

[NEWS RELEASE]

June 14, 2024

KADOKAWA CORPORATION

[Second Report]

System Failure Affecting the KADOKAWA Group

KADOKAWA CORPORATION (Headquarters: Chiyoda-ku, Tokyo; CEO 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.

KADOKAWA is currently considering solutions and workarounds quickly on a company-wide basis in order to restore the systems and resume normal operations.

The reason for the system failure and progress of the investigation, as well as the latest situation including the extent of the impact on key businesses and operations and future actions are as follows.

1. Reason for the system failure and progress of investigation

At around 3:30 am on Saturday, June 8, several servers of the KADOKAWA Group became inaccessible. An internal investigation urgently launched in response to the failure confirmed that the servers housed in the KADOKAWA Group's data center had been subjected to a large-scale cyber attack including ransomware attacks, targeting Niconico and the related services. That same day, KADOKAWA established a task force, which has since been investigating the incident and taking action, aiming to gain a full picture of the state of the damage and restore the systems.

KADOKAWA has taken emergency measures to prevent the escalation of damage and protect data integrity such as immediately shutting down the data center servers. Through these measures, other services offered by the Group that utilize the data center, in other words, not only several websites of the KADOKAWA Group but also some functions of core systems that manage business activities and accounting functions have also been suspended.

2. Impact on business and operations

- **Publication businesses :**
 - The functions of the domestic paper-based book order receipt system and digital manufacturing factory and distribution system have been suspended. This has led to suspension of the receipt of orders, reduction in production volume and distribution delays, resulting in a decline in shipment quantities.
 - Some functions of the editing and production support system of the domestic paper-based book and e-book have been suspended, and it is expected that publication of the existing paper-based books and some new publications (paper-based books and e-books) will be delayed.
- **Web Services:**
 - All Niconico family services including Niconico Video, Niconico Live Streaming and Niconico Channel have been suspended and users are not able to log into external services through their Niconico account.
- **Merchandise businesses :**
 - Several online shops operated by KADOKAWA have been unable to receive orders for products or some shipments have been delayed.

- Accounting functions :
 - The accounting system has also been affected by the system failure, and the payment system stopped functioning temporarily. Because of this, payments to some business partners may be delayed.

The situation with regard to the leakage of information is currently under investigation. While no leakage of personal information, credit card information, etc. has been confirmed as yet, investigations are still ongoing. This matter has already been reported to the Personal Information Protection Commission in Japan.

3. Future actions and expectations for resumption of service

KADOKAWA is currently putting all its effort into identifying the extent of the impact in more detail and restoring the systems, with the aim of getting all businesses and operations that have been affected to recover as soon as possible. Above all, the restoration of the accounting functions, which are fundamental to business activities, and the normalization of manufacturing and distribution functions in the Publication businesses, which generate considerable revenue, are the top priorities, and KADOKAWA plans to gradually achieve this from the week of June 17, aiming for the establishment of a safe network and server environment and the restoration of core systems by the end of June this year.

As for recovery of the Niconico services, the system will need to be rebuilt in a safe environment and recovery is expected to take at least one month, though the exact timing depends on the results of the investigation into the extent of the damage. Services will be resumed gradually as and when circumstances allow.

Meanwhile, KADOKAWA Group will do whatever it can to continue providing its products and services, including establishing alternative means, to minimize the impact on its business.

4. Impact on business performance

The impact of this matter on KADOKAWA Group's business performance in the current fiscal year is 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.

[Video Message]

- [Apology and Notice Regarding System Failure Affecting the KADOKAWA Group](#)
Takeshi Natsuno (CEO of KADOKAWA CORPORATION)
- [Apology and Outlook Regarding Suspension of Niconico Services](#)
Shigetaka Kurita (Representative of Niconico, Director COO of Dwango Co., Ltd.)
Keiichi Suzuki (CTO of Niconico Service Headquarters)

*Please note that their messages are Japanese only, and YouTube's automatic translation feature is helpful to understand the contents.

End of document

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