

[NEWS RELEASE]

June 27, 2024

KADOKAWA CORPORATION

[Third Report] The Current Status of System Failure and Business Activities of KADOKAWA Group

KADOKAWA CORPORATION (Headquarters: Chiyoda-ku, Tokyo; Chief Executive Officer: Takeshi Natsuno; hereinafter “KADOKAWA”) expresses deep apologies for the significant inconvenience and trouble caused to its readers, users, writers, creators, business partners, shareholders, investors and other stakeholders by the system failure currently affecting the KADOKAWA Group.

On Saturday, June 8, the servers located in the KADOKAWA Group’s data center experienced a significant cyberattack including ransomware, targeting *Niconico* and the related services.

KADOKAWA is currently considering solutions and workarounds quickly on a company-wide basis in order to normalize its systems and business activities. The current status of the key businesses affected by the system failure, workarounds, and the progress of the investigation of information leakage are as follows.

1. Update on the progress of restoring systems and business activities

In response to the system failure, KADOKAWA is working on building a secure network and server environment. Its top priority is to restore the accounting functions, which are fundamental to its business activities, and to normalize the manufacturing and distribution functions in the publication business, which generate considerable revenue. The accounting functions, owing partly to measures in an analog manner, are expected to be restored in early July.

In the production of publications, reprints of publications are done in order of priority. New publications are produced at the usual level. Looking at the distribution of publications, the number of shipped copies of existing publications, which is heavily affected by KADOKAWA’s own systems, is about one-third of the normal level, but shipped copies of new publications are at the normal level. KADOKAWA intends to implement measures to minimize the impact on its businesses caused by the incident, by developing alternative arrangements that do not solely depend on systems, such as increasing human resources, for some time to come, while expediting the restoration of systems related to the production and distribution of publications.

2. Current status of major businesses affected

- Publication business:
 - <Manufacturing>
 - KADOKAWA is developing arrangements that are not solely dependent on systems, and working to minimize the impact on manufacturing.
 - In the production of domestic paper-based books, reprints of books are done in order of priority. New publications are produced at the usual level.
 - The distribution of certain e-books was delayed immediately after the system failure. Currently, the production of e-books is unaffected.
 - <Distribution>
 - KADOKAWA is developing arrangements that are not solely dependent on systems, and working to minimize the impact on distribution.
 - Shipments of existing and new KADOKAWA books each account for approximately 50% of the total value of shipments. The shipment of new books is at the normal level.
 - Shipments of existing books heavily rely on KADOKAWA’s own systems. It is currently fulfilling

orders from bookstores as far as possible, with support from sales companies. However, shipments are at about one-third of the normal level at the moment.

While working to restore systems as early as possible, KADOKAWA will strive to provide its titles continuously using all available means.

- Web Services business:
 - All *Niconico* family services are still suspended. Users remain unable to log into external services through their *Niconico* account.
 - Meanwhile, KADOKAWA has started providing provisional services to users, including *Niconico Video (Re: tmp)*, *Niconico Live Streaming (Re: tmp)*, and *Niconico Commons (Re: tmp)*. Additionally, it has resumed existing services, such as the *Niconico Manga smartphone version* and *NicoFT*. KADOKAWA plans to restart an existing service, *Niconico Channel Plus* on Friday, June 28.
 - KADOKAWA will gradually restart its services as they become available.
- Merchandise business:
 - The impact on the wholesale of merchandise is limited. The shipping function has been restored and is working at the usual level.
 - The status of online shops operated by KADOKAWA is as follows:
 - The account authentication function provided by KADOKAWA has failed, and users who have these accounts are unable to log into the online shops where this function is implemented. Certain online shops are considering and preparing to implement alternative authentication functions.
 - KADOKAWA is creating temporary pages on its working online shops for users who are unable to access online shops.

3. The status of the investigation into a potential information leakage

KADOKAWA is investigating the possibility for information leakage with the support of external professional organizations.

KADOKAWA does not retain any credit card information of the Group's customers, including *Niconico* service users, in its system, and therefore, no credit card information will have been leaked.

More accurate information based on the investigation results is expected to be available in July. KADOKAWA will announce the information as soon as it is obtained.

4. Impact on business performance

The impact of this matter on KADOKAWA Group's business performance in the current fiscal year is currently unclear at this moment. KADOKAWA will examine the impact carefully and will make an announcement promptly if any matter that should be disclosed occurs.

KADOKAWA Group will provide further updates on the status of recovery or countermeasures if more detailed investigation discovers new facts that ought to be shared.

Aiming to restore systems as quickly as possible, the KADOKAWA Group will continue joining forces and doing everything in its power to get systems and business activities running normally again.

KADOKAWA reiterates its deepest apology to its customers and all those concerned for the considerable inconvenience and trouble this matter has caused.

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For media inquiries, please contact:
Investor and Public Relations Division, KADOKAWA CORPORATION
Email:pr-dept@kadokawa.jp