

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is an English translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall prevail.

Securities Code: 9468

June 2, 2017

To Our Shareholders

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

NOTICE OF THE 3RD 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 3rd 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 the 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 21, 2017 (JST) or access the website for the exercise of voting rights (<http://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 21, 2017 (JST).

Very truly yours,

Details

- 1. Date:** 10:00 a.m. on Thursday, June 22, 2017
(The reception of participants in the meeting will begin at 9:00 a.m.)
- 2. Place:** "Orion," 5th floor of 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 3rd fiscal year (from April 1, 2016 to March 31, 2017)
 2. Presentation of the Non-consolidated Financial Statements for the 3rd fiscal year (from April 1, 2016 to March 31, 2017)

Proposals to be acted upon:

Proposal: To Elect Seven (7) Directors

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.

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- If you attend the meeting in person, please present the enclosed voting rights exercise form at the reception desk upon your arrival. For the purpose of saving resources, please be sure to bring this notice with you.
 - Any changes in the Reference Materials on the General Meeting of the Shareholders, Business Report, or consolidated or non-consolidated financial statements will be reported on the Company's website (<http://info.kadokawadwango.co.jp/ir/soukai.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, 2016 to March 31, 2017]

1. Overview of Business

(1) Progress and Results of Business

The Group (the Company, and its subsidiaries and associated companies) aims to turn itself into a corporate entity like no other in the world, a platform holder that enhances the value of all types of content, by bringing together the creativity of KADOKAWA CORPORATION, a publisher committed to becoming a comprehensive media company, and DWANGO Co., Ltd., an IT specialist committed to integrating the Internet and the real world.

In the Internet service market, a competitive environment that is continually changing with the daily launch of new services, we provide unique communication platforms supported by our advanced technological capabilities in order to respond to the various needs of customers. As content tied in with real-world events creates unique cultures and more and more user-generated content (UGC) is being produced, we leverage our planning and editing capabilities gained through publishing, as well as video and game production, to create appealing content and make it available across the entire media spectrum. We are aggressively implementing this cross-media strategy with the aim of maximizing profit.

Demands for e-book, and video streaming services overseas featuring anime and other content are rising as content is being increasingly digitized at an accelerating speed. We are working to promote sales at our overseas locations and create new businesses globally, including the inbound related businesses that provide the real experience of Japanese content, while making the most of our highly competitive content and network technologies. At the same time we are tapping into the needs of the digital native generation as we pave the way toward launching new Internet services.

Our existing Publication Business is working on a historic initiative, under which we will build a state-of-the-art factory equipped with production and logistics capabilities, which will enable us to print books on demand and by copy with high quality and at low cost (the factory is scheduled to go into full operation in April 2020). This will enable us to lower manufacturing costs and merchandise return rates, and eliminate out-of-print books, thereby preserving the value of books for a long time.

We have identified our core businesses and changed the reportable segments to Web Service, Publication, and Video and Game beginning from the current fiscal year. Portal Business, Live Business and Mobile Business, which were the reportable segments used until the previous fiscal year, are included in the Web Service Business segment. Books and IP Business and Information Media Business are included in the Publication Business segment, while Video and IP Business and Game Business are included in the Video and Game Business segment. Some of the operations that were categorized as the Information Media Business up until the previous fiscal year are included in the Others segment which is newly created.

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

In the Web Service Business, the Group hosted "Niconico Cho Kaigi 2016" in April 2016, "Niconico

Cho Kaigi (town event) 2016" in July through November, "the Animelo Summer Live 2016 – TOKI –" in August, "Niconico Music Party 2016" in November, and "Game Party 2017" in February 2017. All of these events attracted many visitors and online viewers, as we had expected, enabling us to maintain user loyalty.

The "Niconico Live Stream" and "Niconico Channel" apps were released for Niconico videos to enhance convenience for smartphone users. While the number of premium members (a prepaid membership club) decreased from the end of the previous fiscal year to 2.43 million, the number of paying members for the "Niconico Channel" reached 590 thousand shoring up revenues. The total number of plays at "RPG Atsumaru," an online community portal where people can post their original games made using "RPG Maker MV," a make-your-own-game tool developed and sold by the Group, has reached 3 million since the service was launched in November 2016.

The DWANGO JP, our music streaming service, enjoyed higher-than-projected revenues throughout the fiscal year as songs by artists belonging to Johnny & Associates, Inc., and music featured in videos that became international hits as well as popular TV dramas, attracted users.

Meanwhile, factors behind the decrease in revenues include content production costs for "Niconico Cho Kaigi 2016," which were higher those of the previous event, as well as costs for rebuilding infrastructure needed to upgrade the "Niconico" site, enhancing its image quality, and making it HTML5 ready.

As a result, net sales were 31,275 million yen, down 5.6% year on year, and segment profit (operating profit) was 2,815 million yen, down 39.3% year on year.

Despite the gradually shrinking paper-based book market, the Publication Business saw robust sales of books tied into the film, "Your Name," as well as other popular cross-media titles such as "Sword Art Online," "Kono Subarashii Sekai Ni Shukufuku Wo! (KonoSuba: God's Blessing on this Wonderful World!)," and "Re: Zero Kara Hajimeru Isekai Seikatsu (Re: Life in a Different World from Zero)." While maintaining 5,000 new titles, we have seen the genres of hit titles expand to include not only light novels, comics, and literary works, which are our forte, but also non-fiction titles such as "BURATAMORI" and children's books including "Kadokawa Manga Gakushu Series Nihon no Rekishi (KADOKAWA Manga Educational Series, The History of Japan)." An organizational structure that facilitates collaboration between sales and editing teams has been established, enabling us to produce and ship products based on projected demand. This resulted in a lower merchandise return rate, as well as a reduction in inventory and thereby improved profitability.

In the Magazine Business, to respond to a market environment with declining sales and advertising revenues, we changed our business models, such as by shifting our focus to online media. These strategies helped improve the cash flow balance.

The E-book and E-magazine Business enjoyed steady performance due to efficient campaigns in addition to a growing market.

As a result, net sales were 113,012 million yen, up 7.4% year on year, and segment profit (operating profit) was 8,342 million yen, up 32.8% year on year.

The Video and Game Business saw strong performance by "Your Name," which generated huge box office earnings, as well as "Sadako vs. Kayako," "Silence," and "Satoshi: A Move for Tomorrow." Domestic sales of video software packages for anime works such as "Aria the Origination," "Joker

Game," and "Strike Witches" were stable. At the same time, license revenues from "Bungo Stray Dogs," "Hand Shakers," "New Game!," and "Saga of Tanya the Evil," and other works, grew overseas.

The Game Business saw healthy sales of "Re: Zero Kara Hajimeru Isekai Seikatsu -Death or Kiss- (Re: Life in a Different World from Zero –DEATH OR KISS–).," a cross-media work, "Danganronpa," "The Witcher" series, and the downloadable content of "DARK SOULS III," along with upbeat royalty revenues. Despite these developments, profits were lower than projected due to sluggish sales of social game titles.

As a result, net sales were 44,402 million yen, up 0.3% year on year, and segment profit (operating profit) was 3,312 million yen, down 8.4% year on year.

In Others businesses segment, major contributors to sales were e-commerce of character goods and idol CDs, sales of content based on anime and the "Niconico" site, copyright royalty income, and revenues from the operation of schools that develop promising human resources in the creative field in Japan and overseas. Costs incurred for developing inbound-related businesses, which are expected to be the Group's key growth driver, and conducting related research, are also included in the Others segment. As a result, net sales were 20,209 million yen, down 5.3% year on year, and segment loss (operating loss) was 1,635 million yen, compared to an operating loss of 1,011 million yen for the previous fiscal year.

As a result, the Group's consolidated performance in the current fiscal year consisted of net sales of 205,717 million yen, up 2.4% year on year, operating profit of 8,419 million yen, down 7.7% year on year, ordinary profit of 7,407 million yen, down 27.3% year on year, and profit attributable to owners of parent of 5,767 million yen, down 15.8% year on year.

(2) Status of the Group's Capital Investment

1) Overview of the Group's Capital Investment

In the current fiscal year, the Group's total amount of capital investment was 7,125 million yen. The main capital investments by business segment are listed below.

Business segment	Amount	Description
Web Service Business	2,025 million yen	Cost for upgrade of server and new system development for video community services, etc.
Publication Business	3,812	Book production equipment and extension of functionality for own e-book site, etc.
Video and Game Business	259	Purchase of facilities and equipment for development, extension of studio facilities, etc.
Others	384	Facility to operate school for education business, mold for development of goods, etc.
Group Overall (in common)	642	In-house system development, office construction, purchase of equipment, etc.
Total	7,125	

Note: Capital investment includes value of software and software in progress among intangible assets as well as property, plant and equipment.

2) Plans for Construction of New Facilities (As of March 31, 2017)

The following changes have been made to plans to construct new principal facilities outlined in the plans announced at the end of the previous fiscal year.

1. Changes to Plan

Concerning the project planned by consolidated subsidiary KADOKAWA CORPORATION to construct a book production and distribution base in Tokorozawa City, Saitama Prefecture, although the investment allocated for the book production and distribution center was capped at 15.5 billion yen in the initial plan, this amount has been changed to 24.6 billion yen as a result of a further examination of the business activities, the expected redeemable amount and the construction costs including the common-use portions.

2. Newly Determined Construction of New Facilities

Consolidated subsidiary KADOKAWA CORPORATION plans to construct new offices "Tokorozawa Campus" linked to the book production and distribution base currently being planned in Tokorozawa City, Saitama Prefecture, which will be a content development base where there will be an emphasis on working-style reform and global orientation (budgeted investment of 6.4 billion yen). In addition to these new offices, KADOKAWA CORPORATION also plans to construct facilities to house an inbound business it will newly launch (budgeted investment of 8.9 billion yen).

The above investment will be funded from internal funds and no new financing will be made.

The construction start dates for all projects will be February 2018, and business operations are scheduled to commence at these sites in April 2020.

(3) Status of the Group's Financing

- 1) The Company and its consolidated subsidiaries, KADOKAWA CORPORATION and DWANGO Co., Ltd., raised a total of 50 billion yen through long-term loans payable from more than one bank for the purpose of securing long-term working capital in the light of the current market interest rate.
- 2) KADOKAWA CORPORATION repaid outstanding loans from financial institutions in a lump sum ahead of their deadlines (10 billion yen in total, due March 2019) and canceled its commitment line contract (maximum 15 billion yen, no loans taken out, due March 2018), in order to reduce financial expenses.

Likewise DWANGO Co., Ltd. canceled its commitment line contract (maximum 10 billion yen, no loans taken out, due August 2016).

(4) Issues to Be Addressed by the Group

Looking at the market conditions that affect the Group's operations, while the publishing market is shrinking, 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 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.

The status and challenges by business segment are as follows.

1) Web Service Business

The Group will provide unique and attractive service content in its "Niconico" service activities by employing innovative ideas and a high level of network technical capabilities. To achieve these aims, the Group has migrated the "Niconico" site to a new infrastructure. As a result, the Group is now able to reinforce and enhance "Niconico" functions quickly. The new "Niconico" site called "Niconico Crescendo" is scheduled to be launched in the fiscal year ending March 2018. The Group plans to release unique services under the banner of "Niconico" with the aim of further improving its value and customer recognition as a network entertainment platform.

In addition, the Group aims to create entertainment in a new form where users can experience "Niconico" content in real-time through "Niconico Cho Kaigi" (general event), "Niconico Cho Party," "Niconico Cho Kaigi" (town event), "Tokaigi," "Niconico Honsha," and "Nicofarre" next generation live house. We will work to improve user loyalty, as well as user recognition of "Niconico" services by performing various event activities. On the "DWANGO JP" site, the Group will go ahead with the launch of new service content for smartphones 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.

2) Publication Business

The Group will continue to work on robust IP creation, while strengthening cross-media strategies and further improving the merchandise return rate. Moreover, in addition to works by veteran authors and popular authors, the Group will continue to focus on discovering new authors through variety of awards such as "Dengeki Taisho" and "Entame Taisho," as well as discovering original works through the novel submission site "KAKUYOMU" and other websites.

With regard to improving the merchandise return rate, the Group will adopt state-of-the-art digital equipment combining production and logistics capabilities, with the aim of putting them into operation in April 2020. The new equipment will enable the Group to build an optimal production process and logistics system for a one-stop-shop operation that includes everything from order taking to the rapid production and shipment of books. Realizing the small-lot production of books, as well as optimal production and delivery, the Group will reduce printing, materials, and other direct production costs, while improving the merchandise return rate, all with the aim of achieving growth in profitability. At the same time, the Group will work with overseas locations and their subcontractors that have such equipment 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 e-book points and strategies for unique value-added services, pursuing a steady trend of high growth and profitability in "BOOK☆WALKER."

In the Magazine Business, the Group will implement drastic structural reforms, including a shift to digitalization, diversification of income streams.

3) Video and Game Business

In the Video Business, the Group will work on turning the extensive group IPs created by books 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 boost sales of copyrights in overseas markets. In the Game Business, while focusing on the planning, development, and sale of original game software packages, the Group will work to optimally allocate management resources within the Group and pursue flexible business strategies to enhance its competitiveness and brand power, in order to respond to market environments where service platforms are becoming more varied and advanced with increasingly diverse user needs for handheld game consoles, mobile game devices, smartphones, etc.

(5) Status of Assets and Profit and Loss

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

Division	1st fiscal year (ended in March 2015)	2nd fiscal year (ended in March 2016)	3rd fiscal year (current fiscal year) (ended in March 2017)
Net sales (million yen)	100,566	200,945	205,717
Ordinary profit (million yen)	2,472	10,189	7,407
Profit attributable to owners of parent (million yen)	14,055	6,845	5,767
Basic earnings per share (yen)	200.03	99.12	85.03
Total assets (million yen)	205,673	201,609	246,949
Net assets (million yen)	104,248	104,526	111,724
Net assets per share (yen)	1,457.83	1,529.43	1,620.10

Note: The 1st fiscal year since the Group's establishment covers the six months from October 1, 2014 to March 31, 2015.

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

Division	1st fiscal year (ended in March 2015)	2nd fiscal year (ended in March 2016)	3rd fiscal year (current fiscal year) (ended in March 2017)
Operating revenue / Net sales (million yen)	1,617	8,985	8,815
Ordinary loss (million yen)	(391)	(584)	(335)
Profit (loss) (million yen)	2,157	(744)	(312)
Basic earnings (loss) per share (yen)	30.03	(10.77)	(4.61)
Total assets (million yen)	100,877	96,695	110,564
Net assets (million yen)	89,578	83,266	81,678
Net assets per share (yen)	1,263.94	1,228.30	1,203.98

Notes: 1. The 1st fiscal year since the Company's establishment covers the six months from October 1, 2014 to March 31, 2015.

2. In comparison with the figures of the 1st fiscal year, the Company's assets along with its profit and loss in the subsequent fiscal years varied substantially. This is a result of the Company having taken over certain business operations of consolidated subsidiary KADOKAWA CORPORATION through a company split, and its transition to an operating holding company structure from a pure holding company structure.

(6) Status of Important Subsidiaries

Company name	Capital stock (million yen)	Company's ratio of voting rights (%)	Principal business
DWANGO Co., Ltd.	10,616	100.0	Web Service Business, etc.
KADOKAWA CORPORATION	29,210	100.0	Publication Business, Video and Game Business, etc.
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
Building Book Center Co., Ltd.	320	100.0	Publication Business
BOOK WALKER 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
EIGA WALKER INC.	100	86.9	Video and Game Business
Kadokawa Games, Ltd.	335	82.6	Video and Game Business
FromSoftware, Inc.	268	100.0	Video and Game Business
Chara-Ani Corporation	465	76.3	Others
KADOKAWA HOLDINGS ASIA LTD.	206 (million HK dollars)	100.0	Others
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. Mainichi Ga Hakken Inc. (formerly K. Sense Co.) is now included among important subsidiaries because it significantly expanded its operations when it took over some of KADOKAWA CORPORATION's publication and other businesses through a absorption-type split on October 1, 2016.

3. On May 1, 2016, the Company acquired 51.0% of the shares of YEN PRESS, LLC (Delaware, U.S.) and made it a consolidated subsidiary.

4. 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	110,564 million yen

DWANGO Co., Ltd. was excluded from designated wholly owned subsidiaries because the book value of its shares was not more than one fifth of the Company's total assets.

(7) Status of the Transfer and Acquisition of Business, Split-ups and Mergers and the Acquisition or Disposal of Shares, etc., of Other Companies

On May 1, 2016 the Company, through its consolidated subsidiary KADOKAWA PICTURES AMERICA, INC. (Delaware, U.S.), acquired 51.0% of the shares of YEN PRESS, LLC (Delaware, U.S.), thus making it a subsidiary.

(8) Principal Business (as of March 31, 2017)

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

(9) Principal Offices and Plants (as of March 31, 2017)

1) The Company

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

2) Subsidiaries

Name	Address
DWANGO Co., Ltd.	Chuo-ku, Tokyo
KADOKAWA CORPORATION	Chiyoda-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, 2017)

1) Employees in the Group

Business segments	Number of employees	
Web Service Business	786	(133)
Publication Business	1,588	(1,073)
Video and Game Business	674	(224)
Others	381	(211)
Group Overall (in common)	750	(371)
Total	4,179	(2,012)

- 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 part-time employees (fixed-term contracted employees, dispatched employees) is shown in parentheses separately from the yearly average number of 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
262 (147) persons	41.3 years of age	2.2 years

Business segments	Number of employees
Publication Business	68 (102)
Others	13 (2)
Group Overall (in common)	181 (43)
Total	262 (147)

- Notes: 1. During the current fiscal year, the Company did not see any significant change in the number of employees (including part-time employees), which decreased by 5 to total 409.
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 part-time employees (fixed-term contracted employees, dispatched employees) is shown in

- parentheses separately from the yearly average number of employees.
4. The average length of service was counted from October 1, 2014, when the Company was established.

(11) Status of Principal Lenders (as of March 31, 2017)

Lender	Amount borrowed (million yen)
Sumitomo Mitsui Banking Corporation	27,616
Mizuho Bank, Ltd.	24,229
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,042
Resona Bank, Limited	2,400

2. Status of the Company

(1) Status of Shares (as of March 31, 2017)

- 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 1,292,214 shares)
- 3) Number of shareholders: 30,715 persons
- 4) Major shareholders (top ten)

Name	Number of shares held (thousand shares)	Ratio of equity participation (%)
Nobuo Kawakami	5,687	8.17
Japan Trustee Services Bank, Ltd. (Trust Account)	3,750	5.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,980	4.28
Nippon Television Network Corporation	2,077	2.98
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	2,040	2.93
Nippon Life Insurance Co.	1,714	2.46
Namco Bandai Holdings Inc.	1,530	2.20
Mizuho Bank, Ltd.	1,316	1.89
GOLDMAN, SACHS & CO. REG (Permanent Agent: Goldman Sachs Japan Co., Ltd.)	1,312	1.89
NTT DOCOMO, INC.	1,204	1.73

- Notes: 1. The Company holds treasury shares of 1,292 thousand shares, which are excluded from the above list of major shareholders. Treasury shares (1,292 thousand shares) does not include 1,058 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 701 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, 2017)

Not applicable

(3) Status of Company Officers

1) Directors and Audit and Supervisory Board Members (as of March 31, 2017)

Position in the Company	Name	Responsibilities and important concurrent positions in other companies
Representative Director and Chairman of the Board	Tatsuo Sato	Director of DWANGO Co., Ltd.
Representative Director and President	Nobuo Kawakami	Representative Director and Chairman of DWANGO Co., Ltd.
Director and Adviser	Tsuguhiko Kadokawa	Chairman of the Board of KADOKAWA CORPORATION Executive President of the Kadokawa Culture Promotion Foundation President of Anime Tourism Association
Director	Takashi Araki	Representative Director and President of DWANGO Co., Ltd. Director of KADOKAWA CORPORATION
Director	Masaki Matsubara	Representative Director and President of KADOKAWA CORPORATION Director of DWANGO Co., Ltd.
Director	Hirokazu Hamamura	
Director	Takeshi Natsuno	Director of DWANGO Co., Ltd.
Director	Yuriya Komatsu	Director, CFO of DWANGO Co., Ltd.
Director	Koji Funatsu	Representative Director, Chairman and CEO of Transcosmos Inc.
Director	Koji Hoshino	President of STUDIO GHIBLI INC.
Director	Iwao Aso	Representative Director, President of ASO CORPORATION
Standing Audit and Supervisory Board Member	Yasuaki Takayama	Statutory Auditor of KADOKAWA CORPORATION
Standing Audit and Supervisory Board Member	Masahiko Hatsumoto	
Audit and Supervisory Board Member	Akira Watanabe	Partner of the Seiwa Meitetsu Law Office
Audit and Supervisory Board Member	Yuichi Suzuki	Representative partner of Yaesu Sogo Law Office

- Notes: 1. Directors Mr. Koji Funatsu, Mr. Koji Hoshino and Mr. Iwao Aso are the Outside Directors as provided for in Article 2, item 15 of the Companies Act. The situation of the important concurrent positions in other companies of each of these Outside Directors in addition to those stated above is stated in "4) Matters regarding the outside officers" below.
2. Audit and Supervisory Board Members Mr. Akira Watanabe and Mr. Yuichi Suzuki are the Outside Audit and Supervisory Board Members as provided for in Article 2, item 16 of the Companies Act. The situation of the important concurrent positions in other companies of each of these Outside Audit and Supervisory Board Members in addition to those stated above is stated in "4) Matters regarding the outside officers" below.
3. Standing Audit and Supervisory Board Member, Mr. Yasuaki Takayama has a qualification of the certified public accountant and has a considerable degree of knowledge on financial and accounting matters.

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)	11 (3)	179 million yen (21 million yen)
Audit and Supervisory Board Members (of whom outside audit and supervisory board members)	4 (2)	44 million yen (14 million yen)
Total	15	224 million yen

- Notes: 1. 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, during the three fiscal years from the relevant fiscal year until the fiscal year ending March 31, 2018, the Company shall contribute cash of up to 1.2 billion 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.
2. 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	President of STUDIO GHIBLI INC.
Director Iwao Aso	Representative Director, President of ASO CORPORATION Outside Director of NITTO CONSTRUCTION CO., LTD. Outside Director of D.A.Consortium Holdings Inc.
Audit and Supervisory Board Member Akira Watanabe	Partner, Seiwa Meitetsu Law Office Outside Director, Maeda Corporation Outside Director, MS&AD Insurance Group Holdings, Inc. Outside Auditor, Fast Retailing Co., Ltd. Outside Director, DUNLOP SPORTS CO. LTD. Director, ASIA PILE HOLDINGS CORPORATION
Audit and Supervisory Board Member Yuichi Suzuki	Representative partner of Yaesu Sogo Law Office Outside Auditor of OKAMURA CORPORATION Outside Auditor of GYOSEI Corporation Outside Director of ROCK PAINT Co., Ltd.

- Notes: 1. The Company reported Directors Mr. Koji Funatsu, Mr. Koji Hoshino and Mr. Iwao Aso, and Audit and Supervisory Board Members Mr. Akira Watanabe and Mr. Yuichi Suzuki to the 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	14 of 17 meetings held	82%	—	—
Director Iwao Aso	15 of 17 meetings held	88%	—	—
Audit and Supervisory Board Member Akira Watanabe	15 of 17 meetings held	88%	13 of 16 meetings held	81%
Audit and Supervisory Board Member Yuichi Suzuki	16 of 17 meetings held	94%	15 of 16 meetings held	94%

Note: In the current fiscal year, a total of 17 meetings of the Board of Directors (12 regular and 5 extraordinary meetings) were held. In addition to the number of Board meetings above, the Company passed one written resolution in lieu of a resolution passed at the Board of Directors meeting in accordance with the provision stipulated in Article 370 of the Companies Act. In the current fiscal year, a total of 16 meetings of the Audit and Supervisory Board were held.

(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 of 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 of entertainment business.
- Director Mr. Iwao Aso expressed his opinions making the most of his broad experience and knowledge as a corporate manager.
- 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. Yuichi Suzuki gave advice and made proposals on compliance, etc., mainly from the specialist viewpoint of an attorney-at-law.

(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	100 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 is audited by an auditing firm, which is 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 and its subsidiaries 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. In addition, in efforts for executing rapid and satisfactory decision making, the one decision was made by means of a deemed resolution in accordance with the Companies Act.
- 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 makes 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 may be as provided for by a resolution of the Board of Directors, unless provided for otherwise by laws and regulations.

The Company will purchase treasury shares in the light of its financial standing and other condition with the aim of implementing a flexible capital policy in response to changes in the operating environment.

In accordance with this way of thinking, the Company has decided to pay a dividend of 20 yen per share for the fiscal year ended in March 2017.

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, 2017)

Item	Amount	Item	Amount
(Assets)	Millions of yen	(Liabilities)	Millions of yen
Current assets	174,880	Current liabilities	61,159
Cash and deposits	105,542	Notes and accounts payable - trade	25,862
Notes and accounts receivable - trade	40,207	Short-term loans payable	481
Inventories	16,829	Current portion of long-term loans payable	2,158
Prepaid expenses	1,532	Accounts payable - other	6,823
Deferred tax assets	5,595	Income taxes payable	1,801
Deposits paid	2,547	Advances received	7,538
Other	3,364	Deposits received	2,617
Allowance for doubtful accounts	(737)	Provision for bonuses	3,262
Non-current assets	72,068	Provision for point card certificates	90
Property, plant and equipment	35,800	Provision for sales returns	7,252
Buildings and structures	10,927	Provision for stock benefits	124
Tools, furniture and fixtures	3,074	Provision for stock benefits for directors	286
Land	20,275	Other	2,858
Construction in progress	976	Non-current liabilities	74,065
Other	545	Long-term loans payable	64,941
Intangible assets	8,379	Deferred tax liabilities	3,977
Software	5,792	Net defined benefit liability	3,331
Goodwill	925	Other	1,814
Other	1,661	Total liabilities	135,224
Investments and other assets	27,889	(Net assets)	
Investment securities	21,029	Shareholders' equity	107,130
Net defined benefit asset	55	Capital stock	20,625
Guarantee deposits	3,762	Capital surplus	63,585
Other	3,654	Retained earnings	27,808
Allowance for doubtful accounts	(613)	Treasury shares	(4,889)
		Accumulated other comprehensive income	2,778
		Valuation difference on available-for-sale securities	1,561
		Revaluation reserve for land	10
		Foreign currency translation adjustment	1,194
		Remeasurements of defined benefit plans	11
		Non-controlling interests	1,816
		Total net assets	111,724
Total assets	246,949	Total liabilities and net assets	246,949

Consolidated Statement of Income

(April 1, 2016 through March 31, 2017)

Item	Amount	
	Millions of yen	Millions of yen
Net sales		205,717
Cost of sales		145,676
Gross profit		60,040
Selling, general and administrative expenses		51,621
Operating profit		8,419
Non-operating income		
Interest income	94	
Dividend income	230	
Gain on sales of goods	199	
Insurance income	17	
Other	177	719
Non-operating expenses		
Interest expenses	98	
Share of loss of entities accounted for using equity method	535	
Contribution	989	
Foreign exchange losses	50	
Other	57	1,731
Ordinary profit		7,407
Extraordinary income		
Gain on sales of investment securities	22	
Gain on change in equity	22	44
Extraordinary losses		
Loss on valuation of investment securities	27	
Loss on valuation of membership	26	
Other	22	76
Profit before income taxes		7,375
Income taxes - current	2,259	
Income taxes - deferred	(625)	1,634
Profit		5,741
Loss attributable to non-controlling interests		25
Profit attributable to owners of parent		5,767

Consolidated Statement of Changes in Equity

(April 1, 2016 through March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	20,625	64,662	22,267	(4,896)	102,659
Changes of items during period					
Dividends of surplus		(1,378)		21	(1,356)
Profit attributable to owners of parent			5,767		5,767
Purchase of treasury shares				(1,203)	(1,203)
Disposal of treasury shares		96		1,188	1,284
Change of scope of consolidation		(34)	(226)		(261)
Capital increase of consolidated subsidiaries		234			234
Purchase of shares of consolidated subsidiaries		4			4
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1,077)	5,540	7	4,470
Balance at end of current period	20,625	63,585	27,808	(4,889)	107,130

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(496)	10	1,590	(83)	1,020	846	104,526
Changes of items during period							
Dividends of surplus							(1,356)
Profit attributable to owners of parent							5,767
Purchase of treasury shares							(1,203)
Disposal of treasury shares							1,284
Change of scope of consolidation							(261)
Capital increase of consolidated subsidiaries							234
Purchase of shares of consolidated subsidiaries							4
Net changes of items other than shareholders' equity	2,058	—	(395)	94	1,757	969	2,727
Total changes of items during period	2,058	—	(395)	94	1,757	969	7,198
Balance at end of current period	1,561	10	1,194	11	2,778	1,816	111,724

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: 46

Names of major consolidated subsidiaries

DWANGO Co., Ltd.

KADOKAWA CORPORATION

Spike Chunsoft Co., Ltd.

MAGES. Inc.

Vantan Inc.

Building Book Center Co., Ltd.

BOOK WALKER Co., Ltd.

KADOKAWA ASCII Research Laboratories, Inc.

Kadokawa Media House Inc.

Mainichi ga Hakken Inc.

KADOKAWA DAIEI STUDIO CO., LTD.

Glovision Inc.

EIGA WALKER INC.

Kadokawa Games, Ltd.

FromSoftware, Inc.

Chara-Ani Corporation

KADOKAWA TAIWAN CORPORATION (Taipei, Taiwan)

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

SMILEAXE Co., Ltd. was included in the scope of consolidation because its shares were newly acquired and it became a consolidated subsidiary.

Reinforce, Inc., which had been a major non-consolidated subsidiary in the previous fiscal year, was included in the scope of consolidation because of an increase of significance. The company was subsequently absorbed into the Company's consolidated subsidiary, DWANGO Co., Ltd., with said company as the surviving company, by an absorption-type merger. For this reason, Reinforce, Inc. was excluded from the scope of consolidation.

YEN PRESS, LLC was included in the scope of consolidation because its shares were newly acquired and it became a consolidated subsidiary.

Guangzhou Tianwen Kadokawa Animation and Comics Co., Ltd., an associated company accounted for by the equity method in the previous fiscal year, was included in the scope of consolidation because a controlling interest in the company was acquired.

KADOKAWA AMARIN COMPANY LTD., TECTECH Co., Ltd. and Cool Japan Travel, Inc. were included in the scope of consolidation because these companies were newly founded in the current fiscal year.

KADOKAWA ACADEMY SINGAPORE PTE. LTD. and eb-creative, Inc., which had been consolidated subsidiaries in the previous fiscal year, were excluded from the scope of consolidation due to liquidation.

(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 size is 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: 12

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.)

Guangzhou Tianwen Kadokawa Animation and Comics Co., Ltd., an associated company accounted for by the equity method in the previous fiscal year, was excluded from the scope of application of the equity method because a controlling interest in the company was acquired and the company became a consolidated subsidiary.

(2) Among companies accounted for by the equity method, as for CPS Co., Ltd., whose closing date is different from the consolidated balance sheet date, the tentative financial statements are used for the consolidation. As for other such companies whose closing date is different from the consolidated balance sheet, the financial statements of the respective companies are used.

(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 DWANGO Co., Ltd., KADOKAWA CORPORATION and 25 other subsidiaries, which are in the scope of consolidation, is the same as the consolidated balance sheet date.

The closing date of KADOKAWA TAIWAN CORPORATION and 18 other subsidiaries is December 31.

With regard to the consolidated subsidiaries, except for Japan Film Fund Co., Ltd., the financial statements dated as of such closing date 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., its financial statements are prepared on the basis of a provisional closing of its accounts (the closing of accounts in the 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 year end (The valuation difference is accounted for by 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

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 overseas consolidated subsidiaries

The major useful life of property, plant and equipment is as follows:

Buildings and structures: 2–50 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 at the time when such gains or losses were achieved or occurred, from the fiscal year following the fiscal year in which such gains or losses were achieved or occurred, respectively.

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 adjustments 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.

[Change in accounting policies]

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the revision to the Corporation Tax Act, the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) has been applied from the current fiscal year, and the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The effect of this change on the consolidated financial statements for the current fiscal year is immaterial.

[Additional information]

Application of ASBJ Guidance on Recoverability of Deferred Tax Assets

From the beginning of the current fiscal year, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

ESOP for employees and share-based compensation plan for directors

At the Board of Director's meeting held on May 28, 2015, the Company resolved to establish the Employee Stock Ownership Plan (the "ESOP") for employees and a share-based compensation plan for directors of the Company and its consolidated subsidiary DWANGO Co., Ltd. Additionally, at the Board of Director's meeting held on February 9, 2017, the Company resolved to establish the ESOP for employees and a share-based compensation plan for directors of the Company's consolidated subsidiary, KADOKAWA CORPORATION, and subsidiaries of KADOKAWA CORPORATION.

(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	89 million yen	(58 thousand shares)
Employees of DWANGO Co., Ltd.	175 million yen	(109 thousand shares)
Employees of KADOKAWA CORPORATION	419 million yen	(245 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 financial 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	1,088 million yen	(702 thousand shares)
Directors of DWANGO Co., Ltd.	300 million yen	(188 thousand shares)
Directors of KADOKAWA CORPORATION and subsidiaries of KADOKAWA CORPORATION	779 million yen	(455 thousand shares)

[Changes in presentation]

Consolidated Balance Sheet

"Prepaid expenses" and "Deposits paid," which were included in "Other" in Current assets in the previous fiscal year, are stated separately in the current fiscal year to enhance the clarity of the consolidated balance sheet. "Prepaid expenses" and "Deposits paid" for the previous fiscal year were 1,524 million yen and 2,347 million yen, respectively.

"Software," which was included in "Other" in Intangible assets in the previous fiscal year, is stated separately in the current fiscal year to enhance the clarity of the consolidated balance sheet. "Software" for the previous fiscal year was 5,080 million yen.

"Guarantee deposits," which was included in "Other" in Investments and other assets in the previous fiscal year, is stated separately in the current fiscal year to enhance the clarity of the consolidated balance sheet. "Guarantee deposits" for the previous fiscal year was 3,670 million yen.

"Accounts payable - other," "Income taxes payable," "Advances received" and "Deposits received," which were included in "Other" in Current liabilities in the previous fiscal year, are stated separately in the current fiscal year to enhance the clarity of the consolidated balance sheet. "Accounts payable - other,"

"Income taxes payable," "Advances received" and "Deposits received" for the previous fiscal year were 6,831 million yen, 1,623 million yen, 8,331 million yen and 3,076 million yen, respectively.

Consolidated Statement of Income

"Gain on sales of goods," which was included in "Other" in Non-operating income in the previous fiscal year, is stated separately in the current fiscal year because of the increased significance of the amount.

"Gain on sales of goods" for the previous fiscal year was 148 million yen.

[Notes to the Consolidated Balance Sheet]

1. Accumulated depreciation of property, plant and equipment: 12,432 million yen

2. Assets pledged as collateral

Cash and deposits:	20 million yen
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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	—	—	70,892,060
(Treasury shares)				
Common shares (Notes)	3,102,205	703,409	754,052	3,051,562

- Notes: 1. An increase in treasury shares resulted from an increase of 701,200 shares through a purchase based on the trust contract by the benefit trust for acquisition and management of stock and the purchase of 2,209 shares representing less than one unit.
2. A decrease in treasury shares resulted from a third-party allocation of 701,200 shares to the benefit trust for acquisition and management of stock and the delivery of 52,852 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 1,759,348 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 26, 2016	Common shares	1,378	20	March 31, 2016	June 22, 2016

Note: The total amount of dividends paid under the resolution of the Board of Directors held on May 26, 2016 included dividends of 22 million yen for the Company's shares held by the benefit trust for acquisition and management of stock.

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Amount of dividends per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 25, 2017	Common shares	1,391	Capital surplus	20	March 31, 2017	June 23, 2017

Note: The total amount of dividends paid under the resolution of the Board of Directors held on May 25, 2017 included dividends of 35 million yen for the Company's shares held by the benefit trust for acquisition and management of stock.

[Notes on financial instruments]

1. Status of financial instruments

(1) Policies on handling financial instruments

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

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

(2) Descriptions and risks of financial instruments

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

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

Loans payable, bonds 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 position 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 for mitigating the fluctuation risk of interest rates on borrowings.

The Group continuously reviews its portfolio by regularly checking the fair value and the financial situation of the issuers for securities and investment securities, and considering the relationship 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 subsidiary of the Company, has 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. Also liquidity risk is 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 the 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 value is 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	105,542	105,542	—
(2) Notes and accounts receivable - trade	40,207	40,207	—
(3) Deposits paid	2,547	2,547	—
(4) Investment securities	11,787	11,787	—
Total assets	160,085	160,085	—
(1) Notes and accounts payable - trade	25,862	25,862	—
(2) Short-term loans payable	481	481	—
(3) Accounts payable - other	6,823	6,823	—
(4) Income taxes payable	1,801	1,801	—
(5) Deposits received	2,617	2,617	—
(6) Long-term loans payable (including current portion)	67,100	67,157	57
Total liabilities	104,686	104,743	57

Notes: 1. Methods for calculating the fair value 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 value of stocks, etc., is stated using the quoted price at the stock exchange, that of bonds is stated using either the quoted price at 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. Financial instruments whose fair value is extremely difficult to determine

(Millions of yen)

Classification	Amount stated in the consolidated balance sheet
Non-listed shares	9,024
Limited partnerships for investment	117
Bonds of subsidiaries and associated companies	100

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 4,461 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	105,382	—	—	—
Notes and accounts receivable - trade	40,207	—	—	—
Deposits paid	2,547	—	—	—
Investment securities				
Available-for-sale securities with maturity (Corporate bonds)	—	100	—	—
Total	148,136	100	—	—

4. Repayment schedule for 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
Long-term loans payable (including current portion)	2,158	14,855	59	9	10,008	40,008

[Per share information]

1. Net assets per share 1,620.10 yen
2. Basic earnings per share 85.03 yen

Note: In the calculation of net assets per share, the Company's shares held by the benefit trust for acquisition and management of stock are included in treasury shares (1,759 thousand shares in the current fiscal year), which is deducted in calculating the number of shares at the fiscal year-end.

In addition, in the calculation of basic earnings per share, the said shares are included in treasury shares (1,132 thousand shares in the current fiscal year), which is deducted in calculating the average number of shares during the fiscal year.

[Notes on significant subsequent events]

Not applicable.

[Other notes]

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

Non-consolidated Balance Sheet

(As of March 31, 2017)

Item	Amount	Item	Amount
(Assets)	Millions of yen	(Liabilities)	Millions of yen
Current assets	18,733	Current liabilities	3,368
Cash and deposits	17,009	Accounts payable - trade	471
Accounts receivable - trade	1,413	Accounts payable - other	495
Finished goods	84	Accrued expenses	157
Work in process	75	Deposits received	1,708
Prepaid expenses	144	Provision for bonuses	119
Other	33	Provision for sales returns	303
Allowance for doubtful accounts	(28)	Other	111
Non-current assets	91,831	Non-current liabilities	25,517
Property, plant and equipment	1,011	Long-term loans payable	25,000
Buildings	884	Deferred tax liabilities	98
Tools, furniture and fixtures	115	Asset retirement obligations	419
Other	11	Total liabilities	28,885
Intangible assets	399	(Net assets)	
Software	398	Shareholders' equity	81,678
Other	1	Capital stock	20,625
Investments and other assets	90,420	Capital surplus	65,550
Shares of subsidiaries and associated companies	89,233	Legal capital surplus	20,625
Lease and guarantee deposits	1,178	Other capital surplus	44,925
Other	44	Retained earnings	392
Allowance for doubtful accounts	(36)	Other retained earnings	392
		Retained earnings brought forward	392
		Treasury shares	(4,889)
		Total net assets	81,678
Total assets	110,564	Total liabilities and net assets	110,564

Non-consolidated Statement of Income

(April 1, 2016 through March 31, 2017)

Item	Amount	
	Millions of yen	Millions of yen
Net sales		8,815
Cost of sales		4,005
Gross profit		4,809
Selling, general and administrative expenses		5,118
Operating loss		309
Non-operating income		
Interest income	1	
Other	0	2
Non-operating expenses		
Interest expenses	28	
Other	0	28
Ordinary loss		335
Loss before income taxes		335
Income taxes - current	4	
Income taxes - deferred	(26)	(22)
Loss		312

Non-consolidated Statement of Changes in Equity

(April 1, 2016 through March 31, 2017)

(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	46,207	66,832	705	705
Changes of items during period						
Dividends of surplus			(1,378)	(1,378)		
Loss					(312)	(312)
Purchase of treasury shares						
Disposal of treasury shares			96	96		
Total changes of items during period	—	—	(1,281)	(1,281)	(312)	(312)
Balance at end of current period	20,625	20,625	44,925	65,550	392	392

	Shareholders' equity		Total net assets
	Treasury shares	Total shareholders' equity	
Balance at beginning of current period	(4,896)	83,266	83,266
Changes of items during period			
Dividends of surplus	21	(1,356)	(1,356)
Loss		(312)	(312)
Purchase of treasury shares	(1,203)	(1,203)	(1,203)
Disposal of treasury shares	1,188	1,284	1,284
Total changes of items during period	7	(1,587)	(1,587)
Balance at end of current period	(4,889)	81,678	81,678

Notes to the Non-consolidated Financial Statements

[Significant accounting policies]

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

Shares of subsidiaries

Cost method based on the moving-average method.

(2) Valuation basis and methods for inventories

Finished goods

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

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).

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 life of property, plant and equipment is 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.

Provision for bonuses

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

Provision for sales returns

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

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

Accounting of consumption taxes, etc.

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

[Change in accounting policies]

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the revision to the Corporation Tax Act, the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) has been applied from the current fiscal year, and the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The effect of this change on the non-consolidated financial statements for the current fiscal year is immaterial.

[Additional information]

Application of ASBJ Guidance on Recoverability of Deferred Tax Assets

From the beginning of the current fiscal year, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

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."

[Changes in presentation]

Non-consolidated Balance Sheet

"Deposits received," which was included in "Other" in Current liabilities in the previous fiscal year, is stated separately from the current fiscal year because of the increased significance of the amount.

"Deposits received" for the previous fiscal year was 596 million yen.

[Notes to the Non-consolidated Balance Sheet]

1. Accumulated depreciation of property, plant and equipment 653 million yen
2. The Company's monetary claims against, and monetary liabilities for, its subsidiaries and associated companies
 - (1) Short-term monetary claims 1,430 million yen
 - (2) Short-term monetary liabilities 2,215 million yen

[Notes to the Non-consolidated Statement of Income]

The Company's transactions with its subsidiaries and associated companies

- (1) Net sales 4,375 million yen
- (2) Cost of sales 193 million yen
- (3) Selling, general and administrative expenses 358 million yen

[Notes to the Non-consolidated Statement of Changes in Equity]

Number of treasury shares

Class of shares	Number of treasury shares at the beginning of the current fiscal year	Number of treasury shares increased in the current fiscal year	Number of treasury shares decreased in the current fiscal year	Number of treasury shares at the end of the current fiscal year
Common shares	3,102,205 shares	703,409 shares	754,052 shares	3,051,562 shares

- Notes:
1. An increase in treasury shares resulted from an increase of 701,200 shares through a purchase based on the trust contract by the benefit trust for acquisition and management of stock and the purchase of 2,209 shares representing less than one unit.
 2. A decrease in treasury shares resulted from a third-party allocation of 701,200 shares to the benefit trust for acquisition and management of stock and the delivery of 52,852 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 1,759,348 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 (current)>	
Provision for sales returns	93
Provision for bonuses	36
Inventories	19
Prepaid expenses	14
Allowance for doubtful accounts	8
Other	18
Subtotal, deferred tax assets (current)	191
Valuation allowance	(191)
Total, deferred tax assets (current)	—
<Deferred tax liabilities (current)>	
Inventories	(15)
Total, deferred tax liabilities (current)	(15)
<Deferred tax assets (non-current)>	
Shares of subsidiaries and associated companies	11,934
Tax loss carry forwards	286
Asset retirement obligations	128
Allowance for doubtful accounts	11
Other	16
Subtotal, deferred tax assets (non-current)	12,377
Valuation allowance	(12,377)
Total, deferred tax assets (non-current)	—
<Deferred tax liabilities (non-current)>	
Retirement cost from asset retirement obligation	(98)
Total, deferred tax liabilities (non-current)	(98)
Net deferred tax liabilities	(114)

[Notes on transactions with related parties]

Subsidiaries and associated companies, etc.

Attribute	Name	Address	Capital (million yen)	Business	Ratio of voting rights, etc. owning (owned) (%)	Relations	Transactions	Amount of transaction (million yen)	Account item	Year-end balance (million 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 Lease of real estate Manufacture and consignment sales of products	Receipt of business advisory fee	1,114	Accounts receivable - trade	1,179
							Collection of accounts receivable-trade	4,553		
							Payment of accounts payable-trade	1,089	Accounts payable - trade	195
							Deposit of money in relation to the benefit trust for acquisition and management of stock	1,201	Deposits received	1,199
	DWANGO Co., Ltd.	Chuo-ku, Tokyo	10,616	Web Service Business, etc.	(Owner) Direct ownership: 100.0	Business advisory Officers serving concurrently Lease of real estate	Lease of real estate	1,242	Accounts receivable - trade	208

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. Collection of accounts receivable - trade, and payment of accounts payable - trade, are performed through the Company's consolidated subsidiary KADOKAWA CORPORATION on the basis of business outsourcing contracts pertaining to the manufacture and sale of the Company's products.
4. A deposit of money in relation to the benefit trust for the acquisition and management of stock refers to the depositing of money into the trust described in "[Additional information] *ESOP for employees and share-based compensation plan for directors*" in the "Notes to the Consolidated Financial Statements."
5. The rental fees of real estate are determined with reference to market prices of neighborhood.

[Per share information]

1. Net assets per share 1,203.98 yen
2. Basic loss per share 4.61 yen

(Note) In the calculation of net assets per share, the Company's shares held by the benefit trust for acquisition and management of stock are included in treasury shares (1,759 thousand shares in the current fiscal year), which is deducted in calculating the number of shares at the fiscal year-end.

In addition, in the calculation of basic loss per share, the said shares are included in treasury shares (1,132 thousand shares in the current fiscal year), which is deducted in calculating the average number of shares during the fiscal year.

[Other notes]

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 19, 2017

To the Board of Directors of
KADOKAWA DWANGO CORPORATION:

Deloitte Touche Tohmatsu LLC

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

Masaya Shibata

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

Daijiro Furutani

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, 2017 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, 2016 to March 31, 2017, 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, 2017, 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 19, 2017

To the Board of Directors of
KADOKAWA DWANGO CORPORATION:

Deloitte Touche Tohmatsu LLC

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

Masaya Shibata

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

Daijiro Furutani

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, 2017 of KADOKAWA DWANGO CORPORATION (the "Company"), and the related non-consolidated statements of income and changes in equity for the 3rd fiscal year from April 1, 2016 to March 31, 2017, 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, 2017, and the results of its 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 and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

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 3rd fiscal year from April 1, 2016 to March 31, 2017, prepared this Audit Report and hereby submit 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, 2017.

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 23, 2017

Audit and Supervisory Board, KADOKAWA DWANGO CORPORATION

Standing Audit and Supervisory Board Member	Yasuaki Takayama
Standing Audit and Supervisory Board Member	Masahiko Hatsumoto
Outside Audit and Supervisory Board Member	Akira Watanabe
Outside Audit and Supervisory Board Member	Yuichi Suzuki

Reference Materials on the General Meeting of the Shareholders

Proposal: To Elect Seven (7) Directors

The term of office of all the 11 directors will expire at the close of this General Meeting of Shareholders. At this juncture, we propose the election of 7 directors, lowering the number of directors by 4 to expedite decision making.

The candidates for directors are as follows:

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
1	Nobuo Kawakami (September 6, 1968)	<p>April 1991: Joined Software Japan Co., Ltd.</p> <p>August 1997: Representative Director and President of DWANGO Co., Ltd.</p> <p>September 2000: Representative Director and Chairman of DWANGO Co., Ltd. (present)</p> <p>June 2006: Director of Avex Group Holdings Inc.</p> <p>June 2011: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION)</p> <p>June 2013: Managing Director of khara, Inc. (present)</p> <p>June 2014: Director of BOOK WALKER Co., Ltd. (present)</p> <p>June 2014: Director of KADOKAWA ASCII Research Laboratories, Inc. (present)</p> <p>October 2014: Representative Director and Chairman of the Company</p> <p>June 2015: Representative Director and President of the Company (present)</p> <p>December 2015: Representative Director and Chairman of N-juku Co., Ltd.</p>	5,687,400 shares
<p>[Reason for nominating Mr. Nobuo Kawakami as a candidate for director]</p> <p>Mr. Nobuo Kawakami established DWANGO Co., Ltd., which is a subsidiary of the Company, and currently serves as Representative Director and Chairman of the company, playing a vital role in the management 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 gained through the management of DWANGO Co., Ltd.</p>			

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
2	Tsuguhiko Kadokawa (September 1, 1943)	<p>March 1966: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA CORPORATION)</p> <p>October 1993: Representative Director and President of Kadokawa Shoten Co., Ltd.</p> <p>July 1995: Executive President of the Kadokawa Culture Promotion Foundation (present)</p> <p>April 1999: President of Kadokawa Media (TAIWAN) Co., Ltd. (present KADOKAWA TAIWAN CORPORATION)</p> <p>June 2002: Representative Director, Chairman and CEO of Kadokawa Shoten Co., Ltd.</p> <p>August 2002: Representative Director and Chairman of Kadokawa Daiei Pictures, Inc.</p> <p>April 2003: Representative Director, President and CEO of KADOKAWA HOLDINGS, INC. (present KADOKAWA CORPORATION)</p> <p>April 2003: Representative Director, Chairman and CEO of Kadokawa Shoten Co., Ltd.</p> <p>May 2004: Representative Director and President of the Japan Video Promotion Co.</p> <p>April 2005: Representative Director, Chairman and CEO of KADOKAWA HOLDINGS, INC.</p> <p>May 2005: President, Kadokawa Holdings US Inc</p> <p>December 2005: Representative Director and Chairman of Kadokawa Mobile Inc. (present BOOK WALKER Co., Ltd.)</p> <p>June 2010: Chairman of the Board of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) (present)</p> <p>February 2013: Representative Director and President of KADOKAWA ASCII Research Laboratories, Inc. (present)</p> <p>October 2014: Director and Adviser of the Company (present)</p> <p>October 2015: Representative Director and Chairman of Tokorozawa Sakuratown Corporation (present)</p> <p>March 2017: President of Anime Tourism Association (present)</p>	976,860 shares
<p>[Reason for nominating Mr. Tsuguhiko Kadokawa as a candidate for a director]</p> <p>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.</p>			

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
3	Tatsuo Sato (September 18, 1952)	<p>May 1986: Director of Kadokawa Media Office</p> <p>June 1992: Representative Director and Managing Director of Kadokawa Media Office</p> <p>October 1992: Representative Director of MediaWorks Inc.</p> <p>June 1999: Director of Kadokawa Shoten Co., Ltd. (present KADOKAWA CORPORATION)</p> <p>April 2000: Representative Director and President of Toy's Works Inc.</p> <p>September 2000: Auditor of DWANGO Co., Ltd.</p> <p>April 2003: Representative Director and President of Character & Anime.com Corporation (present Chara-Ani Corporation)</p> <p>June 2004: Representative Director and President of MediaLeaves, Inc.</p> <p>June 2004: Representative Director and Chairman of Enterbrain, Inc.</p> <p>April 2005: Representative Director and Chairman of MediaWorks Inc.</p> <p>October 2005: Director and Chairman of Fujimi Shobo Co., Ltd.</p> <p>December 2005: Representative Director and President of Kadokawa Mobile Inc. (present BOOK WALKER Co., Ltd.)</p> <p>February 2006: Representative Director, Chairman and President of MediaLeaves, Inc.</p> <p>February 2006: Representative Director and President of ASCII Corporation</p> <p>April 2007: Representative Director and Chairman of Kadokawa Production Inc.</p> <p>April 2008: Representative Director, President of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION)</p> <p>December 2009: Director of DWANGO Co., Ltd. (present)</p> <p>October 2014: Representative Director and President of the Company</p> <p>June 2015: Representative Director and Chairman of the Company (present)</p> <p>April 2016: Chairman of KADOKAWA DWANGO educational corporation (present)</p>	194,362 shares
<p>[Reason for nominating Mr. Tatsuo Sato as a candidate for a director]</p> <p>Mr. Tatsuo Sato served 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 the business of KADOKAWA CORPORATION and its subsidiaries. It is proposed to elect Mr. Tatsuo Sato 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.</p>			

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
4	Takashi Araki (June 16, 1957)	<p>April 1981: Joined The Bank of Tokyo, Ltd. (present The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</p> <p>September 1991: Joined SPARX Asset Management Co., Ltd. (present SPARX Group Co., Ltd.)</p> <p>May 1992: Managing Director of SPARX Asset Management Co., Ltd. (present SPARX Group Co., Ltd.)</p> <p>January 1995: Representative Director and President of Interaset Co., Ltd. (present)</p> <p>September 2004: Senior Managing Director of Avex Inc. (present Avex Group Holdings Inc.)</p> <p>December 2006: Director of DWANGO Co., Ltd.</p> <p>May 2009: Representative Senior Managing Director of Avex Group Holdings Inc.</p> <p>April 2010: Representative Director and President of Executive Director of Avex International Holdings Ltd.</p> <p>July 2012: Chief Operating Officer (COO) of DWANGO Co., Ltd.</p> <p>December 2012: Representative Director and President of DWANGO Co., Ltd. (present)</p> <p>December 2012: Director of Spike Chunsoft Co., Ltd. (present)</p> <p>December 2013: Director of MAGES. Inc. (present)</p> <p>October 2014: Director of the Company (present)</p> <p>December 2014: Director of Vantan Inc. (present)</p> <p>June 2015: Director of KADOKAWA CORPORATION (present)</p>	56,200 shares
<p>[Reason for nominating Mr. Takashi Araki as a candidate for a director]</p> <p>Mr. Takashi Araki currently serves as Representative Director and President of DWANGO Co., Ltd., which is a subsidiary of the Company. He also served as Director of DWANGO Co., Ltd. and its subsidiary, being well versed in the business of those companies. It is proposed to elect Mr. Takashi Araki 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 DWANGO Co., Ltd. and its subsidiary.</p>			

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
5	Masaki Matsubara (April 11, 1953)	<p>April 1999: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA CORPORATION)</p> <p>October 2004: Representative Director and President of SS Communications Inc.</p> <p>July 2009: Representative Director and President of K. Sense Co.</p> <p>September 2009: Representative Director and Chairman of K. Sense Co.</p> <p>June 2010: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION)</p> <p>April 2014: Representative Director, President of KADOKAWA CORPORATION (present)</p> <p>October 2014: Director of the Company (present)</p> <p>April 2015: Director of KADOKAWA DAIEI STUDIO CO., LTD. (present)</p> <p>April 2015: Director of Glovision Inc. (present)</p> <p>April 2015: Director of Kadokawa Games, Ltd. (present)</p> <p>April 2015: Director of K. Sense Co. (present Mainichi ga Hakken Inc.) (present)</p> <p>April 2015: Director of BOOK WALKER Co., Ltd. (present)</p> <p>April 2015: Director of Chara-Ani Corporation (present)</p> <p>June 2015: Director of DWANGO Co., Ltd. (present)</p> <p>July 2015: Representative Director and President of Tokorozawa Sakuratown Corporation</p> <p>October 2015: Director of Tokorozawa Sakuratown Corporation (present)</p>	22,181 shares
<p>[Reason for nominating Mr. Masaki Matsubara as a candidate for a director]</p> <p>Mr. Masaki Matsubara currently serves as Representative Director, President of KADOKAWA CORPORATION, which is a subsidiary of the Company. He also served as Representative Director of subsidiaries of KADOKAWA CORPORATION, being well versed in KADOKAWA CORPORATION and its subsidiaries. It is proposed to elect Mr. Masaki Matsubara as a director of the Company because the Company judges that he would perform his duties appropriately as a director of the Company by leveraging his abundant experience and extensive knowledge gained as a corporate manager in the management of KADOKAWA CORPORATION and its subsidiaries.</p>			
6	Koji Funatsu (March 18, 1952)	<p>April 1981: Joined Recruit Co., Ltd. (present Recruit Holdings Co., Ltd.)</p> <p>April 1998: Joined Transcosmos Inc.</p> <p>June 1998: Managing Director of Transcosmos Inc.</p> <p>June 1999: Senior Managing Director of Transcosmos Inc.</p> <p>December 1999: Director of Kadokawa Interactive Media Co., Ltd.</p> <p>April 2000: Representative Director and Vice-president of Transcosmos Inc.</p> <p>September 2002: Representative Director, President and CEO of Transcosmos Inc.</p> <p>June 2003: Representative Director, Chairman and CEO of Transcosmos Inc. (present)</p> <p>June 2005: Auditor of Walker Plus Co.</p> <p>November 2005: Auditor of Chara-Ani Corporation</p> <p>June 2006: Director of Kadokawa Cross Media Co.</p> <p>June 2006: Director of Kadokawa The Television Co.</p> <p>June 2008: Director of Kadokawa Marketing Co., Ltd.</p> <p>June 2009: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION)</p> <p>October 2014: Director of the Company (present)</p>	0 shares
<p>[Reason for nominating Mr. Koji Funatsu as a candidate for an outside director]</p> <p>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 outside director of the Company will be about two 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.</p>			

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Company and important concurrent positions in other companies	Number of the Company's shares held
7	Koji Hoshino (May 7, 1956)	<p>January 1983: Joined Armstrong Inc. (USA)</p> <p>January 1990: Joined The Walt Disney Company (Japan) Ltd.</p> <p>February 1993: Representative of Disney Home Video Japan Home Video Division</p> <p>January 1995: Vice President of The Walt Disney Company</p> <p>January 1998: Senior Vice President of The Walt Disney Company</p> <p>January 2000: Senior Executive Vice President of The Walt Disney Company</p> <p>January 2000: Representative Director and President of The Walt Disney Company (Japan) Ltd.</p> <p>June 2007: Representative Director and Chairman of The Walt Disney Company (Japan) Ltd.</p> <p>January 2008: President of STUDIO GHIBLI Inc. (present)</p> <p>January 2013: Director of DWANGO Co., Ltd.</p> <p>October 2014: Director of the Company (present)</p>	0 shares
<p>[Reason for nominating Mr. Koji Hoshino as a candidate for an outside director]</p> <p>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 two 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.</p>			

- Notes: 1. Of the candidates for directors, Messrs. Koji Funatsu and Koji Hoshino are candidates for outside directors as provided for in Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.
2. Of the candidates for directors, Messrs. Koji Funatsu and Koji Hoshino 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
 - 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
3. There are no special interests between the Company and the candidates for directors.
4. 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.