



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
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY2009	—	0.00	—	30.00	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)
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Net increase (decrease) in cash and cash equivalents

	(7,185)	(11,127)
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Cash and cash equivalents at beginning of period

	29,144	26,577
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Cash and cash equivalents at end of period

	21,959	15,450
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(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