

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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Securities Code: 9468

May 31, 2022

To Our Shareholders

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

NOTICE OF THE 8TH 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 8th General Meeting of Shareholders.

In order to prevent the spread of the novel coronavirus disease (COVID-19), we 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., Thursday, June 23, 2022 (JST) or access the website for the exercise of voting rights (<https://www.web54.net>) from a personal computer or smartphone and enter your approval or disapproval for the proposal by 6:30 p.m., Thursday, June 23, 2022 (JST).

Very truly yours,

Details

- 1. Date:** 2:00 p.m. on Friday, June 24, 2022
(The reception of participants in the meeting will begin at 1:00 p.m.)
Please note that the start time has changed from the previous meeting.
- 2. Place:** Japan Pavilion Hall A, Tokorozawa Sakura Town
31-3 Higashi-Tokorozawa Wada 3-chome, Tokorozawa-shi, Saitama
- 3. Objectives**
Matters to be reported:
 1. Presentation of the Business Report, Consolidated Financial Statements, and Audit Report on the Consolidated Financial Statements by the Independent Auditor and the Audit and Supervisory Board for the 8th fiscal year (from April 1, 2021 to March 31, 2022)
 2. Presentation of the Non-consolidated Financial Statements for the 8th fiscal year (from April 1, 2021 to March 31, 2022)

Proposals to be acted upon:

- Proposal 1:** To Amend the Articles of Incorporation
- Proposal 2:** To Elect Ten (10) Directors (Excluding Directors who Serve as Audit & Supervisory Committee Members)
- Proposal 3:** To Elect Three (3) Directors Serving as Audit & Supervisory Committee Members
- Proposal 4:** To Determine the Amount of Compensation for Directors (Excluding Directors who Serve as Audit & Supervisory Committee Members)
- Proposal 5:** To Determine the Amount of Compensation for Directors Serving as Audit & Supervisory Committee Members
- Proposal 6:** To Determine the Amount and Details of Performance-Based Stock Compensation for Directors (Excluding Directors who Serve as Audit & Supervisory Committee Members and Outside Directors)

No offering of souvenirs

Due to various circumstances, we have not offered souvenirs to shareholders attending general meetings of shareholders, starting from the General Meeting of Shareholders two years prior. We would appreciate your understanding.

***The General Meeting of Shareholders will be live-streamed on the Internet. For details, please refer to "Guidance on the online website 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.

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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.]

(Attached Documents)

Business Report

[From April 1, 2021 to March 31, 2022]

1. Overview of Business

(1) Progress and Results of Business

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

During the current fiscal year, net sales totaled 221,208 million yen (up 5.4% year on year), with operating profit of 18,519 million yen (up 35.9%) and ordinary profit of 20,213 million yen (up 40.7%). Profit attributable to owners of parent came to 14,078 million yen (up 46.9%).

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. began to be applied from the beginning of the current fiscal year. As a result, net sales for the current fiscal year are 10,456 million yen less than the value calculated by applying the previous method. The impact of this change on operating profit, ordinary profit, and profit before income taxes is minor. Details are described in "Notes to the Consolidated Financial Statements [Changes in Accounting Policies]."

Year-on-year comparisons in the text are based on results for the same period of the previous year before application of the Accounting Standard for Revenue Recognition, etc.

The performance of each business segment for the current fiscal year is as follows:

[Publication Business]

In the Publication Business, the Company conducts sales of books, magazines, e-books, and e-magazines, sales of magazine and web advertisements, and licensing. In this segment, the Company continuously publishes as many as approximately 5,000 new titles a year as an essential part of its media mix strategy. A wealth of title archives is a driving force of the KADOKAWA group's growth.

During the current fiscal year, high growth in overseas business driven by YEN PRESS, LLC, which is a strategic subsidiary in North America, and growth in license income contributed to revenue. In addition, Tezcatlipoca and KOKUROJO Arioka Citadel Case (literature in book form), which won the Naoki Sanjugo Prize, as well as other titles such as Seiiki (non-fiction), Pan Dorobou (children's book), and The Five Star Stories (16) (comic) sold well.

Meanwhile, e-books and e-magazines both remained strong due to strong sales of otherworldly comics at which the Company excels, an increase in the number of users of BOOK☆WALKER, which is the Company's own online store, and growth in overseas sales, in addition to the ongoing high-level growth of the overall market.

Consequently, net sales in this segment came to 132,972 million yen (up 2.6% year on year), with operating profit of 17,370 million yen (up 35.3%).

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 preparing to put logistics facilities into operation, in addition to increasing its manufacturing lines.

[Video Business]

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

Distribution revenue from animations such as *The World's Finest Assassin Gets Reincarnated in Another World as an Aristocrat* and *The Rising of the Shield Hero* and live-action films such as *A Family* and *First Love* grew. Sales from the Movieticket, an electronic ticket service for movie theaters, and studio operation business, among other businesses, also rose.

However, profit declined from the previous fiscal year, when popular titles drove growth in rights licensing income and overseas sales.

Consequently, net sales in this segment came to 33,112 million yen (up 5.7% year on year), while the segment's operating profit declined to 1,341 million yen (down 41.0%).

[Game Business]

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

During the current fiscal year, sales of the new title *ELDEN RING* were strong, significantly contributing to increases in revenue and profit. *ELDEN RING* became a huge hit, setting a record with cumulative worldwide shipments exceeding 13.4 million units between its launch on February 25, 2022 and the end of March. Repeat sales of old titles and revenue from joint and commissioned development businesses decreased due to a rebound from the previous fiscal year.

Consequently, net sales in this segment came to 19,490 million yen (up 17.2% year on year) with operating profit of 5,200 million yen (up 89.5%).

[Web Service Business]

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

In video social network services, the number of monthly paying subscribers (premium members) for niconico Video, a portal service on the web, was 1.40 million as of the end of March 2022, falling from the end of March 2021. However, other revenue sources such as social tipping, in which items are sent to live broadcast programs, and advertising grew and performance stabilized through the diversification of revenue sources. In the planning and management of a variety of events, the Company hosted Animelo Summer Live 2021 and The VOCALOID Collection-2021 Autumn, which contributed to sales.

Consequently, net sales in this segment came to 21,342 million yen (down 3.0% year on year), while the segment's operating profit declined to 2,013 million yen (down 3.9%).

[Other Businesses]

Other Businesses refer to the education business, the experiential business of operating facilities for experiencing IP, and the MD business, with planning and sales of character goods and other products,

and so forth.

The education business continued to perform strongly thanks to steady growth in students enrolled in N High School and S High School, correspondence high schools via the Internet, and the contribution of DWANGO Co., Ltd., which provides educational contents to these schools and others. Further, both revenue and profit continued to grow at Vantan Inc., which operates schools for developing human resources in the field of creative work, with the company making aggressive investments including the opening of a new school in Nagoya. In the IP experiential facilities, Tokorozawa Sakura Town, which includes the Kadokawa Culture Museum, an anime hotel, event halls, restaurants and other retail facilities, opened in the previous fiscal year, contributing to increased revenue.

Consequently, net sales in this segment totaled 22,283 million yen (up 27.6% year on year) with operating loss of 4,184 million yen (4,491 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 5,272 million yen. The main capital investments by business segment are listed below.

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

Note: Capital investment includes value of software and software in 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, 2022)

Of the book production and distribution factory in Tokorozawa Sakura Town (Tokorozawa City, Saitama Prefecture), which was in the planning stage as of the end of the previous fiscal year, the production factory started partial operations during the current fiscal year, and preparations are proceeding toward the operational launch of the distribution factory. Out of a budgeted investment of 19,100 million yen for the production and distribution factory, payment of 15,958 million yen was made, including construction work expenses for purchase of the production equipment and building, etc. was made.

(3) Status of the Group's Financing

- 1) 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) DWANGO Co., Ltd., which is a consolidated subsidiary of the Company, refinanced long-term loans payable of 10,000 million yen borrowed from financial institutions maturing in June 2021 for the purpose of continuing to secure necessary levels of liquidity on hand (five year borrowing period).
- 3) In the current fiscal year, the Company entered into a capital and strategic alliance agreement with China's Tencent Group for the purpose of stronger implementation of its Global Media Mix strategy for the global market, including China, for the Company's IP.
In accordance with this capital and strategic alliance agreement, the Company raised 30,000

million yen on November 15, 2021 by way of third-party allocation to Sixjoy Hong Kong Limited (Headquarters: Hong Kong), a subsidiary indirectly and wholly owned by Tencent Holdings Limited (Headquarters: Shenzhen, China), a core company of China's Tencent Group.

(4) Issues to Be Addressed by the Group

Looking at the Company's business environment, the Japanese publication market as a whole is continuously expanding as electronic publishing continue to grow, especially for comics, and paper-based books also began to increase for the first time in 15 years. The comics market is also expanding overseas, fueled by an increase in the anime audience as a result of the popularization of video distribution, and the Company's overseas subsidiaries, especially in North America, have continued to achieve high growth, showing the globalization of the publication business.

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

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

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

The Company recently decided to shift from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee, subject to approval at the recent Annual General Meeting of Shareholders, to strengthen governance and further speed up decision-making at the Company.

The Company will further promote ESG initiatives to realize a sustainable society and promote information disclosure in its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD).

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

[Publication Business]

The Company will continue working to create strong IP and increase the distribution of titles globally. In Japan, efforts will be made to further improve the return rate through production and logistics reforms. We will also focus on the development of vertically-scrolling manga to expand readers by responding to new ways of reading in the smartphone era.

On the IP creation front, the Company will continue to strengthen the development of titles posted online through the Kaku-Yomu and Maho-no-i-Land novel-posting sites in Japan, and will also work with the new American imprint Ize Press and overseas subsidiaries to develop titles globally. We also intend to launch an imprint dedicated to releasing vertically-scrolling manga and to expand its publication pipeline.

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

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

In the e-books business, the Company's electronic book delivery platform BOOK☆WALKER will play a central role in efforts to step up overseas distribution of text contents using North American subsidiary J-Novel Club LLC as a starting point, and continuing to develop a new global market for comic content including vertical scrolling manga.

The Company also intends to pursue the creation of new experiential value through video and audio content, 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 diverse joys of e-books available to readers around the world.

[Video Business]

In the video business, the Company will adapt to market changes associated with more widespread global video distribution and strengthen its video production capability, to establish a world-class IP creation structure integrating planning and production.

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

In live-action video production and distribution, we will strengthen our video production capability including integrating the video production business of KADOKAWA DAIEI STUDIO CO., LTD. into our video production division. We will also promote co-production of video and drama with overseas companies to meet video distribution market needs and will continue considering a new framework for distribution in anticipation of changes in the ways videos are viewed.

[Game Business]

In the game business, as the global market continues to expand, the Company will pursue investment in its own original titles and in-house planning and development in the smartphone game segment, seeking to improve profitability through its media mix.

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

[Web Service Business]

In the web service business, we will concentrate resources on several genres where niconico has strengths, to turn the number of premium membership subscriptions to increase, and we will create the most popular video community for genres for enthusiastic fans. At the same time, we will also seek to develop the fan community via the niconico channel.

In April 2022, we held Niconico Chokaigi, one of Japan's largest user participation events, for the first time in three years, in the form of a hybrid event combining online and real. By increasing the

frequency of such large events to twice a year, we will increase users' sense of solidarity and satisfaction and by increasing various online posting events linked to the events, we will give users more opportunities to participate. At the same time, the Company will make improvements to the user interface of apps, etc. to increase the appeal of its services. In addition, we plan to increase collaborative events with outside partners and charged content for popular genres and improve profitability whilst increasing user satisfaction.

Further, we have released Niconico Channel Plus, a community platform with features for the distribution of high resolution and flexible charging functions, and we will seek to develop the fan community and increase channel subscriptions.

In the mobile business, the Group will continue to control costs for dwango.jp, a music distribution service, to keep generating a profit.

[Other Businesses]

In other businesses, with a rising number of students enrolling in N High School, a correspondence high school via the Internet, and S High School, the business of providing educational content to both schools is growing, and since April 2021, we have also been enhancing educational by offering VR learning materials. We aim to expand earnings by continuing to provide high added value contents in the future.

At Tokorozawa Sakura Town, which includes the Kadokawa Culture Museum, an anime hotel, event spaces, restaurant areas and other retail facilities, the Company increased the appeal of all facilities whilst footfall was down due to COVID-19 control measures, including improving the quality of planned events and opening an eSports facility. We have also increased profitability by sharing knowhow of the experiential business with other facilities. We will continue making preparations for the further relaxation of regulations and increased footfall from Japan and overseas in the future.

(5) Status of Assets and Profit and Loss

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

Division	5th fiscal year (ended in March 2019)	6th fiscal year (ended in March 2020)	7th fiscal year (ended in March 2021)	8th fiscal year (current fiscal year) (ended in March 2022)
Net sales (million yen)	208,605	204,653	209,947	221,208
Ordinary profit (million yen)	4,205	8,787	14,369	20,213
Profit (loss) attributable to owners of parent (million yen)	(4,085)	8,098	9,584	14,078
Basic earnings (loss) per share (yen)	(31.97)	65.06	77.42	105.96
Total assets (million yen)	240,072	242,995	269,648	325,319
Net assets (million yen)	103,411	107,375	129,524	175,740
Net assets per share (yen)	801.04	855.77	987.83	1,234.46

- Notes: 1. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other provisions were applied from the beginning of the current fiscal year.
2. On January 1, 2022, the Company implemented a split at a ratio of one share to two shares. Net assets per share and basic earnings (loss) per share are calculated on the assumption that the stock split was conducted at the beginning of the 5th fiscal year.

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

Division	5th fiscal year (ended in March 2019)	6th fiscal year (ended in March 2020)	7th fiscal year (ended in March 2021)	8th fiscal year (current fiscal year) (ended in March 2022)
Operating revenue / Net sales (million yen)	5,738	84,049	119,821	114,656
Ordinary profit (loss) (million yen)	1,591	(249)	6,098	7,635
Profit (loss) (million yen)	(17,681)	23,828	4,151	6,446
Basic earnings (loss) per share (yen)	(136.98)	191.43	33.54	48.52
Total assets (million yen)	89,788	210,479	238,143	287,446
Net assets (million yen)	57,532	79,275	96,401	132,367
Net assets per share (yen)	454.76	644.26	747.81	950.56

- Notes: 1. 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.

2. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other provisions were applied from the beginning of the current fiscal year.
3. On January 1, 2022, the Company implemented a split at a ratio of one share to two shares. Net assets per share and basic earnings (loss) per share are calculated on the assumption that the stock split was conducted at the beginning of the 5th fiscal year.

(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	81.2	Publication Business
KADOKAWA DAIEI STUDIO CO., LTD.	100	100.0	Video Business
Glovision Inc.	100	100.0	Video Business
MOVIE WALKER Co., Ltd.	100	87.9	Video Business
ENGI Co.Ltd.	100	53.0	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.
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)	48.0	Publication Business
KADOKAWA TAIWAN CORPORATION	158 (million NT dollars)	91.4	Publication Business
KADOKAWA WORLD ENTERTAINMENT, INC.	35 (million US dollars)	100.0	Others
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. Chara-Ani Corporation was absorbed by KADOKAWA CORPORATION, the merging company, on January 1, 2022.

4. The trade name was changed to KADOKAWA WORLD ENTERTAINMENT, INC. from KADOKAWA PICTURES AMERICA, INC. as of January 1, 2022.

(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, 2022)

Business category	Principal business
Publication Business	Publishing and sales of books, etc.
	Publishing and sales of e-books and e-magazines, etc.
	Publishing and sales of magazines, sales of web advertisements, etc.
Video Business	Video distribution licensing and sales of package software Planning, production and distribution of live-action videos and animated cartoons, etc.
Game Business	Planning, development, and sales of game software and online games, etc.
Web Service Business	(Portal) Providing video social network services, etc.
	(Live) Planning and managing a variety of events
	(Mobile) Content distribution service for mobile device users, etc.
Others	Planning and operation of education businesses, planning and sales of character goods, operation, etc. of IP experience facilities, design, building and operation of systems, etc.

(9) Principal Offices and Plants (as of March 31, 2022)

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, 2022)

1) Employees in the Group

Business segment	Number of employees	
Publication Business	2,345	(1,262)
Video Business	462	(226)
Game Business	572	(81)
Web Service Business	683	(65)
Others	817	(336)
Group Overall (in common)	470	(259)
Total	5,349	(2,229)

- 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
1,860 (901) persons	42.1 years of age	2.3 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, 2022)

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

(12) Other Significant Information on the Overview of Business

On April 4, 2022, the Company transitioned to "Prime Market" as the New Market Segment of the

Tokyo Stock Exchange.

2. Status of the Company

(1) Status of Shares (as of March 31, 2022)

1) Number of shares authorized to be issued by the Company: 520,000,000 shares

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

2) Number of outstanding shares: 141,784,120 shares
(including treasury shares 465,808 shares)

- Notes: 1. Third-party allocation was conducted on November 15, 2021 by resolution of a meeting of the Board of Directors held on October 29, 2021. As a result, the total number of issued shares has increased by 4,862,200 shares.
2. Retirement of treasury shares was conducted on November 15, 2021 by resolution of a meeting of the Board of Directors held on October 29, 2021. As a result, the total number of issued shares has decreased by 4,862,200 shares.
3. A split at a ratio of one share to two shares was conducted on January 1, 2022 by resolution of a meeting of the Board of Directors held on October 29, 2021. As a result, the total number of issued shares has increased by 70,892,060 shares.
- 3) Number of shareholders: 31,838 persons
- 4) Major shareholders (top eleven)

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

- Notes: 1. The Company holds treasury shares of 465 thousand shares. These 465 thousand treasury shares do not include the 69 thousand shares held by Sumitomo Mitsui Trust Bank, Limited (Trust Account E) as trust assets of the share-based compensation plan for directors of the Company and its consolidated subsidiaries, as well as the ESOP for the employees. These treasury shares also do not include the 1,996 thousand shares held by Custody Bank of Japan, Ltd. (Trust Account).
2. The treasury shares are excluded in the calculation of the ratio of equity participation shown above.
- 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)	233,778 shares	5 persons
Outside Director	—	—
Audit & Supervisory Board Members	—	—

Notes: 1. Shares are delivered based on the Company's share-based compensation plan presented on page 21 of the Business Report.

2. In connection with the stock split (2-for-1) conducted on January 1, 2022, the number of shares is presented after adjustment for the stock split.

(2) Status of Subscription Rights to Shares, etc. (as of March 31, 2022)

Not applicable.

(3) Status of Company Officers

1) Directors and Audit and Supervisory Board Members (as of March 31, 2022)

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
Vice Chairman of the Board	Masaki Matsubara	Vice Executive Chairman
Representative Director and President	Takeshi Natsuno	Chief Executive Guest Professor, Keio University Graduate School of Media and Governance Outside Director (Audit and Supervisory Committee Member) 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 President of DWANGO Co., Ltd. Guest Professor and Director, Kindai University Cyber Informatics Research Institute
Representative Director	Naohisa Yamashita	Executive Officer, Chief Human Resources Officer and 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	Cindy Chou	Representative Director and President of J-GUIDE Marketing Co., Ltd.
Director	Hiroo Unoura	Special Adviser of NIPPON TELEGRAPH AND TELEPHONE CORPORATION Outside Director and Audit and Supervisory Committee Member of Mitsubishi Heavy Industries, Ltd.
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 & Supervisory Board Member (Full-time)	Yasuaki Takayama	
Audit & Supervisory Board Member (Full-time)	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. Hiroo Unoura, 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 7th General Meeting of Shareholders held on June 22, 2021, Ms. Cindy Chou and Mr. Hiroo Unoura were elected and assumed office as Directors.
5. On July 1, 2021, Director Mr. Hiroo Unoura was appointed as Special Advisor to Nippon Telegraph and Telephone Corporation.
6. Changes in Directors' titles and responsibilities during the current fiscal year were as follows.

Name	Before change	After change	Date of change
Masaki Matsubara	Representative Director and President Chief Executive	Vice Chairman of the Board Vice Executive Chairman	June 22, 2021
Takeshi Natsuno	Director and Executive Officer Chief Digital Officer	Representative Director and President Chief Executive	June 22, 2021
Naohisa Yamashita	Director and Executive Officer Chief Human Resources Officer and Chief Literature & Movie Officer	Representative Director and Executive Officer Chief Human Resources Officer and Chief Literature & Movie Officer	June 22, 2021

7. On April 1, 2022, the trade name of J-GUIDE Marketing Co., Ltd. was changed to KADOKAWA Global Marketing Co., Ltd.

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 Outside Directors and also all Outside 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 (persons)
		Monetary compensation		Non-monetary compensation, etc.	
		Fixed compensation (million yen)	Variable compensation (million yen)	Share-based compensation (million yen)	
Directors (of whom Outside Directors)	567 (40)	213 (40)	154 (-)	200 (-)	14 (5)
Audit and Supervisory Board Members (of whom Outside Audit and Supervisory Board Members)	56 (20)	56 (20)	- (-)	- (-)	4 (2)
Total	624	269	154	200	18

- Notes: 1. The above numbers include two Directors (of whom one is an Outside Director) who left office at the close of the 7th General Meeting of Shareholders held on June 22, 2021.
2. The above amounts indicate the share-based compensation for the fiscal year ended March 31, 2021, which was paid in the current fiscal year. The amount of share-based compensation for the fiscal year ended March 31, 2022 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, 2021) that were used as evaluation indicators, which are consolidated net sales of 209,947 million yen and consolidated operating profit of 13,625 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 (including up to 50 million yen for Outside Directors) 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 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, the Representative Directors, and Directors with special titles, with an independent Outside Director assuming the role of chairperson and independent Outside Directors accounting for the majority. The Committee considers and determines compensation within the limit amount of compensation for Directors, in accordance with the above basic policy.

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

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

Chairperson: Hiroo Unoura

Members: Tomoyuki Moriizumi, Koji Funatsu, Ruth Marie Jarman
Tsuguhiko Kadokawa, Takeshi Natsuno, Naohisa Yamashita

(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 Hiroo Unoura	Special Adviser of NIPPON TELEGRAPH AND TELEPHONE CORPORATION Outside Director and Audit and Supervisory Committee Member of Mitsubishi Heavy Industries, Ltd.
Director Tomoyuki Moriizumi	–
Director Koji Funatsu	Representative Director, Chairman and CEO of transcocos 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 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. The Company reported six (6) Directors, Mr. Hiroo Unoura, 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 independent officers who are unlikely to have any conflict of interests with its general shareholders. In addition to criteria regulated by Tokyo Stock Exchange Inc., as standards on independence when appointing an independent officer, the Company places following criteria on transaction amounts, etc. for transactions, etc. between the Company and a counterpart.

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

- 1) An entity where the Group is a business partner and said business partner's sales to the Group account for 2% or above of its consolidated sales of any one of the three most recent fiscal years or a business executive thereof
 - 2) A business partner with the Group where sales of the Group to that entity account for 2% or above of the Company's consolidated 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 transcocos inc. that includes the payment of outsourcing fees and system management fees, but the value of these transactions is 167 million yen, less than 0.05% of transcocos 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 Hiroo Unoura	11 of 12 meetings held	92%	—	—
Director Tomoyuki Moriizumi	14 of 14 meetings held	100%	—	—
Director Koji Funatsu	14 of 14 meetings held	100%	—	—
Director Ruth Marie Jarman	14 of 14 meetings held	100%	—	—
Audit and Supervisory Board Member Akira Watanabe	14 of 14 meetings held	100%	18 of 18 meetings held	100%
Audit and Supervisory Board Member Maoko Kikuchi	14 of 14 meetings held	100%	18 of 18 meetings held	100%

- Notes: 1. In the current fiscal year, a total of 14 meetings of the Board of Directors (12 regular and 2 extraordinary meetings) were held. In the current fiscal year, a total of 18 meetings of the Audit and Supervisory Board were held.
2. Director Mr. Hiroo Unoura was newly appointed at the 7th General Meeting of Shareholders held on June 22, 2021, and therefore the number of Board of Directors' meetings held that he 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. Hiroo Unoura expressed his opinions making the most of his broad experience and extensive knowledge from the perspective of a corporate manager in cutting-edge fields both in Japan and overseas. As the chairperson of the Nomination and Evaluation Remuneration Committee, he led the supervision function in the process of selecting candidates for the Company's officers and determining compensation for officers from an objective and neutral position.
- Director 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

2) Amount of compensation, etc.

	Amount
Total amount of compensation, etc., to be paid by the Company for duties as set forth in Article 2, paragraph 1 of the Certified Public Accountant Law	96 million yen
Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Independent Auditor	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, record of past remuneration, and appropriateness of the basis for calculating estimated remuneration, and agreed the compensation, etc. to be paid to the Independent Auditor.

3. Among the Company's important subsidiaries, KADOKAWA TAIWAN CORPORATION, KADOKAWA HOLDINGS ASIA LTD. and Guangzhou Tianwen Kadokawa Animation and Comics Co., Ltd, are audited by a local audit firm other than the Company's accounting auditor.

3) 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.

4) Outline of the agreement for limitation of liability

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

5) Outline of details of indemnity agreement

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

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

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

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 14 meetings of the Board of Directors (12 regular and 2 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.

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

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.

In addition, in order to improve the liquidity of the Company's stock and expand its investor base, the Company implemented a 2-for-1 stock split of its common stock on January 1, 2022 by resolution of a meeting of the Board of Directors held on October 29, 2021.

The Company plans to pay a dividend of 30 yen per share for the fiscal year ended March 31, 2022, an increase of 5 yen from the 20 yen per share of the previous fiscal year (after conversion for share

split and excluding the commemorative dividend of 5 yen per share) plus a special dividend of 5 yen to reflect its strong full-year consolidated performance. For the next fiscal year, the Company forecasts payment of an ordinary dividend of 30 yen per share.

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

Consolidated Balance Sheet

(As of March 31, 2022)

Item	Amount	Item	Amount
(Assets)	Millions of yen	(Liabilities)	Millions of yen
Current assets	205,613	Current liabilities	77,885
Cash and deposits	123,931	Notes and accounts payable - trade	26,635
Notes receivable - trade	2,119	Short-term borrowings	283
Accounts receivable - trade	41,063	Accounts payable - other	10,294
Contract assets	401	Income taxes payable	2,366
Inventories	23,921	Contract liabilities	12,890
Prepaid expenses	1,853	Deposits received	7,171
Deposits paid	4,491	Provision for bonuses	4,810
Other	8,220	Refund liabilities	5,730
Allowance for doubtful accounts	(388)	Provision for share-based remuneration	485
		Provision for share-based remuneration for directors	313
		Other	6,904
Non-current assets	119,705	Non-current liabilities	71,693
Property, plant and equipment	71,538	Long-term borrowings	65,000
Buildings and structures	31,055	Deferred tax liabilities	1,149
Machinery and equipment	1,188	Retirement benefit liability	3,855
Tools, furniture and fixtures	2,868	Other	1,688
Land	26,088		
Construction in progress	9,880	Total liabilities	149,578
Other	455		
Intangible assets	7,280	(Net assets)	
Software	5,489	Shareholders' equity	159,036
Goodwill	429	Share capital	40,624
Other	1,362	Capital surplus	53,324
Investments and other assets	40,886	Retained earnings	67,015
Investment securities	33,957	Treasury shares	(1,928)
Retirement benefit asset	63	Accumulated other comprehensive income	12,863
		Valuation difference on available-for-sale securities	11,138
Deferred tax assets	1,011	Foreign currency translation adjustment	1,396
Insurance funds	2,464	Remeasurements of defined benefit plans	328
Guarantee deposits	2,968	Non-controlling interests	3,840
Other	703		
Allowance for doubtful accounts	(283)	Total net assets	175,740
Total assets	325,319	Total liabilities and net assets	325,319

Consolidated Statement of Income

(April 1, 2021 through March 31, 2022)

Item	Amount	
	Millions of yen	Millions of yen
Net sales		221,208
Cost of sales		145,621
Gross profit		75,587
Selling, general and administrative expenses		57,067
Operating profit		18,519
Non-operating income		
Interest income	89	
Dividend income	423	
Share of profit of entities accounted for using equity method	463	
Foreign exchange gains	1,339	
Gain on sales of goods	75	
Other	604	2,994
Non-operating expenses		
Interest expenses	100	
Share issuance costs	131	
Donations	1,000	
Other	67	1,300
Ordinary profit		20,213
Extraordinary income		
Gain on sales of non-current assets	57	
Gain on sales of investment securities	29	
Gain on sales of shares of subsidiaries and associates	100	
Other	2	190
Extraordinary losses		
Impairment losses	71	
Loss on valuation of investment securities	142	
Business restructuring expenses	705	
Other	26	945
Profit before income taxes		19,458
Income taxes - current	4,651	
Income taxes - deferred	(254)	4,396
Profit		15,061
Profit attributable to non-controlling interests		983
Profit attributable to owners of parent		14,078

Consolidated Statement of Changes in Equity

(April 1, 2021 through March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	25,624	44,821	56,215	(8,943)	117,719
Cumulative effects of changes in accounting policies			11		11
Restated balance	25,624	44,821	56,227	(8,943)	117,731
Changes during period					
Issuance of new shares	14,999	14,999			29,999
Dividends of surplus			(3,289)		(3,289)
Profit attributable to owners of parent			14,078		14,078
Purchase of treasury shares				(12)	(12)
Cancellation of treasury shares		(6,529)		6,529	–
Disposal of treasury shares				497	497
Purchase of shares of consolidated subsidiaries		31			31
Other		1			1
Net changes in items other than shareholders' equity					
Total changes during period	14,999	8,502	10,788	7,014	41,305
Balance at end of period	40,624	53,324	67,015	(1,928)	159,036

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	8,751	445	425	9,622	2,182	129,524
Cumulative effects of changes in accounting policies						11
Restated balance	8,751	445	425	9,622	2,182	129,536
Changes during period						
Issuance of new shares						29,999
Dividends of surplus						(3,289)
Profit attributable to owners of parent						14,078
Purchase of treasury shares						(12)
Cancellation of treasury shares						–
Disposal of treasury shares						497
Purchase of shares of consolidated subsidiaries						31
Other						1
Net changes in items other than shareholders' equity	2,386	950	(96)	3,240	1,657	4,898
Total changes during period	2,386	950	(96)	3,240	1,657	46,204
Balance at end of period	11,138	1,396	328	12,863	3,840	175,740

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.

ENGI Co.Ltd.

FromSoftware, Inc.

Kadokawa Games, Ltd.

Spike Chunsoft Co., Ltd.

Vantan Inc.

KADOKAWA Game Linkage Inc.

KADOKAWA Connected Inc.

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

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

KADOKAWA TAIWAN CORPORATION (Taipei, Taiwan)

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

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

Studio KADAN Co.Ltd. was included in the scope of consolidation because it was newly founded in the current fiscal year.

J-Novel Club LLC (Texas, U.S.) was included in the scope of consolidation because its shares were newly acquired and it became a consolidated subsidiary.

TRISTA Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, was excluded from the scope of consolidation due to its extinction in a merger with a merging company, subsidiary BOOK WALKER Co., Ltd.

Chara-ani corporation, which was a consolidated subsidiary in the previous fiscal year, was excluded from the scope of consolidation due to its extinction in a merger with a merging company, KADOKAWA CORPORATION.

The trade name of KADOKAWA PICTURES AMERICA, INC. was changed to KADOKAWA WORLD ENTERTAINMENT, INC.

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

There are no non-consolidated subsidiaries.

2. Application of the equity method

(1) Number of associated companies accounted for by the equity method: 16

Names of major associated companies accounted for by the equity method

DOCOMO ANIME STORE, INC.

LOGIC&MAGIC INC., which had been an associated company accounted for by the equity method in the previous fiscal year, was excluded from the scope of application of the equity method as shares in it were sold.

- (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, 2022.

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

Names of major companies

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

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

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

3. Fiscal year etc., of the consolidated subsidiaries

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

The closing date of KADOKAWA TAIWAN CORPORATION and 19 other subsidiaries is December 31.

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

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

4. Accounting policies

- (1) Valuation basis and methods for significant assets

- 1) Available-for-sale securities

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

Fair value method 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 such as shares without a quoted market price

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 share-based remuneration

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

4) Provision for share-based remuneration for directors

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

(4) Accounting policies for recognition of revenue and expenses

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and relevant ASBJ regulations, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer in the amount expected to be received upon exchange of said goods or services.

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

1) Accounting policies for retirement benefits

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

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

The actuarial gains or losses were amortized 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) Application of consolidated taxation system

The consolidated taxation system was applied.

5) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

From the next fiscal year, the Company and certain domestic consolidated subsidiaries will be transitioned from the consolidated taxation system to the group tax sharing system. However, 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.

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

[Significant accounting estimates]

(Refund liabilities)

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

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

In addition, as the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, "Provision for sales returns" was renamed "Refund liabilities."

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

The amount of refund liabilities recorded in the consolidated balance sheet at the end of the current fiscal year was 5,730 million yen.

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

1) Calculation method and significant assumptions used for calculation

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

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

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

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

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

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

[Changes in accounting policies]

(Application of the "Accounting Standard for Revenue Recognition," etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year,

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

For mainly some transactions in the Publication Business and the Video Business, the full amount of the consideration received from customers was previously recognized as revenue. But as a result of applying this standard, for transactions in which the Group acts as an agent for provision of goods or services to customers, the Company has changed this method so that revenue is recognized at the net amount calculated by deducting the amount paid to the supplier from the amount received from the customer.

Although consideration paid to customers such as a sales rebate mainly in the Publication Business was previously recorded under selling, general and administrative expenses, the method was changed to state such consideration by subtracting it from net sales.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations was subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the current fiscal year was recorded by reflecting it in the opening balance of retained earnings of the current fiscal year, and the new accounting policy was applied starting with the opening balance of the current fiscal year.

As a result, net sales decreased by 10,456 million yen for the current fiscal year in comparison with under the previous method. There was only a marginal effect on operating profit, ordinary profit, and profit before income taxes. Balance of retained earnings at the beginning of the current fiscal year increased by 11 million yen.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in "Notes receivable - trade," "Accounts receivable - trade" and "Contract assets" from the current fiscal year, and "Advances received," previously under current liabilities, has been included in "Contract liabilities."

In addition, "Provision for sales returns," previously under current liabilities, was renamed "Refund liabilities."

(Application of the "Accounting Standard for Fair Value Measurement," etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in Paragraph 19 of the Accounting Standard For Fair Value Measurement, and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on July 4, 2019).

This had no impact on the consolidated financial statements.

Furthermore, the "Notes on financial instruments" describes matters regarding the breakdown by level of fair value of financial instruments, among others.

[Additional information]

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

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

(1) ESOP for employees

1) Overview of the plan

For employees who satisfy certain requirements as beneficiaries, the Company has established a trust and contributed cash to the trust for purchasing the Company's shares. The trust 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 321 million yen and 400 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 1,287 million yen and 1,665 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. of book stores and movie theaters. 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 18,040 million yen

2. Assets pledged as collateral

Cash and deposits

25 million yen

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

[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	75,754,260 shares	4,862,200 shares	141,784,120 shares
(Treasury shares)				
Common shares (Note 2)	6,436,318 shares	1,350,680 shares	5,255,070 shares	2,531,928 shares

Notes: 1. The number of shares increased in issued shares under common shares is 70,892,060 shares in connection with a stock split and 4,862,200 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 4,862,200 shares due to the cancellation of treasury shares.

2. The number of shares increased in treasury shares under common shares is 1,347,923 shares in connection with a stock split and 2,757 shares due to purchase of shares less than one unit. The number of shares decreased in treasury shares under common shares is 4,862,200 shares due to the cancellation of treasury shares and the delivery of 392,870 shares from the benefit trust for acquisition and management of stock.

3. The number of treasury shares under common shares at the end of the current fiscal year includes 2,066,120 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 27, 2021	Common shares	3,289	50	March 31, 2021	June 23, 2021

Notes: 1. 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.

2. On January 1, 2022, the Company implemented a 2-for-1 stock split for common shares. The amount of dividends per share shown above is an amount before the stock split, and if the split is taken into account, the amount of dividends per share is 25 yen.

(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 26, 2022	Common shares	Retained earnings	4,239	30	March 31, 2022	June 27, 2022

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

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

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

(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.

Foreign currency-denominated deposits are exposed to a risk of fluctuations in foreign exchange rates. These deposits, however, are hedged by using forward exchange contracts, currency swaps,

and currency options in accordance with the Company's Rules on Management of Derivatives Transactions.

(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.

(Millions of yen)

	Amounts stated in the consolidated balance sheet	Fair value	Difference
Accounts receivable - trade	41,063	41,102	38
Investment securities	25,175	25,175	—
Total assets	66,238	66,277	38
Long-term borrowings (including current portion)	65,000	64,992	(7)
Total liabilities	65,000	64,992	(7)

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

Assets

Cash and deposits; Notes receivable - trade; Deposits paid

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

Liabilities

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

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

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

(Millions of yen)

Classification	Amount stated in the consolidated balance sheet
Non-listed shares	8,782

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	123,910	—	—	—
Notes receivable - trade	2,119	—	—	—
Accounts receivable - trade	40,178	884	—	—
Deposits paid	4,491	—	—	—
Total	170,700	884	—	—

4. Repayment schedule for short-term borrowings and long-term borrowings after the consolidated closing date

(Millions of yen)

	Within 1 year	Over 1 year through 2 years	Over 2 years through 3 years	Over 3 years through 4 years	Over 4 years through 5 years	Over 5 years
Short-term borrowings	283	—	—	—	—	—
Long-term borrowings (including current portion)	—	40,000	—	15,000	10,000	—
Total	283	40,000	—	15,000	10,000	—

3. Breakdown of fair values of financial instruments for levels

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

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

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

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

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

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

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities	25,175	—	—	25,175
Total assets	25,175	—	—	25,175

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

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable - trade	–	41,102	–	41,102
Total assets	–	41,102	–	41,102
Long-term borrowings (including current portion)	–	64,992	–	64,992
Total liabilities	–	64,992	–	64,992

Note: Description of a valuation method used for calculation and inputs for fair value calculation

Accounts receivable - trade

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

Investment securities

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

Long-term borrowings (including current portion)

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

[Notes on revenue recognition]

1. Breakdown of revenue from contracts with customers

(Millions of yen)

	Reportable segments				Others	Total
	Publication	Video	Game	Web Service		
Principal regional markets						
Japan	115,153	25,228	14,599	21,175	16,175	192,331
North America	8,795	3,947	3,128	–	17	15,889
Asia	6,525	2,952	1,029	–	157	10,665
Others	1,054	606	654	–	6	2,322
Revenue from contracts with customers	131,530	32,735	19,411	21,175	16,356	221,208
Principal lines of goods or services						
Paper books and magazines	83,733	–	–	–	–	83,733
E-books and e-magazines	47,796	–	–	–	–	47,796
Video	–	32,735	–	–	–	32,735
Game	–	–	19,411	–	–	19,411
Web Service	–	–	–	21,175	–	21,175
Education	–	–	–	–	10,794	10,794
Others	–	–	–	–	5,561	5,561
Revenue from contracts with customers	131,530	32,735	19,411	21,275	16,356	221,208

Other revenue	–	–	–	–	–	–
Revenues from external customers	131,530	32,735	19,411	21,275	16,356	221,208

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

(1) Publication Business

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

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

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

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

(2) Video Business

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

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

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

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

(3) Game Business

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

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

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

If a contract with a customer contains provisions on variable considerations, such as pay-as-you-go that varies in accordance with sales quantity in the market, in addition to certain contract fees, revenue

is recognized when its amount is able to be measured reliably and uncertainty associated with the amount of consideration is resolved.

(4) Web Service Business

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

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

(5) Education Business

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

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

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

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

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

(1) Balances of contract assets and contract liabilities

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

(Millions of yen)	
Classification	Current fiscal year
Balance of receivables that stemmed from contracts with customers (beginning balance)	40,533
Balance of receivables that stemmed from contracts with customers (ending balance)	43,182
Contract assets (beginning balance)	2,114
Contract assets (ending balance)	401
Contract liabilities (beginning balance)	11,626
Contract liabilities (ending balance)	12,890

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

Revenue recognized for the current fiscal year that had been included in a beginning balance of contract liabilities was 11,626 million yen.

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

No material change occurred.

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

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

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

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

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

- (2) Transaction price allocated to unsatisfied performance obligations

In stating notes on transaction prices allocated to an unsatisfied performance obligation, the Group applies a convenient method for practical purposes, and excludes contracts initially predicted to last one year or less from the notes as well as royalties based on net sales or usage volume out of the various types of licensing for IPs held by the Group. The unsatisfied (or partially unsatisfied) performance obligation at the end of the current fiscal year was 1,405 million yen. The performance obligation is mainly related to contract development operations for game software mainly in the Game Business, and is forecast to be recognized as revenue within one year after the last day of the fiscal year.

[Per share information]

- | | |
|-------------------------|--------------|
| 1. Net assets per share | 1,234.46 yen |
| 2. Profit per share | 105.96 yen |

Notes: 1. In the calculation of net assets per share, the Company's shares held by the benefit trust for acquisition and management of stock (2,066 thousand shares in the current fiscal year) are included in treasury shares, which are deducted in calculating the number of shares outstanding at the end of the fiscal year.

In addition, in the calculation of profit per share, the said shares are included in treasury shares (2,380 thousand shares in the current fiscal year), which are deducted in calculating the average number of shares during the fiscal year.

2. On January 1, 2022, the Company implemented a 2-for-1 stock split for common shares. Profit per share is calculated on the assumption that the stock split was conducted at the beginning of the current fiscal year.

[Notes on significant subsequent events]

Not applicable.

[Other notes]

1. Consolidated Statement of Income

(1) Business restructuring expenses

Business restructuring expenses recorded in extraordinary losses for the current fiscal year are losses related to the withdrawal from unprofitable business and costs related to an office closure.

(2) Donations

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

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

Non-consolidated Balance Sheet

(As of March 31, 2022)

Item	Amount	Item	Amount
(Assets)	Millions of yen	(Liabilities)	Millions of yen
Current assets	168,440	Current liabilities	94,160
Cash and deposits	113,250	Notes payable - trade	4,644
Notes receivable - trade	1,923	Accounts payable - trade	13,522
Accounts receivable - trade	26,935	Accounts payable - other	7,410
Inventories	17,526	Income taxes payable	1,477
Prepaid expenses	506	Accrued consumption taxes	1,949
Accounts receivable - other	6,131	Contract liabilities	1,377
Other	2,441	Deposits received	55,006
Allowance for doubtful accounts	(274)	Provision for bonuses	2,552
Non-current assets	119,006	Refund liabilities	4,838
Property, plant and equipment	56,636	Provision for share-based remuneration	404
Buildings	26,306	Provision for share-based remuneration for directors	180
Structures	344	Other	796
Machinery and equipment	1,129	Non-current liabilities	60,918
Tools, furniture and fixtures	1,214	Long-term borrowings	55,000
Land	17,794	Deferred tax liabilities	2,225
Construction in progress	9,839	Provision for retirement benefits	2,916
Other	6	Other	777
Intangible assets	2,749	Total liabilities	155,079
Software	2,125	(Net assets)	
Other	623	Shareholders' equity	121,229
Investments and other assets	59,620	Share capital	40,624
Investment securities	29,289	Capital surplus	53,285
Shares of subsidiaries and associates	25,582	Legal capital surplus	40,624
Investments in capital of subsidiaries and associates	142	Other capital surplus	12,660
Insurance funds	2,451	Retained earnings	29,247
Guarantee deposits	1,062	Other retained earnings	29,247
Other	1,366	Retained earnings brought forward	29,247
Allowance for doubtful accounts	(273)	Treasury shares	(1,928)
		Valuation and translation adjustments	11,138
		Valuation difference on available-for-sale securities	11,138
		Total net assets	132,367
Total assets	287,446	Total liabilities and net assets	287,446

Non-consolidated Statement of Income

(April 1, 2021 through March 31, 2022)

Item	Amount	
	Millions of yen	Millions of yen
Net sales		114,656
Cost of sales		76,407
Gross profit		38,248
Selling, general and administrative expenses		33,690
Operating profit		4,558
Non-operating income		
Interest income	72	
Dividend income	2,484	
Foreign exchange gains	1,386	
Gain on sales of goods	66	
Other	370	4,381
Non-operating expenses		
Interest expenses	116	
Share issuance costs	131	
Donations	1,000	
Other	56	1,304
Ordinary profit		7,635
Extraordinary income		
Gain on extinguishment of tie-in shares	106	
Other	2	108
Extraordinary losses		
Impairment losses	71	
Loss on valuation of shares of subsidiaries and associates	107	
Business restructuring expenses	83	
Other	39	302
Profit before income taxes		7,441
Income taxes - current	594	
Income taxes - deferred	400	995
Profit		6,446

Non-consolidated Statement of Changes in Equity

(April 1, 2021 through March 31, 2022)

(Millions of yen)

	Shareholders' equity					
	Share capital	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 period	25,624	25,624	19,255	44,880	26,091	26,091
Changes during period						
Issuance of new shares	14,999	14,999		14,999		
Dividends of surplus					(3,289)	(3,289)
Profit					6,446	6,446
Decrease by corporate division			(65)	(65)		
Purchase of treasury shares						
Cancellation of treasury shares			(6,529)	(6,529)		
Disposal of treasury shares						
Net changes in items other than shareholders' equity						
Total changes during period	14,999	14,999	(6,595)	8,404	3,156	3,156
Balance at end of period	40,624	40,624	12,660	53,285	29,247	29,247

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(8,943)	87,653	8,748	8,748	96,401
Changes during period					
Issuance of new shares		29,999			29,999
Dividends of surplus		(3,289)			(3,289)
Profit		6,446			6,446
Decrease by corporate division		(65)			(65)
Purchase of treasury shares	(12)	(12)			(12)
Cancellation of treasury shares	6,529	—			—
Disposal of treasury shares	497	497			497
Net changes in items other than shareholders' equity			2,389	2,389	2,389
Total changes during period	7,014	33,575	2,389	2,389	35,965
Balance at end of period	(1,928)	121,229	11,138	11,138	132,367

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 other than shares without a 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 such as shares without a 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 share-based remuneration

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

(4) Provision for share-based remuneration for directors

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

(5) Provision for retirement benefits

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

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

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

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

4. Accounting policies for recognition of revenue and expenses

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and relevant ASBJ regulations, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer in the amount expected to be received upon exchange of said goods or services.

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

(1) Application of consolidated taxation system

The consolidated taxation system was applied.

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

From the next fiscal year, the Company will be transitioned from the consolidated taxation system to the group tax sharing system. However, 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.

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

[Significant accounting estimates]

(Refund liabilities)

The amount of refund liabilities recorded in the non-consolidated balance sheet at the end of the current fiscal year was 4,838 million yen. The calculation method and significant assumptions used for calculation of refund liabilities and impact on the non-consolidated financial statements in the following fiscal year are omitted here as such information is provided in the "Notes on significant accounting estimates" subsection of the "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements.

In addition, as the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, "Provision for sales returns" was renamed "Refund liabilities."

[Changes in accounting policies]

(Application of the "Accounting Standard for Revenue Recognition," etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer in the amount expected to be received upon exchange of said goods or services.

For mainly some transactions in the Publication Business and the Video Business, the full amount of the consideration received from customers was previously recognized as revenue. But as a result of applying the standard, for transactions in which the Company acts as an agent for provision of goods or services to customers, the Company has changed this method so that revenue is recognized at the net amount calculated by deducting the amount paid to the supplier from the amount received from the customer.

Although consideration paid to customers such as a sales rebate mainly in the Publication Business was previously recorded under selling, general and administrative expenses, the method was changed to state such consideration after subtracting it from net sales.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations was subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, and the new accounting policy was applied starting from the beginning of the current fiscal year.

As a result, net sales decreased by 7,347 million yen for the current fiscal year in comparison with under the previous method. There was only a marginal effect on operating profit, ordinary profit, and profit before income taxes. It had no effect on balance of retained earnings at the beginning of the current fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Advances received," previously under current liabilities of the non-consolidated balance sheet as of the end of the previous fiscal year, has been included in "Contract liabilities."

In addition, "Provision for sales returns," previously under current liabilities, was renamed "Refund liabilities."

(Application of the "Accounting Standard for Fair Value Measurement," etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in Paragraph 19 of the Accounting Standard For Fair Value Measurement, and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on July 4, 2019).

This had no impact on the non-consolidated financial statements.

[Additional information]

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

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

(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 7,478 million yen
2. The Company's monetary claims against, and monetary liabilities for, its subsidiaries and associated companies
 - (1) Short-term monetary claims 11,457 million yen
 - (2) Long-term monetary claims 974 million yen
 - (3) Short-term monetary liabilities 56,422 million yen
 - (4) Long-term monetary liabilities 29 million yen

[Notes to the Non-consolidated Statement of Income]

1. Transactions with subsidiaries and associated companies
 - (1) Net sales 34,090 million yen
 - (2) Cost of sales 4,749 million yen
 - (3) Selling, general and administrative expenses 5,996 million yen
 - (4) Transactions that are not business transactions
 - 1) Amount resulting from non-business transactions (income) 2,095 million yen
 - 2) Amount resulting from non-business transactions (payments) 42 million yen
2. Donations

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

[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	6,436,318 shares	1,350,680 shares	5,255,070 shares	2,531,928 shares

- Notes: 1. The number of shares increased in treasury shares under common shares is 1,347,923 shares in connection with a stock split and 2,757 shares due to purchase of shares less than one unit.
2. The number of shares decreased in treasury shares under common shares is 4,862,200 shares due to the cancellation of treasury shares and the delivery of 392,870 shares from the benefit trust for acquisition and management of stock.
3. The number of treasury common shares at the end of the current fiscal year includes 2,066,120 shares of the Company held by the benefit trust for acquisition and management of stock.

[Notes on tax effect accounting]

Deferred tax assets accrued mainly for shares of subsidiaries and associates, refund liabilities, and inventories, 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. Deferred tax assets associated with shares of subsidiaries and associates for which scheduling is impossible deduct valuation allowance.

[Notes on transactions with related parties]

1. Subsidiaries and associated companies, etc.

Attribute	Name	Location	Share capital (Millions of yen)	Business	Ratio of voting rights, etc., owning (owned) (%)	Relations	Transactions	Amount of transactions (Millions of yen)	Account item	Year-end balance (Millions of yen)
Subsidiary	DWANGO Co., Ltd.	Chuo-ku, Tokyo	100	Web Service Business, etc.	(Owner) Direct ownership: 100.0	Officers serving concurrently Deposit of funds	Deposit of funds	14,028	Deposits received	14,534
	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.	30,596	Accounts receivable - trade	5,570
							Deposit of funds	7,168	Deposits received	7,524
	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	5,081	Deposits received	10,816
	Vantan Inc.	Shibuya-ku, Tokyo	90	Operation of schools specializing in the creative field, etc.	(Owner) Indirect ownership: 100.0	Deposit of funds	Deposit of funds	5,057	Deposits received	6,057

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. Consumption taxes are excluded from the amount of transactions and are included in the year-end balances.

[Notes on revenue recognition]

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

[Per share information]

- | | |
|-------------------------|------------|
| 1. Net assets per share | 950.56 yen |
| 2. Profit per share | 48.52 yen |

Notes: 1. In the calculation of net assets per share, the Company's shares held by the benefit trust for acquisition and management of stock (2,066 thousand shares in the current fiscal year) are included in treasury shares, which are deducted in calculating the number of shares outstanding at the end of the fiscal year.

In addition, in the calculation of profit per share, the Company's shares above are included in treasury shares (2,380 thousand shares in the current fiscal year), which are deducted in calculating the average number of shares during the fiscal year.

2. On January 1, 2022, the Company implemented a 2-for-1 stock split for common shares. Profit per share is calculated on the assumption that the stock split was conducted at the beginning of the current 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, 2022]

The Board of Directors
KADOKAWA CORPORATION

Ernst & Young ShinNihon LLC
Tokyo Office, Japan

Hirofumi Harashina
Designated Engagement Partner
Certified Public Accountant

Hiroyoshi Konno
Designated Engagement Partner
Certified Public Accountant

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, 2021 to March 31, 2022.

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, 2022, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

The other information comprises the information included in the Group's business report and accompanying supplemental schedules. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management, the 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 consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Notes to the Readers of Independent Auditor's Report

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

Independent Auditor's Report (Translation)

[May 24, 2022]

The Board of Directors
KADOKAWA CORPORATION

Ernst & Young ShinNihon LLC
Tokyo Office, Japan

Hirofumi Harashina
Designated Engagement Partner
Certified Public Accountant

Hiroyoshi Konno
Designated Engagement Partner
Certified Public Accountant

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, 2021 to March 31, 2022.

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, 2022, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

The other information comprises the information included in the Company's business report and accompanying supplemental schedules. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's reporting process of the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Financial Statements

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

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

The 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 8th fiscal year from April 1, 2021 to March 31, 2022, 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 report and accompanying supplemental schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements), the accompanying supplemental schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements) for the fiscal year ended March 31, 2021.

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, 2022

KADOKAWA CORPORATION Audit & Supervisory Board

Audit & Supervisory Board Member (Full-time)	Yasuaki Takayama
Audit & Supervisory Board Member (Full-time)	Akira Watanabe
Outside Audit & Supervisory Board Member	Akira Watanabe
Outside Audit & Supervisory Board Member	Maoko Kikuchi

Proposal 1: To Amend the Articles of Incorporation

1. Reasons for the amendment

The reasons for the amendment are as follows.

- 1) The Company will shift to become a company with an Audit & Supervisory Committee in order to further improve the transparency of management and enable faster decision-making by strengthening the supervision function of the Board of Directors and enhancing corporate governance. Accordingly, revisions to the Company's Articles of Incorporation shall be made, including the establishment of new provisions regarding the Audit & Supervisory Committee and its members, the deletion of provisions regarding the Audit & Supervisory Board and its members, and other necessary adjustments.
- 2) The enforcement on September 1, 2022 of the revised provisions of the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No.70 of 2019) requires that the Company establish new provisions to provide information in the reference documents used for its General Meetings of Shareholders in an electronic format and to limit the information provided in the paper version of these documents provided to shareholders upon request, delete the provisions on the disclosure of reference documents for the General Meetings of Shareholders on the internet and de facto provision, and establish supplementary provisions on the effective date and other matters.
- 3) Paragraph 2, Article 11 of the Articles of Incorporation will be added in response to the enforcement of the Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts (Act No. 70 of 2021) on June 16, 2021, allowing listed companies to hold shareholders' meetings without specifying a physical venue (so-called virtual-only shareholders' meetings) under certain conditions by specifying these matters in their Articles of Incorporation. The Company believes that facilitating meeting attendance for more shareholders, including those residing in remote areas, will help revitalize, streamline, and facilitate shareholder meetings, and will also contribute to mitigating risks in the event of large-scale disasters such as infectious diseases and natural disasters. Pursuant to the ministerial ordinances of the Ministry of Economy, Trade and Industry and the Ministry of Justice, the Minister of Economy, Trade and Industry and the Minister of Justice confirm that these partial amendments to the Articles of Incorporation fall under the requirements set forth by the said ministerial ordinances as something that contributes to strengthening industrial competitiveness, while giving consideration to securing interests of shareholders.
- 4) In addition, the Company will make other necessary changes such as the rearrangement of Article numbers due to the above revision.

2. Details of the amendment

The details of the proposed amendment are as follows:

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

(The underlined part is the amendment.)

Current Articles of Incorporation	Proposed Amendment
(Organs) Article 4 The Company shall have the following organizations in addition to the General Meeting of Shareholders and Directors.	(Organs) Article 4 The Company shall have the following organizations in addition to the General Meeting of Shareholders and Directors.

Current Articles of Incorporation	Proposed Amendment
<p>(1) Board of Directors <u>(2) Audit & Supervisory Board Members</u> <u>(3) Audit & Supervisory Board</u> <u>(4) Accounting Auditor</u></p>	<p>(1) Board of Directors <u>(2) Audit & Supervisory Committee</u> <u>(3) Accounting Auditor</u></p>
<p>(Convocation) Article 11 The Ordinary General Meeting of Shareholders of the Company shall be convened in June each year, and an Extraordinary General Meeting of Shareholders shall be convened whenever necessary. (New provision)</p>	<p>(Convocation) Article 11 1. The Ordinary General Meeting of Shareholders of the Company shall be convened in June each year, and an Extraordinary General Meeting of Shareholders shall be convened whenever necessary. 2. <u>The Company may hold a general meeting of shareholders without a physical venue if its Board of Directors determines that specifying a physical venue to hold a shareholders' meeting is not in the best interest of the Company's shareholders due to the spread of an infectious disease or damage from a natural disaster.</u></p>
<p><u>(Disclosure on the Internet and De Facto Provision of General Shareholders Meeting Reference Documents, etc.)</u> Article 14 <u>In conjunction with the convening of a general meeting of shareholders, information on matters that should be described or indicated in general shareholders meeting reference documents, business reports, financial statements and consolidated financial statements shall be deemed to have been provided to shareholders, if the Company discloses such information by any Internet-based means pursuant to the Ministry of Justice ordinance.</u> (New provision)</p>	<p>(Deleted)</p>
<p>(New provision)</p>	<p><u>(Electronic Provision Measure, etc.)</u> Article 14 1. <u>The Company shall deliver information in reference documents for general meetings of shareholders in an electronic form.</u> 2. <u>The Company may omit all or part of information specified in the Ordinance of the Ministry of Justice and provided in an electronic form from documents delivered to shareholders who have requested paper-form documents before the record date of voting rights.</u></p>
<p>(Number of Directors) Article 18 The number of Directors of the Company shall be no more than twelve (12). (New provision)</p>	<p>(Number of Directors) Article 18 1. The number of Directors of the Company <u>(excluding Directors who serve as Audit & Supervisory Committee members)</u> shall be no more than twelve (12). 2. <u>The number of Directors of the Company, who serve as Audit & Supervisory Committee members, shall be no more than six (6).</u></p>
<p>(Selection of Directors) Article 19 1. Directors shall be elected by resolution of the General Meeting of Shareholders. 2. A resolution to select Directors shall require a majority of votes cast by shareholders present at the meeting who hold one third (1/3) or more of the voting rights of shareholders entitled to exercise their voting rights. 3. Resolutions for the election of Directors shall not be by cumulative voting.</p>	<p>(Selection of Directors) Article 19 1. Directors shall be elected by resolution of the General Meeting of Shareholders <u>by distinguishing between the Directors who serve as Audit & Supervisory Committee members and other Directors.</u> 2. A resolution to select Directors shall require a majority of votes cast by shareholders present at the meeting who hold one third (1/3) or more of the voting rights of shareholders entitled to exercise their voting rights. 3. Resolutions for the election of Directors shall not be by cumulative voting.</p>
<p>(Term of Office of Directors) Article 21 The term of office of Directors shall end at the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within one (1) year from the appointment.</p>	<p>(Term of Office of Directors) Article 21 1. <u>The term of office of Directors, excluding those who serve as Audit & Supervisory Committee members, shall end at the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within one (1) year from the appointment.</u></p>

Current Articles of Incorporation	Proposed Amendment
(New provision)	2. <u>The term of office of Directors who serve as Audit & Supervisory Committee members shall end at the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within two (2) years from the appointment.</u>
(New provision)	3. <u>If a Director who serves as an Audit & Supervisory Committee member is appointed as an alternate to a Director who has served as an Audit & Supervisory Committee member and retired prior to the expiration of his or her term of office, the term of office of the appointed Director shall end at the expiration of the term of office of his or her predecessor.</u>
(New provision)	4. <u>The effective period of the resolution to appoint the Director who serves as an alternate Audit & Supervisory Committee member appointed pursuant to the provisions of Article 329, Paragraph 3 of the Companies Act shall continue until the start of the Ordinary General Meeting of Shareholders held for the last business year ending within two (2) years from the appointment unless the period is shortened by the said resolution.</u>
(Representative Director and Directors with Special Titles) Article 22 1. The Company shall appoint a Representative Director by resolution of its Board of Directors. 2. By resolution of the Board of Directors, the Company may appoint one Chairman of the Board, one President and Director, and a small number of senior advisors, vice presidents, senior managing directors, managing directors, and other executive directors.	(Representative Director and Directors with Special Titles) Article 22 1. The Company shall appoint a Representative Director <u>from the Directors, excluding those serving as Audit & Supervisory Committee members</u> , by resolution of its Board of Directors. 2. By resolution of the Board of Directors, the Company may appoint <u>from among the Directors (excluding those serving as Audit & Supervisory Committee Members)</u> one Chairman of the Board, one President and Director, and a small number of senior advisors, vice presidents, senior managing directors, managing directors and other executive directors.
(Notice of Convocation of Meetings of the Board of Directors) Article 25 1. The notice of convocation of the Board of Directors' meeting shall be issued to each Director <u>and Audit & Supervisory Board members</u> no later than three (3) days prior to the date of the meeting; provided, however, that this period may be reduced if necessary in an emergency. 2. A meeting of the Board of Directors may be held without the convocation procedure upon the unanimous consent of the Directors <u>and Audit & Supervisory Board members</u> .	(Notice of Convocation of Meetings of the Board of Directors) Article 25 1. The notice of convocation of the Board of Directors' meeting shall be issued to each Director no later than three (3) days prior to the date of the meeting; provided, however, that this period may be reduced if necessary in an emergency. 2. A meeting of the Board of Directors may be held without the convocation procedure upon the unanimous consent of the Directors.
(A new Article; Hereafter, the Article numbers will be moved down.)	<u>(Delegation of Authority to Directors for Making Decisions on Performance of Important Duties)</u> <u>Article 27</u> <u>The Company may delegate all or part of decisions to Directors regarding the performance of important duties (excluding those in Article 399-13, Paragraph 5 of the Companies Act) by resolution of the Board of Directors pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act.</u>
(Minutes of the Board of Directors' Meeting) Article <u>27</u> Proceedings of the Board of Directors' meetings shall be recorded in minutes pursuant to the provisions of applicable laws and regulations, <u>which shall be signed, signed and sealed, or electronically signed by Directors and Audit & Supervisory Board members who attended the meeting.</u>	(Minutes of the Board of Directors' Meeting) Article <u>28</u> Proceedings of the Board of Directors' meetings shall be recorded in minutes pursuant to the provisions of applicable laws and regulations.
(Remuneration, etc. for Directors) Article <u>29</u> The remuneration, bonuses, and other economic benefits received by Directors from the Company in consideration of their performance of their duties (hereinafter, "compensation, etc.") shall be determined by resolution of the General Meeting of Shareholders.	(Remuneration, etc. for Directors) Article <u>30</u> The remuneration, bonuses, and other economic benefits received by Directors <u>serving as Audit & Supervisory Committee members and other Directors from the Company in consideration of their performance of their duties shall be determined separately</u> by resolution of the General Meeting of Shareholders.

Current Articles of Incorporation	Proposed Amendment
Chapter V: <u>Audit & Supervisory Board Members and Audit & Supervisory Board</u>	Chapter V: <u>Audit & Supervisory Committee</u>
(<u>Number of Audit & Supervisory Board Members</u>) Article 31 The number of Audit & Supervisory Board members of the Company shall be no more than six (6).	(Deleted)
(<u>Appointment of Audit & Supervisory Board Members</u>) Article 32 1. The members of the Audit & Supervisory Board shall be elected by a resolution at a general meeting of shareholders. 2. A resolution to elect an Audit & Supervisory Board member shall be passed by a majority vote of shareholders present at the General Meeting of Shareholders and representing at least one third (1/3) of voting rights of the shareholders entitled to exercise their voting rights.	(Deleted)
(<u>Term of Office</u>) Article 33 1. The term of office of the members of the Audit & Supervisory Board shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the last business year that ends within four (4) years from the time of their appointment. 2. The term of office of a member of the Audit & Supervisory Board who is elected as a substitute for a member of the Audit & Supervisory Board who has resigned before the expiration of his/her term of office shall continue by the time when the term of office of the resigned member of the Audit & Supervisory Board expires.	(Deleted)
(<u>Full-time Audit & Supervisory Board Members</u>) Article 34 Full-time Audit & Supervisory Board members shall be appointed by a resolution of the Audit & Supervisory Board.	(<u>Full-time Audit & Supervisory Committee Members</u>) Article 32 The Audit & Supervisory Committee shall elect full-time members by resolution from the members of the Directors serving as members of the Audit & Supervisory Committee.
(<u>Notice of Convocation of a Meeting of the Audit & Supervisory Board</u>) Article 35 1. The notice of convocation of the Audit & Supervisory Board meeting shall be issued to each Audit & Supervisory Board member no later than three (3) days prior to the date of the meeting; provided, however, that this period may be reduced if necessary in an emergency. 2. A meeting of the Audit & Supervisory Board may be held without the convocation procedure upon the unanimous consent of the Audit & Supervisory Board members.	(<u>Notice of Convocation of a Meeting of the Audit & Supervisory Committee</u>) Article 33 1. The notice of convocation of the Audit & Supervisory Committee meeting shall be issued to each Director serving as Audit & Supervisory Committee member no later than three (3) days prior to the date of the meeting; provided, however, that this period may be reduced if necessary in an emergency. 2. A meeting of the Audit & Supervisory Committee may be held without the convocation procedure upon the unanimous consent of the Directors serving as Audit & Supervisory Committee members.
(<u>Minutes of Meetings of the Audit & Supervisory Board</u>) Article 36 Proceedings of the Audit & Supervisory Board's meetings shall be recorded in minutes pursuant to the provisions of applicable laws and regulations, which shall be signed, signed and sealed, or electronically signed by the Audit & Supervisory Board members who attended the meeting.	(<u>Minutes of Meetings of the Audit & Supervisory Committee</u>) Article 34 Proceedings of the Audit & Supervisory Committee's meetings shall be recorded in minutes pursuant to the provisions of applicable laws and regulations.
(<u>Remuneration, etc. for Members of the Audit & Supervisory Board</u>) Article 37 Remuneration, etc. for Audit & Supervisory Board members shall be determined by a resolution of the General Meeting of Shareholders.	(Deleted)
(<u>Rules on Audit & Supervisory Board</u>) Article 38 Matters concerning the Audit & Supervisory Board shall be subject to the Regulations of the Audit & Supervisory Board established by the Audit & Supervisory Board in addition to those provided for in laws and regulations and these Articles of Incorporation.	(<u>Rules on Audit & Supervisory Committee</u>) Article 35 Matters concerning the Audit & Supervisory Committee shall be subject to the Regulations of the Audit & Supervisory Committee established by the Audit & Supervisory Committee in addition to those provided for in laws and regulations and these Articles of Incorporation.

Current Articles of Incorporation	Proposed Amendment
<p><u>(Exemption from Liability of Audit & Supervisory Board Members)</u> Article 39</p> <p>1. Pursuant to provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt, by a resolution of the Board of Directors, Audit & Supervisory Board members (including former Audit & Supervisory Board members) from liability for damages caused by neglecting their duties to the extent permitted by the applicable laws and regulations.</p> <p>2. The Company may establish an agreement with Audit & Supervisory Board members to limit the liability for damages caused by the negligence in the performance of duties pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act; provided, however, that the amount of limitation of liability in accordance with the agreement shall be the amount specified in relevant laws and regulations.</p>	<p>(Deleted; Hereafter, the Article numbers will be moved up.)</p>
(New provision)	Supplementary Provisions
(New provision)	<p><u>(Transitional Measures Concerning Exemption of Audit & Supervisory Board Members from Liability)</u> Article 1</p> <p>1. Pursuant to provisions of Article 423, Paragraph 1 of the Companies Act, the Company may exempt, by a resolution of the Board of Directors, Audit & Supervisory Board members (including former Audit & Supervisory Board members) from liability for damages caused by their acts conducted before the conclusion of the 8th Ordinary General Meeting of Shareholders to the extent permitted by the applicable laws and regulations.</p> <p>2. Agreements to limit liability for damages in Article 423, Paragraph 1 of the Companies Act in relation to acts of Audit & Supervisory Board members (including those who were Audit & Supervisory Board members) prior to the conclusion of the 8th Ordinary General Meeting of Shareholders shall still be as provided for in Article 39, Paragraph 2 of the Articles of Incorporation before revisions by resolution of the said Ordinary General Meeting of Shareholders.</p>
(New provision)	<p><u>(Transitional Measures Concerning Measures for Electronic Provision, etc. of Documents)</u> Article 2</p> <p>1. The deletion of Article 14 (Disclosure on the Internet and De Facto Provision of General Shareholders Meeting Reference Documents, etc.) of the existing Articles of Incorporation and the establishment of Article 14 (Electronic Provision Measures, etc.) in the amended Articles of Incorporation implemented by resolution at the 8th General Meeting of Shareholders shall take effect on September 1, 2022 (hereinafter, the "Date of Enforcement").</p> <p>2. Notwithstanding the provisions of the preceding paragraph, the provisions concerning the General Meeting of Shareholders in the current Article 14 of the Articles of Incorporation existing prior to the revision by resolution of the 8th Ordinary General Meeting of Shareholders shall remain in force with respect to general meetings of shareholders to be held within six (6) months from the Date of Enforcement.</p> <p>3. These Supplementary Provisions shall be deleted on the date on which six (6) months will have elapsed from the Date of Enforcement or the date on which three (3) months will have elapsed from the date of the General Meeting of Shareholders under the preceding paragraph, whichever is later.</p>

Proposal 2: To Elect Ten (10) Directors (Excluding Directors who Serve as Audit & Supervisory Committee Members)

Provided that Proposal 1 is approved as originally proposed, the Company will shift to becoming a company with an Audit & Supervisory Committee. Accordingly, the term of office of all Directors (12) will expire at the close of this General Meeting of Shareholders. At this juncture, we propose election of 10 Directors (excluding Directors who serve as Audit & Supervisory Committee Members).

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

The candidates for Director (excluding Directors who serve as Audit & Supervisory Committee Members) are as follows:

Candidate No.	Name	Position in the Company	
1	Tsuguhiko Kadokawa	Chairman of the Board	<u>Reelection</u>
2	Masaki Matsubara	Vice Chairman of the Board	<u>Reelection</u>
3	Takeshi Natsuno	Representative Director and President	<u>Reelection</u>
4	Naohisa Yamashita	Representative Director	<u>Reelection</u>
5	Shinobu Murakawa	Executive Officer	<u>New election</u>
6	Noriko Kase	Director	<u>Reelection</u>
7	Nobuo Kawakami	Director	<u>Reelection</u>
8	Cindy Chou	Director	<u>Reelection</u>
9	Hiroo Unoura	Outside Director	<u>Reelection</u> <u>Outside</u> <u>Independent</u>
10	Ruth Marie Jarman	Outside Director	<u>Reelection</u> <u>Outside</u> <u>Independent</u>

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

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
1	Tsuguhiko Kadokawa (September 1, 1943)	<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 (present)</p>	2,920,320 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> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>13 of 14 meetings held (93%)</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)	<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>June 2021: Vice Chairman of the Board of the Company (present)</p>	199,862 shares
<p>[Reason for nominating Mr. Masaki Matsubara as a candidate for Director]</p> <p>Mr. Masaki Matsubara serves as Vice Chairman of the Board of the Company. He also served as Representative Director of the Company and its subsidiaries, being well versed in the Company 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> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>14 of 14 (100%)</p>			

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
3	Takeshi Natsuno (March 17, 1965)	<p>April 1988: Joined Tokyo Gas Co., Ltd. June 1990: Director and Vice President of Hypernet Corporation September 1997: Joined NTT Mobile Network Inc. (present NTT DOCOMO, INC.) June 2005: Executive Director and General Manager of Multimedia Service Division of NTT DOCOMO, INC. May 2008: Guest Professor, Keio University Graduate School of Media and Governance June 2008: External Director of SEGA SAMMY HOLDINGS June 2008: Outside Director of transcosmos inc. December 2008: Director of DWANGO Co., Ltd. June 2009: Outside Director of DLE Inc. September 2009: Outside Director of GREE, Inc. (present) December 2010: Outside Director of U-NEXT Co., Ltd. (present USEN-NEXT HOLDINGS Co., Ltd.) (present) October 2014: Director of the Company June 2016: Outside Director (Audit and Supervisory Committee Member) of transcosmos inc. (present) August 2016: Outside Director of Oracle Corporation Japan (present) June 2017: Outside Director of AWS Holdings, Inc. (present Ubicom Holdings, Inc.) June 2017: Outside Director of Cool Japan Fund Inc. June 2018: Representative Director and Chairman of MOVIE WALKER Co., Ltd. October 2018: Director of BOOK WALKER Co., Ltd. October 2018: Director of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.) February 2019: Representative Director and President of DWANGO Co., Ltd. (present) June 2019: Director of the Company April 2020: Guest Professor and Director, Kindai University Cyber Informatics Research Institute (present) June 2021: Representative Director and President of the Company (present)</p>	168,700 shares
<p>[Reason for nominating Mr. Takeshi Natsuno as a candidate for Director] Mr. Takeshi Natsuno serves as Representative Director and President of the Company and DWANGO Co., Ltd., which is a subsidiary of the Company. He has also served as an executive of many companies. It is proposed to elect him as a Director of the Company because the Company judges that he would perform his duties appropriately as a Director of the Company by leveraging his abundant experience and extensive knowledge gained as a corporate manager. [Attendance at the meetings of the Board of Directors during the current fiscal year] 14 of 14 (100%)</p>			

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
4	Naohisa Yamashita (February 9, 1958)	<p>January 1981: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>January 2007: Director of Kadokawa Shoten Publishing Co., Ltd.</p> <p>April 2007: Director of Kadokawa Production Inc.</p> <p>June 2007: Representative Director and President of Fujimi Shobo Co., Ltd.</p> <p>March 2008: Director of Chara-Ani Corporation</p> <p>April 2010: Representative Director and President of Kadokawa Gakugei Shuppan Publishing Co., Ltd.</p> <p>April 2010: Director of Kadokawa Media (TAIWAN) Co., Ltd.</p> <p>June 2012: Representative Director and Senior Managing Director of Kadokawa Shoten Co., Ltd.</p> <p>June 2012: Representative Director and President of KADOKAWA EDITORIAL CO., LTD. (present PERSOL MEDIA SWITCH CO., LTD.)</p> <p>December 2013: Director of Choubunsha Publishing Co., Ltd.</p> <p>July 2014: Representative Director and President of Kadokawa Book Navi Co.</p> <p>July 2014: Director of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>October 2015: Director of Building Book Center Co., Ltd.</p> <p>April 2016: Managing Executive Officer of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>July 2016: Director of BOOK WALKER Co., Ltd.</p> <p>July 2016: Director of EIGA WALKER INC. (present MOVIE WALKER Co., Ltd.)</p> <p>July 2017: Director of Gzbrain Inc. (present KADOKAWA Game Linkage Inc.)</p> <p>February 2019: Executive Officer of the Company</p> <p>April 2019: Managing Executive Officer and Head of Group Human Resources and General Affairs Headquarters of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>July 2019: Managing Executive Officer and Head of Group Human Resources and General Affairs Headquarters of the Company</p> <p>June 2020: Director of the Company</p> <p>June 2021: Representative Director of the Company (present)</p>	37,722 shares
<p>[Reason for nominating Mr. Naohisa Yamashita as a candidate for Director] Mr. Naohisa Yamashita serves as Representative Director 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 him as a Director of the Company because the Company judges that he would perform his duties appropriately as a Director of the Company by leveraging his experience in personnel and general affairs and his abundant experience and extensive knowledge gained in the management of the Company and its subsidiaries.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year] 13 of 14 meetings held (93%)</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	Shinobu Murakawa (October 14, 1964)	<p>October 1999: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>June 2012: Director of Kadokawa Shoten Co., Ltd.</p> <p>October 2013: Head of BC, Fujimishobo BC, ECC Headquarters of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>April 2015: Senior Vice President of Sales Planning Department of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>April 2016: General Manager of Sales Planning Department and General Manager of Sales Department of KADOKAWA CORPORATION (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>June 2018: Director of Kadokawa Book Navi Co.</p> <p>October 2018: Director of BOOK WALKER Co., Ltd. (present)</p> <p>November 2018: Representative Director and President of Kadokawa Book Navi Co. (present)</p> <p>November 2018: Director of Choubunsha Publishing Co., Ltd. (present)</p> <p>November 2018: Director of KADOKAWA GAME LINKAGE INC. (present)</p> <p>November 2018: Director of Building Book Center Co., Ltd.</p> <p>May 2019: Director of KADOKAWA KEY-PROCESS Co., Ltd. (present)</p> <p>July 2019: Director of KADOKAWA FUTURE PUBLISHING Co., Ltd. (present)</p> <p>July 2019: Deputy Head of Product Marketing Headquarters of the Company</p> <p>June 2021: Chief Marketing Officer (CMO) and General Manager of MD Business Promotion Office of the Company (present)</p> <p>April 2022: Representative Director and President of Building Book Center Co., Ltd. (present)</p>	6,868 shares
<p>[Reason for nominating Mr. Shinobu Murakawa as a candidate for Director]</p> <p>Mr. Shinobu Murakawa serves as Executive Officer and Chief Marketing Officer of the Company, and is engaged in various fields including sales and marketing. 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 him as a Director of the Company because the Company judges that he would perform his duties appropriately as a Director of the Company by leveraging his abundant experience and extensive knowledge.</p>			

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)	April 1985:	Joined ASCII Corporation	7,100 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 her as a Director of the Company because the Company judges that she would perform her duties appropriately as a Director of the Company by leveraging her abundant experience and extensive knowledge. [Attendance at the meetings of the Board of Directors during the current fiscal year] 14 of 14 (100%)				
7	Nobuo Kawakami (September 6, 1968)	April 1991:	Joined Software Japan Co., Ltd.	8,193,800 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)	
		October 2020:	Director and Chairman of VirtualCast, Inc. (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 said company for years, and currently serves as its Adviser. It is proposed to elect him as a Director of the Company because the Company judges that he would perform his duties appropriately as a Director of the Company by leveraging his abundant experience and extensive knowledge. [Attendance at the meetings of the Board of Directors during the current fiscal year] 13 of 14 meetings held (93%)				

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)	<p>July 2000: Joined EJ PR AGENCY Ltd.</p> <p>July 2003: Supervisor of Copyrights Division of KADOKAWA TAIWAN CORPORATION</p> <p>July 2008: In charge of Chinese Business Development of KADOKAWA HOLDINGS ASIA LTD.</p> <p>May 2011: General Manager of Digital Business Division of KADOKAWA TAIWAN CORPORATION</p> <p>March 2014: Representative of Singapore Office of KADOKAWA HOLDINGS ASIA LTD.</p> <p>April 2015: Senior Strategy Planner of DeNA China</p> <p>April 2016: Joined the Company</p> <p>April 2018: Manager of Business Strategy Section, Global Management Office, Global Business Division of the Company</p> <p>April 2018: Managing Director of J-GUIDE Marketing Co., Ltd. (present KADOKAWA Global Marketing Co., Ltd.)</p> <p>April 2021: Representative Director and President of J-GUIDE Marketing Co., Ltd. (present)</p> <p>June 2021: Director of the Company (present)</p>	200 shares
<p>[Reason for nominating Ms. Cindy Chou as a candidate for Director]</p> <p>Ms. Cindy Chou serves as Director of the Company. In addition, she serves as Chief Executive Officer of KADOKAWA Global Marketing Co., Ltd., which is a subsidiary of the Company, and has intricate knowledge of overseas business operations through her experience at overseas companies, including overseas group companies of the Company. It is proposed to elect her as a Director of the Company because the Company judges that she would perform her duties appropriately as a Director of the Company by leveraging her abundant experience and extensive knowledge in the overseas business.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>12 of 12 (100%)</p>			

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
9	Hiroo Unoura (January 13, 1949)	<p>April 1973: Joined Nippon Telegraph and Telephone Public Corporation (present NIPPON TELEGRAPH AND TELEPHONE CORPORATION)</p> <p>June 2002: Senior Vice President and Director of Department I of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2005: Senior Vice President and Director of Department V of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2007: Executive Vice President, Director of the Corporate Strategy Planning Department, and Executive Manager of the Corporate Business Strategy Division of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2008: Senior Executive Vice President and Director of the Strategic Business Development Division of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2012: President and Chief Executive Officer Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2018: Advisor of NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>June 2019: Outside Director and Audit and Supervisory Committee Member of Mitsubishi Heavy Industries, Ltd. (present)</p> <p>June 2021: Outside Director of the Company (present)</p> <p>July 2021: Special Adviser of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (present)</p>	- shares
<p>[Reason for nominating Mr. Hiroo Unoura as a candidate for Outside Director and outline of expected role]</p> <p>Mr. Hiroo Unoura serves as Outside Director of the Company. It is proposed to elect Mr. Hiroo Unoura as an Outside Director of the Company because he has abundant expertise and experience as a top management executive active in cutting-edge fields, working on strengthening competitiveness and profitability of the domestic business as well as expanding the global business at NIPPON TELEGRAPH AND TELEPHONE CORPORATION, and is expected to use his broad experience and extensive knowledge as a corporate manager in the management of the Company. He also serves as a member of the Nomination and Evaluation Remuneration Committee, and if his appointment is approved, he is expected to continue his involvement from an independent perspective as a member of the aforementioned committee in the selection of Company officers and the determination of officer remuneration and other affairs.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>11 of 12 (92%)</p>			
10	Ruth Marie Jarman (May 30, 1966)	<p>December 1988: Joined Recruit Co., Ltd.</p> <p>December 2000: Joined Space Design Inc.</p> <p>April 2008: Director of Space Design Inc.</p> <p>April 2012: Representative Director and President of Jarman International KK (present)</p> <p>June 2019: Outside Director of Fujibo Holdings, Inc. (present)</p> <p>June 2020: Outside Director of the Company (present)</p>	- shares
<p>[Reason for nominating Ms. Ruth Marie Jarman as a candidate for Outside Director and outline of expected role]</p> <p>Ms. Ruth Marie Jarman serves as Outside Director of the Company. She also founded and serves as CEO of Jarman International KK. It is proposed to elect Ms. Ruth Marie Jarman as an Outside Director because she is expected to use her abundant experience and extensive knowledge in global expansion, inbound businesses, and support for women's activities in the management of the Company. Ms. Ruth Marie Jarman also serves as a member of the Nomination and Evaluation Remuneration Committee, and if her appointment is approved, she is expected to continue her involvement from an independent perspective as a member of the aforementioned committee in the selection of Company officers' candidate and the determination of officer remuneration and other affairs.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>14 of 14 (100%)</p>			

- Notes: 1. Of the candidates for Director, Mr. Hiroo Unoura and Ms. Ruth Marie Jarman are candidates for Outside Director as provided for in Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.
2. Of the candidates for Director, Mr. Hiroo Unoura 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 following criteria on transaction amounts, etc. for transactions, etc. between the Company and a counterpart.

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

- 1) An entity where the Group is a business partner and its sales to the Group account for 2% or above of its consolidated sales of any one of the three most recent fiscal years or a business executive thereof
 - 2) A business partner with the Group where sales of the Group to that entity account for 2% or above of the Company's consolidated sales of any one of the three most recent fiscal years or a business executive thereof
 - 3) A business executive of a financial institution from which the Company has loaned a large sum of money (the loans account for 2% or above of the Company's consolidated total assets as of the end of the most recent fiscal year)
 - 4) A consultant, an expert in accounting, or a specialist in law who has earned from the Company a large sum of cash or other financial assets, other than in the form of compensation as director: for an individual, 10 million yen or above per year in the current and the previous three years; or for a corporation, 2% or above of total sales of the said corporation paid out as remuneration on average over the past three years (if the person who earns such assets is a company or organization, an individual who is a member of the company or organization)
 - 5) A business executive of an organization to which the Group has made a donation exceeding a total sum of the greater of 10 million yen per year or 2% of annual aggregate revenue of the organization in any one of the three most recent fiscal years
 - 6) A person who is or has been an Independent Auditor of the Group (for a company, an individual who is or has been in charge of the audit of the Group) in the current and the previous three years
 - 7) A person who owns, directly or indirectly, 10% or above of the total of voting rights of the Company (for a company, a business executive thereof)
3. Candidate for Director Mr. Tsuguhiko Kadokawa serves as Executive President of the Kadokawa Culture Promotion Foundation, whose business relationship with the Company includes such items as leasing of land and offices, supply of products, payment of outsourcing, and payment of financial assistance. 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.
- There are no special interests between the Company and the candidates for Director.
4. The Company has entered into an agreement limiting the liabilities for damages with the candidates for Outside Director Mr. Hiroo Unoura and Ms. Ruth Marie Jarman pursuant to the provisions of Article 427, paragraph 1 of the Companies Act. The limited amount of liabilities for damages under the agreement is the minimum liability amount set forth in laws or regulations. If the reelection of Mr. Hiroo Unoura and Ms. Ruth Marie Jarman is approved, the Company plans to renew the aforementioned agreements with them.
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 22 of the Business Report. If the appointment of the candidates for Director is approved, they will be included as insured persons covered by the aforementioned insurance contract. The Company will renew the aforementioned insurance contract with the same content at the time of next renewal.
6. Of the candidates for Director, Mr. Hiroo Unoura and Ms. Ruth Marie Jarman are currently Outside Directors of the Company. Their respective terms of office as Outside Directors at the close of this General Meeting of Shareholders are as follows.

Mr. Hiroo Unoura	1 year
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Ms. Ruth Marie Jarman	2 years
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Proposal 3: To Elect Three (3) Directors Serving as Audit & Supervisory Committee Members

Provided that Proposal 1 is approved as originally proposed, the Company will shift to becoming a company with an Audit & Supervisory Committee. At this juncture, we propose election of 3 Directors who serve as Audit & Supervisory Committee Members.

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

The candidates for Director serving as Audit & Supervisory Committee Member are as follows:

Candidate No.	Name	Position in the Company	
1	Tomoyuki Moriizumi	Outside Director	<div>New election</div> <div>Outside</div> <div>Independent</div>
2	Koji Funatsu	Outside Director	<div>New election</div> <div>Outside</div> <div>Independent</div>
3	Akira Watanabe	Outside Audit & Supervisory Board Member	<div>New election</div> <div>Outside</div> <div>Independent</div>

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

Candidate No.	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
1	Tomoyuki Moriizumi (January 3, 1948)	<p>April 1970: Joined Sumitomo Corporation</p> <p>January 1995: Chairman of Phoenixcor Inc.</p> <p>October 1996: Representative Director and President of Jupiter Shop Channel Co., Ltd.</p> <p>February 2000: Representative Director and President of Jupiter Programming Co., Ltd.</p> <p>February 2000: Representative Director and President of Jupiter Satellite Broadcasting Co., Ltd.</p> <p>April 2000: Corporate Officer of Sumitomo Corporation</p> <p>March 2003: Representative Director, President and Chief Executive Officer of Jupiter Telecommunications Co., Ltd. (present JCOM Co., Ltd.)</p> <p>March 2011: Advisor to Sumitomo Corporation</p> <p>June 2011: Outside Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>June 2019: Outside Director of the Company (present)</p>	- shares
<p>[Reason for nominating Mr. Tomoyuki Moriizumi as a candidate for Outside Director and outline of expected role]</p> <p>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 providing supervision and advice, etc. regarding the fulfillment of Directors' duties from an expert perspective. In addition, he served as Outside Director of subsidiaries of the Company. He also serves as a member of the Nomination and Evaluation Remuneration Committee, and if his appointment is approved, he is expected to continue his involvement from an independent perspective as a member of the aforementioned committee in the selection of Company officers' candidate and the determination of officer remuneration and other affairs.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>14 of 14 (100%)</p>			
2	Koji Funatsu (March 18, 1952)	<p>April 1981: Joined Japan Recruit Center (present Recruit Holdings Co., Ltd.)</p> <p>April 1998: Joined transcosmos inc.</p> <p>June 1998: Managing Director of transcosmos inc.</p> <p>June 1999: Senior Managing Director of transcosmos inc.</p> <p>December 1999: Director of Kadokawa Interactive Media Co., Ltd.</p> <p>April 2000: Representative Director and Vice-president of transcosmos inc.</p> <p>September 2002: Representative Director, President and CEO of transcosmos inc.</p> <p>June 2003: Representative Director, Chairman and CEO of transcosmos inc. (present)</p> <p>June 2005: Auditor of Walker Plus Co.</p> <p>November 2005: Auditor of Chara-Ani Corporation</p> <p>June 2006: Director of Kadokawa Cross Media Co.</p> <p>June 2006: Director of Kadokawa The Television Co.</p> <p>June 2008: Director of Kadokawa Marketing Co., Ltd.</p> <p>June 2009: Outside Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>October 2014: Outside Director of the Company (present)</p> <p>June 2019: Outside Director of DeNA Co., Ltd. (present)</p>	- shares
<p>[Reason for nominating Mr. Koji Funatsu as a candidate for Outside Director and outline of expected role]</p> <p>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. He also serves as a member of the Nomination and Evaluation Remuneration Committee, and if his appointment is approved, he is expected to continue his involvement from an independent perspective as a member of the aforementioned committee in the selection of Company officers' candidate and the determination of officer remuneration and other affairs.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>14 of 14 (100%)</p>			

Candidate No.	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
3	Akira Watanabe (February 16, 1947)	<p>April 1973: Registered as a member of Japan Federation Bar Associations (Dai-Ichi Tokyo Bar Association)</p> <p>April 1989: Partner Lawyer of Seiwa Kyodo Law Office</p> <p>May 1989: Chairman of Commercial Law Division of Dai-Ichi Tokyo Bar Association</p> <p>May 1991: Secretary of the Ministry of Justice's Legislative Council</p> <p>July 1997: Trustee for reorganization of JAPAN PILE CORPORATION</p> <p>September 2002: Trustee for reorganization of K.K. Meguro Gajoen</p> <p>March 2004: Trustee for reorganization of Togo Corporation "Hanayashiki"</p> <p>June 2006: Director of JAPAN PILE CORPORATION (present ASIA PILE HOLDINGS CORPORATION) (present)</p> <p>November 2006: External Statutory Auditor of FAST RETAILING CO., LTD.</p> <p>June 2007: Outside Auditor Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA Future Publishing Co., Ltd.)</p> <p>June 2007: Outside Director of MAEDA CORPORATION</p> <p>April 2010: Outside Director of MS&AD Insurance Group Holdings, Inc.</p> <p>March 2013: Outside Director of Dunlop Sports Co., Ltd.</p> <p>October 2014: Outside Audit and Supervisory Board Member of the Company (present)</p> <p>September 2018: Lawyer of Comm&Path Law Office (present)</p> <p>June 2019: Outside Director of Maeda Road Construction Co., Ltd (present)</p> <p>July 2020: Outside Director of Leopalace21 Corporation (present)</p>	3,456 shares
<p>[Reason for nominating Mr. Akira Watanabe as a candidate for Outside Director and outline of expected role]</p> <p>Mr. Akira Watanabe serves as Outside Audit and Supervisory Board Member of the Company. It is proposed to elect Mr. Akira Watanabe as an Outside Director because he has a high degree of professionalism in legal affairs as an attorney-at-law, and he is expected to use his abundant experience and extensive knowledge in providing supervision and advice, etc. regarding the fulfillment of Directors' duties from an expert perspective. In addition, he served as Outside Auditor of subsidiaries of the Company. If Mr. Akira Watanabe's appointment is approved, he is expected to be involved from an independent perspective as a member of the aforementioned committee in the selection of Company officers' candidate and the determination of officer remuneration and other affairs.</p> <p>[Attendance at the meetings of the Board of Directors during the current fiscal year]</p> <p>14 of 14 (100%)</p> <p>[Attendance at the meetings of the Audit and Supervisory Board during the current fiscal year]</p> <p>18 of 18 (100%)</p>			

Notes: 1. Each candidate for Director is a candidate for an Outside Director as provided for in Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.

2. Each candidate for Director is the candidate for an 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 following criteria on transaction amounts, etc. for transactions, etc. between the Company and a counterpart.

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

- 1) An entity where the Group is a business partner and its sales to the Group account for 2% or above of its consolidated sales of any one of the three most recent fiscal years or a business executive thereof
- 2) A business partner with the Group where sales of the Group to that entity account for 2% or above of the Company's consolidated sales of any one of the three most recent fiscal years or a business executive thereof
- 3) A business executive of a financial institution from which the Company has loaned a large sum of money (the loans account for 2% or above of the Company's consolidated total assets as of the end of the most recent fiscal year)
- 4) A consultant, an expert in accounting, or a specialist in law who has earned from the Company a large sum of cash or other financial assets, other than in the form of compensation as director: for an individual, 10 million yen or above per year in the current and the previous three years; or for a corporation, 2% or above of total sales of the said corporation paid out as remuneration on average

over the past three years (if the person who earns such assets is a company or organization, an individual who is a member of the company or organization)

- 5) A business executive of an organization to which the Group has made a donation exceeding a total sum of the greater of 10 million yen per year or 2% of annual aggregate revenue of the organization in any one of the three most recent fiscal years
 - 6) A person who is or has been an Independent Auditor of the Group (for a company, an individual who is or has been in charge of the audit of the Group) in the current and the previous three years
 - 7) A person who owns, directly or indirectly, 10% or above of the total of voting rights of the Company (for a company, a business executive thereof)
3. Candidate for 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, which is 167 million yen, is less than 0.05% of the transcosmos inc.'s consolidated net sales, and he satisfies the criteria set by the Company for independent officers.

There are no special interests between the Company and the candidates for Director.

4. The Company has entered into an agreement limiting the liabilities for damages with the candidates for Outside Director Messrs. Tomoyuki Moriizumi, Koji Funatsu and Akira Watanabe 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 election of Messrs. Tomoyuki Moriizumi, Koji Funatsu and Akira Watanabe is approved, the Company plans to conclude the aforementioned agreements with them.
5. The Company has entered into a contract of directors and officers liability insurance with an insurance company pursuant to the provisions of Article 430-3, paragraph 1 of the Companies Act. The details of the aforementioned insurance are as stated on page 22 of the Business Report. If the appointment of the candidates for Director is approved, they will be included as insured persons covered by the aforementioned insurance contract. The Company will renew the aforementioned insurance contract with the same content at the time of next renewal.
6. Of the candidates for Director, Messrs. Tomoyuki Moriizumi and Koji Funatsu currently serve as Outside Directors of the Company, and Mr. Akira Watanabe currently serves as Audit & Supervisory Board Member (Outside Auditor) of the Company. Their respective terms of office as Outside Directors and Outside Audit & Supervisory Board Member at the close of this General Meeting of Shareholders is as follows.

Mr. Tomoyuki Moriizumi 3 years

Mr. Koji Funatsu 7 years and 9 months

Mr. Akira Watanabe 7 years and 9 months

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

The Company's basic strategy is of a global media mix, creating a variety of IP and rolling this out on a global scale, founded in its broad business portfolio including books, movies, games, web services, and more. In this context, the Board of Directors of the Company makes decisions on important business matters and supervises the fulfillment of duties by Directors. In order for the Board of Directors to properly fulfill its role, the Board as a whole must have the necessary skills in light of the Group's business development.

Given the above, the selection of Directors shall establish an overall balance of diversity, expertise, and knowledge, and the Nomination and Evaluation Remuneration Committee shall issue reports on each candidate for determination at the Board of Directors.

Provided that Proposal 2 and Proposal 3 are approved as originally proposed, the skills matrix of the Board of Directors will be as follows.

	Corporate manage- ment	Contents creation	Sales Marketing	IT Tech- nology	Finance Account- ing	Legal affairs Gover- nance	Human affairs Human resources develop- ment	Inter- national experience	Other industries Diversity
Tsuguhiko Kadokawa	•	•	•						•
Masaki Matsubara	•				•	•		•	
Takeshi Natsuno	•			•				•	•
Naohisa Yamashita	•	•	•				•		
Shinobu Murakawa		•	•						
Noriko Kase		•	•						•
Nobuo Kawakami	•	•	•	•					
Cindy Chou								•	•
Hiroo Unoura	•				•		•		•
Ruth Marie Jarman	•		•					•	•
Tomoyuki Moriizumi	•				•			•	•
Koji Funatsu	•		•	•					•
Akira Watanabe	•					•			•

Proposal 4: To Determine the Amount of Compensation for Directors (Excluding Directors who Serve as Audit & Supervisory Committee Members)

Provided that Proposal 1 is approved as originally proposed, the Company will shift to becoming a company with an Audit & Supervisory Committee.

The 1st General Meeting of Shareholders held on June 23, 2015 approved that the total amount of monetary compensation for the Directors of the Company should be up to 400 million yen (including up to 50 million yen for Outside Directors) per year, and this amount has remained unchanged to this day. However, in accordance with the shift to becoming a company with an Audit & Supervisory Committee, this amount was abolished. At this juncture, we propose to newly establish the total amount of monetary compensation for the Directors of the Company (excluding Directors serving as Audit & Supervisory Committee Members) of up to 400 million yen (including up to 50 million yen for Outside Directors) per year.

An outline of the details of the Company's policy for determining the details of compensation, etc. of individual Directors for the 8th fiscal year is shown on pages 19 to 21 of the Business Report. If this proposal is approved, this policy shall apply to Directors (excluding Directors serving as Audit & Supervisory Committee Members), and the changes listed on pages 94 to 95 are planned to be made.

We believe that the content of this proposal is reasonable because it is in accordance with the above policy and takes into consideration the Company's business scale, its compensation system and payment levels for corporate officers, its current number of corporate officers, and future trends.

The amount of such remuneration shall not include the employee salary portion for those Directors who also serve as employees of the Company.

The current number of Directors of the Company is 12 (including 4 Outside Directors), and provided that Proposal 1 and Proposal 2 are approved as originally proposed, the number of Directors of the Company (excluding Directors who serve as Audit & Supervisory Committee Members) in relation to this proposal is 10 (including 2 Outside Directors).

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

Proposal 5: To Determine the Amount of Compensation for Directors Serving as Audit & Supervisory Committee Members

Provided that Proposal 1 is approved as originally proposed, the Company will shift to becoming a company with an Audit & Supervisory Committee.

At this juncture, we propose that the total amount of compensation for Directors serving as Audit & Supervisory Committee Members should be up to 70 million yen a year.

We believe that the content of this proposal is reasonable because it was determined after taking into comprehensive consideration the responsibilities of Directors serving as Audit & Supervisory Committee Members, the Company's business scale, its compensation system and payment levels for corporate officers, its current number of corporate officers, and future trends. The number of Directors serving as Audit & Supervisory Committee Members in relation to this proposal will be 3 if Proposal 1 and Proposal 3 are approved as originally proposed.

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

Proposal 6: To Determine the Amount and Details of Performance-Based Stock Compensation for Directors (Excluding Directors who Serve as Audit & Supervisory Committee Members and Outside Directors)

Provided that Proposal 1 is approved as originally proposed, the Company will shift to becoming a company with an Audit & Supervisory Committee.

At the 1st General Meeting of Shareholders held on June 23, 2015, 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. This performance-based stock compensation (the "Plan") has remained unchanged to this day. However, in accordance with the shift to becoming a company with an Audit & Supervisory Committee, the maximum amount for Directors in the Plan was abolished. At this juncture, we propose the payment of compensation to Directors (excluding Outside Directors and Directors serving as Audit & Supervisory Committee Members; hereinafter "Eligible Directors") based on the Plan, separate from the maximum amount of compensation for Directors (excluding Directors serving as Audit & Supervisory Committee Members) to be approved in Proposal 4, after the shift to becoming a company with an Audit & Supervisory Committee. We propose that the Board of Directors be tasked with determining the details of this matter within the scope described below in (1).

The basic structure of the Plan is the same as the previous plan. Its purpose is to establish a clear link between compensation for Directors and the Company's corporate value and for Directors to share the benefits and risks associated with fluctuations in the Company's share price with shareholders, thus raising awareness about contributing to improved business performance and increased corporate value over the medium to long-term.

An outline of the details of the Company's policy for determining the details of compensation, etc. of individual Directors for the 8th fiscal year is shown on pages 19 to 21 of the Business Report. If this proposal is approved, this policy shall apply to Directors (excluding Directors serving as Audit & Supervisory Committee Members), and the changes listed on pages 94 to 95 are planned to be made.

We believe that the content of this proposal is reasonable because it is in accordance with the above policy and takes into consideration the Company's business scale, its compensation system and payment levels for corporate officers, its current number of corporate officers, and future trends.

The current number of Directors of the Company is 12 (including 4 Outside Directors), and provided that Proposal 1 and Proposal 2 are approved as originally proposed, the number of Eligible Directors is 8.

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

(1) Overview of the plan

The Plan is a share-based compensation plan whereby a trust to be established by the Company through monetary contributions (already established for the operation of the previous plan; hereinafter, the "Trust") acquires the Company's shares through the Company (for disposition of treasury stock) or the stock exchange market (including off-floor trading) and delivers these shares to Eligible Directors who meet certain requirements based on their individual performance and contributions to the Company's financial results for each fiscal year. Eligible Directors will receive delivery of 50% of the Company's shares in August in a determined year, and delivery of the remaining 50% in August three years after the determined year.

(2) Maximum amount of money to be contributed by the Company

The Trust was approved at the 1st General Meeting of Shareholders held on June 23, 2015, established for three consecutive fiscal years (initially, three fiscal years from the fiscal year ended March 31, 2016

to the fiscal year ended March 31, 2018; in the event that the Trust period is extended, it shall be extended for three fiscal years each time). Currently, its trust period is the three years ending in the fiscal year ending March 31, 2024, and this shall continue to be used in the Plan.

In addition to extending the trust period of the Trust already established, the Company shall additionally place up to a total of 1,200 million yen (equivalent to 400 million yen per year) in trust to fund the acquisition of the Company shares necessary for delivery as share-based compensation to Eligible Directors under the Plan (provided, however, that the amount of additional money placed in trust by the Company in the Trust is the total of the aforementioned funds for the acquisition of the Company's shares mentioned above and the estimated amount of necessary expenses, such as trust fees and trust manager fees). The Trust shall be funded by money placed in trust by the Company (including money additionally placed in trust by the Company as described above, as well as money remaining in the Trust from before the additional trust), and shall acquire the Company's shares via disposal of the Company's treasury shares or from the stock exchange market (including off-floor trading).

In addition, by resolution of the Board of Directors of the Company, the eligible period of the Plan may be extended for a period not exceeding five fiscal years on a case-by-case basis, and the trust period of the Trust may be further extended accordingly (including the transfer of the trust assets of the Trust to a trust established by the Company for the same purpose as the Trust, thereby effectively extending the trust period; the same shall apply hereinafter), hence continuing the Plan. In this case, during the extended portion of the eligible period in question, the Company will additionally place money in trust equivalent to 400 million yen multiplied by the number of fiscal years during the extended portion of the eligible period in question, and will continue to grant points and deliver Company shares as described in (3) below.

(3) Calculation method and number of Company shares to be delivered to Directors

1) Granting points to Directors

The Company, on the point grant date stipulated in the share delivery rules for Directors, shall grant points based on individual performance and contributions to the Company's financial results for each fiscal year.

However, the maximum total number of points that may be granted to the Eligible Directors may be granted is 468,000 points for all Directors. Note that this shall not include points related to the employee salary portion for those Directors who also serve as employees of the Company. In addition, all or part of the points previously granted to an Eligible Director may be forfeited by resolution of the Board of Directors in the event that said Eligible Director resigns from the position of Director for reasons other than justifiable reasons, or in the event of certain instances as specified by the Company.

2) Delivery of shares, etc. in proportion to the number of points granted

Eligible Directors will receive Company shares, etc. in proportion to the number of points granted in 1) above. The points to be granted to each Eligible Director shall be converted into 1 share of common share of the Company per 1 point upon delivery as described in (4) below (however, in the event of a stock split, gratis allotment of shares, or reverse stock split of the Company's shares after the resolution of this proposal, the conversion ratio will be reasonably adjusted according to the relevant ratio, etc.).

(4) Delivery of shares, etc. to Directors

Eligible Directors of the Company who satisfy requirements as beneficiaries shall, by completing prescribed beneficiary confirmation procedures after the grant of points for each fiscal year, receive from the Trust 50% of the number of the Company's shares, etc. equivalent to the number calculated by the

method described in (3) 1) above in August of the year in which the beneficiary confirmation procedures in question are completed, and shall receive delivery of the remaining 50% in August three years later (pursuant to the terms of the trust agreement, a portion of the shares may be converted into cash within the Trust for the purpose of withholding income tax and other funds for tax payment withheld by the Company). In addition, in the event that the Company's shares in the Trust are converted for one of a certain set of reasons, such as settlement of sale proceeds after submission to a tender offer for the Company's shares in the Trust, the Company's shares may be delivered in cash in place of the Company's shares.

(Reference)

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

At a meeting of the Board of Directors held on February 25, 2021, the Company resolved a policy for determination of the details of compensation, etc. for individual Directors. If Proposal 1, Proposal 4 and Proposal 6 are approved as originally proposed, the following changes are to be made.

1. Basic policy

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

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

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

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

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

The standard amount of variable compensation which is performance-based compensation is set based on fixed compensation for eligible Directors. They are evaluated based on results of business performance and their responsibilities, and then the amount to be paid is determined within a range of 20% to 200% of the standard amount. For evaluation of variable compensation which is performance-based compensation, the consolidated results, division results and individual qualitative objectives according to the roles of eligible Directors are weighted to total 100%.

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

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

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

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

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

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

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

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

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

The standard ratio of fixed compensation to variable compensation for Directors (excluding Directors serving as Audit & Supervisory Committee Members and Outside Directors) is set as 50%:50% in principle. The ratio of share-based compensation to fixed compensation is not set.

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

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