



FY2014 Third Quarter Consolidated Financial Results [Japanese GAAP]

(April 1, 2013 through December 31, 2013)

January 30, 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 : Tatsuo Sato, President
 Contact person : Akira Watanabe, Director and Deputy General Manager
 Tel. (03) 3238-8561
 Expected reporting date of quarterly security report : February 13, 2014
 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 Third Quarter (April 1, 2013 through December 31, 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 third quarter	111,819	(7.7)	4,561	(17.3)	5,508	(10.5)
FY2013 third quarter	121,170	12.7	5,517	(0.1)	6,155	3.9

(Note) Comprehensive income: FY2014 third quarter 14,751 million yen (260.5%), FY2013 third quarter 4,092 million yen (50.5%)

	Net income		Net income per share-basic	Net income per share-diluted
	(Millions of yen)	%	(Yen)	(Yen)
FY2014 third quarter	7,364	145.4	274.10	244.19
FY2013 third quarter	3,001	(14.3)	115.95	102.65

(2) Consolidated financial position

	Total assets		Net assets	Equity ratio
	(Millions of yen)		(Millions of yen)	%
FY2014 third quarter	151,481		105,383	69.2
FY2013	139,898		87,545	61.8

(Reference) Equity capital: FY2014 third quarter 104,844 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 Earnings Forecast for FY2014 (April 1, 2013 through March 31, 2014)

The consolidated earnings 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 third quarter 28,115,481 shares, FY2013 27,260,800 shares
 - (b) Number of treasury stock at the end of each period:
FY2014 third quarter 16,470 shares, FY2013 1,377,474 shares
 - (c) Number of weighted-average number of shares issued and outstanding for each nine-month period:
FY2014 third quarter 26,868,956 shares, FY2013 third quarter 25,883,377 shares

Indication of quarterly review procedures implementation status

The quarterly financial results are 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 the results.

Note regarding use of “Consolidated Earnings Forecast for FY2014” and other information

The forward-looking statements contained in the results 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 Third quarter
	(As of March 31, 2013)	(As of December 31,
Assets		
Current assets		
Cash and deposits	18,174	25,153
Notes and accounts receivable-trade	43,218	42,886
Short-term investment securities	—	300
Inventories	14,223	15,061
Deferred tax assets	4,517	5,348
Other	3,219	1,676
Allowance for doubtful accounts	(91)	(75)
Total current assets	83,262	90,351
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,979	5,633
Tools, furniture and fixtures, net	1,547	1,238
Land	10,497	10,255
Other, net	565	1,711
Total property, plant and equipment	19,590	18,839
Intangible assets		
Goodwill	642	455
Other	2,685	3,122
Total intangible assets	3,327	3,578
Investments and other assets		
Investment securities	24,064	29,673
Deferred tax assets	469	175
Other	9,473	9,094
Allowance for doubtful accounts	(288)	(229)
Total investments and other assets	33,718	38,712
Total non-current assets	56,636	61,130
Total assets	139,898	151,481

(Millions of yen)

	FY2013 (As of March 31, 2013)	FY2014 Third quarter (As of December 31,
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,674	20,378
Short-term loans payable	55	23
Current portion of bonds with subscription rights to shares	—	5,465
Income taxes payable	961	380
Provision for bonuses	1,568	669
Provision for sales returns	3,886	3,705
Other	9,123	7,942
Total current liabilities	35,270	38,566
Non-current liabilities		
Bonds with subscription rights to shares	11,000	—
Long-term loans payable	339	265
Deferred tax liabilities	2,195	3,633
Provision for retirement benefits	2,716	2,980
Other	831	651
Total non-current liabilities	17,082	7,531
Total liabilities	52,353	46,097
Net assets		
Shareholders' equity		
Capital stock	26,330	27,398
Capital surplus	27,375	28,442
Retained earnings	34,787	40,140
Treasury stock	(3,932)	(47)
Total shareholders' equity	84,561	95,934
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,248	9,516
Revaluation reserve for land	(328)	32
Foreign currency translation adjustment	(2,052)	(639)
Total accumulated other comprehensive income	1,867	8,910
Minority interests	1,116	539
Total net assets	87,545	105,383
Total liabilities and net assets	139,898	151,481

(2) Consolidated quarterly statements of income

(Millions of yen)

	FY2013 Third quarter (April 2012 through December 2012)	FY2014 Third quarter (April 2013 through December 2013)
Net sales	121,170	111,819
Cost of sales	90,269	81,565
Gross profit	30,900	30,254
Reversal of provision for sales returns	3,905	3,869
Provision for sales returns	4,058	3,777
Gross profit-net	30,747	30,345
Selling, general and administrative expenses	25,229	25,783
Operating income	5,517	4,561
Non-operating income		
Interest income	38	23
Dividends income	175	238
Amortization of negative goodwill	61	61
Equity in earnings of affiliates	123	367
Insurance income	171	43
Gain on sales of goods	132	131
Other	53	199
Total non-operating income	756	1,064
Non-operating expenses		
Interest expenses	98	63
Loss on valuation of derivatives	—	35
Other	20	19
Total non-operating expenses	119	118
Ordinary income	6,155	5,508
Extraordinary income		
Gain on sales of noncurrent assets	1	722
Gain on sales of investment securities	—	14
Gain on sales of subsidiaries and affiliates' stocks	—	2,822
Gain on change in equity	115	—
Gain on negative goodwill	—	204
Total extraordinary income	116	3,764
Extraordinary loss		
Loss on retirement of non-current assets	38	21
Impairment loss	124	23
Loss on sales of investment securities	—	98
Loss on valuation of investment securities	976	380
Loss on liquidation of subsidiaries and affiliates	—	272
Loss on valuation of membership	9	1
Special retirement expenses	84	8
Other	7	—
Total extraordinary losses	1,241	806
Income before income taxes and minority interests	5,030	8,465
Income taxes	1,957	501
Income before minority interests	3,073	7,964
Minority interests in income	72	599
Net income	3,001	7,364

(3) Consolidated quarterly statements of comprehensive income

(Millions of yen)

	FY2013 Third quarter (April 2012 through December 2012)	FY2014 Third quarter (April 2013 through December 2013)
Income before minority interests	3,073	7,964
Other comprehensive income		
Valuation difference on available-for-sale securities	1,000	5,268
Foreign currency translation adjustment	17	1,429
Share of other comprehensive income of associates accounted for using equity method	1	89
Total other comprehensive income	1,018	6,787
Comprehensive income	4,092	14,751
Comprehensive income attributable to:		
Owners of the parent	4,016	14,046
Minority interests	75	704

(4) 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 ¥1,067 million, respectively, retained earnings decreased by ¥485 million and treasury stock decreased by ¥3,885 million during FY2014 third quarter. As a result, shareholders' equity increased by ¥5,535 million collectively compared to March 31, 2013.