

Financial Results for the 1Q ended June 30, 2015 [Japanese GAAP]

(April 1, 2015 through June 30, 2015)

August 6, 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	: Nobuo Kawakami, President
Contact person	: Masaki Matsubara, Director Tel. (03) 3549-6370
Expected reporting date of Quarterly report	: August 11, 2015
Financial results supplementary explanatory documents	: Yes
Financial results explanatory meeting	: No

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results of 1Q ended June 30, 2015 (April 1, 2015 through June 30, 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)	%
1Q ended Jun 30, 2015	46,906	—	1,145	—	1,648	—
1Q ended Dec 31, 2014	49,715	—	1,851	—	2,603	—

(Note) Comprehensive income: 1Q ended June 30, 2015 147 million yen (—%), 1Q ended Dec 31, 2014 26,493 million yen (—%)

	Profit attributable to owners of parent		Net income per share-basic		Net income per share-diluted	
	(Millions of yen)	%	(Yen)	(Yen)	(Yen)	(Yen)
1Q ended Jun 30, 2015	(220)	—	(3.11)		—	
1Q ended Dec 31, 2014	26,078	—	373.89		307.79	

※The Company has been established on October 1, 2014 as the joint holding company of both DWANGO and KADOKAWA by a joint share transfer. Therefore, 1Q of last fiscal year is from October to December and 1Q of this fiscal year is from April to June. Due to the difference of compared period, rate of changes are not mentioned.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	%	(Yen)	(Yen)	
1Q ended Jun 30, 2015	191,703		103,969		53.5	1,449.14		
Year ended Mar 31, 2015	205,673		104,248		50.2	1,457.83		

(Reference) Equity capital: 1Q ended June 30, 2015 102,589 million yen, Year ended March 31, 2015 103,206 million yen

2. Cash dividends

	Cash dividend per share				
	1Q	2Q	3Q	Year-end	Annual
Year ended March 31, 2015	(Yen) —	(Yen) —	(Yen) —	(Yen) 10.00	(Yen) 10.00
Year ending March 31, 2016	—	—	—	—	—
Year ending March 31, 2016 (Forecast)	—	0.00	—	20.00	20.00

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share-basic	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)	%
Year ending March 31, 2016	200,500	—	7,000	—	6,800	—	4,000	—	56.00	—

Notes

- (1) Changes in significant subsidiaries during this 1Q (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 (including treasury stock):

1Q ended June 30, 2015	70,892,060 shares, Year ended March 31, 2015	70,892,060 shares
------------------------	--	-------------------
 - (b) Number of treasury stock:

1Q ended June 30, 2015	98,485 shares, Year ended March 31, 2015	97,194 shares
------------------------	--	---------------
 - (c) Number of weighted-average number of shares issued and outstanding:

1Q ended June 30, 2015	70,794,076 shares, 1Q ended Dec 31, 2014	69,748,368 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 Year ending March 31, 2016” 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 Sheets

(Unit : Millions of yen)

	Year ended March 31, 2015 As of March 31, 2015	1Q ended June 30, 2015 As of June 30, 2015
Assets		
Current assets		
Cash and deposits	63,207	56,399
Notes and accounts receivable - trade	40,997	34,810
Inventories	15,918	16,501
Other	12,246	10,897
Allowance for doubtful accounts	(1,169)	(1,362)
Total current assets	131,200	117,246
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,303	12,090
Tools, furniture and fixtures, net	3,334	3,321
Land	19,047	19,035
Other, net	1,664	1,688
Total property, plant and equipment	36,350	36,135
Intangible assets		
Goodwill	366	298
Other	5,631	5,839
Total intangible assets	5,997	6,138
Investments and other assets		
Investment securities	20,504	21,056
Other	11,759	11,935
Allowance for doubtful accounts	(139)	(808)
Total investments and other assets	32,124	32,183
Total non-current assets	74,473	74,457
Total assets	205,673	191,703

(Unit : Millions of yen)

	Year ended March 31, 2015 As of March 31, 2015	1Q ended June 30, 2015 As of June 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,070	21,435
Short-term loans payable	2,258	2,288
Provision for bonuses	2,042	996
Provision for point card certificates	107	94
Provision For Sales Returns	7,921	7,341
Other	25,916	17,996
Total current liabilities	63,316	50,152
Non-current liabilities		
Long-term loans payable	29,340	28,888
Net defined benefit liability	3,567	3,294
Other	5,200	5,398
Total non-current liabilities	38,108	37,581
Total liabilities	101,425	87,734
Net assets		
Shareholders' equity		
Capital stock	20,625	20,625
Capital surplus	65,386	65,396
Retained earnings	16,130	15,201
Treasury shares	(195)	(197)
Total shareholders' equity	101,946	101,025
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(264)	24
Foreign currency translation adjustment	1,719	1,720
Remeasurements of defined benefit plans	(194)	(180)
Total accumulated other comprehensive income	1,260	1,564
Non-controlling interests	1,041	1,379
Total net assets	104,248	103,969
Total liabilities and net assets	205,673	191,703

Consolidated Statement of Income

(Unit : Millions of yen)

	1Q ended December 31, 2014 From October 1, 2014 to December 31, 2014	1Q ended June 30, 2015 From April 1, 2015 to June 30, 2015
Net sales	49,715	46,906
Cost of sales	35,314	33,107
Gross profit	14,400	13,799
Selling, general and administrative expenses	12,548	12,653
Operating income	1,851	1,145
Non-operating income		
Interest income	4	12
Dividend income	128	212
Share of profit of entities accounted for using equity method	170	188
Foreign exchange gains	423	75
Other	44	69
Total non-operating income	771	558
Non-operating expenses		
Interest expenses	13	25
Contribution	—	29
Other	6	1
Total non-operating expenses	19	55
Ordinary income	2,603	1,648
Extraordinary income		
Gain on bargain purchase	22,301	—
Gain on liquidation of subsidiaries and associates	—	106
Other	215	9
Total extraordinary income	22,516	116
Extraordinary losses		
Impairment loss	162	—
Loss on valuation of investment securities	—	5
Other	—	0
Total extraordinary losses	162	5
Income before income taxes and minority interests	24,958	1,759
Income taxes	(1,145)	1,921
Profit (loss)	26,103	(162)
Profit attributable to non-controlling interests	25	57
Profit (loss) attributable to owners of parent	26,078	(220)

Consolidated Statement of Comprehensive Income

(Unit : Millions of yen)

	1Q ended December 31, 2014 From October 1, 2014 to December 31, 2014	1Q ended June 30, 2015 From April 1, 2015 to June 30, 2015
Profit (loss)	26,103	(162)
Other comprehensive income		
Valuation difference on available-for-sale securities	(375)	289
Foreign currency translation adjustment	676	7
Remeasurements of defined benefit plans	—	14
Share of other comprehensive income of entities accounted for using equity method	88	(1)
Total other comprehensive income	389	309
Comprehensive income	26,493	147
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,446	83
Comprehensive income attributable to non-controlling interests	47	63

Consolidated Statement of Cash Flows

(Unit : Millions of yen)

1Q ended June 30, 2015
From April 1, 2015
to June 30, 2015

Cash flows from operating activities	
Income before income taxes and minority interests	1,759
Depreciation	1,002
Amortization of goodwill	67
Increase (decrease) in allowance for doubtful accounts	861
Increase (decrease) in net defined benefit liability	(157)
Increase (decrease) in provision for sales returns	(579)
Increase (decrease) in provision for bonuses	(1,046)
Interest and dividend income	(225)
Share of (profit) loss of entities accounted for using equity method	(188)
Decrease (increase) in notes and accounts receivable - trade	4,475
Decrease (increase) in inventories	(575)
Increase (decrease) in notes and accounts payable - trade	(3,637)
Other, net	465
Subtotal	2,221
Interest and dividend income received	260
Interest expenses paid	(13)
Business structure improvement expenses paid	(5,118)
Income taxes paid	(1,524)
Net cash provided by (used in) operating activities	(4,172)
Cash flows from investing activities	
Net decrease (increase) in time deposits	(3,040)
Purchase of property, plant and equipment	(1,232)
Purchase of intangible assets	(713)
Purchase of investment securities	(220)
Proceeds from share of profits on investments in capital	227
Proceeds from liquidation of subsidiaries	300
Other, net	89
Net cash provided by (used in) investing activities	(4,589)
Cash flows from financing activities	
Repayments of long-term loans payable	(422)
Proceeds from share issuance to non-controlling shareholders	284
Purchase of treasury shares	(2)
Cash dividends paid	(707)
Other, net	(19)
Net cash provided by (used in) financing activities	(866)
Effect of exchange rate change on cash and cash equivalents	77
Net increase (decrease) in cash and cash equivalents	(9,552)
Cash and cash equivalents at beginning of	59,201

period

Cash and cash equivalents at end of period	<u>49,649</u>
--	---------------