



August 31, 2022

For Immediate Release

Company name: KADOKAWA CORPORATION
Representative: Takeshi Natsuno,
President and Member of the Board
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Notice Concerning Consolidated Subsidiary's Capital Increase through Third-party Allotment of Shares

KADOKAWA CORPORATION (Headquarters: Chiyoda-ku, Tokyo, President and Member of the Board: Takeshi Natsuno, hereinafter the "Company") hereby announces that FromSoftware, Inc. (Headquarters: Shibuya-ku, Tokyo, hereinafter "FromSoftware"), a consolidated subsidiary of the Company, resolved in its meeting of the board of directors on August 31, 2022 to issue new shares of its stock to Sixjoy Hong Kong Limited (Headquarters: Hong Kong, hereinafter "Sixjoy"), a subsidiary of Tencent Holdings Limited (Headquarters: Shenzhen, China, hereinafter "Tencent"), and Sony Interactive Entertainment Inc. (Headquarters: Minato-ku, Tokyo, hereinafter "SIE"), a subsidiary of Sony Group Corporation (Headquarters: Minato-ku, Tokyo, hereinafter "Sony"), by way of a third-party allotment (hereinafter the "Third-Party Allotment"). Details are as follows. There will be no change in the scope of consolidation of the KADOKAWA Group (hereinafter, the "Group") resulting from the Third-Party Allotment.

1. Purposes of and reason for the Third-Party Allotment

The KADOKAWA Group advocates a "global media mix with technology" as its fundamental strategy that combines the stable creation of intellectual property (IP) consisting of a variety of portfolio content chiefly in the Publication, Video, Game, Web Service, and Education businesses as well as the rollout of this IP on a global scale through the extended use of technology, seeking to achieve sustained growth and enhance corporate value from medium- to long term perspectives. FromSoftware is driving the Game Business as it has continually been creating world-famous works, such as *SEKIRO: SHADOWS DIE TWICE* and *ELDEN RING*, leveraging its advanced game IP development strength. With an eye on further expansion of the Game Business, the Group recognizes the enhancement of capabilities for the creation, development and deployment of game IP as one of the Group's highest priorities. In line with this policy, the Company has decided to have FromSoftware implement fund procurement by way of a Third-Party Allotment to Sixjoy and SIE, the scheduled allottees, for the reasons outlined below.

Tencent acquired capital in Guangzhou Tianwen Kadokawa Animation and Comics Co., Ltd., a consolidated subsidiary of the Company, in 2016, and the two companies have been jointly promoting their media mix strategy targeting the Chinese market. In addition, the Company, Sixjoy and Tencent Japan entered into a capital and business alliance agreement as of October 2021 to strengthen their strategic alliance in the anime and game fields. Tencent and its subsidiaries and affiliates (hereinafter, the "Tencent Group") are a global Internet group that provides communication, social, gaming, digital content, advertising, fintech and cloud services, and operates the leading communication and social platform in the Internet industry in China.

Sony and its subsidiaries (hereinafter the "Sony Group") and the Company have developed a collaborative business relationship across a wide range of areas related to the Sony Group's global Direct-to-Consumer (DTC) business operations, branded hardware business and games business. In February 2021, the Company conducted a third-party allotment with Sony as the allottee with the aim of strengthening its relationship with the Sony Group over the long term, and creating new IP of the Company and maximizing the utilization of its existing IP in anime and game fields.

Through the implementation of the fund procurement, FromSoftware will aim to proactively invest in development of more powerful game IP for itself to strengthen FromSoftware's development capabilities and will seek to establish a framework that allows the expansion of the scope of its own publishing in the significantly growing global market. In addition to these purposes, for an increase of the number of users in the global market for game IP that FromSoftware creates and develops, FromSoftware decided to conduct the Third-Party Allotment to Sixjoy within the Tencent Group, which has strength in its capabilities to develop and deploy mobile games and other network technologies in the global market including China, and SIE within the Sony Group, which has strength in its capabilities to deploy IP in games, videos and various other media in the global market, concurrently and separately.

2. Outline of the Third-Party Allotment

(1) Payment period	From September 7, 2022 to September 12, 2022
(2) Number of new shares to be issued	3,179 shares of common stock
(3) Issuance price	11,450,000 yen per share
(4) Capital to be acquired	36,399,550,000 yen
(5) Method of subscription or allotment (scheduled subscriber)	By way of a third-party allotment (Sixjoy 1,703 shares, SIE 1,476 shares)
(6) Shareholding ratio after issuance	KADOKAWA CORPORATION 69.66% Sixjoy Hong Kong Limited 16.25% Sony Interactive Entertainment Inc. 14.09%

(Note) Payment related to the Third-Party Allotment, which is expected to be made on September 7, 2022, may take place on another day during the above payment period due to procedures required for international remittance, among other factors.

3. Use of the capital (total paid-in capital: 36,399,550,000 yen)

Specific use of funds	For strengthening FromSoftware's capabilities to create and develop game IP For establishing a framework that allows expansion of the scope of FromSoftware's own publishing in the global market
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4. Outline of subsidiary subject to capital increase

(1) Title	FromSoftware, Inc.
(2) Location	2-26-2 Sasazuka, Shibuya-ku, Tokyo
(3) Title/name of representative	Hidetaka Miyazaki, Representative Director and President
(4) Business contents	Planning, development, sales regarding game software Planning and development of internet content
(5) Capital	268,500,000 yen
(6) Date of establishment	November 1, 1986
(7) Major shareholders and their shareholding ratios	KADOKAWA CORPORATION Direct 100%
(8) Relationship between the listed company and the relevant company	
Capital relationships	The Company holds 100% of the outstanding shares of the company.
Personnel relationships	Two officers of the Company are seconded to the relevant company.
Business relationships	The Company and the relevant company have business transactions.

5. Outline of Scheduled Subscribers

(1) Title	Sixjoy Hong Kong Limited
(2) Location	29/F., Three Pacific Place, No. 1 Queen's Road East, Wanchai, Hong Kong
(3) Title/name of representative	Wang Zheng, Director; Ai Ximin, Director; Byun Jung-won Elizabeth, Director, and Tse Cheuk Yin Tiffany, Director
(4) Business contents	Licensing and publishing of mobile games
(5) Capital	1,000 Hong Kong dollars
(6) Date of establishment	February 28, 2011
(7) Major shareholders and their shareholding ratios	Tencent Holdings Limited Indirect: 100%
(8) Relationship between the listed company and the relevant company	
Capital relationships	The relevant company is a holder of 9,724,400 shares (ratio of ownership voting rights: 6.86%) of the Company's stock (Note 1)
Personnel relationships	Not applicable.
Business relationships	The Company and the Tencent Group have maintained a strategic partnership in the publishing business through a joint venture company in Guangzhou, China since 2016. In addition, the Company, Tencent Japan, and the allottee Sixjoy entered into a business alliance agreement as of October 29, 2021 to strengthen their strategic alliance in the animation business.

(Note 1): This item is based on the large shareholder report submitted by Sixjoy on November 16, 2021.

(Note 2): In the share subscription agreement that the Company and FromSoftware entered into with Sixjoy the Company and FromSoftware have received a representation and warranty from Sixjoy that it is not an antisocial force and it has no relationships with antisocial forces. The Company also commissioned JP Research & Consulting, Inc. (Address: 3-7-12 Toranomon, Minato-ku, Tokyo; Representative: Keisuke Furuno, Representative Director), an independent research organization, to conduct an investigation. The report they produced states that there are no facts that indicate Sixjoy is involved with antisocial forces. Based on the above, the Company determined that Sixjoy, Tencent, their officers and major shareholders have no relationships with antisocial forces.

(1) Title	Sony Interactive Entertainment Inc.
(2) Location	1-7-1, Konan, Minato-ku, Tokyo
(3) Title/name of representative	Jim Ryan, Representative Director and President
(4) Business contents	Planning, development, and sales of hardware, software, content, and network services for PlayStation Planning, development, and sales of "toio," software, and content
(5) Capital	110,000,000 yen
(6) Date of establishment	April 1, 2010
(7) Major shareholders and their shareholding ratios	Sony Group Corporation Direct: 100%
(8) Relationship between the listed company and the relevant company	
Capital relationships	Sony, the parent of the relevant company, is a holder of 2,844,950 shares (ratio of ownership voting rights: 2.01%) of the Company's stock (as of the end of March 2022)
Personnel relationships	Not applicable.
Business relationships	The Company engages in transactions such as the sale and purchase of finished products and services with Sony and its affiliated companies.

(Note) In the share subscription agreement entered into with SIE, the Company and FromSoftware received a representation and warranty from SIE that it and its officers are not an antisocial force and they have no relationships with antisocial forces in reference to the share subscription agreement. Sony, the parent company of SIE, is listed on the Tokyo Stock Exchange. By confirming its basic stance for the elimination of antisocial forces and establishment of relevant systems therefor, which were referred to as matters concerning the internal control systems in the Corporate Governance Report that Sony submitted to the Tokyo Stock Exchange, Inc. on July 5, 2022 the Company determined that Sony and its officers had no connection whatsoever with antisocial forces.

6. Schedule for the Third-Party Allotment

(1) Resolution of the board of directors and general shareholder meeting of FromSoftware	August 31, 2022
(2) Date of share subscription agreement regarding the Third-Party Allotment	August 31, 2022
(3) Payment period	From September 7, 2022 to September 12, 2022

(Note) Payment for this third-party allotment is scheduled to be made on September 7, 2022.

7. Future Outlook

The Company believes that the Third-Party Allotment will contribute to the medium- to long-term improvement of the Group's corporate value, while the impact of the Third-Party Allotment on the Company's consolidated financial results for the fiscal year ending March 31, 2023 is expected, at the time of this report, to be minor. When there is a need for the disclosure of information, the Company will promptly provide the information.

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