

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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Securities Code: 9468

May 31, 2023

Start date of measures for electronic provision: May 30, 2023

To Our Shareholders

Takeshi Natsuno
Representative Director and President
KADOKAWA CORPORATION
13-3, 2-chome, Fujimi, Chiyoda-ku, Tokyo

NOTICE OF THE 9TH GENERAL MEETING OF SHAREHOLDERS

Taking this occasion, we would like to express our deep gratitude to you for your good offices.

We hereby announce our 9th General Meeting of Shareholders.

When convening this general meeting of shareholders, KADOKAWA CORPORATION (the "Company") takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information on the following websites. Please access any of the following websites by using the internet address shown below to review the information.

[The Company's website]

<https://group.kadokawa.co.jp/ir/stock/> (in Japanese)

(From the above Company's website, select "SHAREHOLDERS' MEETING.")

[Website for posted informational materials for the general meeting of shareholders]

<https://d.sokai.jp/9468/teiji/> (in Japanese)

[TSE website (Listed Company Search)]

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(Access the TSE website by using the internet address shown above, enter "KADOKAWA" in "Issue name (company name)" or the Company's securities code "9468" in "Code," and click "Search." Then, click "Basic information" and select "Documents for public inspection/PR information." Under "Filed information available for public inspection," click "Click here for access" under "[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].")

We would like to request you to make a decision on your attendance at the General Meeting of Shareholders in consideration of your physical condition, as well as the exercise of your voting rights in writing or via the Internet. If you exercise your voting rights in writing or via the internet instead of attending the meeting in person, please review the "Reference Materials on the General Meeting of Shareholders," indicate your approval or disapproval for the proposal on the voting rights exercise form, paste the protective seal on the voting rights exercise form and mail it back to us by 6:30 p.m., Wednesday, June 21, 2023 (JST) or access the website for the exercise of voting rights

(<https://evote.tr.mufg.jp/>) (in Japanese) from a personal computer or smartphone and enter your approval or disapproval for the proposal by 6:30 p.m., Wednesday, June 21, 2023 (JST).

Very truly yours,

Details

1. **Date:** 2:00 p.m. on Thursday, June 22, 2023
(The reception of participants in the meeting will begin at 1:00 p.m.)
2. **Place:** Japan Pavilion Hall A, Tokorozawa Sakura Town
31-3 Higashi-Tokorozawa Wada 3-chome, Tokorozawa-shi, Saitama

3. Objectives

Matters to be reported:

1. Presentation of the Business Report, Consolidated Financial Statements, and Audit Report on the Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Committee for the 9th fiscal year (from April 1, 2022 to March 31, 2023)
2. Presentation of the Non-consolidated Financial Statements for the 9th fiscal year (from April 1, 2022 to March 31, 2023)

Proposals to be acted upon:

- Proposal 1:** To Amend the Articles of Incorporation
Proposal 2: To Elect Thirteen (13) Directors

* **The General Meeting of Shareholders will be live-streamed on the Internet. For details, please refer to "Guidance on viewing the live streaming of the General Meeting of Shareholders (Japanese only)."**

* **No souvenirs will be offered to shareholders.
We would appreciate your understanding.**

4. Points to Note about the Convocation of the Meeting

- (1) If you neglect to indicate your approval or disapproval for any proposal on the enclosed voting rights exercise form, you will be assumed to have approved the proposal and your vote will be counted accordingly.
- (2) If you exercise your voting rights more than once:
 - 1) If you exercise your voting rights both in writing and on the Internet, only the voting rights you exercise on the Internet will be counted.
 - 2) If you exercise your voting rights more than once on the Internet, only the voting rights you exercise last will be counted.

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◎ Shareholders who have requested the delivery of documents in writing will also receive a document stating the matters for which measures for providing information in electronic format are to be taken, but said documents will exclude the following matters in accordance with laws and regulations and Article 14 of the Company's Articles of Incorporation.

1. Notes to the Consolidated Financial Statements
2. Notes to the Non-consolidated Financial Statements

These notes are part of the consolidated financial statements and non-consolidated financial statements that were audited by the Independent Auditor and the Directors who serve as Audit & Supervisory Committee Members in preparing the Independent Auditor's Report and Auditor's Report, respectively.

◎ If you attend the meeting in person, please present the voting rights exercise form at the reception desk upon your arrival.

- ◎ If revisions to the matters subject to measures for electronic provision arise, a notice of the revisions and the details of the matters before and after the revisions will be posted on the aforementioned websites.
- ◎ The shareholders in the name of management trust banks, etc., (including standing proxies) who have applied in advance for the use of the platform for electronic exercise of voting rights, which is managed by ICJ Inc., a joint venture organized by Tokyo Stock Exchange, Inc. and others, may exercise their voting rights on the platform as a method for exercising voting rights by an electronic or magnetic means at the Company's General Meeting of Shareholders, in addition to the exercise of voting rights on the Internet.

**[During the General Meeting of Shareholders, we will adopt the "Cool Biz" style, i.e., light clothes rather than formal ones.]**

**The Notice of the General Meeting of Shareholders is also available on your smartphone.**  
You can browse the Notice of the General Meeting of Shareholders on your PC and smartphone.  
<https://p.sokai.jp/9468/> (in Japanese)

## **Business Report**

[From April 1, 2022 to March 31, 2023]

### **1. Overview of Business**

#### **(1) Progress and Results of Business**

The KADOKAWA group advocates a "global media mix with technology" as its fundamental strategy that combines the stable creation of intellectual property (IP) consisting of a variety of portfolio content chiefly in the Publication, Video, Game, Web Service, and Education businesses as well as the rollout of this IP on a global scale through the extended use of technology, seeking to achieve growth and enhance corporate value over the medium to long terms.

During the consolidated fiscal year under review, net sales totaled 255,429 million yen (up 15.5% year on year), with operating profit of 25,931 million yen (up 40.0%) and ordinary profit of 26,669 million yen (up 31.9%). Profit attributable to owners of parent came to 12,679 million yen (down 9.9%).

The performance of each business segment for the consolidated fiscal year under review is as follows: The Company changed the education business, which had been included in "Others," to a reporting segment beginning in the consolidated fiscal year under review, expecting that the business's importance will continue to increase as a growth and priority area.

[Publication Business]

In the Publication Business, the Company publishes and sells digital and paper-based books and magazines. The Company also produces magazine advertisements, and sells digital ads and licenses. In this segment, the Company continuously publishes as many as approximately 5,000 new titles a year as an essential part of its media mix strategy. A wealth of title archives is a driving force of the KADOKAWA group's growth.

Revenue from e-books and e-magazines increased thanks to the sustained growth of the overall market. In addition, strong performance and increased sales were achieved at other companies' online stores and at the Company's online store, primarily for otherworldly comics at which the Company excels, and media mix titles.

As for the sales of paper-based books and magazines, sales continued to grow in overseas business, particularly in North America and Asia, reflecting the popularity of Japanese IP. Domestically, the impact of the contracting market overall was significant, leading to reduced sales, despite an increase in the number of new publications and continual improvements to return rates. In terms of new publications, strong sales were achieved for *The Eminence in Shadow* (8) and *The Five Star Stories* (17) (comics) and *Pan Dorobo - Onigiri Boya No Tabidachi* (children's book). Revenue from rights licensing increased.

On the expense front, investments were made in human resources in anticipation of medium-to-long-term growth, and expenses for materials, etc. increased due to inflation.

Consequently, net sales in this segment came to 139,990 million yen (up 5.3% year on year), while the segment's operating profit declined to 13,155 million yen (down 24.3%).

To further reduce returns and manufacturing costs and increase profitability, the book manufacturing lines in Tokorozawa, Saitama Prefecture began operating in April 2021. The facility flexibly manufactures paperback books, light novels, pocket editions, comics and other publications in small quantities using digital printing technology. The Company is currently preparing to put logistics facilities into operation, in addition to increasing its manufacturing lines.

#### [Video Business]

The Video Business includes planning, production and distribution of live-action films and anime, video distribution licensing, and sales of package software.

Sales from the domestic streaming and overseas sales of media mix titles such as Overlord IV and The Eminence in Shadow grew, leading to continued strong growth. In the live-action business, there were one-off write downs for some titles in the second quarter, but My Happy Marriage, a new theatrical title, and contracted production contributed to sales growth.

Consequently, net sales in this segment came to 43,289 million yen (up 30.7% year on year), while the segment's operating profit declined to 2,169 million yen (up 61.8%).

#### [Game Business]

The Game Business includes planning, development, sales and licensing of game software and internet games.

A video game, Elden Ring, which is a record hit, contributed significantly to revenue and profit growth. Note that this title won Game of the Year at The Game Awards 2022, an overseas video game award event. The collaborative/contracted development business, new games of Spike Chunsoft Co., Ltd., and The Eminence in Shadow: Master of Garden, a mobile game based on the Company's own IP, also contributed to revenue growth.

Consequently, net sales in this segment came to 30,351 million yen (up 55.7% year on year) with operating profit of 14,218 million yen (up 173.4%).

#### [Web Service Business]

In the Web Service Business, the Company operates a portal business for a variety of video social network services, plans and manages a variety of events, and content distribution service for mobile device users.

In video social network services, the number of monthly paying subscribers (premium members) for Niconico Video, a portal service on the web, was 1.31 million as of the end of March 2023, falling from the end of March 2022. However, an increase primarily in "gifts," items given to videos and advertising resulted in revenue growth. In the planning and operation of events, the Company held Niconico Chokaigi 2022 both online and offline, aiming for a further increase in future postings by content creators and viewer visits. The offline event received 96,000 visitors despite COVID-19 and ticket and merchandise sales contributed to sales growth; however, the overall profit decreased due to an increase in expenses for holding the large event.

Consequently, net sales in this segment came to 22,063 million yen (up 3.4% year on year), while the segment's operating profit declined to 1,641 million yen (down 18.5%).

#### [Education Business]

In the Education Business, the Company operates a technical school and provides online educational contents and systems.

At Vantan Inc., operating a school for human resources development in the creative arts field, thanks in part to the start of new courses in the previous period and the expansion of the areas of operation the number of students continued to increase at various locations including Vantan Game Academy, which produces many video game creators. As a result, both revenue and profit increased. The business continued to perform strongly also thanks to steady growth in students enrolled in N High School and S High School, Internet-based correspondence high schools, in part due to the establishment of a new campus for commuting students. DWANGO Co., Ltd., which provides educational systems and contents to these schools and others, also contributed to earnings.

Consequently, net sales in this segment came to 12,475 million yen (up 15.5% year on year) with operating profit of 1,768 million yen (up 138.2%).

#### [Other Businesses]

Other Businesses refer to the operation of facilities for experiencing IP, and the MD business, with planning and sales of character goods and other products, and so forth.

In the operation of IP experiential facilities, revenue increased thanks to facility-wide events run at TOKOROZAWA SAKURA TOWN, although the Company had difficulty in attracting customers at the facilities. Revenue increased in the MD business. In other new businesses, both sales and operating profit improved, reflecting commencement of certain services.

Consequently, net sales in this segment totaled 17,199 million yen (up 49.7% year on year) with an operating loss of 4,535 million yen (compared to an operating loss of 4,926 million yen for the corresponding period of the preceding fiscal year).

Officers and an employee of the Company were arrested and prosecuted on suspicion of bribery regarding the selection of sponsors for the Tokyo 2020 Olympic and Paralympic Games. We deeply apologize to all those concerned for the inconvenience this matter has caused.

As announced on January 23, 2023, on this day the Company received the investigative report from the Corporate Governance Inspection Committee that had been established to determine the facts surrounding the incident, investigate the root causes that allowed the incident to occur including in relation to corporate governance and internal control, and to provide recommendations on measures to prevent recurrences.

To further strengthen our governance structure, the Board of Directors resolved on May 11, 2023 to refer to the 9th Annual General Meeting of Shareholders held on June 22, 2023, a proposal for a revision to the Articles of Incorporation to shift to a Company with Nominating Committee, etc., and to make changes in management, subject to approval of the proposal at the Shareholders' Meeting, after the establishment of a Company with Nominating Committee, etc., a majority of whose members will be outside directors. Following the recommendations of the Corporate Governance Inspection Committee, the Management Reform Promotion Committee, which was established to work out concrete measures to prevent a recurrence of problems that occurred in connection with the Tokyo Olympics, is discussing strengthening the supervisory function of the Board of Directors,

clarifying the division of roles in business execution, improving the corporate culture, and raising awareness of compliance and will report the results of the discussion to the Board of Directors to solve issues.



## (2) Status of the Group's Capital Investment

### 1) Overview of the Group's capital investment

In the current fiscal year, the Group's total amount of capital investment was 7,733 million yen. The main capital investments by business segment are listed below.

| Business category         | Amount            | Description                                                                                                      |
|---------------------------|-------------------|------------------------------------------------------------------------------------------------------------------|
| Publication Business      | 4,829 million yen | Construction of a book production and distribution base and extension of functionality for own e-book site, etc. |
| Video Business            | 413               | System development for extension of functionality of Movieticket, etc.                                           |
| Game Business             | 290               | Development expenses of game applications, purchase of facilities and equipment for development, etc.            |
| Web Service Business      | 87                | Cost for upgrade of server for video community services and system development, etc.                             |
| Education Business        | 710               | School operational equipment for the education business, etc.                                                    |
| Others                    | 1,195             | Construction of internal network equipment, etc.                                                                 |
| Group Overall (in common) | 206               | Acquisition of land adjacent to the KADOKAWA Headquarter Building, etc.                                          |
| Total                     | 7,733             |                                                                                                                  |

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

### 2) Ongoing construction of new major facilities in the current fiscal year (as of March 31, 2023)

Of the book production and distribution factory in Tokorozawa Sakura Town (Tokorozawa City, Saitama Prefecture), which was in the planning stage as of the end of the previous fiscal year, the production factory started partial operations, 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 factory, payment of 17,091 million yen was made, including construction work expenses for purchase of the production equipment and building, etc. was made.

## (3) Status of the Group's Financing

- 1) The Company concluded commitment line agreements totaling 15,000 million yen with several banks for the purpose of flexible and efficient financing. There was no outstanding borrowing related to the commitment line agreements as of the end of the current fiscal year.
- 2) FromSoftware, Inc., a consolidated subsidiary of the Company, raised 36,400 million yen in the current fiscal year through issuance of common shares by way of third-party allocation to Sixjoy Hong Kong Limited, (Headquarters: Hong Kong), a subsidiary indirectly and wholly owned by Tencent Holdings Limited (Headquarters: Shenzhen, China), a core company of China's Tencent Group, and Sony Interactive Entertainment Inc. (Headquarters: Minato-ku, Tokyo), a subsidiary of Sony Group Corporation (Headquarters: Minato-ku, Tokyo). Through such funding, FromSoftware, Inc. aims at strengthening its capabilities to create and develop game intellectual property and establishing a framework that allows expansion of the scope of its own Publishing Business in the global market.

## (4) Issues to Be Addressed by the Group

Looking at the business environment surrounding the Group, electronic publishing has been growing continuously in the domestic publication market, while paper publishing has been on a downward

trend. Meanwhile, demand for Japanese content, particularly in the overseas comic market, is expanding. The Company's businesses are getting more and more globalized.

Domestic box-office revenue from movie theaters and events has recovered to about 80% of the 2019 level, before the COVID-19 pandemic. The offline event is recovering with the easing of regulations.

Meanwhile, video distribution, online gaming and online live events became more widespread, and demand for digital content is on the rise worldwide. The ways in which we can enjoy engaging with others, primarily through content, are expanding.

To take advantage of this business environment, the Group has made the advancement of "Global Media Mix with Technology" as the basic policy in its Mid-term Plan and will further accelerate a digital shift in its businesses by flexibly leveraging technological development. At the same time, by enhancing the operation of the fan community as well as enhancing IP creation and overseas development, it will strive to maximize IP value and achieve continuous growth in earnings.

In addition, the Company will continue to develop an internal platform where individual employees can fully demonstrate their creativity and generate innovation. The key words here are creativity, motivation and technology.

The status and issues to be addressed of each business are as follows.

#### [Publication Business]

The Company will continue working to create strong IP and increase the distribution of titles globally. In Japan, efforts will be made to further improve the return rate through production and logistics reforms and to improve productivity through the digital transformation of editing.

On the IP creation front, the Company will continue to strengthen the development of titles posted online through the Kaku-Yomu and Maho-no-i-Land novel-posting sites in Japan, and will also work with overseas subsidiaries to develop titles globally. To expand readers on the smartphone, the Company will develop more titles, primarily using TATESC comics, an imprint dedicated to releasing vertically scrolling manga.

In terms of the global distribution of titles, the Company will invest in the production of multilingual content and expand simultaneous distribution for e-books and distribution for paper-based books.

In the magazine business, we will work to improve profitability whilst further accelerating the digital shift with a focus on Internet media.

In the e-books business, the Company's electronic book delivery platform BOOK☆ WALKER started to deliver e-books in Thai on March 28, 2023, following delivery in English-speaking countries and areas that use traditional Chinese. In the creation of IP, the Company has established TATESC COMICS Global Awards, awards for titles written in English, Chinese, Malay, and Thai. The Company will continue striving to develop a global market for vertically scrolling manga, comics, light novels, and other text contents.

The Company also intends to pursue the creation of new experiential value through video and audio content, the expansion of commercialization of children's books, tie-ups with other platforms such as dmagazine, as well e-book subscription services, aiming to make the diverse joys of e-books available to readers around the world.

#### [Video Business]

In the video business, the Company will strengthen its video production capability to establish an IP creation structure integrating planning and production and to handle global video distribution.

In the anime business, we will continue to strengthen our in-house production capability and expand the scale of production whilst developing a product lineup of high-quality works. The Company will strengthen marketing, particularly in North America, to increase recognition of titles and will focus on selling rights in Japan and overseas markets as well as on the video distribution business.

In live-action video production and distribution, we will strengthen our comprehensive video production capability, including our ability to manage budgets and contracts. We will also promote the joint production of video and drama with overseas companies to meet video distribution market needs and will continue considering a new framework to respond to the diversification of the ways in which videos are viewed.

#### [Game Business]

In the game business, as the global market, including the domestic market, expands, certain smartphone games based on original titles of the Company have been developed. The Company will expand development lines and will increase profitability using the media mix.

In games for PCs and consoles, the Company will leverage the brand power derived from its record-breaking new hit ELDEN RING and its strong development capability to continue to engage in the Group original development of series titles, including ARMORED CORE, and contract development for other companies.

#### [Web Service Business]

In the web service business, we will continue to take steps to turn the number of premium membership subscriptions around, and we will seek to develop the fan community via the niconico channel. To improve service and development efficiency and to reduce expenses in the long term, we will continue to invest in digital infrastructure that uses cloud servers.

In planning and running events, we held Niconico Chokaigi, one of Japan's largest user participation events. In the form of a hybrid event combining online and in person, for nine days, from April 22 to April 30, 2023, a total of 118,797 people (up 24% year on year) visited the offline events at Makuhari Messe from April 29 and 30. By holding large events like this, we will increase users' sense of solidarity and satisfaction. Large events also encourage users to post comments and view videos on the website and give them more opportunities to participate. Meanwhile, we will narrow our event focus to improve profitability.

#### [Education Business]

In education businesses, with a rising number of students enrolling in N High School, a correspondence high school via the Internet, and S High School, the business of providing educational content to both schools is growing. We have also been enhancing educational content by offering VR learning materials. We aim to expand earnings by continuing to provide high added value contents in the future.

At Vantan, we aim to achieve continuous growth by establishing new courses in fields leveraging group synergies in manga, animation, etc. and by expanding the areas of existing courses.

[Other Businesses]

In the operation of facilities for experiencing IP, including Tokorozawa Sakura Town, which includes the Kadokawa Culture Museum, event spaces, restaurants, and other retail facilities, the Company has resolved to withdraw from and close EJ Anime Hotel and Narita Anime Deck, where improvements in profit are unlikely, in the first half of 2023. The Company is reorganizing the business to make it sustainable.

To increase footfall, the Company will strive to improve the quality of events. The Company will continue to increase profitability by applying the expertise gained in the IP experiential facilities operation business to other facilities.

## (5) Status of Assets and Profit and Loss

### 1) Status of the Group's assets and profit and loss

| Division                                                    | 6th fiscal year<br>(ended in March<br>2020) | 7th fiscal year<br>(ended in March<br>2021) | 8th fiscal year<br>(ended in March<br>2022) | 9th fiscal year<br>(current fiscal year)<br>(ended in March<br>2023) |
|-------------------------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|----------------------------------------------------------------------|
| Net sales (million yen)                                     | 204,653                                     | 209,947                                     | 221,208                                     | 255,429                                                              |
| Ordinary profit<br>(million yen)                            | 8,787                                       | 14,369                                      | 20,213                                      | 26,669                                                               |
| Profit attributable to<br>owners of parent<br>(million yen) | 8,098                                       | 9,584                                       | 14,078                                      | 12,679                                                               |
| Basic earnings per<br>share (yen)                           | 65.06                                       | 77.42                                       | 105.96                                      | 90.91                                                                |
| Total assets<br>(million yen)                               | 242,995                                     | 269,648                                     | 325,319                                     | 382,898                                                              |
| Net assets (million yen)                                    | 107,375                                     | 129,524                                     | 175,740                                     | 223,171                                                              |
| Net assets per share<br>(yen)                               | 855.77                                      | 987.83                                      | 1,234.46                                    | 1,450.27                                                             |

- Notes: 1. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other provisions were applied from the beginning of the 8th fiscal year.
2. On January 1, 2022, the Company implemented a split at a ratio of one share to two shares. Basic earnings per share and net assets per share are calculated on the assumption that the stock split was conducted at the beginning of the 6th fiscal year.

### 2) Status of the Company's assets and profit and loss

| Division                                       | 6th fiscal year<br>(ended in March<br>2020) | 7th fiscal year<br>(ended in March<br>2021) | 8th fiscal year<br>(ended in March<br>2022) | 9th fiscal year<br>(current fiscal year)<br>(ended in March<br>2023) |
|------------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|----------------------------------------------------------------------|
| Operating revenue / Net<br>sales (million yen) | 84,049                                      | 119,821                                     | 114,656                                     | 129,883                                                              |
| Ordinary profit (loss)<br>(million yen)        | (249)                                       | 6,098                                       | 7,635                                       | 5,111                                                                |
| Profit<br>(million yen)                        | 23,828                                      | 4,151                                       | 6,446                                       | 806                                                                  |
| Basic earnings per<br>share (yen)              | 191.43                                      | 33.54                                       | 48.52                                       | 5.78                                                                 |
| Total assets<br>(million yen)                  | 210,479                                     | 238,143                                     | 287,446                                     | 335,141                                                              |
| Net assets (million yen)                       | 79,275                                      | 96,401                                      | 132,367                                     | 128,095                                                              |
| Net assets per share<br>(yen)                  | 644.26                                      | 747.81                                      | 950.56                                      | 917.17                                                               |

- Notes: 1. In the 6th fiscal year, the Company has taken over all the businesses of the consolidated subsidiary KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.) (excluding, however, businesses related to the holding of shares of Building Book Center Co., Ltd. and KADOKAWA KEY-PROCESS Co., Ltd.) through the absorption-type company split on July 1, 2019, and its transition to an operating holding company structure from a pure holding company structure.
2. On January 1, 2022, the Company implemented a split at a ratio of one share to two shares. Basic earnings per share and net assets per share are calculated on the assumption that the stock split was conducted at the beginning of the 6th fiscal year.

## (6) Status of Important Subsidiaries

| Company name                                            | Capital stock<br>(million yen) | Company's<br>ratio of voting<br>rights (%) | Principal business                       |
|---------------------------------------------------------|--------------------------------|--------------------------------------------|------------------------------------------|
| DWANGO Co., Ltd.                                        | 100                            | 100.0                                      | Web Service Business, Education Business |
| BOOK WALKER Co., Ltd.                                   | 100                            | 100.0                                      | Publication Business                     |
| KADOKAWA ASCII Research Laboratories, Inc.              | 85                             | 100.0                                      | Publication Business                     |
| KADOKAWA Game Linkage Inc.                              | 100                            | 100.0                                      | Publication Business                     |
| Mainichi ga Hakken Inc.                                 | 100                            | 81.2                                       | Publication Business                     |
| Building Book Center Co., Ltd.                          | 100                            | 100.0                                      | Publication Business                     |
| MOVIE WALKER Co., Ltd.                                  | 100                            | 87.9                                       | Video Business                           |
| KADOKAWA DAI EI STUDIO CO., LTD.                        | 100                            | 100.0                                      | Video Business                           |
| Glovision Inc.                                          | 100                            | 100.0                                      | Video Business                           |
| ENGI Co.Ltd.                                            | 100                            | 53.0                                       | Video Business                           |
| FromSoftware, Inc.                                      | 18,468                         | 69.7                                       | Game Business                            |
| Spike Chunsoft Co., Ltd.                                | 480                            | 100.0                                      | Game Business                            |
| Vantan Inc.                                             | 90                             | 100.0                                      | Education Business                       |
| Kadokawa Media House Inc.                               | 100                            | 100.0                                      | Others                                   |
| KADOKAWA Connected Inc.                                 | 50                             | 100.0                                      | Others                                   |
| KADOKAWA HOLDINGS ASIA LTD.                             | 206<br>(million HK dollars)    | 100.0                                      | Others                                   |
| GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD. | 30<br>(million RMB)            | 47.6                                       | Publication Business                     |
| KADOKAWA TAIWAN CORPORATION                             | 158<br>(million NT dollars)    | 100.0                                      | Publication Business                     |
| KADOKAWA WORLD ENTERTAINMENT, INC.                      | 35<br>(million US dollars)     | 100.0                                      | Publication Business                     |
| YEN PRESS, LLC                                          | 4<br>(million US dollars)      | 51.0                                       | Publication Business                     |
| J-Novel Club LLC                                        | 0<br>(million US dollars)      | 66.7                                       | Publication Business                     |
| SPIKE CHUNSOFT, INC.                                    | 1<br>(million US dollars)      | 100.0                                      | Game Business                            |

Notes: 1. Figures for "Company's ratio of voting rights" include those of indirect ownership.

2. The Company changed "Education," which had been included in "Others," to a reportable segment beginning in the current fiscal year, expecting that the business's importance will continue to increase as a growth and priority area.

3. The Company's ratio of voting rights of GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD. is not more than 50/100. However, it is a subsidiary since it is substantially controlled by the Company.

4. Kadokawa Games, Ltd. was excluded from the scope of consolidated subsidiaries accompanied by its liquidation in the current fiscal year.

**(7) Status of the Transfer and Acquisition of Business, Split-ups and Mergers and the Acquisition or Disposal of Shares, etc., of Other Companies**

Not applicable.

**(8) Principal Business (as of March 31, 2023)**

| Business category    | Principal business                                                                                                                              |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Publication Business | Publishing and sales of books, etc.                                                                                                             |
|                      | Publishing and sales of e-books and e-magazines, etc.                                                                                           |
|                      | Publishing and sales of magazines, sales of online ads, etc.                                                                                    |
| Video Business       | Video distribution licensing, sales of package software, and the planning, production and distribution of live-action and animated movies, etc. |
| Game Business        | Planning, development, and sales of game software and online games, etc.                                                                        |
| Web Service Business | (Portal) Providing video social network services, etc.                                                                                          |
|                      | (Live) Planning and managing a variety of events                                                                                                |
|                      | (Mobile) Content distribution service for mobile device users, etc.                                                                             |
| Education Business   | Planning and sales of animation character merchandise, etc.<br>Operation of IP experiential facilities, etc.                                    |
| Others               | Planning and selling character goods, operating facilities for experiencing IP, etc.                                                            |

**(9) Principal Offices and Plants (as of March 31, 2023)**

1) The Company

| Name                   | Address                       |
|------------------------|-------------------------------|
| Headquarters           | Chiyoda-ku, Tokyo             |
| Tokorozawa Sakura Town | Tokorozawa-shi, Saitama Pref. |

2) Subsidiaries

| Name                            | Address                  |
|---------------------------------|--------------------------|
| DWANGO Co., Ltd.                | Chuo-ku, Tokyo           |
| Building Book Center Co., Ltd.  | Iruma-gun, Saitama Pref. |
| KADOKAWA DAIEI STUDIO CO., LTD. | Chofu-shi, Tokyo         |
| Glovision Inc.                  | Shinjuku-ku, Tokyo       |
| Vantan Inc.                     | Shibuya-ku, Tokyo        |

## (10) Status of Employees (as of March 31, 2023)

### 1) Employees in the Group

| Business segment          | Number of employees |         |
|---------------------------|---------------------|---------|
| Publication Business      | 2,540               | (1,344) |
| Video Business            | 557                 | (233)   |
| Game Business             | 605                 | (65)    |
| Web Service Business      | 711                 | (66)    |
| Education Business        | 511                 | (295)   |
| Others                    | 480                 | (359)   |
| Group Overall (in common) | 452                 | (270)   |
| Total                     | 5,856               | (2,632) |

- Notes: 1. Employees include full-time and part-time staff, employees seconded to the Company and its group companies and executive officers, and exclude employees seconded to organizations outside the Group (including those who are seconded and perform concurrent services).
2. The number of temporary employees (fixed-term contracted employees, dispatched employees) is shown in parentheses representing the yearly average number of such employees.
3. The number of employees of Group Overall (in common) is the number of employees working in the administrative sections of the Company and subsidiaries with two or more business segments.

### 2) Employees in the Company

| Number of employees   | Average age       | Average length of service |
|-----------------------|-------------------|---------------------------|
| 1,998 (1,002) persons | 41.9 years of age | 3.1 years                 |

- Notes: 1. Employees include full-time and part-time staff, employees seconded to the Company and its group companies and executive officers, and exclude employees seconded to organizations inside and outside the Group (including those who are seconded and perform concurrent services).
2. The number of temporary employees (fixed-term contracted employees, dispatched employees) is shown in parentheses representing the yearly average number of such employees.
3. The average length of service is counted from July 1, 2019, when the Company's transition to an operating holding company structure took place by an absorption-type company split that involved taking over all the businesses of the consolidated subsidiary KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.) (excluding, however, businesses related to the holding of shares of Building Book Center Co., Ltd. and KADOKAWA KEY-PROCESS Co., Ltd.).

## (11) Status of Principal Lenders (as of March 31, 2023)

| Lender                              | Amount borrowed<br>(million yen) |
|-------------------------------------|----------------------------------|
| Mizuho Bank, Ltd.                   | 24,068                           |
| Sumitomo Mitsui Banking Corporation | 20,000                           |
| MUFG Bank, Ltd.                     | 9,000                            |
| Resona Bank, Limited                | 8,000                            |
| Saitama Resona Bank, Limited        | 4,000                            |

## (12) Other Significant Information on the Overview of Business

The Company became a company with an Audit & Supervisory Committee on June 24, 2022 in accordance with the resolution of the 8th General Meeting of Shareholders held on the same day.



## 2. Status of the Company

### (1) Status of Shares (as of March 31, 2023)

- 1) Number of shares authorized to be issued by the Company: 520,000,000 shares
- 2) Number of outstanding shares: 141,784,120 shares  
(including treasury shares 257 shares)
- 3) Number of shareholders: 37,073 persons
- 4) Major shareholders (top eleven)

| Name                                                                                              | Number of shares held<br>(thousand shares) | Ratio of equity<br>participation (%) |
|---------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)                                              | 16,936                                     | 11.95                                |
| KSD-NH<br>(Permanent Agent: Direct Custody & Clearing Operations,<br>Citibank, N.A. Tokyo Branch) | 12,577                                     | 8.87                                 |
| Custody Bank of Japan, Ltd. (Trust Account)                                                       | 10,228                                     | 7.21                                 |
| GOLDMAN SACHS INTERNATIONAL (Permanent<br>Agent: Goldman Sachs Japan Co., Ltd.)                   | 9,928                                      | 7.00                                 |
| Nobuo Kawakami                                                                                    | 8,193                                      | 5.78                                 |
| NIPPON TELEGRAPH AND TELEPHONE<br>CORPORATION                                                     | 4,080                                      | 2.88                                 |
| Nippon Life Insurance Co.<br>(Permanent Agent: The Master Trust Bank of Japan, Ltd.)              | 3,428                                      | 2.42                                 |
| BANDAI NAMCO Holdings Inc.                                                                        | 3,060                                      | 2.16                                 |
| Tsuguhiko Kadokawa                                                                                | 2,927                                      | 2.06                                 |
| CyberAgent, Inc.                                                                                  | 2,844                                      | 2.01                                 |
| Sony Group Corporation                                                                            | 2,844                                      | 2.01                                 |

Notes: 1. The Company holds treasury shares of 257 shares. These 257 treasury shares do not include the 2,121 thousand shares held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the share-based compensation plan for directors of the Company and its consolidated subsidiaries, as well as the ESOP for the employees.

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

5) Status of shares delivered to the Company's officers as consideration of the fulfillment of duties during the current fiscal year

|                                                                   |                                            | Number of shares | Number of eligible<br>officers |
|-------------------------------------------------------------------|--------------------------------------------|------------------|--------------------------------|
| Directors (Excluding Audit<br>& Supervisory Committee<br>Members) | Directors (Excluding<br>Outside Directors) | 62,519 shares    | 5 persons                      |
|                                                                   | Outside Directors                          | —                | —                              |
| Directors (Audit & Supervisory Committee Members)                 |                                            | —                | —                              |

Notes: 1. Shares are delivered based on the Company's share-based compensation plan presented on "Status of Company Officers, Compensation, etc., paid to the Directors and Audit and Supervisory Board Members" of the Business Report.

2. The above number of shares includes shares delivered to company officers who have already retired.

### (2) Status of Subscription Rights to Shares, etc. (as of March 31, 2023)

Not applicable.

### (3) Status of Company Officers

#### 1) Directors (as of March 31, 2023)

| Position in the Company                           | Name               | Responsibilities and important concurrent positions in other companies                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director and President             | Takeshi Natsuno    | Chief Executive<br>Outside Director (Audit and Supervisory Committee Member) of transcosmos inc.<br>Outside Director of GREE, Inc.<br>Outside Director of USEN-NEXT HOLDINGS Co., Ltd.<br>Outside Director of Oracle Corporation Japan<br>Representative Director and President of DWANGO Co., Ltd.<br>Guest Professor and Director, Kindai University Cyber Informatics Research Institute<br>Outside Director of HR Solutions Corporation |
| Representative Director                           | Naohisa Yamashita  | Executive Officer                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Director                                          | Shinobu Murakawa   | Executive Officer<br>Representative Director and President of Building Book Center Co., Ltd.<br>Outside Director of MobileBook.jp Inc.                                                                                                                                                                                                                                                                                                      |
| Director                                          | Noriko Kase        | Representative Director and President of KADOKAWA ASCII Research Laboratories, Inc.                                                                                                                                                                                                                                                                                                                                                         |
| Director                                          | Nobuo Kawakami     | Advisor of DWANGO Co., Ltd.<br>Executive President of the Kadokawa Culture Promotion Foundation                                                                                                                                                                                                                                                                                                                                             |
| Director                                          | Cindy Chou         | Chief Executive Officer of KADOKAWA Global Marketing Co., Ltd.                                                                                                                                                                                                                                                                                                                                                                              |
| Director                                          | Hiroo Unoura       | Special Adviser of NIPPON TELEGRAPH AND TELEPHONE CORPORATION<br>Outside Director and Audit and Supervisory Committee Member of Mitsubishi Heavy Industries, Ltd.                                                                                                                                                                                                                                                                           |
| Director                                          | Ruth Marie Jarman  | Representative Director and President of Jarman International KK<br>Outside Director of Fujibo Holdings, Inc.                                                                                                                                                                                                                                                                                                                               |
| Director and Audit & Supervisory Committee Member | Tomoyuki Moriizumi | –                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Director and Audit & Supervisory Committee Member | Koji Funatsu       | Director and Corporate Advisor of transcosmos inc.<br>Outside Director of DeNA Co., Ltd.                                                                                                                                                                                                                                                                                                                                                    |
| Director and Audit & Supervisory Committee Member | Akira Watanabe     | Lawyer of Comm&Path Law Office<br>Director of ASIA PILE HOLDINGS CORPORATION<br>Outside Director of Maeda Road Construction Co., Ltd<br>Outside Director of Leopalace21 Corporation                                                                                                                                                                                                                                                         |

- Notes: 1. Directors Mr. Hiroo Unoura and Ms. Ruth Marie Jarman, and Directors and Audit & Supervisory Committee Members Mr. Tomoyuki Moriizumi, Mr. Koji Funatsu and Mr. Akira Watanabe are the Outside Directors as provided for in Article 2, item 15 of the Companies Act.
2. The Company has established the Audit & Supervisory Committee Department to assist the Audit & Supervisory Committee. As it is deemed capable of supporting the Audit & Supervisory Committee's functions, full-time Audit & Supervisory Committee Members are not selected.
3. Outside Director Mr. Koji Funatsu took up the position of Director and Corporate Advisor of transcosmos inc., effective June 22, 2022.
4. The Company became a company with an Audit & Supervisory Committee on June 24, 2022 in accordance with the resolution of the 8th General Meeting of Shareholders held on the same day. Accordingly, Audit & Supervisory Board Members Mr. Yasuaki Takayama, Mr. Akira Watanabe, Mr. Akira Watanabe and Ms. Maoko Kikuchi retired due to expiration of their terms of office. Among them, Mr. Akira Watanabe was elected and assumed office as Director and Audit & Supervisory Committee Member. In addition, Mr.

Tomoyuki Moriizumi and Mr. Koji Funatsu were newly elected and assumed office as Director and Audit & Supervisory Committee Member.

5. At the 8th General Meeting of Shareholders held on June 24, 2022, Mr. Shinobu Murakawa was elected and assumed office as Director.
6. Director Mr. Nobuo Kawakami assumed office as Executive President of the Kadokawa Culture Promotion Foundation on June 27, 2022.
7. Representative Director and President Mr. Takeshi Natsuno assumed office as Outside Director of HR Solutions Corporation on June 28, 2022.
8. Changes in Directors' titles and responsibilities during the current fiscal year were as follows.

| Name               | Before change              | After change | Date of change  |
|--------------------|----------------------------|--------------|-----------------|
| Tsuguhiko Kadokawa | Chairman of the Board      | Director     | October 5, 2022 |
| Masaki Matsubara   | Vice Chairman of the Board | Director     | October 5, 2022 |

9. Directors who retired during the current fiscal year were as follows.

| Name               | Date of retirement | Reasons for retirement | Positions and responsibilities in the Company and important concurrent positions in other companies at the time of retirement |
|--------------------|--------------------|------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Tsuguhiko Kadokawa | November 4, 2022   | Resigned               | Director                                                                                                                      |
| Masaki Matsubara   | March 31, 2023     | Resigned               | Director                                                                                                                      |

## 2) Outline of the agreement for limitation of liability

Under the provisions of Article 427, paragraph 1 of the Companies Act, the Company and each of its Outside Directors signed a liability limitation agreement that limits the liability for compensation for damage provided for in Article 423, paragraph 1 of the Act.

The liability limitation agreement provides that the maximum liability for compensation for damage of each Outside Director to the Company under such contract shall be an amount of the minimum amount provided for in the laws and regulations.

## 3) Compensation, etc., paid to the Directors and Audit and Supervisory Board Members

### a. Compensation, etc. in the current fiscal year

| Division | Total amount of compensation, etc. (million yen) | Total amount of compensation, etc. by type |                                     |                                        | Number of recipient officers (persons) |
|----------|--------------------------------------------------|--------------------------------------------|-------------------------------------|----------------------------------------|----------------------------------------|
|          |                                                  | Monetary compensation                      |                                     | Non-monetary compensation, etc.        |                                        |
|          |                                                  | Fixed compensation (million yen)           | Variable compensation (million yen) | Share-based compensation (million yen) |                                        |

|                                                                                           |             |             |            |           |           |
|-------------------------------------------------------------------------------------------|-------------|-------------|------------|-----------|-----------|
| Directors (excluding Audit & Supervisory Committee Members) (of whom Outside Directors)   | 387<br>(28) | 174<br>(28) | 165<br>(-) | 48<br>(-) | 13<br>(4) |
| Directors (Audit & Supervisory Committee Members) (of whom Outside Directors)             | 27<br>(27)  | 27<br>(27)  | -<br>(-)   | -<br>(-)  | 3<br>(3)  |
| Audit and Supervisory Board Members (of whom Outside Audit and Supervisory Board Members) | 14<br>(5)   | 14<br>(5)   | 0<br>(-)   | -<br>(-)  | 4<br>(2)  |
| Total (of whom outside officers)                                                          | 428<br>(60) | 215<br>(60) | 165<br>(-) | 48<br>(-) | 20<br>(9) |

- Notes: 1. The above numbers include one Director and four audit and supervisory board members (of whom two are outside audit and supervisory board members) who left office at the close of the 8th General Meeting of Shareholders held on June 24, 2022, and two directors who left office during the current fiscal year. Furthermore, the total number of members is the total number of people. The actual number of members provided with compensation is 17 (of whom six are outside officers).
2. The Company became a company with an Audit & Supervisory Committee on June 24, 2022 in accordance with the resolution of the 8th General Meeting of Shareholders held on the same day. The total amount of compensation, etc. of the above audit and supervisory board members is the amount of compensation, etc. during the terms of office of the four audit and supervisory board members (of whom two are outside audit and supervisory board members) who left office at the close of the 8th General Meeting of Shareholders held on June 24, 2022.
3. The above amounts indicate the share-based compensation for the fiscal year ended March 31, 2022, which was paid in the current fiscal year. The amount of share-based compensation for the fiscal year ended March 31, 2023 has not been determined at this time, and has therefore not been included in the payment amounts presented above. For accounting purposes, however, provision for stock benefits for directors has been recorded.

b. Matters regarding performance-based compensation, etc.

Details, etc. of performance indicators for variable compensation (monetary compensation) and non-monetary share-based compensation, both of which are performance-based compensation, etc. are stated in "e. Policy, etc. on determination of details of compensation, etc. for officers."

Included in the basis for calculating the amount paid in the current fiscal year, are the consolidated results (fiscal year ended March 31, 2022) that were used as evaluation indicators, which are consolidated net sales of 221,208 million yen and consolidated operating profit of 18,519 million yen. Furthermore, the degree of achievement for each department was approximately 80% to 160%.

c. Details of non-monetary compensation, etc.

Non-monetary compensation, etc. is the Company's shares, and the conditions, etc. of allotment are as stated in "e. Policy, etc. on determination of details of compensation, etc. for officers." In evaluating the degree of performance achieved, consolidated operating profit, which the Company has set as a management indicator for the improvement of sustainable corporate value, is an indicator for the share-based compensation plan, and the figures in each fiscal year for this indicator are evaluated in comparison with past performance figures of the Company. The status of delivering shares in the current fiscal year is stated in "2. (1) 5) Status of shares delivered to the Company's officers as consideration of the fulfillment of duties during the current fiscal year."

- d. Matters regarding resolutions of the General Meeting of Shareholders on compensation, etc. for Directors and Audit and Supervisory Board Members

The 1st General Meeting of Shareholders held on June 23, 2015 resolved that the total amount of monetary compensation for the directors before becoming a company with an Audit & Supervisory Committee should be up to 400 million yen (including up to 50 million yen for Outside Directors) a year. The number of Directors (of whom three were Outside Directors) was 11 at the close of the General Meeting of Shareholders. In addition, at the 1st General Meeting of Shareholders, it was resolved that the Company would contribute cash of up to a total of 1,200 million yen (equivalent to 400 million yen annually) for every three consecutive fiscal years to Directors, excluding Outside Directors, for share-based compensation to be acquired through a trust with a trust period of three years. The 5th General Meeting of Shareholders held on June 20, 2019 resolved that the total amount of compensation for Audit and Supervisory Board Members should be up to 70 million yen a year. The number of audit and supervisory board members was four at the close of the General Meeting of Shareholders.

The 8th General Meeting of Shareholders held on June 24, 2022 resolved that the total amount of monetary compensation for Directors who serve as Audit & Supervisory Committee Members after becoming a company with an Audit & Supervisory Committee should be up to 400 million yen (including up to 50 million yen for Outside Directors) a year. In addition, at the 8th General Meeting of Shareholders, it was resolved that the Company would contribute cash of up to a total of 1,200 million yen (equivalent to 400 million yen annually) for every three consecutive fiscal years to Directors, excluding Directors who serve as Audit & Supervisory Committee Members and Outside Directors, for share-based compensation to be acquired through a trust with a trust period of three years. The number of Directors (of whom two were Outside Directors) was ten at the close of the General Meeting of Shareholders. The 8th General Meeting of Shareholders held on June 24, 2022 resolved that the total amount of compensation for Directors who serve as Audit & Supervisory Committee Members should be up to 70 million yen a year. The number of Directors who serve as Audit & Supervisory Committee Members was three at the close of the General Meeting of Shareholders.

- e. Policy, etc. on determination of details of compensation, etc. for officers

The Company resolved a policy for determining details of individual compensation, etc. for directors at the Board of Directors meeting held on June 24, 2022 as follows.

The Board of Directors has judged that compensation, etc. for each individual director in the current fiscal year should be in accordance with the determination policy resolved at the meeting of the Board of Directors because the Company's Nomination and Evaluation Remuneration Committee has properly determined such compensation, etc.

1. Basic policy

As the basic policy, the Company adopts a compensation scheme that links compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) to shareholder interests so that the scheme can fully function as an incentive to achieve sustained improvement of corporate value, and compensation for individual Directors should be determined at an appropriate level based on their respective duties.

Specifically, compensation for the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists of (1) monetary compensation: 1) fixed compensation made up of basic compensation and compensation for duties and 2) variable compensation which is performance-based compensation, as well as

(2) non-monetary compensation: share-based compensation which is performance-based compensation. Compensation for the Company's Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) consists of fixed compensation which is monetary compensation alone.

2. Policy on determination of amount of fixed compensation (monetary compensation), etc. for an individual

Fixed compensation is determined based on the standard amount according to positions and responsibilities of eligible Directors. Fixed compensation is paid monthly.

3. Policy on determination of details of variable compensation (monetary compensation) which is performance-based compensation, etc., and calculation method of amount or number thereof

The standard amount of variable compensation which is performance-based compensation is set based on fixed compensation for eligible Directors. They are evaluated based on results of business performance and their responsibilities, and then the amount to be paid is determined within a range of 20% to 200% of the standard amount.

For evaluation of variable compensation which is performance-based compensation, the consolidated results, division results and individual qualitative objectives according to the roles of eligible Directors are weighted to total 100%.

Evaluation indicators for variable compensation which is performance-based compensation are based on the consolidated net sales and consolidated operating profit from a perspective of emphasizing the Group's growth potential and profitability.

Variable compensation which is performance-based compensation is paid with monthly fixed compensation.

4. Policy on determination of details of non-monetary compensation, etc. and calculation method of amount or number thereof

The share-based compensation plan is adopted for non-monetary compensation, etc.

The share-based compensation plan is a performance-based stock compensation plan in which the Company acquires the Company's shares through a trust funded by the Company, and those shares are delivered based on individual performance and contributions to the Company's financial results for each fiscal year in accordance with the share delivery rules.

Under the share-based compensation plan, consolidated operating profit is an indicator for the share-based compensation plan and a basic criterion for determining performance achievement because the Company reviews it as key financial data for achieving sustained improvement of corporate value.

For share-based compensation, the Company shall grant points in June each year based on individual performance and contributions to the Company's financial results for each fiscal year.

In the event that it is decided to deliver share-based compensation, the Company shall deliver 50% of the Company's shares in August in a determined year, and delivery of the remaining 50% in August three years after the determined year.

5. Policy on determination of amount of monetary compensation, amount of performance-based compensation, etc. or the ratio of non-monetary compensation, etc. to individual compensation, etc. for Directors

The standard ratio of fixed compensation to variable compensation for Directors (excluding Directors serving as Audit & Supervisory Committee Members and Outside Directors) is set

as 50%:50% in principle. The ratio of share-based compensation to fixed compensation is not set.

6. Matters regarding determination of details of individual compensation, etc. for Directors (excluding Directors serving as Audit & Supervisory Committee Members)

The Board of Directors resolves to entrust the determination of compensation, etc. for Directors (excluding Directors serving as Audit & Supervisory Committee Members) to the Nomination and Evaluation Remuneration Committee at a meeting of the Board of Directors held after a General Meeting of Shareholders. The Nomination and Evaluation Remuneration Committee consists of all of the independent Outside Directors, the Representative Directors, and Directors with special titles, with an independent Outside Director assuming the role of chairperson and independent Outside Directors accounting for the majority. The Committee considers and determines compensation within the limit amount of compensation for Directors, in accordance with the above basic policy.

- f. Matters regarding entrusting determination of individual compensation, etc. for Directors

The Board of Directors entrusts the determination of the amount of all compensation for each Director to the Nomination and Evaluation Remuneration Committee. The Committee consists of all of the independent Outside Directors (five), the Representative Director and Directors with special titles (three), with an independent Outside Director assuming the role of chairperson and independent Outside Directors accounting for the majority.

Chairperson: Hiroo Unoura

Members: Tomoyuki Moriizumi, Koji Funatsu, Ruth Marie Jarman, Akira Watanabe

Tsuguhiko Kadokawa, Takeshi Natsuno, Naohisa Yamashita

\* Positions and responsibilities of each member are as stated in "1) Directors."

\* Mr. Tomoyuki Moriizumi, Mr. Koji Funatsu, Mr. Akira Watanabe, Mr. Tsuguhiko Kadokawa and Mr. Naohisa Yamashita left office due to a change in the members of the Nomination and Evaluation Remuneration Committee on October 5, 2022.

The reason for entrustment is that the Board of Directors has judged that the Committee can determine compensation from an objective and neutral position because independent Outside Directors account for the majority of the Committee and its chairperson is an independent Outside Director. The rules for the Nomination and Evaluation Remuneration Committee have been established to ensure that Nomination and Evaluation Remuneration Committee properly exercises its authority, and it operates based on those rules.

Furthermore, the Board of Directors has judged that the details of individual compensation, etc. is in accordance with this policy as the amount of direct compensation, etc. was decided by the Nomination and Evaluation Remuneration Committee, where the Chairman is an independent Outside Director and independent Outside Directors account for the majority of the members, according to the basic policy presented above.

- 4) Outline, etc. of details of directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance contract with an insurance company pursuant to the provisions of Article 430-3, paragraph 1 of the Companies Act. Scope of insureds covered by the insurance includes directors, audit and supervisory board members, executive officers and employees with supervisory authority of the Company and its subsidiaries. The insured persons do not incur premiums. The insurance compensates for damages including legal expenses and compensation for damage, etc. that an insured person should incur as a result of

a third-party lawsuit, a shareholder derivative action, or corporate litigation, etc. against them. However, the insurance does not compensate for damages, etc. resulting from criminal acts, etc. by the insured person so that the appropriateness of the duties executed by insured person is not compromised.

5) Matters regarding the outside officers

a. Important concurrent positions in other companies and the relation between the Company and such other companies

|                                                                      | Important concurrent positions in other companies                                                                                                                                   |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director Hiroo Unoura                                                | Special Adviser of NIPPON TELEGRAPH AND TELEPHONE CORPORATION<br>Outside Director and Audit and Supervisory Committee Member of Mitsubishi Heavy Industries, Ltd.                   |
| Director Ruth Marie Jarman                                           | Representative Director and President of Jarman International KK<br>Outside Director of Fujibo Holdings, Inc.                                                                       |
| Director and Audit & Supervisory Committee Member Tomoyuki Moriizumi | –                                                                                                                                                                                   |
| Director and Audit & Supervisory Committee Member Koji Funatsu       | Director and Corporate Advisor of transcosmos inc.<br>Outside Director of DeNA Co., Ltd.                                                                                            |
| Director and Audit & Supervisory Committee Member Akira Watanabe     | Lawyer of Comm&Path Law Office<br>Director of ASIA PILE HOLDINGS CORPORATION<br>Outside Director of Maeda Road Construction Co., Ltd<br>Outside Director of Leopalace21 Corporation |

Notes: 1. The Company reported five (5) Directors, Mr. Hiroo Unoura and Ms. Ruth Marie Jarman, and Audit and Supervisory Board Members Mr. Tomoyuki Moriizumi, Mr. Koji Funatsu and Mr. Akira Watanabe to Tokyo Stock Exchange Inc. as independent officers who are unlikely to have any conflict of interests with its general shareholders. In addition to criteria regulated by Tokyo Stock Exchange Inc., as standards on independence when appointing an independent officer, the Company places following criteria on transaction amounts, etc. for transactions, etc. between the Company and a counterpart.

- The candidate shall not fall under any of the following:

- 1) An entity where the Group is a business partner and said business partner's sales to the Group account for 2% or above of its consolidated net sales of any one of the three most recent fiscal years or a business executive thereof
  - 2) A business partner with the Group where sales of the Group to that entity account for 2% or above of the Company's consolidated net sales of any one of the three most recent fiscal years or a business executive thereof
  - 3) A business executive of a financial institution from which the Company has loaned a large sum of money (the loans account for 2% or above of the Company's consolidated total assets as of the end of the most recent fiscal year)
  - 4) A consultant, an expert in accounting, or a specialist in law who has earned from the Company a large sum of cash or other financial assets, other than in the form of compensation as director: for an individual, 10 million yen or above per year in the current and the previous three years; or for a corporation, 2% or above of total sales of the said corporation paid out as remuneration on average over the past three years (if the person who earns such assets is a company or organization, an individual who is a member of the company or organization)
  - 5) A business executive of an organization to which the Group has made a donation exceeding a total sum of the greater of 10 million yen per year or 2% of annual aggregate revenue of the organization in any one of the three most recent fiscal years
  - 6) A person who is or has been an Independent Auditor of the Group (for a company, an individual who is or has been in charge of the audit of the Group) in the current and the previous three years
  - 7) A person who owns, directly or indirectly, 10% or above of the total of voting rights of the Company (for a company, a business executive thereof)
2. There is a business relationship between the Group and transcosmos inc. that includes the payment of outsourcing fees and system management fees, but the value of these transactions is 322 million yen, less



than 0.09% of transcosmos inc.'s consolidated net sales, and Director Mr. Koji Funatsu satisfies the criteria set by the Company for independent officers.

3. There is no other business relation to be stated especially between each company where any of the outside officers have important concurrent positions and the Company.

b. Main activities in the current fiscal year

(a) Attendance at the meetings of the Board of Directors and the Audit & Supervisory Committee

|                                                                      | Board of Directors     |                          | Audit & Supervisory Committee |                          |
|----------------------------------------------------------------------|------------------------|--------------------------|-------------------------------|--------------------------|
|                                                                      | Attendance             | Percentage of attendance | Attendance                    | Percentage of attendance |
| Director Hiroo Unoura                                                | 18 of 18 meetings held | 100%                     | –                             | –                        |
| Director Ruth Marie Jarman                                           | 18 of 18 meetings held | 100%                     | –                             | –                        |
| Director and Audit & Supervisory Committee Member Tomoyuki Moriizumi | 18 of 18 meetings held | 100%                     | 23 of 23 meetings held        | 100%                     |
| Director and Audit & Supervisory Committee Member Koji Funatsu       | 18 of 18 meetings held | 100%                     | 23 of 23 meetings held        | 100%                     |
| Director and Audit & Supervisory Committee Member Akira Watanabe     | 18 of 18 meetings held | 100%                     | 22 of 23 meetings held        | 96%                      |

Note: In the current fiscal year, a total of 18 meetings of the Board of Directors (12 regular and 6 extraordinary meetings) were held. In the current fiscal year, a total of 23 meetings of the Audit & Supervisory Committee were held.

(b) Remarks made at meetings of the Board of Directors and the Audit & Supervisory Committee and outline of duties executed for expected roles of Outside Directors

- Director Mr. Hiroo Unoura gave advice and made proposals making the most of his broad experience and extensive knowledge from the perspective of a corporate manager in cutting-edge fields both in Japan and overseas. As the chairperson of the Nomination and Evaluation Remuneration Committee, he led the supervision function in the process of selecting candidates for the Company's officers and determining compensation for officers from an objective and neutral position.
- Director Ms. Ruth Marie Jarman gave advice and made proposals making the most of her abundant experience and extensive knowledge in global expansion, inbound businesses, and support for women's activities. As a member of the Nomination and Evaluation Remuneration Committee, she took on the supervision function in the process of selecting candidates for the Company's officers and determining compensation for officers from an objective and neutral position.
- Director and Audit & Supervisory Committee Member Mr. Tomoyuki Moriizumi gave advice and made proposals making the most of his abundant experience and extensive knowledge from the perspective of a corporate manager, in fields such as the cable TV business.
- Director and Audit & Supervisory Committee Member Mr. Koji Funatsu gave advice and made proposals making the most of his broad experience and extensive knowledge from the perspective of a corporate manager, based on his expertise in the IT fields.

- Director and Audit & Supervisory Committee Member Mr. Akira Watanabe gave advice and made proposals on compliance, etc., mainly from the specialist viewpoint of an attorney-at-law.
- (c) Facts in violation of laws and regulations or the Articles of Incorporation, other actions taken to prevent the execution of unjust or misconduct business, and actions taken after the occurrence
- During the current fiscal year, from August to October 2022, we were investigated by the Tokyo District Public Prosecutors Office regarding the selection process of sponsors for the Tokyo 2020 Olympic and Paralympic Games, and several of our officers and employees were arrested and indicted on suspicion of bribery.
  - Director Mr. Hiroo Unoura was not aware of the fact until this matter came to light, but he has been supervising the effectiveness of compliance at the Board of Directors and other meetings since before such occurrence of the matter. He has served as a member of the Corporate Governance Inspection Committee established after the discovery of the matter, and investigated the matter, implemented a probe into the cause and proposed measures to prevent recurrence. In addition, he has fulfilled his duties through promoting measures to prevent recurrence of the matter, etc. as a member of the Management Reform Promotion Committee established in response to the report from the Inspection Committee.
  - Director Ms. Ruth Marie Jarman was not aware of the fact until this matter came to light, but she has been supervising the effectiveness of compliance at the Board of Directors and other meetings since before such occurrence of the matter. In addition, she has served as a member of the Corporate Governance Inspection Committee established after the discovery of the matter, and has fulfilled her duties through investigating the matter, implementing a probe into the cause and proposing measures to prevent recurrence, etc.
  - Director and Audit & Supervisory Committee Member Mr. Tomoyuki Moriizumi was not aware of the fact until this matter came to light, but he has been supervising the effectiveness of compliance at the Board of Directors and other meetings since before such occurrence of the matter. In addition, he has fulfilled his duties through monitoring the response to the matter by the executives as an Audit & Supervisory Committee Member, as well as promoting measures to prevent recurrence of the matter, etc. as a member of the Management Reform Promotion Committee.
  - Director and Audit & Supervisory Committee Member Mr. Koji Funatsu was not aware of the fact until this matter came to light, but he has been supervising the effectiveness of compliance at the Board of Directors and other meetings since before such occurrence of the matter. In addition, he has fulfilled his duties through monitoring the response to the matter by the executives as an Audit & Supervisory Committee Member and making proposals for further strengthening internal control and preventing recurrence, etc.
  - Director and Audit & Supervisory Committee Member Mr. Akira Watanabe was not aware of the fact until this matter came to light, but he has been supervising the effectiveness of compliance at the Board of Directors and other meetings since before such occurrence of the matter. In addition, he has fulfilled his duties through monitoring the response to the matter by the executives as an Audit & Supervisory Committee Member and making proposals for further strengthening internal control and preventing recurrence, etc.

#### **(4) Status of the Independent Auditor**

1) Name: Ernst & Young ShinNihon LLC

2) Amount of compensation, etc.

|                                                                                                                                                        | Amount          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Total amount of compensation, etc., to be paid by the Company for duties as set forth in Article 2, paragraph 1 of the Certified Public Accountant Law | 100 million yen |
| Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Independent Auditor                           | 100 million yen |

- Notes:
1. The audit contract between the Company and the Independent Auditor does not distinguish between the compensation, etc., for the audit under the Companies Act and the compensation, etc., for the audit under the Financial Instruments and Exchange Act. Because of this, the amount stated in the "Amount of compensation, etc." in the table above includes the total sum amount of these two types of compensation, etc.
  2. The Audit & Supervisory Committee performed the necessary examinations including those on the contents of the Independent Auditor's audit plan, performance of accounting audits, record of past remuneration, and appropriateness of the basis for calculating estimated remuneration, and agreed the compensation, etc. to be paid to the Independent Auditor.
  3. Among the Company's important subsidiaries, KADOKAWA TAIWAN CORPORATION, KADOKAWA HOLDINGS ASIA LTD. and Guangzhou Tianwen Kadokawa Animation and Comics Co., Ltd, are audited by a local audit firm (a member firm of Ernst & Young) other than the Company's accounting auditor.

3) Policy of the dismissal or non-reappointment of the Independent Auditor

The Audit & Supervisory Committee evaluates the Independent Auditor, and if it is considered that it would be difficult for the Independent Auditor to perform his/her duties appropriately or it is deemed appropriate to change the Independent Auditor in order to enhance the appropriateness of the audit, the Committee will decide a proposal for dismissal or non-reappointment of the Independent Auditor and present the said proposal to the General Meeting of Shareholders.

If the Audit & Supervisory Committee considers that the Independent Auditor comes under any of the items of Article 340, paragraph 1 of the Companies Act, the Committee will dismiss the Independent Auditor based on the consent of all the Audit & Supervisory Committee Members.

4) Outline of the agreement for limitation of liability

A liability limitation agreement has not been concluded between the Company and the Independent Auditor.

5) Outline of details of indemnity agreement

No indemnity agreement has been concluded between the Independent Auditor and the Company.

#### **(5) Systems for Ensuring the Proper Performance of the Company's Business and Operating Status of the Systems**

The "Systems for Ensuring the Proper Performance of the Company's Business (Basic Policy for Internal Control System)" of the Company is as follows (most recently revised on June 24, 2022).

- 1) Systems for ensuring that the performance of the duties of Directors and employees of the Company conforms to laws and regulations and to the Articles of Incorporation
  - a. The Company establishes compliance regulations and fully disseminates them among all the Directors and employees so that the performance of Directors' and employees' duties conforms to the laws and regulations and to the Articles of Incorporation, adheres to corporate ethics, and meets the Company's social responsibilities.
  - b. The Company establishes the Compliance Committee to cultivate a corporate culture in which compliance is observed.
  - c. The Company puts its officers and employees under an obligation to, if they come to know doubtful acts from the viewpoint of compliance in the Company, report such acts to the internal compliance hotline set up inside and outside the Company, which will take proper steps, under guarantee that they will not suffer any disadvantage.
  - d. The entire organization of the Group, including its officers and employees, is resolutely opposed to any antisocial forces or groups that threaten the order and safety of civil society. The Company establishes a structure in which it has no connections whatsoever with antisocial forces.

- 2) Systems for keeping and managing information concerning the fulfillment of the duties of the Company's Directors

The Company properly retains and manages information about the fulfillment of the Directors' duties in accordance with the internal regulations regarding the handling thereof.

- 3) The Company's regulations for the management of the risk of losses and other systems

The Company establishes risk management regulations as the basis of the risk management system, organizes the Risk Management Committee, and carries out risk management activities in accordance with the said regulations.

- 4) Systems for ensuring that the duties of the Company's Directors are efficiently fulfilled

- a. In principle, the Company holds a meeting of the Board of Directors once a month and extraordinary board meetings as necessary to make prompt and proper decisions on important matters.
- b. In the conduct of business, the Company makes decisions promptly and efficiently according to the internal regulations including those regarding duties and authorities.
- c. In order to ensure that the Directors' duties are efficiently fulfilled, the Company establishes appropriate business organizations and segregation of duties.

- 5) Systems for ensuring that the Group conducts its business properly

- a. The Company stipulates internal regulations to control the framework used to ensure that the Company is appropriately involved in major decisions taken by its subsidiaries and to request that subsidiaries report to the Company regarding important matters related to business execution. The Company manages and oversees subsidiaries in cooperation with major subsidiaries and ensures that subsidiaries' Directors perform their duties in an efficient manner.

- b. The Company's internal audit division conducts audits regarding subsidiaries' compliance with laws and regulations and with the Articles of Incorporation, and the effectiveness of the internal control system. The division responsible for the relevant subsidiary properly guides the subsidiary to promptly take appropriate measures to correct or improve these systems, if necessary.
  - c. The Group stipulates the risk management regulations for the Company, and for subsidiaries as appropriate, and identifies and controls group-level risks in cooperation with the Company.
  - d. The Company requests that the Compliance Committee provide reports regarding matters related to subsidiaries' compliance through group-wide efforts in order to ensure Directors' and employees' compliance with laws and regulations and with the Articles of Incorporation. The Company also develops the internal compliance hotline system across the Group, which will take proper steps.
- 6) Matters regarding the Director and employee who is to assist the Audit & Supervisory Committee of the Company, matters regarding the securing of the independence of such Director and employee from Directors (excluding Directors who serve as Audit & Supervisory Committee Members) of the Company and the effectiveness of instruction given by the Company's Audit & Supervisory Committee to the Director and employee
- a. An organization to assist the Audit & Supervisory Committee shall be established to provide assistance in the audit, and the appointment and transfer of employees to the organization shall require the consent of the Audit & Supervisory Committee.
  - b. An employee who belongs to the organization to assist the Audit & Supervisory Committee performs his/her duties of assisting the Audit & Supervisory Committee under its direction. The efficiency rating of such employee should be made by listening to the opinions of the Audit & Supervisory Committee. No Director shall be appointed to assist the Audit and Supervisory Committee.
- 7) Systems for reporting to the Audit & Supervisory Committee of the Company and other systems for ensuring that the audit by the Audit & Supervisory Committee is conducted effectively
- a. In addition to important business matters determined by methods other than the resolution of the Board of Directors, Directors, Audit and Supervisory Board Members and employees of the Company and its subsidiaries shall report to the Company's Audit & Supervisory Committee the findings of internal audits and the status of the internal compliance hotline directly or through meetings with the organization to assist the Audit & Supervisory Committee.
  - b. The Audit & Supervisory Committee may request and inspect any documents or reports from Directors or employees of the Company and its subsidiaries for the purpose of conducting an audit.
  - c. The Group does not treat those who provide the above reports unfavorably based on the fact that they have made such reports to the Audit & Supervisory Committee.
  - d. The Company allocates a budget that covers expenses incurred for audits performed by the Audit & Supervisory Committee so as to ensure the effectiveness of the audit.

During the current fiscal year, from August to October 2022, we were investigated by the Tokyo District Public Prosecutors Office regarding the selection process of sponsors for the Tokyo 2020

Olympic and Paralympic Games, and several of our officers and employees were arrested and indicted on suspicion of bribery.

The Company takes seriously the suggestions and recommendations contained in the investigation report received on January 23, 2023 from the Corporate Governance Inspection Committee, and formulates and implements specific measures to prevent recurrence to strengthen the supervisory function of the Board of Directors, improve the corporate culture and foster awareness of compliance, etc. We will continue to promote further initiatives to strengthen the internal control environment.

In addition to the above, the status of implementation of the systems for ensuring the proper performance of the Company's business for the current fiscal year is shown below.

- 1) Systems for ensuring that the performance of the duties of Directors and employees of the Company conforms to laws and regulations and to the Articles of Incorporation
  - a. The Company discloses compliance regulations on groupware and ensures that they are fully disseminated, and also holds meetings of the Compliance Committee regularly or as needed in accordance with the regulations.
  - b. The Company has established the internal compliance hotline, clearly specifies whistleblower protections in its internal rules, and otherwise appropriately manages such operations.
  - c. Regarding antisocial forces and groups, the Company established a code of conduct and stipulated the severing of any relations with them; in practice, it carries out screening procedures for customers to detect involvement of antisocial forces, and incorporates a clause on antisocial forces in written contracts.
  
- 2) Systems for keeping and managing information concerning the fulfillment of the duties of the Company's Directors

The Company appropriately keeps and manages information (document or electromagnetic record) pertaining to the fulfillment of the Directors' duties, such as minutes of the Board of Directors' meetings and resolutions, in accordance with document control procedures and other internal rules.
  
- 3) The Company's regulations for the management of the risk of losses and other systems

The Company discloses risk management regulations on groupware and ensures that they are fully disseminated, and also holds meetings of the Risk Management Committee.
  
- 4) Systems for ensuring that the duties of the Company's Directors are efficiently fulfilled
  - a. The Company held 18 meetings of the Board of Directors (12 regular and 6 extraordinary meetings) during the current fiscal year.
  - b. The Company clearly defines the organization, segregation of duties, authority, and responsibility by establishing rules including the rule for the organization and segregation of duties, the rule for authority in job functions, the table of standards for decision-making, and the rule for the Board of Directors, and performs regular reviews of the contents of those rules.

- 5) Systems for ensuring that the Group conducts its business properly
  - a. In accordance with the Group Management Control Rule, the Company manages and oversees significant decision-making matters of its subsidiaries by making decisions or receiving reports on them within the Company on a case-by-case basis.
  - b. In accordance with the internal audit rules of the Company, the internal audit division of the Company manages and oversees subsidiaries.
  - c. The Risk Management Committee of the Company strives to identify and evaluate risks within the Group and develop countermeasures. The Company's subsidiaries also strive to identify and evaluate their own risks and develop countermeasures.
  - d. The Company's Compliance Committee identifies compliance-related matters pertaining to the Group. In addition, the Company and its subsidiaries perform appropriate management, respectively, in line with the internal compliance hotline system established within the Group.
  
- 6) Matters regarding the Director and employee who is to assist the Audit & Supervisory Committee of the Company, matters regarding the securing of the independence of such Director and employee from Directors (excluding Directors who serve as Audit & Supervisory Committee Members) of the Company and the effectiveness of instruction given by the Company's Audit & Supervisory Committee to the Director and employee  

The Company established the Audit & Supervisory Committee Department as an organization to assist the Audit & Supervisory Committee, and has decided that the direction and the evaluation should be made by the Audit & Supervisory Committee to secure the independence from Directors.
  
- 7) Systems for reporting to the Audit & Supervisory Committee of the Company and other systems for ensuring that the audit by the Audit & Supervisory Committee is conducted effectively
  - a. Directors who serve as Audit & Supervisory Committee Members attend the Board of Directors and the Management Meeting and receive reports. In addition, they are allowed to attend important internal meetings, such as the Compliance Committee and the Risk Management Committee, and read important documents, etc., with a system in place to properly obtain necessary information on the Company and its subsidiaries.
  - b. The Group shall ensure that anyone who reports to the Audit & Supervisory Committee is not treated unfavorably.
  - c. The Company set the budget for expenses required for audits by the Audit & Supervisory Committee.

## **(6) Policy on Determination of Dividends of Surplus**

The Company recognizes the importance of the continuous distribution of profits to its stakeholders, including shareholders, and is aware of the necessity of sustainable corporate management. To this end, the Company is required to enhance internal reserves for operating the future business and strengthening the corporate structure.

The Company's basic policy is to 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.

The Company's basic policy is to annually pay cash dividends to its shareholders at the end of the fiscal year. The Company has stipulated in the Articles of Incorporation that the payment of dividends of surplus is provided for by a resolution of the Board of Directors, unless provided for otherwise by laws and regulations. It has also stipulated in the Articles of Incorporation that the interim dividends may be paid on September 30 of each year as the record date by a resolution of the Board of Directors.

The Company plans to pay a dividend of 30 yen per share for the fiscal year ended March 31, 2023. For the next fiscal year, the Company plans to pay a dividend of 30 yen per share.

It will allocate internal reserves into strategic investments to expand future business, while making efforts to further improve business performance.



## Consolidated Balance Sheet

(As of March 31, 2023)

| Item                                 | Amount          | Item                                                                      | Amount          |
|--------------------------------------|-----------------|---------------------------------------------------------------------------|-----------------|
| <b>(Assets)</b>                      | Millions of yen | <b>(Liabilities)</b>                                                      | Millions of yen |
| <b>Current assets</b>                | <b>263,968</b>  | <b>Current liabilities</b>                                                | <b>128,918</b>  |
| Cash and deposits                    | 167,219         | Notes and accounts payable - trade                                        | 29,219          |
| Notes receivable - trade             | 2,123           | Current portion of long-term borrowings                                   | 40,046          |
| Accounts receivable - trade          | 48,670          | Accounts payable - other                                                  | 14,474          |
| Contract assets                      | 2,627           | Income taxes payable                                                      | 4,010           |
| Inventories                          | 25,587          | Contract liabilities                                                      | 13,822          |
| Prepaid expenses                     | 1,973           | Deposits received                                                         | 9,132           |
| Deposits paid                        | 4,716           | Provision for bonuses                                                     | 4,925           |
| Other                                | 11,392          | Refund liabilities                                                        | 5,826           |
| Allowance for doubtful accounts      | (341)           | Provision for share-based remuneration                                    | 605             |
|                                      |                 | Provision for share-based remuneration for directors (and other officers) | 2,088           |
| <b>Non-current assets</b>            | <b>118,930</b>  | Other                                                                     | 4,765           |
| <b>Property, plant and equipment</b> | <b>68,574</b>   | <b>Non-current liabilities</b>                                            | <b>30,808</b>   |
| Buildings and structures             | 26,728          | Long-term borrowings                                                      | 25,219          |
| Machinery and equipment              | 1,792           | Deferred tax liabilities                                                  | 408             |
| Tools, furniture and fixtures        | 2,801           | Retirement benefit liability                                              | 3,531           |
| Land                                 | 26,294          | Other                                                                     | 1,648           |
| Construction in progress             | 10,283          |                                                                           |                 |
| Other                                | 674             | <b>Total liabilities</b>                                                  | <b>159,727</b>  |
| <b>Intangible assets</b>             | <b>8,899</b>    | <b>(Net assets)</b>                                                       |                 |
| Software                             | 6,128           | <b>Shareholders' equity</b>                                               | <b>189,783</b>  |
| Goodwill                             | 684             | <b>Share capital</b>                                                      | <b>40,624</b>   |
| Other                                | 2,086           | <b>Capital surplus</b>                                                    | <b>76,290</b>   |
| <b>Investments and other assets</b>  | <b>41,455</b>   | <b>Retained earnings</b>                                                  | <b>75,455</b>   |
| Investment securities                | 32,538          | <b>Treasury shares</b>                                                    | <b>(2,587)</b>  |
| Retirement benefit asset             | 23              | <b>Accumulated other comprehensive income</b>                             | <b>12,765</b>   |
| Deferred tax assets                  | 3,209           | <b>Valuation difference on available-for-sale securities</b>              | <b>9,981</b>    |
| Insurance funds                      | 1,497           | <b>Foreign currency translation adjustment</b>                            | <b>2,533</b>    |
| Guarantee deposits                   | 3,672           | <b>Remeasurements of defined benefit plans</b>                            | <b>250</b>      |
| Other                                | 765             | <b>Non-controlling interests</b>                                          | <b>20,622</b>   |
| Allowance for doubtful accounts      | (250)           | <b>Total net assets</b>                                                   | <b>223,171</b>  |
| <b>Total assets</b>                  | <b>382,898</b>  | <b>Total liabilities and net assets</b>                                   | <b>382,898</b>  |

## Consolidated Statement of Income

(April 1, 2022 through March 31, 2023)

| Item                                                          | Amount          |                 |
|---------------------------------------------------------------|-----------------|-----------------|
|                                                               | Millions of yen | Millions of yen |
| <b>Net sales</b>                                              |                 | <b>255,429</b>  |
| <b>Cost of sales</b>                                          |                 | <b>164,573</b>  |
| <b>Gross profit</b>                                           |                 | <b>90,856</b>   |
| <b>Selling, general and administrative expenses</b>           |                 | <b>64,925</b>   |
| <b>Operating profit</b>                                       |                 | <b>25,931</b>   |
| <b>Non-operating income</b>                                   |                 |                 |
| Interest income                                               | 587             |                 |
| Dividend income                                               | 670             |                 |
| Share of profit of entities accounted for using equity method | 629             |                 |
| Foreign exchange gains                                        | 308             |                 |
| Gain on sales of goods                                        | 117             |                 |
| Other                                                         | 253             | 2,566           |
| <b>Non-operating expenses</b>                                 |                 |                 |
| Interest expenses                                             | 123             |                 |
| Share issuance costs                                          | 127             |                 |
| Donations                                                     | 1,500           |                 |
| Other                                                         | 77              | 1,828           |
| <b>Ordinary profit</b>                                        |                 | <b>26,669</b>   |
| <b>Extraordinary income</b>                                   |                 |                 |
| Gain on sales of non-current assets                           | 3               |                 |
| Gain on sales of investment securities                        | 16              |                 |
| Gain on sale of membership                                    | 39              |                 |
| Gain on sales of shares of subsidiaries and associates        | 2               | 62              |
| <b>Extraordinary losses</b>                                   |                 |                 |
| Impairment losses                                             | 3,183           |                 |
| Loss on retirement of non-current assets                      | 552             |                 |
| Loss on valuation of investment securities                    | 109             |                 |
| Extra retirement payments                                     | 701             |                 |
| Special investigation expenses                                | 284             |                 |
| Cancellation penalties                                        | 531             |                 |
| Other                                                         | 16              | 5,379           |
| <b>Profit before income taxes</b>                             |                 | <b>21,352</b>   |
| Income taxes - current                                        | 8,569           |                 |
| Income taxes - deferred                                       | (2,416)         | 6,153           |
| <b>Profit</b>                                                 |                 | <b>15,199</b>   |
| Profit attributable to non-controlling interests              |                 | 2,520           |
| <b>Profit attributable to owners of parent</b>                |                 | <b>12,679</b>   |

## Consolidated Statement of Changes in Equity

(April 1, 2022 through March 31, 2023)

(Millions of yen)

|                                                      | Shareholders' equity |                 |                   |                 |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                      | Share capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period                       | 40,624               | 53,324          | 67,015            | (1,928)         | 159,036                    |
| Changes during period                                |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (4,239)           |                 | (4,239)                    |
| Profit attributable to owners of parent              |                      |                 | 12,679            |                 | 12,679                     |
| Purchase of treasury shares                          |                      |                 |                   | (1,303)         | (1,303)                    |
| Disposal of treasury shares                          |                      | 976             |                   | 644             | 1,620                      |
| Purchase of shares of consolidated subsidiaries      |                      | 10              |                   |                 | 10                         |
| Capital increase of consolidated subsidiaries        |                      | 21,982          |                   |                 | 21,982                     |
| Other                                                |                      | (2)             |                   |                 | (2)                        |
| Net changes in items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes during period                          | –                    | 22,966          | 8,439             | (659)           | 30,746                     |
| Balance at end of period                             | 40,624               | 76,290          | 75,455            | (2,587)         | 189,783                    |

|                                                      | Accumulated other comprehensive income                |                                         |                                         |                                              | Non-controlling interests | Total net assets |
|------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|---------------------------|------------------|
|                                                      | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of period                       | 11,138                                                | 1,396                                   | 328                                     | 12,863                                       | 3,840                     | 175,740          |
| Changes during period                                |                                                       |                                         |                                         |                                              |                           |                  |
| Dividends of surplus                                 |                                                       |                                         |                                         |                                              |                           | (4,239)          |
| Profit attributable to owners of parent              |                                                       |                                         |                                         |                                              |                           | 12,679           |
| Purchase of treasury shares                          |                                                       |                                         |                                         |                                              |                           | (1,303)          |
| Disposal of treasury shares                          |                                                       |                                         |                                         |                                              |                           | 1,620            |
| Purchase of shares of consolidated subsidiaries      |                                                       |                                         |                                         |                                              |                           | 10               |
| Capital increase of consolidated subsidiaries        |                                                       |                                         |                                         |                                              |                           | 21,982           |
| Other                                                |                                                       |                                         |                                         |                                              |                           | (2)              |
| Net changes in items other than shareholders' equity | (1,156)                                               | 1,136                                   | (78)                                    | (98)                                         | 16,782                    | 16,684           |
| Total changes during period                          | (1,156)                                               | 1,136                                   | (78)                                    | (98)                                         | 16,782                    | 47,430           |
| Balance at end of period                             | 9,981                                                 | 2,533                                   | 250                                     | 12,765                                       | 20,622                    | 223,171          |

## Notes to the Consolidated Financial Statements

### [Significant information for the preparation of consolidated financial statements, etc.]

#### 1. Scope of consolidation

##### (1) Number of consolidated subsidiaries: 49

Names of major consolidated subsidiaries

DWANGO Co., Ltd.

BOOK WALKER Co., Ltd.

KADOKAWA ASCII Research Laboratories, Inc.

KADOKAWA Game Linkage Inc.

Mainichi ga Hakken Inc.

Building Book Center Co., Ltd.

MOVIE WALKER Co., Ltd.

KADOKAWA DAIEI STUDIO CO., LTD.

Glovision Inc.

ENGI Co.Ltd.

FromSoftware, Inc.

Spike Chunsoft Co., Ltd.

Vantan Inc.

Kadokawa Media House Inc.

KADOKAWA Connected Inc.

KADOKAWA HOLDINGS ASIA LTD. (Hong Kong, People's Republic of China)

GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD. (Guangdong Province, People's Republic of China)

KADOKAWA TAIWAN CORPORATION (Taipei, Taiwan)

KADOKAWA WORLD ENTERTAINMENT, INC. (Delaware, U.S.)

YEN PRESS, LLC (Delaware, U.S.)

J-Novel Club LLC (Texas, U.S.)

SPIKE CHUNSOFT, INC. (California, U.S.)

Anime News Network LLC (Delaware, U.S.) was included in the scope of consolidation because it was newly founded in the current fiscal year.

Yellow Jam Inc. and one other company were included in the scope of consolidation because their shares were newly purchased and they became consolidated subsidiaries.

Kadokawa Games, Ltd. and other four companies, which were consolidated subsidiaries in the previous fiscal year, were excluded from the scope of consolidation accompanied by their liquidations.

AT-X, Inc., which was a consolidated subsidiary in the previous fiscal year, was excluded from the scope of consolidation due to its extinction in a merger with a merging company, subsidiary

KADOKAWA Connected Inc.

##### (2) Names, etc. of major non-consolidated subsidiaries

There are no non-consolidated subsidiaries.

#### 2. Application of the equity method

##### (1) Number of associated companies accounted for by the equity method: 17

Names of major associated companies accounted for by the equity method

DOCOMO ANIME STORE, INC.

IZE PRESS, LLC (Delaware, U.S.) was included in the associated companies accounted for by the equity method because it was newly founded in the current fiscal year.

(2) With regard to the Company's equity method investments with reporting dates that do not correspond to the Company's consolidated balance sheet date, the Company uses the financial information based on the equity method investments' respective fiscal year, except for the Company's investment in CPS Co., Ltd., for which the Company uses the financial results obtained as of March 31, 2023.

(3) Associated companies that are not accounted for by the equity method

Names of major companies

There are no major associated companies which require disclosure in the consolidated financial statements.

(Reason for exclusion from the scope of equity method companies)

Associated companies that are not accounted for by the equity method are excluded from the scope of equity method companies since the impact of excluding them is immaterial to the Company's consolidated financial statements in terms of profit (amount corresponding to shares owned by the Company) and retained earnings (amount corresponding to shares owned by the Company). Such associated companies are also immaterial to the consolidated financial statements as a whole.

3. Fiscal year etc., of the consolidated subsidiaries

The closing date of DWANGO Co., Ltd. and 31 other subsidiaries, which are in the scope of consolidation is the same as the consolidated balance sheet date.

The closing date of KADOKAWA TAIWAN CORPORATION and 16 other subsidiaries is December 31.

Regarding Japan Film Fund Co., Ltd. and Spike Chunsoft, Inc., their financial statements are prepared based on a provisional closing of their accounts (the closing of accounts using reasonable procedures conforming to the regular closing of accounts) on the consolidated balance sheet date.

With regard to the consolidated subsidiaries, except for Japan Film Fund Co., Ltd. and Spike Chunsoft, Inc., the financial statements dated as of the closing date of each subsidiary are used. The adjustments needed for consolidation are made for all the significant transactions that take place between this date and the consolidated closing date.

4. Accounting policies

(1) Valuation basis and methods for significant assets

1) Available-for-sale securities

Available-for-sale securities other than shares without a quoted market price

Fair value method (The valuation difference is accounted for using the direct net asset adjustment method, and the cost of securities sold is determined by the moving-average method.)

Available-for-sale securities such as shares without a quoted market price

Cost method by the moving-average method

2) Inventories

(a) Merchandise, finished goods, raw materials and supplies

Mainly cost method determined by the average cost method (Balance sheet amounts are calculated by reducing book values as a result of lowered profitability.)

(b) Distribution rights, production and work in process

Mainly cost method determined by the identified cost method (Balance sheet amounts are calculated by reducing book values as a result of lowered profitability.)

The costs of distribution rights and production (theater films) are allocated into the cost of production using a special amortization rate (amortized over 10 months) according to the same standard provided for in the Corporation Tax Act.

(2) Depreciation method for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

Straight-line method

The major useful lives of property, plant and equipment are as follows:

Buildings and structures: 2–60 years

Machinery and equipment: 5–8 years

Tools, furniture and fixtures: 2–20 years

2) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized over the expected available periods (5 years).

3) Leased assets

Leased assets in finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the lease terms and the residual value is equal to zero (0).

(3) Accounting policies for significant provisions

1) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for possible bad debt at an estimated amount based on past bad debt experience for general receivables, and at the uncollectible amounts determined by reference to the collectability for individual cases for doubtful receivables and other specific receivables.

2) Provision for bonuses

Bonuses to employees are accrued at the fiscal year end to which such bonuses are attributed.

3) Provision for share-based remuneration

In order to prepare for granting stock benefits to employees of the Group in accordance with internal share delivery rules, the estimated value of stock benefit liabilities at the end of the current fiscal year is recorded.

4) Provision for share-based remuneration for directors (and other officers)

In order to prepare for granting stock benefits to directors of the Group in accordance with internal share delivery rules, the estimated value of stock benefit liabilities at the end of the current fiscal year is recorded.

(4) Accounting policies for recognition of revenue and expenses

The Company has recognized revenue at the time the control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for said goods or services.

(5) Other significant information for the preparation of consolidated financial statements

1) Accounting policies for retirement benefits

In order to prepare for the payment of retirement benefits to employees, the projected retirement benefit obligation at the end of the current fiscal year, less plan assets, is recorded as a net retirement benefit liability.

Past service costs were amortized by the straight-line method over a certain period (5 years) within the average remaining service period of employees when incurred.

The actuarial gains or losses were amortized by the straight-line method over a certain period (5 years) within the average remaining service period of employees from the fiscal year following the fiscal year when such gains or losses have occurred.

In calculating retirement benefit obligations, the benefit formula basis is applied as the method for attributing projected retirement benefits to the period up to the current fiscal year.

2) Accounting policies for foreign currency translations

Monetary claims and liabilities denominated in foreign currencies are translated into yen using the spot exchange rates as of the end of the fiscal year, and translation differences are accounted for as profit or loss.

Assets and liabilities, and expenses and revenues, of overseas subsidiaries and other entities are translated into yen using the spot exchange rates as of the closing dates of overseas subsidiaries and other entities. Translation differences are included in foreign currency translation adjustment and non-controlling interests under net assets.

3) Amortization of goodwill

Goodwill is amortized using the straight-line method over the period based on a reasonable estimate.

4) Application of group tax sharing system

The Company and certain consolidated subsidiaries in Japan have applied the group tax sharing system from the current fiscal year.

**[Significant accounting estimates]**

(Refund liabilities)

In the Publication Business segment of the Group's business segments, there are cases when the Group conducts transactions of paper books and magazines under the sales system with return conditions as industry practice. This is a sales system with a condition that publications which have been distributed to agencies and bookstores can be returned.

In order to prepare for returned publications, refund liabilities are recorded. However, the return of publications is a future event affected by market demand, etc., and in calculating the provision, the Company makes an accounting estimate based on the information available at the time of preparing the consolidated financial statements.

(1) Amount recorded in the consolidated financial statements of the current fiscal year

The amount of refund liabilities recorded in the consolidated balance sheet at the end of the current fiscal year was 5,826 million yen.

(2) Information on description of significant accounting estimates for identified items

1) Calculation method and significant assumptions used for calculation

Refund liabilities are calculated by deducting the actual amounts of merchandise returned by the closing date from the amounts determined through multiplying a predicted merchandise return rate by the shipping results within a certain period of time before the closing date.

The target period for shipping results is set based on the period in which normal returns, from major agencies and bookstores, are thought to occur.

Furthermore, for predicted merchandise return rate, the actual average return rate in the last one year calculated for each genre is used, based on the assumption that the return rate and market demand trend of publications in the same genre would be at the same levels as those of past results.

2) Impact on the consolidated financial statements in the following fiscal year

Predicted merchandise return rate, the basis for calculating refund liabilities, is based on historical rates of returns. Therefore, if there is a change in the trend of return rates by genre, a difference will arise between amounts of the refund liabilities recorded and actual amounts of returned merchandise, which will have an impact on the consolidated business performance in the following fiscal year.

Specifically, when return rates trend downward, there is a positive impact on net sales and gross profit; when return rates trend upward, there is a negative impact on net sales and gross profit.

**[Changes in accounting policies]**

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on June 17, 2021) from the beginning of the current fiscal year and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This had no impact on the consolidated financial statements.

**[Additional information]**

(ESOP for employees and share-based compensation plan for directors)

The Company and certain consolidated subsidiaries in Japan have applied the Employee Stock Ownership Plan (the "ESOP") for employees and a share-based compensation plan for directors of the Company.

(1) ESOP for employees

1) Overview of the plan

For employees who satisfy certain requirements as beneficiaries, the Company has established a trust and contributed cash to the trust for purchasing the Company's shares. The trust purchases designated shares of the Company to be granted in accordance with the share delivery rules from the Company (for disposal of treasury shares) or a stock exchange. Then, the trust delivers the Company's shares to employees based on points granted for their contribution to the Company during the trust period in accordance with the share delivery rules. The Company contributes all funds to purchase its shares through the trust; therefore, employees do not need to contribute funds to the trust.

2) Treasury shares remaining in the trust



Treasury shares remaining in the trust are recorded at the book value (excluding associated expenses) of the trust as treasury shares under net assets. The book value of these treasury shares and the number of shares at the end of the current fiscal year were 1,418 million yen and 607 thousand shares, respectively.

(2) Share-based compensation plan for directors

1) Overview of the plan

This plan is a performance-based stock compensation plan which establishes a trust funded by the Company, purchases the Company's shares and delivers them to directors through the trust. The number of shares to be delivered to directors is based on points granted for individual performance and contributions to the Company's financial results for each fiscal year in accordance with the share delivery rules.

2) Treasury shares remaining in the trust

Treasury shares remaining in the trust are recorded at the book value (excluding associated expenses) of the trust as treasury shares under net assets. The book value of these treasury shares and the number of shares at the end of the current fiscal year were 1,168 million yen and 1,513 thousand shares, respectively.

**[Notes to the Consolidated Balance Sheet]**

1. Accumulated depreciation of property, plant and equipment 20,765 million yen

2. Assets pledged as collateral

Cash and deposits 25 million yen

Note: The above assets relate to the establishment of a right of pledge, etc., for overseas subsidiaries' issuance of corporate cards and there is no liability corresponding to such collateral.

3. Guarantee obligation

The guarantee obligations for borrowings, etc. from financial institutions for corporations other than consolidated companies are as follows.

KADOKAWA DWANGO educational institute 2,076 million yen

**[Notes to the Consolidated Statement of Changes in Equity]**

1. Total number of issued shares and treasury shares

| Class of shares      | Number of shares at the beginning of the current fiscal year | Number of shares increased in the current fiscal year | Number of shares decreased in the current fiscal year | Number of shares at the end of the current fiscal year |
|----------------------|--------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| (Issued shares)      |                                                              |                                                       |                                                       |                                                        |
| Common shares        | 141,784,120 shares                                           | -shares                                               | -shares                                               | 141,784,120 shares                                     |
| (Treasury shares)    |                                                              |                                                       |                                                       |                                                        |
| Common shares (Note) | 2,531,928 shares                                             | 468,449 shares                                        | 879,034 shares                                        | 2,121,343 shares                                       |

Notes: 1. The number of shares increased in treasury shares under common shares is 467,000 shares due to the purchase of the benefit trust for acquisition and management of stock in accordance with the trust agreement and 1,449 shares due to purchase of shares less than one unit.

2. The number of shares decreased in treasury shares under common shares is 467,000 shares due to the disposal of treasury

shares through third-party allocation to the benefit trust for acquisition and management of stock and the delivery of 412,034 shares from the benefit trust for acquisition and management of stock.

3. The number of treasury shares under common shares at the end of the current fiscal year includes 2,121,086 shares of the Company held by the benefit trust for acquisition and management of stock.

## 2. Matters related to dividends of surplus

### (1) Cash dividends paid

| Resolution                                             | Class of shares | Total amount of dividends (Millions of yen) | Amount of dividends per share (Yen) | Record date    | Effective date |
|--------------------------------------------------------|-----------------|---------------------------------------------|-------------------------------------|----------------|----------------|
| Meeting of the Board of Directors held on May 26, 2022 | Common shares   | 4,239                                       | 30                                  | March 31, 2022 | June 27, 2022  |

Note: The total amount of dividends paid under the resolution of the Board of Directors held on May 26, 2022 included dividends of 61 million yen for the Company's shares held by the benefit trust for acquisition and management of stock.

### (2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

| Resolution                                             | Class of shares | Source of dividends | Total amount of dividends (Millions of yen) | Amount of dividends per share (Yen) | Record date    | Effective date |
|--------------------------------------------------------|-----------------|---------------------|---------------------------------------------|-------------------------------------|----------------|----------------|
| Meeting of the Board of Directors held on May 25, 2023 | Common shares   | Retained earnings   | 4,253                                       | 30                                  | March 31, 2023 | June 23, 2023  |

Note: The total amount of dividends paid under the resolution of the Board of Directors held on May 25, 2023 included dividends of 63 million yen for the Company's shares held by the benefit trust for acquisition and management of stock.

## [Notes on financial instruments]

### 1. Status of financial instruments

#### (1) Policies on handling financial instruments

The Group raises funds required, in line with its capital and investment plans for business operations, mainly through bank loans and issuing corporate bonds and shares.

Temporary surpluses are managed in highly safe and reliable financial assets in accordance with the fund management policies established by the Company.

#### (2) Descriptions and risks of financial instruments

Notes and accounts receivable - trade, which are operating receivables, are exposed to the credit risk of customers. Securities and investment securities mainly consist of held-to-maturity bonds and stocks held for facilitating transactions with issuers and are exposed to the fluctuation risk of market prices or reasonably calculated prices.

Notes and accounts payable - trade, which are operating payables, and accounts payable - other are mostly due within one year.

Loans payable and lease liabilities on finance lease transactions are financing arrangements for working capital, capital expenditures and business investment.

(3) The Group's risk management system for financial instruments

1) Management of credit risk (risk related to customer default on contracts)

For operating receivables, the Group regularly monitors the financial positions of its main customers and manages the due dates and balances of each customer so as to perceive at an early stage and reduce the risk of uncollectable amounts due to declining financial position or other reasons.

For held-to-maturity bonds, credit risk is immaterial as the Group holds only bonds with high credit ratings in accordance with fund management policies.

2) Management of market risk (fluctuation risk of interest rate, market price, etc.)

The Group's policy is to use interest rate swaps to mitigate the fluctuation risk of interest rates on loans payable.

The Group continuously reviews its portfolio by regularly checking the fair values and the financial situations of the issuers for securities and investment securities, and considering relationships with the issuers for those other than held-to-maturity securities.

Foreign currency-denominated deposits are exposed to a risk of fluctuations in foreign exchange rates. These deposits, however, are hedged by using forward exchange contracts, currency swaps, currency options, etc. in accordance with the Company's Rules on Management of Derivatives Transactions.

3) Management of liquidity risk on financing (risk that the Group fails to pay on due date)

The Company introduced a cash management system. For consolidated subsidiaries that participate in the cash management system, liquidity risk is managed by preparing and updating the funding plan in a timely manner based on reports from the cash management system. Liquidity risk is also managed by maintaining an appropriate level of liquidity on hand. For consolidated subsidiaries that do not participate in the cash management system, the Group conducts flexible group financing to meet their funding needs.

(4) Supplemental information on fair values of financial instruments

Fair values of financial instruments are calculated using variable factors, using different assumptions may result in different values.

2. Fair values of financial instruments

Amounts stated in the consolidated balance sheet, fair values and the differences between them are as shown in the table below.

(Millions of yen)

|                                                  | Amounts stated in the consolidated balance sheet | Fair value | Difference |
|--------------------------------------------------|--------------------------------------------------|------------|------------|
| Accounts receivable - trade                      | 48,670                                           | 48,733     | 63         |
| Investment securities                            | 23,513                                           | 23,513     | —          |
| Total assets                                     | 72,183                                           | 72,246     | 63         |
| Long-term borrowings (including current portion) | 65,266                                           | 65,258     | (8)        |
| Total liabilities                                | 65,266                                           | 65,258     | (8)        |

Notes: 1. Methods for calculating the fair values of financial instruments

### Assets

Cash and deposits; Notes receivable - trade; Deposits paid

These items are settled in a short period of time, and thus the fair value is approximately the same as the book value. As a result, notes on them are omitted.

### Liabilities

Notes and accounts payable - trade; Accounts payable - other; Income taxes payable; Deposits received

These items are settled in a short period of time, and thus the fair value is approximately the same as the book value. As a result, notes on them are omitted.

2. Shares without a quoted market price are not included in "investment securities." Amounts of the financial instruments stated in the consolidated balance sheet are as shown in the table below.

(Millions of yen)

| Classification    | Amount stated in the consolidated balance sheet |
|-------------------|-------------------------------------------------|
| Non-listed shares | 9,025                                           |

3. Notations are omitted for capital contributions to partnerships and other similar entities stated as net values corresponding to equity in the balance sheet. Amounts of the financial instruments stated in the consolidated balance sheet are as shown in the table below.

(Millions of yen)

| Classification                                                     | Amount stated in the consolidated balance sheet |
|--------------------------------------------------------------------|-------------------------------------------------|
| Capital contributions to limited partnerships for investment, etc. | 22                                              |

4. Redemption schedule for monetary claims and securities with maturities after the consolidated closing date

(Millions of yen)

|                             | Within 1 year | Over 1 year through 5 years | Over 5 years through 10 years | Over 10 years |
|-----------------------------|---------------|-----------------------------|-------------------------------|---------------|
| Cash and deposits           | 167,194       | –                           | –                             | –             |
| Notes receivable - trade    | 2,123         | –                           | –                             | –             |
| Accounts receivable - trade | 45,124        | 3,503                       | 42                            | –             |
| Deposits paid               | 4,716         | –                           | –                             | –             |
| Total                       | 219,159       | 3,503                       | 42                            | –             |

5. Repayment schedule for long-term borrowings after the consolidated closing date

(Millions of yen)

|                                                  | Within 1 year | Over 1 year through 2 years | Over 2 years through 3 years | Over 3 years through 4 years | Over 4 years through 5 years | Over 5 years |
|--------------------------------------------------|---------------|-----------------------------|------------------------------|------------------------------|------------------------------|--------------|
| Long-term borrowings (including current portion) | 40,046        | 54                          | 15,047                       | 10,041                       | 36                           | 39           |
| Total                                            | 40,046        | 54                          | 15,047                       | 10,041                       | 36                           | 39           |

3. Breakdown of fair values of financial instruments for levels

Fair values of financial instruments are classified into the following three levels in accordance with the observability and importance of inputs for fair value calculation.

Level 1 fair value: A type of fair value calculated on the basis of a quoted market price of an asset or liability targeted by a calculation of a fair value formed on an active market, among inputs for calculating a fair value able to be observed.

Level 2 fair value: A type of fair value calculated by using inputs for calculating a fair value other than level 1 inputs, among inputs for calculating a fair value able to be observed.

Level 3 fair value: A type of fair value calculated by using inputs for calculating a fair value not able to be observed.

If using multiple inputs having significant effects on fair value calculation, the fair value is classified into the lowest level in order of priority for fair value calculation, among levels to which the inputs belong individually.

(1) Financial instruments stated at fair value in the consolidated balance sheet

(Millions of yen)

| Classification        | Fair value |         |         |        |
|-----------------------|------------|---------|---------|--------|
|                       | Level 1    | Level 2 | Level 3 | Total  |
| Investment securities | 23,513     | –       | –       | 23,513 |
| Total assets          | 23,513     | –       | –       | 23,513 |

(2) Financial instruments other than those stated at fair value in the consolidated balance sheet

(Millions of yen)

| Classification                                   | Fair value |         |         |        |
|--------------------------------------------------|------------|---------|---------|--------|
|                                                  | Level 1    | Level 2 | Level 3 | Total  |
| Accounts receivable - trade                      | –          | 48,733  | –       | 48,733 |
| Total assets                                     | –          | 48,733  | –       | 48,733 |
| Long-term borrowings (including current portion) | –          | 65,258  | –       | 65,258 |
| Total liabilities                                | –          | 65,258  | –       | 65,258 |

Notes: 1. Description of a valuation method used for calculation and inputs for fair value calculation

Investment securities

Listed investment securities are valued by using quoted market prices on an active market, and their fair values are classified into level 1.

Accounts receivable - trade

Accounts receivable are present value calculated by discounting at the risk-free rate the amount expected to be received, classified by certain periods of time, and their fair values are classified into level 2.

Long-term borrowings (including current portion)

Fair values of long-term borrowings (including current portion) are present value calculated by discounting principal and interest classified on the basis of individual loan contracts by the interest rate that would be charged for a new similar borrowing, and their fair values are classified into level 2.

**[Notes on revenue recognition]**

1. Breakdown of revenue from contracts with customers

(Millions of yen)

|                                           | Reportable segments |        |        |             |           | Others | Total   |
|-------------------------------------------|---------------------|--------|--------|-------------|-----------|--------|---------|
|                                           | Publication         | Video  | Game   | Web Service | Education |        |         |
| Principal regional markets                |                     |        |        |             |           |        |         |
| Japan                                     | 116,748             | 30,533 | 11,618 | 21,834      | 12,468    | 9,799  | 203,002 |
| North America                             | 11,724              | 7,712  | 12,233 | –           | –         | 110    | 31,780  |
| Asia                                      | 8,044               | 3,400  | 2,453  | –           | –         | 421    | 14,320  |
| Others                                    | 1,420               | 793    | 3,941  | –           | –         | 170    | 6,326   |
| Revenue from contracts with customers     | 137,937             | 42,440 | 30,246 | 21,834      | 12,468    | 10,502 | 255,429 |
| Principal lines of goods or services      |                     |        |        |             |           |        |         |
| Paper books, magazines and Internet media | 84,641              | –      | –      | –           | –         | –      | 84,641  |
| E-books and e-magazines                   | 53,296              | –      | –      | –           | –         | –      | 53,296  |
| Video                                     | –                   | 42,440 | –      | –           | –         | –      | 42,440  |
| Game                                      | –                   | –      | 30,246 | –           | –         | –      | 30,246  |
| Web Service                               | –                   | –      | –      | 21,834      | –         | –      | 21,834  |
| Education                                 | –                   | –      | –      | –           | 12,468    | –      | 12,468  |
| Others                                    | –                   | –      | –      | –           | –         | 10,502 | 10,502  |
| Revenue from contracts with customers     | 137,937             | 42,440 | 30,246 | 21,834      | 12,468    | 10,502 | 255,429 |
| Other revenue                             | –                   | –      | –      | –           | –         | –      | –       |
| Revenues from external customers          | 137,937             | 42,440 | 30,246 | 21,834      | 12,468    | 10,502 | 255,429 |

Note: The Company changed "Education," which had been included in "Others," to a reportable segment beginning in the current fiscal year, expecting that the business's importance will continue to increase as a growth and priority area.

2. Information serving as the basis for understanding revenue from contracts with customers

(1) Publication Business

In the Publication Business, the Company conducts sales of books, magazines, e-books, and e-magazines, sales of magazine and web advertisements, and licensing.

For sales of books, etc., the customer obtains control and deems the performance obligation to be satisfied upon delivery, so revenue is recognized mainly at the time of delivery. In the Publication Business, the Company carries out sales with contractual terms stating that publications that have been distributed to agencies and bookstores can be returned (sales with a return condition). As return amounts are thought to be variable considerations, in calculating a consideration to which the Company will likely be entitled, refund liabilities are recorded in an estimated future return amount using historical rates of returns, and the recorded refund liabilities are deducted from revenue.

For sales of magazine advertising, the Company provides an advertisement service in which no contract period is specified for customers and is obligated to post an advertisement in a specific magazine. Therefore, revenue is recognized when magazine copies, etc. showing an advertisement are placed at a shop space, enabling consumers to buy and read them on a date of sale (date of issue) since that time is judged to be the time at which the performance obligation is satisfied.

For sales of web advertising, in period guarantee-based advertising service, the Company is obligated to keep posting an advertisement over a period stipulated in a contract. Such performance obligation is

satisfied in proportion to the passage of time, and revenue is recognized over the contract period.

(2) Video Business

The Video Business includes planning, production and distribution of live-action videos and animated cartoons, video distribution licensing, and sales of package software.

For production of video works, revenue is recognized when a deliverable is handed over to the customer or when it inspects the deliverable in accordance with the contract with the customer, which includes production management fees as the underwriter in a production committee system, since the performance obligation of importance is judged to be satisfied at the time.

For distribution associated with video works distributed by the Company, revenue is recognized when its amount is able to be measured reliably, such as the time at which a report from a distribution company is provided, and uncertainty associated with the amount of consideration is resolved.

For sales of video package software, when goods are delivered, the customer obtains control over the goods and deems the performance obligation to be satisfied, so revenue is recognized mainly at the time of delivery of goods.

(3) Game Business

The Game Business includes planning, development, sales and licensing of game software and internet games.

For sales of game software packages, when goods are delivered to the customer or are downloaded, the customer obtains control over the goods and deems the performance obligation to be satisfied, so revenue is recognized mainly at the time of delivery.

The performance obligation in the contract game software development business is to conduct a development service contracted out by customers and deliver software, and the Company generates customer assets in accordance with the service progress, so revenue is recognized in accordance with a progress rate estimated by using the cost-to-cost method.

If a contract with a customer contains provisions on variable considerations, such as pay-as-you-go that varies in accordance with sales quantity in the market, in addition to certain contract fees, revenue is recognized when its amount is able to be measured reliably and uncertainty associated with the amount of consideration is resolved.

(4) Web Service Business

In the Web Service Business, the Company conducts the operation of video community services, planning and operation of various events, and distribution of mobile contents.

Revenue from operation of video social network services is composed mainly of membership fees from paying members and the Company is obligated to provide a service commensurate with member qualifications, so revenue is recognized over the period in which service is provided.

(5) Education Business

In the Education Business, the Company operates schools that develop human resources by specializing in creative fields and engages in a business to provide educational content to correspondence schools via the Internet.

The performance obligation of the schools operation business is to provide lectures, etc. to course takers who are customers, and such obligation is satisfied usually over a period of the contract, so revenue is recognized over the contract period.

Each of the businesses above provides customers with various types of licensing for IPs held by the Group. In light of the quality of promise made in providing licensing to a customer, it is deemed that the customer is essentially allowed to obtain benefit from the license by instructing its use in a transaction judged to involve a use right. For this reason, revenue is recognized after taking into account the time when provision of materials and service expected of the Group under contract will be

completed. For royalties based on sales or usage, revenue is recognized at the time when uncertainty associated with the amount of consideration is resolved.

Transaction considerations for business operations done by the Company and its consolidated subsidiaries are primarily settled in a short period of time and do not involve any significant financial factor.

3. Information with which to understand revenue amounts for the current fiscal year and the next fiscal year and thereafter

(1) Balances of contract assets and contract liabilities

1) Balance of receivables that stemmed from contracts with customers and balances of contract assets and contract liabilities

(Millions of yen)

| Classification                                                                        | Current fiscal year |
|---------------------------------------------------------------------------------------|---------------------|
| Balance of receivables that stemmed from contracts with customers (beginning balance) | 43,182              |
| Balance of receivables that stemmed from contracts with customers (ending balance)    | 50,794              |
| Contract assets (beginning balance)                                                   | 401                 |
| Contract assets (ending balance)                                                      | 2,627               |
| Contract liabilities (beginning balance)                                              | 12,890              |
| Contract liabilities (ending balance)                                                 | 13,822              |

2) Revenue recognized for the current fiscal year that had been included in a beginning balance of contract liabilities

Revenue recognized for the current fiscal year that had been included in a beginning balance of contract liabilities was 12,890 million yen.

3) Description of any material change in balances of contract assets and contract liabilities for the current fiscal year

No material change occurred.

4) Explanation on how ordinary payment timing is related to timing of performance obligation being satisfied and on the effect of such a factor on balances of contract assets and contract liabilities

Contract assets are related to contract development operations for game software mainly in the Game Business. The performance obligation is to conduct a development service contracted out by customers and deliver software, and the Company generates customer assets in accordance with the service progress, so revenue and contract assets are recognized in accordance with a progress rate estimated by using the cost-to-cost method. They are received within several months after the right to a consideration becomes unconditional following a satisfaction of performance obligation. They are occasionally received prior to satisfaction of a performance obligation and are recognized as contract liabilities.

Contract liabilities are advances received from course takers in relation to their annual education course fees mainly in the Education Business. The performance obligation is to provide lectures, etc. to course takers who are customers, and such obligation is satisfied usually over a period of the contract, so revenue is recognized over the contract period.



- 5) Revenue recognized for the current fiscal year from performance obligation satisfied (or satisfied partially) in previous periods

The amount of revenue recognized from performance obligations satisfied in previous periods is immaterial for the current fiscal year.

- (2) Transaction price allocated to unsatisfied performance obligations

In stating notes on transaction prices allocated to an unsatisfied performance obligation, the Group applies a convenient method for practical purposes, and excludes contracts initially predicted to last one year or less from the notes as well as royalties based on net sales or usage volume out of the various types of licensing for IPs held by the Group. The unsatisfied (or partially unsatisfied) performance obligation at the end of the current fiscal year was 6,704 million yen. The performance obligation is mainly related to contract development operations for game software mainly in the Game Business, and is forecast to be recognized as revenue within four years after the last day of the fiscal year.

### **[Per share information]**

- |                         |              |
|-------------------------|--------------|
| 1. Net assets per share | 1,450.27 yen |
| 2. Profit per share     | 90.91 yen    |

Note: In the calculation of net assets per share, the Company's shares held by the benefit trust for acquisition and management of stock (2,121 thousand shares in the current fiscal year) are included in treasury shares, which are deducted in calculating the number of shares outstanding at the end of the fiscal year. In addition, in the calculation of profit per share, the said shares are included in treasury shares (1,875 thousand shares in the current fiscal year), which are deducted in calculating the average number of shares during the fiscal year.

### **[Business combinations]**

*Transactions under common control etc.*

(Consolidated subsidiary's capital increase through third-party allocation)

1. Summary of transaction

- (1) Constituent enterprise and its business

Names of constituent enterprise: FromSoftware, Inc.

Details of business: planning, development and sale of game software, planning and development of content on the Internet

- (2) Date of business combination

September 7, 2022

- (3) Legal form of business combination

Capital increase through third-party allocation where the subscribers are third parties other than the Company and its subsidiaries

- (4) Name of company after combination

Not changed.

- (5) Other matters related to summary of transaction

Following the capital increase through third-party allocation, the Group will actively invest in developing more game intellectual property that is strong and in strengthening its ability to create and develop game intellectual property. The Group aims to establish a framework that enables the

expansion of the scope of its own Publishing Business in the global market, which is seeing rapid growth.

The capital increase through third-party allocation has changed the Company's ratio of voting rights from 100.0% before the capital increase to 69.7%.

## 2. Outline of accounting treatment

The Company accounted for the business combination as transactions with non-controlling interests of transactions under common control, in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on January 16, 2019).

## 3. Matters related to a change in the Company's equity related to transactions with non-controlling interests

### (1) Main factor for change in capital surplus

Change in equity due to a capital increase through third-party allocation where the subscribers are third parties other than the Company and its subsidiaries

### (2) Increase in capital surplus through transactions with non-controlling interests

21,984 million yen

## [Notes on significant subsequent events]

### (Purchase of treasury shares)

At a meeting of its Board of Directors held on May 11, 2023, based on its Articles of Incorporation as provided for by Article 459 (1) of the Companies Act, the Company resolved items related to the purchase of treasury shares.

#### 1. Reasons for the purchase of treasury shares

The Company recognizes shareholder returns as an important management issue. In terms of dividends, since the fiscal year ended March 31, 2023, the Company's basic policy has been to pay a stable annual dividend of 30 yen per share, returning profits to shareholders with a target payout ratio of 30% or more based on consolidated business performance.

In addition to the above policy, to increase capital efficiency and strengthen shareholder returns, based on a review of our investment capability, stock price levels, the market environment, and financial conditions, the Company has decided to purchase treasury shares.

#### 2. Details of the items related to the purchase

|                                                  |                                                                                                               |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| (1) Class of shares being purchased              | Common shares of the Company                                                                                  |
| (2) Total number of shares that can be purchased | 8,000,000 shares (upper limit)<br>(5.64% of the total number of issued shares<br>[excluding treasury shares]) |
| (3) Total purchase cost for the shares           | 20.0 billion yen (upper limit)                                                                                |
| (4) Purchase method                              | Market buying on the Tokyo Stock Exchange                                                                     |
| (5) Purchase period                              | From May 12, 2023 to March 31, 2024                                                                           |

## [Other notes]

### 1. Consolidated Statement of Income

#### (1) Donations

Donations recorded under non-operating expenses for the current fiscal year represent a payment to an incorporated association that prepared to establish a school corporation.

(2) Extra retirement payments

The extra retirement payments recorded as an extraordinary loss for the current fiscal year consist of additional retirement payments, etc. for the implementation of the Special Transfer Support Program.

(3) Special investigation expenses

The special investigation expenses recorded as an extraordinary loss for the current fiscal year relate to the selection of sponsors of the Tokyo 2020 Olympics and Paralympics.

(4) Impairment losses

1) Outline of the groups of assets for which an impairment loss has been recognized

(Millions of yen)

| Company and location                                             | Use<br>(Segment name)                     | Type                          | Impairment losses |
|------------------------------------------------------------------|-------------------------------------------|-------------------------------|-------------------|
| KADOKAWA Corporation<br>(Tokorozawa-shi, Saitama Pref.)          | Business assets<br>(Others)               | Buildings and structures      | 2,845             |
|                                                                  |                                           | Tools, furniture and fixtures | 71                |
|                                                                  |                                           | Software                      | 13                |
|                                                                  |                                           | Subtotal                      | 2,930             |
| KADOKAWA Corporation<br>(Narita-shi, Chiba Pref.)                | Business assets<br>(Others)               | Buildings and structures      | 116               |
|                                                                  |                                           | Tools, furniture and fixtures | 15                |
|                                                                  |                                           | Subtotal                      | 131               |
| KADOKAWA Corporation<br>(Minamiboso-shi, Chiba Pref. and others) | Recreation facilities<br>(Group Overall)  | Buildings and structures      | 28                |
| Mainichi ga Hakken Inc.<br>(Chiyoda-ku, Tokyo)                   | Business assets<br>(Publication Business) | Buildings and structures      | 0                 |
|                                                                  |                                           | Tools, furniture and fixtures | 1                 |
|                                                                  |                                           | Software                      | 91                |
|                                                                  |                                           | Subtotal                      | 93                |
| Total                                                            |                                           |                               | 3,183             |

2) Background relating to the recognition of impairment losses

For business assets (Others), the book value was reduced to the recoverable amount in accordance with the decision to withdraw from the business.

For recreation facilities (Group Overall), the book value was reduced to the recoverable amount in accordance with the decision to sell.

For business assets (Publication Business), the book value was reduced to the recoverable amount because consecutive operating losses were incurred.

3) Method of grouping

At the Group, an individual property unit is treated as one asset group for idle assets, whereas the smallest unit that generates independent cash flows is treated as one asset group for other assets.

4) Method of calculating recoverable amount

The value of business assets (Others and Publication Business) is calculated based on value in use. However, as the value in use of non-current assets in the asset groups based on future cash flows is negative, the recoverable amount is calculated as zero.

For recreation facilities, the recoverable amount is measured by the net sale value, and such value is calculated based on the estimated disposal amount.

2. The figures in this document are rounded down to the nearest one million yen.

## Non-consolidated Balance Sheet

(As of March 31, 2023)

| Item                                                  | Amount          | Item                                                                      | Amount          |
|-------------------------------------------------------|-----------------|---------------------------------------------------------------------------|-----------------|
| <b>(Assets)</b>                                       | Millions of yen | <b>(Liabilities)</b>                                                      | Millions of yen |
| <b>Current assets</b>                                 | <b>221,823</b>  | <b>Current liabilities</b>                                                | <b>188,993</b>  |
| Cash and deposits                                     | 158,491         | Notes payable - trade                                                     | 4,879           |
| Notes receivable - trade                              | 1,856           | Accounts payable - trade                                                  | 17,478          |
| Accounts receivable - trade                           | 33,939          | Current portion of long-term borrowings                                   | 40,000          |
| Contract assets                                       | 670             | Accounts payable - other                                                  | 9,603           |
| Inventories                                           | 18,113          | Income taxes payable                                                      | 658             |
| Prepaid expenses                                      | 621             | Contract liabilities                                                      | 1,609           |
| Accounts receivable - other                           | 4,051           | Deposits received                                                         | 105,128         |
| Other                                                 | 4,451           | Provision for bonuses                                                     | 2,903           |
| Allowance for doubtful accounts                       | (371)           | Refund liabilities                                                        | 4,796           |
| <b>Non-current assets</b>                             | <b>113,318</b>  | Provision for share-based remuneration                                    | 585             |
| <b>Property, plant and equipment</b>                  | <b>53,280</b>   | Provision for share-based remuneration for directors (and other officers) | 347             |
| Buildings                                             | 22,183          | Other                                                                     | 1,000           |
| Structures                                            | 303             | <b>Non-current liabilities</b>                                            | <b>18,053</b>   |
| Machinery and equipment                               | 1,698           | Long-term borrowings                                                      | 15,000          |
| Tools, furniture and fixtures                         | 876             | Provision for retirement benefits                                         | 2,419           |
| Land                                                  | 18,000          | Other                                                                     | 633             |
| Construction in progress                              | 10,213          | <b>Total liabilities</b>                                                  | <b>207,046</b>  |
| Other                                                 | 5               | <b>(Net assets)</b>                                                       |                 |
| <b>Intangible assets</b>                              | <b>2,941</b>    | <b>Shareholders' equity</b>                                               | <b>118,113</b>  |
| Software                                              | 2,067           | <b>Share capital</b>                                                      | <b>40,624</b>   |
| Other                                                 | 873             | <b>Capital surplus</b>                                                    | <b>54,261</b>   |
| <b>Investments and other assets</b>                   | <b>57,095</b>   | Legal capital surplus                                                     | 40,624          |
| Investment securities                                 | 27,710          | Other capital surplus                                                     | 13,636          |
| Shares of subsidiaries and associates                 | 25,101          | <b>Retained earnings</b>                                                  | <b>25,814</b>   |
| Investments in capital of subsidiaries and associates | 207             | Other retained earnings                                                   | 25,814          |
| Deferred tax assets                                   | 122             | Retained earnings brought forward                                         | 25,814          |
| Insurance funds                                       | 1,495           | <b>Treasury shares</b>                                                    | <b>(2,587)</b>  |
| Guarantee deposits                                    | 1,321           | <b>Valuation and translation adjustments</b>                              | <b>9,981</b>    |
| Other                                                 | 1,376           | <b>Valuation difference on available-for-sale securities</b>              | <b>9,981</b>    |
| Allowance for doubtful accounts                       | (240)           | <b>Total net assets</b>                                                   | <b>128,095</b>  |
| <b>Total assets</b>                                   | <b>335,141</b>  | <b>Total liabilities and net assets</b>                                   | <b>335,141</b>  |

## Non-consolidated Statement of Income

(April 1, 2022 through March 31, 2023)

| Item                                                       | Amount          |                 |
|------------------------------------------------------------|-----------------|-----------------|
|                                                            | Millions of yen | Millions of yen |
| <b>Net sales</b>                                           |                 | <b>129,883</b>  |
| <b>Cost of sales</b>                                       |                 | <b>90,048</b>   |
| <b>Gross profit</b>                                        |                 | <b>39,835</b>   |
| <b>Selling, general and administrative expenses</b>        |                 | <b>38,338</b>   |
| <b>Operating profit</b>                                    |                 | <b>1,496</b>    |
| <b>Non-operating income</b>                                |                 |                 |
| Interest income                                            | 535             |                 |
| Dividend income                                            | 4,500           |                 |
| Foreign exchange gains                                     | 232             |                 |
| Gain on sales of goods                                     | 111             |                 |
| Other                                                      | 113             | 5,493           |
| <b>Non-operating expenses</b>                              |                 |                 |
| Interest expenses                                          | 171             |                 |
| Donations                                                  | 1,500           |                 |
| Other                                                      | 207             | 1,878           |
| <b>Ordinary profit</b>                                     |                 | <b>5,111</b>    |
| <b>Extraordinary income</b>                                |                 |                 |
| Gain on extinguishment of tie-in shares                    | 19              |                 |
| Gain on sales of investment securities                     | 16              |                 |
| Gain on sale of membership                                 | 36              |                 |
| Other                                                      | 0               | 72              |
| <b>Extraordinary losses</b>                                |                 |                 |
| Impairment losses                                          | 3,090           |                 |
| Loss on retirement of non-current assets                   | 495             |                 |
| Loss on valuation of shares of subsidiaries and associates | 215             |                 |
| Extra retirement payments                                  | 701             |                 |
| Special investigation expenses                             | 284             |                 |
| Cancellation penalties                                     | 516             |                 |
| Other                                                      | 57              | 5,360           |
| <b>Profit before income taxes</b>                          |                 | <b>(176)</b>    |
| Income taxes - current                                     | 880             |                 |
| Income taxes - deferred                                    | (1,863)         | (983)           |
| <b>Profit</b>                                              |                 | <b>806</b>      |

## Non-consolidated Statement of Changes in Equity

(April 1, 2022 through March 31, 2023)

(Millions of yen)

|                                                      | Shareholders' equity |                       |                       |                       |                                   |                         |
|------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------------------|-------------------------|
|                                                      | Share capital        | Capital surplus       |                       |                       | Retained earnings                 |                         |
|                                                      |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings           | Total retained earnings |
|                                                      |                      |                       |                       |                       | Retained earnings brought forward |                         |
| Balance at beginning of period                       | 40,624               | 40,624                | 12,660                | 53,285                | 29,247                            | 29,247                  |
| Changes during period                                |                      |                       |                       |                       |                                   |                         |
| Dividends of surplus                                 |                      |                       |                       |                       | (4,239)                           | (4,239)                 |
| Profit                                               |                      |                       |                       |                       | 806                               | 806                     |
| Purchase of treasury shares                          |                      |                       |                       |                       |                                   |                         |
| Disposal of treasury shares                          |                      |                       | 976                   | 976                   |                                   |                         |
| Net changes in items other than shareholders' equity |                      |                       |                       |                       |                                   |                         |
| Total changes during period                          | -                    | -                     | 976                   | 976                   | (3,432)                           | (3,432)                 |
| Balance at end of period                             | 40,624               | 40,624                | 13,636                | 54,261                | 25,814                            | 25,814                  |

|                                                      | Shareholders' equity |                            | Valuation and translation adjustments                 |                                             | Total net assets |
|------------------------------------------------------|----------------------|----------------------------|-------------------------------------------------------|---------------------------------------------|------------------|
|                                                      | Treasury shares      | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                  |
| Balance at beginning of period                       | (1,928)              | 121,229                    | 11,138                                                | 11,138                                      | 132,367          |
| Changes during period                                |                      |                            |                                                       |                                             |                  |
| Dividends of surplus                                 |                      | (4,239)                    |                                                       |                                             | (4,239)          |
| Profit                                               |                      | 806                        |                                                       |                                             | 806              |
| Purchase of treasury shares                          | (1,303)              | (1,303)                    |                                                       |                                             | (1,303)          |
| Disposal of treasury shares                          | 644                  | 1,620                      |                                                       |                                             | 1,620            |
| Net changes in items other than shareholders' equity |                      |                            | (1,156)                                               | (1,156)                                     | (1,156)          |
| Total changes during period                          | (659)                | (3,115)                    | (1,156)                                               | (1,156)                                     | (4,272)          |
| Balance at end of period                             | (2,587)              | 118,113                    | 9,981                                                 | 9,981                                       | 128,095          |

## Notes to the Non-consolidated Financial Statements

### [Significant accounting policies]

#### 1. Valuation basis and methods for assets

##### (1) Valuation basis and methods for securities

###### 1) Shares of subsidiaries and associated companies

Cost method by the moving-average method

###### 2) Available-for-sale securities

Available-for-sale securities other than shares without a quoted market price

Fair value method (The valuation difference is accounted for using the direct net asset adjustment method, and the cost of securities sold is determined by the moving-average method.)

Available-for-sale securities such as shares without a quoted market price

Cost method by the moving-average method

##### (2) Valuation basis and methods for inventories

###### 1) Merchandise, finished goods, raw materials and supplies

Mainly cost method determined by the average cost method (Balance sheet amounts are calculated by reducing book values as a result of lowered profitability.)

###### 2) Distribution rights, production and work in process

Mainly cost method determined by the specific identification method (Balance sheet amounts are calculated by reducing book values as a result of lowered profitability.)

The costs of distribution rights and production (theater films) are allocated to the cost of production using a special amortization rate (amortized over 10 months) according to the same standard provided for in the Corporation Tax Act.

#### 2. Depreciation method for non-current assets

##### (1) Property, plant and equipment

Straight-line method

The major useful lives of property, plant and equipment are as follows:

Buildings and structures: 2–60 years

Machinery and equipment: 5–8 years

Tools, furniture and fixtures: 2–20 years

##### (2) Intangible assets

Straight-line method

Software for internal use is amortized over the expected available periods (5 years).

#### 3. Accounting policies for provisions

##### (1) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for possible bad debt at an estimated amount based on past bad debt experience for general receivables, and at the uncollectible amounts determined by reference to the collectability for individual cases for doubtful receivables and other specific receivables.

##### (2) Provision for bonuses



Bonuses to employees are accrued at the fiscal year end to which such bonuses are attributed.

(3) Provision for share-based remuneration

In order to prepare for granting stock benefits to employees of the Company in accordance with internal share delivery rules, the estimated value of stock benefit liabilities at the end of the current fiscal year is recorded.

(4) Provision for share-based remuneration for directors (and other officers)

In order to prepare for granting stock benefits to directors of the Company in accordance with internal share delivery rules, the estimated value of stock benefit liabilities at the end of the current fiscal year is recorded.

(5) Provision for retirement benefits

In order to prepare for the payment of retirement benefits to employees, the amount recognized to have accrued at the end of the current fiscal year is recorded based on the projected amount of retirement benefit obligations and plan assets at the end of the current fiscal year.

Past service costs were amortized by the straight-line method over a certain period (5 years) within the average remaining service period of employees when incurred.

Actuarial gains or losses are amortized equally over a certain period (5 years) within the average remaining service period of employees from the fiscal year following the fiscal year when such gains or losses have occurred.

In calculating retirement benefit obligations, the benefit formula basis is applied as the method for attributing projected retirement benefits to the current fiscal year.

4. Accounting policies for recognition of revenue and expenses

The Company has recognized revenue at the time the control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for said goods or services.

5. Other significant information for the preparation of non-consolidated financial statements

The group tax sharing system was applied from the current fiscal year.

**[Significant accounting estimates]**

(Refund liabilities)

The amount of refund liabilities recorded in the non-consolidated balance sheet at the end of the current fiscal year was 4,796 million yen. The calculation method and significant assumptions used for calculation of refund liabilities and impact on the non-consolidated financial statements in the following fiscal year are omitted here as such information is provided in the "Notes on significant accounting estimates" subsection of the "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements.

**[Changes in accounting policies]**

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on June 17, 2021) from the beginning of the current fiscal year and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This had no impact on the non-consolidated financial statements.

### [Additional information]

(ESOP for employees and share-based compensation plan for directors)

Details regarding notes on ESOP for employees and share-based compensation plan for directors are omitted here as such information is provided in the "Additional information" subsection of the "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements.

### [Notes to the Non-consolidated Balance Sheet]

1. Accumulated depreciation of property, plant and equipment 9,751 million yen
2. The Company's monetary claims against, and monetary liabilities for, its subsidiaries and associated companies
  - (1) Short-term monetary claims 10,775 million yen
  - (2) Long-term monetary claims 1,021 million yen
  - (3) Short-term monetary liabilities 105,676 million yen
  - (4) Long-term monetary liabilities 29 million yen

3. Guarantee obligation

The guarantee obligations for borrowings, etc. from financial institutions for corporations other than consolidated companies are as follows.

|                                       |                   |
|---------------------------------------|-------------------|
| KADOKAWA DWANGO educational institute | 2,018 million yen |
|---------------------------------------|-------------------|

### [Notes to the Non-consolidated Statement of Income]

1. Transactions with subsidiaries and associated companies
  - (1) Net sales 37,203 million yen
  - (2) Cost of sales 3,931 million yen
  - (3) Selling, general and administrative expenses 7,541 million yen
  - (4) Transactions that are not business transactions
    - 1) Amount resulting from non-business transactions (income) 3,848 million yen
    - 2) Amount resulting from non-business transactions (payments) 97 million yen

2. Donations

Donations recorded under non-operating expenses for the current fiscal year represents a payment to an incorporated association that prepared to establish a school corporation.

3. Extra retirement payments

The extra retirement payments recorded as an extraordinary loss for the current fiscal year consist of additional retirement payments, etc. for the implementation of the Special Transfer Support Program.

4. Special investigation expenses

The special investigation expenses recorded as an extraordinary loss for the current fiscal year relate to the selection of sponsors of the Tokyo 2020 Olympics and Paralympics.

5. Impairment losses

The impairment losses recorded as an extraordinary loss for the current fiscal year are as provided in "1. Consolidated Statement of Income (4) Impairment losses" of "Other notes" subsection of "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements.

## [Notes to the Non-consolidated Statement of Changes in Equity]

### Number of treasury shares

| Class of shares | Number of treasury shares at the beginning of the current fiscal year | Number of treasury shares increased in the current fiscal year | Number of treasury shares decreased in the current fiscal year | Number of treasury shares at the end of the current fiscal year |
|-----------------|-----------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------|
| Common shares   | 2,531,928 shares                                                      | 468,449 shares                                                 | 879,034 shares                                                 | 2,121,343 shares                                                |

- Notes: 1. The number of shares increased in treasury shares under common shares is 467,000 shares due to the purchase of the benefit trust for acquisition and management of stock in accordance with the trust agreement and 1,449 shares due to purchase of shares less than one unit.
2. The number of shares decreased in treasury shares under common shares is 467,000 shares due to the disposal of treasury shares through third-party allocation to the benefit trust for acquisition and management of stock and the delivery of 412,034 shares from the benefit trust for acquisition and management of stock.
3. The number of treasury common shares at the end of the current fiscal year includes 2,121,086 shares of the Company held by the benefit trust for acquisition and management of stock.

## [Notes on tax effect accounting]

Deferred tax assets accrued mainly for shares of subsidiaries and associates, refund liabilities, inventories, and impairment losses, etc. Deferred tax liabilities accrued mainly for valuation difference on available-for-sale securities, gain on valuation of investment securities, and gain on valuation of land. Deferred tax assets associated with shares of subsidiaries and associates for which scheduling is impossible deduct valuation allowance.

Starting from the current fiscal year, the Company has applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No. 42, issued on August 12, 2021) that stipulates accounting and disclosure for income tax, local income tax, and tax effect accounting for cases where the group tax sharing system is applied.

## [Notes on transactions with related parties]

### 1. Subsidiaries and associated companies, etc.

| Type        | Name                  | Location          | Share capital (Millions of yen)                               | Business                                               | Ratio of voting rights, etc., owning (owned) (%) | Relations                                                                       | Transactions                   | Amount of transactions (Millions of yen) | Account item                | Year-end balance (Millions of yen) |
|-------------|-----------------------|-------------------|---------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------|------------------------------------------|-----------------------------|------------------------------------|
| Subsidiary  | DWANGO Co., Ltd.      | Chuo-ku, Tokyo    | 100                                                           | Web Service Business and Education Business            | (Owner) Direct ownership: 100.0                  | Officers serving concurrently Deposit of funds                                  | Deposit of funds               | 14,897                                   | Deposits received           | 16,366                             |
|             | BOOK WALKER Co., Ltd. | Chiyoda-ku, Tokyo | 100                                                           | Sales and agency of e-books, etc.                      | (Owner) Direct ownership: 100.0                  | Officers serving concurrently Deposit of funds Rights authorization for e-books | Sales related to e-books, etc. | 34,656                                   | Accounts receivable - trade | 6,802                              |
|             |                       |                   |                                                               |                                                        |                                                  |                                                                                 | Deposit of funds               | 8,156                                    | Deposits received           | 8,225                              |
|             | FromSoftware, Inc.    | Shibuya-ku, Tokyo | 18,468                                                        | Planning, development and sales of game software, etc. | (Owner) Direct ownership: 69.7                   | Officers serving concurrently Deposit of funds                                  | Deposit of funds               | 35,024                                   | Deposits received           | 53,903                             |
| Vantan Inc. | Shibuya-ku, Tokyo     | 90                | Operation of schools specializing in the creative field, etc. | (Owner) Indirect ownership: 100.0                      | Deposit of funds                                 | Deposit of funds                                                                | 5,496                          | Deposits received                        | 6,307                       |                                    |

Notes: The terms of transactions, the policy for determining the terms of transactions, etc.

1. Deposit of funds is a transaction through a cash management system, and the amount of transactions represents an average balance during the fiscal year. Interest rate is determined reasonably in consideration of market interest rates.
2. Sales of e-books are determined through negotiations in consideration of market prices.

## [Notes on revenue recognition]

Notes on information serving as the basis for understanding revenue from contracts with customers are omitted here as such information is provided in the "Notes on revenue recognition" in the "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements.

**[Per share information]**

- |                         |            |
|-------------------------|------------|
| 1. Net assets per share | 917.17 yen |
| 2. Profit per share     | 5.78 yen   |

Note: In the calculation of net assets per share, the Company's shares held by the benefit trust for acquisition and management of stock (2,121 thousand shares in the current fiscal year) are included in treasury shares, which are deducted in calculating the number of shares outstanding at the end of the fiscal year.

In addition, in the calculation of profit per share, the Company's shares above are included in treasury shares (1,875 thousand shares in the current fiscal year), which are deducted in calculating the average number of shares during the fiscal year.

**[Notes on significant subsequent events]**

(Purchase of treasury shares)

Because the same information is provided in "Notes on significant subsequent events" subsection of the "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements, it has been omitted from the notes here.

**[Other notes]**

The figures in this document are rounded down to the nearest one million yen.

# Independent Auditor's Report (Translation)

[May 23, 2023]

The Board of Directors  
KADOKAWA CORPORATION

Ernst & Young ShinNihon LLC  
Tokyo Office, Japan

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Hirofumi Harashina  
Designated Engagement Partner  
Certified Public Accountant

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Keiichi Wakimoto  
Designated Engagement Partner  
Certified Public Accountant

## Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and notes to the consolidated financial statements of KADOKAWA CORPORATION and its consolidated subsidiaries (the "Group") applicable to the fiscal year from April 1, 2022 to March 31, 2023.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group applicable to the fiscal year ended March 31, 2023, in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Other Information**

The other information comprises the information included in the Group's business report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Management, the Audit & Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit & Supervisory Committee is responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the convenience of the reader.

# Independent Auditor's Report (Translation)

[May 23, 2023]

The Board of Directors  
KADOKAWA CORPORATION

Ernst & Young ShinNihon LLC  
Tokyo Office, Japan

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Hirofumi Harashina  
Designated Engagement Partner  
Certified Public Accountant

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Keiichi Wakimoto  
Designated Engagement Partner  
Certified Public Accountant

## Opinion

Pursuant to Article 436, Section 2, paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, and notes to the financial statements of KADOKAWA CORPORATION (the "Company") applicable to the fiscal year from April 1, 2022 to March 31, 2023.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended March 31, 2023, in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Other Information**

The other information comprises the information included in the Company's business report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Committee is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Management, the Audit & Supervisory Committee for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit & Supervisory Committee is responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the convenience of the reader.

**(TRANSLATION)**

**AUDITOR'S REPORT**

The Audit & Supervisory Committee has audited the execution of duties by Directors for the 9th fiscal year from April 1, 2022, to March 31, 2023. The Audit & Supervisory Committee hereby reports the methods and results of the audit as follows:

1. Summary of Auditing Methods and Contents

The Audit & Supervisory Committee received reports periodically from Directors and employees about the details of Board of Directors' resolutions concerning the matters set forth in Article 399-13, paragraph 1, item (i) (b) and (c), of the Companies Act, as well as the establishment and application of the internal control systems based on such resolutions, and then requested explanations as necessary, expressed opinions and conducted audits by the following methods.

- 1) In accordance with the auditing policies, audit plan, and other relevant matters determined by the Audit & Supervisory Committee, each member attended important meetings, received reports from the Directors and other employees regarding the performance of their duties, sought explanations as necessary, inspected significant written approvals and other documents, and examined the status of operations and the condition of assets at the head office, etc. in cooperation with the Company's internal control division. With respect to subsidiaries, we communicated and exchanged information with Directors and Audit and Supervisory Board Members, etc. of subsidiaries, and obtained reports regarding their operations as necessary.
- 2) Audit & Supervisory Committee Members monitored and verified that the Independent Auditor maintains independence and conducts the audits appropriately. Each Audit & Supervisory Committee Member also received reports on the status of the execution of duties from the Independent Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Regulations of the Corporate Accounting in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Independent Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business report and accompanying supplemental schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements), the accompanying supplemental schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements) for the fiscal year ended March 31, 2023.

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

- 1) The business report and accompanying supplemental schedules present fairly the financial condition of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- 2) Regarding the execution of duties by Directors, as stated in the business report, we have received reports stating that there was improper conduct by officers and employees in the past fiscal years. The Audit & Supervisory Committee recognizes that such improper conduct was carried out. Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws and regulations, nor of the Articles of Incorporation of the Company other than the matters stated above.
- 3) The resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional comment regarding the contents of the business report on such internal control and the execution of duties by Directors.

As stated above, we recognize that there are operational aspects to improve in the Company's internal control system as a result of the inspection of this system due to the discovery of officers' and employees' improper conduct in the past fiscal years.

- 4) After the officers' and employees' improper conduct stated above came to light, the Company established the "Corporate Governance Inspection Committee" centered on external specialists who have no interest with the Company, and received reports that complied investigations into the causes, including corporate governance and internal control, and recommendations for measures for improvement to prevent recurrence from the aforementioned committee. The Audit & Supervisory Committee confirms that following those indications and recommendations, the Board of Directors is making improvements to the corporate governance system, such as the Company transitioning to a company with Nominating Committee, etc. We will audit the progress of the formulation and implementation of the proposals for improvement going forward.

### (2) Results of Audit of Non-consolidated Financial Statements and Accompanying Supplemental Schedules

The auditing methods and results of the Independent Auditor, Ernst & Young ShinNihon LLC, are fair and reasonable.

### (3) Results of Audit of Consolidated Financial Statements

The auditing methods and results of the Independent Auditor, Ernst & Young ShinNihon LLC, are fair and reasonable.

May 24, 2023

#### KADOKAWA CORPORATION Audit & Supervisory Committee

|                                      |                    |
|--------------------------------------|--------------------|
| Audit & Supervisory Committee Member | Tomoyuki Moriizumi |
| Audit & Supervisory Committee Member | Koji Funatsu       |
| Audit & Supervisory Committee Member | Akira Watanabe     |

(Note) All Audit & Supervisory Committee Members are Outside Directors stipulated in Article 2, item (xv) and Article 331, paragraph 6 of the Companies Act.

**Proposal 1: To Amend the Articles of Incorporation**

1. Reasons for the amendment

In order to prevent recurrence in light of the misconduct of several of the Company's officers and employees regarding the selection of sponsors for the Tokyo 2020 Olympic and Paralympic Games and promote flexible management, the Company has decided to shift to become a Company with Nominating Committee, etc. to improve the transparency of management and enable faster decision-making by strengthening the supervision function of the Board of Directors and clearly separating supervisory and executive functions. This shift to become a Company with Nominating Committee, etc., which will consist of three committees composed of a majority of Outside Directors, will enable a significant delegation of authority to perform duties from the Board of Directors to executive officers, who have clear legal responsibilities.

Accordingly, revisions to the Company's Articles of Incorporation shall be made, including the establishment of a Nominating Committee, Remuneration Committee, Audit Committee, and provisions regarding executive officers, the deletion of provisions regarding the Audit & Supervisory Committee and its members, and other necessary adjustments.

2. Details of the amendment

The details of the proposed amendment are as follows:

This proposal will become effective at the close of this General Meeting of Shareholders.

(The underlined part is the amendment.)

| Current Articles of Incorporation                                                                                                                                                                                                                                                                                                                       | Proposed Amendment                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (Organs)<br>Article 4<br>The Company shall have the following organizations in addition to the General Meeting of Shareholders and Directors.<br>(1) Board of Directors<br>(2) <u>Audit &amp; Supervisory Committee</u><br>(3) <u>Accounting Auditor</u>                                                                                                | (Organs)<br>Article 4<br>The Company shall have the following organizations in addition to the General Meeting of Shareholders and Directors.<br>(1) Board of Directors<br>(2) <u>Nominating Committee, Remuneration Committee, and Audit Committee</u><br>(3) <u>Executive Officers</u><br>(4) <u>Accounting Auditor</u>                                                                                                             |
| (Shareholder Registry Administrator)<br>Article 9<br>1. The Company shall have a shareholder registry administrator.<br>2. The shareholder registry administrator and its handling office shall be determined <u>by resolution</u> of the Board of Directors and public notice thereof shall be given.<br>3. <Omission of the provisions>               | (Shareholder Registry Administrator)<br>Article 9<br>1. The Company shall have a shareholder registry administrator.<br>2. The shareholder registry administrator and its handling office shall be determined <u>by resolution</u> of the Board of Directors <u>or an executive officer delegated by the Board of Directors</u> and public notice thereof shall be given.<br>3. <Unchanged>                                           |
| (Share Handling Regulations)<br>Article 10<br>Procedures for the exercise of shareholder rights and other handling and fees related to shares of the Company shall be subject to Share Handling Regulations established <u>at the Board of Directors</u> in addition to those provided for in laws and regulations and these Articles of Incorporation. | (Share Handling Regulations)<br>Article 10<br>Procedures for the exercise of shareholder rights and other handling and fees related to shares of the Company shall be subject to Share Handling Regulations established at the Board of Directors <u>or by an executive officer delegated by the Board of Directors</u> in addition to those provided for in laws and regulations and these Articles of Incorporation.                |
| (Convener of Meetings and Chairman)<br>Article 13<br>1. Unless otherwise provided for in laws and regulations, General Meetings of Shareholders shall be <u>convened and chaired by the President and Director</u> by resolution of the Board of Directors.                                                                                             | (Convener of Meetings and Chairman)<br>Article 13<br>1. Unless otherwise provided for in laws and regulations, General Meetings of Shareholders shall be <u>convened by a Director previously determined at the Board of Directors</u> by resolution of the Board of Directors. <u>Should the Director be unable to act, another Director shall convene the meeting in the order previously determined at the Board of Directors.</u> |

| Current Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Proposed Amendment                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. <u>Should the President and Director be unable to act, another Director shall convene and chair the General Meeting of Shareholders in the order previously determined at the Board of Directors.</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2. <u>The Chairman of the General Meeting of Shareholders shall be the Representative Executive Officer previously determined at the Board of Directors. Should this Representative Executive Officer be unable to act, another executive officer shall chair the meeting in the order previously determined at the Board of Directors.</u> |
| (Number of Directors)<br>Article 18<br>1. <u>The number of Directors of the Company (excluding Directors who serve as Audit &amp; Supervisory Committee members) shall be no more than twelve (12).</u><br>2. <u>The number of Directors of the Company, who serve as Audit &amp; Supervisory Committee members, shall be no more than six (6).</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (Number of Directors)<br>Article 18<br>1. The number of Directors of the Company shall be no more than <u>fifteen (15)</u> .<br><br>(Deleted)                                                                                                                                                                                               |
| (Selection of Directors)<br>Article 19<br>1. <u>Directors shall be elected by resolution of the General Meeting of Shareholders by distinguishing between the Directors who serve as Audit &amp; Supervisory Committee members and other Directors.</u><br>2. <Omission of the provisions><br>3. <Omission of the provisions>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | (Selection of Directors)<br>Article 19<br>1. Directors shall be elected by resolution of the General Meeting of Shareholders.<br>2. <Unchanged><br>3. <Unchanged>                                                                                                                                                                           |
| (Term of Office of Directors)<br>Article 21<br>1. <u>The term of office of Directors, excluding those who serve as Audit &amp; Supervisory Committee members, shall end at the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within one (1) year from the appointment.</u><br>2. <u>The term of office of Directors who serve as Audit &amp; Supervisory Committee members shall end at the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within two (2) years from the appointment.</u><br>3. <u>If a Director who serves as an Audit &amp; Supervisory Committee member is appointed as an alternate to a Director who has served as an Audit &amp; Supervisory Committee member and retired prior to the expiration of his or her term of office, the term of office of the appointed Director shall end at the expiration of the term of office of his or her predecessor.</u><br>4. <u>The effective period of the resolution to appoint the Director who serves as an alternate Audit &amp; Supervisory Committee member appointed pursuant to the provisions of Article 329, Paragraph 3 of the Companies Act shall continue until the start of the Ordinary General Meeting of Shareholders held for the last business year ending within two (2) years from the appointment unless the period is shortened by the said resolution.</u> | (Term of Office of Directors)<br>Article 21<br>The term of office of Directors shall end at the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within one (1) year from the appointment.<br><br>(Deleted)<br><br>(Deleted)<br><br>(Deleted)                                           |
| (Representative Director and Directors with Special Titles)<br>Article 22<br>1. <u>The Company shall appoint a Representative Director by resolution of its Board of Directors.</u><br>2. <u>By resolution of the Board of Directors, the Company may appoint one Chairman of the Board, one President and Director, and a small number of senior advisors, vice presidents, senior managing directors, managing directors, and other executive directors.</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | (Deleted; Hereafter, the Article numbers will be moved up.)                                                                                                                                                                                                                                                                                 |
| (Performance of Duties)<br>Article 23<br>1. <u>The President and Director shall oversee the Company's business operations, and vice presidents, senior managing directors, managing directors, and other executive directors shall assist the Representative Director in the conduct of the Company's business.</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (Deleted)                                                                                                                                                                                                                                                                                                                                   |

| Current Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Proposed Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. <u>Should the President and Director be unable to act, another Director shall act on their behalf in the order previously determined at the Board of Directors.</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| (Convener of the Board of Directors and Chairman)<br><u>Article 24</u><br>1. Unless otherwise provided for in laws and regulations, the Board of Directors shall be convened and chaired by the <u>President and Director.</u><br>2. Should the President and Director be unable to act, another Director shall convene and chair the Board of Directors in the order previously determined at the Board of Directors.                                                                                                                                                                                                                                   | (Convener of the Board of Directors and Chairman)<br><u>Article 22</u><br>1. Unless otherwise provided for in laws and regulations, the Board of Directors shall be convened and chaired by a <u>Director in the order previously determined at the Board of Directors.</u><br>2. Should the <u>Director set forth in the previous item</u> be unable to act, another Director shall convene and chair the Board of Directors in the order previously determined at the Board of Directors. |
| <u>(Delegation of Authority to Directors for Making Decisions on Performance of Important Duties)</u><br><u>Article 27</u><br><u>The Company may delegate all or part of decisions to Directors regarding the performance of important duties (excluding those in Article 399-13, Paragraph 5 of the Companies Act) by resolution of the Board of Directors pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act.</u>                                                                                                                                                                                                          | (Deleted; Hereafter, the Article numbers will be moved up.)                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| (Remuneration, etc. for Directors)<br><u>Article 30</u><br>The remuneration, bonuses, and other economic benefits received by Directors <u>serving as Audit &amp; Supervisory Committee members and other Directors from the Company in consideration of their performance of their duties shall be determined separately</u> by resolution of the General Meeting of Shareholders.                                                                                                                                                                                                                                                                      | (Remuneration, etc. for Directors)<br><u>Article 27</u><br>The remuneration, bonuses, and other economic benefits received by Directors from the Company in consideration of their performance of their duties shall be determined by resolution of the <u>Remuneration Committee.</u>                                                                                                                                                                                                      |
| Chapter V:<br><u>Audit &amp; Supervisory Committee</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (Deleted; Hereafter, the Article numbers will be moved up.)                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <u>(Full-time Audit &amp; Supervisory Committee Members)</u><br><u>Article 32</u><br><u>The Audit &amp; Supervisory Committee shall elect full-time members by resolution from the members of the Directors serving as members of the Audit &amp; Supervisory Committee.</u>                                                                                                                                                                                                                                                                                                                                                                             | (Deleted)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <u>(Notice of Convocation of a Meeting of the Audit &amp; Supervisory Committee)</u><br><u>Article 33</u><br>1. <u>The notice of convocation of the Audit &amp; Supervisory Committee's meeting shall be issued to each Director serving as Audit &amp; Supervisory Committee member no later than three (3) days prior to the date of the meeting; provided, however, that this period may be reduced if necessary in an emergency.</u><br>2. <u>A meeting of the Audit &amp; Supervisory Committee may be held without the convocation procedure upon the unanimous consent of the Directors serving as Audit &amp; Supervisory Committee members.</u> | (Deleted)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <u>(Minutes of Meetings of the Audit &amp; Supervisory Committee)</u><br><u>Article 34</u><br><u>Proceedings of the Audit &amp; Supervisory Committee's meetings shall be recorded in minutes pursuant to the provisions of applicable laws and regulations.</u>                                                                                                                                                                                                                                                                                                                                                                                         | (Deleted)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <u>(Rules on Audit &amp; Supervisory Committee)</u><br><u>Article 35</u><br><u>Matters concerning the Audit &amp; Supervisory Committee shall be subject to the Regulations of the Audit &amp; Supervisory Committee established by the Audit &amp; Supervisory Committee in addition to those provided for in laws and regulations and these Articles of Incorporation.</u>                                                                                                                                                                                                                                                                             | (Deleted)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| (New provision)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <u>Chapter V:</u><br>Nominating Committee, etc.                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| (A new Article; Hereafter, the Article numbers will be moved down.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <u>(Selection Method for Committee Members)</u><br><u>Article 29</u>                                                                                                                                                                                                                                                                                                                                                                                                                        |

| Current Articles of Incorporation | Proposed Amendment                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                   | <u>Members of the Nominating Committee, Remuneration Committee, and Audit Committee shall be elected from among the Directors by resolution of the Board of Directors.</u>                                                                                                                                                                                                                                                              |
| (New provision)                   | <u>(Rules on Committees)</u><br><u>Article 30</u><br><u>Matters concerning the Nominating Committee, Remuneration Committee, and Audit Committee shall be subject to the Regulations of Each Committee established at the Board of Directors in addition to those provided for in laws and regulations and these Articles of Incorporation.</u>                                                                                         |
| (New provision)                   | <u>Chapter VI:</u><br><u>Executive Officers</u>                                                                                                                                                                                                                                                                                                                                                                                         |
| (New provision)                   | <u>(Selection of Executive Officers)</u><br><u>Article 31</u><br><u>Executive officers shall be elected by resolution of the Board of Directors.</u>                                                                                                                                                                                                                                                                                    |
| (New provision)                   | <u>(Term of Executive Officers)</u><br><u>Article 32</u><br><u>The term of office of executive officers shall end at the conclusion of the first meeting of the Board of Directors convened after the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within one (1) year from the appointment.</u>                                                                                |
| (New provision)                   | <u>(Representative Executive Officer and Executive Officers with Special Titles)</u><br><u>Article 33</u><br><u>1. The Company shall appoint a Representative Executive Officer from among its executive officers by resolution of its Board of Directors.</u><br><u>2. The Company may appoint a small number of executive officers with special titles from among its executive officers by resolution of the Board of Directors.</u> |
| (New provision)                   | <u>(Remuneration, etc. for Executive Officers)</u><br><u>Article 34</u><br><u>The remuneration, bonuses, and other economic benefits received by executive officers from the Company in consideration of their performance of their duties shall be determined by resolution of the Remuneration Committee.</u>                                                                                                                         |
| (New provision)                   | <u>(Exemption from Liability of Executive Officers)</u><br><u>Article 35</u><br><u>Pursuant to provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt, by a resolution of the Board of Directors, executive officers (including former executive officers) from liability for damages caused by neglecting their duties to the extent permitted by the applicable laws and regulations.</u>                |
| (New provision)                   | <u>(Rules on Executive Officers)</u><br><u>Article 36</u><br><u>Matters concerning executive officers shall be subject to the Regulations on Executive Officers established at the Board of Directors in addition to those provided for in laws and regulations and these Articles of Incorporation.</u>                                                                                                                                |



**Proposal 2: To Elect Thirteen (13) Directors**

Provided that Proposal 1 is approved as originally proposed, the Company will shift to becoming a Company with Nominating Committee, etc. Accordingly, the term of office of all Directors (11) will expire at the close of this General Meeting of Shareholders. At this juncture, we propose election of 13 Directors.

This proposal will become effective at the time Proposal 1 becomes effective.

The candidates for Directors are as follows:

| Candidate No. | Name              | Position in the Company               |                                        |
|---------------|-------------------|---------------------------------------|----------------------------------------|
| 1             | Takeshi Natsuno   | Representative Director and President | Reelection                             |
| 2             | Naohisa Yamashita | Representative Director               | Reelection                             |
| 3             | Shinobu Murakawa  | Director                              | Reelection                             |
| 4             | Noriko Kase       | Director                              | Reelection                             |
| 5             | Nobuo Kawakami    | Director                              | Reelection                             |
| 6             | Cindy Chou        | Director                              | Reelection                             |
| 7             | Hiroo Unoura      | Outside Director                      | Reelection<br>Outside<br>Independent   |
| 8             | Ruth Marie Jarman | Outside Director                      | Reelection<br>Outside<br>Independent   |
| 9             | Tadaaki Sugiyama  | –                                     | New election<br>Outside<br>Independent |
| 10            | Yu Sasamoto       | –                                     | New election<br>Outside<br>Independent |
| 11            | Akihiko Shiba     | –                                     | New election<br>Outside<br>Independent |
| 12            | Ayumi Uzawa       | –                                     | New election<br>Outside<br>Independent |
| 13            | David Macdonald   | –                                     | New election<br>Outside<br>Independent |

- Reelection Candidate for Director to be reelected
- New election Candidate for Director to be newly elected
- Outside Candidate for Outside Director
- Independent Independent officer as defined by the securities exchange

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Name (Date of birth)                | Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Number of the Company's shares held |
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| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Takeshi Natsuno<br>(March 17, 1965) | <p>April 1988: Joined Tokyo Gas Co., Ltd.<br/> June 1990: Director and Vice President of Hypernet Corporation<br/> September 1997: Joined NTT Mobile Network Inc. (present NTT DOCOMO, INC.)<br/> June 2005: Executive Director and General Manager of Multimedia Service Division of NTT DOCOMO, INC.<br/> May 2008: Guest Professor, Keio University Graduate School of Media and Governance<br/> June 2008: External Director of SEGA SAMMY HOLDINGS<br/> June 2008: Outside Director of transcosmos inc.<br/> December 2008: Director of DWANGO Co., Ltd.<br/> June 2009: Outside Director of DLE Inc.<br/> September 2009: Outside Director of GREE, Inc. (present)<br/> December 2010: Outside Director of U-NEXT Co., Ltd. (present USEN-NEXT HOLDINGS Co., Ltd.) (present)<br/> October 2014: Director of the Company<br/> June 2016: Outside Director (Audit and Supervisory Committee Member) of transcosmos inc. (present)<br/> August 2016: Outside Director of Oracle Corporation Japan (present)<br/> June 2017: Outside Director of AWS Holdings, Inc. (present Ubicom Holdings, Inc.)<br/> June 2017: Outside Director of Cool Japan Fund Inc.<br/> June 2018: Representative Director and Chairman of MOVIE WALKER Co., Ltd.<br/> October 2018: Director of BOOK WALKER Co., Ltd.<br/> November 2018: Director of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)<br/> February 2019: Representative Director and President of DWANGO Co., Ltd. (present)<br/> June 2019: Director of the Company<br/> April 2020: Guest Professor and Director, Kindai University Cyber Informatics Research Institute (present)<br/> June 2021: Representative Director and President of the Company (present)<br/> June 2022: Outside Director of HR Solutions Corporation (present) Chairman and Director of KADOKAWA WORLD ENTERTAINMENT, INC. (present)</p> | 183,700 shares                      |
| <p>[Reason for nominating Mr. Takeshi Natsuno as a candidate for Director]<br/> Mr. Takeshi Natsuno serves as Representative Director and President of the Company and DWANGO Co., Ltd., which is a subsidiary of the Company. In the current fiscal year, he played a central role in formulating measures to prevent recurrence based on the investigation report of the Corporate Governance Inspection Committee, which was established in light of the misconduct of several of the Company's officers and employees, and exercised strong leadership toward the restructuring of the Company's corporate governance. He has also served as an executive of many companies. It is proposed to elect him as a Director of the Company because the Company judges that he would perform his duties appropriately as a Director of the Company by leveraging his abundant experience and extensive knowledge gained as a corporate manager.<br/> [Attendance at the meetings of the Board of Directors during the current fiscal year]<br/> 18 of 18 (100%)</p> |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Name (Date of birth)                    | Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Number of the Company's shares held |
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| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Naohisa Yamashita<br>(February 9, 1958) | <p>January 1981: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>January 2007: Director of Kadokawa Shoten Publishing Co., Ltd.</p> <p>April 2007: Director of Kadokawa Production Inc.</p> <p>June 2007: Representative Director and President of Fujimi Shobo Co., Ltd.</p> <p>March 2008: Director of Chara-Ani Corporation</p> <p>April 2010: Representative Director and President of Kadokawa Gakugei Shuppan Publishing Co., Ltd.</p> <p>April 2010: Director of Kadokawa Media (TAIWAN) Co., Ltd.</p> <p>June 2012: Representative Director and Senior Managing Director of Kadokawa Shoten Co., Ltd.</p> <p>June 2012: Representative Director and President of KADOKAWA EDITORIAL CO., LTD. (present PERSOL MEDIA SWITCH CO., LTD.)</p> <p>December 2013: Director of Choubunsha Publishing Co., Ltd.</p> <p>July 2014: Representative Director and President of Kadokawa Book Navi Co.</p> <p>July 2014: Director of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>October 2015: Director of Building Book Center Co., Ltd.</p> <p>April 2016: Managing Executive Officer of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>July 2016: Director of BOOK WALKER Co., Ltd.</p> <p>July 2016: Director of EIGA WALKER INC. (present MOVIE WALKER Co., Ltd.)</p> <p>July 2017: Director of Gzbrain Inc. (present KADOKAWA Game Linkage Inc.)</p> <p>February 2019: Executive Officer of the Company</p> <p>April 2019: Managing Executive Officer and Head of Group Human Resources and General Affairs Headquarters of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>July 2019: Managing Executive Officer and Head of Group Human Resources and General Affairs Headquarters of the Company</p> <p>June 2020: Director of the Company</p> <p>June 2021: Representative Director of the Company (present)</p> | 36,022 shares                       |
| <p>[Reason for nominating Mr. Naohisa Yamashita as a candidate for Director]</p> <p>Mr. Naohisa Yamashita serves as Representative Director of the Company. In the current fiscal year, he played a central role in formulating measures to prevent recurrence based on the investigation report of the Corporate Governance Inspection Committee, which was established in light of the misconduct of several of the Company's officers and employees, and exercised strong leadership toward the restructuring of the Company's corporate governance. He also served as Director of the Company and its subsidiaries, thus, he is well versed in the business of the Company and its subsidiaries. It is proposed to elect him as a Director of the Company because the Company judges that he would perform his duties appropriately as a Director of the Company by leveraging his experience in personnel and general affairs and his abundant experience and extensive knowledge gained in the management of the Company and its subsidiaries.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>18 of 18 (100%)</p> |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Name (Date of birth)                   | Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Number of the Company's shares held |
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| 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Shinobu Murakawa<br>(October 14, 1964) | <p>October 1999: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>June 2012: Director of Kadokawa Shoten Co., Ltd.</p> <p>October 2013: Head of Fujimishobo BC, ECC Headquarters of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>April 2015: Senior Vice President of Sales Planning Department of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>April 2016: General Manager of Sales Planning Department and General Manager of Sales Department of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>June 2018: Director of Kadokawa Book Navi Co.</p> <p>October 2018: Director of BOOK WALKER Co., Ltd. (present)</p> <p>November 2018: Representative Director and President of Kadokawa Book Navi Co.</p> <p>November 2018: Director of Choubunsha Publishing Co., Ltd. (present)</p> <p>November 2018: Director of KADOKAWA GAME LINKAGE INC. (present)</p> <p>November 2018: Director of Building Book Center Co., Ltd.</p> <p>December 2018: Outside Director of MobileBook.jp Inc. (present)</p> <p>May 2019: Director of KADOKAWA KEY-PROCESS Co., Ltd. (present)</p> <p>July 2019: Director of KADOKAWA FUTURE PUBLISHING Co., Ltd. (present)</p> <p>July 2019: Deputy Head of Product Marketing Headquarters of the Company</p> <p>June 2021: Chief Operating Officer (COO) and General Manager of MD Business Promotion Office of the Company</p> <p>April 2022: Representative Director and President of Building Book Center Co., Ltd. (present)</p> <p>June 2022: Director and Executive Officer of the Company (present)</p> | 10,768 shares                       |
| <p>[Reason for nominating Mr. Shinobu Murakawa as a candidate for Director]</p> <p>Mr. Shinobu Murakawa serves as Director and Executive Officer of the Company. In addition to being active in various fields, including sales and marketing, he also served as Director of the Company and its subsidiaries, and thus he is well versed in the business of the Company and its subsidiaries. It is proposed to elect him as a Director of the Company because the Company judges that he would perform his duties appropriately as a Director of the Company by leveraging his abundant experience and extensive knowledge.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>15 of 15 (100%)</p> |                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Name (Date of birth)                  | Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of the Company's shares held |
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| 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Noriko Kase<br>(September 23, 1961)   | <p>April 1985: Joined ASCII Corporation</p> <p>April 2006: General Manager of Corporate Business Department of ASCII Corporation</p> <p>April 2017: Manager of 7th editorial division of KADOKAWA ASCII Mediaworks of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>April 2018: General Manager of ASCII Division of KADOKAWA ASCII Research Laboratories, Inc.</p> <p>July 2019: Chief Executive Officer of KADOKAWA ASCII Research Laboratories, Inc. (present)</p> <p>June 2020: Director of the Company (present)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 9,800 shares                        |
| <p>[Reason for nominating Ms. Noriko Kase as a candidate for Director]</p> <p>Ms. Noriko Kase serves as Director of the Company. She was also engaged in various fields including book editing and corporate marketing, and now serves as Chief Executive Officer of KADOKAWA ASCII Research Laboratories, Inc. It is proposed to elect her as a Director of the Company because the Company judges that she would perform her duties appropriately as a Director of the Company by leveraging her abundant experience and extensive knowledge.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>18 of 18 (100%)</p>    |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                     |
| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Nobuo Kawakami<br>(September 6, 1968) | <p>April 1991: Joined Software Japan Co., Ltd.</p> <p>August 1997: Representative Director and President of DWANGO Co., Ltd.</p> <p>September 2000: Representative Director and Chairman of DWANGO Co., Ltd.</p> <p>June 2006: Outside Director of Avex Group Holdings Inc.</p> <p>June 2011: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>June 2013: Managing Director of khara, Inc. (present)</p> <p>June 2014: Director of BOOK WALKER Co., Ltd.</p> <p>June 2014: Director of KADOKAWA ASCII Research Laboratories, Inc.</p> <p>October 2014: Representative Director and Chairman of the Company</p> <p>June 2015: Representative Director and President of the Company</p> <p>October 2016: Director of TECTECH Co., Ltd.</p> <p>July 2017: Director of Gzbrain Inc. (present KADOKAWA Game Linkage Inc.)</p> <p>December 2017: Director &amp; CTO of DWANGO Co., Ltd.</p> <p>February 2018: Director of vaka, Inc.</p> <p>February 2019: Advisor of DWANGO Co., Ltd. (present)</p> <p>February 2019: Director of the Company (present)</p> <p>October 2020: Director and Chairman of VirtualCast, Inc. (present)</p> <p>June 2022: Executive President of the Kadokawa Culture Promotion Foundation (present)</p> | 8,193,800 shares                    |
| <p>[Reason for nominating Mr. Nobuo Kawakami as a candidate for Director]</p> <p>Mr. Nobuo Kawakami serves as Director of the Company. He also established DWANGO Co., Ltd., which is a subsidiary of the Company, served as Representative Director of said company for years, and currently serves as its Adviser. It is proposed to elect him as a Director of the Company because the Company judges that he would perform his duties appropriately as a Director of the Company by leveraging his abundant experience and extensive knowledge.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>16 of 18 (89%)</p> |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Name (Date of birth)          | Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of the Company's shares held |
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| 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Cindy Chou<br>(July 10, 1977) | <p>July 2000: Joined EJ PR AGENCY Ltd.</p> <p>July 2003: Supervisor of Copyrights Division of KADOKAWA TAIWAN CORPORATION</p> <p>July 2008: In charge of Chinese Business Development of KADOKAWA HOLDINGS ASIA LTD.</p> <p>May 2011: General Manager of Digital Business Division of KADOKAWA TAIWAN CORPORATION</p> <p>March 2014: Representative of Singapore Office of KADOKAWA HOLDINGS ASIA LTD.</p> <p>April 2015: Senior Strategy Planner of DeNA China</p> <p>April 2016: Joined the Company</p> <p>April 2018: Manager of Business Strategy Section, Global Management Office, Global Business Division of the Company</p> <p>April 2018: Managing Director of J-GUIDE Marketing Co., Ltd. (present KADOKAWA Global Marketing Co., Ltd.)</p> <p>April 2021: Representative Director and President of J-GUIDE Marketing Co., Ltd. (present)</p> <p>June 2021: Director of the Company (present)</p> | 700 shares                          |
| <p>[Reason for nominating Ms. Cindy Chou as a candidate for Director]<br/> Ms. Cindy Chou serves as Director of the Company. In addition, she serves as Chief Executive Officer of KADOKAWA Global Marketing Co., Ltd., which is a subsidiary of the Company, and has intricate knowledge of overseas business operations through her experience at overseas companies, including overseas group companies of the Company. It is proposed to elect her as a Director of the Company because the Company judges that she would perform her duties appropriately as a Director of the Company by leveraging her abundant experience and extensive knowledge in the overseas business.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]<br/> 18 of 18 (100%)</p> |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Name (Date of birth)                | Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Number of the Company's shares held |
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| 7                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Hiroo Unoura<br>(January 13, 1949)  | <p>April 1973: Joined Nippon Telegraph and Telephone Public Corporation (present NIPPON TELEGRAPH AND TELEPHONE CORPORATION)</p> <p>June 2002: Senior Vice President and Director of Department I of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2005: Senior Vice President and Director of Department V of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2007: Executive Vice President, Director of the Corporate Strategy Planning Department, and Executive Manager of the Corporate Business Strategy Division of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2008: Senior Executive Vice President and Director of the Strategic Business Development Division of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2012: President and Chief Executive Officer Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2018: Advisor of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2019: Outside Director and Audit and Supervisory Committee Member of Mitsubishi Heavy Industries, Ltd. (present)</p> <p>June 2021: Outside Director of the Company (present)</p> <p>July 2021: Special Adviser of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (present)</p> | - shares                            |
| <p>[Reason for nominating Mr. Hiroo Unoura as a candidate for Outside Director and outline of expected role]</p> <p>Mr. Hiroo Unoura serves as Outside Director of the Company. It is proposed to elect Mr. Hiroo Unoura as an Outside Director of the Company because he has abundant expertise and experience as a top management executive active in cutting-edge fields, working on strengthening competitiveness and profitability of the domestic business as well as expanding the global business at NIPPON TELEGRAPH AND TELEPHONE CORPORATION, and is expected to use his broad experience and extensive knowledge as a corporate manager in the management of the Company. If Mr. Hiroo Unoura's appointment is approved, he is expected to be involved from an independent perspective as a member of the Nominating Committee and Remuneration Committee in the selection of Company officers' candidate and the determination of officer remuneration and other affairs.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>18 of 18 (100%)</p> |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                     |
| 8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Ruth Marie Jarman<br>(May 30, 1966) | <p>December 1988: Joined Recruit Co., Ltd.</p> <p>December 2000: Joined Space Design Inc.</p> <p>April 2008: Director of Space Design Inc.</p> <p>April 2012: Representative Director and President of Jarman International KK (present)</p> <p>June 2012: Director of HRM Association (present)</p> <p>June 2019: Outside Director of Fujibo Holdings, Inc. (present)</p> <p>June 2020: Outside Director of the Company (present)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | - shares                            |
| <p>[Reason for nominating Ms. Ruth Marie Jarman as a candidate for Outside Director and outline of expected role]</p> <p>Ms. Ruth Marie Jarman serves as Outside Director of the Company. She also founded and serves as CEO of Jarman International KK. It is proposed to elect Ms. Ruth Marie Jarman as an Outside Director because she is expected to use her abundant experience and extensive knowledge in global expansion, inbound businesses, and support for women's activities in the management of the Company. If Ms. Ruth Marie Jarman's appointment is approved, she is expected to be involved from an independent perspective as a member of the Nominating Committee and Remuneration Committee in the selection of Company officers' candidate and the determination of officer remuneration and other affairs.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>18 of 18 (100%)</p>                                                                                                                                                      |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Name (Date of birth)                 | Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Number of the Company's shares held |
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| 9                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Tadaaki Sugiyama<br>(March 30, 1958) | <p>April 1980: Joined Kao Soap Co., Ltd. (present Kao Corporation)</p> <p>March 2003: General Manager of Legal Affairs Department of Legal and Compliance of Kao Corporation</p> <p>June 2012: Executive Officer and Senior Vice President of Legal and Compliance of Kao Corporation</p> <p>March 2014: Executive Officer, Senior Vice President of Legal and Compliance and in charge of Enterprise Information Solutions of Kao Corporation</p> <p>March 2014: Director of Kanebo Cosmetics Inc.</p> <p>March 2014: Member of the Board of Kao USA Inc.</p> <p>March 2014: Supervisory Board Member of Kao Germany GmbH</p>                                 | - shares                            |
| <p>[Reason for nominating Mr. Tadaaki Sugiyama as a candidate for Outside Director and outline of expected role]</p> <p>Mr. Tadaaki Sugiyama has broad experience and extensive knowledge in the areas of legal affairs and compliance, having served for many years as the head of Legal and Compliance at Kao Corporation, and from 2011 to 2018 as the Chairman of the Association of Corporate Legal Departments, a corporate legal organization that currently has over 1,300 members. It is proposed to elect Mr. Tadaaki Sugiyama as an Outside Director because he is expected to use these knowledge in the management of the Company. If Mr. Tadaaki Sugiyama's appointment is approved, he is expected to be involved from an independent perspective as a member of the Nominating Committee and Audit Committee in the selection of the Company's officer candidates and strengthening of the audit function.</p>                     |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                     |
| 10                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Yu Sasamoto<br>(September 4, 1964)   | <p>April 1988: Joined Recruit Co., Ltd.</p> <p>December 2002: Representative Director, President and CEO of MTV Japan Inc. (currently Viacom Networks Japan, K.K.)</p> <p>January 2007: Executive Officer of Microsoft Corporation</p> <p>February 2009: Managing Executive Officer of Microsoft Corporation</p> <p>February 2014: Representative Director of Twitter Japan K.K.</p> <p>January 2017: Vice President in charge of Client Solutions Business of JPKR of Twitter, Inc.</p> <p>May 2021: Vice President in charge of Client Solutions Business of JAPAC of Twitter, Inc.</p> <p>June 2021: Outside Director of Sanrio Company, Ltd. (present)</p> | - shares                            |
| <p>[Reason for nominating Mr. Yu Sasamoto as a candidate for Outside Director and outline of expected role]</p> <p>Mr. Yu Sasamoto has abundant experience and extensive knowledge as a top management executive in various fields including IT and technology, having served as the Representative Director of Twitter Japan K.K. and the Vice President of JAPAC of Twitter, Inc., where he led the growth of Twitter's Japan and Asian businesses, and also having contributed to the growth of Microsoft Corporation's online business as Managing Executive Officer. It is proposed to elect Mr. Yu Sasamoto as an Outside Director because he is expected to use these knowledge in the management of the Company. If Mr. Yu Sasamoto's appointment is approved, he is expected to be involved from an independent perspective as a member of the Remuneration Committee in the determination of officer remuneration and other affairs.</p> |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                     |



| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Name (Date of birth)              | Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Number of the Company's shares held |
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| 11                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Akihiko Shiba<br>(March 30, 1967) | <p>April 1991: Joined National Police Agency</p> <p>October 2004: Registered as a member of Japan Federation Bar Associations</p> <p>October 2004: Joined T. Kunihiro &amp; Co., Attorneys-at-Law</p> <p>April 2010: Established Shiba Management Legal Office (present SHIBA &amp; TANAKA LAW OFFICES)</p> <p>May 2010: Outside Audit &amp; Supervisory Board Member of Fukuda Denshi Co., Ltd.</p> <p>June 2010: Outside Audit &amp; Supervisory Board Member of Prince Hotels Inc.</p> <p>June 2010: Outside Director of VeriServe Corporation</p> <p>June 2011: Outside Audit &amp; Supervisory Board Member of Okamoto Glass Co., Ltd.</p> <p>June 2013: Outside Statutory Auditor of AIRPORT FACILITIES CO., LTD. (present)</p> <p>December 2013: Outside Director of Minnano Wedding Co., Ltd. (present anymarry Co., Ltd.)</p> <p>June 2015: Outside Audit &amp; Supervisory Board Member of NH Foods Ltd. (present)</p> <p>March 2018: Audit &amp; Supervisory Board Member of Hokkaido Ballpark Co., Ltd.</p> <p>September 2021: Member of Compliance Committee of Digital Agency (present)</p>                                              | - shares                            |
| <p>[Reason for nominating Mr. Akihiko Shiba as a candidate for Outside Director and outline of expected role]</p> <p>It is proposed to elect Mr. Akihiko Shiba as an Outside Director because he has a high degree of professionalism in legal affairs as an attorney-at-law and has served as an Outside Director at a number of companies, and he is expected to use his abundant experience and extensive knowledge in fields such as legal affairs and governance in providing supervision and advice, etc. regarding the fulfillment of Directors' duties from an expert perspective. If Mr. Akihiko Shiba's appointment is approved, he is expected to be involved from an independent perspective as a member of the Audit Committee in strengthening of the audit function.</p>                                                     |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                     |
| 12                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Ayumi Uzawa<br>(June 21, 1967)    | <p>October 1990: Joined Asahi Shinwa Accounting Corporation (present KPMG AZSA LLC)</p> <p>August 1994: Registered as a certified public accountant</p> <p>August 1995: Joined Deloitte Touche Tohmatsu (present Deloitte Touche Tohmatsu LLC)</p> <p>April 1999: 2nd Investigation Division of Criminal Affairs Bureau of Metropolitan Police Department (Financial Investigator and Inspector)</p> <p>November 2004: Special Investigation Division of Secretariat of Securities and Exchange Surveillance Commission</p> <p>March 2011: Representative of Uzawa CPA Office (present)</p> <p>July 2011: Registered as a certified fraud examiner</p> <p>July 2011: Advisor of Financial and Securities Expert Committee of Supreme Public Prosecutors' Office (present)</p> <p>June 2012: Director of Japan Association of Certified Fraud Examiners</p> <p>June 2013: Outside Director of Meiji Machine Co., Ltd.</p> <p>December 2014: Outside Director of Japan Best Rescue System Co., Ltd.</p> <p>September 2016: Auditor of Aurora Debt Collection Co., Ltd. (present)</p> <p>June 2022: Outside Director of Toshiba Corporation (present)</p> | - shares                            |
| <p>[Reason for nominating Mr. Ayumi Uzawa as a candidate for Outside Director and outline of expected role]</p> <p>Mr. Ayumi Uzawa has a high degree of professionalism in finance and accounting as a certified public accountant and has served as an Outside Director or a third-party committee member at a number of companies. It is proposed to elect Mr. Ayumi Uzawa as an Outside Director because he is expected to use his abundant experience and extensive knowledge in fields such as finance and accounting, in providing supervision and advice, etc. regarding the fulfillment of Directors' duties from an expert perspective. If Mr. Ayumi Uzawa's appointment is approved, he is expected to be involved from an independent perspective as a member of the Audit Committee in strengthening of the audit function.</p> |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Name (Date of birth)                  | Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Number of the Company's shares held |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 13                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | David Macdonald<br>(February 6, 1973) | September 1999: Joined NTT DOCOMO, INC.<br>November 2004: Senior Manager in charge of Asia Pacific of Internet Group of The Walt Disney Company (Japan) Ltd.<br>April 2006: Director of Asia Pacific of Internet Group of The Walt Disney Company (Japan) Ltd.<br>February 2009: Supervisor of YouTube Online Sales & Operations of Google Japan G.K.<br>March 2018: General Manager of Discovery Japan KK<br>November 2018: Representative Director and President of Discovery Japan KK<br>March 2020: Representative Executive Officer and President of Discovery Japan GK<br>June 2022: Vice President and General Manager of Japan Network Business Department of Warner Bros. Discovery, Inc.<br>February 2023: CEO of DJMAC GK (present) | - shares                            |
| <p>[Reason for nominating Mr. David Macdonald as a candidate for Outside Director and outline of expected role]</p> <p>Mr. David Macdonald has broad experience and extensive knowledge in various fields that are closely related to the Company's business such as content creation, IT, and technology, having served as Representative Director and President of Discovery Japan KK, where he was involved in areas such as digitalization and new business development, as well as Supervisor of the YouTube Content Team of Google Japan G.K., where he promoted overseas business development. It is proposed to elect Mr. David Macdonald as an Outside Director because he is expected to use these knowledge in the management of the Company. If Mr. David Macdonald's appointment is approved, he is expected to be involved from an independent perspective as a member of the Remuneration Committee in the determination of officer remuneration and other affairs.</p> |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                     |

- Notes: 1. Of the candidates for Directors, seven (7) candidates, Mr. Hiroo Unoura, Ms. Ruth Marie Jarman, Mr. Tadaaki Sugiyama, Mr. Yu Sasamoto, Mr. Akihiko Shiba, Mr. Ayumi Uzawa and Mr. David Macdonald, are candidates for Outside Directors as defined in Article 2, paragraph 3, item 7 of the Regulations for Enforcement of the Companies Act.
2. Of the candidates for Directors, seven (7) candidates, Mr. Hiroo Unoura, Ms. Ruth Marie Jarman, Mr. Tadaaki Sugiyama, Mr. Yu Sasamoto, Mr. Akihiko Shiba, Mr. Ayumi Uzawa and Mr. David Macdonald, are candidates for independent officers whom Tokyo Stock Exchange Inc. requires us to appoint for the purpose of protecting general shareholders. In addition to criteria regulated by Tokyo Stock Exchange Inc., as standards on independence when appointing an independent officer, the Company places following criteria on transaction amounts, etc. for transactions, etc. between the Company and a counterpart.
- The candidate shall not fall under any of the following:
- 1) An entity where the Group is a business partner and its sales to the Group account for 2% or above of its consolidated net sales of any one of the three most recent fiscal years or a business executive thereof
  - 2) A business partner with the Group where sales of the Group to that entity account for 2% or above of the Company's consolidated net sales of any one of the three most recent fiscal years or a business executive thereof
  - 3) A business executive of a financial institution from which the Company has loaned a large sum of money (the loans account for 2% or above of the Company's consolidated total assets as of the end of the most recent fiscal year)
  - 4) A consultant, an expert in accounting, or a specialist in law who has earned from the Company a large sum of cash or other financial assets, other than in the form of compensation as director: for an individual, 10 million yen or above per year in the current and the previous three years; or for a corporation, 2% or above of total sales of the said corporation paid out as remuneration on average over the past three years (if the person who earns such assets is a company or organization, an individual who is a member of the company or organization)
  - 5) A business executive of an organization to which the Group has made a donation exceeding a total sum of the greater of 10 million yen per year or 2% of annual aggregate revenue of the organization in any one of the three most recent fiscal years
  - 6) A person who is or has been an Independent Auditor of the Group (for a company, an individual who is or has been in charge of the audit of the Group) in the current and the previous three years

- 7) A person who owns, directly or indirectly, 10% or above of the total of voting rights of the Company (for a company, a business executive thereof)
3. Candidate for Director Mr. Nobuo Kawakami serves as Executive President of the Kadokawa Culture Promotion Foundation, whose business relationship with the Company includes such items as leasing of land and offices, supply of products, payment of outsourcing, and payment of financial assistance.  
There are no special interests between the candidates for Director and the Company.
4. The Company has entered into an agreement limiting the liabilities for damages with the candidates for Outside Director Mr. Hiroo Unoura and Ms. Ruth Marie Jarman pursuant to the provisions of Article 427, paragraph 1 of the Companies Act. The limited amount of liabilities for damages under the agreement is the minimum liability amount set forth in laws and regulations. If the reelection of Mr. Hiroo Unoura and Ms. Ruth Marie Jarman is approved, the Company plans to renew the aforementioned agreements with them.  
If the appointments of candidates for Outside Director Mr. Tadaaki Sugiyama, Mr. Yu Sasamoto, Mr. Akihiko Shiba, Mr. Ayumi Uzawa, and Mr. David Macdonald are approved, the Company intends to enter into similar agreement with them.
5. The Company has entered into a contract of directors and officers liability insurance with an insurance company pursuant to the provisions of Article 430-3, paragraph 1 of the Companies Act. The details of the aforementioned insurance are as stated on "Status of Company Officers, "Outline, etc. of details of directors and officers liability insurance contract" of the Business Report. If the appointment of the candidates for Director is approved, they will be included as insured persons covered by the aforementioned insurance contract. The Company will renew the aforementioned insurance contract with the same content at the time of next renewal.
6. Of the candidates for Director, Mr. Hiroo Unoura and Ms. Ruth Marie Jarman are currently Outside Directors of the Company. Their respective terms of office as Outside Directors at the close of this General Meeting of Shareholders are as follows.  
Mr. Hiroo Unoura                      2 years  
Ms. Ruth Marie Jarman              3 years
7. Of the candidates for Directors, Mr. Hiroo Unoura and Ms. Ruth Marie Jarman were serving as Outside Directors during the period from August to October 2022 when the Company was investigated by the Tokyo District Public Prosecutors Office regarding the selection process of sponsors for the Tokyo 2020 Olympic and Paralympic Games, and several of the Company's officers and employees were arrested and indicted on suspicion of bribery. Mr. Hiroo Unoura and Ms. Ruth Marie Jarman were not aware of the fact until this matter came to light, but they supervised the effectiveness of compliance at the Board of Directors and other meetings since before such occurrence of the matter. In addition, Mr. Hiroo Unoura has fulfilled his duties as a member of the Corporate Governance Inspection Committee and the Management Reform Promotion Committee, and Ms. Ruth Marie Jarman has fulfilled her duties as a member of the Corporate Governance Inspection Committee, through working to probe into the cause and prevent recurrence, etc.

<Reference: Planned Committee Composition>

If Proposal 1 "To Amend the Articles of Incorporation" and Proposal 2 "To Elect Thirteen (13) Directors" are approved, the composition of the committees will be as follows.

| Candidate No. | Name              | Nominating Committee | Remuneration Committee | Audit Committee |
|---------------|-------------------|----------------------|------------------------|-----------------|
| 7             | Hiroo Unoura      | ○                    | ○                      |                 |
| 8             | Ruth Marie Jarman | ○                    | ○                      |                 |
| 9             | Tadaaki Sugiyama  | ○                    |                        | ○               |
| 10            | Yu Sasamoto       |                      | ○                      |                 |
| 11            | Akihiko Shiba     |                      |                        | ○               |
| 12            | Ayumi Uzawa       |                      |                        | ○               |
| 13            | David Macdonald   |                      | ○                      |                 |

(Reference) Skills Matrix of the Board of Directors after the General Meeting of Shareholders

The Company advocates a "global media mix with technology" as the basic policy in its Mid-term Plan that combines the stable creation of intellectual property (IP) consisting of a variety of portfolio content including Publication, Movie, Anime, Game, and User Generated Content (UGC) as well as the rollout of this IP on a global scale through the extended use of technology. Given the above, in selecting Directors, candidates shall be considered based on those with business experience closely related to the basic policy of the Company's Mid-term Plan or with knowledge of governance to prevent recurrence of corporate misconduct, and the overall composition shall be balanced, with diversity, expertise, and knowledge. In terms of the procedure for selecting Directors, the Nomination and Evaluation Remuneration Committee shall issue reports on each candidate for determination at the Board of Directors.

Provided that Proposal 2 is approved as originally proposed, the skills matrix of the Board of Directors will be as follows.

|                   | Corporate management | Contents creation | Sales Marketing | IT Technology | Finance Accounting | Legal affairs Governance | Human affairs Human resources development | International experience | Other industries Diversity |
|-------------------|----------------------|-------------------|-----------------|---------------|--------------------|--------------------------|-------------------------------------------|--------------------------|----------------------------|
| Takeshi Natsuno   | •                    |                   |                 | •             |                    |                          |                                           | •                        | •                          |
| Naohisa Yamashita | •                    | •                 | •               |               |                    |                          | •                                         |                          |                            |
| Shinobu Murakawa  |                      | •                 | •               |               |                    |                          |                                           |                          |                            |
| Noriko Kase       | •                    | •                 | •               |               |                    |                          |                                           |                          |                            |
| Nobuo Kawakami    | •                    | •                 | •               | •             |                    |                          |                                           |                          |                            |
| Cindy Chou        |                      |                   | •               |               |                    |                          |                                           | •                        |                            |
| Hiroo Unoura      | •                    |                   |                 |               | •                  |                          | •                                         |                          | •                          |
| Ruth Marie Jarman | •                    |                   | •               |               |                    |                          |                                           | •                        | •                          |
| Tadaaki Sugiyama  |                      |                   |                 |               |                    | •                        |                                           |                          | •                          |
| Yu Sasamoto       | •                    |                   | •               | •             |                    |                          |                                           | •                        |                            |
| Akihiko Shiba     |                      |                   |                 |               |                    | •                        |                                           |                          | •                          |
| Ayumi Uzawa       |                      |                   |                 |               | •                  | •                        |                                           |                          | •                          |
| David Macdonald   | •                    | •                 |                 | •             |                    |                          |                                           | •                        |                            |