

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.