

To Our Shareholders

Tatsuo Sato,
Representative Director and President
KADOKAWA GROUP HOLDINGS, INC.
13-3, 2-chome, Fujimi, Chiyoda-ku, Tokyo

NOTICE OF THE 59TH GENERAL MEETING OF SHAREHOLDERS

To the Shareholders of KADOKAWA GROUP HOLDINGS, INC. (the "Group")

Taking this occasion, we would like to express our deep gratitude to you for your good offices.
You are cordially invited to attend our 59th 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. Please review the attached "Reference Materials on the Exercise of Voting Rights," 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 17:00, Friday, June 21, 2013 (JST) or access the website for the exercise of voting rights (<http://www.evotep.jp/>) from a personal computer or mobile phone or smart phone and enter your approval or disapproval for each proposal by 17:00, Friday, June 21, 2013 (JST).

Very truly yours,

Details

- 1. Date:** 10:00 a.m. on Saturday, June 22, 2013
(The reception of participants in the meeting will begin at 9:00 a.m.)
- 2. Place:** "Rose Room," 9th floor, Tokyo Kaikan
2-1, 3-chome, Marunouchi, Chiyoda-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 Board of Auditors for the 59th fiscal year (from April 1, 2012 to March 31, 2013)
 2. Presentation of the Non-consolidated Financial Statements for the Company's 59th fiscal year (from April 1, 2012 to March 31, 2013)

Proposals to be acted upon

- Proposal 1:** To appropriate Retained Earnings
Proposal 2: To Amend the Articles of Incorporation
Proposal 3: To approve the Merger Agreement
Proposal 4: To elect Twenty-two (22) Directors
Proposal 5: To elect Two (2) Auditors
Proposal 6: To revise the directors' remuneration

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, a smartphone and by a mobile phone: only the last vote will be counted.

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- The details of the financial statements, etc. of the final fiscal year of the defunct companies resulting from each of the mergers, which should be stated in the Reference Materials on the Exercise of Voting Rights regarding Proposal 3, "To approve the Merger Agreement," are posted on the Group's website (<http://ir.kadokawa.co.jp/>) in accordance with the laws and ordinances and the provisions of Article 16 of the Articles of Incorporation and thus are not included in the accompanying documents of this notice..
 - 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 Group's website (<http://ir.kadokawa.co.jp/>).
 - 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 April 1, 2012 to March 31, 2013]

1. Overview of Business

(1) Progress and Results of Business

In the fiscal year under review (April 2012 to March 2013), the Japanese economy continued to remain uncertain due mainly to the debt problems in Europe and prolonged yen appreciation. But since the end of 2012, some encouraging signs have been seen, too, including expectations for a recovery of export industries supported by the rapid advance of lower yen quotation.

Under such circumstances, the Group is positively pushing the measures to transform itself into an advanced comprehensive media industry that would systematically provide content to multimedia while laying stress on publishing business but not content with this business field. In particular, in the electronic book market, where a rapid expansion began to take on a touch of real possibility when Kindle stores were opened, we are making positive efforts to improve the quality and promote the sales of our digital content products, chiefly the original digital content distribution platform "BOOK☆WALKER." We have also taken quick action to adapt the EPUB 3.0 to Japanese language and are supplying challenging works to new electronic bookstores.

In book business, the Group worked mainly to expand the lineup of series works, promote the sales of media mix works and find new reader groups, and general pocket editions continued to achieve good results. Light novels secured a larger share after Media Factory, Inc. joined the Group and recorded a higher performance. Comics had suffered increases in the rate of returned copies and put pressure on our profit because the positive input of new works and the book fair plans emphasizing on new cartoonists did not attain any adequate result, but our prompt countermeasures began to show good effects gradually.

In magazine and advertisement business, the tendency for the market to shrink still continued but by cutting fixed costs thoroughly and abolishing unprofitable sectors, we were able to enlarge our profit-earning capacity greatly. In addition, we started a new type of service for smartphones that continued a rapid growth by utilizing our existing brands. In March 2013, we launched smileedge Co., Ltd. as a joint venture with Dwango Co., Ltd. and began a fresh effort to do advertisement business on Internet sites, including NICO NICO DOUGA.

In visual business, the feature-length film "Sadako 3D" was a big hit and the package sale of animation works was good, considerably increasing the Group's sales and profit. In addition, as a result of the great effort to control the distribution cost of foreign films and to reduce the expenditure of cinema complex business, we succeeded in turning our visual business, which had basically been in the red, into a profitable one in this fiscal year.

In Internet and digital business, the Group is increasing the pace of the business of the content created by publishing activities. Especially as for "BOOK☆WALKER," the sales record has been broken every month thanks to continued campaigns and the simultaneous introduction of new works as well as the positive input of products. We had negotiations with newly established electronic bookstores promptly, too, and have provided them with a larger number of works than our rivals since they were opened. Therefore, many of our products were listed as the year's best-selling works at each bookstore, and we succeeded in making our big presence felt in the electronic book market.

In overseas business, the Group's publishing business in Taiwan was steady, and the results of our visual business in Hong Kong were improved, too, because we effectively took advantage of the boom in the local film market. Our game business using localized foreign software was also sound. Thus both sales and profit in this business were better than those in the previous fiscal year.

As a result, the Group's consolidated performance in the fiscal year under review was sales of 161,602 million yen (up 9.6% over the previous year), operating income of 7,951 million yen (up 40.6% over the previous year), ordinary income of 8,661 million yen (up 46.7% over the previous year) and net income of 5,040 million yen (up 39.8% over the previous year).

The main hit products by category that contributed to the Group's performance in this fiscal year are as follows:

[Books]

"POSITIVE WAYS of THINKING" (Yuto Nagatomo) and "MITSUKUNI-DEN" (Tow Ubukata) (Kadokawa Shoten)

"COMPLETE GUIDEBOOK to 'TOBIDASE DOUBUTSU NO MORI'" (Enterbrain)

"THE COMPLETE GUIDE to 'TOBIDASE DOUBUTSU NO MORI'" (ASCII Media Works)

"100 THINGS I DO TO LOOK 20 YEARS YOUNGER" (Yoshinori Nagumo) (Chukei Publishing)

[Pocket editions]

"INSIGHTS into HEAVEN and EARTH, 2 vols." (Tow Ubukata) and "THE LOST SYMBOL, 3 vols." (Dan Brown) (Kadokawa Shoten)

"BIBLIA SECONDHAND BOOKSTORE'S NOTEBOOK of INCIDENTS" (En Mikami) (ASCII Media Works)

[Light novels]

"SWORD ART ONLINE" (Reki Kawahara) (ASCII Media Works)

"I HAVE FEW FRIENDS" (Yomi Hirasaka) (Media Factory)

"HIGH SCHOOL D x D" (Ichiei Ishibumi) (ASCII Media Works)

[Comics]

"NEON GENESIS EVANGELION" (Yoshiyuki Sadamoto) (Kadokawa Shoten)

"THERMAE ROMAE" (Mari Yamazaki) and "THE BRIDE'S STORIES" (Kaoru Mori) (Enterbrain)

"TONARI no SEKI-KUN" (Takuma Morishige) (Media Factory)

[Feature-length films]

"SADAKO 3D," "LIBRARY WAR: WINGS of the REVOLUTION" and "INSIGHTS into HEAVEN and EARTH" (Kadokawa Shoten)

[DVDs and Blu-ray works]

"HYOUKA," "STRIKE WITCHES, theater version," and "MEN in BLACK 3" (Kadokawa Shoten)

"I HAVE FEW FRIENDS" and "STEINS: GATE Blu-ray BOX" (Media Factory)

[Game software products]

PSVita, "FATE/STAY NIGHT [Realta Nua]" (Kadokawa Shoten)

3DS, "AKB48 + ME" (Enterbrain)

PS3, Xbox 360, "LOLLIPOP CHAINSAW" (Kadokawa Games)

(2) Status of the Group's Capital Investment

The Group's capital investment in the fiscal year under review totaled 1,956 million yen on a consolidated basis.

Most of this investment was used to construct a new cinema complex in Hong Kong, renew the master management system and add new functions to the digital content distribution platform "BOOK☆WALKER."

(3) Status of the Group's Financing

The Group did not arrange any financing deserving special mention in this fiscal year, but in order to raise business funds flexibly and efficiently, we continued a commitment line contract (lending limit: ¥16 billion) with more than one bank.

As of the end of this fiscal year, we had no loan payable under any of the commitment line contracts.

(4) Issues to Be Addressed by the Group

In the Group's business area, the publishing market continued to suffer a decline to less than 2 trillion yen, while the market of electronic books grew animated. In the market of feature-length films, the box office takings recovered to 195.1 billion yen in 2012 after the serious fall to 181.1 billion yen in 2011. In the video software market, Blu-ray discs are becoming the main products but have not covered the decrease in DVDs yet; thus this market has been on a downward trend as a whole. In the advertisement market, the Group enjoyed a growth over the previous fiscal year first in five years due largely to a demand for restoration after the Great East Japan Earthquake and the Olympic Games. In the communications market, communication service providers upgraded Wi-Fi spots and mobile Wi-Fi service, creating the favorable environment where people can use high-speed and large-capacity communication even when they are out and rapidly making smartphones and tablet terminals popular.

In the greatly changing environment of media as mentioned above, the Group established four general headquarters on April 1, 2013 so as to clearly define the business areas on which we should focus in the coming years: the "General Entertainment Content Creation Business Headquarters" in charge of book and visual business, "General Media & Information Business Headquarters" in charge of magazine and advertisement business, "General International Business Headquarters" and "General IP Business Headquarters." We also set up the "General Sales and Marketing Headquarters" for realizing the economies of scale by the centralization of the Group's transactions and the "General Administrative Headquarters" and "General Management Headquarters" for strengthening our management and strategy-planning functions.

By taking these steps, the Group will work to speed up its decision-making process and unify its chain of command and will also make efforts to expand its core business and launch new projects promptly.

In book business, the Group is carrying out activities with the aim of being number one in each of its product categories, such as the Kadokawa Library of pocket editions, which has a history of over 60 years, books, *shinsho*-size editions, comics, light novels and strategy guides for computer games. In particular, we will endeavor to continue having a large market share and increase the share in the field of light novels, the Group's strong point, and will aim at further enriching our original content in the area of comics, too.

In visual business, the Group is concentrating on the turning of the abundant group IP created

by our publishing business into visual products and the production and distribution of live-action movies and animated cartoons. In show business, we signed a strategic business tie-up contract with United Entertainment Holdings Co., Ltd. and transferred the shares of Kadokawa Cineplex Inc., which had conducted cinema complex business as the Group's member to United Entertainment Holdings. The Group will strive to develop and expand its visual business further by raising the management efficiency and making the best use of the management resources of the two groups, both of which will be promoted by this business tie-up.

In magazine and advertisement business, the situation is difficult because the market has been dull, but the Group will strive to increase earnings by, among others, starting service for smartphones by utilizing the information on entertainment and regional data accumulated thus far and by joining hands with social networking services (SNSs) and other stakeholders. In advertisement, we founded smileage Co., Ltd. as a joint venture with Dwango Co., Ltd. This company will be a new advertisement firm that will do business by combining the abundant brands and content as well as the editing capacity owned by the Group and Dwango's high-level technical expertise. In the future, smileage Co., Ltd. will create ad products by combining magazines and other paper media, the Net and events and work to establish good communication with clients and target users.

In net and digital business, the digital content distribution platform "BOOK☆WALKER" achieved a high growth as shown in the fact that the number of application downloads from this platform exceeded one million, and the Group will continue to focus on this platform in the future as one of the main elements of our growth strategies. We will also work on outside sales to such other platforms as Kindle and kobo and aim at increasing our market share in the sale of electronic books.

In IP business, the Group will strive to create the mega-content that will be accepted worldwide and to reinforce merchandizing activities.

In overseas business, we enjoyed good business results in Taiwan mainly in the "Taipei Walker" and in the translation and publishing of light novels. Our business scale was steadily enlarged in Hong Kong, too, by the import and sale of light novels and in visual and other business. In the mainland China, Guangzhou Tianwen Kadokawa Animation and Comics Co., Ltd., a joint venture with a state publishing house in Hunan Province, favorably increased its sales by publishing the translations of light novels and providing content products derived from the "Tianman," the Japanese-based monthly comics magazine first in China, and the "Tianman Light Novels," a light novel magazine. In the future, the Group will work to expand into other types of products, such as literary works and business books. Based on the activities of these subsidiaries in this region, we will continue to expand our business in Asian countries, including China.

(5) Status of Assets and Profit and Loss in the Three Preceding Fiscal Years

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

Division	56th fiscal year (ended in March 2010)	57th fiscal year (ended in March 2011)	58th fiscal year (ended in March 2012)	59th fiscal year (fiscal year under review) (ended in March 2013)
Net sales (million yen)	135,922	140,055	147,392	161,602
Ordinary income (million yen)	5,375	8,572	5,905	8,661
Net income (million yen)	1,429	6,367	3,604	5,040
Net income per share (yen)	56.68	252.65	140.03	194.72
Total assets (million yen)	119,252	121,951	128,751	139,898
Net assets (million yen)	67,461	73,150	77,050	87,545
Net assets per share (yen)	2,645.78	2,881.46	2,945.20	3,339.17

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

Division	56th fiscal year (ended in March 2010)	57th fiscal year (ended in March 2011)	58th fiscal year (ended in March 2012)	59th fiscal year (fiscal year under review) (ended in March 2013)
Operating revenue (million yen)	3,960	3,975	6,718	5,719
Ordinary income (million yen)	1,320	1,010	2,949	971
Net income or net loss (million yen)	699	-591	2,747	677
Net income or net loss per share (yen)	27.71	-23.46	106.77	26.18
Total assets (million yen)	91,529	90,824	95,705	106,976
Net assets (million yen)	61,621	61,436	64,816	69,708
Net assets per share (yen)	2,442.12	2,442.45	2,504.19	2,693.17

(6) Status of Important Subsidiaries

Company name	Capital stock (million yen)	Company's ratio of voting rights (%)	Principal business
Kadokawa Group Publishing Co., Ltd.	100	100.0	Sale of publications
Kadokawa Shoten Co., Ltd.	100	100.0	Publishing and editing Video content production Production, distribution and import of films
Kadokawa Magazines Inc.	100	100.0	Publishing and editing
Fujimi Shobo Co., Ltd.	250	100.0	Publishing and editing
ASCII Media Works Inc.	493	100.0	Publishing and editing
Enterbrain, Inc.	100	100.0	Publishing and editing Production and sale of video products
Chukei Publishing Co.	40	100.0	Publishing and editing
Media Factory, Inc.	100	100.0	Publishing and editing Production and sale of video products

Notes: 1. Figures for "Company's ratio of voting rights" include those of indirect ownership.

2. Kadokawa Cineplex Inc. was excluded from the list of the important subsidiaries because we sold all of the company's shares held by the Group in this fiscal year.

(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) Acquisition of the shares of Dwango Co., Ltd.

To strengthen the capital tie-up with Dwango Co., Ltd., the Company acquired additional 8,163 shares of Dwango (4.0% of the number of Dwango's outstanding shares) on March 8, 2013 in accordance with the share transfer agreement with Avex Group Holdings Inc., Dwango's existing shareholder.

2) Additional investment in Hemisphere Motion Picture Partners I LLC.

Kadokawa Pictures America Inc., the Company's consolidated subsidiary, additionally invested 1.3 billion yen in Hemisphere Motion Picture Partners I LLC. (the Company's affiliated company accounted for by the equity method).

(8) Principal Business (as of March 31, 2013)

The Group's principal business is the development, production, purchasing and sale of books, magazines and video content and related business.

(9) Principal Offices and Plants (as of March 31, 2013)

Name	Address
Kadokawa Group Holdings, Inc.	Chiyoda-ku, Tokyo
Kadokawa Group Publishing Co., Ltd.	Chiyoda-ku, Tokyo
Kadokawa Shoten Co., Ltd.	Head office (Chiyoda-ku, Tokyo), Kadokawa Daiei Studio Photography(Chofu-shi, Tokyo), Kansai Branch (Osaka, Osaka Pref.), Kadokawa Cinema Shinjuku (Shinjuku-ku, Tokyo), Kadokawa Cinema Yuurakucho (Chiyoda-ku, Tokyo)
Kadokawa Magazines Inc.	Fujimi Office (Chiyoda-ku, Tokyo), Kansai Office (Osaka, Osaka Pref.), Kyushu Office (Fukuoka, Fukuoka Pref.), Tokai Office (Nagoya, Aichi Pref.), Yokohama Office (Yokohama, Kanagawa Pref.), Hokkaido Office (Sapporo, Hokkaido)
Fujimi Shobo Co., Ltd.	Chiyoda-ku, Tokyo
ASCII Media Works Inc.	Chiyoda-ku, Tokyo
Building Book Center Co., Ltd.	Miyoshi-cho, Iruma-gun, Saitama Pref.
Enterbrain, Inc.	Chiyoda-ku, Tokyo
Chukei Publishing Co.	Head Office (Chiyoda-ku, Tokyo), Sendai Office (Sendai, Miyagi Pref.), Osaka Office (Osaka, Osaka Pref.), Nagoya Office (Nagoya, Aichi Pref.), Hiroshima Office (Hiroshima, Hiroshima Pref.), Fukuoka Office (Fukuoka, Fukuoka Pref.)
Media Factory, Inc.	Shibuya-ku, Tokyo
Kadokawa Media (TAIWAN) Co., Ltd.	Taiwan
Kadokawa Intercontinental Group Holdings Ltd.	Hong Kong

(10) Status of Employees (as of March 31, 2013)

1) Employees in the Group

Number of employees	Year-on-year change
2,855 (477) persons	Up 133 (down 809) persons

- Note: 1. The number of employees is those of full-time employees, and the yearly average number of part-time employees is shown in parentheses separately.
2. The number of part-time employees was decreased by 809 mainly because Kadokawa Cineplex Inc. was excluded from the scope of consolidation as a result of the sale of the company's shares.

2) Employees in the Company

Number of employees	Year-on-year change	Average age	Average length of service
53 persons	Up 5 persons	44.3 years of age	4.5 years

- Notes: 1. The number of employees is those of full-time employees, excluding 5 loan employees to other companies and including 10 loan employees from other companies.
2. After the split-up, all of the employees as of March 31, 2003 were transferred to Kadokawa Shoten Publishing Co., Ltd. (present trade name: Kadokawa Group Publishing Co., Ltd.). Thus the average length of service was counted from April 1, 2003.

(11) Status of Principal Lenders (as of March 31, 2013)

Lender	Amount borrowed (million yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	195

2. Situations of the Company**(1) Status of Shares (as of March 31, 2013)**

- 1) Number of shares authorized to be issued by the Company: 100,000,000 shares
- 2) Number of outstanding shares: 27,260,800 shares
- 3) Number of shareholders: 12,694 persons
- 4) Major shareholders (top ten)

Name	Number of shares held (thousand shares)	Ratio of equity participation (%)
Tsuguhiko Kadokawa	2,056	7.95
Nippon Life Insurance Co.	1,630	6.30
Namco Bandai Holdings Inc.	1,310	5.06
Kadokawa Culture Promotion Foundation	1,254	4.85
Japan Trustee Services Bank, Ltd. (Trust Account)	1,163	4.50
Mizuho Bank, Ltd.	1,127	4.35
NTT docomo, Inc.	1,031	3.98
Dwango Co., Ltd.	730	2.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	707	2.73
Masuda And Partners K.K.	702	2.71

- Notes: 1. The Company holds 1,377,474 treasury shares but is excluded in the list of major shareholders above.
2. The treasury shares are excluded in the calculation of the ratio of equity participation shown above.

(2) Status of Subscription Rights, etc. (as of March 31, 2013)

Yen-denominated convertible bond-type bonds with a subscription right maturing in 2014 issued according to the resolution adopted at the meeting of the board of directors held on December 1, 2009

- a. Total amount and year-end balance of the bonds with a subscription right:
11,000 million yen
- b. Number of subscription rights:
2,200
- c. Type and number of shares covered by the subscription rights:
4,403,522 common shares
- d. Issue price of the subscription rights:
Free of charge
- e. Amount to be paid on exercise of each subscription right:
5,000,000 yen per subscription right
- f. Exercise period of the subscription rights:
From January 4, 2010 to December 4, 2014
- g. Amount per share for calculating the number of the Company's common shares to be issued on exercise of the subscription rights (conversion price):
2,498 yen
- h. Amount of capitalization in the issue price of new shares:
1,249 yen
- i. Condition for exercising the subscription rights:
No partial exercise of each subscription right shall be made.
- j. Reason and condition for canceling the subscription rights:
No reason for canceling the subscription rights shall be defined.
- k. Matter concerning the transfer of the subscription rights:
The subscription rights are attached to the convertible bond-type bonds with a subscription right and may not be transferred by separating them from the bonds.

(3) Status of Company Officers

1) Directors and statutory auditors (as of March 31,2013)

Position in the Company	Name	Responsibilities and important concurrent positions in other companies
Chairman of the Board	Tsuguhiko Kadokawa	Executive President of the Kadokawa Culture Promotion Foundation Representative Director and President of Kadokawa Ascii Research Laboratories, Inc.
Representative Director and President	Tatsuo Sato	
Senior Managing Director	Shinichiro Inoue	Representative Director and President of Kadokawa Shoten Publishing Co., Ltd.
Managing Director	Tsuneo Taniguchi	General Manager of the Personnel Planning Division and the Legal and General Affairs Division of the Group
Managing Director	Masaki Matsubara	General Manager of the Financial Affairs Division and the IR/Publicity Division of the Group
Director	Koichi Sekiya	Representative Director and President of Kadokawa Group Publishing Co., Ltd. Representative Director and President of Kadokawa Book Navi Co.
Director	Kiyoshi Takano	Representative Director and President of BOOK WALKER Co., Ltd.
Director	Hirokazu Hamamura	Representative Director and President of Enterbrain, Inc.
Director	Takashi Yamaguchi	General Manager of the Management Planning Division, the Business Administration Division, the IT Division and the Secretary Division of the Group
Director	Yasuaki Takayama	General Manager of the Accounting Division of the Group
Director	Susumu Tsukamoto	General Manager of the International Business Division of the Group President of Kadokawa Media (TAIWAN) Co., Ltd.
Director	Nobuo Kawakami	Representative Director and Chairman of Dwango Co., Ltd.
Director	Ken Kutaragi	Representative Director and President of Cyber Eye Entertainment Co.
Director	Koji Funatsu	Representative Director, Chairman and CEO of Transcosmos Inc.
Director	Tomoyuki Moriizumi	
Standing Statutory Auditor	Shin Mizushima	
Standing Statutory Auditor	Akira Wakabayashi	
Statutory Auditor	Yasushi Ikeda	Partner of the Miyake, Imai and Ikeda Law Office
Statutory Auditor	Akira Watanabe	Partner of the Seiwa Meitetsu Law Office

- Notes: 1. Directors Mr. Ken Kutaragi, Mr. Koji Funatsu and Mr. Tomoyuki Moriizumi are the outside directors as provided for in Article 2, Item 15 of the Company Law. 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. Mr. Nobuo Kawakami was an outside director but because it was determined that he would conduct the business of the Company's subsidiary as from February 1, 2013, has no longer been an outside director since this date.
2. Statutory Auditors Mr. Yasushi Ikeda and Mr. Akira Watanabe are the outside auditors as provided for in Article 2, Item 16 of the Company Law. The situation of the important concurrent positions in other companies of each of these outside auditors in addition to those stated above is stated in "3) Matters regarding the outside officers" below.
3. At the close of the 58th General Meeting of Shareholders held on June 23, 2012, Directors Mr. Yasushi Shiina and Mr. Osamu Ota retired due to the expiration of term. In addition, at this general meeting of shareholders, Mr. Kiyoshi Takano, Mr. Hirokazu Hamamura and Mr. Susumu Tsukamoto were elected and took office as director.
4. At the close of the 58th General Meeting of Shareholders held on June 23, 2012, Statutory Auditor Mr. Takeru Egawa resigned. In addition, at this general meeting of shareholders, Mr. Akira Wakabayashi was elected and took office as statutory auditor.

2) Compensation, etc. paid to the directors and auditors

Division	Number	Amount
Directors (of whom outside directors)	17 (4)	327 million yen (19 million yen)
Statutory Auditors (of whom outside auditors)	5 (2)	40 million yen (9 million yen)
Total	22	367 million yen

- Notes:
1. The 52nd General Meeting of Shareholders held on June 25, 2006 resolved that the total amount of compensation for the directors should be up to 400 million yen a year.
 2. The 43rd General Meeting of Shareholders held on June 27, 1997 resolved that the total amount of compensation for the auditors should be up to 50 million yen a year.
 3. The above-stated number of the directors and auditors to whom compensation, etc. was paid includes two directors who retired due to the expiration of term and one statutory auditor who resigned at the close of the 58th General Meeting of Shareholders held on June 23, 2012.
 4. In addition to the payments stated above, the total amount of the compensation paid in the fiscal year under review by the Company's subsidiaries to the Company's one outside director who concurrently served as outside officer for such subsidiaries was 4 million yen.
 5. In determining the amount of the compensation for its officers, the Company divides it into fixed-amount compensation and achievement-based compensation and adjusts the amount of the achievements-based compensation in consideration of the operating profit to sales ratio and the return on shareholders' equity in the previous fiscal year.

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 Ken Kutaragi	Representative Director and President, Cyber Eye Entertainment Co., Outside Director, Kadokawa Magazines, Inc., Outside Director, Rakuten, Inc., Outside Director, Nojima Corporation
Director Koji Funatsu	Representative Director, Chairman and CEO, Transcosmos Inc.
Director Tomoyuki Moriizumi	Outside Director, Hawaiian Holdings, Inc.
Director Nobuo Kawakami	Representative Director and Chairman, Dwango Co., Ltd.
Statutory Auditor Yasushi Ikeda	Partner, Miyake, Imai and Ikeda Law Office, Outside Director, Sony Financial Holdings Inc., Outside Auditor, Mitsubishi UFJ Financial Group, Inc.
Statutory Auditor Akira Watanabe	Partner, Seiwa Meitetsu Law Office, Outside Director, Maeda Corporation, Outside Director, MS&AD Insurance Group Holdings, Inc., Outside Auditor, Fast Retailing Co., Ltd. Outside Director, DUNLOP SPORTS CO. LTD. Director, JAPAN PILE CORPORATION

- Notes:
1. The Company reported Directors Mr. Ken Kutaragi, Mr. Koji Funatsu and Mr. Tomoyuki Moriizumi, and Statutory Auditors Mr. Yasushi Ikeda and Mr. Akira Watanabe to the Tokyo Stock Exchange as the independent officers who are unlikely to have any conflict of interests with its general shareholders.
 2. Kadokawa Magazines, Inc. is the Company's subsidiary.
 3. Enterbrain Inc., Chara-Ani Corporation, etc., which are the Company's subsidiary, have trade relation with Transcosmos Inc. in the payment of advertisement fees, etc.
 4. Kadokawa Shoten Publishing Co., Ltd., Enterbrain, Inc., and Media Factory, Inc., etc., which are the Company's subsidiaries, have trade relations, such as the sale of licenses, with Dwango Co., Ltd.

5. The Company has a legal adviser agreement with the attorney belonging to Miyake, Imai and Ikeda Law Office.
6. The Company has a legal adviser agreement with the attorney belonging to Seiwa Meitetsu Law Office.
7. There is no business relation to be stated specially between the companies where the officers have important concurrent positions and the Company.
8. Director Mr. Nobuo Kawakami has no longer been an outside director since February 1, 2013 because it was determined that he would conduct the business of the Company's subsidiary as from this date. But he was the Company's outside director from April 1, 2012 to January 31, 2013 and was reported as an independent officer, too.

b. Main activities in the fiscal year under review

(a) Attendance at the meetings of the Board of Directors and the Board of Statutory Auditors

	Board meetings		Auditors' meetings	
	Attendance	Percentage of attendance	Attendance	Percentage of attendance
Director Ken Kutaragi	14 of 15 meetings held	93%	—	—
Director Koji Funatsu	13 of 15 meetings held	87%	—	—
Director Tomoyuki Moriizumi	13 of 15 meetings held	87%	—	—
Director Nobuo Kawakami	10 of 13 meetings held	77%	—	—
Statutory Auditor Yasushi Ikeda	13 of 15 meetings held	87%	10 of 10 meetings held	100%
Statutory Auditor Akira Watanabe	13 of 15 meetings held	87%	10 of 10 meetings held	100%

Note: In the fiscal year under review, a total of 15 meetings of the Board of Directors (12 regular and 3 extraordinary meetings) were held. In the fiscal year under review, a total of 10 auditors' meetings were held. The number of the meetings of the Board of Directors held in the period when Director Mr. Nobuo Kawakami was an outside director was 13.

(b) Remarks made at the board and auditors' meetings

- Director Mr. Ken Kutaragi expressed his opinions making the most of his broad experience as a corporate manager and his expert knowledge of entertainment business.
- 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. Tomoyuki Moriizumi expressed his opinions making the most of his broad experience and knowledge as a corporate manager.
- Director Mr. Nobuo Kawakami expressed his opinions making the most of his broad experience as a corporate manager and his expert knowledge of content business utilizing the Internet.
- Statutory Auditor Mr. Yasushi Ikeda gave advice and made proposals on internal control, etc. mainly from the specialist viewpoint of an attorney-at-law.
- Statutory Auditor Mr. Akira Watanabe 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 Company Law, the Company and each of its outside directors and outside auditors signed a limited liability contract, which limits the liability for compensation for damage provided for in Article 423, Paragraph 1 of the law.

The limited liability contract provides that the maximum liability for compensation for damage of Directors Messrs. Ken Kutaragi, Koji Funatsu, Tomoyuki Moriizumi and Nobuo Kawakami, and also Statutory Auditors Messrs. Yasushi Ikeda and Akira Watanabe to the Company under such contract shall be an amount of 7.2 million yen or the minimum amount provided for in the laws and ordinances, which is higher.

The limited liability contract with Director Mr. Nobuo Kawakami was terminated on January 31, 2013 because he came no longer to meet the requirements of an outside director on February 1, 2013.

(4) Status of the independent auditor

1) Name: KPMG AZSA LLC

2) Amount of compensation, etc.

	Amount paid
Amount of compensation for the independent auditor for the fiscal year under review	83 million yen
Total amount of the money and other financial benefits to be paid by the Company and its subsidiaries to the independent auditor	90 million yen

Note: The audit contract between the Company and the independent auditor does not distinguish the compensation, etc. for the audit under the Company Law from 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 for the independent auditor for the fiscal year under review" in the table above includes the total sum amount of these two types of compensation, etc.

3) Non-audit tasks

There is no non-audit task to be stated here.

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

In the Company, if it is considered that the independent auditor comes under any of the items of Article 340, Paragraph 1 of the Company Law, the Board of Statutory Auditors will dismiss the independent auditor based on the consent of all the statutory auditors. In this case, the statutory auditor elected by the Board of Statutory Auditors 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 due to the occurrence of any event that would damage the competence or independence of the independent auditor that it would be difficult for the independent auditor to perform a proper audit task, the Board of Directors will, after obtaining the consent of all the statutory auditors or at the request of the Board of Statutory Auditors, present a proposal for non-reappointment of the independent auditor to the general meeting of shareholders.

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

- 1) Systems for ensuring that the performance of the directors' and employees' duties conforms to laws and ordinances and to the Articles of Incorporation
 - a. Recognizing that it is the basis of all business activities to observe laws and ordinances, the Articles of Incorporation, etc., the Company establishes the "Kadokawa Charter" and the "Kadokawa Group Compliance Regulations" so that the officers and employees of the Company and its subsidiaries and affiliated companies (hereinafter referred to as the "Group Companies") carry out business activities according to the idea of compliance and lays down the code of conduct and rules of conduct.
 - b. The Company establishes the "Kadokawa Group Compliance Committee" chaired by the president and composed of outside officers, the manager of the Audit Division, etc. as the body for controlling compliance and works to make the Company and Group Companies understand corporate ethics and compliance fully.
 - c. The Company puts its officers and employees under an obligation, if they come to know doubtful acts from the viewpoint of compliance in the Company, to report such acts, under guarantee that they won't suffer any disadvantage, to the "Compliance Section" (Legal and General Affairs Headquarters, each of the Group Companies and legal adviser), which will take proper steps.
- 2) Systems for keeping and managing information about the fulfillment of the directors' duties
 - a. The information about the fulfillment of the directors' duties is properly kept and managed according to the "Regulations of Document Management" by determining the documents to be kept and the period of keeping such documents and by appointing Executive General Manager as the person responsible for document management.
 - b. The information will be provided for reading promptly at the request of a director or a statutory auditor.
- 3) Regulations for the management of the risk of losses and other systems
 - a. Officers and employees identify and assess risks accompanied with the fulfillment of their duties and manage individual risks during the fulfillment of their duties within the authority given to them in accordance with the in-house regulations.
 - b. The Supervision Committee analyzes and assesses company-wide and organization-wide risks and reports to the president as necessary.
 - c. In the event of an unexpected situation, a countermeasures headquarters led by the president is established and takes prompt measures.
 - d. The Audit Division conducts the audit of business affairs, accounting and systems in accordance with the "Internal Audit Regulations" and related regulations and inspects the status of the internal control systems, including the risk management system.
- 4) Systems for ensuring that the directors' duties are efficiently fulfilled
 - a. The Company holds the meeting of the Board of Directors once a month and extraordinary board meetings as necessary to make prompt and proper decision making on important matters. In addition, it establishes a council for discussing management strategies and important matters about the conduct of business and holds the meeting of the council regularly.
 - b. The Company conducts performance management on the basis of the yearly plan and mid-term management plan drawn up each year according to the management philosophy.
 - c. In the conduct of business, the Company clearly defines the division of duties, the authority to decide and the delegation of authority according to the "Rules of the Board of Directors," "Regulations of Division of Duties," "Regulations of Authorities" and other internal regulations and makes decisions promptly and efficiently.

- 5) Systems for ensuring that the Group conducts its business properly
 - a. The Company's Board of Directors receives reports on the status of conduct of business, etc. in each of the Group Companies according to the "Regulations of Group Business Management," which define the rules regarding important decision making in the Group Companies and the method for reporting the status of conduct of business and important matters to the parent company.
 - b. While the Group Companies independently build, manage and improve their own internal control system based on their characteristics, the Audit Division of the parent company conducts internal audit of the situation of the internal control in each of the Group Companies and inspects the effectiveness and appropriateness of such internal control.
 - c. The statutory auditors of the parent company establish the system for concurrently serving as statutory auditors for the Group Companies and audit the conduct of business of the entire Group and ensure proper conduct of business as the parent company's statutory auditors and also as the Group Companies' statutory auditors.

- 6) Matters regarding the employee who is to assist the statutory auditor and matters regarding the independence of such employee from directors
 - a. The Company will, at the request of the Board of Statutory Auditors, appoint a staffer who assists the duties of statutory auditors and should gain the consent of the Board of Statutory Auditors to the appointment and relocation of such staffer.
 - b. When an assistant staffer to the statutory auditors is appointed, such staffer does not take concurrently any position relating to the conduct of the Company's business and performs his duties under the direction of the statutory auditors. The efficiency rating of such staffer should be made by listening to the opinions of the statutory auditors.

- 7) Systems for reporting to the statutory auditors and other systems for ensuring that the audit by the statutory auditors is conducted effectively
 - a. Directors and employees should report to the Board of Statutory Auditors or at the meeting where the statutory auditors attend important matters presented to the meeting of the Board of Directors and important decisions made at the board meeting, decisions at management meetings and other important meetings, the result of internal audit and reports to the "Compliance Section."
 - b. Directors and employees must, if they find any fact that might cause serious damage to the Company, immediately report such fact to the statutory auditors.
 - c. Notwithstanding the foregoing, the statutory auditors may request directors and employees to make a report as necessary.
 - d. Representative directors and statutory auditors meet regularly so as to exchange opinions.
 - e. Statutory auditors may attend the meetings on the conduct of business that require their attendance for ensuring proper conduct of business.
 - f. The Board of Statutory Auditors may, whenever necessary, have advice on their duties from outside advisors.

<Basic ideas on and the situation of the establishment of the system for the elimination of anti-social forces>

In an effort to eliminate anti-social forces, the Company and the Group's member companies have the rule of conduct: "Resolutely confront and have no relations with the anti-social forces and organizations that threaten the order and safety of civil society." Should we be urged outrageous demand from anti-social forces, we will deal with it dauntlessly in cooperation with our lawyers, the police, etc.

Consolidated Balance Sheet

(As of March 31, 2013)

Item	Amount	Item	Amount
(Assets)	Millions of yen	(Liabilities)	Millions of yen
Current assets	83,262	Current liabilities	35,270
Cash and deposits	18,174	Notes and accounts payable	19,674
Notes and accounts receivable	43,218	Short-term borrowings	55
Inventories	14,223	Income taxes payable	961
Deferred tax assets	4,517	Allowance for employees' bonuses	1,568
Others	3,219	Allowance for sales returns	3,886
Allowance for doubtful accounts	-91	Others	9,123
Fixed assets	56,636	Fixed liabilities	17,082
Tangible fixed assets	19,590	Bonds with a subscription right	11,000
Buildings and structures	6,979	Long-term debt	339
Furniture and fixtures	1,547	Deferred tax liabilities	2,195
Land	10,497	Employees' severance and retirement benefits	2,716
Construction work in progress	254	Others	831
Others	311	Total liabilities	52,353
Intangible fixed assets	3,327	(Net assets)	
Goodwill	642	Shareholders' equity	84,561
Others	2,685	Capital stock	26,330
Investments and other assets	33,718	Capital surplus	27,375
Investment securities	24,064	Retained earnings	34,787
Deferred tax assets	469	Treasury stock	-3,932
Others	9,473	Accumulated other comprehensive income	1,867
Allowance for doubtful accounts	-288	Net unrealized holding gains on securities	4,248
Total assets	139,898	Revaluation reserve for land	-328
		Foreign currency translation adjustments	-2,052
		Minority interests	1,116
		Total net assets	87,545
		Total liabilities and net assets	139,898

Consolidated Statement of Income

(April 1, 2012 through March 31, 2013)

Item	Amount	
	Millions of yen	Millions of yen
Net sales		161,602
Cost of sales		119,793
Gross profit		41,809
Selling, general and administrative expenses		33,857
Operating income		7,951
Non-operating income		
Interest income	71	
Dividend income	177	
Amortization of negative goodwill	81	
Return in investment by the equity method	185	
Insurance received	194	
Gains on sales of wastepaper	164	
Others	66	942
Non-operating expenses		
Interest expenses	136	
Exchange loss	87	
Others	7	232
Ordinary income		8,661
Extraordinary gains		
Gain on changes in equity	120	
Others	9	130
Extraordinary losses		
Loss on disposal of fixed assets	249	
Loss on valuation of investment securities	632	
Loss on sale of the shares of affiliated companies	579	
Loss on valuation of membership	7	
Special retirement benefits	133	
Loss from cancellation of lease contracts	7	1,610
Income before income taxes and minority interests		7,181
Income taxes-current	1,310	
Income taxes-deferred	732	2,043
Income before minority interest		5,138
Minority interests in consolidated subsidiaries		98
Net income		5,040

Consolidated Statement of Changes in Net Assets

(April 1, 2012 through March 31, 2013)

(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	26,330	27,375	30,695	-3,932	80,468
Changes during the fiscal year under review					
Cash dividends paid			-905		-905
Net income			5,040		5,040
Purchases of treasury stock				-0	-0
Disposal of treasury stock			-0	0	0
Change in the scope of application of the equity method			-41		-41
Net changes except for shareholders' equity					
Total changes during the fiscal year under review	—	—	4,092	0	4,092
Balance at the end of the fiscal year under review	26,330	27,375	34,787	-3,932	84,561

	Accumulated other comprehensive income				Minority interests	Total net assets
	Net unrealized holding gains (loss) on securities	Revaluation reserve for land	Foreign currency translation adjustments	Total amount of other comprehensive income		
Balance at the beginning of the fiscal year under review	-885	-328	-3,023	-4,236	819	77,050
Changes during the fiscal year under review						
Cash dividends paid						-905
Net income						5,040
Purchases of treasury stock						-0
Disposal of treasury stock						0
Change in the scope of application of the equity method						-41
Net changes except for shareholders' equity	5,133	—	971	6,104	297	6,401
Total changes during the fiscal year under review	5,133	—	971	6,104	297	10,494
Balance at the end of the fiscal year under review	4,248	-328	-2,052	1,867	1,116	87,545

Notes to the Consolidated Financial Statements

[Important basic matters for the preparation of consolidated financial statements]

1. Scope of consolidation

All of the Company's 48 subsidiaries are consolidated. The names of the main consolidated subsidiaries are as stated in "Business Report, 1. Overview of Business, (6) Status of Important Subsidiaries" above.

Kadokawa Ascii Research Laboratories, Inc. and Kadokawa Book Navi Co. and smiledge Co., Ltd. were included in the scope of consolidation respectively because the first two companies were newly founded in this consolidated fiscal year and the third company's shares were newly acquired in this consolidated fiscal year.

Kadokawa Cineplex Inc., which had been the Group's consolidated subsidiary until the previous consolidated fiscal year, and Asuka Planning Co. were excluded from the scope of consolidation respectively because the former company's shares were sold in this consolidated fiscal year and the latter company went into liquidation in this consolidated fiscal year. Kadokawa Book Service Co., which had been the Group's consolidated subsidiary until the previous fiscal year, merged with Kadokawa Group Publishing Co., Ltd.

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:

PRODUCTION ACE Co., Ltd.

T-Gate, Inc.

DOCOMO ANIME STORE, INC.

Nihon Eiga Satellite Broadcasting Corporation

The equity method was applied to DOCOMO ANIME STORE INC. and China Stories Inc. respectively because the former company was newly founded in this consolidated fiscal year and the latter company came to meet the requirements of an affiliated company on an influence basis in this consolidated fiscal year.

NTT Prime Square Inc., which had been an affiliated company accounted for by the equity method until the previous consolidated fiscal year, and Rising Capital Hong Kong Ltd. were excluded from the scope of application of the equity method respectively because the former company came no longer to meet the requirements of an affiliated company on an influence basis in this consolidated fiscal year and the latter was liquidated in this consolidated fiscal year.

(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. Fiscal year, etc. of the consolidated subsidiaries

The closing date of Kadokawa Media (TAIWAN) Co., Ltd., Kadokawa Holdings U.S. Inc., Kadokawa Holdings China Ltd., Kadokawa Intercontinental Publishing (Asia) Ltd., Kadokawa Holdings U.S. in Hong Kong, Ltd., Kadokawa Pictures America, Inc. and Kadokawa Intercontinental Group Holdings Ltd. and its 12 subsidiaries, which are among the Company's consolidated subsidiaries, was December 31, 2012. The consolidated financial statements of these consolidated subsidiaries 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.

The closing date of Japan Film Fund Co., Ltd. was December 31, 2012. Therefore, 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 standards

(1) Valuation basis and methods for significant assets

1) Marketable securities

(a) Held-to-maturity securities

Amortized cost method (Straight-line method)

(b) 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

Investment in limited liability partnerships and similar partnerships (investment regarded as securities under Article 2, Paragraph 2 of the Law for the Transaction of Financial Products) was accounted for on the basis of the latest available closing statements according to the date of settlement of accounts and by posting the net amount equivalent to equity.

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) 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 productions are allocated using a special depreciation rate according to the same standard provided for in the Corporation Tax Law.

(2) Depreciation methods of significant depreciable assets

1) Tangible fixed assets (excluding lease 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 some 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 lease assets):

The straight-line method

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

3) Lease assets:

For the finance lease transactions where no ownership was transferred, the straight-line method where the lease period is regarded as the service life and the residual value, as zero.

The accounting method applicable to ordinary lease transactions was employed for the finance lease transactions where no ownership was transferred whose date for the lease transaction was started prior to March 31, 2008.

4) Long-term prepaid expenses:

The straight-line method

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

1. Total number of outstanding shares

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
Common shares	27,260,800 shares	—	—	27,260,800 shares

2. Appropriation of retained earnings in the consolidated fiscal year under review

Dividends decided at the 58th General Meeting of Shareholders held on June 23, 2012:

Total amount of dividends	905 million yen
Amount of dividends per share	35 yen
Date of record	March 31, 2012
Effective date	June 25, 2012

3. Appropriation of retained earnings to be made after the end of the consolidated fiscal year under review

We will propose the appropriation of retained earnings as follows at the 59th General Meeting of Shareholders scheduled to be held on June 22, 2013:

Total amount of dividends	1,164 million yen
Amount of dividends per share	45 yen
Date of record	March 31, 2013
Effective date	June 24, 2013

4. Number of shares covered by subscription rights at the end of the consolidated fiscal year under review

Decision at the meeting of the Board of Directors held on December 1, 2009:

Type of shares covered	Common shares
Number of shares covered	4,403,522 shares
Balance of subscription right	2,200

[Notes on financial commodities]

1. Situation of financial commodities

The Group raises funds mainly by issuing bonds and securities to meet its long-term needs. It procures short-term working funds by borrowings from banks. Its policy is to invest temporary surpluses in safe financial assets and not to use them for any speculative purposes. We hold held-to-maturity securities with a high rating only in accordance with Fund Management Standards and thus the related credit risk is very small.

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.

For notes and accounts receivable, our consolidated subsidiaries regularly monitor the situation of main partners and manage 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. Notes and accounts payable, our operating liabilities, are mostly due within a year.

For 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 reviews the situation of the securities held considering our relation with the partners concerned.

2. Market price, etc. of financial commodities

The amount stated in the consolidated balance sheet, market price and difference between them of financial commodities as of March 31, 2013 are as shown in the table below. Those whose market price is extremely difficult to check are excluded from the table.

	Amount stated in the consolidated balance sheet (millions of yen)	Market price (millions of yen)	Difference (millions of yen)
(1) Cash and deposits	18,174	18,174	—
(2) Notes and accounts receivable	43,218	43,218	—
(3) Investment securities	19,029	18,997	-32
Total assets	80,422	80,390	-32
(1) Notes and accounts payable	19,674	19,674	—
(2) Short-term borrowings	55	55	—
(3) Income taxes payable	961	961	—
(4) Bonds with a subscription right	11,000	11,084	84
(5) Long-term debt	339	350	10
Total liabilities	32,031	32,126	95

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; (2) Short-term borrowings; (3) Income taxes 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.

(4) Bonds with a subscription right

The market price of bonds with a subscription right is calculated using the present value obtained by discounting the sum of the principal and interest by the interest rate estimated in consideration of the remaining period to redemption and credit risk of the bonds.

(5) Long-term debt

The market price of long-term debt 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

Non-listed shares amounting to 5,031 million yen and the shares of the limited liability partnership amounting to 3 million yen have no market price, and it is considered extremely difficult to check the market price of these shares. Because of this, these shares are excluded from "(3) Investment securities."

[Notes to real property for lease, etc.]

1. Matter related to the state of the real property for lease, etc.
The Company and some of its consolidated subsidiaries have office buildings for lease and idle real property (including land) in Tokyo and some other areas.

2. Matter related to the market price of the real property for lease, etc.

Amount stated in the consolidated balance sheet (million yen)	Market price (million yen)
4,062	3,264

Notes: 1. The amount stated in the consolidated balance sheet is the amount obtained by deducting the total amount of accumulated depreciation and the total amount of accumulated impairment losses from the acquisition cost.
2. The market price at the end of this consolidated fiscal year is the amount calculated by the Company mainly based on the "Real Property Appraisal Standards" (including adjustments made using indicators, etc.).

[Notes on the information about amounts per share]

1. Amount of net assets per share 3,339.17 yen
2. Net income per share 194.72 yen

[Notes on the subsequent events]

At the meeting of directors held on January 9, 2013, the Company decided to merge Kadokawa Group Publishing Co., Ltd. with it and signed a merger agreement as of January 31, 2013. In accordance with this agreement, the Company merged Kadokawa Group Publishing Co., Ltd. on April 1, 2013. The outline of the merger is as described below.

Because Kadokawa Group Publishing Co., Ltd. was the Company's wholly-owned consolidated subsidiary, the merger did not affect the consolidated business results.

1. Outline of the business combination
 - (1) Name and business of the merged company
Kadokawa Group Publishing Co., Ltd.
Sale of publications
 - (2) Date of the business combination
April 1, 2013
 - (3) Legal form of the business combination
Merger where the Company is a surviving company and Kadokawa Group publishing is a extinct company
 - (4) Name of the merging company
Kadokawa Group Holdings, Inc.
 - (5) Outline of the transaction including the purpose of transaction
By the merger, the Group will strengthen its management and unification, promote the digital strategies of the entire group from a more leading standpoint, draft sales and advertisement strategies, realize the economies of scale in the procurement of materials and take prompt action for the market, by proper arrangement of sales personal with the aim of achieving the entire group's further growth.

2. Outline of the accounting procedure performed

In accordance with the "Accounting Standards for Business Combination" (Accounting Standards No. 21; December 26, 2008) and the "Guidelines for the Application of the Accounting Standards for Business Combination and the Accounting Standards for Business Splits, Etc." (Guidelines for the Application of the Accounting Standards No.10; December 26, 2008), the Group dealt with the merger as a transaction under the common control.

[Additional information]

At the meeting of directors held on March 28, 2013, the Company decided to merge the nine consolidated subsidiaries with it as of October 1, 2013 on condition that the merger would be approved at the general meeting of shareholders scheduled to be held on June 22, 2013. The outline of the merger is as stated below.

The merger will be the one with the nine consolidated subsidiaries whose outstanding shares are all held by the Company directly or indirectly.

1. Outline of the business combination

(1) Names and business of the merged companies

- 1) Kadokawa Shoten Co., Ltd.
Publishing and editing, video content production, production, distribution and import of films, etc.
- 2) ASCII Media Works Inc.
Publishing and editing, etc.
- 3) Kadokawa Magazines Inc.
Publishing and editing, etc.
- 4) Media Factory, Inc.
Publishing and editing, production and sale of video products, etc.
- 5) Enterbrain, Inc.
Publishing and editing, production and sale of video products, etc.
- 6) Chukei Publishing Co.
Publishing and editing, etc.
- 7) Fujimi Shobo Co., Ltd.
Publishing and editing, etc.
- 8) Kadokawa Gakugei Shuppan Publishing Co., Ltd.
Publishing and editing, etc.
- 9) Kadokawa Production Co., Ltd.
Copyright business, etc.

(2) Date of the business combination

October 1, 2013 (expected)

(3) Legal form of the business combination

Merger where the Company is a surviving company and the nine consolidated subsidiaries stated above are extinct companies

(4) Name after the business combination

KADOKAWA CORPORATION (The corporate name is scheduled to be changed from Kadokawa Group Holdings, Inc. to KADOKAWA CORPORATION on June 22, 2013.)

(5) Outline of the transaction including the purpose of transaction

By the merger, the Company will utilize the ability to produce content and brands developed by each of the nine companies thus far and add the value of the ability and brands. In addition, the Company will integrate the common functions divided into these companies and put a greater emphasis on the corporate brand "KADOKAWA," reinforce its business activities in and out of Japan, create IPs acceptable all over the world, take proper measures to adapt to the drastically changing environment in a speedy and dynamic manner and strive to increase profit-earning capacity, thereby quickening the pace of starting new projects more flexibly.

2. Outline of the accounting procedure to be performed

In accordance with the "Accounting Standards for Business Combination" (Accounting Standards No. 21; December 26, 2008) and the "Guidelines for the Application of the Accounting Standards for Business Combination and the Accounting Standards for Business Splits, Etc." (Guidelines for the Application of the Accounting Standards No.10; December 26, 2008), the Group will deal with the merger as a transaction under the common control.

[Other notes]

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, 2013)

Item	Amount	Item	Amount
(Assets)	Millions of yen	(Liabilities)	Millions of yen
Current assets	19,132	Current liabilities	23,552
Cash and deposits	11,983	Non-trade accounts payable	2,065
Accounts receivable	192	Income taxes payable	25
Deferred tax assets	458	Deposits received	21,067
Short-term loans receivable	3,792	Allowance for employees bonuses	53
Non-trade accounts receivable	3,098	Others	340
Others	119	Fixed liabilities	13,716
Allowance for doubtful accounts	-512	Bonds with a subscription right	11,000
Fixed assets	87,844	Deferred tax liabilities	2,339
Tangible fixed assets	7,327	Employees severance and retirement benefits	72
Buildings	1,591	Others	303
Structures	31		
Vehicles and transportation equipment	0	Total liabilities	37,268
Furniture and fixtures	638	(Net assets)	
Land	4,862	Shareholders' equity	65,933
Construction works in progress	202	Capital stock	26,330
Intangible fixed assets	1,343	Capital surplus	27,375
Software	672	Capital reserve	27,375
Others	671	Retained earnings	16,159
Investments and other assets	79,173	Earned reserve	567
Investment securities	19,352	Other retained earnings	15,592
Shares of subsidiaries and affiliated companies	54,057	Deferred retained earnings	15,592
Long-term loans receivable	1,500	Treasury stock	-3,932
Long-term deposits	1,500	Valuation and translation adjustments	3,775
Insurance reserves	1,785	Net unrealized holding gains on securities	4,234
Others	1,068	Revaluation reserve for land	-459
Allowance for doubtful accounts	-91		
		Total net assets	69,708
Total assets	106,976	Total liabilities and net assets	106,976

Non-consolidated Statement of Income

(April 1, 2012 through March 31, 2013)

Item	Amount	
	Millions of yen	Millions of yen
Operating revenue		5,719
Operating expenses		4,812
Operating income		907
Non-operating earnings		
Interest and dividend income	178	
Rent income	21	
Others	5	204
Non-operating expenses		
Interest expenses	131	
Others	8	139
Ordinary income		971
Extraordinary gains		
Gain on sale of investment securities	8	8
Extraordinary losses		
Loss on valuation of investment securities	574	
Loss on valuation of shares of subsidiaries and affiliated companies	288	
Others	1	865
Income before income taxes		115
Income taxes-current	-765	
Income taxes-deferred	203	-562
Net income		677

Non-consolidated Statement of Changes in Net Assets

(April 1, 2012 through March 31, 2013)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus	Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserve	Earned reserve	Other retained earnings	Total retained earnings		
				Deferred retained earnings			
Balance at the beginning of the fiscal year under review	26,330	27,375	567	15,820	16,388	-3,932	66,161
Changes during the fiscal year under review							
Cash dividends paid				-905	-905		-905
Net income				677	677		677
Purchases of treasury stock						-0	-0
Disposal of treasury stock				-0	-0	0	0
Net changes except for shareholders' equity							
Total changes during the fiscal year under review	—	—	—	-228	-228	0	-228
Balance at the end of the fiscal year under review	26,330	27,375	567	15,592	16,159	-3,932	65,933

	Valuation and translation adjustments			Total net assets
	Net unrealized holding gains (loss) on securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year under review	-885	-459	-1,344	64,816
Changes during the fiscal year under review				
Cash dividends paid				-905
Net income				677
Purchases of treasury stock				-0
Disposal of treasury stock				0
Net changes except for shareholders' equity	5,119	—	5,119	5,119
Total changes during the fiscal year under review	5,119	—	5,119	4,891
Balance at the end of the fiscal year under review	4,234	-459	3,775	69,708

Notes to the Non-consolidated Financial Statements

[Important accounting policies]

1. Valuation basis and methods for marketable securities
 - Shares of subsidiaries and affiliated companies:
Cost method based on the moving-average method
 - Other securities
 - Marketable securities classified as other securities:
The market value method based on the market price 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:
Cost method based on the moving-average method
 - Investment in limited liability partnerships and similar partnerships (investment regarded as securities under Article 2, Paragraph 2 of the Law for the Transaction of Financial Products) was accounted for on the basis of the latest available closing statements according to the date of settlement of accounts and by posting the net amount equivalent to equity.

2. Depreciation method of fixed 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: 3-50 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 doubtful accounts:
The allowance for doubtful accounts is 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.
 - Investment valuation reserves:
Reserves are set up for possible losses due to the lowered real value of shares with no market price on the basis of the estimated lowered real value of the shares concerned.
 - 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.
 - Employees severance and retirement benefits:
To prepare for the possible payment of employees severance and retirement benefits, the amount that it is considered, based on the estimated amount of severance and retirement benefits payable at the end of the consolidated fiscal year, would accumulate at the end of the consolidated fiscal year is posted.
Prior service obligations are charged off by the straight-line method based on the given number of years (5 years) within the average remaining service period of employees when such liabilities accrue.
The actuarial gain or loss is charged off equally over a certain period (5 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.

4. Other basic matters for the preparation of the non-consolidated financial statements
 - Accounting of consumption taxes, etc.:
Consumption taxes, etc. are excluded from the amounts stated on these statements.
 - Application of the consolidated return system:
The consolidated return system was introduced.

[Notes to the Non-consolidated Balance Sheet]

1. The "Shares of subsidiaries and affiliated companies" are stated exclusive of the investment valuation reserve amounting to 2,530 million yen.
2. Accumulated depreciation of tangible fixed assets 4,192 million yen
3. The Company's monetary claims against and monetary liabilities for its subsidiaries and affiliated companies
 - (1) Short-term monetary claims 6,304 million yen
 - (2) Long-term monetary claims 1,500 million yen
 - (3) Short-term monetary liabilities 22,969 million yen
4. Difference between the market price at the year end and the book value after the revaluation of the land revaluated under the Land Revaluation Law
-547 million yen

[Notes to the Non-consolidated Statement of Income]

- The Company's transactions with its subsidiaries and affiliated companies
- (1) Operating earnings 5,719 million yen
 - (2) Operating expenses 477 million yen

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

Number of treasury shares

Type of shares	Number of treasury shares at the beginning of the fiscal year under review	Number of treasury shares increased in the fiscal year under review	Number of treasury shares decreased in the fiscal year under review	Number of treasury shares at the end of the fiscal year under review
Common shares	1,377,472 shares	68 shares	66 shares	1,377,474 shares

- Note: 1. The common shares increased are due to the purchase of odd lots requested.
2. The common shares decreased are due to the additional purchase of odd lots requested.

[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)>	
Losses carried forward	430
Temporary differences and others	223
Subtotal, deferred tax assets (current)	654
Valuation reserve	-195
Total, deferred tax assets (current)	458
<Deferred tax assets (fixed)>	
Investment valuation reserve	901
Loss on valuation of investment securities	1,248
Shares of subsidiaries and affiliated companies	5,757
Loss carried forward	1,000
Temporary differences and others	530
Subtotal, deferred tax assets (fixed)	9,438
Valuation reserve	-9,409
Total, deferred tax assets (fixed)	29
<Deferred tax liabilities (fixed)>	
Net unrealized holding gains (loss) on securities	-2,344
Temporary differences and others	-25
Total, deferred tax liabilities (fixed)	-2,369
Net deferred tax liabilities	-1,881

[Notes on transactions with parties interested]

Subsidiaries and affiliated companies, etc.

Attribute	Name	Address	Capital (million yen)	Business or occupation	Ratio of voting rights, etc. owning (owned) (%)	Relations	Transactions	Amount of transactions (million yen)	Account item	Year-end balance (million yen)
Subsidiary	Kadokawa Magazines Inc.	Chiyoda-ku, Tokyo	100	Publishing and editing	(Owner) Direct ownership: 100.0	Receiving funds in trust Officers serving concurrently	Receiving funds in trust	4,303	Deposit received	4,351
	Enterbrain, Inc.	Chiyoda-ku, Tokyo	100	Publishing and editing	(Owner) Direct ownership: 100.0	Receiving funds in trust Officers serving concurrently	Receiving funds in trust	3,562	Deposit received	3,711
	ASCII Media Works Inc.	Chiyoda-ku, Tokyo	493	Publishing and editing	(Owner) Direct ownership: 100.0	Receiving funds in trust Officers serving concurrently	Receiving funds in trust	4,595	Deposit received	4,635
	Chuokei Publishing Co.	Chiyoda-ku, Tokyo	40	Publishing and editing	(Owner) Direct ownership: 100.0	Receiving funds in trust Officers serving concurrently	Receiving funds in trust	1,725	Deposit received	1,612
	Fujimi Shobo Co., Ltd.	Chiyoda-ku, Tokyo	250	Publishing and editing	(Owner) Direct ownership: 100.0	Receiving funds in trust Officers serving concurrently	Receiving funds in trust	1,157	Deposit received	988
	Building Book Center Co., Ltd.	Miyoshi-machi, Iruma-gun, Saitama Prefecture	320	Warehousing, transportation and bookbinding	(Owner) Direct ownership: 100.0	Receiving funds in trust Officers serving concurrently	Receiving funds in trust	975	Deposit received	1,118
	Media Factory, Inc.	Shibuya-ku, Tokyo	100	Publishing and editing	(Owner) Direct ownership: 100.0	Receiving funds in trust Officers serving concurrently	Receiving funds in trust	3,373	Deposit received	3,047
	Kadokawa Shoten Co., Ltd.	Chiyoda-ku, Tokyo	100	Publishing and editing Production, distribution and import of films	(Owner) Direct ownership: 100.0	Lending funds Officers serving concurrently	Lending short-term funds	414	Long-term loans receivable	1,500
							Lending long-term funds	2,000		
							Collection of long-term loans receivable	3,372		
Kadokawa Group Publishing Co., Ltd.	Chiyoda-ku, Tokyo	100	Sales of publication	(Owner) Direct ownership: 100.0	Lending funds Officers serving concurrently	Lending short-term funds	1,678	-	-	
BOOK WALKER Co., Ltd.	Chiyoda-ku, Tokyo	100	Tele-communications business	(Owner) Indirect ownership: 100.0	Lending funds Officers serving concurrently	Lending short-term funds	932	Short-term loans receivable	1,226	

Note: The terms of transaction, the policy for determining the terms of transaction, etc.
The receiving funds in trust and lending short-term funds are the transactions by the Cash Management System (CMS), and the amount of transactions stated is an average balance in the consolidated fiscal year under review.

[Notes on the information about amounts per share]

1. Amount of net assets per share 2,693.17 yen
2. Net income per share 26.18 yen

[Notes on the subsequent events]

At the meeting of directors held on January 9, 2013, the Company decided to merge Kadokawa Group Publishing Co., Ltd. with it and signed a merger agreement as of January 31, 2013. In accordance with this agreement, the Company merged Kadokawa Group Publishing Co., Ltd. on April 1, 2013. As a result of this merger, there was accrued an extraordinary gain on the merger of subsidiaries of 3,662 million yen.

An outline of this merger is as stated in [Notes on the subsequent events] in the Notes to the Consolidated Financial Statements.

[Additional information]

At the meeting of directors held on March 28, 2013, the Company decided to merge the nine consolidated subsidiaries with it as of October 1, 2013 on condition that the merger would be approved at the general meeting of shareholders scheduled to be held on June 22, 2013.

The outline of the merger is as stated in [Additional information] in the Notes to the Consolidated Financial Statements.

[Other notes]

The figures in this document are rounded down to the nearest 1 million yen unless otherwise noted.

Independent Auditors' Report on the Consolidated Financial Statements

Independent auditors' report

May 17, 2013

To the Board of Directors
Kadokawa Group Holdings, Inc.

KPMG AZSA LLC
Eiji Mizutani, CPA Seal
Designated Limited Liability Partner, Engagement Partner
Naoharu Nawata, CPA Seal
Designated Limited Liability Partner, Engagement Partner
Kenji Ishino, CPA Seal
Designated Limited Liability Partner, Engagement Partner

Pursuant to the provisions of Article 444, Paragraph 4 of the Company Law, we have audited the consolidated financial statements for the consolidated fiscal year from April 1, 2012 to March 31, 2013 of Kadokawa Group Holdings, Inc., that is, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements.

Responsibility of the Company's management for consolidated financial statements

The responsibility of the Company's management is to prepare and present properly consolidated financial statements in accordance with the accounting standards generally accepted in Japan. This includes establishing and operating the internal control that the management considers necessary in order to prepare and present properly such consolidated financial statements free of any material misstatement due to dishonesty or an error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements as independent auditors on the basis of the audit we conducted. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we draw up an audit plan and conduct audit based on the audit plan in order to obtain reasonable reassurance about whether the consolidated financial statements are free of any material misstatement.

In our audit, we perform the procedure for obtaining audit evidence as to the amounts and disclosure of the consolidated financial statements. The audit procedure is selected and used, according to our judgment, on the basis of the assessment of the risk of material misstatements on the consolidated financial statements due to dishonesty or an error. Although the purpose of our audit is not to express our opinion on the validity of the internal control, we examine the internal control relating to the preparation and proper presentation of consolidated financial statements in order to plan a proper audit procedure according to the situation in conducting the assessment of the risk. Our audit includes examining the overall presentation of the consolidated financial statements, including the assessment of the accounting policies and their application methods adopted by the management and of the estimates made by the management.

We believe that we have obtained the sufficient and appropriate audit evidence that serve as a basis for expressing our opinions.

Audit opinion

In our opinion, the above consolidated financial statements present properly in every material point the situations of the assets as well as the income and losses of the Group composed of Kadokawa Group Holdings, Inc. and its consolidated subsidiaries for the year related to these consolidated financial statements in accordance with the accounting standards generally accepted in Japan.

Important matter to be stated

As stated in the important post-balance sheet events in the Notes to the Consolidated Financial Statements, the Company merged Kadokawa Group Publishing Co., Ltd. with it on April 1, 2013.

This matter does not have any effect our audit opinion.

Interests or relationships

Neither the above audit corporation nor its engagement partners have any interest in the Company (Kadokawa Group Holdings, Inc.) that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Independent Auditors' Report on the Non-consolidated Financial Statements

Independent auditors' report

May 17, 2013

To the Board of Directors
Kadokawa Group Holdings, Inc.

KPMG AZSA LLC
Eiji Mizutani, CPA Seal
Designated Limited Liability Partner, Engagement Partner
Naoharu Nawata, CPA Seal
Designated Limited Liability Partner, Engagement Partner
Kenji Ishino, CPA Seal
Designated Limited Liability Partner, Engagement Partner

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Company Law, we have audited the non-consolidated financial statements for the 59th fiscal year from April 1, 2012 to March 31, 2013 of Kadokawa Group Holdings, Inc., that is, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the notes to the non-consolidated financial statements and its supplementary statement.

Responsibility of the Company's management for non-consolidated financial statements

The responsibility of the Company's management is to prepare and present properly non-consolidated financial statements and their supporting schedules in accordance with the accounting standards generally accepted in Japan. This includes establishing and operating the internal control that the management considers necessary in order to prepare and present properly such non-consolidated financial statements and their supporting schedules free of any material misstatement due to dishonesty or an error.

Auditors' responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and their supporting schedules as independent auditors on the basis of the audit we conducted. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we draw up an audit plan and conduct audit based on the audit plan in order to obtain reasonable reassurance about whether the non-consolidated financial statements and their supporting schedules are free of any material misstatement.

In our audit, we perform the procedure for obtaining audit evidence as to the amounts and disclosure of the non-consolidated financial statements and their supporting schedules. The audit procedure is selected and used, according to our judgment, on the basis of the assessment of the risk of material misstatements on the non-consolidated financial statements and their supporting schedules due to dishonesty or an error. Although the purpose of our audit is not to express our opinion on the validity of the internal control, we examine the internal control relating to the preparation and proper presentation of non-consolidated financial statements and their supporting schedules in order to plan a proper audit procedure according to the situation in conducting the assessment of the risk. Our audit also includes the overall presentation of the non-consolidated financial statements and their supporting schedules, including the assessment of the accounting policies and their application methods adopted by the management and of the estimates made by the management.

We believe that we have been able to have a reasonable basis for expressing our opinions as a result of our audit.

Audit opinion

In our opinion, the above non-consolidated financial and statements and their supporting schedules present properly in every material point the situations of the assets as well as the income and losses for the year related to these non-consolidated financial statements and their supporting schedules in accordance with the accounting standards generally accepted in Japan.

Important matter to be stated

As stated in the important post-balance sheet events in the Notes to the Non-consolidated Financial Statements, the Company merged Kadokawa Group Publishing Co., Ltd. with it on April 1, 2013.

This matter does not have any effect our audit opinion.

Interests or relationships

Neither the above audit corporation nor its engagement partners have any interest in the Company (Kadokawa Group Holdings, Inc.) that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Audit Report by the Board of Statutory Auditors

Audit Report

Regarding the performance of duties by the Directors for the 59th fiscal year from April 1, 2012 to March 31, 2013, the Board of Statutory Auditors hereby submits its audit report, which has been prepared through discussions based on the reports prepared by the respective statutory auditors.

1. Auditing methods employed by the Statutory Auditors and the Board of Statutory Auditors
The Board of Statutory Auditors determined the auditing policies, the assignment of tasks to statutory auditors, etc., and received reports from each statutory auditor 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 statutory auditors and in accordance with the auditing policies, the assignment of tasks to statutory auditors, etc., each statutory auditor kept up communications with directors, the internal audit section, other employees, etc. and worked to collect information and improve the auditing environment. Statutory auditors 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 ordinances as well as to the Articles of Incorporation and other systems provided for in Article 100, Paragraphs 1 and 3 of the Company Law 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, auditors, etc. of these subsidiaries and, if necessary, received reports on business from the subsidiaries. We examined the business report and its supporting schedules for the fiscal year in the way described above.

In addition, the Statutory Auditors 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 ordinances 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 ordinances 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 KPMG AZSA 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 KPMG AZSA LLC are fair and reasonable.

May 24, 2013

Board of Statutory Auditors of Kadokawa Group Holdings, Inc.:

Shin Mizushima Seal
Standing Statutory Auditor

Akira Wakabayashi Seal
Standing Statutory Auditor

Yasushi Ikeda Seal
Outside Auditor

Akira Watanabe Seal
Outside Auditor

Reference Materials on the Exercise of Voting Rights

Proposal 1: To appropriate Retained Earnings

We hereby propose the appropriation of retained earnings as follows:

Year-end dividends:

The Company believes that it is one of its important policies to pass on some part of its profit to the shareholders and will work to improve its corporate value through achievement of sustainable growth. For dividends, we will strive to realize stable and continued payment of dividends considering the outlook for performance, investment plans, the situation of funds at hand and other matters in general.

In addition to this policy, we recorded the highest profit after listing in this fiscal year and will launch a large-scale reorganization for attaining growth in the years ahead. In commemoration of these matters, we hereby propose the addition of commemorative dividends to the distribution of the year-end dividends for the 59th fiscal year as follows:

(1) Type of dividend assets

Cash

(2) Allocation and total amount of the dividend assets

We propose the distribution of a dividend of 45 yen (ordinary dividend: 35 yen; commemorative dividend: 10 yen) per common share of the Company.

The total amount of dividends: 1,164,749,670 yen

(3) Date when the appropriation of retained earnings becomes effective

June 24, 2013

Proposal 2: To Amend the Articles of Incorporation

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

1. Reason for the amendment

The reason for the proposed amendment is as follows:

As a result of the merger between the Company and the nine subsidiaries as to which we propose in Proposal 3 below, the Company will be changed from a functional holding company into an operating company. Therefore, we propose to change our trade name to KADOKAWA CORPORATION and change the purposes of incorporation.

In addition, the scheduled change into an operating holding company due to the merger will require that we strengthen and improve our management system further. Therefore, we propose to increase the number of directors from within fifteen to within twenty-five.

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
<p>Article 1. (Trade name) The Company shall be called <u>KABUSHIKIKAISHA KADOKAWA GURUPU HORUDINGUSU</u> and its English name shall be <u>KADOKAWA GROUP HOLDINGS, INC.</u></p> <p>Article 2. (Purposes of incorporation) The Company shall be organized for the purposes of operating the following business: <u>(1) To hold the shares of the companies operating the following business to govern and manage the business activities of such companies:</u></p> <p><u>1) Publishing business and the sale of and agency</u></p>	<p>Article 1. (Trade name) The Company shall be called <u>KABUSHIKIKAISHA KADOKAWA</u> and its English name shall be <u>KADOKAWA CORPORATION.</u></p> <p>Article 2. (Purposes of incorporation) The Company shall be organized for the purposes of operating the following business: (Delete)</p> <p><u>(1) Publishing business and the sale of and agency</u></p>

Present Article of Incorporation	Proposed Amendment
<u>business</u> for books and periodicals;	<u>projects</u> for books and periodicals;
<p>2) Planning, production, manufacture and sale of publications using electronic media and electronic equipment;</p> <p>3) Printing and bookbinding business;</p> <p>4) Broadcasting projects in accordance with the Broadcast Law;</p> <p>5) <u>Business</u>/relating to the acquisition, development of uses, management, licensing and sale of trademark rights, copyrights, neighboring rights, design rights, rights of likeness, publishing rights, patent rights, utility model rights and other intellectual property rights;</p> <p>6) Planning, production, manufacture, sale and leasing of <u>software for computers</u>;</p> <p>7) <u>Planning, production, manufacture, sale and leasing of software for computer games</u>;</p> <p>8) Consultation on publishing;</p> <p>9) Planning, production, sale and leasing of broadcast programs;</p> <p>10) Planning, production, operation and show business of films, dramas, concerts and other events;</p> <p>11) Operation of movie theaters, theaters, concert halls and other entertainment facilities;</p> <p>12) Planning, production, manufacture, sale, export and import, leasing and broadcasting, showing, distribution and intermediation and intervention for these tasks of the software of voices and videos (discs, tapes and other videograms and films);</p> <p>13) Development and management of writers, producers <u>and performers</u>;</p> <p>14) Planning, production, sale and agency <u>business</u> of advertisement and publicity;</p> <p>15) Warehousing and transportation business;</p> <p>16) Sale and purchase, leasing and management of real estate;</p> <p>17) General travel agency business;</p> <p>18) Business relating to the sale of life insurance products and agency business for non-life insurance;</p> <p>19) Import <u>and sale</u> of stationery, indoor decorations, clothing, timepieces, toys, <u>soft drinks</u>, daily necessities and sundries, foods, accessories, furniture, household electric appliances <u>and</u> works of art and the issuance and sale of prepaid cards and book coupons;</p> <p>20) Investment in marketable securities;</p> <p>21) Various information processing and information</p>	<p>(2) Planning, production, manufacture and sale of publications using electronic media and electronic equipment;</p> <p>(3) Printing and bookbinding business;</p> <p>(4) Broadcasting projects in accordance with the Broadcast Law;</p> <p>(5) <u>Projects</u> relating to the acquisition, development of uses, management, licensing and sale of trademark rights, copyrights, neighboring rights, design rights, rights of likeness, publishing rights, patent rights, utility model rights, <u>the rights of merchandizing/</u> and other intellectual property rights;</p> <p>(6) Planning, production, manufacture, sale and leasing of <u>computer software and software for computer games</u>;</p> <p>(Delete)</p> <p>(7) Consultation on publishing;</p> <p>(8) Planning, production, sale and leasing of broadcast programs;</p> <p>(9) Planning, production, operation and show business of films, dramas, concerts, <u>auctions</u> and other events;</p> <p>(10) Operation <u>and management</u> of movie theaters, theaters, concert halls, <u>auction sites, sports facilities, sightseeing facilities, accommodations, restaurants, retail stores</u> and other entertainment facilities;</p> <p>(11) Planning, production, manufacture, sale, export and import, leasing and broadcasting, showing, distribution and intermediation and intervention for these tasks of the software of voices and videos (discs, tapes and other videograms and films);</p> <p>(12) <u>Mediation</u>, development and management of <u>persons engaged in works of art, music, variety shows and video techniques, etc. and stars, writers, producers, performers and other creators</u>;</p> <p>(13) Planning, production, sale and agency <u>projects</u> of advertisement and publicity;</p> <p>(14) Warehousing <u>business and general transportation by automobiles, etc. and other</u> transportation business;</p> <p>(15) Sale and purchase, <u>mediation</u>, leasing and management of real estate;</p> <p>(16) General travel agency business;</p> <p>(17) Business relating to the sale of life insurance products and agency business for non-life insurance;</p> <p>(18) <u>Planning, development, manufacture, stocking, sale, wholesale, leasing, intermediation and export and import of stationery, indoor decorations, clothing, timepieces, toys, character goods, soft drinks, luxury beverages, liquors, daily necessities and sundries, foods, accessories, furniture, household electric appliances, works of art, vessels, automobiles and automotive parts, medical appliances, electronic appliances, pharmaceuticals, pharmaceuticals for animals, quasi-drugs, agricultural chemicals, fertilizers, weighing and measuring instruments, medical tools, meters, cosmetics, tobacco, postage stamps and other commodities</u> and the issuance and sale of prepaid cards and book coupons;</p> <p>(19) Investment in marketable securities;</p> <p>(20) Various information processing and information</p>
20) Investment in marketable securities;	(19) Investment in marketable securities;
21) Various information processing and information	(20) Various information processing and information

Present Article of Incorporation	Proposed Amendment
providing business utilizing telephone circuits, the Internet and other public communication means;	providing business utilizing telephone circuits, the Internet and other public communication means;
<p><u>22</u>) Operation of language classrooms and various adult education classes and the planning, manufacture and sale of teaching materials and educational tools;</p> <p><u>23</u>) Establishment and operation of correspondence courses for acquiring and learning various qualifications and skills and the instruction for and training of lecturers for these courses;</p> <p><u>24</u>) Operation of cram schools for preparing infants and elementary school and junior and senior high school students for entrance examinations or moving up to the senior class or for giving them supplementary lessons and the giving of courses and mock examinations to them;</p> <p><u>25</u>) Education and training and consultation on the development of human resources for the administration and sales activities of enterprises;</p> <p><u>26</u>) Development of the vocational aptitude of human resources and the holding of training courses for this purpose;</p> <p><u>27</u>) Consultation on health and medical care;</p> <p><u>28</u>) Staffing agency business;</p> <p><u>29</u>) Placement service for a charge; (New provisions)</p> <p>(New provisions)</p> <p>(New provisions)</p> <p>(New provisions)</p> <p>(New provisions)</p> <p>(New provisions)</p> <p>(New provisions)</p> <p>(New provisions)</p> <p>(New provisions)</p> <p>(New provisions)</p> <p>(New provisions)</p>	<p><u>(21)</u> Operation of language classrooms and various adult education classes and the planning, manufacture and sale of teaching materials and educational tools;</p> <p><u>(22)</u> Establishment and operation of correspondence courses for acquiring and learning various qualifications and skills and the instruction for and training of lecturers for these courses;</p> <p><u>(23)</u> Operation of cram schools for preparing infants and elementary school and junior and senior high school students for entrance examinations or moving up to the senior class or for giving them supplementary lessons and the giving of courses and mock examinations to them;</p> <p><u>(24)</u> Education and training and consultation on the development of human resources for the administration and sales activities of enterprises;</p> <p><u>(25)</u> Development of the vocational aptitude of human resources and the holding of training courses for this purpose;</p> <p><u>(26)</u> Consultation on health and medical care;</p> <p><u>(27)</u> Staffing agency business;</p> <p><u>(28)</u> Placement service for a charge;</p> <p><u>(29)</u> <u>Telecommunications business in accordance with the Telecommunications Business Law;</u></p> <p><u>(30)</u> <u>Telecommunications service-using broadcasting business in accordance with the Law for Telecommunications Service-Using Broadcasting;</u></p> <p><u>(31)</u> <u>Store designing and the planning and production of interior designs, building designs and industrial designs;</u></p> <p><u>(32)</u> <u>Mail order business using broadcasting and other mail-order business;</u></p> <p><u>(33)</u> <u>Investigations and researches concerning commodities investment trust and commodities investment and selling business and commodities investment consultation business in accordance with the Law Concerning the Control of Business Engaged in Commodities Investment;</u></p> <p><u>(34)</u> <u>Sale, intermediation and export and import of antiques;</u></p> <p><u>(35)</u> <u>Marketing research projects;</u></p> <p><u>(36)</u> <u>Management consultation projects;</u></p> <p><u>(37)</u> <u>Intermediation business regarding tie-ups between businesses;</u></p> <p><u>(38)</u> <u>Production, sale and leasing of flowers, horticultural trees, plants and horticultural materials;</u></p> <p><u>(39)</u> <u>Planning, operation and management of day nurseries and children's day care centers;</u></p>
<p><u>30</u>) Investment in the enterprises doing the business as stated in each of the preceding items;</p>	<p><u>(40)</u> Investment in the enterprises doing the business as stated in each of the preceding items;</p>
<p><u>31</u>) All the <u>business</u> incidental to the business as stated in each of the preceding items.</p>	<p><u>(41)</u> All the <u>projects</u> incidental to the business as stated in each of the preceding items.</p>
<p><u>(2)</u> <u>Sale and purchase, mediation, leasing and management of real estate;</u></p>	<p>(Delete)</p>
<p><u>(3)</u> <u>Business relating to the sale of life insurance products and agency business for non-life insurance;</u></p>	<p>(Delete)</p>
<p><u>(4)</u> <u>Investment in marketable securities;</u></p>	<p>(Delete)</p>
<p><u>(5)</u> <u>All the business incidental to the business as stated in each of the preceding items.</u></p>	<p>(Delete)</p>
<p>Articles 3. to 18. (Present provisions omitted)</p>	<p>Articles 3 to 18 (Same as the present provisions)</p>
<p>Article 19. (Number of directors) The number of directors of the Company shall be within <u>fifteen</u>. Articles 20. to 40. (Present provisions omitted)</p>	<p>Article 19. (Number of directors) The number of directors of the Company shall be within <u>twenty-five</u>. Articles 20. to 40. (Same as the present provisions)</p>

Proposal 3: To approve the Merger Agreement

1. Reason for the merger

In the environment of the Company, vast unexplored frontiers where a further large growth can be expected if the Group's content is brought together and fully utilized have been seen as shown in the fact that there have been expectations for expansion in the content business market abroad, including one in rapidly growing Asia, and that the market of electronic books in Japan has started a rapid growth, too. We concluded that to respond to this greatly changing environment in a speedy and dynamic way, to increase the profit-earning capacity and to accelerate the introduction of new business areas flexibly, we should reorganize our organization to integrate the Group's content and customer into one single company.

More specifically, we propose to merge the nine consolidated subsidiaries, that is, Kadokawa Shoten Publishing Co., Ltd., ASCII Media Works Inc., Kadokawa Magazines Inc., Media Factory, Inc., Enterbrain, Inc., Chukei Publishing Co., Fujimi Shobo Co., Ltd., Kadokawa Gakugei Shuppan Publishing Co., Ltd. and Kadokawa Production Co., Ltd., where the Company will be a surviving company and the nine consolidated subsidiaries will be defunct companies.

2. Outline of the Merger Agreement

Merger Agreement

Kadokawa Group Holdings, Inc. (head office: 13-3, Fujimi 2-chome, Chiyoda-ku, Tokyo; hereinafter referred to as "KGHD"), Kadokawa Shoten Publishing Co., Ltd. (head office: 13-3, Fujimi 2-chome, Chiyoda-ku, Tokyo; hereinafter referred to as "Kadokawa Shoten"), ASCII Media Works Inc. (head office: 8-19, Fujimi 1-chome, Chiyoda-ku, Tokyo; hereinafter referred to as "AMW"), Kadokawa Magazines Inc. (head office: 3-11, Fujimi 1-chome, Chiyoda-ku, Tokyo; hereinafter referred to as "KM"), Media Factory, Inc. (head office: 3-5, Shibuya 3-chome, Shibuya-ku, Tokyo; hereinafter referred to as "MF"), Enterbrain, Inc. (head office: 6-1, Sanbancho, Chiyoda-ku, Tokyo; hereinafter referred to as "eb"), Chukei Publishing Co. (head office: Sogo Daiichi Building, 2, Kojimachi 3-chome, Chiyoda-ku Tokyo; hereinafter referred to as "Chukei Publishing"), Fujimi Shobo Co., Ltd. (head office: 12-14, Fujimi 1-chome, Chiyoda-ku, Tokyo; hereinafter referred to as "Fujimi Shobo"), Kadokawa Gakugei Shuppan Publishing Co., Ltd. (head office: 13-3, Fujimi 2-chome, Chiyoda-ku, Tokyo; hereinafter referred to as "Gakugei Shuppan") and Kadokawa Production Co., Ltd. (head office: 13-3, Fujimi 2-chome, Chiyoda-ku, Tokyo; hereinafter referred to as "KP") hereby conclude this Agreement (hereinafter referred to as "this Agreement") as to the merger as follows:

Article 1. (Method of the merger)

1. KGHD and Kadokawa Shoten shall conduct a merger where KGHD is the surviving company and Kadokawa Shoten is the defunct company, and KGHD shall survive and Kadokawa Shoten shall be dissolved.
2. KGHD and AMW shall conduct a merger where KGHD is the surviving company and AMW is the defunct company, and KGHD shall survive and AMW shall be dissolved.
3. KGHD and KM shall conduct a merger where KGHD is the surviving company and KM is the defunct company, and KGHD shall survive and KM shall be dissolved.
4. KGHD and MF shall conduct a merger where KGHD is the surviving company and MF is the defunct company, and KGHD shall survive and MF shall be dissolved.
5. KGHD and eb shall conduct a merger where KGHD is the surviving company and eb is the defunct company, and KGHD shall survive and eb shall be dissolved.
6. KGHD and Chukei Publishing shall conduct a merger where KGHD is the surviving company and Chukei Publishing is the defunct company, and KGHD shall survive and Chukei Publishing shall be dissolved.
7. KGHD and Fujimi Shobo shall conduct a merger where KGHD is the surviving company and Fujimi Shobo is the defunct company, and KGHD shall survive and Fujimi Shobo shall be dissolved.
8. KGHD and Gakugei Shuppan shall conduct a merger where KGHD is the surviving company and Gakugei Shuppan is the defunct company, and KGHD shall survive and Gakugei Shuppan shall be dissolved.
9. KGHD and KP shall conduct a merger where KGHD is the surviving company and KP is the defunct company, and KGHD shall survive and KP shall be dissolved.
10. The merger between KGHD and Gakugei Shuppan as stated in Paragraph 8 shall take effect on the condition precedent that the merger between KGHD and Kadokawa Shoten as stated in Paragraph 1 takes effect.
11. The merger between KGHD and KP as stated in Paragraph 9 shall take effect on the condition precedent that the merger between KGHD and Kadokawa Shoten as stated in Paragraph 1, the merger between KGHD and AMW as stated in Paragraph 2, the merger between KGHD and eb as stated in Paragraph 5 and the merger between KGHD and Fujimi Shobo as stated in Paragraph 7 all take effect.
12. The taking effect of each of the mergers as stated in Paragraphs 1 to 9 (hereinafter referred to as "each of the mergers in question," excluding the case as stated in the two preceding paragraphs, shall not be on the condition that each of the mergers in question takes effect.

Article 2. (Money paid upon the merger, etc.)

KGHD shall not, upon each of the mergers in question, pay any money, etc. equivalent to the shares held by the shareholders of each party other than KGHD.

Article 3. (Amount of changes in the shareholders' equity, etc. of the surviving company)

KGHD shall not cause the surviving company to increase any capital stock and capital reserve upon each of the mergers in question.

Article 4. (Effective date of the merger)

The effective date of each of the mergers in question (hereinafter referred to as the "effective date in question") shall be October 1, 2013. However, if need arises in the merger procedure, the effective date may be changed in accordance with Article 790, Paragraph 1 of the Company Law.

Article 5. (General meeting of shareholders for approving the merger, etc.)

1. KGHD shall hold the general meeting of shareholders on June 22, 2013 and ask the general meeting to make a decision to approve this Agreement.
2. Each party other than KGHD shall conduct each of the mergers in question without obtaining an approval of this Agreement from the general meeting of shareholders in accordance with Article 784, Paragraph 1 of the Company Law.
3. The procedure as stated in each preceding paragraph may, if need arises in the merger procedure, be changed by the consultation between the parties concerned.

Article 6. (Handing over of company assets)

1. Each party other than KGHD shall hand over to KGHD on the effective date in question all of its assets and liabilities and all of its rights and obligations after adding and deducting any increase and decrease up to the effective date in question on the basis of the balance sheet as of March 31, 2013 and any other accounts on such date.
2. Each party other than KGHD shall notify KGHD of the details of the assets and liabilities and the rights and obligations changed in the period from April 1, 2013 to the effective date in question by presenting a separate statement.

Article 7. (Obligation to take a good manager's care)

Each party shall, after the conclusion of this Agreement and up to the effective date in question, conduct its business and manage and operate its assets with a good manager's care, and if it conducts any act seriously affecting its assets and its rights and obligations, it shall have consultation with each of other parties in advance.

Article 8. (Continued employment of employees)

KGHD shall continue to employ the employees of each party other than KGHD as its employees on the effective date in question. The details of the continued employment shall be determined by a separate consultation between KGHD and each party other than KGHD.

Article 9. (Change in the merger conditions and cancellation of the Merger Agreement)

If any serious change arises in the state of each party's assets or management due to any natural disaster or any other cause, if there arises any situation that would constitute a serious obstacle to the implementation of each of the mergers in question or if otherwise it becomes difficult to achieve the purpose of this Agreement, each party may change any of the conditions of each of the mergers in question or cancel or amend this Agreement.

Article 10. (Effect of this Agreement)

This Agreement shall lose its effect if it fails to have an approval by the decision of KGHD's general meeting of shareholders or if an approval from the authorities concerned required for the execution of this Agreement as stated in the laws and ordinances is not obtained, by the day prior to the effective date in question.

Article 11. (Matters not stated in this Agreement)

Any matter necessary for each of the mergers in question other than the matters as stated in this Agreement shall be determined by the consultation of each party in good faith in accordance with the objectives of this Agreement.

3. Outline of the provisions of Article 191 of the Company Law Enforcement Regulations
 - (1) Matters regarding the reasonableness of non-payment of money, etc. upon the merger
The Company decided not to pay to the shareholders of each of the defunct companies any money, etc. for the shares of each of the defunct companies. We consider that this practice is reasonable because the Company holds all of the shares of each of the defunct companies directly or indirectly.
 - (2) Details of the financial statements, etc. for the final fiscal year of each of the defunct companies
The details of the financial statements, etc. for the final fiscal year of each of the defunct

companies are posted on the Company's website (<http://ir.kadokawa.co.jp/>) in accordance with the laws and ordinances and the provisions of Article 16 of the Articles of Incorporation.

- (3) Matters regarding the important disposal of assets, etc. made after the last day of the final fiscal year of the defunct companies

Kadokawa Shoten Publishing Co., Ltd. established Kadokawa Daiei Studio Co., Ltd. as its subsidiary by a split-up by consolidation with the effective date of April 1, 2013 and caused this subsidiary to succeed to the business conducted by its Studio Business Bureau.

Chuhei Publishing Co. merged Shin-Jinbutsuoraisha Co., its subsidiary, with it by a merger with the effective date of April 1, 2013.

- (4) Matters regarding the important disposal of assets, etc. made after the last day of the final fiscal year of the surviving company

The Company merged Kadokawa Group Publishing Co., Ltd., its subsidiary, with it by a merger with the effective date of April 1, 2013.

Proposal 4: To elect Twenty-two (22) Directors

The term of office of all the 15 directors will expire at the close of this general meeting of shareholders. The Company will be changed from a functional holding company into an operating company as a result of the merger between the Company and its nine subsidiary as to which we ask discussions in Proposal 3 and will need to strengthen and enrich its management system further so as to reinforce its business and to conduct new business flexibly. Accordingly, we propose, on condition that Proposal 2 for this general meeting of shareholders is approved in its original form, an increase in the number of directors by seven and the election of 22 directors.

The candidates for directors are as follows:

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Group and important concurrent positions in other companies	Number of the Group's shares held
1	Tsuguhiko Kadokawa (September 1, 1943)	<p>March 1966: Joined the Group</p> <p>September 1973: Director of the Group</p> <p>November 1975: Senior Managing Director of the Group</p> <p>June 1992: Director and Vice-president of the Group</p> <p>September 1992: Retired from Directorship of the Group</p> <p>October 1993: Representative Director and President of the Group</p> <p>July 1995: Executive President of the Kadokawa Culture Promotion Foundation (present)</p> <p>April 1999: President of Kadokawa Media (TAIWAN) Co., Ltd.</p> <p>June 2002: Representative Director, Chairman and CEO of the Group</p> <p>August 2002: Representative Director and Chairman of Kadokawa Daiei Pictures, Inc.</p> <p>April 2003: Representative Director, President and CEO of the Group</p> <p>April 2003: Representative Director, Chairman and CEO of Kadokawa Shoten Publishing Co., Ltd.</p> <p>May 2004: Representative Director and President of the Japan Video Promotion Co.</p> <p>April 2005: Representative Director, Chairman and CEO of the Group</p> <p>May 2005: President, Kadokawa Holdings U.S. Inc.</p> <p>December 2005: Representative Director and Chairman of Kadokawa Mobile Inc. (present BOOK WALKER Co., Ltd.)</p> <p>June 2010: Chairman of the Board of the Group (present)</p> <p>February 2013: Representative Director and President of Kadokawa Ascii Research Laboratories, Inc. (present)</p>	2, 056,458 shares

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Group and important concurrent positions in other companies	Number of the Group's shares held
2	Tatsuo Sato (September 18, 1952)	<p>May 1986: : Director of Kadokawa Media Office</p> <p>June 1992: Representative Director and Managing Director of Kadokawa Media Office</p> <p>October 1992: Representative Director of MediaWorks Inc. (present ASCII Media Works Inc.)</p> <p>March 1993: Representative Director and Senior Managing Director of MediaWorks Inc.</p> <p>June 1995: Representative Director and President of MediaWorks Inc.</p> <p>June 1999: Director of the Group</p> <p>April 2000: Representative Director and President of Toy's Works Inc.</p> <p>April 2003: Managing Director of the Group</p> <p>April 2003: Representative Director and President of Character & Anime.com Corporation (present Chara-Ani Corporation)</p> <p>June 2004: Representative Director and President of MediaLeaves, Inc.</p> <p>June 2004: Representative Director and Chairman of Enterbrain, Inc.</p> <p>April 2005: Representative Director and Chairman of MediaWorks Inc.</p> <p>October 2005: Director and Chairman of Fujimi Shobo Co., Ltd.</p> <p>December 2005: Representative Director and President of Kadokawa Mobile Inc. (present BOOK WALKER Co., Ltd.)</p> <p>February 2006: Representative Director, Chairman and President of MediaLeaves, Inc.</p> <p>February 2006: Representative Director and President of ASCII Corporation</p> <p>June 2006: Director of the Group</p> <p>April 2007: Representative Director and Chairman of Kadokawa Production Inc.</p> <p>April 2008: Representative Director, President and COO of the Group</p> <p>June 2010: Representative Director and President of the Group</p> <p>April 2013: Representative Director, President, Executive General Manager of the General IP Business Headquarters and Executive General Manager of the General International Business Headquarters of the Group (present)</p>	157,200 shares
3	Shinichiro Inoue (January 28, 1959)	<p>April 1987: Joined The Television Co.</p> <p>June 2002: Director of the Group</p> <p>April 2003: Director of Kadokawa Shoten Publishing Co., Ltd.</p> <p>April 2005: Managing Director of Kadokawa Shoten Publishing Co., Ltd.</p> <p>March 2006: Senior Managing Director of Kadokawa Shoten Publishing Co., Ltd.</p> <p>June 2006: Representative Director and Senior Managing Director of Kadokawa Shoten Publishing Co., Ltd.</p> <p>January 2007: Representative Director and President of Kadokawa Shoten Co., Ltd. (present)</p> <p>April 2007: Representative Director and President of Kadokawa Production Inc.</p> <p>June 2008: Director of the Group</p> <p>June 2010: Managing Director of the Group</p> <p>January 2011: Representative Director and Chairman of Kadokawa Contents Gate Corporation (present BOOK WALKER Co., Ltd.)</p> <p>June 2012: Senior Managing Director of the Group</p> <p>April 2013: Representative Director, Senior Managing Director and Executive General Manager of the General Entertainment Content Creation Business Headquarters of the Group (present)</p>	18,400 shares

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Group and important concurrent positions in other companies	Number of the Group's shares held
4	Tsuneo Taniguchi (January 6, 1956)	<p>September 1992: Joined the Group</p> <p>March 2006: General Manager of the Financial Affairs Division and the Accounting Division of the Group</p> <p>June 2006: Director and General Manager of the Personnel Planning and the Legal and General Affairs Divisions of the Group</p> <p>April 2009: Director and General Manager of the Personnel Planning Division, the Legal and General Affairs Division and the Financial Affairs Division of the Group</p> <p>July 2009: Director and General Manager of the Personnel Planning Division and the Legal and General Affairs Division of the Group</p> <p>June 2012: Managing Director and General Manager of the Personnel Planning Division and the Legal and General Affairs Division of the Group</p> <p>April 2013: Managing Director and Executive General Manager of the General Administrative Headquarters of the Group (present)</p>	10,200 shares
5	Masaki Matsubara (April 11, 1953)	<p>April 1999: Joined the Group</p> <p>June 2000: Director in charge of the New Business Development Division of the Group</p> <p>April 2001: Director in charge of Media Strategy Division of the Group</p> <p>April 2002: Director and Manager of the Financial Affairs Division and the Accounting Division of the Group</p> <p>October 2004: Representative Director and President of SS Communications Inc.</p> <p>July 2009: Representative Director and President of K. Sense Co.</p> <p>September 2009: Representative Director and Chairman of K. Sense Co.</p> <p>October 2009: Manager of the Financial Affairs Division and the IR/Publicity Division of the Group</p> <p>April 2010: Manager of the Financial Affairs Division, the IR/Publicity Division and the Overseas Business Promotion Division of the Group</p> <p>June 2010: Director of the Group</p> <p>July 2010: Director and General Manager of the Financial Affairs Division, the IR/Publicity Division and the Overseas Business Promotion Division of the Group</p> <p>June 2012: Managing Director and General Manager of the Financial Affairs Division and the IR/Publicity Division of the Group</p> <p>April 2013: Managing Director and Executive General Manager of the General Management Headquarters of the Group (present)</p>	10,400 shares
6	Koichi Sekiya (February 14, 1960)	<p>March 1993: Joined the Group</p> <p>July 2002: Director of Kadokawa Book Service Co.</p> <p>July 2004: Managing Director of Kadokawa Book Service Co.</p> <p>March 2005: Representative Director and President of Kadokawa Book Service Co.</p> <p>January 2007: Representative Director and Senior Managing Director of Kadokawa Group Publishing Co., Ltd.</p> <p>March 2007: Representative Director and President of Kadokawa Group Publishing Co., Ltd.</p> <p>June 2009: Director of the Group</p> <p>March 2013: Representative Director and President of Kadokawa Book Navi Co. (present)</p> <p>April 2013: Managing Director and Executive General Manager of the General Sales and Marketing Headquarters of the Group (present)</p>	11,600 shares

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Group and important concurrent positions in other companies	Number of the Group's shares held
7	Hirokazu Hamamura (February 8, 1961)	<p>April 1985: Joined ASCII Corp.</p> <p>March 2000: Representative Director and President of Enterbrain, Inc. (present)</p> <p>November 2002: Representative Director of MediaLeaves, Inc.</p> <p>November 2003: Representative Director and President of MediaLeaves, Inc.</p> <p>September 2009: Representative Director and President of Kadokawa Content Gate Corp. (present BOOK WALKER Co., Ltd.)</p> <p>June 2012: Director of the Group</p> <p>April 2013: Managing Director and Executive General Manager of the General Media & Information Business Headquarters of the Group (present)</p>	6,400 shares
8	Kiyoshi Takano (September 30, 1958)	<p>May 1986: Joined Kadokawa Media Office</p> <p>November 1992: Joined MediaWorks Inc. (present ASCII Media Works Inc.)</p> <p>June 2002: Director of MediaWorks Inc.</p> <p>June 2007: Representative Director and President of ASCII Corp.</p> <p>April 2008: Representative Director and President of ASCII MediaWorks Inc.</p> <p>April 2010: Representative Director and Vice-Chairman of Maho-no i-rando Co.</p> <p>June 2012: Director of the Group</p> <p>June 2012: Representative Director and President of Kadokawa Content Gate Corp. (present BOOK WALKER Co., Ltd.)</p> <p>April 2013: Director and Executive Deputy General Manager of the General Administrative Headquarters of the Group (present)</p>	20,900 shares
9	Takashi Yamaguchi (October 26, 1958)	<p>June 1988: Joined Kadokawa Media Office</p> <p>November 1992: Joined MediaWorks Inc. (present ASCII MediaWorks Inc.)</p> <p>June 2002: Director of MediaWorks Inc.</p> <p>April 2005: Managing Director of MediaWorks Inc.</p> <p>August 2007: Manager of the IT Division of the Group</p> <p>April 2008: General Manager of the Management Planning Division, the Domain Management Division and the IT Division of the Group</p> <p>June 2008: Director and General Manager of the Management Planning Division, the Domain Management Division and the IT Division of the Group</p> <p>April 2009: Director and General Manager of the Business Promotion Division, the Management Planning Division, the Domain Management Division, the IT Division, the Accounting Division and the IR/Publicity Division of the Group</p> <p>July 2009: Director and General Manager of the Business Promotion Division, the Management Planning Division, the Domain Management Division and the IT Division of the Group</p> <p>April 2010: Director and General Manager of the Management Planning Division, the Domain Management Division and the IT Division of the Group</p> <p>July 2010: Director and General Manager of the Management Planning Division, the Domain Management Division, the IT Division and the Secretary's Office of the Group</p> <p>April 2013: Director and Executive Deputy General Manager of the General Management Headquarters of the Group (present)</p>	14,200 shares

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Group and important concurrent positions in other companies	Number of the Group's shares held
10	Susumu Tsukamoto (February 19, 1956)	<p>April 1980: Joined Tohan Corp.</p> <p>March 1999: Joined the Group</p> <p>August 2009: President of Kadokawa Media (TAIWAN) Co., Ltd. (present)</p> <p>June 2012: Director of the Group</p> <p>July 2012: Director and General Manager of the Overseas Business Promotion Division of the Group</p> <p>April 2013: Director and Executive Deputy General Manager of the General International Business Headquarters of the Group (present)</p>	3,100 shares
11	Osamu Ota (October 17, 1955)	<p>September 1982: Joined The Television Co.</p> <p>December 1999: Representative Director and Senior Managing Director of Kadokawa Interactive Media Co.</p> <p>April 2006: Representative Director and Senior Managing Director of Kadokawa The Television Co.</p> <p>June 2007: Representative Director and President of Kadokawa The Television Co.</p> <p>September 2009: Representative Director and President of Kadokawa SS Communications Inc.</p> <p>September 2009: Representative Director and President of Kadokawa Magazines Inc.</p> <p>September 2009: Representative Director and President of K. Sense Co. (present)</p> <p>January 2011: Representative Director and Vice-President of Kadokawa Marketing Co. (present Kadokawa Magazines Inc.)</p> <p>April 2011: Representative Director and President of Kadokawa Marketing Co. (present)</p> <p>June 2011: Director of the Group</p> <p>April 2013: Executive Deputy General Manager of the General Media & Information Business Headquarters of the Group (present)</p>	10,700 shares
12	Toshiyuki Yoshihara (December 4, 1957)	<p>April 1980: Joined Japan Recruit Center Co. (present Recruit Holdings Co., Ltd.)</p> <p>June 1999: Director of Media Factory, Inc.</p> <p>January 2001: Representative Director and President of Media Factory, Inc. (present)</p> <p>April 2013: Executive Deputy General Manager of the General Entertainment Content Creation Business Headquarters of the Group (present)</p>	1,400 shares
13	Akira Watanabe (July 1, 1959)	<p>March 1993: Joined the Group</p> <p>November 1993: Registered as a certified tax accountant</p> <p>March 2006: Manager of the Accounting Division of the Group</p> <p>June 2010: Director of Kadokawa Shoten Co., Ltd. (present)</p> <p>January 2011: Representative Director and President of Japanese Film Fund Co. (present)</p>	4,700 shares
14	Tomomichi Akiyama (November 23, 1959)	<p>February 1995: Joined MediaWorks Inc. (present ASCII MediaWorks Inc.)</p> <p>January 2009: Director of MediaWorks Inc. (present)</p> <p>April 2013: Executive Deputy General Manager of the General Media & Information Business Headquarters of the Group (present)</p>	3,900 shares

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Group and important concurrent positions in other companies	Number of the Group's shares held
15	Shin Mizushima (May 13, 1962)	<p>April 1998: Joined the Group</p> <p>April 2005: Manager of the Business Accounting Group of the Accounting Department of Kadokawa Shoten Publishing Co., Ltd.</p> <p>July 2006: Manager of the Information Systems Group of the General and Personnel Affairs Department of Kadokawa Shoten Publishing Co., Ltd.</p> <p>January 2007: Manager of the IT Division of the Group</p> <p>June 2010: Statutory Auditor of the Group (present)</p>	1,600 shares
16	Takeshi Yasuda (October 23, 1962)	<p>January 1986: Joined the Group</p> <p>January 2007: Director of Kadokawa Shoten Co., Ltd.</p> <p>October 2010: Representative Director and Chairman of PRODUCTION ACE Co., Ltd. (present)</p> <p>May 2012: Representative Director and President of DOCOMO ANIME STORE INC. (present)</p> <p>June 2012: Managing Director of Kadokawa Shoten Co., Ltd. (present)</p> <p>April 2013: Executive Deputy General Manager of the General Entertainment Content Creation Business Headquarters of the Group (present)</p>	7,700 shares
17	Takashi Yokozawa (June 18, 1964)	<p>November 1992: Joined MediaWorks Inc. (present ASCII MediaWorks Inc.)</p> <p>January 2007: Joined Kadokawa Group Publishing Co., Ltd.</p> <p>June 2012: Director of Kadokawa Group Publishing Co., Ltd.</p> <p>June 2012: Representative Director and President of Kadokawa Cineplex Inc. (present Cineplex Inc.)</p> <p>April 2013: Executive Deputy General Manager of the General Sales and Marketing Headquarters of the Group (present)</p>	900 shares
18	Yashushi Shiina (September 16, 1951)	<p>April 1974: Joined Sumitomo Corporation</p> <p>July 1991: Director of Asmik, Inc. (present Asmik Ace Inc.)</p> <p>June 2000: Representative Director and President of Asmik, Inc.</p> <p>March 2004: Representative Director and President of Kadokawa Entertainment, Inc.</p> <p>June 2004: Director of the Group</p> <p>March 2007: Representative Director and Senior Managing Director of Kadokawa Pictures, Inc.</p> <p>November 2009: Representative Director and President of Kadokawa Pictures, Inc.</p> <p>June 2010: Director of the Group</p> <p>January 2011: Representative Director and Senior Managing Director of Kadokawa Shoten Co., Ltd.</p> <p>June 2012: Director and Adviser of Kadokawa Shoten Co., Ltd. (present)</p> <p>April 2013: In charge of international business of the General International Business Headquarters of the Group (present)</p>	10,700 shares
19	Nobuo Kawakami (September 6, 1968)	<p>April 1991: Joined Software Japan Co., Ltd.</p> <p>August 1997: Representative Director and President of Dwango Co., Ltd.</p> <p>September 2000: Representative Director and Chairman of Dwango Co., Ltd. (present)</p> <p>June 2006: Director of Avex Group Holdings Inc.</p> <p>June 2011: Director of the Group (present)</p>	0 shares

Candidate No.	Name (Date of birth)	Brief personal history, positions and responsibilities in the Group and important concurrent positions in other companies	Number of the Group's shares held
20	Koji Funatsu (March 18, 1952)	<p>April 1981: Joined Recruit Co., Ltd. (present Recruit Holdings Co., Ltd.)</p> <p>April 1998: Joined Transcosmos Inc.</p> <p>June 1998: Managing Director of Transcosmos Inc.</p> <p>June 1999: Senior Managing Director of Transcosmos Inc.</p> <p>December 1999: Director of Kadokawa Interactive Media Co., Ltd.</p> <p>April 2000: Representative Director and Vice-president of Transcosmos Inc.</p> <p>September 2002: Representative Director, President and CEO of Transcosmos Inc.</p> <p>June 2003: Representative Director, Chairman and CEO of Transcosmos Inc. (present)</p> <p>June 2005: Auditor of Walker Plus Co.</p> <p>November 2005: Auditor of Chara-Ani Corporation</p> <p>June 2006: Director of Kadokawa Cross Media Co.</p> <p>June 2006: Director of Kadokawa The Television Co.</p> <p>June 2008: Director of Kadokawa Marketing Co., Ltd. (present Kadokawa Magazines Inc.)</p> <p>June 2009: Director of the Group (present)</p>	0 shares
21	Tomoyuki Moriizumi (January 3, 1948)	<p>April 1970: Joined Sumitomo Corporation</p> <p>January 1995: Chairman of Phoenixcor Inc.</p> <p>October 1996: Representative Director and President of Jupiter Shop Channel Co., Ltd.</p> <p>February 2000: Representative Director and President of Jupiter Programming Co., Ltd.</p> <p>February 2000: Representative Director and President of Jupiter Satellite Broadcasting Co., Ltd.</p> <p>April 2000: Corporate Officer of Sumitomo Corporation</p> <p>March 2003: Representative Director, President and Chief Executive Officer of Jupiter Telecommunications Co., Ltd.</p> <p>March 2011: Advisor to Sumitomo Corporation</p> <p>June 2011: Director of the Group (present)</p> <p>May 2012: Director of Hawaiian Holdings, Inc. (present)</p>	0 shares
22	Takeo Takasu (June 24, 1945)	<p>April 1968: Joined The Sanwa Bank, Ltd.</p> <p>April 1996: Joined BANDAI Co., Ltd.</p> <p>June 1996: Representative Director and President of BANDAI HOLDINGS CORPORATION</p> <p>June 1997: Managing Director of BANDAI Co., Ltd.</p> <p>March 1999: Representative Director and President of BANDAI Co., Ltd.</p> <p>June 2005: Representative Director and Chairman of BANDAI Co., Ltd.</p> <p>September 2005: Representative Director and President of NAMCO BANDAI Holdings Inc.</p> <p>April 2009: Representative Director and Chairman of NAMCO BANDAI Holdings Inc.</p> <p>June 2012: Advisor of NAMCO BANDAI Holdings Inc. (present)</p> <p>March 2013: Director of Bell-Park Co., Ltd. (present)</p>	0 shares

- Notes: 1. Of the candidates for directors, Messrs. Osamu Ota, Toshiyuki Yoshihara, Akira Watanabe, Tomomichi Akiyama, Shin Mizushima, Takeshi Yasuda, Takashi Yokozawa, Yasushi Shiina and Takeo Takasu are those newly appointed and the other 13, those reappointed.
2. The following candidates for directors have beneficial relationships with the Group, as described below:
- 1) The candidate for director Mr. Tsuguhiko Kadokawa serves concurrently as Executive President of the Kadokawa Culture Promotion Foundation, a foundation with which the Group has business relations, including the lease of real estate.
 - 2) The candidate for director Mr. Takeshi Yasuda serves as Representative Director and Chairman of PRODUCTION ACE Co., Ltd., a company with which Glovision, Inc., Kadokawa Shoten Co., Ltd., etc., the Group's subsidiaries, have business relations, including the payment of performance

fees to voice actors. He also serves as Representative Director and President of DOCOMO ANIME STORE INC., a company with which Kadokawa Shoten Publishing Co., Ltd., Media Factory, Inc., etc., the Group's subsidiaries, have business relations, including license sales, and Kadokawa Media House Inc., the Group's subsidiary, has business relations, including the acceptance of advertisement orders.

- 3) The candidate for director Mr. Koji Funatsu serves concurrently as Representative Director, Chairman and CEO of Transcosmos Inc., a company with which Enterbrain, Inc., Chara-Ani Corp., etc., the Group's subsidiaries, have business relations, including the payment of advertisement fees, etc.
- 4) The candidate for director Mr. Nobuo Kawakami concurrently serves as Representative Director and Chairman of Dwango Co., Ltd. and has business relations, including licensing, with Kadokawa Shoten Co., Ltd., Enterbrain, Inc. and Media Factory, Inc., the Group's subsidiaries.
3. The candidates for directors Messrs. Koji Funatsu, Tomoyuki Moriizumi, and Takeo Takasu are candidates to become outside directors as provided for in Article 2, Paragraph 3, Item 7 of the Company Law Enforcement Regulations.

Of the candidates for director, Messrs. Koji Funatsu, Tomoyuki Moriizumi and Takeo Takasu are the candidates for independent officer whom the Tokyo Stock Exchange requires us to appoint for the purpose of protecting general shareholders.

- 1) We propose the reelection of Mr. Koji Funatsu as an outside director because we would like to make the most of his expertise in the IT field and as a business manager. His term of office as outside director will be four years.
- 2) We propose the reelection of Mr. Tomoyuki Moriizumi as an outside director because we would like to make the most of his long experience and good judgment as a business manager, mainly in cable TV business. His term of office as outside director will be two years.
- 3) We propose the election of Mr. Takeo Takasu as an outside director because we would like to make the most of his long experience and good judgment as a business manager familiar with entertainment business.
4. To help our outside directors play the roles assigned to them fully, we have signed a contract with all of the outside directors in order to limit the scope of the outside directors' liability for compensation for damage to the Group. The outline of the agreement is as described below. If the candidates for outside directors are elected as proposed, the Group will enter into this liability limitation agreement with each of them.
 - The agreement limits the liability for compensation for damage provided for in Article 423, Paragraph 1 of the Company Law in accordance with the provisions of Article 427, Paragraph 1 of the Company Law.
 - The maximum amount of an outside director's liability for compensation for damage to the Group under the agreement shall be an amount of 7,200,000 yen, or the minimum amount of liability provided for in laws and regulations, whichever is higher.

Proposal 5: To elect Two (2) Auditors

The term of office of Statutory Auditor Mr. Yasushi Ikeda will expire and Statutory Auditor Mr. Shin Mizushima will resign his post at the close of this general meeting of shareholders. Accordingly, we propose the election of two statutory auditors.

The candidate for statutory auditor Mr. Yasuaki Takayama will be elected to fill the vacancy arising as a result of the retirement of statutory auditor Mr. Shin Mizushima, and therefore, the term of office of Mr. Takayama will be up to the time when the term of office of the retiring statutory auditor expires in accordance of the provisions of Article 31 Paragraph 2 of the Company's Articles of Incorporation.

We have obtained the consent of the Board of Statutory Auditors to this proposal.

The candidate for statutory auditors is as follows:

Candidate No.	Name (Date of birth)	Brief personal history and important concurrent positions in other companies	Number of the Group's shares held
1	Yasuaki Takayama (October 14, 1948)	<p>April 1971: Joined independent auditor Asahi Accounting Firm (present KPMG AZSA LLC)</p> <p>March 1974: Registered as certified public accountant</p> <p>May 1987: Took office as partner of Asahi Accounting Firm</p> <p>May 1996: Took office as representative partner of Asahi Accounting Firm</p> <p>April 2009: Head of the Financial Affairs Division of the Group</p> <p>June 2009: Director of the Group</p> <p>July 2009: Director and General Manager of the Accounting Division, the Financial Affairs Division, the IR/Publicity Division and the Overseas Business Promotion Division of the Group</p> <p>October 2009: Director, General Manager of the Accounting Division, the Overseas Business Promotion Division and Head of the Financial Affairs Division and the IR/Publicity Division of the Group</p> <p>April 2010: Director, General Manager of the Accounting Division and Head of the Financial Affairs Division, the IR/Publicity Division and the Overseas Business Promotion Division of the Group</p> <p>July 2010: Director and General Manager of the Accounting Division of the Group</p> <p>April 2013: Director and Executive Deputy Manager of the General Management Headquarters of the Group (present)</p>	3,200 shares
2	Eiichi Kamiya (November 14, 1949)	<p>November 1973: Joined independent auditor Asahi Accounting Firm (present KPMG AZSA LLC)</p> <p>March 1977: Registered as certified public accountant</p> <p>July 1989: Took office as partner of Asahi Accounting Firm</p> <p>August 1998: Took office as representative partner of Asahi Accounting Firm</p> <p>June 2012: Statutory Auditor of Sunwood Corp. (present)</p>	0 shares

- Notes:
- The candidate for auditor is newly appointed.
 - The candidate for auditor Mr. Eiichi Kamiya is a candidate to become outside auditor as provided for in Article 2, Paragraph 3, Item 8 of the Company Law Enforcement Regulations, and we expect that he will give us advice and proposals from the specialist viewpoint as a certified public accountant. Mr. Kamiya is also a candidate for independent officer whom the Tokyo Stock Exchange requires us to appoint for the purpose of protecting general shareholders.
 - To help our outside auditors play the roles assigned to them fully, we have signed a contract with all of the outside auditors in order to limit the scope of the outside directors' liability for compensation for damage to the Group. The outline of the agreement is as described below. If the candidate for outside auditor Mr. Eiichi Kamiya is elected as proposed, the Group will enter into this liability limitation agreement with him.
 - The agreement limits the liability for compensation for damage provided for in Article 423, Paragraph 1 of the Company Law in accordance with the provisions of Article 427, Paragraph 1 of the law.
 - The maximum amount of an outside director's liability for compensation for damage to the Group

under the agreement shall be an amount of 7,200,000 yen, or the minimum amount of liability provided for in laws and regulations, whichever is higher.

Proposal 6: To revise the directors' remuneration

The Company's directors' remuneration was decided to be within 400 million yen a year at the 52nd general meeting of shareholders held on June 25, 2006, and this amount has been applied since then. If Proposals 2 and 4 are approved, the number of directors will be increased from fifteen (including three outside directors) at present to twenty-two (including three outside directors). In addition, if the Company turns into an operating company, the role and responsibility of the directors will become more important and greater in quantity and quality. Considering these facts and other circumstances, we propose to revise the directors' remuneration to within 800 million yen (including the remuneration for the outside directors: within 40 million yen).

As in the past, the amount of the directors' remuneration does not include the part of the remuneration of the directors serving concurrently as employees that is the salaries for employees.