

FY2015 Consolidated Financial Results [Japanese GAAP]

(October 1, 2014 through March 31, 2015)

May 14, 2015

Company name	: KADOKAWA DWANGO CORPORATION
Stock exchange on which the shares are listed	: Tokyo Stock Exchange
Code number	: 9468
URL	: http://info.kadokawadwango.co.jp/
Representative person	: Tatsuo Sato, President
Contact person	: Masaki Matsubara, Director Tel. (03) 3549-6370
Expected date of ordinary general meeting of shareholders	: June 23, 2015
Expected starting date of cash dividends paid	: June 24, 2015
Expected reporting date of annual security report	: June 25, 2015
Financial results supplementary explanatory documents	: Yes
Financial results explanatory meeting	: Yes

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results of FY2015 (October 1, 2014 through March 31, 2015)

(1) Consolidated operating results (%: Changes from the previous year)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
FY2015	100,566	—	1,391	—	2,472	—
FY2014	—	—	—	—	—	—

(Note) Comprehensive income: FY2015 15,205 million yen (—%), FY2014 — million yen (—%)

	Net income		Net income per share-basic	Net income per share-diluted
	(Millions of yen)	%	(Yen)	(Yen)
FY2015	14,055	—	200.03	199.21
FY2014	—	—	—	—

	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	%	%	%
FY2015	22.5	2.1	1.4
FY2014	—	—	—

(Reference) Equity in earnings (losses) of affiliates: FY2015 287 million yen, FY2014 — million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
FY2015	205,673	104,248	50.2	1,457.83
FY2014	—	—	—	—

(Reference) Equity capital: FY2015 103,206 million yen, FY2014 — 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)
FY2015	7,765	(9,049)	24,385	59,201
FY2014	—	—	—	—

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			
FY2014	(Yen) —	(Yen) —	(Yen) —	(Yen) —	(Yen) —	(Millions of yen) —	% —	% —
FY2015	—	—	—	10.00	10.00	708	5.0	1.0
FY2016	—	0.00	—	20.00	20.00		35.7	

3. Consolidated Forecast for FY2016 (April 1, 2015 through March 31, 2016)

	Net sales		Operating income		Ordinary income		Net income		Net income per share-basic	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)	%
FY2016	200,500	—	7,000	—	6,800	—	4,000	—	56.00	—

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.: 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
- (3) Outstanding shares (Common stock)
 - (a) Number of shares issued and outstanding at the end of each year (including treasury stock):
FY2014 70,892,060 shares, FY2013 — shares
 - (b) Number of treasury stock at the end of each year:
FY2014 97,194 shares, FY2013 — shares
 - (c) Number of weighted-average number of shares issued and outstanding for each year:
FY2014 70,266,200 shares, FY2013 — shares

Reference

1. Non-consolidated Financial Results of FY2014 (October 1, 2014 through March 31, 2015)

(1) Non-consolidated operating results (%: Changes from the previous year)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
FY2014	1,617	—	(377)	—	(391)	—
FY2013	—	—	—	—	—	—

	Net income		Net income per share-basic	Net income per share-diluted
	(Millions of yen)	%	(Yen)	(Yen)
FY2014	2,157	—	30.03	29.93
FY2013	—	—	—	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
FY2014	100,877	89,578	88.8	1,263.94
FY2013	—	—	—	—

2. Non-consolidated Forecast for FY2015 (April 1, 2015 through March 31, 2016)

	Net sales		Ordinary income		Net income		Net income per share-basic	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)	%
FY2015	10,800	—	(820)	—	(830)	—	(12.00)	—

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 Balance Sheet

(Millions of yen)

FY2015
(As of March 31, 2015)

Assets	
Current assets	
Cash and deposits	63,207
Notes and accounts receivable - trade	40,997
Inventories	15,918
Deferred tax assets	6,401
Other	5,844
Allowance for doubtful accounts	Δ1,169
Total current assets	131,200
Non-current assets	
Property, plant and equipment	
Buildings and structures	15,873
Accumulated depreciation	Δ3,570
Buildings and structures, net	12,303
Tools, furniture and fixtures	9,818
Accumulated depreciation	Δ6,483
Tools, furniture and fixtures, net	3,334
Land	19,047
Construction in progress	1,166
Other	614
Accumulated depreciation	Δ117
Other, net	497
Total property, plant and equipment	36,350
Intangible assets	
Goodwill	366
Other	5,631
Total intangible assets	5,997
Investments and other assets	
Investment securities	20,504
Net defined benefit asset	144
Other	11,615
Allowance for doubtful accounts	Δ139
Total investments and other assets	32,124
Total non-current assets	74,473
Total assets	205,673

(Millions of yen)

FY2015
(As of March 31, 2015)

Liabilities	
Current liabilities	
Notes and accounts payable - trade	25,070
Short-term loans payable	2,258
Provision for bonuses	2,042
Provision for point card certificates	107
Provision for sales returns	7,921
Other	25,916
Total current liabilities	63,316
Non-current liabilities	
Long-term loans payable	29,340
Deferred tax liabilities	3,106
Net defined benefit liability	3,567
Other	2,094
Total non-current liabilities	38,108
Total liabilities	101,425
Net assets	
Shareholders' equity	
Capital stock	20,625
Capital surplus	65,386
Retained earnings	16,130
Treasury shares	△195
Total shareholders' equity	101,946
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	△264
Foreign currency translation adjustment	1,719
Remeasurements of defined benefit plans	△194
Total accumulated other comprehensive income	1,260
Minority interests	1,041
Total net assets	104,248
Total liabilities and net assets	205,673

Consolidated Statements of Income

(Millions of yen)

	FY2015 (October 2014 through March 2015)
Net sales	100,566
Cost of sales	72,682
Gross profit	27,884
Selling, general and administrative expenses	26,493
Operating income	1,391
Non-operating income	
Interest income	28
Dividend income	137
Share of profit of entities accounted for using equity method	287
Foreign exchange gains	422
Other	245
Total non-operating income	1,121
Non-operating expenses	
Interest expenses	33
Other	7
Total non-operating expenses	41
Ordinary income	2,472
Extraordinary income	
Gain on bargain purchase	22,301
Other	213
Total extraordinary income	22,514
Extraordinary losses	
Impairment loss	5,798
Loss on valuation of investment securities	460
Business structure improvement expenses	5,118
Other	182
Total extraordinary losses	11,558
Income before income taxes and minority interests	13,428
Income taxes - current	916
Income taxes - deferred	△1,588
Total income taxes	△672
Income before minority interests	14,100
Minority interests in income	45
Net income	14,055

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,616	8,606	2,577	△42	21,757
Changes of items during period					
ConversionOfConvertibleBonds	625	625			1,250
Dividends of surplus			△407		△407
Net income			14,055		14,055
Purchase of treasury shares				△39	△39
Disposal of treasury shares		1		133	134
Retirement of treasury shares		△11,328		11,328	—
Increase by share transfers	9,383	68,753		△13,045	65,092
Purchase of shares of consolidated subsidiaries		△1,271		1,470	199
Change of scope of consolidation			△94		△94
Net changes of items other than shareholders' equity					
Total changes of items during period	10,008	56,780	13,552	△152	80,189
Balance at end of current period	20,625	65,386	16,130	△195	101,946

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	189	—	—	189	169	22,115
Changes of items during period						
ConversionOfConvertibleBonds						1,250
Dividends of surplus						△407
Net income						14,055
Purchase of treasury shares						△39
Disposal of treasury shares						134
Retirement of treasury shares						—
Increase by share transfers						65,092
Purchase of shares of consolidated subsidiaries						199
Change of scope of consolidation						△94
Net changes of items other than shareholders' equity	△453	1,719	△194	1,071	872	1,943
Total changes of items during period	△453	1,719	△194	1,071	872	82,132
Balance at end of current period	△264	1,719	△194	1,260	1,041	104,248

Consolidated Statements of Changes in Net Assets

(Millions of yen)

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	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
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Changes of items during period						
ConversionOfConvertibleBonds						1,250
Dividends of surplus						△407
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Purchase of treasury shares						△39
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Retirement of treasury shares						—
Increase by share transfers						65,092
Purchase of shares of consolidated subsidiaries						199
Change of scope of consolidation						△94
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Balance at end of current period	△264	1,719	△194	1,260	1,041	104,248

Consolidated Statement Of Cash Flows

(Millions of yen)

	FY2015 (October 2014 through March 2015)
Cash flows from operating activities	
Income before income taxes and minority interests	13,428
Depreciation	1,937
Amortization of goodwill	503
Gain on bargain purchase	Δ22,301
Impairment loss	5,798
Loss (gain) on valuation of investment securities	460
Business structure improvement expenses	5,118
Increase (decrease) in net defined benefit liability	97
Increase (decrease) in provision for sales returns	Δ232
Increase (decrease) in provision for bonuses	Δ359
Interest and dividend income	Δ166
Share of (profit) loss of entities accounted for using equity method	Δ287
Decrease (increase) in notes and accounts receivable - trade	Δ384
Decrease (increase) in inventories	812
Increase (decrease) in notes and accounts payable - trade	3,545
Other, net	1,012
Subtotal	<u>8,982</u>
Interest and dividend income received	157
Interest expenses paid	Δ32
Income taxes paid	Δ1,341
Net cash provided by (used in) operating activities	<u>7,765</u>
Cash flows from investing activities	
Decrease (increase) in time deposits	Δ1,456
Purchase of property, plant and equipment	Δ6,351
Purchase of intangible assets	Δ1,843
Purchase of investment securities	Δ758
Proceeds from share of profits on investments in capital	500
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,919
Purchase of shares of subsidiaries resulting in change in scope of consolidation	Δ1,683
Other, net	622
Net cash provided by (used in) investing activities	<u>Δ9,049</u>
Cash flows from financing activities	
Increase (decrease) in short-term loans payable	Δ3
Proceeds from long-term loans payable	30,000
Repayments of long-term loans payable	Δ4,612
Redemption of bonds	Δ568
Purchase of treasury shares	Δ36
Proceeds from sales of treasury shares	35
Cash dividends paid	Δ408
Other, net	Δ21
Net cash provided by (used in) financing activities	<u>24,385</u>
Effect of exchange rate change on cash and cash equivalents	981
Net increase (decrease) in cash and cash equivalents	<u>24,083</u>
Cash and cash equivalents at beginning of period	10,883
IncreaseInCashAndCashEquivalentsResultingFromShareTransfers	24,242
Decrease in cash and cash equivalents resulting from	Δ6

exclusion of subsidiaries from consolidation
Cash and cash equivalents at end of period

59,201

Segment information

(Millions of yen)

	Reporting Segment					
	Books and IP	Information Media	Video and IP	Portal	Live	Mobile
Sales						
Sales to external customers	37,544	15,854	15,201	9,495	1,175	4,965
Inter-segment sales	798	98	665	69	16	1
Total	38,343	15,953	15,866	9,565	1,191	4,966
Segment income(loss)	3,038	(1,164)	987	1,377	(459)	1,756
Segment assets	41,488	10,395	29,207	8,028	633	2,501
Other items						
Depreciation	602	142	239	521	51	80
Depreciation of goodwill	140	-	-	135	16	-

	Reporting Segment		Other	Total	Adjustment Amount	Consolidated balance sheet
	Game	Subtotal				
Sales						
Sales to external customers	7,049	91,287	9,275	100,562	4	100,566
Inter-segment sales	119	1,768	344	2,113	(2,113)	-
Total	7,169	93,056	9,620	102,676	(2,109)	100,566
Segment income(loss)	(1,015)	4,521	(326)	4,194	(2,803)	1,391
Segment assets	14,978	107,234	20,562	127,796	77,876	205,673
Other items						
Depreciation	70	1,706	108	1,815	177	1,993
Depreciation of goodwill	22	315	188	503	-	503