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## Summary of Consolidated Earnings Results for the Six Months Ended September 30, 2024 (Based on Japanese GAAP)

November 7, 2024

Company name: KADOKAWA CORPORATION  
 Stock exchange listing: Tokyo  
 Stock code: 9468 URL <https://group.kadokawa.co.jp/global/ir/>  
 Representative: Chief Executive Officer Takeshi Natsuno  
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 Scheduled date to file semi-annual Securities Report: November 13, 2024  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

## 1. Consolidated earnings results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (Percentages indicate year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	136,320	9.8	10,626	23.5	9,771	4.1	3,096	(25.0)
Six months ended September 30, 2023	124,207	1.3	8,604	(35.0)	9,389	(44.4)	4,125	(60.8)

(Note) Comprehensive income: 5,689 million yen (-27.8%) for the six months ended September 30, 2024  
 7,883 million yen (-40.0%) for the six months ended September 30, 2023

	Earnings per share		Diluted earnings per share		EBITDA	
	Yen		Yen		Millions of yen	%
Six months ended September 30, 2024	23.03		22.21		14,307	23.4
Six months ended September 30, 2023	29.81		29.80		11,595	(27.2)

(Note) EBITDA = Operating profit + Depreciation + Amortization of goodwill

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2024	337,929	215,481	56.3	1,414.35
As of March 31, 2024	340,310	212,566	56.0	1,417.63

(Reference) Equity capital: As of September 30, 2024: 190,179 million yen As of March 31, 2024: 190,593 million yen

## 2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	–	0.00	–	30.00	30.00
Year ending March 31, 2025	–	0.00			
Year ending March 31, 2025 (Forecast)			–	30.00	30.00

(Note) Revisions from dividends forecasts announced most recently: No

## 3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share	EBITDA	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Millions of yen	%
Full year	271,700	5.3	16,300	(11.7)	16,200	(19.9)	9,000	(20.9)	66.93	24,100	(5.0)

(Note) Revisions from financial results forecasts announced most recently: Yes

\* Notes

(1) Significant changes to subsidiaries during the period: Yes

New: 1 company ARCLIGHT, Inc.

Excluded: –

(Note) For details, please refer to “2. Semi-annual Consolidated Financial Statements and Major Notes (4) Notes on Semi-annual Consolidated Financial Statements (Business Combinations)” on page 13 of the Attachments.

(2) Accounting policies adopted specially for the preparation of semi-annual consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatement of prior period financial statements: No

(Note) For details, please refer to “2. Semi-annual Consolidated Financial Statements and Major Notes (4) Notes on Semi-annual Consolidated Financial Statements (Notes on Changes in Accounting Policies)” on page 11 of the Attachments.

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	141,784,120 shares	As of March 31, 2024	141,784,120 shares
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(ii) Number of treasury shares at the end of the period

As of September 30, 2024	7,320,398 shares	As of March 31, 2024	7,339,245 shares
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(iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	134,455,395 shares	Six months ended September 30, 2023	138,408,246 shares
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\* Semi-annual earnings reports are not subject to review by certified public accountants or independent account auditors.

\* Proper use of forecasts of earnings results and other special matters

Earnings results forecasts and other forward-looking statements contained in this material are based on information available to the Company as of this moment and certain assumptions that are deemed to be reasonable. Therefore, actual results may differ significantly from these forward-looking statements due to various factors. For further details, please refer to “1. Overview of Operating Results and Financial Position (3) Overview Concerning Forward-Looking Information, Including Consolidated Operating Result Forecasts” on page 5 of the Attachments.

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## 1. Overview of Operating Results and Financial Position

### (1) Overview of Operating Results

The KADOKAWA group's corporate mission is "A Platform for Creativity." The Group advocates a "global media mix with technology" as its fundamental strategy that combines the stable creation of intellectual property (IP) consisting of a variety of portfolio content in the Publication/IP Creation, Animation/Film, Gaming, Web Services, and Education/EdTech Segments, the maximization of the LTV (life time value) of IP resulting from collaboration among business segments, and the rollout of IP on a global scale through the continual adoption of the latest technology, seeking to achieve growth and enhance corporate value over the medium to long terms.

During the first six months of the fiscal year under review, net sales totaled 136,320 million yen (up 9.8% year on year), with operating profit of 10,626 million yen (up 23.5%) and ordinary profit of 9,771 million yen (up 4.1%). The Group posted extraordinary losses of approximately 2,300 million yen in connection to a cyberattack on servers in its data center that was discovered in June this year. These losses included compensation expenses for creators of the Niconico services and expenses related to investigation and restoration. Profit attributable to owners of parent came to 3,096 million yen (down 25.0%).

The performance of each business segment for the first six months under review is as follows:

#### [Publication/IP Creation Segment]

In the Publication/IP Creation Segment, the Company publishes and sells digital and paper-based books and magazines. The Company also sells digital ads and licenses. In this segment, the Company continuously creates over 5,500 new titles a year as an essential source of its media mix strategy. The Company has published more than 130,000 titles. These extensive title archives are a driving force of the KADOKAWA group's growth.

Sales from e-books and e-magazines increased significantly, reflecting strong sales particularly of media mix titles at both the Company's domestic online store and other companies' domestic online stores.

International sales of paper-based books and magazines increased chiefly due to continued strength in sales in Asia. Domestically, sales declined due to a decrease in shipments of the backlist, which was primarily attributable to cyberattacks, despite an increase in the number of new IPs. New publications, such as *Pan Dorobou* (6) (a children's book), *My Love Story with Yamada-kun at Lv999* (9), and *The Eminence in Shadow* (13) (comic), contributed to sales. Rights licensing sales increased due in part to the contributions of those for gaming machines.

Profit in the segment rose, driven by growth in e-books and e-magazines and rights licensing sales, despite the adverse effects of cyberattacks and continued investment for medium- to long-term growth in this segment.

Consequently, net sales in this segment came to 72,473 million yen (up 9.3% year on year) with operating profit of 4,357 million yen (up 33.8%).

#### [Animation/Film Segment]

The Animation/Film Segment includes the planning, production and distribution of anime and live-action films, video distribution licensing, and sales of package software.

In the animation business, we achieved further growth over the corresponding period of the preceding fiscal year, which was strong, mainly through overseas distribution of popular titles such as *【OSHI NO KO】 Season 2*, *Delicious in Dungeon* and other popular titles for overseas distribution and rights licensing sales for games and goods. In the Film business, sales increased due to the contributions of rights licensing sales for the distribution of movies in the previous fiscal year, including *KUBI*, *Let's Go Karaoke!*, and *Matched*.

Operating profit in this segment increased, reflecting the increase in sales.

Consequently, net sales in this segment came to 26,431 million yen (up 20.0% year on year) with operating profit of 3,640 million yen (up 45.4%).

#### [Gaming Segment]

The Gaming Segment includes the planning, development, sales and licensing of game software and online games.

Results in this segment were driven powerfully by strong domestic and overseas sales of downloadable content *ELDEN RING SHADOW OF THE ERDTREE* released by FromSoftware, Inc. and an increase in repeat sales of *ELDEN RING*.

Consequently, net sales in this segment came to 18,149 million yen (up 32.8% year on year) with operating profit of 6,072 million yen (up 50.8%).

#### [Web Services Segment]

In the Web Services Segment, the Company operates a portal Segment for a variety of streaming social network services, as well as planning and managing a variety of events, and content distribution service for mobile device users.

In the first six months under review, Niconico's streaming social network services were suspended due to cyberattacks. This had a significant impact and led to a decline in sales for this segment.

Profit declined due to the significant impact of the sales decrease in streaming social network services, despite improved profitability in planning and managing events as a result of successful cost optimization.

Consequently, net sales in this segment totaled 8,329 million yen (down 24.3% year on year) with operating loss of 1,007 million yen (compared to operating profit of 648 million yen for the corresponding period of the preceding fiscal year).

#### [Education/EdTech Segment]

In the Education/EdTech Segment, the Company operates trade schools and provides online educational content and systems to online high schools.

At Vantan Inc., which operates vocational schools in the creative arts field, the number of students increased due to the opening of KADOKAWA Anime/Voice Actor Academy in April and the expansion of the areas of operation, and sales rose as a result. DWANGO Co., Ltd.'s N High School and S High School business grew solidly, reflecting a continued increase in student enrollment mainly due to the opening of new campuses for in-person courses.

Operating profit in this segment increased, mainly reflecting the increase in sales.

Consequently, net sales in this segment came to 7,658 million yen (up 14.3% year on year) with operating profit of 1,447 million yen (up 24.0%).

#### [Others Segment]

In the Others Segment, the Company operates the MD business, which plans and sells character goods and other products, and operates facilities such as TOKOROZAWA SAKURA TOWN.

In the MD business, sales remained flat, although the collectible figure product line is weighted toward the second half of the fiscal year, reflecting the growth of sales of goods overseas. Sales in the segment decreased, chiefly due to a decline in the commercial facility business, a withdrawal from the purchase and sale of some commercial products in consideration of profitability, and a drop in inter-segment internal transactions between functional subsidiaries responsible for digital transformation within the Group.

Profit in the segment decreased due to a decline in inter-segment internal transactions, despite an increase in profit in the MD business and a reduction in losses in the commercial facility business, which was attributed to decreased depreciation resulting from impairment in the previous fiscal year, as well as continued cost control.

Consequently, net sales in this segment totaled 7,783 million yen (down 17.1% year on year) with operating loss of 2,422 million yen (compared to operating loss of 1,925 million yen for the corresponding period of the preceding fiscal year).

Since the cyberattacks, the Company has been working hard to restore the affected business activities. As a result, in the Publication/IP Creation Segment, the volume of shipments of existing publications, which was impacted by the attacks, returned to normal in August. Regarding the Web Services Segment, major services resumed in stages starting in August. In September, nearly all services had returned to normal.

The Company will work to consistently provide products and services, as well as to promptly reverse the impact from this incident, with the aim of achieving sustainable business growth.

## (2) Overview of Financial Position

### (i) Analysis of assets, liabilities and net assets

Total assets as of the end of the first six months of the fiscal year under review decreased by 2,380 million yen from the end of the previous fiscal year to 337,929 million yen. This chiefly reflected a decrease in cash and deposits and an increase in inventories and accounts receivable.

Total liabilities as of September 30, 2024 decreased by 5,296 million yen from the end of the previous fiscal year to 122,448 million yen. This was largely due to a decrease in accounts payable-other and contract liabilities.

Total net assets as of September 30, 2024 increased by 2,915 million yen from the end of the previous fiscal year to 215,481 million yen. This primarily reflects an increase in retained earnings due to the profit attributable to owners of parent and a rise in non-controlling interests, partially offset by a decrease in retained earnings associated with dividend payments.

### (ii) Analysis of cash flows

Net cash used by operating activities was 2,765 million yen (compared to net cash used of 2,953 million yen in the corresponding period of the preceding fiscal year) because of an increase in inventories, income taxes paid and other cash outflows, which was partially offset by the posting of profit before income taxes and other cash inflows.

Net cash provided by investing activities was 2,847 million yen (compared with net cash used of 11,832 million yen in the corresponding period of the preceding fiscal year), primarily due to proceeds from the withdrawal of time deposits and sales of investment securities, which more than offset the purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities was 4,849 million yen (compared to net cash used of 60,779 million yen in the corresponding period of the preceding fiscal year), primarily due to dividend payments.

Consequently, the total use of cash came to 5,448 million yen (including those associated with foreign currency translation differences), leaving cash and cash equivalents at end of period at 74,392 million yen.

The Group's basic policy is to maintain sufficient liquidity and capital resources for business operations. It maintains working capital of approx. 2.5 times monthly sales as on-hand liquidity and determines a certain amount of on-hand liquidity plus future funding needs as the required level of cash and deposits.

As part of the mid-term management plan leading up to the fiscal year ending March 31, 2028, the Group has set a basic financial policy that aims to maintain an appropriate equity ratio between 50% and 60% to remain financially sound and pursue capital efficiency. The Group sets a medium to long-term goal of achieving a return on equity (ROE) of 12% or more.

## (3) Overview Concerning Forward-Looking Information, Including Consolidated Operating Result Forecasts

In light of recent trends in business performance, the company made the following revisions to the forecast of financial results for the fiscal year ending March 31, 2025 that it initially announced on August 14, 2024.

## (i) Revision to the full-year consolidated earnings forecast for the fiscal year ending March 31, 2025

(April 1, 2024 – March 31, 2025)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share	EBITDA
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen	Millions of yen
Previously announced forecast (A)	271,300	15,600	17,900	9,700	72.14	23,500
Revised forecast (B)	271,700	16,300	16,200	9,000	66.93	24,100
Change (B - A)	400	700	(1,700)	(700)		600
Change (%)	0.1	4.5	(9.5)	(7.2)		2.6
(Reference) Results for the previous fiscal year ended March 31, 2024	258,109	18,454	20,236	11,384	83.42	25,374

## (ii) Reason for the revision to consolidated earnings forecast

During the first six months under review, the Animation/Film Segment performed well, chiefly reflecting growth in the anime business due to the growth of popular media mix IP titles and serialized titles. In addition, the performance of the Gaming Segment was strong, mainly due to new downloadable content for *ELDEN RING* released in June 2024. Meanwhile, as of the end of September 2024, the impact of the decrease in membership in the Web Services segment, due primarily to the cyberattack on the servers in the Group's data centers discovered in June 2024, was limited and less than the most recently announced assumption.

In addition to the above progress during the first six months of the fiscal year under review, sales from strongly performing businesses are expected to continue to grow in the second half, and the impact of the decrease in profits in the Web Service segment due to the cyberattack is expected to be less than the most recently announced assumption. Additionally, by recording the increased expenses in the animation and gaming businesses and exchange losses as extraordinary losses, the Company has revised its net sales, operating profit, ordinary profit, profit attributable to owners of parent and EBITDA in its consolidated financial results forecast for the fiscal year ending March 31, 2025 as detailed above. Note that the full-year consolidated results forecast above is based on information available as of the date of publication of this material. Actual results may be different from the forecast due to a variety of factors.

## 2. Semi-annual Consolidated Financial Statements and Major Notes

## (1) Semi-annual Consolidated Balance Sheets

(Unit: Million yen)

	As of March 31, 2024	As of September 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	105,351	90,070
Notes receivable - trade	1,414	1,412
Accounts receivable - trade	60,998	64,700
Contract assets	2,716	906
Securities	—	805
Inventories	30,537	35,562
Prepaid expenses	2,621	3,848
Deposits paid	5,249	4,492
Other	12,699	12,775
Allowance for doubtful accounts	(141)	(214)
Total current assets	221,448	214,360
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,426	45,256
Accumulated depreciation	(13,359)	(14,513)
Buildings and structures, net	31,066	30,742
Machinery and equipment	6,943	7,440
Accumulated depreciation	(3,010)	(3,332)
Machinery and equipment, net	3,933	4,108
Tools, furniture and fixtures	9,444	9,571
Accumulated depreciation	(6,732)	(6,940)
Tools, furniture and fixtures, net	2,711	2,630
Land	26,287	26,294
Construction in progress	180	130
Other	1,082	1,328
Accumulated depreciation	(530)	(566)
Other, net	552	762
Total property, plant and equipment	64,732	64,669
Intangible assets		
Software	9,274	9,919
Goodwill	1,734	2,629
Others	2,662	3,163
Total intangible assets	13,671	15,713
Investments and other assets		
Investment securities	29,224	30,504
Retirement benefit asset	15	6
Deferred tax assets	5,261	5,996
Insurance funds	1,620	1,656
Guarantee deposits	3,349	3,798
Other	1,236	1,469
Allowance for doubtful accounts	(249)	(247)
Total investments and other assets	40,458	43,186
Total non-current assets	118,862	123,569
Total assets	340,310	337,929



(Unit: Million yen)

	As of March 31, 2024	As of September 30, 2024
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	34,084	33,561
Short-term borrowings	–	360
Current portion of long-term borrowings	178	15,268
Accounts payable - other	14,455	11,661
Income taxes payable	4,632	4,919
Contract liabilities	15,078	12,724
Deposits received	9,640	8,799
Provision for bonuses	5,636	6,530
Refund liabilities	6,446	5,611
Provision for share-based remuneration	264	264
Provision for share-based remuneration for directors (and other officers)	1,163	1,170
Other	5,798	5,244
<b>Total current liabilities</b>	<b>97,378</b>	<b>106,116</b>
<b>Non-current liabilities</b>		
Long-term borrowings	25,171	10,956
Deferred tax liabilities	372	425
Retirement benefit liability	3,096	3,078
Other	1,725	1,871
<b>Total non-current liabilities</b>	<b>30,365</b>	<b>16,331</b>
<b>Total liabilities</b>	<b>127,744</b>	<b>122,448</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	40,624	40,624
Capital surplus	76,028	76,027
Retained earnings	82,586	81,617
Treasury shares	(21,276)	(21,216)
<b>Total shareholders' equity</b>	<b>177,964</b>	<b>177,053</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	8,762	8,676
Foreign currency translation adjustment	3,597	4,244
Remeasurements of defined benefit plans	269	204
<b>Total accumulated other comprehensive income</b>	<b>12,629</b>	<b>13,125</b>
Share acquisition rights	–	1,179
Non-controlling interests	21,973	24,122
<b>Total net assets</b>	<b>212,566</b>	<b>215,481</b>
<b>Total liabilities and net assets</b>	<b>340,310</b>	<b>337,929</b>

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income  
Semi-annual Consolidated Statement of Income

(Unit: Million yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	124,207	136,320
Cost of sales	83,138	86,038
Gross profit	41,068	50,281
Selling, general and administrative expenses	32,464	39,654
Operating profit	8,604	10,626
Non-operating income		
Interest income	599	867
Dividend income	542	379
Share of profit of entities accounted for using equity method	464	364
Foreign exchange gains	2,016	—
Gain on sale of goods	41	35
Other	73	83
Total non-operating income	3,737	1,731
Non-operating expenses		
Interest expenses	37	38
Foreign exchange losses	—	2,533
Donations	*1 2,900	—
Other	14	14
Total non-operating expenses	2,952	2,586
Ordinary profit	9,389	9,771
Extraordinary income		
Gain on sale of non-current assets	92	0
Gain on sale of investment securities	—	2,660
Gain on sale of shares of subsidiaries and associates	157	—
Other	—	3
Total extraordinary income	250	2,664
Extraordinary Losses		
Impairment losses	34	—
Expenses for dealing with system failure	—	*2 2,332
Loss on valuation of investment securities	172	221
Extra retirement payments	—	553
Cancellation penalties	7	—
Other	28	92
Total extraordinary losses	242	3,200
Profit before income taxes	9,397	9,235
Income taxes	4,272	4,583
Profit	5,124	4,652
Profit attributable to non-controlling interests	998	1,556
Profit attributable to owners of parent	4,125	3,096

## Semi-annual Consolidated Statement of Comprehensive Income

(Unit: Million yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	5,124	4,652
Other comprehensive income		
Valuation difference on available-for-sale securities	1,375	(86)
Foreign currency translation adjustment	1,423	1,159
Remeasurements of defined benefit plans, net of tax	(63)	(65)
Share of other comprehensive income of entities accounted for using equity method	24	29
Total other comprehensive income	2,759	1,037
Comprehensive income	7,883	5,689
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,578	3,592
Comprehensive income attributable to non-controlling interests	1,304	2,096

## (3) Semi-annual Consolidated Statements of Cash Flows

(Unit: Million yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	9,397	9,235
Depreciation	2,918	3,483
Impairment losses	34	–
Amortization of goodwill	72	196
Share-based payment expenses	–	1,186
Expenses for dealing with system failure	–	2,332
Loss (gain) on sale of investment securities	–	(2,660)
Increase (decrease) in retirement benefit liability	(238)	(140)
Increase (decrease) in refund liabilities	(909)	(1,041)
Increase (decrease) in provision for bonuses	(278)	891
Interest and dividend income	(1,142)	(1,247)
Foreign exchange losses (gains)	(1,606)	2,309
Share of loss (profit) of entities accounted for using equity method	(464)	(364)
Decrease (increase) in trade receivables and contract assets	617	(613)
Decrease (increase) in inventories	(2,921)	(3,561)
Increase (decrease) in trade payables	922	(1,216)
Increase (decrease) in contract liabilities	(2,754)	(2,479)
Other, net	(4,767)	(5,205)
Subtotal	(1,122)	1,104
Interest and dividends received	1,641	2,108
Interest paid	(45)	(36)
Expenses paid to address system failures	–	(1,640)
Income taxes paid	(3,426)	(4,301)
Net cash provided by (used in) operating activities	(2,953)	(2,765)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(7,549)	8,031
Purchase of property, plant and equipment	(1,704)	(1,789)
Purchase of intangible assets	(2,555)	(3,218)
Purchase of investment securities	(99)	(2,886)
Proceeds from sale of investment securities	33	3,870
Purchase of shares of subsidiaries resulting in a change in scope of consolidation	–	(796)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	6	57
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	22	–
Other, net	14	(421)
Net cash provided by (used in) investing activities	(11,832)	2,847
Cash flows from financing activities		
Repayments of long-term borrowings	(40,021)	(276)
Purchase of treasury shares	(15,562)	(0)
Decrease (increase) in deposits paid for purchase of treasury shares	(436)	–
Proceeds from share issuance to non-controlling shareholders	–	73
Dividends paid	(4,253)	(4,065)
Other, net	(505)	(580)
Net cash provided by (used in) financing activities	(60,779)	(4,849)
Effect of exchange rate change on cash and cash equivalents	2,124	(681)
Net increase (decrease) in cash and cash equivalents	(73,440)	(5,448)
Cash and cash equivalents at beginning of period	131,389	79,841
Cash and cash equivalents at the end of period	57,948	74,392

(4) Notes on Semi-annual Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Material Changes in Shareholders' Equity)

Not applicable.

(Notes on Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022") effective from beginning of the first six months under review.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022). This change in accounting policies has no impact on the semi-annual consolidated financial statements.

(Notes on Semi-annual Consolidated Statements of Income)

\*1 Donations

Donations posted in non-operating expenses are payments to an incorporated association that is making preparations to establish an educational institution.

\*2 Expenses for dealing with system failure

The expenses for dealing with system failure recorded in extraordinary losses are compensation expenses for creators of the Niconico services and expenses related to investigation and restoration, etc. in connection to the cyberattack on servers in the Group's data center.

## (Notes on Segment Information)

First Six Months of Previous Fiscal Year (April 1, 2023 to September 30, 2023)

## Information on Net Sales and Profit (Loss) by Reportable Segment

(Unit: Million yen)

	Reportable Segments					Others (Note 1)	Total	Adjustments (Note 2)	Amount on Semi-annual Consolidated Statements of Income (Note 3)
	Publication/ IP Creation	Animation/ Film	Gaming	Web Services	Education/ EdTech				
Net sales									
Third party net sales	65,458	21,692	13,576	10,846	6,700	5,933	124,207	-	124,207
Inter-segment net sales or transfers	854	339	94	154	2	3,459	4,905	(4,905)	-
Total	66,312	22,032	13,670	11,000	6,702	9,393	129,113	(4,905)	124,207
Segment profit (loss)	3,255	2,504	4,028	648	1,167	(1,925)	9,678	(1,074)	8,604

- (Notes) 1. "Others" refers to non-reportable business segments, including the operation of facilities for experiencing IP and the planning and sales, etc. of character goods and other products.  
2. Adjustments of (1,074) million yen for segment profit (loss) was the result of 5 million yen for inter-segment eliminations and non-allocable corporate expenses of (1,079) million yen.  
3. Segment profit (loss) is adjusted with operating profit in the semi-annual consolidated statements of income.  
4. Information by geographical segment

## Net sales

(Unit: Million yen)

Japan	Americas	Asia	Others	Total
103,966	11,610	6,818	1,812	124,207

(Note) Net sales are based on the geographical area of the customers and categorized by country or region.

First Six Months of Fiscal Year Under Review (April 1, 2023 to September 30, 2024)

## 1. Information on Net Sales and Profit (Loss) by Reportable Segment

(Unit: Million yen)

	Reportable Segments					Others (Note 1)	Total	Adjustments (Note 2)	Amount on Semi-annual Consolidated Statements of Income (Note 3)
	Publication/ IP Creation	Animation/ Film	Gaming	Web Services	Education/ EdTech				
Net sales									
Third party net sales	71,050	25,884	18,059	8,150	7,657	5,518	136,320	-	136,320
Inter-segment net sales or transfers	1,422	547	90	179	1	2,265	4,506	(4,506)	-
Total	72,473	26,431	18,149	8,329	7,658	7,783	140,826	(4,506)	136,320
Segment profit (loss)	4,357	3,640	6,072	(1,007)	1,447	(2,422)	12,087	(1,460)	10,626

- (Notes) 1. "Others" refers to non-reportable business segments, including the planning and sales, etc. of character goods and other products, and the operation of facilities.  
2. Adjustments of (1,460) million yen for segment profit (loss) was the result of 5 million yen for inter-segment eliminations and non-allocable corporate expenses of (1,466) million yen.  
3. Segment profit (loss) is adjusted with operating profit in the semi-annual consolidated statements of income.  
4. Information by geographical segment

## Net sales

(Unit: Million yen)

Japan	Americas	Asia	Others	Total
105,213	18,054	9,411	3,640	136,320

(Note) Net sales are based on the geographical area of the customers and categorized by country or region.

## 2. Matters concerning the change in reportable segments, etc.

From the previous fiscal year, the reportable segments that were formerly named the Publication Segment and the Video Segment are named the Publication and IP Creation Segment and the Animation and Live-Action Segment, respectively. The change in the name of the reportable segment has no impact on segment information.

In addition, the segment information for the first six months of the previous consolidated fiscal year reflects these changes.

## (Business Combinations)

Business combination through acquisition

## 1. Outline of the business combination

## (1) Name and business of acquired company

Acquired company: ARCLIGHT, Inc.

Business activities: Planning, manufacturing, development and sale of analog games (TCG, BDG, table talk RPGs)

## (2) Main reasons for the business combination

In recent years, so-called “analog” games that do not require a power source, such as trading card games(TCG) and board games (BDG), have grown in popular both domestically and worldwide, and growth of the market has continued. The Company has previously worked on the analog game business as content to nature characters and stories to achieve a media mix, and by welcoming Arclight, Inc. the Group, the Company aims to enhance the genres that make up the media mix for the popular IPs it maintains, specifically by accelerating the commercialization of analog games, while also further expanding the number of IPs it creates by discovering new game developers and authors through one of Japan’s largest analog game events organized and operated by Arclight. These factors led to the decision to acquire the shares in Arclight.

## (3) Date of business combination

May 31, 2024 (deemed acquisition date: June 30, 2024)

## (4) Legal form of business combination

Acquisition of shares in exchange for cash

## (5) Name of the company after business combination

No change

## (6) Percentage share of voting rights acquired

100%

## (7) Main reason for the decision to acquire the company

Availability to the Company of the method of share acquisition in exchange for cash.

2. Period of the operating results of the acquired company included in the semi-annual consolidated statement of income  
From July 1, 2024 to September 30, 2024

## 3. Costs of the acquisition of acquired company and breakdown by type of consideration

Consideration: Cash	1,950	million yen
Accounts payable - other	50	
Acquisition cost	2,000	

## 4. Goodwill arising from the business combination, reason for the goodwill, and method and period of amortization

## (1) Amount of goodwill

924 million yen

## (2) Reason for the goodwill

The reason is future additional earnings power that is expected from future business development.

## (3) Method and period of amortization

Amortization over a five year period on a straight-line basis

(Significant Subsequent Events)

(Acquisition of Shares in Doga Kobo inc., Making it a Subsidiary)

The Company acquired shares in Doga Kobo inc. and made it a subsidiary., on October 10, 2024.

1. Purpose of the acquisition of shares

The Group's fundamental strategy is to enhance its global media mix with technology, primarily by consistently creating a diverse portfolio of intellectual property (IP) and rolling it out globally. In the animation business, the core of the media mix, the Group pursues a strategy of building a system to continuously create attractive animations by expanding production lines and enhancing its creative capabilities. The Group aims to maximize the value of its IP, especially its animations.

Doga Kobo was established in 1973. The studio has a proven track record of creating numerous successful animations, many of which have been hits. Their meticulous artwork, including attractive characters and the worlds of their works, has been highly praised by animation fans around the world. With Doga Kobo as a new member, the Group will enhance its structure to create animations that are well received globally.

2. Outline of the company whose shares were acquired

- (1) Name: Doga Kobo inc.
- (2) Capital: 5 million yen
- (3) Business: planning, production, and sale of animations

3. Party from whom the shares were acquired

Manager of the acquired company, etc.

4. Timing of share acquisition

October 10, 2024

5. Number of shares to be acquired, acquisition value and shareholding ratio after acquisition

- (1) Number of shares acquired: 4,000
- (2) Acquisition price: 2,954 million yen
- (3) Shareholding ratio after acquisition: 80%

In line with the terms of the share transfer agreement, we have withheld the payment of 300 million yen, a part of the acquisition price.

6. Method for procuring the funds to be paid

Allocated from cash on hand