A Better KADOKAWA

May 21, 2026

Securities Code: 9468 JT

OASIS

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About KADOKAWA

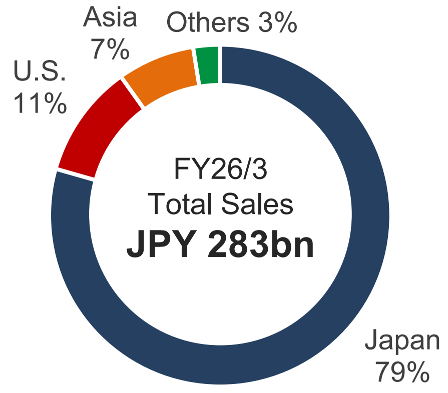
KADOKAWA

Source: Company disclosures

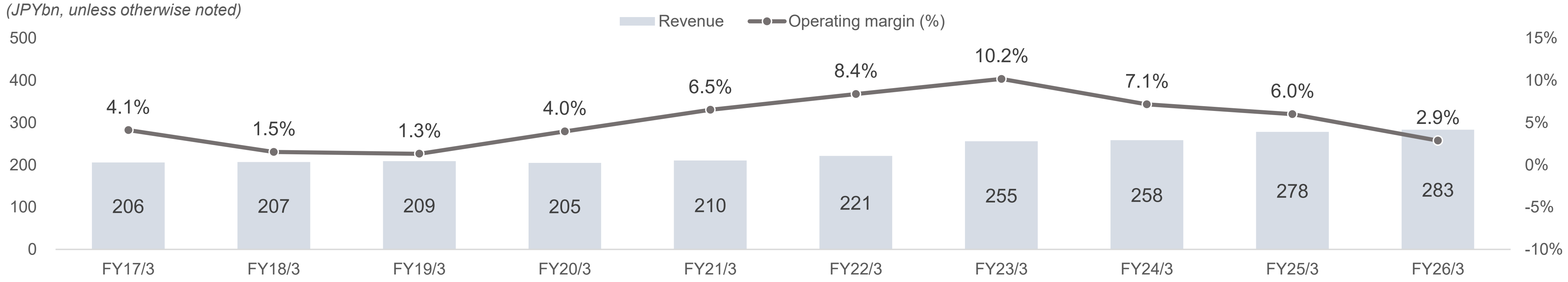
Company Overview

Company Name	KADOKAWA CORPORATION (Securities code: 9468 JT)
Head Office	2-13-3 Fujimi, Chiyoda-ku, Tokyo 102-8177 JAPAN
Chief Executive Officer	Takeshi Natsuno
Established	October 1, 2014
Line of Business	A comprehensive entertainment company, develops a wide range of businesses such as Publication, Animation, Film, Gaming, Web services, and Education/EdTech Aims to maximize the value of IP under the “Global Media Mix with Technology” strategy, referring to global rollouts of created IP by utilizing technology

Breakdown by Region



Historical Revenue and Margin Trends



KADOKAWA by the numbers

Source: Bloomberg

Market Cap	Revenue	Operating Income
JPY 479 bn	**JPY 283 bn**	**JPY 8 bn**
US$ 3.0 bn	**US$ 1.8 bn**	**US$ 51 m**

Number of Employees	EV/EBITDA (Forward 12M)	Price-to-Book	ROE
6,967	**14.7x**	**2.0x**	**0.5%**

Note: Market data as of May 15, 2026

KADOKAWA as a Japanese media powerhouse

Source: Company disclosures

- Established in 1945 as a publishing house, KADOKAWA has since evolved into a multifaceted media powerhouse. Over the decades, it has pioneered a diverse “Media Mix” strategy, expanding its footprint across publication, live-action films, animation, comics, light novels and games
- KADOKAWA generates over 6,000 new IPs annually and has built an IP archive approaching 140,000 titles over the years

Literature, non-fiction, children's books, etc.

Live-Action Films

Animation

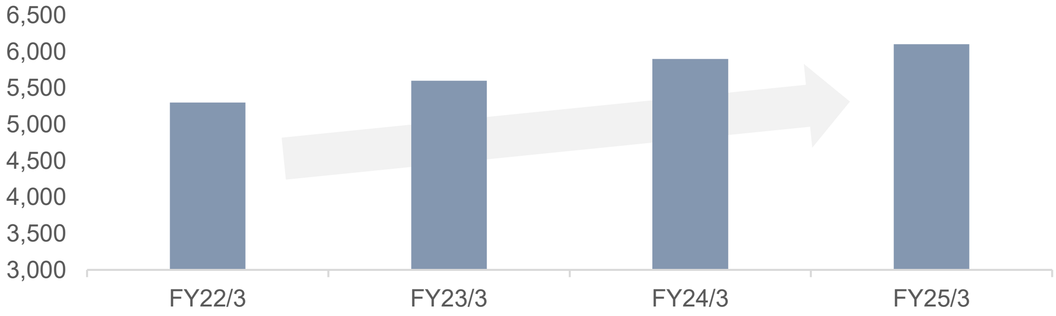
Comics

Light Novels

Games

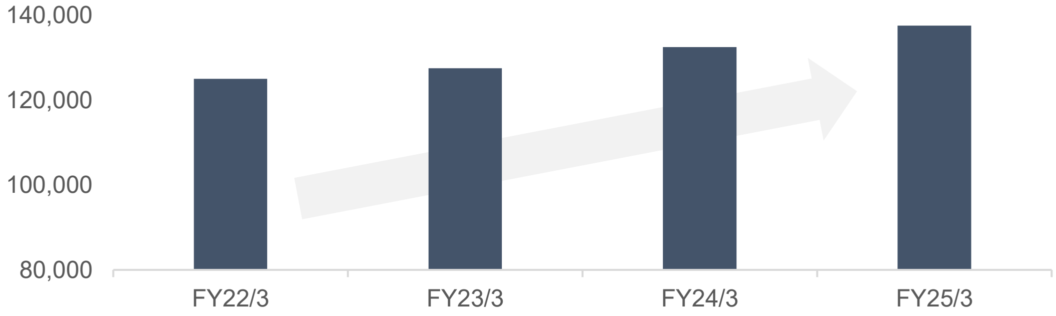
(# of IPs)

Number of new IPs



(# of IPs)

Number of archived titles



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Oasis has been engaging with KADOKAWA for six years

Meeting date	Event type	KADOKAWA Attendees
23-Jun-2020	IR Meeting	IR Dept.
5-Oct-2020	Letter sent from Oasis	-
1-Dec-2020	IR Meeting	Financial Planning Division + IR Dept.
2-Mar-2021	Meeting	CFO Yoichi Yasumoto
25-Jun-2021	IR Meeting	Financial Planning Division + IR Dept.
24-Aug-2021	IR Meeting	Financial Planning Division + IR Dept.
24-Nov-2021	IR Meeting	Financial Planning Division + IR Dept.
7-Mar-2022	IR Meeting	IR Dept.
2-Sep-2022	Letter sent from Oasis	-
13-Mar-2023	IR Meeting	IR Dept.
29-Feb-2024	IR Meeting	IR Dept.
26-Sep-2024	IR Meeting	IR Dept.
25-Dec-2024	IR Meeting	IR Dept.
24-Mar-2025	IR Meeting	IR Dept.
1-Dec-2025	IR Meeting	IR Dept.
30-Jan-2026	Letter sent from Oasis	-
25-Feb-2026	IR Meeting	IR Dept.
13-Apr-2026	Meeting	CEO Takeshi Natsuno, etc.

Japanese IP is no longer niche, a fast-growing mainstream content industry

Source: Dentsu, Anime Expo

- The reach of Japanese content has expanded beyond niche markets to become a mainstream pillar of global pop culture
- The global pandemic was a pivotal turning point, significantly igniting demand for digital entertainment, turning niche interests into mainstream consumption

150mn+

Netflix users *regularly watch Anime globally*

3x

Growth of global Anime viewership over the past 5 years

1 in 3

U.S. consumers *watch Anime weekly*

1 in 2

Gen Z *watch Anime at least weekly*

29%

U.S. consumers watch Anime due to ***fatigue towards Hollywood IP***

30%

Global Anime viewers play ***Anime-inspired videogames***

60%

Anime viewers read the ***Manga*** *that Anime is based on*

$110m

Estimated economic impact from ***Anime Expo 2025****, a four-day convention featuring Japanese pop culture held in Los Angeles*

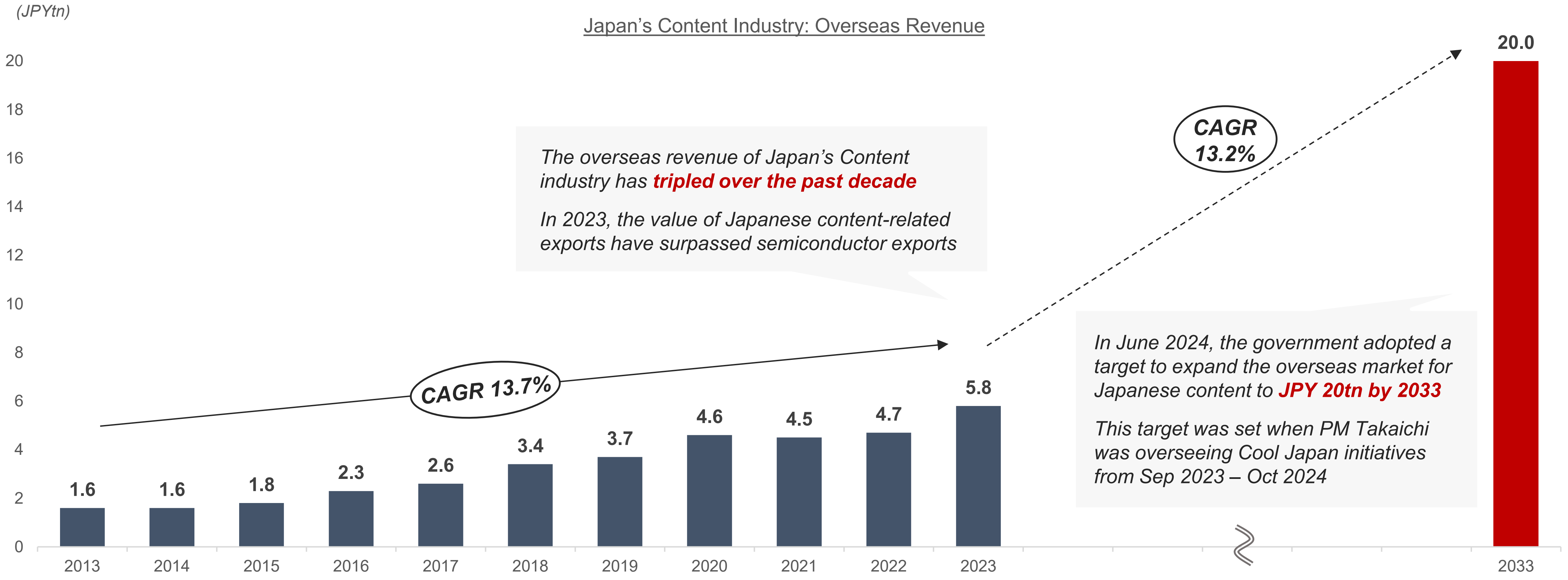
40%

U.S. Anime viewers spend ***$200+ p.a. on merchandise*** *featuring Anime IP*

Japan's content industry is also backed by government policy support

Source: Cabinet Office Intellectual Property Strategy Headquarters

- The Japanese government also recognizes the significant growth opportunity in the content industry and has expressed its willingness to support the sector's global expansion through policy initiatives and strategic backing



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FromSoftware as KADOKAWA's crown jewel gaming subsidiary

Source: FromSoftware, Bandai Namco, The Alinea Insight

- FromSoftware has built an extraordinary track record of global hits, with Elden Ring surpassing 30 million units, Sekiro reaching 10 million, and Dark Souls III also exceeding 10 million units sold worldwide

- ➢ Released February 25, 2022
- ➢ As of March 2025, sold **over 30 million units globally**
- ➢ Received numerous Game of the Year awards in 2022

- ➢ Released March 22, 2019
- ➢ Sold **over 10 million units** as of September 2023
- ➢ Received Game of the Year award in 2019

- ➢ Released March 24, 2016
- ➢ Sold **over 10 million units** as of May 2020
- ➢ DARK SOULS SERIES estimated to have exceeded **40-million-unit sales** cumulatively

- ➢ Released March 26, 2015
- ➢ Estimated to have sold **9 million copies** on PlayStation as of 2025
- ➢ Awarded Gold Prize in PlayStation Awards 2015

Oasis calls for shareholders to vote AGAINST Takeshi Natsuno's reappointment

Takeshi Natsuno
Director
Chief Executive Officer

Oasis calls on shareholders to
VOTE FOR Oasis's shareholder proposal
to **dismiss** CEO Takeshi Natsuno

Oasis calls on shareholders to
VOTE AGAINST the Company's proposal
to **reappoint** CEO Takeshi Natsuno

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Board wants shareholders to trust Natsuno but results show otherwise

Source: Company disclosures

- In the Board's rejection of Oasis's proposals to remove CEO Natsuno, it claims that Natsuno will maximize KADOKAWA's mid- to long-term corporate value
- However, KADOKAWA results have materially deteriorated under Natsuno's leadership

Notice Regarding the Opinion of the Company's Board of Directors on the Shareholder Proposal (May 14, 2026)

> *The Board of Directors carefully considered the Shareholder Proposal in light of the deliberations and resolution of the Nominating Committee. As a result, the Board of Directors determined that the Shareholder Proposal was not appropriate from the perspective of enhancing the Company's medium- to long-term corporate value and maximizing the shareholders' common interests for the following reasons, and resolved to oppose the Shareholder Proposal.*
>
> *i. The Company's* ***medium- to long-term corporate value and the shareholders' common interests are expected to be maximized*** *through business structural reforms carried out by the Board of Directors with Director Natsuno serving as the Chief Executive Officer*

	Before ***Natsuno became CEO*** ***(FY21/3)***	***After*** ***five years of Natsuno as CEO*** ***(FY26/3)***
Revenue	JPY 210 bn	JPY 283 bn
Operating Income	JPY 13.6 bn	JPY 8.1 bn
Operating Margin	6.5%	2.9%
EPS	JPY 77.42	JPY 8.71
ROE	8.2%	0.5%

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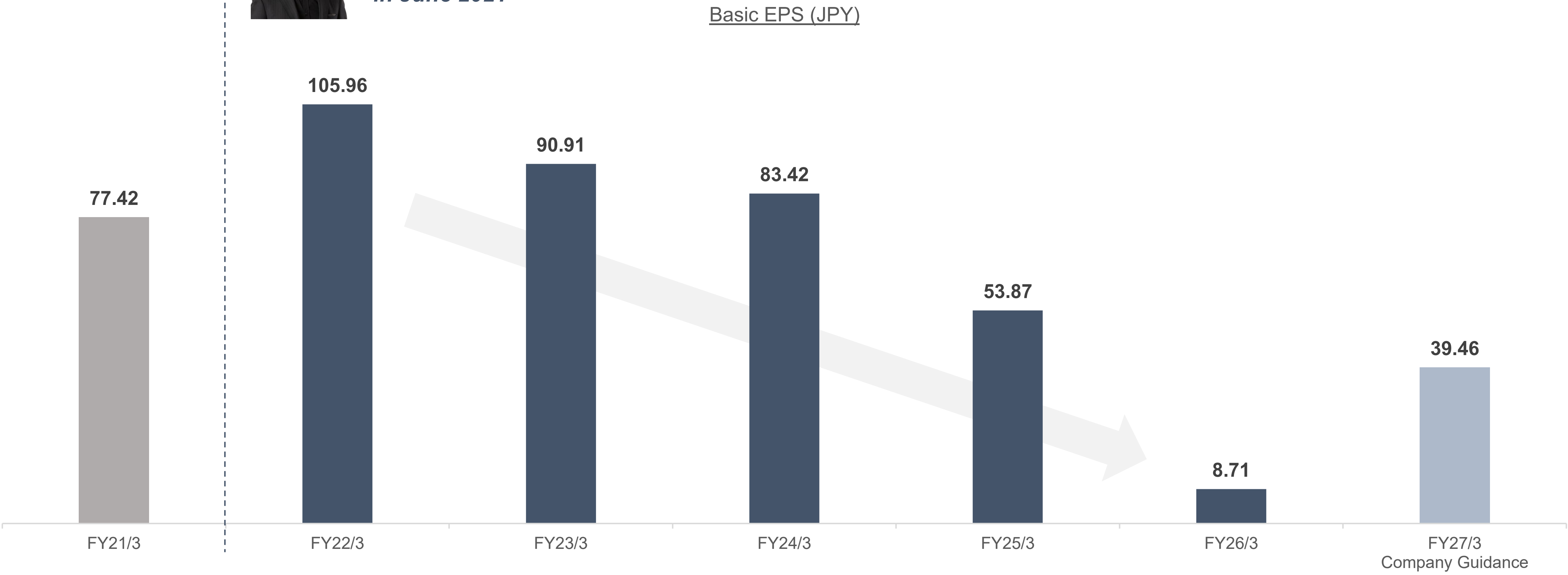
Under CEO Natsuno's leadership, KADOKAWA's earnings have continued to shrink

Source: Company disclosures

Mr. Natsuno appointed CEO in June 2021



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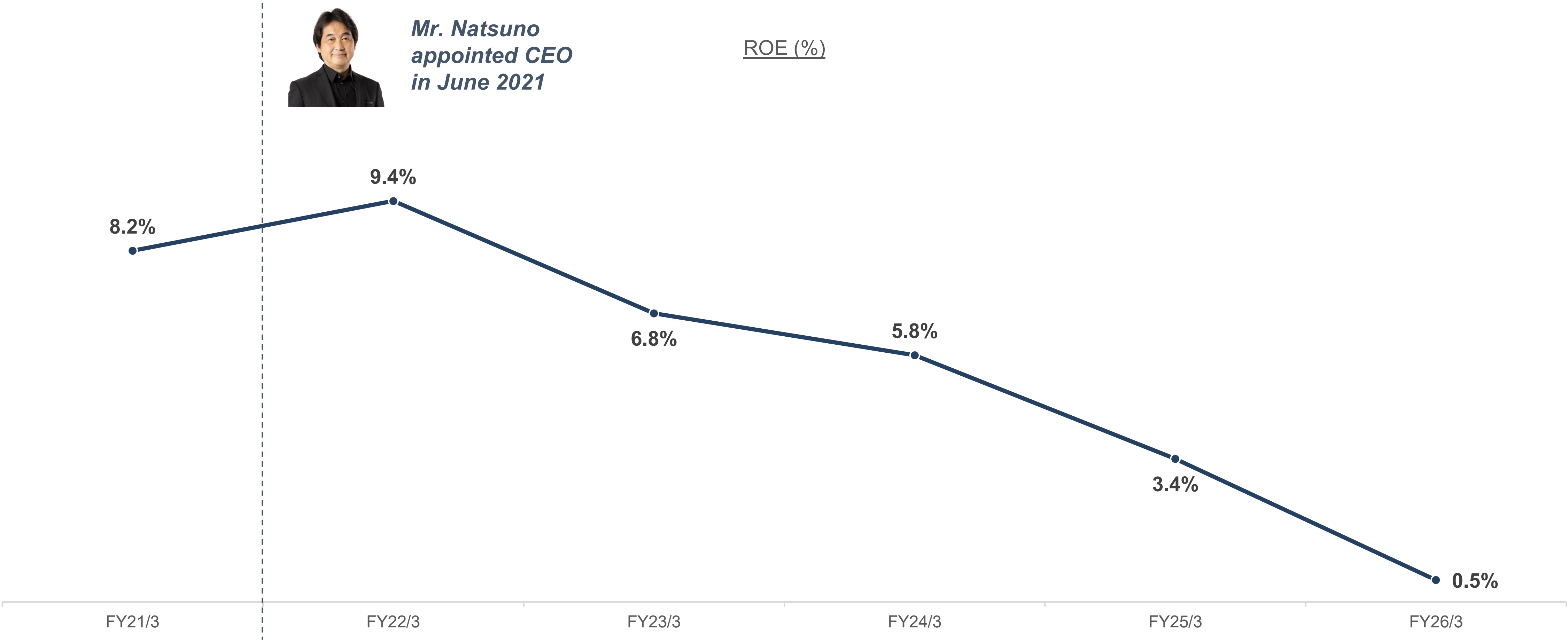
Furthermore, KADOKAWA's ROE continues to decline under CEO Natsuno's leadership

Source: Company disclosures



In November 2025, KADOKAWA revised down its operating profit guidance by 38.3%

Source: Company disclosures

FY26/3 Q2 Earnings Results (November 6, 2025)

Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2026

- **In Publication/IP Creation and Animation/Film, figures are significantly lower than the initial forecast, mainly due to the decline in sales and operating profit due to the downsizing of titles.**
  Despite a significant increase in Gaming, and cost reductions in Web Services, overall consolidated sales and operating profit were both revised downward
  - ✓ In Publication/IP Creation, we will advance various measures to swiftly improve our domestic publication business (See page 14 for details), strengthen our IP strategy, and further growth in e-books and international paper-based books.
  - ✓ In Animation/Film, the first animated works of popular IPs and multiple sequels to existing hit animated series will be developed. We also aim to increase the number of episodes by expanding in-house production studios, and maximize rights-licensing sales by accelerating the global media mix.

(Unit: million JPY)	Results for the fiscal year ended March 31, 2025	Initial forecasts for the fiscal year ending March 31, 2026	Revised forecasts for the fiscal year ending March 31, 2026	Year on year	Initial forecasts vs Revised forecasts
Net sales	277,915	291,900	**278,200**	+0.1% (+285)	-4.7% (-13,700)
Operating profit	16,651	16,700	**10,300**	-38.1% (-6,351)	-38.3% (-6,400)
Ordinary profit	17,742	18,700	**12,400**	-30.1% (-5,343)	-33.7% (-6,300)
Profit attributable to owners of parent	7,392	11,400	**4,900**	-33.7% (-2,493)	-57.0% (-6,500)
EBITDA (Operating profit + depreciation + amortization of goodwill)	24,907	25,500	**19,500**	-21.7% (-5,407)	-23.5% (-6,000)

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Significant downward revision in November 2025 left a highly negative impression and raised concerns over KADOKAWA's near-term outlook

Source: BofA Securities, SMBC Nikko, Mizuho Securities, SBI Securities

BofA SECURITIES

Earnings Assessment: "Negative"

No Signs of Improvement in Earnings

*We view the deterioration not as a temporary slowdown from the lack of hits, but rather as **a sign of reduced efficiency in the company's IP creation model**. Profitability in domestic operations should improve from 4Q with the implementation of price adjustments. We reiterate our Neutral rating, though **stricter contribution-margin management will be essential**.*

- February 12, 2026

SMBC NIKKO

Negative: Earnings Need an Overhaul

*While there are some promising products slated for release in the gaming business, including The Duskbloods for the Nintendo Switch 2, we think **the firm needs to build a framework for sustained profit growth over the longer term**. We look for an earnings overhaul, including appropriate cost levels that fit with sales.*

- February 12, 2026

MIZUHO

3Q results: OP fell 84.1% on publishing/anime shrinkage, games pullback

*While we expect earnings contributions from existing IP, we think **Kadokawa will take time to create new hit IP and achieve success with its media mix**. We are focusing on the new game titles Elden Ring Tarnished Edition and The Duskbloods*

- February 12, 2026

SBI

We are particularly focusing on revenue trends in the publication/IP creation business for the time being

*We believe **the recovery trend in the publication/IP creation business is particularly uncertain**. The primary causes of the recent revenue decline are the reduction in the number of titles for domestic printed books and e-books, along with higher costs such as labor expenses. Going forward, the company will pursue price adjustments for books… but it is difficult to gauge when price revisions will fully contribute to profits.*

- February 17, 2026

Note: Emphasis added by Oasis

In the full year earnings announced May 2026, KADOKAWA missed even the lowered operating profit forecast by 21.3%

Source: Company disclosures

FY26/3 Q4 Earnings Results (May 14, 2026)

Review of Earnings Results for the Fiscal Year Ended March 31, 2026 (vs. Forecasts)

- While net sales exceeded the latest consolidated earnings forecast, operating profit fell short of it mainly due to factors below;
  - In the domestic publication business, while the business restructuring efforts yielded some results in the fourth quarter, they could not fully offset the decline in marginal profit during the third quarter
  - In the animation business, overall sales per title fell short of expectations, making it impossible to absorb the increase in operating expenses
  - in the gaming business, while sales exceeded expectations due to strong performance of new titles, impairment losses were recognized for certain titles
- The decrease in ordinary profit was smaller than operating profit primarily due to foreign exchange gains
- On top of these, net profit was significantly impacted by an increase in income taxes

(Unit: Million JPY)	FY2025 Forecasts	FY2025 Results	Defference
Net sales	278,200	282,908	+1.7% (+4,708)
Operating profit	10,300	8,102	-21.3% (-2,197)
Ordinary profit	12,400	11,701	-5.6% (-698)
Profit attributable to owners of parent	4,900	1,278	-73.9% (-3,621)
EBITDA (Operating prifit + depreciation + amortization of goodwill)	19,500	17,600	-9.7% (-1,899)

		FY2025 Forecasts	FY2025 Results	Defference
Publication/ IP Creation	Net sales	157,800	155,634	-1.4% (-2,165)
	Operating profit	5,300	4,054	-23.5% (-1,245)
Animation/ Film	Net sales	48,200	48,256	+0.1% (+56)
	Operating profit	200	-465	– (-665)
Gaming	Net sales	28,000	29,781	+6.4% (+1,781)
	Operating profit	8,400	7,541	-10.2% (-858)
Web Services	Net sales	20,400	20,515	+0.6% (+115)
	Operating profit	2,000	2,117	+5.9% (+117)
Education/ EdTech	Net sales	17,200	17,166	-0.2% (-33)
	Operating profit	2,400	2,844	+18.5% (+444)
Others	Net sales	15,500	17,031	+9.9% (+1,531)
	Operating profit	-3,600	-3,966	– (-366)
Corporate/ Eliminations	Net sales	-8,900	-5,476	– (+3,423)
	Operating profit	-4,400	-4,024	– (+375)

8

Again, the earnings left a negative impression among the market participants with large disappointments in deteriorated profitability and lack of clarity in future earnings growth

Sources: Mizuho Securities, Macquarie, Jefferies, BofA Securities

MIZUHO

4Q FY3/26 results: reforms but no new catalysts; Negative impression

*Despite confirmation of reform measures, we see no new catalysts including for games. We are **not impressed with the company's ROE targets**. We **do not think all the bad news is out** nor has the company made conservative assumptions.*

- May 14, 2026

Jefferies

Q4 and Guidance Miss; MTP to Focus on Profitability

*KADOKAWA announced Q4 results on May 14th after market close. Q4 OP of ¥1.7bn **missed Jefe/cons by 60%/52%** and the new OP guidance of ¥10.1bn missed Jefe/cons by c. 50% with **all segments below Jefferies' estimate** except Web Service. The new MTP focuses on improving profitability of publishing and anime segments, and we will closely monitor the progress.*

- May 14, 2026

MACQUARIE

Structural issues in anime business

*Overall impression: **Negative**. Management now frames anime margin weakness as a structural issue, driven by higher costs, increased competition, and rising investment, profitability recovery expected to take several years. **This weakens earnings visibility** despite strong revenue prospects.*

*What could have been better: Confidence in margin recovery, particularly in the Publishing and Video segments. **Despite strong IP, management lacks clarity on restoring anime profitability amid cost pressures**. In Publishing, following years of editorial expansion, the abrupt shift to structural reform, including early retirement, **raises execution risk and potential organizational disruption**.*

- May 15, 2026

BofA SECURITIES

Key points: Ambitious profit targets in medium-term plan

__We lower our price objective (PO) from ¥4,000 to ¥3,700__ while reiterating our Buy rating… We see FY3/28 onward recovery as the key.

- May 14, 2026

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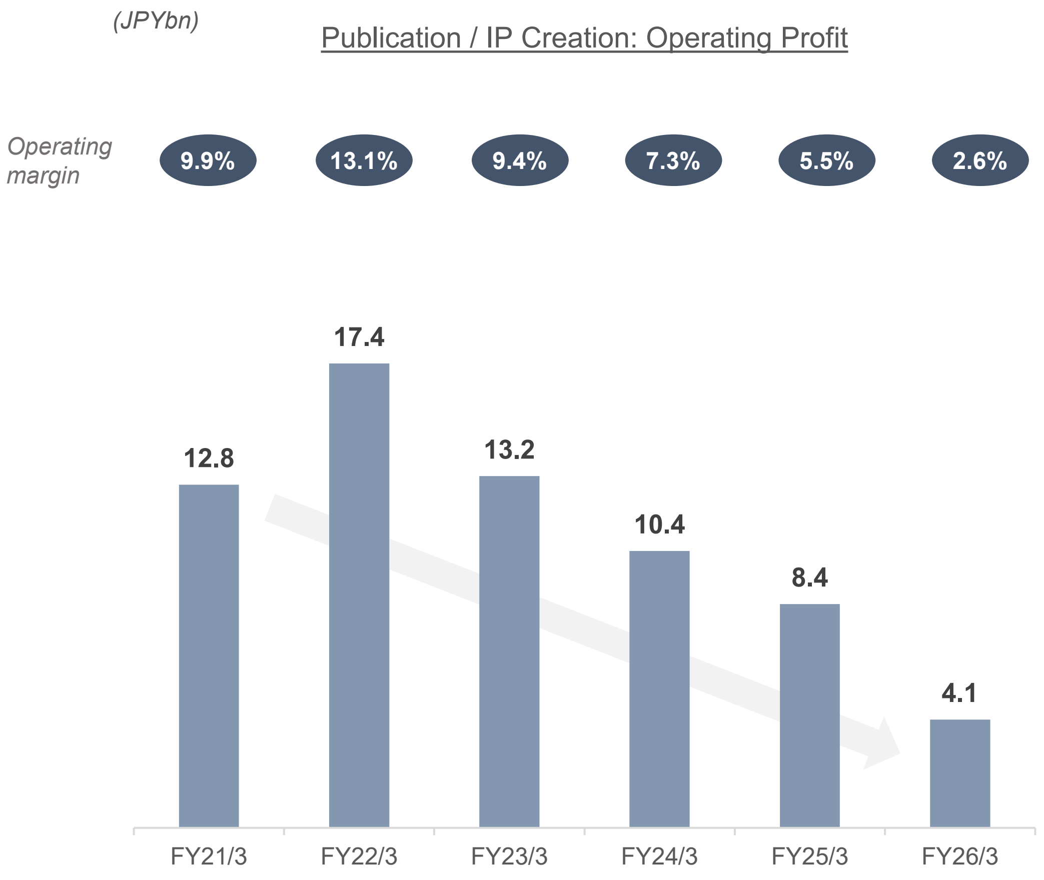
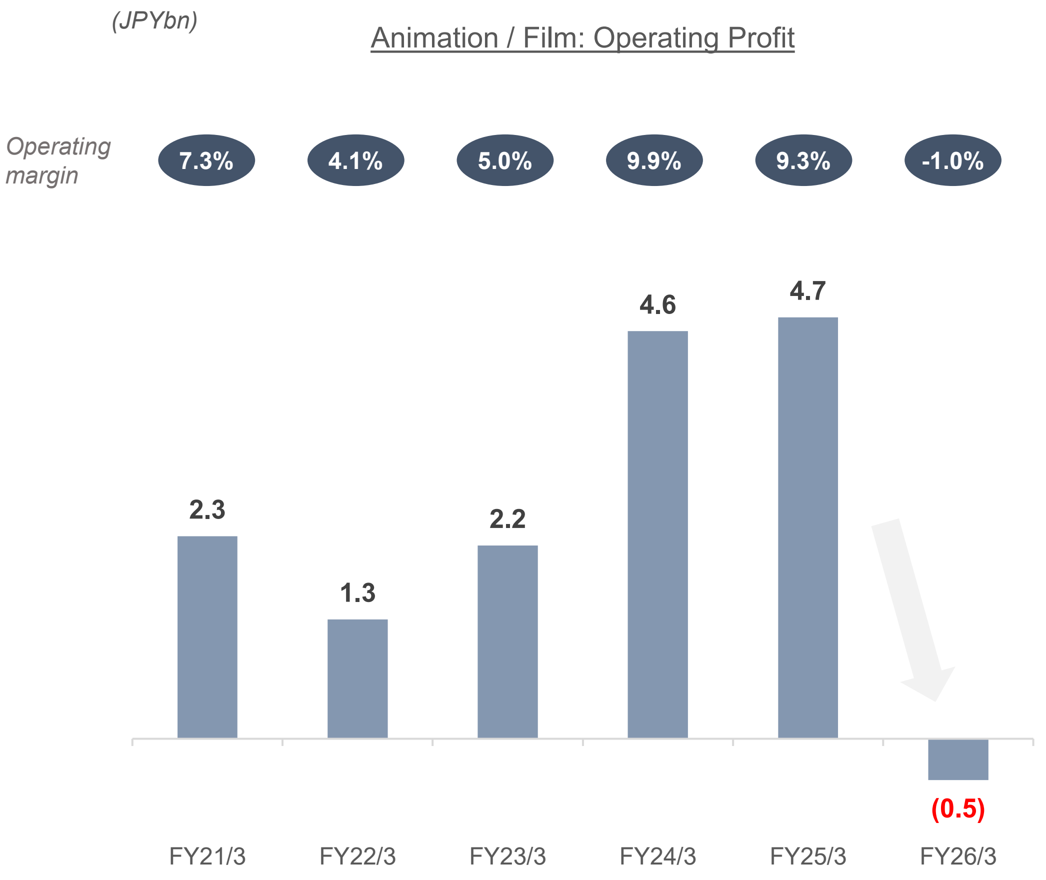
In particular, the profitability in the core Publication and Animation segments has deteriorated significantly under the current leadership

Source: Company disclosures

- Most notably, profitability in the core Publication / IP Creation and Animation / Film businesses has declined significantly, weakening the Group's core earnings foundation





Due to significant deterioration in recent performance, KADOKAWA withdrew its previous MTP and re-formulated a new plan just before the AGM

Source: Company disclosures

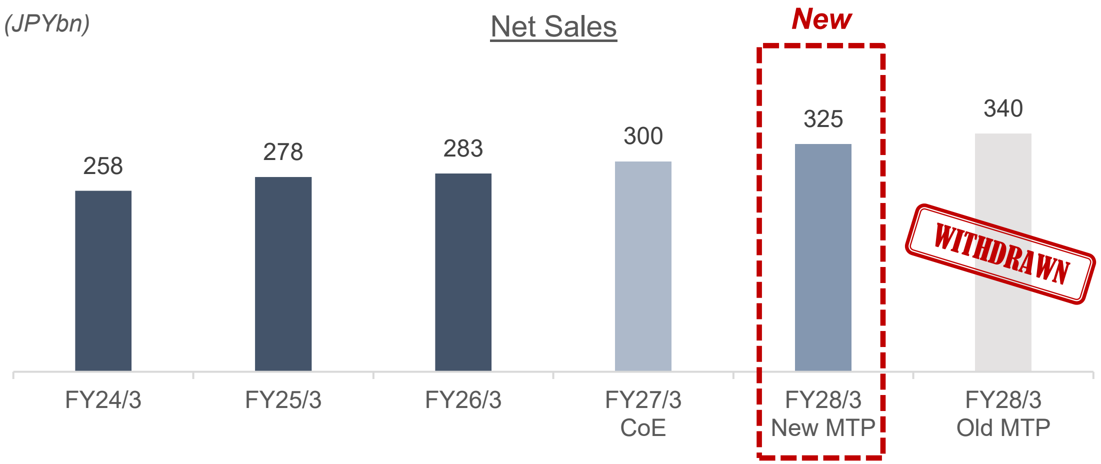
Previous MTP (FY24/3 – FY28/3)

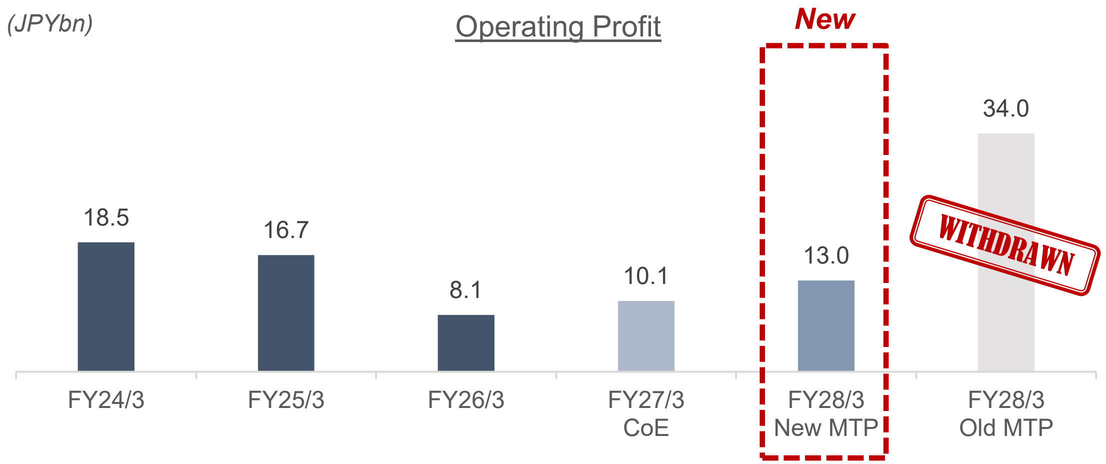
New MTP (FY27/3 – FY32/3)

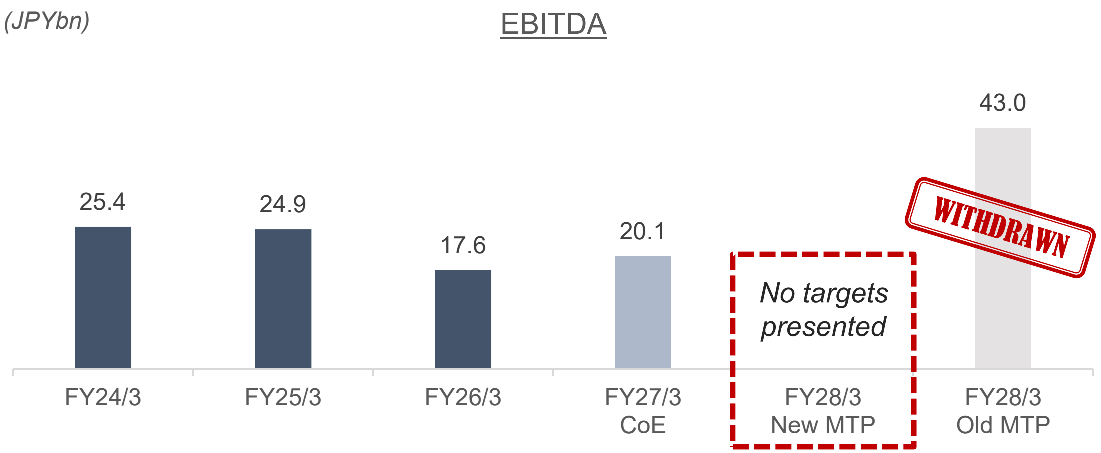
- *Management is **avoiding accountability** for recent deterioration in performance*
- *Rather than a fundamental change in leadership, the plan relies on **turnaround under the existing management***
- *KADOKAWA announced the new MTP just **one month before the AGM**, where CEO Natsuno's reappointment is being contested*
- *By extending the target period by another six years, management has effectively **postponed accountability***
- *New MTP **asks shareholders to trust the same management team** whose strategy and execution led to current underperformance*

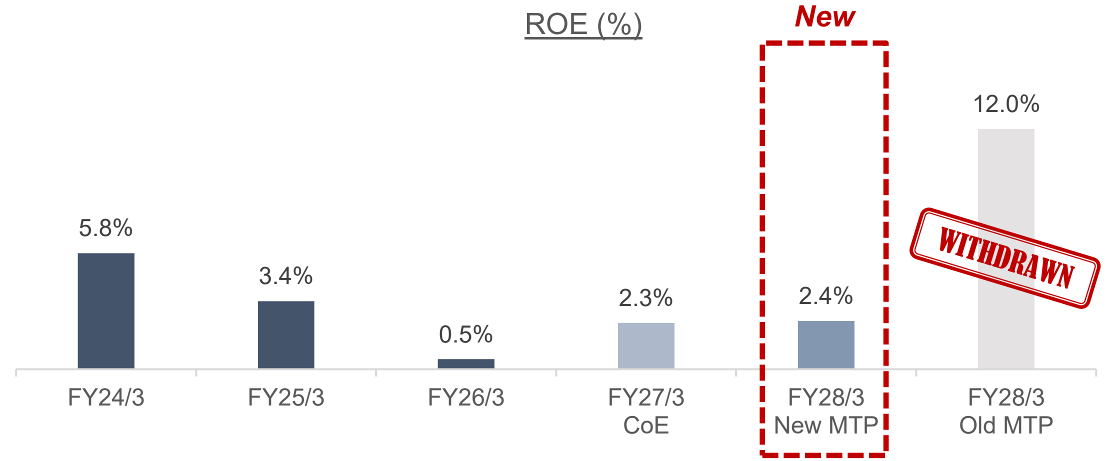
Financial targets presented in the previous MTP have been abandoned and replaced with materially lower targets under the newly announced plan

Source: Company disclosures









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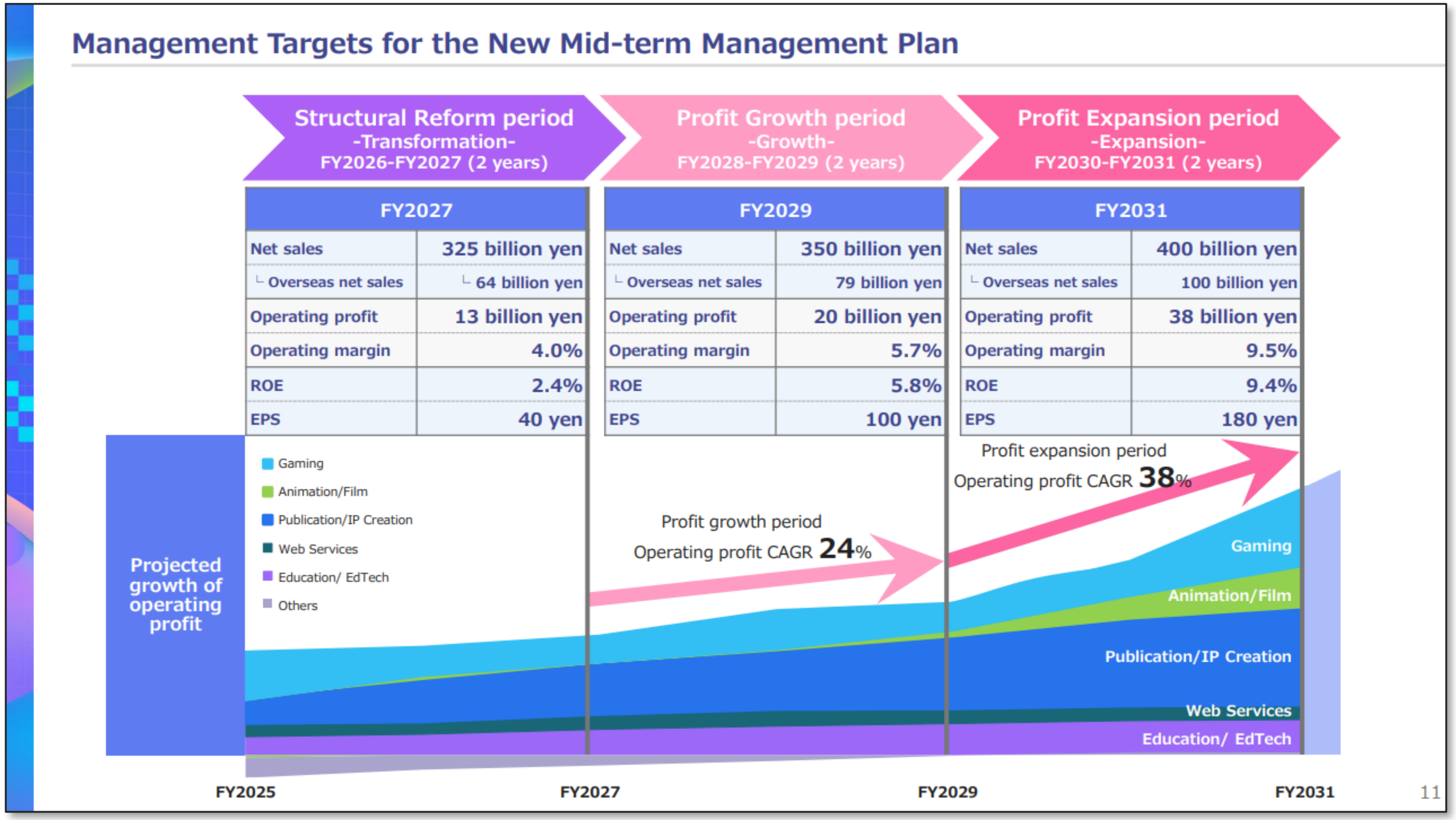
Note: FY27/3 CoE ROE calculated based on FY27/3 net income guidance and shareholders' equity as of March 2026

The new MTP asks shareholders to wait another six years for a turnaround

Source: Company disclosures

- Management introduced a new plan that simply pushed financial targets out another six years to FY32/3, effectively deferring accountability and postponing responsibility for the Company's persistent underperformance rather than addressing the failures of the current management team directly

New MTP (May 14, 2026)



FY2027		FY2029		FY2031	
Net sales	325 billion yen	Net sales	350 billion yen	Net sales	400 billion yen
└ Overseas net sales	└ 64 billion yen	└ Overseas net sales	79 billion yen	└ Overseas net sales	100 billion yen
Operating profit	13 billion yen	Operating profit	20 billion yen	Operating profit	38 billion yen
Operating margin	4.0%	Operating margin	5.7%	Operating margin	9.5%
ROE	2.4%	ROE	5.8%	ROE	9.4%
EPS	40 yen	EPS	100 yen	EPS	180 yen

Natsuno admits that KADOKAWA missed the challenges in its core business

Source: Nikkei BP, Company earnings call

- Natsuno has served as the CEO since June 2021 and has remained the Company's top executive throughout the past five years
- Shareholders have little reason to believe that the same management team that allowed profitability to deteriorate while lacking responsiveness and relying on favorable conditions in Publishing and Animation can now suddenly execute the meaningful structural reforms that are being promised today

*We recognize that the root cause of the decline in profits is not so much any specific individual factor, but rather **our delayed response to changes in our revenue structure**…*

*The new plan is not merely an extension of past strategies but is based on the premise of **structural transformation**… Regarding our current MTP, we have achieved steady growth in both total revenue and overseas revenue. On the other hand, operating profit is expected to fall short of our initial targets, largely due to **declining earnings in our domestic Publishing and Animation businesses**.*

Therefore, this new mid-term management plan is not simply a matter of extending the timeframe and revising the targets. Based on the challenges identified in the current plan, we are reviewing our revenue structure, business portfolio, investment allocation, and the execution framework itself.

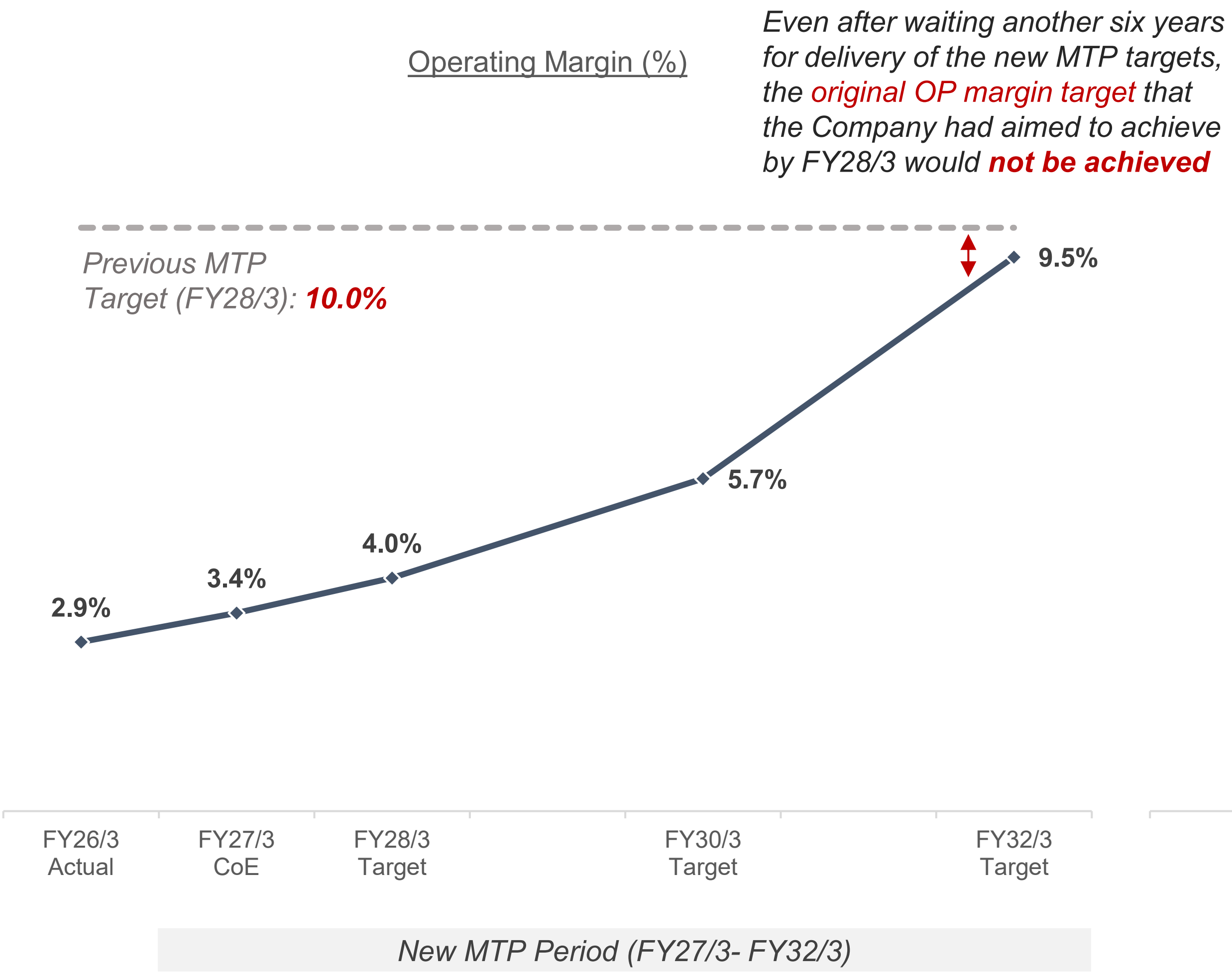
*… To be honest, since the Publishing and Animation divisions were performing well, **we were so confident in the success and relied on it**, so there were some challenges and issues that we simply didn't see at the time.*

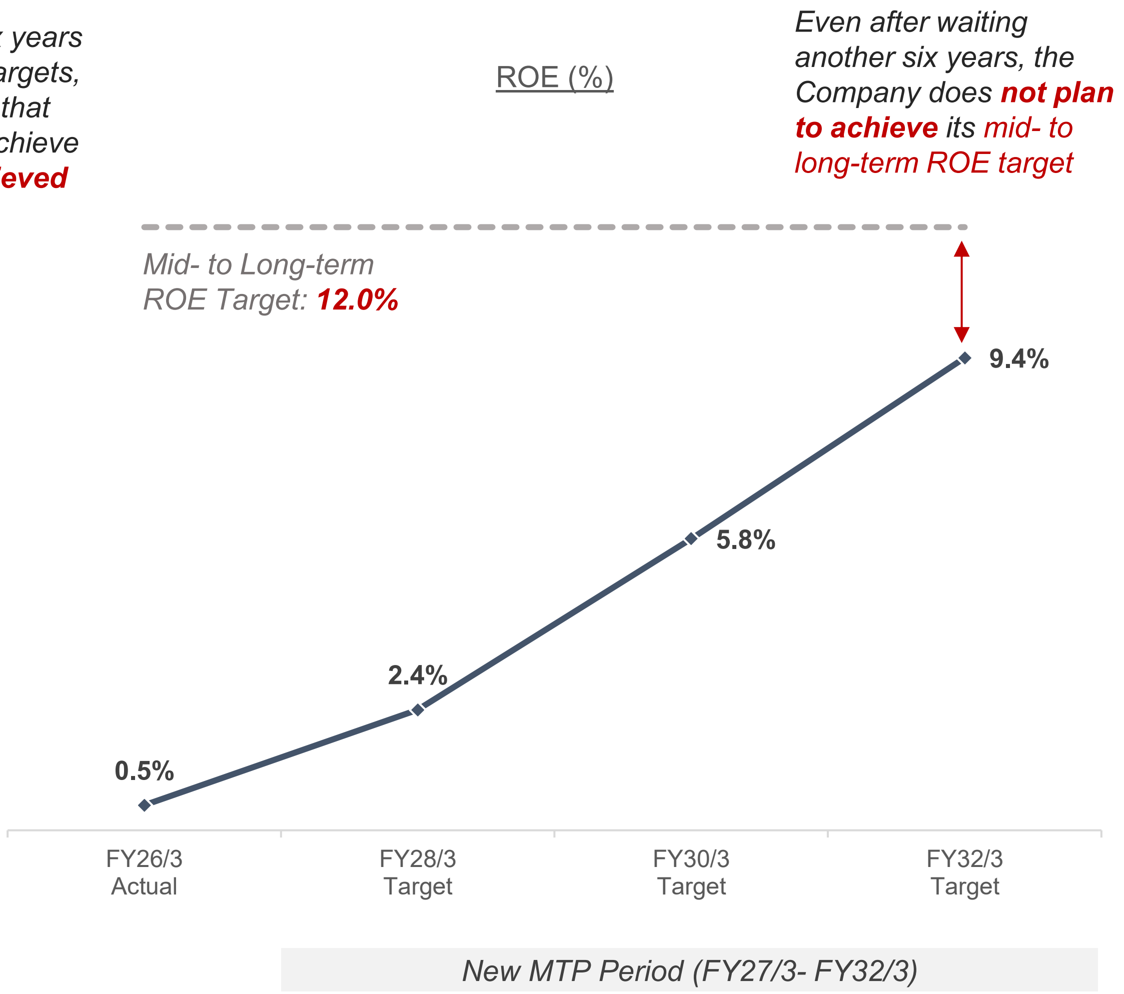
- CEO Natsuno at FY26/3 Q4 Earnings Call (May 14, 2026)

Note: Translation and emphasis added by Oasis

Even after another six years, management still expects to fall short of prior targets

Source: Company disclosures





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Management cites KPI monitoring to ensure execution, but KPIs remain too vague and largely similar to previously presented targets that have ultimately failed to deliver

Source: Company disclosures

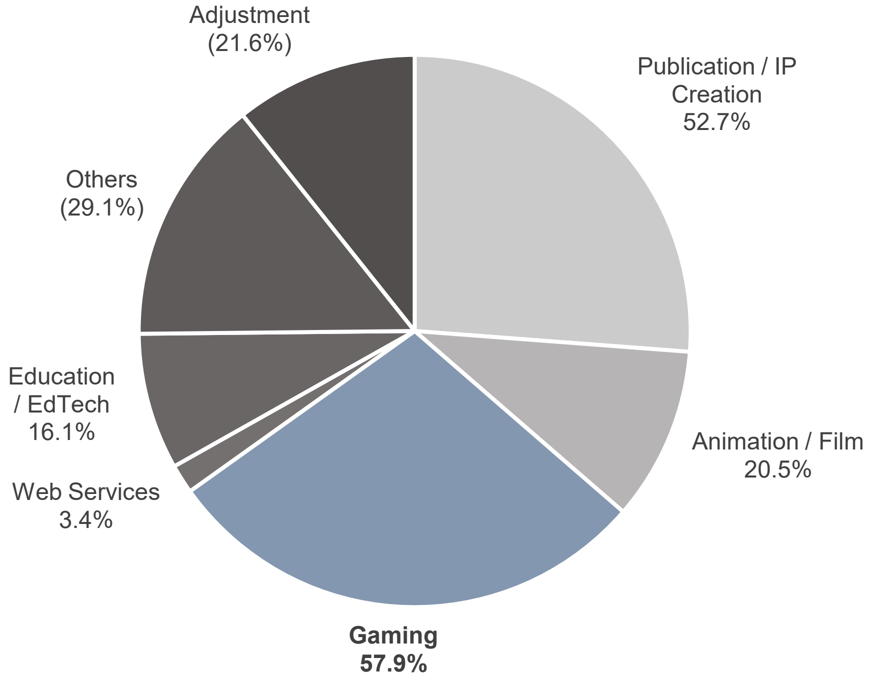
Side-by-side Comparison of KPIs under the Previous MTP vs. New MTP

Business Segments	Key KPIs	FY26/3 Actual	Previous MTP	New MTP	Comments
Domestic Publication	Number of new titles	N/A	FY28/3 Target: Over 7,000 IPs	Control to an appropriate number (plan to maintain at approximately 98% of previous year's level from FY27/3 onward)	✗ Despite an aggressive expansion under the previous MTP, sudden withdrawal of strategy ✗ **No concrete numerical targets**, making it difficult for investors to track progress or evaluate execution
	Title portfolio	N/A	Significant growth in comics and children's books; solid growth in light novels and lifestyles; expand titles originally made in digital form from 5% to 15% of total titles	Increase the ratio of "Top Tier" and "Core Tier" titles	✗ **No clear definition** of "Top Tier" or "Core Tier" provided ✗ By relying on vague and qualitative goals, management seems to be avoiding accountability ✗ Limited disclosure on the delivery of previous MTP target to expand digital-originated content to 15%
	Returns rate	29.2%	FY28/3 Target: 22.4%	FY32/3 Target: 25.0%	✗ Return rates had worsened during the previous MTP period despite setting clear target to improve ✗ Original target has been abandoned, and the Company **now aims for worse return rates** six years later
Animation	In-house production rate	16.2%	Increase annual number of titles produced in-house from 5 to 20	FY32/3 Target: 50.0%	✗ Limited disclosure on performance and actual delivery vs. previous MTP targets
	Net sales from trans-media development	N/A	N/A	Expand 1.9x from FY26/3 to FY32/3	✗ No actual figures seem to have been provided, making the target **extremely vague** and impossible to track
Gaming	Console game development staff count	N/A	Increase console game development staff to 20% or more	N/A	✗ Limited disclosure on performance and actual delivery vs. previous MTP targets
	Mobile games	4 titles under development	FY28/3 Target: Increase from 1 title per year to 8	N/A	✗ Previous MTP target appears to have been abandoned despite **failed delivery**

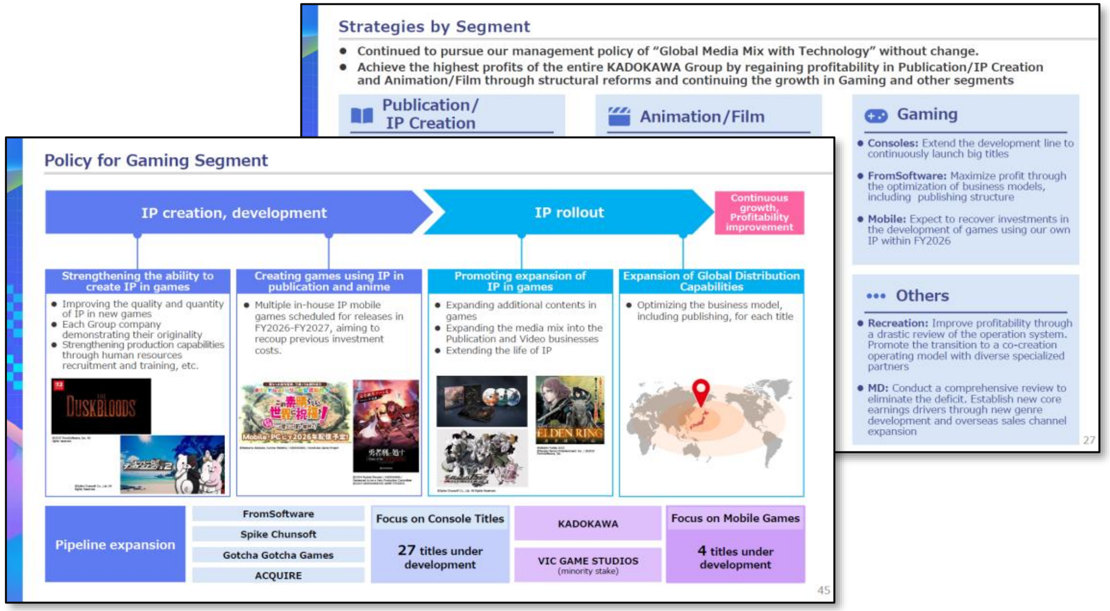
Despite the Gaming business being the major driver of KADOKAWA's profits, management failed to provide sufficient details on the strategic direction of the business

Source: Company disclosures

Contribution to Operating Profit (Last 3 Year Cumulative)



- Over the last three years, the **Gaming segment was the biggest contributor to KADOKAWA's operating profit**
- Gaming is clearly the Company's primary earnings driver and represents its most strategically important growth business



- ✗ However, the New MTP dedicated **only a single page** to explain its strategies in the Gaming segment
- ✗ The limited attention raises concerns about **whether management fully appreciates the strategic importance** of the Company's most valuable business segment
- ✗ Similar to how management had handled Publication and Animation segments over the past five years, this raises questions about the management's ability to proactively formulate and execute strategy especially when the performance is strong

Investment management framework presented by the management lacks any substance

Source: Company disclosures

- KADOKAWA mentions “advanced and stricter investment management” and “selection and concentration” but provides no meaningful disclosure of concrete standards or decision-making criteria
- In substance, management is merely stating obvious principles that any company should already be following, without offering investors measurable evidence of real change or accountability

Investment management framework presented within the new MTP (May 14, 2026)

Upgrading and reinforcing the investment management framework

- **Strict entrance evaluations and withdrawal criteria**
  Strictly evaluate the profitability of investments **based on a benchmark that exceeds the cost of shareholders' equity.**
  Set clear withdrawal criteria in advance
- **Regular monitoring of investments**
  Regularly monitor profit on an investment and an organization basis.
  Use this as the basis for discussions on improvement plans and withdrawal decisions
- **Prompt decision-making on withdrawl**
  Management promptly makes decisions regarding withdraw from projects in which the improvement of profit is deemed to be difficult

> *KADOKAWA describes its investment criteria as generating returns above its cost of equity, but this is merely a **prerequisite for ensuring its investment does not destroy corporate value**, rather than a meaningful investment standard*
>
> *Investors need clarity on what management believes KADOKAWA’s actual cost of equity is and what concrete return thresholds the Company targets*
>
> *Without disclosing specific hurdle rates or return metrics, the Company’s investment framework remains **overly abstract** and **lacks accountability***

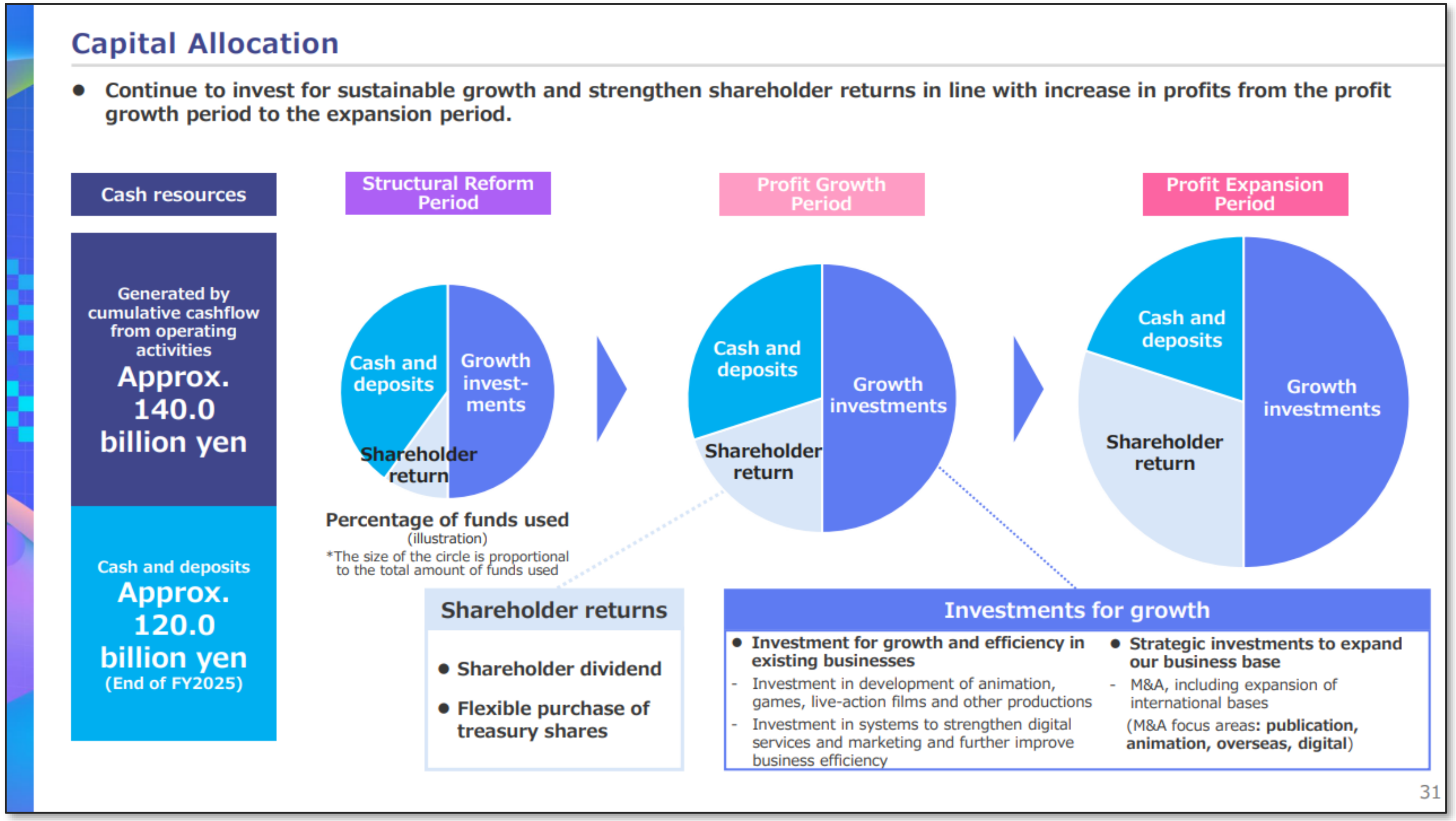
> *While management states that it will regularly monitor investments and make prompt decisions on withdrawals, it provides **no concrete details regarding the actual evaluation framework** (e.g. hurdle rates, ROIC targets)*

The newly announced capital allocation policy remains extremely vague and offers no commitment to strategic investments or shareholder returns

Source: Company disclosures

- In the new MTP, management only disclosed a broad conceptual capital allocation framework, providing highly qualitative explanations without any concrete numerical commitments or measurable targets

New MTP (May 14, 2026)



OASIS

Oasis's assessment of KADOKAWA's newly announced MTP

KADOKAWA		OASIS
What the Company explained *New MTP does not postpone targets, but suggest a* ***structural transformation*** *to tackle issues identified in the previous MTP*	»	***Oasis's Views*** ***No accountability*** *despite failed delivery of previous targets and management is now asking for a six-year grace period*
What the Company explained *Executive team structures upgraded and steering committee has been set up to* ***improve and clarify accountability***	»	***Oasis's Views*** ***No decision-making criteria*** *for such committees have been presented, and no effective incentive schemes seem to be in place*
What the Company explained ***Quantitative KPIs have been identified*** *to track and manage progress and results of key initiatives*	»	***Oasis's Views*** *Management had* ***similar KPIs*** *in the previous MTP, but merely withdrew the old targets and* ***swapped them for lower figures***
What the Company explained *Publishing business to improve margin through stricter profitability management through* ***volume control***	»	***Oasis's Views*** *Sudden shift in management's stance on publishing volume targets suggests a* ***reactive response*** *rather than well-conceived strategy*
What the Company explained *Animation business is* ***"pipeline-oriented"*** *and will contribute to profits only in the latter half of the new MTP period*	»	***Oasis's Views*** *Management should have been focused on* ***managing its portfolio to ensure steady pipelines today****, rather than in four years time*

Natsuno is not focused on KADOKAWA

Source: Company disclosures, desktop research

- In addition to serving as the CEO of KADOKAWA and President of Dwango, Natsuno holds Outside Director positions at four listed companies in Japan and numerous other roles across academia, foundations, industry associations, and private companies

Public Companies

GREE — *Outside Director of GREE Holdings, Inc. (Sep 2009-)*

U-NEXT HOLDINGS — *Outside Director of U-NEXT Holdings (Dec 2010-)*

trans cosmos people & technology — *Outside Director (Audit and Supervisory Committee Member) of transcosmos inc. (Jun 2016-)*

ORACLE — *Outside Director of Oracle Corporation Japan (Aug 2016-)*

Natsuno serves as the Outside Director at 4 TSE listed companies in Japan

Academia

近畿大学 KINDAI UNIVERSITY — *Specially Invited Professor and Director of Cyber Informatics Research Institute*

SAKURA INTERNATIONAL SCHOOL — *Advisor ("Komon") Curriculum Lab Advisor*

Foundations

Mitou Foundation 一般社団法人未踏 — *Board member*

公益財団法人 GMOインターネット財団 — *Director of GMO Internet Foundation*

Industry Associations

JMPA 一般社団法人 日本雑誌協会 — *Director of the Japan Magazine Publishers Association (JMPA)*

一般社団法人 映画産業団体連合会 Federation of Japanese Films Industry, Inc. — *Director*

一般社団法人日本映画製作者連盟 Motion Picture Producers Association of Japan, Inc. — *Director*

Others

CJPF クールジャパン官民連携プラットフォーム — *Co-Chairman*

WCAP Web Consortium Asia Pacific — *Director*

IR Solutions — *Outside Director (Jun 2022-)*

A younger Natsuno would agree with Oasis

Source: Yomiuri Online, Yahoo

> *We will be announcing the (FY23/3 Q3) earnings results today, but our business performance is steadily expanding.* ***If the expansion of our business does not go well, then naturally my resignation would also come into the view.***
>
> *- CEO Natsuno at Press Conference (Feb 2, 2023)*

CEO Natsuno previously indicated that ***failure to deliver successful business growth*** *would* ***warrant his resignation***

Since CEO Natsuno took office in June 2021, KADOKAWA's ***profitability has declined*** *and* ***performance has worsened***

KADOKAWA shareholders can no longer afford to wait for a turnaround under the current leadership

OASIS

Oasis calls for shareholders to vote AGAINST Takeshi Natsuno's reappointment

Takeshi Natsuno
Director
Chief Executive Officer

Oasis calls on shareholders to **VOTE FOR** Oasis's shareholder proposal to **dismiss** CEO Takeshi Natsuno

Oasis calls on shareholders to **VOTE AGAINST** the Company's proposal to **reappoint** CEO Takeshi Natsuno

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OASIS

Where it has gone wrong for KADOKAWA

01	Continued leakage of value from the Group's world-class gaming asset, FromSoftware
02	A misguided "quantity over quality" strategy has undermined the core IP engine
03	Missed opportunities and failed executions in mobile games
04	Failure to address declining competitiveness of Niconico platform
05	Others segment continues to generate significant losses
06	Lack of cost discipline resulting in significant cost inflation
07	Failed capital allocation and M&A execution
08	Inadequate governance and management accountability

01

Continued leakage of value from the Group's world-class gaming asset, FromSoftware

OASIS

FromSoftware developed ELDEN RING, a blockbuster gaming IP that achieved explosive success

Source: FromSoftware

FROM SOFTWARE

ELDEN RING (2022)

Developer: FromSoftware
Publisher: Bandai Namco

PS4/5 | Xbox | Windows

- *The Game Awards 2022 - GAME OF THE YEAR*
- *Golden Joystick Awards 2022 - Ultimate Game of the Year Award*
- *IGN Game of the Year 2022 - GAME OF THE YEAR*
- *GameSpot Best Games of 2022 - GAME OF THE YEAR*
- *IGN JAPAN GOTY 2022 - GAME OF THE YEAR*
- *Japan Game Awards 2022 - Grand Award*
- *PlayStation Partner Awards 2022 - GRAND AWARD*
- *CEDEC AWARDS Game Design Award - Grand Prize*
- *New York Game Awards 2023 - Big Apple Award for Best Game of the Year*
- *D.I.C.E. Awards - Game of the Year*
- *Association of Media in Digital Awards - Excellence Award*
- *Famitsu Dengeki 2022 Game Awards - Game of the Year*
- *Game Developers Choice Awards - Game of the Year … etc.*

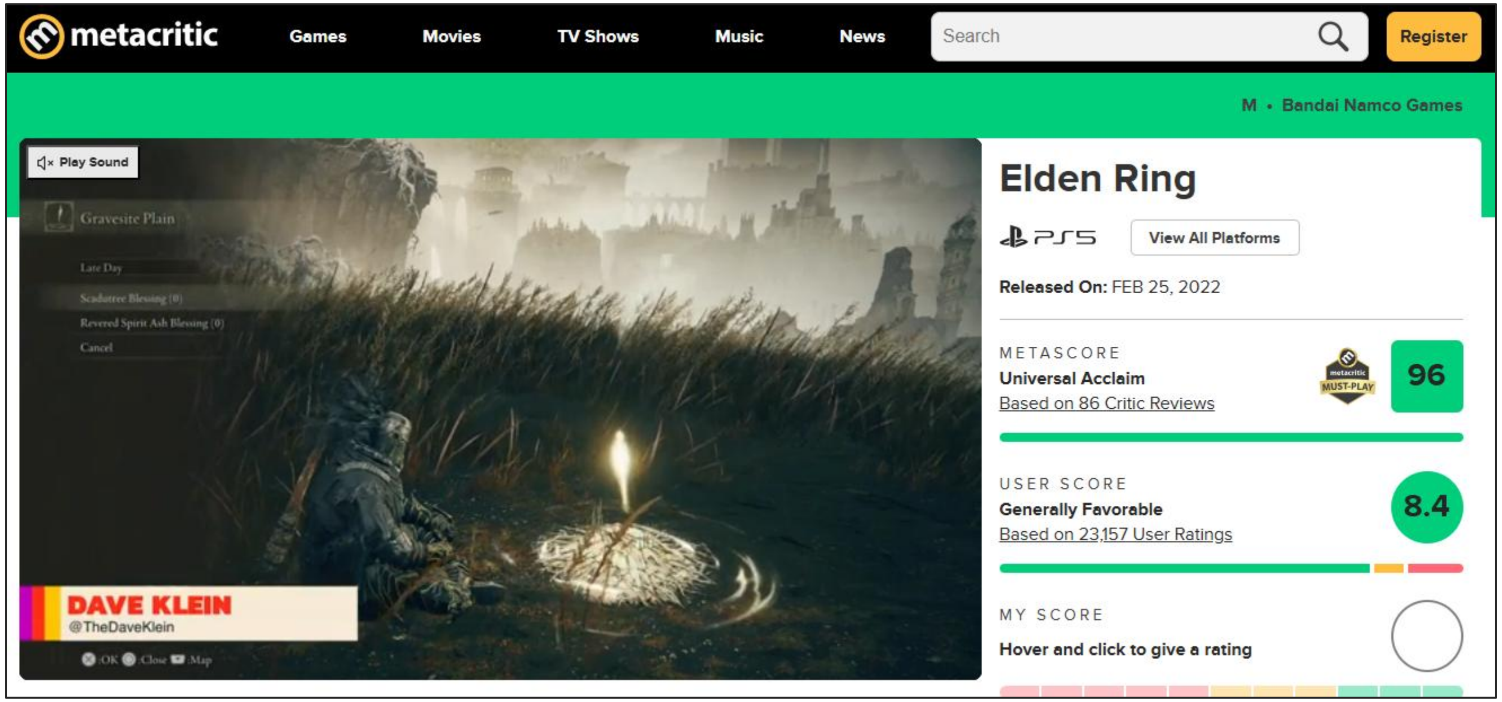





Elden Ring is a masterpiece from FromSoftware's Hidetaka Miyazaki, combining the studio's "dying-is-learning" action RPG design with a vast, beautiful open world, and has since been expanded with the major Shadow of the Erdtree DLC and the standalone roguelike spin-off Elden Ring: Nightreign to further grow its dark fantasy universe. Co-written with George R. R. Martin, it pairs deep, layered lore with exceptional freedom in exploration and gameplay, backed by top-tier graphics and art direction that make every discovery feel monumental. The game sold ***around 12 million copies within its first few weeks on the market*** *and has now* ***surpassed 30 million units worldwide****, cementing its status as FromSoftware's best-selling title and the ultimate culmination of Miyazaki's vision for action RPGs.*

ELDEN RING has received widespread critical acclaim from game reviewers

Source: Metacritic



MAR 3, 2022

100 **New York Daily News**

It's all terrifically done, especially when coupled with the story, which is full of mystery and plenty interesting. Elden Ring gets the little things right, too; the music that backs your journey is some of the best (and most well-utilized) in gaming. And every enemy feels distinct; you'll face plenty of soldier-types, but the dragons and wildlife and the giant ogre-types that pepper certain lands inspire plenty of awe.

MAY 13, 2022

100 **Forbes**

Elden Ring is a stunning achievement from a literal video game architecture perspective, along with creating a difficult but not wildly punishing game that everyone, even non-Soulsborne devotees, should be able to enjoy. I have not been this impressed with an open world since Skyrim, and Elden Ring even surpasses that in many ways. It's an easy game to recommend to anyone and everyone, and deserves the explosive sales success we've seen, dwarfing old FromSoft records. Elden Ring is a gaming achievement the likes of which we rarely seen, and you will be remiss to not pick it up and see what the hype is about for yourself.

FEB 23, 2022

100 **Gamer.no**

Elden Ring is the culmination of everything Dark Souls brought before it, mixed with a fresh take on the open world genre that leaves no hand held with minimal boring sequences or clogged quest logs. Despite a few growing pains and the real fun beginning a few hours in, Elden Ring is what every game in its genre should strive to be; a challenging, mysterious adventure that never ceases to amaze, only getting better the more time you spend in its dark, yet absolutely beautiful world.

FEB 23, 2022

100 **Digital Chumps**

Elden Ring is a masterpiece. From its expertly crafted open-world design that rewards the player for taking the chance to explore to its riveting lore, FromSoftware has delivered what can only be described as a deliberate and thoughtful experience. While some of its visual stylings are starting to show its age already, Elden Ring's gameplay is the result of years of fine-tuning to be as rewarding as it is challenging. Many wondered if FromSoftware could put the level of detail into an open world that they have with their previous games. They've achieved that, and so much more.

FEB 23, 2022

100 **CD-Action**

Elden Ring is a crowning achievement of over a decade of Miyazaki's and FromSoftware's work, and an amazing example of how to find a whole new level of fun in a well-known and somewhat worn-out formula. The open world turned out to be a perfect fit for the genre and you can still tell this masterpiece was created by the famous Japanese studio. I honestly haven't been so excited about a game since the first Dark Souls.

Note: Emphasis added by Oasis

In addition, FromSoftware has developed numerous other hit titles

Source: FromSoftware

FROM SOFTWARE

Demon's Souls (2009)

Developer: FromSoftware
Distributor: Sony I.E.

PS3

- *Japan Game Awards 2009 - Award for Excellence (Game of the Year Division)*
- *CEDEC Awards 2010 - Winner (Game Design)*
- *PlayStation Awards 2010 - User's Choice Award*

DARK SOULS (2011)

Developer: FromSoftware
Publisher: Bandai Namco

PS3

- *PlayStation Awards 2011 - User's Choice Award*
- *The 17th AMD Award Digital Contents of the Year '11 - Award for Excellence*
- *Japan Game Awards 2012 - Award for Excellence (Game of the Year Division) … etc.*

DARK SOULS II (2014) / III (2016)

Developer: FromSoftware
Publisher: Bandai Namco

PS3/4 | Xbox | Windows

- ***DARK SOULS II:** Japan Game Awards 2014 - Award for Excellence (Game of the Year Division)*
- ***DARK SOULS III**: Japan Game Awards 2016 - Award for Excellence (Game of the Year Division)*
- *PlayStation Awards 2016 - Gold Prize … etc.*

Bloodborne (2015)

Developer: FromSoftware
Publisher: Sony I.E.

PS4

- *Japan Game Awards 2015 - Award for Excellence (Game of the Year Division)*
- *PlayStation Awards 2015 - Gold Prize*
- *Golden Joystick Awards 2015 - Best Original Game … etc.*

SEKIRO: SHADOWS DIE TWICE (2019)

Developer: FromSoftware
Publisher: Activision

PS4 | Xbox | Windows

- *gamescom award 2018 - Best Action Game*
- *Japan Game Awards 2019 - Award for Excellence (Game of the Year Division)*
- *The Game Awards 2019 - Game of The Year … etc.*

ARMORED CORE VI FIRES OF RUBICON (2023)

Developer: FromSoftware
Publisher: Bandai Namco

PS4/5 | Xbox | Windows

- *The Game Awards 2023 - Best Action Game*
- *PlayStation Partner Awards 2023 - PARTNER AWARD / USERS' CHOICE AWARD*
- *Japan Game Awards 2024 - Award for excellence …etc.*

Material profit leakage on global sales of FromSoftware games

Source: Company disclosures, expert interviews

Commercial Distribution Flow of FromSoftware Games in Global (non-Japanese) Markets

Developer	FROM SOFTWARE	*Plans and develops games*
	Provide games ↓ ↑ *Revenue share from publisher*	
Publisher	BANDAI NAMCO, ACTIVISION, Sony Interactive Entertainment	*Development costs borne by publishers*
	Shipping / Distribution ↓ ↑ *Publisher earns gross sales*	
Retailer / Platformer	PlayStation Store, XBOX, STEAM	
	Sell games to consumers ↓ ↑ *Platform fee*	
Consumers		*Games purchased*

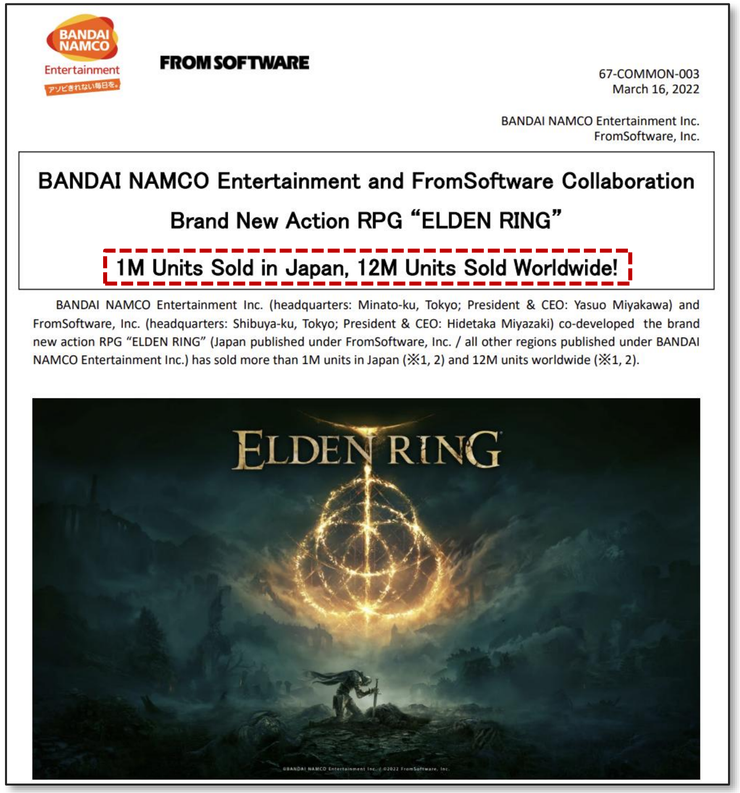
- FromSoftware self-publishes in Japan but relies on third-party publishers for overseas markets, including Bandai Namco (Elden Ring), Activision (Sekiro), and Sony (Bloodborne)
- Development risk is partially transferred to publishers, who often fund or co-finance development and marketing in exchange for distribution rights, depending on the title
- **Economics are skewed toward publishers in overseas markets,** as they typically capture most of the value before paying royalties or revenue share to developers
- IP ownership and control vary by title, with certain flagship IP such as Bloodborne owned or controlled by publishing partners
- **This structure results in material profit leakage, as a significant portion of value from globally successful titles accrues to external publishers rather than KADOKAWA / FromSoftware**

KADOKAWA has benefited little from the global success of FromSoftware

Source: Bandai Namco, company disclosures

- Over 90% of ELDEN RING sales were generated overseas and monetized by Bandai Namco, with less than 10% captured in Japan by KADOKAWA
- In the first quarter following the game release, Bandai Namco reported a JPY 68bn revenue uplift and JPY 30bn profit upside versus prior announced guidance, while KADOKAWA recorded only JPY 6.5bn in revenue uplift and JPY 4.3bn in operating profit

Bandai Namco Press Release (March 16, 2022)


BANDAI NAMCO Entertainment

FROMSOFTWARE

67-COMMON-003
March 16, 2022

BANDAI NAMCO Entertainment Inc.
FromSoftware, Inc.

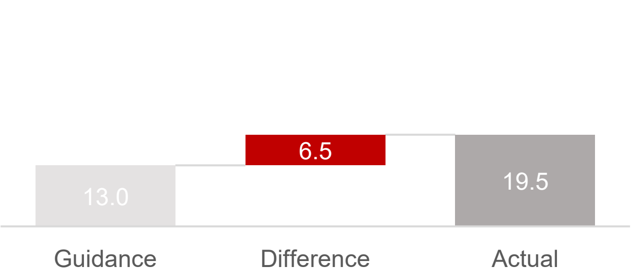
BANDAI NAMCO Entertainment and FromSoftware Collaboration
Brand New Action RPG “ELDEN RING”
1M Units Sold in Japan, 12M Units Sold Worldwide!

BANDAI NAMCO Entertainment Inc. (headquarters: Minato-ku, Tokyo; President & CEO: Yasuo Miyakawa) and FromSoftware, Inc. (headquarters: Shibuya-ku, Tokyo; President & CEO: Hidetaka Miyazaki) co-developed the brand new action RPG “ELDEN RING” (Japan published under FromSoftware, Inc. / all other regions published under BANDAI NAMCO Entertainment Inc.) has sold more than 1M units in Japan (※1, 2) and 12M units worldwide (※1, 2).

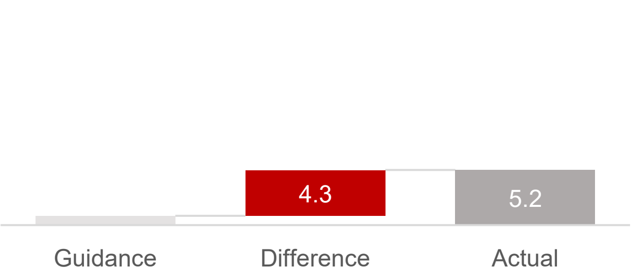
KADOKAWA

Gaming Segment

Revenue (FY22/3): Guidance vs. Actual



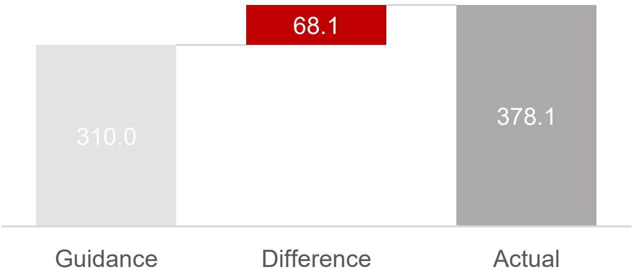
Operating Profit (FY22/3): Guidance vs. Actual



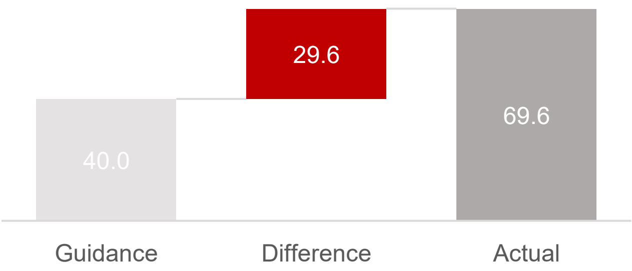
BANDAI NAMCO

Digital Segment

Revenue (FY22/3): Guidance vs. Actual



Operating Profit (FY22/3): Guidance vs. Actual



Oasis has pushed KADOKAWA to self-publish FromSoftware games for years

OASIS ***Excerpts of Letter sent from Oasis to KADOKAWA on October 5, 2020***

FromSoftware is one of greatest game studios in the world, producing unique genre-defining games. FromSoftware has had incredible success from Bloodborne, one of the greatest games ever made, through the revolutionary Dark Souls series (Dark Souls III has sold over 10m titles), and most recently SEKIRO, which was awarded "Game of the Year" in 2019 and sold over 5m titles in just 18 months. Fan commitment to FromSoftware titles is evidenced by its sales rivalling and superseding even the best titles from great studios including Nintendo, Square Enix and SONY. That is awesome.

Yet, despite FromSoftware's incredible success and strong fanbase, Kadokawa has failed to fully capitalize on this. Currently FromSoftware's business model is to work with publishers such as Bandai Namco and Activision, who take the game development risk but are rewarded with an outsized proportion of the revenues. We appreciate that there was substantial game development risk in the past, but the risk is significantly lower now after FromSoftware's catalogue of successes. It's time FromSoftware takes on the development risks and reaps the rewards. ***For Kadokawa and FromSoftware to evolve they need to grow beyond the dependence on game publishers and self-publish their own games*** *just as companies like CD Projekt Red have done. FromSoftware has produced success after success and built an avid, engaged and eager fanbase, and as a result the risks associated with the development of its games has been reduced.* ***We strongly believe that it is time for Kadokawa and FromSoftware to take the risk themselves to develop and self-publish their games and therefore retain all the revenues and profits****. We think the current arrangements with the game publishers like Bandai Namco and Activision are no longer good deals for the Company.*

Of all of Kadokawa's businesses, FromSoftware has the greatest potential to drive substantial growth in corporate value. Unfortunately, the demands on management's time and focus from other business lines has meant that other parts of the business have been prioritized ahead of FromSoftware…

To prepare Kadokawa and FromSoftware to self-publish its own games, it should look to raise capital. *We recommend that the Company should look to either raise capital through a partial Initial Public Offering ("IPO") of FromSoftware or by identifying a strategic partner to acquire a minority stake of up to 25% of FromSoftware. Gaming studios are currently fetching extremely high valuations and there is significant demand, as can be seen from recent deals done by Sony investing in Epic Games, TenCent acquiring Platinum Games, and Microsoft acquiring Bethesda Games. We believe the current environment is an excellent opportunity for Kadokawa to both raise capital to invest more in FromSoftware and also potentially identify a partner who can help expand FromSoftware's footprint and improve its operational efficiency…*

Self-publishing titles and the sale of a stake in FromSoftware will increase corporate value by substantially increasing revenue and highlighting the hidden value of Kadokawa.

Following Oasis engagement, KADOKAWA and FromSoftware have raised capital to strengthen its gaming business

Source: SMBC Nikko

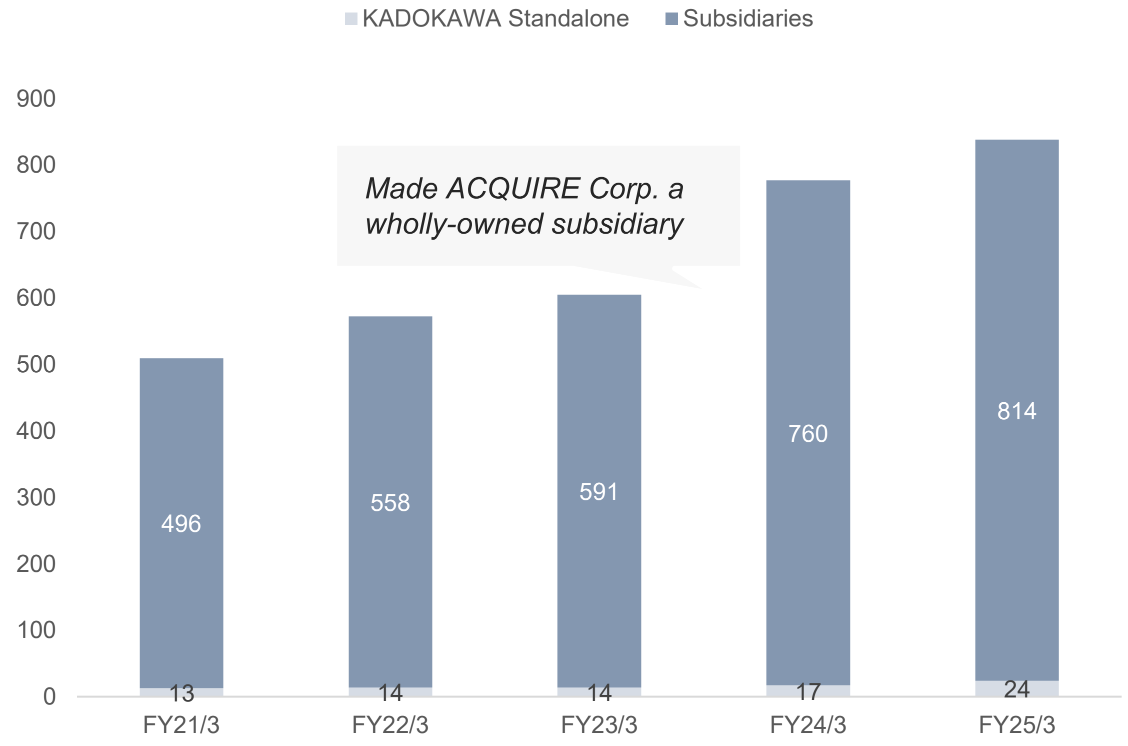
Date	Issuer	Investor	Amount	Purpose	Use of Funds	Notes
Feb 2021	**KADOKAWA**	**Sony Group** **CyberAgent**	JPY 9.9bn	Strengthen IP development and expansion capabilities in the gaming sector	(1) Creation, development, acquisition of new IP (~JPY 5.0bn) (2) Maximization of existing IP (~JPY 5.0bn)	➢ Leverage Sony's anime and consumer game capabilities for global expansion ➢ Collaboration on smartphone game development using IP
Nov 2021	**KADOKAWA**	**Sixjoy HK Ltd. (Tencent)**	JPY 30.0bn	Strengthen anime and game businesses and expand presence in China	Content investments (full amount), including hiring creators & producers, increasing investment in anime production, investment in anime production committees, investment in content creation companies, system investments	➢ Potential collaboration with Tencent on platform utilization and content investment
Sep 2022	**FromSoftware**	**Sixjoy HK Ltd. (Tencent)** **Sony Interactive Entertainment**	JPY 36.4bn	Strengthen game IP creation, development, and expansion capabilities	(1) Planning and development of game IP at FromSoftware **(2) Building systems to expand self-publishing globally**	➢ Ownership post-transaction: KADOKAWA (69.66%), Sixjoy (16.25%), SIE (14.09%)
Jan 2025	**KADOKAWA**	**Sony Group**	JPY 49.7bn	Accelerate global media mix strategy across anime, games, and film	(1) New IP creation, development, acquisition (~JPY 20.0bn) (2) Strengthening global distribution of IP (~JPY 29.7bn)	➢ Sony ownership stake increased to 10%; Samsung decreased

In-house capabilities for KADOKAWA's gaming business have expanded while the necessity to rely on external publishers has diminished

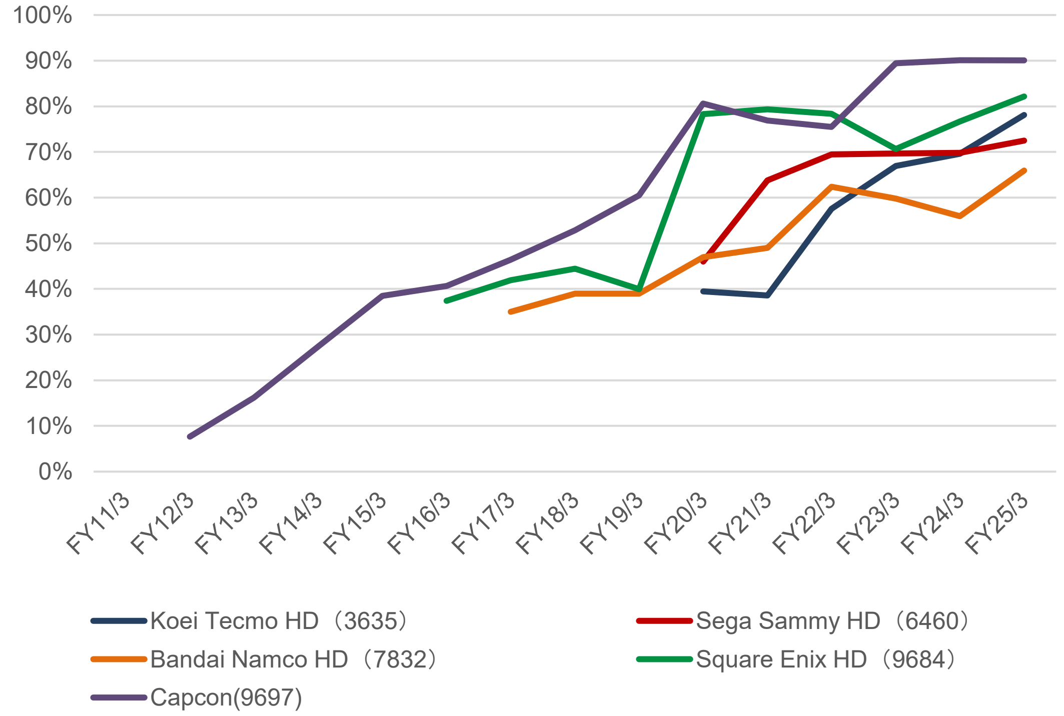
Source: Company disclosures, SMBC Nikko

- KADOKAWA has significantly expanded its gaming capabilities in recent years, including a substantial increase in headcount
- Historically, game developers relied on publishers for physical distribution and retail access, but the shift to digital distribution has significantly reduced the structural need for such intermediaries

Number of Employees in Gaming Segment



Digital Download Sales Weighting at Major Japanese Game Players



Experts believe that KADOKAWA can handle global publishing by themselves

Source: Expert interviews

Former employee

KADOKAWA doesn't publish the games themselves, which is a big gap. They're still relying on third parties, and that means paying revenue share, which is a loss for them.

In the past they worked with Activision, now it's Bandai Namco, and they are even saying they are looking for new partners. ***Honestly, KADOKAWA should be able to handle publishing themselves****. I do not really understand why they are not doing it. They have already operated in Japan, China, and the U.S., so it is not like it is impossible. People say things like data analytics or package distribution are difficult, but there are plenty of third-party vendors that can handle that. And with physical sales becoming less important, the upside from self publishing today is quite significant.*

Industry expert

For games, global publishing is currently handled by Bandai Namco, meaning a significant portion of revenue is captured by them. ***Whether KADOKAWA can bring publishing in-house is something management should prioritize and seriously consider.***

Former employee

Even now, despite ELDEN RING being a major hit, Bandai Namco is still the global publisher, and much like Activision they're the ones really gaining the sales. It's hard to tell how much KADOKAWA is actually investing to expand overseas.

In the past, major publishers had to manage physical distribution, including retail and getting discs onto shelves, but now with digital that role is less critical.

If KADOKAWA really committed, they could probably handle global publishing themselves*, but it may take some time. That said, going digital clearly improves margins, and Capcom's profitability increased precisely because they shifted seriously from physical to digital.*

KADOKAWA also previously mentioned self-publishing of FromSoftware games as key

Source: Company disclosures

Previous MTP (November 2, 2023)

Mid-term Management Policy (3) Strategies in Each Segment

Publication	**Create more than 7,000 IPs annually. Expanded each genre and strengthen digital-first readiness** ➢ Increase international sales through measures such as adding more international bases ➢ Keep making our e-book business grow so it outperforms domestic market growth **Increase productivity through the digital transformation of publishing by means of the digital manufacturing and distribution system, etc.**
Video	**Strengthen our animation production capabilities. Increase the number of stories produced per title and optimize license management** ➢ Strengthening and newly establishing Group production studios or acquiring and entering into business alliances with other companies ➢ Promote full rights management to animations **For the live-action business, focus on major titles and improve profitability to higher return on investment**
Gaming	**Expand the game development lines. Aggressively invest in the development of mobile games using our IP** **Expand the scope of FromSoftware's own publishing**
Web Services	**For the Niconico business, raise ARPPU by improving the services**
Education/ EdTech	**Establish ZEN University (tentative name) to enhance LTV per user and reach university students and working professionals** **Attract more students to N/S High School** **Expand Vantan's business by adding more courses and schools in new areas**
Others	**Expand the fan community business through the use of our IP and functional enhancements** **Increase products from the MD business and expand sales outlets globally** **Improved profitability for the facility operation business by increasing the number of visitors and optimizing costs**

5

OASIS

However, CEO Natsuno has recently been turning his back on self-publishing

Source: SMBC Nikko

- Shareholders have long awaited a shift to self-publishing, but citing improved terms from external publishers, CEO Natsuno's stance has recently become more cautious, suggesting that reliance on third-party publishers is likely to persist under the current management

To date, we have asked other companies (including Bandai Namco HD) to publish games and ensured favorable terms even if we are not publishing ourselves. Contract terms have improved markedly. With over half of game sales now digital, the division of roles with publishers (not just Bandai Namco HD) appears to be very different from before. ***Publishing ourselves would be basically equivalent to outsourcing publishing to other companies if we look at improved contract terms****. Publishing inhouse would not necessarily mean an improvement in terms, and we will be looking for the best terms under which to conduct business.*

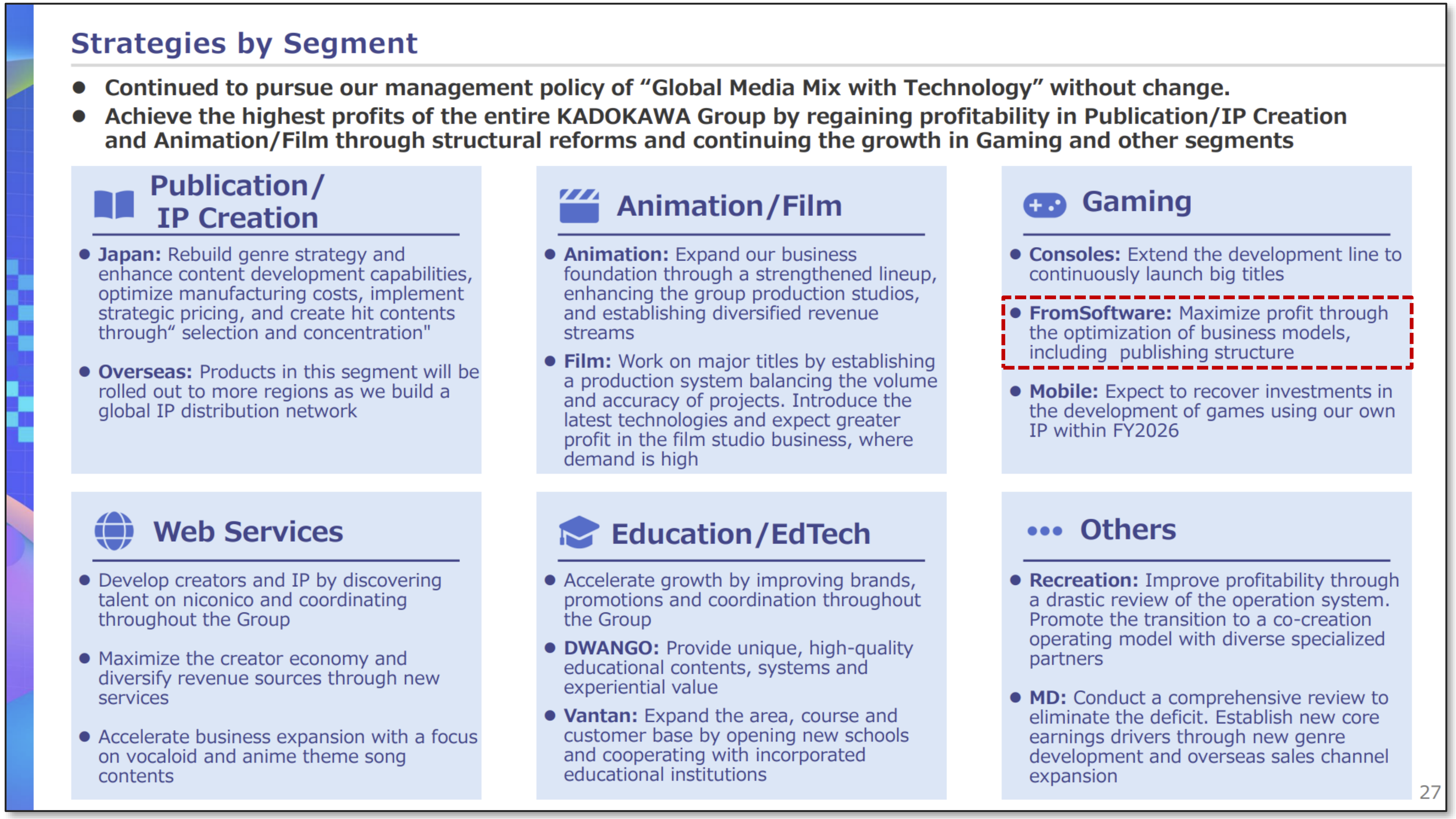
- CEO Natsuno at investor group meetings (June, December 2025)

Note: Translation and emphasis added by Oasis

The new MTP dilutes the management's commitment to capture FromSoftware economics

Source: Company disclosures

New MTP (May 14, 2026)



- *In the newly announced MTP, **KADOKAWA removed explicit references to FromSoftware self-publishing initiatives***
- *Instead, management described the future strategy for FromSoftware only through vague and highly qualitative language such as "maximize profit through the optimization of business models"*
- *By avoiding any direct mention of self-publishing, **management failed to demonstrate a clear intention or commitment to realizing FromSoftware self-publishing** under the current leadership structure*

OASIS

Illustrative scenario analysis on economics of third-party publishing vs. self-publishing

Source: Expert interviews

- Under a simplified scenario analysis, if FromSoftware were to produce another hit title comparable to ELDEN RING, with sales exceeding 30 million units, **the absence of self-publishing will once again result in substantial economic value being left with external publishing partners rather than KADOKAWA shareholders**
- **FromSoftware's flagship titles have generally sold more than 10 million units**, suggesting that self-publishing would likely generate greater earnings contribution in most realistic success scenarios
- This reluctance to prepare for blockbuster-scale success reflects a management mindset that is excessively risk averse and insufficiently committed to maximizing FromSoftware's value

Key Assumptions

Unit price	JPY 9,000 per unit
Development cost	JPY 15bn
Marketing expense	JPY 15bn
Platform fee	30%
Revenue share from publisher	20-40%

(JPYbn, unless otherwise noted)		Self-publishing		Third-party publishing		
Units sold	**Gross sales**	**Net revenue after platform fee**	**Net revenue after dev + marketing**	**Revenue share 20%**	**Revenue share 30%**	**Revenue share 40%**
0.5m	4.5	3.2	**(26.9)**	**0.9** X	**1.4** X	**1.8** X
1.0m	9.0	6.3	**(23.7)**	**1.8** X	**2.7** X	**3.6** X
2.0m	18.0	12.6	**(17.4)**	**3.6** X	**5.4** X	**7.2** X
5.0m	45.0	31.5	**1.5**	**9.0** X	**13.5** X	**18.0** X
8.0m	72.0	50.4	**20.4**	**14.4** ✓	**21.6** X	**28.8** X
10.0m	90.0	63.0	**33.0**	**18.0** ✓	**27.0** ✓	**36.0** X
15.0m	135.0	94.5	**64.5**	**27.0** ✓	**40.5** ✓	**54.0** ✓
30.0m	270.0	189.0	**159.0**	**54.0** ✓	**81.0** ✓	**108.0** ✓

X *Should rely on external publisher* ✓ *More beneficial to self-publish*

Note: Assumes all development cost and marketing expenses are borne by external publishers under third-party publishing scheme

FromSoftware's global success has not been fully captured by KADOKAWA

01. FromSoftware can develop world-class games with proven track record

- FromSoftware has already established itself as a world-class game developer, with multiple globally acclaimed hit titles led by ELDEN RING
- The question is no longer about the quality of FromSoftware's development capabilities, but whether KADOKAWA is monetizing this in the most effective way
- As one of KADOKAWA's most strategically important subsidiaries, FromSoftware should be viewed as a major driver of long-term corporate value

02. Meaningful economics continues to be absorbed by external publishers

- Despite FromSoftware's global success, KADOKAWA continues to rely on external partners such as Bandai Namco for major publishing functions outside Japan
- Industry experts suggest that self-publishing is increasingly achievable, particularly as digital distribution has reduced many of the historical barriers to global publishing
- As long as third-party publishers remain central to this model, a meaningful share of revenue, control, and long-term upside will continue to flow outside the Group

03. Key issue is management's execution, not lack of opportunity

- Oasis had already urged KADOKAWA to pursue self-publishing as early as 2020, well before ELDEN RING demonstrated FromSoftware's full global potential
- Since then, management has repeatedly framed self-publishing as a strategic objective, yet visible progress has remained limited
- After years of waiting, shareholders are still left with the same core concern: external publisher dependence persists despite ample time and a clear commercial rationale

KADOKAWA's problem is no longer whether FromSoftware has the capability to support greater in-house publishing, but whether management has the urgency and discipline to execute this long-awaited strategy

02

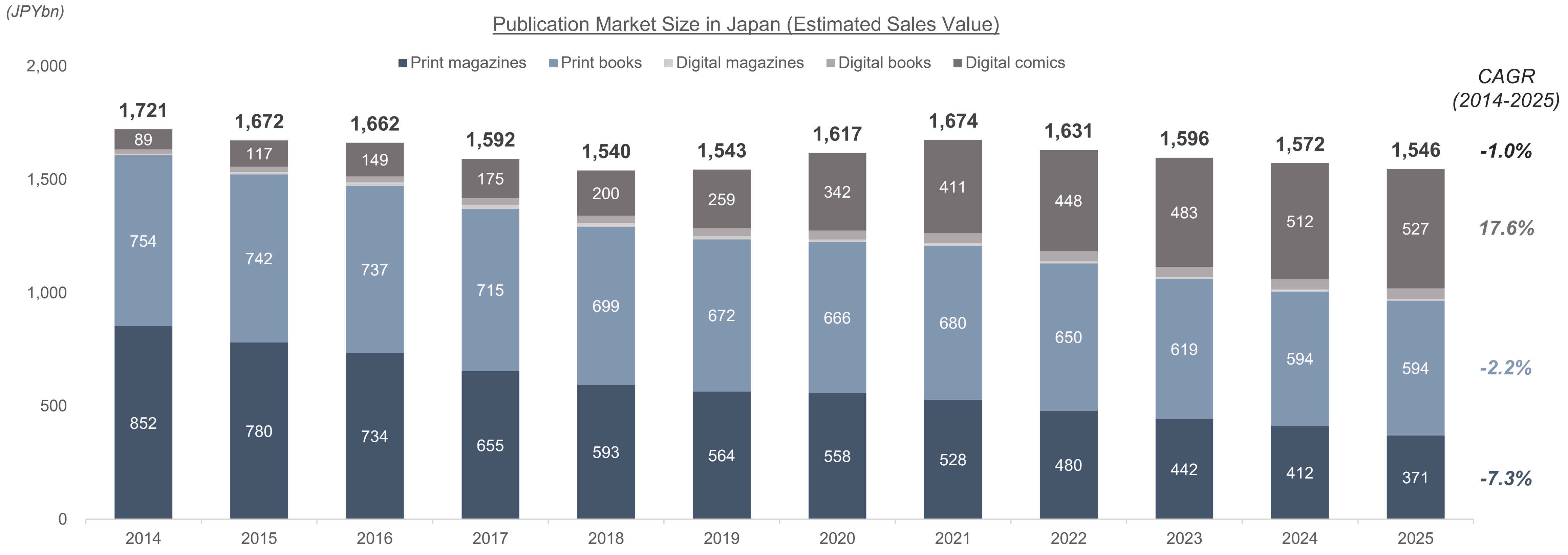
A misguided “quantity over quality” strategy
has undermined the core IP engine

OASIS

Structural decline in Japan's publishing market requires shift toward scalable IP

Source: AJPEA

- Japan's publishing market is in structural decline, contracting at approximately a -1% CAGR in recent years due to demographic headwinds
- Meanwhile digital comics delivered a CAGR of 17.6% driven by increased at-home demand during the COVID-19 pandemic

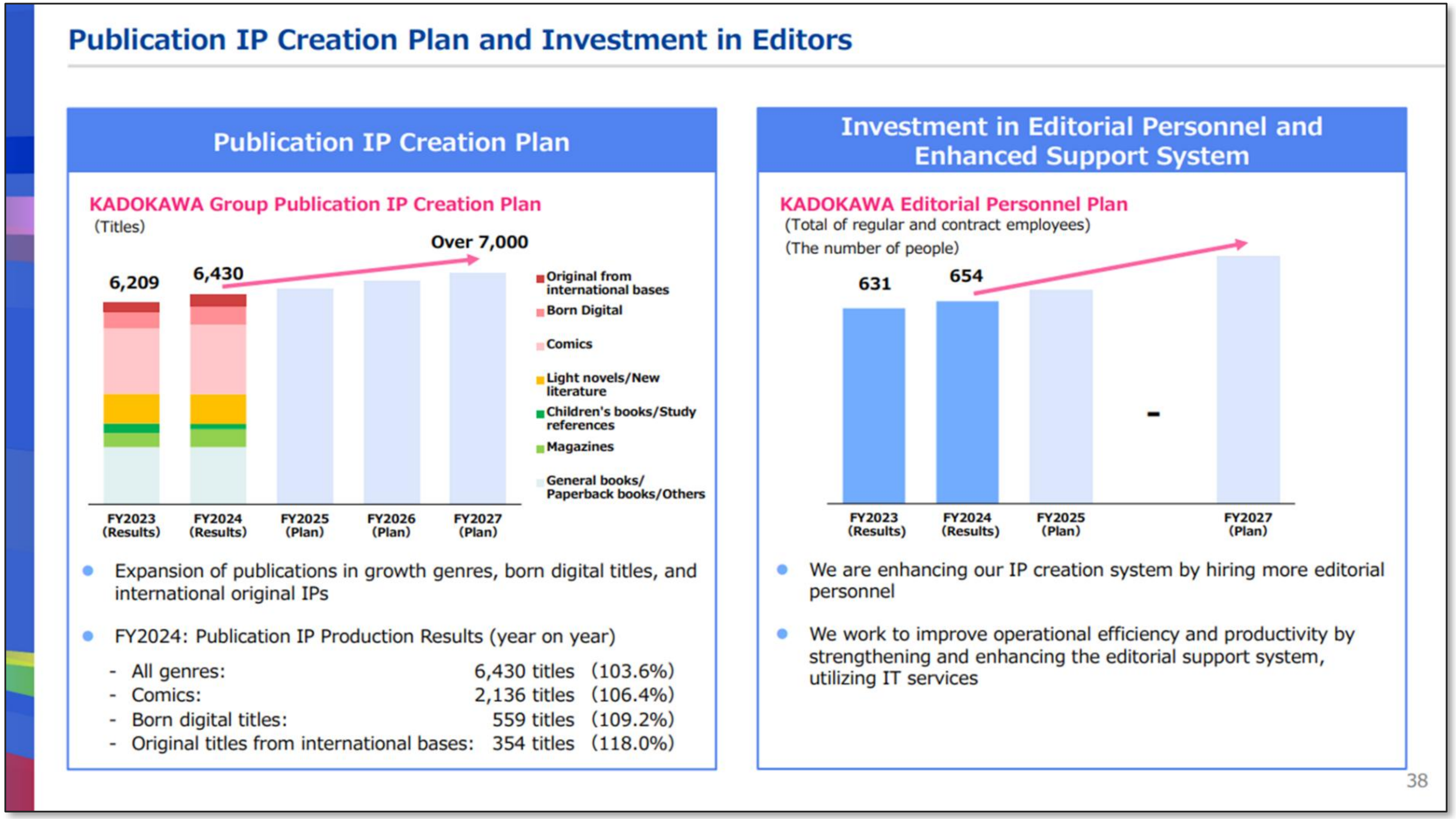


OASIS

Under the previous MTP, KADOKAWA aimed to further increase IP creation to over 7,000 titles per year, supported by a significant expansion in headcount

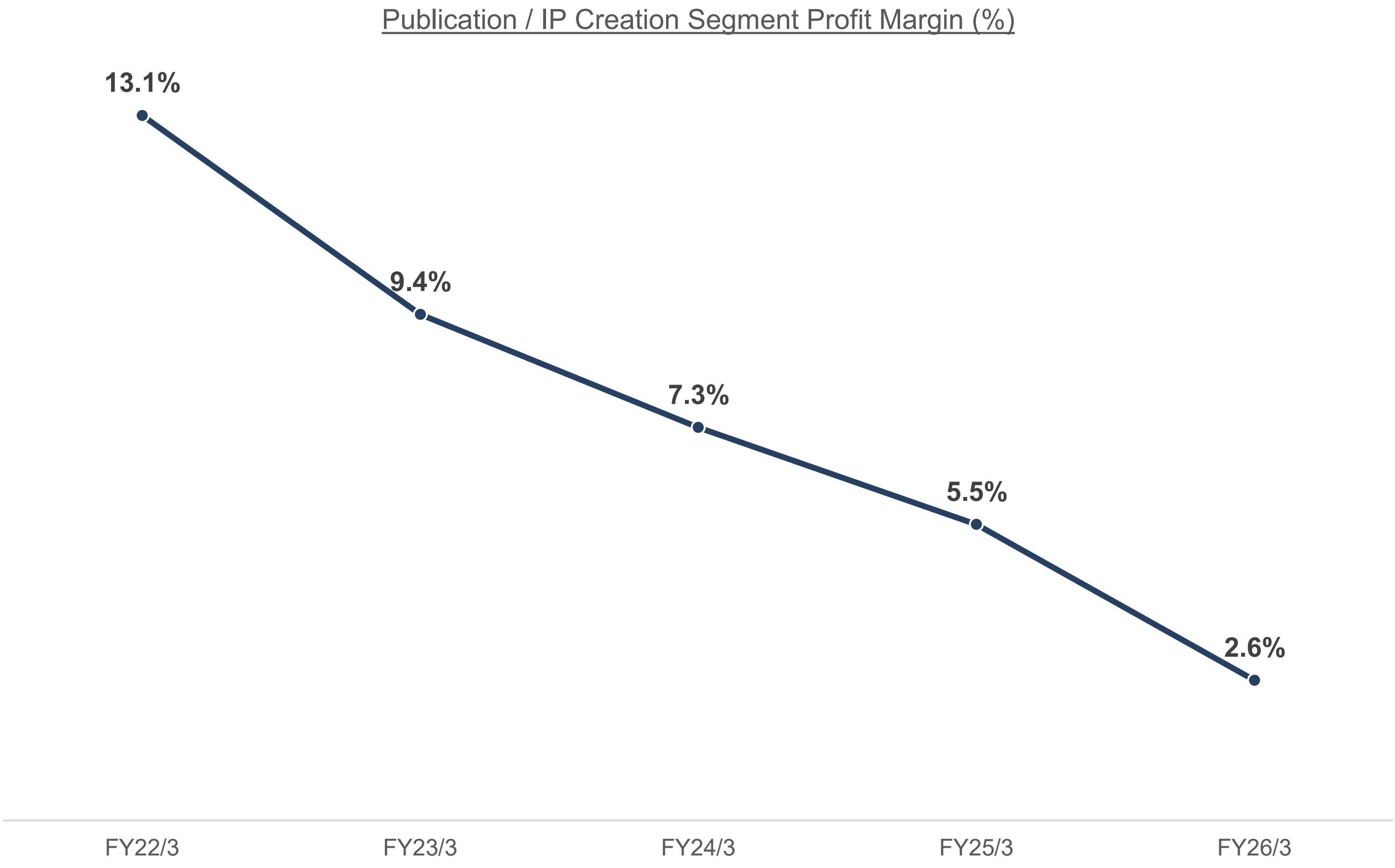
Source: Company disclosures

FY25/3 Q4 Earnings Results (May 8, 2025)



Recent decline in profitability appears to be a side effect of an aggressive IP expansion strategy

Source: Company disclosures



KADOKAWA

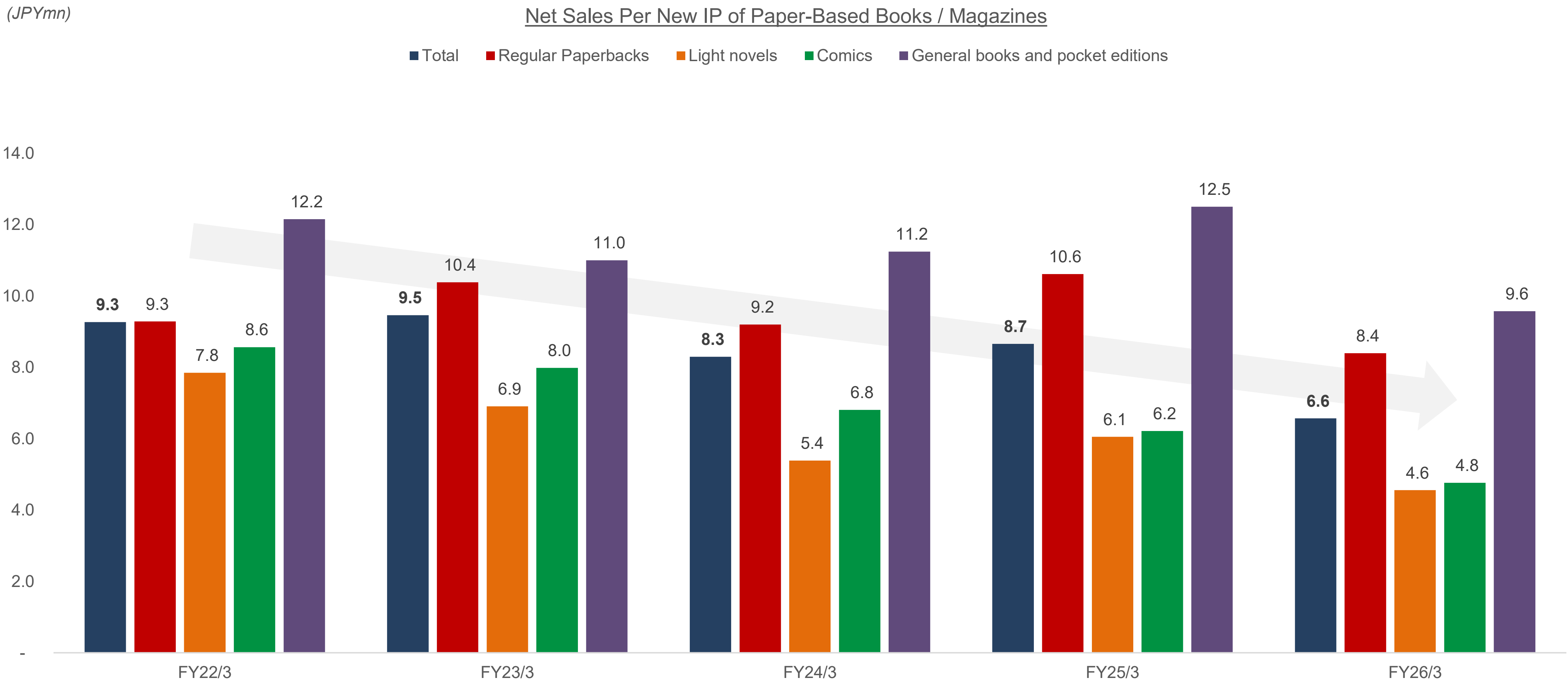
The number of new IPs, the foundation of the media mix strategy, increased by +9.3% year on year (4Q: +11.1%)… For the full year, operating profit declined, in part from rising personnel expenses, in addition to a ***decline in marginal profit due to a downscaling of per -title revenue*** *in the domestic paper-based books and e-books businesses.*

- FY26/3 Earnings Results (May 14, 2026)

Note: Emphasis added by Oasis

Revenue per IP continues to decline across all genres

Source: Company disclosures



KADOKAWA former employees raised concerns over management's approach

Source: Expert interviews

Former employee

*Before, KADOKAWA used to target creating 5,000 IPs per year. Now, under the current Mid-term Management Plan, KADOKAWA is targeting to create 7,000 IPs per year, but **each piece of content is too small**, which **reduces scale and leads to declining productivity.** KADOKAWA management needs to shift their mindset from over-emphasizing quantity to prioritizing quality. **Management need to focus on improving the quality of each IP.***

Former employee

*Light novels and comics are the foundation of media mix, so the Company needs to focus on discovering and developing new talent. Instead, **the mindset has become 'throw enough at the wall and something will stick,'** when in reality, ideas should be refined through iterative engagement with editors.*

Former employee

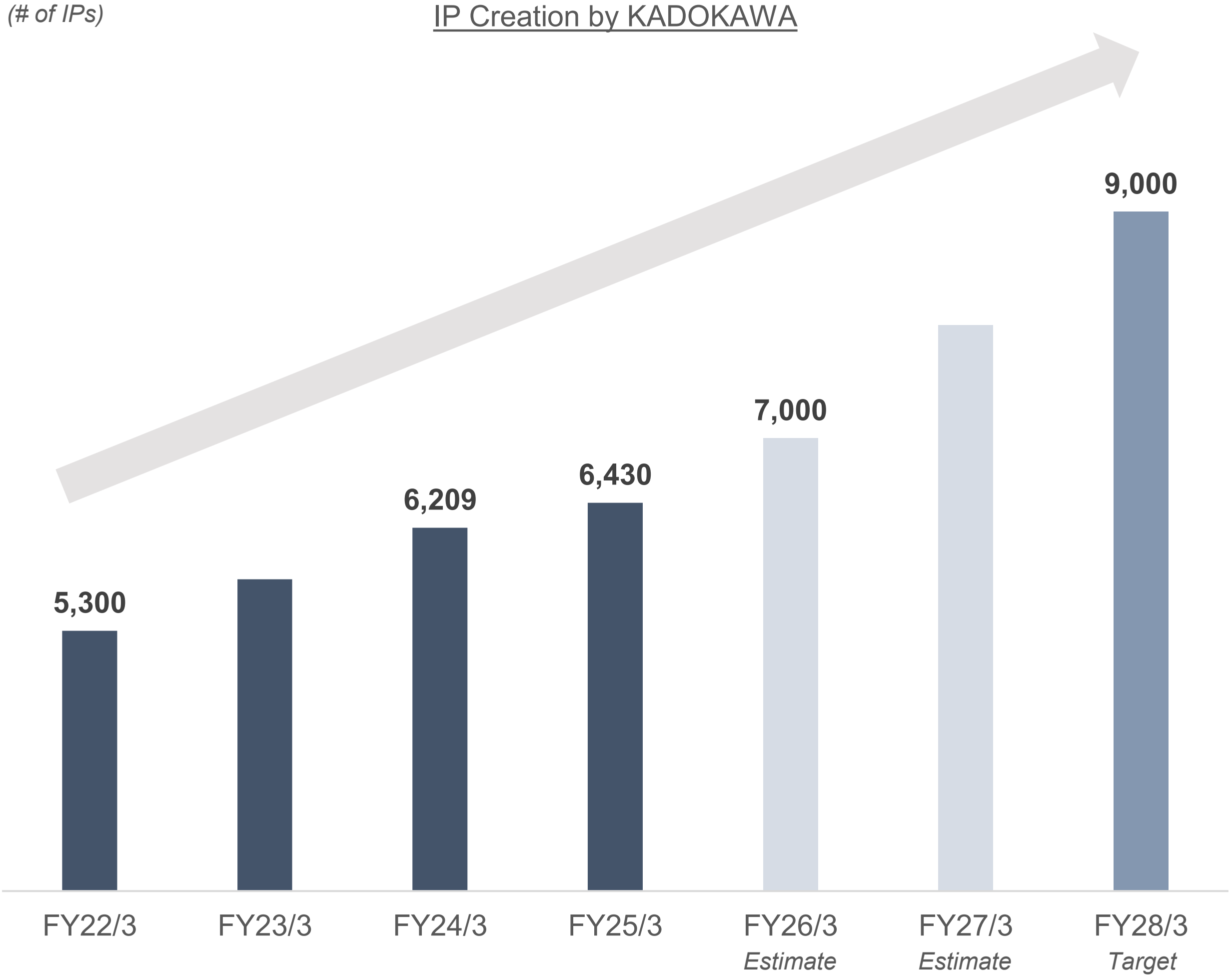
*One of the issues with KADOKAWA is that its content is too skewed toward "Isekai reincarnation" genre… **KADOKAWA has far too many works** with 4,000-5,000 published every year, many of which are quite similar in content. Comics and light novels make up roughly half of the work. There are many light novels that are very similar and there are many magazines that are also very similar that have yet to be consolidated.*

Former employee

*The Company previously aimed to surpass Shogakukan in publishing volume, but competition in comics is intense and KADOKAWA is struggling to secure manga artists. **It needs to narrow the slate and increase the hit rate**, and it must go through trial and error to build a repeatable formula.*

Rather, in 2025 CEO Natsuno expressed his intention to be even more aggressive on IP expansion

Source: Company disclosures, Nikkei



NIKKEI

KADOKAWA President "We aim to publish 9,000 titles"; Partnering with Sony for overseas expansion

*KADOKAWA President Takeshi Natsuno told Nikkei in an interview that the company plans to increase the number of manga, light novels, and other works published annually to **9,000 works in 2027, 1.5 times the number published in 2023**…*

*KADOKAWA's publishing and IP creation business is its main business, accounting for half of its sales. In its mid-term management plan, the company set a goal of **publishing 7,000 titles per year** in fiscal 2027. The company said it would like to achieve this goal ahead of schedule and **expects to achieve it as early as fiscal 2025**.*

- Nikkei article published Jan 14, 2025

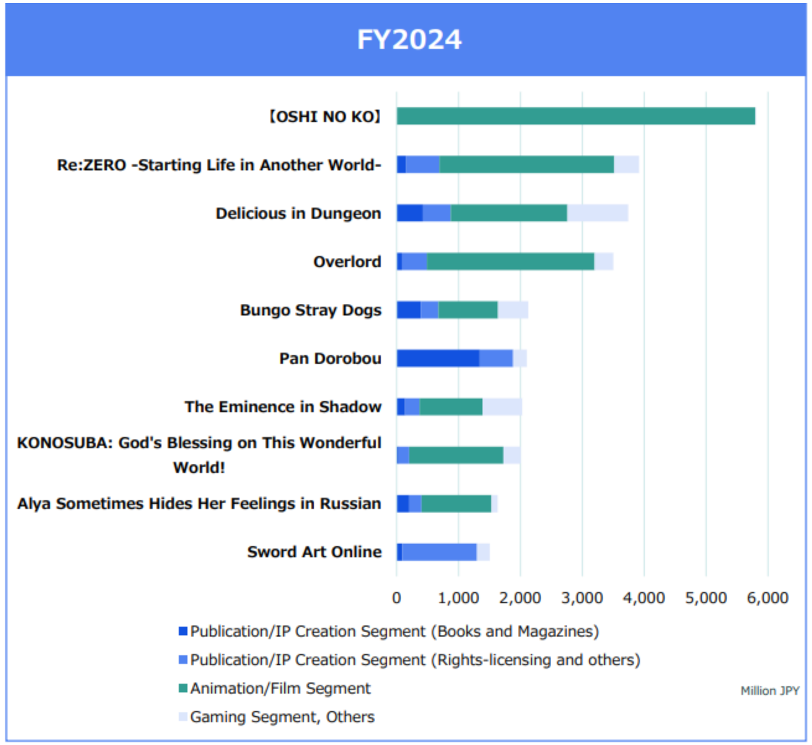
Note: Translation and emphasis added by Oasis

Pursuit of volume has resulted in all IP remaining too small, undermining operational efficiency

Source: Company disclosures

- Top 10 IPs for KADOKAWA demonstrate that the scale of even its largest IPs remain small compared to those held by competitors like Bandai Namco
- KADOKAWA management needs to move away from its “quantity over quality” approach to create stronger IPs with scalability into other media forms

FY25/3 Q4 Earnings Results (May 8, 2025)
Net Sales of the Top Ten Best-Selling Titles



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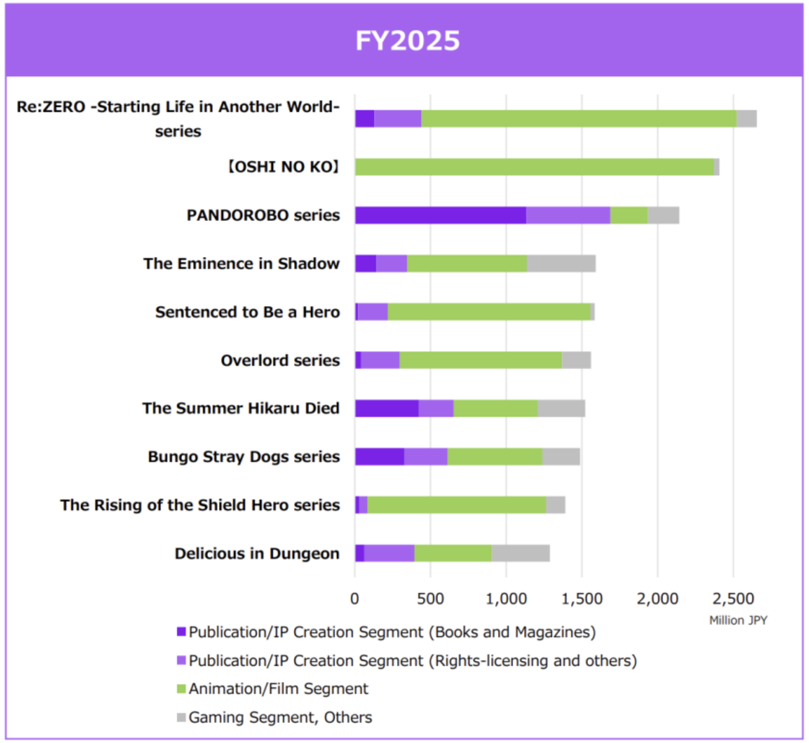


✗ *Top selling title for KADOKAWA in FY25/3 is not based on KADOKAWA’s original IP, but is an anime adaptation of Shueisha’s IP “OSHI NO KO”*

✗ *While other IPs originate mainly from KADOKAWA’s publishing franchise, **the scale of each IP remains small at less than JPY 4bn each***

✗ *In contrast, Bandai Namco generated over JPY 190bn revenue from its top selling IP “DRAGON BALL”, JPY 153bn from “GUNDAM,” and JPY 139bn from “ONE PIECE” as of FY25/3*

✗ ***KADOKAWA’s IP portfolio remains fragmented into small-scale titles**, requiring substantial manpower and costs to manage, and making it difficult to benefit from economies of scale*

KADOKAWA's own new MTP validates the criticism it calls false

Source: Company disclosures

- In its new MTP, KADOKAWA itself admits that deterioration in profitability in the publication business has been driven by the aggressive increase in number of titles published, which had resulted in an "increase in titles lacking originality or quality"
- Despite CEO Natsuno himself promoting a goal of creating 9,000 IPs annually as recently as last year, management has now quietly abandoned that commitment and abruptly shifted to talking about volume control, which itself serves as the clearest evidence supporting Oasis's claims

New MTP (May 14, 2026)

Recognition of Current Situation: Factors of Deterioration in Profitability in the Domestic Publication Business

Excessive reliance on existing winning patterns

- A bias toward proven genres, such as Narou and Isekai-type works.
  - Results in market saturation and worsening profitability
- Lack of depth of diversity and planning typology
  - Decrease in novel projects and taking on new genres

The increase in the number of titles published has not led to the creation of bestsellers

- By actively hiring new editors, we succeeded in increasing the number of titles published while keeping the number of titles assigned to each editor to a minimum; however, this also led to an increase in titles lacking originality or quality, and ultimately failed to result in the creation of any hit titles.
- Decline in profitability due to decrease in circulation per title
  - Progression toward smaller revenue per item

Pressure on profits due to higher manufacturing and distribution costs

- Improvements in productivity have not progressed due to delays in setting prices that can absorb cost increases and optimizing the number of copies/units produced to match market needs

Dispersal of sales and advertising resources

- Unable to break away from the dispersed advertising and sales promotion approach of allocating advertising and sales promotion resources to each title.

Organizational and decision-making flow reforms have already been implemented to address these challenges.

- Launch of the Publication Steering Committee (November 2025)
  To further strengthen KADOKAWA's publishing business and take it into the future, decision makers from the editorial, sales, advertising, and production divisions have been brought together across departmental boundaries to create a system for implementing "fundamental structural reforms."
- Restructuring of publication business (January and April 2026)
  The publishing business has been consolidated and reorganized into a fast decision-making organization through consolidation of genres.

13

Major KPIs

- We define KPIs for the Publication and Anime businesses—which drive the Group's profit growth—as key indicators.
- Other businesses will also be advanced based on individual strategies. In particular, we will seek to optimize the revenue structure for Games and Web Services.

Business Segments	KPI	Approach and Targets
Domestic Publication Business (KADOKAWA, non-consolidated)	Number of new titles published	Control to an appropriate number (plan to maintain at approx. 98% of the previous year's level from FY2026 onward)
	Title portfolio	Increase the ratio of "Top Tier" and "Core Tier" titles
	Returns rate	FY2025 actual: 29.2% → **FY2031 target: 25.0%**
Animation	In-house production rate	FY2025 actual: 16.2% → **FY3031 target: 50.0%**
	Net sales from Trans-media development	Expand 1.9x from FY2025 to FY2031
Consolidated Financial Results	Overseas sales ratio	FY2025 actual: 19.8% → **FY2031 target: 25.0%**
	ROE	FY2025 actual: 0.5% → **FY2031 target: 9.4% (12% or higher in the medium to long term)**
	EPS	FY2025 actual: 8.7 yen → **FY2031 target: 180 yen**

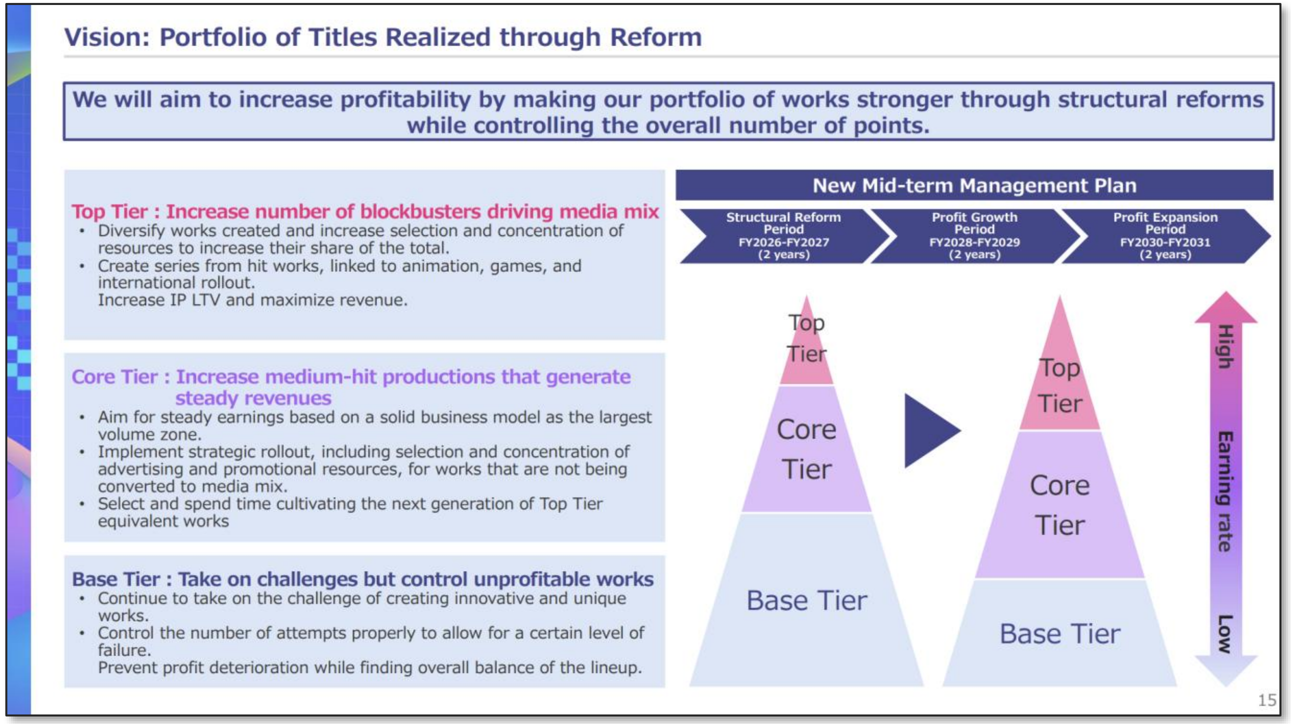
28

Note: Emphasis added by Oasis

There is little reason to expect meaningful reform under the current leadership

Source: Company disclosure

New MTP (May 14, 2026)



- ✗ *Management now speaks about controlling title volume and increasing “Top Tier” and “Core Tier” IPs, yet provides **no clear definitions** for these categories*
- ✗ *There are **no numerical targets** provided for the mix of “Top / Core / Base Tier” that the Company aims to achieve throughout the new MTP period*
- ✗ *Investors are provided **no visibility** into the current composition of the IP portfolio*
- ✗ *Without baseline disclosure or measurable targets, **investors have no practical way to track progress***
- ✗ *Highly abstract explanations suggest that these are merely **rhetorical responses to shareholder criticism** rather than substantive strategic reforms*
- ✗ ***The absence of concrete standards or accountability** makes it difficult to believe that meaningful operational change is possible under the current management team*

KADOKAWA’s quantity-driven IP strategy is undermining profitability

Media Mix Has Become Essential as Japan’s Publishing Market Matures
Japan’s domestic publishing market is no longer a structural growth market, making it increasingly important for publishers to expand IP across multiple formats. Leading publishers are driving earnings growth by developing hit titles into anime series, films, games, music, and other media.

KADOKAWA’s IP Portfolio Lacks the Scale Needed for Powerful Media Mix Execution
Unlike peers that can build around major flagship franchises, many of KADOKAWA’s IPs remain relatively small and fragmented. As a result, its media mix strategy often lacks the scale and follow-through needed to maximize monetization.

Management’s Quantity-Over-Quality Strategy Has Further Reduced IP Scale
This is the consequence of a long-standing management approach that has prioritized the number of IPs created over the quality and size of each title. Rather than cultivating larger franchises, the Company has continued to produce a growing number of smaller works, weakening the commercial potential of each individual IP.

The New MTP Validates Oasis’s Criticisms
In the new Mid-term Plan, the Company has withdrawn its previous IP creation volume targets and now emphasizes improving quality instead. Despite management’s efforts to deny Oasis’s criticisms, this strategic shift merely confirms that the “quantity over quality” approach highlighted by Oasis was both real and a significant underlying issue.

A Meaningful Turnaround Is Unlikely Under the Current Management Team
The new MTP hastily assembled in response to Oasis’s criticisms lacks any substance, and there is little reason to believe that this strategy can genuinely restore profitability in the Publication business, the foundation of the group’s IP creation

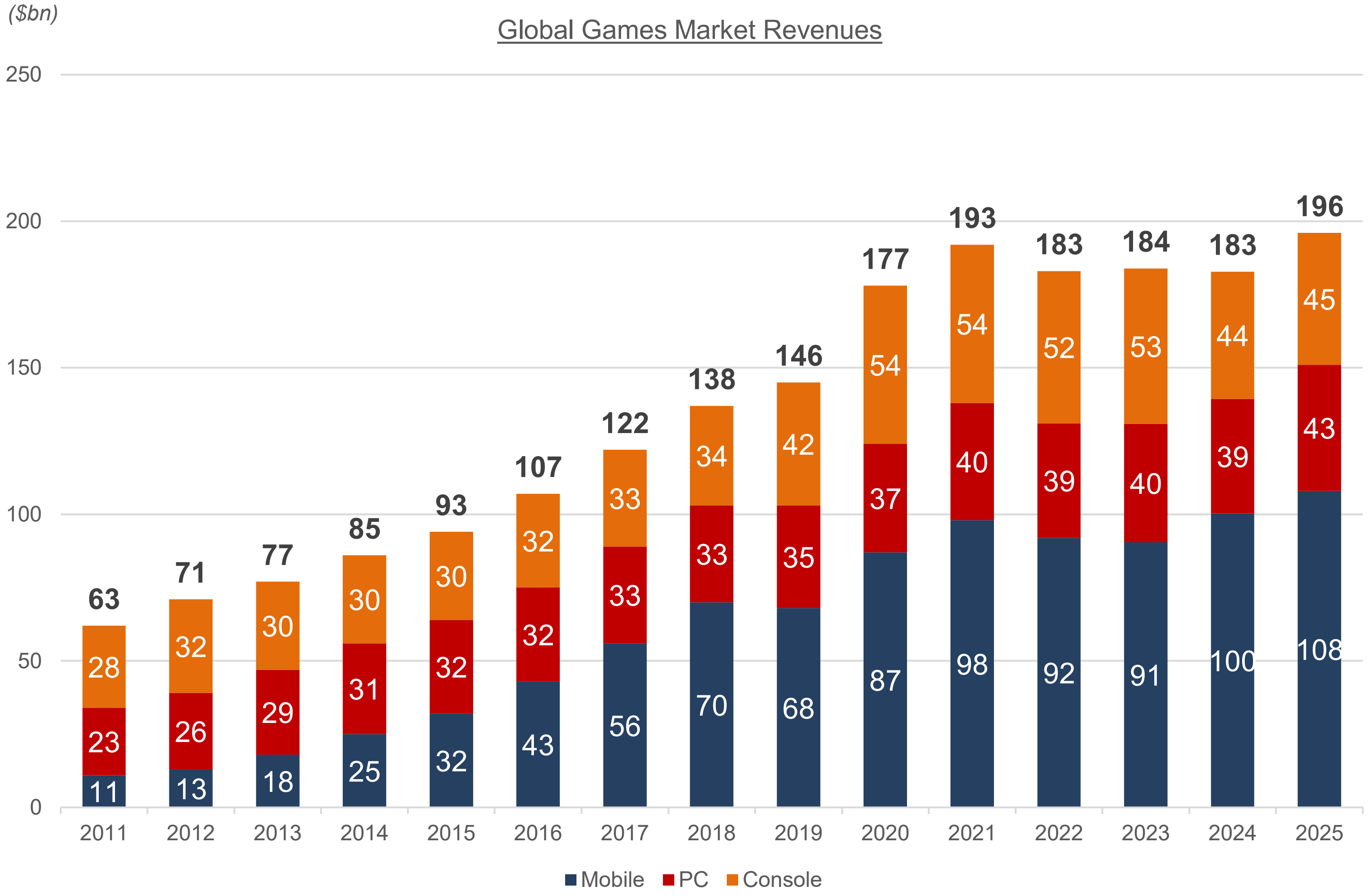
03

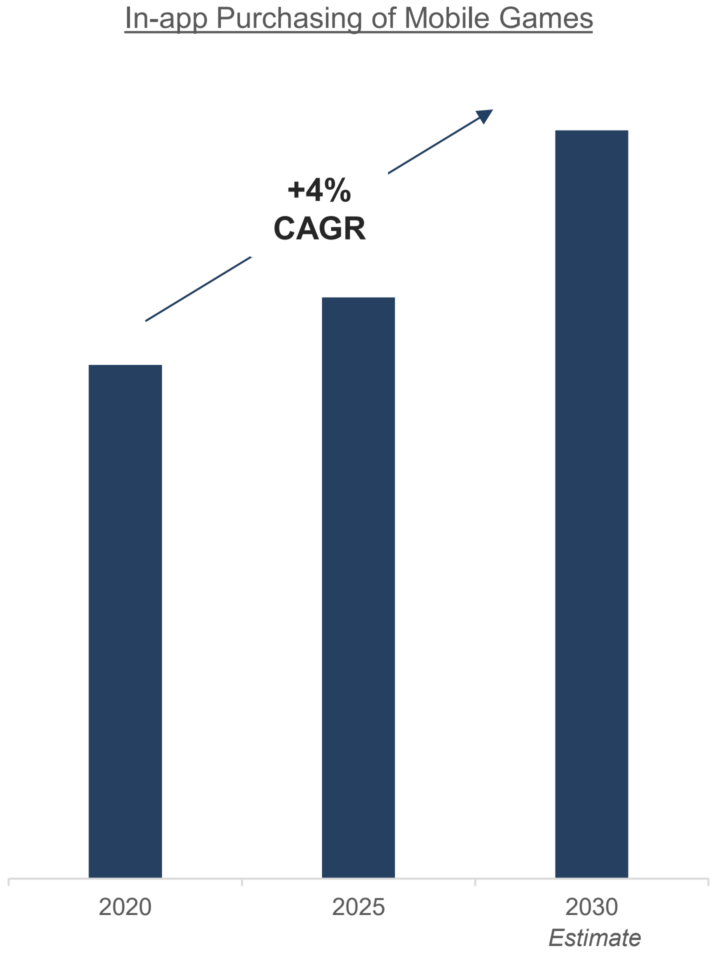
Missed opportunities and failed executions in mobile games

OASIS

Mobile games as the primary engine of growth in the global gaming market

Source: Newzoo, BCG

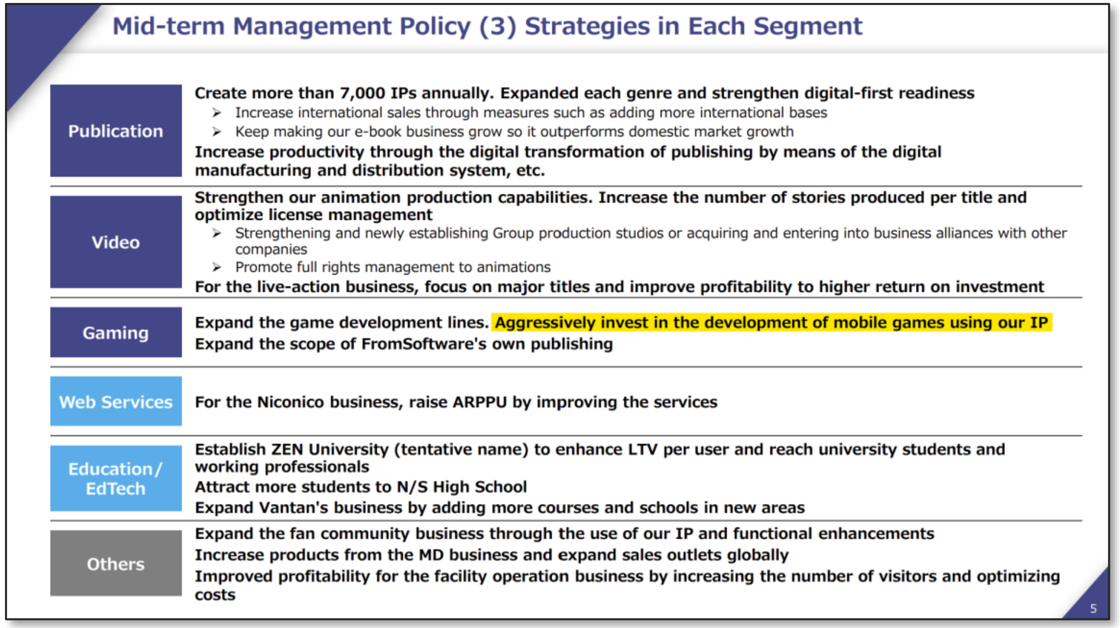




KADOKAWA's old MTP highlighted aggressive investment into mobile games using in-house IP

Source: Company disclosures

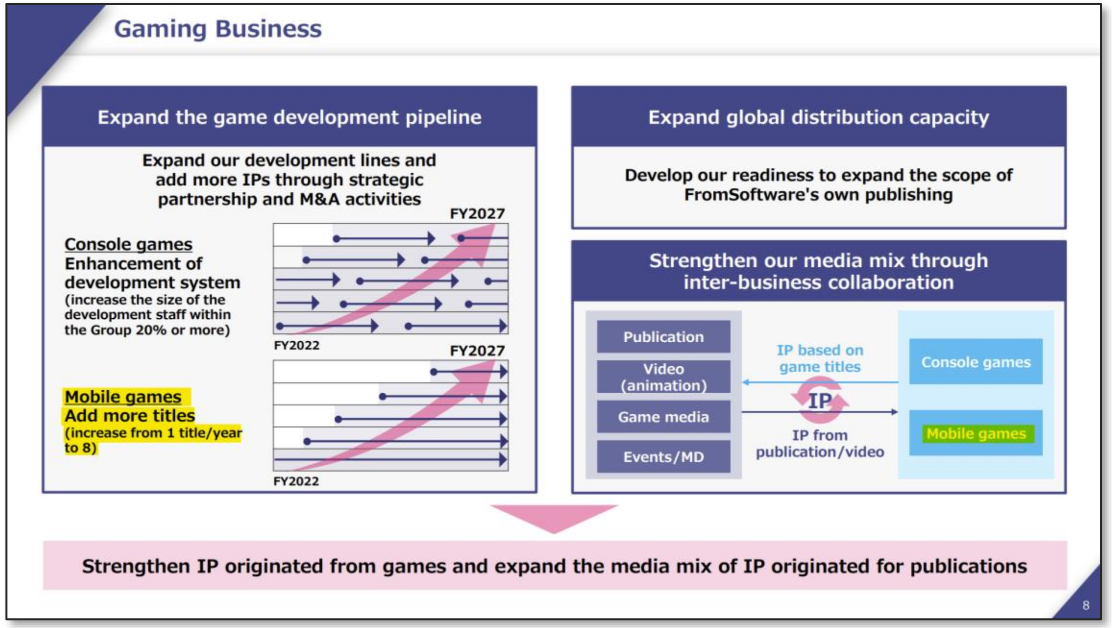
Mid-term Management Plan (November 2, 2023)



Mid-term Management Policy (3) Strategies in Each Segment

Publication	Create more than 7,000 IPs annually. Expanded each genre and strengthen digital-first readiness ➢ Increase international sales through measures such as adding more international bases ➢ Keep making our e-book business grow so it outperforms domestic market growth Increase productivity through the digital transformation of publishing by means of the digital manufacturing and distribution system, etc.
Video	Strengthen our animation production capabilities. Increase the number of stories produced per title and optimize license management ➢ Strengthening and newly establishing Group production studios or acquiring and entering into business alliances with other companies ➢ Promote full rights management to animations For the live-action business, focus on major titles and improve profitability to higher return on investment
Gaming	Expand the game development lines. Aggressively invest in the development of mobile games using our IP Expand the scope of FromSoftware's own publishing
Web Services	For the Niconico business, raise ARPPU by improving the services
Education/ EdTech	Establish ZEN University (tentative name) to enhance LTV per user and reach university students and working professionals Attract more students to N/S High School Expand Vantan's business by adding more courses and schools in new areas
Others	Expand the fan community business through the use of our IP and functional enhancements Increase products from the MD business and expand sales outlets globally Improved profitability for the facility operation business by increasing the number of visitors and optimizing costs

5



Note: Emphasis added by Oasis

No KADOKAWA games among the top mobile games

Source: Nikkei Gaming

Top-Earning Mobile Games Ranking in 2025 (Japan)

#	Title	Developer	Publisher	Country
1	**Last War: Survival**	FirstFun	FUNFLY	China
2	**Pokémon TCG Pocket**	Creatures / DeNA	Pokémon	Japan
3	**Monster Strike**	Deluxe Games	MIXI	Japan
4	**Fate/Grand Order**	Lasengle	Aniplex	Japan
5	**Whiteout Survival**	Century Games	Century Games	China
6	**Uma Musume: Pretty Derby**	Cygames	Cygames	Japan
7	**SD Gundam G Generation Eternal**	Bandai Namco	Bandai Namco	Japan
8	**Honkai: Star Rail**	miHoYo	miHoYo	China
9	**eFootball**	Konami	Konami	Japan
10	**Professional Baseball Spirits A**	PawaPuro / Konami	Konami	Japan
11	**Puzzle & Dragons**	GungHo	GungHo	Japan
12	**Gakuen Idolmaster**	QualiArts	Bandai Namco	Japan
13	**Pokémon GO**	Niantic	Niantic (Scopely)	US
14	**Dragon Quest Walk**	COLOPL	Square Enix	Japan
15	**Royal Match**	Dream Games	Dream Games	Turkey
16	**Knives Out**	NetEase	NetEase	China
17	**Genshin Impact**	miHoYo	miHoYo	China
18	**Dragon Ball Z Dokkan Battle**	Akatsuki	Bandai Namco	Japan
19	**Goddess of Victory: NIKKE**	SHIFT UP	Tencent	S. Korea
20	**One Piece Bounty Rush**	SEGA	Bandai Namco	Japan
21	**The Battle Cats**	PONOS	PONOS	Japan
22	**Toon Blast**	Peak	Peak	Turkey
23	**Zenless Zone Zero**	miHoYo	miHoYo	China
24	**Wuthering Waves**	Kuro Games	Kuro Games	China
25	**LINE: Disney Tsum Tsum**	NHN	LY Corp	Japan
26	**Blue Archive**	Nexon	Nexon	S. Korea
27	**Ensemble Stars!! Music**	Happy Elements	Happy Elements	China
28	**Puzzles & Survival**	Eyugame	37Games	China
29	**Shadowverse: Worlds Beyond**	Cygames	Cygames	Japan
30	**Gossip Harbor: Merge & Story**	Microfun	Microfun	China
31	**LINE PokoPoko**	Treenod	LY	S. Korea
32	**Gardenscapes**	Playrix	Playrix	Russia
33	**Project SEKAI Colorful Stage!**	SEGA / Colorful Palette	SEGA	Japan
34	**Arknights**	Hypergryph	Hypergryph	China
35	**Disney Twisted-Wonderland**	f4samurai	Aniplex	Japan
36	**MementoMori**	Bank of Innovation	Bank of Innovation	Japan
37	**Top Heroes**	Rivergame	Rivergame	HK
38	**Nobunaga's Ambition**	Koei Tecmo	Koei Tecmo	Japan
39	**Brawl Stars**	Supercell	Supercell	Finland
40	**Jujutsu Kaisen: Phantom Parade**	Sumzap	TOHO	Japan

Games originating from other IPs

Repeated failures in mobile game adaptation of KADOKAWA's hit IP "Re:ZERO"

Source: Company disclosures, desktop research

- Although the Company has released several mobile games based on key monetizable IPs (e.g. Re:ZERO, OSHI NO KO), these have largely failed and KADOKAWA has yet to produce a meaningful hit

Re:ZERO – Starting Life in Another World: Lost in Memories

- Official "Re:ZERO" mobile game released for iOS/Android on **September 9, 2020**
- Offers new spin-off stories for KADOKAWA's hit "Re:ZERO" light novel and anime series
- Recorded 3m downloads by Feb 2021
- Developed and published by SEGA

✗ *Service ended on **May 12, 2023***

✗ *SEGA mentioned that it had become "difficult to continue providing a service that would satisfy customers"*

Re:ZERO – Starting Life in Another World: Witch's Re:surrection

- Smartphone RPG game released for iOS/Android on **Aug 26, 2024**
- Offers an original story where players explore large 3D fields across the world of "Re:ZERO"
- Developed and operated by Akatsuki / Elemental Craft and **published by KADOKAWA**

✗ *Service ended on **May 30, 2025***

✗ *No reason provided by KADOKAWA*

✗ *Commentary and player analyses point to poor game quality, outdated systems, and failure to retain users in a saturated gacha market*

Newly launched "OSHI NO KO" puzzle game is struggling despite the strong IP

Source: Company disclosures, Google Play, AppMedia

- Although the Company has released several mobile games based on key monetizable IPs (e.g. Re:ZERO, OSHI NO KO), these have largely failed and KADOKAWA has yet to produce a meaningful hit

Oshinoko Puzzle Star

- Official "Oshi no Ko" puzzle game released for iOS/Android on **February 25, 2026**
- Free-to-play puzzle game where players connect colorful pieces to clear stages while using characters from the original manga/anime
- Co-developed and published by KADOKAWA and NHN

✗ *It has been three months since the release of the game adaptation of the popular "Oshi no Ko" series, but Google Play downloads have only just exceeded 50k, and the game has barely appeared on sales rankings*

Google Play ★★☆☆☆

Review posted Feb 27, 2026

This is the "OSHI NO KO" version of Royal Match. It might be a good fit for fans of "OSHI NO KO" and match-3 puzzles. That said, as the characters don't move around much, it feels a bit lacking as a character-driven game. There aren't any flashy animations when skills are activated, nor is there a 'My Room' feature where you can interact with the chibi characters… unless you're a particular fan of "OSHI NO KO", I don't think there's any need to go out of your way to choose this one. Unless the developers step in to give it a boost, it looks like it might shut down in less than a year…

Google Play ★★☆☆☆

Review posted April 27, 2026

For a game that's only just started, it's difficult to collect enough gems for the gacha, so I can't unlock any characters…There's no special storyline; it just displays still images that follow the main plot, and the gameplay—including the events—is no different from your average puzzle game. The character voice acting is rather monotonous, and I found myself getting bored quite quickly.

Google Play ★☆☆☆☆

Review posted April 18, 2026

It's just another run-of-the-mill match-3 game. I'm only playing it because I'm a fan of the characters, but if it weren't for them, I wouldn't touch it. These days, there are hardly any apps that don't make you spin the gacha, so I reckon the number of active users is going to keep dropping. It's a shame to see it fade away when they're using such a good IP. I've gone and uninstalled it after all. It's just too stressful.

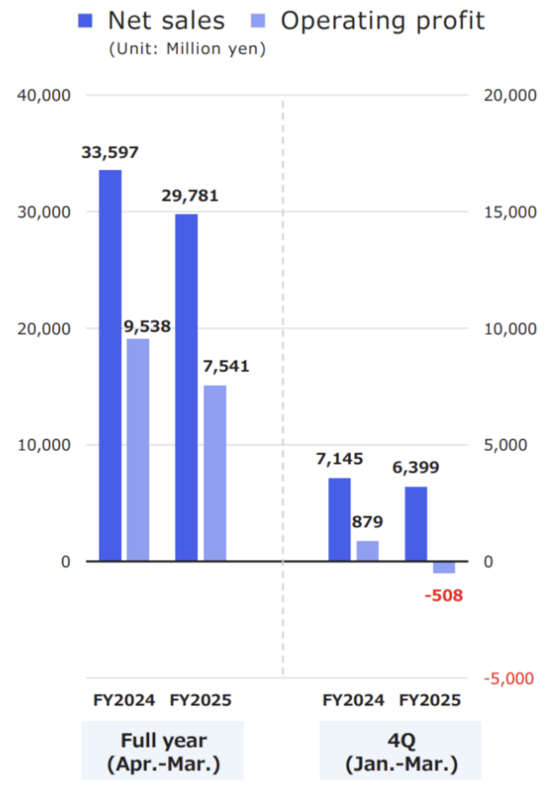
Note: Translation and emphasis added by Oasis

Weakness in mobile games negatively impacted segment profitability in FY26/3

Source: Company disclosures

FY26/3 Q4 Earnings Results (May 14, 2026)

Business Overview – Gaming Segment



YoY Analysis

Net sales: -11.4% / -3,816M (4Q -10.4% / -745M)

For consoles and PCs New works	For consoles and PCs Repeat	For consoles and PCs Royalty	Others
YoY+17.0%	YoY+3.2%	YoY -28.7%	YoY-3.1%
Composition ratio: 14%	Composition ratio: 16%	Composition ratio: 36%	Composition ratio: 33%

- Over the full year, sales of the *ELDEN RING NIGHTREIGN* main game released in May were strong, and its DLC that released in December earned an extremely high attach rate. However, sales declined from the previous year, when the *ELDEN RING* DLC and the main game contributed significantly.
- In 4Q, there was a decline in sales from FY2024, when royalties from titles developed under contract by Spike Chunsoft contributed significantly to earnings

Operating profit: -20.9% / -1,996M (4Q - / -1,387M)

- Over the full year, operating profit declined due to the lower sales described above
- In 4Q, in addition to the effects of the above sales decline, incentive costs in a subsidiary and depreciation of a mobile game title led to a decrease in profit. Impairment losses were recorded for some titles as well

13

Note: Emphasis added by Oasis

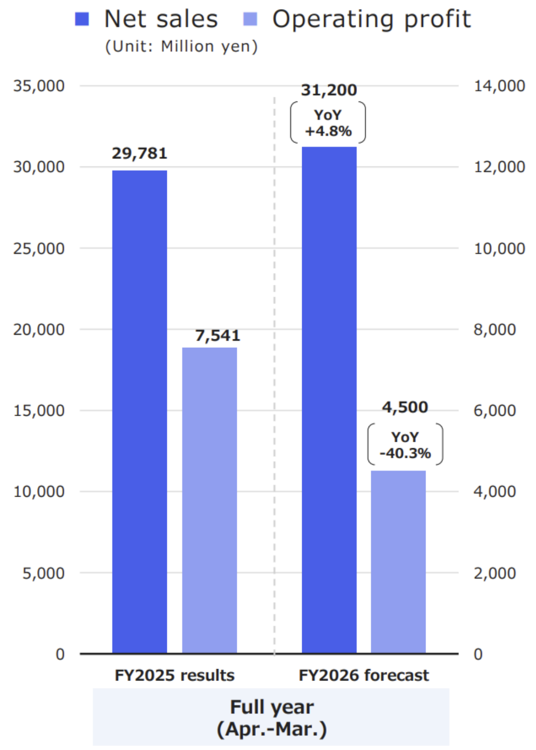
OASIS

Meaningful success in mobile gaming appears unlikely under the current management

Source: Company disclosures

FY26/3 Q4 Earnings Results (May 14, 2026)

Full-year Forecast – Gaming Segment



FY2025 results vs. FY2026 forecast

- We expect sales to increase, with contributions from multiple mobile game releases. Profit will decline from FY2025 due largely to *ELDEN RING NIGHTREIGN* main game and DLC.
  - FromSoftware is expected to contribute with *ELDEN RING Tarnished Edition*, as well as *The Duskbloods* (both slated for a 2026 release for Nintendo Switch 2), a completely new title. We will work to further expand the fan base globally.
  - Spike Chunsoft will release multiple titles, including the *Danganronpa* series.
  - The release of new mobile games utilizing KADOKAWA's animation IP is planned, including *KONOSUBA: God's Blessing on This Wonderful World!*

Medium- to long-term direction

- For medium- to long-term growth, we have 27 IPs in the development pipeline for console and PC games and 4 in the pipeline for mobile games.
- FromSoftware will steadily advance initiatives aimed at maximizing earnings by developing titles using its own capital and optimizing the business scheme including its publishing structure. We are making steady progress in strengthening the ability to develop IP in games and the cultivation of human resources. We will also make further advances in the development of the media mix, including adaptation into videos
- In terms of mobile games, preparations are underway with multiple titles in the pipeline, including titles developed in coordination with KADOKAWA's own animation IPs such as *KONOSUBA: God's Blessing on This Wonderful World!, The Rising of the Shield Hero, and Sentenced to Be a Hero*, as well as *LIMIT ZERO BREAKERS*, developed by capital and business alliance partner VIC GAME STUDIOS (KADOKAWA handling domestic marketing and promotion)

24

- *Management continues to position mobile gaming as a growth opportunity, even though prior titles have struggled to achieve meaningful success or profitability*
- *Management stated that the Company currently has four mobile game titles in its pipeline, including upcoming releases in FY27/3 based on KADOKAWA IP, and expects these titles to contribute to earnings in the ongoing fiscal year*
- *However, management has provided* ***little explanation as to what has fundamentally changed*** *from previous failed mobile game initiatives*
- *Given the Company's* ***weak execution track record in mobile gaming under the current management****, it is difficult for investors to expect meaningful success this time around*

Note: Emphasis added by Oasis

04

Failure to address declining competitiveness of Niconico platform

As the President of DWANGO, Natsuno is directly responsible for Niconico's failure to compete

Source: Company disclosures, Logmi Business

- CEO Natsuno's involvement in KADOKAWA Group began from his appointment as Director of DWANGO in 2008 (prior to DWANGO's merger with KADOKAWA) and has continued to manage the business as DWANGO's Representative Director and President since 2019
- While his contribution to DWANGO in its early days, resulting in Niconico achieving profitability for the first time, were significant, Niconico today continues to lose viewers and remains unable to compete effectively with global platforms such as YouTube

CEO Natsuno's Career Path

Apr 1998	Joined Tokyo Gas Co., Ltd.
Jun 2005	Executive Director and General Manager of Multimedia Service Division of NTT Mobile Network Inc. (present NTT DOCOMO, INC.)
May 2008	Guest Professor, Keio University Graduate School of Media and Governance
Dec 2008	**Director of DWANGO Co., Ltd.** *CEO Natsuno had been invited to DWANGO to save the Company from its consecutive losses and turn its Niconico service profitable; Shortly after, DWANGO successfully established the advertising / premium membership model and recorded its first ever profit in 2010*
Sep 2009	Outside Director of GREE, Inc. (present GREE Holdings, Inc.)*
Dec 2010	Outside Director of U-NEXT Co., Ltd. (present USEN-NEXT HOLDINGS CO., Ltd.)*
Oct 2014	Board Member of KADOKAWA
Jun 2016	Outside Director (Audit and Supervisory Committee Member) of transcosmos inc. *
Aug 2016	Outside Director of Oracle Corporation Japan*
Feb 2019	**Representative Director and President of DWANGO CO., Ltd.***
Apr 2020	Guest Professor and Director, Kindai University Cyber Informatics Research Institute*
Jun 2021	Board Member and President of KADOKAWA
Jun 2023	Board Member and Chief Executive Officer of KADOKAWA*

CEO Natsuno at Niconico Chokaigi 2015

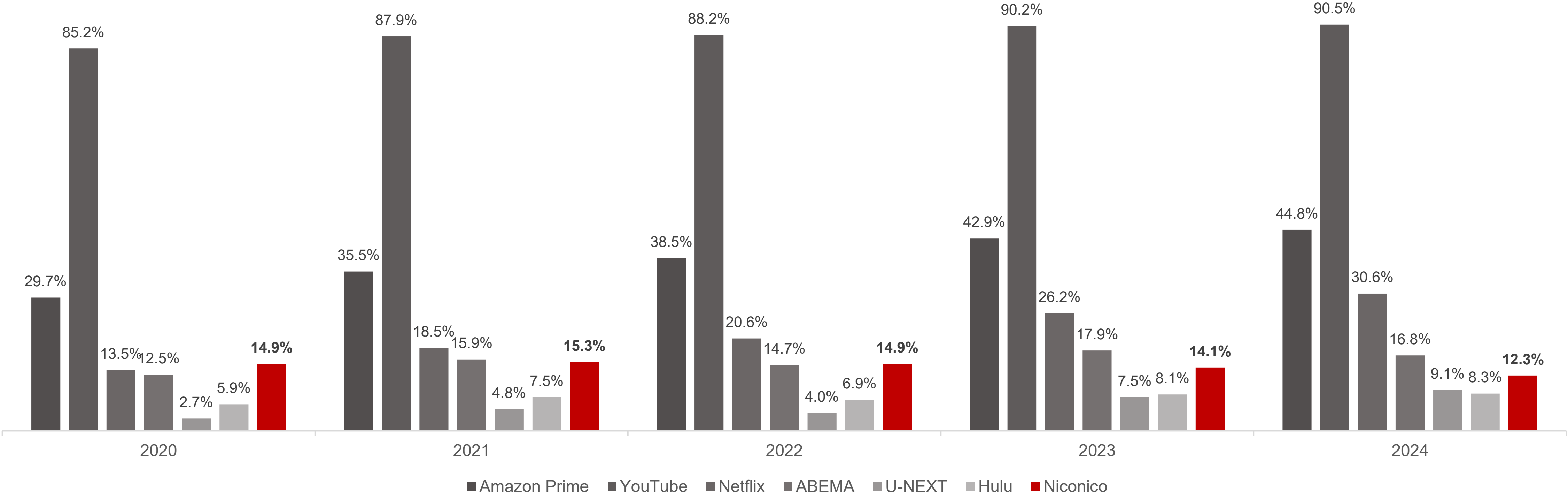
Note: * indicates roles still held by CEO Natsuno

More people use other video streaming services, but Niconico continues to lose viewers

Source: Ministry of Internal Affairs and Communications

- YouTube has established an overwhelming position in Japan's video streaming market, reaching usage rates of around 90%
- Usage rates have risen across major platforms as video streaming has become more widespread among the Japanese society
- While Niconico once maintained a strong and differentiated domestic user base, **Niconico is the only platform whose usage rate has declined**

Utilization Rate of Video Streaming Services in Japan



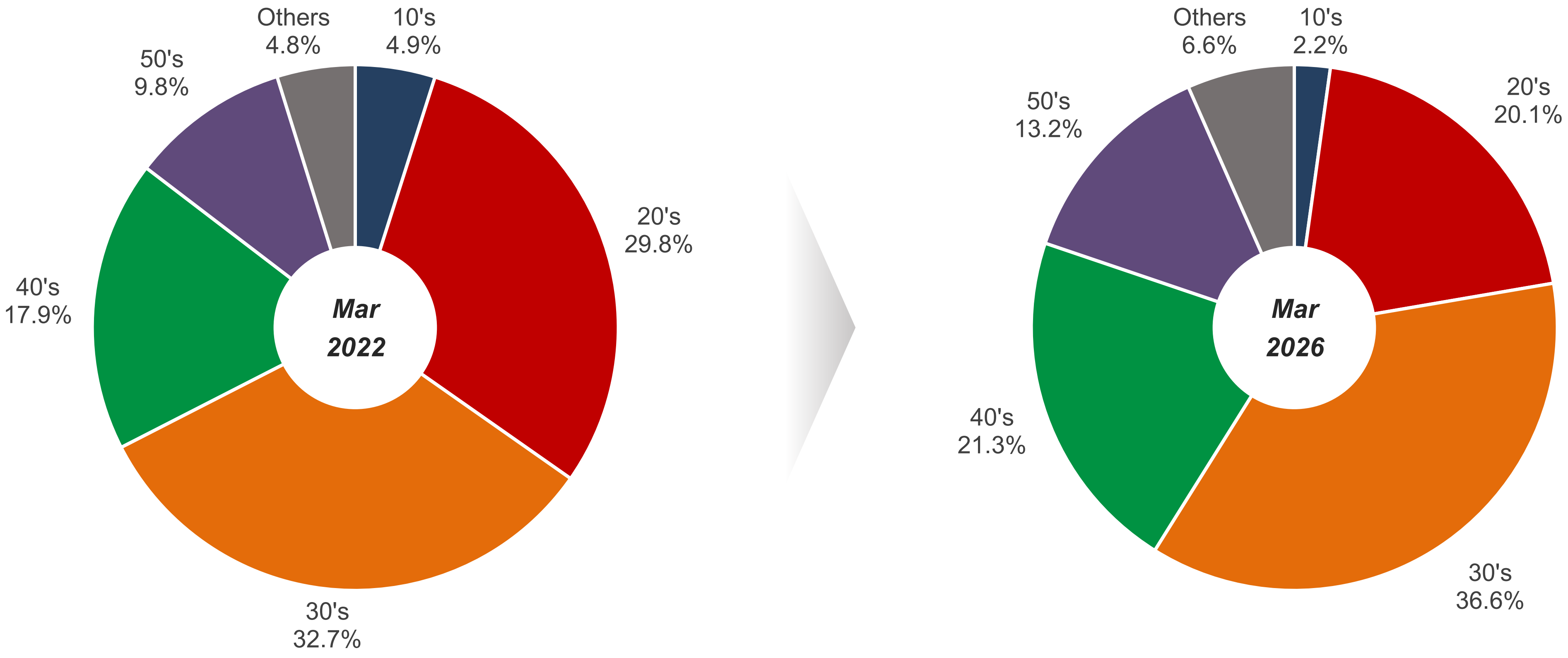
OASIS

Niconico’s audience is aging, highlighting weak youth user acquisition

Source: Company disclosures

- Niconico’s viewer base has shifted steadily toward older age groups, indicating that the platform is failing to attract a sufficient pipeline of new younger users

Age Group of Niconico Viewers

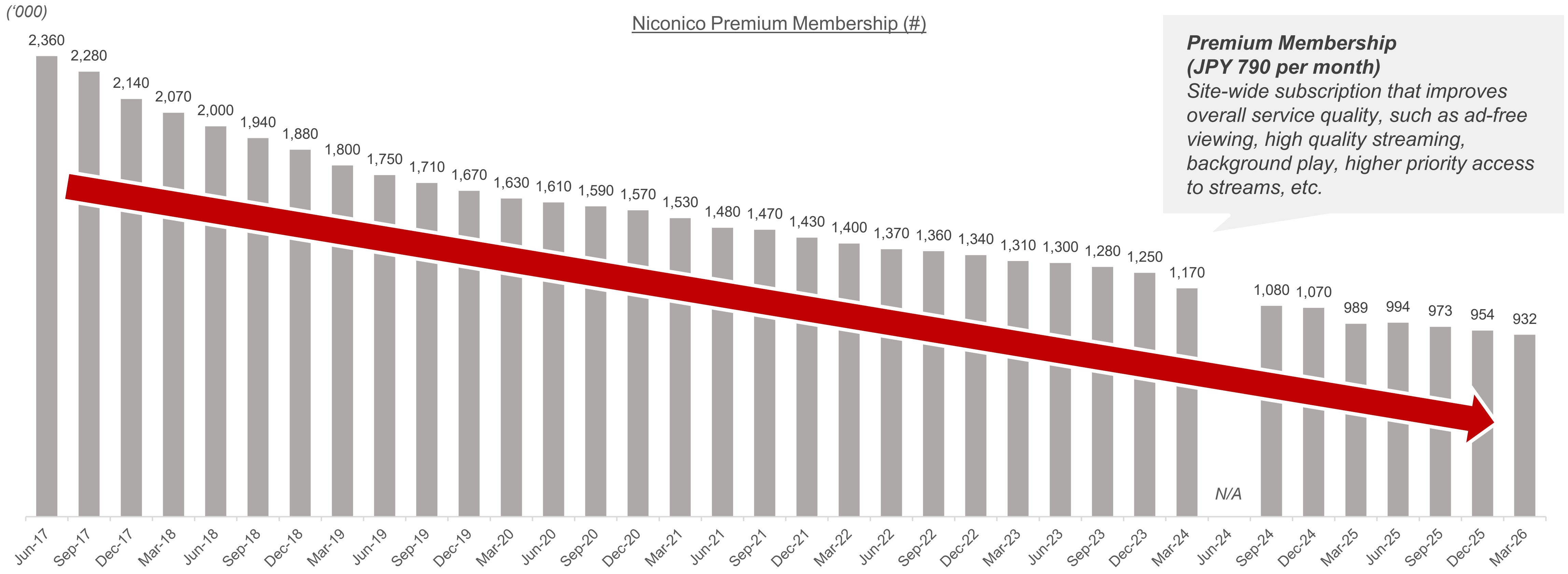


OASIS

Number of Premium Members has continued to decline to less than half in eight years

Source: Company disclosure

- Like premium tiers offered by other streaming platforms such as YouTube, Niconico also operates a paid premium membership program, but its number of paid subscribers has continued to decline every year to less than half in the last eight years



Note: FY25/3 Q1 undisclosed due to cyberattack system disruption

Number of Paid Members also started to decline

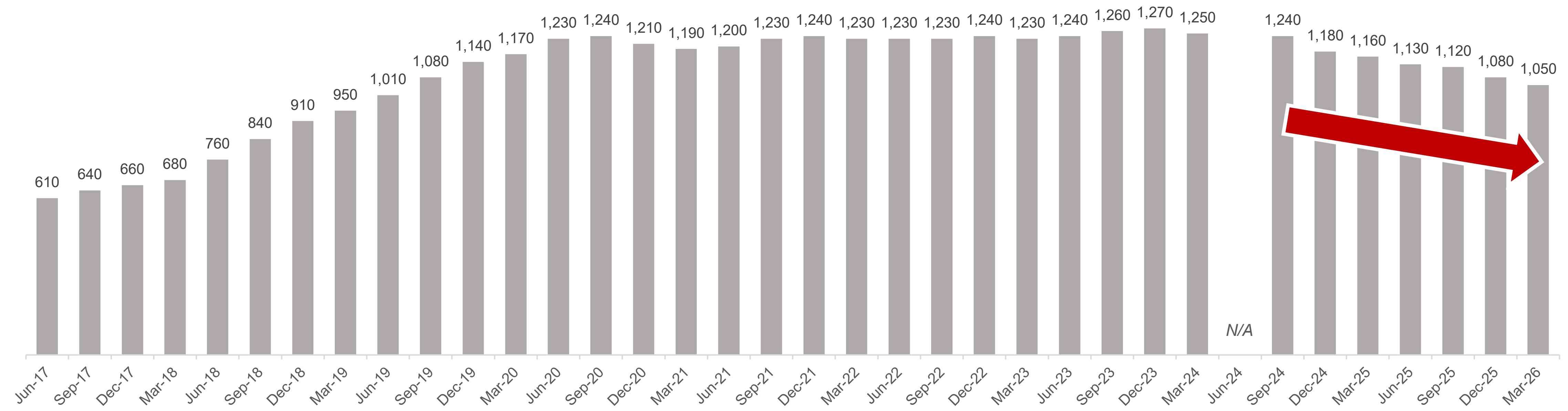
Source: Company disclosures

- Niconico also offers a separate paid membership model for access to content from specific channels
- While this business had experienced some growth until around 2020, it has shown a clear downtrend in the recent year

Niconico Channel Paid Membership
Subscription for individual channels, granting access to that channel's members-only videos, live streams and posts and is charged per channel

(‘000)

Niconico Channel Paid Membership (#)

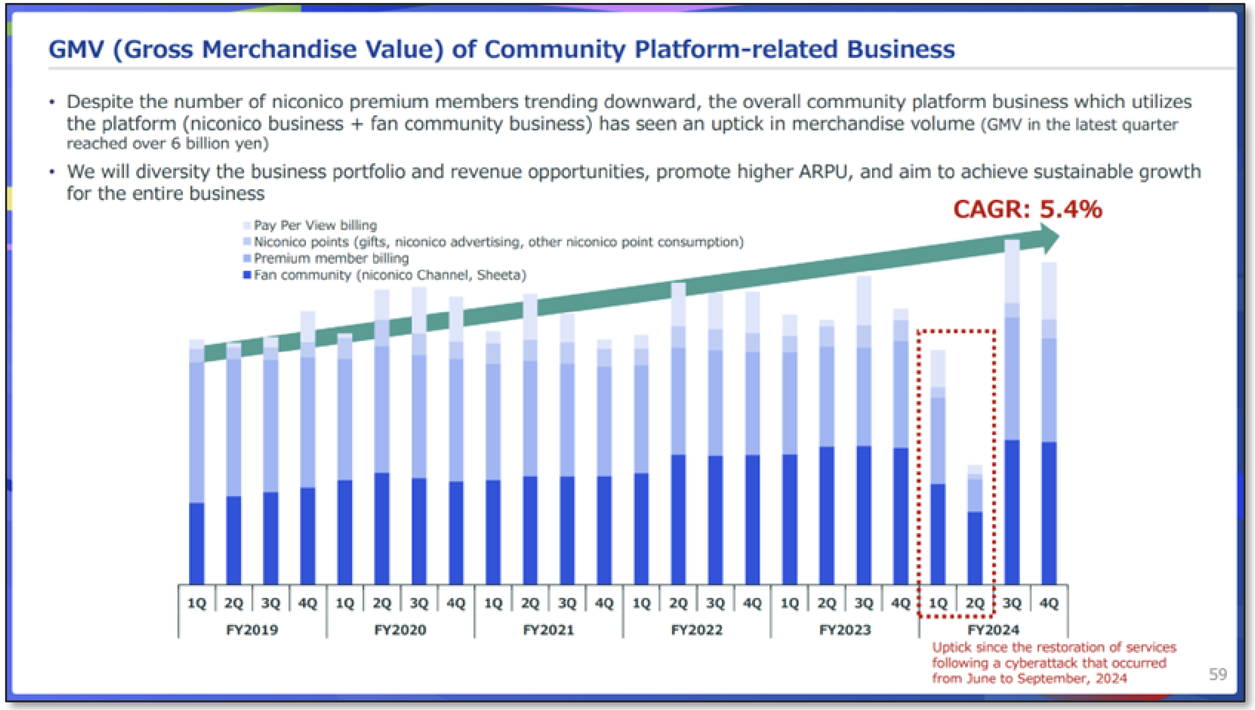


Note: FY25/3 Q1 undisclosed due to cyberattack system disruption

Selective disclosure raises questions about the true health of the Niconico business

Source: Company disclosures

FY25/3 Q4 Earnings Results (May 8, 2025)



- In FY25/3 Earnings, KADOKAWA pointed to rising GMV as proof that the broad community platform business was expanding despite declining premium membership
- However, the Company has stopped providing an update on the GMV chart (no updates in FY26/3), which also did not disclose any specific underlying figures
- This lack of follow-up disclosure raises concerns that the Company is avoiding transparency around the Niconico business that is in structural decline and facing worsening profitability
- In addition, the sharp rebound after FY25/3 Q1-2 must be viewed with caution, as the cyberattack created an unusually depressed base and recovery period was supported by large-scale promotional campaigns
- As a result, the reported recovery may reflect a temporary rebound rather than an evidence of durable underlying growth

Dwango employees also appear skeptical about how Niconico can compete with global rivals

Source: Openwork

DWANGO Employee

*Niconico service seem to have lagged other services provided by its modern competitors. I am concerned that **Niconico provides certain features only for its Premium members, which are features that other platforms would naturally offer for free**.*

- September 17, 2025

DWANGO former employee

*I do not see a path for things to get better, so I think it would be good to restore a company culture where people can take on new challenges. It may already be difficult now because the platform has lost much of its appeal, but it might be good if there were some mechanism to bring in talent in the way YouTube has worked with UUUM. Large-scale investment may be financially difficult, but they should keep trying. At the very least, it is not desirable that **even employees themselves are unable to see the benefits of being premium members** in the first place.*

- December 9, 2024

DWANGO former employee

*Niconico Video and Niconico Live are, compared with YouTube and Twitch, still behind the times in the direction of improvements they are making, or those efforts remain only half-finished. Related to that, **the company has been unable to stop the departure of prominent UGC creators**.*

*Even while working at Dwango, I honestly could not see where Niconico was headed. **If it wants to compete with YouTube and Twitch, it needs to fundamentally rethink both its monetization structure and the content of its services**.*

- October 12, 2023

DWANGO former employee

Since the integration with KADOKAWA, Dwango has not been able to take on new challenges, so there seem to be difficult aspects ahead.

*You can see the company's struggles in how **Niconico was slow to introduce tipping functions** out of an excessive sense of particularity yet is now repeatedly running tipping events on live streaming services.*

- December 9, 2024

Note: Translation and emphasis added by Oasis

Niconico is starting short videos just now, nearly eight years since TikTok service launch

Source: Niconico, DataReportal

- Niconico has only now announced that it would begin supporting short-form video uploads on April 15, 2026
- Given that TikTok launched roughly eight years earlier and YouTube began rolling out Shorts about five years ago, this represents an exceptionally slow and belated speed of innovation at DWANGO
- Niconico has failed to keep pace with changing user trends and evolving market standards. While global competitors have continued to promptly innovate and improve their services relentlessly, **Niconico has been unable to compete effectively, and its competitive advantage has long since been lost**

Niconico Press Release (April 2, 2026)

✗ *Niconico Short launching **April 15, 2026***

TikTok
- ✓ TikTok launched its service globally in **August 2018**
- ✓ Service now has ~1.6bn active users and has 42mn MAUs in Japan

Instagram
- ✓ Instagram Reels launched its service in **August 2020**
- ✓ Instagram has ~1.7bn users globally and 63mn users in Japan

YouTube
- ✓ YouTube Shorts launched its service globally in **July 2021**
- ✓ YouTube has ~2.5bn users globally and 78mn users in Japan

facebook
- ✓ Facebook Reels launched in the U.S. in **September 2021**
- ✓ Facebook has ~2.3bn users globally and 16mn users in Japan

Management has yet to articulate a strategic roadmap for Niconico

Source: Management interview

Dialogue at Oasis's Meeting with CEO Natsuno on April 13, 2026

CEO Natsuno

*Regarding the Web Services business, **we do not expect significant growth of this business itself**, but **as long as it remains profitable, it has become a good platform for attracting talented engineers**. So, it will play a central role in the hiring strategy for engineers. Once we hire the engineers, we will be able to utilize the resources across the board.*

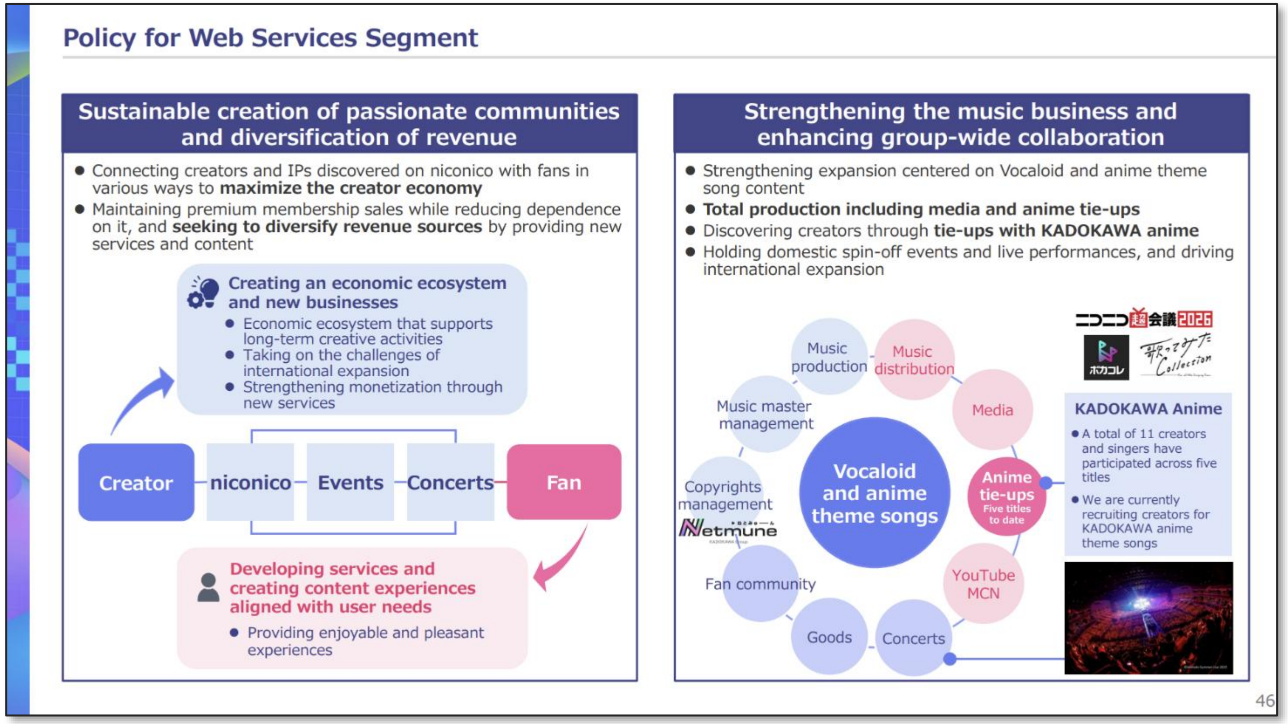
- *Even CEO Natsuno has admitted that this business offers **limited growth potential**, suggesting that management lacks clear views on the future of this business*
- *While management implied that no review is necessary so long as profitability is maintained, it is **unclear how long that profitability can be sustained** as the platform's competitiveness continues to erode*
- *If the Company wants to maintain this business, **management must define a clear future vision for the business** and determine its strategic role from a medium- to long-term perspective*
- *CEO Natsuno argued that the platform helps attract engineers, yet the Company has failed to clearly demonstrate **how these engineering resources have contributed to value creation***

Note: Translation and emphasis added by Oasis

New MTP fails to present a clear strategy for Web Services to regain competitiveness

Source: Company disclosures

New MTP (May 14, 2026)



- ✗ *New MTP offers* ***no clear strategy*** *to address the declining competitiveness of Web Services business*
- ✗ *While the Company explains maximization of the creator economy and strengthening music business as growth strategies for the segment, there are* ***no breakdowns of revenue / profit*** *expected to be generated from each initiative*
- ✗ *Despite the core business of the segment being a UGC video platform, management provides* ***no commitments regarding the operating KPIs*** *that platform operators would normally track and disclose, such as MAUs, total watch time, comment activity, premium subscribers, ARPU, or churn*
- ✗ *The absence of concrete KPI targets raises concerns that* ***management lacks a data-driven framework*** *for evaluating the platform's competitiveness and long-term growth trajectory*
- ✗ *Without measurable operating metrics,* ***investors have little ability to assess*** *whether the platform is actually strengthening or continuing to lose relevance over time*

05

Others segment continues to generate significant losses

Others segment is loss-making with no clear path to improvement

- The Others segment has continued to generate losses of roughly JPY 4-5bn every year for many years, yet KADOKAWA's current management team has failed to present a credible plan for meaningful improvement

- The Others segment has remained deeply loss-making for years, with **annual losses consistently around JPY 4-5bn** and no visible improvement in profitability
- Because disclosure is provided only at the broad "Others" segment level, investors are given little transparency into which businesses are generating losses and to what extent, and are effectively asked to absorb ongoing losses without explanation
- Within this segment, the **MD (merchandising) business appears to have obvious operational improvement opportunities**, yet management has left them largely unaddressed
- **Tokorozawa Sakura Town**, another major business within the segment, has recorded repeated **large impairment charges**, while its **original strategic rationale as a source of synergy with other businesses has effectively disappeared**
- Current KADOKAWA management team led by CEO Natsuno has neither articulated a convincing path to materially improve profitability nor demonstrated real urgency to turn the business around

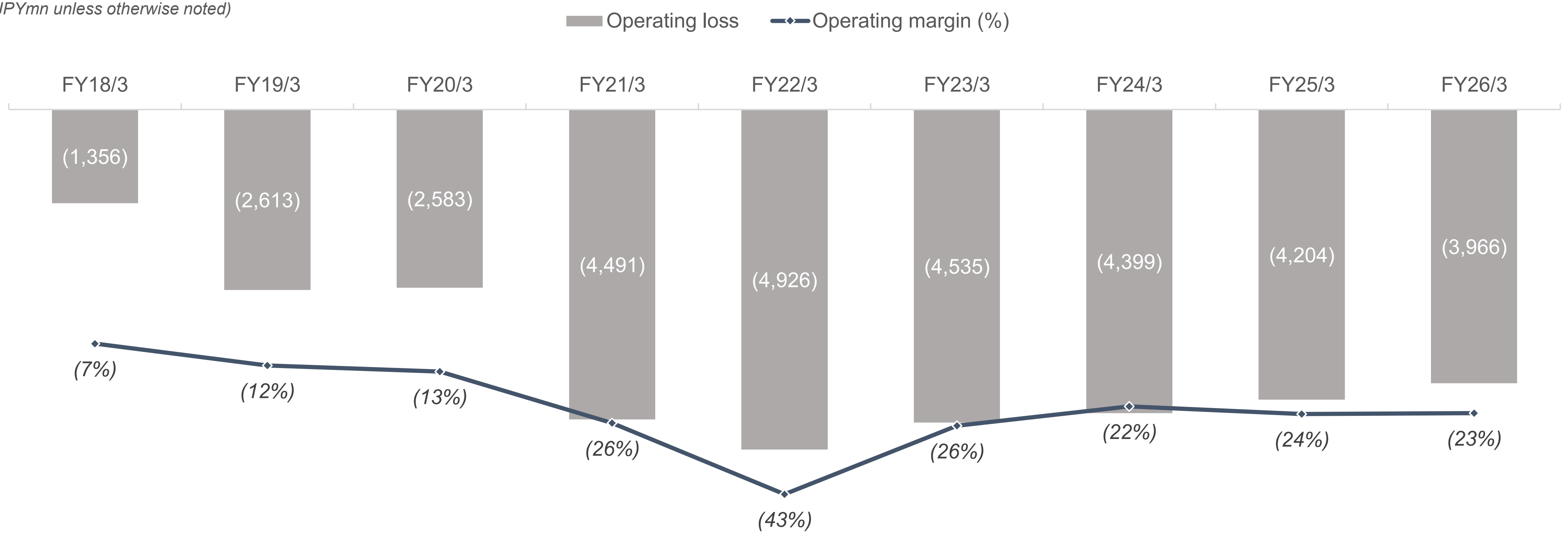
Immediate and fundamental profitability reform is required, but under the current management team, meaningful improvement appears unlikely, making management change the more appropriate course

Others segment continues to generate significant losses every year

Source: Company disclosures

- Others segment, mainly consisting of merchandising business and Tokorozawa Sakura Town, have continued to record over JPY 4bn annual losses, imposing significant burden on KADOKAWA's overall performance

(JPYmn unless otherwise noted)

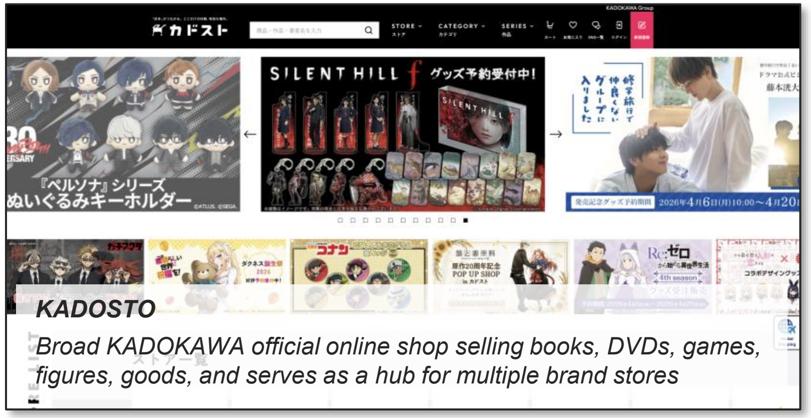


Note: Others segment financials for FY18/3-FY21/3 includes "Education / EdTech" segment

Management has yet to address obvious inefficiencies in KADOKAWA's EC operations

Source: KADOSTO, Chara-Ani.com, Kujibikido, DWANGO JP Store

E-Commerce sites operated by KADOKAWA Group

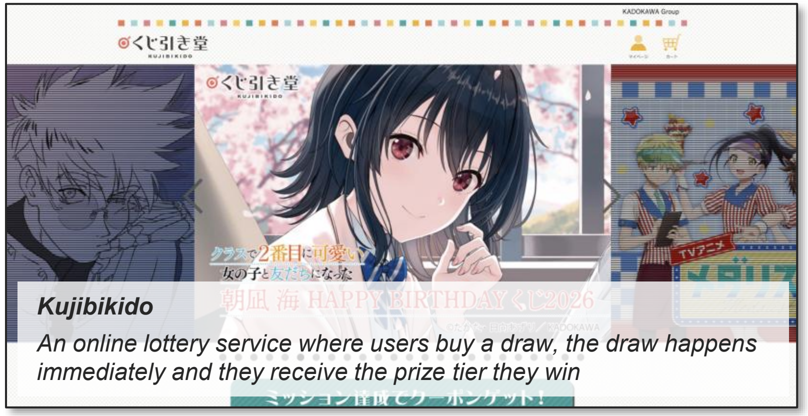


KADOSTO

Broad KADOKAWA official online shop selling books, DVDs, games, figures, goods, and serves as a hub for multiple brand stores

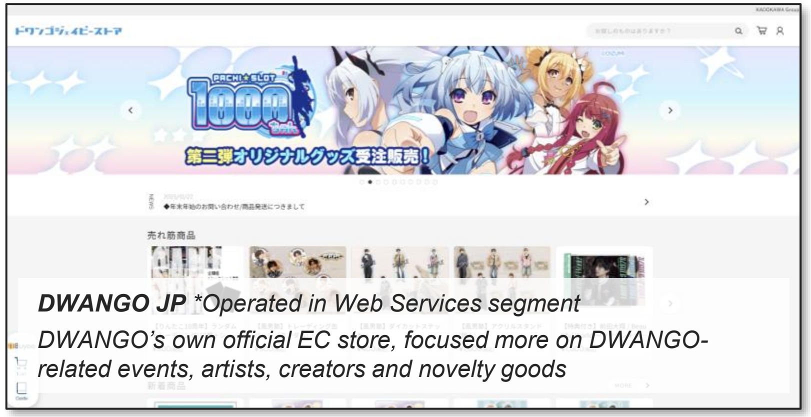
Chara-Ani

An online store selling anime, game, idol goods including figures, etc.; Select Chara-Ani products also sold in Kadosuto



Kujibikido

An online lottery service where users buy a draw, the draw happens immediately and they receive the prize tier they win



DWANGO JP **Operated in Web Services segment*

DWANGO's own official EC store, focused more on DWANGO-related events, artists, creators and novelty goods

- ✗ *KADOKAWA has multiple e-commerce platforms operating the MD (Merchandise) business within its Others segment*
- ✗ *Despite operating similar businesses and offering similar products (e.g. character goods, figures, clothing, stationery), there is limited integration among the platforms*
- ✗ *While accounts for KADOSTO and Kujibikido share the same KADOKAWA-ID, there is no ID integration with the other platforms (Chara-Ani, DWANGO JP)*

There appears to be clear low hanging opportunities to improve efficiencies in the Others segment, particularly by streamlining the MD business

KADOKAWA operates a large-scale commercial facility far from central Tokyo

Source: Tokorozawa Sakura Town

ところざわサクラタウン
TOKOROZAWA SAKURA TOWN

Large-scale cultural complex that opened in November 2020, which includes Kadokawa Cultural Museum, several shops and restaurants, a shrine, etc., located in Tokorozawa, Saitama (approx. 1 hour drive from Tokyo)

KADOKAWA Culture Museum

Canteen KADOKAWA

Musashino Reiwa Shrine

Main Building 2F
LOVE SAITAMA PARK by J:COM
Concept Shop

Main Building 2F
Resona Quick Lobby (Resona Sakura BASE)
ATM and other services

Kadokawa Culture Museum 2F
Rock Museum Shop
Museum Shop

Main Building 2F
CAPSULE STUDIO
Capsule toy corner

Main Building 3F
Family Mart
Convenience stores

Main Building 2F
HADO ARENA
AR activity facility

Main Building 2F
Musashi Rikyu
Japanese style cafe

Main Building 2F
TULLY'S COFFEE
Coffee Shop

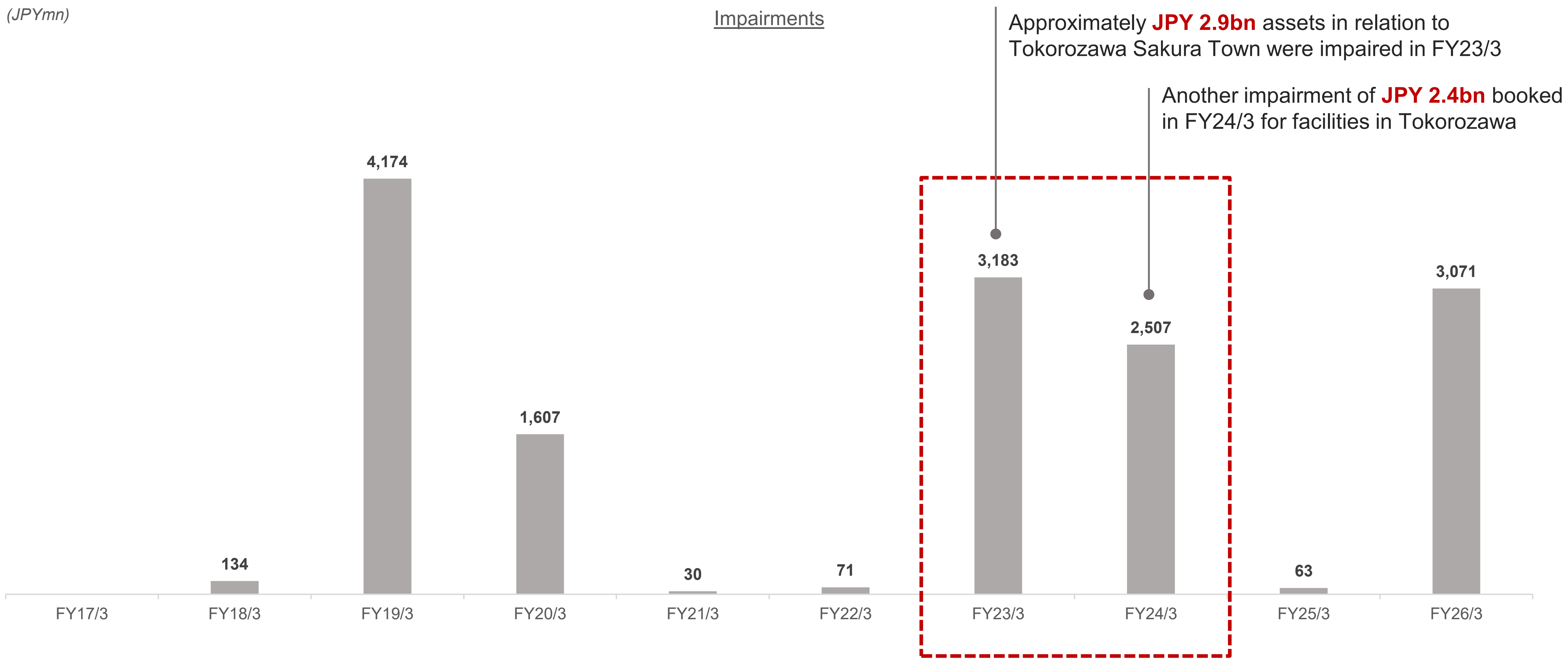
Main Building 2F
Ramen Walker Kitchen
ramen

Kadokawa Culture Museum 2F
KadoCafe角珈琲
Cafe

Kadokawa Culture Museum 5F
SACULA DINER
restaurant

Tokorozawa Sakura Town has accounted for over JPY 5.3bn of impairment losses

Source: Company disclosures



Note: Impairments in FY26/3 as sum of impairment of goodwill and fixed assets

Strategic rationale for operating Tokorozawa Sakura Town has diminished

Source: Company disclosures

- In FY24/3, KADOKAWA recorded a JPY 2.4bn impairment for Tokorozawa Sakura Town, following the change in Company's policies
- Based on the policy change, there seems to be little strategic rationale for KADOKAWA to maintain its operations in Tokorozawa

> ***Background leading to recognition of impairment losses and method of grouping***
>
> *The Group groups its assets based on the smallest unit that generates cash inflows that are largely independent. Investment properties are grouped individually, while other assets are grouped based on the smallest unit that generates independent cash inflows.*
>
> *Previously, for the commercial facilities within Tokorozawa Sakura Town, the event hall and shop generated cash inflows independently. However, because the Company expected to recover its investment through its media-mix strategy, including the "koto" business, and because those facilities were viewed as complementary to the cash inflows of related businesses, they had been grouped together with the fixed assets of the related businesses.*
>
> ***At the time Tokorozawa Sakura Town opened, it was positioned as a new business in the form of an IP experiential facility under the Company's media-mix strategy aimed at maximizing the value of its IP by creating physical touchpoints with publishing and video content (the "koto" business).*** *However,* ***even after the easing of restrictions related to the prevention of the spread of COVID-19, visitor numbers remained below expectations and losses continued****. As a result, the Company changed its policy and determined that* ***the facility would no longer be operated primarily to generate synergies with the Publication / IP Creation business and the Animation / Film business or to drive visitor traffic, but rather as a facility-based operation rooted in Tokorozawa****, with each facility working on improving its own profitability.*
>
> *In light of this change in policy, the Company changed the grouping of Tokorozawa Sakura Town's event hall, shops, and other facilities at the end of the consolidated fiscal year and treated them as asset groups that generate independent cash inflows for each individual facility.*
>
> *As a result, for the asset groups for which the Company determined that recovery of the invested amount was no longer expected, the carrying amount was written down to the recoverable amount.*
>
> *- FY24/3 Annual Securities Report*

Note: Translation and emphasis added by Oasis

06

Lack of cost discipline resulting in significant cost inflation

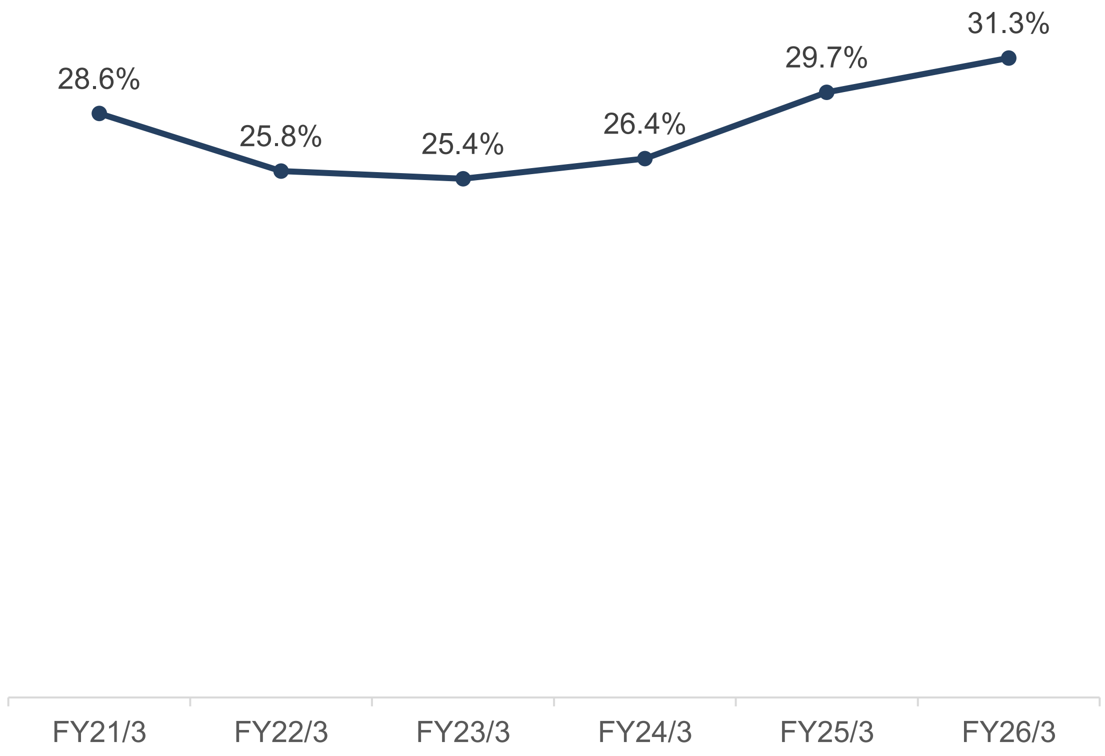
OASIS

Growing SG&A under CEO Natsuno implies weak cost discipline

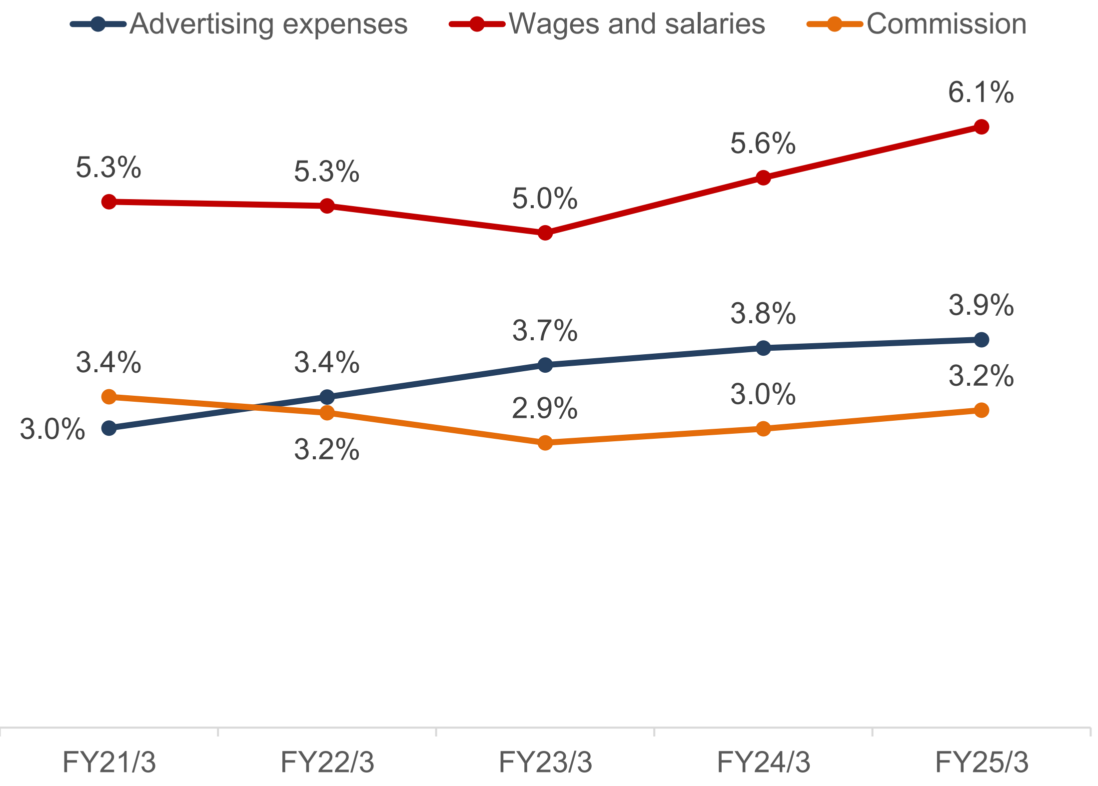
Source: Company disclosures

- KADOKAWA's SG&A as a percentage of sales has continued to rise, exposing increasingly lax cost discipline under the current management team
- In particular, advertising expenses and personnel costs are the largest components, and both have continued to trend upward year after year

SG&A as % of Sales



Breakdown of SG&A as % of Sales



OASIS

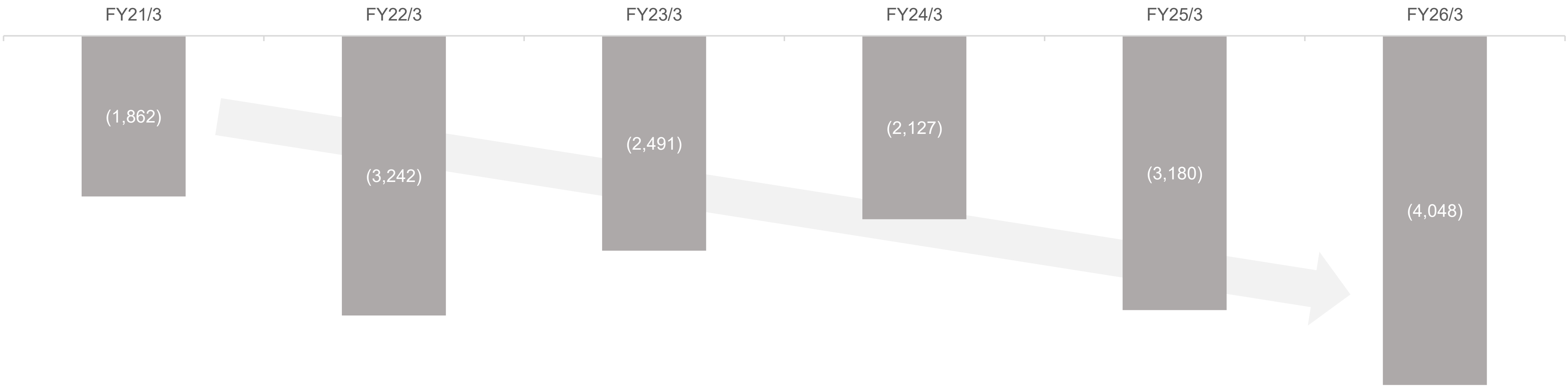
Headquarter costs have also grown under CEO Natsuno's leadership

Source: Company disclosures

- Since CEO Natsuno assumed leadership in 2021, corporate overhead expenses recorded under segment adjustments have expanded significantly, doubling from prior levels to over JPY 4bn in the most recent fiscal year
- This further suggests poor cost discipline under the current management and indicates that expenses have not been managed with sufficient oversight

(JPYmn)

Headquarter Costs (Adjustment)



OASIS

07

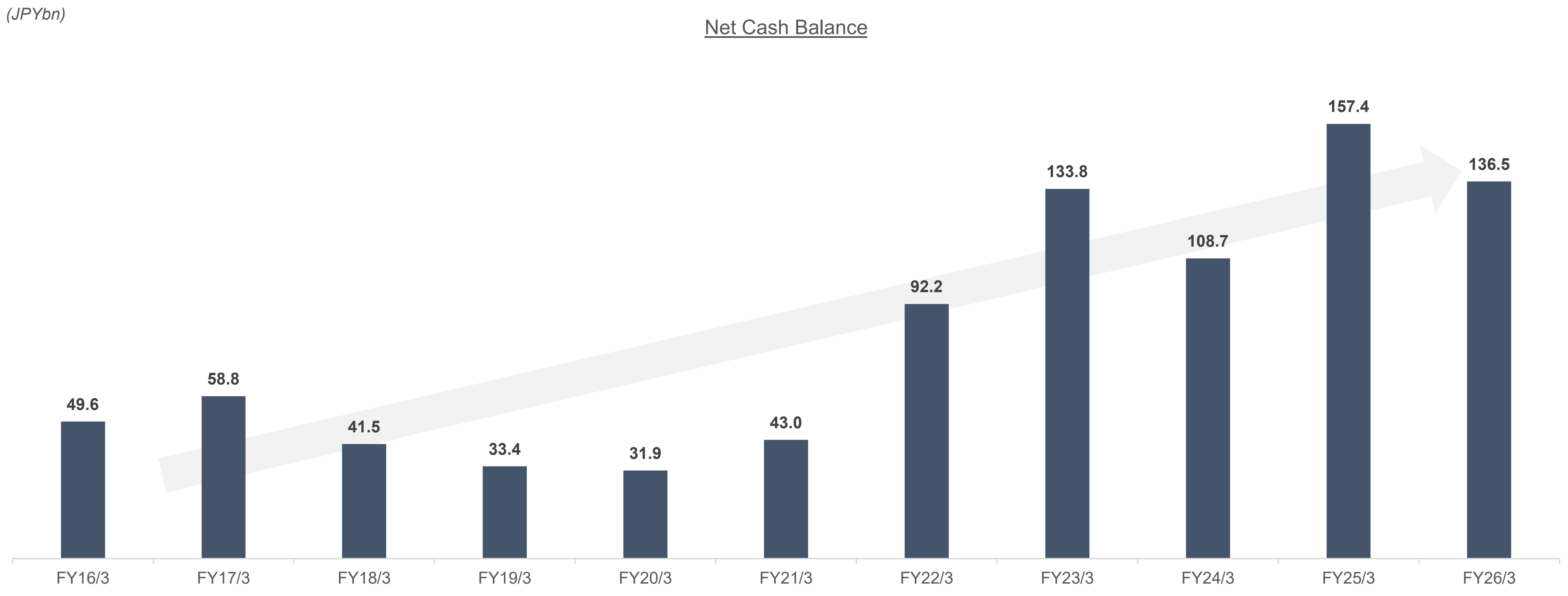
Failed capital allocation and M&A execution

OASIS

Growing net cash underscores poor balance sheet management under Natsuno's leadership

Source: Company disclosures

- KADOKAWA's net cash balance has continued to build, particularly since CEO Natsuno took office, underscoring the current management team's ineffective balance sheet management and failure to put excess capital to productive use

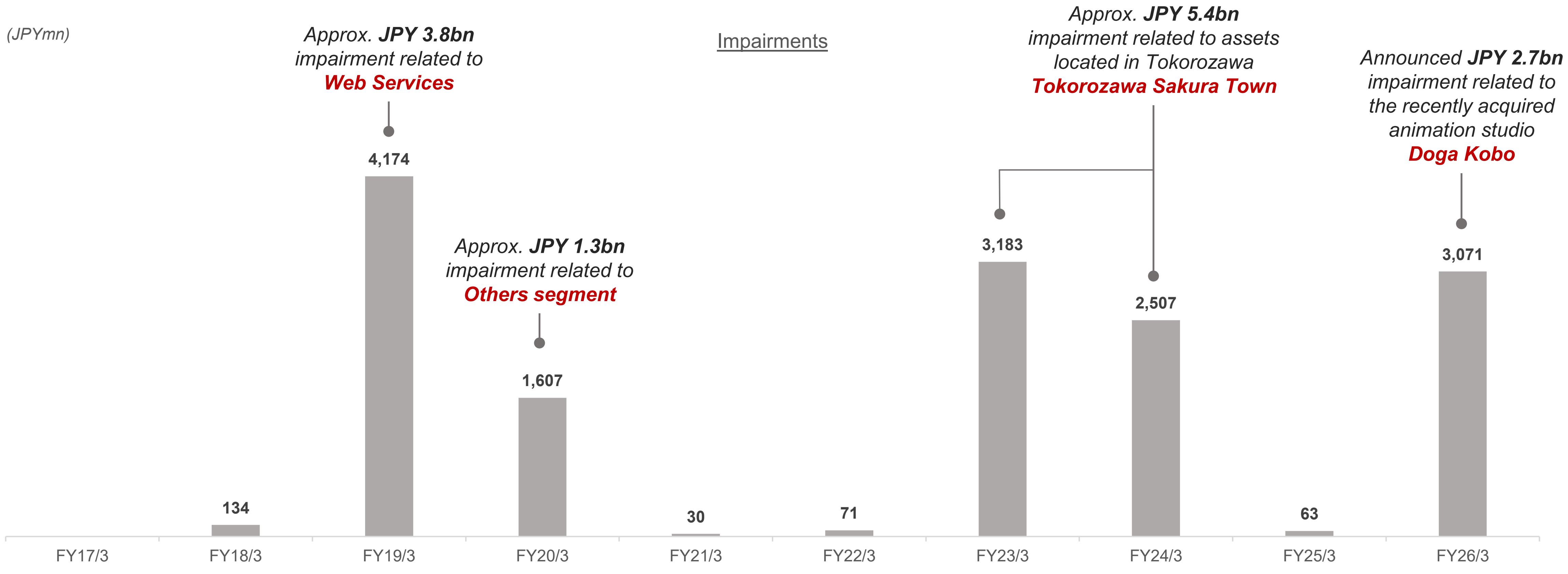


Note: Net cash calculated by adding cash & cash equivalent, short-term investments and long-term investments minus total debt

Poor investments have led to repeated impairment losses over the past decade

Source: Company disclosures

- The repeated impairments in Web Services, the Others segment, Tokorozawa Sakura Town, and newly acquired animation studio reveal a broader failure of management discipline, spanning strategic misjudgment, poor capital allocation, and weak execution



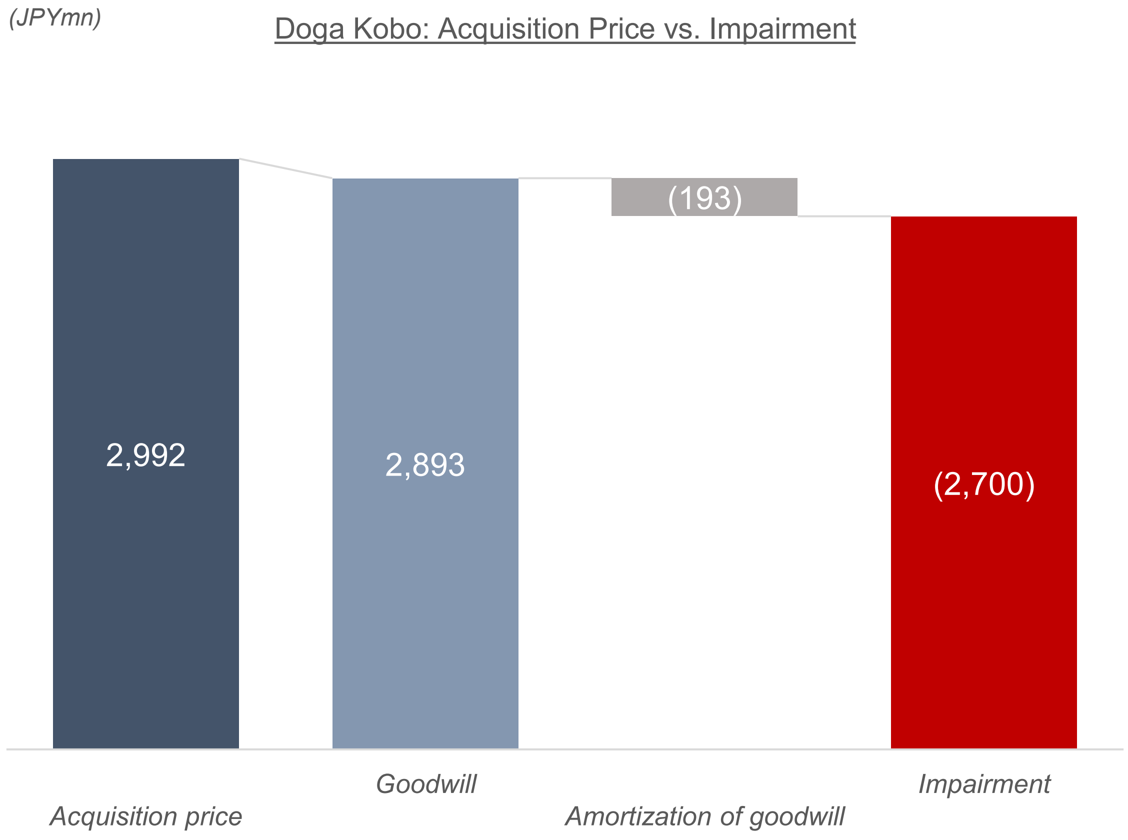
Note: Impairments in FY26/3 as sum of impairment of goodwill and fixed assets

OASIS

Doga Kobo acquisition demonstrates a clear M&A failure

Source: Company disclosures

- The rapid write-down of nearly the entire acquisition value points to flawed deal judgment, poor risk assessment, weak strategic oversight, and a lack of meaningful accountability from management



✗ *KADOKAWA acquired Doga Kobo in October 2024, paying JPY 2.99bn for the animation production studio of "Oshi no Ko" series*

✗ ***Only 12-months after the acquisition*** *was completed, KADOKAWA announced on November 6, 2025, that it has booked an* ***impairment of JPY 2.7bn*** *in FY26/3 to write off all of the goodwill recorded at the time of Doga Kobo acquisition*

✗ *Impairment represents* ***approximately 90% of the original acquisition*** *price*

✗ *Despite this clear failure, the Management has not provided any meaningful accountability regarding the underperformance or the shortcomings of their acquisition strategy*

Doga Kobo acquisition demonstrates a clear M&A failure (Cont'd)

Source: Otaku Soken

- Despite clear warnings about the structural difficulty of animation production, the current management pursued the acquisition at an aggressive valuation, which was then forced into a near-immediate impairment

> *When we started getting into animation production, **many people advised us against owning a production studio, noting how difficult the business is**. We realized there are so many things that simply cannot be done relying solely on the contracts provided by the broadcasters. You must deliver according to the broadcaster's schedule, and if you have to gather personnel quickly to meet those deadlines, it often leads to massive budget overruns.*
>
> *- Chief Studio Officer Takeshi Kikuchi*

Note: Translation and emphasis added by Oasis

08

Inadequate corporate governance and management accountability

OASIS

Multiple shortcomings suggest weak governance and inadequate board oversight

01

CEO Natsuno's numerous concurrent roles, active media appearances, and repeated public controversies call into question whether he is devoting sufficient time, attention, and judgment to his primary role as CEO of KADOKAWA

02

The 2024 cyberattack compromised the personal information of many stakeholders and inflicted substantial losses on shareholders, while exposing serious vulnerabilities in KADOKAWA's systems and crisis management capabilities

03

The JFTC's warning over unfair treatment of subcontractors raises serious concerns about KADOKAWA's governance and compliance culture, yet management has failed to demonstrate accountability to its stakeholders

Natsuno is not focused on KADOKAWA

Source: Company disclosures, desktop research

- In addition to serving as the CEO of KADOKAWA and President of Dwango, Natsuno holds Outside Director positions at four listed companies in Japan and numerous other roles across academia, foundations, industry associations, and private companies

Public Companies

GREE — *Outside Director of GREE Holdings, Inc. (Sep 2009-)*

U-NEXT HOLDINGS — *Outside Director of U-NEXT Holdings (Dec 2010-)*

trans cosmos people & technology — *Outside Director (Audit and Supervisory Committee Member) of transcosmos inc. (Jun 2016-)*

ORACLE — *Outside Director of Oracle Corporation Japan (Aug 2016-)*

Natsuno serves as the Outside Director at 4 TSE listed companies in Japan

Academia

近畿大学 KINDAI UNIVERSITY — *Specially Invited Professor and Director of Cyber Informatics Research Institute*

SAKURA INTERNATIONAL SCHOOL — *Advisor ("Komon") Curriculum Lab Advisor*

Foundations

Mitou Foundation 一般社団法人未踏 — *Board member*

公益財団法人 GMOインターネット財団 — *Director of GMO Internet Foundation*

Industry Associations

JMPA 一般社団法人 日本雑誌協会 — *Director of the Japan Magazine Publishers Association (JMPA)*

一般社団法人 映画産業団体連合会 Federation of Japanese Films Industry, Inc. — *Director*

一般社団法人日本映画製作者連盟 Motion Picture Producers Association of Japan, Inc. — *Director*

Others

CJPF クールジャパン官民連携プラットフォーム — *Co-Chairman*

WCAP Web Consortium Asia Pacific — *Director*

HR Solutions — *Outside Director (Jun 2022-)*

CEO Natsuno's frequent media appearances raise questions about his priorities

Source: ABEMA

- Despite the urgent strategic and operational challenges that KADOKAWA currently faces, CEO Natsuno continues to appear frequently on ABEMA Prime as the show's commentator, including 10 times in 2026 alone, making it highly questionable whether he is sufficiently focused on his responsibilities at KADOKAWA as the CEO

Jan 14
Jan 21
Jan 28
Feb 4
Feb 18
Feb 25
Mar 4
Mar 11
Mar 18
Apr 22

OASIS

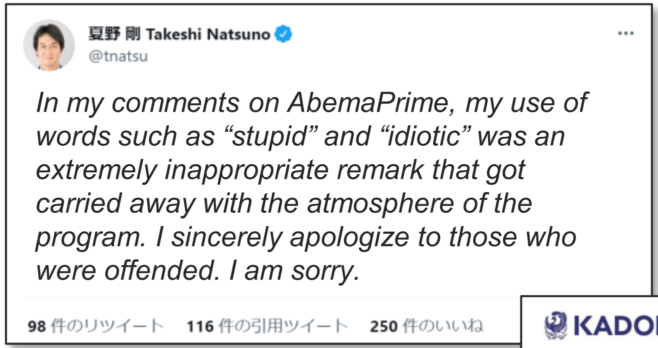
CEO Natsuno took a pay cut after inappropriate public comments on ABEMA Prime

Source: Abema, X (Twitter), company disclosures

(In response to another person's comment about the reason behind not allowing spectators for the Olympics as it creates a sense of unfairness among the public)

*Who cares about some **stupid piano recital** compared to the Olympics. But because there is an election this year, politicians are forced to play along with this **idiotic public sentiment** that treats them as the same thing.*

– CEO Natsuno on AbemaPrime (July 21, 2021)

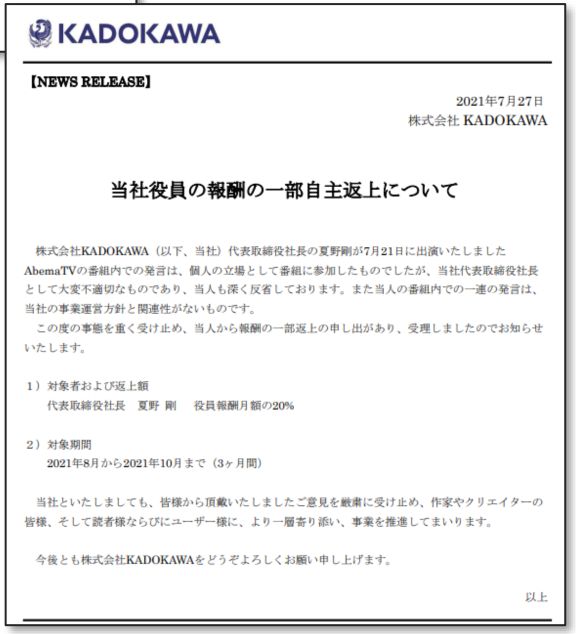

夏野 剛 Takeshi Natsuno
@tnatsu

In my comments on AbemaPrime, my use of words such as "stupid" and "idiotic" was an extremely inappropriate remark that got carried away with the atmosphere of the program. I sincerely apologize to those who were offended. I am sorry.

98 件のリツイート　116 件の引用ツイート　250 件のいいね

✗ *CEO Natsuno apologized for his use of inappropriate words via Twitter (X)*

✗ *On July 27, 2021, KADOKAWA announced that CEO Natsuno would voluntarily return 20% of his monthly executive compensation for the 3-months from August to October 2021*


KADOKAWA

【NEWS RELEASE】

2021年7月27日
株式会社 KADOKAWA

当社役員の報酬の一部自主返上について

株式会社KADOKAWA（以下、当社）代表取締役社長の夏野剛が7月21日に出演いたしましたAbemaTVの番組内での発言は、個人の立場として番組に参加したものでしたが、当社代表取締役社長として大変不適切なものであり、当人も深く反省しております。また当人の番組内での一連の発言は、当社の事業運営方針と関連性がないものです。

この度の事態を重く受け止め、当人から報酬の一部返上の申し出があり、受理しましたのでお知らせいたします。

1）対象者および返上額
代表取締役社長　夏野 剛　　役員報酬月額の20%

2）対象期間
2021年8月から2021年10月まで（3ヶ月間）

当社といたしましても、皆様から頂戴いたしましたご意見を厳粛に受け止め、作家やクリエイターの皆様、そして読者様ならびにユーザー様に、より一層寄り添い、事業を推進してまいります。

今後とも株式会社KADOKAWAをどうぞよろしくお願い申し上げます。

以上

Note: Translation and emphasis added by Oasis

CEO Natsuno's past remarks alienate employees and customers

Source: X (Twitter)

- CEO Natsuno's past public remarks on Twitter and Niconico Live, which have been criticized as showing insensitivity toward low income individuals and a troubling disregard for human life, raise serious concerns about the judgment and dignity expected of a listed company CEO

夏野 剛 Takeshi Natsuno
@tnatsu

Young people who do not pay taxes but view disparities as a problem have no hope for the future

午前0:01 · 2013年1月3日 · Echofon

282 件のリツイート 323 件の引用ツイート 96 件のいいね

夏野 剛 Takeshi Natsuno
@tnatsu

Isn't it arrogant to demand pensions and social security without paying taxes and to say that public projects should create jobs?

午後2:48 · 2012年12月3日 · Echofon

38 件のリツイート 3 件の引用ツイート 15 件のいいね

夏野 剛 Takeshi Natsuno
@tnatsu

This is a difficult topic, but I think people who pay taxes should be given twice the voting rights of those who do not. In any case, the weight of votes cast by people in Tokyo is less than half of people in Tottori. The Supreme Court apparently also said it would allow up to a twofold disparity.

午前9:20 · 2012年6月22日 · Echofon

74 件のリツイート 2 件の引用ツイート 28 件のいいね

夏野 剛 Takeshi Natsuno
@tnatsu

When I see farmers, who are dependent and forcing the public to pay high costs, protesting against TPP (Trans- Pacific Partnership) as if it were their natural right, I think of JAL's labor union opposing layoffs despite the company being effectively bankrupt. Note that both are merely trying to protect vested interests and are by no means the weak.

午前0:01 · 2010年11月10日 · Echofon

170 件のリツイート 7 件の引用ツイート 61 件のいいね

CEO Natsuno at a roundtable discussion on Niconico Live in 2017

Due to the Olympics, the restrictions on Haneda's approach routes will be eased and planes will fly over Gotanda. Apparently, there are people opposing to this route change.

CEO Natsuno

*When they open that flight route, **they should just carpet-bomb that area with B-2 bombers** to start with. **Kill them all.** We don't need them.*

Note: Translation and emphasis added by Oasis

Multiple shortcomings suggest weak governance and inadequate board oversight

01

CEO Natsuno's numerous concurrent roles, active media appearances, and repeated public controversies call into question whether he is devoting sufficient time, attention, and judgment to his primary role as CEO of KADOKAWA

02

The 2024 cyberattack compromised the personal information of many stakeholders and inflicted substantial losses on shareholders, while exposing serious vulnerabilities in KADOKAWA's systems and crisis management capabilities

03

The JFTC's warning over unfair treatment of subcontractors raises serious concerns about KADOKAWA's governance and compliance culture, yet management has failed to demonstrate accountability to its stakeholders

Cyberattack resulted in significant losses for KADOKAWA and its shareholders

Source: Company disclosures

FY25/3 Q4 Earnings Results (May 8, 2025)

System Failure Caused by Large-scale Cyberattack: Impact on Business Performance

(Unit: Million JPY)	Impact on the Full Year	Impact on 1Q (Results)	Impact on 2Q (Results)	Impact on 3Q (Results)	Impact on 4Q (Results)
Impact on Net Sales	**-8,300**	-2,600	-4,900	-700	-100
Publication/IP Creation (Domestic paper-based books)	**-3,650**	-1,350	-1,800	-500	-
Web Services	**-3,950**	-1,250	-2,600	-50	-50
Others	**-700**	-	-500	-150	-50
Impact on Operating Profit	**-4,700**	-1,850	-2,650	-200	-
Publication/IP Creation (Domestic paper-based books)	**-1,900**	-800	-850	-250	-
Web Services	**-2,100**	-1,050	-1,300	+200	+50
Others	**-700**	-	-500	150	50
Extraordinary Losses ※ Losses related to compensation to creators on the niconico service and work to investigate the incident and restore systems	**2,400**	2,000	350	-	50

* As a result of careful review, some past figures have been corrected.
* The positive operating profit figures are due to a decline in some costs form the impact of the system failure

9

The impact of the cyberattack extended beyond the Web Services business, materially impacting FY25/3 results, with operating profit down JPY 4.7bn and recording extraordinary losses of JPY 2.4bn

Cyberattack resulted in leakage of 254,241 personal data records

Source: Company disclosure

Notice Concerning Information Leakage Caused by Ransomware Attack (Aug 5, 2024)

KADOKAWA

【NEWS RELEASE】

August 5, 2024
KADOKAWA CORPORATION

Notice Concerning Information Leakage Caused by Ransomware Attack

KADOKAWA CORPORATION (Headquarters: Chiyoda-ku, Tokyo; Chief Executive Officer: Takeshi Natsuno) expresses deep apologies for the information leakage caused by the ransomware attack on the Group and for the great concern and inconvenience caused to all stakeholders involved.

On June 8, in response to the fact that there was a failure to access multiple servers of the Group, an internal analysis and investigation was conducted as soon as possible. It was confirmed that the DWANGO Co., Ltd. dedicated file server and so on in the Group's data center was subject to a large-scale cyberattack including ransomware, targeting a group of services centered on *Niconico*.

Since the time of this incident, the Group has been diligently investigating to understand the possibility of information leakage and the scope of the leaked information with the support of a major outside security firm. As a result of our investigation at this time, we have found the following. In addition, we have reported this content to the Personal Information Protection Commission in Japan.

◆Information confirmed to have been leaked externally

1. Personal Information Total: 254,241

[External Information]

- The following information related to DWANGO Co., Ltd.
  - Personal information (name, date of birth, address, telephone number, email address, pseudonym, bank account information, etc.) of some business partners (including creators and sole proprietors) of DWANGO Co., Ltd. and some of its affiliates
  - Personal information (name, date of birth, address, telephone number, email address, attribute information such as educational background and bank account information, personnel information such as employee number and attendance, etc.) of some former employees of DWANGO Co., Ltd., some of its affiliated companies, and some of its sibling companies
  - Personal information (name, date of birth, address, telephone number, email address, screening history, etc.) of some people interviewed by DWANGO Co., Ltd. and some of its affiliates
- Personal information (name, date of birth, address, telephone number, email address, attribute information such as educational background, and student information such as year of admission, homeroom teacher, next educational institution, etc.) of some of the current students, graduates, parents, applicants, and document requesters of N Progressive School, N/S High Schooles.

[Internal Information]

- The following information related to DWANGO Co., Ltd.
  - Personal information (name, date of birth, address, telephone number, email address, attribute information such as educational background and bank account information, personnel information such as employee number and attendance, etc.) of all employees of DWANGO Co., Ltd. (including contract employees, temporary employees, and part-time employees)
  - Personal information (name, date of birth, address, telephone number, email address, attribute information such as educational background and bank account information, personnel information such as employee number and attendance, etc.) of some employees of some affiliated companies and some sibling companies of DWANGO Co., Ltd.
- Personal information (name, email address, attribute information such as bank account information, personnel information such as employee number and affiliation, etc.) of some employees of KADOKAWA DWANGO Educational Institute

2. Company Information, etc.

[External Information]

- The following information related to DWANGO Co., Ltd.
  - Some contracts with some of DWANGO Co., Ltd.'s business partners
  - Some contracts of some of DWANGO Co., Ltd.'s past and current affiliates
  - Information about the company operated by some former employees of DWANGO Co., Ltd.

[Internal Information]

- Internal documents including legal affairs related to DWANGO Co., Ltd.

As previously reported, the credit card information of customers of the Group, including the *Niconico* service, is not supposed to be leaked from the Group because the Group does not hold the data in-house.

Regarding *Niconico* user account information (login email address, login password) and credit card information, information leakage from DWANGO Co., Ltd. has not been confirmed.

◆Notice to Affected Parties

We will send an individual apology and notification to everyone who we have confirmed was subject to an external information leakage. In addition, we have set up a dedicated helpdesk for inquiries about this matter. Note that, for affected parties we cannot contact individually, we hereby notify you with this announcement.

[Dedicated Helpdesk for Inquiries About Information Leakage*]

- For creators, business partners, and users only
  https://kdq.jp/dwic
- For current students, graduates, parents, applicants, document requesters, employees, and former employees of KADOKAWA DWANGO Educational Institute only
  https://f.msgs.jp/webapp/form/18843_twbb_114/index.do
- For affected parties of the information leakage (retirees, job seekers) due to the information leakage only
  https://kdq.jp/dwhc

*Japanese only

If your information is publicly available, please contact one of the above helpdesks. We apologize for the inconvenience, but when you contact us, please be specific about where you saw the information, what information was disclosed, and how it was disclosed. Based on the information provided, we will submit a deletion request to each platform. However, there are many cases where immediate deletion is not possible, so, while we are very sorry for the concern, we ask that you also submit a deletion application yourself.

- ✗ *A total of **254,241 personal data records** were confirmed to have been leaked*
- ✗ *The leaked data included information relating to **Dwango's business partners, including creators and sole proprietors,** such as names, dates of birth, addresses, phone numbers, email addresses, and bank account details*
- ✗ *It also included personal data of **current and former employees of Dwango and certain affiliated group companies**, including HR-related information*
- ✗ *Personal information of **job applicants who interviewed with Dwango and certain affiliated companies** was also affected*
- ✗ *In addition, the breach affected **students, graduates, parents, applicants and document requesters of N Progressive School and N/S High School**, including student-related information*

Cyberattack caused large-scale personal data leakage across multiple stakeholder groups

OASIS

Timeline of cyberattack-related events (June ~ August 2024)

Source: Company disclosure, Newspicks

Jun 8, 2024	Group server becomes inaccessible; An investigation commenced as issues occurred in *Niconico* and other internal systems; a Response Division established; DWANGO announced that *Niconico* service is suspended due to cyberattack BlackSuit hackers contact Dwango COO that the entire network has been encrypted and 1.5TB of data has been downloaded
Jun 9	KADOKAWA releases its first report; Start seeking advice from external consultants
Jun 13	BlackSuit hackers make repeated requests for ransom payment in BTC; Dwango COO continues to respond to hacker's emails KADOKAWA allegedly pays ransom (US$2.98m) in BTC to BlackSuit (prior to Jun 13) acknowledging that this is the maximum it can pay without Board approval
Jun 14	KADOKAWA releases its second report and video messages from KADOKAWA CEO Natsuno, Dwango COO, and Niconico CTO In this video message, CEO Natsuno states that it has not confirmed any leakage of personal information
Jun 17	BlackSuit hackers send the leaked information to KADOKAWA, threatening to leak personal information if additional payment of US$8.25m is not made
Jun 22	Newspicks reports the emails between KADOKAWA and the hackers and reveals negotiation progress (including the alleged payment of ransom) KADOKAWA issues press release stating that KADOKAWA "strongly protest against media coverage that benefits criminals and risks encouraging future cyberattacks" and that it is "considering legal actions"
Jun 27	KADOKAWA releases its third report that Publication, Web Services and Merchandise businesses are being impacted
Jun 28	KADOKAWA announces that some information (information of creators, contracts and quotations with business partners, etc.) has been leaked
Jul 2	KADOKAWA announces the status on its investigation on the information that had been leaked
Jul 3	KADOKAWA announces that additional information of students, graduates, and parents linked to Kadokawa Dwango Educational Institute had been leaked
Jul 5	KADOKAWA announces measures to prevent secondary damage through dissemination of the leaked information
Jul 10	KADOKAWA announced progress on its measures to prevent secondary damage through dissemination of the leaked information
Jul 12	KADOKAWA announces progress on its measures against malicious dissemination of information
Jul 29	KADOKAWA announce its fourth report, covering the status of the recovery of business activities
Aug 5	KADOKAWA announces the results of its investigation on the leakage of information, confirming that 254,241 individuals' personal information had been leaked, the cause and countermeasures, and progress on measures to prevent secondary damage through dissemination of the leaked information

Structural weakness seems to have resulted in widespread cyberattack impact

Source: Dwango, AWS

While the exact route and method of the attack is unclear, the root cause was likely the theft of an employee's account information through an attack such as phishing

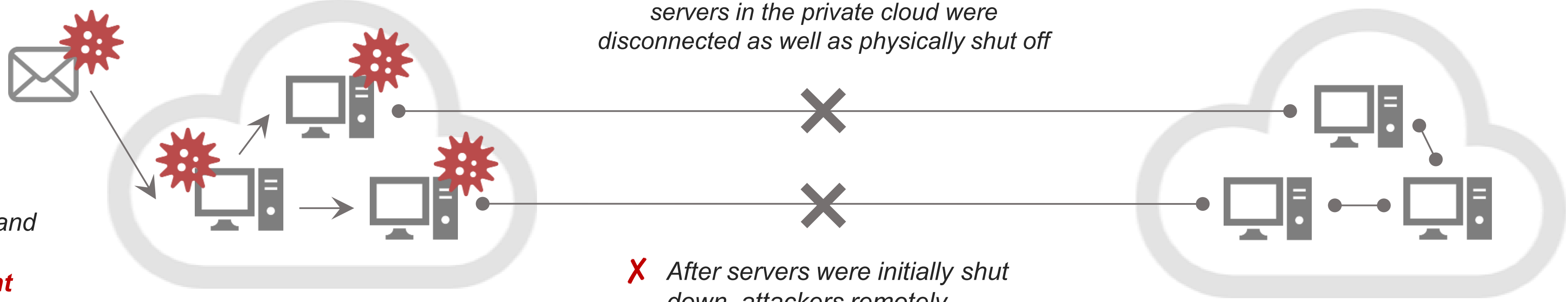
Private Cloud

dwango

To prevent the damage from spreading, servers in the private cloud were disconnected as well as physically shut off

Public Cloud

KADOKAWA Group was in the process of migrating its system to public cloud



- ✗ *Damage was widespread to publication business, accounting function, and internal networks, indicating **insufficient firewalls***
- ✗ *Foundation for development and recovery located in the same high-risk zone, meaning the blueprint required for repair were also compromised*

Dwango's dedicated servers in the legacy private cloud were encrypted / became inoperable

- ✗ *Legacy systems are often incompatible with modern monitoring, separation of privileges, automated recovery, and secure reconstruction*

- ✗ *After servers were initially shut down, attackers remotely restarted them to spread the infection, suggesting the **high-level control capabilities obtained by the attackers***
- ✗ *Prior to the incident, there were **no training exercises or established response systems***

- ✗ *Despite ongoing migration, **certain key systems remained on the private cloud***
- ✗ *While the public cloud was not compromised and remained operational, but service continuity still depended on critical components left in the private cloud*

Reported facts suggest structural weaknesses may have increased KADOKAWA's vulnerability and impact, yet management has not provided a clear postmortem on root causes and response adequacy

Alleged ransom payment without board approval highlights weak internal controls

Source: Company disclosures, Newspicks

- The Company's handling of the cyberattack raises serious concerns around governance, crisis management, and alignment with global best practices

Emails sent from Dwango COO to hackers *(Newspicks report)*

*… In the past 5 days, we sincerely negotiate with your representative. Because of regulation as a public/listed company, **we cannot afford to pay more than US$3 million**, which was explained to you previously. **It is almost impossible to get consent from our board (majority is independent) to pay more**…*

*In my understanding, we did not break the terms. It has been all under negotiation with your representative. We reported all the process of opening the BTC account and we did everything in good faith. Your representative understood this. Also, **we took heavy risk to pay you without getting consent from the board** and have done legal check on this. If you force us to go back to the board, it would be serious problem, because we believe our board never admits this deal itself.*

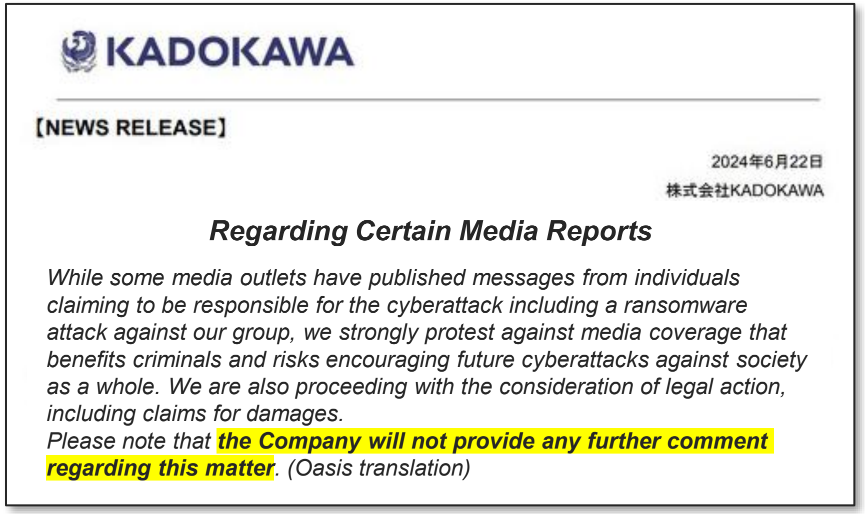
- Based on the reported email exchanges between the hacker group and KADOKAWA, it can be inferred that the Company made a payment of less than US$3 million **without approval from KADOKAWA's Board of Directors**.
- Despite paying the ransom, the Company was subsequently subjected to additional payment demands, ultimately resulting in the leakage of personal information affecting 254,241 individuals.

As a listed company, conducting a post-incident review of whether KADOKAWA's responses were appropriate is critical not only for preventing recurrence, but also from the perspective of management accountability. However, no such meaningful review of the company's response appears to have been undertaken.

Note: Emphasis added by Oasis

Inadequate media response undermined crisis management credibility

Source: Newspicks, Company disclosures


KADOKAWA

【NEWS RELEASE】

2024年6月22日
株式会社KADOKAWA

Regarding Certain Media Reports

While some media outlets have published messages from individuals claiming to be responsible for the cyberattack including a ransomware attack against our group, we strongly protest against media coverage that benefits criminals and risks encouraging future cyberattacks against society as a whole. We are also proceeding with the consideration of legal action, including claims for damages.
*Please note that **the Company will not provide any further comment regarding this matter**. (Oasis translation)*

- ✗ *While media coverage during ransom negotiations may entail risks (e.g. potential disadvantage in negotiations), **management's response appeared reactionary and defensive**, rather than measured and strategic*
- ✗ *Strong public protest shifted focus away from management accountability for the incident*
- ✗ *Continued lack of transparency, including refusal to comment even after the ransom negotiations were terminated and personal information were leaked, resulted in further erosion of shareholder trust*

The inadequacy of management response highlights weak crisis communication and governance

Insufficient disclosure and weak accountability in cyber incident response

Source: Company disclosures

FY25/3 Q4 Earnings Results (May 8, 2025)

Response to Incidents and Compliance Enhancement

Verification of response to cyber-attacks and enhanced security structure

- In handling this matter, all directors shared the background and response policy on a case-by-case basis and made management decisions. In addition to obtaining a written opinion from an outside attorney on legal issues, we also explained the situation to the auditing firm and obtained an appropriate opinion, and we recognize that there are no governance problems with the management team.
- In response to a large-scale cyberattack, we implemented measures to prevent repeat occurrences based on advance and checks by a major outside security firm
  - Our security response capabilities were strengthened at the system level with the rebuilding of various servers, improved monitoring, and other measures
  - We have also conducted employee training with a focus on information security, including spam email drills and compliance testing

Responding to warning over Subcontracting Act

- After receiving a warning from the Japan Fair Trade Commission in November 2024, KADOKAWA has completed all required action as detailed below
  - KADOKAWA engaged in discussions over rates with all subcontractors the commission determined were subjected to violations of the Subcontracting Act, and issued retroactive payments to make up the differences
  - A Board of Directors resolution acknowledging that there was a violation of the Subcontracting Act in this instance was made, and the Company affirmed that subcontracting rates will not be unfairly determined in the future.
  - Multiple sessions of internal training were provided to all employees who are involved in order placement operations, with outside lawyers serving as instructors
  - All subcontractors doing business with KADOKAWA were notified of the warning received by the Japan Fair Trade Commission and the steps KADOKAWA was taking in response

Other efforts to strengthen the legal compliance framework

- We have strengthened approval checks and improved decision-making processes by reviewing items in the authority approval standards
- We have continued to develop compliance-related learning content and conduct regular testing in an ongoing effort to raise awareness of legal compliance

5

✗ *The Company claims there were no governance issues, citing external legal opinions and explanations to its auditor. However, **key details of the incident response remain undisclosed**, and shareholder disclosure remains insufficient.*

✗ *Recurrence prevention measures are **described only at a high level** (e.g., server rebuilds and employee training), raising concerns over their effectiveness.*

Despite the significant loss of shareholder capital and value, the Company has failed to fulfill its accountability to shareholders.

Multiple shortcomings suggest weak governance and inadequate board oversight

01

CEO Natsuno's numerous concurrent roles, active media appearances, and repeated public controversies call into question whether he is devoting sufficient time, attention, and judgment to his primary role as CEO of KADOKAWA

02

The 2024 cyberattack compromised the personal information of many stakeholders and inflicted substantial losses on shareholders, while exposing serious vulnerabilities in KADOKAWA's systems and crisis management capabilities

03

The JFTC's warning over unfair treatment of subcontractors raises serious concerns about KADOKAWA's governance and compliance culture, yet management has failed to demonstrate accountability to its stakeholders

Warning issued to KADOKAWA by the JFTC on violation of Subcontracting Act

Source: Company disclosures, JFTC

January 2023

KADOKAWA and KADOKAWA LifeDesign notifies 26 subcontractors (mainly freelance writers and photographers) that “Lettuce Club” related fees would be reduced from April 2023 issue onward

“Lettuce Club” Magazine

April 2023

The reduced compensation rates are applied unilaterally to subcontractors’ work for “Lettuce Club” without genuine consultation or agreement;

The reduction rate was as high as 39.4%, but many subcontractors complied out of fear of contract termination

November 2024

Japan Fair Trade Commission (JFTC) issued a corrective recommendation and warning to KADOKAWA and KADOKAWA LifeDesign for violating the Subcontract Act

November 2024

KADOKAWA issued a public apology saying it “deeply apologize[s] for this matter” and agreed to restore the underpaid fees to the affected 26 subcontractors

~ December 2024

KADOKAWA completed payment of underpaid fees to subcontractors;

KADOKAWA Board confirmed the facts of the violation and confirmed subcontract fees will not be set unreasonably low in the future

January ~ February 2025

KADOKAWA held multiple training sessions for employees involved in subcontracting work by external lawyer

March 2025

KADOKAWA informed all subcontractors of the JFTC recommendation; notifies employees to review procedures, strengthen monitoring, and raise awareness of legal compliance; explained to the JFTC the measures taken in response

Lack of accountability in response to the Subcontracting Act violation

Source: Company disclosures

FY25/3 Q4 Earnings Results (May 8, 2025)

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5

✗ *While responses and remediation to JFTC warning is disclosed, KADOKAWA has provided* ***no explanation of root causes or management accountability***

✗ *Remedial actions appear limited to retroactive payments and internal training,* ***lacking structural reforms to ensure prevention*** *of subsequent events*

✗ *Actions remain largely superficial and procedural with no thorough investigation and meaningful cultural reform*

Management seem uninterested in taking substantive measures to fundamentally improve KADOKAWA's governance

Table of Contents

OASIS

Self-Publishing: KADOKAWA's arguments do not address Oasis's request

Source: Company disclosures

Notice Regarding the Opinion of the Company's Board of Directors on the Shareholder Proposal (May 14, 2026)

With respect to global publishing in the gaming business, whether or not to adopt in-house publishing was carefully considered from multiple angles, and the decision was made strategically with the aim of maximizing revenue for each intellectual property; therefore, the criticism of the Proposing Shareholder is completely unfounded. The Proposing Shareholder was aware, at the time of its meeting with the Company, that the terms of contracts with third parties may be subject to confidentiality obligations. Notwithstanding this awareness, the Proposing Shareholder has demanded, on a blanket basis, that transparency be enhanced with respect to such contractual terms. This demand may undermine the Company's trust-based relationships with third parties who are the Company's business partners and, as a result, could ultimately harm the Company's corporate value as well as the shareholders' common interests. The Company's policy is to consider self-publishing depending on the contractual terms, and it is currently pursuing what it believes to be the most advantageous approach available to the Company.

1. **KADOKAWA fails to provide any meaningful explanations on its decision-making process**
In justifying its decision to choose third-party publishing over self-publishing, the Company has resorted to abstract language such as "carefully considered from multiple angles" and "pursuing what it believes to be the most advantageous approach" rather than providing any quantitative analysis or explaining its decision-making criteria in further detail

2. **Oasis has not requested specific disclosure of any information subject to confidentiality obligations**
Throughout our shareholder proposal and past dialogue with the Company, Oasis has simply demanded for further transparency on KADOKAWA's decision-making process for choosing third-party publishing over self-publishing. We have not requested for specific contractual details for individual titles, but rather only demanded that the Company offers more transparency on its evaluation criteria and methodologies

3. **FromSoftware self-publishing was a strategy that management themselves had committed to under the previous MTP**
While KADOKAWA management treats self-publishing as if this is a new and ungrounded demand from Oasis, this was a strategy that the management themselves had originally presented. Despite quietly withdrawing this prior commitment, management has not adequately explained what has changed in their thinking or why the change in strategy was necessary

Quantity over Quality: Management's response seems to validate Oasis's criticisms

Source: Company disclosures

Notice Regarding the Opinion of the Company's Board of Directors on the Shareholder Proposal (May 14, 2026)

The Proposing Shareholder asserted that the current management structure was promoting a strategy prioritizing "quantity over quality", but the Company currently has a policy of increasing sales without increasing the number of publications per editor, and the criticism that the Company is promoting a strategy prioritizing "quantity over quality" is factually untrue. Under said policy of the Company, in fact, sales per editor continuously increased over the past five years. Further, the "selection and focus" approach is thoroughly implemented via the Publication Steering Committee, and with the New Mid-term Management Plan, the Company will shift to a strategy that appropriately manages the numbers of copies and realizes highly efficient sales.

1 **KADOKAWA claims that it has not increased the number of publications per editor**
Considering that the number of IPs has continued to expand, this implies that the Company had rapidly expanded its editorial workforce. Such aggressive expansion hints that talent development had been rushed and insufficient, contributing to a deterioration in IP quality. Management's strategy of prioritizing volume expansion over the development of editors, who serve as the foundation of IP creation and quality control, has clearly contributed to the deterioration in IP quality

2 **No quantitative evidence to support KADOKAWA's claims**
Based on KADOKAWA's own disclosures to investors, the number of IPs have continued to grow, while revenue per IP has continued to decline. Despite this clear quantitative evidence presented by Oasis, KADOKAWA rejects Oasis's point without offering any concrete evidence. While the Company claims that its "sales per editor has continuously increased," there has been no disclosure of figures to support this claim.

3 **Strategy to control volume under the new MTP appears to contradict management's own claims**
Despite now suddenly emphasizing "selection and concentration" and improvements in quality, management simultaneously claims that Oasis's criticisms are "factually untrue," creating a clear inconsistency in its messaging. Management's response gives the impression that it is more focused on opposing Oasis's arguments than sincerely engaging with shareholder feedback and addressing the underlying issues raised by investors

Blaming prior management does not change today's losses

Source: Company disclosure

Notice Regarding the Opinion of the Company's Board of Directors on the Shareholder Proposal (May 14, 2026)

As regards Tokorozawa Sakura Town's impairment loss, a decision to reorganize unprofitable businesses which had existed before Director Natsuno assumed the position of Chief Executive Officer was made as part of business structural reforms by the Board of Directors with Director Natsuno serving as the Chief Executive Officer, and as a result, Tokorozawa Sakura Town businesses, in respect of which the profit improvement was not expected, were flexibly closed or converted into other businesses. This is a clear example of how, under the leadership of Chief Executive Officer Natsuno, business structural reforms were properly carried out. As described above, whenever a change occurs to the business environment, the Company should flexibly and agilely respond to such change without adhering to old business decisions, and the criticism that Director Natsuno is "materially unqualified as a director" only in view of the fact that impairment losses occurred after he assumed the position of Chief Executive Officer overlooks the circumstances on the basis of which such business decisions were made.

1. **Natsuno had been part of the Board that decided to invest in Tokorozawa Sakura Town**
CEO Natsuno has served as a director of KADOKAWA since 2014, predating the Board's decision to invest approximately JPY 40bn in the development of Tokorozawa Sakura Town. As such, he bears responsibility for that investment decision, and the fact that he was not yet CEO at the time does not absolve him of accountability

2. **CEO Natsuno had ample time to execute reform and improve profitability**
Even if the original investment decision predated his tenure as CEO, profitability of Others segment has shown no meaningful improvement over the five years since his appointment, with no evidence of fundamental restructuring or sufficient corrective action undertaken during his leadership.

3. **Management claims that reforms were undertaken, but no tangible progress has been observed**
While management claims to have pursued structural reforms under CEO Natsuno, the Tokorozawa Sakura Town business and the broader Other segment continue to generate substantial losses, with little evidence of meaningful improvement. Despite the need for far more fundamental reform, investors have seen limited tangible progress, raising serious doubts about the current management team's ability to execute a credible turnaround

KADOKAWA fails to address its clear failure in capital allocation

Source: Company disclosures

Notice Regarding the Opinion of the Company's Board of Directors on the Shareholder Proposal (May 14, 2026)

Impairment loss on goodwill in Doga Kobo, Inc. ("Doga Kobo") is a result of booking the impairment loss on related company shares (Doga Kobo shares) in the Company's unconsolidated accounting pursuant to Doga Kobo's unconsolidated earnings power, and based thereon, depreciating the undepreciated balance of goodwill in accordance with the consolidated accounting rules. When viewed from the standpoint of the group, Doga Kobo is making significant contributions to the Company's animation business, for example, by constantly creating high quality animation works, and is essential to achieving the "50% in-house animation production" target in the New Mid-term Management Plan. Since it joined the group, Doga Kobo has been manifesting its production aptitude as expected.

1. **KADOKAWA describes accounting mechanics, not economic reality**
   KADOKAWA's response merely explains the accounting process behind the impairment. However, it does not address the more fundamental economic question of why the Company was forced to write off nearly all of the goodwill recorded at the time of acquisition just over a year. Goodwill represents the premium paid for future earnings power. A near-immediate write-down of this magnitude strongly suggests that the acquisition price or earnings assumptions were materially flawed

2. **Management cannot have it both ways**
   If Doga Kobo's production capabilities have been "as expected," then the impairment suggests that KADOKAWA knowingly paid an excessive price for an asset whose standalone earnings power could not support the acquisition value. If Doga Kobo's earnings power was worse than expected, then the acquisition due diligence and valuation were flawed. Either way, this reflects a failed capital allocation under the current leadership

A cyberattack response cannot be used as evidence of superior governance

Source: Company disclosures

Notice Regarding the Opinion of the Company's Board of Directors on the Shareholder Proposal (May 14, 2026)

Around June 2024, the Company's server in a data center came under a large-scale cyberattack including ransomware. The Company takes it very seriously that it was <u>unable to prevent the cyberattack</u> and caused concern and inconvenience to its shareholders, readers, users, authors and creators. Meanwhile, as explained in i above, since Director Natsuno assumed the position of the Company's Chief Executive Officer, under the core strategy of "Global Media Mix with Technology", the Company had promoted digital transformation as part of business structural reforms, and at the same time, improved IT infrastructure management and monitoring system (specifically, by monitoring of the key systems and terminals using EDR/XDR, and building a 24/7 system using a SOC (Security Operation Center)) and renovated aged systems, thereby reducing security risks; and the Company believes that, for this reason, <u>it was able to respond swiftly to prevent the spread of damage</u>, including the early identification of the situation and the prompt isolation and restoration of the affected infrastructure.

1. **The scale of damage contradicts management's claim that it responded swiftly and effectively**
KADOKAWA's assertion that it was able to prevent the spread of damage is difficult to reconcile with the actual outcome, including the leakage of 254,241 personal data records, prolonged disruption to publishing, web services, merchandise and accounting functions, and significant financial damage. A response cannot be credibly described as successful when a single cyberattack caused JPY 8.3bn of revenue impact, JPY 4.7bn of operating profit impact, and JPY 2.4bn of extraordinary losses

2. **Key issue is not whether security tools existed, but why they failed under management's oversight**
Management points to EDR/XDR monitoring, a 24/7 SOC and system upgrades, but merely listing implemented measures does not explain why the Company failed to prevent the incident and suffered internal network intrusion, ransomware execution, data leakage and broad business disruption. Given that CEO Natsuno has positioned "Global Media Mix with Technology" as KADOKAWA's core strategy, the incident raises serious questions about the effectiveness of his technology leadership, IT governance and crisis management capabilities

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OASIS

Reasons to vote AGAINST CEO Natsuno's reappointment

01 Deteriorating earnings and failed promises

Under CEO Natsuno, KADOKAWA's earnings power has deteriorated sharply, with EPS declining from JPY 77.42 in FY21/3 to JPY 8.71 in FY26/3 and ROE falling from 8.2% to 0.5%. The previous MTP was abandoned after major underperformance, while the new MTP asks shareholders to wait until FY32/3 for a turnaround.

02 Continued value leakage from FromSoftware

FromSoftware is KADOKAWA's crown-jewel asset, yet KADOKAWA continues to cede meaningful economics to external publishers. Despite years of shareholder engagement, management has not provided a concrete self-publishing roadmap or quantified why continued reliance on third-party publishers is superior.

03 A weakened core IP engine

The "quantity over quality" strategy has produced smaller and less scalable IP, undermining profitability mainly in the Publication / IP Creation segment. The new plan's belated shift toward quality and selection confirms the problem, but still lacks credible metrics, definitions or accountability.

04 Poor execution across growth and turnaround areas

Mobile game initiatives have repeatedly failed to scale, Niconico video platform operated by Dwango (directly led by Natsuno) continues to lose competitiveness, and the Others segment continues to lose roughly JPY 4-5bn annually with no convincing turnaround plan.

05 Weak cost discipline and poor capital allocation

SG&A and headquarters costs have expanded materially under CEO Natsuno. Meanwhile, excess cash has accumulated without clear deployment, impairment losses have recurred, and the near-immediate Doga Kobo write-down highlights flawed M&A discipline.

06 Governance and accountability failures

CEO Natsuno's numerous outside roles, frequent media appearances and public controversies raise concerns over focus and judgment. The cyberattack, personal data leakage and JFTC warning further point to weak oversight, while management has not provided sufficient accountability.

For the reasons above, Oasis calls on fellow shareholders to vote <u>FOR</u> Oasis's proposal to dismiss CEO Natsuno and <u>AGAINST</u> the Company's proposal to reappoint him at the upcoming June 2026 AGM

By his own standard, and after continued deterioration, CEO Natsuno needs to be replaced

Source: Yomiuri Online, Yahoo

"*We will be announcing the (FY23/3 Q3) earnings results today, but our business performance is steadily expanding.* ***If the expansion of our business does not go well, then naturally my resignation would also come into the view.***

- CEO Natsuno at Press Conference (Feb 2, 2023)"

CEO Natsuno previously indicated that ***failure to deliver successful business growth*** *would* ***warrant his resignation***

Since CEO Natsuno took office in June 2021, KADOKAWA's ***profitability has declined*** *and* ***performance has worsened***

KADOKAWA shareholders can no longer afford to wait for a turnaround under the current leadership

Oasis calls for shareholders to vote AGAINST Takeshi Natsuno's reappointment

Takeshi Natsuno
Director
Chief Executive Officer

Oasis calls on shareholders to **VOTE FOR** Oasis's shareholder proposal to **dismiss** CEO Takeshi Natsuno

Oasis calls on shareholders to **VOTE AGAINST** the Company's proposal to **reappoint** CEO Takeshi Natsuno

Contact Us

Help us create A Better KADOKAWA

For more information, please visit:
www.abetterkadokawa.com

We welcome all stakeholders to contact Oasis at
info@abetterkadokawa.com to help improve KADOKAWA.

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Company History

Source: Company disclosures

1945
Founded by Genyoshi Kadokawa as a publisher

1949
KADOKAWA Bunko first published

1976
Release of The Inugami Family, the first live action movie from KADOKAWA

1983
Release of Harmagedon, the first animation from KADOKAWA

1998
KADOKAWA SHOTEN listed on the Tokyo Stock Exchange 2nd Section

1999
The first overseas base established in Taiwan

2004
Transferred to Tokyo Stock Exchange 1st Section

2014
Acquisition of FromSoftware

2014
Management integration with DWANGO

2014
Acquisition of Vantan by DWANGO

2016
Service launch of Kaku Yomu, a website where online novels are posted

2016
N High School opened by KADOKAWA DWANGO Educational Institute

2016
YEN PRESS, a strategic subsidiary in N. America, established

2020
Opening of TOKOROZAWA SAKURA TOWN

2021
Capital alliance with CyberAgent and Sony, issuing c.2.8mn shares* (1.93%) for each

2021
Takeshi Natsuno appointed CEO

2021
Tencent Holdings acquires 9.7mn shares* (6.86%)

2022
ELDEN RING, game software, became a worldwide blockbuster, selling over 12mn units within a month after title launch

2022
FromSoftware conducts third-party allotment to Tencent and Sony, raising JPY 36bn

2022
Shifted to the TSE Prime Market

2024
Enters capital and business alliance agreement with Sony, issuing 12m new shares making Sony a major shareholder of KADOKAWA with 10% ownership

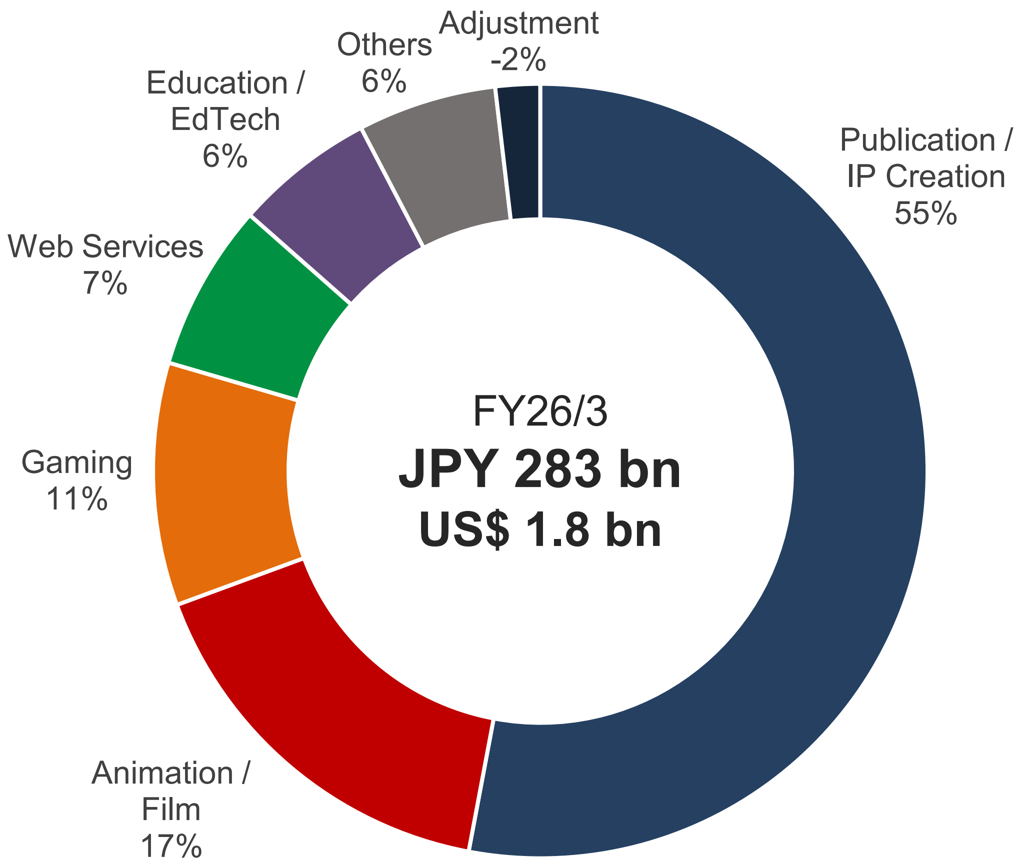
SONY

Note: Number of shares adjusted for 2:1 stock split conducted in December 2021

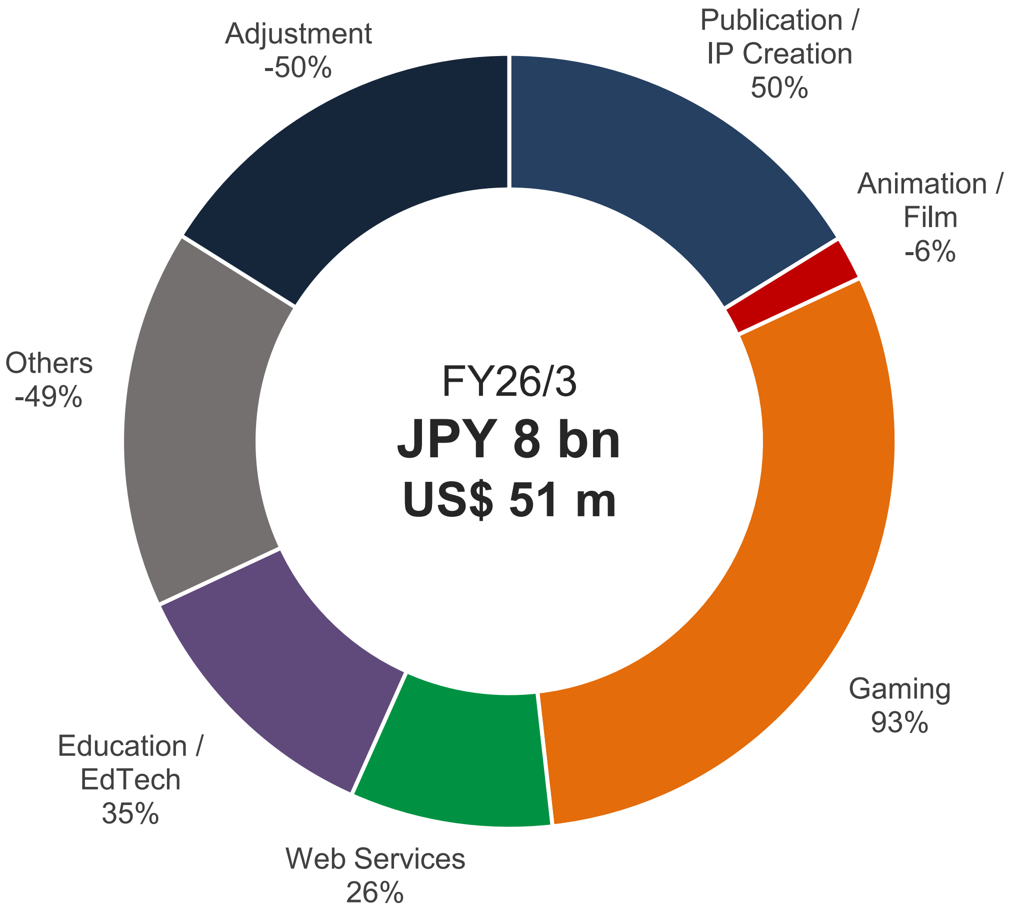
Breakdown of KADOKAWA's revenue and operating profit

Source: Bloomberg

Revenue Breakdown



Operating Profit Breakdown



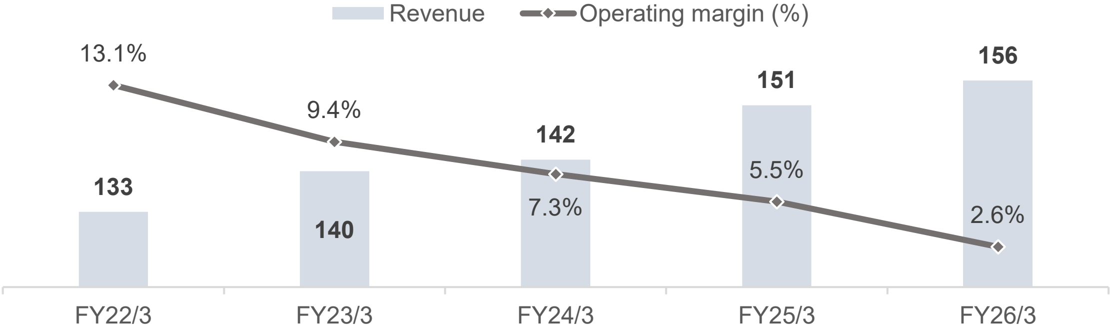
OASIS

Publication / IP Creation Segment

Source: Company disclosures

Main Business Activities	• **Paper-based books**: Publishing and sales of paper books, rights licensing, etc. • **E-books / magazines**: Publishing and sales of e-books and e-magazines. etc. • **Information media**: Publishing of paper magazines, sales of magazines and web advertising, etc.
Segment Positioning	• Core profit engine and foundation of KADOKAWA's media mix strategy, accounting for c.55% of total company sales • Vertically integrated model spanning IP creation, publishing, distribution (physical and digital), and licensing • High-volume IP creation platform that creates 6,000 new titles annually with 140,000 archived titles • Owns proprietary ecosystem of a global e-book marketplace (BOOK☆WALKER) and UGC platforms (e.g. Kakuyomu) for creator sourcing
Market Environment	• Domestic physical publishing market in structural decline • Digital shift accelerating (e-books, global distribution) • Global demand for Japanese IP expanding rapidly

(JPYbn, unless otherwise noted)



Literature

Published via KADOKAWA Bunko, KADOKAWA Horror Bunko, etc.

Business books, how-to books, lifestyle books, and non-fiction

Published via KADOKAWA Shinsho, KADOKAWA Sophia Bunko, KADOKAWA Sensho, etc.

Light novels* and new literature

**Young adult novels with cartoon cover illustration*

Comics

Adaptations of novels, distributed through "Kadocomi" website and printed for Japan and overseas markets

Children's books

Published via KADOKAWA Manga Gakushu series, KADOKAWA Tsubasa Bunko

E-books

Directly operates e-bookstore (BOOK☆WALKER), free manga site (Kadocomi), web novel / UGC site (Kakuyomu), etc.

Animation / Film Segment

Source: Company disclosures

Main Business Activities

- Planning, production and distribution of anime and live-action works, primarily leveraging KADOKAWA-originated IP, while also handling adaptations of third-party works
- Monetization through theatrical distribution, streaming / broadcast licensing, packaged media, and related rights sales
- Operation of movie-related businesses including theatrical exhibition and digital ticketing through "Mubichike"

Segment Positioning

- Core media-mix monetization engine that converts publishing-originated IP into higher-value audiovisual franchises
- In-house studio capabilities across anime production, localization, post-production, and film infrastructure
- Further reinforcing this segment through studio consolidation, joint recruitment, and a new large-scale production hub, "Studio One Base," while also expanding downstream film distribution capabilities via Animec, the JV with Aniplex

Market Environment

- Global anime demand continues to expand, increasing the strategic value of production capacity, franchise development, and international distribution
- At the same time, the industry faces creator shortages, rising production complexity, and the need for more sustainable studio operations
- This makes scale, studio relationships, and production control increasingly important competitive advantages

Anime

Animated adaptation of other companies' works as well as own IPs, developing ~60 works per year

Live-Action

Produces live-action dramas and movies, holds archives from Kadokawa Pictures, Daiei Film, and Nippon Herald Films

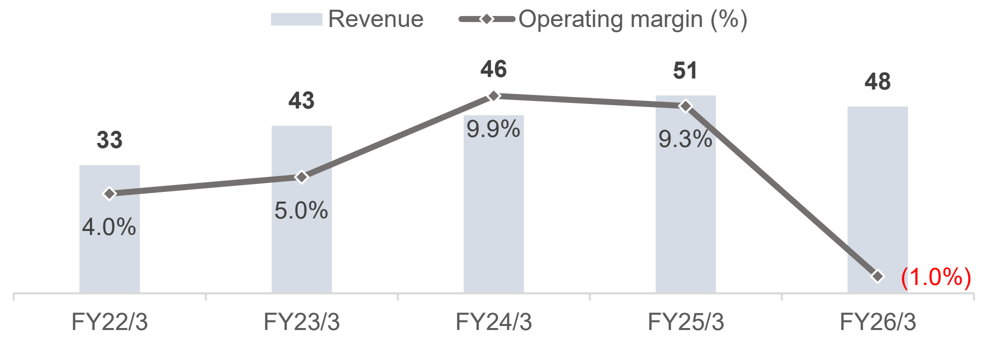
Movie Theater

Operates KADOKAWA Cinema Yurakucho and digital movie ticket sales service "Mubichike"

Group companies

Owns seven in-house animation production studios, etc.

(JPYbn, unless otherwise noted)

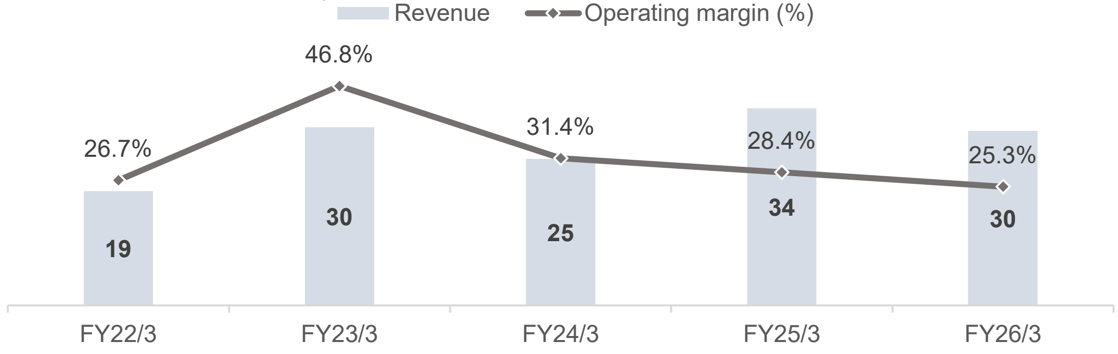


Gaming Segment

Source: Company disclosures

Main Business Activities	• Planning, development, publishing / licensing, and sale of console, PC, and mobile games based on original IPs and game adaptations of KADOKAWA-owned light-novel / anime IP
Segment Positioning	• High quality content asset within the group, anchored by FromSoftware's globally recognized development capability and established fanbase • Combines premium original console / PC development with niche but durable franchises across Spike Chunsoft, ACQUIRE, and creator-tool exposure through RPG Maker
Market Environment	• Digital distribution has structurally lowered barriers to global reach, increasing the value of proprietary publishing, direct fan ownership, and multi-platform release execution • The segment remains hit-driven, but internationally scalable premium IP can generate outsized returns

(JPYbn, unless otherwise noted)



FROM SOFTWARE

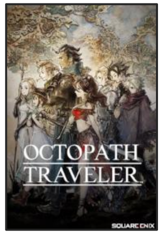
Founded in 1986, FromSoftware develops unique, high-quality game software namely its Souls-like / dark fantasy series and has a wide international following

SPIKE CHUNSOFT

Develops originall titles, localize games from overseas, and develop games on contract

ACQUIRE.

Develop action games that offer high freedom and choices, and RPGs, adventure games

Gotcha Gotcha Games

Develops and sells game creation software, RPG Maker

Web Services Segment

Source: Company disclosures

Main Business Activities	• **Niconico-related business**: Operating Niconico, a video and live-streaming platform in Japan and Niconico Channel, the official channel platform of corporates, celebrities and popular creators • **Live business**: Planning and operating events such as the Niconico Chokaigi and Animelo Summer Live • **Mobile business**: Operation of DWANGO JP, distributing music content for smartphones and feature phones, etc.
Segment Positioning	• Niconico as a subculture-native platform centered on anime, games, and Vocaloid rather than a mass-market video service • The platform is deeply embedded in creator culture, especially Vocaloid, remix, and fan participation with key strength in deep engagement from passionate fandoms **Vocaloid is a singing voice synthesizer software developed by Yamaha Corp. for creators to publish songs digitally* • Dwango as the key subsidiary operating this segment
Market Environment	• Video content market has grown over the years, and competition has intensified among various international platforms • Market has shifted from TV and long-form web portals toward on demand streaming, short-form social video and mobile-first consumption • Experiencing recovery in event and live concert market after a temporary halt during the pandemic

Niconico

Launched by Dwango in 2006, Niconico is one of Japan's most distinctive online video and live broadcasting platforms, known for its interactive comment-over video feature

ニコニコ超会議2025

Niconico Chokaigi

Annual event (~April) bringing together Niconico fans; 132k+ visitors in 2025

ThanXX! 20th Anniversary Animelo Summer Live 2025

Animelo Summer Live

Annual event (Jul-Sep) bringing together anime song fans; 87k visitors in 2025

The VOCALOID 2025 Winter Collection

The Vocaloid Collection

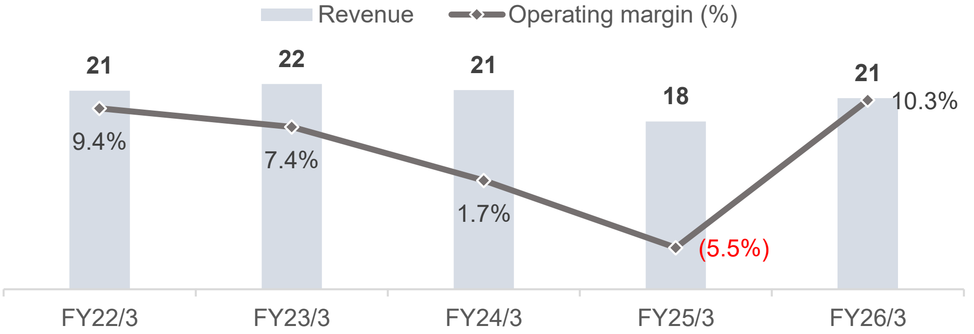
Semi-annual event hosted online for Vocaloid fans; 250k viewers in 2026 Winter

ドワンゴジェイピー

Mobile Content

Operate DWANGO JP, etc.

(JPYbn, unless otherwise noted)



OASIS

Education / EdTech Segment

Source: Company disclosures

Main Business Activities	• Operation of vocational / creator-focused schools under **Vantan** and provision of online education systems and content through DWANGO / Kadokawa Dwango Educational Institute • Digital learning systems are deployed at **N High School, S High School, R High School**, and **ZEN University**
Segment Positioning	• Vantan offers educational programs for developing practical skills for creators while inviting active professionals as lecturers • Offers state-of-the-art online learning systems developed in-house utilizing technologies like AI/VR
Market Environment	• The total number of students continues to decline in Japan due to falling birth rate, but the number of students in correspondence course high schools has ben growing

VANTAN SPARK YOUR PASSION.

A multi-brand vocational education platform spanning, creative, digital and lifestyle industries with programs ranging from high school to professional and university level education

VANTAN DESIGN INSTITUTE 高等部 | VANTAN GAME ACADEMY 高等部 | VANTAN CREATOR ACADEMY 高等部 | VANTAN VENUS ACADEMY 高等部

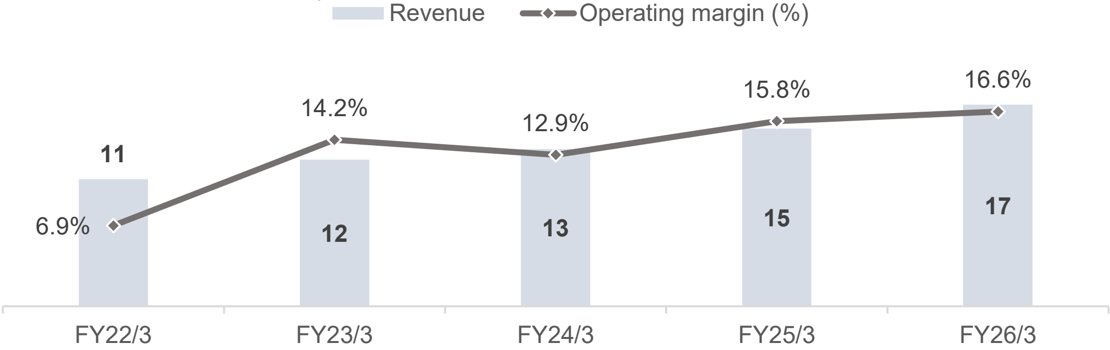



KADOKAWA・ドワンゴが創るネットの高校
N高等学校
S高等学校
R高等学校

ZEN大学 ZEN University
(Apr 2025~)

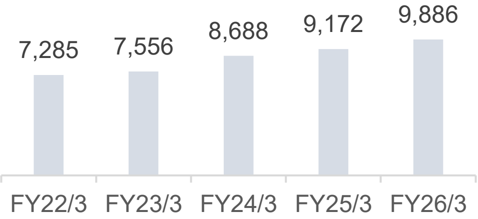
Offering online learning system to N High School, S High School and R High School (N High School Group) operated by KADOKAWA DWANGO Educational Institute and ZEN University, operated by Educational Institute of The Nippon Foundation and DWANGO

(JPYbn, unless otherwise noted)



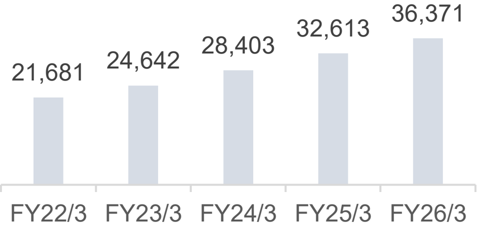
(# of students)

Vantan



(# of students)

N High School Group

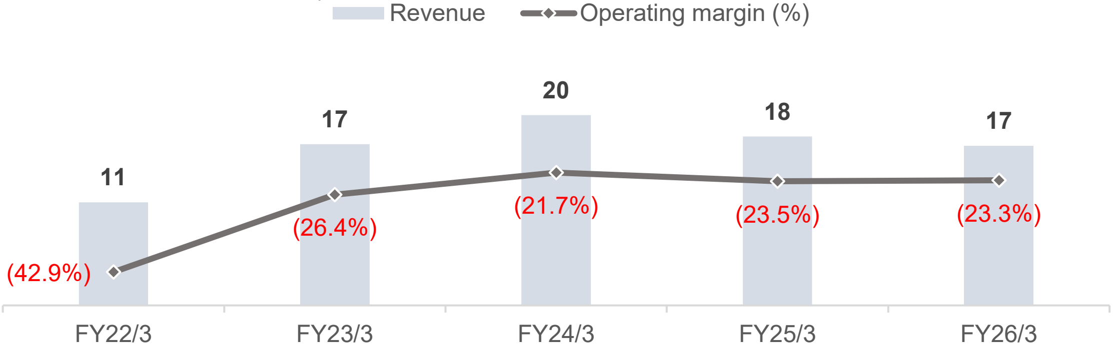


Others Segment

Source: Company disclosures

Main Business Activities	• **MD business**: Developing original products utilizing IP and operating e-commerce sites, including Chara-Ani.com, an online store for mascot merchandise, figures and other goods, as well as Kadokawa Store and KUJIBIKIDO, an online lottery service • **Recreation business**: Operation of facilities including TOKOROZAWA SAKURA TOWN, and sales of related goods • **Other new businesses**: Development and operation of VirtualCast, a VR/metaverse communication service, etc.
Segment Positioning	• Scale up MD business through enhancing product lineup and strengthening international sales channels • Provide more opportunities in the Recreation business to experience the world of KADOKAWA's IP to improve profitability
Market Environment	• Character goods, lotteries, events and fandom travel increasingly important monetization touchpoints for Japanese IP ecosystems

(JPYbn, unless otherwise noted)



MD (Merchandise) business

KADOKAWA produces its own merchandise and sells rights to its IPs for merchandise production for maximizing the business opportunities of its IPs (anime, books, comics)

Metal badges

Figures & plastic models

Clothing

Stationery

Merchandise are sold in KADOKAWA's e-commerce store, online lottery stores, bookstores, event venues, etc.

TOKOROZAWA SAKURA TOWN

Large-scale cultural complex that opened in November 2020, including Kadokawa Cultural Museum, etc.

Other group companies

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