



FY2010 Second Quarter Financial Results

(April 1, 2009 through September 30, 2009)

October 27, 2009

| | |
|--|---|
| Company name | : KADOKAWA GROUP HOLDINGS, INC. |
| Stock exchange on which the shares are listed | : Tokyo Stock Exchange |
| Code number | : 9477 |
| URL | : http://www.kadokawa-hd.co.jp/ |
| Representative person | : Tatsuo Sato, President and COO |
| Contact person | : Yasuaki Takayama, Director and General Manager Tel. (03) 3238-8710 |
| Expected reporting date of quarterly security report | : November 11, 2009 |

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results of FY2010 Second Quarter (April 1, 2009 through September 30, 2009)

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

| | Net sales | | Operating income | | Ordinary income | |
|-----------------------|-------------------|--------------|-------------------|--------------|-------------------|-------------|
| | (Millions of yen) | % | (Millions of yen) | % | (Millions of yen) | % |
| FY2010 Second Quarter | 63,447 | (8.8) | 2,316 | 131.3 | 2,531 | 70.2 |
| FY2009 Second Quarter | 69,575 | — | 1,001 | — | 1,487 | — |

| | Net income | | Net income per share-basic | | Net income per share-diluted | |
|-----------------------|-------------------|----------|----------------------------|-------|------------------------------|-------|
| | (Millions of yen) | % | (Yen) | (Yen) | (Yen) | (Yen) |
| FY2010 Second Quarter | 595 | — | 23.60 | | 22.83 | |
| FY2009 Second Quarter | (1,854) | — | (72.13) | | — | |

(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) | |
| FY2010 Second Quarter | 110,960 | | 67,109 | | 59.8 | | 2,631.50 | |
| FY2009 | 123,176 | | 67,510 | | 54.2 | | 2,649.06 | |

(Reference) Equity capital: FY2010 Second Quarter 66,367 million yen, FY2009 66,810 million yen

2. Cash dividends

| (Record date) | Cash dividends per share | | | | |
|-------------------|--------------------------|-------------------|----------------|--------------------|--------------------|
| | First Quarter | Second Quarter | Third Quarter | Year-End | Total |
| FY2009 | (Yen) — | (Yen) 0.00 | (Yen) — | (Yen) 30.00 | (Yen) 30.00 |
| FY2010 | — | 0.00 | | | |
| FY2010 (Forecast) | | | — | 30.00 | 30.00 |

(Note) Revision of cash dividend forecast for FY2010 during this period: None

3. Consolidated Forecast for FY2010 (April 1, 2009 through March 31, 2010)

(%: Changes from the corresponding period of the preceding year)

| | Net sales | | Operating income | | Ordinary income | |
|--------|-------------------|--------------|-------------------|-------------|-------------------|-------------|
| | (Millions of yen) | % | (Millions of yen) | % | (Millions of yen) | % |
| FY2010 | 140,000 | (1.1) | 5,000 | 40.2 | 5,000 | 23.1 |

| | Net income | | Net income per share | |
|--------|-------------------|----------|----------------------|-------|
| | (Millions of yen) | % | (Yen) | (Yen) |
| FY2010 | 2,000 | — | 79.00 | |

(Note) Revision of consolidated forecast for FY2010 during this period: None

4. Others

- (1) Changes in the significant subsidiaries (Accompanying changes in scope of the consolidation): None
- (2) Adoption of simplified accounting methods and special accounting methods for preparing quarterly consolidated financial statements: Applicable
- (3) Changes in accounting policy, procedure and presentation for preparing quarterly consolidated financial statements (Described in “Changes in the summary of significant accounting policies for preparing quarterly consolidated financial statements”)
 - (a) Changes accompanying revisions of accounting standards, etc.: None
 - (b) Changes other than the above: None
- (4) Outstanding shares (Common stock)
 - (a) Number of shares issued and outstanding at the end of each period (including treasury stock):
FY2010 second quarter 27,260,800 shares, FY2009 27,260,800 shares
 - (b) Number of treasury stock at the end of each period:
FY2010 second quarter 2,040,216 sharers, FY2009 2,040,248 shares
 - (c) Number of weighted-average number of shares issued and outstanding for each six-month period:
FY2010 second quarter 25,220,566 sharers, FY2009 second quarter 25,711,229 shares

Note regarding use of “Consolidated Forecast for FY2010” and other note

The forecasts are based on information available at the time of preparation. Due to a number of inherent uncertainties in forecasts, actual results may differ from these forecasts.

Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

| | FY2010 Second quarter (As of September 30, 2009) | FY2009 (As of March 31, 2009) |
|--|---|----------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 15,558 | 25,611 |
| Notes and accounts receivable-trade | 30,987 | 33,118 |
| Short-term investment securities | — | 1,497 |
| Inventories | 12,542 | 9,181 |
| Deferred tax assets | 1,583 | 1,654 |
| Other | 2,766 | 3,118 |
| Allowance for doubtful accounts | (177) | (184) |
| Total current assets | 63,261 | 73,998 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,925 | 7,064 |
| Tools, furniture and fixtures, net | 1,498 | 1,530 |
| Land | 10,541 | 10,509 |
| Other, net | 376 | 421 |
| Total property, plant and equipment | 19,342 | 19,524 |
| Intangible assets | | |
| Goodwill | 435 | 602 |
| Other | 2,313 | 2,446 |
| Total intangible assets | 2,748 | 3,048 |
| Investments and other assets | | |
| Investment securities | 13,962 | 14,016 |
| Deferred tax assets | 1,046 | 931 |
| Other | 11,021 | 12,051 |
| Allowance for doubtful accounts | (423) | (395) |
| Total investments and other assets | 25,607 | 26,604 |
| Total noncurrent assets | 47,698 | 49,177 |
| Total assets | 110,960 | 123,176 |

(Millions of yen)

| | FY2010 Second quarter (As of September 30, 2009) | FY2009 (As of March 31, 2009) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 18,073 | 19,284 |
| Short-term loans payable | 6,493 | 4,410 |
| Current portion of bonds | — | 11,400 |
| Income taxes payable | 1,477 | 2,230 |
| Provision for bonuses | 1,379 | 1,177 |
| Provision for sales returns | 3,224 | 3,305 |
| Other | 7,638 | 9,234 |
| Total current liabilities | 38,287 | 51,042 |
| Noncurrent liabilities | | |
| Long-term loans payable | 840 | 939 |
| Deferred tax liabilities | 786 | 676 |
| Provision for retirement benefits | 2,317 | 2,007 |
| Other | 1,618 | 999 |
| Total noncurrent liabilities | 5,563 | 4,623 |
| Total liabilities | 43,851 | 55,665 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 26,330 | 26,330 |
| Capital surplus | 27,704 | 27,704 |
| Retained earnings | 21,518 | 21,679 |
| Treasury stock | (5,879) | (5,879) |
| Total shareholders' equity | 69,674 | 69,835 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | (1,391) | (1,585) |
| Deferred gains or losses on hedges | (10) | — |
| Revaluation reserve for land | (256) | (256) |
| Foreign currency translation adjustment | (1,647) | (1,182) |
| Total valuation and translation adjustments | (3,306) | (3,025) |
| Minority interests | 741 | 699 |
| Total net assets | 67,109 | 67,510 |
| Total liabilities and net assets | 110,960 | 123,176 |

(2) Consolidated quarterly statements of operations

(Millions of yen)

| | FY2009 Second quarter (April 2008 through September 2008) | FY2010 Second quarter (April 2009 through September 2009) |
|--|--|--|
| Net sales | 69,575 | 63,447 |
| Cost of sales | 52,934 | 47,265 |
| Gross profit | 16,641 | 16,182 |
| Reversal of provision for sales returns | 3,190 | 3,818 |
| Provision for sales returns | 3,090 | 3,217 |
| Gross profit-net | 16,740 | 16,782 |
| Selling, general and administrative expenses | 15,739 | 14,466 |
| Operating income | 1,001 | 2,316 |
| Non-operating income | | |
| Interest income | 221 | 89 |
| Dividends income | 118 | 107 |
| Amortization of negative goodwill | 48 | 40 |
| Gain on valuation of compound financial instruments | — | 166 |
| Insurance income | 180 | 149 |
| Gain on sales of used papers | 120 | 57 |
| Other | 55 | 106 |
| Total non-operating income | 745 | 716 |
| Non-operating expenses | | |
| Interest expenses | 56 | 63 |
| Equity in losses of affiliates | 181 | 394 |
| Other | 21 | 43 |
| Total non-operating expenses | 259 | 501 |
| Ordinary income | 1,487 | 2,531 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 0 | — |
| Total extraordinary income | 0 | — |
| Extraordinary loss | | |
| Loss on sales of noncurrent assets | 1 | — |
| Loss on retirement of noncurrent assets | 65 | 38 |
| Loss on sales of investment securities | 70 | — |
| Loss on valuation of investment securities | 1,244 | 131 |
| Loss on change in equity | — | 80 |
| Loss on litigation | 57 | — |
| Retirement benefit expenses for prior periods | — | 278 |
| Total extraordinary losses | 1,439 | 528 |
| Income before income taxes and minority interests | 48 | 2,002 |
| Income taxes | 1,888 | 1,372 |
| Minority interests in income | 13 | 34 |
| Net income (loss) | (1,854) | 595 |

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

FY2009 Second quarter FY2010 Second quarter(April 2008 through
September 2008)(April 2009 through
September 2009)**Cash flows from operating activities**

| | | |
|--|----------------|--------------|
| Income before income taxes and minority interests | 48 | 2,002 |
| Depreciation and amortization | 1,071 | 966 |
| Amortization of goodwill | 524 | 125 |
| Increase (decrease) in provision for retirement benefits | (44) | 293 |
| Interest and dividends income | (340) | (196) |
| Interest expenses | 56 | 63 |
| Equity in (earnings) losses of affiliates | 181 | 394 |
| Loss (gain) on valuation of investment securities | 1,244 | 131 |
| Decrease (increase) in notes and accounts receivable-trade | 1,232 | 4,301 |
| Decrease (increase) in inventories | 439 | (2,794) |
| Increase (decrease) in notes and accounts payable-trade | (2,579) | (1,704) |
| Other, net | (2,055) | (2,694) |
| Subtotal | (219) | 888 |
| Interest and dividends income received | 384 | 228 |
| Interest expenses paid | (45) | (37) |
| Income taxes paid | (2,830) | (1,648) |
| Net cash provided by (used in) operating activities | (2,711) | (568) |

Cash flows from investing activities

| | | |
|---|----------------|-------------|
| Decrease (increase) in time deposits | 90 | 125 |
| Purchase of short-term investment securities | (1,998) | — |
| Proceeds from sales and redemption of securities | 1,000 | 500 |
| Purchase of property, plant and equipment | (649) | (342) |
| Purchase of intangible assets | (486) | (329) |
| Purchase of investment securities | (220) | (108) |
| Proceeds from sales of investment securities | 9 | 0 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | — | (1,126) |
| Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation | 47 | — |
| Purchase of trust beneficiary right | (1,000) | — |
| Proceeds from cancellation of insurance funds | — | 1,308 |
| Other, net | 69 | (59) |
| Net cash provided by (used in) investing activities | (3,137) | (33) |

Cash flows from financing activities

| | | |
|--|----------------|-----------------|
| Increase (decrease) in short-term loans payable | — | 2,074 |
| Redemption of bonds | — | (11,400) |
| Purchase of treasury stock | (317) | — |
| Proceeds from sales of treasury stock | 0 | 0 |
| Cash dividends paid | (798) | (756) |
| Other, net | (272) | (101) |
| Net cash provided by (used in) financing activities | (1,388) | (10,184) |

Effect of exchange rate change on cash and cash equivalents

| | | |
|--|----|-------|
| | 51 | (340) |
|--|----|-------|

Net increase (decrease) in cash and cash equivalents

| | | |
|--|----------------|-----------------|
| | (7,185) | (11,127) |
|--|----------------|-----------------|

Cash and cash equivalents at beginning of period

| | | |
|--|---------------|---------------|
| | 29,144 | 26,577 |
|--|---------------|---------------|

Cash and cash equivalents at end of period

| | | |
|--|---------------|---------------|
| | 21,959 | 15,450 |
|--|---------------|---------------|

(4) Notes on Premise of Going Concern

Not applicable

(5) Business Segment Information

FY2009 Second Quarter (April 2008 through September 2008)

(Millions of yen)

| | Publication | Movie/ Visual | Cross Media | Others | Total | Elimination and/or Corporate | Consolidated |
|-------------------------|-------------|------------------|----------------|--------|--------|------------------------------------|--------------|
| Sales | | | | | | | |
| (1) Outside customers | 33,983 | 17,637 | 13,307 | 4,646 | 69,575 | — | 69,575 |
| (2) Inter-segment | 533 | 138 | 389 | 1,173 | 2,234 | (2,234) | — |
| Total sales | 34,517 | 17,775 | 13,697 | 5,819 | 71,809 | (2,234) | 69,575 |
| Operating income (loss) | 1,724 | (478) | (61) | 369 | 1,553 | (551) | 1,001 |

FY2010 Second Quarter (April 2009 through September 2009)

(Millions of yen)

| | Publication | Movie/ Visual | Cross Media | Others | Total | Elimination and/or Corporate | Consolidated |
|-------------------------|-------------|------------------|----------------|--------|--------|------------------------------------|--------------|
| Sales | | | | | | | |
| (1) Outside customers | 33,739 | 14,609 | 11,430 | 3,668 | 63,447 | — | 63,447 |
| (2) Inter-segment | 597 | 58 | 199 | 934 | 1,789 | (1,789) | — |
| Total sales | 34,336 | 14,667 | 11,629 | 4,602 | 65,237 | (1,789) | 63,447 |
| Operating income (loss) | 2,593 | 503 | 9 | (119) | 2,986 | (669) | 2,316 |

Note: Kadokawa Group Holdings, Inc. and its consolidated subsidiaries operate primarily in the following business segments.

- (1) Publication: books, story magazines, life magazines, distribution and others
- (2) Movie/Visual: films, DVD movies and others
- (3) Cross Media: information magazines, web-site, digital content and others
- (4) Others: game software, ad agency, real estate rental and others

(6) Notes on Significant Changes in Shareholders' Equity

Not applicable