



FY2014 Second Quarter Consolidated Financial Results [Japanese GAAP]

(April 1, 2013 through September 30, 2013)

October 25, 2013

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 : Tatsuo Sato, President
 Contact person : Akira Watanabe, Director and Deputy General Manager
 Tel. (03) 3238-8561
 Expected reporting date of quarterly security report : November 12, 2013
 Expected date of cash dividends paid : —
 Quarterly results supplementary explanatory documents : Yes
 Quarterly results explanatory meeting : Yes

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results of FY2014 Second Quarter (April 1, 2013 through September 30, 2013)

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

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
FY2014 second quarter	72,203	(9.9)	2,816	(25.7)	3,501	(19.6)
FY2013 second quarter	80,125	18.0	3,792	9.8	4,357	27.0

(Note) Comprehensive income: FY2014 second quarter 6,851 million yen (155.2%), FY2013 second quarter 2,684 million yen (5.8%)

	Net income		Net income per share-basic		Net income per share-diluted	
	(Millions of yen)	%	(Yen)	(Yen)	(Yen)	(Yen)
FY2014 second quarter	3,787	136.5	143.25		125.96	
FY2013 second quarter	1,601	(44.4)	61.87		55.09	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	%
FY2014 second quarter	139,208		95,774			68.4
FY2013	139,898		87,545			61.8

(Reference) Equity capital: FY2014 second quarter 95,208 million yen, FY2013 86,428 million yen

2. Cash dividends

	Cash dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY2013	—	0.00	—	45.00	45.00
FY2014	—	0.00	—	—	—
FY2014 (Forecast)	—	—	—	35.00	35.00

(Note) Revision of cash dividend forecast for FY2014 most recently announced: None

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

3. Consolidated Financial Forecast for FY2014 (April 1, 2013 through March 31, 2014)

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

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.: None
 - (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):
FY2014 second quarter 27,420,928 shares, FY2013 27,260,800 shares
 - (b) Number of treasury stock at the end of each period:
FY2014 second quarter 36,452 shares, FY2013 1,377,474 shares
 - (c) Number of weighted-average number of shares issued and outstanding for each six-month period:
FY2014 second quarter 26,442,591 shares, FY2013 second quarter 25,883,368 shares

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 Financial Forecast for FY2014” 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 Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	FY2013	FY2014 Second quarter
	(As of March 31, 2013)	(As of September 30, 2013)
Assets		
Current assets		
Cash and deposits	18,174	26,786
Notes and accounts receivable-trade	43,218	34,568
Short-term investment securities	—	301
Inventories	14,223	15,249
Deferred tax assets	4,517	4,254
Other	3,219	1,859
Allowance for doubtful accounts	(91)	(56)
Total current assets	83,262	82,963
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,979	6,227
Tools, furniture and fixtures, net	1,547	1,271
Land	10,497	10,669
Other, net	565	1,745
Total property, plant and equipment	19,590	19,913
Intangible assets		
Goodwill	642	517
Other	2,685	2,943
Total intangible assets	3,327	3,461
Investments and other assets		
Investment securities	24,064	23,641
Deferred tax assets	469	446
Other	9,473	9,050
Allowance for doubtful accounts	(288)	(268)
Total investments and other assets	33,718	32,869
Total non-current assets	56,636	56,244
Total assets	139,898	139,208

(Millions of yen)

	FY2013	FY2014 Second quarter
	(As of March 31, 2013)	(As of September 30, 2013)

Liabilities**Current liabilities**

Notes and accounts payable-trade	19,674	16,984
Short-term loans payable	55	—
Income taxes payable	961	1,334
Provision for bonuses	1,568	1,590
Provision for sales returns	3,886	3,648
Other	9,123	7,079

Total current liabilities	35,270	30,637
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Non-current liabilities

Bonds with subscription rights to shares	11,000	7,250
Long-term loans payable	339	240
Deferred tax liabilities	2,195	1,761
Provision for retirement benefits	2,716	2,856
Other	831	688

Total non-current liabilities	17,082	12,796
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Total liabilities

52,353	43,433
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Net assets**Shareholders' equity**

Capital stock	26,330	26,530
Capital surplus	27,375	27,575
Retained earnings	34,787	36,932
Treasury stock	(3,932)	(104)

Total shareholders' equity	84,561	90,934
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Accumulated other comprehensive income

Valuation difference on available-for-sale securities	4,248	5,604
Revaluation reserve for land	(328)	(328)
Foreign currency translation adjustment	(2,052)	(1,001)

Total accumulated other comprehensive income	1,867	4,274
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Minority interests

1,116	565
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Total net assets

87,545	95,774
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Total liabilities and net assets

139,898	139,208
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(2) Consolidated quarterly statements of income

(Millions of yen)

	FY2013 Second quarter (April 2012 through September 2012)	FY2014 Second quarter (April 2013 through September 2013)
Net sales	80,125	72,203
Cost of sales	59,535	52,514
Gross profit	20,589	19,689
Reversal of provision for sales returns	3,906	3,869
Provision for sales returns	4,069	3,736
Gross profit-net	20,427	19,822
Selling, general and administrative expenses	16,635	17,006
Operating income	3,792	2,816
Non-operating income		
Interest income	30	16
Dividends income	100	157
Amortization of negative goodwill	40	40
Equity in earnings of affiliates	152	377
Insurance income	165	40
Gain on sales of goods	84	91
Other	61	30
Total non-operating income	634	754
Non-operating expenses		
Interest expenses	66	46
Other	3	23
Total non-operating expenses	69	69
Ordinary income	4,357	3,501
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	—	2,826
Gain on change in equity	115	—
Other	1	—
Total extraordinary income	116	2,826
Extraordinary loss		
Loss on retirement of non-current assets	29	15
Impairment loss	149	23
Loss on sales of investment securities	—	98
Loss on valuation of investment securities	1,466	380
Loss on valuation of membership	9	—
Special retirement expenses	59	8
Other	7	—
Total extraordinary losses	1,722	526
Income before income taxes and minority interests	2,751	5,801
Income taxes	1,110	1,461
Income before minority interests	1,641	4,339
Minority interests in income	39	551
Net income	1,601	3,787

(3) Consolidated quarterly statements of comprehensive income

(Millions of yen)

	FY2013 Second quarter	FY2014 Second quarter
	(April 2012 through September 2012)	(April 2013 through September 2013)
Income before minority interests	1,641	4,339
Other comprehensive income		
Valuation difference on available-for-sale securities	858	1,355
Foreign currency translation adjustment	173	1,061
Share of other comprehensive income of associates accounted for using equity method	11	94
Total other comprehensive income	1,043	2,511
Comprehensive income	2,684	6,851
Comprehensive income attributable to:		
Owners of the parent	2,631	6,195
Minority interests	52	656

(4) Consolidated quarterly statements of cash flows

(Millions of yen)

	FY2013 Second quarter (April 2012 through September 2012)	FY2014 Second quarter (April 2013 through September 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	2,751	5,801
Depreciation and amortization	1,126	964
Impairment loss	149	23
Amortization of goodwill	102	84
Increase (decrease) in provision for retirement benefits	67	139
Interest and dividends income	(130)	(174)
Interest expenses	66	46
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	(2,826)
Equity in (earnings) losses of affiliates	(152)	(377)
Loss (gain) on valuation of investment securities	1,466	380
Decrease (increase) in notes and accounts receivable-trade	1,934	7,871
Decrease (increase) in inventories	406	(1,087)
Increase (decrease) in notes and accounts payable-trade	(428)	(1,760)
Other, net	(934)	(1,406)
Subtotal	6,425	7,678
Interest and dividends income received	155	234
Interest expenses paid	(64)	(53)
Income taxes paid	(274)	(151)
Net cash provided by (used in) operating activities	6,242	7,708
Cash flows from investing activities		
Decrease (increase) in time deposits	31	78
Purchase of short-term investment securities	—	(302)
Proceeds from sales and redemption of securities	600	—
Purchase of property, plant and equipment	(522)	(1,738)
Purchase of intangible assets	(707)	(605)
Purchase of investment securities	(931)	(284)
Proceeds from sales of investment securities	—	1,978
Proceeds from cancellation of insurance funds	416	208
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	3,027
Other, net	(308)	(17)
Net cash provided by (used in) investing activities	(1,422)	2,345
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(6)	—
Proceeds from long-term loans payable	70	40
Repayment of long-term loans payable	(43)	(31)
Cash dividends paid	(905)	(1,164)
Cash dividends paid to minority shareholders	(30)	(686)
Other, net	86	(12)
Net cash provided by (used in) financing activities	(829)	(1,855)
Effect of exchange rate change on cash and cash equivalents	79	468
Net increase (decrease) in cash and cash equivalents	4,069	8,667
Cash and cash equivalents at beginning of period	11,934	17,876
Cash and cash equivalents at end of period	16,003	26,543

(5) Notes to Quarterly Consolidated Financial Statements

(a) Notes on Premise of Going Concern
Not applicable

(b) Notes on Significant Changes in Shareholders' Equity.

Due to exercising share subscription rights of convertible bonds, capital stock and capital surplus increased by ¥200 million, respectively, retained earnings decreased by ¥478 million and treasury stock decreased by ¥3,828 million during FY2014 second quarter. As a result, shareholders' equity increased by ¥3,750 million collectively compared to March 31, 2013.