

KADOKAWA
Integrated Report

2022

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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 creators and users, the Group's business strategy for continuing to create value over the medium to long term, its ESG initiatives, 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 Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation of the Japanese Ministry of Economy, Trade and Industry.



Reporting Period

FY2021 (April 1, 2021 to March 31, 2022)

Note that some content relating to events before or after FY2021 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.



The KADOKAWA Group website 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.

<https://group.kadokawa.co.jp/global/>



MAIN CONSOLIDATED SUBSIDIARIES (as of March 31, 2022)

PUBLICATION

KADOKAWA ASCII Research Laboratories, Inc.
KADOKAWA UPLINK INC.
KADOKAWA KEY-PROCESS Co., Ltd.
KADOKAWA Game Linkage Inc.
Kadokawa Book Navi Co.
KADOKAWA Future Publishing Co., Ltd.
Kadokawa Media House Inc.
GeeXPlus, Inc.
CHOUBUNSHA PUBLISHING CO., LTD.
Building Book Center Co.,Ltd.
BOOK WALKER Co.,Ltd.
Mainichi ga Hakken Inc.
Anjung Taipan SDN.BHD.
Art Square Creation SDN.BHD.
Art Square Holdings SDN.BHD.
BOOKWALKER TAIWAN CO. Ltd.
GEMPAK STARZ SDN.BHD.
GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD.
J-Novel Club LLC
KADOKAWA AMARIN COMPANY LIMITED
KADOKAWA GEMPAK STARZ SDN. BHD.
KADOKAWA GEMPAK STARZ(S) PTE.LTD.
KADOKAWA HONGKONG LTD.
KADOKAWA TAIWAN CORPORATION
WALKERMEDIA CO., LTD.
YEN PRESS, LLC

VIDEO

ENGI Co.Ltd.
KADOKAWA Architecture Co., Ltd.
KADOKAWA DAIEI STUDIO CO., LTD.
Glovision Inc.
Studio KADAN Co.Ltd.
Japan Film Fund Co., Ltd.
MOVIE WALKER Co., Ltd.
KADOKAWA HOLDINGS U.S. IN HONG KONG LTD.
KADOKAWA QINGYU (SHANGHAI) CULTURE & CREATION CO., LTD.

GAME

Kadokawa Games, Ltd.
Gotcha Gotcha Games Inc.
Spike Chunsoft Co., Ltd.
FromSoftware, Inc.
Spike Chunsoft, Inc.

WEB SERVICES

Custom Cast, Inc.
DWANGO Co., Ltd.

OTHERS

ATX INC.
KADOKAWA CRAFT INC.
KADOKAWA Global Marketing Co., Ltd.
KADOKAWA Connected Inc.
Cool Japan Travel, Inc.
Tokorozawa Sakuratown Corporation
Virtual Cast, Inc.
Vantan Inc.
KADOKAWA HOLDINGS ASIA LTD.
KADOKAWA WORLD ENTERTAINMENT, INC.

MAIN EQUITY-METHOD AFFILIATED COMPANIES

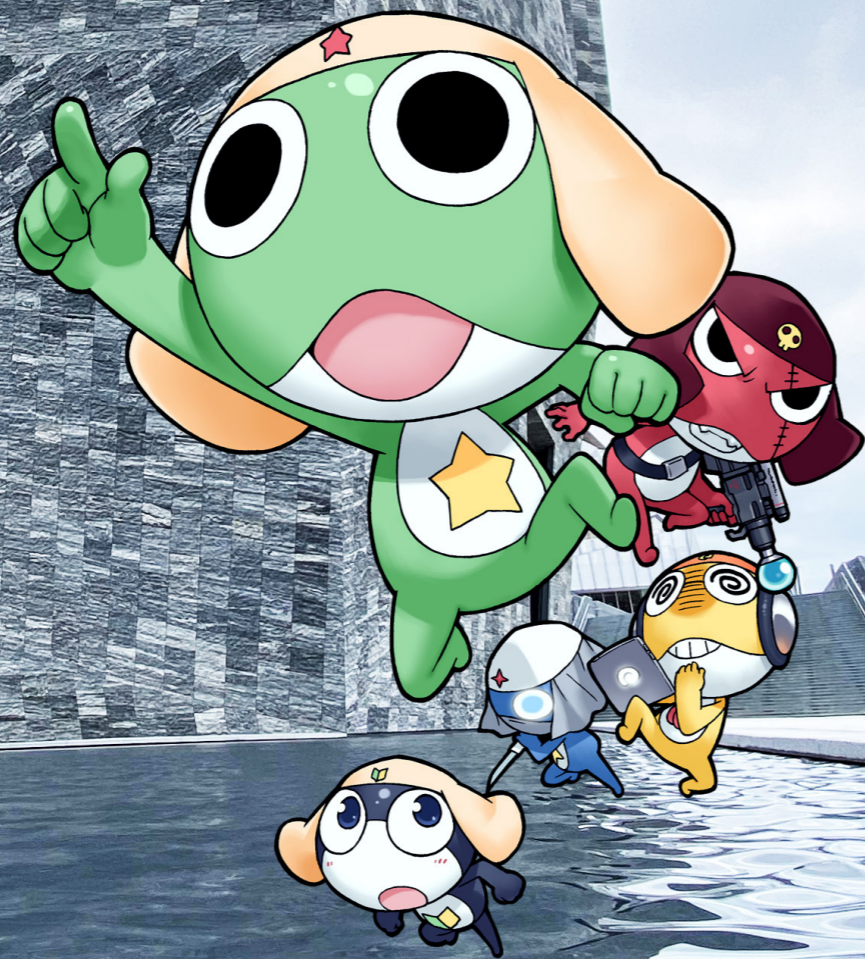
KADOKAWA CONTENTS ACADEMY CO., LTD
Karaksa Media Partner Corporation
KIDS NET CO., LTD.
KINEMA CITRUS Co.,Ltd.
CPS Co., Ltd.
STUDIO CHIZU LLP
DOCOMO ANIME STORE inc,
Japan Digital Library Service Co.,Ltd.
PERSOL MEDIA SWITCH CO., LTD.
PRODUCTION ACE CO., LTD.
PAGE-TURNER LLP
ANIMATE OVERSEA CO., LTD.
KADOKAWA CA (THAILAND) CO., LTD.
KADOKAWA CONSULTING (THAILAND) CO., LTD.
KADOKAWA INTERNATIONAL EDUTAINMENT (TAIWAN) CO., LTD.
SUN WAH KADOKAWA (HONG KONG) GROUP LTD.

1

THE KADOKAWA GROUP

This section outlines the KADOKAWA Group's 77-year history since its founding, the Group's cherished management philosophy, its current strengths, and the value it provides to society.

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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 CONTENT & SERVICES KADOKAWA GROUP

1945~1975

Literature Publishing Era

KADOKAWA was established in the postwar era, with the ambition to revitalize Japanese culture through publishing.

1976~1981

Movies and Media Mix Era

The combination of publishing and filmmaking became a huge success, making movies One of KADOKAWA's core business fields.

1982~1993

The Magazines Era

Starting with "Weekly The Television", the company launched various informational magazines successively including gaming and anime magazines. KADOKAWA became acknowledged as the leading company in the field. The company also released a series of light novels.

1994~2002

Road to Becoming a Mega-Content Provider

Taking a major step toward providing various multimedia services, KADOKAWA broke new ground in the internet and digital business fields.

BOOKS

1945



1968
Shin Jigen



1952
Showa Bungaku Zenshu



1949
Kadokawa Bunko

1970

1970
LOVE STORY



1975
Barefoot Gen

1980



1987
The Five Star Stories

Birth of Light Novels

1988
Kadokawa Sneaker Bunko



Record of Lodoss War



1988
Fujimi Fantasia Bunko

1990



1990
Slayers



1993
Dengeki Bunko



1999
Sgt. Frog

2000



1998
Famitsu Bunko

MAGAZINES



1974
Yasei Jidai



1952
Haiku



1985
Newtype



1982
Weekly Kadokawa The Television
(Currently, The Television)



1987
Lettuce Club



1986
Famitsu Tsushin
(Currently, Weekly Famitsu)



1994
Da Vinci



1990
Tokyo Walker



1997
Weekly ASCII



2001
GUNDAM A

MOVIES



1953
Ugetsu



1976
The Inugami Family



1977
Proof of the Man

KADOKAWA FILMS Leads the Times



1985
Ran



1995
GAMERA: THE Guardian Of the Universe



1997
Lost Paradise



1998
Ring

HISTORY OF CONTENT & SERVICES



2003~2012

Becoming a Comprehensive Media Enterprise

The KADOKAWA Group adopted a holding company system, with a corporate structure consisting of publishing, motion picture, internet, and digital business lines.



2013~2019

Platformer in a Digital/Internet Era

KADOKAWA absorbed and merged with its nine consolidated subsidiaries. Following a management integration with DWANGO in 2014, the company expanded into the internet, digital, and global markets as a platformer.



2020~

Digital Transformation to an Era of Worldwide Connections Using IP

TOKOROZAWA SAKURA TOWN opens. KADOKAWA advances its global media mix strategy, which focuses on steadily deploying a variety of forms of intellectual property (IP) across the globe through a reform with digital transformation (DX).

*1: The logo and visual when our services started are used here. The logos and visuals of BOOK☆WALKER, Famitsu.com, Nico Nico Douga, and Mubichike are different from the current ones.

*2: "d anime store" is a service provided by NTT DOCOMO, INC. DOKOMO ANIME STORE INC., which conducts planning and operation of "d anime store", is a joint company by NTT DOCOMO, INC. and KADOKAWA CORPORATION.

2000



2002 MF Bunko J



2009 Kadokawa Tsubasa Bunko

2010



2013 BUNGO STRAY DOGS



2016 KADOKAWA Science Manga Series Primal Power



2021 TATESU COMICS

BOOKS & MAGAZINES



2003 Yotsuba&!



2003 The Melancholy of Haruhi Suzumiya



2009 Sword Art Online



2010 BOOK☆WALKER^{*1}



2012 The Miracles of the Namiya General Store



2014 ComicWalker



2016 Kakuyomu



2015 KADOKAWA Learn with Manga Series History of Japan



2021 KOKUROJO Arioka Citadel Case

MOVIES

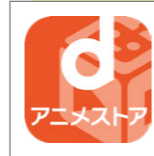


2009 THE UNBROKEN



2011 Mubichike^{*1}

Transformation from a Content Creator to a Platformer



2012 anime store (Currently, d anime store)^{*2}



2020 Fukushima 50



2019 SEKIRO: SHADOWS DIE TWICE



2022 ELDEN RING

GAMES



2000 Walkerplus



2000 Famitsu.com^{*1}

Dawn of a Mega Content Holder



2007 ASCII.jp



2014 Da Vinci News (Currently, Da Vinci Web)



2016 N High School



2018 Virtual Cast

INTERNET & OTHERS



2005 Animelo Summer Live



2006 Nico Nico Douga^{*1}



2012 Niconico Chokaigi



2020 TOKOROZAWA SAKURA TOWN



2021 VANTAN CREATOR ACADEMY

BUSINESS OVERVIEW

Since its foundation, the KADOKAWA Group has expanded its business, revamping its business categories with the changing times. The Group is developing its own global media mix, creating a variety of forms of Intellectual Property (IP), including publications, movies, games, and web services, and selling them worldwide.

Publication Business

Creating new intellectual property (IP) centered around publications

We continuously publish new creative works, amounting to some 5,000 titles each year, which we use as the primary source for our media mix. We strive to boost our capacity to produce new creative works by identifying writers in a diverse range of genres including literature, comics, light novels, children's books, and how-to books, as well as writers posting on online user-generated content (UGC) platforms, or on social media.



Pan Dorobou



Tezcatlipoca



The Five Star Stories (16)



KOKUROJO
Arioka Citadel Case



Seiiki

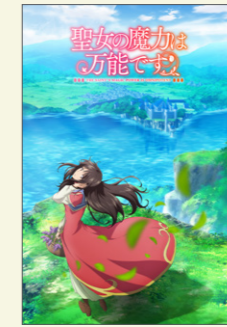


The Amazing Visual Dictionary of the Weather

Video Business

Maximizing our media mix through live action and animation

We plan, produce, and distribute live action and animation, grant the rights to distribute movies, sell package software, and more. We also take a multifaceted approach to business development including games and merchandise to maximize our media mix.



The Saint's Magic Power is Omnipotent



Banished from the brave man's group, I decided to lead a slow life in the back country.



First Love



The Family



The World's Finest Assassin Gets Reincarnated in Another World as an Aristocrat



The Rising of the Shield Hero



ELDEN RING

Game Business

Creating new IP for games and expanding IP

Our activities in this business include planning, development, sales, and licensing of our own original titles, primarily as console games. We are also engaged in selling licensed IP games adapted from animation and books.

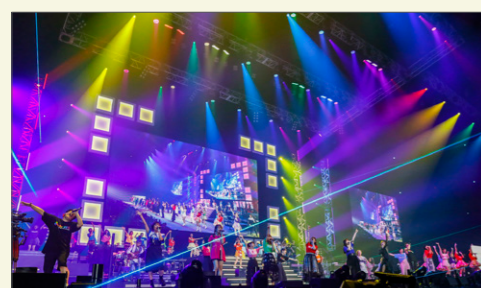
Web Services Business

Provision of video community services, planning and management of events, and distribution of mobile content

We develop a range of digital content and services including the video sharing service Nico Nico; events such as Nico Nico Chokaigi, which links people both online and in the real world; and mobile content such as music distribution services.



Nico Nico



Animelo Summer Live 2021



Nico Nico Net Chokaigi 2021

Others Business

Taking on new businesses centered around IP

Operations encompass the education business centering on N High School, S High School, and VANTAN; the IP experiential business, which operates facilities including TOKOROZAWA SAKURA TOWN; and the merchandising business, which plans and sells character merchandise and other products.



N High School / S High School



TOKOROZAWA SAKURA TOWN



VANTAN

THE KADOKAWA GROUP'S STRENGTHS

The KADOKAWA Group is involved in all spheres of entertainment at every stage of an intellectual property (IP)'s development from its very beginnings. We create IP, deliver it to users worldwide, connect users to each other, and discover and nurture new talent. In this way, we are able to fulfill creators' wishes and provide moving experiences to users, maximizing IP value.

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, videos, 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").



Animations

Original works (novels)



Comics



Games



Merchandise
Emilia Birthday Cake Version

Example of IP deployment: Re:ZERO -Starting Life in Another World-

A novel posted on the internet was published in book form as a series of light novels, then deployed across multiple media including comics, animations, games, and merchandise. The synergies thus generated enabled the title to become a major hit, with cumulative sales of 11 million copies worldwide (including the original novels, comics, and e-books).

Delivering to users

We deliver IP in the form of books, video content, and games to users through a variety of means. These include facilities for experiencing IP that are run directly by the KADOKAWA Group—such as bookstores, e-book stores, and movie theaters—as well as online media. In addition, our collaboration with many partners in Japan and overseas has created a network connecting our IP with users that now extends all over the world.



BOOK☆WALKER
The KADOKAWA Group's comprehensive, directly operated e-book store, which carries around a million titles

Bookstores



Kadobun Summer Book Fair
A sales promotion event showcasing IP-based collaborations including books and videos based on the same IP

Global expansion



"So I'm a Spider, So What?" (English version)
The original novels have been translated into seven languages, and the comics into nine languages. Some 500,000 copies of the novels and comics combined have been published overseas.

Video distribution



KADOKAWA Anime Channel
An official YouTube channel that shows the latest videos relating to animation titles (has over 2 million subscribers)



Mubichike
An electronic movie ticket service available all over Japan that enables online seat reservations



EJ Anime Theater
A movie theater specializing in animations that holds exhibitions and events, and sells merchandise, in addition to showing movies

Movie theaters

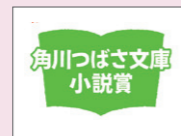


Web media

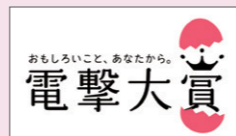
Walkerplus
An information portal site covering everything from news to entertainment that boasts 130 million monthly page views

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 tailored to each person.

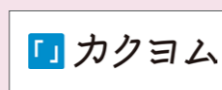


Kadokawa Tsubasa Bunko Novel Award
An event to award novels submitted by the public, with the aim of developing a collection of children's books that will enthrall elementary and junior high school pupils



Dengeki Award
An event to award works submitted by the public that has become the gateway to success for writers and illustrators

Identifying talent



Kakuyomu
An online site that enables users to read, write, and share novels free of charge



TATESC Comics Award
An event to award submissions by the public in the form of vertically scrolling (tatesc) comics, which are easy to read on smartphones anytime and anywhere

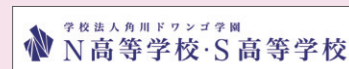


Kadokado
A platform launched in Taiwan for posting serialized novels written in Traditional Chinese



VANTAN
Specialist schools dedicated to developing human resources in the creative sphere

Nurturing talent



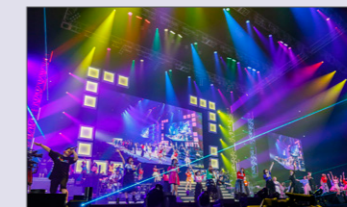
N High School & S High School
Online high schools that combine the internet with an educational setup based on correspondence-course high schools



KADOKAWA Contents Academy
Schools (in Taiwan and Thailand) designed to impart Japanese content creation know-how to the world

Connecting users

We make use of our own platforms and IP experiential facilities to offer opportunities for users to share their recommended IPs with others, connect in like-minded groups, and have fun together through online fan communities and hybrid events linking online and real-world activities.



Animelo Summer Live
Held annually, this is the largest anime song event in the world.

Events

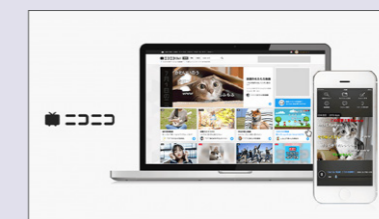


Niconico Chokaigi
Niconico Chokaigi is one of Japan's largest cultural festivals; inspired by the online world, it is created through the active participation of Niconico users.



IP experiential facilities

FAV ZONE
The main base of activities for the professional eSports team FAV gaming, which plays a role in enlivening regional eSports



Niconico
One of Japan's largest video sharing services, offering Niconico Douga and Niconico Live Streaming

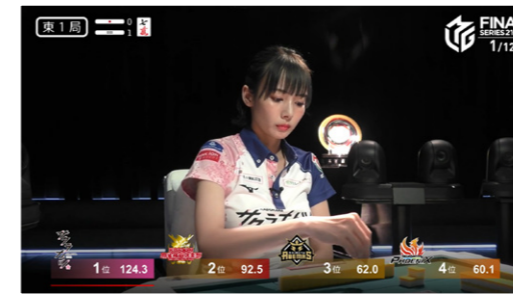
Online fan communities



bookmeter
A communication service that enables readers all over Japan to gather online. The number of book-related comments and reviews is among the highest of any Japanese website.

VALUE PROVIDED BY THE KADOKAWA GROUP

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.



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

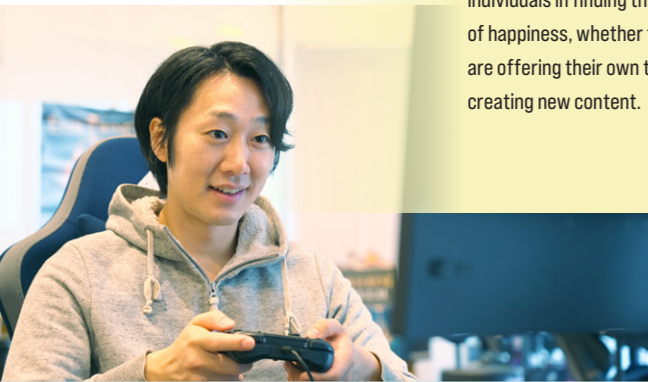
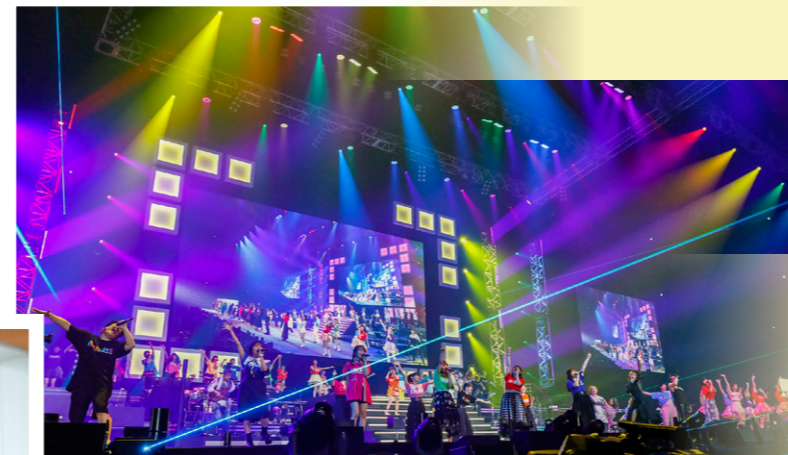
We create spaces and environments in which users, creators, and everybody else can fully express their own creativity and appreciation for content at every stage of the process from content creation, through experiencing and sharing, to cultivation of new content. We support individuals in finding their 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.

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.

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.



VALUE CREATION PROCESS

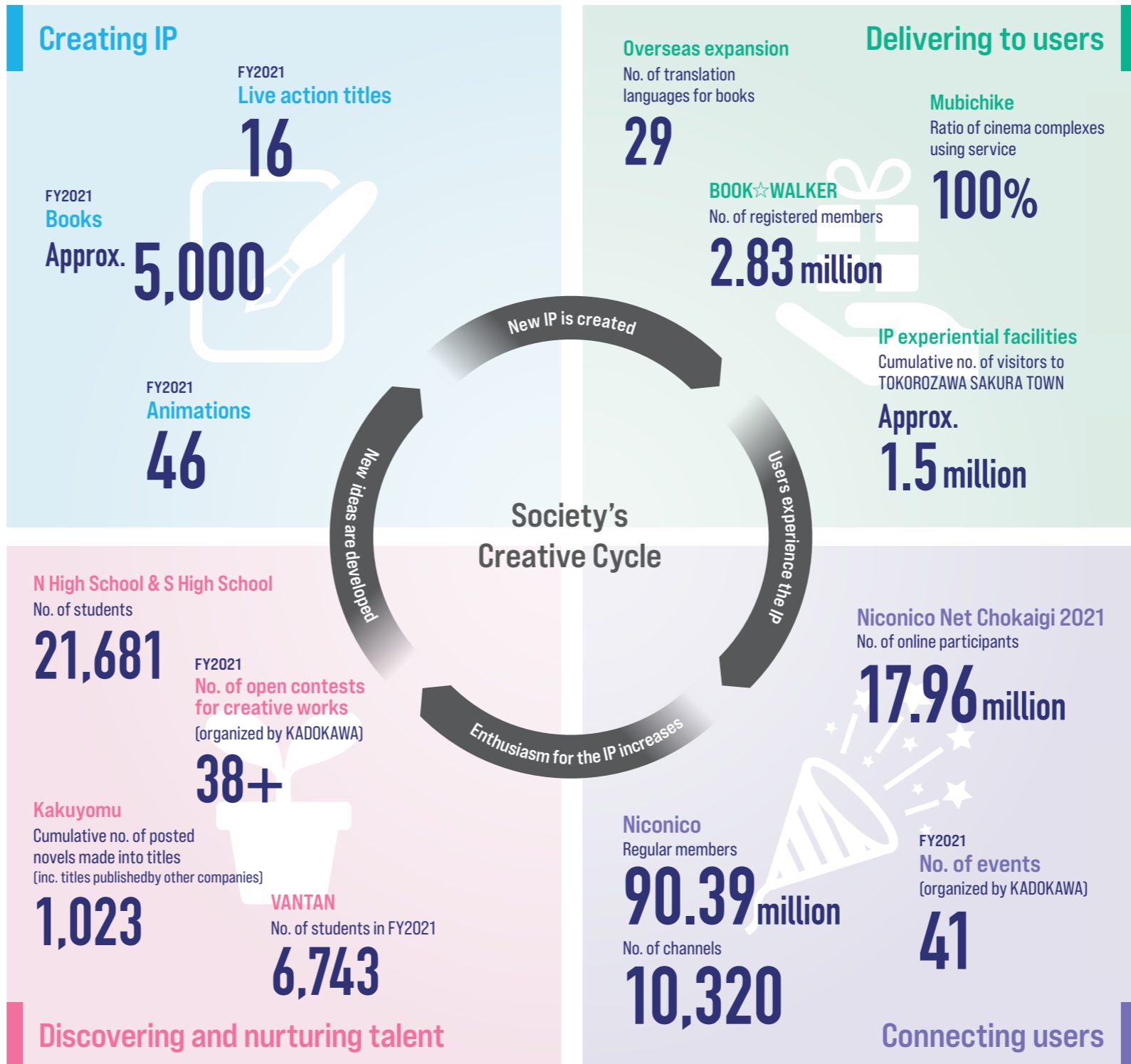
Intellectual property (IP) can connect one person's desire to express themselves or convey what they feel with other people's desire to have an experience or enjoy themselves, generating tremendous energy that keeps society's creative cycle turning. By involving itself in every aspect of this creative cycle, the KADOKAWA Group increases the enthusiasm that creators and users feel for individual IPs. We generate a wealth of output, thereby providing value to the world on a sustained basis.

Changes in the external environment and social issues that the KADOKAWA Group is currently addressing include the following:

- The digital divide and educational disparities resulting from rapid technological advancement
- Societal transformation from mass-production/mass-consumption to sustainability
- Passing on a diverse culture to the next generation
- Intolerance of others within society
- Diversification in people's personal preferences



- HUMAN CAPITAL**
Diverse human resources with a high degree of expertise and creativity
- No. of Group employees: 6,645; editing personnel: approx. 600 (parent company only)
 - Ratio of non-Japanese employees: 11.1%; No. of overseas Group companies: 24
- INTELLECTUAL CAPITAL**
Assets for creation and development of IP
- A wealth of archived titles: 120,000 or more books, 2,000 or more videos
 - Operation of TOKOROZAWA SAKURA TOWN, movie theaters, satellite studios, etc.
- SOCIAL AND RELATIONSHIP CAPITAL**
Networks and trust that maximize value
- No. of bookstores that can carry KADOKAWA products: approx. 9,000 throughout Japan
 - No. of individual business partners such as creators and writers: approx. 70,000
- FINANCIAL CAPITAL**
Funding for continuing business activities
- Capital adequacy ratio: 52.8%
- MANUFACTURED CAPITAL**
Production, distribution, and sales bases in Japan and overseas
- Digital Production and Distribution Plant at TOKOROZAWA SAKURA TOWN
- NATURAL CAPITAL**
Reduce consumption of resources and energy through business improvements
- Reduce excessive consumption of paper by reforming the printing, distribution, and editing process of books



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

Diverse content promotes mutual understanding throughout society.

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

Note: Data shown are as of March 31, 2022 (excluding entries specifying otherwise).

2

BUSINESS STRATEGY

After setting out each business segment's achievements in FY2021, this section describes the six priority initiatives that are the cornerstones of the new Mid-Term Plan targeting further rapid progress.

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Financial Results for FY2021 20

New Mid-Term Plan 25



TOP MESSAGE

Supporting the Creativity of Each Individual

I think of the KADOKAWA Group as a platform for creative individuals. I use the word “platform” not only in the literal sense of our online platforms such as the video sharing service Niconico and the Kakuyomu online novel-posting site, but also to describe the Group's business activities as a whole. We adopt a producer's perspective to seek out talent all over the world, nurture that talent, apply our media mix strategy, and deliver content globally.

There is still a vast wealth of talent that remains undiscovered and unknown, spanning genres including novels, comics, games, anime, movies, music, and dance. At the KADOKAWA Group, we see ourselves as helping talent, individuality, and creativity of this kind to earn the public recognition and appreciation it deserves. That was what led to our education business, which offers unrestricted cultivation of individual students' talents through schools such as N High School, S High School, and VANTAN. Our continued growth as a business will further embolden and liberate people to give rein to their talents, providing us all even more enjoyment from the content and services their talent generates. I have no doubt about that.

In an era when the world can be enthralled by the talent and creativity of a single person or group of people, whether in Japan or anywhere on the planet, I am very pleased that the KADOKAWA Group can be part of that process. We are pressing ahead to our next stage of growth, aiming to do even more to support creativity all over the world.

President
Member of the Board

TAKESHI NATSUNO



FINANCIAL RESULTS FOR FY2021

Our financial results for the fiscal year ended March 31, 2022 (FY2021) are presented below, together with priorities for pursuing further business expansion.

*Although the Accounting Standard for Revenue Recognition has been applied starting from the fiscal year under review, results for the same period of the previous fiscal year use figures from before application of the new standard. *Business results for overseas subsidiaries are reflected in KADOKAWA's consolidated financial results on a three-month delay.

Consolidated Results for the Fiscal Year Ended March 31, 2022 (FY2021)

	Results for FY2020	Results for FY2021	Year on year (changed amount)	Jan.-Mar. 2021	Jan.-Mar. 2022	Year on year (changed amount)
Net sales	209,947	221,208	+5.4% (+11,261)	57,169	63,566	+11.2% (+6,397)
Operating profit	13,625	18,519	+35.9% (+4,894)	421	5,709	+1,256.0% (+5,288)
Operating margin	6.5%	8.4%	+1.9%pt	0.7%	9.0%	+8.2%pt
Ordinary profit	14,369	20,213	+40.7% (+5,844)	921	6,043	+555.7% (+5,122)
Profit attributable to owners of parent	9,584	14,078	+46.9% (+4,493)	597	4,508	+654.2% (+3,910)
EBITDA	18,154	24,623	+35.6% (+6,468)	1,735	7,712	+344.3% (+5,976)

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

(Unit: Millions of yen)

Achieved record^{*1} net sales, operating profit, and operating margin

In the Company's consolidated financial results for the fiscal year ended March 31, 2022, net sales rose 5.4% year on year, with operating profit posting growth of 35.9% year on year, resulting in the achievement of record^{*1} net sales, operating profit, and operating margin. Net sales progressed as expected, while profits ended up being far higher than we had anticipated.

In the Publication segment, the highly profitable overseas businesses and

e-books continued to drive double-digit growth^{*2}, resulting in record net sales, operating profit, and operating margin. Thus, the business at the starting point of the Global Media Mix strategy became even more solid. In the Game segment, sales and profit increased significantly due to the hit title ELDEN RING, once again demonstrating our world-class development capabilities. In the Others segment, the education business achieved growth as a new pillar.

*1. Since the merger of KADOKAWA and DWANGO in October 2014 / *2. Comparison based on the old revenue recognition standard



Publication Segment

Net Sales were 132,972 million yen (up 2.6% year on year); operating profit was 17,370 million yen (up 35.3%)

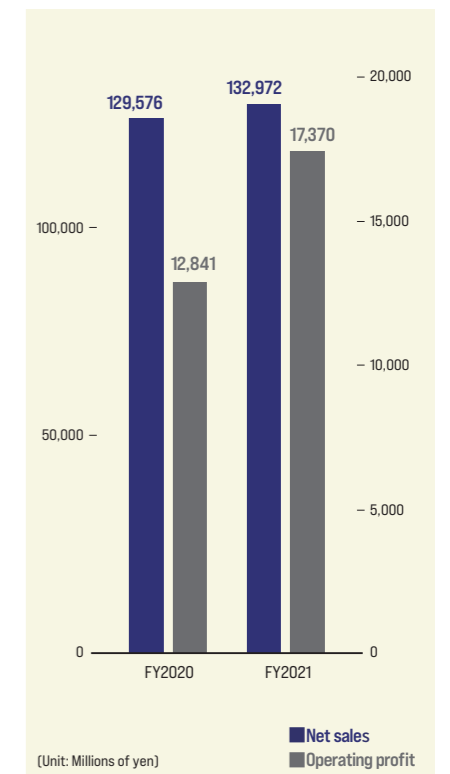
In paper-based books, overseas business achieved a high rate of growth driven by YEN PRESS, LLC, a strategic subsidiary in North America, and revenue from license income continued to increase, particularly for popular series.

Meanwhile, e-books benefitted from strong sales of the otherworldly comics at which the Company excels, an increase in users of BOOK☆WALKER (the Company's own online store), and growth in overseas sales, in addition to the ongoing growth in the overall market.

PRIORITY Accelerate the globalization of Publication

The newly established North American imprint Ize Press has joined YEN PRESS and other overseas subsidiaries in developing titles globally and progressing with business expansion focusing on English-speaking countries.

With the worldwide market for vertically scrolling comics expanding rapidly, we launched an imprint specializing exclusively in these comics in August 2021, and are currently expanding its publication pipeline. We intend to further boost this sector and cultivate content to be distributed globally through initiatives such as holding the 2nd All-KADOKAWA TATESCO Comics Award.



Video Segment

Net Sales were 33,112 million yen (up 5.7% year on year); operating profit was 1,341 million yen (down 41.0%)

Profit declined from the previous fiscal year, when popular titles drove growth in rights licensing income and overseas sales. On the other hand, distribution revenue from animations such as The World's Finest Assassin Gets Reincarnated in Another World as an Aristocrat and The Rising of the Shield Hero and live-action films such as A Family and First Love increased.

Overall, sales rose, mainly reflecting the contribution of the streaming business against the backdrop of market growth, along with sales growth in the Mubichike electronic ticket service for movie theaters and the studio operation business.

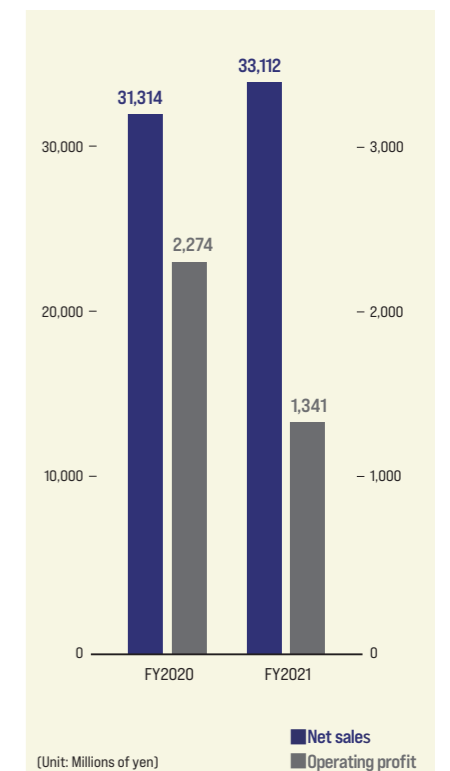
PRIORITY Create a more integrated system from planning to production for live action

We have increased the focus on improving our ability to create live-action intellectual property (IP) by strengthening our video production capability, including by integrating the video production business of KADOKAWA DAIEI STUDIO into our video production division in July 2022.

We will also promote co-production of video and drama with overseas companies to meet video distribution market needs and will continue considering a new framework for distribution.



KADOKAWA DAIEI STUDIO



Game Segment

Net Sales were 19,490 million yen (up 17.2% year on year); operating profit was 5,200 million yen (up 89.5%)

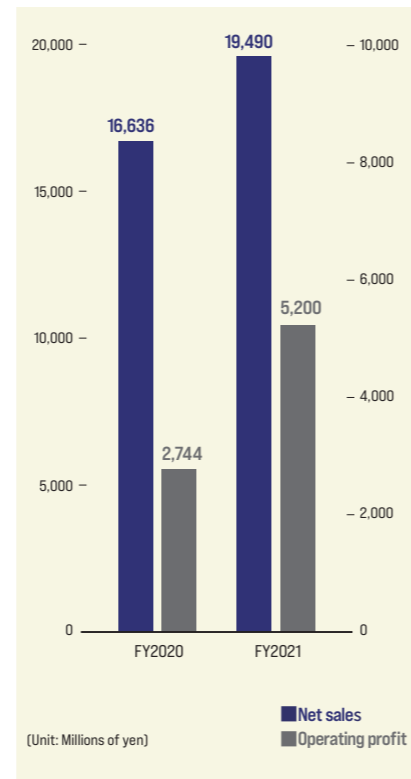
Sales of the new title ELDEN RING were strong, significantly contributing to increases in revenue and profit. ELDEN RING became a huge hit, setting a record with cumulative worldwide shipments exceeding 13.4 million units between its launch on February 25, 2022 and the end of March.

PRIORITY Focus on developing the next major title

In games for consoles, we will leverage the brand power derived from our record-breaking new hit ELDEN RING and our strong development capability in efforts to develop the next major title, whilst at the same time continuing to engage in the Group's original development of series titles and contract development for other companies.

In mobile games, the market for which has expanded by 7.8%* since last year, we are continuing to invest in our own original titles and conduct in-house planning and development.

* Source: Famitsu Mobile Game White Paper 2022 (compiled based on preliminary estimates)



FROM SOFTWARE



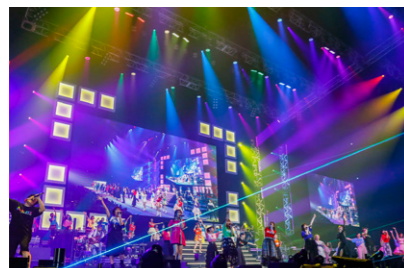
Web Service Segment

Net Sales were 21,342 million yen (down 3.0% year on year); operating profit was 2,013 million yen (down 3.9%)

In video social network services, the number of monthly paying subscribers (premium members) for Nico Nico, a portal service on the web, was 1.40 million as of the end of March 2022, falling from the end of March 2021. However, other revenue sources such as social tipping called Gift, in which items are sent to live broadcast programs, and advertising grew and performance stabilized through the diversification of revenue sources. We also planned and managed a variety of events, including Animelo Summer Live 2021, which contributed to sales.

PRIORITY Create enthusiastic communities that are the most popular in their genres

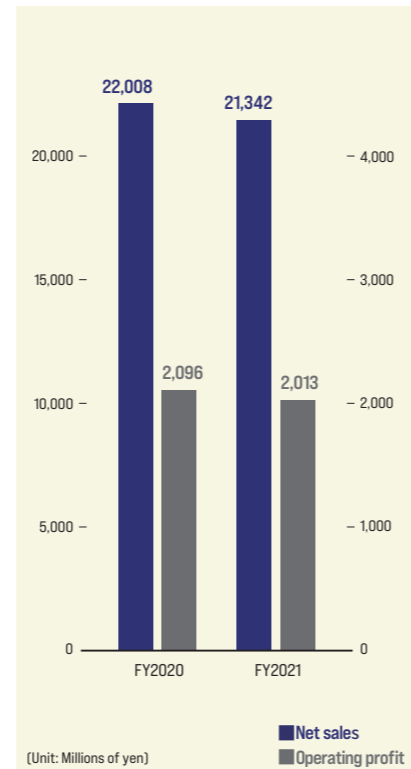
In April 2022, we held Nico Nico Chokaigi, one of Japan's largest user participation events, for the first time in three years. It was held in hybrid form combining online and real-world activities, and around 14 million people participated. By increasing the frequency of such large events to twice a year and offering more online posting opportunities linked to them, we will give users additional chances to participate and increase their satisfaction.



Animelo Summer Live 2021



Nico Nico Chokaigi 2022



Others Segment

Net Sales were 22,283 million yen (up 27.6% year on year); operating loss was 4,184 million yen

The education business continued to perform strongly, thanks to the contribution of DWANGO—which provides educational content to schools including N High School and S High School—as increases in students enrolled in these high schools drove the growth of the business into a new pillar of our operations. Further, both sales and profit grew at VANTAN, with the company making aggressive investments including the opening of a new school in Nagoya.

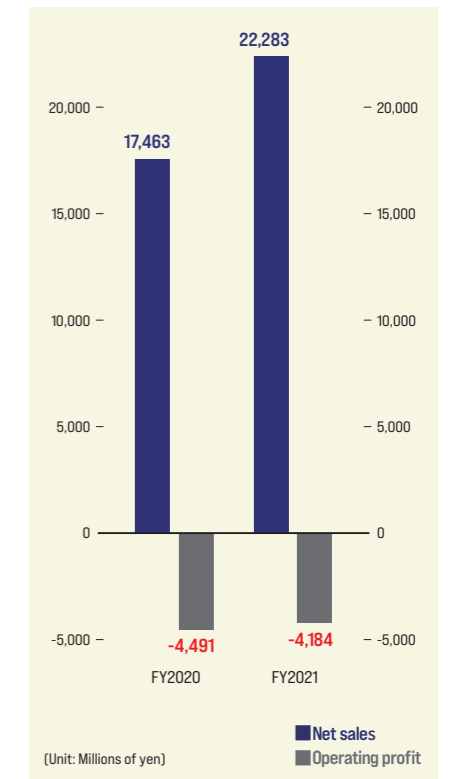
In IP experiential facilities, TOKOROZAWA SAKURA TOWN, which was opened in the previous fiscal year and includes the Kadokawa Culture Museum, EJ Anime Hotel, restaurants, and other facilities, contributed to increased revenue.

PRIORITY Progress planning and development to boost the appeal of TOKOROZAWA SAKURA TOWN

In October 2021 the cumulative number of visitors to TOKOROZAWA SAKURA TOWN topped 1 million. We are aiming to increase the appeal of all facilities and attract even more visitors through initiatives that include improving the quality of planned events utilizing IP and opening a facility specifically for eSports called FAV ZONE.



FAV ZONE

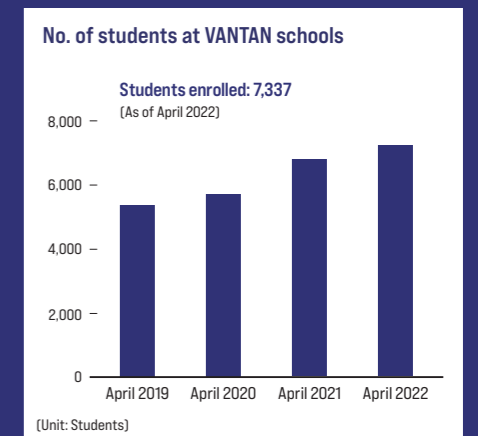
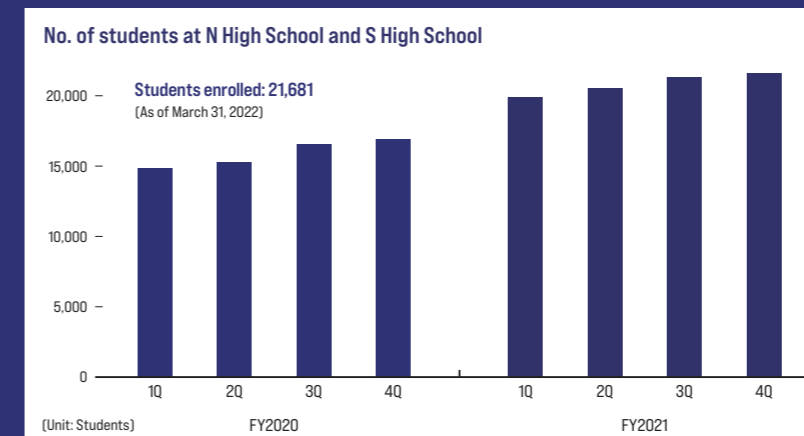


Outlook for the Education Business

In DWANGO's business of providing educational content to schools including N High School and S High School, student numbers increased further, largely due to the opening of S High School during the fiscal year under review. In April 2021, we started enhancing educational content by offering VR learning materials. With our N Prep School learning app, we offer an all-in-one learning system that optimizes the live-streaming of

classes and educational materials for smartphones in cooperation with N High School.

VANTAN opened two new schools: its Nagoya School, and VANTAN CREATOR ACADEMY, which trains influencers such as video creators, leading to further increases in student numbers. The company will continue to focus on training a diverse range of creators.



NEW MID-TERM PLAN

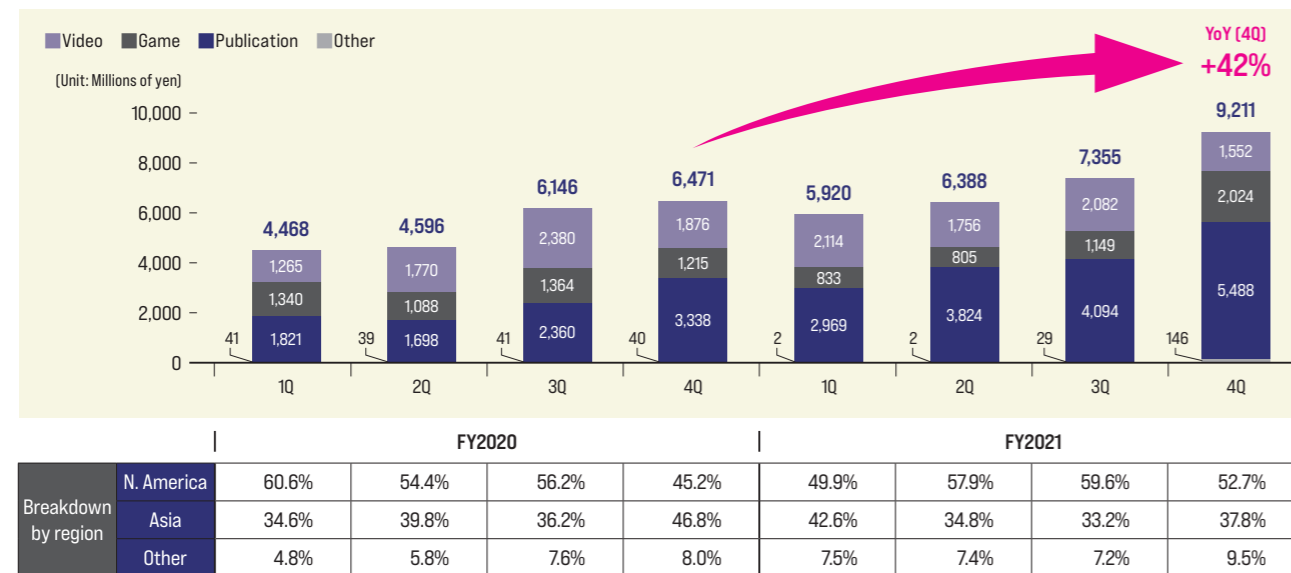
The operating profit target in the KADOKAWA Group's Mid-Term Plan due to complete in the fiscal year ending March 31, 2023 was achieved a year ahead of schedule, and the Group announced a new Mid-Term Plan.

Further expansion of the overseas business

In the fiscal year ended March 31, 2022, the KADOKAWA Group's overseas business achieved dramatic growth of 33% compared with the previous fiscal year as a whole (or growth of 42% if comparing only the fourth quarters), led by the North American and Asian regions. In addition to sales from the growth-driver Publication Business, in the Game Business overseas sales from ELDEN RING started to contribute in the fourth quarter of the fiscal year under review,

and the percentage of consolidated net sales accounted for by overseas sales rose to 13.1%. Looking ahead, the Group aims to take advantage of the worldwide interest in Japanese IP, which has become increasingly popular in recent years, as it focuses on the Publication Business to advance further toward its goal of becoming a global enterprise that develops IP on a worldwide scale.

Breakdown of overseas net sales by segment



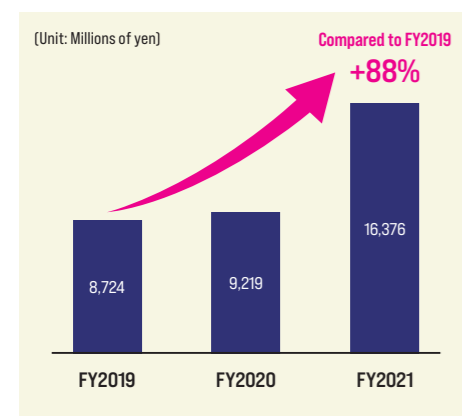
In the Publication Business, the percentage of overseas sales has grown by 88% over the past three years, from 7.4% in the fiscal year ended March 31, 2020 to 12.3% in the fiscal year ended March 31, 2022.

The overseas expansion of IPs created in Japan will further accelerate through the strengthening of translation functions and digital-first rollouts.

With consumers' entry points for coming into contact with IP becoming increasingly diverse, KADOKAWA will promote the expansion of its IP across a range of media to promote IP engagement for consumers.

The best original local content supported by each region is also being developed.

Overseas sales in the Publication segment



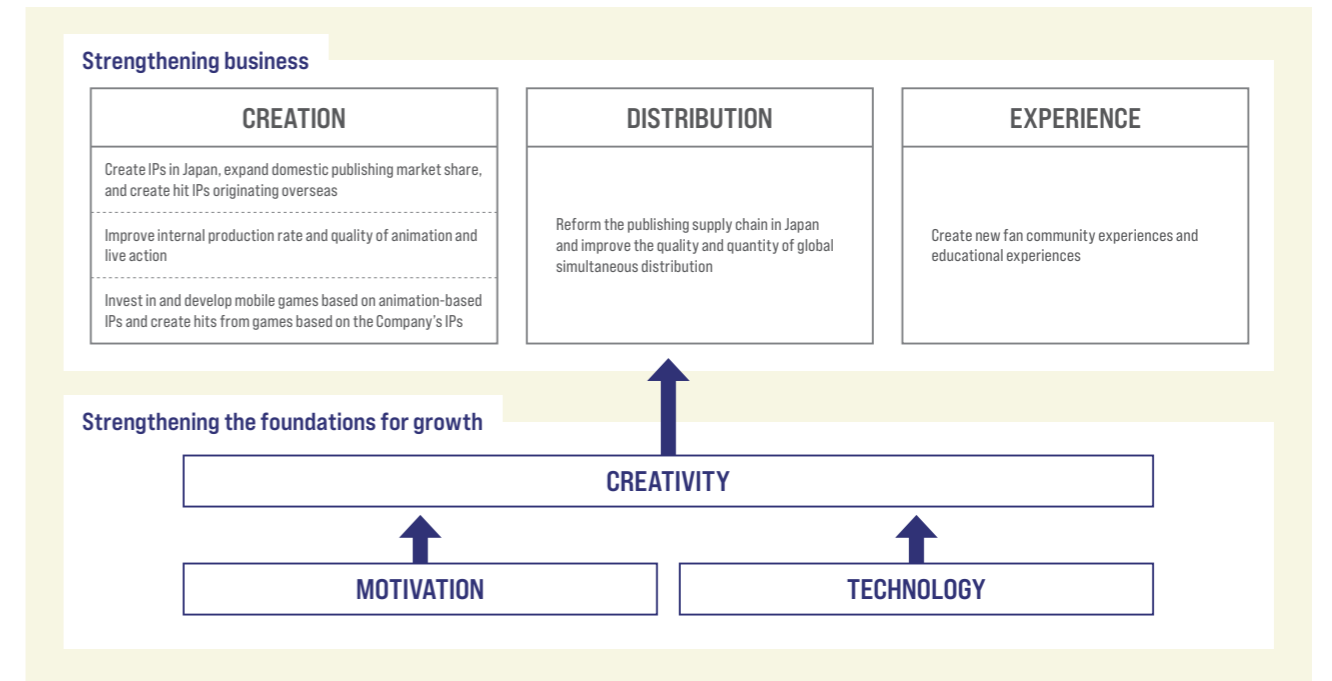
Examples of translated titles published overseas

Basic Policy for New Mid-Term Plan

The KADOKAWA Group's basic policy for its new Mid-Term Plan is Global Media Mix with Technology. We will further accelerate our existing Global Media Mix strategy by focusing on the key words Creation, Distribution, and Experience

as we strive to strengthen our business and the foundations for growth that underpin it. Details of associated initiatives are described on the following pages.

Global Media Mix with Technology



Targets in the Mid-Term Plan

By the fiscal year ending March 31, 2025, the Company will aim to achieve net sales of 250 billion yen and operating profit of 25 billion yen, and raise the percentage of consolidated net sales accounted for by overseas sales from the current 13% to 20%.

	Fiscal year ended March 31, 2022	Fiscal year ending March 31, 2025
Net sales	221.2 billion yen	250.0 billion yen
Overseas (% of net sales)	28.9 billion yen (13%)	50.0 billion yen (20%)
Operating profit (margin)	18.5 billion yen (8.4%)	25.0 billion yen (10%)
EBITDA	24.6 billion yen	31.1 billion yen

The Mid-Term Plan's Six Priority Initiatives

Under our recently formulated new Mid-Term Plan, we will focus on the six initiatives below. Details of the individual initiatives follow.

	Initiatives
CREATION	1. Create IPs in Japan, expand domestic publishing market share, and create hit IPs originating overseas
	2. Improve internal production rate and quality of animation and live action
	3. Invest in and develop mobile games based on animation-based IPs and create hits from games based on the Company's IPs
DISTRIBUTION	4. Reform the publishing supply chain in Japan and improve the quality and quantity of global simultaneous distribution
EXPERIENCE	5. Create new fan community experiences and educational experiences
FOUNDATIONS FOR GROWTH	6. Promote innovation based on the three key words creativity, motivation, and technology

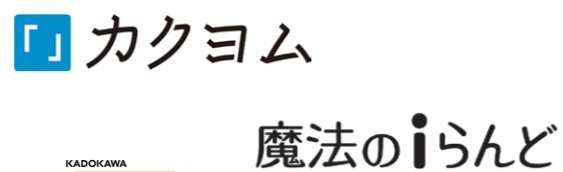
CREATION

1. Create IPs in Japan, expand domestic publishing market share, and create hit IPs originating overseas

Expand domestic publishing market share

The KADOKAWA Group creates more than 5,000 new titles a year. We will utilize technology to identify new authors of user-generated content (UGC) through platforms such as Kakuyomu and Maho i-Land. At the same time, we will work to strengthen our production capabilities by enhancing planning capacity including personnel recruitment and raising the level of editing capacity through use of data marketing.

We will progress with creating more titles for TATESC COMICS, an imprint dedicated to vertically scrolling comics. This new imprint started full operations during the fiscal year under review. We will also seek to promote a resurgence of growth in light novels and expand the juvenile, business, and culture genres. Our aim will be to grow the Publication Business further by placing greater focus on IP creation.



KADOKAWA AMARIN

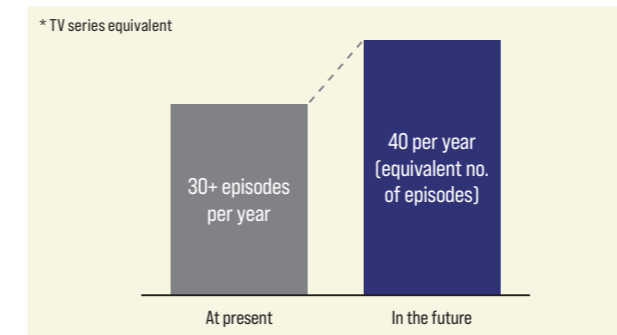
Create hit IPs originating overseas

Alongside distributing titles based on Japanese IPs, we will also invest effort in creating hit IPs overseas. We will strive to discover local IPs in the Chinese-speaking world, establish an IP creation structure in Southeast Asia, and develop IPs originating from South Korea.

2. Improve internal production rate and quality of animation and live action

Strengthen our ability to produce animated titles in-house

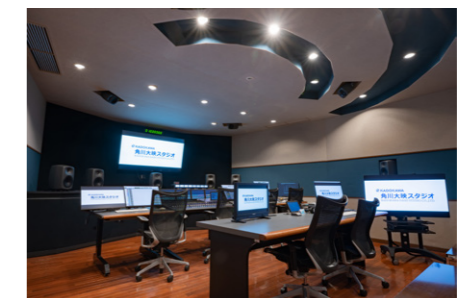
We will strengthen our production capabilities by establishing new companies and conducting M&As, aiming to expand new animated title production capabilities by at least 30%.



Classroom of the Elite Season 2 and OVERLORD, two animated series broadcast on television from July 2022

Strengthen live action film production capabilities

We will strengthen our production capabilities by taking advantage of the expansion of the global video distribution market and transforming to a model that leverages the strengths of an integrated system from planning to production of movies, dramas, and other live action films. In addition, we will continue cultivating and acquiring talent capable of producing global hits to secure and retain producer talent.



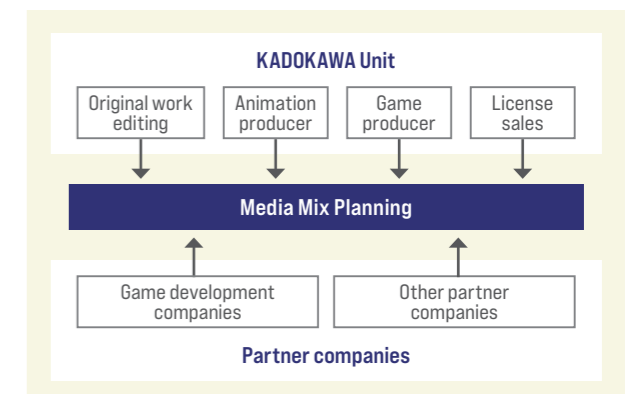
KADOKAWA DAIEI STUDIO

3. Invest in and develop mobile games based on animation-based IPs and create hits from games based on the Company's IPs

Accelerate expansion of mobile games with the Unit system

We will accelerate expansion of the media mix through a Unit system based on the formation of horizontal teams ("Units") made up of editors, animated title producers, video game producers, and leading video game manufacturers to cultivate IPs.

In the relatively high-risk mobile games business, we will undertake active investment and development in addition to licensing out.



Develop console games originating from books and animated titles

We will utilize game adaptation resources within the Group to create the next big hit from original works that are suited to a video game adaptation.

FROM SOFTWARE



DISTRIBUTION

4. Reform the publishing supply chain in Japan and improve the quality and quantity of global simultaneous distribution

Reform publishing distribution

Profits in the Publication Business are increasing due to improved return rates and shorter lead times. We are aiming to achieve further significant reductions in lead times by ascertaining an appropriate quantity to satisfy needs, thereby shortening the time to dispatch.

We will decrease the number of out-of-print books and books without a schedule for re-printing by significantly reducing minimum re-printing lots with the full operation of the Digital Production and Distribution Plant.

Expand works simultaneously distributed on a global scale

We are planning to further expand the global distribution of creative works by investing in the production of multilingual translations and distributing digital versions in multiple languages to coincide with the sale of printed books in Japanese. We will subsequently publish printed versions of digital titles that prove popular in other languages.

We will target further business expansion by focusing on stable operation of the Content Localization and Activation Center (CLAC), which undertakes multilingual translation of publications in-house, while also focusing on development of a marketing base for English-speaking countries.



EXPERIENCE

5. Create new fan community experiences and educational experiences

Provide diverse content experiences and update fan community experiences

We are employing state-of-the-art technologies in the Publication Business to provide various content-based experiences including TATESC COMICS, motion-integrated comics, and audio content. In Web Services, meanwhile, we intend to update the Niconico Channel business, which is performing well, aiming to provide new fan community experiences and expand the platform.



World-class, cutting-edge educational experiences utilizing VR spaces

N High School and S High School have continued to grow since they were opened, with further growth in student numbers expected in future. More than 4,000 students at these schools are now able to use cutting-edge technologies including VR to experience lessons that feel genuinely immersive, even online. We also plan to make use of the metaverse and other new technologies to continue providing world-class, cutting-edge education.



FOUNDATIONS FOR GROWTH

6. Promote innovation based on the three key words creativity, motivation, and technology

To strengthen the foundations supporting the five priority initiatives detailed in the previous pages, we will pursue innovation inspired by three key words: creativity, motivation, and technology. "Creativity" refers to the development of an environment that promotes individual independence and creative

decision-making; "motivation" refers to the enhancement of employees' enthusiasm for work through such means as a flexible remuneration system that rewards results; and "technology" refers to the active adoption of new technologies to pursue streamlined operations and business transformation.

Three key words to strengthen the foundations for growth

CREATIVITY	MOTIVATION	TECHNOLOGY
<ul style="list-style-type: none"> Developing an environment that facilitates creativity Improving data utilization capabilities and reflecting those capabilities in creative outlets 	<ul style="list-style-type: none"> Enhancing personnel systems that improve motivation 	<ul style="list-style-type: none"> Achieving in-depth business reform through DX Support for new technologies (NFT, metaverse, etc.)

We will revitalize communication within the Group and continue making active efforts to reform. –Takeshi Natsuno

Because we work with creative people, we at KADOKAWA Group too must be creative in generating new value. Since becoming president of KADOKAWA CORPORATION in June 2021, I have reformed the company's organization and systems, believing that it is the duty of a business manager to create an environment in which employees can demonstrate their creativity to the full.

For individuals to demonstrate creativity, they must be highly motivated to work. For that reason, we have aimed to ensure that the right people are assigned to the right jobs through a variety of options intended to enable more individuals to be assigned to jobs that they like and are suited to, enabling them to devote themselves wholeheartedly. These options include the "free-agent" transfer system, whereby employees can apply to be matched with a position they are interested in; a system for allowing engagement in side jobs; encouragement to serve in concurrent roles; and introduction of projects staffed through open recruitment within the Group. In addition, we boost employees' motivation through a system that enables individuals to be remunerated according to their results and by providing a subscription allowance and incentives for obtaining public

qualifications, among other benefits.

Furthermore, the cornerstone of creativity is technology. Creating something new requires time, and if we make technology our ally, we can generate the time necessary for thinking and discussing by streamlining our work and gaining more freedom in when and where we work. And technology is also what we use to turn the resulting visions and dreams into reality. I want our employees to engage with new technologies, and as a company we will undertake whatever investments necessary to achieve that.

During the year since I became president, I have maintained direct lines of communication with employees and responded promptly to their concerns in a number of ways, including by holding group discussions with employees at all levels and providing a comment box they can use to deliver their opinions straight to me. These days, rather than senior management issuing top-down commands, it has become more common for employees to speak up and take the lead in driving reforms themselves, with management supporting their efforts. In line with this approach, I intend to continue engaging in dialogue and discussion with employees to identify issues as we proactively implement further reforms.

KADOKAWA's Foundations for Growth



The KADOKAWA Group has set itself the goal of achieving “content sustainability” and is engaged in a range of sustainability-related activities.

Achieving Content Sustainability

An important mission for the KADOKAWA Group is to protect and deliver content created since its founding, as well as new content that will continue to be created in the future, throughout the years and beyond international borders.

Two essential prerequisites for cultivating imagination, creating and developing content, delivering content into people’s hands, and further disseminating such content are a rich global environment and healthy

societies in which nobody is left behind. Accordingly, we are combining people’s imaginations with the Group’s IP creation capabilities and technology to tackle social challenges.

We will continue to contribute to the propagation and development of culture by spreading knowledge and emotional experiences to more people than ever before through the creation of sustainable content.

Promoting understanding of the SDGs through content

Even before the phrase “Sustainable Development Goals” (SDGs) came about, the Group’s publishing companies such as KADOKAWA and CHOBUNSHA PUBLISHING were publishing handbooks, novels, picture books, illustrated reference books, comics, and other works supporting efforts to resolve social issues and make the world more sustainable. This has resulted in a lineup of publications for a wide range of ages and a diverse readership from children to adults.



SDGs-related titles published by the KADOKAWA Group



PINK IS FOR BOYS



Change us, Transform the future: the first step towards the SDGs



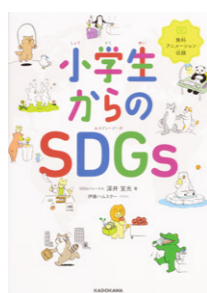
The habit of “seeing the world correctly” connecting you and the SDGs



We can do it, too! Our SDGs actions with connecting the world.



The World’s Poorest President Speaks Out



SDGs for Kids

List of titles related to specific SDGs (in Japanese only)
<https://group.kadokawa.co.jp/sustainability/product/>

Reducing excessive paper consumption

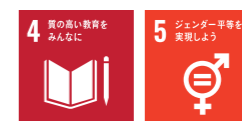
We are taking a progressive approach to pursuing digital transformation (DX) in our printing and distribution of publications, creating a digitized order receipt and placement system that handles everything as a single integrated process, from placement of orders by bookstores to printing and distribution. The timely book printing and distribution this system affords have enabled us to reduce return rates and excessive consumption of paper. Looking ahead, we will bring the Digital Production and Distribution Plant at TOKOROZAWA SAKURA TOWN on line in stages to achieve further efficiencies.



Printing of publications at the Digital Production and Distribution Plant in TOKOROZAWA SAKURA TOWN

Providing an equal and creative educational environment

Interactive learning services and VR-based educational content using ICT developed by DWANGO are deployed by N High School and S High School to provide an equal educational environment to more than 20,000 students regardless of location or time.



Meanwhile, VANTAN, a company operating vocational schools, has developed an educational environment suited to training talented individuals who respect diverse values and can demonstrate their creativity both within Japan and internationally.



Left: Devices used at N High School and S High School

Right: Students at VANTAN

Content disclosed on the KADOKAWA website

- **CHOBUNSHA PUBLISHING:** Publishing children’s books that address social issues (in Japanese only)
- **VANTAN:** Providing practical education that teaches students about social issues
- **N High School & S High School:** Using technology to provide educational support (in Japanese only)
- **KADOKAWA CRAFT:** Offering ways of working for everybody, regardless of disability

- **KADOKAWA:** Contributing to local communities by facilitating “pilgrimages” to animated titles’ locations (in Japanese only)
- **KADOKAWA:** Communicating KADOKAWA’s SDGs to the world from TOKOROZAWA SAKURA TOWN
- **KADOKAWA:** Digitalizing the editing process
- **KADOKAWA:** 4K digitalization of classic movies (in Japanese only)

Initiatives toward Sustainability
<https://group.kadokawa.co.jp/global/sustainability/>

3

ESG

In addition to providing qualitative and quantitative information regarding non-financial matters, this section describes the KADOKAWA Group's current situation and future prospects by means of a round-table discussion by Outside Directors.

- ESG Initiatives 33
- Environment 34
- Social 37
- Corporate Governance:
Outside Directors' Round-Table Discussion 40
- Corporate Governance 44
- Board Members 48



Re:ZERO - Starting Life in Another World - (Author: Tappei Nagatsuki ill: Shinichirou Otsuka) x TOKOROZAWA SAKURA TOWN "Musashino Reiwa Shrine"

Priority ESG Initiatives in FY2021

This section describes the KADOKAWA Group's specific initiatives with regard to the three elements comprising ESG issues: Environment, Social, and Governance.

Environment

Task Force on Climate-related Financial Disclosures (TCFD): Having endorsed the task force's recommendations, we built a governance system to address risks and opportunities related to climate change through the Board of Directors and the Risk Management Committee. We made a start on disclosing information in line with the TCFD recommendations by increasing our disclosure of various metrics.

GHG Emission Reduction Targets: To help achieve a sustainable society, we set the targets of reducing GHG emissions by 50% from the FY2020 level by FY2030, and achieving net zero emissions by FY2050. Going forward, we will also consider obtaining international certification of our emission reductions.

Social

Introduction of a new incentive system for obtaining public qualifications: We will continue to introduce personnel systems that enhance employee creativity and motivation and promote "investment in people."

Target for ratio of female executives and managers: Across the Group as a whole, the ratio of female executives and managers is 23.9% (as of March 31, 2022), and many women continue to play central roles in our business. We intend to increase the ratio of female management positions in the Group's domestic consolidated subsidiaries to 30% by FY2030.

Governance

Enhancement of corporate governance and the audit structure: We ensured diversity in the Board of Directors by appointing female and non-Japanese Directors. Furthermore, KADOKAWA transitioned to become a company with an Audit & Supervisory Committee.

Reduction of shareholdings: We are reducing shareholdings, aiming for a certain percentage of net assets in line with the requirements of the Tokyo Stock Exchange and the Corporate Governance Code.

Information disclosed on the Company's website (yellow highlights indicate content included in this Integrated Report)

E (Environment)	Initiatives to address climate change (response to the TCFD recommendations, energy use over the last three years); initiatives to reduce waste
S (Social)	Initiatives for the education business (N High School and S High School, VANTAN); human resource development (career support and optimal personnel assignment, the Innovation Plan Contest, employee training, human resource training for DX, regular evaluation reviews); creation of a pleasant working environment (driving work style reforms, system to support diverse work styles, occupational safety & health management, external evaluation); diversity and inclusion (promoting opportunities for women, employment of persons with disabilities); data security; statistics
G (Governance)	Management philosophy & management policy, corporate governance; Board of Directors, Audit & Supervisory Committee, independent auditors; internal controls; information on shareholdings, takeover defense measures; IR policy and enhancement of disclosure and insider information control, Japanese language corporate governance report (skills matrix), convocation notice, Japanese language annual securities report (list of operational risks, etc.)



ESG-RELATED INFORMATION

<https://group.kadokawa.co.jp/global/ir/esg/>

The KADOKAWA Group sees climate change as an urgent social issue and is pushing forward the transformation of its business and operation structures with digital transformation (DX) as a part of its efforts to reduce greenhouse gases and waste and conserve energy.

Starting with the digitalization of book order management, the Group reduces the number of returned unpurchased books from bookstores and the excessive consumption of paper by drafting optimal production plans based on demand. In the editing process for publishing, tablet devices were introduced and it has become possible to send data for printing and complete proofreading with digital data. In doing so, the Group achieved reductions of transporting draft paper to the printing site. At the same time, through the introduction of Activity Based Working (ABW), where employees can choose their work locations, the Group is working to reduce greenhouse gas emissions from employee commutes and movement.

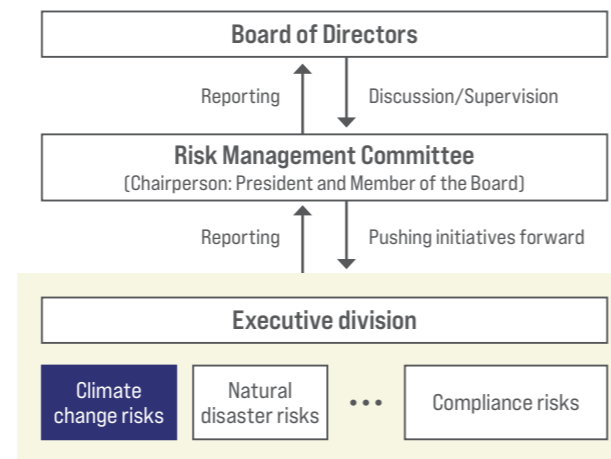
Response to the TCFD Recommendations

The impact of climate change has been growing more serious every year, greatly affecting the economy, society, and the environment. International society is accelerating its moves toward the establishment of a low-carbon/carbon-free society, and the roles that companies will play have been growing increasingly important. To address climate change, the Group works to reduce greenhouse gas emissions and conserve energy. In support of the Task Force on Climate-

related Financial Disclosures (hereinafter the "TCFD") and the final report they published (hereinafter the "TCFD recommendations"), the KADOKAWA Group discloses information in accordance with the TCFD recommendations. The Group will continue striving to disclose more climate change-related information following the TCFD recommendations and move ahead with its sustainable business activities with reduced environmental impact.

(1) Governance

The Risk Management Committee chaired by the President and Member of the Board analyzes and addresses the risks faced by the Group as a whole, including climate change risks, under the supervision of the Board of Directors. 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 Board of Directors receives reports on important matters discussed by the Risk Management Committee. It also discusses and supervises action plans for addressing climate change problems.

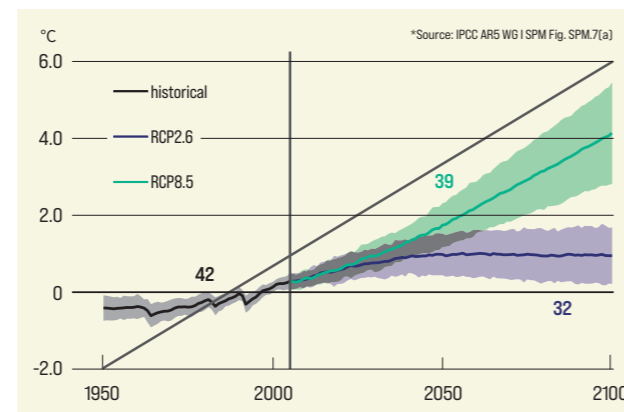


(2) Strategies

Outline of scenario analysis

The KADOKAWA Group performed a scenario analysis based on risks and opportunities to be created by climate change, which are illustrated by examples in the TCFD recommendations. The Group selected two scenarios for the analysis because it is necessary to select and set scenarios for multiple temperature ranges, including a 2°C or lower scenario. One is the 1.5°C scenario, in which the impact of transition risks (on the business) becomes apparent. The other is the 4°C scenario, in which the impact of physical risks (on the business) becomes apparent. The subject of the analysis is KADOKAWA CORPORATION which is the mainstay business.

Global average surface temperature change



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
		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
	Reputation	Growing demand for e-books and other digital content	Growing demand for e-books in the publication business		○	Medium to long term
Changes in stakeholders' evaluations related to climate change		A decline in corporate value and credibility for stakeholders, a result of the delayed environmental initiatives including measures to address climate change	○		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	

Transition risks and opportunities: Decarbonization scenario (1.5°C)

In the 1.5°C scenario, the introduction of carbon taxes by governments, renewable energy price hikes resulting from growing demand for energy, and an increase in capital expenditures for the reduction of power consumption are expected. It is also assumed that while demand for paper-based books will decline, reflecting growing awareness of environmental problems, demand for digital content including e-books will increase. Therefore, with a focus on the field of web comics, a global growth market, the KADOKAWA Group invests

in vertical scrolling comics supply systems. In addition, the Group is pushing forward with its own digital transformation (DX), aiming to provide high-quality contents and services and improve employees' productivity. The Group is taking the lead in initiatives to help reduce the excessive consumption of paper. For example, it has introduced direct order tablets (DOT) to bookstores and built a Book Production and Distribution Plant with state-of-the-art digital printing equipment.

Physical risks and opportunities: Scenario of increasing global warming (4°C)

Among the physical risks and opportunities, the suspension of business activities and supply chain disruptions, which will result from natural disasters caused by abnormal weather, will be major risks. At present, the ongoing global warming is causing extreme weather phenomena across the world, such as disastrous heavy rains. In the scenario of increasing global warming, this trend is expected to increase. Further, the increasing global warming will result in more frequent forest fires, which are expected to affect the stability of the supply of papermaking materials and increase

paper procurement costs. Therefore, the Company is pushing forward with the full digitalization of publication and has introduced Activity Based Working (ABW) to build an environment where employees can ensure the same quality of work from anywhere. In addition, the Company has built a framework for its business continuity plan (BCP) so that it can respond to major disasters including disasters caused by climate change. The Company will strengthen its disaster response and supply chain management associated with climate change.

Impact of the introduction of carbon taxes

A possible financial impact of climate change risks will be the introduction of carbon taxes, a result of governments tightening their environmental regulations. Therefore, the Company calculated the effect of the introduction of carbon taxes in 2030 and 2050 in the 4°C scenario and 1.5°C scenario by assuming that GHG emissions are equivalent to the FY2020 level. In the calculation, the Company estimated values using one scenario from the International Energy Agency (IEA), one from the International Renewable Energy Agency (IRENA), and the current carbon price (carbon cap-and-trade system, carbon tax, and energy taxation). In either of the scenarios, the cost increase resulting from

introduction of carbon tax is expected to be minor in light of the current business performance of the Company. In addition, it is expected that the impact will be alleviated at the time the carbon taxes are introduced because the Company plans to reduce its GHG emissions by introducing renewable energy and through other initiatives.

1.5°C-4 °C scenarios		
	Carbon tax price	Cost increase resulting from the introduction of carbon taxes
2030	Approx. 2,500-11,000 yen/t-CO2	Approx. 9.5-42 million yen
2050	Approx. 4,800-18,000 yen/t-CO2	Approx. 18-69 million yen

(3) Risk Management

The Group has established Risk Management Rules. Under the rules, the Group has created the Risk Management Committee. The chairperson of the committee is the President and Member of the Board of Directors, and the members are the Chief Officers of the divisions. The executive office is the division responsible for internal control. The committee meets twice a year and reports its activities to the Board of Directors.

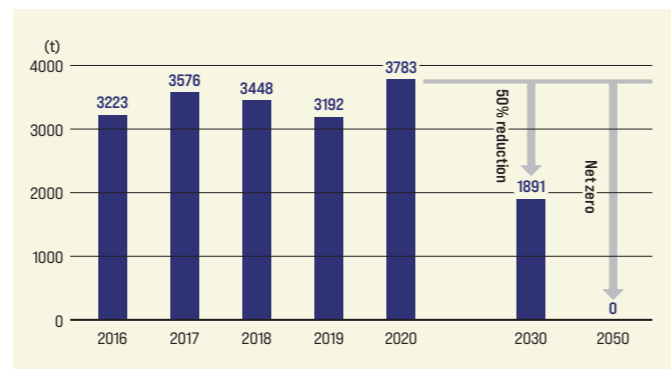
To manage risks, each division selects major risks, considering internal factors (management resources, business characteristics, etc.) and external factors (infectious diseases, climate change risk, etc.), and develops measures

to address these risks. The division in charge of internal control monitors each division's activities and continually improves activities.

Above all, the Company positions climate change 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 Company, 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 Board of Directors along with recommendations.

(4) Metrics and targets

In FY2020, Scope 1 GHG emissions (direct emissions from business operations) were 36 tons and Scope 2 GHG emissions (indirect emissions from power consumption) were 3,747 tons. The KADOKAWA Group sees climate change as an urgent social issue and is working to reduce greenhouse gases and conserve energy. 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 Science Based Targets (SBT) towards the establishment of a sustainable society. The Group strives to reduce GHG emissions by conserving energy including electricity internally, introducing renewable energy that does not involve the use of fossil fuels, and proactively utilizing the J-Credit Scheme, which is a government certification scheme, with the goal of establishing a carbon-free society.



*Scope Head office, other offices, and TOKOROZAWA SAKURA TOWN of KADOKAWA CORPORATION

Initiatives to Reduce Waste

Effective Use of Paper Resources through Optimization of Book Production and Distribution

The Group reduces the number of returned unpurchased books from bookstores by drafting optimal production plans based on accurate understanding of demand with the digitalization of bookstore order management. As a result, the rate of the number of copies shipped against the number of copies printed improved from 74.4% to 75.7% in FY2021 compared to FY2018, which was prior to the introduction of the system. This is a reduction by 1.94 million book copies, which is 772 tons of paper.

Reduction in Workload and Paper Resources in Editing

The Group introduced tablet devices in the editing departments, promoted improvements in rules with printing companies and other related divisions, and made it possible to complete proofreading using digital data for

comic magazines and some books. As a result, the process of printing and proofreading texts on paper was reduced at the editing departments, leading to reductions in workload and paper for proofreading. In FY2021, about 100,000 sheets of A3 size paper were saved by proofreading PDF texts electronically.

Shifting to a Paperless Office through Digitalization of Paper Resources

The Group has been working to reduce paper used in printing and copying following improvements in office working styles starting in 2015. Assigned seating was changed to open seating in the office in 2018 and digitalization of paper resources was promoted. In 2019, the Group introduced an electronic payment and approval system. As a result, KADOKAWA reduced annual in-house paper usage from 30 million sheets in FY2014 down to 6.9 million sheets in FY2021, which is a 77% reduction.

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 improving diversity and inclusion, developing human resources, and creating a pleasant working environment.

(1) Diversity and Inclusion

As a comprehensive entertainment company offering enjoyment, emotion, knowledge, and more by transcending barriers through culture, the Group believes that it should help to realize a society where no one in the world is discriminated against. We respect diversity in terms of race, religion, creed, gender, sexual orientation, gender identity, gender expression, age, disability, nationality, culture, values, and more, and we 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 also respect freedom of expression in content and services, but as an exception to this rule, we do not tolerate expression that idly encourages discrimination and prejudice or that wrongfully infringes upon the rights of others.

The Group works to create an environment and corporate culture that values human individuality and diversity based on these ideas.

Promoting opportunities for women

Many women play central roles in the Group's business.

We introduced a variety of leave systems and allowances to support the diverse working styles of all our employees, and achieved a 100% rate of both return and retention for men and women who took childcare leave (in KADOKAWA CORPORATION; as of March 31, 2022). We also established general action plans based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children. We are working to create the foundation for female participation by setting up a pleasant environment for work.

We have also been recognized by outside organizations, having attained the highest level 3 certification in the "Eruboshi" certification system in September 2017. With this award, the Minister of Health, Labour and Welfare certifies companies that are doing an excellent job in implementing initiatives on women's participation in the workplace.

Female employees, etc. in the KADOKAWA Group: Ratios and targets (as of March 31, 2022)

- Ratio of female employees in the Group **42.2%**
- Ratio of female executives and managers in the Group **23.9%**
- No. of female executives in the Group **20**
- Target for ratio of female managers in the Group's domestic consolidated subsidiaries by FY2030 **30%**



Attained level 3 "Eruboshi" certification

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. Currently, a total of 61 employees with disabilities work for special subsidiary companies of the Group (KADOKAWA, DWANGO, KADOKAWA UPLINK, KADOKAWA Connected, and KADOKAWA CRAFT), including the 28 employees at KADOKAWA CRAFT (as of March 2022).



KADOKAWA CRAFT and its employees with disabilities engage in multiple businesses; one of its mainstays is the coffee business

(2) Human Resource Development

The 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 in the entertainment industry.

Career support and optimal personnel assignment

In October 2021 we introduced the "free agent" transfer system at KADOKAWA, which matches employees who apply for transfer with their preferred positions. The aims of the system 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. In the same month, we also introduced a system of staffing projects through open recruitment so that employees could turn their ideas and aspirations into concrete results, regardless of which department or company they belonged to. The system

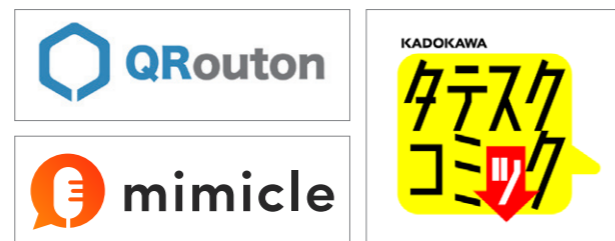
enables inter-departmental projects to be launched, with the members of the project team recruited from among the Group's employees.

To create an environment in which employees can develop their own careers independently, we introduced a system allowing them to have side jobs in April 2021, and we are encouraging them to learn by offering a program of incentives for acquiring public qualifications, as well as issuing IDs that allow employees to take courses using the N Prep School online study app free of charge.

Innovation Plan Contest

Starting in 2019, the Group has held a contest judged by chief officers and higher executives to recognize and implement employee-proposed plans as an initiative to connect employees' ideas with the business. Employees think of new businesses or business improvements alone or in teams and propose their ideas directly to the managers. By doing so, the Group aims for employees to acquire and improve the necessary skills for business, including discovering issues, conceiving ideas, and devising action plans, while also creating an environment for open and independent proposals and improvement.

Plans awarded at the contest are actually commercialized, leading to the release of QRouton, a service for QR codes* and shortened URLs, and the audio drama distribution marketplace mimicle, as well as the development of TATESC COMICS, which can be read vertically while scrolling on mobile devices.



* QR Code is a registered trademark of DENSO WAVE.

(3) Creation of a Pleasant Working Environment

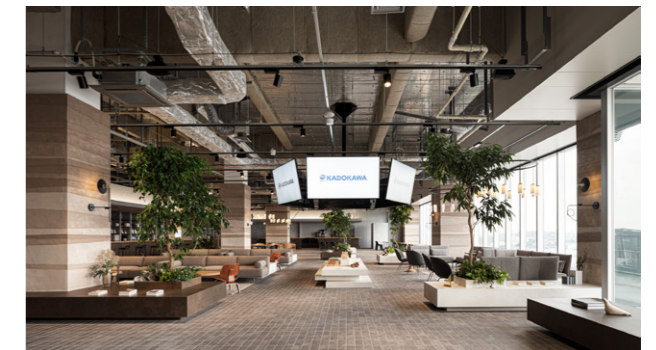
The Group observes local laws, regulations, and labor standards in the countries and regions in which we do business, and we respect the human rights of our employees. We also do not permit forced labor or child labor.* We believe that it is essential to our Group business activities to have an environment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

The Group is involved in a variety of initiatives to provide an environment that is easier for employees to work in, with the establishment of fairness and appropriate working conditions being a prerequisite.

* 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

At KADOKAWA, we have introduced Activity Based Working (ABW), a work style where all employees perform their jobs autonomously regardless of time or location. We are revamping our employees' working practices and locations through work style reforms that we first started considering in 2015. Through these reforms, we are creating an environment that enables employees to work according to their own diverse styles, centered around three types of bases: the Tokorozawa Campus; the Tokyo Campus, which includes our Iidabashi headquarters; and "anywhere else," including employees' homes and satellite offices.



The Tokorozawa Campus, opened in August 2020, was awarded the METI Minister's Award, the highest award in the 34th Nikkei New Office Award, in August 2021

System to support diverse work styles

We have established a working from home system, childcare systems, nursing care systems, and a variety of other benefit programs and leave systems to support the various working styles of employees. We also conduct the Organizational Condition Survey, an investigation into employee satisfaction and sense of work pressure, to discover internal issues and verify the benefits of our systems. The results of this survey are used for company-wide feedback and in examinations of internal policies.

Main systems introduced in FY2021

Incentive system for obtaining public qualifications (lump-sum payment)

As a measure to support autonomous learning and independent career development among employees, we encourage their motivation to learn by paying an incentive to employees who obtain qualifications that will contribute to their careers.

Subscription allowance

As a policy to encourage creative ideas, we subsidize the fees for entertainment subscription services (services that allow users to use content for a certain period of time at a fixed price) that employees are enrolled in.

Following the General Meeting of Shareholders held in June 2022, KADOKAWA CORPORATION became a company with an Audit & Supervisory Committee. The Company regards enhanced corporate governance as essential for the continuing advancement of the KADOKAWA Group; its policies and corporate governance structure are described below.



Outside Directors' Round-Table Discussion

Drawing on the Diverse Backgrounds of Five Outside Directors to Support Management that Pursues “Continuity and Change”

We asked our five Outside Directors, who represent a diverse range of backgrounds, to comment on corporate governance at the boldly evolving KADOKAWA Group.

I want to support KADOKAWA as it expands globally and extends its operational reach

—To start with, could you introduce yourselves and explain how you came to be Outside Directors at KADOKAWA.

Hiroo Unoura (referred to below as “Unoura”): In 2002, when Tsuguhiko Kadokawa had become KADOKAWA Corporation’s representative director, chairman, and CEO and was actively pursuing digitalization, I was serving as vice president at NIPPON TELEGRAPH AND TELEPHONE CORPORATION. I agreed with his aims, and we worked together on a number of projects including digital content distribution services. As I also had experience of working with Group company DWANGO, I was invited to become an Outside Director, and decided to take up the offer.

Ruth Marie Jarman (referred to below as “Jarman”): I came to Japan after graduating from Tufts University in the US, and found a job at Recruit in 1988. Koji Funatsu—who was already at that company—took me under his wing at a time when I didn’t know any Japanese at all. I always had a good impression of KADOKAWA, and when I look at it now, I see a similarity between the Company and my own situation in 1988, when I immersed myself in a new environment that seemed like another world. I saw that KADOKAWA was in the process of

expanding globally and really extending its operational reach, and thought that maybe my own experiences might be of some help. I’m now using my own personal perspective—not only as a woman, but also as a non-Japanese person—to support the Company as it evolves.

Tomoyuki Moriizumi (referred to below as “Moriizumi”): I used to work at Sumitomo Corporation, where I experienced a wide range of roles including serving as the company’s sole representative in Panama and starting up a company that imported and sold tires in Canada. At that time, we learned most of what we knew about corporate finance, bond swaps, and other aspects of business management from the US. In fact, I was in that country when Japan was lauded in the book “Japan as Number One” but I was convinced that the praise was completely unwarranted as Japan was still a long way from catching up with the US. I subsequently worked on media-related projects including cable television, and by 2011 I was due to retire from Sumitomo Corporation. Around that time, I attended a party at a securities firm, where I encountered Tsuguhiko Kadokawa, whom I’d met before. I told him I was about to leave Sumitomo, and he invited me to join the board at KADOKAWA. I accepted there and then.

Koji Funatsu (referred to below as “Funatsu”): I run a company called transcocos that offers IT services. I worked at Recruit before transferring

Senior management acts as a unifying force and shows foresight regarding digitalization. KADOKAWA is an impressive company that inspires me personally.

Hiroo Unoura Member of the Board (Outside Director)



to my current company. In 2000, transcocos opened an office in Silicon Valley, where our business included investing in Amazon. That was when I got to know Tsuguhiko Kadokawa, who had also started investigating the potential offered by digitalization around that time.

Akira Watanabe (referred to below as “Watanabe”): I’d served as corporate counsel to the Company ever since it was known as KADOKAWA SHOTEN. I became an Outside Audit & Supervisory Board Member for KADOKAWA CORPORATION in 2014, and that led to my current position as Outside Director.

The Company has gone beyond diversity in form alone to really make the most of a more diverse approach

—How do you view KADOKAWA’s Board of Directors from your perspective as Outside Directors?

Jarman: I think KADOKAWA’s very progressive in terms of the diversity of its Directors compared with other companies listed on Japan’s Prime Market. In addition to including a Taiwanese person and an American, the board comprises a diverse group of Japanese members. Of course, diversity is about more than just nationality, appearance, and gender. Among the men on the board there’s also a wide age range; each person is truly individual and has their own clear vision. It’s obvious that everybody thinks hard about what purpose they are serving on KADOKAWA’s board.

Moriizumi: Yes, I get the impression that the Company’s gone beyond establishing diversity in form alone to really make the most of a more

diverse approach.

Funatsu: At a Board of Directors meeting three or four years ago, I suggested that, considering KADOKAWA’s B2C and entertainment businesses, it might be a good idea to appoint female Directors as a means of aligning the Company more closely with its customers. This line of argument prompted the Company to increase the number of female Directors and Audit and Supervisory Board Members all in one go.

Jarman: This is a company that acts quickly.

Moriizumi: A problem I sense among Japanese companies is that they allow themselves to just steadily persist in doing the same thing, and they value such steady persistence too highly. This means not only that they fail to progress, but that they actually slip backward. Unusually for a Japanese company, however, KADOKAWA is constantly changing as it actively acquires other companies and boldly attempts new businesses. The Company today is totally different from what it was five years ago. And it’s still evolving.

Funatsu: KADOKAWA’s committed to pursuing the Group management philosophy of “Continuity and Change,” which it’s upheld ever since its founding, and it’s achieved considerable success in this regard. The Company’s maintained its essence unchanged, most notably by maintaining its ethical integrity as a publisher, while constantly pushing the boundaries of novelty and broadening the range of entertainment available. I admire the way it adapts to circumstances as it acts.

KADOKAWA seems to be at the same sort of stage I was at when I first arrived in Japan. I want to support the Company from my own perspective as a woman and a non-Japanese person.

Ruth Marie Jarman Member of the Board (Outside Director)



Outside Directors' Round-Table Discussion

The Company today is totally different from what it was five years ago. And it's still evolving.

Tomoyuki Moriizumi Member of the Board (Outside Director)
Audit & Supervisory Committee Member



Ensure that units responsible for internal control gather information to enable the Audit & Supervisory Committee to function effectively

—Following the General Meeting of Shareholders held in June 2022, KADOKAWA CORPORATION became a company with an Audit & Supervisory Committee. What do you think of this change in organizational structure?

Watanabe: I'm taking it very seriously. Until now, as an Outside Audit & Supervisory Board Member, I couldn't make decisions and was responsible only for observing decision-making, but that will no longer be the case. When one becomes an Audit & Supervisory Committee member as well as an Outside Director, one also becomes responsible for human resources and remuneration through participation in auditing. Proper implementation of internal controls is key when taking on this heavy responsibility.

Jarman: I regard the role of Audit & Supervisory Committee members as being to ascertain how rigorously measures to prevent recurrence are implemented after a problem has occurred.

Unoura: If a Company has full-time Audit & Supervisory Committee members internally, they can maintain close contact with the audit office and

financial personnel, and include the Outside Directors in discussions if a problem arises. This is the way things are typically organized. However, all KADOKAWA's Audit & Supervisory Committee members are from outside the Company. And for an Audit & Supervisory Committee made up solely of Outside Directors to ensure proper governance and risk management, units responsible for internal control must work closely with the Outside Directors and support them, while arrangements must be made for these units to gather information of all kinds.

Funatsu: We set up an Audit and Supervisory Committee at transcocosmos too, and internal control's functioning well at the moment, largely because the Legal Division, the Administration Division, and the Internal Audit Office all work together. In KADOKAWA's case too, I think the successful functioning of the Audit & Supervisory Committee depends on how it is operated in practice, including the Company's current efforts to improve internal control and auditing.

Moriizumi: I'd like the Company to build up the number of internal organizations acting as counterparts to the Audit and Supervisory Committee members.

Run the organization flexibly so that Outside Directors can all get together as necessary

—What are your thoughts about the way Outside Directors should perform their roles?

Watanabe: It's not the case that simply ensuring rigorous governance will eradicate all scandals and mistakes. What's important is to prevent recurrence, but it seems to me that many Japanese companies have double

I admire the way KADOKAWA adapts to circumstances to broaden the range of entertainment available while retaining its ethical integrity as a publisher unchanged.

Koji Funatsu Member of the Board (Outside Director)
Audit & Supervisory Committee Member



It's not the case that simply ensuring rigorous governance will eradicate all scandals and mistakes. What's important is how the Company prevents recurrence.

Akira Watanabe Member of the Board (Outside Director)
Audit & Supervisory Committee Member



standards in this regard. Even when companies proclaim their commitment to governance in public, they may have their own prevailing opinions and culture internally. Thus, individuals in charge of briefings for Outside Directors might say something like "I hear what you're saying, but in this company, we've been doing it like this for years." I regard it as the duty of Outside Directors to cooperate with Directors inside the Company in eliminating such double standards.

Unoura: I can understand why companies limit the number of people that are informed about certain matters, such as M&As. However, if such matters are presented to the Board of Directors without any prior briefing, Outside Directors don't have the information necessary to make decisions. And, what's more, the Board of Directors doesn't function fully if we are provided with only superficial documentation. Personally, I'm happy with the current set-up at KADOKAWA, but I'd like the Outside Directors to have opportunities to meet and exchange opinions separately from the other Directors as a means of enabling even better corporate governance at the Company. With regard to high-risk matters in particular, I think it would be helpful to hold discussions in a format that differs from the briefings.

Jarman: Perhaps discussions for Outside Directors could be held after the Board of Directors meetings. Then we could express our subsequent thoughts, having already heard the debate.

Unoura: Another way of approaching it would be for the Outside Directors to agree among themselves on one or two medium- to long-term aspects of the business that require oversight from their independent standpoint, and to seek to enrich the debate around these topics by discussing them with the departments involved, as necessary.

Watanabe: KADOKAWA's improved its governance structure by drawing on the wisdom of human resources from outside the Company with a diverse range of backgrounds who have gathered here as the business has expanded. If there's one more thing I'd wish for, it would be to establish an Outside Director as a contact person to liaise with units responsible for internal control. This would enable frequent consultation with internal control personnel. And all the Outside Directors should get together whenever necessary. This sort of flexible approach to running the organization is what I'd like to see. The fact is, if companies become bigheaded about how progressive they are, they grind to a halt. If they're not careful, they can fall far behind their peers before they even realize it.

Unoura: KADOKAWA's success in solving difficult problems is probably due in part to the senior management's ability to act as a unifying and cohesive force. Ultimately, organizations are made up of people, and their success depends on the actions taken by the people involved. Based on this assumption, therefore, I think the key concern when running the organization should be to determine how to allocate roles to establish a setup that makes it easy for senior management to function effectively.

—Thank you for sharing with us your opinions regarding governance at KADOKAWA.



Interviewer
Hideki Kawai
General Manager
Internal Control Department
Board of Directors office
Audit & Supervisory Committee office

KADOKAWA's Fundamental Corporate Governance Policy

Basic Views

KADOKAWA CORPORATION positions the enhancement of corporate governance as a necessary condition for the implementation of its management philosophy and the realization of its management policy, and ultimately for the continuous development of the KADOKAWA 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.

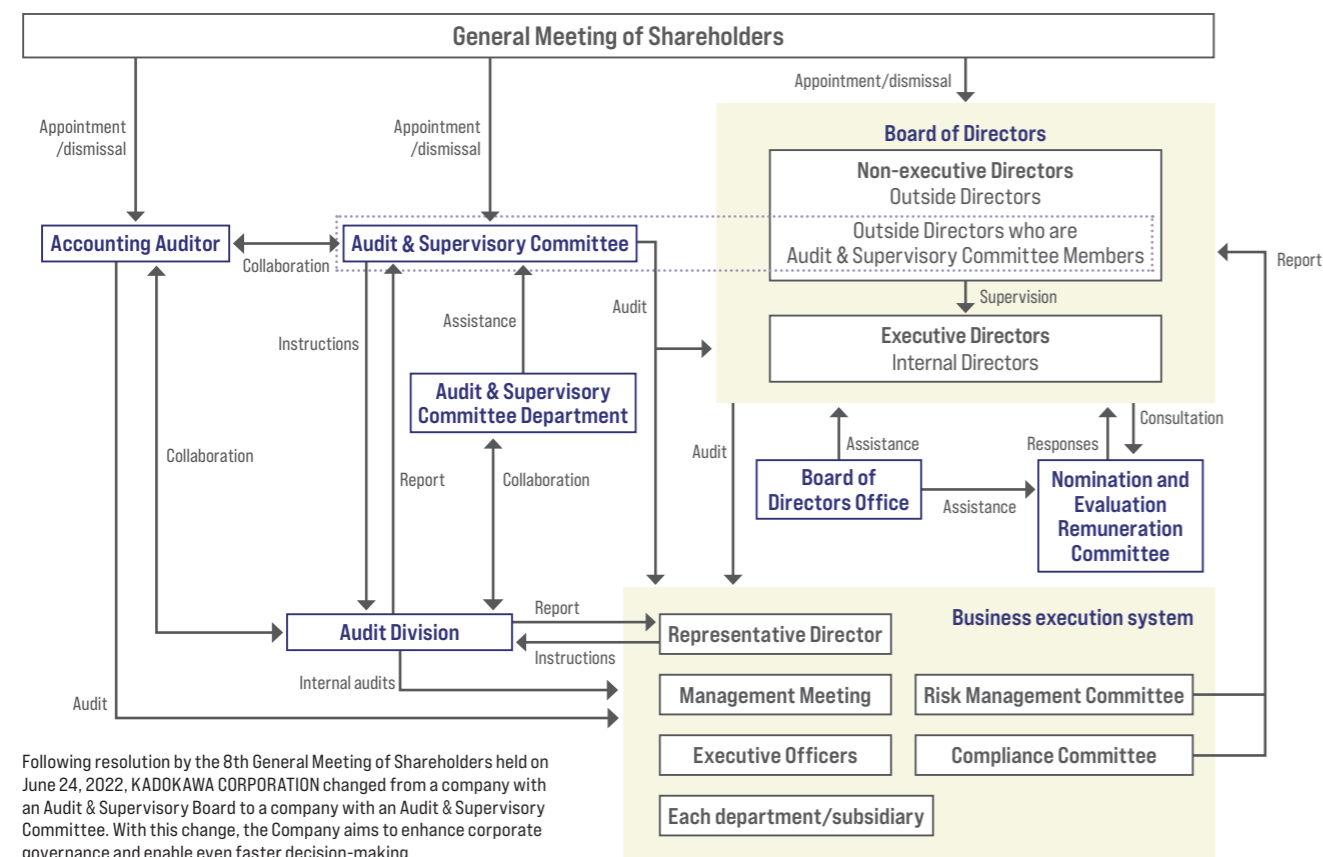
Compliance with Japan's Corporate Governance Code

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



Following resolution by the 8th General Meeting of Shareholders held on June 24, 2022, KADOKAWA CORPORATION changed from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee. With this change, the Company aims to enhance corporate governance and enable even faster decision-making.

Board of Directors

The Board of Directors 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. There are currently 13 members of the Board of Directors (8 Directors and 5 Outside Directors) and the Board is chaired by the President & Representative Director.

Audit & Supervisory Committee

The Audit & Supervisory Committee conduct audits in cooperation with the internal audit division based on its own audit plans. Currently, the Committee is made up of three Outside Directors, comprising a legal expert and individuals with considerable knowledge regarding financial matters and accounting.

Nomination and Evaluation Remuneration Committee

The Company established the Nomination and Evaluation Remuneration Committee as a voluntary committee to increase the transparency of the Board of Directors and enhance corporate governance. The Committee's roles include determining remuneration for the Company's Directors (excluding those who concurrently serve as Audit & Supervisory Committee Members) and making recommendations to the Board of Directors regarding candidates for Directors. The majority of Committee members are Outside Directors, and there are currently eight members (five Outside Directors and three Directors). An Outside Director chairs the Committee to ensure objectivity and transparency.

Business Execution System and Auditing System of Subsidiaries

In principle, subsidiaries of the Company adopt the "Company with a Board of Directors" structure, as defined in Japan's Companies Act. The Company governs its subsidiaries by putting in place a mechanism for ensuring that it exercises shareholder rights regarding appointment (or dismissal) of their Directors and Audit & Supervisory Board Members, and takes part in important decision-making of the subsidiaries. The Company tracks and oversees the status of subsidiaries' business operations through various meetings, etc. on a day-to-day basis.

Evaluation of the Board of Directors' Effectiveness

The Company discloses an outline of its evaluation of the effectiveness of the Board of Directors in its corporate governance report every year. In the fiscal year ended March 31, 2022 (FY2021), as in previous years, the Company sought to maintain and improve the effectiveness of the Board of Directors by conducting a questionnaire of the Directors and Audit & Supervisory Board Members, and analyzing and evaluating the effectiveness of the Board of Directors at a meeting of the Board of Directors.

In the FY2021 assessment of the effectiveness of the Board of Directors, the Board was assessed as effective. The following aspects in particular were rated highly: discussions and decision-making at Board meetings were conducted appropriately based on clearly defined performance indicators, agenda items for Board meetings were selected appropriately, personnel strategies were appropriately monitored, and DX was being promoted.

On the other hand, it was assessed that there was room for improvement, mainly in terms of clarification of sustainability policy and initiatives for the disclosure of non-financial information, etc. The Company has been dealing with these issues by sharing relevant information within the Board of Directors and clarifying the divisions responsible. As a result, each of the issues identified in the previous fiscal year has improved, and relevant reports have been made to the Board of Directors. The Company will continue efforts to improve the effectiveness of the Board of Directors on an ongoing basis going forward.

Number of female Directors



Number of Outside Directors

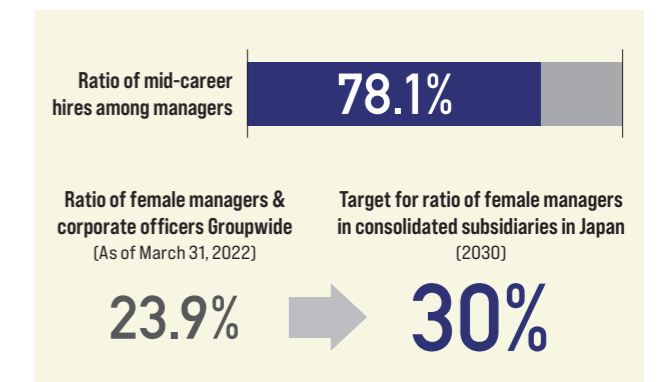


Evaluation of Effectiveness: Challenges and Action Taken



1. Disclosure of climate change-related measures on our website

According to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we are disclosing more information in the Sustainability section of our website, including scenario analysis based on risks and opportunities created by climate change, assessment of the impacts of climate change, and targets for reduction of GHG emissions.



2. Measures to ensure diversity, including during mid-career hiring

As our business has a constant need for people with a diverse range of approaches to take on new challenges, we need to be open-minded with regard to gender, age, and nationality when recruiting (including when we hire people mid-career). Accordingly, we are setting diversity-related targets to guide our recruitment activities.

Officers' Remuneration

Basic Policy on Determination of Details of Officers' Remuneration, etc.

The Company has adopted a remuneration structure that links remuneration for Directors (excluding those who are Audit & Supervisory Committee Members and Outside Directors) to shareholder interests so that it can fully function as an incentive to achieve sustained improvement of corporate value, in accordance with the Company's basic policy that remuneration for individual Directors shall be determined at an appropriate level based on their respective duties.

Specifically, remuneration of the Company's Directors (excluding those who are Audit & Supervisory Committee Members and Outside Directors) consists of the following two types of monetary remuneration:

- Fixed remuneration made up of basic remuneration and service remuneration

- Performance-based variable remuneration

In addition to this, the Company has introduced performance-based stock remuneration as non-monetary remuneration.

However, remuneration of Directors who are Audit & Supervisory Committee Members and Outside Directors consists only of fixed monetary remuneration.

The Board of Directors entrusts the determination of all remuneration amounts for individual directors (excluding those who are Audit & Supervisory Committee Members) to the Nomination and Evaluation Remuneration Committee to ensure that remuneration is determined from an objective and neutral position.

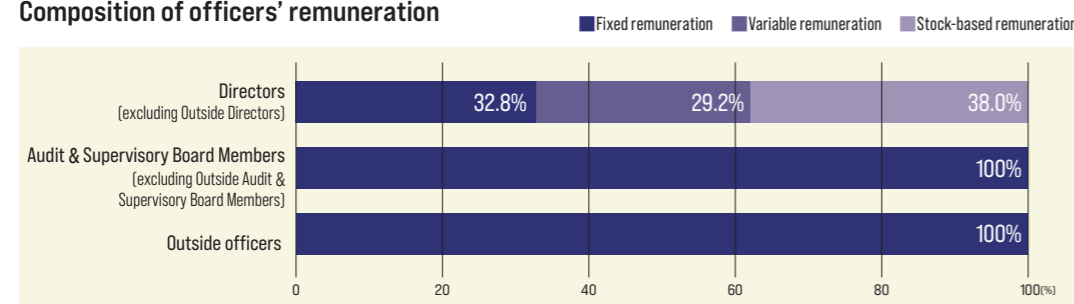
Further details regarding policies, the method of determination of individual remuneration, and related matters are provided on the Company's website.

ESG-Related Information: Board of Directors, Audit & Supervisory Committee, independent auditors

<https://group.kadokawa.co.jp/global/ir/esg/governance/board.html>



Composition of officers' remuneration



Total amount of remuneration by officer category and by type of remuneration, etc. and number of eligible officers

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	
Directors (excluding Outside Directors)	527	173	154	200	9
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	36	36	—	—	2
Outside officers	60	60	—	—	7

[Notes]

- The Company transitioned to a company with an Audit & Supervisory Committee on June 24, 2022.
- The above includes two Directors (including an Outside Director) who retired as of the closing of the 7th Ordinary General Meeting of Shareholders held on June 22, 2021.
- The above amounts indicate the stock-based remuneration for the fiscal year ended March 31, 2021, which was paid in the fiscal year ended March 31, 2022. The amount of stock-based remuneration for the fiscal year ended March 31, 2022 has not been included in the amounts of payment presented above as it has not been determined at this time. For accounting purposes, however, provision for stock-based remuneration for officers has been recorded.
- Included in the basis for calculating the amount paid in the fiscal year ended March 31, 2022, are consolidated results (fiscal year ended March 31, 2021) that were used as evaluation indicators: consolidated net sales of 209,947 million yen and consolidated operating profit of 13,625 million yen. Further, the degree of achievement for each department was approximately 80% to 120%.

Systems for Risk Management and Compliance

The KADOKAWA Group's Risk Management System

The Company has created a Groupwide risk management system, having established the Risk Management Committee under the supervision of the Board of Directors. The Committee is chaired by the President & Representative Director and the members comprise the Chief Officers of the divisions, 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.

The KADOKAWA Group's Risks

Of the risks faced by the Group, risks that could significantly influence investors' decisions include those listed in the table below. 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>



The Group's Risks	Specific Risk Factors	Main Countermeasures	
Social Environment-Related Risks	COVID-19 pandemic	Reduced opportunity to sell products or hold events; changed business environment, 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 Board of Directors 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	

The KADOKAWA Group's Compliance Promotion Structure

The Group believes compliance is an important management issue. We have taken appropriate steps to address problematic behavior within the Group, such as establishing an external whistleblowing office and guaranteeing that whistleblowers will not suffer any disadvantage.

Furthermore, the Company and its Group companies endeavor to ensure compliance with laws and regulations, prevent fraud and harassment, and exclude organized crime groups from their activities. Measures to these ends include establishing compliance regulations, setting up compliance

committees, and appointing compliance managers.

To increase awareness of compliance within the Group, we send out company newsletters covering compliance topics and provide e-learning programs. In FY2021, we reinforced measures to uncover wrongdoing by conducting a questionnaire survey of all the Group's employees to identify wrongdoing at an early stage and checking internal controls within each division using a fraud prevention checklist. We will continue implementing these measures in FY2022 and beyond.

BOARD MEMBERS

*As of November 2022



Takeshi Natsuno
President
Member of the Board
FAVORITE CONTENT
Recipes for a restaurant without recipes



Naohisa Yamashita
Member of the Board

FAVORITE CONTENT
KOKUROJO
Arioka Citadel Case



Noriko Kase
Member of the Board

FAVORITE CONTENT
THE DA VINCI CODE



Hiroo Unoura
Member of the Board
(Outside Director)

FAVORITE CONTENT
ELDEN RING



Tomoyuki Moriizumi
Member of the Board
(Outside Director)

Audit & Supervisory Committee Member
FAVORITE CONTENT
KADOKAWA Learn with Manga Series



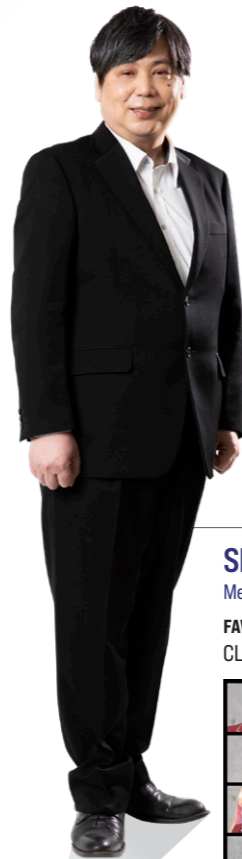
Akira Watanabe
Member of the Board
(Outside Director)

Audit & Supervisory Committee Member
FAVORITE CONTENT
Haiku



Masaki Matsubara
Member of the Board

FAVORITE CONTENT
Introduction to Geopolitics



Shinobu Murakawa
Member of the Board

FAVORITE CONTENT
CLASSROOM OF THE ELITE



Nobuo Kawakami
Member of the Board

FAVORITE CONTENT
POMPO THE CINEPHILE



Ruth Marie Jarman
Member of the Board
(Outside Director)

FAVORITE CONTENT
Kadokawa Culture Museum



Cindy Chou
Member of the Board

FAVORITE CONTENT
Legend of the Demon Cat



Koji Funatsu
Member of the Board
(Outside Director)

Audit & Supervisory Committee Member
FAVORITE CONTENT
Kaze Tachinu



Name	Abilities and reason for election	Attendance at Board of Directors meetings (FY2021)	Expertise and Skills										
			Corporate management	Content creation	Sales Marketing	IT Technology	Finance Accounting	Legal Affairs Governance	Human affairs Human resources development	International experience	Other industries Diversity		
President Member of the Board Takeshi Natsuno	Mr. Takeshi Natsuno serves as Representative Director and President of the Company and DWANGO Co., Ltd., which is a subsidiary of the Company. He has also served as an executive of numerous companies and has abundant experience and extensive knowledge gained as a corporate manager.	100% 14/14 meetings					●				●	●	
Member of the Board Naohisa Yamashita	Mr. Naohisa Yamashita serves as Representative Director of the Company. He has also served as Director of the Company and its subsidiaries and is well versed in the business of the Company and its subsidiaries. Moreover, he has experience in personnel and general affairs of the Company and abundant experience and extensive knowledge gained in the management of the Company and its subsidiaries.	93% 13/14 meetings									●		
Member of the Board Shinobu Murakawa	Mr. Shinobu Murakawa serves as Director of the Company. He is engaged in various fields including sales and marketing, and has also served as Director of subsidiaries of the Company. He is well versed in the business of the Company and its subsidiaries and has abundant experience and extensive knowledge.	No meetings attended <small>Took office in June 2022</small>											
Member of the Board Noriko Kase	Ms. Noriko Kase serves as Director 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% 14/14 meetings										●	
Member of the Board Nobuo Kawakami	Mr. Nobuo Kawakami serves as Director of the Company. He also established DWANGO Co., Ltd., which is a subsidiary of the Company, and served as Representative Director & Chairman of DWANGO for many years. He currently serves as Adviser of DWANGO and has abundant experience and extensive knowledge.	93% 13/14 meetings											
Member of the Board Cindy Chou	Ms. Cindy Chou serves as Director of the Company. She also serves as Chief Executive Officer of KADOKAWA Global Marketing, which is a subsidiary of the 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% 12/12 meetings <small>Took office in June 2021</small>										●	●
Member of the Board Masaki Matsubara	Mr. Masaki Matsubara serves as Director of the Company. He has also served as Representative Director of the Company and its subsidiaries. He is well versed in the business of the Company and its subsidiaries and has abundant experience and extensive knowledge gained as a corporate manager in the management of the Company and its subsidiaries.	100% 14/14 meetings										●	●
Member of the Board (Outside Director) Hiroo Unoura	Mr. Hiroo Unoura serves as Outside Director 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.	92% 11/12 meetings										●	●
Member of the Board (Outside Director) Ruth Marie Jarman	Ms. Ruth Marie Jarman serves as Outside Director of the Company. She also founded and serves as CEO of Jarman International KK. She has abundant experience and extensive knowledge in global expansion, inbound businesses, and support for women's activities.	100% 14/14 meetings										●	●
Member of the Board (Outside Director) Audit & Supervisory Committee Member Tomoyuki Moriizumi	Mr. Tomoyuki Moriizumi serves as Outside Director of the Company. He has abundant experience and extensive knowledge as a corporate manager in fields such as the cable TV business. In addition, he served as Outside Director of subsidiaries of the Company.	100% 14/14 meetings										●	●
Member of the Board (Outside Director) Audit & Supervisory Committee Member Koji Funatsu	Mr. Koji Funatsu serves as Outside Director of the Company. He has expertise in the IT field, as well as abundant experience and extensive knowledge as a corporate manager. In addition, he served as Outside Director and Audit & Supervisory Board Member of subsidiaries of the Company.	100% 14/14 meetings										●	●
Member of the Board (Outside Director) Audit & Supervisory Committee Member Akira Watanabe	Mr. Akira Watanabe serves as Outside Director of the Company. He has a high degree of professionalism in legal affairs as an attorney-at-law, as well as abundant experience and extensive knowledge. In addition, he served as Outside Audit & Supervisory Board Member of subsidiaries of the Company.	100% 14/14 meetings <small>Attendance at Audit & Supervisory Board meetings 100% 18/18 meetings</small>										●	●

4

FINANCIAL INFORMATION

This section provides information for shareholders and investors including the Group's financial strategy, business results, financial position, and a stock overview.

- Financial Strategy 53
- Overview of Operating Results 54
- Financial Highlights 56
- Consolidated Financial Statements 58
- Stock Information 62
- Key Performance Indicators, etc. (Consolidated) 64
- Company Profile 66

FINANCIAL STRATEGY

The content below describes the KADOKAWA Group's financial strategy under its new Mid-Term Plan, along with its policies regarding dividends and shareholder returns, and an overview of business results and related information.

Financial Strategy

The KADOKAWA Group's overall financial policy is to reliably secure the liquidity and sources of funding necessary to operate its businesses. The Group's fundamental approach is to use its own funds for short-term working capital, and procure funding for capital investment and long-term working capital through long-term loans from financial institutions, or through issuing stock or bonds, as appropriate. When procuring funds, the Group considers its funding needs in light of business plans, and the financing

environment in terms of interest-rate trends and other factors.

The Group's new three-year Mid-Term Plan implemented from the fiscal year ending March 31, 2023 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. Funds will be allocated according to the order of priority below.

Allocation of funds

	Each item and its priority	Specific policies
1. Investment	Investment through strategic projects contributing to the growth of key businesses and M&A activities	Invest capital in projects that are compatible with KADOKAWA's strategy and offer returns that exceed internal hurdle rates in order to improve corporate value
2. Dividends	Continued issuance of stable dividends	Target a payout ratio of at least 30% that reflects consolidated financial results based on an annual dividend of 30 yen per share

Policies regarding dividends and shareholder returns

KADOKAWA Corporation recognizes the importance of the continuous distribution of profits to its stakeholders, including shareholders, and is aware that sustainable corporate management is a necessary prerequisite for achieving this. To this end, the Company believes it is essential to strengthen its corporate structure and enhance internal reserves for future business operations.

In addition, the Company regards the return of profits to shareholders as a key issue in terms of its management. Specifically, the Company's basic

policy is to pay a stable annual dividend of 30 yen per share from the fiscal year ending March 31, 2023 onward, returning profits to shareholders with a target payout ratio of 30% or more, including return of profits based on consolidated business performance.

Furthermore, in order to improve the liquidity of the Company's stock and expand its investor base, the Company implemented a 2-for-1 stock split of its common stock on January 1, 2022.

Dialogue with shareholders and investors

The Company's basic policy is to strive to improve management transparency and earn greater trust from society by continuously conducting fair, timely, and appropriate information disclosure for shareholders, investors, and other stakeholders. It constantly improves the information disclosed by listening proactively to stakeholders' expectations and opinions and examining the need for specific types of content. The Company's IR Division plays the central role in promoting dialogue with domestic and overseas institutional investors and analysts based on close collaboration with relevant divisions.

Based on the above policy, in FY2021 the Company conducted meetings with a cumulative total of 506 institutional investors and analysts. The feedback obtained during such dialogue with stakeholders is shared with the Board of Directors and reflected in the Company's corporate activities as necessary.

The Company will continue to engage in responsible dialogue with its shareholders, investors, and other stakeholders as it strives to ensure sustained improvement of its corporate value.

Summary of Consolidated Financial Results for the Year Ended March 31, 2022

The KADOKAWA Group advocates a global media mix as its fundamental strategy that combines the stable creation of intellectual property (IP) consisting of a variety of portfolios based on books, live-action films, animation, games, and a user generated content (UGC) platform with a rollout on a global scale, seeking to achieve growth and enhance corporate value over the medium to long term.

During the consolidated fiscal year under review, net sales totaled 221,208 million yen (up 5.4% year on year), with operating profit of 18,519 million yen (up 35.9% year on year) and ordinary profit of 20,213 million yen

(up 40.7% year on year). Profit attributable to owners of parent came to 14,078 million yen (up 46.9% year on year).

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. began to be applied from the beginning of the consolidated fiscal year under review. As a result, net sales for the consolidated fiscal year under review are 10,456 million yen less than the value calculated by applying the previous method. The impact of this change on operating profit, ordinary profit, and profit before income taxes is minor.

Overview of Financial Position for the Year Ended March 31, 2022

Total assets as of March 31, 2022 increased by 55,670 million yen from the end of the previous consolidated fiscal year to 325,319 million yen. This primarily reflects an increase in cash and deposits chiefly due to a capital increase through a third-party allotment of new shares and an increase in investment securities owing to an increase in the price of shares held.

Liabilities increased by 9,454 million yen from the end of the previous consolidated fiscal year, to 149,578 million yen. This was largely due to increases in deposits received and in notes and accounts payable - trade.

Total net assets as of March 31, 2022 increased by 46,216 million yen from the end of the previous consolidated fiscal year to 175,740 million yen. This primarily reflects an increase in shareholders' equity chiefly due to a capital increase through the recording of profit attributable to owners of parent and a third-party allotment of new shares, and a rise in the valuation difference on available-for-sale securities due to an increase in the price of shares held, which was partially offset by dividend payments.

Status of the Group's Capital Investment

In the current consolidated fiscal year, the Group's total amount of capital investment was 5,272 million yen. The main capital investments by business segment are listed below.

Capital Investment by Business Segment

Business category	Amount (million yen)	Description
Publication Business	3,637	Construction of a book production and distribution base and extension of functionality for the Company's e-book site, etc.
Video Business	349	System development for extension of functionality of Mubichike, etc.
Game Business	105	Development expenses of game applications, purchase of facilities and equipment for development, etc.
Web Service Business	0	System development, etc.
Others	1,068	Construction of school operational equipment for the education business and internal network equipment, etc.
Group Overall (in common)	110	Acquisition of land adjacent to the KADOKAWA Headquarter Building, etc.
Total	5,272	

Note: Capital investment includes value of software and software in the pipeline among intangible assets as well as property, plant and equipment.

Ongoing construction of new major facilities in the current consolidated fiscal year (as of March 31, 2022)

Of the book production and distribution factories in TOKOROZAWA SAKURA TOWN (Tokorozawa City, Saitama Prefecture), which were in the planning stage as of the end of the previous consolidated fiscal year, the production factory started partial operations during the current consolidated fiscal year, and preparations are proceeding toward the operational launch of the

distribution factory. Out of a budgeted investment of 19,100 million yen for the production and distribution factories, payment of 15,958 million yen was made, including construction work expenses for purchase of the production equipment and building, etc.

Summary of Cash Flows for the Year Ended March 31, 2022

Net cash provided by operating activities was 21,708 million yen (compared to net cash provided of 15,586 million yen in the corresponding period of the preceding fiscal year), which is mainly because of the posting of profit before income taxes.

Net cash used in investing activities was 7,940 million yen (compared to net cash used of 5,931 million yen in the corresponding period of the preceding fiscal year), primarily due to the purchase of property, plant and equipment and intangible assets and payments into time deposits.

Net cash provided by financing activities was 26,690 million yen (compared to net cash provided of 7,933 million yen in the corresponding period of the preceding fiscal year), primarily due to proceeds from the issuance of shares of 29,867 million yen, which was partially offset by dividend payments (dividend increase of 20 yen per share).

Consequently, the total provision of cash came to 41,691 million yen

(including those associated with foreign currency translation differences), leaving cash and cash equivalents at the end of consolidated fiscal year under review at 97,579 million yen.

The Group basically uses cash on hand to provide short-term working capital and raises funds for capital expenditures and long-term working capital as appropriate through long-term loans from financial institutions and the issuance of corporate bonds and shares based upon consideration of funding needs according to business plans and the financing environment including interest rate trends.

The Group has supplemented liquidity by concluding commitment line agreements totaling 15 billion yen with a number of financial institutions. The Company has no outstanding borrowings from the above agreements as of the end of the consolidated fiscal year under review.

Trends in cash flow indicators

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022
Equity ratio	44.7%	42.2%	43.3%	47.2%	52.8%
Equity ratio at market value	30.0%	30.7%	34.5%	102.7%	137.8%
Interest-bearing debt to cash flow ratio	40.7years	11.2years	4.0years	4.2years	3.0years
Interest coverage ratio	16.2	59.0	167.4	161.6	211.5

(Notes)

1. The indicators are calculated by the following formulas.

Equity ratio = Equity capital / Total assets

Equity ratio at market value = Total market capitalization / Total assets

Interest-bearing debt to cash flow ratio = Interest-bearing debt / Operating cash flow

Interest coverage ratio = Operating cash flow / Interest paid

2. The indicators are calculated using consolidated financial figures.

3. Total market capitalization is calculated on the basis of the total number of shares outstanding excluding treasury shares.

4. Interest-bearing debt denotes all liabilities recorded on the Consolidated Balance Sheets for which interests are paid.

5. Operating cash flow refers to cash flows from operating activities on the Consolidated Statements of Cash Flows. Interest paid refers to interest paid on the Consolidated Statements of Cash Flows.

Outlook

Looking at the business environment surrounding the Group, in Japan, the publication market has been growing continuously overall, mainly driven by electronic publishing. In overseas countries, meanwhile, the comic market is expanding, fueled by an increase in the anime audience as a result of the popularization of video distribution, showing the globalization of the publication business.

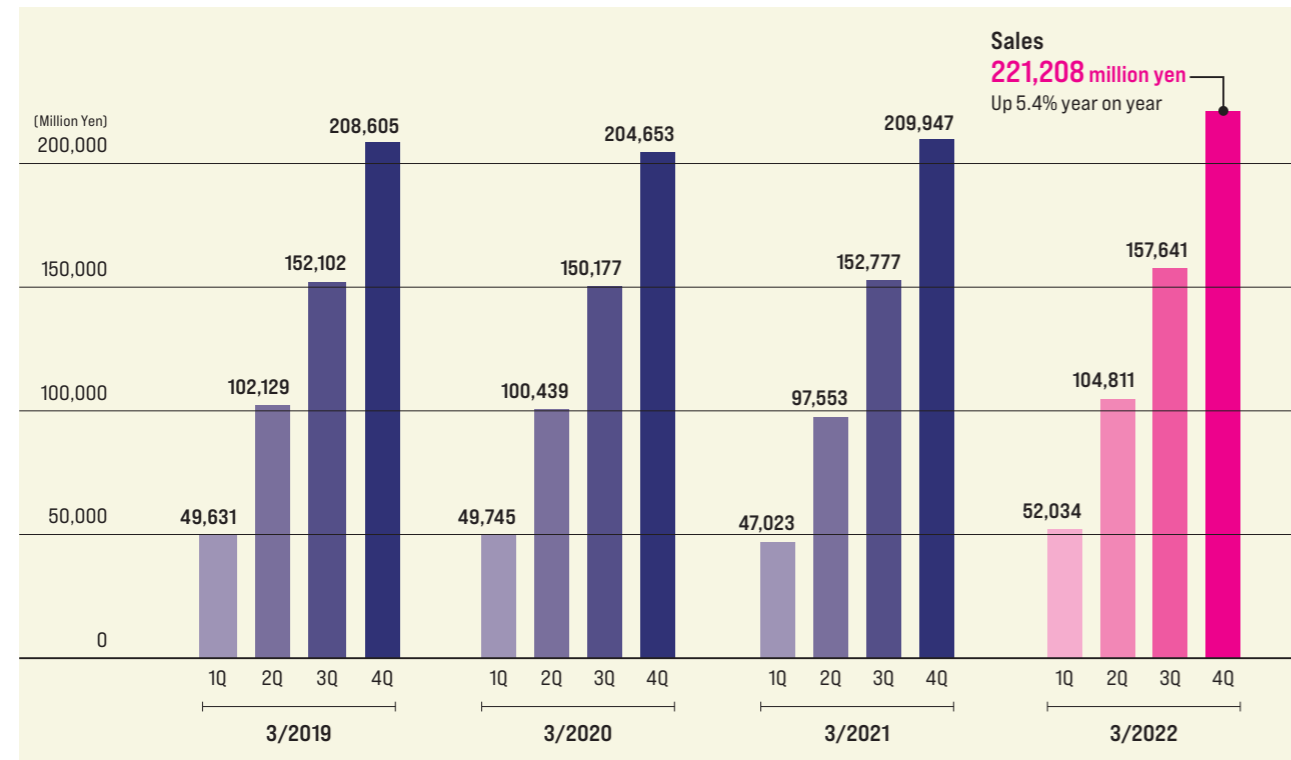
The environment surrounding movie theaters and events is gradually recovering from the previous year when business was severely hit by the COVID-19 pandemic, and with video distribution, online gaming and live streaming becoming more commonplace, worldwide demand for content is on the rise and the ways to enjoy engaging with others, primarily through content are expanding.

To take advantage of this business environment, the Company will continue to implement its global media mix strategy by reinforcing our efforts in the creation and worldwide rollout of IP while further accelerating a digital shift in its businesses by flexibly leveraging technological development. At the same time, by enhancing the operation of the fan community, it will strive to maximize IP value and achieve continuous growth in earnings.

In addition, under its new management structure, the Company plans to develop an internal platform where individual employees can devote themselves wholeheartedly to the things they like and fully demonstrate their creativity on the themes of creativity, technology and motivation, and to generate innovation.

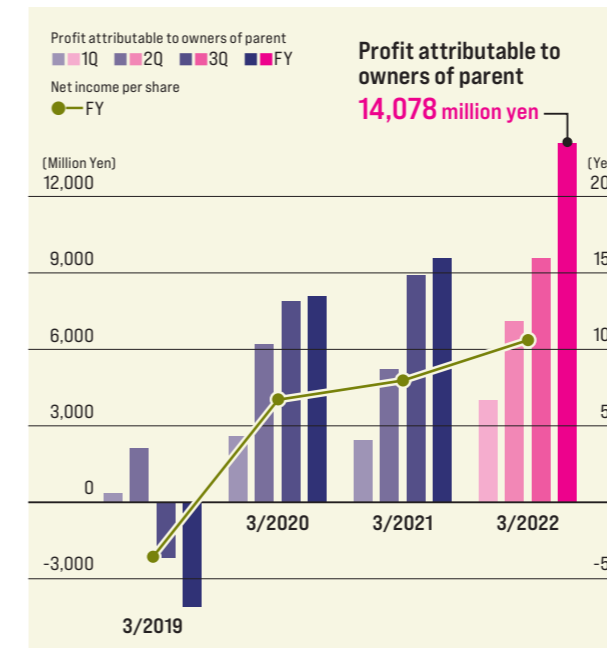
2nd Quarter represents an aggregate of the 1st to 2nd quarters.
3rd Quarter represents an aggregate of the 1st to 3rd quarters.

Sales

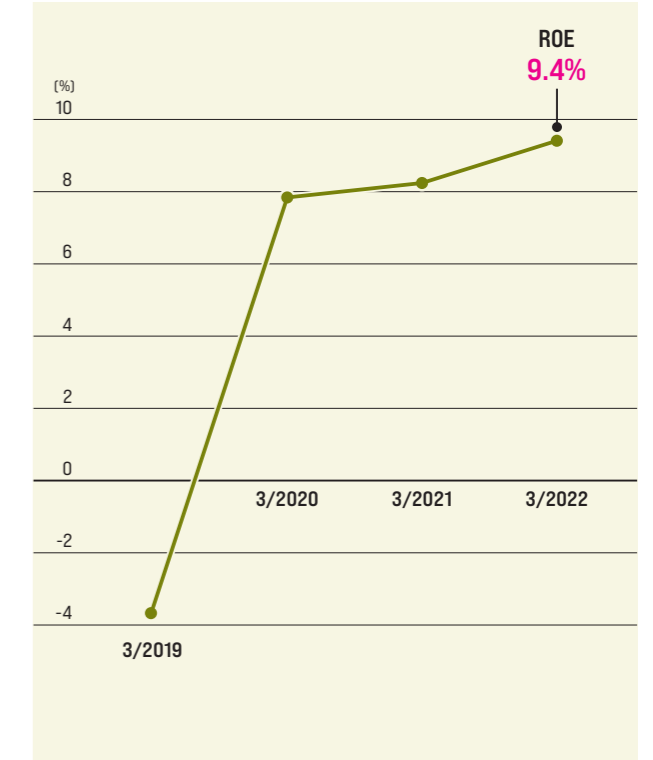


Profit attributable to owners of parent Net income per share

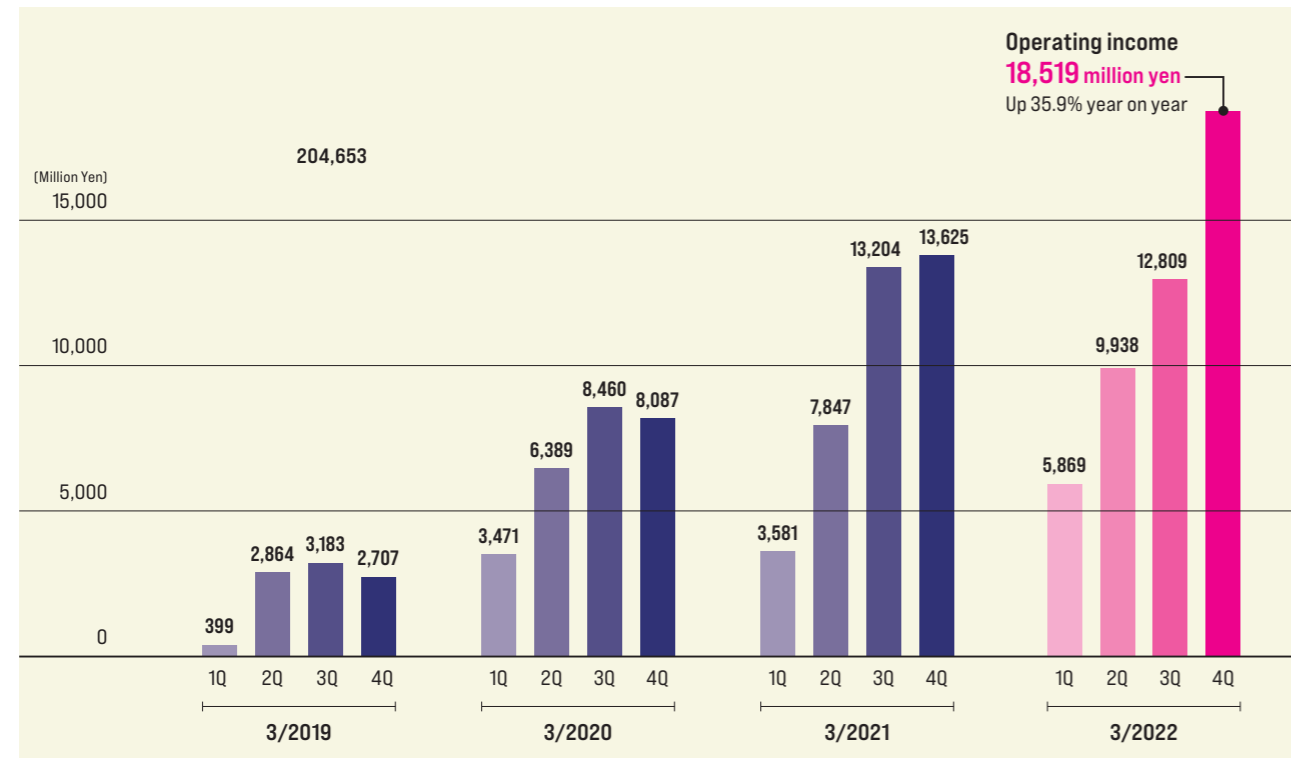
On January 1, 2022, the Company split its common stock at a ratio of 2-for-1. Earnings (loss) per share have been calculated under the assumption that this share split was conducted at the beginning of the fiscal year ended March 31, 2019.



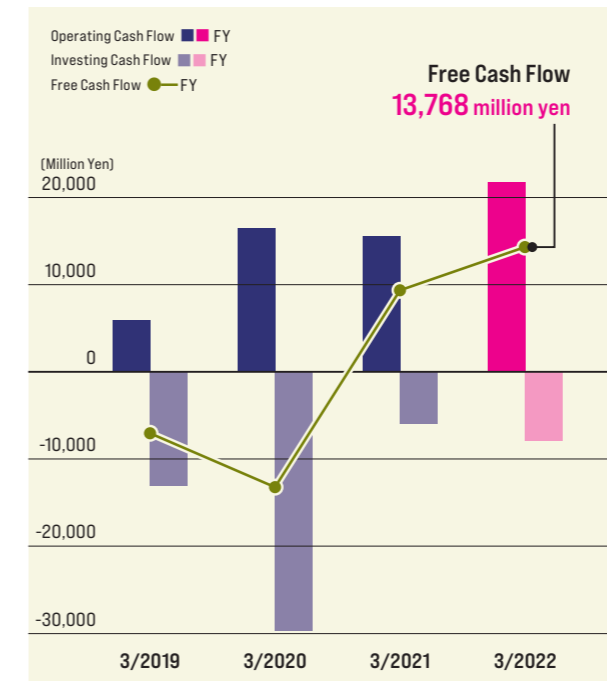
Return on equity (ROE)



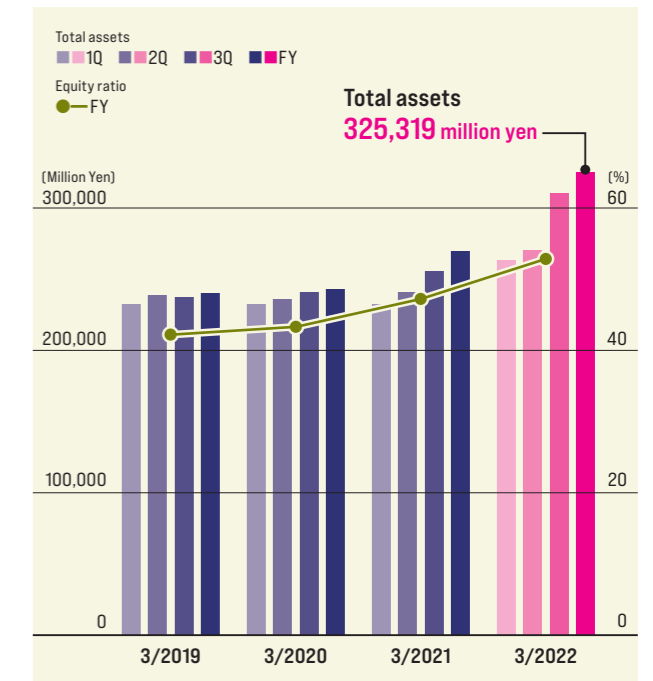
Operating income



Cash flow



Total assets and equity ratio



CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Balance Sheets

	Previous Fiscal Year	Fiscal Year under Review
	March 31, 2021	March 31, 2022
Assets		
Current assets		
Cash and deposits	79,042	123,931
Notes and accounts receivable - trade	42,648	—
Notes receivable - trade	—	2,119
Accounts receivable - trade	—	41,063
Contract assets	—	401
Inventories	20,757	23,921
Prepaid expenses	1,385	1,853
Deposits paid	4,129	4,491
Other	6,739	8,220
Allowance for doubtful accounts	(799)	(388)
Total current assets	153,904	205,613
Non-current assets		
Property, plant, and equipment		
Buildings and structures	37,213	40,478
Accumulated depreciation	(7,358)	(9,423)
Buildings and structures, net	29,854	31,055
Machinery and equipment	2,728	2,897
Accumulated depreciation	(1,844)	(1,709)
Machinery and equipment, net	884	1,188
Tools, furniture, and fixtures	9,689	9,317
Accumulated depreciation	(7,088)	(6,448)
Tools, furniture and fixtures, net	2,600	2,868
Land	26,011	26,088
Construction in progress	12,571	9,880
Other	755	914
Accumulated depreciation	(515)	(459)
Other, net	240	455
Total property, plant, and equipment	72,161	71,538
Intangible assets		
Software	5,161	5,489
Goodwill	362	429
Other	1,447	1,362
Total intangible assets	6,971	7,280
Investments and other assets		
Investment securities	29,671	33,957
Retirement benefit asset	47	63
Deferred tax assets	1,204	1,011
Insurance funds	2,139	2,464
Guarantee deposits	3,016	2,968
Other	822	703
Allowance for doubtful accounts	(290)	(283)
Total investments and other assets	36,610	40,886
Total non-current assets	115,744	119,705
Total assets	269,648	325,319

(Unit: Million yen)

	Previous Fiscal Year	Fiscal Year under Review
	March 31, 2021	March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	25,266	26,635
Short-term borrowings	459	283
Current portion of long-term borrowings	10,000	—
Accounts payable - other	9,676	10,294
Income taxes payable	3,173	2,366
Advances received	11,362	—
Contract liabilities	—	12,890
Deposits received	3,832	7,171
Provision for bonuses	4,154	4,810
Provision for point card certificates	268	—
Provision for sales returns	6,490	—
Refund liabilities	—	5,730
Provision for share-based remuneration	312	485
Provision for share-based remuneration for directors (and other officers)	522	313
Other	3,826	6,904
Total current liabilities	79,347	77,885
Non-current liabilities		
Long-term borrowings	55,000	65,000
Deferred tax liabilities	615	1,149
Retirement benefit liability	3,686	3,855
Other	1,474	1,688
Total non-current liabilities	60,776	71,693
Total liabilities	140,123	149,578
Net assets		
Shareholders' equity		
Share capital	25,624	40,624
Capital surplus	44,821	53,324
Retained earnings	56,215	67,015
Treasury shares	(8,943)	(1,928)
Total shareholders' equity	117,719	159,036
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,751	11,138
Foreign currency translation adjustment	445	1,396
Remeasurements of defined benefit plans	425	328
Total accumulated other comprehensive income	9,622	12,863
Non-controlling interests	2,182	3,840
Total net assets	129,524	175,740
Total liabilities and net assets	269,648	325,319

(Unit: Million yen)

2. Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

	Previous Fiscal Year	Fiscal Year under Review
	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022
Net sales	209,947	221,208
Cost of sales	136,256	145,621
Gross profit	73,690	75,587
Selling, general and administrative expenses	60,065	57,067
Operating profit	13,625	18,519
Non-operating income		
Interest income	154	89
Dividend income	443	423
Share of profit of entities accounted for using equity method	—	463
Foreign exchange gains	19	1,339
Gain on sales of goods	60	75
Other	319	604
Total non-operating income	997	2,994
Non-operating expenses		
Interest expenses	103	100
Share of loss of entities accounted for using equity method	86	—
Share issuance costs	44	131
Donations	—	1,000
Other	19	67
Total non-operating expenses	252	1,300
Ordinary profit	14,369	20,213
Extraordinary income		
Gain on change in equity	14	—
Gain on sales of non-current assets	184	57
Gain on sales of investment securities	11	29
Gain on sales of shares of subsidiaries and associates	—	100
Gain on sales of investments in capital of subsidiaries and associates	695	—
Other	—	2
Total extraordinary income	905	190
Extraordinary losses		
Impairment loss	30	71
Loss on retirement of non-current assets	186	—
Loss on valuation of investment securities	233	142
Business restructuring expenses	544	705
Other	24	26
Total extraordinary losses	1,018	945
Profit before income taxes	14,256	19,458
Income taxes – current	4,859	4,651
Income taxes – deferred	(113)	(254)
Total income taxes	4,745	4,396
Profit	9,511	15,061
Profit (loss) attributable to non-controlling interests	(73)	983
Profit attributable to owners of parent	9,584	14,078

(Unit: Million yen)

(Consolidated Statements of Comprehensive Income)

	Previous Fiscal Year	Fiscal Year under Review
	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022
Profit	9,511	15,061
Other comprehensive income		
Valuation difference on available-for-sale securities	4,737	2,386
Foreign currency translation adjustment	(286)	1,082
Remeasurements of defined benefit plans, net of tax	(256)	(96)
Share of other comprehensive income of entities accounted for using equity method	(3)	62
Total other comprehensive income	4,191	3,435
Comprehensive income	13,702	18,497
Comprehensive income attributable to owners of parent	13,803	17,319
Comprehensive income attributable to non-controlling interests	(101)	1,178

(Unit: Million yen)

3. Consolidated Statements of Cash Flows

	Previous Fiscal Year	Fiscal Year under Review
	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022
Cash flows from operating activities		
Profit before income taxes	14,256	19,458
Depreciation	4,461	5,723
Amortization of goodwill	68	379
Increase (decrease) in retirement benefit liability	391	14
Increase (decrease) in provision for sales returns	(114)	—
Increase (decrease) in refund liabilities	—	(822)
Increase (decrease) in provision for bonuses	927	655
Interest and dividend income	(597)	(512)
Share of loss (profit) of entities accounted for using equity method	86	(463)
Loss (gain) on sales of investments in capital of subsidiaries and associates	(695)	—
Decrease (increase) in trade receivables	(3,522)	—
Decrease (increase) in trade receivables and contract assets	—	(569)
Decrease (increase) in inventories	(1,818)	(2,785)
Increase (decrease) in trade payables	707	1,161
Increase (decrease) in advances received	1,793	—
Increase (decrease) in contract liabilities	—	1,169
Other, net	2,747	3,122
Subtotal	18,691	26,532
Interest and dividends received	838	766
Interest paid	(96)	(102)
Income taxes paid	(3,847)	(5,488)
Net cash provided by (used in) operating activities	15,586	21,708
Cash flows from investing activities		
Net decrease (increase) in time deposits	13,893	(1,585)
Purchase of property, plant, and equipment	(17,030)	(2,211)
Purchase of intangible assets	(3,259)	(3,043)
Purchase of investment securities	(885)	(743)
Proceeds from sales of investment securities	150	149
Proceeds from sales of investments in capital of subsidiaries and associates	691	—
Purchase of shares of subsidiaries resulting in a change in scope of consolidation	—	(184)
Other, net	509	(322)
Net cash provided by (used in) investing activities	(5,931)	(7,940)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(39)	(218)
Proceeds from long-term borrowings	—	10,000
Repayments of long-term borrowings	—	(10,000)
Proceeds from issuance of shares	9,955	29,867
Proceeds from share issuance to non-controlling shareholders	50	504
Dividends paid	(1,888)	(3,289)
Other, net	(144)	(173)
Net cash provided by (used in) financing activities	7,933	26,690
Effect of exchange rate change on cash and cash equivalents	(98)	1,232
Increase (decrease) in cash and cash equivalents	17,490	41,691
Cash and cash equivalents at the beginning of period	38,151	55,887
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	245	—
Cash and cash equivalents at the end of period	55,887	97,579

(Unit: Million yen)

Status of Shares

Basic information (as of April 2022)

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

[Notes]

1. 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.

2. 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.

3. Unreceived dividends will be paid at the main office and branches of Mitsubishi UFJ Trust and Banking Corporation.

Stock Price Chart



(Note) Closing stock price chart of the Company from October 1, 2014 to June 1, 2022

Details of Shares and Major Shareholders (as of March 31, 2022)

1 Number of shares authorized to be issued by the Company

520,000,000 shares

[Note]

By resolution of a meeting of the Board of Directors held on October 29, 2021, the Articles of Incorporation were amended on January 1, 2022 in connection with a stock split, increasing the number of shares authorized to be issued by the Company by 260,000,000 shares.

2 Number of shares authorized to be issued by the Company

141,784,120 shares
(including 465,808 treasury shares)

[Notes]

1. Third-party allocation was conducted on November 15, 2021 by resolution of a meeting of the Board of Directors held on October 29, 2021. As a result, the total number of issued shares has increased by 4,862,200 shares.

2. Retirement of treasury shares was conducted on November 15, 2021 by resolution of a meeting of the Board of Directors held on October 29, 2021. As a result, the total number of issued shares has decreased by 4,862,200 shares.

3. A stock split at a ratio of 2-for-1 was conducted on January 1, 2022 by resolution of a meeting of the Board of Directors held on October 29, 2021. As a result, the total number of issued shares has increased by 70,892,060 shares.

3 Number of shareholders:

31,838 persons

4 Major shareholders (top eleven)

Name	Number of shares held (thousand shares)	Ratio of equity participation (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,925	11.98
KSD-NH (Permanent Agent: Citibank, N.A. Tokyo Branch Securities Operations)	12,587	8.91
Goldman Sachs International (Permanent Agent: Goldman Sachs Japan Co., Ltd.)	10,303	7.29
Custody Bank of Japan, Ltd. (Trust Account)	8,300	5.87
Nobuo Kawakami	8,193	5.80
Nippon Telegraph and Telephone Corporation	4,080	2.89
Nippon Life Insurance Co. (Permanent Agent: The Master Trust Bank of Japan, Ltd.)	3,428	2.43
Bandai Namco Holdings Inc.	3,060	2.17
Tsuguhiko Kadokawa	2,920	2.07
CyberAgent, Inc.	2,844	2.01
Sony Group Corporation	2,844	2.01

[Notes]

1. The Company holds 465 thousand treasury shares. These 465 thousand treasury shares do not include the 69 thousand shares held by Sumitomo Mitsui Trust Bank, Limited (Trust Account E) 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. These treasury shares also do not include the 1,996 thousand shares held by Custody Bank of Japan, Ltd. (Trust Account).

2. The treasury shares are excluded in the calculation of the ratio of equity participation shown above.

Enhancement of Returns to Shareholders – Increase of Dividends

Basic Shareholder Returns Policy

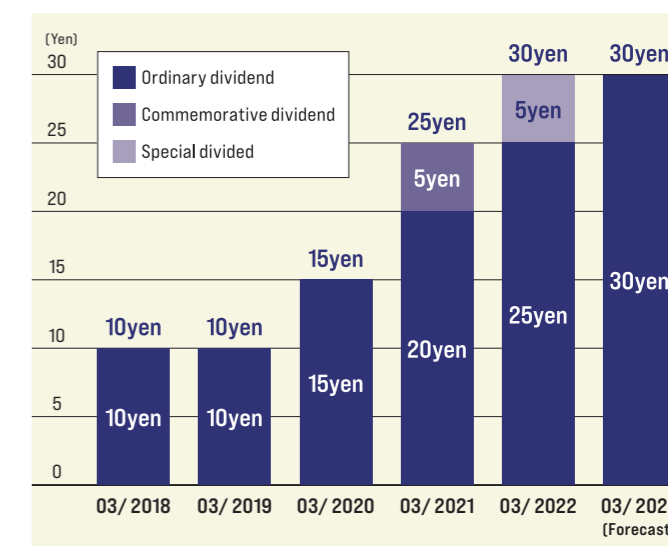
Basic Policy

The Company continues to distribute profits stably to shareholders after securing internal reserves sufficient for the strengthening of our corporate structure, which will be a precondition for sustainable corporate management, contingency preparation, and future business development.



Additional Policy from the Year ending March 31, 2023

The Company will pay a stable annual dividend of 30 yen per share, returning profits to shareholders with a target payout ratio of 30% or more, including return of profits based on consolidated business performance.



(Note) On January 1, 2022, the Company split its common stock at a ratio of 2-for-1. The dividends for the fiscal year ended March 31, 2022 and earlier are dividend amounts in consideration of the said stock split.

Dividends

Dividends for the year ended March 31, 2022

Increase to a dividend of 30 yen per share (ordinary dividend of 25 yen per share plus a special dividend of 5 yen to reflect its strong full-year consolidated performance)

Dividends for the year ending March 31, 2023

The Company forecasts payment of an ordinary dividend of 30 yen per share according to the above additional policy

Shareholder Benefit Program

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

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

KEY PERFORMANCE INDICATORS, ETC. (CONSOLIDATED)

(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).

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
Closing date	March 2015	March 2016	March 2017		March 2018	March 2019	March 2020	March 2021	March 2022
Sales (Million Yen)	100,566	200,945	205,717		206,785	208,605	204,653	209,947	221,208
Ordinary profit (Million Yen)	2,472	10,189	7,407		3,716	4,205	8,787	14,369	20,213
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
Comprehensive income (Million Yen)	15,205	6,704	7,560		1,316	(1,604)	7,878	13,702	18,497
Net assets (Million Yen)	104,248	104,526	111,724		109,128	103,411	107,375	129,524	175,740
Total assets (Million Yen)	205,673	201,609	246,949		239,881	240,072	242,995	269,648	325,319
Net assets per share (Yen)	728.91	764.72	810.05		814.69	801.04	855.77	987.83	1,234.46
Net income (loss) per share (Yen)	100.01	49.56	42.52		7.76	(31.97)	65.06	77.42	105.96
Diluted earnings per share (Yen)	99.60	—	—		—	—	—	—	105.96
Equity ratio (%)	50.2	51.4	44.5		44.7	42.2	43.3	47.2	52.8
Return on equity (ROE) (%)	22.5	6.6	5.4		1.0	—	7.8	8.2	9.4
Price-earnings ratio	9.42	17.50	18.77		71.43	—	10.47	27.74	30.39
Operating Cash Flow (Million Yen)	7,765	6,733	11,968		1,608	5,864	16,516	15,586	21,708
Investing Cash Flow (Million Yen)	(9,049)	(4,673)	(10,394)		(18,765)	(13,058)	(29,908)	(5,931)	(7,940)
Cash flows from financing activities (Million Yen)	24,385	(8,775)	37,200		(6,421)	(4,236)	(4,359)	7,933	26,690
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
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]

COMPANY PROFILE (as of March 31, 2022)

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
Number of employees	2,259 (KADOKAWA) / 6,645 (CONSOLIDATED SUBSIDIARIES)

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