

# FY2014 Consolidated Financial Results [Japanese GAAP]

(April 1, 2013 through March 31, 2014)

April 28, 2014

Company name	: <b>KADOKAWA CORPORATION</b>
Stock exchange on which the shares are listed	: Tokyo Stock Exchange
Code number	: 9477
URL	: <a href="http://www.kadokawa.co.jp/">http://www.kadokawa.co.jp/</a>
Representative person	: Masaki Matsubara, President
Contact person	: Akira Watanabe, Director, General Manager of Accounting / Finance Headquarters Tel. (03) 3238-8732
Expected date of ordinary general meeting of shareholders	: June 21, 2014
Expected starting date of cash dividends paid	: June 23, 2014
Expected reporting date of annual security report	: June 24, 2014
Financial results supplementary explanatory documents	: Yes
Financial results explanatory meeting	: Yes

(Amounts less than one million yen are omitted)

## 1. Consolidated Financial Results of FY2014 (April 1, 2013 through March 31, 2014)

### (1) Consolidated operating results

(%: Changes from the previous year)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
FY2014	<b>151,148</b>	<b>(6.5)</b>	<b>6,169</b>	<b>(22.4)</b>	<b>7,337</b>	<b>(15.3)</b>
FY2013	<b>161,602</b>	<b>9.6</b>	<b>7,951</b>	<b>40.6</b>	<b>8,661</b>	<b>46.7</b>

(Note) Comprehensive income: FY2014 17,533 million yen (54.9%), FY2013 11,317 million yen (279.7%)

	Net income		Net income per share-basic	Net income per share-diluted
	(Millions of yen)	%	(Yen)	(Yen)
FY2014	<b>7,592</b>	<b>50.6</b>	<b>277.80</b>	<b>251.70</b>
FY2013	<b>5,040</b>	<b>39.8</b>	<b>194.72</b>	<b>171.03</b>

	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	%	%	%
FY2014	<b>7.7</b>	<b>5.0</b>	<b>4.1</b>
FY2013	<b>6.2</b>	<b>6.4</b>	<b>4.9</b>

(Reference) Equity in earnings (losses) of affiliates: FY2014 489 million yen, FY2013 185 million yen

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
FY2014	<b>156,105</b>	<b>110,931</b>	<b>70.7</b>	<b>3,772.22</b>
FY2013	<b>139,898</b>	<b>87,545</b>	<b>61.8</b>	<b>3,339.17</b>

(Reference) Equity capital: FY2014 110,352 million yen, FY2013 86,428 million yen

### (3) Consolidated cash flows

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
FY2014	<b>13,176</b>	<b>965</b>	<b>(1,891)</b>	<b>30,808</b>
FY2013	<b>10,335</b>	<b>(4,061)</b>	<b>(787)</b>	<b>17,876</b>

## 2. Cash dividends

	Cash dividend per share					Total amount of annual cash dividends	Dividend payout ratio (Consolidated)	Dividend to net assets (Consolidated)
	1Q	2Q	3Q	Year-end	Annual			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
FY2013	—	<b>0.00</b>	—	<b>45.00</b>	<b>45.00</b>	<b>1,164</b>	<b>23.1</b>	<b>1.4</b>
FY2014	—	<b>0.00</b>	—	<b>60.00</b>	<b>60.00</b>	<b>1,755</b>	<b>21.6</b>	<b>1.7</b>

(Note 1) Break down of FY2013 year-end dividend per share: ordinary dividend 35 yen, commemorative dividend 10 yen

Break down of FY2014 year-end dividend per share: ordinary dividend 35 yen, commemorative dividend 25 yen

(Note 2) The cash dividends forecast for FY2015 is not presented as it is not yet determined.

### **3. Consolidated Forecast for FY2015 (April 1, 2014 through March 31, 2015)**

The consolidated forecast for FY2015 is not presented as it is difficult to draw up the reasonable forecast.

#### **Notes**

- (1) Changes in significant subsidiaries during this year (Accompanying changes in the scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates and restatements of prior period financial statements
  - (a) Changes in accounting policies accompanying revisions of accounting standards, etc.: Yes
  - (b) Changes in accounting policies due to other than the above: None
  - (c) Changes in accounting estimates: None
  - (d) Restatements of prior period financial statements after error corrections: None
- (3) Outstanding shares (Common stock)
  - (a) Number of shares issued and outstanding at the end of each year (including treasury stock):  
FY2014 29,258,393 shares, FY2013 27,260,800 shares
  - (b) Number of treasury stock at the end of each year:  
FY2014 4,497 shares, FY2013 1,377,474 shares
  - (c) Number of weighted-average number of shares issued and outstanding for each year:  
FY2014 27,330,426 shares, FY2013 25,883,376 shares

#### **Indication of audit procedure implementation status**

This financial result is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this result.

#### **Note regarding use of "Consolidated Forecast for FY2015" and other note**

The forward-looking statements contained in this result are based on information available at the time of preparation and on certain assumptions deemed to be reasonable, and are not committed to realize in the future.

**Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

(Millions of yen)

	FY2013 (As of March 31, 2013)	FY2014 (As of March 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	18,174	32,644
Notes and accounts receivable - trade	43,218	36,482
Securities	—	709
Inventories	14,223	14,641
Deferred tax assets	4,517	4,907
Other	3,219	1,724
Allowance for doubtful accounts	Δ91	Δ21
Total current assets	83,262	91,088
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,622	12,695
Accumulated depreciation	Δ7,642	Δ6,911
Buildings and structures, net	6,979	5,784
Tools, furniture and fixtures	5,016	4,278
Accumulated depreciation	Δ3,468	Δ2,962
Tools, furniture and fixtures, net	1,547	1,315
Land	10,497	10,255
Construction in progress	254	1,377
Other	1,996	2,077
Accumulated depreciation	Δ1,684	Δ1,715
Other, net	311	361
Total property, plant and equipment	19,590	19,095
Intangible assets		
Goodwill	642	392
Other	2,685	2,931
Total intangible assets	3,327	3,324
Investments and other assets		
Investment securities	24,064	33,282
Deferred tax assets	469	159
Other	9,473	9,431
Allowance for doubtful accounts	Δ288	Δ277
Total investments and other assets	33,718	42,596
Total non-current assets	56,636	65,016
Total assets	139,898	156,105

(Millions of yen)

	FY2013 (As of March 31, 2013)	FY2014 (As of March 31, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	19,674	20,229
Short-term loans payable	55	—
Current portion of bonds with subscription rights to shares	—	2,580
Income taxes payable	961	528
Provision for bonuses	1,568	1,567
Provision for sales returns	3,886	3,694
Other	9,123	7,380
Total current liabilities	35,270	35,980
Non-current liabilities		
Bonds with subscription rights to shares	11,000	—
Long-term loans payable	339	260
Deferred tax liabilities	2,195	5,260
Provision for retirement benefits	2,716	—
Net defined benefit liability	—	3,009
Other	831	663
Total non-current liabilities	17,082	9,193
Total liabilities	52,353	45,173
Net assets		
Shareholders' equity		
Capital stock	26,330	28,825
Capital surplus	27,375	29,870
Retained earnings	34,787	40,364
Treasury shares	△3,932	△12
Total shareholders' equity	84,561	99,047
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,248	11,812
Revaluation reserve for land	△328	△232
Foreign currency translation adjustment	△2,052	△156
Remeasurements of defined benefit plans	—	△118
Total accumulated other comprehensive income	1,867	11,304
Minority interests	1,116	579
Total net assets	87,545	110,931
Total liabilities and net assets	139,898	156,105

**(2) Consolidated Statements of Income**

(Millions of yen)

	FY2013 (April 2012 through March 2013)	FY2014 (April 2013 through March 2014)
Net sales	161,602	151,148
Cost of sales	119,818	109,916
Gross profit	41,783	41,232
Reversal of provision for sales returns	3,920	3,885
Provision for sales returns	3,895	3,782
Gross profit - net	41,809	41,334
Selling, general and administrative expenses	33,857	35,165
Operating income	7,951	6,169
Non-operating income		
Interest income	71	33
Dividend income	177	239
Amortization of negative goodwill	81	81
Equity in earnings of affiliates	185	489
Insurance income	194	61
Gain on sales of goods	164	182
Other	66	180
Total non-operating income	942	1,268
Non-operating expenses		
Interest expenses	136	68
Share issuance cost	—	13
Foreign exchange losses	87	—
Commission fee	0	16
Other	7	1
Total non-operating expenses	232	99
Ordinary income	8,661	7,337
Extraordinary income		
Gain on sales of non-current assets	1	723
Gain on sales of investment securities	8	143
Gain on sales of shares of subsidiaries and affiliates	—	2,901
Gain on change in equity	120	—
Gain on negative goodwill	—	204
Total extraordinary income	130	3,972
Extraordinary losses		
Loss on retirement of non-current assets	249	711
Impairment loss	—	168
Loss on sales of investment securities	—	98
Loss on valuation of investment securities	632	380
Loss on sales of shares of subsidiaries and affiliates	579	—
Loss on liquidation of subsidiaries and affiliates	—	272
Special retirement expenses	133	8
Office transfer expenses	—	161
Other	15	1
Total extraordinary losses	1,610	1,802
Income before income taxes and minority interests	7,181	9,506
Income taxes - current	1,310	1,667
Income taxes - deferred	732	△381
Total income taxes	2,043	1,285
Income before minority interests	5,138	8,221
Minority interests in income	98	629
Net income	5,040	7,592

**(3) Consolidated Statements of Comprehensive Income**

(Millions of yen)

	FY2013 (April 2012 through March 2013)	FY2014 (April 2013 through March 2014)
Income before minority interests	5,138	8,221
Other comprehensive income		
Valuation difference on available-for-sale securities	5,133	7,564
Revaluation reserve for land	—	△265
Foreign currency translation adjustment	972	1,863
Share of other comprehensive income of affiliates accounted for using equity method	72	149
Total other comprehensive income	6,178	9,311
Comprehensive income	11,317	17,533
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,144	16,787
Comprehensive income attributable to minority interests	172	745

#### **(4) Consolidated Statements of Changes in Net Assets**

FY2013 (April 2012 through March 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	26,330	27,375	30,695	Δ3,932	80,468
Changes of items during period					
Dividends of surplus			Δ905		Δ905
Net income			5,040		5,040
Purchase of treasury shares				Δ0	Δ0
Disposal of treasury shares			Δ0	0	0
Change of scope of equity method			Δ41		Δ41
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	4,092	0	4,092
Balance at end of current period	26,330	27,375	34,787	Δ3,932	84,561

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	Δ885	Δ328	Δ3,023	Δ4,236	819	77,050
Changes of items during period						
Dividends of surplus						Δ905
Net income						5,040
Purchase of treasury shares						Δ0
Disposal of treasury shares						0
Change of scope of equity method						Δ41
Net changes of items other than shareholders' equity	5,133	—	971	6,104	297	6,401
Total changes of items during period	5,133	—	971	6,104	297	10,494
Balance at end of current period	4,248	Δ328	Δ2,052	1,867	1,116	87,545

FY2014 (April 2013 through March 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	26,330	27,375	34,787	△3,932	84,561
Changes of items during period					
Issuance of new shares	2,495	2,495			4,990
Dividends of surplus			△1,164		△1,164
Net income			7,592		7,592
Purchase of treasury shares				△0	△0
Disposal of treasury shares			△490	3,920	3,430
Reversal of revaluation reserve for land			△361		△361
Net changes of items other than shareholders' equity					
Total changes of items during period	2,495	2,495	5,576	3,919	14,486
Balance at end of current period	28,825	29,870	40,364	△12	99,047

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	4,248	△328	△2,052	—	1,867	1,116	87,545
Changes of items during period							
Issuance of new shares							4,990
Dividends of surplus							△1,164
Net income							7,592
Purchase of treasury shares							△0
Disposal of treasury shares							3,430
Reversal of revaluation reserve for land							△361
Net changes of items other than shareholders' equity	7,564	95	1,895	△118	9,437	△536	8,900
Total changes of items during period	7,564	95	1,895	△118	9,437	△536	23,386
Balance at end of current period	11,812	△232	△156	△118	11,304	579	110,931



**(5) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY2013 (April 2012 through March 2013)	FY2014 (April 2013 through March 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	7,181	9,506
Depreciation and amortization	2,285	1,858
Amortization of goodwill	196	168
Interest and dividend income	△249	△273
Interest expenses	136	68
Equity in earnings of affiliates	△185	△489
Gain on sales of non-current assets	△1	△723
Loss on retirement of non-current assets	249	711
Loss on valuation of investment securities	632	380
Loss (gain) on sales of shares of subsidiaries and affiliates	579	△2,901
Loss on liquidation of subsidiaries and affiliates	—	272
Decrease in notes and accounts receivable - trade	1,387	6,056
Increase in inventories	△129	△353
Increase (decrease) in notes and accounts payable - trade	△123	1,435
Other, net	△837	△1,248
Subtotal	11,122	14,469
Interest and dividend income received	261	332
Interest expenses paid	△135	△75
Income taxes paid	△913	△1,550
Net cash provided by operating activities	10,335	13,176
Cash flows from investing activities		
Decrease (increase) in time deposits	516	△1,474
Purchase of securities	—	△1,011
Proceeds from sales and redemption of securities	600	300
Purchase of property, plant and equipment	△775	△2,419
Proceeds from sales of property, plant and equipment	1	1,779
Purchase of intangible assets	△1,353	△1,457
Purchase of investment securities	△2,844	△299
Proceeds from sales of investment securities	35	2,356
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	△119
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	105	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	641	3,178
Payments for investments in capital	△1,358	△5
Proceeds from cancellation of insurance funds	476	244
Other, net	△106	△105
Net cash provided by (used in) investing activities	△4,061	965
Cash flows from financing activities		
Decrease in short-term loans payable	△50	△20
Proceeds from long-term loans payable	200	60
Repayments of long-term loans payable	△84	△41
Cash dividends paid	△905	△1,164
Cash dividends paid to minority shareholders	△32	△690
Other, net	86	△35
Net cash used in financing activities	△787	△1,891
Effect of exchange rate change on cash and cash equivalents	455	683
Net increase in cash and cash equivalents	5,942	12,932
Cash and cash equivalents at beginning of period	11,934	17,876
Cash and cash equivalents at end of period	17,876	30,808

## **(6) Notes to Consolidated Financial Statements**

### ***(Notes on Premise of Going Concern)***

Not applicable

### ***(Changes in Accounting Policies)***

(Adoption of new accounting standards for retirement benefits)

Effective from the end of FY2014, KADOKAWA adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012).

As a result of change, accumulated other comprehensive income decreased by 118 million yen as of March 31, 2014.

### ***(Segment Information)***

KADOKAWA does not present segment information by reportable segment, as KADOKAWA operates in one business category, "Content business", namely publications, films and others which are created, produced, purchased and sold by KADOKAWA.

### ***(Subsequent Events)***

The board meeting of KADOKAWA held on April 28, 2014 resolved that KADOKAWA is going to acquire 80% shares of FromSoftware, Inc., a company engaging in planning, developing and distributing video game, and planning and developing the internet content, from Transcosmos Inc. and other shareholders on May 21, 2014.