not doing your job nor will you produce anything good. Therefore, it is important to be able to create new ideas and combinations that are not bound by the past. I often tell new employees, “do not lose your originality or your own ideas.” If they try it once and think it’s not right, I urge them to maintain the feeling that something is wrong. This is because such an opinion improves our organization.

I believe that what is needed for such creativity are measures to motivate employees. KADOKAWA has introduced a free agent-type transfer system in which employees who use the system are not limited by the wishes of their direct supervisors. We also encourage employees to spend a part of their working time working in a different department. Employees can also propose and launch cross-departmental projects. We also encourage employees to work on side jobs that they would not be able to experience doing in-house. I think that it is important for both the individual and the organization to have diverse perspectives without forgetting creativity.

Creating an environment where employees can play an active role globally

Now that the ratio of overseas sales exceeds 20%, the appointment of global human resources is essential for the growth of the Company.

The Global Human Resources Development Center, an in-house department established in FY2021, is promoting the strengthening of recruitment in countries around the world and the sharing and exchange of know-how at bases in Japan and overseas.

In particular, we are further promoting the sharing of Japanese know-how with overseas local subsidiaries. We have doubled the number of overseas expatriates dispatched from our head office with expertise in fields needed by local subsidiaries.

We also try to motivate our overseas employees by establishing new events to award the efforts of our overseas subsidiaries, and by inviting employees working overseas to come to Japan for facility tours.



Both Consolidated Net Sales and Operating Profit Have Reached Record Highs

Increase in the ratio of overseas net sales against the backdrop of the popularity of Japanese IP in the global market

Our financial results for the fiscal year ended March 31, 2023 (FY2022) are presented in this section together with priorities for pursuing product deployment in each segment.



In the Company's consolidated financial results for the fiscal year ended March 31, 2023, we achieved record highs in both net sales and operating profit, and achieved the numerical targets of the Mid-term Plan, which started in FY2022, in the first year of the plan.

With the advancement of digitalization and the creation of powerful IP, high growth in core businesses including publishing, animation, games, and education continues. In particular, *ELDEN RING* was a big hit in the game segment, contributing significantly to the Group's overall performance. In addition, backed by the popularity of Japanese IP in the global market, the ratio of overseas net sales rose from 13.1% in FY2021 to 20.5% in FY2022. Our global media mix is also expanding. Net income decreased due to impairment loss due to our withdrawal from unprofitable businesses and other extraordinary losses.

Having achieved the numerical targets of the Mid-term Plan starting in FY2022, the first year of the plan, due to the great success of the game business, we have set new management targets based on the growth strategy and plan to announce the new Mid-term Plan during the announcement of the financial results for the second quarter of FY2023.



	Results for FY2021	Results for FY2022
(Unit: Millions of yen)		
Net sales	221,208	255,429
Operating profit	18,519	25,931
Operating margin	8.4%	10.2%
Ordinary profit	20,213	26,669
Profit attributable to owners of parent	14,078	12,679
EBITDA	24,623	32,060



Publication Segment

Net Sales were 139,990 million yen (up 5.3% year on year); operating profit was 13,155 million yen (down 24.3%)

Meanwhile, e-book and e-magazine revenues increased due to the strong sales of otherworldly comics and media mix works, in addition to the ongoing growth in the overall market.

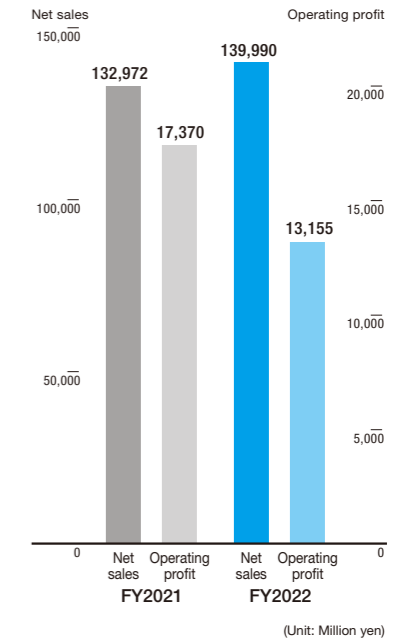
Paper-based book and magazine sales continued to grow overseas, mainly in North America and Asia, backed by the high popularity of Japanese IP, which led to the increase in sales.

Future Priority Strengthening the development and distribution of global works

The Company will strive to create powerful IP that will serve as the starting point for our global mix strategy through the digital transformation of operations, increasing our editorial staff, and revitalizing UGC. We will also focus on creating works that are compatible with multiple devices.

For global works distribution, we will invest in multilingual translation, increase the number of publications as well as speed up the publication of both paper-based books and e-books, and aim to expand the simultaneous distribution of e-books and paper-based books.

On the e-book distribution platform *BOOK☆WALKER*, we will continue to develop the global market by starting to offer e-books in Thai in addition to English and traditional Chinese versions.



Video Segment

Net Sales were 43,289 million yen (up 30.7% year on year); operating profit was 2,169 million yen (up 61.8%)

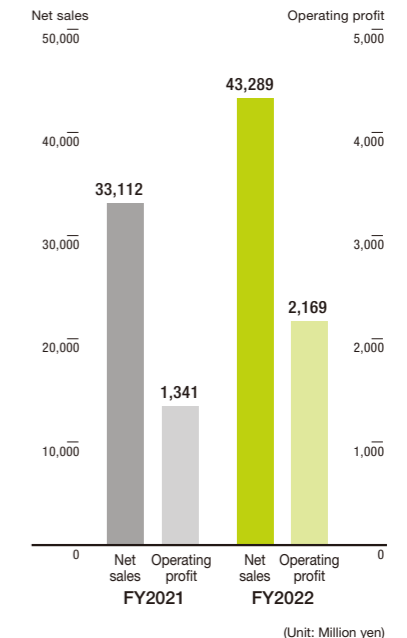
In addition to the increase in the number of new animations, the video segment continued to grow, with growth in domestic distribution sales and international sales of media mix works including *OVERLORD IV* and *The Eminence in Shadow*.

In the live-action segment, sales increased due to the theatrical film *As Long as We Both Shall Live* and other films.

Future Priority Strengthening the ability to create works with a view to global deployment

In animation, we aim to enhance the production structure, including the improvement of the in-house production rate, and promote the enhancement of IP creation capability in terms of both quality and quantity. In addition, we will strengthen overseas marketing to raise awareness of our works, and focus on licensing sales and video distribution in domestic and overseas markets.

In the area of live-action, we will produce works that meet global standards of quality that can be used in the global video distribution market, while also considering collaboration with overseas studios. At the same time, we will select and concentrate on theater projects, aiming to transform our live-action business into a global business that can generate steady profits.



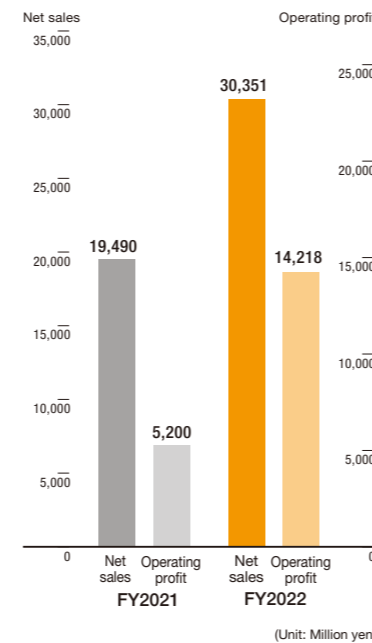
Game Segment

Net Sales were 30,351 million yen (up 55.7% year on year); operating profit was 14,218 million yen (up 173.4%)

The game title *ELDEN RING* from FromSoftware, Inc. is a big hit that has set records, with cumulative worldwide shipments exceeding 20 million units, contributing greatly to both sales and profit growth. In addition, in the joint and contracted development business, Spike Chunsoft Co., Ltd. *AI: THE SOMNIUM FILES - nirvanA Initiative* and *Made in Abyss: Binary Star Falling into Darkness* and the smartphone game adaptation of our own IP *The Eminence in Shadow: Master of Garden* also contributed to sales growth.

Future Priority Development of games based on our own IP and focus on major titles

As the global market, which includes Japan, expands, we are beginning to see results in the development of smartphone games that are based on our original titles. In the future, while expanding development lines, we will aim to further improve profitability through media mix. For PC and console games, we will continue to release of our Group's series titles such as *ARMORED CORE VI FIRES OF RUBICON*, which is a major title in the FY March 2024 as well as strengthen the development capabilities.



Web Service Segment

Net Sales were 22,063 million yen (up 3.4% year on year); operating profit was 1,641 million yen (down 18.5%)

In video social network services, the number of monthly paying subscribers (premium members) for *Niconico*, a portal service on the web, was 1.31 million as of the end of March 2023, falling from the end of March 2022. However, growth was due to the diversification of revenue sources such as "gifts," in which items are sent to live video broadcast programs, and advertising.

In the area of event planning and management, we held *Niconico Chokaigi 2022*, which was held at an actual venue for the first time in three years since 2019. Ticket sales as well as goods connected with the event increased.

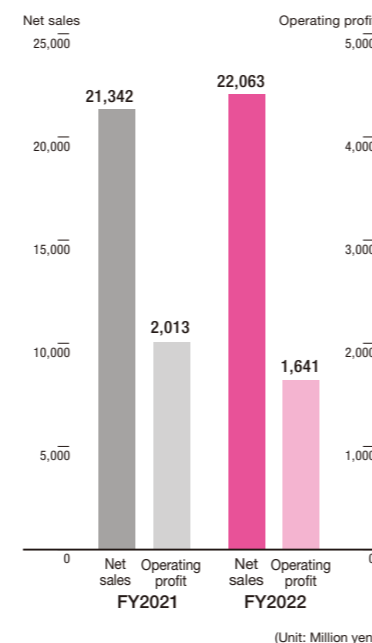
As a result, sales increased but profits decreased in the segment as a whole.

Future Priority Revitalizing fan communities and investing in digital infrastructure

We will continue our efforts to increase the monthly paying subscribers (premium members) and strengthen fan communities on *Niconico channels*.

In the planning and management of the event, *Niconico Chokaigi* and other events will enhance the sense of unity and satisfaction among users, as well as expand the opportunities for users to participate. At the same time, we will increase the selection and concentration of events and aim to make a profit on a stand-alone basis.

In addition, we will continue to invest in digital infrastructure using cloud servers to improve services, improve development efficiency, and reduce long-term costs.



Education Segment

Net Sales were 12,475 million yen (up 15.5% year on year); operating profit was 1,768 million yen (up 138.2%)

Education business sales increased as DWANGO Co., Ltd. provided educational content and systems to *N High School* and *S High School*, where the number of students is increasing due to the opening of new campuses and other factors.

In addition, Vantan Inc., which operates a human resource development school specializing in creating fields, established new courses and expanded regions in the FY ended March 31, 2022, and continued growth in the number of students at schools such as *VANTAN GAME ACADEMY*, which produces many game creators, resulted in increases in both sales and profit.

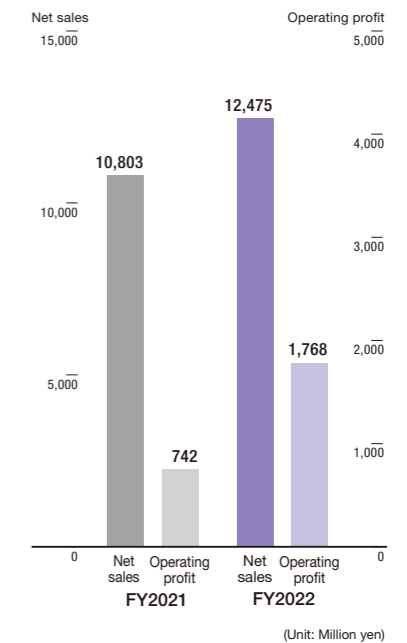
As a result, the overall segment continued to perform well, resulting in increases in both sales and profit.

Future Priority Enhance original educational content for further growth

DWANGO Co., Ltd. aims to continue to achieve high growth by providing high value-added teaching materials and systems, including VR learning materials for *N High School* and *S High School*.

Vantan Inc. will continue to grow by establishing new courses bearing the name "KADOKAWA" in fields that utilize Group synergies, such as manga and animation, as well as by expanding its area through the establishment of new school building.

In addition, we plan to provide an educational system that utilizes the Group's knowledge and technology to *ZEN University* (tentative name), an online university that Preparatory Association of The Nippon Foundation and DWANGO Educational Institute aims to open in April 2025.



Others Segment

Net Sales were 17,199 million yen (up 49.7% year on year); operating loss was 4,535 million yen

In the IP experience facilities operation business, sales increased due to initiatives such as the holding of cross-facility events at *TOKOROZAWA SAKURA TOWN*. In addition, we have decided to withdraw from operating *EJ Anime Hotel* and *Narita Anime Deck*, which are businesses where improving profitability is difficult.

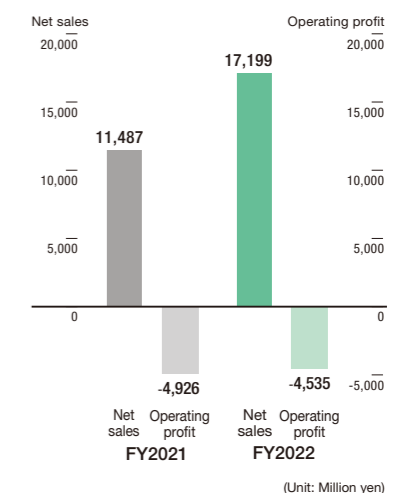
Sales in the merchandising business also increased.

In the area of other new businesses, both net sales and operating profit improved due to the launch of some services.

Future Priority Focus on sustainable facility management

The IP experience facilities operation business will be reorganized into a sustainable facility operation business focusing on *TOKOROZAWA SAKURA TOWN*.

In the merchandising business, we aim to achieve medium- to long-term growth by further expanding our product lineup, including character figures, and strengthening our overseas sales channels.



The percentage of consolidated net sales accounted for by overseas sales for the fiscal year ended March 31, 2023 increased to 20.5% (up 13.1% year on year). The Chief Officers in charge of the overseas publishing business and the animation business will talk about our initiatives and prospects.

Initiatives for the Overseas Publishing Business

• Business Overview

Strengthen and expand the business foundations of overseas bases

We have more than 10 major local companies, which include translation publishing, IP development, and web media companies, mainly in North America and Asia. In the multilingual e-book store business, the *BOOK☆WALKER Thailand* was launched in March.

Expand works simultaneously distributed on a global scale

The Company is making efforts to simultaneously release the Japanese version and multilingual versions of individual works. Currently five to ten works including *Bungo Stray Dogs* are being released simultaneously in Japanese and English versions, but we are planning to increase the number in the future.

Creation and global deployment of original IP originating overseas

In addition to efforts to deploy Japanese original IP overseas, we are also developing and acquiring rights to overseas original IP, and are taking on the challenge of deploying the media mix to the global market, including Japan.

• An interview with Takashi Sensui, Chief Global Officer

Strengthening base locations and digital initiatives against a backdrop of growing demand for IP originating from Japan

In FY2021, we launched a new overseas strategy under the leadership of CEO Natsuno, and FY2022 was the year when results began to appear. After the COVID-19 pandemic, I visited our overseas markets, including North America and Asia. It was especially refreshing to see the Japan section of a Saudi Arabian event was a grand anime town, with local people taking pictures in front of content

exhibits, buying goods, and enjoying themselves with the same enthusiasm as Japanese fans. As fans feel enthusiastic about Japanese IP, last year we acquired Anime News Network, a media network that disseminates information about animation content in English, and launched *BOOK☆WALKER Thailand*, an e-book platform in Thailand.

In the digital distribution of works that are simultaneously distributed on a global scale, we have started distributing individual chapters of titles for purchase, such as chapters from *Bungo Stray Dogs*. Even if we call it “global business,” product consumption varies by country, region, and culture. For example, in Japan, weekly manga magazines are widespread and individual chapter-based offerings are commonplace. However, people in North America are not accustomed to such product consumption behavior.

Takashi Sensui
Chief Global Officer

We carefully analyze and verify the market in each region to see what is the best method for media and advertising, regardless of how things are normally done in Japan.

Shifting from a “From Japan to the World” to a “From the World to the World” approach in regard to the development of IP and deployment

Up to now, we have been working on a “From Japan to the World” approach to spread Japanese content to markets around the world. The next step is to move over to a “From the World to the World” approach. I want the KADOKAWA Group to be at the core behind efforts to deliver and spread the works of creators around the world to users around the world. Specifically, at KADOKAWA QINGYU (SHANGHAI) CULTURE & CREATION CO., LTD., we are working to spread works produced in China throughout the world. Last year, as the first step of this effort, *A Herbivorous Dragon of 5,000 Years Gets Unfairly Villainized*, an animation produced in China by a Chinese animation studio based on a Japanese light novel series, was translated, distributed, and broadcast also to Japan and the rest of the world. In addition, we adapted a novel titled *Taking Care of God* by renowned Chinese science fiction author Liu Cixin into a comic book in Japan and distributed it around the world. In the future, an important point in KADOKAWA's overall business will be how to effectively coordinate each overseas deployment focusing on IP. We have reached the stage of how we realize a “Global Media Mix with Technology”, an approach that we have been advocating.



Initiatives for the Overseas Animation Business

• Business Overview

Enhancing our marketing strategy with a focus on North America

KADOKAWA has been conducting promotional activities in the North American market, including exhibiting at Anime Expo, the world's largest anime event held in North America, since 2017.

The challenge of diverse work creation

We produce 40 anime titles, including our own IP, per year, and have deployed those works overseas. This year, SHUEISHA INC.'s original work *OSHI NO KO* became a big hit, which has become a major topic of discussion.

• An interview with Takeshi Kikuchi, Chief Anime Officer

Providing more information about KADOKAWA works to North American anime viewers

I participated in the Anime Expo held in Los Angeles in July 2023. What impressed me was that there were many families with children among the visitors. This serves as proof that anime, which used to only appeal to a small segment of the international fan base, is now widely accepted.

Currently, in the North American market, it is distributed through local distributors such as Crunchyroll. In many cases, the distributors are also responsible for advertising, but naturally information on KADOKAWA's

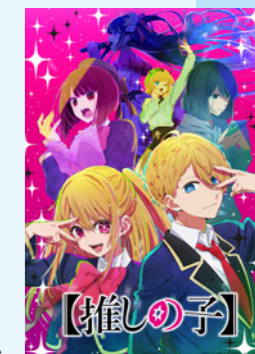
works is buried since products from other companies are also being handled. For this reason, I feel that we need to promote ourselves by sending out original information to consumers and organizing events in collaboration with creators.

Although many issues exist, in the future, we will also strengthen cooperation with Anime News Network, our in-house media network in North America and Newtype, an anime information magazine.

Creating works for overseas markets What to change and what not to change

In North America, there is a tendency for fans to be deeply interested in characters from creative works. At *Anime Expo 2023*, which I mentioned earlier, the *Bungo Stray Dogs* event was filled with about 2,000 fans who were screaming whenever their favorite character appeared, much like how fans behave at an idol group concert.

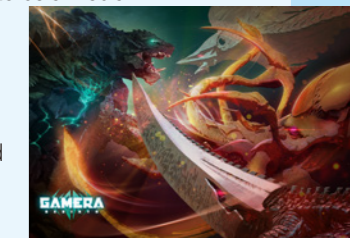
In the end, however, careful creation is what determines if a work will be a hit. The animation adaptation of the manga *OSHI NO KO*, which was a big hit, was carefully made by the production company Doga Kobo. Japanese anime is popular because it is hand-drawn. The delicate and dynamic movements that cannot be expressed through computer graphics continue to fascinate overseas fans. It could be said that anime is an art peculiar to Japan, like a traditional craft.



Expanding the character business overseas with anime as the starting point

Our original IP *GAMERA -Rebirth-* is an animated adaptation of *Gamera*, which is popular worldwide, and will be available on Netflix in September 2023. The reason why we teamed up with Netflix to produce the long-awaited revival of *Gamera* is that we judged it to be a media

suitable for the revival of *Gamera* in the Reiwa era because it can be enjoyed by the whole world at the same time in their own languages. Along with advertising, sales of related character figures began prior to distribution. I have heard that about half of the purchase reservations are from overseas, and feel that there has been a large response. We will promote a global media mix with a diverse lineup and are doing this currently with the hit *My Happy Marriage* and in the future will make this effort with new series including *Delicious in Dungeon*, *KONOSUBA -God's Blessing on This Wonderful World!* and *Re:Zero - Starting Life in Another World*.



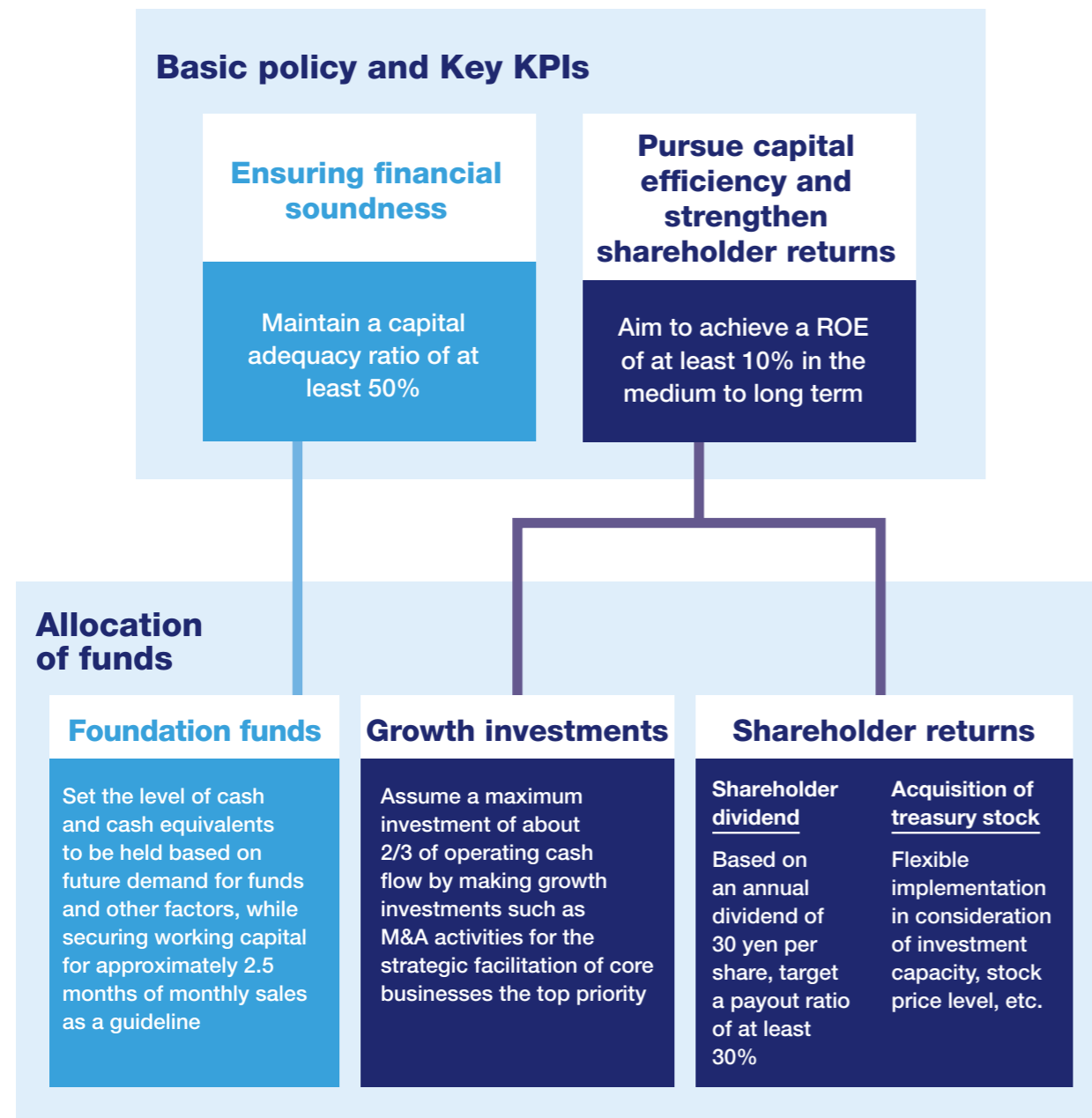
Takeshi Kikuchi
Chief Anime Officer



Implementing a financial strategy that contribute to achieving sustainable sales and profit growth, capital efficiency that exceeds the cost of capital, and enhancement of corporate value over the medium to long term

In its new three-year Mid-term Plan implemented from the fiscal year ended March 31, 2023, the Group sets out a basic financial policy of aiming, in principle, for a capital adequacy ratio of at least 50%, and a return on equity (ROE) of at least 10% in the medium to long term to ensure financial soundness.

Basic Financial Policy

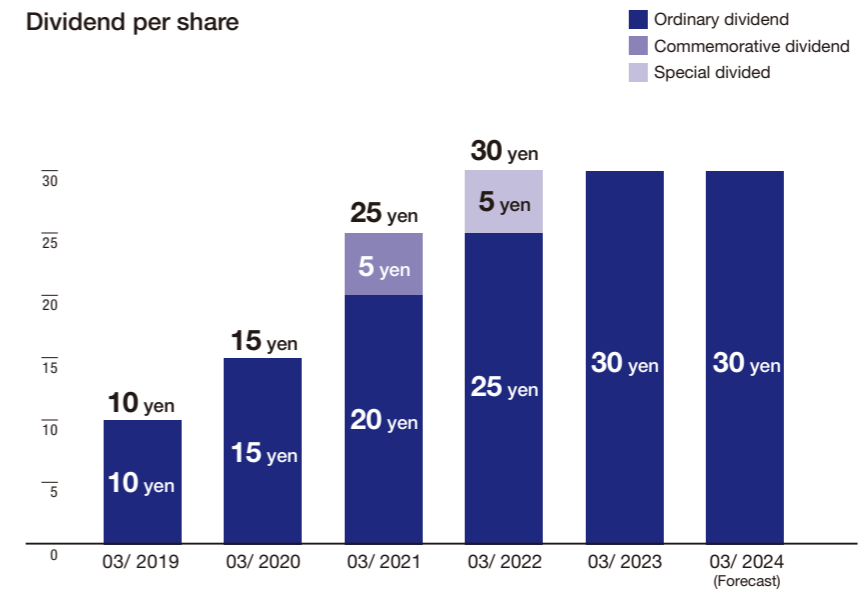


Shareholder returns

Here we provide present for shareholder returns which are part of our basic financial policy.

Shareholder dividend

We recognize shareholder returns as an important managerial issue. Based on a stable annual dividend of 30 yen per share, our basic policy is to provide shareholder return with a target dividend payout ratio of at least 30%, including profit sharing based on consolidated financial results.



(Note)
On January 1, 2022, the Company split its common stock 2 for 1. The dividend forecast for and before the fiscal year ended March 31, 2022 takes the stock split into consideration.

Acquisition of treasury stock

In order to improve capital efficiency and improve returning profits to shareholders, the Company has decided to acquire treasury stock based on the resolution of meeting by the Members of the Board held on May 11, 2023, taking into consideration factors such as our investment capabilities, share prices, market conditions and our financial situation. Details about the acquisition of treasury stock are as follows.

1. Type of stock being acquired: Our company's common shares
2. Total number of shares for potential acquisition: 8,000,000 shares (maximum) (5.64% of the total number of issued shares (excluding treasury stock))
3. Total amount of acquisition: 20 billion yen (maximum)
4. Acquisition method: Market purchase on the Tokyo Stock Exchange
5. Acquisition period: From May 12, 2023 to March 31, 2024

3



ESG

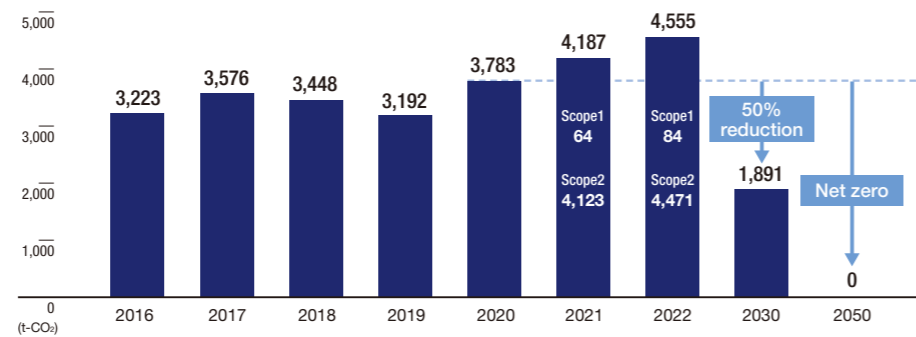
- Environment 34
- Social 36
 - (Special Contents 2) Giving Shape to Employees' Ideas 42
- Corporate Governance 44
 - Systems for Risk Management and Compliance..... 48
 - Members of the Board..... 50
 - Members of the Board (Skills Matrix)..... 52
 - Stakeholder Engagement..... 54
 - (Special Contents 3) Independent Board Member's Round-Table Discussion 56

The KADOKAWA Group is working to achieve decarbonization through specific measures such as switching to electricity generated by renewable energy, reducing excess paper consumption through digital transformation (DX) of book ordering system, and reducing waste generated in the editing and production process. In support of the Task Force on Climate-related Financial Disclosures (TCFD) and TCFD recommendations, or the final report they published, the KADOKAWA Group discloses information in accordance with the TCFD recommendations. The Group will move ahead with its sustainable business activities with reduced environmental impact.

Efforts to Use Renewable Energy

Recognizing climate change as an urgent social issue, the Group has set the goals of reducing greenhouse gas (GHG) emissions by 50% by FY2030 and achieving net-zero emissions by FY2050.

In FY2022, Scope 1 GHG emissions (direct emissions from business operations) were 84 t-CO₂ and Scope 2 GHG emissions (indirect emissions from power consumption) were 4,471 t-CO₂ for a total of 4,555 t-CO₂ (data current as of June 2023, calculated based on FY2021 adjustment factor). Since FY2019, the Group's GHG emissions have been increasing. This is mainly due to an increase in electricity consumption associated with the expansion of owned buildings following the opening of TOKOROZAWA SAKURA TOWN (Tokorozawa City, Saitama Prefecture). As a countermeasure, we have switched the power for four of our buildings in Chiyoda-ku, Tokyo (KADOKAWA Headquarter Building,



KADOKAWA 2nd Headquarter Building, KADOKAWA Annex Building, and KADOKAWA Fujimi Building) to electricity from renewable energy sources on January 1, 2023. We are utilizing U-POWER Co., Ltd.'s virtually CO₂ free power plan to reduce annual carbon dioxide emissions (FY2021 results) of 26.5% (approximately 1,111 t-CO₂) to virtually zero.

In the future, we will consider expanding the system to KADOKAWA Group companies and promote it to achieve targets. We will also contribute to the realization of a decarbonized society by actively utilizing the J-credit system certified by the Japanese government.

Initiatives to Reduce Waste

Effective use of paper resources through the digitalization of ordering

By implementing appropriate production plans to meet demand and utilizing technology, such as electronic ordering from bookstores, the Group is working to reduce the number of copies returned as well as excess paper consumption. In fiscal year 2022, we reduced our return rate to 26.8%, working to reduce the number of copies returned despite the fact that the overall return rate in the publishing industry is on the rise. In FY2021, we reduced returns by 1.94 million copies compared to FY2018, which was a period prior to full adoption of the system. This is equivalent to 772 tons of paper. In FY2022, although the amounts were less, returns were reduced by 140,000 copies, an equivalent of 58 tons of paper. Moving forward, the Group will continue to make efforts to make effective use of paper resources through measures such as providing bookstores with incentives corresponding to the level of return reduction.

Promoting paperless offices

Since 2015, we have promoted the reduction of copy paper by introducing multiple measures, such as the digitization of paper materials and the introduction of electronic settlement and electronic approval systems. The Group reduced annual in-house paper usage from 30 million sheets in FY2014 down to 8.17 million sheets in FY2022, which is a 72% reduction.

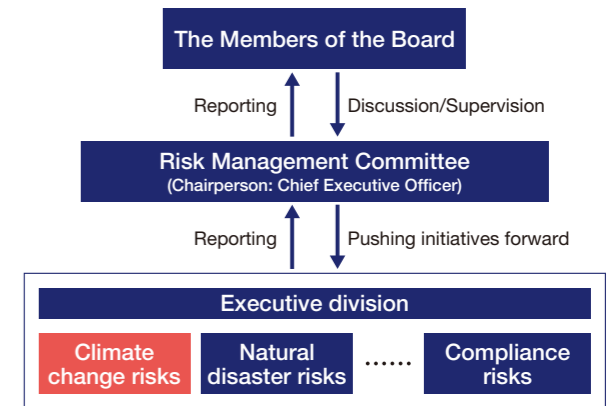
In addition, some editing departments have established rules with business partners (printing companies) and related internal departments to enable proofreading and approvals in PDF format. As a result, in FY2022, we achieved a reduction of about 120,000 sheets of A3-size paper compared to before the introduction of the system. We saw a 20% decrease in paper use compared to FY2021.

Initiatives to Address Climate Change—Response to the TCFD Recommendations

The KADOKAWA Group supports the TCFD Recommendations and has established a governance system, manages risks, sets targets, conducts scenario analysis, and discloses information based on the recommendations.

Governance

The Risk Management Committee chaired by Chief Executive Officer analyzes and addresses the risks faced by the Group as a whole, including climate change risks, under the supervision of the Members of the Board. Climate change risks are discussed at the meetings of the Risk Management Committee held two times a year as a part of company-wide risk management, where measures against identified risks are discussed and initiatives including the reduction of CO₂ emissions are promoted. The Members of the Board receives reports on important matters discussed by the Risk Management Committee. It also discusses and supervises action plans for addressing climate change problems.



Strategies

Key risks and opportunities related to climate change

		Global change	Conceivable scenario	Risks	Opportunities	Time of occurrence
1.5°C climate change scenario	Policies and legal restrictions	Tougher environmental regulations related to GHG emissions	Increase in energy cost resulting from rising prices of renewable energy	○		Medium to long term
		Introduction of carbon taxes and emissions trading	Increase in cost resulting from introduction of carbon taxes and emissions trading	△		Medium to long term
	Markets and technologies	Rapid progress in carbon reduction (energy conservation), decarbonization, and transition to renewable energy	Increase in capital expenditures for the reduction of power consumption	○		Medium to long term
		Increase in procurement costs	Production and procurement costs increase because the prices of paper resources and other raw materials increase, reflecting carbon taxes and costs for the response to environmental regulations.	○		Medium to long term
	Reputation	More environmental measures required of publishers	Increase in demand related to the Company's proprietary digital production and distribution processes for paper-based books		○	Medium to long term
		Changes in stakeholders' evaluations related to climate change	Growing demand for e-books and other digital content		○	Medium to long term
4°C climate change scenario	Chronic	Changes in rainfall and weather patterns (rise of the average temperature)	Generation of capital expenditure costs related to disaster control at key business locations	○		Long-term
			Increase in power consumption for air conditioning resulting from a rise in the average temperature	○		Long-term
	Acute	Greater seriousness and higher frequency of abnormal weather (typhoons, bush fires, flooding, and rainstorms)	Higher frequency of forest fires affects the stability of the supply of papermaking materials and causes an increase in paper procurement costs	●		Long-term
			Shutdown and supply chain disruption affecting production and procurement	●		Long-term
			Interruption of content streaming due to power outages or internet disconnections caused by natural disasters	●		Long-term

●: Great impact ○: Some impact △: Minor impact

Risk management

The Company positions climate change related risks as one group of important company-wide risks. To understand and evaluate the impact of climate change, the Company performs scenario analyses based on the TCFD framework, discusses the impact on the Group, and reports the results to the Risk Management Committee. Matters related to decisions regarding risk management and material risks, including climate change risks, are reported to the Members of the Board along with recommendations.

Metrics and targets

Regarding Scope 1 and 2 emissions, the Group has set the targets of reducing them by 50% from the FY2020 level by FY2030 and achieving net zero emissions by FY2050, in consideration of the required level of CO₂ emissions reductions laid out in the Science Based Targets (SBT). The Group will conserve energy including electricity used internally, introduce use of renewable energy, and proactively utilize the J-Credit Scheme, which is a government certification scheme, with the goal of establishing a carbon-neutral society.

The KADOKAWA Group strives to provide an atmosphere in which a diverse range of individual employees can give full rein to their creativity in a professional capacity. Our initiatives to that end include developing human resources, improving diversity and inclusion, and creating a pleasant working environment and so on.



KADOKAWA's human resources measures are based on the policy of "Must be innovative"

KADOKAWA is implementing new human resources measures one after another. As we continue to grow as a comprehensive entertainment company, we are creating an environment where employees with diverse careers and skills can work in their own way. We spoke with Naohisa Yamashita, Chief Human Resource Officer, about policies for human resource utilization.

Naohisa Yamashita

Member of the Board, Chief Human Resource Officer

KADOKAWA's strength lies in being an organization that can make use of the diversity of human resources

The KADOKAWA Group is diversifying its business based on publishing as a comprehensive entertainment company. With this, its human resources are also diversifying. In our company, which is constantly taking on new challenges without fear of change, the basic policy is to be innovative in management departments such as human resources and general affairs. The *subscription allowance*¹ proposed by human resources department was born as an extension of this policy.

The current benefits system has been changed to provide necessary services and support to those who need it. In terms of work styles, we have introduced a "workplace choice" system that allows employees to freely choose their work location from the office or from home. While choosing a work style that suits an individual's life plan and style, we hope that this will lead to increased productivity by making effective use of time and enriching ideas by experiencing various contents. "Creating an environment that supports innovative ideas" is the motto of the human resources department. Not everyone has to work the same way.

In regard to our human resources, I think it is correct to say that there is no such thing as "KADOKAWA-style human resources." The current human resources challenge is the career development of global human resources. There are not many people in Japan who have experience in expanding IP, such as publishing and content, overseas. Since this is a future field, in addition to the training of in-house personnel,

we are looking forward to welcoming young personnel and people with overseas experience in other industries. We are trying to recruit human resources who have the skills to play an active role overseas, such as language skills.

For those who need it, we provide support to employees of various backgrounds

Currently, the ratio of female managers in our company exceeds 20%² and we are aiming to achieve a ratio of 30% by FY2030. Female mid-career hires place particular importance on working styles. People who are raising children seem to feel hampered when they constantly need to come to the office. Since employees can work remotely even after returning from childcare leave, I think we provide a very pleasant working environment.

The KADOKAWA Group thinks of innovation as "thinking about what we can do for people who need something." In order to do so, it is also important to know their needs. We will grasp the needs of employees who are in a variety of situations, not only while raising children, but also during nursing care and age, and promote new human resource initiatives.

¹ Subscription allowance: A benefit program that was introduced in July 2021 after examining innovative programs suitable for KADOKAWA. Through this program, the Company subsidizes the fees for entertainment subscription services that employees are enrolled in.

² According to Basic Survey of Gender Equality in Employment Management in FY2021 by the Ministry of Health, Labor and Welfare, the percentage of women in managerial positions equivalent to section chief and above (percentage of female managers) is 12.3%.

Human Resource Development

The KADOKAWA Group implements a variety of training courses based on the employees' positions and businesses, as well as career support and optimal personnel assignment based on respect for employees' own intentions, to help develop their capacity to demonstrate their own personalities and abilities while participating actively.

Career support systems

The aims of these various systems and initiatives are to enhance employee motivation, create careers that utilize skills, find the right person for the right job, and create new innovation within the Group.

Incentive system for obtaining public qualifications

In order to support employees' independent learning, we have established a system that pays a stipend ranging from 10,000 to 1 million yen to employees who have passed a qualification that leads to career formation, depending on the difficulty of the qualification. Over 100 different types of qualifications qualify for incentive.

"Free-agent" transfer system

Under this system, employees apply for and strive to be matched to positions of interest. Full-time employees of KADOKAWA and full-time employees of Group companies who have announced their participation in the program are eligible.

Side job system

This system expands work-style options and supports voluntary career development and is available to all employees. Approximately 5% of KADOKAWA employees utilize this program (as of May 2023).

Employee training

We provide a variety of training programs for employees to acquire business skills, promote understanding among employees about each business, etc. We provide training tailored to each position, such as introductory training held in April and follow-up training held in February for new graduates, and training for managers to learn skills including those related to management, goal setting, and evaluation feedback. The Company also actively holds in-house seminars and study sessions to enable employees to obtain useful information and knowledge for our business.

Actual results for FY2022

Name of training	Number of participants	Training hours per person	Total training hours
Training for new graduates (New graduate induction training and new graduate follow-up training)	29 persons	161 hours	4,669 hours
Management training (Training for newly appointed, managers and professionals, training for evaluators)	579 persons	18 hours	10,422 hours
OJT leader training	26 persons	7 hours	182 hours
Next-generation leader training	4 persons	56 hours	224 hours
Guidance for mid-career hires	291 persons	10 hours	2,910 hours

Project Open Call

This is a system in which employees themselves propose challenging, medium- to long-term, or cross-departmental projects, form teams to realize them, and recruit project members from within the Company. A total of 11 projects have been solicited, including the *HR Project Focusing on Childcare Support*, *World's Top Content Translation and Publication Project*, and *Asia BL Project*. 45 people have participated in these projects (as of May 2023). Through this system, a number of initiatives have been realized.

VOICE

Development of human resources for DX

I am aware of the fact that training programs lead to business outcomes

In the KADOKAWA Group, KADOKAWA Connected Inc. is responsible for promoting DX throughout the Group in order to instill a DX mindset and behavior patterns among employees.

"In order to develop human resources who have knowledge of data utilization and can utilize it in business operations, we conduct a training program called *Data Literacy Training* for Group employees.

For editors and other people in charge of the publication business, we also provide training to gain insights from the BI tools they have in place. If an employee only learns how to use tools and analytical methods, such as statistics machine learning, it is difficult for them to see the relevance in their daily work. When developing a training program, we strive to create teaching materials that are linked to the Group's business, conduct them in the form of exercises, etc., and conduct training that leads to business results. In addition, the Company has also launched a *Data Utilization Salon* where those who have completed the training share case studies across departments to accumulate know-how within the Group."

—Keiichiro Tsukamoto, KADOKAWA Connected Inc. Chief Data Officer

Training, seminars, and study sessions tailored to businesses

■ Editing and production course

This course is held continuously for the purpose of improving the skills of editors. It is held online on a wide range of topics such as acquisition of knowledge necessary for planning and production of publications, promotion methods as well as copyright and subcontracting law.

■ Basic courses on digital promotion

A series of courses for participants to acquire basic knowledge related to digital promotion, such as the consumer purchase process, owned media, access log analysis, etc.

■ SNS study group

Study group to learn the types of SNS and promotion methods. A total of more than 600 employees participated and shared their knowledge.

■ Study group for press release writing

The Editing Department that operates the press release distribution service *PressWalker* provides lectures on the know-how and key points related to creating press releases that will be selected.

We also provide opportunities for people to gain the knowledge they need to be involved in media and content production, including rights processing, music production, human rights, diversity, and discrimination.

Compliance training

In order to raise employees' awareness of compliance, we use the Group's common e-learning system for regular and contract employees, conduct training to

prevent various types of harassment, and conduct training to learn basic legal knowledge such as copyright and publishing contracts.

Promoting proposals for new businesses and business improvements

As an initiative to promote open and autonomous business proposals and improvement proposals by employees, the Group conducts *Innovation Plan Contest* and turn winning into businesses. Even after contests end, Group employees will still be able to propose and discuss new businesses and business improvements. We have established *Project Open Call* (P37) and an online form that allows you to directly

send your opinions and questions to the CEO, and an e-mail-based consultation service. As for overseas business, we have launched the *Global Business Acceleration Program* to recruit overseas business ideas from the entire Group and to discover human resources who are interested in overseas business.

Column

Global Business MVP Award Ceremony

Global Business MVP Award is given to outstanding projects at the Group's overseas bases. This award program was launched in FY2022 with the aim of motivating executives and employees of overseas subsidiaries, raising awareness as Group employees, and promoting the penetration of the Group's strategic policies and philosophy.

In March 2023, the winners selected for the Global Business MVP Award, Innovation Award / New Challenge Award, Best Practice Award, and Encouragement Award gathered at *TOKOROZAWA SAKURA TOWN*. In addition to the award ceremony, attendees took a tour of *TOKOROZAWA SAKURA TOWN* and participated in an exchange meeting and workshops to build a stronger group network and share knowledge.



The award ceremony was attended by the 17 winners.

Global Business MVP Award in 2022

Award-winning corporation : GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD.
 Award-winning project : Overseas deployment of original works from China
 (*Genshin Impact*, *All Saints Street*, etc.)

Diversity and Inclusion

As a comprehensive entertainment company offering enjoyment, emotion, knowledge, and more by transcending barriers through culture, the KADOKAWA Group believes that it should help to realize a society where no one in the world is discriminated against. We respect diversity and do not tolerate discrimination or prejudice. This attitude is fundamental to all of our Group business activities, from the treatment of employees during employment, training, evaluation, or promotion to creating and offering content and services, and in our interactions with users, creators, business partners, shareholders, local residents, and all other stakeholders. We work to create an environment and corporate culture that values human individuality and diversity.

Promoting opportunities for women

In the KADOKAWA Group, women account for 43.2% of employees and many women play central roles in the Group's business as of March 31, 2023. In September 2017, we obtained level 3 certification, which can be obtained when a company meets all of the criteria for the five evaluation items specified in the "Eruboshi" certification, which is granted by the Minister of Health, Labor and Welfare to companies

that have implemented excellent initiatives for the advancement of women. The percentage of female managers, including KADOKAWA and its domestic consolidated subsidiaries, is 19.3% as of March 31 2023, and we have set a target of raising that percentage to 30% by FY2030.



Number of Managers and Officers (as of March 31, 2023)

	Men		Women		Overall	
	Number	Percentage	Number	Percentage	Number	
KADOKAWA (parent company only)	Middle management ¹	246	76.2%	77	23.8%	323
	Senior management ²	152	83.5%	30	16.5%	182
	Management total	398	78.8%	107	21.2%	505
	Officers ³	20	87.0%	3	13.0%	23
	Total managers and officers	418	79.2%	110	20.8%	528
Entire KADOKAWA Group	Middle management ¹	565	73.4%	205	26.6%	770
	Senior management ²	303	78.9%	81	21.1%	384
	Management total	868	75.2%	286	24.8%	1,154
	Officers ^{4,5}	155	91.2%	15	8.8%	170
	Total managers and officers	1,023	77.3%	301	22.7%	1,324

¹ Middle management: section chiefs ² Senior management: department heads ³ Board Members and Corporate Officers
⁴ Total number of officers, Board Members and Corporate Officers ⁵ Seven internally promoted female officers
 Note: Percentages are rounded to the second decimal place and are shown to the first decimal place.

Employment of persons with disabilities

The Group is working to create an environment where employees can freely demonstrate their unique capabilities as they work, regardless of any disability they may have or the extent of any such disability. We established KADOKAWA CRAFT INC. in 2019 as a special subsidiary company employing persons with disabilities to develop businesses focused on the roasting and selling of coffee, and business support including editing and back-office functions. As of March 2023, 67 employees with disabilities (24 of whom are severely disabled) are active in the special group, including 31 employees (14 of whom are severely

disabled) employees of KADOKAWA CRAFT. In the fiscal year ended March 31, 2023, the employment rate of persons with disabilities in the special group was 2.38%, which meets the statutory employment rate for private companies in Japan.

In April 2023, BOOK WALKER Co., Ltd. joined the special group.



Global human resources

Among the Group's employees, there are approximately 800 non-Japanese employees that work in Japan and abroad as of March 31, 2023.

In October 2021, we established the *Global Human Resources Development Center* to recruit, develop, and support human resources who are the driving force behind our global media mix. The center mainly implements the following measures.

- A wide range of recruiting activities by providing career recruitment site multilingual support and adding global content. We increase the rate of acceptance of internships for multinational human resources.
- Skill surveys and seminars for motivating employees to participate in global business.
- Various measures, such as personnel exchange and option for employees to serve in concurrent roles (remote-based), to develop hybrid human resources that possess both expertise and global business skills.
- Enhancement of various reward systems such as an incentive when employees of overseas subsidiaries pass the Japanese Language Proficiency Test and acquire the qualification that corresponds with the test level.

VOICE

Working at overseas bases

A fan of KADOKAWA's books and Japanese anime

The Group has 22 overseas bases with approximately 700 employees, including Japanese employees, working overseas as of March 31, 2023. Among them, KADOKAWA TAIWAN CORPORATION has played an important role in the Group's global expansion as the first overseas base since its establishment in 1999. "Based on the fact that I am a fan of KADOKAWA's books and Japanese anime, I joined KADOKAWA TAIWAN in July 2004. Over the 19 years since, I have been in charge of a number of tasks and am currently responsible for the publishing business, from budgeting to training candidates for management positions and handling risks. With the launch of Taiwan's first platform for serializing novels platform and other accomplishments, KADOKAWA TAIWAN has evolved with the times while preserving the essence of the entertainment business. It also provides great benefits and a really pleasant work environment. I will continue to deepen discussions with the members of the Group across countries and regions and make efforts for the development of the KADOKAWA Group and KADOKAWA TAIWAN." —Fatima Lu, KADOKAWA TAIWAN CORPORATION, Publishing Business Group, Director



Creation of a Pleasant Working Environment

The KADOKAWA Group observes local laws, regulations, and labor standards in the countries and regions in which we do business, and we respect the human rights of our employees. We also do not approve forced labor or child labor.*1 We believe that it is essential to our Group business activities to have an environment where workplace discrimination, prejudice, and harassment are prohibited, and where employees mutually recognize each other's diverse personalities.

*1 Excluding duties where child labor is deemed necessary due to the nature of the work (singers, child actors, etc.) within the scope of local laws and regulations.

Driving work style reforms

We have introduced "workplace choice" (work location selection system) to promote autonomous work styles where employees are not restricted to certain times or location.

Since 2019, we have been promoting Activity Based Working (ABW) as a work style in which employees choose where they work autonomously without being restricted to certain times or locations. Our experience working under the COVID-19 pandemic has shown that the optimal work location varies from individual to individual depending on the nature of their work, lifestyle, and life stage.

In April 2023, a new system called "workplace choice" was established that allows employees to choose to work at the office or from home. In line with this, we have revised the layouts of all our offices to provide an environment where both individuals and teams can work effectively. We provide support for the establishment of a working environment at home, such as providing financial support to employees who work from home.

Occupational safety & health management

In addition to establishing a health committee and a long working hours prevention office to protect the health and safety of our employees, KADOKAWA also set up consultation and internal reporting hotlines.

Consultation and internal reporting hotline examples

- Private consultations with industrial physicians and public health nurses
- HELPO, a healthcare app operated by HEALTHCARE TECHNOLOGIES Corp.
- 24-hour Employee Consultation Hotline (External)
- Establishment of a whistleblowing office

Initiatives for the Education Business

The KADOKAWA Group provides opportunities for more people to receive practical and professional education that are connected with the future while creating opportunities where students can learn about diversity and engage with their local communities.

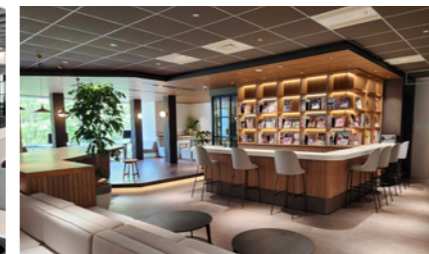
Providing educational content and learning services

DWANGO Co., Ltd. provides proprietary educational content and learning services to *N High School* and *S High School* operated by Kadokawa Dwango Educational Institute. Students at *N High School* and *S High School* learn on a daily basis using interactive education services designed for the Internet era as well as experiential learning services utilizing VR. Since the opening of *N High School* in 2016, the number of students has increased significantly, and we currently provide educational opportunities to 24,642 students nationwide together with *S High School* as of March 31, 2023.



School operating business

Vantan Inc. operates 15 specialized schools, including *VANTAN CREATOR ACADEMY*, and trains the next generation of creators in a wide range of fields. In April 2024, we plan to open a school specializing in the digital manga and anime. In FY2022, we operated a hamburger specialty restaurant where students were in charge of everything from menu planning to attracting customers, and a frappe specialty shop where students served drinks made with Geisha coffee beans, the world's most expensive coffee beans. These were distinctive educational programs that place an emphasis on addressing social issues and skill application through educational activities.



Left: Department meeting rooms at a office; Right: Guest lounge at an office

Data Security

We work to observe the Act on the Protection of Personal Information and other related laws and regulations and to protect customer privacy. Access control is implemented at service sites that hold personal information, which is stored in encrypted form.

For information security, we have established the Basic Policies on Information Security (right). In addition, various measures to prevent cyber-attacks are regularly implemented by KADOKAWA-CSIRT, an organization that communicates information on security incidents and vulnerabilities and responds to security-related matters.

The KADOKAWA Group Basic Policies on Information Security clearly states the following items:

1. Information security management system
2. Establishment of internal regulations regarding information security
3. Realization of systems that ensure information security
4. Education and training
5. Development of environment for content production under a secure environment

Special Contents 2 Giving Shape to Employees' Ideas

The KADOKAWA Group has established a system which allows employees to propose ideas for new businesses or business improvements openly and autonomously. Through *Project Open Call*, where employees propose challenging, medium- to long-term, or cross-departmental projects and invite members to promote them from within the Company, and *Send Your Opinions & Questions to CEO Natsuno*, an online form which allows employees to send their opinions and questions directly to the CEO, employees' ideas are realized as concrete measures.

Realization of projects through Project Open Call

HR Project Focusing on Childcare Support

HR Project Focusing on Childcare Support aims to create a better working environment for a bright future for all of our employees, regardless of whether they are raising children or not. Launched in April 2022 through *Project Open Call*, 12 employees from different departments joined the project. The project started from our desire to become a company that offers employees a wide range of options and provides know-how for childcare. Project members were divided into three teams who, after six months of discussing related issues and backgrounds, formulated an action plan to solve those issues. 23 plan approvals were implemented through specific proposals made to CEO Natsuno. Through this project, we have revised our regulations on childcare and implemented new welfare services, such as expanding the scope of the childcare allowance to include children until they graduate from elementary school.



HR Project Focusing on Childcare Support members. On the KADOKAWA Recruitment website, you can find a roundtable talk section in which participating members discuss the project (available in Japanese only).



Case 1

“FanFun Picture Book” Gift Program

We planned a benefit service unique to KADOKAWA, which publishes around 5,000 different publications a year, in the hope that the families of our employees will better understand the nature of our work as well as love the Company so that employees can continue to work for a long time.

We planned and realized an initiative to give one book of choice among our published books during the Christmas season every year to children of employees ages 0 to 18.

The name *FanFun Ehon* (FanFun Picture Book) reflects our wish for parents and children to enjoy books together (indicated by “Fun”) so that they will become fans of the Company (indicated by “Fan”).



Our Pan Dorobou series and KADOKAWA Collecting Picture Book GET! Series have received a large number of applications.

Case 2

Exchange event for employees and their families

An event for KADOKAWA Group employees and their families from 36 Group companies for in-person exchange among employees across generations and job categories, which had been reduced due to remote work.

On a weekday in July 2023, more than 1,000 people (employees and their families) gathered at an entertainment venue in Tokyo. The event was well received, with feedback including comments such as “I was able to see my colleagues in a different light compared to how I normally see them in the workplace. The event allowed me to become much closer with them” and “I was able to have fun with my child during the event.” We designated the day of the event on which we officially recommend taking paid leave, creating conditions allowing everyone to participate in the event without hesitation.



Some of the employees, and their family members, including children, who participated in the exchange event. The employees were able to have an enjoyable time with other employees, including those from other departments and Group companies.

Realizing projects by making direct proposals to the CEO

“Now is the Time to Think about War” Project

As the result of sending opinions and questions through *Send Your Opinions & Questions to CEO Natsuno*, an online form which allows employees to send their opinions and questions directly to the CEO, an initiative was launched to widely propose that people continue to think about war and never stop thinking about it with “Now is the Time to Think about War” as the key message. *BOOK☆WALKER*, a comprehensive e-book store directly managed by the KADOKAWA Group, carried out a campaign in which it distributed nine war-related books published by the Group for free, including the manga *Barefoot Gen*.

From conception to implementation

One employee sent a message through *Send Your Opinions & Questions to CEO Natsuno*, which is always available on internal Slack channel *Direct from the CEO*, where CEO Natsuno provides information to KADOKAWA Group employees. The message contained the question “In light of Russia’s invasion of Ukraine, shouldn’t KADOKAWA Group take some sort of action in response?”, and also included ideas for specific projects that the employee wanted the CEO to consider.

This message submission resulted in the formation of a project team on April 13, 2022 led by CEO Natsuno. More than 30 Group employees, including DWANGO and BOOK WALKER employees, participated in the project.

On May 10, 2022, the 14th business day after the project was launched, nine war-related books were distributed free of charge through *BOOK☆WALKER*, donations for humanitarian aid were collected, a related program was broadcast on *Niconico*, and a full-page newspaper ad related to the initiative was placed in the morning editions of the *Asahi Shimbun*, *Yomiuri Shimbun*, and *Nihon Keizai Shimbun*.



Overview of free war-related book distribution

Distribution platform: BOOK☆WALKER

Distribution period: May 10–16, 2022

Distributed titles: Nine titles

- Novels: *1984*, *Gold Train*, *Sie stehen getrennt in der Welt*, and *Taiyo no Ko*
- Non-fiction: *Primer of Democracy*
- Comics: *Ishi no Hana* (KADOKAWA edition) Vol. 1 to 5, *WAR'S UNWOMANLY FACE* Vol. 1 to 3, and *Barefoot Gen* Vol. 1 to 4
- Learn with Manga Series: *KADOKAWA Learn with Manga Series Manga Biography Anne Frank*

Project response

This project became a big topic on social media, with more than 390,000 downloads of titles related to the project, which were downloaded free of charge via *BOOK☆WALKER*, and a total of 8,322,219 yen donated through our Group to the Ukrainian Embassy in Japan and other organizations. As the creativity behind the newspaper advertisement was also highly appreciated, the ad was selected to receive *27th Yomiuri Publishing Advertising Award Grand Prize*, a first for KADOKAWA.

KADOKAWA transitioned to a Company with Nominating Committee, etc. and a system where Members of the Board, Independent form the majority of the Members of the Board. We will move forward with strengthening the supervisory function of the Members of the Board, improving management transparency through clear separation of supervisory and executive functions, and accelerating decision-making.

KADOKAWA's Fundamental Corporate Governance Policy

KADOKAWA positions the enhancement of corporate governance as a necessary condition for the continuous development of the Group. With the aim of increasing management transparency towards shareholders and earning the trust and confidence of business partners, clients and society as a whole, we are continuously working to strengthen corporate governance.

Moreover, we believe that ensuring sound and transparent management, establishing a system of corporate administration capable of adapting to a changing business environment, publicly announcing clear management benchmarks and policies, disclosing the status of progress toward their achievement in a timely manner, and clearly defining managerial responsibility contribute to the enhancement of corporate governance.

Change made to the corporate governance system
KADOKAWA Group has transit from a company with an Audit & Supervisory Committee to a company with a Company with Nominating Committee, etc.

The transition was approved by the 9th General Meeting of Shareholders held on June 22, 2023. The purpose of the transition is to strengthen the supervisory function of the Members of the Board, improve management transparency through clear separation of oversight and execution, and accelerate decision-making.

We have also made it so that Independent Board Members shall account as the majority of Board Members to ensure the soundness and transparency of management.

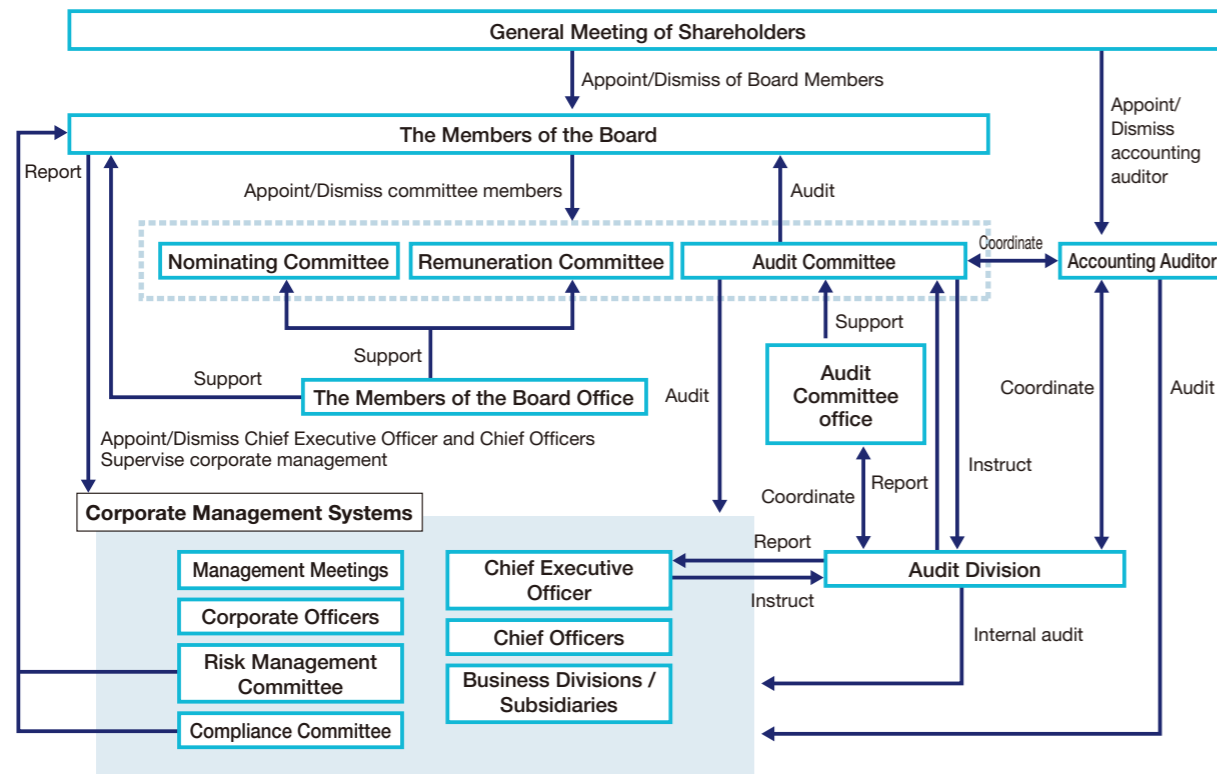
Compliance with Japan's Corporate Governance Code

KADOKAWA complies with all the principles of Japan's Corporate Governance Code. Details are provided in the Company's annual corporate governance report.

Corporate Governance Report (in Japanese only)
<https://group.kadokawa.co.jp/ir/esg/governance/disclosure.html#cont02>



Corporate governance diagram



The Members of the Board

The Members of the Board holds regular meetings once a month, in principle, and extraordinary meetings as necessary to make decisions regarding statutory matters and important managerial matters, as well as to oversee the status of the Company's execution of business operations and the status of subsidiaries' management. In the fiscal year ended March 31, 2023, the Members of the Board convened 18 times and reported on the Mid-Term Plan, the implementation of capital policies, the implementation of business investments, the review of business portfolios, the revision of the employee compensation system based on the human resources strategy, the establishment of the Corporate Governance Inspection Committee created in response to the arrest and indictment of Company's officers and employees, the establishment of a management reform promotion committee that was recommended by the Corporate Governance Inspection Committee., the transition to a company with Nominating Committee, etc., the supervision of the risk management system, other important matters related to management, the status of the Company's business execution, and the management status of its subsidiaries. There are currently 13 members of the Members of the Board (6 Board Members and 7 Independent Board Members) and the Board is chaired by an Independent Board Member.

Composition of each committee

Name	Nominating Committee	Remuneration Committee	Audit Committee
Hiroo Unoura	●	○	
Ruth Marie Jarman	○	●	
Tadaaki Sugiyama	○		●
Yu Sasamoto		○	
Akihiko Shiba			○
Ayumi Uzawa			○
David Macdonald		○	

○...Committee member ●...Chairperson

Nominating Committee

The Nominating Committee consists of three Independent Board Members and is chaired by an Independent Board Member. Nominating Committee is responsible for formulating basic policies regarding the appointment and dismissal of Board Members, determining the content of proposals for the appointment and dismissal of Board Members, reporting to the Members of the Board regarding the appointment and dismissal of Chief Officers and others, and considering CEO succession plan.

Remuneration Committee

The Remuneration Committee consists of four Independent Board Members and is chaired by an Independent Board Member. The Remuneration Committee formulates policies on the determination of remuneration for individual Board Members and Chief Officers and determines remuneration for individual Board Members and Chief Officers. It is responsible for reporting to the Members of the Board on the remuneration of individual Corporate Officers as well as determining the content of general shareholders' meeting proposals and reporting to the Members of the Board on the compensation of individual presidents of important subsidiaries.

Audit Committee

The Audit Committee consists of three Independent Board Members and is chaired by an Independent Board Member. The committee audits Board Members and Chief Officers' execution of their duties, prepares audit reports, and determines the content of agenda items on the appointment, dismissal and non-reappointment of an Independent Auditor.

Business Execution System and Auditing System of Subsidiaries

In principle, subsidiaries of the Company adopt the "Company with the Members of the Board" structure, as defined in Japan's Companies Act.

The Company has established a system that allows it to be involved in the exercise of shareholder rights, including the election or dismissal of Board Members and corporate auditors of subsidiaries, and important decision-making at subsidiaries. Normally, this is done through various meeting bodies, etc.

Chief Officers and Management Meeting

The Company delegates substantial authority for business execution to Chief Officers, mainly to Chief Executive Officers, to expedite decision-making. In principle, the Management Meeting, which consists of all the Chief Officers, holds regular monthly meetings and

extraordinary meetings as needed to make decisions on important management issues. Independent Board Members may participate in meetings of the Management Meeting as observers as needed to enhance the oversight of business execution at the Group.

Chief Officer System

Name	Title
Takeshi Natsuno	Chief Executive Officer (CEO)
Naohisa Yamashita	Chief Human Resource Officer (CHRO), and Chief Literature & Film Officer (CLFO)
Shinobu Murakawa	Chief Operating Officer (COO)
Masayuki Aoyagi	Chief Publishing Officer (CPO)
Takeshi Kikuchi	Chief Anime Officer (CAO)
Takashi Sensui	Chief Global Officer (CGO)
Ichiro Hashiba	Chief Digital Officer (CDO)

Number of Independent Board Members

7 / 13 [53.8%]

Number of female Board Members

3 / 13 [23.1%]

Evaluation of the Members of the Board's Effectiveness

In order to maintain and improve the effectiveness of the Members of the Board, the Company conducted a questionnaire of Board Members and analyzed and evaluated the effectiveness of the Members of the Board at a meeting by the Members of the Board held in June 2023. In the assessment of the effectiveness of the Members of the Board, the Board was assessed as effective and highly assessed primarily on the following points:

- Appropriate discussions and decision-making at Board meetings based on clearly defined performance indicators
 - Appropriate monitoring of human resource strategies
 - Development of internal control and risk management systems
 - Development of a system for constructive communication with shareholders
 - Advancement of digital transformation (DX)
- On the other hand, it was assessed that there was room for improvement in areas including:
- Clarification of sustainability policy
 - Initiatives for the disclosure of non-financial information
 - Formulation and implementation of a CEO succession plan
 - Establishment of appropriate financial incentives

The Company has been dealing with the issues identified by the previous evaluation of effectiveness conducted in April 2022 by sharing relevant information within the Members of the Board and clarifying the divisions responsible. As a result, each of the issues identified in the previous fiscal year has improved and a report has been made to the Members of the Board. Examples of improvements include the issuance of an integrated report as an initiative to disclose non-financial information, and the development of a deliberation system by the Nominating Committee and Remuneration Committee following the transition to a company with a Nominating Committee as an initiative to formulate and implement a CEO succession plan and appropriate incentive compensation. Former officers and employees of the Company were arrested and prosecuted on suspicion of bribery in the course of the selection of sponsors for the 2020 Tokyo Olympic and Paralympic Games. After the incident was discovered, the Corporate Governance Inspection Committee was immediately established and conducted an investigation, and the Management Reform Promotion Committee strengthened the supervisory function of the Members of the Board and clarified its duties and authority. As a result, the Company's efforts to promptly strengthen internal controls have been recognized to a certain extent. The Company will continue to address this and other issues and take steps to make improvements and provide monitoring.

Remuneration for Board Members and Chief Officers

Composition of remuneration and persons eligible to receive payment of remuneration

Remuneration of the Company's Board Members (excluding Independent Board Members) and Chief Officers consists of monetary remuneration comprising 1. fixed remuneration made up of basic remuneration and service remuneration and 2. performance-based variable remuneration. In addition, the Company has introduced performance-based stock remuneration as non-monetary remuneration. Remuneration of Independent Board Members consists only of fixed remuneration.

Officer category	Monetary remuneration		Non-monetary remuneration
	Fixed remuneration	Variable remuneration	Stock-based remuneration
Board Members (excluding Independent Board Members) and Chief Officers	○	○	○
Independent Board Members	○	—	—

Policy, etc. on determination of details of remuneration for officers, etc.

The Company adopted a resolution specifying the policy, which will be described in the following sections, for determining the details of individual remuneration, etc. for Board Members and Chief Officers.

Basic policy

The Company has adopted a remuneration structure that links remuneration for Board Members (excluding Independent Board Members) and Chief Officers to shareholder interests so that the structure can fully function as an incentive to achieve sustained improvement of corporate value, in accordance with its basic policy in which the amount of remuneration shall be set at an appropriate level based on the responsibilities of each position. In addition, remuneration of Independent Board Members consists only of fixed monetary remuneration.

Fixed remuneration (monetary remuneration)

Fixed remuneration is to be determined based on the standard amount according to positions and responsibilities of eligible Board Members and Chief Officers. Fixed remuneration is to be paid monthly.

Variable remuneration (monetary remuneration)

The amount of variable remuneration, which is performance-linked remuneration, is based on the fixed remuneration of eligible Board Members and Chief Officers, and shall be determined within the range of 20% to 200% of the base amount based on the Company's financial results and their individual performance related to their responsibilities.

Evaluation indicators for performance-based variable remuneration are based on consolidated net sales and consolidated operating profit from a perspective of emphasizing the Group's growth potential and profitability. Performance-based variable remuneration is paid with monthly fixed remuneration.

Stock-based remuneration (non-monetary remuneration)

The Company has adopted a stock remuneration system to provide non-monetary remuneration. The stock-based remuneration system is a performance-based stock remuneration system in which the Company's shares are acquired through a trust funded by the Company and are delivered to individuals based on the individuals' performance and contributions to the Company's financial results for each fiscal year in accordance with the Rules of Stock-Based Remuneration System.

Policy on determination of ratio of remuneration, etc.

The ratio of fixed remuneration to variable remuneration for Board

Method of determination of individual remuneration for each Board Member and Chief Officer

The Remuneration Committee determines the amounts of all remunerations for each Board Member and Chief Officer. The Remuneration Committee consists of Independent Board Members with no conflict of interest and is chaired by an Independent Board Member with no conflict of interest.

- Chair: Ruth Marie Jarman
- Committee members: Hiroo Unoura, Yu Sasamoto, and David Macdonald

The Remuneration Committee is entrusted to determine all remuneration because the Company has decided that the Remuneration Committee, which consists of only Independent Board Members with no conflict of interest and is chaired by an Independent Board Member with no conflict of interest, can determine remuneration from an objective and neutral position. Moreover, Rules of Remuneration Committee have been established to ensure that the Committee properly exercises its authority, and the Committee is administered based on those rules.

Further details regarding policies, the method of

Members (excluding Independent Board Members) and Chief Officers is set as 50%:50%, in principle. The ratio of stock-based remuneration to fixed remuneration is not set.

Matters regarding the determination of details of individual remuneration, etc.

The Company has decided that the Remuneration Committee adopts a resolution specifying remuneration, etc. for Board Members and Chief Officers. The Remuneration Committee is chaired by an Independent Board Member with no conflict of interest. Independent Board Members with no conflict of interest accounts for a majority of the committee members. The Committee shall consider and determine remuneration in accordance with the above basic policy.

determination of individual remuneration, and related matters are provided on the KADOKAWA Group portal site.

Officer remuneration performance in the fiscal year ended March 31, 2023

Monetary remuneration for Board Members (excluding Board Members who are Audit & Supervisory Committee Members) for the fiscal year ended March 31, 2023 was examined and determined by the Nomination and Evaluation Remuneration Committee, which was a non-mandatory committee. With regard to stock-based remuneration for the fiscal year ended March 31, 2022, the Members of the Board has resolved to pay remuneration according to the Group's policy, and the Remuneration Committee has determined the amounts of remunerations for individual Board Members and Officers.

Remuneration, etc. for Board Members who are Audit & Supervisory Committee Members for the fiscal year ended March 31, 2023 was determined through discussions among Board Members that are members of the Audit & Supervisory Committee.

ESG-RELATED INFORMATION: Officer remuneration
<https://group.kadokawa.co.jp/global/ir/esg/governance/remuneration.html>



Total amount of remuneration by officer category and by type of remuneration, etc. and number of eligible officers for the fiscal year ended March 31, 2023

Officer category	Total amount of remuneration (millions of yen)	Total amount by type of remuneration (millions of yen)			Number of eligible officers
		Monetary remuneration		Non-monetary remuneration	
		Fixed remuneration	Variable remuneration	Stock-based remuneration	
Board Members (excluding Audit & Supervisory Committee Members and Independent Board Members)	360	146	165	48	9
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	9	9	0	—	2
Outside officers	60	60	—	—	9

Notes)

1. The Outside Officers indicated above are Independent Board Members and Outside Audit & Supervisory Board Members.
2. The Company transitioned to a company with a nominating committee, etc. on June 22, 2023 by resolution of the 9th General Meeting of Shareholders held on the same date.
3. The Company transitioned to a company with an Audit & Supervisory Committee on June 24, 2022 by resolution of the 8th General Meeting of Shareholders held on the same date.
4. The above information indicates the total number of officers and their remuneration from April 1, 2022 to March 31, 2023, and includes one Board Member and four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members) who retired at the conclusion of the 8th General Meeting of Shareholders and two Board Members who retired during the fiscal year ended March 31, 2023. Therefore, the above total amount of remuneration, etc. for Audit & Supervisory Board Members indicates the amount of remuneration, etc. from April 1, 2022 to the close of the 8th General Meeting of Shareholders, their term of office for fiscal year ended March 31, 2023.
5. The above amounts are stock-based remuneration for the fiscal year ended March 31, 2022, which was paid in the fiscal year ended March 31, 2023.
6. Included in the basis for calculating the amount paid in the fiscal year ended March 31, 2023, are consolidated results (fiscal year ended March 31, 2022) that were used as evaluation indicators: consolidated net sales of 221,208 million yen and consolidated operating profit of 18,519 million yen. Further, the degree of achievement for each department was approximately 80% to 160%.

Risk management system


The Company has created a Groupwide risk management system, having established the Risk Management Committee (which convenes twice a year) under the supervision of the Members of the Board. The Committee is chaired by Chief Executive Officer, and the members are comprised of Chief Officers of each division, among others.

It collects and analyzes information regarding risk, focusing primarily on concerns regarding potential risks, and ascertaining risks that have arisen. It then controls these risks by selecting and addressing the risks requiring priority action each year.

Typical risks

Typical risks assumed by the Group are as follows. Details are provided in the Company's Annual Securities Report.

Annual Securities Report (in Japanese only)
<https://group.kadokawa.co.jp/ir/esg/governance/disclosure.html#cont02>



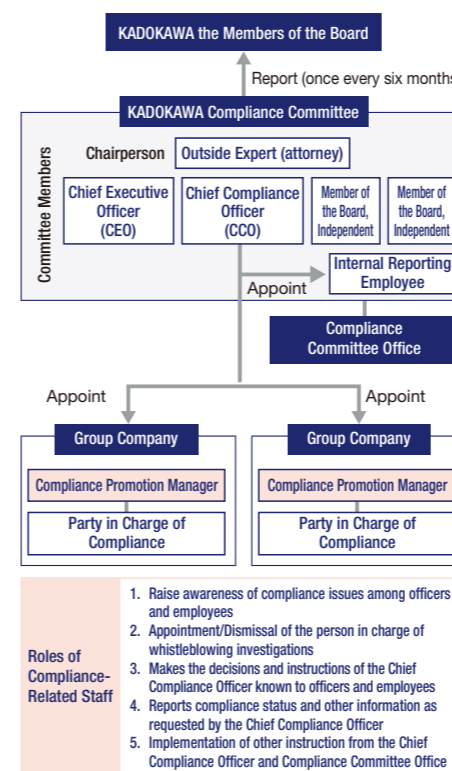
Typical risks	Specific risk factors	Main countermeasures	
Social Environment-Related Risks	Pandemic such as COVID-19.	Decreased sales opportunities due to reduction or suspension of operations at retail stores, etc.	Focus on IP creation in driving forward DX and work style reforms, while deliberating on and implementing the business approach most appropriate for post-COVID times
	Climate change	Increased costs for electricity, raw materials, etc. Impacts on business activities due to increasingly abnormal weather, etc.	Deliberate on and implement internal measures to conserve energy and employ renewable energy in order to reach the Group's targets for reduction of GHG emissions
Business Management-Related Risks	Legal violation	Reduced corporate reputation due to legal violation relating to bribery or insider trading regulations, etc.	Ensure employees' compliance with laws, regulations, and societal norms by establishing compliance regulations, providing training to raise employee awareness, etc.
	Business environment	Impacts on business operations due to server/network failures or cyberterrorism	IT systems are crucial to pursuing DX and work style reform; keep them up-to-date, ensuring appropriate scale and quality
Risks Related to Specific Businesses	New businesses	Reduced profitability Groupwide due to upfront investment Unrecoverable investments due to abruptly changed business environment, etc.	Enhance debate at the Management Meeting and the meeting by the Members of the Board and thoroughly review business plans, including monitoring their progress, and forecasting demand
	Publishing & distribution	Intensified price competition due to abolition of the system of resale price maintenance contracts	Pay close attention to developments regarding this system, expand the e-books business, to which it does not apply, and pursue businesses that span multiple business domains including videos and games
		Increased returns due to the sale-or-return system	To reduce the ratio of unsold books returned, improve the accuracy of market demand forecasts and schedule publication accordingly, and pursue small-lot, just-in-time manufacturing and delivery by means of an integrated production and distribution system
		Reduced creditworthiness among business partners due to contraction of the paper-based publishing market	In addition to meticulous credit-risk management, develop and expand an integrated production and distribution system to enable direct shipment to retail stores
Online services	Intensified competition due to entry of Japanese and foreign businesses to the market, etc.	Leverage original ideas and advanced networking technologies to provide appealing services and content not available elsewhere	
Creation & deployment of IP for publications, videos, games, etc.	Variations in production schedules, increased production costs, etc.	Conduct market research, adhere strictly to schedules for publication, and manage projects properly	
	Increased production costs and production delays, etc. due to business failure of external service providers	Monitor external service providers by establishing their credit risk appropriately when placing orders, and continuously managing credit risk	
	Variations in regulations or social conditions in licensees' regions	Keep abreast of the conditions in each region and pursue businesses that span multiple business domains by using a variety of media for deploying IP	

Compliance promotion structure

Since the Group believes compliance is an important management issue, we are furthering revision of the compliance promotion structure in response to the incident in the course of the selection of sponsors for the 2020 Tokyo Olympic and Paralympic Games.

The Compliance Committee, which is the core of the promotion system, is chaired by an outside expert (attorney) with Independent Board Members accounting for the majority of the committee members. Through it, we will build a corporate culture that emphasizes compliance under stricter external supervision. In addition, the activities of the Compliance Committee are reported to the Members of the Board once every six months.

Compliance promotion structure

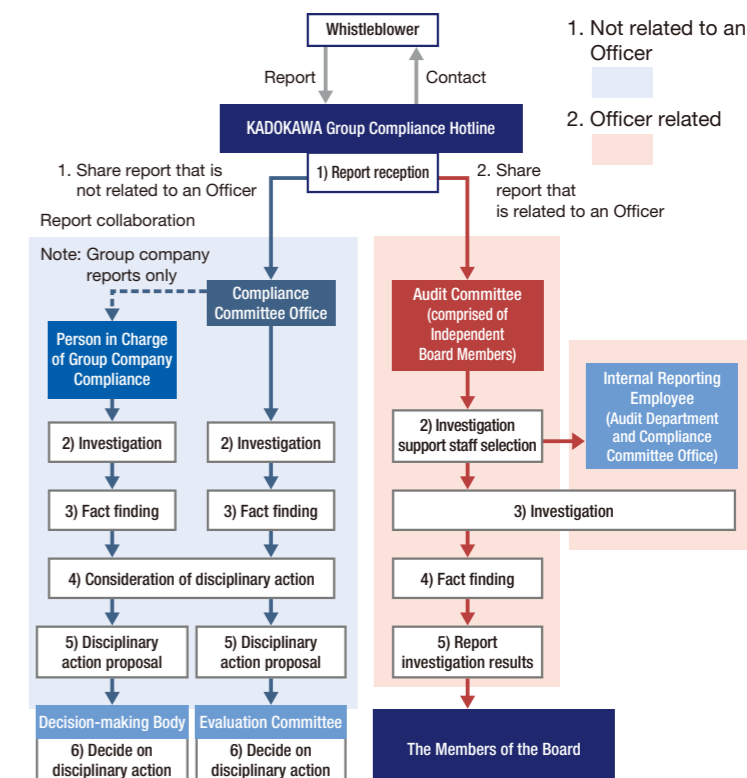


Whistleblowing

Operated in compliance with the Whistleblower Protection Act, the internal reporting system provides a common contact point for whistleblowers at a third-party organization, ensuring the anonymity of whistleblowers and preventing them from being treated unfairly. When reports related to officers are made, Audit Committee composed of Independent Board Members will take the lead in conducting an investigation without involving internal officers. Results will be reported to the Members of the Board and appropriate action will be taken.

In addition to reactive measures taken based on internal reporting, we also conduct activities to understand potential compliance risks through questionnaires to all officers and employees of the Group. In FY2022, we conducted a survey on harassment and responded to challenges to achieve a pleasant workplace environment for employees.

KADOKAWA Group Compliance Hotline (internal reporting system)



Providing opportunities to raise awareness of compliance issues

Based on the KADOKAWA Group Compliance Policy, we continuously provide compliance awareness opportunities for officers and employees to learn about the laws and regulations they must observe and the actions they take.

As part of this effort, once a month we distribute a short animation that makes compliance easier to understand and a guidebook that explains the basic knowledge of compliance and what to observe while

sharing examples. We conduct tests once every six months to measure the retention of knowledge.



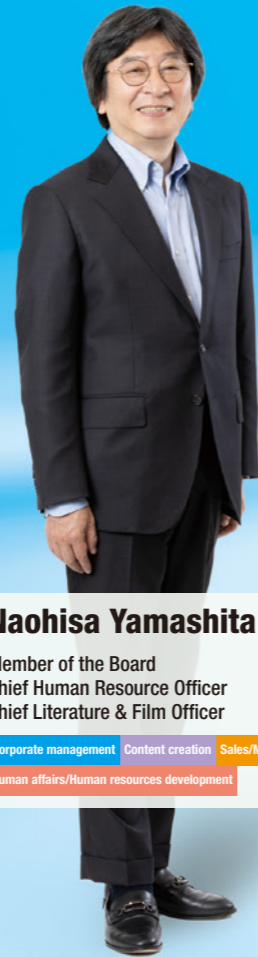
Slapstick Compliance, an animated video designed to raise awareness of compliance issues





Takeshi Natsuno
Member of the Board
Chief Executive Officer

Corporate management IT/Technology
International experience Other industries/Diversity



Naohisa Yamashita
Member of the Board
Chief Human Resource Officer
Chief Literature & Film Officer

Corporate management Content creation Sales/Marketing
Human affairs/Human resources development



Shinobu Murakawa
Member of the Board
Chief Operating Officer

Content creation Sales/Marketing



Noriko Kase
Member of the Board

Corporate management
Content creation Sales/Marketing



Nobuo Kawakami
Member of the Board

Corporate management Content creation
Sales/Marketing IT/Technology



Cindy Chou
Member of the Board

Sales/Marketing International experience

Expertise
Corporate management
Content creation
Sales / Marketing
IT / Technology
Finance / Accounting
Legal Affairs / Governance
Human affairs / Human resources development
International experience
Other industries / Diversity



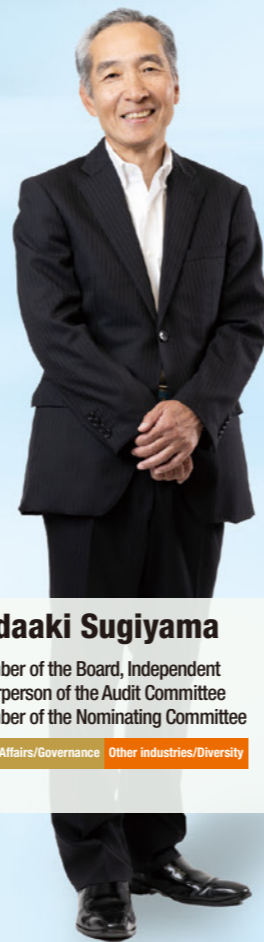
Hiroo Unoura
Member of the Board, Independent
Chairperson of the Nominating Committee
Member of the Remuneration Committee

Corporate management Finance/Accounting
Human affairs/Human resources development Other industries/Diversity



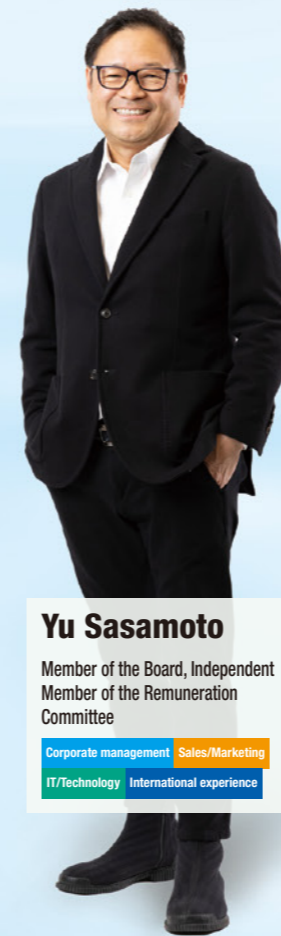
Ruth Marie Jarman
Member of the Board, Independent
Chairperson of the Remuneration Committee
Member of the Nominating Committee

Corporate management Sales/Marketing
International experience Other industries/Diversity



Tadaaki Sugiyama
Member of the Board, Independent
Chairperson of the Audit Committee
Member of the Nominating Committee

Legal Affairs/Governance Other industries/Diversity



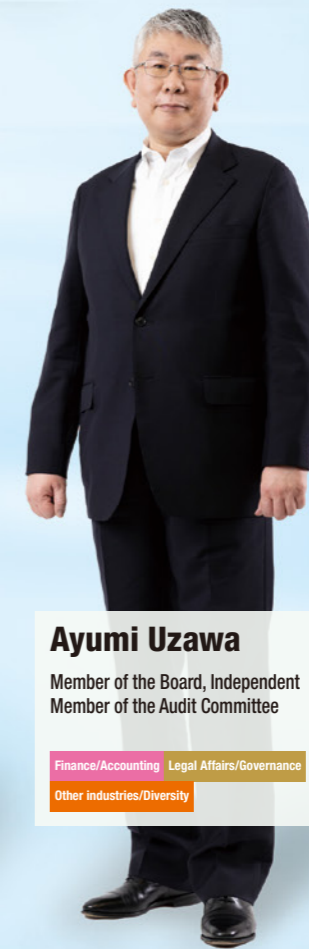
Yu Sasamoto
Member of the Board, Independent
Member of the Remuneration Committee

Corporate management Sales/Marketing
IT/Technology International experience



Akihiko Shiba
Member of the Board, Independent
Member of the Audit Committee

Legal Affairs/Governance
Other industries/Diversity



Ayumi Uzawa
Member of the Board, Independent
Member of the Audit Committee

Finance/Accounting Legal Affairs/Governance
Other industries/Diversity



David Macdonald
Member of the Board, Independent
Member of the Remuneration Committee

Corporate management Content creation
IT/Technology International experience

Members of the Board (Skills Matrix)

We have established the Members of the Board in which the majority is comprised of Independent Board Member to ensure the soundness and transparency of management. In appointing Independent Board Member, we have selected candidates from the viewpoints of promoting a “Global Media Mix with Technology,” the Group’s basic management policy, and strengthening management oversight, including the prevention of corporate scandals.

Training Policy for Members of the Board

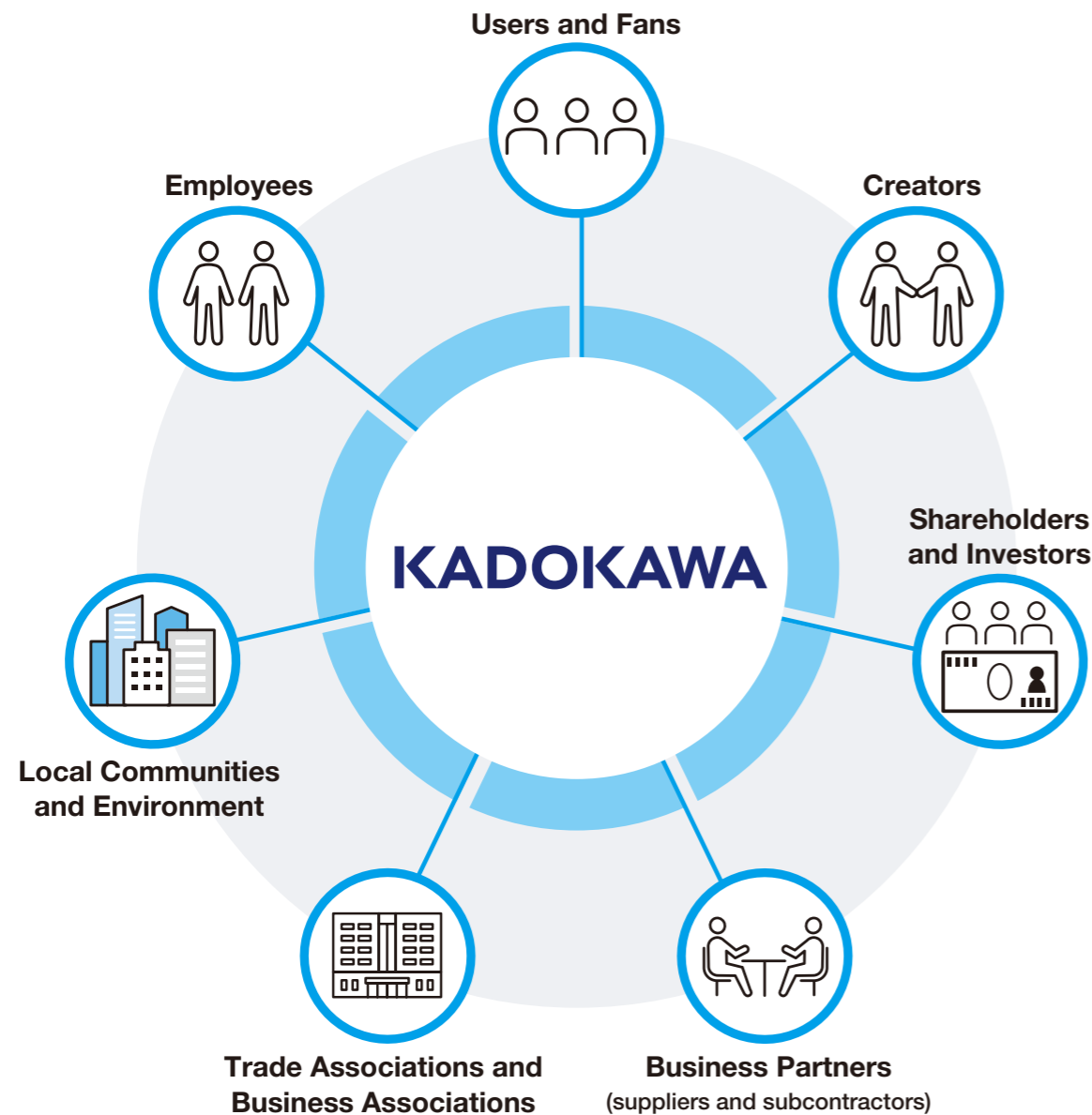
- For Board Members: We strive to promote the acquisition of necessary knowledge by Board Members and understanding of their roles. In addition, female Board Members are provided with opportunities to participate in women’s executive social events sponsored by outside organizations to exchange information and opinions on corporate management and leadership styles.
- For Board Members who are the Member of the Audit Committee: We strive to promote Board Members who are members of the Audit & Supervisory Committee to acquire necessary knowledge and promote understanding of the roles and responsibilities by, for example, ensuring opportunities to participate in seminars and study groups held by the Japan Audit & Supervisory Board Members Association and other organizations.
- For Independent Board Members: In order to deepen their understanding of the Company’s management philosophy, management policy, business activities, etc., we conduct briefings for Independent Board Members, have them attend management meetings that are designed for handling business execution, provide a place for them to interact with business departments, and hold information exchange meetings consisting only of Independent Board Members.

Name	Abilities and reason for selection	Attendance at meeting by the Members of the Board (FY2022)	Expertise								
			Corporate management	Content creation	Sales Marketing	IT Technology	Finance Accounting	Legal Affairs Governance	Human affairs Human resources development	International experience	Other industries Diversity
Takeshi Natsuno Member of the Board, CEO	Mr. Takeshi Natsuno serves as Member of the Board, Chief Executive Officer and President CEO of DWANGO Co., Ltd., which is a Group company. He has also served as an officer of numerous companies operating in fields such as IT and entertainment, and has abundant experience and extensive knowledge gained as a corporate manager.	100% 18/18 meetings	●			●				●	●
Naohisa Yamashita Member of the Board, CHRO, and CLFO	Mr. Naohisa Yamashita serves as Member of the Board, Chief Human Resource Officer, Chief Literature & Film Officer. He has also served as Director of Group companies and is well versed in the business of the Group. Moreover, he has experience in human resources and general affairs and abundant experience and extensive knowledge gained in the management of the Group.	100% 18/18 meetings	●	●	●					●	
Shinobu Murakawa Member of the Board, COO	Mr. Shinobu Murakawa serves as Member of the Board, Chief Operating Officer. He is engaged in various fields including sales and marketing, and has also served as Director of Group companies. He is well versed in the business of the Group and has abundant experience and extensive knowledge.	100% 15/15 meetings		●	●						
Noriko Kase Member of the Board	Ms. Noriko Kase serves as Board Member of the Company. She was also engaged in various fields including book editing and corporate marketing. She now serves as Chief Executive Officer of KADOKAWA ASCII Research Laboratories, Inc. and has abundant experience and extensive knowledge.	100% 18/18 meetings	●	●	●						
Nobuo Kawakami Member of the Board	Mr. Nobuo Kawakami serves as Board Member of the Company. He also established DWANGO Co., Ltd., which is a Group company, and served as Representative Director & Chairman of DWANGO. He currently serves as Adviser of DWANGO and has abundant experience and extensive knowledge.	89% 16/18 meetings	●	●	●	●					
Cindy Chou Member of the Board	Ms. Cindy Chou serves as Board Member of the Company. She also serves as Chief Executive Officer of KADOKAWA Global Marketing, which is a Group company. She is well versed in overseas business operations through her experience at overseas companies, including overseas group companies of the Company and has abundant experience and extensive knowledge in overseas business operations.	100% 18/18 meetings			●					●	
Hiroo Unoura Member of the Board, Independent	Mr. Hiroo Unoura serves as Independent Board Member of the Company. He has also worked on strengthening competitiveness and profitability of the domestic business as well as expanding the global business at NIPPON TELEGRAPH AND TELEPHONE CORPORATION. Consequently, he has abundant expertise and experience as a top management executive active in cutting-edge fields and extensive knowledge gained as a corporate manager.	100% 18/18 meetings	●					●		●	●
Ruth Marie Jarman Member of the Board, Independent	Ms. Ruth Marie Jarman serves as Independent Board Member of the Company. She also founded and serves as CEO of Jarman International KK, and has abundant experience and deep insight in global expansion, inbound business, and support for women’s activities.	100% 18/18 meetings	●		●					●	●
Tadaaki Sugiyama Member of the Board, Independent (newly appointed)	Mr. Tadaaki Sugiyama serves as Independent Board Member of the Company. He has a wealth of experience and insight in the legal/compliance field, having served for many years as the head of the legal and compliance department at Kao Corporation, and from 2011 to 2018 as the Chair of the Association of Corporate Legal Departments, a corporate legal affairs association that currently has more than 1,300 members.	—							●		●
Yu Sasamoto Member of the Board, Independent (newly appointed)	Mr. Yu Sasamoto serves as Independent Board Member of the Company. He served as the CEO of Twitter Japan Co., Ltd. and the Vice President of Twitter, Inc., JAPAC, and led the growth of Twitter’s Japan and Asia businesses. As a Managing Executive Officer of Microsoft Corporation, he contributed to the growth of the company’s online business. He has extensive experience and high insight as a management leader in various fields, including IT and technology.	—	●		●	●				●	
Akihiko Shiba Member of the Board, Independent (newly appointed)	Mr. Akihiko Shiba serves as Independent Board Member of the Company. He has a high degree of professionalism in legal affairs as an attorney-at-law. In addition, he has served as an outside officer at many companies, as well as abundant experience and extensive knowledge, including in the area of governance.	—							●		●
Ayumi Uzawa Member of the Board, Independent (newly appointed)	Mr. Ayumi Uzawa serves as Independent Board Member of the Company. As a certified public accountant, he has a high degree of expertise in finance and accounting, and has served as an outside officer or third-party committee member in many companies. He has abundant experience and extensive knowledge as a corporate manager in fields such as finance and accounting.	—						●	●		●
David Macdonald Member of the Board, Independent (newly appointed)	Mr. David Macdonald serves as Independent Board Member of the Company. In addition to serving as President and Representative Officer of Discovery Japan G.K., he has worked on the company’s digitalization and new business development, served as the director of the YouTube content team at Google Japan G.K., and has extensive experience and insight in various fields such as content production, IT, and technology that are in line with the Company’s business.	—	●	●		●				●	

Note: The above list is based on each person’s experience and other factors. It does not represent all of the expertise that each person possesses. *As of July 31, 2023

In light of the increasing importance of value co-creation with stakeholders in corporate management, the KADOKAWA Group will work on appropriate collaboration with all stakeholders.

Main stakeholders



Stakeholders	Policy	Examples of engagement initiatives
Users and Fans	We will continue to create a large amount of content to meet the needs of various users and fans of all ages. Since communication for this is essential, we actively listen to feedback from our users and fans in order to create and develop content and services together.	<ul style="list-style-type: none"> ● Establishment of a point of contact for inquiries ● Dissemination of information on official social media accounts ● Holding of events ● Building of platforms that allow users to communicate with each other etc.
Creators	We will continue to provide support that is characteristic of the KADOKAWA Group can offer, such as creating an environment for creators to continue creating high-quality content and returning profits to creators through optimal content development.	<ul style="list-style-type: none"> ● Continuous support for creator activities ● Information exchange events ● Creation of opportunities through event planning and implementation ● Holding of various contests etc.
Shareholders and Investors	We will provide appropriate responses to questions received through inquiry forms and interviews, and incorporate comments and feedback from shareholders and investors into our corporate activities as necessary. In addition, we will strive to improve management transparency and earn greater trust from society by continuously conducting fair, timely, and appropriate information disclosure.	<ul style="list-style-type: none"> ● General Meeting of Shareholders ● Financial results briefings ● Individual meetings with investors ● Issuing of various types of reports, including integrated reports etc.
Business Partners (suppliers and subcontractors)	In addition to working to increase added value throughout the supply chain, we will aim to build coexistence and co-prosperity with our business partners. We will continue to communicate and exchange opinions with our business partners.	<ul style="list-style-type: none"> ● Clarification of how to get involved with business partners through <i>the Declaration of Partnership Building</i> etc.
Trade Associations and Business Associations	We will work together to deepen discussions on the form and measures of the entertainment business, including the global market, and to solve various problems in the industry, including anti-piracy measures.	<ul style="list-style-type: none"> ● Conducting educational activities in collaboration with trade and business associations ● Exchanging information with trade and business associations etc.
Local Communities and Environment	Through the development of local information media rooted in each region and the planning and operation of events, we will pursue a way of community coexistence with local governments and the residents of local communities. In addition, while promoting information disclosure based on TCFD recommendations, we will continue to promote sustainable business activities that reduce the impact on the environment.	<ul style="list-style-type: none"> ● Operation of various cultural facilities ● Activities designed for passing on Japanese culture and art ● Response to the TCFD Recommendations ● Initiatives for reducing CO₂ emissions, etc. ● Reducing excessive paper consumption (For details, please refer to ESG INFORMATION (Environment) (P34).) etc.
Employees	We will promote the creation of pleasant workplaces where employees can have peace of mind and maximize their creativity. In addition, we are working on various measures so that employees can have a fulfilling private life in addition to their career.	<ul style="list-style-type: none"> ● Career support systems ● Creation of a Pleasant Working Environment ● Events for employees from 36 Group companies (For details, please refer to ESG INFORMATION (Social) (P36).) etc.

For details on each initiative, please refer to the KADOKAWA Group portal site.

Our Independent Board Members talk about what they would like to accomplish under the Company's new structure

After the General Meeting of Shareholders held in June 2023, we welcomed five new Independent Board Members with extensive experience in each of their respective fields. With the new structure, we aim to further strengthen governance and grow our business, thereby increasing our corporate value. All of our seven Independent Board Members will talk about their individual roles and what they would like to accomplish.



Hiroo Unoura (Member of the Board, Independent / Chairperson of the Nominating Committee)

Mr. Unoura has held various corporate officer positions in the NTT Group, including as President and CEO of Nippon Telegraph and Telephone Corporation (NTT), and has been an Independent Board Member of KADOKAWA since 2021. When KADOKAWA began the digitalization of its publication business, his relationship with the KADOKAWA Group was born, and cooperation was strengthened from the technical side.

“Starting this fiscal year, I will Chairperson of the Nominating Committee, and will work so that KADOKAWA becomes a company with a Nominating Committee, etc. with special qualities unique to KADOKAWA.”



Ruth Marie Jarman (Member of the Board, Independent / Chairperson of the Remuneration Committee)

Ms. Jarman is the CEO of Jarman International KK, a company that conveys charming facets of Japan to the world. She became an Independent Board Member at KADOKAWA in 2020.

“I feel that the KADOKAWA Group has great potential on a global scale. One of my focus points is working on the issue of how to connect great Japanese content with foreign users, so I would appreciate different opinions on the matter from other members of the committee.”



Tadaaki Sugiyama (Member of the Board, Independent / Chairperson of the Audit Committee) (Newly appointed)

Mr. Sugiyama has held various corporate officer positions in Kao Corporation and its domestic and overseas group companies before retiring in 2018. During his time at Kao Corporation, he served as the officer in charge of the Legal and Compliance Department, and has a proven track record in corporate acquisitions, corporate governance, and strengthening compliance with external partners, such as corporate counsel. Besides, Mr. Sugiyama has also been appointed Chairperson of the Audit Committee as one of the new Independent Board Members.

“I intend to fulfill my responsibilities as Independent Board Member and Chairperson of the Audit Committee by keeping in mind board discussions from the perspective of employees, customers, shareholders, and other stakeholders, and by placing importance on communication with various stakeholders, such as by enhancing the Company's internal reporting system.”



Yu Sasamoto (Member of the Board, Independent) (Newly appointed)

After getting his start in the corporate world at Recruit Co., Ltd., he has worked for foreign companies such as Microsoft Japan Co., Ltd. In the past 10 years, he has served as the Representative Director of Twitter Japan K.K., leading the growth of Twitter's business in Japan and Asia.

“I would like to contribute to KADOKAWA's management by utilizing my global perspective in the IT and technology field.”



Akihiko Shiba (Member of the Board, Independent) (Newly appointed)

Mr. Shiba became an attorney after retiring from the National Police Agency. After registering as an attorney, he worked at a law firm specializing in compliance and risk management where he developed his expertise. He is currently a partner at SHIBA & TANAKA LAW OFFICES where he is involved in various legal matters.

“I have served as an Independent Board Members for many companies, ranging from venture companies to companies listed on the Prime Market of the Tokyo Stock Exchange. Utilizing that experience, I will provide advice to members of KADOKAWA's management, particularly on aspects of compliance and risk management.”



Ayumi Uzawa (Member of the Board, Independent) (Newly appointed)

Mr. Uzawa is the Representative of Uzawa CPA Office. After working for an audit firm for about 10 years, he began working for the Metropolitan Police Department, and later belonged to the Securities and Exchange Surveillance Commission of the Financial Services Agency. At the auditing firm, he mainly assisted with accounting audits and initial public offerings but later dealt with cases in which breach of trust and embezzlement were uncovered as well as cases involving accounting fraud for the Tokyo Metropolitan Police Department and other agencies. During that time, he came to realize that internal control and governance system problems are a major factor associated with corporate crimes. Therefore, after becoming independent, he shifted his focus to fraud investigations wanting to help companies.

“As I believe that creating governance and internal controls that truly help to increase corporate value will naturally lead to fraud prevention prevent misconduct, I look forward to supporting efforts to increase KADOKAWA's corporate value.”



David Macdonald (Member of the Board, Independent) (Newly appointed)

After coming to Japan in 1995, Mr. Macdonald studied at a graduate school. After returning to Japan a second time, he worked for NTT DOCOMO, INC. and Google Japan G.K. During his career, he has been involved in various types of content-related businesses. He was involved in the creation of platforms, such as DOCOMO's i-mode and YouTube. Until 2022, he was involved in the distribution and broadcasting of original videos as the Japanese representative of Discovery Japan GK.

“At KADOKAWA, I look forward to growing together with everyone by contributing to the expansion of the Group's overseas business, content production, and distribution business.”

KADOKAWA's Governance Reform Moving forward while making improvements based on the principles of openness and fairness

— Let's start the discussion by talking about governance. What does KADOKAWA look like from an external standpoint?

Uzawa Originally, I had a strong image of the Company being a top down, "one-man" operation. In general, companies headed by top down, "one-man" presidents face the challenge of transitioning to the next president and bringing about positive change. Having a top down, "one-man" operation can be the basis for various problems, so in that sense I still have the image of the Company being an unstable company.

Unoura The Olympics incident that is still fresh in the minds of us, is not from last year, but from around 2016. The problems of six to seven years ago became apparent at once. So, what about the current system? I am aware that KADOKAWA is in much better condition today than when the incident surfaced last year. At the time of the incident around 2016, since internal checks could not be fully performed, KADOKAWA most likely had a company culture that was concerned with satisfying the wishes of corporate management. When the wrongdoing was discovered in 2022, I sent out the message "Today KADOKAWA has changed its structure and is a better company. We will become an even better company from here on." Although I said this, when I look at how the media covered the incident, I think the Company's employees are very disappointed because the world still views KADOKAWA as it was back then. If we the new management team understands that the structure in place then is the same as the new structure in place now will cause a discrepancy in how employees view

it. We intend to further the improvements that current CEO Natsuno has been working on based on the principles of openness and fairness.

Maintaining good communication with stakeholders

Unoura Employees will not participate in whistleblowing related to cases involving officers unless they trust the Members of the Board. What we learned from the incident at KADOKAWA involving wrongdoing is that there was a tendency to think, "Surely it will be ignored or covered up even if reported." Under the new system, openness within the Company will surely improve, and this is something that has to happen. By communicating the message of the Members of the Board in a softer way, we hope to become an organization that employees feel closer with. I suggest that Independent Board Members also actively engage in dialogue with employees as well as domestic and foreign investors. In a sense, it means that not only will we have supervisory roles but also roles in which we are responsible for corporate PR and IR.

Jarman Although various documents are presented at each Management Meeting and meeting by the Members of the Board, I still see the automatic habits associated with a top down, "one-man" organizational in everyday situations. I feel that CEO Natsuno is making substantial changes in the organization, but there is still more that can be done. It is necessary for Independent Board Members to indicate risks that people are not aware of.

Uzawa Based on my experience, the Audit Committee acquires many opportunities to talk with employees. On those occasions, we are reminded that the subconscious mind still has old sensations.



Independent Board Members are questioned on how they will respond when they find signs from an unbiased, neutral point of view, always aware of the risks.

Unoura In the future, I would also like us to consider what form of communication to take for communicating with the various Group companies. This does not mean that we want to make opportunities for communication times to express people's dissatisfaction. I want these to be more positive occasions. Also, I would like to see the creation of an atmosphere in which the Members of the Board can be considered as colleagues. Of course we have to train employees well in other aspects, but I do not want to see us just as the Members of the Board that keeps its distance from them. I would really appreciate everyone's active input regarding how to make it the Board that employees can rely on.

Sugiyama Communicating with employees at workplaces is most important. When there was a major scandal at a subsidiary of a company I used to belong to, I tried to communicate as much as possible with the staff at business sites who dealt with severe reprimands from customers. Then, over time, the initial consultations about concerns produced constructive opinions. Now, My primary responsibility as a member of the Audit Committee is to find the sign of problems, problems that are occurring, and prevent problems in advance. If I am

able to recognize and prevent issues by noticing signs of trouble through positive communication, I will be able to fulfill my responsibility. I do not believe that the Company's choice of transitioning to a company with a Nominating Committee, etc. is necessarily the most advanced governance structure. Since it is people who run the organization, it ultimately depends on how effectively these new members of the board function. Since the Corporate Governance Inspection Committee has suggested a new structure and the rails have been laid, I believe that my important job as an Independent Board Member is how to put this into practice for the Members of the Board and employees.

Shiba I can feel that everyone is highly motivated as they possess various forms of expertise and hope that we will become a company that creates a track record of governance that is at the forefront. I have heard it often that people say that there are many companies with a nominating committee, etc. that are still not functioning sufficiently at the present time. There also seems to be an opinion, which has taken root, that having a nominating committee, etc. is not a good system based on the negative opinions of some experts. I will do my utmost to accelerate the growth of the KADOKAWA Group by creating a governance structure that is not merely a formal entity but one that is actually functioning.



Where KADOKAWA is Headed Taking on global challenges by leveraging our human resources and technology

— In an interview with an institutional investor the other day, they said, “I praise the fact that KADOKAWA has moved so quickly this year to address governance. Next year, the Company’s governance and business will also be looked at for effectiveness.” The coming year together with Independent Board Members is important. What do you think about KADOKAWA’s business and where it is headed?

Sasamoto I think that there is only room for growth. We are now at a turning point in the technology that supports that growth potential. It depends on whether you can make use of technologies such as Web3 and AI. With a sense of crisis over what will support the Japanese economy in the future, I believe that content, technology, and media can become industries that can support the economy if they are able to be brought to markets outside of Japan as well. The Japanese content market is said to be about 11 trillion yen. Even if it is difficult to focus exclusively on animation alone, I think there is tremendous potential for live-action video and other forms of content. The relationship between the Members of the Board and the employees on the front lines is important in promoting business. As Member of the Board, I am excited to be involved in KADOKAWA during its turning point.

Macdonald Those are my thoughts exactly. From here on, I think we need to expand more overseas. In the case of KADOKAWA, we have a foundation, so the question is how to pull successful content overseas while looking at past success stories. In my experience, I can say that the talent strategy for employees in the Company is important. In other words, how can we cultivate employees who can expand our business from Japan to overseas? Even if we create live-action content, the backbone of



the company must be its growth as a Japanese company that can be more active overseas. I would like to push the Company forward in that regard also as an Independent Board Member.

Jarman How we direct human resources overseas may be one of the keys to encouraging future growth. I feel that there will be further growth if all employees become conscious of overseas business.

— Since the word “talent” was mentioned, what kind of potential do you feel KADOKAWA employees have?

Jarman I think they have very high potential. However, I think it would be nice if there was a culture in which employees have the courage to approach the Members of the Board and leaders. As other participants have said, I would like to see KADOKAWA’s management and all employees get a little closer. By all means, we will be a better company if we can create unrestrained relationships by providing opportunities for employees to make suggestions and requests more openly.

Sasamoto To that end, the mission and vision of the Company are really important. It would be nice if we could discuss the *raison d’être* of the Company and create our purpose. In order to achieve this, we need to create a form in which both management and employees are working hard at the Company. Although KADOKAWA has a relatively flat executive structure, generally a company is divided vertically. It is important to have words that cross organizational boundaries. Using those words, I think it is important to create an atmosphere in which everyone can feel that it is rewarding to belong to this Company, to a unified KADOKAWA.

Serving as an Independent Board Member Being a team player to increase corporate value

Macdonald There is something that I would like to discuss. I am all for what we have said today about how we should aim to become Independent Board Members who are as close to employees as possible. On the other hand, what do you all think about the balance between the perspective of shareholders and the perspective of employees?

Shiba Although they are both important stakeholders, I believe that all of our employees are teammates like we Independent Board Members are. As teammates, we must be close and work together to increase corporate value. Since increasing corporate value is naturally required of us by shareholders, that is what we must do. It will also benefit our employees. In many companies, the Members of the Board is often distanced from the other employees, making it difficult for them to feel a sense of unity as a team. In this sense, I believe it is desirable to have a closer relationship with the employees and improve KADOKAWA’s corporate performance as a whole.

Sasamoto If all employees are able to produce profits with the mindset of management, I don’t think there will be a conflict between shareholders and employees.



Unoura When I was the president of a holdings company, I created an IR Day to have members of management even from Group companies engage in dialogue with institutional investors. There are probably many people in the KADOKAWA Group who are not yet aware of the importance of enhancing value for shareholders. Even if they share the perspective of CEO Natsuno, I don’t think that they have gained the perspective of shareholders. I think that it is necessary to make not only the management of group companies but also employees aware of shareholders.

Jarman This brings us to the question “Who owns KADOKAWA?” From my point of view, the people who own the Company are shareholders. Because in the end, shareholders are the ones who face the big risk of their investments losing value. The role of the Members of the Board, the role of employees, and the role of the executives with respect to owners are different. When people with different roles cooperate with each other to create value, it is a win-win situation for everyone. Therefore, Independent Board Members are required to maintain a distance that is not too close to either of them while maintaining neutrality.

Uzawa I agree. In a nutshell, shareholders and employees have different ideas and time frame. Some shareholders are investing for the short-term while others are medium- to long-term investors. Employees also value different things, such as job satisfaction and money. That is why as an Independent Board Member who exists for the benefit of all stakeholders, I would like to work from the most important perspective of “how to enhance corporate value,” which is something that all people involved in the Company want to see.

— Thank you for sharing with us your opinions.



Interviewer
Hideki Kawai
Head,
Internal Control
Board of Directors Office
Audit Committee Office

DATA SECTION

Financial Highlights and Non-Financial Highlights.....	64
Consolidated Financial Statements.....	66
Key Performance Indicators, etc. (Consolidated)	70
Stock Information.....	72
Company Profile and List of Group Companies.....	74

4



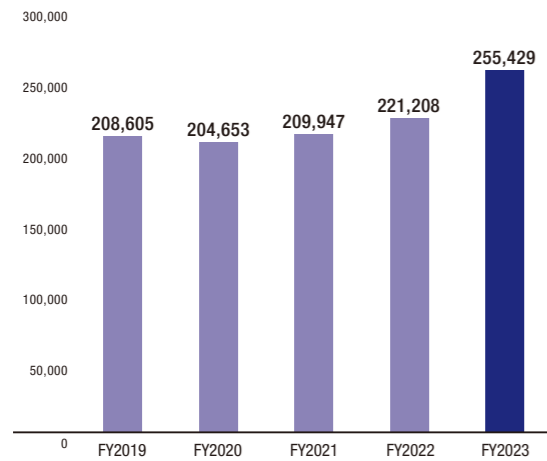
角川アスキー総合研究所
KADOKAWA ASCII Research Laboratories, Inc.



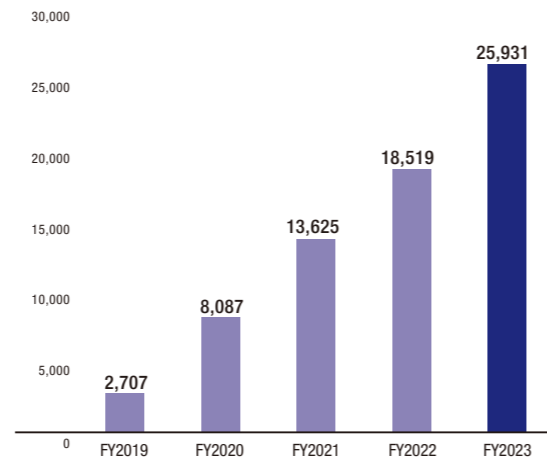
Financial Highlights and Non-Financial Highlights

Financial Highlights (consolidated)

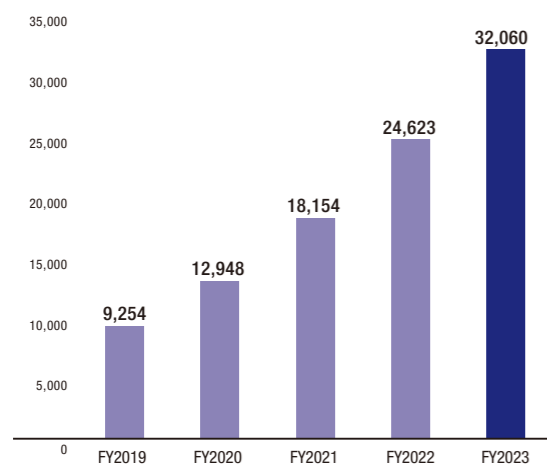
Sales (Million Yen)



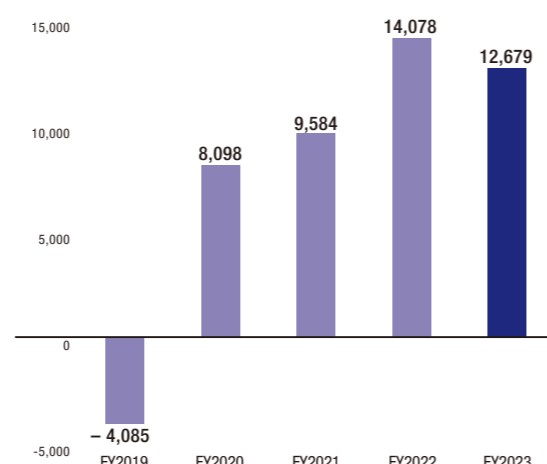
Operating profit (Million Yen)



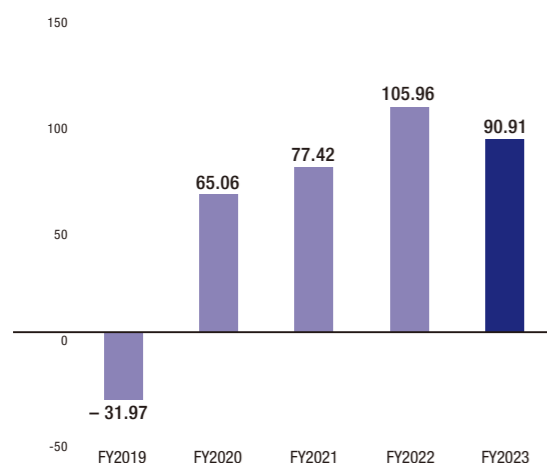
EBITDA (Million Yen)



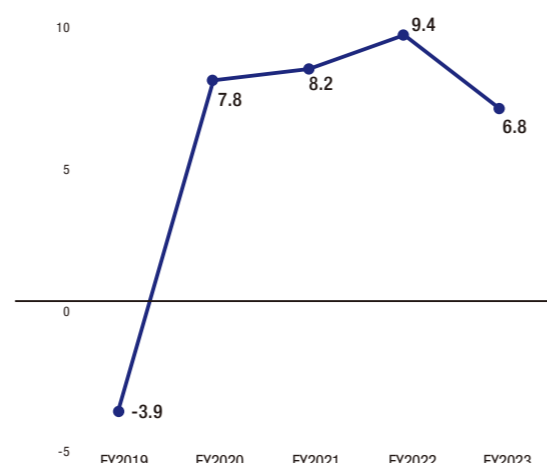
Profit attributable to owners of parent (Million Yen)



Net income per share (Yen)

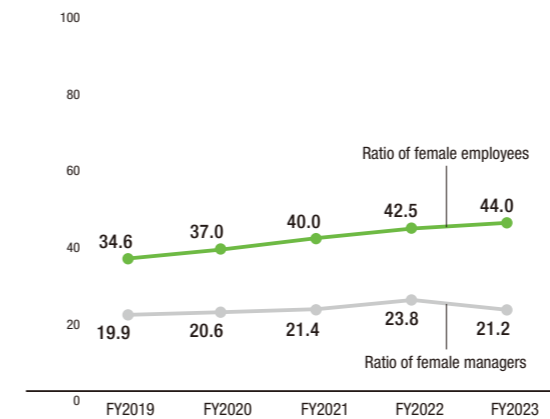


Return on equity (ROE) (%)



Non-Financial Highlights

Ratio of female employees and Ratio of female managers (%)

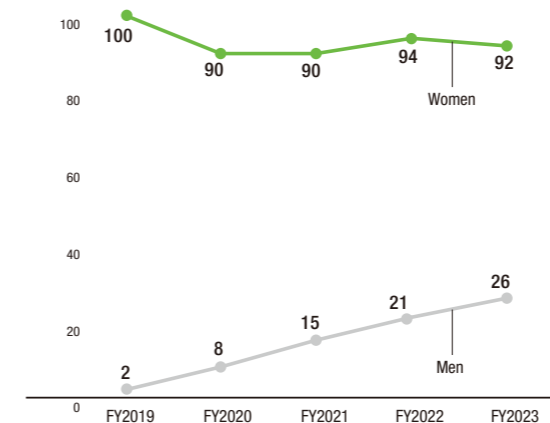


Scope: KADOKAWA CORPORATION (parent company only)

Number of female Board Members

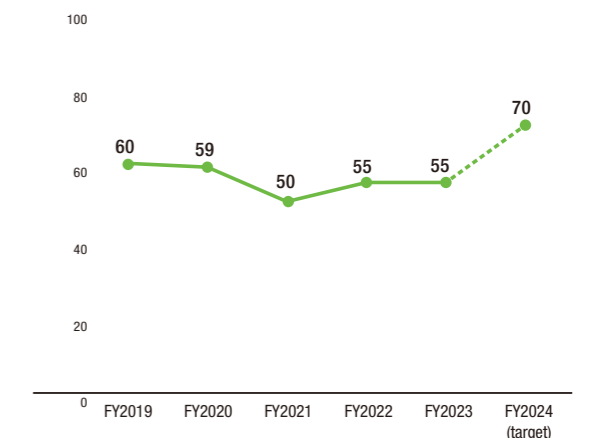


Childcare leave acquisition rate (%)



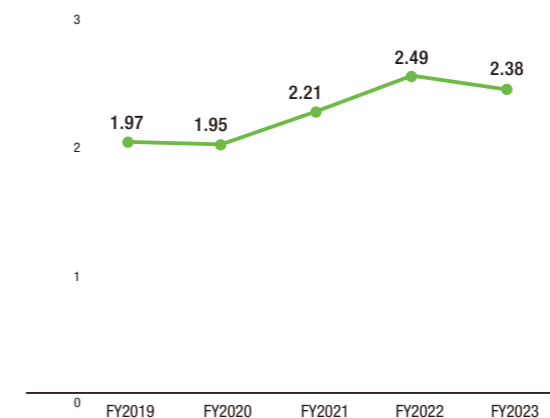
Scope: KADOKAWA CORPORATION (parent company only). Percentages have been rounded to the nearest whole number.

Paid leave acquisition rate (%)



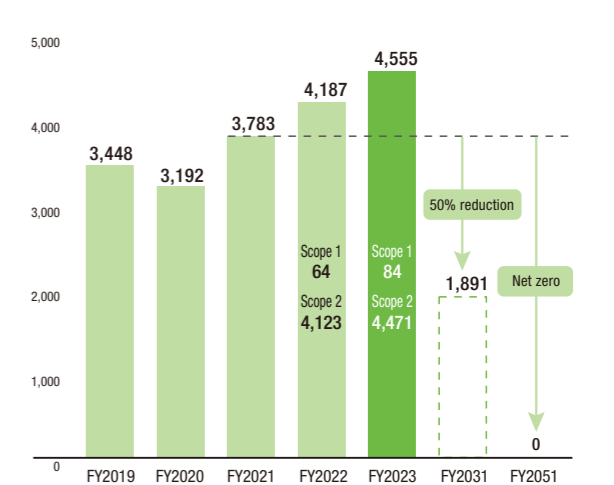
Scope: KADOKAWA CORPORATION (parent company only). Percentages have been rounded to the nearest whole number. The return-to-work rate after taking childcare leave was 100% (for both male and female employees) in the fiscal year ended March 31, 2023.

Employment Rate of employees with disabilities (%)



The employment rate of persons with disabilities provided for fiscal year ended March 31, 2019 is for KADOKAWA CORPORATION (parent company only). Since KADOKAWA CRAFT INC. was established in June 2019 as a special subsidiary, the employment rate of persons with disabilities is for the total of several group companies from the fiscal year ended March 2020 onward. In the fiscal year ended March 31, 2023, the employment rate of persons with disabilities met the statutory employment rate for private companies in Japan.

GHG emissions (t-CO₂)



Consolidated Balance Sheets

	(Unit: Million yen)	
	FY2021	FY2022
Assets		
Current assets		
Cash and deposits	123,931	167,219
Notes receivable - trade	2,119	2,123
Accounts receivable - trade	41,063	48,670
Contract assets	401	2,627
Inventories	23,921	25,587
Prepaid expenses	1,853	1,973
Deposits paid	4,491	4,716
Other	8,220	11,392
Allowance for doubtful accounts	(388)	(341)
Total current assets	205,613	263,968
Non-current assets		
Property, plant, and equipment		
Buildings and structures	40,478	38,448
Accumulated depreciation	(9,423)	(11,720)
Buildings and structures, net	31,055	26,728
Machinery and equipment	2,897	4,032
Accumulated depreciation	(1,709)	(2,240)
Machinery and equipment, net	1,188	1,792
Tools, furniture, and fixtures	9,317	9,105
Accumulated depreciation	(6,448)	(6,304)
Tools, furniture and fixtures, net	2,868	2,801
Land	26,088	26,294
Construction in progress	9,880	10,283
Other	914	1,174
Accumulated depreciation	(459)	(500)
Other, net	455	674
Total property, plant, and equipment	71,538	68,574
Intangible assets		
Software	5,489	6,128
Goodwill	429	684
Other	1,362	2,086
Total intangible assets	7,280	8,899
Investments and other assets		
Investment securities	33,957	32,538
Retirement benefit asset	63	23
Deferred tax assets	1,011	3,209
Insurance funds	2,464	1,497
Guarantee deposits	2,968	3,672
Other	703	765
Allowance for doubtful accounts	(283)	(250)
Total investments and other assets	40,886	41,455
Total non-current assets	119,705	118,930
Total assets	325,319	382,898

	(Unit: Million yen)	
	FY2021	FY2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	26,635	29,219
Short-term borrowings	283	–
Current portion of long-term borrowings	–	40,046
Accounts payable - other	10,294	14,474
Income taxes payable	2,366	4,010
Contract liabilities	12,890	13,822
Deposits received	7,171	9,132
Provision for bonuses	4,810	4,925
Refund liabilities	5,730	5,826
Provision for share-based remuneration	485	605
Provision for share-based remuneration for directors (and other officers)	313	2,088
Other	6,904	4,765
Total current liabilities	77,885	128,918
Non-current liabilities		
Long-term borrowings	65,000	25,219
Deferred tax liabilities	1,149	408
Retirement benefit liability	3,855	3,531
Other	1,688	1,648
Total non-current liabilities	71,693	30,808
Total liabilities	149,578	159,727
Net assets		
Shareholders' equity		
Share capital	40,624	40,624
Capital surplus	53,324	76,290
Retained earnings	67,015	75,455
Treasury shares	(1,928)	(2,587)
Total shareholders' equity	159,036	189,783
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,138	9,981
Foreign currency translation adjustment	1,396	2,533
Remeasurements of defined benefit plans	328	250
Total accumulated other comprehensive income	12,863	12,765
Non-controlling interests	3,840	20,622
Total net assets	175,740	223,171
Total liabilities and net assets	325,319	382,898

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income	(Unit: Million yen)	
	FY2021	FY2022
Net sales	221,208	255,429
Cost of sales	145,621	164,573
Gross profit	75,587	90,856
Selling, general and administrative expenses	57,067	64,925
Operating profit	18,519	25,931
Non-operating income		
Interest income	89	587
Dividend income	423	670
Share of profit of entities accounted for using equity method	463	629
Foreign exchange gains	1,339	308
Gain on sales of goods	75	117
Other	604	253
Total non-operating income	2,994	2,566
Non-operating expenses		
Interest expenses	100	123
Share issuance costs	131	127
Donations	1,000	1,500
Other	67	77
Total non-operating expenses	1,300	1,828
Ordinary profit	20,213	26,669
Extraordinary income		
Gain on sales of non-current assets	57	3
Gain on sales of investment securities	29	16
Gain on sales of memberships	2	39
Gain on sales of shares of subsidiaries and associates	100	2
Total extraordinary income	190	62
Extraordinary losses		
Impairment loss	71	3,183
Loss on retirement of non-current assets	—	552
Loss on valuation of investment securities	142	109
Business restructuring expenses	705	—
Special retirement payments	—	701
Special investigation expenses	—	284
Contract cancellation penalties	—	531
Other	26	16
Total extraordinary losses	945	5,379
Profit before income taxes	19,458	21,352
Income taxes – current	4,651	8,569
Income taxes – deferred	(254)	(2,416)
Total income taxes	4,396	6,153
Profit	15,061	15,199
Profit attributable to non-controlling interests	983	2,520
Profit attributable to owners of parent	14,078	12,679

(Consolidated Statements of Comprehensive Income)

	(Unit: Million yen)	
	FY2021	FY2022
Profit	15,061	15,199
Other comprehensive income		
Valuation difference on available-for-sale securities	2,386	(1,156)
Foreign currency translation adjustment	1,082	1,494
Remeasurements of defined benefit plans, net of tax	(96)	(70)
Share of other comprehensive income of entities accounted for using equity method	62	(25)
Total other comprehensive income	3,435	241
Comprehensive income	18,497	15,441
Comprehensive income attributable to owners of parent	17,319	12,580
Comprehensive income attributable to non-controlling interests	1,178	2,860

Consolidated Statements of Cash Flows

	(Unit: Million yen)	
	FY2021	FY2022
Cash flows from operating activities		
Profit before income taxes	19,458	21,352
Depreciation	5,723	5,970
Amortization of goodwill	379	158
Impairment loss	71	3,183
Loss on retirement of non-current assets	—	552
Increase (decrease) in retirement benefit liability	14	(385)
Increase (decrease) in refund liabilities	(822)	20
Increase (decrease) in provision for bonuses	655	115
Interest and dividend income	(512)	(1,258)
Share of loss (profit) of entities accounted for using equity method	(463)	(629)
Decrease (increase) in trade receivables and contract assets	(569)	(9,104)
Decrease (increase) in inventories	(2,785)	(1,337)
Increase (decrease) in trade payables	1,161	2,248
Increase (decrease) in contract liabilities	1,169	889
Other	3,050	2,370
Subtotal	26,532	24,146
Interest and dividends received	766	1,527
Interest paid	(102)	(125)
Income taxes paid	(5,488)	(8,032)
Cash flows from operating activities	21,708	17,516
Cash flows from investing activities		
Net decrease (increase) in time deposits	(1,585)	(10,201)
Purchase of property, plant, and equipment	(2,211)	(2,807)
Purchase of intangible assets	(3,043)	(4,261)
Purchase of investment securities	(743)	(357)
Proceeds from sales of investment securities	149	50
Proceeds from cancellation of insurance funds	21	1,252
Purchase of shares of subsidiaries resulting in a change in scope of consolidation	(184)	—
Purchase of shares of subsidiaries resulting in a change in scope of consolidation	—	(5)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	46
Other	(343)	24
Cash flows from investing activities	(7,940)	(16,259)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(218)	(309)
Proceeds from long-term borrowings	10,000	—
Repayments of long-term borrowings	(10,000)	(23)
Proceeds from issuance of shares	29,867	—
Proceeds from share issuance to non-controlling shareholders	504	36,272
Purchase of treasury shares	(12)	(1,303)
Proceeds from sales of treasury shares	—	1,299
Dividends paid	(3,289)	(4,239)
Other	(160)	(967)
Cash flows from financing activities	26,690	30,728
Effect of exchange rate change on cash and cash equivalents	1,232	1,824
Increase (decrease) in cash and cash equivalents	41,691	33,809
Cash and cash equivalents at the beginning of period	55,887	97,579
Cash and cash equivalents at the end of period	97,579	131,389

Key Performance Indicators, etc. (Consolidated)

Fiscal Year	1st Fiscal Year	2nd Fiscal Year	3rd Fiscal Year		4th Fiscal Year	5th Fiscal Year	6th Fiscal Year	7th Fiscal Year	8th Fiscal Year	9th Fiscal Year
Closing date	March 2015	March 2016	March 2017		March 2018	March 2019	March 2020	March 2021	March 2022	March 2023
Sales (Million Yen)	100,566	200,945	205,717		206,785	208,605	204,653	209,947	221,208	255,429
Operating profit (Million Yen)	1,391	9,124	8,419		3,144	2,707	8,087	13,625	18,519	25,931
Ordinary profit (Million Yen)	2,472	10,189	7,407		3,716	4,205	8,787	14,369	20,213	26,669
Profit (loss) attributable to owners of parent (Million Yen)	14,055	6,845	5,767		1,038	(4,085)	8,098	9,584	14,078	12,679
Comprehensive income (Million Yen)	15,205	6,704	7,560		1,316	(1,604)	7,878	13,702	18,497	15,441
Net assets (Million Yen)	104,248	104,526	111,724		109,128	103,411	107,375	129,524	175,740	223,171
Total assets (Million Yen)	205,673	201,609	246,949		239,881	240,072	242,995	269,648	325,319	382,898
Net assets per share (Yen)	728.91	764.72	810.05		814.69	801.04	855.77	987.83	1,234.46	1,450.27
Net income (loss) per share (Yen)	100.01	49.56	42.52		7.76	(31.97)	65.06	77.42	105.96	90.91
Diluted earnings per share (Yen)	99.60	—	—		—	—	—	—	105.96	90.89
Equity ratio (%)	50.2	51.4	44.5		44.7	42.2	43.3	47.2	52.8	52.9
Return on equity (ROE) (%)	22.5	6.6	5.4		1.0	—	7.8	8.2	9.4	6.8
Price-earnings ratio	9.42	17.50	18.77		71.43	—	10.47	27.74	30.39	31.00
Operating cash flow (Million Yen)	7,765	6,733	11,968		1,608	5,864	16,516	15,586	21,708	17,516
Investing cash flow (Million Yen)	(9,049)	(4,673)	(10,394)		(18,765)	(13,058)	(29,908)	(5,931)	(7,940)	(16,259)
Cash flows from financing activities (Million Yen)	24,385	(8,775)	37,200		(6,421)	(4,236)	(4,359)	7,933	26,690	30,728
Cash and cash equivalents at the end of period (Million Yen)	59,201	52,175	91,140		67,407	56,123	38,151	55,887	97,579	131,389
Number of employees [Number of temporary employees on average (Not included above)]	3,857 [1,834]	3,984 [1,915]	4,179 [2,012]		4,330 [2,046]	4,546 [2,141]	4,492 [2,097]	4,910 [2,162]	5,349 [2,229]	5,856 [2,632]

(Notes)

- The first fiscal year is six months from October 1, 2014 to March 31, 2015.
- In the calculation of net assets from the 2nd year onward, the shares in the Company held by the stock acquisition, management and delivery trust are included in the treasury stock. The said shares are included in the treasury stock that is deducted in the calculation of the average number of shares during the fiscal year to calculate earnings (loss) per share and diluted earnings per share. In addition, the said shares are included in treasury stock that is deducted in the calculation of the number of shares at the end of the fiscal year to calculate net assets per share.
- On January 1, 2022, the Company implemented a split at a ratio of 2-for-1. Net assets per share, basic earnings (loss) per share, and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the 1st fiscal year.
- Diluted earnings per share from the 2nd fiscal year to the 7th fiscal year are not stated because there was no potential dilution.

- Return on equity and price-earnings ratio for the 5th fiscal year are not stated since there is recorded loss attributable to owners of parent.
- Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the 5th fiscal year, and main consolidated financial indicators, etc. for the 4th fiscal year are indicators, etc. after the said accounting standard is retroactively applied.
- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. has been applied since the beginning of the 8th fiscal year.
- The number of employees is the number of full-time employees excluding employees loaned outside of the Group (including employees concurrently loaned outside of the Group) and including loaned employees to the Company and Corporate Officers. The number of employees in the brackets [] is the average number of temporary employees per year (limited-term employees and temporary staff members from staffing agencies).

Status of Shares (as of March 31, 2023)

Basic information

Securities code	9468
Issue	KADOKAWA CORPORATION
Share trading unit	100
Listed stock exchange	Tokyo Stock Exchange Prime Market

Overview of shareholding matters

Closing date	March 31 of each year
General Meeting of Shareholders	June of each year
Record date of year-end dividends	March 31 of each year In any other cases where it is necessary, a provisional record date will be determined after public notice is given in advance
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Office for handling business	Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Mailing address	Post Office Box 29, Shin-Tokyo Post Office, 137-8081 Japan
Inquiries	Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation Tel. 0120-232-711 (toll-free)

(Notes)

- Following the share certificate dematerialization, any procedures such as changing a shareholder's address or making a purchase request should be, in principle, carried out with the account management institution (securities company, etc.) where the shareholder has an account. Shareholders are asked to contact the securities company, etc., where they have an account. Please be aware that the shareholder registry administrator (Mitsubishi UFJ Trust and Banking Corporation) will not be able to handle these procedures.
- For the various procedures related to shares recorded in a special account, as Mitsubishi UFJ Trust and Banking Corporation is the account management institution, please use its contact information. Guidance is also provided on the following website.
<https://www.tr.mufg.jp/daikou/>
Brokerage services are also carried out at all domestic branches of Mitsubishi UFJ Trust and Banking Corporation.
- Unreceived dividends will be paid at the main office and branches of Mitsubishi UFJ Trust and Banking Corporation.
- Due to amendments to the Companies Act, the electronic provisioning system has been implemented during the General Meeting of Shareholders which was held in June 2023. When the electronic provision system is implemented, information on the exercise of voting rights during the General Meeting of Shareholders will be available on our website. If you wish to receive the convocation notice in writing as in the past, please contact the shareholder registry administrator (Mitsubishi UFJ Trust and Banking Corporation) or the account management institution (securities company, etc.) where you have opened an account. (The procedure must be completed by the end of March 2024, the record date for the General Meeting of Shareholders.)

Details of Shares and Major Shareholders (as of March 31, 2023)

Number of shares authorized to be issued by the Company

..... 520,000,000 shares

Number of outstanding shares

..... 141,784,120 shares
(including 257 treasury shares)

Number of shareholders: 37,073

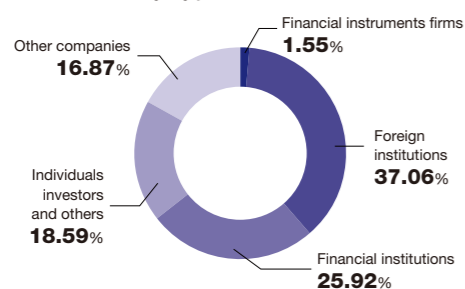
Major shareholder information (top eleven)

Name	Number of shares held (thousand shares)	Ratio of equity participation (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,936	11.95
KSD-NH (Permanent Agent: Citibank, N.A., Tokyo Branch Direct Custody Clearing Operations)	12,577	8.87
Custody Bank of Japan, Ltd. (Trust Account)	10,228	7.21
Goldman Sachs International (Permanent Agent: Goldman Sachs Japan Co., Ltd.)	9,928	7.00
Nobuo Kawakami	8,193	5.78
Nippon Telegraph and Telephone Corporation	4,080	2.88
Nippon Life Insurance Co. (Permanent Agent: The Master Trust Bank of Japan, Ltd.)	3,428	2.42
Bandai Namco Holdings Inc.	3,060	2.16
Tsuguhiko Kadokawa	2,927	2.06
CyberAgent, Inc.	2,844	2.01
Sony Group Corporation	2,844	2.01

(Notes)

- The Company holds 257,000 treasury shares. These 257,000 treasury shares do not include the 2,121,000 shares held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the share-based compensation plan for Directors of the Company and its consolidated subsidiaries, as well as the ESOP for the employees.
- The treasury shares are excluded in the calculation of the ratio of equity participation shown above.

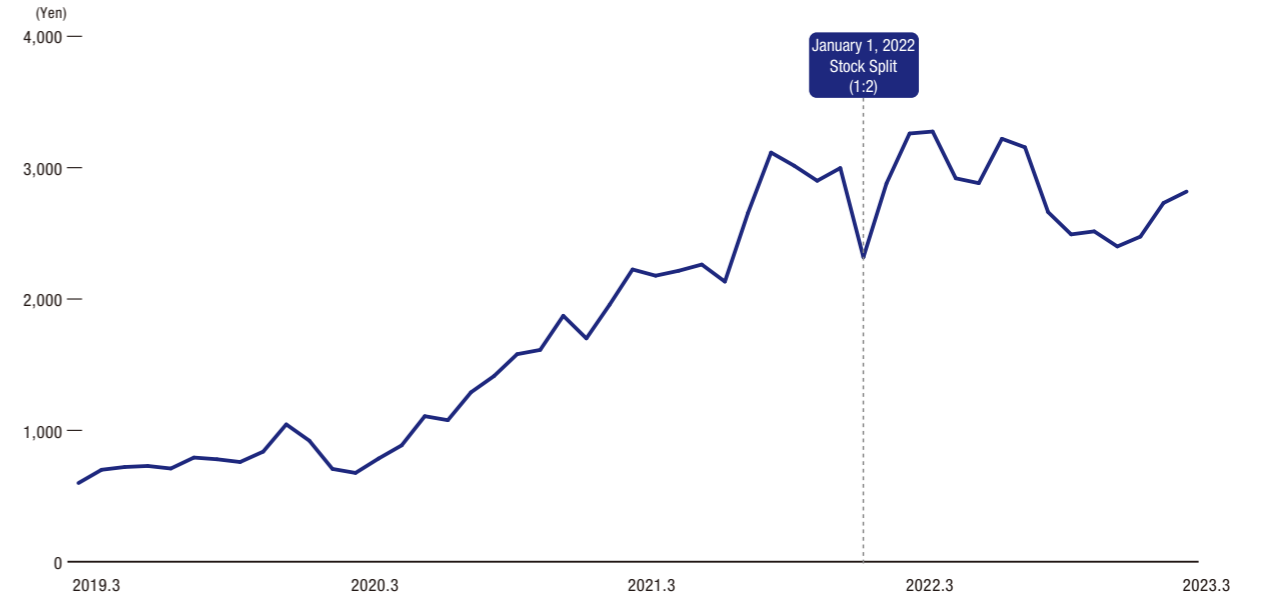
Breakdown by type of shareholder



Type	Number of shares held	Ratio (%)
Foreign institutions	524,387	37.06
Financial institutions	366,756	25.92
Individual and others	263,062	18.59
Other companies	238,645	16.87
Financial instruments firms	21,879	1.55
Government and local public organizations	—	—

Note: Treasury stock is included in "Individuals and others".

Stock Price Chart



(Note)

On January 1, 2022, the Company split its common stock at a ratio of 2-for-1. The graph shows the figures after taking this stock split into consideration.

Total Shareholder Return (TSR)

	March 2019	March 2020	March 2021	March 2022	March 2023
Total Shareholder Return (%)	107.0	127.4	396.3	595.1	528.0
Index: TOPIX (Tokyo Price Index)	95.0	85.9	122.1	124.6	131.8

Note: Company values and TOPIX values are based on closing price data of March 31, 2018 set at 100.

Shareholder Benefit Program

For details of our shareholder benefit program, please refer to the following website.

<https://group.kadokawa.co.jp/global/ir/stock/info.html>



COMPANY PROFILE (as of March 31, 2023)

Corporate Name	KADOKAWA CORPORATION
Head Office	2-13-3 Fujimi, Chiyoda-ku, Tokyo 102-8177 JAPAN
Website	https://group.kadokawa.co.jp/global/
Date of Establishment	October 1, 2014
Common Stock	¥40.6 Billion

©Bandai Namco Entertainment Inc. / ©2022 FromSoftware, Inc.
 ©Daisuke Aizawa, KADOKAWA/Shadow Garden ©Master of Garden Project
 ©Hotondoshindeiru
 ©Anri Sakano 2023 ©Daisuke Aizawa 2023 ©Touzai 2023
 ©Keiko Shibata 2022 ©KADOKAWA CORPORATION 2022
 ©Kafka ASAGIRI, Sango HARUKAWA/PUBLISHED BY KADOKAWA/Bungo Stray Dogs Partners
 ©Mine Yoshizaki
 ©Keiko Shibata 2020 ©KADOKAWA CORPORATION 2020
 ©KADOKAWA CORPORATION 1976
 ©KADOKAWA CORPORATION NH/1995
 ©1998 RING/SPIRAL Production Group
 ©Kugane Maruyama, PUBLISHED BY KADOKAWA CORPORATION/OVERLORD PARTNERS
 ©Tappei Nagatsuki, KADOKAWA/Re:ZERO PARTNERS
 ©2020 "Fukushima 50" Film Partners
 ©Hotondoshindeiru, UNCLE from ANOTHER WORLD Partners.
 ©Gotcha Gotcha Games Inc./YOJI OJIMA 2020
 ©Akihito Tsukushi, TAKE SHOBO/MADE IN ABYSS "Dawn of a Deep Soul" PARTNERS
 Licensed to and Published by Spike Chunsoft Co., Ltd. and Spike Chunsoft, Inc.
 ©Daisuke Aizawa 2023
 ©Daisuke Aizawa, KADOKAWA/Shadow Garden
 ©Kafka Asagiri 2013 ©Sango Harukawa 2013/ KADOKAWA CORPORATION
 ©Nagaru Tanigawa, Noizi Ito 2003
 ©2019, 2022 FromSoftware, Inc. All rights reserved. ACTIVISION is a trademark of Activision Publishing Inc. All other trademarks and trade names are the properties of their respective owners.
 ©2023 "As Long as We Both Shall Live" Film Partners
 ©Spike Chunsoft Co., Ltd. All Rights Reserved. Licensed to and Published by Spike Chunsoft, Inc.
 ©Rifujinamagotchi/MFBOOKS/ Mushoku Tensei Production Committee
 ©Liu Cixin ©Jun Yokoyama ©KADOKAWA QINGYU (Shanghai) Culture & Creation Co., Ltd.
 ©Aka Akasaka x Mengo Yokoyari/Shueisha, "OSHI NO KO" Partners
 ©Tappei Nagatsuki ©KADOKAWA/Akatsuki Inc.
 ©Akumi Agitogi 2023
 ©2023 Akumi Agitogi, Tsukiho Tsukioka/KADOKAWA/My Happy Marriage Partners
 ©1998-2023 Tencent.
 ©Makoto Shinkai ©2022SNTFP
 ©bilibili ©Kaisei Enomoto, Syugao / KADOKAWA 2022
 ©FENZ, Inc. / Tencent / TIANWEN KADOKAWA
 ©Lee Narae / C&C Revolution Inc.
 ©2023 KADOKAWA/ GAMERA Rebirth Production committee
 ©KADOKAWA CORPORATION 2023

MAIN CONSOLIDATED SUBSIDIARIES (as of April 1, 2023)

Yellow Jam Inc.	Japan Film Fund Co., Ltd.
ENGI Co.Ltd.	Virtual Cast, Inc.
Custom Cast, Inc.	Vantan Inc.
KADOKAWA Architecture Co., Ltd.	Building Book Center Co.,Ltd.
KADOKAWA ASCII Research Laboratories, Inc.	BOOK WALKER Co.,Ltd.
KADOKAWA UPLINK INC.	FromSoftware, Inc.
KADOKAWA KEY-PROCESS Co., Ltd.	Mainichi ga Hakken Inc.
KADOKAWA CRAFT INC.	MOVIE WALKER Co., Ltd.
KADOKAWA Global Marketing Co., Ltd.	ANIME NEWS NETWORK LLC
KADOKAWA KPLUS CO., Ltd.	BOOKWALKER TAIWAN CO., Ltd.
KADOKAWA Game Linkage Inc.	GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD.
KADOKAWA Connected Inc.	J-Novel Club LLC
KADOKAWA DAIEI STUDIO CO., LTD.	KADOKAWA AMARIN COMPANY LIMITED
Kadokawa Book Navi Co.	KADOKAWA GEMPAK STARZ SDN. BHD.
KADOKAWA Future Publishing Co., Ltd.	KADOKAWA GEMPAK STARZ(S) PTE.LTD.
Kadokawa Media House Inc.	KADOKAWA HOLDINGS ASIA LTD.
GeeXPlus, Inc.	KADOKAWA HOLDINGS U.S. IN HONG KONG LTD.
Cool Japan Travel, Inc.	KADOKAWA HONGKONG LTD.
Glovision Inc.	KADOKAWA QINGYU (SHANGHAI) CULTURE & CREATION CO., LTD.
Gotcha Gotcha Games Inc.	KADOKAWA TAIWAN CORPORATION
Studio KADAN Co.Ltd.	KADOKAWA WORLD ENTERTAINMENT, INC.
Spike Chunsoft Co., Ltd.	Spike Chunsoft, Inc.
CHOUBUNSHA PUBLISHING CO., LTD.	WALKERMEDIA CO., LTD.
Tokorozawa Sakuratown Corporation	YEN PRESS, LLC
DWANGO Co., Ltd.	

MAIN EQUITY-METHOD AFFILIATED COMPANIES (as of April 1, 2023)

Karaksa Media Partner Corporation
KIDS NET CO., LTD.
KINEMA CITRUS Co.,Ltd.
KCA Japan Co., Ltd.
CPS Co., Ltd.
STUDIO CHIZU LLP
DOCOMO ANIME STORE inc,
Japan Digital Library Service Co.,Ltd.
PERSOL MEDIA SWITCH CO., LTD.
PRODUCTION ACE CO., LTD.
PAGE-TURNER LLP
ANIMATE OVERSEA CO., LTD.
IZE PRESS, LLC
KCA International Edutainment (TAIWAN) .Co.,LTD.
SUN WAH KADOKAWA (HONG KONG) GROUP LTD.