



# FY2015 First Quarter Consolidated Financial Results [Japanese GAAP]

(April 1, 2014 through June 30, 2014)

July 31, 2014

Company name : **KADOKAWA CORPORATION**  
 Stock exchange on which the shares are listed : Tokyo Stock Exchange  
 Code number : 9477  
 URL : <http://www.kadokawa.co.jp/>  
 Representative person : Masaki Matsubara, President  
 Contact person : Akira Watanabe, Director, General Manager of  
 Accounting / Finance Headquarters  
 Tel. (03) 3238-8732

Expected reporting date of quarterly security report : August 11, 2014  
 Expected starting date of cash dividends paid :—  
 Quarterly results supplementary explanatory documents : Yes  
 Quarterly results explanatory meeting : None

(Amounts less than one million yen are omitted)

## 1. Consolidated Financial Results of FY2015 First Quarter (April 1, 2014 through June 30, 2014)

(1) Consolidated operating results (%: Changes from the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
FY2015 first quarter	<b>33,658</b>	<b>(5.9)</b>	<b>(111)</b>	—	<b>125</b>	<b>(94.6)</b>
FY2014 first quarter	<b>35,775</b>	<b>(10.6)</b>	<b>1,941</b>	<b>(18.6)</b>	<b>2,310</b>	<b>(14.9)</b>

(Note) Comprehensive income: FY2015 first quarter (3,355) million yen (—), FY2014 first quarter 3,727 million yen (147.4%)

	Net income		Net income per share-basic	Net income per share-diluted
	(Millions of yen)	%	(Yen)	(Yen)
FY2015 first quarter	<b>(640)</b>	—	<b>(21.86)</b>	—
FY2014 first quarter	<b>1,031</b>	<b>(13.9)</b>	<b>39.63</b>	<b>34.75</b>

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Millions of yen)	(Millions of yen)	%
FY2015 first quarter	<b>148,151</b>	<b>107,070</b>	<b>71.6</b>
FY2014	<b>156,105</b>	<b>110,931</b>	<b>70.7</b>

(Reference) Equity capital: FY2015 first quarter 106,004 million yen, FY2014 110,352 million yen

## 2. Cash dividends

	Cash dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY2014	—	<b>0.00</b>	—	<b>60.00</b>	<b>60.00</b>
FY2015	—				

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

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

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

The cash dividends forecast for FY2015 is not also presented as it is scheduled for the management integration with DWANGO Co., Ltd. on October 1, 2014.

## **Notes**

- (1) Changes in significant subsidiaries during this period (Accompanying changes in the scope of consolidation): None
- (2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: None
- (3) 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
- (4) Outstanding shares (Common stock)
  - (a) Number of shares issued and outstanding at the end of each period (including treasury stock):

FY2015 first quarter	29,566,639 shares,	FY2014	29,258,393 shares
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  - (b) Number of treasury stock at the end of each period:

FY2015 first quarter	558 shares,	FY2014	4,497 shares
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  - (c) Number of weighted-average number of shares issued and outstanding for each three-month period:

FY2015 first quarter	29,325,454 shares,	FY2014 first quarter	26,042,067 shares
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## **Indication of quarterly review procedures implementation status**

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

## **Note regarding use of “Consolidated Earnings 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.

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

(Millions of yen)

	FY2014 (As of March 31, 2014)	FY2015 First quarter (As of Jun 30, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	32,644	28,402
Notes and accounts receivable - trade	36,482	32,015
Securities	709	699
Inventories	14,641	15,316
Deferred tax assets	4,907	4,505
Other	1,724	1,861
Allowance for doubtful accounts	(21)	(19)
Total current assets	91,088	82,781
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,784	5,702
Tools, furniture and fixtures, net	1,315	1,345
Land	10,255	10,255
Other, net	1,739	2,046
Total property, plant and equipment	19,095	19,350
Intangible assets		
Goodwill	392	3,816
Other	2,931	3,217
Total intangible assets	3,324	7,034
Investments and other assets		
Investment securities	33,282	29,545
Deferred tax assets	159	292
Other	9,431	9,392
Allowance for doubtful accounts	(277)	(245)
Total investments and other assets	42,596	38,984
Total non-current assets	65,016	65,369
<b>Total assets</b>	<b>156,105</b>	<b>148,151</b>

(Millions of yen)

	FY2014 (As of March 31, 2014)	FY2015 First quarter (As of Jun 30, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	20,229	18,461
Short-term loans payable	—	360
Current portion of bonds with subscription rights to shares	2,580	1,800
Income taxes payable	528	325
Provision for bonuses	1,567	899
Provision for sales returns	3,694	3,390
Other	7,380	7,729
Total current liabilities	35,980	32,966
Non-current liabilities		
Long-term loans payable	260	250
Deferred tax liabilities	5,260	3,824
Net defined benefit liability	3,009	3,194
Other	663	844
Total non-current liabilities	9,193	8,113
<b>Total liabilities</b>	<b>45,173</b>	<b>41,080</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	28,825	29,210
Capital surplus	29,870	30,255
Retained earnings	40,364	37,966
Treasury shares	(12)	(1)
Total shareholders' equity	99,047	97,430
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,812	9,347
Revaluation reserve for land	(232)	(232)
Foreign currency translation adjustment	(156)	(417)
Remeasurements of defined benefit plans	(118)	(124)
Total accumulated other comprehensive income	11,304	8,573
Minority interests	579	1,066
<b>Total net assets</b>	<b>110,931</b>	<b>107,070</b>
<b>Total liabilities and net assets</b>	<b>156,105</b>	<b>148,151</b>

**(2) Consolidated Statements of Income**

(Millions of yen)

	FY2014 First quarter (April 2013 through June 2013)	FY2015 First quarter (April 2014 through June 2014)
Net sales	35,775	33,658
Cost of sales	25,550	25,576
Gross profit	10,224	8,081
Reversal of provision for sales returns	3,869	3,694
Provision for sales returns	3,845	3,390
Gross profit - net	10,248	8,385
Selling, general and administrative expenses	8,306	8,497
Operating income (loss)	1,941	(111)
Non-operating income		
Interest income	9	5
Dividend income	157	132
Amortization of negative goodwill	20	—
Equity in earnings of affiliates	169	173
Insurance income	7	1
Gain on sales of goods	46	25
Other	13	8
Total non-operating income	425	346
Non-operating expenses		
Interest expenses	32	8
Foreign exchange losses	22	94
Other	1	5
Total non-operating expenses	56	108
Ordinary income	2,310	125
Extraordinary income		
Gain on sales of investment securities	—	11
Total extraordinary income	—	11
Extraordinary losses		
Loss on retirement of non-current assets	4	9
Impairment loss	23	—
Loss on valuation of investment securities	342	14
Management integration related expenses	—	210
Other	5	—
Total extraordinary losses	376	234
Income (loss) before income taxes and minority interests	1,933	(97)
Income taxes	868	518
Income (loss) before minority interests	1,065	(616)
Minority interests in income	33	24
Net income (loss)	1,031	(640)

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

(Millions of yen)

	FY2014 First quarter (April 2013 through June 2013)	FY2015 First quarter (April 2014 through June 2014)
Income (loss) before minority interests	1,065	(616)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,826	(2,465)
Foreign currency translation adjustment	779	(243)
Remeasurements of defined benefit plans, net of tax	–	(5)
Share of other comprehensive income of affiliates accounted for using equity method	56	(25)
Total other comprehensive income	2,662	(2,739)
Comprehensive income	3,727	(3,355)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,636	(3,372)
Comprehensive income attributable to minority interests	91	16

#### **(4) Notes to Quarterly Consolidated Financial Statements**

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

(Adoption of revised Accounting Standards for Retirement Benefits)

The main clause of Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 issued on May 17, 2012, hereafter "Retirement Benefits Accounting Standard") and the main clause of Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 issued on May 17, 2012) were adopted from the first quarter ended June 30, 2014. As a result, the calculation methods of retirement benefit obligation and service cost were changed. The method of determining the portion of projected benefit obligation attributed to service periods was changed from the straight-line method to the benefit formula basis. The method of determining the discount rates applied in the calculation of retirement benefit obligation was changed from the method using the number of years approximate to the employees' average remaining service period to the method using the single weighted average discount rate that reflects the estimated period and amount of benefit payment in each period.

The Retirement Benefits Accounting Standard and other standards were applied in accordance with the transitional treatment set forth in Article 37 of the Retirement Benefits Accounting Standard, and the effect of the change in calculation methods of retirement benefit obligation and service cost were added to or deducted from retained earnings as of April 1, 2014.

The effect of this change on quarterly consolidated financial statements is immaterial.

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

Not applicable

##### ***(Notes on Significant Changes in Shareholders' Equity)***

Not applicable