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For Immediate Release

Company name: KADOKAWA CORPORATION

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Notice Regarding Issuance of Stock Options (Share Acquisition Rights)
as Compensation at a Subsidiary

KADOKAWA Corporation (the "Company") hereby announces that on March 26, 2024 is approved the issuance of share acquisition rights as stock options as compensation by its subsidiary FromSoftware, Inc. ("FromSoftware") to its directors, executive officers and employees (including delegation of authority to its Board of Directors to decide matters concerning the offering of share acquisition rights, the same applies hereinafter). The issuance is subject to the approval resolution of a meeting of FromSoftware's shareholders to be held on March 28, 2024 (the "Approval Resolution"). Details are as follows.

I. Reason for issuing share acquisition rights as stock options as compensation

The Company has set a target of achieving consolidated net sales of 340.0 billion yen and an operating profit of 34.0 billion yen in the fiscal year ending March 31, 2028, the final year of the Mid-term Management Plan, which was announced on November 2, 2023. The management plan includes active investment in the Gaming Business. The Company aims to enhance growth and profitability in the medium to long term by expanding its pipelines for console games and mobile games, strengthening collaboration between its businesses to promote its media mix strategy, and developing its structure to expand the scope of the Gaming Business's own publishing.

FromSoftware, which is expected to drive the growth of the Gaming Business, now plans to issue stock options (share acquisition rights) as compensation to its directors, executive officers and employees to increase their motivation and morale and encourage them to contribute to enhancing the company's results and corporate value over the medium to long terms.

II. Impact on consolidated results

The Company estimates that FromSoftware's issuance of share acquisition rights will cause consolidated expenses of up to 5.3 billion yen by the fiscal year ending March 31, 2029. The quantitative targets of the Company's Mid-term Management Plan announced on November 2, 2023, remain unchanged.

III. Outline of issuance of share acquisition rights

1. Number of share acquisition rights

465*

The total number of common shares of FromSoftware to be delivered upon exercise of share acquisition rights shall be four hundred and sixty five (465)*. If the number of shares to be granted in relation to the share acquisition rights is adjusted as prescribed in item 3. (1) below, however, the number shall be the product of the adjusted number of shares to be granted multiplied by the number of the share acquisition rights.

* The number of share acquisition rights to be issued pursuant to the Approval Resolution is four hundred and thirty nine (439) (the total number of shares that can be delivered by exercising the share acquisition rights is 439 shares of common stock of FromSoftware), and the maximum number of share acquisition rights that can be offered by the Board of Directors based on the delegation by the Approval Resolution is twenty six (26) (the maximum total number of shares that can be delivered by exercising the share acquisition rights is 26 shares of common stock of FromSoftware). The allotment date of share acquisition rights in item 4. below and the subscription date in item 9. below relate to the share acquisition rights to be issued pursuant to the Approval Resolution, and the allotment date and subscription date of share acquisition rights which the Board of Directors may decide based on the delegation by the Approval Resolution shall be separately determined by the Board of Directors.

2. Cash payment in exchange for share acquisition rights

No payment of money is required in exchange for the share acquisition rights.

3. Contents of share acquisition rights

(1) Class and number of shares underlying share acquisition rights

The class of shares underlying the share acquisition rights shall be shares of common stock of FromSoftware, and the number of shares underlying each share acquisition right (the “Number of Shares Granted”) will be one (1).

Provided, however, the Number of Shares Granted shall be adjusted according to the following formula if FromSoftware conducts a stock split (includes allotment of the common shares of FromSoftware without consideration; hereinafter the same) or a stock consolidation after the allotment date of the share acquisition rights. Such adjustment shall be made only with respect to the number of shares to be issued upon exercise of the share acquisition rights that have not yet been exercised at the time of adjustment, and any fraction less than one share arising from the adjustment shall be rounded down.

Number of Shares Granted after adjustment = Number of Shares Granted before adjustment x Ratio of split (or consolidation)

If FromSoftware needs to adjust the Number of Shares Granted due to a merger, demerger, share exchange, share delivery, or other events like these after the allotment date of the share acquisition

rights, FromSoftware may adjust the Number of Shares Granted appropriately to a reasonable extent.

(2) Value of property to be contributed upon exercise of each share acquisition right or the calculation method thereof

The value of the property to be contributed when the share acquisition rights are exercised shall be 1 yen for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the Number of Shares Granted.

(3) Exercise period of share acquisition rights

Period during which the share acquisition rights can be exercised shall be during July 1, 2025 to July 31, 2033 (or the bank business day immediately before where such day is not a bank business day) (the "Exercise Period")

(4) Matters related to increases in share capital and legal capital surplus

- i. The amount by which the stated share capital increases through the issuance of shares upon the exercise of the share acquisition rights shall be one-half (1/2) of the upper limit of the increase in the amounts of stated share capital and other items calculated pursuant to the provisions of Article 17, Paragraph 1 of the Company Accounting Ordinance. Any fraction of less than one yen arising from the calculation shall be rounded up.
- ii. The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of the share acquisition rights shall be the upper limit of the increase in the amounts of stated share capital and other items described in (i) above, less the increase in the amount of stated share capital set out in (i) above.

(5) Restriction on acquisition of share acquisition rights by transfer

Any acquisition of the share acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of FromSoftware.

(6) Conditions for exercise of share acquisition rights

- i. Share acquisition rights holders must be directors, corporate auditors, chief officers, corporate officers, advisers, or employees of FromSoftware or its parent company or affiliates at the time they exercise their share acquisition rights. Provided, however, this provision shall not apply to share acquisition rights holders who have retired due to the expiration of their terms of office, or stock acquisition right holders who have retired upon reaching the mandatory retirement age or for other legitimate reasons that FromSoftware's Board of Directors may deem appropriate.
- ii. No heir of the share acquisition rights shall be permitted to exercise the share acquisition rights. Provided, however, this provision shall not apply if FromSoftware's Board of Directors decides that there are legitimate reasons.
- iii. If the total number of issued shares of FromSoftware exceeds the total number of shares issuable at such time upon exercise of the share acquisition rights, such exercise of the share acquisition rights shall not be permitted.
- iv. Any fraction less than one unit of the share acquisition rights may not be exercised.

4. Allotment date of share acquisition rights

April 12, 2024

5. Matters concerning the acquisition of share acquisition rights

(1) If a proposal for a merger agreement under which FromSoftware is to be the dissolving company, a company split agreement or a company split plan under which FromSoftware is to be the splitting company, or a share exchange agreement, share delivery plan, or share transfer plan under which FromSoftware is to be a wholly-owned subsidiary is approved by resolution of the general meeting of shareholders (or if a resolution is made by FromSoftware's Board of Directors in the case when the approval of the FromSoftware's general meeting of shareholders is not required), FromSoftware may acquire all share acquisition rights without consideration on a date to be separately determined by the Board of Directors of FromSoftware.

(2) If a holder of the share acquisition rights becomes unable to exercise the share acquisition rights before he/she exercises the share acquisition rights under the provisions of 3. (6) above, FromSoftware may acquire the share acquisition rights that the share acquisition rights holder is not able to exercise without consideration upon arrival of the date separately determined by FromSoftware's Board of Directors (for the avoidance of doubt, unless share acquisition rights are extinguished under Article 287 of the Companies Act).

6. Handling of share acquisition rights at the time of organizational restructuring

If FromSoftware conducts a merger (limited to the case where FromSoftware is dissolved due to the merger), an absorption-type or incorporation-type company split, or a share exchange or transfer (collectively, the "Reorganization"), FromSoftware shall, in each of the above cases, allot share acquisition rights of the relevant company from among those listed in "a" through "e" of Article 236, Paragraph 1, Item 8 of the Companies Act (the "Reorganized Company") to the holders of the share acquisition rights as of the effective date of the relevant Reorganization. Provided, however, the foregoing shall be on the condition that the allotment of such share acquisition rights by the Reorganized Company in accordance with each of the following items is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(1) Number of share acquisition rights of the Reorganized Company to be delivered

The same number as the number of share acquisition rights held by the holder of the share acquisition rights shall be allotted in each case.

(2) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

Shares of common stock of the Reorganized Company

(3) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

It shall be determined in accordance with 3. (1) above, taking into consideration the terms and conditions of the Reorganization.

(4) Value of property to be contributed upon exercise of each share acquisition right

The value of the property to be contributed when a delivered share acquisition right is exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares in the Reorganized Company underlying the share acquisition right that is determined in 6. (3) above. The exercise price after reorganization shall be 1 yen per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

(5) Exercise period of share acquisition rights

The period shall be from the first day of the exercise period specified in 3. (3) above or the effective date of the Reorganization, whichever comes later, to the last day of the exercise period specified in 3. (3) above.

(6) Matters concerning increase in share capital and legal capital surplus upon issuance of shares through the exercise of share acquisition rights

They shall be determined in accordance with 3. (4) above.

(7) Restriction on acquisition of share acquisition rights by transfer

Restriction on the acquisition of the share acquisition rights through transfer requires approval by resolution of the Board of Directors of the Reorganized Company (or the shareholders' meeting if the Reorganized Company does not have any Board of Directors).

(8) Other conditions for exercise of share acquisition rights

They shall be determined in accordance with 3. (6) above.

(9) Grounds and conditions for acquisition of share acquisition rights

Matters shall be determined in accordance with 5. above.

(10) Other conditions are determined according to the conditions for the Reorganized Company.

7. Matters related to share acquisition right certificates for the share acquisition rights

FromSoftware shall not issue share acquisition right certificates for the share acquisition rights.

8. Other

FromSoftware shall replace terms in provisions of this outline or take other necessary actions if the Companies Act or other relevant laws are amended.

9. Subscription date

April 7, 2024