

About Our Tokorozawa Project

December 22, 2016

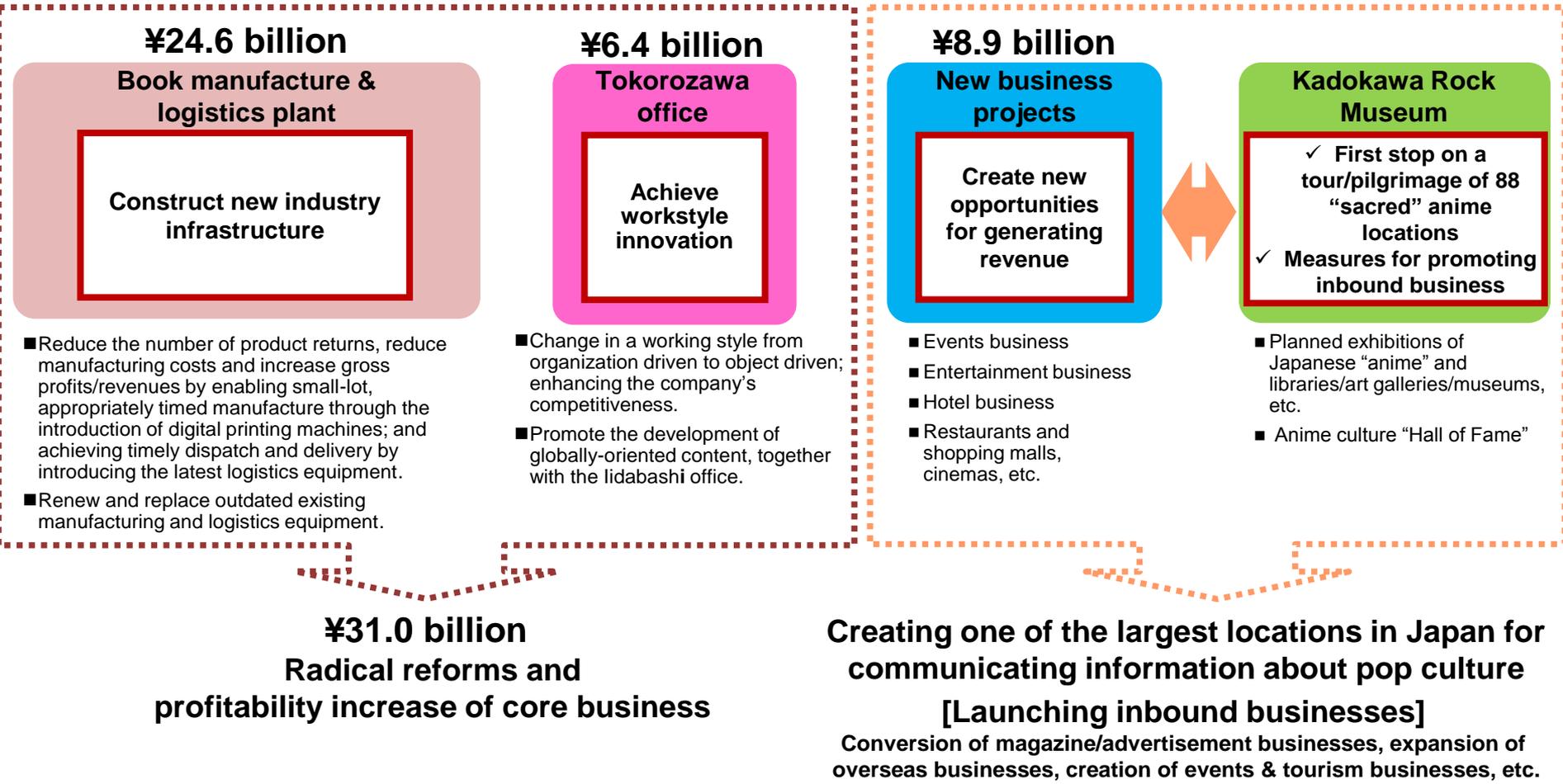
KADOKAWA CORPORATION

1. Project Outline

This project consists of three investments: (1) Construction of a book manufacture and logistics plant equipped with the latest cutting-edge digital equipment; (2) the realization of workstyle reform and construction of a new office, as a development location for globally geared content; and (3) construction of inbound business project locations for inbound projects in cooperation with the new cultural projects being advanced by the Kadokawa Culture Promotion Foundation.

Sum of investment by Kadokawa: 39.9 billion yen

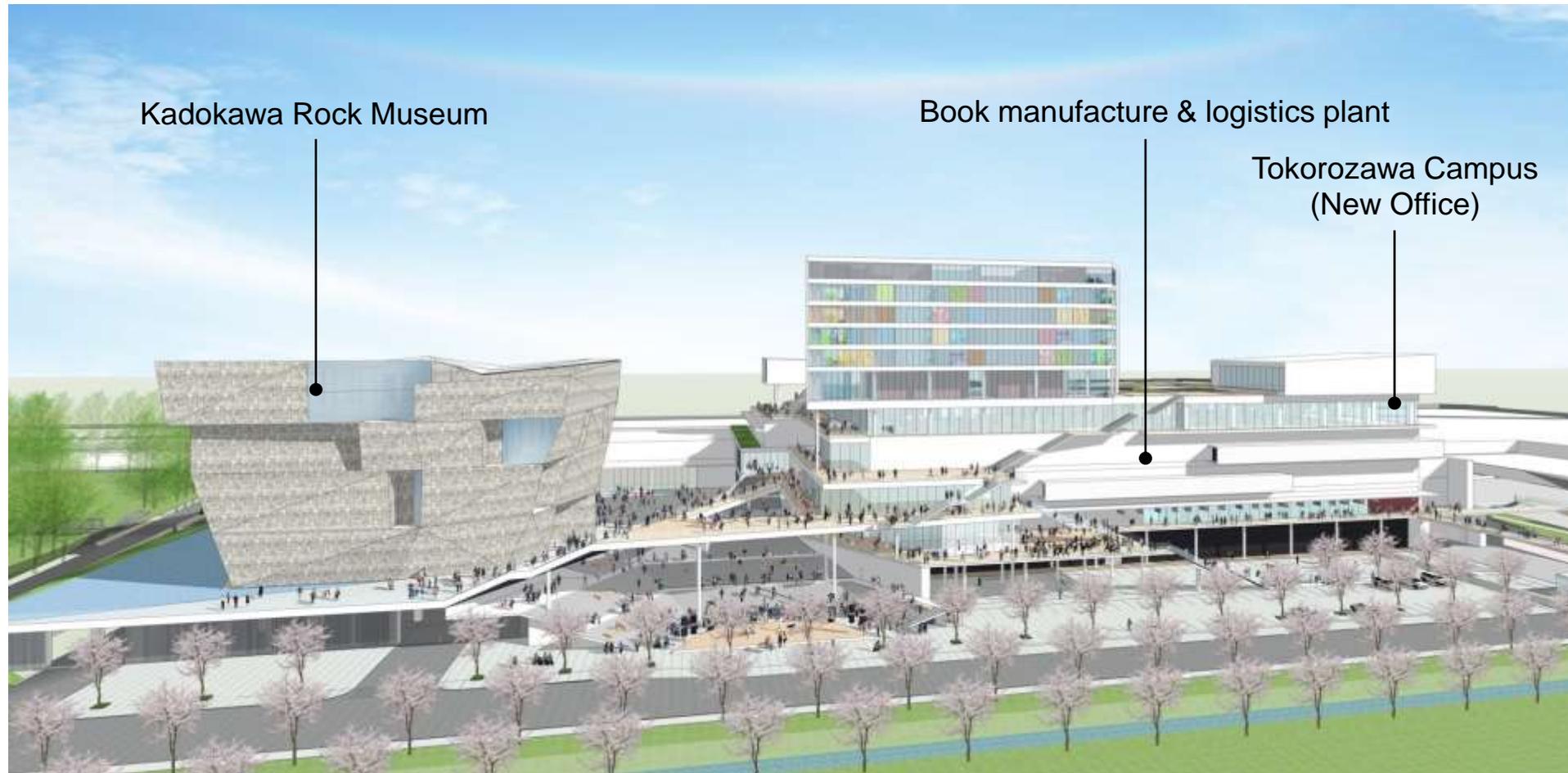
Foundation contributions



¥31.0 billion
Radical reforms and profitability increase of core business

Creating one of the largest locations in Japan for communicating information about pop culture
[Launching inbound businesses]
Conversion of magazine/advertisement businesses, expansion of overseas businesses, creation of events & tourism businesses, etc.

2. Illustrative Image of Tokorozawa Sakura Town (provisional name)



Location: 3-31-3 & 3-31-11 Higashi Tokorozawa Wada, Tokorozawa-city, Saitama
Site area: 37,382m², Construction area: approx. 25,000m², Floor area: approx. 84,000m²

3. Initial Investment Amounts & Project Budget Plan for the Tokorozawa Project

Units: billion yen

(1) Initial investment amounts and project budget plan

	Book manufacture & logistics plant	Tokorozawa Campus	New business projects	Total
Initial investment	24.6	6.4	8.9	39.9
EBITDA (10 year cumulative total)	^{*1} 24.6	^{*2} 9.7	6.1	40.4

Investment payback period after opening:

9.9 years

*1: Amount of impact to EBITDA due to operation of book manufacturing and logistics plant

*2: Estimated EBITDA difference between predicted costs for the Tokorozawa Campus and existing costs for current rental offices.

(2) Investment funding

Investments for the Tokorozawa project will be entirely covered by self-funding. No new borrowing will be carried out.

4. Background & Significance of the Tokorozawa Project

Background	Book business	<ul style="list-style-type: none"> ■ The global trend towards unified-manufacture-and-sales type book-on-demand services and the trend of recovery in the North American book market ■ Firm establishment of a cycle for creating hit titles in KADOKAWA's book business, which is the company's core business ■ Constructing new equipment infrastructure is an urgent task due to antiquation of existing manufacturing & logistics plant equipment
	How we work	<ul style="list-style-type: none"> ■ The advance of population aging and low birth rates, and social demands for improved work-life balance and workplace diversity ■ Increasing demands for BCP (Business Continuity Plans) after the occurrence of earthquakes ■ The necessity for a creative office environment appropriate for the development of globally-oriented content
	New business projects	<ul style="list-style-type: none"> ■ The shift of rapidly-increasing inbound demand towards cultural experience and regional tour/excursion-type services as Japan heads towards the 2020 Tokyo Olympic Games approaches ■ Consumers' appetite for "real" content experiences, of the type seen in pilgrimages to anime "sacred" places ■ National and local government support for Cool Japan hub/location projects (Tokorozawa, Haneda, Takeshiba)
Significance	<p>Tokorozawa is (1) situated in a prime location within one-hour's travel of the Greater Tokyo Area; (2) equipped with sufficiently wide spaces to resolve the three issues listed above all at once; (3) a place in which we have successfully built a closely-knit relationship with the city; and (4) a place that offers the possibility of new regional branding.</p> <p>The objectives of the project are to:</p> <ul style="list-style-type: none"> ■ Construct a digital manufacturing and logistics/distribution platform that will contribute to the entire publishing industry ■ Create next-generation competitiveness through workstyle innovation ■ Create new revenue opportunities (i.e. inbound business) through real content experiences 	

○ KADOKAWA Tokorozawa project



○ Haneda Airport Site Zone 1 Development



Image of the Haneda Global Alliance Center (as envisaged upon completion)

○ Takeshiba CIP Project



5. Book Manufacture & Logistics Plant (background & purpose)

Background

- Constructing new equipment infrastructure is an urgent task due to antiquation of existing equipment
- Books are the root source of content, and the starting point for development of other/mixed media. They are therefore important, regardless of the market shrink. We are to maintain a total of 5,000 new publications per year.
- Evolution of digital printing technologies

Purpose

- **Fast delivery and clarification of delivery deadlines**
Clarification of delivery times/deadlines and instant dispatch with respect to orders placed by stores
→ Resolve issues of predicted order and predictive manufacturing and respond to user demands for shorter delivery period
- **Timely manufacture of appropriate quantities of products**
Offer instant manufacture from quantities of 1 book upwards, enabling consumers to order products even when they are out of stock (digital POD)
→ Shift to small-lot book sale and manufacture, respond to user demands for shorter delivery period and resolve issues of predicted order and predictive manufacturing
- **Information linkage between book manufacture and logistics plant**
Achieve linkage between manufacture, sale and distribution functions
→ In order to achieve unified manufacture-and-sale type distribution reforms

Benefits

- **Reduction in numbers of products returned** achieved by fastest-possible delivery and optimal shipping/dispatch
- **Prevention of missing sales opportunities** by significant shortening of out-of-stock periods
- **Suppression of over-manufacture and reduction of cost prices** by optimal-quantity manufacturing
- **Reduction of stock inventory volumes** through timely manufacture

Maximize sales and improve profit margins

6. Tokorozawa Office Concept (1)

New work-life integration initiatives, beginning with Sakura Town

- Added to our highly-convenient Iidabashi Campus, the new Tokorozawa Campus (approx. 9,900m²) will be one of the largest-scale one-floor office spaces in Japan, and will provide an excellent workplace environment that is rarely seen, even on a worldwide scale.
- As manpower becomes more difficult to secure due to factors such as the aging population and declining birthrate, childcare in households with working parents, the increasing people in need of nursing care, and demand for reductions in working hours; KADOKAWA is **working to achieve progressive, forward-thinking workstyle innovation** in its original way.

Becoming a leading company for workstyle innovation in Japan

- In its spacious (approximately 9,900m²) single-floor creative environment equipped with the latest office capabilities, KADOKAWA will work to **promote the development of globally-oriented content**; and to become a world-class **global entertainment company**.
- Achieving diverse working styles and work-life balance
KADOKAWA will seek to achieve radical workstyle reform by creating an environment that enables selection of the optimal workstyles and workplaces based on the objective at hand, without limitations in terms of place or working style; and to **create next-generation competitiveness** by improving both work-life balance and productivity.
- Cutting-edge office design that encourages co-creation that gives rise to innovation, and **enables diverse working styles**.
- Recruitment of excellent human resources, and **fostering a corporate culture and atmosphere** that will enable the next generation of potential employees to **feel the value of working at KADOKAWA**.

Business Continuity Planning (BCP) & Corporate Social Value (CSV)

- Having multiple business locations will increase the number of alternatives for KADOKAWA in times of disaster, and **enable the formulation of a more robust BCP**.
- By forming an integrated community of the local and the company, KADOKAWA aims not only to increase its corporate value, but also to increase the social value of the local community as a whole.

New work-life integration initiatives, beginning with Sakura Town

Business Continuity Planning (BCP) & Corporate Social Value (CSV)



Nearby suburbs



City center



Cooperative work
with outside
companies

Telework

Working
from home

Satellite
offices

Becoming a leading company for workstyle innovation in Japan

8. Launching Inbound Business Projects

Collaboration with overseas locations



Launching inbound businesses

- 1) Global expansion through collaboration between Japanese & overseas business locations
- 2) Shift to digital-type model for "Walker" business (existing printed magazines)
- 3) Events & entertainment businesses
- 4) Restaurant & IP hotel businesses
- 5) Expansion of merchandising business
- 6) Tourism planning & tourist information businesses

Collaboration with other companies' brands



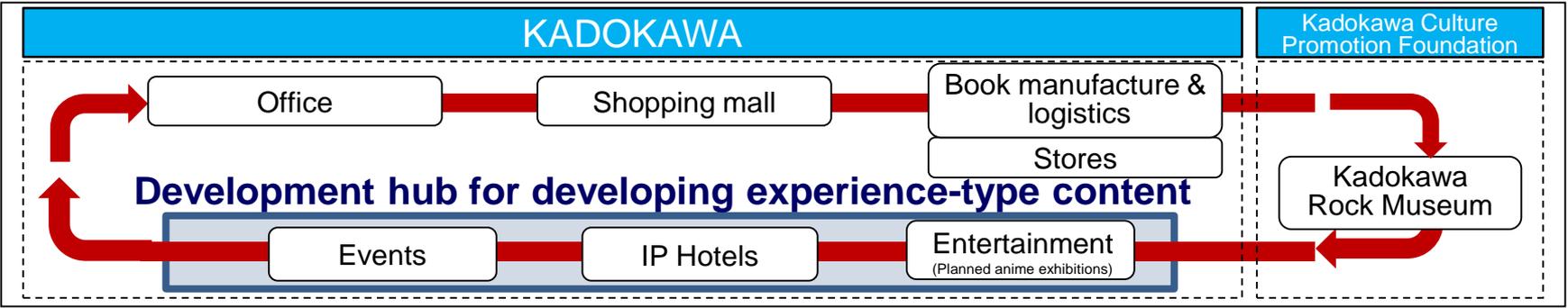
9. Outline of New Business Projects

KADOKAWA

- Intellectual properties (IP) accumulated over 70 years since the company's foundation
 - Know-how and ideas of 2,700 employees
- Capabilities to publish 5,000 titles (books, etc.,) per year
 - Mixed media IP promotion/communication capabilities

Cross-matching hub for people, things & information

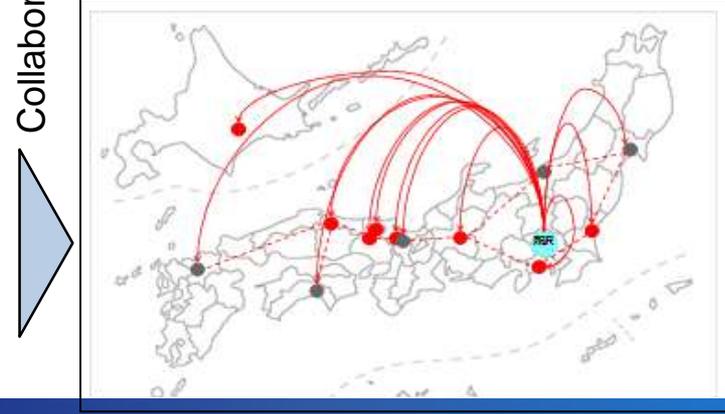
Tokorozawa Project



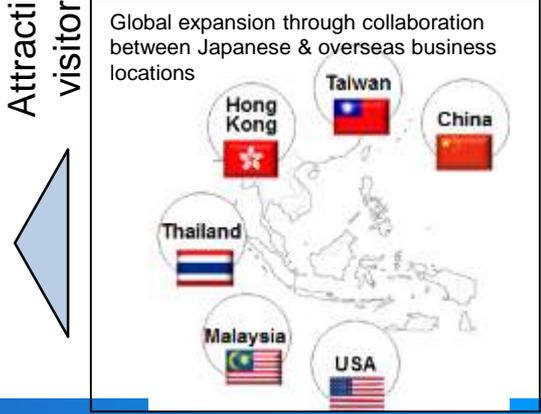
KADOKAWA Inbound Businesses

- 1) Global expansion through collaboration between Japanese & overseas business locations
- 2) Shift to digital-type model for "Walker" business (existing printed mags.)
- 3) Events & entertainment businesses
- 4) Restaurant & IP hotel businesses
- 5) Expansion of merchandising business
- 6) Tourism planning & tourist information businesses

88 "Sacred" Anime Spots



KADOKAWA Overseas locations



Collaboration

Attracting visitors

- Projected future values/figures such as business performance projections, etc., included in this presentation have been judged by Kadokawa based on currently obtainable information available at this present time.
- Projections of future values/figures include various undetermined factors, and actual performance may differ from these figures. Please refrain from placing undue reliance on such figures when making judgments regarding investments, etc.