

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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Securities Code: 9468

May 31, 2021

To Our Shareholders

Masaki Matsubara  
Representative Director and President  
**KADOKAWA CORPORATION**  
13-3, 2-chome, Fujimi, Chiyoda-ku, Tokyo

## NOTICE OF THE 7TH GENERAL MEETING OF SHAREHOLDERS

To the Shareholders of KADOKAWA CORPORATION (the "Company")

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

We hereby announce our 7th General Meeting of Shareholders.

**In order to prevent the spread of the novel coronavirus disease (COVID-19), we strongly request all shareholders to refrain from attending this year's meeting in person regardless of their health condition, and to exercise their voting rights in advance 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" hereinafter described, indicate your approval or disapproval for the proposal on the enclosed voting rights exercise form, paste the enclosed protective seal on the voting rights exercise form and mail it back to us by 6:30 p.m., Monday, June 21, 2021 (JST) or access the website for the exercise of voting rights (<https://www.web54.net>) from a personal computer, mobile phone or smartphone and enter your approval or disapproval for the proposal by 6:30 p.m., Monday, June 21, 2021 (JST).**

Very truly yours,

### Details

- 1. Date:** 10:00 a.m. on Tuesday, June 22, 2021  
(The reception of participants in the meeting will begin at 9:00 a.m.)
- 2. Place:** Japan Pavilion Hall A, Tokorozawa Sakura Town  
31-3 Higashi-Tokorozawa Wada 3-chome, Tokorozawa-shi, Saitama  
Please note that the location has changed from the previous meeting.
- 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 and Supervisory Board for the 7th fiscal year (from April 1, 2020 to March 31, 2021)
  2. Presentation of the Non-consolidated Financial Statements for the 7th fiscal year (from April 1, 2020 to March 31, 2021)

**Proposals to be acted upon:**

**Proposal 1:** To Elect Twelve (12) Directors

**Proposal 2:** To Elect One (1) Substitute Audit and Supervisory Board Member

**No offering of souvenirs**

**Due to various circumstances, starting from the previous General Meeting of Shareholders, we have not offered souvenirs that had been provided to the shareholders attending the General Meetings of Shareholders until the year before last year. We would appreciate your understanding.**

**\*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)."**

**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. The same will apply if you exercise your voting rights more than once by a personal computer and/or a smartphone: only the last vote will be counted.
- (3) Reason for changing the location of the General Meeting of Shareholders  
Tokorozawa Sakura Town was opened, and thus we have decided to hold the meeting at a facility of the Company.

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- ◎ If you attend the meeting in person, please present the enclosed voting rights exercise form at the reception desk upon your arrival. For the purpose of saving resources, please be sure to bring this notice with you.
  - ◎ Any changes in the Reference Materials on the General Meeting of Shareholders, Business Report, or consolidated or non-consolidated financial statements will be reported on the Company's website (<https://ir.kadokawa.co.jp/ir/stock.php>).
  - ◎ 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. With respect to countermeasures against COVID-19, please refer to the enclosed leaflet for more information.]**

## **(Attached Documents)**

### **Business Report**

[From April 1, 2020 to March 31, 2021]

## **1. Overview of Business**

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

The Group advocates a "global media mix" as its fundamental strategy, combining the stable creation of intellectual property (IP), consisting of a variety of portfolios through books, movies, animation, games and user generated content (UGC) platforms, with the rollout of such IP on a global scale, seeking to achieve sustainable growth and enhance corporate value over the medium to long-term.

During the current fiscal year, net sales totaled 209,947 million yen, up 2.6% year on year, operating profit was 13,625 million yen, up 68.5% year on year, ordinary profit came to 14,369 million yen, up 63.5% year on year, and profit attributable to owners of parent came to 9,584 million yen, up 18.4% year on year.

The performance of each business segment for the current fiscal year is as follows: In line with the positioning of growth business areas in the mid-term management policy, the Company has changed the method of presenting its segments by dividing the "Video and Game Business" segment into the "Video Business" and the "Game Business" from the current fiscal year.

[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 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 Group's growth.

During the period under review, in addition to rising demand for books in general, maintenance of the number of new titles at the year-ago level despite the COVID-19 pandemic and significant improvement of the returns rate also contributed to revenue. Furthermore, new titles that sold well included "Delicious in Dungeon, Vol. 9" (comic), "Ayakashi Zoshi Mishimaya Hencho Hyaku Monogatari Go no Tsuzuki," "Aokute Itakute Moroi" (regular paperback), "Animal Crossing: New Horizons - The Complete Guide," and "Sekaiichi oishī tenuki gohan Saisoku! Yaruki no iranai 100 reshipi" (general book).

Meanwhile, e-books and e-magazines both remained strong, recording an all-time high in net sales on a quarterly basis in the fourth quarter as in the third quarter due to aggressive marketing activities in addition to overall market growth.

Consequently, net sales in the Publication Business segment came to 129,576 million yen, up 10.5% year on year, with operating profit of 12,841 million yen, up 105.5% year on year.

To further reduce returns and manufacturing costs and increase profitability, part of 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 also preparing to put logistics facilities into operation in the future.

#### [Video Business]

The Video Business includes planning, production and distribution of movies, video distribution licensing, and sales of package software.

During the period under review, in addition to international licensing revenue from anime titles such as "Re:ZERO -Starting Life in Another World-," "Higurashi: When They Cry - GOU," "DECA-DENCE," and "Kuma Kuma Kuma Bear," domestic licensing in conjunction with online games distributed by other providers using the IP of the Company, such as "SWORD ART ONLINE - Alicization- War of Underworld" and "God's Blessing on This Wonderful World! Fantastic Days," continued to contribute to profits. However, movie theater-related businesses, such as movie distribution, "Movieticket," an electronic ticket service for movie theaters, and studio operation business were affected by restrictions on the number of seats and shorter operating hours at movie theaters due to the COVID-19 pandemic.

Consequently, net sales in the Video Business segment came to 31,314 million yen, down 8.2% year on year, with operating profit of 2,274 million yen, up 7.1% year on year.

#### [Game Business]

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

During the period under review, revenues were supported by repeat sales and overseas licensing of "Pokémon Mystery Dungeon: Rescue Team DX," "SEKIRO: SHADOWS DIE TWICE" and the "DARK SOULS" series as well as joint and commissioned development businesses.

Consequently, net sales in the Game Business segment came to 16,636 million yen, up 16.9% year on year, with operating profit of 2,744 million yen, up 114.6% year on year.

#### [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 1.53 million as of the end of March 2021, falling from 1.63 million at the end of March 2020. However, the Company maintained revenue at the level of the previous year by focusing on diversifying revenue including working to expand pay as you go revenue and by increasing the number of paying members of the "Niconico Channel," a platform providing video, broadcasts and blogs to 1.19 million at the end of March 2021, up from 1.17 million at the end of March 2020. In terms of planning and running various events, "Niconico Cho kaigi," which was scheduled to take place in April, and "Animelo Summer Live," one of the world's largest anison live event scheduled to be held in August, were cancelled as in-person events in light of the COVID-19 pandemic. Instead, the Company hosted "Niconico Net Chokaigi 2020," "Niconico Net Chokaigi 2020 Summer Edition" and "Animelo Summer Night in Billboard Live" as online events, all of which were well received.

Consequently, net sales in the Web Service Business segment came to 22,008 million yen, down 11.0% year on year, with operating profit of 2,096 million yen, down 24.8% year on year.

[Others]

Other Businesses refer to the education business the MD business with planning and sales of character goods and CDs with event tickets, and other businesses.

The MD business saw a decline in sales, reflecting a delay in the timing of launches amid the COVID-19 pandemic. However, the education business continued to perform strongly thanks to steady growth in students enrolled in N High School, a correspondence high school via the Internet and the contribution of DWANGO Co., Ltd., which provides educational contents to N High School. In addition, Tokorozawa Sakura Town, which includes the Kadokawa Culture Museum, an anime hotel, event spaces, shopping and restaurant areas and other retail facilities, had its grand opening on November 6. This had a positive effect on sales.

Consequently, net sales in this segment totaled 17,463 million yen, down 10.4% year on year, with an operating loss of 4,491 million yen (2,583 million yen operating loss in the previous fiscal year).

## (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 19,647 million yen. The main capital investments by business segment are listed below.

Business segment	Amount	Description
Publication Business	6,415 million yen	Construction of a book production and distribution base and extension of functionality for own e-book site, etc.
Video Business	285	System development for extension of functionality of Movieticket, etc.
Game Business	309	Development expenses of game applications, purchase of facilities and equipment for development, etc.
Web Service Business	—	
Others	3,146	Construction of new business facilities at Tokorozawa Sakura Town and school operational equipment for the education business, etc.
Group Overall (in common)	9,490	Construction of Tokorozawa Campus, acquisition of part of KADOKAWA Headquarter Building and its adjacent area, etc.
Total	19,647	

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, 2021)

Regarding Tokorozawa Sakura Town (Tokorozawa-shi, Saitama), which was in the planning stage as of the end of the previous fiscal year, in the current fiscal year, the office (Tokorozawa Campus) and the retail facilities, etc. had their grand opening. Regarding the book production and distribution base, preparations toward its operational launch are proceeding. Out of a budgeted investment of 19,100 million yen, payment of 15,249 million yen including construction work expenses for purchase of the book production equipment and building, etc. was made.

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

- 1) In the current fiscal year, 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) In the current fiscal year, the Company raised 10,000 million yen by issuing common shares through a third-party allocation, dated February 19, 2021, to CyberAgent, Inc. and Sony Corporation (present Sony Group Corporation) with the aim of creating, developing and acquiring new IPs as well as maximizing use of existing IPs.

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

Looking at the market conditions that affect the Group's operations, the pace of contraction of the paper-based publishing market has slowed recently and a tendency for sales growth at regional and suburban book stores can also be seen. There are circumstances that will require the closure of theaters, seating limitations or event cancellations due to the COVID-19 pandemic. However, worldwide demand for content is on the rise, the Company's content library itself has received renewed recognition, and the ways to enjoy engaging with others, primarily through content such as online games and online live events, are expanding. In light of these changes in the business environment, the Company believes it will be important to further enhance its ability to create IP.

Through DX (Digital Transformation), ABW (Activity Based Working), and other work style reforms, which the Company has been implementing for some time, the Company will pursue efficient business operations, increasing the percentage of staff working at home, except in the studio management business and the commercial facility operation business. Quickly grasping changes in the environment, the Company will continue making the digital shift in its business and implementing its global media mix strategy in a bid to maximize IP value and continually expand its operations.

On October 1, 2020, the Group abolished its business division system consisting of six business divisions and reorganized its business operations into 13 groups according to mission, with a CO (Chief Officer) overseeing each group, in order to speed up the decision-making process.

The status and challenges by business segment are as follows.

##### **[Publication Business]**

The Group will continue to work on robust IP creation, while strengthening cross-media strategies and further improving the merchandise return rate.

The Company is cultivating new authors and is also focusing on discovering original works, accelerating support for the creation of originals through "KAKUYOMU" and "Mahou no i land," websites for posting novels, which show continued growth in the number of posts and users. The Company is continuously promoting digital editing, and has established an agile organizational structure that enables rapid commercialization in response to changes in the market.

The Company will seek to optimize the number of copies produced and thereby minimize the number of copies returned through meticulous marketing using its sales strength to maximize earnings.

At a state-of-the-art manufacturing and logistics plant that will commence operations in stages from the fiscal year ending March 31, 2022, we will achieve timely production and timely delivery in small quantities while reducing manufacturing costs and improving the returns rate. We will deal with the logistics issues that the industry faces and will increase profitability over the medium to long term.

In the magazine business, we are incorporating Internet media and changing the business model. Advertising revenue has grown with an increase in page views and the percentage of actual sales of magazines has improved thanks to promotions using social media. The Company will promote digital media and will strive to improve profitability, leveraging the expertise and resources that it has developed.

In the e-books business, the Company plans to increase revenue by rolling out a unique added value

strategy on the electronic book delivery platform "BOOK☆WALKER," including various campaigns and original benefits. It will also step up overseas distribution of text contents using J-Novel Club LLC, which joined the Group in April 2021, as a starting point, and develop a new global market for comic content including vertical scrolling manga.

The Company also intends to pursue promotions using video and audio distribution services such as YouTube and Podcasts, the distribution of content to other sites, tie-ups with other platforms such as dmagazine, as well e-book subscription services, aiming to make the joys of e-books available to readers around the world.

#### [Video Business]

In the Video Business, the Company will continue to promote a media mix, primarily movies and animations, leveraging the strength it derives from the original works it owns. The Company will retain the function of producing animations and a product lineup of high-quality works and will focus on selling rights in Japan and overseas markets as well as on the growing video distribution business to continue to increase revenue. In video production and distribution, the Company will promote co-production with overseas companies in response to growth in the global Internet distribution market. Considering changes in the ways videos are viewed after the COVID-19 pandemic, the Company will also consider a new framework for distribution.

#### [Game Business]

In the Game Business, the Group will continue to engage in the original development of series, contract development for other companies, and joint software planning and development with other companies that possess high-quality content. The Company will work with partner companies to strengthen anime-inspired mobile games and release new games for personal computers, smartphones and game consoles, among other devices.

#### [Web Service Business]

The Group will provide unique and attractive service content in the Web Service Business by employing innovative ideas and a high level of network technical capabilities.

In the Portal Business, the Group will seek to improve its revenue structure by accelerating the process of selection and concentration in "Niconico" and will increase the number of paying members by expanding the content of the "Niconico Channel."

In live events, the Company plans to hold "Niconico Net Chokaigi," one of Japan's largest online festivals primarily for Niconico users, from April through May 2021. The Group has not been able to plan real-world events yet, but will make proposals on how new events should be held and enjoyed.

In the mobile business, the Group will control costs for "dwango.jp," a music distribution service, to maintain high profit margins and continue to generate a profit.

#### [Others]

In other businesses, with a rising number of students enrolling in N High School, a correspondence high school via the Internet, and newly established S High School, the business of providing educational content to both schools is growing, and the Company aims to expand revenue by continuing to provide more value-added content in the future.

Meanwhile, alongside the implementation of appropriate measures to prevent the spread of COVID-



19, the Company will seek to generate revenue from Tokorozawa Sakura Town, which includes the Kadokawa Culture Museum, an anime hotel, event spaces, restaurant areas and other retail facilities and had its grand opening on November 6, 2020.

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

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

Division	4th fiscal year (ended in March 2018)	5th fiscal year (ended in March 2019)	6th fiscal year (ended in March 2020)	7th fiscal year (current fiscal year) (ended in March 2021)
Net sales (million yen)	206,785	208,605	204,653	209,947
Ordinary profit (million yen)	3,716	4,205	8,787	14,369
Profit (loss) attributable to owners of parent (million yen)	1,038	(4,085)	8,098	9,584
Basic earnings (loss) per share (yen)	15.53	(63.94)	130.12	154.84
Total assets (million yen)	239,881	240,072	242,995	269,648
Net assets (million yen)	109,128	103,411	107,375	129,524
Net assets per share (yen)	1,629.37	1,602.08	1,711.55	1,975.66

Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) was adopted from the beginning of the 5th fiscal year and the said accounting standards are applied retroactively to calculate the amount of total assets for the 4th fiscal year.

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

Division	4th fiscal year (ended in March 2018)	5th fiscal year (ended in March 2019)	6th fiscal year (ended in March 2020)	7th fiscal year (current fiscal year) (ended in March 2021)
Operating revenue / Net sales (million yen)	6,855	5,738	84,049	119,821
Ordinary profit (loss) (million yen)	1,635	1,591	(249)	6,098
Profit (loss) (million yen)	1,643	(17,681)	23,828	4,151
Basic earnings (loss) per share (yen)	24.38	(273.96)	382.86	67.07
Total assets (million yen)	107,674	89,788	210,479	238,143
Net assets (million yen)	80,336	57,532	79,275	96,401
Net assets per share (yen)	1,208.83	909.52	1,288.52	1,495.63

Notes: 1. In the 4th fiscal year, as of July 3, 2017, certain business operations of the Company were taken over by the consolidated subsidiary Gzbrain Inc. (present KADOKAWA Game Linkage Inc.) which was newly established through a company split, and it transitioned from an operating holding company structure to a pure holding company structure.

2. In comparison with the figures of the 5th fiscal year, the Company's assets along with its profit and loss in the 6th fiscal year varied substantially. This is a result of the Company having 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.

## (6) Status of Important Subsidiaries

Company name	Capital stock (million yen)	Company's ratio of voting rights (%)	Principal business
DWANGO Co., Ltd.	100	100.0	Web Service Business, etc.
BOOK WALKER Co., Ltd.	100	100.0	Publication Business
Building Book Center Co., Ltd.	100	100.0	Publication Business
KADOKAWA ASCII Research Laboratories, Inc.	85	100.0	Publication Business
Kadokawa Media House Inc.	100	100.0	Publication Business
Mainichi ga Hakken Inc.	100	80.0	Publication Business
KADOKAWA DAIEI STUDIO CO., LTD.	100	100.0	Video Business
Glovision Inc.	30	100.0	Video Business
MOVIE WALKER Co., Ltd.	100	87.9	Video Business
FromSoftware, Inc.	268	100.0	Game Business
Kadokawa Games, Ltd.	335	82.6	Game Business
Spike Chunsoft Co., Ltd.	480	100.0	Game Business
Vantan Inc.	90	100.0	Others
KADOKAWA Game Linkage Inc.	100	100.0	Publication Business, etc.
Chara-Ani Corporation	465	77.2	Others
KADOKAWA Connected Inc.	50	100.0	Others
KADOKAWA HOLDINGS ASIA LTD.	206 (million HK dollars)	100.0	Others
GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD.	30 (million RMB)	48.5	Publication Business
KADOKAWA TAIWAN CORPORATION	158 (million NT dollars)	91.4	Publication Business
KADOKAWA PICTURES AMERICA, INC.	35 (million US dollars)	100.0	Video Business
YEN PRESS, LLC	4 (million US dollars)	51.0	Publication Business

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

2. 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.

3. In line with the positioning of growth business areas in the mid-term management policy, the Company has changed the method of presenting its segments by dividing the Video and Game Business segment into the Video Business and the Game Business from 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, 2021)**

Business category	Principal business
Publication Business	Publishing and sales of books, etc.
	Publishing and sales of e-books and e-magazines, etc.
	Publishing of magazines, sales of magazine and web advertising, etc.
Video Business	Granting of video streaming rights and other rights, sales of video software packages, planning, production and distribution of movies, etc.
Game Business	Planning, development, and sales of game software and online games, etc.
Web Service Business	(Portal) Operation of video community services, etc.
	(Live) Planning and operation of various events, etc.
	(Mobile) Distribution of mobile contents, etc.
Others	Planning and operation of education businesses, etc., planning and sales of animation character merchandise, sales of CDs with event tickets, planning and operation of inbound-related businesses, etc., design, building and operation of systems, etc.

**(9) Principal Offices and Plants (as of March 31, 2021)**

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, 2021)****1) Employees in the Group**

Business segment	Number of employees	
Publication Business	2,130	(1,254)
Video Business	422	(205)
Game Business	509	(100)
Web Service Business	682	(70)
Others	756	(281)
Group Overall (in common)	411	(252)
Total	4,910	(2,162)

- 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
1,710 (891) persons	42.2 years of age	1.6 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, 2021)**

Lender	Amount borrowed (million yen)
Mizuho Bank, Ltd.	24,062
Sumitomo Mitsui Banking Corporation	20,134
MUFG Bank, Ltd.	9,000
Resona Bank, Limited	8,000
Saitama Resona Bank, Limited	4,000

## 2. Status of the Company

### (1) Status of Shares (as of March 31, 2021)

- 1) Number of shares authorized to be issued by the Company: 260,000,000 shares
- 2) Number of outstanding shares: 70,892,060 shares  
(including treasury shares 5,092,566 shares)
- 3) Number of shareholders: 30,345 persons
- 4) Major shareholders (top ten)

Name	Number of shares held (thousand shares)	Ratio of equity participation (%)
KSD-NH (Permanent Agent: Citibank, N.A., Tokyo Branch Securities Operations)	5,891	8.95
Nobuo Kawakami	4,504	6.85
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,082	6.20
Custody Bank of Japan, Ltd. (Trust Account)	3,506	5.33
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	2,040	3.10
Nippon Life Insurance Co. (Permanent Agent: The Master Trust Bank of Japan, Ltd.)	1,714	2.61
BANDAI NAMCO Holdings Inc.	1,530	2.33
CyberAgent, Inc.	1,422	2.16
Sony Corporation	1,422	2.16
KOREA SECURITIES DEPOSITORY-SAMSUNG (Permanent Agent: Citibank, N.A., Tokyo Branch Securities Operations)	1,415	2.15

- Notes:
1. The Company holds treasury shares of 5,092 thousand shares, which are excluded from the above list of major shareholders. Treasury shares (5,092 thousand shares) do not include 921 thousand shares held by Sumitomo Mitsui Trust Bank, Limited (Trust Account E) as trust assets of the share-based compensation plan for directors of the Company and its consolidated subsidiaries, as well as the ESOP for the employees. Nor do they include the 422 thousand shares held by Custody Bank of Japan, Ltd. (Trust Account).
  2. The treasury shares are excluded in the calculation of the ratio of equity participation shown above.
  3. The Company canceled treasury shares of 2,844,950 shares on February 19, 2021 in accordance with the resolution of an extraordinary meeting of the Board of Directors held on February 4, 2021.
  4. On April 1, 2021, Sony Corporation changed its trade name to Sony Group Corporation.

- 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 officers
Directors excluding outside directors	17,533 shares	2 persons
Outside directors	—	—
Audit and Supervisory Board Members	—	—

Note: Shares are delivered based on the Company's share-based compensation plan presented on page 21 of the Business Report.

### (2) Status of Subscription Rights to Shares, etc. (as of March 31, 2021)

Not applicable.

### (3) Status of Company Officers

#### 1) Directors and Audit and Supervisory Board Members (as of March 31, 2021)

Position in the Company	Name	Responsibilities and important concurrent positions in other companies
Chairman of the Board	Tsuguhiko Kadokawa	Executive Chairman Executive President of the Kadokawa Culture Promotion Foundation President of Anime Tourism Association
Representative Director and President	Masaki Matsubara	Chief Executive
Representative Director	Shinichiro Inoue	Executive Officer Chief Anime Officer
Director	Takeshi Natsuno	Executive Officer Chief Digital Officer Guest Professor, Keio University Graduate School of Media and Governance External Director of SEGA SAMMY HOLDINGS Outside Director of transcosmos inc. Outside Director of GREE, Inc. Outside Director of USEN-NEXT HOLDINGS Co., Ltd. Outside Director of Oracle Corporation Japan Representative Director and Chairman of MOVIE WALKER Co., Ltd. Representative Director and President of DWANGO Co., Ltd.
Director	Naohisa Yamashita	Executive Officer Chief Human Resources Officer Chief Literature & Movie Officer
Director	Yoichi Yasumoto	Executive Officer Chief Financial Officer
Director	Noriko Kase	Representative Director and President of KADOKAWA ASCII Research Laboratories, Inc.
Director	Nobuo Kawakami	Advisor of DWANGO Co., Ltd.
Director	Takeo Takasu	Outside Director of Bell-Park Co., Ltd. Outside Director of HOYA CORPORATION
Director	Tomoyuki Moriizumi	
Director	Koji Funatsu	Representative Director, Chairman and CEO of transcosmos inc. Outside Director of DeNA Co., Ltd.
Director	Ruth Marie Jarman	Representative Director and President of Jarman International KK Outside Director of Fujibo Holdings, Inc.
Standing Audit and Supervisory Board Member	Yasuaki Takayama	
Standing Audit and Supervisory Board Member	Akira Watanabe	
Audit and Supervisory Board Member	Akira Watanabe	Lawyer of Comm&Path Law Office Director of ASIA PILE HOLDINGS CORPORATION Outside Director of Maeda Road Construction Co., Ltd Outside Director of Leopalace21 Corporation
Audit and Supervisory Board Member	Maoko Kikuchi	Outside Director of Hitachi Construction Machinery Co., Ltd. Outside Director of MITSUI-SOKO HOLDINGS Co., Ltd.

Notes: 1. Directors Mr. Takeo Takasu, Mr. Tomoyuki Moriizumi, Mr. Koji Funatsu and Ms. Ruth Marie Jarman are the

Outside Directors as provided for in Article 2, item 15 of the Companies Act.

2. Audit and Supervisory Board Members Mr. Akira Watanabe and Ms. Maoko Kikuchi are the Outside Audit and Supervisory Board Members as provided for in Article 2, item 16 of the Companies Act.
3. Audit and Supervisory Board Member Mr. Yasuaki Takayama has a qualification of the certified public accountant, and Audit and Supervisory Board Member Mr. Akira Watanabe has a qualification of the certified tax accountant, both of whom have a considerable degree of knowledge on financial and accounting matters.
4. At the 6th General Meeting of Shareholders held on June 19, 2020, Mr. Naohisa Yamashita, Ms. Noriko Kase and Ms. Ruth Marie Jarman were elected and assumed office as Directors. At the said General Meeting of Shareholders, Ms. Maoko Kikuchi was elected and assumed office as an Audit and Supervisory Board Member.
5. At the conclusion of the 6th General Meeting of Shareholders held on June 19, 2020, Mr. Masami Nitta resigned from his position as an Audit and Supervisory Board Member.
6. Audit and Supervisory Board Member Mr. Akira Watanabe assumed office as an Outside Director of Leoplace21 Corporation, effective July 22, 2020.
7. Audit and Supervisory Board Member Ms. Maoko Kikuchi assumed office as an Outside Director of Hitachi Construction Machinery Co., Ltd., effective July 20, 2020. In addition, she retired from the position of Outside Audit & Supervisory Board Member of MITSUI-SOKO HOLDINGS Co., Ltd. and assumed office as an Outside Director of the said company effective June 24, 2020.
8. Changes in Directors' titles and responsibilities during the current fiscal year were as follows.

Name	Before change	After change	Date of change
Shinichiro Inoue	Representative Director and Deputy President Deputy Chief Executive Supervising Group IP Business	Representative Director and Executive Officer Chief Anime Officer	October 1, 2020
Takeshi Natsuno	Director and Senior Managing Executive Officer Head of Digital Business Headquarters	Director and Executive Officer Chief Digital Officer	October 1, 2020
Naohisa Yamashita	Director and Managing Executive Officer Head of Group Human Resources and General Affairs Headquarters	Director and Executive Officer Chief Human Resources Officer and Chief Literature & Movie Officer	October 1, 2020
Yoichi Yasumoto	Director and Managing Executive Officer Head of Corporate Planning Headquarters	Director and Executive Officer Chief Financial Officer	October 1, 2020

## 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 and Outside Audit and Supervisory Board Members 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 all Directors and also all Audit and Supervisory Board Members 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
		Monetary compensation		Non-monetary compensation, etc.	
		Fixed compensation (million yen)	Variable compensation (million yen)	Share-based compensation (million yen)	
Directors (of whom outside directors)	382 (37)	226 (37)	126 (-)	30 (-)	15 (5)
Audit and Supervisory Board Members (of whom outside audit and supervisory board members)	53 (16)	53 (16)	- (-)	- (-)	5 (3)
Total	436	279	126	30	20

- Notes: 1. The above numbers include three directors (of whom one is an outside director) and one audit and supervisory board member (an outside audit and supervisory board member) who left office at the close of the 6th General Meeting of Shareholders held on June 19, 2020.
2. The above amounts indicate the share-based compensation for the fiscal year ended March 31, 2020, which was paid in the current fiscal year. The amount of share-based compensation for the fiscal year ended March 31, 2021 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, 2020) that were used as evaluation indicators, which are consolidated net sales of 204,653 million yen and consolidated operating profit of 8,087 million yen. Furthermore, the degree of achievement for each department was approximately 80% to 120%.

#### 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 should be up to 400 million yen (provided that this

amount does not include the employee salary portion) a year.

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 number of directors (of whom three were outside directors) was 11 at the close of the General Meeting of Shareholders.

The 5th General Meeting of Shareholders held on June 20, 2019 resolved that the total amount of compensation for the 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.

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 February 25, 2021 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 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 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 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 base amount for calculating shares to be delivered to directors is resolved at the Board of Directors' meeting every May. Then, the Nomination and Evaluation Remuneration Committee determines the individual amounts of share-based compensation to be granted.

If the delivery of share-based compensation is determined, shares are delivered once a year after a General Meeting of Shareholders.

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 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

The Board of Directors resolves to entrust the determination of compensation, etc. for directors 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 and a representative director 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 (four) and a 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: Takeo Takasu

Members: Tomoyuki Moriizumi, Koji Funatsu, Ruth Marie Jarman  
Tsuguhiko Kadokawa, Masaki Matsubara, Shinichiro Inoue

(Positions and responsibilities of each member are as stated in "1) Directors and Audit and Supervisory Board Members.")

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

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. The insurance covers 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 Takeo Takasu	Outside Director of Bell-Park Co., Ltd. Outside Director of HOYA CORPORATION
Director Tomoyuki Moriizumi	—
Director Koji Funatsu	Representative Director, Chairman and CEO of transcosmos inc. Outside Director of DeNA Co., Ltd.
Director Ruth Marie Jarman	Representative Director and President of Jarman International KK Outside Director of Fujibo Holdings, Inc.
Audit and Supervisory Board Member Akira Watanabe	Lawyer of Comm&Path Law Office Director of ASIA PILE HOLDINGS CORPORATION Outside Director of Maeda Road Construction Co., Ltd Outside Director of Leoplace21 Corporation
Audit and Supervisory Board Member Maoko Kikuchi	Outside Director of Hitachi Construction Machinery Co., Ltd. Outside Director of MITSUI-SOKO HOLDINGS Co., Ltd.

Notes: 1. The Company reported six (6) Directors, Mr. Takeo Takasu, Mr. Tomoyuki Moriizumi, Mr. Koji Funatsu and Ms. Ruth Marie Jarman, and Audit and Supervisory Board Members Mr. Akira Watanabe and Ms. Maoko Kikuchi to Tokyo Stock Exchange Inc. as the 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 major business partner (an entity where its sales to the Group account for 2% or above of its consolidated sales of any one of the three most recent fiscal years) or a business executive thereof
  - 2) A major business partner with the Group (an entity where sales of the Group to that entity account for 2% or above of the Company's consolidated 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 less than 0.04% 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 the companies 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 and Supervisory Board

	Board meetings		Audit and Supervisory Board meetings	
	Attendance	Percentage of attendance	Attendance	Percentage of attendance
Director Takeo Takasu	15 of 15 meetings held	100%	—	—
Director Tomoyuki Moriizumi	15 of 15 meetings held	100%	—	—
Director Koji Funatsu	15 of 15 meetings held	100%	—	—
Director Ruth Marie Jarman	12 of 12 meetings held	100%	—	—
Audit and Supervisory Board Member Akira Watanabe	13 of 15 meetings held	87%	14 of 17 meetings held	82%
Audit and Supervisory Board Member Maoko Kikuchi	12 of 12 meetings held	100%	14 of 14 meetings held	100%

Notes: 1. In the current fiscal year, a total of 15 meetings of the Board of Directors (12 regular and 3 extraordinary meetings) were held. In the current fiscal year, a total of 17 meetings of the Audit and Supervisory Board were held.

2. Director Ms. Ruth Marie Jarman and Audit and Supervisory Board Member Ms. Maoko Kikuchi were newly appointed at the 6th General Meeting of Shareholders held on June 19, 2020, and therefore the number of Board of Directors' meetings held and the Audit and Supervisory Board meetings held that they participated in is different from that of other outside officers.

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

- Director Mr. Takeo Takasu expressed his opinions making the most of his broad experience and extensive knowledge from the perspective of a corporate manager well versed in entertainment business. 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 Mr. Tomoyuki Moriizumi expressed his opinions 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. As a member of the Nomination and Evaluation Remuneration Committee, he 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 Mr. Koji Funatsu expressed his opinions making the most of his broad experience and extensive knowledge based on his expertise in the IT fields and from the perspective of a corporate manager. As a member of the Nomination and Evaluation Remuneration Committee, he 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 Ms. Ruth Marie Jarman expressed her opinions 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.
- Audit and Supervisory Board Member Mr. Akira Watanabe gave advice and made

proposals on compliance, etc., mainly from the specialist viewpoint of an attorney-at-law.

- Audit and Supervisory Board Member Ms. Maoko Kikuchi is qualified as an attorney-at-law of Japan and the State of New York in the U.S., has a high degree of professionalism in legal matters and corporate governance, based on her experience in corporate legal affairs and serving as a member of the Public Prosecutors Office and the Japan Fair Trade Commission and a full-time Audit & Supervisory Board Member, and gave advice and made proposals.

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

1) Name: Ernst & Young ShinNihon LLC

Note: Deloitte Touche Tohmatsu LLC, which was the Company's Independent Auditor, retired from the Company as of the conclusion of the 6th General Meeting of Shareholders held on June 19, 2020.

2) Amount of compensation, etc.

	Deloitte Touche Tohmatsu LLC	Ernst & Young ShinNihon LLC
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	–	96 million yen
Total amount of compensation, etc., to be paid by the Company for services other than duties as set forth in Article 2, paragraph 1 of the Certified Public Accountant Law	1 million yen	–
Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Independent Auditor	1 million yen	96 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 and Supervisory Board performed the necessary examinations including those on the contents of the Independent Auditor's audit plan, performance of accounting audits, and appropriateness of the basis for calculating estimated remuneration, and agreed the compensation, etc. to be paid to the Independent Auditor.
3. Of the Company's important subsidiaries, KADOKAWA TAIWAN CORPORATION, KADOKAWA HOLDINGS ASIA LTD., and GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD. are audited by auditing firms, which are located on-site, other than the Company's Independent Auditor.

3) Description of non-auditing duties

The Company continues to consign duties, which are services other than duties as set forth in Article 2, paragraph 1 of the Certified Public Accountant Law (non-auditing duties) to Deloitte Touche Tohmatsu LLC in connection with the changeover of Independent Auditor.

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

If Audit and Supervisory Board considers that the Independent Auditor comes under any of the items of Article 340, paragraph 1 of the Companies Act, the Board will dismiss the Independent Auditor based on the consent of all the Audit and Supervisory Board Members. In this case, an Audit and Supervisory Board Member selected by the Audit and Supervisory Board will report the fact that the Independent Auditor was dismissed and the reasons for such dismissal at the first General Meeting of Shareholders held after such dismissal.

In addition to the case mentioned above, if it is considered that, due to the occurrence of any event that would damage the quality control, independence or specialty of the Independent Auditor, it would be difficult for the Independent Auditor to perform his/her audit tasks, the Audit and Supervisory Board will decide a proposal for dismissal or non-reappointment of the Independent Auditor, and the Board of Directors will, at this determination, present the said proposal to the General Meeting of Shareholders.



5) Outline of the agreement for limitation of liability

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

6) 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 November 26, 2020).

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 employee who is to assist the Audit and Supervisory Board Members of the Company, matters regarding the securing of the independence of such employee from Directors of the Company and the effectiveness of instruction given by the Company's Audit and Supervisory Board Members to the employee
- a. The Company will, at the request of the Audit and Supervisory Board, appoint an employee who assists the Audit and Supervisory Board Members with their duties and should gain the consent of the Audit and Supervisory Board for the appointment and relocation of such employee.
  - b. An employee who assists the Audit and Supervisory Board Members with their duties performs his/her duties of assisting the Audit and Supervisory Board Members under their direction. The efficiency rating of such employee should be made by listening to the opinions of the Audit and Supervisory Board Members.
- 7) Systems for reporting to the Audit and Supervisory Board Members of the Company and other systems for ensuring that the audit by the Audit and Supervisory Board Members is conducted effectively
- a. In addition to important business matters determined by methods other than a Board resolution, Directors, Audit and Supervisory Board Members and employees of the Company and its subsidiaries shall report to the Company's Audit and Supervisory Board Members the

findings of internal audits and the status of the internal compliance hotline directly or through meetings with Audit and Supervisory Board Members.

- b. The Audit and Supervisory Board Members 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 disadvantageously based on the fact that they have made such reports to Audit and Supervisory Board Members.
- d. The Company allocates a budget that covers expenses incurred for audits performed by Audit and Supervisory Board Members so as to ensure the effectiveness of the audit.

Note: The most recently revised item is 6) a. The revision was made to improve the agility of securing an employee who assists the Audit and Supervisory Board Members with their duties.

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 multiple internal compliance hotlines which enlist involvement of outside attorneys, 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 15 meetings of the Board of Directors (12 regular and 3 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 employee who is to assist the Audit and Supervisory Board Members of the Company, matters regarding the securing of the independence of such employee from Directors of the Company and the effectiveness of instruction given by the Company's Audit and Supervisory Board Members to the employee

The Company has decided that when an employee who assists the Audit and Supervisory Board Members with their duties is appointed, the direction and the evaluation of such employee should be made by the Audit and Supervisory Board Members to secure the assistant's independence from Directors. At present, there is one assistant supporting the Audit and Supervisory Board Members.

- 7) Systems for reporting to the Audit and Supervisory Board Members of the Company and other systems for ensuring that the audit by the Audit and Supervisory Board Members is conducted effectively
  - a. Audit and Supervisory Board Members attend meetings of the Board of Directors and other important meetings including regular meetings with Directors, and receive reports from them. The Company established the structure which enables Audit and Supervisory Board Members to appropriately obtain necessary information pertaining to the Company and its subsidiaries through inspections of important documents and other means.
  - b. The Group shall ensure that anyone who reports to Audit and Supervisory Board Members is not treated unfavorably.
  - c. The Company set the budget for expenses required for audits by Audit and Supervisory Board Members.

## **(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.

Therefore, while recognizing that the return of profits to shareholders is an important management issue, the Company will make a comprehensive judgment that takes into consideration the operating results of each fiscal year.

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.

The Company plans to pay a dividend of 50 yen per share for the fiscal year ended March 31, 2021, an increase of 10 yen from the 30 yen per share of the previous fiscal year plus a dividend of 10 yen to commemorate the Company's 75th anniversary. The Company's dividend forecast for the fiscal year ending March 31, 2022 is 50 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, 2021)

Item	Amount	Item	Amount
(Assets)	Millions of yen	(Liabilities)	Millions of yen
<b>Current assets</b>	<b>153,904</b>	<b>Current liabilities</b>	<b>79,347</b>
Cash and deposits	79,042	Notes and accounts payable - trade	25,266
Notes and accounts receivable - trade	42,648	Short-term loans payable	459
Inventories	20,757	Current portion of long-term loans payable	10,000
Prepaid expenses	1,385	Accounts payable - other	9,676
Deposits paid	4,129	Income taxes payable	3,173
Other	6,739	Advances received	11,362
Allowance for doubtful accounts	(799)	Deposits received	3,832
<b>Non-current assets</b>	<b>115,744</b>	Provision for bonuses	4,154
<b>Property, plant and equipment</b>	<b>72,161</b>	Provision for point card certificates	268
Buildings and structures	29,854	Provision for sales returns	6,490
Machinery and equipment	884	Provision for stock benefits	312
Tools, furniture and fixtures	2,600	Provision for stock benefits for directors	522
Land	26,011	Other	3,826
Construction in progress	12,571	<b>Non-current liabilities</b>	<b>60,776</b>
Other	240	Long-term loans payable	55,000
<b>Intangible assets</b>	<b>6,971</b>	Deferred tax liabilities	615
Software	5,161	Net defined benefit liability	3,686
Goodwill	362	Other	1,474
Other	1,447	<b>Total liabilities</b>	<b>140,123</b>
<b>Investments and other assets</b>	<b>36,610</b>	<b>(Net assets)</b>	
Investment securities	29,671	<b>Shareholders' equity</b>	<b>117,719</b>
Net defined benefit asset	47	<b>Capital stock</b>	<b>25,624</b>
Deferred tax assets	1,204	<b>Capital surplus</b>	<b>44,821</b>
Insurance funds	2,139	<b>Retained earnings</b>	<b>56,215</b>
Guarantee deposits	3,016	<b>Treasury shares</b>	<b>(8,943)</b>
Other	822	<b>Accumulated other comprehensive income</b>	<b>9,622</b>
Allowance for doubtful accounts	(290)	<b>Valuation difference on available-for-sale securities</b>	<b>8,751</b>
		<b>Foreign currency translation adjustment</b>	<b>445</b>
		<b>Remeasurements of defined benefit plans</b>	<b>425</b>
		<b>Non-controlling interests</b>	<b>2,182</b>
		<b>Total net assets</b>	<b>129,524</b>
<b>Total assets</b>	<b>269,648</b>	<b>Total liabilities and net assets</b>	<b>269,648</b>

## **Consolidated Statement of Income**

(April 1, 2020 through March 31, 2021)

Item	Amount	
	Millions of yen	Millions of yen
<b>Net sales</b>		<b>209,947</b>
<b>Cost of sales</b>		<b>136,256</b>
<b>Gross profit</b>		<b>73,690</b>
<b>Selling, general and administrative expenses</b>		<b>60,065</b>
<b>Operating profit</b>		<b>13,625</b>
<b>Non-operating income</b>		
Interest income	154	
Dividend income	443	
Foreign exchange gains	19	
Gain on sales of goods	60	
Other	319	997
<b>Non-operating expenses</b>		
Interest expenses	103	
Share of loss of entities accounted for using equity method	86	
Share issuance costs	44	
Other	19	252
<b>Ordinary profit</b>		<b>14,369</b>
<b>Extraordinary income</b>		
Gain on change in equity	14	
Gain on sales of non-current assets	184	
Gain on sales of investment securities	11	
Gain on sales of investments in capital of subsidiaries and associates	695	905
<b>Extraordinary losses</b>		
Impairment loss	30	
Loss on retirement of non-current assets	186	
Loss on valuation of investment securities	233	
Business structure improvement expenses	544	
Other	24	1,018
<b>Profit before income taxes</b>		<b>14,256</b>
Income taxes - current	4,859	
Income taxes - deferred	(113)	4,745
<b>Profit</b>		<b>9,511</b>
Loss attributable to non-controlling interests		73
<b>Profit attributable to owners of parent</b>		<b>9,584</b>



## **Consolidated Statement of Changes in Equity**

(April 1, 2020 through March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	20,625	43,799	48,519	(13,045)	99,898
Changes of items during period					
Issuance of new shares	4,999	4,999			9,999
Dividends of surplus			(1,888)		(1,888)
Profit attributable to owners of parent			9,584		9,584
Purchase of treasury shares				(15)	(15)
Cancellation of treasury shares		(3,973)		3,973	—
Disposal of treasury shares				143	143
Other		(3)			(3)
Net changes of items other than shareholders' equity					
Total changes of items during period	4,999	1,022	7,696	4,102	17,821
Balance at end of current period	25,624	44,821	56,215	(8,943)	117,719

	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 current period	4,013	708	681	5,403	2,072	107,375
Changes of items during period						
Issuance of new shares						9,999
Dividends of surplus						(1,888)
Profit attributable to owners of parent						9,584
Purchase of treasury shares						(15)
Cancellation of treasury shares						—
Disposal of treasury shares						143
Other						(3)
Net changes of items other than shareholders' equity	4,737	(262)	(256)	4,218	109	4,328
Total changes of items during period	4,737	(262)	(256)	4,218	109	22,149
Balance at end of current period	8,751	445	425	9,622	2,182	129,524

## **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: 52**

Names of major consolidated subsidiaries

DWANGO Co., Ltd.

BOOK WALKER Co., Ltd.

Building Book Center Co., Ltd.

KADOKAWA ASCII Research Laboratories, Inc.

Kadokawa Media House Inc.

Mainichi ga Hakken Inc.

KADOKAWA DAIEI STUDIO CO., LTD.

Glovision Inc.

MOVIE WALKER Co., Ltd.

FromSoftware, Inc.

Kadokawa Games, Ltd.

Spike Chunsoft Co., Ltd.

Vantan Inc.

KADOKAWA Game Linkage Inc.

Chara-Ani Corporation

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 PICTURES AMERICA, INC. (Delaware, U.S.)

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

Gotcha Gotcha Games Inc. was included in the scope of consolidation because it was newly founded in the current fiscal year.

Virtual Cast, Inc., which had been a company accounted for by the equity method in the previous fiscal year, was included in the scope of consolidation because of an increase of significance.

K's Lab Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, was excluded from the scope of consolidation accompanied by its liquidation.

The Company's ratio of equity participation in KADOKAWA Contents Academy Co., Ltd., which had been a consolidated subsidiary in the previous fiscal year, has decreased due to capital increase through a third-party allocation of shares. Accordingly, this company and its three subsidiaries have been excluded from the scope of consolidation.

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

Major non-consolidated subsidiaries

There are no major non-consolidated subsidiaries which require disclosure in the consolidated financial statements.

(Reason for exclusion from the scope of consolidation)

The companies are excluded from the scope of consolidation as their business sizes are small and their total assets, net sales, profit (amount corresponding to shares owned by the Company) and retained earnings (amount corresponding to shares owned by the Company) do not have a material impact on the consolidated financial statements.

## 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.

The Company's ratio of equity participation in KADOKAWA Contents Academy Co., Ltd., which had been a consolidated subsidiary in the previous fiscal year, has decreased due to capital increase through a third-party allocation of shares. Accordingly, this company and its three subsidiaries have been included in the scope of associated companies accounted for by the equity method.

HEMISPHERE MOTION PICTURE PARTNERS I, LLC and HEMISPHERE MOTION PICTURE PARTNERS II, LLC, which had been associated companies accounted for by the equity method in the previous fiscal year, were excluded from the scope of equity method companies accompanied by the sale of the equity interests.

### (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, 2021.

### (3) Non-consolidated subsidiaries and associated companies that are not accounted for by the equity method

Names of major companies

There are no major non-consolidated subsidiaries or associated companies which require disclosure in the consolidated financial statements.

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

Non-consolidated subsidiaries and 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 non-consolidated subsidiaries and 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 32 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 18 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

Marketable securities classified as available-for-sale securities

Fair value method based on market price as of the fiscal year end (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.)

Non-marketable securities classified as available-for-sale securities

Cost method based on 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 point card certificates

In order to prepare for expenses resulting from customer utilization of points that are issued free of charge, the amount calculated at such future expense rate is recorded for the estimated points to be used in the next fiscal year onward.

4) Provision for sales returns

In order to prepare for returned publications, a provision is recorded based on an estimated amount calculated using historical rates of returns. The provision is deducted from net sales, and the corresponding cost is recorded in finished goods.

5) Provision for stock benefits

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.

6) Provision for stock benefits for directors

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) 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 defined 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 equally over a certain period (5 years) within the average remaining service period of employees from the fiscal year next 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) Accounting of consumption taxes, etc.

Consumption taxes are excluded from the consolidated statement of income.

5) Application of consolidated taxation system

The consolidated taxation system was applied from the current fiscal year.

6) Treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

With regard to the transition to the group tax sharing system established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was revised in line with the transition to the group tax sharing system, pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, issued on March 31, 2020), the Company and certain domestic consolidated subsidiaries did not apply the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, issued on February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the revision.

**[Significant accounting estimates]**

(Provision for sales returns)

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 within a limited period agreed beforehand with them.

In order to prepare for returned publications, a provision is 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 provision for sales returns recorded in the consolidated balance sheet at the end of the current fiscal year was 6,490 million yen.

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

1) Calculation method and significant assumptions used for calculation

Provision for sales returns is 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 a return acceptance period agreed upon with major agencies and bookstores. The calculation is based on the assumption that returns will occur during that period.

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 the provision for sales returns, 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 provision for sales returns 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 presentation]**

(Application of the "Accounting Standard for Disclosure of Accounting Estimates")

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) was applied in the consolidated financial statements at the end of the current fiscal year, and notes to significant accounting estimates are provided in the consolidated financial statements.

#### **[Additional information]**

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

The Company and certain consolidated subsidiaries 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 acquires 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 acquire 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 443 million yen and 274 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, acquires 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 1,663 million yen and 1,069 thousand shares, respectively.

(Accounting estimates associated with the spread of COVID-19)

The spread of COVID-19 is continuing to cause reduced operating times, etc. However, as it is difficult to forecast the timing of the end of the pandemic, accounting estimates concerning judgments of the recoverability of deferred tax assets and determination of impairment losses are using the assumption that those impacts will continue to exist for a certain period of time. The Group judges that there is no significant impact on accounting estimates for the fiscal year under review.



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

1. Accumulated depreciation of property, plant and equipment 16,807 million yen

2. Assets pledged as collateral

Cash and deposits

22 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.

**[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 (Note 1)	70,892,060 shares	2,844,950 shares	2,844,950 shares	70,892,060 shares
(Treasury shares)				
Common shares (Note 2)	9,367,523 shares	5,297 shares	2,936,502 shares	6,436,318 shares

Notes: 1. The number of shares increased in issued shares under common shares is 2,844,950 shares in connection with the issuance of shares through a third-party allocation of shares.

The number of shares decreased in issued shares under common shares is 2,844,950 shares due to the retirement of treasury shares.

2. The number of shares increased in treasury shares under common shares is 5,297 shares due to purchase of shares representing less than one unit.

The number of shares decreased in treasury shares under common shares is 2,844,950 shares due to the retirement of treasury shares and the delivery of 91,552 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 1,343,752 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 28, 2020	Common shares	1,888	30	March 31, 2020	June 22, 2020

Note: The total amount of dividends paid under the resolution of the Board of Directors held on May 28, 2020 included dividends of 43 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 27, 2021	Common shares	Retained earnings	3,289	50	March 31, 2021	June 23, 2021

Note: The total amount of dividends paid under the resolution of the Board of Directors held on May 27, 2021 included dividends of 67 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.

The Group's policy is to invest temporary surplus funds in safe financial assets and to not use them for any speculative purposes.

(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, corporate bonds and lease obligations 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

(a) 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.

(b) 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.

For derivative transactions, the finance department executes and manages the transactions with the approval of the person responsible for decision-making in accordance with internal rules that

define provisions, such as the authority to conduct transactions and the transaction limit.

(c) 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 include values based on market prices and reasonably calculated values when there are no market prices. As such values 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. Those financial instruments whose fair values are extremely difficult to determine are excluded from the table (refer to Note 2).

(Millions of yen)

	Amounts stated in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	79,042	79,042	—
(2) Notes and accounts receivable - trade	42,648	42,648	—
(3) Deposits paid	4,129	4,129	—
(4) Investment securities	21,753	21,753	—
Total assets	147,573	147,573	—
(1) Notes and accounts payable - trade	25,266	25,266	—
(2) Short-term loans payable	459	459	—
(3) Accounts payable - other	9,676	9,676	—
(4) Income taxes payable	3,173	3,173	—
(5) Deposits received	3,832	3,832	—
(6) Long-term loans payable (including current portion)	65,000	64,925	(74)
Total liabilities	107,409	107,334	(74)

Notes: 1. Methods for calculating the fair values of financial instruments and matters regarding securities

### Assets

- (1) Cash and deposits; (2) Notes and accounts receivable - trade; (3) 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, they are stated using such book value.

- (4) Investment securities While the fair values of stocks, etc., are stated using the quoted price on the stock exchange, the bonds are stated using either the quoted price on the stock exchange or the price presented by financial institutions, etc.

### Liabilities

- (1) Notes and accounts payable - trade; (2) Short-term loans payable; (3) Accounts payable - other; (4)

Income taxes payable; (5) 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, they are stated using such book value.

- (6) Long-term loans payable (including current portion) Fair value is calculated using the present value of the total amount of principal and interest discounted by interest rate that would be charged for a new similar borrowing.

## 2. Carrying amounts of financial instruments whose fair values cannot be reliably determined

(Millions of yen)

Classification	Amount stated in the consolidated balance sheet
Non-listed shares	7,911
Limited partnerships for investment	6

As these instruments have no quoted price and the fair value is not readily available, they are not included in the above table.

Non-listed shares include non-consolidated subsidiaries' and associated companies' shares of 3,793 million yen.

3. 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	78,880	—	—	—
Notes and accounts receivable - trade	42,648	—	—	—
Deposits paid	4,129	—	—	—
Total	125,657	—	—	—

4. Repayment schedule for short-term loans payable and long-term loans payable 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
Short-term loans payable	459	—	—	—	—	—
Long-term loans payable (including current portion)	10,000	—	40,000	—	15,000	—
Total	10,459	—	40,000	—	15,000	—

**[Per share information]**

- |                             |              |
|-----------------------------|--------------|
| 1. Net assets per share     | 1,975.66 yen |
| 2. Basic earnings per share | 154.84 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 (1,343 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 basic earnings per share, the said shares are included in treasury shares (1,375 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]**

Not applicable.

**[Other notes]****1. Consolidated Statement of Income****(1) Gain on sales of investments in capital of subsidiaries and associates**

The description of gain on sales of investments in capital of subsidiaries and associates recorded as extraordinary income was due to the transfer of the equity interests of HEMISPHERE MOTION PICTURE PARTNERS I, LLC and HEMISPHERE MOTION PICTURE PARTNERS II, LLC, which had been associated companies accounted for by the equity method.

**(2) Business structure improvement expenses**

The description of business structure improvement expenses recorded under extraordinary losses were losses on withdrawal from unprofitable businesses and penalties, etc. on cancellation of rental contracts following the spread of COVID-19.

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

## **Non-consolidated Balance Sheet**

(As of March 31, 2021)

Item	Amount	Item	Amount
(Assets)	Millions of yen	(Liabilities)	Millions of yen
<b>Current assets</b>	<b>122,961</b>	<b>Current liabilities</b>	<b>81,847</b>
Cash and deposits	70,305	Notes payable - trade	4,673
Notes receivable - trade	2,127	Accounts payable - trade	15,586
Accounts receivable - trade	28,399	Advances received	770
Inventories	14,497	Accounts payable - other	6,634
Prepaid expenses	290	Income taxes payable	2,119
Accounts receivable - other	4,106	Deposits received	42,926
Consumption taxes receivable	1,266	Provision for bonuses	2,574
Other	2,675	Provision for sales returns	5,222
Allowance for doubtful accounts	(707)	Provision for stock benefits	227
<b>Non-current assets</b>	<b>115,181</b>	Provision for stock benefits for directors	348
<b>Property, plant and equipment</b>	<b>57,891</b>	Other	763
Buildings	25,025	<b>Non-current liabilities</b>	<b>59,893</b>
Structures	352	Long-term loans payable	55,000
Machinery and equipment	779	Deferred tax liabilities	776
Tools, furniture and fixtures	1,449	Provision for retirement benefits	3,305
Land	17,714	Other	811
Construction in progress	12,571	<b>Total liabilities</b>	<b>141,741</b>
Other	0		
<b>Intangible assets</b>	<b>2,553</b>	<b>(Net assets)</b>	
Software	2,086	<b>Shareholders' equity</b>	<b>87,653</b>
Other	466	<b>Capital stock</b>	<b>25,624</b>
<b>Investments and other assets</b>	<b>54,737</b>	<b>Capital surplus</b>	<b>44,880</b>
Investment securities	25,231	Legal capital surplus	25,624
Shares of subsidiaries and associated companies	24,899	Other capital surplus	19,255
Investments in capital of subsidiaries and associates	135	<b>Retained earnings</b>	<b>26,091</b>
Insurance funds	2,115	Other retained earnings	26,091
Guarantee deposits	1,287	Retained earnings brought forward	26,091
Other	1,345	<b>Treasury shares</b>	<b>(8,943)</b>
Allowance for doubtful accounts	(277)	<b>Valuation and translation adjustments</b>	<b>8,748</b>
		<b>Valuation difference on available-for-sale securities</b>	<b>8,748</b>
		<b>Total net assets</b>	<b>96,401</b>
<b>Total assets</b>	<b>238,143</b>	<b>Total liabilities and net assets</b>	<b>238,143</b>

## **Non-consolidated Statement of Income**

(April 1, 2020 through March 31, 2021)

Item	Amount	
	Millions of yen	Millions of yen
<b>Net sales</b>		<b>119,821</b>
<b>Cost of sales</b>		<b>79,048</b>
<b>Gross profit</b>		<b>40,772</b>
<b>Selling, general and administrative expenses</b>		<b>36,535</b>
<b>Operating profit</b>		<b>4,237</b>
<b>Non-operating income</b>		
Interest income	121	
Dividend income	2,015	
Foreign exchange gains	64	
Gain on sales of goods	52	
Other	70	2,326
<b>Non-operating expenses</b>		
Interest expenses	106	
Share issuance costs	44	
Provision of allowance for doubtful accounts	235	
Bad debt expenses	78	
Other	0	465
<b>Ordinary profit</b>		<b>6,098</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	173	
Gain on sales of investment securities	8	<b>181</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	186	
Loss on valuation of shares of subsidiaries and associated companies	524	
Business structure improvement expenses	94	
Other	26	831
<b>Profit before income taxes</b>		<b>5,448</b>
Income taxes - current	1,502	
Income taxes - deferred	(206)	1,296
<b>Profit</b>		<b>4,151</b>



## **Non-consolidated Statement of Changes in Equity**

(April 1, 2020 through March 31, 2021)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	20,625	20,625	23,070	43,695	23,828	23,828
Changes of items during period						
Issuance of new shares	4,999	4,999		4,999		
Dividends of surplus					(1,888)	(1,888)
Profit					4,151	4,151
Purchase of treasury shares						
Cancellation of treasury shares			(3,815)	(3,815)		
Disposal of treasury shares						
Net changes of items other than shareholders' equity						
Total changes of items during period	4,999	4,999	(3,815)	1,184	2,263	2,263
Balance at end of current period	25,624	25,624	19,255	44,880	26,091	26,091

	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 current period	(12,886)	75,262	4,013	4,013	79,275
Changes of items during period					
Issuance of new shares		9,999			9,999
Dividends of surplus		(1,888)			(1,888)
Profit		4,151			4,151
Purchase of treasury shares	(15)	(15)			(15)
Cancellation of treasury shares	3,815	—			—
Disposal of treasury shares	143	143			143
Net changes of items other than shareholders' equity			4,734	4,734	4,734
Total changes of items during period	3,943	12,391	4,734	4,734	17,126
Balance at end of current period	(8,943)	87,653	8,748	8,748	96,401

## **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 based on the moving-average method

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

Available-for-sale securities with quoted market price

Fair value method based on market price as of the fiscal year end (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 without quoted market price

Cost method based on 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 sales returns

In order to prepare for returned publications, a provision is recorded based on an estimated amount calculated using historical rates of returns. The provision is deducted from net sales, and the corresponding cost is recorded in finished goods.

(4) Provision for stock benefits

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.

(5) Provision for stock benefits for directors

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.

(6) 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. Other significant information for the preparation of non-consolidated financial statements

(1) Accounting of consumption taxes, etc.

Consumption taxes are excluded from the non-consolidated statement of income.

(2) Application of consolidated taxation system

The consolidated taxation system was applied from the current fiscal year.

(3) Treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

With regard to the transition to the group tax sharing system established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was revised in line with the transition to the group tax sharing system, pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, issued on March 31, 2020), the Company did not apply the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, issued on February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the revision.

**[Significant accounting estimates]**

(Provision for sales returns)

The amount of provision for sales returns recorded in the non-consolidated balance sheet at the end of the current fiscal year was 5,222 million yen. The calculation method and significant assumptions used for

calculation of provision for sales returns and impact on the non-consolidated financial statements in the following fiscal year are omitted here as such information is provided in the "Significant accounting estimates" subsection of the "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements.

### **[Changes in presentation]**

(Application of the "Accounting Standard for Disclosure of Accounting Estimates")

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) was applied in the non-consolidated financial statements at the end of the current fiscal year, and notes to significant accounting estimates are provided in 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.

(Accounting estimates associated with the spread of COVID-19)

Details regarding notes to accounting estimates associated with the spread of COVID-19 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 5,384 million yen
2. The Company's monetary claims against, and monetary liabilities for, its subsidiaries and associated companies
  - (1) Short-term monetary claims 7,881 million yen
  - (2) Long-term monetary claims 946 million yen
  - (3) Short-term monetary liabilities 45,083 million yen

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

Transactions with subsidiaries and associated companies

- (1) Net sales 26,794 million yen
- (2) Cost of sales 5,876 million yen
- (3) Selling, general and administrative expenses 4,241 million yen
- (4) Transactions that are not business transactions
  - 1) Amount resulting from non-business transactions (income) 1,606 million yen
  - 2) Amount resulting from non-business transactions (payments) 115 million yen

### **[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	9,367,523 shares	5,297 shares	2,936,502 shares	6,436,318 shares

Notes: 1. The number of shares increased in treasury shares under common shares is 5,297 shares due to purchase of shares

representing less than one unit.

2. The number of shares decreased in treasury shares under common shares is 2,844,950 shares due to retirement of treasury shares and 91,552 shares due to delivery of 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 1,343,752 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 the shares of subsidiaries and associated companies, provisions for sales returns, inventories, and provision for retirement benefits, 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, etc.

## [Notes on non-current assets in use under lease contracts]

In addition to the non-current assets recorded on the non-consolidated balance sheet, certain buildings are used under finance lease contracts that do not transfer ownership.

## [Notes on transactions with related parties]

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

1. Subsidiaries and associated companies, etc.										
Attribute	Name	Location	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, etc.	(Owner) Direct ownership: 100.0	Officers serving concurrently Deposit of funds	Deposit of funds	12,595	Deposits received	12,906
	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.	25,375	Accounts receivable - trade	5,148
							Deposit of funds	5,783	Deposits received	6,764
	FromSoftware, Inc.	Shibuya-ku, Tokyo	268	Planning, development and sales of game software, etc.	(Owner) Direct ownership: 100.0	Officers serving concurrently Deposit of funds	Deposit of funds	5,466	Deposits received	6,072
	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	4,105	Deposits received	5,043

### 2. Officers and major individual shareholders, etc.

Attribute	Name	Location	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)
Company for which an officer serves as representative	Kadokawa Culture Promotion Foundation	Tokorozawa City, Saitama Pref.	—	Awarding prizes business, publishing business, and operating cultural facilities, etc.	—	Officers serving concurrently Rental of Headquarter Building	Acquisition of part of KADOKAWA Headquarter Building	2,746	—	—

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.
3. The purchase price for acquisition of KADOKAWA Headquarter Building is determined in reference to the appraisal value by a real estate appraiser and to prices of rental properties for neighborhood.
4. Consumption taxes are excluded from the amount of transactions and are included in the year-end balances.

**[Per share information]**

- |                             |              |
|-----------------------------|--------------|
| 1. Net assets per share     | 1,495.63 yen |
| 2. Basic earnings per share | 67.07 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 (1,343 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 basic earnings per share, the Company's shares above are included in treasury shares (1,375 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]**

Not applicable.

**[Other notes]**

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

## Independent Auditor's Report (Translation)

May 24, 2021

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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Hiroyoshi Konno  
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 net assets, and notes to the consolidated financial statements of KADOKAWA CORPORATION and its consolidated subsidiaries (the "Group") applicable to the fiscal year from April 1, 2020 to March 31, 2021.

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, 2021, 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.

## **Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 Corporate Auditor and the Board of Corporate Auditors are 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 Corporate Auditor and the Board of Corporate Auditors 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 Corporate Auditor and the Board of Corporate Auditors 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 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 24, 2021

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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Hiroyoshi Konno  
Designated Engagement Partner  
Certified Public Accountant

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Keiichi Wakimoto  
Designated Engagement Partner  
Certified Public Accountant

### Opinion

Pursuant to Article 436, paragraph 2, item (i) 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 net assets, and notes to the financial statements of KADOKAWA CORPORATION (the "Company") applicable to the fiscal year from April 1, 2020 to March 31, 2021.

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, 2021, 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.

## **Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 Corporate Auditor and the Board of Corporate Auditors are 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 Corporate Auditor and the Board of Corporate Auditors 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 Corporate Auditor and the Board of Corporate Auditors 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 and Supervisory Board, following review and deliberations on the reports made by each Audit and Supervisory Board Member concerning the execution of duties by Directors for the 7th fiscal year from April 1, 2020 to March 31, 2021, prepared this Audit Report and hereby submits it as follows:

1. Summary of Auditing Methods and Contents by Audit and Supervisory Board Members and the Audit and Supervisory Board

- (1) The Audit and Supervisory Board established auditing policies and the audit plan, received reports regarding the status of audits and the results thereof from each Audit and Supervisory Board Member, received reports regarding the status of the execution of duties from Directors and the Independent Auditor, and requested explanation as necessary.
- (2) In accordance with the auditing standards for Audit and Supervisory Board Members determined by the Audit and Supervisory Board, and in compliance with auditing policies and the division of duties, each Audit and Supervisory Board Member made efforts to collect information and establish auditing circumstances through communication with Directors, internal audit division and other employees, and performed the audit in accordance with the following procedures.
  - 1) Each Audit and Supervisory Board Member attended the Board of Directors' meetings and other important meetings to receive reports regarding execution of duties from Directors and employees, and requested explanations as necessary. Each Audit and Supervisory Board Member also inspected the approved documents and examined the status of operations and conditions of assets at the headquarters and other locations. And each Audit and Supervisory Board Member communicated and shared information with the Directors, Audit and Supervisory Board Members etc. of the subsidiaries and received from the subsidiaries their business reports as necessary.
  - 2) Each Audit and Supervisory Board Member verified the resolutions adopted by the Board of Directors regarding the establishment of a system for ensuring that the Directors' duties, as stated in the business report, are executed in conformity of laws and regulations, and the Articles of Incorporation of the Company, and the establishment of a system necessary to ensure proper business operations of the whole business group consisting of a stock company and its subsidiaries set forth in Paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act. It also regularly received reports from Directors and employees on the status of the establishment and operation of the system (internal control system) established in accordance with such resolutions adopted by the Board of Directors, and requested explanations as necessary and expressed his/her opinions.
  - 3) Audit and Supervisory Board Members monitored and verified that the Independent Auditor maintains independence and conducts the audits appropriately. Each Audit and Supervisory Board 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 reports 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, 2020.

## 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, there were no instances of misconduct or material matters in violation of laws and regulations, nor of the Articles of Incorporation of the Company.
- 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.

### (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 25, 2021

#### KADOKAWA CORPORATION Audit & Supervisory Board

Standing Audit and Supervisory Board Member	Yasuaki Takayama
Standing Audit and Supervisory Board Member	Akira Watanabe
Outside Audit and Supervisory Board Member	Akira Watanabe
Outside Audit and Supervisory Board Member	Maoko Kikuchi

## Reference Materials on the General Meeting of Shareholders

### Proposal 1: To Elect Twelve (12) Directors

The term of office of all the 12 directors will expire at the close of this General Meeting of Shareholders. At this juncture, we propose the election of 12 directors.

The candidates for directors are as follows:

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
1	Tsuguhiko Kadokawa (September 1, 1943) [Male]	<p>March 1966: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>October 1993: Representative Director and President of Kadokawa Shoten Co., Ltd.</p> <p>July 1995: Executive President of the Kadokawa Culture Promotion Foundation (present)</p> <p>April 1999: President of Kadokawa Media (TAIWAN) Co., Ltd. (present KADOKAWA TAIWAN CORPORATION)</p> <p>June 2002: Representative Director, Chairman and CEO of Kadokawa Shoten Co., Ltd.</p> <p>August 2002: Representative Director and Chairman of Kadokawa Daiei Pictures, Inc.</p> <p>April 2003: Representative Director, President and CEO of KADOKAWA HOLDINGS, INC. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>April 2003: Representative Director, Chairman and CEO of Kadokawa Shoten Co., Ltd.</p> <p>May 2004: Representative Director and President of the Japan Video Promotion Co.</p> <p>April 2005: Representative Director, Chairman and CEO of KADOKAWA HOLDINGS, INC.</p> <p>May 2005: President, Kadokawa Holdings US Inc</p> <p>December 2005: Representative Director and Chairman of Kadokawa Mobile Inc. (present BOOK WALKER Co., Ltd.)</p> <p>June 2010: Director and Chairman of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>February 2013: Representative Director and President of KADOKAWA ASCII Research Laboratories, Inc.</p> <p>October 2014: Director and Adviser of the Company</p> <p>October 2015: Representative Director and Chairman of Tokorozawa Sakuratown Corporation</p> <p>March 2017: President of Anime Tourism Association (present)</p> <p>June 2017: Chairman of the Board of the Company</p> <p>July 2019: Chairman of the Board and Executive Chairman of the Company (present)</p>	1,036,960 shares
<p>[Reason for nominating Mr. Tsuguhiko Kadokawa as a candidate for director]</p> <p>Mr. Tsuguhiko Kadokawa serves as Chairman of the Board of the Company. He also served as Representative Director of subsidiaries of the Company, being well versed in the Company and its subsidiaries. It is proposed to elect Mr. Tsuguhiko Kadokawa 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 in the management of the Company and its subsidiaries.</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
2	Masaki Matsubara (April 11, 1953) [Male]	<p>April 1999: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>October 2004: Representative Director and President of SS Communications Inc.</p> <p>July 2009: Representative Director and President of K. Sense Co. (present Mainichi ga Hakken Inc.)</p> <p>September 2009: Representative Director and Chairman of K. Sense Co. (present Mainichi ga Hakken Inc.)</p> <p>June 2010: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>April 2014: Representative Director and President of KADOKAWA GROUP HOLDINGS, INC.</p> <p>October 2014: Director of the Company</p> <p>April 2015: Director of KADOKAWA DAIEI STUDIO CO., LTD.</p> <p>April 2015: Director of Glovision Inc.</p> <p>April 2015: Director of Kadokawa Games, Ltd.</p> <p>April 2015: Director of K. Sense Co.</p> <p>April 2015: Director of BOOK WALKER Co., Ltd.</p> <p>April 2015: Director of Chara-Ani Corporation</p> <p>April 2015: Director of EIGA WALKER INC. (present MOVIE WALKER Co., Ltd.)</p> <p>April 2015: Director of Building Book Center Co., Ltd.</p> <p>June 2015: Director of DWANGO Co., Ltd.</p> <p>July 2015: Representative Director and President of Tokorozawa Sakuratown Corporation</p> <p>October 2015: Director of Tokorozawa Sakuratown Corporation</p> <p>June 2018: Representative Executive Director and Senior Managing Executive Officer of the Company</p> <p>February 2019: Representative Director and President of the Company</p> <p>July 2019: Representative Director and President and Chief Executive of the Company (present)</p>	56,981 shares
<p>[Reason for nominating Mr. Masaki Matsubara as a candidate for director]</p> <p>Mr. Masaki Matsubara serves as Representative Director and President of the Company. He also served as Representative Director of subsidiaries of KADOKAWA CORPORATION, being well versed in KADOKAWA CORPORATION and its subsidiaries. It is proposed to elect Mr. Masaki Matsubara 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 in the management of the Company and its subsidiaries.</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
3	Takeshi Natsuno (March 17, 1965) [Male]	<p>April 1988: Joined Tokyo Gas Co., Ltd.</p> <p>June 1990: Director and Vice President of Hypernet Corporation</p> <p>September 1997: Joined NTT Mobile Network Inc. (present NTT DOCOMO, INC.)</p> <p>June 2005: Executive Director and General Manager of Multimedia Service Division of NTT DOCOMO, INC.</p> <p>May 2008: Guest Professor, Keio University Graduate School of Media and Governance (present)</p> <p>June 2008: Director of SEGA SAMMY HOLDINGS (present)</p> <p>June 2008: Director of transcosmos inc. (present)</p> <p>December 2008: Director of DWANGO Co., Ltd.</p> <p>June 2009: Director of DLE Inc.</p> <p>September 2009: Director of GREE, Inc. (present)</p> <p>December 2010: Director of U-NEXT Co., Ltd. (present USEN-NEXT HOLDINGS Co., Ltd.) (present)</p> <p>October 2014: Director of the Company</p> <p>August 2016: Director of Oracle Corporation Japan (present)</p> <p>June 2017: Director of AWS Holdings, Inc. (present Ubicom Holdings, Inc.)</p> <p>June 2017: Director of Cool Japan Fund Inc.</p> <p>June 2018: Representative Director and Chairman of MOVIE WALKER Co., Ltd. (present)</p> <p>October 2018: Director of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>February 2019: Representative Director and President of DWANGO Co., Ltd. (present)</p> <p>June 2019: Director of the Company</p> <p>April 2020: Director, Senior Managing Executive Officer and Head of Digital Business Headquarters of the Company</p> <p>October 2020: Director, Executive Officer and Chief Digital Officer of the Company (present)</p>	75,600 shares
<p>[Reason for nominating Mr. Takeshi Natsuno as a candidate for director]</p> <p>Mr. Takeshi Natsuno serves as Director, Executive Officer and Chief Digital Officer of the Company and Representative Director and President of DWANGO Co., Ltd., which is a subsidiary of the Company.</p> <p>He has also served as an executive of many companies. It is proposed to elect Mr. Takeshi Natsuno 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.</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
4	Naohisa Yamashita (February 9, 1958) [Male]	<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>October 2020: Director, Executive Officer, Chief Human Resources Officer and Chief Literature &amp; Movie Officer of the Company (present)</p>	12,811 shares
<p>[Reason for nominating Mr. Naohisa Yamashita as a candidate for director]</p> <p>Mr. Naohisa Yamashita serves as Director, Executive Officer, Chief Human Resources Officer and Chief Literature &amp; Movie Officer of the Company. 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 Mr. Naohisa Yamashita 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>			

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
5	Yoichi Yasumoto (May 11, 1964) [Male]	<p>July 1992: Joined The Television Co.</p> <p>June 2006: Director of Kadokawa The Television Co.</p> <p>June 2008: Managing Director of Kadokawa Mobile Inc. (present BOOK WALKER Co., Ltd.)</p> <p>April 2013: Representative Director and President of BOOK WALKER Co., Ltd.</p> <p>April 2016: Executive Officer of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>April 2016: Director of KADOKAWA UPLINK INC.</p> <p>July 2017: President of TAIWAN BOOKWALKER</p> <p>April 2019: Managing Executive Officer and Head of DX Strategy Headquarters of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>June 2019: Director of the Company</p> <p>July 2019: Director, Managing Executive Officer and Head of DX Strategy Headquarters of the Company</p> <p>June 2020: Director of KADOKAWA Connected Inc. (present)</p> <p>October 2020: Director, Executive Officer and Chief Financial Officer of the Company (present)</p>	19,068 shares
<p>[Reason for nominating Mr. Yoichi Yasumoto as a candidate for director]</p> <p>Mr. Yoichi Yasumoto serves as Director, Executive Officer and Chief Financial Officer of the Company. He also served as Director of subsidiaries of the Company, thus, he is well versed in the business of the Company and its subsidiaries. It is proposed to elect Mr. Yoichi Yasumoto 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 in the management of the Company and its subsidiaries.</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
6	Noriko Kase (September 23, 1961) [Female]	April 1985:	Joined ASCII Corporation	1,600 shares
		April 2006:	General Manager of Corporate Business Department of ASCII Corporation	
April 2017:		Manager of 7th editorial division of KADOKAWA ASCII Mediaworks of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)		
April 2018:		General Manager of ASCII Division of KADOKAWA ASCII Research Laboratories, Inc.		
July 2019:		Chief Executive Officer of KADOKAWA ASCII Research Laboratories, Inc. (present)		
June 2020:		Director of the Company (present)		
[Reason for nominating Ms. Noriko Kase as a candidate for director] 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 Ms. Noriko Kase 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.				
7	Nobuo Kawakami (September 6, 1968) [Male]	April 1991:	Joined Software Japan Co., Ltd.	4,504,900 shares
		August 1997:	Representative Director and President of DWANGO Co., Ltd.	
September 2000:		Representative Director and Chairman of DWANGO Co., Ltd.		
June 2006:		Director of Avex Group Holdings Inc.		
June 2011:		Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA Future Publishing Co., Ltd.)		
June 2013:		Managing Director of khara, Inc. (present)		
June 2014:		Director of BOOK WALKER Co., Ltd.		
June 2014:		Director of KADOKAWA ASCII Research Laboratories, Inc.		
October 2014:		Representative Director and Chairman of the Company		
June 2015:		Representative Director and President of the Company		
October 2016:		Director of TECTECH Co., Ltd.		
July 2017:		Director of Gzbrain Inc. (present KADOKAWA Game Linkage Inc.)		
December 2017:		Director & CTO of DWANGO Co., Ltd.		
February 2018:		Director of vaka, Inc.		
February 2019:		Advisor of DWANGO Co., Ltd. (present)		
February 2019:		Director of the Company (present)		
[Reason for nominating Mr. Nobuo Kawakami as a candidate for director] 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 and Chairman of the company for years, and currently serves as Adviser of the company. It is proposed to elect Mr. Nobuo Kawakami 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.				

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
8	Cindy Chou (July 10, 1977) [Female]	July 2000:	Joined EJ PR AGENCY Ltd.	- shares
		July 2003:	Supervisor of Copyrights Division of KADOKAWA TAIWAN CORPORATION	
		July 2008:	In charge of Chinese Business Development of KADOKAWA HOLDINGS ASIA LTD.	
		May 2011:	General Manager of Digital Business Division of KADOKAWA TAIWAN CORPORATION	
		March 2014:	Representative of Singapore Office of KADOKAWA HOLDINGS ASIA LTD.	
		April 2015:	Senior Strategy Planner of DeNA China	
		April 2016:	Joined the Company	
		April 2018:	Manager of Business Strategy Section, Global Management Office, Global Business Division of the Company	
		April 2018:	Managing Director of J-GUIDE Marketing Co., Ltd.	
		April 2021:	Chief Executive Officer of J-GUIDE Marketing Co., Ltd. (present)	
[Reason for nominating Ms. Cindy Chou as a candidate for director] Ms. Cindy Chou serves as Chief Executive Officer of J-GUIDE Marketing Co., Ltd., which is a subsidiary of the Company. She 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 Ms. Cindy Chou 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.				
9	Hiroo Unoura (January 13, 1949) [Male]	April 1973:	Joined Nippon Telegraph and Telephone Public Corporation (present NIPPON TELEGRAPH AND TELEPHONE CORPORATION)	- shares
		June 2002:	Senior Vice President and Director of Department I of NIPPON TELEGRAPH AND TELEPHONE CORPORATION	
		June 2005:	Senior Vice President and Director of Department V of NIPPON TELEGRAPH AND TELEPHONE CORPORATION	
		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	
		June 2008:	Senior Executive Vice President and Director of the Strategic Business Development Division of NIPPON TELEGRAPH AND TELEPHONE CORPORATION	
		June 2012:	President and Chief Executive Officer Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION	
		June 2018:	Advisor of NIPPON TELEGRAPH AND TELEPHONE CORPORATION	
		June 2019:	Member of the Board and Audit and Supervisory Committee Member of Mitsubishi Heavy Industries, Ltd. (present)	
[Reason for nominating Mr. Hiroo Unoura as a candidate for outside director and outline of expected role] 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.				

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
10	Tomoyuki Moriizumi (January 3, 1948) [Male]	April 1970:	Joined Sumitomo Corporation	- shares
		January 1995:	Chairman of Phoenixcor Inc.	
		October 1996:	Representative Director and President of Jupiter Shop Channel Co., Ltd.	
		February 2000:	Representative Director and President of Jupiter Programming Co., Ltd.	
		February 2000:	Representative Director and President of Jupiter Satellite Broadcasting Co., Ltd.	
		April 2000:	Corporate Officer of Sumitomo Corporation	
		March 2003:	Representative Director, President and Chief Executive Officer of Jupiter Telecommunications Co., Ltd.	
		March 2011:	Advisor to Sumitomo Corporation	
		June 2011:	Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA Future Publishing Co., Ltd.)	
		June 2019:	Director of the Company (present)	
[Reason for nominating Mr. Tomoyuki Moriizumi as a candidate for outside director and outline of expected role] Mr. Tomoyuki Moriizumi serves as Outside Director of the Company. It is proposed to elect Mr. Tomoyuki Moriizumi as an outside director because he is expected to use his abundant experience and extensive knowledge as a corporate manager, in fields such as the cable TV business, in the management of the Company. In addition, he served as Outside Director of subsidiaries of the Company. His term of office as an outside director of the Company will be about two years at the close of this General Meeting of Shareholders.				
11	Koji Funatsu (March 18, 1952) [Male]	April 1981:	Joined Japan Recruit Center (present Recruit Holdings Co., Ltd.)	- shares
		April 1998:	Joined transcosmos inc.	
		June 1998:	Managing Director of transcosmos inc.	
		June 1999:	Senior Managing Director of transcosmos inc.	
		December 1999:	Director of Kadokawa Interactive Media Co., Ltd.	
		April 2000:	Representative Director and Vice-president of transcosmos inc.	
		September 2002:	Representative Director, President and CEO of transcosmos inc.	
		June 2003:	Representative Director, Chairman and CEO of transcosmos inc. (present)	
		June 2005:	Auditor of Walker Plus Co.	
		November 2005:	Auditor of Chara-Ani Corporation	
		June 2006:	Director of Kadokawa Cross Media Co.	
		June 2006:	Director of Kadokawa The Television Co.	
		June 2008:	Director of Kadokawa Marketing Co., Ltd.	
		June 2009:	Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA Future Publishing Co., Ltd.)	
		October 2014:	Director of the Company (present)	
June 2019:	Director of DeNA Co., Ltd. (present)			
[Reason for nominating Mr. Koji Funatsu as a candidate for outside director and outline of expected role] Mr. Koji Funatsu serves as Outside Director of the Company. It is proposed to elect Mr. Koji Funatsu as an outside director because he is expected to use his expertise in the IT field, as well as abundant experience and extensive knowledge as a business owner in the management of the Company. In addition, he served as Outside Director and Auditor of subsidiaries of the Company. His term of office as an outside director of the Company will be about six years and nine months at the close of this General Meeting of Shareholders.				

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
12	Ruth Marie Jarman (May 30, 1966) [Female]	December 1988: Joined Recruit Co., Ltd. December 2000: Joined Space Design Inc. April 2008: Director of Tokorozawa Sakuratown Corporation April 2012: Representative Director of Jarman International KK (present) June 2019: Director of Fujibo Holdings, Inc. (present) June 2020: Director of the Company (present)	- shares
	[Reason for nominating Ms. Ruth Marie Jarman as a candidate for outside director and outline of expected role] 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. Her term of office as an outside director of the Company will be about one year at the close of this General Meeting of Shareholders.		

- Notes: 1. Of the candidates for directors, two candidates (Ms. Cindy Chou and Mr. Hiroo Unoura) are newly nominated candidates and the other ten candidates are candidates for reelection.
2. Of the candidates for directors, Mr. Hiroo Unoura, Mr. Tomoyuki Moriizumi, Mr. Koji Funatsu and Ms. Ruth Marie Jarman are candidates for outside directors as provided for in Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.
3. Of the candidates for directors, Mr. Hiroo Unoura, Mr. Tomoyuki Moriizumi, Mr. Koji Funatsu and Ms. Ruth Marie Jarman 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 criteria on transaction amounts, etc. for transactions, etc. between the Company and a counterpart. The criteria are as stated on pages 20 to 21 of the Business Report.
4. Candidate for director Mr. Tsuguhiko Kadokawa serves as Executive President of the Kadokawa Culture Promotion Foundation, whose business relationship with the Company includes such items as leasing of offices, supply of products, payment of outsourcing, and payment of financial assistance. Mr. Tsuguhiko Kadokawa serves as President of Anime Tourism Association, whose business relationship with the Company includes such items as payment of membership fees, leasing of offices, and etc.
- Candidate for director Mr. Takeshi Natsuno serves as Representative Director and Chairman of MOVIE WALKER Co., Ltd., whose business relationship with the Company includes such items as purchasing of products, payment of advertising expenses.
- Candidate for outside director Mr. Koji Funatsu is Representative Director, Chairman and CEO of transcosmos inc., whose business relationship with the Group includes the payment of outsourcing fees, system management fees, etc., but the value of these transactions is less than 0.04 % of the transcosmos inc.'s consolidated net sales, and Mr. Koji Funatsu satisfies the criteria set by the Company for independent officers.
- There are no special interests between the Company and the candidates for directors.
5. The Company has entered into an agreement limiting the liabilities for damages with the candidates for outside directors Messrs. Tomoyuki Moriizumi and Koji Funatsu 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 or regulations. If the reelection of Messrs. Tomoyuki Moriizumi and Koji Funatsu and Ms. Ruth Marie Jarman is approved, the Company plans to renew the aforementioned agreements with them.
- If the appointment of the candidate for an outside director, Mr. Hiroo Unoura, is approved, the Company will enter into the aforementioned agreement with him.
6. 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 page 20 of the Business Report. If the appointment of the candidates for directors 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.



**Proposal 2: To Elect One (1) Substitute Audit and Supervisory Board Member**

In order to ensure that the number of the Audit and Supervisory Board Members does not fall short of that required by laws and regulations, we propose the election of one (1) substitute Audit and Supervisory Board Member.

We have obtained the consent of the Audit and Supervisory Board to this proposal.

The candidate for a substitute Audit and Supervisory Board Member is as follows:

Name (Date of birth)	Brief personal history, positions in the Company and important concurrent positions in other companies	Number of the Company's shares held
Hiroyasu Sato (June 17, 1974) [Male]	October 2001: Joined Seiwa Kyodo Law Office April 2007: Partner Lawyer of Seiwa Kyodo Law Office January 2013: Outside Audit and Supervisory Board Member of MedPeer, Inc. (present) February 2017: Outside Director of Yell Lpi Inc. (present) September 2018: Comm&Path Law Office (present) October 2020: Representative Director of Emprism Inc. (present)	- shares
[Reason for nominating Mr. Hiroyasu Sato as a candidate for substitute outside Audit and Supervisory Board Member] It is proposed to elect Mr. Hiroyasu Sato as a substitute outside Audit and Supervisory Board Member of the Company because the Company judges that he would perform his duties appropriately as an Audit and Supervisory Board Member by leveraging his abundant experience and highly expert knowledge developed as an attorney-at-law.		

- Notes: 1. Mr. Hiroyasu Sato, the candidate for substitute Audit and Supervisory Board Member, is a candidate for substitute outside Audit and Supervisory Board Member.
2. Mr. Hiroyasu Sato, the candidate for substitute Audit and Supervisory Board Member, is a legal advisor of the Company.
3. If Mr. Hiroyasu Sato, the candidate for substitute Audit and Supervisory Board Member, assumes office as Audit and Supervisory Board Member, he will be reported as the independent officer 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 criteria on transaction amounts, etc. for transactions, etc. between the Company and a counterpart. The criteria are as stated on pages 20 to 21 of the Business Report.
4. If the appointment of the candidate for a substitute Audit and Supervisory Board Member, Mr. Hiroyasu Sato, is approved, the Company will enter into an agreement limiting the liabilities for damages with him, 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 or regulations.
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 page 20 of the Business Report. If the appointment of the candidate for substitute Audit and Supervisory Board Member, Mr. Hiroyasu Sato, is approved, he will be included as an insured person covered by the aforementioned insurance contract. The Company will renew the aforementioned insurance contract with the same content at the time of next renewal.