



FY2011 Second Quarter Consolidated Financial Results [Japanese GAAP]

(April 1, 2010 through September 30, 2010)

October 27, 2010

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
 Contact person : Yasuaki Takayama, Director and General Manager
 Tel. (03) 3238-8710
 Expected reporting date of quarterly security report : November 10, 2010
 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 FY2011 Second Quarter (April 1, 2010 through September 30, 2010)

(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)	%
FY2011 Second Quarter	66,875	5.4	2,487	7.4	2,903	14.7
FY2010 Second Quarter	63,447	(8.8)	2,316	131.3	2,531	70.2

	Net income		Net income per share-basic		Net income per share-diluted	
	(Millions of yen)	%	(Yen)	(Yen)	(Yen)	(Yen)
FY2011 Second Quarter	(2,099)	—	(83.23)	—	—	—
FY2010 Second Quarter	595	—	23.60	—	22.83	—

(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)	
FY2011 Second Quarter	112,873	65,118	65,118	67,461	57.0	2,548.90	2,645.78	
FY2010	119,252	67,461	67,461	67,461	56.0	2,645.78	2,645.78	

(Reference) Equity capital: FY2011 Second Quarter 64,315 million yen, FY2010 66,728 million yen

2. Cash dividends

	Cash dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
FY2010	(Yen) —	(Yen) 0.00	(Yen) —	(Yen) 30.00	(Yen) 30.00
FY2011	(Yen) —	(Yen) 0.00	(Yen) —	(Yen) 30.00	(Yen) 30.00
FY2011 (Forecast)	(Yen) —	(Yen) 0.00	(Yen) —	(Yen) 30.00	(Yen) 30.00

(Note) Revision of cash dividend forecast for FY2011 during this period: None

3. Consolidated Forecast for FY2011 (April 1, 2010 through March 31, 2011)

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

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
FY2011	136,000	0.1	5,700	10.4	6,000	11.6

	Net income		Net income per share	
	(Millions of yen)	%	(Yen)	(Yen)
FY2011	2,000	39.9	79.00	79.00

(Note) Revision of consolidated forecast for FY2011 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.: Yes
 - (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):
FY2011 second quarter 27,260,800 shares, FY2010 27,260,800 shares
 - (b) Number of treasury stock at the end of each period:
FY2011 second quarter 2,028,087 sharers, FY2010 2,040,224 shares
 - (c) Number of weighted-average number of shares issued and outstanding for each period:
FY2011 second quarter 25,226,739 sharers, FY2010 second quarter 25,220,566 shares

Indication of quarterly review procedure implementation status

This quarterly financial result is exempt from quarterly review procedure 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 Forecast for FY2011” 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)

	FY2011 Second quarter	FY2010
	(As of September 30,	(As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	19,868	24,435
Notes and accounts receivable-trade	31,970	34,830
Short-term investment securities	3,000	—
Inventories	11,875	11,279
Deferred tax assets	1,557	1,715
Other	2,162	2,415
Allowance for doubtful accounts	(145)	(163)
Total current assets	70,289	74,513
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	6,557	6,607
Tools, furniture and fixtures, net	1,359	1,348
Land	10,531	10,531
Other, net	551	550
Total property, plant and equipment	18,999	19,038
Intangible assets		
Goodwill	865	1,077
Other	2,124	2,350
Total intangible assets	2,989	3,428
Investments and other assets		
Investment securities	11,507	12,670
Deferred tax assets	1,175	1,149
Other	8,306	8,917
Allowance for doubtful accounts	(394)	(464)
Total investments and other assets	20,595	22,272
Total noncurrent assets	42,584	44,739
Total assets	112,873	119,252

(Millions of yen)

	FY2011 Second quarter	FY2010
	(As of September 30,	(As of March 31, 2010)

Liabilities**Current liabilities**

Notes and accounts payable-trade	17,107	18,701
Short-term loans payable	173	463
Income taxes payable	2,062	2,732
Provision for bonuses	1,194	1,441
Provision for sales returns	3,443	3,819
Other	7,601	8,356

Total current liabilities	31,583	35,516
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Noncurrent liabilities

Bonds with subscription rights to shares	11,000	11,000
Long-term loans payable	514	612
Deferred tax liabilities	658	660
Provision for retirement benefits	2,507	2,460
Other	1,492	1,540

Total noncurrent liabilities	16,172	16,274
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Total liabilities

47,755	51,791
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Net assets**Shareholders' equity**

Capital stock	26,330	26,330
Capital surplus	27,704	27,704
Retained earnings	19,440	22,352
Treasury stock	(5,852)	(5,879)

Total shareholders' equity	67,622	70,508
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Valuation and translation adjustments

Valuation difference on available-for-sale securities	(739)	(2,012)
Revaluation reserve for land	(256)	(256)
Foreign currency translation adjustment	(2,311)	(1,511)

Total valuation and translation adjustments	(3,307)	(3,780)
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Minority interests

802	733
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Total net assets

65,118	67,461
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Total liabilities and net assets

112,873	119,252
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(2) Consolidated quarterly statements of operations

(Millions of yen)

	FY2010 Second quarter (April 2009 through September 2009)	FY2011 Second quarter (April 2010 through September 2010)
Net sales	63,447	66,875
Cost of sales	47,265	50,228
Gross profit	16,182	16,647
Reversal of provision for sales returns	3,818	3,806
Provision for sales returns	3,217	3,440
Gross profit-net	16,782	17,013
Selling, general and administrative expenses	14,466	14,525
Operating income	2,316	2,487
Non-operating income		
Interest income	89	40
Dividends income	107	106
Amortization of negative goodwill	40	44
Equity in earnings of affiliates	—	23
Gain on valuation of compound financial instruments	166	156
Insurance income	149	5
Gain on sales of used papers	57	78
Other	106	48
Total non-operating income	716	504
Non-operating expenses		
Interest expenses	63	80
Equity in losses of affiliates	394	—
Other	43	8
Total non-operating expenses	501	88
Ordinary income	2,531	2,903
Extraordinary income		
Gain on sales of noncurrent assets	—	3
Gain on sales of subsidiaries and affiliates' stocks	—	0
Gain on sales of memberships	—	1
Total extraordinary income	—	4
Extraordinary loss		
Loss on sales of noncurrent assets	—	0
Loss on retirement of noncurrent assets	38	47
Loss on valuation of investment securities	131	2,605
Loss on change in equity	80	—
Loss on valuation of membership	—	5
Special retirement expenses	—	14
Retirement benefit expenses for prior periods	278	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	408
Total extraordinary losses	528	3,080
Income (loss) before income taxes and minority interests	2,002	(172)
Income taxes	1,372	1,877
Loss before minority interests	—	(2,049)
Minority interests in income	34	49
Net income (loss)	595	(2,099)

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	FY2010 Second quarter (April 2009 through September 2009)	FY2011 Second quarter (April 2010 through September 2010)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	2,002	(172)
Depreciation and amortization	966	942
Amortization of goodwill	125	170
Increase (decrease) in provision for retirement benefits	293	46
Interest and dividends income	(196)	(146)
Interest expenses	63	80
Equity in (earnings) losses of affiliates	394	(23)
Loss (gain) on valuation of investment securities	131	2,605
Decrease (increase) in notes and accounts receivable-trade	4,301	3,007
Decrease (increase) in inventories	(2,794)	(605)
Increase (decrease) in notes and accounts payable-trade	(1,704)	(1,529)
Other, net	(2,694)	(1,241)
Subtotal	888	3,133
Interest and dividends income received	228	205
Interest expenses paid	(37)	(79)
Income taxes paid	(1,648)	(2,320)
Net cash provided by (used in) operating activities	(568)	939
Cash flows from investing activities		
Decrease (increase) in time deposits	125	2,264
Proceeds from sales and redemption of securities	500	—
Purchase of property, plant and equipment	(342)	(649)
Purchase of intangible assets	(329)	(277)
Purchase of investment securities	(108)	(459)
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	—	8
Proceeds from cancellation of insurance funds	1,308	409
Other, net	(59)	98
Net cash provided by (used in) investing activities	(33)	1,394
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	2,074	(267)
Redemption of bonds	(11,400)	—
Purchase of treasury stock	—	(0)
Cash dividends paid	(756)	(756)
Other, net	(101)	(72)
Net cash provided by (used in) financing activities	(10,184)	(1,096)
Effect of exchange rate change on cash and cash equivalents	(340)	(304)
Net increase (decrease) in cash and cash equivalents	(11,127)	932
Cash and cash equivalents at beginning of period	26,577	21,747
Cash and cash equivalents at end of period	15,450	22,680

(4) Notes on Premise of Going Concern

Not applicable

(5) Business Segment Information

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 operates 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

FY2011 Second Quarter (April 2010 through September 2010)

(Millions of yen)

	Business segments reported			Total	Adjustment	Consolidated Statement of Income
	Publication	Movie/ Visual	Cross Media			
Sales						
Outside customers	44,189	14,437	8,248	66,875	—	66,875
Inter-segment sales or transfer	1,848	785	5,120	7,754	(7,754)	—
Total sales	46,038	15,223	13,369	74,630	(7,754)	66,875
Operating income (loss)	3,849	(554)	(335)	2,959	(471)	2,487

(Additional Information)

Effective April 1, 2010, Kadokawa Group adopts the “Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Statement No. 17 of March 27, 2009) and “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 of March 21, 2008).

(6) Notes on Significant Changes in Shareholders' Equity

Not applicable