Securities Code: 9468
June 5, 2015

To Our Shareholders

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

NOTICE OF THE 1ST 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 1st Annual 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 each of the proposals on the enclosed ballot, paste the protective seal enclosed on the ballot and mail it back to us by 18:30, Monday, June 22, 2015 (JST) or access the website for the exercise of voting rights (http://www.web54.net) from a personal computer or mobile phone or smart phone and enter your approval or disapproval for each proposal by 18:30, Monday, June 22, 2015 (JST).

Very truly yours,

Details

1. Date: 10:00 a.m. on Tuesday, June 23, 2015
(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 1st fiscal year (from October 1, 2014 to March 31, 2015)
2. Presentation of the Non-consolidated Financial Statements for the Company's 1st fiscal year (from October 1, 2014 to March 31, 2015)

Proposals to be acted upon:

Proposal 1: To Amend the Articles of Incorporation

Proposal 2: To Elect Eleven (11) Directors

Proposal 3: Decision of Amounts of Compensation, etc. for Directors and Audit and Supervisory Board Members

Proposal 4: Decision of Amounts and Details of Share-based Compensation Linked to Performance for 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 online, only the voting rights you exercise online will be counted.

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

- If you plan to attend 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 Exercise of Voting Rights, 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 permanent agents) 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 the Tokyo Stock Exchange Group, Inc. and others, may exercise their voting rights on the platform as a method for exercising voting rights by an electronic means, in addition to the exercise of voting rights online.

[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 October 1, 2014 to March 31, 2015]

1. Overview of Business

(1) Progress and Results of Business

On October 1, 2014, DWANGO Co., Ltd. and KADOKAWA CORPORATION integrated to form KADOKAWA DWANGO CORPORATION, the holding company of both businesses, by a joint share transfer. The strength of the Group is the ability to build the knowhow to provide its unique contents to multimedia so as to maximize profits by utilizing the editing capacity acquired in the publishing and video areas and creating IP (intellectual property of works and characters, etc.), and to create highly original services by building its unique on-line service employing advanced network technologies and fusing the service with "reality" events.

In today's business environment, the Group continues to experience a downturn trend with year-on-year losses in the publishing and video markets, while enjoying the increasing usage of SNS, games, movies and e-books through smartphones and tablet terminals.

In such circumstances, the Group has implemented a structural reform to improve profitability in the publishing and video businesses, while utilizing most of its highly competitive contents and network technologies in the growing on-line service area of e-books, video distribution, games and the like, with the aim of expanding business through the achievement of further growth of existing services and the creation of new businesses.

Operating summary and results by business segment are as follows. Operating results for the previous fiscal year are not available because the consolidated fiscal year under review is the first year for the Company.

In the Books and IP Business, the Group proactively proceeded with the provision of cross-media works and product development of new genres, while enhancing optimization of production and shipment according to marketing activities so as to determine the most suitable shipment volume in accordance with the rapidly changing scale of the market. Such efforts were made to improve profitability.

In connection with the recent business integration, the Group held "Niconico Kadokawa Fairs" across Japan. In these fairs, the Group organized various events including a campaign to promote customers transferring between on-line and off-line bookstores and the "Niconico Bookstore Conference" in which niconico's contents were demonstrated in the bookstore in order to stimulate customer purchases over the counter.

In the growing e-book market, the Group also hosted the "Niconico Kadokawa Fairs" in "BOOK☆WALKER," its own electronic bookstore and external electronic bookstores. The Group achieved the acquisition of new users and an increase in net sales by actively performing sales promotions. Moreover, it proactively pushed ahead with the distribution of previously published books in electronic media and the release of new books in paper form and e-book form simultaneously.

As a result, net sales were 38,343 million yen and segment income (operating income) was 3,038 million yen.

In the Information Media Business, sales of magazines and advertising revenues continued to decrease. The Group not only continued with the reorganization and further streamlining of unprofitable operations, but was also actively making a transition from print media to digital media. Concentrating its energies on preparing sales promotional materials for corporate customers by utilizing its brand and planning capabilities and developing services for rapidly penetrating smartphones, the Group pushed ahead with the transformation of its business structure.

As a result, net sales were 15,953 million yen and segment loss (operating loss) was 1,164 million yen.

In the Video and IP Business, the movie "Fury," which was distributed by the Group, was a big winner, and small- and medium-size works also performed steadily. In DVDs and Blu-ray works, sales of the "Youkai Watch" series continued to grow steadily, and animated cartoons including "Date A Live" and "Kantai Collection - KanColle" contributed to the Group's sales. In addition, revenue of video distribution through d anime stores and others and sales of copyrights of overseas videos grew steadily.

As a result, net sales were 15,866 million yen and segment income (operating income) was 987 million yen.

In the Portal Business, the Group broadcast various programs, including "netto dai issei (first voice of political party representatives in on-line media)," "toushu touronkai (debate between political party leaders)" and original "jousei bunseki (trend analysis)" on the Niconico website, for the first Lower House election after the ban on Internet use for election campaigns was lifted in Japan. As a result, a total of 2.2 million people watched programs related to the Lower House election. The Group also hosted the live program "Shogi Deno-sen Final," which gained in popularity in comparison with the past. In this tournament, five active professional human competitors played *shogi* (Japanese chess) against the five strongest computer *shogi* software programs.

Moreover, the Group further enhanced support for backing up content creation, as seen by the fact that it is now possible to add content using the copyrighted works of Nintendo Co., Ltd. to the "Creator Incentive Program," which was implemented in an effort to promote a secondary creation culture. These efforts helped increase the numbers of registered members to 47.06 million, including 2.44 million of premium members (a prepaid membership club offering various bonuses), as of March 31, 2015.

As a result, net sales were 9,565 million yen and segment income (operating income) was 1,377 million yen.

In the Live Business, the Group celebrated the grand opening of "niconico Honsha" on the B1 and B2 floors of P’Parco in Ikebukuro on October 25, 2014. This two-day opening event called "Nikobukuro Festival" helped gained recognition for the building as a new place of interest in Ikebukuro, with 25,000 on-site visitors and 365,000 on-line visitors.

In addition, "Tokaigi 2015 - game jikyo to game taikai no saiten" took place on January 31 and February 1, 2015. This two-day event was received enthusiastically by 35,000 on-site visitors and 5,746,000 on-line visitors.

As a result, net sales were 1,191 million yen and segment loss (operating loss) was 459 million yen.

In the Mobile Business, the Group strived to enhance its unique services including the exclusive, pre-sale distribution of the latest single songs of popular music groups on the "Dwango JP" site, which offers high-quality sound music to smartphone users, and the improvement of popular Vocaloid music on the Niconico site.

The Group offered traditional cellular phone users a top-of-the-line product lineup and unique products including Chaku-Uta® and Chaku-Uta Full® in order to improve user satisfaction. However, the number of members continued to decrease with the continued conversion to smartphones.

As a result, net sales were 4,966 million yen and segment income (operating income) was 1,756 million yen.

In the Game Business, FromSoftware, Inc., Spike Chunsoft Co., Ltd., Kadokawa Games, Ltd. and MAGES. Inc. are engaged in the planning, development and sale of game software packages and on-line games. "Shingeki no Kyojin - Jinrui Saigo no Tsubasa - Chain," "Derby Stallion GOLD" and "Kantai Collection - KanColle" were the products that contributed to the Group's performance. However, the nonattainment of sales targets and cut-off error of some titles had an effect on the income.

As a result, net sales were 7,169 million yen and segment loss (operating loss) was 1,015 million yen.

In other businesses, the major contributors to sales were e-commerce of character goods and idol CDs, CD sales of contents based on animation and the Niconico site, copyright royalty income, and operation of schools that develop promising human resources in the creative field inside and outside Japan.

As a result, net sales were 9,620 million yen and segment loss (operating loss) was 326 million yen.

As a result, the Group's consolidated performance in the fiscal year under review consisted of net sales of 100,566 million yen, operating income of 1,391 million yen, ordinary income of 2,472 million yen and net income of 14,055 million yen. This was mainly attributable to a gain on negative goodwill of 22,301 million yen, business structure improvement expenses of 5,118 million yen because of the implementation of a second career support program, impairment loss of goodwill, etc. of 5,798 million yen, and others.

(2) Status of the Group's Capital Investment

In the consolidated fiscal year under review, the Group's total amount of capital investment was 10,478 million yen. The main capital investments by business segment are listed below.

Business segment	Amount	Description
Books and IP Business	4,067 million yen	Purchase of land for a new distribution base, etc.
Information Media Business	41	Software development, etc.
Video and IP Business	1,118	Acquisition of new office building of Glovision Inc. (Chiyoda Ward, Tokyo)
Portal Business	558	Upgrade of server for video community service
Live Business	50	Purchase of facilities and equipment for event activities, etc.
Mobile Business	7	Expansion of system environment
Game Business	28	Purchase of facilities and equipment for development, etc.
Others	142	Mold for development of goods, etc.
Group Overall (in common)	4,463	Acquisition of new office building of KADOKAWA CORPORATION (Chiyoda Ward, Tokyo)
Total	10,478	

Note: Capital investment includes value of software among intangible fixed assets as well as tangible fixed assets.

(3) Status of the Group's Financing

In the consolidated fiscal year under review, the Company raised a total of 30 billion yen as long-term loans payable from more than one bank with KADOKAWA CORPORATION and DWANGO Co., Ltd., which are consolidated subsidiaries of the Group, for the purpose of developing new business and keeping reserves. In order to raise business funds flexibly and efficiently, KADOKAWA CORPORATION and DWANGO Co., Ltd. continued commitment line contracts of a total of 25 billion yen with more than one bank. As of the end of this fiscal year, the firm had no loans payable under any of the commitment line contracts.

(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 smartphones and tablet devices 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 in its publishing, visual and game operations to support high-value IP creation. In parallel, the Group is targeting the development of varied platforms for the distribution of this IP to a broad customer base so as to develop businesses across multiple media sectors.

Moreover, the Group will forge ahead with business development in the next-generation network entertainment space through a fusion of "online" and "reality" contents with the aim of maximizing profits.

The status and challenges by business segment are as follows.

1. Books and IP business

In printed books, sales of major titles in the field of general books and comics were favorable. The Group will make continuous efforts to create strong IP. For the "Kadokawa Library," which is the major label of pocket editions, we will make steady efforts to increase the hit ratio by narrowing down plans from the medium-term standpoint, while strengthening cross-media strategies and lowering the merchandise return rate in the field of light novels with the aim of further increasing profitability.

In the e-book business, the "BOOK☆WALKER" e-book distribution platform maintains a high growth rate. Through such measures as an increase of e-book points and simultaneous broadcasting with printed books, we continue to put our energies into operation as a pillar of growth strategy.

2. Information Media business

The Group ensures the optimal allocation of resources through the selection and concentration of its business, as seen in the establishment of the game information portal business in April 2015. In magazines, we will strengthen brand strategies by shifting the decision-making unit from media to brand. In addition, we seek to increase profitability through the following efforts: 1) stimulation of customer purchases by updating the visual presentation of print media titles, 2) promotion of diversification of income streams by shifting existing brands to digital platforms, and 3) effective introduction of optimized technologies to distribute ads.

3. Video and IP business

The Group will concentrate on the turning into visual products of the abundant group IP created by its Books and IP business and Game business and the production and distribution of live-action movies and animated cartoons. In addition, we will proactively work on video distribution, for which the market is expected to further expand in the future.

4. Portal business

The Group will provide unique and attractive service contents in the "Niconico" online video community services by employing its innovative ideas and high network technology capability, improve user satisfaction and gain further media recognition. In this manner, we will strive to increase advertising and point revenues as well as membership revenues.

5. Live business

The Group will create entertainment in a new form where users can experience "Niconico" content in realtime through Niconico Cho Kaigi (general event), Niconico Cho Kaigi (town event), niconico Honsha and the "nicofarre" next-generation live house. We will also boost recognition of services of "Niconico" through various events.

6. Mobile business

The Group will actively provide new service contents for smartphone users, expand popular music-related site-based services such as Chaku-Uta® and Chaku-Uta Full® and promote differentiation of its products from those of other companies by such means as extending the content lineup on the "Niconico" site. Furthermore, we will acquire more members through effective promotion activities, continuously offer new services and functions with our innovative ideas and improve overall user satisfaction.

7. Game business

Focusing on the planning, development and sale of original game software packages for handheld game consoles, mobile devices and smartphones, the Group will respond to market environments such as a shift towards more varied and advanced platforms and diversification of user needs. To this end, we will pursue a flexible business strategy aimed at ensuring that resources are allocated in an optimal manner and heightening our competitiveness and brand power.

(5) Status of Assets and Profit and Loss

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

Division	1st fiscal year (fiscal year under review) (ended in March 2015)
Net sales (million yen)	100,566
Ordinary income (million yen)	2,472
Net income (million yen)	14,055
Net income per share (yen)	200.03
Total assets (million yen)	205,673
Net assets (million yen)	104,248
Net assets per share (yen)	1,457.83

Notes: 1. The consolidated fiscal year under review, which is the first fiscal year since the Group's establishment, covers the six months from October 1, 2014 to March 31, 2015.

2. The Company's shares that are held by a benefit trust pertaining to a stock-benefit trust type ESOP established at consolidated subsidiary DWANGO Co., Ltd. are deducted from the average number of shares during the fiscal year and the total number of issued shares at the end of the fiscal year that form the basis of the calculation of "Net income per share" and "Diluted net income per share." The average number of the Company's shares held in the said trust outstanding in the consolidated fiscal year under review is 10 thousands shares.

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

Division	1st fiscal year (fiscal year under review) (ended in March 2015)
Operating revenue (million yen)	1,617
Ordinary loss (million yen)	391
Net income (million yen)	2,157
Net income per share (yen)	30.03
Total assets (million yen)	100,877
Net assets (million yen)	89,578
Net assets per share (yen)	1,263.94

Note: The consolidated fiscal year under review, which is the first fiscal year since the Group's establishment, covers the six months from October 1, 2014 to March 31, 2015.

(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	Portal business, live business, mobile business, etc.
KADOKAWA CORPORATION	29,210	100.0	Books and IP business, information media business, video and IP business, etc.
niwango, inc.	90	100.0	Portal business
Spike Chunsoft Co., Ltd.	480	100.0	Game business
Vantan Inc.	90	100.0	Others
MAGES. Inc.	295	100.0	Live business, game business, etc.
Building Book Center Co., Ltd.	320	100.0	Books and IP business
BOOK WALKER Co., Ltd.	100	100.0	Game business
Kadokawa Games, Ltd.	125	100.0	Game business
FromSoftware, Inc.	268	80.0	Game business
Chara-Ani Corporation	465	76.3	Others
KADOKAWA DAIEI STUDIO CO., LTD.	100	100.0	Video and IP business

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

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

1) Absorption-type merger of consolidated subsidiaries

Effective October 1, 2014, the consolidated subsidiary DWANGO Co., Ltd. carried out an absorption-type merger as the surviving company with DWANGO CONTENTS, Inc., DWANGO MOBILE, Inc. and Qteras, Inc. which were also the consolidated subsidiaries.

Effective November 1, 2014, the consolidated subsidiary DWANGO Co., Ltd. carried out an absorption-type merger as the surviving company with Dwango User Entertainment, Inc., which was also the consolidated subsidiary.

2) Acquisition of subsidiary by acquiring shares

a) Acquisition of TriSta Co., Ltd. as a subsidiary

On October 31, 2014, the consolidated subsidiary DWANGO Co., Ltd. acquired all the shares of TriSta Co., Ltd. As a result, TriSta became a consolidated subsidiary of the Company.

b) Acquisition of Vantan Inc. as a subsidiary

On December 25, 2014, the Company's consolidated subsidiary DWANGO Co., Ltd. acquired all the shares of Vantan Inc. As a result, Vantan became a consolidated subsidiary of the Company.

3) Share exchange of consolidated subsidiaries

Effective December 16, 2014, the consolidated subsidiary DWANGO Co., Ltd. made an additional acquisition of the shares of the consolidated subsidiary niwango, inc. in a share exchange, making it into a wholly owned subsidiary.

(8) Principal Business (as of March 31, 2015)

Business segment	Principal business
Books and IP Business	Publishing and sale of books and e-books
Information Media Business	Publishing of magazines, sale of magazines and web advertisements, etc.
Video and IP Business	Sale of software packages including DVDs, planning, production and distribution of movies, etc.
Portal Business	Operation of video community services, etc.
Live Business	Planning and operation of various events, rental of event venues, etc.
Mobile Business	Distribution of mobile contents, etc.
Game Business	Planning, development and sale of game software and on-line games
Others	Management and operation of music copyrights, operation of schools, sale of anime characters and idol goods, etc.

(9) Principal Offices and Plants (as of March 31, 2015)

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.	Miyoshi-cho, Iruma-gun, Saitama Pref.
KADOKAWA DAIEI STUDIO CO., LTD.	Chofu-shi,Tokyo
Glovision Inc.	Shinjuku-ku, Tokyo

(10) Status of Employees (as of March 31, 2015)

1) Employees in the Group

Business segments	Number of employees	
Books and IP Business	895	(657)
Information Media Business	403	(314)
Video and IP Business	254	(140)
Portal Business	557	(96)
Live Business	46	(34)
Mobile Business	164	(31)
Game Business	462	(73)
Others	296	(116)
All companies (common)	780	(373)
Total	3,857	(1,834)

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 inside and outside the Group (including those who are seconded and perform concurrent services).

2. The numbers of part-time employees (fixed-term contracted employees, dispatched employees) are 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
103 persons	41.1 years of age	0.5 years

Notes: 1. Employees include full-time and part-time staff. All the employees are seconded from subsidiaries to the Company (including those who are seconded to the Company and still perform duties for subsidiaries concurrently).

2. 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, 2015)

Lender	Amount borrowed (million yen)
Sumitomo Mitsui Banking Corporation	11,780
Mizuho Bank, Ltd.	10,260
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,438
Resona Bank, Limited	850
Sumitomo Mitsui Trust Bank, Limited	200

2. Status of the Company

(1) Status of Shares (as of March 31, 2015)

1) Number of shares authorized to be issued by the Company: 260,000,000 shares
2) Number of outstanding shares: 70,892,060 shares
3) Number of shareholders: 29,787 persons
4) Major shareholders (top ten)

Name	Number of shared held (thousand shares)	Ratio of equity participation (%)
Nobuo Kawakami	5,687	8.02
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,447	3.45
Nippon Television Network Corporation	2,077	2.93
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	2,040	2.88
Japan Trustee Services Bank, Ltd. (Trust Account)	1,974	2.79
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1,957	2.76
Nippon Life Insurance Co.	1,714	2.42
MSIP CLIENT SECURITIES	1,692	2.39
Culture Convenience Club Co., Ltd.	1,606	2.27
Namco Bandai Holdings Inc.	1,530	2.16

Note: The treasury stock 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, 2015)

Upon a joint share transfer conducted on October 1, 2014, to replace the share options (the "Allotment Share Option") attached to the yen-denominated convertible bonds of Kadokawa Group Holdings, Inc. due 2014 issued by KADOKAWA CORPORATION (issued December 18, 2009; the "Convertible Bond before Assumption"), the Company issued subscription rights to shares in the same number as the total of the Allotment Share Option attached to the Convertible Bond before Assumption as of the time (the "Reference Time") immediately prior to the time when the Company acquired all of the shares of Dwango Co., Ltd. and KADOKAWA CORPORATION, and delivered them at a ratio of one share option of the Company per Allotment Share Option. In addition, upon the said joint share transfer, the Company assumed all of the obligations for all bonds out of the Convertible Bond before Assumption that were unredeemed as of the Reference Time. The Convertible Bond assumed by the Company is as follows:

Share options attached to the yen-denominated convertible bonds of KADOKAWA DWANGO Corporation due 2014

a. Total amount and year-end balance of the bonds with subscription rights to shares:

Bonds issued:	1,800 million yen
Outstanding balance:	–

b. Number of subscription rights to shares:

Number of subscription rights to shares issued:	360
Number of subscription rights to shares outstanding at end of period:	–

c. Type and number of shares covered by the subscription rights to shares:

Type of shares:	Common shares
Number of shares issued:	841,514 shares
Number of shares outstanding at end of period:	–

d. Issue price of the subscription rights to shares:
Free of charge

e. Amount to be paid on exercise of each subscription right to shares:
5,000,000 yen per subscription right to shares

f. Exercise period of the subscription rights to shares:
The period shall be from the effective date of the share transfer to the closing time of bank operations on December 4, 2014 (both shall be London Time).

g. Amount per share for calculating the number of the Company's common shares to be issued on exercise of the subscription rights to shares (conversion price):
2,139 yen

h. Amount of capitalization in the above conversion price:
1,070 yen

i. Condition for exercising the subscription rights to shares:
No partial exercise of each subscription right to shares shall be made.

j. Reason and condition for canceling the subscription rights to shares:
No reason for canceling the subscription rights to shares shall be defined.

k. Matter concerning the transfer of the subscription rights to shares:
The subscription rights to shares are attached to the convertible bond-type bonds with subscription rights to shares and may not be transferred by separating them from the bonds.

(3) Status of Company Officers

1) Directors and Audit and Supervisory Board Members (as of March 31, 2015)

Position in the Company	Name	Responsibilities and important concurrent positions in other companies
Representative Director and Chairman of the Board	Nobuo Kawakami	Representative Director and Chairman of Dwango Co., Ltd. Director of KADOKAWA CORPORATION
Representative Director and President	Tatsuo Sato	Director of Dwango Co., Ltd.
Director and Adviser	Tsuguhiko Kadokawa	Chairman of the Board of KADOKAWA CORPORATION Executive President of the Kadokawa Culture Promotion Foundation
Director	Takashi Araki	Representative Director and President of Dwango Co., Ltd.
Director	Masaki Matsubara	Representative Director and President of KADOKAWA CORPORATION
Director	Hirokazu Hamamura	
Director	Takeshi Natsuno	Director of Dwango Co., Ltd.
Director	Yuriya Komatsu	Director and CFO of Dwango Co., Ltd.
Director	Koji Funatsu	Director of KADOKAWA CORPORATION Representative Director, Chairman and CEO of Transcosmos Inc.
Director	Koji Hoshino	Representative Director and President of STUDIO GHIBURI INC.
Director	Iwao Aso	Representative Director and 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	Statutory Auditor of KADOKAWA CORPORATION 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 "3) 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 "3) 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) Compensation, etc., paid to the Directors and Audit and Supervisory Board Members

Division	Number	Amount
Directors (of whom outside directors)	11 (3)	80 million yen (9 million yen)
Audit and Supervisory Board Member (of whom outside audit and supervisory board members)	4 (2)	21 million yen (6 million yen)
Total	15	102 million yen

Notes: 1. The maximum amount of compensation for Directors is 400 million yen for the period from the date of formation of the Company until the conclusion of the first ordinary shareholders meeting pursuant to the provisions of Article 46 of the Articles of Incorporation.

2. The maximum amount of compensation for Audit and Supervisory Board Members is 50 million yen for the period from the date of formation of the Company until the conclusion of the first ordinary shareholders meeting pursuant to the provisions of Article 46 of the Articles of Incorporation.

3. In addition to the payments stated above, in the fiscal year under review the total amount of compensation paid by the Company's subsidiaries to the Company's Outside Director who concurrently served as outside officer for such subsidiaries was 1 million yen.

4. In addition to the payments stated above, in the fiscal year under review the total amount of the compensation paid by the Company's subsidiaries to the Company's one Audit and Supervisory Board Member who concurrently served as outside officer for such subsidiaries was 1 million yen.

3) Matters regarding the outside officers

a. Important concurrent positions in other companies and the relation between the Company and such other companies

	Situation of important concurrent positions in other companies
Director Koji Funatsu	Outside Director of KADOKAWA CORPORATION Representative Director, Chairman and CEO, Transcosmos Inc.
Director Koji Hoshino	Representative Director and President of STUDIO GHIBURI INC.
Director Iwao Aso	Representative Director and President of ASO CORPORATION
Audit and Supervisory Board Member Akira Watanabe	Outside Corporate Auditor of KADOKAWA CORPORATION 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, JAPAN PILE 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 as the independent officers who are unlikely to have any conflict of interests with its general shareholders.

2. KADOKAWA CORPORATION, where Mr. Koji Funatsu serves as Outside Director and Mr. Akira Watanabe serves as Outside Corporate Auditor, is a consolidated subsidiary of the Company. Other than that, 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 fiscal year under review

(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	11 of 11 meetings held	100%	—	—
Director Koji Hoshino	9 of 11 meetings held	82%	—	—
Director Iwao Aso	9 of 11 meetings held	82%	—	—
Audit and Supervisory Board Member Akira Watanabe	10 of 11 meetings held	91%	9 of 9 meetings held	100%
Audit and Supervisory Board Member Yuichi Suzuki	10 of 11 meetings held	91%	8 of 9 meetings held	89%

Note: In the fiscal year under review, a total of 11 meetings of the Board of Directors (6 regular and 5 extraordinary meetings) were held. In the fiscal year under review, a total of 9 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.

c. Outline of the limited liability contract

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 limited liability contract that limits the liability for compensation for damage provided for in Article 423, paragraph 1 of the Act.

The limited liability contract provides that the maximum liability for compensation for damage of Directors Messrs. Koji Funatsu, Koji Hoshino and Iwao Aso, and also Audit and Supervisory Board Members Messrs. Akira Watanabe and Yuichi Suzuki to the Company under such contract shall be an amount of the minimum amount provided for in the laws and regulations.

(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	10 million yen
Total amount of remuneration, etc., to be paid by the Company for services other than duties as set forth in Article 2, Paragraph 1 of the Certified Public Accountant Law	0 million yen
Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the independent auditor	46 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 Law for the Transaction of Financial Product. 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 Company has paid compensation to the independent auditor for the provision of advice and guidance on the establishment of a risk management system other than the duties as set forth in Article 2, Paragraph 1 of the Certified Public Accountant Law.

3. Of the Company's important subsidiaries, KADOKAWA CORPORATION is audited by an auditing firm other than the Company's Independent Auditor.

3) Policy of the dismissal or non-reappointment of the independent auditor

If a Board of Audit and Supervisory Board Member consider 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 first 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 competence or independence of the independent auditor, it would be difficult for the independent auditor to perform his/her proper audit tasks or it is deemed necessary to do so for other reasons, the Board of Directors will, after obtaining the consent of all the Audit and Supervisory Board members or at the request of the Audit and Supervisory Board, present to the general meeting of shareholders a proposal for dismissal or non-reappointment of the independent auditor.

Note: In accordance with the enforcement of the "Act for the Partial Amendment of the Companies Act" (2014, Law No. 90) on May 1, 2015, the decision-making organ for resolutions regarding dismissal or non-reappointment of the independent auditor has been changed from the Board of Directors to the Audit and Supervisory Board. The above shows the policy during the business year.

4) Outline of the limited liability contract

A liability limitation agreement shall not be concluded between the Company and the independent auditor.

(5) Systems for Ensuring the Proper Performance of the Company's Business

The Company, in its board of directors meeting held on April 23, 2015, made a revision as stated below regarding the "Systems for Ensuring the Proper Performance of the Company's Business," which was established when the Company was founded on October 1, 2014.

1) Systems for ensuring that the performance of the Company's Directors' and employees' duties 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 Directors' duties

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) 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 Directors' duties 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 and matters regarding the securing of the independence of such employee from Directors, 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 Company's Audit and Supervisory Board Members 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, subsidiaries' Directors, Audit and Supervisory Board Members and employees 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 inspect any documents or reports for the purpose of conducting an audit at the request of subsidiaries' directors or employees.

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.

For reference purposes, the systems for ensuring the proper performance of the Company's business for the fiscal year under review are shown below.

1) Systems for ensuring that the performance of the directors' and employees' duties conforms to laws and regulations and to the Articles of Incorporation

a. The Company establishes the compliance regulations and fully disseminates them to all the directors and employees so that the performance of directors' and employees' duties conforms to 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 won't 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 about the fulfillment of the directors' duties

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) Regulations for the management of the risk of losses and other systems

The Company establishes the 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 Directors' duties 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 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. With regard to the management and oversight of subsidiaries, the Company has instituted regulations stipulating the control framework used to ensure that the Company is appropriately involved in major decisions taken by group companies and that proper reporting mechanisms are in place for all matters related to business execution.

b. The internal audit division conducts audits regarding compliance of group companies with laws and regulations and with the Articles of Incorporation, and effectiveness of the internal control system. The division responsible properly guides the relevant group companies to promptly take appropriate measures to make any correction or improvement, if necessary.

6) Matters regarding the employee who is to assist the Audit and Supervisory Board Members and matters regarding the independence of such employee from Directors

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 to the appointment and relocation of such employee.

b. When such employee is appointed to assist the Audit and Supervisory Board Members, 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 and other systems for ensuring that the audit by the Audit and Supervisory Board members are conducted effectively

a. In addition to important business matters determined by methods other than a Board resolution, Directors and employees shall report to the Company's Audit and Supervisory Board Members the findings of internal audits and the status of the internal compliance hotline.

b. Audit and supervisory board members may inspect any documents or reports for the purpose of conducting an audit at the request of Directors or employees.

(6) Policy on determination of dividend from 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.

Recognizing that the return of profits to shareholders is an important management issue, the Company intends to consider the details of such profit returns in light of the operating results of each fiscal year while also taking into consideration strengthening of the corporate structure and enhancement of internal reserves.

The Company's basic policy is to annually pay cash dividends to its shareholders with the fiscal year-end as the record date. 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 law or ordinance.

In accordance with this way of thinking, in consideration of results in the fiscal year under review, the Company has decided to pay a dividend of 10 yen per share for the fiscal year ended in March 2015.

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, 2015)

Item	Amount	Item	Amount
(Assets)	Millions of yen	**(Liabilities)**	Millions of yen
Current assets	**131,200**	**Current liabilities**	**63,316**
Cash and deposits	63,207	Notes and accounts payable	25,070
Notes and accounts receivable	40,997	Short-term borrowings	2,258
Inventories	15,918	Allowance for employees bonuses	2,042
Deferred tax assets	6,401	Provision for point card certificates	107
Others	5,844	Allowance for sales returns	7,921
Allowance for doubtful accounts	(1,169)	Others	25,916
Non-current assets	**74,473**	**Fixed liabilities**	**38,108**
Tangible fixed assets	**36,350**	Long-term loans payable	29,340
Buildings and structures	12,303	Deferred tax liabilities	3,106
Furniture and fixtures	3,334	Net defined benefit liabilities	3,567
Land	19,047	Others	2,094
Construction work in progress	1,166	**Total liabilities**	**101,425**
Others	497	**(Net assets)**	
Intangible fixed assets	**5,997**	**Shareholders' equity**	**101,946**
Goodwill	366	**Capital stock**	**20,625**
Others	5,631	**Capital surplus**	**65,386**
Investments and other assets	**32,124**	**Retained earnings**	**16,130**
Investment securities	20,504	**Treasury stock**	**(195)**
Net defined benefit assets	144	**Accumulated other comprehensive income**	**1,260**
Others	11,615	**Net unrealized holding loss on securities**	**(264)**
Allowance for doubtful accounts	(139)	**Foreign currency translation adjustment**	**1,719**
		Remeasurements of defined benefit plans	**(194)**
		Minority interests	**1,041**
		Total net assets	**104,248**
Total assets	**205,673**	**Total liabilities and net assets**	**205,673**

Consolidated Statement of Income

(October 1, 2014 through March 31, 2015)

Item	Amount	
	Millions of yen	Millions of yen
Net sales		**100,566**
Cost of sales		**72,682**
Gross profit		**27,884**
Selling, general and administrative expenses		26,493
Operating income		**1,391**
Non-operating income		
Interest income	28	
Dividend income	137	
Equity in earnings of affiliates	287	
Foreign exchange gains	422	
Others	245	1,121
Non-operating expenses		
Interest expenses	33	
Others	7	41
Ordinary income		**2,472**
Extraordinary gains		
Gain on negative goodwill	22,301	
Others	213	22,514
Extraordinary losses		
Impairment loss	5,798	
Loss on valuation of investment securities	460	
Business structure improvement expenses	5,118	
Others	182	11,558
Income before income taxes and minority interests		**13,428**
Income taxes - current	916	
Income taxes - deferred	(1,588)	(672)
Income before minority interest		**14,100**
Minority interests in consolidated subsidiaries		45
Net income		**14,055**

Consolidated Statement of Changes in Net Assets

(October 1, 2014 through March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year under review	10,616	8,606	2,577	(42)	21,757
Changes during the fiscal year under review					
Increase by share transfers	9,383	68,753		(13,045)	65,092
Conversion of convertible bonds with stock acquisition rights	625	625			1,250
Cash dividends paid			(407)		(407)
Net income			14,055		14,055
Purchases of treasury stock				(39)	(39)
Disposal of treasury stock		1		133	134
Retirement of treasury stock		(11,328)		11,328	–
Purchase of shares of consolidated subsidiaries		(1,271)		1,470	199
Change of scope of consolidation			(94)		(94)
Net changes except for shareholders' equity					
Total changes during the fiscal year under review	10,008	56,780	13,552	(152)	80,189
Balance at the end of the fiscal year under review	20,625	65,386	16,130	(195)	101,946

	Accumulated other comprehensive income				Minority interests	Total net assets
	Net unrealized holding gains (loss) on securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total amount of accumu-lated other comprehen-sive income		
Balance at the beginning of the fiscal year under review	189	–	–	189	169	22,115
Changes during the fiscal year under review						
Increase by share transfers						65,092
Conversion of convertible bonds with stock acquisition rights						1,250
Cash dividends paid						(407)
Net income						14,055
Purchases of treasury stock						(39)
Disposal of treasury stock						134
Retirement of treasury stock						–
Purchase of shares of consolidated subsidiaries						199
Change of scope of consolidation						(94)
Net changes except for shareholders' equity	(453)	1,719	(194)	1,071	872	1,943
Total changes during the fiscal year under review	(453)	1,719	(194)	1,071	872	82,132
Balance at the end of the fiscal year under review	(264)	1,719	(194)	1,260	1,041	104,248

Notes to the Consolidated Financial Statements

[Notes on Important basic matters for the preparation of consolidated financial statements, etc.]

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 33

Names of main consolidated subsidiaries
DWANGO Co., Ltd.
KADOKAWA CORPORATION
niwango, inc.
Spike Chunsoft Co., Ltd.
Vantan Inc.
MAGES. Inc.
Building Book Center Co., Ltd.
BOOK WALKER Co., Ltd.
Kadokawa Games, Ltd.
FromSoftware, Inc.
Chara-Ani Corporation
KADOKAWA DAIEI STUDIO CO., LTD.
TriSta Co., Ltd. and Vantan Inc. were included in the scope of consolidation because these companies were newly acquired in this consolidated fiscal year.
During this consolidated fiscal year, the following mergers were conducted among subsidiaries in the Group.

(a) As of October 1, 2014
DWANGO Co., Ltd. (Merging company), DWANGO CONTENTS, Inc., DWANGO MOBILE, Inc. and Qteras, Inc.

(b) As of November 1, 2014
DWANGO Co., Ltd. (Merging company) and Dwango User Entertainment, Inc.

(c) As of March 31, 2015
KADOKAWA CORPORATION (Merging company) and Walker47, Inc.

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

Main non-consolidated subsidiaries
Reinforce, Inc.
smiledge Co., Ltd

(Reason for excluding from the scope of consolidation)
These companies are excluded from the scope of consolidation as their business size is small and their total assets, net sales, net income (amount corresponding to the Company's equity) and retained earnings (amount corresponding to the Company's equity) do not have a material impact on the consolidated financial statements.

2. Application of the equity method

(1) The equity method is applied to all of the Company's 13 affiliated companies. Main affiliated companies accounted for by the equity method are as follows:

DOCOMO ANIME STORE, INC.

(2) As for the financial statements of the companies accounted for by the equity method that employed a different closing date from the consolidated closing date, we used the fiscal year of such companies for

their financial statements.

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

Names of main companies
Reinforce, Inc.
smiledge Co., Ltd
(Reason for not accounting for using the equity method)
These companies are not accounted for using the equity method as their effects on consolidated financial statements are immaterial, and there are no materiality overall considering their net income and retained earnings (amount corresponding to the Company’s equity).

3. Fiscal year, etc., of the consolidated subsidiaries

The closing date of KADOKAWA TAIWAN CORPORATION, KADOKAWA HOLDINGS ASIA LTD., KADOKAWA HONGKONG LTD., KADOKAWA HOLDINGS U.S. IN HONGKONG LTD., KADOKAWA PICTURES AMERICA, INC., KADOKAWA International Edutainment (TAIWAN) Co., Ltd., KADOKAWA ACADEMY SINGAPORE PTE. LTD. and Japan Film Fund Co., Ltd. which are among the Company's consolidated subsidiaries, was December 31.

The consolidated financial statements of these consolidated subsidiaries, except Japan Film Fund Co., Ltd., were prepared using the financial documents dated as of such closing date. However, the adjustments needed for consolidation were made for all the important transactions that took place between this date and the consolidated closing date. Regarding Japan Film Fund Co., Ltd., the financial documents of the provisional settlement of accounts (the settlement of accounts in the reasonable procedures conforming to the regular settlement of accounts) were used for the consolidated subsidiary.

4. Accounting policies

(1) Valuation basis and methods for significant assets

1) Other securities

Marketable securities classified as other securities:

The market value method based on market price, etc., as of the year end (The valuation balance is valued by the total net assets method, and the cost of securities sold is determined by the moving-average method)

Non-marketable securities classified as other securities:

The cost method based on the moving-average method

2) Inventories

(a) Commodities, products, materials and stores:

Cost method mainly according to the average cost method (Balance sheet amounts are calculated by reducing book values as a result of lowered profitability).

(b) Distribution rights, productions and work in progress:

Cost method mainly according to the specific identification method (Balance sheet amounts are calculated by reducing book values as a result of lowered profitability).

The costs of distribution rights and productions (feature-length films) are allocated using a special depreciation rate (depreciated in 10 months) according to the same standard provided for in the Corporation Tax Law.

(2) Depreciation methods of significant depreciable assets

1) Tangible fixed assets (excluding leased assets):

The declining-balance method at the Company and its domestic consolidated subsidiaries

The straight-line method for the buildings (excluding equipment attached to buildings) acquired on or after April 1, 1998.

The straight-line method at overseas consolidated subsidiaries

The main life of tangible fixed assets is as follows:

Buildings and structures: 2-50 years

Furniture and fixtures: 2-20 years

2) Intangible fixed assets (excluding leased assets):

The straight-line method

3) Leased assets:

Leased assets in finance lease transactions that do not transfer ownership are depreciated using the straight-line method based on the assumption that the useful life is equal to the lease term and the residual value is equal to zero.

(3) Accounting standards for principal reserves and allowances

1) Allowance for doubtful accounts:

The allowance for doubtful accounts was provided for possible bad debt at the amount estimated based on the 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) Allowance for employees bonuses:

The estimated amount of employees' bonuses to be paid in the consolidated fiscal year under review was posted to prepare for the payment of employees bonuses.

3) Provision for point card certificates:

In order to prepare for expenses associated with the future use of points that are issued free of charge, the Company posts an estimated amount related to points that are expected to be used in the next fiscal year onward based on the occurrence rate of such expenses.

4) Allowance for sales returns:

In order to prepare for sales returns of sold products, the Company records an estimated amount of future sales returns based on actual sales returns in the past as allowance for sales returns, deducts that reserved amount from net sales, and records the corresponding cost in products.

(4) Other important basic matters for the preparation of consolidated financial statements

1) Accounting method for retirement benefit obligations:

Retirement benefits are provided to payments to employees based on the estimated value of retirement benefit obligations less plan assets at the year-end and recorded as net defined benefit liabilities.

Prior service costs were charged off by the straight-line method based on the given number of years (five years) within the average remaining service period of employees when such liabilities accrued.

The actuarial gain or loss was charged off equally over a certain period (five years), which is within the average remaining service period of employees at the time when such gain or loss is achieved or occurs, from the consolidated fiscal year following the fiscal year when such gain or loss is achieved or occurs, respectively.

2) Translation basis of significant assets or liabilities denominated in foreign currencies into yen:

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

Assets and liabilities, and expenses and revenue, of overseas subsidiaries and the like are translated into yen using the spot foreign exchange rate as of the closing dates of overseas subsidiaries and the like. Translation differences are included in foreign currency translation adjustment and minority interests under net assets.

3) Amortization of goodwill:

Goodwill is amortized equally within five years after the effective date, using the straight line method based on a reasonable estimate.

4) Accounting of consumption taxes, etc.:

Transactions are recorded at amounts exclusive of the consumption taxes.

[Notes to the Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets: 8,386 million yen

2. Assets pledged as collateral

Cash and deposits: 15 million yen

Note: The above assets relate to the establishment of the right of pledge for overseas subsidiaries' issuance of corporate cards and there is no liability corresponding to such collateral.

[Notes to the Consolidated Statement of Changes in Net Assets]

1. Total number of outstanding shares and number of treasury stock

Type of shares	Number of outstanding shares at the beginning of the consolidated fiscal year under review	Number of outstanding shares increased in the consolidated fiscal year under review	Number of outstanding shares decreased in the consolidated fiscal year under review	Number of outstanding shares at the end of the consolidated fiscal year under review
Shares issued				
Common shares (Note 1)	40,767,300	75,884,660	45,759,900	70,892,060
Total	40,767,300	75,884,660	45,759,900	70,892,060
Treasury stock				
Common shares (Note 2)	16,500	5,881,614	5,800,920	97,194
Total	16,500	5,881,614	5,800,920	97,194

Notes: 1. The increase in total number of outstanding shares was due to 75,300,275 shares that were issued at a time of the establishment of the Company as of October 1, 2014 through a joint stock transfer, and 584,385 shares that were issued due to execution of subscription rights to shares.
The decrease in the total number of outstanding shares was due to 40,767,300 shares of DWANGO Co., Ltd., which became a wholly-owned subsidiary, and 4,992,600 treasury stock that were retired.

2. The increase in treasury stock was due to 5,861,740 shares that were allotted to KADOKAWA CORPORATION and DWANGO Co., Ltd. at the time of establishment of the Company through a joint stock transfer, and 19,874 shares of odd lots requested.
The decrease in treasury stock was due to 16,500 treasury stock at the beginning of the fiscal year under review of DWANGO, Co., Ltd. which became a wholly-owned subsidiary, 4,992,600 treasury stock decreased due to retirement, 44,300 shares decreased due to being granted as ESOP trust account, 730,320 shares decreased due to share exchange with niwango, inc., and others of 17,200 shares.

2. Matters related to cash dividends paid

(1) Cash dividends paid

The Company is a joint holding company established on October 1, 2014 through joint stock transfer, and the cash dividends paid below were the amount resolved in the General Meeting of Shareholders of the following wholly-owned subsidiary.

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Amount of dividends per share (yen)	Record date	Effective date	Source of Dividends
General Meeting of Shareholders held on December 1, 2014	Common shares of DWANGO Co., Ltd.	407	10	September 30, 2014	December 2, 2014	Retained earnings

Note: The total amount of dividends under the resolution of the General Meeting of Shareholders held on December 1, 2014 included a dividend of 0 million yen for the Company's shares held by the trust.

(2) Dividends with the record date in the consolidated fiscal year under review but the effective date in the following fiscal year

Resolution	Type 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 28, 2015	Common shares	708	Retained earnings	10	March 31, 2015	June 24, 2015

[Notes on financial commodities]

1. Situation of financial commodities

(1) Policies on handling of financial commodities

The Group develops working capital and investment plans for its business operations. The Group raises funds mainly by issuing bonds and securities to meet its long-term needs. It procures short-term working funds by borrowing from banks.

Its policy is to invest temporary surpluses in safe financial assets and not use them for any speculative purposes.

(2) Descriptions and risks of financial commodities

Notes and accounts receivable, 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 values or reasonably calculated prices.

Notes and accounts payable, our operating liabilities, are mostly due within a year.

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

(3) Group's risk management system on financial commodities

(a) Credit risk management (risk related to customers' default on contracts)

The Group regularly monitors the situation of main partners and manages the maturity and balance of each partner so as to check and reduce the risk of uncollectability due to worsened financial situations or other reasons.

The Group holds only bonds with high credit ratings in held-to-maturity bonds according to the fund management standard and believes that the credit risk of these bonds is remote.

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

The Group uses interest rate swap transitions for mitigating the fluctuation risk of interest payments on borrowings.

For securities and investment securities, we regularly check the market price and the financial situation of the issuers (trading partners). For those other than held-to-maturity securities, we continuously review the situation of the securities held considering our relation with the partners concerned.

The execution and management of derivative transactions is carried out by the Fund Section with the approval of the person responsible for decision making according to the internal rules that define the authority to do transactions, the upper limit to transactions, etc.

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

The Group has introduced a cash management system and based on reports from its consolidated subsidiaries that participate in this system, it develops and updates the cash management plan on a timely basis, and also manages liquidity risk by adequately maintaining liquidity on hand. For consolidated subsidiaries that do not participate in the cash management system, the Group conducts flexible group finance for responding to their demands for funds.

(4) Supplemental information on market values of financial commodities

The market values of financial commodities include values based on the market value and reasonably calculated values when there are no market values. As such values are calculated using variable factors, using different assumptions may result in different values.

2. Market price, etc., of financial commodities

The amount stated in the consolidated balance sheet, market price and difference between them of financial commodities are as shown in the table below. Those whose market price is extremely difficult to check are excluded from the table (Refer to Note 2.).

	Amount stated in the consolidated balance sheet (millions of yen)	Market price (millions of yen)	Difference (millions of yen)
(1) Cash and deposits	63,207	63,207	—
(2) Notes and accounts receivable	40,997	40,997	—
(3) Investment securities	11,539	11,539	—
Total assets	115,744	115,744	—
(1) Notes and accounts payable	25,070	25,070	—
(2) Long-term loans payable (including current portion)	31,598	31,609	11
Total liabilities	56,668	56,679	11

Notes: 1. Method for calculating the market price of financial commodities

Assets

(1) Cash and deposits; (2) Notes and accounts receivable

These items are settled in a short period of time and thus their market price is almost the same as their book value. Because of this, they are stated using such book value.

(3) Investment securities

While the market price of stocks, etc., is stated using their price at the stock exchange, that of bonds is stated using either their price at the stock exchange or the price presented by our financial institutions, etc.

Liabilities

(1) Notes and accounts payable;

These items are settled in a short period of time and thus their market price is almost the same as their book value. Because of this, they are stated using such book value.

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

Its market price is calculated using the present value obtained by discounting the sum of the principal and interest by the interest rate supposed in the case where the same long-term borrowings are newly made.

2. Financial commodities whose market price is extremely difficult to check

(Millions of yen)

Division	Consolidated fiscal year under review (as of March 31, 2015)
Non-listed shares	8,864
Investments in capital of subsidiaries and associates	3,229
Bonds of subsidiaries and associates	100

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

Non-listed shares for the consolidated fiscal year under review included affiliated companies' shares of 3,810 million yen.

[Note on business combination, etc.]

Business combination through acquisition

On October 1, 2014, the Company was established through share transfer as a result of the business integration between KADOKAWA CORPORATION and DWANGO Co., Ltd. The Company applied the purchase method to account for this share transfer as being DWANGO as the acquiring company and KADOKAWA as the acquired company in accordance with the accounting standard regarding business combination.

(1) Summary of business combination

1) Name and descriptions of business of acquired company

Name	KADOKAWA CORPORATION
Description of businesses	Publishing IP business, information media business, video IP business, etc.

2) Main reasons for business combination

KADOKAWA CORPORATION and DWANGO Co., Ltd. have now come to the belief, after comprehensively considering their respective visions, management policies and the environment surrounding the two companies, that further enhancing the alliance relationship between the two companies would coincide with their respective business strategies and that effectively utilizing the respective resources of the two companies under common principles and strategies would be in line with the expectations of all of the companies' stakeholders, including users. Thus, the two companies have decided to conduct an integration in the spirit of equality by establishing a holding company through joint share transfer.

3) Date of business combination

October 1, 2014

4) Legal form of business combination

Establishment of joint holding company through share transfer

5) Name of company after business combination

KADOKAWA DWANGO CORPORATION

6) Ratio of voting rights acquired

100%

7) Main grounds for determination of the acquiring company

In consideration of the relative ratio of voting rights held by shareholders as a whole for each company, it was decided that DWANGO Co., Ltd. would be the acquiring company.

(2) Period of financial results of the acquired company included in consolidated statement of income in FY2014

From October 1, 2014 to March 31, 2015

(3) Acquisition cost of the acquired company and breakdown of consideration for each type

Market value of common shares of the Company allotted at the date of business combination	78,338 million yen
Acquisition cost	78,338 million yen

(4) Share transfer ratio for each class of stock and basis for calculation as well as number of shares allotted

1) Share transfer ratio for each class of stock

The Company's ordinary share of 1.168 shares was allotted to one common share of KADOKAWA CORPORATION and one ordinary share of the Company was allotted to one common share of DWANGO Co., Ltd.

2) Basis for calculation of share transfer ratio

KADOKAWA CORPORATION and DWANGO Co., Ltd. asked more than one financial adviser to calculate the share transfer ratio and based on the reports submitted by these advisers, two companies consulted and determined the share transfer ratio.

3) Number of shares allotted

75,300,275 shares

(5) Amount of negative goodwill occurred and reason of occurrence

1) Amount of negative goodwill occurred

22,301 million yen

2) Reason for occurrence

The fair market value of net assets corresponding to investment in the Company exceeded the acquisition costs of shares of two companies.

[Notes on the information regarding amounts per share]

1.	Amount of net assets per share	1,457.83 yen
2.	Net income per share	200.03 yen
3.	Diluted net income per share	199.21 yen

Note: The Company’s shares that are held as stock-benefit type ESOP trust account (FY2014: 10 thousands shares) are included in the number of treasury stock that are deducted in the calculation of the average number of shares outstanding for the purpose of the calculation of "Net income per share" and "Diluted net income per share."
As of March 31, 2015, there is no such share held in the trust account and such share is not included in the number of treasury stock that is deducted in the calculation of the average number of shares outstanding for the purpose of the calculation of "Net assets per share."

[Notes on the subsequent events]

Not applicable

[Other notes]

1. Application of "Accounting Standards for Business Combinations"

   "Accounting Standards for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013, hereinafter "Business Combinations Accounting Standards”), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013, hereinafter "Consolidated Accounting Standard"), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013, hereinafter "Business Divestitures Accounting Standard"), and other related accounting standards have become applicable from the beginning of accounting periods beginning on or after April 1, 2014. Consequently, effective from the consolidated fiscal year ended March 31, 2015, the Group adopted these accounting standards (with the exception of the provisions of Article 39 of the Consolidated Accounting Standard) and changed certain accounting methods. Accordingly, the Group records the difference attributable to changes in the Company’s ownership interest in subsidiaries if the Company retains control over such subsidiaries as capital surplus and charges acquisition related expenses to cost in the fiscal year in which such expenses were incurred.
   Regarding business combinations taking place from the beginning of the consolidated fiscal year ended March 31, 2015 and onward, if the allocated amount of the acquisition cost is revised following the determination of the provisional accounting treatment, the Group reflects such revision in the consolidated financial statements of the fiscal year in which the business combination takes place.
   As a result, as of March 31, 2015, capital surplus decreased by 1,264 million yen. Also, for the consolidated fiscal year ended March 31, 2015, operating income, ordinary income and income before income taxes decreased by 544 million yen, respectively.

2. Impairment loss

   Impairment loss recognized in extraordinary loss mainly included impairment loss of goodwill arising from the acquisition of Vantan Inc. of 3,262 million yen and impairment loss of goodwill resulting from the acquisition of TriSta Co., Ltd. of 1,542 million yen.

3. Business structure improvement expenses

   Business structure improvement expenses recognized in extraordinary loss mainly consisted of special aid associated with the second career plan support program of consolidated subsidiaries of 5,041 million yen.

4. The figures in this document are rounded down to the nearest one million yen unless otherwise noted.

Non-consolidated Balance Sheet

(As of March 31, 2015)

Item	Amount	Item	Amount
(Assets)	Millions of yen	**(Liabilities)**	Millions of yen
Current assets	**8,893**	**Current liabilities**	**727**
Cash and deposits	8,399	Accounts payable - other	327
Accounts receivable - trade	299	Accrued expenses	342
Prepaid expenses	141	Allowance for employees bonuses	38
Others	53	Others	19
Non-current assets	**91,983**	**Non-current liabilities**	**10,571**
Tangible fixed assets	**1,369**	Long-term loans payable	10,000
Buildings	1,191	Deferred tax liabilities	131
Furniture and fixtures	177	Asset retirement obligations	440
Intangible fixed assets	**23**	**Total liabilities**	**11,298**
Software	23	**(Net assets)**	
Investments and other assets	**90,590**	**Shareholders' equity**	**89,578**
Shares of subsidiaries and affiliated companies	89,336	**Capital stock**	**20,625**
Lease and guarantee deposits	1,254	**Capital surplus**	**66,835**
		Capital reserve	20,625
		Other capital surplus	46,210
		Retained earnings	**2,157**
		Other retained earnings	2,157
		Retained earnings carried forward	2,157
		Treasury stock	**(39)**
		Total net assets	**89,578**
Total assets	**100,877**	**Total liabilities and net assets**	**100,877**

Non-consolidated Statement of Income

(October 1, 2014 through March 31, 2015)

Item	Amount	
	Millions of yen	Millions of yen
Operating revenue		**1,617**
Operating expenses		**1,995**
Operating loss		**377**
Non-operating earnings		
Interest income	0	0
Non-operating expenses		
Interest expenses paid on loans and bonds	10	
Others	2	13
Ordinary loss		**391**
Extraordinary gains		
Gain on extinguishment of tie-in shares	2,682	2,682
Income before income taxes		**2,290**
Income taxes - current	1	
Income taxes - deferred	131	132
Net income		**2,157**

Non-consolidated Statement of Changes in Net Assets

(October 1, 2014 through March 31, 2015)

(Millions of yen)

	Shareholders' equity					
		Capital surplus			Retained earnings	
					Other retained earnings	
	Capital stock	Capital reserve	Other capital surplus	Total capital surpluses	Retained earnings carried forward	Total retained earnings
Balance at the beginning of the fiscal year under review	–	–	–	–	–	–
Changes during the fiscal year under review						
Increase by share transfers	20,000	20,000	57,538	77,538		
Conversion of convertible bonds with stock acquisition rights	625	625		625		
Net income					2,157	2,157
Purchases of treasury stock						
Retirement of treasury stock			(11,328)	(11,328)		
Total changes during the fiscal year under review	20,625	20,625	46,210	66,835	2,157	2,157
Balance at the end of the fiscal year under review	20,625	20,625	46,210	66,835	2,157	2,157

	Shareholders' equity		Total net assets
	Treasury stock	Total shareholders' equity	
Balance at the beginning of the fiscal year under review	–	–	–
Changes during the fiscal year under review			
Increase by share transfers		97,538	97,538
Conversion of convertible bonds with stock acquisition rights		1,250	1,250
Net income		2,157	2,157
Purchases of treasury stock	(11,368)	(11,368)	(11,368)
Retirement of treasury stock	11,328	–	–
Total changes during the fiscal year under review	(39)	89,578	89,578
Balance at the end of the fiscal year under review	(39)	89,578	89,578

Notes to the Non-consolidated Financial Statements

[Important accounting policies]

1. Valuation basis and methods for assets

Valuation basis and methods for marketable securities

Shares of subsidiaries:

Cost method based on the moving-average method

2. Depreciation method of non-current assets

Tangible fixed assets:

Declining-balance method

Straight-line method for the buildings (excluding equipment attached to buildings) acquired on or after April 1, 1998

The main life of tangible fixed assets is as follows:

Buildings: 6-15 years

Furniture and fixtures: 3-20 years

Intangible fixed assets:

Straight-line method

The depreciation of the software used in the Company is made based on the life in the Company (5 years).

3. Accounting standards for principal reserves and allowances

Allowance for employees bonuses:

The estimated amount of employees' bonuses to be paid in the consolidated fiscal year under review is posted to prepare for the payment of employees bonuses.

4. Other important basic matters for the preparation of non-consolidated financial statements

Accounting of consumption taxes, etc.:

Consumption taxes, etc., are excluded from the amounts stated on these statements.

[Notes to the Non-consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets 251 million yen
2. The Company's monetary claims against and monetary liabilities for its subsidiaries and affiliated companies
   (1) Short-term monetary claims 299 million yen
   (2) Short-term monetary liabilities 310 million yen

[Notes to the Non-consolidated Statement of Income]

The Company's transactions with its subsidiaries and affiliated companies

(1) Operating revenue	1,617 million yen
(2) Operating expenses	77 million yen
(3) Amount resulting from non-business transactions	9 million yen

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

Number of shares of treasury stock

Type of shares	Number of shares of treasury stock at the beginning of the fiscal year under review	Number of shares of treasury stock increased in the fiscal year under review	Number of shares of treasury stock decreased in the fiscal year under review	Number of shares of treasury stock at the end of the fiscal year under review
Common shares	– shares	5,012,474 shares	4,992,600 shares	19,874 shares

[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)>	
Allowance for employees bonuses	12
Temporary differences and others	3
Subtotal, deferred tax assets (current)	15
Valuation reserve	(15)
Total, deferred tax assets (current)	–
<Deferred tax assets (fixed)>	
Shares of subsidiaries and affiliated companies	12,599
Asset retirement obligations	142
Tax loss carried forward	68
Temporary differences and others	10
Subtotal, deferred tax assets (fixed)	12,820
Valuation reserve	(12,820)
Total, deferred tax assets (fixed)	–
<Deferred tax liabilities (fixed)>	
Retirement cost from asset retirement obligation	(131)
Total, deferred tax liabilities (fixed)	(131)
Net deferred tax liabilities	(131)

[Notes on transactions with interested parties]

Subsidiaries and affiliated companies, etc.

Attribute	Name	Address	Capital (million yen)	Business	Ratio of voting rights, etc. owning (owned) (%)	Relations	Transactions	Amount of transactions (million yen)	Account item	Year-end balance (million yen)
Subsidiary	KADOKAWA CORPORATION	Chiyoda-ku, Tokyo	29,210	Publishing IP business, information media business, video IP business, etc.	(Owner) Direct ownership: 100.0	Management guidance Officers serving concurrently Lease of real estate	Receipt of management guidance fee	674	Accounts receivable-trade	110
							Borrowing/re-payment of funds	1,500	—	—
							Payment of interest	4	—	—
	DWANGO Co., Ltd.	Chuo-ku, Tokyo	10,616	Portal business, mobile business, live business, etc.	(Owner) Direct ownership: 100.0	Management guidance Officers serving concurrently Lease of real estate	Receipt of management guidance fee	176	Accounts receivable-trade	30
							Lease of real estate	526	Accounts receivable-trade	95
							Borrowing/re-payment of funds	1,500	—	—
							Payment of interest	4	—	—

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

1. Amount of transactions does not include consumption taxes.
2. The amount received as a management guidance fee is determined based on expenses at the Company necessary for operation and management of Group companies.
3. Interest rates on borrowings are determined considering market interest rates.
4. The amount of lease of real estate is determined with reference to market prices of neighborhood.

[Notes on the information about amounts per share]

1. Amount of net assets per share 1,263.94 yen
2. Net income per share 30.03 yen

[Notes on the subsequent events]

(Important company split)

(1) Objectives of the company split

The Company succeeded as of April 1, 2015, among businesses of a consolidated subsidiary KADOKAWA CORPORATION, game media-related business and the marketing research business that are operated by ENTERBRAIN Brand Company, and the advertising business associated with these businesses that are provided by the Advertising Division through a company split (absorption-type).

(2) Summary of the company split

(a) Date of the company split
April 1, 2015

(b) Method of the company split
Absorption-type company split, in which KADOKAWA CORPORATION is the splitting company and the Company is the successor company.

(3) Overview of companies of the company split

	Splitting company (as of March 31, 2015)	Successor company (as of March 31, 2015)
Name	KADOKAWA CORPORATION	KADOKAWA DWANGO CORPORATION
Assets	140,830 million yen	100,877 million yen
Liabilities	62,375 million yen	11,298 million yen
Net assets	78,454 million yen	89,578 million yen

(4) Overview of succeeding business departments

(a) Descriptions of businesses of succeeding business departments
Of the businesses of KADOKAWA CORPORATION, the game media-related business and the marketing research business that are operated by ENTERBRAIN Brand Company and the advertising business associated with these businesses that are provided by the Advertising Division

(b) Financial results of succeeding business departments (actual results of FY2014)
Sales: 6,039 million yen

(5) Outline of accounting treatment

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on September 13, 2013), the company split was accounted for as a commonly controlled transaction.

[Other notes]

1. Gain on extinguishment of tie-in shares
   Gain on extinguishment of tie-in shares recorded under extraordinary loss mainly related to dividend in-kind of the Company's shares, which were allotted to the consolidated subsidiary, KADOKAWA CORPORATION in line with the share transfer, to the Company.
2. The figures in this document are rounded down to the nearest 1 million yen unless otherwise noted.

Independent Auditor's Report on the Consolidated Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 19, 2015

To the Board of Directors of
KADOKAWA DWANGO CORPORATION:

Deloitte Touche Tohmatsu LLC

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

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

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

Pursuant to the fourth paragragh of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2015 of KADOKAWA DWANGO CORPORATION(the “Company”) and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from October 1, 2014 to March 31, 2015, 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, 2015, 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.

Independent Auditor's Report on the Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 19, 2015

To the Board of Directors of
KADOKAWA DWANGO CORPORATION:

Deloitte Touche Tohmatsu LLC

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

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

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

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2015 of KADOKAWA DWANGO CORPORATION (the “Company”), and the related statements of income and changes in net assets for the 1st fiscal year from October 1, 2014 to March 31, 2015, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of those 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 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 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 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 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 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 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 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 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, 2015,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 by the Audit and Supervisory Board

Audit Report

Regarding the performance of duties by the Directors for the 1st fiscal year from October 1, 2014 to March 31, 2015, the Audit and Supervisory Board hereby submits its audit report, which has been prepared through discussions based on the reports prepared by the respective Audit and Supervisory Board Member.

1. Auditing methods employed by the Audit and Supervisory Board Members and the Audit and Supervisory Board

   The Audit and Supervisory Board determined the auditing policies, the audit plan, etc., and received reports from each Audit and Supervisory Board Member the situation of auditing work and its result. In addition, it received reports on the performance of duties, and if necessary, asked for explanations, from Directors, etc., and from independent auditors.

   Based on the standards of auditing of Audit and Supervisory Board Members and in accordance with the auditing policies, the audit plan, etc., each Audit and Supervisory Board Member kept up communications with Directors, the internal audit section, other employees, etc., and worked to collect information and improve the auditing environment. Audit and Supervisory Board Members also attended the meetings of the Board of Directors and other important meetings, received reports on the performance of duties from the directors, employees, etc., read important authorized documents, etc., and studied the operations and financial positions. In addition, they regularly received reports and asked explanations whenever necessary from Directors, employees, etc., and expressed their opinions about the content of the resolutions of the Board of Directors regarding the development of the system for ensuring that the performance of Directors' duties stated in the business report conforms to laws and regulations as well as to the Articles of Incorporation and other systems provided for in Article 100, Paragraphs 1 and 3 of the Companies Act Enforcement Regulations as necessary to ensure the proper conduct of business of a corporation and about the establishment and operating situation of the system (internal control system) established according to the resolutions. As for the subsidiaries, we worked to keep up communications and exchange information with the Directors, Audit and Supervisory Board Members, etc. of these subsidiaries and, if necessary, received reports on their business operations. We examined the business report and its supporting schedules for the fiscal year in the way described above.

   In addition, the Audit and Supervisory Board Members monitored and inspected to check whether the independent auditors kept their independence and conducted their audit work properly, and received reports from them about their performance of their duties and, if necessary, asked them for explanations. We also had a report from them to the effect that they established the "System for Ensuring That the Independent Auditors Properly Perform Their Duties" (matters stated in each item of Article 131 of the Regulations for Corporate Accounting) according to the "Standards for Quality Control of Auditing" (Business Accounting Council; October 28, 2005), etc., and, if necessary, asked them for explanations. We examined the financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements) and their supporting schedules as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to the consolidated financial statements) in the way described above.

2. Audit results

(1) Audit results of the business report, etc.

1) In our opinion, the business report and its supporting schedules fairly represent the Company's conditions in accordance with the laws and regulations and the Articles of Incorporation.

2) With regard to the performance of duties by the Directors, we have found no evidence of wrongful act or no material violation of the laws and regulations or the Articles of Incorporation.

3) In our opinion, the resolution of the Board of Directors regarding the internal control system is fair and reasonable. As for the statement regarding such internal control system in the business report and the performance of Directors' duties concerning the internal control system, too, we have found no matters to point out.

(2) Audit results of the non-consolidated financial statements and their supporting schedules
In our opinion, the audit method and results employed and rendered by the independent auditors Deloitte Touche Tohmatsu LLC are fair and reasonable.

(3) Audit results of the consolidated financial statements
In our opinion, the audit method and results employed and rendered by the independent auditors Deloitte Touche Tohmatsu LLC are fair and reasonable.

May 25, 2015

Audit and Supervisory Board of KADOKAWA DWANGO CORPORATION:
Yasuaki Takayama Seal
Standing Audit and Supervisory Board Member

Masahiko Hatsumoto Seal
Standing Audit and Supervisory Board Member

Akira Watanabe Seal
Outside Audit and Supervisory Board Member

Yuichi Suzuki Seal
Outside Audit and Supervisory Board Member

Reference Materials on the General Meeting of the Shareholders

Proposal 1: To Amend the Articles of Incorporation

We propose an amendment to the Articles of Incorporation as follows:

1. Reasons for the amendment

The reasons for the proposed amendment are as follows:

1) In order to clearly demonstrate the business integration between KADOKAWA CORPORATION and DWANGO Co., Ltd., which constitute a part of the Group, we would like to create a new trade name by combining the characters of the names of both companies (KADOKAWA CORPORATION and DWANGO Co., Ltd.). We therefore propose to amend Article 1 of the Articles of Incorporation. The said amendment will become effective on October 1, 2015.

2) With the enforcement of the "Act for the Partial Amendment of the Companies Act" (2014, Law No. 90) on May 1, 2015, the Company may now conclude an agreement limiting the liability for damages with Directors who are not Managing Directors or the like and Audit and Supervisory Board Members who are not Outside Audit and Supervisory Board Members. Consequently, in order for such Directors and Audit and Supervisory Board Members to fully perform their expected roles, we propose the amendment of Articles 30 and 39 of the Articles of Incorporation. With regard to the amendment of Article 30 of the Articles of Incorporation, the approval of each Audit and Supervisory Board Members has been obtained.

2. Details of the amendment

The details of the proposed amendment are as follows:

(The underlined part is the amendment.)

Present Article of Incorporation	Proposed Amendment
Article 1. (Trade name) The Company shall be called KABUSHIKIKAISHA KADOKAWA DWANGO and its English name shall be KADOKAWA DWANGO CORPORATION.	Article 1. (Trade name) The Company shall be called KADOKAWA KABUSHIKIKAISHA and its English name shall be KADOKAWA DWANGO CORPORATION.
Article 30. (Directors' exemption from liability) 1. (Omitted) 2. Pursuant to the provisions of Article 427(1) of the Companies Act, the Company may conclude an agreement to limit Outside Directors' liability for compensatory damages for negligence in their duties; provided, however, that the limit of liability under such agreement must be the amount provided for by laws and regulations.	Article 30. (Directors' exemption from liability) 1. (No change) 2. Pursuant to the provisions of Article 427(1) of the Companies Act, the Company may conclude an agreement to limit Directors' (except those who serve as Managing Directors or the like) liability for compensatory damages for negligence in their duties; provided, however, that the limit of liability under such agreement must be the amount provided for by laws and regulations.
Article 39. (Directors' exemption from liability) 1. (Omitted) 2. Pursuant to the provisions of Article 427(1) of the Companies Act, the Company may conclude an agreement to limit Outside Audit and Supervisory Board Members' liability for compensatory damages for negligence in their duties; provided, however, that the limit of liability under such agreement must be the amount provided for by laws and regulations.	Article 39. (Directors' exemption from liability) 1. (No change) 2. Pursuant to the provisions of Article 427(1) of the Companies Act, the Company may conclude an agreement to limit Audit and Supervisory Board Members' liability for compensatory damages for negligence in their duties; provided, however, that the limit of liability under such agreement must be the amount provided for by laws and regulations.

Proposal 2: To Elect Eleven (11) Directors

The term of office of all the 11 directors will expire at the close of this general meeting of shareholders. Accordingly, we propose the election of 11 directors.

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)	April 1991: Joined Software Japan Co., Ltd. August 1997: Representative Director and President of Dwango Co., Ltd. September 2000: Representative Director and Chairman of Dwango Co., Ltd. (present) June 2006: Director of Avex Group Holdings Inc. June 2011: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) (present) June 2013: Managing Director of khara, Inc. (present) March 2014: Director of Reinforce, Inc. (present) June 2014: Director of BOOK WALKER Co., Ltd. (present) June 2014: Director of KADOKAWA ASCII Research Laboratories, Inc. (present) October 2014: Representative Director and Chairman of the Company (present)	5,687,400 shares
2	Tatsuo Sato (September 18, 1952)	May 1986: Director of Kadokawa Media Office June 1992: Representative Director and Managing Director of Kadokawa Media Office October 1992: Representative Director of MediaWorks Inc. June 1999: Director of Kadokawa Shoten Co., Ltd. (present KADOKAWA CORPORATION) April 2000: Representative Director and President of Toy's Works Inc. September 2000: Auditor of DWANGO Co., Ltd. April 2003: Representative Director and President of Character & Anime.com Corporation (present Chara-Ani Corporation) June 2004: Representative Director and President of MediaLeaves, Inc. June 2004: Representative Director and Chairman of Enterbrain, Inc. April 2005: Representative Director and Chairman of MediaWorks Inc. October 2005: Director and Chairman of Fujimi Shobo Co., Ltd. December 2005: Representative Director and President of Kadokawa Mobile Inc. (present BOOK WALKER Co., Ltd.) February 2006: Representative Director, Chairman and President of MediaLeaves, Inc. February 2006: Representative Director and President of ASCII Corporation April 2007: Representative Director and Chairman of Kadokawa Production Inc. April 2008: Representative Director, President of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) December 2009: Director of DWANGO Co., Ltd. (present) October 2014: Representative Director and President of the Company (present)	187,762 shares

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	Tsuguhiko Kadokawa (September 1, 1943)	March 1966: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA CORPORATION) October 1993: Representative Director and President of Kadokawa Shoten Co., Ltd. July 1995: Executive President of the Kadokawa Culture Promotion Foundation (present) April 1999: President of Kadokawa Media (TAIWAN) Co., Ltd. (present KADOKAWA TAIWAN CORPORATION) June 2002: Representative Director, Chairman and CEO of Kadokawa Shoten Co., Ltd. August 2002: Representative Director and Chairman of Kadokawa Daiei Pictures, Inc. April 2003: Representative Director, President and CEO of KADOKAWA HOLDINGS, INC. (present KADOKAWA CORPORATION) April 2003: Representative Director, Chairman and CEO of Kadokawa Shoten Publishing Co., Ltd. May 2004: Representative Director and President of the Japan Video Promotion Co. April 2005: Representative Director, Chairman and CEO of KADOKAWA HOLDINGS, INC. May 2005: President, Kadokawa Holdings US Inc December 2005: Representative Director and Chairman of Kadokawa Mobile Inc. (present BOOK WALKER Co., Ltd.) June 2010: Chairman of the Board of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) (present) February 2013: Representative Director and President of KADOKAWA ASCII Research Laboratories, Inc. (present) October 2014: Director and Adviser of the Company (present)	962,560 shares
4	Takashi Araki (June 16,1957)	April 1981: Joined The Bank of Tokyo, Ltd. (present The Bank of Tokyo-Mitsubishi UFJ, Ltd.) September 1991: Joined SPARX Asset Management Co., Ltd. (present SPARX Group Co., Ltd.) May 1992: Managing Director of SPARX Asset Management Co., Ltd. (present SPARX Group Co., Ltd.) January 1995: Representative Director and President of Interaset Co., Ltd. (present) September 2004: Senior Managing Director of Avex Inc. (present Avex Group Holdings Inc.) December 2006: Director of DWANGO Co., Ltd. May 2009: Representative Senior Managing Director of Avex Group Holdings Inc. April 2010: Representative Director and President of Executive Director of Avex International Holdings Ltd. July 2012: Chief Operating Officer (COO) of DWANGO Co., Ltd. December 2012: Representative Director and President of DWANGO Co., Ltd. (present) December 2012: Director of Spike Chunsoft Co., Ltd. (present) December 2013: Director of MAGES.Inc. (present) October 2014: Director of the Company (present) December 2014: Director of Vantan Inc. (present)	48,700 shares

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)	April 1999: Joined Kadokawa Shoten Co., Ltd. (present KADOKAWA CORPORATION) October 2004: Representative Director and President of SS Communications Inc. July 2009: Representative Director and President of K. Sense Co. September 2009: Representative Director and Chairman of K. Sense Co. June 2010: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) April 2014: Representative Director, President of KADOKAWA CORPORATION (present) October 2014: Director of the Company (present) April 2015: Director of KADOKAWA DAIEI STUDIO CO., LTD. (present) April 2015: Director of Glovision Inc. (present) April 2015: Director of Kadokawa Games, Ltd. (present) April 2015: Director of K. Sense Co. (present) April 2015: Director of BOOK WALKER Co., Ltd. (present) April 2015: Director of Chara-Ani Corporation (present)	15,381 shares
6	Hirokazu Hamamura (February 8, 1961)	April 1985: Joined ASCII Corporation March 2000: Representative Director and President of Enterbrain, Inc. November 2002: Representative Director of MediaLeaves, Inc. November 2003: Representative Director and President of MediaLeaves, Inc. September 2009: Representative Director and President of Kadokawa Content Gate Corp. (present BOOK WALKER Co., Ltd.) June 2012: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) March 2014 Director of Reinforce, Inc. (present) October 2014: Director of the Company (present)	9,592 shares
7	Takeshi Natsuno (March 17,1965)	April 1988: Joined Tokyo Gas Co., Ltd. June 1996: Director and Vice President of Hypernet Corporation September 1997: Joined NTT Mobile Network Inc. (present NTT DOCOMO, INC.) July 2001: General Manager of i-mode Planning Division June 2005: Executive Director and General Manager of Multimedia Service Division May 2008: Guest Professor, Keio University Graduate School of Media and Governance (present) June 2008: Director, SEGA SAMMY HOLDINGS (present) June 2008: Director, PIA Corporation (present) June 2008: Director, Transcosmos Inc.(present) December 2008: Director of DWANGO Co., Ltd. (present) June 2009: Director of DLE Inc. (present) September 2009: Director of GREE, Inc. (present) October 2014: Director of the Company (present)	70,000 shares

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
8	Yuriya Komatsu (October 18,1962)	April 1986: Joined Nomura Securities Co., Ltd. April 1988: Joined Credit Suisse Trust Bank, Limited. April 1990: Joined SPARX Asset Management Co., Ltd. (present SPARX Group Co., Ltd.) May 1994: Joined The Dreyfus Corporation December 1997: Joined Fiduciary Trust Company International (present Franklin Resources Inc.) September 2000: Joined Interaset Inc. November 2004: Joined World Eye Capital Inc. June 2006: Joined Olympus Capital Holdings Asia July 2010: Joined Daiwa Quantum Capital Daiwa Partners I, L.P. August 2010: Executive Director of Otsuka Chemical Co., Ltd. August 2012: Supervisor of DWANGO Co., Ltd. January 2013: Executive Director, CFO of DWANGO Co., Ltd. October 2014: Director of the Company (present) October 2014: Director, CFO of DWANGO Co., Ltd. (present)	17,300 shares
9	Koji Funatsu (March 18, 1952)	April 1981: Joined Recruit Co., Ltd. (present Recruit Holdings Co., Ltd.) April 1998: Joined Transcosmos Inc. June 1998: Managing Director of Transcosmos Inc. June 1999: Senior Managing Director of Transcosmos Inc. December 1999: Director of Kadokawa Interactive Media Co., Ltd. April 2000: Representative Director and Vice-president of Transcosmos Inc. September 2002: Representative Director, President and CEO of Transcosmos Inc. June 2003: Representative Director, Chairman and CEO of Transcosmos Inc. (present) June 2005: Auditor of Walker Plus Co. November 2005: Auditor of Chara-Ani Corporation June 2006: Director of Kadokawa Cross Media Co. June 2006: Director of Kadokawa The Television Co. June 2008: Director of Kadokawa Marketing Co., Ltd. June 2009: Director of KADOKAWA GROUP HOLDINGS, INC. (present KADOKAWA CORPORATION) October 2014: Director of the Company (present)	0 shares
10	Koji Hoshino (May 7,1956)	January 1983: Joined Armstrong Inc. (USA) January 1990: Joined The Walt Disney Company (Japan) Ltd. February 1993: Representative of Disney Home Video Japan Home Video Division January 1995: Vice President of The Walt Disney Company January 1998: Senior Vice President of The Walt Disney Company January 2000: Senior Executive Vice President of The Walt Disney Company January 2000: Representative Director and President of The Walt Disney Company (Japan) Ltd. June 2007: Representative Director and Chairman of The Walt Disney Company (Japan) Ltd. January 2008: President of STUDIO GHIBLI Inc. (present) January 2013: Director of DWANGO Co., Ltd. October 2014: Director of the Company (present)	0 shares

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
11	Iwao Aso (July 17,1974)	April 1997:	Joined Long-Term Credit Bank of Japan (present Shinsei Bank, Limited)	0 shares
		June 2000:	Auditor of ASO CEMENT Co., Ltd.(present ASO CORPORATION)	
		June 2001:	Director of ASO CEMENT Co., Ltd. (present ASO CORPORATION)	
		December 2005:	Director of DWANGO Co., Ltd.	
		June 2006:	Senior Managing Director of ASO CORPORATION	
		October 2008:	Representative Director, Vice President of ASO CORPORATION	
		June 2010:	Representative Director, President of ASO CORPORATION (present)	
		October 2014:	Director of the Company (present)	

Notes: 1. Although there are no special interests between the Company and the candidates for director, the business relationships between the candidates for director and subsidiaries of the Company are provided below for reference purposes.

1) The candidate for director Mr. Tsuguhiko Kadokawa serves concurrently as Executive President of the Kadokawa Culture Promotion Foundation, with which a subsidiary of the Company has business relations, including the lease of real estate.
2) The candidate for director Mr. Koji Funatsu serves concurrently as Representative Director, Chairman and CEO of Transcosmos Inc., with which a subsidiary of the Company has business relations, including the payment of advertisement fees, etc.
3) The candidate for director Mr. Koji Hoshino serves concurrently as President of STUDIO GHIBLI Inc., with which a subsidiary of the Company has business relations, including payment of royalties.

2. The candidates for directors Messrs. Koji Funatsu, Koji Hoshino, and Iwao Aso are candidates to become outside directors as provided for in Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.

Of the candidates for directors, Messrs. Koji Funatsu, Koji Hoshino, and Iwao Aso are the candidates for independent officer whom the Tokyo Stock Exchange requires us to appoint for the purpose of protecting general shareholders.

1) It is requested to elect as an outside director a candidate Mr. Koji Funatsu because he is expected to use his expertise in the IT field, abundant experiences 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 9 months at the close of this general meeting of shareholders. In addition, Mr. Koji Funatsu has in the past assumed office as an outside officer at KADOKAWA CORPORATION, which is a subsidiary of the Company, and other subsidiaries.
2) It is requested to elect as an outside director a candidate Mr. Koji Hoshino because he is expected to use his extensive knowledge in the field of development, production and distribution of entertainment-related contents and abundant experiences 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 9 months at the close of this general meeting of shareholders. In addition, Mr. Koji Hoshino has in the past assumed office as an outside officer at DWANGO Co., Ltd., which is a subsidiary of the Company.
3) It is requested to elect as an outside director a candidate Mr. Iwao Aso because he is expected to use his abundant experiences 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 9 months at the close of this general meeting of shareholders. In addition, Mr. Iwao Aso has in the past assumed office as an outside officer at DWANGO Co., Ltd., which is a subsidiary of the Company.

3. If candidates of outside directors are elected, the Company schedules to conclude an agreement limiting the liabilities for damages pursuant to Article 427 Paragraph 1 of the Companies Act, with the limited amount of liabilities for damages under the agreement to be the minimum liability amount set forth in laws or regulations.

Proposal 3: Decision of Amounts of Compensation, etc. for Directors and Audit and Supervisory Board Members

Pursuant to the provisions of Article 46 of the Articles of Incorporation, the maximum amounts of compensation, etc. for Directors and Audit and Supervisory Board Members are 400 million yen and 50 million yen, respectively, for the period from the date of formation of the Company (October 1, 2014) until the conclusion of the first General Meeting of Shareholders. However, no provision is stipulated regarding compensation, etc. for Directors and Audit and Supervisory Board Members for the period after the conclusion of the first General Meeting of Shareholders. Therefore, we propose the stipulation of the provisions below and ask for your approval.

With respect to Directors concurrently serving as employees, their employee compensations are not included in compensation, etc. payable to Directors. The number of Directors is currently eleven (including three Outside Directors), and the number of Audit and Supervisory Board Members is four.

1. Amount of compensation, etc. payable to Directors

   Not exceeding 400 million yen annually (not exceeding 50 million yen annually for Outside Directors)

2. Amount of compensation, etc. payable to Audit and Supervisory Board Members

   Not exceeding 50 million yen annually

Proposal 4: Decision of Amounts and Details of Share-based Compensation Linked to Performance for Directors

This proposal is to request to approve the introduction of a share-based compensation system (hereinafter, the “System”) with its subject being Directors, excluding Outside Directors, with regard to the Company’s compensation to Directors.

The introduction of the System is to further clarify the link between compensation for Directors and the value of the Company's shares, and share information with our shareholders about risks of a fall in share price as well as the benefit to Directors from a rise in share price, thus raising their sense of contribution to continuous medium- and long-term improvement of the Group's performance and increased corporate value.

Specifically, we request your approval to provide to Directors new share-based compensation, in addition to the maximum amount of compensation, etc. to Directors as described in Proposal No. 3, in accordance with their business achievement and the level of individual contribution to the Company’ performance for each fiscal period.

We also request to entrust its details to the resolution of the Board of Directors, within the maximum amounts below. The number of Directors within the scope of this compensation is eight.

1. Overview of the System

   In the System, the Company provides compensation to Directors who assume office during the specified period set forth in Item 2 below. Monies within the limit set forth in Item 2 below contributed to the trust by the Company are to be used to acquire the Company's shares through the Company (in the case of disposal of treasury stock) or a stock exchange market. The Company's shares are then to be issued to Directors who satisfy a certain requirement based on such measures as their business achievement and the level of individual contribution to the Company’s performance for each fiscal period. In principle, the Company's shares are issued to Directors in May of every year.

2. Maximum amount contributed by the Company

   The Company implements the System for three consecutive fiscal periods (initially, three fiscal periods starting fiscal year ending March 31, 2016 to fiscal year ending March 31, 2018. In the event that the above trust period is extended, three subsequent fiscal periods; hereinafter, the "Target Period").

The Company contributes monies up to a total of 1.2 billion yen (annually equivalent of 400 million yen) for each Target Period as compensation from the Company. The Company establishes a trust for three years having Directors who satisfy the beneficiary conditions (hereinafter, the "Trust"). In accordance with instructions by the trust administrator, the Trust uses entrusted monies to acquire the Company’s shares from the Company (in the case of disposal of treasury stock) or in a stock exchange market. The number of the Company's shares acquired by the Trust is a maximum of 702,000 shares, and the acquisition is within the range of the cash contributed to the Trust.

Upon expiration of the trust period, the Trust may continue with a change of trust agreement and addition of funds by a resolution of the Board of Directors. In this case, the Trust's trust period is extended for another three years, and the Company contributes the additional funds within the scope of a total of 1.2 billion yen (annually equivalent of 400 million yen) for each extended trust period. Points continue to be allocated to Directors during the extended trust period. The Trust acquires shares of the Company within the range of the cash contributed to the Trust and at a maximum of 702,000 shares. However, when the Company provides an additional contribution and the Company's shares (except for undelivered Company’s shares corresponding to the number of points allocated to Directors) and monies remain in the Trust assets (hereinafter, "Residual Shares, etc.") on the last day of the original trust period, the sum of Residual Shares, etc. and additional trust shall not be greater than 1.2 billion yen (annually equivalent of 400 million yen).

3. Calculation method of points allocated to Directors

(1) Allocation of points to Directors

In accordance with the Regulations on Share Issuance of Executive Officers, the Company resolves the base amount corresponding to the number of shares to be issued to each Director based on such measures as business achievement and the level of individual contribution to the Company's performance for each fiscal period at a meeting of the Board of Directors held in May of every year. The said base amount is then divided by acquisition value per Company share in the Trust (hereinafter, the "Base Share Value"). The resulting value is the number of points delivered to each relevant Director.

The total number of points allocated to each Director shall not exceed 234,000 points a year as the total for all of the Directors. The forecast of consolidated operating income, which is disclosed at the beginning of each fiscal year of the Target Period, is used as a target value. When the target value is met, points are allocated. If the target value is not achieved, points are not allocated. With respect to Directors concurrently serving as employees, points corresponding to their employee salaries are not included in the above points.

(2) Issuance of shares, etc. corresponding to the number of points allocated

The Company's shares, etc. are issued to Directors according to the number of points allocated as explained in (1) above. When shares are issued as described in Item 4 below, points allocated to each Director are converted into shares at the rate of one point to one common stock of the Company. (However, in the event that such activities as share splits, allotment of shares without contribution or share consolidation are performed with the Company's shares after this proposal is approved, the exchange rate must be adjusted in a fair manner in accordance with the ratio of the relevant activity.)

4. Issuance of shares, etc. to Directors

The Company's shares, etc. are issued to Directors who satisfy the beneficiary conditions as beneficiaries in May of every year in the number of shares calculated with the method as explained in Item 3 above through the prescribed procedure for beneficiary verification. (For some shares, compensation may be received in cash in an amount corresponding to the exchange value of the Company's shares within the trust pursuant to the provisions of trust agreement).