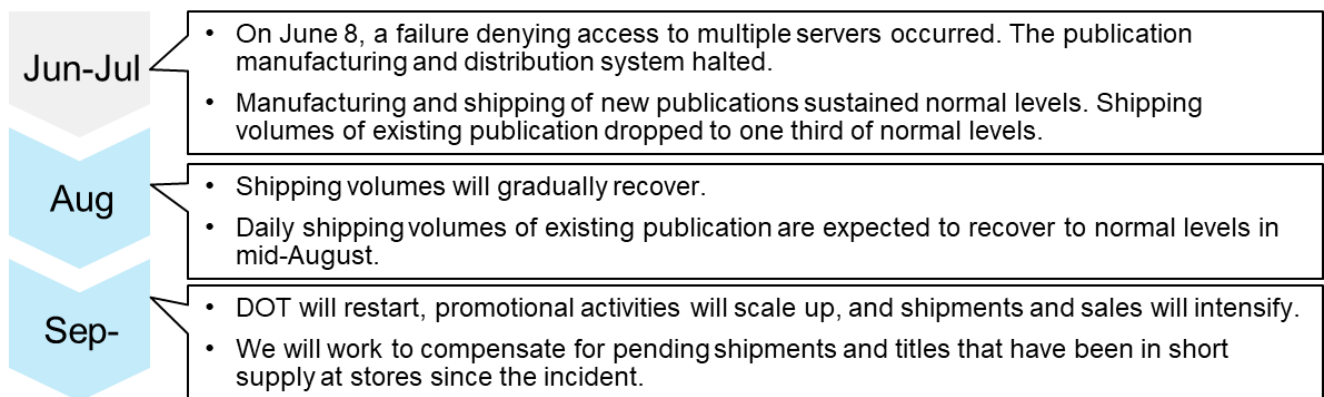


[Fourth Report] Restoration Status of KADOKAWA Group Business Activities

KADOKAWA CORPORATION (Headquarters: Chiyoda-ku, Tokyo; Chief Executive Officer: Takeshi Natsuno; hereinafter “KADOKAWA”) expresses deep apologies for the significant concern and trouble caused to its readers, users, writers, creators, business partners, shareholders, investors, and other stakeholders by the effects of the cyberattack on the file server in our group data center that was discovered on June 8.

Since the incident occurred, our top priorities have been to restore accounting functions, which are the foundation of our business activities, and to restore our publication business, which generates considerable revenue. We hereby report that accounting functions have already been restored to normal, owing partially to analog means, and that the publication business will gradually restore shipping volume beginning in August, with daily shipping volumes expected to recover to normal levels in mid-August.

1. Publication business



When the dedicated DWANGO Co., Ltd. file server suffered a cyberattack, the publication business' manufacturing and distribution systems came to a halt due to the impact of the emergency shutdown of related servers to prevent the damage from spreading and preserve data. Since then, while building a secure network and server environment, we have been working to minimize the decrease in production and the number of shipped copies by measures including analog means that are not solely dependent on systems. As a result, production of new publications sustained normal levels in June, while the number of shipped copies of existing publication dropped to one-third of normal levels.

Under these circumstances, our top priority has been a focus on restoring the publication business, including the restoration of systems. As a result, shipping volumes will gradually recover beginning in August, and we expect that daily shipping volumes of existing publication will generally recover to normal levels in mid-August. Thereafter, by restarting the *DOT (Direct Order Tablet) system*, our proprietary direct ordering system connected to bookstores, and scaling up promotional activities, we will compensate for pending shipments and for titles that have been in short supply at stores since the incident as we work to recoup lost revenues.

2. Other businesses

- Web services business

We have been rebuilding systems in a safe environment while gradually resuming services. We will resume major services such as *Nico Nico Video* and *Nico Nico Live Streaming* on August 5. After that, we expect full restoration of services in September by progressively resuming *Nico Nico Channel* and other services.

- Merchandise business

Wholesale product sales, which account for a large proportion of sales, are continuing normally. Our handling and restoration of KADOKAWA's online shops are as described below. Beginning in August, we expect there to be virtually no impact from the incident anywhere in the Merchandise business.

- At some online shops where the account authentication function provided by KADOKAWA has failed, we aim to correct those failures or introduce alternative authentication functions in early August.
- At online shops where access has been denied, our response will include adding stores inside other shops.

3. Impact on business performance

The impact of this matter on KADOKAWA Group's business performance in the current fiscal year is currently under investigation. KADOKAWA will make an announcement promptly if any matter that should be disclosed arises.

4. Status of information leakage investigation

We are currently in the process of investigating the leaked information with the assistance of a major outside security firm. However, at present we have not completed the investigation. We will report on this matter further as soon as more accurate information comes to light.

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

Occurring in stages beginning in August, we will work to achieve the stable provision of products and services, as well as to promptly reverse the impact from this incident, with the aim of achieving sustainable business growth.

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