[Translation for reference only]
ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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Securities Code: 9468
May 31, 2019

To Our Shareholders

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

NOTICE OF THE 5TH GENERAL MEETING OF SHAREHOLDERS

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

Taking this occasion, we would like to express our deep gratitude to you for your good offices.
You are cordially invited to attend our 5th General Meeting of Shareholders.

If you are unable to attend the meeting, you can exercise your voting rights in writing or on the Internet, etc. 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., Wednesday, June 19, 2019 (JST) or access the website for the exercise of voting rights (https://www.web54.net) from a personal computer, mobile phone or smartphone and enter your approval or disapproval for the proposal by 6:30 p.m., Wednesday, June 19, 2019 (JST).

Very truly yours,

Details

1. **Date:** 10:00 a.m. on Thursday, June 20, 2019
(The reception of participants in the meeting will begin at 9:00 a.m.)
2. **Place:** "Grand Hall TSUBAKI (Orion)," 5th floor of Banquet building (Plaza building), Hotel Chinzanso Tokyo
10-8, Sekiguchi 2-chome, Bunkyo-ku, Tokyo
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 5th fiscal year (from April 1, 2018 to March 31, 2019)
    2. Presentation of the Non-consolidated Financial Statements for the 5th fiscal year (from April 1, 2018 to March 31, 2019)

Proposals to be acted upon:

Proposal 1: To Amend the Articles of Incorporation

Proposal 2: To Elect Twelve (12) Directors

Proposal 3: To Elect One (1) Audit and Supervisory Board Member

Proposal 4: To Revise the Amounts of Compensation, etc. for Audit and Supervisory Board Members

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, etc., only the voting rights you exercise on the Internet, etc. will be counted.

2) If you exercise your voting rights more than once on the Internet, etc., only the voting rights you exercise last will be counted. The same will apply if you exercise your voting rights more than once by a personal computer and/or a smartphone: only the last vote will be counted.

- 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://info.kadokawadwango.co.jp/ir/stock.html).
- 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. Please be lightly dressed when you attend the meeting.]

(Attached Documents)

Business Report

[From April 1, 2018 to March 31, 2019]

1. Overview of Business

(1) Progress and Results of Business

The Group (the Company and its subsidiaries and associates) aims to turn itself into a platform holder that enhances the value of contents by bringing together the IP creativity of KADOKAWA CORPORATION, a comprehensive media company, and DWANGO Co., Ltd., an IT specialist. We are aggressively implementing this cross-media strategy with the aim of maximizing profit by making appealing content available across the media spectrum in Japan and overseas.

The following are an operating summary and the results by business segment for the current fiscal year.

In the Publication Business segment, net sales were 115,958 million yen, up 2.9% year on year, and segment profit (operating profit) was 7,253 million yen, up 20.9% year on year. The revenue structure of the Publication Business segment has been diversified including the sales of e-books and e-magazines, sales of books and magazines, sales of copyrights, and revenues from overseas locations, and the segment continues to see strong results mainly driven by the sale of e-books and e-magazines.

In the E-book and E-magazine Business, sales remain solid with measures including the 8-year anniversary campaign of "BOOK☆WALKER," the Group's comprehensive electronic bookstore. Also, the external sales business allowed the new external electronic bookstores to market its products beginning from the current fiscal year, thus accelerating the sales growth. Moreover, "Niconico BOOK" and "BOOK☆WALKER" applications were integrated in September. It boosted MAU (Monthly Active Users), enhanced the range of titles it offers, and increased the purchase amount per user. "BOOK☆WALKER Global," which was opened in October 2015, and "BOOK☆WALKER TAIWAN," which was launched in February 2016 to promote global strategy, also maintained healthy growth.

In the Books Business, major comic titles such as "Yotsuba&!, Vol. 14," "Delicious in Dungeon, Vol. 6," and "A Bride's Story, Vol. 11," as well as comic series such as "The Rising of the Shield Hero," "Overlord," and "Fate" performed well. As for the graphic novels genre, popular series such as "Sword Art Online," "The Irregular at Magic High School," and "KonoSuba: God's Blessing on this Wonderful World" continued to grow steadily, while we focused on the creation and development of new hit series in the face of a stagnant market. Within the general book genre, "trapezium," Manga Educational Series "Nihon no Rekishi," and "Primal Power Series" contributed to revenue. In the general paperback genre, the original novels on which films are based such as "Laplace's Witch," "Kimi wa Tsukiyo ni Hikarikagayaku," "The Antique," and "Mirai," as well as "The Castle of Kingdom Gone" remain robust. Regarding the sales of copyrights, merchandise licensing to gaming machines mainly contributed to revenue. Publications are one of the important resources for cross-media development, and the Group aims to continually publish about 5,000 new titles annually in order to generate hits. As to a state-of-the-art manufacturing and logistics base which is scheduled to go into full operation in fiscal 2020, the factory construction and system development are progressing steadily according to the schedule, and it began to produce digital printing products such as paperbacks and graphic novels commercially.

In the Magazine Business, local information magazine series "Walker," lifestyle magazine "Lettuce Club" and others are transforming their business models through a collaboration with online media, and it will lead to results such as an increase in page views and advertising revenue in online media. Concerning the TV information media "The Television," sales of the New Year special issue and "The Television Web" continued to demonstrate solid growth. Although magazine sales are declining due to the revision of the publishing plan and circulation figure, profitability shows a sign of recovering as the actual sales rate improves.

In the Video and Game Business segment, net sales were 48,295 million yen, up 1.8% year on year, and segment profit (operating profit) was 3,919 million yen, up 36.3% year on year.

In the Video Business, sales of licenses such as "STEINS; GATE 0," "Angels of Death," and "Bloom into You" to overseas regions contributed to revenue. Streaming revenue of anime works and a commercialization license of "Re: Zero Kara Hajimeru Isekai Seikatsu (Re: Life in a Different World from Zero)" and others also contributed to revenue, and the Business is expanding domestically and internationally by utilizing its rich IPs. "MUBICHIKE," a digital pre-sales ticket service for movies provided by MOVIE WALKER Co., Ltd., is also staying brisk and contributing to revenue.

In the Game Business, "SEKIRO: SHADOWS DIE TWICE," launched in March is performing exceptionally well and contributed significantly to profit expansion. "DARK SOULS REMASTERED" maintains robust growth in Japan and overseas, and not only the packaged software sales but also royalty revenue from abroad contributed to revenue. Packaged video games such as "METAL MAX Xeno" and "Conan Outcasts," "ARMORED CORE ORIGINAL SOUNDTRACK 20th ANNIVERSARY BOX," a box set of CDs featuring the chronicle of musical scores of "Armored Core" series, and overseas royalty revenue from "Bloodborne" launched in March 2015, and "DARK SOULS III" launched in March 2016 also maintained a firm tone.

On the other hand, "Teku Teku Teku Teku," a location-based game application that DWANGO Co., Ltd. began to provide in November 2018, contributed to revenue much less than expected and the development expenses of the application were recorded in one lump sum, and we decided to end the service in June 2019.

In the Web Service Business segment, net sales were 25,848 million yen, down 10.9% year on year, and segment loss (operating loss) was 2,576 million yen (1,067 million yen operating loss in the previous fiscal year).

In the Portal Business, service income from "Niconico premium members" in "Niconico," one of the largest video platforms in Japan, was the main source of revenue, and revenues related to advertising such as banners on the website and paid videos, etc. were recorded. "Niconico" has worked to improve the viewing environment for its video and live broadcast service primarily by enhancing the lines and improving image quality and take measures such as providing a new site called "Niconico Crescendo" and a new live streaming application "Nicocas." The number of "Niconico premium members," however, has been on a declining trend and decreased to 1.8 million at the end of the current fiscal year.

"Teku Teku Teku Teku" was launched in November, and "ARTILIFE," an application game where users can observe and nurture "artificial life," was launched in December 2018. Although "Teku Teku Teku Teku" sought to increase the number of users through active promotion and other measures immediately after its launch, the number is much lower than expected and this became one of the factors behind the decrease in profit.

In addition, the recorded costs related to review and divestiture of the business also became one of the factors behind the decrease in profit.

In the Live Business, we are planning and operating various kinds of live events and managing "Nicofarre," a live music venue, based on the theme of "integrating the Internet and the real world" and implementing other measures to differentiate ourselves from other competing video services. The number of people visiting "Niconico Cho Kaigi (town event) 2018," held in April for two days, set a new record of 161,277, and the number of online viewers was 6,121,170. The world's largest anime song live "Animelo Summer Live 2018 "OK!," held in August, attracted 81,000 visitors for three days, and contributed to profit.

In the Mobile Business, we recorded revenues from "dwango.jp," a general entertainment site that distributes single songs/Chaku-Uta®, etc. and the comprehensive anime portal site "animelo." The number of dues-paying members decreased; however, we continued to maintain profitability striving to decrease fixed costs such as outsourcing expenses and advertisement expenses.

In the Others businesses segment, net sales were 22,143 million yen, up 6.3% year on year, and segment loss (operating loss) was 2,613 million yen (1,356 million yen operating loss in the previous fiscal year).

In the Others business, we provide educational programs featuring interactivity integrating the Internet and the real world and conduct the education business which operates schools that develop promising human resources in the creative field in Japan and overseas, and the merchandising business (MD) including planning, production, and sales of character goods and e-commerce of idol CDs. In addition, costs incurred for preparing inbound businesses which would be profitable by 2020 when the Tokyo Olympic Games and the Paralympic Games will be held, was included.

As a result, the Group's consolidated performance in the current fiscal year consisted of net sales of 208,605 million yen, up 0.9% year on year, operating profit of 2,707 million yen, down 13.9% year on year, ordinary profit of 4,205 million yen, up 13.2% year on year. Loss attributable to owners of parent was 4,085 million yen (1,038 million yen profit attributable to owners of parent in the previous fiscal year), due in part to an impairment loss on non-current assets of 4,174 million yen recorded in extraordinary losses at a consolidated subsidiary DWANGO Co., Ltd. and other company.

At an extraordinary meeting of the Board of Directors held on May 10, 2018, a resolution was passed to repurchase shares of the Company to enhance shareholder return and improve capital efficiency over a repurchase period until September 28, 2018 with the upper limits set to 2,600 thousand shares and 3.0 billion yen. At the completion of the period, the Company had repurchased 2,562,600 shares of the Company at a cost of 2,999,951,100 yen.

(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 13,338 million yen. The main capital investments by business segment are listed below.

Business segment	Amount	Description
Publication Business	1,737 million yen	Extension of functionality for own e-book site, system development related to book production, etc.
Video and Game Business	516	Purchase of facilities and equipment for development, system development for extension of functionality of "MUBICHIKE," etc.
Web Service Business	1,753	Cost for upgrade of server and new system development for video community services, etc.
Others	1,058	Restaurant business facility, facility to operate school for education business, etc.
Group Overall (in common)	8,272	Construction work for Tokorozawa Sakura Town, in-house system development, etc.
Total	13,338	

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, 2019)

The consolidated subsidiary, KADOKAWA CORPORATION, plans to construct a book production and distribution base (budgeted investment of 24,600 million yen), Tokorozawa Campus (budgeted investment of 6,400 million yen), and a new business facility (budgeted investment of 8,900 million yen). The construction started in February 2018.

Out of a budgeted investment of 39,900 million yen, payment of 18,609 million yen including the deposit for purchase of the book production equipment and building, etc. was made.

(3) Status of the Group's Financing

In consideration of the situation surrounding market interest rates, the Company borrowed 15.0 billion yen in total from several banks and repaid the existing loans from financial institutions (10.0 billion yen in total, due in March 2019) before maturity in the form of a single lump sum payment with the aim of stably securing inexpensive long-term working capital.

(4) Issues to Be Addressed by the Group

Looking at the market conditions that affect the Group's operations, while the paper publishing market is shrinking continually, the e-book market is growing. In line with the rapid penetration of various devices including smartphones thanks to the development of high-speed networks, the network entertainment market is also expanding amid a significant worldwide transformation of conditions in the media sector. In such an environment, the Group seeks to foster the sustained development of content-generation capabilities to support high-value IP creation. In parallel, the Group is targeting the development of varied media for the distribution of these IPs to a broad customer base so as to develop businesses across multiple media sectors with the aim of maximizing profits.

At this time, the Company has made the decision to transfer all the businesses of KADOKAWA CORPORATION to the Company and transform the Company into an operating holding company structure on July 1, 2019 by carrying out an absorption-type company split with the aim of strengthening the IP business capabilities, enhancing governance and further improving business efficiency.

Prior to that, KADOKAWA CORPORATION will undergo a reorganization into the structure with six business divisions beginning from April in order to carry out business development that is capable of flexibly responding to the aforementioned global changes. In addition, a new engineering subsidiary "KADOKAWA Connected" will be newly established which will become the headquarters for ICT personnel. In the future, through the leadership of a newly established division DX Strategy Headquarters and KADOKAWA CONNECTED INC., the Group will promote the digital transformation of not only the Contents and Services, but also user platforms, intra-organization communication platforms, and manufacturing and logistics platforms, with the aim of increasing the speed of management.

The status and challenges by business segment are as follows.

1) Publication Business

The Group will continue to work on robust IP creation, while strengthening cross-media strategies and further improving the merchandise return rate. To develop new IPs, in addition to works by veteran authors and popular authors, the Group will strive to discover original works posted on internet sites including the novel submission site "KAKUYOMU" and enhance the development of new authors.

With regard to improving the merchandise return rate, the state-of-the-art digital facility where manufacturing is integrated with logistics will be introduced for the full operation in fiscal 2020, and it will help develop the optimal manufacturing process and logistics system that controls incoming book orders, quick manufacturing, and shipment in a consistent way. A digital printing machine was introduced ahead of the digital facility's construction, and it now produces commercial products in some genres. By realizing small-lot, timely production and timely delivery through full operation of the facility, the Group seeks to reduce direct costs such as costs of printing and materials, improve the merchandise return rate, and ultimately increase the margins, while coping with the logistics issues facing our industry. At the same time, the Group will work with overseas locations and their subcontractors to promote simultaneously publishing digital and paper-based books in multiple languages, as well as concurrent marketing of cross-media products across the globe.

In the E-book Business, the Group will work on sales expansion by proactively taking measures including actions to increase the number of titles of e-book and strategies for unique value-added services, and will enhance the distribution to overseas markets, pursuing a steady trend of high growth of profitability in "BOOK☆WALKER."

In the Magazine Business, the Group works to change its business models to incorporate online media and continues to promote drastic structural reforms, including diversification of income streams.

2) Video and Game Business

In the Video Business, the Group will work on turning the extensive group IPs created by publishing and games into visual products, create IPs based on video works, and engage in the production and distribution of live-action movies and animated cartoons. We will also tackle video distribution, for which the market is expected to expand further in the future. In addition, the Group will work to enhance the sales of rights in overseas markets.

In the Game Business, with a primary focus on planning, development and sales of original packaged game software, the Group will optimize its management resources and execute its business strategy flexibly to enhance competitiveness and bland power, seeking to adapt to the market environment which includes characteristics such as diversification of platforms including home consoles, handheld game consoles, and smartphones, high functionality, and diversified user needs.

3) Web Service Business

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

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

In the Live Business, the Group will strive to deliver better user satisfaction with "Niconico Cho Kaigi," Japan's greatest amount of user-generated event coming out of the Internet, and "Animelo Summer Live," the world's largest anime song live, and work on further improving the revenue structure of each event.

In the Mobile Business, the Group will go ahead with the launch of new service content and differentiate its services with a lineup of popular music programs centered on Chaku-Uta® and Chaku-Uta Full®, and content on the "Niconico" site, and take initiatives to continue to create profit by controlling costs and maintaining a high profitability ratio.

4) Others

In the Others business, the Group is continuing its efforts to establish the groundwork for an inbound business focused on the opening of the Tokorozawa Sakura Town in FY2020, and aims to further expand the education business which is demonstrating its presence as a one of strong revenue growth businesses. Education is changing drastically for various reasons including the declining birthrate and the spread of the Internet, and the Group will work to enhance the content of interactive education programs where online meets the real world and expand the scale of business which operates schools that develop human resources in the creative field in order to provide a variety of education which fit with the times.

(5) Status of Assets and Profit and Loss

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

Division	2nd fiscal year (ended in March 2016)	3rd fiscal year (ended in March 2017)	4th fiscal year (ended in March 2018)	5th fiscal year (current fiscal year) (ended in March 2019)
Net sales (million yen)	200,945	205,717	206,785	208,605
Ordinary profit (million yen)	10,189	7,407	3,716	4,205
Profit (loss) attributable to owners of parent (million yen)	6,845	5,767	1,038	(4,085)
Basic earnings (loss) per share (yen)	99.12	85.03	15.53	(63.94)
Total assets (million yen)	201,609	246,949	239,881	240,072
Net assets (million yen)	104,526	111,724	109,128	103,411
Net assets per share (yen)	1,529.43	1,620.10	1,629.37	1,602.08

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

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

Division	2nd fiscal year (ended in March 2016)	3rd fiscal year (ended in March 2017)	4th fiscal year (ended in March 2018)	5th fiscal year (current fiscal year) (ended in March 2019)
Operating revenue / Net sales (million yen)	8,985	8,815	6,855	5,738
Ordinary profit (loss) (million yen)	(584)	(335)	1,635	1,591
Profit (loss) (million yen)	(744)	(312)	1,643	(17,681)
Basic earnings (loss) per share (yen)	(10.77)	(4.61)	24.38	(273.96)
Total assets (million yen)	96,695	110,564	107,674	89,788
Net assets (million yen)	83,266	81,678	80,336	57,532
Net assets per share (yen)	1,228.30	1,203.98	1,208.83	909.52

Notes: 1. In the 2nd fiscal year, the Company has taken over certain business operations of the consolidated subsidiary KADOKAWA CORPORATION through a company split on April 1, 2015, and it transitioned from a pure holding company structure to an operating holding company structure.

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

(6) Status of Important Subsidiaries

Company name	Capital stock (million yen)	Company's ratio of voting rights (%)	Principal business
KADOKAWA CORPORATION	29,210	100.0	Publication Business, Video and Game Business, etc.
DWANGO Co., Ltd.	100	100.0	Web Service Business, etc.
BOOK WALKER Co., Ltd.	100	100.0	Publication Business
Building Book Center Co., Ltd.	100	100.0	Publication Business
KADOKAWA ASCII Research Laboratories, Inc.	85	100.0	Publication Business
Kadokawa Media House Inc.	100	100.0	Publication Business
Mainichi ga Hakken Inc.	100	80.0	Publication Business
KADOKAWA DAIEI STUDIO CO., LTD.	100	100.0	Video and Game Business
Glovision Inc.	30	100.0	Video and Game Business
MOVIE WALKER Co., Ltd.	100	87.9	Video and Game Business
FromSoftware, Inc.	268	100.0	Video and Game Business
Kadokawa Games, Ltd.	335	82.6	Video and Game Business
Spike Chunsoft Co., Ltd.	480	100.0	Video and Game Business
MAGES. Inc.	295	100.0	Web Service Business, Video and Game Business, etc.
Vantan Inc.	90	100.0	Others
Gzbrain Inc.	100	100.0	Publication Business, etc.
Chara-Ani Corporation	465	77.2	Others
KADOKAWA HOLDINGS ASIA LTD.	206 (million HK dollars)	100.0	Others
GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD.	30 (million RMB)	49.0	Publication Business
KADOKAWA TAIWAN CORPORATION	158 (million NT dollars)	90.8	Publication Business
KADOKAWA PICTURES AMERICA, INC.	35 (million US dollars)	100.0	Video and Game Business
YEN PRESS, LLC	4 (million US dollars)	51.0	Publication Business

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

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

3. Matters regarding designated wholly owned subsidiaries

Company name	Address	Book value of designated wholly owned subsidiary shares	Total assets of the Company
KADOKAWA CORPORATION	13-3, 2-chome, Fujimi, Chiyoda-ku, Tokyo	69,537 million yen	89,788 million yen

(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, 2019)

Business segment	Principal business
Publication Business	Publishing and sales of books, etc.
	Publishing and sales of e-books and e-magazines, etc.
	Publishing of magazines, sales of magazine and web advertisements, etc.
Video and Game Business	Granting of video streaming rights, sales of video software packages, planning, production and distribution of movies, etc.
	Planning, development and sales of game software and on-line games, etc.
Web Service Business	(Portal) Operation of video community services, etc.
	(Live) Planning and operation of various events and rental of event venues, etc.
	(Mobile) Distribution of mobile contents, etc.
Others	Planning and sales of character goods, sales of idol CDs, planning and operation of education businesses, inbound-related businesses, etc.

(9) Principal Offices and Plants (as of March 31, 2019)

1) The Company

Name	Address
Head Office	Chuo-ku, Tokyo (Registered Address: Chiyoda-ku, Tokyo)

2) Subsidiaries

Name	Address
KADOKAWA CORPORATION	Chiyoda-ku, Tokyo
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, 2019)

1) Employees in the Group

Business segment	Number of employees
Publication Business	1,669 (1,128)
Video and Game Business	771 (256)
Web Service Business	845 (142)
Others	476 (239)
Group Overall (in common)	785 (376)
Total	4,546 (2,141)

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
158 (48) persons	42.7 years of age	3.9 years

Notes: 1. During the current fiscal year, the number of employees (including temporary employees) of the Company decreased by 4 persons to a total of 206 persons.

2. 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).

3. The number of temporary employees (fixed-term contracted employees, dispatched employees) is shown in parentheses representing the yearly average number of such employees.

4. The average length of service is counted from October 1, 2014, when the Company was established.

(11) Status of Principal Lenders (as of March 31, 2019)

Lender	Amount borrowed (million yen)
Mizuho Bank, Ltd.	24,127
Sumitomo Mitsui Banking Corporation	20,205
MUFG Bank, Ltd.	9,000
Resona Bank, Limited	8,000
Saitama Resona Bank, Limited	4,000

2. Status of the Company

(1) Status of Shares (as of March 31, 2019)

1) Number of shares authorized to be issued by the Company: 260,000,000 shares
2) Number of outstanding shares: 70,892,060 shares
(including treasury shares 6,037,531 shares)
3) Number of shareholders: 35,232 persons
4) Major shareholders (top ten)

Name	Number of shared held (thousand shares)	Ratio of equity participation (%)
Nobuo Kawakami	5,687	8.77
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,073	4.74
Japan Trustee Services Bank, Ltd. (Trust Account)	2,440	3.76
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	2,040	3.15
GOLDMAN, SACHS & CO. REG (Permanent Agent: Goldman Sachs Japan Co., Ltd.)	1,834	2.83
Nippon Life Insurance Co.	1,714	2.64
BANDAI NAMCO Holdings Inc.	1,530	2.36
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,401	2.16
NTT DOCOMO, INC.	1,204	1.86
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,122	1.73

Notes: 1. The Company holds treasury shares of 6,037 thousand shares, which are excluded from the above list of major shareholders. Treasury shares (6,037 thousand shares) does not include 996 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 DWANGO Co., Ltd., as well as the ESOP for their employees. Nor does it include the 601 thousand shares held by Japan Trustee Services Bank, Ltd. (Trust Account) as trust assets of the share-based compensation plan for directors of KADOKAWA CORPORATION (including directors of its subsidiaries) and the ESOP for its employees.
2. The treasury shares are excluded in the calculation of the ratio of equity participation shown above.

(2) Status of Subscription Rights to Shares, etc. (as of March 31, 2019)

Not applicable

(3) Status of Company Officers

1) Directors and Audit and Supervisory Board Members (as of March 31, 2019)

Position in the Company	Name	Responsibilities and important concurrent positions in other companies
Chairman of the Board	Tsuguhiko Kadokawa	Chairman of the Board of KADOKAWA CORPORATION Executive President of the Kadokawa Culture Promotion Foundation President of Anime Tourism Association
Representative Director and President	Masaki Matsubara	Representative Director and President of KADOKAWA CORPORATION Director of DWANGO Co., Ltd.
Director	Nobuo Kawakami	Advisor of DWANGO Co., Ltd.
Director	Toshiyuki Yoshihara	Director of KADOKAWA CORPORATION
Director	Koji Funatsu	Representative Director, Chairman and CEO of Transcosmos Inc.
Director	Koji Hoshino	Representative Director and Chairman of STUDIO GHIBLI INC.
Standing Audit and Supervisory Board Member	Yasuaki Takayama	Statutory Auditor of KADOKAWA CORPORATION
Audit and Supervisory Board Member	Akira Watanabe	Lawyer of Comm&Path Law Office Outside Director of MAEDA CORPORATION Director of ASIA PILE HOLDINGS CORPORATION
Audit and Supervisory Board Member	Masami Nitta	Head of Nitta Certified Public Accountant Office

Notes:
1. Directors Mr. Koji Funatsu and Mr. Koji Hoshino 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 Mr. Masami Nitta 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 Members Mr. Yasuaki Takayama and Mr. Masami Nitta have a qualification of the certified public accountant and have a considerable degree of knowledge on financial and accounting matters.
4. Changes in Directors' titles during the fiscal year under review were as follows.

Name	Before change	After change	Date of change
Nobuo Kawakami	Representative Director and President	Director	February 13, 2019
Masaki Matsubara	Director	Representative Senior Managing Director	June 20, 2018
	Representative Senior Managing Director	Representative Director and President	February 13, 2019

5. As of February 13, 2019, Mr. Nobuo Kawakami retired Director of DWANGO Co., Ltd. and assumed the position of Advisor at the said company on the same day.
6. Details of Directors who resigned during the fiscal year under review are provided below.

Name	Date of retirement	Reason of retirement	Important concurrent position as of the date of retirement
Takashi Araki	February 13, 2019	Resignation	Representative Director and President of DWANGO Co., Ltd.
Daisuke Yokosawa	February 13, 2019	Resignation	Director of DWANGO Co., Ltd.
Shigetaka Kurita	February 13, 2019	Resignation	Director of DWANGO 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 Directors and also all Audit and Supervisory Board Members to the Company under such contract shall be an amount of the minimum amount provided for in the laws and regulations.

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

Division	Number	Amount
Directors (of whom outside directors)	10 (2)	87 million yen (14 million yen)
Audit and Supervisory Board Members (of whom outside audit and supervisory board members)	5 (3)	35 million yen (14 million yen)
Total	15	122 million yen

Notes: 1. The above numbers include one director (not an outside director) and two audit and supervisory board members (of which one is an outside audit and supervisory board member) who left office at the close of the 4th General Meeting of Shareholders held on June 20, 2018, and three directors (of which none are an outside director) who left office due to resignation as of February 13, 2019.

2. The 1st General Meeting of Shareholders held on June 23, 2015 resolved that the total amount of compensation for the directors should be up to 400 million yen (provided that this amount does not include the employee salary portion) a year. In addition, the said General Meeting of Shareholders resolved that in the share-based compensation plan for directors, excluding outside directors, in which, for every three consecutive fiscal years, the Company shall contribute cash of up to 1,200 million yen (annually equivalent to 400 million yen) to the trust and provide share-based compensation through the trust account. There is no share-based compensation for the current fiscal year.

3. The 1st General Meeting of Shareholders held on June 23, 2015 resolved that the total amount of compensation for the audit and supervisory board members should be up to 50 million yen a year.

4) 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 Koji Funatsu	Representative Director, Chairman and CEO of Transcosmos Inc.
Director Koji Hoshino	Representative Director and Chairman of STUDIO GHIBLI Inc.
Audit and Supervisory Board Member Akira Watanabe	Lawyer of Comm&Path Law Office Outside Director of Maeda Corporation Director of ASIA PILE HOLDINGS CORPORATION
Audit and Supervisory Board Member Masami Nitta	Head of Nitta Certified Public Accountant Office

Notes: 1. The Company reported Directors Mr. Koji Funatsu and Mr. Koji Hoshino, and Audit and Supervisory Board Members Mr. Akira Watanabe and Mr. Masami Nitta to Tokyo Stock Exchange Inc. as the independent officers who are unlikely to have any conflict of interests with its general shareholders.

2. There is no business relation to be stated specially 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 Koji Funatsu	16 of 17 meetings held	94%	–	–
Director Koji Hoshino	17 of 17 meetings held	100%	–	–
Audit and Supervisory Board Member Akira Watanabe	16 of 17 meetings held	94%	15 of 16 meetings held	94%
Audit and Supervisory Board Member Masami Nitta	14 of 14 meetings held	100%	14 of 14 meetings held	100%

Notes: 1. In the current fiscal year, a total of 17 meetings of the Board of Directors (12 regular and 5 extraordinary meetings) were held. In the current fiscal year, a total of 16 meetings of the Audit and Supervisory Board were held.

2. Auditor Mr. Masami Nitta was newly appointed at the 4th General Meeting of Shareholders held on June 20, 2018, and therefore the number of Board and Audit and Supervisory Board 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

- Director Mr. Koji Funatsu expressed his opinions making the most of his broad experience as a corporate manager and his expert knowledge in the IT fields.
- Director Mr. Koji Hoshino expressed his opinions making the most of his broad experience as a corporate manager and his expert knowledge in entertainment business.
- 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 Mr. Masami Nitta gave advice and made proposals on finance and accounting, etc., mainly from the specialist viewpoint of a certified public accountant.

(4) Status of the Independent Auditor

1) Name: Deloitte Touche Tohmatsu LLC

2) Amount of compensation, etc.

	Amount paid
Total amount of remuneration, etc., to be paid by the Company for duties as set forth in Article 2, paragraph 1 of the Certified Public Accountant Law	18 million yen
Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Independent Auditor	108 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. Of the Company's important subsidiaries, KADOKAWA TAIWAN CORPORATION, KADOKAWA HOLDINGS ASIA LTD., and GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD. are audited by auditing firms, which are located on-site, other than the Company's Independent Auditor.

3) 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 1st 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) 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 March 24, 2016).

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 executives 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, appoints a person(s) responsible for risk management, 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 independently or in collaboration with subsidiaries' internal audit division. 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 major subsidiaries as well as the Company, 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. When an employee who assists the Audit and Supervisory Board Members with their duties is appointed, such employee does not concurrently take any position related to the conduct of the Company's business, and performs his/her duties under the direction of the Audit and Supervisory Board Members. 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 operations based on an operating manual, which stipulates how to handle violence targeted at corporations, 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 retains and manages information (document or electromagnetic record) pertaining to the execution 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 regularly or as needed in accordance with the regulations.

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

   a. The Company held 17 meetings of the Board of Directors (12 regular and 5 extraordinary meetings) during the current fiscal year.
   b. The Company clearly defines 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 authority in job functions, the rule for the Board of Directors, etc., 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 examining such matters or receiving reports on them at a meeting of the Company's Board of Directors.
   b. In accordance with the internal audit rules of the Company and its major subsidiaries, the Company manages and oversees its subsidiaries through audits conducted jointly by the internal audit divisions of the Company and its major subsidiaries.
   c. The Risk Management Committees of major subsidiaries strive to identify and evaluate their own risks and develop countermeasures. In addition, the Company's Risk Management Committee works jointly with the Risk Management Committees of major subsidiaries to identify risks at the Group level.
   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 established relevant regulations to place an assistant, with a function that is independent from business activities execution, to support Audit and Supervisory Board Members, and also to secure the assistant's independence from Directors. At present, there is no assistant supporting Audit and Supervisory Board Members.

7) Systems for reporting to the Audit and Supervisory Board Members of the Company and other systems for ensuring that the audit by the Audit and Supervisory Board Members is conducted effectively

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

(6) Policy on determination of dividends of surplus

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

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

The Company's basic policy is to annually pay cash dividends to its shareholders at the end of the fiscal year. The Company has stipulated in the Articles of Incorporation that the payment of dividends of surplus is provided for by a resolution of the Board of Directors, unless provided for otherwise by laws and regulations.

The Company plans to pay a dividend of 20 yen per share for the fiscal year ended March 31, 2019. The Company also plans to pay a dividend of 20 yen per share for the fiscal year ending March 31, 2020.

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, 2019)

Item	Amount	Item	Amount
(Assets)	Millions of yen	**(Liabilities)**	Millions of yen
Current assets	**148,975**	**Current liabilities**	**65,325**
Cash and deposits	73,597	Notes and accounts payable - trade	27,406
Notes and accounts receivable - trade	47,528	Short-term loans payable	402
Inventories	19,288	Current portion of long-term loans payable	78
Prepaid expenses	1,482	Accounts payable - other	7,233
Deposits paid	2,958	Income taxes payable	3,033
Other	4,870	Advances received	8,999
Allowance for doubtful accounts	(750)	Deposits received	3,206
Non-current assets	**91,096**	Provision for bonuses	3,463
Property, plant and equipment	**50,816**	Provision for point card certificates	131
Buildings and structures	11,234	Provision for sales returns	7,358
Machinery and equipment	1,591	Provision for stock benefits	148
Tools, furniture and fixtures	1,100	Provision for stock benefits for directors	289
Land	20,255	Other	3,572
Construction in progress	16,540	**Non-current liabilities**	**71,335**
Other	94	Long-term loans payable	65,038
Intangible assets	**6,472**	Deferred tax liabilities	1,200
Software	4,559	Net defined benefit liability	3,246
Goodwill	551	Other	1,849
Other	1,361	**Total liabilities**	**136,660**
Investments and other assets	**33,807**	**(Net assets)**	
Investment securities	25,459	**Shareholders' equity**	**95,785**
Net defined benefit asset	49	**Capital stock**	**20,625**
Deferred tax assets	1,696	**Capital surplus**	**62,095**
Insurance funds	1,455	**Retained earnings**	**23,412**
Guarantee deposits	4,178	**Treasury shares**	**(10,346)**
Other	1,652	**Accumulated other comprehensive income**	**5,555**
Allowance for doubtful accounts	(685)	**Valuation difference on available-for-sale securities**	**4,625**
		Revaluation reserve for land	**10**
		Foreign currency translation adjustment	**786**
		Remeasurements of defined benefit plans	**132**
		Non-controlling interests	**2,070**
		Total net assets	**103,411**
Total assets	**240,072**	**Total liabilities and net assets**	**240,072**

Consolidated Statement of Income

(April 1, 2018 through March 31, 2019)

Item	Amount	
	Millions of yen	Millions of yen
Net sales		**208,605**
Cost of sales		**151,590**
Gross profit		**57,015**
Selling, general and administrative expenses		**54,307**
Operating profit		**2,707**
Non-operating income		
Interest income	159	
Dividend income	434	
Share of profit of entities accounted for using equity method	366	
Foreign exchange gains	254	
Gain on sales of goods	181	
Other	220	1,615
Non-operating expenses		
Interest expenses	97	
Other	19	117
Ordinary profit		**4,205**
Extraordinary income		
Gain on change in equity	47	
Gain on sales of non-current assets	10	
Gain on sales of investment securities	38	
Other	4	100
Extraordinary losses		
Impairment loss	4,174	
Loss on valuation of investment securities	240	
Business structure improvement expenses	261	
Other	9	4,685
Loss before income taxes		**379**
Income taxes - current	4,052	
Income taxes - deferred	(343)	3,709
Loss		**4,088**
Loss attributable to non-controlling interests		2
Loss attributable to owners of parent		**4,085**

Consolidated Statement of Changes in Equity

(April 1, 2018 through March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	20,625	62,095	28,846	(7,452)	104,114
Changes of items during period					
Dividends of surplus			(1,348)		(1,348)
Loss attributable to owners of parent			(4,085)		(4,085)
Purchase of treasury shares				(3,000)	(3,000)
Disposal of treasury shares				106	106
Purchase of shares of consolidated subsidiaries		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(0)	(5,434)	(2,894)	(8,328)
Balance at end of current period	20,625	62,095	23,412	(10,346)	95,785

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulat-ed other comprehensive income		
Balance at beginning of current period	1,841	10	1,100	69	3,021	1,992	109,128
Changes of items during period							
Dividends of surplus							(1,348)
Loss attributable to owners of parent							(4,085)
Purchase of treasury shares							(3,000)
Disposal of treasury shares							106
Purchase of shares of consolidated subsidiaries							(0)
Net changes of items other than shareholders' equity	2,784	–	(314)	63	2,533	78	2,611
Total changes of items during period	2,784	–	(314)	63	2,533	78	(5,716)
Balance at end of current period	4,625	10	786	132	5,555	2,070	103,411

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: 55

Names of major consolidated subsidiaries
KADOKAWA CORPORATION
DWANGO Co., Ltd.
BOOK WALKER Co., Ltd.
Building Book Center Co., Ltd.
KADOKAWA ASCII Research Laboratories, Inc.
Kadokawa Media House Inc.
Mainichi ga Hakken Inc.
KADOKAWA DAIEI STUDIO CO., LTD.
Glovision Inc.
MOVIE WALKER Co., Ltd.
FromSoftware, Inc.
Kadokawa Games, Ltd.
Spike Chunsoft Co., Ltd.
MAGES. Inc.
Vantan Inc.
Gzbrain Inc.
Chara-Ani Corporation
KADOKAWA HOLDINGS ASIA LTD. (Hong Kong, People's Republic of China)
GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS CO., LTD. (Guangdong, People's Republic of China)
KADOKAWA TAIWAN CORPORATION (Taipei, Taiwan)
KADOKAWA PICTURES AMERICA, INC. (Delaware, U.S.)
YEN PRESS, LLC (Delaware, U.S.)

J-GUIDE Marketing Co., Ltd., KADOKAWA Architecture Co., Ltd., ENGI Inc., KADOKAWA QINGYU (Shanghai) Culture & Creation Co., Ltd., Lide, Inc., Custom Cast, Inc., and GUANGZHOU TIANWEN KADOKAWA ANIMATION & COMICS INDUSTRIAL INVESTMENT PARTNERSHIP (Limited Partnership) were included in the scope of consolidation because these companies were newly founded in the current fiscal year.
MAGES.Lab, Inc. was included in the scope of consolidation because its shares were newly acquired and it became a consolidated subsidiary.
Angel Cinema Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, was excluded from the scope of consolidation accompanied by its liquidation.
TECTECH 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 DWANGO Co., Ltd.

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

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

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

2. Application of the equity method

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

Names of major associated companies accounted for by the equity method
DOCOMO ANIME STORE, INC.
Nihon Eiga Broadcasting Corp.
HEMISPHERE MOTION PICTURE PARTNERS I, LLC (Delaware, U.S.)
HEMISPHERE MOTION PICTURE PARTNERS II, LLC (Delaware, U.S.)

VirtualCast Co., Ltd. was newly founded in the current fiscal year and was thus included in the scope of associated companies accounted for by the equity method.

(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. and VirtualCast Co., Ltd., for which the Company uses the financial results obtained as of March 31, 2019.

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

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

(Reason for exclusion from the scope of equity method companies)
Non-consolidated subsidiaries and associated companies that are not accounted for by the equity method are excluded from the scope of equity method companies as such exclusion has an immaterial effect on the Company's consolidated financial statements in terms of profit and retained earnings (amount corresponding to shares owned by the Company) and others, and they, as a whole, are not material.

3. Fiscal year etc., of the consolidated subsidiaries

The closing date of KADOKAWA CORPORATION, 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 21 other subsidiaries is December 31.

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 important transactions that take place between this date and the consolidated closing date.

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

4. Accounting policies

(1) Valuation basis and methods for significant assets

1) Available-for-sale securities

Marketable securities classified as available-for-sale securities

Fair value method based on market price as of the fiscal year end (The valuation difference is accounted for using the direct net asset adjustment method, and the cost of securities sold is determined by the moving-average method.)

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

Cost method based on the moving-average method

2) Inventories

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

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

(b) Distribution rights, production and work in process

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

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

(2) Depreciation method for significant depreciable assets

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

Declining-balance method at the Company and its domestic consolidated subsidiaries (excluding KADOKAWA CORPORATION)

However, straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016

Straight-line method at KADOKAWA CORPORATION and overseas consolidated subsidiaries

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

Buildings and structures: 2–50 years

Machinery and equipment: 2–17 years

Tools, furniture and fixtures: 2–20 years

2) Intangible assets (excluding leased assets)

Straight-line method

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

3) Leased assets

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

(3) Accounting policies for significant provisions

1) Allowance for doubtful accounts

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

2) Provision for bonuses

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

3) Provision for point card certificates

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

4) Provision for sales returns

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

5) Provision for stock benefits

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

6) Provision for stock benefits for directors

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

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

1) Accounting policies for retirement benefits

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

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

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

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

2) Accounting policies for foreign currency translations

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

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

3) Amortization of goodwill

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

4) Accounting of consumption taxes, etc.

Consumption taxes are excluded from the consolidated statement of income.

[Additional information]

ESOP for employees and share-based compensation plan for directors

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

(1) ESOP for employees

1) Overview of the plan

For employees who satisfy certain requirements as beneficiaries, the Company has established a trust and contributed cash to the trust for purchasing the Company's shares. The trust acquires designated shares of the Company to be granted in accordance with the stock benefit 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 stock benefit 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 are as follows:

Recipients	Book value of treasury shares (Number of shares)
Employees of the Company	88 million yen (58 thousand shares)
Employees of DWANGO Co., Ltd.	140 million yen (88 thousand shares)
Employees of KADOKAWA CORPORATION	356 million yen (210 thousand shares)

(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 are as follows:

Recipients	Book value of treasury shares (Number of shares)
Directors of the Company	1,074 million yen (702 thousand shares)
Directors of DWANGO Co., Ltd.	233 million yen (148 thousand shares)
Directors of KADOKAWA CORPORATION and subsidiaries of KADOKAWA CORPORATION	660 million yen (390 thousand shares)

[Change in accounting policies]

Changes in accounting policies which are difficult to distinguish from changes in accounting estimates

Change in depreciation method for property, plant and equipment

At the subsidiary KADOKAWA CORPORATION, the declining-balance method was mainly used as the depreciation method for property, plant and equipment (excluding leased assets,) with the exception that, the straight-line method was applied to buildings other than facilities attached to buildings acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016. The depreciation method has been changed to the straight-line method from the current fiscal year.

This change was the result of a re-examination of the depreciation method since the new manufacturing facilities started to operate sequentially in the current fiscal year as KADOKAWA CORPORATION proceeds with construction of the state-of-the-art factory where book manufacturing is integrated with logistics to respond to the changing management environment and ensure competitiveness. After the review, property, plant and equipment of KADOKAWA CORPORATION were expected to operate steadily throughout the period of their use, and therefore it was decided that a change to the straight-line method and the even allocation of the expenses of the asset over its useful life could reflect the status of its operations more appropriately.

Given this change, operating profit and ordinary profit both increased by 316 million yen, and loss before income taxes decreased by 316 million yen.

[Changes in presentation]

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) was adopted from the beginning of the current fiscal year. Therefore, Deferred tax assets are presented under Investments and other assets while Deferred tax liabilities are presented under Non-current liabilities.

Consolidated Balance Sheet

"Insurance funds," which were included in "Other" in "Investments and other assets" in the previous fiscal year, are stated separately in the current fiscal year due to an increase in materiality. "Insurance funds" for the previous fiscal year were 1,124 million yen.

[Notes to the Consolidated Balance Sheet]

1. Accumulated depreciation of property, plant and equipment: 15,466 million yen
2. Assets pledged as collateral

    Cash and deposits: 20 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	70,892,060 shares	–	–	70,892,060 shares
(Treasury shares)				
Common shares (Notes)	5,139,152 shares	2,563,207 shares	66,294 shares	7,636,065 shares

Notes: 1. The number of shares increased in treasury shares under common shares is 2,562,600 shares due to market purchase under the resolution of the Board of Directors, and 607 shares due to purchase of shares representing less than one unit.
2. The number of shares decreased in treasury shares under common shares is 66,294 shares due to delivery of shares by the benefit trust for acquisition and management of stock
3. The number of treasury common shares at the end of the current fiscal year includes 1,598,534 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 24, 2018	Common shares	1,362	20	March 31, 2018	June 21, 2018

Note: The total amount of dividends paid under the resolution of the Board of Directors held on May 24, 2018 included dividends of 33 million yen for the Company's shares held by the benefit trust for acquisition and management of stock and dividends of 14 million yen for the Company's shares held by subsidiaries.

(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 30, 2019	Common shares	Capital surplus	1,297	20	March 31, 2019	June 21, 2019

Note: The total amount of dividends paid under the resolution of the Board of Directors held on May 30, 2019 included dividends of 31 million yen for the Company's shares held by the benefit trust for acquisition and management of stock.

[Notes on financial instruments]

1. Status of financial instruments

(1) Policies on handling financial instruments

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

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

(2) Descriptions and risks of financial instruments

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

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

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

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

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

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

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

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

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

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

For derivative transactions, the finance department executes and manages the transactions with the approval of the person responsible for decision-making in accordance with internal rules that define provisions, such as the authority to conduct transactions and the transaction limit.

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

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

(4) Supplemental information on fair values of financial instruments

Fair values of financial instruments include values based on market prices and reasonably calculated values when there are no market prices. As such values are calculated using variable factors, using different assumptions may result in different values.

2. Fair values of financial instruments

Amounts stated in the consolidated balance sheet, fair values and the differences between them are as shown in the table below. Those financial instruments whose fair values are extremely difficult to determine are excluded from the table (refer to Note 2).

(Millions of yen)

	Amounts stated in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	73,597	73,597	–
(2) Notes and accounts receivable - trade	47,528	47,528	–
(3) Deposits paid	2,958	2,958	–
(4) Investment securities	15,473	15,473	–
Total assets	139,557	139,557	–
(1) Notes and accounts payable - trade	27,406	27,406	–
(2) Short-term loans payable	402	402	–
(3) Accounts payable - other	7,233	7,233	–
(4) Income taxes payable	3,033	3,033	–
(5) Deposits received	3,206	3,206	–
(6) Long-term loans payable (including current portion)	65,117	65,020	(97)
Total liabilities	106,399	106,302	(97)

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

Assets

(1) Cash and deposits; (2) Notes and accounts receivable - trade; (3) Deposits paid

These items are settled in a short period of time, and thus the fair value is approximately the same as the book value. As a result, they are stated using such book value.

(4) Investment securities

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

Liabilities

(1) Notes and accounts payable - trade; (2) Short-term loans payable; (3) Accounts payable - other; (4) Income taxes payable; (5) Deposits received

These items are settled in a short period of time, and thus the fair value is approximately the same as the book value. As a result, they are stated using such book value.

(6) Long-term loans payable (including current portion)

Fair value is calculated using the present value of the total amount of principal and interest discounted by interest rate that would be charged for a new similar borrowing.

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

(Millions of yen)

Classification	Amount stated in the consolidated balance sheet
Non-listed shares	9,978
Limited partnerships for investment	8

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

Non-listed shares include non-consolidated subsidiaries' and associated companies' shares of 5,228 million yen.

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

(Millions of yen)

	Within 1 year	Over 1 year through 5 years	Over 5 years through 10 years	Over 10 years
Cash and deposits	73,428	–	–	–
Notes and accounts receivable - trade	47,528	–	–	–
Deposits paid	2,958	–	–	–
Total	123,915	–	–	–

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

(Millions of yen)

	Within 1 year	Over 1 year through 2 years	Over 2 years through 3 years	Over 3 years through 4 years	Over 4 years through 5 years	Over 5 years
Short-term loans payable	402	–	–	–	–	–
Long-term loans payable (including current portion)	78	30	10,008	0	40,000	15,000
Total	481	30	10,008	0	40,000	15,000

[Per share information]

1. Net assets per share	1,602.08 yen
2. Basic loss per share	63.94 yen

Note: In calculating net assets per share, the Company's shares held by the trust for performance-based stock compensation plan for directors and the trust for Employee Stock Ownership Plan are included in treasury shares. Therefore, the number of those shares (1,598 thousand shares in the current fiscal year) is deducted in calculating the number of shares outstanding at the end of the fiscal year.

In addition, in calculating basic loss per share, the Company's shares held by the trust for performance-based stock compensation plan for directors and the trust for Employee Stock Ownership Plan are included in treasury shares. Therefore, the number of those shares (1,640 thousand shares in the current fiscal year) is deducted in calculating the number of weighted average shares outstanding during the fiscal year.

[Notes on significant subsequent events]

Not applicable.

[Other notes]

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

Company and location	Use (Segment name)	Type	Impairment loss
DWANGO Co., Ltd. (Chuo-ku, Tokyo)	Business assets (Video and Game Business)	Software	280
	Business assets (Web Service Business)	Tools, furniture and fixtures	1,984
		Software	1,281
		Other	100
		Subtotal	3,366
	Shared assets (Group Overall)	Buildings and structures	24
		Tools, furniture and fixtures	71
		Software	38
		Other	17
		Subtotal	152
TriSta Co., Ltd. (Chuo-ku, Tokyo)	Business assets (Publication Business)	Software	40
		Goodwill	16
		Subtotal	56
Daihyakka NEWS, Inc. (Chuo-ku, Tokyo)	Business assets (Web Service Business)	Goodwill	317
Total			4,174

   2) Background relating to the recognition of impairment loss
      The carrying amounts of the asset groups that incurred or are expected to incur consecutive operating losses were written down to their recoverable amounts as they were not expected to generate cash flows as originally projected based on the assessment of their future recoverability.

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

   4) Method of calculating recoverable value
      The recoverable amount is measured based on value in use. However, as the value in use of non-current assets in the asset groups based on future cash flows was negative, with those having no recoverable amount, the Group recognized an impairment loss.

2. Business structure improvement expenses
   Business structure improvement expenses recorded in Extraordinary losses are the costs related to the withdrawal from the business and an office closure by the subsidiary DWANGO Co., Ltd.

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

Non-consolidated Balance Sheet

(As of March 31, 2019)

Item	Amount	Item	Amount
(Assets)	Millions of yen	**(Liabilities)**	Millions of yen
Current assets	**16,337**	**Current liabilities**	**1,735**
Cash and deposits	15,444	Accounts payable - other	207
Accounts receivable - trade	354	Accrued expenses	8
Prepaid expenses	152	Deposits received	1,435
Income taxes receivable	362	Provision for bonuses	50
Other	23	Other	32
Non-current assets	**73,451**	**Non-current liabilities**	**30,520**
Property, plant and equipment	**771**	Long-term loans payable	30,000
Buildings	710	Deferred tax liabilities	94
Tools, furniture and fixtures	60	Asset retirement obligations	426
Intangible assets	**250**	**Total liabilities**	**32,256**
Software	250	**(Net assets)**	
Investments and other assets	**72,430**	**Shareholders' equity**	**57,532**
Shares of subsidiaries and associated companies	71,238	**Capital stock**	**20,625**
Guarantee deposits	1,188	**Capital surplus**	**64,104**
Other	3	Legal capital surplus	20,625
		Other capital surplus	43,479
		Retained earnings	**(17,008)**
		Other retained earnings	(17,008)
		Retained earnings brought forward	(17,008)
		Treasury shares	**(10,188)**
		Total net assets	**57,532**
Total assets	**89,788**	**Total liabilities and net assets**	**89,788**

Non-consolidated Statement of Income

(April 1, 2018 through March 31, 2019)

Item	Amount	
	Millions of yen	Millions of yen
Operating revenue		**5,738**
Operating expenses		4,105
Operating profit		**1,633**
Non-operating income		
Interest income	2	
Other	2	4
Non-operating expenses		
Interest expenses	36	
Commission for purchase of treasury shares	4	
Other	6	46
Ordinary income		**1,591**
Extraordinary losses		
Loss on valuation of shares of subsidiaries and affiliated companies	19,277	**19,277**
Loss before income taxes		**17,686**
Income taxes - current	3	
Income taxes - deferred	(8)	(4)
Loss		**17,681**

Non-consolidated Statement of Changes in Equity

(April 1, 2018 through March 31, 2019)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	20,625	20,625	43,479	64,104	2,035	2,035
Changes of items during period						
Dividends of surplus					(1,362)	(1,362)
Loss					(17,681)	(17,681)
Purchase of treasury shares						
Disposal of treasury shares						
Total changes of items during period	–	–	–	–	(19,044)	(19,044)
Balance at end of current period	20,625	20,625	43,479	64,104	(17,008)	(17,008)

	Shareholders' equity		Total net assets
	Treasury shares	Total shareholders' equity	
Balance at beginning of current period	(6,428)	80,336	80,336
Changes of items during period			
Dividends of surplus		(1,362)	(1,362)
Loss		(17,681)	(17,681)
Purchase of treasury shares	(3,866)	(3,866)	(3,866)
Disposal of treasury shares	106	106	106
Total changes of items during period	(3,759)	(22,804)	(22,804)
Balance at end of current period	(10,188)	57,532	57,532

Notes to the Non-consolidated Financial Statements

[Significant accounting policies]

1. Valuation basis and methods for assets

   Valuation basis and methods for securities

   Shares of subsidiaries

   Cost method based on the moving-average method

2. Depreciation method for non-current assets

   Property, plant and equipment

   Declining-balance method

   However, straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016

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

   Buildings: 6–18 years

   Tools, furniture and fixtures: 3–20 years

   Intangible assets

   Straight-line method

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

3. Accounting policies for provisions

   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.

   Allowance for doubtful accounts is not recorded at the end of the current fiscal year as there are no loan loss and no uncollectible amounts arising from doubtful receivables.

   Provision for bonuses

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

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

   Accounting of consumption taxes, etc.

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

[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."

[Notes to the Non-consolidated Balance Sheet]

1. Accumulated depreciation of property, plant and equipment 924 million yen
2. The Company's monetary claims against, and monetary liabilities for, its subsidiaries and associated companies
   (1) Short-term monetary claims 373 million yen
   (2) Short-term monetary liabilities 1,530 million yen

[Notes to the Non-consolidated Statement of Income]

1. The Company's transactions with its subsidiaries and associated companies
   (1) Operating revenue 5,684 million yen
   (2) Operating expenses 198 million yen
2. Loss on valuation of shares of subsidiaries and affiliated companies
   Loss on valuation of shares of subsidiaries and affiliated companies mainly corresponds to the shares of DWANGO held by the Company, as their actual value declined significantly compared with their book value.

[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	4,433,832 shares	3,268,527 shares	66,294 shares	7,636,065 shares

Notes: 1. Breakdown of the number of shares increased in treasury shares under common shares are as follows
1) Increase due to market purchase under the resolution of the Board of Directors 2,562,600 shares
2) Increase due to the acquisition of the Company's shares held by Daihyakka NEWS, Inc., which is a subsidiary of the Company 705,320 shares
3) Increase due to purchase of shares representing less than one unit 607 shares
2. The number of shares decreased in treasury shares under common shares is 66,294 shares due to delivery of shares by the benefit trust for acquisition and management of stock.
3. The number of treasury common shares at the end of the current fiscal year included 1,598,534 shares of the Company held by the benefit trust for acquisition and management of stock.

[Notes on tax effect accounting]

Details of the main causes for deferred tax assets and deferred tax liabilities

	(Millions of yen)
<Deferred tax assets>	
Shares of subsidiaries and associated companies	17,864
Tax loss carry forwards	330
Asset retirement obligations	130
Prepaid expenses	28
Provision for bonuses	15
Other	20
Subtotal, deferred tax assets	18,388
Valuation allowance on tax loss carry forwards	(330)
Valuation allowance on total deductible temporary differences	(18,058)
Subtotal, valuation allowance	(18,388)
Total, deferred tax assets	–
<Deferred tax liabilities>	
Retirement cost from asset retirement obligation	(81)
Shares of subsidiaries and associated companies	(12)
Total, deferred tax liabilities	(94)
Net deferred tax liabilities	(94)

[Notes on transactions with related parties]

Subsidiaries and associated companies, etc.

Attribute	Name	Location	Capital (Millions of yen)	Business	Ratio of voting rights, etc., owning (owned) (%)	Relations	Transactions	Amount of transactions (Millions of yen)	Account item	Year-end balance (Millions of yen)
Subsidiary	KADOKAWA CORPORATION	Chiyoda-ku, Tokyo	29,210	Publication Business, Video and Game Business, etc.	(Owner) Direct ownership: 100.0	Business advisory officers serving concurrently outsourcing of shared service operations Lease of real estate Business outsourcing for granting stock benefits	Receipt of business advisory fees	733	Accounts receivable - trade	120
							Receipt of shared service fees	604		
							Receipt of dividend	1,773	–	–
							Granting stock benefits, etc.	18	Deposits received	1,036
	DWANGO Co., Ltd.	Chuo-ku, Tokyo	100	Web Service Business, etc.	(Owner) Direct ownership: 100.0	Business advisory Officers serving concurrently Outsourcing of shared service operations Lease of real estate	Receipt of shared service fees	577	Accounts receivable - trade	191
							Lease of real estate	1,346		

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

1. "Amount of transaction" does not include consumption taxes.
2. The amount received as a business advisory fee is determined based on expenses at the Company necessary for operation and management of the Group companies.
3. The amount of shared service fees is determined based on the Company's expenses necessary for operations.
4. Granting stock benefits, etc., are transactions through the implementation of the share-based compensation plan described in "[Additional information] ESOP for employees and share-based compensation plan for directors."
5. The rental fees for real estate are determined with reference to market prices for neighborhood.

[Per share information]

1. Net assets per share 909.52 yen
2. Basic loss per share 273.96 yen

(Note) In calculating net assets per share, the Company's shares held by the trust for performance-based stock compensation plan for directors and the trust for Employee Stock Ownership Plan are included in treasury shares. Therefore, the number of those shares (1,598 thousand shares in the current fiscal year) is deducted in calculating the number of shares outstanding at the end of the fiscal year.

In addition, in calculating basic loss per share, the Company's shares held by the trust for performance-based stock compensation plan for directors and the trust for Employee Stock Ownership Plan are included in treasury shares. Therefore, the number of those shares (1,640 thousand shares in the current fiscal year) is deducted in calculating the number of weighted average shares outstanding during the fiscal year.

[Notes on significant subsequent events]

Company splits effective on April 1, 2019

KADOKAWA CORPORATION succeeded a part of the subsidiary management business from the Company through an absorption-type company split effective on April 1, 2019, thereby making DWANGO Co., Ltd., Gzbrain Inc., and Daihyakka NEWS, Inc. wholly owned subsidiaries of KADOKAWA CORPORATION.

1. Summary of transaction

(1) Details of business subject to transaction

Business related to the management control of DWANGO Co., Ltd., Gzbrain Inc., and Daihyakka NEWS, Inc., a part of the subsidiary management business of the Company.

(2) Date of company split

April 1, 2019

(3) Type of company split

Absorption-type company split in which the Company is the splitting company and KADOKAWA CORPORATION is the successor company (simplified company split).

(4) Details of allotment concerning the company split

No allocation of new shares or other forms of compensation will be made by KADOKAWA CORPORATION to the Company in the company split as it is made between the Company and KADOKAWA CORPORATION, a wholly owned subsidiary of the Company.

(5) Other matters related to the summary of the transaction

The Company acknowledged that urgent management issues for the whole Group include uniting the Group further and building a framework for DWANGO Co., Ltd. to create new businesses and determined that prompt reform of the Group's management system in order to address these issues is crucial for improving its corporate value.

Under the initiative of KADOKAWA CORPORATION, the Company will hereafter accelerate Group-wide utilization of the technological strength and huge user base of DWANGO Co., Ltd., promote optimal allocation of management resources, establish a solid management base for the Group, and seek to accomplish sustained growth and improve corporate value over the medium to long term.

2. Outline of accounting treatment

The company split is accounted for as a transaction under common control, in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for

Business Divestitures" (ASBJ Guidance No. 10, issued on January 16, 2019).

Company splits effective on July 1, 2019

At the meeting of the Board of Directors held on May 14, 2019, a resolution was passed to implement an absorption-type company split under which the Company shall succeed to all the businesses of KADOKAWA CORPORATION on July 1, 2019 (excluding, however, businesses in connection to the ownership of shares of Building Book Center Co., Ltd. and KADOKAWA KEY-PROCESS Co., Ltd.).

1. Summary of transaction

(1) Overview of the business segment subject to split

1) Business description of the segment subject to split

All businesses of KADOKAWA CORPORATION (excluding the business related to the holding of shares of Building Book Center Co., Ltd. and KADOKAWA KEY-PROCESS Co., Ltd.)

2) Performance of the business segment subject to split (as of March 31, 2019)

Net sales: 109,181 million yen

Note: Net sales include net sales to entities inside the scope of consolidation.

3) Book value of the assets and liabilities subject to split (as of March 31, 2019)

Assets: 172,683 million yen
Liabilities: 80,199 million yen

Note: The assets and liabilities to which the Company will succeed as a result of the company split will be formalized by adjusting changes that occur up to the effective date of the company split.

(2) Date of company split
July 1, 2019 (scheduled)

(3) Type of company split
Absorption-type company split in which the Company is the succeeding company and KADOKAWA CORPORATION is the splitting company (simplified company split).

(4) Details of allocation concerning the company split
No allocation of new shares or other forms of compensation will be made by the Company to KADOKAWA CORPORATION in the company split as it is made between the Company and KADOKAWA CORPORATION, a wholly owned subsidiary of the Company.

(5) Other matters related to the summary of the transaction
The Group will implement the company split for the purpose of strengthening IP business capabilities, strengthening governance, and devising ways to improve business efficiency by making the Company the core business company (operating holding company) of the Group.

2. Outline of accounting treatment
The company split shall be accounted for as a transaction under common control, in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on January 16, 2019).

The Group plans to record the differences between the balances of the assets received and liabilities assumed from the splitting company on the effective date of the company split and the differences from the carrying values of the subsidiary stock owned by the Company as extraordinary gains (gains on extinguishment of tie-in shares).

[Other notes]

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 21, 2019

To the Board of Directors of
KADOKAWA DWANGO CORPORATION:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Tsutomu Hirose

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yoshihiro Ishida

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2019 of KADOKAWA DWANGO CORPORATION (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in equity for the fiscal year from April 1, 2018 to March 31, 2019, and the related notes.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KADOKAWA DWANGO CORPORATION and its consolidated subsidiaries as of March 31, 2019, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 21, 2019

To the Board of Directors of
KADOKAWA DWANGO CORPORATION:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Tsutomu Hirose

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yoshihiro Ishida

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet as of March 31, 2019 of KADOKAWA DWANGO CORPORATION (the "Company"), and the related non-consolidated statements of income and changes in equity for the 5th fiscal year from April 1, 2018 to March 31, 2019, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the non-consolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of KADOKAWA DWANGO CORPORATION as of March 31, 2019, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Matter of Emphasis

As mentioned in the notes on significant subsequent events (company splits effective on July 1, 2019), at the meeting of the Board of Directors held on May 14, 2019, a resolution was passed to implement an absorption-type company split under which the Company shall succeed to all the businesses of KADOKAWA CORPORATION on July 1, 2019 (excluding, however, businesses in connection to the ownership of shares of Building Book Center Co., Ltd. and KADOKAWA KEY-PROCESS Co., Ltd.). This matter does not have any impact on our opinion.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

(TRANSLATION)

Audit 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 5th fiscal year from April 1, 2018 to March 31, 2019, 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 head office and other locations. And each Audit and Supervisory Board Member communicated and shared information with the Directors, Audit and Supervisory Board Members etc. of the subsidiaries and received from the subsidiaries their business reports as necessary.

2) Each Audit and Supervisory Board Member verified the resolutions adopted by the Board of Directors regarding the establishment of a system for ensuring that the Directors' duties, as stated in the business report, are executed in conformity of laws and regulations, and the Articles of Incorporation of the Company, and the establishment of a system necessary to ensure proper business operations of the whole business group consisting of a stock company and its subsidiaries set forth in Paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act. It also regularly received reports from Directors and employees on the status of the establishment and operation of the system (internal control system) established in accordance with such resolutions adopted by the Board of Directors, and requested explanations as necessary and expressed his/her opinions.

3) Audit and Supervisory Board Members monitored and verified that the Independent Auditor maintains independence and conducts the audits appropriately. Each Audit and Supervisory Board Member also received reports on the status of the execution of duties from the Independent Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Regulations of the Corporate Accounting in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Independent Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business reports and accompanying supplemental schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements), the accompanying supplemental schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements) for the fiscal year ended March 31, 2019.

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, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

The auditing methods and results of the Independent Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

May 24, 2019

Audit and Supervisory Board, KADOKAWA DWANGO CORPORATION

Standing Audit and Supervisory Board Member	Yasuaki Takayama
Outside Audit and Supervisory Board Member	Akira Watanabe
Outside Audit and Supervisory Board Member	Masami Nitta

Reference Materials on the General Meeting of Shareholders

Proposal 1: To Amend the Articles of Incorporation

We propose an amendment to the present Articles of Incorporation effective July 1, 2019, as follows:

1. Reasons for the amendment

   In association with the absorption-type company split occurring on July 1, 2019 with a subsidiary, KADOKAWA CORPORATION, whereby the Company shall succeed to all the businesses of KADOKAWA CORPORATION on July 1, 2019 (excluding, however, businesses in connection to the ownership of shares of Building Book Center Co., Ltd. and KADOKAWA KEY-PROCESS Co., Ltd.) (hereinafter, the "Split") and transitioning from a pure holding company to an operating holding company structure, the Company proposes to change Article 1 of the Articles of Incorporation in order to succeed to the trade name of the splitting company, KADOKAWA CORPORATION, and proposes to add an item to the purposes of incorporation in Article 2 of the Articles of Incorporation in response to the growing diversification of the business activities.

   Note that in order for the amendment of Article 1 of the Articles of Incorporation to take effect, the Split must take effect.

2. Details of the amendment

   The details of the proposed amendment are as follows:

(The underlined part is the amendment.)

Present Article of Incorporation	Proposed Amendment
Article 1. (Trade name) The Company shall be called KADOKAWA KABUSHIKIKAISHA and its English name shall be KADOKAWA DWANGO CORPORATION.	Article 1. (Trade name) The Company shall be called KABUSHIKIKAISHA KADOKAWA and its English name shall be KADOKAWA CORPORATION.
Article 2. (Purposes of incorporation) The Company shall be organized for the purposes of hold the shares or equity interest of the companies operating the following business and foreign companies operating the business equivalent to the following, to govern and manage the business activities of such companies: (1) ~ (51) (Present provisions omitted) (New provisions) (52) (Present provisions omitted) (53) (Present provisions omitted)	Article 2. (Purposes of incorporation) The Company shall be organized for the purposes of hold the shares or equity interest of the companies operating the following business and foreign companies operating the business equivalent to the following, to govern and manage the business activities of such companies: (1) ~ (51) (Same as the present provisions) (52) After-school services for children's sound upbringing as defined by the Child Welfare Act (53) (Same as the present provisions) (54) (Same as the present provisions)

Proposal 2: To Elect Twelve (12) Directors

The term of office of all the 6 directors will expire at the close of this General Meeting of Shareholders. Furthermore, due to the transition from a pure holding company to an operating holding company, we propose the election of 12 directors, increasing the number of Directors by six to enhance the Company's management system.

The candidates for directors are as follows:

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="2">1</td><td>Tsuguhiko Kadokawa
(September 1, 1943)</td><td>March 1966: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA CORPORATION)
October 1993: Representative Director and President of Kadokawa Shoten Co., Ltd.
July 1995: Executive President of the Kadokawa Culture Promotion Foundation (present)
April 1999: President of Kadokawa Media (TAIWAN) Co., Ltd. (present KADOKAWA TAIWAN CORPORATION)
June 2002: Representative Director, Chairman and CEO of Kadokawa Shoten Co., Ltd.
August 2002: Representative Director and Chairman of Kadokawa Daiei Pictures, Inc.
April 2003: Representative Director, President and CEO of KADOKAWA HOLDINGS, INC. (present KADOKAWA CORPORATION)
April 2003: Representative Director, Chairman and CEO of Kadokawa Shoten Co., Ltd.
May 2004: Representative Director and President of the Japan Video Promotion Co.
April 2005: Representative Director, Chairman and CEO of KADOKAWA HOLDINGS, INC.
May 2005: President, Kadokawa Holdings US Inc
December 2005: Representative Director and Chairman of Kadokawa Mobile Inc. (present BOOK WALKER Co., Ltd.)
June 2010: Chairman of the Board of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) (present)
February 2013: Representative Director and President of KADOKAWA ASCII Research Laboratories, Inc.
October 2014: Director and Adviser of the Company
October 2015: Representative Director and Chairman of Tokorozawa Sakuratown Corporation (present)
March 2017: President of Anime Tourism Association (present)
June 2017: Chairman of the Board of the Company (present)</td><td>996,560 shares</td></tr>
<tr><td colspan="3">[Reason for nominating Mr. Tsuguhiko Kadokawa as a candidate for a director]
Mr. Tsuguhiko Kadokawa serves as Chairman of the Board of the Company. After serving as Representative Director, President and CEO of KADOKAWA CORPORATION, which is a subsidiary of the Company, Mr. Tsuguhiko Kadokawa is currently Chairman of the Board of KADOKAWA CORPORATION. In addition, he had served as Representative Director of subsidiaries of KADOKAWA CORPORATION, thus, he is well versed in the business of KADOKAWA CORPORATION 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 through the management of KADOKAWA CORPORATION and its subsidiaries.</td></tr>
</table>

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)	April 1999:	Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA CORPORATION)	35,681 shares
		October 2004:	Representative Director and President of SS Communications Inc.	
		July 2009:	Representative Director and President of K. Sense Co. (present Mainichi ga Hakken Inc.)	
		September 2009:	Representative Director and Chairman of K. Sense Co. (present Mainichi ga Hakken Inc.)	
		June 2010:	Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION)	
		April 2014:	Representative Director, President of KADOKAWA CORPORATION (present)	
		October 2014:	Director of the Company	
		April 2015:	Director of KADOKAWA DAIEI STUDIO CO., LTD.	
		April 2015:	Director of Glovision Inc.	
		April 2015:	Director of Kadokawa Games, Ltd. (present)	
		April 2015:	Director of K. Sense Co.	
		April 2015:	Director of BOOK WALKER Co., Ltd. (present)	
		April 2015:	Director of Chara-Ani Corporation (present)	
		April 2015:	Director of EIGA WALKER INC. (present MOVIE WALKER Co., Ltd.) (present)	
		April 2015:	Director of Building Book Center Co., Ltd. (present)	
		June 2015:	Director of DWANGO Co., Ltd. (present)	
		July 2015:	Representative Director and President of Tokorozawa Sakuratown Corporation	
		October 2015:	Director of Tokorozawa Sakuratown Corporation	
		April 2017:	Director of K's Lab Co., Ltd. (present)	
		June 2018:	Representative Executive Director of the Company	
		February 2019:	Representative Director and President of the Company (present)	
	[Reason for nominating Mr. Masaki Matsubara as a candidate for a director] Mr. Masaki Matsubara serves as Representative Director and President of the Company. He also serves as Representative Director, President of KADOKAWA CORPORATION, which is a subsidiary of the Company. In addition, he had served as Representative Director of subsidiaries of KADOKAWA CORPORATION, thus, he is well versed in KADOKAWA CORPORATION and its subsidiaries. It is proposed to elect Mr. Masaki Matsubara as a director of the Company because the Company judges that he would perform his duties appropriately as a director of the Company by leveraging his abundant experience and extensive knowledge gained as a corporate manager in the management of KADOKAWA CORPORATION and its subsidiaries.			

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	Shinichiro Inoue (January 28, 1959)	April 1987: Joined The Television Co. June 2002: Director of Kadokawa Shoten Publishing Co., Ltd. (present KADOKAWA CORPORATION) April 2003: Director of Kadokawa Shoten Publishing Co., Ltd. April 2005: Managing Director of Kadokawa Shoten Publishing Co., Ltd. March 2006: Senior Managing Director of Kadokawa Shoten Publishing Co., Ltd. June 2006: Representative Director and Senior Managing Director of Kadokawa Shoten Publishing Co., Ltd. January 2007: Representative Director and President of Kadokawa Shoten Co., Ltd. April 2007: Representative Director and President of Kadokawa Production Inc. June 2008: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) June 2010: Managing Director of KADOKAWA GROUP HOLDINGS, INC. January 2011: Representative Director and Chairman of Kadokawa Contents Gate Corporation (present BOOK WALKER Co., Ltd.) June 2012: Senior Managing Director of KADOKAWA GROUP HOLDINGS, INC. April 2013: Representative Director, Senior Managing Director and Executive General Manager of the General Entertainment Content Creation Business Headquarters of KADOKAWA GROUP HOLDINGS, INC. April 2017: Representative Director and Senior Managing Executive Officer of KADOKAWA CORPORATION April 2018: Representative Director and President of KADOKAWA Architecture Co., Ltd. (present) April 2019: Representative Director and Deputy Chief Executive of KADOKAWA CORPORATION (present)	33,943 shares
	[Reason for nominating Mr. Shinichiro Inoue as a candidate for a director] Mr. Shinichiro Inoue serves as Representative Director, Deputy Chief Executive of KADOKAWA CORPORATION, which is a subsidiary of the Company. He also served as Director of subsidiaries of KADOKAWA CORPORATION, thus, he is well versed in the business of KADOKAWA CORPORATION and its subsidiaries. It is proposed to elect Mr. Shinichiro Inoue 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 KADOKAWA CORPORATION and its subsidiaries.		

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="2">4</td><td>Koichi Sekiya
(February 14, 1960)</td><td>March 1993: Joined Kadokawa Shoten Publishing Co., Ltd. (present KADOKAWA CORPORATION)
July 2002: Director of Kadokawa Book Service Co.
July 2004: Managing Director of Kadokawa Book Service Co.
March 2005: Representative Director and President of Kadokawa Book Service Co.
January 2007: Representative Director and Senior Managing Director of Kadokawa Group Publishing Co., Ltd.
March 2007: Representative Director and President of Kadokawa Group Publishing Co., Ltd.
June 2009: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION)
March 2013: Representative Director and President of Kadokawa Book Navi Co.
April 2013: Managing Director and Executive General Manager of the General Sales and Marketing Headquarters of KADOKAWA GROUP HOLDINGS, INC.
April 2015: Director and Senior Managing Executive Officer of KADOKAWA CORPORATION
April 2016: Representative Director and President of KADOKAWA UPLINK INC. (present)
May 2016: Representative Director and President of Tokorozawa Sakuratown Corporation
April 2019: Director, Senior Managing Executive Officer and Head of Product Marketing Headquarters of KADOKAWA CORPORATION (present)</td><td>22,783 shares</td></tr>
<tr><td colspan="3">[Reason for nominating Mr. Koichi Sekiya as a candidate for a director]
Mr. Koichi Sekiya serves as Director, Senior Managing Executive Officer and Head of Product Marketing Headquarters of KADOKAWA CORPORATION, which is a subsidiary of the Company. He also served as Director of subsidiaries of KADOKAWA CORPORATION, thus, he is well versed in the business of KADOKAWA CORPORATION and its subsidiaries. It is proposed to elect Mr. Koichi Sekiya 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 KADOKAWA CORPORATION and its subsidiaries.</td></tr>
</table>

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="2">5</td><td>Toshiyuki Yoshihara
(December 4, 1957)</td><td>April 1980: Joined Japan Recruit Center (present Recruit Holdings Co., Ltd.)
June 1999: Director of Media Factory, Inc.
January 2001: Representative Director and President of Media Factory, Inc.
April 2013: Executive Deputy General Manager of the General Entertainment Content Creation Business Headquarters of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION)
June 2013: Director and Executive Deputy General Manager of the General Entertainment Content Creation Business Headquarters of KADOKAWA GROUP HOLDINGS, INC.
June 2015: Director and Senior Managing Executive Officer of KADOKAWA CORPORATION
June 2017: Representative Director and President of KADOKAWA ASCII Research Laboratories, Inc. (present)
January 2018: Executive Officer of the Company
June 2018: Director of the Company (present)
April 2019: Director, Senior Managing Executive Officer and Head of IPEx Business Headquarters of KADOKAWA CORPORATION (present)</td><td>11,603 shares</td></tr>
<tr><td colspan="3">[Reason for nominating Mr. Toshiyuki Yoshihara as a candidate for a director]
Mr. Toshiyuki Yoshihara serves as Director of the Company. He also serves as Director, Senior Managing Executive Officer, and Head of IPEx Business Headquarters of KADOKAWA CORPORATION, which is a subsidiary of the Company. In addition, he had served as Director of subsidiaries of KADOKAWA CORPORATION, thus, he is well versed in KADOKAWA CORPORATION and its subsidiaries. It is proposed to elect Mr. Toshiyuki Yoshihara 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 KADOKAWA CORPORATION and its subsidiaries.</td></tr>
<tr><td rowspan="2">6</td><td>Yoichi Yasumoto
(May 11, 1964)</td><td>July 1992: Joined The Television Co.
June 2006: Director of Kadokawa The Television Co.
June 2008: Managing Director of Kadokawa Mobile Inc. (present BOOK WALKER Co., Ltd.)
April 2013: Representative Director and President of BOOK WALKER Co., Ltd. (present)
April 2016: Executive Officer of KADOKAWA CORPORATION
April 2016: Director of KADOKAWA UPLINK INC. (present)
July 2017: President of TAIWAN BOOKWALKER (present)
April 2019: Managing Executive Officer and Head of DX Strategy Headquarters of KADOKAWA CORPORATION (present)</td><td>9,368 shares</td></tr>
<tr><td colspan="3">[Reason for nominating Mr. Yoichi Yasumoto as a candidate for director]
Mr. Yoichi Yasumoto serves as Managing Executive Officer and Head of DX Strategy Headquarters of KADOKAWA CORPORATION, which is a subsidiary of the Company. He also served as Director of subsidiaries of KADOKAWA CORPORATION, thus, he is well versed in the business of KADOKAWA CORPORATION and its subsidiaries. It is proposed to elect Mr. Yoichi Yasumoto as a director of the Company because the Company judges that he would perform his duties appropriately as a director of the Company by leveraging his abundant experience and extensive knowledge gained as a corporate manager in the management of KADOKAWA CORPORATION and its subsidiaries.</td></tr>
</table>

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
7	Nobuo Kawakami (September 6, 1968)	April 1991: Joined Software Japan Co., Ltd. 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 CORPORATION) June 2013: Managing Director of khara, Inc. (present) June 2014: Director of BOOK WALKER Co., Ltd. (present) June 2014: Director of KADOKAWA ASCII Research Laboratories, Inc. (present) 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) December 2017: Director & CTO of DWANGO Co., Ltd. February 2018: Director of vaka, Inc. (present) February 2019: Director of the Company (present)	5,687,400 shares
	[Reason for nominating Mr. Nobuo Kawakami as a candidate for director] Mr. Nobuo Kawakami serves as Director of the Company. He also established DWANGO Co., Ltd., which is a subsidiary of the Company, served as Representative Director and Chairman of the company for years, and currently serves as Adviser of the company. It is proposed to elect Mr. Nobuo Kawakami as a director of the Company because the Company judges that he would perform his duties appropriately as a director of the Company by leveraging his abundant experience and extensive knowledge.		
8	Takeshi Natsuno (March 17, 1965)	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 (present) June 2008: Director of SEGA SAMMY HOLDINGS (present) June 2008: Director of Transcosmos Inc. (present) December 2008: Director of DWANGO Co., Ltd. June 2009: Director of DLE Inc. (present) September 2009: Director of GREE, Inc. (present) December 2010: Director of U-NEXT Co., Ltd. (present USEN-NEXT HOLDINGS Co., Ltd.) (present) October 2014: Director of the Company August 2016: Director of Oracle Corporation Japan (present) June 2017: Director of AWS Holdings, Inc. (present Ubicom Holdings, Inc.) (present) June 2017: Director of Cool Japan Fund Inc. (present) June 2018: Representative Director and Chairman of MOVIE WALKER Co., Ltd. (present) October 2018: Director of BOOK WALKER Co., Ltd. (present) October 2018: Director of KADOKAWA CORPORATION (present) February 2019: Representative Director and President of DWANGO Co., Ltd. (present)	70,400 shares
	[Reason for nominating Mr. Takeshi Natsuno as a candidate for a director] Mr. Takeshi Natsuno serves as Representative Director, President of DWANGO Co., Ltd., which is a subsidiary of the Company. He has also served as an executive of many companies including KADOKAWA CORPORATION, which is a subsidiary of the Company. It is proposed to elect Mr. Takeshi Natsuno as a director of the Company because the Company judges that he would perform his duties appropriately as a director of the Company by leveraging his abundant experience and extensive knowledge gained as a corporate manager.		

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	Koji Funatsu (March 18, 1952)	April 1981: Joined Japan Recruit Center (present Recruit Holdings Co., Ltd.) April 1998: Joined Transcosmos Inc. June 1998: Managing Director of Transcosmos Inc. June 1999: Senior Managing Director of Transcosmos Inc. December 1999: Director of Kadokawa Interactive Media Co., Ltd. April 2000: Representative Director and Vice-president of Transcosmos Inc. September 2002: Representative Director, President and CEO of Transcosmos Inc. June 2003: Representative Director, Chairman and CEO of Transcosmos Inc. (present) June 2005: Auditor of Walker Plus Co. November 2005: Auditor of Chara-Ani Corporation June 2006: Director of Kadokawa Cross Media Co. June 2006: Director of Kadokawa The Television Co. June 2008: Director of Kadokawa Marketing Co., Ltd. June 2009: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) October 2014: Director of the Company (present)	- shares
	[Reason for nominating Mr. Koji Funatsu as a candidate for an outside director] 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. His term of office as an outside director of the Company will be about four years and nine months at the close of this General Meeting of Shareholders. In addition, he has in the past assumed office as an outside officer of KADOKAWA CORPORATION, which is a subsidiary of the Company, and subsidiaries of KADOKAWA CORPORATION.		

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="2">10</td><td>Koji Hoshino
(May 7, 1956)</td><td>January 1983: Joined Armstrong Inc. (USA)
January 1990: Joined The Walt Disney Company (Japan) Ltd.
February 1993: Representative of Disney Home Video Japan Home Video Division
January 1995: Vice President of The Walt Disney Company
January 1998: Senior Vice President of The Walt Disney Company
January 2000: Senior Executive Vice President of The Walt Disney Company
January 2000: Representative Director and President of The Walt Disney Company (Japan) Ltd.
June 2007: Representative Director and Chairman of The Walt Disney Company (Japan) Ltd.
January 2008: Representative Director and President of STUDIO GHIBLI Inc.
January 2013: Director of DWANGO Co., Ltd.
October 2014: Director of the Company (present)
November 2017: Representative Director and Chairman of STUDIO GHIBLI Inc. (present)</td><td>- shares</td></tr>
<tr><td colspan="3">[Reason for nominating Mr. Koji Hoshino as a candidate for an outside director]
Mr. Koji Hoshino serves as Outside Director of the Company. It is proposed to elect Mr. Koji Hoshino as an outside director because he is expected to use his broad insights in the field of development, production, and distribution of entertainment-related content and abundant experience and extensive knowledge as a business owner in the management of the Company. His term of office as an outside director of the Company will be about four years and nine months at the close of this General Meeting of Shareholders. In addition, he has in the past assumed office as an outside officer of DWANGO Co., Ltd., which is a subsidiary of the Company.</td></tr>
<tr><td rowspan="2">11</td><td>Tomoyuki Moriizumi
(January 3, 1948)</td><td>April 1970: Joined Sumitomo Corporation
January 1995: Chairman of Phoenixcor Inc.
October 1996: Representative Director and President of Jupiter Shop Channel Co., Ltd.
February 2000: Representative Director and President of Jupiter Programming Co., Ltd.
February 2000: Representative Director and President of Jupiter Satellite Broadcasting Co., Ltd.
April 2000: Corporate Officer of Sumitomo Corporation
March 2003: Representative Director, President and Chief Executive Officer of Jupiter Telecommunications Co., Ltd.
March 2011: Advisor to Sumitomo Corporation
June 2011: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) (present)</td><td>- shares</td></tr>
<tr><td colspan="3">[Reason for nominating Mr. Tomoyuki Moriizumi as a candidate for an outside director]
It is proposed to elect Mr. Tomoyuki Moriizumi as an outside director because he is expected to use his abundant experience and extensive knowledge as a corporate manager, in fields such as the cable TV business, in the management of the Company.
He is also currently serving as Outside Director of KADOKAWA CORPORATION, which is a subsidiary of the Company.</td></tr>
</table>

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
12	Takeo Takasu (May 9, 1945)	April 1968: Joined The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.) April 1996: Joined BANDAI Co., Ltd. June 1996: Representative Director and President of BANDAI HOLDINGS CORPORATION June 1997: Managing Director of BANDAI Co., Ltd. March 1999: Representative Director and President of BANDAI Co., Ltd. June 2005: Representative Director and Chairman of BANDAI Co., Ltd. September 2005: Representative Director and President of NAMCO BANDAI Holdings Inc. April 2009: Representative Director and Chairman of NAMCO BANDAI Holdings Inc. June 2012: Advisor of NAMCO BANDAI Holdings Inc. March 2013: Director of Bell-Park Co., Ltd. (present) June 2013: Director of KADOKAWA CORPORATION (present) November 2013: Director of Cool Japan Fund Inc. (present) June 2014: Director of HOYA CORPORATION (present)	- shares
	[Reason for nominating Mr. Takeo Takasu as a candidate for an outside director] It is proposed to elect Mr. Takeo Takasu as an outside director because he is expected to use his abundant experience and extensive knowledge as a corporate manager, well versed in the entertainment business, in the management of the Company. He is also currently serving as Outside Director of KADOKAWA CORPORATION, which is a subsidiary of the Company.		

Notes: 1. Of the candidates for directors, six candidates (Messrs. Shinichiro Inoue, Koichi Sekiya, Yoichi Yasumoto, Takeshi Natsuno, Tomoyuki Moriizumi and Takeo Takasu) are newly nominated candidates and the other six candidates are candidates for reelection.

2. Of the candidates for directors, Messrs. Koji Funatsu, Koji Hoshino, Tomoyuki Moriizumi and Takeo Takasu are candidates for outside directors as provided for in Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.

   In May 2016, while Mr. Takeo Takasu was serving as Outside Director of HOYA CORPORATION, it came to light at the said company that part of the share buyback it had implemented by a board resolution in February 2016 exceeded the distributable amount calculated based on the Companies Act and the Regulation on Corporate Accounting. Although the said company did not suffer a deficit at the end of that fiscal year and no damages from third-party interests arose, the said company immediately established a third-party committee, implemented a probe into the cause, and formulated measures to prevent recurrence. Mr. Takeo Takasu fulfilled his duties through such actions as providing appropriate suggestions with regard to the initiatives aimed at recurrence prevention based on the suggestions of the third-party committee and proposals from the executive division, and monitoring the status of implementation of such measures.

3. Of the candidates for directors, Messrs. Koji Funatsu, Koji Hoshino, Tomoyuki Moriizumi and Takeo Takasu are the 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.

   (Neither party shall be a major counterpart in their business)

   Amounts of transactions between the Company and a company for which the subject works shall be less than 10% of the net sales of each of the two companies

   (In the case of no business transactions, neither company shall receive more than a certain amount of cash from each other in the form of donations or subsidies)

   Annual amounts received shall be less than 10 million yen averaged over the past three years

   (The candidate shall not be either one who earns, other than in the form of remuneration as director, a large sum of cash or other financial assets by acting as a consultant, an expert in accounting, or a specialist in law)

   The candidate shall not fall under any of the following in the current and the previous three years

1) Engaged as Independent Auditor or accounting counsel of the Group (in the case of a corporation, an employee who performs the duty as Independent Auditor or accounting counsel for the Group)
2) For an individual, annual remuneration received is or was 10 million yen or above
3) For a corporation, average remuneration amount paid out over the past three years was 2% or above of total sales of the said corporation

4. There are no special interests between the Company and the candidates for directors.
5. The Company has entered into an agreement limiting the liabilities for damages with the candidates for outside directors Messrs. Koji Funatsu and Koji Hoshino, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act. The limited amount of liabilities for damages under the agreement is the minimum liability amount set forth in laws or regulations. If the reelection of Messrs. Koji Funatsu and Koji Hoshino is approved, the Company plans to renew the aforementioned agreements with them.

   If the appointments of the candidates for outside directors, Messrs. Tomoyuki Moriizumi and Takeo Takasu, are approved, the Company will enter into the aforementioned agreements with them.

Proposal 3: To Elect One (1) Audit and Supervisory Board Member

Due to the Company's transition from a pure holding company to an operating holding company, we propose the election of 1 Audit and Supervisory Board member, increasing the number of Audit and Supervisory Board members by one to enhance the Company's audit system.

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

The candidate for Audit and Supervisory Board member is as follows:

Name (Date of birth)	Brief personal history, positions in the Company and important concurrent positions in other companies		Number of the Company's shares held
Akira Watanabe (July 1, 1959)	March 1993: November 1993: June 2010: June 2013: April 2015:	Joined Kadokawa Shoten Publishing Co., Ltd. (present KADOKAWA CORPORATION) Registered as a certified tax accountant Director of Kadokawa Shoten Publishing Co., Ltd. Director of KADOKAWA CORPORATION Executive Officer of KADOKAWA CORPORATION (present)	12,990 shares
[Reason for nominating Mr. Akira Watanabe as a candidate for an Audit and Supervisory Board member] Mr. Akira Watanabe has a high degree of professionalism in finance and accounting as a certified tax accountant. He also serves as Executive Officer of KADOKAWA CORPORATION, which is a subsidiary of the Company, thus, he is well versed in KADOKAWA CORPORATION. It is proposed to elect Mr. Akira Watanabe as an Audit and Supervisory Board member of the Company because the Company judges that he would perform his duties appropriately as an Audit and Supervisory Board member by leveraging his abundant experience and extensive knowledge.			

Note: There are no special interests between the Company and the candidate for Audit and Supervisory Board member.

Proposal 4: To Revise the Amounts of Compensation, etc. for Audit and Supervisory Board Members

The amount of compensation, etc. for Audit and Supervisory Board Members of the Company was approved to be up to 50 million yen a year at the 1st General Meeting of Shareholders held on June 23, 2015, and this amount has been applied since then.

The Company transitions from a pure holding company structure to an operating holding company structure, and the roles and such of Audit and Supervisory Board Members will increase as the Company further strengthens its corporate governance. Considering these facts, we propose to revise the compensation, etc. for Audit and Supervisory Board Members up to 70 million yen a year.

The number of Audit and Supervisory Board Members is currently three. Provided that Proposal 3 is approved as originally proposed and one Audit and Supervisory Board Member assumes his position, the number of Audit and Supervisory Board Members is four.