

Notice Regarding the Recommendation from the Japan Fair Trade Commission

KADOKAWA CORPORATION (Headquarters: Chiyoda-ku, Tokyo; Chief Executive Officer: Takeshi Natsuno; hereinafter "Company") hereby announces that the Japan Fair Trade Commission (JFTC) today issued a recommendation (the "Recommendation") to the Company pursuant to the Act on Ensuring the Proper Transactions Involving Specific Entrusted Business Operators (the "Freelance Act").

We sincerely and deeply apologize to the specific entrusted business operators who were subject to the Recommendation, as well as to all other stakeholders, for the significant inconvenience and concern this matter has caused.

■ Summary of the Recommendation

In the Recommendation, the JFTC determined that certain past transactions relating to the production of publications violated the Freelance Act. The identified violations were as follows:

- Failure to properly specify required transaction terms, including deliverables, remuneration amounts, and payment due dates
- Failure to pay remuneration by the statutory payment due date

■ Actions in Response to the Recommendation

We take the Recommendation extremely seriously. The trust we have built with our freelance contractors, particularly our authors and creators, is fundamental to our business. We deeply regret that this matter has compromised that trust.

[Key Measures to Prevent Recurrence]

● Clarification of Operational Rules in Relevant Departments

• Formalization of operational rules and guidelines in compliance with the Freelance Act, and thorough communication and implementation of such rules and guidelines across all relevant departments

● Revision of Purchase Order and Contract Templates

• Review and revision of purchase order and contract templates to ensure the proper specification of deliverables, remuneration amounts, payment due dates, and other required transaction terms

● Strengthening Contracting, Ordering, and Payment Processes

• Establishment of standardized contracting and ordering procedures to eliminate legacy practices under which purchase orders are not issued in a timely manner

• Enhancement of review and verification procedures to ensure the proper specification of transaction terms

• Strengthening of payment due date management and controls

● System Enhancements to Ensure Effectiveness

• Enhancement of business processes and systems to strengthen recurrence prevention measures, including the implementation of system controls requiring the issuance of a purchase order before transactions can be processed

- **Review of Similar Cases and Corrective Actions**

- Prompt review of whether similar issues exist and implementation of any necessary corrective actions

- **Enhanced Training for Directors and Employees**

- Continuation of e-learning programs and comprehensive company-wide training, together with the introduction of department-specific training tailored to the characteristics and operational needs of individual departments

- **Ongoing Monitoring Through Internal Audits**

- Regular and ongoing monitoring of compliance with operational rules through internal audits to ensure their continued effectiveness

The Company operates a Group-wide whistleblowing system that includes a reporting channel managed by a third-party organization. The system is operated in compliance with the Whistleblower Protection Act and is designed with due consideration for the protection of whistleblowers. Business partners, including specific entrusted business operators, may also use this reporting channel in their capacity as our business counterparties. If you wish to make a report or seek consultation, please contact the reporting channel listed on the website below.

https://group.kadokawa.co.jp/global/ir/esg/governance/internal_control.html

The Company takes the Recommendation extremely seriously and will ensure that its contents are thoroughly communicated to all directors and employees, while promptly implementing the recurrence prevention measures described above. In addition to the corrective actions already underway, the Company will accelerate its efforts to strengthen compliance and enhance its management framework. The Board of Directors and the Audit Committee will also continue to monitor the implementation of the recurrence prevention measures.

The Company will promptly notify the specific entrusted business operators who were subject to the Recommendation of both the Recommendation itself and the measures taken in response thereto.

To prevent any recurrence of similar issues, the Company will ensure strict compliance with the Freelance Act and all other applicable laws and regulations. The Company is fully committed to rebuilding trust and fostering fair and appropriate business relationships with all of its business partners, including authors, creators, and other specific entrusted business operators.

Once again, we extend our sincerest apologies to the specific entrusted business operators who were subject to the Recommendation, as well as to our business partners and all other stakeholders affected by this matter.

■ **About KADOKAWA CORPORATION**

KADOKAWA CORPORATION develops a wide range of entertainment including publication, videos, games, Web services, education, operating IP experiential facilities such as TOKOROZAWA SAKURA TOWN. By utilizing technology, KADOKAWA CORPORATION implements a global media mix strategy, focusing on stable Intellectual Property (IP) creation and delivering it to the world in a variety of forms.

<https://group.kadokawa.co.jp/global/>

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