



**KADOKAWA**

The 2nd Quarter Ended  
September 30, 2023

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# Earnings Results

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November 2, 2023

KADOKAWA CORPORATION

# Agenda

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**Consolidated Earnings Results for the 1st Half  
of the Fiscal Year Ending March 31, 2024**

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**Mid-term Management Plan  
(FY2023-FY2027)**

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# Summary of Consolidated Earnings Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2024

- **In the first half (Apr.-Sep.), net sales increased 1.3% while operating profit declined 35.0%.**
  - The Animation and MD businesses achieved high growth. Steady progress was made in the IP media mix
  - The number of new IPs steadily increased, despite lower profit due to factors including higher publication costs and the impact of gaming that performed well in the previous year
  - Progress was made on the steady strengthening of the revenue generating base in priority businesses based on the IP creation × monetization strategy
- **In the second quarter (Jul.-Sep.), net sales and operating profit increased 12.0% and 47.6%, respectively.**
  - The new game title *ARMORED CORE VI* got off to a strong start, driving business results  
In a continuation of past titles, FromSoftware has demonstrated its high development capabilities
  - In the Video business, in addition to contributions from animated titles, profit of the live-action business improved dramatically from the previous year, when a write-down was recorded
- **Consolidated results for the full year are expected to proceed in line with initial forecasts**
  - In the Publication segment, further progress will be made improving the IP creation base in the second half, with the number of new titles expected to increase significantly compared with the first half  
We will make up for the delayed progress of the first half, aiming to achieve the full-year projections
  - In the Video and Gaming segments, we will further grow sales of popular titles from the first half that drove a high rate of progress, and also expect new titles released during the second half to perform well

# Summary of Consolidated Earnings Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2024 (by Business Segment)

<b>Publication</b>	<ul style="list-style-type: none"><li>➤ E-books and rights-licensing saw solid increases in sales despite falling sales of paper-based books due to the contracting market</li><li>➤ Price revisions are currently being phased in amid rising costs Investment in the manufacturing plant and new logistics facilities is expected to peak this fiscal year.</li><li>➤ In the second half, the trend of increased numbers of new titles will continue as we aim to get business results back on track</li></ul>
<b>Video</b>	<ul style="list-style-type: none"><li>➤ The animation business enjoyed a high growth rate of 18%, primarily from domestic and international streaming as well as rights-licensing Monetization capabilities improved due to an expanded IP media mix, including live action, and growth in secondary usage</li><li>➤ In the second half of the year we will continue to release sequels of popular series and anticipated new titles</li></ul>
<b>Gaming</b>	<ul style="list-style-type: none"><li>➤ Domestic sales for <i>ARMORED CORE VI</i> developed by FromSoftware started off strong Global sales are expected to grow in the second half of the year</li><li>➤ The release timing of DLC for <i>ELDEN RING</i> has not yet been announced, but development is proceeding smoothly</li></ul>
<b>Web Services</b>	<ul style="list-style-type: none"><li>➤ In the niconico-related business the number of premium memberships declined and ongoing investments were made for a return to growth in the future Investments in IT infrastructure will pick up speed in the second half</li><li>➤ In the live business profit increased due to the cancellation of unprofitable events and expansion of Animelo Summer Live We aim to return to profitability at an early stage</li></ul>
<b>Education/ EdTech</b>	<ul style="list-style-type: none"><li>➤ The trend of increasing student numbers at N/S high schools and Vantan continued, resulting in strong performance</li><li>➤ At Vantan, the number of applicants for new courses taking advantage of Group synergies scheduled to open next fiscal year has exceeded expectations In the second half we will continue to actively invest advertising costs, and expect growth in student numbers to accelerate in the next fiscal year and beyond</li></ul>

\*The Company changed the name of former "Educational Segment" to "Education/EdTech Segment".

# Consolidated Earnings Results for the 1st Half of the Fiscal Year Ending March 31, 2024

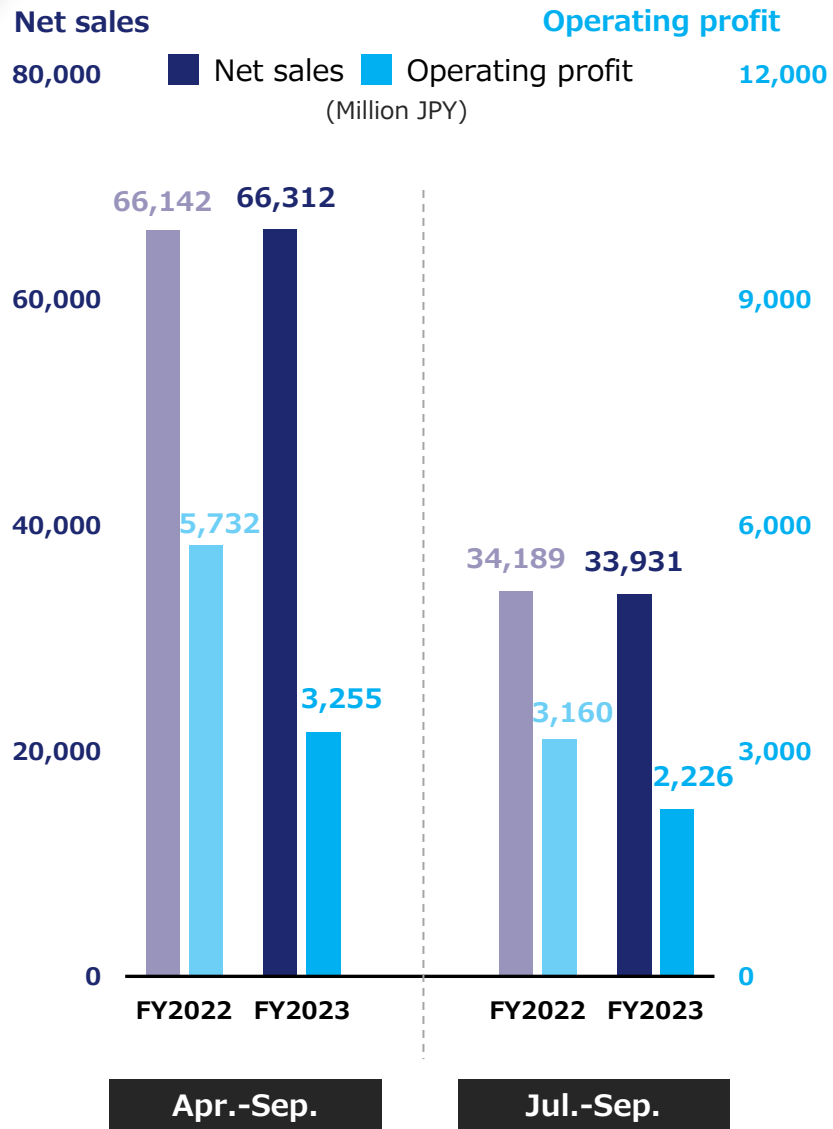
(Unit: Million JPY)	Apr.-Sep. 2022 Results	Apr.-Sep. 2023 Results	Year-over-year (changed amount)	Jul.-Sep. 2022 Results	Jul.-Sep. 2023 Results	Year on year (changed amount)
Net sales	122,639	<b>124,207</b>	+1.3% (+1,568)	58,375	<b>65,372</b>	+12.0% (+6,997)
Operating profit	13,237	<b>8,604</b>	-35.0% (-4,632)	3,614	<b>5,336</b>	+47.6% (+1,721)
└ Operating margin	10.8%	<b>6.9%</b>	-3.9pt	6.2%	<b>8.2%</b>	+2.0pt
Ordinary profit	16,897	<b>9,389</b>	-44.4% (-7,507)	4,607	<b>3,287</b>	-28.6% (-1,319)
Profit attributable to owners of parent	10,537	<b>4,125</b>	-60.8% (-6,411)	2,899	<b>282</b>	-90.2% (-2,616)
EBITDA	15,923	<b>11,595</b>	-27.2% (-4,328)	4,992	<b>6,922</b>	+38.7% (+1,929)

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

# Net Sales and Operating Profit by Business Segment

(Unit: Million JPY)		Apr.-Sep. 2022 Results	Apr.-Sep. 2023 Results	Year-over-year (changed amount)		Jul.-Sep. 2022 Results	Jul.-Sep. 2023 Results	Year on year (changed amount)	
Publication	Net sales	66,142	<b>66,312</b>	+0.3%	(+170)	34,189	<b>33,931</b>	-0.8%	(-257)
	Operating profit	5,732	<b>3,255</b>	-43.2%	(-2,476)	3,160	<b>2,226</b>	-29.5%	(-933)
Video	Net sales	18,953	<b>22,032</b>	+16.2%	(+3,078)	9,697	<b>11,368</b>	+17.2%	(+1,671)
	Operating profit	60	<b>2,504</b>	+4,046.8%	(+2,444)	-619	<b>1,007</b>	-	(+1,626)
Gaming	Net sales	17,137	<b>13,670</b>	-20.2%	(-3,466)	4,554	<b>9,362</b>	+105.6%	(+4,808)
	Operating profit	7,592	<b>4,028</b>	-46.9%	(-3,564)	1,022	<b>2,871</b>	+180.8%	(+1,849)
Web services	Net sales	11,548	<b>11,000</b>	-4.7%	(-547)	5,822	<b>5,573</b>	-4.3%	(-248)
	Operating profit	942	<b>648</b>	-31.1%	(-293)	572	<b>542</b>	-5.3%	(-30)
Education/EdTech	Net sales	6,265	<b>6,702</b>	+7.0%	(+437)	2,987	<b>3,171</b>	+6.2%	(+184)
	Operating profit	1,316	<b>1,167</b>	-11.4%	(-149)	512	<b>398</b>	-22.1%	(-113)
Others	Net sales	7,565	<b>9,393</b>	+24.2%	(+1,828)	3,769	<b>4,454</b>	+18.1%	(+684)
	Operating profit	-1,788	<b>-1,925</b>	-	(-137)	-765	<b>-1,061</b>	-	(-295)
Corporate/ Eliminations	Net sales	-4,972	<b>-4,905</b>	-	(+67)	-2,645	<b>-2,489</b>	-	(+155)
	Operating profit	-618	<b>-1,074</b>	-	(-455)	-267	<b>-649</b>	-	(-382)

# Business Overview – Publication Segment



## 1st Half YoY Analysis

### Net sales (+0.3% / +170M)

Paper-based books/  
information media  
-2.8%

E-books  
+5.2%

- Domestic sales declined by 8% due to an impact of the market contraction.
  - The number of our new publications increased YoY in 2Q, following the growth in 1Q.
  - Sales decreased by 5-10 hundred million JPY in August due to initial problems associated with the commencement of our new logistics facilities. The shipment volume had recovered to the pre-disruption level in September.
- International sales declined slightly. While Asia steadily grew by 26%, the effects of the rapid growth of demand over the past years in the US persisted in 2Q, with booksellers reducing orders and increasing returns year over year.
- Rights-licensing sales grew by 19% mainly due to a strong performance for gambling machines.
- In 2Q, sales increased by 9%, which outperformed the market growth rate, due to strong sales in both external and company-owned stores, especially for media mix titles.

### Operating profit (-43.2% / -2,476M)

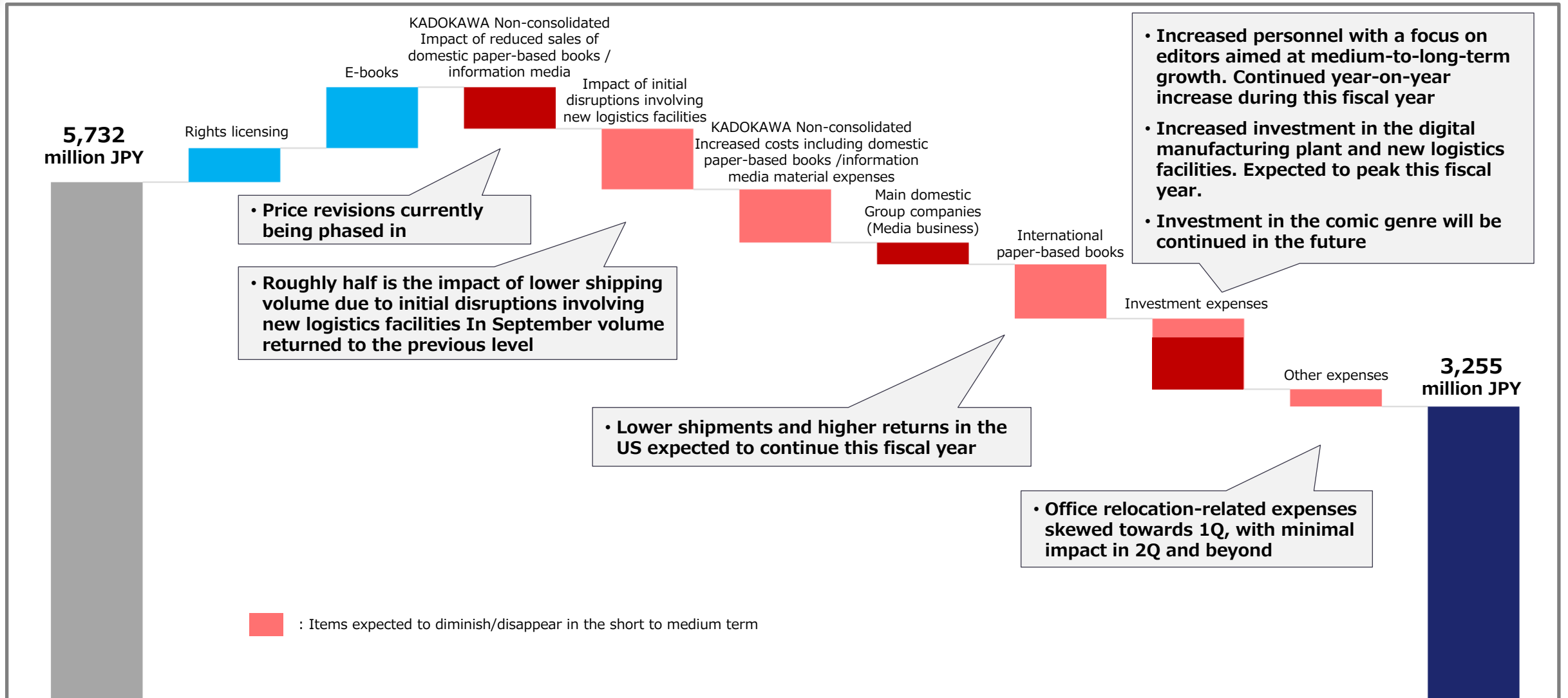
- Profit decreased due to the impact of lower sales noted above, as well as other factors including higher materials costs, increased personnel, and investments in digital manufacturing plants and new logistics facilities.

## Outlook for 2nd Half

- In the domestic paper-based books business, sales and profit are expected to grow compared to 1H, due to an increase in new titles, gradual price adjustments.
- The trend in the international market is expected to be similar to 1H given lower orders and higher returns in the US which are projected to continue throughout this fiscal year. We launched a subscription service of light novels in Europe.
- Sales and profit of e-books are expected to increase compared to 1H following an increase in the number of new titles.

# Business Overview – Publication Segment (Factors for Y/Y Operating Profit Change, 2Q YTD)

◆ Publication Segment Operating Profit: -43.2% YoY, -2,476M

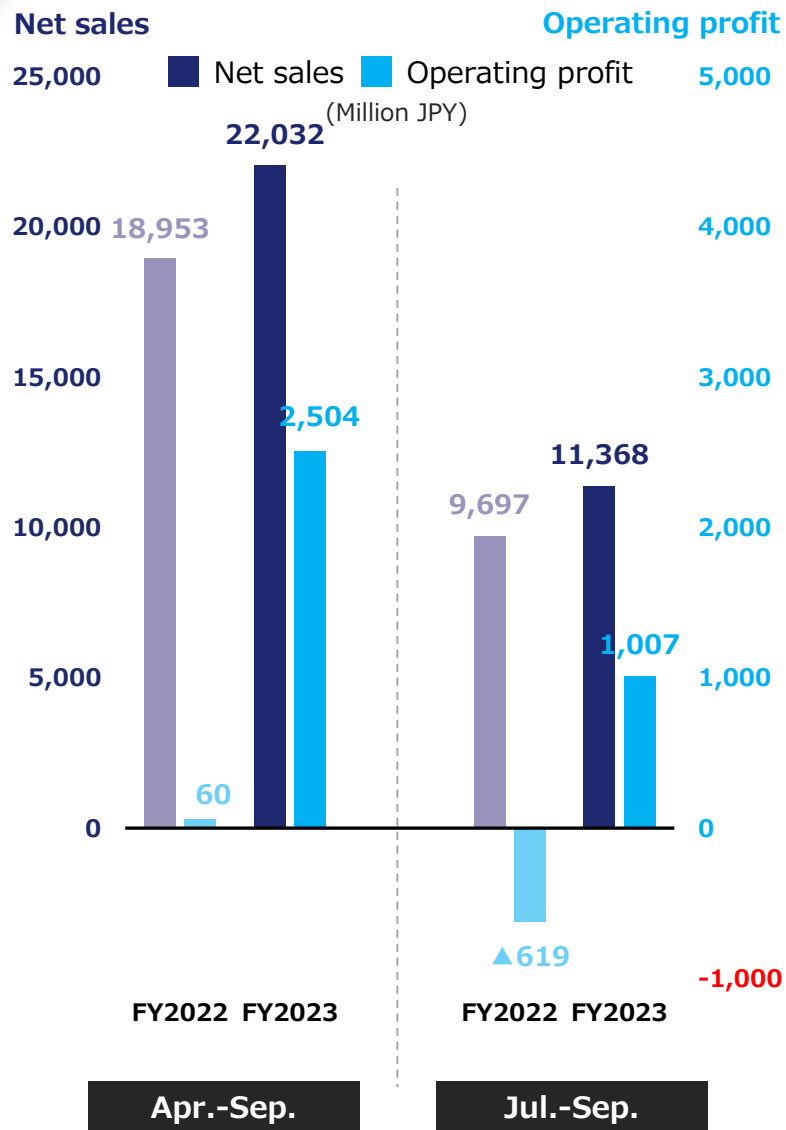


Apr.-Sep. FY2022  
Operating profit

Apr.-Sep. FY2023  
Operating profit



# Business Overview – Video Segment



## 1st Half YoY Analysis

### Net sales (+16.2% / +3,078M)

#### Animation

- Sales increased by approx. 18% both in 2Q and on a YTD basis. Rights-licensing sales remained strong, especially for domestic and international streaming and games/merchandise.
- *OSHI NO KO* contributed to sales with streaming sales in 1Q and rights-licensing sales for games/merchandise in 2Q

#### Live action

- The media mix title *As Long as We Both Shall Live* continued to perform well. Following the theatrical sales in 1Q, streaming and video package sales in 2Q contributed to the increase in sales.

### Operating profit (+4,046.8% / +2,444M)

- Operating profit in the animation business grew with the steady growth of sales, despite increased expenses related to the strengthened international sales promotions.
- Profit increased in the live-action business due to increased sales and a rebound from the mid-1,000 million yen devaluation recorded in the previous fiscal year.

## Outlook for 2nd Half

- In the animation business in 2H, it is expected that popular series, such as *The Eminence in Shadow 2nd Season*, and new titles from popular comics, such as *Delicious in Dungeon*, will continue to contribute to sales and profit.
- Sales in the live-action business are expected to be generally the same as in 1H, partly due to a major theatrical title.

### Animation Studios Within the KADOKAWA Group

#### ENGI

- From Apr. 2018
- *GAMERA -Rebirth-*, *Uzaki Chan Wants to Hang Out!*

#### Kinema Citrus

- From Dec. 2019
- *My Happy Marriage*, *The rising of the shield hero*

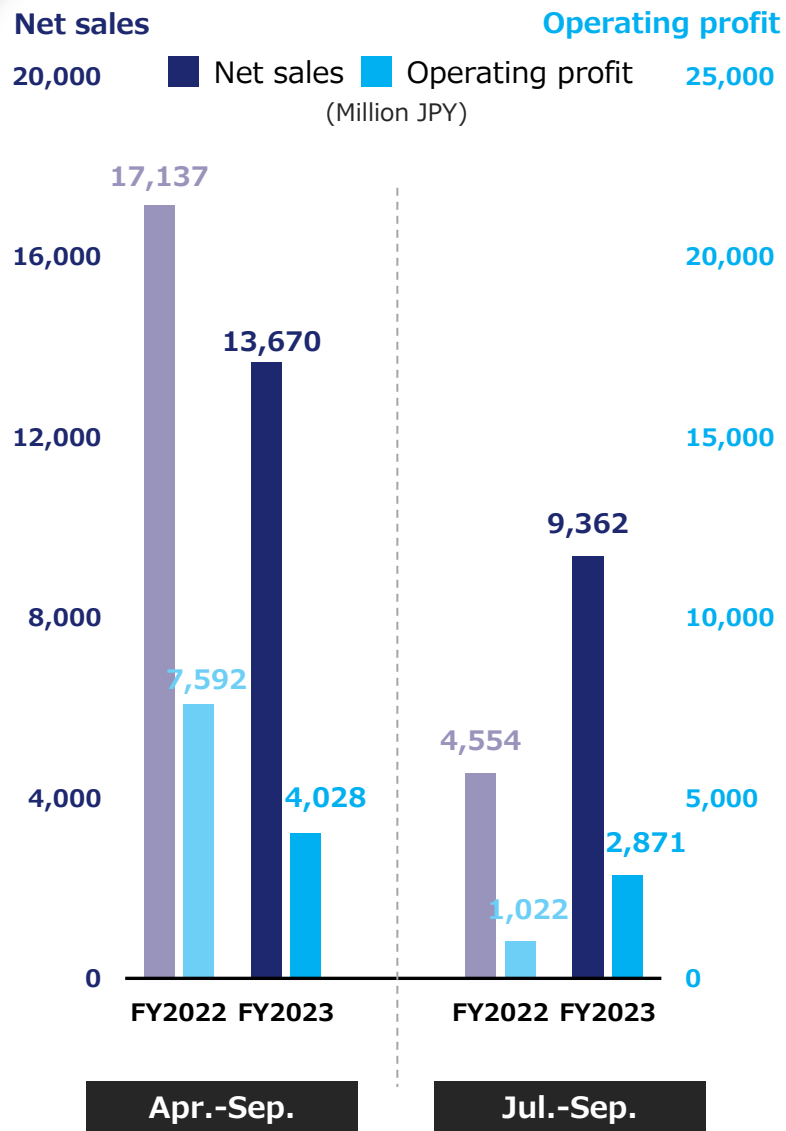
#### Studio KADAN

- From Jun. 2021
- *GAMERA -Rebirth-*

#### Raging Bull

- From Sep. 2023
- A high-end studio, centered by Tomoki Kyoda, the director of *Eureka Seven* series

# Business Overview – Gaming Segment



## 1st Half YoY Analysis

### Net sales (-20.2%/-3,466M)

- Sales declined on a YTD basis from the previous year, when *ELDEN RING* significantly contributed to sales, but increased in 2Q alone due to the strong start of the new title *ARMORED CORE VI FIRES OF RUBICON*.
  - *ARMORED CORE VI* achieved a major success with over 700,000 units sold in Japan. Current sales reflects domestic sales.
  - Repeat sales of past titles, including *ELDEN RING*, remained strong.
- Spike Chunsoft recorded an increase in sales thanks to the new titles such as *Master Detective Archives: RAIN CODE* and repeat sales.

### Operating profit (-46.9% / -3,564M)

- As a result of the above factors, profit decreased on a YTD basis but significantly increased in 2Q.

## Outlook for 2nd Half

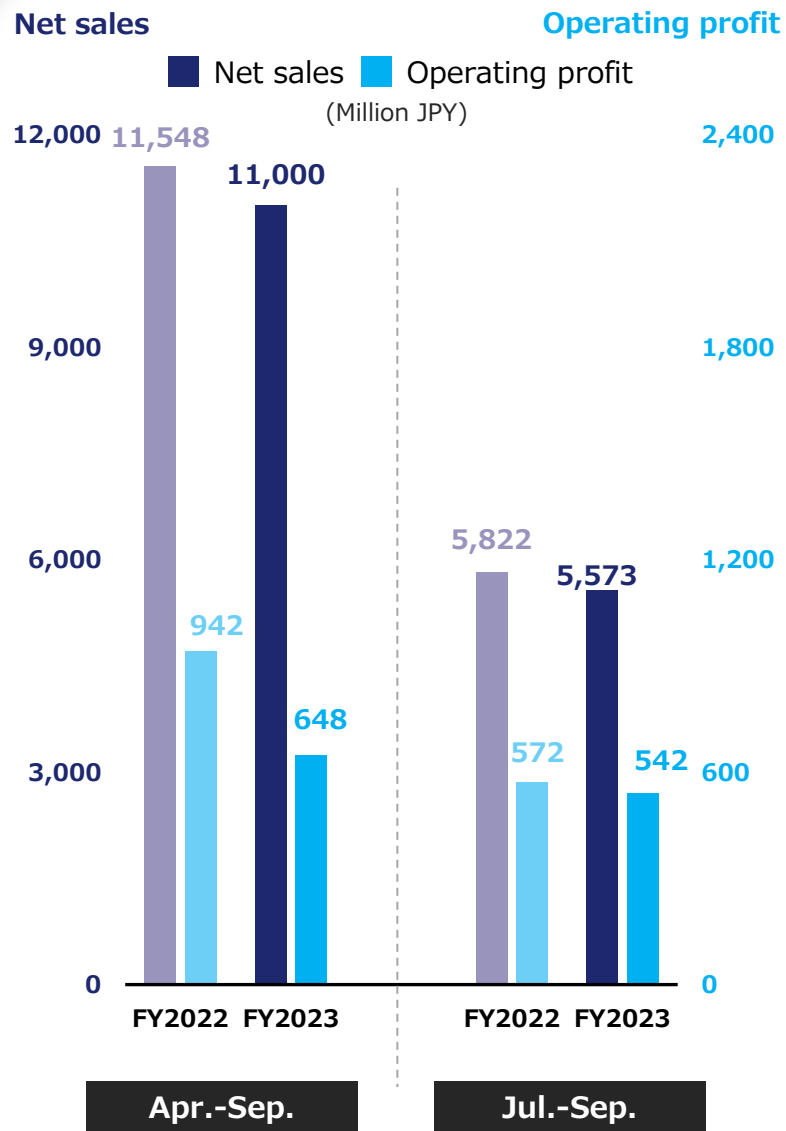
- Global sales of *ARMORED CORE VI* are expected to grow. Measures for maximizing LTV of *ELDEN RING* will be taken.
- Spike Chunsoft will release several new titles, including *Shiren the Wanderer*. To further increase sales and profits, the mobile game of *The Eminence in Shadow* will take collaborative measures with the second season of its animated title.



**ARMORED CORE VI  
FIRES OF RUBICON**

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# Business Overview – Web Services Segment



## 1st Half YoY Analysis

### Net sales (-4.7%/-547M)

- Sales from the niconico-related business decreased both in 2Q and on a YTD basis.
  - Decrease in sales was attributed to the impact of scaling back some advertising-related services, given the investment effect, in addition to the decline in premium membership
  - Sales from initiatives aimed at diversifying revenue sources, such as social tipping for videos and live broadcasts, grew.
- Sales in the live business increased thanks to *Animelo Summer Live 2023*.
- Continuous sales shrinkage of the mobile business.

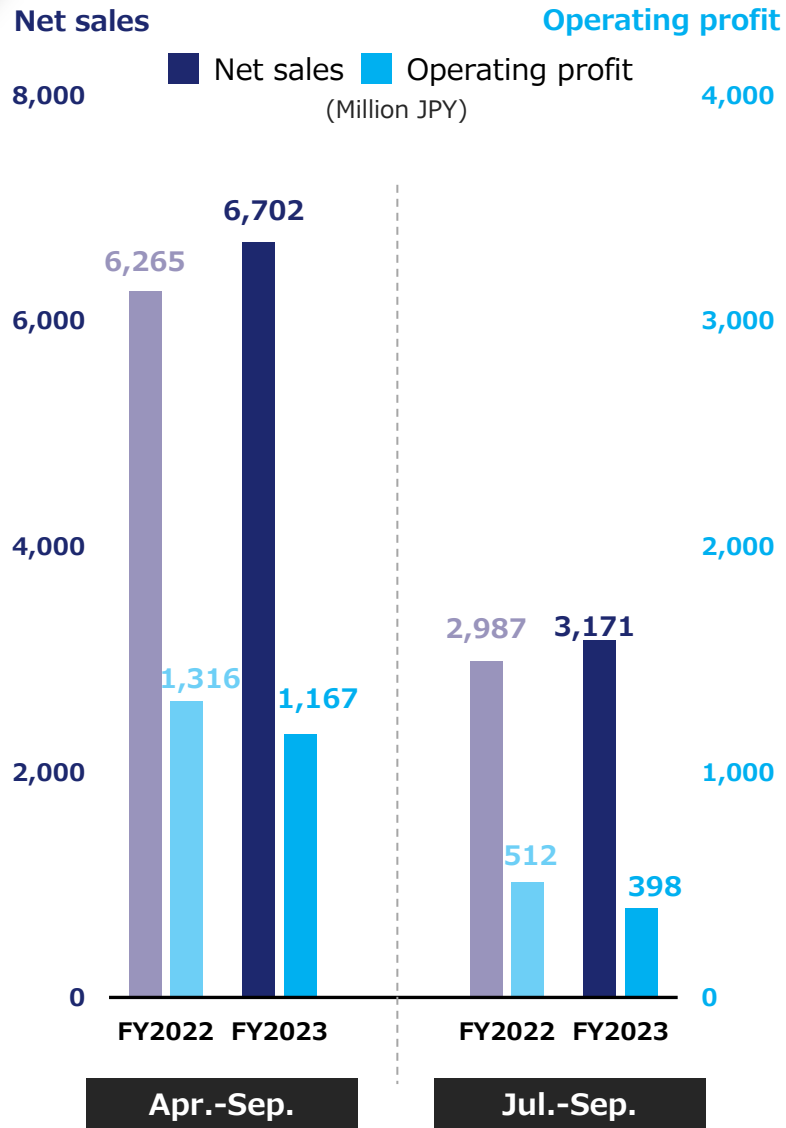
### Operating profit (-31.1% / -293M)

- Profit decreased due to the above-mentioned lower sales and increased content production costs for key genres, and investments in IT infrastructure to enhance the user experience and reduce costs.
  - The increased expenses resulting from IT infrastructure investments are expected to continue until FY2025, following a peak in FY2024, with the recovery phase anticipated to begin in FY2026.
- The live business recorded increased profit due to the above factors and the cancellation of some unprofitable events.
  - The business aims to achieve profitability at an early stage through selection and concentration of event planning for the future.

## Outlook for 2nd Half

- In the niconico-related business, profit is expected to decrease compared to 1H due to the continued increase of content production costs in key genres and the rising cost of IT infrastructure investments.
- Efforts will continue towards reversing the MAU trend in FY2024 and premium membership in FY2025.

# Business Overview – Education/EdTech Segment



## 1st Half YoY Analysis

### Net sales (+7.0% / +437M)

- Sales increased both in 2Q and on a YTD basis due to an increase in the number of students.
  - Vantan posted an increase in sales as expansion into new regions led to an increase in the number of students. Notably, enrollment in the Game Creators and IT Programmer training schools, where group synergy can be expected, grew.
  - Sales growth in the N/S high school business was mainly due to the steady increase in the student enrollment (+14%) from the opening of 10 new campuses for in-person course.

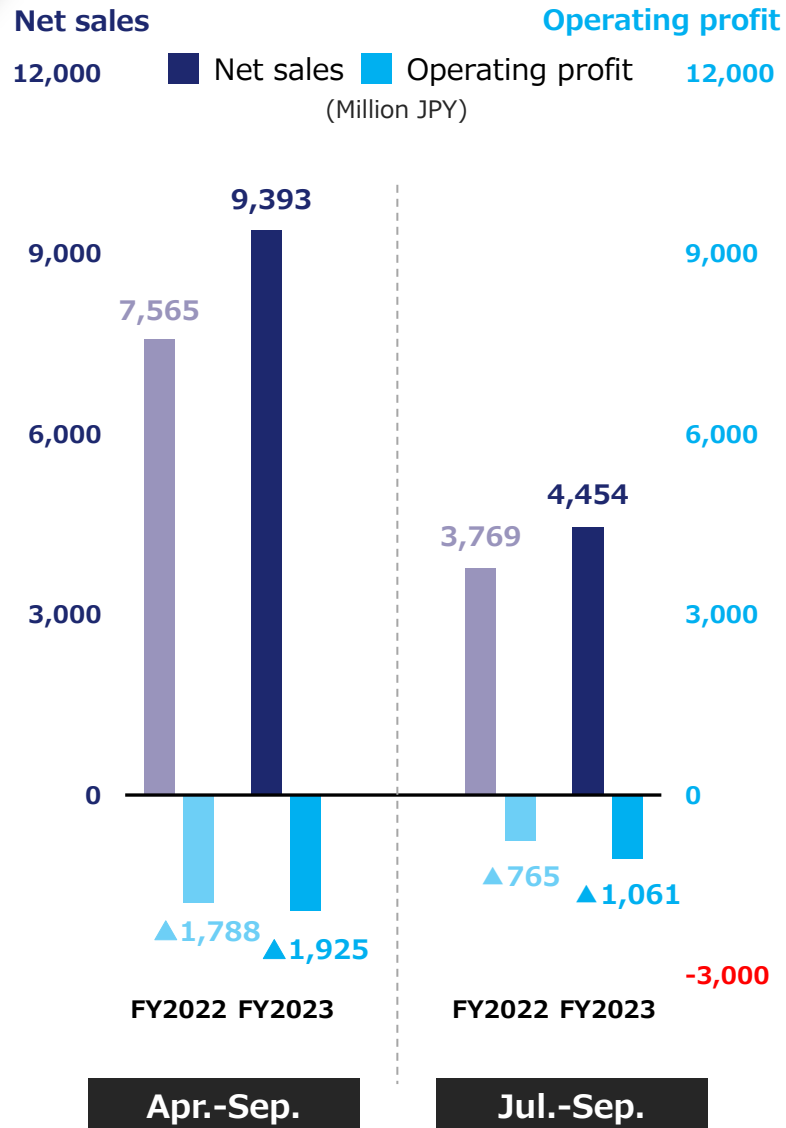
### Operating profit (-11.4% / -149M)

- Despite the positive trend in sales, aggressive investments at Vantan led to a decrease in overall profit.
  - The N/S high school business grew significantly in profit due to increased sales.
  - Aggressive spending on advertising and promotion continued in 2Q to attract students to the KADOKAWA SCHOOL OF ANIME and KADOKAWA SCHOOL OF MANGA, highly anticipated new schools to be opened by Vantan in the next fiscal year, as well as to adult education programs. The number of applications has significantly surpassed initial expectations and is increasing.

## Outlook for 2nd Half

- The segment is expected to post an overall increase in sales compared to 1H, driven by the expansion of Vantan's adult education programs and an increase in the number of N/S High School students.
- More aggressive investments in advertising and promotion will continue, particularly for Vantan's adult education programs and schools to be opened in the next fiscal year.

# Business Overview – Others Segment



## 1st Half YoY Analysis

### Net sales (+24.2% / +1,828M)

- Sales from the IP experiential facilities operation business, including TOKOROZAWA SAKURA TOWN, grew.
- The MD business posted an increase in sales due to expanded sales of figures and successful merchandise sales through online raffles.
- Other businesses also saw their sales growth due to the steady expansion of services in some new businesses.

### Operating profit (—/ +137M)

- The IP experiential facilities operation business improved its operating loss by withdrawing from some businesses and working to optimize costs.
- Despite increased sales, profit remained flat in the MD business due mainly to investments in new product genres.
- Other businesses recorded a slight decrease in profit due to increased costs.

## Outlook for 2nd Half

- It is anticipated that the TOKOROZAWA SAKURA TOWN operation business will perform at a level similar to 1H in profit.
- The MD business plans to expand online raffle services, aiming to improve profitability.

**A Platform for Creativity**

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**FY2023-FY2027**

**Mid-term Management Plan**

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# View on Our Business Environment

## Demand for IP

- Demand for animation IP continues to grow following the popularization of global video streaming
- Demand for content related to animation such as comics, novels, MD, events, is growing

- Demand is also growing internationally in related domains, led by animation
  - **There is a lot of room in the international media mix**

## Market environment

- Publication** Domestically, paper books are decreasing while the e-book business continues to grow. Growth continues globally, mainly in emerging markets.
- Video** The streaming market continues to grow globally. Competition between streaming platforms is intensifying, including in emerging markets. IP is being hoarded by platformers.
- Gaming** The global game market will continue to grow long-term. Platform-based competition to retain production companies continues.
- Web and Others** The domestic creator economy market is expanding. MD sales increase. The domestic live entertainment market is recovering toward outgrowing what it was before COVID-19. Consumption for favorite artists and animation characters is rapidly increasing, mainly among young people.
- Education/EdTech** The domestic education market as a whole continues to grow. E-learning, correspondence courses and vocational schools expand while home tutoring shrinks.

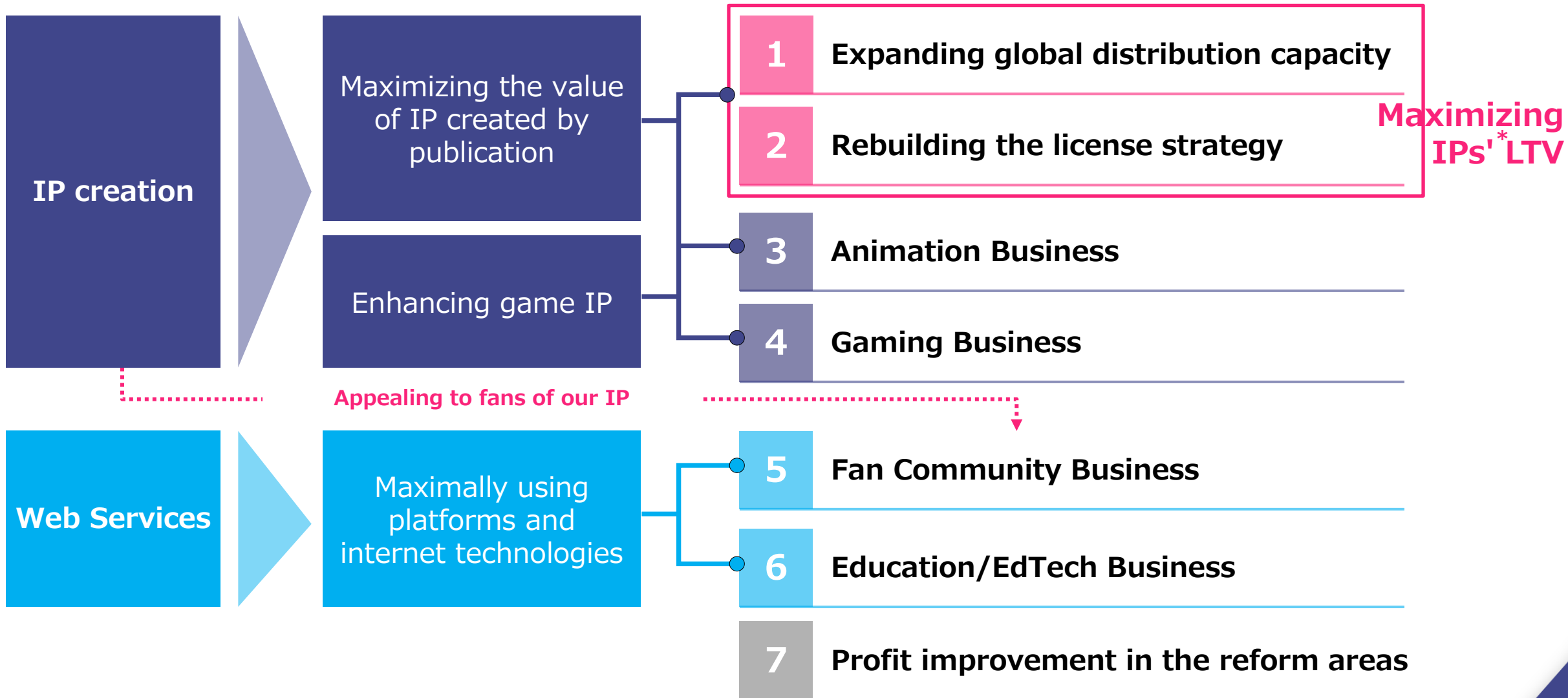
- The global entertainment market expands both in size and area. In Japan, the e-book business continues to grow.
  - **Great potential for growth by developing international markets**
  - **Domestic publishing can grow with e-books being a driver**

- The creator-fan co-creation market expands
  - **Fan Community business, events and MD have a lot of room for growth**

- Markets for realizing diverse learning styles and workstyles are expanding
  - **Great growth potential in providing learning environments centered on EdTech**

# Mid-term Management Policy (1) Inter-business Collaboration Strategy

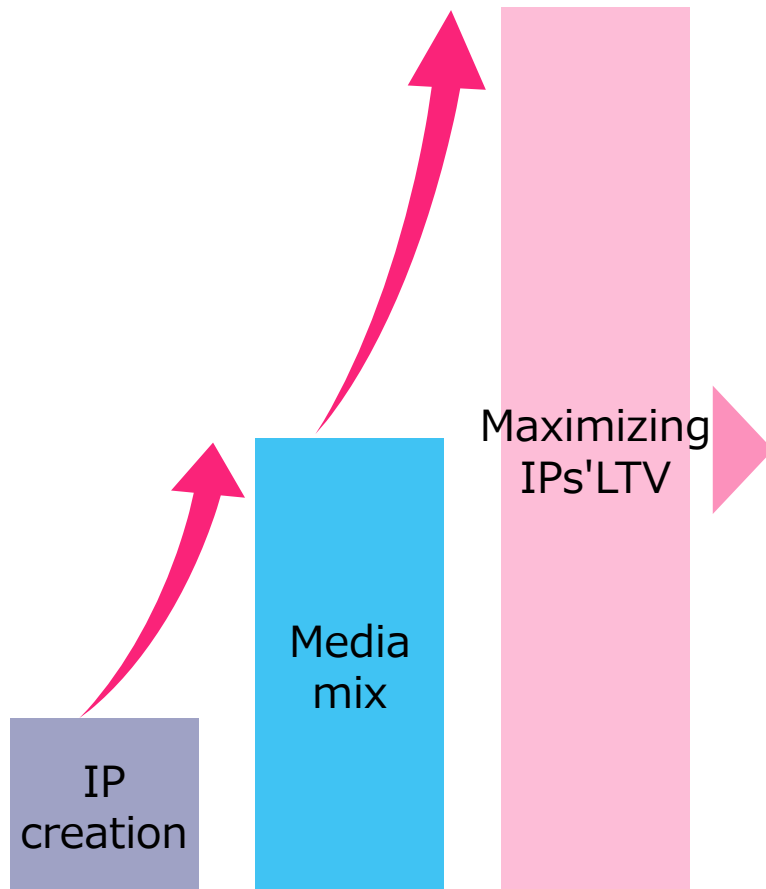
- Accelerate '**Global Media Mix with Technology**' to achieve sustainable growth





# Mid-term Management Policy (2) Maximizing IPs' LTV

## Steps to enhance the value of IPs



## Maximizing IPs' LTV

### Expand global distribution capacity

- **Increasing the number of publication titles internationally**
  - Translation of IPs originating in Japan and development of more IPs originating overseas at our local bases
- **Expansion of international bases**
  - Expansion into Europe, Southeast Asia, etc.
- **Expand international distribution of digital publications**
  - E-book store made available in different languages
- **Increase international distribution of MD products**
- **In-house game publishing**

### Rebuilding the license strategy

- **Centralized management and operation of licensing business**
  - Promote full rights management to animations
  - Integrate publication and animation license teams (establish Global Licensing Division)
  - Centralize the management of IP rights. Put into practice the long-term value enhancement measure across different types of media
- **Strengthening international alliances**
  - Coordination with international bases
  - Strategic license expansion through partnership with local enterprises

# Mid-term Management Policy (3) Strategies in Each Segment

## Publication

**Create more than 7,000 IPs annually. Expanded each genre and strengthen digital-first readiness**

- Increase international sales through measures such as adding more international bases
- Keep making our e-book business grow so it outperforms domestic market growth

**Increase productivity through the digital transformation of publishing by means of the digital manufacturing and distribution system, etc.**

## Video

**Strengthen our animation production capabilities. Increase the number of stories produced per title and optimize license management**

- Strengthening and newly establishing Group production studios or acquiring and entering into business alliances with other companies
- Promote full rights management to animations

**For the live-action business, focus on major titles and improve profitability to higher return on investment**

## Gaming

**Expand the game development lines. Aggressively invest in the development of mobile games using our IP**  
**Expand the scope of FromSoftware's own publishing**

## Web Services

**For the Niconico business, raise ARPPU by improving the services**

## Education/ EdTech

**Establish ZEN University (tentative name) to enhance LTV per user and reach university students and working professionals**

**Attract more students to N/S High School**

**Expand Vantan's business by adding more courses and schools in new areas**

## Others

**Expand the fan community business through the use of our IP and functional enhancements**

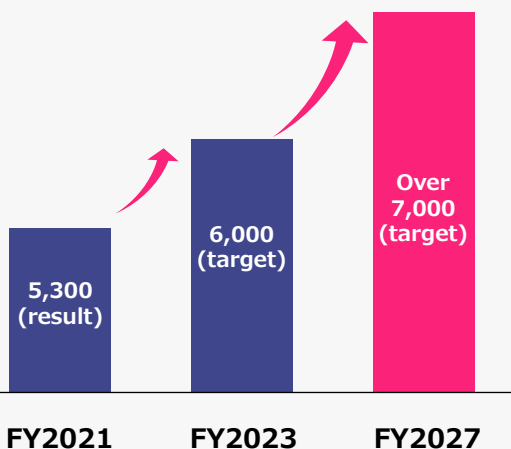
**Increase products from the MD business and expand sales outlets globally**

**Improved profitability for the facility operation business by increasing the number of visitors and optimizing costs**

# IP Creation from the Publication Business

## Expansion of IP creation

### IP creation plan (KADOKAWA Group overall, publication)



- Increase creation of original IP to be the foundation for the media mix

**IP creation targets**  
**FY2023**  
 Approx. **6,000** ▶ **FY2027**  
**Over 7,000**

### Expansion of genre

Comics and children's books Significant growth

Light novels and lifestyles Solid growth

### Digital-first reinforcement

- Have more works come out first in a digital form
- Add more works originally made in a digital form (increase them from the current 5% to 15% of the whole)
- Keep making the e-book business grow so it outperforms domestic market growth

## Improvement of productivity through the DX of publication

### Digital manufacturing and distribution system

- Operation of the facilities began in earnest in the FY2023

**Paper-based books return rate target**      **FY2022**      **FY2027**  
 26.8%      ▶      22.4%

**Profitability improvement target** — difference between having the system and not having it

**FY2027**  
**Operating profit**      **EBITDA**  
+1.3 billion yen      +2.9 billion yen

**Editorial Support**  
 Digital tools  
 Automation system

**Strengthen marketing**  
 Improve data infrastructure  
 Deepen analytics

**Revitalize bookstores**  
 AI-based bookstore staff  
 Send customers from our app

**Absorb the aggressive investment in growth and cost increases resulting from the steep rise in prices by improving productivity with DX measures in publishing and phased price revisions**

## New planning and development policy

### Lineup strategy

- **Increase the number of seasons and episodes per title** (increase the number of stories produced)
- **In addition to a diverse range of in-house original IPs, continue to acquire popular IPs from other companies**

### Marketing policy

- **Roll out products in a way that suits their characteristics and the Internet era** (Webcast, TV broadcast, sneak peeks at theaters)
- **Increase our presence globally** (Strengthen advertising, exhibition at events and other activities globally)

## Strengthen production system

Training and development of human resources



**VANTAN**

AI-based production support

Developing a common management system

**Strengthening of Group Production Studios**



ONGI

StudioKADAN

+  
**Addition of more studios**  
(fully owned subsidiaries),  
**M&A activities and alliances**

**Secure production quality and increase productivity**  
(Increase the annual number of titles produced in-house from 5 to 20)

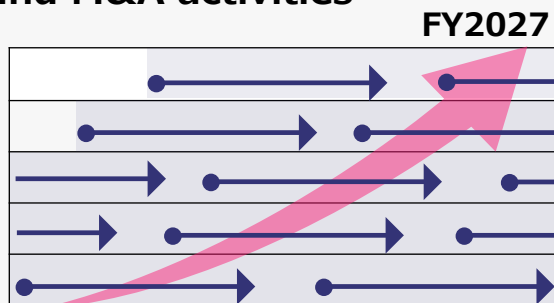
Promote a new license strategy and collaborate with the game business

**Maximize global growth and the LTV of works = Maximize the value of our IP led by animation**

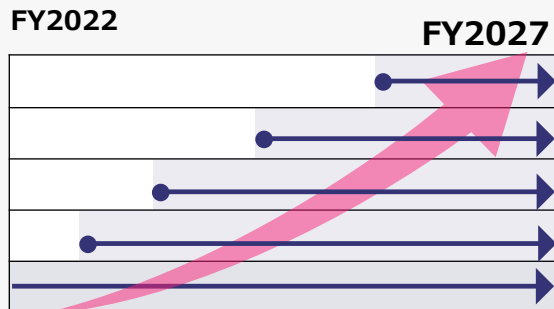
## Expand the game development pipeline

Expand our development lines and add more IPs through strategic partnership and M&A activities

**Console games**  
**Enhancement of development system**  
 (increase the size of the development staff within the Group 20% or more)



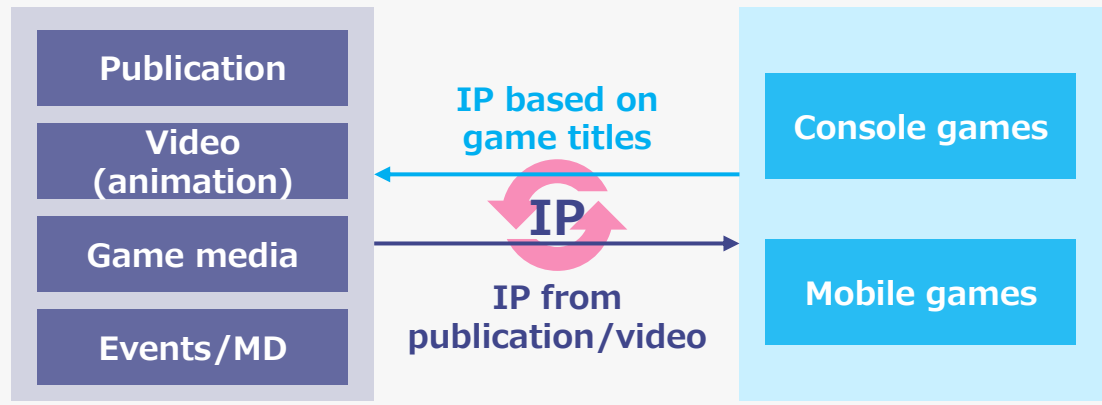
**Mobile games**  
**Add more titles**  
 (increase from 1 title/year to 8)



## Expand global distribution capacity

Develop our readiness to expand the scope of FromSoftware's own publishing

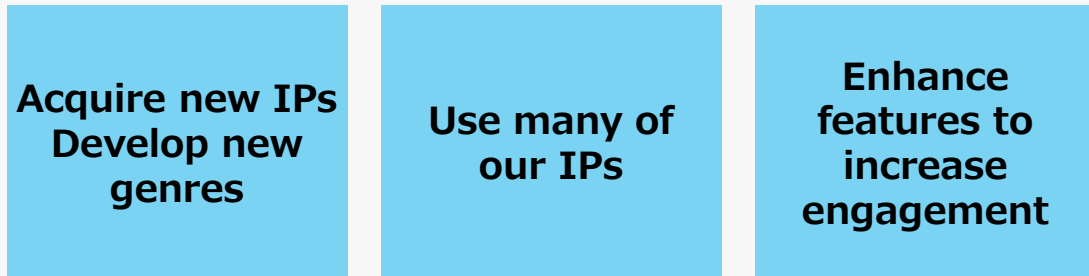
## Strengthen our media mix through inter-business collaboration



Strengthen IP originated from games and expand the media mix of IP originated for publications

# Maximally Using Platforms and Internet Technologies

## Expand the fan community business

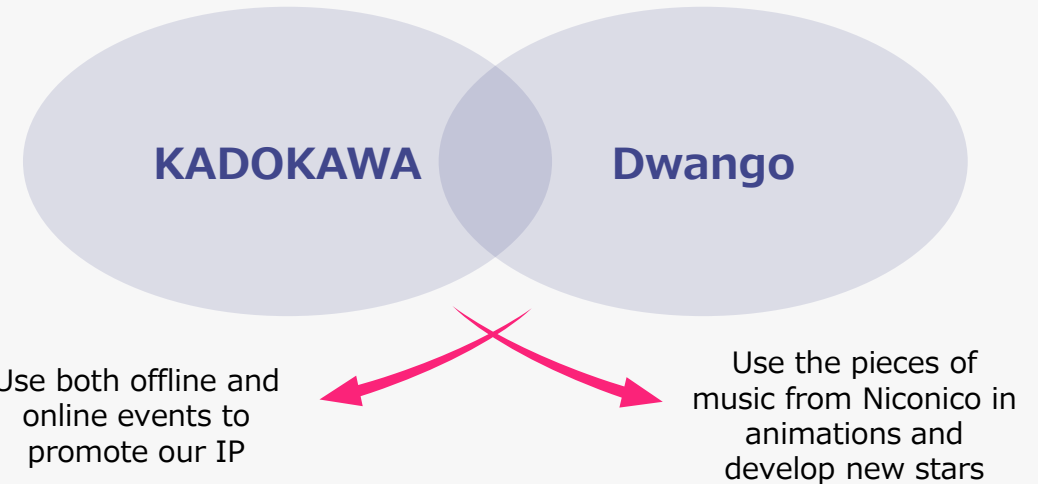


**Achieve growth by providing an attractive place for creators, IPs and their fans to interact**

**Quickly increase our gross merchandise volume to twice the current volume of 10 billion yen or more**

## Expand our business over the event/music domain

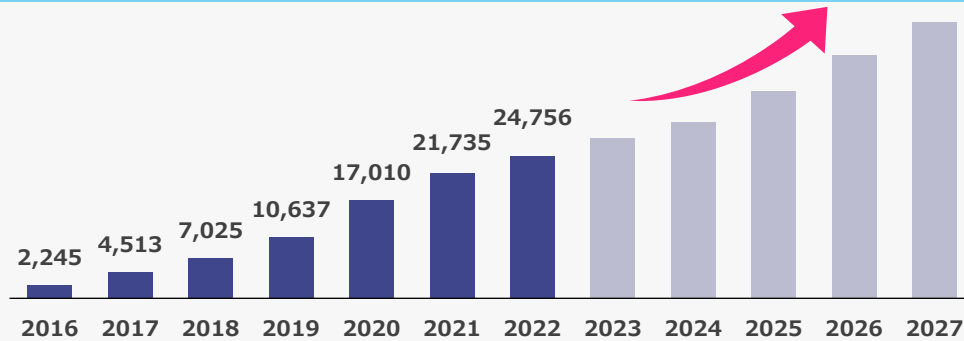
**Pursue synergy between KADOKAWA and Dwango in the event/music business domain**



**Use the web services to increase the value of our IP and continue to boost NicoNico as an opportunity for IP creation and dissemination**

## Continue to attract more students to N/S High School

Students will continue to increase through measures such as the establishment of more schools and the development of commuting courses



Dwango offers cutting-edge EdTech in AI and VR

## Establish ZEN University (tentative name)

Make it more accessible to new targets including university students and working professionals

Increase LTV through admissions from N/S High Schools

## Attract more students to Vantan

Increase genres and expand areas

- Add schools in more places and with new genres
- Expand existing school curriculum to the new university courses

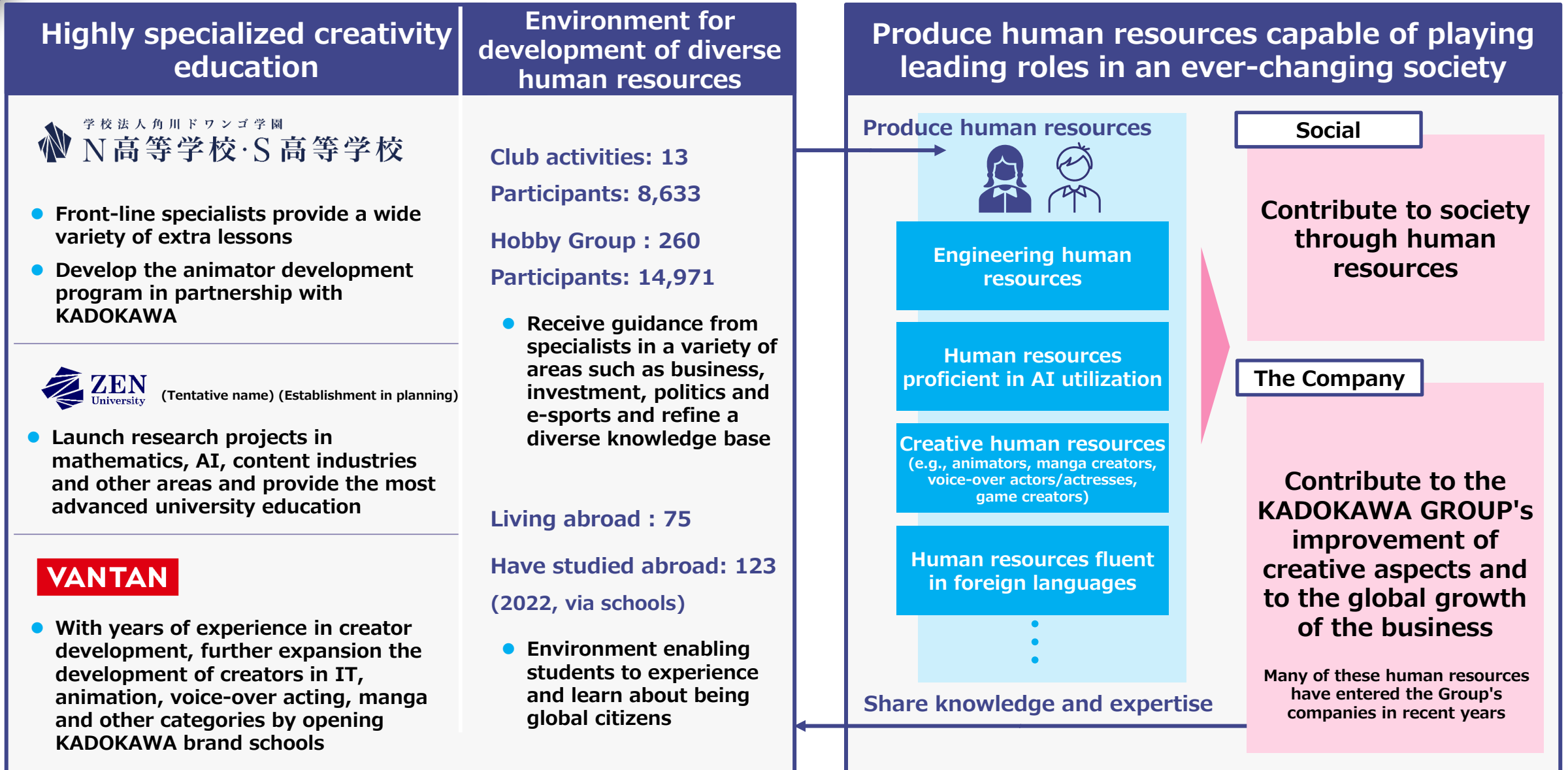
Open KADOKAWA brand schools

- Open KADOKAWA brand schools for manga and animation creators and voice-over actors/actresses



Develop and produce highly specialized human resources and contribute to the KADOKAWA Group's talent acquisition

# Education/EdTech Business (develop and produce highly specialized human resources)



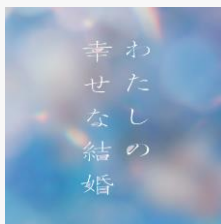


## The live-action business shifts to a lineup of mainly major projects

### Review our planning and development policy

Mainly develop major projects with the potential for success in the international markets

Focus on KADOKAWA's original works supported by core fans



Increase profitability by targeting the works with the potential to become big hits and raising return on investment

## Improvement of the facility operation business (TOKOROZAWA SAKURA TOWN)



### Purpose of the business

- One of Japan's largest pop culture entertainment complexes that has welcomed approximately three million visitors over the years
- Activities for community coexistence and cultural succession
  - Events for local kids and families
  - Events showcasing local specialties
  - Events and fairs linked to books

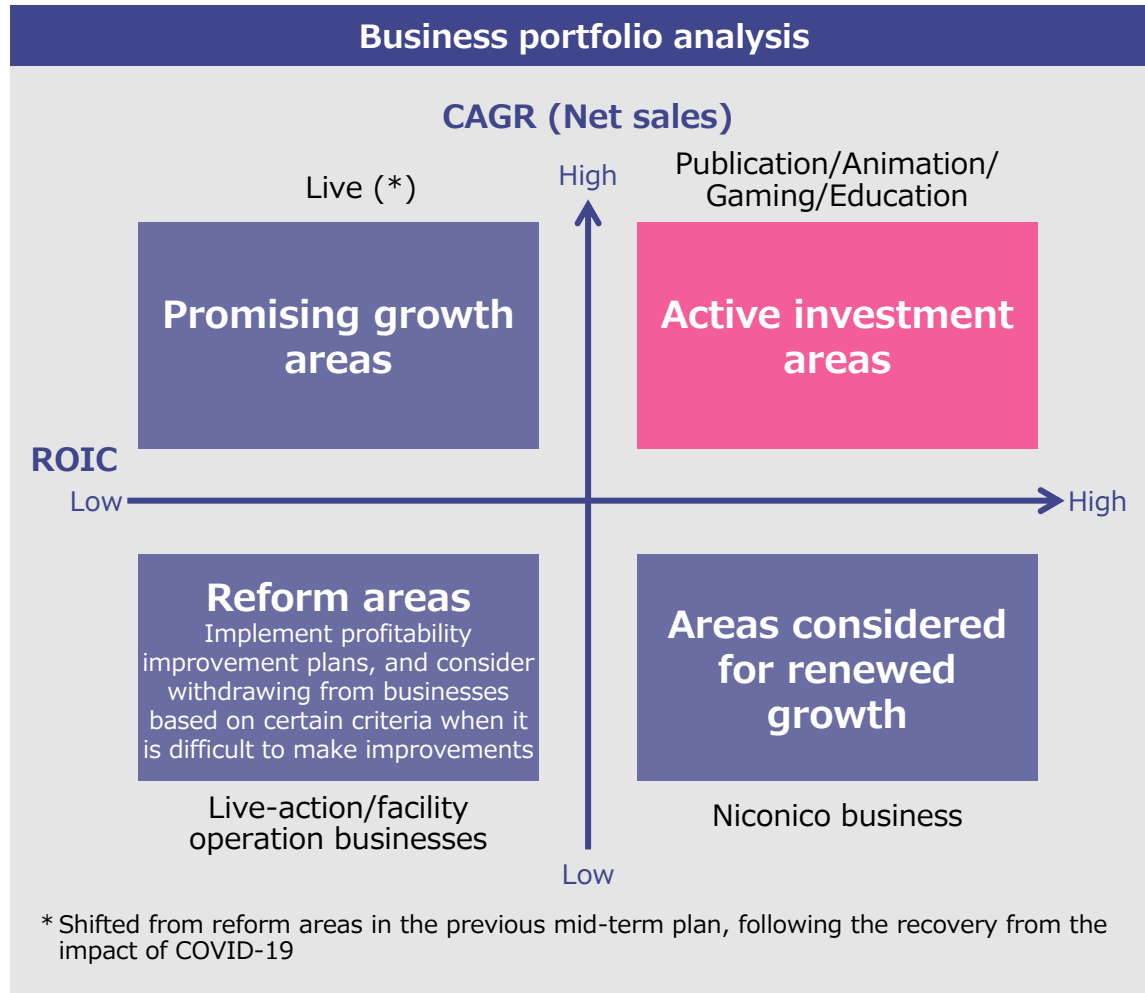
### Future initiatives

- Tapping into demand from inbound tourists
- Encouraging local families and businesses to use the facility
- Streamlining operations and optimizing staffing

Continue to improve profitability by increasing the number of visitors and controlling costs and transition to being a sustainable business

# Business Portfolio and Investment Management

- **Strengthen investments in content development and technology utilization** with a focus on active investment areas
- **Make the profitability assessment and withdrawal criteria more strict** by, for example, introducing a new investment management system



**Investment to expand business and increase profitability**

**Business expansion**

- Invest in M&A activities involving new international bases
- Develop publications, videos (animation and live-action) and game content
- Develop an AI-based translation system
- Develop an e-book app and a UGC service
- Expand the scope of FromSoftware's own publishing
- Invest in IT infrastructure in the Niconico business
- Develop businesses for universities and open new Vantan schools and courses

**Improvement of profitability**

- Introduce digital tools and AI systems for editing and animation production
- Renovate the digital manufacturing and distribution system
- Introduce the BPR system for centralizing license management

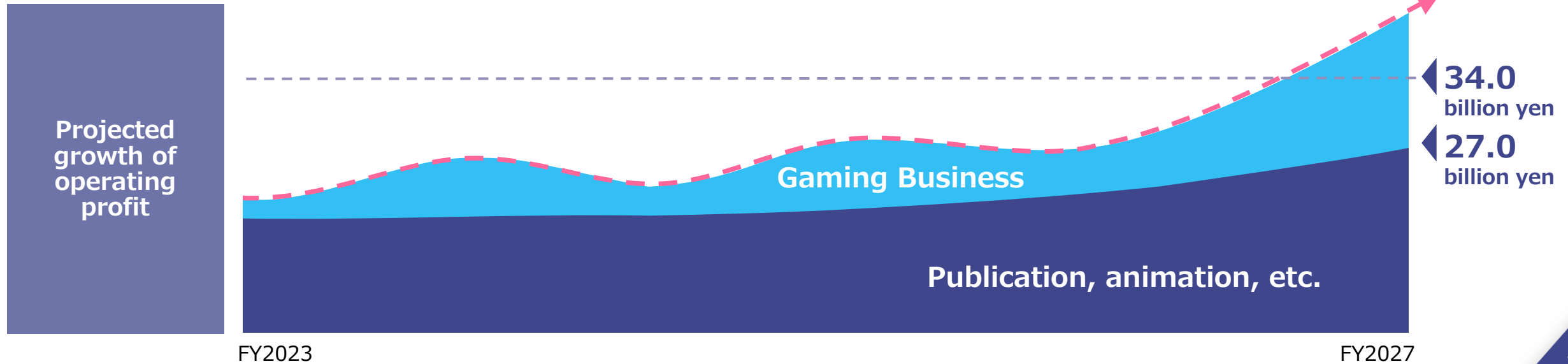
**Investment management system**

- **A new investment management system was introduced in FY2022**  
→ Monitor profitability on a smallest organization basis and discuss improvement plans and the withdrawal from investments
- We will continue to make the criteria for assessing profitability at the time of new investments and for withdrawing from investments more strict

# Management Targets for the New Mid-term Management Plan

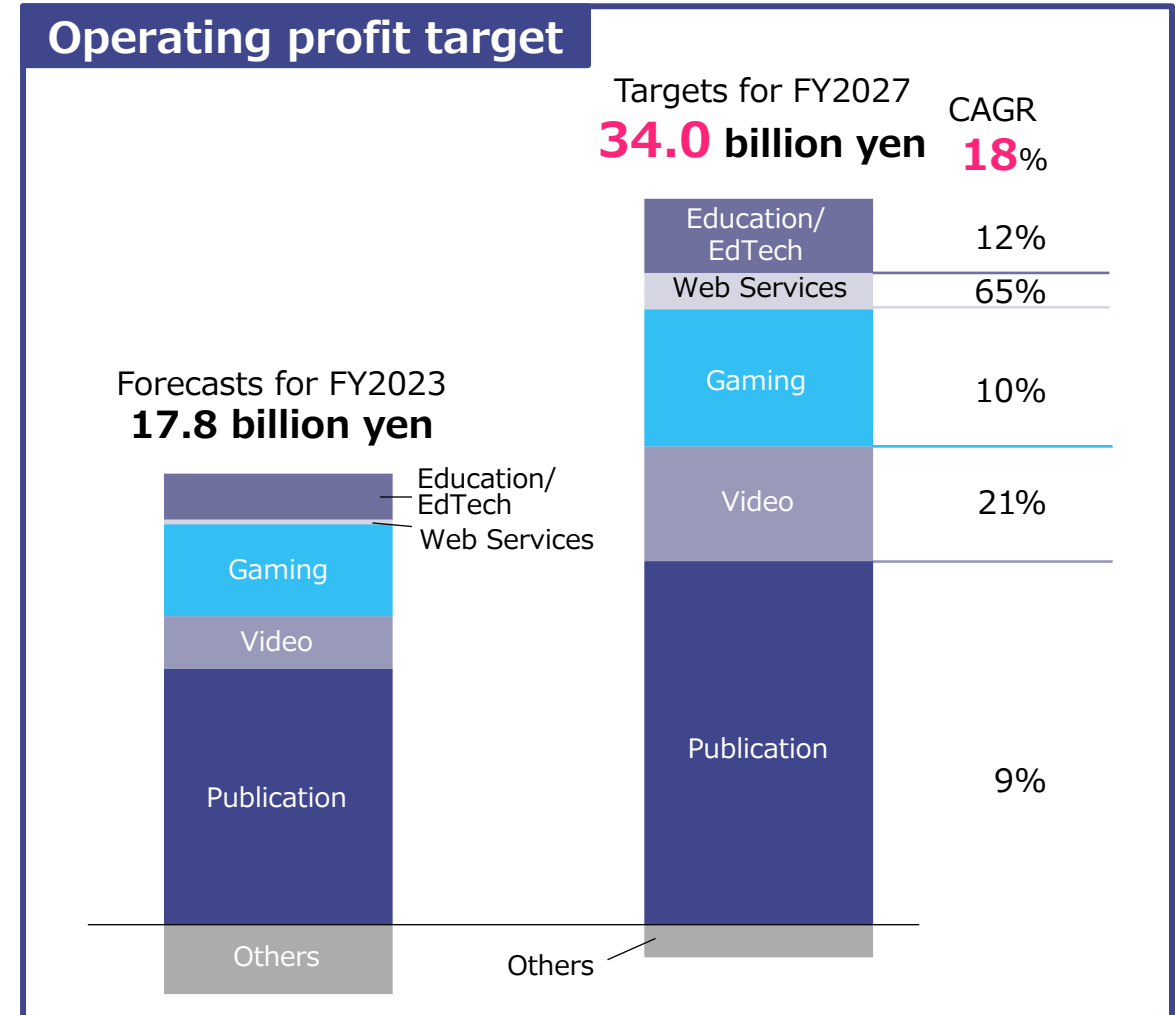
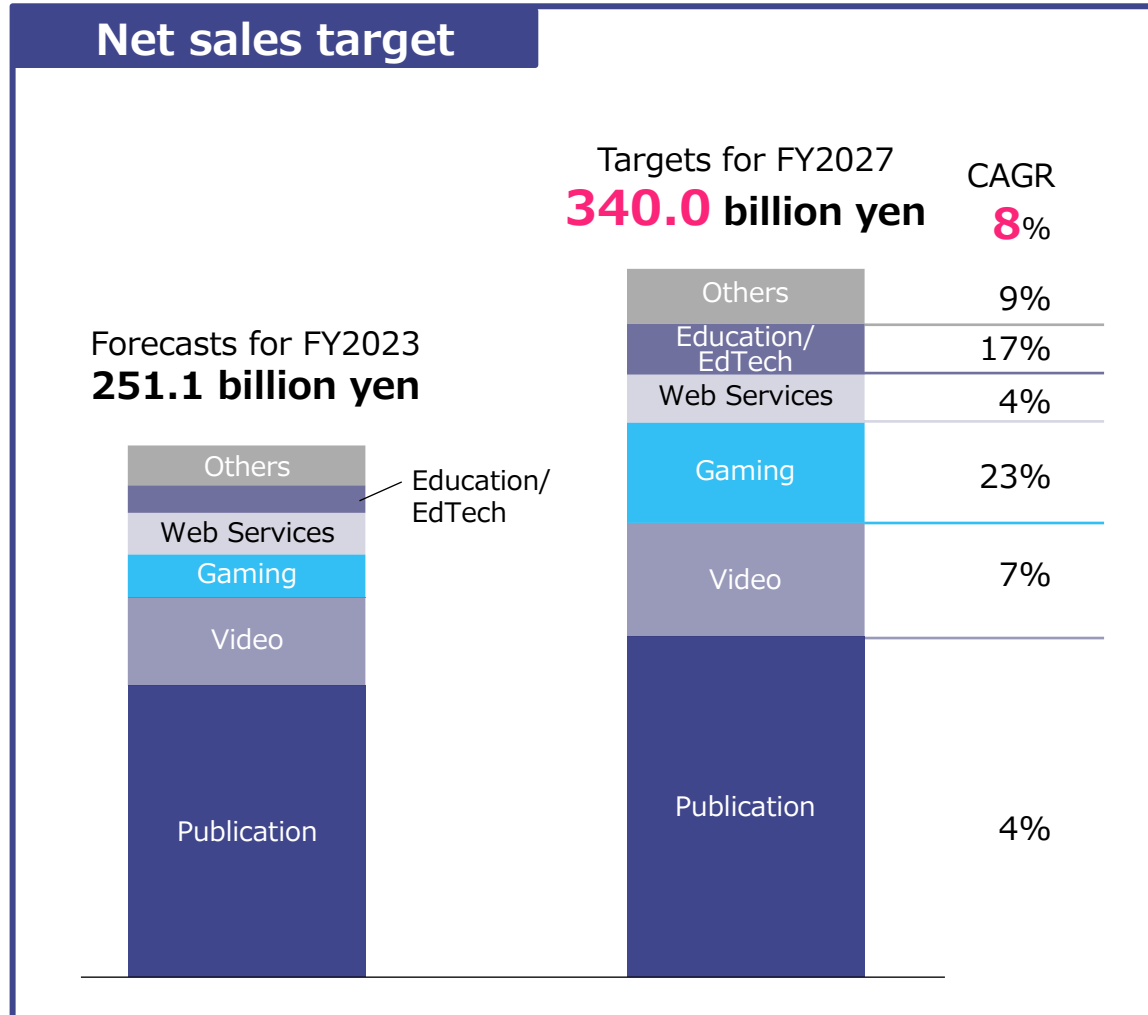
— Set targets for FY2027 when the new strategy will bear fruit —

	Forecasts for FY2023	Targets for FY2027
Net sales	<b>251.1</b> billion yen	<b>340.0</b> billion yen Of which <b>70</b> billion yen will be generated internationally
Operating profit (%)	<b>17.8</b> billion yen (7%)	<b>34.0</b> billion yen (10%)
EBITDA	<b>24.2</b> billion yen	<b>43.0</b> billion yen



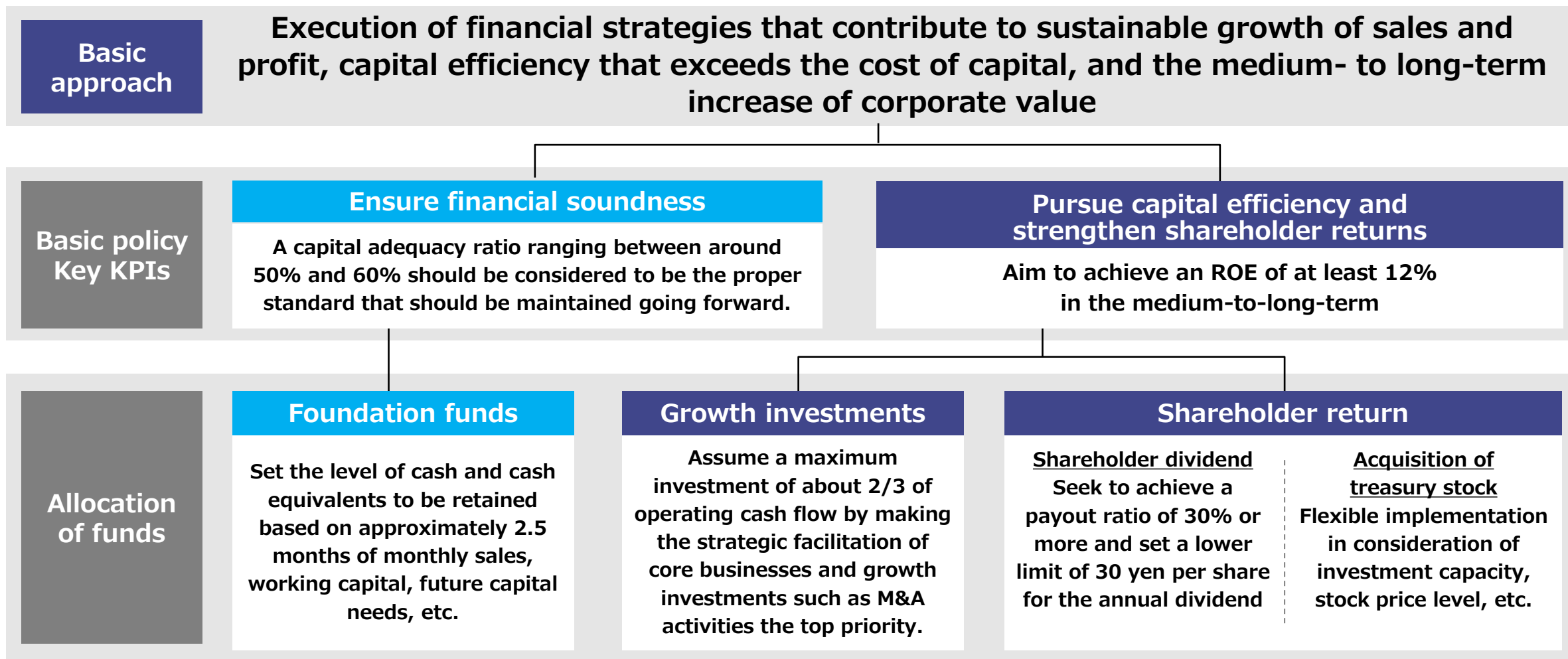
# Net Sales and Operating Profit by Segment: Targets

- **Increasing both sales and profit is a common goal to all segments.** The publication, animation and education/EdTech businesses will grow and live-action and web services will get back onto a growth path
- It is assumed that the gaming segment can possibly fluctuate from the current plan in terms of both sales and profit depending on the titles released and their schedules



# Update on Basic Finance Policy

- In terms of KPIs for our basic policy, the ROE target will be raised from the existing target of at least 10% to **at least 12%**. We specify a range to indicate the upper and lower limits of the capital adequacy ratio and seek to **achieve the compatibility of ensuring financial soundness and the pursuit of capital efficiency**. Again, clearly state that an annual dividend of 30 yen per share will certainly be paid to shareholders.



- **Build an environment that enables employees to remain highly motivated and maximize their creativity. Stimulate the continued improvement of human resources**



## Creativity

### Develop an environment that facilitates creativity

#### Point

#### Workplace choice system

The system enables to choose workplaces for autonomous work styles unrestricted by time and place.

#### Introduce and enhance a range of leave systems and benefits for creative ideas and diverse work styles.

- Subscription allowance  
(subsidizes the cost of employees using subscription services in the entertainment genre)
- Increase maternity gift money, childcare allowance and related support
- Childcare support events and measures  
Example: Family interaction events within the KADOKAWA Group



## Motivation

### Enhance personnel systems to improve employee motivation

#### Point

#### Enhance personnel systems that improve motivation

- In-house free agent system and encouraging employees to have concurrent jobs
- Side job system
- Enhance one-off payments for obtaining qualifications
- Open Call for group-wide cross-functional projects  
Examples: A project allowing anyone, experienced in editing or not, to become a chief editor and make plans and proposals, a project for translating and publishing the world's top content, etc.
- Strengthen the program for supporting and discovering human resources for global operations

#### Reduce the percentage of managerial-level employees and streamline the organization to accelerate decision making



## Technology

### Achieve in-depth business reform through DX

#### Point

#### Improve operational efficiency through the digitization

- Use digital tools and AI to support production
- Effective use of sales promotion plan data through dashboard
- Centralize license management systems

#### Improve skills in the area of technology

- Organize a hackathon focused on the latest technologies
- Open the programming courses of N/S high schools to employees
- Organize training sessions, seminars and workshops in the area of technology tailored to the specific businesses

#### Expand various programs compatible with the remote working environment

## Environment (TCFD)

The target of reducing greenhouse gas (GHG) emissions by 50% by FY2030 is expected to be achieved during FY2024, earlier than planned.

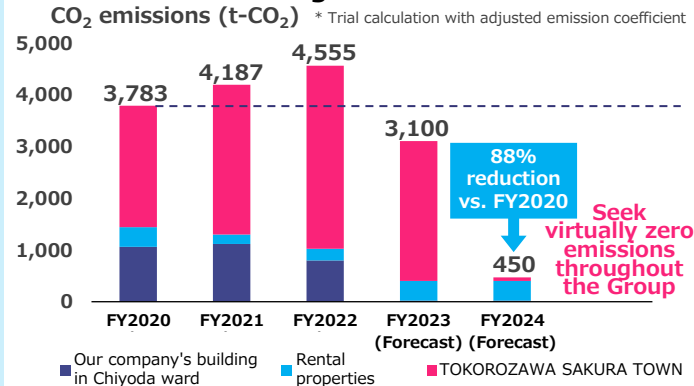
Pursue virtually zero emissions throughout the KADOKAWA Group

### Topics

#### Realize an office with virtually zero CO<sub>2</sub> emissions

- The electricity used in our company's building in Tokyo's Chiyoda ward and TOKOROZAWA SAKURA TOWN will be virtually transitioned to renewable energy (scheduled in December 2023) and a 88% reduction will be achieved in FY2024
- We are also considering switching the sources of the electricity at Group companies

#### Change in KADOKAWA's GHG emissions over time and target



## Social

Encouraging employees to demonstrate their creativity and increasing their motivation.

Developing an environment where diverse employees can demonstrate their capabilities

- Target female manager ratio\*

FY2022 19.3% ▶ FY2030 30%

\* The ratio combines KADOKAWA and its domestic consolidated subsidiaries

- Strengthen the recruiting, development and support of human resources for global promotion

### Topics

#### Introducing programs and systems supporting creativity and motivation

- Improvement of programs and allowances supporting employees' careers
- Encouraging employees to make proposals

#### Active roles for diverse human resources

- Increase in the number of women in managerial-level positions throughout the KADOKAWA Group
- Increase in the number of employees with disabilities throughout the KADOKAWA Group under the special subsidiary company system.
- Increase in the number of non-Japanese employees throughout the KADOKAWA Group

## Governance

Strengthen the Board of Directors' supervisory function, increase management transparency and accelerate decision making.

Increase awareness of legal compliance and continue to strengthen corporate governance by, for example, improving the audit system

### Topics

#### Shifting to a company with a nominating committee, etc.

- A majority of directors are outside directors

#### Cultivating a corporate culture that places importance on compliance

- The Compliance Committee operates under stricter supervision
- Improve the whistle-blowing system, the questionnaires of officers and employees, the provision of opportunities to increase awareness of compliance and other initiatives

#### Reduction of cross-shareholdings

- Reduce cross shareholdings aiming for a certain percentage of net assets

# Sustainability achievements and policy

- Contribute to the spread and development of culture through the creation of sustainable content

## Priority SDGs initiatives

### Streamlining paper consumption

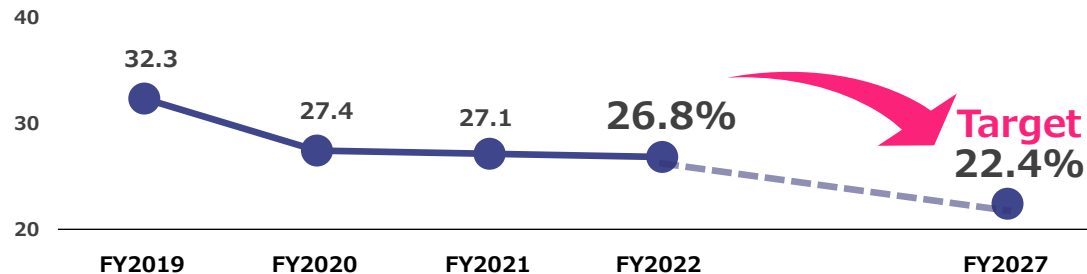


#### Reduce paper consumption by checking paper-based book returns

- Operate the logistics plant within TOKOROZAWA SAKURA TOWN
- Shift book production from forecast-based production to on-demand production
- Improve the accuracy of book distribution and shipment and automate the replenishment of store inventories



#### Change in the return rate of KADOKAWA Group paper-based books over time and target



### Providing an equal and creative educational environment



#### Through the education/EdTech business, we will provide practical and specialized education opportunities which can open up a future for a large number of people

Provide cutting-edge EdTech to N/S High Schools and ZEN University (tentative name). Provide people seeking to acquire a high school diploma while working, aspiring to establish a career in culture, sports or other areas of specialization and many other people with many different learning opportunities



#### Develop and produce specialists in the creative industry and contribute to the industry's sustained growth

Implement creative education in partnership with Vantan's vocational schools, N/S High Schools and ZEN University (tentative name). Help make a variety of dreams come true and also contribute to the industry's growth



## A Platform for Creativity

We discover talent, maximize their value and bring the content they create to a global audience with the power of technology.

Harnessing the Group's expertise, creativity and technology, we continuously create and develop innovative businesses.

# Appendix

# Results of Mid-term Plan (FY2022-FY2024) and Improvements Needed

## Quantifiable targets

**Mid-term plan targets were achieved in the first year** (net sales, international net sales, operating profit and EBITDA)

- Making a hit game and the growth of other businesses helped increase operating profit from 18.5 billion yen in FY2021 to 25.9 billion yen in FY2022
- We continued the sustained expansion of the publication, animation and other priority businesses and the growth and stabilization of the gaming business which fluctuates significantly

## IP creation

**The planned number of IPs created has been achieved**

- Five thousand or more publication IPs and 40 or more animation titles were created annually. We created global hit games.
- We continued the creation of strong IPs and the improvement of the publication business's operating margin

## Media mix development

**The international distribution of animation grew and we adapted our original works into animated works and mobile games in-house**

- The Company's original animated title, The Eminence in Shadow became a hit simultaneously with its mobile game adaptation
- We continued to strengthen our production capacity in the animation business and expand our gaming business

## International expansion

**More of our publications, videos and games were distributed globally**

- More of our works were simultaneously distributed globally and more international bases were added (North America: IZE PRESS and ANIME NEWS NETWORK, Europe: JNC Nina)
- We continued to add more international bases and rebuild our global license system

## Digital deployment

**Our e-book business grew and our education business expanded**

- E-books are outpacing the market growth rate. Reinforced the lineup of TATESC works and began global expansion
- The number of students of N/S High Schools and Vantan increased
- We promoted the greater expansion of our education business and the development of the fan community business

## Profitability improvement

**Our facility operation business has been rebuilt**

- We withdrew from operating EJ Anime Hotel, Narita Anime Deck and EJ Anime Theater Shinjuku
- We pushed forward with the improvement of our unprofitable businesses

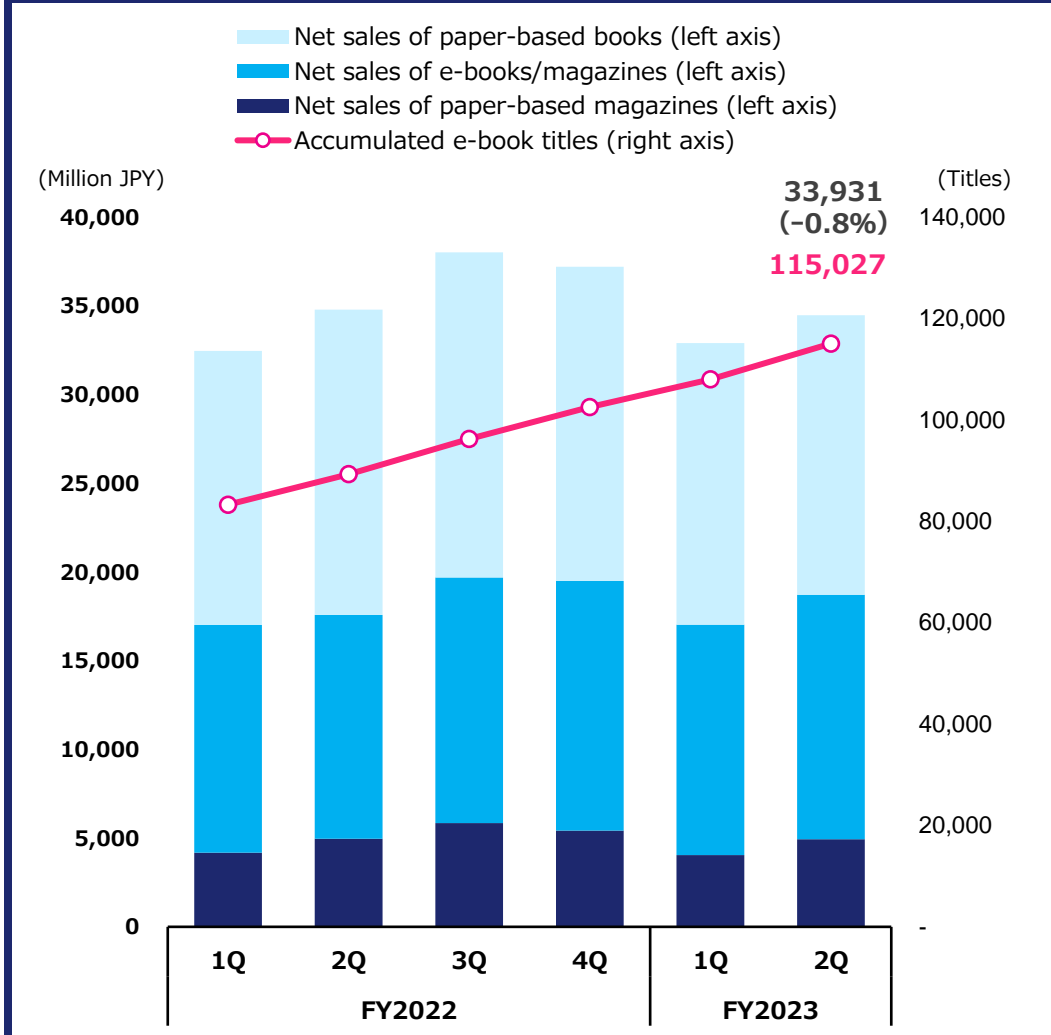
# Report on Governance Reform Action

Measures to prevent recurrences in response to the recommendations of the Corporate Governance Inspection Committee have been completed, including the transition to a company with a Nominating Committee as resolved at the General Meeting of Shareholders held in June. We will continue to make improvements going forward and make every effort to further enhance corporate governance.

Recommendations Made to the Company from the Corporate Governance Inspection Committee	Completed Action Items
<b>1. Improvement of corporate culture that gives excessive consideration to the will of superiors</b> (1) Clarify regulations (2) Authority must be held by legitimate authorized persons / (3) Eliminate consideration towards specific persons (4) Review the personnel system (5) Gain trust in the supervisory function of the Board of Directors (6) Strengthen the audit system of the Audit Department	Revised regulations on administrative authority and the Articles of Incorporation, eliminated the position of chairperson Strengthened supervision of directors by the Board of Directors and other bodies, revised regulations on approval and reporting Eliminated the Supervisory Committee whose positioning was vague and integrated it with the Remuneration Committee Transitioned to a company with a Nominating Committee to strengthen oversight Expanded the auditing scope and ensured the comprehensiveness of audit coverage
<b>2. Improvements of internal control over decision making</b> (1) Recognize the importance of internal control in decision making / (2) Eliminate deficiencies of unsubstantiated meeting bodies	Eliminated the Senior Managing Executive Officer Meeting and revised regulations on approval and reporting
<b>3. Reaffirming, reforming, and gaining trust in the role of the Board of Directors, etc.</b> (1) Reaffirm the duties of the Board of Directors and the duties of the Members of the Board (2) Establish channels for obtaining information on illegal activities and reporting requirements (3) Improve the system for evaluating the effectiveness of the Board of Directors (4) Clarify the distinction between execution and supervision	Transitioned to a company with a Nominating Committee and revised the authority of the Board of Directors Utilizing reporting at Management Meetings and meetings with outside officers Introduced questionnaires and interviews conducted by an outside organization Clarified officer selection and evaluation procedures, reviewed the authority of the Board of Directors
<b>4. Fostering awareness of legal compliance</b> (1) Clarify the corporate philosophy (2) Clarify the details of legal compliance / (3) Consider effective training methods (4) Establish a legality check system (5) Inform and promote the internal reporting system, etc. (6) Devise ways to enhance the functions of the Compliance Committee	Formulated a Corporate Mission in the new Mid-term Plan Developed a compliance handbook and implemented video-based training (insider training planned for officers) Reviewed the approval flow for outsourcing contracts and added legal and internal control check functions Newly established a flow for making internal reports related to officers, and improved the frequency of updates for top management on internal reports Redesigned the structure of the Compliance Committee to have an outside expert (lawyer) serve as chairperson
<b>5. Establishment of checks and balances</b> (1) Organize and improve the concept of organizational structure / (2) Clarify and thoroughly implement the role of the legal division (3) Thoroughly implement reporting rules (4) Develop an audit office and internal audit division (5) Confirm and develop approval procedures	Reorganized the legal division and transitioned to a Group Internal Control Office Newly established a mechanism to issue an alert if there is a possibility of illegality during the review of contracts Made improvements to the audit system and procedures based on a recognition of issues after receiving an external assessment Newly established an approval process of chief officers and revised the table of authority

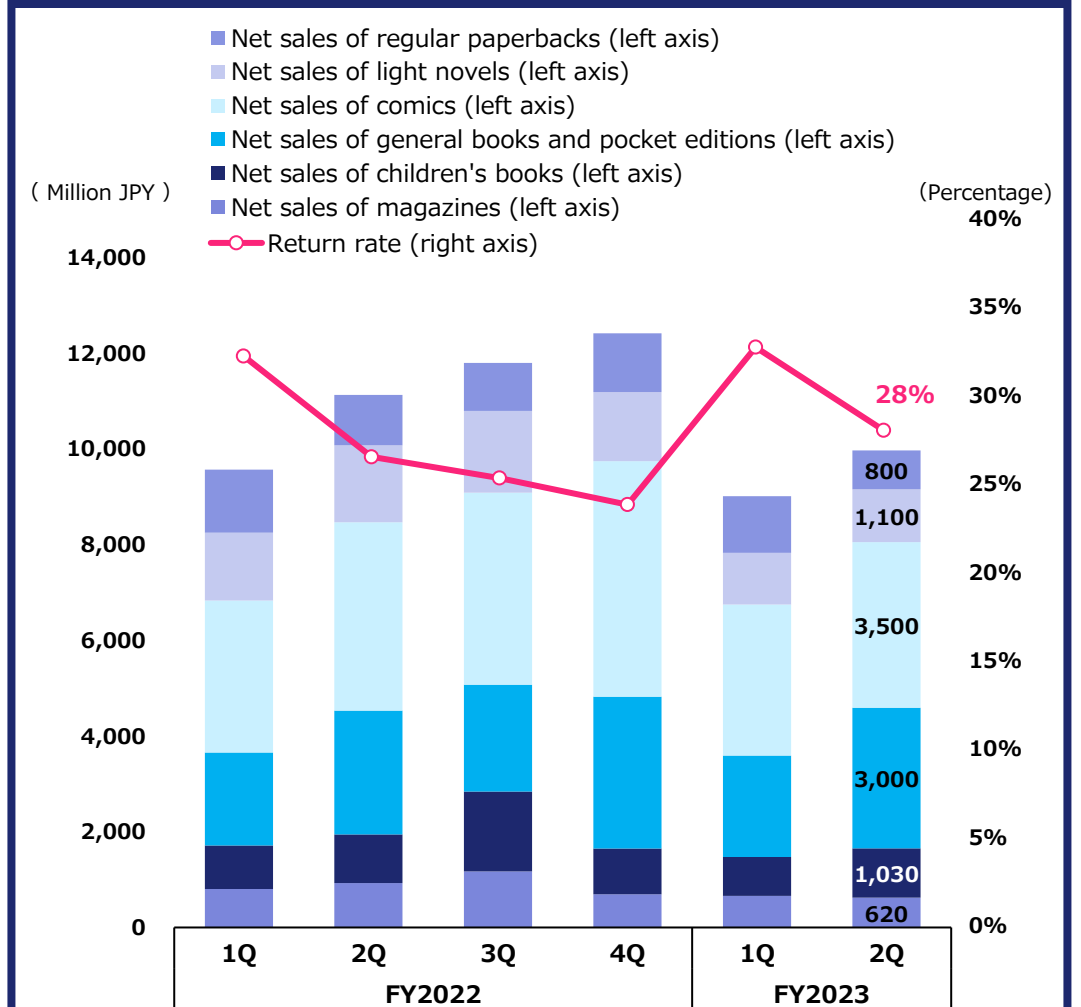
# Publication Segment

## Trend of sales of publication



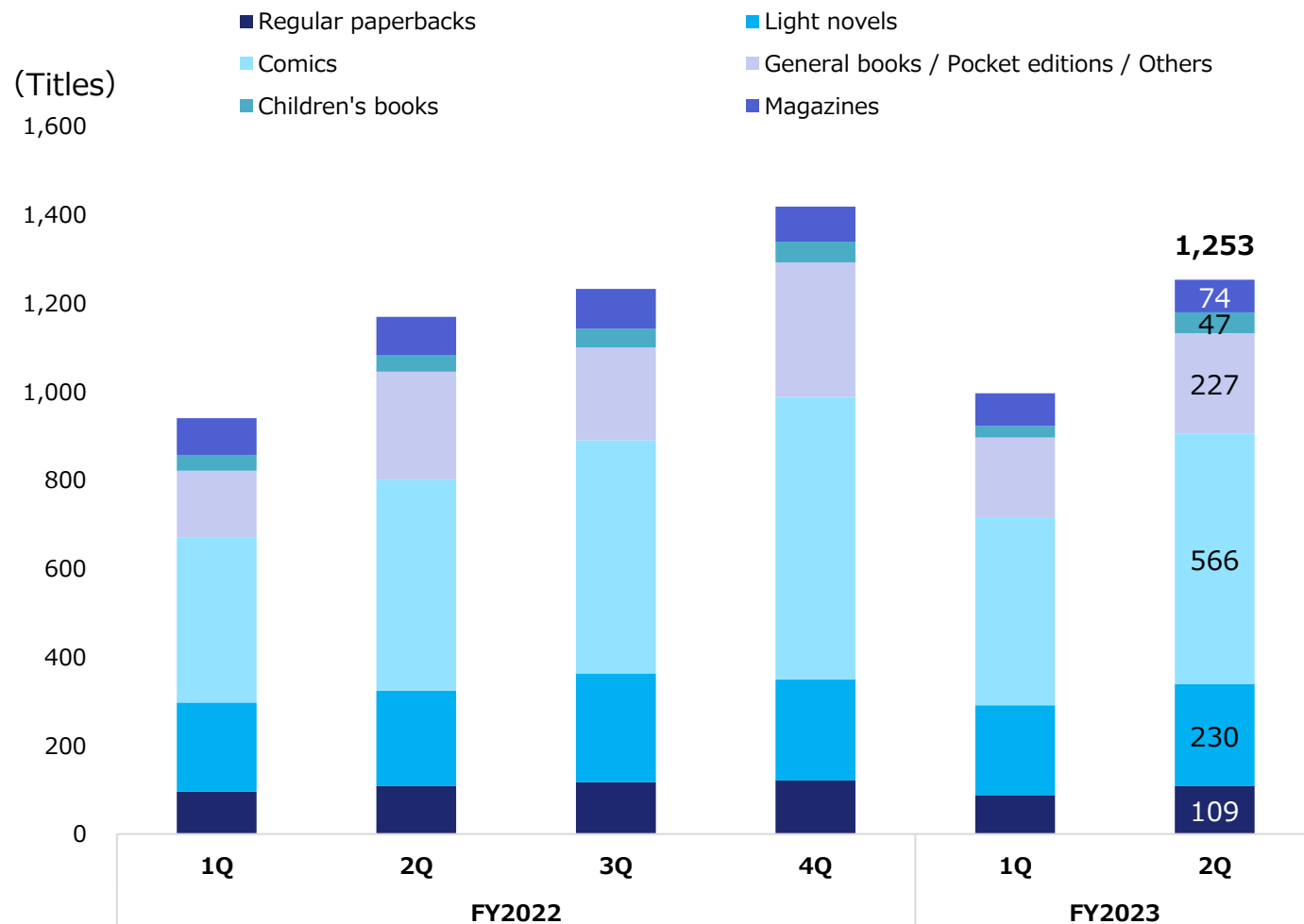
\*Accumulated e-book titles include the number of distribution by chapter

## Trend of net sales of paper-based books/magazines and returns rate (KADOKAWA Non-consolidated \*excluding magazines)



# Publication Segment

Number of new titles of paper-based books and magazines by genre (Actual)  
(KADOKAWA Non-consolidated)



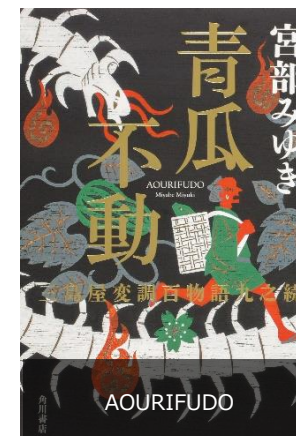
## Titles contributing to sales



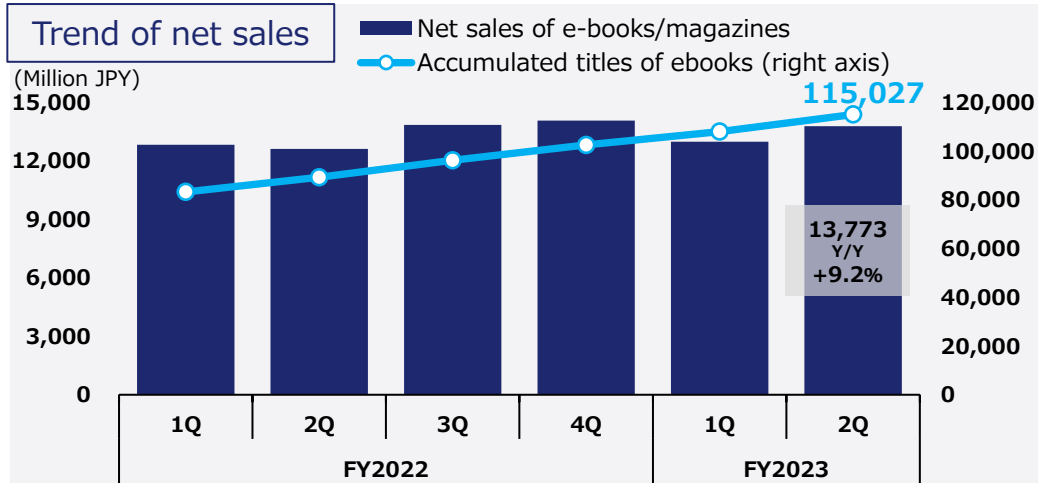
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2023



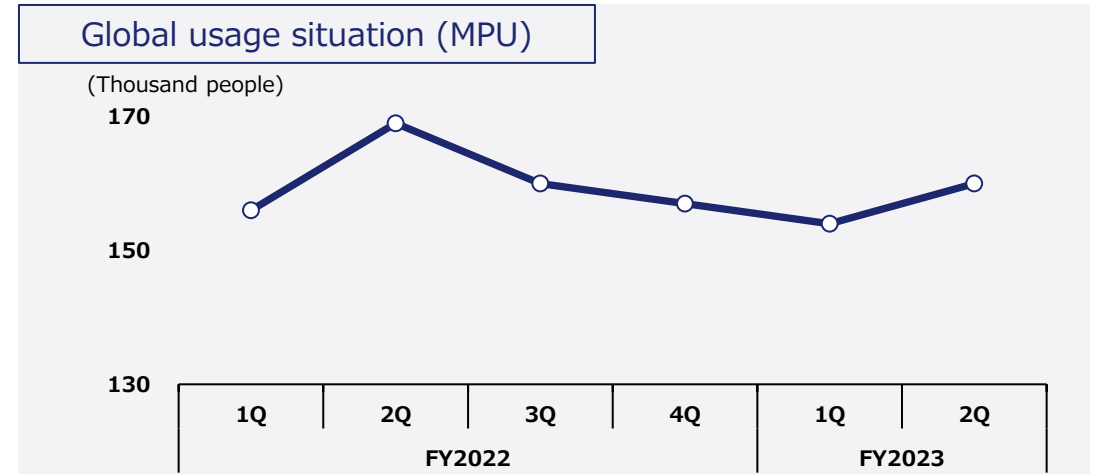
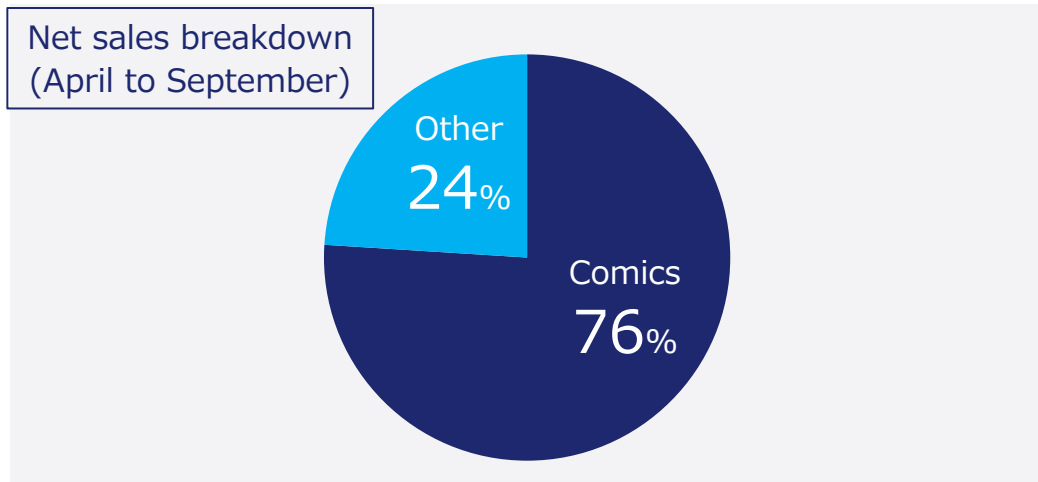
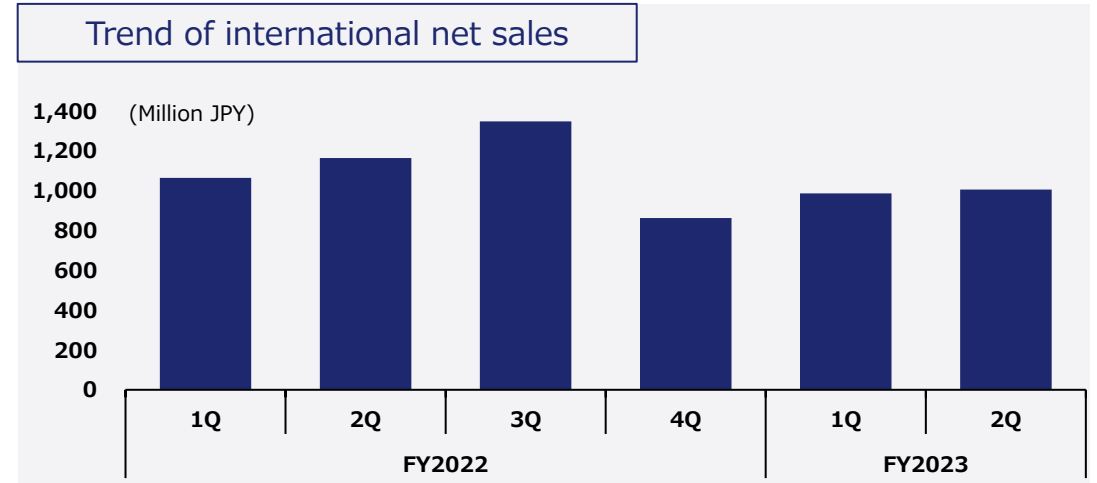
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## E-books/magazines



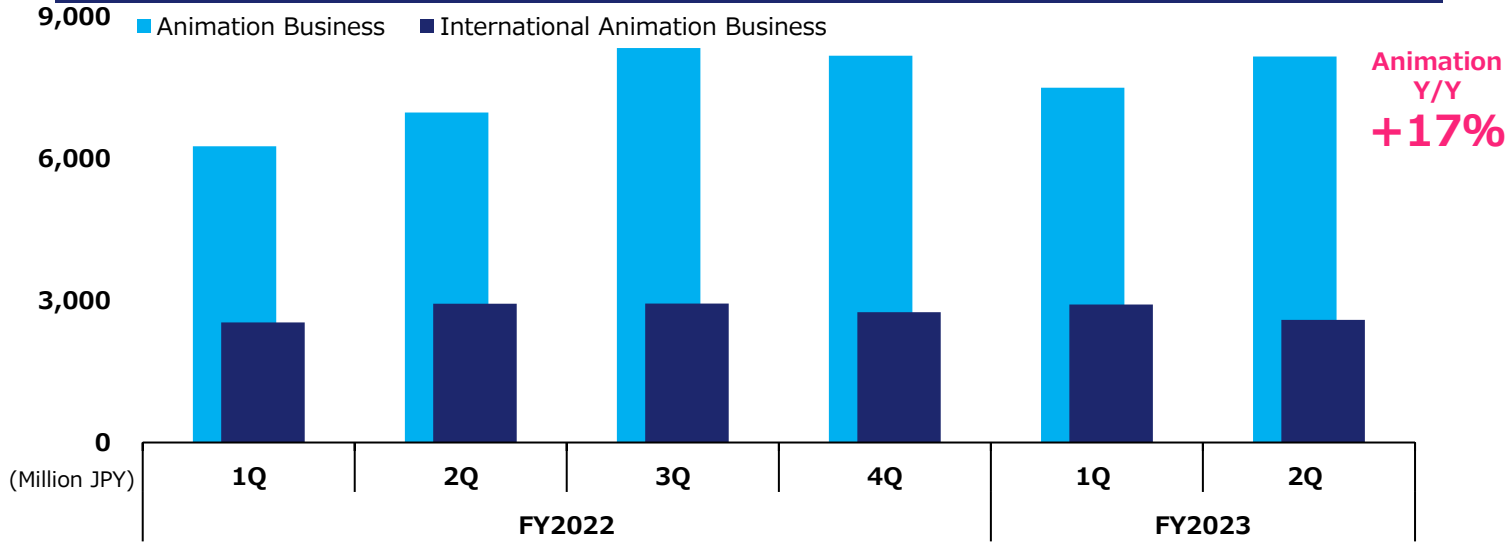
\*Accumulated titles of ebooks include the number of distribution by chapter



\*MPU(Monthly Paid User)

# Video Segment

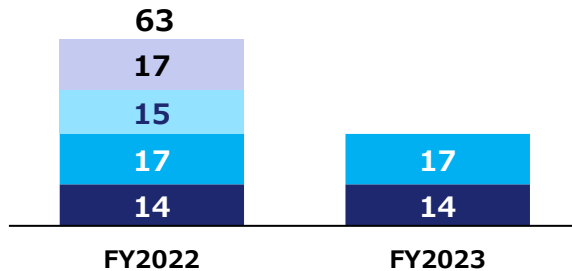
## Net sales of animation business



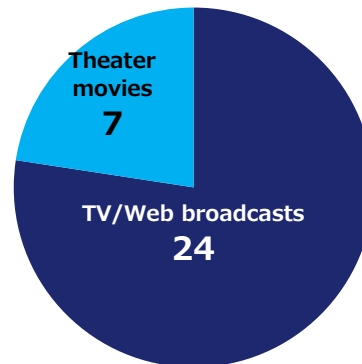
## The number of animation titles

Number of new titles

■ 1Q ■ 2Q ■ 3Q ■ 4Q



Breakdown of presentation media in Apr. to Sep.



\*Number of titles including minor investment

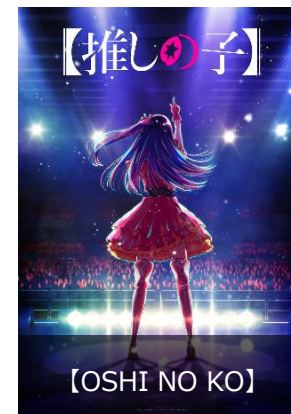
## Titles contributing to sales



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©Aka Akasaka x Mengo Yokoyari/ Shueisha, "OSHI NO KO" Partners



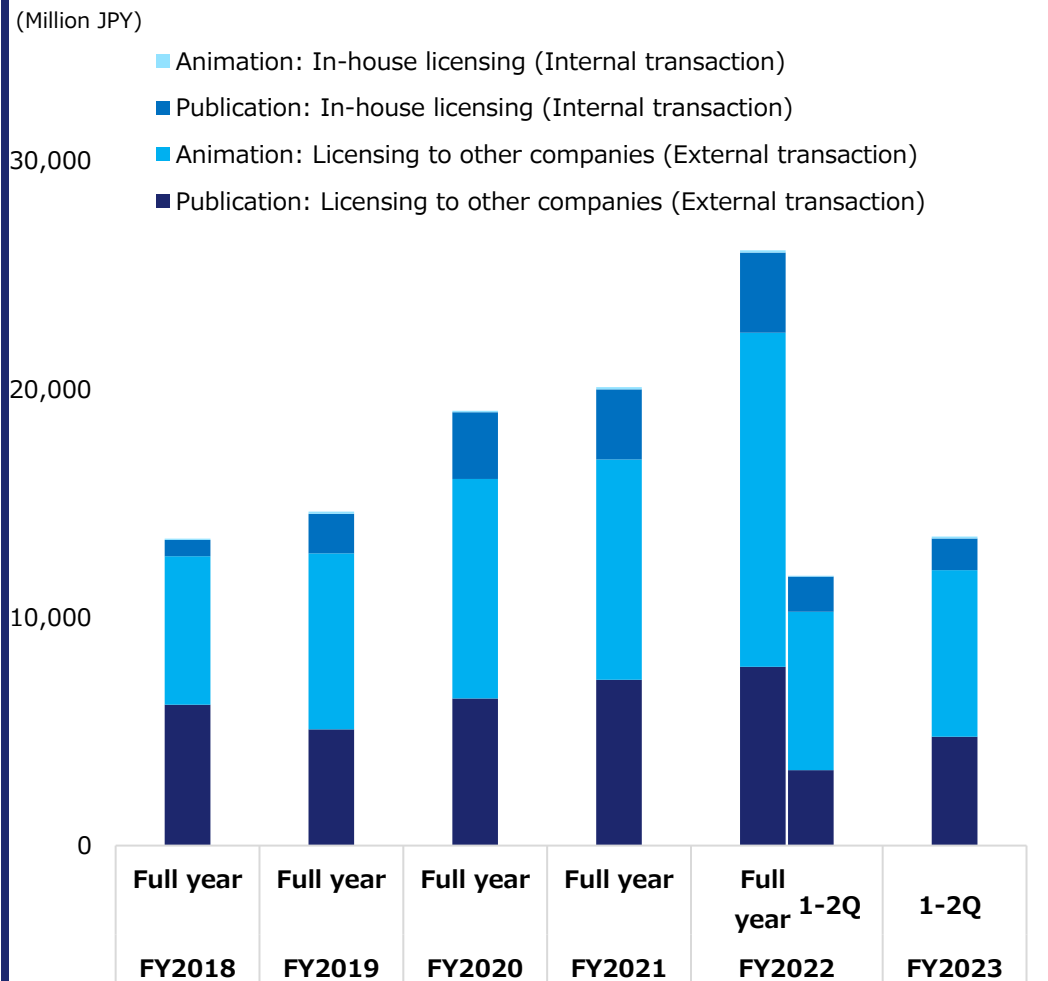
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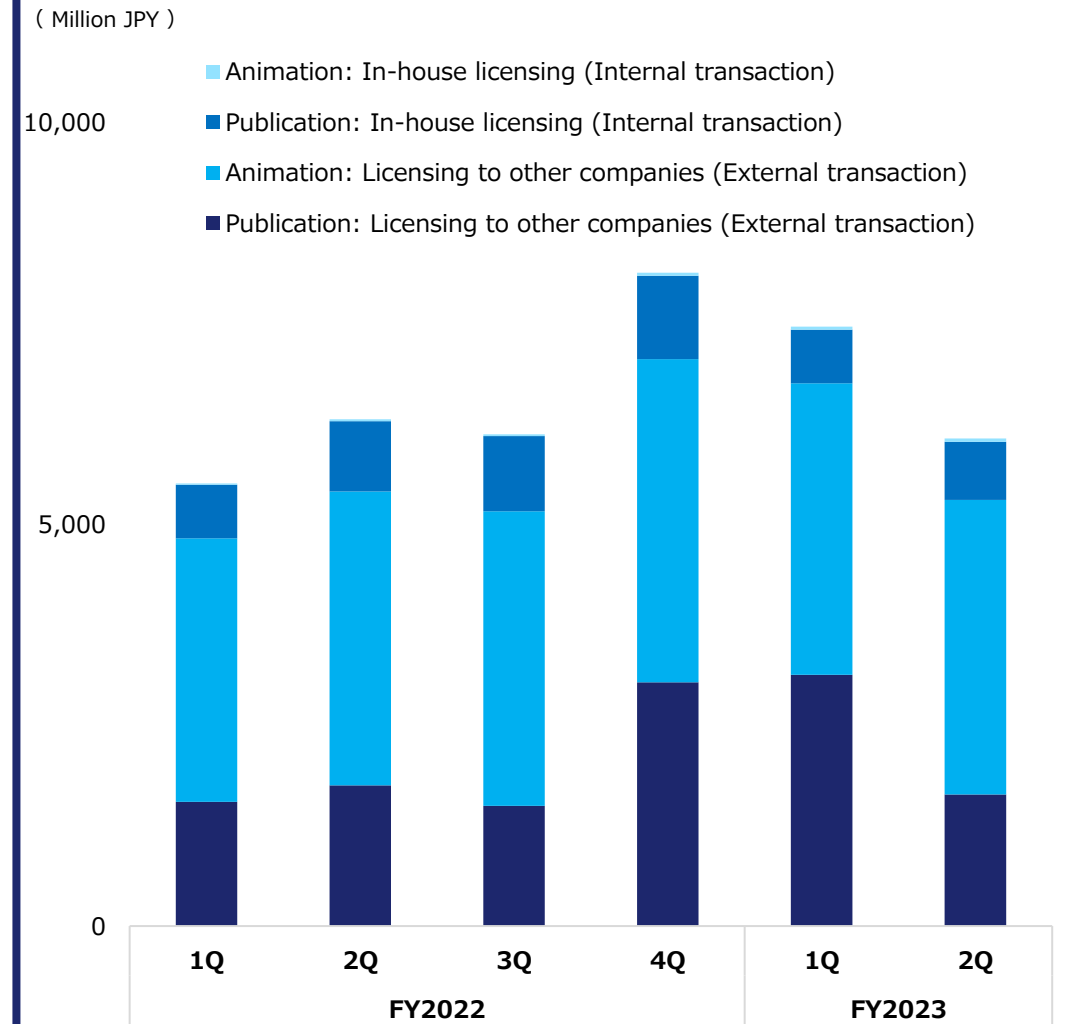
# Sales from Rights-Licensing in Publication and Animation Businesses

(KADOKAWA Non-consolidated)

## Yearly and YTD basis



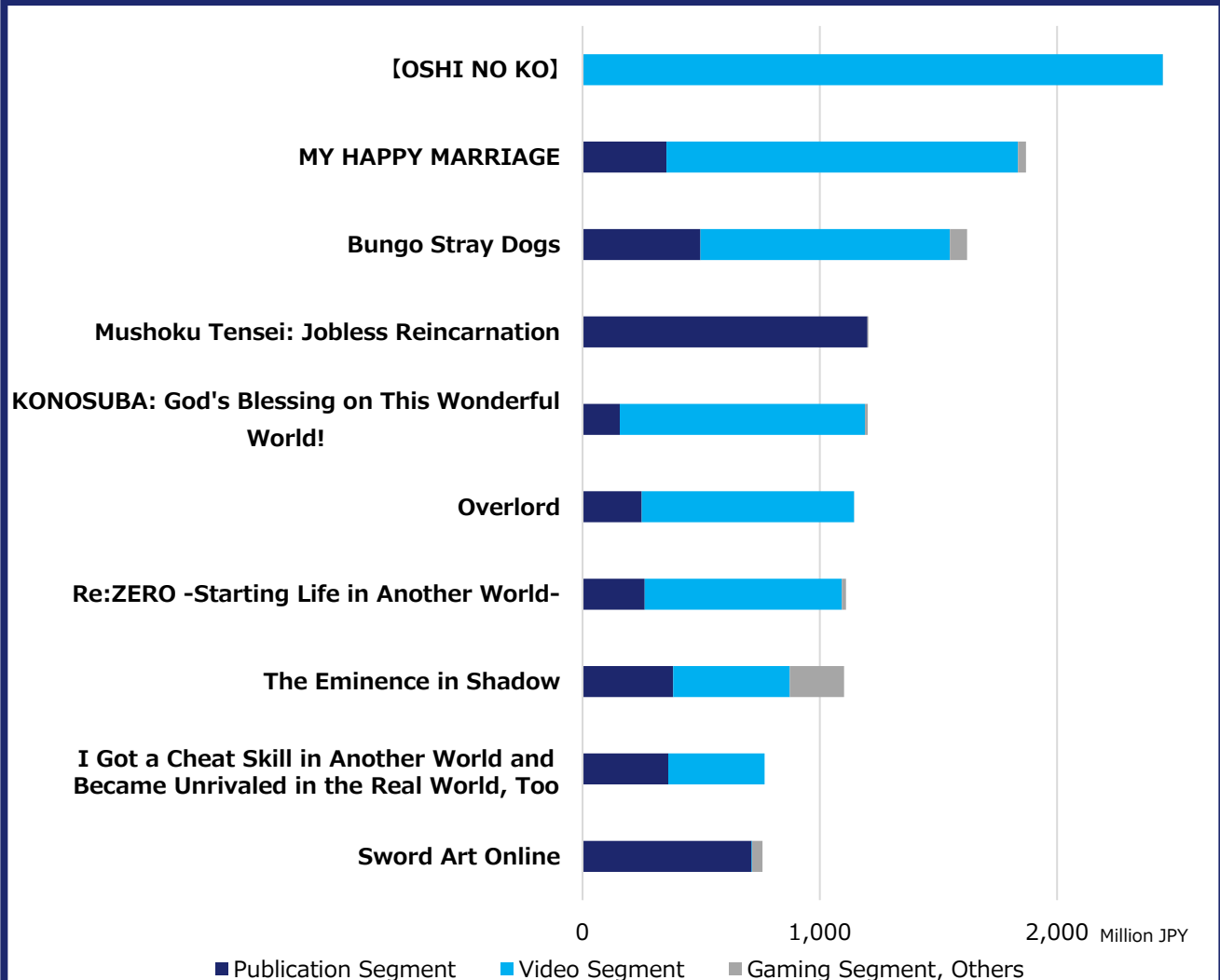
## Quarterly basis



# Net Sales of the Top Ten Best-Selling Titles

(including sales from rights licensing, KADOKAWA Non-consolidated)

## FY2023 YTD



## Publication

\*Applies to entire series from starting year of publication to the latest release

Rnak	Title Name (Series)	Year First Published
1	Mushoku Tensei: Jobless Reincarnation	2014
2	Sword Art Online	2009
3	Pan Dorobou	2020
4	My Love Story with Yamada-kun at Lv999	2020
5	A Certain Scientific Railgun	2007
6	Bungo Stray Dogs	2013
7	A Certain Item of the Dark Side	2023
8	The Eminence in Shadow	2018
9	MY HAPPY MARRIAGE	2019
10	KADOKAWA Manga Gakushu Series	2015

## Video

\* Applies to all titles from starting year of broadcast to the latest airing

Rnak	Title Name (Series)	Year First Aired
1	[OSHI NO KO]	2023
2	MY HAPPY MARRIAGE	2023
3	Bungo Stray Dogs	2016
4	KONOSUBA: God's Blessing on This Wonderful World!	2016
5	Overlord	2015
6	Re:ZERO -Starting Life in Another World-	2016
7	Gamera	1965
8	The Eminence in Shadow	2022
9	Spy Classroom	2023
10	I Got a Cheat Skill in Another World and Became Unrivaled in the Real World, Too	2023

# Eagerly Awaited Upcoming Titles

## Books



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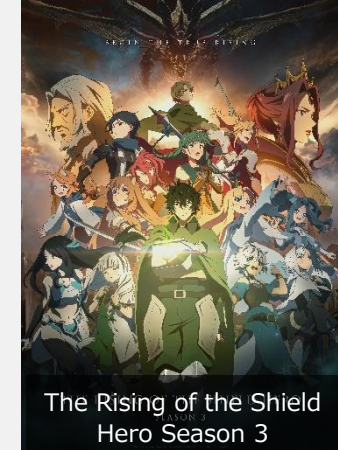


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©Yuka Tachibana, Yasuyuki Syuri 2023

## Animation and Live-Action



©Daisuke Aizawa, KADOKAWA/Shadow Garden



©AnekoYusagi\_Seira  
Minami/KADOKAWA/Shield Hero S3 Project



©Ryoko Kui, KADOKAWA/Delicious in Dungeon PARTNERS



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# Niconico-Related Business

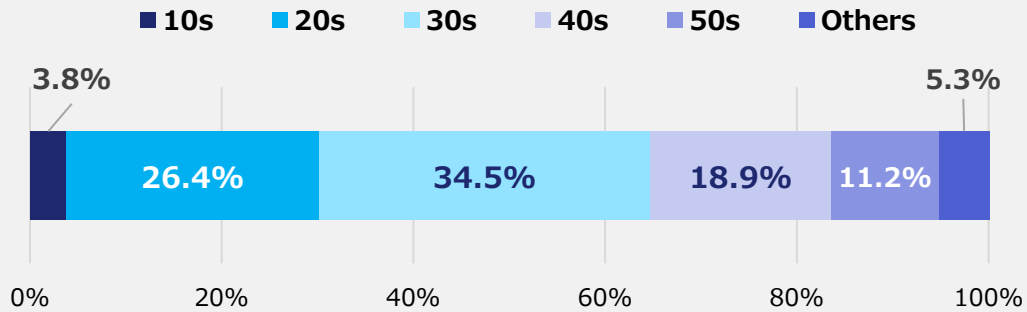


## Niconico user data \*As of September 30, 2023

Regular members (Million) **97.08**

Premium members (Million) **1.28**

## Age \*As of September 30, 2023



## Niconico Chokaigi 2023

Visitors (Thousand) **118**

## Niconico Channel user data \*As of September 30, 2023

Number of channels **10,966**

Number of channels with monthly fee **2,242**

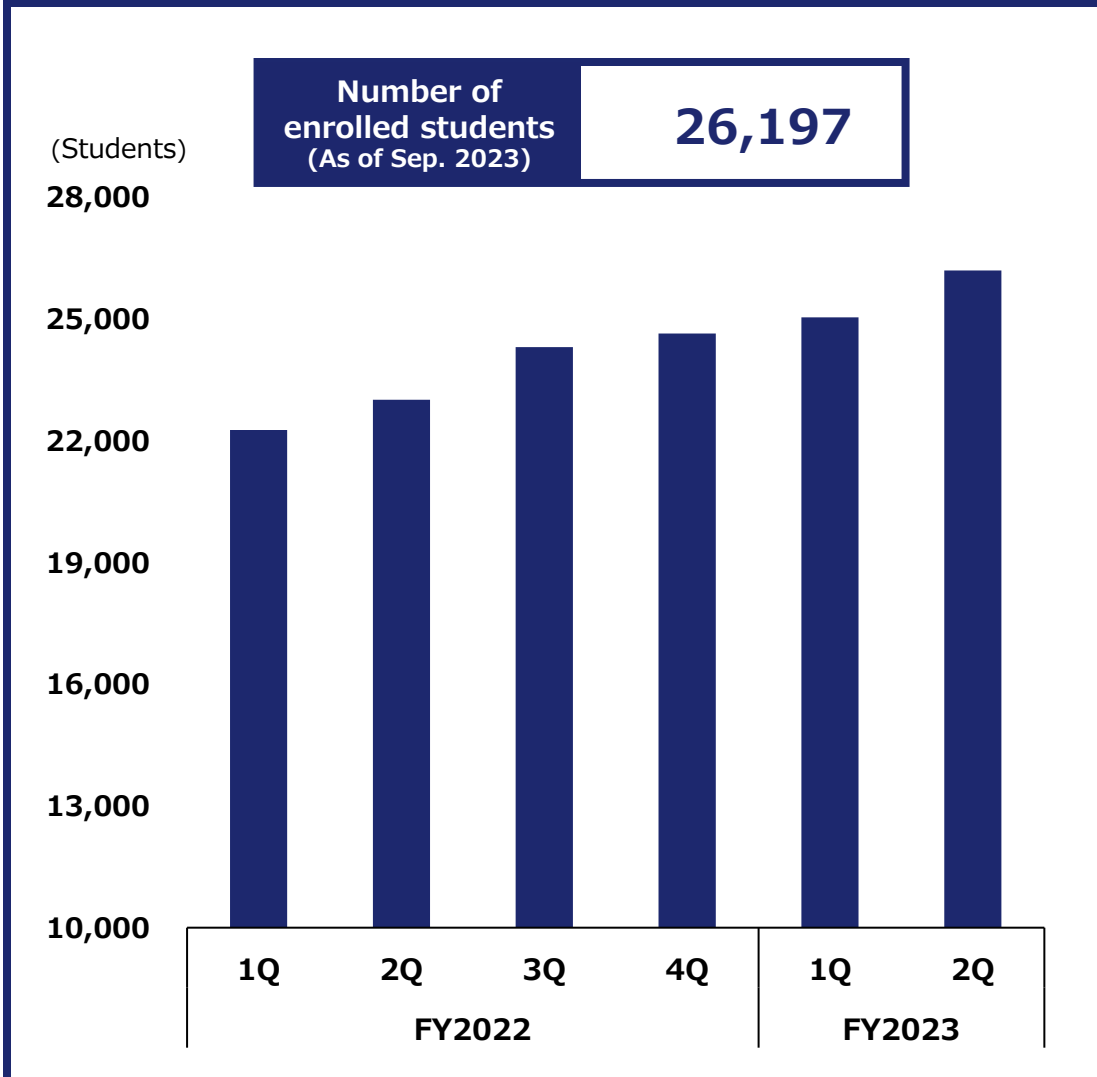
Dues-paied members (Million) **1.26**

## Niconico usage data \*Average of July to September 2023

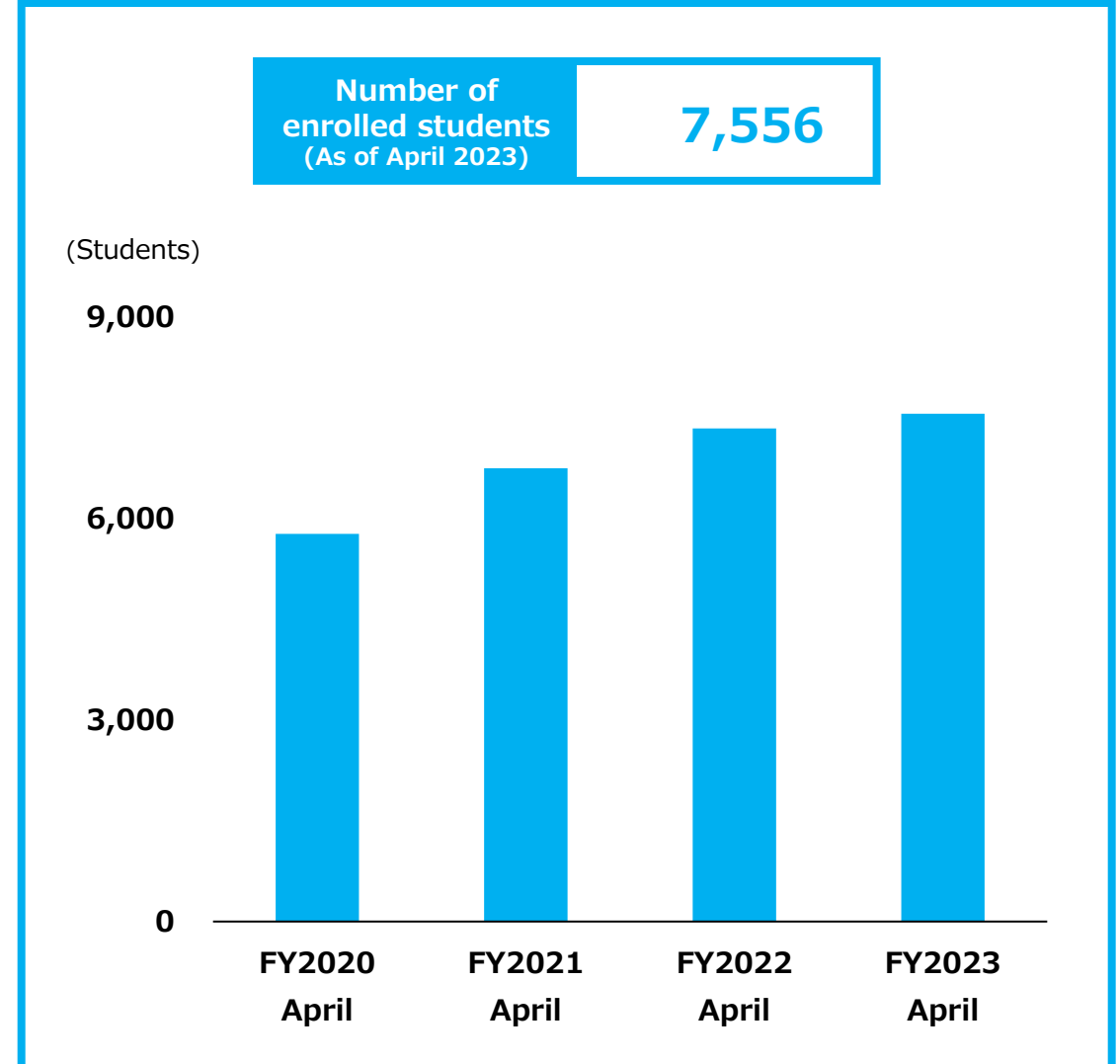
	MAU (Million)	DAU (Million)
Logged In Unique Users + Unique Video Viewers Not Logged In	13.27	1.74
Logged In Unique Users	4.87	1.34
Google Analytics-based Unique Users	29.26	2.31

# Education/EdTech Segment

## Trend of Number of N & S High School Students

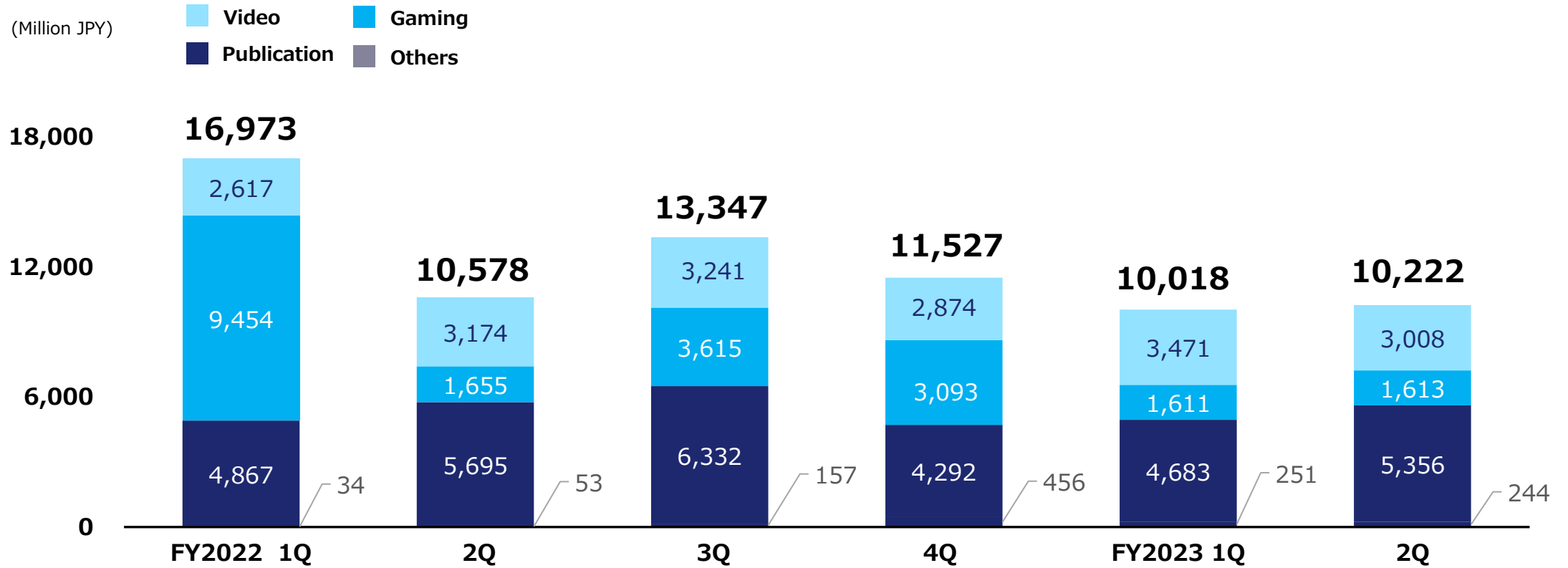


## Trend of Number of Vantan Students



# International Net Sales

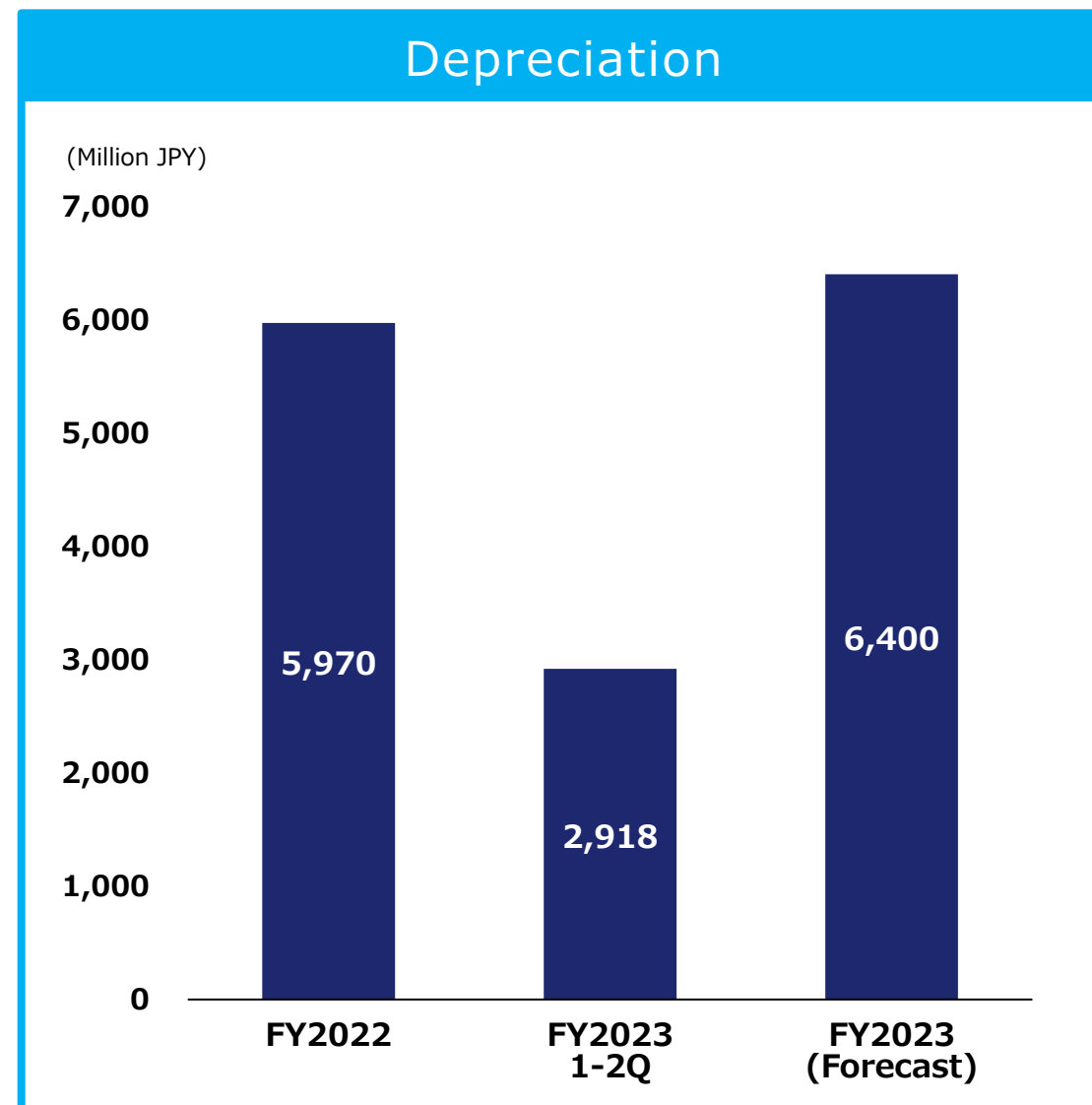
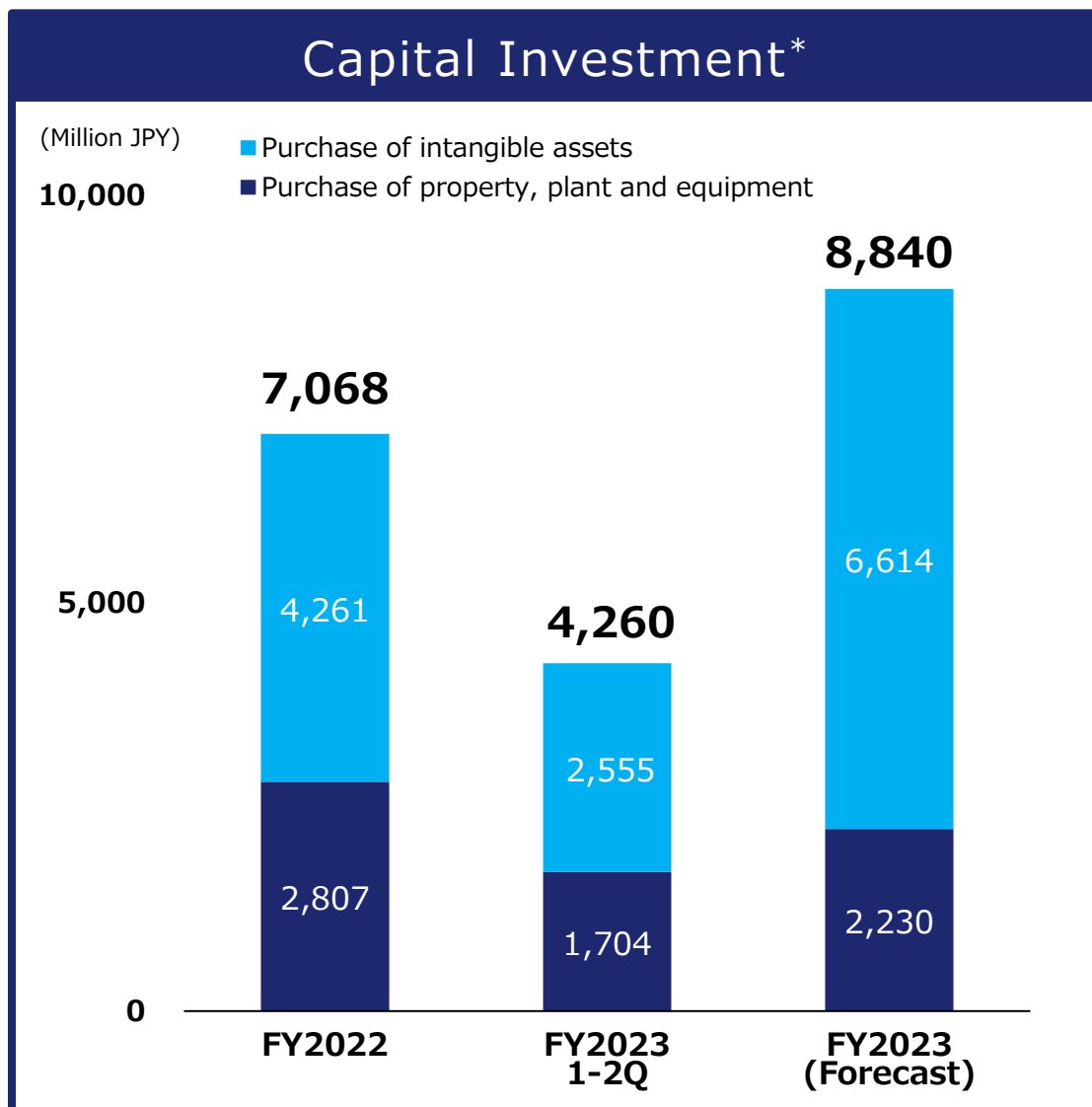
## Breakdown of International Net Sales by Segment



Breakdown by Region	Americas	64.0%	58.6%	63.1%	54.7%	58.6%	56.2%
	Asia	22.2%	32.8%	26.3%	31.0%	32.6%	34.7%
	Others	13.8%	8.6%	10.6%	14.3%	8.8%	9.1%

\* Business results for international subsidiaries are reflected in KADOKAWA's consolidated financial results on a three-month delay.

# Capital Investment and Depreciation

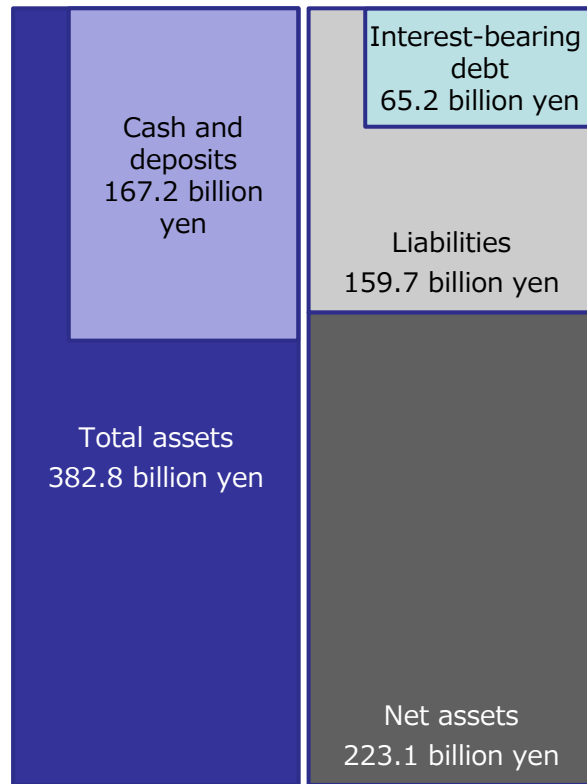


\*"Capital investment" is a cash-based amount. It is the total of "purchase of property, plant and equipment" and "purchase of intangible assets" listed in the consolidated statement of cash flows, and includes consideration for non-current assets acquired in the previous fiscal year (Fiscal Year n-1) for which expenditures were made in the current fiscal year (Fiscal Year n).

# Balance Sheet Situation

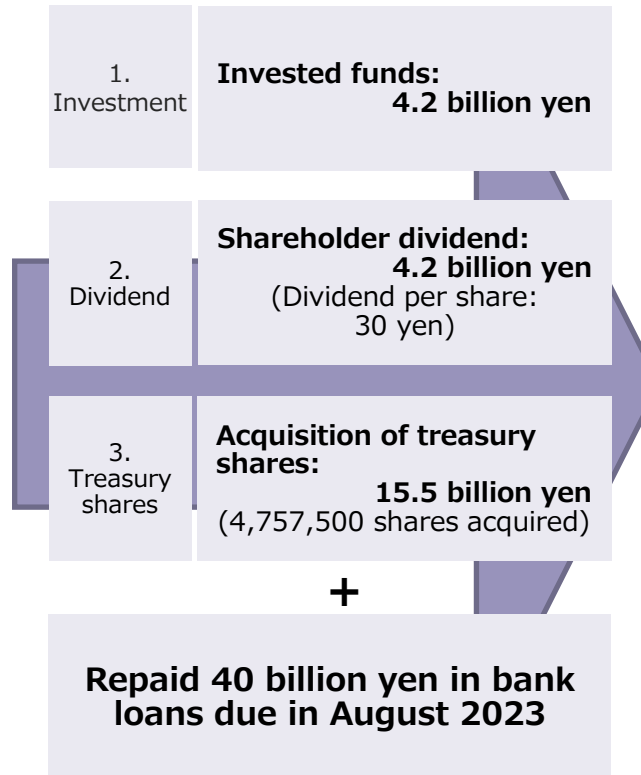
- Although the balance of cash and deposits decreased due to the repayment of long-term bank loans worth 40 billion yen and the acquisition of treasury shares worth 15.5 billion yen, we have continued to maintain a sound financial base and continue to have sufficient debt capacity.

As of March 31, 2023

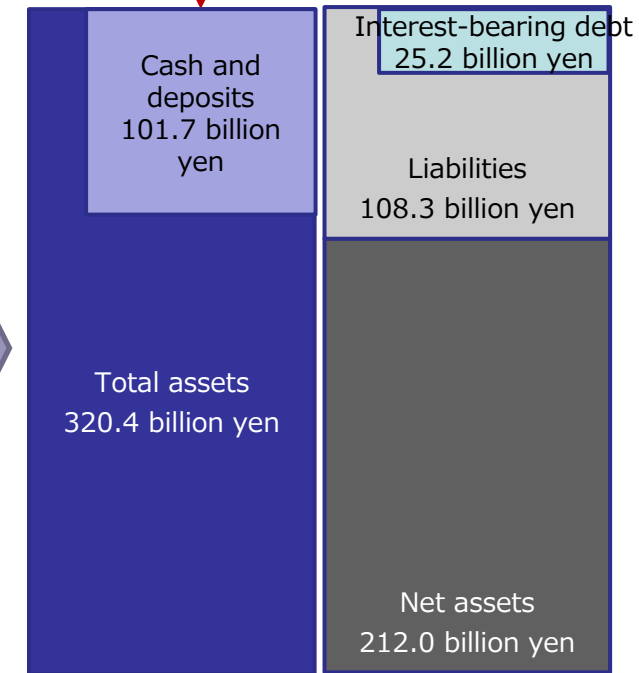


**Capital Adequacy Ratio: 52.9%**  
**Net Cash: 101.9 billion yen**

## Capital Allocation in the First Half of FY2023



As of September 30, 2023



**Capital Adequacy Ratio: 59.4%**  
**Net Cash: 76.4 billion yen**

The amount of working capital that needs to be retained is expected to be **55 billion yen** for this fiscal year



**Q1** What was the impact of foreign exchange rates from April to September in the fiscal year ending March 31, 2024? Additionally, what was the growth rate for sales and operating profit excluding the foreign exchange impact?

**A** The growth rate of sales excluding the impact of foreign exchange (approximately 550 million JPY) was approximately +0.8% in the April to September period.  
As revenue from rights licensing (royalties) accounts for a certain percentage of international sales, we believe that costs affected by foreign exchange rates are limited, but since it is difficult to identify these costs accurately, we have not estimated their impact on profit.

**Q2** What was the growth rate of consolidated international net sales from April to September in the fiscal year ending March 31, 2024? Which segments and regions contributed to growth?

**A** International sales grew -27% for the full year (-29% excluding foreign exchange impact.) By segment, publishing was -5%, video was +12%, and games was -71%. Growth rates by region are -32% in North America, -6% in Asia, and -44% in other regions.

**Q3** From April to September, what were the shares and growth rates for paper-based books and information media sales by genre?

**A** Share by genre: Comics 35%, general books and pocket editions 27%, light novels 12%, paperback books 11%, children's books 10%, magazines 7%  
Growth rate by genre: comics -7%, general books and pocket editions +12%, light novels -28%, paperback books -16%, children's books -4%, magazines -26%.

**Q4** For sales amounts of e-books from April to September, what was the ratio of sales from the Company's own stores to those of other companies, and what were the growth rates of each?

**A** The ratio of sales at the Company's own stores (BOOK☆WALKER) to stores of other companies was 1:3.  
The growth rate for the Company's own stores was 8.7%, and for stores of other companies was 7.6%.

**Q5** What percentage of book shipments are new publications released from April to September?

**A** Of shipments of paper-based books, approximately 50% were from publications released in the current fiscal year.

**Q6** What were the ratio of paper-based books and e-books in the international sales of the publication segment from April to September?

**A** Sales of paper-based books were approximately 80% and sales of e-books were approximately 20% of the total international sales of the publication segment.

**Q7** From April to September, what were the sales shares of the top 10 best sellers in the publication segment and the video segment?

**A** The shares for the top 10 best sellers consisted of 9% in the publication segment and 44% in the video segment.

**Q8** What is the development status of DLC for *ELDEN RING* and when will it be released?

**A** We are currently working hard on the development of DLC for *ELDEN RING* but we have not announced a release date at this time.

Q9

What are Tokorozawa project's depreciation for the fiscal year ended March 31, 2024 and in the future?

A

The amount for the fiscal year ended March 31, 2024 is 2.1 billion yen. Depreciation of the project is expected to be 2.25 billion for the fiscal year ending March 31, 2025, and to be 2.4 billion yen for the fiscal year ending March 31, 2026 and beyond.

Q10

What is the operational status of the digital manufacturing plant and logistics facilities?

A

To further reduce returns and manufacturing costs and increase profitability, the Company has started the operation of its digital manufacturing plant that flexibly manufactures publications in small quantities using digital printing technology and the new logistics facilities. The Company will work to improve the operation rate of these facilities to increase operational efficiency.

Q11

What is the rationale for your medium- to long-term target ROE of 12% or greater?

A

Under our estimate of the current and medium- to long-term cost of shareholder's equity to be around 7%, adding a target equity spread of 5% or greater, it makes up this level.



# KADOKAWA

- Forward-looking statements such as results forecasts contained in this material are judgments of the Group based on currently available information.
- The forward-looking statements include various uncertainties, and actual results may differ from these values. Please refrain from making investment judgments, etc. by relying entirely on these values.